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April 30, 2020

Commissioner Gary Anderson
Division of Insurance
1000 Washington Street, #810
Boston, MA 02118

Dear Commissioner Anderson:

We are writing to ask that you take certain steps to ensure that Massachusetts businesses pay fair workers' compensation insurance premiums that reflect the businesses' decreased exposure to workplace injuries during the coronavirus pandemic. Without a reduction, Massachusetts businesses will be overpaying for insurance at a time when many are already in difficult economic circumstances as a result of the national emergency.

The exposure of a business to workers' compensation insurance claims is related both to the business' payroll and to the economic activity level of the business. For many businesses in Massachusetts, either or both of these measures has been substantially reduced as a result of the coronavirus pandemic.

With respect to payrolls, Massachusetts data show that in the four weeks between March 15 and April 11, almost 600,000 Massachusetts residents filed initial claims for unemployment benefits.¹ Ordinarily a reduced exposure base will result in a downward premium adjustment after the end of the policy period when an audit is performed.

For most companies, moreover, economic activity has fallen significantly in recent weeks, and it is expected to continue at a lower level for a considerable time period. This is true even for companies that have continued to pay their workers. While the appropriate premium reduction corresponding to the decrease in claims will vary among different types of business, the vast majority of businesses have experienced a significant decrease in activity, insurance risk, and revenues. We believe this is, at a minimum, a classification issue, as employees are performing less risky jobs that reflect the reduction in economic activity (AIM, for instance, appears to be offering insureds the opportunity for an early audit to reflect this reduced risk).² In light of both the payroll and classification issues, the current state of emergency and the difficult financial situation in which many companies are operating, the insurers should be directed to immediately

¹ <https://www.mass.gov/news/massachusetts-weekly-initial-unemployment-claimant-data-04-16-20>

² https://www.aimmutual.com/resources/articles/important_message_for_brokers_policyholders/

offer policyholders expedited audits to reduce premiums that will reflect the decrease in payrolls and classification risk at Massachusetts companies.

We would be happy to work with your offices to implement this urgently needed action. Thank you for your cooperation in this matter that is vital to the citizens of Massachusetts.

Sincerely,


Glenn Kaplan, Chief

Insurance & Financial Services Division

cc: Interim Director Sheri Bowles
Department of Industrial Accidents
2 Ave de Lafayette
Boston, MA 02111