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THE PEOPLE OF PUERTO RICO
OFFICE OF THE EXECUTIVE SECRETARY
San Juan, P. R.

Adm. Bull. EG 183

July 9, 1952

BY THE GOVERNOR OF PUERTO RICO
A PROCLAMATION

TO PRESCRIBE AMENDMENTS TO RULES VI AND XII OF
ADMINISTRATIVE BULLETIN NO. 947, WHICH PROVIDES
"RULES AND REGULATIONS GOVERNING THE EXPERIENCE
RATING OF THE STATE INSURANCE OF PUERTO RICO"

Rules VI and XII of Administrative Bulletin No. 947, which provides rules and regulations governing the experience rating of the State Insurance Fund, are hereby amended to read as follows:

"RULE VI"

DETERMINATION AND APPLICATION OF EXPERIENCE RATING
DEBITS AND EXPERIENCE RATING CREDITS

1. In the event the frequency and/or magnitude of the accidents suffered by the workmen or employees of a given employer are such that the total "incurred losses" exceed the "incurred loss allowance" as computed through the application of the "Basic Allowance Table", such insured employer's rate or rates shall be increased over and above the Manual rate or rates by a percentage equal to 30 per cent of the ratio which the difference between the total "incurred losses" and the "incurred loss allowance" bears to the "incurred loss allowance"; provided, however, that the above provisions shall not apply when such difference is less than FIFTY DOLLARS (50).

2. In the event the accident experience of a given insured employer is such that the total "incurred losses" do not exceed the "incurred loss allowance" as computed through the application of the "Basic Allowance Table" such insured employer's rate shall be reduced below the manual rate by a percentage equal to 30 per cent of the ratio which the difference between the total "incurred losses" and the "incurred loss allowance" bears to the "incurred loss allowance."

"RULE XII"

The following formulae are hereby established for computing the Experience Rating Debit or the Experience Rating Credit:

1--Formula "D"

For Experience Rating
Debit

$$IP \times A = IPA$$

$$\frac{C - IPA}{IPA} = R$$

$$R \times PC_d = RPC_d$$

$$RPC_d \times M = RPCM_d$$

2--Formula "C"

For Experience Rating
Credit

$$IP \times A = IPA$$

$$\frac{IPA - C}{IPA} = R$$

$$R \times PC_c = RPC_c$$

$$RPC_c \times M = RPCM_c$$

DEFINITIONS

- 1- IP -Total Earned Premium
- 2- A -Incurred Loss Allowance Factor
- 3- IPA -Incurred Loss Allowance
- 4- C -Incurred Losses
- 5- R -Ratio
- 6- M -Manual Rate
- 7- PC_d -Percentage Constant ^{DEBIT} 30%
- 8- PC_c -Percentage Constant ^{CREDIT} 30%
- 9- RPC_d -Experience Rating Debit %
- 10- RPC_c -Experience Rating Credit %
- 11- RPCM_d -Experience Rating Debit per \$100 Pay Roll
- 12- RPCM_c -Experience Rating Credit per \$100 Pay Roll

EXAMPLE

Computation of Formula "D"

Figuring experience rating debit applicable to employer "X"

Pay Roll	\$80,000
Premium	1,600
Incurred Losses	1,400
Manual Rate	2

Looking up the "Basic Allowance Table" will show that employer "X" with \$80,000 pay roll belong to the experience rating group marked "F" and that the incurred loss allowance factor .79 is in juxtaposition to group "F", therefore, .79 multiplied by the total earned premium (\$1,600) will give the allowance for incurred losses, that is \$1,264 (.79 X \$1,600 = \$1,264). If we deduct from the incurred losses (\$1,400) the amount of \$1,264 the difference, or \$136 is divided by \$1,264 in order to obtain the ratio, in this case equivalent to .11; the ratio (.11) multiplied by the percentage constant (30 per cent) will give .033 that is, the experience rating debit per cent applicable to the basic Manual rate. The basic Manual rate (\$2) multiplied by .033 will show the experience rating debit per \$100 pay roll, that is, .066. That is to say, employer "X" will have to pay a policy rate of \$2.066 (\$2 basic Manual rate plus 3.3 per cent experience rating debit).

$$\$1,600 (IP) \times .79 (A) = \$1,264.00 (IPA)$$

$$\frac{\$1,400.00 (C) - \$1,264.00 (IPA)}{\$1,264.00 (IPA)} = .11 (R) \text{ that is ,}$$

$$\frac{\$136}{\$1,264} = .11 (R)$$

$$.11 (R) \times .30 (PC_d) = .033 RPC_d$$

$$.33 (RPC_c) \times \$2.00 (M) = .066 (RPCM_d)$$

In figuring the experience rating credit of a given employer, the same principle established in computing formula "C" will prevail, with the exception that, contrary to formula "C", incurred losses are always less than the amount allowed to the employer to cover his losses (incurred loss allowance factor).

Promulgated in accordance with Sections 6, 23, 24 and 30 of the "Workmen's Accident Compensation Act," approved April 18, 1935, as subsequently amended, the foregoing Rules and Regulations Governing the Experience Rating Plan of the State Insurance Fund of Puerto Rico, prepared by the Manager of the State Insurance Fund and approved by the Governor of Puerto Rico by this proclamation, have the force of law.

IN WITNESS THEREOF, I have signed this proclamation and have affixed the Great Seal of Puerto Rico, in San Juan, this 9th day of July, 1952.

(SGD) LUIS MUÑOZ MARIN
Governor of Puerto Rico

Promulgated according to law
this 9th day of July, 1952.

(SGD.) NICOLAS ALMIROTY
Acting Executive Secretary
of Puerto Rico

