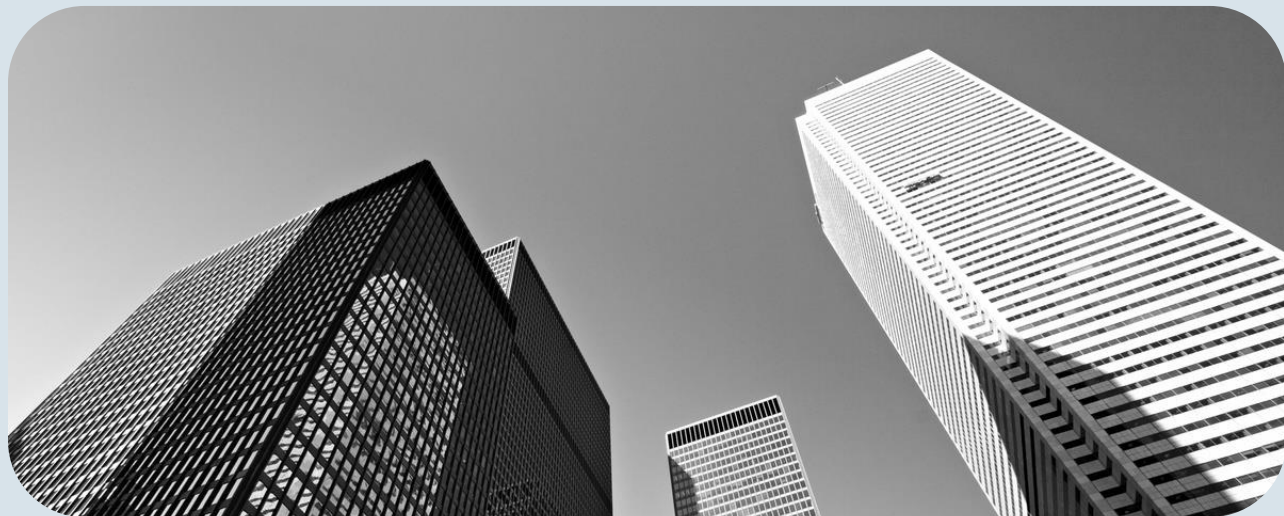


State of the Line



20 24



An overview of
Pennsylvania's
workers compensation system



Pennsylvania Workers
Compensation
Insurance Market
Results
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Loss Costs &
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Claim Frequency &
Severity Trends
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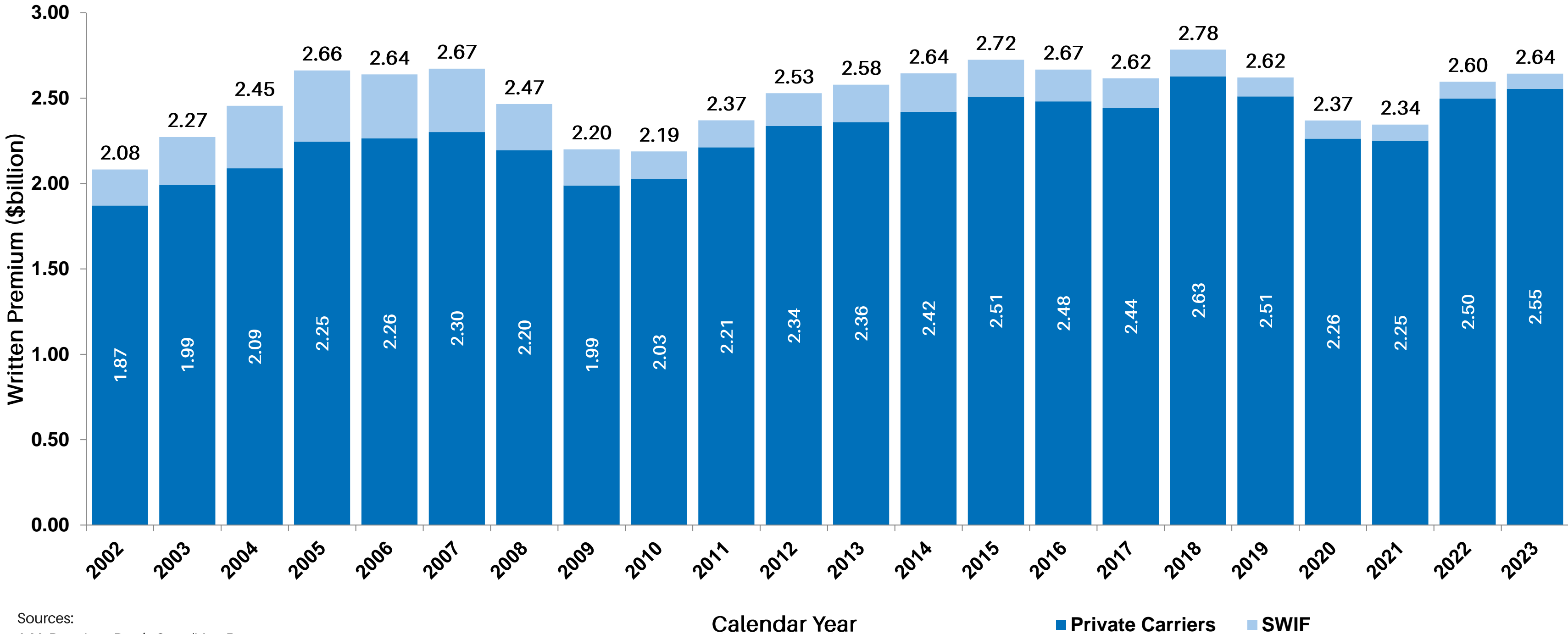
Distributions of the
Pennsylvania Workers
Compensation
System
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Measures of Claim
Reporting and Case
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Premium Adjustment
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Pennsylvania Direct Written Premium

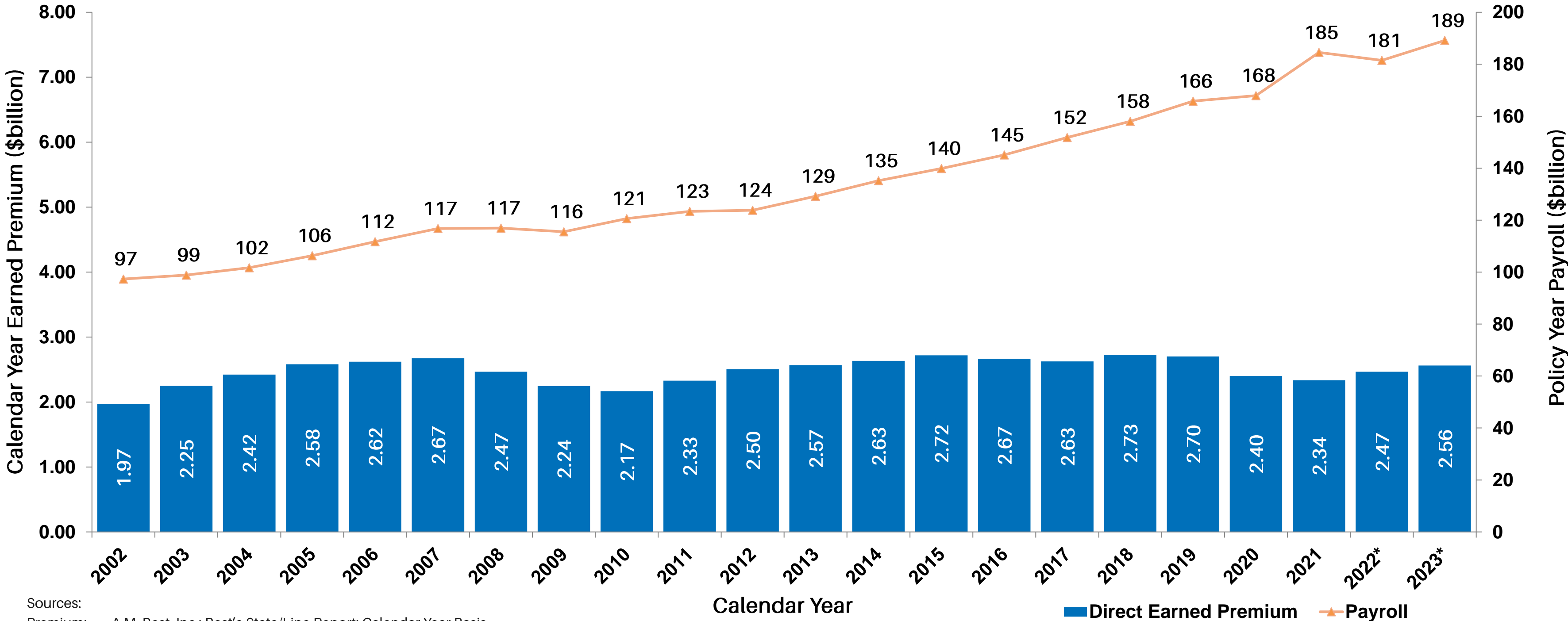
The level of written premium has fluctuated over the period shown. There has been a steady state between about 2.6 and 2.8 billion in the more recent years with a noted decrease for the years heavily affected by the COVID-19 Pandemic (2020 and 2021). A healthy worker compensation system has led to less reliance on the State Worker’s Insurance Fund (SWIF) in more recent years.



Sources:
A.M. Best, Inc.: Best’s State/Line Report
S&P Capital IQ Pro

Pennsylvania Earned Premium and Payroll History

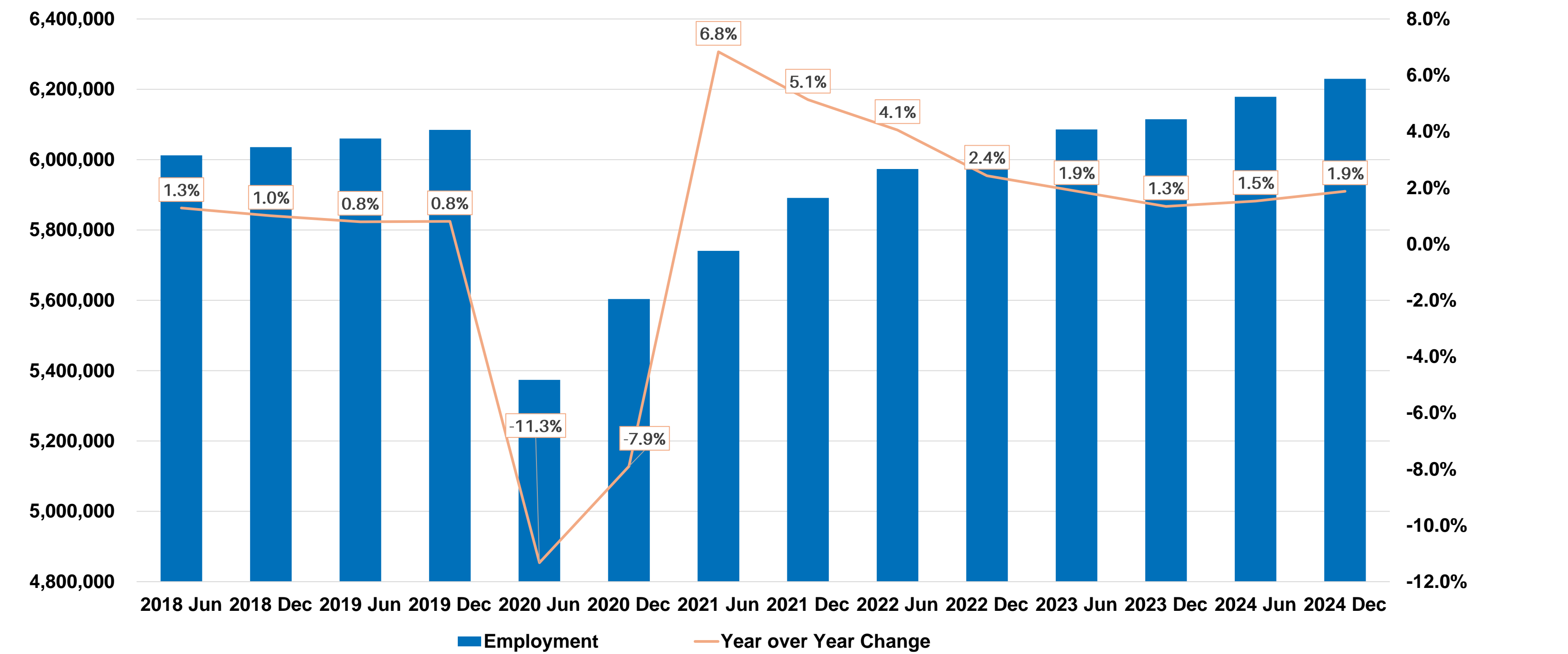
While **payroll** has been consistently **increasing** and doubled over the period shown, loss cost reductions and rising wages have generally balanced each other out, minimizing any significant swings in earned premiums. Premiums have seen moderate overall increases after the drop in 2020 related to the pandemic.



