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ACTUARIAL AND CLASSIFICATION & RATING COMMITTEES – RECORD OF JOINT MEETING

A meeting of the Actuarial and Classification & Rating Committees of the Pennsylvania Compensation Rating Bureau was held in the offices of Duane Morris LLP, Conference Room 12K, 12th Floor, United Plaza Building, 30 South 17th Street, Philadelphia, Pennsylvania on Wednesday, December 1, 2015 at 10 a.m.

The following members were present:

Actuarial Committee

Ms. M. Gaillard*	American Home Assurance Company
Mr. C. Szczepanski	Donegal Mutual Insurance Company
Ms. M. Sperduto	Harleysville Insurance Company
Ms. C. Bergh	Hartford Accident & Indemnity Company
Ms. N. Treitel-Moore*	Liberty Mutual Insurance Company
Mr. S. Curlee	PMA Insurance Company
Mr. N. Rugge	Selective Insurance Company
Mr. R. Willsey	Travelers Property and Casualty Company
Ms. C. Lutz	XL Insurance Company

Classification and Rating Committee

Mr. A. Iuliano	AmeriHealth Casualty Insurance Company
Ms. M. Gaillard*	American Home Assurance Company
Not Represented	Graphic Arts Association
Ms. J. MacMullan	Harleysville Insurance Company
Ms. N. Treitel-Moore*	Liberty Mutual Insurance Company
Not Represented	Malt Beverage Distributors Association
Mr. J. Hanna	Mutual Benefit Insurance Company
Not Represented	National Federation of Independent Business
Not Represented	Pennsylvania Automotive Association
Mr. D. McCorkle	Pennsylvania Food Merchants Association
Not Represented	Pennsylvania Newspaper Association
Not Represented	Pennsylvania Retailers' Association
Not Represented	Westfield Insurance Company
Mr. R. Duesberry	Zenith Insurance Company

Also present were:

Mr. M. Miller	BerkleyNet
Mr. E. Gladfelter	Berkley Mid-Atlantic Group
Mr. S. Crossley	Eastern Alliance Insurance Company
Ms. C. Jenkins	Eastern Alliance Insurance Company
Mr. R. Moss	National Council on Compensation Insurance, Inc.
Mr. C. Romberger	Coal Mine Compensation Rating Bureau of Pennsylvania
Mr. S. Cooley	Duane Morris LLP
Ms. D. Belfus	PCRB Staff
Mr. K. Creighton	PCRB Staff
Mr. B. Decker	PCRB Staff
Mr. J. Pedrick	PCRB Staff
Ms. B. Piacentino	PCRB Staff
Mr. W. Taylor	Chair - Ex Officio, PCRB
Mr. C. Whipple	PCRB Staff

* - Recognized representative of the Actuarial Committee, also an alternate representative for the Classification & Rating Committee.

The Antitrust Preamble was read at the beginning of the meeting for the benefit of all participants.

All Committee members and other attendees made self-introductions.

The electronic distribution of agenda materials in advance of the meeting was noted, and all Committee members and other attendees were encouraged to participate in the meeting by raising questions or posing suggestions as those arose during the course of discussion.

ITEM (1) REVIEW OF APRIL 1, 2016 LOSS COST FILING

A discussion package of materials was provided to attendees for reference during the presentation of key findings from staff's work and to facilitate discussion. The meeting discussion proceeded to address the loss cost change indication and its supporting materials. Questions were posed, responses were given and/or discussion ensued as indicated by the "Question," "Answer," "Discussion" and "Comment" entries, noted in bold, inserted below:

<u>Overall Loss Cost Change Indication</u>

Exhibit 12 of the agenda materials was referenced. Exhibit 12 was replicated in the discussion package as a visual aid for the meeting discussion.

