



Pennsylvania Compensation Rating Bureau

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February 4, 2003

BUREAU CIRCULAR NO. 1457

To All Members of the Bureau:

Re: **TERRORISM RISK INSURANCE ACT OF 2002 (TRIA 2002)**
REVISIONS TO BASIC MANUAL, STATISTICAL PLAN MANUAL AND
PREMIUM CALCULATION ALGORITHM
EFFECTIVE NOVEMBER 26, 2002

In addition to the information contained in Bureau Circulars No. 1452 and 1455 regarding the Terrorism Risk Insurance Act of 2002 (TRIA), the approved Bureau Filing No. 205 contained amendments to the Basic Manual, Statistical Plan Manual and the Premium Calculation Algorithm, **effective November 26, 2002**. (The algorithm changes were contained in Bureau Circular No. 1452.)

The revisions to both Basic and Statistical Plan Manuals are attached to this circular. Both Manuals will be updated on our website (<http://www.pcrb.com>) at a future date.

Should any member have questions or comments pertaining to the subject matter of this circular, they may be directed to the attention of the following Bureau staff:

Statistical reporting questions: Bonnie Piacentino, Extension 223, bpiacentino@pcrb.com

Policy reporting questions: Betty Ann Campbell, Extension 218, bcampbell@pcrb.com

Other questions: Bruce Decker, Extension 211, bdecker@pcrb.com

Timothy L. Wisecarver
President

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Remember to visit our web site at www.pcrb.com for more information about this and other topics.

PENNSYLVANIA BASIC MANUAL CHANGES

Effective November 26, 2002

Revisions are shown with deleted wording bracketed and new wording underlined.

SECTION 1

RULE VI - RATING VALUES AND PREMIUM DETERMINATION

A. BUREAU RATING VALUES

5. Terrorism Risk Insurance Act of 2002 - Certified Losses

Premium under the Terrorism Risk Insurance Act of 2002 - Certified Losses is calculated on the basis of total payroll according to Rule 2. The premium charge is calculated by dividing a risk's total payroll by \$100 and multiplying the result times the carrier's rating value. This premium is applied after standard premium and is not subject to any other modifications including but not limited to premium discount, experience rating, schedule rating, or retrospective rating. Non-payroll exposures are not subject to premium under the Terrorism Risk Insurance Act of 2002 - Certified Losses. Policies issued on an "If Any" basis will not be charged a terrorism rate unless premium develops during the policy term or at audit. Per capita charges are not subject to premium under this Act. Terrorism Risk Insurance Act of 2002 - Certified Losses shall be separately stated on the Standard Policy and shall be designated to Statistical Code 9740.

[5.]6. Employer Assessments Pursuant to Act 57 of 1997

Balance remains unchanged.

RULE XIV - DOMESTIC WORKERS-RESIDENCES

E. BUREAU RATING VALUES AND PREMIUM

1. Bureau Rating Values

The Bureau Rating Values for Codes 0913, 0908, 0912 and 0909 are per capita premium charges. Terrorism Risk Insurance Act of 2002 - Certified Losses (9740) does not apply to per capita classification premium charges.

PENNSYLVANIA STATISTICAL PLAN MANUAL CHANGES

Effective November 26, 2002

Revisions are shown with deleted wording bracketed and new wording underlined.

Section II - Reporting Requirements

B. Exposure Information

5. Exposure – Other Than Payroll

For a number of classifications the Manual provides bases of exposure other than payroll. The following method of reporting shall be used in such instances:

- a. through f. remain the same

Note: Premium for the Terrorism Risk Insurance Act of 2002 – Certified Losses does not apply to these classifications.

9. Miscellaneous Statistical Codes

- c. Premium Not Subject to Experience Rating, to be Reported on line "H" [and], "I" or "J" on the Hard Copy Unit Statistical Report.

(3) Terrorism Risk Insurance Act of 2002 – Certified Losses - Code 9740 Premium debit earned under the Terrorism Risk Insurance Act of 2002 – Certified Losses is reported on a hard copy unit subsequent to experience modification after the expense constant, if applicable, but prior to employer assessment. The premium charge for Code 9740 is calculated by dividing a risk's total payroll by \$100 and multiplying the result times the carrier's rating value for Code 9740. Premium developed under the Terrorism Risk Insurance Act of 2002- Certified Losses is not included in Total Standard Premium. Non-payroll exposures are not subject to premium under the Terrorism Risk Insurance Act of 2002 – Certified Losses.

