



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

April 19, 2011

**CIRCULAR LETTER NO. 2177**

To All Members and Subscribers of the WCRIBMA:

**RATE FILING**

---

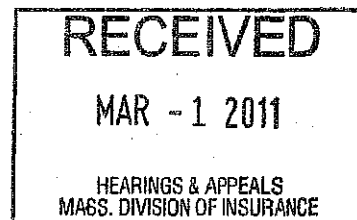
In follow up to Circular Letter No. [2171](#), the Commissioner of Insurance has approved the Stipulation to maintain Massachusetts workers' compensation rates at current levels through August 31, 2012. The approved Stipulation and the Division of Insurance's Decision & Order on the WCRIBMA's Rate Filing are attached for your information.

Experience ratings and ARAP factors that have been issued effective on September 1, 2011 and subsequent will be revised to remove the preliminary status.

Paul F. Meagher, Esq.  
President

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, 2011

Docket No. R2011-01

**STIPULATION WITH RESPECT TO RATES,  
CLASSIFICATIONS AND RATING PLANS FOR 2011**

In order to avoid further hearings, delay and uncertainty for insureds and insurers, and to permit orderly implementation of workers' compensation insurance rates effective on and after September 1, 2011, 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 filing by the WCRIBMA for a revision of rates to be effective on and after September 1, 2011:

1. No party will object to or appeal from an order by the Commissioner of Insurance ("Commissioner") that there will be no increase in the workers' compensation rates, classifications, rating programs, rating plans, rating factors and rating values to be effective on and after September 1, 2011 and such rates shall be exactly the same as the rates that have been in effect since September 1, 2010, subject to the other conditions set forth in this Stipulation.

2. These rates, classifications, rating programs, rating plans, rating factors and rating values shall apply to new and renewal policies effective on and after September 1, 2011, including all such policies in the Massachusetts Workers' Compensation Assigned Risk Pool.

3. On March 1, 2012, 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, 2012.

4. No later than October 15, 2011, the WCRIBMA shall deliver to the SRB and the AG, on the same date, the most recent Aggregate Financial data, together with a list of those companies, as compiled by the WCRIBMA, whose data, in the opinion of the WCRIBMA, are material but have not been found to be sufficiently reliable for use in ratemaking, with a statement of the reasons for any such findings. No later than November 15, 2011, the WCRIBMA shall deliver to the SRB and the AG, on the same date, the most recent Aggregate Financial data that the WCRIBMA would expect to use in its March 1, 2012 rate filing, together with a list of those companies, as compiled by the WCRIBMA, whose data, in the opinion of the WCRIBMA, are material but have not been found to be sufficiently reliable for use in ratemaking, with a statement of the reasons for any such findings.

Nothing in this stipulation shall be construed to limit or impair the WCRIB's ongoing ability to exercise actuarial judgment about the reliability of data for use in ratemaking or to attempt to reconcile or validate data. Accordingly, if between December 15, 2011 and February 28, 2012, on the basis of new data or new information or otherwise the WCRIB makes different findings about which Aggregate Financial data to use in its March 1, 2012 rate filing, the WCRIB shall promptly notify both the SRB and the AG of its revised findings and shall

provide the SRB and the AG, on the same date, any new data or new information that the WCRIB considered in making its revised findings with a statement of the reasons for changing its findings.

5. 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.

6. It is understood and agreed that this Stipulation is filed with the Division of Insurance at the same time the WCRIBMA submits the filing for rates, attached as Exhibit A, proposed by the WCRIBMA to be effective on and after September 1, 2011, and that such proposed general revisions in rates shall be resolved in accordance with paragraph (1) of this Stipulation.

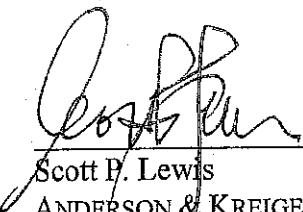
7. Each party enters into this Stipulation upon the condition that it is approved by the Commissioner, in its entirety, on the record of this hearing no later than April 15, 2011. If the Commissioner does not approve this Stipulation in its entirety on or before April 15, 2011, this Stipulation shall be null and void and shall not be relied upon by any party, or by the Commissioner, for any purpose whatsoever.

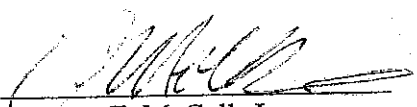
8. If any person not a party to this Stipulation successfully challenges the Commissioner's approval of this Stipulation and the Commissioner's approval is suspended, set aside or otherwise rendered ineffective, this Stipulation shall be null and void and shall not be relied upon by any party, or by the Commissioner, for any purpose.

9. It is understood and agreed that the manual pages reflecting the rates that have been in effect since September 1, 2010 shall remain unchanged until August 31, 2012 or such later time as revised rates take effect.

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

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

  
\_\_\_\_\_  
Scott P. Lewis  
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

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

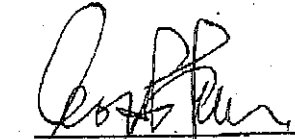
Dated: 3/11, 2011

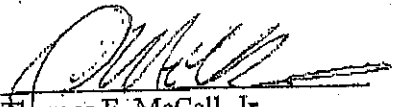
8. If any person not a party to this Stipulation successfully challenges the Commissioner's approval of this Stipulation and the Commissioner's approval is suspended, set aside or otherwise rendered ineffective, this Stipulation shall be null and void and shall not be relied upon by any party, or by the Commissioner, for any purpose.


