Exhibit 7
As Filed

PENNSYLVANIA COMPENSATION RATING BUREAU

<u>Tail Factors for Loss Development</u>

For a given calendar year, the PCRB collects financial loss development data for the current policy year and the twenty previous individual policy years. A single aggregate line of experience is reported for all older policy years combined.

Thus, the 2004 vs. 2005 valuations in the tail factor calculation will use policy year 1985 as the earliest separate policy year and an aggregate line of experience for policy years 1984 and prior. The 2005 vs. 2006, 2006 vs. 2007 and 2007 vs. 2008 valuations in the tail factor calculation will use policy year 1986 as the earliest separate policy year and an aggregate line of experience for policy years 1985 and prior.

The following discussion focuses on data with an earliest available policy year of 1978 for illustrative purposes. The discussion for data starting with later policy years would, however, be analogous.

Prior to 1995, the PCRB has computed incurred loss development for maturities older than policy year 1978 (i.e., the pre-1978 "tail") by comparing the total amount of dollar development in incurred losses occurring in a given calendar year to the incurred loss reported for policy year 1978 at the beginning of that same calendar period.

As part of the Insurance Department's examination of the Bureau, the actuarial firm retained to perform portions of that review commented that the PCRB's approach effectively assumed that each policy year prior to 1978 had the same amount of ultimate losses as did policy year 1978. Since policy year losses have tended to increase from year to year in response to benefit and price changes, changes in employment volume and other features affecting loss trends, this assumption was noted as understating the true tail in the PCRB's loss development analysis. The contractor recommended that for future filings the PCRB add a growth adjustment to its tail factor calculation.

In response to this recommendation the PCRB changed its derivation of tail factors for its 12/1/95 filing. That approach, used again for this filing, is applied separately for indemnity and medical loss experience and for each calendar year of experience, and outlined as follows:

1. A starting policy year loss amount based on the average reported incurred loss for policy years 1978-1980 was computed.

2. An annual loss inflation factor was selected based on observed changes in incurred losses by policy year for the older policy years having separate experience data reported.

3. A historical series of estimated incurred losses by policy year beginning with policy year 1977 was computed using the starting point from #1 and the selected inflation factor from #2.

4. A calendar year loss development factor was selected for policy year 1977 based on observed developments for the oldest years with actual separate experience available.

5. A rate of decline in calendar year loss development factors by policy year was then computed such that when the resulting series of loss development factors was applied to the historical series of estimated incurred losses in #3, the total implied dollar amount of loss development for the calendar year balanced to the observed amount of development on policy years prior to 1978.

6. The "tail factor" applicable to maturities prior to policy year 1978 based on that calendar year of experience was then computed as the cumulative product of the series of loss development factors constructed in #5.

In general, this approach produced policy year incurred losses and loss development factors such that measurable development terminated for policy years in the mid- to early 1930's. Because the amount of calendar year development observed for policy years prior to 1978 varied considerably from year to year, some variations in the application of the initial selected loss development factor were necessary (i.e., whether the initial selection was applied to 1,2 or 3 prior policy years before beginning the application of the selected rate of decline in loss development). In addition, the selected rates of decline in loss development factors vary from calendar year to calendar year in order to achieve the desired balance with observed calendar year development.

Recognizing the volatility of observed calendar year development for policy years prior to 1978 in the aggregate, the PCRB elected to use an experience period comprising four calendar years of loss development in computing indicated tail factors for this filing.

A summary exhibit on page 1 presents results of both the previous and revised approaches to the derivation of tail development factors. Following the summary page, eight exhibits presenting the derivation of indicated tail factors using the procedure outlined above are attached (four for indemnity and four for medical). These exhibits are numbered as pages 2 through 9 respectively.

SUMMARY OF LOSS DEVELOPMENT TAIL FACTOR CALCULATIONS

VALUATION	MATURITY	INDEMNITY Tail Factor	MEDICAL Tail Factor
07V08	21ST TO ULT.	1.0089	1.0494
06V07	21ST TO ULT.	0.9977	1.0529
05V06	21ST TO ULT.	1.0034	1.0550
04V05	21ST TO ULT.	1.0066	1.0496
AVERAGE OF LATEST 4 VALUATIONS		1.0042	1.0517

Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Indemnity: **07v08**

Latest 12/31 Prior to 1986 Incurred	4,524,590,910	
Next Latest 12/31 Prior to 1986 Incurred	4,517,816,330	1 Policy Yr 1985 Incurred = Average of 1986, 1987, 1988, reduced by PY Deflation ^ 2
CY Development of Prior Yrs	6,774,580	2 PY 1984 & Prior = Subsequent Yr x PY Deflation
Next Latest PY 1986 Incurred	693,338,906	3 1985 Development Selected Based on Observed 1986, 1987, 1988
# of 1986 Yrs in Prior Data	6.53	4 PY 1984 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0
Selected Decrement, Development Factor	0.75	
Selected Average PY Deflation Factor	0.95	

TAIL =   1.0089   vs   1.0098   6,774,580
                                                    0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

