

**DISCUSSION OF “CASUALTY ACTUARIAL SOCIETY’S
STATEMENT OF PRINCIPLES REGARDING PROPERTY AND CASUALTY LOSS
AND LOSS ADJUSTMENT EXPENSE RESERVES”
AS THOSE PRINCIPLES PERTAIN TO THE PCRBS APRIL 1, 2006 LOSS COST FILING**

INTRODUCTION

The Pennsylvania Compensation Rating Bureau (PCRB) offers the following narrative discussion of the Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves published by the Casualty Actuarial Society (Principles) in partial support of its April 1, 2006 Loss Cost Filing before the Pennsylvania Insurance Department (Department). The Department has requested similar discussions from the PCRB in prior filings in Pennsylvania and continues to require discussion of the Principles by each insurer filing Schedule W in Pennsylvania.

The PCRB believes that the following discussion may only be properly reviewed and understood if careful recognition is given to the nature and context of PCRB filings throughout the reader’s perusal of these comments. In particular, the PCRB would advance the following points with respect to the Principles and PCRB loss cost filings:

- The Principles are most commonly applied in the context of establishing loss and/or loss adjustment expense reserves for a specific insurance carrier or insurer group.
- PCRB loss cost filings are intended to provide benchmark rating values which fairly and accurately reflect the aggregate experience of all insurers (some 300 companies in all) writing workers compensation in the Commonwealth of Pennsylvania.
- Because the PCRB’s loss cost filings are intended to reflect the average of all companies’ experience, there will inevitably be individual companies which differ from the PCRB’s aggregate data in each material respect. Some companies will have better experience, and others will have worse experience than the central tendency reflected in the PCRB’s filings.
- In addition to real differences in experience prevailing between different individual PCRB members or between such individual members and total PCRB data, other perceptual differences may also arise in any comparison of separate carrier responses to the Principles section of Schedule W. While each carrier is presumably making a good faith effort to provide appropriate responses to the many considerations included in the Principles (as is the PCRB), in many cases the issues involved and/or the bases available for formation of opinions by the responding entity are extremely subjective. For example, some companies may not perform loss reserve or other similar analysis using data based exclusively or even predominantly on Pennsylvania workers compensation experience. Clearly, carriers which do not actually perform loss and loss adjustment expense reserve analysis specific to Pennsylvania workers compensation insurance may very well also not be able to render authoritative observations regarding the Principles as applied to Pennsylvania workers compensation insurance.

As a result of the above points, it must be understood that in advancing comments regarding the Principles as applicable to its April 1, 2006 Loss Cost Filing the PCRB is not asserting that all or even most carriers must necessarily have had or would report individual experience either quantitatively or qualitatively consistent with the filing's aggregate indications. The PCRB does believe, however, that the combined experience of all carriers supports or is consistent with the observations set forth below.

DATA ORGANIZATION

The discussion of data organization in the Principles is directed to the use of time units in categorizing claim data.

The PCRB's loss cost filings are based on two primary sources of claim data. The first of these sources is "financial data," collected in a set of annual Calls distributed by the PCRB to all of its member insurers. Financial data is organized by policy period, a practice specifically recognized in the Principles. Further, development of financial data is measured between successive accounting dates, typically falling at each December 31 year-end. Financial data is reported on specified due dates associated with each specific Call form.

The PCRB's second source of claim data is "unit statistical reports," which are filed with the PCRB continuously by its member insurers in accordance with an approved Statistical Plan. Statistical Plan data is also organized by policy period. The Statistical Plan specifies a series of valuation dates and report dates for unit statistical reports applicable to each policy written by any PCRB member.

The PCRB's organization of financial data allows development of such data to be analyzed for each policy period, recognizing changes in reported amounts between successive accounting dates. In deriving estimates of ultimate loss and implied IBNR based on financial data, the PCRB cannot separate "pure IBNR" associated with late reported claims from development on known cases or reopening of previously closed claims.

Statistical Plan data can also be analyzed for development between valuation dates. Subject to the limitation of the number of successive reports required under the Statistical Plan, the PCRB's development of unit statistical reports does identify "pure IBNR" separately from combined changes in values of known cases and reopening of previously closed claims.

One other data source of significant importance in the analysis supporting recent PCRB filings is claim counts collected and distributed by the Pennsylvania Department of Labor and Industry. That source and updates provided to the PCRB by the Department of Labor and Industry have historically allowed for a more current examination of claim activity and claim frequency in the Commonwealth than would have been possible using the PCRB's Unit Statistical Plan. The Department of Labor & Industry has cautioned the Bureau that, starting in Calendar Year 2001, their data had been influenced to an unknown extent by changes in reporting practices by some of that Department's data sources. The PCRB has, therefore, relied entirely on Statistical Plan data, which also allows for greater detail of analysis in some respects than do the Department of Labor & Industry reports.

HOMOGENEITY

The PCRB accumulates its claim data from hundreds of different insurers' experience in underwriting workers compensation insurance for hundreds of thousands of Pennsylvania employers. While this database cannot be rendered completely homogeneous, the PCRB does take significant steps intended to improve the homogeneity of data as used for analysis in support of its loss cost filings.

The most significant step toward achieving greater homogeneity is to separately collect and analyze data pertaining to indemnity and medical benefits. These distinct components of workers compensation data are impacted in different ways by different factors in the economic, legal and social environment and consequently display significantly different behaviors in terms of loss development and trend. Separating these parts of the total workers compensation benefit for analytical purposes allows the PCRB to measure and recognize demonstrated differences over time in preparing its loss cost filings.

The PCRB also does not include discretionary reserve elements such as bulk reserves or IBNR in the claim data used in analysis for loss cost filings. The methods and judgments underlying these reserve components are expected to vary significantly from insurer to insurer and over time for any given insurer. Incorporating these differences would introduce an added level of uncertainty and volatility in the PCRB's analysis which is avoided by limiting claim data used in support of the filing to paid and case reserved amounts.

In constructing loss development histories the PCRB consistently uses the maximum available amount of data which passes all required checks and edits. As companies may pass edits for some but not for all reported data, the PCRB matches available data by carrier for each pair of accounting dates used in development of our financial data. The PCRB then limits data used in its filings to the experience reported by common sets of carriers at each successive pair of accounting dates.

Some levels of the PCRB's loss cost filings are susceptible to achieving even greater measures of homogeneity in the data used. In establishing classification loss cost relativities, for example, experience data is used separately by classification, effectively dividing unit statistical data into some 300 categories which are individually much more homogeneous than is the aggregate total of all reported experience. Further, in operation of the Experience Rating Plan data reported for insurance of individual employers is taken as the basis for separate analysis in determining experience modifications.

CREDIBILITY

Credibility pertains to the degree of predictive value a given body of data is deemed to have with respect to a pricing exercise such as the PCRB's loss cost filings. In practice credibility considerations raise two issues: First, how much reliance is to be placed on a specific body of data?, and second, what alternative data is to be assigned any complementary credibility not ascribed to that primary information?

For purposes of determining the overall loss cost level, the database available to the PCRB is quite large and by any measure would have substantial credibility. For example, in their 1995 Examination of the Pennsylvania Compensation Rating Bureau (Volume VI, Pages 36-37), Milliman & Robertson, Inc. (M&R) noted that application of commonly employed credibility standards produced very high trend credibilities for Pennsylvania (0.94 for indemnity and 0.87 for medical).

The PCRB also believes that, in addition to the substantial credibility attributable to Pennsylvania experience as a purely statistical matter, no alternative body of experience or information exists which would effectively serve as a basis for Pennsylvania price indications to the very limited extent that its statistical volume might suggest as appropriate. In this vein M&R noted that difficulties of interpretation and timing might arise in any attempt to utilize countrywide data or data from another group(s) of states as a complement to Pennsylvania experience.

DATA AVAILABILITY

The financial data collected by the PCRB includes the types of loss data most commonly used in workers compensation loss reserving, namely paid loss and incurred loss data. Premium and loss data collected using the PCRB's annual Calls is reconciled to Schedule W and is checked against prior years' Calls for consistency and reasonableness.

There are two types of data which would be of additional value in estimating and/or testing estimates of ultimate losses. The first of these is claim counts consistent with financial data valuations and separating cases into "open" and "closed" categories. The PCRB has attempted to collect such claim count data beginning with its December 31, 1993 Financial Calls. Beginning with Calendar Year 1996 data, substantially larger numbers of carriers have been able to submit reliable data at least for more recent policy years. The PCRB continues to accumulate claim count information and evaluate possible applications of that data to its pricing analysis.

The second type of data of particular interest to the PCRB is a separation of incurred loss amounts on open cases in the unit statistical reports into paid and case reserved components. The PCRB filed and the Insurance Department approved revisions to the Statistical Plan extending the period for unit data reporting from five years to ten and requiring separation of incurred amounts into paid and case reserves components. These changes were implemented on a mandatory basis with policies effective on or after January 1, 1996.

The PCRB does not need to report ultimate losses for Pennsylvania workers compensation in any detail not supported by either the financial data or unit statistical data as presently reported and believes that actuarial methods available using current data provide reasonable estimates of ultimate losses for this line of business.

EMERGENCE PATTERNS

The PCRB is able to monitor the reporting of claims through unit statistical reports. Exhibit VI presents reported counts of indemnity claims in Pennsylvania for the most recent available history, along with age-to-age development ratios computed based on the reported claims.

