

**NEW YORK COMPENSATION INSURANCE RATING BOARD**



**2007 General Rate Revision**

**Effective October 1, 2007**

## **NEW YORK WORKERS COMPENSATION**

### **DERIVATION OF APPROVED OCTOBER 1, 2007 RATE REVISION**

**Original Proposed Rate Level Change: -13.6%**  
**Filing of July 2, 2007**

**Approved Rate Level Change: -18.4%**  
**Opinion and Decision of July 15, 2007**

The Rating Board submitted the 2007 General Rate Revision to the New York State Insurance Department on July 2, 2007 requesting an average change of -13.6% in manual rate level to become effective October 1, 2007.

The July 2, 2007 rate revision included the Rating Board's estimate of the impact on rates of the 2007 reform legislation, and was filed after several meetings with the Insurance Department and teleconferences with the Board's Actuarial and Rates Committees regarding many aspects of this year's submission, especially with respect to the reform pricing. Because of the anticipated substantial effect on manual rates as a result of the reform, the consulting firm of Tillinghast, Towers Perrin was also contracted by the Rating Board to assist in the pricing of the various components of the reform legislation.

The amended filing submitted by the Rating Board in response to the Department's Order and Decision differs from the original filing in the following areas:

- **Trend Factor** – The Department was of the opinion that the effect of the reform legislation would mitigate the need for most of the filed trend factor. Consequently, an overall trend factor of 1.014 was approved in lieu of the filed 1.055 factor.
- **Reform Pricing** – Although the Department was in general agreement with the filed estimate of the reform impact, it took particular issue with the split between fixed and variable expenses in the calculation of the final rate level effect. The approved filing reflects a lower ratio of fixed expenses and results in an overall reform impact of -15.0% in lieu of the original filed estimate of -13.3%.

The detailed Filing Memorandum that accompanied the Rating Board's original filing submission follows the attached actuarial exhibits and provides specific information on all components of the 2007 rate revision.

The Insurance Department's Opinion and Decision is also attached and can be found following the explanatory memorandum.

**New York - Workers Compensation**

**List of Exhibits**

**Principal Exhibits**

- Exhibit A - Summary - All Elements**
- Exhibit B - Determination of Policy Year Rate Level Indication**
- Exhibit C - Determination of Accident Year Rate Level Indication**
- Exhibit D - Trend Factors**
- Exhibit E - Expense Provisions**
- Exhibit F - Legislative Changes**
- Exhibit G - Industry Group Differentials**
- Exhibit H - Foreign Terrorism**
- Exhibit I - Pure Premium Multipliers**
- Exhibit J - Rate Level Changes by Industry Group**

**Supporting Exhibits**

- Exhibit AA - Test of Rate Level**
- Exhibit BB, Sheet 1 - Policy Year Premium Development Factors**
- Exhibit BB, Sheets 2 - 2D - Policy Year Loss Development Factors**
- Exhibit CC, Sheets 1 - 1D - Accident Year Loss Development Factors**
- Exhibit DD, Sheets 1 - 12 - Trend Analysis**
- Exhibit EE, Sheets 1 - 3 - Expense Analysis**

**Appendices**

- Appendix A - New York State Assessment**
- Appendix B - Minimum Premium Formula**
- Appendix C - Small Deductible Premium Credits**
- Appendix D, Sheets 1 - 2 - Large Deductible Experience**
- Appendix D, Sheets 3 - 7 - Large Deductible Development Factors**
- Appendix E, Sheets 1 - 3 - Construction Class Territory Differentials**
- Appendix F, Sheets 1 - 3D - State Insurance Fund Development Factors**

**Filing Memorandum**

**Insurance Department Order & Decision**

WORKERS COMPENSATION - NEW YORK

GENERAL RATE REVISION - OCTOBER 1, 2007

SUMMARY - ALL ELEMENTS

1.	Change indicated by Policy Year Experience (Exhibit B)	0.948
2.	Change indicated by Accident Year Experience (Exhibit C)	0.954
3.	Average Experience Indication $[(1)+(2)] / (2)$	0.951
4.	New York Trend Factor (Exhibit D)	1.014 *
5.	Change in Expense Provisions (Exhibit E)	0.987
6.	Legislative Changes (Exhibit F)	0.850 *
7.	Proposed Rate Level Change $[(3) \times (4) \times (5) \times (6)]$	0.809
8.	Change in Catastrophe Provision (Exhibit H)	1.000
9.	Total Premium Level Change $[(7) \times .961] + [(8) \times (1.0-.961)]$	0.816

\* Reflects the 7/11/07 Order & Decision of the NY State Insurance Department

WORKERS COMPENSATION - NEW YORK

Determination of Change in Manual Premium Level

Experience of All Carriers

Policy Year 2005 Experience

	Valued as of <u>12/31/2006</u> (1)	To 9/30/2006 <u>Levels</u> (2)	Develop- ment* (3)	Adjusted Data <u>(1)x(2)x(3)</u> (4)	Excl. Lge. Ded. Loss <u>Ratio</u> (5)	Lge. Ded. Loss <u>Ratio</u> 6
1. Std. Ed. Premium**						
a. Excl. Large Ded.	1,769,040,125	1.037	0.988	1,812,480,674		
b. Large Deductible	1,006,100,784	1.037	1.050	1,095,492,839		
c. SIF	1,620,934,175	1.037	1.002	1,684,270,557		
d. Total Std. Ed. Prem. a+c	3,389,974,300			3,496,751,231		
2. Indemnity Losses***						
a. Excl. Large Ded.	264,262,220	1.000	2.675	706,901,439	0.390	-----
b. Large Deductible	128,940,452	1.000	3.419	440,847,405	-----	0.402
c. SIF	250,574,204	1.000	2.495	625,135,886	0.371	-----
d. Total Ind. Losses a+c	514,836,424			1,332,037,325	0.381	-----
3. Medical Losses***						
a. Excl. Large Ded.	247,905,667	1.000	2.002	496,307,145	0.274	-----
b. Large Deductible	121,249,466	1.000	2.514	304,821,158	-----	0.278
c. SIF	186,292,488	1.000	1.560	290,569,313	0.173	-----
d. Total Med. Losses a+c	434,198,155			786,876,458	0.225	-----
4. Total					0.606	0.681
5. Total Loss and Loss Adjustment Expense		(4) x	1.163		0.704	0.791
6. Expected Loss and Loss Adjustment Expense Ratio (from Exhibit E)					0.749	0.749
7. Indicated Policy Year Change in Premium Level (5)/(6)					0.940	1.056
8. Weights Based on Net Earned Premium					0.933	0.067
<b>9. Final Policy Year Indication [Col (5),(7)*(8)] + [Col (6), (7)*(8)]</b>						<b>0.948</b>

\* Premium Development Factors are from Exhibit BB, Sheet 1; Loss Development Factors are from Exhibit BB, Sheets 2 and 2B.

\*\* Standard Earned Premium excludes Expense Constant Premium of \$ 28,263,400  
Large Deductible Premium excludes Expense Constant Premium of \$ 10,246,000

\*\*\* Incurred Losses reflect case basis loss experience.

WORKERS COMPENSATION - NEW YORK

Determination of Change in Manual Premium Level

Experience of All Carriers

Accident Year 2006 Experience

	Valued as of <u>12/31/2006</u> (1)	To 9/30/2006 <u>Levels</u> (2)	Develop- ment* (3)	Adjusted Data <u>(1)x(2)x(3)</u> (4)	Loss Ratio (5)	Lge. Ded. Loss Ratio 6
1. Std. Ed. Premium**						
a. Excl. Large Ded.	1,861,446,358	1.014	1.000	1,887,506,607		
b. Large Deductible	1,099,795,487	1.014	1.000	1,115,192,624		
c. SIF	1,676,769,153	1.014	1.000	1,700,243,922		
d. Total Std. Ed. Prem. a+c	3,538,215,511			3,587,750,529		
2. Indemnity Losses***						
a. Excl. Large Ded.	185,931,955	1.000	3.900	725,134,625	0.384	
b. Large Deductible	80,210,317	1.000	5.442	436,504,545	-----	0.391
c. SIF	156,868,644	1.000	4.078	639,646,110	0.376	-----
d. Total Ind. Losses a+c	342,800,599			1,364,780,735	0.380	-----
3. Medical Losses***						
a. Excl. Large Ded.	207,727,066	1.000	2.605	541,129,007	0.287	
b. Large Deductible	86,733,250	1.000	3.501	303,653,108	-----	0.272
c. SIF	149,502,726	1.000	1.926	287,873,791	0.169	-----
d. Total Med. Losses a+c	357,229,792			829,002,798	0.231	-----
4. Total					0.611	0.663
5. Total Loss and Loss Adjustment Expense		(4) x	1.163		0.711	0.771
6. Expected Loss and Loss Adjustment Expense Ratio (from Exhibit E)					0.749	0.749
7. Indicated Accident Year Change in Premium Level (5)/(6)					0.949	1.030
8. Weights Based on Net Earned Premium					0.940	0.060
<b>9. Final Accident Year Indication [Col (5),(7)*(8)] + [Col (6), (7)*(8)]</b>						<b>0.954</b>

\* Premium Development Factors are from Exhibit BB, Sheet 1; Loss Development Factors are from Exhibit BB, Sheets 2 and 2B.

\*\* Standard Earned Premium excludes Expense Constant Premium of \$ 25,443,821  
Large Deductible Premium excludes Expense Constant Premium of \$ 9,344,330

\*\*\* Incurred Losses reflect case basis loss experience.

WORKERS COMPENSATION - NEW YORK

DETERMINATION OF TREND FACTOR

	Average Annual Change
(A) Annual Loss Trend (See Exhibit DD, Sheet 1)	
(1) Indemnity Claim Cost Trend	1.071
(2) Indemnity Claim Frequency Trend	0.985
(3) Indemnity Loss Trend [(1) x (2)]	1.054
(4) Medical Claim Cost Trend	1.102
(5) Medical Claim Frequency Trend	0.969
(6) Medical Loss Trend [(4) x (5)]	1.067
(7) Indemnity Weight*	0.619
(8) Medical Weight*	0.381
(9) Indicated Annual Loss Trend [(3)x(7) + (6)x(8)]	1.059
(B) Annual Wage Trend (See Exhibit DD, Sheet 12)	1.029
(C) Pre-Reform Annual Loss/Wage Trend (A9) / (B)	1.029
(D) Trended to Date of Reform (C) <sup>1.25</sup>	1.036
(E) Post-Reform Annual Loss/Wage Trend [(C-1.0) x .50] + 1.0	1.015
(F) Trended From Date of Reform to Average Accident Date (E) <sup>1.25</sup>	1.018
(G) Proposed Trend Factor (E) x (F)	1.055
(H) Selected Trend Factor to comply with Insurance Department O & D	1.014
* Policy Year adjusted ultimate losses - See Exhibit B	

WORKERS COMPENSATION - NEW YORK

Derivation of Expense Provisions

<u>Expense Item</u>	<u>Present Expense Provisions</u>	Calendar Year Indicated Expense Percentage Ratios To Standard Earned Premium @				<u>2004-2006 Mean</u>	<u>Indicated Expense Provisions</u>
		<u>2004</u>	<u>2005</u>	<u>2006</u>			
1) General Administration and Payroll Audit *	6.1%	6.57%	5.46%	5.28%	6.26%	6.3%	
2) Inspection and Bureau	0.3%	0.25%	0.23%	0.21%	0.23%	0.2%	
3) Taxes, Licenses & Fees**	2.8%	2.80%	2.80%	2.80%	2.80%	2.8%	
4) Acquisition	15.9%	15.15%	14.82%	14.53%	14.83%	14.8%	
5) Total (1) Through (4)	25.1%	24.77%	23.31%	22.82%	24.12%	24.1%	
6) Loss & Loss Adjustment Expense	74.9%					75.9%	
7) Indicated change in Expense Provisions						0.987	

\* Three-Year Mean adjusted to reflect current premium discounts.

\*\* The components of the indicated Taxes, Licenses & Fees provision include 2.5% for Premium Tax, 0.3% for Miscellaneous Taxes. Excludes provision for the WC Security Fund.

@ The expenses for each calendar year have been adjusted to the level of the \$200 expense constant.



New York Workers Compensation

Estimate of the Impact of the 2007 Reform Legislation - Summary

**I. Actuarial Estimated Effects on Losses**

<u>Injury Type</u>	<u>Estimated Impacts on Losses</u>						
	<u>Pre-Reform Distribution</u>	<u>Inclusion of SDF Losses</u>	<u>PPD Duration Limits</u>	<u>7/1/07 Benefit Increase</u>	<u>7/08 &amp; 7/09 Benefit Increase</u>	<u>Medical Related</u>	<u>Cumulative Loss Impact</u>
Death	1.6%	0.202	0.000	0.190	0.053	0.000	1.506
Permanent Total	2.8%	0.202	0.000	0.190	0.053	0.000	1.506
Permanent Partial	55.4%	0.190	-0.505	0.075	0.015	0.000	0.643
Tempoary	4.2%	0.000	0.000	0.190	0.053	0.000	1.253
Total Indemnity	64.0%	0.178	-0.437	0.091	0.020	0.000	0.742
Total Medical	36.0%	0.046	0.000	0.005	0.001	-0.066	0.983
Total - All Losses	100.0%	0.133	-0.280	0.060	0.013	-0.024	<b>0.829</b>

**II. Estimated Rate Level Impact From Actuarial Evaluation**

Expense Ratios From Exhibit E

<u>Expense Provision</u>	<u>Total</u>	<u>Fixed *</u>	<u>Variable *</u>
Other Acquisition	0.080	0.032	0.048
General Expense	0.065	0.026	0.039
Commission	0.068	0.000	0.068
Tax	0.028	0.000	0.028
ALAE	0.064	0.000	0.064
ULAE	<u>0.042</u>	<u>0.032</u>	<u>0.010</u>
Total	0.347	0.090	0.257
ELR	0.653		

\* Fixed and variable expense ratios were determined in response to the July 11, 2007 Order & Decision of the NY State Insurance Department.

**Rate Level Impact** =  $(.653 \cdot .829) + .090 / (1 - .257) : \quad \mathbf{0.850}$

**III. Additional Estimated Rate Level Effects**

Medical/Treatment Guidelines	Due to both the probable positive and negative impacts of these provisions, and the lack of sufficient information with which to price these elements, no specific quantification of the rate level impact is being made at this time.	
ATF for PPD Cases		
Fraud		
Total		-

**IV. Total Estimated Rate Level Impact of Reform** **0.850**

Total of II. x Total of III.

New York Workers Compensation

Estimated Impact of the Elimination of the Special Disability Fund

	<u>Calendar Year Payments (000's)</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Total</u>
1 SDF Disbursements - Indemnity	\$ 321,142	\$ 331,209	\$ 307,782	\$ 960,133
2 SDF Disbursements - Medical	\$ 29,684	\$ 51,482	\$ 45,843	\$ 127,009
3 SDF Disbursements - Total (1) + (2)	\$ 352,830	\$ 384,696	\$ 355,631	\$ 1,087,142
4 Carrier Paid Losses - Indemnity	\$ 1,608,340	\$ 1,453,300	\$ 1,524,822	\$ 4,586,462
5 Carrier Paid Losses - Medical	\$ 764,564	\$ 763,253	\$ 806,589	\$ 2,334,406
6 Carrier Paid Losses - Total (4)+(5)	\$ 2,372,904	\$ 2,216,553	\$ 2,331,411	\$ 6,920,868

	<u>Ratio of Disbursements to Paid Loss</u>			<u>Total</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	
7 Indemnity (4) / (1)	20.0%	22.8%	20.2%	20.9%
8 Medical (5) / (2)	3.9%	6.7%	5.7%	5.4%
9 Total (6) / (3)	14.9%	17.4%	15.3%	15.7%
10 Efficiency/Mitigation Factor				0.85
11 Estimated Effect on Loss				
a) Indemnity (7) x (10)				17.8%
b) Medical (8) x (10)				4.6%
c) Total (9) x (10)				13.3%

Allocation of SDF Indemnity Impact to Injury Type

	<u>Distribution *</u>	<u>Loss %</u>
Death	42,881,808	20.2%
Permanent Total	73,683,812	20.2%
Permanent Partial - Major	1,363,370,036	20.2%
Permanent Partial - Minor	88,726,690	0.0%
Tempoary	110,339,935	0.0%
Total Indemnity	1,679,002,281	17.8%
Total Permanent Partial		19.0%

\* Based on Unit Statistical Plan Data developed to a 5th report.

New York Workers Compensation

Estimated Impact of the Elimination of PPD Duration Limits

Estimated Reduction of Non-Schedule PPD Losses

1 Claims not lump-sum settled under current system - See Sheet 3A, Column (6a)	-75.6%
2 Claims lump-sum settled under current system - See Sheet 3A, column (6b)	-54.2%
3 Current percent of losses settled	20.0%
4 All non-schedule PPD losses - $[(1) \times (1.0-(3))] + [(2) \times (3)]$	-71.3%

Estimated Reduction of All PPD Losses

	(5) Expected Cost (000's) *	(6) Expected % PPD Cost	(7) Benefit Change
Schedule Loss	\$ 1,354,000	14.3%	0
Non-Schedule Loss	\$ 6,693,442	70.8%	-71.3%
TTD (Healing Period) Loss	\$ 1,409,999	14.9%	0
Total PPD	\$ 9,457,441	100.0%	<b>-50.5%</b>

\* WCB 2004/2005 cases closed adjusted for assumed 4.5% discount)

New York Workers Compensation

Estimated Impact of the Elimination of PPD Duration Limits

Claims Not Lump-Sum Settled Under Current System

(1) Loss of Earning %	(2) Capped # Weeks	(3) Assumed PPD Distribution *	(4a) % Dollars Eliminated Male	(5a) % Dollars Eliminated Female	(6a) % Dollars Eliminated Average
> 95%	525	0.5%	0.658	0.692	0.335
90-95	500	0.5%	0.673	0.707	0.342
85-90	475	2.4%	0.689	0.721	0.350
80-85	450	2.4%	0.704	0.735	0.357
75-80	425	10.1%	0.720	0.749	0.730
70-75	400	10.1%	0.736	0.764	0.746
60-70	375	19.9%	0.751	0.778	0.760
50-60	350	15.8%	0.767	0.792	0.776
40-50	300	21.5%	0.799	0.821	0.807
30-40	275	8.2%	0.816	0.836	0.823
15-30	250	6.4%	0.832	0.851	0.839
<= 15%	225	2.0%	0.848	0.865	0.854
Average			0.768	0.793	<b>0.756</b>

Claims Lump-Sum Settled Under Current System

(1) Loss of Earning %	(2) Capped # Weeks	(3) Assumed PPD Distribution *	(4b) % Dollars Eliminated Male	(5b) % Dollars Eliminated Female	(6b) % Dollars Eliminated Average
> 95%	525	0.5%	0.316	0.385	0.170
90-95	500	0.5%	0.347	0.413	0.185
85-90	475	2.4%	0.378	0.442	0.200
80-85	450	2.4%	0.409	0.470	0.215
75-80	425	10.1%	0.440	0.499	0.461
70-75	400	10.1%	0.471	0.527	0.491
60-70	375	19.9%	0.503	0.556	0.522
50-60	350	15.8%	0.535	0.585	0.553
40-50	300	21.5%	0.599	0.643	0.614
30-40	275	8.2%	0.631	0.672	0.645
15-30	250	6.4%	0.664	0.701	0.677
<= 15%	225	2.0%	0.697	0.731	0.709
Average			0.537	0.585	<b>0.542</b>

\* Distribution from WCB as determined by Milliman

Assumptions:

(4b) and (5b) assume pre-reform lump-sum settlements are for 40% of the lifetime value and 80% of the new post-reform values.

(6) assumes that 50% of those eligible will receive a hardship exception to PT status.

New York Workers Compensation

Maximum @ July 1, 2007 = \$500 Per Week

1	Injury Type	<u>Death</u>		<u>Permanent Total</u>		<u>Perm Partial - Major</u>		<u>Perm Partial - Minor</u>		<u>Temporary</u>	
		<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
2	Effective Date	1-Jul-92	1-Jul-07	1-Jul-92	1-Jul-07	1-Jul-92	1-Jul-07	1-Jul-92	1-Jul-07	1-Jul-92	1-Jul-07
3	% Compensation	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667
4	Minimum Comp	\$45.00	\$100.00	\$40.00	\$100.00	\$40.00	\$100.00	\$40.00	\$100.00	\$40.00	\$100.00
5	Maximum Comp	\$400.00	\$500.00	\$400.00	\$500.00	\$400.00	\$500.00	\$400.00	\$500.00	\$400.00	\$500.00
6	Eff Wkly Wage for Min (4)/ (3)	\$67.50	\$149.99	\$60.00	\$149.99	\$60.00	\$149.99	\$60.00	\$149.99	\$60.00	\$149.99
7	Eff Wkly Wage for Max (5)/ (3)	\$599.97	\$749.96	\$599.97	\$749.96	\$599.97	\$749.96	\$599.97	\$749.96	\$599.97	\$749.96
8	Avg Weekly Wage	\$1,039.54	1039.54	1039.54	1039.54	\$477.11	477.11	477.11	477.11	1039.54	1039.54
9	Ratio to Avg -Min- (6)/(8)	0.06	0.14	0.06	0.14	0.13	0.31	0.13	0.31	0.06	0.14
10	Ratio to Avg -Max- (7)/(8)	0.58	0.72	0.58	0.72	1.26	1.57	1.26	1.57	0.58	0.72
11	"B" Value for (9)	0.005	0.0527	0.005	0.0527	0.042	0.8247	0.042	0.8247	0.005	0.0527
12	"B" Value for (10)	9.058	17.5744	9.058	17.5744	56.0327	73.4098	56.0327	73.4098	9.058	17.5744
13	Difference (12) - (11)	9.053	17.5217	9.053	17.5217	55.9907	72.5851	55.9907	72.5851	9.053	17.5217
14	"A" Value for (9)	0.149	0.6002	0.149	0.6002	0.5212	3.7677	0.5212	3.7677	0.149	0.6002
15	"A" Value for (10)	21.4327	34.531	21.4327	34.531	74.3907	86.8017	74.3907	86.8017	21.4327	34.531
16	Difference 100 - (15)	78.5673	65.469	78.5673	65.469	25.6093	13.1983	25.6093	13.1983	78.5673	65.469
17	(9) x (14)	0.0089	0.0840	0.009	0.084	0.068	1.168	0.068	1.168	0.009	0.084
18	Product (10 ) x (16)	45.5690	47.1377	45.569	47.138	32.268	20.721	32.268	20.721	45.569	47.138
19	'Limit' Factor {(13) + (17) + (18)}	54.6310	64.7434	54.631	64.743	88.326	94.474	88.326	94.474	54.631	64.743
20	Eff. Avg. Weekly Wage (8) x (19)	567.91	673.03	567.91	673.03	421.42	450.75	421.42	450.75	567.91	673.03
21	Average Weekly Benefit	378.63	448.71	378.63	448.71	280.96	300.51	280.96	300.51	378.63	448.71
22	Indicated Change in Costs	-	0.185	-	0.185	-	0.070	-	0.070	-	0.185

New York Incurred Losses \*

	<u>1-Jul-92</u>	<u>Benefit Change</u>	<u>1-Jul-07</u>
Death	\$42,881,808	0.185	\$50,819,420
Permanent Total	\$73,683,812	0.185	\$87,323,010
Permanent Partial - Major	\$1,363,370,036	0.070	\$1,458,272,048
Permanent Partial - Minor	\$88,726,690	0.070	\$94,902,813
Temporary	\$110,339,935	0.185	\$130,764,343
<b>Total Indemnity</b>	<b>\$ 1,679,002,281</b>	<b>0.085</b>	<b>\$1,822,081,635</b>

report.

Indemnity Losses as Percent of Total Losses #	0.64
Medical Losses as Percent of Total Losses #	0.36

# 2006 General Rate Revision Filing

Estimated Loss Cost Effect of Benefit Change = 0.055  
 $((.64 \times 1.085) + (.36 \times 1.00)) - 1.00$

Factor to Reflect Expected Increase in System Utilization 1.10

**Estimated Loss Cost Effect of Benefit Change = 0.060**

New York Workers Compensation

Determination of Industry Group Differentials

<u>Industry Group</u>	<u>Policy Year</u>	<u>Standard Earned Prem. On 10/2005 Level</u>	<u>Incurred USP Losses on 10/2005 Level</u>	<u>Loss Ratio</u>	<u>Number of Compensable Cases</u>	<u>Group Credibility</u>	<u>Cred. Wt'd Loss Ratio</u>	<u>Indicated Ind. Group Differential</u>	<u>Differential Adjustment Factor</u>	<u>Final Ind. Group Differential</u>
Food&Bev Mfg.	2002	\$111,917,346	\$67,948,809		1,806					
	2003	\$118,325,144	\$74,533,098		1,777					
	2004	\$114,183,474	\$70,960,123		1,246					
	<b>Total</b>	<b>\$344,425,963</b>	<b>\$213,442,031</b>	<b>0.620</b>	<b>4,829</b>	<b>0.095</b>	<b>0.590</b>	<b>1.012</b>	<b>1.000</b>	<b>1.012</b>
Chemical Mfg.	2002	\$41,469,705	\$15,536,054		496					
	2003	\$38,176,265	\$20,640,088		486					
	2004	\$37,633,712	\$20,342,841		422					
	<b>Total</b>	<b>\$117,279,682</b>	<b>\$56,518,983</b>	<b>0.482</b>	<b>1,404</b>	<b>0.042</b>	<b>0.582</b>	<b>0.999</b>	<b>0.982</b>	<b>0.980</b>
All Other Mfg.	2002	\$458,175,173	\$226,449,508		6,081					
	2003	\$445,361,533	\$251,405,379		5,744					
	2004	\$492,788,928	\$312,393,213		5,355					
	<b>Total</b>	<b>\$1,396,325,634</b>	<b>\$790,248,100</b>	<b>0.566</b>	<b>17,180</b>	<b>0.222</b>	<b>0.582</b>	<b>0.998</b>	<b>0.995</b>	<b>0.993</b>
Contracting	2002	\$907,365,667	\$517,152,877		7,495					
	2003	\$905,956,819	\$547,737,232		7,164					
	2004	\$980,738,754	\$624,481,622		6,462					
	<b>Total</b>	<b>\$2,794,061,240</b>	<b>\$1,689,371,731</b>	<b>0.605</b>	<b>21,121</b>	<b>0.255</b>	<b>0.591</b>	<b>1.014</b>	<b>1.003</b>	<b>1.018</b>
Stores&Dealers	2002	\$460,443,696	\$250,683,100		7,164					
	2003	\$501,233,007	\$279,792,901		7,164					
	2004	\$495,622,089	\$304,224,614		6,606					
	<b>Total</b>	<b>\$1,457,298,791</b>	<b>\$834,700,615</b>	<b>0.573</b>	<b>20,934</b>	<b>0.254</b>	<b>0.583</b>	<b>1.000</b>	<b>1.001</b>	<b>1.002</b>
Prof&Office	2002	\$719,178,889	\$418,939,710		10,786					
	2003	\$774,193,227	\$516,906,666		10,884					
	2004	\$717,305,868	\$556,344,127		9,808					
	<b>Total</b>	<b>\$2,210,677,984</b>	<b>\$1,492,190,502</b>	<b>0.675</b>	<b>31,478</b>	<b>0.333</b>	<b>0.616</b>	<b>1.057</b>	<b>1.020</b>	<b>1.078</b>
Services	2002	\$1,489,766,507	\$749,606,352		19,050					
	2003	\$1,487,795,170	\$837,039,250		18,216					
	2004	\$1,757,176,002	\$920,772,567		17,942					
	<b>Total</b>	<b>\$4,734,737,679</b>	<b>\$2,507,418,169</b>	<b>0.530</b>	<b>55,208</b>	<b>0.484</b>	<b>0.559</b>	<b>0.959</b>	<b>0.986</b>	<b>0.946</b>
Miscellaneous	2002	\$224,017,247	\$129,357,363		3,892					
	2003	\$216,401,366	\$157,181,113		3,881					
	2004	\$224,264,018	\$181,828,380		3,574					
	<b>Total</b>	<b>\$664,682,630</b>	<b>\$468,366,857</b>	<b>0.705</b>	<b>11,347</b>	<b>0.169</b>	<b>0.607</b>	<b>1.040</b>	<b>1.006</b>	<b>1.047</b>
Mar,Adm, Fed	2002	\$9,529,678	\$6,255,622		92					
	2003	\$12,563,243	\$4,351,857		98					
	2004	\$12,625,320	\$5,896,839		93					
	<b>Total</b>	<b>\$34,718,240</b>	<b>\$16,504,318</b>	<b>0.475</b>	<b>283</b>	<b>0.014</b>	<b>0.585</b>	<b>1.004</b>	<b>0.995</b>	<b>0.999</b>
All Ind Groups	2002	\$4,421,863,907	\$2,381,929,394		56,862					
	2003	\$4,500,005,774	\$2,689,587,585		55,414					
	2004	\$4,832,338,163	\$2,997,244,327		51,508					
	<b>Total</b>	<b>\$13,754,207,844</b>	<b>\$8,068,761,306</b>	<b>0.587</b>	<b>163,784</b>	<b>1.000</b>	<b>0.583</b>	<b>1.000</b>	<b>0.999</b>	<b>0.999</b>

New York Workers Compensation

Industry Group Differential Adjustment Factor Calculation

Industry Group	Indemnity Losses	Medical Losses	Total Losses	Avg. Annual Wage Trend	Effect of Med/Ind Wage trends On Ind. Group *
(1)	(2)	(3)	(4)	(5)	(6)
1	\$138,098,942	\$75,343,089	\$213,442,031	1.021	1.1031
2	\$34,277,094	\$22,241,890	\$56,518,983	1.045	1.0483
3	\$511,348,560	\$278,899,540	\$790,248,100	1.028	1.0876
4	\$1,174,643,825	\$514,727,906	\$1,689,371,731	1.013	1.1234
5	\$507,378,520	\$327,322,095	\$834,700,615	1.022	1.1020
6	\$910,378,164	\$581,812,338	\$1,492,190,502	1.001	1.1540
7	\$1,589,017,112	\$918,401,058	\$2,507,418,169	1.039	1.0624
8	\$262,262,877	\$206,103,979	\$468,366,857	1.019	1.1080
9	\$11,866,164	\$4,638,154	\$16,504,318	1.023	1.0994
Total	\$5,139,271,257	\$2,929,490,049	\$8,068,761,306	1.029	1.0530

(7) Annual Indemnity Trend from 10/2005 rate revision 1.053

(8) Annual Medical Trend from 10/2005 rate revision 1.067

\* Effect by Group(6) =  $\text{MedLossTrend}(8)^{2.25} / \text{Group Wage Trend}(5)^{2.25}$   
Effect for Total(6) =  $\text{IndLossTrend}(8)^{2.25} / \text{Total Wage Trend}(5)^{2.25}$

Industry Group	Factors to Adjust Indicated Differentials	Normalized Adjustment Factors
(9)	(10)	(11)
1	1.0707	1.000
2	1.0512	0.982
3	1.0652	0.995
4	1.0745	1.003
5	1.0722	1.001
6	1.0924	1.020
7	1.0565	0.986
8	1.0772	1.006
9	1.0660	0.995
Total	1.0709	1.000

## NEW YORK WORKERS COMPENSATION

### Charges For Foreign Terrorism, Domestic Terrorism, Industrial Catastrophes and Natural Disasters

As a result of the terrorism attack of September 11, 2001, the Rating Board introduced a loading in the manual rates for foreign terrorism in conjunction with its October 1, 2002 rate revision. In February 2003, this loading was replaced by a stand-alone premium charge of \$ .034 per \$100 of payroll (2.5% of manual premium for non-payroll classes). This charge remains in effect today.