Sources:
Premium: A.M. Best, Inc.: Best’s State/Line Report; Calendar Year Basis
Payroll: Unit Statistical Data; PCRB Financial Data Calls as of 12/31/2023, adjusted to an “effective” level to reflect deductible discounts; Policy Year Basis.
* Payroll for Policy Years 2022 and 2023 is projected using the Statewide Average Weekly Wage.

Pennsylvania Nonfarm Employment

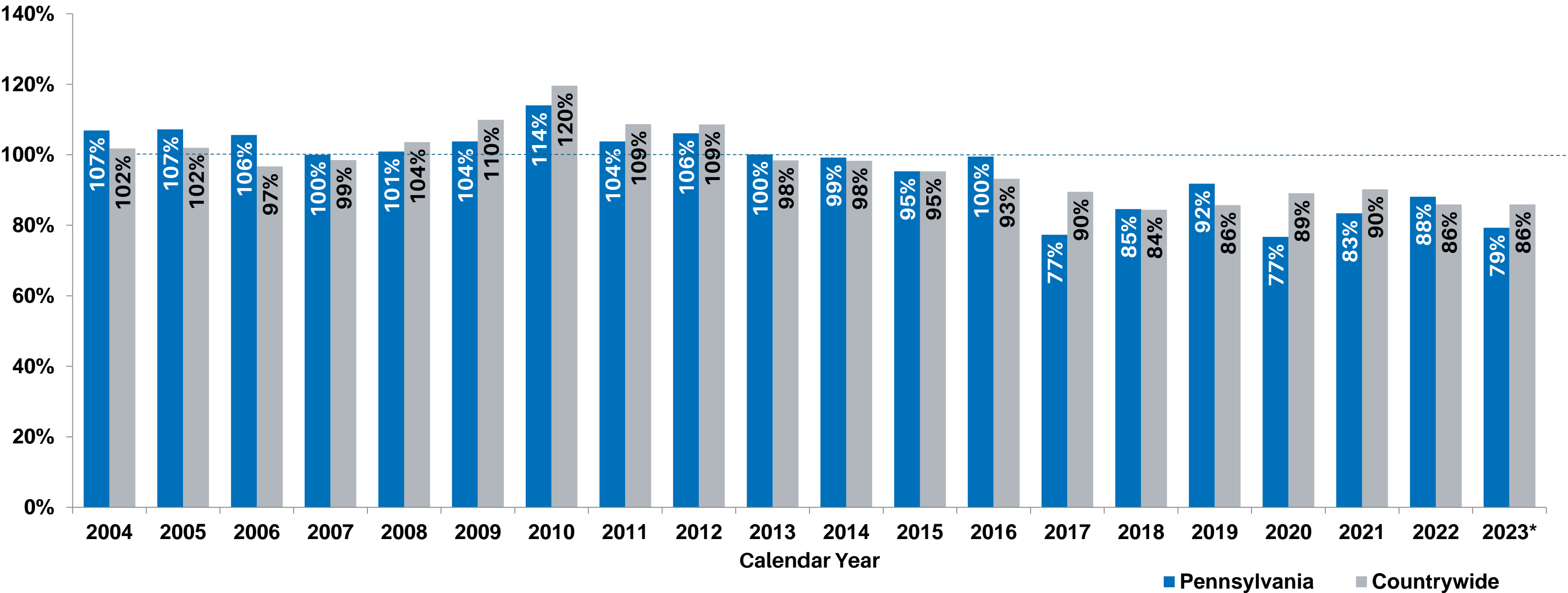
Nonfarm employment data is a critical economic indicator to gauge the overall health of the economy and its workforce. Employment levels are currently higher than pre-pandemic levels.



Source:
US Bureau of Labor Statistics data through 12/2024

Combined Ratios Pennsylvania and Countrywide

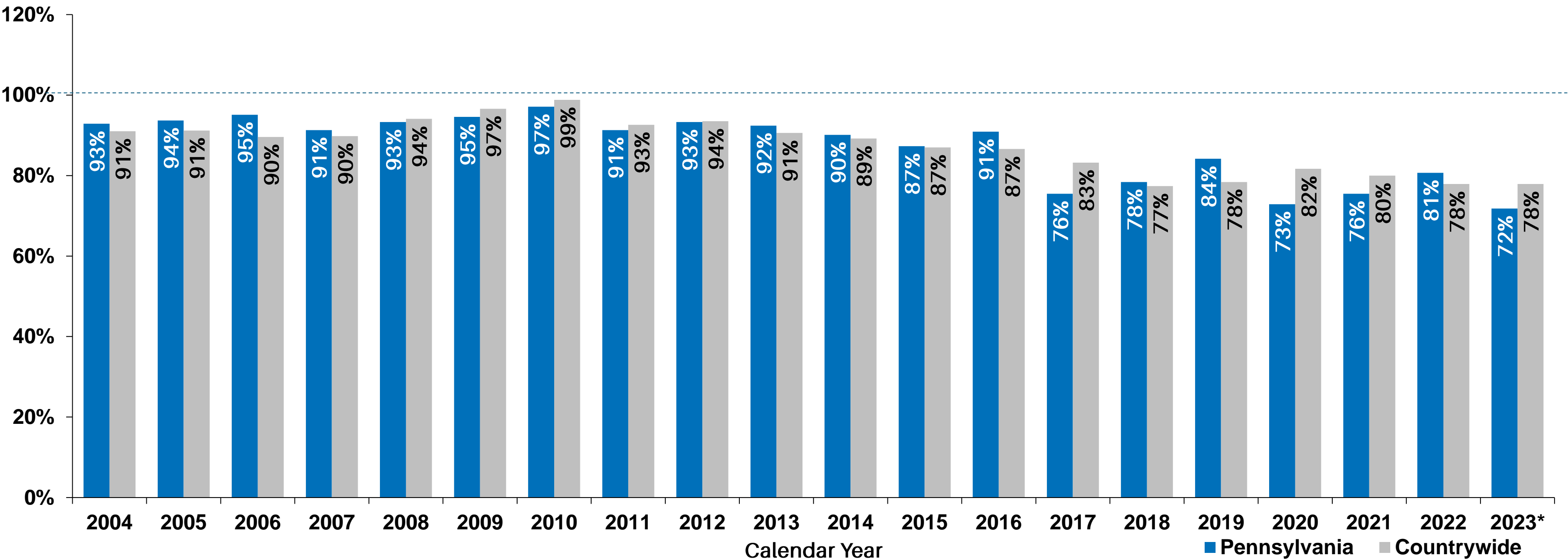
The Combined Ratio is the sum of the loss, LAE and underwriting expense ratios to premium, and does not include investment income.



Source:
NAIC Profitability by Line by State (For Calendar Years 2022 and earlier)
* 2023 estimated using S&P, historical averages, and other available sources

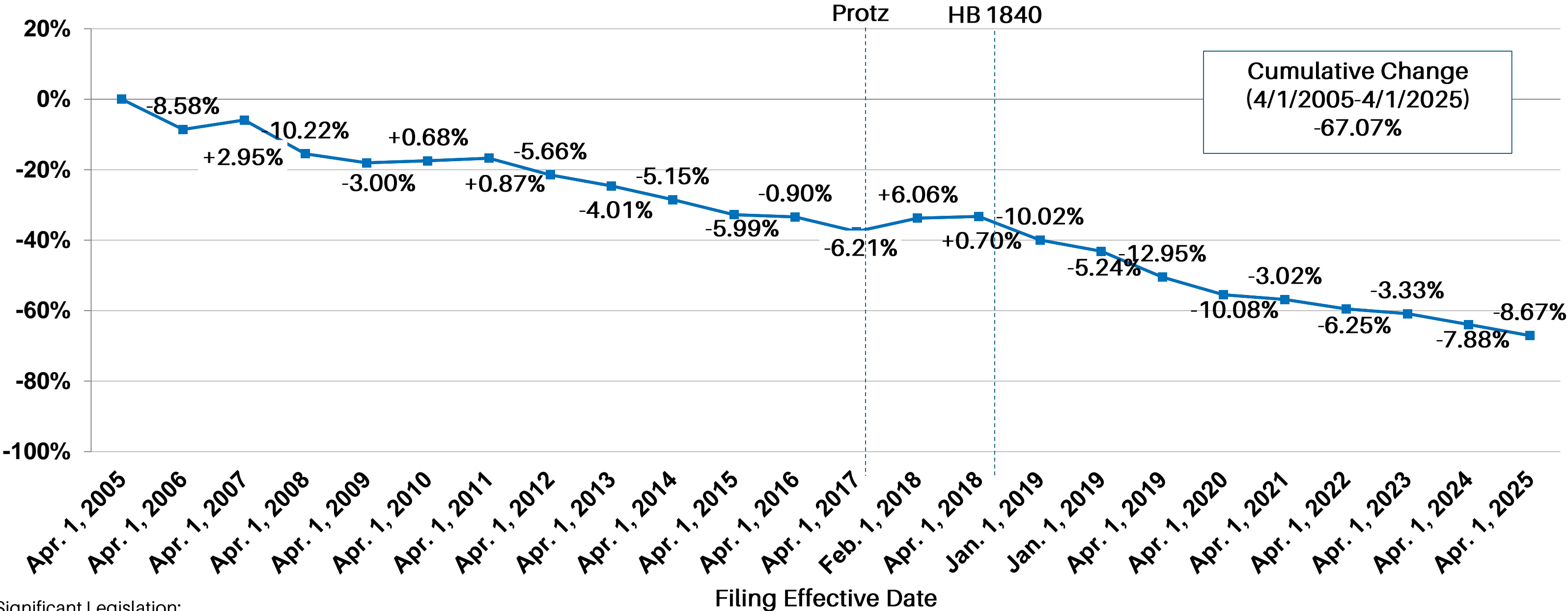
After-tax Operating Ratios Pennsylvania and Countrywide

The After-tax Operating Ratio is the Combined Ratio less the Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions. An operating ratio of less than 100 indicates an overall operating profit.



