

**PENNSYLVANIA COMPENSATION RATING BUREAU**

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**Summary of Material for Modification of Experience  
April 1, 2005 Loss Cost Revision**

**As Filed**

## PENNSYLVANIA 2005 LOSS COST FILING

EFFECTIVE DATE - April 1, 2005

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\* Incurred Losses exclude IBNR and Bulk Reserves.

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## EXHIBIT I

### INDICATED CHANGE IN LOSS COSTS

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(1) Policy Year 2000 Ratio of Loss to Expected Loss	0.5061	0.4606	0.9667
(2) Policy Year 2001 Ratio of Loss to Expected Loss	0.4893	0.4310	0.9203
(3) Policy Year 2002 Ratio of Loss to Expected Loss	0.4756	0.4406	0.9162
(4) Average (Midpoint = 1/1/2002)	0.4903	0.4441	0.9344
(5) Policy Year 2000 Ratio Trended to 4/1/2006 +	0.5436	0.4738	1.0174
(6) Policy Year 2001 Ratio Trended to 4/1/2006 +	0.5184	0.4409	0.9593
(7) Policy Year 2002 Ratio Trended to 4/1/2006 +	0.4970	0.4484	0.9454
(8) Average at 4/1/2006	0.5197	0.4544	0.9741
(9) Savings at 9/1/1993	0.9943	1.0000	
(10) Act 57 Savings	1.0000	1.0000	
(11) Combined Impact: Act 44 & Act 57 (9) * (10)	0.9943	1.0000	0.9969
(12) Indicated Change in Loss Costs (8) * (11)	0.5167	0.4544	0.9711

### CHANGES IN MANUAL LOSS COST LEVEL BY INDUSTRY GROUP

	<u>Mfg.</u>	<u>Cont.</u>	<u>Other</u>	<u>Total</u>
(13) Current Collectible Premium Ratio	1.0835	1.0805	1.0530	
(14) Anticipated Collectible Premium Ratio	1.1115	1.1044	1.0717	
(15) Final Indicated Change in Manual Loss Cost Level (12T) * (14) / (13)	0.9962	0.9926	0.9883	0.9910

+ Refer to pages 21 and 22

**EXHIBIT II**

**CALCULATION OF EMPLOYER ASSESSMENT FACTOR AND  
LOADING FOR LOSS BASED ASSESSMENTS**

<b>(1)</b>	2003 PCRB Member Paid Loss (From Schedule W) *	1,941,244,593
<b>(2)</b>	2003 Total Paid Loss (From PA Dept of Labor and Industry) *	2,564,214,257
<b>(3)</b>	2003 Ratio of PCRB Member Paid Loss to Total Paid Loss (1)/(2)	0.7571
<b>(4)</b>	2004/2005 Fiscal Year Budget	
	a. Administration Fund	55,000,000
	b. Subsequent Injury Fund	294,637
	c. Supersedeas Injury Fund	18,914,986
	d. Total	<u>74,209,623</u>
<b>(5)</b>	2004/2005 Fiscal Year Membership Assessment Amount	
	a. Administration Fund (4)a * (3)	41,640,500
	b. Subsequent Injury Fund (4)b * (3)	223,070
	c. Supersedeas Injury Fund (4)c * (3)	14,320,536
	d. Total	<u>56,184,106</u>
<b>(6)</b>	2003 Employer Assessment Premium Base Schedule W Part A-1, Lines 5 + 8a + 8b	2,952,678,578
<b>(7)</b>	2004/2005 Fiscal Year Membership Assessment Rate	
	a. Administration Fund (5)a / (6)	0.0141
	b. Subsequent Injury Fund (5)b / (6)	0.0001
	c. Supersedeas Injury Fund (5)c / (6)	0.0049
	d. Employer Assessment Factor	<u>0.0191</u>
<b>(8)</b>	2004/2005 Fiscal Year Budget for the Office of Small Business Advocate	184,000
<b>(9)</b>	2004/2005 Fiscal Year Membership Assessment Amount for the Office of Small Business Advocate (8) * (3)	139,306
<b>(10)</b>	2004/2005 Fiscal Year Membership Assessment Rate for the Office of Small Business Advocate (9) / (1)	0.0001
<b>(11)</b>	Merit Rating Plan Increment Factor	0.0035
<b>(12)</b>	Certified Safety Committee Program Increment Factor	0.0052
<b>(13)</b>	Overall Adjustment for the Office of Small Business Advocate, Merit Rating Plan and Certified Safety Committee Program (10) + (11) + (12)	<u>0.0088</u>

\* Loss payments on deductible policies have been adjusted to a 1st dollar basis.

**EXHIBIT III - 1**

**POLICY YEAR LOSS RATIO 2002**

( 1 ) Standard Earned Premium Reported (Table I)			1,512,040,306
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0079
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9986
( 5 ) Factor to Remove Loss Based Assessments			0.9929
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,511,046,697
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			1.0145
( 8 ) Expected Loss at Current Level (6)*(7)			1,532,956,874
<b>Losses - Paid-to-20th Method</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
( 9 ) Paid Losses Reported (Table I-D & I-E)	170,685,967	288,008,190	458,694,157
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	4.5918	2.3615	
(11) Ultimate Incurred Losses	783,755,823	680,131,341	1,463,887,164
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	788,223,231	680,131,341	1,468,354,572
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5142	0.4437	0.9579
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	352,557,233	403,391,339	755,948,572
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.8891	1.6627	
(17) Ultimate Incurred Losses	666,015,869	670,718,779	1,336,734,648
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	669,812,159	670,718,779	1,340,530,938
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4369	0.4375	0.8744
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	729,017,695	675,425,060	1,404,442,755
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4756	0.4406	0.9162
(23) Normalized Claim Frequency (Exhibit VI-2)	0.4288	0.4288	
(24) Severity Ratio * (22) / (23)	1.1091	1.0275	2.1366

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 2**

**POLICY YEAR LOSS RATIO 2001**

( 1 ) Standard Earned Premium Reported (Table I)			1,549,059,905
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0012
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9974
( 5 ) Factor to Remove Loss Based Assessments			0.9923
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,534,975,363
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			1.0248
( 8 ) Expected Loss at Current Level (6) *(7)			1,573,042,752
<b>Losses - Paid-to-20th Method</b>			
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 9 ) Paid Losses Reported (Table I-D & I-E)	330,498,108	370,524,197	701,022,305
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	2.4897	1.8435	
(11) Ultimate Incurred Losses	822,841,139	683,061,357	1,505,902,496
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	827,531,333	683,061,357	1,510,592,690
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5261	0.4342	0.9603
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	536,788,821	453,469,264	990,258,085
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.3188	1.4837	
(17) Ultimate Incurred Losses	707,917,097	672,812,347	1,380,729,444
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	711,952,224	672,812,347	1,384,764,571
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4526	0.4277	0.8803
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	769,741,779	677,936,852	1,447,678,631
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4893	0.4310	0.9203
(23) Normalized Claim Frequency (Exhibit VI-2)	0.4516	0.4516	
(24) Severity Ratio * (22) / (23)	1.0835	0.9544	2.0379

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 3**

**POLICY YEAR LOSS RATIO 2000**

( 1 ) Standard Earned Premium Reported (Table I)			1,525,160,808
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			0.9997
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9966
( 5 ) Factor to Remove Loss Based Assessments			0.9926
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,508,274,826
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			1.0267
( 8 ) Expected Loss at Current Level (6) *(7)			1,548,545,764
<b>Losses - Paid-to-20th Method</b>			
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 9 ) Paid Losses Reported (Table I-D & I-E)	463,616,995	422,139,987	885,756,982
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.8011	1.6733	
(11) Ultimate Incurred Losses	835,020,570	706,366,840	1,541,387,410
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	839,780,187	706,366,840	1,546,147,027
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5423	0.4561	0.9984
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	639,731,113	509,027,428	1,148,758,541
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1308	1.4150	
(17) Ultimate Incurred Losses	723,407,943	720,273,811	1,443,681,754
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	727,531,368	720,273,811	1,447,805,179
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4698	0.4651	0.9349
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	783,655,778	713,320,326	1,496,976,104
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5061	0.4606	0.9667
(23) Normalized Claim Frequency (Exhibit VI-2)	0.4819	0.4819	
(24) Severity Ratio * (22) / (23)	1.0502	0.9558	2.0060

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 4**

**POLICY YEAR LOSS RATIO 1999**

( 1 ) Standard Earned Premium Reported (Table I)			1,500,418,733
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			0.9985
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9919
( 5 ) Factor to Remove Loss Based Assessments			0.9652
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,434,318,997
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			1.0421
( 8 ) Expected Loss at Current Level (6) *(7)			1,494,703,827
<b>Losses - Paid-to-20th Method</b>			
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 9 ) Paid Losses Reported (Table I-D & I-E)	511,714,327	419,521,682	931,236,009
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.5123	1.5945	
(11) Ultimate Incurred Losses	773,865,577	668,927,322	1,442,792,899
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	778,276,611	668,927,322	1,447,203,933
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5207	0.4475	0.9682
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	634,932,151	492,975,838	1,127,907,989
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0577	1.3970	
(17) Ultimate Incurred Losses	671,567,736	688,687,246	1,360,254,982
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	675,395,672	688,687,246	1,364,082,918
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4519	0.4608	0.9127
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	726,836,142	678,807,284	1,405,643,426
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4863	0.4541	0.9404
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5150	0.5150	
(24) Severity Ratio * (22) / (23)	0.9443	0.8817	1.8260

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.



