



THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU OF MASSACHUSETTS
101 ARCH STREET - 5TH FLOOR, BOSTON, MA 02110
(617) 439-9030 FAX 439-6055

October 14, 1993

CIRCULAR LETTER NO. 1655

To All Members and Subscribers of the Bureau:

IMPORTANT!

PLEASE READ THE ENTIRE CONTENTS OF THIS CIRCULAR LETTER CAREFULLY. THE ISSUES BEING CONSIDERED AT THESE HEARINGS MAY HAVE A SIGNIFICANT IMPACT ON THE OPERATIONS OF YOUR COMPANY.

NOTICES OF HEARINGS

Attached are three notices and accompanying documents from the Commissioner of Insurance advising that hearings will be held at 10:00 A.M. on Wednesday, November 3, 1993, in the Division of Insurance Hearing Room A, 6th Floor, 470 Atlantic Avenue, Boston, MA 02110.

PLEASE NOTE: The Division of Insurance is now at a new location, which is near South Station, on Atlantic Avenue, near Congress Street.

The purpose of the first hearing "will be to reopen Docket No. G92-25 to consider a proposal to include four additional months of experience in the determination of the appropriate amount of depopulation of the Massachusetts Workers' Compensation Assigned Risk Pool that insurers must accomplish in order to obviate the requirement for the mandatory direct assignment of risks in the Assigned Risk Pool, to help stabilize the voluntary market for workers' compensation insurance, and to reduce the size of the residual market." Docket No. G92-25 was the last rate hearing.

The purpose of the second hearing "will be to afford all interested parties an opportunity to provide testimony, both oral and written, regarding a new regulation, 211 CMR 115.00, *Requirements Applicable to Workers' Compensation Deductible Policies*, and the repeal, effective January 1, 1994 of 211 CMR 114.00, *Requirements Applicable to Workers' Compensation Large Deductible Policies and Programs*." Reference Docket No. 93-36.

The purpose of the third hearing "will be to afford all interested parties an opportunity to provide testimony, both oral and written, regarding the direction by the Commissioner of Insurance that certain amendments be made to the Workers' Compensation Assigned Risk Pool Plan of Operation." Reference Docket No. 93-35.

These amendments will modify the present method of allocation of the Assigned Risk Pool's financial results for specific years to:

- Address the circumstances relating to the assessment of certain carriers which wrote in the voluntary market in 1990 but were not assessed or allowed a refund for account of Policy Year 1990.
- Create a Voluntary Direct Assignment Program as an alternative to Pool assessments.
- Allow for the designation of a subcommittee of the Residual Market Committee to pass on disputes arising under the Plan of Operation.
- Create a Performance-Based Servicing Carrier Fee.
- Establish standards for measuring the performance of servicing carriers and a new servicing carrier fee for Policy Year 1994.
- Classify reimbursements under deductible coverage as premium for purposes of the Plan of Operation.
- Revise the Massachusetts Take-Out Credit Program rules regarding the effect on assessments of removal of risks from the Pool.
- Require that the effective dates of Plan of Operation changes be as specified by the Commissioner.

The Notice for this Hearing states that, "The above-described amendment modifying the present method of allocation of the Assigned Risk Pool's financial results will utilize an estimate of the Policy Year 1991 Assigned Risk Pool deficit of \$26 million dollars. This amount is derived from a discounted cash-flow analysis, including a selected interest rate of five per cent and a selected loss ratio of .85 for the Pool for Policy Year 1991."

Also to be noted are the following provisions contained on Page 42, the last page of this circular letter, under APPENDIX II REVISED MASSACHUSETTS TAKE-OUT CREDIT PROGRAM, "An insurer that removes a risk with a premium greater than \$5,500 shall be eligible for a Take-Out Credit applicable to its residual market assessment base of 1.00 for each of three years. The insurer is, however, required to pay a flat charge to the residual market reinsurance pool based on a percentage of that risk's net premium...The flat charges shall be: First Year 10%, Second Year 10%, Third Year 10%."

Any person who wishes to participate in any of these hearings is asked to submit a *Notice of Intent To Testify* to the Division of Insurance on or before November 1, 1993. All other interested parties will be heard subsequent to those who notify the Division in advance. Participants intending to introduce data at a hearing are urged to file such data with the Division no later than November 1, 1993. Persons wishing to submit written comments may do so until the record of the proceedings is closed. All submissions must be sent to Docket Clerk, Legal Division, Division of Insurance and must refer to the respective Docket Number.

NORMAN R. FONTAINE
Vice President of Industry Affairs

NRF/pw/648
Attachments



THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE OFFICE OF CONSUMER AFFAIRS

DIVISION OF INSURANCE

280 FRIEND STREET, BOSTON, 02114

(617) 727-7189

PRISCILLA H. DOUGLAS

SECRETARY

LINDA RUTHARDT

COMMISSIONER

NOTICE OF HEARING

Pursuant to the authority granted to the Commissioner of Insurance under Chapter 152, sections 53A, 65A and 65C of the Massachusetts General Laws, a hearing will be held at 10:00 AM on Wednesday, the 3rd of November, 1993, in the Division of Insurance Hearing Room A, 6th Floor, 470 Atlantic Avenue, Boston, MA 02210.

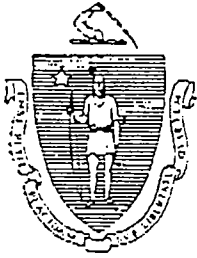
The purpose of the hearing will be to reopen Docket No. G92-25 to consider a proposal to include four additional months of experience in the determination of the appropriate amount of depopulation of the Massachusetts Workers' Compensation Assigned Risk Pool that insurers must accomplish in order to obviate the requirement for the mandatory direct assignment of risks in the Assigned Risk Pool, to help stabilize the voluntary market for workers' compensation insurance and to reduce the size of the residual market.

Any person who wishes to participate in this hearing is asked to submit a Notice of Intent to Testify to the Division of Insurance on or before November 1, 1993. All other interested parties will be heard subsequent to those who notify the Division in advance. Participants intending to introduce data at the hearing are urged to file such data with the Division no later than November 1, 1993. Persons wishing to submit written comments may do so until the record of the proceedings is closed. All submissions must be sent to the Docket Clerk, Legal Division, Division of Insurance and must refer to Docket No. G92-25.

Date: October 8, 1993

A handwritten signature in cursive script, appearing to read "Linda Ruthardt".

