



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

POOL PROCEDURES

for

EXISTING POLICIES

(Updated 06/30/08)

The most recent updates are highlighted.

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Introduction

The following Pool Procedures are instructions intended for use by assigned risk carriers, and assigned risk employers and their representatives who are writing or who have obtained coverage in the Massachusetts Assigned Risk Pool.

These procedures have been prepared by the Workers' Compensation Rating and Inspection Bureau of Massachusetts (Bureau) in its capacity as the Administrator of the Assigned Risk Pool. If additional information is needed, refer to the *Helpful Information* page on the Bureau's web site, www.wcribma.org, or contact the Bureau's Customer Service Department at (617) 439-9030.

These Procedures should be used in conjunction with, and not as a substitute for, the manuals approved for use in Massachusetts, such as the *Performance Standards in the Massachusetts Pool Plan of Operation*, the *Massachusetts Workers Compensation and Employers Liability Insurance Manual*, the *Forms Manual for Workers Compensation and Employers Liability*, and the *Experience Rating Plan Manual*.

Eligibility Requirements

Every Massachusetts Assigned Risk Pool policy is required to have the Massachusetts Assigned Risk Pool Eligibility Endorsement, *WC200307*, attached. The Endorsement adds the following to the policy in Part Six – Conditions:

1. You are unable to obtain coverage through the Massachusetts voluntary workers' compensation insurance market;
2. You will not be in default of premium on any Massachusetts workers' compensation insurance policy;
3. You will have complied and will continue to comply with all laws, orders, rules and regulations in force and effect relating to the welfare, health and safety of your employees, including, but not limited to:
 - a. You will allow us to make a careful inspection of your operation for the purpose of measuring the hazards, making recommendations for the health and safety of employees, and determining the rate or rates which will be adequate and reasonable for this insurance;
 - b. You will comply with our reasonable recommendations aimed at controlling or reducing the hazard(s) insured against;
 - c. You will keep records of information needed to compute premium and provide us with copies of those records when we ask for them;
 - d. You will let us examine and audit your records and otherwise fully cooperate with our attempts to conduct premium audits or inspect the premises for loss control purposes.

Your compliance with each eligibility condition is material to the continuation of Assigned Risk Pool coverage. We may, to the extent allowed by Massachusetts law, initiate a mid-term cancellation, if you fail to comply with any of these policy conditions.

Refer to Special Bulletin No. 14-02 for procedures to follow when an insured ceases to meet the Pool eligibility requirements.

Issuance of Policy

According to the Performance Standards, on newly assigned business, the policy will be accurately issued within thirty (30) calendar days from the date the required premium and properly completed application is received from the Pool Administrator, and on renewal business, the policy will be issued within thirty (30) calendar days after the receipt of the required deposit premium.

All policies issued through the Pool will be written with the classifications and rates established by the Bureau as shown on the Notice of Assignment.

The designated carrier will (i) submit a policy and endorsements **electronically** after policy issuance, or (ii) forward a **paper** copy of the policy declarations and all attached endorsements to:

The Workers' Compensation Rating and Inspection
Bureau of Massachusetts (WCRIBMA)
101 Arch Street
Boston, MA 02110

and to:

National Council on Compensation Insurance (NCCI)
c/o ACS
P. O. Box 7369
London, KY 40743

For special deliveries to NCCI use:

National Council on Compensation Insurance (NCCI)
c/o ACS
1084 South Laurel Road
London, KY 40743

For policies reported **electronically** to the Bureau, refer to the WCIO Data Specifications Manual which is available on the Workers' Compensation Insurance Organizations' web site (www.wcio.org). Testing requirements for electronic reporting to the Bureau can be found on the Policy Data Reporting page. For electronic reporting to NCCI, contact NCCI Customer Service (www.ncci.com or telephone 1-800-NCCI-123).

For policies reported on **paper** to the Bureau, data entry fees will be charged as indicated in Circular Letter No. 1959, *Increases for Hard Copy Data Entry Fees*. For possible data entry fees for policies reported on paper to NCCI, contact NCCI Customer Service (www.ncci.com or telephone 1-800-NCCI-123).

The information page of assigned risk policies reported on paper will include a field to show the type of assigned risk policy. For servicing carrier policies, the terms 'normal assigned risk' or 'normal a/r' are acceptable. For voluntary direct assigned risk carrier policies, the terms 'voluntary direct assigned risk', 'voluntary direct a/r', or 'VDAC' are acceptable.

Policy Term

The policy is normally issued for a term of one year. A one-year policy may be extended by a maximum of sixteen (16) days to permit a "first day of the month" expiration. A policy may be issued for a shorter term for such reasons as coinciding with the experience rating date and common expiration dates, if requested by the employer in writing.

