



**THE WORKERS' COMPENSATION  
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**  
101 ARCH STREET - 5TH FLOOR, BOSTON, MA 02110  
(617) 439-9030 FAX 439-6055 February 18, 1994

## **CIRCULAR LETTER NO. 1670**

**To All Members and Subscribers of the Bureau:**

### **MASSACHUSETTS TAKE-OUT CREDIT REPORTING CALENDAR YEAR QUARTERLY REPORT**

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The intent of this Circular Letter is to focus on the credit calculations for risks taken out of the Pool on and after January 1, 1993 with premiums fluctuating around \$150,000 and some other reporting procedures which had not been addressed in the previous *Circular Letter No. 1652*. Also as stated in *Circular Letter No. 1652*, the annual data for Calendar Year 1993 valued as of 12/31/93 should be reported by March 1st.

The Take-Out Program originally became effective March 1, 1991. A revision to the program which became effective January 1, 1993 was announced in *Circular Letter No. 1618* dated January 7, 1993 and read, in part:

"Under this revision, an insurer that removes a risk with a premium of \$150,000 or more from the Massachusetts Workers Compensation Assigned Risk Pool shall be eligible for a Take-Out Credit applicable to its residual market assessment base in accordance with the following schedule:

First Year	.75
Second Year	.62
Third Year	.50

The credits for risks taken out of the Pool prior to January 1, 1993 remain unchanged."

A commentary on the DETERMINATION OF CREDIT, ILLUSTRATIONS OF CREDIT REPORTING, and samples of revised State Summary and Detailed Report Forms, reflecting the proper reporting of the Illustrations, follow. Other questions and answers on the calculation and reporting of take-out credits were contained in *Circular Letter No. 1652*.

Also, this Circular Letter corrects an error discovered in *an example included in Circular Letter No. 1652* dated September 10, 1993. Attached is corrected Page 1, Exhibit 1 of *Circular Letter No. 1652*. The policy year in the State Summary form is defined based on the policy effective date. For instance, a policy effective 7/1/93 which was first taken out of the Pool on 7/1/92 should be categorized in Policy Year 1993. Accordingly, the year 1992 which was shown on the second line of the exhibit has been changed to 1993. This is the only change. For the upcoming 1993 Annual Report and all subsequent reports, carriers should report appropriately.

Any other questions on this Program should be directed to me or to Howard Mahler, Vice President and Actuary.

NORMAN R. FONTAINE  
Vice President of Industry Affairs

*NRF/pw/164*  
*Attachment*

**REVISED  
EXAMPLE  
MASSACHUSETTS TAKE-OUT PROGRAM  
STATE SUMMARY**

**CALENDAR YEAR 1993**

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: \_\_\_\_\_ A \_\_\_\_\_

CARRIER CODE: \_\_\_\_\_ 99999 \_\_\_\_\_

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1992	2	1	9,500	9,500	9,250
1993	2	2	163,800	163,800	165,700
1993	1	1	300,000	300,000	225,000
<b>Total</b>	<b>5</b>		<b>473,300</b>	<b>473,300</b>	<b>399,950</b>

Submitted By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## DETERMINATION OF CREDIT

Key terms are defined below:

Premium to be used in calculating credits was defined in Circular Letter No. 1652. Premium means the net written premium in Massachusetts and includes the effect, if any, of Experience Rating, All Risk Adjustment Program (ARAP,) premium discount, retrospective rating, Qualified Loss Management Credit, small deductible credit, large deductible credit<sup>1</sup>, Construction Credit, etc.

The Take-Out Credit Program Period is up to 36 months from the effective date the risk was taken out of the Pool. If the final policy subject to the Take-Out Credit Program extends beyond the 36 months period, the credit amount shall be determined on a pro-rata basis.

The Credit Factor is the "Credit Per \$ of Premium" in the reporting form applied to the whole policy.

Year of Credit Program for a policy should be determined as follows from the Policy Effective Date for the 1st year take-out and the Policy Expiration Date.

Difference Between the Policy Effective Date for the 1st Year Take-Out and the Policy Expiration Date	Year of Credit Program
12 months or less	1
Greater than 12 months, but not more than 24 months	2
Greater than 24 months, but not more than 36 months	3
More than 36 months	4 <sup>2</sup>

### Credit Schedule for Risks Taken Out of the Pool On or After 1/1/93

- A. For a non-experience rated risk, there is a 1.5 to 1 credit for three consecutive years.

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<sup>1</sup>Circular Letter No. 1654 explains the interaction of the Take-Out Credit Program and large deductible policies.

<sup>2</sup>Year of Credit Program 4 would indicate only portion of this policy qualified for Take-Out Credit Program.

B. For an experience rated risk, the credit factors are as follow:

**Table 1**

Year of Credit Program for Current Policy	Credit Schedule	
	Massachusetts Policy Premium < 150,000	Massachusetts Policy Premium > = 150,000
1	1.00	0.75
2	1.00	0.62
>=3	1.00	0.50

- I. For a risk written for three consecutive annual policy periods since the risk was first removed from the Pool, the credit factor for each annual policy is taken from Table 1.
- II. For a risk written on a short term policy during the Take-Out Program period, the credit factor shall be calculated as a weighted average of the credits for two years in Table 1.