9. It is understood and agreed that the manual pages reflecting the rates that have been in effect since September 1, 2010 shall remain unchanged until August 31, 2012 or such later time as revised rates take effect.

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

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

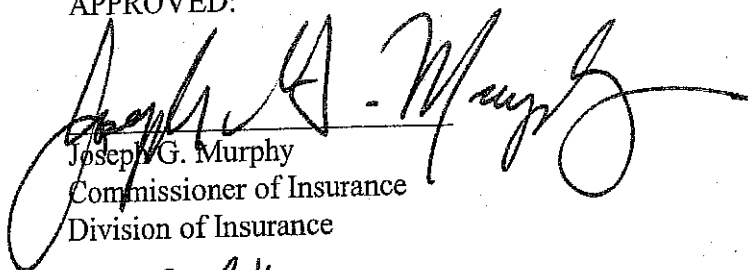
  
\_\_\_\_\_  
Scott P. Lewis  
ANDERSON & KREIGER LLP  
One Canal Park, Suite 200  
Cambridge, MA 02141  
(617) 621-6500  
For the WCRIBMA

  
\_\_\_\_\_  
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

  
\_\_\_\_\_  
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: 3/11, 2011

APPROVED:



Joseph G. Murphy  
Commissioner of Insurance  
Division of Insurance

Dated April 11, 2011



**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 BIALECKI  
SECRETARY OF HOUSING AND  
ECONOMIC DEVELOPMENT

BARBARA ANTHONY  
UNDERSECRETARY

JOSEPH G. MURPHY  
COMMISSIONER OF INSURANCE

---

**Rate Filing of the Workers' Compensation Rating and Inspection Bureau**  
**Docket No. R2011-01**

---

**Decision and Order**

**I. Introduction and Procedural History**

On March 1 2011, 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, 2011 ("the Filing"). On that same date, the WCRIB, the Attorney General ("AG") and the State Rating Bureau in the Division of Insurance ("SRB") submitted a stipulation (the Stipulation") representing a negotiated settlement of matters addressed in the Filing. The Commissioner of Insurance ("Commissioner") designated Jean F. Farrington, Esq. as presiding officer on this matter. A notice of hearing was issued on March 1, 2011, scheduling a public comment hearing and an evidentiary hearing for March 30.

The Attorney General's oral motion to appear was allowed at the March 30 hearing. Representatives of the WCRIB and the SRB spoke at the public comment portion of that hearing, and the Massachusetts Workers' Compensation Advisory Council also made a statement. At the evidentiary portion of the hearing, the hearing notice, the Filing and the proposed Stipulation were marked as exhibits. On April 11, 2011, 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.

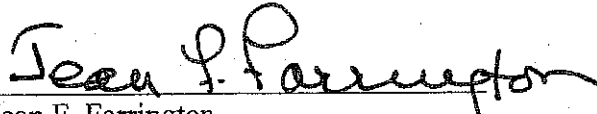
### III. The Recommendations

The WCRIB, in its initial filing, sought an overall rate increase of 6.6 percent. The Stipulation, in summary, provides the following:

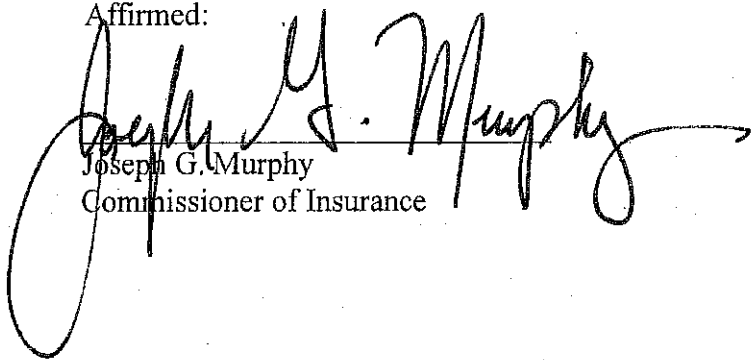
1. No party will object to or appeal from an order by the Commissioner of Insurance that there will be no increase in the workers' compensation rates, classifications, rating programs, rating plans, rating factors and rating values to be effective on and after September 1, 2011. Such rates shall be the same as the rates in effect since September 1, 2010, subject to the following conditions in the Stipulation.
2. 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, 2011, including all such policies in the Massachusetts Workers' Compensation Assigned Risk Pool.
3. On March 1, 2012, 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, 2012.
4. No later than October 15, 2011, the WCRIB shall deliver, contemporaneously to the SRB and the AG, the most recent Aggregate Financial data and a list it has compiled of the companies whose data, in the WCRIB's opinion are material but are not sufficiently reliable for use in ratemaking, with a statement of the reasons for the WCRIB's findings. No later than November 15, 2011, the WCRIB shall deliver, contemporaneously to the SRB and the AG, the most recent Aggregate Financial data that it expects to use in its March 1, 2012 rate filing and a list it has compiled of those companies whose data, in the WCRIB's opinion are material but are not sufficiently reliable for use in ratemaking, with a statement of the reasons for the WCRIB's findings.
5. If, between December 15, 2011 and February 28, 2012, the WCRIB makes different findings about the Aggregate Financial data to use in its March 1, 2012 rate filing, it shall promptly notify the SRB and the AG of its revised findings and shall provide the SRB and the AG, contemporaneously, with any new data or new information that the WCRIB considered in making its revised findings and a statement of the reasons for changing those findings.
6. 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 11th day of April 2011.

  
\_\_\_\_\_  
Jean F. Farrington  
Presiding Officer

Affirmed:

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