

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

February 16, 1995

CIRCULAR LETTER NO. 1707

To All Members and Subscribers of the Bureau:

GENERAL REVISION OF RATES

**EFFECTIVE JANUARY 1, 1995
APPLICABLE TO NEW AND RENEWAL BUSINESS**

The Commissioner of Insurance has approved a general revision of workers' compensation rates, effective 12:01 A.M., January 1, 1995, applicable to new and renewal policies. The approval includes:

1. RATE LEVEL DECREASE OF 16.5%

An overall average decrease of 16.5% in the existing workers' compensation average rates.

2. EXPERIENCE RATING PLAN CHANGES

The Experience Rating Plan Expected Loss Rates and D-Ratios have been revised. The other Experience Rating Plan values remain the same. The State Per Claim Accident Limitation and the State Multiple Claim Accident Limitation remain unchanged.

3. LOSS CONSTANTS

Current loss constants of either \$10 or \$40 will each be increased by \$10.

4. REVISED RATES AND RATING VALUES FOR "F" CLASSES

An approximate increase of 2.5% in standard earned premium, exclusive of Expense Constants, for "F" Classes.

REVISION OF THE U.S.L. & H.W. COMPENSATION COVERAGE PERCENTAGE

The revised "Non-F" Coverage Percentage is 1.384.

NEW FEDERAL TAX MULTIPLIER

A new Federal Tax Multiplier of 1.170 to be used in retrospective rating.

5. NO CHANGES IN THE FOLLOWING:

- A. Retrospective Rating Plan Parameters
- B. Expense Constants
- C. Table of Specific Disease Elements
- D. Manual rates for the Admiralty Law and Federal Employers' Liability Act classifications
- E. All Risk Adjustment Program (ARAP)
- F. Take-Out Credit Program
- G. Qualified Loss Management Program (QLMP)

Attached in this regard are DECISION, FINDINGS & ORDER CONCERNING THE FILING OF THE WORKERS' COMPENSATION RATING AND INSPECTION BUREAU FOR PROPOSED WORKERS' COMPENSATION AND INSURANCE RATES TO BE EFFECTIVE ON AND AFTER JANUARY 1, 1995, Docket Number R94-19, Issued: February 15, 1995, and two "Side Letter Agreements," and follow-up letter, dealing with the Bureau's Filings on F-Class Rates and Loss Constants.

Experience ratings, and ARAP factors, issued to be effective during January, February, and March 1995 will be reissued using the new Expected Loss Rates and D-Ratios.

The new rates will be made available shortly. When the new rates, experience ratings, and ARAP factors are received, carriers should no longer attach Massachusetts Pending Premium Change Endorsement WC 20 04 01 to policies effective on and after January 1, 1995.

NORMAN R. FONTAINE
Vice President of Industry Affairs

NRF/dc 1505
Attachments



THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE OFFICE OF CONSUMER AFFAIRS

DIVISION OF INSURANCE

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PRISCILLA H. DOUGLAS

SECRETARY

LINDA RUTHARDT

COMMISSIONER

**DECISION, FINDINGS & ORDER CONCERNING THE FILING
OF THE WORKERS' COMPENSATION RATING AND INSPECTION BUREAU
FOR PROPOSED WORKERS' COMPENSATION AND INSURANCE
RATES TO BE EFFECTIVE ON AND AFTER JANUARY 1, 1995**

Issued: February 15, 1995

Docket Number R94-19

APPEARANCES

Scott P. Lewis, Esq.
Acheson H. Callaghan, Esq.
Palmer & Dodge
One Beacon Street
Boston, MA. 02108
for: The Workers' Compensation Rating and
Inspection Bureau
Petitioner

Craig T. Spratt, Esq.
Stephen J. D'Amato, Esq.
State Rating Bureau
470 Atlantic Avenue
Boston, MA 02210-2223
for: The State Rating Bureau
Division of Insurance
Intervenor

Matthew Chale, Executive Director
Workers' Compensation Advisory Council
600 Washington Street
Boston, MA 02111

