

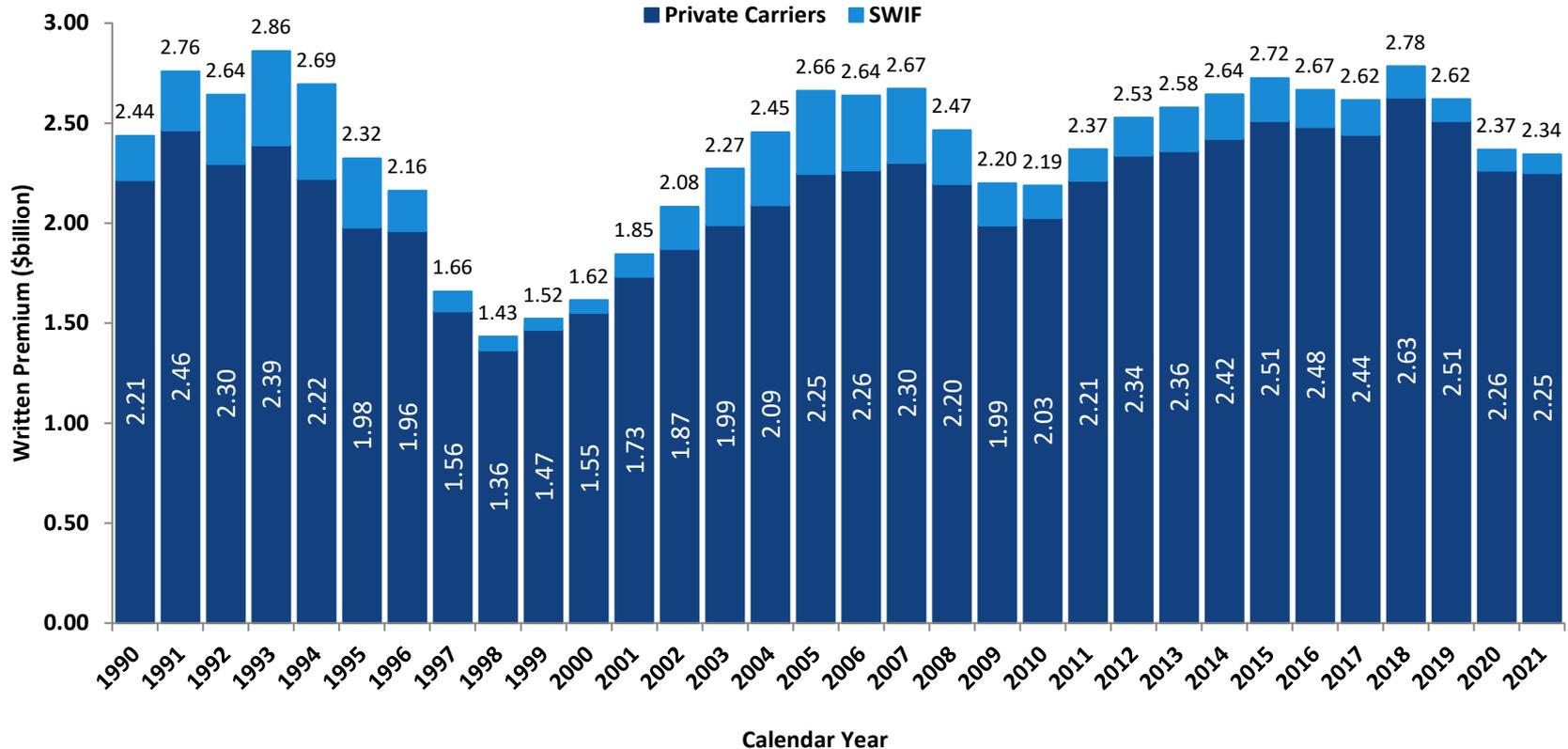


STATE OF THE LINE REPORT

2022

Pennsylvania Workers Compensation Insurance Market Results

Pennsylvania Direct Written Premium

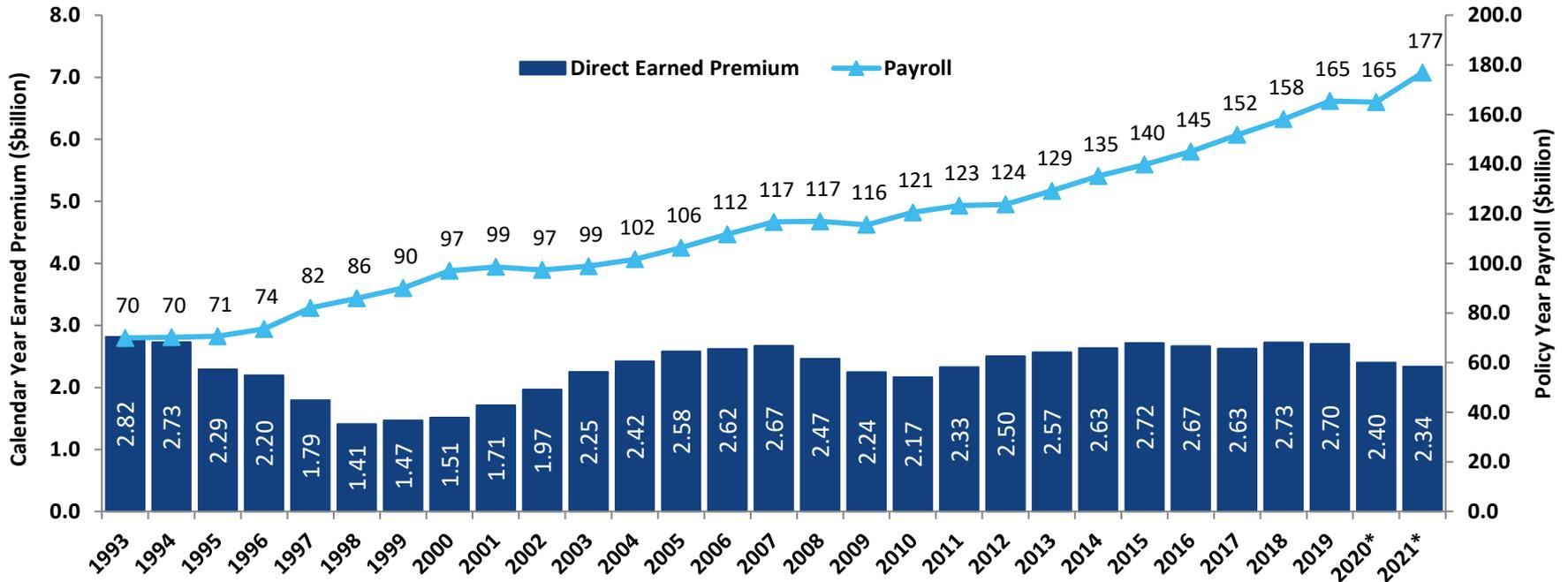


The level of written premium has varied over the 32 years shown. After the Great Recession, written premium started increasing again in 2011. Between 2014 and 2019, the premiums have fluctuated around \$2.7 billion. The observed drops in 2020 and 2021 are driven by the COVID-19 pandemic and associated shutdowns.

Source:

A.M. Best, Inc.: Best's State/Line Report

Pennsylvania Earned Premium and Payroll History



Earned Premium has fluctuated over the period shown, while Payroll has more than doubled over the same time period.

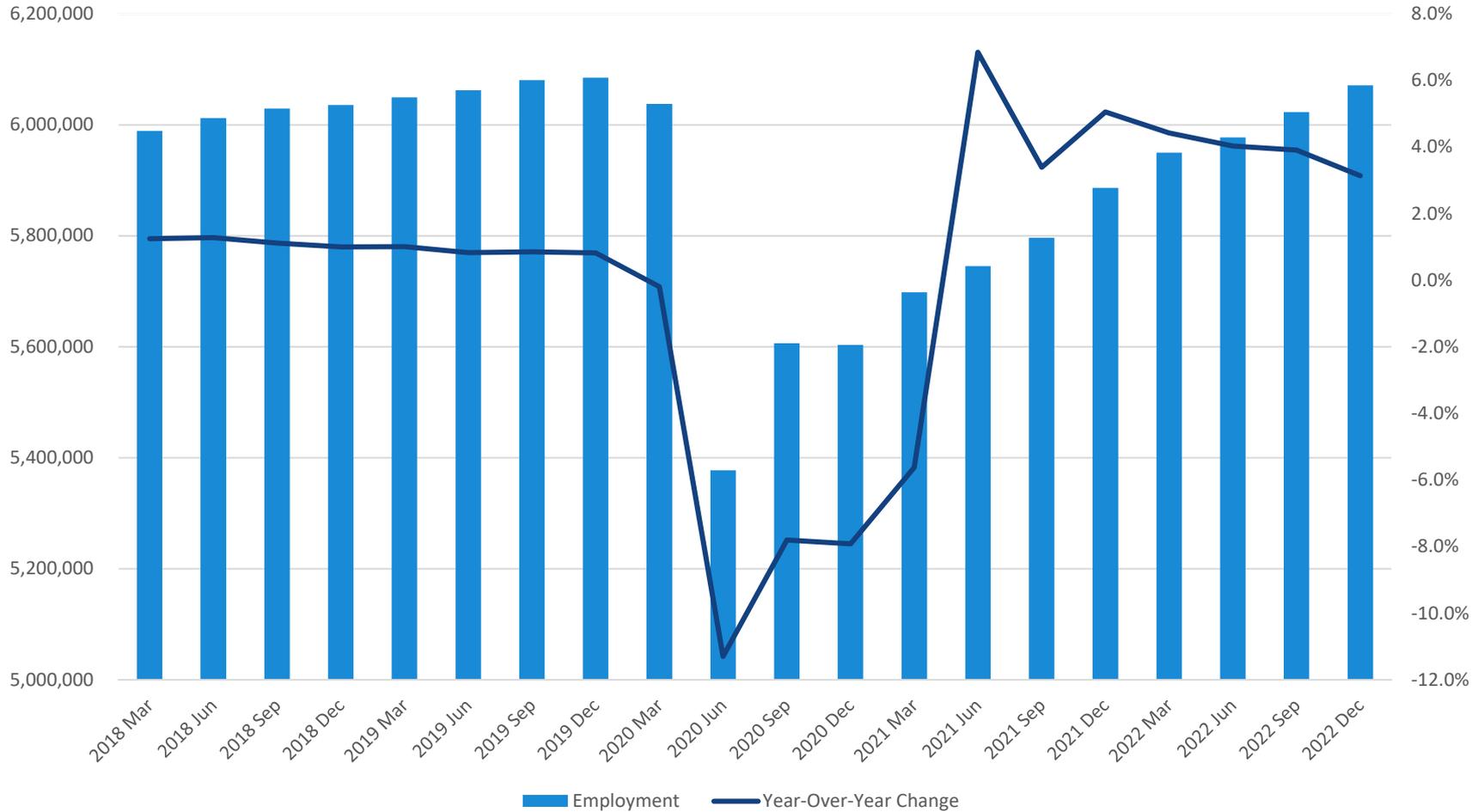
Sources:

Premium: A.M. Best, Inc.: Best’s State/Line Report; Calendar Year Basis

Payroll: Unit Statistical Data; PCRB Financial Data Calls as of 12/31/2021, adjusted to an “effective” level to reflect deductible discounts; Policy Year Basis.

* Payroll for Policy Years 2020 and 2021 is projected using the Statewide Average Weekly Wage.