For example, assume a risk is taken out of the Pool on 3/1/93, and initially written under a four month policy with Massachusetts premium of \$80,000. This is followed by a twelve month policy with Massachusetts policy premium of \$200,000, and a six month policy with Massachusetts policy premium of \$160,000, and a twelve month policy with Massachusetts policy premium of \$300,000, then a twelve month policy with policy premiums of \$130,000, etc.

First, let's tabulate this risk by policy and take-out period.

Since the policy is effective on 3/1/93, a revised take-out credit schedule is applied (as in Table 1).

Policy	Mass. Policy Premium	Policy Term (mos)	Policy Term (months) in the Take-Out Period Intervals, 1st , 2nd, and 3rd year			
			1st Yr (First 12 mos)	2nd Yr (Second 12 mos)	3rd Yr (last 12 mos)	Others
1st	\$ 80,000	4	4			
2nd	\$200,000	12	8	4		
3rd	\$160,000	6		6		
4th	\$300,000	12		2	10	
5th	\$130,000	12			2	10

As displayed in the above table, this risk has three policies (2nd, 4th, and 5th) which overlap take-out credit periods. The following details the credit factor calculations which apply by policy.

First policy - a four month policy with Massachusetts policy premium of \$80,000.

The credit factor is 1.00 because this policy is within the first year of the take-out period. In any case, the premium is less than \$150,000.

Second Policy - an annual policy with a Massachusetts policy premium of \$200,000 overlaps between the first twelve months and the second twelve months of the take-out period.

Credit Factor =  $[(0.75 \times 8) + (0.62 \times 4)] / (8 + 4) = 0.71$ . The credit factor of 0.75 is applied to the first eight months, which is in the first twelve months of the take-out period. The credit factor of 0.62 is applied to the last four months, which is in the second twelve months of the take-out credit period.

Third policy - a six month policy with a Massachusetts policy premium of \$160,000.

The Credit factor is 0.62 because this policy is within the second year of the take-out period. The premium is over \$150,000.

Fourth policy - an annual policy with a Massachusetts policy premium of \$300,000 overlaps between the second twelve months and third twelve months of the take-out period.

Credit Factor =  $[(0.62 \times 2) + (0.50 \times 10)] / (2 + 10) = 0.52$ . The credit factor of 0.62 is applied to the first two months. The credit factor of 0.50 for the fourth policy is then applied to the last ten months which is in the third twelve months of the take-out credit period.

Fifth policy - an annual policy with Massachusetts policy premium of \$130,000. Only a portion of the policy term is eligible for the take-out credit. (See Circular Letter No. 1652 A.4..)

Credit Factor =  $[(1.00 \times 2) + (0 \times 10)] / (2 + 10) = 0.17$ . The credit factor of 0.50 is applied to the first two months. No credit is applied to the last ten months of the policy term which extends beyond 36 months of the take-out period.

### **SPECIAL "ROUNDING" PROCEDURE**

If the credit factor for an experience rated risk, credit per \$ of premium in the detailed form, is reported other than according to the credit schedule listed in Table 1, round to "two decimal places." In this situation, an explanation should be attached showing how the credit factor was calculated. Premiums and credit in the reporting form should round to the nearest dollar.

### **LATEST DATE FOR TAKE-OUT CREDIT REPORTING ON PREMIUM ADJUSTMENTS FOR TAKE-OUT POLICIES**

Any policy reported under the Take-Out Credit Program should be included in no more than four subsequent years' reports for adjustment purposes. For example, adjustments can be made to a policy initially included in the 1991 report until the final reporting for 1995. (Due 3/1/96.) The 1996 report should make no reference to 1991 policies.

### **TAKE-OUT REPORTING PROCEDURE WHEN POLICY PROCESSED LATE**

If a policy written with an effective date within a given quarter, i.e., 12/31/93 - 4th Quarter 1993, is not billed and therefore not processed through the carrier's accounting systems until the following quarter, i.e., 1st Quarter 1994, the premium should be shown on the detailed and State Summary Report forms for the 1st Quarter 1994, consistent with the carrier's reporting of this premium on Page 14, Annual Statement. The same principle would prevail for carriers who report their financial results on a quarterly basis.

### **REVISED FORM**

The State Summary report form has been revised to show an entry for inserting the telephone number for the person submitting the Call. An additional field is added to Page 2 of the reporting form to identify large deductible policies. The policy expiration date is also the date of policy termination or cancelation for purposes of this report. The revised form is attached.

## ILLUSTRATION OF TAKE-OUT REPORTING

*Case I* - Exhibits 1 through 4, respectively, demonstrates how Carrier C's credit should be reported. Carrier C does not use "deferred booking" for purposes of reporting written premium on Page 14 of the Annual Statement. In order to show changes in credit from one year to the next, Case I shows the annual reporting for four consecutive Calendar Years from 1993 to 1996.

*Case II* - Exhibits 5 through 8 respectively, shows the report of Carrier D, who uses "deferred booking" for purposes of reporting written premium on Page 14 of the Annual Statement. Shown are annual reports for four consecutive Calendar Years, 1993 to 1996, as in Case I.

## MASSACHUSETTS TAKE-OUT CREDIT REPORTING EXAMPLES

These examples supplement rather than replace those shown in Circular Letter No. 1652. All premiums referred to are Massachusetts Workers' Compensation premiums only.

