



THE WORKERS' COMPENSATION RATING AND INSPECTION BUREAU

Administrator
Massachusetts Assigned Risk Pool

October 4, 2018

MASSACHUSETTS WORKERS' COMPENSATION ASSIGNED RISK POOL

SPECIAL BULLETIN NO. 09-18

2017 VOLUNTARY ASSESSABLE PREMIUM

The Calendar Year 2017 Voluntary Assessable Premium Bases have been finalized. They are as follows.

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2017 Residual Market: \$1,152,835,054

Total Voluntary Assessable Premium Basis - Used to Determine Shares of the PY 2017 Reinsurance Pool Result: \$524,721,872

The above figures were arrived at from reported Calendar Year 2017 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 2017 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 Reported on the Annual Statement, Standard Premium + ARAP for Large Deductible Policies, Adjustment for Carriers with Negative Premium, and VAP Basis - Used to Determine Shares of the Residual Market.

1 From Calendar Year 2017 Annual Statement, Exhibit of Premiums and Losses, Column 1, Line 16.
2 From Massachusetts Call #5B, Column 3
3 Consists of \$122,124,469 in Servicing Carrier Premium and \$155,301,553 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 2017 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 2017, 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 2017 Reinsurance Pool Result***

<i>VAP Basis - Used to Determine Shares of the Residual Market</i>		<i>\$1,152,835,054</i>
<i>VAP for VDAC Carrier Groups</i>	-	<i>\$628,113,182</i>
<i>VAP Basis – Used to Determine Shares of the Reinsurance Pool Results</i>		<i>\$524,721,872</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 2017 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 2017 were not yet available, the most recent available percentages (based on 2015 and 2016 data) were used to make assignments. Therefore, VDACs were not assigned their exact share of the residual market. For example, in 2017 VDACs were not assigned exactly 54% (= \$628,113,182/\$1,152,835,054) of Policy Year 2017 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 2017, the VDACs’ collective share of the residual market will be adjusted to exactly 54%. Similarly, non-VDACs will have their Pool Participation Ratios adjusted slightly to bring their share of the market to 46%. 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 2017 will be reflected in NCCI’s Fourth Quarter 2018 Massachusetts Pool Statements. The Final VDAC Reapportionment for policy year 2017 will be reflected in NCCI’s Fourth Quarter 2019 Massachusetts Pool Statements.

Exhibit 1 summarizes the finalized 1994 through 2017 VDAC shares of the Residual Market and shows the target percentages for 2018 and 2019 VDACS based on 2017 data.

Exhibit 2 summarizes the Take-Out Credits that were used to determine the voluntary assessable premium for Calendar Year 2017. The total Calendar Year 2017 Take-Out Credit was approximately \$35.7 million.

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

Christine M. Cronin
Residual Market Specialist

SB 09-18
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	54% (target)
2019	8	54% (target)

**Massachusetts Workers Compensation
Calendar Year 2017
Take-Out Credit Summary**

Policy Year	Year of Credit	Policy Count	Calendar Year Written Premium	Take-Out Credit
2017†	1	1,394	16,743,489	15,966,284
	2	1,020	14,609,129	12,790,479
	3	789	8,913,576	8,023,330
	Total	3,202	40,266,194	36,780,093
2016*	1	989	1,344,725	1,238,035
	2	975	(1,542,384)	(1,503,772)
	3	503	393,338	497,958
	Total	2,367	195,679	232,221
2015*	1	566	232,245	185,157
	2	501	(784,209)	(887,423)
	3	316	224,231	216,986
	Total	1,383	(327,733)	(485,280)
2014*	1	15	(43,523)	(35,886)
	2	132	(661,402)	(736,467)
	3	20	(3,286)	(1,205)
	Total	166	(708,211)	(773,558)
GRAND TOTALS		7,117	39,425,929	35,753,476

† For policies listed under PY 2017:

- Year of Credit 1 are policies that were initially removed in 2017;
- Year of Credit 2 are policies that were initially removed in 2016 and are receiving a 2nd year credit in 2017; and
- Year of Credit 3 are policies that were initially removed in 2015 and receiving a 3rd year credit in 2017.

* The data shown for PYs 2016, 2015 and 2014 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 2017 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 2016, 2015 and 2014 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 2014 adjustments only include those policies where a 2014 audit was revised in 2017, and the tail end of the policy's 36-month credit period falls within 2017.