



Pennsylvania Compensation Rating Bureau

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October 29, 2020

PCRB CIRCULAR NO. P1753

To All Members of the PCRB:

RE: APPROVAL OF PCRB FILING NO. 319
BASIC MANUAL REVISIONS – SECTION 2
CODE 664, HEATING, VENTILATING OR AIR CONDITIONING CONTRACTOR
EFFECTIVE APRIL 1, 2021

The Pennsylvania Insurance Commissioner (Commissioner) has approved the PCRB's proposal to revise the scope of Code 664, Heating, Ventilating or Air Conditioning Contractor, for policies effective on or after 12:01 a.m., April 1, 2021. The effective date of this change is concurrent with the PCRB's annual comprehensive loss cost revision, which will be filed by the PCRB with the Insurance Department later this year. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems.

As background, PCRB's filing to revise the scope of Code 664 followed PCRB's revision to the scope of Code 676, Sheet Metal Installation. PCRB staff concluded a study of Code 676 in 2019. Code 676 applies to the installation of sheet metal products as specified in the Underwriting Guide in the Pennsylvania Workers' Compensation Manual of Rules, Classifications and Rating Values (Basic Manual). The Guide indicates that Code 676 includes installation of metal downspouts, gutters and metal ceilings, and to the installation of sheet metal products not otherwise classified. Since its inception on January 1, 1933 and at the outset of the study, Code 676 was structured so that it applied to both the shop fabrication and the installation payroll developed by an employer engaged in both the shop fabrication and installation of sheet metal products, whether or not the employer had separate shop fabrication and installation crews, and regardless of the percentage of the employer's overall operation that was attributable to shop fabrication versus installation.

Pursuant to the Code 676 study results, the PCRB proposed that Code 676 be restructured so that an employer engaged in both the shop fabrication and installation of sheet metal products be permitted to separately rate payroll developed in the shop fabrication work to Code 454, Sheet Metal Products Fabrication, Shop Only. PCRB staff reasoned that this approach would bring Code 676 in line with the majority of the PCRB's construction or erection classifications, which typically do not include fabrication work, would recognize the differences in process and hazard between fabrication and installation/erection operations, and would bring the classification procedure for impacted employers in line with procedure for other metal working classes that allow fabrication and installation work to be separately rated. The Commissioner approved PCRB's Filing No. 300, Circular 1727, for Code 676 study proposals, for policies with effective dates of April 1, 2020 and later.

Subsequent to the Commissioner's approval of PCRB Filing No. 300 on the Code 676 study proposals, it surfaced that Code 664 "Duct Fabrication and Installation – Heating, Ventilating or Air Conditioning Contractor" Underwriting Guide entry presented the same issues. This led staff to propose that Code 676 also be revised to allow a division of payroll with Code 454 for shop

fabrication work. Under existing procedure, the entire payroll of an employer engaged in both the shop fabrication and installation of duct must be assigned to Code 664, whether or not the employer has separate shop fabrication and installation crews, and regardless of the percentage of the employer's overall operation that is attributable to shop fabrication versus installation. Accordingly, the PCRB proposed that Code 664 - specifically the Code 664 "Duct Fabrication and Installation – Heating, Ventilating or Air Conditioning Contractor" Underwriting Guide entry - be revised so that payroll developed in the shop fabrication of duct by an employer engaged in both the shop fabrication and installation of duct work be separately rated to Code 454. This procedure applies whether or not a business performing both the shop fabrication of duct and duct installation uses separate crews for the shop fabrication and installation work and is contingent upon an employer's maintain separate payroll records for interchanging employees. When separate payroll records are not provided, the entire payroll of the interchanging employees shall be assigned to the insuring carrier's highest-valued classification representing any part of their work. The PCRB's rationale for this proposal was similar to that of the Code 676 study proposals where it brings Code 664 line with the majority of the PCRB's construction or erection classifications and recognizes the differences in process and hazard between fabrication and installation/erection operations.

The PCRB did not conduct a file by file review of Code 664 for this proposal and therefore has not identified impacted employers. Interested parties are encouraged to petition the PCRB to review the PCRB files of employers they feel may be impacted by this revision. On the basis of the approved April 1, 2020 PCRB loss costs (\$1.73 for Code 454 and \$2.41 for Code 664), the approval of Code 454 for employers presently classified to Code 664 and who are engaged in both the shop fabrication and installation of duct results in a rating value decrease of 28.22%. The PCRB anticipates that the approved April 1, 2020 PCRB loss costs will differ from those that will be in effect on April 1, 2021, in view of the PCRB's annual comprehensive loss cost revision, to be filed with the Department later this year with a proposed effective date of April 1, 2021.

Please refer to Filing No. 319 for additional information on the revision explained above. Please contact Robert Ferrante, Senior Classification Analyst – Technical Services, at (215) 320-4584 or at rferrante@pcrb.com for any questions regarding this circular. The Basic Manual will be updated on the PCRB's website at a later date.

William V. Taylor
President

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2021

INFORMATION PAGE remains unchanged.

PREFACE remains unchanged.

SECTION 1 – UNDERWRITING RULES remains unchanged.

SECTION 2

RATING VALUES through **DEFINITIONS** remains unchanged.

CLASSIFICATIONS

454 SHEET METAL PRODUCTS FABRICATION, N.O.C., SHOP

Remains unchanged.

UNDERWRITING GUIDE:

Duct Fabrication - ~~No Installation Work~~

No change to Classification Code 456 – METAL FURNITURE OR FURNISHING GOODS MFG., N.O.C. through Classification Code 663 – PLUMBING: GAS, STEAM, HOT WATER OR OTHER PIPEFITTING, INCLUDING HOUSE CONNECTIONS – SHOP PAYROLL, IF ANY, MUST BE INCLUDED

664 HEATING, VENTILATING OR AIR CONDITIONING CONTRACTOR

Applicable to contractors performing forced air heating, ventilating or air conditioning equipment installation required for air comfort control or engaged in the service or repair of such equipment. ~~Further included is any incidental duct or shop work.~~

OPERATIONS NOT INCLUDED:

Remains unchanged.

UNDERWRITING GUIDE:

Duct ~~Fabrication And~~ Installation – Heating, Ventilating or Air Conditioning

No change to Classification Code 665 – PAINTING AND DECORATING, INCLUDING SHOP through Code 9741 – CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM)

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OPERATIONS NOT INCLUDED:

Remains unchanged.

UNDERWRITING GUIDE:

Duct Installation – Heating, Ventilating or Air Conditioning

No change to Classification Code 665 – PAINTING AND DECORATING, INCLUDING SHOP through Code 9741 – CATASTROPHE (OTHER THAN CERTIFIED ACTS OF TERRORISM)

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COMPENSATION AND FOR EMPLOYERS LIABILITY INSURANCE**

Approved Effective April 1, 2021

CLASSIFICATION UNDERWRITING GUIDE

No change to Abrasive Paper Or Cloth Preparation – Code 255 through. Duct Cleaning - Grease Exhaust, Air Conditioning, Heating, Ventilating - By Specialist Contractor – Code 971

Duct Fabrication - ~~No Installation Work~~

454

Duct ~~Fabrication And~~ Installation - Heating, Ventilating Or Air Conditioning

664

No change Ductile Iron Foundry – Code 425 through Zoo – Code 969

SECTION 3 – ENDORSEMENTS remain unchanged.

SECTION 4 – RETROSPECTIVE RATING PLANS remains unchanged.

SECTION 5 – EXPERIENCE RATING PLAN remains unchanged.

SECTION 6 – MERIT RATING PLAN remains unchanged.

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