Waiver of Our Right To Recover From Others

The Waiver of our Right to Recover From Others Endorsement (*WC000313*) is available in the Assigned Risk Pool only when required by contract. An insured who needs to have this endorsement added to his policy midterm or at renewal should submit a request letter on his company letterhead to his designated carrier along with a copy of the contract in which the Waiver of Our Right to Recover From Others Endorsement is required. The insured must also provide the designated carrier with a detailed breakdown of the payroll for the specific job for which the endorsement is required. The carrier will endorse the policy accordingly and charge 2% of the Manual Premium Subject to Waiver of Subrogation. Refer to the Residual Market Premium Algorithm, Appendix F, in the MA Manual.

Deductibles

The Division of Insurance has approved two separate and distinct deductible programs, one without an aggregate limit - the Massachusetts Benefits Deductible Program, and one with an aggregate limit - The Massachusetts Benefits Claim and Aggregate Deductible Program, that are available in the Assigned Risk Pool. An insured may elect either program, or neither of them. If the insured wishes to elect either deductible program, the insured must make the election **before** the effective date of the policy, otherwise before the next renewal of the policy. Refer to *Deductible Programs* on www.wcribma.org under the Helpful Info / Program Overviews section for details of the programs.

Adding Named Insureds

The eligibility requirements and designation of a carrier are required by statute for each (any) employer. Accordingly, requests to add additional named insureds to an existing policy must be denied by designated carriers until otherwise instructed by the Bureau. For example: Corp A has an Assigned Risk Pool policy. The owner of Corp A has created a second entity, Corp B. If the owner of Corp A asks its Assigned Risk Pool carrier to endorse Corp B onto its existing policy, the request will be denied.

Those employers wishing to endorse an additional entity(s) onto an existing policy must submit a separate application for each such additional entity to the Bureau for assignment. A completed *ERM Form* (Confidential Request for Information) showing combinability and a letter specifically requesting that the additional entity(s) be endorsed onto the existing policy must be attached to the submission. In lieu of completing an ERM Form, detailed ownership information may be submitted on the letterhead of the insured signed by the owner, partner, corporate officer, or LLC member. The declination requirements must be met for each additional entity, and a

sufficient deposit premium check must be submitted. The Bureau will issue an Endorsement Letter instructing the carrier to add the entity(s) subject to the approved eligibility and binding date procedures.

Changing the Legal Status or the Named Insured

All changes in name, ownership or legal status must be immediately reported by the employer or its representative to the designated carrier to ensure that appropriate coverage remains in effect. All such policy change requests should be made by filing a completed *ERM Form* (Confidential Request for Information) with the carrier and attaching a letter from the insured specifying the requested change. In lieu of completing an *ERM Form*, detailed ownership information may be submitted on the letterhead of the insured signed by the owner, partner, corporate officer, or LLC member. Not all requested changes will be allowed; oftentimes, the employer will be required to submit an application to the Bureau to obtain coverage.

(For additional information, refer to the FAQs section on www.wcribma.org: "What changes to a legal entity necessitate the submission of a new application to the Pool, MWCARP?")

The eligibility requirements and designation of a carrier are required by statute for each (any) employer. Therefore, while requests to merely change the corporate name or the trade name will be allowed, requests to replace the insured entity with another entity will be denied.

Examples of 'replacement entities' include, but are not limited to: a sole proprietorship which reorganizes as a partnership, a partnership which reorganizes as a corporation, or a corporation which is replaced by a new corporation. These processes involve the creation of a new entity, and as such, the new employer must submit its own application to the Pool. The application must be submitted to the Bureau; it must be accompanied by a sufficient deposit premium check and a completed *ERM Form* (Confidential Request for Information) showing the change. The application is subject to the approved eligibility and binding date procedures.

Examples of allowed 'name changes' include, but are not limited to: a business which changes its trade (d/b/a) name, a sole proprietor or partner who changes her name after being married, or a corporation who changes its corporate name by filing an Amendment to its Articles of Organization with the Secretary of State. In these cases, the employer should send its name change request to the designated carrier along with supporting documentation. As long as the carrier is satisfied with the documentation received, the name on the policy will be endorsed accordingly.

Changes in Address and/or Location

All changes in address or location must be immediately reported by the employer or its representative to the designated carrier. All such policy change requests must be made in writing. The carrier must also be notified of any accompanying changes in payroll estimates or the location of records.

Changes in Operation and/or Classification

All changes in operation must be immediately reported by the employer or its representative to the designated carrier. No carrier is permitted to change classifications without the written consent of the Bureau, except under certain circumstances. Refer to the Bureau Rules and Procedures Appendix in the MA Manual, Appendix A, or contact the Bureau's Customer Service Department for details.

Changes in Payroll

Requests for payroll reductions from the employer or its representative must be substantiated to the carrier's satisfaction.

Changes in Producer of Record

The Bureau recognizes the licensed producer of record as the direct representative of the employer and recognizes the employer's right to change representatives.

If an insured wishes to change the producer of record upon renewal of a policy when the carrier has issued a renewal quote, the insured should inform the designated carrier of the change of broker by means of a letter written on the letterhead of the insured and signed by the sole proprietor, general partner, corporate officer, trustee or member over his/her title. This Broker of Record Letter should be submitted along with the deposit premium check. The new representative should not submit a new application to the pool for the purpose of changing the producer of record.

