



# Vermont Residual Market State Activity Report

Annual 2023



## Executive Summary

NCCI, as Pool and Plan Administrator of the Vermont Workers Compensation Insurance Plan, is pleased to provide the Annual 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:

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

Sally Laub, Plan Administration

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## Residual Market Demographics

### Residual Market Total Policies and Premium in Force As of December 31, 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.<br>2022 # | 2023 vs.<br>2022 % |
|-----------------------|--------------|--------------|--------------------|--------------------|
| <b>Policy Count</b>   | 2,530        | 2,639        | -109               | -4.1%              |
| <b>Premium Volume</b> | \$14,708,843 | \$14,894,420 | -\$185,577         | -1.2%              |

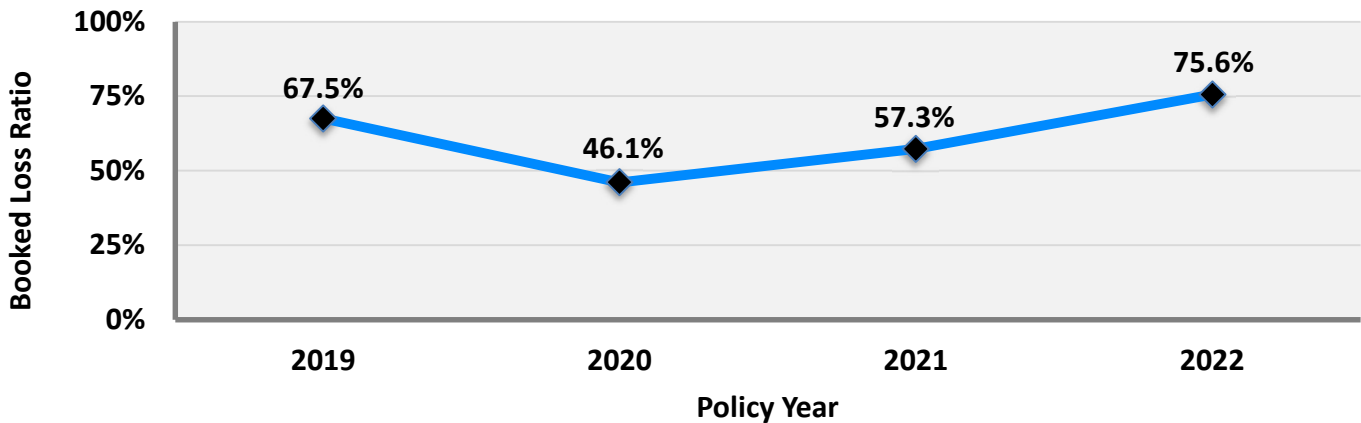


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 2023 for 2022 and prior years\*

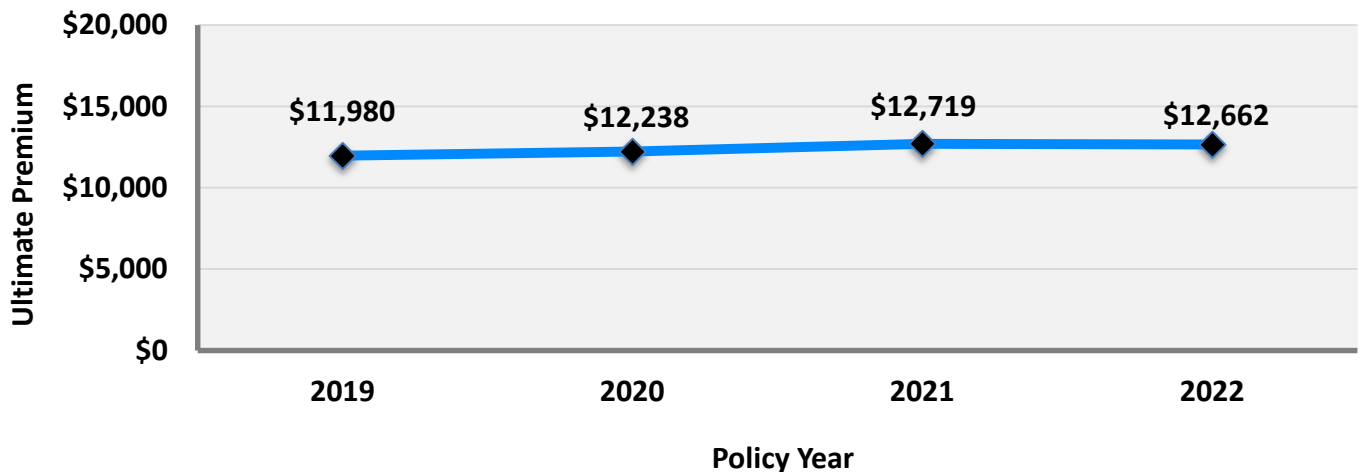
The ratio of total incurred losses to total net premiums (net of uncollectible premium) in a given period, in this state, expressed as a percentage.



