



## 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 5, 2016

### **VIA SERFF**

The Honorable Theresa D. Miller  
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. 275 – Proposed Effective April 1, 2017  
Proposed Classification Change – Separate Homeowners Associations from  
Code 971, Commercial Buildings, Establish Code 888, Homeowners Association**

Dear Commissioner Miller:

Resulting from a staff review and on behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB), we hereby submit this filing regarding classification changes that would revise the scope of Code 971, Commercial Buildings, and establish Code 888, Homeowners Association as a new separate classification. These revisions are proposed to become effective 12:01 a.m., April 1, 2017 for new and renewal policies. This proposed effective date is intended to make the implementation of these changes concurrent with PCRB's normal annual loss cost filing revision, which will be made at a later date.

This filing, if approved, would affect loss costs for the employers that would be reassigned to the new Homeowners Association class. As a result, the PCRB's normal annual loss cost proposal preparations will anticipate and reflect these adjusted definitions and designations in the course of its work and ultimate submission. *Accordingly, if the adjudication of this filing cannot be accomplished by November 1, 2016, the PCRB may be required to withdraw or amend this filing, or will present alternative schedules of proposed loss costs and related values consistent with the approval or disapproval of this filing in the normal annual loss cost filing.*

A PCRB Homeowners Association Study Report dated June 6, 2016 is included in this filing. That memorandum describes the proposed classification changes, the concurrent changes to Manual language along with the reasoning and basis for the modifications. These changes were reviewed and accepted by the Classification and Rating Committee at their meeting held on June 22, 2016. Since the proposed classification change has a loss cost impact, the PCRB will proceed in notifying impacted insureds of this filing and the potential effect if these proposals are approved.

The Honorable Theresa D. Miller  
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To support and explain the details of this filing, enclosed are the following supporting documents:

- The Executive Summary of the Homeowners Association Classification Study Report dated June 6, 2016 presented and discussed June 22, 2016.
- The Homeowners Association Classification Study Report also dated June 6, 2016 presented and discussed June 22, 2016.
- The proposed Manual language revisions.
- Several historical experience exhibits separately showing the most recently available five-year experience of the Homeowners Associations and Mobile Home Parks and that Code 971 without those employers.

Thank you in advance for your prompt attention and review of this filing, particularly in light of the intended coordination of this submission with PCRB's next normal annual loss cost filing, as noted above. The PCRB will be pleased to answer any questions you or the Insurance Department staff may have regarding this proposal.

Sincerely,



William V. Taylor  
President

WVT/jf

Enclosures:

The Homeowners Association Class study Report of June 6, 2016  
Proposed Manual Language Revisions



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TO: Pennsylvania Compensation Rating Bureau Classification and Rating Committee

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

DATE: June 6, 2016

RE: Homeowners' Association Study

### Introduction

This Pennsylvania Compensation Rating Bureau (PCRB) staff review was undertaken to address the anomalous inclusion of Homeowners' Associations in Code 971, Commercial Buildings. The Code 971 Underwriting Guide is shown in Exhibit A attached. Code 971 is applied to employers principally engaged in the operation and/or contract management of buildings or properties used for commercial or industrial occupancy (e.g., office buildings and strip malls). Code 971 also includes commercial janitorial contractors and employers principally engaged in providing a specialty cleaning service including but not limited to: duct cleaning, floor waxing or polishing and the power washing of exterior walls or decks.

Code 971 also contemplates certain operations conducted by a Homeowners' Association. The current Pennsylvania Workers' Compensation Manual (Manual) Homeowners' Association entry states:

A Homeowners' Association is responsible for the care of residential or recreational home developments. Such developments may have part-time residents who use the development for vacation or recreational purposes and/or year-round residents. Assign Code 971 to the maintenance of common grounds (e.g., roads), and the operation and maintenance of recreational amenities (e.g., swimming pools, tennis courts and/or clubhouses) and security. Association operations conducted by separate employee crews including but not necessarily limited to: golf courses, stables, restaurants, sewage plant and water works shall be separately classified as provided for in this Manual.

