



Tennessee Workers Compensation Residual Market Administration

Presented to Tennessee Advisory Council on Workers
Compensation

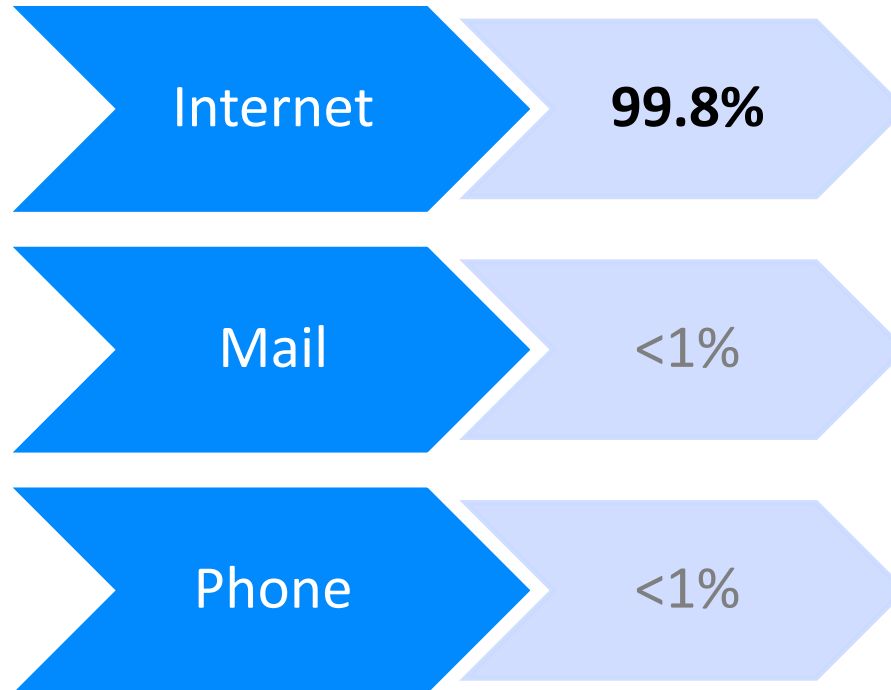
September 6, 2017

Presented by:
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NCCI, Director Plan Administration

NCCI as Tennessee Administrator

- TN Plan and Pool Administrator – July 1, 2015
- 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

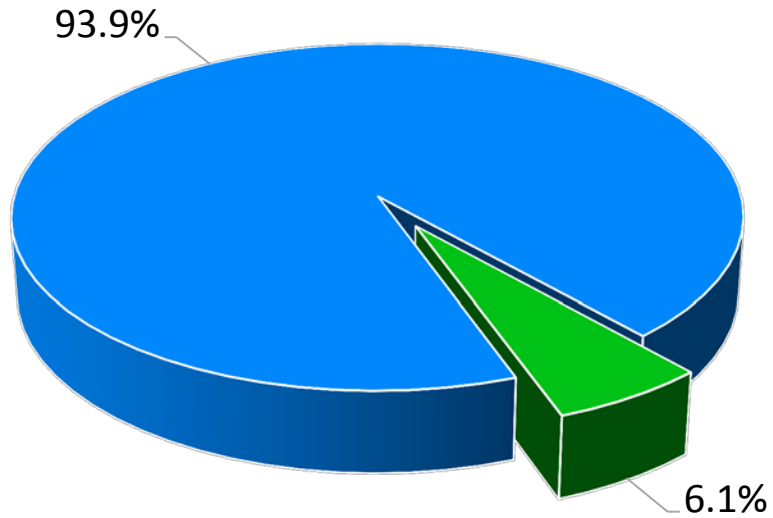
As of June 30, 2017

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

	2017	2016	2017 vs. 2016 #	2017 vs. 2016 %
Policy Count	12,866	12,900	-34	-0.3%
Premium Volume	\$61,530,519	\$64,670,516	-\$3,139,997	-4.9%

