



**THE WORKERS' COMPENSATION  
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**  
101 ARCH STREET - 5TH FLOOR, BOSTON, MA 02110  
(617) 439-9030 FAX 439-6055

November 21, 1990

**NOTICE TO ALL SERVICING CARRIERS AND AGENT TRADE ASSOCIATION REPRESENTATIVES**

Re: Qualified Loss Management Program - Assigned Risks  
Effective November 1, 1990

Attached is a copy of Bureau Circular Letter No. 1550 dated November 5, 1990 explaining the above program recently approved by the Division of Insurance.

Also attached is a letter on this program dated November 2, 1990 sent by Governor Michael S. Dukakis to Massachusetts employers.

It should be noted that loss management firms whose programs are approved by the Bureau will be authorized to offer a policy credit to subscribing employers up to 10%.

Bureau Staff is currently reviewing a number of loss management program applications and expects to issue approvals shortly.

We will advise servicing carriers of the names of their insured employers who subscribe to an approved program so that they may endorse policies with the appropriate credit.

NORMAN R. FONTAINE  
Vice President



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November 5, 1990

**CIRCULAR LETTER NO. 1550**

To All Members and Subscribers of the Bureau:

**QUALIFIED LOSS MANAGEMENT PROGRAM - ASSIGNED RISKS  
EFFECTIVE NOVEMBER 1, 1990**

The Division of Insurance has approved a Qualified Loss Management Program applicable to assigned risk insureds written under The Massachusetts Workers' Insurance Plan to become effective 12:01 A.M., November 1, 1990 on new and renewal business only.

The purpose of this innovative program is to apply a prospective credit for three years, to the premium of assigned risk insureds who subscribe to a qualified loss management program, and remain in such program during that period.

As stated in the Filing Memorandum, by implementing a loss control management program, a number of management firms have demonstrated an ability to significantly reduce workers' compensation losses for their client employers. Utilization of this program will enable a subscribing employer to receive the immediate impact of anticipated improved experience at the inception of the first, second and third policy periods. At the end of the three-year period, the improved experience will enter into the experience rating period, reducing the employer's experience modification.

The eligibility of a loss management program for a credit and the size of the allowable credit, will be subject to the approval of The Workers' Compensation Rating and Inspection Bureau of Massachusetts, subject to the criteria set forth in the Filing Memorandum

The Filing Memorandum consists of the following sections:

1. Qualifications For Loss Management Firms
2. Submission of Loss Management Program For Approval
3. Requirements To Apply For And Determination Of A Credit
4. New Loss Management Firms
5. Administration Of A Loss Management Program By The Workers' Compensation Rating and Inspection Bureau of Massachusetts

Massachusetts Qualified Loss Management Program Endorsement  
WC 20 04 02

Sample Premium Calculation For Risk Subject To Qualified Loss Management Program Credit

Loss management firms are encouraged to submit their programs to the Bureau for approval and determination of applicable credit as soon as possible.

NORMAN R. FONTAINE  
Vice President

NRF/jd

Attachment

## FILING MEMORANDUM

### QUALIFIED LOSS MANAGEMENT PROGRAM

#### EFFECTIVE DATE:

To become effective 12:01 A.M. November 1, 1990 on new and renewal business only.

#### PURPOSE:

The purpose of this program is to apply a prospective credit, for three years, to the premium of Assigned Risk insureds who subscribe to a qualified loss management program and remain in such program during that period.

#### BACKGROUND:

By implementing a loss control management program, a number of management firms have demonstrated an ability to significantly reduce workers' compensation losses for their client employers. Although subscribing employers eventually pay less premium, assuming improved experience through the application of the experience rating plan, the delay factor in the plan, which provides for the evaluation of data six months after policy expiration, does not reflect such improved experience for a considerable length of time. Utilization of this program will enable a subscribing employer to receive the immediate impact of anticipated improved experience at the inception of the first, second and third policy periods. At the end of the three-year period the improved experience would enter into the experience rating period, reducing the employer's experience modification.

#### PROPOSAL:

The eligibility of a loss management program for a credit, and the size of the allowable credit, will be subject to the approval of The Workers' Compensation Rating and Inspection Bureau of Massachusetts and will be determinable solely by the loss reduction success experienced by all of the client employers of a loss management firm within the past seven (7) years. The credit will be extended to each eligible subscribing client employer for the first three (3) years that the program is in effect for that employer. The credits applicable to the third year are half those applicable to the first and second years. To avoid the possibility of an employer subscribing to a loss management program simply to obtain a credit and discontinuing their participation in the program after the credit is received, it is required that the employer participate in the program for six (6) months before eligibility for the credit is established. Eligibility then becomes retroactive to the date of the employer's entry into the program. Should the eligibility date for the credit differ from the policy inception date, eligibility shall be verified and the credit shall be pro-rated at the time of interim or final audit.