Pennsylvania Nonfarm Employment

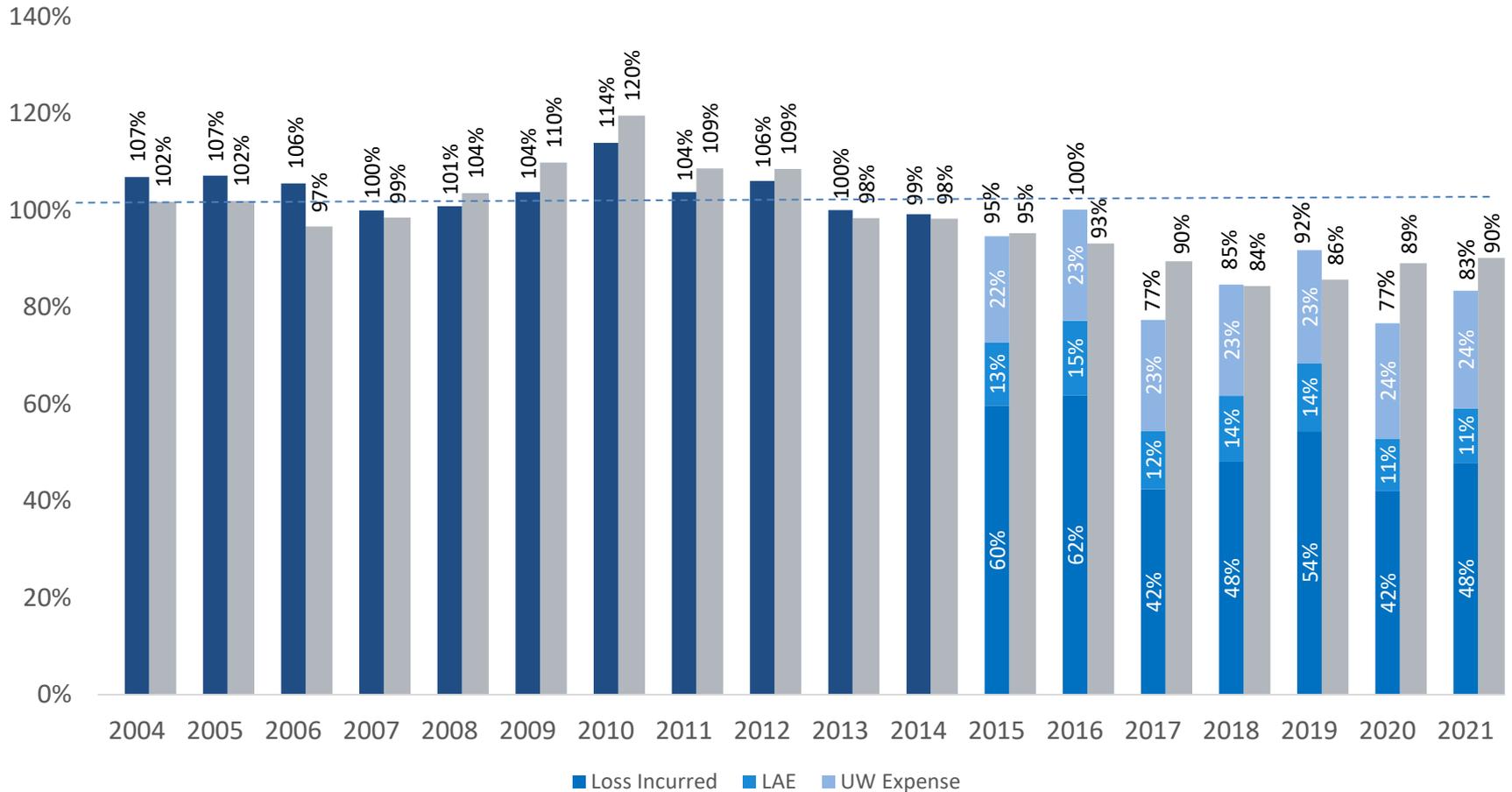


Nonfarm employment data is a critical economic indicator to gauge the overall health of the economy and its workforce.

Source:

US Bureau of Labor Statistics data through 12/2022

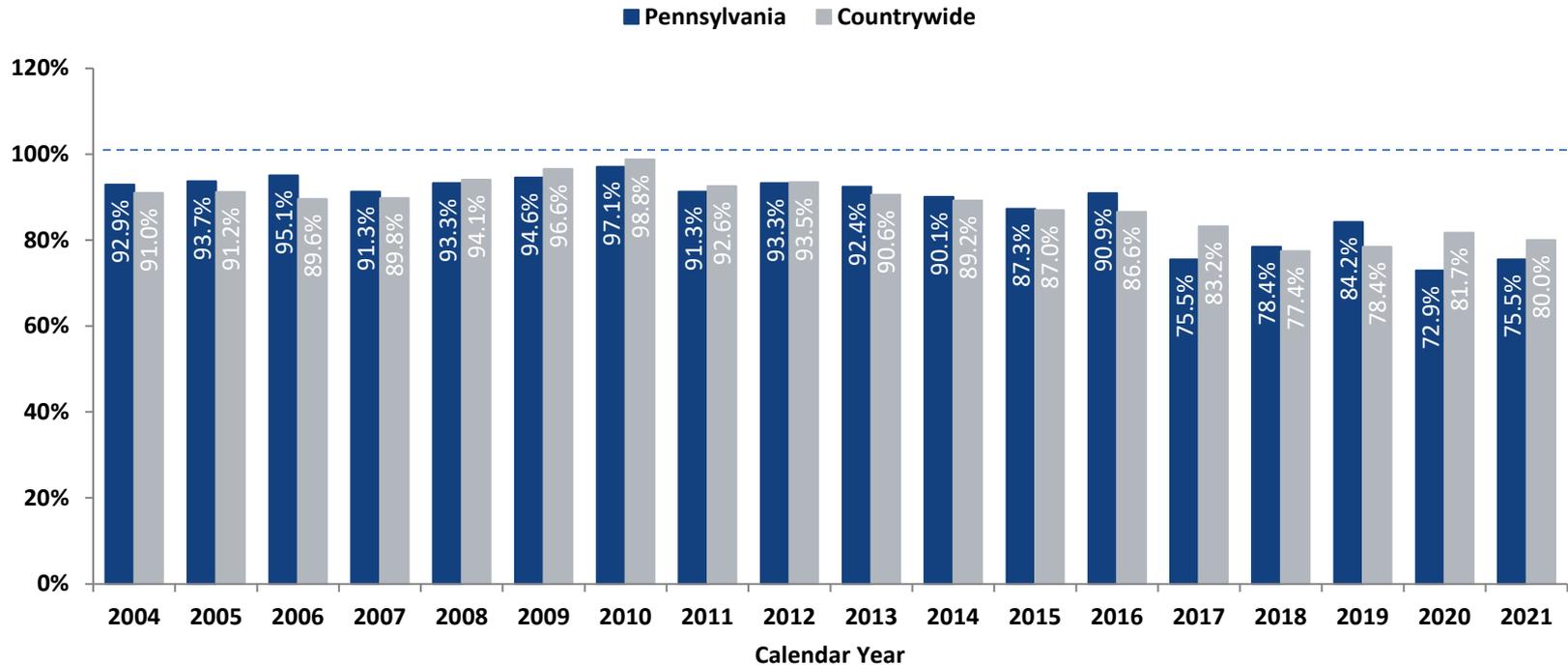
Combined Ratios Pennsylvania and Countrywide



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

Source:
2022 NAIC Profitability by Line by State in 2021

After-tax Operating Ratios Pennsylvania and Countrywide



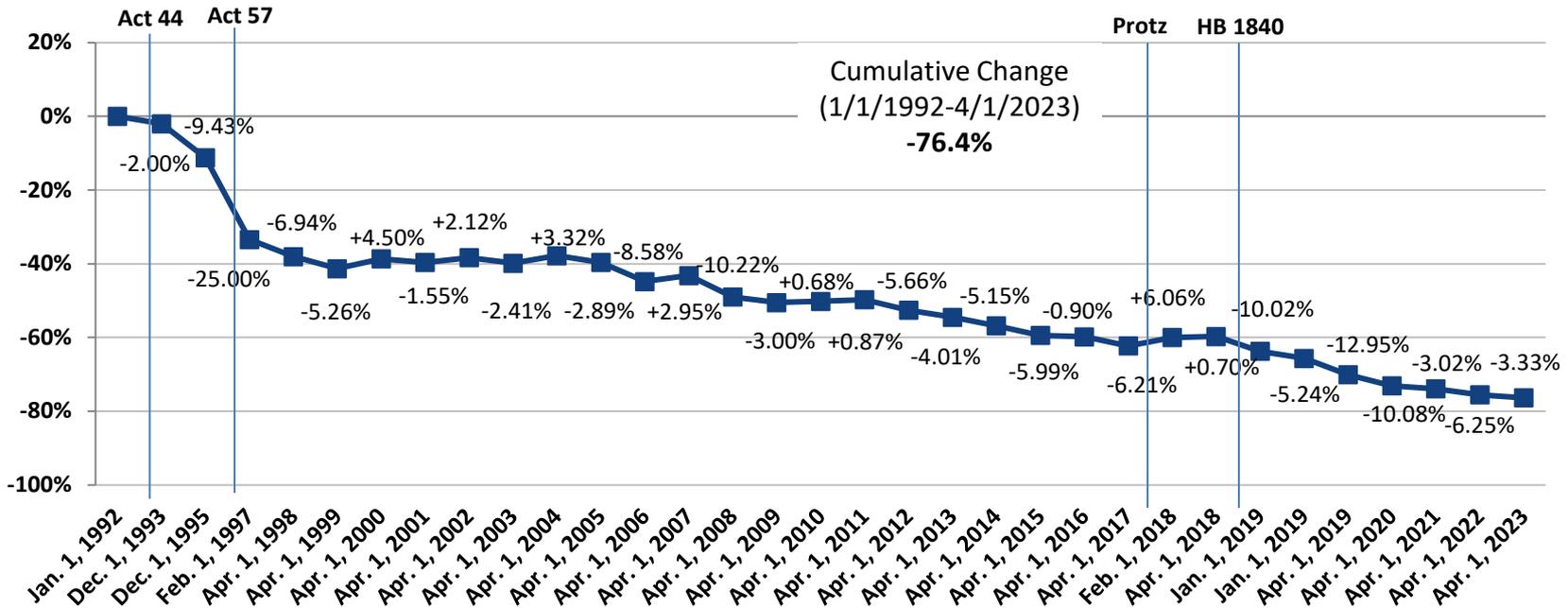
The After-tax Operating Ratio is the Combined Ratio less the Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions. An operating ratio of less than 100 indicates an overall operating profit.

Source:

2022 NAIC Profitability by Line by State in 2021

Loss Costs and Market Pricing

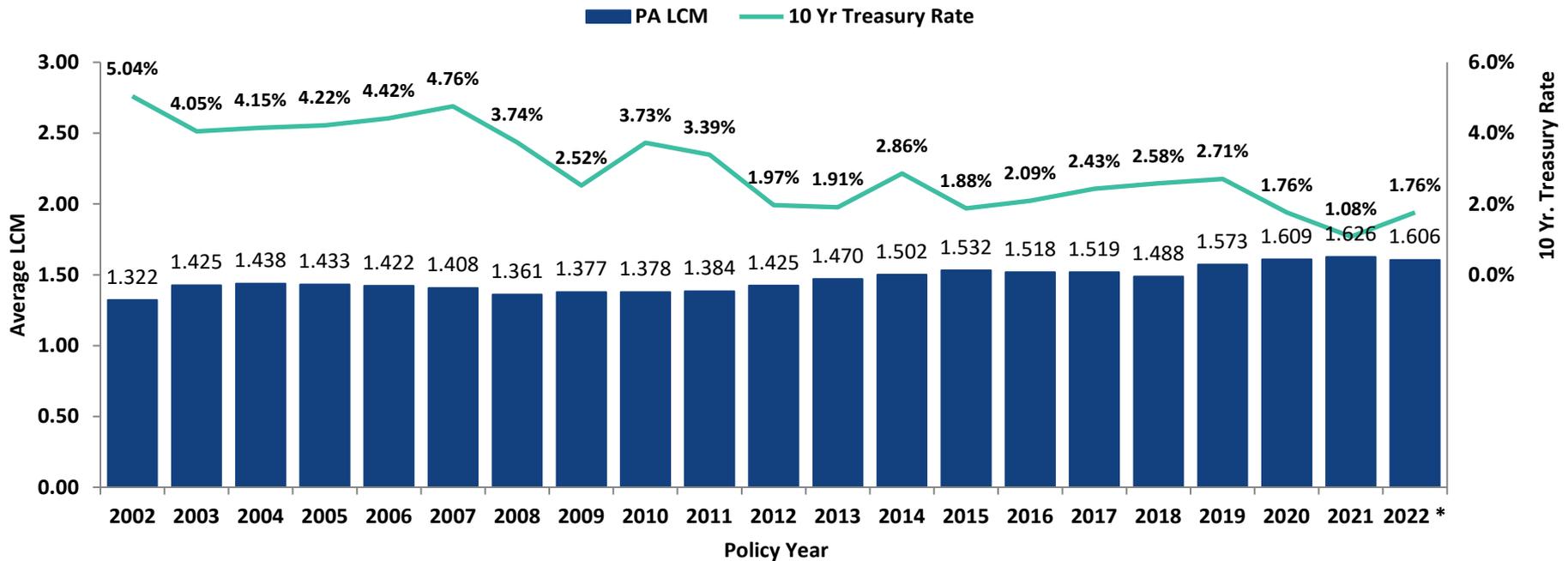
Pennsylvania Approved Loss Cost Change History



