



Pennsylvania Compensation Rating Bureau

The Widener Building • 6th Floor

One South Penn Square • Philadelphia, PA 19107-3577 • (215) 568-2371 • FAX (215) 564-4328

January 31, 1997

BUREAU CIRCULAR NO. 1348

To All Members of the Bureau:

Re: **SCHEDULE RATING PLAN EFFECTIVE FEBRUARY 1, 1997**

Schedule rating issues have been previously addressed in Bureau Circular No. 1338, dated September 25, 1996, and Bureau Circular No. 1345, dated January 6, 1997. This circular is intended to update all Bureau members regarding important developments pertaining to schedule rating in Pennsylvania arising since the dates of those prior circulars.

Subsequent to the publication of Bureau Circular No. 1345 the Bureau has continued to review Sections 707 (f) (1), 707 (g) (4) and other portions of the Workers Compensation Act at considerable length. This review included and has significantly benefited from discussions with the Pennsylvania Insurance Department, carriers, insurance trade organizations and insurance agents and brokers.

In retrospect it is evident that substantial confusion and uncertainty attended the implementation of schedule rating in Pennsylvania. Practices and procedures of almost universal standing in other jurisdictions were very often replicated for Pennsylvania policies in response to authorization in Section 707 (g) (4), notwithstanding the specific placement of this language immediately following references to employers not qualifying for the uniform Experience Rating Plan in Section 707 (g) and the limitation of means of prospectively recognizing loss producing characteristics of risks to the uniform Experience Rating Plan in Section 707 (f).

While the Insurance Department has maintained its interpretation that these portions of the statute prohibit individual carriers' schedule rating adjustment of the loss portion of premium for experience rated risks, the Insurance Department and the Bureau have concluded that a schedule rating plan filed by the Bureau on behalf of all its members and incorporated into the Bureau's uniform Experience Rating Plan would be exempt from such a limitation. As a result, the Bureau has filed a Schedule Rating Plan to be set forth as Section 6, Subsection VII of the Pennsylvania Workers Compensation Manual. Further, the Insurance Commissioner has approved this Bureau plan for application by all Bureau members on a new and renewal basis effective February 1, 1997. A copy of this approved Schedule Rating Plan is attached for reference by all members.

IMPORTANT NOTICE - PRIOR CARRIER SCHEDULE RATING PLAN FILINGS

The Insurance Department wants to accomplish as efficient a transition to this new Schedule Rating Plan as possible. Accordingly, the Insurance Department will assume that every individual insurer's schedule rating plan(s) filed and approved for use prior to February 1, 1997 will be withdrawn effective February 1, 1997. Any carrier wishing to retain their previously approved individual schedule rating plan in addition to the attached Bureau plan may do so by so notifying the Insurance Department in writing not later than Friday, February 14, 1997 at the following address:

Mr. Stephen Kcenich
Pennsylvania Insurance Department
Office of Rate and Policy Regulation
Property and Casualty Actuarial Review Division
1311 Strawberry Square
Harrisburg, PA 17120
Facsimile (717) 787-8555

Questions may also be directed to Mr. Kcenich at (717) 783-0693.

*Carriers are reminded that, if individual schedule rating plans are retained for application to new and renewal policies effective on or after February 1, 1997, such plans will continue to be subject to all provisions of the Insurance Department's interpretations as set forth in previous Bureau Circulars No. 1338 and 1345. **In particular the prior approved schedule rating plans, to the extent that they applied to experience rated insureds, statutorially could apply only to the expense portion of the premium.***

Manual reprints will be processed and distributed in the usual fashion.

Timothy L. Wisecarver
President

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Attachment: PCRB Schedule Rating Plan

The following is an addition to Section 6 (Experience Rating Plan) of the Manual and is entirely new wording:

SECTION VII - SCHEDULE RATING PLAN

1. The loss and/or expense components of an insured risk's premium may, at the option of the underwriting carrier, be adjusted in accordance with provisions of this plan to reflect defined characteristics of the risk which, in the sole judgment of the underwriting carrier, are not adequately reflected in prior experience of the insured risk.
2. At the option of the underwriting carrier this plan may be applied to any risk regardless of premium size.
3. All statistical reporting requirements of the Pennsylvania Compensation Rating Bureau and the Pennsylvania Insurance Department, including provisions of the Pennsylvania Statistical Plan Manual, Annual Calls for Financial Data Experience and Pennsylvania Special Schedule W, are applicable to business written in accordance with this plan and must be complied with by carriers using this plan.
4. Schedule rating credits or debits must be applied as a percentage factor to premium computed after experience modification (if the insured is eligible for experience rating) and before carrier premium discounts and expense constants if applicable.
5. Schedule rating adjustments for any given risk shall be based on information contained in the carrier's files and records when the credit or debit is determined, and such supporting information must be retained in the carrier's files and records for such risk throughout the period of time in which the policy is subject to audit under provisions of the policy.
6. Acceptance of a policy by an insured shall constitute agreement with the amount of schedule rating credit or debit, if applicable, or with the absence of any such credit or debit, if not applicable. Upon request of the insured a carrier shall make available documentation supporting the derivation of any proposed schedule rating credit or debit.
7. Upon request of the Pennsylvania Insurance Department or the Pennsylvania Compensation Rating Bureau a carrier shall make available documentation supporting the derivation of a schedule rating credit or debit for any specified risk or risks.
8. No schedule rating credit or debit may be effective prior to the underwriting insurer's receipt of information for a risk supporting the schedule rating credit or debit in question. No schedule rating credit or debit may be changed mid-term without the mutual agreement of the insured risk and the underwriting carrier.

9. The following risk characteristics are eligible under this plan for assignment of credits or debits subject to the maximum ranges set forth below:

Risk Characteristic	Allowable Range of Credits or Debits
Features of Workplace Maintenance or Operation	-10% to +10%
Risk Elements Not Addressed in Classification Plan	-10% to +10%
Availability of Medical Facilities in or Near Workplace	-5% to +5%
Safety Equipment/ Devices Present in/Missing From Workplace	-5% to +5%
Extraordinary Safety Programs Applicable to Workplace	-5% to +5%
Qualifications of Employees	-10% to +10%
Accommodations/Cooperation with Carrier by Management	-5% to +5%
Considerations Related to Policy Expenses	-5% to +5%
Other Risk Characteristics Not Addressed Above (Specify)	-10% to +10%

10. The maximum schedule rating credit permissible for any risk under this plan is -25 percent. The maximum schedule rating debit permissible for any risk under this plan is +25 percent.