



Pennsylvania Compensation Rating Bureau

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March 14, 2001

BUREAU CIRCULAR NO. 1418

To All Members of the Bureau:

Re: **PENNSYLVANIA CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM
SECTION 1 RULE IX H. REVISIONS TO QUALIFYING WAGES,
TABLE OF HOURLY WAGES AND PREMIUM CREDITS
EFFECTIVE JULY 1, 2001
WITH ADDITIONAL PROVISIONS APPROVED EFFECTIVE JANUARY 1, 2002**

The Pennsylvania Compensation Rating Bureau has filed and the Insurance Commissioner has approved updates in provisions of the Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP). Some of these revisions represent updates to program values consistent with previous annual PCCPAP revisions and are **effective 12:01 a.m., July 1, 2001** with respect to new and renewal business only. Some additional provisions are to be **effective 12:01 a.m., January 1, 2002** with respect to new and renewal business only.

CHANGES EFFECTIVE JULY 1, 2001

For policies with anniversary rating dates on or after **July 1, 2001** the following changes to the PCCPAP plan are applicable:

- First, qualifying wages will be based on the Third Quarter of 2000, as this data is now available and represents a more current level of employment and wage activity for construction employers.
- Second, the minimum hourly wage eligible for premium credits will be updated in accordance with the most recent change in the Statewide Average Weekly Wage (SAWW). This change revises the minimum wage eligible for PCCPAP premium credit to \$19.25 per hour.
- Third, consistent with procedural changes first approved in 1995 (see Bureau Circular No. 1317), revisions will be made in the increments in qualifying wages used in constructing the PCCPAP table of premium credits.

A copy of the complete PCCPAP credit table effective for normal anniversary rating dates on or after July 1, 2001 in the text of Section 1, Rule IX H. is shown in **Attachment No. 1** to this circular.

CHANGES EFFECTIVE JANUARY 1, 2002

For those employers eligible for experience rating, the current PCCPAP plan requires adjustment of the experience modification applicable to any policy period for which a PCCPAP credit applies. This adjustment is accomplished by reducing the expected losses used in computing the experience modification by the percentage credit given under the PCCPAP plan. This adjustment avoids giving credit for an employer's wage levels simultaneously under two different rating programs. The Bureau has become aware that this adjustment may serve as a deterrent to participation in the PCCPAP plan by some otherwise eligible employers because, in some instances, employers must maintain an experience modification below a specified level (usually 1.000) in order to be qualified to submit bids for certain contracts.

Therefore, for policies effective on or after **January 1, 2002** on a new and renewal basis, the Bureau has filed and the Insurance Commissioner has approved a revised way for the PCCPAP plan to adjust for the potential redundancy of wage credits between the Experience Rating Plan and the PCCPAP plan. This revised approach reduces the amount of the PCCPAP credit rather than increasing the applicable experience modification. It is anticipated that the removal of any effect of PCCPAP credits on experience modifications will encourage more eligible employers to apply for, receive and use PCCPAP credits in the future.

Revised Manual rules pertaining to PCCPAP credit calculations effective for normal anniversary rating dates on or after January 1, 2002 are shown in **Attachment No. 2** to this circular.

Reprints will be distributed in the usual manner at the appropriate later dates.

The Bureau will advise qualifying employers and their insurers of record of credits using normal procedures.

Timothy L. Wisecarver
President

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Attachments

MANUAL REVISIONS EFFECTIVE JULY 1, 2001

Deleted wording is bracketed and new wording is underlined.

SECTION 1

FROM

TO

RULE IX H.

No Change

1. The Pennsylvania Construction Classification Premium Adjustment Program . . .

. . . is listed below:

Normal Anniversary <u>Rating Dates</u>	Reporting Period for <u>Qualifying Wages</u>		
		No Change	
•			
•			
•			
July 1, 1999 - June 30, 2000	Third calendar quarter of 1998	No change	
July 1, 2000 - June 30, 2001	Third calendar quarter of 1999	No change	
No current entry		<u>July 1, 2001 and later</u>	<u>Third calendar quarter of 2000</u>

If the insured . . .

. . . listed below:

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Normal Anniversary Rating Dates - July 1, 2000 [and later]	Normal Anniversary Rating Dates July 1, 2000 <u>- June 30, 2001</u>
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Table Values Unchanged

The following new table has been added:

Normal Anniversary Rating Dates - July 1, 2001 and later

<u>Average Hourly Wage</u>	<u>Credit From Standard Premium</u>	<u>Average Hourly Wage</u>	<u>Credit From Standard Premium</u>
\$19.24 or less	None	\$23.70 - \$24.09	18%
\$19.25 - \$19.54	5%	\$24.10 - \$24.49	19%
\$19.55 - \$19.84	6%	\$24.50 - \$24.94	20%
\$19.85 - \$20.14	7%	\$24.95 - \$25.39	21%
\$20.15 - \$20.44	8%	\$25.40 - \$25.84	22%
\$20.45 - \$20.79	9%	\$25.85 - \$26.29	23%
\$20.80 - \$21.14	10%	\$26.30 - \$26.79	24%
\$21.15 - \$21.49	11%	\$26.80 - \$27.29	25%
\$21.50 - \$21.84	12%	\$27.30 - \$27.79	26%
\$21.85 - \$22.19	13%	\$27.80 - \$28.29	27%
\$22.20 - \$22.54	14%	\$28.30 - \$28.84	28%
\$22.55 - \$22.89	15%	\$28.85 - \$29.39	29%
\$22.90 - \$23.29	16%	over \$29.40	30%
\$23.30 - \$23.69	17%		

The total construction..... premium adjustment credit.

