



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

May 13, 2010

**CIRCULAR LETTER NO. 2149**

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

**GENERAL REVISION OF RATES**

**EFFECTIVE SEPTEMBER 1, 2010  
APPLICABLE TO NEW AND RENEWAL BUSINESS**

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The Commissioner of Insurance has approved a Stipulation for the general revision of workers' compensation rates, effective 12:01 A.M., September 1, 2010, applicable to new and renewal policies. This includes:

1. **RATE LEVEL DECREASE OF 2.40%**  
The overall average decrease of 2.40% in the existing workers' compensation average rates will vary by class.
2. **EXPENSE CONSTANT REVISIONS**  
Expense constants will not be revised.
3. **F - CLASS RATE LEVEL INCREASE OF 20.00%**  
The overall average increase of 20.00% in the existing workers' compensation F-Class average rates will vary by class.
4. **USL&HW ACT COVERAGE PERCENTAGE APPLICABLE TO NON-F CLASSIFICATIONS**  
The percentage applicable in connection with Rule XII-D-3 "U.S. Longshore and Harbor Workers' Compensation Act" will be revised.
5. **EXPERIENCE RATING PLAN CHANGES**  
The Experience Rating Plan Expected Loss Rates and D-Ratios will be revised and distributed by the WCRIBMA. The State Per Claim Accident Limitation and the State Multiple Claim Accident Limitation remain unchanged.

6. SMALL DEDUCTIBLE CREDITS

The premium credits applicable to the election of small deductibles under either the Massachusetts Benefits Deductible Program or the Massachusetts Benefits Claim and Aggregate Deductible Program will be revised.

7. RETROSPECTIVE RATE PLAN CHANGES

Two hazard group mappings will be available – a seven hazard group option and a four hazard group option – that are consistent with those designated by NCCI in Item Filing B – 1403. Carriers who wish to use the four hazard group option must advise the WCRIBMA in writing by August 1 of each year for policies effective on or after September 1 of that year. Carriers will be required to use the seven hazard group option for all policies effective on or after September 1, 2011. Excess loss factors will be updated. Also, there will be a new Table of Expected Loss Ranges and new State and Hazard Group Relativities. The Table of Expected Loss Ranges will be updated in accordance with NCCI Item Filing R – 1401.

8. DISEASE ELEMENTS TABLE

The rate associated with Class 0059 will change.

9. NO CHANGES IN THE FOLLOWING:

- A. Loss Constants
- B. Admiralty Law and Federal Employers' Liability Act classifications
- C. Merit Rating Program
- D. Premium Discount Tables A and B
- E. Take-Out Credit
- F. Qualified Loss Management Program [QLMP]
- G. Weights and Ballasts Tables

Experience ratings and ARAP factors (including replacement of preliminary experience ratings and ARAP factors) effective September 1, 2010 and subsequent will be issued in due course using the new Expected Loss Rates and D-Ratios.

When the new rates and experience ratings are received and incorporated into policy issuance, carriers should no longer attach Massachusetts Pending Premium Change Endorsement WC 20 04 01 to policies. Revised Massachusetts manual rate pages will be distributed and will be available on our website at [www.wcribma.org](http://www.wcribma.org). The new rates and rating values will also be available in electronic form (Microsoft Excel and text files) on our website. Attached is a copy of the Commissioner's Decision and Order and the Stipulation.

Paul Meagher, Esq.  
President



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

1000 Washington Street, Suite 810 • Boston, MA 02118-6200  
 (617) 521-7794 • FAX (617) 521-7475  
 TTY/TDD (617) 521-7490  
<http://www.mass.gov/doi>

DEVAL L. PATRICK  
 GOVERNOR

TIMOTHY P. MURRAY  
 LIEUTENANT GOVERNOR

GREGORY BIAŁECKI  
 SECRETARY OF HOUSING AND  
 ECONOMIC DEVELOPMENT

BARBARA ANTHONY  
 UNDERSECRETARY

JOSEPH G. MURPHY  
 COMMISSIONER OF INSURANCE

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**Rate Filing of the Worker's Compensation Rating and Inspection Bureau**  
**Docket No. R2010-01**

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**Decision and Order**

**I. Introduction and Procedural History**

On March 1 2010, the Worker's Compensation Rating and Inspection Bureau of Massachusetts ("WCRIB"), on behalf of its members, submitted a filing for a worker's compensation rate revision to be effective September 1, 2010 ("the Filing").<sup>1</sup> The Commissioner of Insurance ("Commissioner") designated Jean F. Farrington, Esq. as presiding officer on this matter. A notice of hearing was issued on March 5, 2010, scheduling a prehearing conference for April 16, 2010 and a public comment hearing for April 30. On March 12, the Attorney General filed a notice of intent to participate in this matter as a statutory intervenor.

