



# Vermont Residual Market State Activity Report

Third Quarter 2019



## Executive Summary

NCCI, as Pool and Plan Administrator of the Vermont Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2019 *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:

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

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## Residual Market Demographics

### Residual Market Total Policies and Premium in Force

#### As of September 30, 2019—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.

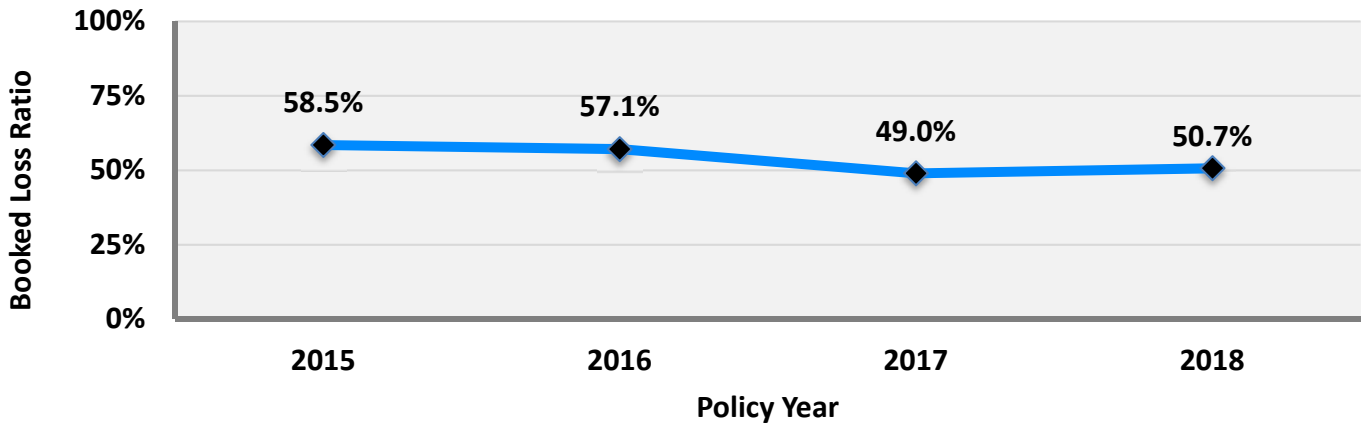
	2019	2018	2019 vs. 2018 #	2019 vs. 2018 %
<b>Policy Count</b>	3,073	3,599	-526	-14.6%
<b>Premium Volume</b>	\$14,207,266	\$16,906,176	-\$2,698,910	-16.0%



## Residual Market Demographics

### Vermont Residual Market Reinsurance Pool Booked Loss Ratio Policy Year Financial Results through 2nd Quarter 2019 for 2018 and prior years\*

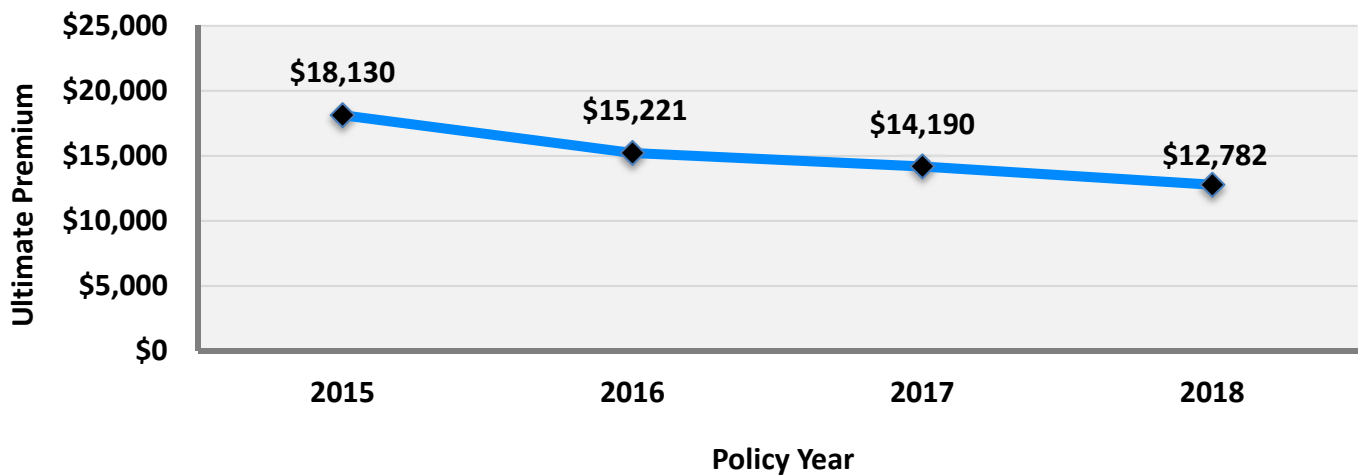
The ratio of total incurred losses to total earned premiums in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 2nd Quarter 2019 for 2018 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.