INDEMNITY

Policy Year	(*=Estimate)	12/31/08 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/08 Incurred	Prior Year Development	Dollar Development	DF	
1939	*	70,773,947	1.000000	0	1.0000	#	1974	*	426,135,022	1.000110	46,860	1.0004	
1940	*	74,498,891	1.000000	0	1.0000	#	1975	*	448,563,182	1.000147	65,766	1.0006	
1941	*	78,419,885	1.000000	1	1.0000	#	1976	*	472,171,770	1.000196	92,299	1.0008	
1942	*	82,547,248	1.000000	1	1.0000	#	1977	*	497,022,916	1.000261	129,534	1.0010	
1943	*	86,891,840	1.000000	1	1.0000	#	1978	*	523,182,017	1.000348	181,786	1.0014	
1944	*	91,465,094	1.000000	2	1.0000	#	1979	*	550,717,912	1.000463	255,109	1.0019	
1945	*	96,279,047	1.000000	3	1.0000	#	1980	*	579,703,066	1.000618	357,992	1.0025	
1946	*	101,346,365	1.000000	4	1.0000	#	1981	*	610,213,753	1.000824	502,342	1.0033	
1947	*	106,680,384	1.000000	5	1.0000	#	1982	*	642,330,267	1.001099	704,848	1.0044	
1948	*	112,295,141	1.000000	7	1.0000	#	1983	*	676,137,123	1.001465	988,899	1.0059	
1949	*	118,205,412	1.000000	10	1.0000	#	1984	*	711,723,287	1.001953	1,387,251	1.0078	
1950	*	124,426,749	1.000000	14	1.0000	#	1985	*	749,182,407	1.002603935	1,945,755	1.0105	22ND TO ULT.
1951	*	130,975,526	1.000000	19	1.0000	#	1986		692,292,670	0.9985		1.0089	21ST TO ULT.
1952	*	137,868,974	1.000000	27	1.0000	#	1987		839,087,134	1.0010			
1953	*	145,125,236	1.000000	38	1.0000	#	1988		958,977,229	1.0003	Total		
1954	*	152,763,407	1.000000	53	1.0000	#	1989		1,113,633,692	1.0017	Development:		
1955	*	160,803,586	1.000000	75	1.0000	#	1990		1,142,303,050	0.9955	6,774,580		
1956	*	169,266,933	1.000001	105	1.0000	#	1991		1,014,869,377	1.0012			
1957	*	178,175,718	1.000001	147	1.0000	#	1992		881,792,053	1.0009			
1958	*	187,553,388	1.000001	207	1.0000	#	1993		766,693,875	1.0014			
1959	*	197,424,619	1.000001	290	1.0000	#	1994		701,867,510	1.0020			
1960	*	207,815,388	1.000002	407	1.0000	#	1995		611,768,245	1.0025			
1961	*	218,753,040	1.000003	572	1.0000	#	1996		526,079,251	1.0001			
1962	*	230,266,358	1.000003	802	1.0000	#	1997		556,608,711	1.0006			
1963	*	242,385,640	1.000005	1,126	1.0000	#	1998		581,392,136	0.9932			
1964	*	255,142,779	1.000006	1,580	1.0000	#	1999		664,140,210	1.0009			
1965	*	268,571,346	1.000008	2,218	1.0000	#	2000		700,624,746	1.0000			
1966	*	282,706,680	1.000011	3,113	1.0000	#	2001		668,639,335	1.0026			
1967	*	297,585,979	1.000015	4,369	1.0001	#	2002		666,149,966	1.0182			
1968	*	313,248,399	1.000020	6,131	1.0001	#	2003		638,004,775	1.0387			
1969	*	329,735,157	1.000026	8,605	1.0001	#	2004		659,687,609	1.0710			
1970	*	347,089,639	1.000035	12,077	1.0001	#	2005		644,192,556	1.1684			
1971	*	365,357,515	1.000046	16,951	1.0002	#	2006		591,136,129	1.4773			
1972	*	384,586,858	1.000062	23,790	1.0002	#	2007		458,297,203	3.3554			
1973	*	404,828,271	1.000082	33,389	1.0003	#	2008		129,675,041				

Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Medical   07v08

Latest 12/31 Prior to 1986 Incurred	1,385,204,795
Next Latest 12/31 Prior to 1986 Incurred	1,372,151,193
CY Development of Prior Yrs	13,053,602
Next Latest PY 1986 Incurred	302,970,501
# of 1986 Yrs in Prior Data	4.57
Selected Decrement, Development Factor	0.75
Selected Average PY Deflation Factor	0.93

1 Policy Yr 1985 Incurred = Average of 1986, 1987, 1988, reduced by PY Deflation ^ 2
2 PY 1984 & Prior = Subsequent Yr x PY Deflation
3 1985 Development Selected Based on Observed 1986, 1987, 1988
4 PY 1984 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0

TAIL =   1.0494   vs   1.0431   13,053,602
                                                                    0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