**EXHIBIT III - 5**

**POLICY YEAR LOSS RATIO 1998**

( 1 ) Standard Earned Premium Reported (Table I)			1,478,164,754
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			0.9976
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9919
( 5 ) Factor to Remove Loss Based Assessments			0.9660
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,412,941,886
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			0.9819
( 8 ) Expected Loss at Current Level (6) *(7)			1,387,367,638
<b>Losses - Paid-to-20th Method</b>			
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 9 ) Paid Losses Reported (Table I-D & I-E)	482,562,829	393,519,965	876,082,794
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.3802	1.5476	
(11) Ultimate Incurred Losses	666,033,217	609,011,498	1,275,044,715
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	669,829,606	609,011,498	1,278,841,104
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.4828	0.4390	0.9218
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	562,582,001	458,270,795	1,020,852,796
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0307	1.3782	
(17) Ultimate Incurred Losses	579,853,268	631,588,810	1,211,442,078
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	583,158,432	631,588,810	1,214,747,242
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4203	0.4552	0.8755
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	626,494,019	620,300,154	1,246,794,173
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4516	0.4471	0.8987
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5501	0.5501	
(24) Severity Ratio * (22) / (23)	0.8209	0.8128	1.6337

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 6**

**POLICY YEAR LOSS RATIO 1997**

( 1 ) Standard Earned Premium Reported (Table I)			1,504,944,672
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			0.9998
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9937
( 5 ) Factor to Remove Loss Based Assessments			0.9725
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,454,047,406
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			0.8631
( 8 ) Expected Loss at Current Level (6) *(7)			1,254,988,316
<b>Losses - Paid-to-20th Method</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
( 9 ) Paid Losses Reported (Table I-D & I-E)	482,335,071	370,046,899	852,381,970
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.3063	1.5145	
(11) Ultimate Incurred Losses	630,074,303	560,436,029	1,190,510,332
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	633,665,727	560,436,029	1,194,101,756
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5049	0.4466	0.9515
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	539,476,231	413,548,642	953,024,873
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0179	1.3631	
(17) Ultimate Incurred Losses	549,132,856	563,708,154	1,112,841,010
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	552,262,913	563,708,154	1,115,971,067
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4401	0.4492	0.8893
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	592,964,320	562,072,092	1,155,036,412
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4725	0.4479	0.9204
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5909	0.5909	
(24) Severity Ratio * (22) / (23)	0.7996	0.7580	1.5576

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 7**

**POLICY YEAR LOSS RATIO 1996**

( 1 ) Standard Earned Premium Reported (Table I)				1,807,458,628
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0002
( 3 ) Expense Constant Removal Factor				1.0000
( 4 ) PCCPAP On-Level Factor				0.9963
( 5 ) Factor to Remove Loss Based Assessments				0.9789
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)				1,763,127,317
( 7 ) Loss Cost Change 12/1/95 to 4/1/04				0.7005
( 8 ) Expected Loss at Current Level (6) *(7)				1,235,070,686
<b>Losses - Paid-to-20th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
( 9 ) Paid Losses Reported (Table I-D & I-E)	457,730,482	344,013,925	801,744,407	
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2582	1.4836		
(11) Ultimate Incurred Losses	575,916,492	510,379,059	1,086,295,551	
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000		
(13) Adjusted Losses (11) * (12)	579,199,216	510,379,059	1,089,578,275	
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.4690	0.4132	0.8822	
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	517,847,256	383,868,687	901,715,943	
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0063	1.3322		
(17) Ultimate Incurred Losses	521,109,694	511,389,865	1,032,499,559	
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000		
(19) Adjusted Losses (17) * (18)	524,080,019	511,389,865	1,035,469,884	
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4243	0.4141	0.8384	
<b>Losses - Average of Incurred and Paid to 20th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	551,639,618	510,884,462	1,062,524,080	
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4466	0.4136	0.8602	
(23) Normalized Claim Frequency (Exhibit VI-2)	0.6250	0.6250		
(24) Severity Ratio * (22) / (23)	0.7146	0.6618	1.3764	

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 8**

**POLICY YEAR LOSS RATIO 1995**

( 1 ) Standard Earned Premium Reported (Table I)			1,780,942,347
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0002
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			1.0038
( 5 ) Factor to Remove Loss Based Assessments			0.9864
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,763,749,752
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			0.6381
( 8 ) Expected Loss at Current Level (6) *(7)			1,125,448,717
<b>Losses - Paid-to-20th Method</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
( 9 ) Paid Losses Reported (Table I-D & I-E)	520,340,339	346,701,448	867,041,787
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2232	1.4575	
(11) Ultimate Incurred Losses	636,480,303	505,317,360	1,141,797,663
(12) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(13) Adjusted Losses (11) * (12)	640,108,241	505,317,360	1,145,425,601
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5688	0.4490	1.0178
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	586,619,174	384,688,010	971,307,184
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0083	1.3177	
(17) Ultimate Incurred Losses	591,488,113	506,903,391	1,098,391,504
(18) Adjustment to Post-Act 44 Loss Levels	1.0057	1.0000	
(19) Adjusted Losses (17) * (18)	594,859,595	506,903,391	1,101,762,986
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5286	0.4504	0.9790
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	617,483,918	506,110,376	1,123,594,294
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5487	0.4497	0.9984
(23) Normalized Claim Frequency (Exhibit VI-2)	0.6854	0.6854	
(24) Severity Ratio * (22) / (23)	0.8006	0.6561	1.4567

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 9**

**POLICY YEAR LOSS RATIO 1994**

( 1 ) Standard Earned Premium Reported (Table I)			1,904,021,887
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			1.0050
( 5 ) Factor to Remove Loss Based Assessments			0.9869
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,888,474,596
( 7 ) Loss Cost Change 12/1/95 to 4/1/04			0.6344
( 8 ) Expected Loss at Current Level (6) *(7)			1,198,048,284
<b>Losses - Paid-to-20th Method</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
( 9 ) Paid Losses Reported (Table I-D & I-E)	603,891,192	374,262,026	978,153,218
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1955	1.4349	
(11) Ultimate Incurred Losses	721,951,920	537,028,581	1,258,980,501
(12) Adjustment to Post-Act 44 Loss Levels	1.0044	1.0000	
(13) Adjusted Losses (11) * (12)	725,128,508	537,028,581	1,262,157,089
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.6053	0.4483	1.0536
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	687,230,930	408,465,440	1,095,696,370
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0103	1.2997	
(17) Ultimate Incurred Losses	694,309,409	530,882,532	1,225,191,941
(18) Adjustment to Post-Act 44 Loss Levels	1.0044	1.0000	
(19) Adjusted Losses (17) * (18)	697,364,370	530,882,532	1,228,246,902
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5821	0.4431	1.0252
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	711,246,439	533,955,557	1,245,201,996
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5937	0.4457	1.0394
(23) Normalized Claim Frequency (Exhibit VI-2)	0.7693	0.7693	
(24) Severity Ratio * (22) / (23)	0.7717	0.5794	1.3511

