



Pennsylvania Compensation Rating Bureau

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July 14, 2010

VIA FEDERAL EXPRESS

The Honorable Joel Ario
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Attention: Property & Casualty Bureau

RE: Bureau Filing No. 240 - Manual Revisions to Sections 1 and 2
Proposed Effective December 1, 2010

- 1) Code 817, Bus Operations, Class Study Results
- 2) Merger of Classes
 - a) Interim Code 861 into Code 859
 - b) Interim Code 863 into Code 862
 - c) Code 4775 into Code 4771
- 3) Housekeeping Revisions – Sections 1 and 2
- 4) Classifications Applicable to Temporary Staffing

Dear Commissioner Ario:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB) I am filing herewith proposed revisions to Sections 1 and 2 of the Manual, which are proposed to be **effective as of 12:01 a.m., December 1, 2010** with respect to new and renewal business only.

The various proposals in this filing, as listed above, are discussed below.

1) Code 817, Bus Operations, Class Study Results

The PCRB undertook the class study of Code 817 to determine whether the class's current assignment procedure should be amended and to review the feasibility of reassigning payroll developed by tour guides to Code 817.

Based on the class study, the PCRB recommends the following:

- Continue to allow assignment of tour guides to Code 951.

- Erection of a new classification, Code 828, Paratransit Service, to contemplate paratransit operations.

Staff memoranda dated April 13, 2010 and related exhibits are attached as **Exhibit 1**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

SECTION 2 CLASSIFICATIONS

ADDITIONS

UNDERWRITING GUIDE

To 817:

Scheduled or Public Bus Operation
Shuttle Service – By Specialist Contractor

828 PARATRANSIT SERVICE

Applies to employers providing transportation services to the elderly, physically handicapped or otherwise disabled individuals who cannot take public transportation. Such individuals may be transported to doctor's appointments, places of employment, stores, social venues or other destinations as needed.

Hazard Group E

UNDERWRITING GUIDE

Handicapped – Transportation Services for Paratransit Service
Transportation Services for the Elderly
Transportation Services for the Handicapped

CHANGES

817 BUS (except school bus) OPERATION

OPERATIONS NOT INCLUDED:

1. Paratransit Operations are assigned to Code 828.
2. Assign Code 951 to separate staff engaged as tour guides.

UNDERWRITING GUIDE

To 817:

[Automobile] Bus Operation, Scheduled, Public

DELETIONS

Underwriting Guide

From 817:

Handicapped – Transportation Services For Paratransit Service
 Transportation Services For The Elderly
 Transportation Services For The Handicapped

The revisions to Section 2 rating values consistent with this proposal are shown below:

		EXPERIENCE RATING PLAN			HAZARD	
	LOSS	Expected Loss Factors Table			GROUP	
CODE	COST	A-1	A-2	A-3	A-G	1-4
817	\$7.06	\$3.82	\$4.93	\$5.65	E	3
828	7.78	4.21	5.44	6.23	E	3

2) Merger of Classes

- a) Interim Code 861 into Code 859**
- b) Interim Code 863 into Code 862**
- c) Code 4775 into Code 4771**

From time-to-time, the PCRBR class studies recommend the creation of one or more “interim” classifications when the rigorous statistical analysis results in the following types of findings:

- The statistical analysis shows significant statistical differences between the employer group(s) in question and the balance of the classification(s) under review for at least two of the three experience statistics to which statistical tests are commonly applied (i.e., reported pure premium, claim frequency and claim severity).
- Pursuant to an underwriting finding of reasonably analogous business operations with another existing PCRBR classification(s), separate and additional statistical testing shows that there are no significant statistical differences between the employer group(s) in question and the analogous classification(s) for at least two of the three statistical tests.
- The PCRBR cannot propose that the employer group(s) be reclassified into the analogous classification(s) at the time of the study because the differences between the existing classification rating value and those of the analogous classification(s) exceed the maximum permissible rating value decrease or increase.

The “interim” classification procedure was developed to respond to the above described situations. Under this procedure, the PCRBR separates the employer group(s) from the studied classification(s) and reclassifies the group(s) to a new, separate classification(s). The PCRBR continues to monitor the rating values of the “interim” classification(s) and the analogous classification(s) so that, in the future event that the rating values of these classifications become sufficiently similar to permit consolidation, the PCRBR is inclined to recommend such action.

The PCRB now observes that the approved April 1, 2010 “interim” Code 861 (\$8.49) rating value and the Code 859 rating value (\$8.49) are identical. Also, the approved April 1, 2010 “interim” Code 863 (\$7.95) rating value and the approved Code 862 (\$7.95) rating value are equal. The PCRB further notes the approved April 1, 2010 Code 4775 rating value (\$3.18) and the approved Code 4771 rating value (\$3.18) are equal. Additionally, each class’ catastrophe loading class (Codes 0771 for 4771 and 0775 for 4775) have identical approved April 1, 2010 rating values (\$0.79). Thus, PCRB has considered and finds it appropriate to propose the consolidation of the aforementioned “interim” classifications into their respective analogous classifications and the merger of Code 4775 into Code 4771 and Code 0775 into Code 0771.

Staff memoranda dated April 28, 2010 and related exhibits are attached as **Exhibit 2**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

SECTION 2

ADDITIONS

Underwriting Guide

To 859:

Nonferrous Scrap Dealer And Automobile Dismantler

To 862:

Document Destruction Or Shredding Service
Paper Shredding – By Specialist Contractor

To 4771:

Ammunition Mfg.
Bag Loading, Explosives
Cartridge Charging Or Loading
Flare Mfg.
Shell Case Loading

CHANGES

859 NONFERROUS SCRAP METAL DEALER

Applicable to businesses..... gross receipts.

[Businesses principally engaged..... to Code 402.]

OPERATIONS ALSO INCLUDED:

1. Businesses principally engaged in collecting and handling nonferrous scrap and also performing automobile dismantling to recover saleable used auto parts.

CHANGES (continued)

OPERATIONS NOT INCLUDED:

1. Assign Code 402 to businesses principally engaged in the melting of nonferrous scrap to produce ingots.

862 RECYCLING CENTER

Applicable to businesses..... aluminum beverage cans.

OPERATIONS ALSO INCLUDED:

1. Businesses principally engaged in shredding paper or destroying documents for unrelated concerns. Such operations may be conducted at customer locations by the use of mobile equipment or at a centralized shredding facility.

OPERATIONS NOT INCLUDED:

- [3. Assign businesses principally..... to Code 863.]

4771 EXPLOSIVES Or Ammunition MFG., N.O.C.

Includes but is not..... or retrospective rating.

[Businesses or separately located..... by Code 4777.]

OPERATIONS NOT INCLUDED:

1. Assign Code 4777 to businesses or separately located and staffed facilities principally engaged in the preparation and/or distribution of blasting agents and/or distribution of high explosives.

4777 EXPLOSIVES DISTRIBUTOR

Includes the preparation..... or exhibition of fireworks.

OPERATIONS NOT INCLUDED:

2. Assign Code 4771 to explosives manufacturing [except for cartridge loading or charging which is assignable to Code 4775].

DELETIONS

861 AUTOMOBILE DISMANTLERS/NONFERROUS SCRAP DEALERS

Businesses principally engaged..... for useable parts.

Underwriting Guide:

Nonferrous Scrap Dealer and Automobile Dismantler

DELETIONS (continued)

863 PAPER SHREDDING – By Specialist Contractor (Not A Used Paper Dealer)

Applicable to businesses..... cutting or shredding.

Underwriting Guide:

Document Destruction or Shredding Service
Paper Shredding – By Specialist Contractor (Not A Used Paper Dealer)

4775 CARTRIDGE LOADING OR CHARGING

Includes all operations..... or retrospective rating.

Underwriting Guide:

Ammunition Mfg.
Bag Loading, Explosives
Cartridge Charging or Loading
Flare Mfg.
Shell Case Loading

GENERAL AUDITING & CLASSIFICATION INFORMATION

CHANGE

AUTOMOBILE DISMANTLERS

A business whose..... for such businesses.

Paragraphs 1 through 4 remain unchanged.

5. Assign Code 859 to businesses principally engaged in the collection, handling and sale of nonferrous scrap metal.

[5]6. Assign Code 860 to businesses..... line of merchandise.

[6]7. Assign Code 934 to businesses principally engaged in the sale of new and/or used automobile parts. There may be a payroll division with Code 815 when such businesses also provide automobile repair services or dismantle automobiles when the following conditions are fulfilled: the automobile repair services or automobile dismantling is conducted in a physically separate work area by separate employee crews and the majority of the automobile parts [sold] are sold to unrelated customers and are neither installed or used by the business for repair services.

[7]8. Assign Code 825 to businesses..... customers' automobiles.

There are no rating value changes associated with the mergers of Interim Code 861 into Code 859, Interim Code 863 into Code 862, Code 4775 into Code 4771 and Catastrophe Code 0775 into Code 0771.

3) Housekeeping Revisions – Sections 1 and 2

In an effort to continue to make the Manual clearer and less ambiguous by clarifying classification procedures, updating class language to bring it into alignment with other Manual provisions or recognizing technological or industrial change, the Bureau recommends the revisions shown below.

Revisions to Classification Procedure

- Clarify Code 805, Milk Hauling, by excluding non-food products.
- Revise the General Auditing & Classification Information entry for “Per Diems” to make it sufficiently clear that the PCRB is not the entity to mediate disputes between employers and their insurer(s) on this topic.

Section 1

- Revise Rule IX, C., Professional and Semiprofessional Athletes – Class Code 970, to bring it into alignment with the previously filed and approved Code 970 class description.

Section 2

- Clarify the Section 2 classification language for 15 classes, principally by adding an “Operations Also Included” and/or an “Operations Not Included” section(s).
- The addition of 19 Underwriting Guide entries and the deletion of four current Underwriting Guide entries

A staff memoranda dated May 11, 2010 is attached as **Exhibit 3**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

SECTION 1

CHANGE

RULE IX, SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

C. PROFESSIONAL AND SEMIPROFESSIONAL ATHLETES – CLASS CODE 970

1. Employees who qualify for payroll limitation include [but is not limited to] all players on the employer’s salary list whether regularly played or not, coaches~~[,]~~ or managers [or game officials and include all players on the salary list of the employer].
2. The entire remuneration of each [employee]player, coach or manager should be included in computing premium, subject to a maximum of \$60,000 per [season]policy year.
- [3. Season includes pre-season and post-season exposure.]

CHANGE (continued)

- [4.13. When a [n employee] player, coach or manager works for two or more teams in the same sport during the [season] policy year, the maximum shall be prorated.
- [5]4. The remuneration of an individual [employee] player, coach or manager is subject to a minimum of \$500[.00] per [season or] policy year, including board and lodging. For more details refer to the Classification and Bureau Rating Values Section.

SECTION 2

CLASSIFICATIONS

ADDITIONS

UNDERWRITING GUIDE

To 615:

Caisson Work – Under Pneumatic Pressure

To 811:

Brine Hauling

Water Hauling – For Oil Or Gas Well Drilling Or Fracing

To 855:

Metal Road Plate Rental

To 884:

Aerobics Studio

Pilates Studio

Yoga Studio

To 911:

Delicatessen Meat Distributor – No Delicatessen Or Lunch Meat Manufacturing

Lunch Meat Distributor – No Lunch Or Delicatessen Meat Manufacturing

To 955:

Museum Display Creation – By Independent Contractor

To 962:

Financial Auditing Firm (Not An Independent Insurance Traveling Auditing Firm)

ADDITIONS (continued)

To 965:

Academic Tutoring Service By Independent Provider
Charter School
Computer Training School
English As A Second Language Courses By Specialist Contractor
Foreign Language Courses By Specialist Contractor
Music Lessons By Specialist Contractor

To 968:

Amateur Sports Training Facility (e. g., Basketball, Ice Hockey, Boxing) Not Professional Or
Semiprofessional Sports
Rock Climbing Wall Facility – Indoor

To 969:

Rock Climbing Wall Facility – Outdoor

CHANGES

471 PRINTED CIRCUIT BOARD ASSEMBLY OR ELECTRICAL WIRE HARNESS MFG – BY CONTRACTOR

Applies to [concerns]businesses principally engaged in performing any of the services discussed below for others on a contract basis.

Includes the manufacturing/assembly of printed circuit boards, the placement of components onto printed circuit boards (mounting/stuffing) or the installation of resultant circuit boards into a chassis with the addition of wire leads.

[Also contemplated by..... in this Manual.]

OPERATIONS ALSO INCLUDED:

1. The assembly of electrical wire harnesses, automotive wire harnesses or connector cable assemblies.

OPERATIONS NOT INCLUDED:

1. Assign Code 472 to electronic component manufacturing.
2. Assign Code 473 to electrical cord assembly.
3. The manufacture of wire or cable shall be separately classified as provided for in this Manual.

472 ELECTRONIC COMPONENT MFG., N.O.C.

Applies to the manufacture of electronic component parts used to receive, store, govern or direct the flow of current within an electronic circuit, such as resistors, capacitors, coils, transformers (less than 746 watts), filters or transducers.

CHANGES (continued)

[Also applies to..... defined by this classification.]

OPERATIONS ALSO INCLUDED:

1. Semiconductor material refining
2. Integrated circuit manufacture
3. Quartz crystal culturing
4. Glass-to-metal seal manufacture

OPERATIONS NOT INCLUDED:

1. The manufacture of non-electronic parts (e.g., pushbuttons, springs, gaskets or plastic parts). The inclusion of such non-electronic parts in the electronic device shall not be construed as an electronic component as defined by this classification.

UNDERWRITING GUIDE

To 609:

Excavation For Septic Tank Installation – By Specialist Contractor

752 OIL OR GAS PIPELINE OPERATION [- Construction, operation of wells or oil refining shall be separately classified.]

Applies to the operation of cross-country pipelines for the transmission of oil or natural gas, which may include the laying or relaying of gathering or distributing lines, the operating of pumping stations, line checking, meter reading, line maintenance or repair and prevailing right-of-way clearance.

OPERATIONS NOT INCLUDED:

1. Assign Code 028 to the operation of oil or gas wells by the oil or gas well's lease owner or a contract operator.
2. Assign Code 581 to businesses engaged in oil refining.
3. Assign Code 607 to contractors performing oil or gas well services including but not necessarily limited to: installation, recovery or replacement of casing, well cementing, well cleaning or swabbing, well fracturing/formation fracturing or well logging.
4. Assign Code 609 to contractors building a cross-country pipeline.

805 MILK HAULING – by contractor

Applies to contractors engaged in hauling unprocessed or processed milk, water or other liquid food products by tank truck.

OPERATIONS NOT INCLUDED:

1. Assign Code 811 to contractors hauling brine or water for oil or gas well drilling or fracing.

CHANGES (continued)

806 FURNITURE MOVING and/or STORAGE

[Includes the packaging..... assigned to Code 811.]

OPERATIONS ALSO INCLUDED:

1. The packaging or handling of households goods away from the employer's premises by the furniture moving and/or storage company or by an independent packing contractor.

OPERATIONS NOT INCLUDED:

1. Assign Code 811 to the transporting or delivery and the setting into place at the customers' locations of furniture and/or major household appliances under contract for a manufacturer or store.

884 HEALTH OR EXERCISE CLUB – all employees including office

[Organized athletics are excluded from this classification and are assigned to Code 970.]

A facility providing exercise programs (e.g., aerobics classes) for their members and, in some cases, the general public. Attendants will evaluate the type of equipment best suited to individual member needs and will assist members in exercise instruction or weight loss. The available equipment and services may vary from club-to-club. A club's exercise equipment may include but is not necessarily limited to: free weights (e.g., dumbbells and barbells) and other equipment (e.g., a cardio theater) that includes various types of equipment related to cardiovascular training, such as rowing machines, stationary exercise bikes, elliptical trainers or treadmills.

Larger clubs may employ personal trainers who are accessible to members for training, exercise, nutrition and/or health advice and consultation. Personal trainers may devise a customized fitness plan to assist members achieve their goals. They may also demonstrate exercises and monitor the members' exercises.

OPERATIONS ALSO INCLUDED:

1. Health shops, snack bars, childcare facilities, member lounges and/or cafes operated by the health or exercise club.

OPERATIONS NOT INCLUDED:

1. Assign Code 968 to indoor facilities principally engaged in amateur sports training (e.g., basketball, ice hockey, boxing, gymnastics, martial arts, tennis or swimming).
2. Assign Code 970 to organized athletics.

CHANGES (continued)

956 LAW FIRM, all employees including office

This classification is for law firms. [Attorneys employed by..... the employer's business.]

