



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

February 14, 2007

CIRCULAR LETTER NO. 2044

To All Members and Subscribers of the Bureau:

MASSACHUSETTS VOLUNTARY PREMIUM ALGORITHM CORRECTIONS

Attached is a copy of the revised page AE-7 of the Massachusetts Voluntary Premium Algorithm. The purpose of the revisions is to include the Large Deductible Credit (Part III, line (4) Premium Adjustment for Deductibles that apply to both Workers' Compensation and Employers Liability) into the final premium calculation.

The following changes were made to the Massachusetts Voluntary Market Premium Algorithm:

- Part III (12) Balance to Admiralty/FELA Minimum Premium – The calculation is now: If $[(5) \times (11)] > [(4) + (8) + (10)]$, then $[(5) \times (11)] - [(4) + (8) + (10)]$, else zero.
- Part III (13) Premium Subject to Loss Constant – The calculation is now: **(4A) + (4B) + (8A) + (8B) + (10A) + (10B) + (12A)**.

The revised Massachusetts Voluntary Premium Algorithm is accessible at www.wcribma.org.

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Attachment

Part III

MASSACHUSETTS WORKERS' COMPENSATION VOLUNTARY MARKET TOTAL PREMIUM CALCULATION				
■ - Indicates that the given Rating Element applies to the column.				
Rating Element	Statistical Code	Class Categories		Calculation
		Admiralty/ FELA (A) ²³	Non – Admiralty/ FELA (B) ²⁴	
(1) Standard Premium		■	■	Part II, (20)
(2) ARAP Surcharge		■	■	Part II, (22)
(3) Premium Reduction Factor for Deductibles that apply to both Workers' Compensation and Employer's Liability	See Endnote 25.		■	If not applicable, use a factor of zero.
(4) Premium Adjustment for Deductibles that apply to both Workers' Compensation and Employer's Liability ²⁵	See Endnote 25.	■	■	$-1.000 \times [(1A) + (1B) + (2A) + (2B)] \times (3)$
(5) Short Term Policy Pro Rata Factor ²⁶			■	Part II, (7)
(6) Premium Discount Factor ²⁷	0063, 0064		■	Based on Sum of (1A) + (1B)
(7) Premium Discount	0063, 0064	■	■	$(1) \times (6)$
(8) Premium Subject to QLMP		■	■	$(1) + (2) - (7)$
(9) QLMP Credit Factor ²⁸	9880		■	If not applicable, use a factor of zero.
(10) QLMP Premium Adjustment ²⁹	9880	■	■	$-1.000 \times (8) \times (9)$
(11) Admiralty/FELA Minimum Premium ³⁰	9849	■		If not applicable, use a value of zero.
(12) Balance to Admiralty/FELA Minimum Premium	9849	■		If $[(5) \times (11)] > [(4) + (8) + (10)]$, then $[(5) \times (11)] - [(4) + (8) + (10)]$, else zero

Part III (Continued)

MASSACHUSETTS WORKERS' COMPENSATION VOLUNTARY MARKET TOTAL PREMIUM CALCULATION				
■ - Indicates that the given Rating Element applies to the column.				
Rating Element	Statistical Code	All Classes	Calculation	
(13) Premium Subject to Loss Constant		■	$(4A) + (4B) + (8A) + (8B) + (10A) + (10B) + (12A)$	
(14) Ratio of Actual to Original Policy Term ³¹		■		
(15) Loss Constant ³²		■		
(16) Loss Constant Premium	0032	■	If (13) < \$500, then the lesser of $[(5) \times (14) \times (15)]$ or $[\$500 - (13)]$, else 0	
(17) Expense Constant ³³		■		
(18) Expense Constant Premium	0900	■	$(5) \times (14) \times (17)$	
(19) Balance to Minimum Expense Constant	0900	■	If (18) < \$15 then $[\$15 - (18)]$, else 0	
(20) Payroll in \$100s ³⁴		■	Do not include payroll for supplemental rates or the non-ratable classes. Do not include per capita or aircraft seat exposures.	
(21) TRIA Premium Factor	9740	■	TRIA Value	
(22) TRIA Premium	9740	■	$(20) \times (21)$	