



# Vermont Residual Market State Activity Report

Third Quarter 2023



## Executive Summary

NCCI, as Pool and Plan Administrator of the Vermont Workers Compensation Insurance Plan, is pleased to provide the Third Quarter 2023 *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 2023 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, 2023—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.

	2023	2022	2023 vs. 2022 #	2023 vs. 2022 %
<b>Policy Count</b>	2,581	2,659	-78	-2.9%
<b>Premium Volume</b>	\$14,782,449	\$14,619,398	\$163,051	1.1%

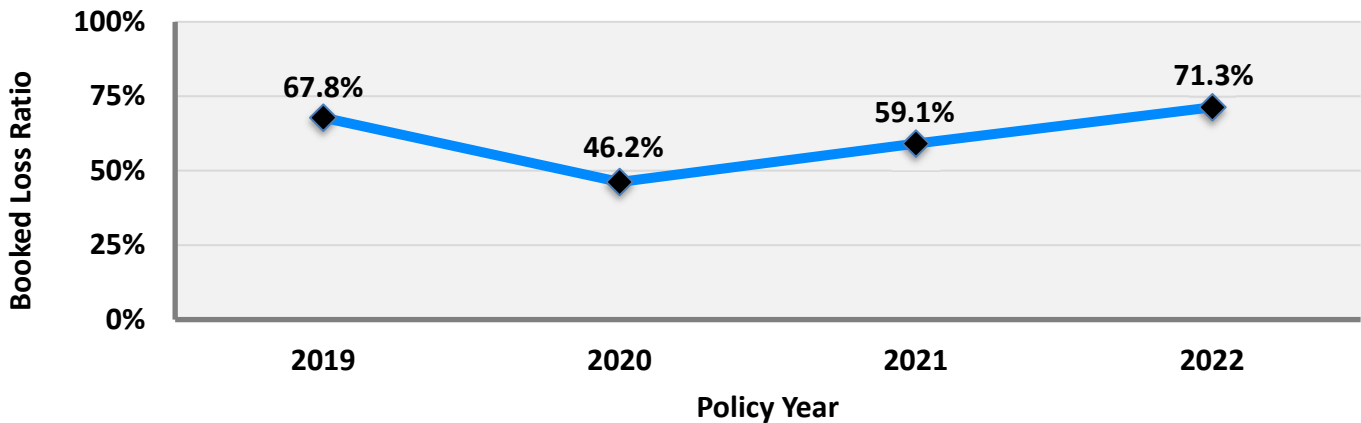


## Residual Market Demographics

### Vermont Residual Market Reinsurance Pool Booked Loss Ratio (Projected to Ultimate)

#### Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years\*

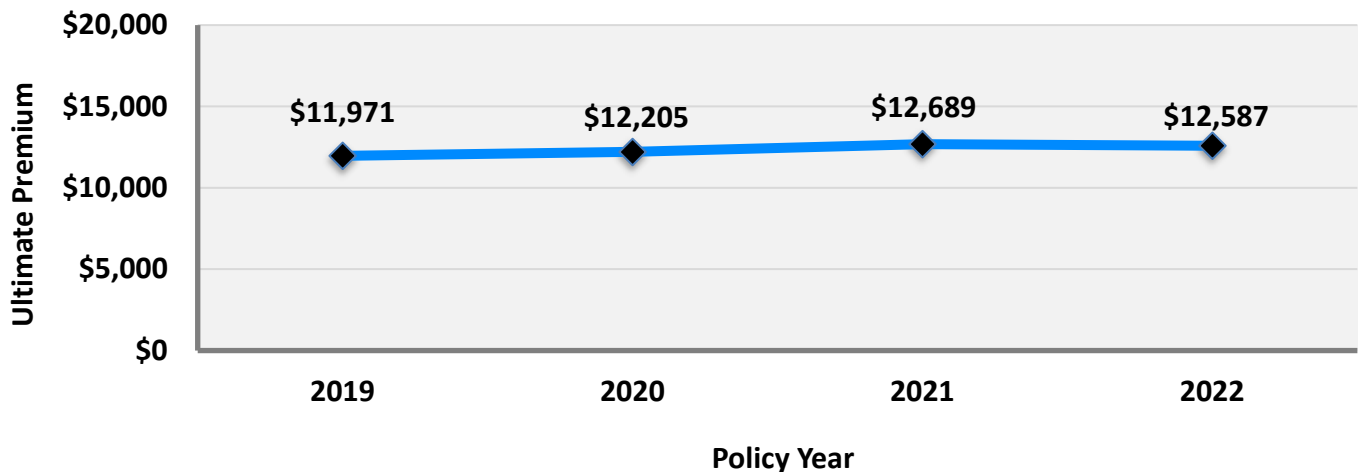
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years\*