OPERATIONS NOT INCLUDED:

1. Attorneys employed by other establishments whose field-of-business includes but is not necessarily limited to manufacturing or construction shall be assigned to the classification consistent with the employer's business.

962 ACCOUNTING or FINANCIAL AUDITING FIRM – all employees including office

This classification is for accounting or financial auditing firms.

Accounting firm – a business performing the systematic recording, reporting and analysis of an unrelated business' financial transactions typically broken down in the business' financial year.

Financial auditing firm – a business that reviews or examines unrelated businesses' financial records to be certain the unrelated businesses' financial records are correct or free of error.

OPERATIONS NOT INCLUDED:

1 and 2 remain unchanged.

3. Assign Code 953 to independent auditors of non-financial information or records (e.g., drug trials, patient care records of a health care facility).

[3]4. Assign Code 984 to an insurance traveling premium auditor employed by an insurance company.

- [4]5. Accountants or financial auditors employed by a business whose field-of-business may include but is not necessarily limited to manufacturing or construction shall be assigned to the classification consistent with the employer's field-of-business.

UNDERWRITING GUIDE:

Auditing Firm – Financial (Not An Independent Insurance Traveling Auditing Firm)

963 CHURCH – all employees including office[, except cemetery employees]

[Includes religious..... when separately staffed.]

If two or more churches..... as shown in Section 3.

OPERATIONS ALSO INCLUDED:

1. Includes religious education provided by the church.

CHANGES (continued)

OPERATIONS NOT INCLUDED:

1. Payroll division must be provided for schools or hospitals at separate locations.
2. Assign Code 891 for a separately-staffed day nursery school, kindergarten or child daycare center operated on the church premises from Monday through Friday.
3. Assign Code 965 for a separately-staffed elementary and/or secondary school operated on the church premises from Monday through Friday.
4. Assign Code 999 to cemetery employees.

965 COLLEGE OR SCHOOL, N.O.C. – all employees including office.

Applicable to academic, trade or vocational institutions of learning (e.g., colleges or universities, private schools, public or parochial school districts and charter schools) that provide a formal educational curriculum in a classroom setting. Trade or vocational schools may also provide shop or field experience as a part of the curriculum. Colleges or universities, private schools, public or parochial school districts and charter schools are subject to licensing by the Pennsylvania Department of Education. Colleges or universities may also be subject to accreditation by multi-state bodies such as the Middle States Association of Colleges and Schools.

OPERATIONS ALSO INCLUDED:

1. Independent contractors providing academic tutoring services to grade school, high school or college level students either on a one-to-one basis or in a classroom setting to multiple students.
2. The operation of a day nursery school, kindergarten or child daycare center by an elementary school or by a school district.
3. The operation of a gym and/or an athletic field where students participate in physical education classes, intramurals, or sports' teams practice or games.
4. The operation of a library on school premises for use by the school's students.

OPERATIONS NOT INCLUDED:

1. Assign Code 968 to employers principally engaged in providing sports instruction or training including but not necessarily limited to: gymnastics, swimming, tennis, martial arts, basketball, ice hockey or rock climbing.
2. **and 3 remain unchanged.**
4. Assign Code 891 to employers principally engaged in operating day nursery schools, kindergartens, child daycare centers or Head Start Programs.
5. Assign Code 892 to employers principally engaged in providing early intervention services to children, generally from birth to age 6.
6. Assign Code 893 to Intermediate Units.
7. Assign Code 894 to schools for court adjudicated delinquents or disturbed children.
8. Assign Code 969 to employers principally engaged in providing outdoor sports or other activities instruction including but not necessarily limited to: swimming, tennis, rock climbing or obstacle course training facilities.
9. Assign Code 7424 to flight personnel of an aircraft flying school.

CHANGES (continued)

UNDERWRITING GUIDE

To 965:

Tutoring Service (In Academic Subjects) By Independent [~~Provider~~]Contractor

968 SPORTS, RECREATIONAL OR AMUSEMENT FACILITY, INDOOR

[Health or exercise..... rated by Code 970.]

Applicable to businesses operating an amateur sport, recreational or amusement facility. Such include but are not necessarily limited to bowling alleys or video game arcades. Patrons may pay a fee to enter the facility and/or pay to use amusement devices on an individual basis.

Also applicable to businesses operating an indoor facility where patrons can practice or receive training or instruction in a specific sport including but not necessarily limited to: swimming, tennis, gymnastics, racquetball, ice or roller skating or karate or other martial arts training. Such facilities typically employ trainers or instructors who will oversee classes with multiple participants or who will provide individual training.

OPERATIONS ALSO INCLUDED:

1. Counter staff and employees engaged in dispensing change and/or game tokens
2. Pro shop operations, unless multiple enterprise criteria are fulfilled, as delineated in Section 1, Rule IV, C., 3. a. of this Manual.
3. Food or beverage service operations, unless multiple enterprise criteria are fulfilled, as delineated in Section 1, Rule IV, C., 3., a. of this Manual.

OPERATIONS NOT INCLUDED:

1. Assign Code 884 to health or exercise clubs.
2. Assign Code 970 professional or semiprofessional sports teams.

970 ATHLETIC TEAM – professional and semi-professional. This classification includes all players on the employer’s salary list whether regularly played or not, coaches, managers, trainers[,] or equipment managers [or sports officials].

The entire remuneration of each player, coach[,] or manager [or sports official] should be included in computing premium, subject to a maximum of \$60,000 per policy year. When a player, coach[,] or manager [or sports official] works for two or more teams in the same sport during the policy year, the maximum shall be pro-rated.

The remuneration of an individual player, coach[,] or manager [or sports official] is subject to a minimum of \$500[.00] per policy year, including board and lodging.

OPERATIONS ALSO INCLUDED:

1. Game staff (bench or dugout)..... the indoor arena.

DELETIONS

UNDERWRITING GUIDE

From 005:

Forest Maintenance, N. O. C.

From 609:

Caisson Work, Pneumatic

From 968:

Dance Hall

Skee Ball Alley

GENERAL AUDITING & CLASSIFICATION INFORMATION

CHANGE

PER DIEMS

[The treatment of per diems..... carrier review and determination.]

Per diems refer to a specific amount of money that a business provides to an employee to cover living and traveling expenses in connection with work. To the extent that specific documentation is not available for substantiation of per diem expenses in accordance with Manual rules (see Section 1, Rule V, F.) per diem expense reimbursement payments are included as remuneration for premium computation purposes.

Certain Internal Revenue Service (IRS) procedures allow for employer deduction of per diems paid to employees under the terms of a “nonaccountable plan.” This type of plan does not require actual receipts for the expenses covered by the per diems. Exclusion of per diems under a “nonaccountable plan” from remuneration for premium computation purposes is solely a matter for carrier review and determination. Disputes emanating from carrier determinations in the area of nonaccountable IRS per diem plans are not subject to Bureau review and resolution.

4) Classifications Applicable to Temporary Staffing

In response to issues encountered in the course of administering classifications for temporary staffing enterprises, the PCRB proposes a new procedure for classification and pricing of selected temporary staffing businesses.

The PCRB is proposing that a selected set of “grouped” temporary staffing classifications be replaced by an expanded number of temporary staffing classifications, described as temporary staffing “exposure groups.” It is also being proposed that the mapping of direct employment classes into each of the new temporary staffing classes be done in such a manner that the

rating values of the direct employment classes grouped within any of the new temporary staffing classes will fall within a much narrower range than is presently the case for the five affected temporary staffing codes and such that the ranges of values contained within each of the new temporary staffing classes will be more consistent.

The PCRB is mindful that classification rating value relativities shift over time and that the rating values of the direct employment classes mapping into the proposed temporary staffing exposure groups may subsequently move outside the bounds of currently-constructed ranges. With that possibility in mind, the PCRB intends to review the composition of direct business classes and the ranges of direct employment classification rating values defining the temporary staffing exposure groups every three years, unless circumstances suggest that an earlier review is necessary.

A staff memorandum dated June 18, 2010 and related exhibits are attached as **Exhibit 4**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

SECTION 2

ADDITIONS

520 TEMPORARY STAFF N.O.C. – Exposure Group A

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 520 and on classifying temporary staff.

521 TEMPORARY STAFF N.O.C. – Exposure Group B

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 521 and on classifying temporary staff.

522 TEMPORARY STAFF N.O.C. – Exposure Group C

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 522 and on classifying temporary staff.

523 TEMPORARY STAFF N.O.C. – Exposure Group D

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 523 and on classifying temporary staff.

ADDITIONS (continued)

524 TEMPORARY STAFF N.O.C. – Exposure Group E

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 524 and on classifying temporary staff.

525 TEMPORARY STAFF N.O.C. – Exposure Group F

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 525 and on classifying temporary staff.

526 TEMPORARY STAFF N.O.C. – Exposure Group G

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 526 and on classifying temporary staff.

527 TEMPORARY STAFF N.O.C. – Exposure Group H

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 527 and on classifying temporary staff.

528 TEMPORARY STAFF N.O.C. – Exposure Group I

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 528 and on classifying temporary staff.

529 TEMPORARY STAFF N.O.C. – Exposure Group J

Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information section for further information on the direct employment business classifications assignable to Code 529 and on classifying temporary staff.

ADDITIONS (continued)

The revisions to Section 2 rating values consistent with this proposal are shown below:

Exposure Group	Code No.	Loss Cost	Experience Rating Plan			Hazard Group		Industry Group
			Expected Loss Factors Table			A-G	1-4	
			A-1	A-2	A-3			
A	520	\$ 0.65	\$ 0.35	\$ 0.45	\$ 0.52	C	2	3
B	521	1.30	0.70	0.91	1.04	C	2	3
C	522	2.16	1.17	1.51	1.73	C	2	3
D	523	3.38	1.83	2.36	2.70	C	2	3
E	524	5.35	2.90	3.74	4.29	C	2	3
F	525	8.52	4.61	5.95	6.82	C	2	3
G	526	13.03	6.99	9.12	10.40	D	2	1
H	527	20.77	11.15	14.53	16.57	E	3	1
I	528	29.65	16.04	20.72	23.74	F	3	3
J	529	46.44	25.12	32.45	37.20	G	4	3

CHANGES

889 EMPLOYMENT CONTRACTOR – Temporary CLERICAL Staff

Applicable to temporary [clerical or technical service] staff whose job duties fulfill the definition of clerical found in Rule IV, Paragraph B. 2. a. and b., Section 1 of this Manual. The payroll of such temporary clerical staff shall be assigned to Code 889 regardless of the customer's business classification. [Such employees include but are not necessarily limited to: draftsmen, designers, writers, illustrators, computer or data processing operators, programmers or clerical office.]

Please see the classifying temporary staff.

946 EMPLOYMENT CONTRACTOR – Temporary MEDICAL Staffing

Applicable to employers..... as provided for in this Manual.

Payroll developed by temporary janitorial, kitchen or other non-medical staff (except clerical) provided to health care facilities shall be assigned to [Code 947] the Temporary Staff N.O.C. class exposure group that includes Code 971. Please see the Employment Contractor – Temporary Staffing entry in the General Auditing & Classification Information Section for further information.

Please see the..... on classifying temporary staff.

DELETIONS:

544 Employment Contractor – Temporary Staff – **MANUFACTURING** or **LIGHT INDUSTRIAL OPERATIONS**, N.O.C.

Applies to all..... classifying temporary staff.

Underwriting Guide

Employment Contractor – Temporary Staff – Manufacturing or Light Industrial Operations
Light Industrial Or Manufacturing Business Operations – Temporary Staff
Manufacturing Or Light Industrial Operations – Temporary Staff
Temporary Staff – Manufacturing Or Light Industrial Operations

682 **EMPLOYMENT CONTRACTOR – TEMPORARY LABOR** – Construction Or Erection Operations

Applies to temporary..... on classifying temporary staff.

Underwriting Guide

Construction Or Erection Operations – Temporary Staff
Employment Contractor – Temporary Staffing – Construction Or Erection Operations
Temporary Staff – Construction Or Erection Operations

929 **EMPLOYMENT CONTRACTOR – Temporary Staff** – **MERCANTILE OPERATIONS**

Applies to temporary..... classifying temporary staff.

Underwriting Guide

Employment Contractor – Temporary Staff – Retail Or Wholesale Store Businesses
Store Businesses – Retail Or Wholesale – Temporary Staff
Temporary Staff – Retail Or Wholesale Store Businesses

937 **EMPLOYMENT CONTRACTOR** – Temporary Staff – **HEAVY SERVICE**

Applies to temporary..... on classifying temporary staff.

Underwriting Guide

Employment Contractor – Temporary Staff – Heavy Service
Temporary Staff – Heavy Service

947 **EMPLOYMENT CONTRACTOR** – Temporary Staff – **MAINTENANCE OR SERVICE**

Applies to temporary..... on classifying temporary staff.

Underwriting Guide

Employment Contractor – Temporary Staff – Maintenance Or Service
Temporary Staff – Maintenance Or Service

GENERAL AUDITING & CLASSIFICATION INFORMATION

CHANGES

EMPLOYMENT CONTRACTOR – TEMPORARY STAFFING

Employers engaged in supplying temporary staffing to unrelated concerns shall in all instances be classified in accordance with the temporary staffing classes shown in Section 2 of this Manual per the cross-reference chart below subject only to specified EXCEPTIONS for temporary staff engaged in the various occupations or tasks listed after the chart. The cross reference chart shows which direct employment business classifications are assignable to each appropriate temporary staffing class. The customers' assigned direct employment business classification shall be [a guide]used in selecting the temporary staffing classes(es) utilized in classifying the different portions of a temporary staffing contractor's payroll.

Temporary staffing..... other business classification(s).

**TEMPORARY STAFFING
 CROSS-REFERENCE CHART**

ADDITIONS

520		521		522		
984		920		474	887	927
988		936		555	890	932
		963		752	892	952
				755	893	967
				884		977

523				524				
103	485	818	976	115	477	667	916	945
441	487	891	981	132	486	757	917	948
459	488	894	986	142	489	816	919	954
471	553	899	987	285	506	886	925	964
476	744	968	997	446	551	896	935	966
483				458	581	897	941	975
				463	660	898	944	

ADDITIONS (continued)

525					526				
025	204	427	535	825	012	305	512	668	821
028	205	433	571	865	055	402	514	670	855
050	225	449	573	885	059	404	536	673	880
051	257	454	649	915	106	406	602	674	907
101	261	456	677	918	109	411	603	675	911
105	263	457	716	922	119	413	608	676	933
108	265	461	718	924	130	416	617	681	939
110	306	465	751	934	139	421	645	759	971
111	311	467	753	969	141	429	646	805	980
134	319	473	804	973	165	431	648	807	992
135	323	501	814	978	201	435	662	808	999
136	327	502	815	0011	227	447	663	809	0013
163	407	507	820	4771	282	509	664	810	7428
166	415	513			301	511	666	812	

527			528		529	
112	656	857	606		005	
114	657	858	615		009	
425	658	859	655		015	
601	665	860	806		659	
605	669	862			803	
607	679	882				
611	721	910				
647	801	983				
652	811	995				
653	817	4777				
654	828					

CHANGES

EXCEPTIONS

1. AVIATION

through

7. CLERICAL

remain unchanged

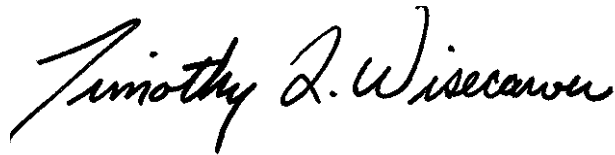
The Honorable Joel Ario
Commonwealth of Pennsylvania
July 14, 2010
Page 22

In addition to the matters discussed above, the PCRB initiated a study of Code 511 in response to employer misclassifications discovered in 2007 and 2008, where employers who were concrete burial vault manufacturers assigned to Code 511 had delivery exposures separately and incorrectly classified to a class with lower rating values. These misclassifications were due to misinterpretations of the Underwriting Guide entry for "Concrete Burial Vault Installation" that permitted assignment to Code 609 to the delivery of concrete burial vaults by the manufacturer and ignored Manual Rule IV, 3. a. (9) that requires product delivery by the manufacturer to be assigned to the applicable product manufacturing class, in this case Code 511.

After extensive review, including consideration of prevailing procedures in other states, the PCRB has reclassified the erroneously-assigned employers. No further action or Manual language revisions are proposed based on the review of Code 511.

The PCRB respectfully requests a prompt review and approval of this filing toward the objective of its implementation, as proposed, on a new and renewal basis **effective December 1, 2010**. Toward that objective, the PCRB will be pleased to answer any questions you or Insurance Department staff may have.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. Wisecarver". The signature is written in a cursive, flowing style.

