

**PENNSYLVANIA COMPENSATION RATING BUREAU**

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**Summary of Material for Modification of Experience  
April 1, 2007 Loss Cost Revision**

**As Filed**

## PENNSYLVANIA 2007 LOSS COST FILING

EFFECTIVE DATE - April 1, 2007

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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 2002 Ratio of Loss to Expected Loss	0.5276	0.4977	1.0253
(2) Policy Year 2003 Ratio of Loss to Expected Loss	0.4892	0.4970	0.9862
(3) Policy Year 2004 Ratio of Loss to Expected Loss	0.5160	0.5484	1.0644
(4) Average (Midpoint = 1/1/2004)	0.5109	0.5144	1.0253
(5) Policy Year 2002 Ratio Trended to 4/1/2008 +	0.5117	0.5179	1.0296
(6) Policy Year 2003 Ratio Trended to 4/1/2008 +	0.4772	0.5133	0.9905
(7) Policy Year 2004 Ratio Trended to 4/1/2008 +	0.5063	0.5621	1.0684
(8) Average at 4/1/2008	0.4984	0.5311	1.0295
(9) Indicated Change in Loss Costs	0.4984	0.5311	1.0295

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

	<u>Mfg.</u>	<u>Cont.</u>	<u>Other</u>	<u>Total</u>
(10) Current Collectible Premium Ratio	1.1192	1.1190	1.0821	
(11) Anticipated Collectible Premium Ratio	1.0767	1.1133	1.0648	
(12) Final Indicated Change in Manual Loss Cost Level (9T) * (11) / (10)	0.9904	1.0243	1.0130	1.0099

+ Refer to pages 18 and 19.

**EXHIBIT II**

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

<b>(1)</b>	2005 PCRB Member Paid Loss (From Schedule W) *	1,961,095,005
<b>(2)</b>	2005 Total Paid Loss (From PA Dept of Labor and Industry) *	2,677,646,258
<b>(3)</b>	2005 Ratio of PCRB Member Paid Loss to Total Paid Loss (1)/(2)	0.7324
<b>(4)</b>	2006/2007 Fiscal Year Budget	
	a. Administration Fund	60,231,000
	b. Subsequent Injury Fund	252,610
	c. Supersedeas Fund	19,059,665
	d. Total	<u>79,543,275</u>
<b>(5)</b>	2006/2007 Fiscal Year Membership Assessment Amount	
	a. Administration Fund (4)a * (3)	44,113,184
	b. Subsequent Injury Fund (4)b * (3)	185,012
	c. Supersedeas Fund (4)c * (3)	13,959,299
	d. Total	<u>58,257,495</u>
<b>(6)</b>	2005 Employer Assessment Premium Base Schedule W Part A-1, Lines 5 + 8a + 8b	3,047,781,038
<b>(7)</b>	2006/2007 Fiscal Year Membership Assessment Rate	
	a. Administration Fund (5)a / (6)	0.0145
	b. Subsequent Injury Fund (5)b / (6)	0.0001
	c. Supersedeas Fund (5)c / (6)	0.0046
	d. Employer Assessment Factor	<u>0.0192</u>
<b>(8)</b>	2006/2007 Fiscal Year Budget for the Office of Small Business Advocate	184,000
<b>(9)</b>	2006/2007 Fiscal Year Membership Assessment Amount for the Office of Small Business Advocate (8) * (3)	134,762
<b>(10)</b>	2006/2007 Fiscal Year Membership Assessment Rate for the Office of Small Business Advocate (9) / (1)	0.0001
<b>(11)</b>	Merit Rating Plan Increment Factor	0.0033
<b>(12)</b>	Certified Safety Committee Program Increment Factor	0.0102
<b>(13)</b>	Overall Adjustment for the Office of Small Business Advocate, Merit Rating Plan and Certified Safety Committee Program (10) + (11) + (12)	<u>0.0136</u>

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

**EXHIBIT III - 1**

**POLICY YEAR LOSS RATIO 2004**

( 1 ) Standard Earned Premium Reported (Table I)			1,538,451,838
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0094
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9998
( 5 ) Factor to Remove Loss Based Assessments			0.9906
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,538,008,237
( 7 ) Loss Cost Change 12/1/95 to 4/1/06			0.8963
( 8 ) Expected Loss at Current Level (6)*(7)			1,378,516,783
<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)	171,098,318	318,518,340	489,616,658
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	4.4579	2.3543	
(11) Ultimate Incurred Losses	762,739,192	749,887,728	1,512,626,920
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	762,739,192	749,887,728	1,512,626,920
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5533	0.5440	1.0973
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	355,899,396	453,126,489	809,025,885
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.8541	1.6817	
(17) Ultimate Incurred Losses	659,873,070	762,022,817	1,421,895,887
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	659,873,070	762,022,817	1,421,895,887
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4787	0.5528	1.0315
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	711,306,131	755,955,273	1,467,261,404
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5160	0.5484	1.0644
(23) Normalized Claim Frequency (Exhibit VI-2)	0.4410	0.4410	
(24) Severity Ratio * (22) / (23)	1.1701	1.2435	2.4136

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

**EXHIBIT III - 2**

**POLICY YEAR LOSS RATIO 2003**

(1)	Standard Earned Premium Reported (Table I)			1,495,015,818
(2)	Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0016
(3)	Expense Constant Removal Factor			1.0000
(4)	PCCPAP On-Level Factor			0.9992
(5)	Factor to Remove Loss Based Assessments			0.9909
(6)	Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,482,594,407
(7)	Loss Cost Change 12/1/95 to 4/1/06			0.9104
(8)	Expected Loss at Current Level (6) *(7)			1,349,753,948
<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)	295,304,588	364,786,659	660,091,247
(10)	Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	2.4518	1.8546	
(11)	Ultimate Incurred Losses	724,027,789	676,533,338	1,400,561,127
(12)	Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13)	Adjusted Losses (11) * (12)	724,027,789	676,533,338	1,400,561,127
(14)	Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5364	0.5012	1.0376
<b>Losses - Incurred Method</b>				
(15)	Incurred Losses Reported (Table I-B & I-C)	454,258,086	439,197,258	893,455,344
(16)	Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.3133	1.5141	
(17)	Ultimate Incurred Losses	596,577,144	664,988,568	1,261,565,712
(18)	Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19)	Adjusted Losses (17) * (18)	596,577,144	664,988,568	1,261,565,712
(20)	Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4420	0.4927	0.9347
<b>Losses - Average of Incurred and Paid to 20th Method</b>				
(21)	Adjusted Ultimate Incurred Losses ((13)+(19))/2	660,302,467	670,760,953	1,331,063,420
(22)	Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4892	0.4970	0.9862
(23)	Normalized Claim Frequency (Exhibit VI-2)	0.4621	0.4621	
(24)	Severity Ratio * (22) / (23)	1.0586	1.0755	2.1341