\*3rd Quarter 2019 data will be available the end of January 2020 due to the timing of data reporting

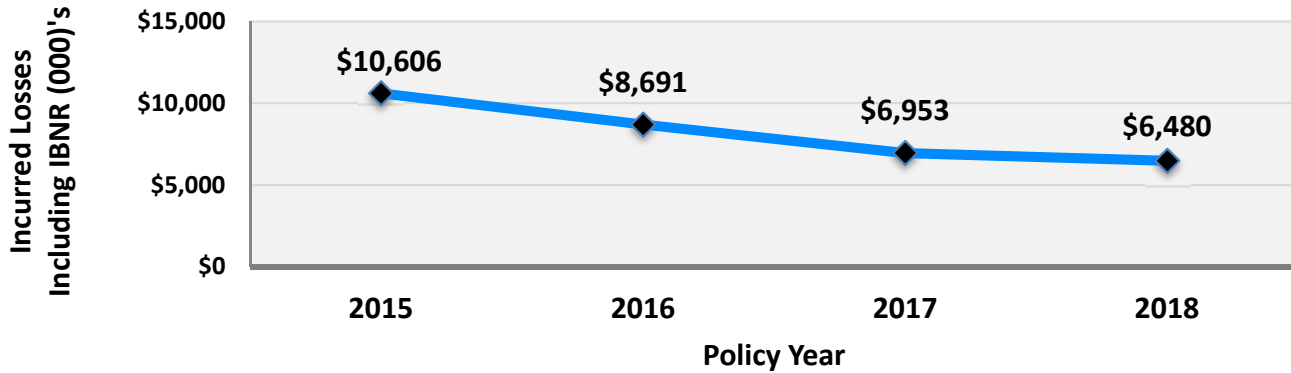


## Residual Market Demographics

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

#### Policy Year Financial Results through 2nd Quarter 2019 for 2018 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 2019 for 2018 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.



\*3rd Quarter 2019 data will be available the end of January 2020 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 2015-2019, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2019.

Policy Year	Gross Written Premium	Uncollectible Premium	Percentage
2015	\$18,343,476	\$213,580	1.2%
2016	\$15,378,301	\$157,613	1.0%
2017	\$14,273,288	\$80,260	0.6%
2018	\$12,898,547	*	N/A
2019	\$5,135,980	*	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, 2019

The volume of assigned risk applications redirected to the voluntary market through NCCI's **VCAP<sup>®</sup> Service**. The following shows the results **VCAP<sup>®</sup> Service** has provided during Third Quarter 2019.