In 2002, the Terrorism Risk Insurance Act (TRIA) was enacted that provided a federal backstop to the terrorism exposure through December 31, 2005. The Terrorism Risk Insurance Extension Act (TRIEA) subsequently became effective January 1, 2006 and extended the federal backstop until December 31, 2007. At the present time, there is discussion and debate in Washington, D.C. regarding some form of a further TRIA extension or a long-term program that will protect the solvency of the insurance industry in the event of a significant terrorism attack.

Due to the sensitive nature of the ongoing discussions at both the local and federal level, as well as the unknown nature of any future program, no change in the provision for foreign terrorism is being proposed in this filing.

In addition, no change to the current \$.01 per \$100 of payroll charge (0.5% of manual premium for non-payroll classes) for domestic terrorism, industrial catastrophes and natural disasters is being proposed with this revision.



WORKERS COMPENSATION - NEW YORK

PURE PREMIUM CORRECTION FACTORS AND MULTIPLIERS

Provision for Losses in 10/01/05 Rates <u>Including LTF, RLAF, &amp; Wage Factor(a)</u>	Needed Provision for Losses on <u>2007 Level (b)</u>	Including RLAF & Change in Trend/ <u>Wage Factor</u>	Policy Year Extension at 10/1/07 Final <u>Pure Premiums</u>	Pure Premium Correction Factors <u>(2)/(4)</u>	10/1/2007 Pure Premium Multipliers <u>(3)/(4)</u>
(1)	(2)	(3)	(4)		
Serious	1,488,128,972	1,794,086,107	1,790,932,566	1.3226	1.3202
Non-Serious	622,619,446	218,997,799	218,612,857	0.3814	0.3807
Medical	973,501,734	911,077,625	909,476,185	1.0213	1.0195
	3,084,250,152	2,923,869,144	2,919,021,608		

<u>Industry Group</u>	<u>Industry Group Differential</u>	<u>Industry Group Off-Balance(c)</u>	<u>Serious</u>	<u>Non-Serious</u>	<u>Medical</u>
1 - Food & Beverage Manufacturing	1.0115	1.05231	1.3202	0.3807	1.0195
2 - Chemical Manufacturing	0.9804	0.99817	1.3202	0.3807	1.0195
3 - All Other Manufacturing	0.9931	0.99301	1.3202	0.3807	1.0195
4 - Contracting	1.0176	1.00434	1.3202	0.3807	1.0195
5 - Stores & Dealers	1.0015	0.99581	1.3202	0.3807	1.0195
6 - Professional & Office	1.0780	0.99946	1.3202	0.3807	1.0195
7 - Services	0.9460	0.99951	1.3202	0.3807	1.0195
8 - Miscellaneous - Servants Per Capita (d)	1.0466	1.00480	1.2829	0.3699	0.9907
- All Other	1.0466	1.00480	1.3202	0.3807	1.0195
9 - Maritime, Admiralty & Federal - N.Y.	0.9993	1.01400	1.3202	0.3807	1.0195
- U.S.(e)	0.9993	1.01400	1.4398	0.4152	1.0195

Manual Rate = [ { (Final Pure Premiums X Pure Premium Multipliers) X Industry Group Differentials X Industry Group Off-Balance (f) } / .759 ]

- (a) Obtained by multiplying Policy Year 2004 payrolls for all carriers by present Underlying Pure Premiums and Loss Trend/Wage Factor, and Rate Level Adjustment Factor from the 2007 Rate Revision. Includes a test correction factor of 1.10272.
- (b) Column (1) Total was multiplied by the Policy Year indication (0.948) and Serious, Non-Serious, and Medical were then made proportional to the Policy Year 2004 Unit Statistical Report data.
- (c) Reflects balancing factor and the premium effect of limiting each class rate change to within 25% of its industry group change.
- (d) Not subject to Wage Factor of 1.0291.
- (e) All U.S. Multipliers include a factor of 1.091 to reflect the difference between U.S.L. Assessment for Special Funds (1.433) and New York Assessments (1.314).
- (f) For classes eligible for the New York Construction Classification Premium Adjustment Program, an off-balance factor of 1.039 is also applied.

WORKERS COMPENSATION - NEW YORK

CHANGES IN CLASSIFICATION RATES – OCTOBER 1, 2007  
BY INDUSTRY GROUP

Set forth below are the percentage changes in manual rate level for each industry group and the number of classifications for which rates were increased or decreased, as well as those for which no change was developed. The percentage changes include the effects of the 2007 reform legislation.

Industry Group	Percentage Change In Manual Rate Level	Decreased	Unchanged	Increased	Total # of Classes
1. Food & Beverage Mfg.	-8.8 %	11	0	13	24
2. Chemical Mfg.	-27.6 %	25	0	0	25
3. All Other Mfg.	-23.8 %	190	0	5	195
4. Contracting	-3.7 %	56	0	30	86
5. Stores & Dealers	-23.5 %	37	1	3	41
6. Professional and Office	-18.3 %	20	0	3	23
7. Services	-27.2 %	78	0	0	78
8. Miscellaneous	-8.5 %	38	0	15	53
9. Maritime, Admiralty & Federal	-14.3 %	27	0	9	36
<b>TOTAL</b>	<b>-19.1 %</b>	<b>482</b>	<b>1</b>	<b>78</b>	<b>561</b>

WORKERS COMPENSATION -- NEW YORK

RATE LEVEL TEST \*

October 1, 2007 Rate Revision

<u>Industry Group</u> (1)	<u>Premium at 10/01/2005 Manual Rates</u> (2)	<u>Premium at 10/01/2007 Manual Rates Prior to Reform Adj.</u> (3)	<u>Rate Level Change (3)/(2)</u> (4)
1 Food & Beverage Mfg.	\$83,871,526	\$90,009,909	1.073
2 Chemical Mfg	\$35,391,907	\$30,163,002	0.852
3 All Other Mfg.	\$420,472,571	\$376,626,809	0.896
4 Contracting	\$771,276,257	\$873,749,399	1.133
5 Stores & Dealers	\$474,677,367	\$427,146,327	0.900
6 Professional and Office	\$772,516,739	\$742,501,806	0.961
7 Services	\$1,307,743,297	\$1,119,553,152	0.856
8 Miscellaneous	\$172,824,970	\$186,061,287	1.077
9 Maritime, Admiralty & Federal	\$7,775,748	\$7,840,115	1.008
A. Total - Industry Group	\$4,046,550,383	\$3,853,651,804	0.952
B. Effect of the 2007 reform legislation (Exhibit F)			0.850
C. Total Rate Level Change (A) x (B)			0.809
D. Change in Catastrophe Provisions (Exhibit H)			1.000
E. Total Premium Level Change (Exhibit A) [(C) x .961] + [(D) x (1-.961)]			0.816

\* Based on Policy Year 2004 New York Unit Statistical Plan experience, excluding the experience of self-rated risks

WORKERS COMPENSATION - NEW YORK

Development Factors - Premiums

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	
1996	Dev. 5/6					1,693,539,193	1,694,465,074	1.001
1997	Dev. 5/6					1,657,681,585	1,612,116,117	0.973
1998	Dev. 5/6					1,550,921,741	1,549,292,094	0.999
1999	Dev. 5/6					1,628,854,568	1,616,669,216	0.993
2000	Dev. 5/6					1,701,903,910	1,704,909,876	1.002
1997	Dev. 4/5				1,643,665,507	1,652,706,259		1.006
1998	Dev. 4/5				1,683,175,546	1,683,721,803		1.000
1999	Dev. 4/5				1,630,413,496	1,631,537,303		1.001
2000	Dev. 4/5				1,720,951,917	1,715,275,219		0.997
2001	Dev. 4/5				1,619,896,756	1,618,492,332		0.999
1998	Dev. 3/4			1,670,196,416	1,680,265,864			1.006
1999	Dev. 3/4			1,732,839,073	1,737,376,308			1.003
2000	Dev. 3/4			1,726,266,517	1,729,625,609			1.002
2001	Dev. 3/4			1,624,481,775	1,624,581,860			1.000
2002	Dev. 3/4			1,619,434,969	1,624,598,038			1.003
1999	Dev. 2/3		1,748,780,110	1,755,717,438		1.004		
2000	Dev. 2/3		1,830,269,988	1,830,430,682		1.000		
2001	Dev. 2/3		1,658,501,398	1,634,596,090		0.986		
2002	Dev. 2/3		1,637,998,555	1,623,024,322		0.991		
2003	Dev. 2/3		1,670,802,481	1,668,910,438		0.999		
2000	Dev. 1/2	1,821,587,799	1,842,923,063		1.012			
2001	Dev. 1/2	1,837,140,538	1,784,700,142		0.971			
2002	Dev. 1/2	1,673,551,341	1,641,741,154		0.981			
2003	Dev. 1/2	1,663,828,560	1,668,983,128		1.003			
2004	Dev. 1/2	1,651,158,873	1,659,515,138		1.005			
		1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/Ult.	
<b>All Year Average</b>								
Age to Age		0.994	0.996	1.003	1.001	0.994	1.000	
Age to Ult.		0.988	0.994	0.998	0.995	0.994	1.000	
<b>4 Year Average</b>								
Age to Age		0.990	0.994	1.002	0.999	0.992	1.000	
Age to Ult.		0.977	0.987	0.993	0.991	0.992	1.000	
<b>3 Year Average</b>								
Age to Age		0.996	0.992	1.002	0.999	0.998	1.000	
Age to Ult.		0.987	0.991	0.999	0.997	0.998	1.000	
<b>2 Year Average</b>								
Age to Age		1.004	0.995	1.002	0.998	0.998	1.000	
Age to Ult.		0.997	0.993	0.998	0.996	0.998	1.000	
Proposed Development*		0.988	0.994	0.998	0.995	0.994	1.000	

\*Proposed development based on all year average

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1992	Dev. 9/10									778,525,976	779,364,135	1.001
1993	Dev. 9/10									722,072,049	715,833,548	0.991
1994	Dev. 9/10									637,285,287	652,652,991	1.024
1995	Dev. 9/10									610,626,004	621,735,369	1.018
1996	Dev. 9/10									560,124,609	568,899,161	1.016
1993	Dev. 8/9								710,976,031	722,156,696		1.016
1994	Dev. 8/9								656,734,081	661,995,160		1.008
1995	Dev. 8/9								602,384,381	616,067,218		1.023
1996	Dev. 8/9								544,971,096	559,564,772		1.027
1997	Dev. 8/9								583,175,325	594,017,019		1.019
1994	Dev. 7/8							645,941,864	657,416,657			1.018
1995	Dev. 7/8							632,302,839	631,815,335			0.999
1996	Dev. 7/8							538,118,764	551,033,611			1.024
1997	Dev. 7/8							574,683,442	582,809,457			1.014
1998	Dev. 7/8							663,929,389	665,242,472			1.002
1995	Dev. 6/7						612,972,823	629,258,893				1.027
1996	Dev. 6/7						570,507,941	573,471,638				1.005
1997	Dev. 6/7						556,211,151	585,661,582				1.053
1998	Dev. 6/7						639,674,629	663,482,750				1.037
1999	Dev. 6/7						677,630,237	693,271,450				1.023
1996	Dev. 5/6					542,636,679	569,989,602					1.050
1997	Dev. 5/6					574,022,270	598,867,324					1.043
1998	Dev. 5/6					613,146,647	656,098,098					1.070
1999	Dev. 5/6					656,565,705	677,276,960					1.032
2000	Dev. 5/6					638,411,634	661,171,966					1.036
1997	Dev. 4/5				549,413,559	572,985,766						1.043
1998	Dev. 4/5				612,346,591	657,535,341						1.074
1999	Dev. 4/5				622,201,988	667,479,150						1.073
2000	Dev. 4/5				604,512,416	648,007,930						1.072
2001	Dev. 4/5				672,791,724	558,286,532						0.830
1998	Dev. 3/4			552,360,088	615,963,989							1.115
1999	Dev. 3/4			601,426,264	657,079,303							1.093
2000	Dev. 3/4			566,621,545	635,195,529							1.121
2001	Dev. 3/4			466,354,583	548,172,644							1.175
2002	Dev. 3/4			504,626,769	539,154,740							1.068
1999	Dev. 2/3		494,530,332	605,385,492								1.224
2000	Dev. 2/3		465,975,744	592,892,989								1.272
2001	Dev. 2/3		373,266,139	481,294,049								1.289
2002	Dev. 2/3		426,538,409	503,572,251								1.181
2003	Dev. 2/3		411,316,089	481,024,766								1.169
2000	Dev. 1/2	380,380,173	507,042,663									1.333
2001	Dev. 1/2	307,980,221	488,543,618									1.586
2002	Dev. 1/2	319,005,598	452,518,742									1.419
2003	Dev. 1/2	295,858,493	410,741,285									1.388
2004	Dev. 1/2	253,357,136	356,566,580									1.407
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.544	1.783	1.427	1.227	1.115	1.018	1.046	1.029	1.011	1.018	1.010
4 Year Average		2.598	1.792	1.450	1.228	1.114	1.012	1.045	1.030	1.010	1.019	1.012
3 Year Average		2.558	1.821	1.405	1.213	1.122	0.992	1.046	1.038	1.013	1.023	1.019
2 Year Average		2.383	1.705	1.398	1.175	1.122	0.951	1.034	1.030	1.008	1.023	1.017
Latest Year		1.878	1.334	1.407	1.169	1.068	0.830	1.036	1.023	1.002	1.019	1.016
Mid 3 of 5		2.569	1.828	1.405	1.226	1.110	1.063	1.043	1.029	1.011	1.019	1.012

Proposed Development\*

2.675

\*Proposed development based on Mid 3 of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to ultimate.

Note: Policy years 2000 and 2001 adjusted for Cat48 losses.

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	19th Report	
1983 Dev. 18/19									404,636,768	403,694,039	0.998	
1984 Dev. 18/19									538,260,493	537,567,932	0.999	
1985 Dev. 18/19									589,877,601	598,960,555	1.015	
1986 Dev. 18/19									600,644,337	606,221,017	1.009	
1987 Dev. 18/19									637,608,031	649,960,582	1.019	
1984 Dev. 17/18								538,724,994	539,298,009	1.001		
1985 Dev. 17/18								607,283,947	607,078,637	1.000		
1986 Dev. 17/18								600,962,891	599,160,002	0.997		
1987 Dev. 17/18								637,608,031	647,915,953	1.016		
1988 Dev. 17/18								678,746,862	686,680,964	1.012		
1985 Dev. 16/17							581,562,365	608,363,541	1.046			
1986 Dev. 16/17							614,005,206	619,828,356	1.009			
1987 Dev. 16/17							632,088,958	634,732,035	1.004			
1988 Dev. 16/17							666,648,955	678,259,514	1.017			
1989 Dev. 16/17							745,598,509	751,944,877	1.009			
1986 Dev. 15/16						614,539,362	614,746,313	1.000				
1987 Dev. 15/16						642,101,337	654,019,590	1.019				
1988 Dev. 15/16						678,540,831	664,626,038	0.979				
1989 Dev. 15/16						733,809,609	745,063,950	1.015				
1990 Dev. 15/16						853,576,116	859,928,169	1.007				
1987 Dev. 14/15					645,811,955	643,106,183	0.996					
1988 Dev. 14/15					699,464,200	701,188,526	1.002					
1989 Dev. 14/15					735,349,028	732,523,162	0.996					
1990 Dev. 14/15					829,732,344	853,054,226	1.028					
1991 Dev. 14/15					810,329,138	818,439,011	1.010					
1988 Dev. 13/14				699,297,977	699,547,598	1.000						
1989 Dev. 13/14				754,401,960	763,278,694	1.012						
1990 Dev. 13/14				823,625,169	828,369,739	1.006						
1991 Dev. 13/14				785,589,415	809,843,509	1.031						
1992 Dev. 13/14				758,694,763	768,896,491	1.013						
1989 Dev. 12/13			749,990,873	754,303,354	1.006							
1990 Dev. 12/13			853,403,314	857,667,177	1.005							
1991 Dev. 12/13			777,540,694	787,767,821	1.013							
1992 Dev. 12/13			735,682,244	758,371,416	1.031							
1993 Dev. 12/13			718,681,393	725,696,254	1.010							
1990 Dev. 11/12		849,159,958	854,277,835	1.006								
1991 Dev. 11/12		820,820,159	822,869,696	1.002								
1992 Dev. 11/12		724,323,505	738,062,125	1.019								
1993 Dev. 11/12		699,240,527	718,386,441	1.027								
1994 Dev. 11/12		672,107,199	683,844,430	1.017								
1991 Dev. 10/11	811,833,577	821,729,702	1.012									
1992 Dev. 10/11	779,017,039	781,603,247	1.003									
1993 Dev. 10/11	689,800,520	704,874,216	1.022									
1994 Dev. 10/11	646,983,655	671,607,137	1.038									
1995 Dev. 10/11	622,037,922	630,716,136	1.014									
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/Ult.*
5 Year Average			1.018	1.014	1.013	1.012	1.007	1.004	1.017	1.005	1.008	1.038
4 Year Average			1.019	1.017	1.015	1.015	1.009	1.005	1.010	1.006	1.011	1.038
3 Year Average			1.025	1.021	1.018	1.017	1.011	1.001	1.010	1.008	1.015	1.038
2 Year Average			1.026	1.022	1.020	1.022	1.019	1.011	1.013	1.014	1.014	1.038
Latest Year			1.014	1.017	1.010	1.013	1.010	1.007	1.009	1.012	1.019	1.049
Mid 3 of 5			1.016	1.014	1.010	1.010	1.003	1.008	1.012	1.004	1.008	1.038

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year	1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report		
1992 Dev. 9/10									314,140,284	320,160,931	1.019	
1993 Dev. 9/10									305,499,661	309,991,777	1.015	
1994 Dev. 9/10									271,870,754	277,793,509	1.022	
1995 Dev. 9/10									286,749,904	293,777,620	1.025	
1996 Dev. 9/10									278,611,434	283,825,705	1.019	
1993 Dev. 8/9								304,987,238	305,313,222	1.001		
1994 Dev. 8/9								276,607,619	285,189,476	1.031		
1995 Dev. 8/9								276,021,234	285,554,925	1.035		
1996 Dev. 8/9								271,753,175	278,407,115	1.024		
1997 Dev. 8/9								302,937,724	308,549,516	1.019		
1994 Dev. 7/8							274,377,657	277,540,993	1.012			
1995 Dev. 7/8							289,289,484	290,622,778	1.005			
1996 Dev. 7/8							260,814,537	270,889,363	1.039			
1997 Dev. 7/8							292,096,367	302,709,322	1.036			
1998 Dev. 7/8							349,921,268	358,762,916	1.025			
1995 Dev. 6/7						279,083,034	288,405,001	1.033				
1996 Dev. 6/7						271,528,110	277,952,857	1.024				
1997 Dev. 6/7						283,687,567	292,254,734	1.030				
1998 Dev. 6/7						336,793,755	349,757,483	1.038				
1999 Dev. 6/7						364,742,125	374,058,897	1.026				
1996 Dev. 5/6					265,938,743	271,450,657	1.021					
1997 Dev. 5/6					300,813,910	312,354,702	1.038					
1998 Dev. 5/6					322,413,143	335,225,234	1.040					
1999 Dev. 5/6					344,564,565	364,580,730	1.058					
2000 Dev. 5/6					339,713,046	349,863,614	1.030					
1997 Dev. 4/5				292,611,829	299,284,494	1.023						
1998 Dev. 4/5				334,530,176	347,490,527	1.039						
1999 Dev. 4/5				317,716,242	346,992,465	1.092						
2000 Dev. 4/5				337,799,855	346,644,700	1.026						
2001 Dev. 4/5				322,201,179	337,061,221	1.046						
1998 Dev. 3/4			323,039,958	335,290,041	1.038							
1999 Dev. 3/4			316,745,758	337,679,539	1.066							
2000 Dev. 3/4			311,517,665	329,847,195	1.059							
2001 Dev. 3/4			298,166,617	321,994,750	1.080							
2002 Dev. 3/4			334,347,456	348,272,859	1.042							
1999 Dev. 2/3		291,321,738	319,524,751	1.097								
2000 Dev. 2/3		297,025,890	324,346,905	1.092								
2001 Dev. 2/3		272,066,539	310,517,048	1.141								
2002 Dev. 2/3		317,947,883	333,867,798	1.050								
2003 Dev. 2/3		290,509,547	323,037,662	1.112								
2000 Dev. 1/2	256,416,538	301,970,630	1.178									
2001 Dev. 1/2	253,673,072	287,286,143	1.133									
2002 Dev. 1/2	286,000,963	337,662,227	1.181									
2003 Dev. 1/2	263,592,537	290,333,267	1.101									
2004 Dev. 1/2	222,772,820	266,764,206	1.197									
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		1.966	1.698	1.158	1.098	1.057	1.045	1.037	1.030	1.023	1.022	1.020
4 Year Average		2.030	1.761	1.153	1.099	1.062	1.051	1.042	1.029	1.026	1.027	1.020
3 Year Average		2.080	1.793	1.160	1.101	1.060	1.055	1.043	1.031	1.033	1.026	1.022
2 Year Average		2.084	1.814	1.149	1.081	1.061	1.036	1.044	1.032	1.031	1.022	1.022
Latest Year		2.154	1.799	1.197	1.112	1.042	1.046	1.030	1.026	1.025	1.019	1.019
Mid 3 of 5		1.944	1.670	1.164	1.100	1.056	1.037	1.036	1.030	1.024	1.025	1.020

Proposed Development 2.002

\*Proposed development based on Mid 3 of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to ultimate.

Note: Policy years 2000 and 2001 adjusted for Cat48 losses.

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report		
1983 Dev. 18/19									170,592,094	170,885,190	1.002	
1984 Dev. 18/19									204,145,662	204,603,994	1.002	
1985 Dev. 18/19									219,960,885	219,558,326	0.998	
1986 Dev. 18/19									239,080,441	241,169,618	1.009	
1987 Dev. 18/19									256,240,548	262,220,122	1.023	
1984 Dev. 17/18								203,528,911	204,476,103		1.005	
1985 Dev. 17/18								225,814,763	227,615,981		1.008	
1986 Dev. 17/18								239,515,838	238,008,316		0.994	
1987 Dev. 17/18								252,683,160	256,260,402		1.014	
1988 Dev. 17/18								294,790,642	295,931,823		1.004	
1985 Dev. 16/17							223,892,632	226,354,032		1.011		
1986 Dev. 16/17							242,372,487	248,318,429		1.025		
1987 Dev. 16/17							253,786,207	250,750,740		0.988		
1988 Dev. 16/17							289,231,690	294,563,723		1.018		
1989 Dev. 16/17							328,085,919	332,983,841		1.130		
1986 Dev. 15/16						241,381,423	242,641,647		1.005			
1987 Dev. 15/16						259,728,937	263,849,170		1.016			
1988 Dev. 15/16						284,304,486	286,047,544		1.006			
1989 Dev. 15/16						320,784,393	327,970,722		1.022			
1990 Dev. 15/16						353,457,420	355,943,786		1.007			
1987 Dev. 14/15					256,522,045	260,444,664		1.015				
1988 Dev. 14/15					292,921,541	296,119,952		1.011				
1989 Dev. 14/15					320,248,187	318,481,709		0.994				
1990 Dev. 14/15					347,196,051	353,418,116		1.018				
1991 Dev. 14/15					332,964,983	335,519,971		0.949				
1988 Dev. 13/14				293,195,146	292,856,461		0.999					
1989 Dev. 13/14				330,331,901	333,574,173		1.010					
1990 Dev. 13/14				344,671,250	345,202,546		1.002					
1991 Dev. 13/14				323,299,605	332,775,520		1.029					
1992 Dev. 13/14				308,646,120	313,396,209		1.015					
1989 Dev. 12/13			329,074,963	330,286,460		1.004						
1990 Dev. 12/13			355,018,316	359,335,575		1.012						
1991 Dev. 12/13			319,807,069	322,183,344		1.007						
1992 Dev. 12/13			300,244,965	308,624,231		1.028						
1993 Dev. 12/13			306,205,135	312,478,037		1.020						
1990 Dev. 11/12		354,564,802	355,150,022		1.002							
1991 Dev. 11/12		341,044,116	344,988,236		1.012							
1992 Dev. 11/12		292,316,648	298,495,991		1.021							
1993 Dev. 11/12		299,908,911	306,142,927		1.021							
1994 Dev. 11/12		286,395,844	289,019,188		1.009							
1991 Dev. 10/11	337,297,623	341,327,151		1.012								
1992 Dev. 10/11	320,243,775	324,322,191		1.013								
1993 Dev. 10/11	296,294,924	299,229,095		1.010								
1994 Dev. 10/11	279,674,677	286,323,560		1.024								
1995 Dev. 10/11	293,830,870	298,862,205		1.017								
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/Ult.*
5 Year Average			1.015	1.013	1.014	1.011	0.998	1.011	1.034	1.005	1.007	1.104
4 Year Average			1.016	1.016	1.017	1.014	0.993	1.013	1.040	1.005	1.008	1.104
3 Year Average			1.017	1.017	1.019	1.015	0.987	1.012	1.045	1.004	1.010	1.104
2 Year Average			1.020	1.015	1.024	1.022	0.984	1.015	1.074	1.009	1.016	1.104
Latest Year			1.017	1.009	1.020	1.015	0.949	1.007	1.130	1.004	1.023	1.119
Mid 3 of 5			1.014	1.014	1.013	1.009	1.007	1.010	1.018	1.006	1.004	1.104

\* From Exhibit BB, Sheet 2



WORKERS COMPENSATION - NEW YORK

Policy Year Loss Development Factors from 19th Report (Case Basis) to Ultimate Incurred

	<u>INDEMNITY</u>	<u>MEDICAL</u>
1. Case incurred losses for Policy Year 1984 valued as of 12/31/03*	550,489,303	243,100,128
2. Case incurred losses for Policy Year 1985 valued as of 12/31/04*	603,758,631	238,729,305
3. Case incurred losses for Policy Year 1986 valued as of 12/31/05	606,462,938	241,151,966
4. Average ((1)+(2)+(3))/3	586,903,624	240,993,800
5. Ratio of (4) / (3)	0.968	0.999
6. Total incurred losses for Policy Year 1984 valued as of 12/31/03*	553,052,793	244,747,677
7. Total incurred losses for Policy Year 1985 valued as of 12/31/04*	608,288,958	241,991,791
8. Total incurred losses for Policy Year 1986 valued as of 12/31/05	612,186,098	243,949,387
9. Average ((6)+(7)+(8))/3	591,175,950	243,562,952
10. Factor from case to total incurred basis at 19th report (9)/(4)	1.007	1.011
11. Change in total incurred losses from 12/31/02 to 12/31/03 for all Policy Years 1983 and prior*	10,323,823	36,118,218
12. Change in total incurred losses from 12/31/03 to 12/31/04 for all Policy Years 1984 and prior*	21,933,210	19,636,231
13. Change in total incurred losses from 12/31/04 to 12/31/05 for all Policy Years 1985 and prior*	35,581,993	27,694,702
14. Average ((11)+(12)+(13))/3	22,613,009	27,816,383
15. Development factor from 19th to ultimate [(3)*(5)*(10) +(14)] / [(3)*(5)]	1.046	1.126
16. Case incurred losses for Policy Year 1985 valued as of 12/31/04**	603,758,631	259,411,479
17. Case incurred losses for Policy Year 1986 valued as of 12/31/05**	606,462,938	262,044,026
18. Case incurred losses for Policy Year 1987 valued as of 12/31/06	606,221,017	241,169,618
19. Average of (16) through (18)	605,480,862	254,208,375
20. Ratio of (19) / (18)	0.999	1.054
21. Total incurred losses for Policy Year 1985 valued as of 12/31/04**	608,164,879	262,956,609
22. Total incurred losses for Policy Year 1986 valued as of 12/31/05**	612,186,098	265,083,800
23. Total incurred losses for Policy Year 1987 valued as of 12/31/06	611,944,177	243,967,039
24. Average of (21) through (23)	610,765,051	257,335,816
25. Factor from case to total incurred basis at 19th report (24) / (19)	1.009	1.012
26. Change in total incurred losses from 12/31/03 to 12/31/04 for all Policy Years 1984 and prior**	23,165,098	26,075,276
27. Change in total incurred losses from 12/31/04 to 12/31/05 for all Policy Years 1985 and prior**	35,095,185	29,955,317
28. Change in total incurred losses from 12/31/05 to 12/31/06 for all Policy Years 1986 and prior**	21,557,546	19,369,945
29. Average of (26) through (28)	26,605,943	25,133,513
30. Development factor from 19th to ultimate [(18)*(20)*(25)+(29)] / [(18)*(20)]	1.053	1.111
31. Average development factor from 19th to ultimate [(15) + (30)] / 2	1.049	1.119
32. Factor 19th to ultimate @10/1/06	1.027	1.088
33. Final development factor from 19th to ultimate [(31)+(32)]/2	1.038	1.104

\* Adjusted to the level of Policy Year 1986

\*\* Adjusted to the level of Policy Year 1987

WORKERS COMPENSATION - NEW YORK

Accident Year Development Factors - Indemnity Losses (Case Basis)

Accident Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1993	Dev. 9/10									723,070,621	736,731,574	1.019
1994	Dev. 9/10									687,866,337	688,659,087	1.001
1995	Dev. 9/10									608,245,635	619,347,766	1.018
1996	Dev. 9/10									541,527,387	555,115,700	1.025
1997	Dev. 9/10									583,708,257	593,387,420	1.017
1994	Dev. 8/9								679,237,543	688,563,652		1.014
1995	Dev. 8/9								669,867,568	669,518,684		0.999
1996	Dev. 8/9								493,840,163	502,630,422		1.018
1997	Dev. 8/9								572,905,399	583,446,115		1.018
1998	Dev. 8/9								602,574,595	612,224,175		1.016
1995	Dev. 7/8							651,602,272	668,229,891			1.026
1996	Dev. 7/8							563,217,540	569,436,263			1.011
1997	Dev. 7/8							514,197,213	531,220,537			1.033
1998	Dev. 7/8							587,744,197	602,408,315			1.025
1999	Dev. 7/8							701,977,934	706,891,737			1.007
1996	Dev. 6/7						534,152,757	559,415,790				1.047
1997	Dev. 6/7						585,632,622	594,154,063				1.015
1998	Dev. 6/7						526,340,605	547,412,371				1.040
1999	Dev. 6/7						677,601,832	701,834,009				1.036
2000	Dev. 6/7						673,113,978	689,485,210				1.024
1997	Dev. 5/6					551,281,406	578,922,869					1.050
1998	Dev. 5/6					574,491,993	609,404,204					1.061
1999	Dev. 5/6					598,284,264	635,396,667					1.062
2000	Dev. 5/6					640,743,754	672,989,212					1.050
2001	Dev. 5/6					593,568,681	643,216,562					1.084
1998	Dev. 4/5				526,228,947	570,244,139						1.084
1999	Dev. 4/5				629,685,316	680,455,561						1.081
2000	Dev. 4/5				567,167,222	610,478,044						1.076
2001	Dev. 4/5				488,201,196	535,361,815						1.097
2002	Dev. 4/5				520,325,253	540,575,788						1.039
1999	Dev. 3/4			538,663,678	630,242,577							1.170
2000	Dev. 3/4			557,684,417	633,322,125							1.136
2001	Dev. 3/4			406,335,033	488,377,496							1.202
2002	Dev. 3/4			465,009,789	519,221,173							1.117
2003	Dev. 3/4			466,517,277	512,720,031							1.099
2000	Dev. 2/3		388,506,702	563,436,845		1.450						
2001	Dev. 2/3		365,663,581	475,456,421		1.300						
2002	Dev. 2/3		372,098,610	467,355,449		1.256						
2003	Dev. 2/3		361,688,815	466,134,503		1.289						
2004	Dev. 2/3		305,977,663	397,388,864		1.299						
2001	Dev. 1/2	187,051,617	405,669,089		1.739 **							
2002	Dev. 1/2	228,476,810	396,297,151		1.735							
2003	Dev. 1/2	214,289,093	363,074,868		1.694							
2004	Dev. 1/2	183,451,851	305,469,293		1.665							
2005	Dev. 1/2	171,942,506	304,158,379		1.769							

Development	1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average	3.808	2.214	1.720	1.319	1.145	1.075	1.061	1.032	1.020	1.013	1.016
4 Year Average	3.696	2.154	1.716	1.286	1.138	1.073	1.064	1.029	1.019	1.013	1.015
3 Year Average	3.825	2.238	1.709	1.281	1.139	1.071	1.065	1.033	1.022	1.017	1.020
2 Year Average	3.791	2.208	1.717	1.294	1.108	1.068	1.067	1.030	1.016	1.017	1.021
Latest Year	3.586	2.027	1.769	1.299	1.099	1.039	1.084	1.024	1.007	1.016	1.017
Mid 3 of 5	3.767	2.186	1.723	1.296	1.141	1.080	1.058	1.033	1.021	1.016	1.018

3.900

\*Proposed development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to ultimate.