Source:
NAIC Profitability by Line by State (For Calendar Years 2022 and earlier)
* 2023 estimated using S&P, historical averages, and other available sources

Pennsylvania Approved Loss Cost Change History

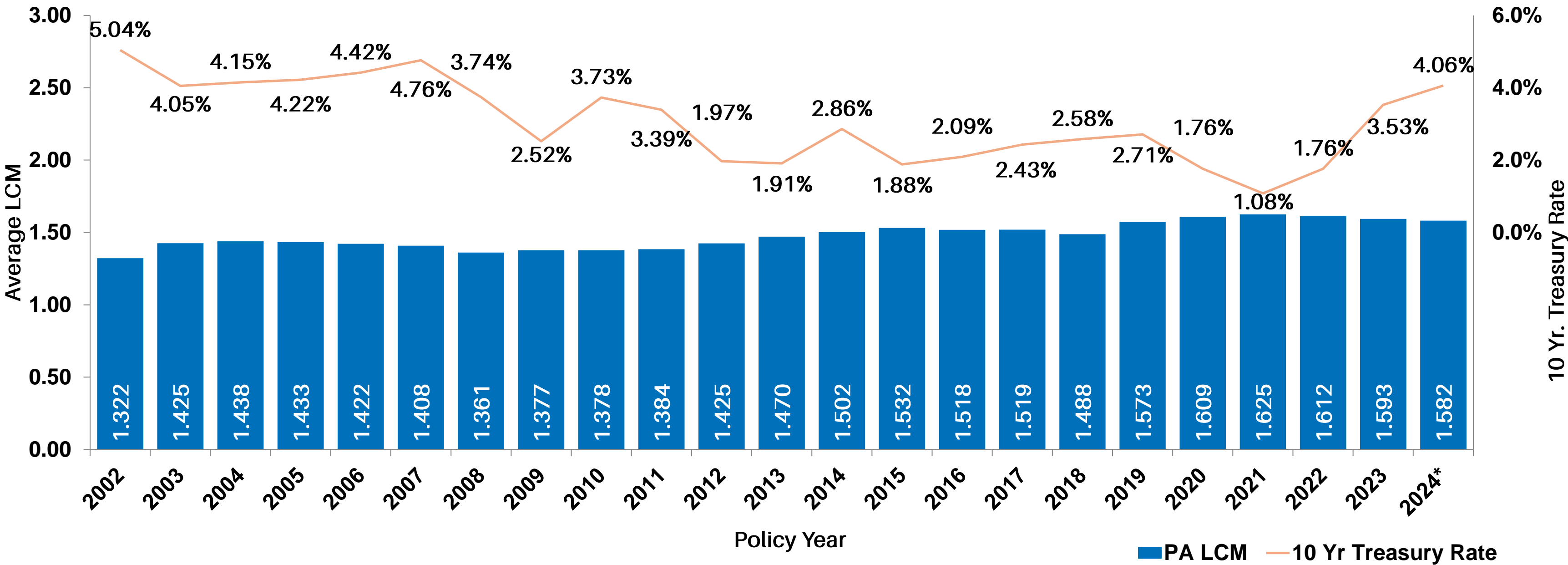


Significant Legislation:
Since the significant reforms in the mid 1990s (Act 44 and Act 57) that reshaped the state’s Workers Compensation system, no significant reforms occurred until the Protz v. WCAB (Derry Area School District), decision June 2017, which eliminated the provisions in the Workers Compensation Act that provided for Impairment Rating Evaluations. Subsequently, HB 1840 of 2017 (Act 111 of October 2018) reinstated the Impairment Rating Evaluation (IRE) process and lowered the impairment threshold percentage for making a change in disability status from 50% to 35%.

Pennsylvania Average Loss Cost Multiplier

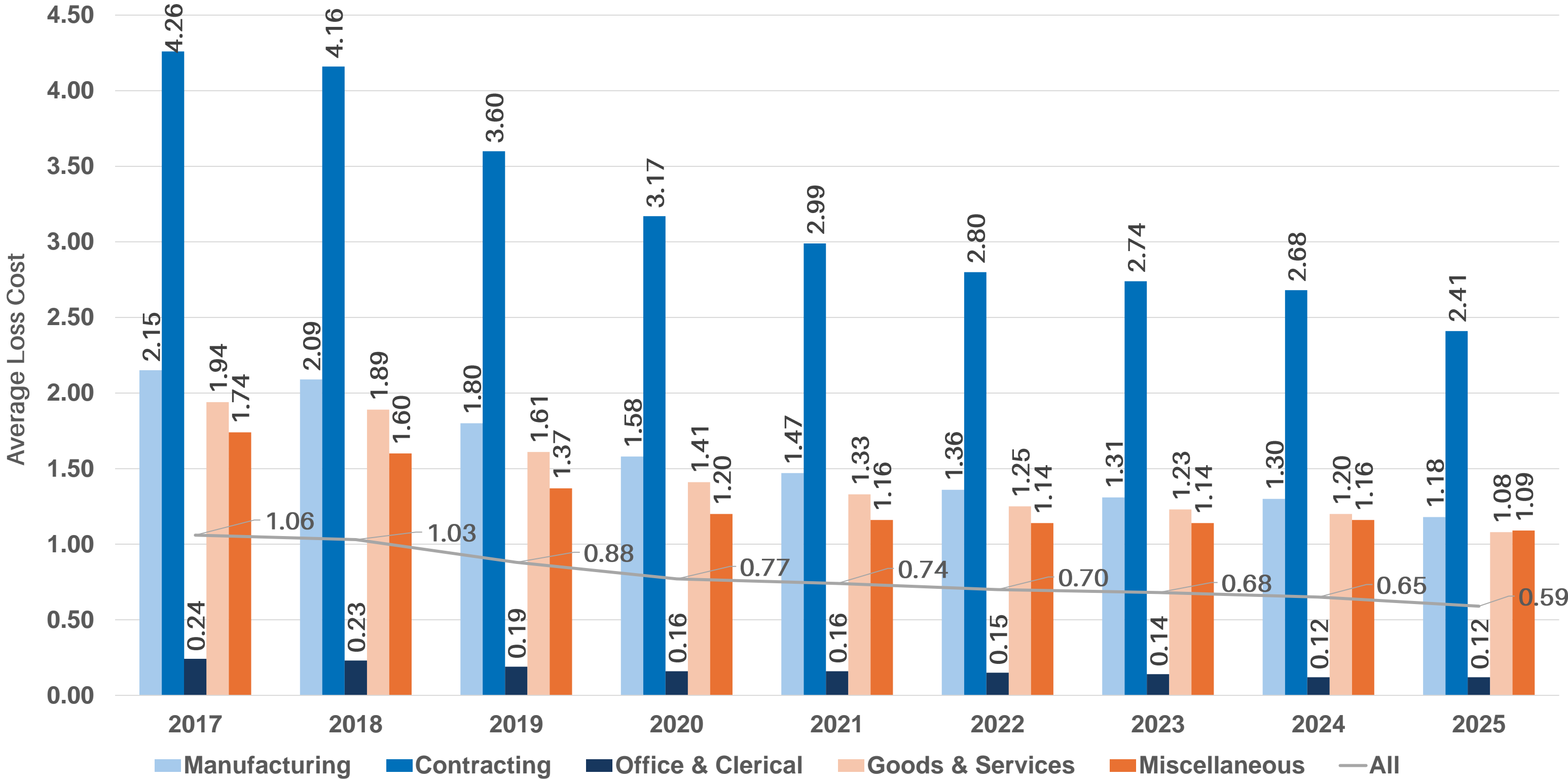
The Average Loss Cost Multiplier (LCM) is the ratio of Total Carrier Manual Premium to Total Loss Costs at PCRB Level, as reported to the PCRB.

Investment returns, measured here by the 10-year Treasury Rate, have some correlation (coefficient, $\rho = -61\%$) with the magnitude of the average loss cost multiplier. The implication is that, in times of higher investment returns, average loss cost multipliers tend to be lower. This is observed to some degree the last few years.



Source:
PCRB Market Profile Report; US Treasury
* Preliminary

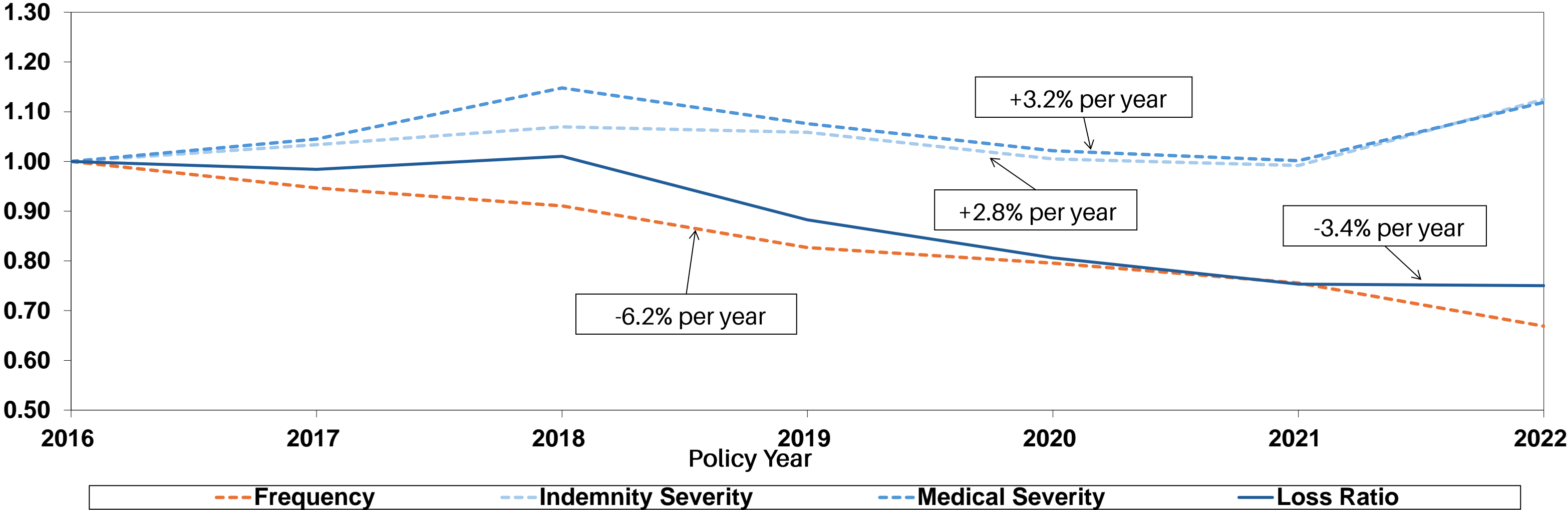
Pennsylvania Average Loss Cost



Source:
Annual PCRB Loss Cost Revisions (2018 pre-surge loss costs are based on the 1/1/2019 filing).

Pennsylvania Loss Components

Frequency | Indemnity Severity | Medical Severity

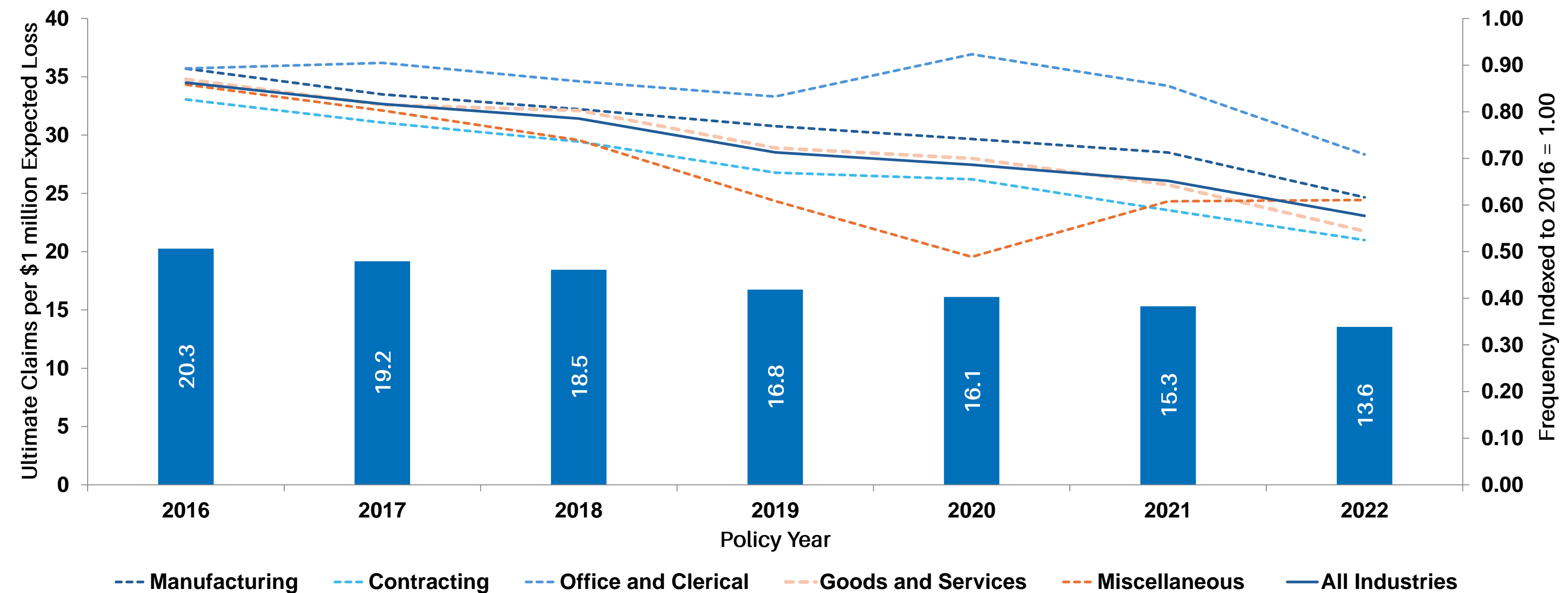


Selected frequency and severity trends consider COVID-19 impacts not yet contained in the above historical data:
Indemnity: +3.2% - Average of the historical indemnity severity trend of +1.7% (2019-2022) and the indicated SAWW trend of 4.7% (2018-2023)
Medical: +2.8% - Average of the historical medical severity trend of +1.0% (2019-2022) and the indicated SAWW trend of 4.7% (2018-2023)
Frequency: -6.2% (2016-2022)
The combined impact of Frequency, Indemnity Severity, and Medical Severity Trends is a Loss Ratio Trend of -3.4%.