Code 971 further includes an Underwriting Guide entry for "Mobile Home Park – Operation or Maintenance By Contractor (Not Recreational Vehicle Campground)." A mobile home is a prefabricated structure, built in a factory on a permanently-attached chassis and may be used as a permanent home or for temporary accommodation. They are often left permanently in one place but can be moved. A mobile home park operator will provide lots for mobile homes for a fee, utility hookups and maintenance of common areas. Homeowners' Associations and Mobile Home Parks are the only Code 971 classification assignments that describe residential property management businesses. All other types of property management businesses classified to Code 971 are for commercial or industrial properties. Staff's analysis will include a review of the classification applicable to Mobile Home Parks.

PCRB has recently had discussions with a broker representing multiple condominium associations. Some of the condominium associations represented by the broker were classified to Code 971 while others were classified to Code 880, Apartment House or Condominium Complex Operation. The broker questioned the classification assignment of those condominium associations classified to Code 971 and opined that a residential condominium association should be classified to Code 880. The Code 880 Underwriting Guide is shown in Exhibit B attached. Each of the Code 880 Underwriting Guide entries applies to a type of residential property management operation. These discussions first led staff to review the matter and that review resulted in this report. Staff proposes to end the inclusion of Homeowners' Associations and Mobile Home Parks in a classification that otherwise applies to the management of commercial properties and to eliminate the inconsistent classification assignment of Homeowners' Associations.

## Background

The Uniform Planned Community Act (PCA), 68 Pa.C.S. §5101, et seq. pertains to “planned communities” and defines such term as:

Real estate with respect to which a person, by virtue of ownership of an interest in any portion of the real estate, is or may become obligated by covenant, easement or agreement imposed on the owner's interest to pay any amount for real property taxes, insurance, maintenance, repair, improvement, management, administration or regulation of any part of the real estate other than the portion or interest owned solely by the person. The term excludes a cooperative and a condominium, but a condominium or cooperative may be part of a planned community. For purposes of this definition, ‘ownership’ includes holding a leasehold interest of more than 20 years, including renewal options, in real estate. The term includes nonresidential campground communities.

Section 5301 of the PCA defines a “unit owners’ association” as an association consisting “...exclusively of all the unit owners or, following termination of the planned community, of all former unit owners entitled to distributions of proceeds under section 5218 (relating to easement to facilitate completion, conversion and expansion) or their heirs, successors or assigns.” Pursuant to section 5302 of the PCA, a “unit owners’ association” is empowered to “...Regulate the use, maintenance, repair, replacement and modification of common elements and make reasonable accommodations or permit reasonable modifications to be made to units, the common facilities, the controlled facilities or the common elements, to accommodate people with disabilities, as defined by prevailing Federal, State or local statute, regulations, code or ordinance, unit owners, residents, tenants or employees,” and “...Cause additional improvements to be made as a part of the common facilities and the controlled facilities.” The term “unit owner’s association” as used in the PCA may include properties used for commercial occupancy.

PCRB is limiting the term “homeowners’ association” to a “unit owners’ association” established for a residential development comprised of single family dwellings (e.g., detached houses or townhomes) such as a gated community or a planned community. A gated community is a type of residential community or housing estate with controlled entrances for pedestrians, bicycles and automobiles, commonly enclosed by a perimeter of walls or fences and typically consists of small residential streets and may include various shared amenities (e.g., parks). A planned community is a residential district that was carefully planned from its inception and is typically constructed in a previously undeveloped area. A planned community may be developed for a particular class of resident (e.g., 55 and older).

## Class History

Code 971 is an original Pennsylvania classification that was created with the inception of the uniform classification plan effective for policies with normal anniversaries of December 31, 1922 and later. The PCRB previously studied Code 971 and presented the results of that study to the Pennsylvania Compensation Rating Bureau Classification and Rating Committee (Committee) in a report dated March 8, 2002. Staff had received negative public comment regarding certain elements of PCRB Filing No. 197 (April 11, 2000), which in part proposed that a new, separate Insurance Company classification be created and that Code 972, which at that time was titled “Janitor Contractors,” be discontinued and that the operations formerly contemplated by Code 972 be merged into Code 971.<sup>1</sup> The negative public comment was made primarily by employers operating apartment houses or condominium complexes and focused on the proposed merger of Code 972 into Code 971. In preparing the PCRB’s written replies to individual employer comments regarding PCRB Filing No. 197’s Code 971 proposals, staff reviewed the Code 971 Underwriting Guide entries and concluded that the scope of Code 971 was overly broad. This conclusion as well as the Pennsylvania Insurance Commissioner’s (Commissioner) adjudication of Filing

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<sup>1</sup> Code 972 is currently the classification code for “Attendant Care Services.” Code 972, Attendant Care Services, was created for new and renewal business as of April 1, 2013 and later and has no relation to the former Code 972, Janitor Contractors, other than the use of the same classification code number.

