Evaluation of the Qualified Loss Management Program for Massachusetts Workers' Compensation

Howard C. Mahler, FCAS, MAAA, and
Carol A. Blomstrom, FCAS, MAAA

EVALUATION OF THE QUALIFIED LOSS MANAGEMENT PROGRAM FOR MASSACHUSETTS WORKERS' COMPENSATION

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Background

The Massachusetts Qualified Loss Management Program (QLMP), which became effective November 1, 1990, is intended to provide incentive to workers' compensation insureds to seek the assistance of professionals to reduce their workplace losses. A prospective credit is applied to the premium of an assigned risk insured who subscribes to a qualified loss management program. The credit is given for a period of up to four policy years, provided the insured remains in the Program for a corresponding period of time. Credits are halved in the third year and quartered in the fourth year, since insureds will be able to realize premium savings through the application of the experience rating plan as their reduced losses become reflected in their experience rating modification factors.[1]

The Program is available to any insured in the Assigned Risk Pool and to credit-eligible insureds who are taken out of the Pool into a voluntary market guaranteed cost plan while remaining in the Program. Table 1 displays the participation in the program. It should be noted that many insureds have taken some or all of the same loss management steps, but were not

[1] The Appendix to this paper provides a fuller description of the QLMP. In particular, the complete schedule of credits is displayed. This schedule has been in effect since January 1, 1993.

eligible for a QLMP credit. For example, if an employer in the voluntary market signed up for the same program with the same loss management firm, they would not be eligible for an official QLMP credit.[2]

Credits for individual approved loss management firms are determined primarily by the loss reduction success experienced by all of the subscribing employers of the firm for the past seven years. Table 2 displays an example of such a calculation. The maximum possible credit is now 15%, increased from an original maximum credit 10%. This increase in the maximum credit was warranted based on the excellent overall results as evidenced by this evaluation.

Evaluation of the Program

An evaluation of the results achieved by the Qualified Loss Management Program was performed in November, 1995. The impact of the Program as a whole can be seen by comparing the aggregate loss ratio[3] improvement experienced by the participants in the QLMP dataset from the year prior to participation in the Program to Year 1, Year 2, or Year 3 in the Program with the improvement over the same time period seen in the aggregate data from all other risks not in the QLMP.

Numerous loss ratio comparisons were made in order to discern all effects that the Program might have on insureds:

- Since the Massachusetts workers' compensation environment was changing so dramatically over the period studied (September 1990 to August 1993), separate comparisons were made for the three 12-month periods for clarity.

[2] However, there is nothing preventing insurers from applying their voluntary market pricing tools in this situation.

[3] For each insured, the loss ratio is for a policy. Aggregated the data covers various different policy periods.

- Loss ratios were compared at first, second, and third report (where available) to determine whether the improvement seen at first report continues as losses mature.
- Separate comparisons were made for first-year, second-year, and third-year participants to see whether the salutary effects would continue, strengthen, or weaken with continued participation in the Program.
- Loss development from first to second or third report was compared for participants vs. other insureds to see whether the QLMP provider's case management or return-to-work programs might temper the deterioration typically seen in loss ratios.
- For further refinement, the analysis of loss ratio improvement was broken down by premium size groupings and experience modification groupings.

Summary of Main Results of the Evaluation

- As summarized in Table 3, the analysis indicates an improvement in loss ratios for insureds participating in the QLMP of over 30% on average.
- The QLMP participants started with a substantially higher aggregate loss ratio than the market as a whole, but during their first year of participation the gap narrowed significantly.
- The difference in loss ratio improvement experienced by participants as compared to nonparticipants actually *increased* at second report and remained significant at third report.
- Participants receiving second-year credits showed significantly better loss ratio improvement in Year 2 as well as in Year 1 when compared to the total market.

Overall, the Program is producing a beneficial effect on the loss experience of participating insureds, by concentrating efforts on loss control and prevention, as well as post-injury response and return-to-work programs.

Details of the Results of the Evaluation

Exhibit 1 depicts the effect on loss ratios of the Program over the entire policy period of September 1990 to August 1993. The QLMP participants started with a substantially higher aggregate loss ratio than the market as a whole, but during their first year of participation the gap narrowed significantly.

Exhibit 2 displays loss ratios at both first report and second report, comparing QLMP participants to nonparticipating Assigned Risks. One of the most important concerns about the Program is whether the improvement seen at first report will continue as losses mature; in this exhibit the difference in loss ratio improvement experienced by participants as compared to nonparticipants actually *increased* at second report and remained significant at third report. Future Program evaluations will continue to monitor results at later maturities.

Exhibit 3 shows two effects of second-year QLMP participation. First, participants receiving second-year credits showed significantly better loss ratio improvement in Year 2 as well as in Year 1 when compared to the total market. In fact, the aggregate loss ratio for second-year participants was less than the average total market loss ratio for policies effective during the period 9/91 to 8/93. (Ordinarily, residual market risks have loss ratios higher than the average for the total market.) In the second graph on each page, *second-report* data from Year 1 are compared to first-report data from the same policy year; generally loss ratios increase as the data mature. For the first year of QLMP, participants who continued in the QLMP through the second-report period of their first year (policy period 9/90 to 8/91) showed less of this loss ratio increase than the average for all risks, while participants who left the Program after one year showed greater loss ratio deterioration. This difference could be due in part to continuing case management by the QLMP provider or by the return-to-work component of the Program. The results for the second year of the Program (policy period 9/91 to 8/92) are approximately the same as non-QLMP participants.

Exhibits 4 and **5** separate the analysis of loss ratio improvement into, respectively, experience mod groups and premium size groups. (Loss ratios using *manual* premium are considered here, while the preceding exhibits show loss ratios using *standard* premium.) Among the experience mod groups there is essentially no difference in performance. Of the five size groups, the second-largest group (premium size $250,000 to $500,000) showed the least improvement. The other premium size groups showed approximately the same improvement in loss ratio. It must be noted that when these data are subdivided into five groups, each group may not have sufficient data from which to draw meaningful conclusions.

Method of Analysis

"Loss ratio" denotes the ratio of incurred losses to either Manual Premium (prior to the application of experience rating) or Standard Premium (after application of the experience mod). As the QLMP credits are applied to Standard Premium (plus ARAP[4] premium), comparisons using Standard Premium are probably more relevant. The advantage of considering Manual Premium is that it avoids the possible distortion caused by experience mods changing over time (they may change differently for QLMP risks than for other risks). Unfortunately, the Experience Rating system does not record Manual Premium; it uses Expected Losses (= (Payrolls / 100) x Expected Loss Rate) instead. A loss ratio using Expected Losses is not directly comparable to a loss ratio using Manual Premium, but if the Expected Loss Rates are assumed to be at the same level of adequacy as the manual rates, then we may compare *change in* a loss ratio using Expected Losses to *change in* a loss ratio using Manual Premium.

[4] All Risk Adjustment Program.

In comparing improvement in loss ratio for the QLMP dataset to that for the total market, one may interpret the result in different ways. One purpose of this study is to determine whether the premium credits granted by the Program are justified. For this purpose we calculate improvement over a "baseline". For example, if the QLMP loss ratio decreased by 30% while the total market loss ratio decreased by 20%, the "baseline" is 0.80 (= 1 - 0.20) for the total market, the result for the QLMP risks is 0.70 (= 1 - 0.30), and we say that the QLMP risks show "12.5% improvement over the baseline" (= 1 - .70/0.80). This interpretation is used in the summary table in the main text and in many of the other exhibits.

Data Used in the Evaluation

The QLMP dataset consists of Unit Statistical Plan (USP) experience for 1,803 risks who received first-year QLMP credits on policies with effective dates from September 1, 1990 through August 31, 1993. This dataset includes all QLMP participants during that period except those who:

1. Were too small to be experience-rated. (As described below, comparison data is obtained from the Bureau's experience rating system.)
2. Entered the loss management program of a qualified provider prior to May 1, 1990. (Such participants were not eligible for a first-year credit.)
3. Had no workers' compensation insurance policy prior to their credit policy, so improvement cannot be judged.

For each risk, the following USP data items were recorded:

1. Standard Premium and Subject (Manual) Premium at latest report for the Prior policy (i.e. the policy immediately before the policy receiving a first-year credit), the Year 1 policy (first-year credit), and, where applicable, the Year 2 policy and/or the Year 3

policy. (Note that the QLMP credits actually apply to Standard Premium plus ARAP premium.)

2. Incurred Losses at first report for each policy named in #1.

   Incurred Losses at second report for policies with effective dates through August 31, 1992.

   Incurred Losses at third report for policies with effective dates through August 31, 1991.

To evaluate the impact of the Program, we compared the experience of the participants to the experience for all risks (Voluntary as well as Assigned), for Assigned Risks only, or for Nonparticipants (Assigned Risks who had not participated in the Program). In each case we used data from the Experience Rating system (which is based on USP data) for the comparison. The time periods for the Experience Rating data were chosen to correspond as closely as possible to the time periods covered by the QLMP participants' policy data (Experience Rating data is organized by "mod effective date" rather than by "policy effective date").

A drawback to using "Assigned Risk" Experience Rating data is that it consists of those insureds who were in the Pool *not* on the effective date of the policy whose data are being considered, but on the mod effective date, which is generally two years later. In particular, this set of policies is not closed, i.e., the "Prior Year" data and the "Year 1" data do not come from precisely the same insureds. A different problem arises when we attempt to derive data for nonparticipants by subtracting participant data from assigned risk data. We subtracted out from the

"All Risks" those participants whose prior policies or credit policies overlap with the policy period in question. Thus, "All Risks" is approximately "All Non-QLMP" Risks.[5]

Tables of the Underlying Data

Table 4 shows raw and adjusted data comparing the QLMP dataset with the total market (experience-rated risks only). For the "first" year of the Program, 9/1/90 - 8/31/91, data was available at first, second, and third reports (Page 1). For the "second" year of first-year credits, 9/1/91 - 7/31/92 (Page 2), data was available at first and second report. For the "third" year of first-year credits, data was available at first report only. Data for risks who continued in the Program and received second-year credits are shown on Pages 4 - 7. Pages 8 and 9 show data for risks who continued in the Program and received third year credits. Significant improvement continues in the second year and third year of participation.

Table 5 compares QLMP participants to all experience-rated assigned risks and to nonparticipating assigned risks. To obtain data for nonparticipants, one must subtract from the assigned risk data not only the QLMP dataset data, but also data from those QLMP participants not included in this dataset due to entering the Program prior to 5/1/90 or to having no "Prior" policy. As discussed above, this data is available only for the "first" year of the Program. At first, second, and third report, nonparticipants showed the least loss ratio improvement among all groups studied.