Section IV - Codes

B. Exposure Information Codes

3. Premium Codes

- c. Premium Not Subject to Experience Modification and Not to be Included in Standard Premium (Reported on lines "H" [and], "I" or "J").

(4) Terrorism Risk Insurance Act of 2002 – Certified Losses **Code 9740**

Section VI - Examples

Illustration 23 – Anniversary Rated Policy with the Premium Charge for Terrorism Risk Insurance Act of 2002 – Certified Losses and the Employer Assessment

In this illustration it is assumed that more than one experience modification applies during the policy period and that an Employer Assessment and premium charge for the Terrorism Risk Insurance Act of 2002 are applicable.

Note: In the following example all premiums are calculated in the same sequence outlined in example 16 (combination example).

The premium charge for the Terrorism Risk Insurance Act of 2002 – Certified Losses, **Code 9740**, is derived by adding up all payroll exposures for a given split period divided by \$100 and multiplying the result times the carrier's rating value for the Terrorism Risk Insurance Act of 2002 – Certified Losses (Code 9740). The resulting premium charge should be reported on lines "J" through "K" under Code 9740, and is to be used in the calculation of the Employer Assessment Code 0938.

Calculation of the Employer Assessment Premium Base proceeds by adding back to the total policy premium the amount of any applicable Small or Large Deductible Premium Credit and includes premiums generated by the application of the Terrorism Risk Insurance Act of 2002 – Certified Losses (Code 9740). Small or Large Deductible Premium Credits include either of the following Statistical codes in Pennsylvania: 9663 or 9664.

The Employer Assessment charge shall also be reported on lines "J" through "K" under Code 0938, but is not to be used in any premium calculations.

As with most pricing programs in the state of Pennsylvania (i.e.: Construction Credit - 9046, Merit Rating Credit – 9885, etc.), the Employer Assessment charge and the Terrorism Risk Insurance Act of 2002 – Certified Losses are applicable as of each risk's Anniversary Rating Date.

Example: A policy with a 09/01/99 effective date and a 12/01/99 anniversary rating date would have an assessment charge applicable to only the 12/01/99 - 09/01/00 portion of the policy.

Note: Since the expense constant (0900), minimum premium (0990), premium discount (0063/0064), and any premiums charged for the Terrorism Risk Insurance Act of 2002 – Certified Losses (Code 9740) etc., are all used in the calculation of the Employer Assessment (0938) it will be necessary to pro-rate these items and show each of the split portion premiums separately on anniversary rated risks. Failure to do so will result in the issuance of error criticisms.

UNIT STATISTICAL REPORT

POLICY INFORMATION

| | | | | | | | | | | | | | | |
|------------------|-----------|------------|-------------------|-----------------------|------------------------------|-----------------------------------|------------------------------------|--------------------|----------------------|-----------------|-----------------|----------------|---------------|--------------------|
| Report No. 01 | Corr. No. | Corr. Type | Replace Rpt. Ind. | Carrier Code 00200 | Policy Number WC123456789 | Policy Effective Date 01/01/03 | Policy Expiration Date 01/01/04 | Expos. State 37 | State Effective Date | Certificate No. | Card Serial No. | Risk ID Number | Page No. 1 | Last Page No. 2 |
|------------------|-----------|------------|-------------------|-----------------------|------------------------------|-----------------------------------|------------------------------------|--------------------|----------------------|-----------------|-----------------|----------------|---------------|--------------------|

| | | | | | | | | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|--|--|--|-----------------------|--|------------------|--|
| Insured's Name: A. B. C. INC. | | | | | | | | | | | F.E.I.N. 123456789 | | Pending File No. | |
| Insured's Address: | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | |
|--------------------------------|---------------------------------|----------------------|------------------------|-------------------|-------------------------|-------------------|------------------------|--------------------|-----------------|-----------------|----------------|----------------------|-----------------|--|-----------------------------|----------|-----------------|----------------|
| Mod Effective Date 12/01/02 | Rate Effective Date 12/01/02 | Policy Conditions | | | | | | | Policy Type I D | | | Deduct. Type 0301 | Deduct. Percent | Deductible Amount Per Claim/Accident 1000 | Deductible Amount Aggregate | Reserved | For Carrier Use | For Bureau Use |
| | | 3 Yr F/R Policy N | Multistate Policy Y | Interstate Rating | Estimated Exposure N | Retro Policy N | Canceled Mid-Term N | MCO Indicator N | Type Cov. 01 | Plan Ind. 01 | Non-Std. 01 | | | | | | | |