Significant Milestones:

- Act 44 of July 1993 introduced several medical cost containment features into the Pennsylvania Workers Compensation Act and required that the PCRB file loss costs rather than rates.
- Act 57 of June 1996 introduced several features that impacted indemnity benefits.
- Protz v. WCAB (*Derry Area School District*), decision June 2017, eliminated the provisions in the Workers Compensation Act that provided for Impairment Rating Evaluations.
- 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



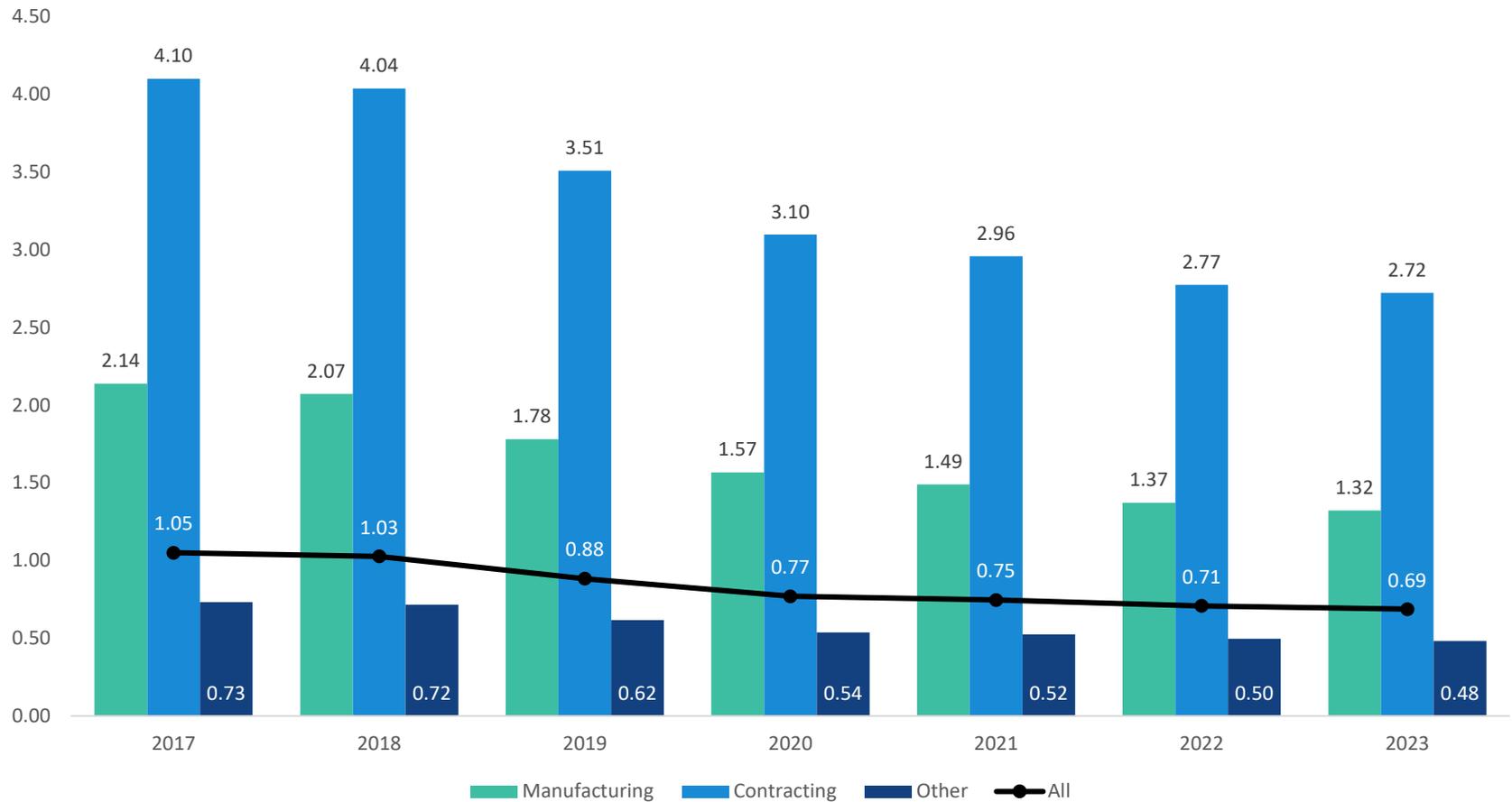
The Average Loss Cost Multiplier (LCM) is the ratio of Total Carrier Manual Premium to Total Loss Costs at PCRB Level, as reported to the PCRB. It represents the average LCM, weighted by loss costs. Carriers must file their LCMs with the Insurance Department to convert PCRB loss costs, which only include claim costs, into manual rates, including loss adjustment expense, underwriting expenses, a provision for profit and contingencies, and any deviation to reflect differences in loss experience.

Investment returns, measured here by the 10-year Treasury Rate, are somewhat correlated with the magnitude of the average loss cost multiplier. The correlation coefficient, ρ , is -75.71%. The implication is that, in times of higher investment returns, average loss cost multipliers tend to be lower.

* Preliminary

Sources:
PCRB Market Profile Report; US Treasury

Pennsylvania Average Loss Cost



Overall average pre-surge loss costs have decreased steadily from 2017 to 2023.

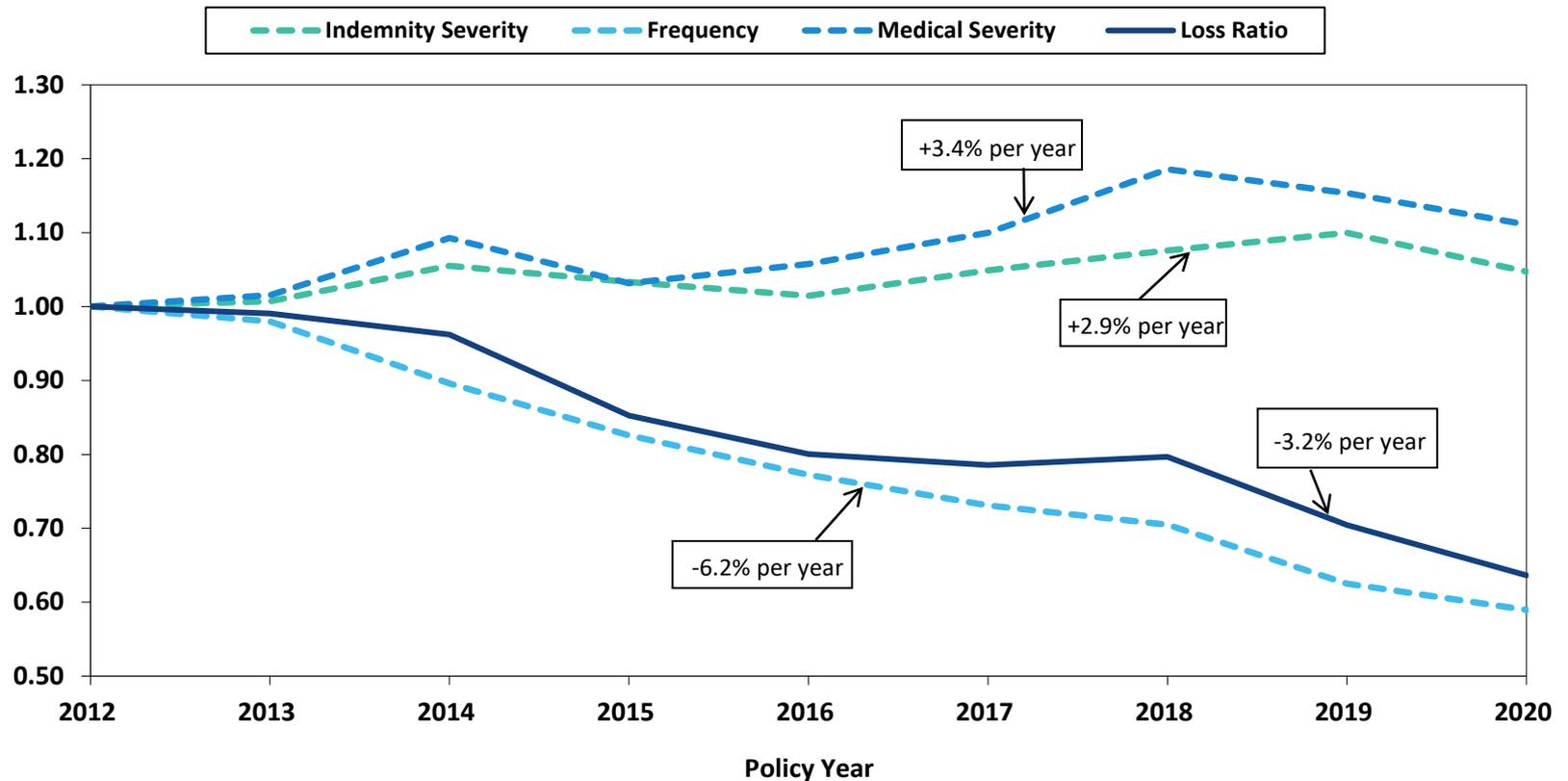
Source:

2017 - 2023 PCRB Loss Cost Revisions (2018 loss costs are based on the 1/1/2019 filing)

Claim Frequency and Severity Trends

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: +2.9% - Average of the historical indemnity severity trend of +1.1% (2013-2019) and the indicated SAWW trend of 4.6% (2016-2021)

Medical: +3.4% - Average of the historical indemnity severity trend of +2.2% (2013-2019) and the indicated SAWW trend of 4.6% (2016-2021)

Frequency: -6.2% (2012-2018, excluding COVID-19 years 2019 and 2020.)

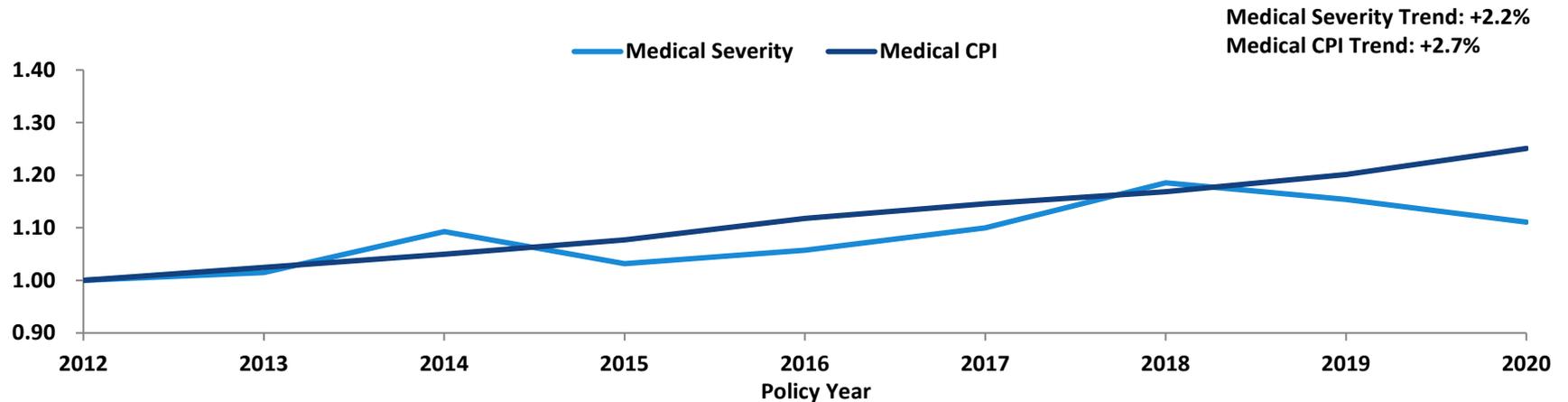
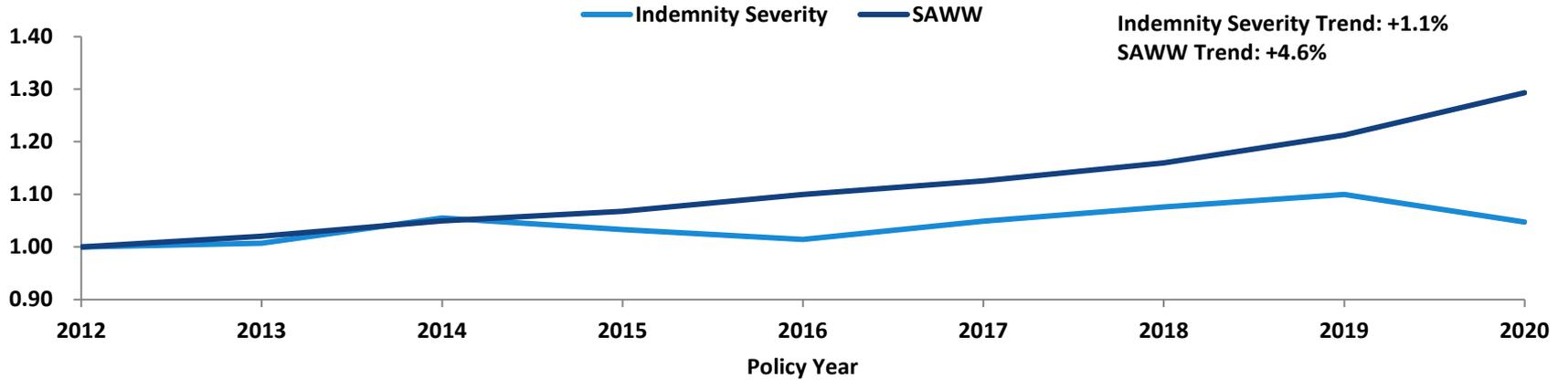
The combined impact of Frequency, Indemnity Severity, and Medical Severity Trends is a Loss Ratio Trend of -3.2%.

