



**Pennsylvania Compensation Rating Bureau**

The Widener Building • 6th Floor

One South Penn Square • Philadelphia, PA 19107-3577 • (215) 568-2371 • FAX (215) 564-4328

October 8, 1993

BUREAU CIRCULAR NO. 1291

To All Members of the Bureau:

Re: SENATE BILL 1 (ACT 44 OF 1993)

(1) STATEMENTS OF POLICY ISSUED

(2) DECEMBER 1, 1993 LOSS COST FILING MADE

(3) REQUIREMENTS FOR INDIVIDUAL CARRIER LOSS COST FILINGS

Bureau Circular No. 1287 dated July 19, 1993 advised members of the passage of S.B. 1 on July 2, 1993, and summarized some of the most significant provisions of that legislation. This Circular is to provide updated and additional information based on developments subsequent to the publication of Bureau Circular No. 1287.

(1) STATEMENTS OF POLICY ISSUED

Both the Pennsylvania Insurance Department and the Pennsylvania Department of Labor and Industry have issued Statements of Policy pertaining to certain aspects of Act 44 of 1993. These Statements of Policy were published in the August 28, 1993 Pennsylvania Bulletin. In addition, the Bureau understands that copies have been distributed directly to workers compensation insurers by the publishing agencies. If any member does not have copies of these important statements, they are available directly from the respective Departments at the following addresses and telephone numbers:

Mr. Patrick V. Musick, CPCU, Director  
Property and Casualty Bureau  
Pennsylvania Insurance Department  
Strawberry Square - 13th Floor  
Harrisburg, Pennsylvania 17120  
(717) 787-4192

Mr. Carl M. Lorine, Director  
Bureau of Workers' Compensation  
Department of Labor and Industry  
1171 South Cameron Street - Room 103  
Harrisburg, Pennsylvania 17104-2501  
(717) 783-5421

(2) DECEMBER 1, 1993 COST FILING MADE

On August 3, 1993, the Insurance Department requested that the filing of the compensation insurance "Workers Compensation

the Bureau filed Proposal C-333 with the Pennsylvania Insurance Department for an overall average 4.66 percent increase in existing rates effective January 1, 1993. Summary information concerning this filing is contained in Bureau Circular No. 1290. In addition, complete copies of the filing were sent to the largest writer of Pennsylvania workers compensation insurance for each carrier group, directed to the attention of the Group Manager."

Insurance Department discussions between the Bureau and Insurance Department staff.

of this filing is in progress, with periodic discussions between the Bureau and Insurance Department staff.

(3) REQUIREMENTS FOR INDIVIDUAL CARRIER LOSS COST FILINGS

It is imperative that individual carriers be aware of the pricing elements for which they as individual carriers have been made primarily or wholly responsible under the terms of the schedule of loss cost classification definitions, Experience Rating Plan parameters and some selective rating plan parameters limited to the loss based portions of the respective rating plans. Individual carrier filings with the Insurance Department will be required to address at a minimum the following pricing elements if the carrier intends to use them:

Members be aware of the pricing elements for which they as individual carriers have been made primarily or wholly responsible under the terms of the schedule of loss cost classification definitions, Experience Rating Plan parameters and some selective rating plan parameters limited to the loss based portions of the respective rating plans. Individual carrier filings with the Insurance Department will be required to address at a minimum the following pricing elements if the carrier intends to use them:

- A Loss Cost Adjustment Factor or Expense Multiplier to be applied to Bureau or carrier specific loss costs in establishing carrier rates
- Premium Discount Plan(s)
- Minimum Premium
- Expense Control
- Loss Constant
- Subclassifications and applicable loss costs and expense multipliers
- Retrospective rating plan parameters pertaining to expenses, including loss adjustment factors, basic premium ratios and tax multipliers
- All retrospective rating plan parameters for any plan other than Option V as published and maintained by the Bureau
- Any deductible plans which are in addition to and/or different from those set forth in Bureau Circular No. 1288

With respect to deductible plans, the Bureau has previously filed and the Insurance Department has approved schedules of loss cost credits. Those credits are "loss elimination ratios" ONLY and do not include any safety factors or expense elements. Carriers wishing to recognize these or other similar items in their pricing of deductible coverages will be required to separately develop and file them with the Insurance Department.

To assure that carrier filings are complete and that all intended pricing systems are implemented on a timely basis, members are encouraged to present any questions they may have regarding required content of their individual filings directly to the Pennsylvania Insurance Department. For that purpose, the following individuals should be contacted:

Mr. Chester J. Szczepanski  
Chief Actuary  
(717) 787-0873

Ms. Ramona E. Lee  
Actuary  
(717) 787-3991

The Bureau will continue to attempt to advise members of subsequent developments in the implementation of provisions of Act 44.

Timothy L. Wisecarver  
President

kg  
D