



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**
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April 6, 1995

CIRCULAR LETTER NO. 1717

To All Members and Subscribers of the Bureau:

**REAL ESTATE APPRAISAL COMPANY - OUTSIDE EMPLOYEES
CLASSIFICATION CODE 8721**

The Division of Insurance has approved the above Item, adopted by our Committees, effective 12:01 A.M., April 15, 1995, applicable to new and renewal policies only.

As the result of a recent review of real estate appraisal companies operating in Massachusetts, it has been determined that currently such companies have been assigned to each of the following classifications: Code 8742 - "Salespersons, Collectors or Messengers-Outside" and Code 8720 - "Inspection of Risks for Insurance or Valuation Purposes NOC."

Since real estate appraisal companies comprise a group of sufficient size in Massachusetts to warrant their own classification, and an analysis of their recent experience, although only partially credible, indicates that they have at least as favorable experience as other risks in their present classification, a new, separate, and distinct classification is being established for real estate appraisal companies.

The attached Filing Memorandum indicates the Purpose, Background, Proposal, Impact, and Implementation of this Item, and contains draft Basic and Retrospective Rating Plan Manual pages (Exhibit 1).

The following rates and rating values, also associated with Classification Code 8742 - "Salespersons, Collectors or Messengers-Outside," will be those of the new Code 8721 - "Real Estate Appraisal Company-Outside Employees" until the new classification develops sufficient credibility to be separately rated.

Code No.	Rate	Loss Constant	Minimum Premium	Expected Loss Rate	D Ratio
8721	.63	20.	1.22	.29	.20

Reprinted manual pages will be distributed in due course.

NORMAN R. FONTAINE
Vice President of Industry Affairs

NRF/dc 1679
Attachments

FILING MEMORANDUM

REAL ESTATE APPRAISAL COMPANY - OUTSIDE EMPLOYEES

Purpose

The purpose of this item is to establish a new classification in Massachusetts for real estate appraisal companies.

Background

As the result of a recent review of real estate appraisal companies operating in Massachusetts, it has been determined that currently some such companies have been assigned to each of the following classes: Classification Code 8742 - "Salespersons, Collectors or Messengers - Outside" and to Classification Code 8720 - "Inspection of Risks for Insurance or Valuation Purposes NOC." Real estate appraisal companies comprise a group of sufficient size in Massachusetts to merit consideration for the creation of a new classification.

Real estate appraisal companies contract with mortgage companies, banks, etc. to provide them with fair market value on residential home properties and commercial properties, including strip malls, golf courses, etc.

An example of the operations typically performed by a real estate appraisal company follows:

A client of a real estate appraisal company (bank) orders an appraisal on a house that a prospective owner wishes to purchase. The appraiser begins basic research in the office by checking pertinent files and collecting data through various electronic data sources. The appraiser then views and photographs the outside of the house and a street scene. The appraiser measures the house using a measuring wheel and takes notes on all external factors which may affect value.

The appraiser next enters the house and takes note of the wall and floor coverings and makes an interior sketch of the rooms, noting their configuration, quality of finish, condition, and other factors affecting value. The appraiser looks at the attic, if easily accessible. The appraiser also walks through the basement and, by visual inspection only, notes the condition of the heating, plumbing and electrical systems. This completes the home inspection which normally takes between 20 to 45 minutes depending on the complexity of the property.

The appraiser proceeds to the local city or town hall to research and collect data on the subject property and recent sales of comparable properties. The field (assessor) cards on these properties are pulled and reviewed. These cards give information on site size, dwelling size, condition, assessment, and many other factors concerning the properties. Zoning is also checked.

The appraiser drives by each comparable property and takes a front photo of each comparable property to be used in a report. The appraiser then returns to the office to write the report.

The appraiser draws a computerized floor sketch and enters the subject data into the appraisal form. The appraiser analyzes the selected comparable properties and chooses the best three or four to use in the report. The appraiser often calls a real estate broker familiar with the comparable properties to gain more information about their inside condition and other factors relating to the sale. The appraiser analyzes the comparable properties relative to the subject property and arrives at a final estimate of market value.

Real estate appraisers are instructed not to do anything that would place them in any kind of physical danger. They do not climb or walk on roofs or enter crawl spaces. They do not use ladders, hammers, or any other similar tools or equipment. They do not check anything of an electrical, plumbing, heating, infestation, or structural nature, except by visual inspection. If an unsafe condition is noted, it is brought to the attention of a qualified professional and certification recommended.

It is felt that the operations of real estate appraisal companies more closely approximate those of real estate brokers whose operations are assigned to Code 8742 rather than to Code 8720, which is not to say that their experience may not differ somewhat over time once it is collected separately. Since no specific classification code presently exists for the operations of real estate appraisal companies, and such firms are likely to continue to produce significant payrolls in Massachusetts, it is believed that a new classification should be established for real estate appraisal companies.

Proposal

It is proposed that a new, separate, and distinct classification be established for real estate appraisal companies. The rates and rating values associated with Classification Code 8742 - "Salespersons, Collectors or Messengers - Outside" will be those of the new Code 8721 "Real Estate Appraisal Company - Outside Employees" until the new classification develops sufficient credibility to be separately rated.

Impact

This item will assure the equitable treatment of real estate appraisal companies. It will have negligible impact on present premium levels.

Implementation

In order to implement this item, the attached Exhibit 1 outlines the changes which will be required in the Basic Manual for Workers Compensation and Employers Liability Insurance and in the Retrospective Rating Plan Manual.

BASIC MANUAL

Present Phraseology

PART TWO - CLASSIFICATIONS

NONE

Proposed Phraseology

PART TWO - CLASSIFICATIONS

REAL ESTATE APPRAISAL COMPANY
- OUTSIDE EMPLOYEES -- 8721

RETROSPECTIVE RATING PLAN MANUAL

Present Phraseology

PART FOUR - F

TABLE OF CLASSIFICATIONS
BY HAZARD GROUP

Code No.
NONE

Hazard Group
NONE

Proposed Phraseology

PART FOUR - F

TABLE OF CLASSIFICATIONS
BY HAZARD GROUP

Code No.
8721

Hazard Group
III