

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 PCRБ has assembled 2020 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 2020 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 2020. 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)).

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Column (11) - Average PCCPAP Credit: For qualifying policies, the average credit given in 2020. For example, an average credit of 0.116 indicates that the average qualifying risk in Code 601 received a 11.6 percent 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 410, 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 2.19 percent.

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.

Class	# of Policies (Total) (2)	# of Policies (PCCPAP) (3)	Payroll (Total) (4)	Payroll (PCCPAP) (5)	***PCCPAP Policies***		**Non-PCCPAP Policies**		Indicated Surcharge (10)	Average PCCPAP Credit (11)	Class "Z" (12)	Formula Surcharge (13)	TCF (14)	Final Surcharge (15)
					Premium Pre-PCCPAP (6)	Premium Post-PCCPAP (7)	Premium Pre-PCCPAP (8)	Premium Post-PCCPAP (9)						
601	427	54	472,789,693	36,671,381	1,252,709	1,107,777	14,597,814	14,597,814	1.0092	0.1157	1.00	1.0092	0.9997	1.0089
603	264	44	116,726,153	24,017,487	913,932	771,791	3,017,271	3,017,271	1.0375	0.1555	0.80	1.0344	0.9997	1.0341
605	43	0	15,778,968	0	0	0	663,947	663,947	1.0000	0.0000	0.32	1.0149	0.9997	1.0219
606	34	0	67,285,781	0	0	0	1,632,842	1,632,842	1.0000	0.0000	0.29	1.0155	0.9997	1.0219
607	385	17	360,763,503	12,374,477	150,083	119,477	5,307,466	5,307,466	1.0056	0.2039	0.97	1.0061	0.9997	1.0058
608	2,455	196	572,005,378	105,988,754	3,744,607	3,180,725	17,344,007	17,344,007	1.0275	0.1506	1.00	1.0275	0.9997	1.0272
609	2,568	160	1,115,764,464	122,821,051	2,838,540	2,464,679	22,532,497	22,532,497	1.0150	0.1317	1.00	1.0150	0.9997	1.0147
611	27	5	5,436,484	1,410,743	85,473	70,637	184,316	184,316	1.0582	0.1736	0.26	1.0313	0.9997	1.0310
615	6	3	902,351	786,222	38,391	29,225	5,990	5,990	1.2603	0.2388	0.12	1.0505	0.9997	1.0502
617	321	50	350,073,349	37,947,718	719,368	617,277	5,445,854	5,445,854	1.0168	0.1419	0.88	1.0174	0.9997	1.0171
645	746	102	275,730,484	86,026,095	3,194,070	2,762,996	7,234,582	7,234,582	1.0431	0.1350	1.00	1.0431	0.9997	1.0428
646	370	24	71,282,451	7,357,387	227,495	185,257	2,012,996	2,012,996	1.0192	0.1857	0.95	1.0193	0.9997	1.0190
647	264	5	60,320,659	3,340,601	142,127	107,875	2,618,188	2,618,188	1.0126	0.2410	0.80	1.0145	0.9997	1.0142
648	1,262	49	151,782,708	15,054,528	539,646	460,612	5,478,489	5,478,489	1.0133	0.1465	1.00	1.0133	0.9997	1.0130
649	252	72	82,482,548	39,560,603	934,513	803,387	1,090,154	1,090,154	1.0692	0.1403	0.78	1.0588	0.9997	1.0585
651	2,636	213	865,035,770	138,928,102	4,699,817	4,002,840	25,092,326	25,092,326	1.0240	0.1483	1.00	1.0240	0.9997	1.0237
652	6,121	20	570,443,234	5,265,607	254,953	225,526	32,548,270	32,548,270	1.0009	0.1154	1.00	1.0009	0.9997	1.0006
653	1,740	102	292,215,484	59,357,065	2,379,903	2,024,768	9,850,618	9,850,618	1.0299	0.1492	1.00	1.0299	0.9997	1.0296