Exhibit 12.1, duplicated as page 1 of the discussion package, presents a summary of the PCRB's standard calculation of the indicated change in loss costs. Loss ratios selected for indemnity and medical benefits are shown for each of the three most recent available completed policy years, i.e., 2011, 2012 and 2013. Trended loss ratios based on each of the Policy Years 2011, 2012 and 2013 are shown on Lines (5) through (7), with the resultant

average trended loss ratio shown on Line (8). The trended medical loss ratios include an adjustment to trend due to House Bill 1846 of 2014 (HB1846). Line (9) includes a separate "savings factor" adjustment, also due to the impact of HB1846. The resulting overall indicated change in loss costs is 0.9910, or -0.90%.

Page 2 of the discussion package is a chart illustrating the four primary parts of the overall change. Indemnity loss ratios stated at ultimate value imply a decrease of 1.17 percent. Indemnity trend adds 0.12 percentage points to the decrease, resulting in an intermediate value of -1.29%. Medical loss ratios stated at ultimate value reduced the decrease by 0.32 percentage points, and medical trend reduced it an additional 0.07 percentage points, resulting in the overall indicated change of -0.90%.

Loss Development

Attendees were advised that the loss development analysis supporting the April 1, 2016 loss cost filing was presented on Exhibits 5, 6, 7 and 10 of the meeting agenda materials.

The basis for the overall loss cost change was described as beginning with the evaluation of ultimate costs of prior policy years. The underlying data for that evaluation was obtained from aggregate financial calls as summarized in Exhibit 5. This data was presented on a consistent basis reflecting effects of Act 44 of 1993 (a law containing a variety of changes to the processes and parameters used to determine medical benefits for workers compensation cases in Pennsylvania) and Act 57 of 1996 (primarily consisting of changes to the system controlling indemnity benefits for workers compensation claims in Pennsylvania). Continuing practices of prior Pennsylvania filings, Exhibit 5 excluded data for policies written on a large deductible basis. Staff described procedures used to assemble reported data from consistent groups of companies for each age-to-age comparison supported by Exhibit 5, noting that some companies either did not report data at certain evaluations or reported data that was not used in the filing analysis for a variety of reasons related to data quality.

Question: A committee member inquired about the approach that was described for loss development. Of particular interest was whether or not the inclusion of a particular company or group is independent between one stage of development and another stage of development and if there are some companies whose experience is excluded altogether.

Answer: The inclusion of a company or group is independent from one stage of development to another and some companies or groups are removed at all stages of development. Staff noted that this approach to calculating loss development factors is done to maximize the use of available data. It was also mentioned that approximately 97 percent of the Pennsylvania workers compensation market was reflected in the most recent calendar year.

Exhibit 6 was noted as a key element of the PCRB's analyses of both loss development and trend. Premium development was presented on Page 6.1 of this exhibit. Loss development analyses for indemnity and medical benefits had been performed using both paid loss and case incurred loss methods. Calculations for indemnity benefits were shown on Pages 6.2 through 6.6, while the counterpart pages for medical benefits were 6.14 through 6.18.

Tail factors for loss development calculations were derived using a methodology presented in Exhibit 7 of the agenda materials.

Staff described the PCRB's approach to loss development and the role of that analysis in the filing preparation. PCRB customarily used the average of the two most recent calendar years of development as a basis for deriving age-to-age factors in its filings. For each successive filing, a new calendar year of data was added, and loss development factors from the older of the two years used in the previous filing were dropped from the analysis. This process effectively replaced the older of the two years used in the most recent previous filing with the newest available year. For the April 1, 2016 filing, the newest available calendar year of loss development data available was that of Calendar Year 2014. The older of the two development periods relied upon in preparing the April 1, 2015 filing had been Calendar Year 2012. Calendar year 2013 had been included in the work supporting the 2015 filing and was retained for use in the 2016 filing.

Page 3 of the discussion package presented graphs of cumulative indemnity paid loss development factors taken from supporting information for the April 1, 2015 filing and the proposed April 1, 2016 filing, respectively. Page 3 showed the five maturities from 1st report (policy year at 24 months) to 5th report (policy year at 72 months). This comparison illustrated the change in indemnity paid loss development experience for the 2016 filing in comparison to the filing underlying present loss costs.

