

The Workers' Compensation Rating and Inspection Bureau of Massachusetts
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July 17, 1986

CIRCULAR LETTER NO. 1445

To All Members and Subscribers of the Bureau:

Re: Department of Industrial Accidents Assessment
Questions and Answers

The Bureau has received a number of questions regarding the Department of Industrial Accidents (DIA) Assessment which was announced in Circular Letters No. 1441 dated April 17, 1986 and 1443 dated May 2, 1986. The following series of questions and answers has been prepared to assist in the handling of that assessment by member companies.

1. Q. In Circular Letter No. 1443, it was stated that the assessment rate is to be applied to the Standard Premium for policies effective July 1, 1986 and after. Is the definition of Standard Premium the same as contained in the Manual?
 - A. Yes. Standard Premium is determined prior to the application of premium discount and is defined on Massachusetts Special Page 10 as follows:

Standard Premium means ...the state premium determined on the basis of authorized rates, any experience rating modification, loss constants and minimum premiums. The Expense Constant shall be excluded from determination of the standard premium.

2. Q. Are premiums developed under Employer's Liability exposure subject to the assessment?
 - A. Yes.

3. Q. If the policy is subject to the minimum premium (which includes the expense constant) should the expense constant be deducted from the minimum premium before applying the assessment rate?
 - A. Yes. The correct basis for the assessment would be the policy minimum premium less the expense constant plus the minimum premium for Employer's Liability. It should be noted that minimum premiums are included in the definition of Standard Premium (see Answer to Question No. 1) and accordingly the Employer's Liability minimum premium is included in the determination of the assessment.

4. Q. Is premium developed under U.S.L. & H.W. and Admiralty exposure subject to the assessment?
 - A. No.

5. Q. Which assessment rate will apply to a policy?
 - A. The official assessment rate applicable at the policy inception date will apply to the full term of the policy.

6. Q. Does the assessment rate apply to policies with inception dates prior to July 1, 1986?
 - A. No. The assessment rate would not apply to a three year fixed rate policy written prior to July 1, 1986 which is considered as one policy, however, the assessment rate would apply to policies written for longer than one year in accordance with Basic Manual Rule III-C-3 (All manual rules and procedures apply to each such unit as if a separate policy had been issued for each unit).

7. Q. How will the assessment be calculated under a cancelled policy?
 - A. The assessment rate will apply to the final Standard Premium developed under the short-rate or pro-rata provisions of Rule X-Cancellation.

8. Q. May carriers round off the assessment to the nearest dollar?
 - A. Yes.

9. Q. When will the 1986 official assessment rate be available?
- A. The Bureau will notify members of the official rate as soon as it is established by the DIA, however, it is anticipated that the rate will not be available before September.
10. Q. After the official 1986 assessment rate has been established, will carriers be required to so notify those policyholders previously charged the estimated rate?
- A. No. Any such adjustment of the assessed amount can be made during the policy period or at the time of final audit.
11. Q. Will the official assessment rate be identical for all insured employers?
- A. No. The DIA will promulgate a separate assessment rate for cities and towns and other political subdivisions of the Commonwealth.
12. Q. How are carriers notifying the policyholder of the assessment?
- A. It appears that most carriers are issuing a separate Notice to Policyholder incorporating language such as that suggested in this Bureau's Circular Letter No. 1443.
13. Q. Does the Bureau anticipate the use of a Standard Endorsement to be attached to Massachusetts policies to explain the assessment?
- A. Yes. Proposed language for a Massachusetts Standard Endorsement has been submitted to the Massachusetts Insurance Department on behalf of all Bureau Members. Upon approval, members will be informed of the Standard Endorsement language and requested to attach the endorsement to all policies showing Massachusetts in Item 3A of the Information Page.
14. Q. Will the Bureau establish a Statistical Code for the assessment?
- A. No. Since the assessment is not considered premium and should not be reported to the Bureau, carriers may use any code number provided it does not duplicate an already existing Statistical Plan Code.

15. Q. Will the Department of Industrial Accidents bill carriers for the assessment?
- A. No. Carriers will be responsible for billing policyholders and remitting amounts collected to the DIA on a quarterly basis. The DIA is preparing a transmittal letter which will be completed by the carrier and submitted along with the aggregate assessment collected during the quarter.
16. Q. What is the carrier's responsibility if an employer does not pay the assessment?
- A. It is anticipated that the DIA will establish a procedure to be followed by carriers in notifying the DIA of any such delinquencies.
17. Q. Can the assessment be billed in the same manner as the premium?
- A. Yes, if a percentage of the estimated annual premium is billed, under the deposit premium rule, then the same percentage of the estimated annual assessment can be charged at policy inception.
18. Q. Should the assessment amount be adjusted at the time of mid-term premium charges?
- A. The amount of such an adjustment to the assessment may be billed at that time or at final audit.
19. Q. Are Massachusetts Assigned Risk Policy premiums subject to the assessment?
- A. Yes. All policies, either written voluntarily or involuntarily are subject to the assessment.
20. Q. Are commissions payable on the assessment charge?
- A. No.

21. Q. How should the assessment be shown on the policy?

A. Although, the precise method of presentation has thus far been left to the carrier, the examples below illustrate one technique used rather commonly.

CLASSIFICATION OF OPERATION	CLASS CODE	ESTIMATED TOTAL ANNUAL REMUNERATION	RATE	ESTIMATED PREMIUM
BUILDINGS-OPERATION BY CONTRACTORS	9014	29,000	5.22	\$ 1,514
MINIMUM PREMIUM ELI 100/100/500	9845		.01	50
STD PREM SUBJECT TO MASS DIA ASSESSMENT				1,564
EXPENSE CONSTANT	0900			75
MASS DEPT OF INDUSTRIAL ACCIDENTS ASSESSMENT 3.5% OF STANDARD PREMIUM				55
TOTAL PREMIUM				\$ 1,694
ADJUSTMENT BASIS ANNUAL			REQUIRED DEPOSIT PREMIUM \$ 1,694	

CLASSIFICATION OF OPERATION	CLASS CODE	ESTIMATED TOTAL ANNUAL REMUNERATION	RATE	ESTIMATED PREMIUM
RADIO APPARATUS MFG CR ASSEMBLING-NOC	3681	550,000	1.74	\$ 9,570
CLERICAL OFFICE EMPLOYEES NOC	8810	1,552,000	.25	3,880
SALESPERSON, COLLECTOR, MESSENGER-OUTSIDE	8742	60,000	.65	390
EMPLOYERS LIABILITY 100/100/500	9845		.01	138
EXP MOD .98 EFF 10/27/85				-280
STD PREM SUBJECT TO MASS DIA ASSESSMENT				13,698
STOCK PREMIUM DISCOUNT 06.0%	0063			-821
EXPENSE CONSTANT	0900			75
MASS DEPT OF INDUSTRIAL ACCIDENTS ASSESSMENT 3.5% OF STANDARD PREMIUM				479
TOTAL PREMIUM				\$ 13,431
ADJUSTMENT BASIS QUARTERLY			REQUIRED DEPOSIT PREMIUM \$ 6,753	

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