



**Pennsylvania Compensation Rating Bureau**

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August 20, 2014

**PCRB CIRCULAR NO. 1631**

To All Members of the PCRB:

**RE: APPROVAL OF PCRB FILING NO. 259**

**REVISIONS TO THE PENNSYLVANIA WORKERS COMPENSATION MANUAL OF  
RULES, CLASSIFICATIONS & RATING VALUES FOR WORKERS COMPENSATION  
AND FOR EMPLOYERS LIABILITY INSURANCE – DISCONTINUATION OF THE PER  
PASSENGER SEAT SURCHARGE AND ITS CORRESPONDING STATISTICAL CODE  
AND EXCLUSION OF FRAUDULENT LOSSES FROM INCURRED LOSSES  
NCCI ITEM B-1426, EFFECTIVE JANUARY 1, 2015**

The PCRB has filed and the Insurance Commissioner has approved revisions to the Pennsylvania Basic Manual to reflect countrywide changes in line with the National Council on Compensation Insurance, Inc. (NCCI) Item B-1426, which proposed the discontinuation of the Per Passenger Seat Surcharge in NCCI jurisdictions. The revisions outlined below have been approved.

**Pennsylvania Basic Manual – these changes are effective January 1, 2015**

- 1) Section 1 – Premium Algorithm (Reflecting Removal of Aircraft Seat Surcharge)
- 2) Section 2 – Rating Values (Reflecting Removal of Aircraft Seat Surcharge)
- 3) Section 2 – Classifications (Reflecting Removal of Aircraft Seat Surcharge)
- 4) Section 3 – Endorsements (Removing Endorsement – WC 00 04 01A – Aircraft Premium Endorsement Consistent with Removal of Aircraft Seat Surcharge)
- 5) Section 5 – Experience Rating Plan (Reflecting Removal of Aircraft Seat Surcharge and Exclusion of Fraudulent Losses from Determination of Experience Modifications)
- 6) Section 6 – Merit Rating Plan (Reflecting Removal of Aircraft Seat Surcharge and Exclusion of Fraudulent Losses from Determination of Merit Rating Plan Adjustments)

Questions about PCRB Filing No. 259 should be directed to Betty Ann Campbell, Director, Rating Rules & Policy Reporting Department at Extension 4425.

Revised Pennsylvania Basic Manual language reflecting these changes is attached to this circular. The Pennsylvania Basic Manual will be updated on our website ([www.pcrb.com](http://www.pcrb.com)) at a future date.

Timothy L. Wisecarver  
President

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Attachment

**Remember to visit our website at [www.pcrb.com](http://www.pcrb.com) for more information about this and other topics.**

