

**MASSACHUSETTS WORKERS' COMPENSATION
ASSIGNED RISK POOL**

AMENDED AND RESTATED PLAN OF OPERATION

EFFECTIVE JUNE 1, 2025

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**MASSACHUSETTS WORKERS' COMPENSATION
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AMENDED AND RESTATED PLAN OF OPERATION

ARTICLE I

NAME

Name. The reinsurance pool contemplated by M.G.L.c. 152, §65C, as amended, shall be known as the Massachusetts Workers' Compensation Assigned Risk Pool ("Pool").

ARTICLE II

DEFINITIONS

1. "Appeals Committee" means the WCRIBMA committee that administers appeals in accordance with the Constitution.
2. "Annual Meeting" has the meaning set forth in Article VI, Section 1.
3. "Commissioner" means the Commissioner of the Massachusetts Division of Insurance or any successor entity.
4. "Company Group" means companies controlling, controlled by, or under common control with other companies and shall be identified by the NAIC group number.
5. "Constitution" means the Constitution of the WCRIBMA.
6. "Days" shall refer to calendar days unless otherwise specified.
7. "DIA" means the Massachusetts Department of Industrial Accidents or any successor entity.
8. "Effective Date" has the meaning set forth in Article XV.
9. "Good faith" means an observance of reasonable commercial standards of fair dealing.
10. "Governing Committee" means the committee that administers the WCRIBMA in accordance with the Constitution.
11. "Insolvency Fund" means the Massachusetts Insurers Insolvency Fund or any successor entity.
12. "Insolvent" means being the subject of receivership, conservatorship, rehabilitation, liquidation, or similar proceedings, whether voluntary or involuntary, in any jurisdiction.

13. "Insurer" has the meaning set forth in M.G.L.c. 152, §1(7).
14. "MA Manual" means the Massachusetts Workers' Compensation and Employers' Liability Insurance Manual.
15. "Member" has the meaning set forth in Article V, Section 1.
16. "NAIC" means the National Association of Insurance Commissioners.
17. "NCCI" means the National Council on Compensation Insurance.
18. "Net Workers' Compensation Insurance Premiums Written" means the calendar year Direct Premiums Written reported on the Workers Compensation line of the Annual Statement, exclusive of premiums for risks subject to this Plan of Operation, and for risks written under National Defense Projects Rating Plan and under excess policies; provided, however, that in the case of risks written or renewed on large deductible policies the Net Workers' Compensation Insurance Premiums Written shall be deemed to be an amount equal to Standard Premium plus any applicable All Risk Adjustments Program amounts associated with such policies.
19. "New business" as used in Appendix A, Performance Standards, means the first year that an employer is assigned to the carrier by the WCRIBMA. Block transferred policies are considered 'new business' to the receiving carrier, while policies that have been reassigned to the same carrier with a gap of no more than six months are not considered 'new business.'
20. "Plan of Operation" means the Amended and Restated Plan of Operation of the Massachusetts Workers' Compensation Assigned Risk Pool, including the Appendices.
21. "Participation Ratio" means the percentage of the Net Workers' Compensation Insurance Premiums Written during such calendar year by a Member, as adjusted by any applicable take-out credit, of the Total Net Workers' Compensation Insurance Premium Written by all Members excluding Voluntary Direct Assignment Carriers during such calendar year, as adjusted by any applicable take-out credit. Voluntary Direct Assignment Carriers are assigned Participation Ratios at the time of the VDAC Reapportionment.
22. (a) "Performance Standards", as applicable to Servicing Carriers designated pursuant to Article VIII, Section 2, and to Voluntary Direct Assignment Carriers designated pursuant to Article IX, Section 2, refer to the minimum performance standards set forth in Appendix A.

(b) "Performance Standards", as applicable to Servicing Carriers selected pursuant to Article VIII, Section 3, refer to the Performance Standards set forth in Appendix A of this Plan, including any enhancements contained in the Servicing Carrier contract.
23. "Residual Market Committee" means the committee described in Article VII.
24. "Run-off" means a state of affairs in which a Member is not writing any new or renewal business but continues to pay its outstanding claims or has transferred its Pool obligations/losses to a related or unrelated entity.
25. "Servicing Carrier" includes any Member company servicing for a fee coverage written by such Member and subject to this Plan of Operation.

26. "Standard Premium" is defined and described in Appendix F of the MA Manual, the Residual Market Premium Algorithm.
27. "Voluntary Direct Assignment Carrier", or "VDAC", means an insurer that has elected to receive direct assignments, in lieu of participating in the Pool, and that has obtained prior approval from the Commissioner authorizing such form of participation. Voluntary Direct Assignment Carriers retain the premiums collected on their direct assignment policies and are responsible to pay all losses and expenses associated with their direct assignment policies.
28. "WCRIBMA" means The Workers' Compensation Rating and Inspection Bureau of Massachusetts.

ARTICLE III

DESIGNATION OF ADMINISTRATOR

The Commissioner has designated the WCRIBMA as administrator of the Pool which shall be administered in accordance with M.G.L. c. 152, §65A et seq., as amended.

ARTICLE IV

PURPOSE AND LIMITATIONS

1. **Purpose.** The purpose of the Pool is to provide a mechanism for the equitable distribution among insurers of risks entitled to coverage under M.G.L. c. 152, §65A, as amended, and to provide, in accordance with M.G.L. c. 152, §65C, as amended, for the equitable allocation among all insurers authorized to write workers' compensation insurance in the Commonwealth of the losses incurred on policies issued to employers under §65A.

Under delegation from the Commissioner, the WCRIBMA shall make equitable assignments of risks entitled to coverage under M.G.L. c. 152, §65A, as amended, including assignments to Servicing Carriers or Voluntary Direct Assignment Carriers. The WCRIBMA shall each year submit to the Commissioner a report of the assigned risks for the preceding year.

The WCRIBMA is authorized to enter into agreements on behalf of the Members to carry out the purposes of this Plan of Operation, including but not limited to servicing carrier agreements. The WCRIBMA is authorized to select Servicing Carriers under the terms set forth in Article VIII of this Plan. The WCRIBMA is empowered to act as attorney-in-fact for each Member ; to enforce any rights of the Members , including without limitation, any rights against any other Member upon insolvency; to enforce the obligations of membership on behalf of all Members ; to prosecute, to defend, to submit to arbitration, to settle and to propose or to accept a compromise with respect to any claim existing in favor of, or against, such Member based on or involving any matter relating to this Plan of Operation; or to intervene in any action or proceeding related thereto.

2. Limitations.

- (a) This Plan of Operation shall apply only to workers' compensation policies including any one or more of the following coverages provided under such policies:
 - (i) Statutory workers' compensation and occupational disease as provided in M.G.L c. 152.
 - (ii) Employers' Liability when written in combination with coverage as specified in (1) above.
 - (iii) Such other coverages as the WCRIBMA may file for approval by the Commissioner for inclusion in the standard Workers' Compensation and Employers' Liability Insurance Policy.
- (b) Policies issued pursuant to the Plan of Operation shall not include Federal Employers' Liability Act coverage.
- (c) Nothing in this Plan of Operation shall affect the enforceability of any applicable bankruptcy, receivership, or other similar laws affecting the enforcement of creditors' rights in general.
- (d) This Plan of Operation shall apply to policies issued to policyholders whose risks have been assigned to and accepted by Members in accordance herewith.
- (e) If any article, section, paragraph, sentence, or clause of this Plan of Operation is held invalid by any court of competent jurisdiction, such decision shall not affect any of the remaining provisions of this Plan of Operation.

ARTICLE V
MEMBERSHIP

- 1. **Membership.** Every Insurer which has contracted with an employer to pay the compensation provided for by M.G.L. c. 152 that is authorized to write or to continue to write workers' compensation insurance in the Commonwealth shall be a member of the Pool, ("Member").
- 2. **Member Obligations.** Any or all Members shall, at the discretion of the WCRIBMA, be required to periodically provide, at intervals to be determined by the WCRIBMA, information on the ability to pay return premiums, losses and expenses which may be assessed pursuant to Article XII, Sections 4 and 5 for all risks which are subject to this Plan of Operation. Members shall provide all further information necessary for the WCRIBMA to ascertain a company's ability to pay its obligations to the Members, and for the WCRIBMA to determine if there is any significant likelihood that the company's future reserves will be inadequate to meet future obligations. Members shall cooperate fully in assisting the WCRIBMA in making these determinations, and shall cooperate fully in the conduct of any auditing procedure necessary to these determinations.

Should the WCRIBMA determine that a company's reserves are not adequate to meet its obligations to the Members, or that there is a significant likelihood that future reserves will be inadequate to meet future obligations, or should the WCRIBMA determine that the Member has not cooperated to the extent necessary to make these determinations, the WCRIBMA shall have the authority to ensure that the Member shall meet its obligations to the

other Members by taking actions which may include, any or all of the following as set forth in (a) through (d) below.

When a Member fails to make timely payment of its assessment or otherwise fails to honor its financial obligations to the Members, or if a Member is under the supervision of the insurance department or other regulatory authority of any jurisdiction, or when the insurance department or other regulatory authority of any jurisdiction represents, in writing, that a Member is unable to meet its financial obligations, or when a Member is in run-off, the WCRIBMA shall have the authority to protect the other Members by ensuring that the Member can meet its obligations to the Pool on a timely basis by taking actions which include but not be limited to any or all of the following:

- (a) Ordering that all or a portion of assessment distributions or refunds due the Member be paid into escrow or trust with the WCRIBMA to secure or pay any of the Member's current or future obligations and liabilities.
- (b) Ordering that all or a portion of assessment distributions or refunds due the Member be paid in trust with a third party to secure or pay any of the Member's current or future obligations and liabilities.
- (c) Upon approval by the Commissioner, ordering that the Member obtain a letter of credit approved by the WCRIBMA to secure or pay any of the Member's current or future obligations and liabilities.
- (d) Upon approval by the Commissioner, ordering that all or a portion of assessment distributions or refunds which have been distributed to the Member be placed into escrow or trust for the benefit of the Pool with the WCRIBMA or with a third party designated by the WCRIBMA, to secure or pay any of the Member's current or future obligations and liabilities.

Compliance with any such order within the time specified therein shall be an obligation of membership.

3. Insolvency.

- (a) In the event any Member is declared Insolvent by a court of competent jurisdiction, its membership in the Pool shall terminate subject to the further provisions of subparagraph 3(g) hereunder. Under all circumstances, the WCRIBMA shall be entitled to offset any liabilities of the Insolvent Member to the Pool against any liabilities of the Pool to the Insolvent Member.
- (b) Upon notice to the WCRIBMA of the insolvency of a Member which is acting as a Servicing Carrier and/or as a Voluntary Direct Assignment Carrier, the WCRIBMA shall reassign all policyholders with active policies that were previously assigned to the Insolvent company to one or more Servicing Carriers and/or Voluntary Direct Assignment Carriers in accordance with the procedures set forth in this Plan of Operation.
- (c) In the event a Servicing Carrier becomes Insolvent, the WCRIBMA, acting on behalf of each of the Members, shall have the option to:
 - (i) pay to the Insolvency Fund, or to the receiver, conservator, rehabilitator, liquidator or other appropriate representative who has assumed the liabilities, all losses and expenses for which the Insolvent Servicing Carrier shall have become liable upon risks to which this Plan of Operation applies. Under all circumstances, the WCRIBMA shall be entitled to offset any liabilities of the Insolvent Member to the Pool against any liabilities of the Pool to the Insolvent Servicing Carrier; or

- (ii) subject to the approval of the receiver, conservator, rehabilitator, liquidator or other representative, and subject to the approval of any court having jurisdiction over the proceedings, terminate the obligation of the Members to reinsure such Insolvent Servicing Carrier for losses and expenses for which the Insolvent Servicing Carrier shall have become liable upon risks to which this Plan of Operation applies. If this option is exercised, the WCRIBMA shall arrange to reassign all policyholders being serviced by such Insolvent Servicing Carrier to a successor Servicing Carrier. Such successor Servicing Carrier shall assume all the duties and obligations of the Insolvent Servicing Carrier and shall accede to the reinsurance provided by the Members. Payment made on account of such risks, including expenses for the servicing thereof, shall be apportioned pro rata among the remaining Members in accordance with the method provided for the apportioning of assessments.
- (d) The outstanding liability of an Insolvent Member, whether in its capacity as a Servicing Carrier or as a Member, or both, and except for the unexpended portion of any premium retained by such Insolvent Member (if a Servicing Carrier) for servicing an assigned risk, shall be assumed by and apportioned among the remaining Members in the same manner as liability for assessments is apportioned under this Plan of Operation. The right of such Insolvent Member to participate in the Pool or the funds thereof, except as to any refund if the right to such refund shall have accrued before the date of insolvency, shall thereupon terminate. No refund shall be made to such Insolvent Member until all its liabilities to the Members and all liabilities assumed by Members by virtue of the provisions of this Plan shall have been fully settled and satisfied.

In the event a Voluntary Direct Assignment Carrier becomes Insolvent, the Pool shall have no obligation to pay any losses and expenses for which such Insolvent company shall have become liable in accordance with Article IX except to the extent, if any, that the Insolvency Fund is not obligated to pay such losses and expenses under the provisions of M.G.L c. 175D.

The Members shall have all the rights allowed by law against the estate or funds of Insolvent Members for recovery of funds disbursed (including the payment of losses and servicing expenses) on risks carried by Insolvent Members as herein provided. The WCRIBMA may assert and enforce such rights on behalf of the Members.

Upon the insolvency of a Member who is also acting in the capacity of a Servicing Carrier, all amounts due to such Insolvent Servicing Carrier from the Members as a result of the reinsurance provided to such Servicing Carrier and all amounts due from the Insolvent Servicing Carrier shall be merged into one account and deemed mutual debts and credits which the WCRIBMA may offset.

The provisions of this section are subject to any other or further provisions with respect thereto which may be from time to time embodied in the rules and procedures adopted hereunder.

- (e) Any Insolvent Member which fails or has failed to make timely payment of any assessment made under this Plan of Operation shall become liable to the other Members, as of the earliest date on which such failure to pay occurs, for an additional amount equal to the commuted value on such date of all future assessments to be made against such Member. For the purposes hereof, such commuted value shall be the total amount of unearned premium reserves and loss reserves then allocated to such Member hereunder, as determined by the WCRIBMA. The liability of the Insolvent Member for such commuted value under this provision shall be

deemed fixed, liquidated, and non-contingent as of the date of such failure to pay. The WCRIBMA may assert and enforce such liability on behalf of the Members by taking actions which may include those set forth in Section 2, above.

- (f) The WCRIBMA shall have the discretion to terminate the membership of any or all affiliated companies of the Insolvent Member. The termination of an Insolvent Member or any or all companies described in this Section shall not be deemed an abrogation of the membership requirement in Section 1 of this Article V.
- (g) Anything in this Section to the contrary notwithstanding, the WCRIBMA may, in the event such action is in its judgment feasible and desirable, and in a manner equitable to all Members, elect not to terminate the membership of such Insolvent company, and permit such company to continue to be a Member upon such conditions as it may prescribe and subject in all respects to this Plan of Operation and the rules and procedures hereunder as then constituted.
- (h) No member of any WCRIBMA Committee representing an Insolvent Member or affiliate thereof may vote in any proceeding under this Section.
- (i) Nothing in this Section relating to the insolvency of a Member shall, without the express approval of the WCRIBMA, increase the total liability of all Members of the Pool (excluding the obligations of the Insolvent Member) to an amount greater than what the liability would have been if the insolvency had not occurred.

ARTICLE VI

MEMBER MEETINGS

1. **Annual Meetings.** An Annual Meeting of the Members shall be held in Boston, Massachusetts, on such date and at such time and place as may be specified in the notice of meeting.

