

**PENNSYLVANIA COMPENSATION RATING BUREAU**

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**Summary of Material for Modification of Experience  
April 1, 2014 Loss Cost Revision**

**As Filed**

**PENNSYLVANIA 2014 LOSS COST FILING**

**EFFECTIVE DATE - April 1, 2014**

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\* Incurred Losses exclude IBNR and Bulk Reserves.

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## EXHIBIT I

### INDICATED CHANGE IN LOSS COSTS

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(1) Policy Year 2009 Ratio of Loss to Expected Loss	0.4978	0.5003	0.9981
(2) Policy Year 2010 Ratio of Loss to Expected Loss	0.4850	0.5217	1.0067
(3) Policy Year 2011 Ratio of Loss to Expected Loss	0.4763	0.5169	0.9932
(4) Average (Midpoint = 1/1/2011)	0.4864	0.5130	0.9994
(5) Policy Year 2009 Ratio Trended to 4/1/2015 +	0.4493	0.4857	0.9350
(6) Policy Year 2010 Ratio Trended to 4/1/2015 +	0.4464	0.5094	0.9558
(7) Policy Year 2011 Ratio Trended to 4/1/2015 +	0.4471	0.5075	0.9546
(8) Average at 4/1/2015	0.4476	0.5009	0.9485
(9) Indicated Change in Loss Costs	0.4476	0.5009	0.9485

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

	<u>Mfg.</u>	<u>Cont.</u>	<u>Other</u>	<u>Total</u>
(10) Current Collectible Premium Ratio	1.0368	1.0883	1.0148	
(11) Anticipated Collectible Premium Ratio	1.0391	1.0935	1.0089	
(12) Final Indicated Change in Manual Loss Cost Level (9T) * (11) / (10)	0.9506	0.9530	0.9430	0.9465

+ Refer to pages 18 and 19.

**EXHIBIT II**

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

<b>(1)</b>	2012 PCRB Member Paid Loss*	2,228,471,542
<b>(2)</b>	2013/2014 Fiscal Year Membership Assessment Amount	
	a. Administration Fund	50,148,765
	b. Subsequent Injury Fund	148,354
	c. Supersedeas Fund	15,207,853
	d. Uninsured Employers Guaranty Fund	2,246,908
	e. Total	<u>67,751,880</u>
<b>(3)</b>	2012 Employer Assessment Premium Base	3,461,835,583
<b>(4)</b>	2013/2014 Fiscal Year Membership Assessment Rate	
	a. Administration Fund (2a) / (3)	0.0145
	b. Subsequent Injury Fund (2b) / (3)	0.0000
	c. Supersedeas Fund (2c) / (3)	0.0044
	d. Uninsured Employers Guaranty Fund (2d) / (3)	0.0006
	e. Employer Assessment Factor (4a) + (4b) + (4c) + (4d)	<u>0.0195</u>
<b>(5)</b>	2013/2014 Fiscal Year Budget for the Office of Small Business Advocate	194,000
<b>(6)</b>	2013/2014 Fiscal Year Membership Assessment Rate for the Office of Small Business Advocate (5) / (1)	0.0001
<b>(7)</b>	Merit Rating Plan Increment Factor	0.0030
<b>(8)</b>	Certified Safety Committee Program Increment Factor	0.0112
<b>(9)</b>	Overall Adjustment for the Office of Small Business Advocate, Merit Rating Plan and Certified Safety Committee Program (6) + (7) + (8)	0.0143

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

**EXHIBIT III - 1**

**POLICY YEAR LOSS RATIO 2011**

( 1 ) Standard Earned Premium Reported (Table I)				1,742,129,878
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0104
( 3 ) Expense Constant Removal Factor				1.0000
( 4 ) PCCPAP On-Level Factor				1.0056
( 5 ) Factor to Remove Loss Based Assessments				0.9862
( 6 ) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)				1,745,677,963
( 7 ) Loss Cost Change to 4/1/13 Level				0.9079
( 8 ) Expected Loss at Current Level (6) * (7)				1,584,901,023
<b>Losses - Paid-to-25th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
( 9 ) Paid Losses Reported (Table I-D & I-E)	220,708,653	415,496,166		636,204,819
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	3.5958	2.0752		
(11) Ultimate Incurred Losses (9) * (10)	793,624,174	862,237,644		1,655,861,818
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	793,624,174	862,237,644		1,655,861,818
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5007	0.5440		1.0447
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	419,474,667	567,398,641		986,873,308
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.7076	1.3682		
(17) Ultimate Incurred Losses (15) * (16)	716,294,941	776,314,821		1,492,609,762
(18) Adjustment to Post-Act 44 Loss Level:	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	716,294,941	776,314,821		1,492,609,762
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4519	0.4898		0.9417
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	754,959,558	819,276,233		1,574,235,791
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4763	0.5169		0.9932
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5312	0.5312		
(24) Severity Ratio * (22) / (23)	0.8966	0.9731		1.8697

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

**EXHIBIT III - 2**

**POLICY YEAR LOSS RATIO 2010**

(1) Standard Earned Premium Reported (Table I)				1,683,844,386
(2) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0042
(3) Expense Constant Removal Factor				1.0000
(4) PCCPAP On-Level Factor				1.0055
(5) Factor to Remove Loss Based Assessments				0.9859
(6) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)				1,676,243,520
(7) Loss Cost Change to 4/1/13 Level				0.9152
(8) Expected Loss at Current Level (6) * (7)				1,534,098,070
<b>Losses - Paid-to-25th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
(9) Paid Losses Reported (Table I-D & I-E)	416,037,568	503,047,880		919,085,448
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.8682	1.6538		
(11) Ultimate Incurred Losses (9) * (10)	777,241,385	831,940,584		1,609,181,969
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	777,241,385	831,940,584		1,609,181,969
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5066	0.5423		1.0489
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	589,238,082	607,833,799		1,197,071,881
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2066	1.2647		
(17) Ultimate Incurred Losses (15) * (16)	710,974,670	768,727,406		1,479,702,076
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	710,974,670	768,727,406		1,479,702,076
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4634	0.5011		0.9645
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	744,108,028	800,333,995		1,544,442,023
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4850	0.5217		1.0067
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5679	0.5679		
(24) Severity Ratio * (22) / (23)	0.8540	0.9186		1.7726

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

**EXHIBIT III - 3**

**POLICY YEAR LOSS RATIO 2009**

( 1 ) Standard Earned Premium Reported (Table I)				1,595,645,627
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0025
( 3 ) Expense Constant Removal Factor				1.0000
( 4 ) PCCPAP On-Level Factor				0.9987
( 5 ) Factor to Remove Loss Based Assessments				0.9859
( 6 ) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)				1,575,029,687
( 7 ) Loss Cost Change to 4/1/13 Level				0.9111
( 8 ) Expected Loss at Current Level (6) * (7)				1,435,009,548
<b>Losses - Paid-to-25th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
( 9 ) Paid Losses Reported (Table I-D & I-E)	511,970,167	493,164,678		1,005,134,845
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.4569	1.5257		
(11) Ultimate Incurred Losses (9) * (10)	745,889,336	752,421,349		1,498,310,685
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	745,889,336	752,421,349		1,498,310,685
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5198	0.5243		1.0441
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	622,738,702	557,750,908		1,180,489,610
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0964	1.2252		
(17) Ultimate Incurred Losses (15) * (16)	682,770,713	683,356,412		1,366,127,125
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	682,770,713	683,356,412		1,366,127,125
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4758	0.4762		0.9520
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	714,330,025	717,888,881		1,432,218,906
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.4978	0.5003		0.9981
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5764	0.5764		
(24) Severity Ratio * (22) / (23)	0.8636	0.8680		1.7316