\*\* recalculated to exclude aberration in a large carrier's development.

Note: Accident Year 2001 adjusted for cat48 loss.

WORKERS COMPENSATION - NEW YORK

Accident Year Development Factors - Indemnity Losses (Case Basis)

Accident Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	20th Report		
1983 Dev. 19/20										370,244,422	369,713,495	0.999	
1984 Dev. 19/20										492,582,831	490,740,200	0.996	
1985 Dev. 19/20										542,776,363	554,332,816	1.021	
1986 Dev. 19/20										574,244,025	581,704,082	1.013	
1987 Dev. 19/20										618,503,531	620,207,830	1.003	
1984 Dev. 18/19									491,707,927	494,614,250		1.006	
1985 Dev. 18/19									582,108,962	579,221,290		0.995	
1986 Dev. 18/19									550,274,746	552,882,650		1.005	
1987 Dev. 18/19									606,389,447	618,326,553		1.020	
1988 Dev. 18/19									655,995,290	662,919,987		1.011	
1985 Dev. 17/18								564,766,721	582,980,069			1.032	
1986 Dev. 17/18								593,990,446	594,788,859			1.001	
1987 Dev. 17/18								573,625,658	582,707,835			1.016	
1988 Dev. 17/18								646,822,313	655,960,523			1.014	
1989 Dev. 17/18								718,649,962	726,155,354			1.010	
1986 Dev. 16/17							571,406,672	595,159,371				1.042	
1987 Dev. 16/17							594,634,789	622,944,555				1.048	
1988 Dev. 16/17							627,240,882	621,765,139				0.991	
1989 Dev. 16/17							709,614,311	718,305,488				1.012	
1990 Dev. 16/17							795,520,086	801,644,381				1.008	
1987 Dev. 15/16						612,352,793	594,818,123	0.971					
1988 Dev. 15/16						674,815,802	679,403,970	1.007					
1989 Dev. 15/16						672,448,472	683,863,257	1.017					
1990 Dev. 15/16						775,028,415	795,233,672	1.026					
1991 Dev. 15/16						880,644,277	889,003,230	1.009					
1988 Dev. 14/15					673,240,462	674,990,897		1.003					
1989 Dev. 14/15					726,604,454	729,445,542		1.004					
1990 Dev. 14/15					747,144,418	752,852,084		1.008					
1991 Dev. 14/15					857,678,201	880,576,329		1.027					
1992 Dev. 14/15					753,851,892	768,592,111		1.020					
1989 Dev. 13/14				722,429,607	726,306,634			1.005					
1990 Dev. 13/14				805,824,149	808,349,743			1.003					
1991 Dev. 13/14				819,190,680	834,122,879			1.018					
1992 Dev. 13/14				732,765,830	753,608,393			1.028					
1993 Dev. 13/14				726,765,338	733,527,309			1.009					
1990 Dev. 12/13			799,283,936	805,661,046				1.008					
1991 Dev. 12/13			883,892,813	886,268,780				1.003					
1992 Dev. 12/13			697,988,520	708,774,154				1.015					
1993 Dev. 12/13			707,097,553	726,709,874				1.028					
1994 Dev. 12/13			699,206,571	709,939,152				1.015					
1991 Dev. 11/12		874,375,162	885,076,099		1.012								
1992 Dev. 11/12		773,526,017	775,699,481		1.003								
1993 Dev. 11/12		664,918,753	676,711,037		1.018								
1994 Dev. 11/12		677,644,545	699,162,636		1.032								
1995 Dev. 11/12		669,989,504	681,177,034		1.017								
1992 Dev. 10/11	768,017,285	773,647,083		1.007									
1993 Dev. 10/11	736,354,098	731,184,282		0.993									
1994 Dev. 10/11	625,571,248	637,372,139		1.019									
1995 Dev. 10/11	655,341,852	669,768,384		1.022									
1996 Dev. 10/11	555,300,233	561,729,926		1.012									
5 Year Average			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/20th	20th/Ult.*
4 Year Average			1.011	1.016	1.014	1.013	1.012	1.006	1.020	1.015	1.007	1.006	1.053
3 Year Average			1.011	1.017	1.015	1.015	1.014	1.015	1.015	1.010	1.008	1.008	1.053
2 Year Average			1.017	1.022	1.020	1.019	1.018	1.018	1.004	1.013	1.012	1.012	1.053
Latest Year			1.017	1.024	1.022	1.019	1.023	1.018	1.010	1.012	1.015	1.008	1.053
Mid 3 of 5			1.012	1.017	1.015	1.009	1.020	1.009	1.008	1.010	1.011	1.003	1.058
			1.013	1.016	1.013	1.011	1.010	1.011	1.021	1.013	1.007	1.005	1.053

WORKERS COMPENSATION - NEW YORK

Accident Year Development Factors - Medical Losses (Case Basis)

Accident Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1993	Dev. 9/10									305,725,042	312,750,214	1.023
1994	Dev. 9/10									293,312,892	298,964,579	1.019
1995	Dev. 9/10									269,993,671	278,456,042	1.031
1996	Dev. 9/10									272,869,196	280,692,119	1.029
1997	Dev. 9/10									291,411,401	296,536,895	1.018
1994	Dev. 8/9								291,258,396	294,161,006		1.010
1995	Dev. 8/9								291,422,068	296,267,051		1.017
1996	Dev. 8/9								242,345,525	255,821,285		1.056
1997	Dev. 8/9								283,934,542	291,312,612		1.026
1998	Dev. 8/9								325,782,483	332,223,804		1.020
1995	Dev. 7/8							285,402,716	290,960,902			1.019
1996	Dev. 7/8							271,215,297	276,865,069			1.021
1997	Dev. 7/8							254,113,401	263,416,790			1.037
1998	Dev. 7/8							318,993,396	325,781,322			1.021
1999	Dev. 7/8							359,602,715	372,644,281			1.036
1996	#REF!						258,829,573	269,289,177	1,040			
1997	Dev. 6/7						291,100,630	297,423,679	1,022			
1998	Dev. 6/7						283,819,401	296,619,609	1,045			
1999	Dev. 6/7						336,943,258	359,748,714	1,068			
2000	Dev. 6/7						365,944,650	380,417,974	1,040			
1997	Dev. 5/6					276,355,903	286,022,402					1.035
1998	Dev. 5/6					320,861,167	331,529,176					1.033
1999	Dev. 5/6					292,252,198	312,864,895					1.071
2000	Dev. 5/6					348,637,560	366,357,053					1.051
2001	Dev. 5/6					331,160,246	341,507,413					1.031
1998	Dev. 4/5				307,109,039	318,099,762						1.036
1999	Dev. 4/5				319,208,979	338,816,045						1.061
2000	Dev. 4/5				316,746,667	331,624,086						1.047
2001	Dev. 4/5				303,742,217	331,538,793						1.092
2002	Dev. 4/5				333,761,409	344,930,895						1.033
1999	Dev. 3/4			295,409,642	319,912,759							1.083
2000	Dev. 3/4			330,543,345	352,489,624							1.066
2001	Dev. 3/4			270,935,089	299,879,108							1.107
2002	Dev. 3/4			318,224,849	333,463,865							1.048
2003	Dev. 3/4			300,375,011	322,162,346							1.073
2000	Dev. 2/3		290,234,125	333,726,270	1,150							
2001	Dev. 2/3		268,120,097	299,883,064	1,118							
2002	Dev. 2/3		292,432,373	320,625,790	1,096							
2003	Dev. 2/3		275,345,030	300,407,044	1,091							
2004	Dev. 2/3		251,846,158	292,514,124	1,161							
2001	Dev. 1/2	191,263,810	266,692,546	1,394								
2002	Dev. 1/2	229,732,189	305,024,145	1,328								
2003	Dev. 1/2	212,632,561	277,449,676	1,305								
2004	Dev. 1/2	209,393,930	251,587,752	1,202								
2005	Dev. 1/2	183,643,161	253,807,440	1,382								
Development		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.552	1.930	1.322	1.123	1.075	1.054	1.044	1.043	1.027	1.026	1.024
4 Year Average		2.579	1.978	1.304	1.117	1.073	1.058	1.046	1.044	1.029	1.029	1.024
3 Year Average		2.636	2.034	1.296	1.116	1.076	1.057	1.051	1.051	1.031	1.034	1.026
2 Year Average		2.566	1.986	1.292	1.126	1.060	1.062	1.041	1.054	1.029	1.023	1.023
Latest Year		2.657	1.922	1.382	1.161	1.073	1.033	1.031	1.040	1.036	1.020	1.018
Mid 3 of 5		2.537	1.896	1.338	1.122	1.074	1.048	1.040	1.042	1.026	1.021	1.024
Proposed Development*		2.605										

\*Proposed development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to ultimate.

Note: Accident Year 2001 adjusted for cat48 loss.

WORKERS COMPENSATION - NEW YORK

Accident Year Development Factors -Medical Losses (Case Basis)

Accident Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	20th Report		
1983 Dev. 19/20										163,448,679	164,034,041	1.004	
1984 Dev. 19/20										185,020,990	185,772,189	1.004	
1985 Dev. 19/20										210,379,807	216,103,917	1.027	
1986 Dev. 19/20										215,538,887	219,770,844	1.020	
1987 Dev. 19/20										246,768,700	248,580,387	1.007	
1984 Dev. 18/19									184,688,044	185,368,812		1.004	
1985 Dev. 18/19									227,912,494	225,450,438		0.989	
1986 Dev. 18/19									207,337,954	207,276,049		1.000	
1987 Dev. 18/19									242,574,325	246,631,675		1.017	
1988 Dev. 18/19									282,286,645	286,905,592		1.016	
1985 Dev. 17/18								226,800,026	228,188,631			1.006	
1986 Dev. 17/18								219,169,846	226,240,250			1.032	
1987 Dev. 17/18								231,934,801	233,707,531			1.008	
1988 Dev. 17/18								278,319,849	282,340,729			1.014	
1989 Dev. 17/18								315,502,005	318,538,445			1.010	
1986 Dev. 16/17							215,565,653	219,482,779				1.018	
1987 Dev. 16/17							248,446,546	255,561,243				1.029	
1988 Dev. 16/17							264,258,353	269,174,824				1.019	
1989 Dev. 16/17							308,777,060	315,479,452				1.022	
1990 Dev. 16/17							350,014,347	353,017,813				1.009	
1987 Dev. 15/16						250,824,591	248,635,440	0.991					
1988 Dev. 15/16						279,887,385	287,774,424	1.028					
1989 Dev. 15/16						293,438,600	299,314,183	1.020					
1990 Dev. 15/16						343,604,396	350,000,822	1.019					
1991 Dev. 15/16						349,106,966	354,748,438	1.016					
1988 Dev. 14/15					277,305,174	281,154,433		1.014					
1989 Dev. 14/15					315,301,569	318,480,092		1.010					
1990 Dev. 14/15					331,607,978	335,365,020		1.011					
1991 Dev. 14/15					340,749,121	349,134,355		1.025					
1992 Dev. 14/15					304,800,723	306,268,905		1.005					
1989 Dev. 13/14				311,705,904	315,439,889			1.012					
1990 Dev. 13/14				352,135,395	357,473,514			1.015					
1991 Dev. 13/14				327,062,155	332,289,868			1.016					
1992 Dev. 13/14				297,041,576	304,707,958			1.026					
1993 Dev. 13/14				304,883,593	312,512,175			1.025					
1990 Dev. 12/13			350,128,944	352,342,396				1.006					
1991 Dev. 12/13			355,446,118	358,837,099				1.010					
1992 Dev. 12/13			280,752,032	288,279,761				1.027					
1993 Dev. 12/13			297,667,131	304,842,170				1.024					
1994 Dev. 12/13			299,283,274	302,397,179				1.010					
1991 Dev. 11/12		351,021,364	355,901,418		1.014								
1992 Dev. 11/12		310,024,673	313,616,404		1.012								
1993 Dev. 11/12		280,198,898	286,081,527		1.021								
1994 Dev. 11/12		293,548,030	299,237,854		1.019								
1995 Dev. 11/12		300,897,001	305,188,120		1.014								
1992 Dev. 10/11	309,610,899	310,056,158										1.001	
1993 Dev. 10/11	313,036,798	315,569,813										1.008	
1994 Dev. 10/11	272,492,688	279,111,705										1.024	
1995 Dev. 10/11	292,649,798	300,860,645										1.028	
1996 Dev. 10/11	280,619,514	285,629,988										1.018	
			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/20th	20th/Ult.*
5 Year Average			1.016	1.016	1.015	1.019	1.013	1.015	1.019	1.014	1.005	1.012	1.120
4 Year Average			1.020	1.017	1.018	1.020	1.013	1.021	1.019	1.016	1.005	1.015	1.120
3 Year Average			1.023	1.018	1.020	1.022	1.014	1.018	1.016	1.011	1.011	1.018	1.120
2 Year Average			1.023	1.017	1.017	1.025	1.015	1.017	1.015	1.012	1.017	1.013	1.120
Latest Year			1.018	1.014	1.010	1.025	1.005	1.016	1.009	1.010	1.016	1.007	1.138
Mid 3 of 5			1.017	1.016	1.015	1.019	1.012	1.018	1.019	1.011	1.007	1.010	1.120

\* From Exhibit CC, Sheet 1D

WORKERS COMPENSATION - NEW YORK

Accident Year Loss Development Factors from 20th Report (Case Basis) to Ultimate Incurred

	<u>INDEMNITY</u>	<u>MEDICAL</u>
1. Case incurred losses for Accident Year 1984 valued as of 12/31/03*	502,067,331	218,930,637
2. Case incurred losses for Accident Year 1985 valued as of 12/31/04*	577,464,280	241,612,843
3. Case incurred losses for Accident Year 1986 valued as of 12/31/05	581,704,862	219,774,639
4. Average ((1)+(2)+(3))/3	553,745,491	226,772,706
5. Ratio of (4)/(3)	0.952	1.032
6. Total incurred losses for Accident Year 1984 valued as of 12/31/03*	504,815,367	221,054,140
7. Total incurred losses for Accident Year 1985 valued as of 12/31/04*	581,030,588	244,444,063
8. Total incurred losses for Accident Year 1986 valued as of 12/31/05	586,585,688	222,215,848
9. Average ((6)+(7)+(8))/3	557,477,214	229,238,017
10. Factor from case to total incurred basis at 20th report (9)/(4)	1.007	1.011
11. Change in total incurred losses from 12/31/02 to 12/31/03 for all Accident Years 1983 and prior*	25,684,607	30,043,880
12. Change in total incurred losses from 12/31/03 to 12/31/04 for all Accident Years 1984 and prior*	29,814,228	18,666,915
13. Change in total incurred losses from 12/31/04 to 12/31/05 for all Accident Years 1985 and prior	38,124,763	29,492,048
14. Average ((11)+(12)+(13))/3	31,207,866	26,067,614
15. Development factor from 20th to ultimate [(3)*(5)*(10) +(14)] / [(3)*(5)]	1.063	1.126
16. Case incurred losses for Accident Year 1985 valued as of 12/31/04**	605,766,169	272,674,941
17. Case incurred losses for Accident Year 1986 valued as of 12/31/05**	585,671,615	237,975,470
18. Case incurred losses for Accident Year 1987 valued as of 12/31/06	620,207,830	248,580,387
19. Average of (16) through (18)	603,881,872	253,076,933
20. Ratio of (19) / (18)	0.974	1.018
21. Total incurred losses for Accident Year 1985 valued as of 12/31/04**	593,292,918	281,956,614
22. Total incurred losses for Accident Year 1986 valued as of 12/31/05**	597,339,493	270,532,341
23. Total incurred losses for Accident Year 1987 valued as of 12/31/06	630,546,391	253,597,613
24. Average of (21) through (23)	607,059,601	268,695,523
25. Factor from case to total incurred basis at 20th report (24) / (19)	1.005	1.062
26. Change in total incurred losses from 12/31/03 to 12/31/04 for all Accident Years 1984 and prior**	31,928,756	21,527,525
27. Change in total incurred losses from 12/31/04 to 12/31/05 for all Accident Years 1985 and prior**	37,963,981	31,643,683
28. Change in total incurred losses from 12/31/05 to 12/31/06 for all Accident Years 1986 and prior	15,533,262	13,298,952
29. Average of (26) through (28)	28,475,333	22,156,720
30. Development factor from 20th to ultimate [(18)*(20)*(25)+(29)] / [(18)*(20)]	1.052	1.149
31. Average development factor from 20th to ultimate [(15) + (30)] / 2	1.058	1.138
32. Factor 20th to ultimate @10/1/06	1.048	1.101
33. Selected development factor from 20th to ultimate [(31)+(32)]/2	1.053	1.120

\* Adjusted to the level of Accident Year 1986

\*\* Adjusted to the level of Accident Year 1987

Trend Study

Proposed Loss and Wage Trend

BEST FIT SELECTION

<u>Trend</u>	<u>Method</u>	<u>Average Annual Change</u>
Indemnity Claim Cost	All Indemnity - 8 Yr Exponential Projection	1.0707
Indemnity Claim Frequency	All Indemnity - 8 Yr Exponential Projection	0.9847
Medical Claim Cost	All Medical - 5 Yr Linear Projection	1.1017
Medical Claim Frequency	All Medical - 8 Yr Linear Projection	0.9686
New York Wage	Wage - 5 Yr Exponential Projection	1.0291

TREND STUDY

Analysis of Claim Cost Trends by Injury Type

Weighted All Carriers - All Indemnity

Experience Period		Avg. Claim Cost*	FITTED CLAIM COST TRENDS			
			FIVE YEARS		EIGHT YEARS	
			Exponential	Linear	Exponential	Linear
Policy Year	1997	19,786			19,328	18,946
	1998	20,190			20,695	20,635
	1999	22,055			22,159	22,324
	2000	23,255	23,735	23,665	23,726	24,013
	2001	25,678	25,424	25,515	25,404	25,701
	2002	27,749	27,233	27,365	27,201	27,390
	2003	29,597	29,171	29,215	29,124	29,079
	2004	30,545	31,247	31,065	31,184	30,767
Average Annual Change			7.12%	6.76%	7.07%	6.79%
R Squared			0.967	0.978	0.986	0.984

\* Average Claim Cost from Exhibit DD Sheet 4



TREND STUDY

Analysis of Claim Cost Trends by Injury Type

Weighted All Carriers - All Medical

Experience Period	Avg. Claim Cost*	FITTED CLAIM COST TRENDS			
		FIVE YEARS		EIGHT YEARS	
		Exponential	Linear	Exponential	Linear
Policy Year 1997	3,080			3,018	2,890
1998	3,448			3,300	3,269
1999	3,439			3,608	3,648
2000	3,763	3,829	3,786	3,945	4,027
2001	4,330	4,243	4,269	4,314	4,405
2002	4,763	4,702	4,752	4,718	4,784
2003	5,121	5,211	5,236	5,159	5,163
2004	5,784	5,775	5,719	5,641	5,542
Average Annual Change		10.82%	10.17%	9.35%	8.99%
R Squared		0.989	0.991	0.978	0.961

\* Average Claim Cost from Exhibit DD Sheet 4

TREND STUDY

Historical Schedule Z Data  
Weighted - All Carriers  
Average Claim Costs

Policy Year	Death	P.T.	Major	Minor	Temporary	All Indemnity	Medical Only	Medical On Comp.	All Medical
1997	174,614	218,441	96,281	8,409	3,715	19,786	593	8,343	3,080
1998	199,264	257,087	84,269	8,049	3,174	20,190	603	8,733	3,448
1999	214,002	298,535	91,212	8,848	3,183	22,055	608	9,232	3,439
2000	207,470	247,496	90,879	8,966	3,346	23,255	648	10,132	3,763
2001	204,203	259,951	92,695	9,199	3,206	25,678	706	11,461	4,330
2002	230,613	276,955	93,845	9,279	3,395	27,749	749	12,493	4,763
2003	203,413	196,119	94,208	9,817	3,150	29,597	814	12,848	5,121
2004	294,871	347,261	93,563	10,351	3,009	30,545	838	13,784	5,784

$$\text{Average Claim Cost} = \frac{\text{Developed On-Level Losses}}{\text{Developed Claim Count}}$$

TREND STUDY

Historical Schedule Z Data  
Private Carriers - Excluding SIF  
Average Claim Costs

Policy Year	Death	P.T.	Major	Minor	Temporary	All Indemnity	Medical Only	Medical On Comp.	All Medical
1997	113,134	200,692	81,731	8,126	4,014	15,937	561	8,320	3,152
1998	133,883	252,105	73,064	7,792	3,351	16,921	568	8,615	3,540
1999	179,323	193,063	75,417	8,579	3,346	17,738	577	8,929	3,403
2000	171,508	221,047	78,480	8,674	3,503	19,810	604	9,960	3,737
2001	182,932	205,703	76,516	9,018	3,356	21,548	669	11,109	4,222
2002	148,102	147,812	72,287	8,976	3,612	21,801	709	11,960	4,520
2003	125,872	162,781	67,524	9,395	3,278	22,043	772	12,188	4,840
2004	271,851	270,272	62,502	10,082	3,051	21,420	790	12,883	5,329

$$\text{Average Claim Cost} = \frac{\text{Developed On-Level Losses}}{\text{Developed Claim Count}}$$

TREND STUDY

Historical Schedule Z Data  
State Insurance Fund  
Average Claim Costs

Policy Year	Death	P.T.	Major	Minor	Temporary	All Indemnity	Medical Only	Medical On Comp.	All Medical
1997	259,475	275,235	119,456	8,897	2,864	28,145	681	8,396	3,526
1998	285,932	289,111	108,018	8,580	2,585	28,522	699	9,059	3,785
1999	270,805	788,668	126,603	9,392	2,641	33,345	711	10,073	4,239
2000	276,334	361,434	119,446	9,511	2,841	32,051	797	10,593	4,563
2001	232,965	615,576	133,069	9,535	2,749	36,434	833	12,395	5,402
2002	358,397	858,099	142,538	9,680	2,817	41,176	875	13,710	6,201
2003	335,487	303,980	156,918	10,386	2,800	47,342	945	14,445	6,681
2004	312,001	462,745	172,579	10,641	2,889	52,244	993	15,859	7,715

$$\text{Average Claim Cost} = \frac{\text{Developed On-Level Losses}}{\text{Developed Claim Count}}$$

TREND STUDY

Analysis of Claim Frequency Trends

Weighted All Carriers - All Indemnity

FITTED CLAIM FREQUENCY

Experience Period	Claim Frequency*	<u>FIVE YEARS</u>		<u>EIGHT YEARS</u>	
		Exponential	Linear	Exponential	Linear
Policy Year 1997	13.25			13.40	13.41
1998	14.15			13.20	13.21
1999	12.82			12.99	13.01
2000	12.72	12.2331	12.2358	12.79	12.82
2001	12.12	12.2643	12.2703	12.60	12.62
2002	11.80	12.2956	12.3047	12.41	12.42
2003	11.88	12.3270	12.3392	12.22	12.22
2004	13.01	12.3584	12.3737	12.03	12.02
Average Annual Change		0.26%	0.28%	-1.53%	-1.62%
R Squared		0.009	0.010	0.384	0.383

\* Claim Frequency from Exhibit DD Sheet 9

TREND STUDY

Analysis of Claim Frequency Trends

Weighted All Carriers - All Medical

FITTED CLAIM FREQUENCY

Experience Period	Claim Frequency*	<u>FIVE YEARS</u>		<u>EIGHT YEARS</u>	
		Exponential	Linear	Exponential	Linear
Policy Year 1997	38.44			38.83	38.74
1998	38.31			37.72	37.72
1999	36.67			36.64	36.70
2000	36.43	35.45	35.47	35.59	35.67
2001	34.06	34.48	34.52	34.57	34.65
2002	32.80	33.54	33.57	33.58	33.63
2003	31.70	32.62	32.63	32.62	32.60
2004	32.88	31.73	31.68	31.68	31.58
Average Annual Change		-2.73%	-2.90%	-2.87%	-3.14%
R Squared		0.688	0.689	0.902	0.906

\* Claim Frequency from Exhibit DD Sheet 9

TREND STUDY

Historical Schedule Z Data  
Weighted All Carriers  
Claim Frequencies

Policy Year	Death	P.T.	Major	Minor	Temp.	Medical Only	Medical All Comp	All Indemnity	All Medical
1997	0.0383	0.0419	1.980	3.012	8.178	25.19	13.25	13.25	38.44
1998	0.0452	0.0441	2.547	2.894	8.617	24.16	14.15	14.15	38.31
1999	0.0336	0.0402	2.368	2.554	7.820	23.86	12.82	12.82	36.67
2000	0.0306	0.0447	2.543	2.395	7.703	23.72	12.72	12.72	36.43
2001	0.0359	0.0546	2.658	2.207	7.164	21.94	12.12	12.12	34.06
2002	0.0382	0.0437	2.823	1.923	6.969	21.00	11.80	11.80	32.80
2003	0.0420	0.0559	3.116	1.702	6.968	19.82	11.88	11.88	31.70
2004	0.0331	0.0558	3.488	1.826	7.603	19.88	13.01	13.01	32.88

Claim Frequencies = (Developed Claim Counts)/(Premium at Present Rates)

TREND STUDY

Historical Schedule Z Data  
Private Carriers  
Claim Frequencies

Policy Year	Death	P.T.	Major	Minor	Temp.	Medical Only	Medical All Comp	All Indemnity	All Medical
1997	0.0338	0.0496	1.8589	2.9228	9.3870	28.4217	14.2520	14.25	42.67
1998	0.0376	0.0594	2.5863	2.9091	10.0966	26.7861	15.6890	15.69	42.48
1999	0.0305	0.0507	2.4319	2.5272	9.0970	27.6467	14.1372	14.14	41.78
2000	0.0298	0.0556	2.6526	2.3100	8.9292	27.7584	13.9772	13.98	41.74
2001	0.0304	0.0739	2.8674	2.1435	8.2054	25.8158	13.3206	13.32	39.14
2002	0.0365	0.0567	3.0895	1.7167	8.0108	25.2068	12.9102	12.91	38.12
2003	0.0419	0.0679	3.4672	1.5440	8.1037	23.8835	13.2246	13.22	37.11
2004	0.0224	0.0532	3.9901	1.5003	9.0234	24.2778	14.5895	14.59	38.87

Claim Frequencies = (Developed Claim Counts)/(Premium at Present Rates)



TREND STUDY

Historical Schedule Z Data  
State Insurance Fund  
Claim Frequencies

Policy Year	Death	P.T.	Major	Minor	Temp.	Medical Only	Medical All Comp	All Indemnity	All Medical
1997	0.0457	0.0290	2.1807	3.1594	6.1727	19.8301	11.5875	11.59	31.42
1998	0.0577	0.0188	2.4820	2.8686	6.1634	19.8070	11.5905	11.59	31.40
1999	0.0388	0.0227	2.2620	2.5976	5.7031	17.5706	10.6242	10.62	28.19
2000	0.0319	0.0265	2.3604	2.5361	5.6702	17.0119	10.6250	10.63	27.64
2001	0.0452	0.0227	2.3112	2.3126	5.4371	15.5051	10.1288	10.13	25.63
2002	0.0410	0.0220	2.3816	2.2657	5.2398	14.0308	9.9501	9.95	23.98
2003	0.0422	0.0360	2.5335	1.9628	5.0846	13.0723	9.6591	9.66	22.73
2004	0.0510	0.0600	2.6560	2.3667	5.2484	12.5758	10.3821	10.38	22.96

Claim Frequencies = (Developed Claim Counts)/(Premium at Present Rates)

TREND STUDY

Analysis of New York Average Wage Trends

New York Average Weekly Wage

<u>Experience Period</u>	<u>Actual *</u>	<u>Fitted Regression Lines</u>	
		<u>Exponential</u>	<u>Linear</u>
2001	898.63	878.81	877.57
2002	890.92	904.38	904.59
2003	908.95	930.69	931.60
2004	960.64	957.77	958.62
2005	998.87	985.64	985.64
Projected Average Annual Change		2.91%	2.90%
R Squared		0.849	0.847

\* Average weekly wages from N. Y. Department of Labor for all industries

WORKERS COMPENSATION - NEW YORK  
CALCULATION OF INDICATED EXPENSE PROVISIONS  
ALL COMPANIES

NEW YORK COMMISSION RATIO

CALENDAR YEAR 2005

1. Standard Written Premium			3,062,167,148
1a. Expense Constant Premium (1) x	0.014		42,870,340
1b. Standard Written Premium Less Expense Constant Premium (1)-(1a)			3,019,296,808
2. Commissions on Direct Business			113,574,732
2a. Commissions on Expense Constant (1a) times X (Commission Ratio for first \$5,000 = X)			42,870,340 X
2b. Commissions on Direct Business Less Commissions on Expense Constant Premium (2) - (2a)		113,574,732 -	42,870,340 X
3. Commission Ratio (2b)/(1b)		0.0376 -	0.0142 X

COUNTRYWIDE OTHER ACQUISITION

4. Direct Earned Premium (Net Basis)			31,273,047,975
4a. Expense Constant Premium (4) x	0.014		437,822,672
4b. Earned Premium Less Expense Constant Premium (4) - (4a)			30,835,225,303
5. Other Acquisition, Field Supervisor, Etc.			1,585,929,098
5a. Other Acquisition in Exp. Constant (4a) times Y			437,822,672 Y
5b. Other Acquisition Less Other Acquisition in Expense Constant Premium (5) - (5a)		1,585,929,098 -	437,822,672 Y
6. Ratio (5b) / (4b)		0.0514 -	0.0142 Y
7. Factor to adjust for Large Deductible Experience			0.69

CALCULATION OF EXPENSE PROVISIONS IN THE FIRST \$5000 OF STANDARD PREMIUM

Portion of Standard Premium (1)	NY Dist. of Std. Prem. Excl. Exp. Con. (2)	Commission Provision (3)	Other Acquisition Provision (4)	Countrywide Dist. of Std. Prem. Excl. Exp. Con. (5)	Gen. Audit & Payroll (6)
First \$5,000	0.139	X	Y	0.110	Z
Next 95,000	0.318	X-.075(X/X+Y)	Y-.075(Y/X+Y)	0.297	Z-.026
Next 400,000	0.236	X-.09(X/X+Y)	Y-.09(Y/X+Y)	0.193	Z-.028
Over 500,000	0.307	X-.09(X/X+Y)	Y-.09(Y/X+Y)	0.401	Z-.044

1. Sum Col. (3) times Col. (2) and set it equal to the New York Commission Ratio.
2. Sum Col. (4) times Col. (5) and set it equal to the Countrywide Other Acquisition Ratio.

