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THE WORKERS' COMPENSATION RATING
AND INSPECTION BUREAU OF MASSACHUSETTS

Administrator
Massachusetts Assigned Risk Pool

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MASSACHUSETTS WORKERS' COMPENSATION ASSIGNED RISK POOL

SPECIAL BULLETIN NO. 11-19

2018 VOLUNTARY ASSESSABLE PREMIUM

The Calendar Year 2018 Voluntary Assessable Premium Bases have been finalized. They are as follows.

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2018 Residual Market: \$1,170,084,275

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2018 Reinsurance Pool Result: \$523,580,642

The above figures were arrived at from reported Calendar Year 2018 values as follows:

VOLUNTARY ASSESSABLE PREMIUM (VAP) BASIS – USED TO DETERMINE SHARES OF THE RESIDUAL MARKET

**Calculation of Voluntary Assessable Premium Basis –
Used to Determine Shares of the PY 2018 Residual Market**

Direct Written Premium ¹		\$1,277,326,200
Premium for National Defense Projects ²	-	\$124,183
Residual Market Premium ³	-	\$265,900,531
Take Out Credits	-	\$46,435,245
Premium for Large Deductible Policies Reported on the Annual Statement ⁴	-	\$81,852,399
Standard Premium + ARAP for Large Deductible Policies ⁵	+	\$287,069,924
Adjustment for Carriers with Negative Premium ⁶	+	\$509
VAP Basis - Used to Determine Shares of the Residual Market		\$1,170,084,275

¹ From Calendar Year 2018 Annual Statement, Exhibit of Premiums and Losses, Column 1, Line 16.

² From Massachusetts Call #5B, Column 3

³ Consists of \$124,424,112 in Servicing Carrier Premium and \$141,476,419 in VDAC Premium.

⁴ From Massachusetts Call #5B, Column 5.

⁵ From Massachusetts Call #5A, Column 1 + Column 2.

⁶ Carriers showing a calculated voluntary assessable premium less than zero have had their voluntary assessable premium adjusted to equal zero.

Each carrier’s Assignment Ratio (prior to adjusting for the VDAC Program) is its voluntary assessable premium divided by the above total. This ratio is the share of the total Residual Market for Policy Year 2018 for which that carrier is responsible and is used to calculate the assignment quotas for Voluntary Direct Assignment and Servicing Carriers.

**VOLUNTARY ASSESSABLE PREMIUM (VAP) BASIS –
USED TO DETERMINE SHARES OF THE REINSURANCE POOL RESULTS**

During 2018, eight carriers accepted direct assignments in order to satisfy their assessment obligations to the Pool. Each of these eight VDAC carrier groups had their voluntary assessable premium set equal to zero. Pool Participation Ratios, used for allocating the results of the Reinsurance Pool, are based on voluntary assessable premium adjusted for VDAC carriers. This is calculated as follows:

***Calculation of Voluntary Assessable Premium Basis –
Used to Determine Shares of the PY 2018 Reinsurance Pool Result***

<i>VAP Basis - Used to Determine Shares of the Residual Market</i>	<i>\$1,170,084,275</i>
<i>VAP for VDAC Carrier Groups</i>	<i>- \$646,503,633</i>
<i>VAP Basis – Used to Determine Shares of the Reinsurance Pool Results</i>	<i>\$523,580,642</i>

Each non-VDAC carrier’s Pool Participation Ratio (after adjusting for the VDAC carriers) is its voluntary assessable premium divided by the above total. This ratio is the share of the Reinsurance Pool Results for Policy Year 2018 for which that carrier is responsible.

VDAC REAPPORTIONMENT

Since assignments must be made during the current policy year and since the VDACs’ percentages for policy year 2018 were not yet available, the most recent available percentages (based on 2016 and 2017 data) were used to make assignments. Therefore, VDACs were not assigned their exact share of the residual market. For example, in 2018 VDACs were not assigned exactly 55% (= \$646,503,633/\$1,170,084,275) of Policy Year 2018 residual market premium.