***THE FOLLOWING EXAMPLES HAVE BEEN SIMPLIFIED TO ILLUSTRATE THE REPORTING PROCEDURE. ANY FURTHER PREMIUM ADJUSTMENTS SHOULD CONTINUE TO BE REPORTED WITH AN APPROPRIATE CREDIT ADJUSTMENT.***

*CASE I* - Carrier C does not use "deferred booking" for purposes of reporting written premiums on Page 14.

For illustrative purposes, assume Carrier C has not taken any risks out of the Massachusetts Pool prior to 1993. Since 1993, Carrier A has written policies eligible for Take-Out credits for two insureds; King's Warehouse, a non-retrospectively risk, and T Lumber, a retrospectively rated risk:

### King's Warehouse

- 1a. King's Warehouse was taken out of the Pool effective 1/1/93 with an estimated policy premium of \$130,000. As of 4/1/94, the audited premium on this policy is \$140,000. As of 5/15/95, the policy premium became \$160,000. No further adjustments.
- 2a. King's Warehouse is renewed effective 1/1/94 with an estimated premium of \$135,000. As of 4/1/95, the audited premium on this policy is \$145,000. No further adjustments.
- 3a. King's Warehouse is renewed effective 1/1/95 with an estimated premium of \$250,000. As of 5/1/96, the audited premium on this policy is \$180,000. No



further adjustments.

T Lumber

- 1b. T Lumber is taken out of the Pool effective 3/1/93 with an estimated retro premium of \$175,000. As of the first report, at the third quarter of 1994, there is no premium adjustment. As of 10/1/95, at the second report, a retrospective adjustment of \$20,000 is made. The retrospective premium for this policy becomes \$195,000. As of 10/15/96, at the third report, another retrospective adjustment of -\$52,000 is made to this policy. The retrospective premium for this policy becomes \$143,000 as of the third quarter of 1996. No further retro adjustments.
- 2b. T Lumber is renewed effective 3/1/94 with an estimated premium of \$200,000. As of 6/1/95, the audited premium on this policy is \$190,000 due to a -\$10,000 audit adjustment. As of 10/1/95, at the first report, the first retro adjustment of -\$25,000 is made. Therefore, the retrospective premium on this policy is \$165,000. No further retro adjustments.
- 3b. T Lumber is renewed effective 3/1/95 with an estimated premium of \$155,000. As of 11/10/96, at the first report, only the first retro adjustment of -\$17,000 is made. The premium for this policy is \$138,000. No further retro adjustments.

The following is reported on the illustrated form for Carrier C.

**Exhibit 1 - Report for Fourth Quarter of Calendar Year 1993**

Exhibit 1, Page 2, the detailed take-out credit report form, cumulated four quarters of Calendar Year 1993, shows:

- King's Warehouse's 1/1/93 policy had an estimated premium of \$130,000. The credit factor is 1.00 in accordance with the Year of Credit Program 1 for policy year premium under \$150,000. The Calendar Year premium is \$130,000 as of the fourth quarter of 1993. The credit for this policy is  $130,000 \times 1.00 = 130,000$ . This is reported.
- T Lumber's 1/1/93 policy had an estimated retro premium of \$175,000. The credit factor is 0.75 in accordance with the Year of Credit Program 1 for policy year premium over \$150,000. The Calendar Year premium is \$175,000 as of the fourth quarter of 1993. The credit for this policy is  $175,000 \times 0.75 = 131,250$ . This is reported.

Exhibit 1, Page 1 is the State Summary Report for Exhibit 1, Page 2.

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**Exhibit 2 - Report for Fourth Quarter of Calendar Year 1994.**

Exhibit 2, Page 2 the detailed take-out credit report form, cumulated four quarters of Calendar Year 1994, shows:

- King's Warehouse's 1/1/93 policy had an estimated premium of \$130,000, and a corresponding credit of \$130,000, which had been reported on the Calendar Year 1993 take-out credit form. On this year's form, Calendar Year 1994, the previous year's entry is reported with a minus (-) sign, since we are reporting a new (audited) premium for this policy.
- King's Warehouse's 1/1/93 policy had an audited premium of \$140,000, and a corresponding credit of  $140,000 \times 1.00 = 140,000$ . The credit factor remains 1.00 since the policy year premium is still below \$150,000.
- King's Warehouse's 1/1/94 policy had an estimated premium of \$135,000. The factor is 1.00 in accordance with the Year of Credit Program 2 for policy premium under \$150,000. The Calendar Year premium is \$135,000 as of the fourth quarter of 1993. The credit for this policy is  $135,000 \times 1.00 = 135,000$ . This is reported.
- T Lumber's 3/1/94 policy had an estimated retro premium of \$200,000 for the policy. The credit factor is 0.62 in accordance with the Year of Credit Program 2 for policy premium over \$150,000. The Calendar Year premium is \$200,000 as of the fourth quarter of 1994. The credit for this policy is  $200,000 \times 0.62 = 124,000$ . This is reported.

Exhibit 2, Page 1 is the State Summary Report for Exhibit 2, Page 2.

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**Exhibit 3. Report for Fourth Quarter of Calendar Year 1995.**

Exhibit 3, Page 2 the detailed take-out credit report form cumulated four quarters of Calendar Year 1995, shows:

- King's Warehouse's 1/1/93 policy had an estimated premium of \$140,000. and a corresponding credit of \$140,000, which had been reported on the Calendar Year 1994 take-out credit form. On this year's form, Calendar Year 1995, this previous year's entry is reported with a minus (-) sign, since we are reporting a new premium for this policy.

