



Pennsylvania Compensation Rating Bureau

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July 17, 2009

VIA FEDERAL EXPRESS

The Honorable Joel Ario
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Attention: Property & Casualty Bureau

RE: Bureau Filing No. 235 - Manual Revisions to Sections 1 and 2

Proposed Effective December 1, 2009

- 1) Code 855, Lumber and/or Building Material Dealer, Class Study Results
- 2) Codes 606, Oil or Gas Well Drilling – Rotary, and 607, Drilling, N. O. C., Class Study Results
- 3) Code 818, Automobile or Automobile Truck Dealer, Class Study Results
- 4) Housekeeping Revisions – Sections 1 and 2
- 5) Revisions to Per Diem Guidelines in Section 1, Rule V – Premium Basis, and Section 2 - General Auditing & Classification Information

Dear Commissioner Ario:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB) I am filing herewith proposed revisions to Sections 1 and 2 of the Manual, which are proposed to be **effective as of 12:01 a.m., December 1, 2009** with respect to new and renewal business only.

Components of this filing's proposals were developed and/or completed at different times, when varying expectations were held as to the effective date(s) that would be proposed for their implementation. Accordingly, some supporting materials included with this filing refer to effective dates different from December 1, 2009 (and, in particular, October 1, 2009, the customary annual effective date for the PCRB's classification and Manual rule filing).

When the totality of these proposals was assembled and ready for submission to the Insurance Department, the PCRB's desire to provide adequate advance notice to carriers, producers, employers and other interested parties of changes in classification procedure, Manual rules and/or rating values associated with the filing prompted the selection of a December 1, 2009 effective date.

The supporting documents, often staff memoranda to the Classification & Rating Committee, are historically correct and are provided for the merits of their discussions of staff work and conclusions pertaining to each proposal. They are not intended to and should not supersede or revise the **December 1, 2009** effective date shown in caption of this letter.

The various proposals in this filing, as listed above, are discussed below.

1) Code 855, Lumber and/or Building Material Dealer, Class Study Results

The Bureau undertook the class study of Code 855 with two objectives, to determine whether the scope was overly broad and to review the application of Code 935, Lumber and/or Building Material Dealer – Store Employees, the companion retail store classification for Code 855.

Based on the class study, the Bureau recommends the following:

- The overall scope of Code 855 is sound, and no employer group requires reclassification either to a new and separate class or to another existing class.
- Code 935 should be retained as a companion class for Code 855, and Manual language should be revised to clarify that a Code 855 employer must fulfill the multiple enterprise criteria in order to have Code 935 as an additional authorized classification.
- Authorization of Code 935 should be withdrawn from employers also assigned Code 855 that do not operate a separate retail store, effective upon such individual employer's first normal policy anniversary rating date on or after approval of this filing.

Staff memoranda dated April 14, 2009 and related exhibits are attached as **Exhibit 1**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed. As previously noted, Exhibit 1 makes reference to an effective date of October 1, 2009. Subsequent developments led to the selection of a proposed effective date of **December 1, 2009**, as noted in the caption of this filing letter.

SECTION 2

CLASSIFICATIONS

ADDITIONS

UNDERWRITING GUIDE

To 855:

Kiln Drying of Lumber – No Sawmill Operations
Landscaping Supplies Dealer (e.g., Mulch, Topsoil Or Stone)
Log Dealer – No Logging or Sawmill Operations
Lumber Cutting, Incidental Cutting To Size By Lumber Yard

CHANGES

UNDERWRITING GUIDE

Change to 855:

Insulation Dealer [Lumber Cutting, Incidental Cutting To Size, By Lumber Yards]

855 LUMBER and/or BUILDING MATERIAL DEALER

Applicable to establishments principally engaged in selling lumber and/or building materials on a wholesale or retail basis. The lumber may include but is not necessarily limited to: rough and dressed lumber, flooring, molding, doors, sashes, frames and other millwork. The building materials may include but are not necessarily limited to: roofing, siding, shingles, wallboard, paint, brick, tile, cement, ready-mix concrete, sand or gravel [and other building materials]. The class also includes payroll developed in the delivery of hardware, lumber and/or building materials by the lumber/building material dealer.

[The operation of an outlet on the premises of a lumber and/or building material dealer in which hardware, paint, and other similar merchandise is sold shall be subject to separate classification provided the outlet is located in a physically separate department with no interchange of labor between the outlet and other operations. Payroll developed in the outlet operations is subject to Code 935.]

OPERATIONS ALSO INCLUDED:

1. The operation of a sales counter where the insured's counter staff takes customer telephone, facsimile or walk-in orders for the lumber and/or building materials, accepts payment or charges the customer's "house" account, and transfers the orders to the insured's yard or warehouse staff. The counter staff may also sell merchandise from a counter display, display racks behind the counter and/or a display space in front of the counter.
2. The operation of a showroom where customers may view samples of the lumber and/or building materials sold and place orders for such at a counter.

OPERATIONS NOT INCLUDED:

4. Assign Code 935 to the operation of a physically separate and separately-staffed retail store on the premises of a lumber and/or building material dealer.

935 LUMBER AND/OR BUILDING MATERIAL DEALER – Store Employees – For use in conjunction with Code 855 only

Applicable to the operation of a retail store on the premises of a lumber and/or building material dealer in which hardware, paint and other similar merchandise is sold. This classification may only be authorized as an additional classification for an employer classified to Code 855 if the employer fulfils the multiple enterprise criteria discussed in Rule IV.C.3.a.2. of this Manual. The retail store must be operated in a physically separate work area from the lumber and/or building material dealer's warehouse or yard with no interchange of labor between the store and the warehouse or yard. The term "retail" shall be construed to mean the selling of displayed merchandise in store-type

CHANGES (continued)

premises where floor and/or counter salespersons assist customers or on a self-service basis to the general public for personal or household consumption or use. This classification shall also apply when the store sales are made to wholesale customers (e.g., commercial or professional users) but conducted primarily in a retail manner. For purposes of assignment to this classification, the term "retail manner" shall be construed to mean that the insured will have a floor area where merchandise is stocked in display aisles, customers may walk up and down the display aisles, inspect the merchandise being offered for sale, place their selections into either a shopping basket or shopping cart and make payment for their selections at a customer checkout lane. The retail store may also contain a second counter area where customers may place orders for the lumber and/or building materials.

OPERATIONS NOT INCLUDED:

This classification is not available for the operation of a sales counter of a lumber and/or building material dealer where the insured's staff takes customer orders for the lumber and/or building materials, accepts payment, transfers the orders to the insured's yard or warehouse staff and may also sell merchandise from a counter display, display racks behind the counter and/or a display space in front of counter but where the insured does not operate a separate retail store as defined above.

DELETIONS

Underwriting Guide

From 855:

Freight Car Icing
Refrigerator Car Icing Or Re-Icing
Refrigerator Car, Pre-Cooling

There are no rating value changes associated with the Code 855 class study.

**2) Codes 606, Oil or Gas Well Drilling – Rotary, and 607, Drilling, N. O. C.,
Class Study Results**

The study of Codes 606 and 607 was undertaken following a review of an informal class appeal that had revealed confusion among insurance agents, underwriters and Bureau staff regarding the applicable scope of those drilling classifications. Initially, staff clarified the scope of Code 607 with "housekeeping" language amendments as part of Bureau Filing No. 232. This new study reviewed the feasibility of revision(s) to each classification's scope and/or further clarifications to each classification's Manual language, to be as certain as possible that all employers in the drilling "industry" were properly classified.

Based on the class study, the Bureau recommends the following:

- The scope of Code 606 is sound, requiring no revision. However, a Manual language revision to delete "Rotary Method" from the class title will modernize it, as all oil or gas well drilling is now done via rotary method.
- The inclusion of all types of oil or gas well services in Code 607 is appropriate, although there were inconsistencies in the assignment of horizontal/directional drilling contractors with some assigned to Code 607 and others to Code 617, Water Main Construction. Review indicates that the appropriate class is Code 607.
- The scope of Code 607 is also sound with no revisions required.
- Manual language revisions are recommended for Codes 606 and 607, as well as Codes 028, Oil or Gas Production, and 617, Gas, Steam or Water Main Construction.

Staff memoranda dated April 9, 2009 and related exhibits are attached as **Exhibit 2**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed. As previously noted, Exhibit 2 makes reference to an effective date of October 1, 2009. Subsequent developments led to the selection of a proposed effective date of **December 1, 2009**, as noted in the caption of this filing letter.

SECTION 2

ADDITIONS

Underwriting Guide

Additions to 607:

Horizontal or Directional Drilling – By Contractor

Plugging Abandoned Oil Or Gas Wells – By Contractor

CHANGES

028 OIL OR GAS PRODUCTION, Operation of Wells - including gasoline mfg. from casing-head gas.

[As provided for in this Manual separately rate: geophysical exploration, site preparation, erecting or dismantling of derricks, drilling, redrilling or deepening, installation or recovery of casing, well shooting, cementing, tank building or tapping operations.]

Applicable to the operation of a producing oil or gas lease/well, whether performed by the lease/well's owner or a contract lease/well operator. Routine maintenance of the producing lease/well includes but is not necessarily limited to: monitor pressures at the wells and pressures on the pipelines, reading and replacing well charts that record production, repair or replace valves, flanges, gaskets and other mechanical parts of the well head and related piping, paint well equipment, control vegetation growth (e. g., mow

CHANGES (continued)

the grass) at the lease/well site, walk the pipeline for inspection and check for leaks, and report to management any observed problem that will require more skilled or specialized intervention to fix.

OPERATIONS NOT INCLUDED:

As provided for in this Manual, separately rate services performed by unrelated contractors for the oil or gas well's lease owner or contract lease operator. Such services may include but are not necessarily limited to:

1. Assign Code 607 to geophysical exploration.
2. Assign the applicable construction classification(s) to site preparation, including but not necessarily limited to: building of the access road (Code 602), clearing of land (Code 609), digging and lining water ponds (Code 609), laying or taking up of flow lines (Code 609) and installing pumping units (Code 675).
3. Assign Code 655 to tank building.
4. Assign Code 606 to oil or gas well drilling, re-drilling or deepening.
5. Assign Code 607 to oil or gas well services including but not necessarily limited to: installation, recovery or replacement of casing, well cementing, well cleaning or swabbing, well fracturing/formation fracturing and well logging.

606 OIL or GAS WELL DRILLING[– ROTARY method]

OPERATIONS NOT INCLUDED:

1. Assign Code 607 to all non-oil or gas drilling.

Underwriting Guide

Changes to 606:

Gas Well Drilling [-By Rotary Method]

Oil Well Drilling [-By Rotary Method]

607 DRILLING, N.O.C. – By Contractor

Applicable to all types of drilling except drilling for oil or gas wells.

OPERATIONS ALSO INCLUDED:

1. All types of oil and/or gas well services performed by an independent contractor(s).
2. Geophysical exploration.

OPERATIONS NOT INCLUDED:

1. Assign Code 606 to oil or gas well drilling.

CHANGES (continued)

617 GAS, STEAM or WATER MAIN CONSTRUCTION – all work to completion [except tunneling under pressure]

Also includes conduit construction for cable or wires.

OPERATIONS NOT INCLUDED:

1. Separately rate to Code 615 tunneling under pressure.
2. Separately classify to Code 607 horizontal/directional drilling.

There are no rating value changes associated with the Codes 606 and 607 class study.

3) Code 818, Automobile or Automobile Truck Dealer, Class Study Results

The objective of the class study of Code 818 was to consider the possibility of revising it to an “all employees including office” classification.

Based on the class study, the Bureau recommends the following:

- Revising Code 818 into an “all employees including office” classification to correct the systemic misclassification of payroll by and/or for Code 818 businesses under the current classification.

Staff memoranda dated June 29, 2009 and related exhibits are attached as **Exhibit 3**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

SECTION 2

CHANGES

818 AUTOMOBILE or Automobile Truck **DEALER** – [including service counter and parts department]All Employees Including Office.

Also includes warranty service.

[The following..... over the telephone.]

OPERATIONS NOT INCLUDED:

1. Assign..... or repair.

UNDERWRITING GUIDE

Automobile Rental - No Drivers [(Rental Clerks To Be Assigned To Code 819)]

Truck Rental - Without Drivers [(Rental Clerks To Be Assigned To Code 819)]

CHANGES (continued)

819 [AUTOMOBILE or Automobile Truck] MOBILE, SELF-PROPELLED factory, farm or construction EQUIPMENT SALESPERSON. [Please refer to the description of Code 818.]

[As a general rule, rental clerks/counter personnel for automobile and truck rental agencies have job duties that include but are not limited to waiting on customers, assigning vehicles, completing rental agreements, insurance and credit forms, and collecting payment for the rental of the vehicle. Rental clerks/counter personnel may also inspect the vehicle, record the mileage, and demonstrate or move the vehicle. As described, rental clerks/counter personnel for automobile and truck rental agencies should be assigned to Code 819 and not Code 818 or Code 953.]

DELETIONS

Code 819

UNDERWRITING GUIDE

Automobile Salesperson
 Rental Clerk Employed By An Automobile Or Truck Rental Agency

The revisions to Section 2 rating values consistent with this proposal are shown below:

CODE	LOSS COST	EXPERIENCE RATING PLAN			HAZARD GROUP	
		<u>Expected Loss Factors Table</u>			A-G	1-4
		A-1	A-2	A-3		
818	\$1.39	\$0.74	\$0.96	\$1.10	D	2
819	0.68	0.36	0.47	0.54	D	2
953	0.27	0.15	0.19	0.22	C	2

4) Housekeeping Revisions – Sections 1 and 2

In an effort to continue to make the Manual clearer and less ambiguous by clarifying classification procedures, updating class language to bring it into alignment with other Manual provisions or recognizing technological or industrial change, the Bureau recommends the revisions shown below.

Revisions to Classification Procedure

- Reclassify snow plowing from Code 601, Road Construction – Surface Work, to the employer’s governing classification, which may be Code 601 but is frequently either Code 012, Landscaping Contractor, or Code 609, Excavation.

- Revise Code 005, Tree Pruning, to end the prohibition of a payroll division between Codes 005 and 012, Landscaping Contractor, at the same job or location, and clarification of Code 005.

Section 1

- Revise the definition of Salesperson – Outside to bring it into alignment with “regular and frequent.”

Section 2

- Clarify the Section 2 classification language for 21 classes, principally by adding an “Operations Also Included” and/or an “Operations Not Included” section(s). Other proposed clarifications result from recent file reviews that showed confusion regarding the class’ scope (e.g., Code 970, Athletic Team, and Code 981, Slot Machine Gambling).
- Add two entries to “General Auditing & Classification Information.” The first, Classification Inquiries, highlights the information that staff requires to render the best and most timely service to insurers, agents and employers. The second highlights the proposed revisions to the classification(s) applicable to snow plowing.
- A “General Auditing & Classification Information” revision to that part of “Wholesale/Retail Mail Order House or Internet Sales – Definitions” that deals with mail order houses, adding language regarding telephone sales.
- The addition of 14 and revision of six Underwriting Guide entries, the additions to reflect prevailing Bureau practices, and five of the changes to clarify the entries’ scopes, while the sixth is to reinforce the reclassification of snow plowing.

Two staff memoranda dated April 9, 2009 are attached as **Exhibit 4**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed. As previously noted, Exhibit 2 makes reference to an effective date of October 1, 2009. Subsequent developments led to the selection of a proposed effective date of **December 1, 2009**, as noted in the caption of this filing letter.

SECTION 1

RULE IV - CLASSIFICATIONS

CHANGE

B. CLASSIFICATIONS

2. Standard Exception Classification

- c. **Salespersons – Outside, Code 951** – are employees either exclusively engaged in sales or collection work away from the employer’s premises or who regularly and frequently are engaged in [such work for any portion of their time]sales or collection work away from their employer’s premises and devote the balance of their time in clerical office duties.

This classification.....Code 819.

SECTION 2

CLASSIFICATIONS

ADDITIONS

UNDERWRITING GUIDE

To 451:

Chassis Mfg.
Vehicle Chassis or Frame Mfg.

To 571:

Log Mfg. – Synthetic (wax and sawdust combination)
Synthetic Log Mfg. (wax and sawdust combination)

To 653:

Hardscaping Installation

To 667:

Glass or Window Tinting, Except For Auto Glass
Window or Glass Tinting, Except For Auto Glass

To 928:

Art Gallery
Fireworks Store – Retail

To 957:

Hair Transplantation

To 995:

Dumpster Rental/Service
Railroad Tank Car Cleaning – By Contractor
Trash Dumpster/Debris Box Rental/Service

Sushi Bar – Assign The Applicable Restaurant Class

CHANGES

DEFINITIONS

TO BE SEPARATELY RATED OR SEPARATELY RATE: When either of these terms is found in a classification's definition, the payroll of personnel interchanging between that classification's tasks (e.g., shop) and also performing the specified function that is designated "to be separately rated" or "separately rate" (e.g., erection, installation) may be divided between that [shop] class and class(es) designated for the specified function, provided the employer's original payroll records show an allocation of payroll to both classifications for each interchanging employee. Estimated or percentage allocation of payroll is not permitted. When separate payroll records are not maintained, the entire payroll of the interchanging employees shall be assigned to the highest Bureau loss cost classification representing any part of their work.

CLASSIFICATIONS

005 TREE PRUNING, Spraying, Repairing or Fumigating. [No payroll division with Code 012 at the same location or job site.]

Applicable to businesses [principally engaged in using hand tools or mechanical equipment to] prun[e]ing, spraying, trimming or fumigat[e]ing trees. These operations [can be performed from the ground or] may require [the use of] tree climbing using ladders and/or ropes and/or aerial buckets. Code 005 applies to the whole tree work job or location, meaning Code 005 also includes ground personnel whose job duties may include but are not necessarily limited to: chipping, cleanup activities, the removal and/or the hauling away of tree limbs and debris regardless of whether or not a separate contract is written for tree pruning or lawn maintenance and another contract is written for the removal, chipping, cleanup activities and/or the hauling away of tree limbs and debris.

Also includes generalist tree care service contractors that perform most or all of the above listed services or specialists principally engaged in providing a single service (e.g., clearing the existing rights-of-way/tree pruning for utility [contractors]lines). Code 005 further contemplates tree removal that is incidental to the employer's pruning, spraying, repairing, trimming or fumigating services.

OPERATIONS NOT INCLUDED:

1. Assign the applicable tree removal.
2. Separately rate to Code 012 landscaping or lawn cutting or maintenance [performed at separate locations or job sites where no tree care services are performed].

012 LANDSCAPE CONTRACTOR or Lawn Cutting Or Maintenance Contractor.

Includes the construction of dry stone walls, rock gardens, patios, garden walks and the like when such operations are incidental to the landscape or lawn maintenance operations.

CHANGES (continued)

[Assign Code 0013 to separately staffed nursery, Christmas tree raising or sod farm Operations.]

[Personal servants engaged in the care of lawns, shrubs or grounds surrounding the residence of the insured shall be assigned to Code 0912 or Code 0909.]

OPERATIONS NOT INCLUDED:

1. Separately rate to Code 005 tree pruning, spraying, trimming, repairing or fumigating including ground personnel performing chipping, cleanup, the removal and/or hauling away of tree limbs and debris at a tree job or location.
2. Assign Code 0013 to separately-staffed nursery, Christmas tree raising or sod farm operations.
3. Outside domestic workers engaged in the care of lawns, shrubs or grounds surrounding the personal residence of the insured shall be assigned to Code 0912 or Code 0909 pursuant to Section 1, Rule XIV of this Manual.

UNDERWRITING GUIDE

Changes to 263:

Laminating – Paper – By Contractor

Paper Laminating – By Contractor

601 ROAD or Street CONSTRUCTION: Paving or Repaving

Applies to the..... and stone crushing.

[SNOW PLOWING AND/OR REMOVAL]

[Payroll developed in snow plowing and/or removal for unrelated concerns is to be separately rated by Code 601.]

UNDERWRITING GUIDE

Change to 601:

Snow Plowing Or Removal By Contractor – Road Or Off-Road..... **[601]**Governing Class

860 JUNK DEALER

For businesses collecting and handling a combination of ferrous and/or nonferrous scrap metal and other secondhand commodities (e.g., paper, glass ((including glass bottles)), rubber, rags or plastic ((including plastic bottles)) with no principal line of merchandise).

[Also includes secondhand material yards of a wrecking or demolition contractor that are separately located and staffed.

WRECKING OR DEMOLITION PROJECTS shall be classified as delineated in the General Auditing & Classification Information section.]

CHANGES (continued)

OPERATIONS ALSO INCLUDED:

1. Secondhand material yards.
2. Renovation of secondhand materials by the secondhand materials dealer may include but is not necessarily limited to: cutting salvaged steel and cleaning bricks.

OPERATIONS NOT INCLUDED:

1. WRECKING OR DEMOLITION PROJECTS shall be classified as delineated in the General Auditing & Classification Information section.
2. Assign Code 858 to a business principally engaged in collecting or handling ferrous scrap metal.
3. Assign Code 859 to a business principally engaged in collecting or handling nonferrous scrap metal.
4. Assign Code 862 to a business principally engaged in collecting or handling one or more of the following recyclable commodities: cloth clippings, rags, paper, glass, plastic, rubber stock or aluminum beverage cans.
5. Assign Code 863 to a specialist contractor principally engaged in shredding paper or destroying documents for unrelated concerns.

894 SCHOOL FOR DISTURBED (Or Delinquent) CHILDREN – all employees including office

Applicable to employers.....obtain a high school diploma.

OPERATIONS NOT INCLUDED:

1. Assign the applicable residential facility classification to separately-located (not on the employer's campus) and staffed residential facilities for children.

951 SALESPERSON – OUTSIDE

[Excluding salespersons or collectors who deliver goods, door-to-door salespersons.]

Are employees either exclusively engaged in sales or collection work away from the employer's premises or who regularly and frequently are engaged in sales or collection work away from their employer's premises and devote the balance of their time in clerical office duties.

Salespersons, collectors or messengers shall be separately classified except in connection with any classification designated either "all employees including office" or "all employees except office."

OPERATIONS NOT INCLUDED:

1. Assign employees engaged as delivery salespersons, route salespersons and/or route supervisors delivering merchandise or products, who may also collect payments or solicit sales to the employer's applicable field of business classification.

CHANGES (continued)

2. Assign floor and/or counter salespersons to the employer's field of business classification at the location.
3. Assign door-to-door salespersons to the employer's applicable business classification.
4. Assign to Code 953 employees who sell or solicit exclusively by telephone.

953 Clerical OFFICE Employees

Are employees exclusively engaged in keeping the books or records of the business or conducting correspondence or who are engaged wholly in office work where such books or records are kept or such correspondence is conducted.

Clerical office employees work exclusively in a separate building or on separate floors or in departments on such floors which are separated from all other workplaces of the employer by floor-to-ceiling partitions except for retail stores where a partition at least five feet high is required and within which no work is performed other than clerical office duties.

Office employees shall be separately classified except in connection with any classification designated "all employees including office."

OPERATIONS NOT INCLUDED:

1. Assign to the employer's applicable field-of-business classification the following "clerks:" counter, front desk, lobby, mall kiosk, stock or tally clerk.
2. Assign librarians to the employer's applicable field-of-business classification.
3. Assign cashiers or any employee whose regular and frequent duty is accepting payment for merchandise or services rendered, whether working in a booth, behind a counter or on a sales floor, to the employer's applicable field-of-business classification.
4. Assign the entire payroll of any clerical office employee who has any other regular duty to the applicable classification in accordance with the class to which the business is assigned.

954 SECURITY AGENCY

A security agency.....police can arrive.

OPERATIONS NOT INCLUDED:

4. Assign the employer's governing class to security guards employed by a business to protect that business' premises and property.

CHANGES (continued)

962 ACCOUNTING or AUDITING FIRM – all employees including clerical office.

This classification is for accounting or auditing firms. [Accountants or auditors employed by other establishments whose field of business includes but is not necessarily limited to manufacturing or construction shall be assigned to the classification consistent with the employer's field of business.

An insurance company traveling auditor shall be assigned to Code 984. An independent insurance traveling auditor shall be assigned to Code 951.

Businesses principally engaged in providing computer and/or software consulting services are assignable to Code 951 and to Code 953 as these classes may apply.]

OPERATIONS NOT INCLUDED:

1. Assign Code 951 to an independent insurance traveling auditor employed by an unrelated business.
2. Assign Code 951 or Code 953 to personnel employed by unrelated businesses principally engaged in providing computer and/or software consulting services.
3. Assign Code 984 to an insurance traveling auditor employed by an insurance company.
4. Accountants or auditors employed by a business whose field-of-business may include but is not necessarily limited to manufacturing or construction shall be assigned to the classification consistent with the employer's field-of-business.

965 COLLEGE OR SCHOOL, N.O.C. – all employees including office[, except Workfare Program employees and separately located and staffed public libraries]

[Workfare Program Employees shall be assigned to Code 982.

Separately located and staffed public libraries shall be assigned to Code 890.]

OPERATIONS NOT INCLUDED:

1. Assign Code 968 to employers principally engaged in providing sports instruction or training including but not necessarily limited to: gymnastics, swimming or martial arts training facilities.
2. Assign Code 982 to Workfare Program employees.
3. Assign Code 890 to separately located and staffed public libraries.

969 AMUSEMENT, OUTDOOR: fairs, exhibitions, amusement parks or any outdoor amusement that is permanently sited. [This classification includes ticket sellers or collectors and box office employees.

Payroll developed in the operation of a restaurant, when conducted in a physically separate department and by a separate crew of employees, shall be assigned to the applicable restaurant classification.

CHANGES (continued)

Code 928 shall be assigned to payroll developed in the sale of gifts/souvenirs when conducted in a physically separate department and by a separate crew of employees.

Employees engaged in the sale of food or drink or gifts/souvenirs from vending carts or by carrying the merchandise on their person shall remain assigned to Code 969.

Assign Code 981 to payroll developed in slot machine gambling operations when conducted in a physically separate department by a separate staff.

Race track pari-mutuel employees shall be separately rated by Code 953.

Organized athletics are excluded from this classification and separately rated by Code 970.]

OPERATIONS ALSO INCLUDED:

1. Ticket sellers or collectors and box office employees.
2. Employees engaged in the sale of food or beverages or gift/souvenirs from vending carts or by carrying the merchandise on their person.

OPERATIONS NOT INCLUDED:

1. Assign the applicable restaurant classification to payroll developed in a separately located and staffed prepared food and/or beverage service.
2. Assign Code 928 to payroll developed in a physically separate and staffed gifts/souvenirs sales operation.
3. Assign Code 981 to payroll developed in separately located and staffed slot machine gambling operations. See the Code 981 class description for the scope of that classification.
4. Separately classify to Code 970 professional and semi-professional athletics as defined in that class' description.
5. Assign Code 939 to any traveling (not permanently sited) amusement.
6. Assign Code 953 to race track pari-mutuel employees.

970 ATHLETIC TEAM – professional and semi-professional[, all employees except clerical and sales]. This classification includes [but is not limited to] all players on the employer's salary list whether regularly played or not, coaches, managers, trainers, equipment managers or sports officials [or umpires and includes all players on salary list of the insured, regularly played or not. Scouting staff is assignable to Code 951 and clerical office staff to Code 953.]

The entire remuneration of each [employee]player, coach, manager or sports official should be included in computing premium, subject to a maximum of \$60,000 per [season] policy year. [Season includes pre-season and post-season exposure.] When [an employee]a player, coach, manager or sports official works for two or more teams in the same sport during the [season]policy year, the maximum shall be pro-rated.

CHANGES (continued)

The remuneration of an individual [~~employee~~]player, coach, manager or sports official is subject to a minimum of \$500 per [~~season or~~]policy year, including board and lodging.

OPERATIONS ALSO INCLUDED:

1. Game staff (bench or dugout) providing water or equipment to the players.

OPERATIONS NOT INCLUDED:

1. Assign Code 951 to separate scouting staff.
2. Assign Code 953 to separate clerical office staff.
3. Assign Code 969 to non-bench or non-dugout game staff, including but not necessarily limited to: cheerleaders, dancers, mascots, persons mingling with the fans to rally support and/or distribute t-shirts and persons videotaping fan reactions or the game when the sport is played in an outdoor stadium.
4. Assign Code 971 to non-bench or non-dugout game staff, including but not necessarily limited to: cheerleaders, dancers, mascots, persons mingling with fans to rally support and/or distribute free t-shirts and persons videotaping fan reaction or the game when the sport is played in an indoor arena.
5. Assign Code 969 to separate staff operating/maintaining the outdoor stadium.
6. Assign Code 971 to separate staff operating/maintaining the indoor arena.

- 980 CITY, TOWNSHIP, Borough or County** – all employees[, excluding only the following which must be separately classified as provided in this Manual: Auxiliary Police, Golf Courses, Health Clubs, Housing Authorities, Municipal Authorities, Nursing Homes, Salaried Police Officers or Firefighters, Volunteer Ambulance Corps, Volunteer Fire Cos., Volunteer Hazardous Materials Response Teams, Workfare Program Employees, Museums, Public Libraries or Clerical Office. Inspectors shall be assigned to Code 951].

For political subdivisions of the Commonwealth of Pennsylvania.

OPERATIONS NOT INCLUDED:

1. Assign Code 884 to Health Clubs.
2. Assign Code 887 to Museums.
3. Assign Code 890 to Public Libraries.
4. Assign Code 944 to Golf Courses.
5. Assign Code 951 to Inspectors.
6. Assign Code 982 to Workfare Program Employees.
7. Assign Code 983 to Housing Authorities.
8. Assign Code 985 to Auxiliary Police, Guards at Correctional Institutions, Prisons or Prison Farms and Salaried Police Officers or Firefighters.
9. Assign Code 993 to Volunteer Ambulance Corps.
10. Assign Code 994 to Volunteer Fire Companies.
11. Assign Code 996 to Volunteer Hazardous Materials Response Teams.

CHANGES (continued)

12. Assign the applicable nursing home classification to nursing homes.
13. Assign the applicable field of business classification to municipal authorities based upon each authority's principal operation (e.g., Code 753 to a sewage disposal plant authority).

981 SLOT MACHINE GAMBLING – all employees including office.

[For]Includes all personnel [in]of the licensed slot machine gambling facility [including but not necessarily limited to: floor attendants, vault cashiers, merchandising clerks, guest service representatives, service technicians, parking valets, money counters and clerical office].

A licensed slot machine facility is defined to include the gaming floor, all restricted areas servicing slots operations, and food, beverage and retail outlets, and other areas serving the gaming floor which are located on or are directly accessible from and adjacent to the gaming floor or the restricted areas servicing slots operations.

OPERATIONS NOT INCLUDED:

As provided for in this Manual separately classify:

1. Areas or amenities exclusive to horse racing including pari-mutuel wagering
2. Hotel operations
3. Retail merchandise facilities, food and beverage outlets and other amenities or activities not located on or adjacent to the gaming floor, or related to slot machine gambling operations

983 HOUSING AUTHORITY – including resident or on-site managers

[New construction, alterations or demolition work shall be separately rated.

Workfare Program Employees shall be separately classified as provided for in this Manual.]

OPERATIONS NOT INCLUDED:

1. Separately rate to the applicable construction classification(s) new construction, alterations or demolition as provided in this Manual.
2. Assign Code 982 to Workfare Program Employees.

984 INSURANCE COMPANY – all employees including office

[An establishment]A business chartered under state law that undertakes to indemnify for losses pursuant to a written contract of insurance and to perform other insurance related operations. Such business is also licensed by the Pennsylvania Insurance Department as an insurance company.

CHANGES (continued)

[Any contractor providing a service(s) to an insurance company including but not necessarily limited to independent insurance agents, consulting actuarial firms, advisory rating organizations or establishments engaged in premium auditing or performing the adjusting or administration of insurance claims shall be separately classified as provided for in this Manual.]

OPERATIONS NOT INCLUDED:

As provided for in this Manual, separately classify any contractor providing a service(s) to an insurance company. Such businesses may include but are not necessarily limited to the types of businesses listed below:

1. Independent insurance agents
2. Consulting actuarial firms
3. Advisory rating organizations
4. Independent auditing firms
5. Independent claim adjusting firms
6. Third party claims administrators

995 RUBBISH OR GARBAGE REMOVAL

[Also includes but is not necessarily limited to environmental cleanup services, sewer or water main cleaning by hydraulic method, street sweeping or tank cleaning – including bulk storage type.

Collection and sorting of recyclables (e.g., newspapers, beverage cans, glass or plastic bottles) by a separate staff (with sorting in a physically separate work area) shall be assigned to Code 862.]

OPERATIONS ALSO INCLUDED:

Code 995 also includes but is not necessarily limited to businesses performing:

1. Environmental cleanup services
2. Sewer or water main cleaning by hydraulic method
3. Street sweeping
4. Cleaning of permanently-sited tanks including the bulk storage type
5. Debris box rental/service or dumpster rental/service

OPERATIONS NOT INCLUDED:

1. Assign Code 862 to the collection and sorting of recyclables (e.g., newspapers, beverage cans, glass or plastic bottles) by separate collection and sorting staff(s) with the sorting taking place in a physically-separate work area.

UNDERWRITING GUIDE

Changes to 995:

Cleaning Permanently-Sited Tanks Or Railroad Tank Cars – By Contractor

Debris Box Rental/Service

Tank Cleaning – Permanently Sited – Including Bulk Storage Type By Contractor

CHANGES (continued)

0006 FIELD CROP or VEGETABLE FARM – the raising of all field crops or vegetables or [the] general farms which carry on a variety of operations.

[Separately staffed food processing operations shall be assigned to Code 113.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 113 to separately-staffed food processing operations.
2. Assign the appropriate inside domestic workers classification to inside domestic workers.

0008 MUSHROOM RAISING

Applies to businesses for compost.

[Separately staffed mushroom canning operations shall be assigned to Code 113.]

OPERATIONS NOT INCLUDED:

1. Assign Code 113 to separately-staffed mushroom canning operations.

0011 FLOWER RAISING

Applicable only..... living plants.

[A store or outlet at the same or contiguous location may be separately classified by Code 919 provided the store or outlet is separately staffed and is located in a physically separate area or department.]

OPERATIONS NOT INCLUDED:

1. Assign Code 919 to separate staff in a physically-separate store or outlet at the same or contiguous location to the flower raising.

0016 ORCHARD – the raising of fruit or nut trees or of berries or grapes.

[Payroll developed in making wine, apple juice, or similar products shall be assigned to Code 113 if conducted by a separate crew.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 113 to separately-staffed wine, apple juice, or similar products manufacturing.
2. Assign inside domestic workers to the appropriate inside domestic workers classification.

CHANGES (continued)

0034 ANIMAL RAISING – egg production, fish hatcheries, hogs, poultry or calf raising for veal.

[Farms raising fur bearing animals shall be classified by Code 0170. Separately staffed poultry dressing operations shall be assigned to Code 865. Separately staffed hog or calf dressing operations shall be assigned to Code 111.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 0170 to farms raising fur bearing animals.
2. Assign Code 111 to separately-staffed hog or calf dressing operations.
3. Assign Code 865 to separately-staffed poultry dressing operations.
4. Assign inside domestic workers to the appropriate inside domestic workers classification.

0036 DAIRY FARM – Farms engaged in the production of milk and other dairy products.

[Separately staffed milk processing plant operations shall be assigned to Code 109.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 109 to separately-staffed milk plant processing operations.
2. Assign inside domestic workers to the appropriate inside domestic workers classification.

0083 LIVESTOCK (excluding dairy or horse) **FARM** – includes but is not necessarily limited to the raising of cattle, sheep or goats in fields/pastures.

[Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign inside domestic workers to the appropriate inside domestic workers classification.

GENERAL AUDITING & CLASSIFICATION INFORMATION

ADDITIONS

CLASSIFICATION AND TEST AUDIT INQUIRIES

Written classification inquiries may be submitted to the Classification & Field Operations Department of the Pennsylvania Compensation Rating Bureau (PCRB) in one of the following methods: via facsimile, USPS, or via the PCRB's website (www.pcrb.com). For the last method please click on "Classification" on the website's main menu and then click on "Classification Inquiries."

For the Classification & Field Operations Department of the PCRB to operate effectively, it is important that the PCRB have the full cooperation of every carrier, agent and employer in providing the essential information that the PCRB needs to make classification rulings and to otherwise be of service to you.