X = Commission Ratio:                   6.68  
Y = Other Acquisition Ratio:           7.85  
Total Acquisition:                       14.53

WORKERS COMPENSATION - NEW YORK  
CALCULATION OF INDICATED EXPENSE PROVISIONS  
ALL COMPANIES

COUNTRYWIDE - GENERAL ADMINISTRATION & PAYROLL AUDIT	Calendar Year 2006	31,273,047,975
7. General Administration and Payroll Audit Expense Incurred		1,339,281,212
8. Portion of Expense Constant to be deducted from the amount of Incurred Expenses for General Administration and Payroll Audit:		
1.000 - (Acquisition + Tax + Profit) = (4a) x 0.813		355,949,832
9. (7) - (8)		983,331,380
10. Earned Premium Less Expense Constant (4b)		30,835,225,303
11. Ratio (9)/(10)		0.0319
12. Factor to adjust for Large Deductible Experience		0.69

To solve for Z, sum Col. (6) times Col. (5) from Exhibit EE, Sheet 1, and set it equal to Countrywide General Administration and Payroll Audit Ratio, adjusted for Large Deductible Experience.

$$Z = \text{General Administration + Payroll Audit} = 5.280$$

COUNTRYWIDE INSPECTION AND BUREAU EXPENSE

13. Inspection and Bureau Expense Incurred	66,050,595
14. Indicated Provision for Inspection & Bureau (13)/(10)	0.0021

CALCULATION OF PREMIUM DISCOUNTS AND ADMINISTRATION AND AUDIT EXPENSE

	First <u>\$5,000</u>	Next <u>\$95,000</u>	Next <u>\$400,000</u>	Over <u>\$500,000</u>	<u>Average</u>
1. Acquisition	14.83	7.33	5.83	5.83	
2. Administration & Audit	5.77	3.17	2.97	1.37	
3. Total	20.60	10.50	8.80	7.20	
4. Total/0.972	21.19	10.80	9.05	7.41	10.26
5. Discounts		10.39	12.14	13.78	
6. Selected Discounts		10.90	12.60	14.40	
7. Calculation of \$5,000 using Selected Discou	W	W-10.9	W-12.6	W-14.4	10.26
8. First \$5,000 = W	21.70				
9. Item (8) x 0.972	21.09				
10. Less Acquisition	14.83				
11. Basic Administration & Audit (9) - (10)	6.26				

WORKERS COMPENSATION - NEW YORK  
CALCULATION OF INDICATED EXPENSE PROVISIONS  
LOSS ADJUSTMENT EXPENSE  
ALL PRIVATE CARRIERS

INSURANCE EXPENSE EXHIBIT

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Average</u>
1. Incurred Losses	20,131,432,000	21,158,156,700	21,516,206,058	\$19,786,622,352	
2. Unallocated Loss Adjustment Incurred	1,338,179,000	1,891,204,800	1,986,173,553	\$1,948,192,140	
3. Allocated Loss Adjustment Incurred	2,016,068,000	2,131,552,600	2,278,716,567	\$2,544,334,620	
4. Total Loss Adjustment Expense	3,356,247,000	4,022,757,400	4,264,890,120	4,492,526,760	
5. Adjustment for Large Deductible	0.66	0.68	0.68	0.69	
6. Indicated Provision for Unallocated Loss Adjustment as Ratio to Losses [(2)/(1)] x (5)	0.044	0.061	0.063	0.068	0.064
7. Indicated Provision for Allocated Loss Adjustment as Ratio to Losses (3)/(1)	0.100	0.101	0.106	0.129	0.109
8. Indicated Provision for Total Loss Adjustment as Ratio to Losses (6) + (7)	0.144	0.162	0.169	0.197	0.173

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	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Average</u>
9. Incurred Losses	1,327,415,798	1,399,218,297	1,553,045,001	1,602,214,618	
10. Allocated Loss Adjustment Incurred	104,539,184	122,055,028	117,048,384	178,587,163	
11. Indicated Provision for Allocated Loss Adjustment as Ratio to Losses (10)/(9)	0.079	0.087	0.075	0.111	0.088

PROPOSED PROVISIONS FOR LOSS ADJUSTMENT EXPENSE

12. Provision for Unallocated Loss Adjustment Expense *					0.064
13. Provision for Allocated Loss Adjustment Expense **					0.099
14. Provision for Total Loss Adjustment Expense (12) + (13)					0.163

\* Average of 2004, 2005 and 2006

\*\* Average of IEE and Page 14

New York Workers Compensation  
Determination of New York State Assessment

I. Calculation of Indemnity Portion of Total Losses

Projected Incurred Losses for Policies Incepting 10/1/07 - 10/1/08:				Ratio	
Indemnity	\$1,786,353,174	x	(1.018 <sup>2.75</sup> ) =	\$1,855,973,206	0.621
Medical	\$1,091,793,366	x	(1.018 <sup>2.75</sup> ) =	\$1,134,344,128	0.379
				\$2,990,317,334	1.000

Note : Policy year on-level developed losses are from Exhibit B and have been projected using the approved trend from Exhibit D.

II. Determination of New York State Assessment

In general, assessments, as a percentage of premium, are calculated as (assessments/losses) x (expected losses/premium). However, the 1993 legislation treats the policyholder surcharge as premium for tax purposes, so that expected losses must become expected losses plus tax. From Exhibit E, the pure expected losses are .759 / 1.163(LAE) = .653. The loading for tax results in .653/(1-.028) = 0.672

In this year's calculation, a further adjustment is made to reflect the impact of the reforms on the assessment premium base. Since this premium base will be lower as a result of the indicated decrease, the assessment percentage must increase so that the same dollars of assessment that have been charged to the carriers are collected from the policyholders. Since the estimated rate level effect of the reform is -15.0%, a factor of .850 is used to adjust the final premium percentage.

<u>Assessment</u>	Actual Ass'mnt To Carriers as % of <u>Indemnity Loss #</u> (1)	New York <u>State Assessment</u> % of Std. Prem. <u>[(1) x .621 x .672]/.850</u> (2)
Workers' Comp. Board	0.069	0.034
Reopened Case Fund (WCL 25-a)	0.042	0.021
Special Disability Fund (WCL 15-8)	0.182	0.089
Interdepartmental Exp.	0.019	0.010
Special Funds Cons. Comm.	0.002	0.001
Total - All Assessments	0.314	0.155

# Assessments as percentages of Indemnity loss have been obtained from the Workers' Compensation Board and the Special Funds Conservation Committee.

Note: The trend factors and the effect of the 2007 reforms used in the above calculation of the assessment have been determined in response to the July 11, 2007 NY State Insurance Department O & D.

## New York Workers Compensation

### Minimum Premium Formula

In conjunction with the annual rate revision, the Rating Board reviews, and updates when necessary, the elements of the minimum premium formula to ascertain its appropriate level. Various combinations of rate multiplier and maximum minimum premium are examined annually in conjunction with the expense constant to determine an equitable blending of these items. In this year's revision, no changes are being proposed to the minimum premium formula.

Consequently, the minimum premium formula in this revision will continue to include a \$200 expense constant, the current rate multiplier of 110 and a maximum minimum premium of \$875.

**New York Workers Compensation**

**Small Deductible Premium Credits**

**No changes to the Small Deductible premium credits are being proposed with this revision.**

**Under separate cover, a revision to the structure of the New York hazard groups is being proposed in which the current four groups are being realigned into seven hazard groups. This change is intended to become effective on January 1, 2008 in conjunction with the annual revision of excess loss factors.**

**Since the Small Deductible credits are compiled on the basis of class assignments by hazard group using the excess ratios underlying the excess loss factors, a revision to the deductible credits will also be made effective on January 1, 2008.**



NEW YORK WORKERS COMPENSATION

Large Deductible Experience  
Policy Year as of 12/31/05

Policy Year	Std Ed Premium	Net Ed Premium	Indemnity Losses			Medical Losses			Total Losses		
			Paid	Case	Incurred	Paid	Case	Incurred	Paid	Case	Incurred
1989	0	0	0	0	0	0	0	0	0	0	0
1990	167,640	55,901	93,969	0	308,145	83,367	0	250,809	177,336	0	558,954
1991	136,547,146	35,551,001	26,722,315	8,317,815	36,430,548	12,745,501	3,148,206	17,551,095	39,467,816	11,466,021	53,981,643
1992	374,657,187	89,414,257	81,660,298	24,380,293	108,995,461	38,508,441	4,888,622	46,071,632	120,168,739	29,268,915	155,067,093
1993	511,428,606	98,857,048	131,395,355	37,021,685	175,122,253	59,282,817	9,143,777	71,618,274	190,678,172	46,165,462	246,740,527
1994	471,713,307	97,348,055	150,664,908	44,824,950	203,127,721	74,078,504	10,705,121	90,073,187	224,743,412	55,530,071	293,200,908
1995	661,527,028	89,289,950	182,930,822	57,894,192	245,538,375	97,714,787	14,326,531	116,153,464	280,645,609	72,220,723	361,691,839
1996	713,126,099	110,418,254	188,730,136	57,671,547	254,445,242	109,839,383	18,556,143	134,328,792	298,569,519	76,227,690	388,774,034
1997	647,275,002	110,918,036	204,348,077	59,259,237	276,986,369	120,050,693	30,007,283	158,844,241	324,398,770	89,266,520	435,830,610
1998	649,385,448	115,997,849	209,875,229	69,555,442	301,042,513	125,150,877	24,637,751	166,725,270	335,026,106	94,193,193	467,767,783
1999	709,887,067	125,691,803	209,388,437	67,688,308	301,945,968	131,439,356	20,884,927	169,373,873	340,827,793	88,573,235	471,319,841
2000	752,677,668	138,620,483	241,868,872	153,022,760	431,619,230	148,235,611	31,864,694	205,866,457	390,104,483	184,887,454	637,485,687
2001	970,019,154	183,976,845	288,339,667	319,236,927	672,499,317	158,032,221	45,355,833	243,756,431	446,371,888	364,592,760	916,255,748
2002	886,454,781	188,480,377	152,402,256	106,329,118	312,229,892	127,496,850	32,689,349	200,924,991	279,899,106	139,018,467	513,154,883
2003	1,092,952,112	257,917,482	112,943,289	102,477,625	285,805,570	116,938,452	38,001,149	206,962,774	229,881,741	140,478,774	492,768,344
2004	960,377,623	221,939,953	55,565,422	85,523,797	237,369,142	73,636,555	47,739,928	199,443,721	129,201,977	133,263,725	436,812,863
2005	562,449,930	128,007,062	10,415,303	29,527,270	129,323,051	16,149,288	29,801,239	120,331,450	26,564,591	59,328,509	249,654,501
Cal Year	964,569,147	214,363,819	323,678,659	-45,875,545	281,502,901	176,298,865	20,986,635	252,433,801	499,977,524	-24,888,910	533,936,702

Large Deductible Experience  
as of 12/31/06

Policy Year	Std Ed Premium	Net Ed Premium	Indemnity Losses			Medical Losses			Total Losses		
			Paid	Case	Incurred	Paid	Case	Incurred	Paid	Case	Incurred
1989	0	0	0	0	0	0	0	0	0	0	0
1990	258,015	147,837	94,821	0	619,428	90,600	0	429,721	185,421	0	1,049,149
1991	136,611,346	35,615,201	27,273,106	8,497,408	38,273,627	12,867,003	2,692,593	17,658,882	40,140,109	11,190,001	55,932,509
1992	379,451,932	94,179,057	83,603,484	24,293,473	114,563,868	38,794,597	5,027,176	49,538,193	122,398,081	29,320,649	164,102,061
1993	512,621,427	102,374,896	132,942,895	36,764,622	177,846,600	59,722,953	8,242,397	75,006,263	192,665,848	45,007,019	252,852,863
1994	471,100,949	99,292,135	154,446,049	42,007,687	203,919,717	74,874,963	9,990,623	89,966,853	229,321,012	51,998,310	293,886,570
1995	651,649,399	91,313,181	188,388,109	55,372,332	253,430,795	98,914,803	16,121,368	122,449,726	287,302,912	71,493,700	375,880,521
1996	705,990,932	109,888,418	195,636,731	49,343,501	252,793,387	111,431,823	17,546,064	134,649,668	307,068,554	66,889,565	387,443,055
1997	640,896,107	110,885,817	211,562,529	57,305,471	280,675,883	121,934,586	29,138,192	158,313,549	333,497,115	86,443,663	438,989,432
1998	643,935,873	116,089,724	223,336,205	64,274,076	305,002,440	128,584,942	23,801,712	163,732,746	351,921,147	88,075,788	468,735,186
1999	706,874,978	126,114,422	223,077,656	65,984,840	318,877,507	136,425,332	21,174,338	178,214,478	359,502,988	87,159,178	497,091,985
2000	753,569,906	137,503,603	276,387,343	154,256,983	478,806,782	158,670,682	37,364,870	229,395,767	435,058,025	191,621,853	708,202,549
2001	968,767,499	176,530,758	337,913,793	283,277,017	683,023,814	171,014,532	51,578,258	265,288,826	508,928,325	334,855,275	948,312,640
2002	886,503,781	188,962,321	192,333,751	107,097,960	364,225,536	144,465,551	32,361,909	221,565,854	336,799,302	139,459,869	585,791,390
2003	1,085,428,669	262,604,494	161,416,521	109,113,902	335,763,962	138,979,163	35,670,390	224,553,014	300,395,684	144,784,292	560,316,976
2004	1,026,913,004	225,911,801	109,252,969	106,703,888	281,090,750	113,142,430	41,207,257	211,051,045	222,395,399	147,911,145	492,141,795
2005	1,016,346,784	214,346,048	49,225,174	79,715,278	203,595,074	72,283,789	48,965,677	192,196,936	121,508,963	128,680,955	395,792,010
2006	566,282,073	123,000,717	9,124,416	29,066,659	113,889,336	14,448,078	28,277,336	112,010,127	23,572,494	57,343,995	225,899,463
Cal Year	1,134,681,941	226,414,692	329,301,215	50,578,519	436,602,218	187,601,844	47,493,048	298,888,843	516,903,059	98,071,567	735,491,061

NEW YORK WORKERS COMPENSATION

Large Deductible Experience  
Accident Year as of 12/31/05

Accident Year	Std Ed Premium	Net Ed Premium	Indemnity Losses			Medical Losses			Total Losses		
			Paid	Case	Incurred	Paid	Case	Incurred	Paid	Case	Incurred
1989	0	0	0	0	0	0	0	0	0	0	0
1990	0	0	0	0	0	0	0	0	0	0	0
1991	40,061,719	9,277,945	15,010,103	3,713,750	19,608,501	7,253,246	2,215,634	10,430,975	22,263,349	5,929,384	30,039,476
1992	169,768,550	41,353,890	70,549,679	20,466,867	94,313,931	32,945,545	4,150,449	39,962,563	103,495,224	24,617,316	134,276,494
1993	448,824,912	91,159,635	113,127,929	33,956,570	151,771,622	50,719,661	8,495,144	62,025,655	163,847,590	42,451,714	213,797,277
1994	553,090,968	94,670,194	140,403,411	39,500,170	189,278,805	67,151,390	8,024,305	80,202,442	207,554,801	47,524,475	269,481,247
1995	593,897,306	120,108,557	158,620,868	53,489,005	215,616,601	81,753,469	15,554,683	101,230,793	240,374,337	69,043,688	316,847,394
1996	699,972,371	144,162,263	183,920,170	53,701,545	244,367,467	105,148,966	13,917,344	124,101,104	289,069,136	67,618,889	368,468,571
1997	608,023,409	137,131,750	209,920,947	61,682,836	281,152,972	120,039,009	21,186,922	148,352,019	329,959,956	82,869,758	429,504,991
1998	679,162,216	198,604,326	192,661,265	61,063,612	274,340,693	119,462,551	31,948,625	165,989,043	312,123,816	93,012,237	440,329,736
1999	514,303,333	130,691,848	207,239,180	69,754,565	298,799,623	125,488,245	22,967,832	164,711,142	332,727,425	92,722,397	463,510,765
2000	740,690,651	134,733,280	212,352,996	87,535,757	328,974,573	138,809,659	24,763,444	182,536,397	351,162,655	112,299,201	511,510,970
2001	919,685,145	172,071,114	329,555,238	359,407,059	744,549,535	163,934,001	42,735,954	243,266,255	493,489,239	402,143,013	987,815,790
2002	978,370,097	159,414,647	172,270,906	113,819,139	332,041,224	135,336,384	36,822,825	211,436,793	307,607,290	150,641,964	543,478,017
2003	1,014,388,885	241,700,093	137,152,897	110,973,887	314,015,159	126,982,193	36,566,611	210,734,264	264,135,090	147,540,498	524,749,423
2004	990,297,068	220,688,212	79,626,520	97,151,538	252,022,359	97,726,333	43,134,626	200,695,475	177,352,853	140,286,164	452,717,834
2005	926,906,059	215,037,974	24,647,267	58,080,734	226,224,024	36,702,343	51,146,008	205,723,910	61,349,610	109,226,742	431,947,934
Cal Year			323,381,928	-44,309,280	274,890,881	176,301,866	22,423,614	254,102,683	499,683,794	-21,885,666	528,993,564

Large Deductible Experience  
as of 12/31/06

Accident Year	Std Ed Premium	Net Ed Premium	Indemnity Losses			Medical Losses			Total Losses		
			Paid	Case	Incurred	Paid	Case	Incurred	Paid	Case	Incurred
1989	0	0	0	0	38,014	0	0	67,776	0	0	105,790
1990	0	0	4,135	0	129,936	1,266	0	114,474	5,401	0	244,410
1991	40,061,719	9,277,946	15,242,002	3,680,430	20,175,667	7,358,920	2,099,138	10,384,866	22,600,922	5,779,568	30,560,533
1992	169,768,550	41,353,890	71,921,534	20,587,412	98,445,217	33,120,891	3,447,806	41,276,152	105,042,425	24,035,218	139,721,369
1993	448,824,912	91,159,635	115,352,155	33,450,746	157,607,355	51,179,771	8,012,260	67,761,975	166,531,926	41,463,006	225,369,330
1994	553,090,968	94,670,194	143,577,444	37,497,034	186,929,245	67,679,123	7,809,163	79,161,040	211,256,567	45,306,197	266,090,285
1995	593,897,306	120,108,557	162,746,817	52,418,794	225,004,493	82,952,487	16,929,452	107,597,691	245,699,304	69,348,246	332,602,184
1996	699,972,370	144,162,263	190,162,580	45,924,958	243,978,255	106,111,756	12,794,498	124,839,430	296,274,336	58,719,456	368,817,685
1997	608,023,409	137,131,750	216,778,400	58,266,537	283,163,978	121,714,220	22,208,051	149,668,944	338,492,620	80,474,588	432,832,922
1998	679,162,216	198,604,326	203,621,999	54,623,487	273,214,765	122,377,506	29,427,677	160,183,869	325,999,505	84,051,164	433,398,634
1999	514,303,333	130,691,848	219,295,645	67,164,221	306,648,836	129,771,354	23,092,623	167,802,164	349,066,999	90,256,844	474,451,000
2000	741,831,398	134,946,303	234,834,012	81,557,585	359,625,512	146,110,771	25,228,268	200,822,408	380,944,783	106,785,853	560,447,920
2001	922,430,651	172,998,172	384,433,478	332,050,213	772,954,140	176,961,109	51,793,419	270,008,916	561,394,587	383,843,632	1,042,963,056
2002	989,038,146	161,187,472	208,276,695	110,100,012	380,081,872	149,906,768	37,348,584	226,374,615	358,183,463	147,448,596	606,456,487
2003	1,015,115,513	238,987,725	182,134,493	117,026,409	367,073,286	146,034,806	35,534,313	231,336,010	328,169,299	152,560,722	598,409,296
2004	987,416,692	220,104,367	134,129,893	108,288,075	307,400,787	126,580,929	37,741,756	217,374,147	260,710,822	146,029,831	524,774,934
2005	919,454,946	207,586,903	70,611,122	92,925,690	236,246,650	92,549,440	44,870,537	203,861,155	163,160,562	137,796,227	440,107,805
2006	1,110,995,662	231,139,022	22,804,110	57,406,207	187,944,820	35,967,422	50,765,828	189,071,646	58,771,532	108,172,035	377,016,466
Cal Year			328,863,003	48,693,346	441,500,777	186,924,278	45,472,967	296,329,558	515,787,281	94,166,313	737,830,335

WORKERS COMPENSATION - NEW YORK

Development Factors - Premiums  
Large Deductible Experience Only

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	
1996	Dev. 5/6					804,460,179	804,460,179	1.000
1997	Dev. 5/6					629,685,197	629,553,083	1.000
1998	Dev. 5/6					686,007,512	683,604,641	0.996
1999	Dev. 5/6					852,864,970	851,826,349	0.999
2000	Dev. 5/6					752,677,668	753,569,906	1.001
1997	Dev. 4/5				723,268,246	723,268,246		1.000
1998	Dev. 4/5				568,439,020	568,916,252		1.001
1999	Dev. 4/5				786,567,099	779,818,183		0.991
2000	Dev. 4/5				814,942,331	812,893,762		0.997
2001	Dev. 4/5				970,019,154	968,767,499		0.999
1998	Dev. 3/4			748,340,485	748,340,485			1.000
1999	Dev. 3/4			607,719,454	610,463,875			1.005
2000	Dev. 3/4			772,950,907	775,544,173			1.003
2001	Dev. 3/4			1,051,546,959	1,063,897,571			1.012
2002	Dev. 3/4			886,454,781	886,503,781			1.000
1999	Dev. 2/3		857,752,254	873,049,623				1.018
2000	Dev. 2/3		722,707,585	726,922,892				1.006
2001	Dev. 2/3		960,544,974	961,746,167				1.001
2002	Dev. 2/3		1,117,346,082	1,121,040,647				1.003
2003	Dev. 2/3		1,092,952,112	1,085,428,669				0.993
2000	Dev. 1/2	840,703,317	878,085,138		1.044			
2001	Dev. 1/2	765,822,885	783,769,913		1.023			
2002	Dev. 1/2	871,569,234	904,257,914		1.038			
2003	Dev. 1/2	1,106,063,728	1,164,068,929		1.052			
2004	Dev. 1/2	960,377,623	1,026,913,004		1.069			
		1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/Ult.	
<b>All Year Average</b>								
Age to Age		1.045	1.004	1.004	0.998	0.999	1.000	
Age to Ult.		1.050	1.005	1.001	0.997	0.999	1.000	
<b>4 Year Average</b>								
Age to Age		1.046	1.001	1.005	0.997	0.999	1.000	
Age to Ult.		1.048	1.002	1.001	0.996	0.999	1.000	
<b>3 Year Average</b>								
Age to Age		1.053	0.999	1.005	0.996	0.999	1.000	
Age to Ult.		1.052	0.999	1.000	0.995	0.999	1.000	
<b>2 Year Average</b>								
Age to Age		1.061	0.998	1.006	0.998	1.000	1.000	
Age to Ult.		1.063	1.002	1.004	0.998	1.000	1.000	
Proposed Development*		1.050	1.005	1.001	0.997	0.999	1.000	

\*Proposed development based all year average

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Indemnity Losses (Case Basis)  
Experience from Large Deductible Policies Only

P.Y.		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1992	Dev. 9/10									107,866,361	108,761,866	1.008
1993	Dev. 9/10									162,742,620	164,551,241	1.011
1994	Dev. 9/10									186,180,377	189,844,227	1.020
1995	Dev. 9/10									239,564,223	240,825,014	1.005
1996	Dev. 9/10									246,401,683	244,980,232	0.994
1993	Dev. 8/9								173,690,027	172,484,964		0.993
1994	Dev. 8/9								193,560,786	198,498,287		1.026
1995	Dev. 8/9								230,286,305	237,641,079		1.032
1996	Dev. 8/9								245,802,176	246,401,683		1.002
1997	Dev. 8/9								263,607,314	268,868,000		1.020
1994	Dev. 7/8						199,049,979		205,975,350		1.035	
1995	Dev. 7/8						194,186,358		205,054,900		1.056	
1996	Dev. 7/8						234,258,253		248,577,693		1.061	
1997	Dev. 7/8						262,067,491		263,607,314		1.006	
1998	Dev. 7/8						279,430,671		287,610,281		1.029	
1995	Dev. 6/7						207,189,831	222,271,580		1.073		
1996	Dev. 6/7						193,833,412	207,543,880		1.071		
1997	Dev. 6/7						244,714,330	269,174,840		1.100		
1998	Dev. 6/7						287,335,549	279,430,671		0.972		
1999	Dev. 6/7						277,076,745	289,062,496		1.043		
1996	Dev. 5/6					207,012,744	221,517,900		1.070			
1997	Dev. 5/6					203,188,089	222,776,757		1.096			
1998	Dev. 5/6					263,434,766	289,566,015		1.099			
1999	Dev. 5/6					269,508,242	277,076,745		1.028			
2000	Dev. 5/6					298,485,319	323,493,942		1.084			
1997	Dev. 4/5				213,335,168	229,841,588		1.077				
1998	Dev. 4/5				210,605,520	234,680,321		1.114				
1999	Dev. 4/5				243,839,223	273,140,212		1.120				
2000	Dev. 4/5				299,415,433	323,485,319		1.080				
2001	Dev. 4/5				352,894,535	367,776,248		1.042				
1998	Dev. 3/4			207,773,021	237,156,700	1.141						
1999	Dev. 3/4			188,896,225	219,875,879	1.164						
2000	Dev. 3/4			268,300,886	296,539,194	1.105						
2001	Dev. 3/4			327,076,469	357,894,535	1.094						
2002	Dev. 3/4			258,731,374	299,431,711	1.157						
1999	Dev. 2/3		160,912,531	212,052,621	1.318							
2000	Dev. 2/3		256,778,592	318,699,121	1.241							
2001	Dev. 2/3		280,736,664	325,539,483	1.160							
2002	Dev. 2/3		214,964,241	258,731,374	1.204							
2003	Dev. 2/3		215,420,914	270,530,423	1.256							
2000	Dev. 1/2	107,071,038	188,630,643	1.762								
2001	Dev. 1/2	148,690,625	233,375,171	1.570								
2002	Dev. 1/2	135,460,485	211,029,878	1.558								
2003	Dev. 1/2	149,853,196	215,395,954	1.437								
2004	Dev. 1/2	141,089,219	215,956,857	1.531								
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		3.283	2.090	1.571	1.236	1.132	1.087	1.076	1.052	1.037	1.015	1.008
4 Year Average		3.165	2.077	1.524	1.215	1.130	1.089	1.077	1.047	1.038	1.020	1.008
3 Year Average		3.042	2.016	1.509	1.206	1.119	1.081	1.070	1.039	1.032	1.018	1.006
2 Year Average		2.909	1.960	1.484	1.230	1.126	1.061	1.056	1.008	1.018	1.011	1.000
Latest Year		3.207	2.095	1.531	1.256	1.157	1.042	1.084	1.043	1.029	1.020	0.994
Mid 3 of 5		3.419	2.202	1.553	1.234	1.135	1.091	1.083	1.062	1.040	1.016	1.008
Proposed Development*		3.419										

\*Proposed development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average of non-deductible experience for 10th to ultimate.