Source:
PCRB 2024 Loss Cost Revision.
Indexed to 1.00 at Policy Year 2016

Claim Frequency Trend is Consistent by Industry Group

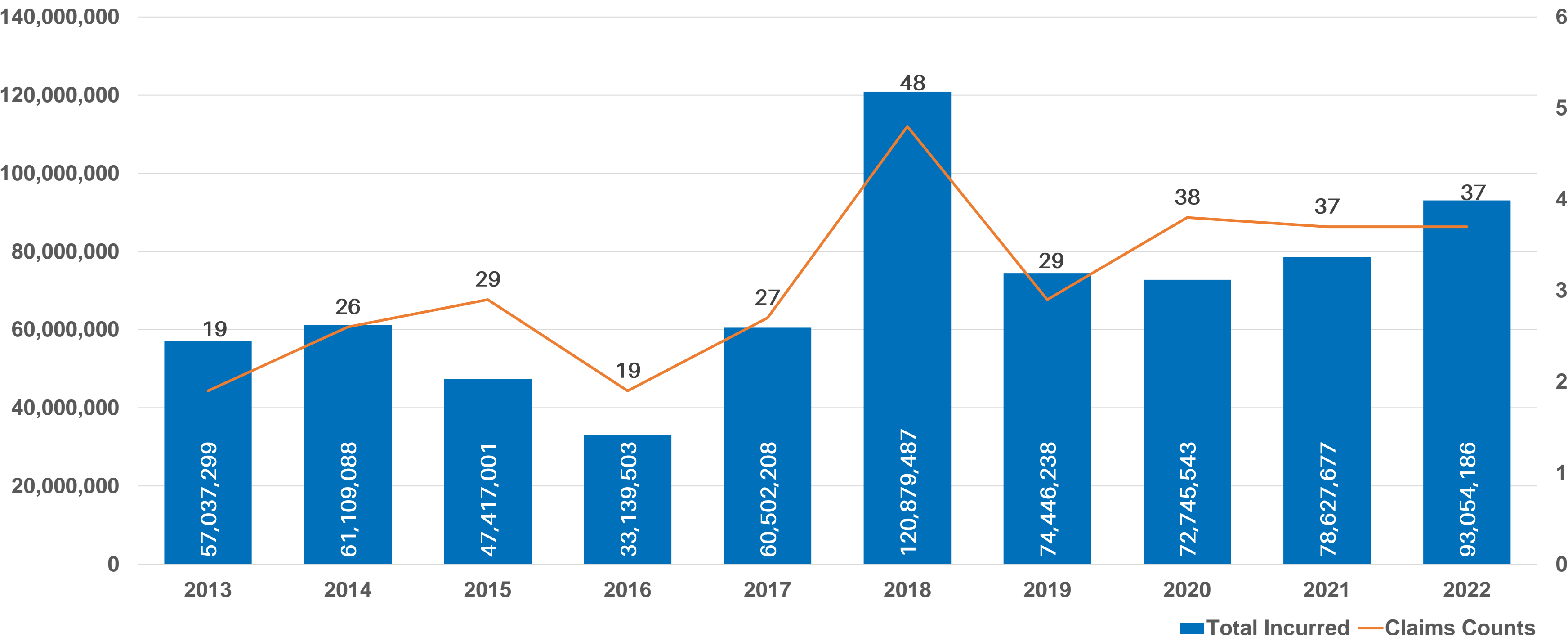
Claim frequency (excluding large deductible business) is measured by the number of ultimate claims per \$1 million of expected losses. Decreasing frequency contributes significantly to reductions in statewide loss cost levels.



Source:
PCRB 2025 Loss Cost Revision

Pennsylvania Large Claims in Excess of \$1 Million at 1st Report Level

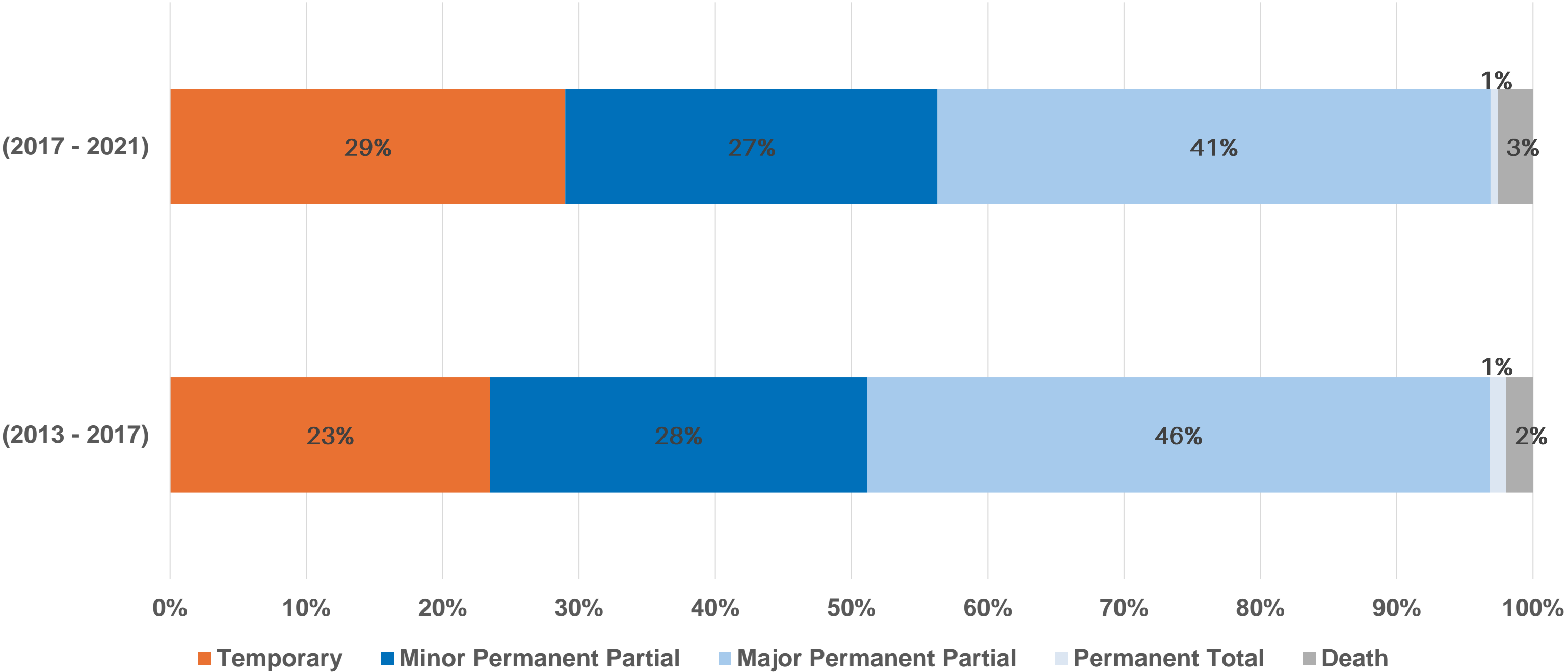
High-dollar workers compensation claims are infrequent, but the cost of these claims has a significant impact on workers compensation costs. The number of large claims with losses in excess of \$1 million have averaged 37 claims and \$81 million the last three years .



Source:
PCRB Financial Data Call #4

Indemnity Benefits by Type of Injury

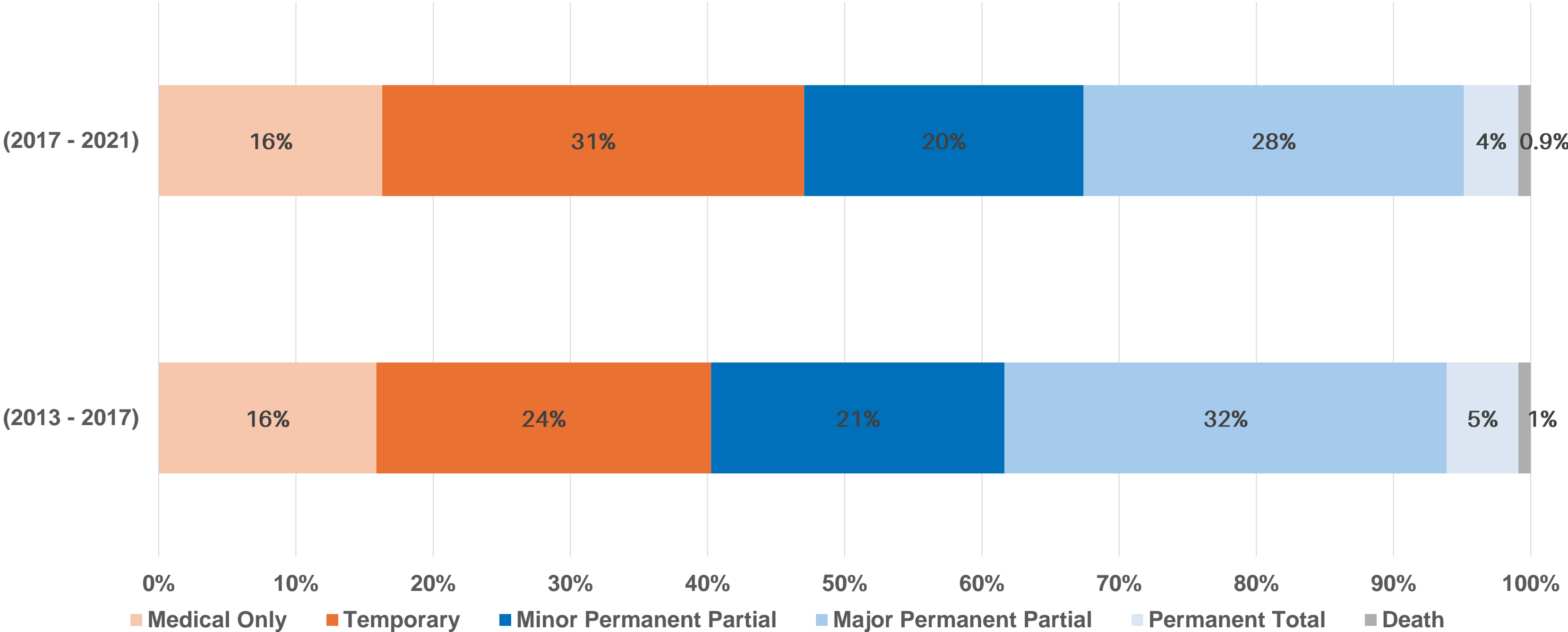
For these two periods, the portion of Indemnity benefits attributable to Major Permanent Partial injuries decreased by 5 percentage points, while the portion attributable to Temporary Total injuries increased by 6 percentage points. The other types of injury exhibited smaller changes.



