

**DELAWARE COMPENSATION RATING BUREAU, INC.**

**ACTUARIAL COMMITTEE**

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**Summary of Material for Modification of Experience  
December 1, 2008 Residual Market Rate and Voluntary Market Loss Cost Revision**

**Amended**

DELAWARE 2008 RESIDUAL MARKET RATE AND VOLUNTARY MARKET LOSS COST FILING

PROPOSED EFFECTIVE DATE - DECEMBER 1, 2008

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**EXHIBIT I**

**INDICATED CHANGE IN RATE LEVEL**

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
<b>(1a)</b> Policy Year 2003 Loss and Loss Adjustment Expense Ratio	0.3386	0.4777	0.8163
<b>(1b)</b> Policy Year 2004 Loss and Loss Adjustment Expense Ratio	0.2942	0.4559	0.7501
<b>(1c)</b> Policy Year 2005 Loss and Loss Adjustment Expense Ratio	0.2602	0.4167	0.6769
<b>(1d)</b> Policy Year 2006 Loss and Loss Adjustment Expense Ratio	0.2413	0.3801	0.6214
<b>(1e)</b> Average (Midpoint = 7/1/2005)	0.2836	0.4326	0.7162
<b>(2a)</b> Policy Year 2003 Loss and LAE Ratio Trended to 12/1/2009	0.2148	0.4064	
<b>(2b)</b> Policy Year 2004 Loss and LAE Ratio Trended to 12/1/2009	0.2016	0.3986	
<b>(2c)</b> Policy Year 2005 Loss and LAE Ratio Trended to 12/1/2009	0.1925	0.3744	
<b>(2d)</b> Policy Year 2006 Loss and LAE Ratio Trended to 12/1/2009	0.1928	0.3510	
<b>(2e)</b> Average at 12/1/2009	0.2004	0.3826	0.5830
<b>(3a)</b> Excess Loss Factor at \$2,115,000			0.1162
<b>(3b)</b> Provision for Excess Loss (4a)-(2e)			0.0767
<b>(4a)</b> Total Trended Loss and LAE Ratio (2e)/(1.0-(3a))	0.2083	0.4514	0.6597
<b>(4b)</b> Percentage of Total	31.6%	68.4%	
<b>(5)</b> Permissible Loss and Loss Adjustment Ratio			0.7227
<b>(6)</b> Indicated Change in Rates (4a) / (5)			0.9128
<b>(7)</b> Estimated Effect of the 7/1/09 Benefit Change			1.0009
<b>(8)</b> Indicated Change in Residual Market Rate Level (6) * (7)			0.9136
<b>(8a)</b> Factor to Adjust for Commissioner's Order of December 30, 2008			0.9880
<b>(8b)</b> Change in Residual Market Rate Level to Reflect Commissioner's Order (8) * (8a)			0.9026
<b>(9)</b> Indicated Change in Voluntary Market Loss Costs (8) * [0.7511 / 0.7627]			0.8997
<b>(9a)</b> Factor to Adjust for Commissioner's Order of December 30, 2008			0.9878
<b>(9b)</b> Change in Voluntary Market Rate Level to Reflect Commissioner's Order (9) * (9a)			0.8887

**CHANGES IN MANUAL PREMIUM LEVEL BY INDUSTRY GROUP**

	<b>Mfg.</b>	<b>Cont.</b>	<b>Other</b>	<b>Total</b>
<b>(10)</b> Current Collectible Premium Ratio	1.1079	1.0761	1.0108	
<b>(11)</b> Proposed Collectible Premium Ratio	1.1038	1.0532	0.9782	
<b>(12)</b> Change in Collectible Premium Ratio (11) / (10)	0.9963	0.9787	0.9677	0.9749
<b>(13)</b> Change in Residual Market Manual Rate Level (8b) * (12)	0.8993	0.8834	0.8734	0.8799
<b>(14)</b> Change in Voluntary Market Manual Loss Cost Level (9b) * (12)	0.8854	0.8698	0.8600	0.8664
<b>(15)</b> Current Offset for Residual Market Surcharge				0.9832
<b>(16)</b> Proposed Offset for Residual Market Surcharge				0.9925
<b>(17)</b> Adjusted Change in Voluntary Market Manual Loss Cost Level (14) * (16)/(15)	0.8938	0.8780	0.8681	0.8746