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

**EXHIBIT III - 4**

**POLICY YEAR LOSS RATIO 2008**

( 1 ) Standard Earned Premium Reported (Table I)				1,778,397,504
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0013
( 3 ) Expense Constant Removal Factor				1.0000
( 4 ) PCCPAP On-Level Factor				0.9989
( 5 ) Factor to Remove Loss Based Assessments				0.9862
( 6 ) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)				1,754,203,882
( 7 ) Loss Cost Change to 4/1/13 Level				0.8602
( 8 ) Expected Loss at Current Level (6) * (7)				1,508,966,179
<b>Losses - Paid-to-25th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
( 9 ) Paid Losses Reported (Table I-D & I-E)	625,488,076	549,536,910		1,175,024,986
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.3039	1.4683		
(11) Ultimate Incurred Losses (9) * (10)	815,573,902	806,885,045		1,622,458,947
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	815,573,902	806,885,045		1,622,458,947
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5405	0.5347		1.0752
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	706,657,550	605,956,857		1,312,614,407
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0671	1.2137		
(17) Ultimate Incurred Losses (15) * (16)	754,074,272	735,449,837		1,489,524,109
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	754,074,272	735,449,837		1,489,524,109
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.4997	0.4874		0.9871
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	784,824,087	771,167,441		1,555,991,528
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5201	0.5111		1.0312
(23) Normalized Claim Frequency (Exhibit VI-2)	0.5968	0.5968		
(24) Severity Ratio * (22) / (23)	0.8715	0.8564		1.7279

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



**EXHIBIT III - 5**

**POLICY YEAR LOSS RATIO 2007**

( 1 )	Standard Earned Premium Reported (Table I)			1,928,018,411
( 2 )	Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0015
( 3 )	Expense Constant Removal Factor			1.0000
( 4 )	PCCPAP On-Level Factor			1.0013
( 5 )	Factor to Remove Loss Based Assessments			0.9873
( 6 )	Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)			1,908,866,180
( 7 )	Loss Cost Change to 4/1/13 Level			0.8079
( 8 )	Expected Loss at Current Level (6) * (7)			1,542,172,987
<b>Losses - Paid-to-25th Method</b>				
		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 9 )	Paid Losses Reported (Table I-D & I-E)	689,790,560	605,336,010	1,295,126,570
(10)	Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.2287	1.4302	
(11)	Ultimate Incurred Losses (9) * (10)	847,545,661	865,751,562	1,713,297,223
(12)	Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13)	Adjusted Losses (11) * (12)	847,545,661	865,751,562	1,713,297,223
(14)	Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5496	0.5614	1.1110
<b>Losses - Incurred Method</b>				
(15)	Incurred Losses Reported (Table I-B & I-C)	764,239,124	672,439,731	1,436,678,855
(16)	Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0561	1.2085	
(17)	Ultimate Incurred Losses (15) * (16)	807,112,939	812,643,415	1,619,756,354
(18)	Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19)	Adjusted Losses (17) * (18)	807,112,939	812,643,415	1,619,756,354
(20)	Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5234	0.5269	1.0503
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21)	Adjusted Ultimate Incurred Losses ((13)+(19))/2	827,329,300	839,197,489	1,666,526,789
(22)	Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5365	0.5442	1.0807
(23)	Normalized Claim Frequency (Exhibit VI-2)	0.6472	0.6472	
(24)	Severity Ratio * (22) / (23)	0.8290	0.8409	1.6699

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

**EXHIBIT III - 6**

**POLICY YEAR LOSS RATIO 2006**

( 1 ) Standard Earned Premium Reported (Table I)				1,869,371,388
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0001
( 3 ) Expense Constant Removal Factor				1.0000
( 4 ) PCCPAP On-Level Factor				1.0019
( 5 ) Factor to Remove Loss Based Assessments				0.9897
( 6 ) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)				1,853,817,448
( 7 ) Loss Cost Change to 4/1/13 Level				0.8005
( 8 ) Expected Loss at Current Level (6) * (7)				1,483,980,867
<b>Losses - Paid-to-25th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
( 9 ) Paid Losses Reported (Table I-D & I-E)	664,608,381	563,628,756		1,228,237,137
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1826	1.4052		
(11) Ultimate Incurred Losses (9) * (10)	785,965,871	792,011,128		1,577,976,999
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	785,965,871	792,011,128		1,577,976,999
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5296	0.5337		1.0633
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	725,831,284	618,262,258		1,344,093,542
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0484	1.1971		
(17) Ultimate Incurred Losses (15) * (16)	760,961,518	740,121,749		1,501,083,267
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	760,961,518	740,121,749		1,501,083,267
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5128	0.4987		1.0115
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	773,463,695	766,066,439		1,539,530,134
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5212	0.5162		1.0374
(23) Normalized Claim Frequency (Exhibit VI-2)	0.6876	0.6876		
(24) Severity Ratio * (22) / (23)	0.7580	0.7507		1.5087

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

**EXHIBIT III - 7**

**POLICY YEAR LOSS RATIO 2005**

( 1) Standard Earned Premium Reported (Table I)			1,895,499,022
( 2) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
( 3) Expense Constant Removal Factor			1.0000
( 4) PCCPAP On-Level Factor			1.0016
( 5) Factor to Remove Loss Based Assessments			0.9912
( 6) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)			1,881,824,740
( 7) Loss Cost Change to 4/1/13 Level			0.7469
( 8) Expected Loss at Current Level (6) * (7)			1,405,534,898
<b>Losses - Paid-to-25th Method</b>	<b>Indemnity</b>	<b>Medical</b>	<b>Total</b>
( 9) Paid Losses Reported (Table I-D & I-E)	658,835,784	559,562,406	1,218,398,190
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1537	1.3802	
(11) Ultimate Incurred Losses (9) * (10)	760,098,844	772,308,033	1,532,406,877
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	760,098,844	772,308,033	1,532,406,877
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5408	0.5495	1.0903
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	706,144,292	610,882,512	1,317,026,804
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0397	1.1921	
(17) Ultimate Incurred Losses (15) * (16)	734,178,220	728,233,043	1,462,411,263
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	734,178,220	728,233,043	1,462,411,263
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5223	0.5181	1.0404
<b>Losses - Average of Incurred and Paid-to-25th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	747,138,532	750,270,538	1,497,409,070
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5316	0.5338	1.0654
(23) Normalized Claim Frequency (Exhibit VI-2)	0.7124	0.7124	
(24) Severity Ratio * (22) / (23)	0.7462	0.7493	1.4955

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

**EXHIBIT III - 8**

**POLICY YEAR LOSS RATIO 2004**

(1) Standard Earned Premium Reported (Table I)			1,728,788,232
(2) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
(3) Expense Constant Removal Factor			1.0000
(4) PCCPAP On-Level Factor			1.0000
(5) Factor to Remove Loss Based Assessments			0.9906
(6) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)			1,712,537,623
(7) Loss Cost Change to 4/1/13 Level			0.7393
(8) Expected Loss at Current Level (6) * (7)			1,266,079,065
<b>Losses - Paid-to-25th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(9) Paid Losses Reported (Table I-D & I-E)	649,275,520	548,275,660	1,197,551,180
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1310	1.3586	
(11) Ultimate Incurred Losses (9) * (10)	734,330,613	744,887,312	1,479,217,925
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	734,330,613	744,887,312	1,479,217,925
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5800	0.5883	1.1683
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	699,081,260	594,384,193	1,293,465,453
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0306	1.1842	
(17) Ultimate Incurred Losses (15) * (16)	720,473,147	703,869,761	1,424,342,908
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	720,473,147	703,869,761	1,424,342,908
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5691	0.5559	1.1250
<b>Losses - Average of Incurred and Paid-to-25th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	727,401,880	724,378,537	1,451,780,417
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5745	0.5721	1.1466
(23) Normalized Claim Frequency (Exhibit VI-2)	0.7676	0.7676	
(24) Severity Ratio * (22) / (23)	0.7484	0.7453	1.4937

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

**EXHIBIT III - 9**

**POLICY YEAR LOSS RATIO 2003**

(1) Standard Earned Premium Reported (Table I)				1,638,636,333
(2) Premium Development Factor to Ultimate Level (Exhibit V-1)				1.0001
(3) Expense Constant Removal Factor				1.0000
(4) PCCPAP On-Level Factor				0.9992
(5) Factor to Remove Loss Based Assessments				0.9910
(6) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)				1,622,751,754
(7) Loss Cost Change to 4/1/13 Level				0.7506
(8) Expected Loss at Current Level (6) * (7)				1,218,037,467
<b>Losses - Paid-to-25th Method</b>				
	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
(9) Paid Losses Reported (Table I-D & I-E)	637,970,124	517,920,223		1,155,890,347
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1148	1.3363		
(11) Ultimate Incurred Losses (9) * (10)	711,209,094	692,096,794		1,403,305,888
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(13) Adjusted Losses (11) * (12)	711,209,094	692,096,794		1,403,305,888
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.5839	0.5682		1.1521
<b>Losses - Incurred Method</b>				
(15) Incurred Losses Reported (Table I-B & I-C)	672,392,878	558,416,353		1,230,809,231
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0241	1.1683		
(17) Ultimate Incurred Losses (15) * (16)	688,597,546	652,397,825		1,340,995,371
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000		
(19) Adjusted Losses (17) * (18)	688,597,546	652,397,825		1,340,995,371
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.5653	0.5356		1.1009
<b>Losses - Average of Incurred and Paid-to-25th Method</b>				
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	699,903,320	672,247,310		1,372,150,630
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.5746	0.5519		1.1265
(23) Normalized Claim Frequency (Exhibit VI-2)	0.8102	0.8102		
(24) Severity Ratio * (22) / (23)	0.7092	0.6812		1.3904

