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

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
## INSPECTION REPORT

<table>
<thead>
<tr>
<th>Date:</th>
<th>Inspector:</th>
<th>Bureau File No.</th>
</tr>
</thead>
</table>

1. **Employer:**

2. **Business Address:**

3. **Form of Organization (check which):**
   - Individual
   - Co-Partnership
   - Corporation

4. **Any recent changes in Operations?**

5. **Does employer operate at other locations in MA?**
   - (a) LOCATION
   - (b) Character of Operations

6. **Product, Operation, or Service of Insured**
   - Percent of Sales
   - Raw Materials or Merchandise Received
   - %

7. **Bill of Sale**
   - Floor
   - Dept. No.
   - Eff. Seg.
   - DEPARTMENTS (By Name and Description of Operations)
   - No. of Employees

8. **Is Labor Interchangeable?**
   - Group such departments by number

9. **Present number of employees**

TOTAL.
INSPECTION REPORT
Question 7 Continued

Date ___________________________ Inspector ___________________________ Bureau File No. ___________________________

1. Employer ___________________________

2. Business Address ___________________________ Phone Number ___________________________

3. Form of Organization (check which) Individual Co-Partnership Corporation

4. Any recent changes in operations?

<table>
<thead>
<tr>
<th>Site No.</th>
<th>Floor</th>
<th>Dept. No.</th>
<th>Eff. Seg.</th>
<th>DEPARTMENTS (By Name and Description of Operations)</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL
17. Describe how each product is manufactured, operation or service is performed, or how store or dealer operations are conducted.

| Competitors: |

11. List all machines considered pertinent in consideration of Classification Assignment. Include all machines considered as having a Dangerous Point of Operation.

<table>
<thead>
<tr>
<th>Type of Machine</th>
<th>No.</th>
<th>Type of Machine</th>
<th>No.</th>
<th>Type of Machine</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Name of Person Interviewed ___________________________ Position: ___________________________