In the event the Annual Meeting for any year shall not be duly called or held, the Residual Market Committee shall cause a special meeting to be held as soon as may be practicable thereafter, in lieu of and for the purpose of such Annual Meeting, and all proceedings at such special meeting shall have the same force and effect as if taken at the Annual Meeting.

2. **Special Meetings.** Special Meetings of the Members may be called at any time by the President of the WCRIBMA, and shall be held in Boston, Massachusetts, at such time and place as may be specified in the notice of meeting. Special Meetings shall also be called by the President of the WCRIBMA upon the written request of a majority of the Residual Market Committee, or of five (5) Members.
3. **Notice of Meetings.** At least ten (10) days' written notice of all meetings of the Members shall be given. An agenda of matters to be considered shall accompany the notice of meeting. Only those matters which are noted in the agenda shall be considered at such meetings, provided, however, that other matters may be considered upon unanimous consent of the Members present.
4. **Quorum.** At any Members' meeting, a quorum shall be reached when there are Members or Company Groups

present collectively representing not less than 51% of the total Net Workers' Compensation Insurance Premiums Written by all Members during the latest calendar year for which information is available.

5. Voting Rights.

- (a) In any meeting of the Members, each Company Group shall be entitled to one vote.
- (b) Proposed actions shall be deemed adopted when an affirmative vote has been cast by Company Groups writing not less than 51% of the total Net Workers' Compensation Insurance Premiums Written by all Members during the latest calendar year for which information is available.
- (c) Action may also be taken, without a meeting, by mail, telephone, electronically, or by any other method that is reasonably calculated to ensure the accuracy and security of the transmission, receipt, and recording of such action. Proposed actions by any of these methods shall be deemed adopted upon the affirmative vote of Company Groups writing not less than 51% of the total Net Workers' Compensation Insurance Premiums Written by all Members during the latest calendar year for which information is available, provided all Company Groups are polled. In the event of a tie vote, the motion fails adoption.

6. Proxies. Members may be represented at any meeting by proxy. Members may record their votes by mail (including electronic mail) on written propositions, and such votes shall have the same standing as if cast by such Members in person or by proxy.

7. Records of Meetings. Records of all meetings of the Members shall be provided to Members and to the Commissioner.

ARTICLE VII

RESIDUAL MARKET COMMITTEE

1. Appointment and Composition.

- (a) At its first meeting following the Annual Meeting of the WCRIBMA, the members of the Governing Committee shall appoint the members of the Residual Market Committee who shall serve until the next Annual Meeting of the WCRIBMA.
- (b) The Residual Market Committee shall be composed of no fewer than five (5) members and not more than ten (10) members, unless otherwise directed by the WCRIBMA's Governing Committee.
- (c) The President of the WCRIBMA shall be a member *ex officio* of the Committee, but shall not have the right to vote.
- (d) The Residual Market Committee shall have a mixture of at least five (5) but not more than eight (8) Members and two (2) non-Pool members. One non-Pool member shall represent policyholders' interests and the other shall represent producers' interests. No more than 80% of the Members shall be Servicing Carriers or Voluntary Direct Assignment Carriers. Committee memberships shall be in the name of the Member

company, which shall designate a knowledgeable representative of suitable senior standing.

2. **Powers.** The Residual Market Committee shall monitor and administer the Pool on behalf of the WCRIBMA, unless the Governing Committee otherwise directs.
3. **Organization and Procedure.**
 - (a) The Residual Market Committee shall be presided over by a Chairperson, who shall have the right to vote. The Chairperson shall be chosen from among its members by an election at the first meeting following the Annual Meeting of the WCRIBMA.
 - (b) A Vice Chairperson shall be elected in the same manner and shall preside in the absence of the Chairperson. Only Members are eligible to serve as Chairperson and Vice Chairperson. A Chairperson pro tem, elected by committee members present, shall act as Chairperson at any meeting in the absence of the Chairperson and Vice Chairperson.
4. **Meetings; Time, Place and Notice.**
 - (a) Meetings shall be held at such times and places as the Residual Market Committee may from time to time determine, and may be called at any time by the President of the WCRIBMA, and shall also be called by the President upon the written request of any two (2) members of the Residual Market Committee.
 - (b) The Commissioner shall be notified in advance of all Residual Market Committee meetings and will be invited to attend all such meetings.
 - (c) At least ten (10) days' written notice of all meetings of the Residual Market Committee shall be given, and in each case an agenda of matters to be considered shall accompany the notice of meeting.
 - (d) Only those matters which are noted in the agenda shall be considered at such meetings, provided, however, that other matters may be considered upon unanimous consent of the members present.
5. **Quorum and Voting Rights.**
 - (a) A majority of the members of the Residual Market Committee shall constitute a quorum.
 - (b) At all meetings of the Residual Market Committee, an affirmative vote of a majority of the committee members present and voting shall be necessary for the adoption of any proposed action.
 - (c) Votes on any matter by committee members may be cast by telephone, mail, electronically, or by any other method approved by the Governing Committee that is reasonably calculated to ensure the accuracy and security of the transmission, receipt and recording of such vote. Proposed actions by any of these methods shall be deemed adopted upon the vote of a majority of the committee members. Such votes shall be binding unless the dissenting voter(s) requests a meeting at the time of such vote.
 - (d) Voting by proxy shall be permitted.
6. **Conditions.** The Residual Market Committee may fix the conditions upon which assigned risks are afforded

coverage and upon which claims shall be handled by Servicing Carriers and Voluntary Direct Assignment Carriers. All risks serviced by such carriers shall be insured and all claims shall be handled by such carriers in accordance with such conditions.

7. **Disputes and Appeals.** The Appeals Committee shall pass upon all disputes arising with respect to this Plan of Operation, or rules promulgated thereunder, including without limitation, any questions as to the application, scope and effect of this Plan of Operation. A ruling of a majority of the Appeals Committee shall be final, unless within thirty (30) days after the mailing of notice of the Committee's ruling, the aggrieved party shall have appealed the ruling in writing to the Commissioner. The aggrieved party shall send a copy of such appeal to the Committee. The action of the Commissioner upon such ruling shall be final.
8. **Rules of Operation.** The Residual Market Committee shall have the power, subject to the approval of the Commissioner, to promulgate and adopt Rules of Operation for the purpose of implementing this Plan. Such Rules may be made at the direction of the Commissioner, upon reasonable notice to the WCRIBMA and after a hearing.
9. **Records of Meetings.** Records of all meetings of the Residual Market Committee shall be provided to its members and to the Commissioner.

ARTICLE VIII

SERVICING CARRIERS

1. **Servicing Carriers.** An insurer may become a Servicing Carrier through designation by the WCRIBMA or through selection by the WCRIBMA pursuant to a competitive bid process. The designation and selection of Servicing Carriers are subject to approval by the Commissioner. Nothing in this Plan of Operation or any contract between the WCRIBMA and a Servicing Carrier shall affect the Commissioner's authority under M.G.L.c. 152, §65A to require one or more insurers to be Servicing Carriers issuing policies of insurance to employers qualified under section 65A.

Subject to the approval of the Commissioner, an insurer can be both a Servicing Carrier and a Voluntary Direct Assignment Carrier.

2. **Designation.** The WCRIBMA may recommend the designation of at least two (2) but not more than five (5) insurers as Servicing Carriers to issue policies of insurance to employers qualified for coverage under M.G.L.c. 152, §65A, as amended, subject to the approval of the Commissioner. The Servicing Carrier shall continue as a Servicing Carrier for subsequent years, unless it gives the Commissioner ninety (90) days advance written notice of its intention to resign as a Servicing Carrier, or unless such designation is rescinded by the Commissioner. The designation may also be rescinded for cause by the WCRIBMA, subject to the approval of the Commissioner. The WCRIBMA may rescind a designated Servicing Carrier's authority to issue new or renewal policies if the WCRIBMA gives at least sixty (60) days advance written notice to each designated carrier following its selection of any Servicing Carrier pursuant to a competitive bid process.
3. **Selection Pursuant to a Competitive Bid Process.**

- (a) The WCRIBMA may select, pursuant to a competitive bid process and in accordance with the criteria in this Plan, at least two (2) but not more than five (5) insurers as Servicing Carriers to issue policies of insurance to employers qualified for coverage under M.G.L. c. 152 §65A, as amended. Each Servicing Carrier so selected shall continue as a Servicing Carrier for subsequent years in accordance with the terms of its written Servicing Carrier contract with the WCRIBMA, unless such selection is rescinded by the WCRIBMA or the Commissioner for cause.
- (b) No Request for Proposal ("RFP") shall be issued by the WCRIBMA without the Commissioner's prior approval of its contents. Any RFP submitted by the WCRIBMA for the Commissioner's approval shall not be subject to a public hearing, and may be withdrawn by the WCRIBMA at any time. Any RFP that is approved by the Commissioner or is issued by the WCRIBMA may be withdrawn by the WCRIBMA at any time. The issuance of any RFP shall not commit or require the WCRIBMA to award any Servicing Carrier contracts.

4. Eligibility Criteria for Servicing Carriers. No Member may be a Servicing Carrier, unless such Member:

- (a) has been writing workers' compensation insurance in the Commonwealth of Massachusetts during at least the five (5) years immediately preceding the request to be designated a Servicing Carrier;
- (b) currently maintains, and during the five (5) years immediately preceding the request to be designated or selected as a Servicing Carrier has maintained, a workers' compensation voluntary market share of at least two percent (2%) in the Commonwealth of Massachusetts;
- (c) currently maintains, and during at least the five (5) years immediately preceding the request to be designated or selected as a Servicing Carrier has maintained, a record of financial stability and strength, including, but not limited to, an AM Best Financial Strength Rating (FSR) of "A-" or better; and
- (d) demonstrates to the satisfaction of the Commissioner, taking into account whatever technical advice may have been requested from the WCRIBMA, that it has the capacity to provide appropriate coverage to any risk that may be assigned to it pursuant to this program regardless of the size, industry type, and geographical location of such risk; and
- (e) has and maintains the capacity to conform to the Performance Standards.

A Servicing Carrier's failure to maintain the eligibility criteria described above shall be considered cause for rescinding its designation or selection as a Servicing Carrier. The WCRIBMA shall inform the Commissioner if it believes a Servicing Carrier may not be maintaining such eligibility.

5. New Servicing Carrier Review. A review shall be performed by the WCRIBMA or its designee on new Servicing Carriers within six (6) months of designation or selection as a Servicing Carrier. The following criteria shall be reviewed:

- (a) Timely and accurate policy issuance
- (b) Timely and accurate processing of premium bearing endorsements
- (c) Timely and accurate issuance of indemnity checks
- (d) Timely and accurate reporting of policy and financial data to WCRIBMA and NCCI.

6. Performance-Based Programs.

- (a) The performance based programs that shall apply to any Servicing Carrier designated pursuant to Article VIII, Section 2 are set forth in Appendices A, B, C and D of this Plan.
- (b) The performance based programs that shall apply to any Servicing Carrier selected pursuant to Article VIII, Section 3 shall be set forth in its Servicing Carrier contract and shall be at least as demanding as the performance based programs set forth in Appendices A, B, C and D of this Plan of Operation.

7. Compensation.

- (a) Servicing Carriers designated pursuant to Article VIII, Section 2 shall be compensated in the manner approved by the Commissioner and described in Appendix D, Determining the Servicing Carrier Fee.
- (b) Servicing Carriers selected pursuant to Article VIII, Section 3 shall be compensated as set forth in the Servicing Carrier contract between the WCRIBMA and the selected Servicing Carrier.

8. Assignments. The WCRIBMA will equitably assign applicants to each Servicing Carrier in accordance with Article XII.2.

9. Audit and Inspections. The WCRIBMA shall have the right, through its representatives, at all reasonable times during the business day, to audit and inspect the books and records of any Servicing Carrier with respect to any policy or policies and claims thereunder coming within the purview of this Plan of Operation.

ARTICLE IX

VOLUNTARY DIRECT ASSIGNMENT CARRIERS

- 1. Voluntary Direct Assignment Carriers.** Any qualifying insurer may satisfy its assessment obligations as a Member by accepting voluntary direct assignments of risks from the WCRIBMA, in the manner specified in Article XII, Section 2(a) of the Plan of Operation. Voluntary Direct Assignment Carriers retain the premiums collected on their direct assignment policies and are responsible to pay all losses and expenses associated with their direct assignment policies. A participating insurer must satisfy the assessment obligation of its entire Company Group for a particular policy year in this manner, subject to the provisions of this Article.

Subject to the approval of the Commissioner, an insurer can be both a Servicing Carrier and a Voluntary Direct Assignment Carrier.

- 2. Designation.** Any Member who wishes to become a Voluntary Direct Assignment Carrier shall make application to the Commissioner for such designation with a copy to the WCRIBMA prior to September 1. The Commissioner shall review the application and approve or disapprove it in writing within ninety (90) days of receipt. If the Commissioner fails to act within the ninety (90) day period, the application is deemed disapproved. If the application is approved, the Member will be designated a Voluntary Direct Assignment Carrier effective January 1 of the following year. It shall continue as a Voluntary Direct Assignment Carrier for subsequent years,

unless it gives the Commissioner advance written notice of its intention to resign as a Voluntary Direct Assignment Carrier prior to September 1 of a given year, or unless such designation is rescinded by the Commissioner for cause.

3. **Scope of Coverage and Performance Standards.** The Performance Standards applicable to Servicing Carriers as set forth in Appendix A shall also apply to Voluntary Direct Assignment Carriers. The manuals of rules, rates, rating plans and classifications filed by the WCRIBMA, and approved by the Commissioner, to apply to residual market policies, shall also apply to policies issued by an insurer in its capacity as a Voluntary Direct Assignment Carrier.
4. **Eligibility Criteria for Voluntary Direct Assignment Carriers.** Any Member may apply to the Commissioner for Voluntary Direct Assignment Carrier designation, and shall be eligible for designation as a Voluntary Direct Assignment Carrier, provided the Member demonstrates to the satisfaction of the Commissioner, taking into account whatever technical advice may have been requested from the WCRIBMA, that it:
 - (a) has and has maintained for the five (5) year period immediately preceding the request to be designated a Voluntary Direct Assignment Carrier, a workers' compensation voluntary market share of at least one percent (1%) in the Commonwealth of Massachusetts; and
 - (b) has and maintains, at a minimum, a record of financial stability and strength by having an AM Best Financial Strength Rating (FSR) of "A-" or better; and
 - (c) has and maintains the capacity to provide appropriate coverage to any risk that may be assigned to it pursuant to this Plan of Operation regardless of the size, industry type, and geographical location of such risk; and
 - (d) has and maintains the capacity to conform to the Performance Standards as set forth in Appendix A.

A Voluntary Direct Assignment Carrier's failure to maintain the eligibility criteria described above shall be considered by the Commissioner as cause for rescinding its designation as Voluntary Direct Assignment Carrier. The WCRIBMA shall inform the Commissioner if it believes a Voluntary Direct Assignment Carrier may not be maintaining such eligibility.
5. **New Voluntary Direct Assignment Carrier Review.** A review shall be performed by the WCRIBMA or its designee on new Voluntary Direct Assignment Carriers within six (6) months of designation as a VDAC. The following criteria shall be reviewed:
 - (a) Timely and accurate policy issuance
 - (b) Timely and accurate processing of premium bearing endorsements
 - (c) Timely and accurate issuance of indemnity checks
 - (d) Timely and accurate reporting of policy and financial data to WCRIBMA and NCCI.
6. **Assignments.** The WCRIBMA will equitably assign applicants to each Voluntary Direct Assignment Carrier in accordance with Article XII.2.