Source:

PCRB 2023 Loss Cost Revision.

Indexed to 1.00 at Policy Year 2012

Pennsylvania Severity Compared to Selected Indices

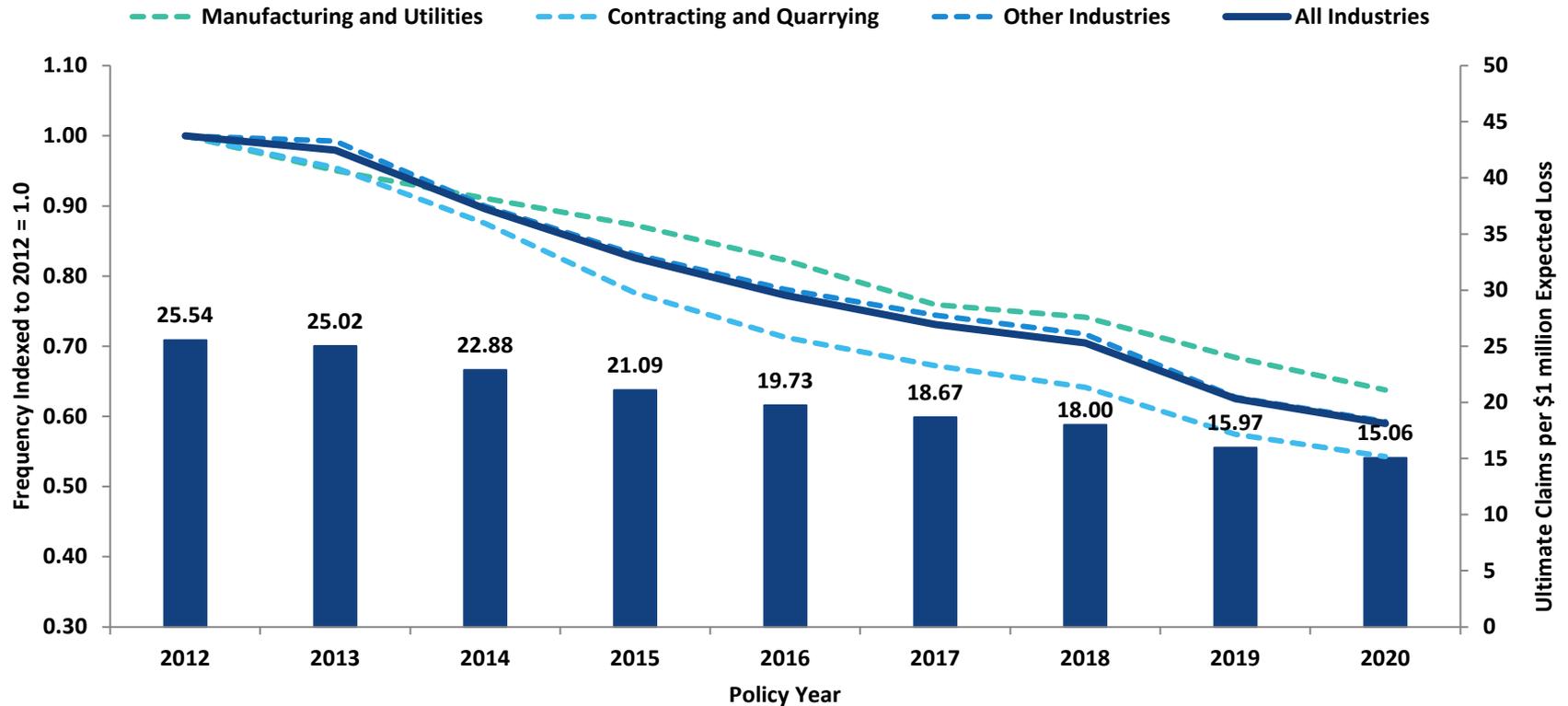


Changes in indemnity severity appear lower than the changes to the state's average weekly wage. Changes in medical severity are similar to the Medical Consumer Price Index (CPI) over this period.

Sources:

PCRB 2023 Loss Cost Revision, PA Department of Labor & Industry, and US Bureau of Labor Statistics.
 Indexed to 1.00 at Policy Year 2012

Claim Frequency Trend is Consistent by Industry Group



Notes: Excludes large deductible business

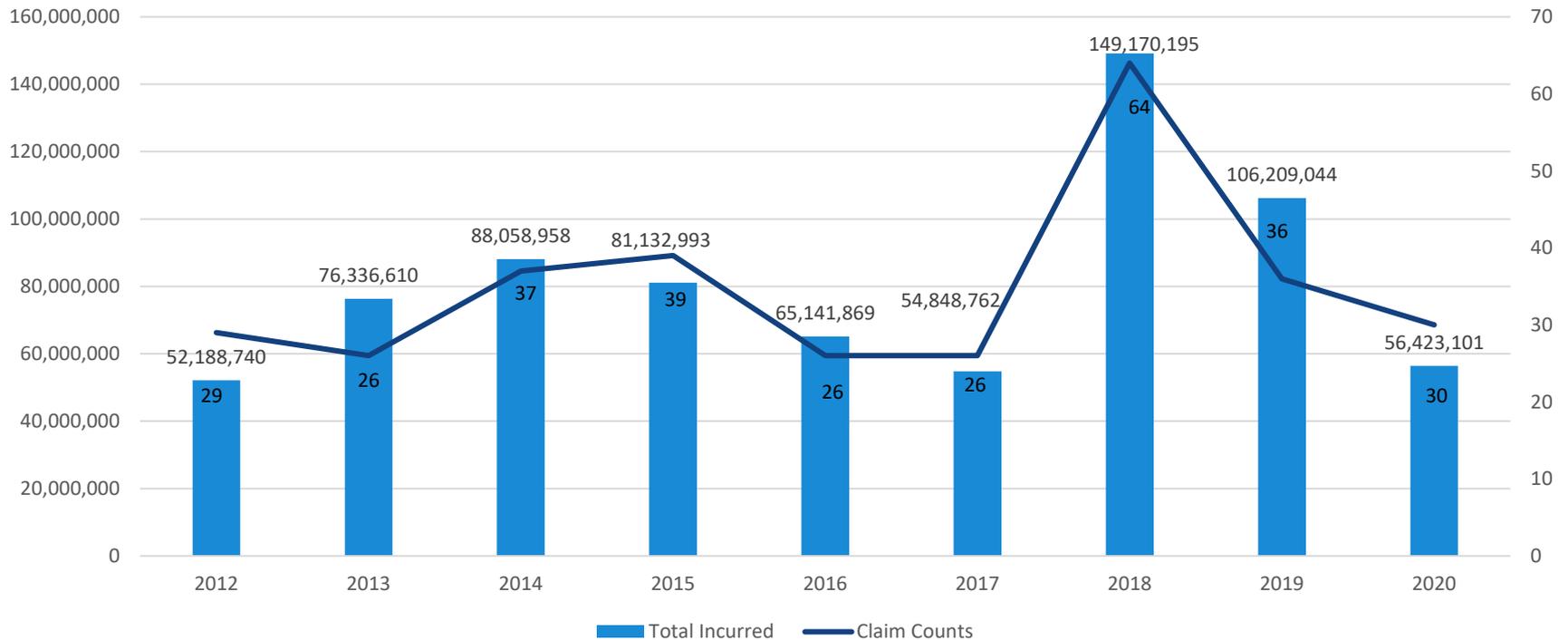
Claim frequency is measured by the number of ultimate claims per \$1 million of expected losses.

Decreasing frequency contributes to reductions in statewide loss cost levels.

Source:

PCRB 2023 Loss Cost Revision

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



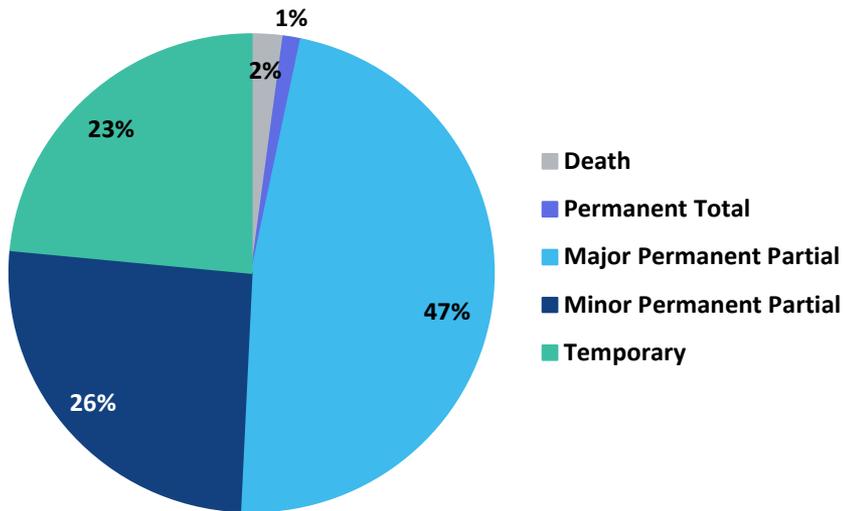
High-dollar workers compensation claims are infrequent, but the cost of these claims has a significant impact on workers compensation costs. The chart shows the number of large claims with losses in excess of \$1 million in total incurred losses for Policy Years 2012 through 2020.

Source:
PCRB Financial Data Call #4

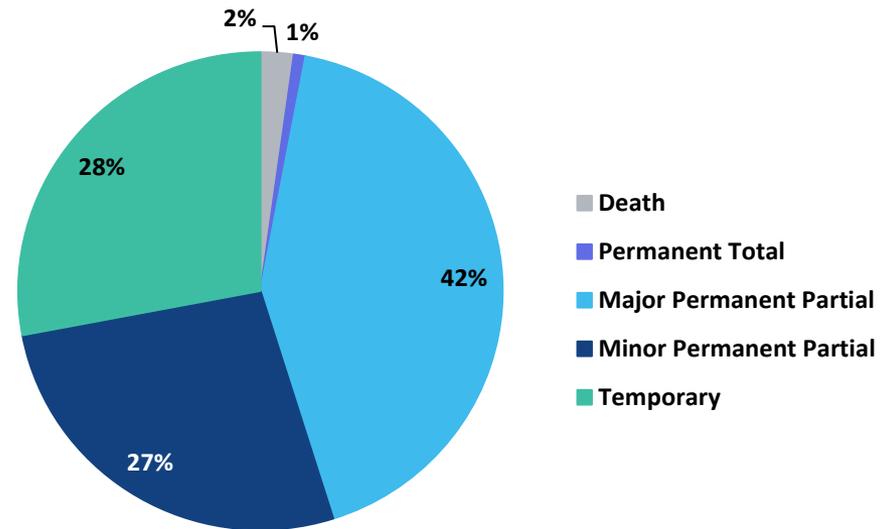
Distributions of the Pennsylvania Workers Compensation System

Indemnity Benefits by Type of Injury

5 Policy Year Average (2011-2015)



5 Policy Year Average (2015-2019)



Over these time 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 5 percentage points. The other types of injury exhibited smaller changes.

Based on losses developed to ultimate values.