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

**EXHIBIT III - 3**

**POLICY YEAR LOSS RATIO 2002**

( 1 ) Standard Earned Premium Reported (Table I)			1,455,865,824
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0004
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9988
( 5 ) Factor to Remove Loss Based Assessments			0.9929
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,444,372,059
( 7 ) Loss Cost Change 12/1/95 to 4/1/06			0.9008
( 8 ) Expected Loss at Current Level (6) *(7)			1,301,090,351
<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)	415,567,683	385,812,739	801,380,422
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.7764	1.6939	
(11) Ultimate Incurred Losses	738,214,432	653,528,199	1,391,742,631
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	738,214,432	653,528,199	1,391,742,631
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5674	0.5023	1.0697
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	551,962,910	443,628,145	995,591,055
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1498	1.4463	
(17) Ultimate Incurred Losses	634,646,954	641,619,386	1,276,266,340
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	634,646,954	641,619,386	1,276,266,340
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4878	0.4931	0.9809
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	686,430,693	647,573,793	1,334,004,486
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5276	0.4977	1.0253
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5006	0.5006	
(24) Severity Ratio * (22) / (23)	1.0539	0.9942	2.0481

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

**EXHIBIT III - 4**

**POLICY YEAR LOSS RATIO 2001**

(1) Standard Earned Premium Reported (Table I)			1,442,806,118
(2) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0007
(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)			1,428,973,682
(7) Loss Cost Change 12/1/95 to 4/1/06			0.9097
(8) Expected Loss at Current Level (6) *(7)			1,299,937,359
<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)	493,958,510	399,807,829	893,766,339
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.5118	1.6042	
(11) Ultimate Incurred Losses	746,766,475	641,371,719	1,388,138,194
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	746,766,475	641,371,719	1,388,138,194
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5745	0.4934	1.0679
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	591,893,357	449,287,630	1,041,180,987
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0880	1.4111	
(17) Ultimate Incurred Losses	643,979,972	633,989,775	1,277,969,747
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	643,979,972	633,989,775	1,277,969,747
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4954	0.4877	0.9831
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	695,373,224	637,680,747	1,333,053,971
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5349	0.4905	1.0254
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5241	0.5241	
(24) Severity Ratio * (22) / (23)	1.0206	0.9359	1.9565

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

**EXHIBIT III - 5**

**POLICY YEAR LOSS RATIO 2000**

( 1 ) Standard Earned Premium Reported (Table I)			1,405,884,121
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0003
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9966
( 5 ) Factor to Remove Loss Based Assessments			0.9925
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,391,013,013
( 7 ) Loss Cost Change 12/1/95 to 4/1/06			0.9114
( 8 ) Expected Loss at Current Level (6) *(7)			1,267,769,260
<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)	555,509,887	429,753,420	985,263,307
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.3667	1.5421	
(11) Ultimate Incurred Losses	759,215,363	662,722,749	1,421,938,112
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	759,215,363	662,722,749	1,421,938,112
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5989	0.5227	1.1216
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	643,087,374	499,133,752	1,142,221,126
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0574	1.3688	
(17) Ultimate Incurred Losses	680,000,589	683,214,280	1,363,214,869
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	680,000,589	683,214,280	1,363,214,869
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5364	0.5389	1.0753
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	719,607,976	672,968,515	1,392,576,491
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5676	0.5308	1.0984
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5671	0.5671	
(24) Severity Ratio * (22) / (23)	1.0009	0.9360	1.9369

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

**EXHIBIT III - 6**

**POLICY YEAR LOSS RATIO 1999**

(1)	Standard Earned Premium Reported (Table I)			1,365,184,062
(2)	Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0015
(3)	Expense Constant Removal Factor			1.0000
(4)	PCCPAP On-Level Factor			0.9919
(5)	Factor to Remove Loss Based Assessments			0.9651
(6)	Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,308,827,372
(7)	Loss Cost Change 12/1/95 to 4/1/06			0.9249
(8)	Expected Loss at Current Level (6) *(7)			1,210,534,436
<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)	535,827,552	408,567,187	944,394,739
(10)	Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2924	1.4979	
(11)	Ultimate Incurred Losses	692,503,528	611,992,789	1,304,496,317
(12)	Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13)	Adjusted Losses (11) * (12)	692,503,528	611,992,789	1,304,496,317
(14)	Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5721	0.5056	1.0777
<b>Losses - Incurred Method</b>				
(15)	Incurred Losses Reported (Table I-B & I-C)	598,592,655	471,392,174	1,069,984,829
(16)	Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0366	1.3319	
(17)	Ultimate Incurred Losses	620,501,146	627,847,237	1,248,348,383
(18)	Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19)	Adjusted Losses (17) * (18)	620,501,146	627,847,237	1,248,348,383
(20)	Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5126	0.5187	1.0313
<b>Losses - Average of Incurred and Paid to 20th Method</b>				
(21)	Adjusted Ultimate Incurred Losses ((13)+(19))/2	656,502,337	619,920,013	1,276,422,350
(22)	Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5423	0.5121	1.0544
(23)	Normalized Claim Frequency (Exhibit VI-2)	0.6048	0.6048	
(24)	Severity Ratio * (22) / (23)	0.8967	0.8467	1.7434

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

**EXHIBIT III - 7**

**POLICY YEAR LOSS RATIO 1998**

( 1 ) Standard Earned Premium Reported (Table I)				1,276,923,898
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)				0.9998
( 3 ) Expense Constant Removal Factor				1.0000
( 4 ) PCCPAP On-Level Factor				0.9919
( 5 ) Factor to Remove Loss Based Assessments				0.9660
( 6 ) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)				1,223,272,363
( 7 ) Loss Cost Change 12/1/95 to 4/1/06				0.8716
( 8 ) Expected Loss at Current Level (6) *(7)				1,066,204,192
<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)	447,047,810	353,291,185	800,338,995	
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2470	1.4666		
(11) Ultimate Incurred Losses	557,468,619	518,136,852	1,075,605,471	
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	557,468,619	518,136,852	1,075,605,471	
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5229	0.4860	1.0089	
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	493,537,610	405,335,368	898,872,978	
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0249	1.3123		
(17) Ultimate Incurred Losses	505,826,696	531,921,603	1,037,748,299	
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	505,826,696	531,921,603	1,037,748,299	
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4744	0.4989	0.9733	
<b>Losses - Average of Incurred and Paid to 20th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	531,647,658	525,029,228	1,056,676,886	
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4986	0.4924	0.9910	
(23) Normalized Claim Frequency (Exhibit VI-2)	0.6390	0.6390		
(24) Severity Ratio * (22) / (23)	0.7803	0.7706	1.5509	

