



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

**April 21, 2006**

**CIRCULAR LETTER NO. 2020**

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

**TERRORISM RISK INSURANCE EXTENSION ACT OF 2005**

**REVISIONS TO THE MASSACHUSETTS WORKERS' COMPENSATION AND  
EMPLOYERS LIABILITY INSURANCE MANUAL AND THE MASSACHUSETTS  
WORKERS' COMPENSATION STATISTICAL PLAN**

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The Division of Insurance has approved revisions to certain pages of the Massachusetts Workers' Compensation and Employers Liability Insurance Manual and the Massachusetts Workers' Compensation Statistical Plan to include references to the Terrorism Risk Insurance Extension Act of 2005.

Attached is a copy of the Filing Memorandum dated February 15, 2006, which shows the current and revised wording of the affected manual pages.

The revised Massachusetts Workers' Compensation and Employers Liability Insurance Manual pages will be distributed in due course. The internet based versions of the revised manual pages, accessible at [www.wcribma.org](http://www.wcribma.org), will be updated as soon as possible.

**DANIEL M. CROWLEY, CPCU**  
Vice President – Customer Services

Attachment



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

February 15, 2006

The Honorable Julianne M. Bowler  
Commissioner of Insurance  
Division of Insurance  
One South Station  
Boston, MA 02110

**Re: Terrorism Risk Insurance Extension Act of 2005: Revisions to the Massachusetts Workers' Compensation and Employers Liability Insurance Manual and the Massachusetts Workers' Compensation Statistical Plan**

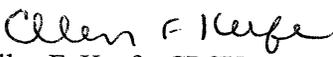
Dear Commissioner Bowler,

Enclosed for your approval is the Bureau's Filing Memorandum and Exhibits regarding revisions to the Massachusetts Workers' Compensation and Employers Liability Insurance Manual ("Manual") and the Massachusetts Workers' Compensation Statistical Plan ("Statistical Plan").

The purpose of this filing is to update relevant pages of the Manual and the Statistical Plan to include references to the Terrorism Risk Insurance Extension Act of 2005. We request your approval for use of these pages effective January 1, 2006.

Thank you for your attention to this matter. Please feel free to call me if you have any questions or concerns.

Sincerely,

  
Ellen F. Keefe, CPCU  
General Counsel

cc: Kevin Beagan, Deputy Commissioner  
Walter Horn, PhD, SRB  
Paul Meagher, President  
Robert McCarthy, Vice President/Actuary  
Daniel Crowley, Vice President  
Sheila Annis, Vice President  
Debra Jackson, Supervisor, Financial Data Services  
Aime Arsenault, Senior Classification Analyst  
Leah Karvelis, Supervisor, Statistical Data Services



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

**TERRORISM RISK INSURANCE EXTENSION ACT OF 2005:  
Revisions to the Massachusetts Workers' Compensation and Employers Liability  
Insurance Manual and the Massachusetts Workers' Compensation Statistical Plan**

**FILING MEMORANDUM**

**PURPOSE**

The purpose of this filing is to update relevant pages of the Massachusetts Workers' Compensation and Employers Liability Insurance Manual ("Manual") and the Massachusetts Workers' Compensation Statistical Plan ("Statistical Plan") to address the catastrophe provisions in the Terrorism Risk Insurance Extension Act of 2005.

**BACKGROUND**

The Terrorism Risk Insurance Act of 2002 ("TRIA 2002") was implemented as a result of the U.S. Congress recognizing that terrorism is a catastrophe exposure that is real and significant for insurers of workers' compensation and other lines of insurance. Filings were subsequently submitted to the Division of Insurance ("DOI") by the Bureau to implement TRIA 2002 and to provide miscellaneous rating values and policy forms for certified acts of terrorism or war.

TRIA 2002 was scheduled to expire on December 31, 2005. Terrorism catastrophe exposure continues to be significant for insurers of workers' compensation and other lines of insurance. As a result, Congress passed the Terrorism Risk Insurance Extension Act of 2005 ("Extension Act").

