



Pennsylvania Compensation Rating Bureau



Delaware Compensation Rating Bureau, Inc.

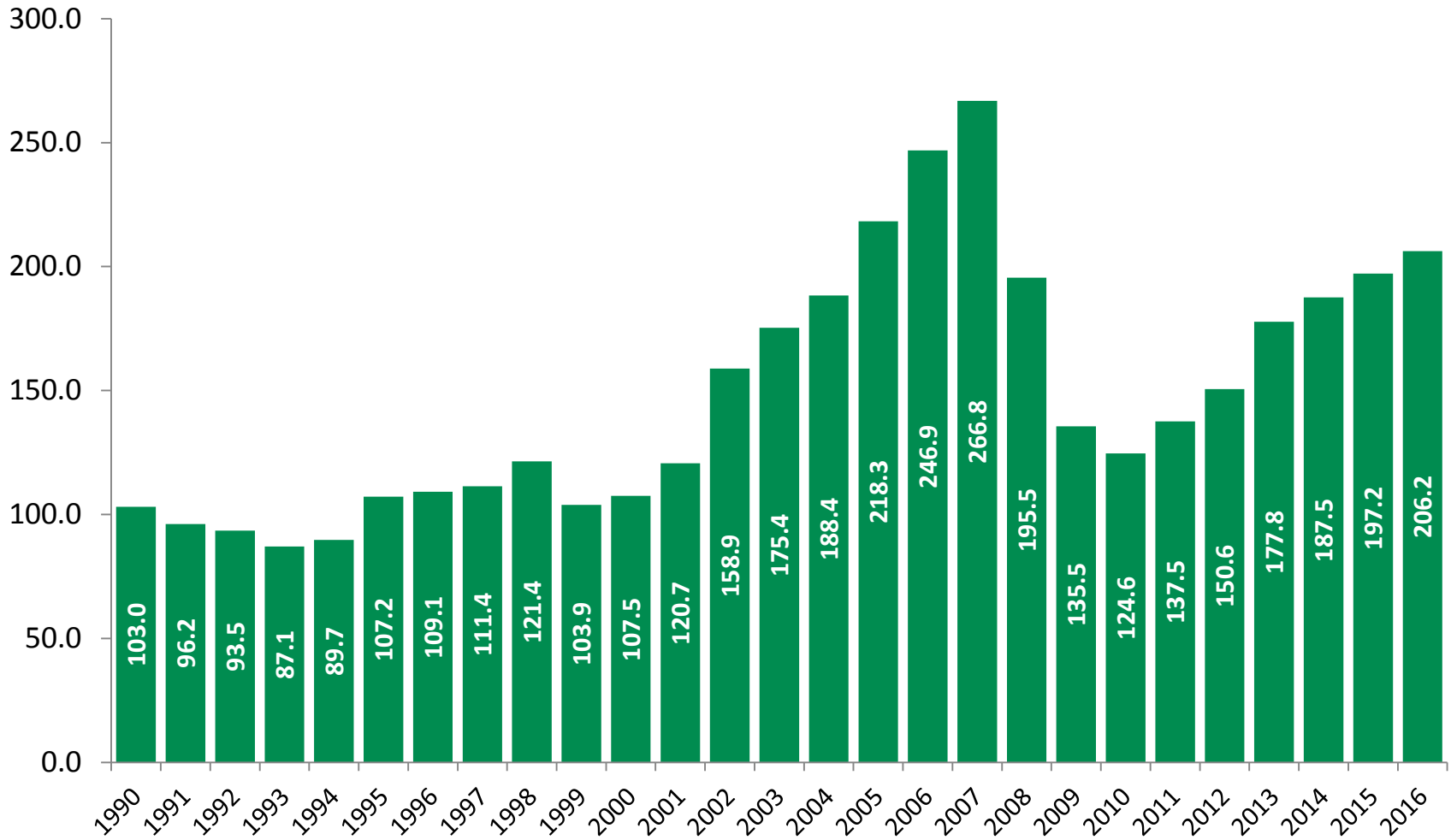