Sources:
2013-2017: PCRB 2021 Loss Cost Revision
2017-2021: PCRB 2025 Loss Cost Revision
* Percentages are based on losses developed to projected ultimate values

Medical Benefits by Type of Injury

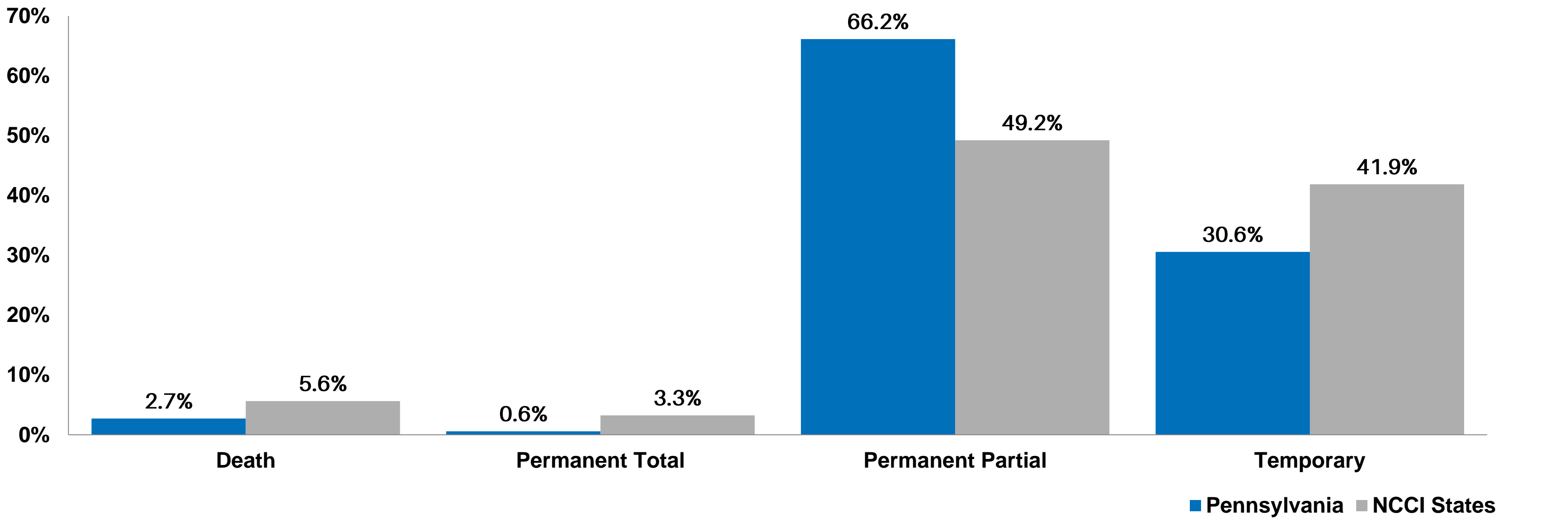
For these two periods, the portion of Medical benefits attributable to Major Permanent Partial injuries decreased by 4 percentage points, while the portion attributable to Temporary Total injuries increased by 7 percentage points. The other types of injury exhibited smaller changes.



Sources:
2013-2017: PCRB 2021 Loss Cost Revision
2017-2021: PCRB 2025 Loss Cost Revision
* Percentages are based on losses developed to projected ultimate values

Ultimate Indemnity Benefits by Type of Injury

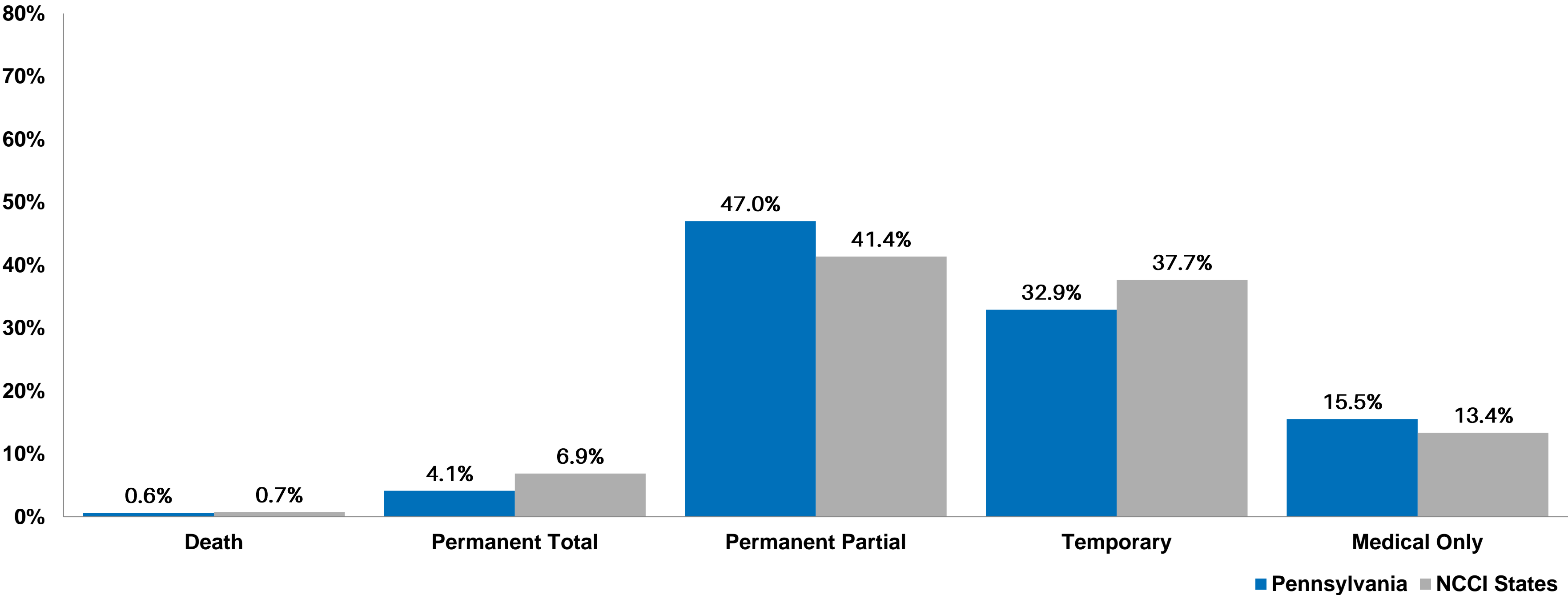
Pennsylvania has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states. The discrepancy in Permanent Partial and Temporary can be attributed to the fact that Pennsylvania is a wage loss state.



Sources:
PCRB 2025 Loss Cost Revision
NCCI States: 2024 Annual Statistical Bulletin

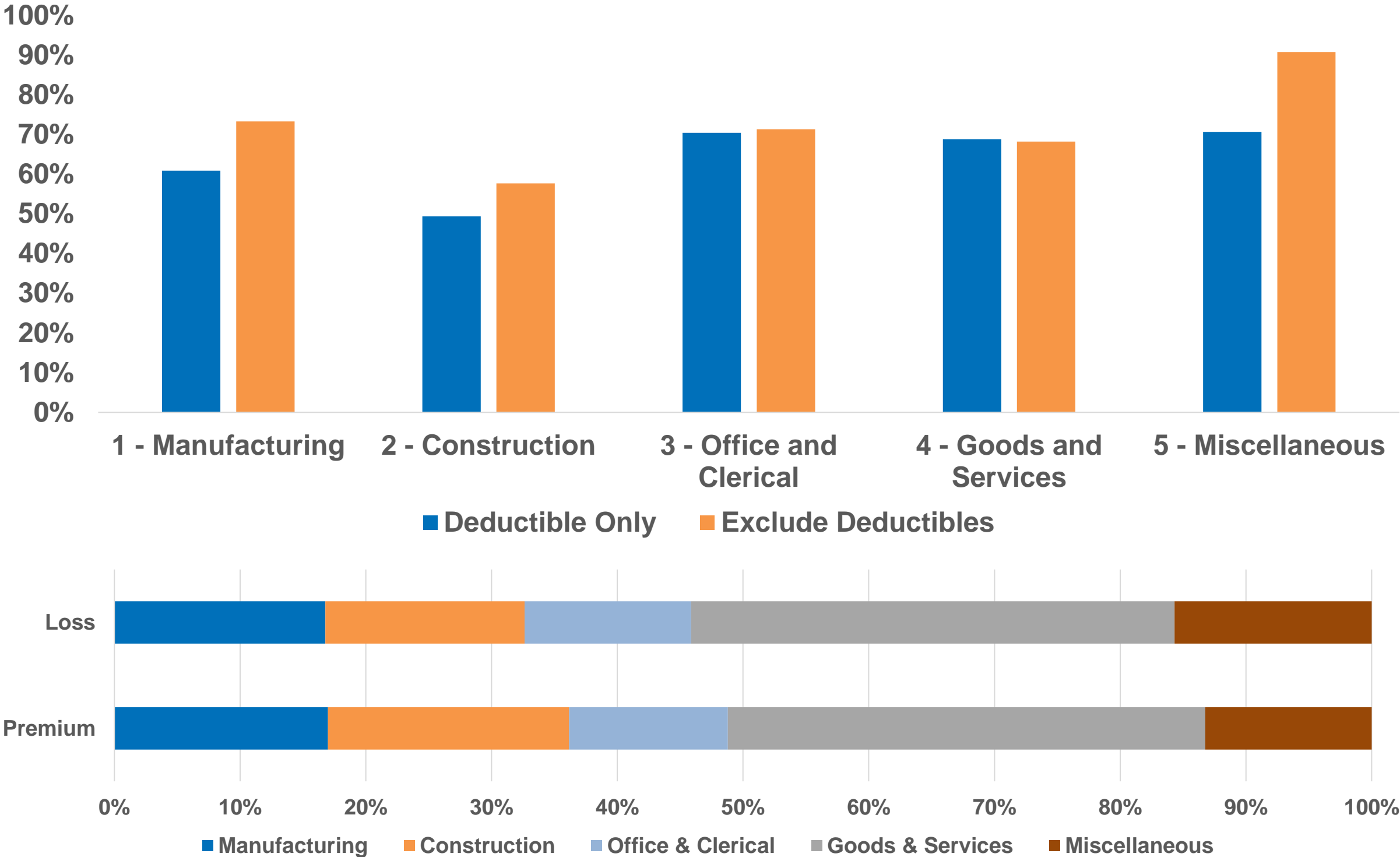
Ultimate Medical Benefits by Type of Injury

About half of the medical costs is payments for Permanent Partial. The distribution between the NCCI states and Pennsylvania is similar for several of the injury types, however Pennsylvania is relatively higher for Permanent Partial and lower for Temporary and Permanent Total injury types.