Linda Ruthardt
Commissioner of Insurance



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SECRETARY

LINDA RUTHARDT

COMMISSIONER

NOTICE OF HEARING

Pursuant to Section 2 of Chapter 30A and the authority granted to the Commissioner of Insurance under Chapter 152, sections 25A, 53A, 55, 55A, 65A, and 65C; Chapter 175, sections 3A, 4, 5 and 6; and by the authority granted generally by Chapters 152, 175 and 176D of the Massachusetts General Laws, a hearing will be held at 10:00 AM on Wednesday, the 3rd of November, 1993, in the Division of Insurance Hearing Room A, 6th Floor, 470 Atlantic Avenue, Boston, MA 02210.

The purpose of the hearing will be to afford all interested parties an opportunity to provide testimony, both oral and written, regarding a proposed new regulation, 211 CMR 115.00, Requirements Applicable to Workers' Compensation Deductible Policies and the repeal, effective January 1, 1994 of 211 CMR 114.00, Requirements Applicable to Workers' Compensation Large Deductible Policies and Programs.

211 CMR 115.00 has been proposed to specify that deductible payments or reimbursements shall be considered premium for all purposes and to ease the administrative burdens on insurers writing large deductible policies in Massachusetts. 211 CMR 115.00 also provides for the regulation of conditions under which insurers may provide workers' compensation insurance coverage to employers under large deductible policies in Massachusetts, and provides for the administration and implementation of such regulation. 211 CMR 115.00 supplements the regulation of deductible workers' compensation insurance coverage under 211 CMR 113.00.

Issues to be considered at the hearing may include data reporting, market effects, filing requirements, and any other relevant issues concerning the likely effect of 211 CMR 115.00 and the repeal of 211 CMR 114.00 on insurers, insureds, and the workers' compensation system and market. Comment is specifically invited on the likely impact on small business of the adoption of 211 CMR 115.00 and the repeal of 211 CMR 114.00 as of January 1, 1994.

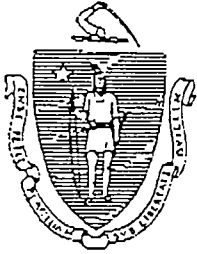
Any person who wishes to participate in this hearing is asked to submit a Notice of Intent to Testify to the Division of Insurance on or before November 1, 1993. All other interested parties will be heard subsequent to those who notify the Division in advance. Participants intending to introduce data at the hearing are urged to file such data with the Division no later than November 1, 1993. Persons wishing to submit written comments may do so until the record of the proceedings is closed. All submissions must be sent to the Docket Clerk, Legal Division, Division of Insurance and must refer to Docket No. G93-36. Copies of 211 CMR 114.00 and 211 CMR 115.00 are available from the Docket Clerk at the Division of Insurance.

Date: October 8, 1993

A handwritten signature in cursive script, appearing to read "Linda Ruthardt", written over a horizontal line.

Linda Ruthardt

Commissioner of Insurance



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SECRETARY

LINDA RUTHARDT

COMMISSIONER

NOTICE OF HEARING

Pursuant to the authority granted to the Commissioner of Insurance under Chapter 152, sections 65A and 65C of the Massachusetts General Laws, a hearing will be held at 10:00 AM on Wednesday, the 3rd of November, 1993, in the Division of Insurance Hearing Room A, 6th Floor, 470 Atlantic Avenue, Boston, MA, 02210.

The purpose of the hearing will be to afford all interested parties an opportunity to provide testimony, both oral and written, regarding the direction by the Commissioner of Insurance that certain amendments be made to the Workers' Compensation Assigned Risk Pool Plan of Operation.

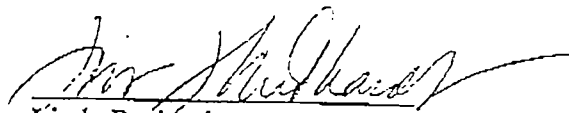
These amendments will modify the present method of allocation of the Assigned Risk Pool's financial results for specific years to address the circumstances relating to the assessment of certain carriers which wrote in the voluntary market in 1990 but were not assessed or allowed a refund for account of policy year 1990, create a Voluntary Direct Assignment Program as an alternative to pool assessments, allow for the designation of a subcommittee of the Residual Market Committee to pass on disputes arising under the Plan of Operation, create a Performance-Based Servicing Carrier Fee and establish standards for measuring the performance of servicing carriers, classify reimbursements under deductible coverage as premium for purposes of the Plan of Operation, revise the Massachusetts Take-out Credit Program rules regarding the effect on assessments of removal of risks from the pool, and require that the effective dates of Plan of Operation changes be as specified by the Commissioner.

The above-described amendment modifying the present method of allocation of the Assigned Risk Pool's financial results will utilize an estimate of the policy year 1991 Assigned Risk Pool deficit of 26 million dollars. This amount is derived from a discounted cash-flow analysis, including a selected interest rate of five per cent and a selected loss ratio of .85 for the pool for policy year 1991.

All of the above-described amendments have effective dates of January 1, 1994, except for the amendment modifying the present method of allocation of the Assigned Risk Pool's financial results, which will be effective upon approval of the Commissioner.

Any person who wishes to participate in this hearing is asked to submit a Notice of Intent to Testify to the Division of Insurance on or before November 1, 1993. All other interested parties will be heard subsequent to those who notify the Division in advance. Participants intending to introduce data at the hearing are urged to file such data with the Division no later than November 1, 1993. Commentary is specifically requested relating to the appropriateness of the inputs and results of the discounted cash-flow analysis referred to above. Persons wishing to submit written comments may do so until the record of the proceedings is closed. All submissions must be sent to the Docket Clerk, Legal Division, Division of Insurance and must refer to Docket No. G93-35. Copies of the Plan of Operation including the above-described amendments are available for inspection and copying at the office of the Division of Insurance.

Date: October 8, 1993



Linda Ruthardt

Commissioner of Insurance

211 CMR 115.00 REQUIREMENTS APPLICABLE TO WORKERS'
COMPENSATION DEDUCTIBLE POLICIES

Section

- 115.01: Purpose and Scope
- 115.02: Authority
- 115.03: Definitions
- 115.04: Deductible Payments or Reimbursements by Insureds
- 115.05: Minimum Requirements for Large Deductible Policies
- 115.06: Failure to Comply
- 115.07: Effective Date
- 115.08: Severability

115.01: Purpose and Scope

The purpose of 211 CMR 115.00 is to specify that deductible payments or reimbursements shall be considered premium for all purposes, to regulate the conditions under which insurers may provide workers' compensation insurance coverage to employers in Massachusetts under large deductible policies, and to provide for the administration and implementation of such regulation. All workers' compensation deductible policies shall conform to the conditions and limitations set forth below and to the conditions and limitations set forth in 211 CMR 113.00.

