



Pennsylvania Compensation Rating Bureau

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June 22, 1998

BUREAU CIRCULAR NO. 1374

To All Members of the Bureau:

Re: **ASSESSMENTS FOR THE MAINTENANCE OF THE SUBSEQUENT INJURY FUND,
THE WORKMEN'S COMPENSATION SUPERSEDEAS FUND AND THE
WORKMEN'S COMPENSATION ADMINISTRATION FUND
EFFECTIVE JULY 1, 1998**

The Pennsylvania Compensation Rating Bureau (PCRB) has filed and the Insurance Commissioner has approved a filing to conform with provisions of H.B. 1027, Act 57 of 1997, which was passed by the Pennsylvania Legislature. This filing becomes effective as of 12:01 a.m., July 1, 1998 on a new and renewal basis. The text of this filing, as amended, Bureau Filing No. 181, is shown below:

Section 2218 of the Legislation provides as follows:

Worker's Compensation Assessment. - - Effective July 1, 1998, the assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under sections 306.2, 443 and 446 of the act of June 2, 1915 (P. L. 736, No. 338), known as the "Workers' Compensation Act", shall no longer be imposed on insurers but shall be imposed, collected and remitted through insurers in accordance with regulations promulgated by the Department of Labor and Industry.

The PCRB is aware that the Department of Labor and Industry is in the process of drafting regulations in response to the Legislation. In the interim, before such regulations are adopted in final form, in order to promote the efficient and continued lawful operation of the workers compensation insurance market in the Commonwealth of Pennsylvania, this filing proposes the following steps:

1. Effective 12:01 a. m., July 1, 1998 on a new and renewal basis, workers compensation premium for coverage under the Workers' Compensation Act shall be defined to be 96.82 percent of the dollar value obtained by applying carrier rating values, the uniform Experience Rating Plan and other rating plans consistent with carrier programs to the portion of each workers compensation insurance policy issued in Pennsylvania providing coverage under the Workers' Compensation Act. The remaining 3.18 percent of such dollar

value shall be defined to be assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under Sections 306.2, 443 and 446 of the act of June 2, 1915 (P.L. 736, No. 338), known as the "Workers' Compensation Act." For employers insured under commercial workers compensation insurance policies such assessments will, by application of the Legislation, no longer be imposed on insurers but rather shall be imposed on, collected from and remitted by insured employers through their insurers. These assessments will be separate from the workers compensation premium and will not be subject to premium tax.

The partitioning between premiums and assessments described above is consistent with the currently approved provision in PCRB loss costs for the assessments attributable to the funds named in Section 2218 of the Legislation. The PCRB would note that the proposed partitioning would NOT apply to premiums produced in classifications applicable to insurance under the United States Longshore and Harbor Workers' Act.

To assist in computing and accounting for employer assessments, the Bureau is proposing that Statistical Code 0938 be approved for use in reporting such amounts. Code 0938 is proposed to be defined as follows:

Employer assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under Sections 306.2, 443 and 446 of the Act of June 2, 1915 (P.L. 736, No. 338), known as the "Workers' Compensation Act" – not premium.

2. Within 30 days of the adoption of rules in final form by the Department of Labor and Industry pursuant to the Legislation, the PCRB will file with the Insurance Department for review and approval a procedure or procedures whereby rating values and assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under Sections 306.2, 443 and 446 of the Act of June 2, 1915 (P.L. 736, No. 338), known as the "Workers' Compensation Act" shall be separately promulgated and set forth on workers compensation insurance policies providing coverage in the Commonwealth of Pennsylvania. Concurrent with that filing the PCRB will file a schedule of loss costs consistent with such separate promulgation of employer assessments.
3. In order to accomplish an efficient transition to the revised procedures presented upon adoption of final form rules by the Department of Labor and Industry, the PCRB will propose an effective date for those procedures not less than 120 days nor more than 150 days after presentation of such filing to the Insurance Department. This timing is intended to allow review and approval of that filing by the Insurance Department with sufficient lead time (at least 90 days) to allow carriers to issue policies subject to the revised procedures correctly in the first instance instead of being required to endorse or otherwise amend previously issued policies.

Proposed Manual language appropriate for the implementation of this procedure follows:

Section 1, Rule VI, Paragraph C:

Premium for each classification shown on the policy is determined by multiplying the basis of premium (expressed in units consistent with the carrier rate) by the carrier rate dividing by 100.

Example of ~~B above~~ for payroll premium basis:

Basis of Premium—payroll	=	\$90,000
Carrier Rate <u>per \$100 or payroll</u>	=	X1.50
Divide by 100	=	÷ 100
Premium	=	\$ 1,350

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Proposed new language for the Pennsylvania Statistical Plan appears below:

Section IV, Paragraph B:

4. Non-Premium Codes

Employer assessments for the maintenance of the Subsequent Injury Fund, the Workmen's Compensation Supersedeas Fund and the Workmen's Compensation Administration Fund under Sections 306.2, 443 and 446 of the Act of June 2, 1915 (P.L. 736, No. 338), known as the "Workers' Compensation Act" -- not premium.

Code 0938

Questions may be directed to Bruce E. Decker, Vice President - Public Information and Statistical Reporting, at Extension 223 or by e-mail at bdecker@pcrb.com.

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