On January 24, 2006, the Division of Insurance ("DOI") approved the Bureau's January 23, 2006 filing to use NCCI's Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) and to withdraw the Endorsements contained in the TRIA 2002 related filings made by the Bureau on February 19, 2003 and September 7, 2004. The Bureau's January 23<sup>rd</sup> filing indicated that proposed updated Manual and Statistical Plan pages would be submitted to the DOI for approval.

**PROPOSAL**

The Bureau proposes that effective January 1, 2006, the DOI approve the changes to the Manual and Statistical Plan that are shown in bold and italics on the attached Exhibits B through H (Exhibit A is a Manual page that is not being revised).

## **IMPACT**

The primary purpose for the proposed changes is to update the Manual and Statistical Plan pages to include appropriate references to the Extension Act. There is no new impact to the Manual Rules or data reporting requirements other than to direct insurers to apply the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) to policies effective on or after January 1, 2006 and policies effective prior to January 1, 2006 that expire after December 31, 2006

There is no expected premium impact as a result of this filing. The Bureau is not requesting a change in the premium charge that was established in the Bureau's February 19, 2003 Filing and that became effective on February 20, 2003 under the "file and use" provisions of TRIA 2002. The premium charge will continue to be 0.03 as shown on the current Miscellaneous Values page of the Manual (Exhibit A).

## **IMPLEMENTATION**

The attached exhibits include the proposed changes necessary to implement this filing. Upon approval by the DOI, the Bureau will distribute new Manual and Statistical Plan pages.

**Exhibit A:** Not revised Manual Page RA-5: Miscellaneous Values.

**Exhibit B:** Revised Manual Page S-11: Massachusetts Special Program For Terrorism Risk Insurance Extension Act of 2005.

**Exhibit C:** Revised Manual Rules VI and VII.

**Exhibit D:** Revised Manual Rule XIV.

**Exhibit E:** Revised Terrorism Risk Insurance Extension Act of 2005 Data Reporting Requirements.

**Exhibit F:** Revised Statistical Plan page 12, Part 1, Section IV

**Exhibit G:** Revised Statistical Plan page 15, Part 1, Section IV

**Exhibit H:** Revised Statistical Plan page 9, Part 1, Section VI

Respectfully submitted,

*Ellen F. Keefe*  
Ellen F. Keefe, CPCU  
General Counsel  
The Workers' Compensation Rating  
And Inspection Bureau of Massachusetts  
101 Arch Street, 5<sup>th</sup> Floor  
Boston, MA 02110  
617-646-7553

Dated: February 15, 2006

ATTACHMENTS

**MISCELLANEOUS VALUES**

Basis of Premium applicable in accordance with the footnote instructions for Code 7370 - "Taxicab Co.":

Employee operated vehicles .....	\$71,666.00*
Leased or rented vehicles .....	\$47,777.00*

**Basis of Premium for Sole Proprietors and Partners of Legal Partnerships in accordance with Rule IX-B 3-a** ..... \$49,800.00\*

Terrorism Risk Insurance Act - Certified Loss:.....0.03

**BENEFITS DEDUCTIBLE COVERAGE PROGRAM**

<u>Medical and Indemnity Deductible Amount</u>	<u>Premium Reduction Percentage</u>
\$ 500	3.0%
\$1,000	4.2%
\$2,000	6.2%
\$2,500	7.1%
\$5,000	10.6%

**BENEFITS CLAIM AND AGGREGATE DEDUCTIBLE PROGRAM**

<u>Estimated Annual Standard Premium</u>	<u>Claim Deductible Amount</u>	<u>Aggregate Deductible Amount</u>	<u>Premium Reduction Percentage</u>
0 to \$75,000	\$2,500	\$10,000	7.0%
\$75,001 to \$100,000	\$2,500	\$10,000	6.5%
\$100,001 to \$125,000	\$2,500	\$10,000	5.9%
\$125,001 to \$150,000	\$2,500	\$10,000	5.4%
\$150,001 to \$200,000	\$2,500	\$10,000	4.5%
over \$200,000	\$2,500	5% of Estimated Annual Standard Premium	4.3%

Expense Constant applicable in accordance with Basic Manual Rule VI-E-2:

Policies which develop earned Standard Premium of less than \$200 .....	\$142.00*
Policies which develop earned Standard Premium of \$200 or more .....	\$284.00*

The expense constant for private residence per capita classifications is \$57,\* subject to a maximum of \$200.00.