If an insured wishes to change the producer of record midterm, he may submit a Broker of Letter to the designated carrier; however, carriers are not obligated to change the producer of record at any time other than renewal.

Corporate Officers Exemptions

According to M.G.L. c. 152, Section 1(4) as amended by Chapter 169 of the Acts of 2002, workers' compensation coverage is elective for an officer or director of a corporation who owns at least 25% of the issued and outstanding stock of the corporation. For corporate officers to become exempt from coverage on an existing Pool policy, a Form 153 must be filed with and approved by the Department of Industrial Accidents in accordance with Regulation 452 CMR 8.00. A copy of the **approved** Form 153 must be mailed by the employer to their designated carrier along with a written request on the employer's corporate letterhead and signed by a corporate officer. The letter must specify the name, duties and salary of each corporate officer or director who is electing to be exempt from coverage under this policy.

After receiving the required information, the designated carrier will issue the Partners, Officers and Others Exclusion Endorsement, *WC000308*, and adjust payroll estimates to exclude the exempt officer(s) or director(s) from the premium calculation. The effective date of the requisite changes to any existing workers' compensation policy shall be either (i) the next policy effective date following the carrier's receipt of the **approved** Form 153, or (ii) the day following the carrier's receipt of the **approved** Form 153 along with a written request that the election be made mid-term. All such

written requests must be on the employer's corporate letterhead and signed by a corporate officer.

In accordance with 452 CMR 8.06 (5) if, after an approved Form 153 has been submitted to a carrier, one or more exempted officer(s) or director(s) chooses to be covered under the current worker's compensation policy, he or she must submit a written, signed request on corporate letterhead to the carrier. Coverage will be made effective for that officer(s) or director(s) as of the day after receipt of the written request. Such coverage shall remain in effect until completion of the current policy term. A new Form 153 must be submitted to the DIA and then sent to the carrier.

A copy of the **approved** Form 153 must be submitted to the insurance carrier on an **annual** basis, prior to the renewal of any existing policy, as affirmation that the statements contained therein remain in effect. If the **approved** Form 153 is not submitted to the carrier, the corporate officers and directors shall be covered under the renewal policy, and the salary or compensation of those officers and directors shall be included in the premium calculation.

Additional References:

Circular Letter # 1906 dated January 7, 2003 - Coverage for Sole Proprietors and Partners of Legal Partnerships and Exemption from Coverage of Corporate Officers or Directors - Revisions to the MA Manual & Addition of Massachusetts Explanatory Notes to National Endorsements WC000308 and WC000310

Circular Letter #1902 dated October 30, 2002 - Coverage for Sole Proprietors and Partners of Legal Partnerships and Exemption from Coverage of Corporate Officers or Directors

Obtaining Coverage for Sole Proprietors, Partners and Members of an LLC

According to M.G.L. c. 152, Section 1(4) as amended by Chapter 169 of the Acts of 2002, sole proprietors and partners of a legal partnership may elect to be treated as employees and obtain coverage for themselves under a workers' compensation insurance policy. For a sole proprietor or partner to elect coverage on an existing Pool policy, a written request on the employer's company letterhead signed by the sole proprietor or partner must be submitted to the designated carrier. The letter must specify the name and duties of each sole proprietor or partner who is electing to be covered under this policy. Refer to the Department of Industrial Accidents Regulation 452 CMR 8.00.

After receiving the appropriate written request for coverage, the designated carrier will issue the Sole Proprietors, Partners, Officers and Others Coverage Endorsement, *WC000310*, and adjust payroll estimates to include in the premium calculation **the basis of premium** for the sole proprietor or each partner who has elected to be covered by the policy. Refer to Rule IX in the MA Manual for payroll determination information and to the Miscellaneous Values page in the MA Manual for the **basis of premium**. The effective date of coverage for the sole proprietor or partner(s) shall be either (i) the next policy effective date following the carrier's receipt of a written request from the sole proprietor or partner, or (ii) the day following the carrier's receipt of a written request that the election for coverage be made effective mid-term. All such written requests must be on the employer's company letterhead and signed by the sole

proprietor or partner. Once electing to be covered under a workers' compensation insurance policy, no sole proprietor or partner may opt out of said coverage until the completion of the current policy term.

The sole proprietor or partner(s) must reaffirm in writing their right of inclusion as an employee on their workers' compensation policy to the insurance carrier **annually** and prior to the renewal date of the policy. If the written reaffirmation is not submitted to the carrier, the sole proprietor or partner(s) will not be covered under the renewal policy, and the **basis of premium** assigned to the sole proprietor or each partner will not be included in the premium calculation.

Members of a limited liability company (LLC) and partners of a limited liability partnership (LLP) may also elect to be treated as employees and obtain coverage for themselves, but will not be covered unless they elect coverage in accordance with Regulation 452 CMR 8.00. All regulations, rules and procedures applicable to sole proprietors and partners with regards to the election of workers' compensation insurance coverage are also applicable to members of LLCs and partners of LLPs.