Timothy L. Wisecarver
President

TLW/kg
Enclosures



Pennsylvania Compensation Rating Bureau

United Plaza Building • Suite 1500
 30 South 17th Street • Philadelphia, PA 19103-4007
 (215)568-2371 • FAX (215)564-4328 • www.pcrb.com

TO: Pennsylvania Classification and Rating Committee

FROM: Roxanne Walker- Senior Analyst, Classification and Field Operations
 David T. Rawson – Technical Director, Classification and Field Operations

DATE: April 13, 2010

RE: **Executive Summary:** Classification Study Report
 Code 817, Bus (Except School Bus) Operation

PCRB staff has completed a study of Code 817, Bus Operation, to determine if this classification's current assignment procedure should be amended. The study was undertaken to review the feasibility of reassigning payroll developed by tour guides to Code 817. Staff believes that in many instances payroll developed by tour guides is currently being incorrectly assigned to Code 951, Outside Salesperson, based on a misinterpretation of the "Tour Guide" Code 951 Underwriting Guide entry. It has been the Bureau's stance in such regard that tour guides have the same exposure as bus drivers and should be classified accordingly.

Staff reviewed 560 employers whose policies attributed payroll to Code 817. Each employer was assigned to a study group based upon their primary Code 817 operations. The five-year payroll and loss data for each of these employer groups was extracted and subjected to rigorous statistical analysis. Based on the Code 817 study results, staff proposes the following:

- **Continue to allow** ~~Allow~~ payroll developed by tour guides to be assigned to Code 951. ~~This change in Bureau policy is proposed in light of~~ **due to** the negligible amount of tour guide payroll identified by the class study. The Bureau found only 15 employers assigned to Code 817 that employed tour guides, and the tour guides developed a five-year payroll of only \$8,273,000.

After the Committee review of this class study, a wording error was discovered and amended as shown above for the filing with the Insurance Department. The Committee has also been advised of the change.

- Create a new classification, Code 828, Paratransit Service, to contemplate paratransit operations.

Staff proposes that the above changes become effective for new and renewal policies **effective** on or after **October 1, 2010**. These proposals result in the following classification rating values changes:

- The proposed Code 817 loss cost value is \$7.06, a 2.8 percent decrease from the approved April 1, 2010 Code 817 rating value.
- The proposed Code 828 loss cost value is \$7.78, a 7.1 percent increase in the April 1, 2010 approved Code 817 rating value.



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TO: Pennsylvania Classification and Rating Committee

FROM: Roxanne Walker - Senior Analyst, Classification and Field Operations
David T. Rawson – Technical Director, Classification and Field Operations

DATE: April 13, 2010

RE: Code 817, Bus (Except School Bus) Operation
A Proposal to Revise Code 817 to Include Tour Guides and to Reassign
Classification

INTRODUCTION AND CLASS HISTORY

This study was undertaken by the Pennsylvania Compensation Rating Bureau (PCR B) to review the scope of Code 817. The review was staff-initiated with the objective of quantifying the volume of payroll impacted by a previous PCR B proposal to reclassify tour guides employed by bus companies from Code 951 to Code 817. The Pennsylvania Insurance Department (Department) did not approve the PCR B's 2008 proposal for two stated reasons. First, the rate difference between Codes 951 and 817 exceeded the maximum permissible increase. Second, the PCR B's proposal lacked desired quantification (i.e., an analysis of the payroll and loss data for affected employers).

A historical review revealed that Code 817 was created effective January 1, 1933 and at that time contemplated scheduled city and intercity bus operations. The PCR B had assigned tour and charter bus operations to Code 803, Taxicab Company, until an appeal was heard by the Classification and Rating Committee on October 31, 1973. The result of that appeal was the reassignment of charter bus operations from Code 803 to their current assignment of Code 817. Until October 1, 1983 the structure of Code 817 included all employees except office. Code 817 was revised effective October 1, 1983 to allow payroll division for salespersons.

Paratransit operations were included in the newly-erected Code 807, Limousine Services, effective for new and renewal business of April 1, 1982 and later. As of October 1, 1987, the PCR B revised the scope of Code 807 to apply only to non-volunteer ambulance services. With that change limousine services and paratransit operations were reassigned to Code 817 in line with the classification procedure followed in California and Texas at that time. After these changes were made, the PCR B conducted a study of paratransit and limousine operations because a paratransit employer submitted an appeal requesting reclassification to Code 804, School Bus Operations. The PCR B's study determined that Code 817 was the most appropriate classification for both limousine and paratransit operations. While the five-year

experience of paratransit operators was poorer than that of Code 817 as a whole, the PCRBR also concluded that a separate classification should not be created for paratransit operators as their five-year payroll was only \$33 million. Staff would note that the rigorous statistical analysis of the experience that is now a part of a class study was not performed at the time of that study.

STAFF REVIEW

The PCRBR conducted a file-by-file review of the 560 employers reporting payroll to Code 817. As part of the file-by-file review, staff examined questionnaires, surveys and test audits and assigned each file to the applicable study group based upon the employer's primary Code 817 transportation operation.

The file-by-file review divided the employers into the following study groups:

Group	Description	No. of Employers
Group 01	Scheduled Bus Lines	18
Group 02	Charter or Tour Bus Operations	75
Group 02A	Charter or Tour Bus Operations providing Tour Guides	15
Group 03	Limousine and Chauffeured Car Service	100
Group 04	Paratransit Service	121
Group 05	Motorcycle Funeral Escort Service	2
Group 06	Oversize Load Escort Service	3
Group 07	Street Railroad or Trolley Operation	1
Group 08	PEO	10
Group 09	Multiple Transit Enterprise	3
Group 20	No File Information, Unable to Determine	9
Group 96	Not Yet Group Assigned	30
Group 30	Misclassified	52
Group 12	No Current Coverage	95
Group 40	Pending Review and/or Additional Information	26
TOTAL		560

The employers assigned to Group 12 did not have current coverage at the time of review and were presumed to be out of business. The PCRBR was unable to determine the nature of these employers' Code 817 operations when they were in business, as there was no Bureau survey, test audit or Description of Operations Questionnaire in any of their files. Employers assigned to Group 20 had current coverage, but Code 817 was not being used on the current policy or had been intermittently used or used on an "if any" basis. The PCRBR has had difficulties securing information from such businesses. Group 40 includes employers that the PCRBR continues to review and/or for which we are awaiting additional information to be provided by the carrier or insured. Group 96 was assigned to employers who have only recently begun business operations in Pennsylvania and whose payroll and loss information thus begins after the years included in the study's historical experience exhibits. Each pending and not-yet-group assigned employer will be assigned to the applicable study group once the PCRBR is able to obtain the necessary information. Groups 12, 20, 40 and 96 were used to create one historical experience exhibit (Exhibit 11; No Current Coverage and Not Yet Group Assigned).

The employers in Group 30 were determined to be misclassified to Code 817 based upon information obtained through file review, questionnaires, surveys and/or test audits. The necessary steps have been taken to reassign those employers to their proper PCRB classification(s). Group 30 was used to create one historical exhibit (Exhibit 12: Misclassified).

As part of the study, staff created various historical experience exhibits and conducted several statistical analyses. This report will discuss and attach only those historical experience and statistical exhibits which will be the basis of the PCRB's classification revision recommendations to the Committee and that will impact the employers represented if the proposed classifications revisions are approved by the Department.

The Code 817 historical experience exhibits were developed on the basis of the PCRB's April 1, 2010 comprehensive rating values revision, as approved by the Department. The indicated loss cost values found at the bottom of the exhibits have not been loaded for the revenue-neutral plans (Merit Rating and the Certified Safety Committee Credit Program) that are a part of approved PCRB loss cost values. To calculate the loss cost value as would be filed by the PCRB with the Department, the indicated loss cost values shown on historical experience exhibits must be multiplied by a 1.0142 loading factor.

In addition to the review of historical experience exhibits, the PCRB's classification plan analysis includes statistical testing to determine whether the data for the various study groups are or are not significantly different based on specified statistical criteria. In this procedure, selected exhibits are compared using a paired t-test analysis to determine when there is a natural correspondence or "pairing" of specific observations between study groups. The t-test effectively reduces the two samples to one by examining the differences between the corresponding observations in the two groups. The advantage to this approach is that variation within the groups does not mask the difference between their means as much as if the two groups were not paired. T-tests were run for reported pure premium, claim frequency (per million dollars of payroll) and claim severity (excluding medical-only). For each of these tests, a t-test result of 0.10 or less indicates a significant statistical difference.

TOUR AND CHARTER BUS OPERATIONS

Tour and charter bus operators typically provide transportation to and from such locations as museums, casinos or theatrical events. The locations may be within the local area or in another state. Typical customers include schools, churches and other groups. The general business process observed by staff for such operations is that customers will contact a charter company and make arrangements for transportation in advance of the service date(s).

Some charter and tour bus companies will offer additional on-board services, such as narration during the trip, movie viewing and making meal arrangements. The on-board services are provided by tour guides or tour escorts. These individuals accompany customers on the bus and tend to customer's needs for the duration of the trip.

Several experience exhibits were created to develop and analyze statistical data regarding tour and charter bus operations.

The historical experience exhibits are as follows:

Exhibit	Exhibit Title
1	Tour Bus with Guides Code 817 exposure
2	Tour Bus with Guides Code 951 exposure
3	Tour Bus with Guides Code 817 and Code 951 combined
14	Charter and Tour Bus Operations with NO tour guides
16	All Charter and Tour Bus Code 817 Exposure
18	Residual Code 817 Operations
19	Code 817, Bus (not school bus) Operation, April 1, 2010 Class Book page
D	T-Test #4 Comparing All Tour and Charter Bus Operations (Exhibit 16) to Remaining Code 817 exposure (Exhibit 18)

The results of the historical experience comparison are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
1	\$5.576	\$9.842	\$7.197
2	0.050	0.067	0.049
3	5.040	8.896	6.505
14	3.308	6.121	4.476
16	4.316	7.996	5.846
18	5.016	8.965	6.555
19	5.361	9.932	7.261

The results of the statistical exhibits for Code 817 are summarized in the following table:

Exhibit	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
D	0.5576	0.0504	0.2075

The results of Exhibit D show a significant statistical difference between tour and charter bus operations and other types of Code 817 transportation exposures for claim frequency but not for reported pure premium or claim severity. Based upon this statistical study, staff concludes that charter and tour bus operations should remain assigned to Code 817.

LIMOUSINE AND SHUTTLE SERVICES

Staff assigned 100 employers to Study Group 3 which contemplates limousine operations. Also contemplated by this study group were employers providing shuttle services. Typically these services are provided using sedans, limousines or vans. Employers will transport individuals to and from airports, weddings, proms and other special events. These employers may also transport college students and employees of unrelated companies from location-to-location.

Exhibit 15, Limousine and Shuttle Service, accounts for approximately 11.4 percent of the payroll and 7 percent of the reported losses of the Exhibit 19 Code 817 Class Book page. Staff conducted a t-test to determine if there were any significant statistical differences between limousine and shuttle services and other Code 817 transportation operations.

The historical experience exhibits are as follows:

Exhibit	Exhibit Title
15	Limousine and Shuttle Services
18	Residual Code 817 Operations
19	Code 817, Bus (not school bus) Operation, April 1, 2010 Class Book page
C	T-Test #3 Comparing Limousine and Shuttle Services against the residual Code 817 operations (Exhibit 15 and Exhibit 18)

The results of the historical experience comparison are summarized in the following table:

Exhibit No.	Reported Pure Premiums	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
15	\$3.272	\$6.375	\$4.661
18	5.016	8.965	6.555
19	5.361	9.932	7.261

The results of the statistical exhibits for Code 817 are summarized in the following table:

Exhibit	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
C	0.0506	0.1512	0.9910

The results of Exhibit C show a significant statistical difference between limousine services and other Code 817 exposures for reported pure premium. However, there are no significant statistical differences between these groups for claim frequency or claim severity. Based on these findings, the PCRB has determined that limousine operations should continue to be assigned to Code 817.

PARATRANSIT OPERATIONS

The PCRB's file-by-file review identified 121 paratransit providers in the state of Pennsylvania. The PCRB has found that paratransit operations do not follow fixed schedules or routes in providing transportation of the elderly, physically handicapped or otherwise disabled individuals to various destinations. These individuals are generally not able to ride basic public transportation due their disabilities. In most cases clients are provided with on-demand (not a specified route) service and will be transported from their homes to doctors' appointments, stores, social events or other venues. Some paratransit services require the client to schedule service 24 hours in advance.

Exhibit 9, Paratransit Operations, accounts for nearly 24 percent of the payroll and 35 percent of the losses of Exhibit 19, Code 817 April 1, 2010 Class Book page. By payroll, Exhibit 9 is the largest group exhibit in this study. A t-test was performed to establish statistically significant differences, if any, between paratransit operations and all other Code 817 employers.

The historical experience exhibits are as follows:

Exhibit	Exhibit Title
9	Paratransit Operations
10	All Code 817 except Paratransit
19	Code 817, Bus (not school bus) Operation, April 1, 2010 Class Book page
B	T-Test #2 Comparing All Code 817 exposure to Paratransit Operations (Exhibit 9 and Exhibit 10)

The results of the historical experience comparisons are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
9	\$7.801	\$15.009	\$10.975
10	4.412	8.012	5.858
19	5.361	9.932	7.261

The results of the statistical tests are summarized below.

Exhibit	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
B	0.0079	0.0073	0.3411

The t-tests show that there are significant statistical differences between paratransit operations and other types of Code 817 transportation operations for reported pure premium and claim frequency. However, there is no significant statistical difference between these groups for claim severity. These statistical differences lead staff to conclude that erecting a new classification specifically for paratransit operations is appropriate.

Accordingly, staff proposes to erect a new and separate classification for paratransit operations, Code 828, Paratransit Operations. The five-year payrolls reflected in Exhibit 9 show paratransit operators with no other Code 817 exposures. The pricing exhibit shows an indicated loss cost rating value of \$7.48. The balanced loss cost rating value is \$7.67. The balanced loss cost rating value is then multiplied by a loading factor of 1.0142 to recognize the revenue-neutral Workplace Safety and Merit Rating Programs, producing the proposed Code 828 rating loss cost value of \$7.78 for an effective date of new and renewal policies on or after October 1, 2010.

The proposed Code 828 rating value represents a 10.6 percent increase in the approved April 1, 2009 loss cost for Code 817 which was \$7.03. The above rating value is also an increase of approximately 7.1 percent in the approved April 1, 2010 loss cost for Code 817, which was

\$7.26. The proposed rating value increase for the new class is within the approved maximum permissible class rating value increase that is a part of the PCR B's approved April 1, 2010 comprehensive rating values revision. The report also notes the substantial difference between Exhibit 9's indicated pure premium (post-test) and proposed pure premium. Based on that difference, all other matters being equal, the rating value for the new class is expected to increase with future comprehensive loss cost filings.

TOUR GUIDES EMPLOYED BY TOUR AND CHARTER BUS OPERATORS

The PCR B has found that in a typical situation tour guides or escorts employed by bus companies are on buses throughout the course of tours that they serve. The guides are responsible for meal arrangements (in particular by canvassing customers if there is a menu choice for a full-day tour), making certain that all of the customers have returned to the bus after every stop, providing discourse on the way to the tours' destinations and accompanying the customers through each destination while showing and discussing the highlights thereof. For these reasons the PCR B has historically believed that tour guides have regular and frequent exposure to hazards that are beyond those of Code 951 and that were equivalent to the hazards of "bus crew."

The PCR B's review identified 15 employers (out of 90 operating tour and charter bus operations) where tour guides were utilized in the manner as described above. Exhibit 1, Tour Bus with Guides (Code 817 exposure) accounts for ten percent of the total payroll and ten percent of the losses found in the Code 817 Class Book page. Those 15 employers had approximately 1,055 employees in total, but only 97 of those employees were tour guides. It is important to note that some of the guides worked on a part-time basis, and some had other duties, including scheduling or office duties, when they were not engaged in guide duties. The PCR B also identified three additional employees of these 15 employers with bona fide outside sales duties. The Code 951 payroll of these 15 employers is shown in Exhibit 2.

Exhibit 14, Charter/Tour Bus Operators with NO tour guides, reflects the payroll developed by the 75 tour and charter bus operators that did not employ tour guides. Exhibit 14 accounts for 12 percent of the total Code 817 five-year payroll and seven percent of the losses found in the Code 817 Class Book page. Exhibit 14 also accounts for 56 percent of the total Code 817 five-year payroll reported by tour and charter bus operators, as shown in Exhibit 16, All Charter and Tour Bus Code 817 Exposure.