The comparisons on Page 3 showed slight improvement in paid indemnity loss development for the five earliest maturities in the 2016 filing, since the cumulative development factors derived for the April 1, 2016 filing were nominally lower than those taken from the April 1, 2015 filing.

Page 4 of the discussion package presented graphical comparisons of cumulative indemnity paid loss development factors derived in the same fashion as the comparisons on Page 3. Page 4 covered indemnity paid loss development after 6th report (policy year at 84 months). This separation of maturities from those reflected on Page 3 allowed the graph scale to be more informative of differences for later maturities, for which development factors become relatively small.

The comparisons on Page 4 showed small but consistent improvement in paid indemnity loss development through 17th report for the 2016 filing, with cumulative development factors for the later maturities being very similar for both filings.

Pages 5 and 6 of the discussion package compared incurred indemnity loss development factors taken from the April 1, 2015 and proposed April 1, 2016 filings. Page 5 included the five maturities from 1st report to 5th report, and Page 6 presented development for maturities from 6th report and beyond.

Page 5 showed negligible increases and decreases in indemnity incurred loss development in every early maturity for the April 1, 2016 filing.

The comparisons on Page 6 showed consistent improvement in incurred indemnity loss development through 22nd report for the 2016 filing.

Pages 7 and 8 of the discussion package addressed paid medical loss development in the same fashion as Pages 4 and 4 had dealt with paid indemnity data.

Page 7 showed nominal deterioration (higher) loss development for the April 1, 2016 filing than the prior filing.

Page 8 showed higher cumulative medical paid loss development factors for the April 1, 2016 filing for most reports, with factors for the 11th through 16th reports showing some improvement between the two filings.

Pages 9 and 10 of the discussion package addressed case incurred medical loss development in the same fashion as Pages 6 and 7 had dealt with case incurred indemnity data.

Page 9 showed noticeable increases in the cumulative medical loss development factors between the 2015 and 2016 filings.

Page 10 illustrated mixed comparisons of development factors for the 2016 filing through 17th report, with later comparisons being very similar between the 2015 and 2016 filings.

Pages 11 and 12 of the discussion package presented information also contained, in part, on Pages 10.1 and 10.2 of Exhibit 10 of the filing materials, that being comparisons of the estimated ultimate loss ratios derived using paid loss and case incurred loss development approaches. Page 11 showed comparisons for indemnity loss in which newer policy year estimates were lower using the case incurred development method than the paid loss development method. These differences became less significant for older policy years, and the two methods converged for the oldest policy years illustrated on Page 11.

Page 12 of the discussion package presented comparisons of the estimated ultimate loss ratios for medical derived from using paid loss and case incurred loss development approaches. The pattern of comparisons was very similar to that observed for indemnity loss on Page 11, with newer policy years showing the case incurred loss development method having lower estimates than the paid loss development method and with the differences becoming less significant for older policy years.

The patterns illustrated on Pages 11 and 12 of the discussion package were noted as being similar to results from other recent PCRB filings. Consistent with the approach used in numerous recent PCRB filings, the loss cost change indication had been derived using the average of paid loss and case incurred loss development methods applied separately to indemnity and medical losses.

Page 13 of the discussion package provides a graphical depiction of the ratio of open to reported indemnity claims. There are 6 lines showing this ratio at 6 different report levels: 1st, 2nd, 3rd, 4th, 7th, and 10th, for policy years since 1999. The ratio at 1st report shows growth from the earlier policy years, but has remained between 0.350 and 0.375 since Policy Year 2003. The other measures show gradual improvement in the ratio. Overall, this shows a slight improvement in closure rates.

Question: A committee member wondered if the Medical Cumulative Incurred Loss Development Factors (Page 9 of the discussion package) matched up correctly with Exhibit 6.

Answer: The graph on Page 9 is correct, which matches with the medical cumulative incurred loss development factors on Page 6.15 of Exhibit 6.

Comment: A suggestion was made to show a history of loss development factors.

Comment: Staff noted that there is a history of age-to-age factors shown for both indemnity and medical on Pages 6.2 and Page 6.14, respectively.

