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Workers' Compensation Rating and Inspection Bureau of Massachusetts
Workers' Compensation Insurance Rate Filings

Docket No. R2019-01

Decision and Order

I. Introduction and Procedural History

On December 20, 2019, the Workers' Compensation Rating and Inspection Bureau of Massachusetts ("WCRIBMA") submitted to the Commissioner of Insurance ("Commissioner") a filing for a general revision of workers' compensation insurance risks and premiums (the "Filing"). The WCRIBMA requests a statewide average rate decrease of 3.8 percent and a July 1, 2020 effective date for the proposed rates. Jean Farrington, Esq. was designated as the presiding officer for this proceeding. On December 23, 2019, a hearing notice was issued scheduling a public comment hearing for 10:00 a.m. on January 23, 2020.

Matthew Mancini, Esq. and Thomas McCall, Esq. represented the State Rating Bureau ("SRB") in the Division of Insurance ("Division") in this matter. On January 2, 2020, Glenn Kaplan, Esq., on behalf of Massachusetts Attorney General Maura Healy ("AG"), filed a notice of intent to appear and participate. On January 6, Melissa Allison, Esq. and Mina Makarious, Esq. filed a notice of appearance as counsel for the WCRIBMA. On January 9, 2020, an order issued scheduling a prehearing conference on January 23, after the public comment hearing.

Representatives of the three parties to this proceeding, the WCRIBMA, the AG, and the SRB, made statements at the public comment hearing. In addition, Daniel Cook, on behalf of

American Risk Management, read a statement. Associated Industries of Massachusetts submitted a written statement for the record.

At the pre-hearing conference, the parties asked to postpone scheduling cross-examination to permit further exploration of a possible stipulation. At a telephone conference on January 31, the parties reported that they were continuing settlement discussions; periodic telephone conferences in February confirmed that settlement discussions were ongoing. On March 13, 2020, the parties submitted a Stipulation that, in brief, agrees to an overall average 6.8 percent decrease in the existing workers' compensation average rates, to be effective for policies written or renewed on or after July 1, 2020, and to be applied subject to the other conditions set forth in 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 Filing dated December 20, 2019, subject to the conditions that: A) effective for policies written on and after July 1, 2020, the overall average change in the current average workers' compensation rates shall be -6.8 percent; and B) the rating values shown in the Filing shall be computed in a manner consistent with the Filing, but should reflect that overall average rate change in accordance with paragraphs 3 and 4 of the Stipulation. As of the July 1, 2020 effective date, the revised rates, classifications, rating programs, rating plans, rating factors and rating values agreed to pursuant to the Stipulation shall apply to new and renewal policies, including all such 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 Filing shall be computed in a manner consistent with the Filing but shall reflect a -6.8 percent overall average rate change as a result of substituting an underwriting profit provision of -0.756 percent for the underwriting profit provision of +1.75 percent shown in Section VII-A, Exhibit 1, of the Filing.¹ 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 -9.9 percent overall average rate change as a result of substituting the same -0.756 underwriting profit provision for the underwriting profit provision shown in Section VIII-A of the 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, 2020, 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.

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.

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

IV. Conclusion

I 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, I approve the Stipulation, and herein ORDER that the classifications, rating methods and rates set out in the WCRIBMA’s December 20, 2019 Filing, as revised according to the terms of the Stipulation, shall apply to new and renewal policies issued on and after July 1, 2020.

ENTERED this 24th day of March, 2020.

/s/ Jean F. Farrington
Jean F. Farrington
Presiding Officer

AFFIRMED this 27th day of March, 2020.


Gary D. Anderson
Commissioner of Insurance