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

**EXHIBIT III - 10**

**POLICY YEAR LOSS RATIO 2002**

( 1 ) Standard Earned Premium Reported (Table I)			1,608,586,341
( 2 ) Premium Development Factor to Ultimate Level (Exhibit V-1)			1.0000
( 3 ) Expense Constant Removal Factor			1.0000
( 4 ) PCCPAP On-Level Factor			0.9988
( 5 ) Factor to Remove Loss Based Assessments			0.9929
( 6 ) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5)			1,595,248,780
( 7 ) Loss Cost Change to 4/1/13 Level			0.7427
( 8 ) Expected Loss at Current Level (6) * (7)			1,184,791,269
<b>Losses - Paid-to-25th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 9 ) Paid Losses Reported (Table I-D & I-E)	668,785,821	508,377,661	1,177,163,482
(10) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.1036	1.3199	
(11) Ultimate Incurred Losses (9) * (10)	738,072,032	671,007,675	1,409,079,707
(12) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(13) Adjusted Losses (11) * (12)	738,072,032	671,007,675	1,409,079,707
(14) Policy Year Ratio of Losses to Expected Losses (13) / (8)	0.6230	0.5664	1.1894
<b>Losses - Incurred Method</b>			
(15) Incurred Losses Reported (Table I-B & I-C)	701,538,773	550,401,730	1,251,940,503
(16) Loss Development Factor to Ultimate Valuation (Exhibit V-2 & V-3)	1.0227	1.1603	
(17) Ultimate Incurred Losses (15) * (16)	717,463,703	638,631,127	1,356,094,830
(18) Adjustment to Post-Act 44 Loss Levels	1.0000	1.0000	
(19) Adjusted Losses (17) * (18)	717,463,703	638,631,127	1,356,094,830
(20) Policy Year Ratio of Losses to Expected Losses (19) / (8)	0.6056	0.5390	1.1446
<b>Losses - Average of Incurred and Paid-to-25th Method</b>			
(21) Adjusted Ultimate Incurred Losses ((13)+(19))/2	727,767,868	654,819,401	1,382,587,269
(22) Policy Year Ratio of Losses to Expected Losses (21) / (8)	0.6143	0.5527	1.1670
(23) Normalized Claim Frequency (Exhibit VI-2)	0.8836	0.8836	
(24) Severity Ratio * (22) / (23)	0.6952	0.6255	1.3207

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

**EXHIBIT IV - 1**

**POLICY YEARS 2002 - 2007  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) LOSS COST DATE</u>	<u>(2) LOSS COST CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 4/01/13 LC LEVEL</u>
2002	4/01/01	BASE	1.0000	0.3024	0.3024	0.7427
	4/01/02	1.0212	1.0212	0.6976	0.7124	
	4/01/03	0.7381	0.7537	-----	-----	
	to 4/01/13			1.0000	1.0148	
2003	4/01/02	BASE	1.0000	0.3075	0.3075	0.7506
	4/01/03	0.9759	0.9759	0.6925	0.6758	
	4/01/04	0.7563	0.7381	-----	-----	
	to 4/01/13			1.0000	0.9833	
2004	4/01/03	BASE	1.0000	0.3058	0.3058	0.7393
	4/01/04	1.0332	1.0332	0.6942	0.7172	
	4/01/05	0.7320	0.7563	-----	-----	
	to 4/01/13			1.0000	1.0230	
2005	4/01/04	BASE	1.0000	0.3072	0.3072	0.7469
	4/01/05	0.9711	0.9711	0.6928	0.6728	
	4/01/06	0.7538	0.7320	-----	-----	
	to 4/01/13			1.0000	0.9800	
2006	4/01/05	BASE	1.0000	0.3203	0.3203	0.8005
	4/01/06	0.9142	0.9142	0.6797	0.6214	
	4/01/07	0.8245	0.7538	-----	-----	
	to 4/01/13			1.0000	0.9417	
2007	4/01/06	BASE	1.0000	0.3042	0.3042	0.8079
	4/01/07	1.0295	1.0295	0.6958	0.7163	
	4/01/08	0.8009	0.8245	-----	-----	
	to 4/01/13			1.0000	1.0205	

**EXHIBIT IV - 2**

**POLICY YEARS 2008 - 2012  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) LOSS COST DATE</u>	<u>(2) LOSS COST CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 4/01/13 LC LEVEL</u>
2008	4/01/07	BASE	1.0000	0.3259	0.3259	0.8602
	4/01/08	0.8978	0.8978	0.6741	0.6052	
	4/01/09	0.8921	0.8009	-----	-----	
	to 4/01/13			1.0000	0.9311	
2009	4/01/08	BASE	1.0000	0.3036	0.3036	0.9111
	4/01/09	0.9700	0.9700	0.6964	0.6755	
	4/01/10	0.9197	0.8921	-----	-----	
	to 4/01/13			1.0000	0.9791	
2010	4/01/09	BASE	1.0000	0.2930	0.2930	0.9152
	4/01/10	1.0068	1.0068	0.7070	0.7118	
	4/01/11	0.9134	0.9196	-----	-----	
	to 4/01/13			1.0000	1.0048	
2011	4/01/10	BASE	1.0000	0.2925	0.2925	0.9079
	4/01/11	1.0087	1.0087	0.7075	0.7137	
	4/01/12	0.9056	0.9135	-----	-----	
	to 4/01/13			1.0000	1.0062	
2012	4/01/11	BASE	1.0000	0.3066	0.3066	0.9425
	4/01/12	0.9434	0.9434	0.6934	0.6542	
	4/01/13	0.9599	0.9056	-----	-----	
				1.0000	0.9608	



**EXHIBIT V - 1**

**DEVELOPMENT FACTORS**

**PREMIUM**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2011-2012 Ratio</u>	<u>Policy Year</u>	<u>2010-2011 Ratio</u>	<u>Policy Year</u>	<u>2009-2010 Ratio</u>	<u>Policy Year</u>	<u>2008-2009 Ratio</u>	<u>Unweighted Average</u>	<u>Selected Average</u>	<u>Cumulative Average</u>
2nd to 1st	2011	1.0134	2010	1.0038	2009	0.9984	2008	1.0093	1.0062	1.0062	1.0104
3rd to 2nd	2010	1.0007	2009	1.0003	2008	1.0027	2007	1.0031	1.0017	1.0017	1.0042
4th to 3rd	2009	0.9995	2008	1.0004	2007	1.0053	2006	0.9994	1.0012	1.0012	1.0025
5th to 4th	2008	1.0000	2007	1.0000	2006	0.9989	2005	1.0001	0.9998	0.9998	1.0013
6th to 5th	2007	1.0002	2006	1.0001	2005	1.0052	2004	0.9999	1.0014	1.0014	1.0015
7th to 6th	2006	1.0003	2005	1.0001	2004	0.9999	2003	1.0001	1.0001	1.0001	1.0001
8th to 7th	2005	1.0000	2004	1.0001	2003	0.9999	2002	1.0000	1.0000	1.0000	1.0000
9th to 8th	2004	0.9996	2003	1.0001	2002	1.0000	2001	1.0000	0.9999	0.9999	1.0000
10th to 9th	2003	1.0002	2002	1.0000	2001	1.0001	2000	1.0000	1.0001	1.0001	1.0001
11th to 10th	2002	1.0001	2001	1.0002	2000	1.0000	1999	1.0000	1.0001	1.0000	1.0000
12th to 11th	2001	0.9999	2000	1.0000	1999	0.9994	1998	1.0000	0.9998	1.0000	1.0000
13th to 12th	2000	0.9999	1999	1.0001	1998	1.0000	1997	1.0000	1.0000	1.0000	1.0000
14th to 13th	1999	1.0000	1998	1.0000	1997	1.0000	1996	1.0001	1.0000	1.0000	1.0000
15th to 14th	1998	1.0000	1997	1.0000	1996	1.0001	1995	0.9998	1.0000	1.0000	1.0000
16th to 15th	1997	1.0000	1996	1.0000	1995	1.0000	1994	1.0000	1.0000	1.0000	1.0000
17th to 16th	1996	1.0000	1995	1.0000	1994	1.0000	1993	1.0000	1.0000	1.0000	1.0000
18th to 17th	1995	1.0000	1994	1.0000	1993	1.0001	1992	0.9999	1.0000	1.0000	1.0000
19th to 18th	1994	1.0000	1993	1.0000	1992	1.0000	1991	1.0001	1.0000	1.0000	1.0000
20th to 19th	1993	1.0000	1992	1.0000	1991	1.0002	1990	1.0002	1.0001	1.0000	1.0000
21st to 20th	1992	1.0000	1991	1.0000	1990	1.0000	1989	1.0000	1.0000	1.0000	1.0000
22nd to 21st	1991	1.0000	1990	1.0000	1989	1.0001	1988	1.0000	1.0000	1.0000	1.0000
23rd to 22nd	1990	1.0000	1989	1.0000	1988	0.9999	1987	1.0001		1.0000	1.0000
24th to 23rd	1989	1.0000	1988	1.0000	1987	1.0000				1.0000	1.0000
25th to 24th	1988	1.0000	1987	1.0000							