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

**EXHIBIT III - 10**

**POLICY YEAR LOSS RATIO 1993**

<b>( 1 )</b> Standard Earned Premium Reported at Bureau DSR (Table I)	2,523,711,615
<b>( 2 )</b> Portion of PY 1993 at Bureau 12/1/92 Rate Level	0.9510
<b>( 3 )</b> Standard Earned Premium at Bureau 12/1/92 Rate Level (1)*(2)	2,400,049,746
<b>( 4 )</b> Factor to 12/1/92 Rate Level	1.0000
<b>( 5 )</b> Premium Development Factor to Ultimate Level (Exhibit V-1)	1.0000
<b>( 6 )</b> Expense Constant Removal Factor	0.9933
<b>( 7 )</b> PCCPAP On-Level Factor	1.0048
<b>( 8 )</b> Standard Earned Premium on Level (3)*(4)*(5)*(6)*(7)	2,395,412,466
<b>( 9 )</b> Permissible Loss Ratio Underlying 12/1/92 Rates	0.7815
<b>(10)</b> Expected Losses as of 12/1/92 (8)*(9)	1,872,014,842
<b>(11)</b> Loss Cost Changes	0.6217
<b>(12)</b> Expected Loss at Current Level (10) *(11)	1,163,831,627
<b>(13)</b> Portion of PY 1993 at Bureau 12/1/93 Loss Cost Level	0.0490
<b>(14)</b> Standard Earned Premium at Bureau 12/1/93 Loss Cost Level (1)*(13)	123,661,869
<b>(15)</b> Premium Development Factor to Ultimate Level (Exhibit V-1)	1.0000
<b>(16)</b> Expense Constant Removal Factor	1.0000
<b>(17)</b> PCCPAP On-Level Factor	1.0048
<b>(18)</b> Standard Earned Premium on Level (14)*(15)*(16)*(17)	124,255,446
<b>(19)</b> Permissible loss Ratio at 12/1/93	0.9869
<b>(20)</b> Expected Losses at 12/1/93 (18)*(19)	122,627,700
<b>(21)</b> Loss Cost Change 12/1/93 to 4/1/04	0.6344
<b>(22)</b> Expected Losses At Current Level (20) * (21)	77,795,013
<b>(23)</b> Total Expected Losses (12) + (22)	1,241,626,640

**EXHIBIT III - 10 Continued**

**POLICY YEAR LOSS RATIO 1993**

<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
<b>(24)</b> Paid Losses Reported (Table I-D & I-E)	660,234,174	405,965,429	1,066,199,603
<b>(25)</b> Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1711	1.4132	
<b>(26)</b> Ultimate Incurred Losses	773,200,241	573,710,344	1,346,910,585
<b>(27)</b> Adjustment to Post-Act 44 Loss Levels	1.0003	1.0000	
<b>(28)</b> Adjusted Losses (26) * (27)	773,432,201	573,710,344	1,347,142,545
<b>(29)</b> Policy Year Ratio of Losses to Expected Losses (28) / (23)	0.6229	0.4621	1.0850
<b>Losses - Incurred Method</b>			
<b>(30)</b> Incurred Losses Reported (Table I-B & I-C)	743,362,543	441,143,450	1,184,505,993
<b>(31)</b> Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0098	1.2878	
<b>(32)</b> Ultimate Incurred Losses	750,647,496	568,104,535	1,318,752,031
<b>(33)</b> Adjustment to Post-Act 44 Loss Levels	1.0003	1.0000	
<b>(34)</b> Adjusted Losses (32) * (33)	750,872,690	568,104,535	1,318,977,225
<b>(35)</b> Policy Year Ratio of Losses to Expected Losses (34) / (23)	0.6047	0.4575	1.0622
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
<b>(36)</b> Adjusted Ultimate Incurred Losses ((28)+(34))/2	762,152,446	570,907,440	1,333,059,886
<b>(37)</b> Policy Year Ratio of Losses to Expected Losses (36) / (23)	0.6138	0.4598	1.0736
<b>(38)</b> Normalized Claim Frequency (Exhibit VI-2)	0.8605	0.8605	
<b>(39)</b> Severity Ratio * (37) / (38)	0.7133	0.5343	1.2476

\* Severity Ratio represents loss ratio adjusted to a common level of claim frequency.

EXHIBIT IV-1

**POLICY YEARS 1980 - 1986  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) RATE CHANGE DATE</u>	<u>(2) RATE CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 12/01/92 RATE LEVEL</u>
1980	10/01/79	BASE	1.0000	1.0000	1.0000	
	1/01/81 to 12/01/92	1.9426	1.9426	----- 1.0000	----- 1.0000	1.9426
1981	1/01/81	BASE	1.0000	0.8342	0.8342	
	10/01/81	0.9782	0.9782	0.1658	0.1622	
	10/01/82	2.0418	1.9973	-----	-----	
	to 12/01/92			1.0000	0.9964	2.0045
1982	10/01/81	BASE	1.0000	0.8119	0.8119	
	10/01/82	0.8975	0.8975	0.1881	0.1688	
	10/01/83	2.2750	2.0418	-----	-----	
	to 12/01/92			1.0000	0.9807	2.0820
1983	10/01/82	BASE	1.0000	0.8135	0.8135	
	10/01/83	0.9983	0.9983	0.1865	0.1862	
	10/01/84	2.2789	2.2750	-----	-----	
	to 12/01/92			1.0000	0.9997	2.2757
1984	10/01/83	BASE	1.0000	0.8163	0.8163	
	10/01/84	1.0579	1.0579	0.1837	0.1943	
	10/01/85	2.1542	2.2789	-----	-----	
	to 12/01/92			1.0000	1.0106	2.2550
1985	10/01/84	BASE	1.0000	0.8152	0.8152	
	10/01/85	1.1245	1.1245	0.1848	0.2078	
	10/01/86	1.9157	2.1542	-----	-----	
	to 12/01/92			1.0000	1.0230	2.1058
1986	10/01/85	BASE	1.0000	0.8044	0.8044	
	10/01/86	1.0739	1.0739	0.1956	0.2101	
	10/01/87	1.7838	1.9157	-----	-----	
	to 12/01/92			1.0000	1.0145	1.8883



**EXHIBIT IV-2**

**POLICY YEARS 1987 - 1993  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) RATE CHANGE DATE</u>	<u>(2) RATE CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 12/01/92 RATE LEVEL</u>
1987	10/01/86	BASE	1.0000	0.7958	0.7958	
	10/01/87	1.0006	1.0006	0.2042	0.2043	
	10/01/88	1.7828	1.7838	-----	-----	
	to 12/01/92			1.0000	1.0001	1.7836
1988	10/01/87	BASE	1.0000	0.8032	0.8032	
	10/01/88	1.0867	1.0867	0.1968	0.2139	
	1/01/90	1.6405	1.7828	-----	-----	
	to 12/01/92			1.0000	1.0171	1.7528
1989	10/01/88	BASE	1.0000	0.8304	0.8304	
	1/01/90	1.0749	1.0749	0.1696	0.1823	
	8/01/90	1.5262	1.6405	-----	-----	
	to 12/01/92			1.0000	1.0127	1.6199
1990	1/01/90	BASE	1.0000	0.6833	0.6833	
	8/01/90	1.0850	1.0850	0.3167	0.3436	
	1/01/91	1.4067	1.5262	-----	-----	
	to 12/01/92			1.0000	1.0269	1.4862
1991	1/01/91	BASE	1.0000	1.0000	1.0000	
	12/01/92	1.2445	1.2445	-----	-----	1.2445
1992	1/01/91	BASE	1.0000	0.9421	0.9421	
	12/01/92	1.2445	1.2445	0.0579	0.0721	
1993 (JAN - NOV)				-----	-----	
				1.0000	1.0142	1.2271
				-----	-----	
				1.0000	1.0000	1.0000