- King's Warehouse's 1/1/93 policy had a premium of \$160,000, and a corresponding credit of  $160,000 \times 0.75 = 120,000$ . The credit factor is now 0.75 in accordance with the Year of Credit Program 1 for policy premium over \$150,000.
- King's Warehouse's 1/1/94 policy had an estimated premium of \$135,000, and a corresponding credit of \$135,000, which had been reported on Calendar Year 1994 take-out credit form. On this year's form, Calendar Year 1995, this previous year's entry is reported with a minus (-) sign since we are reporting a new (audited) premium for this policy.
- King's Warehouse's 1/1/94 policy had an audited premium of \$145,000. The credit factor is still 1.00 in accordance with the Year of Credit Program 2 for policy year premium under \$150,000. The credit for this policy is  $145,000 \times 1.00 = 145,000$ . This is reported.
- King's Warehouse's 1/1/95 policy had an estimated premium of \$250,000. The credit factor is 0.50 in accordance with the Year of Credit Program 3 for policy year premium is over \$150,000. The Calendar Year premium is \$250,000 as of the fourth quarter of 1995. The credit for this policy is  $250,000 \times 0.50 = 125,000$ . This is reported.
- T Lumber's 3/1/93 policy had an estimated premium of \$175,000 and a corresponding credit of 131,250, which had been last reported on the Calendar Year 1993 take-out credit form. On this year's form, Calendar Year 1995, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (retro) premium for this policy.
- T Lumber's 3/1/93 policy had a second report adjustment retro premium of \$195,000 (due to a retro adjustment of \$20,000) and a corresponding credit of  $195,000 \times 0.75 = 146,250$ . The credit factor is still 0.75 in accordance with the Year of Credit Program 1 for policy year premium over \$150,000.
- T Lumber's 3/1/94 policy had an estimated retro premium of \$200,000, and a corresponding credit of 124,000, which had been reported on the Calendar Year 1994 take-out credit form. On this year's form, Calendar Year 1995, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (retro) premium for this policy.
- T Lumber's 3/1/94 policy had a first report adjustment retro premium of \$165,000. The credit factories now 0.62 in accordance with the Year of Credit Program 2 for policy year premium over \$150,000 The credit for this policy is  $165,000 \times 0.62 = 102,300$ . This is reported.

- T Lumber's 3/1/95 policy had an estimated retro premium of \$155,000. The credit factor is 0.50 in accordance with the Year of Credit Program 3 for policy year premium over \$150,000. The Calendar Year premium is \$155,000 as of the fourth quarter of 1995. The credit for this policy is  $155,000 \times 0.50 = 77,500$ . This is reported.

Exhibit 3 - Page 1 is the State Summary Report for Exhibit 3, Page 2.

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#### **Exhibit 4 - Report for Fourth Quarter of Calendar Year 1996.**

Exhibit 4, Page 2 the detailed take-out credit report form cumulated four quarters of Calendar Year 1996, shows:

- King's Warehouse's 1/1/95 policy had an estimated premium of \$250,000, and a corresponding credit of 125,000 which had been reported on Calendar Year 1995, last year's take-out credit form. On this year's form, Calendar Year 1996, this previous year's entry is reported with a minus (-) sign in premiums and credit, since we are reporting a new (audited) premium for this policy.
- King's Warehouse's 1/1/95 policy had an audited premium of \$180,000. The credit factor is still 0.50 in accordance with the Year of Credit Program 3 for policy year premium over \$150,000. The credit for this policy is  $180,000 \times 0.50 = 90,000$ . This is reported.
- T Lumber's 3/1/93 policy had a second report adjustment retro premium of \$195,000, and a corresponding credit of 146,250 which had been reported on the Calendar Year 1995 take-out form. On this year's form, Calendar Year 1996, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (retro) premium for this policy.
- T Lumber's 3/1/93 policy had a third report adjustment retro premium of \$143,000. The credit factor is 1.00 which is the same as that reported on the Calendar Year 1995 take-out form. The credit for this policy is  $143,000 \times 1.00 = 143,000$ . This is reported.
- T Lumber's 3/1/95 policy had an estimated premium of \$155,000, and a corresponding credit of \$77,500 which had been reported on the Calendar Year 1995 take-out credit form. On this year's form, Calendar Year 1996, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (audited) premium for this policy.

- T Lumber's 3/1/95 policy had a retro premium of \$138,000. The credit factor is 1.00 in accordance with the Year of Credit Program 3 for policy year premium under \$150,000. The credit for this policy is  $138,000 \times 1.00 = 138,000$ . This is reported.

Exhibit 4, Page 1 is the State Summary Report for Exhibit 4, Page 2.

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**CASE II** - Carrier D does use "deferred booking" for purposes of reporting written premiums on Page 14.

For illustrative purposes, assume Carrier D had not taken any risks out of the Massachusetts Pool prior to 1993. Since 1993, Carrier D has written policies eligible for Take-Out credits for two insureds; JJ Manufacturing, a non-retrospectively rated risk, and Home Care, a retrospectively rated risk:

JJ Manufacturing.