**PENNSYLVANIA WORKERS COMPENSATION MANUAL**

**SECTION 1**

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**RATING VALUES**

**Pennsylvania and Delaware Workers Compensation Premium Algorithm  
Premium Calculation Algorithm**

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(1)	Classification	xxxx	(1)	Carrier value
(2)	Exposure	xxxx	(2)	Risk characteristic
(3)	Carrier Rating Value	xxxx	(3)	Carrier value
(4)	Classification Manual Premium		(4)	(2)/100x(3) if classification has payroll exposure. Special procedures apply to non-payroll classes
(5)	Total Policy Manual Premium		(5)	Sum of (4) for all classifications on the policy
(6)	Employer Liability Increased Limits Factor	xxxx	(6)	Carrier value
(7)	Employer Liability Increased Limits Premium Charge		(7)	(5)x(6) expressed as a decimal]
(8)	Minimum Premium Employer Liability Increased Limits	9848	(8)	Carrier value
(9)	Minimum Premium Employer Liability Increased Limits Premium Charge	9848	(9)	[(8)-(7)] if (7)<(8) and (6) >0, otherwise zero
(10)	Subject Deductible Credit Percentage	9664	(10)	Carrier value
(11)	Subject Deductible Premium Credit	9664	(11)	[(5)+(7)+(9)]x[(-10) expressed as a decimal]
(12)	Waiver of Subrogation Charge	0930	(12)	Carrier value - subject to experience modification
(13)	Waiver of Subrogation Premium	0930	(13)	Value from Line (12)
(14)	Total Subject Premium		(14)	[(5)+(7)+(9)+(11)+(13)]
(15)	Experience Modification	9898	(15)	Zero for non-experience-rated risks
(16)	Modified Premium		(16)	(14)x(15)
(17)	Merit Rating Credit Factor	9885	(17)	Zero if Merit Rating Credit does not apply
(18)	Merit Rating Credit	9885	(18)	(14)x[(-17) expressed as a decimal]
(19)	Merit Rating Neutral Factor	9884	(19)	Zero whether Merit Rating Neutral Adjustment (no credit or debit) does or does not apply
(20)	Merit Rating Neutral Adjustment	9884	(20)	(14)x[(19) expressed as a decimal]
(21)	Merit Rating Debit Factor	9886	(21)	Zero if Merit Rating Debit does not apply
(22)	Merit Rating Charge	9886	(22)	(14)x[(21) expressed as a decimal]
(23)	Premium After Experience Modification or Merit Rating		(23)	(16) if Experience-Rated, [(14)+(18)+(20)+(22)] if Merit-Rated, (14) if Non-Rated
(24)	Non-Ratable Classifications	xxxx	(24)	Carrier Value
(25)	Non-Ratable Classifications Exposure		(25)	Portion of payroll exposure subject to Non-Ratable Classifications
(26)	Non-Ratable Classification Rating Value	xxxx	(26)	Carrier Value
(27)	Non-Ratable Classification Premium		(27)	(25)/100x(26) [based on applicable Non-Ratable Classification exposure]
<del>(28)</del>	<del>Aircraft Seat Surcharge Exposure (# of seats)</del>	<del>9108</del>	<del>(28)</del>	<del>Actual number of seats for insured risk. Subject to maximum 10 seats per aircraft</del>

### Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
<del>(29)</del>	<del>Aircraft Seat Surcharge</del>	9108	<del>(29)</del>	Carrier Value
<del>(30)</del>	<del>Aircraft Seat Surcharge Premium Charge</del>	9108	<del>(30)</del>	<del>(28) x (29)</del>
<del>(3128)</del>	Workfare Program Employees Exposure (PA)	0982	<del>(3128)</del>	Number of person weeks. A partial workweek for any worker to be counted as 1 person week.
<del>(3229)</del>	Workfare Program Employees Rating Value (PA)	0982	<del>(3229)</del>	Carrier Value
<del>(3330)</del>	Workfare Program Employees Premium (PA)	0982	<del>(3330)</del>	<del>(3128) x (3229)</del>
<del>(3431)</del>	Non-Ratable Classification Premium Total		<del>(3431)</del>	Sum of all (27)+(30)+(33) premiums
<del>(3532)</del>	Non-Ratable Classification Increased Limits Factor	xxxx	<del>(3532)</del>	Carrier value
<del>(3633)</del>	Non-Ratable Classification Increased Limits Premium Charge	xxxx	<del>(3633)</del>	<del>(3431) x [(3532) expressed as a decimal]</del>
<del>(3734)</del>	Minimum Premium Non-Ratable Classification Increased Limits	9848	<del>(3734)</del>	Carrier value
<del>(3835)</del>	Minimum Premium Non-Ratable Classification Increased Limits Premium Charge	9848	<del>(3835)</del>	<del>[(3734)-(3633)] if (3633) &lt; (3734) and (3532) &gt; 0, otherwise zero</del>
<del>(3936)</del>	Premium Before Schedule Rating		<del>(3936)</del>	<del>(23)+(3431)+(3633)+(3835)</del>
<del>(4037)</del>	Schedule Rating Plan Adjustment Factor	9887/9889	<del>(4037)</del>	Carrier value - use 9887 for schedule credits and 9889 for schedule debits
<del>(4138)</del>	Schedule Rating Plan Premium Adjustment	9887/9889	<del>(4138)</del>	<del>(3936)x[(4037) expressed as a decimal]. For schedule credits Line (4138) will be negative</del>
<del>(4239)</del>	Certified Safety Committee Credit Factor (PA)	9890	<del>(4239)</del>	Credit applies if insured is certified.
<del>(4340)</del>	Certified Safety Committee Premium Credit (PA)	9890	<del>(4340)</del>	<del>[(3936)+(4138)]x[(-4239) expressed as a decimal]</del>
<del>(4441)</del>	Workplace Safety Program Credit Factor (DE)	9880	<del>(4441)</del>	Credit applies if insured qualifies
<del>(4542)</del>	Workplace Safety Program Premium Credit (DE)	9880	<del>(4542)</del>	<del>[(3936)+(4138)]x[(-4441) expressed as a decimal]</del>
<del>(4643)</del>	Construction Classification Premium Adjustment Program Credit Factor	9046	<del>(4643)</del>	Based on wage level(s), application to rating organization
<del>(4744)</del>	Construction Classification Premium Adjustment Program Premium Credit	9046	<del>(4744)</del>	<del>[(3936)+(4138)]x[(-4643) expressed as a decimal]</del>
<del>(4845)</del>	Drug-Free Workplace Factor (DE)	9846	<del>(4845)</del>	Carrier value
<del>(4946)</del>	Drug-Free Workplace Credit (DE)	9846	<del>(4946)</del>	<del>[(3936)+(4138)+(4542)+(4744)]x[(-4845) expressed as a decimal]</del>
<del>(5047)</del>	Managed Care Factor (DE)	9874	<del>(5047)</del>	Carrier value
<del>(5148)</del>	Managed Care Credit (DE)	9874	<del>(5148)</del>	<del>[(3936)+(4138)+(4542)+(4744)+(4946)]x[(-5047) expressed as a decimal]</del>