Table 6 details the first-year performance of risks who stayed in the Program for second-year credit as compared to risks who left the Program after one year. **Table 6** also shows the effect of continuing participation on losses at second report (see the bottom graph of **Exhibit 3**).

[5] Due to QLMP participants' dropping out before becoming credit eligible or due to short policies, there may be some "QLMP" policies in the "Non-QLMP" set.

Table 7 displays loss ratio improvement separately for three different experience mod classes. In this analysis, higher-mod risks showed a slightly greater improvement in loss ratio to manual premium.

Table 8 compares loss ratio improvement for five different premium size groups. Again, the results are not precisely as might be expected. While four of the size groups showed approximately the same improvement (27% to 29%), the size group ($250,000 to $500,000) showed the least improvement (10%). Both here and with the mod groups, **Table 7**, the results can vary from year to year.

Reflection of QLMP impact in ratemaking

In the loss ratio method of ratemaking usually used for workers' compensation insurance, standard premiums[6] are compared to losses.[7] The QLMP credits are applied after standard premiums, and thus do not affect the reported standard premiums. However, as shown here the reported losses are lower than they would otherwise have been. Therefore, the initial impact of the QLMP was to lower loss ratios compared to where they would have otherwise been. This was judged to largely reflect a permanent improvement which would be maintained into the future,[8] i.e., risks that have completed a Qualified Loss Management Program should continue to produce the lower loss ratios observed in this study, even though they are no longer eligible for a QLMP credit. Hence, no specific adjustment was made to losses or premiums used in the rate indication in order to reflect the impact of the QLMP.

[6] Adjusted for trend, development and rate changes.

[7] Adjusted for trend, development and law changes.

[8] Usually, there is 3 or 4 years from the data used to make workers' compensation rates and the policy effective period. Thus, the assumption made was that the improvements would be maintained over this time frame.

In contrast, the QLMP does impact the calculation of loss trend. When estimating the loss trend it is necessary to put all years' experience on a common basis. In ratemaking we need to measure the long term trend in the absence of the introduction of new programs. Insureds have already received QLMP credits, and any new entrants to the Program will receive their credits. Failing to adjust for the impact of the QLMP in a calculated trend would be inappropriate double counting. The adjustment to each year's estimated ultimate losses varies with the fraction of total market premium paid by QLMP participants.

For example, assume that 15% of the total standard premium in a certain year comes from QLMP participants, and that the QLMP reduced their losses by approximately 20% below where they would otherwise have been. Then for purposes of calculating trend, one could increase the reported loss ratio for this year to what it would have been in the absence of the introduction of the QLMP. In this case, one would multiply the loss ratio for this year by a factor of (1 - .15) + (.15)/(1 - .20) = 1.0375. This adjustment would put this year's loss ratio on the same basis as those for older years prior to the introduction of the QLMP.

Also, the evaluation of the QLMP program made more concrete the large potential savings that could result from employing loss management techniques. Such activity was undoubtedly responsible for a large part of the improvement in experience in Workers' Compensation results so far this decade. Deciding how much of the improvement was due to such efforts is essential if one will use historical data to predict future trends.

The Program's effects may also affect the development of losses. To quantify or even verify this would require a fairly long-term study. The short-term data in Table 4 are inconclusive in this regard. If the QLMP were found -- or were assumed -- to produce a material impact on loss development, then adjustments should be made to the ratemaking procedures. As in the trend calculation, the adjustment would vary with the fraction of each year's losses incurred by QLMP participants. In Massachusetts Workers' Compensation, no such ratemaking adjustment has been made.

<u>Conclusions</u>

The Qualified Loss Management Program was one of many changes that ushered in the dramatic improvement in Massachusetts Workers' Compensation results shown in Exhibit 6. The evaluation presented in this paper demonstrated how significant the improvement can be from instituting this or similar cost containment programs. The general method used here can be employed to evaluate most loss control programs, if suitable data are available.

Similar evaluation techniques could be applied to other specific programs or events which influence the insurance environment. Tort law reforms passed by state legislatures which are intended to reduce the frequency and/or severity of liability verdicts are a prominent example. Evaluating these impacts is of critical importance in calculating adequate liability insurance rates. The evaluation is not as simple as that of the QLMP: because the tort reform applies to *all* insureds, there is no obvious control group to compare to. For this purpose one could identify a group of "similar" states -- that is, states with frequency or severity distributions for liability claims which are similar to those of the studied state, but which have not instituted any tort reforms. However, the available data are not likely to be as complete or as uniform as the Unit Statistical Plan and Experience Rating system data which were used in the QLMP study.

Massachusetts Workers' Compensation

Qualified Loss Management Program Credits

Estimated as of 7/15/97; premiums and credits are in thousands of dollars

	Policy Year								Total - All Policy Years
	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996***	**1997****	
1st-Year Credits									
Number of Policies	44	691	560	932	652	239	64	1	3,183
Estimated Premium	11,987	162,187	69,677	68,171	32,417	8,162	2,022	7	354,631
Estimated Credit	904	10,030	5,018	8,926	4,728	1,182	289	1	31,078
Average Size of Risk	272	235	124	73	50	34	32	7	111
Average Credit	7.5%	6.2%	7.2%	13.1%	14.6%	14.5%	14.3%	15.0%	8.8%
2nd-Year Credits									
Number of Policies		31	552	459	832	536	138	3	2,551
Estimated Premium		10,396	108,025	59,252	51,532	26,303	4,555	64	260,127
Estimated Credit		815	8,084	6,559	7,425	3,760	647	10	27,299
Average Size of Risk		335	196	129	62	49	33	21	102
Average Credit		7.8%	7.5%	11.1%	14.4%	14.3%	14.2%	15.0%	10.5%
3rd-Year Credits									
Number of Policies			28	496	358	558	277	22	1,739
Estimated Premium			6,460	76,480	37,560	31,732	13,287	570	166,088
Estimated Credit			229	4,735	2,681	2,354	926	40	10,967
Average Size of Risk			231	154	105	57	48	26	96
Average Credit			3.5%	6.2%	7.1%	7.4%	7.0%	7.0%	6.6%
4th-Year Credits									
Number of Policies					331	193	230	31	785
Estimated Premium					35,724	17,691	10,526	1,158	65,099
Estimated Credit					1,340	630	394	41	2,405
Average Size of Risk					108	92	46	37	83
Average Credit					3.8%	3.6%	3.7%	3.5%	3.7%
Total Credits									
Number of Policies	44	722	1,140	1,887	2,173	1,526	709	57	8,258
Estimated Premium	11,987	172,583	184,161	203,902	157,233	83,888	30,389	1,799	845,944
Estimated Credit	904	10,845	13,331	20,220	16,175	7,926	2,256	91	71,749
Average Size of Risk	272	239	162	108	72	55	43	32	

* Preliminary
** Extremely Preliminary

Notes:

(1) The premiums and credits shown are estimated at policy inception, while the actual credits are applied at audit.

(2) Figures for recent years are understated due to substantial delays in credit applications and audits.

(3) The maximum allowable credit increased from 10% to 15% effective 1/1/93.

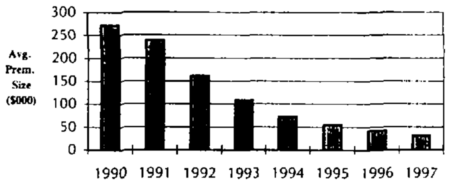
(4) Third-year credit is one-half of the otherwise applicable credit. Effective 1/1/94, fourth-year credit is available at one-quarter of the otherwise applicable credit.

(5) Risks who entered the Program before 5/1/90 were not eligible for first-year credit and are not included in this table.

Source: The Workers' Compensation Rating and Inspection Bureau of Massachusetts

Massachusetts Workers' Compensation
QLMP Policies by Size of Risk

Policy Year 1990			
Interval	Count	Premium	Share
Up to 50,000	3	72,633	1%
50,001 to 100,000	8	596,856	5%
100,001 to 250,000	21	3,201,401	27%
250,001 to 500,000	5	1,793,542	15%
500,001 to 1,000,000	4	2,675,841	22%
Over 1,000,000	3	3,647,151	30%
Total	44	11,987,424	
Average		272,441	



QLMP Average Size of Risk by Policy Year

Policy Year 1991			
Interval	Count	Premium	Share
Up to 50,000	156	4,174,649	2%
50,001 to 100,000	151	10,706,855	6%
100,001 to 250,000	236	39,717,418	23%
250,001 to 500,000	115	39,029,785	23%
500,001 to 1,000,000	45	29,491,864	17%
Over 1,000,000	19	49,462,272	29%
Total	722	172,582,843	
Average		239,034	

Policy Year 1992			
Interval	Count	Premium	Share
Up to 50,000	302	8,074,572	4%
50,001 to 100,000	282	20,195,006	11%
100,001 to 250,000	359	59,008,007	32%
250,001 to 500,000	142	49,418,117	27%
500,001 to 1,000,000	43	28,695,424	16%
Over 1,000,000	12	18,770,351	10%
Total	1,140	184,161,477	
Average		161,545	

Policy Year 1993			
Interval	Count	Premium	Share
Up to 50,000	725	19,053,936	9%
50,001 to 100,000	521	37,984,102	19%
100,001 to 250,000	478	74,633,493	37%
250,001 to 500,000	129	45,360,864	22%
500,001 to 1,000,000	29	18,259,534	9%
Over 1,000,000	5	8,610,544	4%
Total	1,887	203,902,473	
Average		108,056	

Policy Year 1994			
Interval	Count	Premium	Share
Up to 50,000	1,116	27,788,111	18%
50,001 to 100,000	584	40,559,205	26%
100,001 to 250,000	391	58,664,828	37%
250,001 to 500,000	74	24,837,958	16%
500,001 to 1,000,000	8	5,383,292	3%
Over 1,000,000	0	0	
Total	2,173	157,233,394	
Average		72,358	

Policy Year 1995			
Interval	Count	Premium	Share
Up to 50,000	976	22,847,719	27%
50,001 to 100,000	349	24,181,802	29%
100,001 to 250,000	169	24,311,140	29%
250,001 to 500,000	26	8,388,493	10%
500,001 to 1,000,000	5	2,981,691	4%
Over 1,000,000	1	1,177,281	
Total	1,526	83,888,126	
Average		54,973	

Policy Year 1996			
Interval	Count	Premium	Share
Up to 50,000	542	12,240,349	40%
50,001 to 100,000	104	6,953,793	23%
100,001 to 250,000	53	7,040,239	23%
250,001 to 500,000	7	2,242,656	7%
500,001 to 1,000,000	3	1,912,248	
Over 1,000,000	0	0	
Total	709	30,389,285	
Average		42,862	

Policy Year 1997			
Interval	Count	Premium	Share
Up to 50,000	51	1,068,863	59%
50,001 to 100,000	3	191,322	11%
100,001 to 250,000	3	538,843	30%
250,001 to 500,000	0	0	0%
500,001 to 1,000,000	0	0	
Over 1,000,000	0	0	
Total	57	1,799,028	
Average		31,562	

All Policy Years			
Interval	Count	Premium	Share
Up to 50,000	3,871	95,320,832	11%
50,001 to 100,000	2,002	141,368,941	17%
100,001 to 250,000	1,710	267,115,369	32%
250,001 to 500,000	498	171,071,415	20%
500,001 to 1,000,000	137	89,399,894	11%
Over 1,000,000	40	81,667,599	10%
Total	8,258	845,944,050	
Average		102,439	

Notes:

1. Premiums shown are Estimated Standard Premium plus ARAP, estimated at time of policy issuance.
2. Due to delays between the policy effective date and the date credit is processed, figures for 1996 are preliminary. Figures for 1997 are incomplete and are presented only to give an idea of the distribution of sizes.
3. Risks who entered the Program before 5/1/90 (not eligible for first year credit) are not included in this exhibit.