**EXHIBIT II**  
**EXPENSE LOADING**

	<u>Current %</u>	<u>Proposed %</u>
<b>LOSS AND LOSS ADJUSTMENT EXPENSE</b>		
Losses	66.35	64.30
Loss Adjustment Expense	7.41	7.97 a
Loss & Loss Adjustment	73.76	72.27
<b>UNDERWRITING EXPENSES</b>		
Commission	7.39	6.82
Other Acquisition	2.57	2.76
General Expenses	3.06	3.17
Premium Discount	8.89	8.33
State Premium Tax	2.00	2.00
Other State Tax	0.33	0.36
Uncollectible Premium	1.25	2.00
Administrative Assessment	2.51	2.84 b
Workers Compensation Fund	2.00	2.00
Deviations	0.00	0.00
Policyholder Dividends	0.00	0.00
Underwriting Profit	-3.76	-2.55
Underwriting Expense Total	26.24	27.73

a - As ratio to loss, Loss Adjustment Expense = 0.1239

b - As ratio to loss, Administrative Assessment = 0.0442

**RESIDUAL MARKET MINIMUM PREMIUM:**

It is proposed that the Minimum Premium formula be revised from  $(230 * \text{Rate}) + \text{Expense Constant}$  to

$$(235 * \text{Rate}) + \text{Expense Constant}$$

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of \$3650. It is proposed to use a multiplier of 117.50 in the Minimum Premium formula for the Farm Classes, (0006, 0016, 0034, 0036, 0083).

**RESIDUAL MARKET EXPENSE CONSTANT:**

It is proposed that the expense constant remain at \$270.

**EXHIBIT III**

**INTERNAL RATE OF RETURN ANALYSIS  
STATE OF DELAWARE - 2008  
TABLE I: INPUTS, ASSUMPTIONS & OUTPUTS**

Section 1: Inputs & Assumptions		
(1)	Commissions *	6.82
(2)	Other Expenses	6.29
(2A)	Other Acquisitions *	2.76
(2B)	General Expenses *	3.17
(2C)	Other Tax **	0.36
(3)	State Premium Taxes & Uncollectible Premium	
(3A)	Tax1 - Premium Tax **	2.00
(3B)	Uncollectible Premium **	2.00
(3C)	Tax3 - Workers Compensation Fund **	2.00
(4)	Premium Discount ***	8.33
(5)	Deviations	0.00
(6)	Dividends to Policyholders	0.00
(7)	Premium Written	1,000,000
Investment Income		
(8A)	Pre-Tax Return on Assets	5.26
(8B)	Investment Income Tax Rate	1.17
(8C)	Post-Tax Return on Assets	4.09
(10)	Reserve to Surplus Ratio	2.45
(11)	Internal Rate of Return (Cost of Capital)	10.02
* Applies to standard premium at Bureau level (before premium discount)		
** Applies to net premium at company level ( after deviations and premium discounts)		
*** Applies to standard premium at company level (after deviations)		

Section 2: Outputs		
(1)	Loss Ratio - including loss adjustment expense & loss based assessments	75.11
(2)	Profit & Contingencies	-2.55

**EXHIBIT IV - 1**

**POLICY YEAR LOSS RATIO 2006\***

( 1) Standard Earned Premium Reported (Table I)			203,892,331
( 2) Factor to 12/1/07 Rate Level (Exhibit V-1)			1.0088
( 3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9967
( 4) Expense Constant Removal Factor			0.9969
( 5) DCCPAP On-Level Factor			0.9988
( 6) Residual Market Offset Factor			1.0000
( 7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			204,127,047
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	8,625,993	24,285,960	32,911,953
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	4.8639	2.7129	
(10) Ultimate Incurred Losses (8) * (9)	41,955,967	65,885,381	107,841,348
<b>Losses - Incurred Method</b>			
(11) Incurred Losses Reported (Table I-B & I-C)	22,190,237	34,049,949	56,240,186
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.8851	2.1204	
(13) Ultimate Incurred Losses (11) * (12)	41,830,816	72,199,512	114,030,328
<b>Losses - Average of Incurred and Paid-to-20th</b>			
(14) Ultimate Incurred Losses ((10) + (13))/2	41,893,392	69,042,447	110,935,839
(15) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.0460	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17) Adjusted Losses (14) * (15) * (16)	49,249,846	77,596,806	126,846,652
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2413	0.3801	0.6214
(19) Normalized Claim Frequency (Exhibit VII-3)	0.4124	0.4124	
(20) Severity Ratio** (18)/(19)	0.5851	0.9217	1.5068