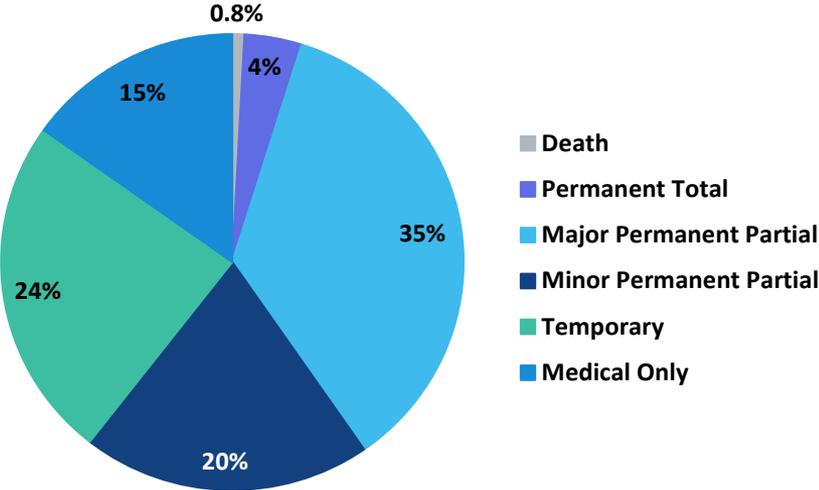
Sources:

2011-2015: PCRB 2019 Loss Cost Revision

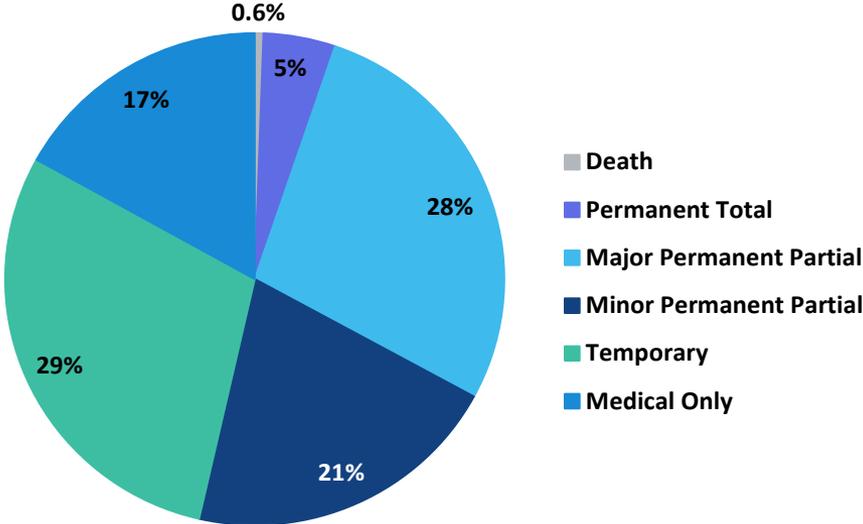
2015-2019: PCRB 2023 Loss Cost Revision

Medical Benefits by Type of Injury

5 Policy Year Average (2011-2015)



5 Policy Year Average (2015-2019)

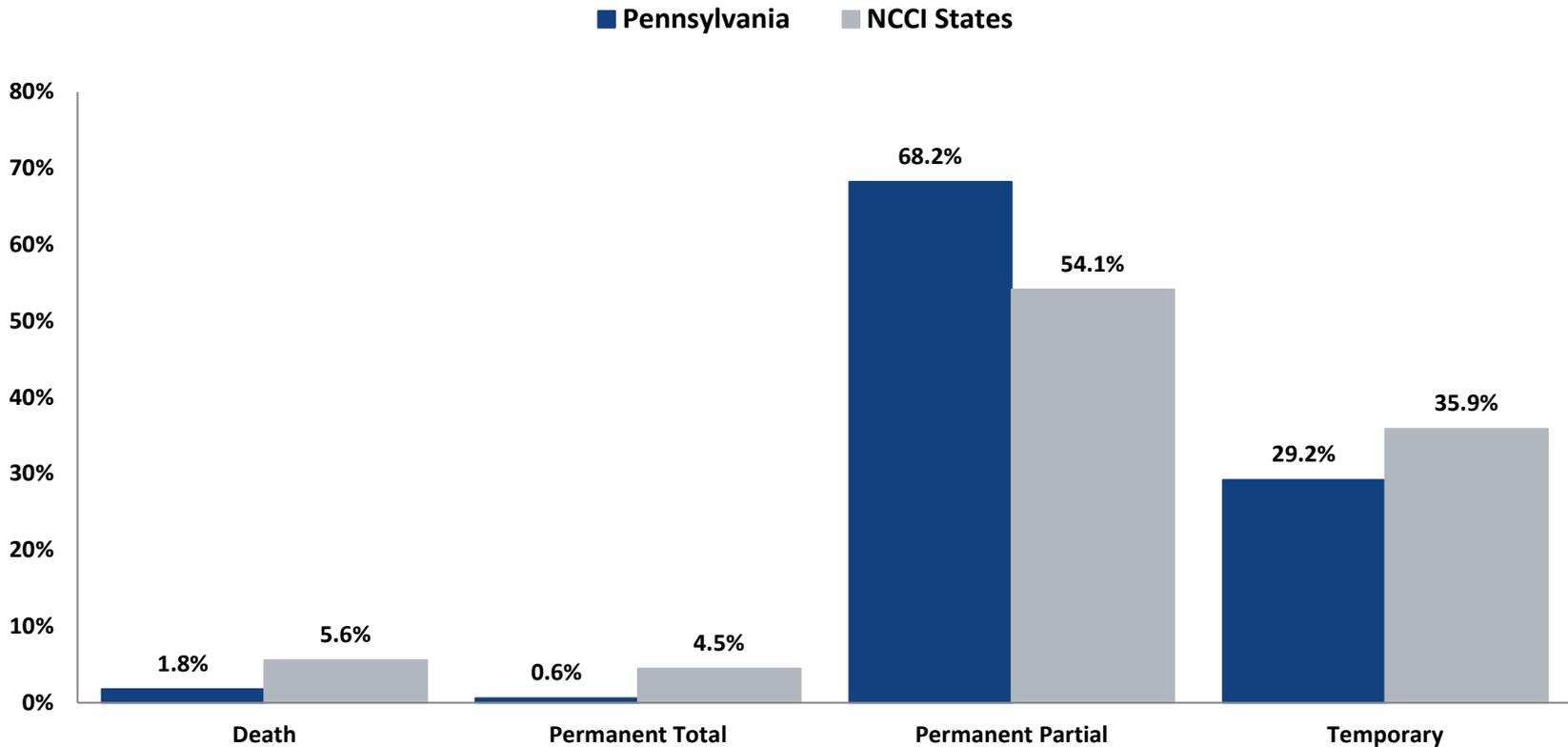


Comparing these two time periods, the portion of medical benefits attributable to Major Permanent Partial decreased by 7 percentage points, while Temporary Total injuries increased by 5 percentage points. The other types of injury exhibited smaller changes.”

Based on losses developed to ultimate values.

Sources:
 2011-2015: PCRB 2019 Loss Cost Revision
 2015-2019: PCRB 2023 Loss Cost Revision

Ultimate Indemnity Benefits by Type of Injury



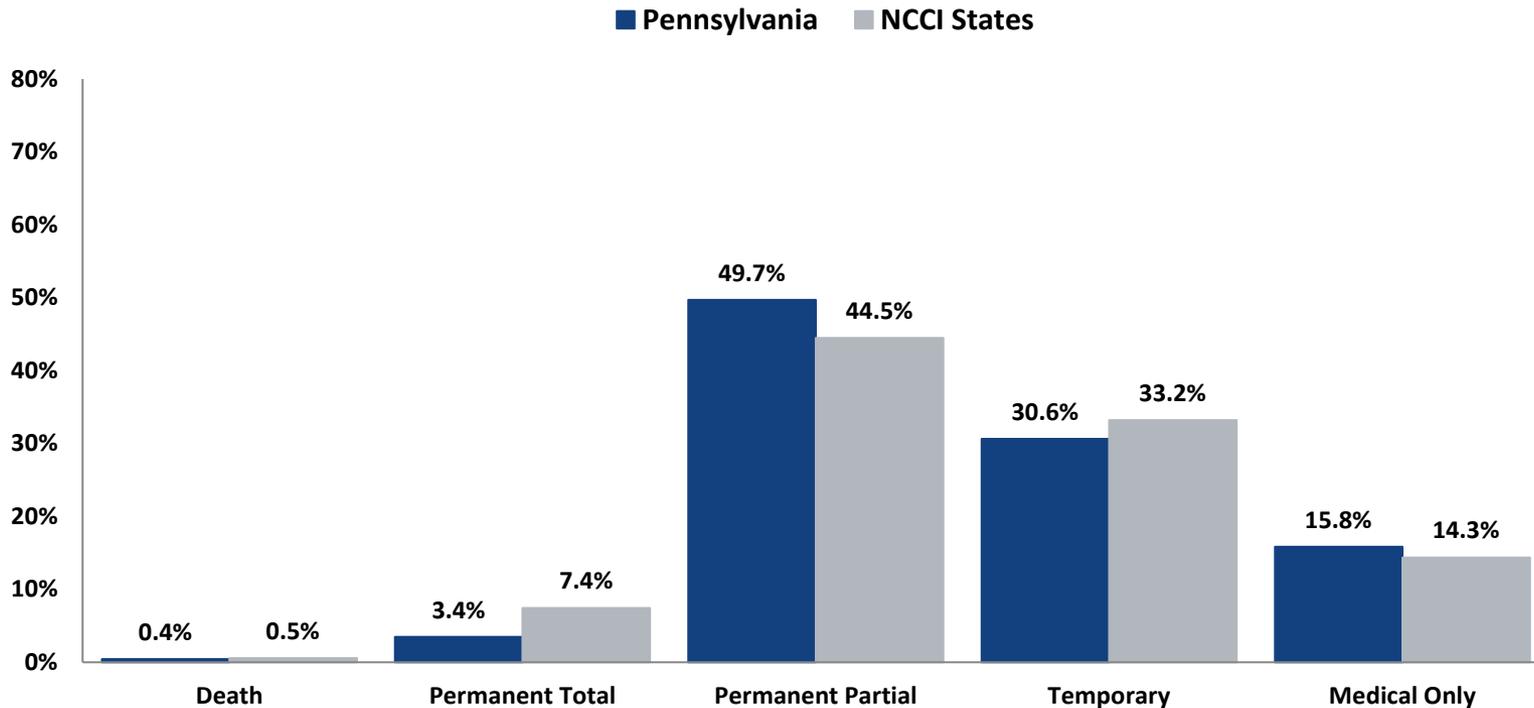
Pennsylvania has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states.

Sources:

PCRB 2023 Loss Cost Revision

NCCI States: 2022 Annual Statistical Bulletin

Ultimate Medical Benefits by Type of Injury



The largest component of medical costs is payments for Permanent Partial (about half of total medical cost). 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.

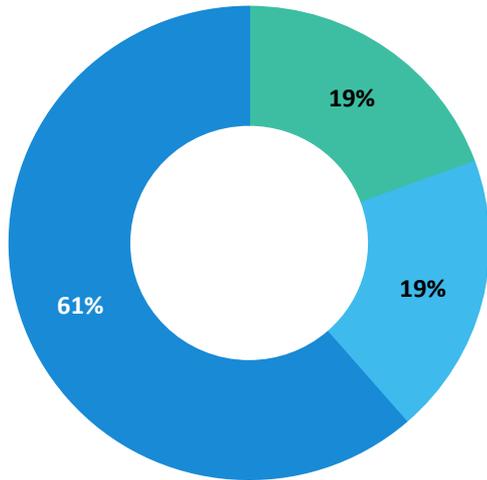
Sources:

PCRB 2023 Loss Cost Revision

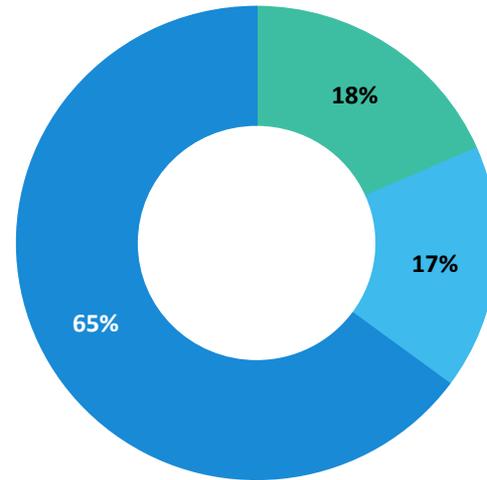
NCCI States: 2022 Annual Statistical Bulletin