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

**EXHIBIT III - 8**

**POLICY YEAR LOSS RATIO 1997**

( 1 ) Standard Earned Premium Reported (Table I)			1,326,042,456
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
( 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)			1,281,451,958
( 7 ) Loss Cost Change 12/1/95 to 4/1/06			0.7663
( 8 ) Expected Loss at Current Level (6) *(7)			981,976,635
<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)	434,415,765	327,412,319	761,828,084
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2141	1.4418	
(11) Ultimate Incurred Losses	527,424,180	472,063,082	999,487,262
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	527,424,180	472,063,082	999,487,262
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5371	0.4807	1.0178
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	467,266,528	362,738,685	830,005,213
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0198	1.2846	
(17) Ultimate Incurred Losses	476,518,405	465,974,115	942,492,520
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	476,518,405	465,974,115	942,492,520
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4853	0.4745	0.9598
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	501,971,293	469,018,599	970,989,892
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5112	0.4776	0.9888
(23) Normalized Claim Frequency (Exhibit VI-2)	0.6858	0.6858	
(24) Severity Ratio * (22) / (23)	0.7454	0.6964	1.4418

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

**EXHIBIT III - 9**

**POLICY YEAR LOSS RATIO 1996**

(1) Standard Earned Premium Reported (Table I)			1,607,200,553
(2) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
(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)			1,567,467,453
(7) Loss Cost Change 12/1/95 to 4/1/06			0.6219
(8) Expected Loss at Current Level (6) *(7)			974,808,009
<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)	424,249,907	314,244,253	738,494,160
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1889	1.4205	
(11) Ultimate Incurred Losses	504,390,714	446,383,961	950,774,675
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	504,390,714	446,383,961	950,774,675
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5174	0.4579	0.9753
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	464,583,627	353,782,354	818,365,981
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0161	1.2592	
(17) Ultimate Incurred Losses	472,063,423	445,482,740	917,546,163
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	472,063,423	445,482,740	917,546,163
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4843	0.4570	0.9413
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	488,227,069	445,933,351	934,160,420
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5008	0.4575	0.9583
(23) Normalized Claim Frequency (Exhibit VI-2)	0.7245	0.7245	
(24) Severity Ratio * (22) / (23)	0.6912	0.6315	1.3227

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

**EXHIBIT III - 10**

**POLICY YEAR LOSS RATIO 1995**

(1) Standard Earned Premium Reported (Table I)			1,617,677,946
(2) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
(3) Expense Constant Removal Factor			1.0000
(4) PCCPAP On-Level Factor			1.0038
(5) Factor to Remove Loss Based Assessments			0.9864
(6) Standard Earned Premium on Level (1)*(2)*(3)*(4)*(5)			1,601,741,101
(7) Loss Cost Change 12/1/95 to 4/1/06			0.5666
(8) Expected Loss at Current Level (6) *(7)			907,546,508
<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)	484,962,886	321,097,372	806,060,258
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1690	1.3980	
(11) Ultimate Incurred Losses	566,921,614	448,894,126	1,015,815,740
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	566,921,614	448,894,126	1,015,815,740
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.6247	0.4946	1.1193
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	532,422,231	354,956,594	887,378,825
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0175	1.2338	
(17) Ultimate Incurred Losses	541,739,620	437,945,446	979,685,066
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	541,739,620	437,945,446	979,685,066
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5969	0.4826	1.0795
<b>Losses - Average of Incurred and Paid to 20th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	554,330,617	443,419,786	997,750,403
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.6108	0.4886	1.0994
(23) Normalized Claim Frequency (Exhibit VI-2)	0.7961	0.7961	
(24) Severity Ratio * (22) / (23)	0.7672	0.6137	1.3809

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

**EXHIBIT IV-1**

**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 4/01/06 LC LEVEL</u>
PRIOR TO DEC 1993	12/01/92	BASE	1.0000	1.0000	1.0000	
	12/01/93	0.5520	0.5520	-----	-----	
	to 4/01/06			1.0000	1.0000	0.5520
1993 (DEC)	12/01/93	BASE	1.0000	1.0000	1.0000	
	12/01/95	0.5632	0.5632	-----	-----	
	to 4/01/06			1.0000	1.0000	0.5632
1994	12/01/93	BASE	1.0000	1.0000	1.0000	
	12/01/95	0.5632	0.5632	-----	-----	
	to 4/01/06			1.0000	1.0000	0.5632
1995	12/01/93	BASE	1.0000	0.9386	0.9386	
	12/01/95	0.9057	0.9057	0.0614	0.0556	
	2/01/97	0.6219	0.5633	-----	-----	
	to 4/01/06			1.0000	0.9942	0.5666
1996	12/01/95	BASE	1.0000	1.0000	1.0000	
	2/01/97	0.6219	0.6219	-----	-----	
	to 4/01/06			1.0000	1.0000	0.6219
1997	12/01/95	BASE	1.0000	0.2464	0.2464	
	2/01/97	0.7500	0.7500	0.7536	0.5652	
	4/01/98	0.8292	0.6219	-----	-----	
	to 4/01/06			1.0000	0.8116	0.7663
1998	2/01/97	BASE	1.0000	0.2997	0.2997	
	4/01/98	0.9306	0.9306	0.7003	0.6517	
	4/01/99	0.8910	0.8292	-----	-----	
	to 4/01/06			1.0000	0.9514	0.8716
1999	4/01/98	BASE	1.0000	0.3019	0.3019	
	4/01/99	0.9474	0.9474	0.6981	0.6614	
	4/01/00	0.9405	0.8910	-----	-----	
	to 4/01/06			1.0000	0.9633	0.9249

**EXHIBIT IV-2**

**POLICY YEARS 2000 - 2005  
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 4/01/06 LC LEVEL</u>
2000	4/01/99	BASE	1.0000	0.2913	0.2913	0.9114
	4/01/00	1.0450	1.0450	0.7087	0.7406	
	4/01/01	0.9000	0.9405	-----	-----	
	to 4/01/06			1.0000	1.0319	
2001	4/01/00	BASE	1.0000	0.3006	0.3006	0.9097
	4/01/01	0.9845	0.9845	0.6994	0.6886	
	4/01/02	0.9141	0.8999	-----	-----	
	to 4/01/06			1.0000	0.9892	
2002	4/01/01	BASE	1.0000	0.3019	0.3019	0.9008
	4/01/02	1.0212	1.0212	0.6981	0.7129	
	4/01/03	0.8951	0.9141	-----	-----	
	to 4/01/06			1.0000	1.0148	
2003	4/01/02	BASE	1.0000	0.3064	0.3064	0.9104
	4/01/03	0.9759	0.9759	0.6936	0.6769	
	4/01/04	0.9173	0.8952	-----	-----	
	to 4/01/06			1.0000	0.9833	
2004	4/01/03	BASE	1.0000	0.2944	0.2944	0.8963
	4/01/04	1.0332	1.0332	0.7056	0.7290	
	4/01/05	0.8878	0.9173	-----	-----	
	to 4/01/06			1.0000	1.0234	
2005	4/01/04	BASE	1.0000	0.3075	0.3075	0.9059
	4/01/05	0.9711	0.9711	0.6925	0.6725	
	4/01/06	0.9142	0.8878	-----	-----	
				1.0000	0.9800	