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 2**

**POLICY YEAR LOSS RATIO 2005\***

( 1 )	Standard Earned Premium Reported (Table I)			183,361,578
( 2 )	Factor to 12/1/07 Rate Level (Exhibit V-1)			1.0566
( 3 )	Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9941
( 4 )	Expense Constant Removal Factor			0.9968
( 5 )	DCCPAP On-Level Factor			0.9988
( 6 )	Residual Market Offset Factor			1.0000
( 7 )	Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			191,750,092
<b>Losses - Paid-to-20th Method</b>		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 8 )	Paid Losses Reported (Table I-D & I-E)	16,518,168	33,648,608	50,166,776
( 9 )	Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	2.4630	2.0467	
( 10 )	Ultimate Incurred Losses (8) * (9)	40,684,248	68,868,606	109,552,854
<b>Losses - Incurred Method</b>				
( 11 )	Incurred Losses Reported (Table I-B & I-C)	29,165,067	40,437,885	69,602,952
( 12 )	Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4550	1.8133	
( 13 )	Ultimate Incurred Losses (11) * (12)	42,435,172	73,326,017	115,761,189
<b>Losses - Average of Incurred and Paid-to-20th</b>				
( 14 )	Ultimate Incurred Losses ((10) + (13))/2	41,559,710	71,097,312	112,657,022
( 15 )	Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.0681	1.0000	
( 16 )	Factor to Include Loss Adjustment Expense	1.1239	1.1239	
( 17 )	Adjusted Losses (14) * (15) * (16)	49,889,838	79,906,269	129,796,107
( 18 )	Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2602	0.4167	0.6769
( 19 )	Normalized Claim Frequency (Exhibit VII-3)	0.4591	0.4591	
( 20 )	Severity Ratio** (18)/(19)	0.5668	0.9076	1.4744

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 3**

**POLICY YEAR LOSS RATIO 2004\***

( 1) Standard Earned Premium Reported (Table I)			150,894,279
( 2) Factor to 12/1/07 Rate Level (Exhibit V-1)			1.2022
( 3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9967
( 4) Expense Constant Removal Factor			0.9963
( 5) DCCPAP On-Level Factor			0.9999
( 6) Residual Market Offset Factor			1.0000
( 7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			180,119,468
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	24,677,133	38,858,553	63,535,686
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.7557	1.7860	
(10) Ultimate Incurred Losses (8) * (9)	43,325,642	69,401,376	112,727,018
<b>Losses - Incurred Method</b>			
(11) Incurred Losses Reported (Table I-B & I-C)	34,616,520	46,487,681	81,104,201
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2639	1.6508	
(13) Ultimate Incurred Losses (11) * (12)	43,751,820	76,741,864	120,493,684
<b>Losses - Average of Incurred and Paid-to-20th</b>			
(14) Ultimate Incurred Losses ((10) + (13))/2	43,538,731	73,071,620	116,610,351
(15) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.0830	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17) Adjusted Losses (14) * (15) * (16)	52,994,634	82,125,194	135,119,828
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.2942	0.4559	0.7501
(19) Normalized Claim Frequency (Exhibit VII-3)	0.5093	0.5093	
(20) Severity Ratio** (18)/(19)	0.5777	0.8952	1.4729

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.



**EXHIBIT IV - 4**

**POLICY YEAR LOSS RATIO 2003\***

( 1)	Standard Earned Premium Reported (Table I)			134,172,879
( 2)	Factor to 12/1/07 Rate Level (Exhibit V-1)			1.1555
( 3)	Premium Development Factor to Ultimate Level (Exhibit VI-1)			0.9980
( 4)	Expense Constant Removal Factor			0.9966
( 5)	DCCPAP On-Level Factor			1.0010
( 6)	Residual Market Offset Factor			1.0000
( 7)	Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			154,354,818
<b>Losses - Paid-to-20th Method</b>		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 8)	Paid Losses Reported (Table I-D & I-E)	28,594,218	37,095,765	65,689,983
( 9)	Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.4877	1.6560	
(10)	Ultimate Incurred Losses (8) * (9)	42,539,618	61,430,587	103,970,205
<b>Losses - Incurred Method</b>				
(11)	Incurred Losses Reported (Table I-B & I-C)	35,597,351	45,575,168	81,172,519
(12)	Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1894	1.5311	
(13)	Ultimate Incurred Losses (11) * (12)	42,339,489	69,780,140	112,119,629
<b>Losses - Average of Incurred and Paid-to-20th</b>				
(14)	Ultimate Incurred Losses ((10) + (13))/2	42,439,554	65,605,364	108,044,918
(15)	Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.0959	1.0000	
(16)	Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17)	Adjusted Losses (14) * (15) * (16)	52,272,035	73,733,869	126,005,904
(18)	Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3386	0.4777	0.8163
(19)	Normalized Claim Frequency (Exhibit VII-3)	0.5800	0.5800	
(20)	Severity Ratio** (18)/(19)	0.5838	0.8236	1.4074

