

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF INSURANCE

Docket No. R2005-06

In re:

APPLICATION OF THE WORKERS')
COMPENSATION RATING AND INSPECTION)
BUREAU OF MASSACHUSETTS FOR APPROVAL)
OF A GENERAL RATE REVISION TO BE)
EFFECTIVE ON AND AFTER SEPTEMBER 1, 2005)

**STIPULATION WITH RESPECT TO RATES,
CLASSIFICATIONS AND RATING PLANS FOR 2005**

In order to avoid further hearings, delay, and uncertainty for insureds and insurers, and to permit orderly implementation of new workers' compensation insurance rates effective on and after September 1, 2005, but without in any way admitting or agreeing to any substantive position taken by any other party, the Workers' Compensation Rating and Inspection Bureau of Massachusetts ("WCRB"), the Office of the Attorney General ("AG") and the State Rating Bureau ("SRB") stipulate as follows, with respect only to the pending filing by the WCRB for a general revision of rates:

1. No party will object to or appeal from approval by the Commissioner of Insurance ("Commissioner") of the WCRB's general rate filing dated March 1, 2005 (the "WCRB Filing"), subject to the condition that the overall average change in the existing workers' compensation average rates, to be effective on and after September 1, 2005, shall be a reduction of 3.0% (rather than an increase of 1.0%), and subject to the other conditions set forth in this Stipulation.

a. In calculating the average rates, the WCRB shall "cap" the rate level change for each rating classification on a revenue neutral basis and as shown in the revision of

Section X-I, Exhibit 1 attached to this Stipulation as Exhibit A, but otherwise in the manner shown in Section X of the WCRB Filing.

b. The Expected Loss Rates to be used in the Experience Rating Plan for new and renewal policies effective on and after September 1, 2005 shall be calculated by applying the Ratios of Experience Rating ELR to Average Rate shown in the revision of Section XI-B, Exhibit 1 attached to this Stipulation as Exhibit B, multiplied by the average rates by class produced by this Stipulation.

c. In calculating the D-Ratios to be used in the Experience Rating Plan for new and renewal policies effective on and after September 1, 2005, the WCRB shall use the Partial D-Ratios shown in the revision of Section XI-C, Exhibit 1, page 1 attached to this Stipulation as Exhibit C and the Loss Elimination Ratios shown in the revision of Section XI-B, Exhibit 2 attached to this Stipulation as Exhibit D, but otherwise in the manner shown in Section X of the WCRB Filing.

d. The Tables of Expense Ratios for Retrospective Rating shown in Section IX-D of the WCRB Filing shall be revised as shown on Exhibit E attached to this Stipulation. The Tax Multiplier, Expected Loss Ratios and Loss Conversion Factors used for Retrospective Rating shall be as shown on Exhibit E attached to this Stipulation.


These revised rates, classifications, rating programs, rating plans, rating factors and rating values shall apply to new and renewal policies effective on and after September 1, 2005, including all such policies in the Massachusetts Workers' Compensation Assigned Risk Pool.

2. The WCRB, AG and SRB agree that this Stipulation will have no precedential value and will not be relevant in future hearings on any line of insurance and that they will not attempt to introduce it (or the decision adopting it) as evidence or to rely on it (or the decision

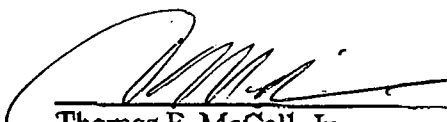
adopting it) for any purpose in future hearings, provided that the Stipulation may be considered in any future hearing with respect to the implementation of this Stipulation, but only on the issue of the implementation of this Stipulation. The WCRB, AG and SRB each acknowledge that this Stipulation does not imply approval or disapproval by either party of any particular ratemaking methodology or projection. Each party reserves the right to contest in future hearings all aspects of rate-setting resolved for present purposes only by this Stipulation.

3. Each party enters into this Stipulation upon the condition that it is approved by the Commissioner, in its entirety, on the record of this hearing no later than June 3, 2005. If the Commissioner does not approve this Stipulation in its entirety on or before June 3, 2005, this Stipulation shall be null and void and shall not be relied upon by any party, or by the Commissioner, for any purpose whatsoever.

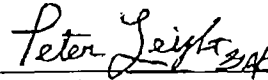
4. If any person not a party to this Stipulation successfully challenges the Commissioner's approval of this Stipulation and the Commissioner's approval is suspended, set aside or otherwise rendered ineffective, this Stipulation shall be null and void and shall not be relied upon by any party, or by the Commissioner, for any purpose.



Scott F. Lewis
PALMER & DODGE LLP
111 Huntington Avenue
Boston, MA 02199
(617) 239-0100
For the WCRB



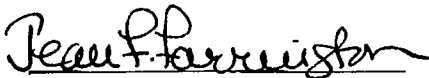
Thomas F. McCall, Jr.
STATE RATING BUREAU
Division of Insurance
One South Station
Boston, MA 02210
(617) 521-7375
For the SRB



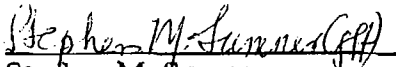
Peter Leight
Assistant Attorney General
Commonwealth of Massachusetts
ATTORNEY GENERAL'S OFFICE
One Ashburton Place
Boston, MA 02108
(617) 727-2200
For the AG

Dated: May 18, 2005

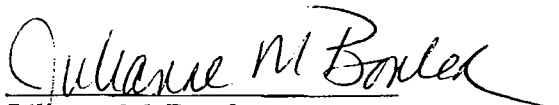
APPROVED:



Jean F. Farrington
Hearing Officer



Stephen M. Sumner
Hearing Officer



Julianne M. Bowler
Commissioner of Insurance
Division of Insurance

Dated: