



THE WORKERS' COMPENSATION RATING AND INSPECTION BUREAU

Administrator
Massachusetts Assigned Risk Pool

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MASSACHUSETTS WORKERS' COMPENSATION ASSIGNED RISK POOL

SPECIAL BULLETIN NO. 10-17

2016 VOLUNTARY ASSESSABLE PREMIUM

The Calendar Year 2016 Voluntary Assessable Premium Bases have been finalized. They are as follows.

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2016 Residual Market: \$1,094,311,527

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2016 Reinsurance Pool Result: \$487,413,178

The above figures were arrived at from reported Calendar Year 2016 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 2016 Residual Market

Table with 2 columns: Description and Amount. Rows include Direct Written Premium, Premium for National Defense Projects, Residual Market Premium, Take Out Credits, Premium for Large Deductible Policies, Standard Premium + ARAP for Large Deductible Policies, Adjustment for Carriers with Negative Premium, and VAP Basis - Used to Determine Shares of the Residual Market.

Footnotes 1-6 explaining the data sources and adjustments for the VAP basis calculation.

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 2016 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 2016, 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 2016 Reinsurance Pool Result***

<i>VAP Basis - Used to Determine Shares of the Residual Market</i>	<i>\$1,094,311,527</i>
<i>VAP for VDAC Carrier Groups</i>	<i>- \$606,898,349</i>
<i>VAP Basis – Used to Determine Shares of the Reinsurance Pool Results</i>	<i>\$487,413,178</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 2016 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 2016 were not yet available, the most recent available percentages (based on 2014 and 2015 data) were used to make assignments. Therefore, VDACs were not assigned their exact share of the residual market. For example, in 2016 VDACs were not assigned exactly 55% (= \$606,898,349/\$1,094,311,527) of Policy Year 2016 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 2016, 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 2016 will be reflected in NCCI’s Fourth Quarter 2017 Massachusetts Pool Statements. The Final VDAC Reapportionment for policy year 2016 will be reflected in NCCI’s Fourth Quarter 2018 Massachusetts Pool Statements.

Exhibit 1 summarizes the finalized 1994 through 2016 VDAC shares of the Residual Market and shows the target percentages for 2017 and 2018 VDACS based on 2016 data.

Exhibit 2 summarizes the Take-Out Credits that were used to determine the voluntary assessable premium for Calendar Year 2016. The total Calendar Year 2016 Take-Out Credit was approximately \$47.4 million.

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

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SB 10-17
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	55% (target)
2018	8	55% (target)

**Massachusetts Workers Compensation
Calendar Year 2016
Take-Out Credit Summary**

Policy Year	Year of Credit	Policy Count	Calendar Year Written Premium	Take-Out Credit
2016†	1	1,347	22,676,210	20,613,708
	2	1,179	14,365,273	13,513,167
	3	781	6,793,186	6,467,282
	Total	3,306	43,834,669	40,594,158
2015*	1	1,175	4,258,074	3,655,038
	2	799	1,637,859	1,221,077
	3	728	1,176,141	880,080
	Total	2,702	7,072,074	5,756,195
2014*	1	563	488,011	434,523
	2	415	688,170	605,815
	3	557	71,361	32,418
	Total	1,535	1,247,542	1,072,757
2013*	1	24	117,489	90,051
	2	21	(34,430)	(51,328)
	3	79	(36,020)	(51,770)
	Total	123	47,039	(13,047)
GRAND TOTALS		7,665	52,201,324	47,410,062

† For policies listed under PY 2016:

- Year of Credit 1 are policies that were initially removed in 2016;
- Year of Credit 2 are policies that were initially removed in 2015 and are receiving a 2nd year credit in 2016; and
- Year of Credit 3 are policies that were initially removed in 2014 and receiving a 3rd year credit in 2016.

* The data shown for PYs 2015, 2014 and 2013 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 2016 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 2015, 2014 and 2013 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 2013 adjustments only include those policies where a 2013 audit was revised in 2016, and the tail end of the policy's 36-month credit period falls within 2016.