EXPOSURE INFORMATION

| Upd Type | Exp. Cov. | Class Code | Exposure Amount | Manual Rate | Premium Rate |
|----------|-----------------------------------|------------|-------------------------------|-------------|--------------|
| | 01 | 0665 | 255000 | 7.84 | 19992 |
| | 01 | 0953 | 48000 | .24 | 115 |
| | 01 | 9664 | | | 3277 |
| | A. Total Subject Premium | | | | 16830 |
| | B. Experience Mod (XX.XXX) | | | | 0.930 |
| | C. Total Modified Premium | | | | 15652 |
| | D. | 9887 | | | 3913 |
| | E. | 9890 | | .05 | 587 |
| | F. | 9046 | | .25 | 2935 |
| | G. Total Standard Exposure | | Total Standard Premium | | |
| | H. | 0063_ | Premium Discount Amt. | | 261 |
| | I. | 0900 | Expense Constant Amt | | 119 |
| | J. | 9740 | | .04 | 0 |
| | K. | 0938 | | .0337 | 383 |
| | L. | | | | |

LOSS INFORMATION

| *Upd Type | Claim Number | Acc. Date/ No. Claims | Incurred Indemnity | Incurred Medical | Class Code | Injury | Status | Loss Conditions | | | | | Jurisdic State | Cat. No. | MCO Type |
|-----------|--------------------------|-----------------------|--------------------------|------------------|-------------------------|------------------------|--------|-----------------|------|-------|--------|----------------|----------------|---------------|----------|
| | | | | | | | | Act | Type | Recov | Cov | Settl | | | |
| | Social Security Number | | Part | Nature | Cause | Occupation Description | | Voc. | Lump | Fraud | Deduct | Paid Indemnity | Paid Medical | | |
| | Claimant's Attorney Fees | | Employer's Attorney Fees | | Reversed for Future Use | | | | | | | ALAE Paid | | ALAE Incurred | |
| | Social Security Number | | Part | Nature | Cause | Occupation Description | | Voc. | Lump | Fraud | Deduct | Paid Indemnity | Paid Medical | | |
| | Claimant's Attorney Fees | | Employer's Attorney Fees | | Reversed for Future Use | | | | | | | ALAE Paid | | ALAE Incurred | |
| | Social Security Number | | Part | Nature | Cause | Occupation Description | | Voc. | Lump | Fraud | Deduct | Paid Indemnity | Paid Medical | | |
| | Claimant's Attorney Fees | | Employer's Attorney Fees | | Reversed for Future Use | | | | | | | ALAE Paid | | ALAE Incurred | |
| | Social Security Number | | Part | Nature | Cause | Occupation Description | | Voc. | Lump | Fraud | Deduct | Paid Indemnity | Paid Medical | | |
| | Claimant's Attorney Fees | | Employer's Attorney Fees | | Reversed for Future Use | | | | | | | ALAE Paid | | ALAE Incurred | |
| | Social Security Number | | Part | Nature | Cause | Occupation Description | | Voc. | Lump | Fraud | Deduct | Paid Indemnity | Paid Medical | | |
| | Claimant's Attorney Fees | | Employer's Attorney Fees | | Reversed for Future Use | | | | | | | ALAE Paid | | ALAE Incurred | |

LOSS TOTALS

| | | | | | | |
|-----------------------------|-----------------------------|--------------------------|------------------------|-------------------------|----------------------|--------------------|
| Reserved for Future Use | Total No. Claims | Total Incurred Indemnity | Total Incurred Medical | Reserved for Future Use | Total Paid Indemnity | Total Paid Medical |
| Tot. Claimant's Attny. Fees | Tot. Employer's Attny. Fees | Reserved for Future Use | | Total ALAE Paid | Total ALAE Incurred | |

UNIT STATISTICAL REPORT

POLICY INFORMATION

| | | | | | | | | | | | | | | |
|------------------|-----------|------------|-------------------|-----------------------|------------------------------|-----------------------------------|------------------------------------|--------------------|----------------------|-----------------|-----------------|----------------|---------------|--------------------|
| Report No. 01 | Corr. No. | Corr. Type | Replace Rpt. Ind. | Carrier Code 00200 | Policy Number WC123456789 | Policy Effective Date 01/01/03 | Policy Expiration Date 01/01/04 | Expos. State 37 | State Effective Date | Certificate No. | Card Serial No. | Risk ID Number | Page No. 2 | Last Page No. 2 |
|------------------|-----------|------------|-------------------|-----------------------|------------------------------|-----------------------------------|------------------------------------|--------------------|----------------------|-----------------|-----------------|----------------|---------------|--------------------|

Insured's Name: A. B. C. INC.