MEDICAL

Policy Year	(*=Estimate)	12/31/08 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/08 Incurred	Prior Year Development	Dollar Development	DF	
1939	*	12,330,791	1.000000	0	1.0000	#	1974	*	156,346,347	1.000484	75,574	1.0019	
1940	*	13,258,915	1.000000	0	1.0000	#	1975	*	168,114,351	1.000645	108,332	1.0026	
1941	*	14,256,898	1.000000	1	1.0000	#	1976	*	180,768,120	1.000860	155,281	1.0034	
1942	*	15,329,998	1.000000	1	1.0000	#	1977	*	194,374,322	1.001146	222,561	1.0046	
1943	*	16,483,869	1.000000	1	1.0000	#	1978	*	209,004,647	1.001528	318,963	1.0061	
1944	*	17,724,590	1.000000	2	1.0000	#	1979	*	224,736,180	1.002038	457,061	1.0082	
1945	*	19,058,699	1.000000	2	1.0000	#	1980	*	241,651,807	1.002717	654,841	1.0109	
1946	*	20,493,224	1.000000	3	1.0000	#	1981	*	259,840,652	1.003623	937,993	1.0146	
1947	*	22,035,725	1.000000	5	1.0000	#	1982	*	279,398,551	1.004831	1,343,177	1.0195	
1948	*	23,694,328	1.000000	6	1.0000	#	1983	*	300,428,549	1.006441	1,922,621	1.0260	
1949	*	25,477,772	1.000000	9	1.0000	#	1984	*	323,041,451	1.008588	2,750,578	1.0349	
1950	*	27,395,454	1.000000	13	1.0000	#	1985	*	347,356,399	1.011450335	3,932,321	1.0467	22ND TO ULT.
1951	*	29,457,477	1.000001	19	1.0000	#	1986		303,756,480	1.0026		1.0494	21ST TO ULT.
1952	*	31,674,707	1.000001	27	1.0000	#	1987		408,197,343	1.0030			
1953	*	34,058,825	1.000001	39	1.0000	#	1988		492,889,738	1.0124	Total		
1954	*	36,622,392	1.000002	56	1.0000	#	1989		603,477,916	1.0085	Development:		
1955	*	39,378,916	1.000002	81	1.0000	#	1990		633,748,302	1.0063	13,053,602		
1956	*	42,342,921	1.000003	115	1.0000	#	1991		604,489,371	1.0078			
1957	*	45,530,022	1.000004	166	1.0000	#	1992		556,564,145	1.0074			
1958	*	48,957,013	1.000005	237	1.0000	#	1993		471,622,930	1.0025			
1959	*	52,641,950	1.000006	340	1.0000	#	1994		444,642,331	1.0171			
1960	*	56,604,247	1.000009	488	1.0000	#	1995		415,601,503	1.0077			
1961	*	60,864,782	1.000011	699	1.0000	#	1996		408,058,062	1.0017			
1962	*	65,446,002	1.000015	1,003	1.0001	#	1997		439,881,920	1.0089			
1963	*	70,372,045	1.000020	1,437	1.0001	#	1998		496,981,827	1.0041			
1964	*	75,668,866	1.000027	2,061	1.0001	#	1999		534,469,929	1.0072			
1965	*	81,364,372	1.000036	2,954	1.0001	#	2000		552,164,138	1.0038			
1966	*	87,488,572	1.000048	4,236	1.0002	#	2001		507,897,114	1.0105			
1967	*	94,073,733	1.000065	6,072	1.0003	#	2002		518,658,665	1.0036			
1968	*	101,154,551	1.000086	8,706	1.0003	#	2003		524,051,079	1.0076			
1969	*	108,768,335	1.000115	12,481	1.0005	#	2004		561,695,860	1.0061			
1970	*	116,955,199	1.000153	17,893	1.0006	#	2005		576,630,872	1.0362			
1971	*	125,758,278	1.000204	25,652	1.0008	#	2006		556,442,418	1.1119			
1972	*	135,223,955	1.000272	36,775	1.0011	#	2007		576,640,415	2.2229			
1973	*	145,402,102	1.000363	52,719	1.0015	#	2008		241,042,409				

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Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Indemnity: **06v07**

Latest 12/31 Prior to 1986 Incurred	4,520,085,294	
Next Latest 12/31 Prior to 1986 Incurred	4,521,571,057	1 Policy Yr 1985 Incurred = Average of 1986, 1987, 1988, reduced by PY Deflation ^ 2
CY Development of Prior Yrs	-1,485,763	2 PY 1984 & Prior = Subsequent Yr x PY Deflation
Next Latest PY 1986 Incurred	691,536,001	3 1985 Development Selected Based on Observed 1986, 1987, 1988
# of 1986 Yrs in Prior Data	6.54	4 PY 1984 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0
Selected Decrement, Development Factor	0.75	
Selected Average PY Deflation Factor	0.95	

TAIL =	.9977	vs	.9979	-1,485,763
				0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