**EXHIBIT V - 1**

**DEVELOPMENT FACTORS**

**PREMIUM**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2004-2005 Ratio</u>	<u>Policy Year</u>	<u>2003-2004 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>Selected Average</u>	<u>Cumulative Average</u>
2nd to 1st	2004	1.0001	2003	1.0151	2002	1.0079	2001	1.0079	1.0078	1.0078	1.0094
3rd to 2nd	2003	1.0035	2002	1.0058	2001	0.9986	2000	0.9969	1.0012	1.0012	1.0016
4th to 3rd	2002	0.9987	2001	0.9988	2000	1.0011	1999	1.0002	0.9997	0.9997	1.0004
5th to 4th	2001	0.9997	2000	1.0008	1999	1.0011	1998	1.0001	1.0004	1.0004	1.0007
6th to 5th	2000	1.0006	1999	1.0013	1998	0.9934	1997	0.9997	0.9988	0.9988	1.0003
7th to 6th	1999	0.9986	1998	1.0083	1997	1.0000	1996	0.9998	1.0017	1.0017	1.0015
8th to 7th	1998	0.9995	1997	0.9997	1996	0.9999	1995	0.9999	0.9998	0.9998	0.9998
9th to 8th	1997	1.0000	1996	0.9998	1995	1.0001	1994	0.9997	0.9999	+	1.0000
10th to 9th	1996	1.0001	1995	0.9999	1994	0.9999	1993	1.0002	1.0000	#	1.0000
11th to 10th	1995	1.0004	1994	0.9998	1993	1.0001	1992	0.9997	1.0000	@	1.0000
12th to 11th	1994	1.0006	1993	1.0000	1992	1.0000	1991	1.0000	1.0002	&	1.0000
13th to 12th	1993	1.0002	1992	0.9999	1991	1.0000	1990	1.0003	1.0001		1.0000
14th to 13th	1992	1.0000	1991	1.0001	1990	1.0000	1989	1.0000	1.0000		1.0000
15th to 14th	1991	1.0001	1990	1.0000	1989	1.0000	1988	1.0000	1.0000		1.0000
16th to 15th	1990	0.9999	1989	1.0000	1988	1.0000	1987	1.0002	1.0000		1.0000
17th to 16th	1989	1.0000	1988	1.0000	1987	0.9998	1986	1.0005	1.0001		1.0000
18th to 17th	1988	1.0000	1987	1.0000	1986	1.0002	1985	1.0007	1.0002		1.0000
19th to 18th	1987	1.0000	1986	1.0002	1985	1.0000	1984	1.0010	1.0003		1.0000
20th to 19th	1986	0.9987	1985	1.0000	1984	1.0000	1983	1.0000	0.9997		1.0000

**INCURRED METHOD**

<u>Policy Year</u>	<u>Present Valuation</u>	<u>Premium Development Factor</u>
1987	Nineteenth	1.0000
1988	Eighteenth	1.0000
1989	Seventeenth	1.0000
1990	Sixteenth	1.0000
1991	Fifteenth	1.0000
1992	Fourteenth	1.0000
1993	Thirteenth	1.0000
1994	Twelfth	1.0000
1995	Eleventh	1.0000
1996	Tenth	1.0000
1997	Ninth	1.0000
1998	Eighth	1.0000
1999	Seventh	0.9998
2000	Sixth	1.0015
2001	Fifth	1.0003
2002	Fourth	1.0007
2003	Third	1.0004
2004	Second	1.0016
2005	First	1.0094

+ Due to the impact of Act 44, the 2001-2002 ratio was excluded and the 2000-2001 ratio(0.9999) was included in the selected average.

# Due to the impact of Act 44, the 2002-2003 ratio was excluded and the 2000-2001 ratio(1.0003) was included in the selected average.

@ Due to the impact of Act 44, the 2003-2004 ratio was excluded and the 2000-2001 ratio(1.0001) was included in the selected average.

& Due to the impact of Act 44, the 2004-2005 ratio was excluded and the 2000-2001 ratio(0.9998) 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>2004-2005 Ratio</u>	<u>Policy Year</u>	<u>2003-2004 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	a	2004	1.8117	2003	1.8246	1.8182	4.4579
3rd to 2nd	a	2003	1.3867	2002	1.3736	1.3802	2.4518
4th to 3rd	a	2002	1.1737	2001	1.1763	1.1750	1.7764
5th to 4th	a	2001	1.1064	2000	1.1059	1.1062	1.5118
6th to 5th	a	2000	1.0563	1999	1.0586	1.0575	1.3667
7th to 6th	a	1999	1.0373	1998	1.0354	1.0364	1.2924
8th to 7th	a	1998	1.0265	1997	1.0276	1.0271	1.2470
9th to 8th	a	1997	1.0196	1996	1.0227	1.0212	1.2141
10th to 9th	a	1996	1.0160	1995	1.0179	1.0170	1.1889
11th to 10th	a	1995	1.0177	1994	1.0159	1.0168	1.1690
12th to 11th	a	1994	1.0159	1993	1.0151	1.0155	1.1497
13th to 12th	a	1993	1.0122	1992	1.0124	1.0123	1.1322
14th to 13th	a	1992	1.0102	1991	1.0113	1.0108	1.1184
15th to 14th	a	1991	1.0081	1990	1.0077	1.0079	1.1064
16th to 15th	a	1990	1.0073	1989	1.0083	1.0078	1.0978
17th to 16th	a	1989	1.0071	1988	1.0076	1.0074	1.0893
18th to 17th	a	1988	1.0058	1987	1.0088	1.0073	1.0813
19th to 18th	a	1987	1.0073	1986	1.0071	1.0072	1.0734
20th to 19th	b	1986	1.0596	1985	1.0587	1.0592	1.0658
Beyond 20th		1985	1.0082	1984	1.0012	1.0047	1.0062