The information the Classification & Field Operations Department needs to properly respond to inquiries from carriers, agents or employers on classification questions is:

- A complete listing of all Pennsylvania operating locations
- The exact name (as shown in Item 1 of the policy) and address of the business in question
- The Bureau file number (if available) of the business in question (see Rating and Underwriting Reference via the Application Login or "Classification inquiries")
- A full and accurate written description of the business in question, including any available audits, loss control reports and/or insurance application information.
- Reason why a change in classification is being requested, i.e., has a substantial change in the employer's operations recently occurred?
- The name, title and telephone number of a management representative whom a PCRB field representative can contact to schedule an appointment with the employer (in the event that a field survey is necessary)
- Employer's website address

If a carrier or agent is requesting a classification review in conjunction with a policy audit, the audit worksheets for the policy(ies) in question should accompany the request and, if applicable, the name(s) and a detailed job description of the employee(s) whose payroll allocation is being questioned. Please note the importance of this item, since a considerable amount of time would be saved by the PCRB not having to ask for this information by return correspondence. Also note that it is not the PCRB's role to become involved in every dispute involving the allocation of a particular employee's payroll to a given classification. Allocations of payroll are made by the

ADDITIONS (continued)

carrier. Since the PCRB did not perform the audit, the PCRB does not normally have the relevant facts on which to base an opinion or render a decision. Issues/ disputes of this kind should initially be referred to the carrier's regional audit manager for resolution.

Upon receipt of the written inquiry the PCRB will determine whether the information presented is sufficient to determine the employer's applicable classification. In those cases where the information provided is insufficient, the PCRB will usually schedule the employer for a field survey/special audit or issue a "Description of Operations Questionnaire." Following the field survey/special audit or receipt of the completed questionnaire, the PCRB will issue a written ruling on the matter that will be communicated to authorized parties. These decisions are subject to further review as delineated in the "Appeals from Application of the Rating System Procedure" – Section 1, Rule XVI.

With respect to telephone requests, an official binding PCRB decision on classification/audit matters cannot be provided over the telephone. However, the PCRB will offer opinions as requested. To that end a carrier, agent or employer who telephone the PCRB on a classification/audit question should:

- Identify himself/herself and indicate the firm he/she represents;
- Give the name, address and PCRB file number (if available) of the employer in question;
- Be knowledgeable of the facts surrounding the situation and prepared to provide specific responses to any questions asked.

Please remember the PCRB is in a position to reply only to an employer relative to its account, the authorized agent or carrier-of-record or another representative of the employer (providing the PCRB has received a signed, recently-dated letter on the employer's letterhead authorizing the representative to act on the employer's behalf in the matter at issue).

SNOW PLOWING AND/OR REMOVAL

Assign the employer's governing classification to payroll developed in snow plowing and/or removal for unrelated concerns.

CHANGE

WHOLESALE/RETAIL MAIL ORDER HOUSE OR INTERNET SALES – DEFINITIONS

Wholesale

For the purposes of for fulfillment.

CHANGES (continued)

Mail Order House Or Internet Sales

An enterprise principally (more than 50 percent of the gross receipts) engaged in selling by mail order or by telephone by means of a catalogue mailed to customers and/or Internet website shall be assigned to the appropriate wholesale store classification for the commodities handled, except for mail order pharmacies filling individual patient drug prescriptions which shall be assigned to Code 927. Mail, telephone order or Internet sales by a manufacturer or incidental to a retail store business shall be classified in accordance with the class or classes appropriate to the business of the employer.

Retail

For the purposes ofclassification assignment).

5) Revisions to Per Diem Guidelines in Section 1, Rule V – Premium Basis and Section 2 - General Auditing & Classification Information

These proposals grew out of a discussion by the Audit Committee regarding per diem guidelines. The Manual revisions clarify and expand wording in Sections 1 and 2.

A staff memorandum of June 12, 2009 is attached as **Exhibit 5**. The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

SECTION 1

CHANGES

RULE V – PREMIUM BASIS

F. BASIS OF PREMIUM Additional Information

1. Employee Expense Reimbursements

Reimbursement expenses records of the employer, and

c. The amount of each expense reimbursement [~~approximates~~ reflects the actual expenses incurred by the employee in the conduct of his or her work [(IRS published per diem guidelines may be viewed as approximating actual expenses)].

SECTION 2

GENERAL AUDITING & CLASSIFICATION INFORMATION:

ADDITION

PER DIEMS

The treatment of per diem payments as employee expense reimbursements was presented to the Bureau for review. The employer in question was a trucking company. Their drivers received a per diem payment for lodging, meals, hotel and other traveling expenses (M&IE) incurred while they travel away from home on company business.

The M&IE rates for travel away from home are applicable for self-employed persons and for transportation workers. An individual is considered to be a transportation worker only if the individual's work (1) directly involves moving people or goods by airplane, barge, bus, ship, train or truck, and (2) regularly requires travel away from home to localities with differing M&IE rates during a single trip.

A taxpayer must substantiate the amount, time, place and business purpose of expenses paid or incurred in traveling away from home. The IRS has provided per diem allowances below which the amount of away-from-home meals and incidental expenses may be deemed to be substantiated. These per diem allowances eliminate the need for substantiating actual costs below the specified amounts.

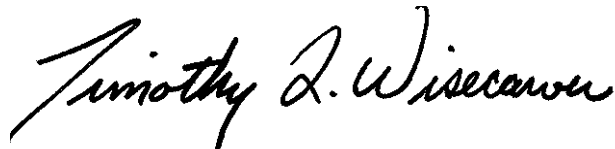
The arrangement under which an employer reimburses business expenses incurred by employees is either an "accountable" plan or a "non-accountable" plan. Amounts paid under an accountable plan are deductible by the employer and not reported as income to the employee. Amounts paid under a non-accountable plan are deductible by the employer as compensation reportable on the employee's Form W-2 and subject to withholding requirements.

For transportation workers reimbursed for expenses on a per diem basis, IRS published per diem guidelines may be considered as a maximum allowance for actual expenses subject to carrier review and acceptance. The amount of per diems that can be excluded from the basis of remuneration is subject to insurance carrier review and determination.

The Honorable Joel Ario
Commonwealth of Pennsylvania
July 17, 2009
Page 26

The PCRB respectfully requests a prompt review and approval of this filing toward the objective of its implementation, as proposed, on a new and renewal basis **effective December 1, 2009**. Toward that objective, the PCRB will be pleased to answer any questions you or Insurance Department staff may have.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. Wisecarver". The signature is written in a cursive style with a large, prominent initial 'T'.

Timothy L. Wisecarver
President

TLW/kg
Enclosures

**Pennsylvania Compensation Rating Bureau**

United Plaza Building • Suite 1500
30 South 17th Street • Philadelphia, PA 19103-4007
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

TO: Pennsylvania Classification & Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst
David T. Rawson, Technical Director, Classification & Field Operations

DATE: April 14, 2009

RE: **Executive Summary** – Classification Study Report
Code 855, Lumber and/or Building Material Dealer

Code 855 is applicable to establishments principally engaged in selling lumber and/or building materials on a wholesale or retail basis pursuant to the Code 855 Underwriting Guide. The Code 855 classification study had two objectives. The first objective was to determine whether the scope of Code 855 was overly broad. The second study objective was to review the application of Code 935, Lumber and/or Building Material Dealer – Store Employees. Code 935 is the companion retail store classification for Code 855. An employer must first be classified to Code 855 in order for Code 935 to be considered as an additional authorized classification.

The proper application of Code 935 has presented challenges to the administration of the Test Audit Program for some time. The Code 855 file-by-file review enabled staff to determine whether those Code 855 employers that were also classified to Code 935 were correctly using Code 935 for payroll developed in a separate retail store operation, or whether Code 935 was being incorrectly applied to the sales counter of a lumber/or building material dealer where the insured's staff takes customer orders for the lumber and/or building materials, accepts payment and transfers the orders to the insured's yard or warehouse staff but where the insured does not operate a separate retail store.

Pursuant to the Code 855 study historical experience exhibit comparisons, t-test results and underwriting analysis, staff has concluded and recommends the following:

- That the overall scope of Code 855 is sound and that no Code 855 employer group should be recommended for reclassification, either from Code 855 to a new and separate classification or from Code 855 to an existing classification.
- That Code 935 should be retained as a companion classification to Code 855 and that the Codes 855 and 935 Manual language should be revised to clarify that a Code 855 employer must fulfill the multiple enterprise criteria in order to have Code 935 as an additional authorized classification.
- That authorization of Code 935 be withdrawn for those Code 855 employers that do not operate a separate retail store, effective upon each such individual employer's first normal policy anniversary rating date on or after **October 1, 2009**.



Pennsylvania Compensation Rating Bureau

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(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

TO: Pennsylvania Classification and Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst
David T. Rawson, Technical Director - Classification and Field Operations

DATE: April 14, 2009

RE: Code 855, Lumber and/or Building Material Dealer

The Code 855 classification study had two objectives. The first objective was to determine whether the scope of Code 855 was overly broad. Exhibit A attached lists the Code 855 Underwriting Guide entries. Code 855 is applicable to establishments principally engaged in selling lumber and/or a wide variety of building materials on a wholesale or retail basis.

The second study objective was to review the application of Code 935, Lumber and/or Building Material Dealer – Store Employees. Code 935 is the companion retail store classification for Code 855. An employer must first be classified to Code 855 in order for Code 935 to be considered as an additional authorized classification. The current Code 855 Manual language states that “The operation of an outlet on the premises of a lumber and/or building material dealer in which hardware, paint, and other similar merchandise is sold shall be subject to separate classification provided the outlet is located in a physically separate department with no interchange of labor between the outlet and other operations. Payroll developed in the outlet operations is subject to Code 935.”

The proper application of Code 935 has presented challenges for the PCRB’s administration of the Test Audit Program for some time. Staff’s interest in studying Code 935 resulted from the review of an employer engaged in the wholesale sale and distribution of roofing materials and windows. That employer had a sizable counter staff that handled telephone, faxed and walk-in sales orders. The employer’s previous insurer had historically misclassified the counter staff to Code 953, Office. Upon changing insurers, the new insurer at policy audit reclassified the counter staff from Code 953 to Code 855. The employer requested that the PCRB review the matter and either restore the application of Code 953 or authorize Code 935 for payroll developed by the counter staff. The PCRB’s review found that the new insurer had correctly classified the employer’s counter staff to Code 855 and that the employer did not conduct outlet operations assignable to Code 935. The Code 855 file-by-file review enabled staff to determine whether those Code 855 employers that were also classified to Code 935 were correctly using Code 935 for payroll developed in a separate retail store operation pursuant to the Manual language, or whether Code 935 was being incorrectly applied to the Code 855 employer’s counter staff.

CLASS HISTORY

The Bureau’s historical record shows that, effective for new and renewal policies as of December 31, 1922 and later, employers operating lumber yards were classified to Code 853, Lumber Yard. At the inception of Code 853, Code 855 was titled “Coal, Fuel and Material Dealers.” Subsequently, lumber yards were reclassified from Code 853 to Code 305, Planing Mills and Lumber Yards. Effective for new and renewal policies of July 1, 1954 and later,

employers dealing exclusively in sash, door or finished millwork and who did no manufacturing other than incidental assembling, glazing or manufacture of special sizes were reclassified from Code 305 to Code 855. Other revisions to the scope of Code 855 have previously been made as follows:

- The reassignment of fuel dealers from Code 855 to Code 809 (which formerly applied to wholesale or bulk dealers only) and the retitling of Code 855 from “Coal, Fuel and Material Dealers” to “Lumber and Building Material Dealers,” effective for new and renewal policies as of September 1, 1977 and later.
- The creation of Code 935, Lumber and Building Material Dealer – Store Employees, for use in conjunction with Code 855 for payroll developed in the operation of a separate retail outlet, effective for new and renewal policies as of January 1, 1983 and later.
- The deletion of Code 505, Stone Cutting or Polishing, and the reassignment of the operations formerly contemplated by Code 505 to Code 855, effective for new and renewal policies as of December 1, 2000 and later.

The Codes 855 and 935 Manual language has also been periodically revised to clarify their scopes.

A review of National Council on Compensation Insurance, Inc. (NCCI) classification procedure reveals the following seven NCCI classifications that are equivalent in whole or in part to Pennsylvania Code 855:

Code 1463	Asphalt Mixing Plants Operated by Paving Contractor – (Permanent Location) - Rated as Asphalt Works
Code 1803	Stone Cutting or Polishing, N.O.C.
Code 2960	Wood Preserving
Code 8203	Ice Dealer
Code 8232	Lumber Yard – New Materials Only – All Other Employees
Code 8235	Sash, Door or Finished Millwork Dealers
Code 8304	Grain Elevator Operation

The NCCI equivalent to Pennsylvania Code 935 is Code 8058, Building Materials Dealers – New Materials Only – Store Employees.

Bureau staff also reviewed the classification procedure for the businesses of interest in this study in two of the independent bureau states – California and New York. There are eight Workers’ Compensation Insurance Rating Bureau of California (WCIRB) classifications that are equivalent in whole or in part to Pennsylvania Code 855:

Code 1463(1)	Asphalt Works
Code 1803(1)	Stone Cutting or Polishing
Code 2150	Ice Mfg. or Ice Dealers
Code 2757(2)	Pallet Dealers – Second Hand
Code 2710(3)	Wood Treating or Preserving
Code 5212	Concrete Pumping

Code 8232(1) Lumberyards (2), Building Material Dealers and (3) Fuel and Material Dealers, N.O.C. *(equivalent only in part, as Code 855 does not contemplate employers principally engaged in the sale and distribution of oil, gasoline or other fuel in bulk)*

Code 8304 Grain Elevators or Grain Storage Warehouses

The New York Compensation Insurance Rating Board (NYCIRB) has four classifications that are equivalent in whole or part to Pennsylvania Code 855:

Code 1809 Stone Cutting or Polishing – Marble or Limestone – and Drivers

Code 8102 Grain Elevator Operation

Code 8232 Which includes but is not limited to building material dealers or lumberyards, fuel and material dealers, asphalt dealers and wood preserving

Code 8235 Door, Sash or Finished Millwork Dealer and Drivers

The WCIRB classifies separate hardware stores operated in connection with commercial lumberyards and building materials dealers to Code 8017(7), Stores – Hardware – Retail. WCIRB Code 8017(7) is equivalent to Pennsylvania Code 925, Hardware Store, Retail. The NYCIRB does not have a companion classification for a separate retail outlet operated in connection with a commercial lumberyard or building material dealer.

Twenty nine historical experience exhibits were developed for this study. These exhibits are based on the Bureau's April 1, 2009 comprehensive loss cost filing, as approved by the Insurance Commissioner. The indicated loss cost values found at the bottom of the historical exhibits have not been loaded for the Small Business Advocate assessment or the revenue-neutral plans (i.e., the Merit Rating Plan and the Certified Safety Committee Credit Program).

In addition to the review of historical experience exhibits, the Bureau's classification plan analysis includes statistical testing to see whether various experience components or results for the various study groups are or are not significantly different based on specified statistical criteria. In this procedure, selected exhibits are compared using a paired t-test analysis to determine when there is a natural correspondence or "pairing" of specific observations between study groups. The t-test reduces the two samples to one by examining the difference between the corresponding observations in the two groups. The advantage to this approach is that variation within the groups does not mask the difference between their means as much as if the two groups were not paired. T-tests were run for reported pure premium, claim frequency (per million dollars of payroll) and claim severity (excluding medical-only). For these tests, a value of .10 or less indicates a significant statistical difference.

Each of the historical experience exhibits developed for this study are attached, together with all of the statistical exhibits that are cited in the report. A historical experience exhibit or statistical exhibit may be cited more than once in the report. The exhibits are presented in the attachment in the sequence in which they are first cited in the report.

SCOPE OF CODE 855

As shown in Exhibit A, Code 855 contemplates the sale and distribution of a wide variety of building materials. In view of this and given that the NCCI, WCIRB and NYCIRB have established separate classifications for certain operations contemplated by Pennsylvania

Code 855, staff reviewed three employer groups – employers providing concrete pumping services on a contract basis, employers engaged in wood preserving (pressure treating) and/or kiln drying of lumber, and employers who sell and distribute aggregates (e.g., sand, gravel and stone) who have no materials inventory – to determine the feasibility of reclassifying any or all of those employer groups, either from Code 855 to a new, separate classification or from Code 855 to another existing classification(s). The report will discuss the review of each of these employer groups separately.

CONCRETE PUMPING SERVICES – BY INDEPENDENT CONTRACTOR

The employers assigned to the Concrete Pumping Services – By Independent Contractor study group are engaged in the pumping of concrete, typically under contract to unrelated concrete construction contractors. The concrete pumping contractor will transport the pumping equipment to the unrelated concrete construction contractor's job site. The pumping contractor or an unrelated concrete supplier will transport the concrete to the job site and pour the concrete into the pumping contractor's equipment. The pumping contractor in turn pumps the concrete to the location specified by the concrete construction contractor. The concrete construction contractor's staff typically performs the finishing work.

The majority of the Code 855 Underwriting Guide entries describe sales and distribution operations, whereas the Code 855 Concrete Pumping Services – By Independent Contractor Underwriting Guide entry describes a service. Accordingly, staff decided to review the feasibility of reclassifying Concrete Pumping Services – By Independent Contractor from Code 855 to Code 608, Flat Cement Work. Code 608 applies to contractors principally engaged in the construction of non-structural, ground-supported poured concrete items, including but not limited to sidewalks and driveways. This discussion will reference the following historical experience exhibits:

Exhibit No.	Exhibit Title
26	Concrete Pumping Services – By Independent Contractor
29	Code 855 Excluding Concrete Pumping Services – By Independent Contractor, Wood Preserving (Pressure Treating) and Kiln Drying of Lumber, and Aggregate Dealers – No Materials Inventory
30	April 1, 2009 Code 855 Class Book Page
32	April 1, 2009 Code 608 Class Book Page

Exhibit 26 represents 0.0081 percent of the Code 855 Class Book page payroll and 0.0086 percent of the Code 855 Class Book page loss. Exhibit 29 is comprised of all Code 855 employers that have been assigned to a study group excluding the groups that staff is reviewing for possible reclassification - employers providing concrete pumping services on a contract basis, employers engaged in wood preserving (pressure treating) and/or kiln drying of lumber and employers who sell and distribute aggregates (e.g., sand, gravel and stone) but who have no permanently sited materials yard.

The results of the historical experience comparison of Exhibits 26, 29, 30 and 32 are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
26	\$4.017	\$6.212	\$4.562
29	3.897	6.242	4.585
30	3.767	6.096	4.480
32	4.396	7.758	5.702

The discussion will now reference the following t-tests:

Exhibit	Exhibit Title
B	T-Test #1 Comparing Exhibit 26 with Exhibit 32
C	T-Test #2 Comparing Exhibit 26 with Exhibit 29

The results of Statistical Exhibits B and C are summarized in the following table:

Exhibit	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
B	0.9414	0.1963	0.0042
C	0.7734	0.2042	0.0144

Exhibit B shows that Exhibit 26 is not significantly statistically different from Exhibit 32 for reported pure premium or claim frequency but that Exhibit 26 is significantly statistically different from Exhibit 32 for claim severity. Exhibit C shows that Exhibit 26 is not significantly statistically different from Exhibit 29 for reported pure premium or claim frequency but that Exhibit 26 is significantly statistically different from Exhibit 29 for claim severity. The results of Exhibits B and C are ambiguous in that certain of the t-test results support retaining the assignment of Code 855 to Concrete Pumping Services – By Independent Contractor, while other t-tests would support reclassifying Concrete Pumping Services – By Independent Contractor from Code 855 to Code 608. The report notes that the April 1, 2009 loss costs are \$4.86 for Code 855 and \$6.27 for Code 608. The April 1, 2009 filed swing limits for Industry Group III (which includes Code 855) are -29 percent and +21 percent. Because the statistical exhibit results are ambiguous and the reclassification of Concrete Pumping Services – By Independent Contractor from Code 855 to Code 608 would exceed the maximum allowable rate increase, staff recommends that the assignment of Concrete Pumping Services – By Independent Contractor to Code 855 be continued.

WOOD PRESERVING (PRESSURE TREATING) AND KILN DRYING OF LUMBER

The employers assigned to the Wood Preserving (Pressure Treating) and Kiln Drying of Lumber study group are engaged in either the pressure treating of wood, which involves forcing chemical preservatives into the wood by pressure to protect the wood from insect infestation and fungal decay, and/or the kiln drying of lumber, i.e., the reduction of the lumber's

moisture content via kiln, on a contract basis. The Wood Preserving (Pressure Treating) and Kiln Drying of Lumber study group differs from the majority of the operations contemplated by Code 855 in that the employers assigned to this group are engaged in providing a contract service rather than conducting a sales and distribution effort.

The discussion of the proper classification assignment for Wood Preserving (Pressure Treating) and Kiln Drying of Lumber will reference the following historical experience exhibits:

Exhibit No.	Exhibit Title
20	Wood Preserving (Pressure Treating) and Kiln Drying of Lumber
29	Code 855 Excluding Concrete Pumping Services – By Independent Contractor, Wood Preserving (Pressure Treating) and Kiln Drying of Lumber, and Aggregate Dealers – No Materials Inventory
30	April 1, 2009 Code 855 Class Book Page

Exhibit 20 represents 5.46 percent of the Code 855 Class Book page payroll and 3.48 percent of the Code 855 Class Book page loss. The results of the historical experience comparison of Exhibits 20 and 29 are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
20	\$2.402	\$4.532	\$3.328
29	3.897	6.242	4.585
30	3.767	6.096	4.480

The discussion will now reference the following t-test:

Exhibit	Exhibit Title
D	T-Test #3 Comparing Exhibit 20 with Exhibit 29

The results of Statistical Exhibit D are summarized in the following table:

Exhibit No.	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
D	0.1127	0.0532	0.4609

Exhibit D shows that Exhibit 20 is not significantly statistically different from Exhibit 29 for reported pure premium or claim severity but that Exhibit 20 is significantly statistically different from Exhibit 29 for claim frequency. From the statistical exhibit results staff recommends that the assignment of Code 855 to Wood Preserving (Pressure Treating) and Kiln Drying of Lumber be retained.

**AGGREGATE DEALERS (E.G., SAND, STONE AND GRAVEL) –
NO MATERIALS INVENTORY**

The discussion of the classification assignment of Aggregate Dealers (e.g., Sand, Stone and Gravel) - No Materials Inventory will reference the following historical experience exhibits:

Exhibit No.	Exhibit Title
22	Aggregate Dealers (e.g., Sand, Stone and Gravel)
23	Aggregate Dealers (e.g., Sand, Stone and Gravel) – No Materials Inventory
29	Code 855 Excluding Concrete Pumping Services – By Independent Contractor, Wood Preserving (Pressure Treating) and Kiln Drying of Lumber, and Aggregate Dealers – No Materials Inventory
30	April 1, 2009 Code 855 Class Book Page
33	April 1, 2009 Code 811, Trucking, N.O.C., Class Book Page

The employers included in Exhibit 22 are engaged in the sale and distribution of bulk building materials/aggregate such as sand, stone and gravel. Those employers operate permanently-sited materials yards from which the employers will distribute the building materials or where customers can pick up the materials. The employers included in Exhibit 23 sell the same types of merchandise as do the employers in Study Group 22 but do not maintain an inventory thereof. These employers will purchase the materials from an unrelated concern, such as a quarry or sand or gravel pit operator, and transport the materials from the supplier’s location to the dealer’s customers. Exhibit 22 represents 2.66 percent of the Code 855 Class Book Page payroll and 2.62 percent of the Code 855 Class Book page loss. Exhibit 23 represents 0.0022 percent of the Code 855 Class Book page payroll and 0.0017 percent of the Code 855 Class Book Page loss.

Staff reviewed a carrier request to reclassify an aggregate dealer with no materials inventory from Code 855 to Code 811, Trucking, N.O.C. The carrier opined that, because the aggregate dealer did not maintain an inventory and the aggregate dealer’s single largest employee group was comprised of truck drivers, the aggregate dealer’s operations were analogous to a contract trucking firm. Staff noted that Code 811 is applied to hauling contractors principally engaged in hauling or delivering for unrelated concerns. The aggregate dealer in this case purchased and resold the aggregates, i.e., the dealer was hauling their own products and did not provide trucking services to unrelated concerns. Staff sustained the assignment of Code 855 to the aggregate dealer’s operations and disapproved the carrier’s request to reclassify the employer from Code 855 to Code 811. The review prompted staff to consider the classification assignment of aggregate dealers with no materials inventory as part of the Code 855 study.

The results of the historical experience comparison of Exhibits 22, 23, 29, 30 and 33 (April 1, 2009 Code 811 Class Book page) are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
22	\$3.712	\$6.640	\$4.877
23	2.911	4.678	3.437
29	3.897	6.242	4.585
30	3.767	6.096	4.480
33	5.564	9.604	7.060

Staff notes that the reported pure premiums shown in Exhibit 23 are closer to those shown in Exhibit 29 than they are to those shown in the April 1, 2009 Code 811 Class Book page. The discussion will now reference the following t-tests:

Exhibit No.	Exhibit Title
E	T-Test #4 Comparing Exhibit 23 with Exhibit 22
F	T-Test #5 Comparing Exhibit 23 with Exhibit 29
G	T-Test #6 Comparing Exhibit 23 with Exhibit 33 (April 1, 2009 Code 811 Class Book Page)

The results of Statistical Exhibits E, F and G are summarized in the following table:

Exhibit No.	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
E	0.8580	0.2515	n/a
F	0.7831	0.1236	n/a
G	0.3808	0.0167	n/a

Exhibit E shows that Exhibit 23 is not significantly statistically different from Exhibit 22 for reported pure premium or claim frequency. Exhibit F shows that Exhibit 23 is not significantly statistically different from Exhibit 29 for reported pure premium or claim frequency. Exhibit G shows that Exhibit 23 is not significantly statistically different from the April 1, 2009 Code 811 Class Book page for reported pure premium and that Exhibit 23 is significantly statistically different from the April 1, 2009 Code 811 Class Book page for claim frequency. The tests for claim severity could not be run because Exhibit 23 showed no indemnity losses for 2001 and 2005, and the t-tests are run using indemnity claims. Staff concludes from the historical experience comparison and t-test results that the better course of action is to retain the assignment of Code 855 for aggregate dealers.

CODE 935

As noted earlier in the report, the proper application of Code 935 has been a test audit issue for some time. In the course of the Code 855 file-by-file review, staff established separate study groups for the following types of operations:

- Employers classified to Code 855 who were also approved for Code 935 and where Code 935 was being correctly applied to payroll developed in the operation of a separate retail store per the Manual language
- Employers classified to Code 855 who were also approved for Code 935 but where Code 935 was being incorrectly applied to the building material dealer’s counter staff

The report will comment on the following historical experience exhibits in this discussion:

Exhibit No.	Exhibit Title
10	Lumber and/or Building Materials Dealer with Separately Staffed Store (Code 855 Portion)
11	Lumber and/or Building Materials Dealer with Separately Staffed Store (Code 935 Portion)
12	Lumber and/or Building Materials Dealer - No Separately Staffed Store – Has a Counter (Code 855 Portion)
13	Lumber and/or Building Materials Dealer - No Separately Staffed Store – Has a Counter (Code 935 Portion)
30	April 1, 2009 Code 855 Class Book Page
31	April 1, 2009 Code 935 Class Book Page
34	April 1, 2009 Code 925, Hardware Store, Retail Class Book Page

Exhibit 10 contains those Code 855 employers who are also approved for Code 935 and where Code 935 is being applied correctly, i.e., the employers included in Exhibit 10 operate a separately-staffed retail outlet in an area that is physically separate from all other yards or warehouses and where hardware, paint and other merchandise is sold in a store setting. Exhibit 11 is the Code 935 data produced by those employers included in Exhibit 10. Exhibit 10 represents 11.9 percent of the Code 855 Class Book page payroll and 12.16 percent of the Code 855 Class Book page loss. Exhibit 11 represents 68.47 percent of the Code 935 Class Book page payroll and 53.14 percent of the Code 935 Class Book page loss.

Exhibit 12 contains those Code 855 employers who are also approved for Code 935 but where Code 935 is being incorrectly applied to counter staff. This employer group’s counter staff is principally engaged in facilitating the sale of lumber and/or other building materials. Typically, the counter staff will take customer orders by telephone, facsimile or from a walk-in customer, accept payments from the walk-in customers or charge their “house” account and transfer the orders to a yard or warehouse staff that will then pull the purchased merchandise from inventory and either load customers’ vehicles or prepare the merchandise for delivery. The counter staff may also sell a limited amount of merchandise from a small display area. The employers included in Exhibit 12 do not operate a retail outlet pursuant to the Code 855 Manual language. Exhibit 13 is the Code 935 data produced by those employers included in Exhibit 12. Exhibit 12 represents 5.48 percent of the Code 855 Class Book page payroll and 6.17 percent of the Code 855 Class Book page loss. Exhibit 13 represents 19.7 percent of the Code 935 Class Book page payroll and 38.06 percent of the Code 935 Class Book page loss.

Staff opines that the inclusion of counter staff of a lumber and/or building material dealer in Code 935 absent the operation of a retail outlet by the lumber and/or building material dealer pursuant to the Code 855 Manual language is a misclassification. Counterpersons have been excluded from the Code 953 definition since 1992 and that both “counter personnel” and “cashiers” are cited in the list of General Inclusions (Rule IV, B. 3., found in Section 1, Page 15 of the Manual). Such exposures are incident to an employer’s field-of-business and are therefore not subject to separate classification.

Staff considered the feasibility of merging Code 935 into Code 925 as a way to limit the misclassification of lumber and/or building material dealers’ counter personnel. Staff felt that assigning lumber and/or building material dealers’ separate retail outlets to a separate existing retail store classification, as opposed to a Code 855 companion classification, would prompt carriers, auditors and Bureau staff to apply the multiple enterprise criteria per Rule IV, C. 3. a. 2., found in Section 1, Page 18 of the Manual, when determining whether a separate retail store classification should also be assigned to an employer classified to Code 855. Staff also notes that the merchandise sold in the separate retail outlet of a lumber and/or building material dealer pursuant to the Code 855 Manual language, i.e., hardware and paint, is similar to the merchandise sold by employers classified to Code 925. To determine the feasibility of merging Code 935 into Code 925, staff compared the historical experience of the April 1, 2009 Code 935 Class Book page (Exhibit 31) with the April 1, 2009 Code 925 Class Book page (Exhibit 34). The results of the historical experience comparison of Exhibits 27 and 33 are summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
31	\$1.045	\$1.790	\$1.316
34	1.599	2.804	2.061

This discussion will now reference the following t-test:

Exhibit No.	Exhibit Title
H	T-Test #1 Comparing Exhibit 31 with Exhibit 34

The results of Statistical Exhibit D are summarized in the following table:

Exhibit No.	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (per million)	T-Test Value Claim Severity Excl. Med. Only
D	0.0720	0.0601	0.3307

Exhibit D shows that Exhibit 31 is significantly statistically different from Exhibit 34 for reported pure premium and claim frequency but that Exhibit 31 and Exhibit 34 are not significantly statistically different for claim severity.

Staff concludes from an analysis of the historical experience comparison and t-test results that it is not feasible to merge Code 935 into Code 925. Staff therefore recommends that Code 935 remain as a companion classification to Code 855 and that the Codes 855 and 935 Manual language be amended to clarify that an employer classified to Code 855 may only have Code 935 as an additional classification when the employer fulfills the multiple enterprise criteria.

Memorandum of April 14, 2009

RE: Class Study Report – Code 855, Lumber and/or Building Material Dealer

Page 11

Staff has applied this procedure during the Code 855 Study. Carrier, agent and/or employer requests for authorization of Code 935 for employers classified to Code 855 were disapproved unless the employer fulfilled the multiple enterprise criteria.

Staff also recommends that those Code 855 employers included in Exhibit 12 who are also misclassified to Code 935 have Code 935 withdrawn as an authorized classification, effective upon each individual employer's first normal policy anniversary beginning new and renewal policies of October 1, 2009 and later.

The proposed enabling Section 2 Manual language amendments for the classification proposals are attached for the Committee's review.

Attachments

c: Timothy Wisecarver
Vincent Dean
Joseph Lombo

MANUAL REVISIONS

SECTION 2

ADDITIONS

UNDERWRITING GUIDE

To 855:

Kiln Drying of Lumber – No Sawmill Operations
Landscaping Supplies Dealer (e.g., Mulch, Topsoil Or Stone)
Log Dealer – No Logging or Sawmill Operations
Lumber Cutting, Incidental Cutting To Size By Lumber Yard

CHANGES

UNDERWRITING GUIDE

Change to 855:

Insulation Dealer [Lumber Cutting, Incidental Cutting To Size, By Lumber Yards]

855 LUMBER and/or BUILDING MATERIAL DEALER

Applicable to establishments principally engaged in selling lumber and/or building materials on a wholesale or retail basis. The lumber may include but is not necessarily limited to: rough and dressed lumber, flooring, molding, doors, sashes, frames and other millwork. The building materials may include but are not necessarily limited to: roofing, siding, shingles, wallboard, paint, brick, tile, cement, ready-mix concrete, sand or gravel [and other building materials]. The class also includes payroll developed in the delivery of hardware, lumber and/or building materials by the lumber/building material dealer.

[The operation of an outlet on the premises of a lumber and/or building material dealer in which hardware, paint, and other similar merchandise is sold shall be subject to separate classification provided the outlet is located in a physically separate department with no interchange of labor between the outlet and other operations. Payroll developed in the outlet operations is subject to Code 935.]

OPERATIONS ALSO INCLUDED:

1. The operation of a sales counter where the insured's counter staff takes customer telephone, facsimile or walk-in orders for the lumber and/or building materials, accepts payment or charges the customer's "house" account, and transfers the orders to the insured's yard or warehouse staff. The counter staff may also sell merchandise from a counter display, display racks behind the counter and/or a display space in front of the counter.
2. The operation of a showroom where customers may view samples of the lumber and/or building materials sold and place orders for such at a counter.

OPERATIONS NOT INCLUDED:

4. Assign Code 935 to the operation of a physically separate and separately-staffed retail store on the premises of a lumber and/or building material dealer.

CHANGES (continued)

935 LUMBER AND/OR BUILDING MATERIAL DEALER – Store Employees – For use in conjunction with Code 855 only

Applicable to the operation of a retail store on the premises of a lumber and/or building material dealer in which hardware, paint and other similar merchandise is sold. This classification may only be authorized as an additional classification for an employer classified to Code 855 if the employer fulfills the multiple enterprise criteria discussed in Rule IV.C.3.a.2. of this Manual. The retail store must be operated in a physically separate work area from the lumber and/or building material dealer's warehouse or yard with no interchange of labor between the store and the warehouse or yard. The term "retail" shall be construed to mean the selling of displayed merchandise in store-type premises where floor and/or counter salespersons assist customers or on a self-service basis to the general public for personal or household consumption or use. This classification shall also apply when the store sales are made to wholesale customers (e.g., commercial or professional users) but conducted primarily in a retail manner. For purposes of assignment to this classification, the term "retail manner" shall be construed to mean that the insured will have a floor area where merchandise is stocked in display aisles, customers may walk up and down the display aisles, inspect the merchandise being offered for sale, place their selections into either a shopping basket or shopping cart and make payment for their selections at a customer checkout lane. The retail store may also contain a second counter area where customers may place orders for the lumber and/or building materials.

OPERATIONS NOT INCLUDED:

This classification is not available for the operation of a sales counter of a lumber and/or building material dealer where the insured's staff takes customer orders for the lumber and/or building materials, accepts payment, transfers the orders to the insured's yard or warehouse staff and may also sell merchandise from a counter display, display racks behind the counter and/or a display space in front of counter but where the insured does not operate a separate retail store as defined above.