- 1a. JJ Manufacturing was taken out from the Pool effective 4/1/93 with an estimated premium of \$120,000. As of 6/15/94, the audited premium on this policy is \$125,000. No further adjustments.
- 2a. JJ Manufacturing is renewed effective 4/1/94 with an estimated premium of \$160,000. As of 7/15/95, the audited premium on this policy is \$145,000. No further adjustments.
- 3a. JJ Manufacturing is renewed effective 4/1/95 with an estimated premium of \$170,000. As of the 7/15/96, at the third quarter of 1996, the audited premium on this policy is \$180,000. No further adjustments.

Home Care

- 1b. Home Care was taken out of the Pool effective 9/1/93 with an estimated premium of \$240,000. As of 11/15/94, the policy premium became \$220,000 which was due to a -\$20,000 audited adjustment. There was no retro adjustment at the first report. As of 4/30/96, the retrospective premium for this policy became \$137,000 due to the second report retro adjustment. No further retro adjustments.
- 2b. Home Care is renewed effective 9/1/94 with an estimated premium of \$300,000. As of 1/15/96, the policy premium became \$270,000 due to a -\$30,000 audited adjustment. As of 3/15/96, the retrospective premium for this policy became

\$300,000 due to a \$30,000 first report (retro) adjustment. No further adjustments.

- 3b. Home Care is renewed effective 9/1/95 with an estimated premium of \$220,000. As of 12/15/96, the audited premium on this policy is \$188,000. No further retro adjustments.

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The following is reported on the illustrated form for Carrier D.

**Exhibit 5 - Report for Fourth Quarter of Calendar Year 1993.**

Exhibit 5, Page 2, the detailed take-out credit report form cumulated four quarters of Calendar Year 1993 shows:

- JJ Manufacturing's 4/1/93 policy had an estimated premium of \$120,000. The credit factor is 1.00 in accordance with the Year of Credit Program 1 for policy premium under \$150,000. The Calendar Year premium as of the fourth quarter of 1993 is \$90,000. The credit for this policy is  $90,000 \times 1 = 90,000$ . This is reported.
- Home Care's 9/1/93 policy had an estimated retro premium of \$240,000. The credit factor is 0.75 in accordance with the Year of Credit Program 1 for policy year premium over \$150,000. The Calendar Year premium as of the fourth quarter of 1993 is \$60,000. The credit for this policy is  $60,000 \times 0.75 = 45,000$ . This is reported.

Exhibit 5, Page 1 is the State Summary Report for Exhibit 5, Page 2.

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**Exhibit 6 - Report for Fourth Quarter of Calendar Year 1994.**

Exhibit 6, Page 2 the detailed take-out credit report form cumulated four quarters of Calendar Year 1994 shows:

- JJ Manufacturing's 4/1/93 policy had an estimated premium of \$120,000 and a corresponding credit of \$90,000, which had been reported on the Calendar Year 1993 take-out credit form. On this year's form, Calendar Year 1994, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (audited) premium for this policy.
- JJ Manufacturing's 4/1/93 policy had an audited premium of \$125,000, and a corresponding credit of  $125,000 \times 1.00 = 125,000$ . The credit factor is still 1.00

in accordance with the Year of Credit Program 1 for policy year premium under \$150,000. This is reported.

- JJ Manufacturing's 4/1/94 policy had an estimated premium of \$160,000. The credit factor is 0.62 in accordance with Year of Credit Program 2 for policy year premium over \$150,000. The Calendar Year premium as of the fourth quarter of 1994 is \$105,000. The credit for this policy is  $105,000 \times 0.62 = 65,100$ . This is reported.
- Home Care's 9/1/93 policy had an estimated premium of \$240,000, and a corresponding credit of \$45,000, which have been reported on the Calendar Year 1993 take-out credit form. On this year's form, Calendar Year 1994, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (retro) premium for this policy.
- Home Care's 9/1/93 policy had a first report adjustment retro premium of \$220,000. The credit factor is still 0.75 in accordance with the Year of Credit Program 1 for policy year premium over \$150,000. The Calendar Year premium is \$220,000 as of the fourth quarter of 1994. The credit for this policy is  $220,000 \times 0.75 = 165,000$ . This is reported.
- Home Care's 9/1/94 policy had an estimated premium of \$300,000. The credit factor is 0.62 in accordance with the Year of Credit Program 2 for policy year premium over \$150,000. The Calendar Year premium is \$80,000 as of the fourth quarter of 1994. The credit for this policy is  $80,000 \times 0.62 = 49,600$ . This is reported.

Exhibit 6, Page 1 is the State Summary Report for Exhibit 6, Page 2.

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#### **Exhibit 7 - Report for Fourth Quarter of Calendar Year 1995.**

Exhibit 7, Page 2 the detailed take-out credit report cumulated four quarters of Calendar Year 1995 shows:

- JJ Manufacturing's 4/1/94 policy had an estimated premium of \$160,000, and a corresponding credit of \$65,100, which had been reported on the Calendar Year 1994 take-out credit form. On this year's form, Calendar Year 1995, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (audited) premium for this policy.
- JJ Manufacturing's 4/1/94 policy had an audited premium of \$145,000. The credit factor is now 1.00 in accordance with the Year of Credit Program 2 for policy year premium now below \$150,000. The Calendar Year premium as of

the fourth quarter of 1995 is 145,000. The credit for this policy is  $145,000 \times 1.00 = 145,000$ . This is reported.