Update on Pennsylvania and Delaware

Casualty Loss Reserve Seminar

2017



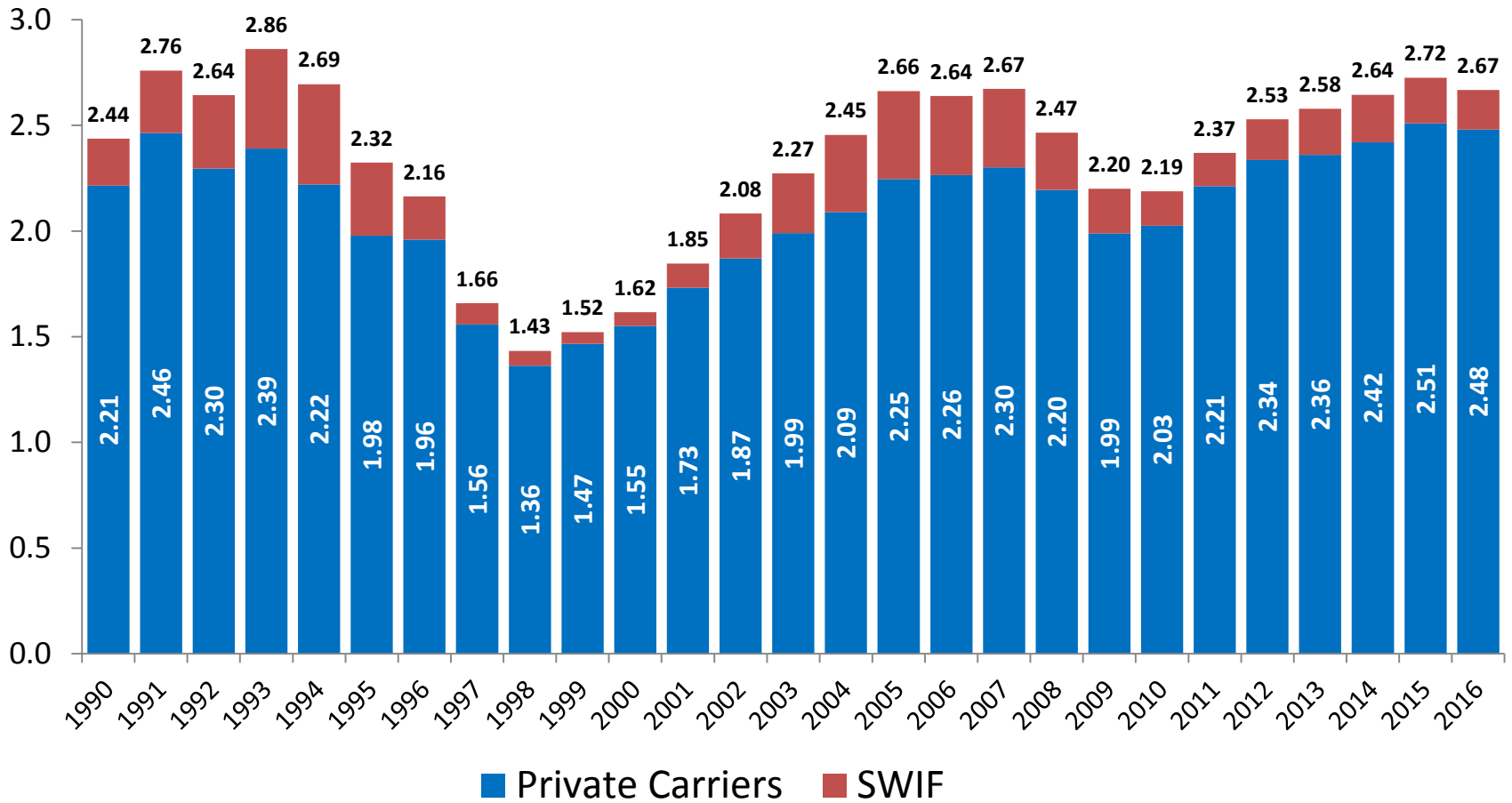
Delaware Direct Written Premium (\$million)



