



**THE WORKERS' COMPENSATION  
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**  
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February 14, 1991

**CIRCULAR LETTER NO. 1562**

To All Members and Subscribers of the Bureau:

**MASSACHUSETTS TAKE-OUT CREDIT PROGRAM**

The Division of Insurance has approved a Take-Out Credit Program effective March 1, 1991.

The purpose of this Program is to both encourage and facilitate the depopulation of the Massachusetts Assigned Risk Pool.

The Program will allow all insurance carriers in Massachusetts to receive a credit against their assessment base for every dollar of premium removed from the Massachusetts Assigned Risk Pool.

The Bureau and the State Rating Bureau, also agreed informally to the following points:

1. The "profiles" of risks insured in the Pool will be disseminated by the Bureau on a monthly basis. The profiles for the months of March and April are attached to this circular.

2. The Bureau will provide this information in a computer readable format, at the request of any of its members, as soon as it is practical to do so.

3. The Bureau, in conjunction with the State Rating Bureau, will develop a survey form to be distributed to the Bureau's members, soliciting information about whether the members would like additional information in the profiles to benefit from the Program. Based on the results of the survey, the information disseminated on a monthly basis may be revised.

4. The approval of the Program does not alter whatever obligations carriers may otherwise have to provide relevant information to insureds who are offered a policy in the voluntary market, nor does approval of the Program compel any insured involuntarily to accept a policy in the voluntary market.

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5. The premium due to the Pool from an insured that is removed from the Pool under the Program during the term of an existing policy will be calculated on a pro rata basis.

6. In determining whether the kind and amount of coverage being offered is less than those afforded by the assigned risk policy, the introduction of retrospective rating or larger deductibles will be considered "less coverage."

7. The take-out credit will be an offset to the carrier's otherwise-determined market assessment base, including the premium of the risk taken out of the Pool under the Program. (For example, if the carrier's assessment base was \$1,000,000 and a risk with a \$3,000 premium was removed under the Program, the credit would be \$4,500, to be applied against a base of \$1,003,000.)

The credit is effective for a maximum period of three (3) years and must be reported to the NCCI Pool Manager annually at the time of the Financial Call Reporting to receive the credit.

A copy of the Massachusetts Take-Out Credit Program and reporting forms are attached for your convenience. The forms must accompany Financial Call #1 reported annually to the NCCI by March 15.

NORMAN R. FONTAINE  
Vice President

NRF/jd

Attachments

## MASSACHUSETTS TAKE-OUT CREDIT PROGRAM

1. The Workers' Compensation Rating and Inspection Bureau of Massachusetts ("WCRB"), as administrator of the Massachusetts Assigned Risk Pool (the "Pool"), shall develop, or cause to be developed, a profile of each risk insured in the Pool for dissemination to each member carrier participating in the Pool. The profile shall include: risk name, address, policy expiration, latest experience modification if applicable, and the governing class code. This profile shall be provided to each member on a monthly basis.

2. An offer to take a risk out of the Pool must be made in writing to the named insured, stating the amount of the estimated annual premium, the amount of the down payment required and the amount of each installment (if available).

3. A member of the Pool that removes a risk insured through the Pool and writes the risk in the voluntary market shall, subject to this rule, be eligible for a take-out credit applicable against the member's residual market assessment base.

4. The carrier will not receive credit for any policy removed from the Plan within one calendar year of that carrier, or a member of that carrier's group, writing the policy in the voluntary market. Any carrier, other than the last voluntary carrier of record, may remove a policy without any restriction on the length of time the policy resided in the residual market. For the purposes of this rule, these requirements apply to a carrier's group as well as to the carrier itself.

5. The kind and amount of coverage to be offered risks taken out of the Pool, for which a credit is sought, shall not be less than those afforded by the policy being replaced unless such kinds and amounts of coverage are refused by the insured.

1. A member of the Pool that removes a risk from the residual market in accordance with this rule shall be eligible for a take-out credit applicable to its residual market assessment base in accordance with the following schedule:

For policies that are less than the experience rating threshold:

First Year	1.5
Second Year	1.5
Third Year	1.5

For all other policies:

First Year	1.0
Second Year	1.0
Third Year	1.0

2. A member company will receive a credit against their assessment base for the amount of annual premium reflected in their financial statements (page 14) for the respective calendar year. This reported premium shall be stated on the same financial basis as the premiums that are reported for use in determining each member's residual market assessment base and shall be subject to subsequent adjustments and audits. The premium shall be the gross direct premiums charged less all premiums (except dividends and savings refunded under participating policies) returned to the policyholders for all Workers' Compensation and Occupational Disease Insurance, exclusive of premiums for risk reinsurance by the Plan, and for risks written under Special National Defense Comprehensive Rating or Special National Defense Premium Discount Plans.

As audit premiums retro adjustments, etc., are developed, the member company will receive a credit against their assessment base for the amount of such premium adjustment in the calendar year in which such adjustment is reflected on Page 14. Regardless of when an adjustment was made and/or reflected on Page 14, the adjustment will be allowed if related to the first, second or third year of voluntary coverage by the member company.

3. There shall be no maximum limit on credits received under this rule; provided, however, the aggregate credits shall not reduce the member's residual market assessment base below zero.

4. Upon taking a risk out of the Pool, a member shall report its request for a take-out credit on a form and in a manner prescribed by the Pool administrator.

5. To receive a credit, the carrier must submit annual requests to the Pool administrator. Each carrier is responsible for maintaining sufficient records to justify its eligibility for a credit, and any carrier applying for a credit is required to report any subsequent premium adjustments to the Pool administrator.

6. If the carrier keeps the risk out of the residual market for three years, the carrier will receive credit for each of the three years. If the carrier does not write the policy in the voluntary market for three years, the carrier will receive credit only for that period of time during which it covered the risk in the voluntary market. In no instance shall a carrier receive a credit for any risks returned to the Pool within one policy year of having been taken out.

CALENDAR YEAR 1991  
MASSACHUSETTS TAKE-OUT PROGRAM  
STATE SUMMARY

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

STATE CODE	STATE	TOTAL POLICY COUNT	CREDIT AMOUNT
20	MASSACHUSETTS		

SUBMITTED BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