The historical experience exhibits are as follows:

Exhibit	Exhibit Title
1	Tour Bus with Guides Code 817 exposure
2	Tour Bus with Guides Code 951 reported exposure
3	Tour Bus with Guides Code 817 and Code 951 combined
4	All Code 817 exposure except Tour Bus with Guides and Misclassified Employers (Revised)
19	Code 817, Bus (not school bus) Operation, April 1, 2010 Class Book page

The results of the historical experience comparisons are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
1	\$5.576	\$9.842	\$7.197
2	0.050	0.067	0.049
3	5.040	8.896	6.505
4	5.373	10.073	7.366
14	3.308	6.121	4.476
16	4.316	7.996	5.846
19	5.361	9.932	7.261

The five-year payrolls reflected in Exhibit 2 show the Code 951 payroll and losses of tour and charter bus companies. This is the entire Code 951 payroll of the 15 tour/charter bus companies representing three non-tour guide outside salespersons and 97 full or part-time tour guides. The five-year payroll is \$8,273,000.

The Department had previously required the PCRB to quantify the experience involved with respect to tour guides. This quantification has shown the bus company tour guide payroll to be negligible. With that and the difference in the approved April 1, 2010 Codes 817 and 951 rating values (\$7.26 v. \$0.47) in mind, the PCRB has reconsidered its position that tour guides should be considered part of the bus crew and reassigned to Code 817. To accomplish the reassignment of tour guides from Code 951 to Code 817, the PCRB would need to propose and the Department would need to approve an "interim" tour guide classification which would be in effect until such time as its rating value and that of Code 817 might become sufficiently similar for the PCRB to consider merging the two classes. Such an interim class would be an occupational classification, contrary to the PCRB's prevailing philosophy of classifying businesses rather than the various jobs, operations or occupations within businesses. In addition, the available volume of experience data for tour guides is not sufficient to support a meaningful comparison to other groups to provide statistical support for any particular classification treatment of these workers. For all of these reasons, the PCRB's revised position is that tour guides may properly be assigned to Code 951.

ADDITIONAL RATE REVISIONS

Taking into account the aforementioned proposed classification changes, the PCRB proposes a revision to the approved April 1, 2010 Code 817 loss cost value to be concurrent with the implementation of the proposed Code 817 classification changes. The balanced loss cost rating value is \$6.96. The balanced rating value is then multiplied by the loading factor of 1.0142 to recognize the revenue-neutral Workplace Safety and Merit Rating Programs, producing the proposed Code 817 rating values of \$7.06 with an effective date for new and renewal policies on October 1, 2010.

The above-listed Code 817 revised rating value represents a 0.4 percent (four-tenths of one percent) increase to the approved April 1, 2009 Code 817 loss cost and a 2.8 percent decrease from the approved April 1, 2010 Code 817 loss cost. Please note that these proposed changes take into account the reassignment of payroll and experience of paratransit operators, which will no longer be assigned to Code 817.

The proposed rating values for Codes 817 and 828 have been balanced so that the proposed classification revisions for an October 1, 2010 effective date will generate the same premium volume as the PCRB's April 1, 2010 approved rating values. In other words and as noted above, these classification revision proposals are collectively intended to be revenue-neutral.

CONCLUSION

Based on the results of the study, staff has concluded that tour guides should be assigned to Code 951. This decision recognizes prevailing practice and the very limited extent to which such employees are used in Pennsylvania, despite the fact that they would seem to face the same occupational hazards as the bus crew. The PCRB performed its due diligence to quantify and analyze the payroll and loss history of tour guides but found that the immediate premium impact would not allow for reassignment of those employees to the governing classification. The study, however, does suggest that the current classification procedure pertaining to Code 817 should be amended in the following manner:

- A new classification, Code 828, be erected to contemplate paratransit operations based upon the scope of Exhibit 9 and statistical study Exhibit B.

The rate changes impacted by these proposals are summarized in the chart below.

Class Code	4/1/09 Loss Cost	4/1/10 Loss Cost	Proposed 10/1/10 Loss Cost	Percent Change from 4/1/10
817, Bus Operation	7.03	7.26	7.06	-2.8
828, Paratransit	*	*	7.78	+7.1

**The Code 828 rating value is based upon the existing Code 817 rating values and factors as explained above. As this classification is being proposed for creation as of October 1, 2010, there are no prior rating values to cite for 04/01/09 or 04/01/10.*

These classification and rating value revisions are proposed to become effective beginning with new and renewal policies of October 1, 2010 and later.

The proposed enabling Section 2 Manual language amendments for the classification proposals are attached for the Committee's review.

As is customary, the PCRB would first notify all employers currently assigned to Code 817 of the classification filing and the potential impact of this filing on those employers, if approved. This notice would also observe that employers have the opportunity to write to the Department on the class filing and provide the name and mailing address of the Department person receiving employers' written comment on this class filing. Assuming that the Department approves the classification filing, then the carrier-of-record for each employer being reassigned to a different classification would be notified of its policyholder's classification reassignment, with a copy to the employer.

c: Timothy Wisecarver
Bruce Decker
Vincent Dean
Joseph Lombo
Christina Yost

Code 817, Bus (except school bus) Operation – A Proposal to Revise Code 817 to include tour guides and to reassign Paratransit Operations to a new classification

TABLE 1

The table below lists the historical exhibits in the order in which they first appear in the Code 817 study report:

Exhibit	Exhibit Title
1	Tour Bus with Guides Code 817 exposure
2	Tour Bus with Guides Code 951 exposure
3	Tour Bus with Guides Code 817 and Code 951 combined
14	Charter and Tour Bus Operations with NO tour guides
16	All Charter and Tour Bus Code 817 Exposure
18	Residual Code 817 Operations
19	Code 817, Bus (not school bus) Operation, April 1, 2010 Class Book Page
D	T-Test #4 Comparing All Tour and Charter Bus Operations to Remaining Code 817 exposure (Exhibit 16 and Exhibit 18)
15	Limousine and Shuttle Services
C	T-Test #3 Comparing Limousine and Shuttle Services against the residual Code 817 operations (Exhibit 15 and Exhibit 18)
9	Paratransit Operations
10	All Code 817 except Paratransit
B	T-Test #2 Comparing All Code 817 exposure to Paratransit Operations (Exhibit 9 and Exhibit 10)
4	All Code 817 exposure except Tour Bus with Guides and Misclassified Employers (Revised)

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases							
							Death	P.T.	Major	Minor	Temp	All		
2002	17,675	709,631	4,015	1,033,412	15,925	2,3762	0	0	0	0	3	39	42	
2003	15,340	1,561,454	10,179	2,759,176	69,970	1,4342	0	0	0	4	5	13	22	
2004	15,142	806,946	5,329	1,403,235	58,303	0,8585	0	0	0	2	1	10	13	
2005	14,141	891,176	6,302	1,482,975	57,307	1,0607	0	0	0	1	0	14	15	
2006	15,136	346,461	2,289	788,935	25,198	0,8589	0	0	0	0	2	11	13	
TOTAL	77,434	4,315,668	5,573	7,467,733	39,555	1,3560	0	0	0	7	7	11	87	105
O.D.	0	0	0	0	0	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	Temp				Major	Minor	Temp	Med. Only
2002	0	0	0	202,255	179,113	0	0	0	0	105,030	182,454	40,779
2003	0	0	696,494	220,713	109,196	0	0	397,795	49,063	66,078	22,115	
2004	0	0	314,260	38,946	56,254	0	0	172,513	16,357	159,612	49,004	
2005	0	0	143,200	0	169,021	0	0	434,473	0	112,912	31,570	
2006	0	0	0	46,872	73,519	0	0	0	38,691	168,492	18,887	
TOTAL	0	0	1,153,954	508,786	587,103	0	0	1,004,781	209,141	689,548	162,355	
O.D.	0	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	Temp				Major	Minor	Temp	Med. Only
2002	0	0	0	282,955	252,191	0	0	0	0	181,387	271,492	45,387
2003	0	0	1,066,132	299,431	153,879	0	0	12,193	1,009,433	82,868	95,458	24,083
2004	0	0	487,563	54,309	77,269	0	0	14,011	454,507	39,413	210,111	53,904
2005	87	8,668	244,605	28,813	192,303	0	0	34,574	759,295	42,570	138,754	33,306
2006	151	8,269	204,349	58,758	75,753	77	77	15,008	193,696	60,815	152,228	19,831
TOTAL	238	44,784	2,002,649	724,266	751,395	0	0	75,786	2,416,931	407,053	868,043	176,511
O.D.	0	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

SERIOUS NON-SER MED ONLY TOTAL
4,540,465 2,750,757 176,511
124,262 27,715 1,350
4,664,727 2,778,472 177,861

EXPECTED LOSSES
CREDIBILITY

3,094,263 1,883,195 182,744
0.04 0.09 0.14

PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

6,024 3,588 0,230 9,842
4,405 2,624 0,168 7,197
3,958 2,409 0,234 6,601
3,976 2,428 0,225 6,629
3,996 2,432 0,236 6,664
3,976 2,428 0,225 6,629

YEAR 4-1-09 4-1-10 IND. LOSS COST = 6,946
IND. LOSS COST 6,95
MAN. LOSS COST 6,93 ADJ. LOSS CO 6,95

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases						
							Death	P.T.	Major	Minor	Temp	All	
2002	3,138	0	0.000	0	#DIV/0!	0.0000	0	0	0	0	0	0	0
2003	2,228	3,907	0.175	4,255	#DIV/0!	0.0000	0	0	0	0	0	0	0
2004	919	0	0.000	0	#DIV/0!	0.0000	0	0	0	0	0	0	0
2005	1,078	244	0.023	257	#DIV/0!	0.0000	0	0	0	0	0	0	0
2006	910	0	0.000	0	#DIV/0!	0.0000	0	0	0	0	0	0	0
TOTAL	8,273	4,151	0.050	4,512	#DIV/0!	0.0000	0	0	0	0	0	0	0
O.D.		0	0.000				0	0	0	0	0	0	0

Manual Year	Death	P.T.	Indemnity			Medical			Med. Only
			Major	Minor	Temp	Major	Minor	Temp	
2002	0	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0	3,907
2004	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	244
2006	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	4,151
O.D.	0	0	0	0	0	0	0	0	0

Manual Year	Death	P.T.	INDICATED (PRE-TEST)			INDICATED (POST-TEST)			Med. Only
			Major	Minor	Temp	Major	Minor	Temp	
2002	0	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0	4,255
2004	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	257
2006	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	4,512
O.D.	0	0	0	0	0	0	0	0	0

YEAR	IND. LOSS COST	MAN. LOSS COST	SERIOUS		NON-SER		MED ONLY		TOTAL
			4-1-09	4-1-10	0	0	0	0	
	0.48	0.48	0	0	0	0	0	0	0
	0.48	0.48	948	948	62	62	12	12	4,524
			25,398	25,398	11,334	11,334	2,234	2,234	2,234
			0.01	0.01	0.02	0.02	0.03	0.03	0.03
			0.011	0.011	0.001	0.001	0.055	0.055	0.067
			0.008	0.008	0.001	0.001	0.040	0.040	0.049
			0.304	0.304	0.136	0.136	0.027	0.027	0.467
			0.301	0.301	0.133	0.133	0.027	0.027	0.461
			0.307	0.307	0.137	0.137	0.027	0.027	0.471
			0.301	0.301	0.133	0.133	0.027	0.027	0.461

YEAR	IND. LOSS COST	MAN. LOSS COST	IND. LOSS COST =	ADJ. LOSS CO
4-1-09	0.48	0.48	0.48	0.48
4-1-10	0.48	0.48	0.48	0.48

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases		All			
							Death	P.T.		Major	Minor	Temp
2002	20,813	709,631	3,410	1,033,412	15,925	2,0180	0	0	0	39	42	
2003	17,568	1,565,361	8,910	2,763,431	69,970	1,2523	0	0	4	5	13	22
2004	16,061	806,946	5,024	1,403,235	58,303	0,8094	0	0	2	1	10	13
2005	15,219	891,420	5,857	1,483,233	57,307	0,9856	0	0	1	0	14	15
2006	16,046	346,461	2,159	788,935	25,198	0,8102	0	0	0	2	11	13
TOTAL	85,707	4,319,819	5,040	7,472,246	39,555	1,2251	0	0	7	11	87	105
O.D.		0	0,000				0	0	0	0	0	0

Manual Year	Death	Indemnity		Temp	Death	Medical		Temp	Med. Only	
		P.T.	Major			Minor	P.T.			Major
2002	0	0	0	179,113	0	0	0	105,030	182,454	40,779
2003	0	0	0	109,196	0	0	0	49,063	66,078	26,022
2004	0	0	0	56,254	0	0	0	16,357	159,612	49,004
2005	0	0	0	169,021	0	0	0	0	112,912	31,814
2006	0	0	0	73,519	0	0	0	38,691	168,492	18,887
TOTAL	0	0	0	587,103	0	0	0	209,141	689,548	166,506
O.D.	0	0	0	0	0	0	0	0	0	0

Manual Year	Death	Indemnity		Temp	Death	Medical		Temp	Med. Only	
		P.T.	Major			Minor	P.T.			Major
2002	0	0	0	252,191	0	0	0	181,387	271,492	45,387
2003	0	0	0	153,879	0	0	0	82,868	95,458	28,338
2004	0	0	0	77,269	0	0	0	39,413	210,111	53,904
2005	87	0	0	192,303	0	0	0	42,570	138,754	33,564
2006	151	0	0	75,753	77	0	0	60,815	152,228	19,831
TOTAL	238	0	0	751,395	77	0	0	407,053	868,043	181,024
O.D.	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

TOTAL TRANSLATED LOSSES 4,540,465

IBNR + FREQ. ADJUSTMENT 124,435

TOTAL LOSSES 4,664,900

EXPECTED LOSSES 3,119,735

CREDIBILITY 0.04

PURE PREMIUMS

INDICATED (PRE-TEST) 5,443

INDICATED (POST-TEST) 3,980

PRES. ON LOSS COST LEVEL 3,605

DERIVED BY FORMULA 3,620

UNDERLYING PRES. LOSS COST 3,640

PROPOSED 2,208

SERIOUS 1,894,982

NON-SER 185,127

MED ONLY 0.15

TOTAL 8,896

IND. LOSS COST = 6,321

MANLOSS COST 6,32

ADJ. LOSS CO 6,32

YEAR 4-1-09 4-1-10

IND. LOSS COST 6.32 6.32

MANLOSS COST 6.31 6.32

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2002	17,344	202,484	1,167	291,704	13,492	0.8072	0	0	0	2	12	14
2003	20,640	801,882	3,885	1,503,181	35,728	1.0659	0	1	0	6	15	22
2004	20,108	831,099	4,133	1,522,621	62,051	0.6465	0	0	2	1	10	13
2005	19,147	115,408	0.603	190,659	11,033	0.4700	0	0	0	0	9	9
2006	19,294	1,242,427	6,439	2,201,777	66,100	0.9329	0	0	1	3	14	18
TOTAL	96,533	3,193,300	3,308	5,709,942	40,403	0.7873	0	1	1	3	12	60
O.D.	0	0	0.000	0	0	0.7873	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Medical			Death	P.T.	Major	Minor	Temp	Med. Only
			Major	Minor	Temp						
2002	0	0	12,542	77,352	0	0	0	11,764	87,229	13,597	
2003	0	0	229,158	141,761	0	60,000	0	95,876	91,957	15,873	
2004	0	0	77,000	17,888	0	184,218	0	177,583	28,107	24,442	
2005	0	0	0	53,770	0	0	0	0	45,528	16,110	
2006	0	0	155,800	96,807	0	510,361	0	44,092	179,868	52,629	
TOTAL	0	0	524,731	387,578	0	60,000	0	329,315	432,689	122,651	
O.D.	0	0	0	0	0	0	0	0	0	0	

TRANSLATED LOSSES

Manual Year	Death	P.T.	Medical			Death	P.T.	Major	Minor	Temp	Med. Only
			Major	Minor	Temp						
2002	0	0	17,546	108,912	0	0	0	20,316	129,797	15,133	
2003	0	0	305,482	195,424	0	165,088	0	140,719	130,630	17,286	
2004	0	0	93,931	30,230	0	16,810	0	224,084	50,713	26,886	
2005	0	0	7,501	60,346	0	332	0	4,972	51,897	16,996	
2006	540	27,228	153,838	114,192	88	75,273	868,614	108,642	176,356	55,260	
TOTAL	540	491,966	578,298	509,104	88	257,503	1,471,417	498,733	539,393	131,561	
O.D.	0	0	0	0	0	0	0	0	0	0	