<u>Policy Year</u>	<u>Present Valuation</u>	<u>Premium Development Factor</u>
1988	Twenty-Fourth	1.0000
1989	Twenty-Third	1.0000
1990	Twenty-Second	1.0000
1991	Twenty-First	1.0000
1992	Twentieth	1.0000
1993	Nineteenth	1.0000
1994	Eighteenth	1.0000
1995	Seventeenth	1.0000
1996	Sixteenth	1.0000
1997	Fifteenth	1.0000
1998	Fourteenth	1.0000
1999	Thirteenth	1.0000
2000	Twelfth	1.0000
2001	Eleventh	1.0000
2002	Tenth	1.0000
2003	Ninth	1.0001
2004	Eighth	1.0000
2005	Seventh	1.0000
2006	Sixth	1.0001
2007	Fifth	1.0015
2008	Fourth	1.0013
2009	Third	1.0025
2010	Second	1.0042
2011	First	1.0104

**EXHIBIT V - 2****DEVELOPMENT FACTORS****INDEMNITY LOSSES  
PAID METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2011-2012 Ratio</u>	<u>Policy Year</u>	<u>2010-2011 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	a	2011	1.9332	2010	1.9161	1.9247	3.5958
3rd to 2nd	a	2010	1.2814	2009	1.2832	1.2823	1.8682
4th to 3rd	a	2009	1.1095	2008	1.1252	1.1174	1.4569
5th to 4th	a	2008	1.0526	2007	1.0697	1.0612	1.3039
6th to 5th	a	2007	1.0384	2006	1.0396	1.0390	1.2287
7th to 6th	a	2006	1.0219	2005	1.0281	1.0250	1.1826
8th to 7th	a	2005	1.0225	2004	1.0176	1.0201	1.1537
9th to 8th	a	2004	1.0139	2003	1.0150	1.0145	1.1310
10th to 9th	a	2003	1.0131	2002	1.0073	1.0102	1.1148
11th to 10th	a	2002	1.0067	2001	1.0073	1.0070	1.1036
12th to 11th	a	2001	1.0075	2000	1.0075	1.0075	1.0959
13th to 12th	a	2000	1.0045	1999	1.0059	1.0052	1.0877
14th to 13th	a	1999	1.0026	1998	1.0042	1.0034	1.0821
15th to 14th	a	1998	1.0037	1997	1.0057	1.0047	1.0784
16th to 15th	a	1997	1.0039	1996	1.0053	1.0046	1.0734
17th to 16th	a	1996	1.0048	1995	1.0057	1.0053	1.0685
18th to 17th	a	1995	1.0050	1994	1.0064	1.0057	1.0628
19th to 18th	a	1994	1.0049	1993	1.0050	1.0050	1.0568
20th to 19th	a	1993	1.0055	1992	1.0051	1.0053	1.0516
21st to 20th	a	1992	1.0045	1991	1.0038	1.0042	1.0460
22nd to 21st	a	1991	1.0035	1990	1.0032	1.0034	1.0416
23rd to 22nd	a	1990	1.0040	1989	1.0033	1.0037	1.0381
24th to 23rd	a	1989	1.0035	1988	1.0033	1.0034	1.0343
25th to 24th	b	1988	1.0244	1987	1.0314	1.0279	1.0308
Beyond 25th		1987	1.0020	1986	1.0041	1.0031	1.0028

**d****INCURRED METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2011-2012 Ratio</u>	<u>Policy Year</u>	<u>2010-2011 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	c	2011	1.4151	2010	1.4153	1.4152	1.7076
3rd to 2nd	c	2010	1.0962	2009	1.1048	1.1005	1.2066
4th to 3rd	c	2009	1.0216	2008	1.0333	1.0275	1.0964
5th to 4th	c	2008	1.0015	2007	1.0192	1.0104	1.0671
6th to 5th	c	2007	1.0012	2006	1.0133	1.0073	1.0561
7th to 6th	c	2006	1.0021	2005	1.0146	1.0084	1.0484
8th to 7th	c	2005	1.0043	2004	1.0132	1.0088	1.0397
9th to 8th	c	2004	1.0033	2003	1.0095	1.0064	1.0306
10th to 9th	c	2003	0.9997	2002	1.0029	1.0013	1.0241
11th to 10th	c	2002	1.0027	2001	1.0038	1.0033	1.0227
12th to 11th	c	2001	1.0018	2000	1.0020	1.0019	1.0194
13th to 12th	c	2000	1.0010	1999	1.0007	1.0009	1.0174
14th to 13th	c	1999	0.9991	1998	1.0005	0.9998	1.0165
15th to 14th	c	1998	1.0021	1997	1.0005	1.0013	1.0167
16th to 15th	c	1997	1.0027	1996	1.0005	1.0016	1.0154
17th to 16th	c	1996	1.0007	1995	1.0026	1.0017	1.0138
18th to 17th	c	1995	1.0011	1994	1.0023	1.0017	1.0121
19th to 18th	c	1994	0.9996	1993	1.0023	1.0010	1.0103
20th to 19th	c	1993	1.0026	1992	1.0007	1.0017	1.0093
21st to 20th	c	1992	1.0013	1991	1.0010	1.0012	1.0076
22nd to 21st	c	1991	1.0001	1990	1.0037	1.0019	1.0064
23rd to 22nd	c	1990	1.0022	1989	1.0015	1.0019	1.0045
24th to 23rd	c	1989	0.9975	1988	1.0002	0.9989	1.0026
25th to 24th	c	1988	1.0011	1987	1.0007	1.0009	1.0037
Beyond 25th	c	1987	1.0020	1986	1.0041	1.0031	1.0028

**d**

- a** From Table I-D  
**b** 24th (Paid - Table 1-D) to 25th (Incurred - Table I-B)  
**c** From Table I-B  
**d** Derived separately. See Exhibit # 7 of the April 1, 2014 Filing Package.