A provision in Massachusetts Qualified Loss Management Program Endorsement WC 20 04 02 will apply when a subscribing employer, or the carrier, terminates the subscribership agreement. A sample of the endorsement is attached.

## Qualified Loss Management Program

### 1. Qualifications For Loss Management Firms

Any loss management firm, which has demonstrated an ability to reduce losses for its client employers, may submit a Loss Management Program to The Workers' Compensation Rating and Inspection Bureau of Massachusetts for approval, subject to its having met the following minimum qualifications.

#### a. Personnel

A loss management firm must evidence its ability to perform its services based upon the qualifications of its key operating personnel. Information must be submitted on the job-related training and experience of these personnel. There also should be credentialed specialists on the staff. These could include: certified safety professionals, board-certified rehabilitation specialists, licensed insurance advisors and medical doctors specializing in occupational health.

#### b. Safety

A loss management firm must have a structured approach in place which focuses top level management of the employer, as well as other personnel, on the issue of safety. There must be a means of measuring and insuring management commitment to implementing safe work practices in the client employer's workplace.

#### c. Post Injury Response

A Loss Management Program must contain plans of action and specific techniques which are designed to assist an injured worker in obtaining necessary medical care. It must also contain specified means of maintaining contact with the injured worker and continuing claims control throughout the recuperation period. A close relationship with medical providers should be included in this process.

#### d. Early Return to Work Provisions

A Loss Management Program must encourage an injured worker to return to work at the earliest possible time, even if it is in a modified capacity.

## 2. Submission Of Loss Management Program For Approval

In order to offer a credit to its client employers, a loss management firm must submit to and receive approval of a Loss Management Program from The Workers' Compensation Rating and Inspection Bureau of Massachusetts following the procedures outlined below and containing the key elements indicated.

- a. A Loss Management Program containing essential information shall be submitted to The Workers' Compensation Rating and Inspection Bureau of Massachusetts with sufficient lead time for proper evaluation and determination of a credit prior to implementation.
- b. After evaluation of the Loss Management Program, The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall make a determination as to its acceptability. If acceptable, The Workers' Compensation Rating and Inspection Bureau of Massachusetts will calculate the credit applicable to the program for a period of one (1) year and advise the loss management firm submitting the program, and the Massachusetts Division of Insurance, of its approval.

The loss management firm shall then advise all of its Assigned Risk client employers of the availability of the program.

- c. Key elements that must be included in a Loss Management Program.
  - (1) The credit, as determined by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, must be offered to every Assigned Risk insured subscriber client employer for the first three (3) years that the program is in place for that insured.
  - (2) The program must contain a provision stating that the credit applicable to the first year policy is subject to change on the second and third year policies.
  - (3) The program must contain a provision stating that a credit will not apply after the client employer has received a credit for three (3) years.
  - (4) The program must contain a provision stating that a client employer must be involved in the program for six (6) months before eligibility for the credit is established. Eligibility then becomes retroactive to the date of the employer's entry into the program. If eligibility for the credit is different from the policy inception date, eligibility will be verified and a pro-rated credit shall be computed at the time of interim or final audit.
  - (5) The program must contain a provision stating that in the event of termination of the program by either the loss management firm, the client employer or The Workers' Compensation Rating and Inspection Bureau of Massachusetts, the credit shall be pro-rated.

3. Requirements To Apply For And Determination Of A Credit

The following requirements apply to a loss management firm submitting a Loss Management Program.

The method for determining the credit is as follows:

- a. The loss management firm must submit data, in a format prescribed by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, on all its client employers who have Massachusetts workers' compensation insurance premium and commenced the program within the last seven (7) years. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall have the right to inspect the books and business records of the loss management firm in order to verify that it is a complete list and accurately represents the experience of such client employers.

The data shall consist of copies of the experience rating modification calculations for the client employers. The object is to compare the experience for the year prior to the inception of the program to experience for the year subsequent to the inception of the program.

Example 1

Client starts Loss Management Program 7/1/85  
Policy renews 7/1/85  
Prior year's experience is for 7/1/84 to 6/30/85  
Subsequent year's experience is for 7/1/85 to 6/30/86

Example 2

Client starts Loss Management Program 2/1/85  
Policy renews 7/1/85  
Prior year's experience is for 7/1/83 to 6/30/84  
Subsequent year's experience is for 7/1/85 to 6/30/86

The required data is for the first report of the prior year and for the first report of the subsequent year. The Expected Losses, Expected Primary Losses, the Actual Losses and the Actual Primary Losses for each of these two (2) policy periods will be taken for each client employer. (The Massachusetts portion is used for interstate risks.) This information will be aggregated over all the client employers of the Loss Management Program.