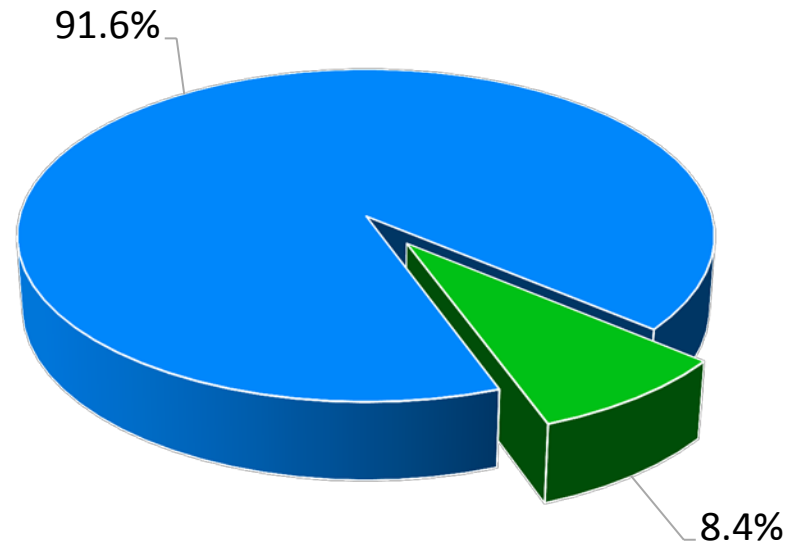
2016 Market Share

National



■ Voluntary Market ■ Residual Market

Tennessee



■ Voluntary Market ■ Residual Market

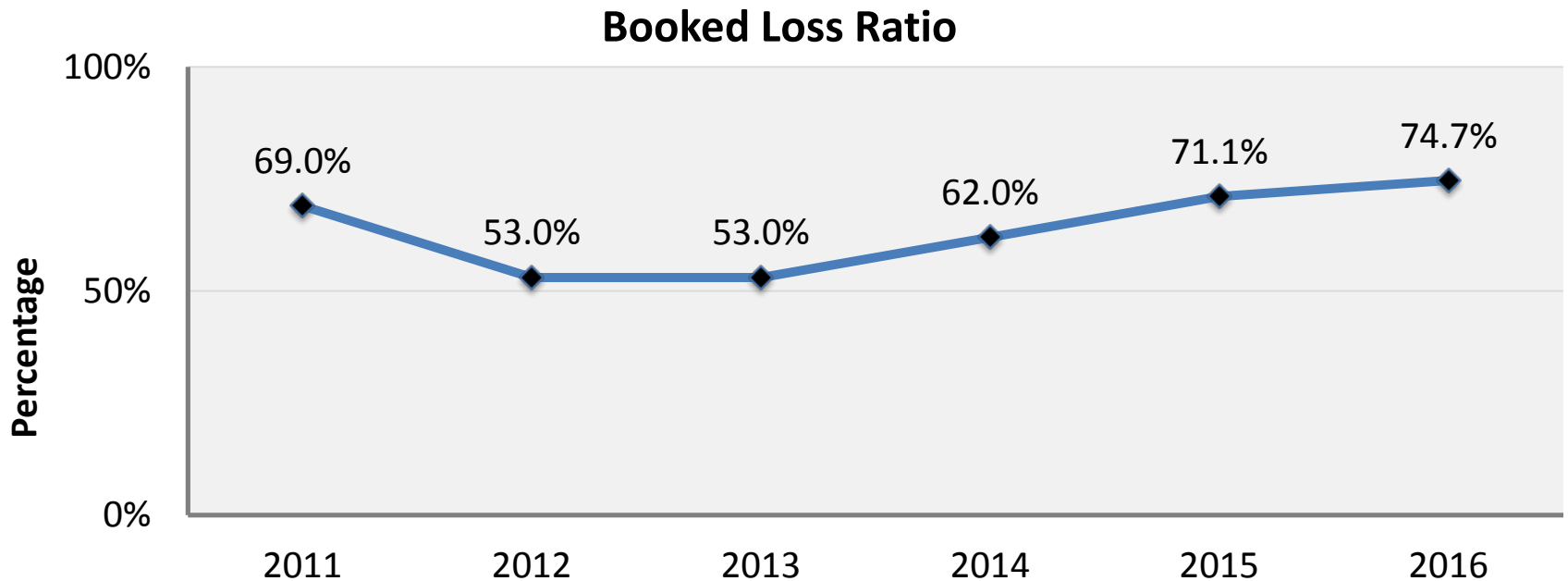
*Preliminary

Tennessee Workers Compensation Residual Market

Policy Year Loss Ratios Projected Ultimate Results

Valued as of March 31, 2017