**d****INCURRED METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2004-2005 Ratio</u>	<u>Policy Year</u>	<u>2003-2004 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	c	2004	1.3977	2003	1.4256	1.4117	1.8541
3rd to 2nd	c	2003	1.1481	2002	1.1363	1.1422	1.3133
4th to 3rd	c	2002	1.0501	2001	1.0635	1.0568	1.1498
5th to 4th	c	2001	1.0282	2000	1.0297	1.0290	1.0880
6th to 5th	c	2000	1.0130	1999	1.0270	1.0200	1.0574
7th to 6th	c	1999	1.0109	1998	1.0121	1.0115	1.0366
8th to 7th	c	1998	1.0073	1997	1.0026	1.0050	1.0249
9th to 8th	c	1997	1.0081	1996	0.9991	1.0036	1.0198
10th to 9th	c	1996	1.0045	1995	0.9927	0.9986	1.0161
11th to 10th	c	1995	1.0041	1994	1.0003	1.0022	1.0175
12th to 11th	c	1994	1.0022	1993	0.9986	1.0004	1.0153
13th to 12th	c	1993	1.0043	1992	0.9993	1.0018	1.0149
14th to 13th	c	1992	1.0037	1991	0.9987	1.0012	1.0131
15th to 14th	c	1991	1.0022	1990	0.9981	1.0002	1.0118
16th to 15th	c	1990	1.0021	1989	0.9995	1.0008	1.0116
17th to 16th	c	1989	1.0035	1988	0.9985	1.0010	1.0108
18th to 17th	c	1988	1.0018	1987	1.0003	1.0011	1.0098
19th to 18th	c	1987	1.0027	1986	0.9997	1.0012	1.0087
20th to 19th	c	1986	1.0021	1985	1.0005	1.0013	1.0075
Beyond 20th		1985	1.0082	1984	1.0012	1.0047	1.0062

**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, 2007 Filing Package.

**EXHIBIT V - 3****DEVELOPMENT FACTORS****MEDICAL LOSSES  
PAID METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2004-2005 Ratio</u>	<u>Policy Year</u>	<u>2003-2004 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	a	2004	1.2610	2003	1.2777	1.2694	2.3543
3rd to 2nd	a	2003	1.0926	2002	1.0972	1.0949	1.8546
4th to 3rd	a	2002	1.0530	2001	1.0587	1.0559	1.6939
5th to 4th	a	2001	1.0419	2000	1.0386	1.0403	1.6042
6th to 5th	a	2000	1.0337	1999	1.0253	1.0295	1.5421
7th to 6th	a	1999	1.0242	1998	1.0183	1.0213	1.4979
8th to 7th	a	1998	1.0171	1997	1.0172	1.0172	1.4666
9th to 8th	a	1997	1.0151	1996	1.0149	1.0150	1.4418
10th to 9th	a	1996	1.0161	1995	1.0160	1.0161	1.4205
11th to 10th	a	1995	1.0167	1994	1.0123	1.0145	1.3980
12th to 11th	a	1994	1.0141	1993	1.0144	1.0143	1.3780
13th to 12th	a	1993	1.0147	1992	1.0134	1.0141	1.3586
14th to 13th	a	1992	1.0130	1991	1.0133	1.0132	1.3397
15th to 14th	a	1991	1.0114	1990	1.0129	1.0122	1.3223
16th to 15th	a	1990	1.0141	1989	1.0115	1.0128	1.3063
17th to 16th	a	1989	1.0108	1988	1.0107	1.0108	1.2898
18th to 17th	a	1988	1.0109	1987	1.0113	1.0111	1.2760
19th to 18th	a	1987	1.0130	1986	1.0142	1.0136	1.2620
20th to 19th	b	1986	1.1807	1985	1.1375	1.1591	1.2451
Beyond 20th		1985	1.0560	1984	0.9969	1.0265	1.0742

**d****INCURRED METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2004-2005 Ratio</u>	<u>Policy Year</u>	<u>2003-2004 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	c	2004	1.1080	2003	1.1134	1.1107	1.6817
3rd to 2nd	c	2003	1.0436	2002	1.0502	1.0469	1.5141
4th to 3rd	c	2002	1.0189	2001	1.0309	1.0249	1.4463
5th to 4th	c	2001	1.0311	2000	1.0306	1.0309	1.4111
6th to 5th	c	2000	1.0253	1999	1.0301	1.0277	1.3688
7th to 6th	c	1999	1.0194	1998	1.0106	1.0150	1.3319
8th to 7th	c	1998	1.0217	1997	1.0212	1.0215	1.3123
9th to 8th	c	1997	1.0183	1996	1.0221	1.0202	1.2846
10th to 9th	c	1996	1.0157	1995	1.0254	1.0206	1.2592
11th to 10th	c	1995	1.0126	1994	1.0160	1.0143	1.2338
12th to 11th	c	1994	1.0150	1993	1.0176	1.0163	1.2164
13th to 12th	c	1993	1.0157	1992	1.0076	1.0117	1.1969
14th to 13th	c	1992	1.0177	1991	1.0087	1.0132	1.1830
15th to 14th	c	1991	1.0115	1990	1.0109	1.0112	1.1676
16th to 15th	c	1990	1.0155	1989	1.0136	1.0146	1.1547
17th to 16th	c	1989	1.0089	1988	1.0111	1.0100	1.1381
18th to 17th	c	1988	1.0193	1987	1.0094	1.0144	1.1268
19th to 18th	c	1987	1.0185	1986	1.0141	1.0163	1.1108
20th to 19th	c	1986	1.0190	1985	1.0159	1.0175	1.0930
Beyond 20th		1985	1.0560	1984	0.9969	1.0265	1.0742

**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, 2007 Filing Package.

**EXHIBIT VI - 1**

**DETERMINATION OF TREND**

**INDEMNITY**

Policy Year	1998	1999	2000	2001	2002	2003	2004
Actual Loss Ratio	0.4986	0.5423	0.5676	0.5349	0.5276	0.4892	0.5160
Normalized Frequency	0.6390	0.6048	0.5671	0.5241	0.5006	0.4621	0.4410
Severity Loss Ratio	0.7803	0.8967	1.0009	1.0206	1.0539	1.0586	1.1701
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7803	0.8967	1.0009	1.0206	1.0539	1.0586	1.1701

7 Point Exponential Regression:  $y = 0.78794 * 1.05877^x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 4/1/07 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2002	0.9902	1.3363	1.3495	0.7186
2003	1.0483	1.3363	1.2747	0.7653
2004	1.1100	1.3363	1.2039	0.8150

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2002	0.5276	0.9698	0.5117
2003	0.4892	0.9755	0.4772
2004	0.5160	0.9812	0.5063

