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CIRCULAR

December 12, 2024

## PCRB CIRCULAR NO. 1814

To All Members of the PCRB:

### **RE: PCRB Releases Updated Multi-Bureau Evaluation of Mega Claims**

The Pennsylvania Compensation Rating Bureau (PCRB), in collaboration with nine other workers compensation rating bureaus, has jointly released Countrywide Mega Claims: Accident Years 2001–2021. This study is an update of a 2020 analysis produced in response to stakeholder concerns about the relative frequency and cost of mega claims.

The collaboration among the 10 bureaus has resulted in a study that highlights national perspectives and compares findings against other states. For this update, each of the participating 10 bureaus compiled information based on 2022 cost levels for Accident Years 2001 through 2021 for incurred claim counts in excess of \$2 million, \$3 million, \$5 million, and \$10 million. As an enhancement to the 2020 study, the bureaus collected information on both counts and loss dollars for claims above the \$2 million threshold, as well as earned pure premium adjusted to 2022 wage and premium levels.

With reported losses above \$2 million each, mega claims represent far less than 1 percent of total workers compensation claims yet account for over 2 percent of total loss dollars, in excess of \$1 billion each year. These claims typically have significant medical expenses, stemming from severe injuries with prolonged recovery and time away from work.

#### **Key findings in the report include:**

- As of December 31, 2022, 11,330 claims from Accident Years 2001 through 2021 were reported, with incurred loss in excess of \$2 million at 2022 cost levels, which is approximately one out of every 1,295 reported indemnity claims.
- The reported frequency of mega claims has increased in recent years, but this may be partially due to faster recognition of mega claims.
- Claims in the highest severity categories are among the fastest to emerge. Even with slow emergence, office clerical, lower back, and “strain or injury by” claims continue to represent a relatively small share of claims in excess of \$2 million at ultimate.



- Claims take longer to exceed the \$2 million threshold than higher thresholds. Based on historic emergence, around 40 percent of mega claims reach the \$2 million threshold by 18 months from policy inception, and 82 percent of mega claims reach that threshold by 126 months from policy inception. Emergence patterns are faster, but similar, at the \$3 million, \$5 million, and \$10 million thresholds. Emergence is speeding up across all mega claims thresholds.
- Since 2017, the average share of reported loss over \$2 million at 18 months after policy inception has increased at 18 months after policy inception across all industry groups. This is consistent with both faster emergence of mega claims and an increase in the relative frequency of mega claims.
- The full study is available in [Industry Reports](#) section of the PCRB website or via this [link](#).

### **Additional Resource**

[Countrywide Mega Claims 2020](#)

### **Research Forum Webinar**

Click on the registration link below to sign up for an insightful webinar on information derived from this collaborative study conducted by the following:

- Workers' Compensation Insurance Rating Bureau of California
- Delaware Compensation Rating Bureau
- Indiana Compensation Rating Bureau
- Compensation Advisory Organization of Michigan
- Minnesota Workers' Compensation Insurers Association
- National Council on Compensation Insurance
- New Jersey Compensation Rating and Inspection Bureau
- New York Compensation Insurance Rating Board
- North Carolina Rate Bureau
- Pennsylvania Compensation Rating Bureau

**Save the Date: Thursday, January 16, 2025, at 2:00 p.m. ET**

[REGISTER NOW](#)

William V. Taylor

President

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