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



* Policies with effective dates 6/30/2015 and prior included in the Tennessee Reinsurance Mechanism.
Policies with effective dates 7/1/2015 and subsequent included in the National Pool.

Tennessee Workers Compensation Residual Market

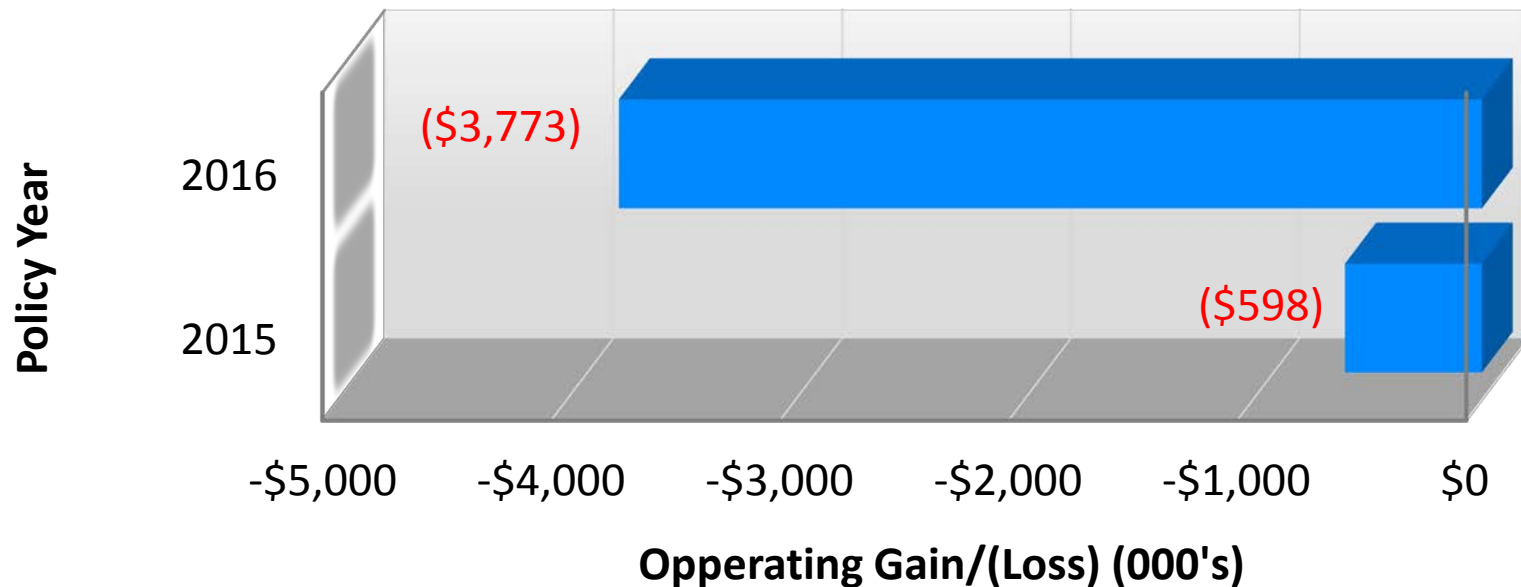
Net Operating Results (Projected to Ultimate)