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 5**

**POLICY YEAR LOSS RATIO 2002\***

( 1 ) Standard Earned Premium Reported (Table I)			119,887,918
( 2 ) Factor to 12/1/07 Rate Level (Exhibit V-1)			1.2318
( 3 ) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
( 4 ) Expense Constant Removal Factor			0.9976
( 5 ) DCCPAP On-Level Factor			0.9982
( 6 ) Residual Market Offset Factor			1.0000
( 7 ) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			147,058,328
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 8 ) Paid Losses Reported (Table I-D & I-E)	29,463,585	36,903,929	66,367,514
( 9 ) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.3494	1.5650	
( 10 ) Ultimate Incurred Losses (8) * (9)	39,758,162	57,754,649	97,512,811
<b>Losses - Incurred Method</b>			
( 11 ) Incurred Losses Reported (Table I-B & I-C)	35,834,800	45,148,311	80,983,111
( 12 ) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1401	1.4401	
( 13 ) Ultimate Incurred Losses (11) * (12)	40,855,255	65,018,083	105,873,338
<b>Losses - Average of Incurred and Paid-to-20th</b>			
( 14 ) Ultimate Incurred Losses ((10) + (13))/2	40,306,709	61,386,366	101,693,075
( 15 ) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.1231	1.0000	
( 16 ) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
( 17 ) Adjusted Losses (14) * (15) * (16)	50,877,228	68,992,137	119,869,365
( 18 ) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3460	0.4691	0.8151
( 19 ) Normalized Claim Frequency (Exhibit VII-3)	0.6071	0.6071	
( 20 ) Severity Ratio** (18)/(19)	0.5699	0.7727	1.3426

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 6**

**POLICY YEAR LOSS RATIO 2001\***

( 1 )	Standard Earned Premium Reported (Table I)			98,266,463
( 2 )	Factor to 12/1/07 Rate Level (Exhibit V-2)			1.4700
( 3 )	Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
( 4 )	Expense Constant Removal Factor			0.9982
( 5 )	DCCPAP On-Level Factor			0.9956
( 6 )	Residual Market Offset Factor			1.0000
( 7 )	Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			143,557,244
<b>Losses - Paid-to-20th Method</b>		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 8 )	Paid Losses Reported (Table I-D & I-E)	29,572,380	33,432,013	63,004,393
( 9 )	Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2659	1.4938	
( 10 )	Ultimate Incurred Losses (8) * (9)	37,435,676	49,940,741	87,376,417
<b>Losses - Incurred Method</b>				
( 11 )	Incurred Losses Reported (Table I-B & I-C)	34,354,962	42,753,727	77,108,689
( 12 )	Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1042	1.3702	
( 13 )	Ultimate Incurred Losses (11) * (12)	37,934,749	58,581,157	96,515,906
<b>Losses - Average of Incurred and Paid-to-20th</b>				
( 14 )	Ultimate Incurred Losses ((10) + (13))/2	37,685,213	54,260,949	91,946,162
( 15 )	Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.1488	1.0000	
( 16 )	Factor to Include Loss Adjustment Expense	1.1239	1.1239	
( 17 )	Adjusted Losses (14) * (15) * (16)	48,656,747	60,983,881	109,640,628
( 18 )	Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3389	0.4248	0.7637
( 19 )	Normalized Claim Frequency (Exhibit VII-3)	0.6001	0.6001	
( 20 )	Severity Ratio** (18)/(19)	0.5647	0.7079	1.2726

