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**Filing of the Workers' Compensation Rating and Inspection Bureau**  
**For a General Revision of Workers' Compensation Rates**  
**Docket No. R2017-01**

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**Decision and Order**

**I. Introduction and Procedural History**

On December 22, 2017, the Workers' Compensation Rating and Inspection Bureau of Massachusetts ("WCRIBMA"), on behalf of its members, submitted a filing for a workers' compensation insurance general rate revision to be effective July 1, 2018 ("the WCRIBMA Filing" or the "Filing"). The Filing proposed an 11.1 percent statewide average decrease. The Gasson, Esq. as presiding officers on this matter. A hearing notice, issued on January 3, 2018, scheduled a public comment hearing for January 29, 2018, to be followed by a prehearing conference. On January 22, 2018, the Attorney General ("AG") filed a notice of intent to appear and participate.

Representatives of the WCRIBMA, the AG, and the State Rating Bureau in the Division of Insurance ("SRB") spoke at the public comment hearing. A cross-examination schedule was established at a later telephone conference. At telephone conferences on March 5 and 12, 2018, the Parties advised the presiding officers that a stipulation would be submitted shortly, and, at their request, the cross-examination schedule was modified. On March 15, the Parties submitted a Stipulation that, in brief, agrees to an overall average 12.9 percent decrease in the existing workers' compensation average rates, to be effective for policies written or renewed on or after July 1, 2018, and to be applied in accordance with other provisions of the Stipulation.

## **II. Statutory Framework**

Massachusetts General Laws, c. 152, §53A (“§53A”) sets out the statutory requirements for obtaining approval of rates for Massachusetts workers' compensation insurance. Subsection (1) requires any insurance company writing workers' compensation insurance in the Commonwealth to file its risk classifications and premiums with the Commissioner, either directly or through a rating organization authorized to act on its behalf. The Commissioner thereafter conducts a hearing to determine whether the classifications and rates are not excessive, inadequate or unfairly discriminatory for the risks to which they respectively apply, and fall within a range of reasonableness.

In addition to these general requirements, §53A (12) specifically states that the Commissioner shall not approve classifications or rates that provide for any of the following: 1) dividends, unabsorbed premium deposits, savings or other payments allowed or returned by the insurer to policyholders, members, subscribers or stockholders; 2) expenses that exceed the filing insurer's expense needs; and 3) commission allowances that are not demonstrated to be reasonable and to reflect the actual cost to the agent or broker of services they provide.

The Commissioner, pursuant to §53A (13), also must make a finding, on the basis of information in the rate filing, that insurers employ acceptable cost control programs and techniques. In light of the Stipulation, we do not reach that issue in this decision.

## **III. The Stipulation**

The Stipulation states that no party will object to or appeal from an order approving the WCRIBMA Filing dated December 22, 2017, subject to the conditions that: A) effective for policies written on and after July 1, 2018, the overall average change in the current average workers' compensation rates shall be -12.9 percent; and B) the decreases shall be computed in a manner consistent with the WCRIBMA Filing, but should reflect that overall average rate change in accordance with paragraphs 3 and 4 of the Stipulation. As of the July 1, 2018 effective date, the revised rates, classifications, rating programs, rating factors and rating values agreed to pursuant to this Stipulation shall apply to new and renewal policies, including policies in the Massachusetts Workers' Compensation Assigned Risk Pool.

Paragraph 3 states that the rating values in Sections IX, X, XI and XII of the WCRIBMA Filing shall be computed in a manner consistent with the Filing but shall reflect a -12.9 percent average rate change as a result of substituting an underwriting profit provision of -1.354 percent for the underwriting profit provision of +2.00 percent shown in Section VII-A, Exhibit 1, of the Filing.<sup>1</sup> The rating values for the F-classes in Section VIII of the Filing shall be computed in a manner consistent with the Filing, but shall reflect a -13.3 percent overall average rate change as a result of substituting the same -1.354 underwriting profit provision for the underwriting profit provision of +2.00 shown in Section VIII-A, Exhibits 1 and 2 of the WCRIBMA Filing.

Paragraph 4 provides that the classification pricing methodology proposed in Section IX of the Filing shall be approved for setting the rates effective on and after July 1, 2018, provided that the target industry group rate changes and maximum and minimum changes in average rates for individual rating classifications shall be as shown in Exhibit I attached to the Stipulation.

The WCRIBMA, in its Filing, develops some company data separately from the remainder of the industry; its treatment of that development is included in Filing Sections I, II, V, IX and XIII.<sup>2</sup> The Parties agree that the WCRIBMA shall base its determination of whether a company's data will be developed separately solely on data and information in, or relevant to, that particular filing.

Exhibit II to the Stipulation consists of revised pages to the Massachusetts Workers' Compensation and Employer Liability Insurance Manual that display the revised rate for each classification, Miscellaneous Values utilized in calculating premiums, Tables of Expected Loss Rates and Discount Ratios, of Weighting Values and of Ballast Values, and Tables of State Special Rating Values and Expense Ratios applicable to Retrospective Rating Plans.

#### **IV. Conclusion**

We find that the Stipulation submitted by the Parties will provide for classifications or rates that are "not excessive, inadequate, or unfairly discriminatory for the risks to which they respectively apply, and fall within a range of reasonableness." Therefore, we approve the

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<sup>1</sup>Sections IX through XII address, respectively, Classification, Experience Rating, Miscellaneous Rating Values and Retrospective Rating. Section VII addresses Underwriting Profits.

<sup>2</sup> Those sections address, respectively, Rate Recommendations, Loss Development, Trend, Classifications, and Data.

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Stipulation, and herein ORDER that the classifications, rating methods and rates set out in the WCRIBMA's December 22, 2017 Filing, as revised according to the terms of the Stipulation, shall apply to new and renewal policies issued on and after July 1, 2018.

ENTERED this 21st day of March 2018.

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Kristina A. Gasson  
Presiding Officer

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Jean F. Farrington  
Presiding Officer

AFFIRMED this 21st day of March 2018:

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Gary D. Anderson  
Commissioner of Insurance