No. 197, which disapproved the proposed merger of Code 972 into Code 971, prompted staff to study Code 971. Pursuant to the study results, staff recommended that a new and separate classification be created for employers principally engaged in the operation of apartment houses and/or condominium complexes (Code 880), that a new and separate classification be created for employers principally engaged in providing residential cleaning services (Code 882, Residential Interior Cleaning Services, By Contractor) and that Code 972 be discontinued and the operations formerly classified to Code 972 be merged into Code 971. The Commissioner approved the PCRB's Code 971 study proposals effective upon new and renewal business as of October 1, 2002 and later. Since that time, staff has periodically submitted Housekeeping Revisions to clarify the scope of Code 971.

### **Classification Procedure in Other Jurisdictions**

Staff reviewed the classification procedure for Homeowners' Associations and Mobile Home Parks in states under the jurisdiction of the National Council on Compensation Insurance, Inc. (NCCI) and in the independent Bureau states of California and New York. Staff's review shows that only the Workers' Compensation Insurance Rating Bureau of California (WCIRB) has a separate Homeowners' Association classification – California Code 9066, Homeowners' Association – Not Building Operation. The NCCI classifies the management of a residential community to NCCI Code 9015, Building or Property Management – All Other Employees, which contemplates operations classified in Pennsylvania to PCRB Codes 971, 880 or 978, Camps, Summer or Winter. The New York Compensation Insurance Rating Board (NYCIRB) Manual for Workers' Compensation & Employers Liability Insurance is silent on classification procedure for Homeowners' Associations in New York. Staff was advised in response to inquiries submitted to the NYCIRB that Homeowners' Associations in New York would be classified to NYCIRB Code 9028, Building Operation, N.O.C. – Dwelling or Combined Dwelling and Commercial Occupancy, which is partially equivalent to PCRB Code 880.

The NCCI includes Mobile Home Parks in Code 9015. The NYCIRB classifies Mobile Home Parks to NYCIRB Code 9029, Building N.O.C. – Maintenance or Ordinary Repair Only – Not Contractors, which contemplates operations classified in Pennsylvania to PCRB Codes 971 and 978. The WCIRB has a separate Mobile Home Park classification – Code 9010, Mobile Home Park Operation – All Other Employees – Including On-Site Managers, Resident Employees and Resident Clerical Employees.

### **Historical Experience Exhibits and Statistical Analysis**

Staff created historical experience exhibits for the Homeowners' Association study. The historical experience exhibits were developed on the basis of the PCRB's approved April 1, 2016 comprehensive rating values revision as approved by the Commissioner. The indicated loss cost values found at the bottom of the exhibits have not been loaded for the revenue neutral plans (Merit Rating and the Certified Safety Committee Credit Program) that are a part of approved PCRB loss cost values. Only those historical experience exhibits cited in the report are attached. The report notes that PCRB's actuarial staff found the historical exhibit created for the Homeowners' Associations and Mobile Home Park groups to have low credibility.

PCRB classification studies also typically include statistical testing. 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. For this study, t-tests were run for reported pure premium, claim frequency (per million dollars of payroll) and claim severity (excluding medical only). However, due to the low credibility of the historical exhibit created for Homeowners' Associations and Mobile Home Parks, staff is not incorporating the t-test results into this analysis. Staff has found that t-test results involving low credibility classifications or low credibility historical experience exhibits typically suggest that PCRB take no action, regardless of underwriting or other considerations. The t-test results therefore will not be included in the report.

