



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**
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July 2, 1993

CIRCULAR LETTER NO. 1641

To All Members and Subscribers of the Bureau:

QUALIFIED LOSS MANAGEMENT PROGRAM
Revised 4/93

Reference is made to CIRCULAR LETTER NO. 1622 dated January 14, 1993 to which was attached a complete Qualified Loss Management Program, Revised 1/93

The Division of Insurance has approved the following revision to this Program effective January 1, 1993.

On Page 1 of the Filing Memorandum, the second paragraph under the Effective Date section is revised as follows:

"Policyholders, including those policyholders subject to the Massachusetts Assigned Risk Rating Plan (MARRP), whose policies are effective on and after 12:01 A.M., January 1, 1993, who, while in the Pool, become credit eligible and subsequently move to the voluntary market, shall, if insured under a guaranteed cost plan, remain subject to the rules of the Program and shall be entitled to receive whatever credit eligible policyholders on such plan in the Pool may receive; provided, however, that the combined period of assigned risk pool and voluntary market credit eligibility shall not exceed thirty-six months. Policyholders who, while in the Pool, immediately qualify for the application of a policy credit to deposit premium as provided by MARRP shall not be considered credit eligible unless they have actually participated in the QLMP for a period of not less than six months before moving to the voluntary market."

Attached is a replacement Page 1 containing this revision which has been highlighted with an asterisk.

NORMAN R. FONTAINE
Vice President of Industry Affairs

NRF/pw/135
Attachment

FILING MEMORANDUM

QUALIFIED LOSS MANAGEMENT PROGRAM

REVISED 4/93

EFFECTIVE DATE:

This Program applies to new and renewal business written under the Massachusetts Workers' Compensation Assigned Risk Pool on and after 12:01 A.M., November 1, 1990.

* Policyholders, including those policyholders subject to the Massachusetts Assigned Risk Rating Plan (MARRP), whose policies are effective on and after 12:01 A.M., January 1, 1993, who, while in the Pool, become credit eligible and subsequently move to the voluntary market, shall, if insured under a guaranteed cost plan, remain subject to the rules of the Program and shall be entitled to receive whatever credit eligible policyholders on such plan in the Pool may receive; provided, however, that the combined period of assigned risk pool and voluntary market credit eligibility shall not exceed thirty-six months. Policyholders who, while in the Pool, immediately qualify for the application of a policy credit to deposit premium as provided by MARRP shall not be considered credit eligible unless they have actually participated in the QLMP for a period of not less than six months before moving to the voluntary market.

All new and renewal policies effective on and after 12:01 A.M., January 1, 1993, shall be subject to a maximum credit of 15% pursuant to Section 3.b.

PURPOSE:

This Program applies a prospective credit to the premium of an assigned risk insured who subscribes to a qualified loss management program. The prospective credit is given for a period of up to three (3) policy years, provided the insured remains in the Program for a corresponding period of time.

BACKGROUND:

A number of loss management firms have demonstrated an ability to significantly reduce workers' compensation losses for their client companies by implementing a loss control management program. Through the application of the experience rating plan, companies with improved experience are able to realize sizeable reductions in premium. However, because the experience rating plan requires three (3) years of experience and the evaluation of data six (6) months after expiration of the third policy year, such improved experience is not reflected in the premium charges for a considerable length of time. Utilization of this Program can impact a subscribing employer's premium charges as early as the inception date of the first of three annual policy periods during which the subscribing employer completes a minimum of six (6) months participation in the Program. The appropriate credits are applied to the premiums for these three (3) annual policy periods, at the conclusion of which, the credits then end and the subscribing employer enters into an experience rating period with anticipated improved experience.