The data suggests that reported claim development had been declining from 1984 through 1991, particularly from first to second report. Beginning in 1994, that development has returned to higher levels more consistent with the 1985-1990 level. The PCRB has not made any specific adjustments in its ultimate loss estimates supporting the April 1, 2006 Loss Cost Filing to account for any changes in emergence patterns.

SETTLEMENT PATTERNS

The Principles relate settlement patterns to the length of time that it takes for reported claims to be "settled" or resolved. The PCRB is able to monitor the portion of reported indemnity claims which are reported as closed at each evaluation through its unit statistical report data. The lower section of Exhibit VI shows the number of closed claims and the ratio of closed claims to reported claims in Pennsylvania for the most recent available history.

Based on that data, the PCRB has concluded that the length of time required for Pennsylvania workers compensation claims to be resolved consistently and significantly increased over time into the early to mid-1990s. More recently, these patterns became relatively stable and began to show some improvements through Policy Year 1998. However, Policy Years 1999 through 2002 at first report are at the lowest levels over the entire period reviewed.

In the April 1, 2006 Loss Cost Filing, the PCRB's selection of the method for estimating ultimate loss ratios gave consideration to possible recent changes in settlement patterns and the probable reasons for such changes.

DEVELOPMENT PATTERNS

The PCRB routinely reviews both paid loss and case-incurred loss development patterns separately for indemnity and medical losses. Based on financial data, the PCRB's loss development analysis cannot separate development on known cases from the effects of late-reported claims or reopening of previously closed cases but does include effects of each of these factors in the aggregate experience reported.

The Principles note that "...claims procedures will affect the manner in which the case reserves develop for any group of claims, and changes in claims practice may affect the consistency of historical development." The PCRB would also note that, when the environment in which claims must be managed changes, NOT changing claims procedures or case reserving practices may also affect the manner in which case reserves develop and/or the consistency of historical development. Exhibit I attached presents historical comparisons of average paid closed claims and average incurred open claims in Pennsylvania for the most recent available unit statistical report data. Exhibit I is presented in three pairs of pages. The first two pages

present experience for average indemnity loss per indemnity claim. The third and fourth pages present experience for average medical loss on indemnity claims per indemnity claim. The last two pages present experience based on the average medical loss per claim including both indemnity and medical-only claims.

The first page of each pair in Exhibit I presents average incurred values for open and closed claims separately by policy year and unit statistical report. The second page of each pair computes the year-to-year percentage changes in average open and closed claims, respectively. Over the period of experience provided in Exhibit I average closed indemnity claims have grown substantially faster than have comparable average open claims, suggesting that case reserves established on open claims may have not historically kept pace with ongoing payment experience in Pennsylvania. For Policy Years 1998 and later this disparity has disappeared. Interpretation of Exhibit 1 with respect to medical losses is complicated by the effects of Act 44 of 1993, which affected new claims and the outstanding portions of prior claims. Similarly, interpretation of Exhibit 1 with respect to indemnity losses requires recognition of the effect of Act 57 of 1996, parts of which affected new claims and parts of which affected both new and outstanding claims.

The Principles also note that the length of time to settlement may affect observed development. The PCRB believes that this is clearly the case in Pennsylvania and, in that regard, would refer in principal part to the claims closure rates patterns presented above in discussion of settlement patterns as a consideration under the Principles.

The PCRB believes that both settlement patterns and loss development patterns in Pennsylvania have been affected in recent years by prevailing levels of litigation. Exhibit II attached presents a summary history of petitions filed with the Workers Compensation Bureau by type of action.

The exhibit reflects the numbers of petitions filed as reported by the Bureau of Workers Compensation. The PCRB has been advised that, beginning in early 1992, the Bureau of Workers Compensation changed the way in which petitions being filed were counted by recognizing "multiple pleadings" in which more than one issue was presented on a single petition form. Prior to March 16, 1992 one petition form received by the Bureau of Workers Compensation was counted as a single petition; beginning March 16, 1992 a petition form received containing pleadings on three types of issues was counted as three petitions. There are seven types of petitions involved in these multiple pleadings: termination, suspension, modification, medical review, review, reinstatement and set aside of final receipt.

Petition filings in Pennsylvania generally appear to have risen substantially through 1995 and then showed substantial declines into 2001 with the exception of the twelve months ending June 30, 1999. Activity for each of the last four years has been relatively flat.

The PCRB can observe loss development patterns directly by virtue of the financial data reported to it by its members. Exhibit III presents a history of this loss development experience for indemnity benefits, while Exhibit IV presents a similar history for medical benefits.

Portions of the case reserve data included in the PCRB's financial data are subject to discounting. As a result, loss development experience derived from this financial data will reflect some "unwinding" of these discounts over time. When changes in the pension tables underlying some of the case reserves included in financial data were revised, the PCRB collected data providing concurrent valuations of liabilities on both the previous and revised basis in order to correct ongoing loss development analysis for the effects of those tabular changes.

In the course of preparing the April 1, 2006 Loss Cost Filing and other recent PCRB filings the PCRB has tested a set of loss development methods, including a case incurred loss development approach and a series of alternative methods, which apply a paid loss development approach for a specified number of initial development periods (ranging from 2nd to 20th reports), then convert paid losses to incurred losses and apply an incurred loss development approach for all remaining development to ultimate loss. For the April 1, 2006 filing, this analysis produces a set of some 20 different estimates, each based on a different level of reliance on paid loss development and incurred loss development, respectively.

Because of the enactment of Act 44 in July 1993, the medical financial data reported to the PCRB required adjustment for the effects of statutory changes before loss development analysis could proceed. The details of the adjustments made are set forth under subsequent discussion of "External Factors." In brief, the PCRB estimated the effects of medical cost containment provisions of Act 44 on medical losses and then adjusted paid and incurred loss data for periods prior to the implementation of Act 44 to a "post-Act 44" basis. Under this approach, loss development analysis can proceed with medical experience preceding and following the implementation of Act 44 stated at comparable levels. Absent such adjustment, the PCRB's loss development methods would have inappropriately treated changes in costs attributable to this legislation as integral parts of ongoing loss development patterns.

Because of the enactment of Act 57 in June 1996, an adjustment to indemnity financial data, similar to the adjustment made to medical financial data previously described was also warranted. In brief, the PCRB estimated the effects of the provisions within Act 57 on indemnity losses and then adjusted paid and incurred loss data for periods affected to a "post-Act 57" basis. This process for adjusting indemnity losses to a post-Act 57 basis was first implemented in the Bureau's April 1, 2000 Loss Cost Filing. Thus, loss development analysis can proceed with indemnity experience preceding and following the implementation of Act 57 stated at comparable levels.

Exhibit V attached presents summary results of the PCRB's loss development analysis for the April 1, 2006 Loss Cost Filing.

After consideration of results of all methods tested for estimation of ultimate loss and consistent with the April 1, 2002 and subsequent filings, the PCRB has selected an average of the paid-to-20th report and the incurred loss development methods for both indemnity and medical loss.

FREQUENCY AND SEVERITY

This consideration is directed primarily toward the statistical theories underlying the predictability of ultimate loss amounts. Historically, workers compensation insurance has been considered a high frequency, low severity form of coverage. Pennsylvania data suggests that increases in claim severity have been occurring (see Exhibit I), although Acts 44 and 57 have caused changes in both the levels and trends in loss severities. Claim frequency has been a significant favorable factor in changes of costs of workers compensation insurance in recent years for Pennsylvania.

In the current filing, as was the case in other previous loss cost filings, the PCRB has examined claim frequencies and recent changes in claim frequency in depth. In effect, the PCRB has separated observed loss ratio trends into frequency and "other" components. Claim severity and benefit utilization are significant elements within the "other" trend component.

The Principles direct that a provision be made for the expectation of claims of a magnitude not present in historical data. While workers compensation insurance presents potential catastrophic exposures not represented in historical data and, while the PCRB believes the likelihood of such claims has increased with the unfolding events of 2001, the PCRB has not supplemented its developed and trended estimates of ultimate loss with a separate provision for such contingencies. This practice is but one element of conservatism adopted in this filing which produces loss cost indications in the middle of the range of reasonable estimates.

REOPENED CLAIMS POTENTIAL

Workers compensation insurance is commonly affected by reopening of claims previously reported as closed. Such reopenings increase the cost of insurance and contribute toward the long-tailed nature of benefits for this line of insurance. While the PCRB's financial data does not specifically identify reopened cases or costs attributable to such reopening, the paid and incurred loss valuations reflected in that financial data include the effects of any reopening which may have occurred.

CLAIMS MADE COVERAGES

Pennsylvania workers compensation insurance policies are uniformly written on an occurrence basis, and claims made coverage are not applicable to the PCRB's April 1, 2006 Loss Cost Filing.

AGGREGATE LIMITS

Statutory benefit levels for indemnity payments and considerations of mortality applicable to workers compensation claimants serve to produce some broad practical limitations of the possible costs of benefits payable to individual claimants. However, no maximum limit on total losses applies to any Pennsylvania workers compensation insurance policy subject to the PCRB's April 1, 2006 Loss Cost Filing or which contributed data to the analysis supporting this filing.

