

PENNSYLVANIA COMPENSATION RATING BUREAU
PENNSYLVANIA CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM (“PCCPAP”)

The PCCPAP is used in Pennsylvania as a means of addressing construction employers’ concerns regarding the effects of wage differentials on workers compensation premium. The program establishes a set of tabular premium credits given to employers engaged in the construction trades and who have paid wages in excess of minimum qualifying levels.

The PCCPAP is intended to be a means of redistributing a portion of workers compensation insurance premiums between lower-wage and higher-wage employers. On balance, the program is intended to be revenue neutral.

The PCRB has assembled 2017 policy year experience data that provides historical measures of the extent to which employers in each eligible classification have qualified for PCCPAP credits, and the magnitude of credits granted under this program. The attached exhibit presents the staff analysis of this experience, and derives a proposed revised set of PCCPAP loadings to maintain the intended balance within the affected classifications. A brief description of Page 14.1 follows:

Column (1) - Class: The numeric designation of each classification eligible for PCCPAP credit.

Column (2) - # of Policies (Total): The number of policies reported in each class, whether or not those policies applied for or received PCCPAP credit.

Column (3) - # of Policies (PCCPAP): The number of policies qualified for PCCPAP credit for the 2017 policy term.

Column (4) - Payroll (Total): The payroll attributable to the policies reported in column (2).

Column (5) - Payroll (PCCPAP): The payroll attributable to policies reported in column (3).

Column (6) - PCCPAP Policy Premium, Pre-PCCPAP: The Standard Premium which would have applied to qualifying PCCPAP policies ABSENT both the tabular PCCPAP credit and the adjustment to that tabular credit to offset any redundancy resulting from the calculation of experience modifications. The current PCCPAP load on Manual Rates is omitted from this calculation.

Column (7) - PCCPAP Policy Premium, Post-PCCPAP: The Standard Premium attributable to qualifying PCCPAP policies, reflecting BOTH the tabular PCCPAP credits and the adjustment to that tabular credit to offset any redundancy resulting from the calculation of experience modifications. The current PCCPAP load on Manual Rates is omitted from this calculation.

Columns (8) and (9) - Non-PCCPAP Policy Premium: The Standard Premium attributable to policies that did not qualify for PCCPAP credit in 2017. The current PCCPAP load on Manual Rates is omitted from this calculation.

Column (10) - Indicated Surcharge: The ratio of Pre-PCCPAP premiums for both qualifying and non-qualifying policies to Post-PCCPAP premiums for those same policies. Computed as (Column (6) + Column (8)) / (Column (7) + Column (9)).

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Column (11) - Average PCCPAP Credit: For qualifying policies, the average credit given in 2017. For example, an average credit of 0.086 indicates that the average qualifying risk in Code 601 received an 8.6 percent reduction in standard premium by operation of the PCCPAP plan’s tabular credit and experience rating plan adjustment. This is computed as $(1.00 - (\text{Column (7)} / \text{Column (6)}))$.

Column (12) - Class “Z”: This is the credibility assigned each classification’s indicated PCCPAP surcharge. The partial credibility formula is the square root of (the number of policies divided by 335, the standard for full credibility). Staff perceives the use of total policies to be more appropriate where large portions of a class have not historically qualified for PCCPAP credit.

Column (13) - Formula Surcharge: The credibility-weighted classification loadings for PCCPAP credits. The calculation uses the following values:

$$\text{Column (10)} \times \text{Column (12)} + (1.00 - (\text{Column (12)}) \times \text{Average Column (10)})$$

Column (14) - TCF: The test correction factor necessary to balance credibility-weighted surcharges across all classifications to the overall indicated surcharge of 2.43 percent.

Column (15) - Final Surcharge: The product of the TCF (Column (14)) and the formula surcharges (Column (13)) by classification.

Page 14.2 shows a comparison of current and proposed PCCPAP surcharges by class and overall.