Question: There was an inquiry as to whether or not the PCRB used the same adjustment factor for legislative changes (Act 44 of 1993 and Act 57 of 1996). There was also a question concerning the consistency in methodology compared to past filings.

Answer: The adjustment factor to calculate loss data on a post-law basis has been the same each year. Staff noted that while the same actuarial methodologies were used for this filing as in past filings, the PCRB is planning on reexamining actuarial methods to see what changes could be beneficial. Staff indicated that the PCRB would like to hold an actuarial committee meeting in the spring to discuss such matters.

Claim Frequency Trend

Exhibit 8 of the agenda materials derived the filing's metric for claim frequency trend. Page 14 of the discussion package provides the calculation of frequency trend. This is followed by two charts showing overall frequency on Page 15, and frequency by industry group on Page 16. The overall frequency chart on Page 15 illustrates how the selection of the 7-point exponential fit strikes a reasonable balance between the need for a stable estimate of future claim frequency and the need to reflect recent data. The last seven points on the chart display a recurring shape in the curve – a concavity over the first four of the seven points that is repeated over the last four of the seven points. This illustration provides support for the selection of a 7-point fit, which provides an annual rate of claim frequency decrease of 4.5 percent. Page 16 shows the frequency trend exhibited by the three industry groups. Manufacturing and Contracting show lower trends of -5.0 percent and 6.1 percent, respectively. The Other industry group, which comprises the bulk of the expected loss, shows a trend of -4.2 percent.

Comment: A committee member observed that the PCRB's frequency trend is not on the same basis as the NCCI's since the PCRB does not adjust expected losses to a common wage level. Therefore, the PCRB's frequency trend cannot be compared to the NCCI's frequency trend, which is approximately -2.0 percent for NCCI states.

Answer: Staff affirmed the observation that the PCRB's frequency calculation does not adjust expected losses to a common wage level. That is, payroll (wage) trend is included in the PCRB's calculation of frequency trend but not in the NCCI's calculation.

Claim Severity Trend

Exhibits 6, 9, 10 and 11 were pertinent to the PCRB's analysis of claim severity trend.

Staff provided a brief overview of the PCRB's customary trending procedures, which separated loss ratio trends into claim frequency and claim severity components. The calculation of "severity ratios" by adjusting loss ratios for observed changes in claim frequency was outlined, with reference to Pages 6.6 and 6.18 of Exhibit 6. Estimation of severity trends was accomplished in Exhibit 6 (Pages 6.6 through 6.10 for indemnity severity ratios and Pages 6.18 through 6.22 for medical severity ratios). Pages 10.3 and 10.4 of Exhibit 10 displayed time series of severity ratios thus derived.

Pages 17 through 22 of the discussion package showed calculations and graphs of historical severity ratios and trend lines projecting future severity ratios based on prior policy years. Page 17 shows the calculation of the 7-point exponential trend for the indemnity severity loss ratios. The result is an increasing trend of 1.5 percent per year. Page 18 shows a graph of indemnity severity ratios. Page 19 shows the frequency, severity and overall trend points for indemnity. This can also be seen in Exhibit 10, on page 10.5.

Question: A committee member made an inquiry concerning the process of calculating severity ratios. The suggestion was also made to show severity in dollar amounts for easier comparison.

Answer: Staff answered that severity loss ratios are calculated by dividing actual loss ratios by normalized frequency.

Page 20 shows the calculation of the 7-point exponential trend for the medical severity loss ratios. The result is an increasing trend of 3.89 percent per year. An adjustment for HB1846 reduces this by 0.19 percentage points, producing severity trend of 3.70 percent for time periods on and after 1/1/2015. Page 21 shows a graph of medical severity ratios. Page 22 shows the frequency, severity and overall trend points for medical. This can also be seen in Exhibit 10, on page 10.6.

House Bill 1846 of 2014 (HB1846)

Staff provided an overview of provisions in this legislation, including the following:

- Reimbursement for repackaged drugs dispensed by a physician were limited to 110 percent of the Average Wholesale Price as determined by reference to the original manufacturer's National Drug Code number, and could not be based on a repackaged National Drug Code number.