Source: Workers' Compensation Rating and Inspection Bureau of Massachusetts

Table 2

Qualified Loss Management Program
Sample Calculation of Credit for a QLMP Firm

PRIOR*			SUBSEQUENT**		
(1)	Expected Losses	669,976	(1)	Expected Losses	343,184
(2)	Expected Primary	131,250	(2)	Expected Primary	67,032
(3)	Expected Excess = (1) - (2)	538,726	(3)	Expected Excess = (1) - (2)	276,152
(4)	Actual Losses	1,150,134	(4)	Actual Losses	84,725
(5)	Actual Primary	207,197	(5)	Actual Primary	33,718
(6)	Actual Excess = (4) - (5)	942,937	(6)	Actual Excess = (4) - (5)	51,007
(7)	Ballast Value	84,000	(7)	Ballast Value	52,500
(8)	Weighting Value	0.30	(8)	Weighting Value	0.21
(9B)	Modification	1.262	(9A)	Modification	0.796

Ratio (9A)/(9B) =	**0.631**
Indicated First Year Credit = 0.75 x (1 - Ratio) subject to 15% maximum	**15%**

$$\text{Modification} = \frac{(5) + [(8)x(6)] + \{[1 - (8)] \times (3)\} + (7)}{(1) + (7)}$$

* Experience Rating data at first report for clients of the firm, for each client's policy prior to the inception of the program.

** Experience Rating data at first report for each client's policy subsequent to the inception of the program.

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Evaluation of Qualified Loss Management Program

	Decrease in Loss Ratio from Prior Year to Year 1	QLMP Improvement Over All Non-QLMP Risks "Baseline"
First-Year Credits, 9/90 - 8/93 first-report losses		
QLMP dataset *(1803 risks)*	30.5%	20.8%
First-Year Credits, 9/90 - 8/91 first-report losses		
QLMP dataset *(538 risks)*	23.2%	13.3%
All non-QLMP Risks	11.4%	
First-Year Credits, 9/90 - 8/91 second-report losses		
QLMP dataset	27.2%	14.7%
All non-QLMP Risks	14.7%	
First-Year Credits, 9/90 - 8/91 third-report losses		
QLMP dataset	25.9%	14.0%
All non-QLMP Risks	13.8%	
First-Year Credits, 9/91 - 8/92 first-report losses		
QLMP dataset *(527 risks)*	42.1%	28.2%
All non-QLMP Risks	19.4%	
First-Year Credits, 9/91 - 8/92 second-report losses		
QLMP dataset	38.4%	23.3%
All non-QLMP Risks	19.7%	
First-Year Credits, 9/92 - 8/93 first-report losses		
QLMP dataset *(738 risks)*	30.1%	27.9%
All non-QLMP Risks	3.0%	

Notes:

1. The QLMP dataset consists of Unit Statistical Plan Experience for 1803 experience-rated risks who received first-year credits on policies with effective dates from 9/1/90 through 8/31/93. Total Year 1 Standard Premium is $247,731,986 prior to adjustment for rate increases. Average first-year credit is 7.6%; average second year credit is 8.3%; average third year credit is 5.6%.
2. The "All Risks" set consists of Voluntary Market policies as well as Assigned Risks from the Bureau's Experience Rating System. QLMP policies are subtracted from the "All Risks" to get a true control group.
3. Loss Ratio = Incurred Losses/ Adjusted Standard Premium. Premiums are adjusted to the rate level of Policy Year 1993 to remove possible distortion caused by changing rate levels.
4. "QLMP Improvement over All-Risks Baseline" is intended to evaluate the "credit" that QLMP participants have earned over and above the loss ratio improvement seen in the total market.

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Evaluation of Qualified Loss Management Program

	Decrease in Loss Ratio from Prior Year to Year 2	QLMP Improvement Over All Non-QLMP Risks "Baseline"
Second-Year Credits, 9/91 - 8/92 first-report losses		
QLMP dataset *(418 risks)*	54.5%	36.3%
All non-QLMP Risks	28.6%	
Second-Year Credits, 9/91 - 8/92 second-report losses		
QLMP dataset	55.1%	34.5%
All non-QLMP Risks	31.4%	
Second-Year Credits, 9/92 - 8/93 first-report losses		
QLMP dataset *(416 risks)*	47.0%	32.3%
All non-QLMP Risks	21.8%	
	Decrease in Loss Ratio from Prior Year to Year 3	**QLMP Improvement Over All Risks "Baseline"**
Third-Year Credits, 9/92 - 8/93 first-report losses		
QLMP dataset *(327 risks)*	58.2%	39.7%
All non-QLMP Risks	30.7%	

Table 7

First-Year Credits during the period 9/1/90 - 8/31/93: Results by Experience Mod

First-Report Data; Premiums Adjusted for Rate Increases

Risks with Mod less than or equal to 1.0			*626 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	36,599,359	27,611,230	-24.6%
Standard Premium	73,837,637	73,338,607	-0.7%
Manual Premium	85,742,099	84,274,957	-1.7%
Average Experience Mod	0.86	0.89	3.9%
Average Manual Premium	136,968	134,625	-1.7%
Ratio of Incurred Losses to:			
Standard Premium	49.6%	37.6%	-24.0%
Manual Premium	42.7%	32.8%	**-23.2%**

Risks with Mod between 1.0 and 1.4			*907 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	70,750,876	51,061,382	-27.8%
Standard Premium	132,660,346	128,718,694	-3.0%
Manual Premium	120,896,263	113,547,728	-6.1%
Average Experience Mod	1.10	1.17	6.5%
Average Manual Premium	133,292	125,190	-6.1%
Ratio of Incurred Losses to:			
Standard Premium	53.3%	39.7%	-25.6%
Manual Premium	58.5%	45.0%	**-23.2%**

Risks with Mod greater than 1.4			*270 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	35,895,059	26,294,816	-26.7%
Standard Premium	55,511,175	46,339,075	-16.5%
Manual Premium	31,849,729	32,792,670	3.0%
Average Experience Mod	1.74	1.72	-1.1%
Average Manual Premium	117,962	121,454	3.0%
Ratio of Incurred Losses to:			
Standard Premium	64.7%	56.7%	-12.2%
Manual Premium	112.7%	80.2%	**-28.9%**

Data for First-Year Credits during the period 9/1/91 - 8/31/92

Prior Period (9/1/90 - 8/31/91)	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	513,733	42,260	581,098	45,367
Standard Premium*	1,230,235	70,330	1,202,609	70,330
Manual Premium*	1,277,638	70,613	1,262,222	70,613
Loss Ratio (Standard Premium)	41.8%	60.1%	48.3%	64.5%
Loss Ratio (Manual Premium)	40.2%	59.8%	46.0%	64.2%

Year 1 in Program (9/1/91 - 8/31/92)	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	357,725	28,134	397,874	32,071
Standard Premium*	1,060,963	80,803	1,025,597	80,803
Manual Premium*	1,145,428	73,195	1,113,215	73,195
Loss Ratio (Standard Premium)	33.7%	34.8%	38.8%	39.7%
Loss Ratio (Manual Premium)	31.2%	38.4%	35.7%	43.8%

Changes, Prior Year to Year 1	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-30.4%	-33.4%	-31.5%	-29.3%
Standard Premium	-13.8%	14.9%	-14.7%	14.9%
Manual Premium	-10.3%	3.7%	-11.8%	3.7%
Loss Ratio (Standard Premium)	-19.4%	-42.1%	-19.7%	-38.4%
Loss Ratio (Manual Premium)	-22.4%	-35.8%	-22.4%	-31.8%
Improvement Over non-QLMP risks.		**28%**		**23%**

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.

Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)

527 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Data for First-Year Credits during the period 9/1/92 - 8/31/93

Prior Period (9/1/91 - 8/31/92)		
	First Report	
	Non-QLMP Risks	QLMP Dataset
Incurred Losses	357,725	27,347
Standard Premium*	1,060,963	61,889
Manual Premium*	1,145,428	61,233
Loss Ratio (Standard Premium)	33.7%	44.2%
Loss Ratio (Manual Premium)	31.2%	44.7%
Year 1 in Program (9/1/92 - 8/31/93)		
	First Report	
	Non-QLMP Risks	QLMP Dataset
Incurred Losses	315,993	19,934
Standard Premium*	966,991	64,456
Manual Premium*	1,126,944	59,253
Loss Ratio (Standard Premium)	32.7%	30.9%
Loss Ratio (Manual Premium)	28.0%	33.6%
Changes, Prior Year to Year 1		
	First Report	
	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-11.7%	-27.1%
Standard Premium	-8.9%	4.1%
Manual Premium	-1.6%	-3.2%
Loss Ratio (Standard Premium)	-3.0%	-30.1%
Loss Ratio (Manual Premium)	-10.3%	-24.8%
Improvement Over non-QLMP risks.		28%

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + Δ QLMP loss ratio)/(1 + Δ Non-QLMP Risks loss ratio)

738 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Data for Second-Year Credits w/ first year during the period 9/1/90 - 8/31/91

Prior Period (9/1/89 - 8/31/90)	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	673,815	51,046	800,866	59,521
Standard Premium*	1,428,473	77,663	1,414,417	77,663
Manual Premium*	1,538,778	72,321	1,524,128	72,321
Loss Ratio (Standard Premium)	47.2%	65.7%	56.6%	76.6%
Loss Ratio (Manual Premium)	43.8%	70.6%	52.5%	82.3%

Year 1 in Program (9/1/90 - 8/31/91)	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	513,733	39,489	581,098	43,462
Standard Premium*	1,230,235	74,622	1,202,609	74,622
Manual Premium*	1,277,638	65,757	1,262,222	65,757
Loss Ratio (Standard Premium)	41.8%	52.9%	48.3%	58.2%
Loss Ratio (Manual Premium)	40.2%	60.1%	46.0%	66.1%