PCCPAP Surcharges

100% Credibility = 335 Policies

For Policy Effective Dates 01/01/17 Through 12/31/17

Partial Credibility = $\sqrt{\# \text{ of Policies} / 335}$

Class	# of Policies (Total)	# of Policies (PCCPAP)	Payroll (Total)	Payroll (PCCPAP)	***PCCPAP Policies***		**Non-PCCPAP Policies**		Indicated Surcharge	Average PCCPAP Credit	Class "Z"	Formula Surcharge	TCF	Final Surcharge
					Pre-PCCPAP	Post-PCCPAP	Pre-PCCPAP	Post-PCCPAP						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
601	387	59	465,555,966	68,444,220	2,963,747	2,708,815	18,526,615	18,526,615	1.0120	0.0860	1.00	1.0120	0.9996	1.0116
603	262	50	100,602,583	18,764,420	908,395	773,917	3,348,117	3,348,117	1.0326	0.1480	0.88	1.0316	0.9996	1.0312
605	40	3	16,931,218	565,204	23,554	20,096	864,423	864,423	1.0039	0.1468	0.35	1.0172	0.9996	1.0168
606	32	0	97,629,571	0	0	0	3,640,573	3,640,573	1.0000	0.0000	0.31	1.0168	0.9996	1.0164
607	435	23	562,639,571	32,149,572	817,553	648,680	14,096,712	14,096,712	1.0115	0.2066	1.00	1.0115	0.9996	1.0111
608	2,495	229	522,975,204	99,976,783	4,884,689	4,202,728	20,281,081	20,281,081	1.0279	0.1396	1.00	1.0279	0.9996	1.0275
609	2,499	193	1,426,940,991	131,923,956	4,144,176	3,572,146	38,775,594	38,775,594	1.0135	0.1380	1.00	1.0135	0.9996	1.0131
611	23	10	9,566,261	3,222,049	198,621	178,064	360,052	360,052	1.0382	0.1035	0.26	1.0279	0.9996	1.0275
615	4	0	376,501	0	0	0	26,217	26,217	1.0000	0.0000	0.11	1.0216	0.9996	1.0212
617	320	58	371,486,236	39,369,482	875,490	763,521	7,238,319	7,238,319	1.0140	0.1279	0.98	1.0142	0.9996	1.0138
645	758	112	266,704,673	91,138,943	4,551,565	3,931,935	8,743,053	8,743,053	1.0489	0.1361	1.00	1.0489	0.9996	1.0485
646	399	44	97,347,480	16,431,884	625,156	510,968	3,404,750	3,404,750	1.0292	0.1827	1.00	1.0292	0.9996	1.0288
647	243	7	46,283,645	1,741,885	80,741	60,666	2,517,753	2,517,753	1.0078	0.2486	0.85	1.0103	0.9996	1.0099
648	1,159	48	133,631,895	15,880,143	743,505	620,356	5,795,737	5,795,737	1.0192	0.1656	1.00	1.0192	0.9996	1.0188
649	248	76	82,098,631	44,845,690	1,020,384	872,698	1,033,677	1,033,677	1.0775	0.1447	0.86	1.0701	0.9996	1.0697
651	2,573	249	723,122,851	124,035,446	5,950,534	5,045,146	30,046,086	30,046,086	1.0258	0.1522	1.00	1.0258	0.9996	1.0254
652	6,055	32	493,912,676	7,952,241	607,323	515,227	35,825,303	35,825,303	1.0025	0.1516	1.00	1.0025	0.9996	1.0021
653	1,786	129	295,577,478	69,012,606	3,580,572	3,120,063	12,635,038	12,635,038	1.0292	0.1286	1.00	1.0292	0.9996	1.0288
654	565	110	260,194,726	55,788,138	3,146,335	2,691,658	11,224,292	11,224,292	1.0327	0.1445	1.00	1.0327	0.9996	1.0323
655	414	56	168,574,804	25,319,211	2,289,982	1,846,282	12,046,245	12,046,245	1.0319	0.1938	1.00	1.0319	0.9996	1.0315
656	135	5	218,720,856	3,286,897	148,733	127,098	8,267,864	8,267,864	1.0026	0.1455	0.63	1.0106	0.9996	1.0102
657	52	0	13,729,615	0	0	0	795,234	795,234	1.0000	0.0000	0.39	1.0148	0.9996	1.0144
658	477	77	82,076,965	19,419,300	1,178,527	961,236	4,292,529	4,292,529	1.0414	0.1844	1.00	1.0414	0.9996	1.0410
659	821	40	151,026,060	19,215,558	2,048,645	1,824,685	15,218,440	15,218,440	1.0131	0.1093	1.00	1.0131	0.9996	1.0127
660	1,131	120	423,410,148	72,344,035	1,406,997	1,144,938	6,908,261	6,908,261	1.0325	0.1863	1.00	1.0325	0.9996	1.0321
661	2,995	292	1,182,088,328	403,496,471	9,130,492	7,523,553	18,791,428	18,791,428	1.0611	0.1760	1.00	1.0611	0.9996	1.0607
662	299	0	68,561,332	0	0	0	2,890,721	2,890,721	1.0000	0.0000	0.94	1.0015	0.9996	1.0011
663	3,392	286	1,153,247,220	199,235,617	5,690,932	4,673,773	27,421,999	27,421,999	1.0317	0.1787	1.00	1.0317	0.9996	1.0313
664	2,481	210	969,447,063	255,593,814	6,602,367	5,463,952	20,428,970	20,428,970	1.0440	0.1724	1.00	1.0440	0.9996	1.0436
665	1,545	67	177,690,250	28,167,245	1,518,168	1,304,175	9,094,748	9,094,748	1.0206	0.1410	1.00	1.0206	0.9996	1.0202
666	305	57	73,434,317	28,642,593	1,443,182	1,241,698	2,380,367	2,380,367	1.0556	0.1396	0.95	1.0540	0.9996	1.0536
667	197	8	23,560,431	3,521,932	44,161	36,207	278,749	278,749	1.0253	0.1801	0.77	1.0251	0.9996	1.0247
668	485	37	70,455,581	18,865,061	795,793	690,680	2,612,175	2,612,175	1.0318	0.1321	1.00	1.0318	0.9996	1.0314
669	113	17	11,123,944	4,479,011	210,792	184,715	337,385	337,385	1.0499	0.1237	0.58	1.0391	0.9996	1.0387
670	678	43	70,191,906	17,798,819	683,194	549,158	2,242,279	2,242,279	1.0480	0.1962	1.00	1.0480	0.9996	1.0476
673	216	7	43,623,224	2,532,305	111,729	98,387	1,752,174	1,752,174	1.0072	0.1194	0.80	1.0106	0.9996	1.0102
674	196	3	26,221,316	3,258,081	120,001	104,731	867,754	867,754	1.0157	0.1272	0.76	1.0178	0.9996	1.0174
675	1,838	89	1,148,116,695	79,286,727	2,020,535	1,699,910	28,746,585	28,746,585	1.0105	0.1587	1.00	1.0105	0.9996	1.0101
676	317	19	50,022,695	6,840,908	232,329	192,989	1,409,299	1,409,299	1.0246	0.1693	0.97	1.0246	0.9996	1.0242
677	81	8	118,185,348	14,199,209	311,227	277,488	2,390,955	2,390,955	1.0126	0.1084	0.49	1.0186	0.9996	1.0182
679	25	0	11,128,227	0	0	0	630,551	630,551	1.0000	0.0000	0.27	1.0177	0.9996	1.0173
681	86	1	8,061,905	900	39	33	358,994	358,994	1.0000	0.1538	0.51	1.0119	0.9996	1.0115
691	31	0	3,316,988	0	0	0	183,924	183,924	1.0000	0.0000	0.30	1.0170	0.9996	1.0166
693	47	0	7,644,857	0	0	0	719,539	719,539	1.0000	0.0000	0.37	1.0153	0.9996	1.0149
695	79	0	22,427,042	0	0	0	853,770	853,770	1.0000	0.0000	0.49	1.0124	0.9996	1.0120
Total	38,719	2,874	12,269,665,274	2,026,746,356	71,110,165	60,182,372	390,304,331	390,304,331	1.0243	0.1537		1.0247	0.9996	1.0243