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



\*3rd Quarter 2023 data will be available the end of January 2024 due to the timing of data reporting

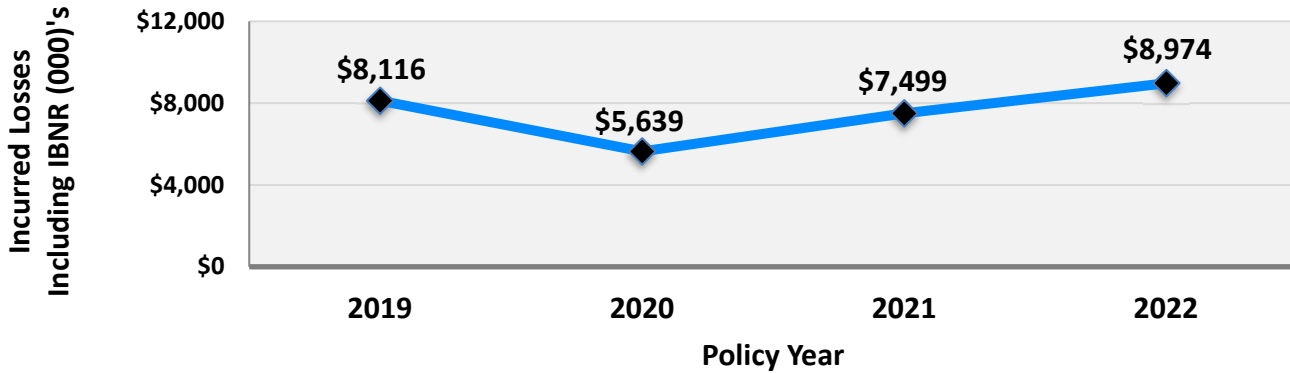


## Residual Market Demographics

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

#### Policy Year Financial Results through 2nd Quarter 2023 for 2022 and prior years\*

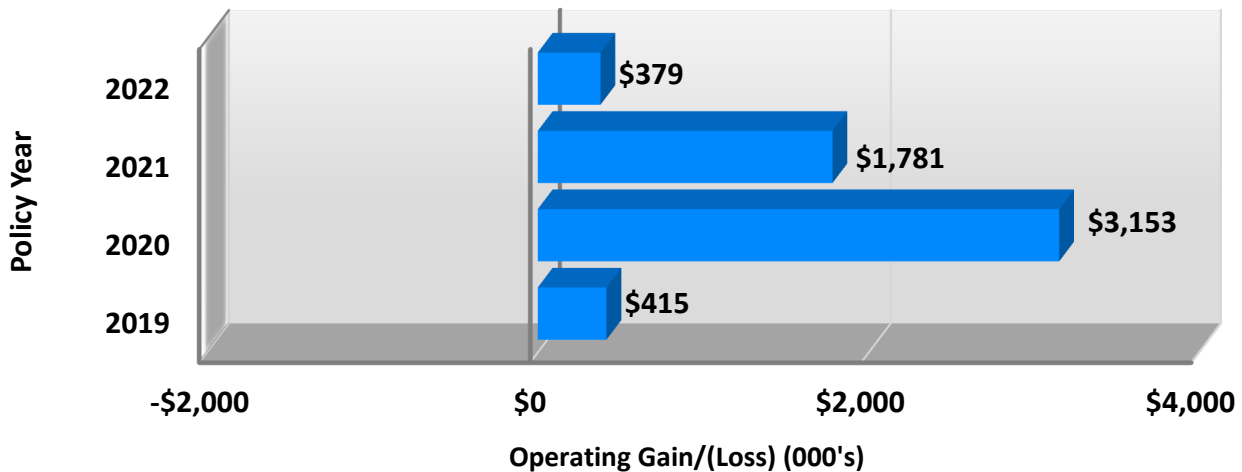
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



### 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 2023 for 2022 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 2023 data will be available the end of January 2024 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 2019-2023, obtained through NP-4 and NP-5 reports including traumatic and black lung claims, evaluated through 2nd Quarter 2023.

Policy Year	Gross Written Premium \$	Uncollectible Premium \$	Percentage
2019	12,092,954	121,895	1.0%
2020	12,324,647	119,725	1.0%
2021	12,867,659	128,167	1.0%
2022	13,329,063	--	--
2023	4,829,874	--	--

\* 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, 2023

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 2023.