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

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2011-2012 Ratio</u>	<u>Policy Year</u>	<u>2010-2011 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	a	2011	1.2630	2010	1.2466	1.2548	2.0752
3rd to 2nd	a	2010	1.0804	2009	1.0876	1.0840	1.6538
4th to 3rd	a	2009	1.0346	2008	1.0436	1.0391	1.5257
5th to 4th	a	2008	1.0252	2007	1.0280	1.0266	1.4683
6th to 5th	a	2007	1.0156	2006	1.0200	1.0178	1.4302
7th to 6th	a	2006	1.0179	2005	1.0183	1.0181	1.4052
8th to 7th	a	2005	1.0151	2004	1.0167	1.0159	1.3802
9th to 8th	a	2004	1.0163	2003	1.0171	1.0167	1.3586
10th to 9th	a	2003	1.0128	2002	1.0119	1.0124	1.3363
11th to 10th	a	2002	1.0101	2001	1.0145	1.0123	1.3199
12th to 11th	a	2001	1.0125	2000	1.0132	1.0129	1.3039
13th to 12th	a	2000	1.0130	1999	1.0182	1.0156	1.2873
14th to 13th	a	1999	1.0095	1998	1.0112	1.0104	1.2675
15th to 14th	a	1998	1.0107	1997	1.0108	1.0108	1.2545
16th to 15th	a	1997	1.0093	1996	1.0091	1.0092	1.2411
17th to 16th	a	1996	1.0119	1995	1.0121	1.0120	1.2298
18th to 17th	a	1995	1.0127	1994	1.0094	1.0111	1.2152
19th to 18th	a	1994	1.0085	1993	1.0131	1.0108	1.2018
20th to 19th	a	1993	1.0113	1992	1.0098	1.0106	1.1890
21st to 20th	a	1992	1.0089	1991	1.0080	1.0085	1.1765
22nd to 21st	a	1991	1.0076	1990	1.0081	1.0079	1.1666
23rd to 22nd	a	1990	1.0097	1989	1.0089	1.0093	1.1575
24th to 23rd	a	1989	1.0086	1988	1.0103	1.0095	1.1468
25th to 24th	b	1988	1.0946	1987	1.0936	1.0940	1.1360
Beyond 25th		1987	1.0224	1986	1.0726	1.0474	1.0383

**d****INCURRED METHOD**

<u>Reports in Ratio</u>	<u>Policy Year</u>	<u>2011-2012 Ratio</u>	<u>Policy Year</u>	<u>2010-2011 Ratio</u>	<u>Unweighted Average</u>	<u>Cumulative Average</u>	
2nd to 1st	c	2011	1.0831	2010	1.0806	1.0819	1.3682
3rd to 2nd	c	2010	1.0270	2009	1.0374	1.0322	1.2647
4th to 3rd	c	2009	1.0003	2008	1.0186	1.0095	1.2252
5th to 4th	c	2008	0.9959	2007	1.0126	1.0043	1.2137
6th to 5th	c	2007	1.0077	2006	1.0113	1.0095	1.2085
7th to 6th	c	2006	0.9971	2005	1.0112	1.0042	1.1971
8th to 7th	c	2005	1.0051	2004	1.0082	1.0067	1.1921
9th to 8th	c	2004	1.0120	2003	1.0151	1.0136	1.1842
10th to 9th	c	2003	1.0031	2002	1.0107	1.0069	1.1683
11th to 10th	c	2002	1.0043	2001	1.0033	1.0038	1.1603
12th to 11th	c	2001	1.0033	2000	1.0186	1.0110	1.1559
13th to 12th	c	2000	1.0022	1999	0.9911	0.9967	1.1433
14th to 13th	c	1999	1.0090	1998	1.0099	1.0095	1.1471
15th to 14th	c	1998	1.0087	1997	1.0077	1.0082	1.1363
16th to 15th	c	1997	1.0082	1996	1.0075	1.0079	1.1271
17th to 16th	c	1996	1.0064	1995	1.0141	1.0103	1.1182
18th to 17th	c	1995	1.0201	1994	1.0060	1.0131	1.1068
19th to 18th	c	1994	1.0088	1993	1.0095	1.0092	1.0925
20th to 19th	c	1993	1.0095	1992	1.0009	1.0052	1.0826
21st to 20th	c	1992	1.0085	1991	1.0094	1.0090	1.0770
22nd to 21st	c	1991	1.0034	1990	1.0106	1.0070	1.0674
23rd to 22nd	c	1990	1.0078	1989	1.0125	1.0102	1.0599
24th to 23rd	c	1989	1.0038	1988	1.0072	1.0055	1.0492
25th to 24th	c	1988	1.0049	1987	1.0050	1.0049	1.0435
Beyond 25th	c	1987	1.0224	1986	1.0726	1.0474	1.0383

**d**

- a** From Table I-E  
**b** 24th (Paid - Table 1-D) to 25th (Incurred - Table I-B)  
**c** From Table I-C  
**d** Derived separately. See Exhibit # 7 of the April 1, 2014 Filing Package.

**EXHIBIT VI - 1**

**DETERMINATION OF TREND**

**INDEMNITY**

Policy Year	2005	2006	2007	2008	2009	2010	2011
Actual Loss Ratio	0.5316	0.5212	0.5365	0.5201	0.4978	0.4850	0.4763
Normalized Frequency	0.7124	0.6876	0.6472	0.5968	0.5764	0.5679	0.5312
Severity Loss Ratio	0.7462	0.7580	0.8290	0.8715	0.8636	0.8540	0.8966
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7462	0.7580	0.8290	0.8715	0.8636	0.8540	0.8966

7 Point Exponential Regression:  $y = 0.736728 * 1.030095 ^ x$

Policy Year	Severity Trend Factor (1)	# of years to 4/1/15 (2)	Severity Trend to 4/1/15 (3) = (1) ^ (2)	Frequency Trend Factor (4) #
2009	1.0301	5.2500	1.1685	0.7724
2010	1.0301	4.2500	1.1343	0.8113
2011	1.0301	3.2500	1.1012	0.8523

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3) * (4)	Trended Loss Ratio (7) = (5) * (6)
2009	0.4978	0.9025	0.4493
2010	0.4850	0.9203	0.4464
2011	0.4763	0.9386	0.4471

**MEDICAL**

Policy Year	2005	2006	2007	2008	2009	2010	2011
Actual Loss Ratio	0.5338	0.5162	0.5442	0.5111	0.5003	0.5217	0.5169
Normalized Frequency	0.7124	0.6876	0.6472	0.5968	0.5764	0.5679	0.5312
Severity Loss Ratio	0.7493	0.7507	0.8409	0.8564	0.8680	0.9186	0.9731
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7493	0.7507	0.8409	0.8564	0.8680	0.9186	0.9731

7 Point Exponential Regression:  $y = 0.712090 * 1.044514 ^ x$

Policy Year	Severity Trend Factor (1)	# of years to 4/1/15 (2)	Severity Trend to 4/1/15 (3) = (1) ^ (2)	Frequency Trend Factor (4) #
2009	1.0445	5.2500	1.2568	0.7724
2010	1.0445	4.2500	1.2033	0.8113
2011	1.0445	3.2500	1.1520	0.8523

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3) * (4)	Trended Loss Ratio (7) = (5) * (6)
2009	0.5003	0.9708	0.4857
2010	0.5217	0.9762	0.5094
2011	0.5169	0.9818	0.5075

## DETERMINATION OF TREND

### Claim Frequency

Policy Year Frequency per \$1 million of Expected Losses  
{1 = PY 2000, 12 = PY 2011}

Policy Year	Claim Frequency	Normalized Frequency
2000	26.98	1.0000
2001	24.84	0.9207
2002	23.84	0.8836
2003	21.86	0.8102
2004	20.71	0.7676
2005	19.22	0.7124
2006	18.55	0.6876
2007	17.46	0.6472
2008	16.10	0.5968
2009	15.55	0.5764
2010	15.32	0.5679
2011	14.33	0.5312

Policy Year	2005	2006	2007	2008	2009	2010	2011
<b>x</b>	1	2	3	4	5	6	7
<b>y</b>	0.7124	0.6876	0.6472	0.5968	0.5764	0.5679	0.5312

7 Point Exponential Regression:  $y = 0.747683 * 0.95194719 ^ x$

### SELECTED FREQUENCY TREND FACTOR

**-4.8%**

Policy Year	Frequency Trend Factor (1)	# of years to 4/1/15 (2)	Frequency Trend to 4/1/15 (3) = (1)^(2)
2009	0.9520	5.2500	0.7724
2010	0.9520	4.2500	0.8113
2011	0.9520	3.2500	0.8523

TABLE I - PA 2014

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/10	As of 12/31/11	Ratio to Prior Year
Prior			
to 1986	11,667,867,625	11,667,867,918	1.0000
1986	1,452,760,388	1,452,760,388	1.0000
1987	1,731,862,553	1,731,862,355	1.0000
1988	1,943,689,953	1,943,689,953	1.0000
1989	2,090,639,560	2,090,694,941	1.0000
1990	2,363,457,107	2,363,457,402	1.0000
1991	2,494,457,693	2,494,445,110	1.0000
1992	2,353,532,762	2,353,549,644	1.0000
1993	2,523,103,943	2,523,141,079	1.0000
1994	1,916,372,990	1,916,321,759	1.0000
1995	1,802,602,789	1,802,668,593	1.0000
1996	1,734,661,404	1,734,652,342	1.0000
1997	1,466,457,239	1,466,458,752	1.0000
1998	1,421,663,188	1,421,749,000	1.0001
1999	1,445,129,125	1,445,162,858	1.0000
2000	1,477,101,563	1,477,393,552	1.0002
2001	1,553,341,375	1,553,396,283	1.0000
2002	1,609,890,996	1,610,037,743	1.0001
2003	1,639,906,353	1,640,092,001	1.0001
2004	1,730,242,011	1,730,340,211	1.0001
2005	1,897,440,839	1,897,540,890	1.0001
2006	1,872,211,097	1,872,230,108	1.0000
2007	1,931,831,617	1,932,614,873	1.0004
2008	1,784,281,265	1,784,820,498	1.0003
2009	1,593,518,161	1,599,499,021	1.0038
2010	937,033,974	1,665,723,487	1.7777
2011		945,430,858	