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)  
Experience from Large Deductible Policies Only

P.Y.		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1992	Dev. 9/10									107,866,361	106,206,895	0.985
1993	Dev. 9/10									162,742,620	167,587,949	1.030
1994	Dev. 9/10									186,180,377	189,844,227	1.020
1995	Dev. 9/10									239,564,223	240,825,014	1.005
1996	Dev. 9/10									128,395,526	128,977,887	1.005
1993	Dev. 8/9								74,048,772	74,316,971		1.004
1994	Dev. 8/9								86,154,393	89,131,006		1.035
1995	Dev. 8/9								105,987,562	114,038,226		1.076
1996	Dev. 8/9								127,014,965	128,395,526		1.011
1997	Dev. 8/9								150,057,976	151,072,778		1.007
1994	Dev. 7/8							92,697,762	93,725,911			1.011
1995	Dev. 7/8							98,878,715	101,089,416			1.022
1996	Dev. 7/8							124,819,135	134,463,773			1.077
1997	Dev. 7/8							141,605,196	150,057,976			1.060
1998	Dev. 7/8							149,788,628	152,386,654			1.017
1995	Dev. 6/7						109,605,834	111,776,079				1.020
1996	Dev. 6/7						105,960,286	111,445,722				1.052
1997	Dev. 6/7						135,820,052	149,351,794				1.100
1998	Dev. 6/7						146,062,730	149,788,628				1.026
1999	Dev. 6/7						152,324,283	157,599,670				1.035
1996	Dev. 5/6					120,714,807	125,364,579					1.039
1997	Dev. 5/6					114,251,148	122,370,792					1.071
1998	Dev. 5/6					136,214,111	153,723,304					1.129
1999	Dev. 5/6					145,382,816	152,324,283					1.048
2000	Dev. 5/6					172,421,413	184,423,617					1.070
1997	Dev. 4/5				125,971,089	135,033,962		1.072				
1998	Dev. 4/5				108,779,742	117,693,196		1.082				
1999	Dev. 4/5				137,695,207	152,926,700		1.111				
2000	Dev. 4/5				165,313,365	172,421,413		1.043				
2001	Dev. 4/5				191,293,589	208,244,783		1.089				
1998	Dev. 3/4			123,885,800	131,214,504		1.059					
1999	Dev. 3/4			111,243,012	121,114,562		1.089					
2000	Dev. 3/4			148,109,473	179,164,025		1.210					
2001	Dev. 3/4			177,623,639	191,293,589		1.077					
2002	Dev. 3/4			160,186,199	176,827,460		1.104					
1999	Dev. 2/3		110,071,929	129,059,760		1.173						
2000	Dev. 2/3		123,397,859	141,204,099		1.144						
2001	Dev. 2/3		150,281,701	178,301,001		1.186						
2002	Dev. 2/3		146,674,692	160,186,199		1.092						
2003	Dev. 2/3		154,939,601	174,649,553		1.127						
2000	Dev. 1/2	91,391,163	113,974,470		1.247							
2001	Dev. 1/2	106,386,347	141,175,994		1.327							
2002	Dev. 1/2	114,614,081	148,319,019		1.294							
2003	Dev. 1/2	129,867,919	154,926,517		1.193							
2004	Dev. 1/2	121,376,483	154,349,687		1.272							
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.565	2.024	1.267	1.145	1.108	1.079	1.071	1.046	1.038	1.026	1.009
4 Year Average		2.710	2.132	1.271	1.138	1.120	1.081	1.079	1.053	1.044	1.032	1.015
3 Year Average		2.708	2.161	1.253	1.135	1.130	1.081	1.082	1.053	1.051	1.031	1.010
2 Year Average		2.402	1.950	1.232	1.110	1.090	1.066	1.059	1.030	1.039	1.009	1.005
Latest Year		2.590	2.036	1.272	1.127	1.104	1.089	1.070	1.035	1.017	1.007	1.005
Mid 3 of 5		2.514	1.978	1.271	1.148	1.090	1.081	1.063	1.037	1.033	1.017	1.010
Proposed Development*		2.514										

\*Proposed development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average of non-deductible experience for 10th to ultimate.

WORKERS COMPENSATION - NEW YORK

Accident Year Development Factors - Indemnity Losses (Case Basis)  
Experience from Large Deductible Policies Only

A.Y.		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1993	Dev. 9/10									147,953,109	148,869,695	1.006
1994	Dev. 9/10									183,264,152	185,491,727	1.012
1995	Dev. 9/10									199,582,320	207,089,267	1.038
1996	Dev. 9/10									230,092,610	232,610,018	1.011
1997	Dev. 9/10									271,603,783	275,044,937	1.013
1994	Dev. 8/9								191,455,738	196,172,649		1.025
1995	Dev. 8/9								187,143,291	191,406,544		1.023
1996	Dev. 8/9								227,690,726	228,263,865		1.003
1997	Dev. 8/9								270,439,899	263,709,489		0.975
1998	Dev. 8/9								253,724,877	258,245,486		1.018
1995	Dev. 7/8							197,100,608	207,080,888			1.051
1996	Dev. 7/8							191,091,018	203,028,016			1.062
1997	Dev. 7/8							256,372,321	270,201,891			1.054
1998	Dev. 7/8							260,457,359	249,127,064			0.956
1999	Dev. 7/8							276,993,745	286,459,866			1.034
1996	Dev. 6/7						202,570,600	219,069,056				1.081
1997	Dev. 6/7						209,617,412	230,022,097				1.097
1998	Dev. 6/7						240,064,738	261,350,131				1.089
1999	Dev. 6/7						277,164,510	272,656,134				0.984
2000	Dev. 6/7						299,888,753	316,391,597				1.055
1997	Dev. 5/6					221,078,608	235,306,337					1.064
1998	Dev. 5/6					195,475,499	213,748,293					1.093
1999	Dev. 5/6					248,622,305	273,037,674					1.098
2000	Dev. 5/6					292,039,834	287,670,975					0.985
2001	Dev. 5/6					347,873,925	378,803,796					1.089
1998	Dev. 4/5				201,460,195	223,582,677		1.110				
1999	Dev. 4/5				191,396,445	216,199,626		1.130				
2000	Dev. 4/5				254,463,137	289,320,983		1.137				
2001	Dev. 4/5				338,319,568	357,994,747		1.058				
2002	Dev. 4/5				286,090,045	318,376,707		1.113				
1999	Dev. 3/4			178,639,917	220,691,253		1.235					
2000	Dev. 3/4			203,003,315	241,069,924		1.188					
2001	Dev. 3/4			335,138,972	376,714,275		1.124					
2002	Dev. 3/4			247,615,359	286,500,201		1.157					
2003	Dev. 3/4			248,126,784	299,160,902		1.206					
2000	Dev. 2/3		150,356,809	257,391,791		1.402 **						
2001	Dev. 2/3		462,709,546	549,922,095		1.188						
2002	Dev. 2/3		168,050,467	246,310,190		1.466						
2003	Dev. 2/3		188,504,507	248,973,414		1.321						
2004	Dev. 2/3		176,778,058	242,417,968		1.371						
2001	Dev. 1/2	109,656,614	185,203,710		1.689							
2002	Dev. 1/2	80,072,304	159,898,599		1.997							
2003	Dev. 1/2	93,631,656	185,324,446		1.979							
2004	Dev. 1/2	90,797,938	176,753,098		1.947							
2005	Dev. 1/2	82,728,001	163,536,812		1.977							
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		4.818	2.512	1.918	1.350	1.182	1.109	1.066	1.061	1.032	1.009	1.016
4 Year Average		4.842	2.452	1.975	1.337	1.169	1.109	1.066	1.056	1.027	1.005	1.018
3 Year Average		4.885	2.482	1.968	1.386	1.162	1.103	1.057	1.042	1.015	0.998	1.020
2 Year Average		4.464	2.275	1.962	1.346	1.181	1.086	1.037	1.019	0.995	0.996	1.012
Latest Year		5.275	2.668	1.977	1.371	1.206	1.113	1.089	1.055	1.034	1.018	1.013
Mid 3 of 5		5.442	2.765	1.968	1.365	1.183	1.117	1.082	1.075	1.046	1.014	1.012
Proposed Development*		5.442										

\*Proposed development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average of non-deductible experience for 10th to ultimate.

\*\* Recalculated to exclude aberration in a carrier's development.

WORKERS COMPENSATION - NEW YORK

Accident Year Development Factors - Medical Losses (Case Basis)  
Experience from Large Deductible Policies Only

A.Y.		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1993	Dev. 9/10									59,738,605	61,318,937	1.026
1994	Dev. 9/10									81,853,959	80,915,856	0.989
1995	Dev. 9/10									90,639,955	94,651,567	1.044
1996	Dev. 9/10									117,742,692	115,930,311	0.985
1997	Dev. 9/10									141,225,931	143,922,271	1.019
1994	Dev. 8/9								88,132,879	87,393,773	0.992	
1995	Dev. 8/9								90,064,870	91,384,759	1.015	
1996	Dev. 8/9								116,683,022	116,764,782	1.001	
1997	Dev. 8/9								138,811,060	137,371,099	0.990	
1998	Dev. 8/9								151,411,176	151,805,183	1.003	
1995	Dev. 7/8							96,509,622	100,402,216	1.040		
1996	Dev. 7/8							102,394,336	106,725,030	1.042		
1997	Dev. 7/8							134,721,262	138,741,813	1.030		
1998	Dev. 7/8							140,689,316	148,776,018	1.057		
1999	Dev. 7/8							148,456,077	152,863,977	1.030		
1996	Dev. 6/7						117,020,918	121,707,593	1.040			
1997	Dev. 6/7						115,230,080	121,711,909	1.056			
1998	Dev. 6/7						131,792,131	140,257,960	1.064			
1999	Dev. 6/7						143,458,748	146,107,180	1.018			
2000	Dev. 6/7						163,573,103	171,339,039	1.047			
1997	Dev. 5/6					131,991,468	137,366,943	1.041				
1998	Dev. 5/6					107,131,296	115,213,816	1.075				
1999	Dev. 5/6					134,119,755	142,874,719	1.065				
2000	Dev. 5/6					157,316,059	160,784,653	1.022				
2001	Dev. 5/6					186,896,598	208,122,686	1.114				
1998	Dev. 4/5			117,695,477	125,716,774	1.068						
1999	Dev. 4/5			107,760,651	114,178,595	1.060						
2000	Dev. 4/5			142,619,919	155,428,039	1.090						
2001	Dev. 4/5			180,596,577	187,056,737	1.036						
2002	Dev. 4/5			172,159,209	187,255,352	1.088						
1999	Dev. 3/4			115,987,422	129,212,273	1.114						
2000	Dev. 3/4			116,219,085	129,901,216	1.118						
2001	Dev. 3/4			156,325,298	177,128,583	1.133						
2002	Dev. 3/4			157,434,309	172,423,463	1.095						
2003	Dev. 3/4			163,548,804	181,569,119	1.110						
2000	Dev. 2/3		102,168,253	126,528,951	1.238							
2001	Dev. 2/3		120,998,141	147,732,900	1.221							
2002	Dev. 2/3		130,449,851	156,794,186	1.202							
2003	Dev. 2/3		147,030,493	163,804,344	1.114							
2004	Dev. 2/3		140,860,959	164,322,685	1.167							
2001	Dev. 1/2	76,494,905	125,417,976	1.640								
2002	Dev. 1/2	75,585,404	120,905,948	1.600								
2003	Dev. 1/2	90,447,592	145,203,377	1.605								
2004	Dev. 1/2	91,168,023	140,852,893	1.545								
2005	Dev. 1/2	87,848,351	137,419,977	1.564								
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		3.399	2.136	1.591	1.188	1.114	1.068	1.063	1.045	1.040	1.000	1.013
4 Year Average		3.424	2.168	1.579	1.176	1.114	1.068	1.069	1.047	1.040	1.002	1.009
3 Year Average		3.383	2.152	1.572	1.161	1.113	1.071	1.067	1.043	1.039	0.998	1.016
2 Year Average		3.166	2.036	1.555	1.140	1.103	1.062	1.068	1.033	1.044	0.996	1.002
Latest Year		3.503	2.239	1.564	1.167	1.110	1.088	1.114	1.047	1.030	1.003	1.019
Mid 3 of 5		3.501	2.202	1.590	1.196	1.114	1.072	1.060	1.048	1.037	0.998	1.011
Proposed Development*		3.501										

\*Proposed development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average of non-deductible experience for 10th to ultimate.

New York Workers Compensation

Construction Class Payroll Limitation Off-Balance

On June 30, 1998, Governor Pataki signed the Payroll Limitation Law which imposes a series of payroll limitations, beginning October 1, 1999, for construction employments and retains remuneration as the exposure base for use in determining workers compensation premiums.

One of the provisions contained in the Payroll Limitation Law is the creation of three geographic territories for the purpose of varying the required manual rate off-balance between upstate and downstate employers. Effective October 1, 1999, October 1, 2000, October 1, 2001, October 1, 2002, December 1, 2003 and October 1, 2005, territory off-balances were calculated by the Rating Board and were subsequently approved by the New York State Insurance Department. The methodology, approved by the Department, utilized the general wage distribution table in conjunction with available New York average construction wage data.

The Rating Board has updated the New York wage data and, using the same methodology as in previous years, has determined off-balances by territory reflecting the statutory \$750 cap effective October 1, 2007. The proposed off-balances, using the approved methodology, are contained on the attached Sheet 2. A copy of the 1992 Wage Distribution Table can be found on Sheet 3.

The results of this year's analyses yield an overall average off-balance of 6.8% with indicated differentials of 8.5%, 6.8% and 4.0% for Territories 1, 2 and 3, respectively, for policies effective between October 1, 2007 and September 30, 2008.

Furthermore, in this revision, recognition is being given to the effects of the October 1, 2000, October 1, 2001, October 1, 2002 and December 1, 2003 differentials on the class ratemaking data. Since five policy years, i.e., 2000 - 2004, will underlie the revised manual rates, 2000, 2001, 2002, 2003 and 2004 each represents 20% of the total of the five years of class experience. Consequently, .20 x the October 1, 2000 territory differentials plus .20 x the October 1, 2001 differentials plus .20 x the October 1, 2002 differentials plus .20 x the December 1, 2003 differentials (in effective also for 2004) represent the offsets to this year's differentials and are shown on line 10 of Sheet 2. For October 1, 2000, the differentials were 32%, 23.1% and 15.0% for territories 1, 2 and 3. For October 1, 2001, the differentials were 40.5%, 30.0% and 19.0% for territories 1, 2 and 3. For October 1, 2002, the differentials were 40.5%, 34.0% and 21.0% for territories 1, 2 and 3. For December 1, 2003, the differentials were 39.0%, 30.5% and 18.0% for territories 1, 2, 3, respectively.

The overall change in the off- balance on the construction classes is estimated to be -13.1% as a result of the payroll cap remaining at \$750. However, the overall premium level effect is expected to be 0.0% since the territory differentials are merely an offset to the effect of the reduced payroll on manual premium.



NEW YORK WORKERS COMPENSATION

CONSTRUCTION CLASSIFICATION PAYROLL LIMITATIONS  
Construction Payroll Limitation Law

**Eff. 10/1/2007**  
**\$750 Limitation**

		<u>Effect on Manual Rates</u>			
		<u>Statewide</u>	<u>Territory 1</u>	<u>Territory 2</u>	<u>Territory 3</u>
1	Estimated 10/04 - 10/05 Construction AWW	\$1,071	\$1,300	\$1,044	\$774
2	Ratio of Cap Amount to Construction AWW	---	0.577	0.718	0.969
3	Ratio, 'R', to Enter Wage Distribution Table	---	0.58	0.72	0.97
4	Table 'A' Value	---	0.214327	0.34531	0.557439
5	1-'A' Value	---	0.785673	0.65469	0.442561
6	'R' x ( 1-'A')	---	0.455690	0.471377	0.429284
7	Table 'B' Value	---	0.09058	0.175744	0.354089
8	1-'B' Value	---	0.90942	0.824256	0.645911
9	Indicated Off-Balance at \$750 Cap (8)-(6)x100	36.1%	45.4%	35.3%	21.7%
10	Off-Set for Effect of Cap on P. Y. '00, '01 , '02, '03 &'04 Dat:	0.3035	0.3820	0.2960	0.1820
11	Adjusted Indicated Off-Balance at \$750 Cap (9) *{1-[(9)/(10)]}	6.8%	8.5%	6.8%	4.1%
12	<b>Proposed Off-Balance at \$750 Cap</b>	6.8%	<b>8.5%</b>	<b>6.8%</b>	<b>4.0%</b>
13	Current Off-Balance at \$750 Cap	22.9%	29.0%	22.0%	14.0%
14	Percentage Change in Off-Balance {(1+(10))/(1+11)}-1.0	-13.1%	-15.9%	-12.5%	-8.8%

Territory 1: Counties of Bronx, Kings, Manhattan,Queens, Richmond

Territory 2: Counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, Westchester

Territory 3: All Other Counties

**The 1992 Standard Wage Distribution Table**

R = Ratio to Average Wage

A = Percentage of workers receiving not more than the percentage of the average wage indicated by column R

B = Percentage of wages received by the % of workers in column A

R	A	B	R	A	B	R	A	B	R	A	B
0.01	0.0176	0.0001	0.60	23.2706	10.1424	1.19	70.5315	51.3077	1.78	91.7592	81.6748
0.02	0.0377	0.0004	0.61	24.1998	10.7046	1.20	71.1084	51.9971	1.79	91.9437	82.0043
0.03	0.0606	0.0010	0.62	25.1343	11.2793	1.21	71.6768	52.6819	1.80	92.1243	82.3284
0.04	0.0865	0.0019	0.63	26.0727	11.8658	1.22	72.2366	53.3621	1.81	92.3009	82.6472
0.05	0.1159	0.0032	0.64	27.0140	12.4635	1.23	72.7879	54.0374	1.82	92.4737	82.9607
0.06	0.1490	0.0050	0.65	27.9570	13.0718	1.24	73.3306	54.7077	1.83	92.6426	83.2691
0.07	0.1862	0.0075	0.66	28.9008	13.6900	1.25	73.8649	55.3728	1.84	92.8079	83.5724
0.08	0.2280	0.0106	0.67	29.8444	14.3175	1.26	74.3907	56.0327	1.85	92.9695	83.8705
0.09	0.2748	0.0146	0.68	30.7869	14.9537	1.27	74.9080	56.6871	1.86	93.1276	84.1637
0.10	0.3270	0.0195	0.69	31.7275	15.5980	1.28	75.4169	57.3360	1.87	93.2821	84.4520
0.11	0.3852	0.0256	0.70	32.6655	16.2499	1.29	75.9174	57.9791	1.88	93.4333	84.7354
0.12	0.4497	0.0331	0.71	33.6002	16.9089	1.30	76.4096	58.6165	1.89	93.5811	85.0140
0.13	0.5212	0.0420	0.72	34.5310	17.5744	1.31	76.8936	59.2480	1.90	93.7256	85.2879
0.14	0.6002	0.0527	0.73	35.4573	18.2460	1.32	77.3692	59.8735	1.91	93.8669	85.5571
0.15	0.6872	0.0653	0.74	36.3788	18.9232	1.33	77.8367	60.4930	1.92	94.0051	85.8216
0.16	0.7828	0.0801	0.75	37.2949	19.6058	1.34	78.2961	61.1062	1.93	94.1402	86.0817
0.17	0.8877	0.0975	0.76	38.2054	20.2931	1.35	78.7474	61.7133	1.94	94.2723	86.3372
0.18	1.0026	0.1176	0.77	39.1098	20.9850	1.36	79.1908	62.3140	1.95	94.4014	86.5884
0.19	1.1281	0.1408	0.78	40.0081	21.6812	1.37	79.6262	62.9083	1.96	94.5276	86.8352
0.20	1.2649	0.1675	0.79	40.8998	22.3812	1.38	80.0538	63.4962	1.97	94.6510	87.0777
0.21	1.4139	0.1980	0.80	41.7849	23.0848	1.39	80.4736	64.0777	1.98	94.7717	87.3160
0.22	1.5759	0.2329	0.81	42.6633	23.7919	1.40	80.8857	64.6526	1.99	94.8896	87.5501
0.23	1.7517	0.2724	0.82	43.5347	24.5021	1.41	81.2903	65.2209	2.00	95.0049	87.7801
0.24	1.9422	0.3172	0.83	44.3991	25.2152	1.42	81.6873	65.7827	2.01	95.1176	88.0060
0.25	2.1484	0.3677	0.84	45.2565	25.9311	1.43	82.0768	66.3378	2.02	95.2278	88.2280
0.26	2.3711	0.4246	0.85	46.1067	26.6496	1.44	82.4590	66.8863	2.03	95.3354	88.4461
0.27	2.6114	0.4883	0.86	46.9498	27.3704	1.45	82.8340	67.4281	2.04	95.4407	88.6603
0.28	2.8703	0.5595	0.87	47.7856	28.0934	1.46	83.2018	67.9633	2.05	95.5436	88.8706
0.29	3.1487	0.6388	0.88	48.6143	28.8185	1.47	83.5625	68.4917	2.06	95.6441	89.0773
0.30	3.4475	0.7270	0.89	49.4357	29.5454	1.48	83.9163	69.0135	2.07	95.7424	89.2802
0.31	3.7677	0.8247	0.90	50.2498	30.2741	1.49	84.2631	69.5286	2.08	95.8385	89.4796
0.32	4.1102	0.9326	0.91	51.0567	31.0043	1.50	84.6032	70.0370	2.09	95.9324	89.6753
0.33	4.4758	1.0514	0.92	51.8563	31.7359	1.51	84.9366	70.5387	2.10	96.0241	89.8675
0.34	4.8653	1.1819	0.93	52.6486	32.4687	1.52	85.2634	71.0338	2.11	96.1138	90.0563
0.35	5.2792	1.3247	0.94	53.4335	33.2026	1.53	85.5836	71.5222	2.12	96.2015	90.2417
0.36	5.7183	1.4807	0.95	54.2110	33.9374	1.54	85.8975	72.0040	2.13	96.2871	90.4237
0.37	6.1830	1.6503	0.96	54.9812	34.6729	1.55	86.2051	72.4792	2.14	96.3708	90.6024
0.38	6.6737	1.8343	0.97	55.7439	35.4089	1.56	86.5064	72.9478	2.15	96.4526	90.7779
0.39	7.1906	2.0333	0.98	56.4991	36.1452	1.57	86.8017	73.4098	2.16	96.5326	90.9502
0.40	7.7338	2.2479	0.99	57.2468	36.8817	1.58	87.0909	73.8654	2.17	96.6107	91.1194
0.41	8.3034	2.4786	1.00	57.9869	37.6181	1.59	87.3742	74.3144	2.18	96.6871	91.2855
0.42	8.8992	2.7259	1.01	58.7194	38.3543	1.60	87.6517	74.7570	2.19	96.7617	91.4485
0.43	9.5209	2.9902	1.02	59.4442	39.0899	1.61	87.9235	75.1932	2.20	96.8346	91.6086
0.44	10.1682	3.2717	1.03	60.1612	39.8249	1.62	88.1897	75.6230	2.21	96.9059	91.7657
0.45	10.8405	3.5709	1.04	60.8705	40.5589	1.63	88.4503	76.0466	2.22	96.9756	91.9200
0.46	11.5372	3.8879	1.05	61.5718	41.2918	1.64	88.7055	76.4638	2.23	97.0436	92.0714
0.47	12.2574	4.2229	1.06	62.2652	42.0234	1.65	88.9553	76.8748	2.24	97.1101	92.2201
0.48	13.0004	4.5758	1.07	62.9506	42.7533	1.66	89.1999	77.2796	2.25	97.1751	92.3660
0.49	13.7652	4.9468	1.08	63.6280	43.4814	1.67	89.4394	77.6783	2.26	97.2386	92.5092
0.50	14.5507	5.3356	1.09	64.2972	44.2075	1.68	89.6738	78.0709	2.27	97.3007	92.6497
0.51	15.3558	5.7422	1.10	64.9582	44.9314	1.69	89.9032	78.4575	2.28	97.3613	92.7877
0.52	16.1793	6.1663	1.11	65.6110	45.6527	1.70	90.1278	78.8381	2.29	97.4206	92.9231
0.53	17.0198	6.6073	1.12	66.2555	46.3713	1.71	90.3475	79.2128	2.30	97.4785	93.0560
0.54	17.8762	7.0658	1.13	66.8917	47.0870	1.72	90.5626	79.5816	2.31	97.5351	93.1864
0.55	18.7470	7.5404	1.14	67.5195	47.7995	1.73	90.7730	79.9446	2.32	97.5904	93.3145
0.56	19.6309	8.0310	1.15	68.1388	48.5087	1.74	90.9790	80.3019	2.33	97.6444	93.4401
0.57	20.5266	8.5370	1.16	68.7498	49.2143	1.75	91.1805	80.6535	2.34	97.6972	93.5634
0.58	21.4327	9.0580	1.17	69.3522	49.9161	1.76	91.3776	80.9995	2.35	97.7488	93.6844
0.59	22.3478	9.5934	1.18	69.9461	50.6140	1.77	91.5705	81.3399	2.36	97.7992	93.8031

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Development Factors - Premiums

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	
1996	Dev. 5/6					1,388,804,240	1,388,083,597	0.999
1997	Dev. 5/6					1,176,089,061	1,175,932,531	1.000
1998	Dev. 5/6					1,111,780,484	1,111,240,236	1.000
1999	Dev. 5/6					1,181,933,770	1,181,498,415	1.000
2000	Dev. 5/6					1,255,024,339	1,254,053,977	0.999
1997	Dev. 4/5				1,177,196,156	1,176,089,061		0.999
1998	Dev. 4/5				1,112,356,972	1,111,780,484		0.999
1999	Dev. 4/5				1,183,544,377	1,181,933,770		0.999
2000	Dev. 4/5				1,257,316,210	1,255,024,339		0.998
2001	Dev. 4/5				1,310,073,769	1,308,727,022		0.999
1998	Dev. 3/4			1,115,919,082	1,112,356,972		0.997	
1999	Dev. 3/4			1,187,228,935	1,183,544,377		0.997	
2000	Dev. 3/4			1,263,412,230	1,257,316,210		0.995	
2001	Dev. 3/4			1,314,462,140	1,310,073,769		0.997	
2002	Dev. 3/4			1,394,549,643	1,391,847,766		0.998	
1999	Dev. 2/3		1,189,210,316	1,187,228,935		0.998		
2000	Dev. 2/3		1,264,830,109	1,263,412,230		0.999		
2001	Dev. 2/3		1,328,879,253	1,314,462,140		0.989		
2002	Dev. 2/3		1,403,351,949	1,394,549,643		0.994		
2003	Dev. 2/3		1,485,071,748	1,476,816,924		0.994		
2000	Dev. 1/2	1,184,345,718	1,264,830,109		1.068			
2001	Dev. 1/2	1,282,337,716	1,328,879,253		1.036			
2002	Dev. 1/2	1,372,053,717	1,403,351,949		1.023			
2003	Dev. 1/2	1,469,769,533	1,485,071,748		1.010			
2004	Dev. 1/2	1,560,539,230	1,572,415,373		1.008			
		1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/Ult.	
<b>5 Year Average</b>								
Age to Age		1.029	0.995	0.997	0.999	1.000	1.000	
Age to Ult.		1.020	0.991	0.996	0.999	1.000	1.000	
<b>4 Year Average</b>								
Age to Age		1.019	0.994	0.997	0.999	1.000	1.000	
Age to Ult.		1.009	0.990	0.996	0.999	1.000	1.000	
<b>3 Year Average</b>								
Age to Age		1.014	0.992	0.997	0.999	1.000	1.000	
Age to Ult.		1.002	0.988	0.996	0.999	1.000	1.000	
<b>2 Year Average</b>								
Age to Age		1.009	0.994	0.998	0.999	1.000	1.000	
Age to Ult.		1.000	0.991	0.997	0.999	1.000	1.000	
Proposed Development*		<b>1.002</b>	<b>0.988</b>	<b>0.996</b>	<b>0.999</b>	<b>1.000</b>	<b>1.000</b>	

\*Proposed development based on 3 year average

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1992	Dev. 9/10									973,273,441	970,351,446	0.997
1993	Dev. 9/10									972,194,749	962,216,666	0.990
1994	Dev. 9/10									835,913,894	836,378,374	1.001
1995	Dev. 9/10									659,275,719	657,748,046	0.998
1996	Dev. 9/10									555,046,270	557,057,817	1.004
1993	Dev. 8/9								976,117,472	972,194,749		0.996
1994	Dev. 8/9								845,681,484	835,913,894		0.988
1995	Dev. 8/9								655,303,347	659,275,719		1.006
1996	Dev. 8/9								545,965,520	555,046,270		1.017
1997	Dev. 8/9								477,804,682	478,998,536		1.002
1994	Dev. 7/8							861,670,632	845,681,484			0.981
1995	Dev. 7/8							669,198,130	655,303,347			0.979
1996	Dev. 7/8							550,145,842	545,965,520			0.992
1997	Dev. 7/8							465,339,926	477,804,682			1.027
1998	Dev. 7/8							416,776,578	411,738,113			0.988
1995	Dev. 6/7						688,329,499	669,198,130		0.972		
1996	Dev. 6/7						565,413,109	550,145,842		0.973		
1997	Dev. 6/7						467,439,320	465,339,926		0.996		
1998	Dev. 6/7						417,253,015	416,776,578		0.999		
1999	Dev. 6/7						482,040,137	486,221,780		1.009		
1996	Dev. 5/6					572,493,598	565,413,109					0.988
1997	Dev. 5/6					472,590,889	467,439,320					0.989
1998	Dev. 5/6					423,162,780	417,253,015					0.986
1999	Dev. 5/6					487,670,750	482,040,137					0.988
2000	Dev. 5/6					449,024,562	459,227,246					1.023
1997	Dev. 4/5				469,638,711	472,590,889		1.006				
1998	Dev. 4/5				420,750,777	423,162,780		1.006				
1999	Dev. 4/5				478,898,688	487,670,750		1.018				
2000	Dev. 4/5				449,708,937	449,024,562		0.998				
2001	Dev. 4/5				458,252,043	448,655,177		0.979				
1998	Dev. 3/4			388,388,252	420,750,777			1.083				
1999	Dev. 3/4			456,017,211	478,898,688			1.050				
2000	Dev. 3/4			421,044,548	449,708,937			1.068				
2001	Dev. 3/4			428,380,358	458,252,043			1.070				
2002	Dev. 3/4			480,500,416	506,306,170			1.054				
1999	Dev. 2/3		327,891,433	456,017,211		1.391						
2000	Dev. 2/3		351,975,131	421,044,548		1.196						
2001	Dev. 2/3		334,583,852	428,380,358		1.280						
2002	Dev. 2/3		374,884,944	480,500,416		1.282						
2003	Dev. 2/3		399,905,239	497,276,177		1.243						
2000	Dev. 1/2	202,588,430	351,975,131		1.737							
2001	Dev. 1/2	210,836,931	334,583,852		1.587							
2002	Dev. 1/2	220,663,949	374,884,944		1.699							
2003	Dev. 1/2	245,064,313	399,905,239		1.632							
2004	Dev. 1/2	239,630,732	409,557,666		1.709							
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.507	1.498	1.673	1.279	1.065	1.002	0.995	0.990	0.994	1.002	0.998
4 Year Average		2.449	1.478	1.657	1.250	1.060	1.000	0.997	0.994	0.997	1.003	0.998
3 Year Average		2.605	1.551	1.680	1.269	1.064	0.999	0.999	1.001	1.002	1.008	1.001
2 Year Average		2.621	1.570	1.670	1.263	1.062	0.989	1.006	1.004	1.007	1.010	1.001
Latest Year		2.528	1.479	1.709	1.243	1.054	0.979	1.023	1.009	0.988	1.002	1.004
Mid 3 of 5		2.463	1.466	1.680	1.269	1.064	1.003	0.988	0.989	0.987	1.002	0.998
Proposed Development*		2.495	1.485									

\*Proposed development based on Mid 3 of 5 year average for development years 1/10 and 3 year average for development years 11/19.

