



**Pennsylvania Compensation Rating Bureau**

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November 13, 2018

**VIA SERFF**

The Honorable Jessica K. Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania - Insurance Department  
1311 Strawberry Square  
Harrisburg, PA 17120

Attention: Mark Lersch, Director, Bureau of Property & Casualty Insurance  
Michael McKenney, Actuarial Supervisor, Bureau of Property & Casualty Insurance

**RE: PCR B Filings C-372 and C-373, January 1, 2019 Loss Cost Filings**

Dear Commissioner Altman:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCR B), we hereby submit Filings C-372 (the Interim Loss Cost Filing) and C-373 (the Protz Adjustment Filing) (together, the "Filings"). The Protz Adjustment Filing, which presupposes that the Interim Loss Cost Filing will be approved by the Department, contains workers compensation loss costs and rating values proposed to be **effective 12:01 a.m., January 1, 2019** with respect to new and renewal policies having effective dates on or after that date.

As the PCR B has discussed with your staff, the Interim Loss Cost Filing has been made in response to the PCR B's determination that the financial data valued as of December 31, 2016, reported by a PCR B member and used in the development of Filing No. C-370 were incorrect (Filing C-370 was approved by the Pennsylvania Insurance Commissioner effective April 1, 2018, resulting in an overall average increase of 0.70% in collectible loss costs). This member's reported losses were, mistakenly, materially overstated, necessitating the preparation of the Interim Loss Cost Filing.

The Interim Loss Cost Filing is a submission of updated loss costs and related rating values with an overall average change of -10.02 percent, relative to current rating values (which became effective on and after April 1, 2018).

The Protz Adjustment Filing has been made in response to the requirement, contained in HB-1840 (signed into Pennsylvania law as Act 111 of 2018, effective October 24, 2018), that:

- (1) within 90 days following October 24, 2018 (i.e., by January 22, 2018) the PCR B must calculate the savings achieved through the implementation of Section 1 of HB-1840 (which amends Section 306 (A.3) of the Pennsylvania Workers' Compensation Act by adding a new Impairment Rating Evaluation (IRE) provision), and

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(2) “immediately following this calculation, the amount of savings shall be used to provide an immediate reduction in rates, equal to the savings, applicable to employers' workers' compensation policies.”

See Section 3.(3) of HB-1840 (amending Section 306 (A.3) of the Pennsylvania Workers' Compensation Act). The Protz Adjustment Filing was not affected by the member data issue discussed above.

The Protz Adjustment Filing submission is an update of loss costs and related rating values with an overall average change of -5.24 percent, relative to approval of the rating values proposed in the Interim Filing.

The combined effect of both filings proposes an overall average change of -14.74% relative to the loss costs contained in Filing C-370 (which became effective April 1, 2018), prior to application of the assessment for the Office of the Small Business Advocate and loadings for the Pennsylvania Construction Classification Premium Adjustment Program, Merit Rating Plan off-balance and Certified Safety Committee credits.

In preparing for these submissions, the PCRB has carefully considered current Pennsylvania experience and has applied a variety of actuarial analytical techniques. The Filings reflect all initial and continuing effects of both Act 44 of 1993 and Act 57 of 1996, the anticipated savings from the enactment of House Bill 1846 of 2014, and the anticipated savings from the enactment of HB1840 (the Protz Adjustment legislation). A detailed discussion of the considerations, methods, and exhibits is provided in the accompanying Actuarial Memorandum.

The PCRB respectfully requests a timely review of these filings, allowing implementation on a new and renewal basis **effective January 1, 2019**. A timely review will allow adequate advance notice of final loss costs and related rating values to all participants in the Pennsylvania marketplace. Toward that objective, the PCRB will be pleased to answer any questions or provide any available supplementary information which you or your staff may require.

Please direct all questions to William Taylor, President, or to Kenneth Creighton, Chief Actuary.

Sincerely,

William V. Taylor  
President