115.02: Authority

211 CMR 115.00 is promulgated in accordance with the authority granted by M.G.L. c. 152, ss. 25A, 53A, 55, 55A, 65A, and 65C, and by M.G.L. c. 175, ss. 3A, 4, 5 and 6, and by the authority granted generally by M.G.L. c. 152, c. 175, and c. 176D.

115.03: Definitions

As used in this regulation the following words shall have the meanings indicated.

Commissioner means the Commissioner of Insurance or his or her designee.

Insureds means employers who have contracted with a licensed insurance company, reciprocal or interinsurance exchange for the payment of the compensation required under the provisions of M.G.L. c. 152.

Pool means the residual market pool identified in M.G.L. c. 152, s. 65C.

115.04: Deductible Payments or Reimbursements by Insureds

Any deductible payments or reimbursements made by insureds on or after January 1, 1994 shall be considered to be premium for all purposes, including but not limited to determining assessments by the Massachusetts Insurers Insolvency Fund, assessments by the Pool, assessments by the Massachusetts Department of Industrial Accidents Special Fund and Trust Fund, the amount owed by any insurer for workers' compensation premium taxes, and any other assessments or taxes applicable to workers' compensation premium; as well as for all statutory and other reporting purposes and for the application of all surplus requirements.

115.05: Minimum Requirements for Deductible Policies

(1) The following features must be included in all large deductible policies:

(i) Only those risks whose workers' compensation full coverage standard premium plus ARAP would otherwise exceed \$500,000 of Massachusetts premium, or \$50,000 in Massachusetts premium for risks with greater than \$1,000,000 in countrywide premium (not including self-insurance "premium") are eligible.

(ii) The policies may not provide cancellation provisions that differ in any respect from those contained in the standard Massachusetts workers' compensation policy.

(iii) An aggregate deductible limit must be included.

(2) The first dollar loss and expense experience resulting from deductible policies shall be reported by the insurer for all statistical purposes.

115.06: Failure to Comply

Failure to comply with any of the rules set forth above is a violation of Massachusetts law and, in addition to any other applicable penalties, may result in the withdrawal of permission to write any new or renewal deductible policies. Companies or company groups which have forfeited the right to write deductible policies may apply to the Commissioner for eligibility to write such policies no sooner than two years from the date of withdrawal of permission.

115.07: Effective Date

The provisions 211 CMR 115.00 shall be effective as of January 1, 1994.

115.08: Severability

If any section or portion of a section of 211 CMR 115.00 or the applicability thereof to any person, entity or circumstance is held invalid by a court, the remainder of 211 CMR 115.00 or the applicability of such provision to other persons, entities or circumstances, shall not be affected thereby.

Massachusetts Workers' Compensation Assigned Risk Pool

PLAN OF OPERATION

ARTICLE I

NAME

Name. The reinsurance pool contemplated by G.L. c. 152, § 65C, as amended, shall be known as the Massachusetts Workers' Compensation Assigned Risk Pool (the "Pool").

ARTICLE II

DESIGNATION OF ADMINISTRATOR

Designation of Administrator. The Pool shall be administered, in accordance with G.L. c. 152, § 65A et seq., as amended, by The Workers' Compensation Rating and Inspection Bureau of Massachusetts (the "Bureau").

ARTICLE III

PURPOSE AND LIMITATIONS

1. **Purpose.** It is the purpose of the Pool to provide a mechanism for the equitable distribution among insurers of risks entitled to coverage under G.L. c. 152, § 65A, as amended, and to provide, in accordance with G.L. c. 152, § 65C, as amended, for the equitable allocation among all insurers authorized to write workers' compensation insurance in the Commonwealth of the losses incurred on policies issued to employers under § 65A.

Under delegation from the Commissioner of Insurance (the "Commissioner"), the Bureau shall make equitable assignments of risks entitled to coverage under G.L. c. 152, § 65A, as amended, including assignments to servicing carriers or voluntary direct assignment carriers. The Bureau shall each year submit to the Commissioner a report of the assigned risks for the preceding year.

The Bureau is authorized to enter into agreements on behalf of the members of the Pool to carry out the purposes of this Plan including but not limited to servicing carrier agreements. The Bureau is empowered to act as attorney-in-fact for each member of the Pool, to enforce any rights of the members of the Pool, including without limitation, any rights against any other member of

the Pool upon insolvency, to prosecute, to defend, to submit to arbitration, to settle and to propose or to accept a compromise with respect to any claim existing in favor of, or against, such member based on or involving any matter relating to this Plan or to intervene in any action or proceeding related thereto.

2. **Limitations.** This Plan of Operation shall apply only to workers' compensation policies including any one or more of the following coverages provided under such policies:

- a. Statutory workers' compensation and occupational disease as provided in G.L. c. 152.
- b. Employers' Liability when written in combination with coverage as specified in (a) above.
- c. Such other coverages as the Bureau may file for approval by the Commissioner for inclusion in the standard Workers' Compensation and Employers' Liability Insurance Policy.

This Plan of Operation shall apply to policies issued to employers whose risks have been assigned to and accepted by members of the Pool in accordance herewith, and to become effective on or after 12:01 a.m. of the effective date.

ARTICLE IV

MEMBERSHIP

1. **Membership.** Every insurer, as defined in G.L. c. 152, § 1(7), and any insurance company, reciprocal or interinsurance exchange which has contracted with an employer to pay the compensation provided for by G.L. c. 152, that is authorized to write or to continue to write workers' compensation insurance in the Commonwealth shall be a member of the Pool.
2. **Insolvency.**
 - (a) In the event any member company shall become insolvent, as hereinafter defined, membership of such company in the Pool shall be deemed terminated at the time such company becomes insolvent subject to the further provisions of subparagraph 2 (f) (g) hereunder. As used herein, "insolvent" means being the subject of receivership, conservatorship, rehabilitation, liquidation, or similar proceedings, whether voluntary or involuntary, in any jurisdiction.
 - (b) ~~In the event a servicing carrier becomes insolvent, the Bureau, acting on~~

