

PENNSYLVANIA COMPENSATION RATING BUREAU
PENNSYLVANIA CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM ("PCCPAP")

The PCCPAP is used in Pennsylvania as a means of addressing construction employers' concerns regarding the effects of wage differentials on workers compensation premium. The program establishes a set of tabular premium credits given to employers engaged in the construction trades and who have paid wages in excess of minimum qualifying levels.

The PCCPAP is intended to be a means of redistributing a portion of workers compensation insurance premiums between lower-wage and higher-wage employers. On balance, the program is intended to be revenue neutral.

The PCRB has assembled 2021 policy year experience data that provides historical measures of the extent to which employers in each eligible classification have qualified for PCCPAP credits, and the magnitude of credits granted under this program. The attached exhibit presents the staff analysis of this experience, and derives a proposed revised set of PCCPAP loadings to maintain the intended balance within the affected classifications. A brief description of Page 14.1 follows:

Column (1) - Class: The numeric designation of each classification eligible for PCCPAP credit.

Column (2) - # of Policies (Total): The number of policies reported in each class, whether or not those policies applied for or received PCCPAP credit.

Column (3) - # of Policies (PCCPAP): The number of policies qualified for PCCPAP credit for the 2019 policy term.

Column (4) - Payroll (Total): The payroll attributable to the policies reported in column (2).

Column (5) - Payroll (PCCPAP): The payroll attributable to policies reported in column (3).

Column (6) - PCCPAP Policy Premium, Pre-PCCPAP: The Standard Premium which would have applied to qualifying PCCPAP policies ABSENT both the tabular PCCPAP credit and the adjustment to that tabular credit to offset any redundancy resulting from the calculation of experience modifications. The current PCCPAP load on Manual Rates is omitted from this calculation.

Column (7) - PCCPAP Policy Premium, Post-PCCPAP: The Standard Premium attributable to qualifying PCCPAP policies, reflecting BOTH the tabular PCCPAP credits and the adjustment to that tabular credit to offset any redundancy resulting from the calculation of experience modifications. The current PCCPAP load on Manual Rates is omitted from this calculation.

Columns (8) and (9) - Non-PCCPAP Policy Premium: The Standard Premium attributable to policies that did not qualify for PCCPAP credit in 2021. The current PCCPAP load on Manual Rates is omitted from this calculation.

Column (10) - Indicated Surcharge: The ratio of Pre-PCCPAP premiums for both qualifying and non-qualifying policies to Post-PCCPAP premiums for those same policies. Computed as (Column (6) + Column (8)) / (Column (7) + Column (9)).

PENNSYLVANIA CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM ("PCCPAP")
(Continued)

Column (11) - Average PCCPAP Credit: For qualifying policies, the average credit given in 2021. For example, an average credit of 0.108 indicates that the average qualifying risk in Code 601 received a 10.8% reduction in standard premium by operation of the PCCPAP plan's tabular credit and experience rating plan adjustment. This is computed as $(1.00 - (\text{Column (7)} / \text{Column (6)}))$.

Column (12) - Class "Z": This is the credibility assigned each classification's indicated PCCPAP surcharge. The partial credibility formula is the square root of (the number of policies divided by 435, the standard for full credibility). Staff perceives the use of total policies to be more appropriate where large portions of a class have not historically qualified for PCCPAP credit.

Column (13) - Formula Surcharge: The credibility-weighted classification loadings for PCCPAP credits. The calculation uses the following values:

$\text{Column (10)} \times \text{Column (12)} + (1.00 - \text{Column (12)}) \times \text{Average Column (10)}$
where Average Column (10) = Associated Direct Employment class Column (13) for Temporary Staffing (26XX) classes

Column (14) - TCF: The test correction factor necessary to balance credibility-weighted surcharges across all classifications to the overall indicated surcharge of 1.93%

Column (15) - Final Surcharge: The product of the TCF (Column (14)) and the formula surcharges (Column (13)) by classification.

Page 14.2 and 14.3 shows a comparison of current and proposed PCCPAP surcharges by class and overall.

