



**THE WORKERS' COMPENSATION  
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**

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**CIRCULAR LETTER NO. 1525**

**To All Members and Subscribers of the Bureau:**

Questions and Answers  
Merit Rating - Experience Rating Plan

Supplementing Circular Letter No. 1517 dated January 2, 1990, attached are a series of Questions and Answers relative to the new Merit Rating Program which became effective in Massachusetts on January 1, 1990.

Sample Premium Calculation For Risk Subject To Merit Rating Adjustment EXHIBIT 1 should be used as a guide in place of EXHIBIT 2 which was attached to Circular Letter No. 1517.

EXHIBIT 2 contains Questions and Answers developed in response to inquiries received as the result of the distribution of Circular Letter No. 1517.

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Vice President

NRF/jd

Attachment

**Sample Premium Calculation For Risk  
Subject to Merit Rating Adjustment**

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
Store Risks - Retail NOC	8017	5	92,000	2.55	2,346
Clerical Office Employees NOC	8810	1	15,000	0.39	59
Salesperson, Collectors or Messengers - Outside	8742				
Drivers, NOC	7380				
Employers Liability / /					
Total Premium					2,405
[1] Merit Rating Adjustment (1.05)					120
Standard Premium					2,525
Expense Constant					155
Total Estimated Annual Premium					2,680
Mass. D.I.A. Assessment (1.2%) of Standard Premium					30
Total of Estimated Annual Premium and Mass. D.I.A. Assessment					2,710

1. Available from Bureau.

Merit Rating Program

1. Does Standard Premium include the Merit Rating credit/debit premium?

Yes. The Merit Rating Adjustment is applied to the Total Premium. The resultant premium, if a debit or credit, is added to or subtracted from the total premium. This becomes the Standard Premium. (EXHIBIT 1).

2. On voluntary business, do companies keep the premium generated by a Merit Rating debit, or return to the insured the premium generated by a Merit Rating credit?

Yes, in either case.

3. On assigned risk business, should the servicing carrier allowance percentage and the producer fee percentage be calculated on the Merit Rating debit/credit premium?

Yes, since it is part of the Standard Premium.

4. Should the Massachusetts D.I.A. Assessment be applied to the Merit Rating debit/credit premium?

Yes. The Massachusetts D.I.A. Assessment is applied to Standard Premium which includes any Merit Rating debit/credit premium.

5. Are the following elements included/excluded in the determination of the Merit Rating debit/credit premium?

- a. Loss Constant?

Excluded.

- b. Expense Constant?

Excluded.

- c. The policy minimum premium?

Excluded. The Merit Rating Adjustment Premium is applied to premium prior to comparing to policy minimum premium.

- d. The minimum premium for coverage under the Admiralty Law and the Federal Employers' Liability Act?

Excluded.

- e. Premium under the National Defense Projects Rating Plan?  
Excluded.
- f. The seat surcharge premium for Aircraft Operation - Code 7421?  
Excluded.
- g. Premium under the Atomic Energy classifications - Code 9984 and 9985?  
Excluded.
- h. Premium developed under Three Year Fixed Rate policies?  
Excluded.
- i. The non-ratable elements of the manual rates for those classifications enumerated in the Table of Classifications?  
Excluded.
- j. Employers Liability Increased Limits Premium?  
Included.
- k. "F" classes premium?  
Included.

6. We understand that the Merit Rating debit/credit Factor is developed on an intrastate basis using Massachusetts experience only.

What is the process when a multi-state risk with Massachusetts exposure subject to Merit Rating is interstate rated?

The Interstate Rating Dept. - NCCI will issue the normal interstate Experience Rating Calculation Sheet to the present carrier with an interstate experience rating modification which includes Massachusetts experience, with no change in current procedures.

Merit Rating doesn't apply with respect to an interstate rated risk.

7. Is the Merit Rating debit/credit premium subject to premium tax?

Yes.

8. Will the policy number of the present carrier be shown on future Merit Rating Calculation sheets?

Yes, beginning with February, 1990 Merit Rating Calculation sheets being sent to carriers.

9. If a company received a Merit Rating Calculation showing that the Merit Rating Adjustment is "None", should any indication of this be shown on the Information Page?

Yes. Show Merit Rating Adjustment Factor (1.00).

10. What are the Statistical Codes that apply to the Merit Rating debit/credit premiums.

Credit - 9885

Debit - 9886

The Bureau will issue a Statistical Circular shortly illustrating how Merit Rating debit/credit premiums are to be shown on the Unit Statistical Card.