7. Reconciliation Process.

- (a) For each policy year, a reconciliation process shall be undertaken to reconcile the percentage of premium assigned to each Voluntary Direct Assignment Carrier for that policy year with its share of the total assignable premium for that policy year. This process shall allow for:
 - (i) Intermediate Reapportionment - An optional intermediate reapportionment of pool shares may be made within two years of the beginning of the policy year.
 - (ii) Final Reapportionment - All policy years, including those policy years for which an intermediate reapportionment was completed, will be subject to a final reapportionment of pool shares to be made within three years of the beginning of the policy year.
- (b) Such reapportionment calculations shall be based on the current estimate of:
 - (i) The percentage of Residual Market premium assigned to the particular Voluntary Direct Assignment Carrier for the policy year.
 - (ii) The target percentage for the particular carrier for the policy year.
- (c) A participation ratio shall be calculated for each Voluntary Direct Assignment Carrier as follows:

$$(\text{Target Percentage} - \text{Assigned Percentage}) \times \left(\frac{\text{Residual Market Premiums}}{\text{Reinsurance Pool Premiums}} \right)$$

- (d) If a Voluntary Direct Assignment Carrier was assigned less than its proper share of assignable premium, as calculated by the WCRIBMA, it shall be given a positive participation ratio corresponding to the difference. If such carrier was assigned more than its proper share of assignable premium, it shall be given a negative participation ratio corresponding to the difference. The appropriate off-balance shall be applied to the participation ratios of carriers who are not Voluntary Direct Assignment Carriers, so that the total of all participation ratios is 100%.
 - (e) As used in the above formula, "Residual Market Premiums" shall be the total premiums in a policy year assigned to either Voluntary Direct Assignment Carriers or Servicing Carriers. As used in the above formula, "Reinsurance Pool Premiums" shall be the total premiums in a policy year assigned to Servicing Carriers.
 - (f) After the above reapportionments take place, each Voluntary Direct Assignment Carrier will have a participation ratio for each policy year and thus will share to some extent in the results of the Residual Market business written on behalf of the Pool by Servicing Carriers. However, that carrier will share to a lesser extent than if the carrier had not accepted voluntary direct assignments.
- 8. Audit and Inspections.** The WCRIBMA shall have the right, through its representatives, at all reasonable times during the business day, to audit and inspect the books and records of any Voluntary Direct Assignment Carrier with respect to any policy or policies and claims thereunder coming within the purview of this Plan of Operation.

ARTICLE X

FISCAL MATTERS

1. **Fiscal Year.** The fiscal year for the purpose of administering this Plan shall be the calendar year unless otherwise established by the Residual Market Committee or Governing Committee.
2. **Accounts.** Funds held temporarily for the benefit of Members shall be (a) held by the WCRIBMA, in its capacity as administrator of the Pool, or its designee, and (b) kept on deposit in such banks, trust companies or other depositories as may from time to time be designated and prescribed by the Residual Market Committee or Governing Committee. The WCRIBMA or its designee shall have full authority to deposit, withdraw and invest such funds in order to carry out the purposes of this Plan of Operation. Accurate records shall be kept to identify such transactions.
3. **Investment Income.** All income on the funds held for the benefit of Members shall, upon receipt thereof, become subject to all the appropriate provisions of this Plan of Operation.

ARTICLE XI

INDEMNIFICATION

1. Any person or insurer made, or threatened to be made, a party to any action, suit or proceeding (except an action to collect amounts billed by the Pool), because such person or insurer was a Member, or a Servicing Carrier, or served as a member or representative of a member on the Residual Market Committee or other WCRIBMA committee, or was an officer or employee of the WCRIBMA acting on behalf of the Pool, shall be indemnified against all judgments, fines, amounts paid in settlement, reasonable costs and expenses including attorneys' fees, and any other liabilities that may be incurred as a result of such action, suit or proceeding, or threatened action, suit or proceeding, except in relation to matters as to which he, she or it shall be adjudged in such action, suit or proceeding to be liable by reason of willful misconduct in the performance of his, her or its duties or obligations to the Pool and, with respect to any criminal actions or proceedings, except when such person or insurer had reasonable cause to believe that his, her or its conduct was lawful.
2. Such indemnification shall be provided whether or not such person or insurer is a Member, or a Servicing Carrier, or is holding office, or is employed at the time of such action, suit or proceeding, and whether or not any such liability is incurred prior to the adoption of this Article. Such indemnification shall not be exclusive of other rights such person or insurer may have, and shall pass to the successors, heirs, executors or administrators of such person or insurer.
3. With respect to any action or suit to which this Article applies, the party to be indemnified hereunder shall give notice to the WCRIBMA as soon as possible, but in no event later than one hundred and twenty (120) days of being served with litigation, of any action or suit. No expenses (including attorneys' fees) shall be reimbursed to such party, nor shall such action or suit be settled, without express written consent of the WCRIBMA, such consent not to be unreasonably withheld or delayed. Notices to the WCRIBMA shall be sent to the attention of the President

of the WCRIBMA with a copy to its General Counsel or to such other person(s) designated by the WCRIBMA. All notices shall be deemed effective upon personal delivery or when received if sent by overnight delivery.

4. The termination of any such civil or criminal action, suit or proceeding by judgment, settlement, conviction or upon a plea of *nolo contendere*, or its equivalent, shall not in itself create a presumption that any such person or insurer was liable by reason of willful misconduct, or that he, she or it had reasonable cause to believe that his, her or its conduct was unlawful. If any such action, suit or proceeding is compromised, it must be with the approval of the Residual Market Committee; provided, however, that the Residual Market Committee may delegate to the President of the WCRIBMA the authority to approve any such compromise of financial liability requiring payment by the Pool which is less than an amount as may be fixed from time to time by the Residual Market Committee.
5. In each instance in which a question of indemnification arises, entitlement thereto, pursuant to the conditions set forth in this Article, shall be determined by the Residual Market Committee, which shall also determine the time and manner of payment of such indemnification; provided, however, that a person or insurer who or which has been wholly successful, on the merits or otherwise, in the defense of a civil or criminal action, suit or proceeding of the character described in this Article shall be entitled to indemnification as authorized herein.
6. The Residual Market Committee may delegate to the President of the WCRIBMA the authority to determine, in a manner consistent with this Article, entitlement to indemnification, and the time and manner of payment of such indemnification, for any indemnification requiring payment by the Pool which is less than an amount as may be fixed from time to time by the Residual Market Committee.
7. Nothing herein shall be deemed to bind a person or insurer who or which the Residual Market Committee has determined not to be entitled to indemnification, or to preclude such person or insurer from asserting the right to such indemnification by legal proceedings.
8. Such indemnification as is herein provided shall be apportioned among all Members, including any named in any such action, suit or proceeding pursuant to this Plan of Operation. Consistent with Article XII, Section (8), Members shall be assessed, as necessary, to fund the indemnification obligations provided in this Article.
9. Notwithstanding anything else to the contrary in this Plan of Operation, any Member that was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit in its capacity as a Voluntary Direct Assignment Carrier pursuant to the Plan of Operation shall not be entitled to indemnification under this Article.

ARTICLE XII

ASSIGNMENTS, ASSESSMENTS AND EXPENSES

1. **Application.** This Plan of Operation shall apply to all risks that are insured or seek to be insured through the Pool. An application for workers' compensation insurance to be written through the Pool must be submitted to the WCRIBMA on a form and in the manner prescribed by the Residual Market Committee.

2. **Assignment of Risks.** The WCRIBMA shall review the information contained in an application and determine whether the applicant is eligible for assignment under M.G.L c. 152, §65A.
 - (a) If the WCRIBMA determines that an applicant is eligible for Pool coverage, the WCRIBMA shall assign the applicant to a Servicing Carrier or Voluntary Direct Assignment Carrier.
 - (i) The WCRIBMA will equitably assign applicants to each Voluntary Direct Assignment Carrier based on each such Voluntary Direct Assignment Carrier Group's percentage of the Total Net Workers' Compensation Insurance Premiums Written by all Members, as adjusted by any applicable take-out credit, in the most recent year for which data is available.
 - (ii) Applicants not assigned to a Voluntary Direct Assignment Carrier will be assigned to each Servicing Carrier based either on the terms of its Servicing Carrier contract with the WCRIBMA or based on each designated Servicing Carrier Group's percentage of the Total Net Workers' Compensation Insurance Premiums Written by all Members, unadjusted by take-out credit, in the most recent year for which data is available. The Servicing Carriers' percentages are adjusted so each is assigned its relative share of the residual market, after the Voluntary Direct Assignment Carriers are assigned their share.
 - (iii) The reconciliation procedure for Voluntary Direct Assignment Carriers is in Article IX.7.
 - (iv) Assignments may also be made in accordance with other specific rules and procedures as the Residual Market Committee may adopt, subject to the approval of the Commissioner pursuant to M.G.L c. 152, §65A.
 - (v) The WCRIBMA shall, upon the request of any Servicing Carrier or Voluntary Direct Assignment Carrier, provide such carrier with a copy of the records used as the basis for assigning eligible applicants.
 - (vi) The assigned carrier shall keep in confidence and shall not, except as directed by the insured or the producer of record or as otherwise may be required by law or regulatory authority, disclose to any third party, such detailed information as it may obtain by virtue of its position as the assigned carrier.
3. **Premiums.** The WCRIBMA shall distribute the premiums received from Servicing Carriers to the participating Members in proportion to their Net Workers' Compensation Insurance Premiums Written, as adjusted by any applicable take-out creditor as otherwise determined by the Residual Market Committee. The premiums distributed are subject to each Member's obligations to the Pool as set forth in this Plan of Operation and in accordance with the provisions of Section 8, Assessments and Refunds, and 9, Netting Out.
4. **Losses and Expenses.**
 - (a) The WCRIBMA shall invoice the losses and expenses of the Servicing Carriers to the participating Members in proportion to their Net Workers' Compensation Insurance Premiums Written, as adjusted by any applicable take-out credit, or as otherwise determined by the Residual Market Committee. The losses and expenses invoiced are subject to each Member's obligations to the Pool as set forth in this Plan of Operation and in accordance with the provisions of Section 8, Assessments and Refunds, and 9, Netting Out.
 - (b) Except as the Residual Market Committee shall otherwise direct, payments to or on behalf of Members shall

be limited to administration expenses, reimbursement for losses paid under policies to which these Articles apply, and for return premiums on such policies, and the payment of such refunds as may be allowed under this Plan of Operation.

- (c) The Pool shall not assume for payment, and shall not be liable to pay, any expenses of any nature whatsoever incurred by Members, except as provided for in this Plan of Operation and its Appendices.

5. Pool Administration Related Expenses.

- (a) The amount of Net Workers' Compensation Insurance Premiums Written, as adjusted by take-out credit and used as the basis of all computations in this Plan of Operation, shall also be used as the basis for allocating each participating Member's share of expenses which are not allocable directly to any assigned risk and which are incurred by the WCRIBMA in the administration of the Pool.
- (b) A record shall be kept of all such expenses, and the amount thereof may be recovered from Members who satisfy their obligations under the Plan of Operation by participating in the Pool, by a charge against funds held by the WCRIBMA on behalf of such Members, or, in the discretion of the WCRIBMA and when deemed necessary, by an assessment levied under Section 8 of this Article.
- (c) Based on the amount of Net Workers' Compensation Insurance Premiums Written, as adjusted by take-out credit, Voluntary Direct Assignment Carriers shall be separately billed for their portion of the WCRIBMA's Pool-related administrative expenses.

- 6. Examinations and Reserves.** The Residual Market Committee shall make or cause to be made such review as they may deem necessary of loss payments by Members and reserves held by Members for outstanding claims, which reserves, until the Residual Market Committee shall have determined upon a different reserve, shall be the estimated value of the claims reported by the Servicing Carrier under the applicable Servicing Carrier agreement.

- 7. Transactions, Accounts and Financial Statements.** Separate accounts shall be maintained by the WCRIBMA covering transactions for each policy year. The WCRIBMA shall prepare and deliver to the Members a financial statement showing the apportionment of the expense of administration provided for herein and the condition of each account.

8. Assessments and Refunds.

- (a) Assessments shall be levied or refunds allowed by the WCRIBMA or its designee as it may from time to time deem reasonable and necessary. Assessments or refunds for account of a specified policy year shall be levied upon or allowed to all Members who were such during the calendar year corresponding to such policy year, and each Member shall pay such proportion of such assessment, and shall receive a proportionate share of such refund, as is determined by the relation which the Net Workers' Compensation Insurance Premiums Written, as adjusted by any applicable take-out credit, during such calendar year by such Member shall bear to the total Net Workers' Compensation Insurance Premiums Written, as adjusted by any applicable take-out credit, during such calendar year by all Members. A Member may satisfy its obligation under this section by becoming a Voluntary Direct Assignment Carrier, and by satisfactorily discharging its responsibilities as a Voluntary Direct Assignment Carrier in accordance with Article IX of this Plan of Operation.

- (b) The amount of Net Workers' Compensation Insurance Premiums Written, which shall serve as the basis of all computations in this section or elsewhere in this Plan of Operation and in any applicable Servicing Carrier agreement, shall be that shown by the records of the WCRIBMA. If the amount of Net Workers' Compensation Insurance Premiums Written for a specified calendar year is not available at the time of the levying of any assessment or the distribution of any refund, the Net Workers' Compensation Insurance Premiums Written for the preceding calendar year shall be used as the basis for a preliminary assessment or refund, but such preliminary assessment or refund shall be adjusted as soon as the Net Workers' Compensation Insurance Premiums Written for the specified calendar year become available.
- (c) Unless otherwise approved by the Commissioner or the WCRIBMA, the amount of any assessment levied shall be paid by the due date indicated on the quarterly invoice, or other statement, and the amount of any refund allowed shall be distributed within such reasonable time as may be determined by the Residual Market Committee, following the submission of the quarterly invoice, or other statement referred to herein.
- (d) If a Member fails to pay its assessment by the due date indicated on the quarterly invoice, or other statement, the Member shall pay a late payment fee of one and one-half (1½) percent of the amount due for each thirty (30) day period of delay or portion thereof. If a Member has not paid its assessment, the WCRIBMA, or any third party designated by the WCRIBMA, may send a written notice of default to the Member. Any balance owed to the Pool must be paid on or before the fifteenth calendar day following the date of mailing of the written notice of default ("Due Date"). If such balance remains unpaid as of the Due Date, the Member shall compensate the Pool for all damages and expenses incurred by the WCRIBMA, or any third party designated by the WCRIBMA as a result of its failure to pay any balance owed to the Pool under this Plan of Operation. Damages and expenses as used herein shall include but not be limited to the reasonable attorneys' fees incurred by the WCRIBMA, or any third party designated by the WCRIBMA directly or indirectly with the collection of the balance due, the cost of all WCRIBMA staff time or staff time of any third party designated by the WCRIBMA spent in connection with staff efforts to collect the balance outstanding, all financial losses resulting from nonpayment, and all other expenses and losses relating thereto.
- (e) In accordance with M.G.L. c.152, §65G, any Member shall be entitled to appeal to the Commissioner any assessment, late payment fees, damages or expenses which were levied in accordance with this Plan of Operation. However, before commencing an appeal under §65G or any other appeal arising out of a dispute regarding the Plan of Operation, the Member shall pay all undisputed outstanding assessments and all other undisputed amounts owed to the Pool but not disputed late payment fees, damages, expenses or attorney fees that the WCRIBMA has previously levied, and shall remain current on all amounts owed to the Pool while any appeal is pending. If the Commissioner rules in favor of the Member, a proper adjustment, including interest at the prime rate and any damages and expenses assessed, will be made by the Pool to the Member's account.
- (f) In order to protect the other Members, the WCRIBMA shall have the authority to ensure that a member company pays all amounts owed to the Pool by taking actions which may include, any or all of those set forth in Article V, Section 3.
- (g) The WCRIBMA shall, upon request of a Member, provide such Member with a copy of the records used as the basis of calculating the Member's assessment or refund within ten (10) business days of its receipt of the

Member's written request. Such a request for records, or any matters regarding the request for records, shall not suspend or abrogate the Member's obligation to pay and remain current on all amounts billed by the Pool.