### Classification Applicable to Homeowners' Associations and Mobile Home Parks

Staff relied upon the file by file review conducted for the previous Code 971 study for this analysis. That review showed that there were 121 employers in the Homeowners' Association Code 971 Study Group and 154 employers in the Mobile Home Park Code 971 Study Group. The previous Code 971 study did not review the feasibility of reclassifying the employers in the Homeowners' Association and Mobile Home Park Study Groups from Code 971 to another existing classification or to a new and separate classification. The report reiterates that these two study groups contain the only Code 971 employers engaged in the operation and/or management of residential properties. Staff created an historical exhibit combining the Homeowners' Association and Mobile Home Park groups and will use that combined historical experience exhibit to determine the classification applicable to the employers in the two groups. The following historical experience exhibits are discussed in the report:

Exhibit No.	Exhibit Title
1	Homeowners' Association and Mobile Home Park
2	April 1, 2016 Code 971 Class Book Page Minus Homeowners' Association and Mobile Home Park
3	April 1, 2016 Code 880 Class Book Page

Staff compared the historical experience of Exhibit 3 to the historical experience of Exhibit 4 (the April 1, 2016 Code 971 Class Book Page minus the Homeowners' Association and Mobile Home Park groups). The historical experience comparison is summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post Test)
1	\$1.983	\$1.776	\$2.087
2	\$2.585	\$2.571	\$3.021

Staff recommends that the inclusion of Homeowners' Associations and Mobile Home Parks in Code 971 be discontinued. The object of the classification procedure is to assign the single classification that best describes an employer's field of business. Each basic classification represents a grouping of similarly operating businesses. The businesses included in the Homeowners' Associations and Mobile Home Parks group are not similar to the remaining businesses classified to Code 971. Staff's position is that all types of residential property management businesses, including but not limited to a unit owners' association for a development, which comprises of detached dwellings or town homes, a unit owners' association for a building or buildings with multiple living units and a mobile home park, should be assigned to the same classification. The report has noted that Code 880 is applicable to an employer principally engaged in operating an apartment house, condominium complex or cooperative building used for residential occupancy. The businesses classified to the Homeowners' Associations and Mobile Home Parks study group are analogous to the businesses classified to Code 880 in that all of the businesses conduct a type of residential property management. Staff therefore considered the feasibility of reclassifying the employers in the Homeowners' Associations and Mobile Home Park groups from Code 971 to Code 880. A comparison of the historical experience of Exhibit 1 and Exhibit 3 (the April 1, 2016 Code 880 Class Book Page) is shown in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post Test)
1	\$1.983	\$1.776	\$2.087
3	\$4.027	\$4.258	\$5.004

The April 1, 2016 Code 971 PCRB loss cost is \$2.98. The April 1, 2016 Code 880 PCRB loss cost is \$4.77. The reclassification of employers in the Homeowners' Association and Mobile Home Park groups from Code 971 to Code 880 represents a rating value increase of 60.07%. This exceeds the April 1, 2016 maximum permissible rating value increase of 24% for an industry group 3 classification. Reclassifying the employers in the Homeowners' Association and Mobile Home Park groups from Code 971 to Code 880 therefore is not feasible at this time. Staff recommends that the employers in the Homeowners' Association and Mobile Home Park Groups be reclassified from Code 971 to the new and separate classification Code 888, Homeowners' Association, effective for new and renewal business as of April 1, 2017 and later. Code 888 will be an "interim" classification. The "interim" classification procedure was developed to address situations where staff's underwriting analysis shows that the groups under study conduct business operations analogous to those contemplated by another existing PCRB classification, but where the PCRB may not propose that the employer groups be reclassified from their current classification to the analogous classification because the difference between the rating values of the existing classification and the analogous classification exceed the maximum permissible rating value increase or decrease. Contingent upon the Department's approval of the report's recommendation, staff intends to propose maximum permissible rating value increases for Code 888 concurrent with subsequent PCRB annual comprehensive loss cost filings. At such time when the rating values for the two classifications become sufficiently similar, PCRB is favorably inclined towards consolidation of Code 888 and Code 880.