Policy Year Valued	As of 12/31/11	As of 12/31/12	Ratio to Prior Year
Prior			
to 1986	11,345,127,932	11,345,130,085	1.0000
1986	1,435,508,492	1,435,508,492	1.0000
1987	1,712,233,333	1,712,233,333	1.0000
1988	1,918,224,670	1,918,224,670	1.0000
1989	2,058,654,028	2,058,654,028	1.0000
1990	2,326,340,017	2,326,340,017	1.0000
1991	2,445,140,577	2,445,143,372	1.0000
1992	2,293,593,934	2,293,565,428	1.0000
1993	2,450,912,492	2,450,894,328	1.0000
1994	1,865,794,472	1,865,789,999	1.0000
1995	1,750,702,856	1,750,702,793	1.0000
1996	1,677,195,587	1,677,194,991	1.0000
1997	1,421,946,379	1,421,947,889	1.0000
1998	1,370,963,167	1,370,961,589	1.0000
1999	1,401,766,787	1,401,646,115	0.9999
2000	1,426,577,425	1,426,499,819	0.9999
2001	1,529,663,975	1,529,798,593	1.0001
2002	1,608,261,636	1,608,586,341	1.0002
2003	1,639,363,989	1,638,636,333	0.9996
2004	1,728,736,354	1,728,788,232	1.0000
2005	1,895,000,491	1,895,499,022	1.0003
2006	1,869,052,497	1,869,371,388	1.0002
2007	1,927,980,949	1,928,018,411	1.0000
2008	1,779,352,280	1,778,397,504	0.9995
2009	1,594,486,439	1,595,645,627	1.0007
2010	1,661,595,030	1,683,844,386	1.0134
2011	943,861,298	1,742,129,878	1.8457
2012		942,386,888	

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

TABLE I - A

## POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

## INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/10	As of 12/31/11	Ratio to Prior Year
Prior			
to 1986	8,060,698,836	8,087,790,131	1.0034
1986	1,278,593,559	1,280,770,406	1.0017
1987	1,579,647,966	1,582,896,687	1.0021
1988	1,818,970,004	1,827,143,515	1.0045
1989	2,112,464,850	2,124,059,017	1.0055
1990	2,162,143,226	2,169,670,826	1.0035
1991	1,926,917,564	1,928,305,025	1.0007
1992	1,639,243,618	1,646,939,299	1.0047
1993	1,336,858,636	1,341,695,157	1.0036
1994	1,215,443,634	1,223,876,370	1.0069
1995	1,068,190,766	1,071,677,189	1.0033
1996	963,045,929	966,555,621	1.0036
1997	1,006,281,889	1,011,013,592	1.0047
1998	1,062,570,547	1,058,560,189	0.9962
1999	1,162,619,324	1,173,542,926	1.0094
2000	1,223,236,743	1,227,619,203	1.0036
2001	1,193,068,163	1,200,533,631	1.0063
2002	1,237,980,136	1,252,786,923	1.0120
2003	1,209,289,106	1,222,517,683	1.0109
2004	1,272,394,535	1,288,979,841	1.0130
2005	1,302,287,363	1,318,398,800	1.0124
2006	1,318,626,706	1,339,961,559	1.0162
2007	1,402,919,029	1,439,868,777	1.0263
2008	1,212,330,739	1,299,939,923	1.0723
2009	906,031,100	1,113,693,866	1.2292
2010	377,510,800	979,109,619	2.5936
2011		395,145,544	

Policy Year Valued	As of 12/31/11	As of 12/31/12	Ratio to Prior Year
Prior			
to 1986	7,858,226,289	7,863,454,739	1.0007
1986	1,271,896,030	1,275,557,342	1.0029
1987	1,568,864,971	1,572,054,822	1.0020
1988	1,802,017,764	1,801,166,896	0.9995
1989	2,092,562,043	2,100,410,597	1.0038
1990	2,135,718,441	2,138,080,537	1.0011
1991	1,886,649,235	1,893,393,736	1.0036
1992	1,600,732,143	1,608,578,726	1.0049
1993	1,302,596,558	1,306,395,517	1.0029
1994	1,196,697,863	1,206,524,215	1.0082
1995	1,044,420,160	1,047,554,344	1.0030
1996	939,456,088	944,322,271	1.0052
1997	981,624,529	986,630,543	1.0051
1998	1,008,521,453	1,012,190,984	1.0036
1999	1,122,583,865	1,124,295,682	1.0015
2000	1,165,082,506	1,167,951,121	1.0025
2001	1,172,237,124	1,176,193,961	1.0034
2002	1,250,433,838	1,251,940,503	1.0012
2003	1,221,984,002	1,230,809,231	1.0072
2004	1,287,484,436	1,293,465,453	1.0046
2005	1,317,343,914	1,317,026,804	0.9998
2006	1,338,447,902	1,344,093,542	1.0042
2007	1,438,350,421	1,436,678,855	0.9988
2008	1,297,478,298	1,312,614,407	1.0117
2009	1,111,161,858	1,180,489,610	1.0624
2010	977,609,534	1,197,071,881	1.2245
2011	394,742,996	986,873,308	2.5000
2012		364,427,454	

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

TABLE I - B

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**  
**INDEMNITY INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/10</b>	<b>As of 12/31/11</b>	<b>Ratio to Prior Year</b>
Prior			
to 1986	5,425,338,352	5,428,709,004	1.0006
1986	817,823,601	818,379,794	1.0007
1987	989,227,838	989,379,684	1.0002
1988	1,124,419,629	1,126,067,973	1.0015
1989	1,294,781,775	1,299,613,868	1.0037
1990	1,328,577,399	1,329,885,804	1.0010
1991	1,158,829,053	1,159,665,078	1.0007
1992	980,093,783	982,356,112	1.0023
1993	840,310,523	842,273,768	1.0023
1994	765,376,859	767,450,957	1.0027
1995	645,940,529	646,254,933	1.0005
1996	542,104,969	542,364,096	1.0005
1997	557,804,779	558,093,394	1.0005
1998	570,025,078	570,406,550	1.0007
1999	643,465,474	644,724,536	1.0020
2000	684,222,380	686,812,258	1.0038
2001	676,609,077	678,564,277	1.0029
2002	696,366,092	702,989,793	1.0095
2003	661,711,813	670,435,033	1.0132
2004	687,089,617	697,115,544	1.0146
2005	696,077,587	705,359,481	1.0133
2006	712,148,503	725,842,732	1.0192
2007	739,277,486	763,871,297	1.0333
2008	627,057,723	692,790,945	1.1048
2009	402,334,526	569,411,306	1.4153
2010	124,991,024	417,090,247	3.3370
2011		125,567,147	

<b>Policy Year Valued</b>	<b>As of 12/31/11</b>	<b>As of 12/31/12</b>	<b>Ratio to Prior Year</b>
Prior			
to 1986	5,274,252,821	5,275,324,075	1.0002
1986	812,429,398	812,971,694	1.0007
1987	980,223,833	981,282,561	1.0011
1988	1,110,074,518	1,107,255,611	0.9975
1989	1,280,101,002	1,282,980,273	1.0022
1990	1,308,121,613	1,308,253,418	1.0001
1991	1,135,390,528	1,136,904,146	1.0013
1992	954,246,185	956,749,710	1.0026
1993	818,195,827	817,873,536	0.9996
1994	750,032,187	750,896,161	1.0012
1995	629,156,637	629,613,947	1.0007
1996	526,121,988	527,581,959	1.0028
1997	540,717,659	541,873,259	1.0021
1998	545,925,586	545,427,090	0.9991
1999	612,458,453	613,047,690	1.0010
2000	648,915,654	650,078,292	1.0018
2001	661,454,126	663,220,572	1.0027
2002	701,746,831	701,538,773	0.9997
2003	670,182,745	672,392,878	1.0033
2004	696,122,642	699,081,260	1.0043
2005	704,662,509	706,144,292	1.0021
2006	724,932,600	725,831,284	1.0012
2007	763,110,800	764,239,124	1.0015
2008	691,697,171	706,657,550	1.0216
2009	568,081,564	622,738,702	1.0962
2010	416,393,383	589,238,082	1.4151
2011	125,464,517	419,474,667	3.3434
2012		116,553,217	

