

Calculation of Construction Credit - For Credits Effective Before 4/1/2014

The Class Codes, Wages and Hours Worked are provided on the application and shown below in columns A, B and C:

A	B	C	D	E	F	G	H
Class Codes from the App.	Hours Worked from the App.	Payroll from the App.	Manual Rate per Code	Calculated Manual Premium (C/100*D)	Calculated Hourly Rate for Approved Codes (C / B)	Credit % from the Table for Approved Codes (below)	Credit Amount (E * G)
3724	12,224	226,137	6.11	13,817	18.50	5%	691
5221	1,572	26,253	9.81	2,575	16.70	0%	0
5437	2,952	53,017	7.61	4,035	17.96	0%	0
5606	896	20,865	2.67	557	23.29	15%	84
8227	566	9,396	4.42	415	16.60	0%	0
8742	520	14,723	.33	49	-	-	-
8810	3,392	74,904	.18	135	-	-	-
TOTALS				21,583			775

Total Credit (H) = 775

Total Manual Premium (E) = 21,583

Total Credit (H) / Total Manual Premium (E) = 775 / 21583 = .0359 = 4%

	Policy Credit	=	4%
E *	= Total Expected Losses *	=	153,523
Ep *	= Expected Primary Losses *	=	28,408
Ex *	= Expected Excess *	=	125,115
W *	= Weighting Value *	=	.13
B *	= Ballast Value *	=	31,500

* = Values taken from either the Massachusetts or NCCI experience modification worksheet.

$$Z = (Ep + (W * Ex)) / (E + B)$$

$$= (28,408 + (.13 * 125,115)) / (153,523 + 31,500)$$

$$= (44,673) / (185,023)$$

$$= .24144$$

$$Z = 24\%$$

$$\text{Offset} = (Z * \text{Policy Credit})$$

$$\text{Offset} = .24 * .04 = .0096 = 1\%$$

$$\text{Net Credit} = \text{Policy Credit} - \text{Offset}$$

$$\text{Net Credit} = 4\% - 1\% = 3\%$$

The credit issued by the Bureau shall be applied by the carrier to Item 4 of the Information Page of the policy. The policy credit factor is to be applied to the premium determination process directly after the application of experience modification and prior to any premium discount. It is a component of Standard Premium.

Note:

As of 2/1/96, experience modifications are no longer revised to reflect the construction credit. Rather, if there is an issued experience modification, the credit itself is revised, or "offset", to reflect certain factors used in calculating the experience modification. Factors from the experience modification calculation are used in a formula which calculates a factor "Z", "Z" is multiplied by the policy credit (calculated above) to create the "offset", and then the offset is subtracted from the policy credit to calculate the Net (or final) Credit.

Prior to 2/1/96, the Credit Factor, once issued, was used to revise the Experience Modification and ARAP in the same file and with the same effective date. The Expected Losses and Primary Expected Losses would have each been decreased by the credit factor (in this case 4%), and the modification and ARAP would have been revised based on those decreased expected losses. This would, in most cases, cause increased experience ratings; however, the MCCPAP credit always, by design, outweighed the increase to the experience rating factors. The logic in increasing the ratings was that if the insured's wages were high enough to merit an MCCPAP credit, then the insured's expected losses, and therefore his modification, were also artificially inflated. So, by receiving a construction credit, the insured would be "double-dipping", or receiving two premium reductions for the same reason. The constant revisions to experience modifications were too labor intensive, so as of 2/1/96, the program was revised.

Construction Credit Percentages - For Credits Effective Before 4/1/2014

Average Hourly Wages	Credit%
17.99 or less	0%
18.00 to 18.50	5%
18.51 to 19.00	6%
19.01 to 19.50	7%
19.51 to 20.00	8%
20.01 to 20.50	9%
20.51 to 21.00	10%
21.01 to 21.50	11%
21.51 to 22.00	12%
22.01 to 22.50	13%
22.51 to 23.00	14%
23.01 to 23.50	15%
23.51 to 24.00	16%
24.01 to 24.50	17%
24.51 to 25.00	18%
25.01 to 25.50	19%
25.51 to 26.00	20%
26.01 to 26.50	21%
26.51 to 27.00	22%
27.01 to 27.50	23%
27.51 to 28.00	24%
28.01 and over	25%