INDEMNITY

Policy Year	(*=Estimate)	12/31/07 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/07 Incurred	Prior Year Development	Dollar Development	DF	
1940	*	74,566,567	1.000000	0	1.0000	#	1974	*	426,522,132	.999976	-10,258	.9999	
1941	*	78,491,124	1.000000	0	1.0000	#	1975	*	448,970,665	.999968	-14,398	.9999	
1942	*	82,622,235	1.000000	0	1.0000	#	1976	*	472,600,701	.999957	-20,208	.9998	
1943	*	86,970,774	1.000000	0	1.0000	#	1977	*	497,474,422	.999943	-28,362	.9998	
1944	*	91,548,183	1.000000	0	1.0000	#	1978	*	523,657,286	.999924	-39,807	.9997	
1945	*	96,366,509	1.000000	-1	1.0000	#	1979	*	551,218,196	.999899	-55,871	.9996	
1946	*	101,438,430	1.000000	-1	1.0000	#	1980	*	580,229,680	.999865	-78,418	.9995	
1947	*	106,777,295	1.000000	-1	1.0000	#	1981	*	610,768,084	.999820	-110,066	.9993	
1948	*	112,397,153	1.000000	-2	1.0000	#	1982	*	642,913,772	.999760	-154,488	.9990	
1949	*	118,312,792	1.000000	-2	1.0000	#	1983	*	676,751,339	.999680	-216,842	.9987	
1950	*	124,539,781	1.000000	-3	1.0000	#	1984	*	712,369,831	.999573	-304,373	.9983	
1951	*	131,094,507	1.000000	-4	1.0000	#	1985	*	749,862,980	.9994305530	-427,251	.9977	21ST TO ULT.
1952	*	137,994,217	1.000000	-6	1.0000	#	1986		693,800,732	1.0033			
1953	*	145,257,071	1.000000	-8	1.0000	#	1987		838,838,311	1.0012			
1954	*	152,902,180	1.000000	-12	1.0000	#	1988		959,980,281	1.0010	Total		
1955	*	160,949,663	1.000000	-16	1.0000	#	1989		1,113,719,865	1.0026	Development:		
1956	*	169,420,698	1.000000	-23	1.0000	#	1990		1,148,748,610	1.0082	-1,485,763		
1957	*	178,337,577	1.000000	-32	1.0000	#	1991		1,016,226,446	1.0064			
1958	*	187,723,765	1.000000	-45	1.0000	#	1992		881,157,810	1.0040			
1959	*	197,603,963	1.000000	-64	1.0000	#	1993		765,597,656	1.0000			
1960	*	208,004,172	1.000000	-89	1.0000	#	1994		700,623,961	1.0013			
1961	*	218,951,760	.999999	-125	1.0000	#	1995		612,378,283	0.9916			
1962	*	230,475,537	.999999	-176	1.0000	#	1996		526,287,216	1.0006			
1963	*	242,605,828	.999999	-246	1.0000	#	1997		556,415,795	1.0035			
1964	*	255,374,556	.999999	-346	1.0000	#	1998		585,357,536	1.0106			
1965	*	268,815,322	.999998	-485	1.0000	#	1999		663,535,830	0.9977			
1966	*	282,963,497	.999998	-681	1.0000	#	2000		700,642,782	1.0069			
1967	*	297,856,313	.999997	-956	1.0000	#	2001		666,909,293	1.0114			
1968	*	313,532,961	.999996	-1,342	1.0000	#	2002		654,229,371	1.0338			
1969	*	330,034,695	.999994	-1,884	1.0000	#	2003		614,220,984	1.0676			
1970	*	347,404,942	.999992	-2,644	1.0000	#	2004		617,044,713	1.1531			
1971	*	365,689,413	.999990	-3,710	1.0000	#	2005		552,223,744	1.4602			
1972	*	384,936,224	.999986	-5,208	.9999	#	2006		400,301,692	3.3234			
1973	*	405,196,026	.999982	-7,309	.9999	#	2007		136,763,184				

Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Medical **06v07**

Latest 12/31 Prior to 1986 Incurred	1,372,850,870	
Next Latest 12/31 Prior to 1986 Incurred	1,358,187,617	1 Policy Yr 1985 Incurred = Average of 1986, 1987, 1988, reduced by PY Deflation ^ 2
CY Development of Prior Yrs	14,663,253	2 PY 1984 & Prior = Subsequent Yr x PY Deflation
Next Latest PY 1986 Incurred	303,061,205	3 1985 Development Selected Based on Observed 1986, 1987, 1988
# of 1986 Yrs in Prior Data	4.53	4 PY 1984 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0
Selected Decrement, Development Factor	0.75	
Selected Average PY Deflation Factor	0.93	

TAIL =   1.0529   vs   1.0484   14,663,253
                                                        0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