Massachusetts Assigned Risk Pool Plan of Operation

~~behalf of each of the members, shall have the option to:~~

- ~~(i) — pay to The Massachusetts Insurers Insolvency Fund, to the extent required by G. L. c. 175D, or to the receiver, conservator, rehabilitator, liquidator or other appropriate representative all losses and expenses for which such insolvent company shall have become liable upon risks to which this Plan of Operation applies;
or~~
- ~~(ii) — subject to the approval of the receiver, conservator, rehabilitator, liquidator or other representative, and subject to the approval of any court having jurisdiction over the proceedings, terminate the obligation of the members of the Pool to such insolvent company to reinsure such insolvent company for losses and expenses for which the insolvent company shall have become liable upon risks to which this Plan of Operation applies. If this option is exercised, the Bureau shall make arrangements to reassign all risks being serviced by such insolvent member to a successor servicing carrier. Such successor servicing carrier shall assume all the duties and obligations of the insolvent carrier and shall accede to the reinsurance provided by the members of the Pool. Payment made on account of such risks, including expenses for the servicing thereof, shall be apportioned ratably among the remaining members of the Pool in accordance with the method provided for the apportioning of assessments.~~
- ~~(e) — The outstanding liability to the members of the Pool of any insolvent member, whether in its capacity as a servicing carrier or a member or both, and except for the portion unexpended of any amount of premium retained for servicing by such insolvent member (if a servicing carrier), shall, in event of such insolvency, and subject to any other or further provision with respect thereto which may be from time to time embodied in the rules and procedures adopted hereunder, be assumed by and apportioned among the remaining members of the Pool in the same manner in which liability for assessments is apportioned; and the participation of such insolvent member in the Pool or the funds thereof except as to any refund (if the right to such refund shall have then accrued), shall terminate. No refund shall be made to such insolvent company until all of its liabilities to the members of the Pool and all liabilities assumed by the members of the Pool by virtue of the provisions in this section shall have been fully settled and satisfied.~~

~~The Pool members shall have all the rights allowed by law against the estate or funds of such insolvent carrier for recovery of funds disbursed (including the payment of losses and servicing expenses) on risks carried~~

Massachusetts Assigned Risk Pool Plan of Operation

~~by insolvent members as herein provided. The Bureau may assert and enforce such rights on behalf of the members of the Pool.~~

- (b) Upon notice to the Bureau of the insolvency of a member company which is acting as a servicing carrier or as a voluntary direct assignment carrier, the Bureau shall reassign all risks previously assigned to the insolvent company to one or more servicing carriers or voluntary direct assignment carriers in accordance with the procedures set forth in this Plan.
- (c) In the event a servicing carrier becomes insolvent, the Bureau, acting on behalf of each of the members, shall have the option to:
- (i) pay to The Massachusetts Insurers Insolvency Fund, or to the receiver, conservator, rehabilitator, liquidator or other appropriate representative all losses and expenses for which such insolvent company shall have become liable upon risks to which this Plan of Operation applies; or
 - (ii) subject to the approval of the receiver, conservator, rehabilitator, liquidator or other representative, and subject to the approval of any court having jurisdiction over the proceedings, terminate the obligation of the members of the Pool to such insolvent company to reinsure such insolvent company for losses and expenses for which the insolvent company shall have become liable upon risks to which this Plan of Operation applies. If this option is exercised, the Bureau shall make arrangements to reassign all risks being serviced by such insolvent member to a successor servicing carrier. Such successor servicing carrier shall assume all the duties and obligations of the insolvent carrier and shall accede to the reinsurance provided by the members of the Pool. Payment made on account of such risks, including expenses for the servicing thereof, shall be apportioned ratably among the remaining members of the Pool in accordance with the method provided for the apportioning of assessments.
- (d) The outstanding liability to the members of the Pool of any insolvent member, whether in its capacity as a servicing carrier, or as a member, except for the unexpended portion of any premium retained by a servicing carrier for servicing an assigned risk, shall, in the event of insolvency, be assumed by and apportioned among the remaining members of the Pool in the same manner as liability for assessments is apportioned under this Plan. The right of such

insolvent member to participate in the Pool or the funds thereof, except as to any refund if the right to such refund shall have accrued before the date of insolvency, shall thereupon terminate. No refund shall be made to such insolvent company until all its liabilities to the members of the Pool and all liabilities assumed by members of the Pool by virtue of the provisions of this Plan shall have been fully settled and satisfied.

In the event a direct assignment carrier becomes insolvent, the Pool shall have no obligation to pay any losses and expenses for which such insolvent company shall have become liable upon risks to which the Plan of Operation applies except to the extent, if any, that the Massachusetts Insurers Insolvency Fund or any successor entity is not obligated to pay such losses and expenses under the provisions of G.L. c. 175D.

The Pool members shall have all the rights allowed by law against the estate or funds of insolvent carriers for recovery of funds disbursed (including the payment of losses and servicing expenses) on risks carried by insolvent members as herein provided. The Bureau may assert and enforce such rights on behalf of the members of the Pool.

The provisions of this section are subject to any other or further provisions with respect thereto which may be from time to time embodied in the rules and procedures adopted hereunder.

- (d) (e) Any insolvent member company which fails or has failed to make timely payment of any assessment made under this Plan of Operation shall become liable to the members of the Pool, as of the earliest date on which such failure to pay occurs, for an additional amount equal to the commuted value on such date of all future assessments to be made against such member company. For the purposes hereof, such commuted value shall be the total amount of unearned premium reserves and loss reserves then allocated to such member company hereunder, as determined by the Bureau. The liability of the insolvent member company for such commuted value under this provision shall be deemed fixed, liquidated, and non-contingent as of the date of such failure to pay. The Bureau may assert and enforce such liability on behalf of the members of the Pool.
- (e) (f) The Bureau shall have the discretion to terminate the membership of any or all affiliated companies of the insolvent company. No termination of an insolvent company or any or all companies described in this Section shall be deemed in abrogation of the membership requirement in Article

IV, Section 1.

- ~~(f)~~ (g) Anything in this Section to the contrary notwithstanding, the Bureau may, in the event such action is in its judgment feasible and desirable, and in a manner equitable to all members, elect not to terminate the membership of such insolvent company, and permit such company to continue to be a member of the Pool upon such conditions as it may prescribe and subject in all respects to this Plan of Operation and the rules and procedures hereunder as then constituted.
 - ~~(g)~~ (h) No member of any Committee of the Bureau representing an insolvent company or affiliate thereof may vote in any proceeding under this Section.
 - ~~(h)~~ (i) Nothing in this Section relating to the insolvency of a member company shall, without the express approval of the Bureau, increase the total liability of all members of the Pool (excluding the obligations of the insolvent member) to an amount greater than what the liability would have been if the insolvency had not occurred.
3. **Member Obligations.** Any or all member companies shall, at the discretion of the Bureau, be required to periodically provide, at intervals to be determined by the Bureau, information on the ability to pay return premiums, losses and expenses which may be assessed pursuant to Article ~~XII~~ XIII, Section 7 for all risks which are subject to this Plan of Operation. Member companies shall provide all further information necessary for the Bureau to determine whether a company's ability to pay its obligations to the Pool members, and for the Bureau to determine if there is any significant likelihood that the company's future reserves will be inadequate to meet future obligations. Member companies shall cooperate fully in assisting the Bureau in making these determinations, and shall cooperate fully in the conduct of any auditing procedure necessary to these determinations. Should the Bureau determine that a company's reserves are not adequate to meet its obligations to the Pool members, or that there is a significant likelihood that future reserves will be inadequate to meet future obligations, or should the Bureau determine that the member company has not cooperated to the extent necessary to make these determinations, the Bureau shall have the authority to ensure that the member company has reserves adequate to protect the other members of the Pool by taking actions which may include, but need not be limited to, any or all of the following:
- (a) Ordering that all premium distributions or refunds due the member company be paid into escrow or trust with the Bureau to secure the member's obligations.