### Premium Calculation Algorithm

Line #	Item Name	Associated Statistical Code	Line #	Source & Derivation
(5249)	Package Credit Factor (DE)	9721	(5249)	Carrier value
(5350)	Package Credit (DE)	9721	(5350)	$[(3936)+(4138)+(4542)+(4744)+(4946)+(5148)] \times [(-5249) \text{ expressed as a decimal}]$
(5451)	Premium After Managed Care and Package Credit If Applicable		(5451)	$[(3936)+(4138)+(4340)+(4542)+(4744)+(4946)+(5148)+(5350)]$
(5552)	Assigned Risk Surcharge Factor (DE)	0277	(5552)	May apply to some or all assigned risks based on plan and characteristics of individual insured
(5653)	Assigned Risk Premium Surcharge (DE)	0277	(5653)	$(5451) \times [(5552) \text{ expressed as a decimal}]$
(5754)	Deductible Credit Factor	9663	(5754)	Carrier value
(5855)	Deductible Premium Credit	9663	(5855)	$[(5451)+(5653)] \times [(-5754) \text{ expressed as a decimal}]$
(5956)	Loss Constant	0032	(5956)	Carrier value - may vary based on risk premium size
(6057)	Loss Constant Charge	0032	(6057)	Line (5956) if applicable
(6458)	Short Rate Cancellation Factor	0931	(6458)	Carrier value - zero if short rate cancellation does not apply
(6259)	Short Rate Premium	0931	(6259)	$[(5451)+(5653)+(5855)+(6057)] \times [(6458) - 1.0000]$ if $(6458) > 0$ , otherwise zero
(6360)	Expense Constant	0900	(6360)	Carrier value if applicable
(6461)	Expense Constant Charge	0900	(6461)	Line (6360)
(6562)	Minimum Premium	0990	(6562)	Carrier value
(6663)	Minimum Premium Charge	0990	(6663)	If $(6562) > [(5451)+(5653)+(5855)+(6057)+(6259)+(6461)]$ , $(6562) - [(5451)+(5653)+(5855)+(6057)+(6259)+(6461)]$ , otherwise zero
(6764)	Unit Statistical Report Total Standard Premium		(6764)	$[(5451)+(5653)+(5855)+(6057)+(6259)+(6663)]$
(6865)	Premium Discount Amount	0063/0064	(6865)	Carrier value based on $[(5451)+(5653)+(5855)+(6057)+(6259)+(6663)]$
(6966)	Additional premium Waiver of Subrogation (flat charge)	9115	(6966)	Carrier value(s)
(7067)	Terrorism	9740	(7067)	$(\text{Total payroll}/100) \times \text{carrier rating value}$
(7468)	Catastrophe (other than Certified Acts of Terrorism)	9741	(7468)	$(\text{Total payroll}/100) \times \text{carrier rating value}$
(7269)	Total Policy Premium Subject to Employer Assessment		(7269)	$(6461)+(6764)-(6865)+(6966)+(7067)+(7468)$
(7370)	Employer Assessment Factor Pursuant to Act 57 of 1997 (PA)	0938	(7370)	Bureau PCR value for the specific purpose of computing employer assessments
(7471)	Employer Assessment Amount Pursuant to Act 57 of 1997 (PA)	0938	(7471)	$[(7269)-(11)-(5855)] \times (7370)$ NOTE: Cells (11) and (5855) are credits. Subtracting these credits as shown effectively adds the premium reduction given for deductible coverage back into the premium for purposes of calculating employer assessments