**EXHIBIT IV-3**

**POLICY YEARS 1993 - 1999  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) LOSS COST DATE</u>	<u>(2) LOSS COST CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 4/01/04 LC LEVEL</u>
PRIOR TO DEC 1993	12/01/92	BASE	1.0000	1.0000	1.0000	
	12/01/93 to 4/01/04	0.6217	0.6217	----- 1.0000	----- 1.0000	0.6217
1993 (DEC)	12/01/93	BASE	1.0000	1.0000	1.0000	
	12/01/95 to 4/01/04	0.6344	0.6344	----- 1.0000	----- 1.0000	0.6344
1994	12/01/93	BASE	1.0000	1.0000	1.0000	
	12/01/95 to 4/01/04	0.6344	0.6344	----- 1.0000	----- 1.0000	0.6344
1995	12/01/93	BASE	1.0000	0.9386	0.9386	
	12/01/95 2/01/97 to 4/01/04	0.9057 0.7005	0.9057 0.6344	0.0614 ----- 1.0000	0.0556 ----- 0.9942	0.6381
1996	12/01/95	BASE	1.0000	1.0000	1.0000	
	2/01/97 to 4/01/04	0.7005	0.7005	----- 1.0000	----- 1.0000	0.7005
1997	12/01/95	BASE	1.0000	0.2464	0.2464	
	2/01/97 4/01/98 to 4/01/04	0.7500 0.9340	0.7500 0.7005	0.7536 ----- 1.0000	0.5652 ----- 0.8116	0.8631
1998	2/01/97	BASE	1.0000	0.2968	0.2968	
	4/01/98 4/01/99 to 4/01/04	0.9306 1.0036	0.9306 0.9340	0.7032 ----- 1.0000	0.6544 ----- 0.9512	0.9819
1999	4/01/98	BASE	1.0000	0.2987	0.2987	
	4/01/99 4/01/00 to 4/01/04	0.9474 1.0593	0.9474 1.0036	0.7013 ----- 1.0000	0.6644 ----- 0.9631	1.0421

**EXHIBIT IV-4**

**POLICY YEARS 2000 - 2003  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) LOSS COST DATE</u>	<u>(2) LOSS COST CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 4/01/04 LC LEVEL</u>
2000	4/01/99	BASE	1.0000	0.2926	0.2926	
	4/01/00	1.0450	1.0450	0.7074	0.7392	
	4/01/01	1.0137	1.0593	-----	-----	
	to 4/01/04			1.0000	1.0318	1.0267
2001	4/01/00	BASE	1.0000	0.3008	0.3008	
	4/01/01	0.9845	0.9845	0.6992	0.6884	
	4/01/02	1.0297	1.0137	-----	-----	
	to 4/01/04			1.0000	0.9892	1.0248
2002	4/01/01	BASE	1.0000	0.2932	0.2932	
	4/01/02	1.0212	1.0212	0.7068	0.7218	
	4/01/03	1.0083	1.0297	-----	-----	
	to 4/01/04			1.0000	1.0150	1.0145
2003	4/01/02	BASE	1.0000	0.3027	0.3027	
	4/01/03	0.9759	0.9759	0.6973	0.6805	
	4/01/04	1.0332	1.0083	-----	-----	
				1.0000	0.9832	1.0255

**EXHIBIT V - 1**

**DEVELOPMENT FACTORS**

**PREMIUM**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2002-2003 Ratio</u>	<u>Policy Year</u>	<u>2001-2002 Ratio</u>	<u>Policy Year</u>	<u>2000-2001 Ratio</u>	<u>Policy Year</u>	<u>1999-2000 Ratio</u>	<u>Unweighted Average</u>	<u>Selected Average</u>	<u>Cumulative Average</u>	
2nd to 1st	2001	1.0072	2000	1.0079	1999	1.0077	1998	1.0039	1.0067	1.0067	1.0079	
3rd to 2nd	2000	0.9979	1999	0.9969	1998	1.0092	1997	1.0020	1.0015	1.0015	1.0012	
4th to 3rd	1999	1.0010	1998	1.0002	1997	0.9983	1996	1.0052	1.0012	1.0012	0.9997	
5th to 4th	1998	1.0010	1997	1.0001	1996	1.0010	1995	1.0013	1.0009	1.0009	0.9985	
6th to 5th	1997	0.9937	1996	0.9997	1995	1.0002	1994	0.9977	0.9978	0.9978	0.9976	
7th to 6th	1996	1.0000	1995	0.9998	1994	0.9999	1993	1.0021	1.0005	*	0.9996	0.9998
8th to 7th	1995	0.9999	1994	0.9999	1993	1.0001	1992	1.0006	1.0001	+	1.0000	1.0002
9th to 8th	1994	1.0001	1993	0.9997	1992	0.9999	1991	1.0019	1.0004	#	1.0002	1.0002
10th to 9th	1993	0.9999	1992	1.0002	1991	1.0003	1990	0.9988	0.9998	@	1.0000	1.0000
11th to 10th	1992	1.0001	1991	0.9997	1990	1.0001	1989	1.0012	1.0003		1.0000	1.0000
12th to 11th	1991	1.0000	1990	1.0000	1989	0.9998	1988	1.0027	1.0006		1.0000	1.0000
13th to 12th	1990	1.0000	1989	1.0003	1988	1.0000	1987	1.0012	1.0004		1.0000	1.0000
14th to 13th	1989	0.9999	1988	1.0000	1987	0.9998	1986	1.0024	1.0005		1.0000	1.0000
15th to 14th	1988	1.0000	1987	1.0000	1986	1.0000	1985	1.0004	1.0001		1.0000	1.0000
16th to 15th	1987	1.0000	1986	1.0002	1985	1.0001	1984	1.0002	1.0001		1.0000	1.0000
17th to 16th	1986	0.9998	1985	1.0005	1984	1.0000	1983	1.0001	1.0001		1.0000	1.0000
18th to 17th	1985	1.0002	1984	1.0007	1983	1.0000	1982	1.0000	1.0002		1.0000	1.0000
19th to 18th	1984	1.0000	1983	1.0010	1982	1.0000	1981	1.0000	1.0003		1.0000	1.0000
20th to 19th	1983	1.0000	1982	1.0000	1981	1.0000	1980	1.0000	1.0000		1.0000	1.0000

**INCURRED METHOD**

<u>Policy Year</u>	<u>Present Valuation</u>	<u>Premium Development Factor</u>
1984	Nineteenth	1.0000
1985	Eighteenth	1.0000
1986	Seventeenth	1.0000
1987	Sixteenth	1.0000
1988	Fifteenth	1.0000
1989	Fourteenth	1.0000
1990	Thirteenth	1.0000
1991	Twelfth	1.0000
1992	Eleventh	1.0000
1993	Tenth	1.0000
1994	Ninth	1.0000
1995	Eighth	1.0002
1996	Seventh	1.0002
1997	Sixth	0.9998
1998	Fifth	0.9976
1999	Fourth	0.9985
2000	Third	0.9997
2001	Second	1.0012
2002	First	1.0079

\* Due to the impact of Act 44, the 1999-2000 ratio was excluded and the 1998-1999 ratio(0.9986) was included in the selected average.

+ Due to the impact of Act 44, the 2000-2001 ratio was excluded and the 1998-1999 ratio(0.9994) was included in the selected average.

# Due to the impact of Act 44, the 2001-2002 ratio was excluded and the 1998-1999 ratio(0.9990) was included in the selected average.

@ Due to the impact of Act 44, the 2002-2003 ratio was excluded and the 1998-1999 ratio(1.0002) was included in the selected average.

**EXHIBIT V - 2**

**DEVELOPMENT FACTORS**

**INDEMNITY LOSSES  
PAID METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2002-2003 Ratio</u>	<u>Policy Year</u>	<u>2001-2002 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	a	2001	1.8586	2000	1.8299	1.8443	4.5918
3rd to 2nd	a	2000	1.3753	1999	1.3892	1.3823	2.4897
4th to 3rd	a	1999	1.1882	1998	1.1937	1.1910	1.8011
5th to 4th	a	1998	1.0984	1997	1.0930	1.0957	1.5123
6th to 5th	a	1997	1.0591	1996	1.0540	1.0566	1.3802
7th to 6th	a	1996	1.0354	1995	1.0409	1.0382	1.3063
8th to 7th	a	1995	1.0285	1994	1.0287	1.0286	1.2582
9th to 8th	a	1994	1.0231	1993	1.0232	1.0232	1.2232
10th to 9th	a	1993	1.0200	1992	1.0216	1.0208	1.1955
11th to 10th	a	1992	1.0161	1991	1.0156	1.0159	1.1711
12th to 11th	a	1991	1.0115	1990	1.0139	1.0127	1.1528
13th to 12th	a	1990	1.0100	1989	1.0135	1.0118	1.1383
14th to 13th	a	1989	1.0093	1988	1.0101	1.0097	1.1251
15th to 14th	a	1988	1.0091	1987	1.0101	1.0096	1.1143
16th to 15th	a	1987	1.0074	1986	1.0128	1.0101	1.1037
17th to 16th	a	1986	1.0072	1985	1.0082	1.0077	1.0926
18th to 17th	a	1985	1.0069	1984	1.0075	1.0072	1.0843
19th to 18th	a	1984	1.0065	1983	1.0079	1.0072	1.0765
20th to 19th	b	1983	1.0550	1982	1.0714	1.0632	1.0688
Beyond 20th		1982	0.9988	1981	1.0130	1.0059	1.0053