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

SERIOUS NON-SER MED ONLY TOTAL
3,452,853 2,125,528 131,561
159,003 37,999 1,730
3,611,856 2,163,527 133,291

EXPECTED LOSSES
CREDIBILITY

3,857,459 2,347,683 227,818
0.05 0.11 0.16

PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

3,742 2,241 0.138 6,121
2,736 1,639 0.101 4,476
3,958 2,409 0.234 6,601
3,897 2,324 0.213 6,434
3,996 2,432 0.236 6,664
3,897 2,324 0.213 6,434

YEAR 4-1-09 4-1-10 IND. LOSS COST = 6.742
IND. LOSS COST 6.74
MANLOSS COST 6.74 ADJ. LOSS CO 6.74

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases						
							Death	P.T.	Major	Minor	Temp	All	
2002	35,019	912,115	2,605	1,325,115	15,317	1,5991	0	0	0	0	5	51	56
2003	35,980	2,363,336	6,568	4,262,355	52,849	1,2229	0	1	4	4	11	28	44
2004	35,250	1,638,045	4,647	2,925,859	60,177	0,7376	0	0	4	4	2	20	26
2005	33,288	1,006,584	3,024	2,054,387	39,954	0,7210	0	0	1	1	0	23	24
2006	34,430	1,588,888	4,615	2,990,713	48,947	0,9004	0	0	1	1	5	25	31
TOTAL	173,967	7,508,968	4,316	13,558,429	39,911	1,0404	0	1	10	10	23	147	181
O.D.	0	0	0,000	0	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity			Death	P.T.	Medical					
			Major	Minor	Temp			Major	Minor	Temp	Med. Only		
2002	0	0	0	214,797	256,465	0	0	0	116,794	269,683	54,376		
2003	0	167,257	696,494	449,871	250,957	0	60,000	397,795	144,939	158,035	37,988		
2004	0	0	636,121	115,946	74,142	0	0	356,731	193,940	187,719	73,446		
2005	0	0	143,200	0	222,791	0	0	434,473	0	158,440	47,680		
2006	0	0	202,870	202,672	170,326	0	0	510,361	82,783	348,360	71,516		
TOTAL	0	167,257	1,678,685	983,286	974,681	0	60,000	1,699,360	538,456	1,122,237	285,006		
O.D.	0	0	0	0	0	0	0	0	0	0	0		

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity			Death	P.T.	Medical					
			Major	Minor	Temp			Major	Minor	Temp	Med. Only		
2002	0	0	0	300,501	361,103	0	0	0	201,703	401,288	60,520		
2003	0	466,802	1,133,599	604,913	349,303	0	177,280	1,039,414	223,587	226,088	41,369		
2004	0	24,816	997,567	148,240	107,499	0	30,820	1,011,804	263,498	260,824	80,791		
2005	129	11,872	334,176	38,397	253,690	0	48,384	1,063,135	59,663	194,639	50,302		
2006	691	35,496	826,095	212,596	189,944	166	90,281	1,062,310	169,458	328,584	75,092		
TOTAL	820	538,986	3,291,437	1,304,647	1,261,539	166	346,765	4,176,663	917,909	1,411,423	308,074		
O.D.	0	0	0	0	0	0	0	0	0	0	0		

TOTAL TRANSLATED LOSSES 8,354,837
 IBNR + FREQ. ADJUSTMENT 283,265
 TOTAL LOSSES 8,638,102

EXPECTED LOSSES 6,951,721
 CREDIBILITY 0.07

PURE PREMIUMS 4,965
 INDICATED (PRE-TEST) 3,630
 INDICATED (POST-TEST) 2,085
 PRES. ON LOSS COST LEVEL 3,958
 DERIVED BY FORMULA 3,935
 UNDERLYING PRES. LOSS COST 3,996
 PROPOSED 3,935

YEAR	IND. LOSS COST	MAN. LOSS COST	ADJ. LOSS CO
4-1-09	6.81	6.93	
4-1-10	6.81		6.81
IND. LOSS COST =			6.812
ADJ. LOSS CO			6.81

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases						
							Death	P.T.	Major	Minor	Temp	All	
2002	35,524	2,573,091	7,243	4,091,703	32,969	2.1112	0	0	7	11	11	57	75
2003	39,034	1,809,007	4,634	2,846,302	29,775	1.4859	0	0	4	4	11	43	58
2004	38,796	2,738,846	7,060	4,686,128	38,868	1.7270	0	0	5	15	15	47	67
2005	43,570	1,879,039	4,313	3,558,198	31,613	1.2853	0	0	3	8	8	45	56
2006	42,930	1,024,858	2,387	2,315,245	24,470	0.9852	0	0	1	2	2	35	38
TOTAL	199,854	10,024,841	5,016	17,497,576	32,327	1.4711	0	0	20	47	47	227	294
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical		
			Major	Minor	Medical				Major	Minor	Temp
2002	0	0	952,892	411,005	268,442	0	0	260,988	313,634	265,736	100,394
2003	0	0	496,738	466,493	156,409	0	0	109,178	306,711	191,432	82,046
2004	0	0	744,076	606,648	223,711	0	0	338,016	446,041	245,685	134,689
2005	0	0	376,151	337,883	204,189	0	0	282,697	288,669	280,754	108,696
2006	0	0	117,000	103,078	209,204	0	0	250,000	45,390	205,171	95,015
TOTAL	0	0	2,686,857	1,925,107	1,061,955	0	0	1,240,879	1,400,445	1,188,778	520,820
O.D.	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical		
			Major	Minor	Medical				Major	Minor	Temp
2002	0	0	1,396,845	574,996	377,966	0	0	691,096	541,646	395,415	111,739
2003	0	0	822,957	621,577	221,018	0	0	339,888	351,162	450,069	89,348
2004	0	0	1,434,334	701,903	319,756	0	0	1,098,122	566,079	351,281	148,136
2005	339	37,301	1,040,632	328,959	262,101	0	0	48,973	1,072,665	296,113	114,674
2006	446	29,079	671,407	154,907	216,804	91	91	66,481	772,602	107,402	99,766
TOTAL	785	112,015	5,368,175	2,382,342	1,397,645	91	91	151,002	3,985,647	1,961,309	563,663
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES 9,617,715
 IBNR + FREQ. ADJUSTMENT 329,381
 TOTAL LOSSES 9,947,096

EXPECTED LOSSES 7,986,166
 CREDIBILITY 0.08

PURE PREMIUMS 4,977
 INDICATED (PRE-TEST) 3,639
 INDICATED (POST-TEST) 3,968
 PRES. ON LOSS COST LEVEL 3,932
 DERIVED BY FORMULA 3,996
 UNDERLYING PRES. LOSS COST 3,920
 PROPOSED 2,455

IND. LOSS COST 6.92
 MAN. LOSS COST 6.93
 ADJ. LOSS CO 6.92

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES					
				DEATH	P. T.	MAJOR	MINOR	TEMP.	ALL
2002	132,534	7,822,486	5,902	18	33	199	250		
2003	145,016	8,835,352	6,127	1	20	41	154		
2004	179,690	11,111,169	6,183	25	47	189	216		
2005	158,051	6,861,107	4,341	9	24	152	186		
2006	181,775	8,053,097	4,430	5	35	155	195		
TOTAL	797,066	42,733,211	5,361	2	77	180	849		
O. D.		131,394	.016			1	3		

MANUAL YEAR	DEATH	INDEMNITY				DEATH	P. T.	MEDICAL			
		MAJOR	MINOR	TEMP.	MED. ONLY			MAJOR	MINOR	TEMP.	MED. ONLY
2002		2,485,300	1,212,585	961,602	60,000	1,012,676	585,299	1,143,429	421,595		
2003	167,257	2,835,634	1,885,530	751,316	15,000	1,110,332	936,410	817,584	318,289		
2004		3,226,992	1,985,182	880,461		1,690,049	1,147,475	1,577,326	603,684		
2005	152,380	1,093,311	1,187,759	1,047,018		969,965	695,247	1,207,835	492,592		
2006		699,618	1,680,878	1,457,976		962,808	950,470	1,624,361	676,986		
TOTAL		10,340,855	7,954,934	5,098,373	75,000	5,745,830	4,314,901	6,370,535	2,513,146		
O. D.		23,289	57,880	38,272		7,794	81,291	12,775	2,096		

MANUAL YEAR	DEATH	INDEMNITY				DEATH	P. T.	MEDICAL			
		MAJOR	MINOR	TEMP.	MED. ONLY			MAJOR	MINOR	TEMP.	MED. ONLY
2002		3,645,993	1,696,406	1,353,933	199,222	2,672,284	1,010,813	1,701,414	469,235		
2003	515,251	4,560,012	2,528,061	1,057,506	149,918	3,031,190	1,400,478	1,169,725	346,617		
2004	142,865	5,908,359	3,322,684	2,286,038	171,674	5,005,986	1,563,676	2,139,099	664,052		
2005	382,665	3,522,684	1,190,899	1,286,343	364,027	3,150,672	787,877	1,469,784	519,685		
2006	5,511	6,414,316	1,748,920	1,504,304		4,492,941	1,059,770	1,570,162	710,835		
TOTAL	6,572	1,311,290	9,491,001	6,548,124	884,841	18,353,073	5,822,614	8,050,184	2,710,424		
O. D.	4	820	57,880	38,272		7,794	81,291	12,775	2,096		

YEAR	IND. RATES	MAN. RATES	SERIOUS		NON-SERIOUS		MED. ONLY		TOTAL
			PG A	PG B	PG A	PG B	PG A	PG B	
4-1-07	7.63	7.06	44,641	4,441	30,102	1,411	2,712	520	7.161
4-1-08			1,324,037	366,724	30,468,865	2,727,921	15,401		
4-1-09			45,965,478	31,850,757	19,384,645	1,881,075			
4-1-10			.19	.45		.66			
IND. RATES	7.63	7.06	5.767	3.823	7.295	2.250	9.932		
MAN. RATES	7.63	7.06	4.216	2.795	3.958	2.409	6.601		
			4.007	2.583	3.996	2.432	6.835		
			3.996	2.432	2.432	2.36	6.664		
			4.007	2.583	2.583	2.45	6.835		

+PROPOSED

X19

STATISTICAL STUDY

Ex16
All Charter/Tour Bus 817 Exposure

Ex18
Scheduled Bus Lines, Funeral/Oversize Load Escorts,
Trolleys, PEOs and Multiple 817 Operations

Manual Year	Pure Premium Reported		T - test values	
2002	2.605	7.243		
2003	6.568	4.634		
2004	4.647	7.060	2002 - 2006	0.5576
2005	3.024	4.313		
2006	4.615	2.387		

Manual Year	Claim Frequency per million		T - test values	
2002	1.599	2.111		
2003	1.223	1.486		
2004	0.738	1.727	2002 - 2006	0.0504
2005	0.721	1.285		
2006	0.900	0.885		

Manual Year	Claim Severity Excl Med Only		T - test values	
2002	15,317	32,969		
2003	52,849	29,775		
2004	60,177	38,868	2002 - 2006	0.2075
2005	39,954	31,613		
2006	48,947	24,470		

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2002	16,262	720,024	4,428	1,377,810	53.874	0.7994	0	0	1	2	10	13
2003	16,885	648,068	3,838	1,009,743	30.918	1.1845	0	0	1	5	14	20
2004	18,293	652,335	3,566	1,044,203	19.929	1.6946	0	0	2	0	29	31
2005	19,186	459,924	2,397	878,042	23.357	0.9903	0	0	0	4	15	19
2006	20,620	505,461	2,451	1,313,533	30.017	0.7759	0	0	0	3	13	16
TOTAL	91,246	2,985,812	3,272	5,623,331	28.895	1.0850	0	0	4	14	81	99
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

Manual Year	Death	P.T.	REPORTED LOSSES								
			Major	Minor	Temp	Death	P.T.	Medical			
2002	0	0	135,964	78,519	67,991	0	0	288,506	25,005	104,375	19,664
2003	0	0	156,250	200,279	38,018	0	0	27,000	119,500	77,305	29,716
2004	0	0	205,814	0	96,539	0	0	61,607	0	253,841	34,534
2005	0	0	0	152,168	98,240	0	0	0	100,265	93,113	16,138
2006	0	0	0	196,379	110,583	0	0	0	85,988	87,321	25,190
TOTAL	0	0	498,028	627,345	411,371	0	0	377,113	330,758	615,955	125,242
O.D.	0	0	0	0	0	0	0	0	0	0	0

Manual Year	Death	P.T.	TRANSLATED LOSSES								
			Major	Minor	Temp	Death	P.T.	Medical			
2002	0	0	197,169	109,848	95,731	0	0	754,682	43,184	155,310	21,886
2003	0	0	267,939	265,624	55,309	0	849	98,068	175,017	111,042	32,361
2004	0	0	319,502	11,391	125,387	0	5,357	188,280	19,432	328,921	37,987
2005	0	0	234,534	140,369	120,770	0	6,305	143,016	92,796	115,615	17,026
2006	555	23,111	568,036	177,905	127,147	172	16,125	213,569	73,711	86,752	26,450
TOTAL	555	42,202	1,587,180	705,137	524,344	172	28,636	1,397,615	404,140	797,640	135,710
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES 3,056,360
 IBNR + FREQ. ADJUSTMENT 150,945
 TOTAL LOSSES 3,207,305
 SERIOUS 3,207,305
 EXPECTED LOSSES 3,646,190
 CREDIBILITY 0.04
 PURE PREMIUMS 2,219,103
 INDICATED (PRE-TEST) 0.151
 INDICATED (POST-TEST) 0.110
 PRES. ON LOSS COST LEVEL 0.234
 DERIVED BY FORMULA 0.214
 UNDERLYING PRES. LOSS COST 0.236
 PROPOSED 0.214

YEAR	IND. LOSS COST	MANLOSS COST	IND. LOSS COST =	ADJ. LOSS CO
4-1-09	6.79	6.93	6.788	6.79

C

STATISTICAL STUDY

Ex15
Limousine and Shuttle Service

Ex18
Scheduled Bus Lines, Funeral/Oversize Load Escorts,
Trolleys, PEOs and Multiple 817 Operations

Manual Year	Pure Premium Reported	T - test values	
2002	4.428	7.243	
2003	3.838	4.634	
2004	3.566	7.060	2002 - 2006
2005	2.397	4.313	0.0506
2006	2.451	2.387	

Manual Year	Claim Frequency per million	T - test values	
2002	0.799	2.111	
2003	1.185	1.486	
2004	1.695	1.727	2002 - 2006
2005	0.990	1.285	0.1512
2006	0.776	0.885	

Manual Year	Claim Severity Excl Med Only	T - test values	
2002	53,874	32,969	
2003	30,918	29,775	
2004	19,929	38,868	2002 - 2006
2005	23,357	31,613	0.9910
2006	30,017	24,470	

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2002	28,450	2,018,347	7,094	3,078,849	23,571	2,7768	0	0	4	12	63	79
2003	30,093	2,812,503	9,346	4,553,073	38,528	2,3261	0	0	6	11	53	70
2004	37,346	3,236,047	8,665	5,740,214	42,362	1,9279	0	0	8	10	54	72
2005	47,507	2,561,111	5,391	4,631,950	36,480	1,3472	0	1	3	9	51	64
2006	47,044	4,227,976	8,987	10,160,467	40,525	2,0406	0	0	2	22	72	96
TOTAL	190,440	14,855,984	7,801	28,164,553	36,310	2,0006	0	1	23	64	293	381
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity			Death	P.T.	Medical			
			Major	Minor	Temp			Major	Minor	Temp	
2002	0	0	480,426	398,663	295,897	0	0	143,481	152,576	391,054	156,250
2003	0	0	800,242	663,302	235,559	0	0	312,503	340,404	344,984	115,509
2004	0	0	952,844	373,174	290,279	0	0	718,519	176,803	538,445	185,983
2005	0	152,380	340,200	546,414	457,339	0	15,000	91,703	236,780	494,905	226,410
2006	0	0	245,413	1,011,798	905,992	0	0	162,447	680,465	884,277	337,584
TOTAL	0	152,380	2,819,125	2,993,351	2,185,066	0	15,000	1,428,653	1,587,008	2,653,665	1,021,736
O.D.	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity			Death	P.T.	Medical			
			Major	Minor	Temp			Major	Minor	Temp	
2002	0	0	705,265	557,730	416,623	0	0	379,938	263,499	581,888	173,906
2003	0	18,137	1,308,342	885,042	332,405	0	9,666	874,579	507,917	491,186	125,789
2004	0	40,153	1,642,490	454,057	397,295	0	59,545	1,937,427	285,824	718,842	204,581
2005	306	308,644	1,429,307	538,700	561,883	0	59,008	647,355	258,365	589,519	238,863
2006	3,189	155,742	3,737,560	1,052,295	988,338	1,361	170,670	2,186,760	647,050	863,039	354,463
TOTAL	3,495	522,676	8,822,964	3,487,824	2,696,544	1,361	298,899	6,026,059	1,962,655	3,244,484	1,097,602
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES 15,675,444
 IBNR + FREQ. ADJUSTMENT 317,172
 TOTAL LOSSES 15,992,616