9. **Netting Out.** Notwithstanding any contrary provisions in this Plan of Operation, and notwithstanding any contrary forms of accounting methods or reports that may for convenience be used to determine the underlying amounts of particular Member or Servicing Carrier rights or obligations for any or all policy years, in computing at any given time the balance due to any Member from the Pool or to the Pool from any Member, whether or not a Servicing Carrier, all accounts for that Member shall be netted out, with only the net amount to be due either the Member or the Pool at that time.
10. **Distribution Upon Termination of the Pool.** Upon termination of the Pool, distribution by way of refund (if any) shall be made to the Members entitled to participate therein within such reasonable period of time as the Residual Market Committee in its sound discretion shall determine; and all provisions of this Plan of Operation and the Rules of Operation adopted hereunder relative to administration of the Pool shall remain in full force and effect until final distribution shall have been made.

ARTICLE XIII

OBLIGATION OF MEMBERS AFTER TERMINATION OF MEMBERSHIP

Obligation of Members after Termination of Membership. Any company whose membership in the Pool has been terminated by withdrawal or by expulsion shall, nevertheless, with respect to risks subject to the Plan of Operation prior to midnight of the effective date of such termination, continue to be governed by this Plan of Operation and Rules of Operation promulgated hereunder.

ARTICLE XIV

AMENDMENTS

Amendments to this Plan of Operation may be made by the WCRIBMA, in its capacity as Pool Administrator, following approval by the Residual Market Committee and the Governing Committee, or may be made at the direction of the Commissioner upon reasonable notice to the WCRIBMA and after a hearing, pursuant to M.G.L c. 152, §65C. All amendments to the Plan of Operation proposed by the WCRIBMA shall be submitted to the Commissioner for approval and shall be effective as of the date indicated in the Commissioner's approval.

ARTICLE XV

EFFECTIVE DATE

This Amended and Restated Plan of Operation, supersedes in its entirety the Plan of Operation dated July 1, 2016, as amended, and shall become effective as of the date indicated in the Commissioner's approval.

PERFORMANCE STANDARDS FOR ASSIGNED CARRIERS

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PERFORMANCE STANDARDS FOR ASSIGNED CARRIERS

INTRODUCTION

The following are the minimum Performance Standards for Servicing Carriers and Voluntary Direct Assignment Carriers. These Performance Standards apply whether a carrier performs the services in-house or contracts with outside service providers. Performance Standards that apply to both Servicing Carriers and Voluntary Direct Assignment Carriers will reference “assigned carriers.” Certain Performance Standards are only applicable to Servicing Carriers and will be identified as such. Assigned carriers are also responsible for complying with all statutes, regulations, and Pool rules.

Failure to maintain these Performance Standards may result in penalties being imposed upon the assigned carrier by the WCRIBMA in accordance with the Pool Plan of Operation. An assigned carrier’s failure to maintain these Performance Standards could be used as a factor in determining whether a Servicing Carrier’s or Voluntary Direct Assignment Carrier’s designation should be rescinded.

Audits of Servicing Carriers to establish compliance with the Performance Standards may be conducted in person or remotely. During an audit, each Servicing Carrier shall locate and provide all files, or exact duplicates, within the time allotted by the Pool Administrator or its auditors appointed pursuant to Section 3 of Appendix D, Determining the Servicing Carrier Fee. Failure to provide such files will result in the effects described in Section 4 of Appendix C, Translating Compliance Ratios into an Effect on the Servicing Carrier Fee. Assigned carriers should maintain documentation in their files to provide to the auditors evidence of compliance, or attempted compliance, with these Performance Standards.

The definitions found in Article II of the Plan are applicable to these Performance Standards.

With regard to the time standards included in these Performance Standards, the day following the date of receipt, issuance, or other required action is counted as the first day.

Section F of this Appendix contains a Table of Time Standards, which includes:

- An alphabetical listing of Subjects and Document Types,
- Recipients for each type of mailing
- Media options for each type of mailing
- Performance Standard or statutory references
- Timeframes, and
- Notes.

A. UNDERWRITING AND AUDIT

1. POLICY ISSUANCE

a. General Information

Assigned carriers shall have operational responsibility for issuing policies accurately, utilizing forms prescribed by the WCRIBMA and/or approved by the Commissioner.

Assigned carriers must attach the most recently approved version of the following endorsements onto all Massachusetts assigned risk policies:

- (1) WC000414 Notification of Change in Ownership Endorsement
- (2) WC000422 Terrorism Risk Insurance Program Reauthorization Act Disclosure Endorsement
- (3) WC200301 MA Limits of Liability Endorsement
- (4) WC200302 MA Assessment Charge
- (5) WC200303 MA Notice to Policyholder Endorsement
- (6) WC200306 MA Limited Other States Insurance Endorsement
- (7) WC200307 MA Assigned Risk Pool Eligibility Endorsement
- (8) WC200405 MA Premium Due Date Endorsement
- (9) WC200601 MA Cancellation Endorsement
- (10) WC200604 MA Policy Definition Endorsement

All policies shall be issued in consideration of premiums and additional fees and charges as may be authorized by the WCRIBMA and approved by the Commissioner. Premium shall be calculated in accordance with the MA Manual, Appendix F, Massachusetts Residual Market Premium Algorithm. Assigned carriers shall not impose unauthorized charges to the policyholder to defray costs or for any other reason.

All policies must have the proper experience rating applied, in accordance with the approved rules of the Experience Rating Plan Manual and the published Massachusetts Exceptions.

Assigned carriers are responsible for maintaining adequate safeguards to assure their compliance with all statutes, regulations, pool procedures, these Performance Standards, and all terms and conditions of the policy contract, including endorsements.

b. New Business

- (1) Within five (5) business days of the assigned carrier's receipt of the Notice of Assignment from the WCRIBMA, it must send a notice to the policyholder and producer that includes:
 - i. Assigned carrier telephone numbers

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- ii. Key contact information
 - iii. Information on where and how to file claims
 - iv. Where and how to obtain certificates of insurance
 - v. The policy number or other means of policy identification
 - vi. Request for policyholder's permission to receive electronic correspondence as allowed by law or regulation.
- (2) The policy will be accurately issued and sent to the policyholder and producer of record within thirty (30) days from the date the Notice of Assignment, required premium, and properly completed application are received from the WCRIBMA.
- (3) If the application sent by the WCRIBMA to the assigned carrier along with the Notice of Assignment is not properly completed, any missing information shall be requested from the producer of record and/or the policyholder.
- (4) If a question of eligibility arises, the assigned carrier shall contact the WCRIBMA. If the employer is found to be ineligible for assigned risk coverage, the time standard for policy issuance is suspended as of the date of documented contact with the WCRIBMA. If the assigned carrier cannot resolve the eligibility issue within five (5) days of contacting the WCRIBMA, the carrier must notify the WCRIBMA immediately, and the WCRIBMA will advise if the coverage should be rescinded or the policy should be cancelled. The time standard for issuance of the policy restarts on the date the resolution of the eligibility issue is communicated by the assigned carrier to the WCRIBMA. When the time standard is restarted, the assigned carrier has the balance of the thirty (30) day time period or ten (10) days, whichever is greater, to issue the policy.
- c. Renewals/Non-Renewals
- (1) At least forty-five (45) days, but not more than one hundred (100) days prior to the expiration of the policy, the assigned carrier shall send a renewal proposal as appropriate to the policyholder and the producer of record and retain a copy of the proposal for its record. The renewal proposal must contain the following:
- i. The expiration date of the current policy.
 - ii. The amount of the deposit premium.
 - iii. The due date for the deposit premium, which shall be twenty (20) days prior to the current policy's expiration date ("Due Date").
 - iv. The following statement: "Payment of the deposit premium will constitute the employer's acceptance of and agreement to the terms and conditions of the policy."

- v. An offer of medical and indemnity benefits deductibles. (In accordance with MA 211 CMR 115.00, assigned carriers must offer medical and indemnity benefits deductibles on all assigned risk policies.)
- (2) If the required deposit premium is postmarked by the Due Date, the assigned carrier will issue and send to the policyholder and producer of record an accurate renewal policy within thirty (30) days after the receipt of the required deposit premium. If the postmark date is not legible, the receipt date should be utilized.
- (3) If the required deposit premium is not postmarked by the Due Date, the assigned carrier must send a Notice of Non-Renewal to the policyholder, the producer of record, and the WCRIBMA. The Notice of Non-Renewal must include the reason for nonrenewal and must state, "Your policy will terminate on the policy expiration date, xx/xx/xxxx." (Provide the exact date.) The Notice of Non-Renewal must be sent in enough time so that the policyholder and the WCRIBMA receive the Notice at least ten (10) days prior to the expiration date of the current policy. The assigned carrier must, at a minimum, retain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the insured as stated in the policy.

2. PAYROLL AND CLASSIFICATION VERIFICATION

a. Assigned Carrier Review

Prior to the issuance of a policy, and during the policy period as new information becomes available, the assigned carrier shall review the name of the business, the description of operations, the payroll and classification codes, and any information the assigned carrier has available to ensure that the policy premium being charged is reasonable.

b. Accuracy of Exposure Base and Classification

When there is reason to doubt the accuracy of the annual exposure base or whether the policyholder has been properly classified, the assigned carrier shall verify the information provided through interim audit or by obtaining additional information from the policyholder. The carrier should make sound underwriting judgments in adjusting the annual exposure.

If the assigned carrier has reason to believe that the risk is improperly classified, the carrier shall provide the WCRIBMA with sufficient information to determine whether a classification change is appropriate. Assigned carriers are not required to notify the WCRIBMA before adding or deleting classifications for temporary employment agencies or construction operations.

The assigned carrier shall consider the effects of inflation, economic trends in the insured's industry, employment level changes in the policyholder's operation, and utilize the latest

available audit and claim history information to develop current policy premium and deposit premium.

During the policy term, the assigned carrier may discover or receive, either through audit, claim information, loss control survey, or other means, verifiable payroll information that is not consistent with the annual exposure base or classification information that raises doubts about the accuracy of the policy's classifications. Within thirty (30) days of the discovery of the inconsistent payroll or classification information, the assigned carrier must investigate and decide whether a change is necessary and determine a course of action.

3. ENDORSEMENTS

- a. When an endorsement is requested by the policyholder, the assigned carrier must:
 - (1) Within ten (10) days of the receipt of the request, either:
 - i) Issue a denial of the endorsement along with an explanation of the reason(s) of the denial, or
 - ii) Request any additional information that may be required. The request should state that if the additional information is not received within twenty (20) days of the assigned carrier's request, the endorsement request will not be honored.
 - (2) Accurately issue the endorsement within ten (10) days of the receipt of the request or all requested information.
- b. When it is determined by the assigned carrier that an endorsement is necessary, the carrier must issue such endorsement within ten (10) days of making that determination. The assigned carrier must have procedures in place to compare final audit reports with renewal payrolls and other information to determine if any additional endorsements are necessary. The assigned carrier must issue an additional premium endorsement if the additional premium generated is at least \$500 or 25% of the estimated annual premium, whichever is the lesser amount.

4. CANCELLATIONS

- a. Cancellations Initiated by the Policyholder or Their Authorized Representative

Written requests for cancellation submitted by the policyholder or their authorized representative (for example, the producer of record or finance company with Power of Attorney) must be processed and a Notice of Cancellation must be issued and mailed within five (5) business days after the receipt of the request and required documentation.

The effective date of the cancellation must be determined by the assigned carrier to ensure that either:

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- (1) ten (10) days' written notice of such cancellation is given to the WCRIBMA in accordance with Performance Standard E.1., or
- (2) the cancellation date coincides with a record of replacement coverage that is on file with the WCRIBMA.

A Notice of Cancellation, reflecting the reason and effective date of cancellation, must be sent to the WCRIBMA, the policyholder, and any authorized representative or finance company.

The assigned carrier must, at a minimum, retain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the policyholder as stated in the policy.

b. Cancellations Initiated by the Assigned Carrier

(1) Statutory Reasons

Cancellation and notification procedures will be initiated by the assigned carrier in accordance with M.G.L. c.152, §§ 63 and 65B, in the following cases as permitted by § 55A:

- (i) nonpayment of premium
- (ii) fraud or material misrepresentation affecting the policy or insured; or
- (iii) a substantial increase in the hazard insured against.

For cancellations for nonpayment of premium, refer to Performance Standard A.8., Billings.

(2) Loss of Eligibility

In accordance with the Massachusetts Assigned Risk Pool Eligibility Endorsement, WC200307, the policyholder's compliance with the following eligibility requirements is material to the continuation of assigned risk pool coverage. If the policyholder ceases to comply with any of the conditions described in the Massachusetts Assigned Risk Pool Eligibility Endorsement, the assigned carrier may initiate a mid-term cancellation in accordance with the following.

If the policyholder fails to...	And the assigned carrier cancels the policy, then the assigned carrier must...
Fully cooperate with attempts to conduct premiums audits or inspect the premises for loss control purposes, ...	Report the cancellation citing the reason 'Material Misrepresentation / Fraud' (WCIO reason code #21).
Keep records of information needed to compute premium and provide the	Report the cancellation citing the reason 'Material Misrepresentation / Fraud' (WCIO reason code #21).

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assigned carrier with copies of those records when asked for them, ...	
Comply with the assigned carrier's reasonable, critical loss control recommendations (See Performance Standard C.4.), ...	Report the cancellation citing the reason 'Material Misrepresentation / Fraud' (WCIO reason code #21).
Allow the assigned carrier to make a careful inspection of their operation for the purpose of measuring the hazards, making recommendations for the health and safety of employees and determining the rate or rates which will be adequate and reasonable for the policy, ...	Report the cancellation citing the reason 'Material Misrepresentation / Fraud' (WCIO reason code #21).

In instances of the policyholder's failure to cooperate with the carrier's right to conduct a premium audit, before they can initiate mid-term cancellation, the assigned carrier must make two good faith attempts to audit, one for which they must retain for their records a certificate of mailing receipt from the United States Postal Service.

(3) Effective Date of Cancellation

The effective date of the cancellation must be determined by the assigned carrier so that ten (10) days' written notice of such cancellation is given to the WCRIBMA and the policyholder.

(4) Notice and Reporting Requirements

A Notice of Cancellation, reflecting the reason and effective date of cancellation, must be sent to the WCRIBMA in accordance with Performance Standard E.1., the policyholder, and any authorized representative or finance company known to the assigned carrier at the time the Notice of Cancellation is being sent. If the cancellation is due to non-payment of premium, the amount due must be shown on the Notice of Cancellation.

The assigned carrier must, at a minimum, retain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the policyholder as stated in the policy.

Assigned carriers must report non-compliance and subsequent compliance to the WCRIBMA in accordance with Performance Standard E.2.

5. REINSTATEMENTS

A request for reinstatement must be accepted or denied and communicated to the WCRIBMA in accordance with Performance Standard E.1., to the policyholder and any authorized representative or finance company, within five (5) business days after receipt of:

- a. The request for reinstatement,
- b. The receipt of funds satisfying the premium obligation, or
- c. The receipt of the item correcting the fault that caused the issuance of the Notice of Cancellation.

If an assigned carrier notified a Certificate Holder named on a Certificate of Insurance of a pending cancellation, and that policy is subsequently reinstated, then the carrier must also notify the Certificate Holder of the reinstatement within five (5) business days of issuance.