d

**INCURRED METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2002-2003 Ratio</u>	<u>Policy Year</u>	<u>2001-2002 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	c	2001	1.4311	2000	1.4337	1.4324	1.8891
3rd to 2nd	c	2000	1.1686	1999	1.1639	1.1663	1.3188
4th to 3rd	c	1999	1.0705	1998	1.0676	1.0691	1.1308
5th to 4th	c	1998	1.0223	1997	1.0301	1.0262	1.0577
6th to 5th	c	1997	1.0146	1996	1.0105	1.0126	1.0307
7th to 6th	c	1996	1.0148	1995	1.0081	1.0115	1.0179
8th to 7th	c	1995	0.9972	1994	0.9987	0.9980	1.0063
9th to 8th	c	1994	0.9993	1993	0.9966	0.9980	1.0083
10th to 9th	c	1993	1.0006	1992	1.0004	1.0005	1.0103
11th to 10th	c	1992	1.0010	1991	0.9977	0.9994	1.0098
12th to 11th	c	1991	1.0033	1990	0.9992	1.0013	1.0104
13th to 12th	c	1990	0.9991	1989	1.0021	1.0006	1.0091
14th to 13th	c	1989	1.0000	1988	1.0038	1.0019	1.0085
15th to 14th	c	1988	0.9991	1987	1.0000	0.9996	1.0066
16th to 15th	c	1987	1.0006	1986	1.0027	1.0017	1.0070
17th to 16th	c	1986	1.0012	1985	1.0010	1.0011	1.0053
18th to 17th	c	1985	1.0015	1984	0.9989	1.0002	1.0042
19th to 18th	c	1984	0.9996	1983	1.0007	1.0002	1.0040
20th to 19th	c	1983	0.9971	1982	0.9998	0.9985	1.0038
Beyond 20th		1982	0.9988	1981	1.0130	1.0059	1.0053

d

a From Table I-D

b 19th (Paid - Table 1-D) to 20th (Incurred - Table I-B)

c From Table I-B

d Derived separately. See Exhibit # 7 of the April 1, 2005 Filing Package.

**EXHIBIT V - 3**

**DEVELOPMENT FACTORS**

**MEDICAL LOSSES  
PAID METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2002-2003 Ratio</u>	<u>Policy Year</u>	<u>2001-2002 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	a	2001	1.2714	2000	1.2905	1.2810	2.3615
3rd to 2nd	a	2000	1.0979	1999	1.1054	1.1017	1.8435
4th to 3rd	a	1999	1.0494	1998	1.0494	1.0494	1.6733
5th to 4th	a	1998	1.0339	1997	1.0266	1.0303	1.5945
6th to 5th	a	1997	1.0223	1996	1.0214	1.0219	1.5476
7th to 6th	a	1996	1.0214	1995	1.0202	1.0208	1.5145
8th to 7th	a	1995	1.0176	1994	1.0182	1.0179	1.4836
9th to 8th	a	1994	1.0159	1993	1.0156	1.0158	1.4575
10th to 9th	a	1993	1.0145	1992	1.0160	1.0153	1.4349
11th to 10th	a	1992	1.0148	1991	1.0123	1.0136	1.4132
12th to 11th	a	1991	1.0132	1990	1.0135	1.0134	1.3943
13th to 12th	a	1990	1.0118	1989	1.0124	1.0121	1.3758
14th to 13th	a	1989	1.0118	1988	1.0133	1.0126	1.3594
15th to 14th	a	1988	1.0187	1987	1.0140	1.0164	1.3425
16th to 15th	a	1987	1.0114	1986	1.0125	1.0120	1.3208
17th to 16th	a	1986	1.0138	1985	1.0154	1.0146	1.3051
18th to 17th	a	1985	1.0151	1984	1.0125	1.0138	1.2864
19th to 18th	a	1984	1.0126	1983	1.0129	1.0128	1.2689
20th to 19th	b	1983	1.1132	1982	1.1327	1.1230	1.2528
Beyond 20th		1982	1.0769	1981	1.1246	1.1008	1.1156

d

**INCURRED METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2002-2003 Ratio</u>	<u>Policy Year</u>	<u>2001-2002 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	c	2001	1.1150	2000	1.1262	1.1206	1.6627
3rd to 2nd	c	2000	1.0418	1999	1.0554	1.0486	1.4837
4th to 3rd	c	1999	1.0216	1998	1.0041	1.0129	1.4150
5th to 4th	c	1998	1.0142	1997	1.0130	1.0136	1.3970
6th to 5th	c	1997	1.0058	1996	1.0163	1.0111	1.3782
7th to 6th	c	1996	1.0245	1995	1.0218	1.0232	1.3631
8th to 7th	c	1995	1.0109	1994	1.0111	1.0110	1.3322
9th to 8th	c	1994	1.0165	1993	1.0111	1.0138	1.3177
10th to 9th	c	1993	1.0112	1992	1.0073	1.0093	1.2997
11th to 10th	c	1992	1.0082	1991	1.0154	1.0118	1.2878
12th to 11th	c	1991	1.0174	1990	1.0084	1.0129	1.2728
13th to 12th	c	1990	1.0135	1989	1.0128	1.0132	1.2565
14th to 13th	c	1989	1.0129	1988	1.0110	1.0120	1.2402
15th to 14th	c	1988	1.0111	1987	1.0084	1.0098	1.2255
16th to 15th	c	1987	1.0175	1986	1.0168	1.0172	1.2136
17th to 16th	c	1986	1.0285	1985	1.0109	1.0197	1.1931
18th to 17th	c	1985	1.0145	1984	1.0128	1.0137	1.1700
19th to 18th	c	1984	1.0187	1983	1.0143	1.0165	1.1542
20th to 19th	c	1983	1.0174	1982	1.0181	1.0178	1.1355
Beyond 20th		1982	1.0769	1981	1.1246	1.1008	1.1156

d

a From Table I-E

b 19th (Paid - Table 1-E) to 20th (Incurred - Table I-C)

c From Table I-C

d Derived separately. See Exhibit # 7 of the April 1, 2005 Filing Package.

**EXHIBIT VI - 1**

**DETERMINATION OF TREND**

**INDEMNITY**

Policy Year	1996	1997	1998	1999	2000	2001	2002
Actual Loss Ratio	0.4466	0.4725	0.4516	0.4863	0.5061	0.4893	0.4756
Normalized Frequency	0.6250	0.5909	0.5501	0.5150	0.4819	0.4516	0.4288
Severity Loss Ratio	0.7146	0.7996	0.8209	0.9443	1.0502	1.0835	1.1091
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7146	0.7996	0.8209	0.9443	1.0502	1.0835	1.1091

7 Point Exponential Regression:  $y = 0.674703 * 1.08069^x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 4/1/05 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2000	0.9203	1.3831	1.5029	0.7146
2001	0.9945	1.3831	1.3907	0.7618
2002	1.0748	1.3831	1.2868	0.8122

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2000	0.5061	1.0740	0.5436
2001	0.4893	1.0594	0.5184
2002	0.4756	1.0451	0.4970

**MEDICAL**

Policy Year	1996	1997	1998	1999	2000	2001	2002
Actual Loss Ratio	0.4136	0.4479	0.4471	0.4541	0.4606	0.4310	0.4406
Normalized Frequency	0.6250	0.5909	0.5501	0.5150	0.4819	0.4516	0.4288
Severity Loss Ratio	0.6618	0.7580	0.8128	0.8817	0.9558	0.9544	1.0275
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.6618	0.7580	0.8128	0.8817	0.9558	0.9544	1.0275

7 Point Exponential Regression:  $y = 0.64861 * 1.071843^x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 4/1/05 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2000	0.8561	1.2323	1.4394	0.7146
2001	0.9176	1.2323	1.3430	0.7618
2002	0.9835	1.2323	1.2530	0.8122

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2000	0.4606	1.0286	0.4738
2001	0.4310	1.0231	0.4409
2002	0.4406	1.0177	0.4484

# See page 22 for column (4).

**EXHIBIT VI - 2**

**DETERMINATION OF TREND**

**Claim Frequency**

Policy Year Frequency per \$1 million of Expected Losses  
{1 = PY 1991, 12 = PY 2002}

