



Pennsylvania Compensation Rating Bureau

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December 19, 2018

PCRB CIRCULAR NO. 1715

To All Members of the PCRB:

Re: SUBMISSION OF APRIL 1, 2019 LOSS COST FILING

The PCRB submitted Filing No. C-374 (the Filing) to the Pennsylvania Insurance Department on December 17, 2018. The Filing proposes loss costs and related rating values with an overall average change of **-9.92 percent**, relative to the rating values proposed in Filing No. C-373, the Protz Adjustment Filing. The rating values contained in Filing No. C-373 reflects the impact of two filings that were effective January 1, 2019, Filing No. C-372, the Interim Loss Cost Filing, and Filing No. C-373.

Policies issued with effective dates on and after April 1, 2019 must be qualified as carrying tentative rates, and the Pending Rate Change Endorsement is to be used for this purpose. Note that such policies issued at current rates or on a “to-be-determined” basis must be endorsed subsequently with the new carrier rates.

In addition to April 1, 2019 loss costs and related rating values, the Filing also proposes a reduction in the Employer Assessment Factor from 0.0217 to 0.0183 effective April 1, 2019.

Overview

The analysis in the Filing is limited to a review of loss cost experience and PCRB rating values. It does not address questions of whether carrier rates and premiums are adequate or excessive or the extent to which carrier rates or premiums should be revised.

The indicated loss cost change is sensitive to the experience and parameters used in the analysis. In particular, methods to project losses to their estimated ultimate value and the values determined for claim frequency and claim severity have a significant impact on the final result. Loss costs are estimates of future costs. As such, the estimates developed in the Filing will likely differ from the actual costs that emerge over many years for the policy period that is the subject of the Filing.

Key Results	
Indicated Change	
Collectible Loss Costs	-9.92%
Manual Loss Costs before Offsets* and OSBA Assessment**	-9.85%
Manual Loss Costs after Offsets* and OSBA Assessment**	-9.91%
Loss Trend	
Claim Frequency Trend (including wage trend)	-6.31%
Indemnity Severity Trend	+2.26%
Medical Severity Trend	+2.95%
* Offsets for net Merit Rating Plan credits, Pennsylvania Construction Classification Premium Adjustment Program credits and offsets for Certified Safety Committee credits.	
** Assessment for the Office of the Small Business Advocate	

Filing Materials

The Filing is available on the PCRB website at www.pcrb.com in the "Filings" section. Members and other interested parties are encouraged to use the website to access all parts of the Filing. If a hard copy of the Filing is requested, the PCRB will provide a single copy per requesting entity (i.e., carrier group, consulting company, etc.), subject to the following considerations:

Price per copy: \$300 for PCRB members
 \$450 for non-members

All parties are advised that a request for a hard copy of the Filing will be held for up to two weeks to allow for an efficient process in producing the required copies.

Insurance Department Review of the Filing

The Insurance Department has assigned review of the Filing to Mr. Eric Zhou. Comments regarding the Filing should be submitted in writing to:

Mr. Eric Zhou
Actuarial Review Division
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120
(717) 783-0651
e-mail: gzhou@pa.gov

Carrier Filings

With respect to carrier filing procedures and requirements, the Insurance Department has provided the following statement for distribution to all PCRB members:

NO ACTION is required of carriers intending to apply their current loss cost multiplier to the PCRB's new loss costs. A carrier wishing to change its loss cost multiplier will be required to make a filing with the Department. Act 44 of 1993 requires all carriers to adopt PCRB loss costs upon approval by the Department. Otherwise, carriers must file their own loss costs which would be subject to prior approval.

Carriers wishing to clarify the status of their current multipliers or to confirm filing requirements applicable for the implementation of any specified schedule(s) of loss costs are encouraged to consult with the Insurance Department, by contacting:

Mr. Dennis Sloand
Actuarial Review Division
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120
(717) 214-1927
e-mail: desloand@pa.gov

Protz v. WCAB (Derry Area School District)

The Pennsylvania Supreme Court issued its decision in *Protz v. WCAB (Derry Area School District)* (the Protz decision) on June 20, 2017. As a result, Section 306(a.2) of the Workers Compensation Act was declared unconstitutional. This section contained the provisions for Impairment Rating Evaluations.

The PCRB has estimated that the decision will increase indemnity costs by 13.37%. The details of the PCRB's analysis are provided in Exhibit 35, and the result is incorporated in Exhibit 1.

House Bill 1840 of 2017

House Bill 1840 of 2017 (HB 1840), which became law on October 24, 2018, was enacted in response to the Protz decision. Additionally, the legislation increases burial benefits for claimants from \$3,000 to \$7,000.

The PCRB has estimated that the decision will decrease indemnity costs by 10.39%. The details of the PCRB's analysis are provided in Exhibit 36, and the result is incorporated in Exhibit 1.

Act 86 of 1986

Pennsylvania law requires a notice of increase in renewal premium for any policy of insurance not written on a retrospective rating plan and covering commercial property or casualty risks in Pennsylvania, with not less than 30 days' notice. Endorsement WC 37 06 03A should be used for purposes of providing the required notices to affected policyholders.

A table including loss costs from PCRB Filing No. C-373 effective January 1, 2019, and the percentage change in loss costs by risk classification is attached. All loss costs in the attached table include loss-based assessments, Merit Rating Plan credit offsets and proposed Certified Safety Committee credit offsets. Construction classification loss costs also include Pennsylvania Construction Classification Premium Adjustment Program (PCCPAP) loadings.

The April 1, 2019 proposed loss costs will be adjusted by individual carriers' loss cost multiplier(s) to determine rates and premiums. Further, carriers may base their rates on loss costs that differ from those approved pursuant to a PCRB filing(s) for some or all classifications. Therefore, it may not be appropriate to simply compare the January 1, 2019 and the PROPOSED April 1, 2019 loss costs in determining whether an Act 86 notice may be indicated.

In Closing

The PCRB will continue to work with the Pennsylvania Insurance Department for an expeditious review of the Filing and a timely determination of revisions in rating values effective April 1, 2019, and will keep all members informed about the status of this filing.

Questions concerning this filing should be directed to Ken Creighton, Chief Actuary, at kcreighton@pcrb.com or Peter Yoon, Director of Actuarial Research, at pyoon@pcrb.com.

William V. Taylor
President

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Attachment

Remember to visit our website at www.pcrb.com for more information about this and other topics.