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

#### Policy Year Financial Results through 3rd 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.



\*4th Quarter 2023 data will be available the end of April 2024 due to the timing of data reporting

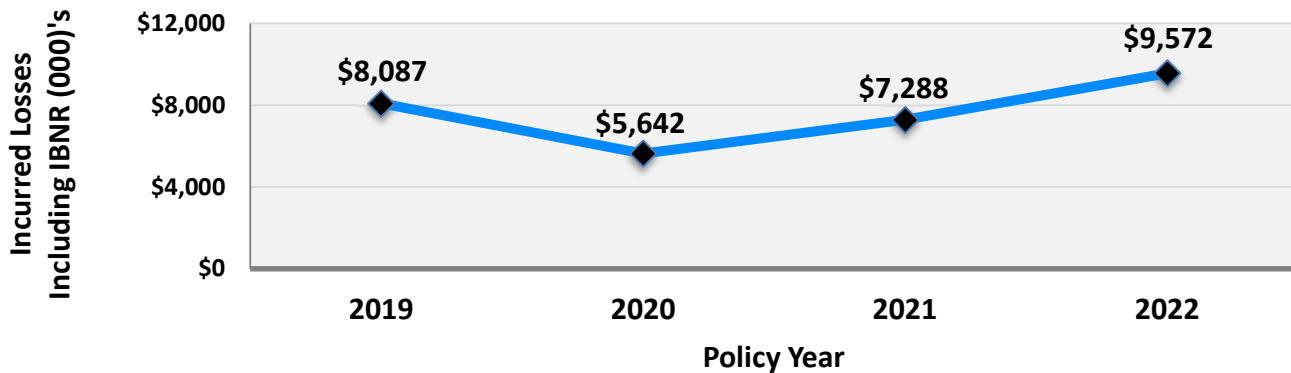


## Residual Market Demographics

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

#### Policy Year Financial Results through 3rd Quarter 2023 for 2022 and prior years\*

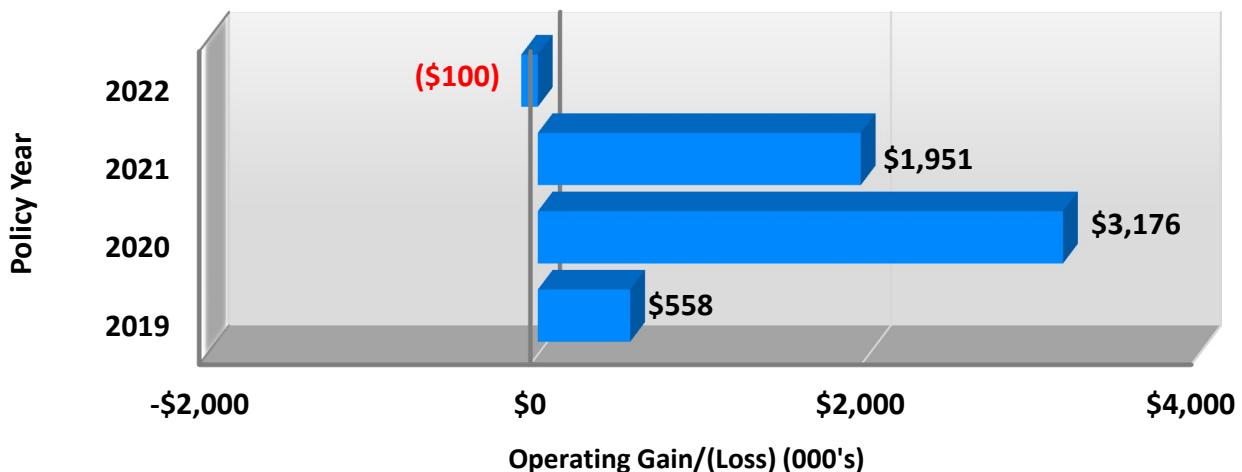
Policy year incurred losses reflect paid losses, case reserves and IBNR reserves for policies written in a particular policy year in that state.