**PENNSYLVANIA WORKERS COMPENSATION MANUAL**

SECTION 2

RATING VALUES

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LOSS COSTS AND EXPECTED LOSS FACTORS FOR PENNSYLVANIA WORKERS COMPENSATION INSURANCE						
CODE NO	LOSS COST	EXPERIENCE RATING PLAN EXPECTED LOSS FACTORS TABLE *			HAZARD GROUP A-G	
		A-1	A-2	A-3		
0083	4.17	2.50	3.20	3.55	C	
0170	2.43	1.46	1.87	2.07	C	
4771	2.24	1.30	1.65	1.86	G	
0771	0.56				G	
4777	6.92	4.15	5.32	5.89	E	
7405	1.86	1.11	1.43	1.58	E	
7445	0.40				G	
7413	0.72	0.43	0.55	0.61	G	
7453	0.15				G	
7421	0.87	0.52	0.67	0.74	F	
7424	2.05	1.23	1.58	1.74	G	
7428	4.63	2.77	3.56	3.94	E	
9108	77.15				A	
9740	0.02					
9741	0.01					
Per Capita						
0901	24.22	14.52	18.62	20.62	B	
0902	1.23	0.74	0.94	1.04	A	
0908	206.11	123.57	158.46	175.46	C	
0909	75.61	45.33	58.13	64.37	B	
0912	288.41	172.91	221.73	245.53	B	
0913	433.18	259.70	333.03	368.77	C	
A Rated						
9985	A	A	A	A		
0133	A	A	A	A		

Table A-1 applies to the most current policy year, Table A-2 to the first prior policy year, and Table A-3 to the second prior policy year.

Associated classes – both codes must be applied. The second code is not subject to experience rating and applies to the full payroll of the associated class.

i Code 9108 may also apply.

k Not subject to experience rating

**PENNSYLVANIA WORKERS COMPENSATION MANUAL**

**SECTION 2**

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**CLASSIFICATIONS**

**7421 AIRCRAFT OPERATION** – transportation of personnel in the business of an employer not otherwise engaged in aircraft operations – all members of the flying crew

Applicable to the payroll of the pilot and all members of the flying crew. In the case of aircraft owned or operated by an employer in the conduct of his business, this classification shall apply to the payroll of executive officers or other employees acting as pilots or members of the flying crew. If the records of the employer clearly indicate the weeks in which flying is performed by such employees, (1) only the payroll for each week during any part of which the employee has engaged in flight duties shall be assigned to Code 7421 unless the classification applicable to the employee's non-flying operations carries a higher insuring carrier rating value in which event such classification shall apply and (2) the payroll for each week in which no flying has been done shall be assigned to those classifications which would otherwise apply. If the employer's records do not clearly indicate the weeks in which flying is performed by such employees, the entire payroll for such employees shall be assigned to Code 7421 unless the classification applicable to the employee's non-flying operations has a higher insuring carrier rating value in which event such classification shall apply.

Commercial aircraft operation to be separately rated.