As noted earlier, the projected loss cost values for the proposed new classification Code 888 and the revised Code 971 are based upon the approved April 1, 2016 loss cost filing. Those projected loss cost values are provided for information purposes only. The proposed loss cost values for the new classification Code 888 and the revised Code 971 will be incorporated into the PCRB's forthcoming April 1, 2017 comprehensive loss cost filing. The final proposed loss cost values to be included in the PCRB's April 1, 2017 loss cost filing may differ from the projected loss cost values provided in this report.

The proposed enabling Sections 2 Manual language amendments for the classification proposal are attached for the Committee's review. PCRB will notify all employers in the Homeowners' Association and Mobile Home Park groups of the proposed reclassification of such employers from Code 971 to Code 888 when the classification filing is made. In the event of the Commissioner's approval of the classification filing, the carrier of record for each employer impacted by this revision will be notified of their insured's classification reassignment and a copy of that notice will be provided to the employer. The employer's loss and payroll history will also be reassigned from Code 971 to Code 888, and the employer's experience rating modification (if applicable) on or after April 1, 2017 will be recalculated on the basis of the loss and payroll reassignment.

#### Attachments.

c: Bill Taylor  
Vince Dean  
Joe Lombo



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TO: Pennsylvania Compensation Rating Bureau Classification and Rating Committee

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

DATE: June 6, 2016

RE: **Executive Summary** – Classification Study Report – Homeowners' Association

The PCRB has completed a study of the classification applicable to Homeowners' Associations and Mobile Home Parks. The study was undertaken to address the anomalous inclusion of such employers in Code 971, Commercial Buildings. Code 971 is applied to employers principally engaged in the operation and/or contract management of buildings or properties used for commercial or industrial occupancy (e.g., office buildings and strip malls). Homeowners' Associations and Mobile Home Parks are the only types of residential property management operations classified to Code 971. The classification applicable to Homeowners' Associations and Mobile Home Parks was not addressed in the PCRB's previous study of Code 971, the results of which were presented to the Committee in a report dated March 8, 2002.

Staff determined that the assignment of Code 971 to Homeowners' Associations and Mobile Home Parks should not be continued and considered reclassifying such employers from Code 971 to Code 880, Apartment House or Condominium Complex Operation. Code 880 is applied to employers principally engaged in the operation or contract management of residential properties. Staff concluded that this was not feasible at this time. The April 1, 2016 Code 971 PCRB loss cost is \$2.98. The April 1, 2016 Code 880 PCRB loss cost is \$4.77. The reclassification of employers in the Homeowners' Association and Mobile Home Park groups from Code 971 to Code 880 represents a rating value increase of 60.07%. This exceeds the April 1, 2016 maximum permissible rating value increase of 24% for an industry group 3 classification.

Staff recommends that employers in the Homeowners' Association and Mobile Home Park study groups be reclassified from Code 971 to the new and separate Code 888, Homeowners' Association, effective upon each individual employer's first normal policy anniversary on or after April 1, 2017. The projected loss cost values for the proposed new classification Code 888 and the revised Code 971 shown in the class study report are based upon the approved April 1, 2016 loss cost filing. Those projected loss cost values are provided for informational purposes only. The proposed loss cost values for the new classification Code 888 and the revised Code 971 will be incorporated into the PCRB's forthcoming April 1, 2017 comprehensive loss cost filing. The final proposed loss cost values to be included in the PCRB's April 1, 2017 loss cost filing may differ from the projected loss cost values provided in the report.

Code 888 will be an "interim" classification. The "interim" classification procedure was developed to address situations where staff's underwriting analysis shows that the groups under study conduct business operations analogous to those contemplated by another existing PCRB classification, but where the PCRB may not propose that the employer groups be reclassified from their current classification to the analogous classification because the difference between the rating values of the existing classification and the analogous classification exceed the maximum permissible rating value increase or decrease. Contingent upon the Department's approval of the PCRB's study recommendation, staff intends to propose maximum permissible rating value increases for Code 888 concurrent with subsequent PCRB annual comprehensive loss cost filings. At such time when the rating values for the two classifications become sufficiently similar, PCRB is favorably inclined towards consolidation of Code 888 and Code 880.