Premium Discount Percentages—(See Basic Manual Rule VII). The following premium discounts are applicable to Standard Premiums:

		<u>Type A Discount</u>	<u>Type B Discount</u>
First	\$ 10,000.....	0.0%	0.0%
Next	190,000.....	9.1%	5.1%
Next	1,550,000.....	11.3%	6.5%
Over	1,750,000.....	12.3%	7.5%

Premium Discount not applicable to Assigned Risk policies.

United States Longshore and Harbor Workers' Compensation Coverage Percentage applicable only in connection with Rule XII-D-3 "U.S. Longshore and Harbor Workers' Compensation Act" of the Basic Manual ..... 38.4%

(Multiply a Non-F classification rate by a factor of 1.384)

**EXPERIENCE RATING ELIGIBILITY**

A risk is eligible for intrastate experience rating when the payrolls or other exposures developed in the last year or last two years of the experience period produced a premium of at least \$11,000. If more than two years, an average annual premium of at least \$5,500 is required.† Page A-1 of the Experience Rating Plan Manual should be referenced for the latest eligibility amounts by state.

† Effective October 1, 1991.  
Effective October 1, 2005

**Present Phraseology:**

**MASSACHUSETTS SPECIAL PROGRAM FOR  
TERRORISM RISK INSURANCE ACT OF 2002**

Premium for the Terrorism Risk Insurance Act of 2002 is calculated on the basis of total payroll according to Rule V. A risk's total payroll is divided by units of \$100 and multiplied by the Terrorism Rate found on page RA-5 Miscellaneous Values. The calculation is expressed as  $[(\text{Total Payroll}/100) \times \text{Terrorism Rate} = \text{Premium}]$ . This premium is applied after standard premium and is not affected by any other rating element including, but not limited to, premium discount, experience rating, All Risk Adjustment Program [ARAP], schedule rating, or retrospective rating.

Premium developed under this act is:

1. not included in standard premium.
2. not subject to the DIA assessment.

Expense constant and per capita classifications are not subject to premium under this Act.

**Proposed Phraseology:**

**MASSACHUSETTS SPECIAL PROGRAM FOR  
TERRORISM RISK INSURANCE EXTENSION ACT OF  
2005**

***The Terrorism Risk Insurance Act of 2002 (TRIA 2002) was scheduled to expire on December 31, 2005. The Terrorism Risk Insurance Extension Act of 2005 ("Extension Act") extended TRIA 2002, with amendments, through 2007. Attach the Terrorism Risk Insurance Extension Act Endorsement (WC 00 01 13) to notify policyholders.***

Premium for the Terrorism Risk Insurance Act of 2002, ***as amended and extended by the Terrorism Risk Insurance Extension Act of 2005***, is calculated on the basis of total payroll according to Rule V. A risk's total payroll is divided by units of \$100 and multiplied by the Terrorism Rate found on page RA-5 Miscellaneous Values. The calculation is expressed as  $[(\text{Total Payroll}/100) \times \text{Terrorism Rate} = \text{Premium}]$ . This premium is applied after standard premium and is not affected by any other rating element including, but not limited to, premium discount, experience rating, All Risk Adjustment Program [ARAP], schedule rating, or retrospective rating.

Premium developed under this act is:

1. not included in standard premium.
2. not subject to the DIA assessment.

Expense constant and per capita classifications are not subject to premium under this Act.

***For new and renewal policies effective on or after January 1, 2006, the premium charged under TRIA 2002 and the Extension Act must be shown in item 4 of the policy information page.***

**Massachusetts Workers' Compensation And Employers Liability Insurance Manual**

**Present Phraseology:**

**Part One**

**RULE VI – RATES AND PREMIUM DETERMINATIONS**

**E. EXPENSE CONSTANT**

**3. Expense Constant Not Subject**

The expense constant is not subject to experience rating, merit rating or All Risk Adjustment Program (ARAP) modifications, premium discount, Qualified Loss Management Program (QLMP), Massachusetts Benefits Deductible Program, Massachusetts Benefits Claim and Aggregate Deductible Program or Massachusetts Construction Classification Premium Adjustment Program credits, charges for the Terrorism Risk Insurance Act of 2002, nor to retrospective rating adjustment.