654	550	102	239,859,524	52,943,095	2,297,221	1,941,257	7,520,001	7,520,001	1.0376	0.1550	1.00	1.0376	0.9997	1.0373
655	453	31	135,320,781	11,783,436	714,390	591,401	7,043,772	7,043,772	1.0161	0.1722	1.00	1.0161	0.9997	1.0158
656	136	6	314,214,124	8,656,787	276,163	212,909	8,074,909	8,074,909	1.0076	0.2290	0.58	1.0136	0.9997	1.0133
657	52	0	11,849,192	0	0	0	544,434	544,434	1.0000	0.0000	0.36	1.0140	0.9997	1.0219
658	408	48	72,628,743	9,325,978	451,406	363,637	3,307,353	3,307,353	1.0239	0.1944	1.00	1.0239	0.9997	1.0236
659	939	40	180,106,652	18,983,927	1,489,981	1,277,858	13,921,340	13,921,340	1.0140	0.1424	1.00	1.0140	0.9997	1.0137
660	1,095	96	400,843,397	66,672,162	958,161	773,383	5,228,515	5,228,515	1.0308	0.1928	1.00	1.0308	0.9997	1.0305
661	3,093	251	1,307,721,798	352,211,548	5,893,148	4,793,050	16,670,702	16,670,702	1.0513	0.1867	1.00	1.0513	0.9997	1.0510
662	318	2	78,226,426	215,168	7,232	6,510	2,959,076	2,959,076	1.0002	0.0998	0.88	1.0028	0.9997	1.0025
663	3,252	248	1,287,788,855	185,207,823	4,022,773	3,345,942	22,745,559	22,745,559	1.0259	0.1682	1.00	1.0259	0.9997	1.0256
664	2,621	178	1,122,451,383	273,273,696	5,631,397	4,726,417	19,143,414	19,143,414	1.0379	0.1607	1.00	1.0379	0.9997	1.0376
665	1,590	44	197,170,954	21,539,053	891,500	778,021	8,134,438	8,134,438	1.0127	0.1273	1.00	1.0127	0.9997	1.0124
666	289	53	77,467,491	32,871,262	1,312,854	1,098,511	1,934,239	1,934,239	1.0707	0.1633	0.84	1.0629	0.9997	1.0626
667	156	5	18,947,370	1,367,992	13,794	11,955	214,795	214,795	1.0081	0.1333	0.62	1.0133	0.9997	1.0130
668	480	26	70,288,392	9,669,612	366,081	295,611	2,904,357	2,904,357	1.0220	0.1925	1.00	1.0220	0.9997	1.0217
669	126	17	9,396,907	2,573,325	93,754	83,204	281,554	281,554	1.0289	0.1125	0.55	1.0258	0.9997	1.0255
670	692	39	69,178,647	13,102,608	451,492	360,268	2,048,980	2,048,980	1.0379	0.2021	1.00	1.0379	0.9997	1.0376
673	192	3	41,143,999	383,968	12,318	10,902	1,456,017	1,456,017	1.0010	0.1150	0.68	1.0077	0.9997	1.0074
674	217	3	33,966,593	3,977,011	165,287	149,645	984,901	984,901	1.0138	0.0946	0.73	1.0160	0.9997	1.0157
675	1,887	59	1,132,991,724	51,571,222	942,798	801,557	20,737,771	20,737,771	1.0066	0.1498	1.00	1.0066	0.9997	1.0063
676	336	20	56,349,184	7,352,452	191,350	162,010	1,462,940	1,462,940	1.0181	0.1533	0.91	1.0184	0.9997	1.0181
677	68	8	72,745,876	7,835,250	121,128	94,142	950,557	950,557	1.0258	0.2228	0.41	1.0235	0.9997	1.0232
679	21	0	10,583,030	0	0	0	496,309	496,309	1.0000	0.0000	0.23	1.0169	0.9997	1.0219
681	86	0	7,586,485	0	0	0	280,169	280,169	1.0000	0.0000	0.46	1.0118	0.9997	1.0219
2609	11	0	253,668	0	0	0	9,179	9,179	1.0000	0.0000	0.16	1.0126	0.9997	1.0123
2651	33	0	3,785,911	0	0	0	251,891	251,891	1.0000	0.0000	0.28	1.0173	0.9997	1.0170
2661	69	0	19,330,261	0	0	0	592,353	592,353	1.0000	0.0000	0.41	1.0303	0.9997	1.0300
Total	39,091	2,395	12,419,016,829	1,828,425,196	48,419,855	40,813,039	306,557,152	306,557,152	1.0219	0.1571		1.0222	0.9997	1.0219