**MEDICAL**

Policy Year	1998	1999	2000	2001	2002	2003	2004
Actual Loss Ratio	0.4924	0.5121	0.5308	0.4905	0.4977	0.4970	0.5484
Normalized Frequency	0.6390	0.6048	0.5671	0.5241	0.5006	0.4621	0.4410
Severity Loss Ratio	0.7706	0.8467	0.9360	0.9359	0.9942	1.0755	1.2435
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7706	0.8467	0.9360	0.9359	0.9942	1.0755	1.2435

7 Point Exponential Regression:  $y = 0.72524 * 1.07305^x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 4/1/07 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2002	0.9615	1.3923	1.4480	0.7186
2003	1.0318	1.3923	1.3494	0.7653
2004	1.1072	1.3923	1.2575	0.8150

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2002	0.4977	1.0405	0.5179
2003	0.4970	1.0327	0.5133
2004	0.5484	1.0249	0.5621

# See page 19 for column (4).

**EXHIBIT VI - 2**

**DETERMINATION OF TREND**

**Claim Frequency**

Policy Year Frequency per \$1 million of Expected Losses  
{1 = PY 1993, 12 = PY 2004}

Policy Year	Claim Frequency	Normalized Frequency
1993	37.43	1.0000
1994	33.46	0.8939
1995	29.80	0.7961
1996	27.12	0.7245
1997	25.67	0.6858
1998	23.92	0.6390
1999	22.64	0.6048
2000	21.23	0.5671
2001	19.62	0.5241
2002	18.74	0.5006
2003	17.30	0.4621
2004	16.51	0.4410

Policy Year	1998	1999	2000	2001	2002	2003	2004
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.6390	0.6048	0.5671	0.5241	0.5006	0.4621	0.4410

7 Point Exponential Regression:  $y = 0.68278 * 0.93856 ^ x$

**SELECTED FREQUENCY TREND FACTOR**

**-6.1%**

Policy Year	Frequency Trend Factor (1)	# of years to 4/1/07 (2)	Frequency Trend to 4/1/07 (3) = (1)^(2)
2002	0.9390	5.2500	0.7186
2003	0.9390	4.2500	0.7653
2004	0.9390	3.2500	0.8150

TABLE I

## POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

## ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year
Prior			
to 1984	8,124,536,958	8,125,096,855	1.0001
1984	912,377,717	912,377,704	1.0000
1985	1,024,216,709	1,024,390,670	1.0002
1986	1,210,590,941	1,210,590,941	1.0000
1987	1,419,387,110	1,419,386,487	1.0000
1988	1,590,399,178	1,590,400,440	1.0000
1989	1,693,665,818	1,693,665,819	1.0000
1990	1,911,534,003	1,911,716,019	1.0001
1991	2,073,681,049	2,073,557,212	0.9999
1992	2,035,609,621	2,035,574,274	1.0000
1993	2,265,755,328	2,265,289,478	0.9998
1994	1,697,866,248	1,697,765,143	0.9999
1995	1,617,888,330	1,617,594,708	0.9998
1996	1,607,613,511	1,607,158,526	0.9997
1997	1,315,792,365	1,326,753,224	1.0083
1998	1,277,103,535	1,278,760,839	1.0013
1999	1,363,193,316	1,364,320,847	1.0008
2000	1,407,912,658	1,406,252,773	0.9988
2001	1,436,352,918	1,444,714,530	1.0058
2002	1,429,147,740	1,450,720,448	1.0151
2003	879,301,226	1,494,906,641	1.7001
2004		928,873,342	

Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year
Prior			
to 1985	9,123,533,229	9,120,161,498	0.9996
1985	1,024,390,670	1,023,013,964	0.9987
1986	1,210,590,941	1,210,575,276	1.0000
1987	1,419,386,487	1,419,386,346	1.0000
1988	1,590,400,440	1,590,398,469	1.0000
1989	1,693,665,819	1,693,464,866	0.9999
1990	1,911,716,019	1,911,825,639	1.0001
1991	2,073,557,212	2,073,553,660	1.0000
1992	2,035,574,274	2,035,974,724	1.0002
1993	2,265,289,478	2,266,656,208	1.0006
1994	1,697,765,143	1,698,428,055	1.0004
1995	1,617,594,708	1,617,677,946	1.0001
1996	1,607,158,526	1,607,200,553	1.0000
1997	1,326,753,224	1,326,042,456	0.9995
1998	1,278,760,839	1,276,923,898	0.9986
1999	1,364,320,847	1,365,184,062	1.0006
2000	1,406,248,248	1,405,884,121	0.9997
2001	1,444,644,151	1,442,806,118	0.9987
2002	1,450,720,448	1,455,865,824	1.0035
2003	1,494,905,095	1,495,015,818	1.0001
2004	928,857,302	1,538,451,838	1.6563
2005		1,075,032,040	

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 - 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 12/31/03</b>	<b>As of 12/31/04</b>	<b>Ratio to Prior Year</b>
Prior			
to 1984	3,871,467,458	3,871,462,242	1.0000
1984	623,641,549	626,696,115	1.0049
1985	733,390,958	736,480,089	1.0042
1986	837,179,201	839,705,426	1.0030
1987	1,035,348,110	1,038,009,454	1.0026
1988	1,178,169,501	1,183,181,764	1.0043
1989	1,396,740,683	1,400,215,722	1.0025
1990	1,489,426,547	1,492,684,615	1.0022
1991	1,364,684,271	1,367,841,050	1.0023
1992	1,251,046,487	1,258,249,546	1.0058
1993	1,080,173,627	1,086,768,613	1.0061
1994	996,682,792	1,001,498,893	1.0048
1995	871,454,322	878,548,282	1.0081
1996	799,445,278	807,865,384	1.0105
1997	809,440,976	818,695,136	1.0114
1998	861,244,824	885,672,877	1.0284
1999	1,019,752,193	1,050,444,401	1.0301
2000	1,057,472,093	1,109,323,385	1.0490
2001	915,973,131	1,004,671,242	1.0968
2002	719,055,159	905,924,156	1.2599
2003	277,819,842	721,357,276	2.5965
2004		308,480,231	

