

STATE OF THE LINE

PENNSYLVANIA

An overview of the workers' compensation system

TRUSTED | ESSENTIAL | OBJECTIVE

2025

What's Inside the State of the Line

Key trends in premiums, payroll, claims, pricing, and system performance shaping the current market.

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This report delivers analysis of premium, payroll, claims, and system performance, grounded in validated data and actuarial insight, providing a clear view of market conditions to support informed decision-making, planning, and evaluation across the workers compensation system.

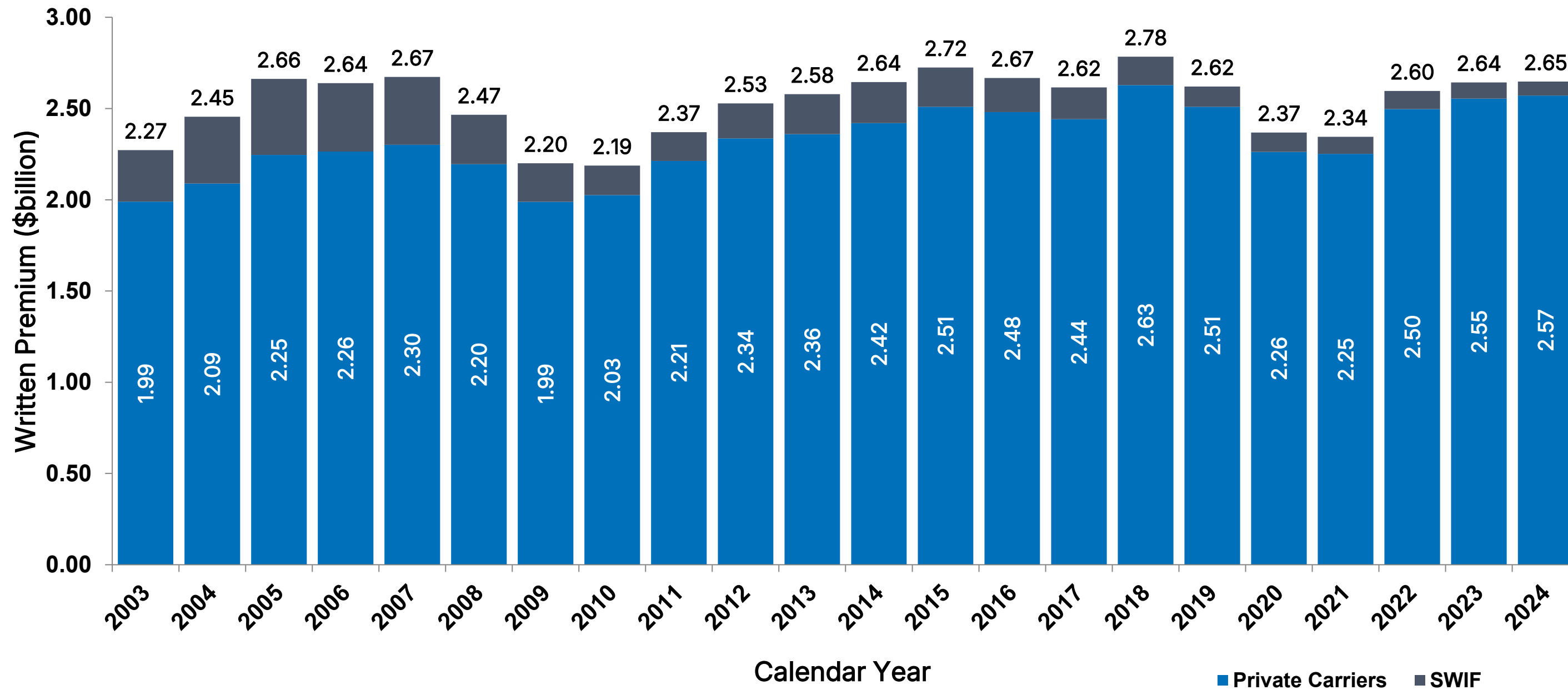
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Direct Written Premium

Written premium levels have remained consistent the past two years at around \$2.65 billion. Generally stable premiums over the past 10 years suggest that rate reductions have primarily offset exposure (payroll) growth.



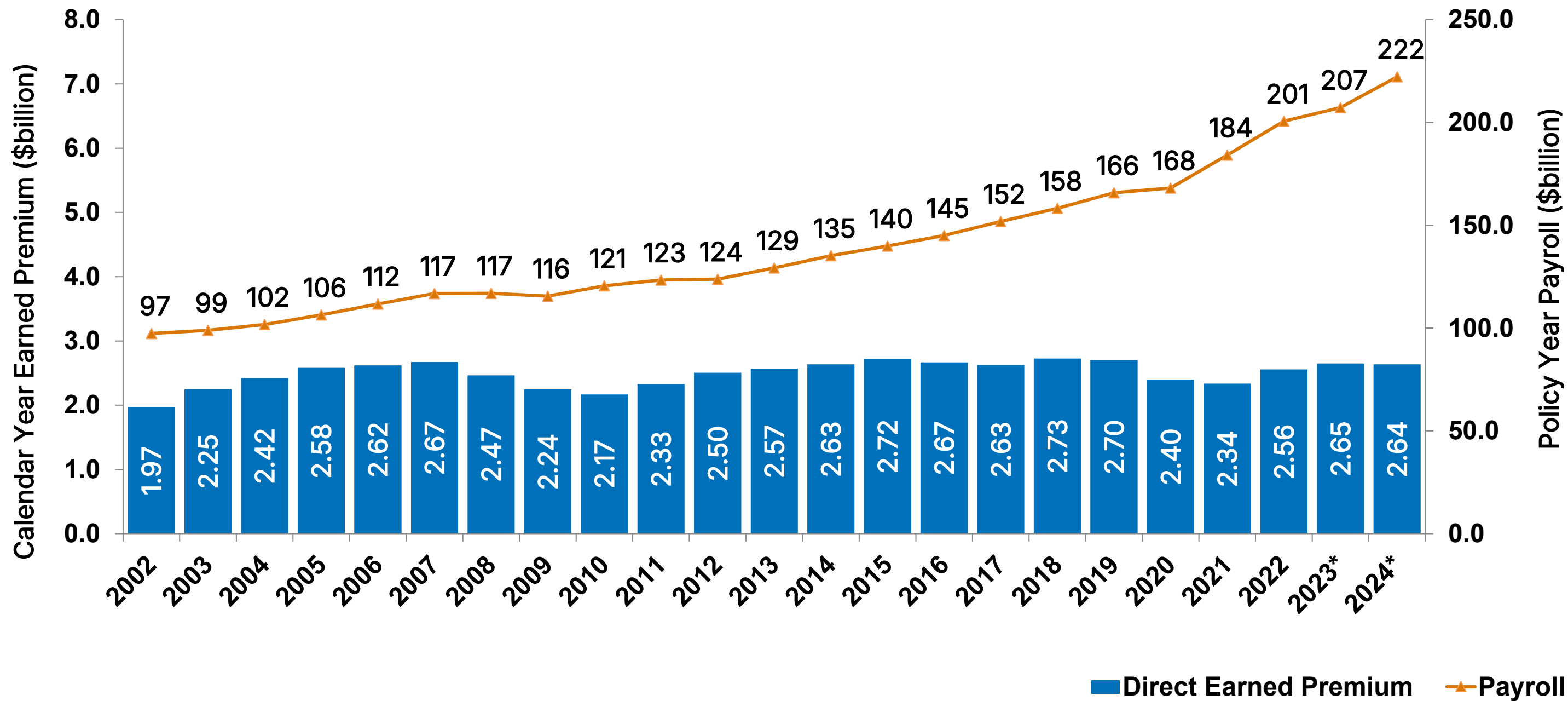
The years affected by the COVID-19 pandemic (2020-2021) show a clear temporary decline.

A healthy workers' compensation system has led to less reliance on the State Worker's Insurance Fund (SWIF) in recent years.

Sources: A.M. Best, Inc.: Best's State/Line Report; S&P Capital IQ Pro

Earned Premium and Payroll History

Although payroll shows volatility in recent years due to the pandemic, it has more than doubled over the period. The projected 2024 amount is back in-line with the historical pattern driven by annual wage growth.



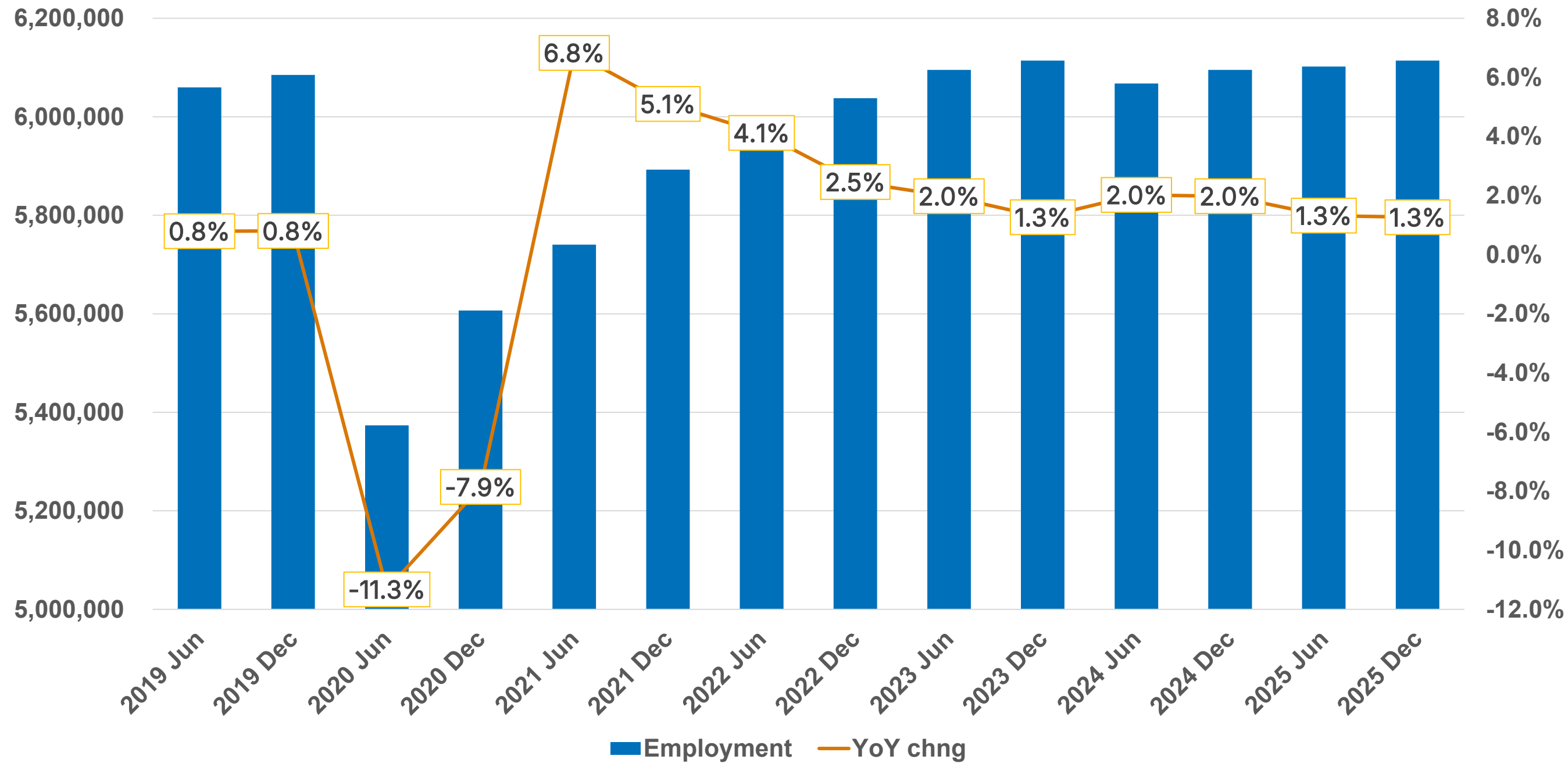
Pandemic-related disruptions are most visible in the calendar-year payroll figures, which show sharper increases followed by reductions. These effects appear delayed since payroll is typically audited 15 months after policy expiration.

Source: Premium - A.M. Best, Inc.: Best's State/Line Report, Calendar Year Basis; Payroll - Unit Statistical Data; PCRB Financial Data Calls as of 12/31/2024, adjusted to an "effective" level to reflect deductible discounts, Policy Year Basis

* Payroll for Policy Years 2023 and 2024 is projected using the Statewide Average Weekly Wage.

Nonfarm Employment

Employment levels are at or above pre-pandemic levels with the year-over-year change in employment stabilizing between one and two percent as the economy adjusts to post-pandemic conditions.