On December 5, 1994 the Workers' Compensation Rating and Inspection Bureau of Massachusetts ("WCRB") filed with the Division of Insurance ("Division") a request for an average statewide decrease of 10.4 percent in workers' compensation insurance premiums, to be effective January 1, 1995 ("WCRB filing" or "filing") (Exhibit 2). The WCRB is a rating organization licensed pursuant to General Laws c. 152, §52C. Its membership consists of approximately one hundred private insurance companies which provide workers' compensation insurance in Massachusetts. The last decision on general rates for workers' compensation insurance was effective January 1, 1994 and approved a stipulated statewide average rate decrease of 10.2 percent. On December 5, 1994 the State Rating Bureau ("SRB") submitted to the Division a request for reconsideration of two rating plans, the All Risk Adjustment Program ("ARAP") and the Qualified Loss Management Program ("QLMP").

Pursuant to G. L. c. 152, §53A, the Commissioner of Insurance ("Commissioner") is required to conduct a hearing to determine whether the classifications and rates proposed are "not excessive, inadequate, unfairly discriminatory to the risks to which they respectively apply and that they fall within a range of reasonableness." By notice issued December 6, 1994, hearing on this rate filing and on the SRB's proposal was set for December 30, 1994.

A public hearing was held at the offices of the Division on December 30, 1994 to afford interested persons an opportunity to be heard on the WCRB's filing and to present testimony on workers' compensation rates. Commissioner Ruthardt and Susan G. Anderson, Jean F. Farrington and Sharon S. Kamowitz presided. The SRB was represented by Stephen J. D'Amato, Esq. and Craig T. Spratt, Esq. The WCRB was represented by Acheson H. Callaghan, Esq. and Scott P. Lewis, Esq. of the firm of Palmer and Dodge. Following the public hearing, the parties participated in a prehearing conference. A second prehearing conference was held on January 4, 1995.

Although hearings were scheduled to begin on January 18, 1995, they were postponed at the request of the parties. At the start of the hearing, on January 26, 1995, the Workers' Compensation Advisory Council made a statement and submitted an analysis of the filing performed for it by a consulting actuary. Cross-examination of the WCRB's witnesses began on January 26, 1995 and continued on January 30, 31, and February 1. The following week, as a result of continuing settlement discussions, the hearing process was suspended.

On February 14, 1995 the SRB and the WCRB advised the Commissioner that they had reached an agreement on the issues presented in this case and submitted a Stipulation with Respect to Rates, Classifications and Rating Plans for 1995 (the "Stipulation") for her approval. The Stipulation, marked as Exhibit 7, is attached to, and incorporated into this decision. The Stipulation provides, first, that neither the WCRB nor the SRB will object to or appeal from the Commissioner's approval of the WCRB's filing, subject to the condition that the overall average decrease in the existing workers' compensation average rates, to be effective on and after January 1, 1995, shall be 16.5 percent, and subject to the other conditions set forth in the Stipulation.

The Stipulation further provides that in calculating the average rates, the WCRB shall "cap" the rate level change for each rating classification as shown in the revision of Section X-G, Exhibit 2 of the filing, a copy of which is attached to this Stipulation as Exhibit A. Otherwise, rate level changes for each rating calculation will be calculated in the manner shown in Section X-G of the filing.

The Stipulation also addressed offsets to be used in calculating the final manual rates. The WCRB shall use an offset for Merit Rating and ARAP of 1.0555; an offset, for eligible classes, of .98 for the Construction Classification Premium Adjustment; and offsets, as shown in the WCRB filing, for the increase in the Executive Officers' Payroll Cap and for the Insolvency Fund, all in the manner shown in Section X-R of the filing.

The WCRB agrees, in the Stipulation, to withdraw, without prejudice, its proposal to implement a Residual Market Surcharge. No offset shall be made for such a surcharge. A revision of Section X-R, Exhibit 1, of the filing is attached to the Stipulation as Exhibit B. The SRB agrees to withdraw, also without prejudice, its proposals to eliminate ARAP and to modify the QLMP.


