



Vermont Residual Market State Activity Report

Third Quarter 2018



Executive Summary

NCCI, as Pool and Plan Administrator of the Vermont Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2018 *Vermont Residual Market State Activity Report*.

Readers will notice that the order of our charts and tables has been reorganized, based on customer feedback. This will provide a more streamlined picture of the key measurement factors and issues relating to the operation of the Vermont Plan. Residual Market demographics contained in this report include:

Table of Contents

Residual Market Demographics	
Residual Market Total Policies and Premium in Force	1
Vermont Residual Market Reinsurance Pool Booked Loss Ratio.....	2
Vermont Residual Market Reinsurance Pool Ultimate Net Written Premium	2
Vermont Residual Market Reinsurance Pool Net Operating Results.....	3
Collections/Indemnification.....	4
Voluntary Coverage Assistance Program.....	5
Total Applications Bound	6
Total Application Premium Bound.....	6
Residual Market Total Policy Counts	7
Residual Market Total Premium Volume.....	7
Total Premium Distribution by Size of Risk.....	8
Residual Market Top 10 Classification Codes by Policy Count.....	9
Residual Market Top 10 Classification Codes by Premium Volume	9
Glossary of Terms.....	10

If you have any questions or comments about this report, please feel free to contact the individual listed below.

Sally Laub, Plan Administration

561-893-1174

© Copyright 2018 National Council on Compensation Insurance, Inc. This material is owned by NCCI and is protected by copyright law. NCCI will seek all appropriate legal remedies for the unauthorized use, sale, reproduction, distribution, preparation of derivative works, transfer or assignment of this material, or any part thereof. NCCI makes no representation or warranty, express or implied, as to any matter whatsoever, including but not limited to the accuracy of any information, product, or service furnished hereunder. The recipient of this material is subject to any license agreement that governs the use of this information and subscribes to and utilizes the information “as is.”



Residual Market Demographics

Residual Market Total Policies and Premium in Force

As of September 30, 2018—compared to prior year

Total number of Assigned Risk Plan policies and estimated premium volume in force reported as of the date listed above. The other exhibits in this report describe quarterly and year-to-date data.

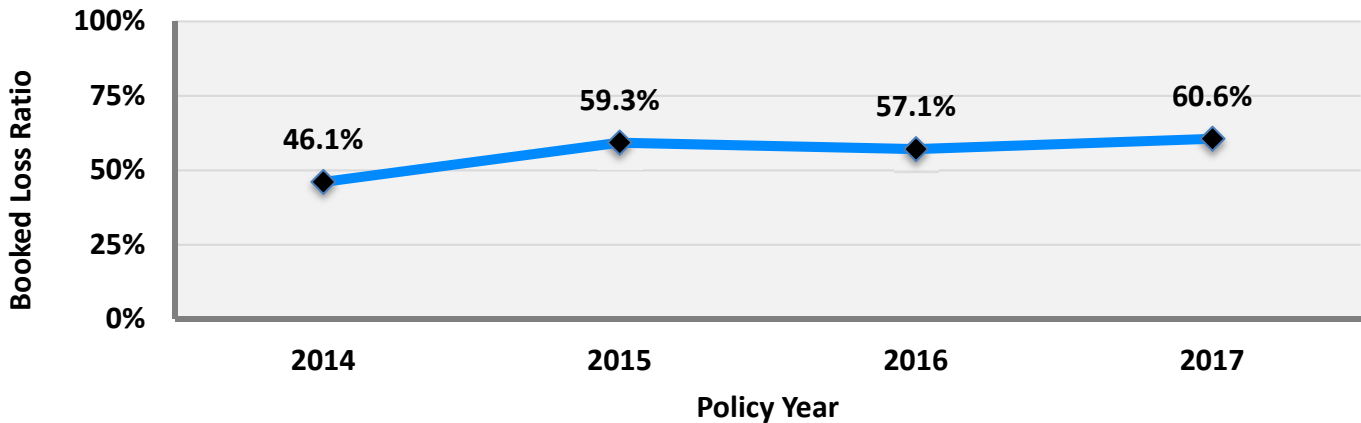
	2018	2017	2018 vs. 2017 #	2018 vs. 2017 %
Policy Count	3,568	3,774	-206	-5.5%
Premium Volume	\$16,938,668	\$17,664,750	-\$726,082	-4.1%