Policy Year	Claim Frequency	Normalized Frequency
1991	39.91	1.0000
1992	36.94	0.9256
1993	34.34	0.8605
1994	30.70	0.7693
1995	27.35	0.6854
1996	24.94	0.6250
1997	23.58	0.5909
1998	21.95	0.5501
1999	20.55	0.5150
2000	19.23	0.4819
2001	18.02	0.4516
2002	17.11	0.4288

Policy Year	1996	1997	1998	1999	2000	2001	2002
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.6250	0.5909	0.5501	0.5150	0.4819	0.4516	0.4288

7 Point Exponential Regression:  $y = 0.66757 * 0.937725 ^ x$

**SELECTED FREQUENCY TREND FACTOR**

**-6.2%**

Policy Year	Frequency Trend Factor (1)	# of years to 4/1/05 (2)	Frequency Trend to 4/1/05 (3) = (1)^(2)
2000	0.9380	5.2500	0.7146
2001	0.9380	4.2500	0.7618
2002	0.9380	3.2500	0.8122



TABLE I

## POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

## ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior			
to 1982	7,373,290,169	7,373,239,574	1.0000
1982	919,364,568	919,381,069	1.0000
1983	926,204,909	927,143,943	1.0010
1984	1,031,012,356	1,031,768,286	1.0007
1985	1,177,675,316	1,178,292,725	1.0005
1986	1,398,427,647	1,398,711,699	1.0002
1987	1,652,028,496	1,652,029,834	1.0000
1988	1,891,992,908	1,892,034,330	1.0000
1989	2,032,138,131	2,032,722,257	1.0003
1990	2,279,797,787	2,279,704,827	1.0000
1991	2,444,639,115	2,443,859,212	0.9997
1992	2,302,191,864	2,302,680,959	1.0002
1993	2,521,851,461	2,521,026,467	0.9997
1994	1,908,658,354	1,908,392,916	0.9999
1995	1,784,817,268	1,784,378,553	0.9998
1996	1,811,038,905	1,810,561,692	0.9997
1997	1,518,095,084	1,518,175,176	1.0001
1998	1,479,499,482	1,479,843,320	1.0002
1999	1,508,679,823	1,504,061,376	0.9969
2000	1,510,794,825	1,522,803,137	1.0079
2001	902,263,734	1,545,291,748	1.7127
2002		906,055,412	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior			
to 1983	8,285,492,896	8,285,545,692	1.0000
1983	926,674,218	926,673,237	1.0000
1984	1,031,444,998	1,031,446,611	1.0000
1985	1,177,921,743	1,178,152,799	1.0002
1986	1,397,979,891	1,397,735,368	0.9998
1987	1,650,310,200	1,650,305,897	1.0000
1988	1,890,251,378	1,890,300,100	1.0000
1989	2,030,236,344	2,029,980,515	0.9999
1990	2,281,700,217	2,281,702,464	1.0000
1991	2,449,412,461	2,449,432,956	1.0000
1992	2,309,876,283	2,310,151,668	1.0001
1993	2,523,879,293	2,523,711,615	0.9999
1994	1,903,772,446	1,904,021,887	1.0001
1995	1,781,189,294	1,780,942,347	0.9999
1996	1,807,449,453	1,807,458,628	1.0000
1997	1,514,508,020	1,504,944,672	0.9937
1998	1,476,752,207	1,478,164,754	1.0010
1999	1,498,849,104	1,500,418,733	1.0010
2000	1,528,346,109	1,525,160,808	0.9979
2001	1,538,021,135	1,549,059,905	1.0072
2002	905,729,080	1,512,040,306	1.6694
2003		901,708,661	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

**TABLE I - A - ADJUSTED TO POST ACT 44 MEDICAL COST AND POST ACT 57 LEVEL**

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**

**INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/01</b>	<b>As of 12/31/02</b>	<b>Ratio to Prior Year</b>
Prior			
to 1982	3,410,686,251	3,430,572,717	1.0058
1982	471,382,793	473,546,336	1.0046
1983	562,785,550	565,235,931	1.0044
1984	714,193,396	716,142,392	1.0027
1985	838,513,877	841,874,603	1.0040
1986	968,603,902	975,249,867	1.0069
1987	1,216,218,545	1,219,363,323	1.0026
1988	1,427,317,629	1,436,144,779	1.0062
1989	1,685,532,983	1,695,274,053	1.0058
1990	1,753,582,475	1,757,788,724	1.0024
1991	1,584,660,550	1,590,990,343	1.0040
1992	1,387,539,647	1,391,605,295	1.0029
1993	1,174,885,383	1,177,090,127	1.0019
1994	1,086,305,389	1,089,822,264	1.0032
1995	950,876,822	963,694,877	1.0135
1996	875,614,372	886,932,342	1.0129
1997	926,777,219	947,716,821	1.0226
1998	970,384,338	1,007,272,039	1.0380
1999	971,538,196	1,080,953,002	1.1126
2000	815,484,414	1,035,926,570	1.2703
2001	309,086,877	783,278,419	2.5342
2002		285,159,803	

<b>Policy Year Valued</b>	<b>As of 12/31/02</b>	<b>As of 12/31/03</b>	<b>Ratio to Prior Year</b>
Prior			
to 1983	3,872,803,804	3,883,979,820	1.0029
1983	563,359,517	564,829,331	1.0026
1984	714,455,767	717,984,846	1.0049
1985	840,834,135	845,436,929	1.0055
1986	969,565,161	978,579,337	1.0093
1987	1,216,669,083	1,223,909,405	1.0060
1988	1,432,372,177	1,436,794,144	1.0031
1989	1,691,289,949	1,698,787,442	1.0044
1990	1,763,083,090	1,770,350,689	1.0041
1991	1,596,120,589	1,609,554,178	1.0084
1992	1,391,459,835	1,396,565,250	1.0037
1993	1,179,199,032	1,184,505,993	1.0045
1994	1,089,594,955	1,095,696,370	1.0056
1995	968,773,187	971,307,184	1.0026
1996	884,964,385	901,715,943	1.0189
1997	942,874,746	953,024,873	1.0108
1998	1,002,141,339	1,020,852,796	1.0187
1999	1,075,702,065	1,127,907,989	1.0485
2000	1,036,063,932	1,148,758,541	1.1088
2001	781,776,889	990,258,085	1.2667
2002	284,324,403	755,948,572	2.6588
2003		283,050,056	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

**TABLE I - B - ADJUSTED TO POST ACT 44 MEDICAL COST AND POST ACT 57 LEVEL**

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**

**INDEMNITY INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/01</b>	<b>As of 12/31/02</b>	<b>Ratio to Prior Year</b>
Prior			
to 1982	2,812,669,507	2,817,213,052	1.0016
1982	348,246,993	348,182,094	0.9998
1983	412,282,125	412,572,951	1.0007
1984	516,157,044	515,575,847	0.9989
1985	584,535,011	585,122,419	1.0010
1986	684,279,662	686,153,414	1.0027
1987	835,659,325	835,619,726	1.0000
1988	954,785,451	958,437,042	1.0038
1989	1,111,621,570	1,114,010,229	1.0021
1990	1,147,019,366	1,146,106,992	0.9992
1991	1,017,963,387	1,015,586,301	0.9977
1992	870,001,452	870,306,218	1.0004
1993	744,892,006	742,340,266	0.9966
1994	689,691,414	688,817,894	0.9987
1995	578,150,696	582,856,678	1.0081
1996	506,131,377	511,440,532	1.0105
1997	519,553,976	535,183,419	1.0301
1998	518,498,483	553,547,060	1.0676
1999	512,203,256	596,174,358	1.1639
2000	382,121,972	547,863,781	1.4337
2001	124,781,856	375,832,838	3.0119
2002		115,626,491	

<b>Policy Year Valued</b>	<b>As of 12/31/02</b>	<b>As of 12/31/03</b>	<b>Ratio to Prior Year</b>
Prior			
to 1983	3,137,835,703	3,137,333,100	0.9998
1983	411,401,835	410,220,017	0.9971
1984	514,524,157	514,306,463	0.9996
1985	584,091,079	584,966,050	1.0015
1986	682,056,100	682,867,896	1.0012
1987	833,141,720	833,679,180	1.0006
1988	955,446,029	954,576,534	0.9991
1989	1,111,150,959	1,111,182,382	1.0000
1990	1,149,492,139	1,148,495,944	0.9991
1991	1,017,567,423	1,020,925,673	1.0033
1992	869,278,723	870,125,594	1.0010
1993	742,921,325	743,362,543	1.0006
1994	687,745,224	687,230,930	0.9993
1995	588,248,185	586,619,174	0.9972
1996	510,292,606	517,847,256	1.0148
1997	531,726,972	539,476,231	1.0146
1998	550,304,834	562,582,001	1.0223
1999	593,144,530	634,932,151	1.0705
2000	547,438,905	639,731,113	1.1686
2001	375,093,275	536,788,821	1.4311
2002	115,252,761	352,557,233	3.0590
2003		106,939,040	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