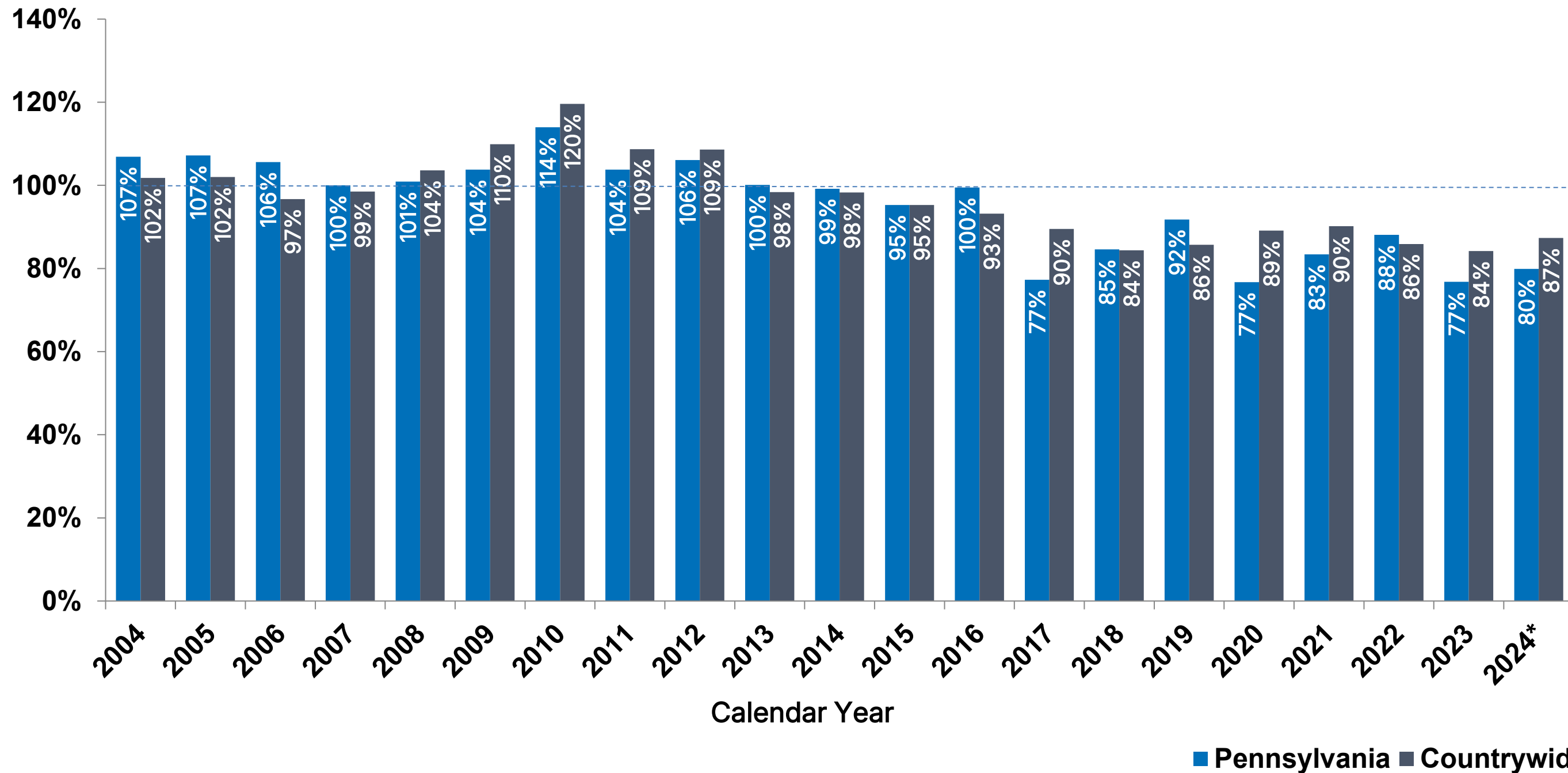


Nonfarm employment data is a critical economic indicator to gauge the overall health of the economy and its workforce given its use as the primary WC exposure base.

Source: US Bureau of Labor Statistics data through 12/2025

Combined Ratios

After relatively higher ratios in 2021 and 2022, combined ratios are lower the past two years with both PA and industry showing a 3-point increase in 2024 compared to 2023.



The Combined Ratio is the combination of the loss, LAE and underwriting expense ratios to premium, and does not include investment income.

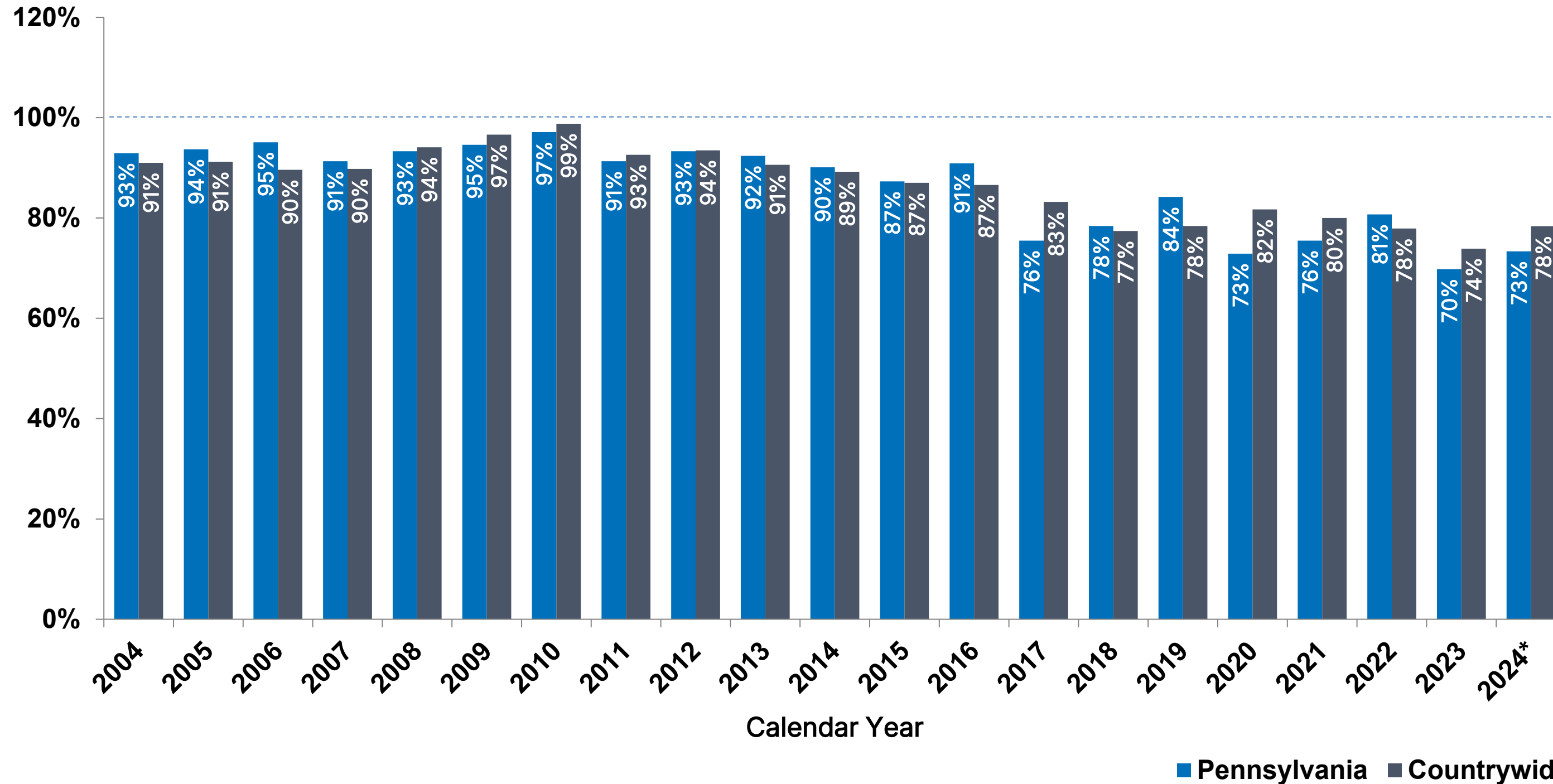
The higher 2022 ratio was related to a system implementation that disrupted some older year reserves for one larger carrier.

Source: NAIC Profitability by Line by State (For Calendar Years 2023 and earlier)

* 2024 estimated using S&P, historical averages, and other available sources

After-tax Operating Ratios

These ratios have been up and down over the past 5 years; however, they have generally been in the low to mid seventies resulting in continued system decreases.



The After-tax Operating Ratio is the Combined Ratio less the Investment Gain on Insurance Transactions and a reduction for Federal Tax on Insurance Transactions.

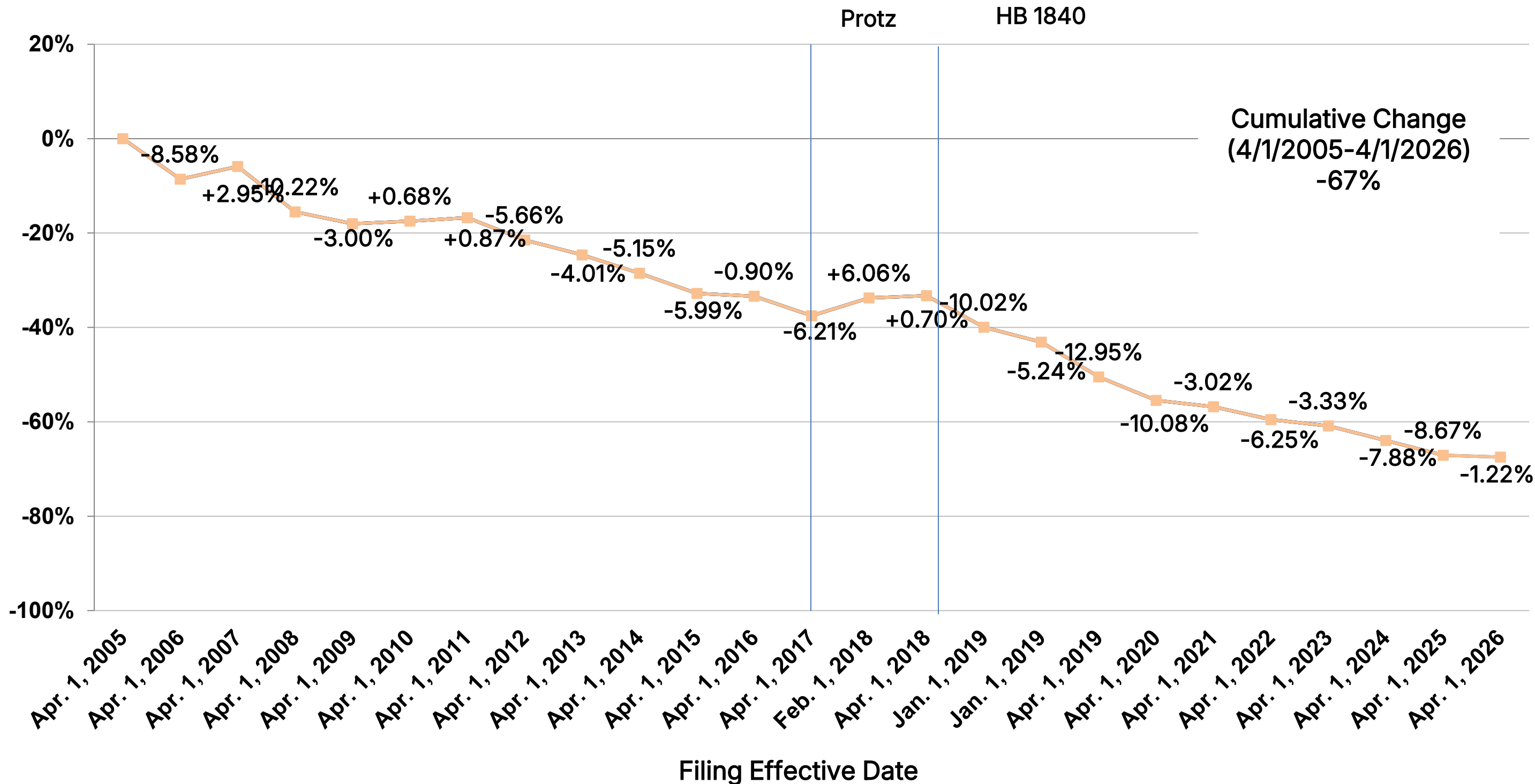
An operating ratio of less than 100% indicates an overall operating profit.

Source: NAIC Profitability by Line by State (For Calendar Years 2023 and earlier)

* 2024 estimated using S&P, historical averages, and other available sources

Approved Loss Cost Change History

Lost costs declined a remarkable -67% over this period driven by safer workplaces leading to consistent declines in claim frequency.