EXPECTED LOSSES 7,609,982
 CREDIBILITY 0.07

PURE PREMIUMS 8,398
 INDICATED (PRE-TEST) 6,141
 INDICATED (POST-TEST) 4,411
 PRES. ON LOSS COST LEVEL 3,958
 DERIVED BY FORMULA 4,111
 UNDERLYING PRES. LOSS COST 3,996
 PROPOSED 4,111

YEAR 4-1-09
 IND. LOSS COST 7.48
 MAN. LOSS COST 6.93
 IND. LOSS COST = 7.482
 ADJ. LOSS CO 7.48

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2002	86,805	4,205,230	4,844	6,794,629	27,992	1,6589	0	0	8	18	118	144
2003	91,899	4,820,411	5,245	8,118,400	38,284	1,3275	0	1	9	27	85	122
2004	92,340	5,029,226	5,446	8,656,194	38,601	1,3429	0	0	11	17	96	124
2005	96,044	3,345,547	3,483	6,109,875	32,051	1,0308	0	0	4	12	83	99
2006	97,980	3,119,207	3,184	6,619,489	34,441	0,8675	0	0	2	10	73	85
TOTAL	465,068	20,519,621	4,412	36,298,587	34,126	1,2342	0	1	34	84	455	574
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	Temp				Major	Minor	Temp	
2002	0	0	1,088,856	704,321	592,898	0	0	549,494	455,433	639,794	174,434	
2003	0	0	1,349,482	1,116,643	445,384	0	0	533,973	571,150	426,772	149,750	
2004	0	0	1,586,011	722,594	394,392	0	0	756,354	639,981	687,245	242,649	
2005	0	0	519,351	490,051	525,220	0	0	717,170	388,934	532,307	172,514	
2006	0	0	319,870	502,129	490,113	0	0	760,361	214,161	640,852	191,721	
TOTAL	0	0	4,863,570	3,535,738	2,448,007	0	0	60,000	3,317,352	2,269,659	2,926,970	931,068
O.D.	0	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	Temp				Major	Minor	Temp	
2002	0	0	1,596,015	985,345	834,800	0	0	1,445,778	786,533	952,013	194,145	
2003	0	0	2,224,496	1,482,114	625,629	0	0	1,488,644	848,672	612,635	163,078	
2004	0	0	2,751,402	861,534	552,645	0	0	2,298,207	849,009	941,026	266,914	
2005	425	0	1,551,893	505,642	635,519	0	0	1,990,501	436,452	662,709	182,002	
2006	1,692	0	2,065,537	545,407	533,895	428	0	2,048,483	350,570	611,596	201,307	
TOTAL	2,117	0	10,189,343	4,390,042	3,182,488	428	0	9,271,613	3,271,236	3,779,979	1,007,446	
O.D.	0	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

SERIOUS NON-SER MILD ONLY TOTAL
20,667,396 14,623,745 1,007,446
763,592 191,978 8,594
21,430,988 14,815,723 1,016,040

EXPECTED LOSSES
CREDIBILITY

18,584,117 11,310,454 1,097,560
0.13 0.31 0.46

PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

4.608 3.186 0.218 8.012
3.369 2.330 0.159 5.858
3.958 2.409 0.234 6.601
3.881 2.385 0.200 6.466
3.996 2.432 0.236 6.664
3.881 2.385 0.200 6.466

YEAR IND. LOSS COST MAN. LOSS COST ADJ. LOSS CO
4-1-09 4-1-10 IND. LOSS COST =
6.93 6.78 6.78 6.78

B

STATISTICAL STUDY

Ex9
ParatransitEx10
All 817 EXCEPT Paratransit

Manual Year	Pure Premium Reported		T - test values	
2002	7.094	4.844		
2003	9.346	5.245		
2004	8.665	5.446	2002 - 2006	0.0079
2005	5.391	3.483		
2006	8.987	3.184		

Manual Year	Claim Frequency per million		T - test values	
2002	2.777	1.659		
2003	2.326	1.328		
2004	1.928	1.343	2002 - 2006	0.0073
2005	1.347	1.031		
2006	2.041	0.868		

Manual Year	Claim Severity Excl Med Only		T - test values	
2002	23,571	27,992		
2003	38,528	38,284		
2004	42,362	38,601	2002 - 2006	0.3411
2005	36,480	32,051		
2006	40,525	34,441		

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2002	97,580	5,513,946	5,651	8,840,067	28,862	1,8549	0	0	12	27	142	181
2003	106,651	6,071,460	5,693	9,912,299	34,284	1,5940	0	1	11	33	125	170
2004	114,545	7,458,327	6,511	12,993,169	38,681	1,5976	0	0	17	26	140	183
2005	129,409	5,015,482	3,876	9,258,849	31,406	1,1437	0	1	6	21	120	148
2006	129,889	7,000,722	5,390	15,991,020	38,633	1,2934	0	0	4	30	134	168
TOTAL	578,074	31,059,937	5,373	56,995,404	34,435	1,4704	0	2	50	137	661	850
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Medical			Death	P.T.	Medical			
			Major	Minor	Temp			Major	Minor	Temp	
2002	0	0	1,569,282	900,729	709,682	0	0	692,975	502,979	848,394	289,905
2003	0	0	1,453,230	1,559,232	571,747	0	0	448,681	862,491	705,678	243,144
2004	0	0	2,224,595	1,056,822	628,417	0	0	1,302,360	800,427	1,066,078	379,628
2005	0	0	152,380	716,351	813,538	0	15,000	374,400	625,694	914,300	367,354
2006	0	0	565,283	1,467,055	1,322,586	0	0	922,808	855,935	1,356,637	510,418
TOTAL	0	0	319,637	6,528,741	6,020,303	0	75,000	3,741,224	3,647,526	4,891,087	1,790,449
O.D.	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Medical			Death	P.T.	Medical			
			Major	Minor	Temp			Major	Minor	Temp	
2002	0	0	2,301,280	1,260,120	999,232	0	0	1,825,716	868,645	1,262,410	322,664
2003	0	0	2,466,705	2,077,727	804,156	0	0	1,353,791	1,273,720	1,008,372	264,784
2004	0	0	3,906,327	1,261,281	872,670	0	0	3,781,128	1,095,419	1,449,758	417,591
2005	645	0	2,736,595	1,015,530	1,005,100	0	0	1,878,560	652,246	1,113,473	387,558
2006	4,729	0	5,598,748	1,538,944	1,446,481	1,712	0	4,041,547	936,804	1,322,408	535,939
TOTAL	5,374	0	17,009,655	7,153,602	5,127,639	1,712	0	12,880,742	4,826,834	6,156,421	1,928,536
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES 31,802,372 23,264,496 1,928,536
 IBNR + FREQ. ADJUSTMENT 956,503 261,228 11,185
 TOTAL LOSSES 32,758,875 23,525,724 1,939,721

EXPECTED LOSSES 23,099,837 14,058,760 1,364,265
 CREDIBILITY 0.15 0.36 0.53

PURE PREMIUMS
 INDICATED (PRE-TEST) 5,667 4,070 0,336 10,073
 INDICATED (POST-TEST) 4,144 2,976 0,246 7,366
 PRES. ON LOSS COST LEVEL 3,958 2,409 0,234 6,601
 DERIVED BY FORMULA 3,986 2,613 0,240 6,839
 UNDERLYING PRES. LOSS COST 3,996 2,432 0,236 6,664
 PROPOSED 3,986 2,613 0,240 6,839

YEAR 4-1-09 4-1-10 IND. LOSS COST = 7,166
 IND. LOSS COST 7,17 7,17
 MANLOSS COST 6,93 7,17 ADJ. LOSS CO 7,17



Pennsylvania Compensation Rating Bureau

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TO: Pennsylvania Classification and Rating Committee

FROM: David T. Rawson
Technical Director, Classification and Field Operations

DATE: April 28, 2010

RE: Merger of Classes

- 1) Interim Code 861, Automobile Dismantlers/Nonferrous Scrap Dealers, into Code 859, Nonferrous Scrap Metal Dealer
- 2) Interim Code 863, Paper Shredding, into Code 862, Recycling Center
- 3) Code 4775, Cartridge Loading or Charging, into Code 4771, Explosives Mfg., N.O.C.

From time-to-time, Pennsylvania Compensation Rating Bureau (PCRB) classification studies may recommend the creation of one or more “interim” classifications. This occurs when the study’s rigorous statistical analysis results in the following types of findings for one or more employer groups in the classification(s) being studied.

- The statistical analysis first shows that there are significant statistical differences between the employer group(s) in question and the balance of the classification(s) under review for at least two of the three experience statistics to which statistical tests are commonly applied (i.e., reported pure premium, claim frequency and claim severity). This statistical finding suggests that the employer group(s) should be separated from the classification(s) being studied.
- Pursuant to an underwriting finding of reasonably analogous business operations with another existing PCRB classification(s), separate and additional statistical testing shows that there are no significant statistical differences between the employer group(s) in question and the analogous classification(s) for at least two of the three statistical tests.
- The PCRB cannot propose that the employer group(s) be reclassified into the analogous classification(s) at the time of the study because the differences between the existing classification rating value and those of the analogous classification(s) exceed the maximum permissible rating value decrease or increase.

The “interim” classification procedure was developed to respond to the above described situation. Under this procedure, the PCRB proposes to separate the employer group(s) from the studied classification(s) and to reclassify the group(s) to a new, separate classification(s). Staff’s presentation to the Committee and the PCRB’s filing with the Pennsylvania Insurance Department (Department) comment on the nature of the classification study’s findings that the employer group(s) should be reclassified by analogy to another, existing classification(s) and

further advise that such recommendation is not being made at the time of the filing because the indicated change in rating values would exceed the permissible maximum. Staff also advises the Committee and the PCRB's filing further states that the PCRB will continue to monitor the rating values of the "interim" classification(s) and the analogous classification(s) to which the study showed the employer group(s) should be reclassified. In the future event that the rating values of these classifications become sufficiently similar to permit consolidation, the PCRB is favorably inclined to recommend such action to the Committee.

In the above context, PCRB now observes that the approved April 1, 2010 "interim" Code 861 (\$8.49) rating value and the Code 859 rating value (\$8.49) are identical. Also, the approved April 1, 2010 "interim" Code 863 (\$7.95) rating value and the approved Code 862 (\$7.95) rating value are equal. The PCRB further notes the approved April 1, 2010 Code 4775 rating value (\$3.18) and the approved Code 4771 rating value (\$3.18) are equal. Thus, PCRB finds it appropriate to consider the consolidation of the aforementioned "interim" classifications into their respective analogous classifications and the merger of Code 4775 into Code 4771.

Code 861, Automobile Dismantler/Nonferrous Scrap Dealers

The PCRB's study of Code 861, then entitled "Automobile Dismantling," was presented to the Committee in staff's March 1, 2007 memorandum. Prior to that study Code 861 contemplated any business dismantling automobiles to recover saleable used auto parts, regardless of the percentage of revenue derived from that activity. The class study found that there were businesses assigned to Code 861 that were principally engaged in dismantling automobiles to recover saleable used auto parts (where "principally engaged in" means that the activity generated more than 50 percent of the business' revenue) and that there were other businesses assigned to Code 861 that were principally engaged in another manner (e.g., as a ferrous or nonferrous scrap metal dealer, as a seller of new auto parts, or as a parking lot). Staff proposed that each automobile dismantler be classified pursuant to how the business was principally engaged.

The proposed reassignment of nonferrous scrap metal dealers who also dismantled automobiles to recover saleable used parts from Code 861 to Code 859, Nonferrous Scrap Metal Dealer, exceeded the maximum permissible rating value increase that was a part of the PCRB's approved April 1, 2007 comprehensive loss cost filing. Accordingly, staff proposed that Code 861 be retained as an "interim" classification for those employers. Code 861 would remain in effect until such future time that the Codes 861 and 859 rating values became sufficiently similar to enable the PCRB to propose in a new filing with the Department that Code 861 be withdrawn as a business classification to become effective upon the implementation date proposed therein. At that time and upon the Department's approval of the new filing, those nonferrous scrap metal dealers also dismantling automobiles were expected to be reclassified to Code 859 upon their first normal policy anniversary on or after the implementation date.

As noted above, the approved April 1, 2010 Codes 861 and 859 rating values are identical. Accordingly, PCRB now proposes that Code 861 be merged into Code 859, effective beginning new and renewal policies of October 1, 2010 and later, and that the approved April 1, 2010 Code 861 \$8.49 rating value remain unchanged.

Code 863, Paper Shredding

The PCRB's study of Code 862, Recycling Center, was presented to the Committee in staff's March 21, 2005 memorandum. Among the classification issues addressed therein, the memorandum discussed the classification applicable to businesses principally engaged in shredding paper documents for unrelated customers. The study had disclosed an inconsistency in the classification assignments for employers so engaged. In addition to the Code 862 study indentifying such businesses, a previous study of Code 257, Paper Products Mfg., N.O.C., had also identified other businesses performing that service. Statistical analysis showed that there were no significant statistical differences between the identified paper shredding businesses (regardless of how presently classified) and Code 862. An underwriting analysis showed that Code 257 contemplated the manufacture of products from paper and that Code 862 did not contemplate manufacturing but rather included the recycling of post-consumer commodities. For these reasons staff concluded that Code 862 should be designated as the classification applicable to paper shredding businesses. Because the difference between the Codes 257 and 862 rating values exceeded the April 1, 2005 comprehensive rating filing's permissible maximum, staff recommended an alternate course. That alternate course was the creation of a new, separate "interim" classification – Code 863. Staff stated that we would continue to monitor the Codes 862 and 863 rating values. When those rating values became sufficiently similar, staff would consider recommending that the two classifications be merged in a future filing with the Department. At that future time Code 863 would be withdrawn as a business classification, and the businesses then assigned to Code 863 would be reclassified to Code 862, effective each business' first normal policy anniversary on or after the proposed implementation of the proposed merger.

As also noted above, the approved April 1, 2010 Codes 863 and 862 rating values are identical. On that basis PCRB now proposes that Code 863 be merged into Code 862 effective beginning new and renewal policies of October 1, 2010 or later and that the approved April 1, 2010 Code 862 \$7.95 rating value remain unchanged.

Code 4775, Cartridge Loading or Charging

Among the classification issues addressed in staff's February 28, 2001 memorandum entitled "The Third Serial Small Class Study" was the classification applicable to businesses manufacturing any type of explosive or explosive product. At that time the PCRB had five different explosives or explosives products manufacturing classes, each of which had limited five-year payrolls. Staff proposed that Pennsylvania adopt a then-recent National Council on Compensation Insurance, Inc. (NCCI) classification revision, which involved the merger of all of the previously separate explosives classes into a single new, separate classification (Code 4771, Explosives Mfg., N.O.C.). Background work on that proposal showed that merging the explosives manufacturing class with the lowest rating value (Code 4775) into the proposed new class would result in a rating value increase to the employers assigned to Code 4775 that exceeded the then maximum permissible rating value increase. For this reason staff proposed to merge the other four explosives manufacturing classes into the proposed new, separate classification but to retain Code 4775 as an interim classification and monitor the Codes 4775

Memorandum of April 28, 2010

RE: Merger of Classes

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and 4771 rating values over subsequent comprehensive loss cost filings. In the event at a future time the Codes 4775 and 4771 rating values became sufficiently similar to permit their consolidation, the PCRB would be favorably inclined toward such.

Again as noted above, the approved April 1, 2010 Codes 4771 and 4775 rating values are identical. For the record, each class' catastrophe loading class (Codes 0771 and 0775) also have identical approved April 1, 2010 rating values (both are \$0.79). On that basis PCRB now proposes that Code 4775 be merged into Code 4771 and that Code 0775 be merged into Code 0771, effective for new and renewal policies of October 1, 2010 or later, and that the approved April 1, 2010 Code 4771 \$3.18 rating value and the approved April 1, 2010 Code 0771 \$0.79 rating value remain unchanged.

The enabling Section 2 Manual language proposals for the class revision proposals herein are attached.