Finally, the Stipulation provides that minimum premiums shall be computed in the manner shown in the filing, consistent with the manual rates and rating values determined in accordance with this Stipulation. The Expected Loss Rates and D-Ratios to be used in the Experience Rating Plan for new and renewal policies effective on and after January 1, 1995 shall be as shown on page 1332 through 1341 of the filing. If approved, the Stipulation shall effect no other changes in the existing rates, classifications, rating programs, rating plans, rating factors or rating values except as specifically set forth in this

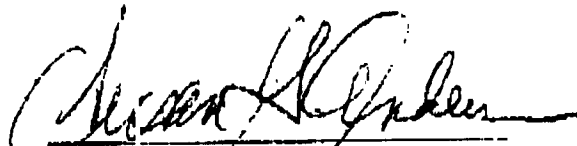
Stipulation. The Stipulation provides that these revised manual rates, classifications, rating program, rating factors or rating values shall apply to new and renewal policies effective on and after January 1, 1995.


ORDER

In conclusion, based on the record in this proceeding, we find that the stipulated rates, classifications and rating plans fall within a range of reasonableness, and are not excessive, inadequate, or unfairly discriminatory for the risks to which they respectively apply. Specifically, after reviewing the parties' Stipulation and the record of this proceeding, we find that the filing provides adequate support for the stipulated rate decrease to be effective January 1, 1995, and that, subject to the conditions of the Stipulation, the WCRB's filing complies with the requirements of G.L. c. 152, §53A. We therefore approve the Stipulation in its entirety, and the WCRB's filing, subject to the terms and condition of the Stipulation, to be effective on and after January 1, 1995.

February 15, 1995


Linda Kathardt
Commissioner of Insurance


Susan G. Anderson, Esq.
Chief Hearing Officer
Presiding Officer


Jean F. Farrington, Esq.
Presiding Officer


Sharot S. Kamowitz, Esq.
Presiding Officer

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF INSURANCE

Docket No. R94-19

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 JANUARY 1, 1995.)

STIPULATION WITH RESPECT TO RATES,
CLASSIFICATIONS AND RATING PLANS FOR 1995

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 January 1, 1995, but without in any way admitting or agreeing to any substantive position taken by the other party, the Workers' Compensation Rating and Inspection Bureau of Massachusetts ("WCRB") and the State Rating Bureau ("SRB") stipulate as follows:

1. Neither the WCRB nor the SRB will object to or appeal from approval by the Commissioner of Insurance ("Commissioner") of the WCRB's general rate filing dated December 5, 1994 (the "WCRB Filing"), subject to the condition that the overall average decrease in the existing workers' compensation average rates, to be effective on and after January 1, 1995, shall be 16.5%, and subject to the other conditions set forth in this Stipulation. In calculating the average rates, the WCRB shall "cap" the rate level change for each rating classification as shown in the revision

of Section X-G, Exhibit 2 attached to this Stipulation as Exhibit A, but otherwise in the manner shown in Section X-G of the WCRB Filing. In calculating the final manual rates, the WCRB shall also use an offset for Merit Rating and ARAP of 1.0555, the offset for the increase in the Executive Officer's Payroll Cap shown in the WCRB filing, an offset (for eligible classes) of .98 for the Construction Classification Premium Adjustment, and the offset for the Insolvency Fund shown in the WCRB Filing, all in the manner shown in Section X-R of the WCRB Filing. The WCRB shall withdraw, without prejudice, its proposal to implement a Residual Market Surcharge, and no offset shall be made for such a Surcharge. A revision of Section X-R, Exhibit 1, reflecting this Stipulation, is attached as Exhibit B. The SRB shall withdraw, without prejudice, its proposals to eliminate ARAP and modify the QLMP. Minimum premiums shall be computed in the manner shown in the WCRB's Filing, consistent with the manual rates and rating values determined in accordance with this Stipulation. The Expected Loss Rates and D-Ratios to be used in the Experience Rating Plan for new and renewal policies effective on and after January 1, 1995 shall be as shown on pages 1332 through 1341 of the WCRB's Filing. This Stipulation, when and if approved by the Commissioner, shall itself effect no other changes in the existing rates, classifications, rating programs, rating plans, rating factors or rating values except as specifically set forth in this Stipulation.

