



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

101 ARCH STREET - 5TH FLOOR, BOSTON, MA 02110
(617) 439-9030 FAX 439-6055

January 2, 1990

CIRCULAR LETTER NO. 1517

To All Members and Subscribers of the Bureau:

Merit Rating - Experience Rating Plan

The Division of Insurance has approved a Merit Rating Program, applicable to risks, voluntary and assigned risk, too small to qualify for Experience Rating, to become effective 12:01 A.M., January 1, 1990, on new and renewal business only.

Premiums for eligibility to this program shall be determined in a similar manner to the determination of eligibility for Experience Rating. A risk shall be eligible if it has an average annual premium over the last three policy years of \$500 or more.

Eligible risks shall receive the following adjustments to their premium, based on the number of lost-time claims over the most recent three policy years.

<u>Number of Lost-time Claims</u>	<u>Merit Rating Adjustment</u>
0	5% credit
1	None
2 or more	5% debit

It is estimated that approximately 36% of the risks in the state accounting for approximately 3.2% of standard premiums would qualify for Merit Rating.

It is estimated that Merit Rating will on average produce a 3.6% credit. Thus standard premium would be reduced by approximately $3.2\% \times 3.6\% = .1\%$. The manual rates have been increased by this amount via an off-balance factor in order to make this program revenue neutral.

The Bureau will calculate the Merit Rating Adjustment, if any, applicable to each risk and send two (2) copies of the MERIT RATING CALCULATION (EXHIBITS 1A, 1B, and 1C) to the current carrier.

Exhibit 2 is a sample Information Page indicating the proper method for calculating premium when there is a Merit Rating Adjustment.

January 2, 1990

The Workers' Compensation Insurance Plan Application is being revised accordingly.

The National Council on Compensation Insurance will distribute Manual pages reflecting the changes required in the Experience Rating Plan Manual.

NORMAN R. FONTAINE
Vice President

NRF/jd

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101 ARCH STREET, BOSTON, MASSACHUSETTS 02110

MERIT RATING CALCULATION

TO: MAJOR INSURANCE COMPANY

BUREAU
FILE NO: 999999

INSURED: XYZ COMPANY
123 MAIN STREET
BOSTON, MA 09990

NO LOST-TIME CLAIMS. THIS RISK QUALIFIES FOR A MERIT RATING CREDIT OF 5%.

MERIT RATING EFFECTIVE DATE: 01/01/90

0000/00/103690

DATE ISSUED: 12/01/89

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101 ARCH STREET, BOSTON, MASSACHUSETTS 02110

MERIT RATING CALCULATION

TO: MAJOR INSURANCE COMPANY

BUREAU
FILE NO: 999999

INSURED: XYZ COMPANY
123 MAIN STREET
BOSTON, MA 09990

BASED ON THE NUMBER OF LOST-TIME CLAIMS INDICATED BELOW, THIS RISK IS NOT
SUBJECT TO A MERIT RATING ADJUSTMENT.

POLICY NUMBER	POLICY EFF-DATE	CARRIER NAME	CARRIER NO.	LOST-TIME CLAIMS
WC23456	01/01/87	MAJOR INSURANCE COMPANY	22222	1

MERIT RATING EFFECTIVE DATE: 01/01/90

0000/00/1034690

DATE ISSUED: 12/01/89

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101 ARCH STREET, BOSTON, MASSACHUSETTS 02110

MERIT RATING CALCULATION

TO: MAJOR INSURANCE COMPANY

BUREAU
FILE NO.: 999999

INSURED: XYZ COMPANY
123 MAIN STREET
BOSTON, MA 09990

BASED ON THE NUMBER OF LOST-TIME CLAIMS INDICATED BELOW, THIS RISK IS SUBJECT TO
A MERIT RATING SURCHARGE OF 5%.

POLICY NUMBER	POLICY EFF-DATE	CARRIER NAME	CARRIER NO.	LOST-TIME CLAIMS
WC12345	01/01/86	MINOR INSURANCE COMPANY	11111	2
WC23456	01/01/87	MAJOR INSURANCE COMPANY	22222	1
WC34567	01/01/88	MAJOR INSURANCE COMPANY	22222	1

MERIT RATING EFFECTIVE DATE: 01/01/90

0000/00/1034690

DATE ISSUED: 12/01/89

**Sample Premium Calculation For Risk
Subject to Merit Rating Surcharge**

LOCATIONS, CLASSIFICATION AND PAYROLL IN MASSACHUSETTS
Calculation of Estimated Annual Premium:

Describe by location the duties of employees	Class Code	Number of Employees	Total Payroll	Rate	Premium
Store Risks - Retail NOC	8017	5	92,000	2.19	2015
Clerical Office Employees NOC Salesperson, Collectors or Messengers - Outside Drivers, NOC Employers Liability / /	8810 8742 7380	1	15,000	0.29	44
Standard Premium					2,059
[1] Merit Rating Surcharge (1.05)					103
Expense Constant					155
Total Estimated Annual Premium					2,317
Mass. D.I.A. Assessment (1.2%) of Standard Premium					28
Total of Estimated Annual Premium and Mass. D.I.A. Assessment					2,345

1. Available from Bureau.