



**THE WORKERS' COMPENSATION  
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**  
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August 24, 1995

## **CIRCULAR LETTER NO. 1725**

***To All Members and Subscribers of the Bureau and Agent Trade Association:***

### **CLASSIFICATION AND AUDIT/INSPECTION GUIDELINES**

#### ***GUIDELINE ONE***

#### **ROLE OF THE BUREAU'S CLASSIFICATION/AUDIT DEPARTMENT PROPER SUBMISSION OF ESSENTIAL INFORMATION**

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#### **PURPOSE**

The purpose of this Circular Letter is to introduce and implement Classification and Audit/Inspection **Guideline One**. It explains the role of the Bureau's Classification/Audit Department, and is intended to guide **carriers**, **agents**, and **employers** on the proper method to give us the information we need, so that, as your service organization, we can perform our work more efficiently, thereby helping you.

In the future, we plan to publish additional guidelines to address specific concerns as they emerge.

#### **ROLE OF THE BUREAU'S CLASSIFICATION/AUDIT DEPARTMENT**

The principal role of the Classification/Audit Department of the Bureau is to assign the proper workers' compensation classification[s] to the operations of over 110,000 employers doing business in Massachusetts. If there is uncertainty or if there is a dispute, we will conduct an on-site inspection at the premises of the **employer**. We want to ensure that the **employer** is classified correctly, is treated fairly and equitably, and ultimately pays the correct premium.

**PROPER SUBMISSION OF ESSENTIAL INFORMATION**

For the Classification/Audit Department to operate effectively, **it is important** that we have the **full cooperation** of every **carrier, agent, and employer** in providing us with the **essential information** we need to make classification rulings, and to otherwise be of service to you.

1. The **most important** information we need to have is a full and accurate description of the **Business of Employer**. This information is required to be entered in **Item V.** of the Application for Coverage in the Massachusetts Workers' Compensation Assigned Risk Pool. This is the same information that the Classification/Audit Department needs to properly respond to correspondence and phone calls from **carriers, agents, and employers** on classification questions, whether on residual market or voluntary business.
2. Attached is a blank copy of an **Inspection Report**. Basically, it is the same form used by a Bureau Inspector when conducting an on-site inspection of an **employer's** operations. We are requesting **agents** to complete this form, with the assistance of the **employer**, especially on complex risks, and to send it to the Classification/Audit Department with correspondence involving a classification question or prior to phoning us on a classification question. **Carriers** may use this form or continue to use their own. We also encourage **agents** to complete and attach this form to Pool Applications being submitted to the Bureau.

If appropriate, a **sketch** or **photo** of the **employer's** operations should accompany the Inspection Report, especially if there is an issue concerning the physical segregation of different operations of an employer and/or non-interchange of labor, bearing in mind that most operations are included under the one, basic, governing classification assigned to the Business of Employer.

**Competitors** whose operations are known to be very similar should be listed on the Inspection Report in the area provided.

**Advertising brochures** used by an **employer** should also be sent to us, if available.

The implementation of this **Guideline** is intended to reduce, and in some cases eliminate, the need for the Bureau having to ask additional questions in order to resolve certain classification issues or returning an Application for more information.

3. A **carrier, agent, or employer** who phones us on a classification question, or other related matter, should identify himself/herself, indicate the firm he/she represents, give the name of the assigned risk applicant or policyholder, give the

policy number and Bureau File Number, if known, and be knowledgeable of the facts surrounding the situation, following the outline in 2. above. As a reminder, please keep in mind that the Bureau is in a position to reply only to an **employer** relative to its own account, the authorized **agent** of record, or **other representative** of the **employer** to whom the **employer** has given a signed letter on the **employer's** letterhead authorizing the **representative** to act on the **employer's** behalf in the matter at issue.

4. If either a **carrier** or an **agent** is requesting a change in classification, the audit worksheets for the most recent two years should accompany the request. Please note the **importance** of this item, since a considerable amount of time would be saved by our not having to ask for this information by return correspondence.
5. It is also **very important** that you tell us **why** a change in classification is being requested, i.e., has a substantial change in the operations of the **employer** occurred recently?
6. The Bureau will determine whether the information given to us is sufficient for us to make a determination on which classification applies to the **employer's** operations, or in the alternative, we will schedule the **employer** for an inspection. Following the inspection, we will issue a classification ruling which will be communicated, in writing, to all authorized parties. Rulings are subject to the appeal process, which will be explained in a subsequent Circular Letter.
7. Please note that it is not the role of the Bureau to become involved in audit issues such as those which involve a dispute over the allocation of a particular **employee's** payroll to a given classification. These allocations of payroll are made by the **carrier**. Since the Bureau did not perform the audit, we do not have the relevant facts on which to base an opinion or render a decision. If an **employer** or **agent** has such an issue, it should be referred to the **carrier's** regional audit manager for resolution. Having done so, if the matter remains unresolved, the proper avenue of appeal is to the Division of Insurance.
8. We ask that **carriers** and **agents** use this **Classification and Audit/Inspection Guideline** as a reference guide when submitting assigned risk Applications, sending correspondence to us, and phoning us on classification questions.

NORMAN R. FONTAINE  
Vice President of Industry Affairs