Premium and Loss by Industry Group

Standard Premium



Reported Losses



 Manufacturing

 Contracting

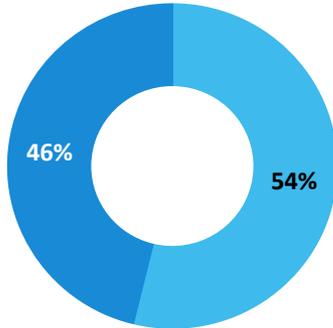
 Other

Source:
PCRB 2023 Loss Cost Revision, Policy Year 2019

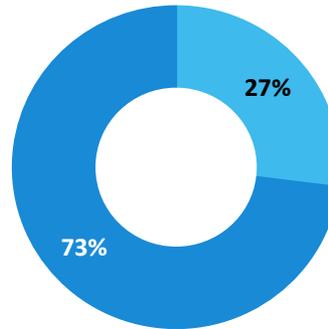
Premium and Loss by Industry Group

Standard Premium

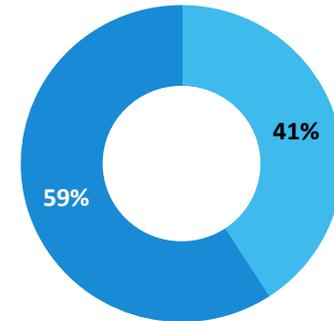
Manufacturing



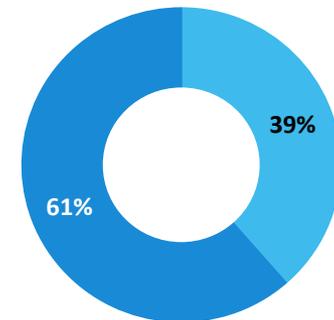
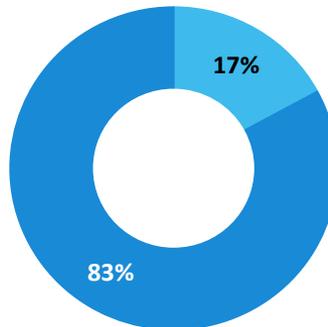
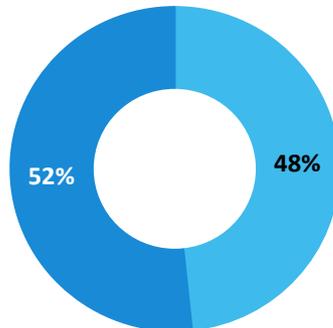
Contracting



Other



Reported Losses



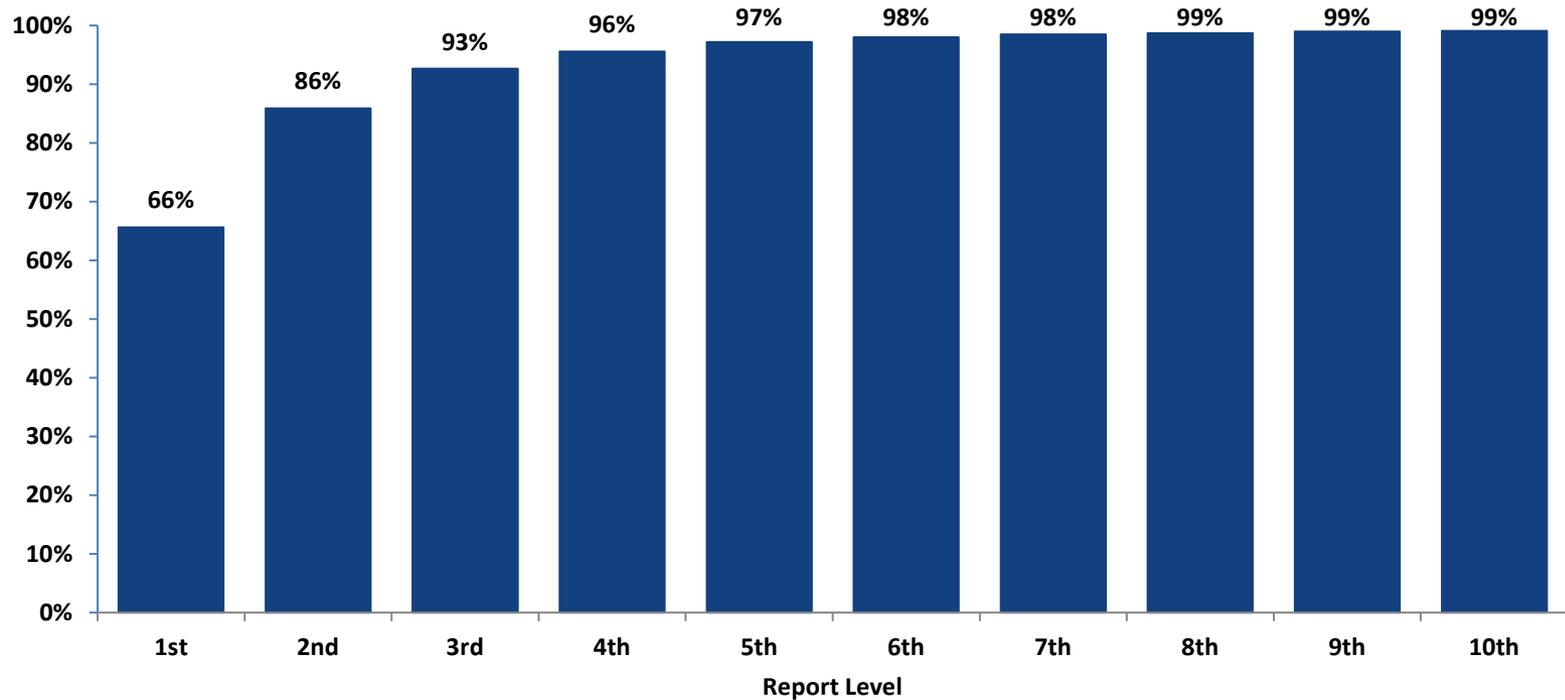
Excluding Deductible Policies



Deductible Policies

Measures of Claim Reporting and Case Reserve Changes

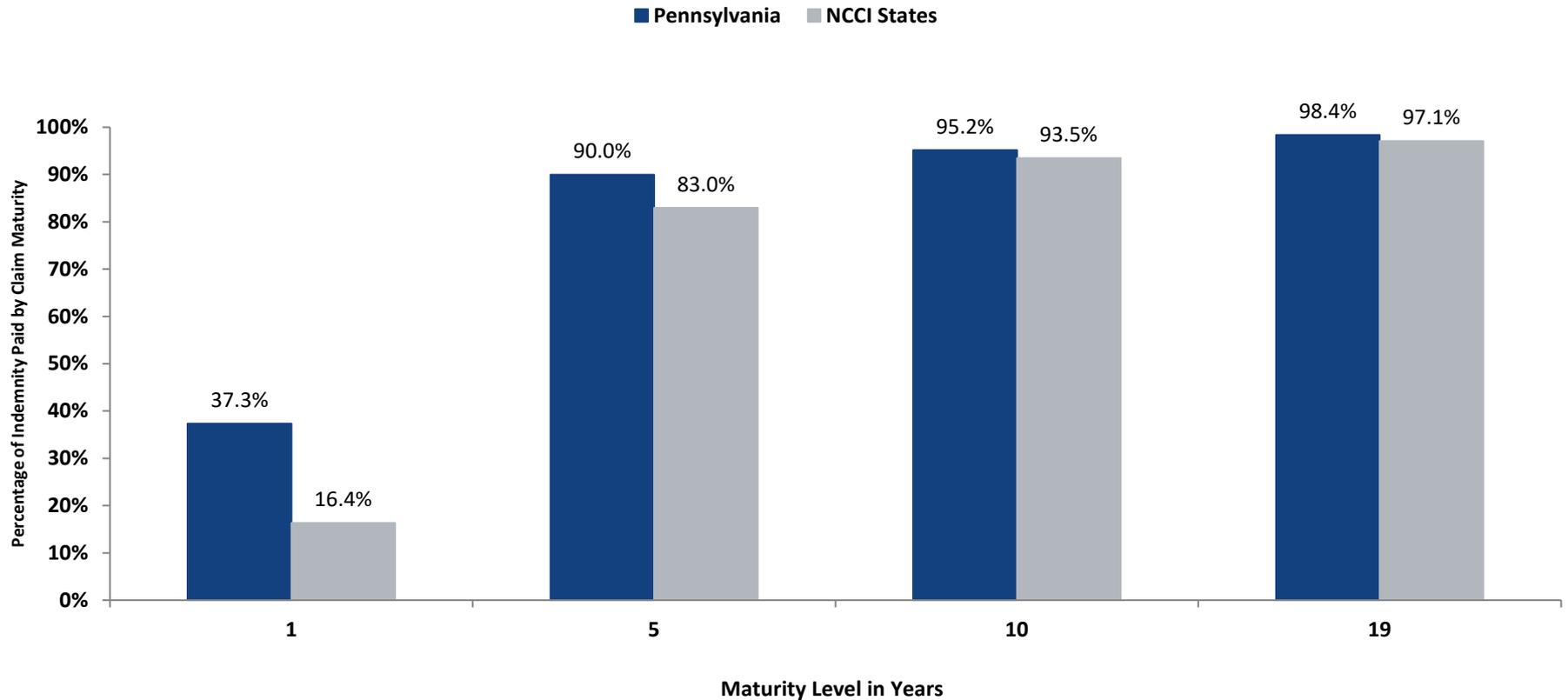
Portion of Reported Indemnity Claims Closed



The rate at which claims are settled and closed impacts the ultimate claim costs. The chart shows the percentage of indemnity claims that are closed at each report level. Approximately 3% of indemnity claims remain open at 5th report.

Source:
PCRB 2023 Loss Cost Revision

Portion of Ultimate Indemnity Loss Paid by Claim Maturity



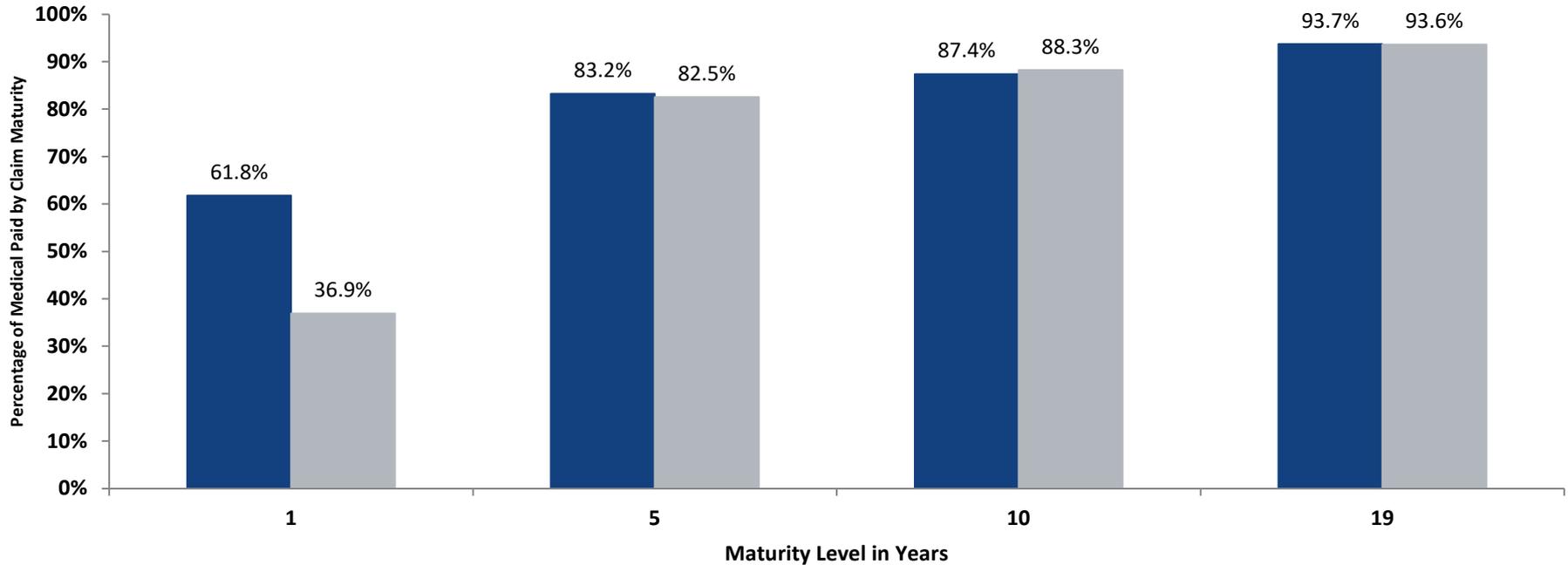
Sources:

PCRB 2023 Loss Cost Revision, on a Policy Year basis

NCCI States: April, 2023, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Loss Paid by Claim Maturity