DELETIONS

Underwriting Guide

From 855:

Freight Car Icing
Refrigerator Car Icing Or Re-Icing
Refrigerator Car, Pre-Cooling

EXHIBIT A
CODE 855 UNDERWRITING GUIDE ENTRIES

Aggregates Dealer
Asphalt Mixing Plant – Operated By Dealer
Building Material Dealer, New
Cemetery Monument Or Memorial Cutting,
Engraving Or Polishing
Cinder Dealer
Commercial Lumber Yard
Concrete Dealer, Ready Mixed
Concrete Mixing
Concrete Pumping Services – By Independent
Contractor
Cut Stone Or Stone Products Mfg.
Door Or Window Distributor
Dry Ice Dealer
Freight Car Icing
Grain Elevator Operation
Humus Or Topsoil Dealer – No Excavation
Ice Dealer – No Mfg.
Icing Of Refrigerator Cars
Insulation Dealer
Lumber Cutting, Incidental Cutting To Size,
By Lumber Yards
Lumber Dealer, No Lumber Fabricating Or
Handling of Used Lumber
Manure Dealer
Marble Cutting And Polishing
Millwork Glazing, Not Performed By Millwork
Plant
Millwork, Hand Assembling
Monument Or Memorial (Cemetery) Cutting,
Engraving And/Or Polishing
Mortar Mfg., No Construction Work
Mulch Dealer
Paving Mixtures Mfg.
Peat Moss Dealer
Plywood Dealer
Ready-Mixed Concrete Dealer
Refrigerator Car Icing Or Re-Icing
Sash, Door Or Finished Millwork Dealer
Sawdust Dealer
Soapstone Products Mfg.
Stone Cutting Or Polishing – Not By A Mine Or
Quarry Operator
Topsoil Or Humus Dealer – No Excavation
Vanities Assembly – Marble
Window Or Door Distributor
Wood Dealer, Kindling And Firewood
Wood Preserving

CLASS: 855

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 3

CODE: 855
Exhibit 26: Concrete Pumping Service - By Contractor

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	4,591	48,521	1,057	60,033	11,659	0.6535	0	0	0	0	0	3
2002	3,129	182,418	5,830	270,523	19,912	2.8763	0	0	1	2	6	9
2003	3,494	259,123	7,416	377,031	35,432	2,0034	0	0	0	0	7	7
2004	4,105	286,111	6,970	439,488	28,887	2,1924	0	0	1	0	8	9
2005	4,325	12,973	0,300	23,647	4,192	0.4624	0	0	0	0	2	2
TOTAL	19,644	789,146	4,017	1,170,722	24,352	1.5272	0	0	2	2	26	30
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	Temp				Major	Minor	Temp	
2001	0	0	0	0	0	18,656	0	0	0	0	16,320	13,545
2002	0	0	95,189	7,893	21,475	126,077	0	0	13,132	12,757	28,759	3,213
2003	0	0	0	0	0	53,806	0	0	0	0	121,950	11,096
2004	0	0	121,297	0	0	3,598	0	0	2,689	0	82,187	26,132
2005	0	0	0	0	0	0	0	0	0	0	4,786	4,589
TOTAL	0	0	216,486	7,893	223,612	343,536	0	0	15,821	12,757	254,002	58,575
O.D.	0	0	0	0	0	0	0	0	0	0	0	0

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	Temp				Major	Minor	Temp	
2001	0	0	0	0	0	19,440	0	0	0	0	25,165	15,428
2002	21	2,842	121,934	9,169	23,544	154,647	10	816	47,763	19,733	41,211	3,480
2003	13	1,841	30,586	6,506	126,531	168,464	0	1,024	32,012	7,266	159,023	12,239
2004	23	9,872	182,247	10,835	51,615	244,939	19	3,002	51,055	9,252	94,025	27,543
2005	2	284	4,796	941	2,832	8,069	3	288	4,470	918	4,290	4,823
TOTAL	59	14,839	339,563	27,451	223,962	543,775	32	5,130	135,300	37,159	323,714	63,513
O.D.	0	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES 494,923 SERIOUS NON-SER MED ONLY TOTAL
 IBNR + FREQ. ADJUSTMENT 34,511 14,447 640
 TOTAL LOSSES 529,434 626,733 64,153
 EXPECTED LOSSES 583,623 293,285 45,378
 CREDIBILITY 0.02 0.04 0.06

PURE PREMIUMS 3,190 6,212
 INDICATED (PRE-TEST) 1,979 4,362
 INDICATED (POST-TEST) 2,343 4,491
 PRES. ON LOSS COST LEVEL 2,842 4,512
 DERIVED BY FORMULA 2,825 4,695
 UNDERLYING PRES. LOSS COST 2,971 4,512
 PROPOSED 2,825 4,512

YEAR 4-1-08 4-1-09 IND. LOSS COST = 4.810
 IND. LOSS COST 4.81 4.81
 MAN. LOSS COST 4.96 4.81 ADJ. LOSS CO 4.81

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Death		P.T.		Major		Minor		Temp	Med. Only
							Death	P.T.	Major	Minor	Temp	Med. Only				
2001	410,960	15,387,213	3,744	20,732,399	35,349	0.9977	2	0	0	23	32	353	410			
2002	407,463	16,712,447	4,102	26,633,667	36,876	1.0455	5	1	30	36	354	426				
2003	452,607	16,623,901	3,673	26,233,381	37,658	0.9081	4	0	33	38	336	411				
2004	464,340	22,723,690	4,894	30,699,890	49,079	0.9411	2	1	21	44	369	437				
2005	483,593	15,020,255	3,106	28,638,061	32,205	0.8768	2	0	17	38	367	424				
TOTAL	2,218,963	86,467,506	3,897	132,937,398	38,322	0.9500	15	2	124	188	1779	2108				
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0				

Manual Year	Death	P.T.	Major		Minor		Temp	Med. Only		
			Major	Minor	Major	Minor				
2001	493,920	0	3,743,345	1,073,912	2,669,079	414,106	2,993,654	675,392	2,400,824	893,981
2002	1,288,944	157,919	5,322,336	1,255,836	1,730,237	5,299	2,766,573	1,153,531	2,005,633	1,003,279
2003	1,278,339	0	4,796,244	1,133,153	2,386,452	20,115	1,673,096	1,255,043	2,935,139	1,146,320
2004	1,089,259	619,961	3,140,369	1,697,997	2,688,923	382,369	1,898,015	1,476,064	3,252,884	1,276,338
2005	561,690	0	2,628,225	1,053,619	2,309,248	98,647	2,659,876	1,028,034	3,315,691	1,365,225
TOTAL	4,712,152	777,880	19,630,519	6,214,517	11,812,939	920,536	5,224,371	11,991,214	5,588,064	13,910,171
O.D.	0	0	0	0	0	0	0	0	0	0

Manual Year	Death	P.T.	Major		Minor		Temp	Med. Only		
			Major	Minor	Major	Minor				
2001	651,047	0	4,311,199	1,196,338	2,811,398	944,191	5,026,064	1,071,847	3,702,071	1,018,244
2002	1,639,011	491,782	6,777,354	1,355,495	1,895,706	22,957	8,437,837	1,805,432	2,892,599	1,086,551
2003	1,621,976	307,654	7,075,795	1,226,146	2,483,151	45,229	6,509,103	1,522,025	3,923,536	1,264,391
2004	1,231,145	426,028	7,157,491	1,608,102	2,610,444	677,835	8,525,730	1,775,986	3,904,122	1,345,260
2005	736,462	474,427	7,824,392	1,375,162	1,989,742	186,365	629,568	1,474,411	3,185,671	1,434,851
TOTAL	5,879,641	1,699,891	33,146,231	6,761,243	11,790,441	1,876,577	2,550,653	7,649,681	17,607,999	6,149,297
O.D.	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

TOTAL TRANSLATED LOSSES 82,978,737 SERIOUS 43,809,364 NON-SER 6,149,297 MED ONLY 1,018,244 TOTAL 43,809,364

IBNR + FREQ. ADJUSTMENT 3,876,916 1,626,361 72,889

TOTAL LOSSES 86,855,653 45,435,725 6,222,186

EXPECTED LOSSES 65,925,391 33,129,118 5,125,805

CREDIBILITY 0.38 0.97 1.00

PURE PREMIUMS

INDICATED (PRE-TEST) 3,914 2,048 0.280 6,242

INDICATED (POST-TEST) 2,875 1,504 0.206 4,585

PRES. ON LOSS COST LEVEL 2,842 1,428 0.221 4,491

DERIVED BY FORMULA 2,855 1,502 0.206 4,563

UNDERLYING PRES. LOSS COST 2,971 1,493 0.231 4,695

PROPOSED 2,855 1,502 0.206 4,563

YEAR 4-1-08 4-1-09 IND. LOSS COST = 4.865

IND. LOSS COST 4.87 4.87

MAN. LOSS COST 4.95 4.87 ADJ. LOSS CO 4.87

CLASS LUMBER AND BUILDING MAT. DEALER

PAYROLLS REFLECTING STANDARD EXCEPTIONS CODE 855 PAGE 234

MANUAL YEAR	PAYROLL IN THOUS	TOTAL LOSSES	PURE PREM. REPORTED	NUMBER OF CASES						
				DEATH	P. T.	MAJOR	MINOR	TEMP	MED.	ONLY
2001	455,333	16,251,417	3,569	2	5	1	25	34	385	445
2002	443,154	17,822,230	4,021	3	33	39	382	460	446	
2003	491,517	18,039,875	3,670	5	35	41	365	446	446	
2004	508,673	23,496,479	4,619	2	24	48	392	467	443	
2005	530,725	15,906,140	2,997	2	17	42	382	443	443	
TOTAL	2,429,402	91,516,141	3,767	16	2	134	204	1906	2262	7
O. D.		177,434	.007							

MANUAL YEAR	DEATH	P. T.	INDENITY		REPORTED LOSSES		MEDICAL			
			MAJOR	MINOR	DEATH	P. T.	MAJOR	MINOR	TEMP.	MED. ONLY
2001	493,920		4,044,976	1,101,769	414,106		3,171,493	702,734	2,516,824	982,981
2002	1,288,944	157,919	5,839,996	1,315,156	5,299	22,860	2,986,464	1,166,288	2,126,829	1,092,826
2003	1,348,201		5,010,659	1,319,465	180,114		1,751,988	1,399,821	3,176,352	1,252,620
2004	1,089,259		3,467,075	1,826,223	382,369	5,201,511	1,923,402	1,499,451	3,332,374	1,410,144
2005	561,690		2,628,225	1,229,990	120,987		2,659,876	1,131,127	3,562,143	1,511,544
TOTAL	4,782,014	777,880	20,990,931	6,792,603	1,102,875	5,224,371	12,493,223	5,899,421	14,714,522	6,250,115
O. D.							69,430		98,405	9,599

MANUAL YEAR	DEATH	P. T.	INDENITY		TRANSLATED LOSSES		MEDICAL			
			MAJOR	MINOR	DEATH	P. T.	MAJOR	MINOR	TEMP.	MED. ONLY
2001	651,047		4,690,652	1,227,359	944,191		5,617,378	1,115,236	3,880,945	1,119,615
2002	1,639,160	507,016	7,441,026	1,421,558	22,979	242,094	9,150,081	1,833,345	3,066,218	1,183,531
2003	1,711,029		327,278	1,409,358	389,036	2,705,524	6,909,691	1,706,685	4,247,964	1,381,640
2004	1,231,456		456,022	7,725,582	677,841	1,446,628	8,671,412	1,805,350	3,998,413	1,486,292
2005	737,323		508,573	8,402,630	227,763	657,309	9,760,250	1,585,093	3,419,581	1,588,633
TOTAL	5,970,015	1,798,889	35,742,530	7,304,355	12,473,693	2,261,810	2,616,555	8,045,709	18,613,121	6,759,711
O. D.									8,019	10,169

YEAR	IND. RATES	MAN. RATES	4-1-06	4-1-07	4-1-08	4-1-09 IND. RATE	MINIMUM PREMIUM	PRESENT	4.788
			4.51	5.50	4.95	4.79			
			+PROPOSED						

+PROPOSED

EXHIBIT B

STATISTICAL STUDY OF CLASS CODE 855

EX 26:
Concrete Pumping Service-
By Contractor

Code 608:
Flat Cement Work

Manual Year	Pure Premium Reported	T - test values	
2001	1.057	4.894	
2002	5.830	4.409	
2003	7.416	4.519	2001 - 2005
2004	6.970	5.150	0.9414
2005	0.300	3.129	

Manual Year	Claim Frequency per million	T - test values	
2001	0.654	1.073	
2002	2.876	0.936	
2003	2.003	0.965	2001 - 2005
2004	2.192	0.798	0.1963
2005	0.462	0.777	

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	11,659	43,924	
2002	19,912	45,068	
2003	35,432	44,954	2001 - 2005
2004	28,887	62,326	0.0042
2005	4,192	37,194	

EXHIBIT C

STATISTICAL STUDY OF CLASS CODE 855

EX 26:
Concrete Pumping Service-
By Contractor

Exhibit 29:
Code 855 Excluding Wood Preserving and Kiln Drying of
Lumber, Bulk Building Materials Dealers and Concrete
Pumping Service, By Contractor

Manual Year	Pure Premium Reported	T - test values	
2001	1.057	3.744	
2002	5.830	4.102	
2003	7.416	3.673	2001 - 2005 0.7734
2004	6.970	4.894	
2005	0.300	3.106	

Manual Year	Claim Frequency per million	T - test values	
2001	0.654	0.998	
2002	2.876	1.046	
2003	2.003	0.908	2001 - 2005 0.2042
2004	2.192	0.941	
2005	0.462	0.877	

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	11,659	35,349	
2002	19,912	36,876	
2003	35,432	37,658	2001 - 2005 0.0144
2004	28,887	49,079	
2005	4,192	32,205	

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases						
							Death	P.T.	Major	Minor	Temp	All	
2001	25,824	710,184	2,750	1,263,247	37,529	0.6970	0	0	2	2	2	14	18
2002	22,136	887,384	4,009	1,549,301	35,732	1.0390	0	0	2	2	1	20	23
2003	24,856	903,939	3,637	1,557,871	44,559	0.7644	1	0	1	1	3	14	19
2004	28,601	369,326	1,291	582,893	15,269	0.6643	0	0	1	1	3	15	19
2005	31,306	316,577	1,011	723,161	28,743	0.2875	0	0	0	0	3	6	9
TOTAL	132,723	3,187,410	2,402	5,676,473	32,872	0.6630	1	0	6	6	12	68	88
O.D.			0	0.000			0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	Indemnity			Temp	Death	Medical			Temp	Med. Only
		P.T.	Major	Minor			P.T.	Major	Minor		
2001	0	0	301,631	27,857	77,238	0	177,839	27,342	63,611	34,686	
2002	0	0	422,471	51,427	59,377	0	206,759	0	81,810	65,540	
2003	69,862	0	104,251	186,312	46,221	159,999	61,232	144,778	73,959	57,325	
2004	0	0	111,691	48,596	50,029	0	14,544	19,439	45,805	79,222	
2005	0	0	0	108,198	52,945	0	0	61,616	35,931	57,887	
TOTAL	69,862	0	940,044	422,390	285,810	159,999	460,374	253,175	301,116	294,648	
O.D.	0	0	0	0	0	0	0	0	0	0	

TRANSLATED LOSSES

Manual Year	Death	Indemnity			Temp	Death	Medical			Temp	Med. Only
		P.T.	Major	Minor			P.T.	Major	Minor		
2001	0	0	379,452	31,033	80,482	0	591,315	43,392	98,088	39,485	
2002	134	12,561	541,143	56,807	66,133	0	663,715	7,986	117,507	70,989	
2003	88,909	10,265	229,275	172,523	53,550	344,238	11,565	304,487	173,703	63,229	
2004	94	11,625	217,920	44,018	50,671	35	91,369	22,879	54,546	83,500	
2005	194	15,689	269,178	77,498	51,049	108	154,383	44,774	39,849	60,839	
TOTAL	89,331	50,140	1,636,968	381,879	301,885	344,361	39,736	1,895,269	292,734	318,033	
O.D.	0	0	0	0	0	0	0	0	0	0	

TOTAL TRANSLATED LOSSES 3,965,825
 IBNR + FREQ. ADJUSTMENT 233,486
 TOTAL LOSSES 4,199,311
 SERIOUS 1,492,535
 NON-SER 1,981,554
 MED ONLY 306,590
 CREDIBILITY 0.15
 EXPECTED LOSSES 3,943,200
 PURE PREMIUMS 0.06

INDICATED (PRE-TEST) 3.164
 INDICATED (POST-TEST) 1.125
 PRES. ON LOSS COST LEVEL 0.826
 DERIVED BY FORMULA 0.221
 UNDERLYING PRES. LOSS COST 4.491
 PROPOSED 2.971
 2.811 1.493
 1.338 0.231
 0.211 4.695
 4.360 4.360

YEAR	IND. LOSS COST	MAN LOSS COST	IND. LOSS COST =	ADJ. LOSS CO
4-1-08	4.65	4.95	4.65	4.65
4-1-09	4.65	4.65	4.65	4.65

EXHIBIT D

STATISTICAL STUDY OF CLASS CODE 855

EX 20:
Wood Preserving and
Kiln Drying of Lumber

Exhibit 29:
Code 855 Excluding Wood Preserving and Kiln Drying of
Lumber, Bulk Building Materials Dealers and Concrete
Pumping Service, By Contractor

Manual Year	Pure Premium Reported	T - test values	
2001	2.750	3.744	
2002	4.009	4.102	
2003	3.637	3.673	2001 - 2005 0.1127
2004	1.291	4.894	
2005	1.011	3.106	

Manual Year	Claim Frequency per million	T - test values	
2001	0.697	0.998	
2002	1.039	1.046	
2003	0.764	0.908	2001 - 2005 0.0532
2004	0.664	0.941	
2005	0.288	0.877	

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	37,529	35,349	
2002	35,732	36,876	
2003	44,559	37,658	2001 - 2005 0.4609
2004	15,269	49,079	
2005	28,743	32,205	

CLASS: 855

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 3

CODE: 855

Exhibit 22: Bulk Building Materials (Sand, Gravel, Stone, etc.)

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases						
							Death	P.T.	Major	Minor	Temp	All	
2001	11,042	641,373	5,808	913,630	39,008	1,4490	0	0	2	0	0	14	16
2002	10,875	383,109	3,523	495,813	28,599	1,1954	1	0	0	0	1	11	13
2003	11,677	177,605	1,521	269,000	25,758	0,5138	0	0	0	0	0	6	6
2004	14,556	596,764	4,100	1,126,118	50,042	0,7557	0	0	2	2	2	7	11
2005	16,518	601,685	3,643	1,323,437	29,663	1,2108	0	0	1	1	0	19	20
TOTAL	64,668	2,400,536	3,712	4,127,998	34,760	1,0206	0	0	5	3	3	57	66
O.D.			0	0,000					0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	0				Major	Minor	Temp	Med. Only
2001	0	0	233,968	0	0	217,225	0	0	59,809	0	113,132	17,239
2002	170,873	0	0	7,564	0	112,783	0	0	0	5,959	74,613	11,317
2003	0	0	0	0	0	28,035	0	0	0	0	126,512	23,058
2004	0	0	316,074	9,293	0	26,336	0	0	160,293	11,871	26,592	46,305
2005	0	0	147,795	0	0	121,787	0	0	175,000	0	148,671	8,432
TOTAL	170,873	0	697,837	16,857	0	506,166	0	0	395,102	17,830	489,620	106,351
O.D.			0	0	0	0			0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity			Temp	Death	P.T.	Medical			
			Major	Minor	0				Major	Minor	Temp	Med. Only
2001	0	0	294,332	0	0	226,348	0	0	198,865	0	174,450	19,635
2002	216,841	493	10,660	9,826	0	121,224	5	41	7,810	10,705	105,952	12,256
2003	3	409	6,801	1,447	0	28,136	0	1,063	33,209	7,527	164,972	25,433
2004	51	22,153	415,270	22,174	31,223	31,223	187	37,200	483,607	28,507	36,941	48,805
2005	280	20,487	332,161	40,996	100,738	100,738	404	41,378	585,354	50,390	142,387	8,862
TOTAL	217,175	43,542	1,059,224	74,443	507,669	507,669	566	79,682	1,308,845	97,129	624,702	114,991
O.D.			0	0	0	0			0	0	0	0

TOTAL TRANSLATED LOSSES 2,709,064
IBNR + FREQ. ADJUSTMENT 113,941
TOTAL LOSSES 2,823,005

EXPECTED LOSSES 1,921,286
CREDIBILITY 0.04

PURE PREMIUMS INDICATED (PRE-TEST) 4.365
INDICATED (POST-TEST) 3.206
PRES. ON LOSS COST LEVEL 2.842
DERIVED BY FORMULA 2.857
UNDERLYING PRES. LOSS COST 2.971
PROPOSED 2.857

YEAR 4-1-08 4-1-09
IND. LOSS COST 4.80
MAN. LOSS COST 4.95
IND. LOSS COST = 4.802
ADJ. LOSS CO 4.8

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases		
							Death	P.T.	All
2001	895	100	0.011	114	#DIV/0!	0.0000	0	0	0
2002	1,163	14,412	1,239	19,436	14,082	0.8598	0	0	1
2003	1,009	139,096	13,786	214,179	127,824	0.9911	0	1	1
2004	1,229	3,546	0.289	6,271	3,546	0.8137	0	0	1
2005	1,162	1,729	0.149	1,817	#DIV/0!	0.0000	0	0	0
TOTAL	5,458	158,883	2,911	241,817	48,484	0.5497	0	1	2
O.D.			0.000				0	0	0

REPORTED LOSSES

Manual Year	Death	Indemnity		Temp	Death	P.T.	Medical	
		Major	Minor				Major	Minor
2001	0	0	0	0	0	0	0	0
2002	0	0	0	6,968	0	0	0	100
2003	0	0	0	0	0	0	0	330
2004	0	0	0	110,164	0	0	17,660	7,114
2005	0	0	0	1,023	0	0	0	0
TOTAL	0	0	0	7,991	0	0	17,660	2,523
O.D.								9,637
								13,431

TRANSLATED LOSSES

Manual Year	Death	Indemnity		Temp	Death	P.T.	Medical	
		Major	Minor				Major	Minor
2001	0	0	0	0	0	0	0	0
2002	0	28	575	7,483	0	3	581	10,087
2003	0	5,684	137,011	1,190	12	2,146	52,288	334
2004	0	36	621	932	1	74	1,334	2,884
2005	0	0	0	0	0	0	0	0
TOTAL	0	5,748	138,207	9,605	13	2,223	54,203	13,305
O.D.								14,721

TOTAL TRANSLATED LOSSES 200,394 26,702 14,721
 IBNR + FREQ. ADJUSTMENT 9,350 3,947 178
 TOTAL LOSSES 209,744 30,649 14,899

EXPECTED LOSSES 162,157 81,488 12,608
 CREDIBILITY 0.01 0.02 0.03

PURE PREMIUMS 3,843 0.562 0.273 4,678
 INDICATED (PRE-TEST) 2,823 0.413 0.201 3,437
 INDICATED (POST-TEST) 2,842 1.428 0.221 4,491
 PRES. ON LOSS COST LEVEL 2,842 1.408 0.220 4,470
 DERIVED BY FORMULA 2,971 1.493 0.231 4,695
 UNDERLYING PRES. LOSS COST 2,842 1.408 0.220 4,470
 PROPOSED

YEAR 4-1-08 4-1-09 IND. LOSS COST = 4,765
 IND. LOSS COST 4.77 4.77
 MANLOSS COST 4.95 4.77 ADJ. LOSS CO 4.77

CLASS TRUCKING N.O.C.

PAYROLLS REFLECTING STANDARD EXCEPTIONS

CODE 811

PAGE

222

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	TOTAL PAYROLL EXCL S/C PG A+B	DEATH	P.T.	MAJOR	MINOR	TEMP.	MED. ONLY	ALL
2001	1,279,947	79,780,637	6,233	1,279,947	6	3	197	160	1288	1654	
2002	1,187,645	77,786,176	6,549	1,187,645	9	4	189	239	1243	1694	
2003	1,150,098	72,128,249	6,271	1,150,098	6	3	199	227	1142	1567	
2004	1,177,147	63,383,165	5,384	1,177,147	10	2	124	273	993	1402	
2005	1,315,258	46,868,059	3,563	1,315,258	7	3	47	215	1014	1286	
TOTAL	6,110,095	339,946,286	5,564	6,110,095	38	15	756	1114	5680	7603	
O.D.		1,181,444	.019					3	2	5	

MANUAL YEAR	DEATH	P.T.	MAJOR	MINOR	TEMP.	DEATH	P.T.	MAJOR	MINOR	TEMP.	MED. ONLY
2001	2,035,274	1,125,039	36,151,399	4,201,325	8,420,097	4,315	4,034,046	13,027,651	2,622,223	6,565,024	1,593,244
2002	2,260,667	1,203,837	36,162,014	7,039,424	6,361,068	79,227	448,435	12,057,326	4,405,495	6,033,590	1,735,093
2003	1,458,446	731,012	33,485,465	6,177,631	5,555,228	105,878	482,489	12,746,468	3,867,322	5,831,810	1,686,500
2004	3,224,547	1,039,240	21,344,478	8,389,816	6,114,265	771,890	255,590	8,999,069	5,498,007	6,246,997	1,499,266
2005	2,861,128	1,464,324	7,422,885	6,785,481	7,079,897	31,000	4,185,744	3,266,426	4,588,006	7,418,627	1,784,541
TOTAL	11,840,062	5,563,452	134,566,241	32,593,677	33,530,555	992,310	9,406,304	50,096,940	20,961,053	32,097,048	8,298,644
O.D.			649,528	108,432	39,372			273,892	58,483	45,242	6,495

MANUAL YEAR	DEATH	P.T.	MAJOR	MINOR	TEMP.	DEATH	P.T.	MAJOR	MINOR	TEMP.	MED. ONLY
2001	2,700,809	771,998	44,289,471	4,680,278	8,796,555	20,483	1,696,351	38,650,528	4,161,465	10,162,318	1,814,705
2002	2,888,084	2,891,621	46,503,224	7,587,324	7,069,999	329,394	1,627,172	37,273,480	6,900,962	8,752,799	1,879,106
2003	1,863,133	2,759,373	44,698,681	6,484,926	6,129,133	244,190	2,361,825	38,015,879	5,414,408	8,046,447	1,860,210
2004	3,663,049	3,221,343	38,455,131	7,393,542	6,487,923	904,065	2,808,316	32,134,672	6,047,263	7,876,913	1,580,226
2005	3,745,968	2,433,684	30,381,589	6,303,651	6,402,151	145,025	3,041,276	23,821,630	4,629,440	7,376,133	1,875,553
TOTAL	14,861,043	12,078,019	204,328,096	32,449,721	34,885,761	1,643,157	11,534,940	159,896,189	27,153,538	42,214,610	9,009,800
O.D.			833,430	96,940	21,671	74	18,608	807,315	81,427	27,223	7,089

YEAR	IND. RATES	MAN. RATES	4-1-06	4-1-07	4-1-08	4-1-09	IND. RATE	MINIMUM PREMIUM	PRESENT	PROPOSED
4-1-06	8.15	8.44	7.71	7.50	7.50	7.50	7.50	7.50	7.50	7.50

+PROPOSED

EXHIBIT E

STATISTICAL STUDY OF CLASS CODE 855

EX 23:
Bulk Building Materials
No Materials Inventory

Exhibit 22:
Bulk Building Materials
Sand, Gravel, Stone, etc.

Manual Year	Pure Premium Reported	T - test values	
2001	0.011	5.808	
2002	1.239	3.523	
2003	13.786	1.521	2001 - 2005
2004	0.289	4.100	0.8580
2005	0.149	3.643	

Manual Year	Claim Frequency per million	T - test values	
2001	0.000	1.449	
2002	0.860	1.195	
2003	0.991	0.514	2001 - 2005
2004	0.814	0.756	0.2515
2005	0.000	1.211	

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	#DIV/0!	39,008	
2002	14,082	28,599	
2003	127,824	25,758	2001 - 2005
2004	3,546	50,042	#DIV/0!
2005	#DIV/0!	29,663	

EXHIBIT F

STATISTICAL STUDY OF CLASS CODE 855

EX 23:
Bulk Building Materials
No Materials Inventory

Exhibit 29:
Code 855 Excluding Wood Preserving and Kiln Drying of
Lumber, Bulk Building Materials Dealers and Concrete
Pumping Service, By Contractor

Manual Year	Pure Premium Reported	T - test values
2001	0.011	3.744
2002	1.239	4.102
2003	13.786	3.673
2004	0.289	4.894
2005	0.149	3.106
		2001 - 2005 0.7831

Manual Year	Claim Frequency per million	T - test values
2001	0.000	0.998
2002	0.860	1.046
2003	0.991	0.908
2004	0.814	0.941
2005	0.000	0.877
		2001 - 2005 0.1236

Manual Year	Claim Severity Excl Med Only	T - test values
2001	#DIV/0!	35,349
2002	14,082	36,876
2003	127,824	37,658
2004	3,546	49,079
2005	#DIV/0!	32,205
		2001 - 2005 #DIV/0!

EXHIBIT G

STATISTICAL STUDY OF CLASS CODE 855

**EX 23:
Bulk Building Materials
No Materials Inventory**

**Code 811
Trucking N.O.C.**

Manual Year	Pure Premium Reported	T - test values	
2001	0.011	6.233	
2002	1.239	6.550	
2003	13.786	6.271	2001 - 2005 0.3808
2004	0.289	5.384	
2005	0.149	3.563	

Manual Year	Claim Frequency per million	T - test values	
2001	0.000	1.292	
2002	0.860	1.426	
2003	0.991	1.363	2001 - 2005 0.0167
2004	0.814	1.191	
2005	0.000	0.978	

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	#DIV/0!	47,272	
2002	14,082	44,894	
2003	127,824	44,953	2001 - 2005 #DIV/0!
2004	3,546	44,140	
2005	#DIV/0!	35,057	

Manual Year	Payroll in Thous	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	51,926	2,393,169	4,609	3,981,551	32,870	1,3096	1	0	4	5	58	68
2002	52,638	1,482,179	2,816	2,262,831	19,944	1,2348	0	1	1	1	3	60
2003	57,561	2,498,297	4,340	4,035,041	34,770	1,1292	1	0	8	5	51	65
2004	63,577	2,442,845	3,842	4,194,877	22,387	1,5572	0	0	1	5	5	99
2005	63,397	2,307,889	3,640	4,953,584	26,463	1,2303	0	0	2	7	69	78
TOTAL	289,099	11,124,389	3,848	19,427,894	26,859	1,2971	2	1	16	25	331	375
O.D.			0	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	P.T.	Medical			Death	P.T.	Medical	Major	Minor	Temp	Med. Only
			Major	Minor	Temp							
2001	6,358	0	487,031	63,190	415,446	414,106	0	234,152	237,087	377,784	158,015	
2002	0	157,919	157,938	160,832	270,359	0	39,925	164,576	164,576	321,964	185,806	
2003	41,066	0	980,174	196,684	284,959	0	325,107	104,488	104,488	327,588	238,231	
2004	0	0	178,604	292,617	706,519	0	32,707	137,487	137,487	868,336	226,575	
2005	0	0	270,267	198,547	300,791	0	165,902	333,150	333,150	795,478	243,764	
TOTAL	47,424	157,919	2,074,014	911,870	1,978,074	414,106	22,860	797,793	976,788	2,691,150	1,052,391	
O.D.	0	0	0	0	0	0	0	0	0	0	0	

TRANSLATED LOSSES

Manual Year	Death	P.T.	Medical			Death	P.T.	Medical	Major	Minor	Temp	Med. Only
			Major	Minor	Temp							
2001	4,052	0	612,685	70,394	432,895	944,191	0	778,555	376,257	582,543	179,979	
2002	623	338,302	261,845	171,697	293,239	1,462	80,237	202,823	250,208	461,167	201,228	
2003	52,479	59,182	1,381,500	210,932	302,944	301	44,782	1,123,466	157,212	439,474	262,769	
2004	598	52,026	949,238	289,801	664,048	279	44,570	735,407	214,565	1,005,535	238,810	
2005	856	64,749	1,075,941	212,192	262,883	1,242	118,841	1,819,532	378,132	769,020	256,196	
TOTAL	58,608	514,259	4,281,209	955,016	1,956,009	947,475	288,430	4,659,783	1,376,374	3,251,739	1,138,982	
O.D.	0	0	0	0	0	0	0	0	0	0	0	

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

SERIOUS NON-SER MED ONLY TOTAL
10,749,764 7,539,138 1,138,982
502,852 212,523 9,566
11,252,616 7,751,661 1,148,550

EXPECTED LOSSES
CREDIBILITY

8,589,131 4,316,248 667,819
0.10 0.25 0.39

PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

3,892 2,681 0.397 6,970
2,859 1,969 0.292 5,120
2,842 1,428 0.221 4,491
2,844 1,563 0.249 4,656
2,971 1,493 0.231 4,695
2,844 1,563 0.249 4,656

YEAR
IND. LOSS COST
MANLOSS COST

4-1-08 4-1-09
4.95 4.96
4.95 4.96

IND. LOSS COST =
ADJ. LOSS CO

4.954
4.96

CLASS: 935

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 3

EXHIBIT 11
LUMBER AND/OR BUILDING
MATERIALS DEALER WITH
SEPARATELY STAFFED STORE
(CODE 935)

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	41,463	154,380	0.372	194,669	12.367	0.2171	0	0	0	1	8	9
2002	44,175	629,508	1.425	1,054,435	24.418	0.5433	0	0	1	0	23	24
2003	44,752	258,653	0.578	366,829	9.170	0.4693	0	0	0	0	21	21
2004	49,569	691,259	1.395	1,163,400	30.930	0.4035	0	0	1	1	19	20
2005	48,055	114,862	0.239	194,273	7.392	0.1665	0	0	0	0	8	8
TOTAL	228,014	1,846,662	0.811	2,973,606	19.118	0.3596	0	0	1	2	79	82
O.D.			0.000				0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	Indemnity		Temp	Death	P.T.	Medical			
		Major	Minor				Major	Minor	Med Only	
2001	0	0	23,668	32,425	0	0	0	7,049	48,163	43,075
2002	0	0	0	118,351	0	0	108,784	0	207,917	43,473
2003	0	0	0	64,602	0	0	0	0	127,966	66,085
2004	0	0	89,237	302,722	0	0	0	16,264	210,378	72,658
2005	0	0	0	33,152	0	0	0	0	25,981	55,729
TOTAL	0	0	150,983	551,252	0	0	108,784	23,313	620,405	281,020
O.D.			0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	Indemnity		Temp	Death	P.T.	Medical			
		Major	Minor				Major	Minor	Med Only	
2001	0	0	26,366	33,787	0	0	0	11,187	74,267	49,062
2002	0	0	3,291	127,686	0	0	362,660	8,670	295,600	47,081
2003	6	943	15,672	64,835	0	1,075	33,591	7,614	166,868	72,892
2004	195	15,399	275,311	280,893	50	7,572	132,953	36,784	241,859	76,582
2005	20	2,616	44,188	26,091	16	1,564	24,266	4,983	23,289	58,571
TOTAL	221	23,734	533,286	533,292	66	16,767	553,470	69,238	801,883	304,188
O.D.	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

SERIOUS NON-SER MED ONLY TOTAL
1,127,544 1,541,874 304,188
92,260 90,221 4,166
1,219,804 1,632,095 308,354

EXPECTED LOSSES
CREDIBILITY
PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

YEAR	4-1-08	4-1-09	IND. LOSS COST =	1.584
IND. LOSS COST	1.58	1.58		
MAN LOSS COST	1.73	1.58	ADJ. LOSS CO	1.58

CLASS: 855

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 3

EXHIBIT 12
LUMBER AND/OR BUILDING
MATERIALS DEALER - NO
SEPARATELY STAFFED STORE -
HAS A COUNTER (CODE 855)

Manual Year	Payroll In Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	25,269	1,608,291	6,365	2,107,805	37,280	1,6225	0	0	4	3	34	41
2002	23,308	1,160,165	4,978	1,746,603	25,460	1,8020	1	0	2	3	36	42
2003	26,161	524,540	2,005	772,907	15,614	1,0321	0	0	0	3	24	27
2004	28,799	1,238,617	4,301	2,228,410	33,063	1,1806	0	0	2	3	29	34
2005	29,709	1,116,753	3,759	2,202,361	30,382	1,1444	1	0	0	5	28	34
TOTAL	133,246	5,648,366	4,239	9,058,086	29,081	1,3359	2	0	8	17	151	178
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Death	Indemnity			Temp	Death	P.T.	Medical		
		Major	Minor	Temp				Major	Minor	Temp
2001	0	587,427	181,775	264,136	0	0	171,012	79,335	244,778	79,828
2002	133,665	350,746	147,931	93,179	299	0	108,724	83,306	151,470	90,845
2003	0	0	125,982	83,919	0	0	0	72,213	139,472	102,954
2004	0	343,599	167,326	133,804	0	0	58,031	297,996	123,380	114,481
2005	323,559	0	145,147	170,425	98,647	0	0	134,412	160,800	83,763
TOTAL	457,224	1,281,772	768,161	745,463	98,946	0	337,767	667,262	819,900	471,871
O.D.	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	Indemnity			Temp	Death	P.T.	Medical		
		Major	Minor	Temp				Major	Minor	Temp
2001	0	682,073	202,497	275,230	0	0	353,728	125,905	377,448	90,924
2002	169,993	471,737	155,662	103,504	1,235	6,660	381,930	128,523	217,771	98,365
2003	285	80,137	118,029	88,303	51	2,920	88,373	91,055	186,124	113,558
2004	312	676,460	145,668	138,549	238	42,234	627,914	271,410	168,992	120,653
2005	420,882	28,891	129,966	146,708	180,354	25,904	413,755	113,477	160,808	88,035
TOTAL	591,472	2,403,998	751,812	752,294	181,878	77,738	1,865,700	730,370	1,111,143	511,565
O.D.	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