6. CERTIFICATES OF INSURANCE

If the policy has been issued, and the assigned carrier has been requested to issue a Certificate of Insurance, the assigned carrier will issue and distribute a Certificate of Insurance by email or facsimile to each contact provided, within two (2) business days of its receipt of a fully and accurately completed Massachusetts Assigned Risk Pool Request for Certificate of Insurance Form or a like form, where the first day is defined as the day after the request was received. If no email address or fax number is provided for a person or persons to whom the Certificate of Insurance should be issued, then the assigned carrier will mail the Certificate of Insurance to the mailing address(es) provided on the form, if any.

For new business where the policy has not yet been issued, the time standard is ten (10) days from the date the assigned carrier is in receipt of both:

- a. the assignment package and deposit premium from the WCRIBMA and
- b. a fully and accurately completed Massachusetts Assigned Risk Pool Request for Certificate of Insurance Form or a like form.

Assigned carriers must not authorize producers of record or other parties to issue Certificates of Insurance.

7. PRODUCER FEES

Producers of record with valid individual or business entity Massachusetts producers' licenses will be paid by the assigned carrier as premium is collected, except that premium collected by a collection agency or an attorney engaged and remunerated by the assigned carrier will not be subject to a producer fee. The following fee schedule is applicable to assigned risk policies:

PRODUCER FEE SCHEDULE	
First \$1,000	9% of Standard Premium
Next \$4,000	5% of Standard Premium
Next \$95,000	4% of Standard Premium
Over \$100,000	3% of Standard Premium

The assigned carrier is required to process and send fee payments within thirty (30) days from the date the policy is issued or thirty (30) days from the receipt of premium, whichever is later. The fee payment may also be applied to commissions which the producer owes to the carrier from other assigned risk policies.

8. BILLINGS

a. Billing Cycle

Assigned Carriers should complete billing procedures within forty-five (45) days for premium or deductible balances due, installments, interim audits, endorsements, and final audits. The forty-five (45) day billing cycle begins on the date of the billing and includes thirty (30) days from the date of billing and a fifteen (15) day period for follow up.

b. Billing Statements

- (1) Amounts due less than \$100 will not be required to be billed, excluding final billing, until the cumulative amount of premium due for a single policy period exceeds \$100.
- (2) Billing statements for additional premium of \$100 or greater shall be mailed within ten (10) business days of posting the transaction on assigned carriers' records. If billing is on an installment basis, and an installment is due within the next thirty (30) days, the additional premium may be allocated among all remaining installments.
- (3) Assigned carriers' billing statements must indicate that the amount due must be *received* by the due date (as opposed to being *postmarked* by the due date).
- (4) Assigned carriers' billing statements must include a clear explanation of the bill and specific information on how the policyholder may inquire about the billing determination.
- (5) Assigned carriers' billing procedures, where all or a portion of the amount due is disputed, shall include prompt redetermination of the amount due and reasonable explanation of the basis for the billing, as necessary; as well as information on how the employer may appeal the billing determination.

c. Collection Attempts

Servicing Carriers must make at least two (2) documented attempts to collect the premium within the billing cycle. Billings, notifications of delinquent accounts, cancellation notices and telephone contact are all considered attempts to collect.

On all accounts with an outstanding balance of \$10,000 or more, a documented phone call to the policyholder must be made by the Servicing Carrier in addition to the initial billing and one written follow-up collection attempt.

d. Cancellation

If payments for current or prior policies are not postmarked within forty-five (45) days from the date of mailing the billing statement, the assigned carrier should implement cancellation procedures in accordance with the provisions of M.G.L. c.152, §§ 55A, 63 and 65B. Note that if the postmark date is not legible, then the assigned carrier must rely on the receipt date. Notices of Cancellation must be mailed in accordance with Performance Standard A.4b.

The policy may not be cancelled if:

- A payment plan has been signed by the policyholder and the assigned carrier, and all payments have been received in accordance with their payment plan;
- A bona fide dispute exists and the assigned carrier has received the non-disputed premiums;
- The premium due was not billed or is not delinquent: or
- The premium amount due shown on the Notice of Cancellation is received on or before the policy termination date.

e. Return Premium

Return premium adjustments will be sent by the assigned carrier within ten (10) business days of recording on assigned carrier records.

Any return premium checks shall be made payable to the policyholder, unless a valid power of attorney is on file, in which case the return premium checks shall be made payable to the party with power of attorney. The check shall be mailed to the payee.

In cases in which a financed policy is cancelled midterm and the policyholder does not cooperate with audit requests, the assigned carrier may not retain more than three (3) times the prorated premium, with a short rate penalty applied, unless the assigned carrier has evidence that the original premium estimate was significantly deficient. The balance of the premium shall be returned to the finance company.

The check shall be made on the gross amount of the return premium, unless the policyholder owes the assigned carrier premium on other Massachusetts assigned risk workers' compensation policies. In that case, the assigned carrier shall either return or bill the net of the return premium and the owed premium, as appropriate.

A bill for the unearned commission shall be sent to the producer of record, or an offset may be made against other commissions due to the same producer from the assigned carrier on other assigned risk business.

9. COLLECTION AGENCY PROCEDURES

Premium Past Due	Collection Activity
\$0 - \$999	Collections are important but are at Servicing Carrier discretion.
\$1,000 and Over	<p>Uncollectible accounts must be referred by the Servicing Carrier to a collection agency on file with the WCRIBMA for further collection activity within fifteen (15) days of the completion of the forty-five (45) day billing cycle, unless:</p> <ul style="list-style-type: none">• potential for imminent settlement is evident, or• the premium is in dispute and the dispute is being actively resolved. <p>Servicing Carriers must obtain preapproval from the WCRIBMA to refer to outside counsel instead of pursuing collection activity.</p> <p>An uncollectible account must have been with a collection agency for at least sixty (60) days from the date of referral by the Servicing Carrier before the servicing carrier can report the initial chargeback in accordance with Performance Standard E.3.</p>

10. AUDITS

a. Physical Audit

A Physical Audit is defined as an audit of payroll, whether conducted at the policyholder's location or virtually at a remote site, that is based upon an auditor's examination of the policyholder's books of accounts and original payroll records (in either electronic or hard copy form) as necessary to determine and verify the exposure amounts by classification. Any review of the records that is conducted virtually must include interaction with the insured or their authorized representative.

b. Preliminary Physical Audits

A Preliminary Physical Audit ("PPA") must be completed by the assigned carrier for those policyholders that qualify in accordance with Performance Standard A.10e and must be completed within 120 days of the policy effective date, or receipt of assignment, whichever is later.

Exception: The MA Manual, Rules IX-E and IX-F, require that all carriers audit policies issued to employee leasing companies and Professional Employer Organizations within ninety (90) days of the policy effective date.

Prior to PPAs, auditors must be provided access to complete policy information, including but not limited to payroll and claims data, experience rating factors, adverse loss conditions, suspected payroll and classification discrepancies.

If the policyholder did not qualify for a PPA at policy issuance but the policy was endorsed within 120 days of the policy effective date and now meets the PPA requirement, then the assigned carrier must conduct the PPA within seventy-five (75) days of the endorsement date.

If the policyholder did qualify for a PPA at policy issuance but the policy was endorsed within 120 days of policy issuance and no longer qualifies for a PPA, then the assigned carrier is not required to conduct the PPA.

c. Final Physical Audits

Final Physical Audits must be completed by the assigned carrier for those policyholders that qualify in accordance with Performance Standard A.10f.

Prior to Final Physical Audits, auditors must be provided access to complete policy information, including but not limited to payroll and claims data, experience rating factors, adverse loss conditions, suspected payroll and classification discrepancies.

If a Final Physical Audit is not required, then the assigned carrier must conduct a final mail or telephone audit. Assigned carriers must obtain, via a documented attempt, the most recent applicable state and/or federal tax forms on all mail audits to assess the reasonableness of all reported payroll.

d. Mail Audits

A mail audit is an audit during which the policyholder submits externally verifiable payroll, tax or other requested information through the mail or by electronic means, yet typically includes no direct interaction with the assigned carrier. Mail audits are only permitted when a physical audit is not required. The assigned carrier shall make a documented, good faith effort to obtain the most recent IRS 941 Form(s) or its equivalent from the policyholder on all mail audits to assess payroll.

e. Timeliness of Completion of Final Audits

All final audits, including both Final Physical Audits and Final Mail Audits, must be completed, billed, recorded and closed on the assigned carrier's records within:

- Ninety (90) days of the notification of cancellation if cancellation was initiated by the policyholder, and
- Ninety (90) days of the policy expiration or cancellation date if cancellation was initiated by the assigned carrier.

f. Minimum Audit Frequency Requirements

Audits are to be conducted by assigned carriers in accordance with Performance Standards A.10.a-l based on the following minimum frequencies, premium ranges and governing

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classifications for all employers except domestic servants. While these are the minimum requirements, assigned carriers are not precluded from physically auditing non-qualifying policyholders based on sound underwriting judgment.

NEW BUSINESS								
Premium Range								
\$50,000 +	A Preliminary Physical Audit and a Final Physical Audit must be completed, regardless of governing classification.							
\$10,000 - \$49,999	A Preliminary Physical Audit and a Final Physical Audit must be completed on all risks with the following governing class codes. All other risks must receive a Final Physical Audit.							
	0016	0036	0042	0046	0050	0106	0917	2702
	3365	3724	3726	5020	5022	5037	5040	5057
	5059	5102	5146	5160	5183	5188	5190	5213
	5215	5221	5222	5223	5348	5402	5403	5437
	5443	5445	5462	5472	5473	5474	5478	5479
	5480	5506	5507	5508	5509	5538	5545	5547
	5606	5610	5645	5701	5703	5705	6003	6005
	6204	6217	6229	6233	6251	6252	6306	6319
	6325	6400	7219	7230	7231	7380	7502	7515
	7538	7539	7601	7720	7855	8018	8044	8227
	8380	8393	8742	8745	8829	9014	9016	9079
	9521	9533	9534					
\$5,000 – \$9,999	A Preliminary Physical Audit and a Final Physical Audit must be completed on all risks with the following governing class codes. All other risks must receive a Final Physical Audit.							
	3365	5040	5057	5059	5022	5183	5213	5221
	5403	5437	5445	5474	5479	5538	5545	5547
	5606	5645	7219	8044				
\$1 - \$4,999	A Final Physical Audit must be completed on all risks with the following governing classifications. A final mail audit must be completed on all risks not receiving a Final Physical Audit.							
	0917	3365	3726	5020	5022	5037	5040	5057
	5059	5102	5146	5160	5183	5188	5190	5213
	5215	5221	5222	5223	5348	5402	5403	5437
	5443	5445	5462	5472	5473	5474	5478	5479
	5480	5506	5507	5508	5509	5538	5545	5547
	5606	5610	5645	5701	5703	5705	6003	6005
	6204	6217	6229	6233	6251	6252	6306	6319
	6325	6400	7219	7230	7231	7380	7538	7601
	7855	8044	8227	9521	9533	9534		

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ALL	A Preliminary Physical Audit and a Final Physical Audit must be completed on all risks engaged in leasing employees to others or in providing temporary help to others, regardless of premium size.
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RENEWAL BUSINESS	
Premium Range	
\$10,000 +	A Final Physical Audit must be completed every year for all risks.
\$1,000 - \$9,999	A Final Physical Audit must be completed at least once every three (3) years for all risks. A final mail audit must be completed on all risks not receiving a physical audit.
ALL	A Preliminary Physical Audit and a Final Physical Audit must be completed every year on all risks engaged in leasing employees to others or in providing temporary help to others, regardless of premium size.

g. Policyholder Requested Audits

Physical audits will be performed by the assigned carrier whenever requested by the policyholder with reasonable grounds. The requested audit must be completed, billed, recorded and closed on the company records within ninety (90) days of the receipt of the request.

h. WCRIBMA Requested Audits

The WCRIBMA may at any time request that an assigned carrier perform a physical audit on a policyholder. The assigned carrier shall perform that audit as instructed and then provide a copy of the completed audit, audit notes and work-papers to the WCRIBMA within fifteen (15) days of the audit's completion.

i. Audit Scheduling

Assigned carriers must make reasonable attempts to schedule physical audits or obtain audit information for mail audits. The attempts to begin scheduling appointments must be made early in the process to ensure the timeliness requirements are met. These 'attempts' include written correspondence (e.g., U.S. mail, e-mail or fax), telephone contact, or other, depending on the assigned carrier's documented procedures. The producer of record should be included on all written attempts to audit.

j. Uncooperative Policyholders

If at least two (2) documented, good-faith attempts to conduct a physical audit or obtain audit information for a mail audit have been made, and the insured has not complied, then the assigned carrier should initiate cancellation procedures on the current policy for 'material misrepresentation' since the policyholder has not complied with the agreed upon terms of the policy contract. (See Performance Standard A.4b.)

Assigned carriers must report non-compliance and subsequent compliance to the WCRIBMA in accordance with Performance Standard E-2.

k. Audit Disputes

If a policyholder disputes the accuracy of an audit, the assigned carrier should contact the policyholder and producer and resolve the dispute within thirty (30) days from the date of receipt of written notice of the dispute. The dispute should be resolved either by revising the audit billing, or by written notice to the policyholder and producer that the original audit is accurate.

l. Documentation

Assigned carriers must document the following in their files:

- (1) All attempts to schedule and conduct physical audits
- (2) All attempts to conduct mail and telephone audits
- (3) All requests for, or receipt of, audit information
- (4) Any other item or decision that impacts policy premium or coverage.

B. CLAIMS

1. REGISTERING/RECORDING

- a. All First Reports of Injury will be screened upon receipt and separated by lost-time and medical-only claims. First Reports of Injury should either be manually date stamped or electronically stamped with the date received.
- b. All claims for medical or indemnity benefits reported by telephone, facsimile, mail or any other means should be established with a claim number and assigned to a file handler within one working day of the date received, with the assignment date documented.

2. INVESTIGATION

- a. Investigations should include obtaining medical and other pertinent records as well as securing detailed statements from the policyholder, injured worker and witnesses, to the extent they are granted and appropriate. The extent of the investigation should be based on

consideration of the following issues: severity of injury, potential extent of disability, potential for an employers' liability action, jurisdiction, causal relationship of the workplace incident to the disability, lateness of reported claim, lack of witnesses in claims where liability is questionable, and other such factors surrounding the compensability of the claim. The documentation should be prepared in anticipation of being presented at the Massachusetts Department of Industrial Accidents ("DIA").

Detailed statements should be taken for the following:

- Fatalities
- Spinal cord injuries
- Paralysis injuries
- Head injury/brain damage
- Serious Psychological stress
- Burns and severe disfigurement
- Heart attack
- Serious Occupational disease
- All injuries where issues of origin exist
- Incidents with delayed disability, additional periods of disability, or late reporting, to investigate potential intervening accidents
- Controverted cases with expectations of litigation
- Incidents involving potential recovery (i.e., third-party and second – injury fund cases)

All lost-time accidents should be investigated at least to the extent of:

- contacting either any person to whom the claimant or survivor reported the injury or the person held responsible at the employer for confirming the facts of the injury;
 - attempting to contact the claimant; and
 - attempting to contact the treating physician. The treating physician may be contacted by the assigned carrier's utilization review vendor representative.
- b. Contact, or documented attempts of contact, with the injured worker or representative in cases involving serious injury shall be made within one working day of receipt of assignment.
- c. Initial investigation of assigned claims should be completed within the fourteen (14) day statutory requirement, or if paid without prejudice, no more than sixty (60) days.
- d. Investigation will also include, but not be limited to, the following:
- (1) Contact with the policyholder or supervisor, and any witnesses as needed, within two (2) business days of receipt of assignment, to verify accident details and to lay the foundation for the injured worker's return to light or full duty.