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	19th Report	
1983	Dev. 18/19								247,706,003	248,585,992	1.004	
1984	Dev. 18/19								294,725,619	296,578,258	1.006	
1985	Dev. 18/19								379,620,512	380,435,580	1.002	
1986	Dev. 18/19								495,616,601	499,080,110	1.007	
1987	Dev. 18/19								538,741,996	542,333,600	1.007	
1984	Dev. 17/18							293,657,451	294,725,619	1.004		
1985	Dev. 17/18							378,472,350	379,620,512	1.003		
1986	Dev. 17/18							494,019,744	495,616,601	1.003		
1987	Dev. 17/18							535,313,968	538,741,996	1.006		
1988	Dev. 17/18							623,218,236	627,473,440	1.007		
1985	Dev. 16/17						378,117,496	378,472,350	1.001			
1986	Dev. 16/17						493,583,372	494,019,744	1.001			
1987	Dev. 16/17						532,622,437	535,313,968	1.005			
1988	Dev. 16/17						618,781,642	623,218,236	1.007			
1989	Dev. 16/17						716,962,529	723,782,998	1.010			
1986	Dev. 15/16					490,539,957	493,583,372	1.006				
1987	Dev. 15/16					530,648,987	532,622,437	1.004				
1988	Dev. 15/16					617,567,357	618,781,642	1.002				
1989	Dev. 15/16					714,695,071	716,962,529	1.003				
1990	Dev. 15/16					863,850,350	873,006,496	1.011				
1987	Dev. 14/15				528,339,778	530,648,987	1.004					
1988	Dev. 14/15				615,530,243	617,567,357	1.003					
1989	Dev. 14/15				706,315,166	714,695,071	1.012					
1990	Dev. 14/15				858,026,841	863,850,350	1.007					
1991	Dev. 14/15				935,885,167	945,293,540	1.010					
1988	Dev. 13/14			609,982,244	615,530,243	1.009						
1989	Dev. 13/14			698,296,315	706,315,166	1.011						
1990	Dev. 13/14			854,397,547	858,026,841	1.004						
1991	Dev. 13/14			928,336,595	935,885,167	1.008						
1992	Dev. 13/14			980,189,723	992,914,113	1.013						
1989	Dev. 12/13		697,573,864	698,296,315	1.001							
1990	Dev. 12/13		854,645,112	854,397,547	1.000							
1991	Dev. 12/13		925,012,063	928,336,595	1.004							
1992	Dev. 12/13		971,498,137	980,189,723	1.009							
1993	Dev. 12/13		973,538,411	980,064,292	1.007							
1990	Dev. 11/12	858,004,819	854,645,112	0.996								
1991	Dev. 11/12	931,714,766	925,012,063	0.993								
1992	Dev. 11/12	965,050,202	971,498,137	1.007								
1993	Dev. 11/12	965,291,211	973,538,411	1.009								
1994	Dev. 11/12	843,402,597	848,699,414	1.006								
1991	Dev. 10/11	929,343,760	931,714,766	1.003								
1992	Dev. 10/11	970,351,446	965,050,202	0.995								
1993	Dev. 10/11	962,216,666	965,291,211	1.003								
1994	Dev. 10/11	836,378,374	843,402,597	1.008								
1995	Dev. 10/11	657,748,046	663,701,091	1.009								
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/Ult.*
5 Year Average			1.004	1.002	1.004	1.009	1.007	1.005	1.005	1.005	1.005	1.071
4 Year Average			1.004	1.004	1.005	1.009	1.008	1.005	1.006	1.005	1.006	1.071
3 Year Average			1.007	1.007	1.006	1.008	1.010	1.005	1.007	1.005	1.005	1.071
2 Year Average			1.009	1.007	1.008	1.011	1.008	1.007	1.008	1.007	1.007	1.071
Latest Year			1.009	1.006	1.007	1.013	1.010	1.011	1.010	1.007	1.007	1.040
Mid 3 of 5			1.005	1.003	1.004	1.010	1.007	1.004	1.004	1.004	1.006	1.071

\* From Exhibit BB, Sheet 2D

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year	1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report		
1992	Dev. 9/10								324,766,900	320,309,350	0.986	
1993	Dev. 9/10								333,472,517	331,977,936	0.996	
1994	Dev. 9/10								291,197,885	290,452,699	0.997	
1995	Dev. 9/10								255,121,405	257,738,083	1.010	
1996	Dev. 9/10								218,227,946	221,175,328	1.014	
1993	Dev. 8/9							332,613,982	333,472,517	1.003		
1994	Dev. 8/9							292,865,111	291,197,885	0.994		
1995	Dev. 8/9							250,644,739	255,121,405	1.018		
1996	Dev. 8/9							217,086,522	218,227,946	1.005		
1997	Dev. 8/9							193,327,321	197,650,874	1.022		
1994	Dev. 7/8					296,843,134	292,865,111		0.987			
1995	Dev. 7/8					257,072,414	250,644,739		0.975			
1996	Dev. 7/8					217,695,777	217,086,522		0.997			
1997	Dev. 7/8					192,191,254	193,327,321		1.006			
1998	Dev. 7/8					174,212,312	176,899,721		1.015			
1995	Dev. 6/7				255,825,165	257,072,414		1.005				
1996	Dev. 6/7				218,066,807	217,695,777		0.998				
1997	Dev. 6/7				195,426,644	192,191,254		0.983				
1998	Dev. 6/7				173,097,437	174,212,312		1.006				
1999	Dev. 6/7				190,039,181	189,721,819		0.998				
1996	Dev. 5/6				222,693,074	218,066,807	0.979					
1997	Dev. 5/6				190,206,833	195,426,644	1.027					
1998	Dev. 5/6				177,788,124	173,097,437	0.974					
1999	Dev. 5/6				183,805,291	190,039,181	1.034					
2000	Dev. 5/6				194,301,244	197,571,407	1.017					
1997	Dev. 4/5			180,977,051	190,206,833	1.051		198,535,014				
1998	Dev. 4/5			172,638,709	177,788,124	1.030						
1999	Dev. 4/5			188,258,881	183,805,291	0.976						
2000	Dev. 4/5			188,714,625	194,301,244	1.030						
2001	Dev. 4/5			200,977,998	203,297,019	1.012						
1998	Dev. 3/4		159,680,868	172,638,709	1.081							
1999	Dev. 3/4		183,507,675	188,258,881	1.026							
2000	Dev. 3/4		180,366,601	188,714,625	1.046							
2001	Dev. 3/4		182,782,841	200,977,998	1.100							
2002	Dev. 3/4		216,164,278	229,560,124	1.062							
1999	Dev. 2/3	176,417,721	183,507,675	1.040								
2000	Dev. 2/3	164,922,461	180,366,601	1.094								
2001	Dev. 2/3	168,441,262	182,782,841	1.085								
2002	Dev. 2/3	188,156,411	216,164,278	1.149								
2003	Dev. 2/3	205,600,073	237,791,147	1.157								
2000	Dev. 1/2	140,746,777	164,922,461	1.172								
2001	Dev. 1/2	148,799,449	168,441,262	1.132								
2002	Dev. 1/2	174,374,278	188,156,411	1.079								
2003	Dev. 1/2	173,482,866	205,600,073	1.185								
2004	Dev. 1/2	192,326,089	218,748,539	1.137								
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		1.511	1.324	1.141	1.105	1.063	1.020	1.006	0.998	0.996	1.008	1.001
4 Year Average		1.533	1.353	1.133	1.121	1.058	1.012	1.013	0.997	0.998	1.010	1.004
3 Year Average		1.577	1.391	1.134	1.130	1.069	1.006	1.008	0.996	1.006	1.015	1.007
2 Year Average		1.799	1.550	1.161	1.153	1.081	1.021	1.025	1.002	1.011	1.014	1.012
Latest Year		1.678	1.476	1.137	1.157	1.062	1.012	1.017	0.998	1.015	1.022	1.014
Mid 3 of 5		1.543	1.345	1.147	1.109	1.063	1.024	1.008	1.001	0.997	1.009	1.001
Proposed Developme		1.560	1.360									

\*Proposed development based on Mid 3 of 5 year average for development years 1/10 and 3 year average for development years 11/19.

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report		
1983 Dev. 18/19									93,843,880	93,116,216	0.992	
1984 Dev. 18/19									122,929,227	130,126,030	1.059	
1985 Dev. 18/19									127,323,822	128,462,170	1.009	
1986 Dev. 18/19									169,817,695	172,238,071	1.014	
1987 Dev. 18/19									193,760,376	198,535,014	1.025	
1984 Dev. 17/18								125,471,207	122,929,227	0.980		
1985 Dev. 17/18								127,453,392	127,323,822	0.999		
1986 Dev. 17/18								168,470,839	169,817,695	1.008		
1987 Dev. 17/18								193,262,967	193,760,376	1.003		
1988 Dev. 17/18								220,497,151	221,037,029	1.002		
1985 Dev. 16/17							129,118,785	127,453,392	0.987			
1986 Dev. 16/17							167,897,017	168,470,839	1.003			
1987 Dev. 16/17							191,707,970	193,262,967	1.008			
1988 Dev. 16/17							218,157,945	220,497,151	1.011			
1989 Dev. 16/17							248,301,253	249,685,530	1.006			
1986 Dev. 15/16						166,559,648	167,897,017	1.008				
1987 Dev. 15/16						195,350,862	191,707,970	0.981				
1988 Dev. 15/16						218,428,893	218,157,945	0.999				
1989 Dev. 15/16						246,005,377	248,301,253	1.009				
1990 Dev. 15/16						319,871,483	314,685,613	0.984				
1987 Dev. 14/15					190,050,018	195,350,862	1.028					
1988 Dev. 14/15					215,798,662	218,428,893	1.012					
1989 Dev. 14/15					246,493,520	246,005,377	0.998					
1990 Dev. 14/15					301,576,701	319,871,483	1.061					
1991 Dev. 14/15					315,111,863	317,772,771	1.008					
1988 Dev. 13/14			216,523,107	215,798,662	0.997							
1989 Dev. 13/14			246,012,321	246,493,520	1.002							
1990 Dev. 13/14			300,324,728	301,576,701	1.004							
1991 Dev. 13/14			313,879,674	315,111,863	1.004							
1992 Dev. 13/14			321,877,894	324,486,012	1.008							
1989 Dev. 12/13			244,157,499	246,012,321	1.008							
1990 Dev. 12/13			302,238,764	300,324,728	0.994							
1991 Dev. 12/13			313,118,031	313,879,674	1.002							
1992 Dev. 12/13			317,551,512	321,877,894	1.014							
1993 Dev. 12/13			335,140,036	339,661,274	1.013							
1990 Dev. 11/12		298,362,777	302,238,764	1.013								
1991 Dev. 11/12		310,228,038	313,118,031	1.009								
1992 Dev. 11/12		318,598,596	317,551,512	0.997								
1993 Dev. 11/12		332,242,740	335,140,036	1.009								
1994 Dev. 11/12		292,805,892	296,280,063	1.012								
1991 Dev. 10/11	298,369,742	310,228,038	1.040									
1992 Dev. 10/11	320,309,350	318,598,596	0.995									
1993 Dev. 10/11	331,977,936	332,242,740	1.001									
1994 Dev. 10/11	290,452,699	292,805,892	1.008									
1995 Dev. 10/11	257,738,083	266,997,905	1.036									
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/Ult.*
5 Year Average			1.016	1.008	1.006	1.003	1.021	0.996	1.003	0.998	1.020	1.021
4 Year Average			1.010	1.007	1.006	1.005	1.020	0.993	1.007	1.003	1.027	1.021
3 Year Average			1.015	1.006	1.010	1.005	1.022	0.997	1.008	1.004	1.016	1.021
2 Year Average			1.022	1.010	1.014	1.006	1.035	0.997	1.008	1.003	1.019	1.021
Latest Year			1.036	1.012	1.013	1.008	1.008	0.984	1.006	1.002	1.025	1.013
Mid 3 of 5			1.015	1.010	1.008	1.003	1.016	0.997	1.006	1.001	1.016	1.021

\* From Exhibit BB, Sheet 2D

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Loss Development Factors from 19th Report (Case Basis) to Ultimate Incurred

	INDEMNITY	MEDICAL
1. Case incurred losses for Policy Year 1984 valued as of 12/31/03*	313,235,708	159,019,912
2. Case incurred losses for Policy Year 1985 valued as of 12/31/04*	383,030,354	139,103,280
3. Case incurred losses for Policy Year 1986 valued as of 12/31/05	499,080,110	172,238,071
4. Average (1) through (3)	398,448,724	156,787,088
5. Ratio of (4)/(3)	0.798	0.910
6. Total incurred losses for Policy Year 1984 valued as of 12/31/03*	313,235,708	159,019,912
7. Total incurred losses for Policy Year 1985 valued as of 12/31/04*	383,069,620	139,114,108
8. Total incurred losses for Policy Year 1986 valued as of 12/31/05	499,131,110	172,251,071
9. Average (6) through(8)	398,478,813	156,795,030
10. Factor from case to total incurred basis at 19th report (9)/(4)	1.000	1.000
11. Change in total incurred losses from 12/31/03 to 12/31/04 for all Policy Years 1984 and prior*	13,861,102	-187,023
12. Change in total incurred losses from 12/31/04 to 12/31/05 for all Policy Years 1985 and prior*	19,667,776	9,858,427
13. Change in total incurred losses from 12/31/05 to 12/31/06 for all Policy Years 1985 and prior	23,532,510	-3,473,655
14. Average (11) through (14)	19,020,463	2,065,916
15. Development factor from 19th to ultimate [(3)*(5)*(10) +(14)] / [(3)*(5)]	1.048	1.013
16. Case incurred losses for Policy Year 1985 valued as of 12/31/04**	383,030,354	151,154,412
17. Case incurred losses for Policy Year 1986 valued as of 12/31/05**	499,080,110	187,159,816
18. Case incurred losses for Policy Year 1987 valued as of 12/31/06	542,333,600	198,535,014
19. Average of (16) through (18)	474,814,688	178,949,747
20. Ratio of (19) / (18)	0.876	0.901
21. Total incurred losses for Policy Year 1985 valued as of 12/31/04**	383,069,620	151,166,178
22. Total incurred losses for Policy Year 1986 valued as of 12/31/05**	499,131,110	187,173,942
23. Total incurred losses for Policy Year 1987 valued as of 12/31/06	542,391,600	198,551,014
24. Average of (21) through (23)	474,864,110	178,963,712
25. Factor from paid to total incurred basis at 19th report (24) / (19)	1.000	1.000
26. Change in total incurred losses from 12/31/03 to 12/31/04 for all Policy Years 1984 and prior**	13,213,500	-180,075
27. Change in total incurred losses from 12/31/04 to 12/31/05 for all Policy Years 1985 and prior**	19,667,776	10,712,506
28. Change in total incurred losses from 12/31/05 to 12/31/06 for all Policy Years 1986 and prior	23,532,510	-3,473,655
29. Average of (26) through (28)	18,804,595	2,352,925
30. Development factor from 19th to ultimate [(18)*(20)*(25)+(29)] / [(18)*(20)]	1.040	1.013
31. Average development factor from 19th to ultimate [(15) + (30)] / 2	1.044	1.013
32. Factor 19th to ultimate @10/1/06	1.098	1.028
33. Selected development factor from 19th to ultimate [(31)+(32)]/2	1.071	1.021

\* Adjusted to the level of Policy Year 1986

\*\* Adjusted to the level of Policy Year 1987



WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Accident Year Development Factors - Indemnity Losses (Case Basis)

Accident Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1993	Dev. 9/10									992,633,575	981,718,421	0.989
1994	Dev. 9/10									922,594,590	912,709,757	0.989
1995	Dev. 9/10									720,893,963	724,048,790	1.004
1996	Dev. 9/10									577,127,496	579,764,916	1.005
1997	Dev. 9/10									504,781,529	506,162,299	1.003
1994	Dev. 8/9								932,628,075	922,594,590		0.989
1995	Dev. 8/9								733,012,968	720,893,963		0.983
1996	Dev. 8/9								578,568,024	577,127,496		0.998
1997	Dev. 8/9								500,270,761	504,781,529		1.009
1998	Dev. 8/9								448,804,502	447,164,363		0.996
1995	Dev. 7/8							755,628,071	733,012,968			0.970
1996	Dev. 7/8							595,639,675	578,568,024			0.971
1997	Dev. 7/8							504,294,730	500,270,761			0.992
1998	Dev. 7/8							438,448,160	448,804,502			1.024
1999	Dev. 7/8							475,631,338	479,835,554			1.009
1996	Dev. 6/7						603,780,972	595,639,675				0.987
1997	Dev. 6/7						510,899,611	504,294,730				0.987
1998	Dev. 6/7						445,205,013	438,448,160				0.985
1999	Dev. 6/7						475,359,481	475,631,338				1.001
2000	Dev. 6/7						449,003,129	456,938,853				1.018
1997	Dev. 5/6					517,524,369	510,899,611					0.987
1998	Dev. 5/6					447,853,774	445,205,013					0.994
1999	Dev. 5/6					467,784,023	475,359,481					1.016
2000	Dev. 5/6					458,649,533	449,003,129					0.979
2001	Dev. 5/6					448,690,867	443,753,647					0.989
1998	Dev. 4/5				430,884,152	447,853,774		1.039				
1999	Dev. 4/5				454,078,993	467,784,023		1.030				
2000	Dev. 4/5				441,181,318	458,649,533		1.040				
2001	Dev. 4/5				430,293,934	448,690,867		1.043				
2002	Dev. 4/5				492,452,324	496,228,329		1.008				
1999	Dev. 3/4			370,066,115	454,078,993		1.227					
2000	Dev. 3/4			402,144,973	441,181,318		1.097					
2001	Dev. 3/4			376,888,380	430,293,934		1.142					
2002	Dev. 3/4			422,606,104	492,452,324		1.165					
2003	Dev. 3/4			442,167,308	503,129,945		1.138					
2000	Dev. 2/3		243,621,406	402,144,973		1.651						
2001	Dev. 2/3		261,483,865	376,888,380		1.441						
2002	Dev. 2/3		264,364,909	422,606,104		1.599						
2003	Dev. 2/3		297,723,840	442,167,308		1.485						
2004	Dev. 2/3		299,628,312	466,478,504		1.557						
2001	Dev. 1/2	120,883,113	261,483,865	2,163								
2002	Dev. 1/2	141,697,217	264,364,909	1,866								
2003	Dev. 1/2	145,080,294	297,723,840	2,052								
2004	Dev. 1/2	148,516,924	299,628,312	2,017								
2005	Dev. 1/2	153,510,229	308,679,873	2,011								
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		4.053	2.005	2.022	1.547	1.154	1.032	0.993	0.995	0.993	0.995	0.998
4 Year Average		3.916	1.971	1.987	1.520	1.135	1.030	0.995	0.998	0.999	0.997	1.000
3 Year Average		4.237	2.090	2.027	1.547	1.148	1.030	0.995	1.001	1.008	1.001	1.004
2 Year Average		4.203	2.087	2.014	1.521	1.152	1.025	0.984	1.009	1.016	1.003	1.004
Latest Year		4.082	2.030	2.011	1.557	1.138	1.008	0.989	1.018	1.009	0.996	1.003
Mid 3 of 5		4.033	1.990	2.027	1.547	1.148	1.036	0.990	0.991	0.991	0.994	0.999
Proposed Development*		4.078	2.012									

\*Proposed development based on Mid 3 of 5 year average for development years 1/10 and 3 year average for development years 11/19.

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Accident Year Development Factors - Indemnity Losses (Case Basis)

Accident Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	20th Report	
1984 Dev. 18/19									276,033,544	277,761,054	1.006	
1985 Dev. 18/19									335,822,563	338,105,225	1.007	
1986 Dev. 18/19									457,731,282	458,257,014	1.001	
1987 Dev. 18/19									518,338,778	520,901,086	1.005	
1988 Dev. 18/19									581,954,751	586,156,548	1.007	
1985 Dev. 17/18								335,466,155	335,822,563	1.001		
1986 Dev. 17/18								457,738,099	457,731,282	1.000		
1987 Dev. 17/18								516,128,154	518,338,778	1.004		
1988 Dev. 17/18								577,455,964	581,954,751	1.008		
1989 Dev. 17/18								679,673,499	684,319,741	1.007		
1986 Dev. 16/17							455,447,014	457,738,099	1.005			
1987 Dev. 16/17							513,256,700	516,128,154	1.006			
1988 Dev. 16/17							575,278,652	577,455,964	1.004			
1989 Dev. 16/17							677,534,185	679,673,499	1.003			
1990 Dev. 16/17							795,066,058	803,316,354	1.010			
1987 Dev. 15/16						513,403,397	513,256,700	1.000				
1988 Dev. 15/16						573,761,374	575,278,652	1.003				
1989 Dev. 15/16						672,267,652	677,534,185	1.008				
1990 Dev. 15/16						787,887,600	795,066,058	1.009				
1991 Dev. 15/16						929,089,496	939,565,789	1.011				
1988 Dev. 14/15					568,357,512	573,761,374	1.010					
1989 Dev. 14/15					664,889,614	672,267,652	1.011					
1990 Dev. 14/15					786,578,729	787,887,600	1.002					
1991 Dev. 14/15					921,632,963	929,089,496	1.008					
1992 Dev. 14/15					955,651,809	968,571,269	1.014					
1989 Dev. 13/14				658,559,210	664,889,614	1.010						
1990 Dev. 13/14				784,749,877	786,578,729	1.002						
1991 Dev. 13/14				913,827,888	921,632,963	1.009						
1992 Dev. 13/14				950,516,767	955,651,809	1.005						
1993 Dev. 13/14				993,698,867	1,000,736,990	1.007						
1990 Dev. 12/13			786,158,978	784,749,877	0.998							
1991 Dev. 12/13			918,427,802	913,827,888	0.995							
1992 Dev. 12/13			950,725,236	950,516,767	1.000							
1993 Dev. 12/13			982,382,028	993,698,867	1.012							
1994 Dev. 12/13			921,746,984	926,914,819	1.006							
1991 Dev. 11/12		920,892,503	918,427,802	0.997								
1992 Dev. 11/12		957,624,383	950,725,236	0.993								
1993 Dev. 11/12		975,235,213	982,382,028	1.007								
1994 Dev. 11/12		914,393,795	921,746,984	1.008								
1995 Dev. 11/12		722,967,359	730,359,859	1.010								
1992 Dev. 10/11	953,716,263	957,624,383	1.004									
1993 Dev. 10/11	981,718,421	975,235,213	0.993									
1994 Dev. 10/11	912,709,757	914,393,795	1.002									
1995 Dev. 10/11	724,048,790	722,967,359	0.999									
1996 Dev. 10/11	579,764,916	581,572,040	1.003									
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/Ult.*
5 Year Average			1.000	1.003	1.002	1.007	1.009	1.006	1.006	1.004	1.005	1.071
4 Year Average			0.999	1.005	1.003	1.006	1.009	1.008	1.006	1.005	1.005	1.071
3 Year Average			1.001	1.009	1.006	1.007	1.008	1.009	1.006	1.006	1.004	1.071
2 Year Average			1.001	1.009	1.009	1.006	1.011	1.010	1.007	1.007	1.006	1.071
Latest Year			1.003	1.010	1.006	1.007	1.014	1.011	1.010	1.007	1.007	1.040
Mid 3 of 5			1.001	1.004	1.001	1.007	1.010	1.007	1.005	1.004	1.006	1.071

\* From Exhibit CC, Sheet 1D

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Accident Year Development Factors - Medical Losses (Case Basis)

Accident Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1993	Dev. 9/10									338,374,122	338,138,398	0.999
1994	Dev. 9/10									309,246,372	308,581,915	0.998
1995	Dev. 9/10									267,112,825	269,037,385	1.007
1996	Dev. 9/10									227,695,631	227,573,984	0.999
1997	Dev. 9/10									209,804,444	214,698,232	1.023
1994	Dev. 8/9								314,527,298	309,246,372		0.983
1995	Dev. 8/9								267,016,004	267,112,825		1.000
1996	Dev. 8/9								226,242,962	227,695,631		1.006
1997	Dev. 8/9								209,498,355	209,804,444		1.001
1998	Dev. 8/9								182,337,495	185,554,721		1.018
1995	Dev. 7/8							271,442,278	267,016,004			0.984
1996	Dev. 7/8							235,256,926	226,242,962			0.962
1997	Dev. 7/8							212,069,848	209,498,355			0.988
1998	Dev. 7/8							181,136,509	182,337,495			1.007
1999	Dev. 7/8							187,118,336	185,963,485			0.994
1996	Dev. 6/7						226,893,615	235,256,926				1.037
1997	Dev. 6/7						208,315,288	212,069,848				1.018
1998	Dev. 6/7						185,828,876	181,136,509				0.975
1999	Dev. 6/7						180,020,624	187,118,336				1.039
2000	Dev. 6/7						189,990,619	191,362,307				1.007
1997	Dev. 5/6					209,887,289	208,315,288					0.993
1998	Dev. 5/6					180,363,683	185,828,876					1.030
1999	Dev. 5/6					186,339,089	180,020,624					0.966
2000	Dev. 5/6					187,420,125	189,990,619					1.014
2001	Dev. 5/6					191,475,412	197,838,726					1.033
1998	Dev. 4/5				168,889,889	180,363,683						1.068
1999	Dev. 4/5				183,362,010	186,339,089						1.016
2000	Dev. 4/5				181,871,377	187,420,125						1.031
2001	Dev. 4/5				181,644,226	191,475,412						1.054
2002	Dev. 4/5				220,954,889	225,153,066						1.019
1999	Dev. 3/4			176,881,165	183,362,010							1.037
2000	Dev. 3/4			169,080,896	181,871,377							1.076
2001	Dev. 3/4			172,306,676	181,644,226							1.054
2002	Dev. 3/4			191,775,993	220,954,889							1.152
2003	Dev. 3/4			203,778,697	222,638,565							1.093
2000	Dev. 2/3		152,206,041	169,080,896								1.111
2001	Dev. 2/3		156,332,036	172,306,676								1.102
2002	Dev. 2/3		171,155,244	191,775,993								1.120
2003	Dev. 2/3		176,044,081	203,778,697								1.158
2004	Dev. 2/3		206,852,932	239,804,014								1.159
2001	Dev. 1/2	107,988,332	156,332,036		1.448							
2002	Dev. 1/2	133,447,788	171,155,244		1.283							
2003	Dev. 1/2	145,973,048	176,044,081		1.206							
2004	Dev. 1/2	147,162,193	206,852,932		1.406							
2005	Dev. 1/2	147,853,541	202,466,384		1.369							
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		1.868	1.392	1.342	1.130	1.082	1.038	1.007	1.015	0.987	1.002	1.005
4 Year Average		1.857	1.411	1.316	1.135	1.094	1.030	1.011	1.010	0.988	1.006	1.007
3 Year Average		1.962	1.479	1.327	1.146	1.100	1.035	1.004	1.007	0.996	1.009	1.010
2 Year Average		2.271	1.637	1.387	1.158	1.122	1.037	1.023	1.023	1.000	1.010	1.011
Latest Year		2.138	1.561	1.369	1.159	1.093	1.019	1.033	1.007	0.994	1.018	1.023
Mid 3 of 5		1.892	1.398	1.353	1.130	1.074	1.035	1.012	1.021	0.988	1.003	1.002
Proposed Development*		1.926	1.423									

\*Proposed development based on Mid 3 of 5 year average for development years 1/10 and 3 year average for development years 11/19.