Note:
 For each Class:
 Indicated Surcharge = (Total Premium Pre-PCCPAP) / (Total Premium Post-PCCPAP)
 Basis of Credibility: $1 / ((\# \text{ PCCPAP Policies}) / (\# \text{ Total Policies})) * 25 = 410$ Policies for Full Credibility
 Formula Surcharge = (Indicated Surcharge) * (Credibility for that Class) + (1 - Credibility) * (Average Indicated Surcharge)
 where (Average Indicated Surcharge) = (Associated Direct Employment class Formula Surcharge) for the Temporary Staffing (26XX) classes
 Test Correction Factor = (Total Indicated Surcharge) / (Total Formula Surcharge)
 Final Surcharge = Formula Surcharge * Test Correction Factor

Comparison of PCCPAP Surcharges by Class

Class (1)	Current PCCPAP Surcharge (2)	Proposed PCCPAP Surcharge (3)	Percentage Change (4)=(3)/(2)-1.0
601	1.0073	1.0089	0.16%
603	1.0390	1.0341	-0.47%
605	1.0149	1.0219	0.69%
606	1.0141	1.0219	0.77%
607	1.0052	1.0058	0.06%
608	1.0263	1.0272	0.09%
609	1.0129	1.0147	0.18%
611	1.0213	1.0310	0.95%
615	1.0202	1.0502	2.94%
617	1.0187	1.0171	-0.16%
645	1.0573	1.0428	-1.37%
646	1.0208	1.0190	-0.18%
647	1.0141	1.0142	0.01%
648	1.0142	1.0130	-0.12%
649	1.0702	1.0585	-1.09%
651	1.0232	1.0237	0.05%
652	1.0007	1.0006	-0.01%
653	1.0299	1.0296	-0.03%
654	1.0271	1.0373	0.99%
655	1.0095	1.0158	0.62%
656	1.0116	1.0133	0.17%
657	1.0128	1.0219	0.90%
658	1.0322	1.0236	-0.83%
659	1.0116	1.0137	0.21%
660	1.0361	1.0305	-0.54%
661	1.0445	1.0510	0.62%
662	1.0025	1.0025	0.00%
663	1.0243	1.0256	0.13%
664	1.0377	1.0376	-0.01%
665	1.0179	1.0124	-0.54%
666	1.0613	1.0626	0.12%
667	1.0124	1.0130	0.06%
668	1.0289	1.0217	-0.70%
669	1.0420	1.0255	-1.58%
670	1.0390	1.0376	-0.13%
673	1.0062	1.0074	0.12%
674	1.0264	1.0157	-1.04%
675	1.0081	1.0063	-0.18%
676	1.0238	1.0181	-0.56%
677	1.0177	1.0232	0.54%
679	1.0158	1.0219	0.60%
681	1.0111	1.0219	1.07%
2601	1.0213	1.0219	0.06%
2603	1.0213	1.0219	0.06%
2605	1.0213	1.0219	0.06%

Comparison of PCCPAP Surcharges by Class

Class (1)	Current PCCPAP Surcharge (2)	Proposed PCCPAP Surcharge (3)	Percentage Change (4)=(3)/(2)-1.0
2606	1.0213	1.0219	0.06%
2607	1.0213	1.0219	0.06%
2608	1.0213	1.0219	0.06%
2609	1.0168	1.0123	-0.44%
2611	1.0213	1.0219	0.06%
2615	1.0213	1.0219	0.06%
2617	1.0213	1.0219	0.06%
2645	1.0213	1.0219	0.06%
2646	1.0213	1.0219	0.06%
2647	1.0213	1.0219	0.06%
2648	1.0213	1.0219	0.06%
2649	1.0213	1.0219	0.06%
2651	1.0145	1.0170	0.25%
2652	1.0213	1.0219	0.06%
2653	1.0213	1.0219	0.06%
2654	1.0213	1.0219	0.06%
2655	1.0213	1.0219	0.06%
2656	1.0213	1.0219	0.06%
2657	1.0213	1.0219	0.06%
2658	1.0213	1.0219	0.06%
2659	1.0213	1.0219	0.06%
2660	1.0213	1.0219	0.06%
2661	1.0113	1.0300	1.85%
2662	1.0213	1.0219	0.06%
2663	1.0213	1.0219	0.06%
2664	1.0213	1.0219	0.06%
2665	1.0213	1.0219	0.06%
2666	1.0213	1.0219	0.06%
2667	1.0213	1.0219	0.06%
2668	1.0213	1.0219	0.06%
2669	1.0213	1.0219	0.06%
2670	1.0213	1.0219	0.06%
2673	1.0213	1.0219	0.06%
2674	1.0213	1.0219	0.06%
2675	1.0213	1.0219	0.06%
2676	1.0213	1.0219	0.06%
2677	1.0213	1.0219	0.06%
2679	1.0213	1.0219	0.06%
2681	1.0213	1.0219	0.06%
Total	1.0213	1.0219	0.1%