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TO: Pennsylvania Classification and Rating Committee

FROM: David T. Rawson
Technical Director, Classification and Field Operations

DATE: May 11, 2010

RE: Proposed Manual Language Revisions to Sections 1 and 2 (Housekeeping)

The proposals discussed below are intended to make the Manual language clearer and less ambiguous. Several of the proposed revisions clarify existing classification procedures, while others update language defining certain classifications to align the verbiage used with that in other Manual provisions and/or to recognize technological or industrial change. This memorandum proposes no revisions to the General Auditing & Classification Information entry entitled "Employment Contractor - Temporary Staffing" or the cross-reference chart appearing therein, because there is a separate memorandum to the Committee regarding the temporary staffing classification procedure. All proposed revisions to the classification of temporary staffing may be found in that separate memorandum. The PCRB recommends all of the Section 1 or 2 language revisions proposed herein to become effective upon new and renewal policies of December 1, 2010 and later.

The following narrative will first discuss the two proposed revisions to existing procedure, which, as will be explained below, could also technically be viewed as clarifications to current procedure, and then the narrative will separately review the Manual language proposals by Manual section.

PROPOSED REVISIONS TO PROCEDURE

Code 805, Milk Hauling, was created effective for new and renewal policies of April 1, 1998 and later. Staff had studied Code 109, Dairy Products Mfg., to review the feasibility of separating milk hauling by contractor from Code 109, which is a manufacturing class. Staff argued that it was incongruous to assign a specialty "trucking" business to a manufacturing class. The scope of Code 805 was clarified effective January 1, 2006 to include the hauling of water (typically for swimming pools) and again effective November 1, 2007 to denote that the class also contemplated the hauling of all types of liquid food products. Employer surveys for the PCRB's class study showed that such hauling was conducted by "food-grade" tanker trailers. By "food," staff means that the product(s) being transported is/are fit for human consumption. By "food-grade" staff means a material that fulfills the minimum applicable manufacturing and related standards to be in contact with food. Typically, tanker trailers qualifying as food-grade have interiors made of stainless steel.

The above timing is critical to explaining the present proposal to clarify Code 805. In 1998 and even at the times of the first class scope clarification discussed above, there was no drilling being conducted in the Marcellus Shale. Such drilling was only at the exploratory stage even at the time of the second classification clarification. However, the Marcellus Shale drilling has intensified over the last two and half years. Drilling in the Marcellus Shale is for natural gas. The effort initially involves vertical drilling and then employs horizontal drilling once the appropriate depth is reached. The well is then "fractured" by injecting water or water mixed with sand under high pressure to enhance the volume of natural gas that is extracted. The fracturing requires significant amounts of water that may need to be trucked to the well site, which has led to demand for such hauling, and inquiries regarding how the hauling of water for fracturing and/or the hauling of brine away from natural gas wells should be classified.

PCRB staff had not previously considered how to classify the hauling of fracturing water and/or brine. Staff review shows that fracturing water and/or brine are not "food" products, and, thus, payroll developed in the hauling thereof is appropriately assigned to Code 811, Trucking, N.O.C. Accordingly, staff proposes to clarify Code 805 by excluding such hauling therefrom.

Staff is aware of three hauling businesses that were assigned to Code 805 for hauling fracturing water and/or brine prior to making this clarification available for internal PCRB usage. Staff is unaware of any additional employer assignments to Code 805 but observes that there may be additional such assignments. This is a recent phenomenon, so that no payroll or loss data attributed to this activity is available at this time, and the first policy years' (2008 or 2009) payroll and loss data will not be available for some time. Five years of such data (the complement of data typically applied in classification ratemaking) will not be available until around the time of the PCRB's 2015 or 2016 comprehensive loss cost filing. For these reasons, there is no quantification of the experience of the activities in question attached to this memorandum. Staff makes these observations in part because the approved April 1, 2010 Codes 805 and 811 loss costs are \$5.32 and \$7.62, respectively.

On a second topic, staff observes that the present General Auditing & Classification Information entry for "Per Diems" was proposed in 2009 and entered the Manual effective for new and renewal policies of December 1, 2009 and later. The intent was to provide information regarding the premium audit treatment of transportation worker per diem expense reimbursements. In retrospect, staff believes that the language proposed and approved in 2009 did not make sufficiently clear the fact that the PCRB does not have the needed intimate knowledge of Internal Revenue Service (IRS) regulations or, more pertinently, the legal authority to interpret IRS regulations, which means that the PCRB is unable to effectively or authoritatively intervene in disputes between employers and their insurer(s) regarding whether the insurer(s) have appropriately included or excluded per diems in their policy premium audits. For the record, the PCRB's Test Audit Program defers to insurers' actions on this point. For these reasons, staff wishes to propose deleting the present language, substituting proposed language that provides information regarding per diems and also makes clearer the PCRB's lack of jurisdiction to resolve disputes arising in this area.

SECTION 1

The sole proposed Section 1 revision is to Rule IX, C., Professional and Semiprofessional Athletes – Class Code 970. In 2009 Rule IX, C. was overlooked when staff proposed revisions to the Section 2 Code 970 class description. Those Code 970 revisions first dealt with a misunderstanding of Manual language with respect to which employees of the professional sports team were subject to the \$60,000 payroll cap (initially applied per season and subsequently applied per policy year). Staff also made proposals to resolve ambiguities regarding the classification applicable to bench or dugout game-day staff and non-bench or dugout game-day staff. Rule IX, C. is focused on which personnel of the professional sports team qualify for the payroll cap and how that cap is to be applied. Rule IX, C. is not in alignment with the previously filed and approved Code 970 class Description, and, thus, PCRB proposes to align Rule IX, C. to the Section 2 revisions filed with and approved by the Pennsylvania Insurance Department in 2009 by identifying therein which personnel are eligible for the payroll cap and specifying how the cap is to be applied.

Review of the Rule IX, C. proposal resulted in a new question being raised, which was why the paragraph also mentioned game officials. Staff consensus is to delete reference to game officials both in Rule IX, C. and also in the Section 2 Code 970 language. Such revision is also incorporated into the Section 1 proposal and is being made to the Code 970 Section 2 language.

SECTION 2

Staff proposes to clarify the Section 2 classification language for 15 classifications. This memorandum notes that the proposed revision to the “Per Diems” Ruling & Interpretation was discussed above. That is the only proposed revision to an entry in the General Auditing & Classification Information.

Thirteen of the 15 proposed Section 2 classification language clarifications (all but the changes for Code 970) involve the addition of an “Operations Also Included” and/or an “Operations Not Included” section(s). The 14th involves revisions to that class’ (Code 962, Accounting Firm) “Operations Not Included” section. Each of those classification proposals results from one or more recent file reviews involving the class that either corrected a misclassification or disapproved a class reassignment request that had shown the need to clarify the class’ language by better explaining what the class contemplates and/or better explaining what the class does not contemplate.

Seventeen of the 19 proposed Underwriting Guide additions reflect prevailing classification practice. The other two Underwriting Guide additions (for Code 811) are pursuant to the above discussion regarding how to classify the contract hauling of fracturing water and/or brine. The three proposed Underwriting Guide entry revisions are intended to clarify each entry’s scope.

There are four other current Underwriting Guide entries that staff proposes to delete. The assignment of Caisson Work, Pneumatic to Code 609, Excavation, was a misclassification. The correct assignment is to Code 615, Tunneling, which is one of the proposed Underwriting Guide additions. For the record, staff is not aware of any such work being conducted in

Memorandum of May 11, 2010

RE: Proposed Manual Language Revisions To Sections 1 and 2 (Housekeeping)

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Pennsylvania over the last several years or as this memorandum is being drafted. Staff is uncertain what operations "Forest Maintenance, N.O.C." contemplates and, to avoid potential confusion, proposes deletion of that entry.

Two of the proposed Underwriting Guide deletions are assigned to Code 968. The first is "Dance Halls." Background research showed that a "dance hall" in its general meaning is a hall for dancing. The available information showed that such establishments were popular throughout the United States from the early 1900s to the early 1960s and are generally considered as the forerunner of today's discotheque or nightclub. Discotheques and nightclubs are generally assigned to Code 899, Bar, Nightclub.

The second is "Skee Ball Alley." Staff could not identify the historical source of the "Skee Ball Alley" Underwriting Guide entry. The available information and staff's personal experience showed that skee ball is one of many games or amusements that are available at indoor amusement facilities and that no indoor amusement is presently principally engaged as a "Skee Ball Alley."

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TO: Pennsylvania Classification & Rating Committee

FROM: David T. Rawson – Technical Director, Classification and Field Operations
Michael Doyle – Chief Actuary

DATE: June 18, 2010

RE: Classifications Applicable To Temporary Staffing
Proposed Manual Language Revisions

INTRODUCTION

The American Staffing Association (ASA) released an issue paper dated November 19, 2009 entitled “The Pennsylvania Workers’ Compensation Classification System Is Hurting Staffing Firms and Jobs.” The issue paper (copy attached) criticized the Pennsylvania Compensation Rating Bureau (PCR B) for its approach to classifying and pricing temporary staffing businesses, characterizing those methods as failing to properly reflect the hazards of the temporary staffing business.

ASA offered as a solution to their complaint a proposal that the PCR B adopt the National Council on Compensation Insurance, Inc.’s (NCCI) methodology of classifying temporary staffing businesses, which is to give each temporary staffing business’ staffing assignment the classification(s) and rating values applicable to the temporary staffing firm’s customers for the work activity or activities being undertaken by the temporary workers provided.

PCR B staff and ASA have exchanged information regarding the issues raised in ASA’s issue paper a few times in late 2009 and early 2010.

Staff has subsequently reviewed how the PCR B presently classifies temporary staffing businesses, and based upon that review staff has concluded that a new, advantageous procedure could be developed for the classification and pricing of selected temporary staffing businesses.

The proposal pertaining to the classification and pricing of selected temporary staffing operations is presented below. Staff submits that, before considering the substance and merit of this proposal, the Committee may find it beneficial to review the history of Pennsylvania’s classification system for temporary staffing businesses.

Memorandum of June 18, 2010

RE: Classification(s) Applicable To Temporary Staffing –
Proposed Manual Language Revisions

Page 2

BACKGROUND

Since 1982, Pennsylvania has perceived temporary staffing businesses to be engaged in a distinct industry and has classified temporary staffing employers separately from businesses not providing temporary staffing services to others, i.e., “direct employment” businesses.

Initially, Pennsylvania provided a set of eight temporary staffing classifications, each intended to apply to such services when provided to specified types of businesses. In 1995 the PCRB attempted to clarify the definitions of each of those temporary staffing classifications by enumerating the direct employment business classifications to which each of them would apply when temporary staffing services were provided to a client(s). The PCRB’s filings to implement those clarifications were met with objections from the temporary staffing industry, which asserted in part that the listings of business classifications proposed to be included in each temporary staffing classification differed from historical practice, to the detriment of at least some temporary staffing firms.

A compromise was struck between the temporary staffing industry and the PCRB to resolve the pending 1995 loss cost filing. Effective new and renewal policies of December 1, 1995 and later, 24 new temporary staffing classifications were approved in Pennsylvania. Twenty-three of these codes were based on client business classifications selected by representatives of the temporary staffing industry as being of particular importance to that industry in Pennsylvania. These new temporary staffing classifications were designed to include temporary staffing services provided to clients engaged in the specified direct employment businesses. In addition, Code 889, Temporary Clerical Staff, was created to replace the original temporary clerical staffing classification (Code 950). Initially, each of these new temporary staffing classifications (including Code 889) was allowed to use the same rating values as the associated direct employment classification. Temporary staffing services provided to other businesses remained subject to the grouped classification procedures used since 1982, with the benefit of approval of the PCRB’s proposed 1995 clarifications. Going forward, the PCRB began to collect experience data for the industry based on the new classifications.

In 2004 and based on five full years of experience data as reported by the temporary staffing industry, the PCRB proposed retaining the temporary staffing classifications established in 1995 and applying a pricing methodology that recognized the differences between temporary staffing and direct employment loss experience. Those differences in experience were initially adverse to the temporary staffing industry, which had claim frequency more than twice that of direct employment and pure premiums approximately 72 percent higher than those of direct employment. This information, together with the PCRB’s proposed pricing approach recognizing the demonstrated differences between temporary staffing and direct employment operations, was filed with the Pennsylvania Insurance Department (Department.) The temporary staffing industry was fully informed of that filing at the time.

The Department approved the classifications and pricing methods as proposed, effective April 1, 2005, and has approved their continued application in each subsequent filing up to and including the April 1, 2010 filing.

CURRENT SYSTEM FEATURES

There are currently 25 temporary staffing codes in Pennsylvania that are each a one-to-one counterpart to a direct employment classification (the 24 classifications first approved in 1995 and Code 871, which was established as a new classification in late 2008). The loss cost for the largest of those classifications, Code 889, Temporary Clerical Staff, is based on loss experience reported in that classification and uses the same method as applies to direct employment codes, since Code 889 is a very large classification with substantial statistical credibility. Loss costs for the remaining 24 one-to-one temporary staffing classifications are established based on a collective comparison of their loss experience to that of their associated direct employment codes. The comparisons of temporary staffing experience to direct employment experience have continued to deteriorate over time, with the result that the loss cost differentials applicable to these classifications have risen significantly since 2005.

Class 946, Employment Contractor Temporary Medical Services, has been non-controversial since the inception of the classification procedures for temporary staffing businesses. The rating value for Code 946 continues to compare well with those of its eight associated direct employment classifications, with the April 1, 2010 loss costs for Code 946 being higher than four of the associated direct employment codes and lower than the remaining four associated direct employment codes.

Code 949, Employment Contractor – Temporary Marketing, has also been non-controversial since the inception of the classification procedure for temporary staffing businesses. The Code 949 rating value also compares well with those of its six associated direct employment classifications. In fact, the April 1, 2010 rating value of two of the six associated direct employment classifications are higher than the Code 949 April 1, 2010 rating value.

When the 25 one-to-one temporary staffing classifications, the temporary medical services and the temporary marketing services classes are added together, they account for approximately \$6.460 billion in payroll over the five years from 2002 through 2006. This is 84.7 percent of the total five-year payroll for all temporary staffing businesses commercially insured for workers compensation over that period of time, which is \$7.628 billion.

The PCRB is aware of long-standing and firmly-held concerns about the treatment of temporary staffing enterprises, which include assertions that the Pennsylvania system assumes that temporary staffing businesses are “worse” (i.e., cost more to insure) than direct employment operations and the impression that the rating values published for temporary staffing classifications are founded upon those assumptions. In fact, the PCRB makes no such assumptions. Rather, the Pennsylvania classification and pricing system simply acknowledges that temporary staffing firms may have different experience than direct employment companies and, thus, allows any demonstrated differences (whether favorable or unfavorable) to be reflected in the rating values assigned to temporary staffing businesses. The fact that temporary staffing classification rating values have been higher than those for similar direct employment classifications is attributable and is only attributable to the persistently higher loss experience that temporary staffing businesses in Pennsylvania have reported. The fact that temporary staffing businesses are separately classified in Pennsylvania does not assume,

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RE: Classification(s) Applicable To Temporary Staffing –
Proposed Manual Language Revisions

Page 4

presuppose or require that these classifications will have higher rating values than direct employment operations, and this very same system could and would result in lower rating values for temporary staffing businesses, if and when their reported experience ever improves relative to other segments of the market.

CONTINUING PCRB RESEARCH INTO TEMPORARY STAFFING CODES

The payroll volume in five of the “grouped” temporary staffing codes in Pennsylvania is small (15.3 percent of the total five-year temporary staffing payroll). Five such codes (not counting temporary medical staffing and temporary marketing staffing, as discussed briefly above) have approximately 250 associated direct employment classifications presently mapped to them. One of the five “grouped” temporary staffing classifications alone, Code 544 (Temporary Staff - Manufacturing) has 100 associated direct employment classifications.

These large groupings of direct employment classifications can produce broad ranges of rating values for direct employment classifications within a given temporary staffing code. These differences, in turn, are often noted by temporary staffing firms if their own clients fall into the lower end of the range of rating values represented by the entire temporary staffing code.

PCRB has reviewed five of the grouped temporary staffing codes (Codes 544, 682, 929, 937 and 947) to identify possible improvements to this part of our classification plan. The proposal discussed below addresses those five “grouped” temporary staffing classifications.

As shown in Exhibit 1, the ranges of rating values applicable to the direct employment classifications within each of the temporary staffing classes addressed in this proposal are quite wide. Even for Class 682, within which the range of direct employment classification rating values is the narrowest of the five codes subject to this proposal, the highest loss cost for any included direct employment class is \$16.30, which is more than nine times the lowest such value of \$1.74.