Residual Market Demographics

Vermont Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years*

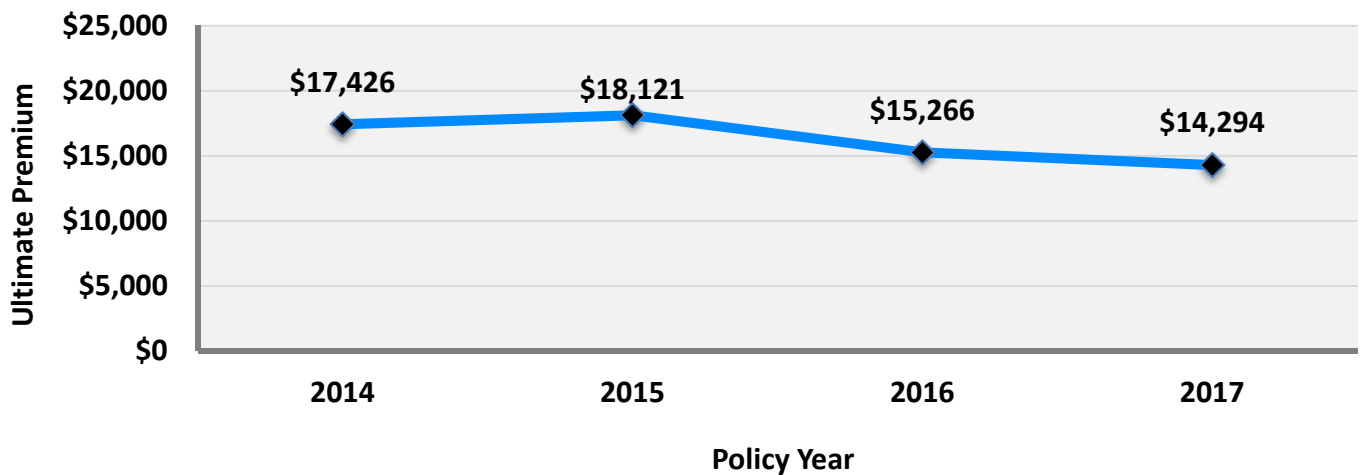
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



Vermont Residual Market Reinsurance Pool Ultimate Net Written Premium (Projected to Ultimate) (000's)

Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years*

The premium charged by an insurance company for the period of time and coverage provided by an insurance contract in this state.



* Third Quarter 2018 data will be available the end of January 2019 due to the timing of data reporting

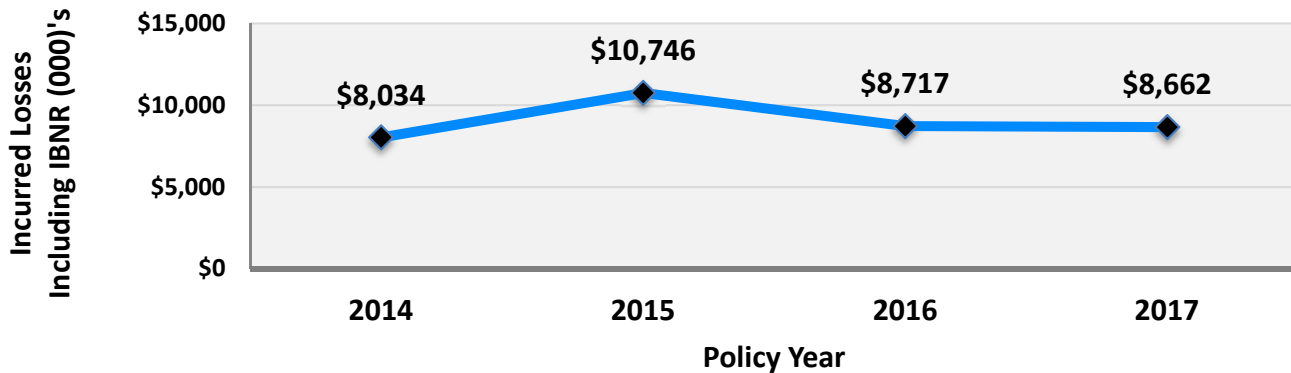


Residual Market Demographics

Vermont Residual Market Reinsurance Pool Net Operating Results (Projected to Ultimate) Incurred Losses

Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years*

Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



Vermont Residual Market Reinsurance Pool Net Operating Results (Projected to Ultimate) Estimated Net Operating Gain/(Loss) (000's)

Policy Year Financial Results through 2nd Quarter 2018 for 2017 and prior years*

The financial statement presentation that reflects the excess of earned premium over incurred losses, less all operating expenses, plus all investment income in that state.



