



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

May 23, 2002

CIRCULAR LETTER NO. 1893

To All Members and Subscribers of the Bureau:

**REVISIONS TO THE MASSACHUSETTS SPECIFIC RULES OF THE EXPERIENCE
RATING PLAN MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS
LIABILITY INSURANCE**

The Division of Insurance has approved the above captioned Item, which provides that certain claims directly attributable to the terrorist acts of September 11, 2001 be excluded from both the Experience Rating and All Risk Adjustment Program calculations. The claims are identified by catastrophe Code 48 as reported on the unit statistical reports. **The amendments to the plan shall be applicable to all experience modifications calculated on or after June 1, 2002.**

The attached March 7, 2002 Filing Memorandum indicates the Purpose, Background, Proposal, Impact and Implementation of this Item. Also attached is an *example* of the revised Massachusetts Specific Rules of the Experience Rating Plan Manual for Workers' Compensation and Employers Liability Insurance Manual pages (Exhibit A) and a copy of Massachusetts Workers' Compensation Statistical Plan Manual; Section VII Loss Data, page 22 (Exhibit B).

Revised Manual pages reflecting the changes necessitated by approval of this Item will be distributed in due course. The Internet-based versions of the affected Massachusetts State Exception Pages, accessible at www.wcribma.org and www.ncci.com, will be updated as soon as possible.

Daniel M. Crowley
Manager - Customer Services

DC/aa/dc
Attachment

FILING MEMORANDUM

PROPOSED REVISIONS TO THE MASSACHUSETTS SPECIFIC RULES OF THE EXPERIENCE RATING PLAN MANUAL FOR WORKERS' COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

Filed March 7, 2002

Effective June 1, 2002

Purpose

The purpose of this filing is to propose that the certain claims directly attributable to the terrorist acts of September 11, 2001, be excluded from both the Experience Rating and All Risk Adjustment Program calculations. The claims are identified by catastrophe code 48 as reported on the unit statistical reports.

Background

The object of the Workers' Compensation Experience Rating Plan is to recognize differences between individual insureds by comparing the experience on an individual insured with the average insured in the same classification. The individual loss record of an insured is used to calculate an experience rating modification, which may increase or decrease premium. Massachusetts also has an All Risk Adjustment Program (ARAP), which applies an additional surcharge to risks with a record of losses greater than expected under the Experience Rating Plan.

The Experience Rating Plan contains claim and accident limitations to mitigate any adverse impact that a single occurrence might otherwise have on an employer's premium. However, because the claims arising from the September 11th attacks resulted from unprecedented and extraordinary events, the inclusion of those claims in an employer's experience rating calculation would result in a modification that does not depict the employer's true loss potential.

Proposal

Claims directly attributable to the terrorist attacks and reported under catastrophe code 48 be excluded from experience rating and ARAP calculations. Catastrophe code 48 applies to claims directly attributable to the terrorist attacks of September 11, 2001 that have accident dates of September 11, 2001 through September 14, 2001.

Experience Rating Modification Effective Dates

The earliest policy effective date that could contain September 11, 2001 accidents is August 27, 2000. A policy effective on that date is valued in February of 2002. Experience rating modifications effective on and after June 1, 2002 may use data valued in February 2002.

The last policy effective date that could contain a claim coded with catastrophe code 48 is September 14, 2001. The last experience rating modification effective date that could use September 2001 effective data is May 31, 2006.

EXHIBIT A - Proposed Rule Changes

**PROPOSED REVISIONS TO THE MASSACHUSETTS SPECIFIC RULES OF THE
EXPERIENCE RATING PLAN MANUAL FOR WORKERS' COMPENSATION AND
EMPLOYERS LIABILITY INSURANCE**