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 7**

**POLICY YEAR LOSS RATIO 2000\***

( 1) Standard Earned Premium Reported (Table I)			95,862,477
( 2) Factor to 12/1/07 Rate Level (Exhibit V-2)			1.3978
( 3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
( 4) Expense Constant Removal Factor			0.9988
( 5) DCCPAP On-Level Factor			0.9929
( 6) Residual Market Offset Factor			1.0000
( 7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			132,885,540
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	36,347,864	40,193,259	76,541,123
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.2104	1.4355	
(10) Ultimate Incurred Losses (8) * (9)	43,995,455	57,697,423	101,692,878
<b>Losses - Incurred Method</b>			
(11) Incurred Losses Reported (Table I-B & I-C)	41,585,759	52,506,175	94,091,934
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0774	1.3157	
(13) Ultimate Incurred Losses (11) * (12)	44,804,497	69,082,374	113,886,871
<b>Losses - Average of Incurred and Paid-to-20th</b>			
(14) Ultimate Incurred Losses ((10) + (13))/2	44,399,976	63,389,899	107,789,875
(15) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.1762	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17) Adjusted Losses (14) * (15) * (16)	58,693,713	71,243,907	129,937,620
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.4417	0.5361	0.9778
(19) Normalized Claim Frequency (Exhibit VII-3)	0.6879	0.6879	
(20) Severity Ratio** (18)/(19)	0.6421	0.7793	1.4214

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 8**

**POLICY YEAR LOSS RATIO 1999\***

( 1) Standard Earned Premium Reported (Table I)			88,669,578
( 2) Factor to 12/1/07 Rate Level (Exhibit V-2)			1.4163
( 3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
( 4) Expense Constant Removal Factor			0.9989
( 5) DCCPAP On-Level Factor			0.9959
( 6) Residual Market Offset Factor			1.0000
( 7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			124,930,260
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	28,985,509	34,206,007	63,191,516
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1712	1.3870	
(10) Ultimate Incurred Losses (8) * (9)	33,947,828	47,443,732	81,391,560
<b>Losses - Incurred Method</b>			
(11) Incurred Losses Reported (Table I-B & I-C)	31,794,905	40,764,479	72,559,384
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0571	1.2726	
(13) Ultimate Incurred Losses (11) * (12)	33,610,394	51,876,876	85,487,270
<b>Losses - Average of Incurred and Paid-to-20th</b>			
(14) Ultimate Incurred Losses ((10) + (13))/2	33,779,111	49,660,304	83,439,415
(15) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.2059	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17) Adjusted Losses (14) * (15) * (16)	45,781,201	55,813,216	101,594,417
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3665	0.4468	0.8133
(19) Normalized Claim Frequency (Exhibit VII-3)	0.7587	0.7587	
(20) Severity Ratio** (18)/(19)	0.4831	0.5889	1.0720

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 9**

**POLICY YEAR LOSS RATIO 1998\***

( 1) Standard Earned Premium Reported (Table I)			94,812,033
( 2) Factor to 12/1/07 Rate Level (Exhibit V-2)			1.2292
( 3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
( 4) Expense Constant Removal Factor			0.9986
( 5) DCCPAP On-Level Factor			1.0001
( 6) Residual Market Offset Factor			1.0000
( 7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			116,391,429
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
( 8) Paid Losses Reported (Table I-D & I-E)	24,862,164	30,237,904	55,100,068
( 9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1419	1.3460	
(10) Ultimate Incurred Losses (8) * (9)	28,390,105	40,700,219	69,090,324
<b>Losses - Incurred Method</b>			
(11) Incurred Losses Reported (Table I-B & I-C)	27,136,252	34,707,012	61,843,264
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0416	1.2379	
(13) Ultimate Incurred Losses (11) * (12)	28,265,120	42,963,810	71,228,930
<b>Losses - Average of Incurred and Paid-to-20th</b>			
(14) Ultimate Incurred Losses ((10) + (13))/2	28,327,613	41,832,015	70,159,628
(15) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.2347	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17) Adjusted Losses (14) * (15) * (16)	39,309,643	47,015,002	86,324,645
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3377	0.4039	0.7416
(19) Normalized Claim Frequency (Exhibit VII-3)	0.7893	0.7893	
(20) Severity Ratio** (18)/(19)	0.4278	0.5117	0.9395