At the April 16 prehearing conference, a schedule was set for cross-examination of the WCRIB's witnesses. Representatives of the three parties to this proceeding, the WCRIB, the State Rating Bureau in the Division of Insurance, and the Attorney General (the "Parties"), spoke at the April 30 public comment hearing. Other statements were offered on behalf of the Massachusetts Workers' Compensation Advisory Council, American Risk Management, representing trade associations related to the construction industry, and the Associated Industries of Massachusetts.<sup>2</sup> On May 11, the Parties

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<sup>1</sup> On April 7, the WCRIB filed a set of corrected pages to section IV of the Filing.

<sup>2</sup> American Risk Management represents the Building Trades Employers Association of Eastern Massachusetts, their affiliated trade groups, and the Associated General Contractors of Massachusetts.

2010 Rate Filing of the Worker's Compensation Rating and Inspection Bureau,  
Docket No. R2010-01

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submitted a stipulation (the "Stipulation") that addressed several specific aspects of the WCRIB filing. On May 12, the Commissioner approved the Stipulation.

## II. Statutory Framework

G.L. c. 152, §53A ("§53A") sets out the statutory requirements for obtaining approval of rates for Massachusetts workers' compensation insurance. Subsection (1) requires any insurance company writing workers' compensation insurance in the Commonwealth to file its risk classifications and premiums with the Commissioner, either directly or through a rating organization authorized to act on its behalf. The Commissioner thereafter conducts a hearing to determine whether the classifications and rates are not excessive, inadequate or unfairly discriminatory for the risks to which they effectively apply, and fall within a range of reasonableness.

In addition to these general requirements, §53A(12) specifically states that the Commissioner shall not approve classifications or rates that provide for any of the following: 1) dividends, unabsorbed premium deposits, savings or other payments allowed or returned by the insurer to policyholders, members, subscribers or stockholders; 2) expenses that exceed the filing insurer's expense needs; and 3) commission allowances that are not demonstrated to be reasonable and to reflect the actual cost to the agent or broker of services they provide.

The Commissioner, pursuant to §53A(13), also must make a finding, on the basis of information in the rate filing, that insurers employ acceptable cost control programs and techniques which have had or are expected to have a substantial impact on fraudulent claim costs, unnecessary health care costs, any other unreasonable costs and expenses, and on the collection of appropriate premium charges owed to the insurer. If the Commissioner finds that the rates are excessive, and that the excess is the result of a failure to employ adequate cost control programs, he may disapprove or limit any proposed increase in rates.

## III. The Recommendations

The WCRIB, in its initial filing, sought an overall rate increase of 4.5 percent. The Stipulation, in summary, provides the following:

1. No party will object to or appeal from the Commissioner's approval of the WCRIB's general rate filing dated March 1, 2010, subject to the condition that there will be a -2.4 percent overall change in the existing workers'