Estimated Net Operating Gain/(Loss) (000's)

Policy Year Financial Results for 2016 and prior year

Valued as of March 31, 2017

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



Tennessee Residual Market Demographics

Total Premium Distribution by Size of Risk YTD Data Reported through June 30, 2017

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	4,700	66.9%	\$4,774,583	13.8%	\$1,015
\$2500–4999	1,018	14.5%	\$3,635,142	10.5%	\$3,570
\$5000–9999	601	8.6%	\$4,213,682	12.2%	\$7,011
\$10000–19999	394	5.6%	\$5,399,861	15.7%	\$13,705
\$20000–49999	239	3.4%	\$7,249,775	21.0%	\$30,333
\$50000–99999	49	0.7%	\$3,209,219	9.3%	\$65,494
\$100000–199999	22	0.3%	\$3,040,247	8.8%	\$138,193
\$200000 +	5	0.1%	\$2,973,892	8.6%	\$594,778
Total	7,028	100.0%	\$34,496,401	100.0%	\$4,908

Tennessee Residual Market Demographics

Residual Market Top 10 Classification Codes by Policy Count YTD Data Reported through June 30, 2017

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	914	13.0%
2	5474	Painting NOC & Shop Operations Drivers	476	6.8%
3	5551	Roofing-All Kinds & Drivers	435	6.2%
4	5437	Carpentry-Installation of Cabinet Work Or Interior Trim	382	5.4%
5	5022	Masonry NOC	214	3.0%
6	9014	Janitorial Services By Contractors-No Window Cleaning Above Ground Level & Drivers	211	3.0%
7	5445	Wallboard Sheetrock Drywall Plasterboard or Cement Board Installation Within Buildings	192	2.7%
8	6217	Excavation & Drivers	156	2.2%
9	9102	Park NOC-All Employees & Drivers	148	2.1%
10	5604	Construction - Executives Supervisors Or Foremen Overseeing Jobsites - Not Performing Act	145	2.1%

Servicing Carriers

- In 2016, Tennessee underwent a servicing carrier selection. The following carriers were selected to service the residual market beginning January 1, 2017:
 - Liberty Mutual
 - Travelers Insurance
 - Technology Insurance
- There are 7 Direct Assignment carriers

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

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, 2017

Number of Applications Reviewed by VCAP® Service	13,877
Number of VCAP® Service Matches	6,031
VCAP® Service Offers as a % of Matches	2.95%
Number of Confirmed VCAP® Service Policies	167
Confirmed VCAP® Service Policies as a % of Applications Reviewed	1.20%
Savings as a % of Redirected Assigned Risk Premium	4.74%