SALVAGE, SUBROGATION AND COLLATERAL SOURCES

For Pennsylvania workers compensation the following conditions or circumstances would give rise to recoveries of loss amounts commonly perceived as “salvage, subrogation and collateral sources”:

- ***Third-party Recoveries.*** These recoveries occur as a result of actions in which the claimant pursues and obtains a liability award from someone other than their employer or a fellow employee on the basis that the third party was responsible for the workers' injuries. Effective with the implementation of Act 44 of 1993 on August 31, 1993, workers compensation insurers are empowered to subrogate proceeds of third-party actions involving automobile accidents. Prior to that date third-party claims prosecuted in cases of automobile accidents could not be subrogated by workers compensation insurers in Pennsylvania.
- ***Subsequent Injury Fund.*** This fund makes some payments for total disability arising out of the combined effects of two separate instances (with the most recent occurrence subject to the provisions of the Pennsylvania Workers Compensation Act), each resulting in the loss or loss of use of one hand, one arm, one foot, one leg or one eye. Such payments are made by the Department of Labor & Industry from the Subsequent Injury Fund after the insurer of record for the most recent injury has paid partial disability benefits consistent with the effects of the most recent occurrence alone.
- ***Supersedeas Fund Recoveries.*** Upon approval by the appropriate administrative agency, this Fund reimburses certain benefit payments made by insurers pending determination of certain petitions before the Bureau of Workers Compensation or the Workers Compensation Appeals Board.
- ***Deductible Reimbursements.*** In Pennsylvania employers may elect various levels of deductible coverage. The election of a deductible policy does not change the insurer's primary responsibility for administering all benefit payments on claims incurred under the policy but requires that the employer reimburse the insurer for payments made under the qualifying deductible level. In return for the agreement to reimburse specified payments the employer receives an advance premium credit, the amount of which is a function of the deductible level selected.

Deductible plans in Pennsylvania are separated for purposes of financial data reporting into “large” deductible plans (policies having a deductible amount of \$100,000 or over) and “small” deductible plans (policies with a deductible amount less than \$100,000).

- ***Unemployment Compensation Benefit Offsets.*** Effective with the implementation of Act 44 of 1993, in instances where a workers compensation claimant has received unemployment compensation benefits and workers compensation disability benefits for the same period of disability, the workers compensation insurer is entitled to reduce the amount of workers compensation benefit by the amount of unemployment benefits paid. This procedure became effective on August 31, 1993.

- **Social Security Old Age Benefit Offsets.** Act 57 of 1996 provides for offsets to workers compensation benefits by virtue of Social Security Old Age Benefits to the extent funded by employers. This provision of the law applies prospectively for injuries occurring after the effective date of the statute. Thus, no adjustment or reorganization of prior experience data was required in preparing this filing to recognize this amendment. Prospective adjustment to proposed loss cost levels were made as appropriate to reflect effects of this change on future losses.

The financial data reported to the PCRB is net of third-party subrogation and Supersedeas Fund recoveries received and excludes payments made directly from the Subsequent Injury Fund. Thus, the loss development patterns based on that financial data reflect such collateral sources. With respect to both subrogation on automobile injury claims and offsets for unemployment compensation benefits, experience will continue to be reflected in future financial data and will affect ultimate loss estimates as the effects of these provisions are demonstrated in reductions in amounts otherwise paid.

The financial data reported to the PCRB is gross of deductible reimbursements under so-called "small-deductible" plans. This allows overall loss cost levels to be promulgated consistent with first-dollar coverage, with credits attributable to deductible policies then applied for policies written on a deductible basis. Experience for "large deductible" policies is excluded from the determination of overall loss cost levels in PCRB filings, recognizing that employers purchasing such policies are effectively self-insuring major portions of their workers compensation insurance obligations. The behavior and experience of these risks is deemed not to be representative of the losses expected for other employers remaining insured by the PCRB's members on a first-dollar basis. In order to maximize the amount of experience available by classification, however, both small and large deductible policies are included on a first-dollar basis in the determination of loss costs at the individual classification level.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")

Loss data used in preparing the PCRB's loss cost filings is more directly related to statutory accounting procedures than to GAAP. The PCRB's April 1, 2006 Loss Cost Filing attempts to estimate ultimate loss amounts on an undiscounted basis for purposes of determining the overall loss cost level appropriate for Pennsylvania workers compensation.

REINSURANCE

Financial and Statistical Plan data submitted to the PCRB and used in preparing this filing is reported on a direct basis. As a result, any reinsurance arrangements which may have been in effect between various insurers have properly not been recognized in the PCRB's analysis of loss costs for this filing.

PORTFOLIO TRANSFERS, COMMUTATIONS AND STRUCTURED SETTLEMENTS

Because data is reported to the PCRB on a direct basis, portfolio transfers would not affect the analysis underlying this filing. Commutations and structured settlements (i.e., annuity purchases, etc.) are reflected in reported data and may have some effect on that data and analysis performed based thereon.

As shown on Exhibit II, commutation petitions increased steadily through 1996 and have dropped precipitously since then and show limited usage since the 12 months ending June 30, 1999. The Compromise and Release feature of Act 57 of 1996 appears to be a tool of which the carriers have made considerable use, perhaps in the place of commutation activity which would have otherwise taken place.

In preparing its January 1, 1992 Rate Filing the PCRB attempted to collect specific data pertaining to the timing and amount of commutation awards and the history of claim valuations presented by claims subject to such commutations. The PCRB obtained a detailed listing of claims for each Bureau member on which prior commutation petitions had been filed and provided each member of the Bureau with its own listing as a basis for developing responses to the PCRB's request for data. Despite an extensive effort by the PCRB and its members, most carriers with any significant volume of commuted cases could not reconstruct the requested data for at least some claims, and much of the data reported did not pass various quality control edits imposed by the PCRB upon receipt of the responses. Given the difficulty of preparing and distributing the commutation call and the lack of success in obtaining useful data based on that call, the PCRB has not subsequently reissued that call for information.

Although the PCRB has not made specific adjustments to its loss development data to account for any effects of commutation activity, due consideration was given to development patterns, settlement rates, and the potential effects of commutations and compromise and release settlements on the PCRB's data in the selection of ultimate incurred losses.

POOLS AND ASSOCIATIONS

There are no pools or associations whose operations affect the policies subject to this filing. Intercompany pooling agreements or other similar arrangements which may affect the allocation of business between affiliated companies would also not affect the aggregate data underlying this filing or the indications presented herein.

OPERATIONAL CHANGES

A broad variety of operational changes and adaptations will presumably be at various stages of maturity among different members of the PCRB at any point in time. In performing a loss reserve analysis for a specific carrier or a carrier group, particularly important changes of this nature might be identified and used as a basis for modifying certain assumptions or parameters in the analysis. However, it is not possible for the PCRB to assimilate detailed information regarding operational changes in over 300 separate companies and then to meaningfully translate the complex spectrum of such changes into specific quantitative adjustments applicable to the overall data for all carriers in the aggregate.

The PCRB has endeavored to identify pervasive and important trends in its overall data and to discover possible explanations for and ramifications of those trends for use in its analysis of this filing. That effort has included discussions of company considerations and perspectives on system features with many carrier groups collectively representing a significant portion of the Pennsylvania workers compensation premium. A summary of responses provided to the PCRB in that process is included as part of the support for the April 1, 2006 Loss Cost Filing.

CHANGES IN CONTRACTS

Although most contract provisions of workers compensation insurance policies in Pennsylvania have remained intact for an extended period of time, some changes of note have occurred in recent years as the result either of legislative action or individual carrier initiatives. Changes of which the PCRB is aware are noted below with comments as appropriate in the context of the Principles.

Deductibles: Since 1990 some Pennsylvania workers compensation business has been written subject to “large deductible” policies. The PCRB has consistently defined “large deductible” plans to be those arrangements in which the insured agrees to reimburse their carrier for losses below selected amounts of \$100,000 or more per claim or accident.

The PCRB excludes large deductible experience from financial data used to determine overall indications for its loss cost filings, as these types of policies are tantamount to self-insurance. The experience of these risks is deemed not to be representative of the losses expected for other employers remaining insured by the PCRB’s members on a first-dollar basis.

Act 44 implemented a requirement for carriers to offer “small” deductibles at specified levels of retention to Pennsylvania employers. At present, the statutorily-required deductible choices are \$1,000, \$5,000 and \$10,000. Carriers are also allowed to file and use other deductible levels under provisions of the law, but the PCRB is not aware of significant numbers of such filings having been made to date.

In financial data the PCRB’s reporting instructions have for a number of years required small deductible experience to be reported on a gross or first-dollar basis, so that the determination of overall loss cost levels is accomplished using data which does not reflect differences in either premiums or losses attributable to these smaller deductible plans.

Unit statistical reports in Pennsylvania require the reporting of all experience on a “first dollar” basis for large and small deductible policies. This practice allows classification relativities and experience modifications to be promulgated and applied directly in pricing all risks regardless of whether or at what level deductible provisions may attach.

Workplace Safety Credits: Act 44 provided that employers could apply on a one-time basis for a policy credit of five percent against premium otherwise due, based on qualification as having a certified Workplace Safety Committee. Act 57 extended the availability of the credit by allowing for renewal for up to four additional years. In December 2002, the cap on the number of years risks may receive credits was lifted, and employers can now qualify for the program every year. Applications are processed through the Department of Labor & Industry. “Standard premium” excludes the effects of premium discounts or retrospective rating plans which may also apply to some risks qualifying for workplace safety credits and may be especially significant for certain large employers.