<b>Policy Year Valued</b>	<b>As of 12/31/04</b>	<b>As of 12/31/05</b>	<b>Ratio to Prior Year</b>
Prior			
to 1985	4,503,431,079	4,520,590,989	1.0038
1985	737,092,034	742,561,336	1.0074
1986	840,630,493	846,956,923	1.0075
1987	1,038,896,490	1,046,718,836	1.0075
1988	1,184,218,212	1,190,522,658	1.0053
1989	1,401,358,083	1,410,835,923	1.0068
1990	1,494,453,331	1,502,638,430	1.0055
1991	1,369,517,328	1,381,552,989	1.0088
1992	1,259,909,761	1,270,772,576	1.0086
1993	1,088,434,212	1,095,993,163	1.0069
1994	1,003,160,921	1,010,492,619	1.0073
1995	879,536,865	887,378,825	1.0089
1996	808,280,577	818,365,981	1.0125
1997	818,926,237	830,005,213	1.0135
1998	885,846,112	898,872,978	1.0147
1999	1,050,680,100	1,069,984,829	1.0184
2000	1,109,552,174	1,142,221,126	1.0294
2001	1,004,597,508	1,041,180,987	1.0364
2002	905,888,544	995,591,055	1.0990
2003	721,392,221	893,455,344	1.2385
2004	308,448,626	809,025,885	2.6229
2005		329,391,795	

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 12/31/03</b>	<b>As of 12/31/04</b>	<b>Ratio to Prior Year</b>
Prior			
to 1984	3,094,315,297	3,094,857,443	1.0002
1984	446,601,595	446,836,582	1.0005
1985	504,547,418	504,409,788	0.9997
1986	584,274,481	584,434,637	1.0003
1987	700,341,633	699,300,730	0.9985
1988	782,696,390	782,317,750	0.9995
1989	915,791,901	914,033,482	0.9981
1990	965,647,520	964,374,041	0.9987
1991	868,169,635	867,535,077	0.9993
1992	780,257,807	779,177,029	0.9986
1993	681,300,903	681,529,933	1.0003
1994	627,440,118	622,881,958	0.9927
1995	529,524,837	529,062,599	0.9991
1996	459,230,482	460,432,979	1.0026
1997	458,111,228	463,645,175	1.0121
1998	475,214,607	488,035,730	1.0270
1999	573,604,541	590,662,276	1.0297
2000	587,900,534	625,243,934	1.0635
2001	496,074,601	563,688,058	1.1363
2002	337,260,489	480,815,291	1.4256
2003	105,575,267	324,978,784	3.0782
2004		119,592,005	

<b>Policy Year Valued</b>	<b>As of 12/31/04</b>	<b>As of 12/31/05</b>	<b>Ratio to Prior Year</b>
Prior			
to 1985	3,546,129,901	3,550,295,558	1.0012
1985	505,011,336	506,059,562	1.0021
1986	585,344,997	586,953,712	1.0027
1987	700,206,523	701,485,343	1.0018
1988	783,339,826	786,090,311	1.0035
1989	915,179,568	917,118,702	1.0021
1990	966,135,159	968,249,811	1.0022
1991	869,197,674	872,396,143	1.0037
1992	780,825,883	784,189,300	1.0043
1993	683,199,405	684,679,940	1.0022
1994	624,543,986	627,109,282	1.0041
1995	530,051,182	532,422,231	1.0045
1996	460,848,172	464,583,627	1.0081
1997	463,876,276	467,266,528	1.0073
1998	488,208,965	493,537,610	1.0109
1999	590,897,975	598,592,655	1.0130
2000	625,472,724	643,087,374	1.0282
2001	563,662,031	591,893,357	1.0501
2002	480,779,679	551,962,910	1.1481
2003	325,013,729	454,258,086	1.3977
2004	119,592,747	355,899,396	2.9759
2005		118,537,624	

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 12/31/03</b>	<b>As of 12/31/04</b>	<b>Ratio to Prior Year</b>
Prior			
to 1984	777,152,161	776,604,799	0.9993
1984	177,039,954	179,859,533	1.0159
1985	228,843,540	232,070,301	1.0141
1986	252,904,720	255,270,789	1.0094
1987	335,006,477	338,708,724	1.0111
1988	395,473,111	400,864,014	1.0136
1989	480,948,782	486,182,240	1.0109
1990	523,779,027	528,310,574	1.0087
1991	496,514,636	500,305,973	1.0076
1992	470,788,680	479,072,517	1.0176
1993	398,872,724	405,238,680	1.0160
1994	369,242,674	378,616,935	1.0254
1995	341,929,485	349,485,683	1.0221
1996	340,214,796	347,432,405	1.0212
1997	351,329,748	355,049,961	1.0106
1998	386,030,217	397,637,147	1.0301
1999	446,147,652	459,782,125	1.0306
2000	469,571,559	484,079,451	1.0309
2001	419,898,530	440,983,184	1.0502
2002	381,794,670	425,108,865	1.1134
2003	172,244,575	396,378,492	2.3013
2004		188,888,226	

<b>Policy Year Valued</b>	<b>As of 12/31/04</b>	<b>As of 12/31/05</b>	<b>Ratio to Prior Year</b>
Prior			
to 1985	957,301,178	970,295,431	1.0136
1985	232,080,698	236,501,774	1.0190
1986	255,285,496	260,003,211	1.0185
1987	338,689,967	345,233,493	1.0193
1988	400,878,386	404,432,347	1.0089
1989	486,178,515	493,717,221	1.0155
1990	528,318,172	534,388,619	1.0115
1991	500,319,654	509,156,846	1.0177
1992	479,083,878	486,583,276	1.0157
1993	405,234,807	411,313,223	1.0150
1994	378,616,935	383,383,337	1.0126
1995	349,485,683	354,956,594	1.0157
1996	347,432,405	353,782,354	1.0183
1997	355,049,961	362,738,685	1.0217
1998	397,637,147	405,335,368	1.0194
1999	459,782,125	471,392,174	1.0253
2000	484,079,450	499,133,752	1.0311
2001	440,935,477	449,287,630	1.0189
2002	425,108,865	443,628,145	1.0436
2003	396,378,492	439,197,258	1.1080
2004	188,855,879	453,126,489	2.3993
2005		210,854,171	

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**

<b>Policy Year Valued</b>	<b>As of 12/31/03</b>	<b>As of 12/31/04</b>	<b>Ratio to Prior Year</b>
Prior			
to 1984	2,953,242,213	2,970,501,274	1.0058
1984	422,070,529	424,666,267	1.0062
1985	474,223,466	477,597,297	1.0071
1986	546,110,093	550,902,091	1.0088
1987	660,382,909	665,423,319	1.0076
1988	733,389,991	739,443,171	1.0083
1989	855,256,656	861,816,334	1.0077
1990	892,267,424	902,353,000	1.0113
1991	787,223,198	796,952,478	1.0124
1992	697,375,276	707,929,586	1.0151
1993	600,260,563	609,826,107	1.0159
1994	547,330,886	557,138,076	1.0179
1995	466,760,156	477,342,563	1.0227
1996	404,951,037	416,118,920	1.0276
1997	408,751,446	423,207,450	1.0354
1998	407,093,473	430,953,601	1.0586
1999	458,706,369	507,271,243	1.1059
2000	426,836,687	502,108,649	1.1763
2001	306,418,873	420,901,046	1.3736
2002	164,250,625	299,686,540	1.8246
2003	37,016,830	162,998,798	4.4034
2004		39,362,900	

