



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

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

May 6, 1996

**CIRCULAR LETTER NO. 1750**

*To All Members and Subscribers of the Bureau:*

**NEW PREMIUM DISCOUNT TABLES  
AND CORRESPONDING EXPENSE RATIOS  
FOR RETROSPECTIVE RATING**

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As announced in *Circular Letter No. 1748*, new Premium Discount Tables were approved to be effective May 1, 1996.

Please note that there is no longer any differentiation in the Premium Discount Tables on the basis of "Stock" or "Non-Stock." Carriers will have to elect either the new "Type A Discount" or "Type B Discount" and should inform the Bureau of this election by completing the attached form, returning it to me prior to May 24, 1996, and retain the duplicate copy for their records. Different elections may be made for each insurer in a group. Elections are effective May 1, 1996 and may not be changed for at least one year. Elections continue in effect after one year until either we are notified of a change in election or the tables are revised. Premium discounts do not apply to assigned risks.

Attached are the Tables of Expense Ratios for use in Retrospective Rating, that correspond to the new Premium Discount Tables. The tables have been revised to incorporate the new Premium Discount Tables. The Retrospective Rating Parameters other than the Premium Discounts have not been changed. These parameters are also attached for your convenience.

**NORMAN R. FONTAINE**  
Vice President of Industry Affairs

NRF/dc 2849  
Attachments



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**MAIL VOTE**

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To: Norman R. Fontaine  
Vice President of Industry Affairs

Date: \_\_\_\_\_

**ELECTION OF PREMIUM DISCOUNT**

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	PREMIUM DISCOUNTS		
	Graduation of Premium	Type A Discount	Type B Discount
First	\$ 10,000	0.0%	0.0%
Next	\$ 190,000	9.1%	5.1%
Next	\$1,550,000	11.3%	6.5%
Over	\$1,750,000	12.3%	7.5%

I elect "Type A" Discount

I elect "Type B" Discount

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*Name of Company (Print)*

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*Committee Representative*



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I elect "Type A" Discount

I elect "Type B" Discount

\_\_\_\_\_  
*Name of Company (Print)*

\_\_\_\_\_  
*Committee Representative*

## Massachusetts Workers' Compensation

### Expense Provisions Underlying the Retrospective Rating Plans

(1)	Expected Loss and LAE Ratio (adjusted for Residual Market Subsidy) 1 - [(4) + (5) + (7)]	83.0%
(2)	Loss Adjustment Expense (as percentage of losses)	10.0%
(3)	<b>Expected Loss without LAE</b> (1)/[1 + (2)]	<b>75.5%</b>
	<b>Tax Multiplier</b> 1 / ( 1 - [(5) + (6) + (7)])	<b>1.065</b>
	<b>Expenses excluding Premium Taxes but including LAE</b> 1 - [(3) + (5) + (6) + (7)]	<b>18.4%</b>
	Acquisition and Field Supervision (Net of Premium Discount)	7.2%
	Fixed Expenses (Net of Premium Discount)	3.0%
	Premium Discount	10.5%
	Premium Taxes (Net of Premium Discount)	2.0%
	<u>Profit and Contingencies</u>	<u>-9.5%</u>
(4)	<b>Total Expenses</b>	<b>13.2%</b>
(5)	Residual Market Subsidy	3.3%
(6)	Premium Tax Rate	2.3%
(7)	Insolvency Fund Assessment	0.5%

Note: All expense provisions underlying the Retrospective Rating Plans remain in effect from the stipulation and the Commissioner's Decision approving rates to be effective 1/1/91.