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT IV - 10**

**POLICY YEAR LOSS RATIO 1997\***

( 1) Standard Earned Premium Reported (Table I)			88,853,555
( 2) Factor to 12/1/07 Rate Level (Exhibit V-2)			1.3319
( 3) Premium Development Factor to Ultimate Level (Exhibit VI-1)			1.0000
( 4) Expense Constant Removal Factor			0.9979
( 5) DCCPAP On-Level Factor			1.0081
( 6) Residual Market Offset Factor			1.0000
( 7) Standard Earned Premium on Level (1) * (2) * (3) * (4) * (5) * (6)			119,052,101
<b>Losses - Paid-to-20th Method</b>	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
(8) Paid Losses Reported (Table I-D & I-E)	27,660,768	29,764,896	57,425,664
(9) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.1193	1.3113	
(10) Ultimate Incurred Losses (8) * (9)	30,960,698	39,030,708	69,991,406
<b>Losses - Incurred Method</b>			
(11) Incurred Losses Reported (Table I-B & I-C)	30,995,037	32,918,773	63,913,810
(12) Loss Development Factor to Ultimate Valuation (Exhibit VI-2 & VI-4)	1.0296	1.2097	
(13) Ultimate Incurred Losses (11) * (12)	31,912,490	39,821,840	71,734,330
<b>Losses - Average of Incurred and Paid-to-20th</b>			
(14) Ultimate Incurred Losses ((10) + (13))/2	31,436,594	39,426,274	70,862,868
(15) Factor to 6/3/08 Benefit Level (Exhibit V-3)	1.2620	1.0000	
(16) Factor to Include Loss Adjustment Expense	1.1239	1.1239	
(17) Adjusted Losses (14) * (15) * (16)	44,588,464	44,311,189	88,899,653
(18) Policy Year Loss and Loss Adjustment Expense Ratio (17) / (7)	0.3745	0.3722	0.7467
(19) Normalized Claim Frequency (Exhibit VII-3)	0.8610	0.8610	
(20) Severity Ratio** (18)/(19)	0.4350	0.4323	0.8673

\* Projected losses limited on a per claim basis, with the loss limitation varying by policy year.

\*\* Severity ratio represents loss and loss adjustment expense ratio adjusted to a common level of frequency.

**EXHIBIT V - 1  
POLICY YEARS 2002 - 2006  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>		<u>(1) RATE CHANGE DATE</u>	<u>(2) RATE CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 12/1/07 RATE LEVEL</u>	
2006	VOL	12/01/05	BASE	0.7479 *	0.7666	0.5733		
		12/01/06	1.0000	0.7479	0.0555	0.0415		
		12/01/07	0.8225	0.6151	-----	-----		
					0.8221	0.6148		
	RM	12/01/05	BASE	1.0000	1.0000	0.1679	0.1679	
		12/01/06	1.0257	1.0257	0.0100	0.0103		
		12/01/07	0.7800	0.8000	-----	-----		
					0.1779	0.1782		
	TOTAL					0.7930	1.0088	
	2005	VOL	12/01/04	BASE	0.7552 **	0.7032	0.5311	
12/01/05			1.0710	0.8088	0.0553	0.0447		
12/01/06			0.8225	0.6652	-----	-----		
TO 12/1/07					0.7585	0.5758		
RM		12/01/04	BASE	1.0000	1.0000	0.2272	0.2272	
		12/01/05	1.0810	1.0810	0.0143	0.0155		
		12/01/06	0.8000	0.8648	-----	-----		
		TO 12/1/07			0.2415	0.2427		
TOTAL						0.8185	1.0566	
2004		VOL	12/01/03	BASE	0.7347 ***	0.6671	0.4901	
	12/01/04		1.1670	0.8574	0.0631	0.0541		
	12/01/05		0.8809	0.7553	-----	-----		
	TO 12/1/07				0.7302	0.5442		
	RM	12/01/03	BASE	1.0000	1.0000	0.2498	0.2498	
		12/01/04	1.1353	1.1353	0.0200	0.0227		
		12/01/05	0.8648	0.9818	-----	-----		
		TO 12/1/07			0.2698	0.2725		
	TOTAL					0.8167	1.2022	
	2003	VOL	12/01/02	BASE	0.7318 ****	0.7114	0.5206	
12/01/03			0.9328	0.6826	0.0584	0.0399		
12/01/04			1.0280	0.7017	-----	-----		
TO 12/1/07					0.7698	0.5605		
RM		12/01/02	BASE	1.0000	1.0000	0.2129	0.2129	
		12/01/03	0.9291	0.9291	0.0173	0.0161		
		12/01/04	0.9819	0.9123	-----	-----		
		TO 12/1/07			0.2302	0.2290		
TOTAL						0.7895	1.1555	
2002		VOL	12/01/01	BASE	0.7352 *****	0.7377	0.5424	
	12/01/02		1.0618	0.7806	0.0710	0.0554		
	12/01/03		0.9589	0.7485	-----	-----		
	TO 12/1/07				0.8087	0.5978		
	RM	12/01/01	BASE	1.0000	1.0000	0.1799	0.1799	
		12/01/02	1.0667	1.0667	0.0114	0.0122		
		12/01/03	0.9122	0.9730	-----	-----		
		TO 12/1/07			0.1913	0.1921		
	TOTAL					0.7899	1.2318	