EXPECTED LOSSES
CREDIBILITY

PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

YEAR	IND. LOSS COST	MAN. LOSS COST	IND. LOSS COST =	ADJ. LOSS CO
4-1-08	4.95	4.89	4.89	4.89

CLASS: 935

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 3

EXHIBIT 13
LUMBER AND/OR BUILDING
MATERIALS DEALER - NO
SEPARATELY STAFFED STORE -
HAS A COUNTER (CODE 935)

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases						
							Death	P.T.	Major	Minor	Temp	All	
2001	14,201	501,701	3,533	713,903	31,395	1,0563	0	0	2	1	12	15	
2002	12,215	354,462	2,902	644,502	38,010	0.7368	0	0	1	0	8	9	
2003	13,394	240,763	1,798	396,923	25,640	0.6719	0	0	0	2	7	9	
2004	12,687	77,648	0.612	124,440	12,517	0.3941	0	0	0	0	5	5	
2005	13,096	149,697	1,143	313,831	27,998	0.3818	0	0	0	0	5	5	
TOTAL	65,593	1,324,271	2,019	2,193,599	28,985	0.6556	0	0	0	3	3	37	43
O.D.			0	0.000									0

REPORTED LOSSES

Manual Year	Death	P.T.	Indemnity		Temp	Death	P.T.	Medical		Temp	Med. Only
			Major	Minor				Major	Minor		
2001	0	0	277,383	47,141	34,457	0	0	37,659	38,222	36,061	30,778
2002	0	0	166,590	0	42,012	0	0	93,558	0	39,926	12,376
2003	0	0	0	73,678	25,285	0	0	0	101,294	30,506	10,000
2004	0	0	0	0	32,577	0	0	0	0	30,007	15,064
2005	0	0	0	0	31,827	0	0	0	0	108,165	9,705
TOTAL	0	0	443,973	120,819	166,158	0	0	131,217	139,516	244,665	77,923
O.D.	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Death	P.T.	Indemnity		Temp	Death	P.T.	Medical		Temp	Med. Only
			Major	Minor				Major	Minor		
2001	0	0	348,948	52,515	35,904	0	0	125,216	60,658	55,606	35,056
2002	0	4,916	211,287	1,993	45,767	0	5,583	300,567	3,692	57,294	13,403
2003	165	2,034	41,094	67,799	27,763	71	2,707	80,616	117,898	45,746	11,030
2004	7	1,160	19,784	3,593	29,694	6	879	15,862	3,283	34,295	15,877
2005	19	2,511	42,422	8,323	25,048	65	6,512	101,026	20,746	96,959	10,200
TOTAL	191	10,621	663,535	134,223	164,176	142	15,681	623,287	206,277	289,900	85,566
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES 1,313,457
IBNR + FREQ. ADJUSTMENT 26,810
TOTAL LOSSES 1,340,267

SERIOUS 455,871
NON-SER 794,576
MED ONLY 85,566
TOTAL 1,340,267

EXPECTED LOSSES 455,871
CREDIBILITY 0.04
PURE PREMIUMS 1,250
INDICATED (PRE-TEST) 2,043
INDICATED (POST-TEST) 1,501
PRES. ON LOSS COST LEVEL 0.665
DERIVED BY FORMULA 0.698
UNDERLYING PRES. LOSS COST 0.695
PROPOSED 0.793

YEAR 4-1-08
IND. LOSS COST 1.73
MAN. LOSS COST 1.72

YEAR 4-1-09
IND. LOSS COST = 1.717
ADJ. LOSS CO 1.72

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	PURE PREM.	TOTAL PAYROLL EXCL S/C PG A+B	NUMBER OF CASES					
						DEATH	P. T.	MAJOR	MINOR	TEMP	MED. ONLY
2001	340,841	4,050,180	1,188	1,188	340,841	7		14	18	158	183
2002	334,852	5,970,924	1,783	1,783	334,852	14		8	8	156	178
2003	358,841	7,885,991	2,197	2,197	358,841	21		37	148	158	206
2004	372,692	6,073,617	1,629	1,629	372,692	9		38	159	167	206
2005	361,042	4,285,377	1,186	1,186	361,042	2		28	28	167	198
TOTAL	1,768,268	28,266,089	1,599	1,599	1,768,268	53		129	788	788	971
O. D.		10,390									1

MANUAL YEAR	DEATH	P. T.	REPORTED LOSSES								
			MAJOR	MINOR	TEMP.	DEATH	P. T.	MEDICAL			
2001			944,181	465,230	681,494						
2002			2,307,736	268,908	727,397						
2003			2,844,122	1,084,908	1,004,419						
2004			1,362,300	628,815	998,837						
2005			265,211	566,502	851,772						
TOTAL	3,000		7,723,550	3,014,363	4,263,919						
O. D.					2,025						

MANUAL YEAR	DEATH	P. T.	TRANSLATED LOSSES								
			MAJOR	MINOR	TEMP.	DEATH	P. T.	MEDICAL			
2001			1,187,780	518,269	710,121						
2002			2,934,535	305,129	793,792						
2003			4,295,607	1,085,206	1,074,159						
2004			2,924,849	600,489	974,025						
2005			2,479,844	572,501	728,284						
TOTAL	10,337		559,809	3,081,594	4,280,381						
O. D.			161	530	1,593						

YEAR	IND. RATES		MAN. RATES		+PROPOSED
	4-1-06	4-1-07	4-1-08	4-1-09 IND. RATE	
	2.43	2.55	2.29	2.22 MINIMUM PREMIUM	
				2.22 PRESENT	
					2.215

+PROPOSED

EXHIBIT H

STATISTICAL STUDY OF CLASS CODE 855

CODE 935
Bldg. Material Store
Employees

CODE 925
Hardware Store - Retail

Manual Year	Pure Premium Reported	T - test values	
2001	1.119	1.188	
2002	1.562	1.783	
2003	0.830	2.198	2001 - 2005
2004	1.142	1.630	
2005	0.598	1.187	0.0720

Manual Year	Claim Frequency per million	T - test values	
2001	0.408	0.537	
2002	0.557	0.532	
2003	0.482	0.574	2001 - 2005
2004	0.416	0.553	
2005	0.291	0.548	0.0601

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	24,425	19,036	
2002	26,048	30,366	
2003	14,332	35,462	2001 - 2005
2004	23,884	26,127	
2005	16,723	18,696	0.3307

**Pennsylvania Compensation Rating Bureau**

United Plaza Building • Suite 1500
30 South 17th Street • Philadelphia, PA 19103-4007
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

TO: Pennsylvania Classification and Rating Committee

FROM: David T. Rawson – Technical Director, Classification and Field Operations

DATE: April 9, 2009

RE: **Executive Summary** – Classification Study Report
Code 606, Oil or Gas Well Drilling – Rotary Method and
Code 607, Drilling, N.O.C. – By Contractor

A study of Codes 606 and 607 was undertaken following the review of an informal classification appeal that had revealed confusion among insurance agents, insurer underwriters and Bureau staff regarding the applicable scope of those drilling classifications. Staff first attempted to clarify the scope of Code 607 by proposing “housekeeping” language amendments as a part of the Bureau’s 2008 classification revision filing. The purposes of this study were to review the feasibility of revision(s) to each classification’s scope and/or of further clarifications to each classification’s Manual language and to be as certain as possible that all employers in the drilling “industry” were correctly classified.

The completed Codes 606 and 607 class study found that it is appropriate to separately classify oil or gas well drilling and that the scope of Code 606 is sound. For this reason staff proposes no revision to either the scope of Code 606 or the approved April 1, 2009 Code 606 rating value. Staff will propose deletion of “Rotary Method” from Code 606’s class title, as all oil or gas well drilling in Pennsylvania today (and per the technical literature anywhere in the world) is via the rotary method. There is no need to specify a method in classification language when only a single technique is used throughout an industry.

Most other states have a number of separate classifications for different types of oil or gas well services performed by contractors. Staff’s review of the feasibility of proposing a new, separate classification for all types of oil or gas well services for Pennsylvania found that the present inclusion of such businesses/operations in Code 607 is appropriate. Staff also found inconsistency in the assignment of horizontal/directional drilling contractors. While many such businesses were assigned to Code 607, others had been assigned to Code 617, Water Main Construction. Staff’s review showed that it is appropriate to assign horizontal/directional drilling contractors to Code 607.

From the above information, staff has also concluded that the present scope of Code 607 is sound. Thus, staff proposes no revision to either the scope of Code 607 or to the approved April 1, 2009 Code 607 rating value.

Finally, staff has concluded that the Codes 606 and 607 Manual language (as noted above), as well as the Manual language for Code 028, Oil or Gas Production, and Code 617, Gas, Steam or Water Main Construction, are susceptible to further clarification. The resulting Manual language proposals, which staff recommends become effective beginning new and renewal policies of October 1, 2009 and late, are attached.



Pennsylvania Compensation Rating Bureau

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TO: Pennsylvania Classification and Rating Committee

FROM: David T. Rawson – Technical Director, Classification and Field Operations

DATE: April 9, 2009

RE: Class Study Report:
Code 606, Oil or Gas Well Drilling – Rotary Method, and
Code 607, Drilling N.O.C. – By Contractor

INTRODUCTION

Code 606 applies to businesses performing the drilling of oil or gas wells using any type of rotary drilling rig/method. Such is the only operation contemplated by Code 606, making it one of the PCRB's most focused classifications. The Code 606 Manual language has never specified the use of any particular type of rotary method or rotary drilling rig. For a number of years there were two different oil or gas well-drilling technologies. The older of those methods was "cable tool" drilling. The newer technology was rotary drilling. For that reason (and the background below on Code 606), the Code 606 class title originally specified "rotary method." The file-by-file review of Codes 606 and 607 for this class study confirmed staff's background technical reading that all oil or gas well drilling today is performed by a type of rotary drilling rig. In other words, review of Bureau surveys or questionnaire replies for this class study did not reveal any employer drilling for either oil or natural gas using the cable tool method.

Code 607 is a broader classification than Code 606, contemplating all other types of drilling including but not necessarily limited to: water well drilling, drilling for construction (e.g., for elevator shafts, foundations, caissons, or horizontal drilling under roads or streams), and drilling to obtain soil samples. Code 607 also includes contractors performing any type of oil or gas well service, which includes but is not necessarily limited to: the installation or replacement of casing, cementing, shooting, fracturing or perforating, logging (taking instrument readings), swabbing and plugging abandoned wells. Further contemplated by Code 607 is geophysical exploration for oil or gas.

Review of an informal classification appeal brought in 2007 revealed confusion among agents, insurer underwriters and Bureau staff regarding the applicable scope of each drilling class. The appellant requested that their oil and gas well drilling operations be reclassified from Code 606 to Code 607. The basis of the employer's request was that a number of other similarly-situated businesses allegedly enjoyed assignment of Code 607, which had a lower rating value than that of Code 606. The names of those similarly-situated businesses were asked for and provided. Staff reviewed each Bureau file for those different businesses. Staff's review found that all but

one of the named other businesses (that was principally engaged in providing oil or gas well services assignable to Code 607) performed oil and/or gas well drilling by means of a type of rotary drilling. Staff thus sustained the informal appellant's assignment to Code 606 and went on to correct the misclassification of the other named oil and/or gas well drilling employers.

In the reclassification of the oil or gas well drilling businesses that had been identified to Code 606, staff exchanged correspondence with an insurance agent who consistently represented that his various oil or gas well drilling contractor clients did not perform rotary drilling. Analysis of the agent's argument in this regard showed that it was based upon the clients' rotary drilling rigs being of a different type than the agent claimed were "contemplated" by Code 606. The agent admitted that the clients' drills were rotary drills with their rotation typically being "top drive." The agent went on to claim that only rotary drills where the rotation was supplied by the "table" (a circular part of the derrick floor) were contemplated by Code 606. Staff responded that the Code 606 class description did not limit Code 606 to any specific type(s) of rotary drilling and that, in order to qualify for assignment of Code 606, it was only necessary that the drilling rig be rotary, without regard to what part of the drilling rig provided the rotational motion. As discussed above, Code 606 includes any type of rotary oil or gas well drilling. From background technical reading (that also includes examinations of drilling rig makers' websites), staff may add that many "makes and models" of modern rotary drilling rigs are "top drive" rigs. There has not been any subsequent response to or an appeal of staff's position as set forth above.

Staff separately undertook to first clarify the scope of Code 607 by proposing "housekeeping" amendments presented to and reviewed by the Committee as a part of the Bureau's 2008 classification revision filing. The Code 607 proposals were approved by the Pennsylvania Insurance Department (Department) effective for new and renewal policies as of December 1, 2008 and later. Staff also undertook this study of both drilling classifications to review the feasibility of revision(s) to the scope of either Code 606 and/or to Code 607, of further clarifications to each class' language and to be as certain as possible that all employers in this "industry" were correctly classified.

BACKGROUND

Code 607 has been a Bureau classification since the creation of the uniform Pennsylvania classification plan, effective new and renewal policies of December 31, 1922 and later. At that time Code 607 contemplated all types of drilling except for the drilling of oil or gas wells, which was assigned to Code 028, Oil or Gas Production. The drilling of oil or gas wells was reclassified at some point from Code 028 to Code 607. Staff did not research the Bureau's entire historical record for the exact timing of that revision to classification procedure, but staff may state that such was in effect by new and renewal policies of June 30, 1947 at the latest.

Staff is unaware of any questions being raised regarding the scope of Code 607 until two Similarly-situated employers appeared before the Committee on March 3, 1970 to request reclassification of their elevator shaft drilling businesses from Code 607 to Code 675, then entitled "Millwrighting," and presently entitled "Machinery or Equipment Erection or Repair." Staff observes at that time (and continuing today) elevator installation was/is assignable to

Code 675. The approved Code 675 rating values historically and at present were/are lower than the approved Code 607 rating value. Both of the 1970 appellants only drilled elevator shafts. Neither performed any other elevator work. The Committee heard their appeal and, after discussion, requested that staff develop further information.

Staff conducted a study of Code 607 and reported back to the Committee on November 5, 1970. While there was not much variation in the reported pure premiums between the different Code 607 study groups, the elevator shaft drillers had the worst experience of any defined study group. The elevator shaft drillers also had the second lowest five-year payroll of the different study groups. Staff recommended and the Committee approved denial of the two appellants' appeals. Because of the low five-year payroll, no consideration was given at the time to the erection of a new, separate classification.

Code 607 was restudied once again in 1978/1979, originally at the behest of businesses drilling water wells. During that study staff was also contacted by businesses drilling of oil or gas by means of cable tool rigs. This second employer group believed that drilling for oil or gas by rotary method was a different hazard than cable tool drilling. The study revealed that the experience of drilling for oil or gas by rotary method was worse than that of any other employer group(s) in Code 607. Staff opined that the remainder of the class appeared to be homogenous. Staff went on to also opine that a new, separate classification (Code 606) should be established for "Oil or Gas Well Drilling – Rotary Method." The Committee reviewed staff's report and adopted the new class recommendation at their June 27, 1979 meeting. This proposal was filed with and approved by the Department to become effective beginning with new and renewal policies of October 1, 1979 and later.

OTHER STATES' CLASSIFICATION PROCEDURES

This discussion will be focused upon the classifications equivalent to Pennsylvania Codes 606 and 607 that are a part of the National Council on Compensation Insurance, Inc. (NCCI) uniform classification plan or are a part of the Workers' Compensation Insurance Rating Bureau of California's (WCIRB) uniform classification plan. For the record, NCCI is the workers' compensation rating organization in over 30 states, and California is an independent bureau state.

Both NCCI and WCIRB have a separate classification for oil and/or gas well drilling. This is NCCI Code 6235, Oil or Gas Well Drilling or Redrilling, and WCIRB Code 6235(1), Oil or Gas Wells – drilling or redrilling – including installation of casing. The NCCI code is a closer equivalent to Pennsylvania Code 606 than is the WCIRB code.

NCCI Code 6235 contemplates the drilling or redrilling of the oil or gas well along with any additional tasks incident thereto that the drilling contractor may also perform. Such additional tasks include but are not necessarily limited to: erection or dismantling of drilling rigs, formation fracturing, cementing and casing installation and cleaning or swabbing of the new well. Also contemplated by Code 6235 are separate, unrelated businesses that own and lease to the drilling contractor special drilling, baling, fishing or casing-cutting tools with complete operating crews.

WCIRB has three subsets of their Code 6235. The description of WCIRB Code 6235(1) reads like that of the NCCI's Code 6235. WCIRB Code 6235(2) is applied to separate, unrelated businesses that install or recover oil or gas well casing. Code 6235 is also applied to separate, unrelated businesses that remove well casings after wells have been abandoned. Code 6235(3) is for businesses drilling geothermal wells producing hot water or steam. The class study found no employers assigned to Code 606 also drilling geothermal wells. All of the Pennsylvania businesses drilling geothermal wells were assigned to Code 607, and many were principally engaged in drilling water wells.

Both the NCCI and WCIRB have multiple classifications that are equivalent in part to Pennsylvania Code 607. The principal equivalent is NCCI Code 6204, Drilling N.O.C., and WCIRB Code 6204, Drilling – N.O.C. The NCCI's scope for their Code 6204 clearly states that the class contemplates all types of drilling except drilling related to oil or gas wells or drilling in underground mines. NCCI Code 6204 lists the following types of drilling: for water wells, exploratory core (to obtain a sample to study the ground strata characteristics prior to construction), core drilling for oil or gas well geophysical exploration, shot holes, holes for lag bolts to anchor sills of buildings, directional drilling, holes in concrete or masonry walls or floors within buildings when performed by a specialist driller.

WCIRB Code 6204 focuses principally on either water well drilling or drilling for obtaining core samples. WCIRB assigns drilling in connection with foundation preparation to their Code 6258, Foundation Preparation Work. This class includes all operations to completion of the substructure. The drilling may involve drilling shafts through unstable soils to bedrock or other supportive layers for foundation pier construction or pile driving. This permits the building of a stronger foundation. Drilling may also involve "starter" holes for subsequent pile driving and holes for foundation shoring system installation.

Both NCCI and WCIRB also have a series of separate classifications for different types of oil or gas well services. The Committee should keep in mind that the NCCI is the rating organization for a number of states whose annual oil or gas production is each (per the Internet) higher than Pennsylvania's. From recent annual production numbers, California is the third largest oil producing state, and Pennsylvania is the 21st largest. Similarly for natural gas production, based upon 2005 numbers, California is the ninth largest natural gas producing state, and Pennsylvania is the 16th.

An example of an oil or gas well service class is NCCI Code 6206 and WCIRB Codes 6206(1) 6206(2), 6206(3) and 6206(4). NCCI Code 6206 contemplates the pumping of mixed cement (as a slurry) under pressure through the casing to the bottom of the well. The pressure then forces the cement back up to the surface in the space created between the casing and the drill hole. Such is also the scope of WCIRB Code 6206(1), but the WCIRB class also contemplates cementing abandoned wells. Here the drill hole is filled with cement.

NCCI Code 6206 also contemplates acidizing both old and new oil and gas wells. Acidizing involves pumping an acid into the well to break up deposits of heavy oil, paraffin or calcium. By dissolving these deposits the well's oil or gas producing pores are enlarged and production is enhanced. This is also the scope of WCIRB Code 6206(2). The NCCI's Code 6206 also includes forcing sand under pressure into an oil or gas well. This process is another method by which a producing well's production may be enhanced.

WCIRB Code 6206 has two additional subsets: Code 6206(3) and Code 6206(4). Code 6206(3) is Oil or Gas Wells – vacuum truck service companies. These are businesses that pump and remove petroleum sludge, salt water and/or drilling mud from oil or gas well drilling sites called “slush pits.” The pumped material(s) are transported to a disposal site. Code 6206(4) is entitled Oil or Gas Wells – Gravel Packing. The gravel packing crew arrives after the oil well has been drilled and cased. The casing has also been perforated by an unrelated business. The crew places gravel into a hopper, mixes it with water and pumps it into the well where the perforations are located on the casing. This process allows the flow of formation fluids while excluding sand.

CLASS STUDY GROUPS/BACKGROUND EXHIBIT EXPLANATION

For this classification study, staff reviewed the 51 files of employers reporting payroll to Code 606 and the 490 files of employers reporting payroll to Code 607. Pursuant to each employer’s principal business activity, the employers were divided into the following study groups:

CODE 606

Group No.	Study Group	No. of Employers
1	Oil or Gas Well Drilling – Rotary Method	40
12	No Current Coverage/No File Information	4
19	Professional Employer Organization – Customer Unnamed	1
20	Current Coverage/No File information/Class Not Being Presently Used	4
30	Misclassified	2
Total		51

CODE 607

Group No.	Study Group	No. of Employers
1	Oil or Gas Well Drilling – Rotary Method	4
3	Water Well Drilling – Rotary Method	88
4	Water Well Drilling – Cable Tool Method	11
4A	Water Well Drilling – Drilling Method Unspecified/No Equipment Listed	27
5	Elevator Shaft Drilling	3
6	Test Boring – To Obtain Soil Samples	32
7	Foundation Drilling	24
8	Horizontal Drilling – Under Roads or Streams – For Pipes, Conduit	17
9	Blast Hole Drilling – No Blasting Services Provided	19
10	Oil or Gas Well Services	63
11	Coal Mine – Rotary Drilling: Horizontal – Performed Inside the Mine	1
12	No Current Coverage/No File Information	64
13	Misclassified	31
14	Professional Employer Organization – No Customer Information	1
15	Not Yet Group Assigned	105
Total		490

There were two additional Code 607 study groups where no employer was identified as being principally engaged in each group's operations. Those two groups were: Oil or Gas Well Drilling – Cable Tool Method and Geophysical Exploration.

Study Group 10, Oil or Gas Well Services, is a compilation of all the different oil or gas well subsets. File review disclosed that there are such businesses that perform two or more different well services (25 employers), and there are also separate businesses that focus their efforts on a single well service. The different subsets include businesses engaged in well cementing (one employer), plugging abandoned oil or gas wells (four employers), performing well shooting (one employer), well logging (three employers), well swabbing or cleaning (11 employers), casing installation or removal (three employers), well fracturing (11 employers) and perforating casing (four employers). Pennsylvania has always classified each of these specific oil or gas well services performed by a contractor to Code 607. The service/employer breakdown discussed suggested that the different well services should be grouped together for purposes of this report.

The Codes 606 and 607 historical experience exhibits were developed on the basis of the Bureau's April 1, 2009 comprehensive loss cost filing, as approved by the Pennsylvania Insurance Department. The Code 606 historical experience exhibits combined represent all but \$2,000 or 99.998 percent of the Code 606 five-year payroll and 100 percent of the five-year reported loss. The Code 607 historical experience exhibits collectively represent 100 percent of the class' five-year payroll and 99.86 percent of the five-year reported loss.

Fourteen historical experience exhibits and nine statistical exhibits (among the historical experience or statistical exhibits developed for this report) are attached hereto. The report notes that an historical experience exhibit or a statistical exhibit may be cited more than once, and the attached exhibit copies are presented in the sequence in which the materials are first cited in the report. The indicated loss cost values found at the bottom of any historical experience exhibit have not been loaded for the Small Business Advocate Assessment or the revenue-neutral plans (e. g., Merit Rating Plan and the Certified Safety Committee Credit Program) that are a part the Bureau's April 1, 2009 loss cost values. The Bureau loss cost for any of the class proposals is calculated by multiplying the indicated loss cost by a factor of 1.0144 (accounting for the three programs cited herein).

In addition to a review of historical experience exhibits, the Bureau's classification plan analysis includes statistical testing to see whether data for various study groups or classifications is or is not significantly statistically different. For example, Exhibits 4 and 14 were tested with a paired t-test analysis to determine whether or not there was a natural correspondence or "pairing" of specific observations between those respective study groups. The t-test reduces the two samples to one by examining the differences between corresponding observations in the two groups. The advantage to this approach is that variation within the groups does not mask the difference between their means as much as if the two groups were not paired. T-tests were run for reported pure premium, claim frequency (per million dollars of payroll) and claim severity (excluding medical only). For these tests, a value of 0.10 or less is considered as indicating significant statistical difference.

The following exhibits will be discussed below:

Exhibit No.	Exhibit Title
10	Code 607 – No Current Coverage/No File Information (NCC/UTD)
11	Code 607 – Misclassified
12	Code 607 – Not Yet Group Assigned (NYGA)
13	Code 607 – Combines Exhibits 10, 11 & 12
2	Code 606 – Not Yet Group Assigned
15	Code 606 – April 1, 2009 Class Book Page
16	Code 607 – April 1, 2009 Class Book Page

The Code 607 employers slotted to the No Current Coverage/Unable To Determine (NCC/UTD) Study Group had no record of current workers' compensation coverage, and there was no information (i.e., a Bureau survey, test audit or description of operations questionnaire) in their files that disclosed what the employer's operations had been when they were in business. This is the third largest Code 607 study group by number of employers and represents 13.1 percent of all Code 607 files. As shown in Exhibit 10, the NCC/UTD experience accounts for 2.0 percent of the five-year Code 607 payroll and 1.8 percent of the five-year reported loss shown in Exhibit 16.

Staff's review of approximately half of the Not Yet Group Assigned (NYGA) files (totaling 105 employers) is ongoing, and each of those files will be slotted to the appropriate study group as staff receives the requested survey of the employer's business or the completed "Description of Operations Questionnaire" from the employer. The other half of the NYGA files is constituted by employers with a record of current coverage, having no file information regarding their operations, and Code 607 is not on at least their current policy. For certain of these files, Code 607 has not been utilized for two or more policy years. For other files, Code 607 has been consistently listed on an "if any" basis, and little, if any, payroll has been reported. These files tend to have non-Pennsylvania mailing addresses. For these reasons staff may not be able to identify the employers' exact Code 607 operations. NYGA is the largest employer group by number of employers and represents 21.4 percent of all Code 607 employers. Exhibit 12, Not Yet Group Assigned, represents 5.0 percent of the Exhibit 16 five-year payroll and 7.9 percent of the five-year reported loss.

Any Code 607 employer found upon Bureau survey, "Description of Operations Questionnaire" or test audit to be misclassified (i.e., having no operations assignable to Code 607) has been reassigned (as has their historical experience) to the employer's appropriate Bureau classification, typically Code 606 or Code 609, Excavation, when the drilling was incident to the employer's blasting contractor business. The five-year payroll and reported loss in Exhibit 11 shows those misclassified employers identified as such and their historical experience reassigned after the data for the April 2009 comprehensive loss cost filing was summarized. Exhibit 11 shows 1.5 percent of the five-year payroll and 0.0009 percent of the Exhibit 16 five-year reported loss.

The Code 606 employers represented by Exhibit 2 combine together the 11 employers slotted to the following study groups: Group 12, No Current Coverage/Unable to Determine (four employers), Group 19, Professional Employer Organization/Customer Unnamed (one employer), Group 20, Current Coverage/No File information/Class Not Presently Being Used (four

employers) and Group 30, Misclassified (two employers). Exhibit 2 represents 2.15 percent of the five-year Code 606 payroll and 3.5 percent of the five-year reported loss shown in Exhibit 15. This report observes one claim (a major permanent partial disability claim occurring in Manual Year 2001) accounts for 75.8 percent of Exhibit 2's reported loss.

THE SCOPE OF CODES 606 & 607

As noted above, staff undertook the study of Codes 606 and 607 to review the feasibility of revision(s) to the scope of either Code 606 and/or Code 607, to consider further clarifications to each class' language and to be as certain as possible that all employers in this "industry" were correctly classified. Staff reiterates from the above discussion that most other states have a separate classification for oil or gas well drilling. The report will first discuss the scope of Code 606 referencing the following exhibits:

Exhibit No.	Exhibit Title
1	Code 606 Oil or Gas Well Drilling – Rotary Method
3	Code 607 Oil or Gas Well Drilling – Rotary Method
4	Code 606 All Oil or Gas Well Drilling (Combines Exhibits 1 & 3 – Rotary Method
14	Code 607 Minus Exhibit 3 and Exhibit 13, NCC/UTD, Misclassified & NYGA
15	Code 606 April 1, 2009 Class Book Page
A	T-Test Comparing Exhibit 4, Code 606 All Oil or Gas Well Drilling With Exhibit 14, Code 607 Minus Exhibit 3 and Exhibit 13.

The historical experience exhibits showed the following:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
1	\$10.126	\$18.323	\$13.458
3	14.477	25.734	18.901
4	10.133	18.334	13.466
14	5.231	8.719	6.404
15	10.271	18.666	13.720

Exhibit 1 represents the five-year payroll and loss experience of businesses performing oil or gas well drilling. All employers performing these operations use rotary drilling rigs. As noted above, staff was unable to identify any oil or gas well drilling business that continues to use the cable tool drilling method. That result confirms staff's background technical reading that advises all oil and gas well drilling today is by a type of rotary rig/method. Exhibit 1 includes the bulk of the Code 606 April 1, 2009 Class Book page (Exhibit 15) data: 97.85 percent and 96.5 percent of the five-year payroll and reported loss, respectively. Exhibit 3 represents the four employers performing oil or gas well drilling by rotary rig/method found assigned to Code 607 (after the compilation of the April 1, 2009 loss cost filing database). Exhibit 4 combines Exhibits 1 and 3 to show all of oil or gas well drilling five-year payroll and loss experience via the rotary method. Exhibit 14 was created to permit a t-test comparing the five-year oil or gas well drilling experience against the five-year Code 607 "Drilling, N.O.C." experience. Exhibit 14 is the Code 607 April 1, 2009 Class Book page minus Exhibits 3 and 13 that combines the separate exhibits (discussed above) for employers designated NCC/UTD, Misclassified or NYGA. Staff observes that the t-test protocol was not in use when Code 606 was created in 1979.

Exhibit A is the t-test comparing Exhibits 4 and 14 and it shows the following:

Exhibit No.	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (Per Million)	T-Test Value Claim Severity (Excluding Med. Only)
A	0.0568	0.0017	0.8181

Exhibit A shows significant statistical differences between Exhibits 4 and 14 for both reported pure premium and claim frequency. Exhibit A also shows there is no significant statistical difference between Exhibits 4 and 14 for claim severity. From the t-test results staff concludes that the current procedure of separately classifying oil or gas well drilling by rotary method is sound, and Code 606 should be retained.

Staff also reiterates from the above discussion that most other states have a series of separate classifications for different types of oil or gas well services. Staff reviewed the feasibility of creating a new, separate oil or gas well service classification for Pennsylvania. This discussion will include the following exhibits:

Exhibit No.	Exhibit Title
9	Code 607, Oil or Gas Well Service Contractors
17	Code 607, Drilling N.O.C. Minus Exhibits 3, 9 & 13
16	Code 607, April 1, 2009 Class Book Page
B	T-Test Comparing Exhibit 9, Code 607 Oil or Gas Well Service Contractor With Exhibit 17, Code 607 Minus Exhibits 3, 9 & 13

The historical experience exhibits showed the following:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post Test)
9	\$5.745	\$7.854	\$5.769
17	4.908	9.261	6.802
16	5.316	8.745	6.428

As discussed above, Exhibit 9 includes all types of oil or gas well service contractors. Also, pursuant to the above discussion, there are oil or gas well service contractors that perform multiple services and contractors that specialize in performing a single service. The following discussion will explore the question of whether Pennsylvania should have a new, separate oil or gas well service contractor classification.

Exhibit B comparing Exhibit 9 against Exhibit 17 shows the following:

Exhibit No.	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (Per Million)	T-Test Value Claim Severity (Excluding Med. Only)
B	0.7465	0.7429	0.7227

Exhibit B shows there are no significant statistical differences between Exhibits 9 and 17 for any of the three t-tests: reported pure premium, claim frequency or claim severity. From these results, staff concludes that Pennsylvania should not have a new, separate classification for oil or gas well service contractors and that such businesses should remain assigned to Code 607.

Staff further reviewed the classification applicable to businesses performing directional or horizontal drilling. This report noted above that NCCI includes such contractors in their Code 6204, which is their class principally equivalent to Code 607. As also noted above, staff identified 17 drilling contractors principally engaged in directional or horizontal drilling. The file-by-file review also showed confusion regarding whether horizontal/directional drilling for pipe or conduit installation was assignable to Code 607 or to Code 617, Water Main Construction.

Bureau surveys and background technical reading both show that directional or horizontal drilling is typically performed under roads, streams or rivers, railroads and airport runways. This work may be for pipeline installation (e.g., gas, water or sewer) or for conduit. The drilling contractor frequently works for a public utility or a telecommunications business. The literature includes the claim that directional or horizontal drilling has a lesser environmental impact than the traditional trenching method of installing pipe or conduit. Pursuant to the confusion regarding the applicable classification for such work noted above, staff compared the directional or horizontal drilling data with the other construction drilling assigned to Code 607 and also with Code 617. This discussion will include the following exhibits.

Exhibit No.	Exhibit Title
7	Code 607, Construction or Mining Related Drilling – Except Horizontal/Directional
8	Code 607, Horizontal/Directional Drilling
16	Code 607, April 1, 2009 Class Book Page
18	Code 617, April 1, 2009 Class Book Page
C	T-Test Comparing Exhibit 7, Code Construction or Mining Related Drilling – Except Horizontal/Directional With Exhibit 8, Horizontal/Directional Drilling
D	T-Test Comparing Exhibit 8, Horizontal/Directional Drilling With Exhibit 18, Code 617, April 1, 2009 Class Book Page

The historical experience exhibits showed the following:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post-Test)
7	\$5.167	\$9.369	\$6.881
8	4.031	6.590	4.841
16	5.316	8.745	6.428
18	3.342	5.881	4.322

Exhibits C and D show the following:

Exhibit No.	T-Test Value Reported Pure Premium	T-Test Value Claim Frequency (Per Million)	T-Test Value Claim Severity (Excluding Med. Only)
C	0.6958	0.4457	No Test
D	0.7675	0.5869	No Test

Exhibit C shows there are no significant statistical differences between Exhibits 7 and 8 for reported pure premium or claim frequency. Exhibit D shows there are no significant differences between Exhibits 8 and 18 for reported pure premium or claim frequency. Neither Exhibits C nor D could be tested for claim severity, because Exhibit 8 has only “medical-only” loss in the 2003 Manual Year, and no loss whatsoever in the 2002 Manual Year. The t-test for severity excludes “medical-only” loss, and there must be loss dollars that are not medical only for each of the data years in the test for the claim severity test to be made.

The Exhibits C and D results suggest that horizontal/directional drilling contractors may be assigned to either Codes 607 or 617. Since one of these classifications must be selected, that selection must be based upon underwriting rather than statistical considerations. Staff notes the approved April 1, 2009 loss costs for Codes 607 and 617, which are \$7.56 and \$5.22, respectively. Staff compared those values with the indications in Exhibit 8 and found that reclassification of the horizontal/directional drilling contractors would produce rating value relief not warranted by their five-year experience. Staff reiterates that most other jurisdictions (those following the NCCI’s classification plan) assign horizontal/directional drilling contractors to the NCCI’s Drilling N.O.C. class (Code 6204), the principal equivalent to Pennsylvania Code 607. For these reasons staff’s final recommendation is that horizontal/directional drilling contractors be retained in Code 607.

CONCLUSIONS AND RECOMMENDATIONS

This report has shown the scopes of both Codes 606 and 607 to be sound. For that reason staff recommends their present scopes be retained, and there also be no revision to the approved rating values for Codes 606 or 607.

