



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU OF MASSACHUSETTS**
101 ARCH STREET - 5TH FLOOR, BOSTON, MA 02110
(617) 439-9030 FAX 439-6055

January 22, 1996

CIRCULAR LETTER NO. 1734

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

**REVISIONS TO MASSACHUSETTS CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM**

**TIME LIMITATION FOR INSURED TO SUBMIT APPLICATIONS AND
TECHNICAL ADJUSTMENTS**

The Massachusetts Construction Classification Premium Adjustment Program became effective January 1, 1991. Reference is made to Circular Letter No. 1556 on this subject dated January 2, 1991.

The Program provides a premium credit for those eligible construction employers paying in excess of \$18.00 per hour on average per construction employee. Carriers are required to provide an application to any insured having a policy containing one or more of the applicable classifications. The insured is then responsible for completing the application and mailing it to the Bureau. Upon its receipt of an insured's properly completed application, the Bureau computes the premium credit factor, if applicable.

***Time Limitation For Insureds To Submit Applications for Construction Credits To
The Bureau***

Although the Program requires the carrier to send the application to the insured within a specific time frame (prior to issuance of the policy or within sixty days after the effective date), there was no stated time limit by which the insured had to submit its application to the Bureau in order to receive its construction credit. This lack of a time limitation created difficulties, and it became too common an occurrence for insureds to submit applications months, and even years, after the expiration of the policy to which the credit would apply.

In order to address these difficulties, the Bureau filed, and the Division of Insurance has approved, the following revisions to the Program. Attached EXHIBIT 2

(Rev.1/96) is a revised version of the type of letter which will be sent by carriers to insureds using this Program. It replaces the original sample letter which was identified as EXHIBIT 2 in the above 1991 circular letter. The revised letter eliminates references to specific dates so that it can be used for processing a credit in any particular year, and amends Note #2 so that a new business, and an existing business having construction codes for the first time, are treated in this same manner. A new paragraph beginning "***IMPORTANT:***" notifies the insured that if an application for credit was not submitted prior to the time of audit following initial written notice by the carrier, the auditor will request the insured to sign a form acknowledging receipt of notice with the understanding that a completed and signed original application must be submitted to the Bureau before the completion of the audit of the affected policy. In any event, the completed and signed application must be received by the Bureau within six months of the expiration date of the affected policy, or within one month of the time the insured received written notice of the Program, whichever is later. The reverse side of the letter is a sample Application. Attached EXHIBIT A is a sample Acknowledgment of Receipt of Notice Form.

The above revisions apply to new and renewal policies with expiration dates on and after 12:01 A.M., January 1, 1996. Member companies are requested to bring these revisions to the attention of their auditors, so that they can, in turn, inform insureds accordingly, especially those with policies effective on and after January 1, 1995 which have not yet been audited.

Technical Adjustments

Provisions in the Program, as it has existed, allowed for offsetting of the expected losses used in the calculations of experience ratings when a Construction Credit applied. The experience rating modification factor was then adjusted (by reducing the total expected losses) to reflect the credit factor. This adjustment, although technically correct for experience rated risks, has caused some administrative problems and has been difficult to explain to insureds. To alleviate these problems, the Bureau filed, and the Division of Insurance approved, the following revised method, equal in technical merit, which is easier to administer and explain to insureds.

Rather than offsetting the expected losses used in calculating experience rating modifications, these offsets will be administered through a simple adjustment to the construction credits as calculated by the Massachusetts Workers Compensation Rating and Inspection Bureau. The attached Exhibit B shows an example of a sample calculation and the additional inputs that are necessary for the credit calculation. The additional inputs are obtained by the Bureau from the Experience Rating Calculation Worksheet and require no additional effort by insureds or insurers.

The Program, contained in the Massachusetts State Special Rating Plans and Programs section of the Basic Manual, will be amended to reflect these changes. Reprinted manual pages will be distributed in due course.

NORMAN R. FONTAINE
Vice President of Industry Affairs

NRF/dc 2567
Enclosure

(Name of Insured)
 (Address)
 (Town/City, State, Zip Code)

**MASSACHUSETTS CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM
 WORKERS' COMPENSATION PREMIUM CREDIT APPLICATION**

The Massachusetts Construction Classification Premium Adjustment Program has been proposed for employers engaged in construction operations and is applicable to policies eligible for experience rating.

A special premium calculation, which may result in a premium credit for you, will be based on average hourly pay rates for each classification of construction operations. In order that your premium may be correctly established, please return the completed premium credit application, as shown on the reverse side of this letter to: **The Workers' Compensation Rating and Inspection Bureau of Massachusetts, P. O. Box 9005, Boston, Massachusetts 02205, Attention: Underwriting Department**

They will advise us of any premium credit applicable.