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



TABLE I - C

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**  
**MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/10</b>	<b>As of 12/31/11</b>	<b>Ratio to Prior Year</b>
Prior			
to 1986	2,635,360,484	2,659,081,127	1.0090
1986	460,769,958	462,390,612	1.0035
1987	590,420,128	593,517,003	1.0052
1988	694,550,375	701,075,542	1.0094
1989	817,683,075	824,445,149	1.0083
1990	833,565,827	839,785,022	1.0075
1991	768,088,511	768,639,947	1.0007
1992	659,149,835	664,583,187	1.0082
1993	496,548,113	499,421,389	1.0058
1994	450,066,775	456,425,413	1.0141
1995	422,250,237	425,422,256	1.0075
1996	420,940,960	424,191,525	1.0077
1997	448,477,110	452,920,198	1.0099
1998	492,545,469	488,153,639	0.9911
1999	519,153,850	528,818,390	1.0186
2000	539,014,363	540,806,945	1.0033
2001	516,459,086	521,969,354	1.0107
2002	541,614,044	549,797,130	1.0151
2003	547,577,293	552,082,650	1.0082
2004	585,304,918	591,864,297	1.0112
2005	606,209,776	613,039,319	1.0113
2006	606,478,203	614,118,827	1.0126
2007	663,641,543	675,997,480	1.0186
2008	585,273,016	607,148,978	1.0374
2009	503,696,574	544,282,560	1.0806
2010	252,519,776	562,019,372	2.2256
2011		269,578,397	

  

<b>Policy Year Valued</b>	<b>As of 12/31/11</b>	<b>As of 12/31/12</b>	<b>Ratio to Prior Year</b>
Prior			
to 1986	2,583,973,468	2,588,130,664	1.0016
1986	459,466,632	462,585,648	1.0068
1987	588,641,138	590,772,261	1.0036
1988	691,943,246	693,911,285	1.0028
1989	812,461,041	817,430,324	1.0061
1990	827,596,828	829,827,119	1.0027
1991	751,258,707	756,489,590	1.0070
1992	646,485,958	651,829,016	1.0083
1993	484,400,731	488,521,981	1.0085
1994	446,665,676	455,628,054	1.0201
1995	415,263,523	417,940,397	1.0064
1996	413,334,100	416,740,312	1.0082
1997	440,906,870	444,757,284	1.0087
1998	462,595,867	466,763,894	1.0090
1999	510,125,412	511,247,992	1.0022
2000	516,166,852	517,872,829	1.0033
2001	510,782,998	512,973,389	1.0043
2002	548,687,007	550,401,730	1.0031
2003	551,801,257	558,416,353	1.0120
2004	591,361,794	594,384,193	1.0051
2005	612,681,405	610,882,512	0.9971
2006	613,515,302	618,262,258	1.0077
2007	675,239,621	672,439,731	0.9959
2008	605,781,127	605,956,857	1.0003
2009	543,080,294	557,750,908	1.0270
2010	561,216,151	607,833,799	1.0831
2011	269,278,479	567,398,641	2.1071
2012		247,874,237	

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

TABLE I - D

## POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

## INDEMNITY PAID LOSSES

Policy Year Valued	As of 12/31/10	As of 12/31/11	Ratio to Prior Year
Prior			
to 1986	5,308,721,015	5,323,970,542	1.0029
1986	793,346,631	795,923,176	1.0032
1987	963,659,792	966,887,620	1.0033
1988	1,089,434,893	1,093,092,864	1.0034
1989	1,254,143,615	1,258,262,658	1.0033
1990	1,281,440,871	1,286,371,198	1.0038
1991	1,104,873,457	1,110,604,018	1.0052
1992	928,731,211	933,526,625	1.0052
1993	794,846,273	800,100,219	1.0066
1994	721,615,251	725,921,732	1.0060
1995	614,688,377	618,111,822	1.0056
1996	517,215,702	520,215,347	1.0058
1997	542,305,315	544,585,212	1.0042
1998	555,252,461	558,510,650	1.0059
1999	625,636,979	630,342,752	1.0075
2000	660,323,113	665,122,025	1.0073
2001	654,082,428	658,864,734	1.0073
2002	651,570,810	661,343,287	1.0150
2003	618,586,118	629,447,722	1.0176
2004	618,351,159	635,740,396	1.0281
2005	620,819,200	645,426,755	1.0396
2006	599,132,689	640,914,112	1.0697
2007	583,060,304	656,061,157	1.1252
2008	440,179,971	564,853,095	1.2832
2009	209,038,491	400,543,829	1.9161
2010	42,981,614	215,681,537	5.0180
2011		43,703,315	

  

Policy Year Valued	As of 12/31/11	As of 12/31/12	Ratio to Prior Year
Prior			
to 1986	5,171,848,902	5,185,151,768	1.0026
1986	789,994,942	792,934,516	1.0037
1987	957,731,773	961,114,453	1.0035
1988	1,077,099,433	1,080,899,549	1.0035
1989	1,239,031,954	1,244,066,773	1.0041
1990	1,264,607,008	1,269,075,603	1.0035
1991	1,086,956,775	1,091,959,217	1.0046
1992	906,240,639	911,374,538	1.0057
1993	776,549,202	780,502,952	1.0051
1994	708,942,451	712,672,943	1.0053
1995	601,337,025	604,340,074	1.0050
1996	504,156,598	506,143,709	1.0039
1997	527,210,417	529,173,493	1.0037
1998	534,783,231	536,153,770	1.0026
1999	598,635,638	601,300,074	1.0045
2000	628,330,764	633,059,933	1.0075
2001	641,933,173	646,221,479	1.0067
2002	660,120,025	668,785,821	1.0131
2003	629,195,434	637,970,124	1.0139
2004	634,979,013	649,275,520	1.0225
2005	644,734,783	658,835,784	1.0219
2006	640,007,981	664,608,381	1.0384
2007	655,300,662	689,790,560	1.0526
2008	563,765,601	625,488,076	1.1095
2009	399,532,697	511,970,167	1.2814
2010	215,207,077	416,037,568	1.9332
2011	43,648,212	220,708,653	5.0565
2012		41,698,950	

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

TABLE I - E

## POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

## MEDICAL PAID LOSSES

Policy Year Valued	As of 12/31/10	As of 12/31/11	Ratio to Prior Year
Prior			
to 1986	2,486,383,069	2,502,132,798	1.0063
1986	434,285,031	437,316,611	1.0070
1987	554,039,075	558,098,091	1.0073
1988	660,113,717	664,443,663	1.0066
1989	768,350,979	773,086,390	1.0062
1990	797,327,611	802,353,036	1.0063
1991	719,535,203	725,231,456	1.0079
1992	611,779,394	618,657,341	1.0112
1993	461,919,915	466,122,177	1.0091
1994	418,313,168	423,380,195	1.0121
1995	389,037,118	392,559,962	1.0091
1996	381,036,285	385,138,141	1.0108
1997	410,306,615	414,919,649	1.0112
1998	438,949,267	446,943,997	1.0182
1999	473,323,812	479,556,863	1.0132
2000	491,379,042	498,520,498	1.0145
2001	483,220,657	488,968,319	1.0119
2002	494,543,616	502,978,929	1.0171
2003	501,494,643	509,870,256	1.0167
2004	530,913,008	540,618,492	1.0183
2005	539,296,736	550,083,795	1.0200
2006	540,371,035	555,504,678	1.0280
2007	566,482,456	591,199,279	1.0436
2008	489,577,943	532,454,544	1.0876
2009	366,980,227	457,460,808	1.2466
2010	115,365,545	398,784,557	3.4567
2011		119,416,149	
Policy Year Valued	As of 12/31/11	As of 12/31/12	Ratio to Prior Year
Prior			
to 1986	2,431,965,482	2,447,110,346	1.0062
1986	434,392,632	436,964,757	1.0059
1987	553,326,453	556,556,129	1.0058
1988	655,342,712	659,496,287	1.0063
1989	761,213,163	766,852,561	1.0074
1990	790,571,081	795,322,562	1.0060
1991	708,560,002	713,628,050	1.0072
1992	600,958,139	606,772,885	1.0097
1993	452,753,281	456,497,766	1.0083
1994	413,641,877	418,897,455	1.0127
1995	382,674,265	387,229,064	1.0119
1996	375,061,481	378,538,386	1.0093
1997	403,364,491	407,690,228	1.0107
1998	425,614,594	429,638,217	1.0095
1999	461,429,233	467,432,018	1.0130
2000	476,677,541	482,642,702	1.0125
2001	477,877,606	482,699,847	1.0101
2002	501,938,273	508,377,661	1.0128
2003	509,588,863	517,920,223	1.0163
2004	540,121,082	548,275,660	1.0151
2005	549,746,488	559,562,406	1.0179
2006	554,949,021	563,628,756	1.0156
2007	590,448,344	605,336,010	1.0252
2008	531,134,116	549,536,910	1.0346
2009	456,482,646	493,164,678	1.0804
2010	398,303,866	503,047,880	1.2630
2011	119,264,499	415,496,166	3.4838
2012		116,656,131	

