

WCRIBMA
 THE WORKERS' COMPENSATION RATING
 AND INSPECTION BUREAU OF MASSACHUSETTS

Administrator
Massachusetts Assigned Risk Pool

October 25, 2023

**MASSACHUSETTS WORKERS' COMPENSATION
 ASSIGNED RISK POOL
 SPECIAL BULLETIN NO. 10-23
 2022 VOLUNTARY ASSESSABLE PREMIUM**

The Calendar Year 2022 Voluntary Assessable Premium Bases have been finalized. They are as follows:

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2022 Residual Market:	\$1,371,988,644
Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2022 Reinsurance Pool Result:	\$605,234,498

The above figures were arrived at from reported Calendar Year 2022 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 2022 Residual Market**

Direct Written Premium ¹	\$1,350,910,095
Premium for National Defense Projects ²	- \$14,226
Residual Market Premium ³	- \$232,500,426
Take Out Credits	- \$42,521,633
Premium for Large Deductible Policies Reported on the Annual Statement ⁴	- \$107,465,260
Standard Premium + ARAP for Large Deductible Policies ⁵	+ \$403,530,070
Adjustment for Carriers with Negative Premium ⁶	+ \$50,024
VAP Basis - Used to Determine Shares of the Residual Market	\$1,371,988,644

¹ From Calendar Year 2022 Annual Statement, Exhibit of Premiums and Losses, Column 1, Line 16.
² From Massachusetts Call #5B, Column 3
³ Consists of \$103,720,683 in Servicing Carrier Premium and \$128,779,743 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 Residual Market 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 2022 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 2022, 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 2022 Reinsurance Pool Result***

<i>VAP Basis - Used to Determine Shares of the Residual Market</i>	<i>\$1,371,988,644</i>
<i>VAP for VDAC Carrier Groups</i>	<i>- \$766,754,146</i>
<i>VAP Basis – Used to Determine Shares of the Reinsurance Pool Results</i>	<i>\$605,234,498</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 2022 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 2022 were not yet available, the most recent available percentages (based on 2020 and 2021 data) were used to make assignments. Therefore, VDACs were not assigned their exact share of the residual market. For example, in 2022 VDACs were not assigned exactly 56% (= \$766,754,146/\$1,371,988,644) of Policy Year 2022 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 2022, the VDACs’ collective share of the residual market will be adjusted to their exact share based on PY data as of 12/31/23, which is currently estimated to be 56%. Similarly, non-VDACs will have their Pool Participation Ratios adjusted slightly to bring their share of the residual market to that which remains after adjusting the VDAC’s market share. 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 2022 will be reflected in NCCI’s Fourth Quarter 2023 Massachusetts Pool Statements. The Final VDAC Reapportionment for policy year 2022 will be reflected in NCCI’s Fourth Quarter 2024 Massachusetts Pool Statements.

Exhibit 1 summarizes the finalized 1994 through 2022 VDAC shares of the Residual Market and shows the target percentages for 2023 and 2024 VDACs based on 2022 data.

Exhibit 2 summarizes the Take-Out Credits that were used to determine the voluntary assessable premium for Calendar Year 2022. The total Calendar Year 2022 Take-Out Credit was approximately \$42.5 million.

Please contact Christine Cronin at 617-646-7544 or ccronin@wcribma.org or Laura Kirchberg at 617-646-7526 or lkirchberg@wcribma.org with any questions.

Laura Kirchberg
Customer Service Specialist

*SB 10-23
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	57%
2020	8	53%
2021	8	55%
2022	8	56%
2023	8	56% (target)
2024	8	56% (target)

**Massachusetts Workers Compensation
Calendar Year 2022
Take-Out Credit Summary**

Policy Year	Year of Credit	Policy Count	Calendar Year Written Premium	Take-Out Credit
2022†	1	1,454	16,430,846	15,910,655
	2	1,205	11,199,803	11,124,953
	3	1,109	11,220,480	10,722,885
	Total	3,768	38,851,129	37,758,493
2021*	1	858	1,260,734	1,104,964
	2	900	591,199	533,143
	3	804	963,006	637,087
	Total	2,562	2,814,939	2,275,194
2020*	1	622	1,501,222	1,166,299
	2	554	767,777	734,352
	3	457	313,393	305,970
	Total	1,633	2,582,392	2,206,621
2019*	1	48	166,348	123,349
	2	74	150,626	97,905
	3	46	127,099	60,071
	Total	168	444,073	281,325
GRAND TOTALS		8,131	44,692,533	42,521,633

† For policies listed under PY 2022:

- Year of Credit 1 are policies that were initially removed in 2022;
- Year of Credit 2 are policies that were initially removed in 2021 and are receiving a 2nd year credit in 2022; and
- Year of Credit 3 are policies that were initially removed in 2020 and receiving a 3rd year credit in 2022.

* The data shown for PYs 2021, 2020 and 2019 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 2022 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 2021, 2020 and 2019 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 2019 adjustments only include those policies where a 2019 audit was revised in 2022, and the tail end of the policy's 36-month credit period falls within 2022.