**RULE VII – PREMIUM DISCOUNT**

**C. DEFINITIONS**

**1. Standard Premium**

Standard Premium means, for the purposes of this rule, Massachusetts premium determined on the basis of authorized rates, disease loadings, non-ratable elements, aircraft seat surcharges, premium for increased limits of liability, experience rating or merit rating modifications, Massachusetts Construction Classification Premium Adjustment Program credit, loss constants, and minimum premiums. The expense constant, All Risk Adjustment Program [ARAP] modification, premium discount, Qualified Loss Management Program [QLMP], Massachusetts Benefits Deductible Program or Massachusetts Benefits Claim and Aggregate Deductible Program credits, and Terrorism Risk Insurance Act of 2002 charges shall be excluded from determination of the standard premium.

**Proposed Phraseology:**

**Part One**

**RULE VI – RATES AND PREMIUM DETERMINATIONS**

**E. EXPENSE CONSTANT**

**3. Expense Constant Not Subject**

The expense constant is not subject to experience rating, merit rating or All Risk Adjustment Program (ARAP) modifications, premium discount, Qualified Loss Management Program (QLMP), Massachusetts Benefits Deductible Program, Massachusetts Benefits Claim and Aggregate Deductible Program or Massachusetts Construction Classification Premium Adjustment Program credits, charges for the Terrorism Risk Insurance Act of 2002, ***as amended and extended by the Terrorism Risk Insurance Extension Act of 2005***, nor to retrospective rating adjustment.

**RULE VII – PREMIUM DISCOUNT**

**C. DEFINITIONS**

**1. Standard Premium**

Standard Premium means, for the purposes of this rule, Massachusetts premium determined on the basis of authorized rates, disease loadings, non-ratable elements, aircraft seat surcharges, premium for increased limits of liability, experience rating or merit rating modifications, Massachusetts Construction Classification Premium Adjustment Program credit, loss constants, and minimum premiums. The expense constant, All Risk Adjustment Program [ARAP] modification, premium discount, Qualified Loss Management Program [QLMP], Massachusetts Benefits Deductible Program or Massachusetts Benefits Claim and Aggregate Deductible Program credits, and Terrorism Risk Insurance Act of 2002 charges, ***as amended and extended by the Terrorism Risk Insurance Extension Act of 2005***, shall be excluded from determination of the standard premium.

Massachusetts Workers' Compensation And Employers Liability Insurance Manual

Present Phraseology  
Part One

Proposed Phraseology  
Part One

RULE XIV – DOMESTIC WORKERS –  
RESIDENCES

RULE XIV – DOMESTIC WORKERS –  
RESIDENCES

**E. RATES AND PREMIUM**

**E. RATES AND PREMIUM**

1. Rates

The rates for Codes 0913, 0908, 0912 and 0909 are per capita premium charges. The premium basis for Code 0918 is payroll, subject to manual rates.

1. Rates

The rates for Codes 0913, 0908, 0912 and 0909 are per capita premium charges. The premium basis for Code 0918 is payroll, subject to manual rates.

Per capita classifications are not subject to premium under The Terrorism Risk Insurance Act of 2002.

Per capita classifications are not subject to premium under The Terrorism Risk Insurance Act of 2002, *as amended and extended by the Terrorism Risk Insurance Extension Act of 2005.*

# Terrorism Risk Insurance Extension Act of 2005 Data Reporting Requirements

## Topics

The data reporting requirements covered in this include the following topics:

- |                         |                                 |
|-------------------------|---------------------------------|
| 1—Effective Date        | 4—Unit Statistical Reporting    |
| 2—Policy Premium Charge | 5—2006 Financial Call Reporting |
| 3—Policy Reporting      |                                 |

### 1—Effective Date

Data reporting requirements for the Terrorism Risk Insurance Extension Act of 2005 apply to new, and renewal voluntary and assigned risk policies as of January 1, 2006.

