



## Pennsylvania Compensation Rating Bureau

30 South 17th Street • Suite 1500  
Philadelphia, PA 19103-4007  
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

April 13, 2018

### VIA SERFF

The Honorable Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

**Attention: Mark J. Lersch, Director, Property & Casualty Bureau**

**RE: PCRB Filing No. 291 - Section 1 Rule IX H.  
Pennsylvania Construction Classification Premium Adjustment Program  
Revisions to Qualifying Wages, Table of Hourly Wages and Premium Credits**

Dear Commissioner Altman:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB), we hereby submit this filing to update provisions of the Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP). This program was implemented effective January 1, 1991 and since July 1, 1992 has been revised annually to reflect changes in statewide average wage levels and to update specific references to time periods.

The proposed changes are made to the PCRB Workers Compensation Manual of Rules, Classifications and Rating Values for Workers Compensation and for Employers Liability Insurance. These revisions are proposed to be effective 12:01 a.m., October 1, 2018 for new and renewal policies. This effective date is consistent with previous annual PCCPAP filings.

An Actuarial Memorandum, which provides specific details on this filing, is included with this submission.

The PCRB respectfully requests a prompt approval of this filing as presented. **Since applications for the PCCPAP are processed by the PCRB approximately six months in advance of policy effective dates, notifications to construction employers in the interim will make reference to this pending filing so that employers will be aware of these proposed changes.**

The PCRB will be pleased to answer any questions you or the Insurance Department staff may have. Please direct any questions to John Pedrick, Vice President – Actuarial Services or to Ken Creighton, Chief Actuary.

Sincerely,

William V. Taylor  
President

WVT/jp/dn  
Enclosures



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To: The Honorable Jessica K. Altman, Insurance Commissioner  
Commonwealth of Pennsylvania

From: John R. Pedrick, Vice President – Actuarial Services

Date: April 13, 2018

Subject: **PCRB Filing No. 291**  
**Pennsylvania Construction Classification Premium Adjustment Program**  
**Revisions to Qualifying Wages, Table of Hourly Wages and Premium Credits**

This filing proposes the following changes to the Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP) for policies with effective dates on or after October 1, 2018:

- Qualifying wages are proposed to be based on the Third Quarter of 2017. This data will be available prior to the proposed effective date and represents a more current level of employment and wage activity for construction employers.
- The minimum hourly wage eligible for premium credit is proposed to be updated in accordance with the most recent change in the Statewide Average Weekly Wage (SAWW). This results in a proposed revision of the minimum wage eligible for PCCPAP premium credit from \$29.65 to \$30.55 per hour. The qualifying wage has been rounded to the nearest \$0.05, consistent with past practices.
- Consistent with procedural changes previously approved pursuant to PCRB filings pertaining to the PCCPAP 1995 through 2017, the revisions are proposed in the increments in qualifying wages that correspond to those in the PCCPAP table of premium credits.

Similar to prior years, the PCRB has constructed the table of qualifying wages so that the ratio of effective wages between successive credit increments is approximately 1.005568, the ratio of the first two effective wages for the July 1, 1995 PCCPAP table (i.e.,  $\$14.6828 / \$14.6015 = 1.005568$ ). Those values are taken from the first PCCPAP credit table, which was revised to incorporate varying wage increments for different credit levels. Consistent with past practice, the increments in minimum qualifying wages have been rounded to the nearest \$0.05, and table increments have been “smoothed” so that the increments in minimum wages are constant or increasing as wage levels increase. The resulting table, with calculated effective wages and ratios of successive effective wages shown for analytical purposes, is attached as Exhibit A. Derivation of the minimum hourly wage eligible for premium credit is shown in the attached Exhibit B. The text of the proposed table based on Exhibit A is included in a separate PDF file.

Exhibits A and B referenced in the discussion above are attached.