MEDICAL

Policy Year	(*=Estimate)	12/31/07 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/07 Incurred	Prior Year Development	Dollar Development	DF	
1940	*	13,190,262	1.000000	0	1.0000	#	1974	*	155,536,805	1.000547	84,967	1.0022	
1941	*	14,183,077	1.000000	1	1.0000	#	1975	*	167,243,876	1.000729	121,794	1.0029	
1942	*	15,250,621	1.000000	1	1.0000	#	1976	*	179,832,125	1.000972	174,572	1.0039	
1943	*	16,398,517	1.000000	1	1.0000	#	1977	*	193,367,876	1.001296	250,202	1.0052	
1944	*	17,632,814	1.000000	2	1.0000	#	1978	*	207,922,447	1.001727	358,558	1.0069	
1945	*	18,960,015	1.000000	2	1.0000	#	1979	*	223,572,524	1.002303	513,766	1.0092	
1946	*	20,387,113	1.000000	4	1.0000	#	1980	*	240,400,564	1.003071	736,019	1.0123	
1947	*	21,921,627	1.000000	5	1.0000	#	1981	*	258,495,230	1.004095	1,054,148	1.0165	
1948	*	23,571,642	1.000000	7	1.0000	#	1982	*	277,951,860	1.005460	1,509,272	1.0220	
1949	*	25,345,852	1.000000	10	1.0000	#	1983	*	298,872,968	1.007279	2,159,922	1.0295	
1950	*	27,253,604	1.000001	15	1.0000	#	1984	*	321,368,782	1.009706	3,089,220	1.0395	
1951	*	29,304,950	1.000001	21	1.0000	#	1985	*	345,557,830	1.0129413270	4,414,843	1.0529	21ST TO ULT.
1952	*	31,510,699	1.000001	31	1.0000	#	1986		303,221,174	1.0005			
1953	*	33,882,472	1.000001	44	1.0000	#	1987		407,533,405	1.0100			
1954	*	36,432,766	1.000002	63	1.0000	#	1988		487,850,452	1.0078	Total		
1955	*	39,175,017	1.000002	91	1.0000	#	1989		599,173,701	1.0095	Development:		
1956	*	42,123,674	1.000003	130	1.0000	#	1990		630,520,109	1.0098	14,663,253		
1957	*	45,294,274	1.000004	186	1.0000	#	1991		601,169,478	1.0135			
1958	*	48,703,520	1.000005	267	1.0000	#	1992		552,592,157	1.0127			
1959	*	52,369,376	1.000007	383	1.0000	#	1993		470,416,175	1.0112			
1960	*	56,311,157	1.000010	548	1.0000	#	1994		437,260,586	1.0105			
1961	*	60,549,631	1.000013	786	1.0001	#	1995		413,711,051	1.0134			
1962	*	65,107,131	1.000017	1,127	1.0001	#	1996		407,625,675	1.0079			
1963	*	70,007,667	1.000023	1,616	1.0001	#	1997		436,063,662	1.0107			
1964	*	75,277,062	1.000031	2,317	1.0001	#	1998		494,960,370	1.0220			
1965	*	80,943,077	1.000041	3,322	1.0002	#	1999		530,666,833	1.0164			
1966	*	87,035,567	1.000055	4,762	1.0002	#	2000		550,053,483	1.0208			
1967	*	93,586,631	1.000073	6,828	1.0003	#	2001		502,594,617	1.0095			
1968	*	100,630,786	1.000097	9,788	1.0004	#	2002		516,812,549	1.0207			
1969	*	108,205,146	1.000130	14,033	1.0005	#	2003		520,053,192	1.0272			
1970	*	116,349,619	1.000173	20,118	1.0007	#	2004		559,612,453	1.0407			
1971	*	125,107,118	1.000231	28,842	1.0009	#	2005		557,322,336	1.0915			
1972	*	134,523,782	1.000307	41,347	1.0012	#	2006		501,174,144	2.2568			
1973	*	144,649,228	1.000410	59,272	1.0016	#	2007		259,314,490				

Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Indemnity: 05v06

Latest 12/31 Prior to 1986 Incurred	4,540,203,598
Next Latest 12/31 Prior to 1986 Incurred	4,537,284,525
CY Development of Prior Yrs	2,919,073
Next Latest PY 1986 Incurred	697,208,437
# of 1986 Yrs in Prior Data	6.51
Selected Decrement, Development Factor	0.75
Selected Average PY Deflation Factor	0.95

1 Policy Yr 1985 Incurred = Average of 1986, 1987, 1988, reduced by PY Deflation ^ 2
2 PY 1984 & Prior = Subsequent Yr x PY Deflation
3 1985 Development Selected Based on Observed 1986, 1987, 1988
4 PY 1984 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0

TAIL =   1.0045   vs   1.0042   2,919,073
                                                          0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

INDEMNITY

Policy Year	(*=Estimate)	12/31/06 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/06 Incurred	Prior Year Development	Dollar Development	DF	
1939	*	71,078,204	1.000000	0	1.0000	#	1973	*	406,568,630	1.000035	14,374	1.0001	
1940	*	74,819,162	1.000000	0	1.0000	#	1974	*	427,966,979	1.000047	20,174	1.0002	
1941	*	78,757,013	1.000000	0	1.0000	#	1975	*	450,491,557	1.000063	28,314	1.0003	
1942	*	82,902,119	1.000000	0	1.0000	#	1976	*	474,201,639	1.000084	39,738	1.0003	
1943	*	87,265,388	1.000000	1	1.0000	#	1977	*	499,159,620	1.000112	55,772	1.0004	
1944	*	91,858,303	1.000000	1	1.0000	#	1978	*	525,431,179	1.000149	78,273	1.0006	
1945	*	96,692,951	1.000000	1	1.0000	#	1979	*	553,085,451	1.000199	109,851	1.0008	
1946	*	101,782,054	1.000000	2	1.0000	#	1980	*	582,195,212	1.000265	154,167	1.0011	
1947	*	107,139,004	1.000000	2	1.0000	#	1981	*	612,837,065	1.000353	216,356	1.0014	
1948	*	112,777,899	1.000000	3	1.0000	#	1982	*	645,091,647	1.000471	303,621	1.0019	
1949	*	118,713,578	1.000000	4	1.0000	#	1983	*	679,043,839	1.000628	426,069	1.0025	
1950	*	124,961,661	1.000000	6	1.0000	#	1984	*	714,782,989	1.000837	597,866	1.0034	21ST TO ULT.
1951	*	131,538,590	1.000000	8	1.0000	#	1985	*	752,403,146	1.00111617	838,876	1.0045	20TH TO ULT.
1952	*	138,461,674	1.000000	12	1.0000	#	1986		695,237,353	0.9972			
1953	*	145,749,130	1.000000	16	1.0000	#	1987		842,349,548	1.0010	Total		
1954	*	153,420,137	1.000000	23	1.0000	#	1988		963,476,188	0.9991	Development:		
1955	*	161,494,881	1.000000	32	1.0000	#	1989		1,117,268,182	1.0009	2,919,073		
1956	*	169,994,612	1.000000	45	1.0000	#	1990		1,146,603,178	1.0015			
1957	*	178,941,697	1.000000	63	1.0000	#	1991		1,016,455,952	0.9993			
1958	*	188,359,681	1.000000	89	1.0000	#	1992		881,816,911	1.0007			
1959	*	198,273,348	1.000001	125	1.0000	#	1993		768,680,423	0.9988			
1960	*	208,708,787	1.000001	175	1.0000	#	1994		702,895,888	0.9991			
1961	*	219,693,460	1.000001	246	1.0000	#	1995		619,067,825	1.0138			
1962	*	231,256,274	1.000001	345	1.0000	#	1996		527,262,064	1.0059			
1963	*	243,427,657	1.000002	485	1.0000	#	1997		556,001,271	1.0061			
1964	*	256,239,639	1.000003	680	1.0000	#	1998		580,107,647	1.0061			
1965	*	269,725,936	1.000004	955	1.0000	#	1999		667,120,254	1.0062			
1966	*	283,922,038	1.000005	1,340	1.0000	#	2000		698,572,354	1.0052			
1967	*	298,865,303	1.000006	1,881	1.0000	#	2001		660,373,911	1.0223			
1968	*	314,595,056	1.000008	2,639	1.0000	#	2002		633,659,281	1.0548			
1969	*	331,152,690	1.000011	3,705	1.0000	#	2003		576,608,613	1.1656			
1970	*	348,581,779	1.000015	5,199	1.0001	#	2004		535,732,411	1.4119			
1971	*	366,928,188	1.000020	7,297	1.0001	#	2005		379,313,306	3.0844			
1972	*	386,240,198	1.000027	10,242	1.0001	#	2006		120,639,505				