### 2—Policy Premium Charge

Premium charged for terrorism (as defined in the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Extension Act of 2005) should be shown on the policy under Statistical Code 9740 Terrorism Risk Insurance Act of 2002,

Premium and Rate should be handled as follows:

- **Premium**—This premium is to be shown under Item 4 of the policy Information Page.
- **Rate**—The rate may be shown on Item 4 of the policy Information Page. This premium is not included in the Estimated State Standard Premium Total or the Policy Estimated Standard Premium Total, and the premium debit is applied after experience modification, premium discount, and expense constant are factored in.

### 3—Policy Reporting

**Policies effective on or after January 1, 2006 and policies effective prior to January 1, 2006 that expire after December 31, 2006**—Issue or endorse the policy with endorsement WC 00 01 13. Show the endorsement number in Item 3.D of the Information Page or on an Endorsement Schedule. If reporting electronically, report the endorsement on the Endorsement Identification Record (record type 07)

## Terrorism Risk Insurance Extension Act of 2005 Data Reporting Requirements

Report the premium on Exposure Record (Record Type 05) under Statistical Code 9740 using either option as follows:

Data Elements to Report				Reporting Options
9740	Premium	Exposure	Rate	
Yes	Yes	Optional	Optional	Report all data elements on the Exposure Record (WCPOLS Record Type 05). Or report the premium amount, and zero-fill the fields for the exposure and manual/charged rate on the Exposure Record.

### 4—Unit Statistical Reporting

#### 4 A—Exposure Developed

Premium should be reported on the Exposure Record using Statistical Code 9740. Exposure data is reported only on 1st unit reports. Report Statistical Code 9740 using the following options. This premium is *not* part of the Subject Premium or Standard Premium totals.

Data Elements to Report				Reporting Options
9740	Premium	Exposure	Rate	
Yes	Yes	Optional	Optional	Report all data elements on the Exposure Record (WCPOLS Record Type 05). Or report the premium amount, and zero-fill the fields for the exposure and manual/charged rate on the Exposure Record.

#### 4 B—Exposure Not Developed

If Massachusetts does not develop exposure that was originally reported on a policy, report a “no exposure developed” unit with Classification Code 1111. Reporting Statistical Code 9740 on these unit reports may be handled using either option below:

Data Elements to Report				Reporting Options
9740	Premium	Exposure	Rate	
Yes	Yes	Optional	Optional	Report Statistical Code 9740 in the Exposure Information section, and zero-fill the corresponding \$0 amount for the undeveloped premium. Exposure and annual/charged rate can be reported or zero-filled on the unit Exposure Record (WCSTAT Record Type 4).
<b>OR</b>				
No	No	No	No	Do not report Statistical Code 9740.

## **Terrorism Risk Insurance Extension Act of 2005 Data Reporting Requirements**

### **5—2006 Financial Call Reporting**

The reporting requirements for the exclusion or inclusion of TRIA premium in Financial Data calls are not impacted by the Terrorism Risk Insurance Extension Act of 2005.

Data reporters should continue to follow previously established guidelines for each data call in Part II of the Massachusetts Statistical Plan.

**MASSACHUSETTS WORKERS' COMPENSATION  
STATISTICAL PLAN**

**Section IV  
STATISTICAL CLASSES  
Page 12**

**Effective: *January 1, 2006*  
Distributed: *February, 2006*  
Part I – Unit Statistical Reporting**

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24. Terrorism Risk Insurance Act of 2002-Premium Debit

Terrorism Risk Insurance Act of 2002, *as amended and extended by the Terrorism Risk Insurance Extension Act of 2005*, premium debit is reported with class code 9740. The TRIA premium debit is not subject to experience rating, and is not a component of standard premium. Losses associated with certified terrorists acts will be identified with a unique catastrophe code, and reported with the normal exposure class code. Losses can not be reported with class code 9740.

25. Waiver of Subrogation-Code 0930

The premium charge under the waiver of the carriers' right to recover from others endorsement is reported with class code 0930. The additional premium charged for waiver of subrogation is subject to experience rating, and is a component of standard premium. Losses can not be coded to class code 0930.

