



# **Tennessee Workers Compensation Residual Market Administration**

**Presented to Tennessee Advisory Council  
On Workers Compensation**

**August 23, 2016**

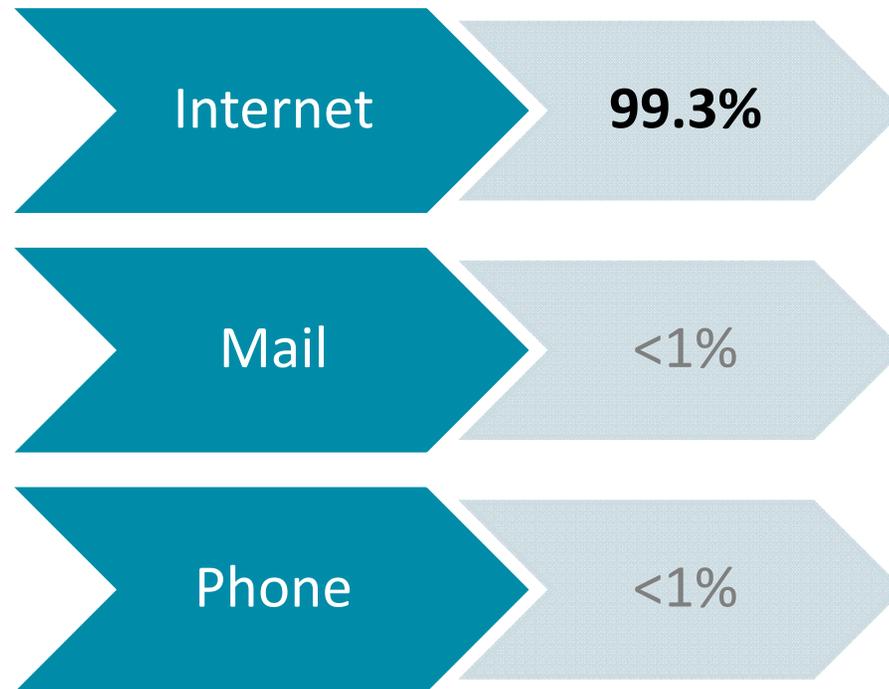
**Presented by:  
Jim Nau, CPCU, ARM, WCP  
NCCI, General Manager, Residual Markets**

# NCCI as Tennessee Administrator

- TN Plan and Pool Administrator – July 1, 2015
  - Enhanced on-line application processing
- Appointed to run-off TAELRM going forward as Tennessee Reinsurance Mechanism (TRM)
- Benefits of Conversion to TRM
  - Improved financial transparency
  - Improved oversight



# How are the Applications Submitted?



# Tennessee Residual Market

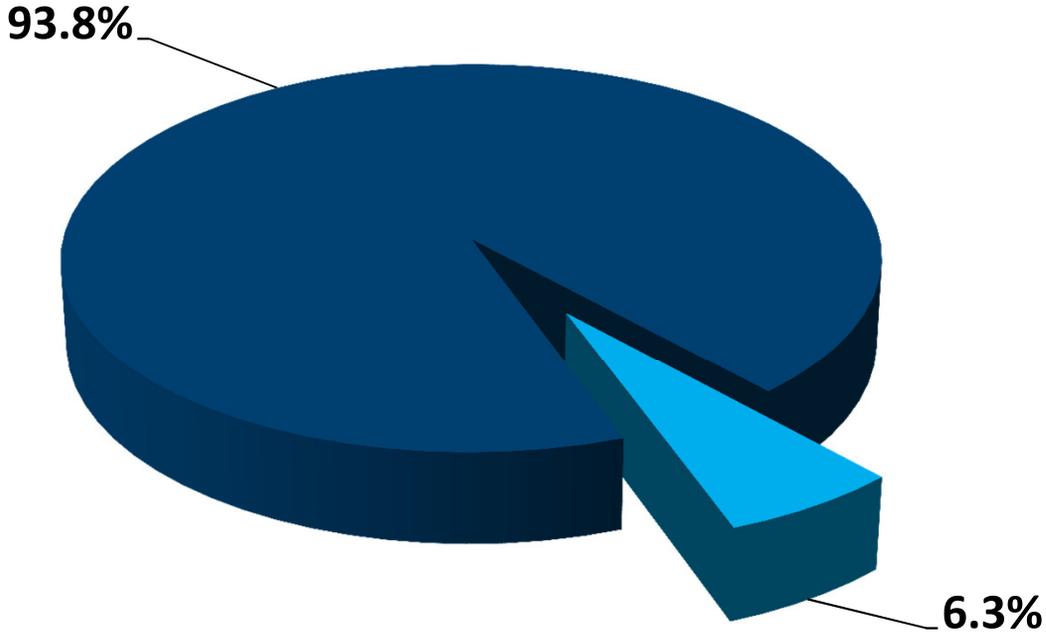
## Residual Market Total Policies and Premium in Force As of June 30, 2016