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- (2) Where the Injured worker has not returned to work, contact with the treating clinician's office within two (2) business days of receipt of assignment in the absence of medical documentation from the onset to gather information concerning medical history, diagnosis, treatment, causal relationship, and return to work target date.
 - (3) Verification of average weekly wage and computation of indemnity benefits consistent with jurisdictional requirements.
 - (4) Report all lost-time injury claims to the ISO Claims Search. Investigation should include the filing of Inquiry Reports with other insurers/administrators, when appropriate.
 - (5) Either a full captioned report to the file should be completed with the conclusion of investigation, or the assigned carrier must maintain an automated system which includes as data elements all the items relevant to the investigation. Such terms shall include but not be limited to coverage, jurisdiction, claim date, accident description, compensability, disability, medical history, subrogation, Second Injury Fund potential, potential employer's liability exposure, reserves, average weekly wage, and outstanding issues as well as plans for future handling.
 - (6) On claims involving payment of benefits under M.G.L. c.152 § 34A (Permanent And Total) or § 31 (Survivors Benefits) contact will be made at least once each calendar year with the claimant. On cases involving payment of § 34 (Temporary Total) or § 35 (Temporary Partial) benefits, contact with the claimant will be made at least once a quarter. Personal contact with a claimant is required where allowed and subject to an individual's legal representation.
 - (7) A subrogation investigation shall be conducted simultaneously with the compensability investigation, including statements, photographs, diagrams, engineering opinions and preservation of evidence to support a recovery, where appropriate.

Each file should contain a documented determination as to the appropriateness of subrogation, based on this investigation. Insureds should have access to this information at any time upon request.

In the case of an injury resulting from a motor vehicle accident involving a third party where subrogation is not pursued, the policyholder may request a letter explaining the reasons for the assigned carrier's non-pursuit of subrogation. The assigned carrier should provide a response to the policyholder within nine (9) months of the incident or sixty (60) days of the policyholder's request, whichever is the later date.
- e. Continuing items of investigation and/or development (which should be addressed in the file):
- (1) Consideration of Second Injury Fund possibilities.
 - (2) Possibility of apportionment or contribution.
 - (3) Social Security or other applicable offsets.
 - (4) Need for physical or vocational rehabilitation.

- (5) On claims involving payment of benefits under § 34A (Permanent and Total) where there is a question of disability, fraud, or where otherwise appropriate, activity checks/surveillances should be conducted by the assigned carrier or its representative at least every six months. Claims where widow, widower or dependent benefits are being paid should receive activity checks or contact at least annually.

3. ACCEPTANCE OR DENIAL

- a. If a claim is compensable, issue first payment within fourteen (14) days of assigned carrier's receipt of an Employer's First Report of Injury (Form 101), or an initial written claim for weekly benefits on a form prescribed by the DIA, whichever is received first, and in accordance with statutory requirements.
- b. If denial of compensability is in order, ensure that a prompt and legally sufficient denial is made with clear, factual basis and grounds for denial to the proper parties, followed up with timely administrative filings, where required, consistent with vigorous defense for non-meritorious claims.

4. RESERVING

- a. Establish initial medical and indemnity loss reserves within fourteen (14) days of assignment to the claim handler commensurate with all known factors. Adequate reserves represent the claim handler's judgment of the potential costs involved in achieving maximum medical improvement and a return to work on full duty based upon known information and claims judgment.
- b. Revise loss reserves whenever developments occur that change the ultimate claim exposure. Document with reserve worksheets, or other appropriate means, the basis for reserve changes.
- c. In reporting estimates on fatal and permanent total cases, utilize authorized tables where appropriate and provide comments on any deviation.
- d. Reserve estimates should be reviewed by a qualified member of the claim department, other than the claim handler, at regular 120 day intervals.

5. DISABILITY MANAGEMENT

- a. Arrange for adequate and reasonable medical care necessary to treat the injury or illness.
- b. Dependent upon the case circumstances, the nature of the injury, and the extent of the disability, all consistent with sound claims practice and law, initiate, determine, and/or implement the following:

- (1) Promote a team approach to limiting disability through continuing follow-up contact with injured worker, policyholder, and physician at intervals consistent with the injury and estimated length of disability and establishment of return-to-work target dates.

Make a good faith attempt to provide the treating physician with a complete job description to facilitate an objective evaluation of the injured worker's ability to return to the job.

- (2) Independent medical examinations (where allowed by law) should be utilized where questions of disability, causal relationship, need for surgery and/or existing treatment, or where reports of treating physician are not forthcoming.
- (3) If return to the injured worker's regular job with the policyholder does not appear medically feasible or is unavailable, explore the availability or return to other employment, modified or light work duties consistent with medical capabilities.
- (4) Provide vocational rehabilitation in the form of alternative work, modified work, job placement, on-the-job training, schooling, ensuring compliance with statutory and/or regulatory provisions.

6. MEDICAL CARE AND COST CONTROL

- a. An integrated medical management program that includes pre-accident medical care arrangements, timely reporting of accidents, PPO/PPN/HMO/and similar contracts, utilization review as required by the DIA regulations in effect, hospital pre-certification/pre-admission review, return-to-work programs and catastrophic case management shall be developed and applied to individual claims, consistent with the severity of injury.
- b. Periodic paper or electronic reports must be obtained from the treating physician and/or other medical practitioners for the status of the injured worker's injury and medical care and for use in conjunction with medical bill screening.
- c. Screen all medical bills to ensure treatment is related to the injury, and charges are reasonable and necessary; review and approve all medical invoices in accordance with applicable statutes and regulations, relative value studies and/or professional medical cost surveys.
- d. Where no questions of compensability or reasonableness exist and physician reports have been received, pay all bills within thirty (30) days or earlier.
- e. Where questions of compensability or reasonableness exist, notify the medical vendor within thirty (30) days, explaining the reasons for the need for further information or investigation.

7. HEARINGS AND SETTLEMENTS

- a. Ensure that all cases are properly prepared prior to conciliation, conference, hearing, trial, or arbitration, including but not limited to the following:

- (1) Documentation of complete pre-trial preparation in the areas at issue, such as coverage, liability and disability and causal relationship issues, including proper instructions and authorization of the insurer representative at conciliation.
 - (2) Have available all necessary lay and professional witnesses or their depositions prior to formal hearing, trial, or arbitration.
 - (3) If the proceeding encompasses issues relative to extent of disability and/or permanent impairment, the appropriate medical reports, opinions and witnesses should be made available and ready for testimony or deposition, in accordance with statutory requirements.
 - (4) If the proceeding is to be handled by an attorney, ensure timely delivery of the file material for preparation. Document the attorney's receipt of the claim file and the assigned carrier's communications to its attorney regarding the merits of the issues to be litigated and the probable success of the litigation. If an adverse finding is made, the attorney should document the file about the costs and the merits of the appeal and case law issues, including the potential impact on future claims costs.
 - (5) Review attorney bills to ensure that they reflect billing practices and expense controls that are consistent with the attorney/assigned carrier agreement.
 - (6) When outside counsel is utilized by the assigned carrier, the defense attorney's Initial Report should be produced within thirty (30) days of receipt of assignment. A Pre-Trial Report should be produced by any outside defense counsel at least thirty (30) days prior to a hearing or, if such counsel receives less than forty (40) days' notice of a hearing, no later than ten (10) days from receipt of such notice. In all instances, Initial Reports and Pre-Trial Reports shall be completed prior to the applicable proceedings.
- b. Assuming plaintiff attorney willingness and consistency with sound claims judgment, conduct settlement negotiations promptly after completion of investigation. Do not, as a matter of tactics or standard operating procedure, wait until day of pre-trial, conference or hearing. Prior to settlement negotiations, the file will be documented relative to estimated settlement value.
 - c. Base all settlements of permanency or compromise settlements on sound claims judgment consistent with compensability investigation, medical evidence developed and exposure, in accordance with the law and benefit structure.

8. PAYMENT CONTROL

All benefit payments and filings required to be made to the DIA will be documented and made timely in accordance with statutory provisions and regulations.

9. SUPERVISION

Document team review or supervisor/management direction and control of claim handling consistent with the injury severity.

10. FILING REPORTING

All file activity will be fully documented either by paper or electronically, and shall include:

- a. Sources of information and dates of activity.
- b. Copies of police reports, marriage and/or birth certificates, etc., when appropriate.

C. LOSS CONTROL

The primary objective of these Loss Control Performance Standards is to eliminate, reduce and/or control sources of occupational injury and illness to policyholders' workers.

1. NOTIFICATION OF LOSS CONTROL SERVICES

Upon policy issuance, the policyholder and producer of record will be notified by the assigned carrier, in writing, of available loss control services and safety information, including instructions for obtaining services and information.

2. POLICYHOLDER-REQUESTED LOSS CONTROL SERVICES

Any assigned risk policyholder may request loss control services from its assigned carrier regardless of the size of its operation or its claim history. The assigned carrier is responsible for allocating financial resources, qualified personnel, and time in reasonable amounts sufficient to provide comprehensive loss control services to its policyholders.

- a. The assigned carrier will provide appropriate consultation in the form of accident prevention programs, accident trending, safety seminars, safety literature and other administrative aids which will support the loss control efforts of the policyholder.
- b. The assigned carrier will encourage the policyholder to designate a specific individual(s) as safety coordinator and contact person.
- c. When an on-site visit is requested by the policyholder or when an on-site visit is deemed necessary by the assigned carrier, the assigned carrier will assign a designated loss control representative to oversee the delivery of services to the policyholder.
- d. When the policyholder requests loss control services, the assigned carrier will respond to the policyholder within fifteen (15) business days of the receipt of the request. The assigned carrier must either provide requested loss prevention materials (as described in subsection 2.a. above) or, when appropriate, conduct a loss control survey (as described in subsection 3. below) within sixty (60) days from the date of the policyholder's request. Requests for

assistance in the evaluation and control of imminent danger exposures will be given high priority.

3. LOSS CONTROL SURVEYS

A Loss Control Survey (“LCS”) is generally initiated by the assigned carrier in accordance with the requirements set forth in this Performance Standard C.3, but may also be requested by the policyholder as provided in Performance Standard C.2.

a. Contents of a Loss Control Survey

An LCS includes, but is not limited to:

- (1) An analysis of all available accident experience to determine causes and trends, supported by loss runs or other related documentation.
- (2) An on-site review of potential policyholder exposures, specifically identifying conditions and operations that could cause loss. Imminent danger hazards must be discussed with policyholder management during the LCS.
- (3) Review and documentation of policyholder loss control program and activities including, employee training programs, safety management firm, safety policy, procedures, goals and funding, etc.
- (4) A description of the nature and size of the operations, number of locations and loss potential for classification and underwriting purposes.

b. Recommendations

Recommendations are the result of an LCS and must be presented to the policyholder in accordance with Performance Standard C.4.

c. Timelines and Procedures

(1) New Policies

An in-person Loss Control Survey must be performed for all policyholders that qualify in accordance with Performance Standard C.3d, at all locations that qualify in accordance with Performance Standard C.3e, within 120 days of the policy effective date or receipt of the Notice of Assignment by the assigned carrier, whichever is later.

In addition, regardless of whether a policyholder qualifies for an LCS for the current policy period, the assigned carrier must perform an LCS if the policyholder meets the following conditions:

- the assigned carrier has knowledge of a prior LCS that contained critical recommendations, and

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- the assigned carrier has no knowledge that the critical recommendations in that prior LCS have been satisfied.

(2) Renewal Policies

An LCS must be performed for all policyholders that currently qualify in accordance with Performance Standard C.3d, at all locations that currently qualify in accordance with Performance Standard C.3e, within 120 days of the policy effective date if an LCS has not been conducted within the last three (3) policy periods, regardless of whether or not the policyholder qualified for an LCS during the last three (3) policy periods.

Regardless of whether a policyholder qualifies for an LCS for the current policy period, the assigned carrier must perform an LCS if the assigned carrier's prior LCS contained critical recommendations.

d. Minimum Loss Control Survey Frequency Requirements per Policyholder

LCSs are to be conducted according to the following criteria, which include: premium ranges, governing classifications (for Hazard Groups D through G excluding Admiralty codes), experience rating modifications, and locations for all policies except domestic servant policies. While these are the minimum requirements, assigned carriers are encouraged to perform LCSs for non-qualifying employers based on sound underwriting judgment.

Premium Range	Governing Classification Codes				
\$25,000 and Over	All employers, regardless of governing classification codes.				
\$10,000 - \$24,999	0016	0079	0106	1430	1438
	1463	1624	1655	1701	1710
	1747	1748	2014	2115	2211
	2260	2402	2702	2710	2731
	3018	3027	3030	3040	3081
	3082	3085	3336	3365	3620
	3724	3726	4000	4021	4024
	4034	4036	4239	4439	4583
	4635	4665	4740	4771	4777
	4825	4829	5020	5022	5037
	5040	5057	5059	5102	5146
	5160	5183	5188	5190	5213
	5221	5222	5223	5348	5403
	5437	5445	5462	5472	5473
	5474	5478	5480	5506	5507
	5508	5509	5538	5545	5547
	5606	5645	5701	5703	5705
	6003	6005	6204	6217	6229
	6233	6251	6252	6306	6319
	6325	6801	6811	6824	6826
	6836	6843	6854	6872	6874
	6882	6884	7219	7309	7313

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	7317	7327	7350	7360	7403
	7405	7420	7421	7422	7425
	7431	7502	7515	7538	7539
	7580	7600	7601	7704	7720
	7855	8106	8107	8204	8215
	8227	8232	8233	8264	8265
	8279	8293	8350	8385	8500
	8709	8710	8719	8720	8721
	8726	8742	8803	9019	9180
	9186	9402	9403	9519	9521
	9533	9534	9549	9552	
\$10,000 - \$24,999					
Experience Rating					
1.40 and higher with an estimated annual premium of \$10,000 and higher	All employers, regardless of governing classification code and status of experience rating.				

e. Minimum Loss Control Survey Requirements – per Location

For all policyholders that qualify for a LCS and that have a single location, the assigned carrier must conduct the LCS at the single location.

For all policyholders that qualify for a LCS and that have multiple locations, the assigned carrier must conduct the LCS at each location that has an annual premium of \$10,000 or higher for the qualifying class codes. If no single location has an annual premium of \$10,000 or higher for the qualifying class codes, then an LCS should be conducted at the principal location of the policyholder as determined by the assigned carrier.

4. RECOMMENDATIONS

Recommendations are the result of a Loss Control Survey and include written guidance for the policyholder which addresses actual or potential exposures and, where applicable, make suggestions for program activities or management principles. There are two types of recommendations:

a. Critical Recommendations

Critical recommendations address exposures of imminent danger or serious loss potential or continuing losses, which indicate uncontrolled exposures expected for the type of operation as indicated in A.M. Best's Loss Control Manual or similar materials.

The assigned carrier must notify both the policyholder and the producer of record of critical recommendations in writing within fourteen (14) days of the completion of the LCS. The notification must advise that failure to comply with these recommendations may result in

cancellation of coverage, as provided in the Massachusetts Assigned Risk Pool Eligibility Endorsement.

Within sixty (60) days from the date the notification is sent, the assigned carrier must contact the policyholder to ensure compliance with the recommendations. The policyholder can demonstrate compliance with critical recommendations virtually or with written notification, signed by an officer or owner of the insured entity.

If the policyholder has not demonstrated that it has, within ninety (90) days, substantially complied or intends to so comply within a reasonable time, with the assigned carrier's, critical recommendations, then the assigned carrier may initiate cancellation proceedings in accordance with Performance Standard A.4. The reason for the cancellation must be reported as 'fraud / material misrepresentation', WCIO Cancellation Reason Code 21.

Assigned carriers must report non-compliance and subsequent compliance to the WCRIBMA in accordance with Performance Standard E.2.

b. Advisory Recommendations

Advisory recommendations address minor exposures that exist but do not present an imminent danger or serious loss potential.