**MASSACHUSETTS WORKERS' COMPENSATION  
STATISTICAL PLAN**

**EXHIBIT G**

**Effective: January 1, 2006**  
**Distributed: February, 2006**  
**Part I – Unit Statistical Reporting**

**Section IV**  
**STATISTICAL CLASSES**  
**Page 15**

Class	Phraseology	Assumed to be a Positive Value	Subject to Experience Mod.	Is the Premium added into the Standard Premium Total	How is the Exposure Expressed	Can Losses be Coded to this Class
9722	Carrier Filed Premium Credit-Not Subject to Experience Rating	No	No	Yes	Blank	No
9723	Carrier Filed Premium Debit-Subject to Experience Rating	Yes	Yes	Yes	Blank	No
9724	Carrier Filed Premium Debit-Not Subject to Experience Rating	Yes	No	Yes	Blank	No
9740	Premium Debit for Terrorism Risk Insurance Act of 2002, <i>as amended and extended by the Terrorism Risk Insurance Extension Act of 2005</i>	Yes	No	No	Blank	No
9803	Employers Liability 100/100/1,000	Yes	Yes	Yes	Blank	No
9804	Employers Liability 100/100/2,500	Yes	Yes	Yes	Blank	No
9805	Employers Liability 100/100/5,000	Yes	Yes	Yes	Blank	No
9806	Employers Liability 100/100/10,000	Yes	Yes	Yes	Blank	No
9807	Employers Liability 500/500/500	Yes	Yes	Yes	Blank	No
9808	Employers Liability 500/500/1,000	Yes	Yes	Yes	Blank	No
9809	Employers Liability 500/500/2,500	Yes	Yes	Yes	Blank	No
9810	Employers Liability 500/500/5,000	Yes	Yes	Yes	Blank	No
9811	Employers Liability 500/500/10,000	Yes	Yes	Yes	Blank	No
9812	Employers Liability 1,000/1,000/1,000	Yes	Yes	Yes	Blank	No
9813	Employers Liability 1,000/1,000/2,500	Yes	Yes	Yes	Blank	No
9814	Employers Liability 1,000/1,000/5,000	Yes	Yes	Yes	Blank	No
9815	Employers Liability 1,000/1,000/10,000	Yes	Yes	Yes	Blank	No

**MASSACHUSETTS WORKERS' COMPENSATION  
STATISTICAL PLAN**

**Effective:** *January 1, 2006*  
**Distributed:** *February, 2006*  
**Part I – Unit Statistical Reporting**

**Section VI**  
**EXPOSURE RECORD**  
**Page 9**

11. Total Standard Premium
- a. Characteristic: Numeric
  - b. Length: 11
  - c. Definition: (Total subject premium x experience modification) plus premium not subject to experience modification.
  - d. Requirement: Report the sum of all premium dollars (subject and not subject to modification).

The statistical classes reported for the following premium charges and credits are not subject to experience rating but are added (or subtracted) during the calculation of total standard premium.

Loss Constant: Code: 0032  
 Non-ratable Elements: Codes: 0770, 0773, 0774, 0775, 0776, 0779, 0799, 7445, 7453  
 Risk Minimum Premium: Code: 0990  
 Construction Credit: Code: 9046  
 Merit Rating: Code: 9885, 9886  
 Rate Deviation: Code: 9034  
 Independent Carrier Filing Credit: Code: 9722  
 Independent Carrier Filing Debit: Code: 9724

The following discounts, credits, and surcharges must not be included in the total standard premium.

<u>Class</u>	<u>Description</u>
0063	Stock/Type A Premium Discount
0064	Non-Stock/Type B Premium Discount
0277	All Risk Adjustment
0900	Expense Constant
9129	Formerly Self-insured Rating Plan Deposit
9136	Formerly Self-Insured Deposit & Insurance Charge
9880	Qualified Loss Management
9985 & 9984	Atomic Energy Exposure
9663	Deductible Experience - Not Experience Rated
9740	Premium Debit for Terrorism Insurance Act of 2002, <i>as amended and extended by the Terrorism Risk Insurance Extension Act of 2005</i>