

PENNSYLVANIA COMPENSATION RATING BUREAU

Retrospective Development Factors

Attached is an exhibit showing Retrospective Development Factors.

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 = | 0.3106 |
| Second Adjustment | RDF = | 0.1733 |
| Third Adjustment | RDF = | 0.1089 |

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 = Excess Loss Factors for given Hazard Group and Loss Limitation

RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{The \$25,000 limit Hazard Group C ELF} = 0.665$$

$$\begin{aligned} \text{Then First Adjustment RDF} &= (1 - 0.665) * 0.3106 \\ &= 0.1041 \end{aligned}$$

* The use of retrospective development factors is optional.