Total number of Assigned Risk Plan policies and estimated premium volume in force reported as of the date listed above.

<b>Policy Count</b>	<b>12,644</b>
<b>Premium Volume</b>	<b>\$64,209,050</b>



# Tennessee 2016 YTD Residual Market Share



■ Voluntary Market    ■ Residual Market

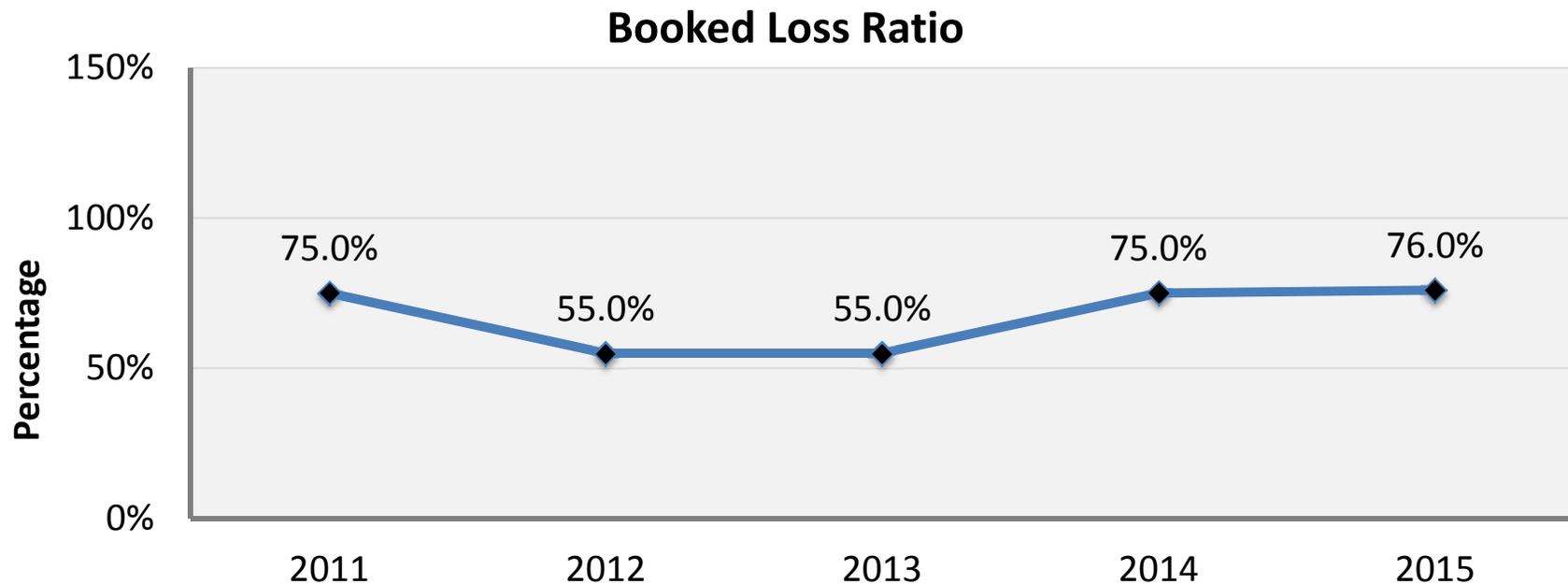
\*Preliminary/Estimated



# Tennessee Workers Compensation Residual Market

## Policy Year Loss Ratios Projected Ultimate Results Valued as of December 31, 2015

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



# Tennessee Residual Market Demographics

## Total Premium Distribution by Size of Risk YTD Data Reported through June 30, 2016

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	4,579	65.3%	\$4,134,326	11.8%	\$902
\$2500–4999	1,022	14.6%	\$3,609,310	10.3%	\$3,531
\$5000–9999	695	9.9%	\$4,880,362	14.0%	\$7,022
\$10000–19999	395	5.6%	\$5,382,818	15.4%	\$13,627
\$20000–49999	227	3.2%	\$6,940,072	19.8%	\$30,573
\$50000–99999	62	0.9%	\$4,261,484	12.2%	\$68,733
\$100000–199999	24	0.3%	\$3,355,617	9.6%	\$139,817
\$200000 +	9	0.1%	\$2,427,264	6.9%	\$269,696
<b>Total</b>	<b>7,013</b>	<b>100.0%</b>	<b>\$34,991,253</b>	<b>100.0%</b>	<b>\$4,989</b>

# Tennessee Residual Market Demographics

## Residual Market Top 10 Classification Codes by Policy Count YTD Data Reported through June 30, 2016

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	833	11.9%
2	5474	Painting NOC & Shop Operations Drivers	484	6.9%
3	5551	Roofing-All Kinds & Drivers	349	5.0%
4	5437	Carpentry-Installation Of Cabinet Work Or Interior Trim	347	5.0%
