



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

**July 13, 2007**

**CIRCULAR LETTER NO. 2062**

**To All Members and Subscribers of the Bureau:**

**REVISED METHODOLOGY FOR DETERMINING PAYROLL FOR SOLE  
PROPRIETORS, PARTNERS OF LEGAL PARTNERSHIPS & MEMBERS OF AN LLC**

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Effective August 1, 2007, the Commissioner of Insurance approved the Bureau's attached filing which proposed a new methodology for setting the basis of premium amount used to determine the premium charge for sole proprietors, partners of a legal partnership and members of an LLC.

**Effective August 1, 2007, the basis of premium to be used for premium determination is \$36,400. This change will affect new and renewal business and shall be applied at audit as a mid term adjustment to in force policies.**

The basis of premium amount will be revised each October 1st, which is the date the SAWW is revised each year, using this new methodology. All future adjustments to the basis of premium amount that are based on a revision to the SAWW will be applicable to new and renewal business only.

Please contact Dan Crowley (617-646-7594 or [dcrowley@wcribma.org](mailto:dcrowley@wcribma.org)) if you have any questions.

**DANIEL M. CROWLEY, CPCU**  
Vice President – Customer Services



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

July 9, 2007

The Honorable Nonnie S. Burnes  
Commissioner of Insurance  
Commonwealth of Massachusetts  
One South Station  
Boston, MA 02110-2208

**RE: Revision to the Methodology Used to Determine the Payroll for Sole Proprietors, Partners of Legal Partnerships & Members of an LLC**

Dear Commissioner Burnes:

The Bureau requests your approval to change the current methodology for setting the assumed remuneration amount used to determine the premium charge for sole proprietors, partners of a legal partnership and members of an LLC. The Bureau's Governing Committee recently voted to propose this change in methodology, which will result in a lower assumed remuneration figure than under the current approved methodology.

Sole proprietors, partners of a legal partnership (and members of an LLC per a DIA directive) may elect to be employees pursuant to Chapter 169 of the Acts of 2002 for the purpose of obtaining workers' compensation insurance coverage for themselves. The associated premium is currently calculated by assuming a remuneration figure of \$52,000. At recent Bureau/Producer Advisory Group meetings, it was discussed that many sole proprietors are not purchasing workers' compensation insurance for themselves because the assumed remuneration figure of \$52,000 is too high. The Bureau/Producer Advisory Group asked that the Bureau explore the possibility of reducing the fixed payroll amount in an effort to make coverage for sole proprietors, partners, and members of LLCs more affordable and therefore encourage more individuals to purchase coverage for themselves.

Attached is a spreadsheet showing the median annual wage from the May 2006 *MA Labor & Workforce Development Survey* for the bulk of occupations that we associate with sole proprietors, partners of a legal partnership and members of an LLC. The wage information shows that of the 23 occupations listed only 3 have a median annual wage equal to or higher than the current established \$52,000 remuneration figure. The weighted average of the median wages for the listed occupation groups is \$35,843. The Bureau used this information to propose the following change in methodology.

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

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Currently, the assumed remuneration is calculated as:

Assumed Remuneration = State Average Weekly Wage (SAWW) x 52 weeks  
Subject to rounding to the nearest \$100

**The proposed new formula would be:**

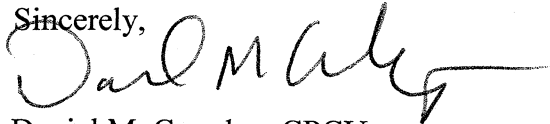
**Assumed Remuneration = SAWW x 70% x 52 weeks**  
**Subject to rounding to the nearest \$100**

Effective October 1, 2006, the SAWW in the Commonwealth of Massachusetts is \$1,000.43. The SAWW of \$1,000.43 x 70% x 52 weeks = \$36,415.65. If the Bureau's proposed new methodology is approved, the assumed remuneration to be used for premium determination would be **\$36,400.00** rather than \$52,000.00. The assumed remuneration amount would be revised each October 1st, which is the date when the SAWW is revised each year, using this new methodology.

The Bureau requests an effective date of August 1, 2007.

Please let me know if you have any comments or questions. Thank you for your time and attention to this matter.

Sincerely,



Daniel M. Crowley, CPCU  
Vice President Customer Services & Residual Market

Attachments

cc:  
Kevin Beagan, Director of State Rating Bureau  
Walter Horn, State Rating Bureau  
Caleb Huntington, State Rating Bureau  
Paul Meagher, President

| Occupation  | Employment* | Median Annual Wage* |
|---|-------------|---------------------|
| Taxi Drivers and Chauffeurs   | 5,270       | \$22,350            |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaners         | 55,860      | \$24,790            |
| Landscaping and Groundskeeping Workers                                | 20,380      | \$27,850            |
| Helpers--Electricians   | 2,330       | \$29,110            |
| Helpers--Painters, Paperhangers, Plasterers, and Stucco Masons        | 160         | \$23,430            |
| Helpers--Pipelayers, Plumbers, Pipefitters, and Steamfitters          | 1,210       | \$29,560            |
| Helpers--Carpenters   | 1,330       | \$29,990            |
| Truck Drivers, Light or Delivery Services                             | 19,510      | \$30,090            |
| Home Appliance Repairers  | 770         | \$34,710            |
| Floor Layers, Except Carpet, Wood, and Hard Tiles                     | 280         | \$36,740            |
| Automotive Service Technicians and Mechanics                          | 14,310      | \$37,180            |
| Painters, Construction and Maintenance                                | 4,420       | \$38,950            |
| Truck Drivers, Heavy and Tractor-Trailer                              | 25,280      | \$40,010            |
| Computer, Automated Teller, and Office Machine Repairers              | 2,670       | \$40,290            |
| Cement Masons and Concrete Finishers                                  | 1,630       | \$40,350            |
| Construction Laborers   | 15,430      | \$40,860            |
| Automotive Body and Related Repairers                                 | 4,050       | \$40,870            |
| Roofers   | 1,720       | \$44,960            |
| Heating, Air Conditioning, and Refrigeration Mechanics and Installers | 6,330       | \$46,610            |
| Carpenters  | 21,350      | \$47,340            |
| Electricians  | 13,300      | \$52,220            |
| Plumbers, Pipefitters, and Steamfitters                               | 10,570      | \$53,420            |
| Tile and Marble Setters   | 500         | \$54,230            |

Wgt Avg Median \$35,843

\* MA Labor & Workforce Development May 2006 Survey Data



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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July 11, 2007

Daniel M. Crowley, CPCU  
Vice President  
Workers' Compensation Rating and  
Inspection Bureau of Massachusetts  
101 Arch Street, 5<sup>th</sup> Floor  
Boston, MA 02110

**RE: REVISIONS TO THE METHODOLOGY USED TO DETERMINE THE  
PAYROLL FOR SOLE PROPRIETORS, PARTNERS OF LEGAL  
PARTNERSHIPS & MEMBERS OF AN LLC**

Dear Mr. Crowley:

I am writing to inform you of the Division's approval of your request, dated July 9, 2007, to reduce the imputed remuneration for sole proprietors for purposes of determining workers' compensation premium. As requested, this new use of 70% of State Average Weekly Wage to obtain an imputed annual income shall be effective as of August, 1, 2007.

Thank you for your filing.

Sincerely,

  
Kevin P. Beagan  
Deputy Commissioner and  
Director, State Rating Bureau