Residual Market Policy Report

Policies in Force as of June 30, 2017

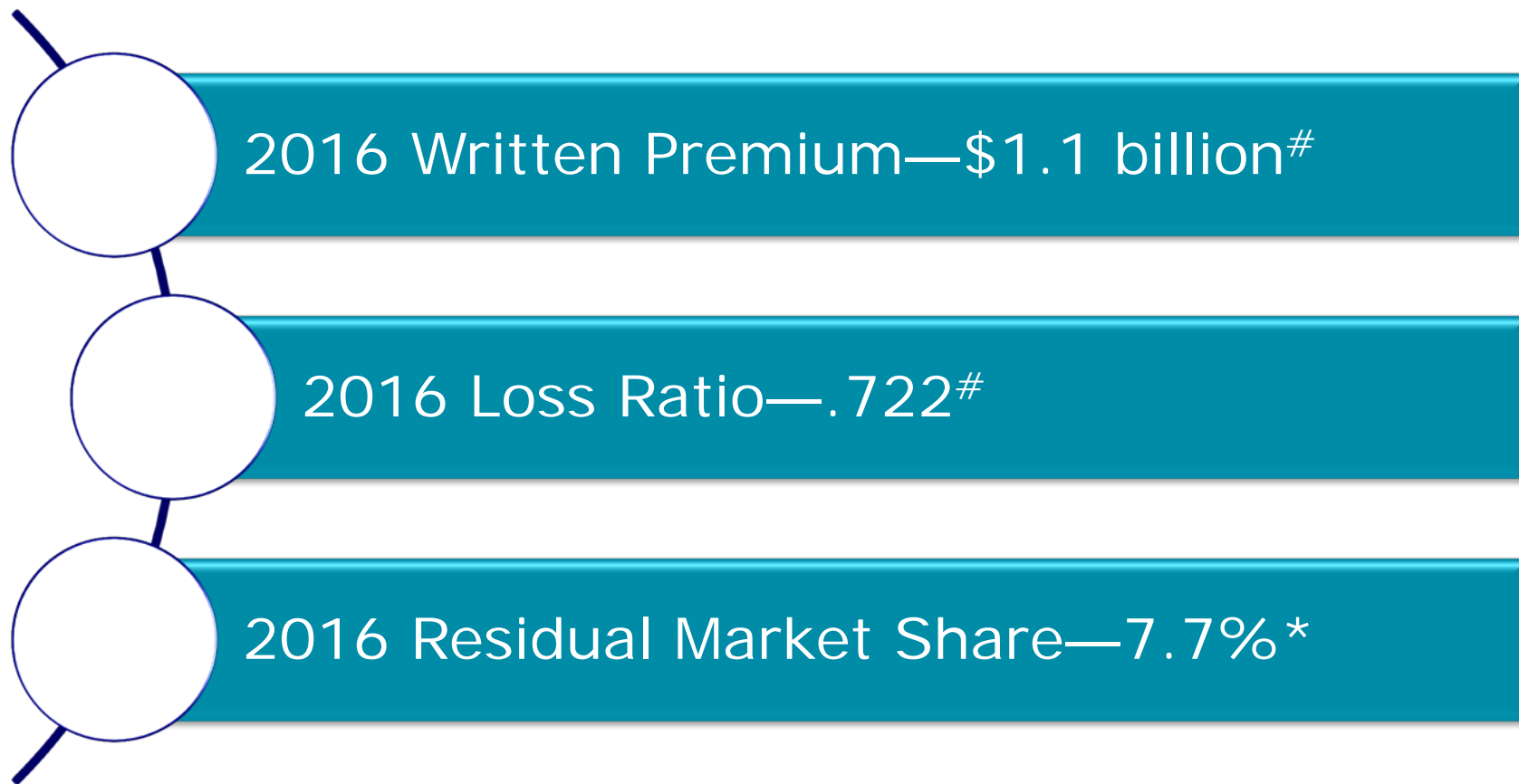
State	Total # Policies
AK	7,528
AL	1,553
AR	6,805
AZ	5,972
CT	14,541
DC	1,247
GA	21,472
IA	4,451
ID	840
IL	33,616
IN	9,000
KS	8,613

State	Total # Policies
MS	2,664
NH	5,159
NM	2,149
NV	4,930
OR	8,720
SC	12,788
SD	1,518
TN	12,886
VA	15,168
VT	3,835
WV	2,299
Total	187,734