These revised rates, classifications, rating programs, rating plans, rating factors or rating values shall apply to new and renewal policies effective on and after January 1, 1995.

2. The WCRB and the SRB agree that this Stipulation will have no precedential value and will not be relevant in future hearings on any line of insurance

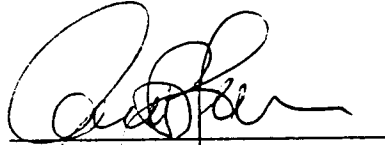
and that they will not attempt to introduce it (or the decision adopting it) as evidence or to rely on it (or the decision adopting it) for any purpose in future hearings, provided that the Stipulation may be considered in any future hearing with respect to the implementation of this Stipulation, but only on the issue of the implementation of this Stipulation. The WCRB and the 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 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 February 17, 1995. If the Commissioner does not approve this Stipulation in its entirety by February 17, 1995, 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, the WCRB may immediately make a filing of revised rates, classifications or rating plans, and if it does, this

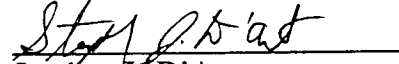
Stipulation shall be null and void and shall not be relied upon by any party, or by the
Commissioner, for any purpose.

WORKERS' COMPENSATION
RATING AND INSPECTION
BUREAU OF MASSACHUSETTS
By its attorneys,



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PALMER & DODGE
One Beacon Street
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STATE RATING BUREAU
By its attorneys,



Stephen J. D'Amato
STATE RATING BUREAU
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(617) 521-7334

Dated: February 14, 1995

Exhibit A

**Massachusetts Workers' Compensation
Classification Pricing
Effective 1/1/95**

Calculation of Industry Group Rate Change and Limits

		Industry Group				
		<u>Manufacturing</u>	<u>Construction</u>	<u>Office and Clerical</u>	<u>Goods and Services</u>	<u>Miscellaneous</u>
(1)	Industry Group Differentials	0.9829	1.0104	1.0881	1.0138	0.9068
(2)	Experience and Law Change	-16.5%	-16.5%	-16.5%	-16.5%	-16.5%
(3)	Required Rate Change {(1)X-[1.00+(2)]}-1.00	-17.9%	-15.6%	-9.1%	-15.3%	-24.3%
(4)	Law Effect	1.0%	1.0%	1.0%	1.0%	1.0%
(5)	Experience Change {[1.00+(2)]/[1.00+(4)]}-1.00	-17.3%	-17.3%	-17.3%	-17.3%	-17.3%
(6)	Experience Change by Group {[(1)X[1.00+(5)]}-1.00	-18.7%	-16.4%	-10.0%	-16.2%	-25.0%
(7)	1/2 Experience Change (6) / 2.00	-9.4%	-8.2%	-5.0%	-8.1%	-12.5%
(8)	Maximum Rate Change (4) + (6) + 20.0%	2.3%	4.6%	11.0%	4.8%	-4.0%
(9)	Minimum Rate Change (4) + (7) - 20.0%	-28.4%	-27.2%	-24.0%	-27.1%	-31.5%

In addition the increase in average rates for any class is limited to \$15.00 and no average rate shall exceed \$90.00 per \$100.00 of payroll.

EXHIBIT B

1496
Section X - Classification Pricing
Subsection R - Adjustments to Derive Final Manual Rates
1/1/95

Revised
Section X-R
Exhibit 1
Page 1

MASSACHUSETTS WORKERS' COMPENSATION
CLASSIFICATION PRICING
CALCULATION OF PROPOSED MANUAL RATES

The proposed manual rates in Section X-S are derived from the proposed average capped rates in Section X-Q as follows:

Proposed Manual Rate =

$$\frac{\text{Proposed Average Rate}}{(\text{Factor 1} \times \text{Factor 2} \times \text{Factor 3})} + (\text{Current Average Rate} \times \text{Factor 4})$$

Where for each classification:

Factor 1	=	1.0555 = The offset for Merit Rating and ARAP.
Factor 2	=	The offset for the increase in the Executive Officer's Payroll Cap (See Exhibit 3 of Section X-R, WCRB filing for 1/1/95 Rates).
Factor 3	=	.98 for eligible classes the offset for the Construction Classification Premium Adjustment Program (For classifications not eligible for this program, Factor 3 = 1.000).
Factor 4	=	-.001 = the -.1% loading from the filing for recoupment of amounts paid to the Insolvency Fund.