**TABLE I - C - ADJUSTED TO POST ACT 44 MEDICAL COST AND POST ACT 57 LEVEL**

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**

**MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/01</b>	<b>As of 12/31/02</b>	<b>Ratio to Prior Year</b>
Prior			
to 1982	598,016,744	613,359,665	1.0257
1982	123,135,800	125,364,242	1.0181
1983	150,503,425	152,662,980	1.0143
1984	198,036,352	200,566,545	1.0128
1985	253,978,866	256,752,184	1.0109
1986	284,324,240	289,096,453	1.0168
1987	380,559,220	383,743,597	1.0084
1988	472,532,178	477,707,737	1.0110
1989	573,911,413	581,263,824	1.0128
1990	606,563,109	611,681,732	1.0084
1991	566,697,163	575,404,042	1.0154
1992	517,538,195	521,299,077	1.0073
1993	429,993,377	434,749,861	1.0111
1994	396,613,975	401,004,370	1.0111
1995	372,726,126	380,838,199	1.0218
1996	369,482,995	375,491,810	1.0163
1997	407,223,243	412,533,402	1.0130
1998	451,885,855	453,724,979	1.0041
1999	459,334,940	484,778,644	1.0554
2000	433,362,442	488,062,789	1.1262
2001	184,305,021	407,445,581	2.2107
2002		169,533,312	

<b>Policy Year Valued</b>	<b>As of 12/31/02</b>	<b>As of 12/31/03</b>	<b>Ratio to Prior Year</b>
Prior			
to 1983	734,968,101	746,646,720	1.0159
1983	151,957,682	154,609,314	1.0174
1984	199,931,610	203,678,383	1.0187
1985	256,743,056	260,470,879	1.0145
1986	287,509,061	295,711,441	1.0285
1987	383,527,363	390,230,225	1.0175
1988	476,926,148	482,217,610	1.0111
1989	580,138,990	587,605,060	1.0129
1990	613,590,951	621,854,745	1.0135
1991	578,553,166	588,628,505	1.0174
1992	522,181,112	526,439,656	1.0082
1993	436,277,707	441,143,450	1.0112
1994	401,849,731	408,465,440	1.0165
1995	380,525,002	384,688,010	1.0109
1996	374,671,779	383,868,687	1.0245
1997	411,147,774	413,548,642	1.0058
1998	451,836,505	458,270,795	1.0142
1999	482,557,535	492,975,838	1.0216
2000	488,625,027	509,027,428	1.0418
2001	406,683,614	453,469,264	1.1150
2002	169,071,642	403,391,339	2.3859
2003		176,111,016	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

TABLE I - D - ADJUSTED TO POST ACT 44 MEDICAL COST AND POST ACT 57 LEVEL

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY PAID LOSSES

Policy Year Valued	As of 12/31/01	As of 12/31/02	Ratio to Prior Year
Prior			
to 1982	2,650,336,469	2,671,953,924	1.0082
1982	324,992,253	327,143,689	1.0066
1983	386,690,289	389,748,316	1.0079
1984	479,775,509	483,379,325	1.0075
1985	542,276,042	546,744,472	1.0082
1986	630,615,370	638,679,872	1.0128
1987	772,863,057	780,660,377	1.0101
1988	881,165,548	890,057,217	1.0101
1989	1,021,474,113	1,035,233,994	1.0135
1990	1,039,589,919	1,054,087,706	1.0139
1991	906,875,023	921,057,571	1.0156
1992	754,788,947	771,086,577	1.0216
1993	631,790,071	646,473,392	1.0232
1994	574,475,545	590,964,510	1.0287
1995	479,843,556	499,489,459	1.0409
1996	419,868,951	442,532,237	1.0540
1997	419,162,595	458,139,030	1.0930
1998	369,690,465	441,311,409	1.1937
1999	311,492,425	432,712,350	1.3892
2000	184,391,175	337,408,768	1.8299
2001	40,868,196	178,330,944	4.3636
2002		41,238,737	

Policy Year Valued	As of 12/31/02	As of 12/31/03	Ratio to Prior Year
Prior			
to 1983	2,972,362,900	2,990,659,834	1.0062
1983	388,816,636	391,106,187	1.0059
1984	482,808,613	485,932,293	1.0065
1985	545,871,069	549,660,104	1.0069
1986	635,222,122	639,813,271	1.0072
1987	779,376,032	785,154,582	1.0074
1988	888,643,366	896,760,465	1.0091
1989	1,033,423,567	1,043,070,928	1.0093
1990	1,058,419,418	1,068,961,150	1.0100
1991	923,456,746	934,084,050	1.0115
1992	770,843,115	783,256,292	1.0161
1993	647,292,387	660,234,174	1.0200
1994	590,262,306	603,891,192	1.0231
1995	505,924,730	520,340,339	1.0285
1996	442,064,619	457,730,482	1.0354
1997	455,413,697	482,335,071	1.0591
1998	439,320,905	482,562,829	1.0984
1999	430,655,587	511,714,327	1.1882
2000	337,100,603	463,616,995	1.3753
2001	177,822,513	330,498,108	1.8586
2002	41,129,621	170,685,967	4.1500
2003		37,643,068	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

**TABLE I - E - ADJUSTED TO POST ACT 44 MEDICAL COST AND POST ACT 57 LEVEL**

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**

**MEDICAL PAID LOSSES**

<b>Policy Year Valued</b>	<b>As of 12/31/01</b>	<b>As of 12/31/02</b>	<b>Ratio to Prior Year</b>
Prior			
to 1982	524,880,125	533,511,575	1.0164
1982	110,674,886	112,010,394	1.0121
1983	137,657,782	139,429,279	1.0129
1984	178,541,756	180,769,294	1.0125
1985	219,987,966	223,371,405	1.0154
1986	263,792,846	267,094,094	1.0125
1987	345,929,036	350,787,610	1.0140
1988	432,581,428	438,330,836	1.0133
1989	523,752,589	530,249,319	1.0124
1990	562,842,158	570,435,899	1.0135
1991	518,052,916	524,416,406	1.0123
1992	464,417,084	471,861,062	1.0160
1993	392,616,434	398,734,041	1.0156
1994	360,982,027	367,552,423	1.0182
1995	333,994,907	340,737,780	1.0202
1996	330,361,100	337,429,601	1.0214
1997	353,782,979	363,206,510	1.0266
1998	364,238,792	382,218,103	1.0494
1999	362,956,059	401,216,846	1.1054
2000	297,454,254	383,871,655	1.2905
2001	78,214,200	291,839,331	3.7313
2002		78,125,020	

<b>Policy Year Valued</b>	<b>As of 12/31/02</b>	<b>As of 12/31/03</b>	<b>Ratio to Prior Year</b>
Prior			
to 1983	642,220,660	651,724,676	1.0148
1983	138,888,345	140,599,626	1.0123
1984	180,158,909	182,428,771	1.0126
1985	223,371,259	226,745,180	1.0151
1986	265,628,782	269,301,769	1.0138
1987	350,623,243	354,622,108	1.0114
1988	437,571,638	445,774,968	1.0187
1989	529,137,839	535,359,968	1.0118
1990	572,285,612	579,048,593	1.0118
1991	527,445,643	534,409,656	1.0132
1992	472,873,580	479,860,723	1.0148
1993	400,171,769	405,965,429	1.0145
1994	368,391,760	374,262,026	1.0159
1995	340,689,858	346,701,448	1.0176
1996	336,803,914	344,013,925	1.0214
1997	361,992,539	370,046,899	1.0223
1998	380,614,299	393,519,965	1.0339
1999	399,783,141	419,521,682	1.0494
2000	384,485,851	422,139,987	1.0979
2001	291,437,808	370,524,197	1.2714
2002	77,959,925	288,008,190	3.6943
2003		80,494,348	

NOTE: So as to maximize the use of available data, the companies used in one stage of development were allowed to be independent of those used in the other stage of development; therefore, the figures shown at each valuation may vary.