This data covering the most recently available five-year period will be aggregated and then used to compute two experience modifications, one for the prior years and one for the subsequent years.

- b. The qualification for a schedule rating credit is as follows:

<u>Ratio of Experience Modification For Subsequent Years to that for Prior Years</u>	<u>First and Second Year Credit</u>	<u>Third Year Credit</u>
.81 or less	10%	5%
More than .81 but at most .83	9%	4.5%
More than .83 but at most .85	8%	4%
More than .85 but at most .87	7%	3.5%
More than .87 but at most .89	6%	3%
More than .89 but at most .91	5%	2.5%
More than .91 but at most .93	4%	2%
More than .93 but at most .95	3%	1.5%
More than .95 but at most .97	2%	1%
More than .97 but at most .99	1%	.5%
More than .99	none	

Each Loss Management Program must requalify for a credit annually.

- c. Basis For Applying The Credit

If the Loss Management Program submitted by a loss management firm contains data on client employers with at least three (3) governing classes, the credit will be applicable to all client employers in the program. Otherwise, the calculated credit shall apply only to those client employers whose governing class is in the submitted data. For employers with other governing classes, the credit for newly established loss management firms shall apply.

- d. The credit will apply to the Massachusetts portion of the workers' compensation premium (excluding expense constant) of the client employers in the program. See EXHIBIT I.
- e. The credit shall not apply to client employers insured under a retrospective rating plan or a loss sensitive dividend plan.
- f. A credit, as determined by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, shall apply to any client employer in good standing in the program for three (3) years after commencement of the program, subject to revision after the first and second years.



4. New Loss Management Firms

A newly established loss management firm may submit a Loss Management Program to The Workers' Compensation Inspection and Rating Bureau of Massachusetts for approval of a credit to apply to its subscriber client employers if:

- a. The firm complies with the qualifications for loss management firms contained in Section 1.
- b. The firm submits a Loss Management Program containing the key elements contained in Section 2.
- c. The firm begins to submit the data required under Section 3 as soon as such data becomes available.

The credit for new loss management firms will be limited to 5% for risks in their first and second years and 2.5% for risks in their third year.

Three years after a new loss management firm has qualified, the credit for such a firm will begin to be based on its own data.

5. Administration Of A Loss Management Program By The Workers' Compensation Rating and Inspection Bureau of Massachusetts

- a. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall be authorized by the Massachusetts Division of Insurance to evaluate any Loss Management Program submitted by a loss management firm for purposes of offering client employers a credit, and shall issue a prompt notice of approval or disapproval.

The factors that The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall consider in the evaluation of such a program are as follow:

- (1) qualifications of the loss management firm as listed in Section 1.
  - (2) elements that must be included in submission of a Loss Management Program as listed in Section 2.
  - (3) requirements to apply for and determination of a credit as listed in Section 3.
- b. If a Loss Management Program is not approved by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, and the loss management firm making the submission is unsatisfied with the decision of The Workers' Compensation Rating and Inspection Bureau of Massachusetts, the loss management firm may appeal to the Commissioner of Insurance. Upon reviewing such an appeal, the Commissioner may, if he finds sufficient grounds for the appeal, call a public hearing to resolve the dispute.
- c. If the Commissioner has reason to believe that any loss management firm should be considered for removal from the credit plan, he shall so inform The Workers' Compensation Rating and Inspection Bureau of Massachusetts. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall inform the Commissioner of what action, if any, it takes with respect to this Loss Management Program. If two (2) months from the notification of The Workers' Compensation Rating and Inspection Bureau of Massachusetts, the Loss Management Program still qualifies for the credit plan, the Commissioner of Insurance can if he chooses, call a public hearing to consider whether this Loss Management Program should be removed from the credit plan.
- d. Each approved Qualified Loss Management Program must be resubmitted to The Workers' Compensation Rating and Inspection Bureau of Massachusetts annually, with up-dated data, for re-evaluation and calculation of a revised credit, if any.

## MASSACHUSETTS QUALIFIED LOSS MANAGEMENT PROGRAM ENDORSEMENT

This endorsement applies to the insurance provided by this policy because Massachusetts is shown in Item 3.A. of the Information Page.

You are not eligible for a credit if this policy is written under a Retrospective Rating Plan or a loss sensitive dividend plan.

- A. You may be eligible for a credit on your current annual premium if the conditions stated below are satisfied. You must participate in a Qualified Loss Management Program for six (6) months before eligibility for the credit is established. Eligibility then becomes retroactive to the date of your entry into the Program.
  1. The amount of credit for which you may be eligible will be based on the credit determined by The Workers' Compensation Rating and Inspection Bureau of Massachusetts to apply to all subscribers of the Qualified Loss Management Program to which you subscribe.
- B. You will receive a premium credit if:
  1. You are subscriber to a Qualified Loss Management Program approved by The Workers' Compensation Rating and Inspection Bureau of Massachusetts to offer a credit to all of its subscribers.
  2. If the inception date of this policy is different from the date of approval of the credit for the Qualified Loss Management Program to which you subscribe, a pro-rata credit shall be computed at the time of interim or final audit.
  3. In the event of the termination of the Qualified Loss Management Program to which you subscribe by either the loss management firm, The Workers' Compensation Rating and Inspection Bureau of Massachusetts, or you, a pro-rated credit shall be computed at the time of termination.

