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To Our Valued Clients:

July 2007

Massachusetts Worker's Compensation Rate Change

Effective September 1, 2007

As we announced to you last month, the Commissioner of Insurance has approved a revision of Workers' Compensation rates, effective September 1, 2007, applicable to policies that are new or renew on or after that date. **With this mailing we have enclosed a listing of the actual rates for the most common construction classifications.** The most important items included with the overall rate revision are:

1) RATE LEVEL DECREASE OF 16.9%

The overall average decrease will be 16.9% from the existing workers' compensation average rates. The actual change will vary by class. Rates for construction classes average a 19.5% reduction.

2) EXPERIENCE RATING PLAN CHANGES

The Experience Rating Plan Expected Loss Rates will be revised and distributed by the Bureau. Keep in mind when manual rates go down the losses you are expected to have also go down. This means, if all else remains the same, your Experience Modification will tend to go up. This will apply to Experience Modifications effective on and after 9/1/07.

3) MAXIMUM ARAP SURCHARGE FACTOR DECREASED FROM 1.49 TO 1.25

The maximum Massachusetts ARAP surcharge factor will be decreased from the current value of 1.49 to 1.25. This will apply for ratings effective 9/1/07 and beyond.

4) SMALL DEDUCTIBLE CREDITS

The premium credits applicable to the election of small deductibles have been revised to the following:

| <u>Deductible</u> | <u>Reduction</u> | | <u>Deductible</u> | <u>Reduction</u> |
|-------------------|------------------|--|-------------------|------------------|
| \$500 | 2.5% | | \$2,000 | 5.7% |
| 1,000 | 3.9% | | 2,500 | 6.5% |

5) NO CHANGES IN THE FOLLOWING:

- USL&H percentage loading
- Merit Rating Credit Program
- Premium Discounts
- Qualified Loss Management Program [QLMP]

Experience ratings and ARAP factors effective September 1, 2007 and subsequent will be issued by the Bureau "in due course" using the new Expected Loss Rates, and ARAP maximum. Any preliminary experience ratings and ARAP factors previously released for effective dates 9/1/07 and beyond will be replaced.

Please let us know if you have any questions.

Very Truly Yours,

DeSanctis Insurance Agency, Inc.