* Third Quarter 2018 data will be available the end of January 2019 due to the timing of data reporting



Residual Market Demographics

Collections/Indemnification

The following shows a comparison of gross written premium and uncollectible premium reported in Vermont for Policy Years 2014-2018, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2018.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2014	\$17,697,430	\$270,963	1.5%
2015	\$18,359,945	\$238,694	1.3%
2016	\$15,459,701	\$172,724	1.1%
2017	\$14,318,489	*	N/A
2018	\$4,864,728	*	N/A

* The uncollectible premiums provided are reported by the servicing carriers on a quarterly basis. Uncollectible premium is generally reported up to 24 months after the policy expiration date due to audit, billing, and collection requirements. Therefore, the uncollectible premium data has not yet developed for the more recent policy years.



Residual Market Demographics

Voluntary Coverage Assistance Program

Third Quarter Data through September 30, 2018

The volume of assigned risk applications redirected to the voluntary market through NCCI's **VCAP[®] Service**. The following shows the results **VCAP[®] Service** has provided during Third Quarter 2018.

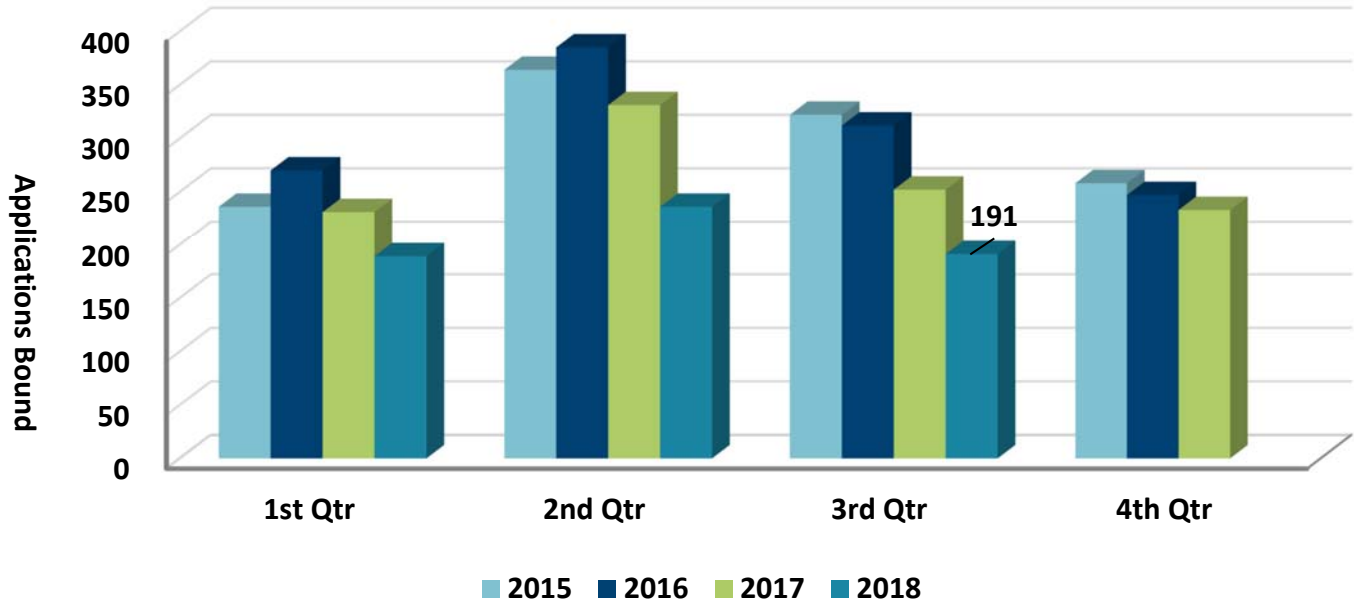
Number of Applications Reviewed by VCAP[®] Service	229
Number of VCAP[®] Service Matches	214
VCAP[®] Service Offers as a % of Matches	21.03%
Number of Confirmed VCAP[®] Service Policies	42
Confirmed VCAP[®] Service Policies as a % of Applications Reviewed	18.34%
Savings as a % of Redirected Assigned Risk Premium	1.33%