Staff’s file-by-file review has found the need for revision to the Manual language for Codes 606 and 607 to clarify each class’ scope. Staff will concurrently also recommend revision to the Manual language for Code 028, Oil or Gas Production, to end the confusion regarding what is assignable to Code 028 and what is an oil or gas well service assignable to Code 607. Staff will further propose revision to the Code 617, Water Main Construction, Manual language to end the confusion cited above on the classification applicable to horizontal drilling contractors. The proposed Manual language amendments are attached. Staff proposes these language amendments become effective beginning new and renewal policies of October 1, 2009 and later.

MANUAL REVISIONS

SECTION 2

ADDITIONS

Underwriting Guide

Additions to 607:

Horizontal or Directional Drilling – By Contractor
Plugging Abandoned Oil Or Gas Wells – By Contractor

CHANGES

028 OIL OR GAS PRODUCTION, Operation of Wells - including gasoline mfg. from casing-head gas.

[As provided for in this Manual separately rate: geophysical exploration, site preparation, erecting or dismantling of derricks, drilling, re-drilling or deepening, installation or recovery of casing, well shooting, cementing, tank building or tapping operations.]

Applicable to the operation of a producing oil or gas lease/well, whether performed by the lease/well's owner or a contract lease/well operator. Routine maintenance of the producing lease/well includes but is not necessarily limited to: monitor pressures at the wells and pressures on the pipelines, reading and replacing well charts that record production, repair or replace valves, flanges, gaskets and other mechanical parts of the well head and related piping, paint well equipment, control vegetation growth (e. g., mow the grass) at the lease/well site, walk the pipeline for inspection and check for leaks, and report to management any observed problem that will require more skilled or specialized intervention to fix.

OPERATIONS NOT INCLUDED:

As provided for in this Manual, separately rate services performed by unrelated contractors for the oil or gas well's lease owner or contract lease operator. Such services may include but are not necessarily limited to:

1. Assign Code 607 to geophysical exploration.
2. Assign the applicable construction classification(s) to site preparation, including but not necessarily limited to: building of the access road (Code 602), clearing of land (Code 609), digging and lining water ponds (Code 609), laying or taking up of flow lines (Code 609) and installing pumping units (Code 675).
3. Assign Code 655 to tank building.
4. Assign Code 606 to oil or gas well drilling, re-drilling or deepening.
5. Assign Code 607 to oil or gas well services including but not necessarily limited to: installation, recovery or replacement of casing, well cementing, well cleaning or swabbing, well fracturing/formation fracturing and well logging.

CHANGES (continued)

606 OIL or GAS WELL DRILLING [– ROTARY method]

OPERATIONS NOT INCLUDED:

1. Assign Code 607 to all non-oil or gas drilling.

Underwriting Guide

Changes to 606:

Gas Well Drilling [-By Rotary Method]

Oil Well Drilling [-By Rotary Method]

607 DRILLING, N.O.C. – By Contractor

Applicable to all types of drilling except drilling for oil or gas wells.

OPERATIONS ALSO INCLUDED:

1. All types of oil and/or gas well services performed by an independent contractor(s).
2. Geophysical exploration.

OPERATIONS NOT INCLUDED:

1. Assign Code 606 to oil or gas well drilling.

617 GAS, STEAM or WATER MAIN CONSTRUCTION – all work to completion [except tunneling under pressure]

Also includes conduit construction for cable or wires.

OPERATIONS NOT INCLUDED:

1. Separately rate to Code 615 tunneling under pressure.
2. Separately classify to Code 607 horizontal/directional drilling.

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CLASS:
607

CODE:
Exhibit 10: 607 - No Current Coverage

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases		
							Death	P.T.	Temp
2001	2,486	50,938	2,049	63,687	42,194	0.4023	0	0	1
2002	1,387	29,988	2,162	41,782	9,815	2.1629	0	0	3
2003	735	3,519	0.479	4,703	2,599	1.3605	0	0	1
2004	1,349	228,928	16,970	400,112	112,405	1.4826	0	0	2
2005	747	0	0.000	0	#DIV/0!	0.0000	0	0	0
TOTAL	6,704	313,373	4,674	510,284	42,721	1.0442	0	0	7
O.D.	0	0	0.000	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Temp
2001	0	0	0	0	14,215	0
2002	0	0	0	0	0	18,621
2003	0	0	0	0	0	863
2004	0	0	169,098	0	0	545
2005	0	0	0	0	0	0
TOTAL	0	0	169,098	0	14,215	20,029
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Temp
2001	0	0	0	0	22,559	0
2002	0	43	893	0	505	26,403
2003	0	25	421	0	51	1,125
2004	18	11,348	212,867	53	4,716	2,274
2005	0	0	0	0	0	0
TOTAL	18	11,416	214,181	53	27,831	29,802
O.D.	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES IBNR + FREQ. ADJUSTMENT TOTAL LOSSES	SERIOUS	NON-SER	MED ONLY	TOTAL
374,184	120,196	15,904	7,968	
16,933	6,754	172	5,852	
391,117	126,950	16,076	6,960	
303,155	166,594	16,224	7,249	
0.01	0.02	0.03	6,937	
PURE PREMIUMS			2,366	
INDICATED (PRE-TEST)	1,894	0.240	2,485	
INDICATED (POST-TEST)	1,391	0.176	2,485	
PRES. ON LOSS COST LEVEL	2,386	0.232	2,485	
DERIVED BY FORMULA	4,341	0.230	2,485	
UNDERLYING PRES. LOSS COST PROPOSED	4,522	0.242	2,485	
YEAR	4-1-08	IND. LOSS COST =	7,505	
IND. LOSS COST	7.51	ADJ. LOSS CO	7.51	
MAN. LOSS COST	8.02			

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CODE:
Exhibit 11: Code 607 Misclassified

CLASS:
607

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	988	655	0.066	746	#DIV/0!	0.0000	0	0	0	0	0	0
2002	741	272	0.037	295	#DIV/0!	0.0000	0	0	0	0	0	0
2003	866	1,076	0.124	1,187	#DIV/0!	0.0000	0	0	0	0	0	0
2004	1,069	3,277	0.307	5,464	2,951	0.9355	0	0	0	0	1	1
2005	1,249	10,751	0.861	21,234	8,395	0.8006	0	0	0	0	0	1
TOTAL	4,913	16,031	0.326	28,926	5,673	0.4071	0	0	0	0	0	2
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity				Medical					
	Death	P.T.	Major	Minor	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	0	0	0	0	0	0	0	655
2002	0	0	0	0	0	0	0	0	0	272
2003	0	0	0	0	0	0	0	0	0	1,076
2004	0	0	0	0	0	0	0	0	1,423	326
2005	0	0	0	0	0	0	0	0	5,030	2,356
TOTAL	0	0	0	0	0	0	0	0	6,453	4,685
O.D.	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity				Medical					
	Death	P.T.	Major	Minor	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	0	0	0	0	0	0	0	746
2002	0	0	0	0	0	0	0	0	0	295
2003	0	0	0	0	0	0	0	0	0	1,187
2004	0	54	928	169	0	42	752	156	1,626	344
2005	2	265	4,485	880	3	303	4,698	965	4,509	2,476
TOTAL	2	319	5,413	1,049	3	345	5,450	1,121	6,135	5,048
O.D.	0	0	0	0	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES IBNR + FREQ. ADJUSTMENT TOTAL LOSSES	SERIOUS	NON-SER	MED ONLY	TOTAL
11,532	12,346	5,048		
13,275	6,324	180		
24,807	18,670	5,228		
222,166	122,088	11,889		
0.01	0.02	0.03		
PURE PREMIUMS				
INDICATED (PRE-TEST)	0.505	0.380	0.106	0.991
INDICATED (POST-TEST)	0.371	0.279	0.078	0.728
PRES. ON LOSS COST LEVEL	4.342	2.386	0.232	6.960
DERIVED BY FORMULA	4.302	2.344	0.227	6.873
UNDERLYING PRES. LOSS COST	4.522	2.485	0.242	7.249
PROPOSED	4.302	2.344	0.227	6.873
YEAR	4-1-08	4-1-09	IND. LOSS COST =	7.436
IND. LOSS COST	7.44	7.44		
MAN. LOSS COST	8.02	7.44	ADJ. LOSS CO	7.44

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CODE:
Exhibit 12: Code 607 - Not Yet Group Assigned

CLASS:
607

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	3,342	405,554	12,135	769,322	80,600	1,4961	0	0	1	0	4	5
2002	2,794	908,642	32,521	1,860,797	225,818	1,4316	0	0	3	0	1	4
2003	1,809	26,771	1,480	37,744	23,054	0.5528	0	0	0	0	1	1
2004	3,644	2,951	0.081	3,110	#DIV/0!	0.0000	0	0	0	0	0	0
2005	4,898	42,932	0.877	106,339	38,090	0.2042	0	0	0	1	0	1
TOTAL	16,487	1,386,850	8,412	2,777,312	124,310	0.6672	0	0	4	1	6	11
O.D.	0	0	0.000				0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Death	P.T.	Temp
2001	0	0	3,606	0	0	6,492
2002	0	0	26,796	0	0	12,914
2003	0	0	12,535	0	0	10,519
2004	0	0	0	0	0	0
2005	0	0	0	0	0	0
TOTAL	0	0	42,937	0	0	29,925
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Death	P.T.	Temp
2001	0	0	3,757	0	0	10,011
2002	0	14,783	30,784	0	20,747	20,856
2003	1	183	12,580	0	88	13,717
2004	0	0	0	0	0	0
2005	46	3,261	2,657	10	898	923
TOTAL	47	18,227	49,778	10	21,733	45,507
O.D.	0	0	0	0	0	0

TOTAL

TOTAL TRANSLATED LOSSES IBNR + FREQ. ADJUSTMENT TOTAL LOSSES	SERIOUS	NON-SER	MED ONLY	TOTAL
2,622,790	133,494	21,028	17,254	7.53
44,648	22,196	635	12,672	7.53
2,667,438	155,690	21,663	6,960	7.53
745,542	409,702	39,899	6,959	7.53
0.01	0.04	0.06	6,960	7.53
PURE PREMIUMS				
INDICATED (PRE-TEST)	16.179	0.944	0.131	
INDICATED (POST-TEST)	11.883	0.693	0.096	
PRES. ON LOSS COST LEVEL	4.342	2.386	0.232	
DERIVED BY FORMULA	4.417	2.318	0.224	
UNDERLYING PRES. LOSS COST	4.522	2.485	0.242	
PROPOSED	4.418	2.318	0.224	
YEAR	4-1-08	IND. LOSS COST =	7.530	
IND. LOSS COST	7.53			
MAN. LOSS COST	8.02	ADJ. LOSS CO	7.53	

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 2

CODE:
Exhibit 13: Code 607 - NCC/LTD, Misclassified&Not Yet Group Assigned

CLASS:
607

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases			All	
							Death	P.T.	Temp		
2001	6,816	457,147	6,707	833,756	74,199	0.8803	0	0	1	4	6
2002	4,922	938,902	19,076	1,902,874	133,245	1.4222	0	0	3	4	7
2003	3,410	31,366	0.920	43,633	12,827	0.5865	0	0	0	2	2
2004	6,062	235,156	3,879	408,687	75,920	0.4949	0	0	1	0	3
2005	6,894	53,683	0.779	127,573	23,243	0.2901	0	0	0	1	2
TOTAL	28,104	1,716,254	6,107	3,316,523	83,890	0.7116	0	0	5	2	20
O.D.	0	0	0.000	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	3,606	0	125,000	11,955
2002	0	0	37,619	0	348,610	6,188
2003	0	0	14,271	0	0	5,713
2004	0	0	8,694	0	48,000	7,396
2005	0	0	3,365	0	7,440	7,198
TOTAL	0	0	67,555	0	21,655	38,450
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	3,757	0	415,625	13,617
2002	0	14,826	42,407	0	1,110,386	6,702
2003	1	208	14,322	96	2,988	6,301
2004	19	11,403	11,510	10,656	136,894	7,795
2005	48	3,526	5,305	1,201	19,287	7,565
TOTAL	68	29,963	77,301	32,708	1,685,180	41,980
O.D.	0	0	0	0	0	0

TOTAL TRANSLATED LOSSES

IBNR + FREQ. ADJUSTMENT	SERIOUS	NON-SER	MED ONLY	TOTAL
3,008,510	266,033	41,980	41,980	3,008,510
74,856	35,273	987	987	74,856
3,083,366	301,306	42,967	42,967	3,083,366
1,270,863	698,384	68,012	68,012	1,270,863
0.02	0.05	0.08	0.08	0.02
PURE PREMIUMS				
INDICATED (PRE-TEST)	10.971	1.072	0.153	12.196
INDICATED (POST-TEST)	8.058	0.787	0.112	8.957
PRES. ON LOSS COST LEVEL	4.342	2.386	0.232	6.960
DERIVED BY FORMULA	4.416	2.306	0.222	6.944
UNDERLYING PRES. LOSS COST	4.522	2.485	0.242	7.249
PROPOSED	4.426	2.311	0.223	6.960
YEAR	4-1-08	IND. LOSS COST =		7.530
IND. LOSS COST	7.53			
MAN. LOSS COST	8.02	ADJ. LOSS CO		7.53

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP: 2

CLASS: 606

CODE: Exhibit 2: Code 606 - Not Yet Group Assigned

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	2,442	347,832	14,244	642,108	69,188	2,0475	0	0	1	0	4	5
2002	9	0	0.000	0	#DIV/0!	0.0000	0	0	0	0	0	0
2003	0	0	#DIV/0!	0	#DIV/0!	#DIV/0!	0	0	0	0	0	0
2004	20	0	0.000	0	#DIV/0!	0.0000	0	0	0	0	0	0
2005	93	85,229	91,644	210,682	41,325	21.5054	0	0	0	1	1	2
TOTAL	2,564	433,061	16,890	852,790	61,227	2.7301	0	0	1	1	5	7
O.D.	0	0	0.000	0			0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	12,137	99,562	0	1,893
2002	0	0	0	0	0	0
2003	0	0	0	0	0	0
2004	0	0	0	0	0	0
2005	0	0	2,650	0	0	0
TOTAL	0	0	14,787	99,562	0	2,579
O.D.	0	0	0	0	0	4,472

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	12,647	331,044	0	2,156
2002	0	0	0	0	0	0
2003	0	0	0	0	0	0
2004	0	0	0	0	0	0
2005	100	7,125	7,722	14,010	2,877	2,711
TOTAL	100	7,125	20,369	345,054	2,877	4,867
O.D.	0	0	0	0	0	0

TOTAL

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	763,684	84,239	4,867	33.761
IBNR + FREQ. ADJUSTMENT	9,199	3,611	33	24.797
TOTAL LOSSES	772,883	87,850	4,900	9.616
EXPECTED LOSSES	147,430	103,791	5,564	9.601
CREDIBILITY	0.00	0.01	0.02	10.015
PURE PREMIUMS				9.616
INDICATED (PRE-TEST)	30,144	3,426	0.191	
INDICATED (POST-TEST)	22,141	2,516	0.140	
PRES. ON LOSS COST LEVEL	5,521	3,887	0.208	
DERIVED BY FORMULA	5,521	3,873	0.207	
UNDERLYING PRES. LOSS COST	5,750	4,048	0.217	
PROPOSED	5,530	3,879	0.207	
YEAR	4-1-08	IND. LOSS COST =		10.404
IND. LOSS COST	10.40			
MAN. LOSS COST	11.08	ADJ. LOSS CO		10.4

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES						
				DEATH	P. T.	MAJOR	MINOR	TEMP	ALL	
2001	17,567	2,491,458	14,182			1	2	10	34	47
2002	18,707	3,441,427	18,396				10	6	37	53
2003	22,523	2,432,146	10,798			1	6	4	46	57
2004	29,074	1,984,199	6,755				5	5	63	73
2005	31,457	1,927,264	6,126			1		10	48	59
TOTAL	119,328	12,256,494	10,271			2	1	23	228	289

REPORTED LOSSES

MANUAL YEAR	INDEMNITY			MEDICAL						
	DEATH	P. T.	MAJOR	MINOR	P. T.	MAJOR	MINOR	TEMP	MED.	ONLY
2001		706,415	329,087	517,738	169,663	147,564	363,082	91,566		48,647
2002			1,738,508	163,065	246,692		97,691	405,928		42,364
2003	321,893		793,739	158,250	273,698		96,508	373,922		69,295
2004			595,527	198,743	309,515		77,428	434,023		127,222
2005	70,124			537,052	319,024	20	526,568	368,516		105,960
TOTAL	392,017	706,415	3,456,861	1,574,848	1,318,592	5,681	1,161,277	1,673,955		393,488

TRANSLATED LOSSES

MANUAL YEAR	INDEMNITY			MEDICAL						
	DEATH	P. T.	MAJOR	MINOR	P. T.	MAJOR	MINOR	TEMP	MED.	ONLY
2001	428	859,437	413,992	576,759	176,786	255,263	576,211	141,196		55,409
2002		51,409	2,218,324	184,098	274,009	44,803	174,173	583,580		45,880
2003	408,144	48,762	1,128,639	172,089	288,450	46,810	151,616	499,667		76,432
2004		60,378	1,126,007	197,086	305,800	68,289	134,437	510,405		134,092
2005	92,210	82,327	1,411,031	399,390	297,629	85,804	394,405	395,643		111,364
TOTAL	501,210	1,102,313	6,297,993	1,529,422	1,342,674	500,969	1,430,842	2,130,491		423,177

TOTAL TRANS. LOSSES PG B	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL
14,752,415	14,752,415	6,433,429	423,177	
TOTAL TRANS. LOSSES PG A				
IBNR + FREQUENCY ADJUST.	406,262	254,507	4,066	
TOTAL LOSSES	15,158,677	6,687,936	427,243	
EXPECTED LOSSES	6,861,362	4,830,397	258,942	
CREDIBILITY	.05	.14	.22	
PURE PREMIUMS				
INDICATED (PRE-TEST)	12,703	5,605	.358	18,666
INDICATED (POST-TEST)	9,337	4,120	.263	13,720
PRES. ON RATE LEVEL	5,521	3,887	.208	9,616
DERIVED BY FORMULA	5,712	3,920	.220	9,852
UNDERLYING PRES. RATE	5,750	4,048	.217	10,015
PROPOSED	5,712	3,920	.220	9,852

YEAR	4-1-06	4-1-07	4-1-08	4-1-09 IND. RATE
IND. RATES				10.658
MAN. RATES	11.87	12.37	11.08	10.66 MINIMUM PREMIUM
				+10.66 PRESENT
				+PROPOSED

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES					
				DEATH	P.T.	MAJOR	MINOR	TEMP	ALL
2001	63,961	3,729,788	5,831			8	13	46	67
2002	56,884	3,786,576	6,656			9	8	65	82
2003	56,569	3,924,359	6,937			3	5	66	75
2004	68,385	4,085,839	5,974			11	8	68	89
2005	84,053	2,009,528	2,390			1	8	78	87
TOTAL	329,852	17,536,090	5,316			32	42	323	400
O.D.		4,021	.001						1

MANUAL YEAR	INDEMNITY				REPORTED LOSSES								
	DEATH	P.T.	MAJOR	MINOR	TEMP.	DEATH	P.T.	MAJOR	MINOR	MEDICAL	MINOR	TEMP	MED. ONLY
2001			1,517,235	454,521	164,031			949,200	228,800			251,268	164,733
2002	3,000		1,389,834	279,453	346,145			677,088	336,298			618,508	139,250
2003	21,000		527,584	54,079	394,172			2,285,325	42,600			442,780	174,819
2004			1,596,897	306,981	418,389			902,996	244,762			441,157	153,657
2005			215,340	281,189	455,275			47,567	97,910			660,615	251,632
TOTAL	24,000		5,246,890	1,376,223	1,778,012			4,862,176	950,370			2,414,328	884,091
O.D.					409							3,307	305

MANUAL YEAR	INDEMNITY				TRANSLATED LOSSES								
	DEATH	P.T.	MAJOR	MINOR	TEMP.	DEATH	P.T.	MAJOR	MINOR	MEDICAL	MINOR	TEMP	MED. ONLY
2001			1,714,459	506,336	170,924			2,403,708	363,105			387,457	187,631
2002	734		1,812,400	302,499	381,073	274		2,299,262	525,659			890,794	150,808
2003	3,953		518,302	75,241	400,812	274		1,407,122	98,712			587,903	192,825
2004	24,797		2,521,935	324,656	432,093	1,155		3,046,101	340,579			555,696	161,954
2005	1,063		1,370,375	297,875	389,813	640		930,377	192,822			606,809	264,465
TOTAL	30,547		7,937,471	1,506,607	1,774,715	2,343		10,086,570	1,520,877			3,028,659	957,683
O.D.			29	108	322	2		3,085	634			2,963	325

TOTAL TRANS. LOSSES	PG B	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL
18,729,555	7,834,885	5,948	2,503	.294	8,745
19,619,347	8,257,334	4,372	1,840	.216	6,428
14,915,907	8,196,822	4,342	2,386	.232	6,960
.11	.27	4,345	2,239	.225	6,809
		4,345	2,239	.225	6,809

YEAR	4-1-06	4-1-07	4-1-08	4-1-09	IND. RATE
IND. RATES					7.37
MAN. RATES	8.87	9.16	8.02	+	7.37
					PRESENT
					+PROPOSED

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CODE:
Exhibit 1: Code 606 - Oil or Gas Drilling - Rotary Method

CLASS:
606

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases				Alli	
							Death	P.T.	Major	Minor		Temp
2001	15,124	2,143,626	14,174	2,804,288	49,926	2,7770	0	1	1	10	30	42
2002	18,697	3,441,427	18,406	6,012,592	64,133	2,8347	0	0	0	6	37	53
2003	22,523	2,432,146	10,798	4,004,260	41,454	2,5307	1	0	0	4	46	57
2004	29,054	1,964,199	6,761	3,498,182	25,164	2,5126	0	0	0	5	63	73
2005	31,364	1,842,035	5,873	4,422,970	30,457	1,8174	1	0	0	9	47	57
TOTAL	116,762	11,823,433	10,126	20,742,292	40,538	2,4152	2	1	22	34	223	282
O.D.	0	0	0,000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity				Medical					
	Death	P.T.	Major	Minor	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	706,415	100,433	517,738	0	147,564	18,134	363,082	85,980	46,754
2002	0	0	1,738,508	163,065	0	0	747,179	97,691	405,928	42,364
2003	321,893	0	793,739	158,250	5,661	0	339,180	96,508	373,922	69,295
2004	0	0	595,527	198,743	0	0	221,741	77,428	434,023	127,222
2005	70,124	0	0	472,052	20	0	0	511,568	365,937	105,960
TOTAL	392,017	706,415	3,228,207	1,509,848	5,681	147,564	1,326,234	1,146,277	1,665,790	391,595
O.D.	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity				Medical					
	Death	P.T.	Major	Minor	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	859,437	126,345	576,760	0	255,263	60,296	576,211	132,581	53,253
2002	424	51,431	2,218,346	184,119	78	44,795	2,435,732	174,193	583,608	45,880
2003	408,117	48,529	1,128,662	172,104	12,480	46,686	1,171,576	151,603	499,689	76,432
2004	420	60,381	1,126,024	197,200	370	68,382	960,548	134,542	510,425	134,092
2005	92,045	75,188	1,288,194	360,440	973	83,775	1,344,919	384,699	391,460	111,364
TOTAL	501,006	1,094,966	5,887,571	1,490,623	13,901	498,901	5,973,071	1,421,248	2,117,763	421,021
O.D.	0	0	0	0	0	0	0	0	0	0

SERIOUS NON-SER MED ONLY TOTAL

TOTAL TRANSLATED LOSSES	13,969,416	6,351,855	421,021	6,351,855	18,323
IBNR + FREQ. ADJUSTMENT	397,057	250,894	4,033	250,894	13,458
TOTAL LOSSES	14,366,473	6,602,749	425,054	6,602,749	9,616
EXPECTED LOSSES	6,713,815	4,726,526	253,374	4,726,526	9,841
CREDIBILITY	0.05	0.14	0.21	0.14	10,015
PURE PREMIUMS					9,841
INDICATED (PRE-TEST)	12,304	5,655	0.364	5,655	
INDICATED (POST-TEST)	9,037	4,154	0.267	4,154	
PRES. ON LOSS COST LEVEL	5,521	3,887	0.208	3,887	
DERIVED BY FORMULA	5,697	3,924	0.220	3,924	
UNDERLYING PRES. LOSS COST	5,750	4,048	0.217	4,048	
PROPOSED	5,697	3,924	0.220	3,924	
YEAR	4-1-08	IND. LOSS COST =		10,647	
IND. LOSS COST	10.65				
MAN. LOSS COST	11.08	ADJ. LOSS CO		10.65	

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CLASS:
607

CODE:
Exhibit 3: Code 607 - Oil or Gas Drilling - Rotary Method

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases			All
							Death	P.T.	Minor	
2001	18	0	0.000	0	#DIV/0!	0.0000	0	0	0	0
2002	36	0	0.000	0	#DIV/0!	0.0000	0	0	0	0
2003	45	0	0.000	0	#DIV/0!	0.0000	0	0	0	0
2004	27	25,046	92,763	43,806	25,046	37.0370	0	0	0	1
2005	47	0	0.000	0	#DIV/0!	0.0000	0	0	0	0
TOTAL	173	25,046	14,477	43,806	25,046	5.7803	0	0	0	1
O.D.	0	0	0.000	0			0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	0	0	0	0	0	0
2004	0	0	10,563	0	0	14,483
2005	0	0	0	0	0	0
TOTAL	0	0	10,563	0	0	14,483
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	0	0	0	0	0	0
2004	2	376	9,628	6,415	1,165	16,553
2005	0	0	0	0	0	0
TOTAL	2	376	9,628	6,415	1,165	16,553
O.D.	0	0	0	0	0	0

SERIOUS NON-SER MED ONLY TOTAL

TOTAL TRANSLATED LOSSES
IBNR + FREQ. ADJUSTMENT
TOTAL LOSSES

14,876 28,930 0
479 227 7
15,355 29,157 7

EXPECTED LOSSES
CREDIBILITY

7,823 4,299 419
0.00 0.00 0.00

PURE PREMIUMS
INDICATED (PRE-TEST)
INDICATED (POST-TEST)
PRES. ON LOSS COST LEVEL
DERIVED BY FORMULA
UNDERLYING PRES. LOSS COST
PROPOSED

8,876 16,854 0.004 25.734
6,519 12,379 0.003 18.901
4,342 2,386 0.232 6.960
4,342 2,386 0.232 6.960
4,522 2,485 0.242 7.249
4,342 2,386 0.232 6.960

YEAR 4-1-08 4-1-09 IND. LOSS COST = 7.530
IND. LOSS COST 7.53
MAN. LOSS COST 8.02 ADJ. LOSS CO 7.53

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CODE:
Exhibit 4: All Oil & Gas Well Drilling

CLASS:
606

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Death	P.T.	Number of Cases			All
									Major	Minor	Temp	
2001	15,142	2,143,626	14,157	2,804,288	49,926	2,7737	0	1	1	10	30	42
2002	18,733	3,441,427	18,371	6,012,592	64,133	2,8292	0	0	0	10	6	53
2003	22,568	2,432,146	10,777	4,004,260	41,454	2,5257	1	0	0	6	4	57
2004	29,081	1,989,245	6,840	3,541,988	25,162	2,5446	0	0	0	5	5	74
2005	31,411	1,842,035	5,864	4,422,970	30,457	1,8147	1	0	0	0	9	57
TOTAL	116,935	11,848,479	10,133	20,786,098	40,484	2,4201	2	1	1	22	34	283
O.D.	0	0	0.000				0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical			Death	P.T.	Minor	Temp	Med. Only
	Major	Minor	Temp	Major	Minor	Temp					
2001	100,433	517,738	157,526	18,134	363,082	85,980	0	147,564	18,134	363,082	46,754
2002	1,738,508	163,065	246,692	747,179	97,691	405,928	0	0	747,179	97,691	42,364
2003	793,739	158,250	273,698	339,180	96,508	69,295	5,661	0	339,180	96,508	69,295
2004	595,527	198,743	320,078	221,741	77,428	127,222	0	0	221,741	77,428	127,222
2005	0	472,052	316,374	0	511,568	365,937	20	0	0	511,568	105,960
TOTAL	3,228,207	1,509,848	1,314,368	1,326,234	1,146,277	1,680,273	5,681	147,564	1,326,234	1,146,277	391,595
O.D.	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical			Death	P.T.	Minor	Temp	Med. Only
	Major	Minor	Temp	Major	Minor	Temp					
2001	126,345	576,760	164,142	60,296	576,211	132,581	0	255,263	60,296	576,211	53,253
2002	2,218,346	184,119	273,986	2,435,732	174,193	583,608	78	44,795	2,435,732	174,193	45,880
2003	1,128,662	172,104	288,382	1,171,576	151,603	499,689	12,480	46,686	1,171,576	151,603	76,432
2004	60,757	198,365	315,426	68,806	136,127	526,978	373	68,806	968,203	136,127	134,092
2005	1,288,194	360,440	289,913	1,344,919	384,699	391,460	973	83,775	1,344,919	384,699	111,364
TOTAL	5,893,986	1,491,788	1,331,849	5,980,726	1,422,833	2,134,316	13,904	499,325	5,980,726	1,422,833	421,021
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL

TOTAL TRANSLATED LOSSES		NON-SERIOUS		MED ONLY		TOTAL	
IBNR + FREQ. ADJUSTMENT	TOTAL LOSSES	SERIOUS	NON-SERIOUS	MED ONLY	TOTAL	IND. LOSS COST =	ADJ. LOSS CO
13,984,291	14,381,819	13,984,291	6,380,786	421,021	18,334	10.65	10.65
397,528	6,631,925	397,528	251,139	4,039	13,466		
6,721,424	4,731,190	14,381,819	6,631,925	425,060	9,612		
0.05	0.14	6,721,424	4,731,190	253,749	10,011		
		0.05	0.14	0.21	9,839		
12,299	5.671	12,299	5.671	0.364	18,334		
9.034	4.165	9.034	4.165	0.267	13,466		
5.519	3.885	5.519	3.885	0.208	9,612		
5.695	3.924	5.695	3.924	0.220	9,839		
5.748	4.046	5.748	4.046	0.217	10,011		
5.695	3.924	5.695	3.924	0.220	9,839		
4-1-08	4-1-09	4-1-08	4-1-09	IND. LOSS COST =	10.645		
11.08	10.65	11.08	10.65	ADJ. LOSS CO	10.65		

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CODE:
Exhibit 14: Code 607 Minus Exhibits 3 & 13

CLASS:
607

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim		Death	P.T.	Number of Cases			All
					Severity	Frequency			Major	Minor	Temp	
2001	57,128	3,272,701	5,729	5,846,532	51,145	1,0678	0	0	7	12	42	61
2002	51,926	2,847,674	5,484	4,544,382	36,195	1,4444	0	0	6	8	61	75
2003	53,115	3,889,993	7,324	3,317,761	50,971	1,3744	1	0	3	5	64	73
2004	62,295	3,804,637	6,107	7,295,461	43,040	1,3645	2	0	10	8	65	85
2005	77,112	1,959,806	2,542	4,076,806	19,943	1,1153	0	0	1	7	78	86
TOTAL	301,576	15,774,811	5,231	25,080,942	39,286	1,2600	3	0	27	40	310	380
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical			Death	P.T.	Minor	Temp	Med. Only
	Major	Minor	Temp	Major	Minor	Temp					
2001	1,249,335	426,542	160,425	824,200	214,585	244,776	0	0	214,585	244,776	152,838
2002	874,884	279,453	308,526	328,478	336,298	586,973	0	0	336,298	586,973	133,062
2003	527,584	54,079	379,901	2,285,325	42,600	431,398	0	0	42,600	431,398	169,106
2004	1,427,799	306,981	399,132	854,996	244,762	424,706	0	0	244,762	424,706	146,261
2005	215,340	250,539	452,319	47,567	90,470	658,892	0	0	90,470	658,892	244,679
TOTAL	4,294,942	1,317,594	1,700,303	4,340,566	928,715	2,346,745	0	0	928,715	2,346,745	845,946
O.D.	0	0	0	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical			Death	P.T.	Minor	Temp	Med. Only
	Major	Minor	Temp	Major	Minor	Temp					
2001	1,571,663	475,168	167,163	2,740,465	340,546	377,445	0	0	340,546	377,445	174,082
2002	1,166,921	298,059	338,650	1,188,890	515,092	843,579	269	20,384	515,092	843,579	144,106
2003	514,865	74,510	386,444	1,404,015	97,891	573,257	537	56,390	97,891	573,257	186,524
2004	2,301,745	315,888	410,871	2,901,614	334,211	535,300	1,120	216,945	334,211	535,300	154,159
2005	1,310,232	279,003	394,825	914,170	187,942	604,327	608	59,399	187,942	604,327	257,158
TOTAL	6,865,426	1,442,628	1,687,953	9,149,154	1,475,682	2,933,908	2,534	353,118	1,475,682	2,933,908	916,029
O.D.	0	0	0	0	0	0	0	0	0	0	0

TOTAL

SERIOUS	NON-SER	MED ONLY	TOTAL
16,624,742	7,540,171	916,029	
814,460	386,949	10,990	
17,439,202	7,927,120	927,019	
13,637,267	7,494,164	729,814	
0.10	0.26	0.40	
5.783	2.629	0.307	8.719
4.248	1.931	0.225	6.404
4.342	2.386	0.232	6.960
4.333	2.268	0.229	6.830
4.522	2.485	0.242	7.249
4.333	2.268	0.229	6.830
4-1-08	4-1-09	IND. LOSS COST =	7.389
8.02	7.39	ADJ. LOSS CO	7.39

TOTAL TRANSLATED LOSSES

IBNR + FREQ. ADJUSTMENT

TOTAL LOSSES

EXPECTED LOSSES

CREDIBILITY

PURE PREMIUMS

INDICATED (PRE-TEST)

INDICATED (POST-TEST)

PRES. ON LOSS COST LEVEL

DERIVED BY FORMULA

UNDERLYING PRES. LOSS COST

PROPOSED

YEAR

IND. LOSS COST

MAN. LOSS COST

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:

CODE:
Exhibit 9: Gas or Oil Well Service Contractors

CLASS:
607

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim		Death	Number of Cases			All	
					Severity	Frequency		P.T.	Major	Minor		Temp
2001	21,210	498,597	2,351	687,577	26,012	0.8487	0	0	1	4	13	18
2002	18,177	407,083	2,240	592,618	27,670	0.7152	0	0	1	2	10	13
2003	18,279	3,421,716	18,719	2,677,051	93,827	1.9695	0	0	3	3	30	36
2004	23,751	1,526,132	6,426	2,891,555	42,082	1.4736	0	0	3	5	27	35
2005	34,756	820,998	2,362	1,792,881	20,938	1.0070	0	0	0	3	32	35
TOTAL	116,173	6,674,526	5,745	8,641,682	46,799	1.1793	0	0	8	17	112	137
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	58,639	33,286	35,359	30,380
2002	0	0	20,950	25,000	53,245	47,374
2003	0	0	201,059	2,285,325	37,552	43,938
2004	0	0	232,635	188,800	198,034	53,266
2005	0	0	196,743	0	49,393	88,169
TOTAL	0	0	710,026	2,532,411	373,981	263,127
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	61,102	110,676	56,115	34,603
2002	293	3,485	24,458	98,919	79,640	51,306
2003	106	20,328	206,613	1,361,400	83,267	48,464
2004	395	43,741	231,530	941,895	215,739	56,142
2005	294	28,019	165,019	441,736	101,190	92,666
TOTAL	1,088	95,573	688,722	2,954,626	535,951	283,181
O.D.	0	0	0	0	0	0