F.E.I.N.

Pending File No.

Insured's Address:

123456789

| | | | | | | | | | | | | | | | | | | |
|--------------------------------|---------------------------------|----------------------|------------------------|-------------------|-------------------------|-------------------|------------------------|--------------------|-----------------|-----------------|----------------|----------------------|-----------------|--|-----------------------------|----------|-----------------|----------------|
| Mod Effective Date 12/01/03 | Rate Effective Date 12/01/03 | Policy Conditions | | | | | | | Policy Type I D | | | Deduct. Type 0301 | Deduct. Percent | Deductible Amount Per Claim/Accident 1000 | Deductible Amount Aggregate | Reserved | For Carrier Use | For Bureau Use |
| | | 3 Yr F/R Policy N | Multistate Policy Y | Interstate Rating | Estimated Exposure N | Retro Policy N | Canceled Mid-Term N | MCO Indicator N | Type Cov. 01 | Plan Ind. 01 | Non-Std. 01 | | | | | | | |

EXPOSURE INFORMATION

LOSS INFORMATION

| Upd Type | Exp. Cov. | Class Code | Exposure Amount | Manual Rate | Premium Rate | *Upd Type | Claim Number | Acc. Date/ No. Claims | Incurred Indemnity | Incurred Medical | Class Code | Injury | Status | Loss Conditions | | | | | Jurisdic State | Cat. No. | MCO Type | | | | | |
|----------|-----------|-------------------------|-----------------------|-------------|------------------------|-----------|-----------------------------|-----------------------------|--------------------------|------------------------|-------------------------|----------------------|--------------------|-----------------|---------------------|----------------|--------------|---------------|----------------|----------|----------|--|--|--|--|--|
| | | | | | | | | | | | | | | Act | Type | Recov | Cov | Settl | | | | | | | | |
| | 01 | 0665 | 255000 | 7.54 | 19227 | | | | | | | | | | | | | | | | | | | | | |
| | 01 | 0953 | 48000 | .20 | 96 | | Social Security Number | Part | Nature | Cause | Occupation Description | Voc. | Lump | Fraud | Deduct | Paid Indemnity | Paid Medical | | | | | | | | | |
| | 01 | 9664 | | | 2126 | | Claimant's Attorney Fees | Employer's Attorney Fees | Reversed for Future Use | | | | | | | | ALAE Paid | ALAE Incurred | | | | | | | | |
| | A. | Total Subject Premium | | | 17197 | | | | | | | | | | | | | | | | | | | | | |
| | B. | Experience Mod (XX.XXX) | | | 0.953 | | | | | | | | | | | | | | | | | | | | | |
| | C. | Total Modified Premium | | | 16389 | | | | | | | | | | | | | | | | | | | | | |
| | D. | 9887 | | | 4097 | | | | | | | | | | | | | | | | | | | | | |
| | E. | 9046 | | .30 | 3688 | | | | | | | | | | | | | | | | | | | | | |
| | F. | | | | | | | | | | | | | | | | | | | | | | | | | |
| | G. | Total Standard Exposure | | 606000 | Total Standard Premium | 16821 | | | | | | | | | | | | | | | | | | | | |
| | H. | 0063_ | Premium Discount Amt. | | 90 | | | | | | | | | | | | | | | | | | | | | |
| | I. | 0900 | Expense Constant Amt | | 41 | | | | | | | | | | | | | | | | | | | | | |
| | J. | 9740 | | .04 | 121 | | | | | | | | | | | | | | | | | | | | | |
| | K. | 0938 | | .0280 | 303 | | | | | | | | | | | | | | | | | | | | | |
| | L. | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | LOSS TOTALS | | | | | | | | | | | | | | | | | | | |
| | | | | | | | Reserved for Future Use | Total No. Claims | Total Incurred Indemnity | Total Incurred Medical | Reserved for Future Use | Total Paid Indemnity | Total Paid Medical | | | | | | | | | | | | | |
| | | | | | | | Tot. Claimant's Attny. Fees | Tot. Employer's Attny. Fees | Reserved for Future Use | | | | | Total ALAE Paid | Total ALAE Incurred | | | | | | | | | | | |