## Massachusetts Workers' Compensation

### Expense Provisions Underlying the ALAE Option Retrospective Rating Plan

(1)	Expected Loss without Loss Adjustment Expense	75.5%
(2)	Provision for Allocated ALAE (as percentage of losses)	5.0%
	<b>Expected Loss plus Allocated LAE Ratio</b>	<b>79.3%</b>
(3)	Loss Adjustment Expense	10.0%
	<b>Loss Conversion Factor</b> [1 + (3)] / [1 + (2)]	<b>1.048</b>
	<b>Tax Multiplier</b>	<b>1.065</b>
(4)	Expenses excluding Premium Taxes but including LAE	18.4%
	<b>Expenses including all Unallocated LAE but excluding Allocated LAE and Premium Taxes</b> (4) - [(2) X (1)]	<b>14.6%</b>

Note: All expense provisions underlying the Option Retrospective Rating Plan remain in effect from 4/1/95.

TABLE OF COMPENSATION EXPENSE RATIOS  
TYPE A DISCOUNT  
EXCLUDING TAXES AND INCLUDING PROFIT AND CONTINGENCIES

STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO
0	.184	18,598	.144	19,010	.144	143,704	.172,757
10,059	.183	19,011	.143	19,443	.143	172,758	.202,652
10,179	.182	19,444	.142	19,896	.142	202,653	.211,238
10,302	.181	19,897	.141	20,370	.141	211,239	.220,583
10,428	.180	20,371	.140	20,867	.140	220,584	.230,794
10,556	.179	20,868	.139	21,390	.139	230,795	.241,996
10,688	.178	21,391	.138	21,939	.138	241,997	.254,340
10,824	.177	21,940	.137	22,517	.137	254,341	.268,012
10,963	.176	22,518	.136	23,127	.136	268,013	.283,237
11,105	.175	23,128	.135	23,770	.135	283,238	.300,296
11,251	.174	23,771	.134	24,450	.134	300,297	.319,542
11,402	.173	24,451	.133	25,171	.133	319,543	.341,424
11,556	.172	25,172	.132	25,935	.132	341,425	.366,522
11,714	.171	25,936	.131	26,747	.131	366,523	.395,604
11,877	.170	26,748	.130	27,611	.130	395,605	.429,698
12,044	.169	27,612	.129	28,533	.129	429,699	.470,223
12,216	.168	28,534	.128	29,519	.128	470,224	.519,188
12,394	.167	29,520	.127	30,575	.127	519,189	.579,536
12,576	.166	30,576	.126	31,710	.126	579,537	.655,757
12,764	.165	31,711	.125	32,932	.125	655,758	.755,065
12,957	.164	32,933	.124	34,252	.124	755,066	.889,819
13,157	.163	34,253	.123	35,682	.123	889,820	.1,083,120
13,363	.162	35,683	.122	37,237	.122	1,083,121	.1,383,713
13,575	.161	37,238	.121	38,934	.121	1,383,714	.1,785,868
13,794	.160	38,935	.120	40,793	.120	1,785,869	.1,948,323
14,020	.159	40,794	.119	42,838	.119	1,948,324	.2,143,293
14,254	.158	42,839	.118	45,099	.118	2,143,294	.2,381,623
14,496	.157	45,100	.117	47,612	.117	2,381,624	.2,679,588
14,746	.156	47,613	.116	50,422	.116	2,679,589	.3,062,772
15,005	.155	50,423	.115	53,584	.115	3,062,773	.3,573,834
15,273	.154	53,585	.114	57,169	.114	3,573,835	.4,289,609
15,551	.153	57,170	.113	61,269	.113	4,289,610	.5,363,903
15,840	.152	61,270	.112	66,001	.112	5,363,904	.7,156,078
16,139	.151	66,002	.111	71,526	.111	7,156,079	.10,746,760
16,450	.150	71,527	.110	78,061	.110	10,746,761	.21,569,739
16,772	.149	78,062	.109	85,909	.109	21,569,740	AND OVER
17,108	.148	85,910	.108	95,512	.108		
17,458	.147	95,513	.107	107,533	.107		
17,822	.146	107,534	.106	123,014	.106		
18,201	.145	123,015	.105	143,703	.105		