- JJ Manufacturing's 4/1/95 policy had an estimated premium of \$170,000, and the credit factor is 0.50 in accordance with the Year of Credit Program 3 for policy year premium over \$150,000. The Calendar Year premium as of the fourth quarter of 1994 is \$141,000. The credit for this policy is  $141,000 \times 0.50 = 70,500$ . This is reported.
- Home Care's 9/1/94 policy had an estimated premium of \$300,000 and a corresponding credit of \$49,600 which had been reported on the Calendar Year 1994 Take-Out Credit Form. On this year's form, Calendar Year 1995, this previous year's entry is reported with a minus (-) sign, since we are reporting full policy premium for this policy.
- Home Care's 9/1/94 policy had a first report adjustment retro estimated premium of \$300,000 and a corresponding credit of  $300,000 \times 0.62 = 186,000$ . The credit factor is 0.62 in accordance with the Year of Credit Program 2 for policy premium over \$150,000.
- Home Care's 9/1/95 policy had an estimated premium of \$220,000. The credit factor is 0.50 in accordance with the Year of Credit Program of 3 for policy year premium over \$150,000. The Calendar Year premium is \$70,000 as of the fourth quarter of 1994. The credit for this policy is  $70,000 \times 0.50 = 35,000$ . This is reported.

Exhibit 7, Page 1 is the State Summary Report for Exhibit 7, Page 2.

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#### **Exhibit 8 - Report for Fourth Quarter of Calendar Year 1996.**

Exhibit 8. Page 2 the detailed take-out credit report cumulated four quarters of Calendar Year 1996, shows:

- JJ Manufacturing's 4/1/95 policy had an estimated premium of \$170,000, and a corresponding credit of \$70,500, which had been reported on the Calendar Year 1993 take-out credit form. On this year's form, Calendar Year 1996, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (audited) premium for this policy.
- JJ Manufacturing's 4/1/95 policy had an audited premium of \$180,000, and a corresponding credit of  $180,000 \times 0.50 = 90,000$ . The credit factor is still 0.50



in accordance with Year of Credit Program 3 for policy premium over \$150,000. This is reported.

- Home Care's 9/1/93 policy had a policy year first report adjustment retro premium of \$220,000, and a corresponding credit of \$165,000, which had been last reported on Calendar Year 1994 Take-Out credit form. On this year's form, Calendar Year 1996, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (retro) premium for this policy.
- Home Care's 9/1/93 policy had a second report adjustment retro premium of \$137,000. The credit factor is 1.00 in accordance with the Year of Credit Program 1 for policy premium now below \$150,000. The Calendar Year premium is \$137,000 as of the fourth quarter of 1996. The credit for this policy is  $137,000 \times 1.00 = 137,000$ . This is reported.
- Home Care's 9/1/95 policy had an estimated premium of \$220,000, and corresponding credit of \$35,000, which had been reported on the Calendar Year 1995 take-out credit form. On this year's form, Calendar Year 1996, this previous year's entry is reported with a minus (-) sign, since we are reporting a new (audited) premium for this policy.
- Home Care's 9/1/95 policy had an audited premium of \$188,000. The factor remains as 0.50 in accordance with the Year of Credit Program 3 for policy year premium still over \$150,000. The Calendar Year premium is \$188,000 as of the fourth quarter of 1996. The credit for this policy is  $188,000 \times 0.50 = 94,000$ . This is reported.

Exhibit 8, Page 1 is the State Summary Report for Exhibit 8, Page 2.

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LL/pw/164-15

**MASSACHUSETTS TAKE-OUT PROGRAM  
STATE SUMMARY**

**CALENDAR YEAR** 1993

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: C

CARRIER CODE: 0002

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	2	1	305,000	261,250	261,250
<b>Total</b>	2	XXX	305,000	305,000	261,250

Submitted By: \_\_\_\_\_

Telephone No. ( ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## MASSACHUSETTS TAKE-OUT PROGRAM STATE SUMMARY

CALENDAR YEAR 1994

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: C

CARRIER CODE: 0002

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	1	1	10,000	10,000	10,000
1994	2	2	335,000	335,000	259,000
<b>Total</b>	<b>3</b>	<b>XX</b>	<b>345,000</b>	<b>345,000</b>	<b>269,000</b>

Submitted By: \_\_\_\_\_

Telephone No. (     ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1994

First Quarter    
 First Two Quarters    
 First Three Quarters    
 Four Quarters

CARRIER NAME \_\_\_\_\_ C \_\_\_\_\_

CARRIER CODE: \_\_\_\_\_ 0002 \_\_\_\_\_

Insured's Name	Policy Number	Large Deductible Policy (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	(1) Calendar Year Written Premium	(2) Credit Per \$ of Premium	(3) = (1)X(2) Credit
King's Warehouse	WC0001	N	1/1/93	1/1/93	1/1/94	1	-130,000	-130,000	1.00	-130,000
King's Warehouse	WC0001	N	1/1/93	1/1/93	1/1/94	1	140,000	140,000	1.00	140,000
King's Warehouse	WC0001	N	1/1/93	1/1/94	1/1/95	2	135,000	135,000	1.00	135,000
T Lumber	WC0002	N	3/1/93	3/1/94	3/1/95	2	200,000	200,000	0.62	124,000