## EXHIBIT VII

### LOSS COST FORMULAE

The experience used for classification relativities for the April 1, 2005 revision will include all available risks. It is proposed that catastrophes be limited in accordance with the procedure previously employed in other Bureau filings. The experience period will be five (5) years for all classifications regardless of whether a classification might meet the full credibility requirements with less than five years of data. Credibility will be based on reported payrolls for classifications using payroll as the exposure base. For non-payroll classifications, expected losses will be used as the basis for credibility. Thus, two credibility tables will be prepared for use in the April 1, 2005 filing. The values for these respective tables will be established such that the credibilities assigned to a payroll-based classification having the same portion of total statewide expected losses and payrolls attributable to its experience using each table would be equal. All occupational disease losses will be included in the exhibit of classification experience, with the total amount of such losses by type of injury being shown on a separate line on the classification loss cost worksheets.

Most classifications are subject to standard procedures as described below. However, circumstances will sometimes require that some classifications' rating procedure be modified to recognize situations where the normal rating process would not be appropriate. Such classifications, and the manner in which their loss costs have been derived, are separately identified within the filing material.

The calculation of classification loss costs will be made using the following procedure:

- (1) Determine the present pure premiums by category (serious, non-serious, medical only and total) for each classification.
- (2) Adjust the present pure premiums by category (serious, non-serious, medical-only and total) to the April 1, 2005 loss cost level.
- (3) Determine Expected Losses (serious, non-serious, medical-only and total) for each classification by multiplying the exposures from the experience period by the present pure premiums.
- (4) Determine the indicated pure premiums (serious, non-serious, medical-only and total) from the exposures and losses from the experience period.
- (5) Test the indicated total pure premiums by multiplying the exposures of the latest two years for each classification and obtaining the total Actual Losses for all classifications combined.
- (6) Calculate Expected Losses by multiplying the present pure premiums by the exposures from the last two years for each classification and by the overall average loss cost change.
- (7) Obtain correction factors by dividing the Expected Losses derived in (6) by the Actual Losses derived in (5).

Loss Cost Formulae (Continued)

- (8) Multiply the indicated (pre-test) pure premiums from (4) times the correction factors derived in (7) to obtain indicated (post-test) pure premiums.
- (9) Determine “formula” pure premiums from (2) and (8) above for each type of loss (serious, non-serious and medical-only), with credibility for each category of loss corresponding to either the amount of reported payroll (for all classifications in which payroll is the exposure base) or to the amount of Expected Losses (for all “non-payroll” classifications). Credibility weights will be taken from exhibits appearing in the Class Book. The complement of credibility is in each case to be assigned to the present loss costs on April 1, 2005 level for each category of loss.
- (10) Select proposed total pure premiums for each classification, using the middle value from the total pure premiums derived in (2), (8) and (9) above. If the proposed pure premium selected on this basis is different from the formula pure premium derived in (9) above, partial pure premiums are to be allocated between categories (serious, non-serious and medical-only) in the same proportion as the partial pure premiums comprising the formula pure premium.
- (11) Test the proposed total pure premiums selected in (10) by multiplying by the exposures of the two latest years for each classification and obtaining the total Expected Losses for all classifications combined.
- (12) Obtain a correction factor by dividing the Expected Losses derived in (6) above by the Expected Losses derived in (11) above.
- (13) Calculate the “composite pure premium multiplier” as the product of the following items:
  - (a) The pure premium correction factor determined in (12) above.
  - (b) The proposed experience rating plan off-balance factor.
- (14) Apply the composite pure premium multiplier obtained in (13) above to the proposed total pure premiums to obtain classification loss costs.
- (15) Test to assure that the maximum departure of the classification loss costs derived in (14) above from current loss costs is in accordance with the following parameters:

Maximum Change in Loss Cost:  
Upward: The overall average change plus 25% rounded to the nearest 1%.  
Downward: The overall average change minus 25% rounded to the nearest 1%.
- (16) Loss costs are to be rounded to the nearest \$.01.
- (17) Test the limited loss costs derived in (16) above to determine if balance has been achieved within 0.0005 of the indicated change in loss cost level. If such balance has not been achieved, calculate the necessary correction factor to adjust the composite pure premium multipliers derived in (13) above to achieve the necessary balance. Perform steps (14) through (17) iteratively until the desired balance is achieved.



**EXHIBIT VIII**

**COLLECTIBLE PREMIUM RATIOS \***

Manual Years 1999 & 2000 & 2001 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
1999	2,449,304,869	2,290,591,929	1.0693
2000	2,628,888,318	2,416,221,086	1.0880
2001	2,650,188,490	2,401,374,634	1.1036
<b>TOTAL</b>	<b>7,728,381,677</b>	<b>7,108,187,649</b>	<b>1.0873</b>
MANUFACTURING AND UTILITIES			
1999	651,056,727	597,279,023	1.0900
2000	678,479,075	607,349,880	1.1171
2001	629,542,437	557,874,620	1.1285
<b>TOTAL</b>	<b>1,959,078,239</b>	<b>1,762,503,523</b>	<b>1.1115</b>
CONTRACTING AND QUARRYING			
1999	421,349,957	392,301,213	1.0740
2000	458,177,040	414,389,936	1.1057
2001	485,916,300	429,673,628	1.1309
<b>TOTAL</b>	<b>1,365,443,297</b>	<b>1,236,364,777</b>	<b>1.1044</b>
OTHER INDUSTRIES			
1999	1,376,898,185	1,301,011,693	1.0583
2000	1,492,232,203	1,394,481,270	1.0701
2001	1,534,729,753	1,413,826,386	1.0855
<b>TOTAL</b>	<b>4,403,860,141</b>	<b>4,109,319,349</b>	<b>1.0717</b>

\* Excludes classifications and coverages not subject to experience rating

**EXHIBIT IX**

**CALCULATION OF EXPECTED LOSS COST FACTORS (a)**

<b>Policy Year Beginning 4/1 (1)</b>	<b>Act 57 Adjust- ment (2)</b>	<b>Adjust- ment Factor (3)</b>	<b>Loss Ratio Development Factor (4)</b>	<b>Collectible Premium Ratio (5)</b>	<b>Trend Factor (6)</b>	<b>Product (2) * (3) * (4) *(5) * (6) (7)</b>	<b>Expected Loss Cost Factor 1.0 / (7) (8)</b>
<b><u>Manufacturing and Utilities</u></b>							
2001	1.0000	1.0000	1.2809	1.1115	1.1377	1.6198	0.6174
2002	1.0000	1.0000	1.4509	1.1115	1.1015	1.7764	0.5629
2003	1.0000	1.0000	1.8766	1.1115	1.0666	2.2248	0.4495
<b><u>Contracting and Quarrying</u></b>							
2001	1.0000	1.0000	1.3802	1.1044	1.1377	1.7342	0.5766
2002	1.0000	1.0000	1.5168	1.1044	1.1015	1.8452	0.5419
2003	1.0000	1.0000	1.9540	1.1044	1.0666	2.3017	0.4345
<b><u>Other Industries</u></b>							
2001	1.0000	1.0000	1.2953	1.0717	1.1377	1.5793	0.6332
2002	1.0000	1.0000	1.4637	1.0717	1.1015	1.7279	0.5787
2003	1.0000	1.0000	1.8816	1.0717	1.0666	2.1508	0.4649

a Apply to pure Loss Costs (pre-LBA, Merit Rating Plan, PCCPAP and Certified Safety Committee adjustments).

**EXHIBIT X**

**RETROSPECTIVE DEVELOPMENT FACTORS \***

Retrospective development factors for first, second and third adjustments are calculated below. They are intended for application to retrospective plans with no loss limitation.

First Adjustment	RDF =	0.4381
Second Adjustment	RDF =	0.3048
Third Adjustment	RDF =	0.2282

For those companies using retrospective development factors with loss limitations, the following formula may be used:

$$\text{RDF(LIM)} = (1.0 - \text{ELF}) \times \text{RDF}$$

RDF(LIM) = Retrospective Development Factors at limited basis

ELF = Expected Loss Factors for given Hazard Group and Loss Limitation

RDF = Retrospective Development Factors without Loss Limitation

For Example:

Suppose the \$25,000 limit Hazard Group II ELF = 0.6000

$$\begin{aligned} \text{Then First Adjustment RDF} &= (1 - 0.6000) \times 0.4381 \\ &= 0.1752 \end{aligned}$$

\* The use of retrospective development factors is optional.