Note that the loss costs discussed throughout this study report reflect rating values calculated prior to being adjusted to include certain surcharges that are included in approved and published loss costs. Those surcharges include provision for the funding of the Office of the Small Business Advocate, offsets for the net credits offered for participation in the Merit Rating Plan, the Certified Safety Committee Program and the Construction Classification Premium Adjustment Program.

The PCRB is proposing that the above mentioned “grouped” temporary staffing classifications be replaced by an expanded number of temporary staffing classifications, described as temporary staffing “exposure groups.” It is also being proposed that the mapping of direct employment classes into each of the new temporary staffing classes be done in such a manner that the rating values of the direct employment classes grouped within any of the new temporary staffing classes will fall within a much narrower range than is presently the case for the five affected temporary staffing codes and such that the ranges of values separating the new temporary staffing classes be more consistent.

The PCRB's initial step in realigning the mapping of the direct employment classes into new temporary staffing classes is presented in Exhibit 2. Among the 252 direct business classes mapping into the five temporary staffing classes previously noted, the highest and lowest loss costs were \$25.81 and \$0.24, respectively. Thus, the highest pertinent direct employment class rating value is more than 100 times the lowest such rating value. The PCRB chose to expand the number of temporary staffing classes from five to ten, thereby allowing the ranges of rating values mapping into each exposure group to be substantially narrower than is currently the case. Given the selection of ten exposure groups, the range of rating values between successive exposure groups was calculated to allow the highest client employment classification rating value within a temporary staffing exposure group to be approximately 60 percent higher than the lowest such rating value in the same exposure group (i.e., $1.5965 = [(\$25.81/\$0.24)^{0.1}]$). Starting with \$0.24 as the lowest loss cost contributing to Exposure Group A, each subsequent exposure group would have a starting rating value that was equal to 1.5965 times the lowest loss cost for the prior exposure group. Thus, the lower bound for Exposure Group B is \$0.38 ($\0.24×1.5965). The remaining exposure group rating value ranges were constructed in a similar manner.

All of the direct employment classes mapping into the five current temporary staffing classes were sorted in ascending order based on loss cost. Exhibit 3 shows a partial listing of those direct employment classes, including classes with the lowest and highest loss costs within each current temporary staffing classification. The direct employment classes were then assigned to temporary staffing exposure groups based on the ranges shown in Exhibit 2. Thus, Classes 984 and 988, having loss costs of 0.24 and 0.25, respectively, both map into Exposure Group A, which has a direct employment class rating value range of \$0.24 to \$0.37. Similarly, for the highest direct employment classification rating values (Classes 015, 659, 005, 803 and 009, each of which has a loss cost of \$16.27 or higher) the direct employment codes map into Exposure Group J, which has a rating value range of \$16.17 to \$25.81.

Once a temporary staffing exposure is placed into one of the current temporary staffing classes addressed in this study, there is no way of knowing the corresponding direct employment class(es) that would best describe the work being performed. Thus, a precise measurement of payrolls that each direct employment class is contributing to the current temporary staffing classes is not available. Absent such exact payroll information, the PCRB has assumed that each direct employment class's contribution to any temporary staffing class is proportional to the total payroll for that direct employment class. A measure of direct employment class payroll within each temporary staffing class allows an accounting for the movement of risks from old to new temporary staffing classifications and provides a mechanism for estimating loss costs that will maintain overall revenue neutrality.

Exhibit 4 shows the calculation of adjusted payroll attributed to each direct employment class mapping into the current temporary staffing Class 682. The payrolls shown in Column (2) represent the latest two available years of payroll and are expressed in thousands of dollars. Payrolls are shown for each direct employment class mapped to Class 682, and the sum of those payrolls is \$12,391,048,000. The total payroll for Class 682 is \$23,753,000. The adjusted payroll attributed to each direct employment class is calculated by multiplying the direct employment class payroll by the ratio of the temporary staffing class exposure to the total statewide exposure for all direct employment classes contributing to the temporary

staffing class. For Class 601 the adjusted exposure is equal to \$832,000 (i.e., $832 = 434,087 \times (23,755/12,391,048)$). It is proposed that direct employment Class 601 be mapped into the new temporary staffing Exposure Group H based on a current loss cost value of \$6.97. Thus, it is assumed that Exposure Group H will include payrolls of \$832,000 from risks corresponding to direct employment Class 601. Similar calculations were performed for each current temporary staffing class and their associated direct employment classifications.

Exhibit 5 shows the calculation of indicated and balanced loss costs for the proposed temporary staffing exposure groups. In the upper left side of the exhibit the current temporary staffing classes, their loss cost values, payrolls and expected losses are shown. The expected losses are equal to the loss cost times the payroll times ten (payroll in thousands divided by one hundred because exposure is measured in \$100 units of payroll) and are a measure of premiums to be charged prior to adjustment for carrier expenses. Expected losses for the five current temporary staffing classes subject to this proposal totals \$36,772,260.

The upper right portion of Exhibit 5 shows the proposed temporary staffing exposure groups, the adjusted payrolls, the indicated expected losses and the average indicated loss costs. The indicated expected losses are calculated by summing the products of loss cost times adjusted payroll (times ten) for each direct employment class mapping to the revised temporary staffing exposure groups. The indicated average loss cost is the ratio of indicated expected losses divided by adjusted payroll (divided by ten). For Exposure Group B the calculations are as follow:

Direct Employment Class	Loss Cost	Adjusted Payroll	Expected Losses	Indicated Loss Cost
936	\$ 0.39	\$4,153	\$16,200	
920	0.51	1,754	8,950	
963	0.53	5,597	29,660	
Total		\$11,504	\$54,810	\$0.48

Total expected losses for the proposed classes are \$13,780,480. To maintain revenue neutrality, the expected losses for the proposed classes must generate the same expected losses as the current temporary staffing classes (\$36,772,260). The bottom portion of Exhibit 5 shows the balanced and proposed loss costs for the proposed temporary staffing exposure groups. The proposed loss costs in Column (9) of Exhibit 5 are calculated by multiplying the indicated average loss cost in Column (6) by a balancing factor of 2.667. The balancing factor is approximately equal to the ratio of current loss costs (\$36,772,260) to indicated loss costs (\$13,780,480).

The proposed loss costs (pre-surcharge) are then loaded by a factor of 1.0142, which is the currently-approved provision to adjust for the combined costs associated with the funding of the Office of the Small Business Advocate and offsets for the net credits offered for participation in the Merit Rating Plan and the Certified Safety Committee Program. The result is shown in Column (10) and represents the post-surcharge loss costs.

Generally, the adjustment factor noted above would include consideration of the Construction Classification Premium Adjustment Program (PCCPAP). This program applies to specified construction classifications. Given the nature of the temporary staffing exposure groups being proposed (none of which are entirely comprised of construction activities), the administration of the PCCPAP (wherein wage levels for a prior period ending more than one year before the effective date of PCCPAP adjustments are used in computing applicable credits, while temporary staffing assignment typically have durations of less than a year) and past experience of the temporary staffing codes subject to this study (none of which have shown any recent participation in the PCCPAP) will propose that none of the new temporary staffing classes will be eligible for PCCPAP credits, and, thus, these codes would not be subject to any surcharge to offset the effect of such credits.

Exhibit 6 shows the proposed rating values, hazard groups and industry groups for the proposed temporary staffing exposure group classifications. Hazard group and industry group were selected based on the distribution of adjusted payroll for direct employment classes mapping into each temporary staffing exposure group.

FUTURE FILINGS

The PCRБ is mindful that classification rating value relativities shift over time and that the rating values of the direct employment classes mapping into the proposed temporary staffing exposure groups may subsequently move outside the bounds of currently-constructed ranges. With that possibility in mind, the PCRБ intends to review the composition of direct business classes and the ranges of direct employment classification rating values defining the temporary staffing exposure groups every three years, unless circumstances suggest that an earlier review is necessary. It is anticipated that such reviews would proceed in a manner similar to that described above.

Because the composition of direct employment classes mapping into temporary staffing exposure groups may be somewhat fluid, it is possible and perhaps likely that the PCRБ may never be in a position where five consecutive years of experience for a consistently-defined set of temporary staffing exposure groups is available for use in our traditional classification rate-making methodology. Even if there were no changes made to the composition of the temporary staffing exposure groups, the first available policy year of data would include policies effective during 2011. Five consecutive years of data would include policies effective during 2011 through 2015 and would first be available for use in a filing proposed effective in 2019.

Accordingly, the PCRБ is proposing that, as part of the annual review of classification relativities, rating values for temporary staffing exposure groups be calculated using a process much like that described herein and illustrated in Exhibits 4 and 5 attached. The major difference for future filings would be that the "Total – Ave" line under the Current Values section in Exhibit 5 would be calculated by combining the experience for the temporary staffing classes into a single Class Book page and developing an overall indicated average loss cost for the combined experience. The combination of that indicated overall loss cost and the actual payroll for temporary staffing exposure groups would provide an estimate of projected expected losses to which final rating values by class could be balanced. The Indicated and Balanced sections of Exhibit 5 would be produced as already described.

Pennsylvania Compensation Rating Bureau

Temporary Staffing Classification Study - Selected "Grouped" Classifications

Exhibit 1

	Current Temporary Staffing Class					
	544	682	929	937	947	All
Number of Direct Employment Classes	99	39	16	37	61	252
Maximum Loss Cost*	\$ 9.58	\$ 16.30	\$ 6.60	\$ 25.81	\$ 7.40	\$ 25.81
Minimum Loss Cost*	0.63	1.74	0.51	2.60	0.24	0.24
Ratio - High to Low	15.21	9.37	12.94	9.93	30.83	107.54

	Revised Temporary Staffing Class Exposure Group										
	A	B	C	D	E	F	G	H	I	J	All
Number of Direct Classes	2	3	14	21	34	70	68	31	4	5	252
Maximum Loss Cost*	\$ 0.25	\$ 0.53	\$ 0.97	\$ 1.45	\$ 2.47	\$ 3.95	\$ 6.22	\$ 9.84	\$ 11.98	\$ 25.81	\$ 25.81
Minimum Loss Cost*	0.24	0.39	0.61	1.02	1.56	2.53	3.98	6.45	10.13	16.27	0.24
Ratio - High to Low	1.04	1.36	1.59	1.42	1.58	1.56	1.56	1.53	1.18	1.59	107.54

* Based on pre-surge loss costs

Temporary Staffing Classification Study - Selected "Grouped" Classifications
 Exposure Group Loss Cost Ranges

Number of Classes	10
Maximum Loss Cost*	\$ 25.81
Minimum Loss Cost*	\$ 0.24
Average Differential	1.5965

Exposure Group	Maximum Loss Cost*	Minimum Loss Cost*
A	\$ 0.24	\$ 0.37
B	0.38	0.60
C	0.61	0.97
D	0.98	1.55
E	1.56	2.48
F	2.49	3.96
G	3.97	6.33
H	6.34	10.12
I	10.13	16.16
J	16.17	25.81

* Based on pre-surcharge loss costs

Temporary Staffing Classification Study - Selected "Grouped" Classifications
 Mapping of Direct Employment Classes to Temporary Staffing Exposure Groups

Direct Employment Class	Current Loss Cost (Pre-Surcharge)	Temporary Staffing Exposure Group
984	\$0.24	A
988	0.25	A
936	0.39	B
920	0.51	B
963	0.53	B
890	0.61	C
555	0.63	C
474	0.68	C
887	0.71	C
893	0.72	C
977	0.81	C
884	0.83	C
932	0.85	C
952	0.87	C
755	0.88	C
892	0.93	C
967	0.94	C
927	0.95	C
752	0.97	C
997	1.02	D
488	1.03	D
891	1.03	D
"	"	"
"	"	"
"	"	"
654	8.10	H
652	8.18	H
859	8.37	H
611	8.65	H
4777	8.70	H
860	8.75	H
112	9.58	H
721	9.84	H
806	10.13	I
615	10.28	I
606	10.59	I
655	11.98	I
015	16.27	J
659	16.30	J
005	16.78	J
803	18.21	J
009	25.81	J

Temporary Staffing Classification Study - Selected "Grouped" Classifications
 Estimated Payroll by Direct Employment Class for Temporary Staffing Class 682

Prior Temporary Staffing Class = 682
 Payroll (000) = \$23,753

Direct Employment Class	Payroll (\$000)	Adjusted Payroll (\$000)
601	\$ 434,087	\$ 832
602	276,791	531
603	188,582	362
605	36,694	70
606	84,032	161
607	190,567	365
608	913,553	1,751
611	5,916	11
615	3,918	8
617	282,452	541
645	504,718	968
646	167,892	322
647	80,388	154
648	257,050	493
649	170,674	327
652	1,288,564	2,470
653	701,539	1,345
654	363,852	697
655	190,260	365
656	153,127	294
657	14,581	28
658	112,844	216
659	233,310	447
660	496,389	952
663	1,680,593	3,222
664	1,362,922	2,613
665	291,635	559
666	102,015	196
667	58,671	112
668	122,186	234
669	31,982	61
670	111,387	214
673	74,173	142
674	50,074	96
675	985,742	1,890
676	114,438	219
677	224,106	430
679	19,593	38
681	9,751	19
Total	\$ 12,391,048	\$23,755

Temporary Staffing Classification Study - Selected "Grouped" Classifications
Proposed Loss Costs

Current Values

Current Temporary Staff Class	Current Pre-Surcharge Loss Cost (1)	Payroll (\$000) (2)	Current Expected Loss (3) #
544	\$8.98	\$ 212,100	\$ 19,046,580
682	12.29	\$ 23,753	\$ 2,919,244
929	4.72	\$ 43,608	\$ 2,058,298
937	10.18	\$ 41,102	\$ 4,184,184
947	4.36	\$ 196,421	\$ 8,563,956
Total - Ave	\$7.11	\$ 516,984	\$ 36,772,262

(3) = (1)*(2)*1,000/100

Indicated Values

Temporary Staff Exposure Group	Adjusted Payroll (\$000) (4)	Indicated Expected Loss (5)	Average Pre-Surcharge Loss Cost (6)=(5)/(4)*10
A	\$59,537	\$145,780	\$ 0.24
B	11,504	54,810	0.48
C	40,198	320,120	0.80
D	61,627	768,960	1.25
E	96,851	1,914,220	1.98
F	133,215	4,191,810	3.15
G	86,872	4,187,000	4.82
H	25,432	1,953,500	7.68
I	903	98,980	10.96
J	846	145,300	17.17
Grand Total	\$516,985	\$13,780,480	\$ 2.67

Balanced Values

Balancing Factor = 2.667

Temporary Staff Exposure Group	Adjusted Payroll (\$000) (7)	Indicated Expected Loss (8) ##	Proposed Pre-Surcharge Loss Cost (9)=(6)*2.667	Proposed Post-Surcharge Loss Cost (10)=(9)*1.0142
A	\$59,537	\$381,037	\$ 0.64	\$ 0.65
B	11,504	147,251	1.28	1.30
C	40,198	856,217	2.13	2.16
D	61,627	2,052,179	3.33	3.38
E	96,851	5,113,733	5.28	5.35
F	133,215	11,190,060	8.40	8.52
G	86,872	11,163,052	12.85	13.03
H	25,432	5,208,474	20.48	20.77
I	903	263,947	29.23	29.65
J	846	387,383	45.79	46.44
Grand Total	\$516,985	\$36,763,333		

(8) = {(7)*1,000/100}*(9)

PENNSYLVANIA COMPENSATION RATING BUREAU

TEMPORARY STAFFING CLASSIFICATION STUDY - SELECTED "GROUPED" CLASSIFICATIONS
LOSS COSTS AND EXPECTED LOSS FACTORS
FOR PENNSYLVANIA WORKERS COMPENSATION INSURANCE
PROPOSED RATING VALUES

EXPOSURE GROUP	CODE NO	LOSS COST	EXPERIENCE RATING PLAN EXPECTED LOSS FACTORS TABLE *			HAZARD GROUP A - G	HAZARD GROUP 1 - 4	INDUSTRY GROUP
			A-1	A-2	A-3			
A	520	0.65	0.35	0.45	0.52	C	2	3
B	521	1.30	0.70	0.91	1.04	C	2	3
C	522	2.16	1.17	1.51	1.73	C	2	3
D	523	3.38	1.83	2.36	2.70	C	2	3
E	524	5.35	2.90	3.74	4.29	C	2	3
F	525	8.52	4.61	5.95	6.82	C	2	3
G	526	13.03	6.99	9.12	10.40	D	2	1
H	527	20.77	11.15	14.53	16.57	E	3	1
I	528	29.65	16.04	20.72	23.74	F	3	3
J	529	46.44	25.12	32.45	37.20	G	4	3