

PENNSYLVANIA COMPENSATION RATING BUREAU

State and Hazard Group Relativities

The attached exhibit pages present an analysis of Pennsylvania State and Hazard Group relativities.

Page 1 shows the indicated State and Hazard Group Relativities for 7 Hazard Groups.

PENNSYLVANIA
 State and Hazard Group Relativities
 April 1, 2014 Filing

Calculation of PA Hazard Group Relativities.

Injury	(1) Incurred Losses	(2) # Claims	(3) Average Severity (1) / (2)	(4) NCCI Average Severity +	(5) Indicated Relativities (4T) / (3i)	(6) Adjusted Current Relativities Col(C) below	(7) Credibility ++	Credibility Weighted Relativities (5)*(7)+(6)*[1-(7)]
(i) Hazard Group A	283,216,403	7,065	40,087		1.40	1.52	0.2135	1.49
(ii) Hazard Group B	1,690,178,743	30,423	55,556		1.01	1.04	0.4430	1.03
(iii) Hazard Group C	3,130,503,273	53,248	58,791		0.95	0.94	0.5861	0.95
(iv) Hazard Group D	1,325,064,073	20,631	64,227		0.87	0.87	0.3648	0.87
(v) Hazard Group E	2,865,180,508	37,619	76,163		0.73	0.74	0.4926	0.74
(vi) Hazard Group F	1,825,184,529	17,263	105,728		0.53	0.55	0.3337	0.54
(vii) Hazard Group G	441,914,784	3,260	135,557		0.41	0.47	0.1450	0.46
Total - All Hazard Groups	11,561,242,313	169,509	68,204	55,954				

Calculation of Current PA Adjusted Average Severities

Injury	(A) PA Current Relativity	(B) Adjustment Factor #	(C) Adjusted Current Relativities (A) *(B)
(a) Hazard Group A	1.49	1.0181	1.52
(b) Hazard Group B	1.02	1.0181	1.04
(c) Hazard Group C	0.92	1.0181	0.94
(d) Hazard Group D	0.85	1.0181	0.87
(e) Hazard Group E	0.73	1.0181	0.74
(f) Hazard Group F	0.54	1.0181	0.55
(g) Hazard Group G	0.46	1.0181	0.47

Notes:

+ Countrywide Average Severity of NCCI states

++ Full credibility equals 155,000 claims for each Hazard Group. $Z = (\text{calculated \# claims} / 155,000)^{0.5}$

Change in Countrywide Overall Average Cost / Change in PA Overall Average Cost = 1.0024/0.9846