## SECTION 2

### ADDITIONS:

#### **888 HOMEOWNERS ASSOCIATION**

Applies to an association responsible for the governance of a residential planned community consisting of single family dwellings (e.g., detached houses or townhomes). Pursuant to Section 5302 of the Planned Community Act (PCA) of the Pennsylvania Code, an association is empowered to regulate the use, maintenance, repair and modification of the common elements of the community. Code 888 applies but is not necessarily limited to association staff performing lawn maintenance, maintenance and repair of common elements e.g., streets and roads, and the operation and maintenance of amenities for residents of the community e.g., swimming pools, tennis courts, health or fitness facilities, and community centers or clubhouses.

#### OPERATIONS ALSO INCLUDED:

1. Security of the planned community by the Homeowners Association staff.
2. The operation of a mobile home park.

#### OPERATIONS NOT INCLUDED:

1. Assign the applicable restaurant classification to payroll developed in a physically separated and separately staffed prepared food and/or beverage service.
2. Assign Code 944 to payroll developed in the operation of a separately staffed golf course.
3. Assign Code 753 to payroll developed in the operation of a separately staffed sewage disposal plant and/or water supply system.
4. Assign Code 801 to payroll developed in the operation of a separately staffed horse stable.
5. Assign Code 716 to payroll developed in the operation of a separately staffed marina (State Act coverage only).
6. Assign Code 880 to an employer principally engaged in the operation or contract management of a building or buildings with multiple living units such as an apartment house, condominium complex or cooperative building and to an association established for the residents of such building or buildings.

#### UNDERWRITING GUIDE:

Gated Community

Homeowners Association

Mobile Home Park

Residential Planned Community

Unit Owners Association (For a Residential Planned Community)

#### **Hazard Group C**

UNDERWRITING GUIDE ADDITION TO CODE 880:

Condominium Association

CHANGES:

**880, Apartment House or Condominium Complex Operation**

~~Applicable to an employer operating an apartment house or a condominium complex or for cooperative buildings used for residential occupancy.~~

Applies to an employer principally engaged in the operation or contract management of a building or buildings with multiple residential living units. Includes apartment houses, condominium complexes and cooperative buildings. A cooperative is a type of residential property where the resident owns shares in the corporation that owns the building and has the right to live in a specific unit but does not actually own the space.

OPERATIONS ALSO INCLUDED:

1. An association formed for residents of a building or buildings with multiple residential living units (e.g., a condominium association).

OPERATIONS NOT INCLUDED:

1. Assign Code 888 to an association responsible for the governance of a residential planned community consisting of single family dwellings. See Code 888 for further information.

DELETIONS:

Underwriting Guide Change to Code 971:

~~Mobile Home Park—Operation or Maintenance By Contractor (Not Recreational Vehicle Campground)~~

~~HOMEOWNERS ASSOCIATION. A Homeowners' Association is responsible for the care of residential or recreational developments... Association operations conducted by separate employee crews including but not necessarily limited to: golf courses, stables, restaurants, sewage plant and water works shall be separately classified as provided for in this Manual.~~

**EXHIBIT A  
CODE 971 UNDERWRITING GUIDE**

ARENA OPERATION – INDOOR – BY CONTRACTOR OR OWNER

BUILDING CLEANING – BY CONTRACTOR OR OWNER

CIVIC CENTER – OPERATION BY SPECIALIST CONTRACTOR

CLEANING OF GREASE EXHAUST, AIR CONDITIONING, HEATING AND VENTILATING DUCTS – BY SPECIALIST CONTRACTOR

CLEANING, SANITIZING OR DEODORIZING RESTROOMS – BY CONTRACTOR

COMMERCIAL OR INDUSTRIAL BUILDING OPERATION – BY OWNER, LESSEE OR REAL ESTATE MANAGEMENT FIRM

CONTRACTOR COMMERCIAL BUILDING CLEANING

DUCT CLEANING – GREASE EXHAUST, AIR CONDITIONING, HEATING, VENTILATING – BY SPECIALIST CONTRACTOR

EXTERMINATOR

FIRE, SMOKE AND/OR WATER DAMAGE CLEAN-UP – BY CONTRACTOR

FLEA MARKET OR SWAP MEET OPERATORS

FLOOR WAXING OR POLISHING – BY BUILDING OWNER, LESSEE, MANAGEMENT AGENCY OR CONTRACTOR

FUMIGATING – NOT AGRICULTURAL – BY CONTRACTOR

JANITOR SERVICE CONTRACTOR

KITCHEN EQUIPMENT EXHAUST DUCT CLEANING – BY SPECIALIST CONTRACTOR

MOBILE HOME PARK – OPERATION OR MAINTENANCE BY CONTRACTOR (NOT RECREATIONAL VEHICLE CAMPGROUND)