Advisory recommendations must be provided to the policyholder and the producer of record in writing within thirty (30) days of the completion of the LCS.

Additional loss control services may be provided where, at the assigned carrier's discretion, it determines the services will be effective in reducing losses.

D. CUSTOMER SERVICE

The assigned carrier shall establish written customer service standards that include, but are not limited to:

1. Responding to written policyholder, producer of record or injured worker initial inquiries and complaints regarding a particular matter within ten (10) business days. If telephone inquiries are received, the assigned carrier should require that a written request be submitted.
2. Resolving issues within thirty (30) days of the date of receipt of written correspondence.
3. If requested, making loss records available within thirty (30) days of the request.
4. Creating written internal procedures and management accountabilities for monitoring compliance with these Performance Standards.

If the policyholder makes a request for a review of the method by which their classifications, rates, premiums or audit results were determined, as permitted by the MA Notice to Policyholder Endorsement, the assigned carrier must convey the results of that review within thirty (30) days. If the policyholder is not satisfied with the results of the review, the assigned carrier shall notify the policyholder that pursuant to the MA Notice to Policyholder Endorsement, the insured may submit a written request for review to the WCRIBMA.

E. POLICY, UNIT STATISTICAL AND DATA REPORTING

1. POLICY DATA

All assigned carriers are responsible for timely and accurate reporting of data to the WCRIBMA in accordance with the Massachusetts Workers' Compensation Statistical Plan and the WCIO Workers' Compensation Data Specifications Manual. The following must be reported:

- a. Policies
- b. Endorsements
- c. Cancellations, Reinstatements, Non-renewals
- d. Noncompliance and Compliance Transactions
- e. Unit Statistical Reports

2. NONCOMPLIANCE AND SUBSEQUENT COMPLIANCE TRANSACTIONS

Assigned carriers must report noncompliance and subsequent compliance to the WCRIBMA. The purpose of this requirement is:

- a. Noncompliance Reporting – to identify risks that are ineligible for participation through the Pool and exclude them from assigned risk coverage until such time as the eligibility issue has been resolved
- b. Compliance Reporting – to reestablish the eligibility for assigned risk coverage for a risk that was previously reported as noncompliant

The noncompliance and subsequent compliance transactions must either be reported electronically as a WCIO Record Type Z1, Transaction Code 17 or through the Member's Area of the WCRIBMA's website.

Noncompliance transactions must be reported to the WCRIBMA within five (5) business days of the determination of ineligibility. In situations that the assigned carrier is currently providing coverage for the policyholder, the noncompliance transaction should be reported along with the cancellation transaction.

Compliance transactions must be reported to the WCRIBMA within five (5) business days of the event correcting the previously reported noncompliance issue.

3. QUARTERLY AND ANNUAL ACTUARIAL AND FINANCIAL REPORTING

Servicing Carriers are also responsible for segregating and reporting actuarial and financial Servicing Carrier data to NCCI in accordance with NCCI's Servicing Carrier Reference Guide and Pool Data Reporting Guide, including any Massachusetts exceptions that have been communicated to the Servicing Carriers.

In accordance with the Massachusetts Workers' Compensation Statistical Plan, assigned carriers are also required to submit to the WCRI/BMA the Policy Year Residual Market Call (Call 2A), the Accident Year Residual Market Call (Call 3A), and the Residual Market Direct Written Premium Call (Call 5).

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F. TABLE OF TIME STANDARDS

Before a carrier is permitted to send or post documents or funds electronically, the policyholder must have granted the assigned carrier permission to send electronic correspondence or funds.

Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Audit Dispute	Policyholder, Producer	Paper or Electronic	A.10.k.	...resolved within 30 days from the date of the receipt of written notice of the dispute	
Audits - Final			A.10.e.	...completed, billed, recorded and closed within 90 days of policy cancellation or expiration	When initiated by the assigned carrier
Audits - Policyholder Requested			A.10.e. A.10.g.	...completed, billed, recorded and closed within 90 days of the receipt of the request	When initiated by the policyholder
Audits - Preliminary Physical			A.10.b.	...completed within 120 days of policy effective date or receipt of assignment, whichever is later	Exception for employee leasing companies and PEOs: within 90 days of policy effective date. (Rule IX.E.7.)
Audit Scheduling Letter	Policyholder Producer	Mail, email, fax telephone or other depending on carrier's documented procedures	A.10.i.	Early in the process to ensure the timeliness requirements are met	In order to cancel, at least two good faith attempts must be made, and for one of the attempts, the carrier must retain a certificate of mailing from the USPO.
Billing Cycle			A.8.a.	...completed within 45 days for premium or deductible balances due, installments interim audits, endorsements or final audits	The 45 day billing cycle begins on the date of the billing and includes 30 days from the date of billing and a 15 day period for follow up.

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Billing Statements (\$100 or higher)	Policyholder, Finance Co.	Paper or Electronic	A.8.b.(2)	...mailed within 10 business days of posting the transaction on the Servicing Carriers' records	If billing is on an installment basis, and an installment is due within the next 30 days, the additional premium may be allocated among all remaining installments.
Cancellation Notices (All) initiated by assigned carrier	Policyholder, Producer, Auth. Rep., WCRIBMA	Paper; Electronic to WCRIBMA only	A.4.b.(3) M.G.L. c. 152 §63 M.G.L. c. 175 §187C	The cancellation date must be determined so 10 days written notice is given to the WCRIBMA & the policyholder.	If cancelling for nonpayment, the amount due must be shown on the Cancellation Notice. Carrier must retain a Certificate of Mailing Receipt from the USPO.
Cancellations initiated by assigned carrier for non-payment of premium	Policyholder, Producer, Auth. Rep., WCRIBMA	Paper	A.8.d. M.G.L. c. 152 §63 M.G.L. c. 175 §187C	If premium amounts due are not postmarked within 45 days of mailing of billing statements, SC should implement cancellation procedures	If the postmark date is not legible, the carrier must rely on the receipt date. Carrier must retain a Certificate of Mailing Receipt from the USPO.
Cancellation Notices: initiated by policyholder or authorized representative	Policyholder, Producer, Auth. Rep., WCRIBMA	Paper	A.4.a. M.G.L. c. 152 §63 M.G.L. c. 175 §187C	Issued and mailed within 5 business days after the receipt of the request	The effective date of cancellation must be determined to ensure that either 1) 10 days' written notice is given to the WCRIBMA, or 2) the cancellation date coincides with a record of replacement coverage on file with the WCRIBMA. Carrier must retain a Certificate of Mailing Receipt from the USPO.

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Certificates of Insurance	Each contact provided on the MA ARP Request for Certificate of Insurance Form or a like form	Email, Fax, or Mail *	A.6.	Policy issued: ...issue and distribute within 2 business days of request New business/policy not issued: ...issue and distribute within 10 days of receiving both the NOA package and the request	* depending on distribution information provided
Claim – Contact with Injured Worker			B.2.b..	... within 1 business days of receipt of assignment	
Claim – Contact with Policyholder			B.2.d.(1)	...within 2 business days of receipt of assignment	
Claim – Contact with Treating Physician’s Office			B.2.d.(2)	...within 2 business days of receipt of assignment in the absence of medical documentation (when the claimant has not returned to work)	
Claim – Cost Control – No Question of Compensability & Physician’s Reports Received			B.6.d.	Pay bills within 30 days	
Claim – Cost Control – Question of Compensability			B.6.e.	Notify medical vendor within 30 days	Explain the reasons for the need for further information or investigation.
Claim – Establish Initial Reserves			B.4.a.	...within 14 days of assignment to file handler	

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Claim – First Payment, if Compensable	Injured Worker	Paper or Electronic	B.3.a.	...issue first payment within 14 days of assigned carrier's receipt of First Report of Injury or other DIA form	In accordance with Statutory Requirements
Claim – Hearing – Outside Counsel	Assigned Carrier		B.7.a.(6)	Initial Report should be produced within 30 days of assignment Pre-Trial Report should be produced at least 30 days prior to hearing	Pre-Trial Report - if such counsel receives less than 40 days' notice of a hearing, no later than 10 days from receipt of such notice.
Claim – Initial Investigation			B.2.c.	...completed within 14 days or ... 60 days if paid without prejudice	Statutory Requirement
Claim – Motor Vehicle – Non-Subrogation Inquiry from Policyholder	Policyholder	Paper or Electronic	B.2.d.(7)	...respond within 9 months of incident or 60 days of inquiry, whichever is later	
Collection Agency Referrals			A.9.	...made within 15 days of the completion of the 45 days billing cycle.	Exception: <ul style="list-style-type: none"> • potential for imminent settlement is evident, or • the premium is in dispute and the dispute is being actively resolved. Servicing Carriers must obtain preapproval from the WCRIBMA to refer to outside counsel instead of pursuing collection activity.

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Customer Service	Policyholder, Producer, Injured Worker	Paper or Electronic	D	<ul style="list-style-type: none"> - Respond to inquiries within 10 days - Resolve issues within 30 days - Provide loss records within 30 days - Provide results of premium review within 30 days 	
Endorsements, Determined by Carrier	Policyholder, Producer	Paper or Electronic	A.3.b.	...issue endorsement within 10 days of making the determination that an endorsement is necessary	
Endorsements, Requested by Policyholder	Policyholder, Producer	Paper or Electronic	A.3.a.	<ul style="list-style-type: none"> ...within 10 days of receipt of request, issue denial or request additional info. ...within 10 days of the receipt of request or requested additional info, issue endorsement. 	Requests for assistance in the evaluation and control of imminent danger exposures will be given high priority.
Investigate & decide whether a payroll or class change is necessary			A.2.	Within 30 days of the discovery of inconsistent payroll or class information	
Loss Control Services – Notification of		Paper	C.1.	Upon policy issuance	
Loss Control Services – Policyholder Requested			C.2.d.	<ul style="list-style-type: none"> - Respond within 15 business days of receipt of request - Provide materials or services within 60 days from request 	

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Loss Control Survey – as required for qualifying policyholders and locations			C.3.c.(1&2)	New business ... Performed within 120 days of policy effective date or receipt of Notice of Assignment, whichever is later Renewal business ... Performed within 120 days of the policy effective date if a LCS has not been done within 3 years	
Loss Control Survey – Advisory Recommendations	Policyholder, Producer	Paper or Electronic	C.4.b.	Provide within 30 days of completion of the Survey	
Loss Control Survey - Critical Recommendations	Policyholder, Producer	Paper or Electronic	C.4.a.	<ul style="list-style-type: none"> - Provide notification within 14 days of completion of the Survey - Ensure Compliance within 60 days from date notification is sent - Initiate Cancellation for Noncompliance within 90 days from date notification is sent 	The notification must advise that failure to comply with these recommendations may result in cancellation of coverage.
New Business Letters	Policyholder Producer	Paper	A.1.b.(1)	Send notice within 5 business days of receipt of NOA from WCRIBMA	Includes a request for policyholder's permission to receive electronic correspondence.
Noncompliance & Compliance Transactions	WCRIBMA	Electronic	E.2.	Reported within 5 business days of determination of ineligibility or subsequent eligibility	

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Non-Renewal Notice	Policyholder, Producer	Paper	A.1.c.3.	The Policyholder must receive the Notice at least 10 days prior to expiration.	Carrier must retain a Certificate of Mailing Receipt from the USPO.
Non-Renewal Notice	WCIBMA	Electronic	M.G.L. c. 152 §63	The WCIBMA must receive the Notice at least 10 days prior to expiration.	Statutory Requirement
Policy Issuance	Policyholder, Producer	Paper or Electronic	A.1.b.2.	New: issued and sent within 30 days from the date the NOA, required premium & properly completed app are received from WCIBMA Renewal: issued and sent within 30 days after receipt of required deposit premium	Time standard suspended if employer is found to be ineligible. See A.1.b.4.
Policy Issuance	WCIBMA	Electronic	M.G.L. c. 152, §63	Reported within 5 days of issuance	Statutory Requirement
Producer Fee Payment	Producer	Paper or Electronic	A.7.	Process and send fee payments within 30 days of policy issuance or receipt of premium, whichever is later	
Reinstatement Notice	Policyholder, Producer, Auth. Rep., Certificate holder	Paper or Electronic	A.5.	Communicated within 5 business days after the receipt of the request, receipt of funds satisfying the premium obligation, or receipt of the item correcting the fault. Certificate Holder: ...within 5 business days of issuance	If an assigned carrier notified a Certificate Holder named on a Certificate of Insurance of a pending cancellation, and that policy is subsequently reinstated, then the carrier must also notify the Certificate Holder of the reinstatement within 5 business days of issuance.

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Subjects & Document Types (Alphabetical Listing)	Send to, as Applicable	Mailing Type, as Applicable	Reference	Timeframe	Notes
Reinstatement Notice	WCRI BMA	Electronic	A.5.	Reported within 5 business days after the receipt of the request, receipt of funds satisfying the premium obligation, or receipt of the item correcting the fault.	
Renewal Proposal	Policyholder, Producer	Paper or Electronic	A.1.c.1.	Send the proposal >= 45 days & <= 100 days from expiration date	
Return Premium Adjustments	Policyholder, Party with Power of Attorney	Paper or Electronic	A.8.e.	Mailed within 10 business days of recording on carrier records	In cases in which a financed policy is cancelled midterm and the policyholder does not cooperate with audit requests, the assigned carrier may not retain more than 3 times the prorated premium, with a short rate penalty applied, unless the assigned carrier has evidence that the original premium estimate was significantly deficient.

PAID LOSS RATIO INCENTIVE PROGRAM

“PLRIP”

The following incentive program for Servicing Carriers has been developed based on paid loss ratio relativities. For each Servicing Carrier, paid loss ratio relativities will be calculated by policy year for Massachusetts assigned risks by dividing the Servicing Carriers' paid loss ratio (to written minus uncollectible premium) by the average paid loss ratio for all Servicing Carriers in the Pool. This program will be applied on a Company Group basis.

1. Program Applicability

A Servicing Carrier with premium less than \$2.5 million in the Pool is not subject to any incentive or disincentive.

2. Calculation of Incentives and Disincentives

Definition of Variables

MR	=	Maximum Relativity Factor
mR	=	Minimum Relativity Factor
P	=	Carrier Written Premium minus Uncollectible Premium
SLR	=	State Average Paid plus Case Loss Ratio
Carrier Rel	=	Carrier Paid Loss Relativity
	=	Carrier Paid Loss Ratio / State Average Paid Loss Ratio

Disincentive: If $MR < \text{Carrier Rel}$, = $P \times SLR \times (\text{Carrier Rel} - MR)$

Incentive: If $mR > \text{Carrier Rel}$, = $P \times SLR \times (mR - \text{Carrier Rel})$

There is an aggregate limit on Incentives/Disincentives of 9% of premium subject to the program.

Note that Disincentives are assumed to be negative.

3. Annual Evaluation of Paid Loss Ratios

Each policy year will have five annual evaluations. The first evaluation will be after the completion of the policy year (policy year 2020 at 12/31/2021, etc.). The final evaluation for policy year 2020 will be based on experience reported as of 12/31/2025.

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Incentives/Disincentives will be calculated on an annual basis in accordance with the following.

Premium Size Group	Minimum Relativity Factor	Maximum Relativity Factor
<= \$2.5 mill	None	None
> \$2.5 mill & <= \$10 mill	.900	1.100
> \$10 mill & <= \$30 mill	.925	1.075
> \$30 mill & <= \$50 mill	.950	1.050
> \$50 mill	.975	1.025

To avoid the back and forth transfer of funds and to consider the fact that more immature data is less reliable, not all of the calculated Incentive/Disincentive will be dispensed/billed for preliminary adjustments. The portion of the Incentive/Disincentive dispensed will depend upon the evaluation number. See the chart below as an example for policy year 2020.