Additional References:

Circular Letter #2062 dated July 13, 2007 – Revised Methodology for Determining Payroll for Sole Proprietors, Partners of Legal Partnerships and Members of an LLC

Circular Letter #2028 dated July 18, 2006 - LLC Members and LLP Partners Elections For Coverage - Revisions To The MA Workers Compensation and Employers Liability Insurance Manual and MA Explanatory Notes To National Endorsement WC000310

Circular Letter #1942 dated February 2, 2004 - Circular Letters from the Department of Industrial Accidents on Optional Coverage for Members of an LLC and Partners of an LLP

Circular Letter #1906 dated January 7, 2003 – Coverage for Sole Proprietors and Partners of Legal Partnerships and Exemption from Coverage of Corporate Officers or Directors – Revisions to the MA Manual & Addition of Massachusetts Explanatory Notes to National Endorsements WC000308 and WC000310

Circular Letter #1902 dated October 30, 2002 - Coverage for Sole Proprietors and Partners of Legal Partnerships and Exemption from Coverage of Corporate Officers or Directors

Cancellation by Designated Carrier

Pursuant to M.G.L. Chapter 152, Section 55A, a mid-term notice of cancellation shall be effective only if based on one or more of the following reasons:

- Non-payment of premium;
- Fraud or material misrepresentation affecting the policy or insured;
- A substantial increase in the hazard insured against.

The Notice of Cancellation to the insured must include the effective date of cancellation, the reason for cancellation, and notice of the insured's right to file an objection with the Department of Industrial Accidents within ten days of receipt of the cancellation notice. If the reason for the cancellation notice is nonpayment of premium, the Notice of Cancellation should include the amount of premium owed and indicate that the cancellation will not take effect if the premium is received by the insurance company prior to the cancellation effective date. Designated carriers should refer to the sample Notice of Cancellation at the end of this document.

Note that the carrier will always provide the reason for cancellation on any Notice sent to the Bureau or to the insured employer. When a cancellation is initiated by the **insurer**, premium for the cancelled policy shall be calculated on a **pro rata** basis, as described in Rule X. B. in the MA Manual.

Pursuant to M.G.L. Chapter 152, Section 63, the insurance shall not be canceled or shall not be otherwise terminated until ten (10) days after written notice of such cancellation or termination is given to the Bureau, or until a notice has been received by the Bureau that the employer has secured insurance from another insurance company or has otherwise insured the payment of compensation provided for by this chapter.

Pursuant to M.G.L. Chapter 152, Section 65B, any insurer desiring to cancel or otherwise terminate an Assigned Risk Pool policy shall give notice in writing to the Bureau and the insured of its desire to cancel or terminate the same. Such cancellation or termination shall be effective unless the insured, within ten (10) days after the receipt of such notice, files an objection with the Department of Industrial Accidents (DIA). Accordingly, the Notice of Cancellation must be mailed by the carrier in enough time to ensure that the insured and the Bureau receive the Notice of Cancellation at least ten (10) days prior to the cancellation effective date.

Pursuant to M.G.L. Chapter 175, Section 187C, *[no] written notice of cancellation shall be deemed effective when mailed by the company unless the company obtains a certificate of mailing receipt from the United States Postal Service showing the name and address of the insured stated in the policy.*

Designated carriers' records must contain either a certificate of mailing receipt from the United States Postal Service or a certified mail – return receipt that shows the name and address of the insured employer to whom the Notice of Cancellation was mailed.

Refer to the *Non-Negotiable Checks* section for procedures for situations when the deposit premium or other premium checks are returned as non-negotiable. Refer to the *Reinstatement of Policy* section for procedures for situations when a policy has been cancelled more than once.

A copy of any notice sent by the carrier to the insured employer will also be sent to the producer of record.

The carrier will be able to produce a photocopy or electronic reproduction of the document(s) sent to the insured employer.

Additional References:

Circular Letter #2093 dated May 29, 2008 – Revisions to the Massachusetts Notice to Policyholder Endorsement and the Massachusetts Cancellation Endorsement and the Pool Procedures - Existing Policies

Special Bulletin #14-02 dated October 15, 2002 – Non-Compliance with Eligibility Requirements

Cancellation by Insured

The insured employer may request cancellation at any time by submitting a written request to the designated carrier. However, pursuant to M.G.L. Chapter 152, Section 63, such insurance shall not be canceled or shall not be otherwise terminated until ten

(10) days after written notice of such cancellation or termination is given to the Bureau, or until a notice has been received by the Bureau that the employer has secured insurance from another insurance company or has otherwise insured the payment of compensation provided for by this chapter. Accordingly, a Notice of Cancellation must be sent to the Bureau, and the Notice must be mailed in enough time to ensure that the Bureau receives it at least ten (10) days prior to the effective date of cancellation.

Even though the insured has requested the cancellation, a copy of the cancellation will be sent to the insured employer. The carrier will always provide the reason for cancellation on any Notice sent to the Bureau or to the insured employer. A copy of any notice sent by the carrier to the insured employer will also be sent to the producer of record.