EXTERNAL INFLUENCES

Workers compensation insurance is susceptible to influence by a broad variety of external social, economic and legal factors. The more significant such factors affecting and accounted for in this filing are identified below:

Act 44 of 1993: Signed into law in July 1993 this legislation implemented numerous changes in the Pennsylvania workers compensation system. These changes included the following:

Loss Cost Pricing: The PCRB now files advisory loss costs only, and individual carriers must file their own independent provisions for expenses, profit and related items. In addition, carriers are authorized to file independently for loss costs and/or to implement subclassifications within existing Bureau classifications. Within the context of the PCRB's loss cost filings, this change will affect the designated statistical reporting level for "premiums" attributable to policy years beginning with 1993.

Medical Cost Containment: Various provisions of Act 44 were designed to reduce current costs and control future cost increases for medical treatment of workers compensation claims. The more notable of these features of the law include implementation of a fee schedule based on the Medicare reimbursement system, authorization for coordinated care organizations, provisions for the establishment of peer review and utilization review procedures, and extension of the duration of employer-directed choice of physician from 14 to 30 days.

Minimum Indemnity Benefit: Act 44 eliminated the absolute minimum benefit level for indemnity payments, reducing the likelihood and extent to which claimants could receive workers compensation benefits exceeding their pre-injury take-home pay.

Other provisions: Act 44 also included language addressing the following subject areas:

- Authorization for employers and workers compensation insurers to subrogate proceeds of third-party actions in injuries involving automobile accidents
- Provisions to preclude entitlement to workers compensation benefits if injuries were caused by use of illegal drugs or alcohol
- Initiation of certain procedures for the reporting, investigation and prosecution of fraud related to workers compensation insurance
- Authorization for the formation of group self-insurance programs

Petitions Filed: Through 1995 the Pennsylvania workers compensation system had become increasingly involved in matters of dispute pertaining to individual claims. The situation has improved somewhat since that time, based on counts of petitions filed with the Bureau of Workers Compensation. This tendency is illustrated in the accompanying Exhibit II, presenting numbers of petitions filed by type of issue for the Calendar Years 1990 through 1996 and fiscal years ending June 30 of 1997 and later. Petitions generally invoke administrative proceedings

which can be very protracted in nature and which generally require significant periods of time to complete. In Pennsylvania such delays are translated into additional indemnity, medical and expense payments by virtue of prevailing case law precedents (see below).

Pennsylvania Economy: The PCRB has not observed any pronounced divergence between the Pennsylvania economy and countrywide economic conditions over the last decade, and, in particular, state and national economic trends have not been moving in opposite directions. When economic conditions are difficult, alternative employment may be difficult for injured workers to obtain in new settings or for their former employers to provide within their own operations. This could contribute to increased claims severity. On the other hand, analysis done by the National Council on Compensation Insurance, Inc. suggests that there exists a meaningful and sustainable improvement in claim frequency that counters increases in claim severity.

Wage Inflation: Wage inflation, which drives indemnity benefit levels, has not been particularly high in Pennsylvania in recent years. Changes in the PCRB's pricing procedures invoked by prior orders of the Insurance Commissioner's office have dictated changes in the approved trend procedures. These changes effectively eliminated the on-level adjustments commonly derived in workers compensation pricing for routine revisions in minimum and maximum wage levels based on changes in the Statewide Average Weekly Wage. Instead, the Commissioner's Orders require the PCRB's trend analysis to include the effects of those on-level adjustments. This must be kept in mind when comparing the PCRB's indicated trends to values produced in other jurisdictions based on traditional approaches.

The PCRB would note that, in the course of analysis of claim frequencies for the April 1, 2001 Loss Cost Filing, staff discovered an unusually large amount of payroll reported by the Bureau of Labor Statistics for the First Quarter of 2000. This data appears to be an isolated occurrence and total payrolls and average wages for Fiscal Year 2000 have been adjusted to remove this anomaly in the current and prior loss cost filings.

Case Law Precedents: The PCRB is aware of several specific cases having current and/or potential future precedential implications for Pennsylvania workers compensation insurance. These decisions have imposed or may impose additional requirements to be met by employers or insurers attempting to accomplish certain actions on workers compensation claims or invoke new bases for determination of compensability under Pennsylvania law. Collectively, these cases have had the effect of extending the duration and increasing the amounts of benefit payments required for Pennsylvania workers compensation claims. A brief summary of the nature and implications of each of the cases known to the PCRB is set forth below:

Baksalary: Decided in 1984, the Baksalary case effectively requires continued payment of both indemnity and medical benefits during the pendency of petitions filed for suspension, modification or termination of benefits. By extending the period during which benefits are paid, this precedent has materially increased the cost of Pennsylvania workers compensation claims.

Kachinski: Decided in 1987, the Kachinski case significantly increased the vocational standards to be met by employers or their insurers in order to be able to successfully close Pennsylvania workers compensation claims. In effect, these expanded vocational requirements altered the nature of the workers compensation system from its previous focus on medical

improvement and stability to an emphasis on whether suitable work was available to injured workers. In turn, these requirements extended the period of compensable disability on many claims.

McCray: Decided in 1994, the McCray decision effectively increased the burden of proof regarding job availability required of insurers or employers in order to suspend or modify disability benefits.

Jackson Township v. WCAB: Decided in 1991, the Jackson Township case awarded benefits to a worker not suffering any diagnosed injury or illness but affected by a fear that they had or could contract AIDS in the course of their employment. This case is perceived by at least some insurers as potentially precedential in terms of certain stress or anxiety disorders which may be contended to be work-related.

Martin v. WCAB: Decided in 1995, the Martin case allowed a worker to seek treatment from a medical practitioner not on the list of designated practitioners posted by the worker's employer. This case is perceived by some as potentially obviating the employer's ability to direct injured workers to designated medical practitioners during the first 30 days after their injuries. Act 57 further expanded the period during which employers could designate medical providers from 30 to 90 days.

Act 57 of 1996: Signed into law in June 1996 this legislation included certain measures which the PCRB has estimated will reduce the level of indemnity benefit payments. Based on responses to the PCRB's survey of large carriers or groups, the PCRB felt that savings under Act 57 of 1996, which would normally have been expected to materialize over an extended period of time, were already substantially evident in the experience of the financial data. This was the result of carriers', employers' and claimants' willingness to reach agreement on the settlement of claims, presumably advanced by the provisions of Act 57 of 1996 which would ultimately come into play. One of the key elements of this process is the Compromise and Release feature of Act 57. The PCRB's financial data has been adjusted to a post-Act 57 basis to reflect a common indemnity benefit level for all policy years.

Gardner: Insurers may request an independent impairment rating evaluation (IRE) after a claimant has received 104 weeks of temporary total disability benefits. The Gardner Case asserts that, because the insurer did not request an IRE within 60 days of expiration of the 104 weeks of temporary total disability benefits, the claimant was not required to submit to an IRE. Commonwealth Court of Pennsylvania, in a decision filed in January 2003, upheld Gardner's position. The effect of this decision is to limit the opportunity for obtaining an IRE to a 60-day window immediately following the expiration of the 104 weeks of temporary total disability benefits. Insurers would argue that a claimant's condition is often still unsettled at such a point, and an IRE at that time could be premature. As of the date for submission of this filing, an appeal to overturn the Gardner decision is pending before the Pennsylvania Supreme Court. In addition, possible legislative action is under consideration that would resolve insurers' ability to request IREs beyond the 60-day window. No recognition of the potential impact of the Gardner decision on Pennsylvania loss costs has been reflected in this filing. However, the PCRB continues to monitor the case and consider the potential impact of this decision on Pennsylvania loss costs.

Foreign Terrorism: Workers compensation policies provide coverage and benefits for employees who may be injured, made ill or killed as a result of acts of terrorism precipitated by individuals or groups based outside the United States. As illustrated by the events of September 11, 2001, such acts can have devastating personal and economic consequences.

The PCRB has established a rating value specific to coverage for acts of foreign terrorism. In addition, carrier programs may be developed in terms of deductible coverages and underwriting procedures to mitigate or account for this source of potential loss.

DISCOUNTING

Discounting practices vary from carrier to carrier within the financial data reported to the PCRB. Some carriers discount death and permanent total disability cases using mortality and interest assumptions consistent with the Statistical Plan requirements applicable to unit statistical reports. Other carriers discount such cases using independently established assumptions and procedures. Some carriers may discount some or all financial data reserves on a bulk or aggregate basis, either in addition to or instead of application of case-specific discounts such as those described above.

To the extent that reported losses in financial data have been discounted, loss development experience will reflect the “unwinding” of these discounts as losses are paid out over time. The objective of the PCRB’s analysis of ultimate losses is to accurately predict final UNDISCOUNTED loss amounts, as the reflection of investment income in carrier prices is part of the statutory requirements for those companies’ loss cost multipliers filed with the Pennsylvania Insurance Department.

The PCRB filed and the Insurance Department approved changes in the Statistical Plan pension tables effective in 1992, 2000 and again in 2004. For financial data reported in 1991, 1992, 2000 and 2004, the PCRB collected data providing information of the effects (if any) of those pension table changes on valuations of incurred losses for each carrier. This information was used to adjust loss development for the pension table changes so that ultimate loss estimates would be unaffected by the transition to the new tables.

PROVISION FOR UNCERTAINTY

Workers compensation insurance in Pennsylvania has historically demonstrated a very extended payout and settlement “tail” which contributes significantly to the uncertainty inherent in estimates of ultimate incurred losses for this type of insurance.