Residual Market Demographics

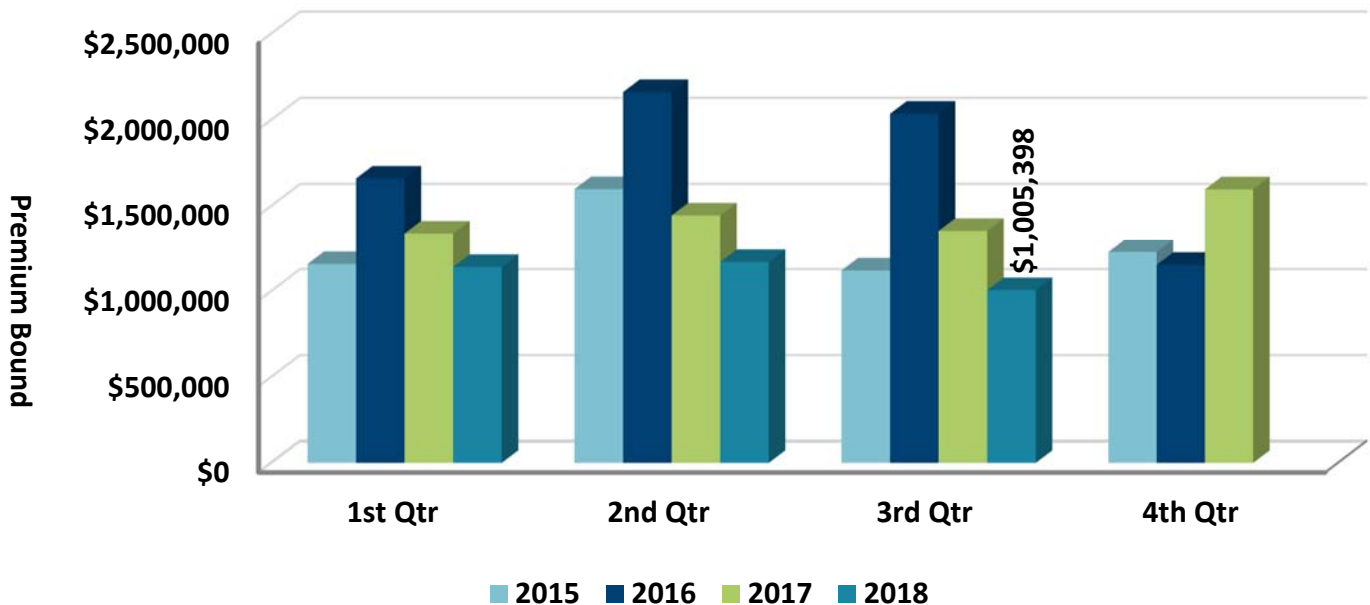
Total Applications Bound — 2015 vs. 2016 vs. 2017 vs. 2018

The number of applications—both new and churn—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).



Total Application Premium Bound — 2015 vs. 2016 vs. 2017 vs. 2018

The total estimated premium on bound applications—both new and churn—that are assigned to a Servicing Carrier or a Direct Assignment Carrier (if applicable).