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

#### Policy Year Financial Results through 3rd 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.



\*4th Quarter 2023 data will be available the end of April 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 3rd Quarter 2023.

| Policy Year | Gross Written Premium \$ | Uncollectible Premium \$ | Percentage |
|-------------|--------------------------|--------------------------|------------|
| 2019        | 12,101,899               | 121,895                  | 1.0%       |
| 2020        | 12,358,060               | 119,791                  | 1.0%       |
| 2021        | 12,861,746               | 124,477                  | 1.0%       |
| 2022        | 13,110,639               | --                       | --         |
| 2023        | 8,033,443                | --                       | --         |

\* 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

#### Annual Data through December 31, 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 Annual 2023.

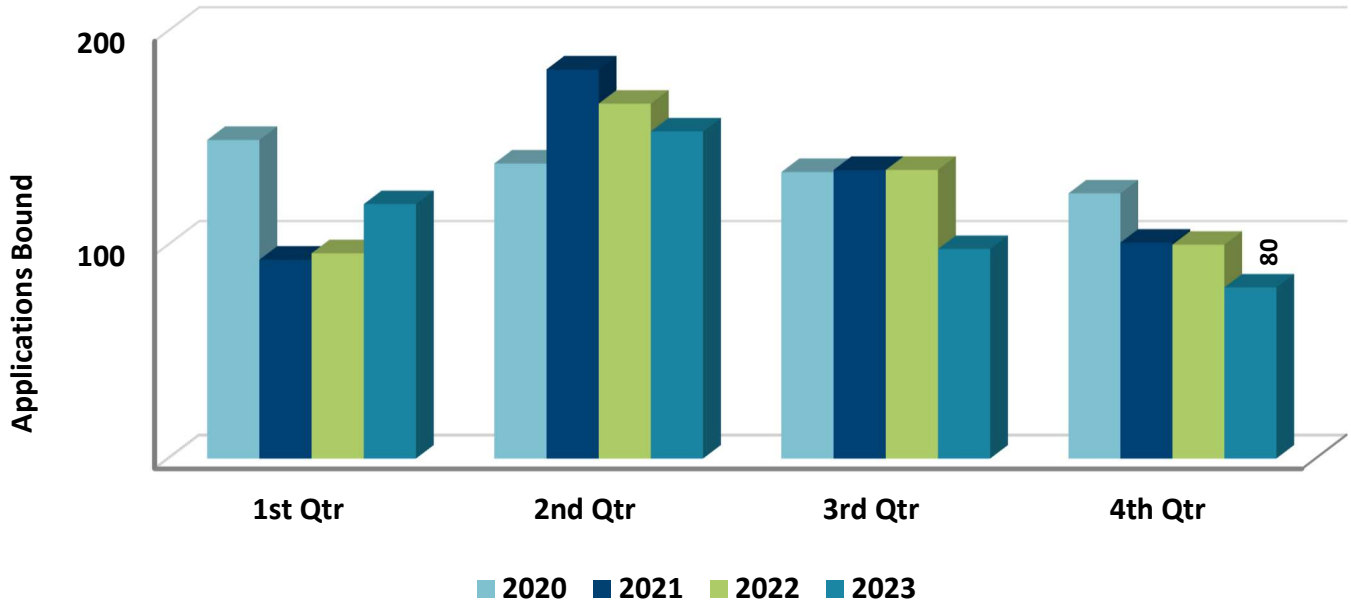
|  |        |
|--|--------|
| Number of Applications Reviewed by <b>VCAP<sup>®</sup> Service</b>                 | 569    |
| Number of <b>VCAP<sup>®</sup> Service</b> Matches                                  | 506    |
| <b>VCAP<sup>®</sup> Service</b> Offers as a % of Matches                           | 25.10% |
| Number of Confirmed <b>VCAP<sup>®</sup> Service</b> Policies                       | 119    |
| Confirmed <b>VCAP<sup>®</sup> Service</b> Policies as a % of Applications Reviewed | 20.91% |
| Savings as a % of Redirected Assigned Risk Premium                                 | 3.59%  |