TABLE OF COMPENSATION EXPENSE RATIOS  
 TYPE A DISCOUNT  
 EXCLUDING TAXES AND INCLUDING PROFIT AND CONTINGENCIES

STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO
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ABOVE TABLE BASED ON THE  
 FOLLOWING DISCOUNTS

FIRST	10,000	.0
NEXT	190,000	9.1
NEXT	1,550,000	11.3
OVER	1,750,000	12.3

TABLE OF COMPENSATION EXPENSE RATIOS  
TYPE B DISCOUNT  
EXCLUDING TAXES AND INCLUDING PROFIT AND CONTINGENCIES

STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO
0 -	10,105	20,476	21,390	269,490	295,074
10,106 -	10,323	21,391	22,390	295,075	326,028
10,324 -	10,550	22,391	23,488	326,029	364,236
10,551 -	10,788	23,489	24,700	364,237	412,589
10,789 -	11,037	24,701	26,043	412,590	475,745
11,038 -	11,297	26,044	27,541	475,746	561,731
11,298 -	11,570	27,542	29,222	561,732	685,655
11,571 -	11,857	29,223	31,121	685,656	879,734
11,858 -	12,158	31,122	33,284	879,735	1,227,062
12,159 -	12,474	33,285	35,770	1,227,063	1,788,953
12,475 -	12,808	35,771	38,658	1,788,954	1,969,245
12,809 -	13,160	38,659	42,053	1,969,246	2,189,950
13,161 -	13,532	42,054	46,101	2,189,951	2,466,370
13,533 -	13,925	46,102	51,012	2,466,371	2,822,651
13,926 -	14,342	51,013	57,094	2,822,652	3,299,246
14,343 -	14,785	57,095	64,823	3,299,247	3,969,480
14,786 -	15,256	64,824	74,972	3,969,481	4,981,448
15,257 -	15,758	74,973	88,888	4,981,449	6,685,943
15,759 -	16,295	88,889	109,149	6,685,944	10,163,614
16,296 -	16,869	109,150	141,372	10,163,615	21,180,661
16,870 -	17,485	141,373	200,090	21,180,662	AND OVER
17,486 -	18,147	200,091	213,858		
18,148 -	18,862	213,859	229,661		
18,863 -	19,636	229,662	247,986		
19,637 -	20,475	247,987	269,489		

ABOVE TABLE BASED ON THE FOLLOWING DISCOUNTS

FIRST	10,000	.0
NEXT	190,000	5.1
NEXT	1,550,000	6.5
OVER	1,750,000	7.5



SECTION IX - RETROSPECTIVE RATING  
SUBSECTION D - EXPENSE RATIOS (ALAE OPTION)

TABLE OF COMPENSATION EXPENSE RATIOS  
TYPE A DISCOUNTS  
EXCLUDING ALLOCATED LAE AND TAXES, BUT INCLUDING PROFIT AND CONTINGENCIES

STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO
0					
10,059	.146	18,598	.106	143,704	.172,757
10,178	.145	19,011	.105	172,758	202,652
10,301	.144	19,444	.104	202,653	211,238
10,302	.143	19,897	.103	211,239	220,583
10,428	.142	20,371	.102	220,584	230,794
10,556	.141	20,868	.101	230,795	241,996
10,688	.140	21,391	.100	241,997	254,340
10,824	.139	21,940	.099	254,341	268,012
10,963	.138	22,518	.098	268,013	283,237
11,105	.137	23,128	.097	283,238	300,296
11,251	.136	23,771	.096	300,297	319,542
11,402	.135	24,451	.095	319,543	341,424
11,556	.134	25,172	.094	341,425	366,522
11,714	.133	25,936	.093	366,523	395,604
11,877	.132	26,748	.092	395,605	429,698
12,044	.131	27,612	.091	429,699	470,223
12,216	.130	28,534	.090	470,224	519,188
12,394	.129	29,520	.089	519,189	579,536
12,576	.128	30,576	.088	579,537	655,757
12,764	.127	31,711	.087	655,758	755,065
12,957	.126	32,933	.086	755,066	889,819
13,157	.125	34,253	.085	889,820	1,083,120
13,363	.124	35,683	.084	1,083,121	1,383,713
13,575	.123	37,238	.083	1,383,714	1,785,868
13,794	.122	38,935	.082	1,785,869	1,948,323
14,020	.121	40,794	.081	1,948,324	2,143,293
14,254	.120	42,839	.080	2,143,294	2,381,623
14,496	.119	45,100	.079	2,381,624	2,679,588
14,746	.118	47,613	.078	2,679,589	3,062,772
15,005	.117	50,423	.077	3,062,773	3,573,834
15,273	.116	53,585	.076	3,573,835	4,289,609
15,551	.115	57,170	.075	4,289,610	5,363,903
15,840	.114	61,270	.074	5,363,904	7,156,078
16,139	.113	66,002	.073	7,156,079	10,746,760
16,450	.112	71,527	.072	10,746,761	21,569,739
16,772	.111	78,062	.071	21,569,740	AND OVER
17,108	.110	85,909	.070		
17,458	.109	95,513	.069		
17,822	.108	107,534	.068		
18,201	.107	123,015	.067		

TABLE OF COMPENSATION EXPENSE RATIOS  
 TYPE A DISCOUNT  
 EXCLUDING ALLOCATED LAE AND TAXES, BUT INCLUDING PROFIT AND CONTINGENCIES

STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO
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ABOVE TABLE BASED ON THE FOLLOWING DISCOUNTS

FIRST	10,000	.0
NEXT	190,000	9.1
NEXT	1,550,000	11.3
OVER	1,750,000	12.3

TABLE OF COMPENSATION EXPENSE RATIOS  
 TYPE B DISCOUNT  
 EXCLUDING ALLOCATED LAE AND TAXES, BUT INCLUDING PROFIT AND CONTINGENCIES

STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO	STANDARD PREMIUM	EXPENSE RATIO
0 -	10,105	20,476	21,390	269,490	295,074
10,106 -	10,323	21,391	22,390	295,075	326,028
10,324 -	10,550	22,391	23,488	326,029	364,236
10,551 -	10,788	23,489	24,700	364,237	412,589
10,789 -	11,037	24,701	26,043	412,590	475,745
11,038 -	11,297	26,044	27,541	475,746	561,731
11,298 -	11,570	27,542	29,222	561,732	685,655
11,571 -	11,857	29,223	31,121	685,656	879,734
11,858 -	12,158	31,122	33,284	879,735	1,227,062
12,159 -	12,474	33,285	35,770	1,227,063	1,788,953
12,475 -	12,808	35,771	38,658	1,788,954	2,189,245
12,809 -	13,160	38,659	42,053	2,189,246	2,822,651
13,161 -	13,532	42,054	46,101	2,822,652	3,299,246
13,533 -	13,925	46,102	51,012	3,299,247	3,969,480
13,926 -	14,342	51,013	57,094	3,969,481	4,981,448
14,343 -	14,785	57,095	64,823	4,981,449	6,685,943
14,786 -	15,256	64,824	74,972	6,685,944	10,163,614
15,257 -	15,758	74,973	88,888	10,163,615	21,180,661
15,759 -	16,295	88,889	109,149	21,180,662	AND OVER
16,296 -	16,869	109,150	141,372		
16,870 -	17,485	141,373	200,090		
17,486 -	18,147	200,091	213,858		
18,148 -	18,862	213,859	229,661		
18,863 -	19,636	229,662	247,986		
19,637 -	20,475	247,987	269,489		

ABOVE TABLE BASED ON THE  
 FOLLOWING DISCOUNTS

FIRST	10,000	.0
NEXT	190,000	5.1
NEXT	1,550,000	6.5
OVER	1,750,000	7.5