5	9014	Janitorial Services By Contractors-No Window Cleaning Above Ground Level & Drivers	256	3.7%
6	5022	Masonry NOC	220	3.1%
7	5445	Wallboard, Sheetrock, Drywall, Plasterboard, Or Cement Board Installation Within Buildings	216	3.1%
8	5403	Carpentry NOC	159	2.3%
9	5190	Electrical Wiring-Within Buildings & Drivers	158	2.3%
10	9102	Park NOC-All Employees & Drivers	146	2.1%



# NCCI Tennessee Depopulation Efforts

- Residual Market Expiration List
- Loss Sensitive Rating Program for large accounts
- Take Out Credit Program to provide incentives to write these accounts
- Premium Estimator – to help agents market these accounts
- Three year non-renewal
- Bright Horizons program
- Voluntary Coverage Assistance Program



# Tennessee Depopulation Efforts

## Voluntary Coverage Assistance Program Results

July 1, 2015 through June 30, 2016

Number of Applications Reviewed by VCAP® Service	6,005
Number of VCAP® Service Matches	2,234
VCAP® Service Offers as a % of Matches	2.19%
Number of Confirmed VCAP® Service Policies	45
Confirmed VCAP® Service Policies as a % of Applications Reviewed	0.75%
Savings as a % of Redirected Assigned Risk Premium	5.22%



# Residual Market Policy Report

## July 1, 2015 through June 30, 2016

State	Total # Policies
AK	7,771
AL	1,585
AR	6,868
AZ	6,007
CT	14,355
DC	1,406
GA	20,155
IA	4,572
ID	751
IL	34,214
IN	9,192
KS	8,868

State	Total # Policies
MS	2,638
NH	5,793
NM	2,759
NV	4,963
OR	9,368
SC	12,224
SD	1,715
<b>TN</b>	<b>12,940</b>
VA	15,276
VT	4,083
WV	2,502
<b>Total</b>	<b>190,005</b>