The PCRB’s loss cost filing is based on indications of methods which have been selected as providing the best estimate of ultimate losses for the experience periods used in this analysis. The filing thus makes no explicit or implicit provision for uncertainty in estimates, either by way of adding an incremental margin to the best estimate or by selecting a method which produces results falling closer to the upper end than the lower end of the range of reasonable results achieved by various alternative methods. While the Principles would advocate application of an explicit provision for uncertainty under these circumstances, the PCRB has declined to do

so in part because of the difficulty of objectively establishing an appropriate level for such a provision and in part because, in the context of Pennsylvania's current workers compensation pricing system, individual carriers have an opportunity to incorporate their own perspectives of uncertainty in the determination of their individual loss cost multipliers. The PCRB does recognize that recent world events have heightened the potential for catastrophic loss.

Terrorism Risk Insurance Act of 2002 (TRIA): TRIA is presently scheduled to expire December 31, 2005. Such expiration would remove the existing federal backstop for substantial portions of possible losses due to acts of foreign terrorism. The questions of whether, when and if so on what terms TRIA may be extended are important sources of uncertainty for the national workers compensation markets, including Pennsylvania. The PCRB has filed and the Insurance Department has approved an endorsement form advising policyholders of the possible expiration of TRIA and notifying them that pricing parameters may be affected in unknown amounts by the expiration or extension of TRIA.

Domestic Terrorism, Natural Catastrophes and Catastrophic Industrial Accidents: While workers compensation policies provide coverage for injuries and/or illnesses attributable to these causes, loss events arising from them are (and would be expected to be) rare. As a result, the statistical underpinnings for rating values generally do not include any reflection of the potential for losses due to these factors. The PCRB has submitted and received approval for Proposal C-349, effective January 1, 2006, which provides a procedure, endorsement form and related rating values specific to these causes of loss.

REASONABLENESS

The PCRB has applied extensive tests of reasonableness to the estimates produced in a variety of approaches to loss development and trend in the preparation of this filing. Methods selected produce results falling in the middle of the range of all methods tested. On balance, the PCRB firmly believes that its present estimates are reasonable and, in particular, are unlikely to prove excessive given the overall circumstances applicable to these estimates.

LOSS-RELATED BALANCE SHEET ITEMS

Because of the statutory limitation of the PCRB's loss cost filings to the "Provision for Claims Payment," most loss-related balance sheet items are outside the scope of the filing's analysis. Employer assessments and funding for the Office of the Small Business Advocate are exceptions to this limitation. The filing has reviewed recent experience pertaining to the amounts of such assessments as a means of providing an appropriate Employer Assessment Factor to carriers applicable to these employer assessments and for the inclusion in proposed loss costs of provision for funding for the Office of the Small Business Advocate.

LOSS RESERVING METHODS

Consistent with directions provided by the Principles, the PCRB has tested and reviewed the results of well over a dozen variations of methods to estimate ultimate losses in preparing this filing. The methods so tested are those most compatible with and making the best use of all data available for purposes of supporting this filing.

STANDARDS OF PRACTICE

The PCRB is familiar with and mindful of the various standards of practice pertinent to the estimation of property and casualty loss and loss adjustment expense reserves and property and casualty insurance ratemaking. Within the context of the PCRB's loss cost filing responsibilities, as set forth in the Workers Compensation Act, the PCRB has appropriately complied with those applicable standards. In summary form the PCRB offers the following comments with respect to standards of practice:

Actuarial Standard of Practice No. 9: Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving and Valuations:

ASP No. 9 in principal part pertains to the form and content of actuarial work products supporting ratemaking, loss reserving and valuations for property and casualty insurance. The standard requires that such work be documented in a form and to an extent so that another actuary practicing in the same field could evaluate the work. In addition, the standard addresses appropriate measures to be taken in the event that conflicts with the actuary's professional judgment or with interests of persons other than the client or employer are encountered.

The PCRB has fully documented and disclosed the analysis and assumptions underlying its preparation of this filing in the supporting information provided therewith. Further, the PCRB has made itself available to the Insurance Department and other parties for purposes of providing any further explanation or information which may be requested and available with regard to the filing and the analysis underlying it. Conflicts of the type discussed in the standard were not encountered in the course of the PCRB's preparation of this filing.

In addition to the standard itself, ASP No. 9 incorporates reference to three related documents. One of these is the Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves, which the PCRB has discussed at length above. The remaining two documents are noted below.

Statement of Principles Regarding Property and Casualty Insurance Ratemaking: Much of this document is directed at specific components of "rates," such as expenses, profit and contingency provisions, which are excluded from the PCRB's loss cost filings. The PCRB has complied with Principles No. 1 and 4 of this document which respectively require that a "rate" ("loss costs" in the context of this filing) be an estimate of the expected value of future costs, and that "rates" ("loss costs" in the context of this filing) be actuarially sound estimates of the expected value of all future costs associated with risk transfers.

This document sets forth numerous considerations deemed to be applicable generally to the process of ratemaking. Many of these considerations are duplicative of those enumerated in the Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves, and the PCRB's preceding comments regarding those items are generally applicable in the context of this Principle as well. Some considerations not common to the Loss and Loss Adjustment Expense Reserve and Ratemaking Principles are noted briefly below:

- **Exposure Unit:** The exposure unit used almost exclusively in this filing is total payroll. Some limited exceptions have been provided for specific classifications where payroll data does not exist or does not apply. Total payroll meets the criteria generally suggested for an exposure unit as applicable to workers compensation insurance.
- **Data:** The Principles refer to “other relevant data” outside the historical data for the line and state being analyzed. Given the volume of statistical data available specific to Pennsylvania workers compensation insurance and the numerous factors and features either unique to or affecting this line and state in a way not completely common to other situations, the PCRB believes that external information is of greatest use as a means of providing a background and context for analysis of the Pennsylvania data rather than as a surrogate source of indications to be given substantial weight in preference to Pennsylvania experience.
- **Classification Plans:** The PCRB uses a classification plan developed over an extensive period of time and with the benefit of continuing review and evaluation by PCRB staff, employers and the Insurance Department. This classification system was the subject of an extensive study performed by the PCRB in cooperation with the Insurance Department, intervenors from prior rate proceedings and contractors retained by the Insurance Department, a summary report of which was delivered to the Insurance Department on September 16, 1994.
- **Individual Risk Rating:** The PCRB’s Experience Rating Plan has been materially revised effective April 1, 2004. Revisions adopted include changes to credibility tables, loss limitations and allowable changes in experience modifications year-to-year. The revised Experience Rating Plan has been shown through extensive testing to produce more accurate forecasts of risk experience than were possible under the former Experience Rating Plan.
- **Risk:** The PCRB’s loss cost filings do NOT provide or include specific charges for the transfer of risk. This omission occurs because of the statutory limitations on PCRB filings imposed in Pennsylvania but does NOT preclude recognition of such charges from final RATES promulgated by individual insurers.
- **Investment and Other Income:** The PCRB’s loss cost filings do NOT address the effects of investment or other income in Pennsylvania workers compensation insurance. Pennsylvania law requires these matters to be recognized in insurer filings of loss cost multipliers.
- **Actuarial Judgment:** The PCRB has invoked actuarial judgment throughout its testing and evaluation of various alternative methods for loss development and trend and in the process of evaluating the initial effects of Act 44 and Act 57 provisions on Pennsylvania workers compensation experience. This judgment has been applied in the selection of various methods to be considered and in the derivation of certain filing parameters such as trend factors.

Statement of Principles Regarding Property and Casualty Valuations: This statement is largely inapplicable to the PCRB's loss cost filings, as it treats the collective measurement of specific insurers' or other risk bearers' obligations and assets for purposes of assessing their financial condition as of a specific date.

Actuarial Standard of Practice No. 13: Trending Procedures in Property/Casualty Insurance Ratemaking:

ASP No. 13 requires in essence that trend analyses be applied and conducted in a way most appropriate to measure and account for future costs not directly measurable in prior experience data due to continuing changes intervening between the end of the available experience and the future period to which rates or loss costs will apply.

In conformance with this standard the PCRB has tested and evaluated the most common trending models in use in the property and casualty insurance industry (linear and exponential models) in preparing this filing. Each model has been tested over various experience periods to measure the historical success of each possible approach in predicting future experience. Final trend indications have been selected after consideration of these test results and prevailing methodologies used in workers compensation pricing in other jurisdictions.

This standard specifically mentions the use of non-insurance data. Such mention is permissive and indicates that such data may be used to indicate general trends in various ratemaking components.

The PCRB has not, as cautioned against in the standard, selected a trend substantially different from one suggested by the range of relevant information.