- (b) Ordering that all premium distributions or refunds due the member company be paid in trust with a third party to secure the member's obligations.
- (c) Ordering that the member company obtain a letter of credit approved by the Bureau to secure the company's future liabilities.

Compliance with any such order within the time specified therein shall be an obligation of membership.

ARTICLE V

MEETINGS AND VOTING RIGHTS

1. **Regular Meetings.** An annual meeting of the Pool membership shall be held in the City of Boston, Massachusetts, on such date and at such time and place as may be specified in the notice of meeting.

In case the annual meeting for any year shall not be duly called or held, the Residual Market Committee shall cause a special meeting to be held as soon as may be practicable thereafter, in lieu of and for the purpose of such annual meeting, and all proceedings at such special meeting shall have the same force and effect as if taken at the regular annual meeting.

2. **Special Meetings.** Special meetings of the Pool membership may be called at any time by the President of the Bureau, and shall be held in the City of Boston, Massachusetts, at such time and place as may be specified in the notice of meeting. Special meetings shall be called by the President of the Bureau upon the written request of a majority of the Residual Market Committee, or of five members of the Pool.
3. **Notice of Meetings.** At least ten days' written notice of all meetings of the Pool membership shall be given and in each case an agenda of matters to be considered shall accompany the notice of meeting. Only those matters which are noted in the agenda shall be considered at such meetings, provided, however, that other matters may be considered upon unanimous consent of the members present.
4. **Quorum.** At an annual or special meeting of the Pool membership, members writing not less than 51% of the total net workers' compensation insurance premiums written by all members of the Pool during the latest calendar year for which information is available, shall constitute a quorum.
5. **Voting Rights.** In any meeting of the Pool membership, each member of the

Pool shall be entitled to one vote.

At any meeting of the Pool membership, proposed actions shall be deemed adopted when an affirmative vote has been cast by members writing not less than 51% of the total net workers' compensation insurance premiums written by all members of the Pool during the latest calendar year for which information is available. Action may also be taken, without a meeting, by mail or telephone upon affirmative vote of members writing not less than 51% of the total net workers' compensation insurance premiums written by all members during the latest calendar year for which information is available, provided all members of the Pool are polled. In the event of a tie vote, the motion fails adoption.

6. **Proxies.** Members may be represented at any meeting by proxy. Members may record their votes by mail on written propositions, and such votes shall have the same standing as if cast by such members in person or by proxy.
7. **Records of Meetings.** Records of all meetings of members of the Pool shall be provided to members of the Pool and to the Commissioner.

ARTICLE VI

RESIDUAL MARKET COMMITTEE

1. **Appointment and Composition.** At each annual meeting of the Bureau, the members of the Governing Committee shall appoint the members of the Residual Market Committee who shall serve until the next annual meeting. The Committee shall be composed of not more than ten (10) members. The President of the Bureau shall be a member ex officio of the Committee, but shall not have the right to vote. The Committee shall have a mixture of eight (8) Pool and two (2) non-Pool members. One non-Pool member shall represent policyholders' interests and the other shall represent producers' interests. No more than six (6) of the eight (8) Pool members shall be servicing carriers. Pool memberships shall be in the name of the member company, which shall designate knowledgeable representatives of suitable senior standing. Each company member of the Committee shall select two (2) alternates of similar standing.
2. **Powers.** The Residual Market Committee shall monitor and administer the Pool, unless the Governing Committee of the Bureau otherwise directs.
3. **Organization and Procedure.** The Committee shall be presided over by a Chairperson, who shall have the right to vote, chosen by it from among its members by an election at its first meeting following the annual meeting of the Bureau. A Vice Chairperson shall be elected in the same manner and shall

preside in the absence of the Chairperson.

4. **Meetings; Time, Place and Notice.** Meetings shall be held at such times and places as the Committee may from time to time determine, and may be called at any time by the President of the Bureau, and shall be so called by the President upon the written request of any two members of the Committee. At least ten days' written notice of all meetings of the Residual Market Committee shall be given and in each case an agenda of matters to be considered shall accompany the notice of meeting. Only those matters which are noted in the agenda shall be considered at such meetings, provided, however, that other matters may be considered upon unanimous consent of the members present.
5. **Quorum and Voting Rights.** A majority of the members of the Committee shall constitute a quorum. An affirmative vote of a majority of the members present and voting shall be necessary for the adoption of any proposed action, subject to the requirement that there be at least one affirmative vote of a stock carrier and one affirmative vote of a non-stock carrier. A mail vote or a telephone vote may be taken and such vote shall be binding unless the dissenting voter(s) requests a meeting at the time of such vote. Voting by proxy shall be permitted.
6. **Conditions.** The Committee may fix the conditions upon which assigned risks are afforded coverage and upon which claims shall be handled by servicing carriers. ~~All risks shall be insured and all claims shall be handled by servicing carriers in accordance with such conditions.~~ All risks serviced by servicing carriers shall be insured and all claims shall be handled by such carriers in accordance with such conditions.
7. **Disputes and Appeals.** In addition to the powers elsewhere conferred upon it by this Plan of Operation, the Residual Market Committee shall ~~may~~ sit as an "Appeals Committee" or may designate a subcommittee of at least three but not more than five members, to act as an Appeals Committee to pass upon all disputes arising with respect to this Plan of Operation, or rules promulgated thereunder, including without limitation, any questions as to the application, scope and effect of this Plan of Operation. Any subcommittee designated to act as an Appeals Committee shall include the appointment of a public member and, at the least, one stock and one non-stock carrier member of the Residual Market Committee. ~~A ruling of a majority of the Residual Market Committee when sitting as an Appeals Committee shall be final.~~ A ruling of a majority of the Appeals Committee shall be final, unless within thirty (30) calendar days after the mailing of notice of the Committee's ruling, the aggrieved party shall ~~have given the Committee notice, in writing, that it has appealed the ruling~~ in writing to the Commissioner. The aggrieved party shall send a copy of such appeal to the Committee. The action of the Commissioner upon such ruling shall be final.