Comparison of PCCPAP Surcharges by Class

Class (1)	Current PCCPAP Surcharge (2)	Proposed PCCPAP Surcharge (3)	Percentage Change (4)=(3)/(2)-1.0
601	1.0089	1.0086	-0.03%
603	1.0341	1.0304	-0.36%
605	1.0219	1.0190	-0.28%
606	1.0219	1.0190	-0.28%
607	1.0058	1.0074	0.16%
608	1.0272	1.0220	-0.51%
609	1.0147	1.0146	-0.01%
611	1.0310	1.0299	-0.11%
615	1.0502	1.0246	-2.44%
617	1.0171	1.0207	0.35%
645	1.0428	1.0441	0.12%
646	1.0190	1.0273	0.81%
647	1.0142	1.0092	-0.49%
648	1.0130	1.0095	-0.35%
649	1.0585	1.0535	-0.47%
651	1.0237	1.0215	-0.21%
652	1.0006	1.0005	-0.01%
653	1.0296	1.0262	-0.33%
654	1.0373	1.0288	-0.82%
655	1.0158	1.0100	-0.57%
656	1.0133	1.0123	-0.10%
657	1.0219	1.0125	-0.92%
658	1.0236	1.0320	0.82%
659	1.0137	1.0135	-0.02%
660	1.0305	1.0267	-0.37%
661	1.0510	1.0437	-0.69%
662	1.0025	1.0027	0.02%
663	1.0256	1.0218	-0.37%
664	1.0376	1.0297	-0.76%
665	1.0124	1.0097	-0.27%
666	1.0626	1.0376	-2.35%
667	1.0130	1.0147	0.17%
668	1.0217	1.0214	-0.03%
669	1.0255	1.0209	-0.45%
670	1.0376	1.0298	-0.75%
673	1.0074	1.0063	-0.11%
674	1.0157	1.0101	-0.55%
675	1.0063	1.0064	0.01%
676	1.0181	1.0237	0.55%
677	1.0232	1.0182	-0.49%
679	1.0219	1.0190	-0.28%
681	1.0219	1.0190	-0.28%
2601	1.0219	1.0190	-0.28%
2603	1.0219	1.0190	-0.28%
2605	1.0219	1.0190	-0.28%

Comparison of PCCPAP Surcharges by Class

Class (1)	Current PCCPAP Surcharge (2)	Proposed PCCPAP Surcharge (3)	Percentage Change (4)=(3)/(2)-1.0
2606	1.0219	1.0190	-0.28%
2607	1.0219	1.0190	-0.28%
2608	1.0219	1.0190	-0.28%
2609	1.0123	1.0122	-0.01%
2611	1.0219	1.0190	-0.28%
2615	1.0219	1.0190	-0.28%
2617	1.0219	1.0190	-0.28%
2645	1.0219	1.0190	-0.28%
2646	1.0219	1.0190	-0.28%
2647	1.0219	1.0190	-0.28%
2648	1.0219	1.0190	-0.28%
2649	1.0219	1.0190	-0.28%
2651	1.0170	1.0154	-0.16%
2652	1.0219	1.0190	-0.28%
2653	1.0219	1.0190	-0.28%
2654	1.0219	1.0190	-0.28%
2655	1.0219	1.0190	-0.28%
2656	1.0219	1.0190	-0.28%
2657	1.0219	1.0190	-0.28%
2658	1.0219	1.0190	-0.28%
2659	1.0219	1.0190	-0.28%
2660	1.0219	1.0190	-0.28%
2661	1.0300	1.0274	-0.25%
2662	1.0219	1.0190	-0.28%
2663	1.0219	1.0190	-0.28%
2664	1.0219	1.0190	-0.28%
2665	1.0219	1.0190	-0.28%
2666	1.0219	1.0190	-0.28%
2667	1.0219	1.0190	-0.28%
2668	1.0219	1.0190	-0.28%
2669	1.0219	1.0190	-0.28%
2670	1.0219	1.0190	-0.28%
2673	1.0219	1.0190	-0.28%
2674	1.0219	1.0190	-0.28%
2675	1.0219	1.0190	-0.28%
2676	1.0219	1.0190	-0.28%
2677	1.0219	1.0190	-0.28%
2679	1.0219	1.0190	-0.28%
2681	1.0219	1.0190	-0.28%
Total	1.0219	1.0191	-0.3%