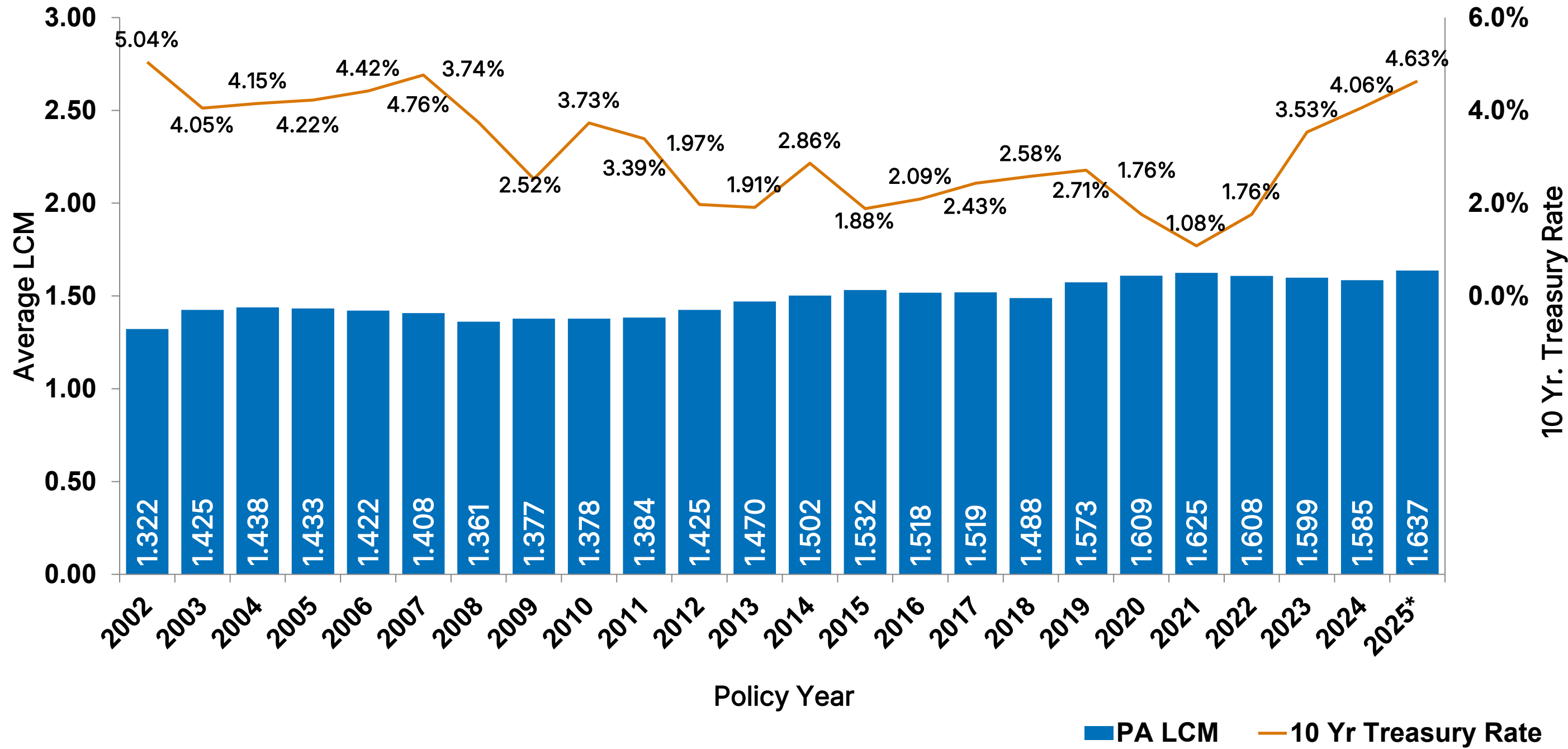


After the reforms in the mid 1990s (Act 44 and Act 57) that reshaped the state's WC system, no significant reforms occurred until the Protz v. WCAB (Derry Area School District), decision June 2017, which eliminated the provisions that provided for Impairment Rating Evaluations (IRE).

Subsequently, HB 1840 of 2017 (Act 111 of 2018) reinstated the IRE process and lowered the impairment threshold for making a change in disability status from 50% to 35%.

Average Loss Cost Multiplier (LCM)

Historically, about 60% correlation is expected between higher investment returns and average loss cost multipliers. This relationship is not as obvious recently due to economic disruptions from the pandemic.



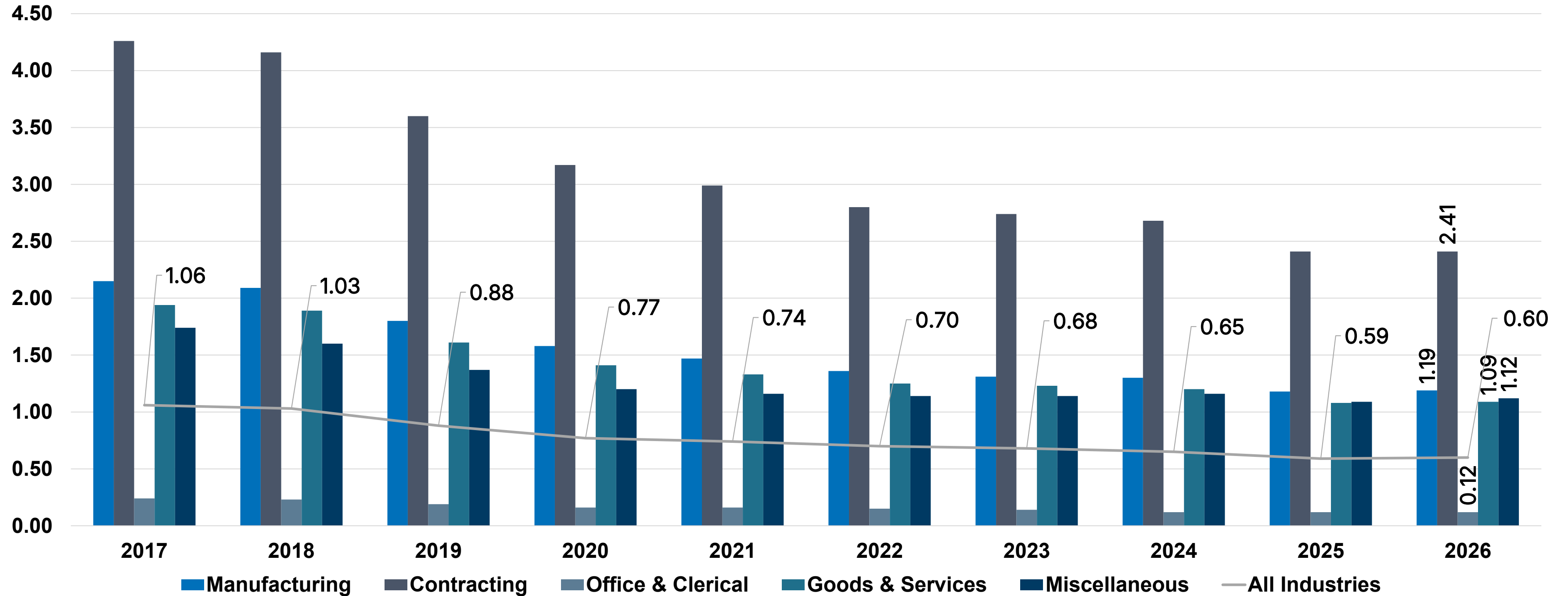
The Average Loss Cost Multiplier (LCM) is the ratio of Total Carrier Manual Premium to Total Loss Costs at the PCRB Premium Level.

Source: PCRB Market Profile Report; US Treasury

* Preliminary

Average Loss Costs

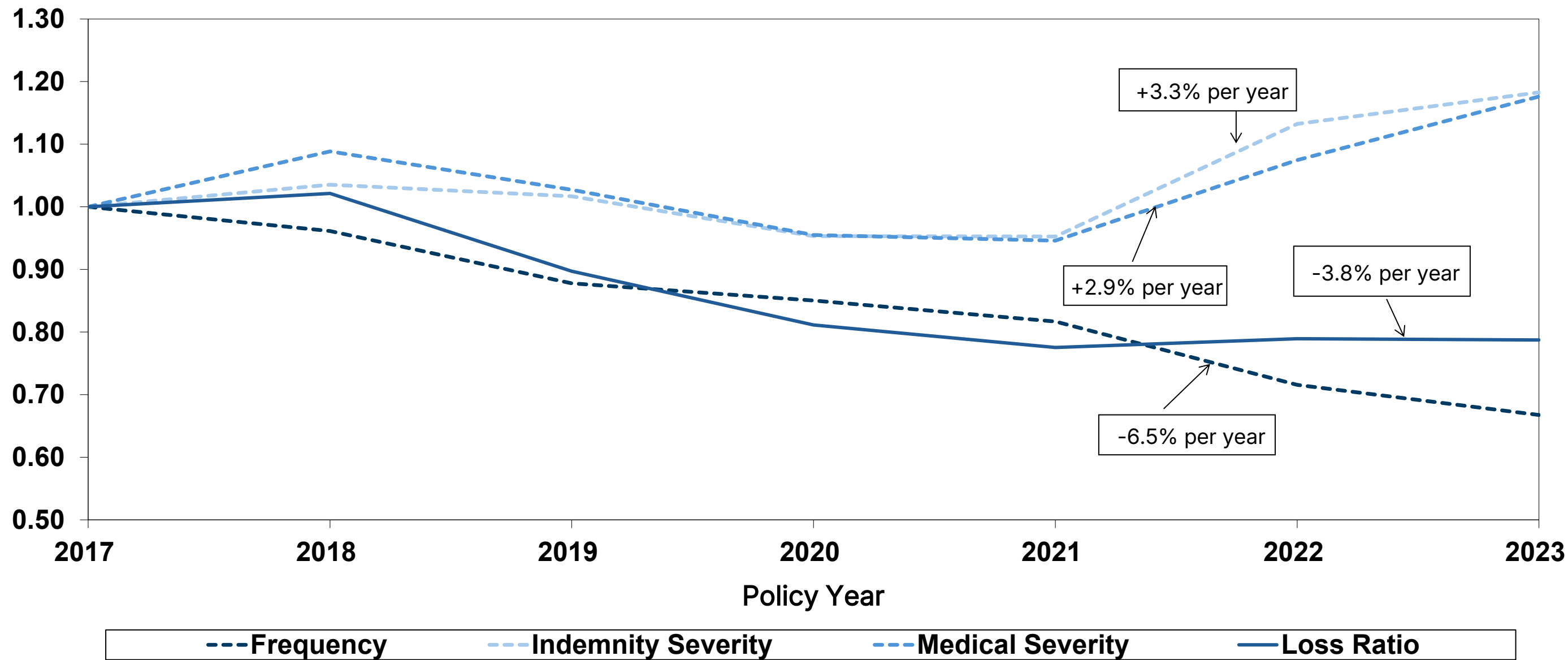
Average loss costs have consistently declined across all industry groups, consistent with the annual loss cost changes. Contracting and Office & Clerical mark the high and low bounds with the other three industry groups being very similar on average.



Source: Annual PCRB Loss Cost Revisions (2018 pre-surge loss costs are based on 1/1/2019 filing)
All class including temp staffing.

Loss Ratio Trend Components

The combined loss ratio trend at -3.8% is still driven by lower frequency trends. Indemnity and medical severities have remained around 3% and flatter loss ratio trends are being observed in the recent years. This flatter pattern is expected to be temporary since post-pandemic economic adjustments are still occurring.

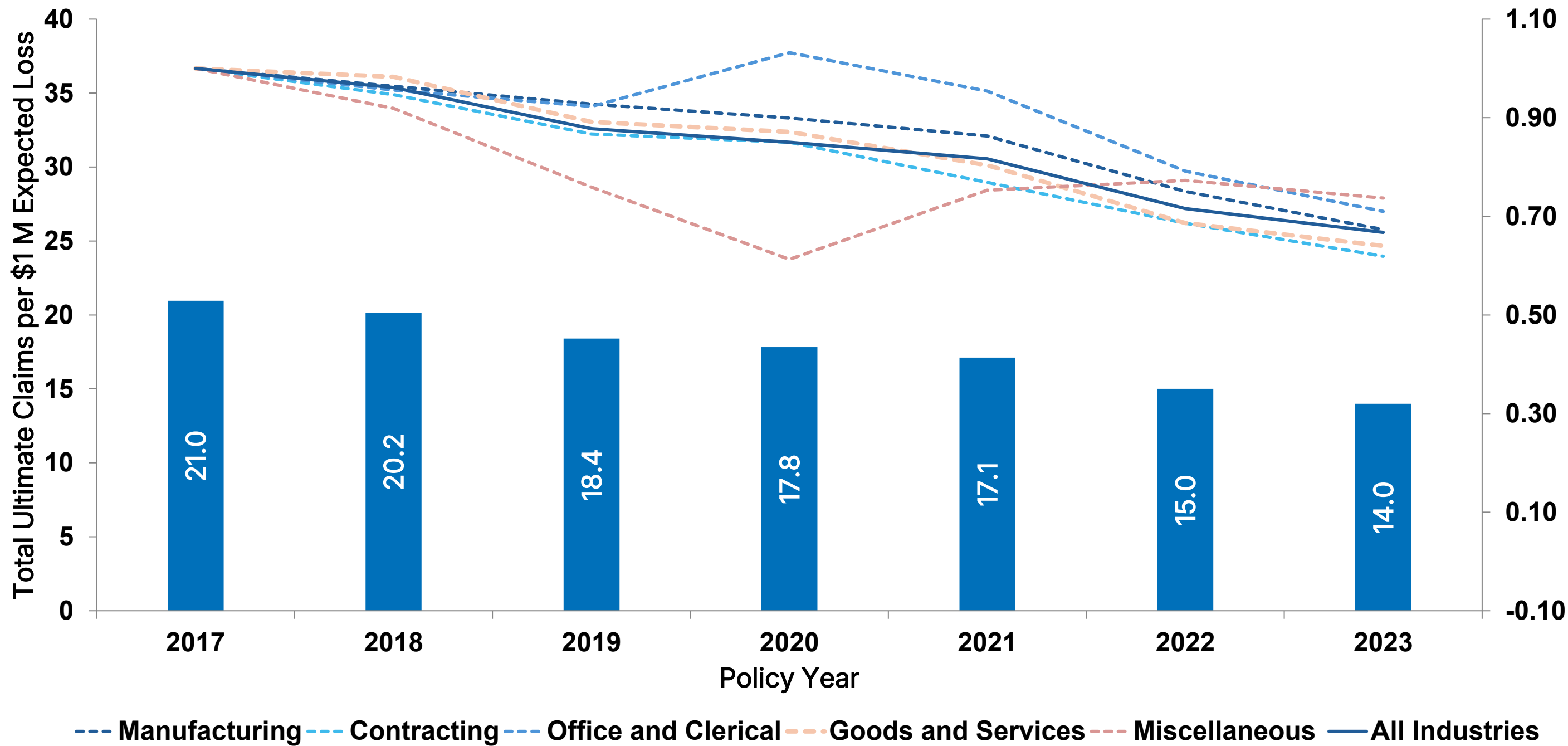


The selected frequency and severity trends consider COVID-19 impacts not yet contained in the historical data

The change in the State Average Weekly Wage (SAWW) has been increasing by 4.4% based on a 7-point exponential fit and averaged with the empirical trend fits.