Servicing Carriers. The Committee shall establish qualifications and other conditions for designating servicing carriers.

9. ~~Audit and Inspections.~~ ~~The Committee shall have the right, in person or through representatives, at all reasonable times during the business day, to audit and inspect the books and records of any servicing carrier with respect to any policy or policies and claims thereunder coming within the purview of this Plan of Operation.~~ The Bureau shall have the right, through its representatives, at all reasonable times during the business day, to audit and inspect the books and records of any voluntary direct assignment carrier or servicing carrier with respect to any policy or policies and claims thereunder coming within the purview of this Plan of Operation.
10. **Rules of Operation.** The Committee shall have the power, subject to the approval of the Commissioner, to promulgate and adopt Rules of Operation for the purpose of implementing this Plan. Such Rules may be made at the direction of the Commissioner, upon reasonable notice to the Bureau and after a hearing.
11. **Records of Meetings.** Records of all meetings of the Residual Market Committee shall be provided to its members and to the Commissioner.

ARTICLE VII

SERVICING CARRIERS

1. **Designation.** The Residual Market Committee may designate one or more insurers as servicing carriers to issue policies of insurance to employers qualified for coverage under G.L. c. 152, § 65A, as amended, subject to the approval of the Commissioner. The designation may be rescinded for cause by the Bureau, subject to the approval of the Commissioner. The designation may also be rescinded by the Commissioner.
2. **Criteria for Selection.** Any member of the Pool may apply to the Pool for servicing carrier designation provided the member company:
 - (a) has been writing workers' compensation insurance in the Commonwealth of Massachusetts during at least the five (5) years immediately preceding the request to be designated a servicing carrier;
 - ~~(b) has and maintains, at a minimum, an "A-" Best's rating;~~
 - (b) has and maintains a record of financial stability and strength;

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- (c) has and maintains, at a minimum, a workers compensation voluntary market share of 1% in the Commonwealth of Massachusetts; and
- (d) has and maintains the capacity to conform to such standards of performance ("Standards") as are from time to time promulgated by the Residual Market Committee.

A servicing carrier's failure to maintain eligibility shall be considered cause for rescinding its designation as servicing carrier.

- 3. **Performance Standards.** The Standards shall address but not be limited to; (a) underwriting and audit, (b) loss control, (c) claims, and (d) collections. Should a servicing carrier fail to meet the Standards, the Residual Market Committee will cause to be issued a notice to such carrier that it is not in compliance with the Standards. The notice shall direct the servicing carrier to prepare a plan for achieving compliance with the Standards including appropriate time tables. The servicing carrier shall submit its plan to the Residual Market Committee, which shall thereafter file a report with the Commissioner, including appropriate recommendations, if any.
- 4. **Compensation.** Servicing carriers shall be compensated on a reasonable basis in the manner approved by the Commissioner.

ARTICLE VIII

VOLUNTARY DIRECT ASSIGNMENT CARRIERS

- 1. **Designation. Any Pool member may apply to the Commissioner of Insurance for designation as a voluntary direct assignment carrier based upon selection criteria approved by the Commissioner. The Commissioner may rescind this designation for cause.**
- 2. **The performance standards applicable to servicing carriers as set forth in Article VII, Section 3, shall also apply to voluntary direct assignment carriers.**

ARTICLE VIII IX

FISCAL MATTERS

- 1. **Fiscal Year.** The fiscal year for the purpose of administering this Plan shall be the calendar year unless otherwise established by the Residual Market Committee.

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2. **Deposits.** Funds held temporarily by the Bureau for the benefit of members of the Pool, may be kept on deposit in such banks, trust companies or other depositories as may from time to time be designated and prescribed by the Residual Market Committee; and such designation shall be evidenced by an instrument signed by the Chairperson or the Vice-Chairperson of the Residual Market Committee, and countersigned by the President of the Bureau or the Treasurer. Accurate records shall be kept to identify the funds so deposited.
3. **Withdrawals.** Any two (2) officers of the Bureau duly authorized by the Residual Market Committee shall have power to sign and countersign all checks, drafts or other orders for payment of money and to cause the endorsement of all commercial paper payable under this Plan.
4. **Special Accounts.** Funds temporarily held for the benefit of members also may be kept on deposit with any authorized depository, but in a special account designated as such, subject to withdrawal upon check signed by any two (2) of the officers of the Bureau duly authorized by the Residual Market Committee if authorized by, and subject to, the terms and conditions contained in a written instrument signed by any two (2) of the officers of the Bureau authorized by the Residual Market Committee. Accurate records shall be kept to identify the funds so deposited.
5. **Safe Deposit.** Access may be had to any safe deposit box, hired vault, or like place of safekeeping, standing in the name of the Pool, by any two (2) officers of the Bureau, duly authorized by the Residual Market Committee.

6. **Investment Income.** All income on the funds held for the benefit of members of the Pool shall, upon receipt thereof, become subject to all the appropriate provisions of this Plan.

ARTICLE IX X

INDEMNIFICATION

Indemnification. Any person or insurer made, or threatened to be made, a party to any action, suit or proceeding, because such person or insurer was a member of the Pool, or a servicing carrier, or served as a member or representative of a member on the Residual Market Committee or other Bureau committee, or was an officer or employee of the Bureau acting on behalf of the Pool, shall be indemnified against all judgments, fines, amounts paid in settlement, costs and expenses including attorney's fees, and any other liabilities that may be incurred as a result of such action, suit or proceeding, or threatened action, suit or proceeding, except in relation to matters as to which he, she or it shall be adjudged in such action, suit or proceeding to be liable by reason of willful misconduct in the performance of his, her or its duties or obligations to the Pool and, with respect to any criminal actions or proceedings, except when such person or insurer had reasonable cause to believe that his, her or its conduct was unlawful. Such indemnification shall be provided whether or not such person or insurer is a member of the Pool, or a servicing carrier, or is holding office, or is employed at the time of such action, suit or proceeding, and whether or not any such liability is incurred prior to the adoption of this Article. Such indemnification shall not be exclusive of other rights such person or insurer may have, and shall pass to the successors, heirs, executors or administrators of such person or insurer. The termination of any such civil or criminal action, suit or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not in itself create a presumption that any such person or insurer was liable by reason of willful misconduct, or that he, she or it had reasonable cause to believe that his, her or its conduct was unlawful. If any such action, suit or proceeding is compromised, it must be with the approval of the Residual Market Committee; provided, however, that the Residual Market Committee may delegate to the President of the Bureau the authority to approve any such compromise of financial liability requiring payment by the Pool which is less than an amount as may be fixed from time to time by the Residual Market Committee.