Year 2 in Program (9/1/91 - 8/31/92)	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	357,725	22,472	397,874	25,854
Standard Premium*	1,060,963	75,204	1,025,597	75,204
Manual Premium*	1,145,428	62,656	1,113,215	62,656
Loss Ratio (Standard Premium)	33.7%	29.9%	38.8%	34.4%
Loss Ratio (Manual Premium)	31.2%	35.9%	35.7%	41.3%

418 records in this subset of QLMP dataset

* *Premium data is adjusted for rate increases.*

Reported data in $000

Data for Second-Year Credits w/ first year during the period 9/1/90 - 8/31/91

Changes, Prior Period to Year 1	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-23.8%	-22.6%	-27.4%	-27.0%
Standard Premium*	-13.9%	-3.9%	-15.0%	-3.9%
Manual Premium*	-17.0%	-9.1%	-17.2%	-9.1%
Loss Ratio (Standard Premium)	-11.4%	-19.5%	-14.7%	-24.0%
Loss Ratio (Manual Premium)	-8.2%	-14.9%	-12.4%	-19.7%

Changes, Year 1 to Year 2	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-30.4%	-43.1%	-31.5%	-40.5%
Standard Premium*	-13.8%	0.8%	-14.7%	0.8%
Manual Premium*	-10.3%	-4.7%	-11.8%	-4.7%
Loss Ratio (Standard Premium)	-19.4%	-43.5%	-19.7%	-40.9%
Loss Ratio (Manual Premium)	-22.4%	-40.3%	-22.4%	-37.5%

Changes, Prior Period to Year 2	First Report		Second Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-46.9%	-56.0%	-50.3%	-56.6%
Standard Premium*	-25.7%	-3.2%	-27.5%	-3.2%
Manual Premium*	-25.6%	-13.4%	-27.0%	-13.4%
Loss Ratio (Standard Premium)	-28.6%	-54.5%	-31.4%	-55.1%
Loss Ratio (Manual Premium)	-28.8%	-49.2%	-32.0%	-49.8%
Improvement Over non-QLMP risks Prior to Year 1.		9%		11%
Improvement Over non-QLMP risks Prior to Year 2.		36%		34%

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)
418 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Data for Second-Year Credits w/ first year during the period 9/1/91 - 8/31/92

	First Report	
	Non-QLMP Risks	QLMP Dataset
Prior Period (9/1/90 - 8/31/91)		
Incurred Losses	513,733	30,720
Standard Premium*	1,230,235	51,992
Manual Premium*	1,277,638	51,829
Loss Ratio (Standard Premium)	41.8%	59.1%
Loss Ratio (Manual Premium)	40.2%	59.3%
Year 1 in Program (9/1/91 - 8/31/92)		
	First Report	
	Non-QLMP Risks	QLMP Dataset
Incurred Losses	357,725	20,804
Standard Premium*	1,060,963	57,175
Manual Premium*	1,145,428	52,889
Loss Ratio (Standard Premium)	33.7%	36.4%
Loss Ratio (Manual Premium)	31.2%	39.3%
Year 2 in Program (9/1/92 - 8/31/93)		
	First Report	
	Non-QLMP Risks	QLMP Dataset
Incurred Losses	315,993	17,419
Standard Premium	966,991	55,566
Manual Premium	1,126,944	50,839
Loss Ratio (Standard Premium)	32.7%	31.3%
Loss Ratio (Manual Premium)	28.0%	34.3%

416 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Data for Second-Year Credits w/ first year during the period 9/1/91 - 8/31/92

Changes, Prior Period to Year 1

	First Report Non-QLMP Risks	First Report QLMP Dataset
Incurred Losses	-30.4%	-32.3%
Standard Premium*	-13.8%	10.0%
Manual Premium*	-10.3%	2.0%
Loss Ratio (Standard Premium)	-19.4%	-38.4%
Loss Ratio (Manual Premium)	-22.4%	-33.7%

Changes, Year 1 to Year 2

	First Report Non-QLMP Risks	First Report QLMP Dataset
Incurred Losses	-11.7%	-16.3%
Standard Premium*	-8.9%	-2.8%
Manual Premium*	-1.6%	-3.9%
Loss Ratio (Standard Premium)	-3.0%	-14.0%
Loss Ratio (Manual Premium)	-10.3%	-12.7%

Changes, Prior Period to Year 2

	First Report Non-QLMP Risks	First Report QLMP Dataset
Incurred Losses	-38.5%	-43.3%
Standard Premium*	-21.4%	6.9%
Manual Premium*	-11.8%	-1.9%
Loss Ratio (Standard Premium)	-21.8%	-47.0%
Loss Ratio (Manual Premium)	-30.3%	-42.2%

Improvement Over non-QLMP risks Prior to Year 1.	24%
Improvement Over non-QLMP risks Prior to Year 2.	32%

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)
416 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Data for Third-Year Credits w/ first year during the period 9/1/90 - 8/31/91

	Prior Period (9/1/89 - 8/31/90)		*Year 1 (9/1/90 - 8/31/91)*	
	First Report		First Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	673,815	32,548	513,733	25,586
Standard Premium*	1,428,473	52,054	1,230,235	48,398
Manual Premium*	1,538,778	48,767	1,277,638	43,202
Loss Ratio (Standard Premium)	47.2%	62.5%	41.8%	52.9%
Loss Ratio (Manual Premium)	43.8%	66.7%	40.2%	59.2%

	Year 2 (9/1/91 - 8/31/92)		*Year 3 (9/1/92 - 8/31/93)*	
	First Report		First Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	357,725	22,472	315,993	12,138
Standard Premium*	1,060,963	75,204	966,991	46,427
Manual Premium*	1,145,428	62,656	1,126,944	39,917
Loss Ratio (Standard Premium)	33.7%	29.9%	32.7%	26.1%
Loss Ratio (Manual Premium)	31.2%	35.9%	28.0%	30.4%

327 records in this subset of QLMP dataset

* *Premium data is adjusted for rate increases.*

Reported data in $000

Data for Third-Year Credits w/ first year during the period 9/1/90 - 8/31/91

	Changes, Prior to Year 1		*Changes, Year 1 to Year 2*	
	First Report		First Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-23.8%	-21.4%	-30.4%	-12.2%
Standard Premium*	-13.9%	-7.0%	-13.8%	55.4%
Manual Premium*	-17.0%	-11.4%	-10.3%	45.0%
Loss Ratio (Standard Premium)	-11.4%	-15.4%	-19.4%	-43.5%
Loss Ratio (Manual Premium)	-8.2%	-11.2%	-22.4%	-39.4%

	Changes, Prior to Year 2		*Changes, Year 2 to Year 3*	
	First Report		First Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-46.9%	-31.0%	-11.7%	-46.0%
Standard Premium*	-25.7%	44.5%	-8.9%	-38.3%
Manual Premium*	-25.6%	28.5%	-1.6%	-36.3%
Loss Ratio (Standard Premium)	-28.6%	-52.2%	-3.0%	-12.7%
Loss Ratio (Manual Premium)	-28.8%	-46.2%	-10.3%	-15.3%

	Changes, Prior to Year 3		*Changes, Year 1 to Year 3*	
	First Report		First Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-53.1%	-62.7%	-38.5%	-52.6%
Standard Premium*	-32.3%	-10.8%	-21.4%	-4.1%
Manual Premium*	-26.8%	-18.1%	-11.8%	-7.6%
Loss Ratio (Standard Premium)	-30.7%	-58.2%	-21.8%	-50.7%
Loss Ratio (Manual Premium)	-36.1%	-54.4%	-30.3%	-48.6%

Improvement Over non-QLMP risks Prior to Year 1.	4%
Improvement Over non-QLMP risks Prior to Year 2.	33%
Improvement Over non-QLMP risks Prior to Year 3.	40%

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)
416 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Data for First-Year Credits during the period 9/1/90 - 8/31/91

Prior Period (9/1/89 - 8/31/90)

	First Report		Second Report		Third Report	
	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	353,527	73,639	400,976	86,754	287,970	91,100
Standard Premium*	668,176	116,178	658,970	116,178	451,198	116,178
Manual Premium*	714,417	106,641	708,850	106,641	490,427	106,641
Loss Ratio (Standard Premium)	52.9%	63.4%	60.8%	74.7%	63.8%	78.4%
Loss Ratio (Manual Premium)	49.5%	69.1%	56.6%	81.4%	58.7%	85.4%

Year 1 in Program (9/1/90 - 8/31/91)

	First Report		Second Report		Third Report	
	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	251,111	56,899	208,047	63,529	91,359	67,849
Standard Premium*	515,452	116,750	363,464	116,750	133,486	116,750
Manual Premium*	546,400	98,167	391,526	98,167	157,928	98,167
Loss Ratio (Standard Premium)	48.7%	48.7%	57.2%	54.4%	68.4%	58.1%
Loss Ratio (Manual Premium)	46.0%	58.0%	53.1%	64.7%	57.8%	69.1%

Changes, Prior Year to Year 1

	First Report		Second Report		Third Report	
	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	-29.0%	-22.7%	-48.1%	-26.8%	-68.3%	-25.5%
Standard Premium	-22.9%	0.5%	-44.8%	0.5%	-70.4%	0.5%
Manual Premium	-23.5%	-7.9%	-44.8%	-7.9%	-67.8%	-7.9%
Loss Ratio (Standard Premium)	-7.9%	-23.2%	-5.9%	-27.2%	7.2%	-25.9%
Loss Ratio (Manual Premium)	-7.1%	-16.1%	-6.2%	-20.5%	-1.5%	-19.1%
Improvement Over non-QLMP risks.		17%		23%		31%

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.

Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)

538 records in this subset of QLMP dataset

* *Premium data is adjusted for rate increases.*

Reported data in $000

Data for First-Year Credits during the period 9/1/91 - 8/31/92

	First Report		Second Report	
Prior Period (9/1/90 - 8/31/91)				
	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	251,111	42,260	208,047	45,367
Standard Premium*	515,452	70,330	363,464	70,330
Manual Premium*	546,400	70,613	391,526	70,613
Loss Ratio (Standard Premium)	48.7%	60.1%	57.2%	64.5%
Loss Ratio (Manual Premium)	46.0%	59.8%	53.1%	64.2%
Year 1 in Program (9/1/91 - 8/31/92)				
	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	129,424	28,134	76,159	32,071
Standard Premium*	344,427	80,803	140,859	80,803
Manual Premium*	338,596	73,195	135,335	73,195
Loss Ratio (Standard Premium)	37.6%	34.8%	54.1%	39.7%
Loss Ratio (Manual Premium)	38.2%	38.4%	56.3%	43.8%
Changes, Prior Year to Year 1				
	Non-QLMP Assigned Risks	QLMP Dataset Risks	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	-48.5%	-33.4%	-63.4%	-29.3%
Standard Premium	-33.2%	14.9%	-61.2%	14.9%
Manual Premium	-38.0%	3.7%	-65.4%	3.7%
Loss Ratio (Standard Premium)	-22.8%	-42.1%	-5.4%	-38.4%
Loss Ratio (Manual Premium)	-17.0%	-35.8%	6.0%	-31.8%
Improvement Over non-QLMP risks.	25%		35%	

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)

538 records in this subset of QLMP dataset

**** Premium data is adjusted for rate increases.***

Reported data in $000

Data for First-Year Credits during the period 9/1/92 - 8/31/93

Prior Period (9/1/91 - 8/31/92)		
	First Report	
	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	129,424	27,347
Standard Premium*	344,427	61,889
Manual Premium*	338,596	61,233
Loss Ratio (Standard Premium)	37.6%	44.2%
Loss Ratio (Manual Premium)	38.2%	44.7%
Year 1 in Program (9/1/92 - 8/31/93)		
	First Report	
	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	96,695	19,934
Standard Premium*	200,740	64,456
Manual Premium*	210,867	59,253
Loss Ratio (Standard Premium)	48.2%	30.9%
Loss Ratio (Manual Premium)	45.9%	33.6%
Changes, Prior Year to Year 1		
	First Report	
	Non-QLMP Assigned Risks	QLMP Dataset Risks
Incurred Losses	-25.3%	-27.1%
Standard Premium	-41.7%	4.1%
Manual Premium	-37.7%	-3.2%
Loss Ratio (Standard Premium)	28.2%	-30.1%
Loss Ratio (Manual Premium)	20.2%	-24.8%
Improvement Over non-QLMP risks.		**45%**

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)

538 records in this subset of QLMP dataset

* *Premium data is adjusted for rate increases.* *Reported data in $000*

Table 6

Data for First-Year Credits during the period 9/1/90 - 8/31/91

Prior Period (9/1/89 - 8/31/90)

	Risks who participated in Second Year of QLMP			*Risks who **did not** participate in Second Year of QLMP*		
	Rept. 1	Rept. 2	Rept. 3	Rept. 1	Rept. 2	Rept. 3
Incurred Losses	51,046	59,521	62,102	22,592	27,232	28,999
Standard Premium*	77,663	77,663	77,663	38,515	38,515	38,515
Manual Premium*	72,321	72,321	72,321	34,320	34,320	34,320
Loss Ratio (Standard Premium)	65.7%	76.6%	80.0%	58.7%	70.7%	75.3%
Loss Ratio (Manual Premium)	70.6%	82.3%	85.9%	65.8%	79.3%	84.5%
Loss Ratio(Standard Premium) Change from Rept. 1		**16.6%**	**21.8%**		**20.4%**	**28.3%**

Year 1 in Program (9/1/90 - 8/31/91)

	Risks who participated in Second Year of QLMP			*Risks who **did not** participate in Second Year of QLMP*		
	Rept. 1	Rept. 2	Rept. 3	Rept. 1	Rept. 2	Rept. 3
Incurred Losses	39,489	43,462	46,218	17,410	20,066	21,632
Standard Premium*	74,622	74,622	74,622	42,128	42,128	42,128
Manual Premium*	65,757	65,757	65,757	32,410	32,410	32,410
Loss Ratio (Standard Premium)	52.9%	58.2%	61.9%	41.3%	47.6%	51.3%
Loss Ratio (Manual Premium)	60.1%	66.1%	70.3%	53.7%	61.9%	66.7%
Loss Ratio(Standard Premium) Change from Rept. 1		**10.0%**	**17.0%**		**15.3%**	**24.2%**

Data for First-Year Credits during the period 9/1/91 - 8/31/92

Prior Period (9/1/90 - 8/31/91)

	Risks who participated in Second Year of QLMP			*Risks who **did not** participate in Second Year of QLMP*		
	Rept. 1	Rept. 2	Rept. 3	Rept. 1	Rept. 2	Rept. 3
Incurred Losses	30,720	33,526	35,284	11,539	11,842	12,865
Standard Premium*	51,992	51,992	51,992	18,338	18,338	18,338
Manual Premium*	51,829	51,829	51,829	18,784	18,784	18,784
Loss Ratio (Standard Premium)	59.1%	64.5%	67.9%	62.9%	64.6%	70.2%
Loss Ratio (Manual Premium)	59.3%	64.7%	68.1%	61.4%	63.0%	68.5%
Loss Ratio(Standard Premium) Change from Rept. 1		**9.1%**	**14.9%**		**2.7%**	**11.6%**

Year 1 in Program (9/1/91 - 8/31/92)

	Risks who participated in Second Year of QLMP			*Risks who **did not** participate in Second Year of QLMP*		
	Rept. 1	Rept. 2	Rept. 3	Rept. 1	Rept. 2	Rept. 3
Incurred Losses	20,804	24,009		7,330	8,062	
Standard Premium*	57,175	57,175		23,628	23,628	
Manual Premium*	52,889	52,889		20,307	20,307	
Loss Ratio (Standard Premium)	36.4%	42.0%		31.0%	34.1%	
Loss Ratio (Manual Premium)	39.3%	45.4%		36.1%	39.7%	
Loss Ratio(Standard Premium) Change from Rept. 1		**15.4%**			**10.0%**	

* *Premium data is adjusted for rate increases.*

Reported data in $000

Data for First-Year Credits during the period 9/1/90 - 8/31/91

Prior Period (9/1/89 - 8/31/90)

	First Report		Second Report		Third Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	673,815	73,639	800,866	86,754	742,953	91,100
Standard Premium*	1,428,473	116,178	1,414,417	116,178	1,281,974	116,178
Manual Premium*	1,538,778	106,641	1,524,128	106,641	1,383,987	106,641
Loss Ratio (Standard Premium)	47.2%	63.4%	56.6%	74.7%	58.0%	78.4%
Loss Ratio (Manual Premium)	43.8%	69.1%	52.5%	81.4%	53.7%	85.4%

Year 1 in Program (9/1/90 - 8/31/91)

	First Report		Second Report		Third Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	513,733	56,899	581,098	63,529.	541,312	67,849
Standard Premium*	1,230,235	116,750	1,202,609	116,750	1,082,027	116,750
Manual Premium*	1,277,638	98,167	1,262,222	98,167	1,128,023	98,167
Loss Ratio (Standard Premium)	41.8%	48.7%	48.3%	54.4%	50.0%	58.1%
Loss Ratio (Manual Premium)	40.2%	58.0%	46.0%	64.7%	48.0%	69.1%

Changes, Prior Year to Year 1

	First Report		Second Report		Third Report	
	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset	Non-QLMP Risks	QLMP Dataset
Incurred Losses	-23.8%	-22.7%	-27.4%	-26.8%	-27.1%	-25.5%
Standard Premium	-13.9%	0.5%	-15.0%	0.5%	-15.6%	0.5%
Manual Premium	-17.0%	-7.9%	-17.2%	-7.9%	-18.5%	-7.9%
Loss Ratio (Standard Premium)	-11.4%	-23.2%	-14.7%	-27.2%	-13.8%	-25.9%
Loss Ratio (Manual Premium)	-8.2%	-16.1%	-12.4%	-20.5%	-10.6%	-19.1%
Improvement Over non-QLMP risks.		**13%**		**15%**		**14%**

Comparison based on Loss Ratios to Standard Premium adjusted for rate changes.
Improvement = 1-(1 + ΔQLMP loss ratio)/(1 + ΔNon-QLMP Risks loss ratio)

538 records in this subset of QLMP dataset

** Premium data is adjusted for rate increases.*

Reported data in $000

Table 8

First-Year Credits during the period 9/1/90 - 8/31/93: Results by Manual Premium Size

First-Report Data; Premiums Adjusted for Rate Increases

Risks with Premium less than or equal to $50,000			*669 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	18,341,217	9,975,950	-45.6%
Standard Premium	27,089,628	22,671,821	-16.3%
Manual Premium	25,305,013	18,833,351	-25.6%
Average Experience Mod	1.07	1.21	13.1%
Average Manual Premium	37,825	28,151	-25.6%
Standard Premium	67.7%	44.0%	-35.0%
Manual Premium	72.5%	53.0%	**-26.9%**

Risks with Premium between $50,000 and $100,000			*471 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	20,888,724	13,695,305	-34.4%
Standard Premium	39,882,431	39,110,364	-1.9%
Manual Premium	36,624,098	34,021,861	-7.1%
Average Experience Mod	1.09	1.15	5.2%
Average Manual Premium	77,758	72,233	-7.1%
Loss Ratio to Standard Premium	52.4%	35.0%	-33.1%
Loss Ratio to Manual Premium	57.0%	40.3%	**-29.4%**

Risks with Premium between $100,000 and $250,000			*447 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	40,544,013	29,047,019	-28.4%
Standard Premium	74,014,269	77,228,711	4.3%
Manual Premium	70,822,998	70,031,835	-1.1%
Average Experience Mod	1.05	1.10	4.9%
Average Manual Premium	158,441	156,671	-1.1%
Loss Ratio to Standard Premium	54.8%	37.6%	-31.3%
Loss Ratio to Manual Premium	57.2%	41.5%	**-27.5%**

Risks with Premium between $250,000 and $500,000			*158 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	32,402,047	27,774,038	-14.3%
Standard Premium	57,578,773	58,595,584	1.8%
Manual Premium	56,297,049	53,818,071	-4.4%
Average Experience Mod	1.02	1.09	7.1%
Average Manual Premium	356,310	340,621	-4.4%
Loss Ratio to Standard Premium	56.3%	47.4%	-15.8%
Loss Ratio to Manual Premium	57.6%	51.6%	**-10.3%**

Risks with Premium over $500,000			*58 records from QLMP dataset*
	Year Prior to QLMP	Year 1 in QLMP	Change from Prior to 1st
Incurred Losses	31,069,293	24,475,116	-21.2%
Standard Premium	49,831,276	64,402,678	29.2%
Manual Premium	49,438,933	53,910,237	9.0%
Average Experience Mod	1.01	1.19	17.8%
Average Manual Premium	852,395	929,487	9.0%
Loss Ratio to Standard Premium	62.3%	38.0%	-39.0%
Loss Ratio to Manual Premium	62.8%	45.4%	**-27.8%**

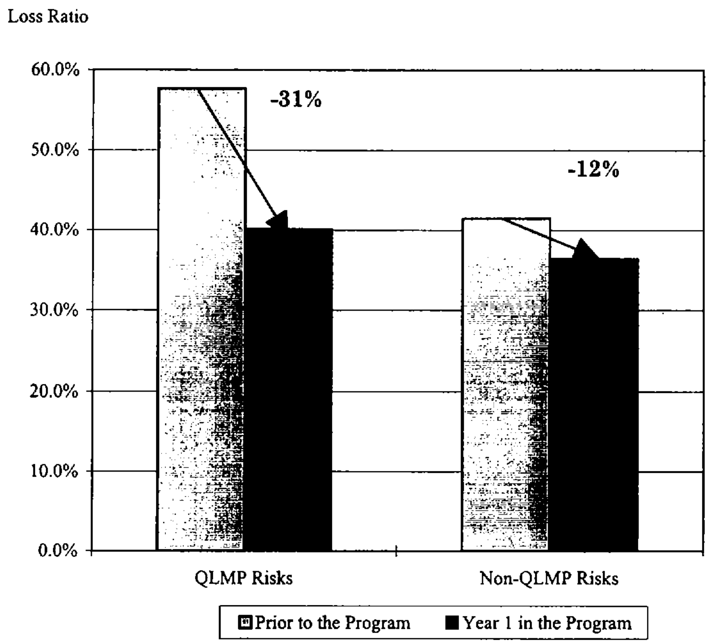
Exhibit 1

Massachusetts Workers' Compensation

Evaluation of Qualified Loss Management Program

Improvement in Loss Ratio to Standard Premium: QLMP vs "All Risks"

Year 1 Policies Effective 9/1/90 through 8/31/93



QLMP Participants showed improvement of 20.8% over the baseline total market improvement in Loss Ratio.