~~A per passenger seat surcharge, subject to a maximum surcharge of ten seats per aircraft, shall be charged in addition to the premium otherwise determined under this classification. These surcharges shall not be cumulative in the event of substitution of aircraft during the policy period; but these surcharges shall be cumulative in the event more than one aircraft is owned or operated during the same policy period. These surcharges shall not be subject to pro rate or short rate adjustment except in the event of cancellation of the policy. These surcharges and losses to employees, other than members of flying crew, arising out of the operation of an aircraft, are to be reported under Code 9108. Attach Endorsement WC 00 04 01A.~~

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~~**9108 AIRCRAFT Passenger Seat Surcharge**~~

~~The maximum surcharge is ten seats per aircraft. For details see Code 7421, Aircraft Operations, Transportation of Personnel for Business. Premium developed under Code 9108 is not subject to experience or retrospective rating.~~

**SECTION 2**

**UNDERWRITING GUIDE**

Aircraft Seat Surcharge .....9108

**~~AIRCRAFT PREMIUM ENDORSEMENT~~**

~~Additional premium is charged for each aircraft shown in the Schedule. The additional premium is not subject to adjustment unless this policy is cancelled. You may substitute one aircraft for another without additional charge if the substitute aircraft has no more seats than the aircraft shown in the Schedule.~~

<u>State</u>	<u>Aircraft</u>	<u>Schedule</u> <u>Passenger</u> <u>Seat Charge</u>	<u>Maximum</u> <u>Charge</u>	<u>Estimated</u> <u>Premium</u>
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**Notes:**

- ~~1. Use this endorsement to show the additional premium required for passenger seat surcharge when classification code 7421 is assigned.~~
- ~~2. Report passenger seat surcharge under Code 9108.~~
- ~~3. Show the state(s) to which the payroll of classification Code 7421 is assigned.~~

**GENERAL RULES**

**SECTION III – GENERAL PROVISIONS**

- 1. Eligibility Requirements.** A risk shall qualify for rating under this Plan if the premium developed by the audited payrolls or other exposures of the experience period, extended at current Bureau Loss Costs, is \$10,000 or more. Eligibility requirements will be determined without consideration of Maritime Liability, Liability under the Federal Employers' Liability Act, Excess Limits and Additional Medical Coverage, ~~the nonrateable element and seat surcharge for Aircraft Operation,~~ the nonrateable element for Explosives Manufacturing, and Atomic Energy Projects.

Balance of Section III remains unchanged.



**SECTION IV**  
**APPLICATION OF EXPERIENCE MODIFICATION**

**1. Experience Modification.** An experience modification.....on the effective date of the experience modification.

EXCEPTIONS:

Premiums Not Subject to Experience Rating:

The following are not subject to experience rating:

- i. Expense Constants.
- ii. The policy minimum premium.
- iii. Premium under the National Defense Projects Rating Plan.
- iv. Premium under Rule 1 of the Atomic Energy Procedure.
- v. The surcharge premium under Rule 2 of the Atomic Energy Procedure.
- ~~vi. The seat surcharge premium for Aircraft Operation.~~
- ~~vii.~~vi. Premium developed under Code 9740 – Terrorism
- ~~viii.~~vii. Premium developed under Code 9741 – Catastrophe (other than Certified Acts of Terrorism)

Balance of Section IV remains unchanged.

**SECTION V**  
**TABULATION OF EXPERIENCE**

1. **Experience Used for Rating.** The experience used for rating purposes shall be the individual risk experience valued at least three months prior to the rating date and reported in accordance with the provisions of the Pennsylvania Workers' Compensation Statistical Plan. It shall include Voluntary Compensation insurance, but shall exclude Maritime Employments and Employments under the Federal Employers' Liability Act. ~~It shall also exclude the exposure and any losses under Code 9108 Passenger Seat Surcharge.~~
- 2 – 6 No change
7. **Revision of Losses.** It shall not be permissible to revise values because of department or judicial decision or because of developments in the nature of injury between two valuation dates---except in cases:
  - (a) where loss values are included or excluded through mistake other than error of judgment, or
  - (b) where a claim is declared non-compensable (see note below), or
  - (c) where the claimant or carrier has recovered in an action against a third party, or
  - (d) where a claim should have been reported with Catastrophe Code No. 48, or
  - (e) where a claim or a portion of a claim is ruled or officially declared fraudulent.