Source: A.M. Best, Inc., Bests State/Line Report, Written Premium



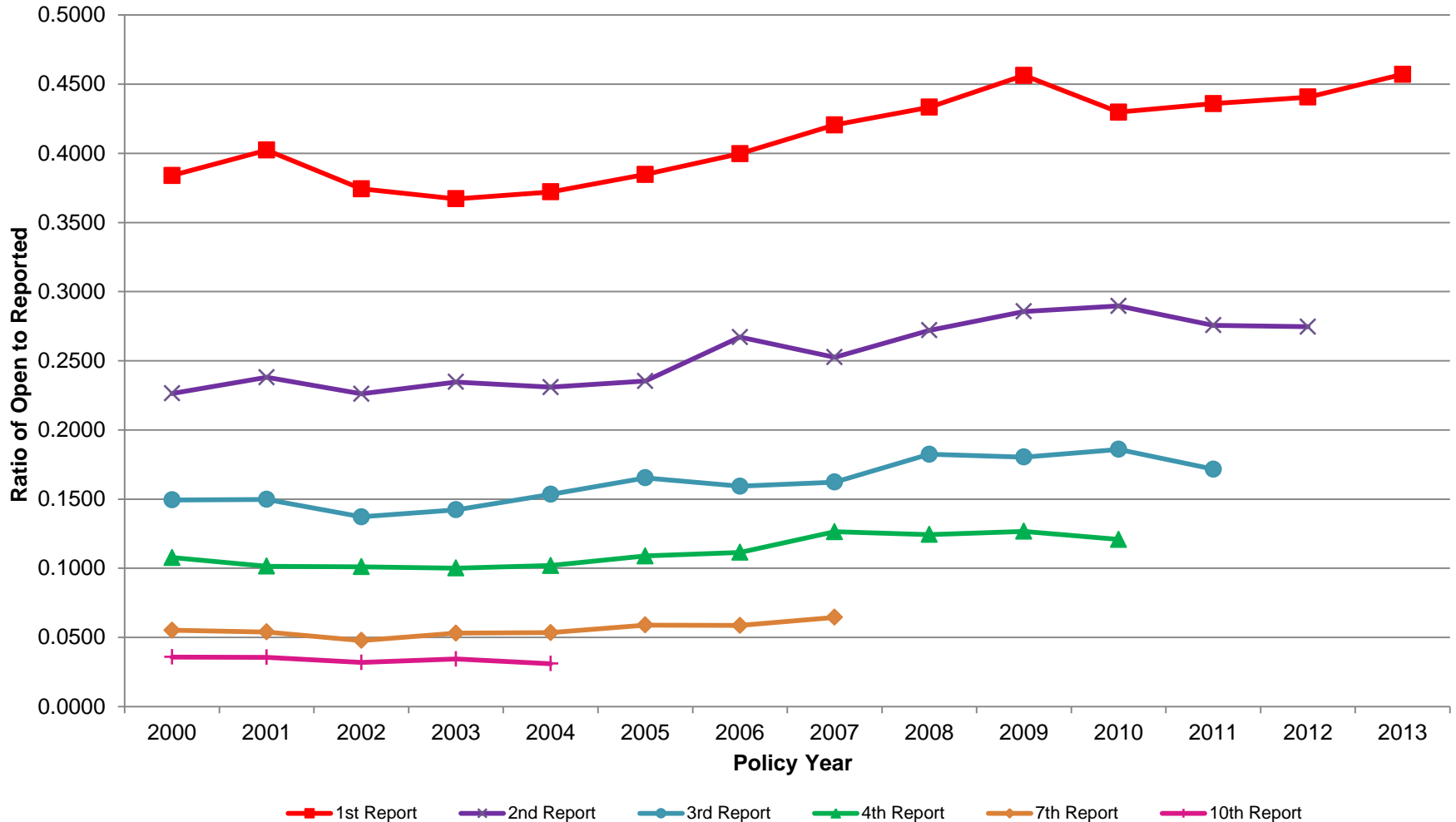
Pennsylvania Direct Written Premium (\$billion)