“Construction classifications” are those classifications subject to the following code numbers:

601	609	648	656	663	670	679
602	611	649	657	664	[672]	681
603	615	651	658	665	673	682
605	617	652	659	666	674	691
606	645	653	660	667	675	693
607	646	654	661	668	676	695
608	647	655	662	669	677	

Balance of Rule remains unchanged.

Determination of Minimum Qualifying Hourly Wage for PCCPAP

Policies with Normal Anniversary Rating Dates On or After July 1, 2001

I:	Minimum Qualifying Hourly Wage for Policies with Normal Anniversary Rating Dates January 1, 1991 through June 30, 1992	\$ 13.00
II:	Statewide Average Weekly Wage for twelve months ending June 30, 1990	\$ 436.00
III:	Statewide Average Weekly Wage for twelve months ending June 30, 2000	\$ 644.00
IV:	Increase in SAWW (III / II) = \$644.00 / \$436.00	1.4771
V:	Revised Qualifying Hourly Wage for Policies with Normal Anniversary Rating Dates July 1, 2001 and Later (I x IV) = \$13.00 x 1.4771 = \$19.20 or \$19.25 rounded to nearest \$.25	\$ 19.25

MANUAL REVISIONS EFFECTIVE JANUARY 1, 2002

Deleted wording is bracketed and new wording is underlined.

SECTION 1

**RULE IX - SPECIAL CONDITIONS OR
OPERATIONS AFFECTING COVERAGE**

H. PENNSYLVANIA CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM

1. The Pennsylvania Construction..... is listed below:

Tables as shown in Attachment No. 1

The total construction classification credit amount, in dollars, must be calculated and then divided by the total policy premium at bureau rating values – including construction and non-construction classifications. [The result would be the percentage credit which is to be applied to the January 1, 1991 or later policy.] The resulting percentage credit will be the indicated policy credit. When calculating the [total policy credit] indicated policy credit, the percentage shall be rounded to the nearest whole number with .5 being rounded upward (as an example, 5.4 rounded to 5 and 5.5 rounded to 6).

[Expected losses used in the calculation of the insured's experience modification will be decreased by the policy credit factor.]

The indicated policy credit will be applied to the January 1, 2002 or later policy for any insured not eligible for experience rating. For insureds eligible for experience rating, a policy credit to be applied to the January 1, 2002 or later policy will be determined as follows:

- The insured's experience modification effective one year prior to the effective date of the Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP) credit will be determined in accordance with applicable Manual rules using expected losses reduced by the indicated policy credit percentage for the policy period to which the PCCPAP credit will apply. This experience modification will be designated as the PCCPAP numerator.
- The insured's experience modification effective one year prior to the effective date of the PCCPAP credit will be determined in accordance with applicable Manual rules. This experience modification will be designated as the PCCPAP denominator.

- A credit Adjustment Factor will be computed by dividing the PCCPAP numerator by the PCCPAP denominator. This credit adjustment factor will be rounded to four decimal places. In the event that the insured's experience modification factor effective one year prior to the effective date of the PCCPAP credit cannot be promulgated at the time the PCCPAP credit is determined, the credit adjustment factor will be set equal to 1.0000.
- A policy credit will be computed according to the following formula:

$$\underline{100 - [100 - \text{indicated policy credit}] \times \text{credit adjustment factor}}$$

- The policy credit, rounded to the nearest whole number using the convention described above with respect to the indicated policy credit, will be applied to the January 1, 2002 or later policy for insureds eligible for experience rating.

EXAMPLE:

Hypothetical insured qualified for experience rating –

<u>(1) Insured's indicated policy credit:</u>	<u>26</u>
<u>(2) PCCPAP numerator: (insured's experience modification for prior policy period with expected losses reduced by the indicated policy credit)</u>	<u>1.026</u>
<u>(3) PCCPAP denominator: (insured's experience modification for prior policy period)</u>	<u>0.957</u>
<u>(4) Credit adjustment factor: (2) / (3) rounded to 4 decimals</u>	<u>1.0721</u>
<u>(5) Policy credit factor: 100 – [100 – 26] x 1.0721 rounded to two decimals</u>	<u>21</u>

The insured shall submit credit on appropriate policy.

PENNSYLVANIA WORKERS COMPENSATION – 200 _ PREMIUM CREDIT APPLICATION

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Notice: Unless **[C]**code(s), total wages paid as reported to taxing authorities, total hours worked, and calendar quarter reported are indicated and application is signed, it cannot be processed. [Must include non-construction class code payrolls.] Non-construction class code payrolls must be included. Corporate Officers should be included in the appropriate classification [subject to payroll limitation rules - \$300 minimum - \$1,450 maximum per week, per officer and a maximum of 520 hours per quarter]. Do not include corporate officers who have elected to be excluded from the Workers Compensation Act. Contact your agent and/or insurance company if assistance is desired.

Are you currently.....it would apply.

SECTION 6

Experience Rating Plan

**SECTION VI
RATING PROCEDURE**

5. Experience Modification. The Experience three decimal places.

[EXCEPTION: Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP).

In determining Experience Modification for risks qualifying for credits under the PCCPAP, Expected Losses **(E)** as determined in accordance with Rule **(2)** of this Section shall be determined based on expected losses reduced by the percentage of PCCPAP credit given, and the credibility **(C)** and Maximum Value Change **(L)** shall be determined based on expected losses so reduced prior to calculation of the Experience Modification.]