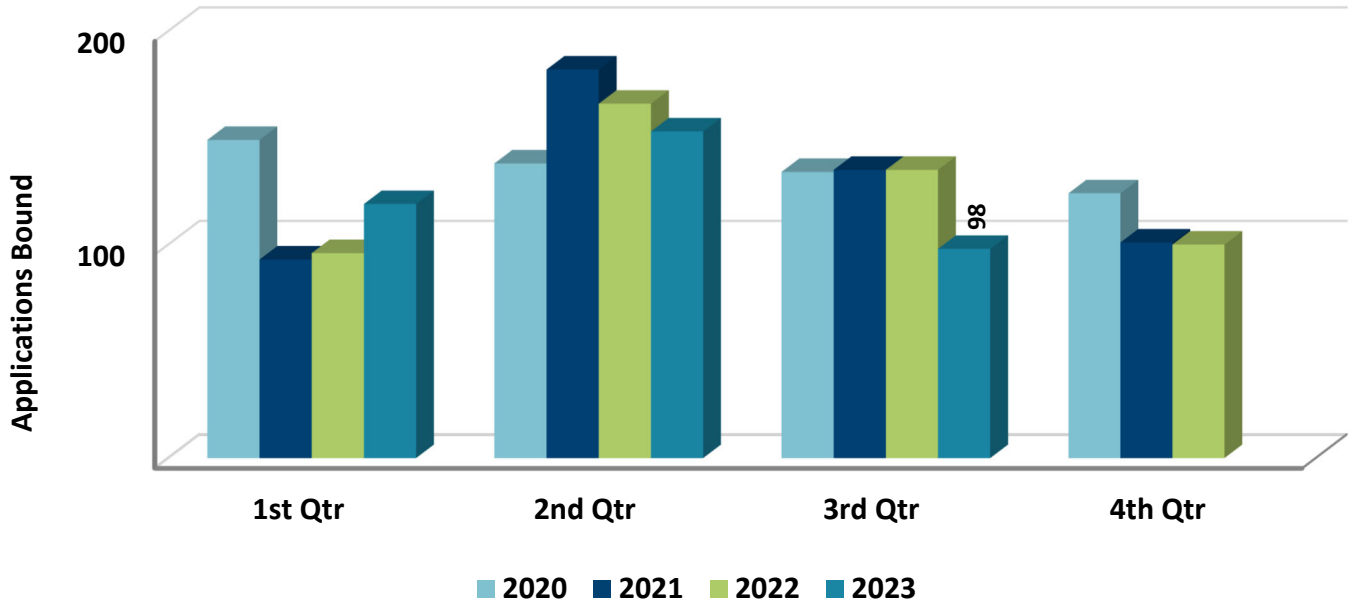
Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>	121
Number of <b>VCAP<sup>®</sup> Service</b> Matches	108
<b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches	23.15%
Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies	22
Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed	18.18%
Savings as a % of Redirected Assigned Risk Premium	0.87%



## Residual Market Demographics

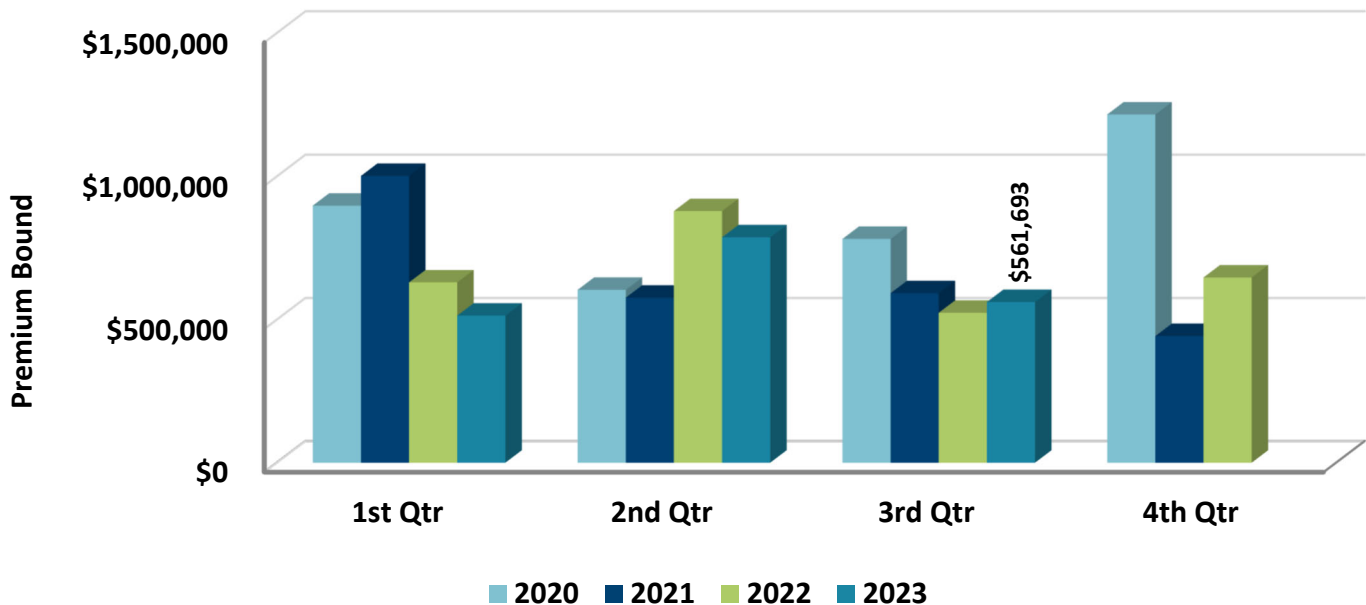
### Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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