Note:
 For each Class:
 Indicated Surcharge = (Total Premium Pre-PCCPAP) / (Total Premium Post-PCCPAP)
 Basis of Credibility: $1 / ((\# \text{ PCCPAP Policies}) / (\# \text{ Total Policies})) * 25 = 335 \text{ Policies for Full Credibility}$
 Formula Surcharge = (Indicated Surcharge) * (Credibility for that Class) + (1 - Credibility) * (Average Indicated Surcharge)
 Test Correction Factor = (Total Indicated Surcharge) / ((Total Weighted Formula Surcharge) / (Total Premium Post-PCCPAP))

Comparison of PCCPAP Surcharges by Class

Class (1)	Current PCCPAP Surcharge (2)	Proposed PCCPAP Surcharge (3)	Percentage Change (4)=(3)/(2)-1.0
601	1.0123	1.0116	-0.1%
603	1.0416	1.0312	-1.0%
605	1.0236	1.0168	-0.7%
606	1.0244	1.0164	-0.8%
607	1.0127	1.0111	-0.2%
608	1.0244	1.0275	0.3%
609	1.0220	1.0131	-0.9%
611	1.0264	1.0275	0.1%
615	1.0278	1.0212	-0.6%
617	1.0136	1.0138	0.0%
645	1.0640	1.0485	-1.5%
646	1.0434	1.0288	-1.4%
647	1.0113	1.0099	-0.1%
648	1.0220	1.0188	-0.3%
649	1.0675	1.0697	0.2%
651	1.0279	1.0254	-0.2%
652	1.0016	1.0021	0.0%
653	1.0271	1.0288	0.2%
654	1.0375	1.0323	-0.5%
655	1.0323	1.0315	-0.1%
656	1.0214	1.0102	-1.1%
657	1.0231	1.0144	-0.9%
658	1.0471	1.0410	-0.6%
659	1.0123	1.0127	0.0%
660	1.0366	1.0321	-0.4%
661	1.0699	1.0607	-0.9%
662	1.0030	1.0011	-0.2%
663	1.0301	1.0313	0.1%
664	1.0480	1.0436	-0.4%
665	1.0211	1.0202	-0.1%
666	1.0601	1.0536	-0.6%
667	1.0410	1.0247	-1.6%
668	1.0219	1.0314	0.9%
669	1.0479	1.0387	-0.9%
670	1.0499	1.0476	-0.2%
673	1.0131	1.0102	-0.3%
674	1.0148	1.0174	0.3%
675	1.0115	1.0101	-0.1%
676	1.0345	1.0242	-1.0%
677	1.0233	1.0182	-0.5%
679	1.0253	1.0173	-0.8%
681	1.0197	1.0115	-0.8%
691	1.0255	1.0166	-0.9%
693	1.0239	1.0149	-0.9%
695	1.0222	1.0120	-1.0%
Total	1.0278	1.0243	-0.3%