APRIL 1, 2006 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
 AVERAGE OPEN AND CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

AVERAGE OPEN INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	20,738	22,224	22,939	24,296	25,706	25,752	25,499	23,932	25,151	23,302	21,601	22,088	22,865	23,042	25,261	26,573	28,852
SECOND	39,986	45,932	46,874	50,853	53,382	51,431	53,050	49,970	49,439	45,660	43,538	44,024	44,790	49,339	52,937	56,724	
THIRD	57,613	67,869	70,585	76,492	76,582	78,573	77,821	72,126	73,396	69,800	61,804	61,604	66,537	74,398	80,831		
FOURTH	71,997	88,635	93,208	98,210	101,511	101,726	98,342	95,301	97,190	89,221	76,338	75,980	84,639	99,001			
FIFTH	86,155	106,428	111,564	122,034	126,404	120,923	123,920	113,818	115,659	104,228	87,662	91,164	107,512				

AVERAGE CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	1,623	1,708	1,791	1,988	2,152	2,226	2,278	2,369	2,502	2,537	2,609	2,732	2,837	3,175	3,354	3,465	3,682
SECOND	2,252	2,443	2,572	2,941	3,192	3,469	3,651	3,851	4,272	4,420	4,454	5,132	5,416	5,850	6,588	7,181	
THIRD	3,068	3,269	3,639	4,134	4,660	5,145	5,643	5,929	6,358	6,742	6,878	7,436	7,770	8,878	9,923		
FOURTH	3,860	4,146	4,727	5,511	6,331	7,119	7,798	7,915	8,441	8,868	8,791	9,262	9,884	11,321			
FIFTH	4,623	5,017	5,691	6,848	7,987	9,042	9,561	9,672	10,380	10,691	10,270	10,620	11,338				

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2006 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
ANNUAL PERCENTAGE CHANGE IN AVERAGE OPEN AND CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

PERCENTAGE CHANGE IN AVERAGE OPEN INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR															
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	7.17	3.22	5.92	5.80	0.18	(0.98)	(6.15)	5.09	(7.35)	(7.30)	2.25	3.52	0.77	9.63	5.19	8.58
SECOND	14.87	2.05	8.49	4.97	(3.65)	3.15	(5.81)	(1.06)	(7.64)	(4.65)	1.12	1.74	10.16	7.29	7.15	
THIRD	17.80	4.00	8.37	0.12	2.60	(0.96)	(7.32)	1.76	(4.90)	(11.46)	(0.32)	8.01	11.81	8.65		
FOURTH	23.11	5.16	5.37	3.36	0.21	(3.33)	(3.09)	1.98	(8.20)	(14.44)	(0.47)	11.40	16.97			
FIFTH	23.53	4.83	9.38	3.58	(4.34)	2.48	(8.15)	1.62	(9.88)	(15.89)	3.99	17.93				

PERCENTAGE CHANGE IN AVERAGE CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR															
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	5.24	4.86	11.00	8.25	3.44	2.34	3.99	5.61	1.40	2.84	4.71	3.84	11.91	5.64	3.31	6.26
SECOND	8.48	5.28	14.35	8.53	8.68	5.25	5.48	10.93	3.46	0.77	15.22	5.53	8.01	12.62	9.00	
THIRD	6.55	11.32	13.60	12.72	10.41	9.68	5.07	7.24	6.04	2.02	8.11	4.49	14.26	11.77		
FOURTH	7.41	14.01	16.59	14.88	12.45	9.54	1.50	6.65	5.06	(0.87)	5.36	6.72	14.54			
FIFTH	8.52	13.43	20.33	16.63	13.21	5.74	1.16	7.32	3.00	(3.94)	3.41	6.76				

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2006 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
 AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

AVERAGE OPEN MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	10,819	11,815	13,956	15,728	17,179	18,176	17,949	15,962	15,482	15,653	17,626	17,578	19,035	18,766	21,146	21,553	23,364
SECOND	16,830	20,253	23,528	26,467	28,280	28,618	26,557	24,318	22,758	24,180	27,213	29,432	32,584	32,491	36,081	35,726	
THIRD	22,107	27,975	31,955	34,599	36,258	35,575	32,333	29,703	29,283	32,429	35,567	37,255	44,014	45,536	52,749		
FOURTH	26,405	34,297	39,478	41,199	41,973	40,801	37,161	35,445	34,457	39,375	42,723	47,286	58,832	63,291			
FIFTH	31,186	39,730	45,902	46,811	49,226	45,317	43,605	42,110	41,317	44,573	52,052	60,495	76,679				

AVERAGE CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	1,562	1,734	1,985	2,326	2,674	3,123	3,373	2,753	2,680	2,800	2,979	3,151	3,242	3,483	3,786	4,051	4,328
SECOND	2,047	2,307	2,636	3,130	3,606	4,170	4,401	3,641	3,578	3,748	4,031	4,407	4,679	4,904	5,297	5,705	
THIRD	2,399	2,662	3,150	3,738	4,294	4,957	5,187	4,407	4,246	4,561	5,001	5,423	5,616	6,005	6,476		
FOURTH	2,666	3,015	3,571	4,276	4,975	5,706	5,828	4,959	4,901	5,256	5,735	6,005	6,370	6,922			
FIFTH	2,900	3,320	3,915	4,788	5,557	6,328	6,367	5,416	5,463	5,917	6,269	6,499	6,940				

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2006 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
ANNUAL PERCENTAGE CHANGE IN AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

PERCENTAGE CHANGE IN AVERAGE OPEN MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR															
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	9.21	18.12	12.70	9.23	5.80	(1.25)	(11.07)	(3.01)	1.10	12.60	(0.27)	8.29	(1.41)	12.68	1.92	8.40
SECOND	20.34	16.17	12.49	6.85	1.20	(7.20)	(8.43)	(6.42)	6.25	12.54	8.15	10.71	(0.29)	11.05	(0.98)	
THIRD	26.54	14.23	8.27	4.79	(1.88)	(9.11)	(8.13)	(1.41)	10.74	9.68	4.75	18.14	3.46	15.84		
FOURTH	29.89	15.11	4.36	1.88	(2.79)	(8.92)	(4.62)	(2.79)	14.27	8.50	10.68	24.42	7.58			
FIFTH	27.40	15.53	1.98	5.16	(7.94)	(3.78)	(3.43)	(1.88)	7.88	16.78	16.22	26.75				

PERCENTAGE CHANGE IN AVERAGE CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	POLICY YEAR															
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	11.01	14.48	17.18	14.96	16.79	8.01	(18.38)	(2.65)	4.48	6.39	5.77	2.89	7.43	8.70	7.00	6.84
SECOND	12.70	14.26	18.74	15.21	15.64	5.54	(17.27)	(1.73)	4.75	7.55	9.33	6.17	4.81	8.01	7.70	
THIRD	10.96	18.33	18.67	14.87	15.44	4.64	(15.04)	(3.65)	7.42	9.65	8.44	3.56	6.93	7.84		
FOURTH	13.09	18.44	19.74	16.35	14.69	2.14	(14.91)	(1.17)	7.24	9.11	4.71	6.08	8.67			
FIFTH	14.48	17.92	22.30	16.06	13.87	0.62	(14.94)	0.87	8.31	5.95	3.67	6.79				

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2006 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
 AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR ALL CLAIMS

AVERAGE OPEN MEDICAL LOSS FOR ALL CLAIMS

REPORT LEVEL	POLICY YEAR																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	9,135	9,521	12,152	12,857	14,306	15,810	15,252	13,537	13,277	12,558	13,116	13,338	14,887	14,760	16,045	16,650	19,035
SECOND	14,870	17,181	19,517	22,858	25,783	26,068	24,204	22,598	20,790	20,657	22,601	25,939	27,576	28,302	29,281	30,523	
THIRD	19,796	23,294	29,164	32,257	33,541	32,599	30,133	27,932	27,232	29,907	32,585	33,081	39,624	40,653	46,920		
FOURTH	23,672	31,186	35,617	33,678	38,333	37,721	35,822	33,461	32,058	36,581	38,989	42,257	53,129	56,640			
FIFTH	28,677	35,120	41,390	43,943	45,548	42,216	42,113	39,960	38,945	41,430	48,473	53,036	68,029				

AVERAGE CLOSED MEDICAL LOSS FOR ALL CLAIMS

REPORT LEVEL	POLICY YEAR																
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	433	486	558	653	753	855	900	728	685	709	756	771	804	869	959	1,034	1,136
SECOND	552	629	724	865	1,001	1,130	1,171	959	901	929	997	1,056	1,118	1,195	1,314	1,417	
THIRD	635	715	847	1,014	1,171	1,327	1,370	1,139	1,053	1,108	1,190	1,266	1,315	1,426	1,576		
FOURTH	695	798	950	1,147	1,341	1,515	1,531	1,269	1,199	1,255	1,341	1,393	1,475	1,620			
FIFTH	751	871	1,032	1,268	1,486	1,672	1,666	1,382	1,324	1,391	1,454	1,502	1,596				

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2006 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
ANNUAL PERCENTAGE CHANGE IN AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR ALL CLAIMS

PERCENTAGE CHANGE IN AVERAGE OPEN MEDICAL LOSS FOR ALL CLAIMS

REPORT LEVEL	POLICY YEAR															
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	4.23	27.63	5.80	11.27	10.51	(3.53)	(11.24)	(1.92)	(5.42)	4.44	1.69	11.61	(0.85)	8.71	3.77	14.32
SECOND	15.54	13.60	17.12	12.80	1.11	(7.15)	(6.64)	(8.00)	(0.64)	9.41	14.77	6.31	2.63	3.46	4.24	
THIRD	17.67	25.20	10.61	3.98	(2.81)	(7.56)	(7.30)	(2.51)	9.82	8.95	1.52	19.78	2.60	15.42		
FOURTH	31.74	14.21	(5.44)	13.82	(1.60)	(5.03)	(6.59)	(4.19)	14.11	6.58	8.38	25.73	6.61			
FIFTH	22.47	17.85	6.17	3.65	(7.32)	(0.24)	(5.11)	(2.54)	6.38	17.00	9.41	28.27				