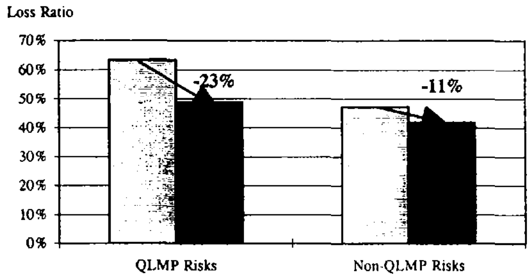
"All Risks" comprise of all Voluntary and Assigned Risks not associated with those participating in the QLMP program. Premiums are adjusted for rate increases. Losses are at first report.

Massachusetts Workers' Compensation
Evaluation of Qualified Loss Management Program

Continuing Improvement in Loss Ratio

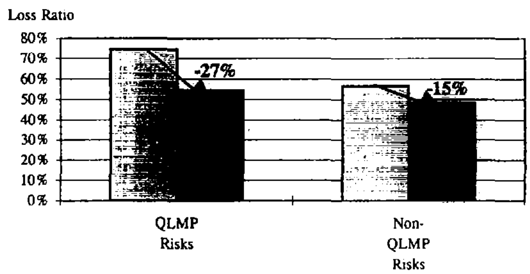
First Year Credit Period 9/1/90 through 8/31/91

First Report Data



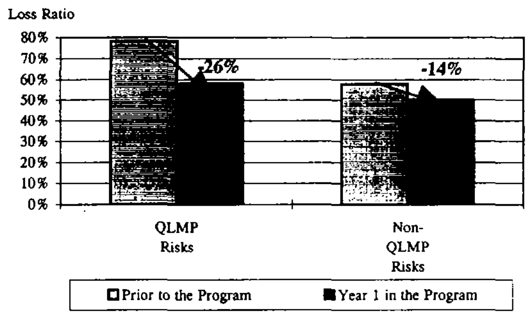
QLMP participants showed 13% more improvement over non-QLMP risks at first report.

Second Report Data



QLMP participants showed 15% more improvement over non-QLMP risks at second report.

Third Report Data

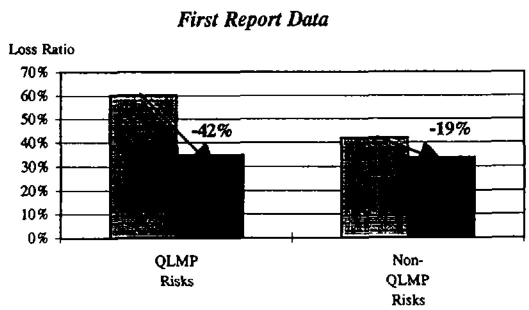


QLMP participants showed 14% more improvement over non-QLMP risks at third report.

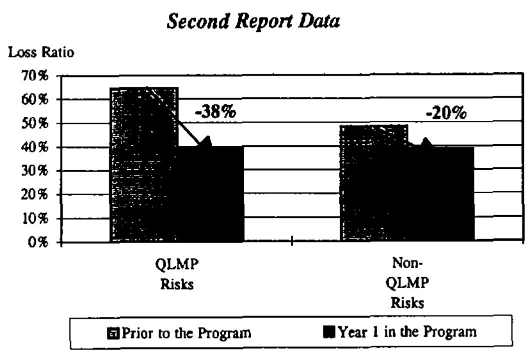
QLMP Risks are those who received first-year credit during the period 9/1/90 to 8/31/91.
All Risks are those risks for the same time period not in the QLMP program.
Loss Ratios are to Standard Premium adjusted for rate increases.

Massachusetts Workers' Compensation
Evaluation of Qualified Loss Management Program
Continuing Improvement in Loss Ratio

First Year Credit Period 9/1/91 through 8/31/92



QLMP participants showed 28% more improvement over non-QLMP risks at first report.



QLMP participants showed 23% more improvement over non-QLMP risks at second report.

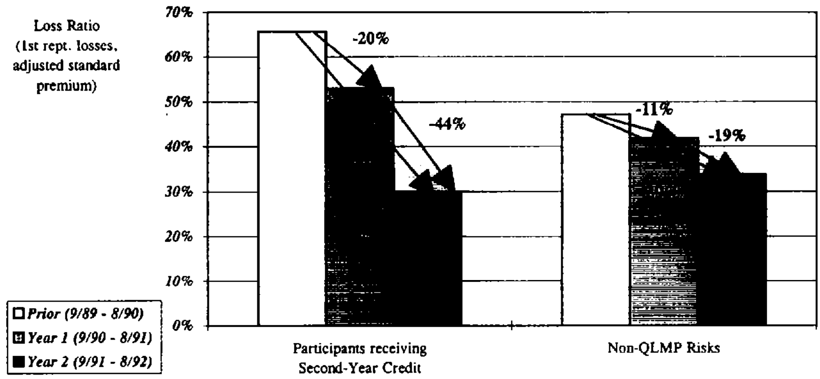
QLMP Risks are those who received first-year credit during the period 9/1/91 to 8/31/92.
All Risks are those risks for the same time period not in the QLMP program.
Loss Ratios are to Standard Premium adjusted for rate increases.

Massachusetts Workers' Compensation
Evaluation of Qualified Loss Management Program

Effects of the Second Year of Participation in QLMP

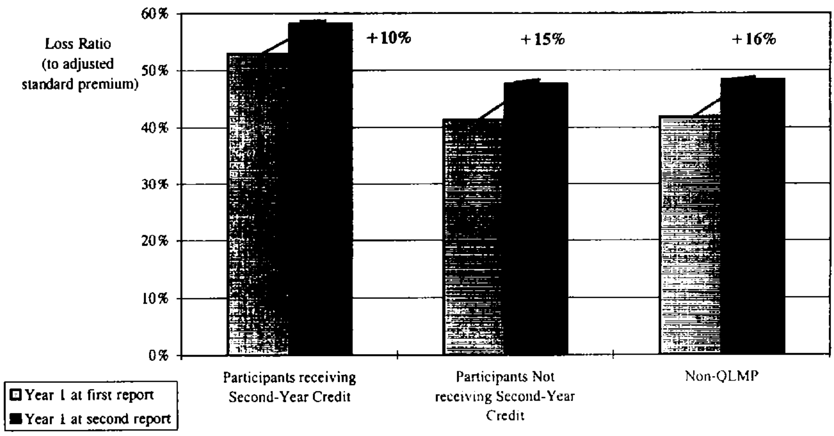
First Year Credit Period 9/1/90 through 8/31/91

Second-Year Credits: Loss Ratio Improvement



Relative to the "All Risks" loss ratio decrease over this two-year period, Second-Year QLMP participants showed better improvement by 36%.

Second Report for First-Year Credits: Prevention of Loss Ratio Deterioration

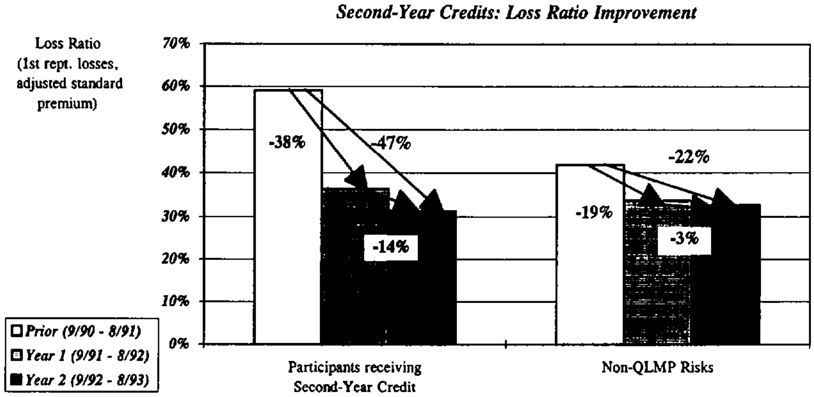


Participants who continued in the Program showed less deterioration in loss ratio at second report.

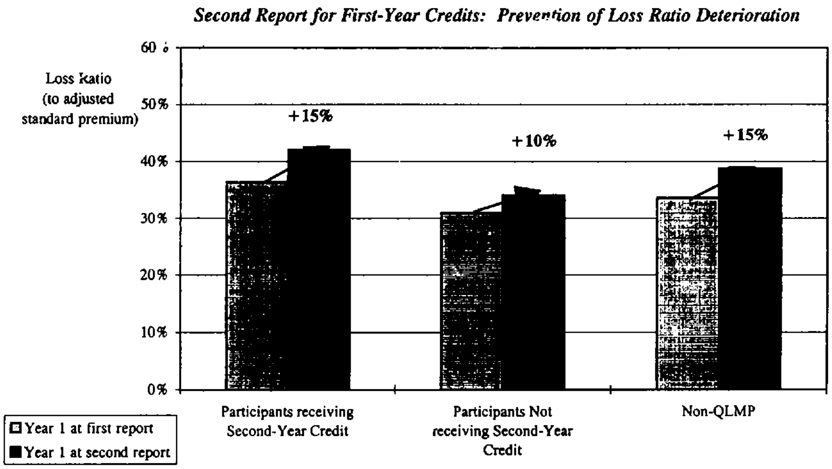
Exhibit 3
Page 2

Massachusetts Workers' Compensation
Evaluation of Qualified Loss Management Program
Effects of the Second Year of Participation in QLMP

First Year Credit Period 9/1/91 through 8/31/92

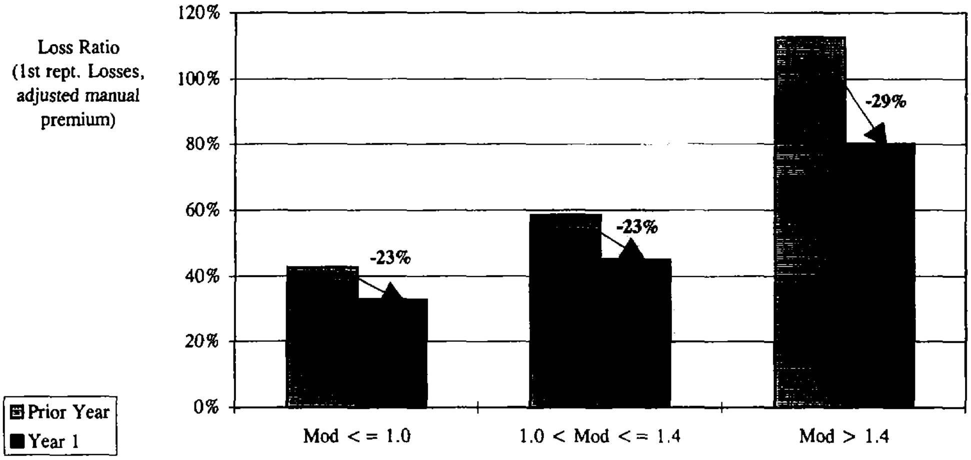


Relative to the "All Risks" loss ratio decrease over this two-year period, Second-Year QLMP participants showed better improvement by 32%.