Frequency Trend by Industry Group

While individual industry groups show more year-to-year volatility, the overall downward frequency trends are observed in all groups driven by on-going workplace safety measures that impact all classes of business.



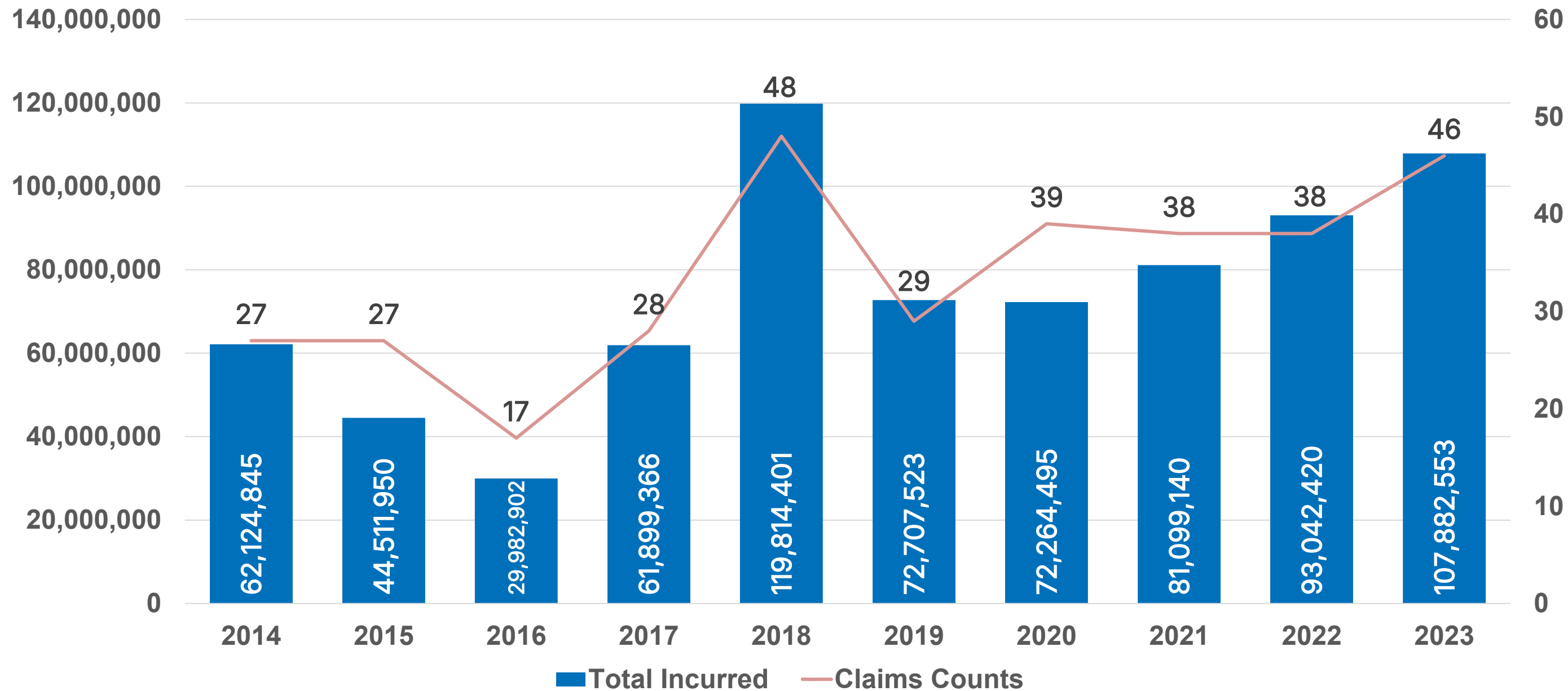
Claim frequency (excluding large deductible business) is measured by the number of ultimate claims per \$1 million of expected losses.

Decreasing frequency contributes significantly to reductions in statewide loss cost levels.

Source: PCRB 2026 Loss Cost Revision

Large Claims in Excess of \$1M at 1st Report

2023 marks the 4th annual increase in the number of claims above \$1 million since the high-water mark of 48 claims in 2018. The last three years, these claims have averaged 41 claims and \$94 million, increasing patterns not unlike what is observed in other states.

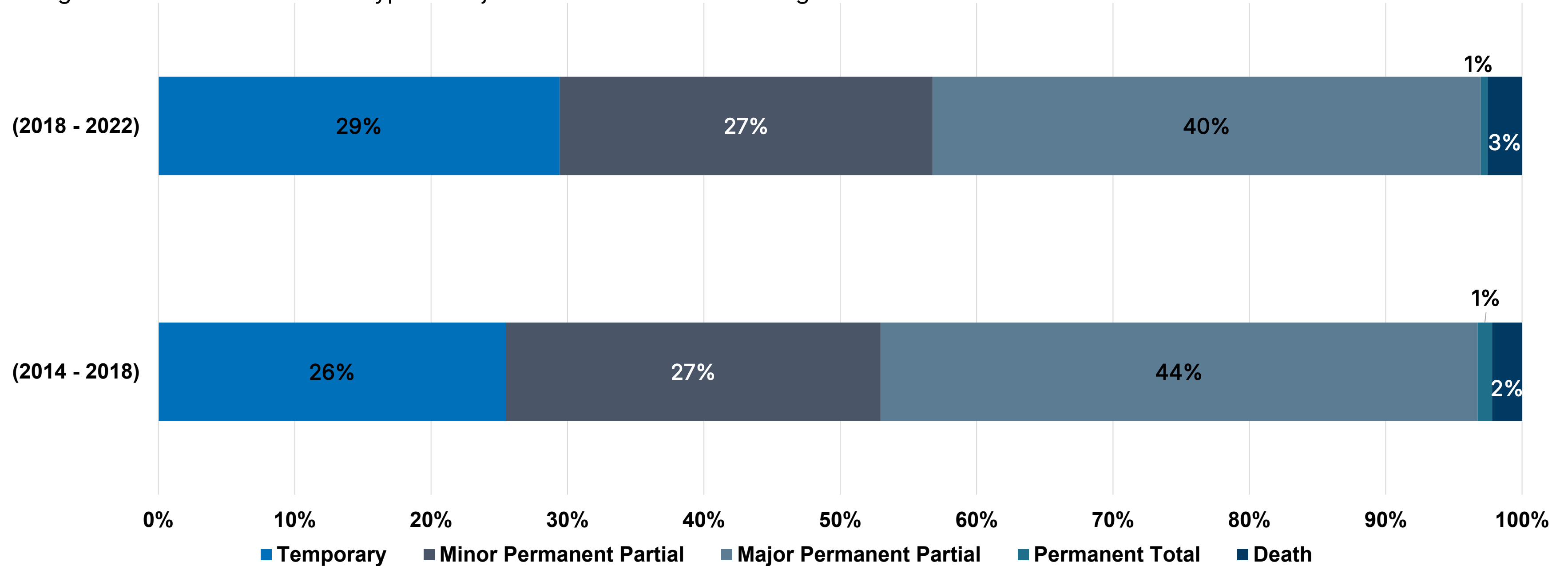


High-dollar workers' compensation claims are infrequent, but the cost of these claims has a significant impact on workers' compensation costs and often explains shifts in observed severity or loss ratio patterns.

Source: PCRB Financial Data Call #4

Indemnity Benefits by Type of Injury

The portion of Indemnity benefits attributable to Major Permanent Partial injuries decreased by 4 points, while the portion attributable to Temporary Total injuries increased by 3 points. These shifts seem primarily be related to the pandemic as there were fewer Major claims during the shutdowns. The other types of injuries exhibited smaller changes.

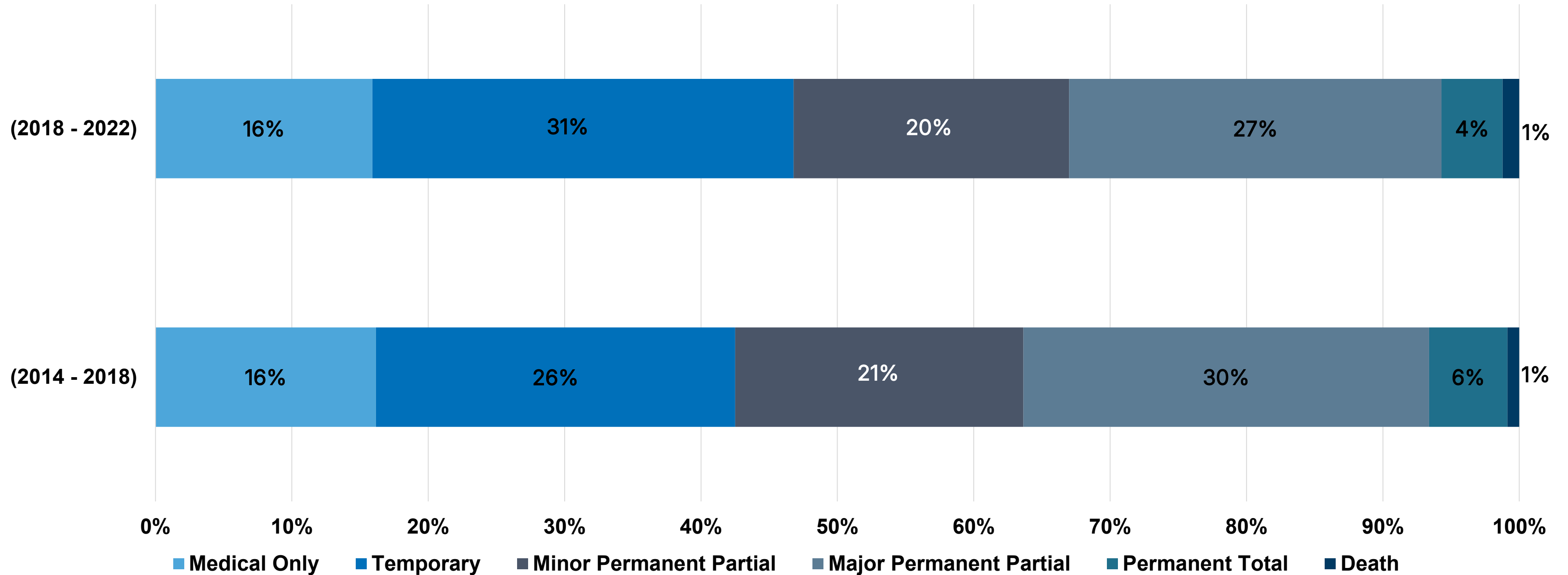


Sources: 2014-2018: PCRB 2022 Loss Cost Revision; 2018-2022: PCRB 2026 Loss Cost Revision