The purpose of the VDAC Reapportionments is to correct for over or under assignments to VDACs. Article VII of the VDAC Program provides for an *optional* Intermediate Reapportionment of pool shares to be made within two years of the beginning of the policy year, and for a Final Reapportionment of pool shares, to be completed on all policy years including those policy years for which an Intermediate Reapportionment was completed, within three years of the beginning of the policy year. Upon completion of those reapportionments, individual VDACs will be given small positive or negative Pool Participation Ratios.

For policy year 2018, the VDACs’ collective share of the residual market will be adjusted to exactly 55%. Similarly, non-VDACs will have their Pool Participation Ratios adjusted slightly to bring their share of the market to 45%. Each VDAC reapportionment will result in an adjustment to the Pool Participation Ratios and a cash adjustment. If conducted, the optional Intermediate VDAC Reapportionment for policy year 2018 will be reflected in NCCI’s Fourth Quarter 2019 Massachusetts Pool Statements. The Final VDAC Reapportionment for policy year 2018 will be reflected in NCCI’s Fourth Quarter 2020 Massachusetts Pool Statements.

Exhibit 1 summarizes the finalized 1994 through 2018 VDAC shares of the Residual Market and shows the target percentages for 2019 and 2020 VDACS based on 2018 data.

Exhibit 2 summarizes the Take-Out Credits that were used to determine the voluntary assessable premium for Calendar Year 2018. The total Calendar Year 2018 Take-Out Credit was approximately \$46.4 million.

If you have any questions, please contact me at (617) 646-7544 or ccronin@wcribma.org.

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Residual Market Specialist

SB 11-19
Attachments

VDAC Share Summary		
Policy Year	Number of VDACS	VDACS' Quota of A/R Premium
1994	3	8%
1995	7	20%
1996	10	48%
1997	12	62%
1998	12	62%
1999	14	62%
2000	13	61%
2001	14	67%
2002	12	71%
2003	10	65%
2004	9	60%
2005	8	63%
2006	7	62%
2007	7	60%
2008	9	70%
2009	9	67%
2010	9	65%
2011	10	72%
2012	8	55%
2013	8	53%
2014	8	53%
2015	8	53%
2016	8	55%
2017	8	54%
2018	8	55%
2019	8	55% (target)
2020	8	55% (target)

**Massachusetts Workers Compensation
Calendar Year 2018
Take-Out Credit Summary**

Policy Year	Year of Credit	Policy Count	Calendar Year Written Premium	Take-Out Credit
2018†	1	1,468	17,402,638	17,010,792
	2	1,340	14,302,948	13,469,239
	3	1,007	13,433,036	11,608,764
	Total	3,815	45,138,622	42,088,795
2017*	1	1,051	1,000,154	1,008,915
	2	853	2,122,035	1,785,280
	3	690	1,110,492	927,500
	Total	2,593	4,232,681	3,721,695
2016*	1	541	419,033	462,762
	2	436	(76,387)	62,880
	3	294	238,145	87,687
	Total	1,271	580,791	613,329
2015*	1	27	(27,563)	(49,460)
	2	26	7,064	20,930
	3	36	42,623	39,956
	Total	89	22,124	11,426
GRAND TOTALS		7,767	49,974,217	46,435,245

† For policies listed under PY 2018:

- Year of Credit 1 are policies that were initially removed in 2018;
- Year of Credit 2 are policies that were initially removed in 2017 and are receiving a 2nd year credit in 2018; and
- Year of Credit 3 are policies that were initially removed in 2016 and receiving a 3rd year credit in 2018.

* The data shown for PYs 2017, 2016 and 2015 includes policies for which carriers have received take-out credits in prior years and whose premiums and resulting take-out credits have been adjusted during 2018 as a result of a payroll audit, in accordance with the approved Take-Out Credit Program. The Calendar Year Written Premium displayed in this exhibit for PYs 2017, 2016 and 2015 is the difference between this year's and last year's premiums.

Since the Take-Out Credit Program allows for no more than thirty-six months of credit, the 2015 adjustments only include those policies where a 2015 audit was revised in 2018, and the tail end of the policy's 36-month credit period falls within 2018.