Evaluation Number	Date	Portion of Incentive/Disincentive Dispensed
1	December 31, 2021	20%
2	December 31, 2022	40%
3	December 31, 2023	60%
4	December 31, 2024	80%
5 (Final)	December 31, 2025	100%

Each evaluation for a policy year considers losses paid since the beginning of the policy year. Because of this, the Incentive/Disincentive calculated on a subsequent evaluation will be offset by any payments made or received from earlier evaluations.

4. Experience Used

The experience data referred to is the assigned risk portion of business for Servicing Carriers. The data used for calculating Incentives/Disincentives will be Servicing Carrier Paid Losses, Paid Allocated Loss Adjustment Expenses ("ALAE"), Written Premium, and Uncollectible Premium as reported by the Servicing Carriers to NCCI quarterly.

Loss Ratios will be calculated by dividing Paid Losses plus Paid ALAE by Written Premium less Uncollectible Premium.

5. Allocated Loss Adjustment Expense

Reimbursed ALAE will be added to Paid Losses to calculate the relativities. Since such expenses should serve to lower losses, the addition of any such reimbursed expenses should not adversely impact a

Servicing Carrier. The Average Pool Paid Loss Ratio would also be adjusted to include any such reimbursed expenses. The purpose of including reimbursed expenses would be to discourage Servicing Carriers from requesting reimbursement of costs which are not effective in reducing losses.

6. Capping of Losses

In order to limit the impact of large losses, paid losses will be capped at \$250,000 per claim and/or \$500,000 per occurrence. Losses will be capped at \$100,000 per claim and/or \$200,000 per occurrence for preliminary adjustments at the first and second evaluations. If a multiple occurrence claim does not qualify for capping because the sum of the component claims is too small, then each individual claim within the multiple occurrence will be evaluated for capping.

Since cumulative paid loss amounts are not reported by claim the large losses contemplated by the Paid Loss Ratio Incentive Program are those losses reported on a quarterly basis by the Servicing Carriers to NCCI in their Residual Market Large Loss (LGL) Data. Since paid ALAE is not included in NCCI's Large Loss Data Call, the WCRIBMA directly obtains the paid ALAE for each large loss reported by each Servicing Carrier.

TRANSLATING COMPLIANCE RATIOS INTO AN EFFECT ON THE SERVICING CARRIER FEE

1. **DEFINITIONS.** For the purposes of this Appendix, the following terms are defined below.
 - a) “Aggregate Rating” means the Servicing Carrier’s total score for each audit category.
 - b) “Compliance Ratio” means a value, expressed as a percentage, reflecting the Servicing Carrier’s performance with respect to a Performance Standard. When a Performance Standard is missed through no fault of the Servicing Carrier, the carrier will in that instance be treated as complying with that Performance Standard and no deduction will be taken from the Servicing Carrier’s score.
 - c) “Rating Value” means the result of comparing the Compliance Ratio for any Performance Standard to the Scoring Range for that Performance Standard. All Rating Values shall be one of the following: commendable, satisfactory, marginal or unsatisfactory. Servicing Carriers will receive from four points to one point, respectively, for each commendable, satisfactory, marginal and unsatisfactory Rating Value.
 - d) “Scoring Range” or “Scoring Ranges” shall refer to the ranges set forth in Section 2, below.
2. **SCORING.** In any year in which the audit program is undertaken pursuant to an order of the Commissioner as provided in Section 2 of Appendix D - Determining the Servicing Carrier Fee, each Servicing Carrier’s Compliance Ratio for each Performance Standard tested during the audit will be compared to the Scoring Ranges. In any such audit, the Compliance Ratios will be determined using samples of at least 125 claims files, 100 underwriting files and 40 loss control files.

For the categories of Underwriting and Audit (Table C.5-2), Loss Control & Miscellaneous (Table C.5-3), and Claims (Table C.5-4) the Servicing Carrier shall receive a commendable Rating Value for any Compliance Ratio between 99% and 100%, inclusive. The Servicing Carrier shall receive a satisfactory Rating Value for any Compliance Ratio of at least 95% but less than 99%. The Servicing Carrier shall receive a marginal Rating Value for any Compliance Ratio of at least 80% but less than 95%. The Servicing Carrier shall receive an unsatisfactory Rating Value for any Compliance Ratio lower than 80%.

The Performance Standards in the Financial Reporting audit category (Table C.5-1) shall be divided into quantitatively measured Performance Standards and qualitatively measured Performance Standards.

The quantitative Performance Standards included in the fee calculation shall be:

- accurate reporting of policy information,
- accurate reporting of claim information,

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- accurate premium calculation,
- accurate calculation and reporting of producer fees,
- proper coding and reporting of losses and expenses,
- accurate reporting of outstanding loss information,
- timely reporting of uncollectibles,
- accurate reporting of uncollectibles,
- accurate reporting of recoveries, and
- proper application of producer fee and servicing carrier allowance percentages.

The qualitative Performance Standards included in the fee calculation shall be

- financial reporting systems and procedures,
- claims processing controls, and
- premium processing controls.

For the quantitative Performance Standards in the Financial Reporting category, the Servicing Carrier shall receive a satisfactory Rating Value for any Compliance Ratio between 95% and 100%, inclusive. The Servicing Carrier shall receive a marginal Rating Value for any Compliance Ratio of at least 80% but less than 95%. The Servicing Carrier shall receive an unsatisfactory Rating Value for any Compliance Ratio lower than 80%.

The auditors will directly assign Rating Values for the qualitative Performance Standards in the Financial Reporting category, rather than use any Scoring Ranges.

- 3. EFFECT ON THE SERVICING CARRIER FEE.** The auditors shall determine Aggregate Ratings, and a corresponding effect on the servicing carrier fee, for each servicing carrier audit as follows:
- a) Points for each Performance Standard are calculated by multiplying the respective Weight Factor by the points corresponding to the Rating Value awarded for each Performance Standard.
 - b) The products of the points and the Weight Factors are then added together for each audit category: Financial Reporting (Table C.5-1), Underwriting and Audit (Table C.5-2), Loss Control and Miscellaneous (Table C.5-3), and Claims (Table C.5-4) to determine the Aggregate Rating for each category.
 - c) Each Aggregate Rating is then converted into an effect on the servicing carrier fee using the “Effect of Audit Results on Servicing Carrier Fee” tables in Section 6 of this Appendix.
 - d) The effects on the servicing carrier fee for each of the four audit categories are added together yielding the post rating servicing carrier fee.

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- e) Any adjustments for a Servicing Carrier's failure to provide requested files are calculated as provided in Section 4, below.
- f) The off-balance factors are calculated and applied.

4. **ADJUSTMENT FOR MISSING FILES.** If a Servicing Carrier fails to provide one or more files requested by the Pool Administrator or the auditor as required in the third paragraph of the Introduction to Appendix B - Performance Standards for Assigned Carriers, no replacement files will be requested, and the post rating servicing carrier fee will be multiplied by the ratio of total provided files for all categories to total requested files for all categories to calculate the servicing carrier fee, before application of off-balance factors.

Example 1. Carrier A is requested to provide 250 claims files for audit, 200 underwriting and audit files and 75 loss control files. Carrier A cannot locate 10 of the requested claims files. Carrier A's post rating servicing carrier fee is 21%. Carrier A's servicing carrier fee, before off-balancing, is 20.6% ($21\% \times 515/525$).

Example 2. Carrier B is requested to provided 250 claims files for audit, 200 underwriting and audit files and 75 loss control files for audit. Carrier B cannot locate 5 of the requested loss control files. Carrier B's post rating servicing carrier fee is 21%. Carrier B's servicing carrier fee, before off-balancing, is 20.8% ($21\% \times 520/525$).

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5. AUDIT AGGREGATE RATING TABLES.

AUDIT AGGREGATE RATING TABLE C.5-1 FINANCIAL & DATA REPORTING PERFORMANCE STANDARDS							
			(A)		(B)		(C)
		Associated Standards	Weight Factor	x	Rating Value	=	Rating
1	Accurate Reporting of Policy Information	E.1., E.2., E.3.	4		S = 3		
2	Accurate Reporting of Claim Information	E.1., E.3.	4		M = 2		
3	Financial Reporting Systems and Procedures *	Qualitative -	4		U = 1		
4	Accurate Premium Calculation	A.1.a.	3				
5	Accurate Calculation, Payment, and Reporting of Producer Fees	A.7., E.3.	3				
6	Proper Coding and Reporting of Losses and Expenses	E.3.	3				
7	Timely Reporting of Uncollectibles	E.3.	2				
8	Accurate Reporting of Uncollectibles	E.3.	2				
9	Accurate Reporting of Outstanding Loss Information	E.3.	2				
10	Accurate Reporting of Recoveries	E.3.	2				
11	Claims Processing Controls *	Qualitative -	2				
12	Premium Processing Controls *	Qualitative – A.1.a.	2				
13	Proper Application of Servicing Carrier Allowance Percentages	Appendix D	2				
	Totals		35				

* Qualitative Performance Standards

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AUDIT AGGREGATE RATING TABLE C.5-2 UNDERWRITING & AUDIT PERFORMANCE STANDARDS							
			(A)		(B)		(C)
		Associated Standards	Weight Factor	x	Rating Value	=	Rating
1	Additional Premium Endorsements	A.3.b.	4		C = 4		
2	Compliance with Audit Frequency Requirements	A.10.f.	4		S = 3		
3	Proper Application of Experience Modifications	A.1.a.	4		M = 2		
4	Completion and Billing of Final Audits	A.8.a-b., A.10.c-e., A.10.i-k.	4		U = 1		
5	Compliance with Established Billing and Collection Procedures	A.8., A.9.	3				
6	Issuance of Renewal Quotes	A.1.c.	3				
7	Policy Issuance	A.1.	3				
8	Processing of Requested Endorsements and Processing of Cancellations and Reinstatements	A.3.a., A.4., A.8.d., A.5.	3				
9	Proper Application of Required State Endorsements	A.1.a.	2				
	Totals		30				

AUDIT AGGREGATE RATING TABLE C.5-3 LOSS CONTROL & MISCELLANEOUS PERFORMANCE STANDARDS							
			(A)		(B)		(C)
		Associated Standards	Weight Factor	x	Rating Value	=	Rating
1	Loss Control Consulting Surveys	C.2., C.3.	4		C = 4		
2	Loss Control Recommendations	C.4.	4		S = 3		
3	Accounting/Statistical and Results Reporting	E.1., E.3.	3		M = 2		
4	Customer Service, including issuance of Certificates of Insurance	A.6., D	2		U = 1		
5	Loss Records	D.3.	2				
6	Notification of Loss Control Services	C.1.	2				
	Totals		17				

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AUDIT AGGREGATE RATING TABLE C.5-4 CLAIMS PERFORMANCE STANDARDS							
			(A)		(B)		(C)
		Associated Standards	Weight Factor	x	Rating Value	=	Rating
1	Investigation	B.2.	4		C = 4		
2	Disability Control	B.5.	4		S = 3		
3	Medical Care and Cost Control & Payment Control	B.6., B.8.	4		M = 2		
4	Reserving	B.4.	4		U = 1		
5	Acceptance/Denial	B.3.	3				
6	Hearings	B.7.a	3				
7	Settlements	B.7.b-c	2				
8	Supervision/File Reporting	B.9., B.10.	2				
9	Claim Recording	B.1.	1				
	Totals		27				

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6. EFFECT OF AUDIT RESULTS ON SERVICING CARRIER FEES.

TABLE C.6-1	
*Effect on Servicing Carrier Fee	Score on Audit of Financial Reporting Performance Standards
0.0%	96 - 105
-0.5%	93 - 95
-1.0%	82 - 92
-1.5%	70 - 81
-2.0%	35 - 69
Total weight of subcategories is 35.	

TABLE C.6-2	
*Effect on Servicing Carrier Fee	Score on Audit of Underwriting & Audit Performance Standards
0.0%	90 – 120
-0.5%	85 – 89
-1.0%	80 – 84
-1.5%	75 – 79
-2.0%	70 – 74
-2.5%	65 – 69
-3.0%	60 – 64
-3.5%	45 – 59
-4.0%	30 - 44
Total weight of subcategories is 30.	

TABLE C.6-3	
*Effect on Servicing Carrier Fee	Score on Audit of Loss Control & Miscellaneous Performance Standards
1.0%	65 - 68
0.5%	60 - 64
0.0%	51 - 59
-0.5%	48 - 50
-1.0%	44 - 47
-1.5%	41 - 43
-2.0%	37 - 40
-2.5%	34 - 36
-3.0%	17 - 33
Total weight of subcategories is 17.	

TABLE C.6-4	
*Effect on Servicing Carrier Fee	Score on Audit of Claims Performance Standards
1.0%	102 – 108
0.5%	95 – 101
0.0%	81 – 94
-0.5%	77 – 80
-1.0%	73 – 76
-1.5%	69 – 72
-2.0%	66 – 68
-2.5%	62 – 65
-3.0%	58 – 61
-3.5%	54 – 57
-4.0%	45 – 53
-4.5%	36 – 44
-5.0%	27 - 35
Total weight of subcategories is 27.	

* Effects are as a percentage of premium.

DETERMINING THE SERVICING CARRIER FEE

1. For all policies written on or after July 1, 2004, the servicing carrier fee will be 18.8%. An off-balance factor must be applied to obtain an overall premium weighted servicing carrier fee equal to 18.8%, excluding the ratio of reimbursements received by all Servicing Carriers for expenses to the total Pool premium. This off-balance procedure will be implemented at each adjustment to the servicing carrier fee. These reimbursements will not include allocated loss adjustment expenses, which will be reported with losses and reimbursed as losses are. Carriers will continue to retain that portion of the premium which reflects the expense constant most recently approved by the Commissioner. In addition, effective 7/1/04, the Insolvency Fund Assessment will be excluded from the calculation of the servicing carrier fee. Servicing carriers will be reimbursed for payments they made to the Insolvency Fund, as they are for other statutory assessments.
2. On or before December 31 of each year, the Commissioner shall indicate whether an on-site audit of all servicing carriers by a firm designated by the WCRIBMA and approved by the Commissioner shall be undertaken the following year to measure each Servicing Carrier's performance during one or more completed calendar years. In making a determination on this matter, the Commissioner shall consider whether use of an outside firm for an annual audit would be economically feasible because of the size of the Pool or the segment of the Pool serviced by Servicing Carriers. The WCRIBMA may order that carriers perform self-audits during any years that outside audits are not ordered by the Commissioner; provided, however, that no servicing carrier fee shall be affected by the results of any self-audits. Each audit by a firm designated by the WCRIBMA and approved by the Commissioner shall encompass the preceding three years, or all the years since the last such audit was conducted, whichever is the shorter period. All the servicing carrier fees for the entire period that is the subject of a one-year or multi-year outside audit shall be adjusted to reflect the score or scores given each carrier on such audit in accordance with this Plan.
3. For any given policy year, when the auditing process is completed for all Servicing Carriers, servicing carrier fees will be adjusted based on the results of the on-site audit. Subsequent adjustments will be made based on the results of the Paid Loss Incentive Program. The Performance Standards program has been devised to provide a swing on each of the four on-site audit aggregate rating categories: Underwriting and Audit Performance Standards, Loss Control & Miscellaneous Performance Standards, Claim Performance Standards, and Financial & Data Reporting Performance Standards. The total swing from performance standards would be +2% to -14%.
4. For the purpose of determining the service carrier fees under this program, percentages are of Standard Premium, i.e., not including ARAP surcharges. Standard Premium is defined and described in Appendix F – Massachusetts Residual Market Premium Algorithm of the Massachusetts Workers' Compensation and Employers Liability Insurance Manual.