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Accident Year Development Factors - Medical Losses (Case Basis)

Accident Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	20th Report	
1984 Dev. 18/19									103,207,460	102,779,275	0.996	
1985 Dev. 18/19									131,670,204	132,703,476	1.008	
1986 Dev. 18/19									146,170,019	148,272,842	1.014	
1987 Dev. 18/19									189,588,389	191,134,912	1.008	
1988 Dev. 18/19									204,974,909	210,661,192	1.028	
1985 Dev. 17/18								134,202,331	131,670,204	0.981		
1986 Dev. 17/18								146,323,267	146,170,019	0.999		
1987 Dev. 17/18								187,536,806	189,588,389	1.011		
1988 Dev. 17/18								204,181,078	204,974,909	1.004		
1989 Dev. 17/18								234,501,303	235,201,664	1.003		
1986 Dev. 16/17							143,457,010	146,323,267	1.020			
1987 Dev. 16/17							190,414,075	187,536,806	0.985			
1988 Dev. 16/17							204,899,023	204,181,078	0.996			
1989 Dev. 16/17							231,473,377	234,501,303	1.013			
1990 Dev. 16/17							283,184,817	288,057,906	1.017			
1987 Dev. 15/16						189,868,296	190,414,075	1.003				
1988 Dev. 15/16						203,269,448	204,899,023	1.008				
1989 Dev. 15/16						230,161,712	231,473,377	1.006				
1990 Dev. 15/16						279,039,449	283,184,817	1.015				
1991 Dev. 15/16						328,127,389	320,647,627	0.977				
1988 Dev. 14/15				201,509,463	203,269,448	1.009						
1989 Dev. 14/15				230,940,884	230,161,712	0.997						
1990 Dev. 14/15				278,262,243	279,039,449	1.003						
1991 Dev. 14/15				310,305,661	328,127,389	1.057						
1992 Dev. 14/15				320,421,272	323,842,781	1.011						
1989 Dev. 13/14				229,382,181	230,940,884	1.007						
1990 Dev. 13/14				277,056,056	278,262,243	1.004						
1991 Dev. 13/14				311,314,051	310,305,661	0.997						
1992 Dev. 13/14				319,411,005	320,421,272	1.003						
1993 Dev. 13/14				337,058,054	339,938,293	1.009						
1990 Dev. 12/13			278,740,553	277,056,056	0.994							
1991 Dev. 12/13			313,115,685	311,314,051	0.994							
1992 Dev. 12/13			318,681,559	319,411,005	1.002							
1993 Dev. 12/13			333,281,562	337,058,054	1.011							
1994 Dev. 12/13			311,697,838	315,724,862	1.013							
1991 Dev. 11/12		299,274,732	313,115,685	1.046								
1992 Dev. 11/12		314,066,635	318,681,559	1.015								
1993 Dev. 11/12		335,158,589	333,281,562	0.994								
1994 Dev. 11/12		309,294,356	311,697,838	1.008								
1995 Dev. 11/12		273,503,772	276,501,772	1.011								
1992 Dev. 10/11	312,534,722	314,066,635	1.005									
1993 Dev. 10/11	338,138,398	335,158,589	0.991									
1994 Dev. 10/11	308,581,915	309,294,356	1.002									
1995 Dev. 10/11	269,037,385	273,503,772	1.017									
1996 Dev. 10/11	227,573,984	235,720,091	1.036									
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th	19th/Ult.*
5 Year Average			1.010	1.015	1.003	1.004	1.015	1.002	1.006	1.000	1.011	1.011
4 Year Average			1.011	1.007	1.005	1.003	1.017	1.001	1.003	1.004	1.015	1.011
3 Year Average			1.018	1.004	1.009	1.003	1.024	0.999	1.009	1.006	1.017	1.011
2 Year Average			1.026	1.009	1.012	1.006	1.034	0.996	1.015	1.003	1.018	1.011
Latest Year			1.036	1.011	1.013	1.009	1.011	0.977	1.017	1.003	1.028	1.014
Mid 3 of 5			1.008	1.011	1.003	1.005	1.007	1.006	1.009	1.002	1.010	1.021

\* From Exhibit CC, Sheet 1D

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Accident Year Loss Development Factors from 20th Report (Case Basis) to Ultimate Incurred

	INDEMNITY	MEDICAL
1. Case incurred losses for Accident Year 1984 valued as of 12/31/03*	<b>309,920,794</b>	<b>137,786,644</b>
2. Case incurred losses for Accident Year 1985 valued as of 12/31/04*	<b>356,126,970</b>	<b>149,356,469</b>
3. Case incurred losses for Accident Year 1986 valued as of 12/31/05	<b>461,881,605</b>	<b>149,073,050</b>
4. Average (1) through (3)	375,976,456	145,405,388
5. Ratio of (4)/(3)	0.814	0.975
6. Total incurred losses for Accident Year 1984 valued as of 12/31/03*	<b>309,920,794</b>	<b>137,786,644</b>
7. Total incurred losses for Accident Year 1985 valued as of 12/31/04*	<b>356,163,686</b>	<b>149,366,626</b>
8. Total incurred losses for Accident Year 1986 valued as of 12/31/05	<b>461,928,605</b>	<b>149,085,050</b>
9. Average (6) through(8)	376,004,361	145,412,773
10. Factor from case to total incurred basis at 20th report (9)/(4)	1.000	1.000
11. Change in total incurred losses from 12/31/03 to 12/31/04 for all Accident Years 1984 and prior*	<b>15,058,732</b>	<b>148,100</b>
12. Change in total incurred losses from 12/31/04 to 12/31/05 for all Accident Years 1985 and prior	<b>19,177,582</b>	<b>10,098,568</b>
13. Change in total incurred losses from 12/31/04 to 12/31/05 for all Accident Years 1985 and prior	<b>21,306,527</b>	<b>-4,093,976</b>
14. Average (11) through (14)	18,514,280	2,050,897
15. Development factor from 20th to ultimate [(3)*(5)*(10) +(14)] / [(3)*(5)]	1.049	1.014
16. Case incurred losses for Accident Year 1985 valued as of 12/31/04**	<b>358,555,947</b>	<b>161,728,349</b>
17. Case incurred losses for Accident Year 1986 valued as of 12/31/05**	<b>465,031,885</b>	<b>161,421,454</b>
18. Case incurred losses for Accident Year 1987 valued as of 12/31/06	<b>524,375,546</b>	<b>190,901,034</b>
19. Average of (16) through (18)	449,321,126	171,350,279
20. Ratio of (19) / (18)	0.857	0.898
21. Total incurred losses for Accident Year 1985 valued as of 12/31/04**	<b>358,592,913</b>	<b>161,739,348</b>
22. Total incurred losses for Accident Year 1986 valued as of 12/31/05**	<b>465,079,205</b>	<b>161,434,448</b>
23. Total incurred losses for Accident Year 1987 valued as of 12/31/06	<b>524,428,546</b>	<b>190,916,034</b>
24. Average of (21) through (23)	449,366,888	171,363,276
25. Factor from case to total incurred basis at 20th report (24) / (19)	1.000	1.000
26. Change in total incurred losses from 12/31/03 to 12/31/04 for all Accident Years 1984 and prior**	<b>14,297,337</b>	<b>116,433</b>
27. Change in total incurred losses from 12/31/04 to 12/31/05 for all Accident Years 1985 and prior**	<b>18,406,280</b>	<b>10,935,079</b>
28. Change in total incurred losses from 12/31/05 to 12/31/06 for all Accident Years 1986 and prior	<b>21,306,527</b>	<b>-4,093,976</b>
29. Average of (26) through (28)	18,003,381	2,319,179
30. Development factor from 20th to ultimate [(18)*(20)*(25)+(29)] / [(18)*(20)]	1.040	1.014
31. Average development factor from 20th to ultimate [(15) + (30)] / 2	1.045	1.014
32. Factor 20th to ultimate @10/1/06	<b>1.096</b>	<b>1.008</b>
33. Selected development factor from 20th to ultimate [(31)+(32)]/2	1.071	1.011

\* Adjusted to the level of Policy Year 1986

\*\* Adjusted to the level of Policy Year 1987

# NEW YORK WORKERS COMPENSATION

October 1, 2007 Rate Revision

## Explanatory Memorandum

This memorandum, together with the attached actuarial exhibits, provides supporting documentation for an overall premium level change of -13.6%, to become effective on October 1, 2007.

The proposed rate level change is based upon the latest statistical data reported by the Rating Board's member carriers and includes the estimated measurable effects of Governor Spitzer's 2007 workers compensation reform initiatives.

The elements contributing to the overall change are summarized below and are presented in detail on the following pages.

1. Change indicated by Policy Year 2005 experience	.948
2. Change indicated by Accident Year 2006 experience	.954
3. Average change indicated by experience $[(1) + (2)]/2$	.951
4. Change in prospective claim cost, frequency and wage levels	1.055
5. Change in expense provisions	.987
6. Change due to reform legislation	.867
7. Proposed Rate Level Change $(3) \times (4) \times (5) \times (6)$	.859
8. Change in catastrophe provision	1.000
9. Total Premium Level Change $[(7) \times .961 + (8) \times .039]$	.864

A listing of the actuarial exhibits follows the explanatory portion of this memorandum in order to provide easy reference for reviewing the underlying support for this filing.

### 1. Experience of Policy Year 2005

The calculation of the indicated change in rate level derived from the experience of policy year 2005 is presented as Exhibit B.

The experience of Policy Year 2005, valued as of December 31, 2006, has been compiled from the latest available statistical data submitted by the Rating Board's member companies. Similar to recent years, large deductible experience is included in the determination of the indicated rate level change. Although this experience is still viewed as unique and similar to self-insurance, its inclusion reflects the Insurance Department's long held position that this data should be included in the annual rate revision. The methodology used to include the large deductible experience takes into account the relative net earned premium volumes of the non-large deductible and large deductible business, respectively. This methodology is the same procedure that was used in the approved October 1, 2005 rate revision. The net ratios are appropriate since they represent the actual premium levels that are

being charged for the respective New York business. Furthermore, at the previous direction of the Insurance Department, the policy year indication also includes the experience of the State Insurance Fund.

Losses emanating from the September 11, 2001 terrorist attacks have been excluded from the ratemaking data. Both policy year 2000 and policy year 2001 losses have been adjusted to remove the effects of the September 11, 2001 experience that was identified and reported under Catastrophe Code 48. The definition of Catastrophe Code 48 encompasses claims directly arising from the commercial airline hijackings of September 11, 2001 and the resulting subsequent events with accident dates of September 11, 2001 through September 14, 2001.

Similar to previous filings, the Rating Board has utilized case basis losses for the policy year loss evaluation. Indemnity and medical losses were analyzed separately in recognition of the significant differences in their respective development patterns.

Two, three, four and five-year average link ratios, as well as a three-year average, calculated after excluding the highest and lowest points, were analyzed for both indemnity and medical. Changing development patterns were observed at various report levels, especially at the more immature valuations. Consequently, the methodology uses the three of five factors for the first to tenth reports and three-year average factors from the tenth to ultimate in order to smooth the impact of the variations in the observed development patterns. Separate development factors were derived for the non-large deductible and large deductible experience using this same methodology.

The Rating Board has used the methodology from the 2006 filing for determining the tail factor portion of the ultimate loss development factors. This method utilizes three reports of data, and averages these results with the tail factors calculated in the prior year's filing submission. The incorporation of the previous factors is felt to be appropriate in order to further smooth the effect on development of reserve changes occurring in older policy years.

Premium development factors, similar to previous filings, are based on five-year averages which minimize fluctuations in the observed development patterns.

The private carrier non-deductible development data can be found in Exhibits BB, Sheets 1 thru 2D. For large deductible development, exhibits labeled as Appendix D, Sheets 1 thru 5 are provided.

Appendix F contains the experience of the State Insurance Fund. These pages include premium development factors for the policy year, and separate indemnity and medical loss development factors on both a policy year and accident year basis. Because of the large volume of State Fund data, it is appropriate that projections of ultimate losses reflect this experience's own development patterns.

Policy year losses for the private carrier non-large deductible, State Fund experience, and the large deductible experience are separately adjusted to an ultimate settlement basis, as described above, and are converted to the level of benefits in effect prior to the date of the 2007 reform legislation. The estimated rate level effect of the legislation is provided in Exhibit F. The premiums are converted to the current rate level and are adjusted to an ultimate level which assumes there is no development beyond the sixth report. Loss ratios are then calculated for indemnity and medical based on the adjusted premiums and losses, and total developed on-level loss ratios are produced.

The developed on-level loss ratios are adjusted to include a loss adjustment expense factor of 1.163 which is a slight decrease in this factor from the 1.164 that underlies the current rates. The derivation of this factor can be found on Exhibit EE, Sheet 3.

The total adjusted loss ratio is then compared to the expected loss and loss adjustment expense ratio underlying the October 1, 2005 rates to determine rate level indications separately for the non-large deductible and large deductible experience. These indications are then weighted on the basis of their respective net earned premiums to arrive at a decrease of 5.2% in rate level based upon Policy Year 2005 experience.

## 2. Experience of Accident Year 2006

The calculation of the change in rate level indicated by the experience of accident year 2006 is presented in Exhibit C.

Consistent with the policy year experience, large deductible data, as well as the experience of the State Insurance Fund, has been included in the accident year experience base. The Rating Board has also utilized case basis losses for the accident year evaluation and has excluded losses attributable to the September 11, 2001 event from the accident year 2001 experience.

Case basis losses have been analyzed separately for medical and indemnity and traditional loss development factors have been derived. Similar to the policy year experience, three of five factors from first to tenth and three-year average link ratios from tenth to ultimate were used to determine the proposed loss development factors through twentieth report. For both indemnity and medical, an average of three reports, further averaged with the prior year's tail factor, was utilized in the determination of a twentieth report to ultimate, or tail, loss development factor which is consistent with the policy year methodology.

Accident year losses are developed to an ultimate settlement basis and are converted to the benefit level prior to the reform legislation. Calendar year premiums have been adjusted to the current rate level. The resulting on-level loss ratios are also adjusted to include loss adjustment expense as previously described.

The private carrier non-deductible loss development data can be found in Exhibits CC, Sheets 1 thru 1D. The large deductible development is included in exhibits labeled as Appendix D, Sheets 6 and 7. State Fund development is shown in Appendix F.

The total adjusted loss ratios are compared to the expected loss and loss adjustment expense ratio underlying the October 1, 2005 rates separately for the non-large deductible and large deductible experience. The subsequent weighted average indicates a decrease of 4.6% in rate level based on Accident Year 2006 experience.

## 3. Average Experience Change

With equal weight being given to the 5.2% decrease indicated by the policy year experience and the 4.6% decrease indicated by the accident year experience, the average effect of experience on rate level is a decrease of 4.9%.

## 4. Trend Factor Analysis

The presentation of the loss portion of the trend factor is similar to previous years in that indicated trends are expressed in terms of average annual changes in claim costs and claim frequencies. Exponential and linear regression lines are used in analyzing the severity and frequency trends, and are calculated using both five years and eight years of data. The loss trend analysis utilizes a weighted average of private carrier and State Insurance Fund (SIF) claim costs and frequencies as the basis for calculating the trend factors. The determination of the wage trend utilizes five years of actual New York wage data, analyzed on both a linear and exponential basis.



For the indemnity trend, historical average claim costs by injury type were derived separately for the private carriers and the SIF by the application of observed claim and loss development patterns. The average severities for the private carriers and the SIF are displayed as information in Exhibit DD, Sheets 5 and 6, respectively. The injury type severities are weighted together on the basis of the actual frequencies for each injury type for each policy year. This methodology recognizes any shifts in the claim frequencies between injury types over time and ensures that the appropriate weights are given to the respective average claim costs in the final trend analysis.

Total medical costs, including both medical only and medical on compensable cases, is used as the basis for the medical claim cost trend calculation. The use of separate private carrier and SIF data has also been used as described above. Compared to last year, there is an increase in the annual medical claim cost trend. Medical costs have continued to produce a clear and recognizable upward trend in New York over the past several years, with this year's trend being slightly greater than observed in previous revisions.

Exhibit DD, Sheets 2-6 show the derivation of the indicated claim cost trend for both indemnity and medical losses.

Similar to the procedure utilized for claim costs, separate private carrier and SIF claim frequencies are calculated, and then combined, to produce indicated frequency trends. Consistent with prior revisions, premium at present rates is the exposure base used in the frequency calculations. Indicated frequency trends continue to be negative, although at a lower annual rate compared to last year.

Exhibit DD, Sheets 7-11 show the details underlying the change in both indemnity and medical claim frequencies as calculated in the traditional manner.

A wage trend analyses procedure, using both an exponential and linear regression of the latest five years of wage data from the New York State Department of Labor (DOL), is used in the wage trend calculation which is the same methodology as used in previous years. The average weekly wages are derived directly from published DOL statistics for all industries. Exhibit DD, Sheet 12 shows the calculation of the wage trend factor produced by this methodology.

The methodology described thus far would be applicable to the entire trend projection period in the absence of reform. However, the 2007 reforms are significant and it is highly likely that any trend after implementation of the reform legislation will be different from that indicated by pre-reform experience. Although an analysis of post-reform trend is customarily measured after actual experience under the reform has been compiled, recognition of potential effects on trend of the 2007 reforms is being given in this filing by reducing the otherwise calculated trend factor by 50%. Consequently, the final trend reflects the full indicated trend projected to 7/1/07 and the reduced trend projected from 7/1/07 to the average date of accident for policies effective October 1, 2007 and thereafter. The pre-reform trend factors, selected on the basis of the regression line with the best fit ( $R^2$ ) can be found on Exhibit DD, Sheet 1. The derivation of the post-reform trend factors and the calculation of the final overall trend factor are contained in Exhibit D.

## 5. Expense Analysis

The proposed expense provisions and underlying calculations are shown on Exhibit E and Exhibit EE, Sheets 1 through 3. The expense provisions derived here are based on private carrier data as reported on each carrier's Insurance Expense Exhibit and Statutory Page 14 exhibit of the Annual Statement.

Consistent with prior revisions, the underlying data in the expense analysis are on an all private carrier direct basis with acquisition costs reflecting actual expense experience. The impact of large deductible policies continues to be reflected in the determination of the general expense and other acquisition expense provisions.

Furthermore, in keeping with the Department directive issued as a result of the rate hearing held on May 30, 1991, this filing contains no allowance for profit and contingencies. Elimination of the profit factor results in effectively lowering the overall indication by approximately three percentage points.

The indicated total expense provision of .241 results in a 1.3% decrease in overall rate level.

Loss adjustment expense continues to be analyzed separately for allocated and unallocated expense. Due to the oftentimes unstable calendar year results, four years of experience are reviewed in this portion of the expense analysis. The impact of large deductibles is also taken into account in the determination of the unallocated loss adjustment expense factor. The indicated total loss adjustment expense factor of 1.163 is included in the calculation of the policy year and accident year experience indications.

## 6. 2007 Workers Compensation Reform

New York Legislative Bill A. 6163/S. 3322 is a comprehensive reform bill that has been designed to increase benefits for injured workers, while at the same time, reducing the overall costs of the workers compensation system.

The Rating Board, together with its Actuarial Committee, and assisted by the consulting firm of Tillinghast/Towers Perrin, has estimated that the cost impact of those provisions of the new law that are quantifiable is a decrease of 13.3% in overall rate level. The derivation of this estimate can be found in Exhibit F, Sheet 1. The following narrative and the attached Exhibit F, Sheets 2-4 provide support for this evaluation.

Four major provisions of the reform have been actuarially determined in this analysis: the elimination of the Special Disability Fund, caps on permanent partial disability duration, benefit increase and the enactment of several medical-related provisions. The requirement for permanent partial claims to be transferred to the Aggregate Trust Fund, the establishment of medical and impairment guidelines and the strengthening of fraud provisions are major system changes, but cannot be quantified with any degree of certainty at this time. Nevertheless, commentary has been provided in this memorandum regarding the perceived direction that these provisions could have on future costs to the carriers.

The actuarial analysis begins with a compilation of loss data by injury type on a pre-reform basis. From this base, the methodology builds in the effect of the elimination of the Special Disability Fund, applies the effects of the duration limits on permanent partial claims, adjusts for the increase in the maximum benefit and considers the changes in the medical-related provisions to arrive at an overall estimated claim cost impact. The claim cost effect is then converted to an overall manual rate level change by utilizing the expense ratios underlying the 2007 rate revision.

### I. Elimination of the Special Disability Fund

The reform bill closes the Special Disability Fund (SDF) to new claims with accident dates of July 1, 2007 and later. As a result, the loss amounts previously reimbursed by the SDF will now be retained by the carriers.

The methodology, illustrated in the exhibit labeled Exhibit F, Sheet 2, estimates the effect of this provision of the law by utilizing the three latest years of actual SDF reimbursements and relating these reimbursements to actual carrier paid losses for the same calendar year time periods (2004-2006). Separate indemnity and medical impacts are calculated for each of the three individual years and are then averaged to obtain the respective loss cost effects. This analysis indicates that, before other provisions of the law are considered, the loss amounts previously paid by the SDF will add an additional 20.9% to the carriers' indemnity losses and 5.4% to medical losses, or an average of 15.7% to total losses.

However with, the elimination of the SDF, the carriers will now have more accountability and incentive to more aggressively control, manage and settle these cases since they are now responsible for the full loss payments on all of these claims. In other states in which second injury funds have been eliminated, a "mitigation" factor of .70 has often been used to adjust the otherwise determined additional losses that are to be retained by the carriers in recognition of the carriers' ability to better manage these full cases. However, in many other states, the second injury funds had actively participated in determining claimant benefits which added considerable administrative expense to their systems. Thus, the .70 factor reflects both a loss savings and an administrative cost savings for the carriers. In New York, the SDF does not participate in determining a claimant's benefits so that the administrative expense savings seen in other states will not materialize to the same magnitude in New York. Nevertheless, some savings are expected once the SDF is eliminated. In recognition that there should still be a reduction in costs, an average of 1.0 and .70, or .85, was selected as a mitigation factor for New York. When the mitigation is taken into account, the carriers' total losses are expected to be increased by 13.3%.

The total loss cost effect is then distributed by injury type. Since the former SDF cases are long duration cases, all of the indemnity impact is distributed to death, permanent total and major permanent partial injury types in such a manner that the total indemnity effect is maintained.

## II. Limitation of Permanent Partial Disability Duration

The limitation on the duration of permanent partial disability (PPD) claims is based upon a specified number of weeks relative to the claimant's loss of earnings. In the analysis, a loss of earnings distribution based on actual data from the Workers' Compensation Board (WCB), as compiled by Milliman, was used to distribute the statutory benefits across all PPD claims. However, due to the subjective nature of establishing the appropriate loss of earning for each PPD claimant, an upward "drift" in the underlying distribution could be seen as an inevitable consequence under the new legislation. It also appears that this drift might be prevented by the establishment of statutorily required rules and regulations whose intent is to effectively eliminate much of the subjective aspects of benefit determination. Consequently, no adjustment has been made to the Milliman distribution.

Actual PPD claim data from the WCB was used to determine the percentage of losses that would be eliminated at the various number of weeks specified in the legislation. It should be noted that this calculation includes the effects of mortality separately for male and female, and is on an undiscounted basis. Since the underlying loss costs in the rates are intended to be undiscounted and the fact that the PPD cases will no longer be lifetime, an undiscounted basis is appropriate.

From a limited survey of carriers on the Rating Board's Actuarial Committee, it was determined that approximately 35% of PPD cases are currently settled and that these cases currently represent about 40% of the full lifetime values. However, Milliman also analyzed settlement rates and determined that only 7% of the cases are currently settled. Since the survey results are anecdotal, but current, and the Milliman results are factual, but reliant on limited historic WCB data, an average of the two sources was used to estimate the PPD settlement rate of 20% that is used in this part of the analysis. Based on this percentage, the elimination of the number of weeks was split between settled and non-settled cases. On the exhibit labeled as Exhibit F, Sheet 3A, the separate effects of the PPD caps for the settled and non-settled cases can be found.

In addition, the law allows for claimants with an 80% or greater loss of earnings to apply for permanent status if it can be shown that there is financial hardship. This provision will erode some of the otherwise calculated cap savings since a person with an 80% or greater loss of earnings may experience significant financial hardship and qualify for this consideration. Based on WCB wage data for claimants with PPD benefits established in 2005, an average annual wage for these claimants in 2007 would be approximately \$41,350 (795 x 52). According to the federal government, the poverty level for a family of 4 in 2006 was \$20,444, which projects to \$21,037 (1.029 x 20,444) in 2007. Comparing an average PPD claimant's annual wage to the poverty level indicates that, at a 50% loss of earnings level, an average claimant would be at the federal poverty line and, most likely, be able to demonstrate financial hardship. Consequently, at the 80% loss of earnings level, a claimant would be well below the poverty line, making it likely that financial hardship can be proven. However, the reform law also contains various provisions for strengthening the administration of the workers compensation system so that the granting of hardship exceptions could be restricted. Consequently, since the number of hardship cases cannot be determined in advance, a conservative 50% offset was applied to the indicated savings for intervals of 80% and greater.

Exhibit F, Sheet 3 summarizes the above described calculations. The percentage reduction in PPD losses for the settled and non-settled cases are weighted together based on the previously mentioned 20/80 split. Since the resultant reduction applies just to non-scheduled injuries, this effect is weighted with scheduled losses and the portion of PPD that is pre-PPD (temporary) to arrive at the overall effect of a 50.5% reduction in PPD costs.

### III. Benefit Increase

The maximum benefits for injured workers will increase from \$400 per week to \$500 per week on July 1, 2007, with additional annual increases, effective on July 1 of subsequent years.

The determination of the rate level impact resulting from statutory benefit changes that raise the maximum weekly benefit is based on a universally accepted actuarial methodology developed by actuary Barney Fratello in a paper entitled *The Workers Compensation Injury Table and Standard Wage Distribution Table – Their Development and Use in Workers Compensation Insurance Ratemaking*, published by the Casualty Actuarial Society. This publication, or portions thereof, has been used for over fifty years by actuaries in all jurisdictions to price the effects of changes in the maximum weekly benefit that are either proposed or enacted by their respective state legislatures. The incorporation of a state's current statutory maximum weekly benefit, the new maximum weekly benefit, the state's average weekly wage and the 'Standard Actuarial Wage Distribution Table' enable an actuary to produce an accurate estimate of the rate level effect when changes to the maximum are proposed or enacted.

The actual methodology used by the NYCIRB to calculate the effects of changes in the maximum weekly benefit is a Limit Factor Analysis, as set forth in Mr. Fratello's actuarial paper. For a better understanding of the method, the following should be especially noted:

- While the methodology refers to average benefits and wage levels, these are expressed in terms of ratios for use with the Wage Distribution Table and are not intended to be actual values.
- The methodology only measures changes in the minimum and maximum benefits or percentage that these benefits bear to an employee's wages, and nothing more. It assumes that the current administrative functions within the workers compensation system and the level of disability or impairment of the injured workers that determines these benefits are at the current level.
- The methodology also reflects potential increases in utilization of the system as a result of the large increase in benefits. In other states, when large benefit changes were enacted, it was often seen that more claimants applied for the more generous benefits, which resulted in higher actual effects than the actuarial estimates were able to predict.

The calculation of the impact in New York of increasing the maximum weekly benefit from \$400 to \$500 per week can be found on the attached Exhibit F, Sheet 4. The methodology is performed separately for each major injury type [death, permanent total, permanent partial major (>22,000 per claim), permanent partial minor (<22,000 per claim) and temporary] to recognize any variation in the maximum, as a percent of wage, that is provided for by statute. Recognition has also been given to the lower wage levels of PPD claimants and the manner of determining benefits that is used by the WCB for PPD cases.

Once the indicated changes are determined by injury type, these changes are applied to the latest distribution of incurred losses by injury type in order to obtain the estimated change in total indemnity costs. The resultant indicated indemnity change is then weighted with the distribution of indemnity and medical losses to obtain an overall change. The NYCIRB analysis then includes a utilization factor of 1.10 that contemplates the additional utilization of the workers compensation system as a result of the significantly higher benefit level. This effect must be taken into account in order to properly price this part of the reform bill. John W. Ruser of the U.S. Bureau of Economic Analysis in his 2004 paper entitled *Workers Compensation Reforms and Benefit Claiming*, states that "...Benefit claiming is positively associated with the generosity of benefits...". He then goes on to say that "...we then show that the probability of filing a claim increases...with an increase in benefit generosity". Experience in states that have enacted benefit increases has shown that utilization can increase significantly (up to 25% and more) with an increase in statutory benefits. In 2004, the California Workers Compensation Insurance Rating Bureau determined that there was a 26% rise in claims as a result of the latest series of benefit increases. The WCRI in a report by Dr. John Gardner entitled *Benefit Increases and System Utilization: The Connecticut Experience* states that "...Over the past decade, a number of studies have shown that as benefits rise, the duration of claims increases and more claims are filed. This study finds a large increase in utilization – about a 20 percent increase in utilization for every 20 percent increase in benefits – among workers affected by the benefit increase...". Based on the above, and recognizing that the 2007 benefit increase in New York is the first in 15 years, the 1.10 utilization factor can be considered reasonable in relation to the magnitude of the benefit change.

In total, the increase in the maximum weekly benefit is expected to result in a 6.0% increase in workers compensation claim costs, effective October 1, 2007.

In addition, the legislated benefit increases scheduled for subsequent years, using the above described methodology, are expected to result in the following claim cost changes:

<u>Effective Date</u>	<u>Maximum Weekly Benefit</u>	<u>Claim Cost Change</u>
7/1/08	\$550	+1.9%
7/1/09	\$660	+1.5%
7/1/10	2/3 AWW	+2.9% *

\* preliminary estimate

Proportional effects of the 7/1/08 and 7/1/09 benefit increases will also affect the October 1, 2007 – October 1, 2008 policy period by approximately 1.3%.

#### IV. Medical and Other Provisions

This portion of the NYCIRB analysis summarizes the remaining quantifiable portions of the legislation.

##### a. Incarceration of Injured Workers

Benefits are to be denied to incarcerated injured workers.

Information has been received from the Workers' Compensation Board with respect to a heretofore unknown New York court case, *Biello v. A.J. Eckert Co.*, 43 AD2d 192 (3rd Dept. 1974). This case holds that claimants who are incarcerated in prison under a conviction are not entitled to receive compensation awards. This has been followed and represents well-settled law. Thus, the reform simply codifies existing case law and represents no new savings.

Based on this information, there is no expected savings under this provision.

##### b. Fee Schedule for Prosthetic Devices, Etc.

Information received from the New York State Insurance Department indicates that the cost of these devices could be reduced approximately 40%, if purchased at other than retail prices. Other information indicates that durable medical goods are approximately 5% of total medical costs. However, carriers on the Rating Board's Actuarial Committee have indicated that discount prices are already being utilized for these devices in many cases. Carrier anecdotal information also indicates that claimant participation in these programs runs at about 75%. Assuming that half of all purchases are currently discounted, the above produces an indicated savings on medical costs of 1.8%.

c. **Pharmacy Fee Schedule**

A Rating Board study in 2003 had determined that pharmacy costs were approximately 12.5% of New York's WC medical costs, and later data indicates that this figure is now approximately 16%. However, information obtained from the Actuarial Committee indicates that about 75% of the carriers are already utilizing discounted drug pricing programs, averaging about 20% below wholesale prices. These same carriers also indicated that participation in these programs by claimants is close to 80%. However, it is the Rating Board's understanding that the schedule to be implemented will be similar to the reimbursement under Medicaid, which average about 50% below the average wholesale price of drugs. Using this information, the resultant estimated savings on medical costs is 2.6%.

d. **Mail Order Prescription Drugs & Generic Substitution**

A 2006 NCCI study indicates that over 85% of drug prescriptions are written for generic drugs when these drugs are available. The study also indicates that the possible potential additional savings from generic drugs is 8% of total prescription costs. However, generics are not always prescribed even though available if insisted upon by a doctor. Consequently, if three-quarters of the 8% savings on total New York prescription costs materialize, which affects 16% of medical costs, a potential savings of 0.9% in medical costs could be realized.

e. **Prompt (72 hours) Notification of Claims**

This provision reduces the required reporting of claims by the employer to the carrier from the current 10 days to 3 days. Carriers have indicated that at least half of all claims are currently being reported to them within 3 days. However, there are no credible statistics available, either in New York or in other jurisdictions, to determine an estimated cost savings from this proposal. Consequently, any savings will flow through the ratemaking data and be reflected in future manual rates.

f. **Networks for Laboratory, X-ray, or Imaging Services.**

According to a Workers Compensation Research Institute study, approximately 3% of medical costs are attributable to radiological or similar diagnostic tests. However, many carriers are already utilizing discount arrangements for these tests and procedures. These same carriers also indicate that participation in these programs by claimants is close to 75%. If 50% of the carriers already have discount arrangements for these services, assuming a 30% price reduction, an estimated savings on medical costs as a result of implementing diagnostic treatment networks is 1.3%.

g. **Utilization of Health Insurance for Controverted Cases**

According to the data from the State Workers' Compensation Board, there are over 20,000 cases that are challenged annually. However, it is the NYCIRB's understanding that, once a controverted case is determined to be a legitimate WC case, the common practice in the industry is for the carrier, if not already paying some medical costs, to reimburse, at the WC fee schedule rates, any other insurer or the claimant for medical costs expended

during the period in which the case was being challenged. Consequently, this provision appears to be a codifying of current industry practice and would not have any identifiable or quantifiable cost impacts.