- No outpatient provider, other than a licensed pharmacy, could be reimbursed for Schedule II drugs in excess of one initial seven-day supply beginning on the initial treatment for a work injury or illness, or in excess of an additional 15-day supply immediately after a medical procedure including surgery.

- No outpatient provider, other than a licensed pharmacy, could be reimbursed for Schedule III drugs containing Hydrocodone in excess of one initial seven-day supply beginning on the initial treatment for a work injury or illness, or in excess of an additional 15-day supply immediately after a medical procedure including surgery.

- No outpatient provider, other than a licensed pharmacy, could be reimbursed for "any other drug" (interpreted to mean drugs not listed in Schedule II and not listed in Schedule III and containing Hydrocodone) in excess of one initial 30-day supply beginning on the initial treatment for a work injury or illness.

- The above time limitations applied across health care providers involved in treating each workers compensation claim.

- No outpatient provider, other than a licensed pharmacy, could be reimbursed for over-the-counter drugs.

- The PCRB was required to calculate the savings achieved through implementation of HB1846 within 18 months following its effective date (with the effective date being December 26, 2014 based on signature of the bill having taken place on October 27, 2014).

Staff's evaluation of HB1846 in the April 1, 2015 loss cost filing, Exhibit 34, using Medical Data Call submissions was referenced. That analysis identified two elements needed to adjust for this legislative change. The first is a savings factor applied to the average trended ultimate medical loss ratio in Exhibit 12.1. The second is a reduction in medical severity trend, "a deflection", which reduced the selected trend by 0.19%, annually. Since this second element compounds over time, the overall trend deflection, and the combined impact of both elements differ from those shown in the previous year's filing.

Question: A committee member expressed concern regarding double counting the impact of HB1846 in the future when the experience of later policy years would include the impact of HB1846. Staff was also asked if medical data impacted by that legislation had been received.

Answer: Staff affirmed that the HB1846 savings contained in this filing does not double count the impact of HB1846 since post-HB1846 data is not included in this year's filing. Staff noted that appropriate steps will be taken in future filings so as not to double count the impact of HB1846. Regarding medical data, the PCRB currently has medical data through the first quarter of 2015. Staff noted that there is about a six-month lag in receiving this data and that it would take some time to retrospectively review the true savings of HB1846.

Discussion next addressed selected agenda exhibits pertaining to pricing programs as identified following.

Experience Rating Plan

Staff referred to Exhibits 18a, and 18b of the agenda materials.

Exhibit 18a showed historical results of applying the Experience Rating Plan over a period of five successive years, organized by year, industry group, and premium size and modification range. It was noted that Exhibit 18a presented Experience Rating Plan results prior to the effects of capping, recognizing that the selected capping procedures were intended to mitigate year-to-year movement in experience modifications but would not be expected to improve the accuracy of the modifications thus issued.

Illustration of effects of the Experience Rating Plan was provided by reference to Pages 24 and 25 of the discussion package, which replicated materials included in Exhibit 18a.

Page 24 (credit risks) showed a pattern that might suggest that the Experience Rating Plan could provide higher credibility than was assigned in the current plan for risks above $50,000 or $100,000. Page 25 (debit risks) suggested that the Experience Rating Plan might apply too low credibility assignments across the spectrum of risk sizes.

Question: Referencing Page 24 of the discussion package, it was asked if there would be a straight line through the value of 0.00 if the Experience Rating Plan was performing optimally. If that were true, it was suggested that the Experience Rating Plan would need to be investigated.

Answer: The answer was in the affirmative.

Question: A committee member asked about the average experience modification over time and if those results are shown in the exhibits.

Answer: Staff directed the attendee to Page 28 in last year's Brown Book and indicated that the reciprocal of the Collectible Premium Ratios is the average experience modification, which was 0.98.