## PCCPAP Filing Effective October 1, 2018

## Test for "Premium Reversals"

Minimum Wage (1)	Maximum Wage (2)	Average Wage (3)	PCCPAP Credit (4)	Effective Wage (3)x(1.0-(4)) (5)	Ratio (5) to prior (5) (6)
\$0.00	\$30.54				
\$30.55	\$31.04	30.795	0.05	29.2553	
\$31.05	\$31.54	31.295	0.06	29.4173	1.00554
\$31.55	\$32.04	31.795	0.07	29.5694	1.00517
\$32.05	\$32.59	32.320	0.08	29.7344	1.00558
\$32.60	\$33.14	32.870	0.09	29.9117	1.00596
\$33.15	\$33.69	33.420	0.10	30.0780	1.00556
\$33.70	\$34.24	33.970	0.11	30.2333	1.00516
\$34.25	\$34.84	34.545	0.12	30.3996	1.00550
\$34.85	\$35.44	35.145	0.13	30.5762	1.00581
\$35.45	\$36.04	35.745	0.14	30.7407	1.00538
\$36.05	\$36.69	36.370	0.15	30.9145	1.00565
\$36.70	\$37.34	37.020	0.16	31.0968	1.00590
\$37.35	\$37.99	37.670	0.17	31.2661	1.00544
\$38.00	\$38.64	38.320	0.18	31.4224	1.00500
\$38.65	\$39.34	38.995	0.19	31.5860	1.00520
\$39.35	\$40.04	39.695	0.20	31.7560	1.00538
\$40.05	\$40.79	40.420	0.21	31.9318	1.00554
\$40.80	\$41.54	41.170	0.22	32.1126	1.00566
\$41.55	\$42.34	41.945	0.23	32.2977	1.00576
\$42.35	\$43.14	42.745	0.24	32.4862	1.00584
\$43.15	\$43.94	43.545	0.25	32.6588	1.00531
\$43.95	\$44.79	44.370	0.26	32.8338	1.00536
\$44.80	\$45.64	45.220	0.27	33.0106	1.00538
\$45.65	\$46.54	46.095	0.28	33.1884	1.00539
\$46.55	\$47.44	46.995	0.29	33.3665	1.00536
\$47.45			0.30		

Note: Premium Reversals Would Occur if Effective Wage for any Given Average Wage is LOWER than Effective Wage for any Lower Average Wage(s)

Determination of Minimum Qualifying Hourly Wage for PCCPAP  
Policies with Policy Effective Dates On or After October 1, 2018

I: Minimum Qualifying Hourly Wage for Policies with Policy Effective Dates January 1, 1991 through June 30, 1992	\$13.00
II: Statewide Average Weekly Wage for twelve months ending June 30, 1990	\$436.00
III: Statewide Average Weekly Wage for twelve months ending June 30, 2017	\$1,025.00
IV: Increase in SAWW (III / II) = \$1,025.00 / \$436.00	2.35091743
V: Revised Qualifying Hourly Wage for Policies with Policy Effective Dates October 1, 2018 and Later (I x IV) (Rounded to the nearest \$.05)	\$30.55

# PENNSYLVANIA WORKERS COMPENSATION MANUAL

*Proposed Effective October 1, 2018*

## RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

### A. EXECUTIVE OFFICERS

#### 1. Definition

Items **A. through G.** – remain unchanged

### H. PENNSYLVANIA CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

- The Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP) provides for a premium credit for up to one year for a policy which contains one or more construction classifications.

For policies subject both to a Pennsylvania Construction Classification Premium Adjustment Program credit and any retrospective rating plan the PCCPAP credit shall be applied in determining standard premium. Such adjusted standard premium shall then be used wherever standard premium would otherwise apply in determining retrospective rating plan values and amounts for the retrospective rating plan applicable to the same risk if no PCCPAP credit were applicable. PCCPAP credits shall not be applied to final retrospective premium either in lieu of or in addition to the above prescribed procedure.

The basis for determining the credit is the total payroll (including overtime premium pay) and hours worked for each construction classification as reported to taxing authorities. The applicable report periods vary according to the policy effective date of each policy, as set forth below:

Policy Effective Dates	Reporting Period for Qualifying Wages
October 1, 2017 <del>8</del> and later	Third calendar quarter of 2016 <del>7</del>

If the insured did not engage in operations for the complete quarter, then the last complete quarter prior to policy year inception shall be used or, if there was no complete quarter of operations prior to the policy inception, then the first complete quarter after policy inception shall be used. A credit may be determined for each construction classification by dividing the total payroll, including overtime premium pay, by the number of hours worked to arrive at the average hourly wage for the classification. In the absence of specific records for salaried employees, it will be assumed each such individual worked forty (40) hours per week. The credit for average hourly wage is listed below:

#### Policy Effective Dates – October 1, 2017~~8~~ and later

Average Hourly Wage	Credit From Standard Premium	Average Hourly Wage	Credit From Standard Premium
<del>29.64</del> <u>30.54</u> or less	None	<del>36.85</del> <u>38.00</u>	<del>37.49</del> <u>38.64</u> 18%
<del>29.65</del> <u>30.55</u> <del>30.09</del> <u>31.04</u>	5%	<del>37.50</del> <u>38.65</u> <del>38.14</del> <u>39.34</u>	19%
<del>30.10</del> <u>31.05</u> <del>30.59</del> <u>31.54</u>	6%	<del>38.15</del> <u>39.35</u> <del>38.84</del> <u>40.04</u>	20%
<del>30.60</del> <u>31.55</u> <del>31.09</del> <u>32.04</u>	7%	<del>38.85</del> <u>40.05</u> <del>39.54</del> <u>40.79</u>	21%
<del>31.10</del> <u>32.05</u> <del>31.59</del> <u>32.59</u>	8%	<del>39.55</del> <u>40.80</u> <del>40.29</del> <u>41.54</u>	22%
<del>31.60</del> <u>32.60</u> <del>32.14</del> <u>33.14</u>	9%	<del>40.30</del> <u>41.55</u> <del>41.04</del> <u>42.34</u>	23%
<del>32.15</del> <u>33.15</u> <del>32.69</del> <u>33.69</u>	10%	<del>41.05</del> <u>42.35</u> <del>41.79</del> <u>43.14</u>	24%
<del>32.70</del> <u>33.70</u> <del>33.24</del> <u>34.24</u>	11%	<del>41.80</del> <u>43.15</u> <del>42.59</del> <u>43.94</u>	25%
<del>33.25</del> <u>34.25</u> <del>33.79</del> <u>34.84</u>	12%	<del>42.60</del> <u>43.95</u> <del>43.39</del> <u>44.79</u>	26%
<del>33.80</del> <u>34.85</u> <del>34.34</del> <u>35.44</u>	13%	<del>43.40</del> <u>44.80</u> <del>44.24</del> <u>45.64</u>	27%
<del>34.35</del> <u>35.45</u> <del>34.94</del> <u>36.04</u>	14%	<del>44.25</del> <u>45.65</u> <del>45.14</del> <u>46.54</u>	28%
<del>34.95</del> <u>36.05</u> <del>35.54</del> <u>36.69</u>	15%	<del>45.15</del> <u>46.55</u> <del>46.04</del> <u>47.44</u>	29%
<del>35.55</del> <u>36.70</u> <del>36.19</del> <u>37.34</u>	16%	<del>46.05</del> <u>47.45</u> and over	30%
<del>36.20</del> <u>37.35</u> <del>36.84</del> <u>37.99</u>	17%		

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<b>October 1, 2018 and later</b>	<b>Third calendar quarter of 2017</b>

If the insured did not engage in operations for the complete quarter, then the last complete quarter prior to policy year inception shall be used or, if there was no complete quarter of operations prior to the policy inception, then the first complete quarter after policy inception shall be used. A credit may be determined for each construction classification by dividing the total payroll, including overtime premium pay, by the number of hours worked to arrive at the average hourly wage for the classification. In the absence of specific records for salaried employees, it will be assumed each such individual worked forty (40) hours per week. The credit for average hourly wage is listed below:

**Policy Effective Dates – October 1, 2018 and later**

<b>Average Hourly Wage</b>	<b>Credit From Standard Premium</b>	<b>Average Hourly Wage</b>	<b>Credit From Standard Premium</b>
30.54 or less	None	38.00	38.64
30.55    31.04	5%	38.65	39.34
31.05    31.54	6%	39.35	40.04
31.55    32.04	7%	40.05	40.79
32.05    32.59	8%	40.80	41.54
32.60    33.14	9%	41.55	42.34
33.15    33.69	10%	42.35	43.14
33.70    34.24	11%	43.15	43.94
34.25    34.84	12%	43.95	44.79
34.85    35.44	13%	44.80	45.64
35.45    36.04	14%	45.65	46.54
36.05    36.69	15%	46.55	47.44
36.70    37.34	16%	<b>47.45</b>	and over
37.35    37.99	17%		30%