POST CONSTRUCTION CLEAN-UP – NEW HOMES – BY SPECIALIST CONTRACTOR

POWER WASHING OF EXTERIOR WALLS OF DECKS AT RESIDENTIAL OR COMMERCIAL SITES – BY CONTRACTOR

STORAGE – SELF-SERVICE

SWEEPING OF PARKING LOTS – SHOPPING AREAS AND SIMILAR AREAS, BY SPECIALIST CONTRACTOR

SWIMMING POOL CLEANING OR MAINTENANCE – BY SPECIALTY CONTRACTOR

SWIMMING POOL LINER INSTALLATION – VINYL, BY SWIMMING POOL MAINTENANCE CONTRACTOR

TERMITE CONTROL – BY CONTRACTOR

WAREHOUSE – STORAGE – SELF-SERVICE

WINDOW CLEANING CONTRACTOR

**EXHIBIT B**  
**CODE 880 UNDERWRITING GUIDE**

APARTMENT HOUSE OR CONDOMINIUM COMPLEX OPERATION

CONDOMINIUMS – INCLUDING RESIDENT OR ON-SITE MANAGER

COOPERATIVE BUILDING OPERATION – FOR RESIDENTIAL OCCUPANCY

PORTERS FOR CONDOMINIUMS

RESIDENTIAL HOUSE RENTAL

RONALD MCDONALD HOUSE OPERATION

EXHIBIT 1

HOMEOWNERS' ASSOCIATION AND MOBILE HOME PARK

CLASSIFICATION STUDY - PENNSYLVANIA INDUSTRY GROUP.

CLASS: 971

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
2008	25,398	920,508	3,624	1,254,155	68,430	0.5119	0	0	1	2	10	13
2009	24,605	494,489	2,010	600,332	35,167	0.5283	0	0	0	2	11	13
2010	24,835	452,487	1,822	545,431	17,160	0.6845	0	0	1	2	14	17
2011	25,953	234,782	0,905	280,340	14,921	0.4624	0	0	0	1	11	12
2012	26,679	426,060	1,597	727,725	38,392	0.3748	0	0	0	2	8	10
TOTAL	127,470	2,528,326	1,983	3,407,983	33,869	0.5099	0	0	2	9	54	65
O.D.	0	0	0.000									0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2008	0	0	26,753	392,779	41,192	30,916
2009	0	0	96,669	0	174,557	37,324
2010	0	0	59,272	0	14,533	160,768
2011	0	0	89,532	0	6,862	55,726
2012	0	0	36,416	0	72,277	42,137
TOTAL	0	0	308,642	424,614	309,421	326,871
O.D.						

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2008	0	0	33,682	700,104	51,243	28,505
2009	0	76	111,186	22,518	205,801	36,130
2010	20	2,844	65,179	79,146	18,796	154,498
2011	9	546	85,080	17,185	11,980	52,327
2012	110	4,563	37,664	10,492	84,530	40,241
TOTAL	139	8,029	332,791	1,001,308	372,350	311,701
O.D.						

TOTAL TRANSLATED LOSSES	SERIOUS	NON-SER	MED ONLY	TOTAL
IBNR + FREQ. ADJUSTMENT	1,551,291	1,544,991	311,701	
TOTAL LOSSES	(656,408)	(487,882)	1,001	
	894,883	1,057,109	312,702	
EXPECTED LOSSES CREDIBILITY	1,677,505	1,849,590	247,292	
	0.04	0.11	0.18	
PURE PREMIUMS				
INDICATED (PRE-TEST)	0.702	0.829	0.245	1.776
PRES. ON LOSS COST LEVEL	0.825	0.974	0.288	2.087
DERIVED BY FORMULA	1.300	1.433	0.192	2.925
UNDERLYING PRES. LOSS COST PROPOSED	1.281	1.383	0.209	2.873
	1.316	1.451	0.194	2.961
	1.281	1.383	0.209	2.873
YEAR	4-1-15	IND. LOSS COST =		2.813
IND. LOSS COST	2.81			
MAN. LOSS COST	2.96	ADJ. LOSS CO		2.81

