



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

August 29, 2017

VIA SERFF

The Honorable Jessica Altman
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg PA 17120

Attention: Michael McKinney, Actuarial Supervisor, Property & Casualty Bureau

**RE: PCRB Filing No. 287 – Proposed Effective April 1, 2018
Proposed Classification Procedural Change: Classification Applicable to Ronald
McDonald Houses or Similarly Situated Employers**

Dear Commissioner Altman:

Resulting from a staff review and on behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB), we hereby submit this filing proposing a revision to an existing PCRB classification procedure as set forth in the PCRB Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers Compensation and Employers Liability Insurance (Basic Manual). This revision is proposed to be effective for policies issued on or after 12:01 a.m., April 1, 2018. This proposed effective date is intended to make implementation of this change concurrent with PCRB's normal annual loss cost revision filing, which will be filed separately at a later date. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems. This approach traditionally allows changes of this nature to occur once annually.

This filing proposes that Ronald McDonald Houses and similarly situated employers in Pennsylvania be reclassified from Code 880, Apartment House or Condominium Complex Operation, to Code 973, Hotel. Staff's memorandum dated June 1, 2017 is included within this filing. The memorandum provides a detailed explanation and reasoning for the proposed classification procedural change and the concurrent revisions to the Basic Manual language. This proposal was disseminated to the Classification and Rating Committee and discussed during the Committee's June 21, 2017 meeting. Staff has identified five employers that will be impacted by this change.

Thank you for your prompt attention and review of this filing. The PCRB will be pleased to answer any questions that you or the Insurance Department staff may have regarding this proposal.

Sincerely,

William V. Taylor
President

Enclosure: Revisions to Section 2



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TO: Pennsylvania Compensation Rating Bureau (PCRB)
Classification and Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: June 1, 2017

RE: Proposed Section 2 Classification Procedural Revision

This memorandum will propose one revision to classification procedure. PCRB recommends that this revision become effective 12:01 a.m., April 1, 2018. This revision will not impact any classification's loss cost rating value.

CLASSIFICATION APPLICABLE TO A RONALD MCDONALD HOUSE OR SIMILARLY SITUATED EMPLOYER

A Ronald McDonald House or similarly situated employer is presently classified to Code 880, Apartment House or Condominium Complex Operation. Code 880 became a PCRB classification effective 12:01 a.m., October 1, 2002 for new and renewal business. A Code 880 "Ronald McDonald House Operation" Underwriting Guide entry was added to the Pennsylvania Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers' Compensation and For Employers Liability Insurance (Basic Manual) effective 12:01 a.m., October 1, 2006.

The review of the classification applicable to a Ronald McDonald House was prompted by an informal appeal submitted to the Delaware Compensation Rating Bureau, Inc. (DCRB) by the agent for Ronald McDonald House of Delaware, Inc. The agent stated in the informal appeal that while Ronald McDonald Houses are classified to Code 880 "...the exposure at a Ronald McDonald House is not similar to apartment houses..."

Staff surveyed the operations of Ronald McDonald House of Delaware, Inc. as a result of the agent's informal appeal. Information developed in the course of the survey advises that the employer operates a facility providing temporary or short term (averaging around one week) lodging to families of seriously ill or injured children who are hospitalized. The employer's facility is adjacent to a children's hospital. The facility contains 50 bedrooms, with each room having a capacity of four people. Families check into the facility at a front desk. The families have access to laundry rooms and amenities including but not necessarily limited to: exercise facilities, play rooms for children and a movie theater. The employer operates an open kitchen where volunteers will prepare and serve meals to the families. The families also have the option to prepare their own meals. Families are not charged for the stay but are asked to make a donation of \$15 per night if they can afford it. The employer operates the only Ronald McDonald House in Delaware.

Staff concluded that a Ronald McDonald House is reasonably analogous to a hotel or motel. As with hotel or motel operations, a Ronald McDonald House's clients check in at a front desk, stay on a temporary or short term basis and do not sign a lease. By contrast, residents of an apartment building or condominium complex typically sign a lease or purchase the unit and occupy the facility on a long term or permanent basis. Staff opined that in the absence of a Ronald McDonald House, families would likely stay at a hotel or motel. DCRB therefore recommended that Ronald McDonald Houses and similarly situated employers be reclassified from Code 880 to Code 973, Hotel.

Staff's review shows that there are five employers on the PCRB's database that operate a total of 6 Ronald McDonald Houses in Pennsylvania. The information contained in each of those employer's PCRB files confirms that they operate in a manner similar to Ronald McDonald House of Delaware, Inc. as described above. Staff's research indicates that Ronald McDonald Houses throughout the country operate in a consistent manner. PCRB therefore also recommends that Pennsylvania Ronald McDonald Houses and similarly situated employers be reclassified from Code 880 to Code 973. The approved April 1, 2017 PCRB loss costs for Codes 973 and 880 are \$2.49 and \$4.57, respectively. On the basis of the approved April 1, 2017 PCRB loss costs, the reclassification of Ronald McDonald Houses from Code 880 to Code 973 represents a rating value decrease of 45.51%. While such decrease exceeds the approved April 1, 2017 maximum rating value decrease of 32% for an industry Group 3 classification, staff maintains that the inclusion of Ronald McDonald Houses in Code 880 is inappropriate and should not be continued.

Code 973 is designated all employees except office. This means that Code 951, Salesperson – Outside, may not be used in conjunction with Code 973. Payroll developed by the outside sales staff of an employer classified to Code 973 must be assigned to Code 973. Code 953, Office, may be used in conjunction with Code 973 and applied to office employees as defined in the Basic Manual. Both Codes 951 and 953 are available to an employer whose business is classified to Code 880. Thus, concurrent with the reclassification of the five above referenced employers from Code 880 to 973, authorization of Code 951 for those employers must be withdrawn. The effect that the reclassification from Code 880 to Code 973 and concurrent withdrawal of Code 951 will have on an individual employer's premium will depend upon how the employer's payroll is allocated among the currently authorized classifications of Codes 880, Code 951 and Code 953. The approved April 1, 2017 PCRB loss cost for Code 951 is \$0.24.

PROPOSED SECTION 2 MANUAL LANGUAGE REVISIONS FOR THIS ITEM:

Code 973, Hotel

Underwriting Guide:

Change to Code 973:

Ronald McDonald House Operation – ~~973880~~ [973](#)

General Auditing & Classification Information:

HOTEL OR MOTEL OPERATIONS

The two classifications applicable.....whichever has the higher value.

OPERATIONS ALSO INCLUDED:

No change to no. 1.

[2. Temporary or short term lodging facilities for families of seriously ill or injured children who are hospitalized \(e.g., a Ronald McDonald House\).](#)



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