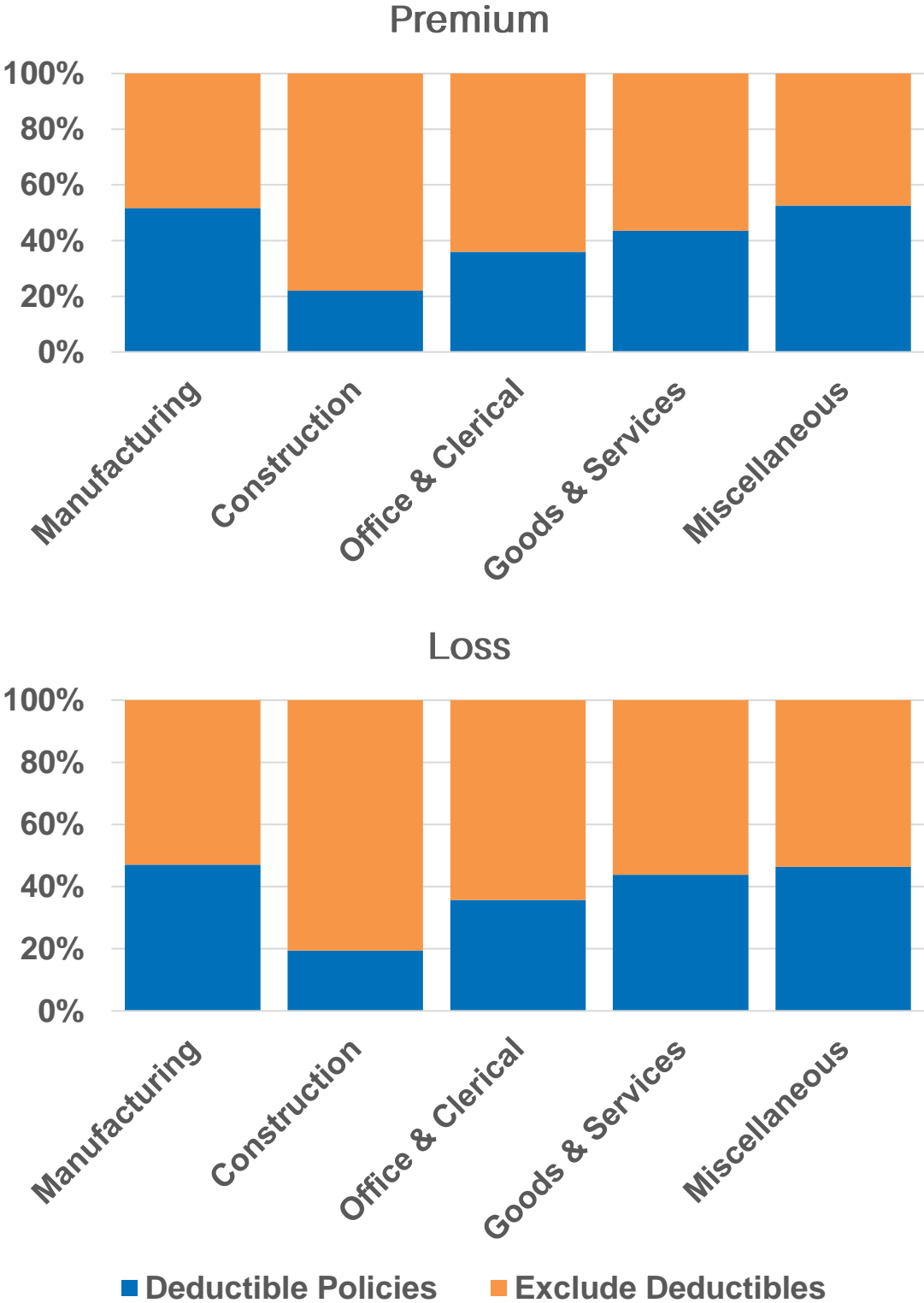


Sources:
PCRB 2025 Loss Cost Revision
NCCI States: 2024 Annual Statistical Bulletin