## Residual Market Demographics

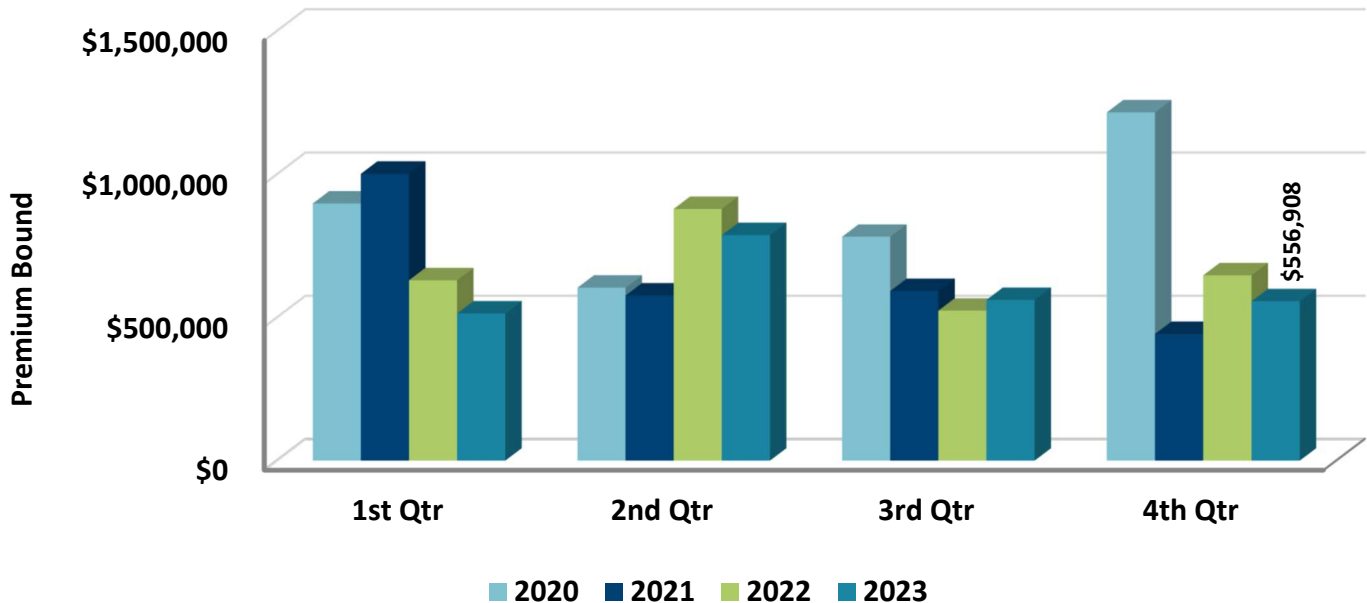
### Total Applications Bound — 2020 vs. 2021 vs. 2022 vs. 2023

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).