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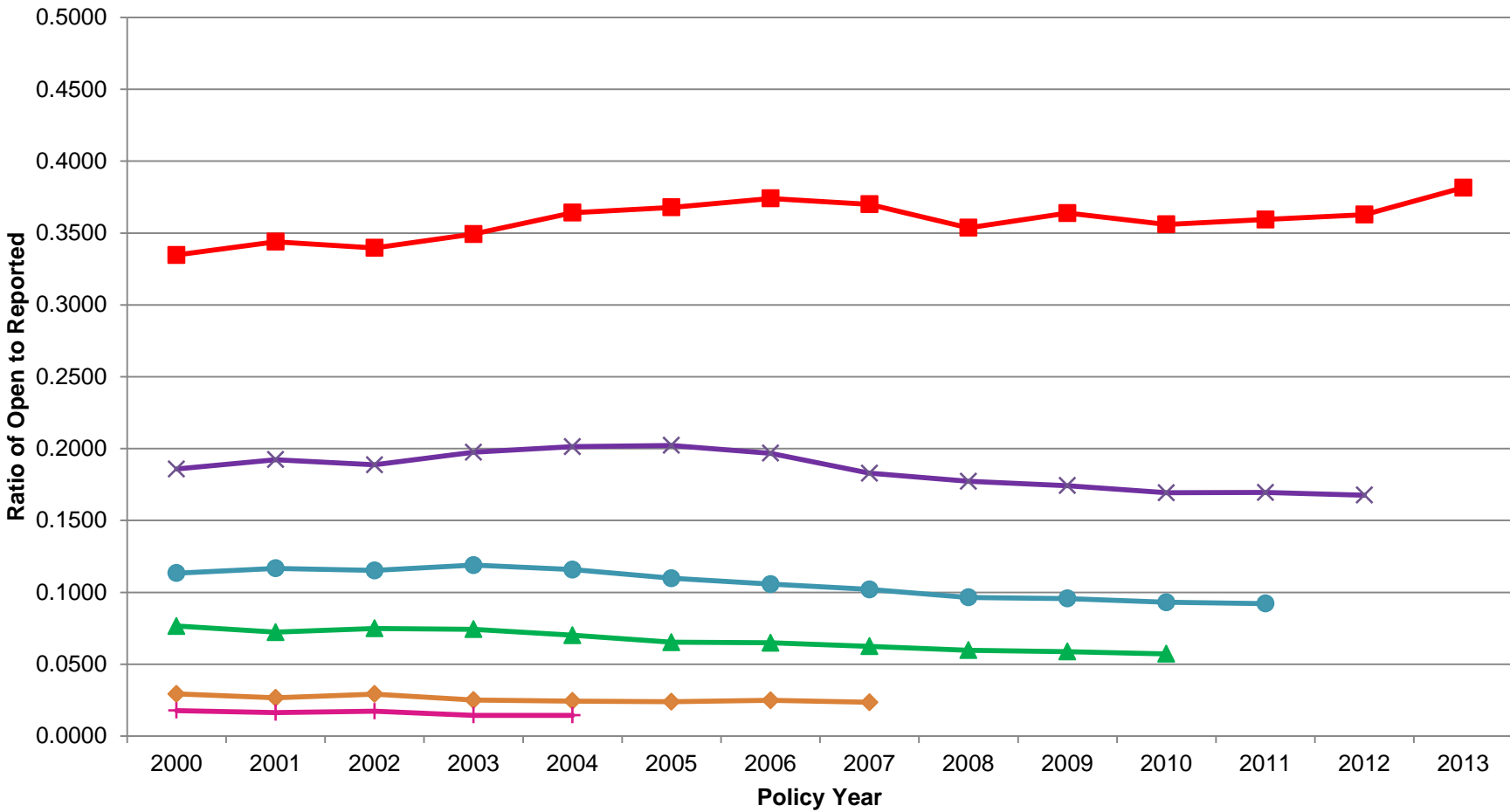
Delaware Claim Settlement Rates Portion of Reported Indemnity Claims That Are Still Open





Pennsylvania Claim Settlement Rates

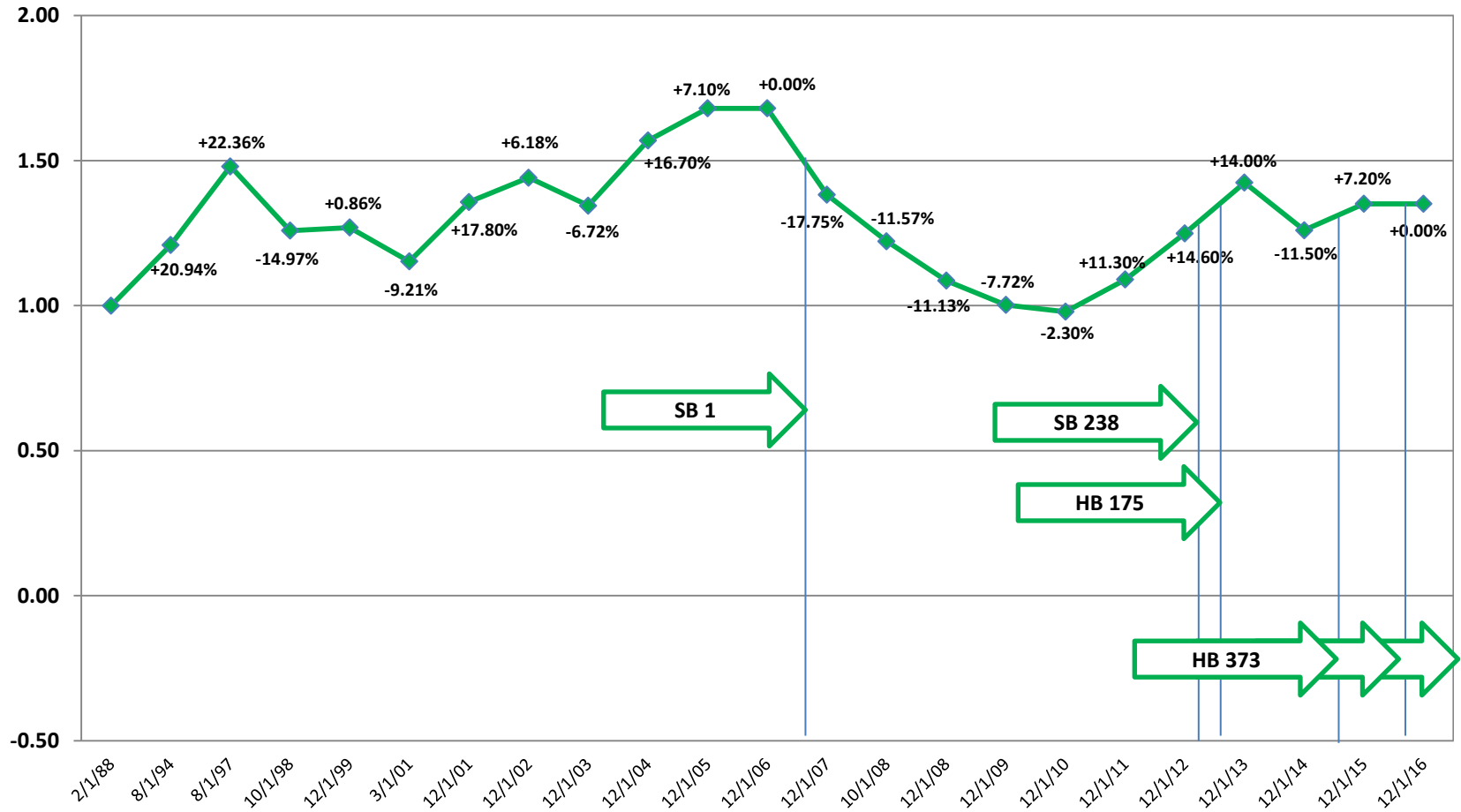
Portion of Reported Indemnity Claims That Are Still Open