* Percentages are based on losses developed to projected ultimate values

Medical Benefits by Type of Injury

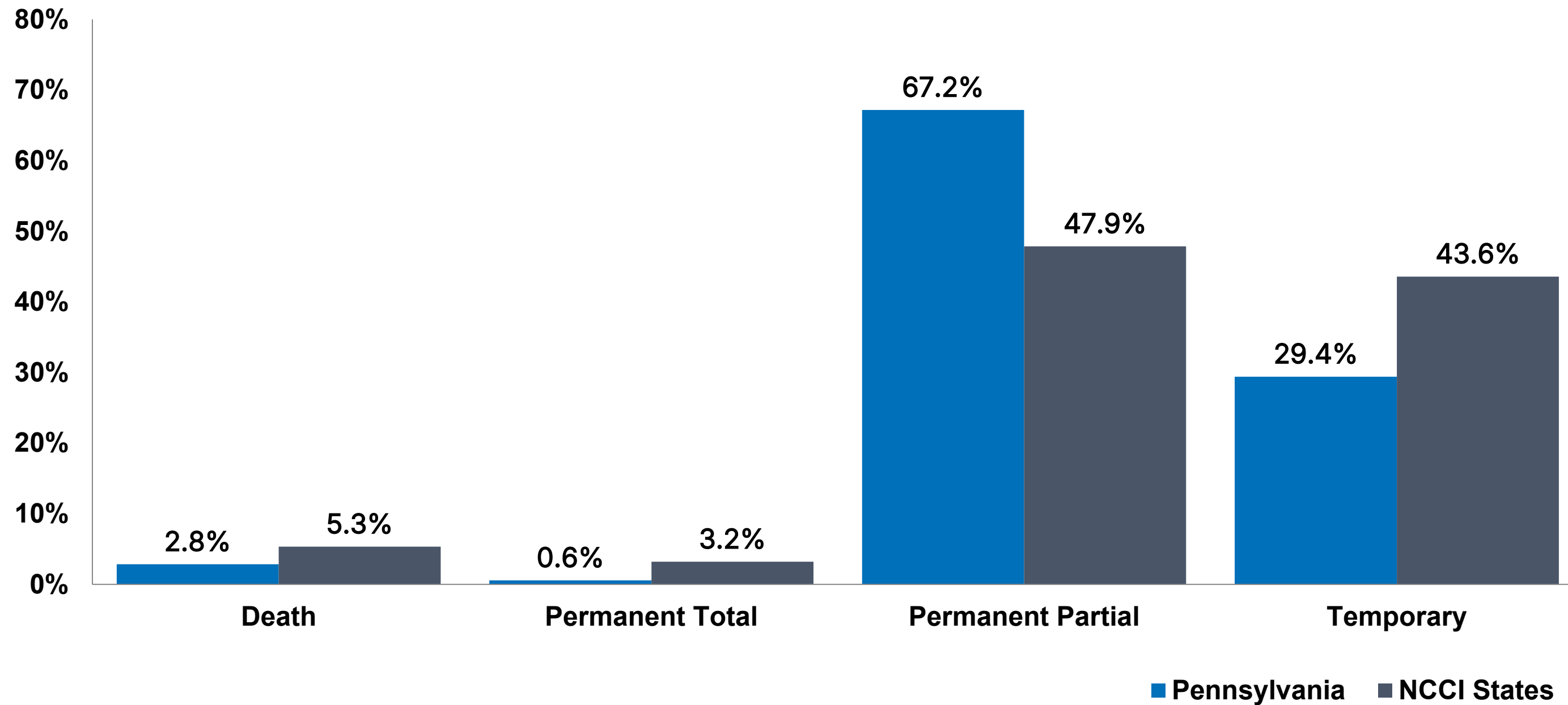
Similar to Indemnity benefits, the portion of Indemnity benefits attributable to Major Permanent Partial injuries decreased by 3 points, while the portion attributable to Temporary Total injuries increased by 5 points. The other types of injury exhibited smaller changes.



Sources: 2014-2018: PCRB 2022 Loss Cost Revision; 2018-2022: PCRB 2026 Loss Cost Revision

* Percentages are based on losses developed to projected ultimate values

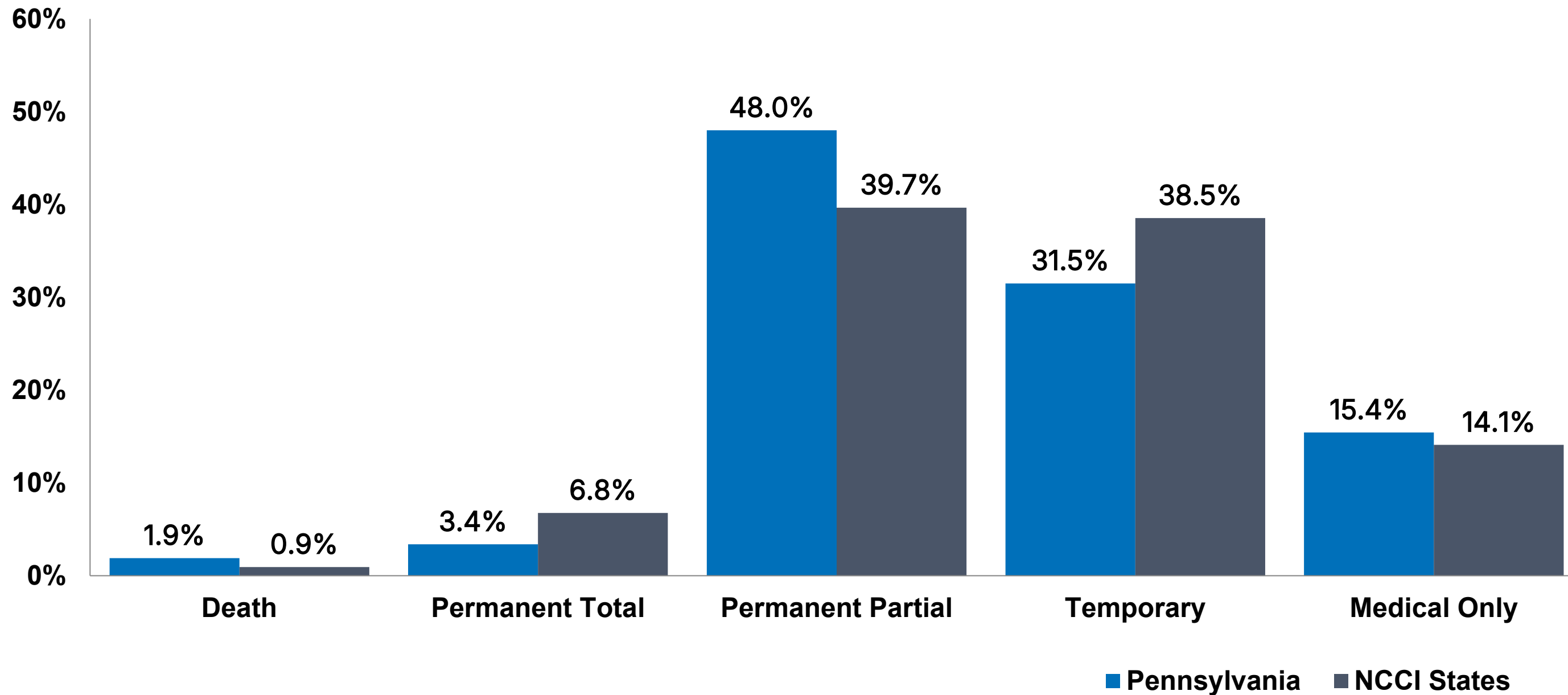
Ultimate Indemnity Benefits by Injury Type



Pennsylvania has a higher percentage of Permanent Partial benefits and a lower percentage of Temporary benefits in comparison to the NCCI states. The discrepancy in Permanent Partial and Temporary can be attributed to the fact that Pennsylvania is a wage loss state.

Source: PCRB 2026 Loss Cost Revision; NCCI States: 2025 Annual Statistical Bulletin

Ultimate Medical Benefits by Injury Type

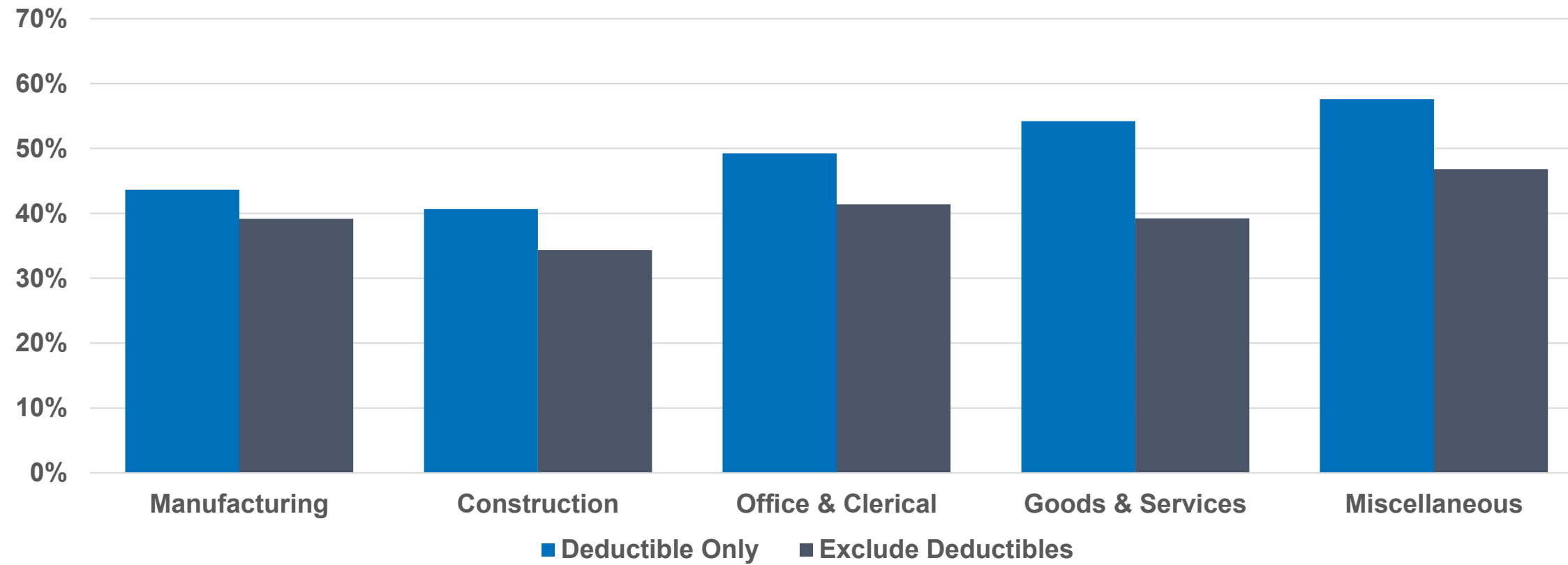


About half of the medical costs is payments for Permanent Partial. The distribution between the NCCI states and Pennsylvania is similar for several of the injury types, however Pennsylvania is relatively higher for Permanent Partial and lower for Temporary and Permanent Total injury types.

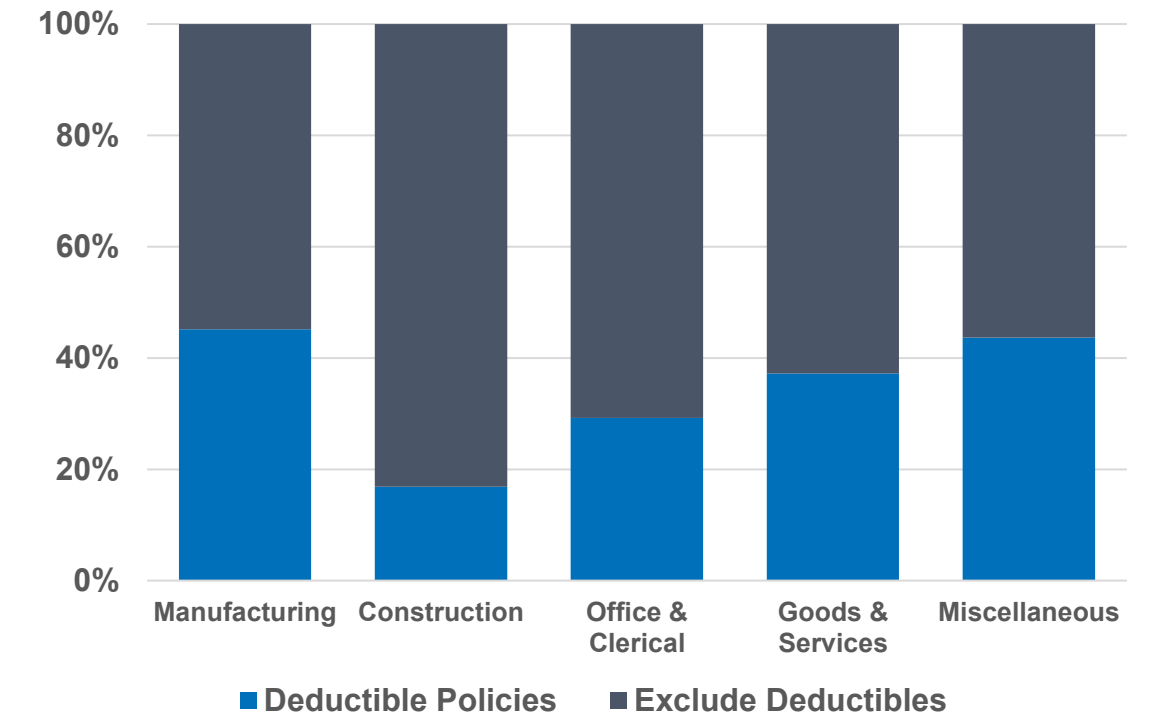
Source: PCRB 2026 Loss Cost Revision; NCCI States: 2025 Annual Statistical Bulletin