# Tennessee Workers Compensation Residual Market 2016 Servicing Carrier Selection Process



# Residual Market Snapshot

## All Pools, Policy Year 2015

as of December 31, 2015

2015 Written Premium—\$1.2 billion<sup>#</sup>

2015 Loss Ratio—.718<sup>#</sup>

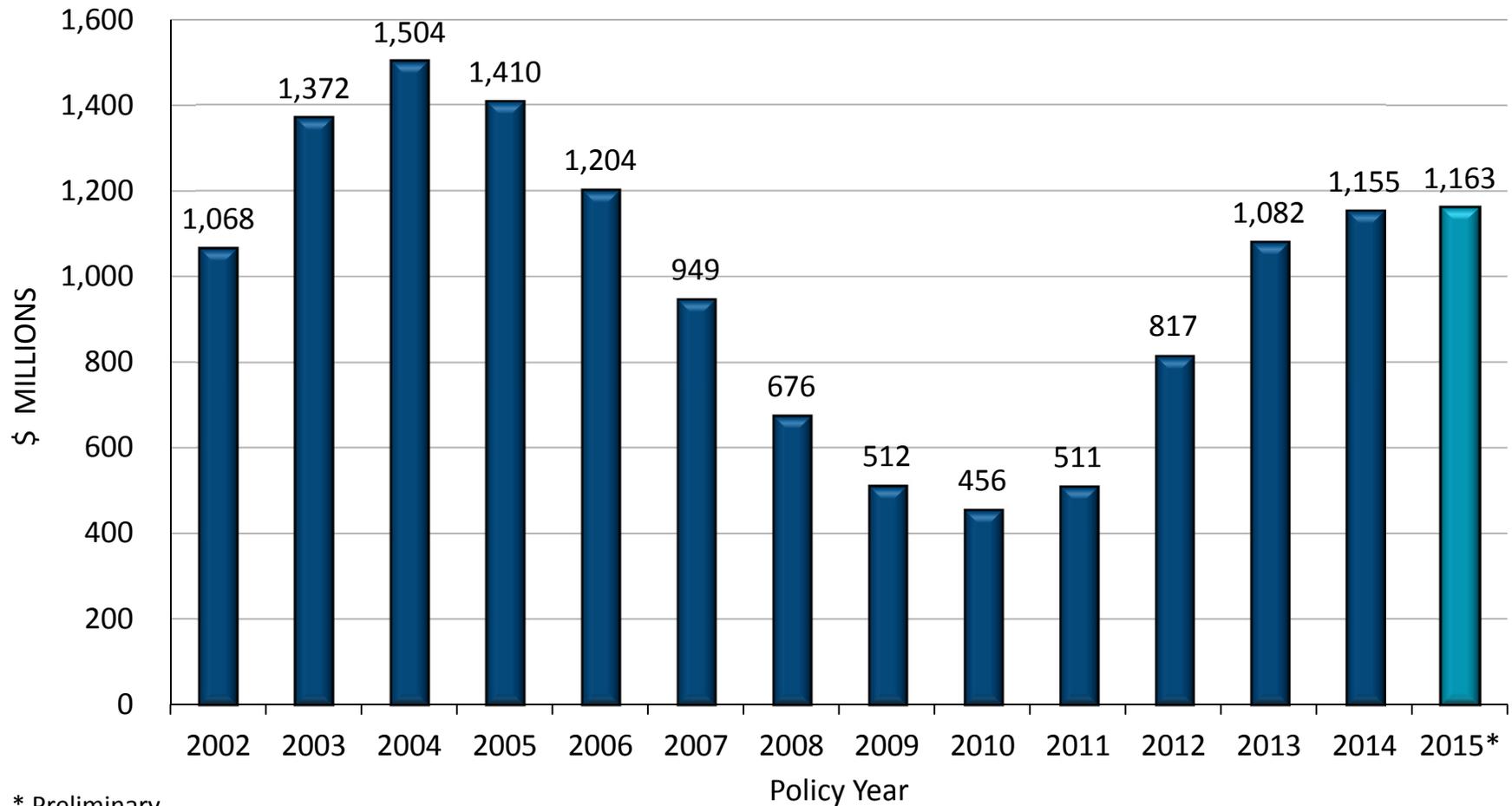
2015 Residual Market Share—8%<sup>\*</sup>

# Projected to Ultimate

\* Preliminary

# Written Premium for all Pools Serviced by NCCI

*as of December 31, 2015 (Projected to Ultimate)*



\* Preliminary



# 2015 Customer Satisfaction

- State Insurance Regulators
  - 9.50 Residual Market Management and Responsiveness
  
- Insurance Producers
  - 9.41 Customer Service Call Center
  - 9.33 Assigned Risk Services
  - 8.66 Application Processing



# Conclusion

- Tennessee transition has been well received by all stakeholders
- No disruption in service during the transition to NCCI
- NCCI's on-line application processing service, other automated systems, accounting practices and actuarial oversight are benefiting Tennessee
- Tennessee Workers Compensation Residual Market is stable and manageable.