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Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Medical   **05v06**

Latest 12/31 Prior to 1986 Incurred	1,363,971,912
Next Latest 12/31 Prior to 1986 Incurred	1,343,731,732
CY Development of Prior Yrs	20,240,180
Next Latest PY 1986 Incurred	301,204,176
# of 1986 Yrs in Prior Data	4.53
Selected Decrement, Development Factor	0.75
Selected Average PY Deflation Factor	0.93

1 Policy Yr 1985 Incurred = Average of 1986, 1987, 1988, reduced by PY Deflation ^ 2
2 PY 1984 & Prior = Subsequent Yr x PY Deflation
3 1985 Development Selected Based on Observed 1986, 1987, 1988
4 PY 1984 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0

TAIL =   1.0739   vs   1.0672   20,240,180
                                                0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

MEDICAL

Policy Year	(*=Estimate)	12/31/06 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/06 Incurred	Prior Year Development	Dollar Development	DF	
1939	*	12,272,884	1.000000	0	1.0000	#	1973	*	144,719,270	1.000567	82,057	1.0023	
1940	*	13,196,649	1.000000	1	1.0000	#	1974	*	155,612,118	1.000756	117,623	1.0030	
1941	*	14,189,945	1.000000	1	1.0000	#	1975	*	167,324,858	1.001009	168,592	1.0040	
1942	*	15,258,006	1.000000	1	1.0000	#	1976	*	179,919,202	1.001345	241,628	1.0054	
1943	*	16,406,458	1.000000	2	1.0000	#	1977	*	193,461,508	1.001793	346,265	1.0072	
1944	*	17,641,352	1.000000	2	1.0000	#	1978	*	208,023,127	1.002391	496,141	1.0096	
1945	*	18,969,196	1.000000	3	1.0000	#	1979	*	223,680,782	1.003188	710,749	1.0128	
1946	*	20,396,985	1.000000	5	1.0000	#	1980	*	240,516,969	1.004250	1,017,916	1.0171	
1947	*	21,932,242	1.000000	7	1.0000	#	1981	*	258,620,397	1.005667	1,457,323	1.0229	
1948	*	23,583,056	1.000000	10	1.0000	#	1982	*	278,086,449	1.007556	2,085,434	1.0306	
1949	*	25,358,124	1.000001	14	1.0000	#	1983	*	299,017,687	1.010075	2,982,415	1.0410	
1950	*	27,266,800	1.000001	21	1.0000	#	1984	*	321,524,394	1.013433	4,261,695	1.0550	21ST TO ULT.
1951	*	29,319,140	1.000001	30	1.0000	#	1985	*	345,725,155	1.017910	6,083,080	1.0739	20TH TO ULT.
1952	*	31,525,957	1.000001	43	1.0000	#	1986		305,487,715	1.0142			
1953	*	33,898,879	1.000002	61	1.0000	#	1987		406,243,874	1.0144	Total		
1954	*	36,450,407	1.000002	87	1.0000	#	1988		487,453,826	1.0086	Development:		
1955	*	39,193,986	1.000003	125	1.0000	#	1989		598,001,103	1.0089	20,240,180		
1956	*	42,144,071	1.000004	180	1.0000	#	1990		629,106,068	1.0115			
1957	*	45,316,206	1.000006	258	1.0000	#	1991		597,918,050	1.0108			
1958	*	48,727,103	1.000008	369	1.0000	#	1992		549,255,270	1.0146			
1959	*	52,394,734	1.000010	530	1.0000	#	1993		467,299,733	1.0106			
1960	*	56,338,424	1.000013	759	1.0001	#	1994		435,175,224	1.0199			
1961	*	60,578,951	1.000018	1,089	1.0001	#	1995		409,668,534	1.0206			
1962	*	65,138,657	1.000024	1,561	1.0001	#	1996		405,697,781	1.0169			
1963	*	70,041,566	1.000032	2,238	1.0001	#	1997		432,810,864	1.0163			
1964	*	75,313,512	1.000043	3,208	1.0002	#	1998		485,182,557	1.0304			
1965	*	80,982,271	1.000057	4,599	1.0002	#	1999		523,763,701	1.0080			
1966	*	87,077,711	1.000076	6,594	1.0003	#	2000		541,121,837	1.0126			
1967	*	93,631,947	1.000101	9,453	1.0004	#	2001		498,350,772	1.0126			
1968	*	100,679,513	1.000135	13,553	1.0005	#	2002		507,163,723	1.0501			
1969	*	108,257,541	1.000180	19,430	1.0007	#	2003		507,944,200	1.0681			
1970	*	116,405,958	1.000239	27,854	1.0010	#	2004		538,938,341	1.1243			
1971	*	125,167,697	1.000319	39,931	1.0013	#	2005		511,941,716	2.3210			
1972	*	134,588,921	1.000425	57,243	1.0017	#	2006		222,410,461				