Balance of Section V remains unchanged.

**GENERAL RULES**  
**SECTION III – GENERAL PROVISIONS**

1. **Eligibility Requirements.** A risk shall qualify for application of the Merit Rating Plan if **BOTH** of the following conditions are met:
  - a) The risk does not qualify for experience rating, and
  - b) The risk has exposure greater than zero during each year of the Merit Rating Plan experience period as defined herein.
    - i) Eligibility requirements will be determined without consideration of maritime liability, liability under the Federal Employers' Liability Act, excess limits and additional medical coverage, ~~the nonrateable element and seat surcharge for aircraft operation,~~ the nonrateable element for explosives manufacturing, and atomic energy projects.

Balance of Section III remains unchanged.

**SECTION IV**  
**APPLICATION OF MERIT RATING PLAN ADJUSTMENT**

1. **Merit Rating Plan Adjustment.** A Merit Rating Plan...the effective date of the Merit Rating Plan adjustment.

EXCEPTIONS:

Premiums Not Subject to the Merit Rating Plan:

The following are not subject to the Merit Rating Plan:

- i. Expense Constants.
- ii. The policy minimum premium.
- iii. Premium under the National Defense Projects Rating Plan.
- iv. Premium under Rule 1 of the Atomic Energy Procedure.
- v. The surcharge premium under Rule 2 of the Atomic Energy Procedure.
- ~~vi. The seat surcharge premium for Aircraft Operation.~~
- ~~vii.~~vi. Premium developed under Code 9740 – Terrorism
- ~~viii.~~vii. Premium developed under Code 9741 – Catastrophe (other than Certified Acts of Terrorism)

Balance of Section IV remains unchanged.

**SECTION V**  
**TABULATION OF EXPERIENCE**

1. **Experience Used for the Merit Rating Plan.** The experience used for purposes of the Merit Rating Plan shall be the individual risk experience valued at least three months prior to the rating date and reported in accordance with the provisions of the Pennsylvania Workers' Compensation Statistical Plan. It shall include voluntary compensation insurance but shall exclude maritime employments and employments under the Federal Employees' Liability Act. ~~It shall also exclude the exposure and any losses under Code 9408, Passenger Seat Surcharge.~~
- 2 – 5 No change
6. **Revision of Losses.** It shall not be permissible to revise values because of department or judicial decision or because of developments in the nature of injury between two valuation dates---except in cases:
  - (a) where loss values are included or excluded through mistake other than error of judgment, or
  - (b) where a claim is declared non-compensable (see note below), or
  - (c) where the claimant or carrier has recovered in an action against a third party, or
  - (d) where a claim should have been reported with Catastrophe Code No. 48-, or
  - (e) where a claim or a portion of a claim is ruled or officially declared fraudulent.

~~It shall be permissible to submit a revised reporting requesting adjustment of the affected Merit Rating Plan adjustment or adjustments, provided such request is made within 24 months of the expiration of the period to which the merit rating applied.~~

~~If a case involving subrogation is expected to be open longer than 24 months after the expiration of any period(s) to which the merit rating applied, upon written application, properly filed with the Bureau by the insured, a further extension of 24 months may be granted, provided such request is made within 24 months of the expiration of the period to which the merit rating applied. Such application shall give notice to the Bureau that a third-party subrogation claim is still open, pending judicial decision. In this event, the Bureau's files for the risk involved will be preserved for a period of 24 additional months.~~

In the above circumstances, revised statistical report(s) are required to be submitted in accordance with the approved Statistical Plan. When a change to a claim value due to the above circumstances is known to the insurer with certainty within 48 months of the expiration of a Merit Rating Plan adjustment which included loss values for that claim, such revised statistical report(s) shall be used to adjust that merit rating. Such adjustments to merit ratings shall be made regardless of when the correction report(s) reflecting the cited event(s) is/are submitted to or received by the PCRB.

Balance of Section V remains unchanged.