Exhibit 18b was referenced as a summary page formatted identically to Exhibit 18a but reflecting the impacts of capping procedures adopted incrementally with initial swing limits adopted in 2004 and additional transition capping procedures added effective April 1, 2006. The effects of capping were observed to be small across all risk sizes, but potentially significant for some individual accounts.

Pages 26 and 27 of the discussion package were similar to pages 24 and 25 but displayed the results of experience rating using capped experience modifications (i.e., calculated experience modifications after the application of prevailing limitations on changes in experience modifications from year to year.)

Loss Based Assessments and Employer Assessment Factor

Exhibit 13 was reviewed. It provides the discussion and analysis behind these assessment and resulting factors. The calculations use PCRB member paid loss data from 2014, the most recent calendar year, and determine the ratios of amounts required for the Administration Fund, the Subsequent Injury Fund, the Supersedeas Fund, and the Uninsured Employers Guaranty Fund. A factor is also calculated for the Office of Small Business Advocate, the Merit Rating Plan, and the Certified Safety Committee Program.

Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP)

Exhibit 14 of the agenda materials was reviewed with all attendees.

The purpose of the PCCPAP program was described as responding to wage differentials within the construction industry, providing a program of premium credits to higher-wage employers. These credits were offset by loadings applied to construction classifications, reflecting the portion of employers participating in the program and the average premium credit obtained by those participating businesses, thus maintaining the required premium level in each classification.

The table of qualifying wages applicable to the PCCPAP was regularly amended based on actual changes in statewide average wage levels, with such filings subject to review and approval by the Insurance Department and typically effective each October 1.

Staff noted that the average PCCPAP loading indicated, based on the most recent available data, was nominally lower than that currently in effect (2.51 percent proposed vs. 2.60 percent current). This was attributed to the effects of recent increases in participation in the program and average credits being awarded to participating risks.

Question: A committee member asked if the PCCPAP was working well.

Answer: Staff mentioned that a study of this has been done and is available on the PCRB website. It was noted that this study has shown in the past that this program worked well in Pennsylvania. It was also explained that the inception of the PCCPAP was a result of legislation. Lastly, it was mentioned that PPCPAP is intended as a revenue neutral program.

Comment: It was suggested that a tweaking of this program would be appropriate.

Merit Rating Plan

Exhibit 15 of the agenda materials was used as the basis for this discussion.

The Merit Rating Plan was noted as a statutory requirement intended to provide incentive for the maintenance of safe workplaces for businesses too small to qualify for the uniform Experience Rating Plan. Exhibit 15 presented the offset to manual loss costs required to compensate for the net credit received by all eligible employers under this plan (0.29 percent), which is the same as the level currently in effect.

Loss Cost Relativities by Classification

Exhibit 17 presented a narrative discussion of the procedures applied to derive classification loss cost relativities. Staff noted that these procedures were generally unchanged from those of the most recent previous loss cost filing.

Exhibits 20b and 20c of the agenda materials were offered as summary tabulations, based on unit statistical data, used to derive certain parameters applied in the determination of classification loss cost relativities.

Question: Staff was asked what was still missing from the Agenda Package that would be contained in the filing and if the loss cost indication was expected to change.

Answer: The Class Book and Excess Loss Factors were cited as examples of items that were not included in the Agenda Package. Staff said that the indication is not expected to change.

Comment: The inquirer suggested a teleconference to discuss Excess Loss Factors.

Staff announced its intention to hold a Joint PCRB and DCRB Actuarial Meeting in the spring to discuss methodologies, potential changes in developing ultimate losses, the Experience Rating Plan, adding or deleting of filing exhibits and other topics.

Comment: Suggestions from attendees included a review of the Experience Rating Plan, expansion of the number of industry groups, discussion of the class ratemaking process, a review of methodology used to develop Excess Loss Factors, the collection of accident year data and modification of the filing's presentation.

Staff proposed a spring Joint Actuarial Meeting date of May 24, 2016 and a PCRB Joint Actuarial and Classification & Rating Committees Meeting date of November 17, 2016.

Question: The lateness of the May date was questioned and a February date was suggested. An attendee also asked if industry representatives could participate in the spring Actuarial Meeting, given that topics such as the Experience Rating Plan have a broad impact.