APRIL 1, 2016 CODE 971 CLASS BOOK PAGE  
MINUS HOMEOWNER'S ASSOCIATION AND  
MOBILE HOME PARK

CLASSIFICATION STUDY - PENNSYLVANIA  
INDUSTRY GROUP: 3

CLASS: 971

Manual Year	Payroll in Thous.	Total Rept Losses	Pure Prem Reported	Total Trans Losses	Claim Severity	Claim Frequency	Death	P.T.			Temp	All
								Major	Minor	Temp		
2008	1,306,630	37,843,013	2,896	47,739,543	49,963	0.5396	2	1	59	152	491	705
2009	1,288,599	32,179,662	2,497	42,080,637	43,422	0.5316	4	0	44	162	475	685
2010	1,283,830	33,042,053	2,574	42,974,014	46,236	0.5203	1	1	38	166	462	668
2011	1,276,425	37,944,116	2,973	50,183,672	50,221	0.5523	0	0	40	158	507	705
2012	1,279,408	25,326,522	1,980	40,474,773	36,236	0.4909	0	0	9	78	541	628
TOTAL	6,434,892	166,335,366	2,585	223,452,639	45,419	0.5270	7	2	190	716	2476	3391
O.D.		0	0.000									0

REPORTED LOSSES

Manual Year	Death			P.T.			Temp			Medical		
	Major	Minor	Temp	Major	Minor	Temp	Major	Minor	Temp	Major	Minor	Temp
2008	133,150	450,284	0	900,000	4,747,807	3,451,648	4,308,505	2,619,090				
2009	787,708	0	22,929	0	2,761,122	4,429,485	3,932,948	2,435,616				
2010	0	63,529	917,138	1,951	4,421,229	4,060,398	4,210,155	2,156,521				
2011	0	0	0	0	6,301,097	4,661,891	5,557,451	2,538,054				
2012	0	0	0	0	2,363,583	2,025,802	7,726,567	2,570,184				
TOTAL	920,858	513,813	940,067	901,951	20,594,838	18,629,224	25,735,626	12,319,465				
O.D.												

TRANSLATED LOSSES

Manual Year	Death			P.T.			Temp			Medical		
	Major	Minor	Temp	Major	Minor	Temp	Major	Minor	Temp	Major	Minor	Temp
2008	141,139	234,130	0	650,844	9,928,949	4,293,850	5,450,259	2,414,801				
2009	1,103,218	93,407	74,265	138,508	7,244,401	5,292,562	4,636,813	2,357,676				
2010	1,736	301,690	887,395	169,889	9,592,115	4,638,088	4,786,842	2,072,417				
2011	1,851	305,649	2,269	453,224	12,178,251	4,451,314	5,862,106	2,383,233				
2012	4,242	303,405	5,908	484,999	8,853,596	3,222,403	5,392,724	2,454,526				
TOTAL	1,252,186	1,238,281	969,837	1,897,464	47,797,312	21,898,217	26,128,544	11,682,653				
O.D.												

TOTAL TRANSLATED LOSSES		SERIOUS		NON-SER		MED ONLY		TOTAL	
IBNR + FREQ. ADJUSTMENT	TOTAL LOSSES	106,312,323	(33,298,659)	73,013,664	80,678,580	11,731,603	48,950	11,682,653	24,779,083
84,683,179	84,683,179	93,370,283	0.57	1.00	12,483,690	1.00			
EXPECTED LOSSES CREDIBILITY									
PURE PREMIUMS									
INDICATED (PRE-TEST)									
PRES. ON LOSS COST LEVEL									
DERIVED BY FORMULA									
UNDERLYING PRES. LOSS COST PROPOSED									
YEAR		4-1-15			4-1-16				2.943
IND. LOSS COST		2.94			2.94				
MAN. LOSS COST		2.96			2.94				ADJ. LOSS CO 2.94