1st Report 2nd Report 3rd Report 4th Report 7th Report 10th Report

Approved Loss Cost Changes

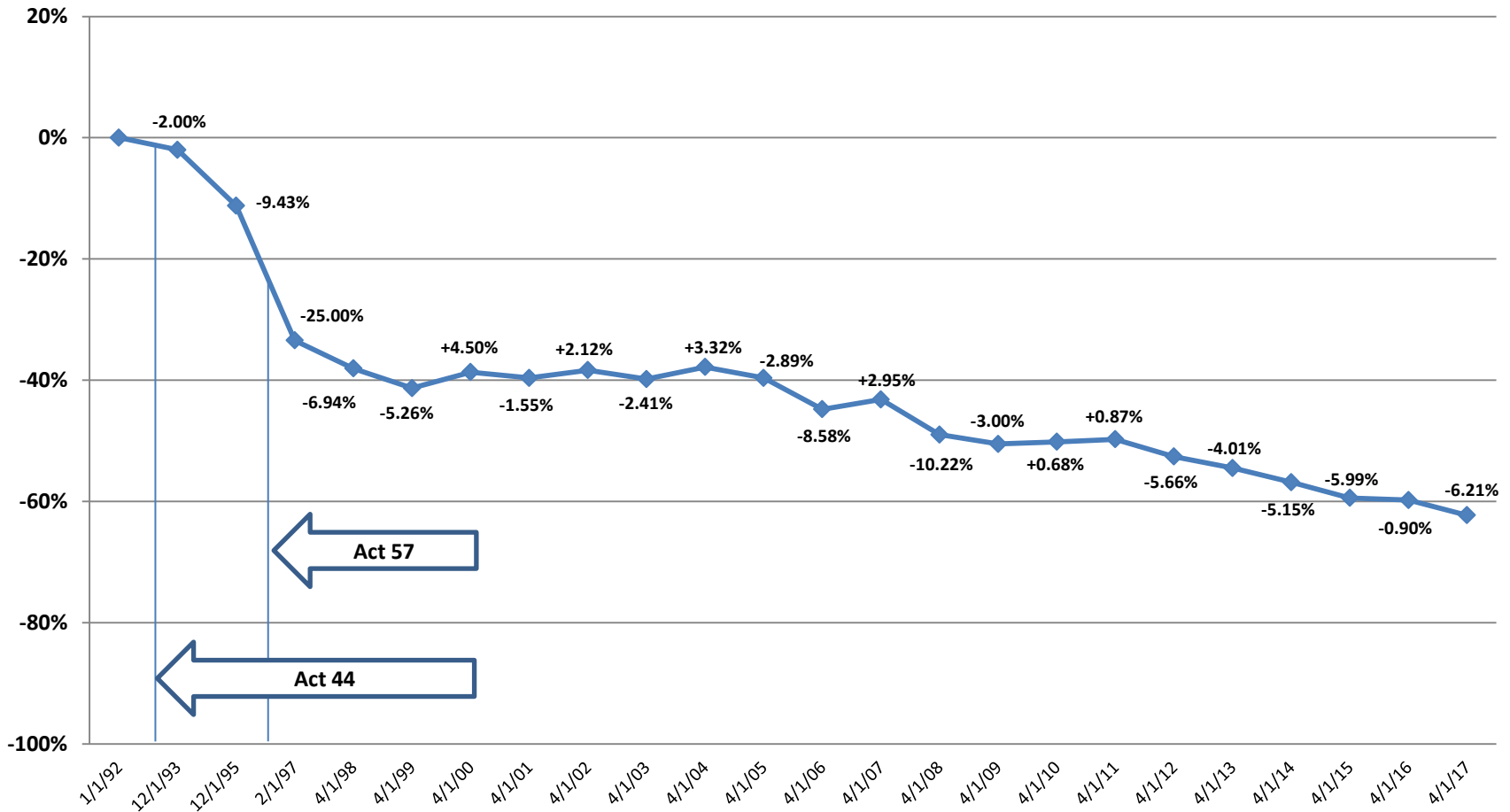
12/1/1993 to 4/1/2017, Indexed to 1988





Approved Loss Cost Changes

12/1/1993 to 4/1/2017, Indexed to 1992





Key Changes in Law



Pennsylvania

- Act 44 of 1993
 - Change from rates to loss costs
 - Introduced medical fee schedules
- Act 57 of 1996
 - Introduced IRE process
 - Added Compromise & Release for settlement
- Protz v. WCAB (*Derry Area School District*) June 20, 2017
 - IRE process removed

Delaware

- SB1 of 2007
 - Introduced health care payment system (service fees and practice guidelines)
- SB238 of 2013
 - Fixed problems in SB1 for hospitals
- HB175 of 2013
 - Reduced reimbursement rates
- HB373 of 2014
 - Establish fee schedules to reduce medical expenditures by 33% from 2014 level
 - 20% on 1/31/15
 - 5% on 1/31/16
 - 8% on 1/31/17

HB 373



Mandated Reductions

Title 19 §2322B(3)(a)

The Workers' Compensation Oversight Panel shall, by October 1, 2014, establish a fee schedule for all Delaware workers' compensation funded procedures, treatments, and services. ...

The fee schedule shall result in:

- a reduction of 20% in aggregate workers compensation medical expenses by the year beginning January 31, 2015,
- an additional reduction of 5% of 2014 expenses by the year beginning January 31, 2016, and
- an additional reduction of 8% of 2014 expenses by the year beginning January 31, 2017.



HB 373 Impact Status

Implementation Date	Required Change in Expenditures	DCRB Measurement Date	Result	Description
January 1, 2015	20% reduction	July 27, 2015	-19.75%	Reduction in fees
		October 31, 2016	-14.5% / -19.4%	Reduction in payments per procedure / per claim
January 1, 2016	5% reduction	October 31, 2016	-3.70%	Fee reduction
		Planned in 2017	?	Impact to payments per procedure / per claim
January 1, 2017	Reduction needed to reach 33%	Planned in 2017	?	Fee reduction