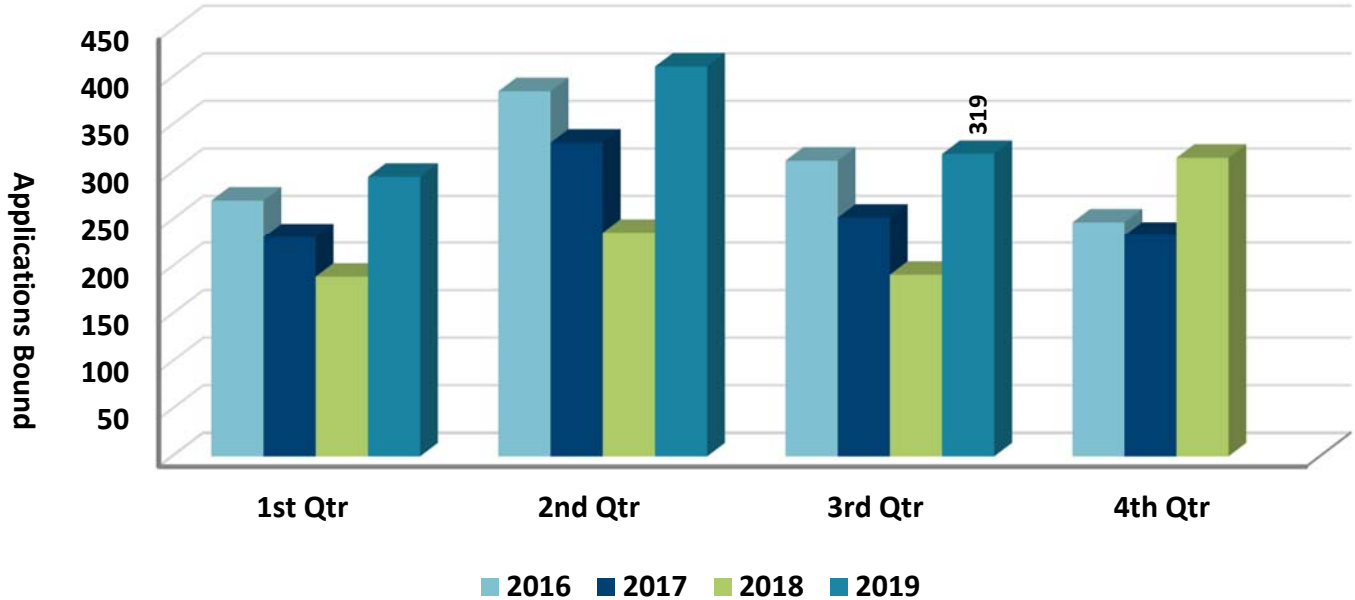
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	386
Number of <b>VCAP<sup>®</sup> Service</b> Matches	335
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	22.69%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	68
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	17.62%
Savings as a % of Redirected Assigned Risk Premium	2.27%



## Residual Market Demographics

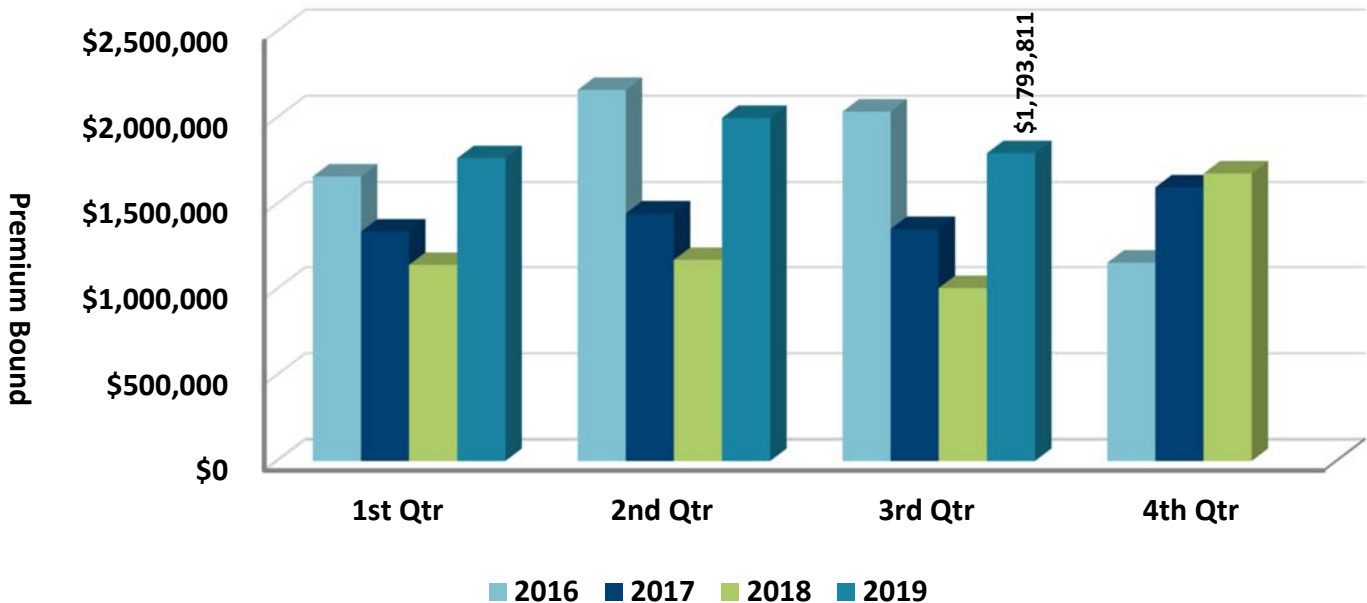
### Total Applications Bound — 2016 vs. 2017 vs. 2018 vs. 2019

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 — 2016 vs. 2017 vs. 2018 vs. 2019

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).