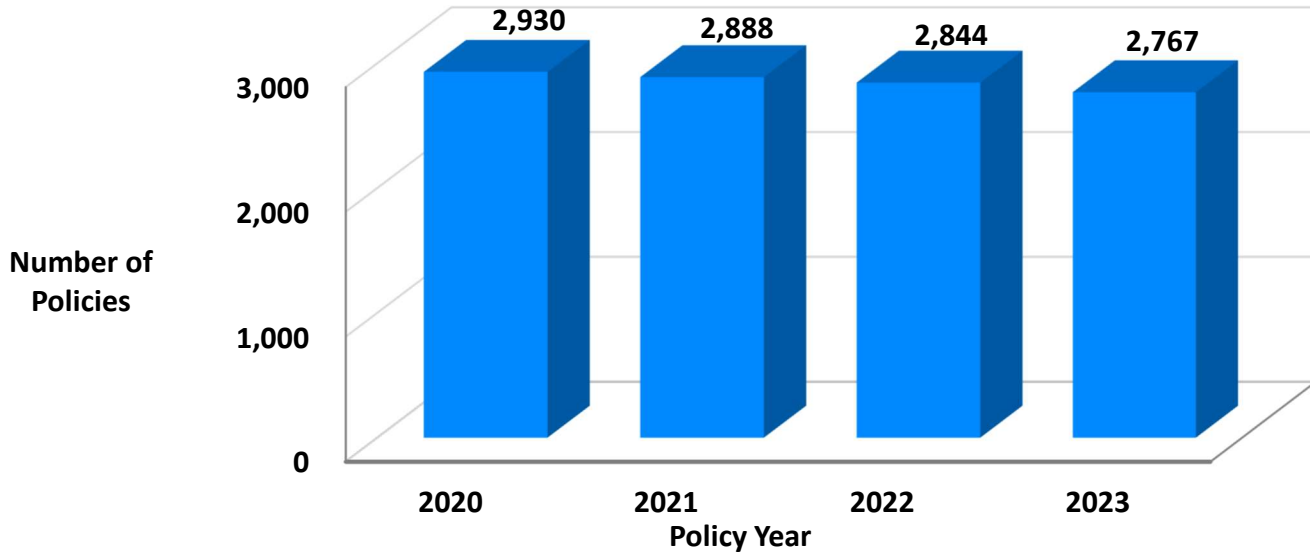


## Residual Market Demographics

### Residual Market Total Policy Counts

#### Annual Data for Policies Reported through December 31, 2023

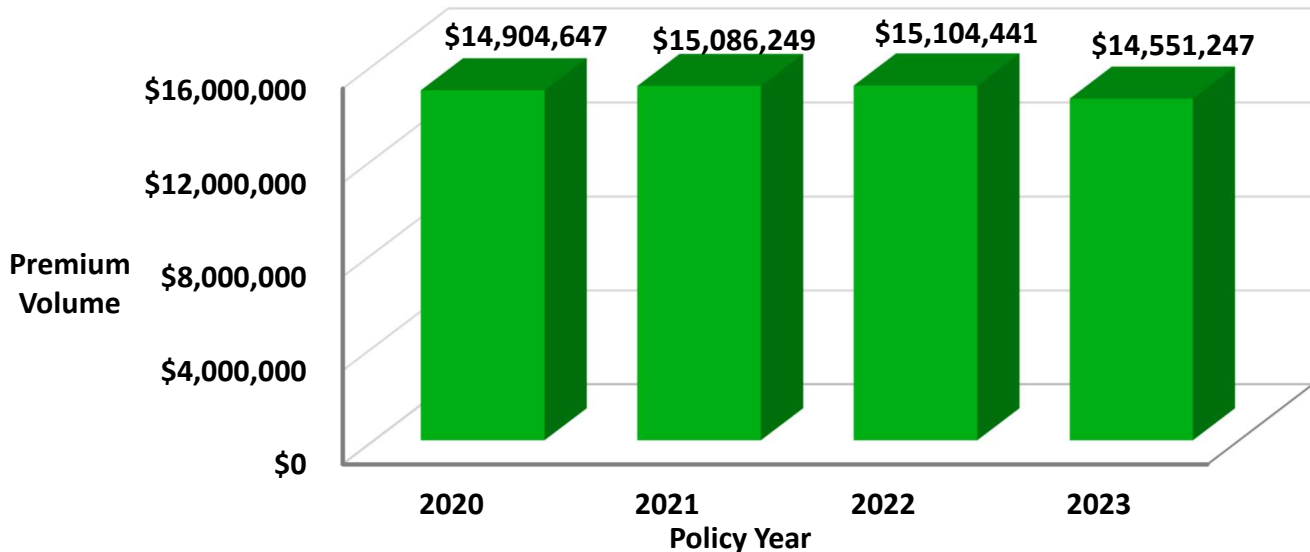
Total number of all Assigned Risk Plan policies with effective dates during the calendar period listed above.