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Effective June 1, 2002

**Experience Rating Plan Manual for Workers' Compensation and Employers
Liability Insurance**

Page Identification	Current Rule	Proposed Rule
<p>Part Two D2 Losses - Page 6</p>	<p>The incurred losses in the experience period are those reported in accordance with the Statistical Plan Manual. No loss shall be excluded from the experience of a risk on the ground that the employer was not responsible for the accident that caused such loss.</p> <p>For purposes of this Plan, losses incurred under a state workers' compensation law, the United States Longshore and Harbor Workers' Act, and Employers Liability Coverage shall be subject to the respective accident limitations shown in the Tables of Weighting and Ballast Values.</p>	<p>The incurred losses in the experience period are those reported in accordance with the Statistical Plan Manual. No loss shall be excluded from the experience of a risk on the ground that the employer was not responsible for the accident that caused such loss.</p> <p>Exception: Losses reported with catastrophe code 48 will be excluded from experience rating calculations. Catastrophe code 48 claims include all workers' compensation claims directly attributable to the September 11, 2001 terrorist attacks with accident dates of September 11 through September 14, 2001. This rule applies to experience modifications with anniversary rating dates of June 01, 2002 through May 31, 2006.</p> <p>Refer to the Massachusetts Workers' Compensation Statistical Plan for definition of losses included under catastrophe code 48.</p> <p>For purposes of this Plan, losses incurred under a state workers' compensation law, the United States Longshore and Harbor Workers' Act, and Employers Liability Coverage shall be subject to the respective accident limitations shown in the Tables of Weighting and Ballast Values.</p>

EXHIBIT A - Proposed Rule Changes

**PROPOSED REVISIONS TO THE MASSACHUSETTS SPECIFIC RULES OF THE
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Part Two A1 Operation of the Plan – Merit Rating Formula Page E1 item A1	The Merit Rating Program Adjustment factor for eligible risks is based on the number of lost-time claims over the most recent three policy years as follows: <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Number of <u>Lost-Time Claims</u></td> <td style="text-align: center;">Merit Rating <u>Adjustment</u></td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">5% Credit</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">None</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">5% Debit</td> </tr> </table>	Number of <u>Lost-Time Claims</u>	Merit Rating <u>Adjustment</u>	0	5% Credit	1	None	2	5% Debit	The Merit Rating Program Adjustment factor for eligible risks is based on the number of lost-time claims over the most recent three policy years as follows: <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Number of <u>Lost-Time Claims</u></td> <td style="text-align: center;">Merit Rating <u>Adjustment</u></td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">5% Credit</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">None</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">5% Debit</td> </tr> </table> <p>Exception: All claims reported with catastrophe code 48 shall be excluded from merit rating.</p>	Number of <u>Lost-Time Claims</u>	Merit Rating <u>Adjustment</u>	0	5% Credit	1	None	2	5% Debit
Number of <u>Lost-Time Claims</u>	Merit Rating <u>Adjustment</u>																	
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1	None																	
2	5% Debit																	
Part Two D4 Revisions of Losses		Add item g with the following text: g. Where a claim should have been reported with catastrophe code 48.																

EXHIBIT B

MASSACHUSETTS WORKERS' COMPENSATION
STATISTICAL PLAN

Section VII
LOSS DATA
Page 22

Effective: August 27, 2000
Distributed: January 2002
Part I – Unit Statistical Reporting

Catastrophe Code (Cat. No.)

- a. Characteristic: Numeric
- b. Length: 2
- c. Definition: A code that identifies any accident (one occurrence) resulting in two or more reported claims for a policy within a jurisdiction.
- d. Requirement: Report the 2-digit sequential number for claims of 2 or greater resulting from the same occurrence, covered by a single policy beginning with 01, 02, etc. (multiple claims second occurrence).

EXCEPTION:

Report catastrophe code 48 on claims directly attributable to the September 11, 2001 terrorist attacks that have accident dates of September 11, 2001 through September 14, 2001. Stress claims, respiratory claims, and claims attributable to recovery and clean-up efforts that have accident dates of September 11, 2001 through September 14, 2001 are also reported as catastrophe code 48. Any claims (including stress, respiratory, and recovery/clean-up claims) directly attributable to the September 11, 2001 terrorist attacks that have accident dates after September 14, 2001 are not reported as catastrophe code 48. Those claims shall be reported in accordance with the appropriate unit statistical reporting provisions of the Massachusetts Workers' Compensation Statistical Plan.

Note: catastrophe code 48 will apply to both single and multiple claims.

Catastrophe Code is not required on medical only claims or the claims grouped for reporting purposes, *except the medical only claims that qualify for catastrophe code "48". These claims must be grouped separately and reported with catastrophe code "48".*