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

## EXHIBIT VII

### LOSS COST FORMULAE

The experience used for classification relativities for the April 1, 2014 revision will include all available risks. It is proposed that catastrophes be limited in accordance with the procedure previously employed in other Bureau filings. The experience period will be five (5) years for all classifications regardless of whether a classification might meet the full credibility requirements with less than five years of data. Credibility will be based on reported payrolls for classifications using payroll as the exposure base. For non-payroll classifications, expected losses will be used as the basis for credibility. Thus, two credibility tables will be prepared for use in the April 1, 2014 filing. The values for these respective tables will be established such that the credibilities assigned to a payroll-based classification having the same portion of total statewide expected losses and payrolls attributable to its experience using each table would be equal. All occupational disease losses will be included in the exhibit of classification experience, with the total amount of such losses by type of injury being shown on a separate line on the classification loss cost worksheets.

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

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

- (1) Determine the present pure premiums by category (serious, non-serious, medical only and total) for each classification.
- (2) Adjust the present pure premiums by category (serious, non-serious, medical-only and total) to the April 1, 2014 loss cost level.
- (3) Determine Expected Losses (serious, non-serious, medical-only and total) for each classification by multiplying the exposures from the experience period by the present pure premiums.
- (4) Determine the indicated pure premiums (serious, non-serious, medical-only and total) from the exposures and losses from the experience period.
- (5) Test the indicated total pure premiums by multiplying the exposures of the latest two years for each classification and obtaining the total Actual Losses for all classifications combined.
- (6) Calculate Expected Losses by multiplying the present pure premiums by the exposures from the last two years for each classification and by the overall average loss cost change.
- (7) Obtain correction factors by dividing the Expected Losses derived in (6) by the Actual Losses derived in (5).

### Loss Cost Formulae (Continued)

- (8) Multiply the indicated (pre-test) pure premiums from (4) times the correction factors derived in (7) to obtain indicated (post-test) pure premiums.
- (9) Determine “formula” pure premiums from (2) and (8) above for each type of loss (serious, non-serious and medical-only), with credibility for each category of loss corresponding to either the amount of reported payroll (for all classifications in which payroll is the exposure base) or to the amount of Expected Losses (for all “non-payroll” classifications). Credibility weights will be taken from exhibits appearing in the Class Book. The complement of credibility is in each case to be assigned to the present loss costs on April 1, 2014 level for each category of loss.
- (10) Select proposed total pure premiums for each classification, using the middle value from the total pure premiums derived in (2), (8) and (9) above. If the proposed pure premium selected on this basis is different from the formula pure premium derived in (9) above, partial pure premiums are to be allocated between categories (serious, non-serious and medical-only) in the same proportion as the partial pure premiums comprising the formula pure premium.
- (11) Test the proposed total pure premiums selected in (10) by multiplying by the exposures of the two latest years for each classification and obtaining the total Expected Losses for all classifications combined.
- (12) Obtain a correction factor by dividing the Expected Losses derived in (6) above by the Expected Losses derived in (11) above.
- (13) Calculate the “composite pure premium multiplier” as the product of the following items:
  - (a) The pure premium correction factor determined in (12) above.
  - (b) The proposed experience rating plan off-balance factor.
- (14) Apply the composite pure premium multiplier obtained in (13) above to the proposed total pure premiums to obtain classification loss costs.
- (15) Test to assure that the maximum departure of the classification loss costs derived in (14) above from current loss costs is in accordance with the following parameters:

Maximum Change in Loss Cost:

Upward: The overall average change plus 25% rounded to the nearest 1%.

Downward: The overall average change minus 25% rounded to the nearest 1%.

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

**EXHIBIT VIII****COLLECTIBLE PREMIUM RATIOS \***

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
ALL INDUSTRIES			
2008	2,850,081,933	2,760,949,914	1.0323
2009	2,594,378,345	2,527,994,691	1.0263
2010	2,440,546,018	2,365,907,073	1.0315
<b>TOTAL</b>	<b>7,885,006,296</b>	<b>7,654,851,678</b>	<b>1.0301</b>
MANUFACTURING AND UTILITIES			
2008	595,691,591	574,965,821	1.0360
2009	532,234,517	511,316,673	1.0409
2010	547,346,574	525,986,040	1.0406
<b>TOTAL</b>	<b>1,675,272,682</b>	<b>1,612,268,534</b>	<b>1.0391</b>
CONTRACTING AND QUARRYING			
2008	519,701,931	476,278,132	1.0912
2009	450,157,446	413,400,423	1.0889
2010	496,302,016	451,073,770	1.1003
<b>TOTAL</b>	<b>1,466,161,393</b>	<b>1,340,752,325</b>	<b>1.0935</b>
OTHER INDUSTRIES			
2008	1,734,688,411	1,709,705,961	1.0146
2009	1,611,986,382	1,603,277,595	1.0054
2010	1,396,897,428	1,388,847,263	1.0058
<b>TOTAL</b>	<b>4,743,572,221</b>	<b>4,701,830,819</b>	<b>1.0089</b>

\* Excludes classifications and coverages not subject to experience rating.

**EXHIBIT IX**

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

<b>Policy Year Beginning 4/1 (1)</b>	<b>Act 57 Adjust- ment (2)</b>	<b>Adjust- ment Factor (3)</b>	<b>Loss Ratio Development Factor (4)</b>	<b>Collectible Premium Ratio (5)</b>	<b>Trend Factor (6)</b>	<b>Product (2) * (3) * (4) * (5) * (6) (7)</b>	<b>Expected Loss Cost Factor 1.0 / (7) (8)</b>
<b><u>Manufacturing and Utilities</u></b>							
2010	1.0000	1.0000	1.2019	1.0391	0.9527	1.1898	0.8405
2011	1.0000	1.0000	1.3354	1.0391	0.9642	1.3379	0.7474
2012	1.0000	1.0000	1.6794	1.0391	0.9760	1.7032	0.5871
<b><u>Contracting and Quarrying</u></b>							
2010	1.0000	1.0000	1.2482	1.0935	0.9527	1.3003	0.7691
2011	1.0000	1.0000	1.3500	1.0935	0.9642	1.4234	0.7025
2012	1.0000	1.0000	1.6770	1.0935	0.9760	1.7898	0.5587
<b><u>Other Industries</u></b>							
2010	1.0000	1.0000	1.2049	1.0089	0.9527	1.1581	0.8635
2011	1.0000	1.0000	1.3183	1.0089	0.9642	1.2824	0.7798
2012	1.0000	1.0000	1.6700	1.0089	0.9760	1.6444	0.6081

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

## EXHIBIT X

### RETROSPECTIVE DEVELOPMENT FACTORS \*

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

First Adjustment	RDF =	0.3769
Second Adjustment	RDF =	0.2370
Third Adjustment	RDF =	0.1721

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

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

RDF(LIM) = Retrospective Development Factors at limited basis

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

RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{The \$25,000 limit Hazard Group C ELF} = 0.679$$

$$\begin{aligned} \text{Then First Adjustment RDF} &= (1 - 0.679) * 0.3769 \\ &= 0.1210 \end{aligned}$$

\* The use of retrospective development factors is optional.