Loss Ratios by Industry Group

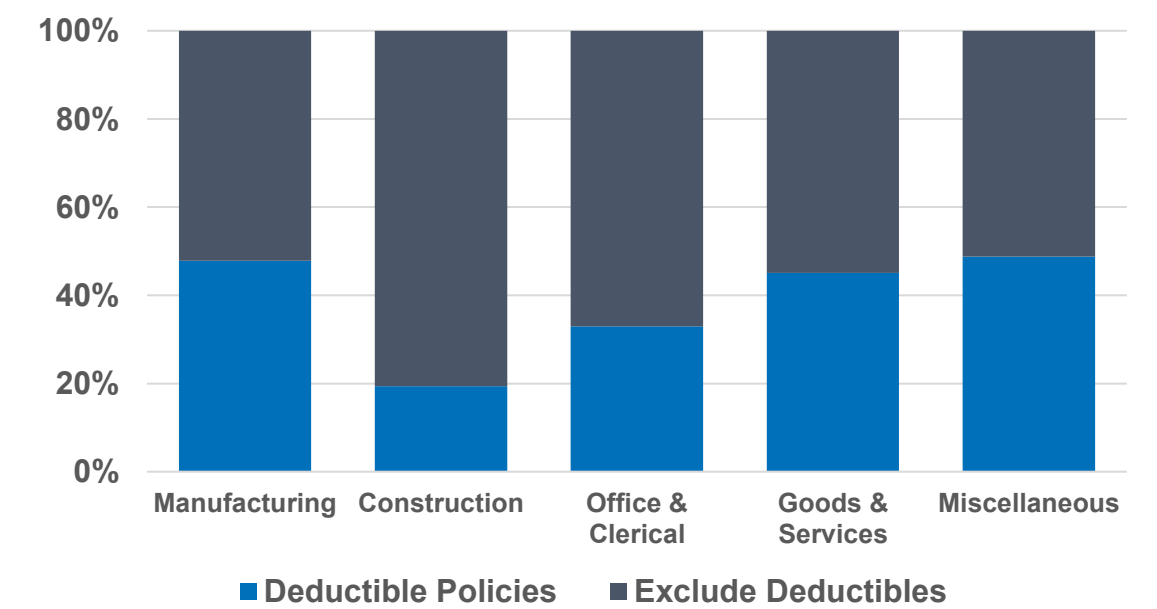
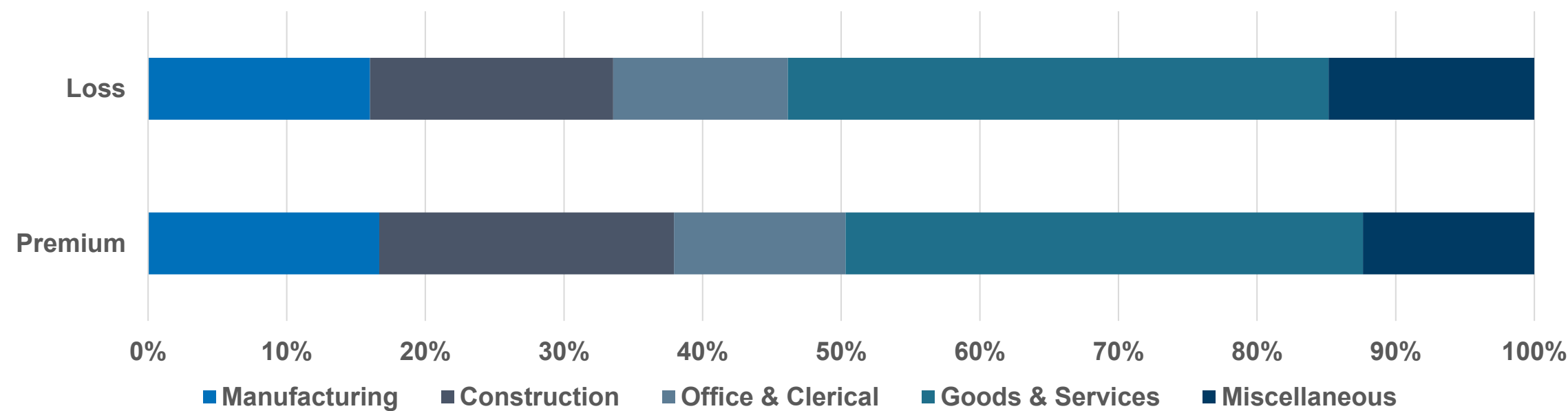
Loss Ratios



Premium



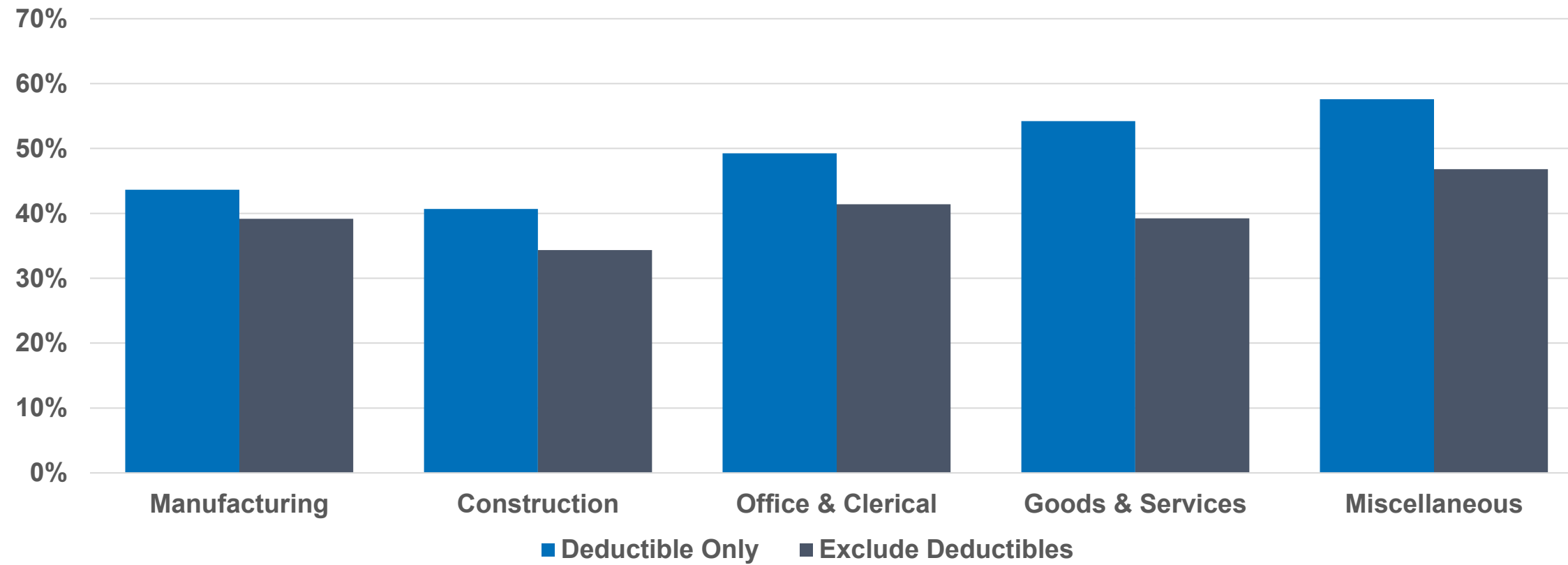
Loss



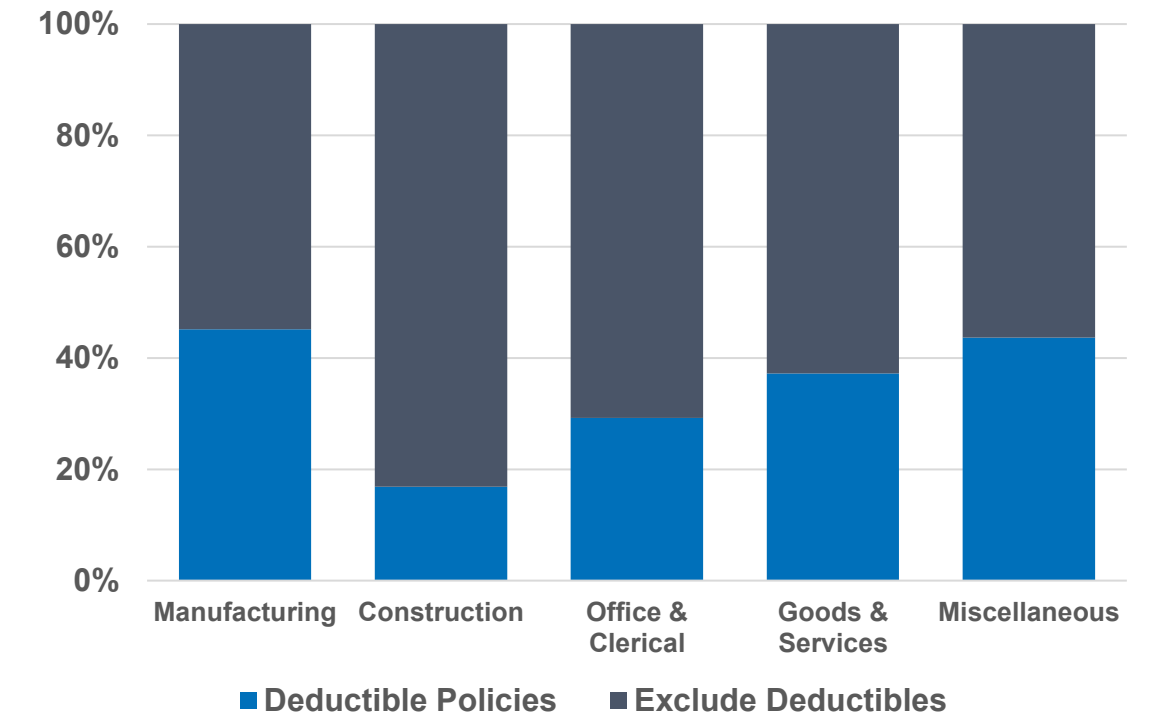
Source: PCRB 2026 Loss Cost Revision, Policy Year 2022

Loss Ratios by Industry Group

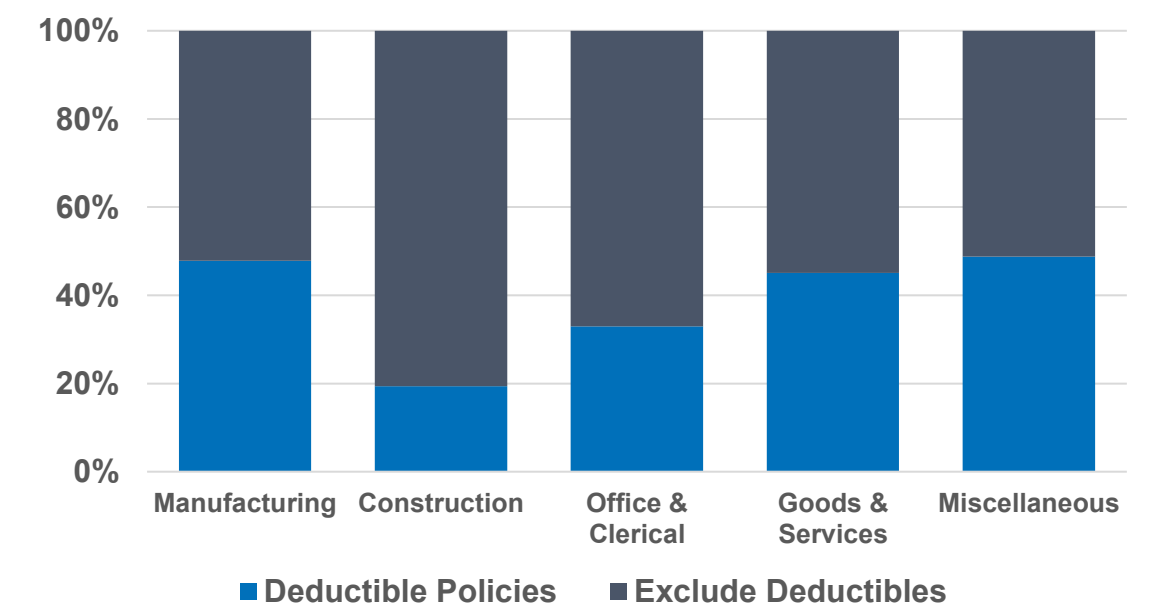
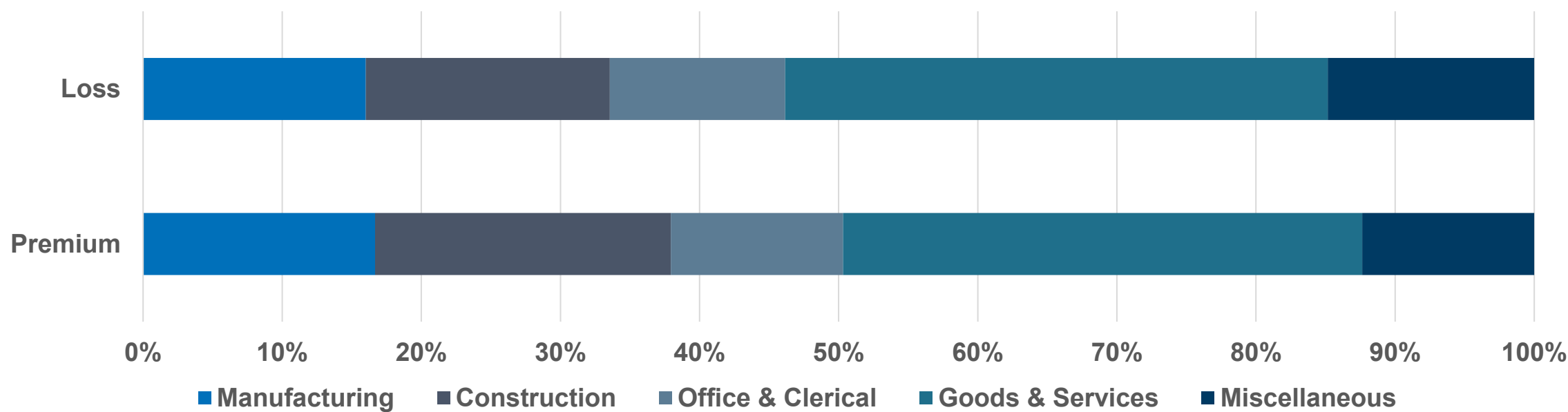
Loss Ratios



