



Pennsylvania Compensation Rating Bureau

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February 26, 2019

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: **Second Amendment to PCRB C-374 Loss Cost Filing
Effective April 1, 2019**

Dear Commissioner Altman:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB), we hereby submit a second amendment to Filing C-374 which contains workers compensation loss costs and rating values proposed to be **effective 12:01 a.m., April 1, 2019** with respect to new and renewal policies having effective dates on or after that date.

Amended Filing C-374, submitted on January 21, 2019, proposed an overall average decrease in loss costs (prior to application of the assessment for the Office of the Small Business Advocate, Pennsylvania Construction Classification Premium Adjustment Program loadings, Merit Rating Plan off-balance and Certified Safety Committee loadings) of 9.80 percent.

The Pennsylvania Insurance Department has reviewed Amended Filing No. C-374 and its supporting information, including public comments received with respect to the filing and the PCRB's response to those public comments. At the conclusion of that review, the Insurance Department and the PCRB discussed the PCRB's change in the loss development methodology used in Filing C-374. The Insurance Department's position was that the PCRB should continue its historical approach of using two years of loss development factors for both the paid loss and the case incurred loss indications. As described in the Filing C-374 Actuarial Memorandum, the PCRB used three years of loss development factors for the paid loss indications and five years of loss development factors for the case incurred loss indications.

In the interest of receiving an expeditious adjudication of the filing, the PCRB revised the overall loss cost indication using the historical loss development methodology. This revision results in an overall average change in collectible loss costs of -12.95 percent, which is 3.15 percentage points lower than the overall average collectible loss cost level in Amended Filing C-374.

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This second amendment to Filing C-374 presents the following exhibits that replace, or are in addition to, those contained in Amended Filing C-374:

- Brown Book Summary of Materials for Modification of Experience
- Index and Supporting Exhibits
- Class Book
- Exhibit 1 Indicated Change in Loss Costs
- Exhibit 1a Calculation of Adjustment Factor
- Exhibit 1b Paid & Incurred Loss Development & Trend
- Exhibit 1c Tail Factors for Loss Development
- Exhibit 17 Loss Cost Formulae
- Exhibit 19 Review of Experience Rating Plan Parameters
- Exhibit 28 Loss Costs and Expected Loss Factors
- Exhibit 29 Tests of Indicated & Selected Loss Costs
- Exhibit 30 Distribution of Loss Cost Percentage Changes

All other materials contained in Amended Filing C-374 remain unchanged by this second amendment. In addition to this SERFF submission, the revised exhibits will be available on the PCRB's website: www.pcrb.com

The PCRB respectfully requests a prompt review and approval of this filing toward the objective of its implementation, as proposed, on a new and renewal basis **effective April 1, 2019**. 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 concerning this second amendment of Filing C-374 to Kenneth Creighton, Chief Actuary.

Sincerely,

William V. Taylor
President

WVT/dn