PERCENTAGE CHANGE IN AVERAGE CLOSED MEDICAL LOSS FOR ALL CLAIMS

REPORT LEVEL	POLICY YEAR															
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
FIRST	12.24	14.81	17.03	15.31	13.55	5.26	(19.11)	(5.91)	3.50	6.63	1.98	4.28	8.08	10.36	7.82	9.86
SECOND	13.95	15.10	19.48	15.72	12.89	3.63	(18.10)	(6.05)	3.11	7.32	5.92	5.87	6.89	9.96	7.84	
THIRD	12.60	18.46	19.72	15.48	13.32	3.24	(16.86)	(7.55)	5.22	7.40	6.39	3.87	8.44	10.52		
FOURTH	14.82	19.05	20.74	16.91	12.98	1.06	(17.11)	(5.52)	4.67	6.85	3.88	5.89	9.83			
FIFTH	15.98	18.48	22.87	17.19	12.52	(0.36)	(17.05)	(4.20)	5.06	4.53	3.30	6.26				

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

Pennsylvania Compensation Rating Bureau

Type	Petitions Filed with Bureau of Workers Compensation (As Reported)*																		
	1989	1990	1991	1992 **	1993	1994	12 months ending 6/30/95	1995	12 months ending 6/30/96	1996	12 months ending 6/30/97	12 months ending 6/30/98	12 months ending 6/30/99	12 months ending 6/30/00	12 months ending 6/30/01	12 months ending 6/30/02	12 months ending 6/30/03	12 months ending 6/30/04	12 months ending 6/30/05
Claim	9,970	11,422	11,542	13,409	12,293	13,308	14,282	13,839	12,772	11,621	10,569	9,988	11,578	11,482	11,344	11,314	11,304	11,750	11,399
Commutation	2,091	2,216	2,629	3,100	3,434	3,793	3,972	4,147	4,278	4,285	4,008	1,577	130	29	24	15	20	12	11
Fatal	297	308	293	232	245	251	173	199	242	229	203	171	179	147	127	134	151	88	79
Modification	1,200	1,375	1,451	4,126	5,013	5,539	5,943	6,005	5,883	5,332	4,599	3,852	4,400	4,198	3,753	3,646	3,230	2,846	3,242
Penalty	887	1,186	1,829	2,678	2,961	3,261	3,578	3,810	3,841	3,836	4,108	4,484	5,386	5,618	5,559	5,896	6,195	6,630	6,822
Review	1,936	2,797	3,494	3,489	1,913	1,906	2,179	2,350	2,331	2,237	2,281	2,576	2,615	3,182	3,210	3,588	3,575	3,632	3,794
Medical Review	---	---	---	2,099	3,941	1,438	1,335	1,285	1,224	1,065	1,091	1,290	1,617	1,232	1,081	1,073	1,068	1,076	1,109
Reinstatement	1,542	1,936	2,197	2,672	2,805	2,908	2,985	3,030	3,045	2,901	2,902	2,907	3,170	2,914	2,778	2,917	2,762	2,717	2,639
Set Aside Final	467	466	468	431	458	322	278	253	240	216	192	138	126	97	71	79	72	45	47
Supersedeas	919	818	1,240	1,437	2,153	2,173	2,659	2,852	2,764	2,731	2,900	2,537	1,839	214	151	85	79	126	105
Suspension	2,829	2,965	3,437	7,345	9,147	10,483	11,528	11,728	11,102	9,734	8,485	6,437	7,083	6,147	5,698	5,806	5,138	4,543	4,828
Termination	8,575	10,863	10,687	10,899	9,992	10,396	11,332	11,378	10,511	9,192	7,516	5,360	6,323	4,564	4,038	4,348	4,194	3,906	4,135
301 I	132	135	81	130	139	180	137	132	156	153	145	86	187	87	118	48	59	31	29
O.D. Fatal	86	85	65	69	48	46	66	21	12	17	27	15	22	13	14	11	8	14	7
O. D. Fatal Special	8	11	10	0	1	2	2	2	2	2	2	3	5	5	3	6	8	14	7
301 G	9	8	1	5	1	0	2	5	4	2	2	0	0	0	0	0	0	0	0
Subsequent Injury	1	1	1	1	0	2	2	21	26	16	19	21	0	0	0	0	0	0	0
Utilization Review	---	---	---	---	---	992	2,279	2,310	1,680	1,712	2,363	2,210	1,526	2,185	1,745	1,658	1,817	1,813	1,833
Remands	---	616	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Joinder	---	---	198	944	889	906	1,040	928	791	815	858	687	610	644	600	644	594	535	513
Physical Exam	---	---	61	248	1,413	2,634	2,246	3,020	3,090	2,971	2,635	2,237	2,165	1,938	1,892	1,990	2,163	2,057	2,188
Challenge	---	---	---	---	---	---	---	---	---	---	694	1,131	1,155	1,231	1,042	1,044	927	878	833
Comp/Release	---	---	---	---	---	---	---	---	---	---	1,311	6,714	7,906	6,175	6,114	5,605	5,763	6,018	6,270
Special Term	---	---	---	---	---	---	---	---	---	---	1,640	2,393	1,578	2,017	1,597	1,537	1,570	1,397	1,117
Expert Interview	---	---	---	---	---	---	---	---	---	---	---	24	121	168	208	249	597	529	497
Grand Total	30,949	37,208	39,684	53,314	56,846	60,540	66,018	67,315	63,994	59,067	58,550	56,838	59,721	54,287	51,167	51,693	51,294	50,657	51,504

* The categories "Counsel Fees" and "Miscellaneous" have been removed consistent with the reporting practices of the Department of Labor & Industry.

** Prior to March, 1992 multiple petition filings were counted only once and within a single petition category.

Multiple petition filings are now counted once within each relevant petition category.

PENNSYLVANIA COMPENSATION RATING BUREAU

APRIL 1, 2006 LOSS COST FILING

FINANCIAL DATA LOSS DEVELOPMENT - INDEMNITY LOSS

Development Periods	Incurred Loss Development Ratio CY 1998	Incurred Loss Development Ratio CY 1999	Incurred Loss Development Ratio CY 2000	Incurred Loss Development Ratio CY 2001	Incurred Loss Development Ratio CY 2002	Incurred Loss Development Ratio CY 2003	Incurred Loss Development Ratio CY 2004
19-20	0.9965	1.0027	1.0023	1.001	0.9998	0.9970	1.0010
18-19	1.0026	1.0022	0.9983	0.9993	1.0007	0.9998	0.9996
17-18	1.0009	1.0043	0.9978	0.9977	0.9989	1.0019	1.0005
16-17	0.9975	0.9997	1.0012	1.0006	1.0010	1.0021	0.9984
15-16	1.0018	1.0014	1.0009	0.9982	1.0027	1.0007	0.9997
14-15	1.0050	0.9990	0.9956	0.9991	1.0000	0.9989	0.9981
13-14	1.0021	0.9967	0.9969	1.0029	1.0038	1.0002	0.9986
12-13	1.0037	0.9997	0.9981	0.9983	1.0021	0.9989	0.9993
11-12	1.0053	1.0001	1.0021	0.9989	0.9992	1.0038	0.9984
10-11	0.9994	0.9984	1.0004	0.9985	0.9977	1.0013	1.0003
9-10	1.0010	0.9997	0.9979	0.9967	1.0004	1.0003	0.9926
8-9	0.9991	0.9986	1.0001	1.0015	0.9966	0.9983	0.9993
7-8	1.0033	0.9974	0.9969	1.0020	0.9987	0.9965	0.9999
6-7	1.0055	0.9911	0.9944	0.9982	1.0081	1.0151	1.0098
5-6	1.0087	1.0012	1.0056	1.0167	1.0105	1.0128	1.0264
4-5	1.0556	1.0394	1.0270	1.0280	1.0301	1.0208	1.0296
3-4	1.1389	1.0719	1.0662	1.0514	1.0676	1.0711	1.0641
2-3	1.2210	1.1575	1.1276	1.1621	1.1639	1.1682	1.1375
1-2	1.4435	1.3865	1.3439	1.4206	1.4337	1.4381	1.4263

Development Periods	Paid Loss Development Ratio CY 1998	Paid Loss Development Ratio CY 1999	Paid Loss Development Ratio CY 2000	Paid Loss Development Ratio CY 2001	Paid Loss Development Ratio CY 2002	Paid Loss Development Ratio CY 2003	Paid Loss Development Ratio CY 2004
19-20	1.0157	1.0127	1.0113	1.0073	1.0066	1.0061	1.0061
18-19	1.0180	1.0114	1.0087	1.0103	1.0079	1.0070	1.0072
17-18	1.0155	1.0117	1.0069	1.0073	1.0075	1.0069	1.0089
16-17	1.0160	1.0142	1.0111	1.0102	1.0082	1.0083	1.0077
15-16	1.0153	1.0138	1.0119	1.0123	1.0128	1.0078	1.0083
14-15	1.0194	1.0167	1.0116	1.0117	1.0101	1.0096	1.0078
13-14	1.0176	1.0165	1.0139	1.0113	1.0101	1.0100	1.0114
12-13	1.0230	1.0170	1.0130	1.0125	1.0135	1.0104	1.0126
11-12	1.0258	1.0171	1.0146	1.0154	1.0139	1.0127	1.0151
10-11	1.0274	1.0198	1.0173	1.0168	1.0156	1.0172	1.0160
9-10	1.0325	1.0277	1.0201	1.0199	1.0216	1.0209	1.0179
8-9	1.0357	1.0300	1.0242	1.0286	1.0232	1.0235	1.0228
7-8	1.0466	1.0395	1.0368	1.0283	1.0287	1.0291	1.0265
6-7	1.0616	1.0623	1.0423	1.0415	1.0409	1.0369	1.0368
5-6	1.0919	1.0835	1.0610	1.0633	1.0540	1.0601	1.0628
4-5	1.1344	1.1271	1.0952	1.0933	1.0930	1.0999	1.1060
3-4	1.2490	1.1838	1.1639	1.1714	1.1937	1.1907	1.1773
2-3	1.4157	1.3740	1.3445	1.3740	1.3892	1.3803	1.3737
1-2	1.7801	1.7745	1.7821	1.7952	1.8299	1.8587	1.8239