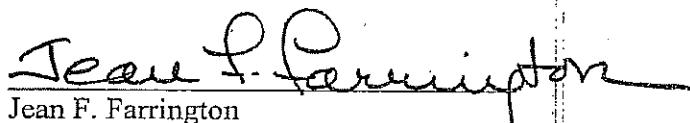
2010 Rate Filing of the Worker's Compensation Rating and Inspection Bureau,  
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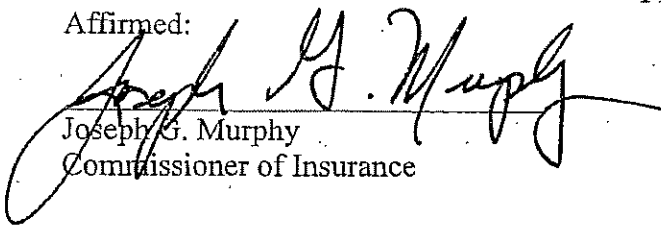
- compensation average rates, to be effective on and after September 1, 2010, subject to the following conditions.
2. The rating values in Sections IX, X, XI and XII of the Filing shall be computed in a manner consistent with the Filing, but shall reflect: 1) a -2.4 percent overall average rate change as a result of substituting an underwriting profit provision of zero percent for the underwriting profit provision shown in Section VII-B, Exhibit 1 of the Filing; and 2) and 1.002 as the Factor to Remove the Large Deductible Contribution to the Residual Market Subsidy in Section I-D, Exhibit 1 of the Filing. These substitutions reflect only the parties' agreement to use this method to implement their overall negotiated resolution of this matter rather than any party's position with respect to the underwriting profit provision or other provisions calculated in the Filing.
  3. The revised rates, classifications, rating programs, rating plans, rating factors and rating values shall apply to new and renewal policies effective on and after September 1, 2010, including all such policies in the Massachusetts Workers' Compensation Assigned Risk Pool.
  4. The WCRIB will provide revised manual pages reflecting the stipulation to the State Rating Bureau and the Attorney General for their review before publishing those pages to the industry.
  5. These rates shall be in effect for one year only. On March 1, 2011, the WCRIB will submit a general revision of workers' compensation insurance rates and rating values for rates applicable to policies effective on or after September 1, 2011. At the direction of the Division of Insurance the WCRIB, as the Commissioner's statistical agent, shall provide a copy of the data base underlying its filing to the Attorney General on January 2, 2011.
  6. The WCRIB will conduct a study of industry experience to obtain data suitable for the purposes of verifying or revising its expense constant recommendations.
  7. The parties acknowledge that the Stipulation has no precedential value and implies no approval or disapproval by any party of any particular ratemaking methodology or projection. Each party reserves the right to contest in future hearings all aspects of rate-setting, including those addressed in the Stipulation.

#### IV. Conclusion

I find that the Stipulation submitted by the Parties will provide for classifications or premiums that are "not excessive, inadequate, or unfairly discriminatory for the risks to which they respectively apply, and fall within a range of reasonableness." I therefore approve the Stipulation this 12th day of May 2010.

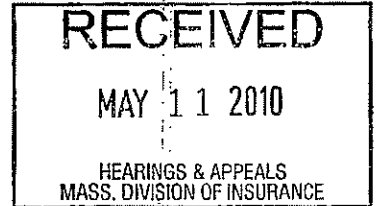
  
Jean F. Farrington  
Presiding Officer

Affirmed:

  
Joseph G. Murphy  
Commissioner of Insurance

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF INSURANCE



In re:

APPLICATION OF THE WORKERS'
COMPENSATION RATING AND INSPECTION
BUREAU OF MASSACHUSETTS FOR APPROVAL
OF A RATE REVISION TO BE EFFECTIVE
ON AND AFTER SEPTEMBER 1, 2010

Docket No. R2010-01

STIPULATION WITH RESPECT TO RATES,
CLASSIFICATIONS AND RATING PLANS FOR 2010

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 September 1, 2010, but without in any way admitting or agreeing to any position taken by
any other party, the Workers' Compensation Rating and Inspection Bureau of Massachusetts
("WCRIBMA"), the Office of the Attorney General ("AG") and the State Rating Bureau ("SRB")
stipulate as follows, with respect only to the pending filing by the WCRIBMA for a revision of
rates:

1. No party will object to or appeal from approval by the Commissioner of Insurance
("Commissioner") of the WCRIBMA's rate filing dated March 1, 2010 (the "WCRIBMA
Filing"), subject to the condition that there shall be a -2.4% overall change in the existing
workers' compensation average rates, to be effective on and after September 1, 2010, subject to
the other conditions set forth in this Stipulation.

2. To implement the -2.4% overall change stipulated in ¶ 1 above, the rating values
shown in sections IX, X, XI and XII of the WCRIBMA Filing shall be computed in a manner

consistent with the WCRIBMA Filing except that they should reflect a -2.4% overall average rate change resulting from substituting an underwriting profit provision of 0% in Section VII-B, Exhibit 1 and a Factor to Remove the Large Deductible Contribution to the Residual Market Subsidy of 1.002 in Section I-D Exhibit 1. These substitutions reflect only an agreed-upon method of implementing the parties' overall negotiated resolution and do not reflect any position by any party with respect to the underwriting profit provision or any other provision actually calculated in the WCRIBMA Filing.