## NOTES:

1. This endorsement must be attached to an Assigned Risk policy showing Massachusetts in Item 3.A. of the Information Page, if the insured is a subscriber to a Qualified Loss Management Program approved by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, and provided the policy is not written under a Retrospective Rating Plan or a loss sensitive dividend plan.

Sample Premium Calculation For Risk  
Subject To Qualified Loss Management Program Credit

LOCATIONS, CLASSIFICATION AND PAYROLL IN MASSACHUSETTS  
Calculation of Estimated Annual Premium:

Describe by location the duties of employees	Class Code	Number of Employees	Total Payroll	Rate	Premium
Office Machines - Installation	5191	12	264,131	2.71	7,158
Clerical Office Employees NOC	8810	2	33,600	0.39	131
Salesperson, Collectors or Messengers - Outside	8742				
Drivers, NOC	7380				
Employers Liability / /					
Total Premium					7,289
Experience Modification (1.11)					802
Standard Premium					8,091
ARAP Adjustment (1.14)					1,133
Less Premium Discount (if applicable)					340
Total					8,884
[1] Less Loss Management Program Credit (.10)					888
Expense Constant					155
Total Estimated Annual Premium					8,151
Mass. D.I.A. Assessment (1.2%) of Standard Premium					97
Total of Estimated Annual Premium and Mass. D.I.A. Assessment					8,248

[1] As promulgated by The Workers' Compensation Rating and Inspection Bureau of Massachusetts.

Qualified Loss Management Program

Time of Signing up with  
Loss Management Firm

Eligibility for Credit

5/1/90 or later

Full (2 1/2 Years)

11/1/89 to 4/30/90

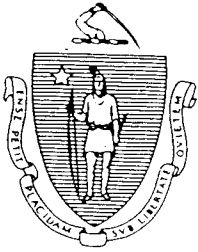
2 Years

11/1/88 to 10/31/89

1 Year

Prior to 11/1/88

Nothing



THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE DEPARTMENT

STATE HOUSE • BOSTON 02133

MICHAEL S. DUKAKIS  
GOVERNOR

November 2, 1990

Dear Massachusetts Employer:

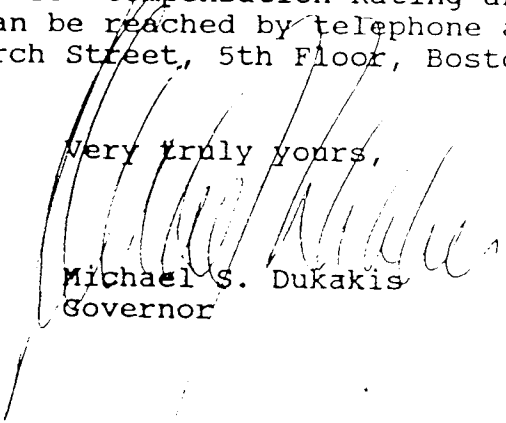
I know that many employers throughout the state are concerned about the rising costs of workers' compensation insurance. It's an issue that concerns me, too. That's why I'm writing to tell you about an innovative plan that could help you save money now on your workers' compensation premiums and help you control those expenses in the years to come.

If your company is insured through the state's "high risk pool", a new loss management program, which offers you an up front discount of ten percent off your premium, has been made available to you. Under this program, which was recently approved by the Commissioner of Insurance, you will be able to save as much as ten percent on your workers' compensation premium if you purchase the services of a loss management program qualified by the Workers' Compensation Rating and Inspection Bureau (WCRB). Qualified loss management programs employ personnel specially trained to help you improve on-the-job safety and accident prevention systems, medical follow-up and back-to-work counseling.

Experience has shown that loss management programs work and that employers who use these programs save money in the long term by reducing accidents in the workplace. While the program discount is being targeted initially only to employers who are in the high risk pool, every employer should consider using WCRB qualified loss control experts to reduce losses and costs.

For more detailed information on the loss management discount program, please contact your workers' compensation insurance carrier, your agent or the Workers' Compensation Rating and Inspection Bureau. The WCRB can be reached by telephone at (617) 439-9030 or by letter at 101 Arch Street, 5th Floor, Boston, Massachusetts 02110.

Very truly yours,

  
Michael S. Dukakis  
Governor

MSD:emb