■ Pennsylvania ■ NCCI States

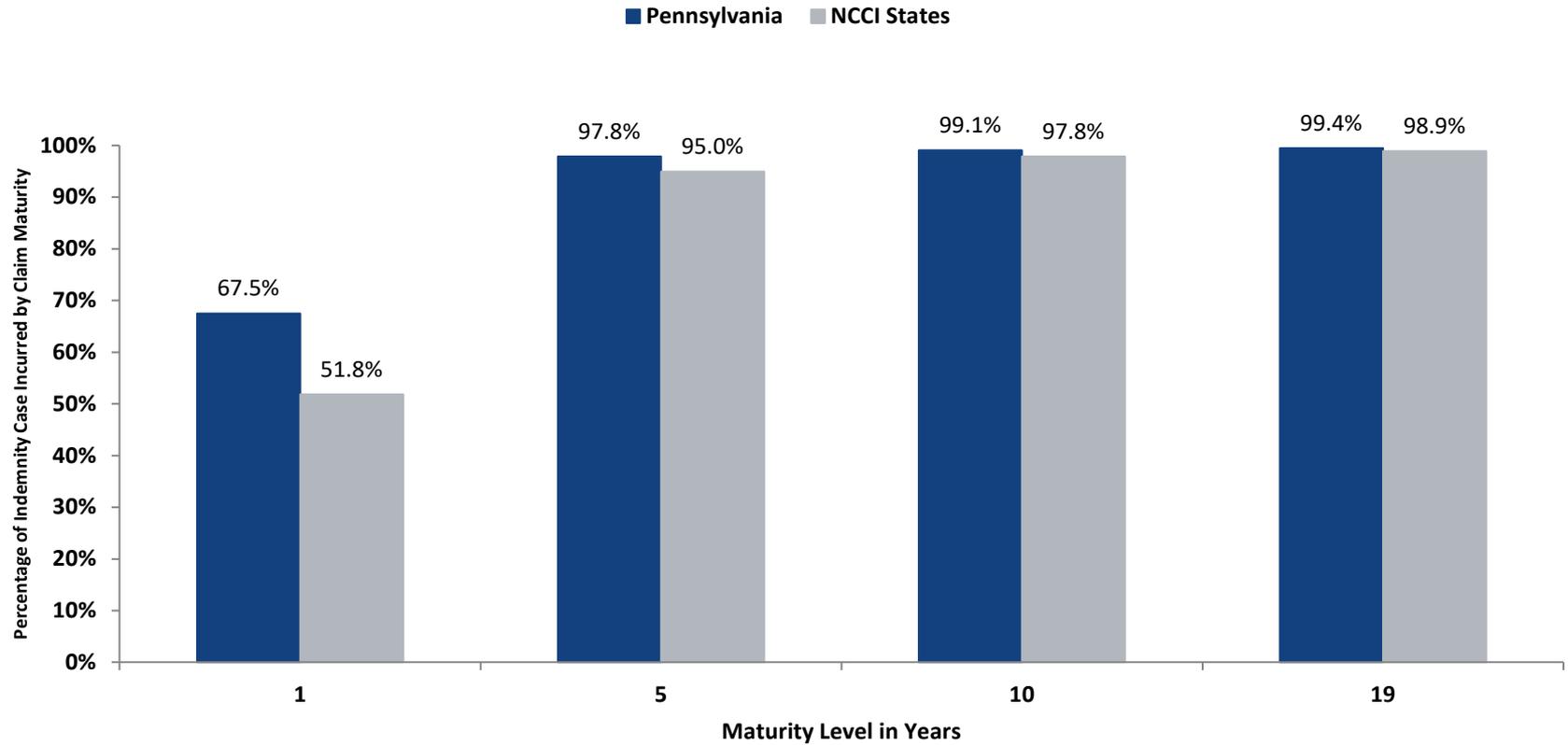


Sources:

PCRB 2023 Loss Cost Revision, on a Policy Year basis

NCCI States: April, 2023, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Indemnity Case Incurred by Claim Maturity

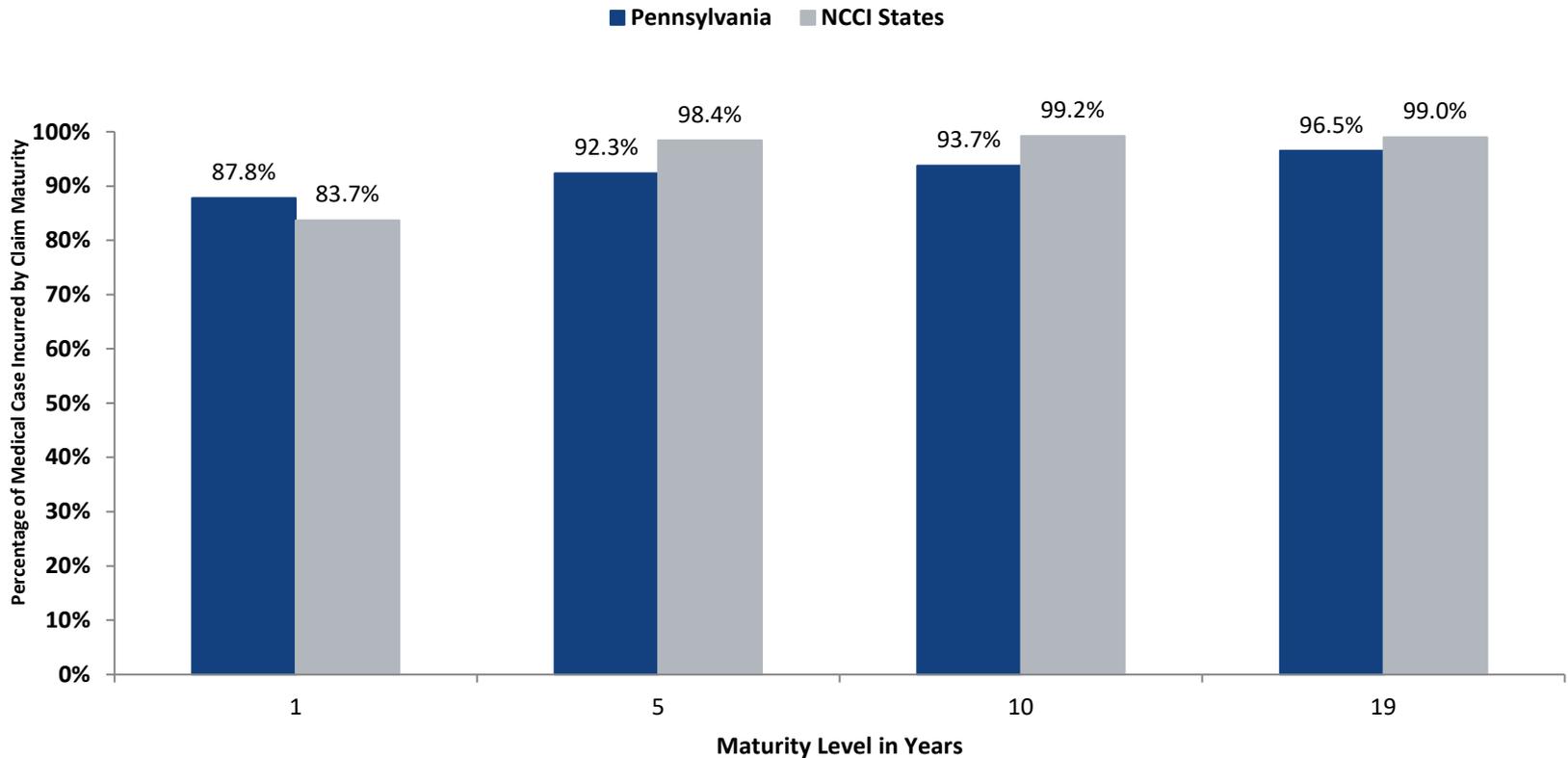


Sources:

PCRB 2022 Loss Cost Revision, on a Policy Year basis

NCCI States: April 2023, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Portion of Ultimate Medical Case Incurred by Claim Maturity

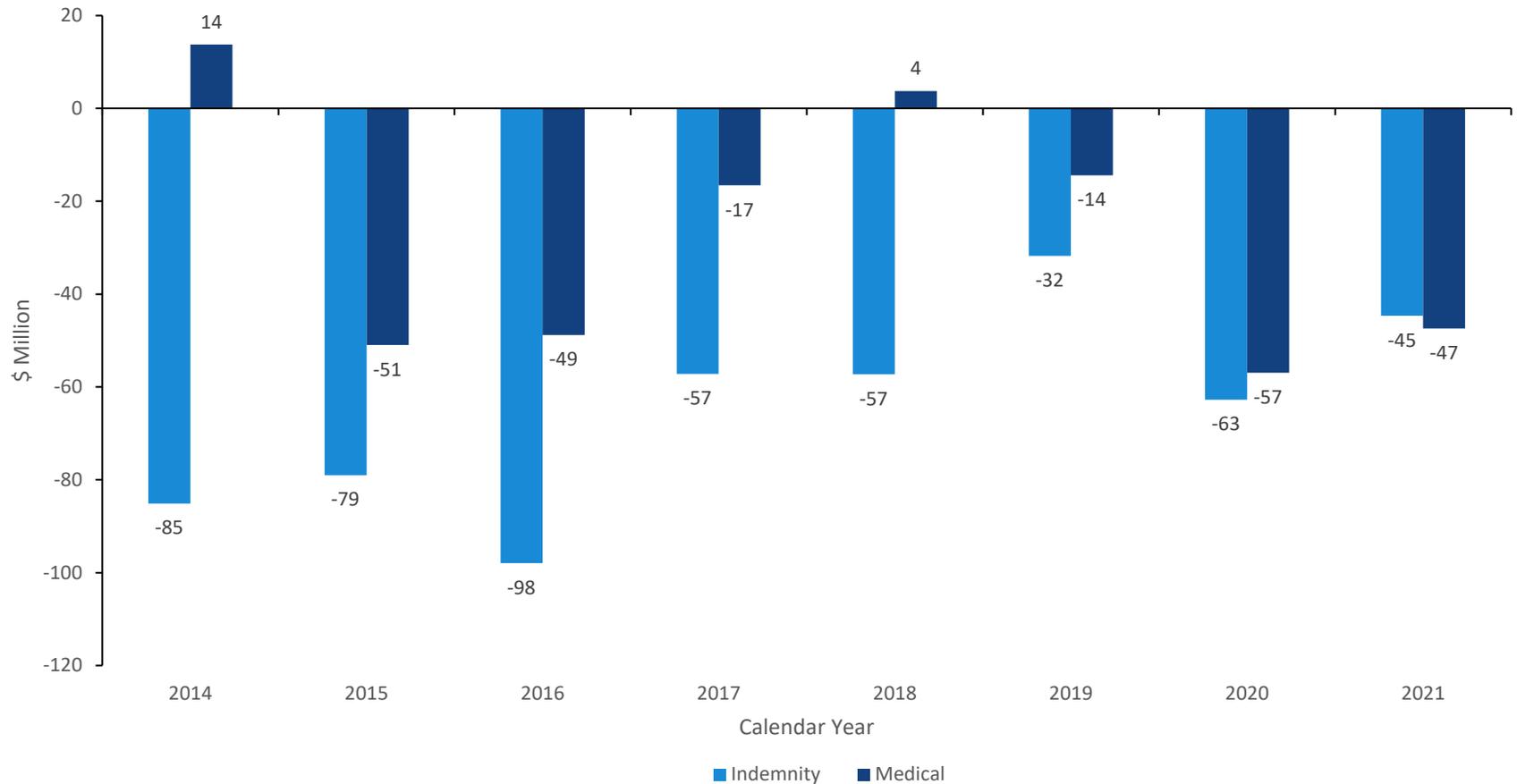


Sources:

PCRB 2023 Loss Cost Revision, on a Policy Year basis

NCCI States: April, 2023, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year basis

