



Pennsylvania Compensation Rating Bureau

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February 1, 1999

BUREAU CIRCULAR NO. 1389

To All Members of the Bureau:

Re: **APRIL 1, 1999 LOSS COST FILING - ADDITIONAL INFORMATION**

The Bureau is providing the following clarifications, additions and corrections to Bureau Circular No. 1388, dated January 15, 1999, which announced the April 1, 1999 Loss Cost Filing:

The Pending Rate Change Endorsement referred to in the second paragraph, Page 1 of Bureau Circular No. 1388 is Endorsement Number WC 00 04 04.

The Pennsylvania Act 86 1986 Endorsement referred to on Page 3 of Bureau Circular No. 1388 is Endorsement Number WC 37 06 03A. The "A" designation was omitted from the original circular notice.

Text of the proposed employer assessment procedure and related rating values were inadvertently omitted from the circular. The following is proposed language for this procedure:

SECTION 1

RULE VI - RATING VALUES, PREMIUM DETERMINATION AND EMPLOYER ASSESSMENTS

A. BUREAU RATING VALUES

5. Employer Assessments Pursuant to Act 57 of 1997

Act 57 of 1997 requires that "...the assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under sections 306.2, 443 and 446 of the act of June 2, 1915 (P. L. 736, No. 338), known as the "Workers' Compensation Act, shall no longer be imposed on insurers but shall be imposed, collected and remitted through insurers in accordance with regulations promulgated by the Department of Labor and Industry."

In compliance with the above referenced provisions of Act 57 of 1997, the insurance carrier issuing any Standard Policy providing workers compensation insurance other than Coal Mine under the Workers' Compensation Act in Pennsylvania shall impose on and collect from the employer/entity insured thereunder an Employer Assessment computed according to the following formula:

Employer Assessment ***equals*** Act 57 of 1997 Employer Assessment Factor ***times***
Employer Assessment Premium Base

The Employer Assessment shall be computed, imposed and collected consistent with the following definitions of terms:

Act 57 of 1997 Employer Assessment Factor - a factor expressed to four decimal places proposed by the Pennsylvania Compensation Rating Bureau and approved by the Pennsylvania Insurance Commissioner for the specific purpose of computing employer assessments in conformance with Act 57 of 1997.

Employer Assessment Premium Base - Calculation of Employer Assessment Premium Base proceeds by adding back to the total policy premium the amount of any applicable Small Deductible Premium Credit or Large Deductible Premium Credit. Small or Large Deductible Premium Credits include either of the following statistical codes in Pennsylvania:

9663

9664

Employer Assessments imposed, collected and remitted pursuant to Act 57 of 1997 shall be separately stated on the Standard Policy and shall be designated by Statistical Code 0938.

For reference purposes, two examples of the intended determination of the appropriate Employer Assessment Base consistent with this rule are shown below. The first example presents a risk for which a deductible credit applies before experience modification. The second example presents a risk for which a deductible credit applies after experience modification.

Example: Deductible Credit Before Experience Modification

Hypothetical Risk Insured in Classifications 665, Painting and Decorating and 953, Clerical Office. Risk has taken a small deductible policy, and qualifies for Experience Rating, a Schedule Rating Credit, a Pennsylvania Construction Classification Premium Adjustment Credit and a Certified Safety Committee Credit. **Individual rating values are selected values used only for purposes of illustrating the derivation of the appropriate Employer Assessment Base given the respective amounts of premium components shown and are not intended to relate to any specific carrier or insured's actual market premium.**

Class Code	Exposure (Payrolls)	Carrier Rate	Manual Premium
665	\$255,000	\$7.84	\$19,992
953	48,000	0.24	115
Total Manual Premium:			\$20,107
Deductible Credit Factor:			0.163
Deductible Premium Credit (Code 9664):			\$3,277
Total Subject Premium:			\$16,830
Experience Modification:			0.930
Total Standard Premium:			\$15,652
Schedule Rating Credit Factor:			0.250
Schedule Rating Credit (Code 9887):			\$3,913
Standard Premium After Schedule Rating:			\$11,739
Certified Safety Committee Credit Factor:			0.05
Certified Safety Committee Premium Credit:			\$587
PCCPAP Credit Factor:			0.25
PCCPAP Premium Credit:			\$2,935
Premium Subject to Premium Discount:			\$8,217
Premium Discount:			\$351
Final Policy Premium:			\$7,866

Employer Assessment Base:

Final Policy Premium plus Deductible Premium Credit (Stat Code 9664)

or

$$\$7,866 + \$3,277 = \$11,143$$

Employer Assessment:

Employer Assessment Base x Employer Assessment Factor, rounded to nearest whole dollar.