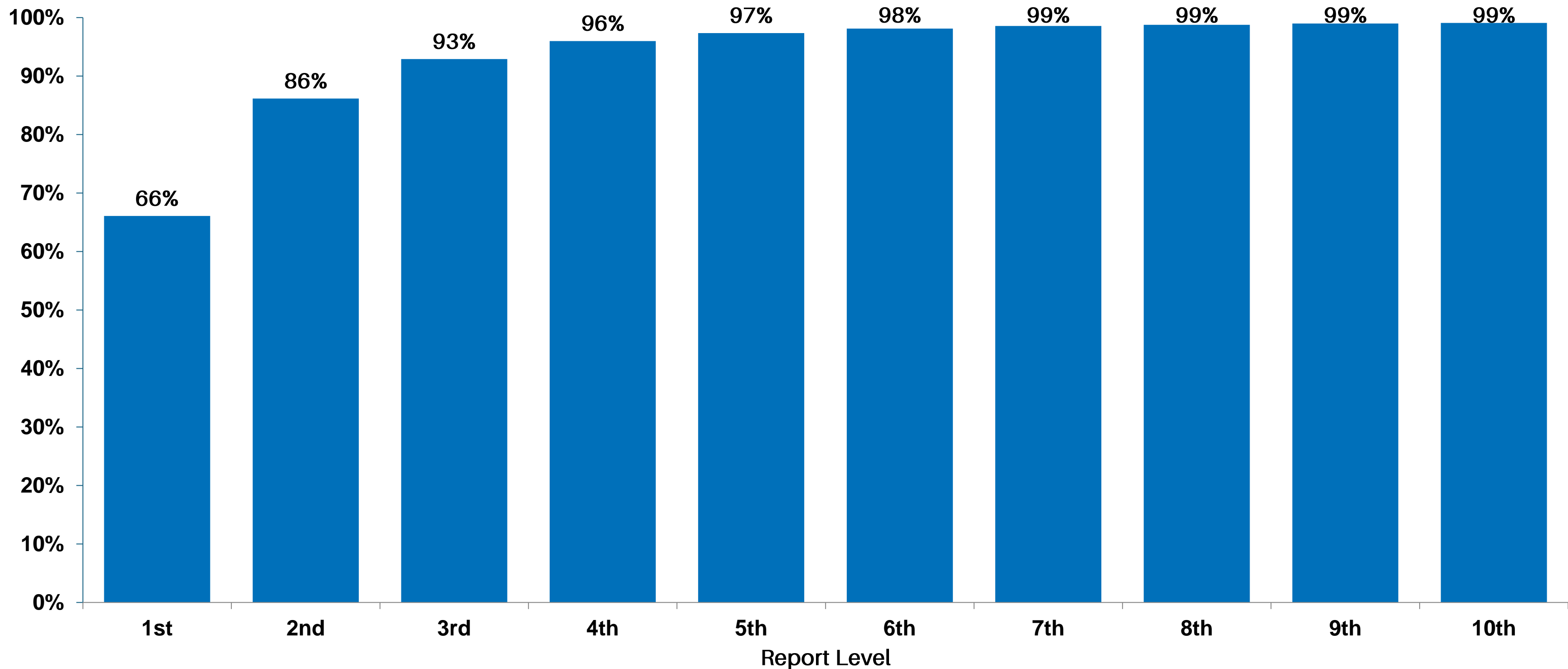
Loss Ratios by Industry Group



Source:
PCRB 2025 Loss Cost Revision, Policy Year 2021

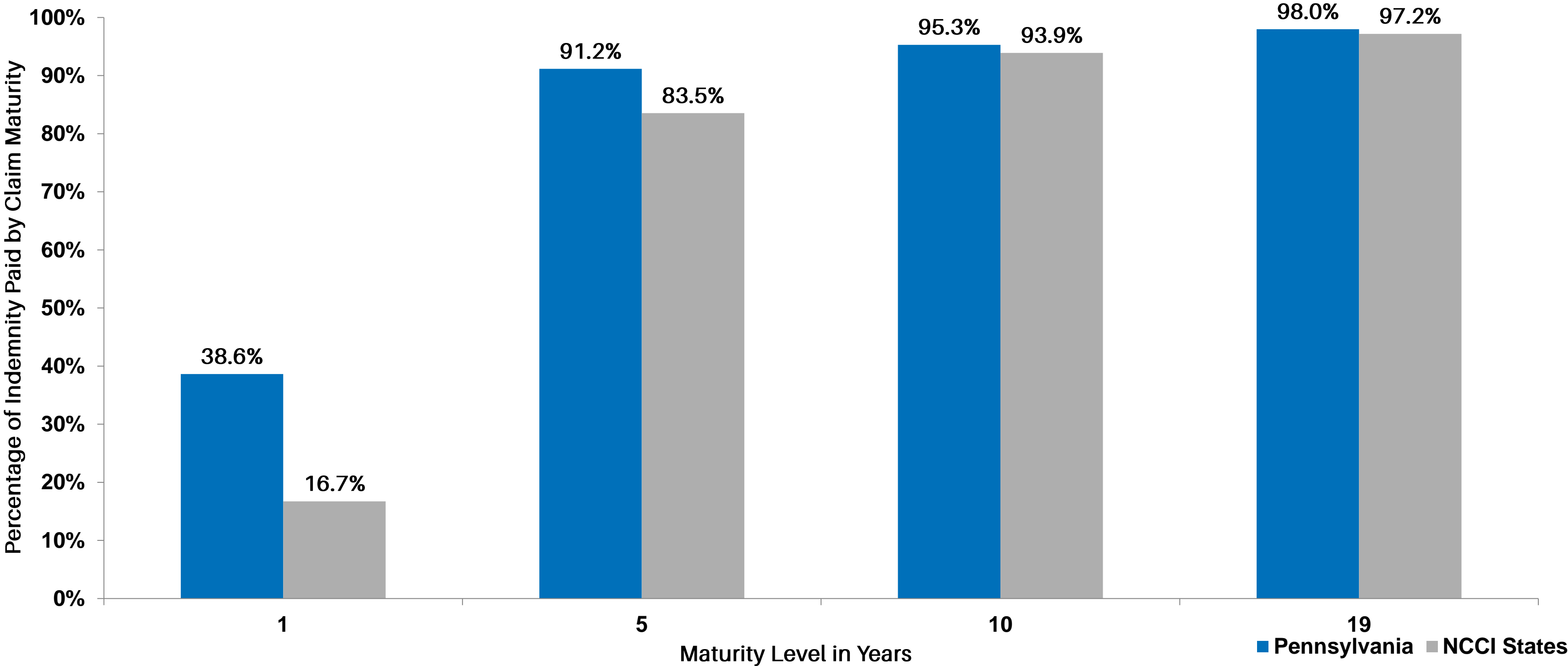


Portion of Reported Indemnity Claims Closed



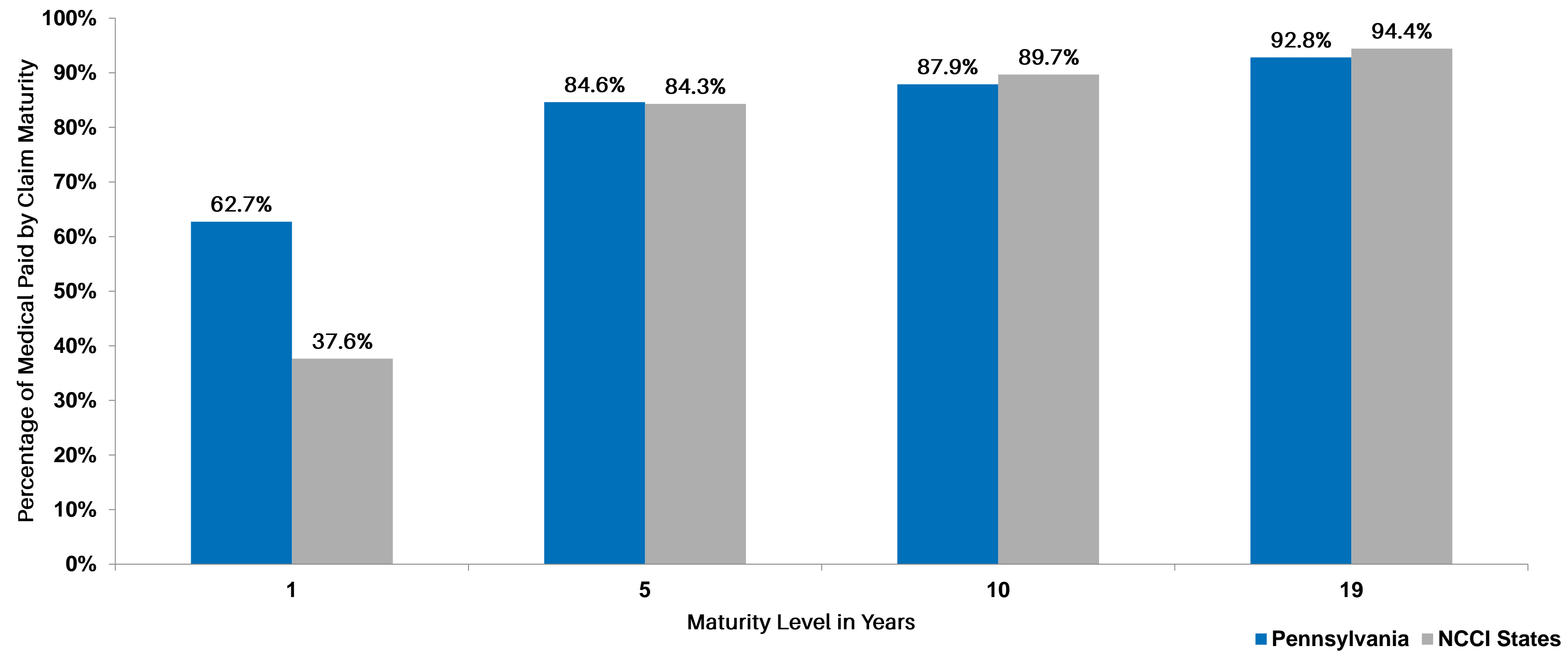
Source:
PCRB 2025 Loss Cost Revision

Portion of Ultimate Indemnity Loss Paid by Claim Maturity



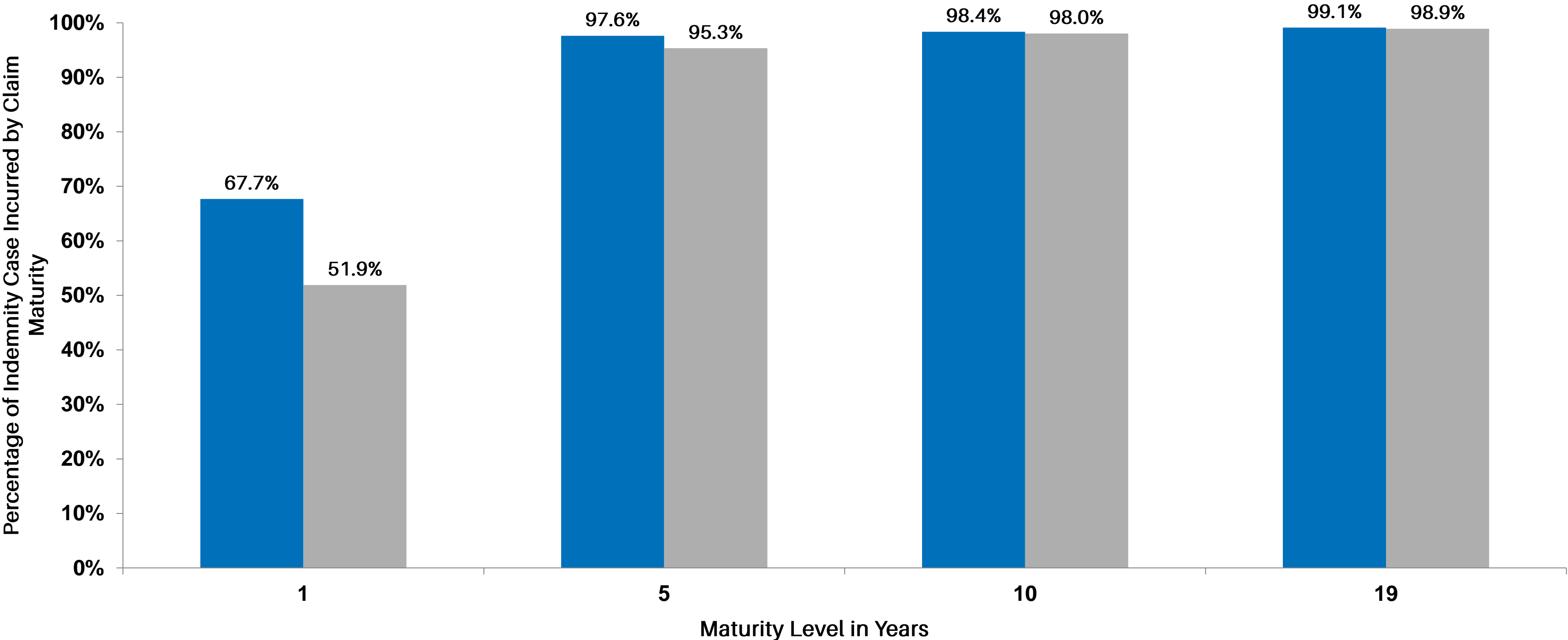
Sources:
PCRB 2025 Loss Cost Revision, on a Policy Year basis
NCCI States: April, 2025, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Loss Paid by Claim Maturity



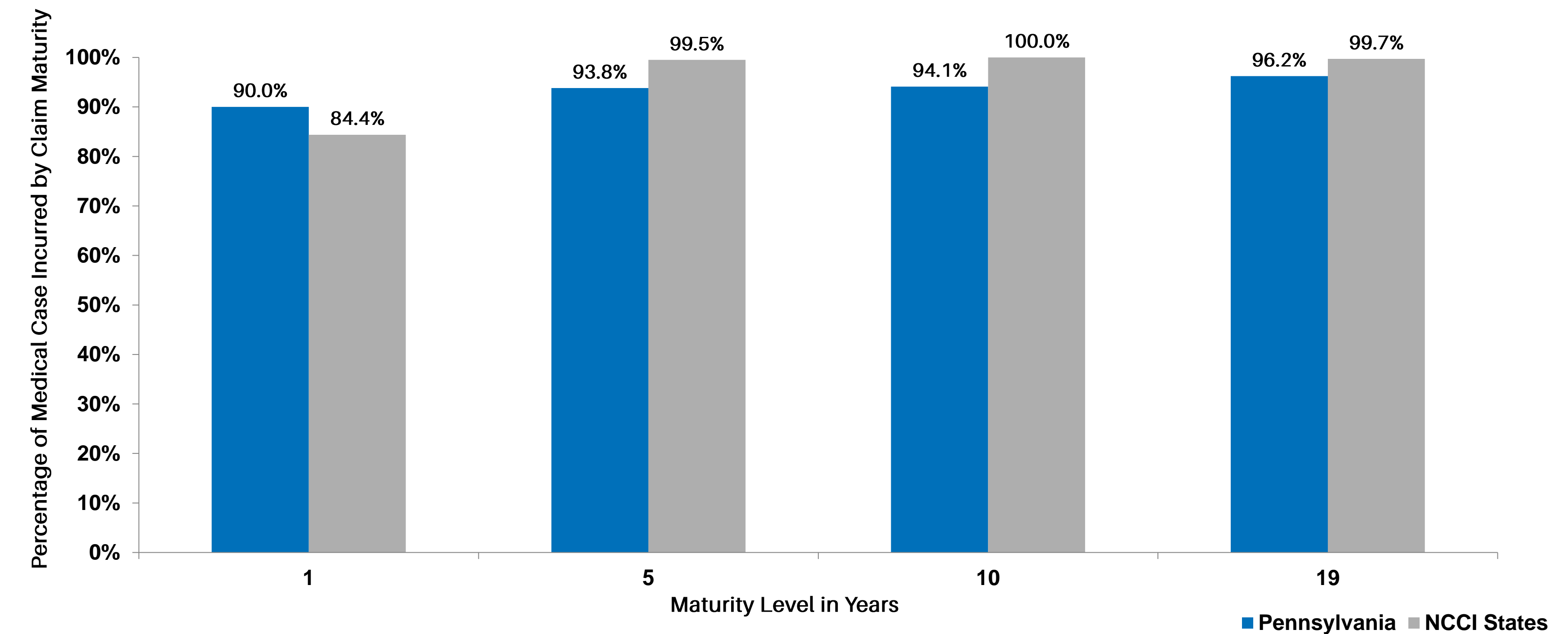
Sources:
PCRB 2025 Loss Cost Revision, on a Policy Year basis
NCCI States: April, 2025, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Indemnity Case Incurred by Claim Maturity



Sources:
PCRB 2025 Loss Cost Revision, on a Policy Year basis
NCCI States: April, 2025, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

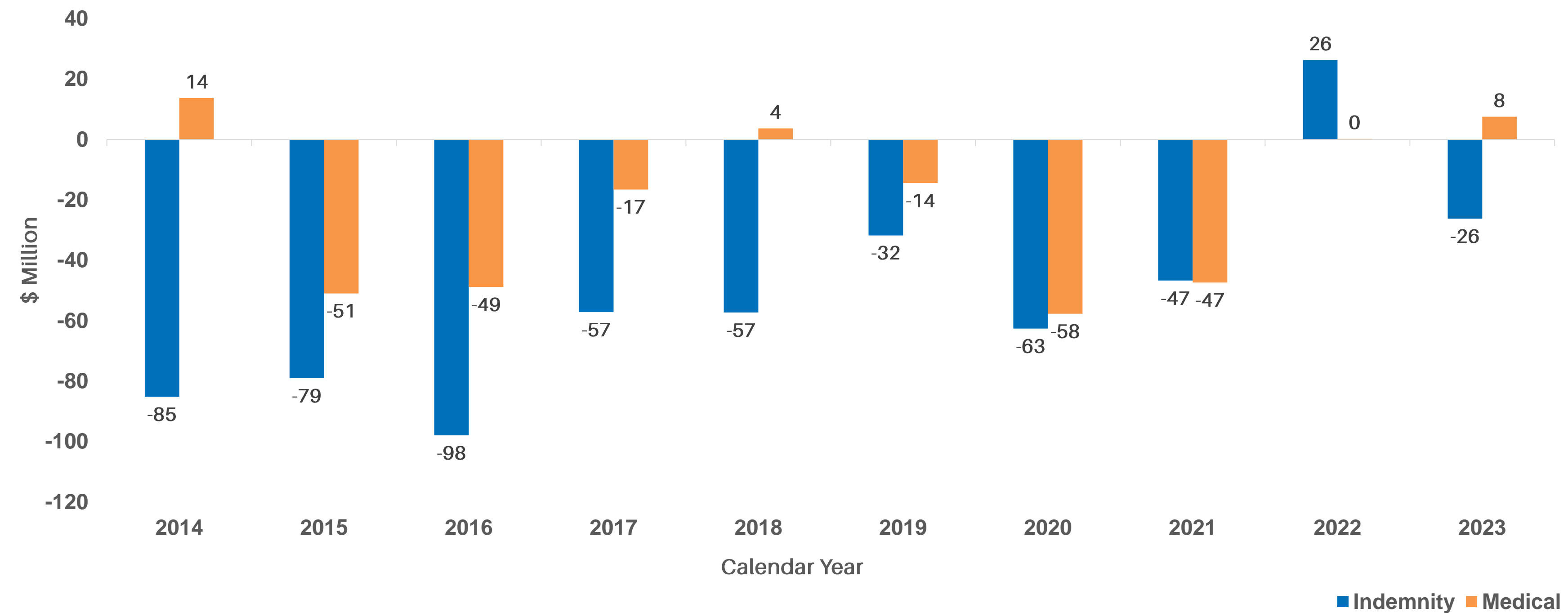
Portion of Ultimate Medical Case Incurred by Claim Maturity



Sources:
PCRB 2025 Loss Cost Revision, on a Policy Year basis
NCCI States: April, 2025, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Pennsylvania Case Reserve Changes

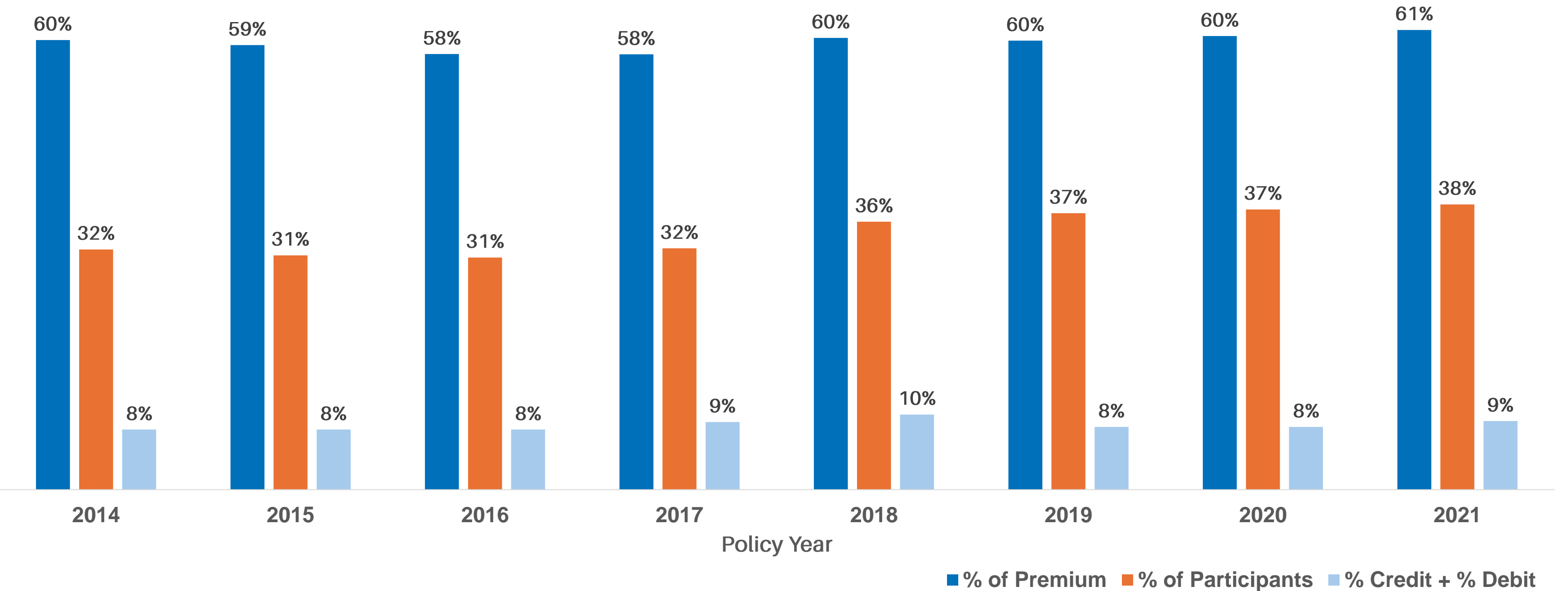
Case reserves are defined as the sum of the values assigned to specific known claims as of the evaluation date. 2022 is an outlier as there was some claim development, primarily in older years, driven by the implementation of a new claim system from one large carrier.