PENNSYLVANIA COMPENSATION RATING BUREAU

APRIL 1, 2006 LOSS COST FILING

FINANCIAL DATA LOSS DEVELOPMENT - MEDICAL LOSS

Development Periods	Incurred Loss Development Ratio CY 1998	Incurred Loss Development Ratio CY 1999	Incurred Loss Development Ratio CY 2000	Incurred Loss Development Ratio CY 2001	Incurred Loss Development Ratio CY 2002	Incurred Loss Development Ratio CY 2003	Incurred Loss Development Ratio CY 2004
19-20	1.0193	1.0157	1.0324	1.0177	1.0181	1.0096	1.0209
18-19	1.0152	1.0123	0.9999	1.0071	1.0143	1.0185	1.0143
17-18	1.0155	1.0045	1.0149	1.0155	1.0128	1.0154	1.0095
16-17	1.0001	1.0356	1.0153	1.0195	1.0109	1.0282	1.0111
15-16	1.0113	1.0078	1.0176	1.0120	1.0168	1.0180	1.0137
14-15	1.0077	1.0002	1.0057	0.9992	1.0084	1.0126	1.0100
13-14	1.0002	1.0114	0.9998	1.0105	1.0110	1.0125	1.0091
12-13	1.0044	1.0221	1.0089	1.0261	1.0128	1.0136	1.0075
11-12	1.0050	1.0017	1.0076	1.0136	1.0084	1.0172	1.0178
10-11	1.0179	1.0054	1.0139	1.0120	1.0154	1.0090	1.0157
9-10	1.0067	1.0109	1.0059	1.0155	1.0073	1.0103	1.0256
8-9	1.0131	1.0041	1.0127	1.0315	1.0111	1.0173	1.0222
7-8	1.0121	1.0103	1.0142	1.0198	1.0111	1.0101	1.0215
6-7	1.0171	0.9998	0.9994	1.0190	1.0218	1.0258	1.0082
5-6	1.0173	1.0041	1.0114	1.0214	1.0163	1.0043	1.0282
4-5	0.9990	1.0079	1.0133	1.0296	1.0130	1.0137	1.0309
3-4	1.0154	1.0106	1.0200	1.0247	1.0041	1.0192	1.0314
2-3	1.0476	1.0289	1.0473	1.0660	1.0554	1.0363	1.0500
1-2	1.1145	1.1133	1.0989	1.1438	1.1262	1.1152	1.1145

Development Periods	Paid Loss Development Ratio CY 1998	Paid Loss Development Ratio CY 1999	Paid Loss Development Ratio CY 2000	Paid Loss Development Ratio CY 2001	Paid Loss Development Ratio CY 2002	Paid Loss Development Ratio CY 2003	Paid Loss Development Ratio CY 2004
19-20	1.0169	1.0191	1.0207	1.0180	1.0121	1.0121	1.0129
18-19	1.0207	1.0166	1.0173	1.0159	1.0129	1.0120	1.0142
17-18	1.0142	1.0159	1.0112	1.0171	1.0125	1.0154	1.0114
16-17	1.0163	1.0187	1.0144	1.0135	1.0154	1.0131	1.0108
15-16	1.0163	1.0145	1.0132	1.0164	1.0125	1.0109	1.0116
14-15	1.0154	1.0175	1.0154	1.0124	1.0140	1.0188	1.0130
13-14	1.0145	1.0181	1.0123	1.0117	1.0133	1.0116	1.0132
12-13	1.0179	1.0143	1.0135	1.0132	1.0124	1.0128	1.0135
11-12	1.0147	1.0155	1.0144	1.0130	1.0135	1.0131	1.0144
10-11	1.0125	1.0155	1.0163	1.0152	1.0123	1.0153	1.0123
9-10	1.0167	1.0172	1.0179	1.0125	1.0160	1.0145	1.0160
8-9	1.0173	1.0200	1.0147	1.0169	1.0156	1.0159	1.0149
7-8	1.0189	1.0184	1.0190	1.0135	1.0182	1.0174	1.0175
6-7	1.0214	1.0249	1.0194	1.0204	1.0202	1.0210	1.0179
5-6	1.0275	1.0285	1.0260	1.0231	1.0214	1.0220	1.0269
4-5	1.0368	1.0334	1.0325	1.0302	1.0266	1.0335	1.0387
3-4	1.0583	1.0570	1.0459	1.0498	1.0494	1.0481	1.0590
2-3	1.1087	1.0898	1.0905	1.1056	1.1054	1.0964	1.0963
1-2	1.2804	1.2691	1.2986	1.3018	1.2905	1.2702	1.2777

**PENNSYLVANIA COMPENSATION RATING BUREAU
APRIL 1, 2006 LOSS COST FILING**

Claim Emergence and Claim Settlement Patterns

Policy Year	Number of Reported Indemnity Claims as of:					Age-to-Age Development Ratios			
	First Report	Second Report	Third Report	Fourth Report	Fifth Report	1st - 2nd Report	2nd - 3rd Report	3rd - 4th Report	4th - 5th Report
2002	45,200								
2001	47,254	48,692				1.0304			
2000	50,045	52,015	52,395			1.0394	1.0073		
1999	50,230	51,602	51,980	51,381		1.0273	1.0073	0.9885	
1998	48,464	49,898	50,242	50,384	49,779	1.0296	1.0069	1.0028	0.9880
1997	47,046	49,079	49,359	49,527	49,562	1.0432	1.0057	1.0034	1.0007
1996	47,267	49,305	49,759	49,746	49,824	1.0431	1.0092	0.9997	1.0016
1995	51,407	52,360	52,721	52,570	52,503	1.0185	1.0069	0.9971	0.9987
1994	55,781	57,202	57,471	57,495	57,461	1.0255	1.0047	1.0004	0.9994
1993	60,171	61,205	61,617	61,578	61,447	1.0172	1.0067	0.9994	0.9979
1992	65,230	66,450	66,660	66,748	66,734	1.0187	1.0032	1.0013	0.9998
1991	71,121	72,391	72,384	72,452	72,384	1.0179	0.9999	1.0009	0.9991
1990	77,201	79,352	79,732	79,677	79,514	1.0279	1.0048	0.9993	0.9980
1989	79,909	84,195	84,610	84,611	84,375	1.0536	1.0049	1.0000	0.9972
1988	76,897	81,418	82,644	82,844	82,929	1.0588	1.0151	1.0024	1.0010
1987	75,383	78,206	79,506	80,264	80,608	1.0374	1.0166	1.0095	1.0043
1986	67,894	71,615	72,753	73,245	73,559	1.0548	1.0159	1.0068	1.0043
1985	65,118	68,622	69,549	69,898	69,868	1.0538	1.0135	1.0050	0.9996
1984	62,176	67,385	67,827	67,837	67,784	1.0838	1.0066	1.0001	0.9992

Policy Year	Number of Reported Indemnity Claims Closed as of:					Portion of Reported Indemnity Claims Closed as of:				
	First Report	Second Report	Third Report	Fourth Report	Fifth Report	First Report	Second Report	Third Report	Fourth Report	Fifth Report
2002	29,748					0.6581				
2001	30,785	39,150				0.6515	0.8040			
2000	32,959	42,137	46,276			0.6586	0.8101	0.8832		
1999	33,136	41,821	45,730	47,441		0.6597	0.8105	0.8798	0.9233	
1998	32,689	41,003	44,398	46,418	47,143	0.6745	0.8217	0.8837	0.9213	0.9470
1997	31,859	40,251	43,511	45,382	46,643	0.6772	0.8201	0.8815	0.9163	0.9411
1996	31,926	39,694	43,344	45,208	46,421	0.6754	0.8051	0.8711	0.9088	0.9317
1995	34,326	41,594	45,388	47,377	48,704	0.6677	0.7944	0.8609	0.9012	0.9276
1994	37,604	45,449	48,930	51,324	53,015	0.6741	0.7945	0.8514	0.8927	0.9226
1993	39,793	48,519	52,270	54,571	56,199	0.6613	0.7927	0.8483	0.8862	0.9146
1992	43,684	52,380	56,429	58,910	60,775	0.6697	0.7883	0.8465	0.8826	0.9107
1991	49,209	57,748	61,554	64,324	66,152	0.6919	0.7977	0.8504	0.8878	0.9139
1990	54,909	64,297	67,849	70,445	72,564	0.7112	0.8103	0.8510	0.8841	0.9126
1989	57,872	69,258	73,029	75,374	77,046	0.7242	0.8226	0.8631	0.8908	0.9131
1988	57,595	68,355	72,630	74,800	76,268	0.7490	0.8396	0.8788	0.9029	0.9197
1987	56,720	66,287	70,237	72,839	74,371	0.7524	0.8476	0.8834	0.9075	0.9226
1986	51,185	60,369	64,073	66,052	67,495	0.7539	0.8430	0.8807	0.9018	0.9176
1985	49,513	58,594	61,891	63,892	64,926	0.7604	0.8539	0.8899	0.9141	0.9293
1984	48,168	57,940	60,541	62,282	63,397	0.7747	0.8598	0.8926	0.9181	0.9353