IMPORTANT: *Initial written notice of possible credit under this Program is given to you at policy inception or during the policy term. If you have not already submitted an application for credit prior to policy audit, you will be requested to sign a form acknowledging receipt of notice and, at the same time, requested to indicate whether you will apply for a credit. If you apply for a credit, you must submit a completed and signed application to the Bureau before the completion of the audit of the affected policy. In any event, the completed and signed application must be received by the Bureau within six months of the expiration date of the affected policy, or within one month of the time you receive written notice of the Program, whichever is later.*

For each applicable classification (both construction and non-construction) covering your company's operations in the State of Massachusetts, report the total Massachusetts payroll (excluding overtime premium pay) and the corresponding total number of hours worked for the third calendar quarter (July, August, September) as reported to taxing authorities.

Note #1: If you did not engage in construction operations during the most recent third calendar quarter, the requested information to be provided should then be for the last complete calendar quarter prior to the effective date of your workers' compensation policy.

Note #2: If you are a new business (no prior operations), or an existing business engaged in construction operations for the first time, submit the requested information for the first complete calendar quarter following the effective date of your workers' compensation policy when available.

Note #3: In the absence of specific records for salaried employers, you should assume that each individual worked forty (40) hours per week.

Please preserve your payroll records which formed the basis for this declaration as we will be required to verify the reported information in order for any premium credit to be applied.

Thank you for your cooperation.

Sincerely,

Turn Page Over for Premium Credit Application

**WORKERS' COMPENSATION
 MASSACHUSETTS CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT
 PROGRAM APPLICATION**

Insured: Sample Construction Co., Inc.

Federal Employers ID No.: _____

Address _____

City _____ State _____ Zip _____

Policy No. WC12345 Effective Date 2/1/96 Carrier Abacus Ins. Co.

Issuing Office Boston

Notice: Unless code(s), total wages paid, total hours worked, calendar quarter reported are indicated and application is signed, it cannot be processed. Contact your agent if assistance is desired.

CLASSIFICATION(S)	CODE	TOTAL MASSACHUSETTS WAGES PAID ¹	TOTAL HOURS WORKED
Concrete Construction	5213	\$46,176	2080
Carpentry	5403	32,339	1560
Excavation	6217	23,639	1040
Contractors Yard	8227	16,640	1040
Executive Supervisor	5606	13,000	520
Salesmen	8742	45,000	1560
Clerical	8810	19,500	2600

The foregoing is based on actual wages and hours worked, as reflected in our payroll records, for the complete calendar quarter ending 9/30/95.

Signature _____ Position _____ Date _____

2301

¹ Excluding overtime premium pay.

IMPORTANT NOTICE

PLEASE READ CAREFULLY

**THIS NOTICE FORM AND THE APPLICATION MUST
BE RETURNED BEFORE YOUR AUDIT CAN BE PROCESSED**

**MASSACHUSETTS CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM**

ACKNOWLEDGMENT OF RECEIPT OF NOTICE FORM

I, the undersigned, acknowledge receipt of Massachusetts Workers' Compensation Premium Credit Application.

I understand that in order to receive a credit under this Program, I must submit a complete and signed original application, which must be received within the time frame stated in the application, to:

**The Workers' Compensation Rating and Inspection Bureau of
Massachusetts
P.O. Box 9005
Boston, Massachusetts 02205
Attention: Underwriting Department**

Signature and Title
(Corporate Officer,
General Partner, or
Sole Proprietor)

Employers' Name

Retain a copy of this form in your file

**Massachusetts Workers' Compensation
Addendum to Construction Credit Program**

Sample Construction Credit Calculation

(1)	CR = Policy Credit	14%
(2)	* E = Total Expected Losses	100,000
(3)	* Ep = Expected Primary Losses	20,000
(4)	* Ex = Expected Excess Losses	80,000
(5)	* W = Weighting Value	0.10
(6)	* B = Ballast Value	28,000
(7)	$Z = (E_p + W \times E_x) / (E + B) = [(3) + (5) \times (4)] / [(2) + (6)]$	22%
(8)	CF = Experience Rating Offset Pursuant to Plan = CR x Z = (1) x (7)	3%
(9)	NCR = Net Credit = CR - CF = (1) - (8)	11%

* Intrastate risks - values are from **Massachusetts** Experience Rating Calculation Worksheets.
Interstate risks - values are from **Interstate** Experience Rating Calculation Worksheets from the NCCI.