YEAR	TOTAL TRANSLATED LOSSES IBNR + FREQ. ADJUSTMENT TOTAL LOSSES	EXPECTED LOSSES CREDIBILITY	PURE PREMIUMS INDICATED (PRE-TEST) INDICATED (POST-TEST) PRES. ON LOSS COST LEVEL DERIVED BY FORMULA UNDERLYING PRES. LOSS COST PROPOSED	SERIOUS	NON-SER	MED ONLY	TOTAL
4-1-08	5,239,450	0.05	4,785	5,253,343	2,886,899	283,181	7,427
4-1-09	3,119,051	0.14	2,821	2,886,899	281,139	283,181	7,43
4-1-10	157,893		3,515	0	0	4,530	7.43
4-1-11	3,276,944		4,342	0	0	287,711	7.43
4-1-12	2,485		4,301	0	0	0	8.02
4-1-13	2,342		4,522	0	0	0	8.02
4-1-14	2,342		4,301	0	0	0	8.02
4-1-15	0.248		0	0	0	0	8.02
4-1-16	0.182		0	0	0	0	8.02
4-1-17	0.232		0	0	0	0	8.02
4-1-18	0.222		0	0	0	0	8.02
4-1-19	0.242		0	0	0	0	8.02
4-1-20	0.222		0	0	0	0	8.02
4-1-21	0.222		0	0	0	0	8.02
4-1-22	0.222		0	0	0	0	8.02
4-1-23	0.222		0	0	0	0	8.02
4-1-24	0.222		0	0	0	0	8.02
4-1-25	0.222		0	0	0	0	8.02
4-1-26	0.222		0	0	0	0	8.02
4-1-27	0.222		0	0	0	0	8.02
4-1-28	0.222		0	0	0	0	8.02
4-1-29	0.222		0	0	0	0	8.02
4-1-30	0.222		0	0	0	0	8.02
4-1-31	0.222		0	0	0	0	8.02
4-1-32	0.222		0	0	0	0	8.02
4-1-33	0.222		0	0	0	0	8.02
4-1-34	0.222		0	0	0	0	8.02
4-1-35	0.222		0	0	0	0	8.02
4-1-36	0.222		0	0	0	0	8.02
4-1-37	0.222		0	0	0	0	8.02
4-1-38	0.222		0	0	0	0	8.02
4-1-39	0.222		0	0	0	0	8.02
4-1-40	0.222		0	0	0	0	8.02
4-1-41	0.222		0	0	0	0	8.02
4-1-42	0.222		0	0	0	0	8.02
4-1-43	0.222		0	0	0	0	8.02
4-1-44	0.222		0	0	0	0	8.02
4-1-45	0.222		0	0	0	0	8.02
4-1-46	0.222		0	0	0	0	8.02
4-1-47	0.222		0	0	0	0	8.02
4-1-48	0.222		0	0	0	0	8.02
4-1-49	0.222		0	0	0	0	8.02
4-1-50	0.222		0	0	0	0	8.02
4-1-51	0.222		0	0	0	0	8.02
4-1-52	0.222		0	0	0	0	8.02
4-1-53	0.222		0	0	0	0	8.02
4-1-54	0.222		0	0	0	0	8.02
4-1-55	0.222		0	0	0	0	8.02
4-1-56	0.222		0	0	0	0	8.02
4-1-57	0.222		0	0	0	0	8.02
4-1-58	0.222		0	0	0	0	8.02
4-1-59	0.222		0	0	0	0	8.02
4-1-60	0.222		0	0	0	0	8.02
4-1-61	0.222		0	0	0	0	8.02
4-1-62	0.222		0	0	0	0	8.02
4-1-63	0.222		0	0	0	0	8.02
4-1-64	0.222		0	0	0	0	8.02
4-1-65	0.222		0	0	0	0	8.02
4-1-66	0.222		0	0	0	0	8.02
4-1-67	0.222		0	0	0	0	8.02
4-1-68	0.222		0	0	0	0	8.02
4-1-69	0.222		0	0	0	0	8.02
4-1-70	0.222		0	0	0	0	8.02
4-1-71	0.222		0	0	0	0	8.02
4-1-72	0.222		0	0	0	0	8.02
4-1-73	0.222		0	0	0	0	8.02
4-1-74	0.222		0	0	0	0	8.02
4-1-75	0.222		0	0	0	0	8.02
4-1-76	0.222		0	0	0	0	8.02
4-1-77	0.222		0	0	0	0	8.02
4-1-78	0.222		0	0	0	0	8.02
4-1-79	0.222		0	0	0	0	8.02
4-1-80	0.222		0	0	0	0	8.02
4-1-81	0.222		0	0	0	0	8.02
4-1-82	0.222		0	0	0	0	8.02
4-1-83	0.222		0	0	0	0	8.02
4-1-84	0.222		0	0	0	0	8.02
4-1-85	0.222		0	0	0	0	8.02
4-1-86	0.222		0	0	0	0	8.02
4-1-87	0.222		0	0	0	0	8.02
4-1-88	0.222		0	0	0	0	8.02
4-1-89	0.222		0	0	0	0	8.02
4-1-90	0.222		0	0	0	0	8.02
4-1-91	0.222		0	0	0	0	8.02
4-1-92	0.222		0	0	0	0	8.02
4-1-93	0.222		0	0	0	0	8.02
4-1-94	0.222		0	0	0	0	8.02
4-1-95	0.222		0	0	0	0	8.02
4-1-96	0.222		0	0	0	0	8.02
4-1-97	0.222		0	0	0	0	8.02
4-1-98	0.222		0	0	0	0	8.02
4-1-99	0.222		0	0	0	0	8.02
4-1-100	0.222		0	0	0	0	8.02

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:

CODE:

Exhibit 17: Code 607, Drilling NOC Minus Exhibits 3, 9 & 13

CLASS: 607

2

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases			All		
							Death	P.T.	Major		Minor	Temp
2001	35,918	2,774,104	7,723	5,158,957	61,666	1,1972	0	0	6	8	29	43
2002	33,749	2,440,591	7,232	3,951,764	37,982	1,8371	0	0	5	6	51	62
2003	34,836	468,277	1,344	640,709	9,273	1,0621	1	0	0	2	34	37
2004	38,544	2,278,505	5,911	4,403,909	43,710	1,2972	2	0	7	3	38	50
2005	42,356	1,138,808	2,689	2,283,930	19,261	1,2041	0	0	1	4	46	51
TOTAL	185,403	9,100,285	4,908	16,439,269	35,051	1,3107	3	0	19	23	198	243
O.D.	0	0	0.000				0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical			Med. Only
	Death	P.T.	Temp	Death	P.T.	Temp	
2001	0	0	101,786	0	0	173,511	122,458
2002	0	0	287,576	0	0	536,825	85,688
2003	0	0	178,842	0	0	148,555	125,168
2004	0	0	166,497	0	0	46,330	92,995
2005	0	0	255,576	0	0	41,077	156,510
TOTAL	0	0	990,277	0	0	1,304,203	582,819
O.D.	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical			Med. Only
	Death	P.T.	Temp	Death	P.T.	Temp	
2001	0	0	106,061	0	0	267,554	139,480
2002	433	24,220	314,193	226	18,781	770,880	92,800
2003	41	2,852	179,832	4	1,370	194,013	138,060
2004	287	79,186	179,342	760	150,191	204,024	98,017
2005	654	50,176	219,806	318	31,208	267,205	164,492
TOTAL	1,415	156,434	999,234	1,308	201,550	1,703,676	632,849
O.D.	0	0	0	0	0	0	0

TOTAL

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	11,385,294	4,421,126	632,849	
IBNR + FREQ. ADJUSTMENT	494,707	229,056	6,459	
TOTAL LOSSES	11,880,001	4,650,182	639,308	
EXPECTED LOSSES	8,383,924	4,607,265	448,675	
CREDIBILITY	0.07	0.19	0.29	
PURE PREMIUMS				
INDICATED (PRE-TEST)	6.408	2.508	0.345	9.261
INDICATED (POST-TEST)	4.707	1.842	0.253	6.802
PRES. ON LOSS COST LEVEL	4.342	2.386	0.232	6.960
DERIVED BY FORMULA	4.368	2.283	0.238	6.889
UNDERLYING PRES. LOSS COST	4.522	2.485	0.242	7.249
PROPOSED	4.368	2.283	0.238	6.889
YEAR	4-1-08	IND. LOSS COST =		7.453
IND. LOSS COST	7.45			
MAN. LOSS COST	8.02	ADJ. LOSS CO		7.45

EXHIBIT B: T-TEST COMPARING
EXHIBIT 9 WITH EXHIBIT 17

STATISTICAL STUDY OF CLASS CODE 606,607

EX 9

EX 17

Code 607, Drilling NOC Minus Exhibits 3, 9 & 13

Gas or Oil Well Service Contractors

Manual Year	Pure Premium Reported		T - test values	
2001	2.351	7.723		
2002	2.240	7.232		
2003	18.719	1.344	2001 - 2005	0.7465
2004	6.426	5.911		
2005	2.362	2.689		

Manual Year	Claim Frequency per million		T - test values	
2001	0.849	1.197		
2002	0.715	1.837		
2003	1.970	1.062	2001 - 2005	0.7429
2004	1.474	1.297		
2005	1.007	1.204		

Manual Year	Claim Severity Excl Med Only		T - test values	
2001	26,012	61,666		
2002	27,670	37,982		
2003	93,827	9,273	2001 - 2005	0.7227
2004	42,082	43,710		
2005	20,938	19,261		

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CLASS: 607
CODE: Exhibit 7: Construction or Mining Related Drilling - Except Horizontal/Directional Drilling

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim		Number of Cases					
					Severity	Frequency	Death	P.T.	Major	Minor	Temp	All
2001	24,568	2,256,597	9,185	3,518,840	90,986	0.9769	0	0	6	3	15	24
2002	22,390	911,835	4,073	1,384,495	29,132	1.3399	0	0	2	0	27	30
2003	23,106	229,125	0.992	311,069	11,047	0.6925	0	0	0	1	1	16
2004	25,734	2,147,624	8,345	4,204,787	63,469	1.2824	0	0	7	3	23	33
2005	28,765	891,062	3,098	1,760,499	21,958	1.2515	0	0	1	3	32	36
TOTAL	124,563	6,436,243	5,167	11,179,690	44,024	1.1159	0	0	16	11	112	139
O.D.	0	0	0.000	0	0	0	0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	41,586	790,914	52,975	72,932
2002	0	0	125,868	83,097	16,760	37,888
2003	0	0	110,501	0	105	52,381
2004	0	0	113,723	666,196	46,330	53,140
2005	0	0	179,959	47,567	23,793	100,581
TOTAL	0	0	571,637	1,587,774	139,963	316,922
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	43,333	1,877,407	84,071	83,070
2002	71	11,138	136,985	289,564	33,599	41,033
2003	11	1,618	110,906	17,383	4,043	57,776
2004	277	77,308	131,239	1,939,499	114,287	160,305
2005	542	39,491	156,451	387,573	65,660	105,711
TOTAL	901	129,555	578,914	4,511,426	301,660	343,600
O.D.	0	0	0	0	0	0

YEAR	TOTAL TRANSLATED LOSSES IBNR + FREQ. ADJUSTMENT TOTAL LOSSES	EXPECTED LOSSES CREDIBILITY	PURE PREMIUMS INDICATED (PRE-TEST) INDICATED (POST-TEST) PRES. ON LOSS COST LEVEL DERIVED BY FORMULA UNDERLYING PRES. LOSS COST PROPOSED	SERIOUS	NON-SER	MED ONLY	TOTAL
4-1-08	8,674,447	5,632,739	7,231	8,674,447	2,161,643	343,600	7,445
4-1-09	333,008	0.06	5,311	333,008	154,410	4,352	7.45
4-1-10	9,007,455	0.14	2,386	9,007,455	2,316,053	347,952	7.45
4-1-11	5,632,739	3,095,391	1,859	5,632,739	3,095,391	301,442	7.45
4-1-12	0.06	0.22	0.279	0.06	0.14	0.22	0.279
4-1-13	7,231	1,859	0.205	7,231	1,859	0.279	9.369
4-1-14	5,311	1,365	0.232	5,311	1,365	0.205	6.881
4-1-15	4,342	2,386	0.226	4,342	2,386	0.232	6.960
4-1-16	4,400	2,243	0.242	4,400	2,243	0.226	6.869
4-1-17	4,522	2,485	0.226	4,522	2,485	0.242	7.249
4-1-18	4,408	2,247	0.226	4,408	2,247	0.226	6.881
4-1-19	4-1-08	4-1-09	IND. LOSS COST =	4-1-09	IND. LOSS COST =	4-1-10	7.445
4-1-20	8.02	8.02	ADJ. LOSS CO	7.45	ADJ. LOSS CO	7.45	7.45

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
2

CLASS:
607

CODE:
Exhibit 8: Horizontal/Directional Drilling

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases		
							Death	P.T.	All
2001	739	110,110	14,900	164,563	110,110	1,3532	0	0	1
2002	474	0	0.000	0	#DIV/0!	0.0000	0	0	0
2003	513	13,384	2,609	14,763	#DIV/0!	0.0000	0	0	0
2004	1,029	21,823	2,121	24,956	10,500	1,9436	2	0	2
2005	1,429	23,340	1,633	53,659	23,340	0.6998	0	0	1
TOTAL	4,184	168,657	4,031	257,941	38,613	0.9560	2	0	4
O.D.	0	0	0.000	0			0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	10,454	0	0	99,656
2002	0	0	0	0	0	0
2003	0	0	0	0	0	0
2004	21,000	0	0	0	0	13,384
2005	0	0	13,340	0	0	823
TOTAL	21,000	0	23,794	0	0	10,000
O.D.	0	0	0	0	0	14,207

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2001	0	0	10,893	0	0	153,670
2002	0	0	0	0	0	0
2003	0	0	0	0	0	0
2004	24,089	0	0	0	0	14,763
2005	8	1,053	10,499	602	1,918	867
TOTAL	24,097	1,053	21,392	602	1,918	15,630
O.D.	0	0	0	0	0	0

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	52,879	189,432	15,630	6,590
IBNR + FREQ. ADJUSTMENT	11,574	6,040	177	4,841
TOTAL LOSSES	64,453	195,472	15,807	6,960
EXPECTED LOSSES	189,200	103,972	10,125	6,939
CREDIBILITY	0.01	0.01	0.02	7.249
PURE PREMIUMS				6,939
INDICATED (PRE-TEST)	1,540	4,672	0.378	
INDICATED (POST-TEST)	1,131	3,432	0.278	
PRES. ON LOSS COST LEVEL	4,342	2,386	0.232	
DERIVED BY FORMULA	4,310	2,396	0.233	
UNDERLYING PRES. LOSS COST	4,522	2,485	0.242	
PROPOSED	4,310	2,396	0.233	
YEAR	4-1-08	4-1-09	IND. LOSS COST =	7.507
MAN. LOSS COST	8.02	7.51		
MAN. LOSS COST			ADJ. LOSS CO	7.51

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES					
				DEATH	P. T.	MAJOR	MINOR	TEMP	ALL
2001	99,750	4,047,507	4,057			11	8	45	64
2002	103,712	5,082,208	4,900			14	11	43	68
2003	115,246	3,440,618	2,985			10	14	45	69
2004	118,437	2,653,337	2,240			6	5	49	60
2005	137,760	3,989,014	2,895			5	6	47	58
TOTAL	574,905	19,212,684	3,342			46	44	229	319
O. D.		60,127	.010				1	2	3

REPORTED LOSSES

MANUAL YEAR	INDEMNITY			MEDICAL							
	DEATH	P. T.	MAJOR	MINOR	TEMP	DEATH	P. T.	MAJOR	MINOR	TEMP	MED. ONLY
2001			2,415,152	228,136	227,891			567,233	175,794	220,003	213,298
2002			2,561,424	242,530	433,745			1,267,328	138,337	269,774	169,070
2003			1,550,074	360,288	231,509			699,597	224,545	202,444	172,161
2004			886,741	189,655	467,429			190,309	99,131	676,609	143,463
2005			1,211,666	179,664	405,139			722,356	73,483	1,172,536	224,170
TOTAL			8,625,057	1,200,273	1,765,713			3,446,823	711,290	2,541,366	922,162
O. D.				26,869	3,381				16,507	4,399	8,971

TRANSLATED LOSSES

MANUAL YEAR	INDEMNITY			MEDICAL							
	DEATH	P. T.	MAJOR	MINOR	TEMP	DEATH	P. T.	MAJOR	MINOR	TEMP	MED. ONLY
2001			3,038,262	254,144	237,462			1,886,049	278,986	339,245	242,946
2002			3,070,945	273,681	478,581			3,130,623	235,804	393,198	183,103
2003			2,145,618	366,532	260,837			2,259,737	307,624	290,215	189,894
2004			1,571,725	219,883	455,448			1,028,856	176,235	788,478	151,210
2005			2,196,640	281,103	363,436			2,729,289	320,930	957,627	235,603
TOTAL			12,023,190	1,395,343	1,795,764			11,034,554	1,319,579	2,768,763	1,002,756
O. D.			6,865	27,869	3,457			7,091	24,534	5,463	9,906

TOTAL TRANS. LOSSES PG B	TOTAL TRANS. LOSSES PG A	IBNR + FREQUENCY ADJUST.	TOTAL LOSSES	EXPECTED LOSSES	CREDIBILITY	PURE PREMIUMS	INDICATED (PRE-TEST)	INDICATED (POST-TEST)	PRES. ON RATE LEVEL	DERIVED BY FORMULA	UNDERLYING PRES. RATE	PROPOSED	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL
													23,871,412	7,340,772	1,012,662	
													1,261,982	310,147	13,158	
													25,133,394	7,650,919	1,025,820	
													21,248,490	6,128,487	891,103	
													.15	.40	.62	
													4,372	1,331	.178	5.881
													3,213	.978	.131	4.322
													3,549	1,024	.148	4.721
													3,499	1,006	.137	4.642
													3,696	1,066	.155	4.917
													3,499	1,006	.137	4.642
YEAR	4-1-06	4-1-07	4-1-08	4-1-09	IND. RATE											
IND. RATES					5.02	MINIMUM PREMIUM										
MAN. RATES	6.18	6.29	5.44	5.02	5.02	PRESENT										

+PROPOSED

EXHIBIT D: T-TEST COMPARING
EXHIBIT 8 WITH EXHIBIT 18

STATISTICAL STUDY OF CLASS CODE 606,607

EX 8
Horizontal/Directional Drilling

617
GAS STEAM WATER
MAIN CONSTRUCTION

Manual Year	Pure Premium Reported	T - test values	
2001	14.900	4.058	
2002	0.000	4.900	
2003	2.609	2.985	2001 - 2005 0.7675
2004	2.121	2.240	
2005	1.633	2.896	

Manual Year	Claim Frequency per million	T - test values	
2001	1.353	0.642	
2002	0.000	0.656	
2003	0.000	0.599	2001 - 2005 0.5869
2004	1.944	0.507	
2005	0.700	0.421	

Manual Year	Claim Severity Excl Med Only	T - test values	
2001	110,110	59,910	
2002	#DIV/0!	72,252	
2003	#DIV/0!	47,369	2001 - 2005 #DIV/0!
2004	10,500	41,831	
2005	23,340	64,911	



Pennsylvania Compensation Rating Bureau

United Plaza Building • Suite 1500
30 South 17th Street • Philadelphia, PA 19103-4007
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

TO: Pennsylvania Classification & Rating Committee

FROM: Kenneth R. Ferry, Senior Classification Analyst
David T. Rawson, Technical Director - Classification & Field Operations

DATE: June 29, 2009

RE: **Executive Summary:** Code 818, Automobile Or Automobile Truck Dealer -Including Service Counter And Parts Department

The Bureau has completed a new study of Code 818, Automobile or Automobile Truck Dealer. This study's objective was to consider the possibility of revising Code 818 into an "all employees including office" classification.

Based on the Bureau's findings, this report recommends:

1. That Code 818 be revised into an "all employees including office" classification with a proposed Bureau loss cost of \$1.39. Based on an employment profile reflecting information pertaining to some 500 employers assigned to Code 818, staff has concluded that there has been systemic misclassification of payroll by and/or for Code 818 businesses under the current classification system.
2. That the rating value for Code 819 be revised to a proposed Bureau loss cost of \$0.68. This proposal represents an increase of 1.5 percent from the April 1, 2009 Bureau loss cost for Code 819 (\$0.67), which is well within the industry group maximum swing limit of +21 percent.
3. That the approved April 1, 2009 rating value for Code 953 of \$0.27 be retained.

The Bureau proposes the above classification revisions to become effective upon new and renewal policies having normal anniversary rating dates of December 1, 2009 or later.



Pennsylvania Compensation Rating Bureau

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TO: Pennsylvania Classification & Rating Committee

FROM: Kenneth R. Ferry, Senior Classification Analyst
David T. Rawson, Technical Director - Classification & Field Operations

DATE: June 29, 2009

RE: **Class Study Report:** Code 818, Automobile or Automobile Truck Dealer
Including Service Counter and Parts Department

The Pennsylvania Compensation Rating Bureau (Bureau) has completed a new study of Code 818, Automobile or Automobile Truck Dealer. A previous study of Code 818 was completed in April of 2005. Staff had initiated that earlier review to determine whether Code 818's scope was overly broad and, if so, whether specific pieces of Code 818 (e.g., auto, truck and/or tractor trailer rental, motorcycle dealers, automobile auctions and/or mobile home set-up or warranty service) could be separated from Code 818 into new, separate classifications. Staff found the scope of Code 818 to be sound except for the inclusion of automobile auctions in the class. The Pennsylvania Insurance Department (Department) approved the resultant Bureau proposal to separate automobile auctions into a new, separate classification Code 820, Automobile Auction, effective for new and renewal policies of October 1, 2005 and later.

The objective of the Bureau's most recent study of Code 818 was to consider the possibility of revising Code 818 into an "all employees including office" classification.

A number of Code 818 historical experience exhibits were developed during the course of this study. The study report will discuss only those historical experience and statistical exhibits whose results pertain to the Bureau's recommendation to the Committee. The report notes that a historical experience or statistical exhibit may be cited more than once. The historical experience or statistical exhibits are presented as attachments in the sequence in which they are first cited in this report. Also attached hereto are copies of the Code 818, Code 819, Automobile Salesperson, and Code 953, Office, April 1, 2009 Class Book pages (Exhibits B, C and D).

The historical experience exhibits are based on the Bureau's April 1, 2009 loss costs, as approved by the Insurance Commissioner. The indicated loss cost values found at the bottom of any of the Code 818 historical experience exhibits have not been adjusted for the Small Business Advocate assessment or off-balance factors related to the revenue-neutral plans (e.g., the Merit Rating Plan and the Certified Safety Committee Credit Program) that are part of the Bureau's April 1, 2009 loss cost values. The Bureau loss cost value may be calculated by multiplying the indicated loss cost from the accompanying historical experience exhibits by a factor of 1.0144, which adjusts the indicated loss cost for the aforementioned programs.

Memorandum of June 29, 2009

RE: Class Study Report - Code 818, Automobile Or Automobile Truck Dealer-Including Service Counter And Parts Department

Page 2

The issue of the proper classification applicable to selected automobile dealership personnel has surfaced repeatedly in Bureau test audits of automobile dealers and in classification inquiries from automobile dealers. The classification applicable to cashiers and service advisors has been the most common question arising in this regard. The inquiries from automobile dealers typically suggest that a competitor(s) has/have had certain personnel assigned to Code 819, Automobile Salesperson, or Code 953, Office, while the personnel performing the same duties at the automobile dealer raising the question have been included in Code 818. The inquiring employers want the same assignment for their personnel as their competitor(s) allegedly enjoy.

In response to this issue, Bureau staff has developed a proposal to revise Code 818's scope which will put an end to the present ongoing classification disputes and level the playing field as much as possible. This proposal is to revise Code 818 into an "all employees including office" classification. Such a classification scope would mean that all personnel of a business assigned to Code 818 would be assigned to the same classification, regardless of their individual job duties or whether any employee works in a physically separate work area or department. The overall collectible premium from businesses assigned to Code 818 would be unchanged by adopting an "all employees including office" scope. In addition, each employer's future workers' compensation policy audits would be uniform, since each employer's entire annual auditable payroll would be assigned to one classification. Under this approach, there can be no error in the allocation of payroll to different classifications (as there would be one classification in place instead of the present three classes), and all incurred losses would be (correctly) assigned to that classification. This approach would also resolve what the Bureau's study has found to be systemic misclassification of personnel to clerical among risks now subject to Code 818.

With regard to multiple enterprise employers using Code 818, the Bureau's file-by-file review also included employers using Codes 818, 819, 953, and any additional field-of-business classification(s). Based upon that review, the Bureau proposes that Code 818 multiple enterprise employers be classified in the same manner as any multiple enterprise where one of the assigned classifications is "all employees including office." This requires that the following criteria be evaluated to determine whether an employer is also eligible for assignment to Codes 951, Salesperson-Outside, and/or Code 953:

- In the event that each of an employer's enterprises not assignable to Code 818 maintains separate staff for clerical and outside sales operations that are separately located from the enterprise assignable to Code 818, the employer's non-Code 818 operations will be allowed to use the standard exceptions, Codes 951 and 953. Any and all payroll developed in the Code 818 enterprise's clerical and outside sales operations would be assigned to Code 818.
- In the event that an employer does not maintain separate over-the-road sales and/or clerical staff for their several enterprises and Code 818 is the employer's governing classification, then all of the employer's over-the-road sales and clerical staffs will be assigned to Code 818.

- In the event that an employer does not maintain separate over-the-road sales and/or clerical staffs for their several enterprises and Code 818 is not the employer's governing classification, then the employer's over-the-road sales and clerical staffs will be separately classified to Codes 951 and 953, respectively, if the governing class permits payroll division with both standard exception classifications.

In any case, where the use of Codes 951 and 953 is allowed all applicable Manual rules will remain in full force and effect and must be adhered to.

The proposed rating values for an "all employees including office" Code 818 and for the revised Codes 819 and 953 (adjusted to remove the sales and clerical experience of businesses assigned to Code 818) have been balanced so that the proposed classification revisions for a December 1, 2009 effective date will generate the same premium volume as the Bureau's April 1, 2009 rating values. In other words and as noted above, these classification revision proposals are intended to be collectively revenue-neutral.

Staff's review included an in-depth examination of the employee listings provided in 500 Bureau surveys, test audits or questionnaire responses from employers assigned to Code 818. The purpose of that exercise was to create an "employment profile" of the "typical" Code 818 business. The profile thus developed shows what parts of the typical Code 818 business are constituted by staff whose job duties are currently assignable to Code 818 and what parts are constituted by separate staffs whose job duties are currently assignable to either Codes 819 or 953, respectively. The employment profile was developed exclusively based upon single enterprise Code 818 businesses. Staff did not include any multiple enterprises in this analysis because those businesses' outside sales and/or clerical staffs may be impacted by the existence of other businesses assigned to another Bureau classification(s) in addition to Code 818.

The employment profile shows the following results:

Employment Type	No. Of Employees	Percentage Of Total
Shop/Service*	6,704	40.47
Service Writers/Advisors*	792	4.78
Salespersons#	3,944	23.81
Parts Department*	857	5.17
Cashiers*	306	1.85
Building Cleaning Or Maintenance*	423	2.55
Rental Counter#	285	1.72
Clerical+	3,254	19.65
Total	16,565	100.00

* - Includable in Code 818 under current classification rules and procedures

- Includable in Code 819 under current classification rules and procedures

+ - Includable in Code 953 under current classification rules and procedures

The table shows the following: 54.82 percent of the total employment in the profile should presently be assigned to Code 818. Another 25.53 percent should be assigned to Code 819, and the remaining 19.65 percent should be assigned to Code 953.

The above results were compared with Exhibit 26, Code 818 Experience – Single Enterprises, Exhibit 27, Code 819 Experience For Businesses In 818 – Single Enterprises, and Exhibit 28, Code 953 Experience For Businesses In 818 – Single Enterprises, which are combined together into Exhibit 29, Code 818 – Single Enterprises.

The results of those comparisons are shown below:

Exhibit	Payroll (In Thousands)	Percentage Of Total
26: Code 818 Experience – Single Enterprises (Exhibit 1 + Exhibit 5)	5,865,900	44.60
27: Code 819 Experience For Businesses In 818 - Single Enterprises (Exhibit 2 + Exhibit 6)	3,558,078	27.00
28: Code 953 Experience For Businesses In 818 - Single Enterprises (Exhibit 3 + Exhibit 7)	3,732,211	28.40
29: Code 818, 819 & 953 – Single Enterprises	13,156,189	100.00

From the above information, staff concluded that there has been systemic misclassification of payroll to Code 953 by and/or for Code 818 businesses under the current classification system. Staff submits that this is an opportune time to propose to revise Code 818 to an “all employees including office” basis, as both this study and the previous classification study completed in 2005 found that the existing Code 818 classification scope was/is sound.

Exhibit 23, Code 818 – All Employees Including Office, represents the combined five-year Codes 818, 819 and 953 payroll and loss dollars of the single enterprise employers assigned to Code 818 and the Codes 818 and 819 payroll and loss dollars for the multiple enterprises assigned to Code 818. For the record, staff’s file-by-file review of employers assigned to Code 818 for this report resulted in finding several employers to have been misclassified to Code 818. Staff has reclassified those employers to their proper classification(s) pursuant to the Bureau Manual and has also reassigned their Code 818 and/or Code 819 historical experience to the proper classification(s).

The balanced indicated loss cost value for Code 818 is \$1.37. That loss cost is multiplied by a surcharge factor of 1.0144 to recognize the Workplace Safety and Merit Rating Programs, producing the revised/proposed Code 818 rating value effective for new and renewal policies of December 1, 2009 and later. The proposed December 1, 2009 Code 818 “all employees including office” rating value is thus \$1.39, which has been balanced and is revenue-neutral. This proposed loss cost represents a 47 percent decrease from the approved April 1, 2009 loss cost for Code 818, which is \$2.62. Please note that the degree of this proposed decrease takes into consideration that the revised classification will include all employees.

Exhibit 24, Code 819 Minus Code 819 Experience For Businesses In 818, shows that the Bureau proposes to reassign 88.8 percent of the April 1, 2009 Code 819 Class Book page five-year payroll and 84.8 percent of the five-year reported Code 819 loss to Code 818. The balanced indicated loss cost value for the resulting Code 819 is \$0.67. The balanced Code 819 indicated loss cost is then multiplied by the surcharge factor cited above to produce the proposed December 1, 2009 revised Code 819 rating value of \$0.68. The proposed December 1, 2009 Code 819 loss cost of \$0.68 is \$0.01 or 1.5 percent higher than the approved April 1, 2009 loss cost of \$0.67, which was also the approved April 1, 2008 Code 819 loss cost. The proposed December 1, 2009 Code 819 loss cost is well within the industry group maximum swing limit of +21 percent.

Exhibit 25, Code 953 Minus Code 953 Experience For Businesses In 818, shows that the Bureau proposes to reassign 2.05 percent of the April 1, 2009 Code 953 Class Book page five-year payroll and 1.58 percent of the five-year reported Code 953 loss to Code 818. The balanced indicated loss cost value for the resulting Code 953 is \$0.27. The balanced Code 953 indicated loss cost is then multiplied by the surcharge factor cited above to produce the proposed December 1, 2009 Code 953 rating value of \$0.27, which is the approved April 1, 2009 Code 953 loss cost. In other words, the Bureau does not propose revision to the approved Code 953 loss cost.

The revisions to Section 2 rating values consistent with this proposal are shown below:

CODE	LOSS COST	EXPERIENCE RATING PLAN			HAZARD GROUP	
		Expected Loss Factors Table			A-G	1-4
		A-1	A-2	A-3		
818	\$1.39	\$0.74	\$0.96	\$1.10	D	2
819	0.68	0.36	0.47	0.54	D	2
953	0.27	0.15	0.19	0.22	C	2

CONCLUSION

The Bureau proposes that Code 818 be revised into an “all employees including office” classification. This classification revision is proposed to become effective with new and renewal policies of December 1, 2009 and later.

The proposed enabling Section 2 Manual language amendments for these proposals are attached for the Committee’s review. As is customary, the Bureau would notify all employers currently assigned to Code 818 of the Bureau’s classification filing contemporaneously with the submission of that filing. Assuming the Insurance Commissioner’s subsequent approval of the classification filing, the carrier-of-record for each employer would then be notified of their policyholder’s classification reassignment with a copy of such notice being provided to the employer.

MANUAL REVISIONS

SECTION 2

CHANGES

818 **AUTOMOBILE** or Automobile Truck **DEALER** – [including service counter and parts department]All Employees Including Office.

Also includes warranty service.

[The following..... over the telephone.]

OPERATIONS NOT INCLUDED:

1. Assign..... or repair.

UNDERWRITING GUIDE

Automobile Rental - No Drivers [(Rental Clerks To Be Assigned To Code 819)]

Truck Rental - Without Drivers [(Rental Clerks To Be Assigned To Code 819)]

819 [**AUTOMOBILE** or Automobile Truck] **MOBILE, SELF-PROPELLED** factory, farm or construction **EQUIPMENT SALESPERSON.** [Please refer to the description of Code 818.]

[As a general rule, rental clerks/counter personnel for automobile and truck rental agencies have job duties that include but are not limited to waiting on customers, assigning vehicles, completing rental agreements, insurance and credit forms, and collecting payment for the rental of the vehicle. Rental clerks/counter personnel may also inspect the vehicle, record the mileage, and demonstrate or move the vehicle. As described, rental clerks/counter personnel for automobile and truck rental agencies should be assigned to Code 819 and not Code 818 or Code 953.]