When a cancellation is initiated by the insured when retiring from business, premium for the cancelled policy shall be calculated on a **pro rata** basis, as described in Rule X. B. in the MA Manual. When a cancellation is initiated by the insured when **not** retiring from business, premium for the cancelled policy shall be calculated on a **short rate** basis, as described in Rule X. C. in the MA Manual. When a Pool policy is cancelled by the insured because coverage was voluntarily assumed, premium shall be calculated on a **pro rata** basis, as described in Rule X. B. of the MA Manual.

For cancellations initiated by the **insured**, only one reinstatement will be allowed. Refer to the *Reinstatement of Policy* section for details.

The carrier will be able to produce a photocopy or electronic reproduction of the document(s) sent to the insured employer.

Cancellation by Producer of Record

The producer of record may initiate cancellation when the insured fails to pay money due the producer **only** under the following circumstances:

1. The employer must have executed a legal finance agreement giving both of the following two (2) rights to the producer of record:
 - a. The right to cancel the policy should the employer fail to meet a payment as required in the agreement; and
 - b. The right of the producer of record to receive return premium.
2. The designated carrier must be provided with a valid copy of the actual finance agreement signed by the insured. Without a valid copy in its records, a designated carrier cannot acknowledge the producer of record's request.

A cancellation requested by a producer of record on behalf of an insured employer will be treated as and reported to the Bureau as a *Cancellation by the Employer*. By entering a finance agreement, the employer arranges for the producer to pay the premium in full to the designated carrier. The employer is then obligated to pay back the producer according to the terms of the finance agreement. Therefore, a cancellation requested by a producer in this circumstance will not be reported to the Bureau as a cancellation for non-payment of premium because the premium has been paid in full to the designated carrier by the producer of record.

Pursuant to M.G.L. Chapter 152, Section 63, such insurance shall not be canceled or shall not be otherwise terminated until ten (10) days after written notice of such

cancellation or termination is given to the Bureau, or until a notice has been received by the Bureau that the employer has secured insurance from another insurance company or has otherwise insured the payment of compensation provided for by this chapter. Accordingly, a Notice of Cancellation must be sent to the Bureau, and the Notice must be mailed in enough time to ensure that the Bureau receives it at least ten (10) days prior to the effective date of cancellation.

Even though not explicitly required by statute in this situation, a copy of the cancellation notice will be mailed to the employer. A copy of any notice sent by the carrier to the insured employer will also be sent to the producer of record.

For cancellations initiated by the producer of record, only one reinstatement will be allowed. Refer to *Reinstatement of Policy* section for details.

The carrier will be able to produce a photocopy or electronic reproduction of the document(s) sent to the insured employer.

Cancellation by Finance Company

A finance company may request cancellation for failure of the insured to pay money due only under the following circumstances:

1. The employer must have executed a legal finance agreement giving both of the following two (2) rights to the finance company:
 - a. The right to cancel the policy should the employer fail to meet a payment as required in the agreement; and
 - b. The right of the finance company to receive return premium.
2. The designated carrier must be provided with a valid copy of the actual finance agreement signed by the insured. Without a valid copy in its records, a designated carrier cannot acknowledge the finance company's request.

A cancellation requested by a finance company on behalf of an insured employer will be treated as and reported to the Bureau as a Cancellation by the Employer. By entering a finance agreement, the employer arranges for the finance company to pay the premium in full to the designated carrier. The employer is then obligated to pay back the finance company according to the terms of the finance agreement. Therefore, a cancellation requested by the finance company in this circumstance will not be reported to the Bureau as a cancellation for non-payment of premium because the premium has been paid in full to the designated carrier by the finance company.

Pursuant to M.G.L. Chapter 152, Section 63, such insurance shall not be canceled or shall not be otherwise terminated until ten (10) days after written notice of such cancellation or termination is given to the Bureau, or until a notice has been received by the Bureau that the employer has secured insurance from another insurance company or has otherwise insured the payment of compensation provided for by this chapter. Accordingly, a Notice of Cancellation must be sent to the Bureau, and the Notice must be mailed in enough time to ensure that the Bureau receives it at least ten (10) days prior to the effective date of cancellation.

Even though not explicitly required by statute in this situation, a copy of the cancellation notice will be mailed to the employer. A copy of any notice sent by the carrier to the insured employer will also be sent to the producer of record.

For cancellations initiated by the finance company, only one reinstatement will be allowed. Refer to the Reinstatement of Policy section for details.

The carrier will be able to produce a photocopy or electronic reproduction of the document(s) sent to the insured employer.

Reinstatement of Policy

When a notice of cancellation is **initiated by the insured employer, a finance company or a producer of record** with authority to act on behalf of the insured, such cancellation will be rescinded, and the policy reinstated, only if a written request from the insured employer, finance company or producer of record who requested the cancellation is received by the carrier prior to the effective date of cancellation. At the time of the first reinstatement, the carrier will advise the insured that subsequent notices of cancellation of the same policy that are issued at the request of the insured, the finance company, or producer of record will not be rescinded and the policy will not be reinstated. The designated carrier will retain a copy of such notification to the insured employer, finance company or producer of record.