Premium



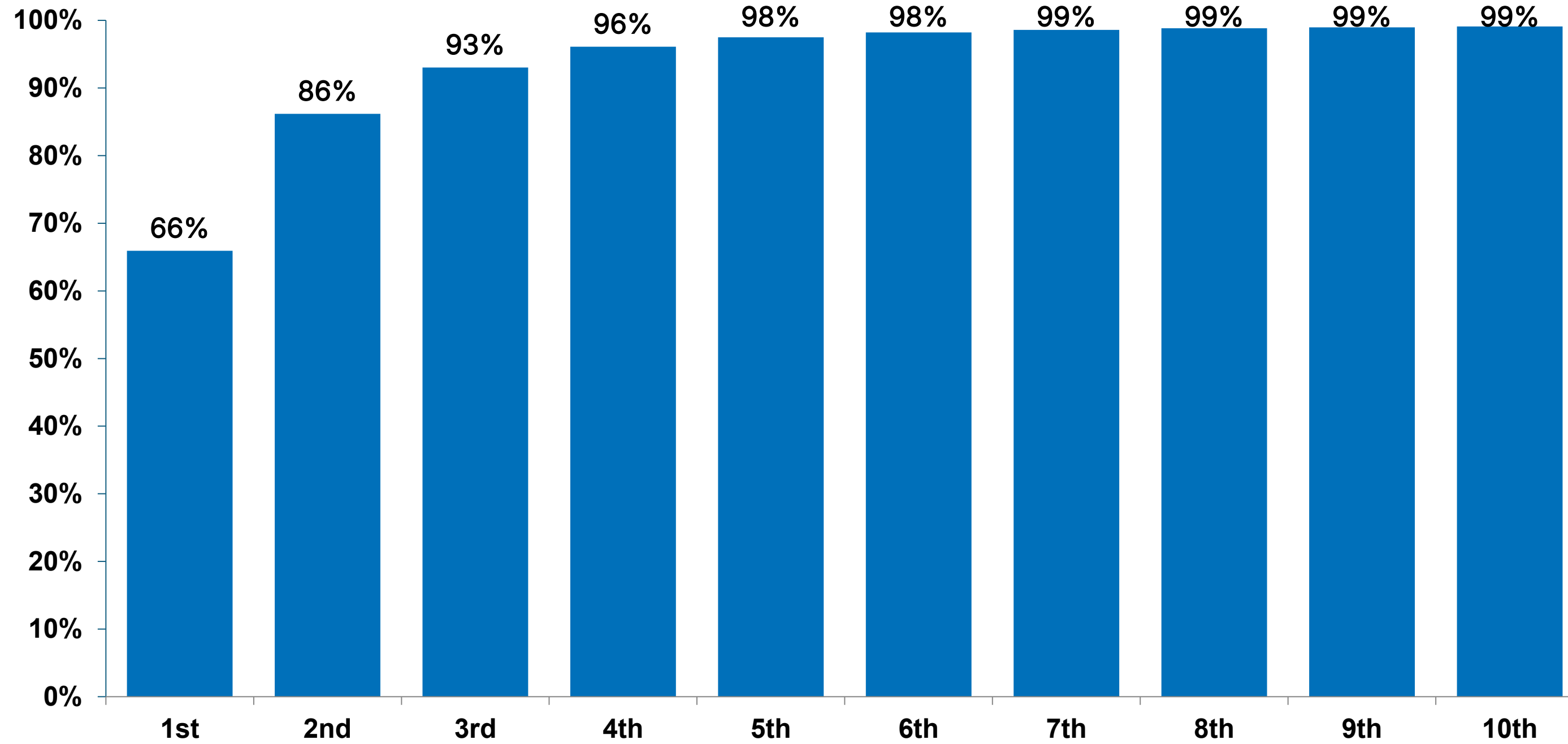
Loss



Source: PCRB 2026 Loss Cost Revision, Policy Year 2022

Portion of Reported Indemnity Claims Closed

The percentage of indemnity claims that are closed at each report level indicates that approximately 14% remain open at 2nd report, and only 2% of these claims remain open at 5th report.

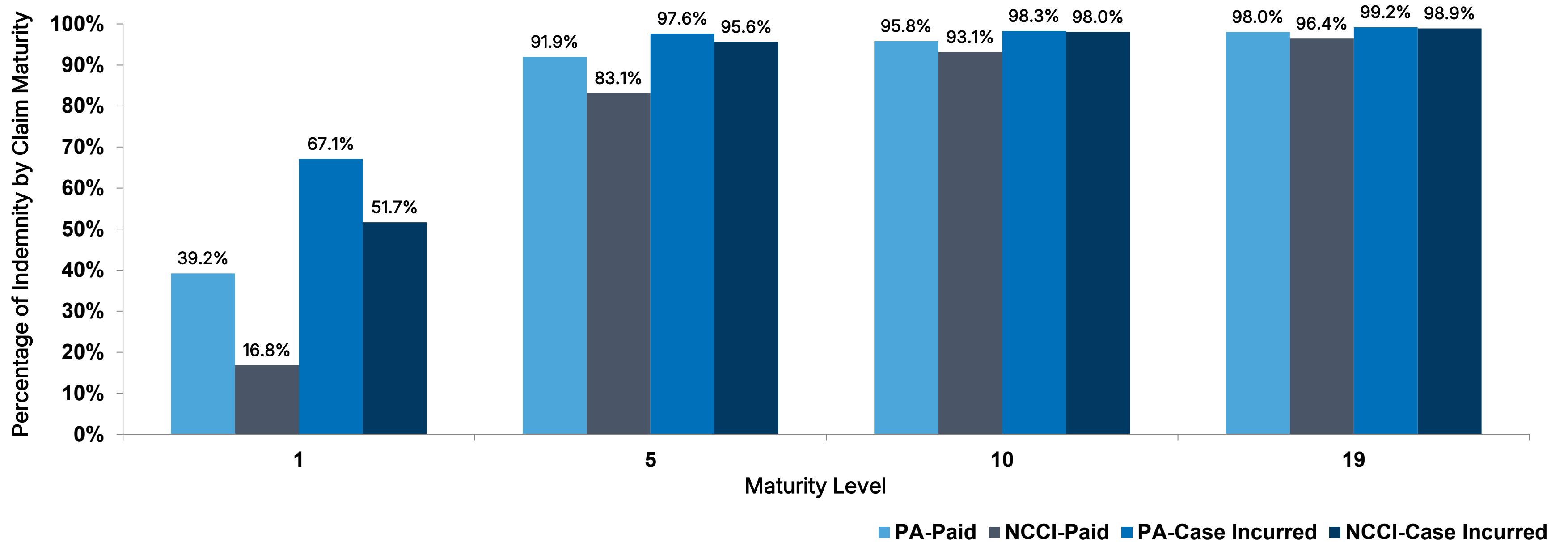


Claims close relatively quickly in Pennsylvania. The rate at which claims are settled impact the ultimate claim costs.

Source: PCRB Unit Data as of 12/2024

Portion of Ultimate Indemnity by Claim Maturity

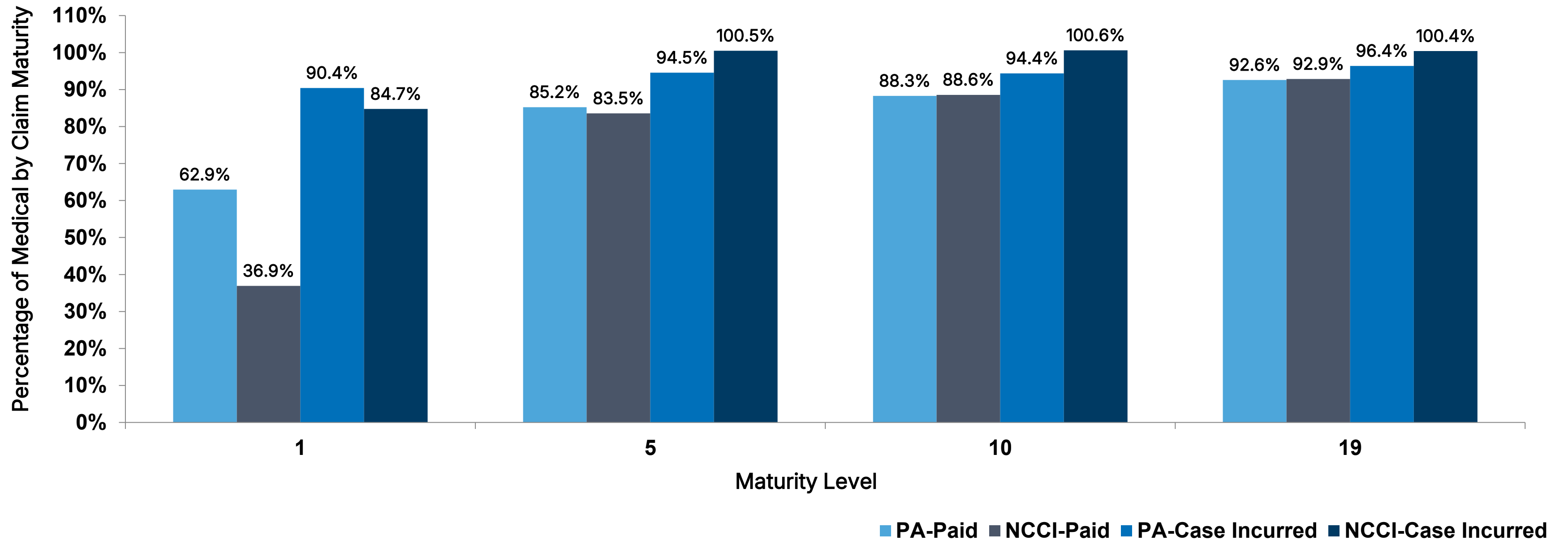
Supporting relatively faster claim closures, the percentage of indemnity paid are higher than industry averages.



