

August 22, 2023

PCRB CIRCULAR NO. 1799

To All Members of the PCRB:

Re: **PCRB Filing No. 340 – Experience Rating Plan Provisions Effective April 1, 2024**

The Pennsylvania Insurance Commissioner has approved the revised Experience Rating Plan, as filed, by action dated August 18, 2023. These revisions become **effective as of 12:01 a.m., April 1, 2024** with respect to new and renewal policies having Rating Effective Dates (RED) on or after that date.

Key changes to the approved Experience Rating Plan (ERP) are as follows:

- The ERP eligibility threshold will be lowered from \$10,000 to \$5,000.
- Credibility values for smaller risks will be increased significantly, with the minimum credibility increasing from 28.3% to 69.0% for the smallest eligible risks.
- The maximum primary loss value for a single claim will vary from \$10,000 for the smallest risks to \$300,000 for the largest risks. Previously, these amounts were fixed at \$42,500 regardless of risk size and loss potential.
- The new capping rule will replace the current +/-25% swing limits and the secondary capping rule. It will introduce a formula-driven maximum modification. Additionally, the proposed plan will retain only an upward swing limit of +40% and eliminating secondary capping.
- A two-year transition rule will be implemented from 4/1/2024 to 3/31/2026 to manage any substantial changes resulting from plan adoption, both upward and downward movement. During this period, the current capping rule will remain in effect along with the use of the maximum modification formula.

A copy of Filing No. 340 and other information including a Factsheet, Frequently Asked Questions, Experience Rating Plan Pamphlet, Experience Modification Calculator, and two carrier reports are available on our website (www.pcrb.com). Please refer to the dedicated ERP web page for these and other future training materials as this plan is rolled out.

Please direct all questions to Brent Otto, Vice President of Actuarial Services and Chief Actuary, at Extension 4451 or botto@pcrb.com for any questions regarding this Circular.

William V. Taylor
President

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

PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS, AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY INSURANCE

Proposed Effective April 1, 2024

INFORMATION PAGE remains unchanged.

PREFACE remains unchanged.

MEMBERSHIP remains unchanged.

TABLE OF CONTENTS remains unchanged.

SECTION 1 through **SECTION 4** remains unchanged.

SECTION 5 – EXPERIENCE RATING PLAN

SECTION I – INSTRUCTIONS through **SECTION II – DEFINITIONS** remain unchanged.

SECTION III – GENERAL PROVISIONS

1. **Eligibility Requirements.** A risk shall qualify for rating under this Plan if the premium developed by the audited payrolls or other exposures of the experience period, extended at current PCRB Loss Costs, is \$5,000 or more.

Items 2 through Item 10 remain unchanged.

SECTION IV – APPLICATION OF EXPERIENCE MODIFICATION through **SECTION V – TABULATION OF EXPERIENCE** remains unchanged.

SECTION VI – RATING PROCEDURE

1. **Actual Primary Losses.** Actual Primary Losses (Ap), as tabulated in accordance with the provisions of Rules 4 and 5 of Section V, shall be used in the rating.
2. **Expected Losses.** Expected Losses (E) shall be determined from the application of the appropriate Expected Loss Factor, shown in Table A, to the payrolls or other exposures for each classification for the experience period.
3. **Credibility.** The Credibility (C) of the experience of the risk shall correspond to Expected Losses (E), as shown in Table B.
4. **Limit Charge.** A limit charge (L) reflecting the loss dollars eliminated by the split point placed on One Accident, shall be included in calculating the modification. The Charge times Credibility, or $L \times C$, shall be determined by entering Table B at the level of Expected Losses for the experience period.
5. **Credibility Complement (1-C).** The Credibility Complement is computed by subtracting the Credibility (C) from unity (1.0).
6. **Experience Modification.** The Experience Modification shall be determined from the formula:
 $[Ap \times C + E \times C \times L + E(1.0 - C)] / E$ The indicated modification will be subject to capping based on the Maximum Modification formula below:

$$1.10 + 0.0004 \times (E / G), \text{ where } G=10$$

If the indicated modification, after application of the Maximum Modification formula, still exceeds +40% compared to the prior final experience modification, the Final Modification will be capped at 40% of the prior modification.