**h. Total Estimated Effect on Medical Costs**

The total estimated effect on medical costs from the provisions discussed in (a) through (g) above is -6.6%.

**V. Permanent Partial Disability Claims to the Aggregate Trust Fund**

This provision of the legislation requires that every claim that is established by the WCB as a PPD must be placed into the Aggregate Trust Fund (ATF) by the private insurance carriers. While alleged to be a safety net for these cases by its proponents, it is a provision that will most likely result in an increase in costs.

A key element to the cost impact of this provision will be the manner in which these new ATF cases are treated by the claimants, claimants' attorneys and the ATF. Under the new law, a carrier will be at a disadvantage when attempting to negotiate a settlement with the claimant since the claimant will be aware of the ATF required claim value and now knows that the carrier must offer a settlement within a specific timeframe. This can lead to a claimant holding out for a settlement that is greater than what would have been settled prior to the reform. Furthermore, if the negotiation process does not result in a settlement, the carrier must then deposit the indemnity portion of the claim, at a discounted amount, into the ATF. If the ATF is eventually able to settle, any resultant savings does not get returned to the carrier. In addition, by retaining the medical portion of the claim, the carrier incurs the additional medical costs that could have been eliminated by virtue of a settlement prior to the reform (currently, carriers settle almost exclusively on a combined indemnity and medical basis).

In addition, for purposes of the ATF under the new law, when the payment into the ATF is made, all dependent children are assumed to be entitled to benefits up to age 23. Even though the ATF will eventually return payments on these children if it is found that they did not attend an accredited educational institution, the initial payment for about half the cases with dependent children will be considerably greater under the new law.

It should be especially noted that the required use of discounted PPD loss amounts relative to undiscounted loss values is not a real "cost savings" in the sense of the other reforms. Instead, this is more in the nature of a shifting of part of the investment income portion of the profit and contingency load in the rates to the expected indemnity loss cost portion of the rates. At some ideal level, the discount rate mandated by the Superintendent of Insurance would have a neutral economic impact on carriers' underwriting results. The net effect is forcing the promulgated rates to reflect a portion of the indemnity losses on an essentially discounted basis. The difference in the interest rate used by the carriers relative to the discount rate mandated by the Superintendent of Insurance could have either a positive or negative impact on the overall carrier results.

In addition, there is an administrative cost associated with all ATF claims. The ATF currently charges 3% of the claim value it receives as an administrative fee. Whether or not the ATF charges the same 3% or another percentage for the PPD cases, this fee is nevertheless a new cost to be borne by the private carriers.



## **VI. Medical Guidelines**

Medical guidelines, composed of both Impairment and Treatment guidelines, are currently in the process of being developed by the Insurance Department. The impairment guidelines will help in the decision of whether or not an employee has suffered a compensable permanent partial disability. The treatment guidelines, which creates a system for evaluating and treating common occupational injuries, is intended to help reduce disputes and provide appropriate medical care. These guidelines should also impact the recovery of an injured employee and help to promote both a safe and timely return to work. According to the Insurance Superintendent, it is expected that such guidelines will be available by December 1, 2007. Once these guidelines have been implemented, it is expected that system cost savings will be attained.

## **VII. Fraud**

Several sections of the law attempt to provide stiffer penalties for the perpetration of fraud and assure the proper reporting of payroll and premiums within the workers compensation system. The Department has, in the past, underscored the importance of fraud initiatives undertaken by the carrier community and has pointed specifically to the work of the State Insurance Fund in combating this problem. Information from the Department has indicated that the Fund has saved in the neighborhood of \$20 million annually due to efforts in this area. The additional fraud reform is also expected to result in system savings.

## **VIII. Effect of V, VI and VII on Rate Level**

Due to the many varied aspects of the law change associated with the Aggregate Trust Fund, as well as the unknown behavioral impact of claimants, their attorneys and WCB law judges, an actuarial basis for estimating a cost impact cannot be developed with certainty at this time.

Also, given the fact that actual medical impairment and treatment guidelines for New York have not as yet been finalized, as well as the fact that information regarding such regulations is not readily available, an actuarial basis for any proposed rate reduction is not determinable.

Finally, while the 2007 additional fraud provisions may have a positive effect on the overall system costs, there is, once again, no actuarial basis for a calculation at this time.

As a result, due to both the positive and negative impacts that these provisions could have on rate level, we are proposing an overall no change in rates at this time due to these reform elements.

## **IX. Total Effect of 2007 Reforms**

As a result of the above-described methodologies, an overall rate level effect of -13.3% has been determined. A summary of the components underlying this reduction is attached as Exhibit F, Sheet 1. In this exhibit, the resultant effects of the SDF, PPD caps, 7/1/07 benefit increase, the pro-rate portion of the 7/1/08 and 7/1/09 benefit changes and medical savings are shown for their respective injury types and then combined into an estimated 17.1% reduction in loss costs. Since many of the expenses underlying typical manual rates are not expected to flow in relation to the change in loss costs, the expense ratios, other taxes and commission, were considered to be 75% fixed and 25% to be variable for use in determining the overall rate level impact. Based on this assumption,

an overall 13.3% reduction in manual rates has been determined for the measurable portions of the reform legislation.

7. Catastrophe Provision

As a result of the terrorism attack of September 11, 2001, the Rating Board introduced a loading in the manual rates for foreign terrorism in conjunction with its October 1, 2002 rate revision. In February 2003, this loading was replaced by a stand-alone premium charge of \$ .034 per \$100 of payroll (2.5% of manual premium for non-payroll classes). This charge remains in effect today.

In 2002, the Terrorism Risk Insurance Act (TRIA) was enacted that provided a federal backstop to the terrorism exposure through December 31, 2005. The Terrorism Risk Insurance Extension Act (TRIEA) subsequently became effective January 1, 2006 and extended the federal backstop until December 31, 2007. Currently, the U.S. Congress is debating whether or not the federal protection will be extended beyond December 31, 2007.

Since, at this time, there are ongoing debates and sensitive discussions regarding the future role of the federal government in providing a backstop to the insurance industry for the terrorism exposure, no changes to the current New York terrorism rates are being proposed at this time.

8. Industry Group Differentials

Industry group differentials are used to more equitably distribute the overall rate level change to individual employer classifications. Nine industry groups are used in this analysis and are listed below:

Food and Beverage Manufacturing	Stores and Dealers-Wholesale/Retail
Chemical Manufacturing	Professional and Office
All Other Manufacturing	Services
Contracting	Miscellaneous
Maritime, Admiralty and Federal	

The industry group methodology entails a compilation of the latest three years of Unit Statistical Plan data into the nine industry groups, and utilizes loss ratios as the basis for calculating a differential for each group relative to the statewide average (Exhibit G, Sheet 1). The underlying premium base is standard premium on current rate level and includes payroll development. Incurred losses have been developed to ultimate and are at the pre-2007 benefit level. The methodology includes trend and utilizes the factors contained in the general rate revision. Credibility for each group is based on the three-year total number of compensable claims, with the total number of lost-time claims for all groups combined as the standard for full credibility. Partial credibility for each group in this revision is determined by the formula  $(N/T)^{2/3}$ , where N is the three-year total of lost-time claims for the industry group and T is the three-year total of all lost-time claims. The complement of credibility is the loss ratio for all groups combined. Indicated differentials are calculated by relating each credibility weighted industry group's loss ratio to the overall total loss ratio. As in past revisions, an additional refinement to the indicated differential is included which recognizes different wage trends by industry group (Exhibit G, Sheet 2). The final differentials will be applied as part of the process which calculates manual rates from class pure premiums. To ensure overall balance, after the differentials are applied in the determination of class rates, a test of rates will become the final step in the process. The use of relativities by industry group provides a more refined and equitable distribution of rate level to each class.

Manual rate changes for each classification will continue to be limited to  $\pm 25\%$  from the calculated industry group change to minimize the swings in rate level by class while still maintaining a proper relativity structure.

9. Minimum Premium

No change in the minimum premium formula is being proposed with this revision. As referenced in Appendix B, the current multiplier of 110, the expense constant of \$200 and the \$875 maximum minimum premium will continue to apply.

10. Small Deductible Premium Credits

Small deductible credits are not being changed in this revision. With the anticipated implementation of a revised Hazard Group structure as of January 1, 2008, it follows that the deductible credits which are dependent on this structure, should be changed at the same time as the new Hazard Group alignment is introduced.

11. Large Deductible Experience

Appendix D contains the experience reported by the Rating Board's member companies for policies written under independently filed large deductible programs. Both policy year and accident year data is being provided in this section of the filing and all loss data is on a first dollar, or gross of deductible, basis.

Consistent with last year's filing, large deductible loss development factors for both policy year and accident year are also included in this Appendix. Since the development factors for this business differ from those of the non-large deductible business, any projection or analysis of ultimate large deductible losses reflects this experience's own development.

12. Construction Classification Territory Off-Balance

In accordance with the Construction Employment Payroll Limitation Law (Chapter 135 of the Laws of 1998), the weekly payroll limitation for construction employments will remain at \$750 effective October 1, 2007.

In recognition of this payroll limitation relative to today's wage levels, revised territory differentials have been developed in accordance with the methodology approved by the Department at the inception of this program in 1999. Updated construction wage data was obtained from the New York Department of Labor and was projected into the prospective policy period. The standard actuarial wage distribution table was then used to estimate the percentage of payroll by territory that would be eliminated by the \$750 weekly cap.

The average statewide differential, proposed for October 1, 2007, is 6.8% which, when calculated by territory, is as follows: Territory 1 (NYC): 8.5%; Territory 2 (surrounding counties): 6.8%; Territory 3 (remainder): 4.0%.

The change in the off-balance represents a 13.1% decrease below the current average differential of 22.9%. However, the estimated overall premium level effect for all construction classes is 0.0% since the differentials merely offset the effect of the capped payrolls on manual premiums.

The derivation of the October 1, 2007 territory differentials can be found in Appendix E.

13. State Insurance Fund Experience

Appendix F contains the experience of the State Insurance Fund, which includes premium development factors for the policy year, and separate indemnity and medical loss development factors on both a policy year and accident year basis. Because of the large volume of State Fund data, it is appropriate that projections of ultimate losses reflect this experience's own development patterns.

**14. Classification Pure Premiums**

Classification pure premiums are based on the experience of all carriers for the five-policy years 2000 - 2004, excluding the experience of self-rated risks. In addition, losses over \$1,200,000 per claim (State Act) and \$1,800,000 (Federal Act) are excluded from the pure premium development. Consistent with past revisions, five years of experience are used to determine the proposed pure premiums for all classes irrespective of credibility.

Complete details with respect to the classification experience are contained in a separate document which has been provided to the Department under separate cover.

**15. Changes in Rate by Classification and Industry Group**

A table showing the percentage changes in manual rate level for each classification and industry group and the number of classifications for which rates are to be increased or decreased, as well as those to which no change will be applicable, will be provided upon approval.

**16. Total Change**

As a result of the above analyses, and including the estimated effects of the measurable 2007 reforms, an overall rate level change, of -14.1% is indicated. When combined with no change in the catastrophe provisions, an overall -13.6% change in premium level is proposed.

**17. New York State Assessment**

A separate identifiable policy charge, referred to as the New York State Assessment, has been in effect since April 1, 1994 as the mechanism to fund the costs of the Workers' Compensation Board, the Reopened Case Fund, the Special Disability Fund, the Special Funds Conservation Committee and Interdepartmental Expenses. The current percentage charge calculated by the Rating Board, effective October 1, 2006, is 18.6% of standard premium.

Based on the latest available information from the Workers' Compensation Board and Special Funds Conservation Committee, the percentage of standard premium required to fund these costs for policies effective October 1, 2007 is estimated to be 14.9% or a 3.1% decrease from the current level. The derivation of this policy charge is contained in Appendix A and utilizes the identical methodology which underlies the present charge with an additional adjustment to account for the anticipated lower premium base after the effects of the reforms are taken into account.

The overall impact on policyholders resulting from the decrease in the New York State Assessment and the decrease in overall premium level is an average -16.3% change in workers compensation costs.

**18. Effective Date**

It is proposed that the revised rates and rating values, after approval by the Insurance Department, become effective on October 1, 2007 for new, renewal and outstanding business, observing the established rating anniversary date in accordance with the provisions of Rule I, Section G of the New York Workers Compensation and Employers Liability Manual.

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In the Matter of the  
Workers' Compensation Insurance Rate  
Application of the New York  
Compensation Insurance Rating Board

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**OPINION AND DECISION**

On June 29, 2007, an application for a 13.6% (a cost decrease equaling 16.2% net of the assessments) decrease in Workers' Compensation manual rates, effective October 1, 2007, was submitted to the Insurance Department (Department) by the New York Compensation Insurance Rating Board (NYCIRB).

The Department has reviewed NYCIRB's application and concludes that, after taking the reduced assessments into account, a cost decrease of 20.5% is approvable. NYCIRB is directed to refile in accordance with this Opinion & Decision.

**DISCUSSION**

NYCIRB serves as the private rate service organization for Workers' Compensation insurers in New York State and is licensed pursuant to Section 2313 of the Insurance Law. By statute, all Workers' Compensation insurers must report unit statistical and financial data to NYCIRB, a Department-licensed statistical agent. NYCIRB compiles and evaluates this data and proposes rate changes, which must have the Department's prior approval. Pursuant to Section 2305 of the Insurance Law, a public hearing must be held if the rate request is greater than 2%. Since NYCIRB filed for a rate decrease, no public hearing was held.

A. Experience

In the NYCIRB filing, the selected experience indication is the average of the Policy Year and Accident Year indications. The submission shows an indication for Policy Year 2005 of -5.2% and an indication for Accident Year 2006 of -4.6%. Both Policy Year and Accident Year methods rely on the use of loss development factors to project losses to their ultimate value. Such factors must be evaluated each year to assure that they are reasonable projections of past development patterns. At the present time, loss development factors are based on case-basis reserves. Case Basis reserves consist of paid and outstanding losses and do not include bulk or Incurred But Not Reported loss reserves. This method has been acceptable to the Department for several years, and appears to be generally reliable.

B. Underwriting Profit Provision and Return on Net Worth

For more than fifteen years, the Department has selected a 0% industry underwriting profit provision for Workers' Compensation rate making in New York State. The Department believes that the rate should not include an underwriting profit for a long-tailed insurance line such as Workers' Compensation. This does not mean, however, that insurers make no profit at all; rather, insurers' profit margin is to be derived from investment return instead of underwriting results. This profit target has worked well in enabling insurers to earn a reasonable return on net worth, although actual underwriting results can and do vary from 0%. Of course, in any given year, a particular insurer may earn both an underwriting profit and investment returns if they manage risk efficiently and invest surplus wisely

The tables below are taken from the National Association of Insurance Commissioners' Report on Profitability by Line and by State. The first table displays Loss Ratios and Return on Insurance Operations both as a percentage of Direct Earned Premiums and Return on Net Worth for New York for the latest ten years. The second table displays

the same information on a countrywide basis. These tables indicate that Workers' Compensation insurers have earned a reasonable return over the last decade.

Determining an overall rate of return on net worth by line and by state is difficult, and no method currently in use considers all significant factors. Total return measurement is useful primarily for comparing results of one business segment (here, Workers' Compensation in New York) with other business segments (Workers' Compensation in other states, or other lines of business in New York). The figures are also useful for tracking changes in profitability over time. The profitability measurement figures, in themselves, do not have special significance and should not be judged to be "too high" or "too low". In particular, due to surplus and investment return allocation methods used by the NAIC, results can be distorted when reserves or other figures for New York's companies are significantly different from national averages.

For these reasons, the Department does not believe that a calculation of overall return on net worth is an entirely accurate measure of profitability. The Department does not believe that a calculation of overall return on net worth should be an integral part of the rate setting process. Better methods of measuring profitability, a longer time horizon, better statistical data, and more analysis from NYCIRB would be of assistance in monitoring this important aspect of the viability of the Workers' Compensation market.

**NEW YORK – DIRECT  
WORKERS' COMPENSATION**

	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
	Losses Incurred Ratio	% Return of Insurance Operations	% Return on Net Worth
1996	76.8	4.4	6.5
1997	75.9	9.0	8.1
1998	58.7	19.9	11.4
1999	68.3	12.9	8.6
2000	73.2	17.2	11.0
2001	123.1	(27.8)	(8.1)
2002	74.0	9.9	8.1
2003	73.4	12.1	9.9
2004	74.2	10.6	8.4
2005	77.7	4.6	5.9

Notes:

Data taken from NAIC 2005 Profitability Report  
Columns (1) through (3) are percentages of Direct Premiums  
Earned

Column (4) is a percentage of Net Worth as calculated in the NAIC  
profitability Report

Losses incurred do not include any loss adjustment expense  
Data for 2001 includes WTC losses, although these are excluded  
from ratemaking data.

The State Insurance Fund is included in these figures. Its financial  
results may differ from those of the commercial carriers.



**COUNTRYWIDE-DIRECT  
WORKERS' COMPENSATION**

	<b>(1)</b> Losses Incurred Ratio	<b>(2)</b> % Return on Insurance Operations	<b>(3)</b> % Return on Net Worth
1996	63.2	12.1	12.4
1997	61.9	14.3	12.8
1998	68.5	7.0	8.8
1999	76.6	(1.0)	4.5
2000	80.8	1.4	6.0
2001	85.9	(6.5)	0.2
2002	78.3	(1.3)	2.4
2003	73.3	3.9	6.9
2004	67.3	9.0	10.1
2005	64.8	8.8	9.6

Notes:

Data taken from NAIC 2005 Profitability Report

Columns (1) through (3) are percentages of Direct Premiums Earned

Column (4) is a percentage of Net Worth as calculated in the NAIC profitability Report

Losses incurred do not include any loss adjustment expense

Data for 2001 includes WTC losses, although these are excluded from ratemaking data

The State Insurance Fund is included in these figures. Its financial results may differ from those of the commercial carriers.

C. Loss and Wage Trend Factor

This year, as in years past, the trend factor is based on an analysis of exponential and linear regression lines of claim costs and frequencies. Wage data are analyzed separately, and the trends are shown separately for medical and indemnity claims. The indications for medical and indemnity are combined using a weighted average based on Policy Year 2005 adjusted ultimate losses valued as of December 31, 2006.

Loss trend data come from historical Schedule Z data (Unit Statistical Plan data) submitted to NYCIRB. The eight years of trend data in the current filing are 1997-2004. There are no available data for 2005 and 2006. Consequently, data in the required detail are not as recent as one might prefer.

Four trend lines are calculated: linear regressions based on five and eight years of data, and exponential regression based on five and eight years of data. Over the years the trend indication has generally been based on 5 year exponential trend lines. This year, each trend line was chosen based on its goodness of fit as measured by its R squared. For indemnity, the 8 year exponential trends were chosen; for medical, the 5 year linear trends were chosen.

NYCIRB calculates an Overall Trend Factor for 2007 of 1.055.

The wage factor is designed to account for rising payrolls, which exceed the corresponding increase in exposure to loss. The wage factor is based on published annual Department of Labor statistics. Because Workers' Compensation uses payroll as its exposure base, an increase in average wages will generally result in additional premium income.

It is worth comparing the indications, based solely on loss experience and before trend, of the past few rate submissions with the filed rate request.

Filing Year	Filed request	Policy Year Indication	Accident Year Indication
2007	-1.0% (approx)	(2005) -5.2%	(2006) -4.6%
2006	+7.5%	(2004) -4.0%	(2005) -3.3%
2005	+16.1%	(2003) +18.4%	(2004) +8.7%
2004	+29.3%	(2002) +27.6%	(2003) +33.2%

It appears that the requested rate increases may have somewhat overstated true rate need. At the same time, the rate actions taken by the Department during past rating cycles often fell short of rate need. Furthermore, for those years in which the submissions were completely rejected, the opportunity to conduct annual updates of class relativities was lost.

In this revision, both medical and indemnity claim cost trends continue upward, with medical claim cost trends worsening in the most recent years. The frequency numbers continue to show a decline in trend, although indemnity claim frequencies have risen in the most recent two years.

NYCIRB has modified its trend in an effort to take account of the 2007 reform legislation. It seems evident that these reforms will affect the future course of claim severity and frequency for Workers' Compensation. NYCIRB sought to address this by taking half of the combined wage/trend factor and projecting that into the future. We are not convinced that this is an appropriate method of accounting for this systemic change. Because benefit structures were so dramatically changed by the 2007 reform legislation, there is no basis for extrapolating past trends to future losses.

Furthermore, the 2006 Opinion and Decision noted that the trend calculation methodology had undergone a significant change from the year before, resulting in a much larger factor than the prior method would have produced. In particular, the Indemnity Claim Cost Trend Factor is sensitive to the method used to weight its underlying components. NYCIRB estimates a trend factor under the old method of 0.972 – 8.3 percentage points

lower than their reported trend. We are troubled that the old and new methodologies produce such divergent results.

Given the sparseness of the underlying data, its age, and the major systemic changes, the Department is not persuaded that there is a statistically valid trend for this year's rate calculation.

D. Large Deductibles

The Department's position has been that business written on a large deductible basis represented a portion of a continuum of risk characteristics. Given this view, the Department believes that large deductible experience should be included in the General Rate Revision. This year, as in recent years, the Board's filing contains large deductible data.

E. Expenses

The expense provisions are based on private carrier data as reported on the Insurance Expense Exhibit and Statutory Page 14 of the Annual Statement. It should be noted that the decrease in expense provisions has an impact on overall rates of -1.3%.

In conjunction with the annual rate revision, NYCIRB reviews the elements of the minimum premium formula. In this year's revision, no changes are being proposed to the minimum premium formula. Consequently, the minimum premium formula in this revision will continue to include a \$200 expense constant, the current rate multiplier of 110, and a maximum minimum premium of \$875.

F. Assessments

Based on NYCIRB's rate filing, the New York Assessment Fee that is applied to an insured's standard premium would change from 18.6% to 14.9%. However, because of the

lower rate and premium base directed by this Opinion and Decision, the Assessment Fee will constitute a slightly higher percentage of standard premium.

#### G. Catastrophes

In response to the September 11, 2001 attack, NYCIRB introduced a 3.0% catastrophe factor into the rate revision, effective October 1, 2002. This covered both foreign and domestic terrorism and natural disasters. In 2002, the federal government enacted the Terrorism Risk Insurance Act (TRIA). It provided a federal backstop to the companies' foreign terrorism exposure through December 31, 2005. The carrier retention under TRIA was 15% of earned premium.

In February of 2002, two-thirds of the Board's catastrophe charge was changed to a \$.034 loading per \$100 of payroll. This represented no change in the Board's original charge for foreign terrorism. The charge was in the form of a loading applied to payroll rather than a factor applied to the rate because the risk of incurring a loss due to terrorism appears to be independent of the inherent risk of a given employment.

NYCIRB did not file for any increase in this factor in the 2007 filing.

#### H. 2007 Workers Compensation Reform

On March 13, 2007, Governor Eliot Spitzer signed into law a series of landmark workers' compensation reforms intended to create a significantly less expensive system while increasing weekly benefits. Accompanying this legislation was a letter from the Governor to the Superintendent of Insurance, the Commissioner of Labor and the Chair of the Workers' Compensation Board (the Board) requesting several supplemental reforms and reports. NYCIRB has attempted to estimate the impact of the reform package on the rates by evaluating the cumulative effect of each major initiative.

### Benefit Changes

The new law increases the maximum weekly benefit from \$400 to \$500 for much of the rating period and caps the benefit duration for Permanent Partial Disability (PPD) awards according to a schedule based on level of disability. NYCIRB estimates that this benefit increase will lead to a modest 6% increase in the rate indication, while the duration caps will lead to a 28% decrease.

NYCIRB estimates the additional costs associated with the increase in the maximum benefits by evaluating the impact across a national distribution of wages and payrolls. The distribution is centered according to New York's statewide average weekly wage as reported by the New York State Department of Labor. Insofar as the wage or payroll distribution in New York State differs from the national distributions, the resulting estimates are likely to be imprecise. Furthermore, the impact of the benefit increase depends on the distribution of disability rating for PPD claims. NYCIRB simply applies the average disability to the average weekly wage. This also tends to reduce the precision of the estimates.

NYCIRB's savings estimates due to the duration caps also rely on the use of coarse distributions. NYCIRB calculates the cost reduction by evaluating the reduction across the distribution of disability furnished by the Board. This approach relies on the assumption that for each disability level the distribution of age, wages and expected duration of lifetime disability payments are identical. NYCIRB provides little support for this assumption in its filing.

A better approach for scoring the impact of the benefit increase and the duration caps would rely on micro-data from the population of claims. Indeed, a data set consisting of historic claims data on disability rating, age and pre-disability weekly wage would be

adequate to perform the calculation with significantly greater precision. Thus, the Department has concerns with NYCIRB's methodology.

### Medical Savings

The new law and the Governor's accompanying letter provide for several cost-saving reforms related to the medical treatment of injured workers. Under the new law, employers and carriers can establish mandatory networks for pharmacy and diagnostic testing. In addition, the Board will establish fee schedules for pharmacy, diagnostic testing and Durable Medical Equipment (DME). The Governor's letter directs the Department to provide the Board with a set of medical treatment guidelines to limit unproven, unnecessary, or inappropriate treatment. The combined effect of the networks, fee schedules and medical treatment guidelines will result in significant system savings and improved system quality.

NYCIRB estimates the networks and fee schedules will lower the rate indication by 2.4%. NYCIRB's savings estimate is based largely on anecdotal opinions of actuarial committee members about the discounts that carriers currently receive from the use of voluntary pharmacy, DME, and diagnostic testing networks. The Department does not consider this a reliable approach. It would be straightforward to use a sample of actual reimbursement transactions and directly calculate the savings due to increased network participation or the use of the fee schedules.

NYCIRB has chosen not to make an actuarial estimate of the savings that will result from the medical treatment guidelines. The Department believes that these savings will be significant. The State of California adopted treatment guidelines in 2004 and it is estimated that these guidelines have produced medical savings of over 45%. New York is unlikely to achieve savings of this magnitude for a variety of reasons, but should nonetheless see a substantial reduction in medical costs once medical treatment guidelines are in place.

### The Closing of the Special Disability Fund

The Special Disability Fund (SDF) was established to protect employers who hired injured World War II veterans. The SDF reimburses carriers or employers for benefits paid to injured workers whose work injuries were compounded by pre-existing injuries or disabilities. In recent years, the number of claims established for reimbursement has grown significantly, increasing the industry-wide premium assessment that funds the SDF. Since the SDF reimburses the carrier for the losses, there is little incentive for reimbursed carriers to settle or otherwise reduce their exposure to these claims. The reform legislation eliminates these inefficiencies by closing the SDF to any injuries occurring after July 1, 2007. The SDF will continue to reimburse carriers for existing liabilities.

The closing of the SDF means that the losses for injuries that would have been eligible for reimbursement by the SDF will now become part of the carriers' loss experience. Adding these additional claims to the rate calculation will offset some of the rate cuts that accrue from the other reforms. NYCIRB estimates the cost of claims that would have been eligible for SDF reimbursement by taking the three-year average annual reimbursement to private carriers and the State Fund and reducing this amount by 15%. This reduction takes into account the carriers' increased incentive to manage these risks after the SDF closes, but appears to have been chosen arbitrarily. The closing of the SDF raises NYCIRB's rate indication by approximately 13%.

The Department believes that NYCIRB overestimates the rate impact of the SDF's closing for two primary reasons. First, current reimbursement levels reflect claims received over a number of past years, but do not necessarily reflect the frequency or severity of claims in the two future years covered by the rate revision. Indeed, claim frequency in New York State has been declining consistently for many years. Second, NYCIRB understates



the likely savings that will result from increased risk management. In particular, SDF-reimbursed claims almost never settle under Section 32 of the Workers' Compensation Law, but non-SDF claims settle quite frequently. Settlements generate significant reductions in claim costs. The Department believes that NYCIRB has significantly understated the mitigating effect of improved risk management on the rate impact of the SDF's closing.

#### Overall Impact of the 2007 Reforms

NYCIRB estimates that the reform legislation will reduce losses by 17.1%. However, NYCIRB translates this into a rate reduction of just 13.3%. This adjustment is based on NYCIRB's distinction between fixed and variable components of the expense provision. NYCIRB argues that the loss reduction will only lead to a reduction in variable costs while fixed costs will remain unchanged.

The Department disagrees with this approach. NYCIRB's treatment of expenses after the reform-driven loss reduction is inconsistent with the way NYCIRB treats expenses when there are other changes to losses. In particular, NYCIRB regularly estimates significant increases to losses resulting from trend factors, but does not appear to have ever discounted these trend factors to account for the fixed cost component of expenses. Finally, the Department does not believe that the fixed versus variable cost distinction is economically valid for claim losses that develop over long time horizons.

#### I. Findings

Based on the foregoing, the Department's finding, after taking the reduced assessments into account, is that a cost reduction of 20.5% is approvable for policies written in the year beginning October 1, 2007.

DECISION

Based on the review of the filing conducted by the Department, the New York Compensation Insurance Rating Board is hereby ORDERED to refile in accordance with the Department's findings.

DATED: July 15, 2007  
New York, New York



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Eric Dinallo  
Superintendent of Insurance