		Planned in 2018	??	Comprehensive review and analysis



Protz v. WCAB

(Derry Area School District)

Act 57 of 1996 – Indemnity Benefits Legislation

- Section 306(a.2) – Impairment Rating Evaluations (IREs)
 - After 104 weeks of Total Disability (and at MMI)
 - 60 days to request IRE
 - Result automatically applied
 - 50% or more: Permanent Total (lifetime benefits)
 - Less than 50%: Permanent Partial, maximum of 500 weeks of benefits



Protz v. WCAB

(Derry Area School District)

Act 57 of 1996 – Indemnity Benefits Legislation

- Section 306(a.2)
 - Use the “most recent edition” of the AMA Guidelines to Impairment Ratings
 - In 1996: 4th edition
 - For Mary Ann Protz: 6th edition
- PA Superior Court
 - Section 306(a.2) is an unconstitutional delegation of legislative duty
 - Use 4th edition
- PA Supreme Court, June 20, 2017
 - Section 306(a.2) is an unconstitutional delegation of legislative duty
 - Struck Section 306(a.2) from PA law
- PA Dept. of L&I, Bureau of Workers Compensation, June 21, 2017
 - No longer authorize physicians to perform IREs



Protz v. WCAB

(Derry Area School District)

- Potential Impact
 - Partial return to claim practices before Act 57
 - More claims changing from Permanent Partial (Major and Minor) and Temporary Total to Permanent Total
 - Higher severity for PT
 - Longer time to settlements
 - Higher dollar demands from injured workers to settle



Protz v. WCAB

(Derry Area School District)

- Potential Impact
 - Prospective loss costs
 - PCR B filing for +6.06%, effective November 1, 2017
 - Based on change in frequency of PT claims and higher severity of PT claims
 - “Retrospective” changes
 - Open claims
 - With less than 104 weeks of benefits: no IRE coming
 - In the 500 week period due to an IRE: petitions to reinstate PT benefits
 - Closed claims
 - Reached settlement through Compromise & Release process: unlikely to be reversed



