



HENDERSON BROTHERS

COMMERCIAL PROPERTY INSURANCE

## Updated PCRB Mod Summary

*Pennsylvania Compensation Rating Bureau (PCRB) recently greenlit alterations on August 22nd, set to impact employers throughout the state starting on April 1, 2024.*

Following the PCRB's comprehensive review, these approved changes are expected to significantly enhance the accurate reflection of a Pennsylvania employer's actual loss experience within their workers' compensation experience rating. Given the pivotal role the experience mod plays in workers' compensation premium calculations and its significance as a qualification factor in the contracting sector, it is crucial to comprehend how these adjustments will impact your individual rating and overall business operations. Please contact your Henderson Brothers Representative today to discuss how this may impact your company.

**The PCRB has undertaken a thorough evaluation of the current experience rating plan formula and is proposing multiple adjustments to reflect an employer's loss experience more accurately within their respective experience rating. The fundamental formula remains unchanged, but noteworthy alterations to the components utilized within the formula for calculating your experience rating are outlined below:**

- Presently, an employer qualifies for experience rating if their premium, calculated from audited payrolls or other exposures during the experience period and extended at current Bureau Loss Costs, exceeds \$10,000. This threshold is being lowered to \$5,000, broadening the scope of Pennsylvania employers eligible for experience rating, particularly compared to the merit rating program designed for smaller PA employers.
- The range of credibility factors employed in the experience rating formula will shift from the current range of 28.3%-93.8% to 69%-97.4%. This expanded credibility range will place greater importance on the actual losses incurred by the employer within the experience rating formula.
- Currently, the initial \$42,500 from any single accident is factored into the experience rating calculation, while amounts exceeding \$42,500 are excluded. The new plan will adopt a variable model utilizing an 88-point schedule to establish the loss limit. The single accident limit will range from \$10,000 to \$300,000 depending on your expected losses which are calculated by the payroll per class. This loss limitation is designed to mitigate the influence of losses driven by severity within the rating formula.
- Presently, the maximum adjustment an experience modification can undergo in a single year is +/-25%. With the new plan, this limit will increase to +40%. This change will heighten the volatility of the experience mod, with both higher frequency and severity experiences having a more substantial impact on the mod calculation. To ensure stability as PCRB transitions to the new plan, a two-year transition period is in place. During this period, the current +/-25% swing limits will be retained, while the +40% swing limit will come into effect on April 1, 2026.
- A maximum mod calculation was introduced for all employers. This will be based on the expected losses which will vary per employer. The Maximum Mod helps prevent the mod from becoming excessively high due to one or more large losses that may not accurately reflect the overall loss experience. The Maximum Mod approach primarily benefits small risks while swing limits provides stability for all risks.



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