3. These revised rates, classifications, rating programs, rating plans, rating factors and rating values shall apply to new and renewal policies effective on and after September 1, 2010, including all such policies in the Massachusetts Workers' Compensation Assigned Risk Pool.

4. On March 1, 2011, the WCRIBMA will submit a general revision of workers' compensation insurance rates and rating values pursuant to 211 CMR 110.04 and G.L. c. 152, §§ 52 and 53A, for rates applicable to new and renewal policies effective on and after September 1, 2011.

5. The WCRIBMA will conduct a study of industry experience to obtain data suitable for the purposes of verifying or revising its recommendations for expense constants.

6. The WCRIBMA, AG and 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 WCRIBMA, AG and 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 rate-setting resolved for present purposes only by this Stipulation.

7. 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 May 13, 2010. If the Commissioner does not approve this Stipulation in its entirety on or before May 13, 2010, this Stipulation shall be null and void and shall not be relied upon by any party, or by the Commissioner, for any purpose whatsoever.

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

9. It is understood and agreed that the WCRIBMA shall, by May 14, 2010, provide both the SRB and the AG with proposed revised manual pages reflecting this Stipulation applicable to new and renewal policies effective on and after September 1, 2010 for review by the SRB and the AG; absent a showing by the SRB or the AG by May 24, 2010 of good cause to believe that the proposed revised manual pages do not accurately reflect this Stipulation, the WCRIBMA may publish the revised manual pages to the industry on or after May 25, 2010.

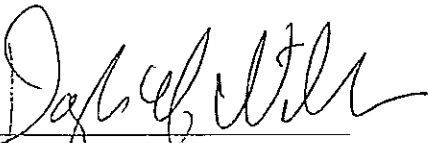
10. At the direction of the Division of Insurance, the WCRIBMA, as statistical agent, shall provide to the AG on January 2, 2011, the database underlying the WCRIBMA filing.

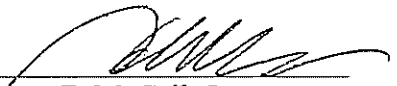
11. This Stipulation shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

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12. The Parties may execute this Stipulation in counterparts, each of which shall be deemed an original and all of which shall constitute one original.

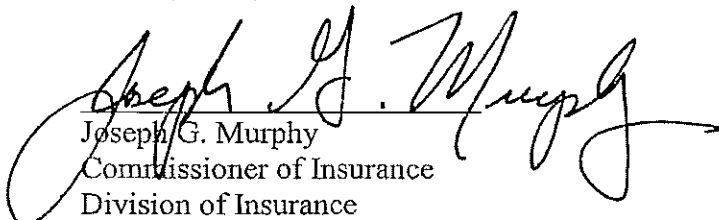
  
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Scott P. Lewis  
Douglas H. Wilkins  
ANDERSON & KREIGER LLP  
One Canal Park, Suite 200  
Cambridge, MA 02141  
(617) 621-6500  
For the WCRIBMA

  
\_\_\_\_\_  
Thomas F. McCall, Jr.  
STATE RATING BUREAU  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200  
(617) 521-7375  
For the SRB

\_\_\_\_\_  
Peter Leight  
Assistant Attorney General  
Commonwealth of Massachusetts  
ATTORNEY GENERAL'S OFFICE  
One Ashburton Place  
Boston, MA 02108  
(617) 727-2200  
For the AG

Dated: May 11, 2010


APPROVED:


  
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Joseph G. Murphy  
Commissioner of Insurance  
Division of Insurance

Dated: May 12, 2010

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Scott P. Lewis  
Douglas H. Wilkins  
ANDERSON & KREIGER LLP  
One Canal Park, Suite 200  
Cambridge, MA 02141  
(617) 621-6500  
For the WCRIBMA

  
\_\_\_\_\_  
Thomas F. McCall, Jr.  
STATE RATING BUREAU  
Division of Insurance  
One South Station  
Boston, MA 02210  
(617) 521-7375  
For the SRB

  
\_\_\_\_\_  
Glenn Kaplan  
Assistant Attorney General  
Commonwealth of Massachusetts  
ATTORNEY GENERAL'S OFFICE  
One Ashburton Place  
Boston, MA 02108  
(617) 727-2200  
For the AG

Dated: May 11, 2010

APPROVED:

\_\_\_\_\_  
Joseph G. Murphy  
Commissioner of Insurance  
Division of Insurance

Dated: May \_\_, 2010