In each instance in which a question of indemnification arises, entitlement thereto, pursuant to the conditions set forth in this Article, shall be determined by the Residual Market Committee, which shall also determine the time and manner of payment of such indemnification; provided, however, that a person

or insurer who or which has been wholly successful, on the merits or otherwise, in the defense of a civil or criminal action, suit or proceeding of the character described in this Article shall be entitled to indemnification as authorized herein. The Residual Market Committee may delegate to the President of the Bureau the authority to determine, in a manner consistent with this Article, entitlement to indemnification, and the time and manner of payment of such indemnification, for any indemnification requiring payment by the Pool which is less than an amount as may be fixed from time to time by the Residual Market Committee. Nothing herein shall be deemed to bind a person or insurer who or which the Residual Market Committee has determined not to be entitled to indemnification, or to preclude such person or insurer from asserting the right to such indemnification by legal proceedings. Such indemnification as is herein provided shall be apportioned among all members, including any named in any such action, suit or proceeding pursuant to this Plan of Operation.

ARTICLE ~~X~~ XI

AMENDMENTS

Amendments. Amendments to this Plan of Operation may be made by the Bureau or may be made at the direction of the Commissioner upon reasonable notice to the Bureau and after a hearing, pursuant to G.L. c. 152, § 65C. All amendments to the Plan of Operation proposed by the Bureau shall be submitted to the Commissioner for approval and shall be effective as of the date indicated in the Commissioner's approval.

ARTICLE ~~XI~~ XII

EFFECTIVE DATE

Effective Date. This Plan of Operation shall become effective July 1, 1991, or at such later time as it has been approved by the Residual Market Committee, the Governing Committee of the Bureau, and the Commissioner of Insurance.

ARTICLE ~~XII~~ XIII

ASSIGNMENTS, ASSESSMENTS AND EXPENSES

1. **Application.** This Plan shall apply to all risks that are insured or seek to be insured through the Massachusetts Workers' Compensation Assigned Risk Pool. An application for workers' compensation insurance to be written through the Pool must be submitted to the Bureau on a form and in the manner prescribed by the Residual Market Committee.

2. **Assignment of Risks.** The Bureau shall review the information contained in an application for assignment and determine whether the applicant is eligible for assignment under G.L. c. 152, § 65A.

~~If the Bureau determines that an applicant is eligible for assignment, the Bureau shall assign the applicant to a servicing carrier. The Bureau will equitably assign applicants to each servicing carrier based on each servicing carrier's percentage of the total voluntary net written premium for all servicing carriers in the most recent policy year for which data is available or in accordance with such other specific rules and procedures as the Residual Market Committee may adopt, subject to the approval of the Commissioner pursuant to G.L. c. 152, § 65A. The Bureau shall, upon the request of any servicing carrier, provide such servicing carrier with a copy of the records used as the basis for assigning eligible applicants to particular servicing carriers.~~

If the Bureau determines that an applicant is eligible for assignment, the Bureau shall assign the applicant to a servicing carrier or voluntary direct assignment carrier. The Bureau will equitably assign applicants to each voluntary direct assignment carrier based on each such carrier's percentage of the total net workers' compensation insurance premiums written, as adjusted by any applicable take-out credit, for all carriers in that policy year. Applicants not assigned to a voluntary direct assignment carrier will be assigned to each servicing carrier based on each servicing carrier's percentage of the total net workers' compensation insurance written premiums for all servicing carriers in the most recent policy year for which data is available. A reconciliation procedure for voluntary direct assignment carriers shall be established in accordance with such rules and procedures as the Residual Market Committee may adopt, subject to the approval of the Commissioner. Assignments may also be made in accordance with other specific rules and procedures as the Residual Market Committee may adopt, subject to the approval of the Commissioner pursuant to G.L. c. 152, S. 65A. The Bureau shall, upon the request of any servicing carrier or voluntary direct assignment carrier, provide such servicing carrier, or voluntary direct assignment carrier with a copy of the records used as the basis for assigning eligible applicants.

3. **Premiums.** With the exception of voluntary direct assignment carriers, The Bureau shall distribute the premiums received from Servicing Carriers to the members of the Pool in proportion to their workers' compensation insurance premiums written in the state on a calendar year basis, or as otherwise determined by the Residual Market Committee.
4. **Expenses and Payments.** ~~Expenses incurred by the Bureau in the administration of the affairs subject to this Plan of Operation and not allocable~~

~~directly to any assigned risk shall be a proper charge against, and shall be paid from, the general funds held on behalf of the members of the Pool. A record shall be kept of all such expenses, and the amount thereof shall be apportioned to the members of the Pool in the ratio of their interest in such funds, and, when at the discretion of the Residual Market Committee, deemed necessary, shall be included in any assessment levied under Section 6 of this Article. The amount of net workers' compensation insurance premiums written and used as the basis of all computations in this Section, or elsewhere in this Plan of Operation, shall also be used as the basis for allocating each member's share of expenses which are not allocable directly to any assigned risk and which are incurred by the Bureau in the administration of the Pool. A record shall be kept of all such expenses, and the amount thereof may be recovered from members who satisfy their obligations under the Plan by participating in the reinsurance pool, by a charge against funds held by the Bureau on behalf of such members, or, in the discretion of the Bureau and when deemed necessary, by an assessment levied under Section 7 of this Article. Voluntary direct assignment carriers shall be separately billed for their portion of such administrative expenses. In addition, voluntary direct assignment carriers shall be separately billed for expenses associated with inspection and audit and such other expenses of oversight as may be appropriate, which are directly allocable to risks assigned to such carriers. Except with respect to claims, the cost of the interpretation of physical and X-ray examinations of employees in assigned dust hazard risks, shall be a proper charge against, and shall be paid from, the general funds held on behalf of the members of the Pool provided the employer pays for the making of such examinations. Except as the Residual Market Committee shall otherwise direct, payments to or in behalf of members shall be limited to administration expenses, reimbursement for losses paid under policies to which these Articles apply, and for return premiums on such policies, and the payment of such refunds as may be allowed under this Plan of Operation. Except for costs of premium collection as provided in the Servicing Carrier Agreement, the Pool shall not assume for payment, and shall not be liable to pay, any expenses of any nature whatsoever incurred by members.~~

5. **Examinations and Reserves.** The Residual Market Committee shall make or cause to be made such review as they may deem necessary of loss payments by members and reserves held by members for outstanding claims, which reserves, until the Committee shall have determined upon a different reserve, shall be the estimated value of the claims reported by the servicing carrier under the applicable servicing carrier agreement.
6. **Transactions, Accounts and Financial Statements.** Separate accounts shall be maintained by the Bureau covering transactions for each policy year. The Bureau shall prepare and deliver to the members a financial statement showing the apportionment of the expense of administration provided for herein and the

condition of each account.