When a notice of cancellation is **initiated by the designated carrier** for non-payment of premium, such cancellation will be rescinded, and the policy reinstated, only if the designated carrier receives the required premium prior to the effective date of cancellation. At the time of the first reinstatement, the carrier will advise the insured that if a subsequent notice of cancellation must be issued by the carrier for non-payment of premium, then the insured will lose his payment plan, and payment in full of the remaining policy premium prior to the cancellation effective date will be required as a condition of reinstatement.

Upon reinstatement of a policy, a Notice of Reinstatement must be sent by the designated carrier to the Bureau and to the insured employer. A copy of any notice sent by the carrier to the insured employer will also be sent to the producer of record. A reinstatement with a lapse of coverage is **not** permissible.

The carrier will be able to produce a photocopy or electronic reproduction of the document(s) sent to the insured employer or to the Bureau.

Renewal

At least forty-five (45) days, but not more than one hundred (100) days prior to the expiration date of the policy, the designated carrier sends a renewal proposal to the insured employer and the producer of record and retains a copy of the proposal for its records. The renewal proposal must contain the following information: the expiration date of the current policy (e.g. 11/30/03), the amount of the deposit premium, and the due date for the deposit premium, which shall be twenty (20) days prior to the current policy's expiration date (e.g. 11/10/03). If the designated carrier receives the required

deposit premium by the due date, the designated carrier will issue a renewal policy within thirty (30) calendar days.

The renewal proposal will contain the following statement: "Payment of the deposit premium will constitute the employer's acceptance of and agreement to the terms and conditions of the policy."

IMPORTANT: If the deposit premium is not received by the due date (e.g. 11/10/03), the designated carrier must send a Notice of Non-Renewal to the insured and the Bureau. The Notice of Non-Renewal must state: "your policy will terminate on the policy expiration date (the exact expiration date must be given, e.g. 11/30/03)". The Notice of Non-Renewal must be sent in enough time so that the insured and the Bureau receive the Notice at least ten (10) days prior to the expiration date of the current policy. The designated carrier shall obtain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the insured to which the Notice of Non-Renewal was mailed. The carrier will always provide the reason for non-renewal on any Notice sent to the Bureau or the insured employer. Designated carriers should refer to the sample Notice of Non-Renewal at the end of this document.

If a designated carrier does not receive the deposit premium prior to the expiration date of the current policy, it shall not issue a renewal policy.

A copy of any notice sent to the insured employer should also be sent to the producer of record.

The carrier should always be able to produce a copy or other exact reproduction of the documents(s) sent to the insured employer.

Additional Reference:

Special Bulletin #12-03 dated 12/05/03 – New Assigned Risk Pool Procedures Effective 1/1/04

Non-Renewal

Pursuant to M.G.L. Chapter 152, Section 63, the insurance shall not be cancelled or shall not be otherwise terminated until ten (10) days after written notice is given to the Bureau.

Pursuant to M.G.L. Chapter 152, Section 65B, any insurer desiring to cancel or otherwise terminate an Assigned Risk Pool policy shall give notice in writing to the Bureau and the insured. Such cancellation or termination shall be effective unless the insured, within ten (10) days after the receipt of such notice, files an objection with the Department of Industrial Accidents (DIA).

Designated carriers must give ten (10) days written notice to the insured employer and the Bureau of its desire to non-renew a policy. The Notice of Non-Renewal must state: "your policy will terminate on the policy expiration date (the exact expiration date must be given, e.g. 11/30/03)". The Notice of Non-Renewal must be sent in enough time to ensure that the insured and the Bureau receive the Notice at least ten (10) days prior to the expiration date of the current policy. The designated carrier shall obtain for its

records a certificate of mailing receipt from the United States Postal Service showing the name and address of the insured employer to which the Notice of Non-Renewal was mailed. The carrier will always provide the reason for non-renewal on any Notice sent to the Bureau or the insured employer.

Refer to the section entitled **IMPORTANT** in the Renewal Procedures (above) when a Notice of Non-Renewal is issued due to the insured employer's failure to timely pay a deposit premium.

A copy of any Notice sent to the insured should also be sent to the producer of record.

The carrier should always be able to produce a copy or other exact reproduction of the document(s) sent to the insured employer.

Additional Reference:

Special Bulletin #12-03 dated 12/05/03 – New Assigned Risk Pool Procedures Effective 1/1/04

Block Transfers

For policies nonrenewed at the request of the Bureau for block transfer purposes, the designated carrier will send a written non-renewal notice to the employer and the producer of record at least forty-five (45) days prior to the expiration date of the policy. Refer to Notice to Pool Carriers No. 95-5 dated 10/12/95 for a sample of the written non-renewal notice to be used with block transfers. The designated carrier will retain evidence that notice was sent to the Bureau and the insured employer.