## MASSACHUSETTS TAKE-OUT PROGRAM STATE SUMMARY

CALENDAR YEAR 1995

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: C

CARRIER CODE: 0002

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	2	1	40,000	40,000	-5,000
1994	2	2	-25,000	-25,000	-11,700
1995	2	3	405,000	405,000	202,500
<b>Total</b>	<b>6</b>	<b>XXX</b>	<b>420,000</b>	<b>420,000</b>	<b>185,800</b>

Submitted By: \_\_\_\_\_

Telephone No. (     ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1995

First Quarter    
 First Two Quarters    
 First Three Quarters    
 Four Quarters

CARRIER NAME \_\_\_\_\_ C \_\_\_\_\_

CARRIER CODE: \_\_\_\_\_ 0002 \_\_\_\_\_

Insured's Name	Policy Number	Large Deductible Policy (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	Calendar Year (1) Written Premium	Credit Per \$ of Premium (2)	(3) = (1)x(2) Credit
King's Warehouse	WC0001	N	1/1/93	1/1/93	1/1/94	1	-140,000	-140,000	1.00	-140,000
King's Warehouse	WC0001	N	1/1/93	1/1/93	1/1/94	1	160,000	160,000	0.75	120,000
King's Warehouse	WC0001	N	1/1/93	1/1/94	1/1/95	2	-135,000	-135,000	1.00	-135,000
King's Warehouse	WC0001	N	1/1/93	1/1/94	1/1/95	2	145,000	145,000	1.00	145,000
King's Warehouse	WC0001	N	1/1/93	1/1/95	1/1/96	3	250,000	250,000	0.50	125,000
T Lumber	WC0002	N	3/1/93	3/1/93	3/1/94	1	-175,000	-175,000	0.75	-131,250
T Lumber	WC0002	N	3/1/93	3/1/93	3/1/94	1	195,000	195,000	0.75	146,250
T Lumber	WC0002	N	3/1/93	3/1/94	3/1/95	2	-200,000	-200,000	0.62	-124,000
T Lumber	WC0002	N	3/1/93	3/1/94	3/1/95	2	165,000	165,000	0.62	102,300
T Lumber	WC0002	N	3/1/93	3/1/95	3/1/96	3	155,000	155,000	0.50	77,500

## MASSACHUSETTS TAKE-OUT PROGRAM STATE SUMMARY

CALENDAR YEAR 1996

*First Quarter*    
 *First Two Quarters*    
 *First Three Quarters*    
 *Four Quarters*

CARRIER NAME: C

CARRIER CODE: 0002

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	1	1	-52,000	-52,000	-3,250
1995	2	3	-87,000	-87,000	25,500
<b>Total</b>	<b>3</b>	<b>XXX</b>	<b>-139,000</b>	<b>139,000</b>	<b>22,250</b>

Submitted By: \_\_\_\_\_

Telephone No. (    ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1996**

- First Quarter*    
  *First Two Quarters*    
  *First Three Quarters*    
  *Four Quarters*

CARRIER NAME C

CARRIER CODE: 0002

Insured's Name	Policy Number	Large Deductible Policy (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	Calendar Year Written Premium (1)	Credit Per \$ of Premium (2)	(3) = (1)x(2) Credit
King's Warehouse	WC0001	N	1/1/93	1/1/95	1/1/96	3	-250,000	-250,000	0.50	-125,000
King's Warehouse	WC0001	N	1/1/93	1/1/95	1/1/96	3	180,000	180,000	0.50	90,000
T Lumber	WC0002	N	3/1/93	3/1/93	3/1/94	1	-195,000	-195,000	0.75	-146,250
T Lumber	WC0002	N	3/1/93	3/1/93	3/1/94	1	143,000	143,000	1.00	143,000
T Lumber	WC0002	N	3/1/93	3/1/95	3/1/96	3	-155,000	-155,000	0.50	-77,500
T Lumber	WC0002	N	3/1/93	3/1/95	3/1/96	3	138,000	138,000	1.00	138,000

**MASSACHUSETTS TAKE-OUT PROGRAM  
STATE SUMMARY**

**CALENDAR YEAR** 1993

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: D

CARRIER CODE: 5555

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	2	1	360,000	150,000	135,000
<b>Total</b>	2	XXX	360,000	150,000	135,000

Submitted By: \_\_\_\_\_

Telephone No. ( ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1993**

CARRIER NAME \_\_\_\_\_ *First Quarter*  *First Two Quarters*  *First Three Quarters*  *Four Quarters*   
 D \_\_\_\_\_

CARRIER CODE: \_\_\_\_\_ 5555 \_\_\_\_\_

Insured's Name	Policy Number	Large Deductible Policy (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	Calendar Year Written Premium <sup>(1)</sup>	Credit Per \$ of Premium <sup>(2)</sup>	<sup>(3)</sup> =(1)x(2) Credit
JJ Manufacturing	1230	N	4/1/93	4/1/93	4/1/94	1	120,000	90,000	1.00	90,000
Home Care	1231	N	9/1/93	9/1/93	9/1/94	1	240,000	60,000	0.75	45,000