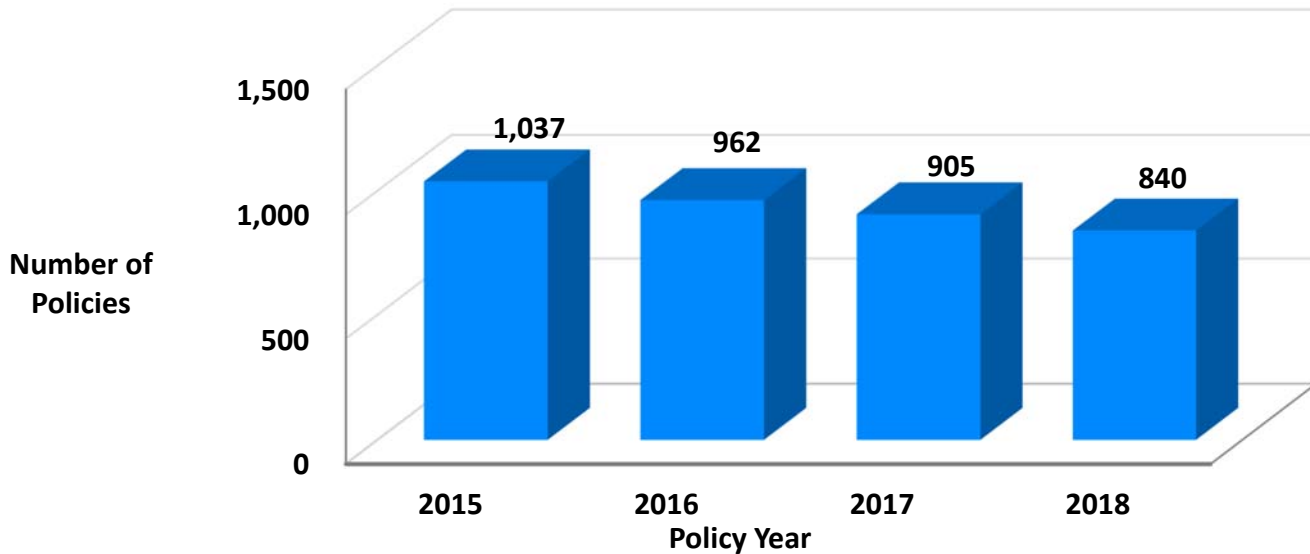


Residual Market Demographics

Residual Market Total Policy Counts

Third Quarter Data for Policies Reported through September 30, 2018

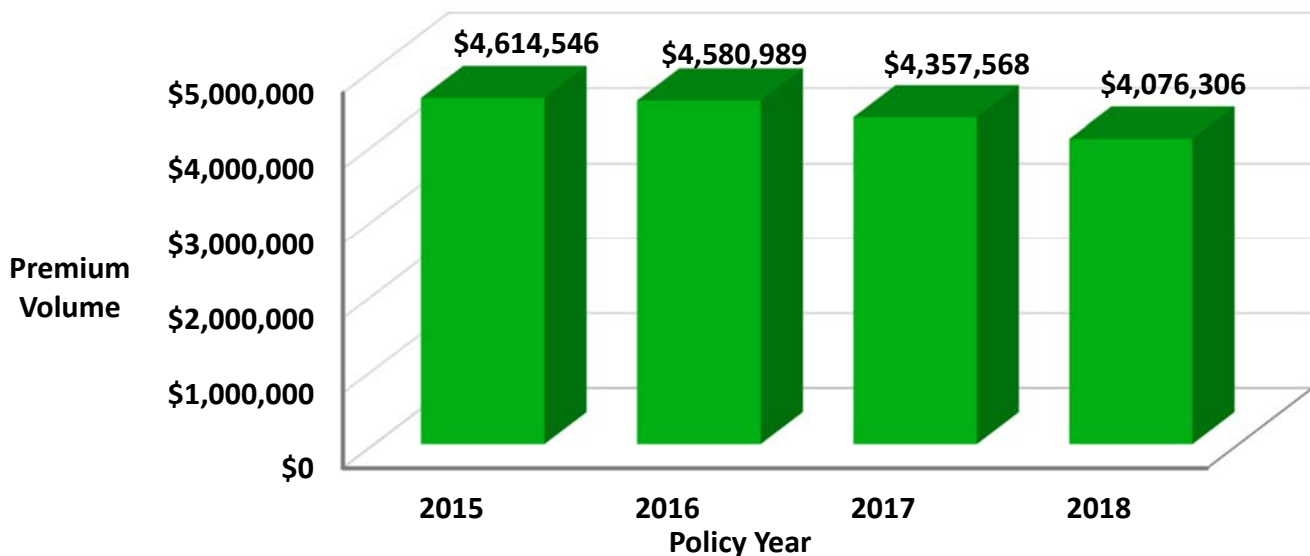
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



Residual Market Total Premium Volume

Third Quarter Data Reported through September 30, 2018

Total amount of all Assigned Risk Plan premium with effective dates during the calendar period listed above.





Residual Market Demographics

Total Premium Distribution by Size of Risk

Third Quarter Data Reported through September 30, 2018

The total number of Assigned Risk Plan policies reported to NCCI by Direct Assignment and Servicing Carriers in a premium range as of the date listed above.