PALMER & DODGE

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Telephone: (617) 573-0100
Facsimile: (617) 227-4420

February 14, 1995

Stephen J. D'Amato, Esq.
State Rating Bureau
Division of Insurance
470 Atlantic Avenue
Boston, MA 02210-2208

Re: WCRB's Filing on F-Class Rates

Dear Steve:

This letter confirms the agreement between the WCRB and the SRB that they will not object to or appeal from the Commissioner's approval of the WCRB's August 12, 1994 Filing for a Revision of Federal Class ("F-Class") Rates (the "WCRB's F-Class Filing"), effective as of January 1, 1995, subject only to the condition that the increase in rates to be approved shall be 2.5% across the board. The F-Class rates shall otherwise be calculated in the manner set forth in the WCRB's F-Class Filing.

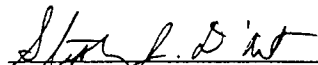
The WCRB and the SRB further agree (a) that the Commissioner should rescind her letter of February 7, which states that she has disapproved the WCRB's F-Class Filing, and (b) that they jointly recommend that the Commissioner promptly approve the WCRB's F-Class Filing subject to the condition stated in this letter.

Please sign the enclosed copy of this letter and return it to me to confirm the SRB's agreement. Thank you very much.

Very truly yours,


Scott P. Lewis

SPL/s


Stephen J. D'Amato

PALMER & DODGE

One Beacon Street
Boston, Massachusetts 02108

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February 14, 1995

Stephen J. D'Amato, Esq.
State Rating Bureau
Division of Insurance
470 Atlantic Avenue
Boston, MA 02210-2208

Re: WCRB's Filing on Loss Constants

Dear Steve:

This letter confirms the agreement between the WCRB and the SRB that they will not object to or appeal from the Commissioner's approval of the WCRB's April 19, 1994 Filing on Loss Constants (the "WCRB's Loss Constants Filing"), effective as of January 1, 1995, subject only to the following conditions:

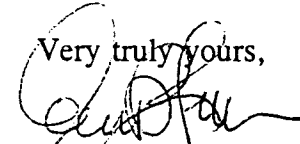
1. Insureds who would not currently be billed for a loss constant will not be billed for a loss constant as a result of the approval of the WCRB's Loss Constants Filing.
2. Insureds who would otherwise currently be billed for loss constants of either \$10 or \$40 will each receive a \$10 increase in their bills for loss constants.

The WCRB and the SRB further agree that they jointly recommend that the Commissioner promptly approve the WCRB's Loss Constants Filing subject to the conditions stated in this letter.

Stephen J. D'Amato, Esq.
February 14, 1995
Page 2

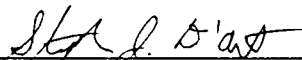
Please sign the enclosed copy of this letter and return it to me to confirm the SRB's agreement. Thank you very much.

Very truly yours,



Scott P. Lewis

SPL/s



Stephen J. D'Amato

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February 15, 1995

MESSENGER DELIVERY

Stephen J. D'Amato, Esq.
State Rating Bureau
Division of Insurance
470 Atlantic Avenue
Boston, MA 02210-2208

Re: WCRB's Filings on F-Class Rates and Loss Constants

Dear Steve:

Yesterday, we confirmed agreements between the WCRB and the SRB with respect to the approval of the WCRB's pending Filings on F-Class Rates and Loss Constants. This letter simply confirms, as we discussed this morning (a) that the Commissioner's approval of these two filings "as of January 1, 1995" means that the approved changes in F-Class Rates and Loss Constants will apply to new and renewal policies effective on and after January 1, 1995; and (b) that our agreements with respect to those two filings will have no precedential value and will not be relevant in future hearings in the same way that our Stipulation on 1995 Rates is of no precedential significance (see Stipulation, ¶ 2).

Very truly yours,



Scott P. Lewis

SPL/s