DELETIONS

Code 819

UNDERWRITING GUIDE

Automobile Salesperson

Rental Clerk Employed By An Automobile Or Truck Rental Agency

CLASSIFICATION STUDY - PENNSYLVANIA

CLASS:
818

INDUSTRY GROUP:
3

CODE:
Exhibit 23: Exh 4 + Exh 8 + Exh 11 + Exh 14

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	2,536,590	40,005,159	1.577	50,380,455	49,313	0.3012	2	2	78	50	632	764
2002	2,646,374	29,123,808	1.101	44,794,806	32,103	0.3106	2	0	67	57	696	822
2003	2,775,377	31,745,547	1.144	50,231,545	35,426	0.2962	1	2	56	63	700	822
2004	2,992,060	27,480,184	0.918	47,152,910	31,755	0.2607	1	1	39	78	661	780
2005	2,875,858	21,267,942	0.740	43,644,977	26,440	0.2417	3	0	15	70	607	695
TOTAL	13,826,259	149,622,640	1.082	236,204,693	35,109	0.2808	9	5	255	318	3296	3883
O.D.		0	0.000				0	0	0	0	0	0

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	294,355	242,073	12,993,564	1,487,617	4,030,793	286,402	7,752,805	5,126,052	1,111,936	4,349,646	2,329,916
2002	447,144	0	10,279,903	1,892,906	4,079,704	4,236	0	3,515,340	1,087,684	5,081,901	2,734,990
2003	76,909	334,524	9,025,864	1,859,511	5,305,260	0	420,314	4,035,573	2,350,534	5,711,814	2,625,244
2004	45,919	111,595	6,225,750	2,680,338	4,958,780	28,600	109,968	2,910,751	1,865,309	5,831,594	2,711,580
2005	159,731	0	2,137,656	1,764,046	4,741,348	49,389	0	1,175,727	2,017,193	6,330,510	2,892,342
TOTAL	1,024,058	688,192	40,662,737	9,684,418	23,115,885	368,627	8,283,087	16,763,443	8,432,656	27,305,465	13,294,072
O.D.	0	0	0	0	0	0	0	0	0	0	0

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	305,343	252,861	15,965,070	1,657,205	4,200,086	706,833	949,970	15,217,517	1,764,642	6,707,154	2,653,774
2002	572,303	318,002	13,425,196	2,087,091	4,447,551	17,420	208,993	11,677,941	1,818,712	7,259,603	2,961,994
2003	102,339	1,082,030	12,937,526	2,119,066	5,477,768	15,580	1,723,259	13,004,861	3,224,350	7,649,122	2,895,644
2004	58,396	893,565	13,288,541	2,668,554	4,798,084	58,335	1,253,386	11,934,305	2,437,077	6,904,662	2,858,005
2005	215,967	712,256	11,905,768	2,400,232	3,951,751	98,339	790,809	12,104,179	2,470,497	5,955,328	3,039,851
TOTAL	1,254,348	3,258,714	67,522,101	10,932,148	22,875,240	896,507	4,926,417	63,938,803	11,715,278	34,475,869	14,409,268
O.D.	0	0	0	0	0	0	0	0	0	0	0

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	141,796,890	79,998,535	14,409,268	
IBNR + FREQ. ADJUSTMENT	7,458,065	3,101,414	178,043	
TOTAL LOSSES	149,254,955	83,099,949	14,587,311	
EXPECTED LOSSES	128,031,158	64,153,842	12,720,158	
CREDIBILITY	1.00	1.00	1.00	
PURE PREMIUMS				
INDICATED (PRE-TEST)	1.080	0.601	0.106	1.787
INDICATED (POST-TEST)	0.793	0.441	0.078	1.312
PRES. ON LOSS COST LEVEL	0.886	0.444	0.088	1.418
DERIVED BY FORMULA	0.793	0.441	0.078	1.312
UNDERLYING PRES. LOSS COST	0.926	0.464	0.092	1.482
PROPOSED	0.793	0.441	0.078	1.312
YEAR	4-1-08	4-1-09	IND. LOSS COST =	1.399
IND. LOSS COST		1.40		
MAN. LOSS COST	1.56	1.40	ADJ. LOSS COST =	1.40

CLASSIFICATION STUDY - PENNSYLVANIA

CLASS:
819

INDUSTRY GROUP:
3

CODE:
Exhibit 24: 819-Ex2,6,10,13,17,21

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	88,208	524,246	0.594	764,869	23,644	0.2267	0	0	1	3	16	20
2002	89,358	330,202	0.370	422,698	21,097	0.1231	0	0	0	1	10	11
2003	95,257	339,208	0.356	510,740	15,366	0.1785	0	0	0	2	15	17
2004	98,787	1,694,632	1.715	2,229,608	164,894	0.1012	0	0	3	4	3	10
2005	104,462	271,106	0.260	557,219	12,585	0.1532	0	0	0	1	15	16
TOTAL	476,072	3,159,394	0.664	4,485,134	38,060	0.1554	0	0	4	11	59	74
O.D.		24,807	0.005				0	0	0	0	4	4

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	105,680	90,389	64,662	0	0	42,547	52,336	117,258	51,374
2002	0	0	0	5,991	106,691	0	0	0	4,047	115,334	98,139
2003	0	0	0	89,218	27,489	0	0	0	78,449	66,063	77,989
2004	0	0	776,045	14,991	8,245	0	0	807,070	17,023	25,570	45,688
2005	0	0	0	35,211	51,125	0	0	0	35,599	79,430	69,741
TOTAL	0	0	881,725	235,800	258,212	0	0	849,617	187,454	403,655	342,931
O.D.	0	0	0	0	20,693	0	0	0	0	2,642	1,472

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	132,945	100,693	67,378	0	0	141,469	83,057	180,812	58,515
2002	16	460	9,875	8,105	114,659	3	53	10,580	9,023	163,639	106,285
2003	199	2,417	49,003	81,937	30,479	55	2,453	73,574	93,834	90,767	86,022
2004	91	44,787	842,160	38,322	22,471	417	81,591	1,056,347	52,139	43,128	48,155
2005	84	7,780	132,778	34,084	43,288	98	9,079	143,994	37,121	75,615	73,298
TOTAL	390	55,444	1,166,761	263,141	278,275	573	93,176	1,425,964	275,174	553,961	372,275
O.D.	6	849	14,500	2,741	18,768	0	65	1,179	254	3,153	1,617

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	2,758,907	1,395,467	373,892	
IBNR + FREQ. ADJUSTMENT	115,045	40,688	2,776	
TOTAL LOSSES	2,873,952	1,436,155	376,668	
EXPECTED LOSSES	1,956,656	828,365	195,190	
CREDIBILITY	0.14	0.35	0.54	
PURE PREMIUMS				
INDICATED (PRE-TEST)	0.604	0.302	0.079	0.985
INDICATED (POST-TEST)	0.444	0.222	0.058	0.724
PRES. ON LOSS COST LEVEL	0.393	0.166	0.039	0.598
DERIVED BY FORMULA	0.400	0.186	0.049	0.635
UNDERLYING PRES. LOSS COST	0.411	0.174	0.041	0.626
PROPOSED	0.400	0.186	0.049	0.635
YEAR	4-1-08	4-1-09	IND. LOSS COST =	0.677
IND. LOSS COST		0.68		
MAN. LOSS COST	0.66	0.68	ADJ. LOSS COST =	0.68

CLASSIFICATION STUDY - PENNSYLVANIA

CLASS:
953

INDUSTRY GROUP:
3

CODE:
Exhibit 25: CB953-Ex3,7,18

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	38,086,411	86,917,024	0.228	128,396,151	35,830	0.0576	5	1	187	239	1,762	2194
2002	38,017,994	110,424,805	0.290	163,845,132	36,574	0.0711	6	1	217	303	2,177	2704
2003	39,337,851	94,299,814	0.240	147,586,176	36,787	0.0582	3	2	183	312	1,790	2290
2004	40,982,008	67,079,904	0.164	115,804,383	35,688	0.0398	4	2	103	312	1,211	1632
2005	43,496,162	57,327,669	0.132	111,756,137	28,132	0.0395	2	2	45	247	1,423	1719
TOTAL	199,920,426	416,049,216	0.208	667,387,979	34,951	0.0527	20	8	735	1413	8363	10539
O.D.		3,664,494	0.002				0	0	8	22	61	91

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	1,303,327	91,801	30,308,587	7,676,001	10,550,399	5,840	75,000	11,481,388	5,306,992	11,812,145	8,305,544
2002	529,140	448,599	34,505,772	10,883,622	12,439,620	350	999,999	16,115,414	6,610,715	16,362,089	11,529,485
2003	287,125	233,662	29,105,393	10,079,186	10,288,999	274	637,236	12,830,366	7,026,822	13,753,476	10,057,275
2004	780,803	1,157,431	15,637,940	10,021,293	7,080,121	16,295	135,781	5,734,762	6,950,853	10,728,282	8,836,343
2005	665,978	688,686	6,405,676	7,026,503	8,753,500	4,549	2,134,416	3,650,096	5,936,802	13,092,477	8,968,986
TOTAL	3,566,373	2,620,179	115,963,368	45,686,605	49,112,639	27,308	3,982,432	49,812,026	31,832,184	65,748,469	47,697,633
O.D.	0	0	1,137,110	786,075	409,227	0	0	95,380	526,551	288,916	421,235

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	1,586,742	247,863	37,020,358	8,551,065	10,993,516	27,654	287,925	33,584,489	8,422,196	18,214,328	9,460,015
2002	699,851	1,238,248	44,539,390	11,611,046	13,641,173	17,743	1,430,282	44,271,043	10,440,693	23,469,231	12,486,432
2003	387,071	2,175,399	42,384,696	10,167,669	10,957,151	22,372	2,539,467	39,851,940	9,459,660	18,547,577	11,093,174
2004	914,220	2,774,362	33,730,230	8,418,937	7,338,420	44,076	2,616,280	30,027,055	7,577,021	13,050,276	9,313,506
2005	890,291	2,221,902	31,584,326	6,800,569	7,698,972	60,749	2,673,224	31,257,721	6,520,727	12,621,252	9,426,404
TOTAL	4,478,175	8,657,774	189,259,000	45,549,286	50,629,232	172,594	9,547,178	178,992,248	42,420,297	85,902,664	51,779,531
O.D.	1,273	74,445	2,147,113	676,669	443,699	412	37,268	859,622	603,551	401,332	458,506

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	394,227,102	226,626,730	52,238,037	
IBNR + FREQ. ADJUSTMENT	18,914,983	8,900,225	649,619	
TOTAL LOSSES	413,142,085	235,526,955	52,887,656	
EXPECTED LOSSES	321,871,886	181,927,588	45,981,698	
CREDIBILITY	1.00	1.00	1.00	
PURE PREMIUMS				
INDICATED (PRE-TEST)	0.207	0.118	0.026	0.351
INDICATED (POST-TEST)	0.152	0.087	0.019	0.258
PRES. ON LOSS COST LEVEL	0.154	0.087	0.022	0.263
DERIVED BY FORMULA	0.152	0.087	0.019	0.258
UNDERLYING PRES. LOSS COST	0.161	0.091	0.023	0.275
PROPOSED	0.152	0.087	0.019	0.258
YEAR	4-1-08	4-1-09	IND. LOSS COST =	0.275
IND. LOSS COST		0.28		
MAN. LOSS COST	0.29	0.28	ADJ. LOSS COST =	0.28

CLASSIFICATION STUDY - PENNSYLVANIA

CLASS:
818

INDUSTRY GROUP:
3

CODE:

Exhibit 26: Ex 1 + Ex 5

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	1,048,207	32,698,503	3.119	39,007,537	50,865	0.5800	2	2	58	36	510	608
2002	1,099,434	21,741,539	1.978	33,614,613	30,779	0.5803	2	0	48	42	546	638
2003	1,199,886	26,507,906	2.209	42,232,360	36,913	0.5534	1	2	51	49	561	664
2004	1,274,942	21,015,315	1.648	37,057,080	29,655	0.4996	1	1	30	63	542	637
2005	1,243,431	16,198,479	1.303	32,702,740	25,085	0.4463	3	0	13	47	492	555
TOTAL	5,865,900	118,161,742	2.014	184,614,330	34,779	0.5288	9	5	200	237	2651	3102
O.D.		0	0.000				0	0	0	0	0	0

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	294,355	242,073	9,834,689	1,065,500	3,175,629	286,402	7,752,805	3,939,693	955,946	3,378,882	1,772,529
2002	447,144	0	7,067,566	1,396,749	3,210,123	4,236	0	2,749,255	792,049	3,969,996	2,104,421
2003	76,909	334,524	8,091,427	1,378,717	4,145,134	0	420,314	3,784,167	1,875,924	4,403,325	1,997,465
2004	45,919	111,595	4,637,645	2,109,846	3,945,407	28,600	109,968	1,550,841	1,584,178	4,765,934	2,125,382
2005	159,731	0	1,877,752	1,292,269	3,407,327	49,389	0	1,120,777	1,456,756	4,557,910	2,276,568
TOTAL	1,024,058	688,192	31,509,079	7,243,081	17,883,620	368,627	8,283,087	13,144,733	6,664,853	21,076,047	10,276,365
O.D.	0	0	0	0	0	0	0	0	0	0	0

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	305,343	252,861	12,051,964	1,186,967	3,309,005	706,833	949,970	11,498,361	1,517,086	5,210,236	2,018,911
2002	571,013	220,243	9,257,204	1,539,835	3,494,233	17,184	162,434	9,067,337	1,336,436	5,669,606	2,279,088
2003	101,165	1,006,009	11,265,784	1,607,439	4,287,795	15,072	1,670,236	11,576,819	2,588,689	5,910,148	2,203,204
2004	57,192	733,130	10,306,163	2,099,378	3,812,038	57,211	1,046,456	9,050,931	2,015,896	5,638,532	2,240,153
2005	214,094	537,677	8,963,001	1,757,751	2,852,371	96,392	606,271	9,209,410	1,779,087	4,294,013	2,392,673
TOTAL	1,248,807	2,749,920	51,844,116	8,191,370	17,755,442	892,692	4,435,367	50,402,858	9,237,194	26,722,535	11,134,029
O.D.	0	0	0	0	0	0	0	0	0	0	0

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	111,573,760	61,906,541	11,134,029	
IBNR + FREQ. ADJUSTMENT	5,727,654	2,430,881	133,518	
TOTAL LOSSES	117,301,414	64,337,422	11,267,547	
EXPECTED LOSSES	98,077,848	49,918,809	9,444,099	
CREDIBILITY	0.72	1.00	1.00	
PURE PREMIUMS				
INDICATED (PRE-TEST)	2.000	1.097	0.192	3.289
INDICATED (POST-TEST)	1.469	0.806	0.141	2.416
PRES. ON LOSS COST LEVEL	1.600	0.814	0.154	2.568
DERIVED BY FORMULA	1.506	0.806	0.141	2.453
UNDERLYING PRES. LOSS COST	1.672	0.851	0.161	2.684
PROPOSED	1.506	0.806	0.141	2.453
YEAR	4-1-08	4-1-09	IND. LOSS COST =	2.615
IND. LOSS COST		2.62		
MAN. LOSS COST	2.83	2.62	ADJ. LOSS COST =	2.62

CLASSIFICATION STUDY - PENNSYLVANIA

CLASS:
819

INDUSTRY GROUP:
3

CODE:
Exhibit 27: Exhibit 2 + Exhibit 6

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	670,366	4,420,440	0.659	7,005,273	52,353	0.1178	0	0	15	7	57	79
2002	696,489	3,937,026	0.565	5,922,862	39,526	0.1321	0	0	12	6	74	92
2003	714,777	2,898,174	0.405	4,523,542	32,431	0.1119	0	0	4	8	68	80
2004	747,993	2,688,457	0.359	4,797,084	37,012	0.0909	0	0	4	9	55	68
2005	728,453	3,125,948	0.429	6,697,108	36,649	0.1071	0	0	2	9	67	78
TOTAL	3,558,078	17,070,045	0.480	28,945,869	39,653	0.1116	0	0	37	39	321	397
O.D.		0	0.000				0	0	0	0	0	0

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	2,351,979	188,929	431,927	0	0	709,569	71,986	381,533	284,517
2002	0	0	2,080,439	118,923	414,577	0	0	400,168	101,565	520,700	300,654
2003	0	0	701,299	249,027	606,455	0	0	223,412	223,693	590,625	303,663
2004	0	0	675,144	310,206	589,709	0	0	264,470	144,376	532,928	171,624
2005	0	0	259,904	248,605	914,861	0	0	54,950	183,477	1,196,844	267,307
TOTAL	0	0	6,068,765	1,115,690	2,957,529	0	0	1,652,569	725,097	3,222,630	1,327,765
O.D.	0	0	0	0	0	0	0	0	0	0	0

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	2,958,790	210,467	450,068	0	0	2,359,317	114,242	588,324	324,065
2002	309	61,605	2,650,850	144,551	454,993	81	24,201	1,343,485	173,266	743,913	325,608
2003	609	50,669	1,137,495	269,435	624,280	313	37,519	976,860	303,849	787,573	334,940
2004	651	81,352	1,508,611	309,279	569,080	470	86,513	1,223,280	206,185	630,771	180,892
2005	1,286	117,764	1,974,413	401,578	750,153	1,074	104,378	1,617,831	349,226	1,098,465	280,940
TOTAL	2,855	311,390	10,230,159	1,335,310	2,848,574	1,938	252,611	7,520,773	1,146,768	3,849,046	1,446,445
O.D.	0	0	0	0	0	0	0	0	0	0	0

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	18,319,726	9,179,698	1,446,445	
IBNR + FREQ. ADJUSTMENT	852,245	297,365	20,206	
TOTAL LOSSES	19,171,971	9,477,063	1,466,651	
EXPECTED LOSSES	14,623,701	6,191,056	1,458,812	
CREDIBILITY	0.52	1.00	1.00	
PURE PREMIUMS				
INDICATED (PRE-TEST)	0.539	0.266	0.041	0.846
INDICATED (POST-TEST)	0.396	0.195	0.030	0.621
PRES. ON LOSS COST LEVEL	0.393	0.166	0.039	0.598
DERIVED BY FORMULA	0.395	0.195	0.030	0.620
UNDERLYING PRES. LOSS COST	0.411	0.174	0.041	0.626
PROPOSED	0.395	0.195	0.030	0.620
YEAR	4-1-08	4-1-09	IND. LOSS COST =	0.661
IND. LOSS COST		0.66		
MAN. LOSS COST	0.66	0.66	ADJ. LOSS COST =	0.66

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
3

CLASS:
953

CODE:
Exhibit 28: Ex 3 + Ex 7

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	689,787	1,125,641	0.163	1,694,376	32,932	0.0464	0	0	1	4	27	32
2002	719,140	1,551,744	0.216	2,320,951	39,761	0.0487	0	0	3	5	27	35
2003	722,993	1,346,197	0.186	1,981,557	26,454	0.0595	0	0	1	4	38	43
2004	833,274	1,786,337	0.214	1,931,501	59,658	0.0324	0	0	1	1	25	27
2005	767,017	757,218	0.099	1,637,878	27,142	0.0300	0	0	0	2	21	23
TOTAL	3,732,211	6,567,137	0.176	9,566,263	36,363	0.0429	0	0	6	16	138	160
O.D.		0	0.000				0	0	0	0	0	0

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	194,251	158,577	182,083	0	0	272,750	35,314	210,860	71,806
2002	0	0	476,467	293,496	148,419	0	0	143,186	110,022	220,055	160,099
2003	0	0	233,138	122,459	284,234	0	0	27,994	120,690	349,025	208,657
2004	0	0	195,660	30,339	193,316	0	0	922,160	30,393	238,908	175,561
2005	0	0	0	71,547	170,705	0	0	0	128,551	253,466	132,949
TOTAL	0	0	1,099,516	676,418	978,757	0	0	1,366,090	424,970	1,272,314	749,072
O.D.	0	0	0	0	0	0	0	0	0	0	0

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	0	0	183,609	176,655	189,730	0	0	681,406	56,043	325,146	81,787
2002	763	15,787	659,203	306,558	165,354	88	8,806	504,757	170,271	315,977	173,387
2003	297	18,948	417,016	129,638	291,743	104	9,254	261,015	160,626	462,767	230,149
2004	91	11,915	213,675	44,684	179,007	346	64,331	872,118	75,991	284,302	185,041
2005	209	21,082	358,865	86,730	140,548	332	30,775	488,813	127,648	243,147	139,729
TOTAL	1,360	67,732	1,832,368	744,265	966,382	870	113,166	2,808,109	590,579	1,631,339	810,093
O.D.	0	0	0	0	0	0	0	0	0	0	0

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	4,823,605	3,932,565	810,093	
IBNR + FREQ. ADJUSTMENT	348,223	163,529	11,975	
TOTAL LOSSES	5,171,828	4,096,094	822,068	
EXPECTED LOSSES	6,008,860	3,396,312	858,409	
CREDIBILITY	0.54	1.00	1.00	
PURE PREMIUMS				
INDICATED (PRE-TEST)	0.139	0.110	0.022	0.271
INDICATED (POST-TEST)	0.102	0.081	0.016	0.199
PRES. ON LOSS COST LEVEL	0.154	0.087	0.022	0.263
DERIVED BY FORMULA	0.126	0.081	0.016	0.223
UNDERLYING PRES. LOSS COST	0.161	0.091	0.023	0.275
PROPOSED	0.126	0.081	0.016	0.223
YEAR	4-1-08	4-1-09	IND. LOSS COST =	0.238
IND. LOSS COST		0.24		
MAN.LOSS COST	0.29	0.24	ADJ. LOSS COST =	0.24

CLASSIFICATION STUDY - PENNSYLVANIA
INDUSTRY GROUP:
3

CLASS:
818

CODE:

Exhibit 29: Ex 4 + Ex 8

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Number of Cases					
							Death	P.T.	Major	Minor	Temp	All
2001	2,408,360	38,244,584	1.588	47,707,185	50,231	0.2985	2	2	74	47	594	719
2002	2,515,063	27,230,309	1.083	41,858,423	32,242	0.3042	2	0	63	53	647	765
2003	2,637,656	30,752,277	1.166	48,737,458	35,886	0.2984	1	2	56	61	667	787
2004	2,856,209	25,490,109	0.892	43,785,709	31,445	0.2563	1	1	35	73	622	732
2005	2,738,901	20,081,645	0.733	41,037,725	26,532	0.2395	3	0	15	58	580	656
TOTAL	13,156,189	141,798,924	1.078	223,126,500	35,377	0.2781	9	5	243	292	3110	3659
O.D.		0	0.000				0	0	0	0	0	0

Manual Year	REPORTED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	294,355	242,073	12,380,919	1,413,006	3,789,639	286,402	7,752,805	4,922,012	1,063,246	3,971,275	2,128,852
2002	447,144	0	9,624,472	1,809,168	3,773,119	4,236	0	3,292,609	1,003,636	4,710,751	2,565,174
2003	76,909	334,524	9,025,864	1,750,203	5,035,823	0	420,314	4,035,573	2,220,307	5,342,975	2,509,785
2004	45,919	111,595	5,508,449	2,450,391	4,728,432	28,600	109,968	2,737,471	1,758,947	5,537,770	2,472,567
2005	159,731	0	2,137,656	1,612,421	4,492,893	49,389	0	1,175,727	1,768,784	6,008,220	2,676,824
TOTAL	1,024,058	688,192	38,677,360	9,035,189	21,819,906	368,627	8,283,087	16,163,392	7,814,920	25,570,991	12,353,202
O.D.	0	0	0	0	0	0	0	0	0	0	0

Manual Year	TRANSLATED LOSSES										
	Indemnity					Medical					
	Death	P.T.	Major	Minor	Temp	Death	P.T.	Major	Minor	Temp	Med. Only
2001	305,343	252,861	15,194,362	1,574,089	3,948,804	706,833	949,970	14,539,084	1,687,371	6,123,706	2,424,762
2002	572,085	297,634	12,567,255	1,990,946	4,114,579	17,353	195,440	10,915,579	1,679,973	6,729,496	2,778,083
2003	102,071	1,075,626	12,820,294	2,006,512	5,203,820	15,489	1,717,009	12,814,694	3,053,164	7,160,486	2,768,293
2004	57,933	826,397	12,028,452	2,453,343	4,560,130	58,032	1,197,306	11,146,337	2,298,079	6,553,614	2,606,086
2005	215,591	676,521	11,296,279	2,246,060	3,743,071	97,798	741,424	11,316,055	2,255,960	5,635,624	2,813,342
TOTAL	1,253,023	3,129,039	63,906,642	10,270,950	21,570,404	895,505	4,801,149	60,731,749	10,974,547	32,202,926	13,390,566
O.D.	0	0	0	0	0	0	0	0	0	0	0

	SERIOUS	NON-SER	MED ONLY	TOTAL
TOTAL TRANSLATED LOSSES	134,717,107	75,018,827	13,390,566	
IBNR + FREQ. ADJUSTMENT	6,918,870	2,882,222	164,007	
TOTAL LOSSES	141,635,977	77,901,049	13,554,573	
EXPECTED LOSSES	118,800,387	59,597,536	11,709,008	
CREDIBILITY	1.00	1.00	1.00	
PURE PREMIUMS				
INDICATED (PRE-TEST)	1.077	0.592	0.103	1.772
INDICATED (POST-TEST)	0.791	0.435	0.076	1.302
PRES. ON LOSS COST LEVEL	0.864	0.433	0.085	1.382
DERIVED BY FORMULA	0.791	0.435	0.076	1.302
UNDERLYING PRES. LOSS COST	0.903	0.453	0.089	1.445
PROPOSED	0.791	0.435	0.076	1.302
YEAR	4-1-08	4-1-09	IND. LOSS COST =	1.388
IND. LOSS COST		1.39		
MAN. LOSS COST	1.52	1.39	ADJ. LOSS COST =	1.39

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES						
				DEATH	P . T .	MAJOR	MINOR	TEMP	ALL	
2001	1,169,587	35,355,081	3.022	2	2	64	41	554	663	
2002	1,216,502	23,838,569	1.959	2		53	46	599	700	
2003	1,327,930	27,527,354	2.072	1	2	50	55	600	708	
2004	1,398,270	23,182,245	1.657	1	1	35	70	579	686	
2005	1,364,649	17,665,807	1.294	3		13	60	526	602	
TOTAL	6,476,938	127,569,056	1.970	9	5	215	272	2858	3359	
O.D.		528,036	.008			2	1	5	8	

REPORTED LOSSES											
MANUAL YEAR	INDEMNITY					MEDICAL					
	DEATH	P . T .	MAJOR	MINOR	TEMP	DEATH	P . T .	MAJOR	MINOR	TEMP	MED. ONLY
2001	294,365	242,073	11,028,246	1,285,970	3,410,924	286,402	7,752,805	4,209,941	1,095,622	3,775,550	1,973,183
2002	447,144		7,825,490	1,480,487	3,532,064	4,236		3,028,256	876,097	4,372,804	2,271,991
2003	76,909	334,524	7,959,536	1,633,421	4,421,657		420,314	3,711,134	2,058,835	4,798,205	2,112,819
2004	45,919	111,595	5,459,929	2,370,703	4,161,364	28,600	109,968	1,750,246	1,710,973	5,056,917	2,376,031
2005	159,731		1,877,752	1,503,844	3,750,092	49,389		1,120,777	1,720,165	4,979,977	2,504,080
TOTAL	1,024,068	688,192	34,150,953	8,274,425	19,276,101	368,627	8,283,087	13,820,354	7,461,692	22,983,453	11,238,104
O.D.			239,305	4,886	109,454			107,387	7,021	19,597	40,386

TRANSLATED LOSSES											
MANUAL YEAR	INDEMNITY					MEDICAL					
	DEATH	P . T .	MAJOR	MINOR	TEMP	DEATH	P . T .	MAJOR	MINOR	TEMP	MED. ONLY
2001	305,356	252,862	13,553,455	1,432,569	3,554,188	706,833	949,970	12,396,936	1,738,749	5,821,902	2,247,455
2002	571,265	243,272	10,244,080	1,636,840	3,844,219	17,249	179,197	10,010,871	1,477,482	6,244,744	2,460,566
2003	101,891	1,010,748	11,289,375	1,848,970	4,572,767	14,388	1,670,443	11,595,175	2,817,909	6,434,101	2,330,439
2004	57,829	808,298	11,718,659	2,337,671	4,041,121	57,304	1,108,761	9,938,976	2,173,097	5,988,947	2,504,337
2005	215,123	587,480	9,807,765	1,972,423	3,140,517	97,210	663,631	10,120,983	2,021,861	4,705,148	2,631,788
TOTAL	1,251,464	2,902,660	56,613,334	9,228,473	19,152,812	892,984	4,572,002	54,062,941	10,229,098	29,194,842	12,174,585
O.D.	14	13,456	316,255	13,593	115,553	63	13,401	324,793	18,518	26,951	43,451

	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL		
TOTAL TRANS. LOSSES PG B	120,963,367	67,979,840	12,218,036			
TOTAL TRANS. LOSSES PG A						
IBNR + FREQUENCY ADJUST.	6,325,231	2,678,536	146,943			
TOTAL LOSSES	127,288,598	70,658,376	12,364,979			
EXPECTED LOSSES	108,294,403	55,118,742	10,427,870			
CREDIBILITY	.77	1.00	1.00			
PURE PREMIUMS						
INDICATED (PRE-TEST)	1.965	1.091	.191	3.247		
INDICATED (POST-TEST)	1.444	.802	.140	2.386		
PRES. ON RATE LEVEL	1.600	.814	.154	2.568		
DERIVED BY FORMULA	1.480	.802	.140	2.422		
UNDERLYING PRES. RATE	1.672	.851	.161	2.684		
PROPOSED	1.480	.802	.140	2.422		
IND. RATES						
YEAR	4-1-06	4-1-07	4-1-08	4-1-09	IND. RATE	2.582
IND. RATES				2.58	MINIMUM PREMIUM	
MAN. RATES	3.09	3.21	2.83	+ 2.58	PRESENT	

+PROPOSED

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES						
				DEATH	P . T .	MAJOR	MINOR	TEMP	ALL	
2001	797,154	5,236,923	.656			17	10	76	103	
2002	827,022	4,335,122	.524			12	7	90	109	
2003	848,489	3,336,607	.393			4	11	88	103	
2004	885,684	4,433,043	.500			7	13	60	80	
2005	874,133	3,477,260	.397			2	10	83	95	
TOTAL	4,232,482	20,818,955	.492			42	51	397	490	
O.D.		24,807						4	4	

REPORTED LOSSES											
MANUAL YEAR	INDEMNITY					MEDICAL					
	DEATH	P . T .	MAJOR	MINOR	TEMP	DEATH	P . T .	MAJOR	MINOR	TEMP	MED. ONLY
2001			2,583,229	279,318	598,487			755,604	124,322	515,184	380,779
2002			2,080,439	124,914	549,612			400,168	105,612	658,792	415,585
2003			701,299	355,495	646,351			223,412	304,727	677,667	427,656
2004			1,451,189	325,197	609,569			1,071,540	161,399	574,469	239,680
2005			259,904	283,816	1,003,845			54,950	219,076	1,307,424	348,245
TOTAL			7,076,060	1,368,740	3,407,864			2,505,674	915,136	3,733,536	1,811,945
O.D.					20,693					2,642	1,472

TRANSLATED LOSSES											
MANUAL YEAR	INDEMNITY					MEDICAL					
	DEATH	P . T .	MAJOR	MINOR	TEMP	DEATH	P . T .	MAJOR	MINOR	TEMP	MED. ONLY
2001			3,249,702	311,160	623,627			2,512,383	197,300	794,411	433,707
2002	330	62,139	2,663,035	153,137	600,114	88	24,257	1,355,903	182,881	939,785	450,079
2003	855	53,787	1,197,620	367,582	667,804	298	40,401	1,057,785	401,894	905,821	471,705
2004	766	126,591	2,357,834	348,686	602,216	849	168,831	2,287,917	259,986	692,113	252,623
2005	1,500	128,597	2,157,559	445,661	823,263	1,253	115,356	1,790,976	392,299	1,202,041	366,005
TOTAL	3,451	371,114	11,625,750	1,626,226	3,317,024	2,488	348,845	9,004,964	1,434,360	4,534,171	1,974,119
O.D.	6	849	14,500	2,741	18,768		65	1,179	254	3,153	1,617

	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL		
TOTAL TRANS. LOSSES PG B	21,373,211	10,936,697	1,975,736			
TOTAL TRANS. LOSSES PG A						
IBNR + FREQUENCY ADJUST.	1,014,966	354,616	24,102			
TOTAL LOSSES	22,388,177	11,291,313	1,999,838			
EXPECTED LOSSES	17,395,501	7,364,518	1,735,317			
CREDIBILITY	.58	1.00	1.00			
PURE PREMIUMS						
INDICATED (PRE-TEST)	.529	.267	.047	.843		
INDICATED (POST-TEST)	.389	.196	.035	.620		
PRES. ON RATE LEVEL	.393	.167	.039	.599		
DERIVED BY FORMULA	.391	.196	.035	.622		
UNDERLYING PRES. RATE	.411	.174	.041	.626		
PROPOSED	.390	.195	.035	.620		
YEAR	4-1-06	4-1-07	4-1-08	4-1-09	IND. RATE	.660
IND. RATES				.66	MINIMUM PREMIUM	
MAN. RATES	.69	.73	.66	+ .66	PRESENT	

+PROPOSED

MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES						
				DEATH	P . T .	MAJOR	MINOR	TEMP	ALL	
2001	38,805,500	88,096,901	.227	5	1	188	243	1793	2230	
2002	38,761,710	111,980,733	.288	6	1	220	308	2204	2739	
2003	40,064,887	95,646,011	.238	3	2	184	316	1828	2333	
2004	41,818,648	68,875,188	.164	4	2	104	313	1236	1659	
2005	44,265,884	58,087,710	.131	2	2	45	249	1444	1742	
TOTAL	203,716,629	422,686,543	.207	20	8	741	1429	8505	10703	
O.D.		3,664,494	.001			8	22	61	91	

REPORTED LOSSES

MANUAL YEAR	INDEMNITY					MEDICAL					
	DEATH	P . T .	MAJOR	MINOR	TEMP	DEATH	P . T .	MAJOR	MINOR	TEMP	MED. ONLY
2001	1,303,327	91,801	30,502,838	7,834,578	10,771,912	5,840	75,000	11,754,138	5,342,306	12,034,870	8,380,291
2002	529,140	448,599	34,982,239	11,177,118	12,588,039	350	999,999	16,258,600	6,720,737	16,582,144	11,693,768
2003	287,125	233,662	29,338,531	10,201,645	10,573,233	274	637,236	12,858,360	7,147,512	14,102,501	10,265,932
2004	780,803	1,157,431	15,833,600	10,051,632	7,273,437	16,295	135,781	6,656,922	6,981,246	10,967,190	9,020,851
2005	665,978	688,686	6,405,676	7,098,050	8,924,205	4,549	2,134,416	3,650,096	6,065,353	13,345,943	9,104,758
TOTAL	3,566,373	2,620,179	117,062,884	46,363,023	50,130,826	27,308	3,982,432	51,178,116	32,257,154	67,032,648	48,465,600
O.D.			1,137,110	786,075	409,227			95,380	526,551	288,916	421,235

TRANSLATED LOSSES

MANUAL YEAR	INDEMNITY					MEDICAL					
	DEATH	P . T .	MAJOR	MINOR	TEMP	DEATH	P . T .	MAJOR	MINOR	TEMP	MED. ONLY
2001	1,586,742	247,863	37,203,971	8,727,722	11,224,345	27,655	287,925	34,265,893	8,478,240	18,557,759	9,545,151
2002	700,899	1,252,684	45,197,636	11,917,240	13,807,018	17,789	1,439,120	44,774,856	10,610,381	23,784,140	12,664,351
2003	388,132	2,202,295	42,802,799	10,297,216	11,259,702	19,662	2,553,205	40,113,461	9,620,998	19,014,148	11,323,323
2004	914,890	2,785,391	33,943,111	8,460,582	7,518,255	44,300	2,680,801	30,900,546	7,650,460	13,334,064	9,507,977
2005	892,188	2,243,596	31,942,061	6,889,228	7,839,470	61,453	2,705,196	31,750,161	6,648,292	12,864,519	9,569,101
TOTAL	4,482,851	8,731,829	191,089,578	46,291,988	51,648,790	170,859	9,666,247	181,804,917	43,008,371	87,554,630	52,609,903
O.D.	1,273	74,445	2,147,113	676,669	443,699	412	37,268	859,622	603,551	401,332	458,506

	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL		
TOTAL TRANS. LOSSES PG B	399,066,414	230,629,030	53,068,409			
TOTAL TRANS. LOSSES PG A						
IBNR + FREQUENCY ADJUST.	19,268,890	9,065,658	661,698			
TOTAL LOSSES	418,335,304	239,694,688	53,730,107			
EXPECTED LOSSES	327,983,772	185,382,132	46,854,824			
CREDIBILITY	1.00	1.00	1.00			
PURE PREMIUMS						
INDICATED (PRE-TEST)	.205	.118	.026	.349		
INDICATED (POST-TEST)	.151	.087	.019	.257		
PRES. ON RATE LEVEL	.154	.087	.022	.263		
DERIVED BY FORMULA	.151	.087	.019	.257		
UNDERLYING PRES. RATE	.161	.091	.023	.275		
PROPOSED	.151	.087	.019	.257		
YEAR	4-1-06	4-1-07	4-1-08	4-1-09	IND. RATE	.273
IND. RATES				.27	MINIMUM PREMIUM	
MAN. RATES	.32	.33	.29	+ .27	PRESENT	

+PROPOSED



Pennsylvania Compensation Rating Bureau

United Plaza Building • Suite 1500
 30 South 17th Street • Philadelphia, PA 19103-4007
 (215)568-2371 • FAX (215)564-4328 • www.pcrb.com

TO: Pennsylvania Classification and Rating Committee

FROM: David T. Rawson – Technical Director, Classification and Field Operations

DATE: April 9, 2009

RE: **Executive Summary:**
 Proposed Manual Language Revisions to Sections 1 and 2 (Housekeeping)
 Effective New or Renewal Policies of October 1, 2009 or Later

The Bureau proposes a variety of language changes to be effective on a new and renewal basis effective October 1, 2009. The proposed changes are as delineated below.

REVISIONS TO CLASSIFICATION PROCEDURE

- Proposed reclassification of snow plowing from Code 601, Road Construction – Surface Work, to the employer's governing classification. The governing classification may be Code 601 but is frequently either Code 012, Landscaping Contractor, or Code 609, Excavation. Both Codes 012 and 609 have lower rating values than Code 601.
- Proposed revision of Code 005, Tree Pruning, to end the prohibition of a payroll division between Codes 005 and 012, Landscaping Contractor, at the same job or location. Staff also proposes clarifying the scope of Code 005.

SECTION 1

- Proposed revision of the definition of Salesperson – Outside to bring it into alignment with “regular and frequent.”

SECTION 2

- Proposed clarification of the Section 2 classification language for 21 classifications, principally by adding an “Operations Also Included” and/or an “Operations Not Included” section(s). Other proposed clarifications result from recent file reviews that showed confusion regarding the class' scope (e.g., Code 970, Athletic Team, and Code 981, Slot Machine Gambling).
- Two proposed additions to the “General Auditing and Classification Information.” The first is entitled “Classification Inquiries,” which highlights the information that staff needs in order to render the best and most timely service to the Bureau's member insurers, insurance agents and employers. The second highlights the proposed revisions to the classification(s) applicable to snow plowing.
- One proposed change to the General Auditing and Information by revising that part of the “Wholesale/Retail Mail Order House or Internet Sales – Definitions” that deals with mail order houses. The revision adds language regarding the telephone sales that such businesses develop.
- Proposed Underwriting Guide revisions (14 additions and six changes). The 14 additions reflect prevailing Bureau classification practices. Five of the changes are to clarify the entries' scopes, and the sixth reinforces the proposed reclassification of snow plowing.