Additionally, in accordance with M.G.L. Ch. 152 Sections 63 and 65B, designated carriers shall give at least ten (10) days written notice to the insured employer and the Bureau of its intention to non-renew a policy. These Notices of Non-Renewal must be mailed in enough time to ensure they are received at least ten (10) days prior to policy expiration. The designated carrier will retain evidence that notice was sent to the Bureau and the employer.

The carrier will attempt to provide the producer with their copy of the non-renewal letter five days in advance of notifying the employer.

The expiring carrier will send to the new carrier a copy of the declaration page(s), including payrolls by classification from the expiring policy. The expiring carrier will also send to the new carrier a copy of the latest experience rating worksheet as received from the Bureau, if available, along with any other relevant underwriting information contained in its files. All information sent from the expiring carrier to the newly designated carrier should reach the new carrier at least 45 days prior to the expiration date of coverage.

Upon receipt and review of the underwriting information referenced above, the newly designated carrier will promptly issue a quote for pool coverage to the employer, and provide a copy of that quote to the producer identified by the expiring carrier. The proposal must contain the following information: the proposed effective date (the same as the expiration date on the expiring carrier's policy), the amount of the deposit

premium, and the due date for the deposit premium, which shall be ten (10) days prior to the proposed effective date. If the designated carrier receives the required deposit premium by the expiration date, the designated carrier will issue a renewal policy within thirty (30) calendar days. If the required deposit premium is not received by the expiration date, the new carrier is not required to take any action.

Non-Negotiable Checks

When the carrier finds the deposit premium or other premium check is not covered by sufficient funds, the carrier will **not** redeposit the check. Instead, the carrier will allow the employer ten (10) days to provide the carrier with a bank check or money order for the full amount of the deposit premium or other premium amount due. All employers will be given ten (10) days to pay by bank check or money order; however, the employer's failure to pay will have a different impact depending on whether a policy has been issued.

- If a check has bounced and **the policy has not yet been issued**, (e.g., the deposit premium check is insufficient), the carrier will promptly send a letter to the employer advising them that there were insufficient funds to cover the deposit premium check, and therefore, there is no coverage in place. (If the check has been returned to the carrier by the time the carrier sends the letter to the employer, then the check should accompany the letter.) The carrier will advise the employer that if the carrier receives a bank check or money order for the full amount of the deposit premium by the [Due Date], coverage will be in effect as of [Effective Date]. To allow time for mailing, the [Due Date] should be 15 days from the date of the carrier's letter. The [Effective Date] will be either the coverage effective date on the Notice of Assignment (for new assignments) or the policy renewal date (for renewals). The carrier will obtain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the employer to whom the letter and check were mailed.
 - If the carrier **does not receive** a bank check or money order by the [Due Date], the carrier will send another letter to the employer advising that no coverage is in place because a bank check or money order was not received by the [Due Date]. The carrier will obtain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the employer to whom the letter was mailed. **A copy of the letter advising the employer that no coverage is in place must be sent to the Bureau at the same time that it is mailed to the employer.**
 - If the carrier **receives** the bank check or money order by the due date, the carrier will issue the policy.

A copy of any notice sent by the carrier to the employer will also be sent to the producer of record.

The carrier will be able to produce a photocopy or other electronic reproduction of the document(s) sent to the employer.

The above procedure will also be followed if the carrier has filed a Notice of Issuance with the Bureau, but has not yet issued a policy to the employer.

- If a check has bounced and **the policy has been issued**, (e.g., either the deposit premium check, an installment check, or an audit payment check bounced), then the carrier will promptly send a Notice of Cancellation and letter to the employer advising them that there were insufficient funds to cover the deposit or other premium check, and therefore **the policy will be terminated for non-payment of premium as of the [Cancellation Effective Date]** that appears on the Notice of Cancellation. (If the check has been returned to the carrier by the time the carrier sends the letter to the employer, then the check should accompany the letter.)

Since a policy has been issued, the carrier shall give ten (10) days written notice of termination to the insured and the Bureau. Therefore, to allow time for mailing, the carrier will mail the check, Notice of Cancellation, and letter fifteen (15) days before the Cancellation Effective Date. The carrier must obtain for its records a certificate of mailing receipt from the United States Postal Service showing the name and address of the insured employer to whom the check, Notice of Cancellation, and letter were mailed. **A copy of the Notice of Cancellation must be sent to the Bureau at the same time that it is mailed to the insured.**

- If the **policy has not previously been cancelled for non-payment of premium**, the carrier will advise the employer that if the carrier receives a bank check or money order for the full amount of the check that bounced by the [Due Date], coverage will be effective as of [Effective Date on the Policy that was Issued].
- If the **policy has previously been cancelled for non-payment of premium and reinstated**, the carrier must receive a bank check or money order for [The Full Amount of All Outstanding Premium on This Policy] by [Due Date] in order for coverage to be effective as of the [Effective Date on the Policy that was Issued]. See the Reinstatement of Policy section.

If the carrier does not receive a bank check or money order by the due date, then no further action is required by the carrier, and the cancellation will take effect.