7. Transition Rules: During the transition period based on the RED between 4/1/2024 to 3/31/2026, the current capping rules will remain in effect, which limit changes (up or down) to no more than +/-25% of the prior Final Modification and the application of the Double Swing Cap (Secondary Capping) defined below. Additionally, the maximum modification, calculated using the formula above, will be applied to the Final Modification. The Final Modification factor will be determined by selecting the lower value between the modification calculated based on the current capping rule and the Maximum Modification.

The Double Swing Cap recognizes the favorable experience of the risk by setting the Final Modification to 1.0 in specific situations. When the -25% swing limit is applied to a previous experience modification factor that is above 1.0 but the Indicated Modification is below 1.0, the Final Modification shall be set at 1.0. The Double Swing Cap will be eliminated once the two-year transition period concludes.

The experience modification shall be rounded to three decimal places.

SECTION VII – SCHEDULE RATING PLAN remains unchanged.

Proposed Effective: April 1, 2024

**Table B
PENNSYLVANIA EXPERIENCE RATING PLAN**

Expected Losses	Credibility "C"	Maximum Value of one Accident	Limit Charge "L"	Weighted Maximum Value Charge "L" * "C"	
(1)	(2)	(3)	(4)	(4)	
-	5,000	0.690	10,000	0.7861	0.542
5,000	11,097	0.692	11,000	0.7742	0.536
11,097	17,683	0.694	13,000	0.7519	0.522
17,683	23,953	0.697	15,000	0.7314	0.510
23,953	29,924	0.699	17,000	0.7122	0.498
29,924	35,614	0.701	19,000	0.6943	0.487
35,614	41,041	0.703	21,000	0.6774	0.476
41,041	55,902	0.706	23,000	0.6613	0.467
55,902	68,958	0.711	25,000	0.6461	0.459
68,958	80,590	0.715	27,000	0.6316	0.452
80,590	91,141	0.718	29,000	0.6177	0.444
91,141	100,920	0.722	31,000	0.6045	0.436
100,920	110,201	0.725	33,000	0.5918	0.429

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Table B

PENNSYLVANIA EXPERIENCE RATING PLAN

Expected Losses		Credibility "C"	Maximum Value of one Accident	Limit Charge "L"	Weighted Maximum Value Charge "L" * "C"
(1)		(2)	(3)	(4)	(4)
110,201	119,228	0.728	35,000	0.5797	0.422
119,228	128,218	0.731	37,000	0.5680	0.415
128,218	137,358	0.734	39,000	0.5568	0.409
137,358	146,813	0.737	41,000	0.5460	0.402
146,813	156,724	0.740	43,000	0.5355	0.396
156,724	167,212	0.743	45,000	0.5255	0.390
167,212	178,379	0.746	47,000	0.5158	0.385
178,379	190,306	0.749	49,000	0.5064	0.379
190,306	203,062	0.752	51,000	0.4973	0.374
203,062	216,698	0.755	53,000	0.4884	0.369
216,698	231,254	0.758	55,000	0.4799	0.364
231,254	246,756	0.761	57,000	0.4716	0.359
246,756	263,220	0.764	59,000	0.4636	0.354
263,220	280,654	0.767	61,000	0.4558	0.350
280,654	299,053	0.770	63,000	0.4482	0.345
299,053	318,410	0.773	65,000	0.4408	0.341
318,410	338,707	0.776	67,000	0.4336	0.337
338,707	359,924	0.779	69,000	0.4266	0.332
359,924	382,034	0.782	71,000	0.4198	0.328
382,034	405,008	0.785	73,000	0.4132	0.324
405,008	428,814	0.788	75,000	0.4068	0.321
428,814	453,416	0.791	77,000	0.4005	0.317
453,416	478,780	0.794	80,000	0.3914	0.311
478,780	504,867	0.797	83,000	0.3826	0.305
504,867	531,643	0.800	86,000	0.3741	0.299
531,643	559,072	0.803	89,000	0.3659	0.294
559,072	587,119	0.806	92,000	0.3579	0.289
587,119	615,751	0.809	95,000	0.3503	0.283
615,751	644,938	0.812	98,000	0.3428	0.278
644,938	674,652	0.815	102,000	0.3335	0.272
674,652	704,871	0.818	106,000	0.3244	0.265
704,871	735,573	0.821	110,000	0.3153	0.259
735,573	766,742	0.824	114,000	0.3071	0.253