Source: PCRB 2026 Loss Cost Revision, on a Policy Year Basis; NCCI States: April 2026, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year Basic

Portion of Ultimate Medical by Claim Maturity

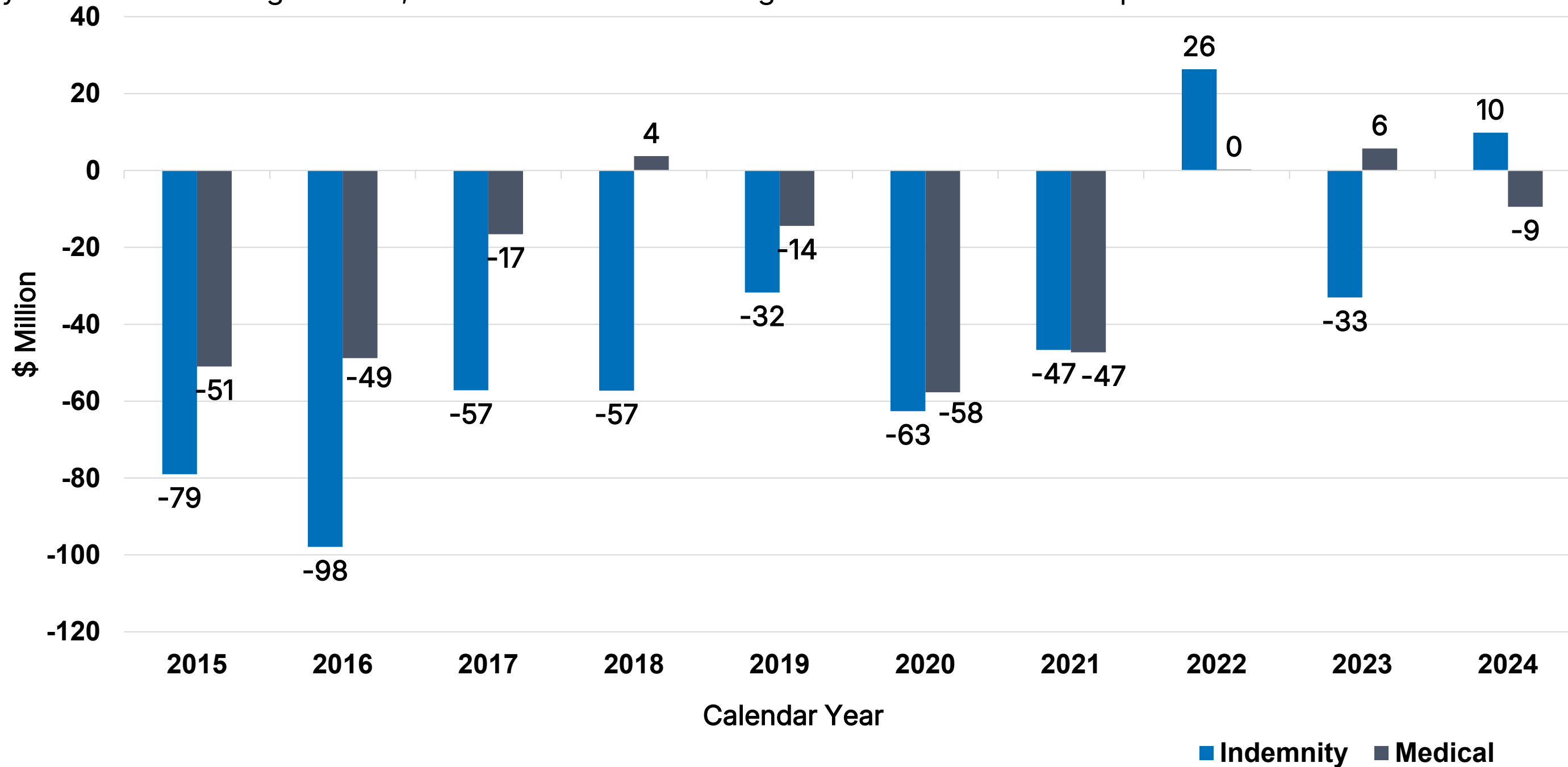
On the other hand, medical payments are only materially higher in the earlier maturities compared to industry data.



Source: PCRB 2026 Loss Cost Revision, on a Policy Year Basis; NCCI States: April 2026, Annual Statistical Bulletin, Interim Exhibits, on an Accident Year Basic

Case Reserve Changes

The past three years, there is a noticeable shift in the total change in case reserves with the cumulative changes netting to zero over this period. While 2022 was driven by older years from the implementation of a new claim system from one large carrier, 2024 stands out as being different from the older periods.

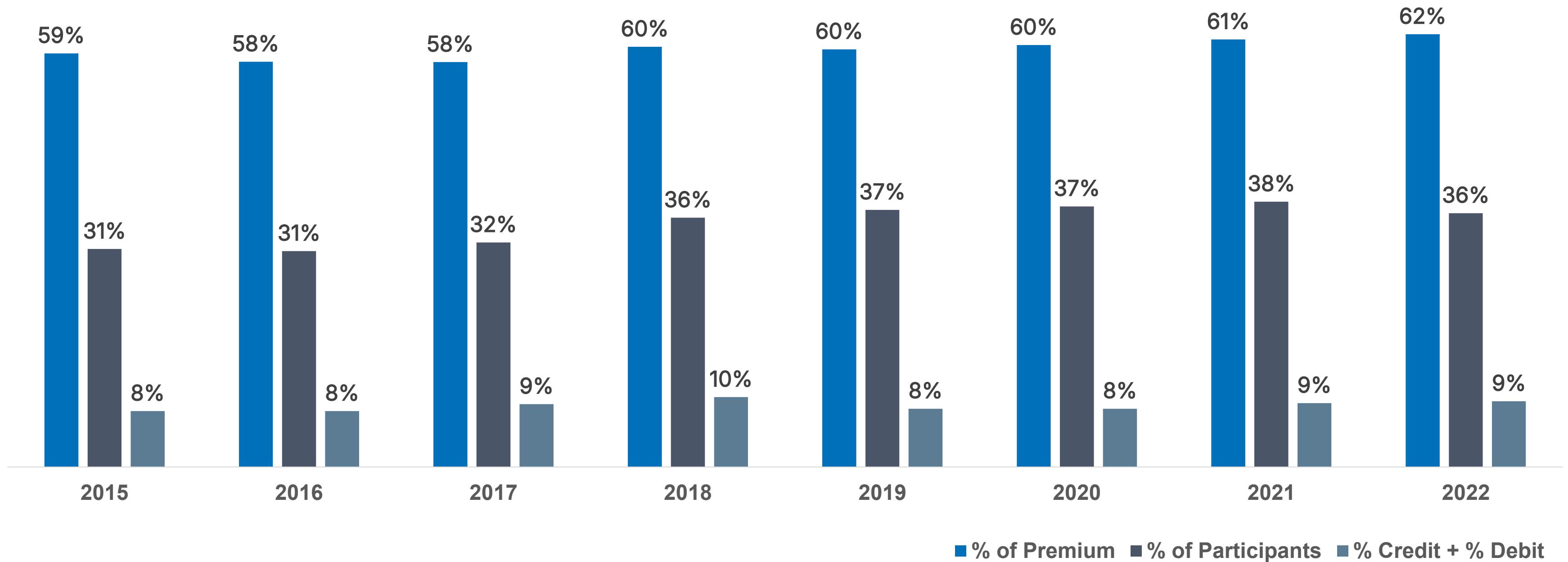


Case reserves are defined as the sum of the values assigned to specific known claims as of the evaluation date. These do not include any bulk or IBNR reserves.

Source: PCRB Financial Calls

Schedule Rating Plan

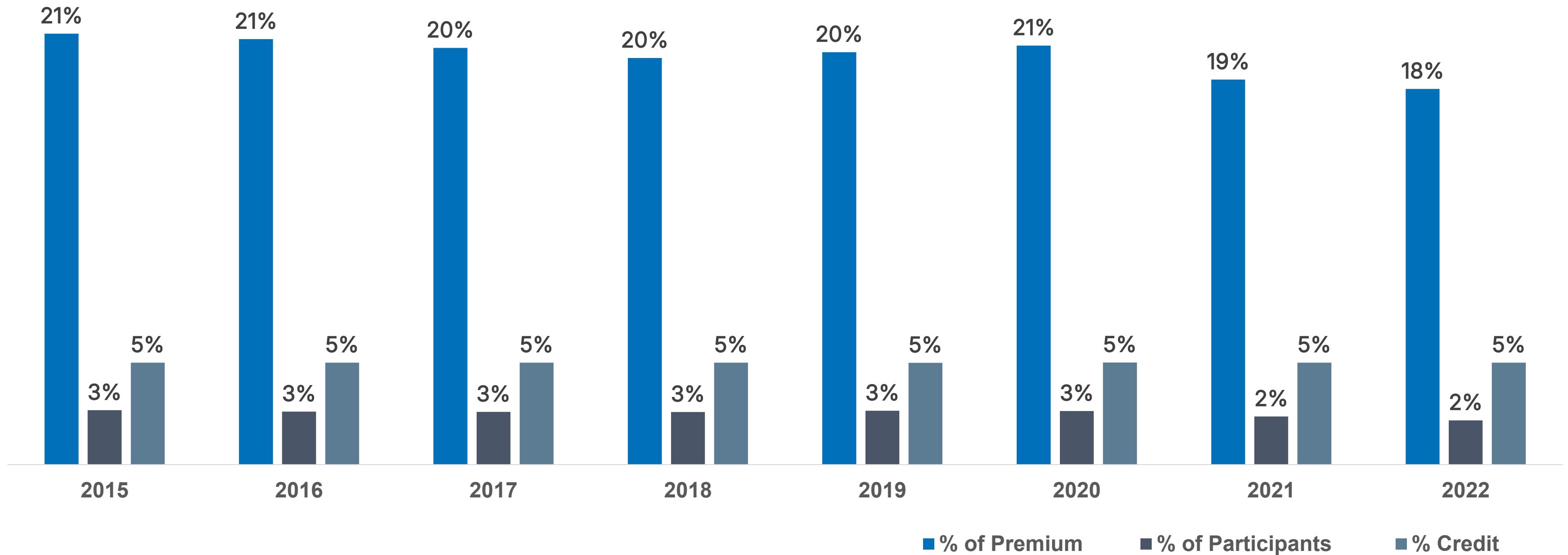
Over 60% of eligible total standard premium was subject to schedule rating and the number of policies subject to schedule rating has been increasing since 2016. Market consistency has resulted in overall average schedule rating credit usage between 8% and 10%.



Source: PCRB Unit Statistical Data

Certified Safety Credit Program

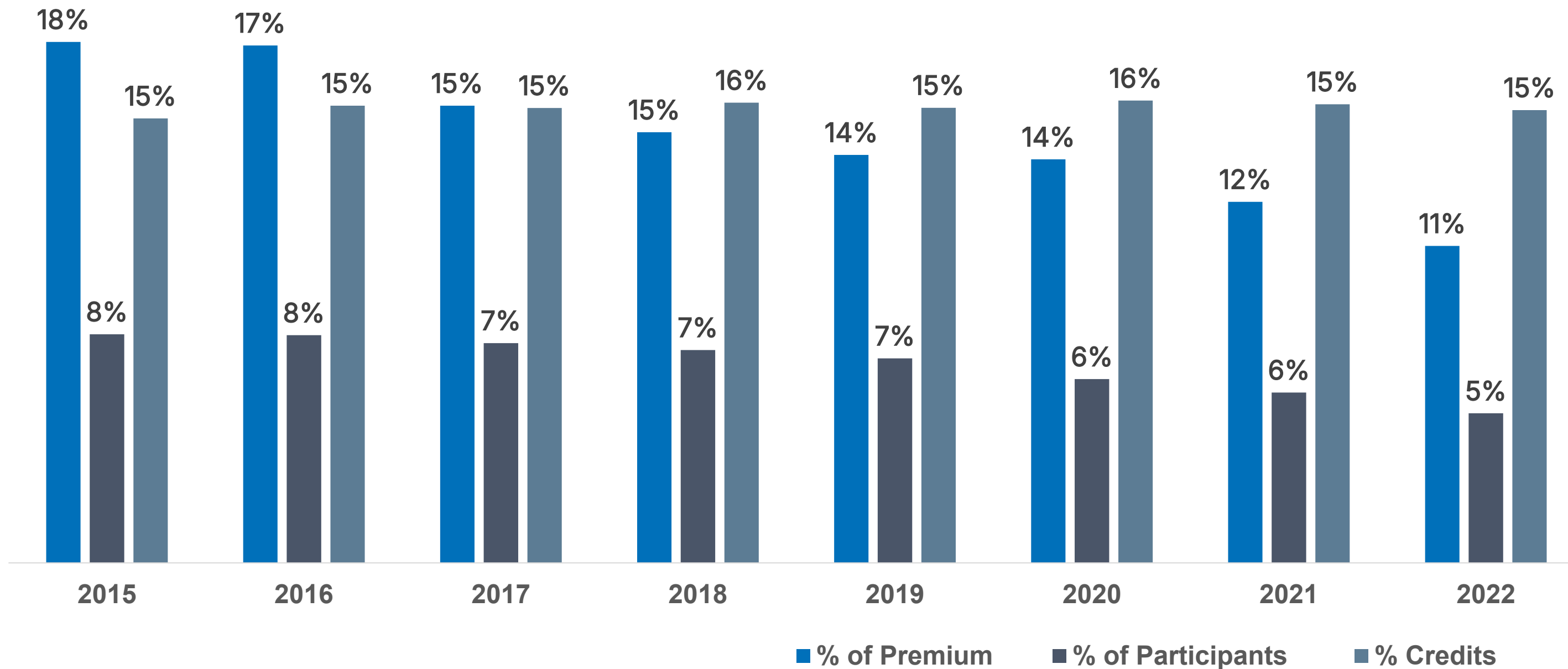
The employer participation in the program has dropped to 2% and represents just under 20% of eligible premium in the program. The credit provided in this program is a flat 5%.



Source: PCRB Unit Statistical Data

Construction Classification Premium Adjustment Program

For Policy Year 2022, the premium for participating employers represented 11% of total premium for eligible risks and only 5% of eligible employers participated in this program. Both the proportion of eligible employers and the percentage of premium for participates have generally declined with the average program credits at 15%.



As part of this year's CCPAP wage table update, the starting minimum wage was lowered from \$40.15 to \$38.40 and is expected to increase participation levels.

This update better aligns current construction wages with more recent data.

Source: PCRB Unit Statistical Data

OUR MISSION

To provide objective, accurate, and valuable statistical and actuarially based information, marketplace knowledge, research, and rating plans fundamental to a healthy workers' compensation system.

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