Pennsylvania Case Reserve Changes



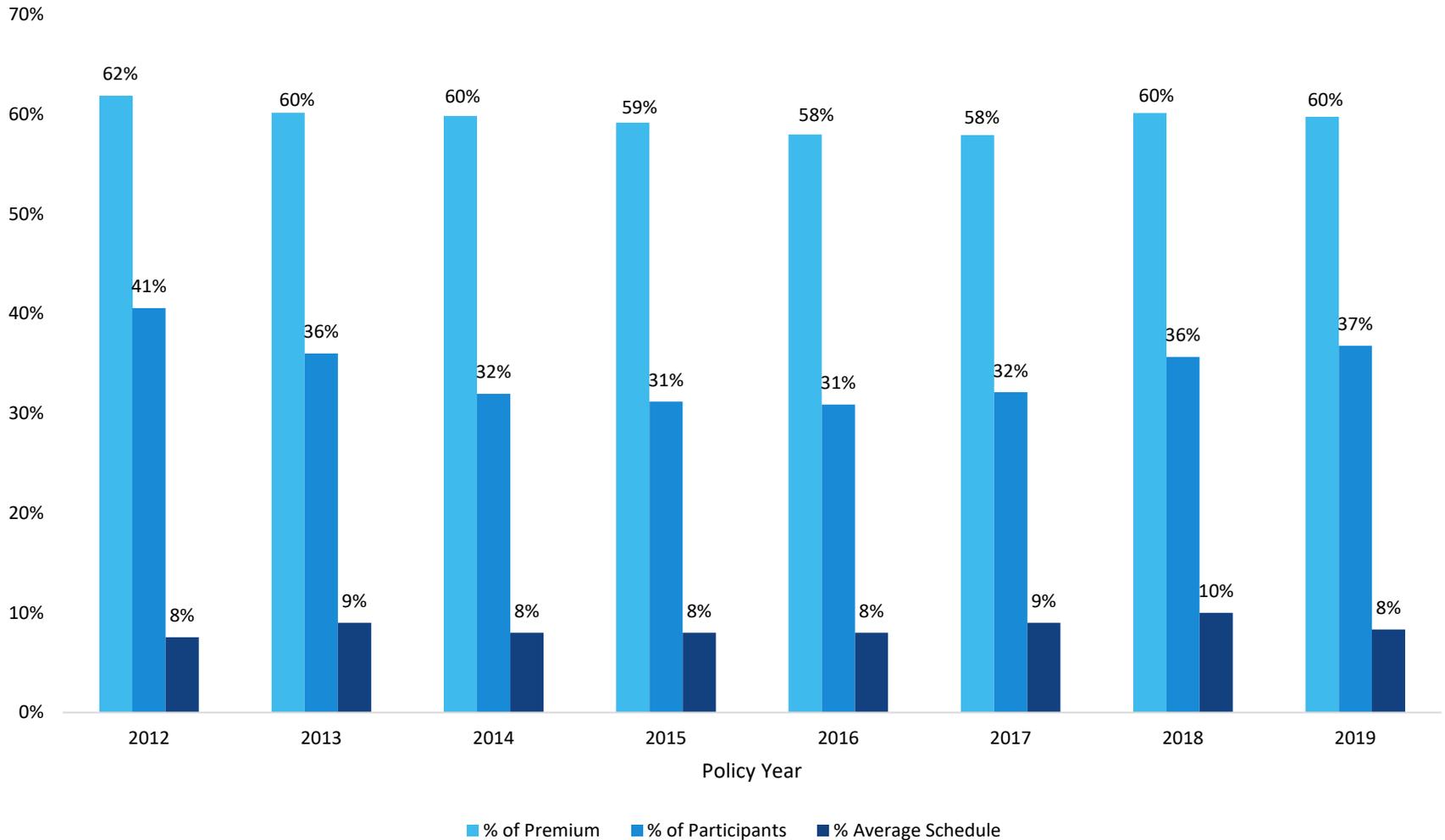
Case reserves are defined as the sum of the values assigned to specific known claims as of the evaluation date.

In Pennsylvania, the change in case reserves has been stable over time, with exception of Calendar Years 2014 and 2018, which had more large claims than usual.

Sources:
PCRB Financial Data Calls

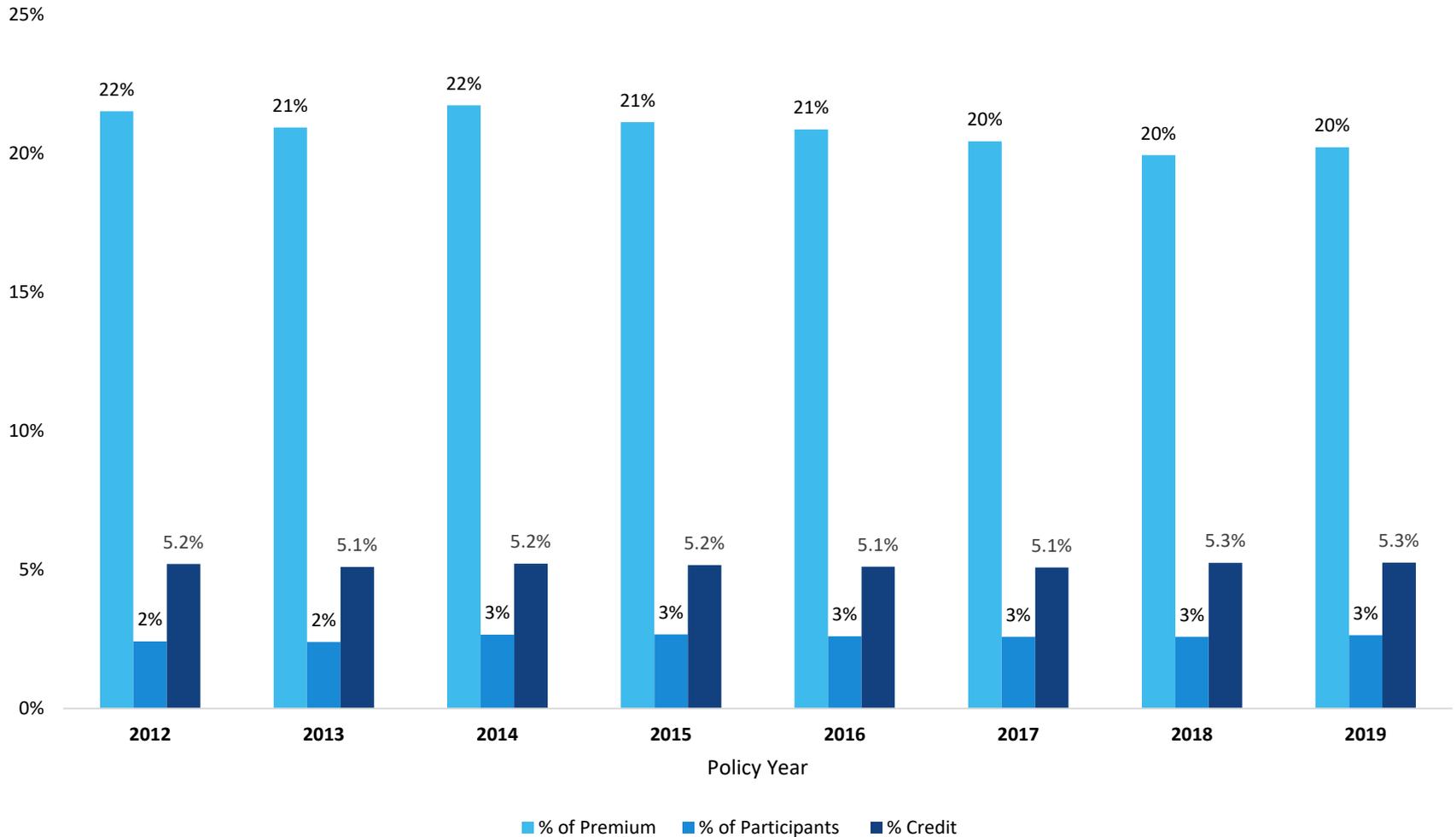
Premium Adjustment Programs

Pennsylvania Schedule Rating Plan



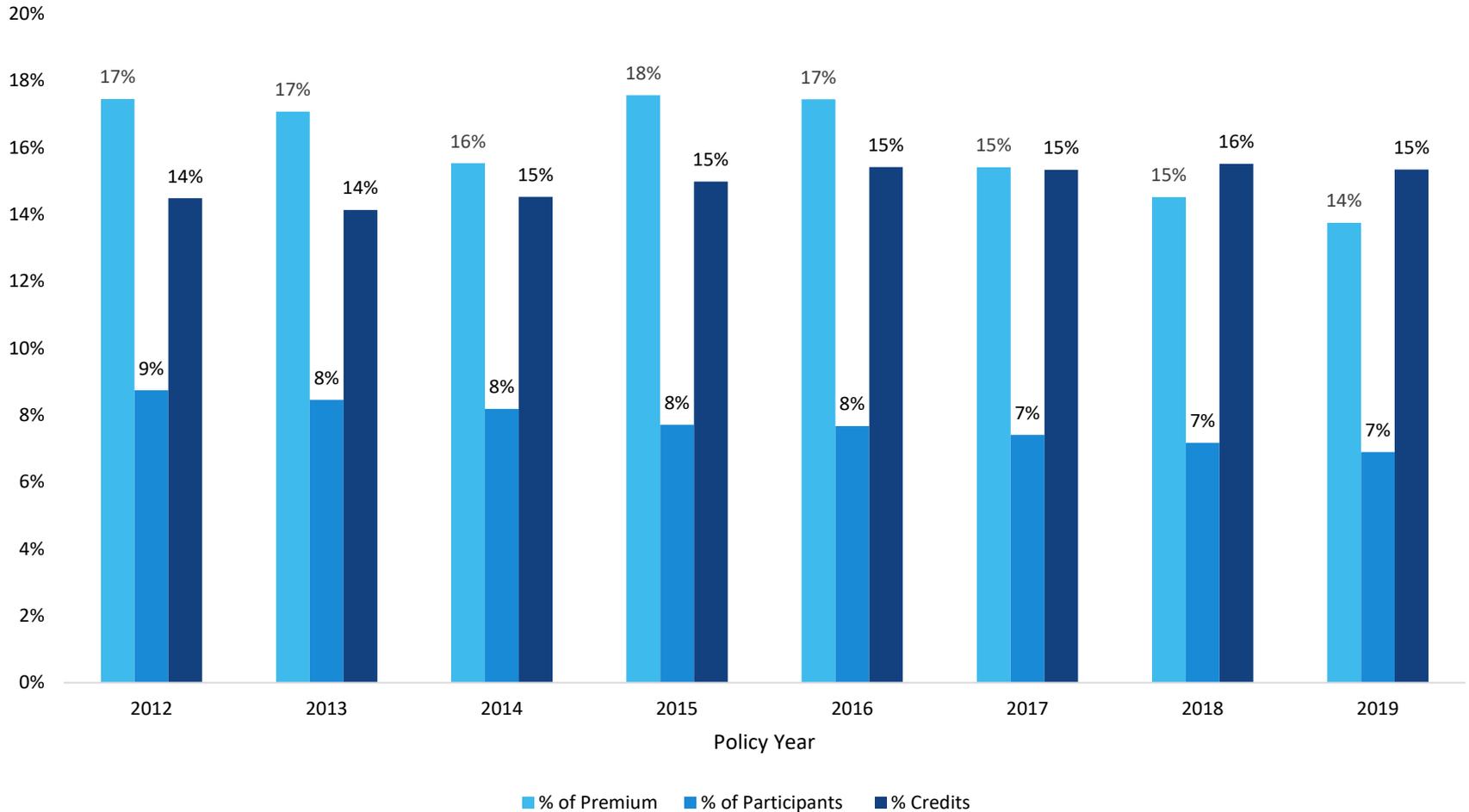
From 2012 to 2019, approximately 60% of eligible total standard premium was subject to schedule rating and the number of policies subject to schedule rating has been increasing since 2016. The overall average schedule rating credit has been between 8% and 10%.

Pennsylvania Certified Safety Credit Program



From 2012 to 2019, the percentage of risks participating the program has been stable. In 2019, 3% of eligible risks representing 20% of eligible premiums participated in the program. The average credit provided to participating employers has been approximately 5.2%.

Pennsylvania Construction Classification Premium Adjustment Program



During Policy Year 2019, the premium for participating risks represented 14% of total premium for eligible risks and only 7% of eligible risks participated in this program. Both the proportion of eligible risks participating and the percentage of premium for participating risks have generally declined since 2012. The average program credits given to participating risks have also declined slightly in recent years.



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The PCRB is the licensed rating organization for workers compensation business other than Coal Mine Coverages, in the Commonwealth of Pennsylvania, and has served in that role since 1915. The PCRB is a non-profit, private corporation supported by members comprised of all insurers licensed to underwrite workers compensation insurance in Pennsylvania, including the State Workers' Insurance Fund (SWIF). The PCRB makes annual rating value filings with the Pennsylvania Insurance Department and, subject to review and approval by the Department of Insurance, the PCRB maintains uniform classification and experience rating plans as well as rules and parameters associated with various other mandatory and optional pricing programs. For more information about the PCRB contact us at:

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