### Residual Market Total Premium Volume

#### Annual Data Reported through December 31, 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

#### Annual Data Reported through December 31, 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        | 1,749        | 63.2                | 2,019,677              | 13.9               | 1,155              |
| \$2500- \$4999     | 379          | 13.7                | 1,343,198              | 9.2                | 3,544              |
| \$5000- \$9999     | 291          | 10.5                | 2,034,596              | 14.0               | 6,992              |
| \$10000- \$19999   | 209          | 7.6                 | 2,851,615              | 19.6               | 13,644             |
| \$20000- \$49999   | 105          | 3.8                 | 3,283,746              | 22.6               | 31,274             |
| \$50000- \$99999   | 22           | 0.8                 | 1,353,452              | 9.3                | 61,521             |
| \$100000- \$199999 | 10           | 0.4                 | 1,250,615              | 8.6                | 125,062            |
| \$2000000+         | 2            | 0.1                 | 414,348                | 2.8                | 207,174            |
| Total              | 2,767        | 100.0               | 14,551,247             | 100.0              | 5,259              |

### Annual 2022 Data for Comparison

| Premium Interval   | Policy Count | % of Total Policies | Total State Premium \$ | % of Total Premium | Average Premium \$ |
|--------------------|--------------|---------------------|------------------------|--------------------|--------------------|
| \$0- \$2499        | 1,813        | 63.7                | 2,006,292              | 13.3               | 1,107              |
| \$2500- \$4999     | 386          | 13.6                | 1,362,595              | 9.0                | 3,530              |
| \$5000- \$9999     | 312          | 11.0                | 2,207,892              | 14.6               | 7,077              |
| \$10000- \$19999   | 188          | 6.6                 | 2,626,153              | 17.4               | 13,969             |
| \$20000- \$49999   | 111          | 3.9                 | 3,546,944              | 23.5               | 31,954             |
| \$50000- \$99999   | 23           | 0.8                 | 1,607,591              | 10.6               | 69,895             |
| \$100000- \$199999 | 9            | 0.3                 | 1,234,776              | 8.2                | 137,197            |
| \$2000000+         | 2            | 0.1                 | 512,198                | 3.4                | 256,099            |
| Total              | 2,844        | 100.0               | 15,104,441             | 100.0              | 5,311              |



## Residual Market Demographics

### Residual Market Top 10 Classification Codes by Policy Count Annual Data Reported through December 31, 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 | 374          | 13.5          |
| 2    | 7711 - Firefighters & Drivers – Volunteer  | 188          | 6.8           |
| 3    | 5551 - Roofing-All Kinds & Drivers   | 96           | 3.5           |
| 4    | 6217 - Excavation & Drivers  | 85           | 3.1           |
| 5    | 5474 - Painting NOC & Shop Operations, Drivers   | 73           | 2.6           |
| 6    | 9102 - Park NOC-All Employees & Drivers  | 69           | 2.5           |
| 7    | 8810 - Clerical Office Employees NOC   | 59           | 2.1           |
| 8    | 0036 - Farm: Dairy & Drivers   | 58           | 2.1           |
| 9    | 0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers                          | 50           | 1.8           |
| 10   | 7219 - Trucking - NOC-All Employees & Drivers  | 48           | 1.7           |

### Residual Market Top 10 Classification Codes by Premium Volume Annual Data Reported through December 31, 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 | 1,687,884  | 11.6         |
| 2    | 5551 - Roofing-All Kinds & Drivers   | 908,370    | 6.2          |
| 3    | 7720 - Police Officers & Drivers   | 737,655    | 5.1          |
| 4    | 7705 - Ambulance Service Companies and EMS (Emergency Medical Service) Providers & Drivers   | 603,257    | 4.1          |
| 5    | 7711 - Firefighters & Drivers – Volunteer  | 501,282    | 3.4          |
| 6    | 0106 - Tree Pruning, Spraying, Repairing - All Operations & Drivers                          | 444,878    | 3.1          |
| 7    | 8868 - College - Professional Employees & Clerical   | 415,539    | 2.9          |
| 8    | 8864 - Social Service Organization - All Employees & Salespersons, Drivers                   | 391,471    | 2.7          |
| 9    | 7219 - Trucking - NOC-All Employees & Drivers  | 359,869    | 2.5          |
| 10   | 3724 - Machinery or Equipment Erection or Repair NOC & Drivers                               | 305,138    | 2.1          |



## 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.