If the carrier receives the required bank check or money order by the due date, then the cancellation will not take effect and the carrier will issue a Notice of Reinstatement to the insured and the Bureau.

A copy of any notice sent to the insured will also be sent to the producer of record.

The carrier will be able to produce a photocopy or electronic reproduction of the document(s) sent to the insured employer.

Voluntary Assumption of Coverage

An insured employer may, at any time, cancel its assigned risk coverage if the employer has secured insurance from another insurance company or has otherwise insured the payment of compensation provided for by this chapter. If coverage is cancelled for this reason during the policy term, then the assigned risk policy must be cancelled on a pro rata basis, in accordance with Rule X.B. in the MA Manual.

Deposit Premium and Installment Options

Refer to the Installment Options section in Pool Procedures for New Applications for the available installments and to the Reinstatement of Policy section for information about the loss of installment plans when a policy has been cancelled more than once for non-payment of premium.

Premium Discount

Premium discount is not available to policies written in the Pool.

Servicing Carrier Fee

The servicing carrier retains a portion of the premium for each employer assigned to it as its compensation for servicing the insured. Refer to the Massachusetts Pool Plan of Operation for details. Voluntary Direct Assignment Carriers do not receive compensation in this manner.

Producer Fee

The fee or allowance received by the licensed producer of record is determined by applying the appropriate producer fee percentage(s) to the policy's Standard Premium. Standard Premium is defined and described in the Residual Market Premium Algorithm, Appendix F of the MA Manual, and in Part I, Section VI of the Massachusetts Workers' Compensation Statistical Plan (see "Total Standard Premium"). The producer must be licensed to conduct the business of insurance in Massachusetts to receive a producer fee.

The producer fee, payable by the designated carrier only on premium actually collected, will be paid within thirty (30) days from the date the policy is issued or thirty (30) days from the receipt of premium, whichever is later. If an overpayment of premium occurs due to an overestimate of exposures as determined at audit or due to a reduction in experience modification or for some other reason, any excess producer fee paid by the designated carrier will be returned by the producer. Any disputes regarding the payment or recovery of producer fees must be resolved between the carrier and the producer.

PRODUCER FEE SCHEDULE	
First \$1,000	9% of Standard Premium
Next \$4,000	5% of Standard Premium
Next \$95,000	4% of Standard Premium
Over \$100,000	3% of Standard Premium

NAME OF INSURANCE COMPANY

Mailing Address of Insurance Company
City, State, Zip Code
Telephone Number
Fax Number

NOTICE OF NON-RENEWAL

Name of Insured	Date of Notice:	<mm/dd/yyyy>
Mailing Address of Insured		
City, State, Zip Code	Policy Number:	<u>xxxxxxxxxxxxxxxxxxxxxxxx</u>
	Policy Period:	<u><mm/dd/yyyy> to <mm/dd/yyyy></u>
	Effective Date of Termination:	<u><mm/dd/yyyy> (= Expiration Date)</u>
	Reason for Non-Renewal:	<u>Renewal Premium Not Received</u>

DEAR POLICYHOLDER,

Several weeks ago, you received our renewal offer. In that offer, we stated that the deposit premium would have to reach our office by <mm/dd/yyyy> (= 20 days prior to Policy Expiration) in order for you to obtain a renewal policy. That date has passed, and we have not received your deposit premium.

The purpose of this Notice of Nonrenewal is to notify you that your policy will terminate at 12:01 a.m. on your Policy Expiration Date, <mm/dd/yyyy>.

Very truly yours,

(Signature)

Name of Insurance Company Personnel
Title of Insurance Company Personnel

cc: Producer of Record
Address
City, State, Zip Code

NAME OF INSURANCE COMPANY

Mailing Address of Insurance Company
City, State, Zip Code
Telephone Number
Fax Number

NOTICE OF CANCELLATION

Date of Notice: < mm/dd/yyyy >

Name of Insured
Mailing Address of Insured
City, State, Zip Code

RE: Policy Number:
Policy Effective Date:

Dear Policyholder,

Please be advised that your workers' compensation insurance policy (see above referenced policy number) is hereby cancelled in accordance with its terms, effective at 12:01 A.M. on the cancellation effective date indicated below:

Effective Date of Cancellation: < mm/dd/yyyy >

Reason for Cancellation:

- Nonpayment of Premium in the Amount of \$_____*
- OR
- Other: [specify reason for cancellation other than nonpayment of premium]

* If the reason for this cancellation is nonpayment of premium, such cancellation will not take effect if the amount shown above is received by the insurance company prior to: < mm/dd/yyyy >.

Pursuant to Section 65B of Massachusetts General Laws chapter 152, within ten (10) days of your receipt of this notice you may file an objection to this cancellation with the Department of Industrial Accidents, Office of Insurance, 600 Washington Street, 7th Floor, Boston, MA 02111.

Sincerely,
(Signature)
Name of Insurance Company Personnel
Title of Insurance Company Personnel

cc: Producer of Record