Protz v. WCAB

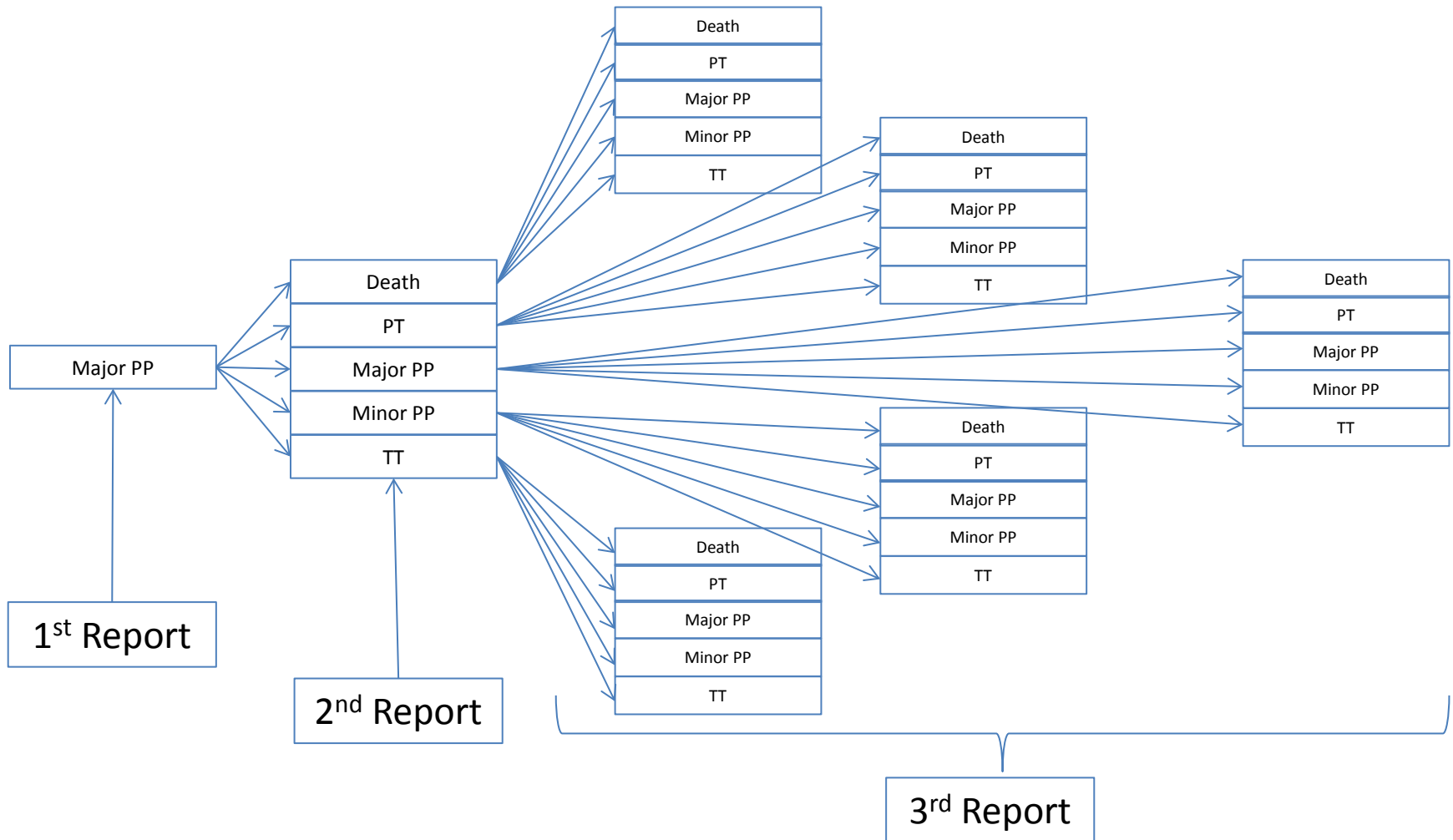
(Derry Area School District)

- PCRBA Approach to Estimating the Impact
 - Only measurable impacts
 - Claim frequency and severity from Unit Statistical Data
 - Type of injury development patterns
 - 2/1/1996 filing reflecting Act 57
 - 4/1/2017 filing reflecting most recent evaluation
 - Severity
 - 4/1/2017 filing to get most recent valuation
 - » Reflects current claim practices
 - » Reflects current medical treatments (length of injury)
 - » Reflects current class distribution of payroll