Massachusetts Workers' Compensation
Qualified Loss Management Program Evaluation

Analysis by Experience Mod
"Mod" = Standard Premium in Year 1 / Manual Premium in Year 1



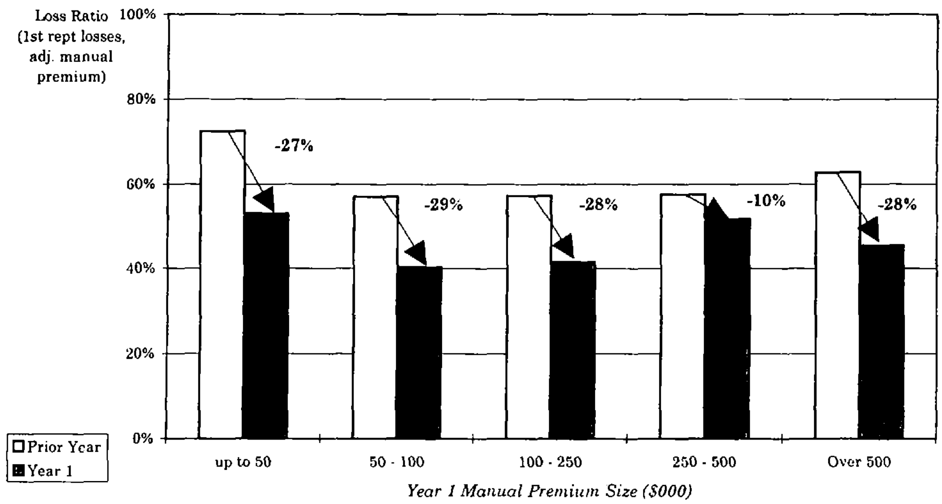
Characteristics of Mod Classes

	Mod < = 1.0	1.0 < Mod < = 1.4	Mod > 1.4
Manual Premium by Mod Year 1 in Program	$84,274,957	$113,547,728	$32,792,670
Number of Risks	626	907	270
Average Manual Premium – Year 1	$134,625	$125,190	$121,454
Average Mod – Year 1	0.89	1.17	1.72
% (of eliglible Year 1 Premium) that received Year 2 Credit	78%	72%	48%
Average Year 1 Manual Premium for Risks with Year 2 Credit	$168,430	$139,438	$95,135
Average Year 1 Manual Premium for Risks without Year 2 Credit	$147,196	$172,392	$534,725

* *Calculated for participants during the "first year" of the Program, i.e. 9/90 - 8/92, for whom Year 2 data would be available. By contrast, the first four rows include all years of the program, 9/90 - 8/93.*

Massachusetts Workers' Compensation
Qualified Loss Management Program Evaluation

Analysis by Premium Size
Manual Premium in Year 1, Adjusted for Rate Increases



Characteristics of Size Classes

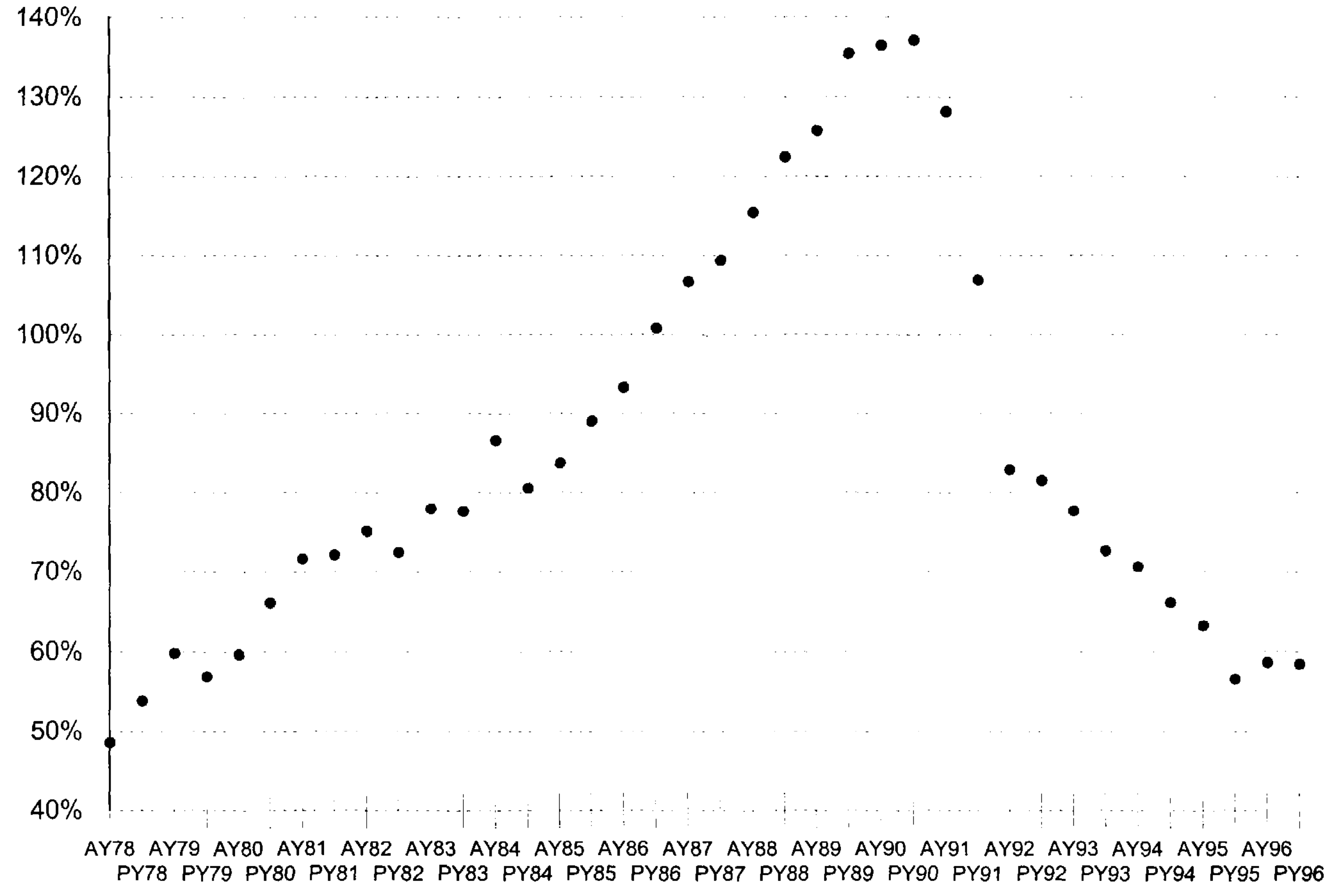
	up to 50	50 - 100	100 - 250	250 - 500	Over 500
Manual Premium Year 1 in Program	$18,833,351	$34,021,861	$70,031,835	$53,818,071	$53,910,237
Number of Risks	669	471	447	158	58
Average Manual Premium Year 1	$28,151	$72,233	$156,671	$340,621	$929,487
Avgerage Mod, Year 1	1.21	1.15	1.10	1.09	1.19
% (of Year 1 Premium) that received Year 2 Credit	79%	81%	77%	78%	54%

** Calculated for participants during the "first year" of the Program, i.e. 9/90 - 8/92, for whom Year 2 data would be available.*

Massachusetts Workers' Compensation

On 2/14/98 Rate Level, Estimated Ultimate Loss Ratios

Exhibit 6



SUMMARY OF QUALIFIED LOSS MANAGEMENT PROGRAM

EFFECTIVE DATE:

This Program applies to new and renewal business written under the Massachusetts Workers' Compensation Assigned Risk Pool on and after 12:01 A.M., November 1, 1990.

Policyholders whose policies are effective on and after 12:01 A.M., January 1, 1993, who, while in the Pool, become credit eligible and subsequently move to the voluntary market, shall, if insured under a guaranteed cost plan, remain subject to the rules of the Program and shall be entitled to receive whatever credit eligible policyholders on such plan in the Pool may receive; provided, however, that the combined period of assigned risk pool and voluntary market credit eligibility shall not exceed forty-eight months.

All new and renewal policies effective on and after 12:01 A.M., January 1, 1993, shall be subject to a maximum credit of 15% pursuant to Section 3.b.

PURPOSE:

This Program applies a prospective credit to the premium of an assigned risk insured who subscribes to a qualified loss management program. The prospective credit is given for a period of up to four policy years, provided the insured remains in the Program for a corresponding period of time.

BACKGROUND:

A number of loss management firms have demonstrated an ability to significantly reduce workers' compensation losses for their client companies by implementing a loss control management program. Through the application of the experience rating plan, companies with improved experience are able to realize sizable reductions in premium. However, because the experience rating plan requires three years of experience and the evaluation of data six months after expiration of the third policy year, such improved experience is not reflected in the premium charges for a considerable length of time. Utilization of this Program can impact a subscribing employer's premium charges as early as the inception date of the first of four annual policy periods during which the subscribing employer completes a minimum of six months participation in the Program. The appropriate credits are applied to the premiums for these four annual policy periods, at the conclusion of which, the credits then end and the subscribing employer enters into an experience rating period with anticipated improved experience.