Residual Market Snapshot

All Pools, Policy Year 2016

as of March 31, 2017



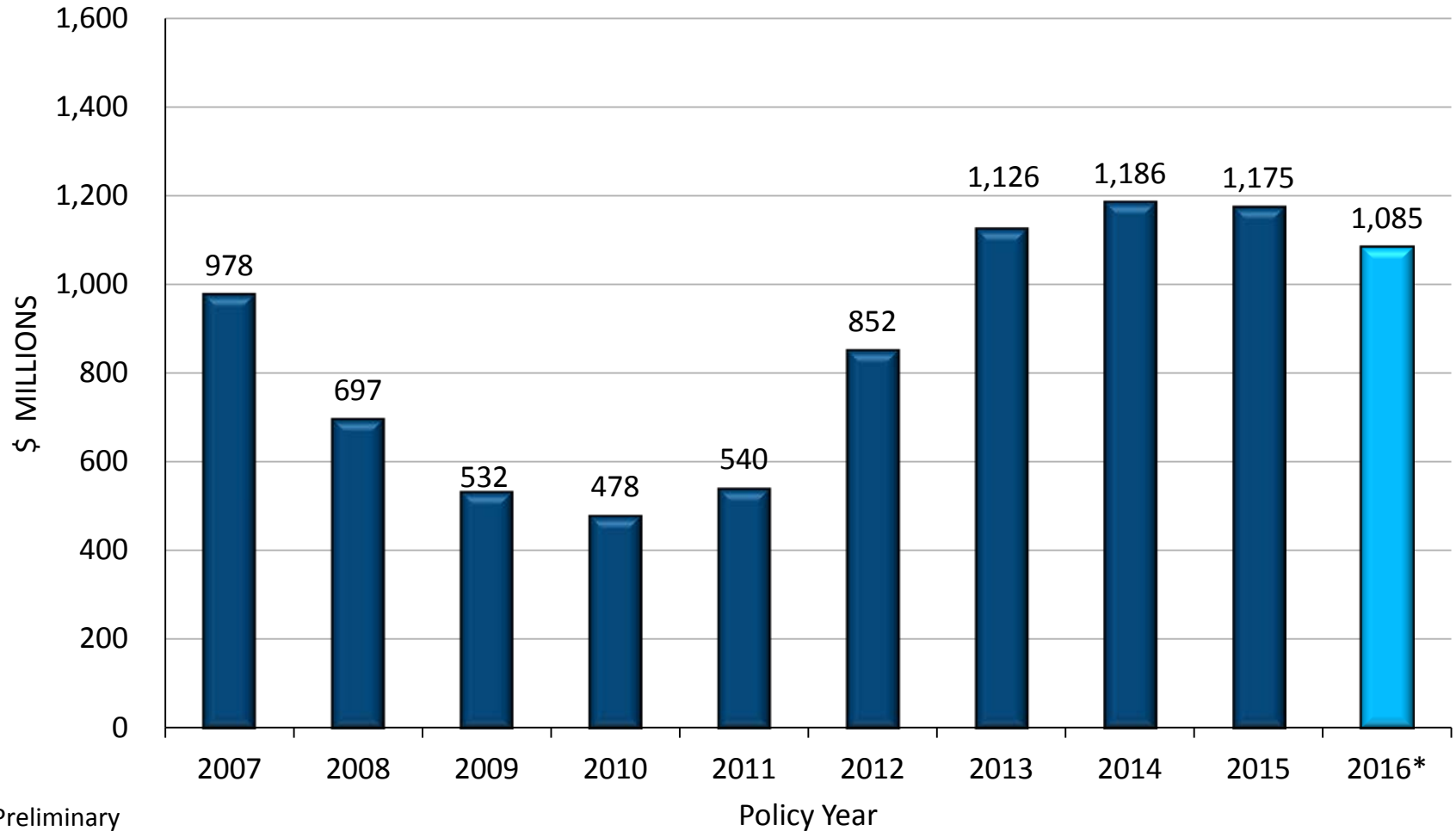
Projected to Ultimate

* Preliminary

Written Premium for all Pools

Serviced by NCCI – Including TRM

as of March 31, 2017 (Projected to Ultimate)



* Preliminary

2017 Customer Satisfaction

- State Insurance Regulators

- 9.16 Effectively responds to Residual Market Plan/Pool questions
- 8.88 Effectively manages Residual Market to minimize its burden

- Insurance Producers

- 9.40 Customer Service Call Center
- 9.24 Assigned Risk Services
- 8.46 Application Processing

Conclusion

- Tennessee Workers Compensation Residual Market is stable and manageable
- NCCI's on-line application processing service, other automated systems, accounting practices and actuarial oversight are benefiting Tennessee
- Change in servicing carriers is going well with limited market disruption