7. **Assessments and Refunds.** Assessments shall be levied or refunds allowed by the Bureau as it may from time to time deem reasonable and necessary. Assessments or refunds for account of a specified policy year shall be levied upon or allowed to all members who were such during the calendar year corresponding to such policy year, and each member shall pay such proportion of such assessment, and shall receive a proportionate share of such refund, as is determined by the relation which the net workers' compensation insurance premiums written during such calendar year by such member shall bear to the total net workers' compensation insurance premiums written during such calendar year by all members. A member may satisfy its obligation under this section by becoming a voluntary direct assignment carrier, and by satisfactorily discharging its responsibilities as a voluntary direct assignment carrier in accordance with this Plan and the rules governing the Voluntary Direct Assignment Program.

The amount of net workers' compensation insurance premiums written, which shall serve as the basis of all computations in this Section or elsewhere in this Plan of Operation and in the applicable servicing carrier agreement, shall be that shown by the records of the Bureau. If the amount of net workers' compensation insurance premiums written for a specified calendar year is not available at the time of the levying of any assessment or the distribution of any refund, net workers' compensation insurance premiums written for the preceding calendar year shall be used as the basis for a preliminary assessment or refund, but such preliminary assessment or refund shall be adjusted as soon as the net workers' compensation insurance premiums written for the specified calendar year become available. For the purposes of this section the amount of net workers' compensation premiums written on any deductible policy shall include the amount of all deductible payments or reimbursements made by the insured.

The amount of any assessment levied shall be paid within, and the amount of any refund allowed shall be distributed within, such reasonable time as may be determined by the Residual Market Committee, following the submission of the quarterly, or other statement referred to herein.

The Bureau shall, upon request of a member, provide such member with a copy of the records used as the basis of calculating the member's assessment or refund.

Any member that wrote Massachusetts workers' compensation insurance in the voluntary market in 1990, but that was not assessed or allowed a refund for account of policy year 1990 in connection with any deficit or surplus resulting from the operation of the workers' compensation insurance assigned risk pool in

Massachusetts, may apply to the Commissioner to be certified for lump sum payments of pool liabilities for account of policy years 1991, 1992 and 1993. The lump sum payment shall equal the product of the eligible member's pool participation ratio and the present value at the time of the lump sum payment of the residual market results, for each respective policy year.

The Commissioner shall determine the present value of the residual market deficit for policy year 1991 in 1/1/94 dollars based on a discounted cash flow analysis with appropriate inputs selected by the Commissioner.

The Commissioner, if he or she deems it appropriate and necessary, shall determine the present value of the residual market results for policy years 1992 and 1993 in 1/1/95 dollars and 1/1/96 dollars, respectively. These determinations shall be made prior to 1/1/95 and 1/1/96 for each respective policy year. Certified members shall be eligible for lump sum payments for policy years 1992 and 1993, unless the Commissioner deems it inappropriate or unnecessary to determine the above mentioned residual market results.

These lump sum payments for policy year 1991 shall be paid to the pool by January 1, 1994 or an eligible member may elect to make payments on an installment plan whose term will end not later than December 31, 1995 and at an annual interest rate of 5%. These payments shall be used to pay pool liabilities for policy year 1991. Eligible members that elect to make a lump sum payment for policy year 1991 shall have their otherwise determined participation ratios set equal to zero for that policy year. Members that do not make for these lump sum payments shall have their participation ratios increased in proportion to their otherwise determined participation ratio so that the sum of all members' participation ratios equals unity. Lump sum payments for policy years 1992 and 1993 shall be implemented in an analogous manner as described above.

In order to be certified for lump sum payments for policy years 1991, 1992 and 1993, the following requirements must be met:

(a) By December 1, 1993, the member must file with the Division of Insurance documentation demonstrating to the satisfaction of the Commissioner that its failure to be certified for lump sum payments would threaten its technical solvency, pursuant to statutory accounting principles. At such time the member shall indicate whether it will, if certified, elect the lump sum payment option for policy year 1991 or whether such filing is solely for financial reporting requirements as set forth below. Within thirty days of any determination by the Commissioner of the present value of the residual market results for policy year 1992 or policy year 1993, the member shall indicate whether it is electing the lump sum payment option.

(b) Prior to issuance of an order of certification the Commissioner shall require

such member to demonstrate that it can meet its obligations under the lump sum payment plan set forth herein as well as obligations for pool liabilities and voluntary writings for policy years 1994 and beyond. In order to so demonstrate, such member must submit a satisfactory business plan describing the changes that would be made in the business and operations of the member in order to meet such obligations. The Commissioner may require such alterations to said plan as he or she deems necessary and may require that an independent audit or actuarial review be performed at the member's expense.

Members who are certified and elect to make a lump sum payment for their pool liabilities for policy year 1991 shall reflect these liabilities in all required statutory filings (including Quarterly and Annual Statements) with the Division of Insurance beginning with their 1993 Annual Statement. Members who are certified and do not elect to make a lump sum payment for their pool liabilities for policy year 1991 shall reflect their pool liabilities for policy year 1991 as if they had elected to make the lump sum payment as described above in all statutory filings made in 1994 (including the 1993 Annual Statement). In addition, for all such statutory filings made in 1994 (including the 1993 Annual Statement) certified members shall not reflect any results of pool operations for policy years 1992 and 1993. For all statutory filings made after 1994, the Commissioner shall determine the manner in which certified members shall reflect their pool liabilities for policy years 1991, 1992 and 1993.

Any funds in escrow accounts established for an eligible member for those policy years where a lump sum payment will be made shall be returned to the pool.

For policy years 1994 and beyond, all pool members may apply to the Commissioner to be certified for lump sum settlement in a manner analogous to that set forth above.

8. **Netting Out.** Notwithstanding any contrary provisions in this Plan, and notwithstanding any contrary forms of accounting methods or reports that may for convenience be used to determine the underlying amounts of particular member or servicing carrier rights or obligations for any or all policy years, in computing at any given time the balance due to any member from the Pool or to the Pool from any member, whether or not a servicing carrier, all accounts for that member shall be netted out, with only the net amount to be due either the member company or the Pool at that time.
9. **Distribution Upon Termination of the Pool.** Upon termination of the Pool, distribution by way of refund (if any) shall be made to the members of the Pool entitled to participate therein, subject to provisions of Section 2(f) (g) of Article IV of this Plan of Operation, within such reasonable period of time as the Residual Market Committee in its sound discretion shall determine; and all provisions of this Plan of Operation and the Rules of Operation adopted