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Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Indemnity: **04v05**

Latest 12/31 Prior to 1985 Incurred	3,809,476,184	
Next Latest 12/31 Prior to 1985 Incurred	3,804,909,342	1 Policy Yr 1984 Incurred = Average of 1985, 1986, 1987, reduced by PY Deflation ^ 2
CY Development of Prior Yrs	4,566,842	2 PY 1983 & Prior = Subsequent Yr x PY Deflation
Next Latest PY 1985 Incurred	559,645,744	3 1984 Development Selected Based on Observed 1985, 1986, 1987
# of 1985 Yrs in Prior Data	6.81	4 PY 1983 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0
Selected Decrement, Development Factor	0.75	
Selected Average PY Deflation Factor	0.95	

TAIL = 1.0089 vs 1.0082 4,566,842
0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

INDEMNITY

Policy Year	(*=Estimate)	12/31/05 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/05 Incurred	Prior Year Development	Dollar Development	DF	
1938	*	56,220,076	1.000000	0	1.0000	#	1972	*	321,579,866	1.000070	22,503	1.0003	
1939	*	59,179,028	1.000000	0	1.0000	#	1973	*	338,505,122	1.000093	31,582	1.0004	
1940	*	62,293,713	1.000000	0	1.0000	#	1974	*	356,321,182	1.000124	44,324	1.0005	
1941	*	65,572,330	1.000000	1	1.0000	#	1975	*	375,074,928	1.000166	62,207	1.0007	
1942	*	69,023,505	1.000000	1	1.0000	#	1976	*	394,815,714	1.000221	87,303	1.0009	
1943	*	72,656,321	1.000000	1	1.0000	#	1977	*	415,595,488	1.000295	122,521	1.0012	
1944	*	76,480,338	1.000000	2	1.0000	#	1978	*	437,468,935	1.000393	171,943	1.0016	
1945	*	80,505,619	1.000000	2	1.0000	#	1979	*	460,493,616	1.000524	241,292	1.0021	
1946	*	84,742,757	1.000000	3	1.0000	#	1980	*	484,730,122	1.000699	338,596	1.0028	
1947	*	89,202,902	1.000000	5	1.0000	#	1981	*	510,242,233	1.000932	475,112	1.0037	
1948	*	93,897,791	1.000000	7	1.0000	#	1982	*	537,097,088	1.001243	666,616	1.0050	
1949	*	98,839,780	1.000000	9	1.0000	#	1983	*	565,365,355	1.001657	935,215	1.0066	21ST TO ULT.
1950	*	104,041,874	1.000000	13	1.0000	#	1984	*	595,121,427	1.00220923	1,311,859	1.0089	20TH TO ULT.
1951	*	109,517,762	1.000000	18	1.0000	#	1985		560,619,701	1.0017			
1952	*	115,281,855	1.000000	26	1.0000	#	1986		642,795,665	1.0023	Total		
1953	*	121,349,321	1.000000	36	1.0000	#	1987		774,827,604	1.0015	Development:		
1954	*	127,736,127	1.000000	50	1.0000	#	1988		875,704,591	1.0032	4,566,842		
1955	*	134,459,082	1.000001	71	1.0000	#	1989		1,014,938,011	1.0019			
1956	*	141,535,875	1.000001	99	1.0000	#	1990		1,064,066,970	1.0021			
1957	*	148,985,132	1.000001	139	1.0000	#	1991		954,813,525	1.0037			
1958	*	156,826,455	1.000001	196	1.0000	#	1992		838,848,429	1.0039			
1959	*	165,080,479	1.000002	274	1.0000	#	1993		724,665,760	1.0024			
1960	*	173,768,925	1.000002	385	1.0000	#	1994		667,904,596	1.0036			
1961	*	182,914,658	1.000003	541	1.0000	#	1995		570,279,863	1.0037			
1962	*	192,541,745	1.000004	759	1.0000	#	1996		498,251,986	1.0077			
1963	*	202,675,521	1.000005	1,065	1.0000	#	1997		519,883,532	1.0057			
1964	*	213,342,654	1.000007	1,495	1.0000	#	1998		557,411,578	1.0118			
1965	*	224,571,214	1.000009	2,098	1.0000	#	1999		641,609,533	1.0113			
1966	*	236,390,752	1.000012	2,944	1.0000	#	2000		674,312,377	1.0234			
1967	*	248,832,370	1.000017	4,132	1.0001	#	2001		618,777,509	1.0481			
1968	*	261,928,811	1.000022	5,800	1.0001	#	2002		567,433,905	1.1486			
1969	*	275,714,538	1.000030	8,140	1.0001	#	2003		465,612,742	1.3972			
1970	*	290,225,829	1.000039	11,424	1.0002	#	2004		363,047,043	2.9740			
1971	*	305,500,873	1.000052	16,033	1.0002	#	2005		119,797,473				