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DATE: April 9, 2009

RE: Proposed Manual Language Revisions to Sections 1 and 2 (Housekeeping)

The proposals discussed below are intended to make the Manual clearer and less ambiguous. Several of the proposed revisions clarify existing classification procedures, while others update language defining certain classifications to align the verbiage used with that in other Manual provisions and/or to recognize technological or industrial change. None of the separate memoranda to the Committee reporting the results of the three classification studies recently completed by staff propose the erection of any new classifications, nor are any existing classifications proposed for deletion. For this reason, no revision is proposed to the General Auditing and Classification Information's entry entitled "Employment Contractor - Temporary Staffing" or the cross-reference chart therein. The Bureau recommends all of the language revisions proposed herein to become effective upon new and renewal policies of October 1, 2009 and later.

The following narrative will first highlight the two proposed revisions to existing classification procedure and then separately review the Manual language proposals by section.

PROPOSED REVISIONS TO CLASSIFICATION PROCEDURE

The first proposed classification procedure change addresses the classification applicable to road and off-road snow plowing by contractor. Current classification procedure assigns payroll developed in such snow plowing to Code 601, Road Construction – Surface Work. The Bureau has found this assignment problematic on test audits and as a part of general file review. While the volume of snow needed to be plowed varies from one part of the Commonwealth to another and also from year-to-year, typically snow plowing represents a minor portion of these employers' overall payrolls. Also, the typical snow plowing contractor does not have a separate staff for this work. This memorandum observes that in a previous effort to recognize these phenomena, the Bureau designated "snow plowing" as an operation "to be separately rated," which means the employer may divide an employee's payroll between "snow plowing" and the employee's "other duties." The Bureau has found that frequently employers do not maintain separate payroll records for snow plowing. Absent such separate payroll records, the interchanging employees' entire payroll is assignable to that class with the highest rating value representing any part of their work pursuant to the approved Manual rules regarding assignment of payroll developed by interchanging personnel. Code 601 is typically the class with the highest rating value for the enterprises under discussion.

The Bureau's view of the above circumstances has led to the conclusion that the most appropriate and equitable procedure is to include the snow plowing effort in the contractors' governing classifications. An employer's governing classification may be Code 601 but frequently is either Code 012, Landscaping Contractor, or Code 609, Excavation. Both Codes 012 and 609 have lower rating values than does Code 601.

The second revision is to the scope of Code 005, Tree Pruning. An examination of the Bureau's historical archive shows that the Bureau has had strict guidelines regarding the use of Code 005 since the class' erection effective beginning new and renewal policies of July 1, 1939 and later. The archive does not reveal the reasons behind those strict guidelines. Staff also examined how other jurisdictions handle the issue of dual use of their classifications equivalent to Pennsylvania Codes 005 and 012 and found that no other jurisdiction is as restrictive in such regard. For these reasons staff proposes to end the prohibition of a payroll division between Codes 005 and 012, Landscaping, at the same location or job site. The remainder of the proposed revisions clarify that Code 005 also includes ground crew whose work at a tree work job site or location is incident to the tree job. On this question, staff found that all other jurisdictions also make such inclusion into their tree pruning classification.

SECTION 1

The sole proposed Section 1 revision modifies the first sentence in the definition of Salespersons – Outside. That sentence presently reads “are employees engaged exclusively in sales or collection work away from the employer's premises or who are engaged in such work for any portion of their time and devote the balance of their time in clerical office duties.” That sentence was a part of one of the three Manual revisions filings approved by the Pennsylvania Insurance Department (Department) to become effective beginning new and renewal policies of December 1, 1996 and later. The Department's approval was announced by Bureau Circular No. 1341 dated November 14, 1996.

Subsequently, the Bureau's test audit section developed the concept of “regular and frequent” to provide guidance to premium auditors in classifying personnel interchanging between job duties contemplated by two or more classifications. This information was originally available as Test Audit Bulletin No. 65 dated July 13, 2001 and was later filed with and approved by the Department for incorporation into the Bureau's Basic Manual effective beginning new and renewal policies of January 1, 2006 and later. The Department's approval was announced by Bureau Circular No. 1500 dated August 22, 2005.

The proposed revision adjusts the Manual definition of Salesperson – Outside to incorporate the concept of “regular and frequent.”

SECTION 2

The Bureau proposes to clarify the Section 2 classification language for 23 classifications (including Codes 005, 012 and 601 discussed above). In addition, the Bureau proposes to amend one term “definition,” which is “To Be Separately Rated or Separately Rate,” two new “General Auditing and Classification Information” entries and revision to one existing entry, not counting Underwriting Guide additions or revisions that will be separately discussed below.

Many of the proposed clarifications of Section 2 classification language are the addition of an "Operations Also Included" and/or an "Operations Not Included" section(s). For examples of such additions please see the proposals for Codes 860, Junk Dealer, Code 894, School for Disturbed (Or Delinquent) Children, Code 962, Accounting or Auditing Firm, Code 965, College or School, N.O.C., and Code 969, Amusement – Outdoor. As a part of the Bureau's ongoing effort to reinforce the definitions of outside sales (Code 951) and clerical office (Code 953), staff proposes adding the Section 1 definition of outside sales (as revised herein) and clerical office to each classification's Section 2 entry. For Code 954, Security Agency, there is a proposed addition to the "Operations Not Included" section.

Recent file review has shown a misunderstanding of the scope of Code 970, Athletic Team – Professional and Semi-Professional, with regard to the present reference to "all employees except clerical and sales." The ambiguity involved how to classify game day staff, which may be split into two categories: bench or dugout game day staff and non-bench or dugout game day staff. The former provide water or equipment to the players or field foul balls during a baseball game and are assigned to Code 970. Examples of the latter personnel include but are not necessarily limited to: cheerleaders, dancers, mascots, persons mingling with the fans to rally support and/or to distribute promotional items and persons videotaping fan reactions or the game. The non-bench or dugout staff persons are assigned to the applicable facility classification for outdoor stadiums (Code 969) or indoor arenas (Code 971), respectively. The assignment of Codes 969 or 971 for the non-bench or dugout staff reflects prevailing Bureau classification practice. An examination of classification procedure for other states shows that, if the proposals at hand are approved, Pennsylvania will be the first jurisdiction to so clarify how such persons are to be classified.

Code 970 includes a maximum payroll of \$60,000 to be audited for each player, coach, manager or sports official per season. There is also a minimum payroll (\$500) per season. The Bureau proposes to revise the references to "per season" to "per policy year." Bureau test audit staff advises that the premium audits of professional or semi-professional sports teams are performed pursuant to each employer's policy year. Depending upon the employer's anniversary rating date, it is possible for a "season" to begin in one policy year and to end in the next policy year. Premium auditors are practiced in dealing with the employer's policy year and thus perform professional or semi-professional sports teams' premium audits in such manner.

Recent file review has also shown the need to again clarify the scope of Code 981, Slot Machine Gambling. The proposed revisions include the addition of the phrase "all employees including office" in the classification's title. The proposed class scope language clarifies the present Manual entry and is modeled upon the Pennsylvania Gaming Commission's definition of a "licensed (slot machine) facility" adopted in January 2009. The proposed language clearly denotes the operations to be included in Code 981 and now also specifies the operations that are not included. The proposed definition clarifies what has been the Bureau's intent for the scope of Code 981 (i.e., that Code 981 include all personnel in the licensed slot machine gambling facility regardless of their duties) since the separate Code 981 was originally proposed to be effective beginning new and renewal policies of October 1, 2006 and later.

The proposed revisions to the various farm or agriculture classifications (e.g., Codes 0006, Field Crop or Vegetable Farm, 0016, Orchard) were occasioned by the need to substitute "domestic workers" for "Inservants." The Bureau so re-titled the four domestic service classes (e.g., Codes 0908, 0913) several years ago.

Memorandum of April 9, 2009

RE: Proposed Manual Language Revisions to Sections 1 and 2 (Housekeeping)

Page 4

The proposed revision for “To Be Separately Rated or Separately Rate” corrects an unintended oversight when this definition was originally proposed several years ago, omitting discussion of how to audit payroll when the required separate payroll records are not maintained. Staff’s proposal corrects this.

The first of the proposed additions to the “General Auditing and Classification Information” is for “Classification Inquiries.” This proposed addition is an attempt to highlight the information that Bureau staff needs in order to render the best and most timely service to member insurers, insurance agents and employers. The second proposed addition highlights the proposed revision to the classifications applicable to snow plowing.

The revision to the “General Auditing and Classification Information” is the addition of a reference to telephone sales from a catalogue mailed to customers to the definition of “Mail Order House Or Internet Sales” paragraph that is a part of the “Wholesale/Retail Mail Order House Or Internet Sales – Definitions” entry. Recent file review showed that telephone sales contribute to a mail order house’s and also to a website’s overall sales (when the website does not accept Internet orders).

The 14 proposed Underwriting Guide additions reflect prevailing Bureau classification practice. Five of the proposed revisions to present Underwriting Guide entries are intended to clarify their scope. The sixth proposed revision (shown third in the sequence of presentation) confirms the reclassification of snow plowing discussed above.

MANUAL REVISIONS

SECTION 1

RULE IV - CLASSIFICATIONS

CHANGE

B. CLASSIFICATIONS

2. Standard Exception Classification

- c. **Salespersons – Outside, Code 951** – are employees either exclusively engaged in sales or collection work away from the employer’s premises or who regularly and frequently are engaged in [such work for any portion of their time]sales or collection work away from their employer’s premises and devote the balance of their time in clerical office duties.

This classification.....Code 819.

SECTION 2

CLASSIFICATIONS

ADDITIONS

UNDERWRITING GUIDE

To 451:

Chassis Mfg.

Vehicle Chassis or Frame Mfg.

To 571:

Log Mfg. – Synthetic (wax and sawdust combination)

Synthetic Log Mfg. (wax and sawdust combination)

To 653:

Hardscaping Installation

To 667:

Glass or Window Tinting, Except For Auto Glass

Window or Glass Tinting, Except For Auto Glass

To 928:

Art Gallery

Fireworks Store – Retail

To 957:

Hair Transplantation

To 995:

Dumpster Rental/Service

Railroad Tank Car Cleaning – By Contractor

Trash Dumpster/Debris Box Rental/Service

Sushi Bar – Assign The Applicable Restaurant Class

CHANGES

DEFINITIONS

TO BE SEPARATELY RATED OR SEPARATELY RATE: When either of these terms is found in a classification's definition, the payroll of personnel interchanging between that classification's tasks (e.g., shop) and also performing the specified function that is designated "to be separately rated" or "separately rate" (e.g., erection, installation) may be divided between that [shop] class and class(es) designated for the specified function, provided the employer's original payroll records show an allocation of payroll to both classifications for each interchanging employee. Estimated or percentage allocation of payroll is not permitted. When separate payroll records are not maintained, the entire payroll of the interchanging employees shall be assigned to the highest Bureau loss cost classification representing any part of their work.

CLASSIFICATIONS

005 TREE PRUNING, Spraying, Repairing or Fumigating. [No payroll division with Code 012 at the same location or job site.]

Applicable to businesses [principally engaged in using hand tools or mechanical equipment to] prun[e]ing, spraying, trimming or fumigat[e]ing trees. These operations [can be performed from the ground or] may require [the use of] tree climbing using ladders and/or ropes and/or aerial buckets. Code 005 applies to the whole tree work job or location, meaning Code 005 also includes ground personnel whose job duties may include but are not necessarily limited to: chipping, cleanup activities, the removal and/or the hauling away of tree limbs and debris regardless of whether or not a separate contract is written for tree pruning or lawn maintenance and another contract is written for the removal, chipping, cleanup activities and/or the hauling away of tree limbs and debris.

Also includes generalist tree care service contractors that perform most or all of the above listed services or specialists principally engaged in providing a single service (e.g., clearing the existing rights-of-way/tree pruning for utility [contractors]lines). Code 005 further contemplates tree removal that is incident to the employer's pruning, spraying, repairing, trimming or fumigating services.

OPERATIONS NOT INCLUDED:

1. Assign the applicable tree removal.
2. Separately rate to Code 012 landscaping or lawn cutting or maintenance [performed at separate locations or job sites where no tree care services are performed].

012 LANDSCAPE CONTRACTOR or Lawn Cutting Or Maintenance Contractor.

Includes the construction of dry stone walls, rock gardens, patios, garden walks and the like when such operations are incidental to the landscape or lawn maintenance operations.

[Assign Code 0013 to separately staffed nursery, Christmas tree raising or sod farm Operations.]

CHANGES (continued)

[Personal servants engaged in the care of lawns, shrubs or grounds surrounding the residence of the insured shall be assigned to Code 0912 or Code 0909.]

OPERATIONS NOT INCLUDED:

1. Separately rate to Code 005 tree pruning, spraying, trimming, repairing or fumigating including ground personnel performing chipping, cleanup, the removal and/or hauling away of tree limbs and debris at a tree job or location.
2. Assign Code 0013 to separately-staffed nursery, Christmas tree raising or sod farm operations.
3. Outside domestic workers engaged in the care of lawns, shrubs or grounds surrounding the personal residence of the insured shall be assigned to Code 0912 or Code 0909 pursuant to Section 1, Rule XIV of this Manual.

UNDERWRITING GUIDE

Changes to 263:

Laminating – Paper – By Contractor

Paper Laminating – By Contractor

601 ROAD or Street CONSTRUCTION: Paving or Repaving

Applies to the..... and stone crushing.

[SNOW PLOWING AND/OR REMOVAL]

[Payroll developed in snow plowing and/or removal for unrelated concerns is to be separately rated by Code 601.]

UNDERWRITING GUIDE

Change to 601:

Snow Plowing Or Removal By Contractor – Road Or Off-Road..... **[601]Governing Class**

860 JUNK DEALER

For businesses collecting and handling a combination of ferrous and/or nonferrous scrap metal and other secondhand commodities (e.g., paper, glass ((including glass bottles)), rubber, rags or plastic ((including plastic bottles)) with no principal line of merchandise).

[Also includes secondhand material yards of a wrecking or demolition contractor that are separately located and staffed.

WRECKING OR DEMOLITION PROJECTS shall be classified as delineated in the General Auditing & Classification Information section.]

OPERATIONS ALSO INCLUDED:

1. Secondhand material yards.
2. Renovation of secondhand materials by the secondhand materials dealer may include but is not necessarily limited to: cutting salvaged steel and cleaning bricks.

CHANGES (continued)

OPERATIONS NOT INCLUDED:

1. WRECKING OR DEMOLITION PROJECTS shall be classified as delineated in the General Auditing & Classification Information section.
2. Assign Code 858 to a business principally engaged in collecting or handling ferrous scrap metal.
3. Assign Code 859 to a business principally engaged in collecting or handling nonferrous scrap metal.
4. Assign Code 862 to a business principally engaged in collecting or handling one or more of the following recyclable commodities: cloth clippings, rags, paper, glass, plastic, rubber stock or aluminum beverage cans.
5. Assign Code 863 to a specialist contractor principally engaged in shredding paper or destroying documents for unrelated concerns.

894 SCHOOL FOR DISTURBED (Or Delinquent) CHILDREN – all employees including office

Applicable to employers.....obtain a high school diploma.

OPERATIONS NOT INCLUDED:

1. Assign the applicable residential facility classification to separately-located (not on the employer's campus) and staffed residential facilities for children.

951 SALESPERSON – OUTSIDE

[Excluding salespersons or collectors who deliver goods, door-to-door salespersons.]

Are employees either exclusively engaged in sales or collection work away from the employer's premises or who regularly and frequently are engaged in sales or collection work away from their employer's premises and devote the balance of their time in clerical office duties.

Salespersons, collectors or messengers shall be separately classified except in connection with any classification designated either "all employees including office" or "all employees except office."

OPERATIONS NOT INCLUDED:

1. Assign employees engaged as delivery salespersons, route salespersons and/or route supervisors delivering merchandise or products, who may also collect payments or solicit sales to the employer's applicable field of business classification.
2. Assign floor and/or counter salespersons to the employer's field of business classification at the location.
3. Assign door-to-door salespersons to the employer's applicable business classification.
4. Assign to Code 953 employees who sell or solicit exclusively by telephone.

CHANGES (continued)

953 Clerical OFFICE Employees

Are employees exclusively engaged in keeping the books or records of the business or conducting correspondence or who are engaged wholly in office work where such books or records are kept or such correspondence is conducted.

Clerical office employees work exclusively in a separate building or on separate floors or in departments on such floors which are separated from all other workplaces of the employer by floor-to-ceiling partitions except for retail stores where a partition at least five feet high is required and within which no work is performed other than clerical office duties.

Office employees shall be separately classified except in connection with any classification designated "all employees including office."

OPERATIONS NOT INCLUDED:

1. Assign to the employer's applicable field-of-business classification the following "clerks:" counter, front desk, lobby, mall kiosk, stock or tally clerk.
2. Assign librarians to the employer's applicable field-of-business classification.
3. Assign cashiers or any employee whose regular and frequent duty is accepting payment for merchandise or services rendered, whether working in a booth, behind a counter or on a sales floor, to the employer's applicable field-of-business classification.
4. Assign the entire payroll of any clerical office employee who has any other regular duty to the applicable classification in accordance with the class to which the business is assigned.

954 SECURITY AGENCY

A security agency.....police can arrive.

OPERATIONS NOT INCLUDED:

4. Assign the employer's governing class to security guards employed by a business to protect that business' premises and property.

962 ACCOUNTING or AUDITING FIRM – all employees including clerical office.

This classification is for accounting or auditing firms. [Accountants or auditors employed by other establishments whose field of business includes but is not necessarily limited to manufacturing or construction shall be assigned to the classification consistent with the employer's field of business.

An insurance company traveling auditor shall be assigned to Code 984. An independent insurance traveling auditor shall be assigned to Code 951.

Businesses principally engaged in providing computer and/or software consulting services are assignable to Code 951 and to Code 953 as these classes may apply.]

CHANGES (continued)

OPERATIONS NOT INCLUDED:

1. Assign Code 951 to an independent insurance traveling auditor employed by an unrelated business.
2. Assign Code 951 or Code 953 to personnel employed by unrelated businesses principally engaged in providing computer and/or software consulting services.
3. Assign Code 984 to an insurance traveling auditor employed by an insurance company.
4. Accountants or auditors employed by a business whose field-of-business may include but is not necessarily limited to manufacturing or construction shall be assigned to the classification consistent with the employer's field-of-business.

965 COLLEGE OR SCHOOL, N.O.C. – all employees including office[, except Workfare Program employees and separately located and staffed public libraries]

[Workfare Program Employees shall be assigned to Code 982.

Separately located and staffed public libraries shall be assigned to Code 890.]

OPERATIONS NOT INCLUDED:

1. Assign Code 968 to employers principally engaged in providing sports instruction or training including but not necessarily limited to: gymnastics, swimming or martial arts training facilities.
2. Assign Code 982 to Workfare Program employees.
3. Assign Code 890 to separately located and staffed public libraries.

969 AMUSEMENT, OUTDOOR: fairs, exhibitions, amusement parks or any outdoor amusement that is permanently sited. [This classification includes ticket sellers or collectors and box office employees.

Payroll developed in the operation of a restaurant, when conducted in a physically separate department and by a separate crew of employees, shall be assigned to the applicable restaurant classification.

Code 928 shall be assigned to payroll developed in the sale of gifts/souvenirs when conducted in a physically separate department and by a separate crew of employees.

Employees engaged in the sale of food or drink or gifts/souvenirs from vending carts or by carrying the merchandise on their person shall remain assigned to Code 969.

Assign Code 981 to payroll developed in slot machine gambling operations when conducted in a physically separate department by a separate staff.

Race track pari-mutuel employees shall be separately rated by Code 953.

Organized athletics are excluded from this classification and separately rated by Code 970.]

CHANGES (continued)

OPERATIONS ALSO INCLUDED:

1. Ticket sellers or collectors and box office employees.
2. Employees engaged in the sale of food or beverages or gift/souvenirs from vending carts or by carrying the merchandise on their person.

OPERATIONS NOT INCLUDED:

1. Assign the applicable restaurant classification to payroll developed in a separately located and staffed prepared food and/or beverage service.
2. Assign Code 928 to payroll developed in a physically separate and staffed gifts/souvenirs sales operation.
3. Assign Code 981 to payroll developed in separately located and staffed slot machine gambling operations. See the Code 981 class description for the scope of that classification.
4. Separately classify to Code 970 professional and semi-professional athletics as defined in that class' description.
5. Assign Code 939 to any traveling (not permanently sited) amusement.
6. Assign Code 953 to race track pari-mutuel employees.

970 ATHLETIC TEAM – professional and semi-professional[, all employees except clerical and sales]. This classification includes [but is not limited to] all players on the employer's salary list whether regularly played or not, coaches, managers, trainers, equipment managers or sports officials [or umpires and includes all players on salary list of the insured, regularly played or not. Scouting staff is assignable to Code 951 and clerical office staff to Code 953.]

The entire remuneration of each [employee]player, coach, manager or sports official should be included in computing premium, subject to a maximum of \$60,000 per [season] policy year. Season includes pre-season and post-season exposure. When [an employee]a player, coach, manager or sports official works for two or more teams in the same sport during the [season]policy year, the maximum shall be pro-rated.

The remuneration of an individual [employee]player, coach, manager or sports official is subject to a minimum of \$500 per [season or]policy year, including board and lodging.

OPERATIONS ALSO INCLUDED:

1. Game staff (bench or dugout) providing water or equipment to the players.

CHANGES (continued)

OPERATIONS NOT INCLUDED:

1. Assign Code 951 to separate scouting staff.
2. Assign Code 953 to separate clerical office staff.
3. Assign Code 969 to non-bench or non-dugout game staff, including but not necessarily limited to: cheerleaders, dancers, mascots, persons mingling with the fans to rally support and/or distribute t-shirts and persons videotaping fan reactions or the game when the sport is played in an outdoor stadium.
4. Assign Code 971 to non-bench or non-dugout game staff, including but not necessarily limited to: cheerleaders, dancers, mascots, persons mingling with fans to rally support and/or distribute free t-shirts and persons videotaping fan reaction or the game when the sport is played in an indoor arena.
5. Assign Code 969 to separate staff operating/maintaining the outdoor stadium.
6. Assign Code 971 to separate staff operating/maintaining the indoor arena.

- 980 CITY, TOWNSHIP, Borough or County** – all employees[, excluding only the following which must be separately classified as provided in this Manual: Auxiliary Police, Golf Courses, Health Clubs, Housing Authorities, Municipal Authorities, Nursing Homes, Salaried Police Officers or Firefighters, Volunteer Ambulance Corps, Volunteer Fire Cos., Volunteer Hazardous Materials Response Teams, Workfare Program Employees, Museums, Public Libraries or Clerical Office. Inspectors shall be assigned to Code 951].

For political subdivisions of the Commonwealth of Pennsylvania.

OPERATIONS NOT INCLUDED:

1. Assign Code 884 to Health Clubs.
2. Assign Code 887 to Museums.
3. Assign Code 890 to Public Libraries.
4. Assign Code 944 to Golf Courses.
5. Assign Code 951 to Inspectors.
6. Assign Code 982 to Workfare Program Employees.
7. Assign Code 983 to Housing Authorities.
8. Assign Code 985 to Auxiliary Police, Guards at Correctional Institutions, Prisons or Prison Farms and Salaried Police Officers or Firefighters.
9. Assign Code 993 to Volunteer Ambulance Corps.
10. Assign Code 994 to Volunteer Fire Companies.
11. Assign Code 996 to Volunteer Hazardous Materials Response Teams.
12. Assign the applicable nursing home classification to nursing homes.
13. Assign the applicable field of business classification to municipal authorities based upon each authority's principal operation (e.g., Code 753 to a sewage disposal plant authority).

- 981 SLOT MACHINE GAMBLING** – all employees including office.

[For]Includes all personnel [in]of the licensed slot machine gambling facility [including but not necessarily limited to: floor attendants, vault cashiers, merchandising clerks guest service representatives, service technicians, parking valets, money counters and clerical office].

CHANGES (continued)

A licensed slot machine facility is defined to include the gaming floor, all restricted areas servicing slots operations, and food, beverage and retail outlets, and other areas serving the gaming floor which are located on or are directly accessible from and adjacent to the gaming floor or the restricted areas servicing slots operations.

OPERATIONS NOT INCLUDED:

As provided for in this Manual separately classify:

1. Areas or amenities exclusive to horse racing including pari-mutuel wagering
2. Hotel operations
3. Retail merchandise facilities, food and beverage outlets and other amenities or activities not located on or adjacent to the gaming floor, or related to slot machine gambling operations

983 HOUSING AUTHORITY – including resident or on-site managers

[New construction, alterations or demolition work shall be separately rated.

Workfare Program Employees shall be separately classified as provided for in this Manual.]

OPERATIONS NOT INCLUDED:

1. Separately rate to the applicable construction classification(s) new construction, alterations or demolition as provided in this Manual.
2. Assign Code 982 to Workfare Program Employees.

984 INSURANCE COMPANY – all employees including office

[An establishment]A business chartered under state law that undertakes to indemnify for losses pursuant to a written contract of insurance and to perform other insurance related operations. Such business is also licensed by the Pennsylvania Insurance Department as an insurance company.

[Any contractor providing a service(s) to an insurance company including but not necessarily limited to independent insurance agents, consulting actuarial firms, advisory rating organizations or establishments engaged in premium auditing or performing the adjusting or administration of insurance claims shall be separately classified as provided for in this Manual.]

OPERATIONS NOT INCLUDED:

As provided for in this Manual, separately classify any contractor providing a service(s) to an insurance company. Such businesses may include but are not necessarily limited to the types of businesses listed below:

1. Independent insurance agents
2. Consulting actuarial firms
3. Advisory rating organizations
4. Independent auditing firms
5. Independent claim adjusting firms
6. Third party claims administrators

CHANGES (continued)

995 RUBBISH OR GARBAGE REMOVAL

[Also includes but is not necessarily limited to environmental cleanup services, sewer or water main cleaning by hydraulic method, street sweeping or tank cleaning – including bulk storage type.

Collection and sorting of recyclables (e.g., newspapers, beverage cans, glass or plastic bottles) by a separate staff (with sorting in a physically separate work area) shall be assigned to Code 862.]

OPERATIONS ALSO INCLUDED:

Code 995 also includes but is not necessarily limited to businesses performing:

1. Environmental cleanup services
2. Sewer or water main cleaning by hydraulic method
3. Street sweeping
4. Cleaning of permanently-sited tanks including the bulk storage type
5. Debris box rental/service or dumpster rental/service

OPERATIONS NOT INCLUDED:

1. Assign Code 862 to the collection and sorting of recyclables (e.g., newspapers, beverage cans, glass or plastic bottles) by separate collection and sorting staff(s) with the sorting taking place in a physically-separate work area.

UNDERWRITING GUIDE

Changes to 995:

Cleaning Permanently-Sited Tanks Or Railroad Tank Cars – By Contractor

Debris Box Rental/Service

Tank Cleaning – Permanently Sited - Including Bulk Storage Type By Contractor

0006 FIELD CROP or VEGETABLE FARM – the raising of all field crops or vegetables or [the] general farms which carry on a variety of operations.

[Separately staffed food processing operations shall be assigned to Code 113.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 113 to separately-staffed food processing operations.
2. Assign the appropriate inside domestic workers classification to inside domestic workers.

0008 MUSHROOM RAISING

Applies to businesses for compost.

[Separately staffed mushroom canning operations shall be assigned to Code 113.]

OPERATIONS NOT INCLUDED:

1. Assign Code 113 to separately-staffed mushroom canning operations.

CHANGES (continued)

0011 FLOWER RAISING

Applicable only..... living plants.

[A store or outlet at the same or contiguous location may be separately classified by Code 919 provided the store or outlet is separately staffed and is located in a physically separate area or department.]

OPERATIONS NOT INCLUDED:

1. Assign Code 919 to separate staff in a physically-separate store or outlet at the same or contiguous location to the flower raising.

0016 ORCHARD – the raising of fruit or nut trees or of berries or grapes.

[Payroll developed in making wine, apple juice, or similar products shall be assigned to Code 113 if conducted by a separate crew.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 113 to separately-staffed wine, apple juice, or similar products manufacturing.
2. Assign inside domestic workers to the appropriate inside domestic workers classification.

0034 ANIMAL RAISING – egg production, fish hatcheries, hogs, poultry or calf raising for veal.

[Farms raising fur bearing animals shall be classified by Code 0170. Separately staffed poultry dressing operations shall be assigned to Code 865. Separately staffed hog or calf dressing operations shall be assigned to Code 111.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 0170 to farms raising fur bearing animals.
2. Assign Code 111 to separately-staffed hog or calf dressing operations.
3. Assign Code 865 to separately-staffed poultry dressing operations.
4. Assign inside domestic workers to the appropriate inside domestic workers classification.

CHANGES (continued)

0036 DAIRY FARM – Farms engaged in the production of milk and other dairy products.

[Separately staffed milk processing plant operations shall be assigned to Code 109.

Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign Code 109 to separately-staffed milk plant processing operations.
2. Assign inside domestic workers to the appropriate inside domestic workers classification.

0083 LIVESTOCK (excluding dairy or horse) **FARM** – includes but is not necessarily limited to the raising of cattle, sheep or goats in fields/pastures.

[Inservants shall be separately classified.]

OPERATIONS NOT INCLUDED:

1. Assign inside domestic workers to the appropriate inside domestic workers classification.

GENERAL AUDITING & CLASSIFICATION INFORMATION

ADDITIONS

CLASSIFICATION AND TEST AUDIT INQUIRIES

Written classification inquiries may be submitted to the Classification & Field Operations Department of the Pennsylvania Compensation Rating Bureau (PCRB) in one of the following methods: via facsimile, USPS, or via the PCRB's website (www.pcrb.com). For the last method please click on "Classification" on the website's main menu and then click on "Classification Inquiries."

For the Classification & Field Operations Department of the PCRB to operate effectively, it is important that the PCRB have the full cooperation of every carrier, agent and employer in providing the essential information that the PCRB needs to make classification rulings and to otherwise be of service to you.

The information the Classification & Field Operations Department needs to properly respond to inquiries from carriers, agents or employers on classification questions is:

- A complete listing of all Pennsylvania operating locations
- The exact name (as shown in Item 1 of the policy) and address of the business in question
- The Bureau file number (if available) of the business in question (see Rating and Underwriting Reference via the Application Login or "Classification inquiries")

ADDITIONS (continued)

- A full and accurate written description of the business in question, including any available audits, loss control reports and/or insurance application information.
- Reason why a change in classification is being requested, i.e., has a substantial change in the employer's operations recently occurred?
- The name, title and telephone number of a management representative whom a PCRB field representative can contact to schedule an appointment with the employer (in the event that a field survey is necessary)
- Employer's website address

If a carrier or agent is requesting a classification review in conjunction with a policy audit, the audit worksheets for the policy(ies) in question should accompany the request and, if applicable, the name(s) and a detailed job description of the employee(s) whose payroll allocation is being questioned. Please note the importance of this item, since a considerable amount of time would be saved by the PCRB not having to ask for this information by return correspondence. Also note that it is not the PCRB's role to become involved in every dispute involving the allocation of a particular employee's payroll to a given classification. Allocations of payroll are made by the carrier. Since the PCRB did not perform the audit, the PCRB does not normally have the relevant facts on which to base an opinion or render a decision. Issues/ disputes of this kind should initially be referred to the carrier's regional audit manager for resolution.

Upon receipt of the written inquiry the PCRB will determine whether the information presented is sufficient to determine the employer's applicable classification. In those cases where the information provided is insufficient, the PCRB will usually schedule the employer for a field survey/special audit or issue a "Description of Operations Questionnaire." Following the field survey/special audit or receipt of the completed questionnaire, the PCRB will issue a written ruling on the matter that will be communicated to authorized parties. These decisions are subject to further review as delineated in the "Appeals from Application of the Rating System Procedure" – Section 1, Rule XVI.

With respect to telephone requests, an official binding PCRB decision on classification/audit matters cannot be provided over the telephone. However, the PCRB will offer opinions as requested. To that end a carrier, agent or employer who telephone the PCRB on a classification/audit question should:

- Identify himself/herself and indicate the firm he/she represents;
- Give the name, address and PCRB file number (if available) of the employer in question;
- Be knowledgeable of the facts surrounding the situation and prepared to provide specific responses to any questions asked.

ADDITIONS (continued)

Please remember the PCRB is in a position to reply only to an employer relative to its account, the authorized agent or carrier-of-record or another representative of the employer (providing the PCRB has received a signed, recently-dated letter on the employer's letterhead authorizing the representative to act on the employer's behalf in the matter at issue).

SNOW PLOWING AND/OR REMOVAL

Assign the employer's governing classification to payroll developed in snow plowing and/or removal for unrelated concerns.

CHANGE

WHOLESALE/RETAIL MAIL ORDER HOUSE OR INTERNET SALES – DEFINITIONS

Wholesale

For the purposes of for fulfillment.

Mail Order House Or Internet Sales

An enterprise principally (more than 50 percent of the gross receipts) engaged in selling by mail order or by telephone by means of a catalogue mailed to customers and/or Internet website shall be assigned to the appropriate wholesale store classification for the commodities handled, except for mail order pharmacies filling individual patient drug prescriptions which shall be assigned to Code 927. Mail, telephone order or Internet sales by a manufacturer or incidental to a retail store business shall be classified in accordance with the class or classes appropriate to the business of the employer.

Retail

For the purposes ofclassification assignment).



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DATE: June 12, 2009

RE: Audit Committee Proposed Manual Language Revisions
Sections 1 and 2

The proposals outlined below were discussed and proposed by the PCRB Audit Committee to become effective upon new and renewal policies of October 1, 2009 and later.

The proposed Section 1 revision modified how to set the dollar amount of an employee’s expense reimbursements that may be excluded from a premium audit. Presently, Rule V – Premium Basis, Paragraph F., 1. c. refers to approximations of the employee’s expenses pursuant to Internal Revenue Service published per diem guidelines. The Committee recommends that this be revised to state the amount of each expense reimbursement reflects the actual expenses incurred by the employee in the conduct of his/her work.

The proposed Section 2 revision adds information on “per diems” to the General Auditing & Classification Information section.

The proposed Manual changes are shown below with new wording underlined and deleted wording bracketed:

CHANGES

SECTION 1

RULE V – PREMIUM BASIS

F. BASIS OF PREMIUM Additional Information

1. Employee Expense Reimbursements

Reimbursement expenses records of the employer, and

c. The amount of each expense reimbursement [~~approximates~~]reflects the actual expenses incurred by the employee in the conduct of his or her work [(IRS published per diem guidelines may be viewed as approximating actual expenses)].

SECTION 2

GENERAL AUDITING & CLASSIFICATION INFORMATION:

PER DIEMS

The treatment of per diem payments as employee expense reimbursements was presented to the Bureau for review. The employer in question was a trucking company. Their drivers received a per diem payment for lodging, meals, hotel and other traveling expenses (M&IE) incurred while they travel away from home on company business.

The M&IE rates for travel away from home are applicable for self-employed persons and for transportation workers. An individual is considered to be a transportation worker only if the individual's work (1) directly involves moving people or goods by airplane, barge, bus, ship, train or truck, and (2) regularly requires travel away from home to localities with differing M&IE rates during a single trip.

A taxpayer must substantiate the amount, time, place and business purpose of expenses paid or incurred in traveling away from home. The IRS has provided per diem allowances below which the amount of away-from-home meals and incidental expenses may be deemed to be substantiated. These per diem allowances eliminate the need for substantiating actual costs below the specified amounts.

The arrangement under which an employer reimburses business expenses incurred by employees is either an "accountable" plan or a "non-accountable" plan. Amounts paid under an accountable plan are deductible by the employer and not reported as income to the employee. Amounts paid under a non-accountable plan are deductible by the employer as compensation reportable on the employee's Form W-2 and subject to withholding requirements.

For transportation workers reimbursed for expenses on a per diem basis, IRS published per diem guidelines may be considered as a maximum allowance for actual expenses subject to carrier review and acceptance. The amount of per diems that can be excluded from the basis of remuneration is subject to insurance carrier review and determination.