



Pennsylvania Compensation Rating Bureau

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BUREAU CIRCULAR NO. 1398

To All Members of the Bureau:

Re: **EMPLOYER ASSESSMENT PROCEDURES**

Employer assessment procedures under Act 57 of 1997 have previously been the subject in whole or in part of the following Bureau Circulars: Nos. 1372, 1374, 1377, 1388, 1389, 1393 and 1397. This circular is to provide all members with additional information responsive to the following questions which we have received on numerous recent occasions and related to the Act 57 of 1997 employer assessment procedures.

QUESTION: How does the employer assessment procedure work for a risk which is subject to a minimum premium?

When the risk premium is a minimum premium approved for the carrier of record, the employer assessment will apply to the entire minimum premium. In such instances the employer assessment is not to be derived based only on the premium derived by extension of reported exposures times carrier rate(s).

QUESTION: How does the employer assessment procedure work if an expense constant is included in the risk premium?

Regardless of the various component parts included in the determination of premium for a given insured employer, the employer assessment factor applies to such total premium increased by the amount of any deductible credits given to the insured. Accordingly, expense constants are included in the base to which employer assessment factors apply.

QUESTION: Doesn't the employer assessment procedure produce different employer assessment amounts for otherwise identical policies in which the deductible credit is given before the experience modification (Statistical Code 9664) and after the experience modification (Statistical Code 9663)?

Yes. Since the deductible credits under Statistical Code 9663 are based on premium after application of experience modification, while deductible credits under Statistical Code 9664 are based on premium prior to application of experience modification, the amount of employer assessment may vary depending on the approach taken as respects these deductible credits.

Both approaches are acceptable under Pennsylvania laws and rules, and neither approach is “wrong” or inferior to the alternative approach. Depending on the value of each experience modification, the differences noted here may serve to either increase or decrease the amount of the employer assessment.

In developing the approved employer assessment procedures the Bureau considered an extensive array of alternative approaches. In the final analysis one of the key objectives to which we aspired was to provide a computational scheme which was simple, straightforward and based on amounts already needed to be computed by carriers in arriving at actual risk premiums to as great a degree as possible. In addition, the Bureau wanted to make the assessment base, as applied to employers, as consistent as possible with the assessment base, as applied by the Department of Labor and Industry in collecting special fund revenues through insurers. In combination, we believe that these objectives are well met with the approved procedures as described in this and the previous circulars noted above.

Timothy L. Wisecarver
President

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