<b>Policy Year Valued</b>	<b>As of 12/31/04</b>	<b>As of 12/31/05</b>	<b>Ratio to Prior Year</b>
Prior			
to 1985	3,395,684,722	3,415,129,116	1.0057
1985	477,613,402	480,889,649	1.0069
1986	550,929,865	554,940,071	1.0073
1987	665,460,554	669,297,997	1.0058
1988	739,416,314	744,680,653	1.0071
1989	861,796,301	868,059,577	1.0073
1990	902,306,869	909,645,559	1.0081
1991	796,977,325	805,085,995	1.0102
1992	707,913,927	716,554,835	1.0122
1993	609,805,289	619,474,361	1.0159
1994	557,135,685	566,985,986	1.0177
1995	477,332,703	484,962,886	1.0160
1996	416,111,951	424,249,907	1.0196
1997	423,207,450	434,415,765	1.0265
1998	430,953,601	447,047,810	1.0373
1999	507,271,243	535,827,552	1.0563
2000	502,108,649	555,509,887	1.1064
2001	420,856,537	493,958,510	1.1737
2002	299,686,540	415,567,683	1.3867
2003	162,998,798	295,304,588	1.8117
2004	39,353,470	171,098,318	4.3477
2005		41,960,603	

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 12/31/03</b>	<b>As of 12/31/04</b>	<b>Ratio to Prior Year</b>
Prior to 1984	683,806,915	693,826,597	1.0147
1984	158,111,895	160,133,853	1.0128
1985	197,487,000	200,289,110	1.0142
1986	230,334,365	232,934,001	1.0113
1987	303,804,203	307,062,615	1.0107
1988	366,514,762	370,727,764	1.0115
1989	439,390,602	445,076,667	1.0129
1990	486,881,590	493,344,009	1.0133
1991	453,108,118	459,174,866	1.0134
1992	427,714,924	433,876,487	1.0144
1993	367,706,142	372,235,835	1.0123
1994	337,994,898	343,399,938	1.0160
1995	311,387,848	316,020,724	1.0149
1996	304,337,632	309,558,987	1.0172
1997	316,119,557	321,905,089	1.0183
1998	336,426,088	344,949,845	1.0253
1999	380,573,395	395,249,010	1.0386
2000	389,582,700	412,465,974	1.0587
2001	346,102,581	379,741,970	1.0972
2002	276,378,890	353,119,735	1.2777
2003	79,040,498	289,273,518	3.6598
2004		87,085,491	

<b>Policy Year Valued</b>	<b>As of 12/31/04</b>	<b>As of 12/31/05</b>	<b>Ratio to Prior Year</b>
Prior to 1985	854,140,193	865,168,749	1.0129
1985	200,299,507	202,654,748	1.0118
1986	232,948,708	235,988,683	1.0130
1987	307,043,858	310,394,040	1.0109
1988	370,742,136	374,744,964	1.0108
1989	445,072,942	451,337,264	1.0141
1990	493,351,607	498,955,771	1.0114
1991	459,188,547	465,140,165	1.0130
1992	433,887,848	440,281,660	1.0147
1993	372,231,962	377,489,867	1.0141
1994	343,399,938	349,142,911	1.0167
1995	316,020,724	321,097,372	1.0161
1996	309,558,987	314,244,253	1.0151
1997	321,905,089	327,412,319	1.0171
1998	344,949,845	353,291,185	1.0242
1999	395,249,010	408,567,187	1.0337
2000	412,465,974	429,753,420	1.0419
2001	379,694,263	399,807,829	1.0530
2002	353,119,735	385,812,739	1.0926
2003	289,273,518	364,786,659	1.2610
2004	87,068,922	318,518,340	3.6582
2005		90,145,073	

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, 2007 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, 2007 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, 2007 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, 2007 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 Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2001	2,654,646,376	2,443,885,618	1.0862
2002	2,673,402,851	2,495,166,888	1.0714
2003	2,707,435,795	2,528,558,098	1.0707
<b>TOTAL</b>	<b>8,035,485,022</b>	<b>7,467,610,604</b>	<b>1.0760</b>
MANUFACTURING AND UTILITIES			
2001	640,647,239	581,934,798	1.1009
2002	620,901,421	582,976,445	1.0651
2003	624,645,882	586,888,237	1.0643
<b>TOTAL</b>	<b>1,886,194,542</b>	<b>1,751,799,480</b>	<b>1.0767</b>
CONTRACTING AND QUARRYING			
2001	475,181,116	426,897,892	1.1131
2002	494,953,804	443,311,258	1.1165
2003	480,919,325	433,151,062	1.1103
<b>TOTAL</b>	<b>1,451,054,245</b>	<b>1,303,360,212</b>	<b>1.1133</b>
OTHER INDUSTRIES			
2001	1,538,818,021	1,435,052,928	1.0723
2002	1,557,547,626	1,468,879,185	1.0604
2003	1,601,870,588	1,508,518,799	1.0619
<b>TOTAL</b>	<b>4,698,236,235</b>	<b>4,412,450,912</b>	<b>1.0648</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>							
2003	1.0000	1.0000	1.3357	1.0767	0.9752	1.4025	0.7130
2004	1.0000	1.0000	1.5010	1.0767	0.9812	1.5857	0.6306
2005	1.0000	1.0000	1.9840	1.0767	0.9873	2.1090	0.4742
<b><u>Contracting and Quarrying</u></b>							
2003	1.0000	1.0000	1.4015	1.1133	0.9752	1.5216	0.6572
2004	1.0000	1.0000	1.5405	1.1133	0.9812	1.6828	0.5942
2005	1.0000	1.0000	2.0357	1.1133	0.9873	2.2376	0.4469
<b><u>Other Industries</u></b>							
2003	1.0000	1.0000	1.3287	1.0648	0.9752	1.3797	0.7248
2004	1.0000	1.0000	1.5212	1.0648	0.9812	1.5893	0.6292
2005	1.0000	1.0000	1.9804	1.0648	0.9873	2.0819	0.4803

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 =	0.4658
Second Adjustment	RDF =	0.3277
Third Adjustment	RDF =	0.2495

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

$$\begin{aligned} \text{Then First Adjustment RDF} &= (1 - 0.6000) \times 0.4658 \\ &= 0.1863 \end{aligned}$$

\* The use of retrospective development factors is optional.