Answer: Staff assured the attendees that these suggestions would be taken into consideration when scheduling the meetings.

Staff Memorandum Dated November 20, 2015 – Class Study of Code 970, Athletic Team – Professional and Semi-professional

The changes were broadly described as follows:

- Split Code 970 into separate contact and noncontact sports with Code 970 used for contact sports teams and create a new Code 991 for noncontact sports teams.

- Set the maximum auditable professional and semiprofessional athlete payroll at four times Pennsylvania's statewide average weekly wage which, when rounded to the nearest $10,000, results in the proposed amount of $200,000.

Question: A committee member asked how different the rating values are for contact and non-contact classifications.

Answer: Staff replied that there is minimal difference in the rating values.

Question: A committee member asked if seasonality of sports teams was considered in the Class 970 study.

Answer: Staff replied that payroll is considered to be on an annual basis.

Question: An attendee wondered if these professional teams are in the voluntary market or residual market.

Answer: Staff affirmed that the various teams are insured in both the voluntary and residual markets. However, the sports classification(s) and, in particular, professional teams, are generally written in the voluntary market.

Staff Memorandum Dated November 4, 2015 – Auditable Payroll Values Indexed to the Statewide Average Weekly Wage

Staff noted that the Manual designated various auditable weekly or annual payrolls, including the weekly maximum musicians' or entertainers' payrolls, the weekly minimum and maximum corporate officer payrolls, the annual taxicab operator payroll and the annual minimum auxiliary or special school police payroll.

A staff memorandum dated November 4, 2015, outlining appropriate revisions to the currently-approved parameters in these cases, was presented for discussion. Continuing a transitional program begun with the April 1, 2013 filing, the minimum corporate officer auditable payroll was proposed to be computed as 90 percent of the SAWW effective January 1, 2015. As the January 1, 2015 SAWW was $951, the resulting minimum auditable corporate officer payroll was $850 per week.

The maximum individual payroll for executive officers was proposed to change from $2,350 to $2,400 per week.

The annual payroll applicable to taxicab operators in the absence of payroll records was proposed to change from $46,600 to $47,550, and the minimum payroll for auxiliary police or special school police appointed by municipalities or townships was proposed to increase from $4,650 to $4,750 per year. Each of these parameters was maintained annually by reference to Pennsylvania's SAWW, with the convention of rounding results to the nearest $50 applied.

The above changes were proposed to become effective on a new and renewal basis April 1, 2016.

Staff Memorandum Dated November 3, 2015
Proposed Manual Language Revisions to Sections 1 and 2 (Housekeeping)

No changes to classification loss costs were anticipated as a result of the collective language revisions proposed in the captioned memorandum. The changes were broadly described as follows:

- Deletion of Code 648, Carpentry – Installation of Cabinet Work, Underwriting Guide entry "Door or Door Frame Erection – Wood," and to concurrently consolidate the assignment of all door installation, except for overhead doors (whose installation will remain assignable to Code 675, officially entitled "Machinery or Equipment Erection or Repair"), to Code 651 or to Code 652, Carpentry – Residential.

- Deletion of certain language related to Code 647, Insulation Work, N. O. C.

- Changing language related to Code 759, Cable Television Operators, to classify contractors by the contractor's field of business instead of assigning the contractor's business to the customer's applicable classification.

Discussion: Staff proposed a Joint PCRB and DCRB Classification & Rating Committee Meeting for June 8, 2016.

Comment: A committee member mentioned that June 7, 2016 would be better.

Answer: Staff noted that both dates will be considered in a memo for the purpose of communicating and confirming the recommended meeting.

Comment: Staff advised that the PCRB is in the process of making an Anniversary Rating Date filing effective May 1, 2017 and an Audit Noncompliance Charge filing effective January 1, 2017, based upon the NCCI national filings underway.

There being no further business for the Committees to consider, the meeting was adjourned.

Respectfully submitted,

William V. Taylor
Chair - Ex Officio

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