### Total Application Premium Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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





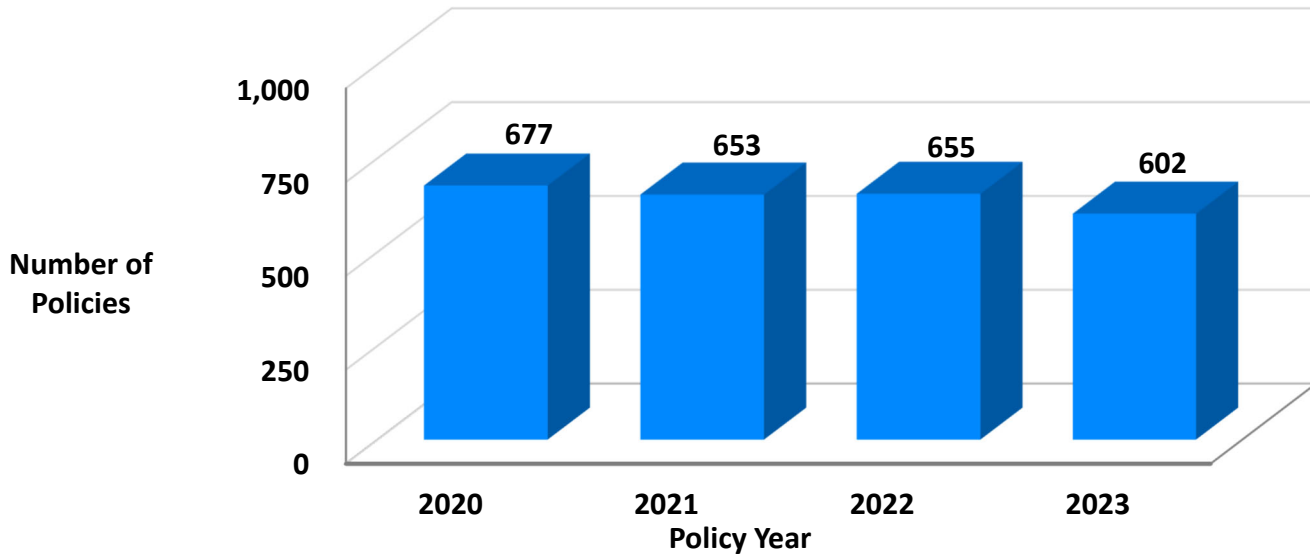


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Third Quarter Data for Policies Reported through September 30, 2023