Source:
PCRB Financial Calls

Pennsylvania Schedule Rating Plan

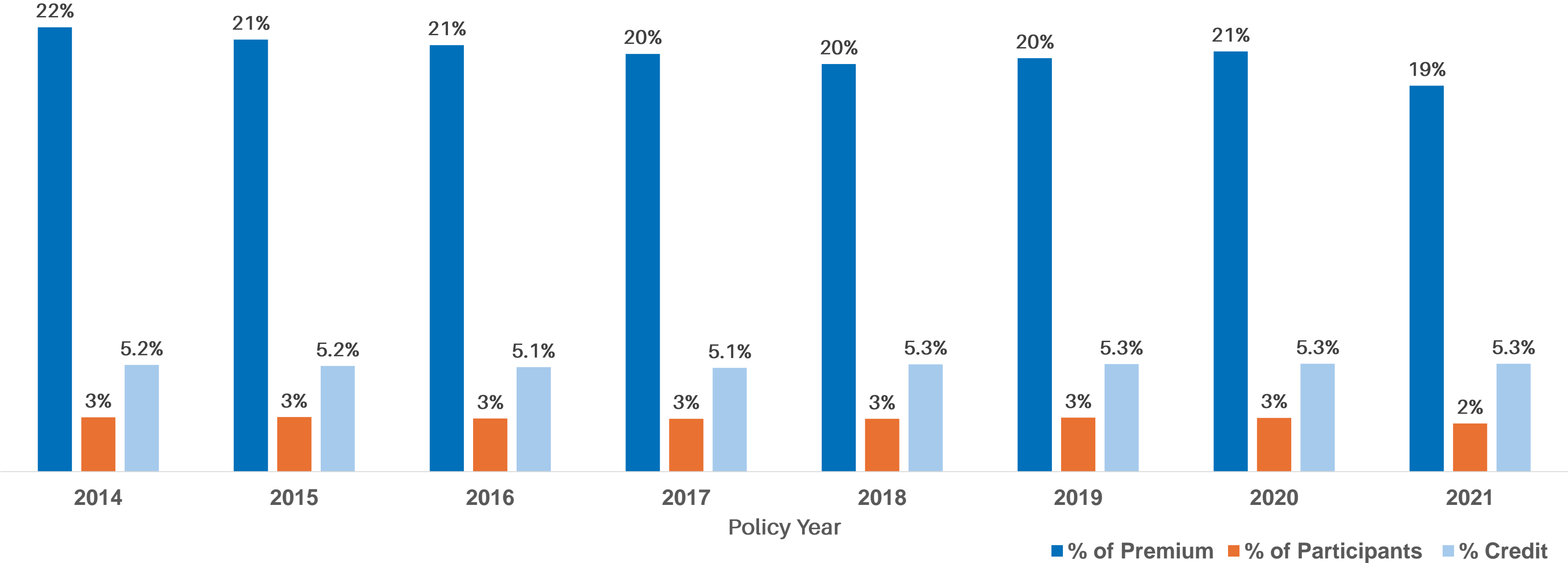
Approximately 60% of eligible total standard premium was subject to schedule rating and the number of policies subject to schedule rating has been increasing since 2016. The overall average schedule rating credit has been between 8% and 10%.



Source:
PCRB Unit Statistical Data

Pennsylvania Certified Safety Credit Program

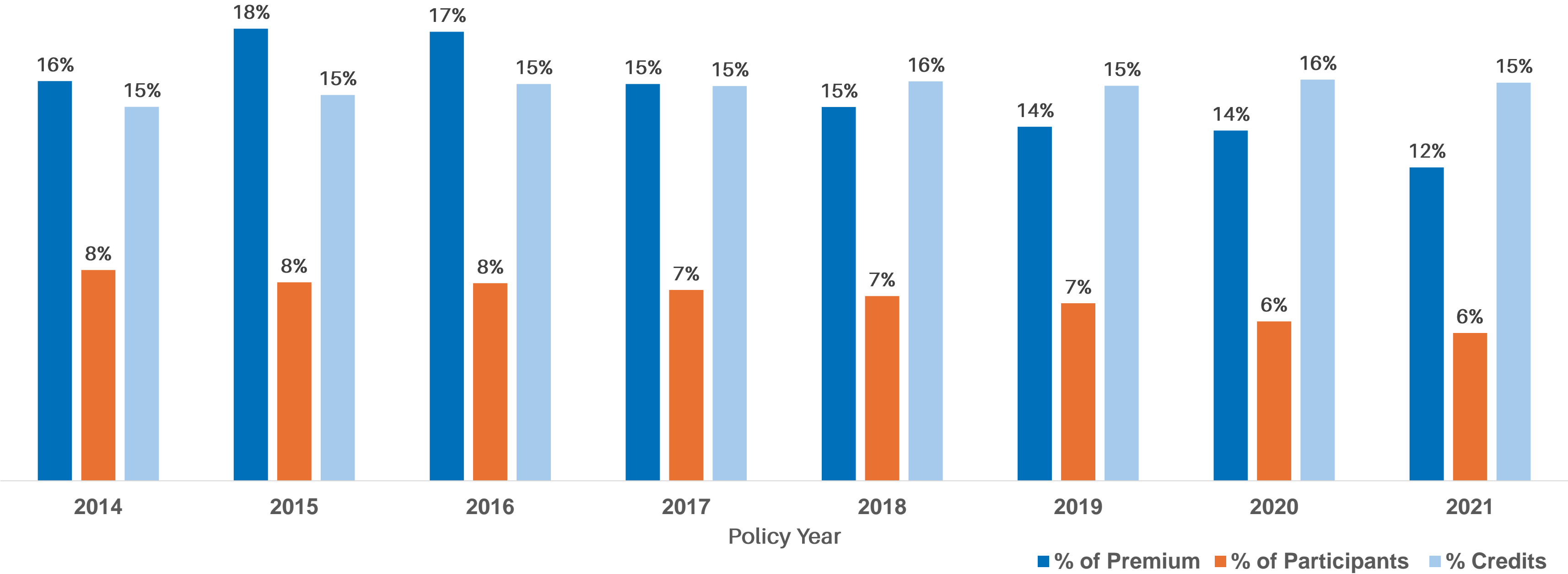
The percentage of participating employers in the program has been stable at 3% and represents roughly 21% of eligible premiums participated in the program. The average credit provided to participating employers has been approximately 5.2%.



Source:
PCRB Unit Statistical Data

Construction Classification Premium Adjustment Program

For Policy Year 2021, the premium for participating employers represented 12% of total premium for eligible risks and only 6% of eligible employers participated in this program. Both the proportion of eligible employers and the percentage of premium for participates have generally declined. The average program credits given to participating risks have also declined slightly over the period.

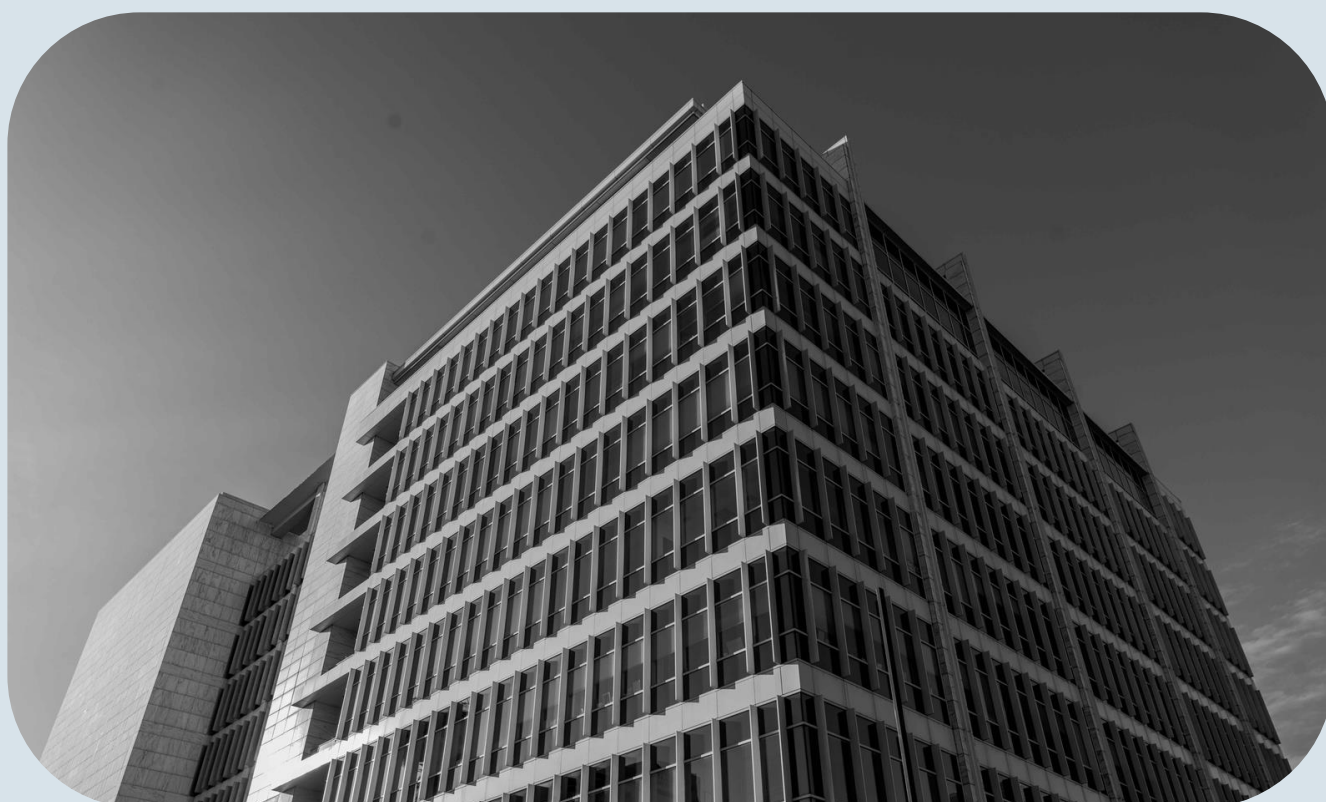


Source:
PCRB Unit Statistical Data



TRUSTED | ESSENTIAL | OBJECTIVE

Founded in 1915, the Pennsylvania Compensation Rating Bureau (PCRB) is a nonprofit data collection organization serving as a trusted, essential, and objective resource that supports a healthy workers' compensation system for Pennsylvania. PCRB provides data-driven products and services that anticipate and respond to marketplace conditions and identify emerging trends, including accurate and valuable statistical and actuarially-based information, marketplace knowledge, and rating plans. PCRB also conducts innovative research, provides educational services, and engages in outreach that delivers knowledge to empower actionable decisions.



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