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Table B

PENNSYLVANIA EXPERIENCE RATING PLAN

Expected Losses		Credibility "C"	Maximum Value of one Accident	Limit Charge "L"	Weighted Maximum Value Charge "L" * "C"
(1)		(2)	(3)	(4)	(4)
766,742	798,366	0.827	118,000	0.2989	0.247
798,366	830,440	0.830	122,000	0.2911	0.242
830,440	862,961	0.833	126,000	0.2837	0.236
862,961	895,933	0.836	130,000	0.2763	0.231
895,933	929,367	0.839	134,000	0.2695	0.226
929,367	963,278	0.842	138,000	0.2628	0.221
963,278	997,690	0.845	142,000	0.2563	0.217
997,690	1,032,631	0.848	146,000	0.2502	0.212
1,032,631	1,068,138	0.851	150,000	0.2441	0.208
1,068,138	1,104,253	0.854	154,000	0.2385	0.204
1,104,253	1,141,026	0.857	158,000	0.2329	0.200
1,141,026	1,178,516	0.860	162,000	0.2275	0.196
1,178,516	1,216,788	0.863	166,000	0.2224	0.192
1,216,788	1,255,914	0.866	170,000	0.2172	0.188
1,255,914	1,295,976	0.869	174,000	0.2126	0.185
1,295,976	1,337,061	0.872	178,000	0.2079	0.181
1,337,061	1,379,268	0.875	182,000	0.2034	0.178
1,379,268	1,422,700	0.878	186,000	0.1991	0.175
1,422,700	1,467,472	0.881	190,000	0.1948	0.172
1,467,472	1,513,704	0.884	194,000	0.1908	0.169
1,513,704	1,561,526	0.887	198,000	0.1869	0.166
1,561,526	1,611,076	0.890	202,000	0.1831	0.163
1,611,076	1,662,502	0.893	206,000	0.1795	0.160
1,662,502	1,715,957	0.896	210,000	0.1759	0.158
1,715,957	1,771,606	0.899	215,000	0.1717	0.154
1,771,606	1,829,621	0.902	220,000	0.1676	0.151
1,829,621	1,890,183	0.905	225,000	0.1638	0.148
1,890,183	1,953,479	0.908	230,000	0.1600	0.145
1,953,479	2,019,709	0.911	235,000	0.1565	0.143
2,019,709	2,089,078	0.914	240,000	0.1530	0.140
2,089,078	2,161,801	0.917	245,000	0.1498	0.137
2,161,801	2,238,101	0.920	250,000	0.1466	0.135
2,238,101	2,318,210	0.923	255,000	0.1436	0.133

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PENNSYLVANIA EXPERIENCE RATING PLAN

Expected Losses		Credibility "C"	Maximum Value of one Accident	Limit Charge "L"	Weighted Maximum Value Charge "L" * "C"
(1)	(1)	(2)	(3)	(4)	(4)
2,318,210	2,402,367	0.926	260,000	0.1407	0.130
2,402,367	2,490,821	0.929	265,000	0.1379	0.128
2,490,821	2,583,829	0.932	270,000	0.1352	0.126
2,583,829	2,681,655	0.935	275,000	0.1327	0.124
2,681,655	2,784,572	0.938	280,000	0.1301	0.122
2,784,572	2,892,863	0.941	285,000	0.1278	0.120
2,892,863	3,006,815	0.944	290,000	0.1255	0.118
3,006,815	3,126,727	0.947	295,000	0.1233	0.117
3,126,727	3,252,905	0.950	300,000	0.1212	0.115
3,252,905	3,385,661	0.953	300,000	0.1212	0.115
3,385,661	3,525,316	0.956	300,000	0.1212	0.116
3,525,316	3,672,201	0.959	300,000	0.1212	0.116
3,672,201	3,826,650	0.962	300,000	0.1212	0.117
3,826,650	3,989,009	0.965	300,000	0.1212	0.117
3,989,009	4,159,630	0.968	300,000	0.1212	0.117
4,159,630	4,338,871	0.971	300,000	0.1212	0.118
4,338,871	and over	0.974	300,000	0.1212	0.118

SECTION 6 – MERIT RATING PLAN remains unchanged.