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	551	65.6%	\$572,763	14.1%	\$1,039
\$2500–4999	117	13.9%	\$406,982	10.0%	\$3,478
\$5000–9999	101	12.0%	\$723,123	17.7%	\$7,159
\$10000–19999	30	3.6%	\$418,320	10.3%	\$13,944
\$20000–49999	29	3.5%	\$894,294	21.9%	\$30,837
\$50000–99999	8	1.0%	\$545,807	13.4%	\$68,225
\$100000–199999	4	0.5%	\$515,017	12.6%	\$128,754
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	840	100.0%	\$4,076,306	100.0%	\$4,853

Third Quarter 2017 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	596	65.9%	\$593,728	13.6%	\$996
\$2500–4999	127	14.0%	\$454,441	10.4%	\$3,578
\$5000–9999	87	9.6%	\$620,838	14.3%	\$7,136
\$10000–19999	53	5.9%	\$722,520	16.6%	\$13,632
\$20000–49999	30	3.3%	\$937,409	21.5%	\$31,246
\$50000–99999	9	1.0%	\$649,650	14.9%	\$72,183
\$100000–199999	3	0.3%	\$378,982	8.7%	\$126,327
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	905	100.0%	\$4,357,568	100.0%	\$4,815



Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2018

The top 10 governing class codes by total policy count—policies issued by Servicing Carriers and Direct Assignment Carriers in this state as of the date listed above.

Rank	Code	Description	Policy Count	% of Policies
1	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	100	11.9%
2	5474	Painting NOC & Shop Operations Drivers	32	3.8%
3	8810	Clerical Office Employees NOC	28	3.3%
4	7219	Trucking - NOC-All Employees & Drivers	26	3.1%
5	5551	Roofing-All Kinds & Drivers	23	2.7%
6	6217	Excavation & Drivers	19	2.3%
7	5403	Carpentry NOC	19	2.3%
8	9015	Building or Property Management - All Other Employees	18	2.1%
9	8742	Salespersons or Collectors - Outside	17	2.0%
10	0083	Farm: Cattle or Livestock Raising NOC & Drivers	16	1.9%

Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2018

The top 10 governing class codes by premium volume written on total policies issued by Servicing Carriers and Direct Assignment Carriers in this state as of the date listed above.

Rank	Code	Description	Premium	% of Premium
1	5645	Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	\$366,475	9.0%
2	8868	College - Professional Employees & Clerical	\$241,724	5.9%
3	7219	Trucking - NOC-All Employees & Drivers	\$203,918	5.0%
4	0106	Tree Pruning Spraying Repairing - All Operations & Drivers	\$199,309	4.9%
5	5551	Roofing-All Kinds & Drivers	\$189,512	4.7%
6	8829	Convalescent or Nursing Home-All Employees	\$149,158	3.7%
7	8864	Social Service Organization - All Employees & Salespersons Drivers	\$136,803	3.4%
8	3076	Sheet Metal Products Mfg.	\$129,968	3.2%
9	7382	Bus Co. - All Other Employees & Drivers	\$119,196	2.9%
10	8835	Home Public And Traveling Healthcare - All Employees	\$114,555	2.8%



Glossary of Terms

Applications Bound—The applications that are actually assigned to a Servicing Carrier or Direct Assignment Carrier (if applicable).

Earned Premium or Premiums Earned—That portion of written premiums applicable to the expired portion of the time for which the insurance was in effect. When used as an accounting term, “premiums earned” describes the premiums written during a period, plus the unearned premiums at the beginning of the period, less the unearned premiums at the end of the period.

In Force (Policies/Premium)—All policies and associated estimated premium that are current as of a given date.

Incurred But Not Reported (IBNR)—Pertaining to losses where the events that will result in a loss, and eventually a claim, have occurred, but have not yet been reported to the insurance company. The term may also include “bulk” reserves for estimated future development of case reserves.

Loss Ratio—The ratio of total incurred losses to total earned premiums in a given period, expressed as a percentage. The formula for loss ratio is $(\text{loss} + \text{loss adjustment expense}) / \text{earned premium}$.

Premium Bound—The total estimated annual premium on bound applications.

Underwriting Gain/ (Loss)—The financial statement presentation that reflects the excess of earned premium over incurred losses.

VCAP[®] Service—Voluntary Coverage Assistance Program is a supplemental program to NCCI’s Workers Compensation Insurance Plan. As part of NCCI’s strategic vision of maintaining and depopulating the residual market, NCCI’s **VCAP[®] Service** redirects coverage opportunities for employers to voluntary market insurers, which generally provide coverage at a lower cost. **VCAP[®] Service** provides an additional source for producers and employers to secure voluntary workers compensation coverage prior to entering the residual market for coverage.