Type of Injury Development

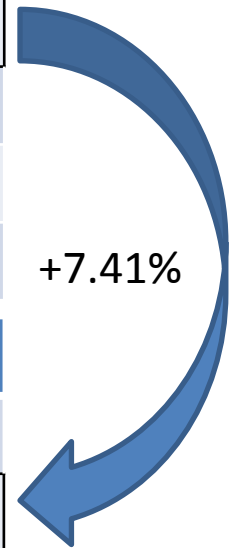
Illustration of 1st to 3rd Reports





Change in Development from Major PP to PT

Pre-Protz	1st	2nd	3rd	4th	5th
Death		0.0000	0.0000	0.0000	0.0001
PT		0.0012	0.0022	0.0027	0.0034
Major PP	1.0000	0.7957	0.7319	0.7017	0.6880
Minor PP		0.1343	0.1667	0.1814	0.1879
TT		0.0687	0.0991	0.1140	0.1204
Post-Protz	1st	2nd	3rd	4th	5th
Death		0.0006	0.0009	0.0012	0.0015
PT		0.0291	0.0487	0.0640	0.0775
Major PP	1.0000	0.8173	0.7380	0.6875	0.6500
Minor PP		0.1010	1.1406	0.1613	0.1750
TT		0.0517	0.0712	0.0854	0.0952



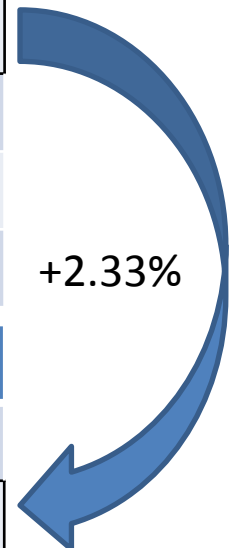
Pre-Protz is from the 4/1/2017 filing.
 Post-Protz is from the 2/1/1997 filing.



Change in Development from Minor PP to PT

Pre-Protz	1st	2 nd	3 rd	4th	5th
Death		0.0001	0.0001	0.0001	0.0001
PT		0.0003	0.0005	0.0009	0.0010
Major PP		0.1299	0.1716	0.1823	0.1847
Minor PP	1.0000	0.8221	0.7502	0.7258	0.7169
TT		0.0474	0.0773	0.0907	0.0969

Post-Protz	1st	2 nd	3 rd	4th	5th
Death		0.0001	0.0002	0.0004	0.0005
PT		0.0040	0.0109	0.0176	0.0243
Major PP		0.1738	0.2500	0.2714	0.2691
Minor PP	1.0000	0.7252	0.6117	0.5671	0.5524
TT		0.0964	0.1264	0.1427	0.1527



Pre-Protz is from the 4/1/2017 filing.
 Post-Protz is from the 2/1/1997 filing.



Change in Development from TT to PT

Pre-Protz	1st	2nd	3rd	4th	5th
Death		0.0000	0.0000	0.0000	0.0000
PT		0.0001	0.0001	0.0002	0.0002
Major PP		0.0228	0.0328	0.0360	0.0371
Minor PP		0.1107	0.1128	0.1151	0.1161
TT	1.0000	0.8664	0.8541	0.8486	0.8461

Post-Protz	1st	2nd	3rd	4th	5th
Death		0.0000	0.0000	0.0000	0.0000
PT		0.0004	0.0012	0.0022	0.0031
Major PP		0.0148	0.0252	0.0308	0.0331
Minor PP		0.0253	0.0299	0.0319	0.0330
TT	1.0000	0.9588	0.9428	0.9341	0.9297



Pre-Protz is from the 4/1/2017 filing.
Post-Protz is from the 2/1/1997 filing.



Change in Severity Claims Projected to Become PT

	Average Severity 4/1/17 Filing	Severity Factor
Permanent Total	\$447,103	1.0000
Major Permanent Partial	211,495	2.1140
Minor Permanent Partial	35,556	12.5748
Temporary Total	9,932	45.0172



PCRB

Expected Impact of Protz

Injury Type	Weight 4/1/17 Filing	Frequency	Severity	Impact
Death	0.0231	No change	No change	0.0231
Permanent Total	0.0111	No change	No change	0.0111
Major to Major	0.4929	0.9259	1.0000	0.4564
Major to PT		0.0741	2.1140	0.0772
Minor to Minor	0.2309	0.9767	1.0000	0.2255
Minor to PT		0.0233	12.5748	0.0676
TT to TT	0.2421	0.9971	1.0000	0.2414
TT to PT		0.0029	45.0172	0.0315
Indemnity Impact	0.4535			1.1337
Medical Impact	0.5465			No change
Total Impact				1.0606



Protz v. WCAB

(Derry Area School District)

- PCR Approach to Estimating the Impact
 - Not captured
 - Potential change in aggregate loss development
 - Paid
 - Paid plus Case
 - Potential impact to medical benefits
 - Longer claim lengths
 - Change in mix of procedures
 - Not considered in PCR loss costs
 - LAE
 - Underwriting expenses and profit provision



Pennsylvania Compensation Rating Bureau



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Questions?