**MASSACHUSETTS TAKE-OUT PROGRAM  
STATE SUMMARY**

**CALENDAR YEAR** 1994

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: D

CARRIER CODE: 5555

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	2	1	-15,000	195,000	155,000
1994	2	2	460,000	185,000	114,700
<b>Total</b>	<b>4</b>	<b>XXX</b>	<b>445,000</b>	<b>380,000</b>	<b>269,700</b>

Submitted By: \_\_\_\_\_

Telephone No. ( ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1994**

First Quarter   
  First Two Quarters   
  First Three Quarters   
  Four Quarters

CARRIER NAME D

CARRIER CODE: 5555

Insured's Name	Policy Number	Large Deductible Policies (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	Calendar Year Written Premium (1)	Credit Per \$ of Premium (2)	(3) = (1)x(2) Credit
JJ Manufacturing	1230	N	4/1/93	4/1/93	4/1/94	1	-120,000	-90,000	1.00	-90,000
JJ Manufacturing	1230	N	4/1/93	4/1/93	4/1/94	1	125,000	125,000	1.00	125,000
JJ Manufacturing	1240	N	4/1/93	4/1/94	4/1/95	2	160,000	105,000	0.62	65,100
Home Care	1231	N	9/1/93	9/1/93	9/1/94	1	-240,000	-60,000	0.75	-45,000
Home Care	1231	N	9/1/93	9/1/93	9/1/94	1	220,000	220,000	0.75	165,000
Home Care	1241	N	9/1/93	9/1/94	9/1/95	2	300,000	80,000	0.62	49,600

## MASSACHUSETTS TAKE-OUT PROGRAM STATE SUMMARY

CALENDAR YEAR 1995

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: D

CARRIER CODE: 5555

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1994	2	2	-15,000	260,000	216,300
1995	2	3	390,000	211,000	105,500
<b>Total</b>	4	XXX	375,000	471,000	321,800

Submitted By: \_\_\_\_\_

Telephone No. (    ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1995**

First Quarter     
  First Two Quarters     
  First Three Quarters     
  Four Quarters

CARRIER NAME D

CARRIER CODE: 5555

Insured's Name	Policy Number	Large Deductible Policies (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	(1) Calendar Year Written Premium	(2) Credit Per \$ of Premium	(3) = (1)x(2) Credit
JJ Manufacturing	1240	N	4/1/93	4/1/94	4/1/95	2	-160,000	-105,000	0.62	-65,100
JJ Manufacturing	1240	N	4/1/93	4/1/94	4/1/95	2	145,000	145,000	1.00	145,000
JJ Manufacturing	1250	N	4/1/93	4/1/95	4/1/96	3	170,000	141,000	0.50	70,500
Home Care	1241	N	9/1/93	9/1/94	9/1/95	2	-300,000	-80,000	0.62	-49,600
Home Care	1241	N	9/1/93	9/1/94	9/1/95	2	300,000	300,000	0.62	186,000
Home Care	1251	N	9/1/93	9/1/95	9/1/96	3	220,000	70,000	0.50	35,000

## MASSACHUSETTS TAKE-OUT PROGRAM STATE SUMMARY

CALENDAR YEAR 1996

First Quarter  First Two Quarters  First Three Quarters  Four Quarters

CARRIER NAME: D

CARRIER CODE: 5555

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
1993	1	1	-83,000	-83,000	-28,000
1995	2	3	-22,000	157,000	78,500
<b>Total</b>	3	XXX	-105,000	74,000	50,500

Submitted By: \_\_\_\_\_

Telephone No. (     ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



MASSACHUSETTS TAKE-OUT PROGRAM  
CALENDAR YEAR 1996

First Quarter    
 First Two Quarters    
 First Three Quarters    
 Four Quarters

CARRIER NAME D

CARRIER CODE: 5555

Insured's Name	Policy Number	Large Deductible Policies (Y/N)	Policy Eff Date for 1st Yr Take-Out	Policy Eff Date	Policy Expiration Date	Yr of Credit Program	Policy Year Written Premium	Calendar Year Written Premium (1)	Credit Per \$ of Premium (2)	(3) = (1)x(2) Credit
JJ Manufacturing	1250	N	4/1/93	4/1/95	4/1/96	3	-170,000	-141,000	0.50	-70,500
JJ Manufacturing	1250	N	4/1/93	4/1/95	4/1/96	3	180,000	180,000	0.50	90,000
Home Care	1231	N	9/1/93	9/1/93	9/1/94	1	-220,000	-220,000	0.75	-165,000
Home Care	1231	N	9/1/93	9/1/93	9/1/94	1	137,000	137,000	1.00	137,000
Home Care	1251	N	9/1/93	9/1/95	9/1/96	3	-220,000	-70,000	0.50	-35,000
Home Care	1251	N	9/1/93	9/1/95	9/1/96	3	188,000	188,000	0.50	94,000

## MASSACHUSETTS TAKE-OUT PROGRAM STATE SUMMARY

CALENDAR YEAR \_\_\_\_\_

*First Quarter* 
*First Two Quarters* 
*First Three Quarters* 
*Four Quarters*

CARRIER NAME: \_\_\_\_\_

CARRIER CODE: \_\_\_\_\_

Policy Year	Total Policy Count	Year of Credit Program	Total Policy Year Written Premium Amount	Total Calendar Year Written Premium Amount	Total Credit Amount
<b>Total</b>					

Submitted By: \_\_\_\_\_

Telephone No. (     ) \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