Example: Deductible Credit After Experience Modification

Hypothetical Risk Insured in Classifications 665, Painting and Decorating and 953, Clerical Office. Risk has taken a large deductible policy, and qualifies for Experience Rating, a Schedule Rating Credit, a Pennsylvania Construction Classification Premium Adjustment Credit and a Certified Safety Committee Credit. **Individual rating values are selected values used only for purposes of illustrating the derivation of the appropriate Employer Assessment Base given the respective amounts of premium components shown and are not intended to relate to any specific carrier or insured's actual market premium.**

Class Code	Exposure (Payrolls)	Carrier Rate	Manual Premium
665	\$255,000	\$7.84	\$19,992
953	48,000	0.24	115
Total Manual Premium:			\$20,107
Experience Modification:			0.930
Total Standard Premium:			\$18,700
Schedule Rating Credit Factor:			0.250
Schedule Rating Credit (Code 9887):			\$4,675
Standard Premium After Schedule Rating:			\$14,025
Certified Safety Committee Credit Factor:			0.05
Certified Safety Committee Premium Credit:			\$701
PCCPAP Credit Factor:			0.25
PCCPAP Premium Credit:			\$3,506
Standard Premium After PCCPAP:			\$9,818
Deductible Credit Factor:			0.600
Deductible Premium Credit (Code 9663):			\$5,891
Premium Subject to Premium Discount:			\$3,927
Premium Discount:			\$ 0
Final Policy Premium:			\$3,927

Employer Assessment Base:

Final Policy Premium plus Deductible Premium Credit (Stat Code 9663)

or

$$\$ 3,927 + \$ 5,891 = \$9,818$$

Employer Assessment:

Employer Assessment Base x Employer Assessment Factor, rounded to nearest whole dollar

Members are advised that the Bureau has filed an addendum to the April 1, 1998 Loss Cost Filing which completes proposed references related to these employer assessments. The proposed Manual revisions from that filing addendum are shown below with new wording underlined:

SECTION 1

RULE VI - RATING VALUES AND PREMIUM DETERMINATION

C. PREMIUM

Premium for each classification shown on the policy is determined by multiplying the basis of premium (expressed in units consistent with the carrier rate) by the carrier rate.

Example for payroll premium basis:

Basis of premium - payroll	=	\$90,000
Carrier rate per \$100 of payroll	=	x1.50
Divide by 100	=	÷ 100
Premium	=	\$ 1,350

Effective 12:01 a.m., July 1, 1998 until 12:01 a.m., April 1, 1999 on a new and renewal basis, workers compensation premium for coverage under the Workers' Compensation Act shall be defined to be 96.82 percent of the dollar value obtained by applying carrier rating values, the uniform Experience Rating Plan and other rating plans consistent with carrier programs to the portion of each workers compensation insurance policy issued in Pennsylvania providing coverage under the Workers' Compensation Act. The remaining 3.18 percent of such dollar value shall be defined to be assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under Sections 306.2, 443 and 446 of the Act of June 2, 1915 (P.L. 736, No. 338), known as the "Workers' Compensation Act." For employers insured under commercial workers compensation insurance policies such assessments will, by application of the Legislation, no longer be imposed on insurers but rather shall be imposed on, collected from and remitted by insured employers through their insurers. These assessments will be separate from the workers compensation premium and will not be subject to premium tax.

Effective 12:01 a.m., April 1, 1999 until 12:01 a.m., July 1, 1999 on a new and renewal basis, workers compensation premium for coverage under the Workers' Compensation Act shall be defined to be 95.93 percent of the dollar value obtained by applying carrier rating values, the uniform Experience Rating Plan and other rating plans consistent with carrier programs to the portion of each workers compensation insurance policy issued in Pennsylvania providing coverage under the Workers' Compensation Act. The remaining 4.07 percent of such dollar value shall be defined to be assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under Sections 306.2, 443 and 446 of the Act of June 2, 1915 (P.L. 736, No.

338), known as the "Workers' Compensation Act." For employers insured under commercial workers compensation insurance policies such assessments will, by application of the Legislation, no longer be imposed on insurers but rather shall be imposed on, collected from and remitted by insured employers through their insurers. These assessments will be separate from the workers compensation premium and will not be subject to premium tax.

Additionally, the Bureau offers the following additional comments to clarify questions which it has received regarding the proposed employer assessment procedures.

Under current rules amounts designated as employer assessments are not considered to be premium and, in particular, are not subject to premium taxes in Pennsylvania. (See Bureau Circular No. 1374).

The proposed procedure will become effective on a new and renewal basis. No policy or policies will require division into separate accounting periods, each subject to a different employer assessment procedure. For any policy effective prior to the implementation of the proposed procedure the existing rules will apply to the entire policy term. For policies effective on or after the implementation of the proposed procedure the revised rules will apply to the entire policy term.

The proposed employer assessment factor is 0.0318. This factor, in concert with the proposed employer assessment procedure, is subject to approval by the Insurance Commissioner.

Finally, proposed loss costs for Classification 471, Printed Circuit Board Assembly Or Electrical Wire Harness Mfg. - By Contractor, did not appear in the attachment to Bureau Circular No. 1388. The entry for that code is shown below:

Class Code	Class Description	4/1/98 Manual Loss Costs	Proposed 4/1/99 Loss Costs	% Change Current - 4/1/99
471	Printed Circuit Board Assembly	\$1.60	\$1.71	6.9

Questions should be directed to Bruce E. Decker, Vice President, Public Information & Statistical Reporting, at Extension 223.

Timothy L. Wisecarver
President

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