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Inputs for Tail Factor Estimation - 2010 Loss Cost Filing

Medical **04v05**

Latest 12/31 Prior to 1985 Incurred	1,037,205,249	
Next Latest 12/31 Prior to 1985 Incurred	1,023,232,989	1 Policy Yr 1984 Incurred = Average of 1985, 1986, 1987, reduced by PY Deflation ^ 2
CY Development of Prior Yrs	13,972,260	2 PY 1983 & Prior = Subsequent Yr x PY Deflation
Next Latest PY 1985 Incurred	252,121,883	3 1984 Development Selected Based on Observed 1985, 1986, 1987
# of 1985 Yrs in Prior Data	4.11	4 PY 1983 & Prior Development = (Subsequent Yr - 1.0) x Selected Decrement + 1.0
Selected Decrement, Development Factor	0.75	
Selected Average PY Deflation Factor	0.93	

TAIL =   1.0666   vs   1.0554   13,972,260
                                    0

Pennsylvania Compensation Rating Bureau
Tail Factor Model - 2010 Loss Cost Filing

MEDICAL

Policy Year	(*=Estimate)	12/31/05 Incurred	Prior Year Development	Dollar Development	DF		Policy Year	(*=Estimate)	12/31/05 Incurred	Prior Year Development	Dollar Development	DF	
1939	*	10,062,210	1.000000	0	1.0000	#	1973	*	118,651,470	1.000684	81,117	1.0027	
1940	*	10,819,581	1.000000	1	1.0000	#	1974	*	127,582,226	1.000912	116,270	1.0037	
1941	*	11,633,958	1.000000	1	1.0000	#	1975	*	137,185,189	1.001216	166,645	1.0049	
1942	*	12,509,632	1.000000	1	1.0000	#	1976	*	147,510,956	1.001622	238,820	1.0065	
1943	*	13,451,217	1.000000	2	1.0000	#	1977	*	158,613,931	1.002162	342,210	1.0087	
1944	*	14,463,674	1.000000	2	1.0000	#	1978	*	170,552,614	1.002883	490,271	1.0116	
1945	*	15,552,338	1.000000	3	1.0000	#	1979	*	183,389,908	1.003844	702,224	1.0155	
1946	*	16,722,944	1.000000	5	1.0000	#	1980	*	197,193,449	1.005125	1,005,490	1.0207	
1947	*	17,981,660	1.000000	7	1.0000	#	1981	*	212,035,967	1.006834	1,439,117	1.0277	
1948	*	19,335,118	1.000001	10	1.0000	#	1982	*	227,995,663	1.009111	2,058,592	1.0370	
1949	*	20,790,450	1.000001	14	1.0000	#	1983	*	245,156,627	1.012148	2,942,530	1.0496	21ST TO ULT.
1950	*	22,355,323	1.000001	20	1.0000	#	1984	*	263,609,276	1.016197959	4,201,870	1.0666	20TH TO ULT
1951	*	24,037,981	1.000001	29	1.0000	#	1985		256,528,384	1.0175			
1952	*	25,847,292	1.000002	42	1.0000	#	1986		283,007,501	1.0174			
1953	*	27,792,787	1.000002	60	1.0000	#	1987		374,821,647	1.0180	Total		
1954	*	29,884,717	1.000003	86	1.0000	#	1988		451,023,649	1.0078	Development:		
1955	*	32,134,104	1.000004	124	1.0000	#	1989		547,525,955	1.0139	13,972,260		
1956	*	34,552,800	1.000005	178	1.0000	#	1990		583,973,112	1.0102			
1957	*	37,153,549	1.000007	255	1.0000	#	1991		557,835,742	1.0183			
1958	*	39,950,052	1.000009	365	1.0000	#	1992		520,531,768	1.0155			
1959	*	42,957,045	1.000012	524	1.0000	#	1993		437,565,564	1.0153			
1960	*	46,190,371	1.000016	751	1.0001	#	1994		408,219,045	1.0114			
1961	*	49,667,066	1.000022	1,076	1.0001	#	1995		381,578,031	1.0169			
1962	*	53,405,447	1.000029	1,543	1.0001	#	1996		380,138,756	1.0198			
1963	*	57,425,212	1.000039	2,212	1.0002	#	1997		403,519,455	1.0206			
1964	*	61,747,540	1.000051	3,172	1.0002	#	1998		457,268,696	1.0184			
1965	*	66,395,204	1.000068	4,547	1.0003	#	1999		507,458,242	1.0227			
1966	*	71,392,693	1.000091	6,519	1.0004	#	2000		521,696,471	1.0252			
1967	*	76,766,336	1.000122	9,346	1.0005	#	2001		471,070,279	1.0205			
1968	*	82,544,448	1.000162	13,399	1.0006	#	2002		460,370,470	1.0456			
1969	*	88,757,471	1.000216	19,208	1.0009	#	2003		446,807,003	1.1072			
1970	*	95,438,140	1.000289	27,537	1.0012	#	2004		460,469,261	2.3906			
1971	*	102,621,656	1.000385	39,476	1.0015	#	2005		213,337,922				
1972	*	110,345,867	1.000513	56,589	1.0021	#							

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