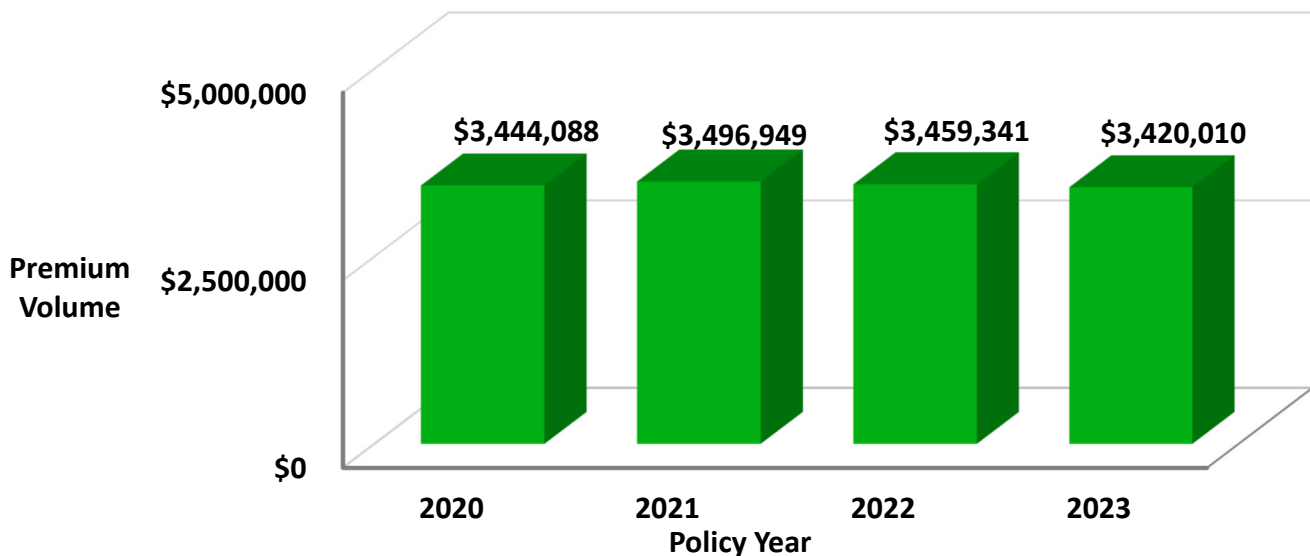
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Third Quarter Data Reported through September 30, 2023

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, 2023

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	398	66.1	451,463	13.2	1,134
\$2500- \$4999	76	12.6	257,678	7.5	3,391
\$5000- \$9999	57	9.5	412,375	12.1	7,235
\$10000- \$19999	37	6.1	513,685	15.0	13,883
\$20000- \$49999	23	3.8	707,081	20.7	30,743
\$50000- \$99999	6	1.0	345,618	10.1	57,603
\$100000- \$199999	4	0.7	525,581	15.4	131,395
\$2000000+	1	0.2	206,529	6.0	206,529
Total	602	100.0	3,420,010	100.0	5,681

### Third Quarter 2022 Data for Comparison

Premium Interval	Policy Count	% of Total Policies	Total State Premium \$	% of Total Premium	Average Premium \$
\$0- \$2499	420	64.1	468,501	13.5	1,115
\$2500- \$4999	98	15.0	337,895	9.8	3,448
\$5000- \$9999	58	8.9	411,792	11.9	7,100
\$10000- \$19999	44	6.7	635,543	18.4	14,444
\$20000- \$49999	24	3.7	699,120	20.2	29,130
\$50000- \$99999	9	1.4	638,743	18.5	70,971
\$100000- \$199999	2	0.3	267,747	7.7	133,874
\$2000000+	0	0.0	0	0.0	0
Total	655	100.0	3,459,341	100.0	5,281



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Third Quarter Data Reported through September 30, 2023

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 and Description	Policy Count	% of Policies
1	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	97	16.1
2	6217 - Excavation & Drivers	25	4.2
3	5551 - Roofing-All Kinds & Drivers	24	4.0
4	5474 - Painting NOC & Shop Operations, Drivers	19	3.2
5	7219 - Trucking - NOC-All Employees & Drivers	16	2.7
6	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	14	2.3
7	8810 - Clerical Office Employees NOC	14	2.3
8	8868 - College - Professional Employees & Clerical	14	2.3
9	8742 - Salespersons or Collectors - Outside	12	2.0
10	9015 - Building or Property Management - All Other Employees	12	2.0

### Residual Market Top 10 Classification Codes by Premium Volume Third Quarter Data Reported through September 30, 2023

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 and Description	Premium \$	% of Premium
1	5645 - Carpentry Construction of Residential Dwellings Not Exceeding Three Stories in Height	370,915	10.8
2	5551 - Roofing-All Kinds & Drivers	232,480	6.8
3	7705 - Ambulance Service Companies and EMS (Emergency Medical Service) Providers & Drivers	223,261	6.5
4	8032 - Store - Clothing, Wearing Apparel or Dry Goods - Wholesale	206,529	6.0
5	8868 - College - Professional Employees & Clerical	184,839	5.4
6	7720 - Police Officers & Drivers	157,406	4.6
7	0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers	142,885	4.2
8	8864 - Social Service Organization - All Employees & Salespersons, Drivers	138,644	4.1
9	7024 - Vessels NOC - Coverage Under Admiralty Law - Program II - State Act Benefits	130,785	3.8
10	5535 - Sheet Metal Work-Installation & Drivers	121,866	3.6



## 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.