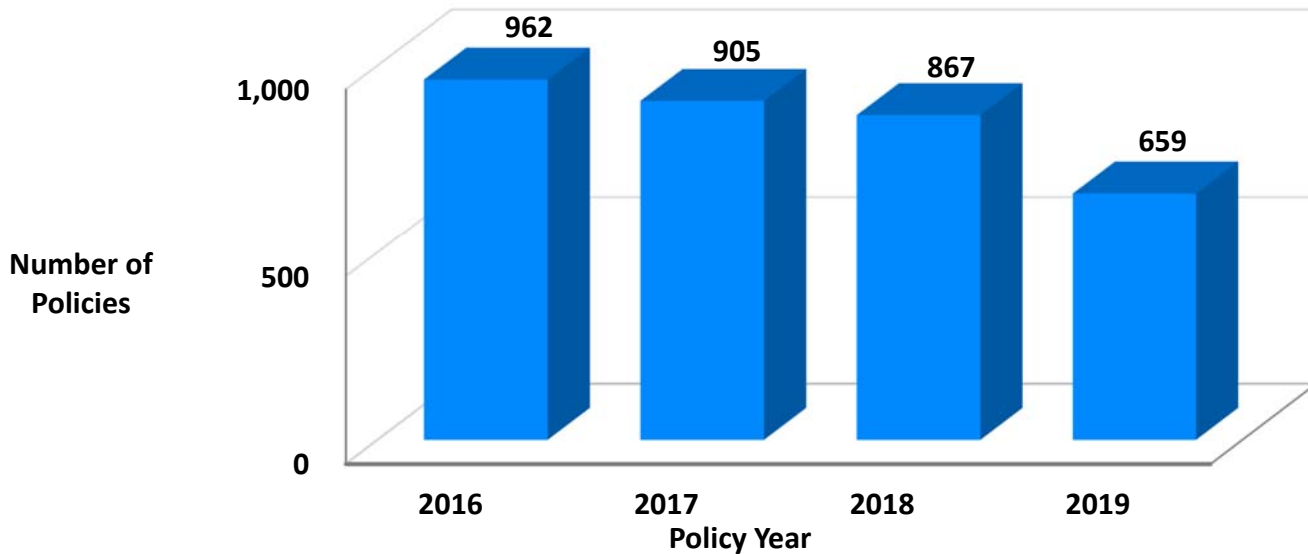


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Third Quarter Data for Policies Reported through September 30, 2019

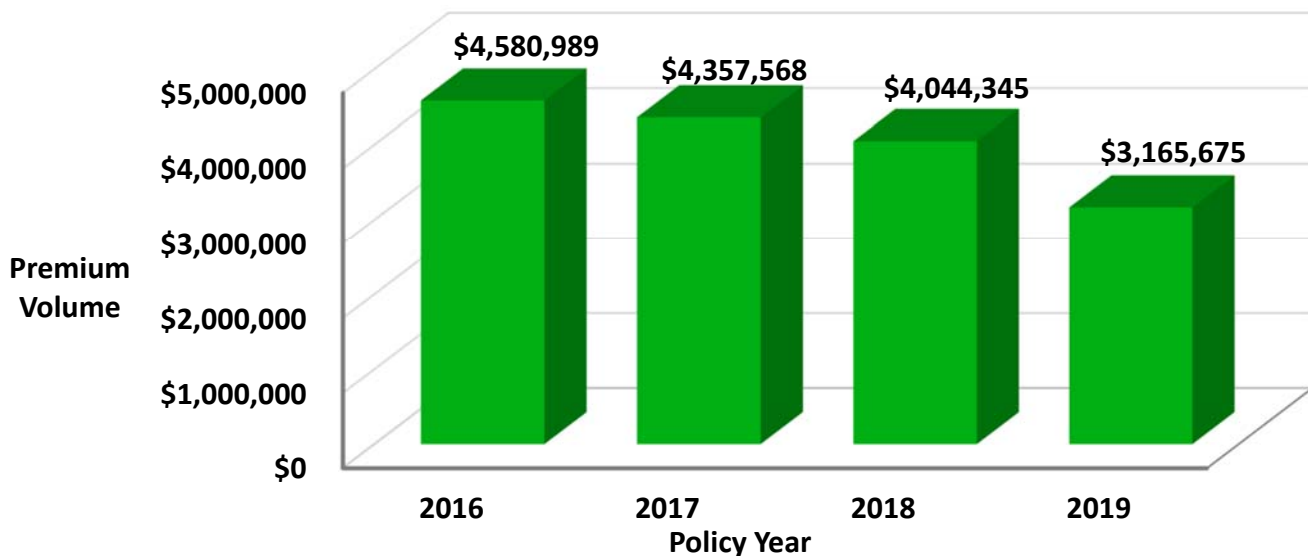
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Third Quarter Data Reported through September 30, 2019