Approval of Loss Management Program and Available Credit

A loss management program and the amount of allowable credit that can be offered by a sponsoring loss management firm to subscribing employers shall be subject to the approval of the Workers' Compensation Rating and Inspection Bureau of Massachusetts. The credit shall be primarily determined by the loss reduction success experienced by all of the subscribing employers of the sponsoring loss management firm for the past seven years. The approved credit is applied uniformly to the premiums of all subscribing employers.

Application of Credit to Subscriber's Policy

A credit is applied to the premium developed for a subscribing employer for up to four policy years. The amount of the credit applied to the first policy year is based on the credit factor assigned to the loss management firm on the date the employer subscribes to the Program. The first year credit is applied retroactively to the policy inception date on condition the employer participates in the Program a minimum of six months.

The amount of the credit applied to the second, third and fourth policy years shall be based on the credit factor assigned to the qualifying loss management firm and in effect on each policy effective date, except that the applicable credit is halved in the third policy year and shall be 25% of the otherwise applicable credit in the fourth policy year.

The subscribing employer may terminate participation in the Program upon four years of continuous participation in the Program, without penalty.

1. Qualifications For Loss Management Firms

Any loss management firm, which has demonstrated an ability to reduce losses for its client employers, may submit a Loss Management Program to The Workers' Compensation Rating and Inspection Bureau of Massachusetts for approval, subject to its having met the following minimum qualifications.

a. Personnel

A loss management firm must evidence its ability to perform its services based upon the qualifications of its key operating personnel. Information must be submitted on the job-related training and experience of these personnel. There also should be credentialed specialists on the staff. These could include: certified safety professionals, board-certified rehabilitation specialists, licensed insurance advisors and medical doctors specializing in occupational health.

b. Safety

A loss management firm must have a structured approach in place which focuses top level management of the employer, as well as other personnel, on the issue of safety. There must be a means of measuring and insuring management commitment to implementing safe work practices in the client employer's workplace.

c. Post Injury Response

A Loss Management Program must contain plans of action and specific techniques which are designed to assist an injured worker in obtaining necessary medical care. It must also contain specified means of maintaining contact with the insured worker and continuing claims control throughout the recuperation period. A close relationship with medical providers should be included in this process.

d. Early Return to Work Provisions

A Loss Management Program must encourage an injured worker to return to work at the earliest possible time, even if it is in a modified capacity.

2. Submission of Loss Management Program For Approval

In order to offer a credit to its client employers, a loss management firm must submit to and receive approval of a Loss Management Program from The Workers' Compensation Rating and Inspection Bureau of Massachusetts following the procedures outlined below and containing the key elements indicated.

a. A Loss Management Program containing essential information shall be submitted to The Workers' Compensation Rating and Inspection Bureau of Massachusetts with sufficient lead time for proper evaluation and determination of a credit prior to implementation.

b. After evaluation of the Loss Management Program, The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall make a determination as to its acceptability. If acceptable, The Workers' Compensation Rating and Inspection Bureau of Massachusetts will calculate the credit applicable to the program for a period of one year and advise the loss management firm submitting the program, and the Massachusetts Division of Insurance, of its approval

The loss management firm shall then advise all of its Assigned Risk client employers of the availability of the program.

c. Key elements that must be included in a Loss Management Program.

(1) The approved loss management firm must offer its qualified loss management program to every assigned risk client subscriber to its program wishing to avail itself of the credit assigned to the firm by The Workers' Compensation Rating and Inspection Bureau of Massachusetts

(2) The program must contain a provision stating that the credit applicable to the first year policy is subject to change on the second and third year policies.

(3) The program must contain a provision stating that a credit will not apply after the client employer has received a credit for four years.

(4) The program must contain a provision stating that a client employer must be involved in the program for six months before eligibility for the credit is established. If the client becomes credit eligible during the policy term, the credit is applied retroactive to the policy effective date; otherwise, the credit is applied on the effective date of the first policy renewal during which the client completes six months of participation in the program. The credit is pro-rated only when participation in the program terminates during the policy term, unless such termination occurs in the fourth annual policy period during which the client completes four years of participation in the program.

(5) The program must contain a provision stating that in the event of termination of the program by either the loss management firm, the client employer or The Workers' Compensation Rating and Inspection Bureau of Massachusetts, the credit shall be pro-rated.

3. <u>Requirements To Apply For And Determination Of A Credit</u>

The following requirements apply to a loss management firm submitting a Loss Management Program.

The method for determining the credit is as follows:

a. The loss management firm must submit data, in a format prescribed by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, on all its client employers who have Massachusetts workers' compensation insurance premium and commenced the program within the last seven years. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall have the right to inspect the books and business records of the loss management firm in order to verify that it is a complete list and accurately represents the experience of such client employers.

The data shall consist of copies of the experience rating modification calculations for the client employers. The object is to compare the experience for the year prior to the inception of the program to experience for the year subsequent to the inception of the program.

<u>Example 1</u>

Client starts Loss Management Program 7/1/85
Policy renews 7/1/85

Prior year's experience is for 7/1/84 to 6/30/85
Subsequent year's experience is for 7/1/85 to 6/30/86

Example 2

Client starts Loss Management Program 2/1/85
Policy renews 7/1/85
Prior year's experience is for 7/1/83 to 6/30/84
Subsequent year's experience is for 7/1/85 to 6/30/86

The required data is for the first report of the prior year and for the first report of the subsequent year. The Expected Losses, the Expected Primary Losses, the Actual Losses and the Actual Primary Losses for each of these two policy periods will be taken for each client employer. (The Massachusetts portion is used for interstate risks.) This information will be aggregated over all the client employers of the Loss Management Program.

This data covering the most recently available five-year period will be aggregated and then used to compute two experience modifications, one for the prior years and one for the subsequent years.

b. The qualification for a schedule rating credit is as follows:

Ratio of Experience Modification for Subsequent Years to that for Prior Years	First and Second Year Credit	Third Year Credit	Fourth Year Credit
0.807 or less	15%	7.5%	3.75%
More than 0.807 but at most 0.820	14%	7.0%	3.5%
More than 0.820 but at most 0.833	13%	6.5%	3.25%
More than 0.833 but at most 0.847	12%	6.0%	3.0%
More than 0.847 but at most 0.860	11%	5.5%	2.75%
More than 0.860 but at most 0.873	10%	5.0%	2.5%
More than 0.873 but at most 0.887	9%	4.5%	2.25%
More than 0.887 but at most 0.900	8%	4.0%	2.0%
More than 0.900 but at most 0.913	7%	3.5%	1.75%
More than 0.913 but at most 0.927	6%	3.0%	1.5%
More than 0.927 but at most 0.940	5%	2.5%	1.25%
More than 0.940 but at most 0.953	4%	2.0%	1.0%
More than 0.953 but at most 0.967	3%	1.5%	0.75%
More than 0.967 but at most 0.980	2%	1.0%	0.5%
More than 0.980 but at most 0.993	1%	0.5%	0.25%
More than 0.993	none	none	none

Each Loss Management Program must requalify for a credit annually.

c. Basis For Applying The Credit

If the Loss Management Program submitted by a loss management firm contains data on client employers with at least three governing classes, the credit will be applicable to all client employers in the program. Otherwise, the calculated credit shall apply only to hose client employers whose governing class is in the submitted data. For employers with other governing classes, the credit for newly established loss management firms shall apply unless the credit developed by submitted data is less than the credit for newly established firms whereupon such credit developed from the data shall apply.

d. The credit will apply to the Massachusetts portion of the workers' compensation premium (excluding expense constant) of the client employers in the program.

e. The credit shall not apply to client employers insured under a retrospective rating plan or a loss sensitive dividend plan.

f. A credit, as determined by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, shall apply for four successive annual policy years to a client employer in good standing in the program starting with the first policy year of credit eligibility, subject to revision after the first and second years. The applicable credit is halved in the third policy year. The applicable credit is multiplied by 25% in the fourth policy year.

4. New Loss Management Firms

A newly established loss management firm may submit a Loss Management Program to The Workers' Compensation Inspection and Rating Bureau of Massachusetts for approval of a credit to apply to its subscriber client employers if:

a. The firm complies with the qualifications for loss management firms contained in Section 1.

b. The firm submits a Loss Management Program containing the key elements contained in Section 2.

c. The firm begins to submit the data required under Section 3 as soon as such data becomes available.

The credit for new loss management firms will be limited to 5% for risks in their first and second years, 2.5% for risks in their third year and 1.25% in their fourth year.

Three years after a new loss management firm as qualified, the credit for such a firm will begin to be based on its own data.

5. Administration Of A Loss Management Program By The Workers' Compensation Rating and Inspection Bureau of Massachusetts

   a. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall be authorized by the Massachusetts division of Insurance to evaluate any Loss Management Program submitted by a loss management firm for purposes of offering client employers a credit, and shall issue a prompt notice of approval or disapproval.

      The factors that The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall consider in the evaluation of such a program are as follows:

      (1) qualifications of the loss management firm as listed in Section 1.

      (2) elements that must be included in submission of a Loss Management Program as listed in Section 2.

      (3) requirements to apply for an determination of a credit as listed in Section 3.

   b. If a Loss Management Program is not approved by The Workers' Compensation Rating and Inspection Bureau of Massachusetts, and the loss management firm making the submission is unsatisfied with the decision of The Workers' Compensation Rating and Inspection Bureau of Massachusetts, the loss management firm may appeal to the Commissioner of Insurance. Upon reviewing such an appeal, the Commissioner may, if he finds sufficient grounds for the appeal, call a public hearing to resolve the dispute.

   c. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall be authorized to withdraw its approval of any loss management firm previously approved to offer a credit, if it determines, after a meeting with the firm, that the loss management firm is not in compliance with program requirements. In such case, the Bureau shall give the firm at least thirty days written notice that such approval is withdrawn and that its participation in the Qualified Loss Management Program is terminated. A copy of the required notice shall be sent to the Commissioner of Insurance at the same time that it is sent to the firm. Any action taken by the Bureau to withdraw approval my be appealed to the Commissioner of Insurance. Upon reviewing such an appeal, the Commissioner may, upon finding sufficient grounds for the appeal, call a public hearing to resolve the dispute.

      If the Commissioner has reason to believe that any loss management firm should be considered for removal from the credit plan, the Commissioner shall so inform The Workers' Compensation Rating and Inspection Bureau of Massachusetts. The Workers' Compensation Rating and Inspection Bureau of Massachusetts shall inform the Commissioner of what action, if any, it takes with respect to this Loss Management Program. If two months from the notification of The Workers' Compensation Rating and Inspection Bureau of Massachusetts, the Loss

Management Program still qualifies for the credit plan, the Commissioner may choose to call a public hearing to consider whether this Loss Management Program should be removed from the credit plan.

d. Each approved Qualified Loss Management Program must be resubmitted to The Workers' Compensation Rating and Inspection Bureau of Massachusetts annually, with updated data, for re-evaluation and calculation of a revised credit, if any.