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, 2019

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	438	66.5%	\$459,648	14.5%	\$1,049
\$2500–4999	84	12.8%	\$302,277	9.6%	\$3,598
\$5000–9999	67	10.2%	\$461,836	14.6%	\$6,893
\$10000–19999	41	6.2%	\$578,400	18.3%	\$14,107
\$20000–49999	23	3.5%	\$712,295	22.5%	\$30,969
\$50000–99999	4	0.6%	\$275,984	8.7%	\$68,996
\$100000–199999	1	0.2%	\$148,300	4.7%	\$148,300
\$200000 +	1	0.2%	\$226,935	7.2%	\$226,935
Total	659	100.0%	\$3,165,675	100.0%	\$4,804

### Third Quarter 2018 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium	% of Total Premium	Average Premium
\$0–2499	582	67.1%	\$584,360	14.5%	\$1,004
\$2500–4999	115	13.3%	\$410,961	10.2%	\$3,573
\$5000–9999	90	10.4%	\$628,643	15.5%	\$6,984
\$10000–19999	39	4.5%	\$547,515	13.5%	\$14,038
\$20000–49999	29	3.3%	\$928,438	23.0%	\$32,015
\$50000–99999	9	1.0%	\$599,515	14.8%	\$66,612
\$100000–199999	3	0.4%	\$344,913	8.5%	\$114,971
\$200000 +	0	0.0%	\$0	0.0%	\$0
Total	867	100.0%	\$4,044,345	100.0%	\$4,665



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2019

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	85	12.9%
2	5474	Painting NOC & Shop Operations, Drivers	27	4.1%
3	5551	Roofing-All Kinds & Drivers	22	3.3%
4	8810	Clerical Office Employees NOC	19	2.9%
5	7219	Trucking - NOC-All Employees & Drivers	18	2.7%
6	6217	Excavation & Drivers	18	2.7%
7	9015	Building or Property Management - All Other Employees	15	2.3%
8	5403	Carpentry NOC	15	2.3%
9	8868	College - Professional Employees & Clerical	14	2.1%
10	8742	Salespersons or Collectors - Outside	14	2.1%

### Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2019

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	\$254,574	8.0%
2	5551	Roofing-All Kinds & Drivers	\$237,602	7.5%
3	8829	Convalescent or Nursing Home-All Employees	\$226,935	7.2%
4	8868	College - Professional Employees & Clerical	\$217,203	6.9%
5	0106	Tree Pruning, Spraying, Repairing - All Operations & Drivers	\$169,925	5.4%
6	8864	Social Service Organization - All Employees & Salespersons, Drivers	\$160,245	5.1%
7	7219	Trucking - NOC-All Employees & Drivers	\$91,800	2.9%
8	9015	Building or Property Management - All Other Employees	\$69,708	2.2%
9	5474	Painting NOC & Shop Operations, Drivers	\$63,159	2.0%
10	9012	Building or Property Management - Property Managers and Leasing Agents & Clerical, Salespersons & Drivers	\$62,232	2.0%



## 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<sup>®</sup> 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<sup>®</sup> Service** redirects coverage opportunities for employers to voluntary market insurers, which generally provide coverage at a lower cost. **VCAP<sup>®</sup> Service** provides an additional source for producers and employers to secure voluntary workers compensation coverage prior to entering the residual market for coverage.