\* Loss, LAE and LBA portion of 12/1/05 rate.  
 \*\* Loss, LAE and LBA portion of 12/1/04 rate.  
 \*\*\* Loss & LAE and LBA portion of 12/1/03 rate.  
 \*\*\*\* Loss & LAE and LBA portion of 12/1/02 rate.  
 \*\*\*\*\* Loss & LAE and LBA portion of 12/1/01 rate.



**EXHIBIT V - 2  
POLICY YEARS 1997 - 2001  
PREMIUM ON-LEVEL FACTORS**

<u>POLICY YEAR</u>		<u>(1) RATE CHANGE DATE</u>	<u>(2) RATE CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>		<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 12/1/07 RATE LEVEL</u>
2001	VOL	12/01/99	BASE	0.7849	*	0.2046	0.1606	
		3/01/01	0.9079	0.7126		0.6269	0.4467	
		12/01/01	1.1780	0.8394		0.0739	0.0620	
		12/01/02	1.0182	0.8547		-----	-----	
		TO 12/1/07				0.9054	0.6693	
	RM	12/01/99	BASE	1.0000		0.0112	0.0112	
		3/01/01	0.8885	0.8885		0.0788	0.0700	
		12/01/01	1.2850	1.1417		0.0046	0.0053	
		12/01/02	0.9731	1.1110		-----	-----	
		TO 12/1/07				0.0946	0.0865	
TOTAL						0.7558	1.4700	
2000	VOL	12/01/99	BASE	0.7849	*	0.9541	0.7489	
		3/01/01	0.9079	0.7126				
		12/01/01	1.1994	0.8547		-----	-----	
		TO 12/1/07				0.9541	0.7489	
		RM	12/01/99	BASE	1.0000		0.0459	0.0459
	3/01/01		0.8885	0.8885				
	12/01/01		1.2504	1.1110		-----	-----	
	TO 12/1/07					0.0459	0.0459	
	TOTAL							0.7948
	1999	VOL	10/01/98	BASE	0.7821	**	0.9079	0.7101
12/01/99			1.0086	0.7888		0.0653	0.0515	
3/01/01			1.0890	0.8590		-----	-----	
TO 12/1/07						0.9732	0.7616	
RM			10/01/98	BASE	1.0000		0.0260	0.0260
		12/01/99	1.0050	1.0050		0.0008	0.0008	
		3/01/01	1.1110	1.1166		-----	-----	
		TO 12/1/07				0.0268	0.0268	
		TOTAL						0.7884
1998		VOL	8/01/97	BASE	0.7818	***	0.7905	0.6180
	10/01/98		0.8503	0.6648		0.1615	0.1074	
	12/01/99		1.0983	0.7301		-----	-----	
	TO 12/1/07					0.9520	0.7254	
	RM		8/01/97	BASE	1.0000		0.0390	0.0390
		10/01/98	0.8500	0.8500		0.0090	0.0077	
		12/01/99	1.1166	0.9491		-----	-----	
		TO 12/1/07				0.0480	0.0467	
		TOTAL						0.7721
	1997	VOL	8/01/94	BASE	0.7143	****	0.5678	0.4056
8/01/97			1.2236	0.8740		0.3532	0.3087	
10/01/98			0.9339	0.8162		-----	-----	
TO 12/1/07						0.9210	0.7143	
RM			8/1/1994	BASE	1.0000		0.0510	0.0510
		8/1/1997	1.1179	1.1179		0.0280	0.0313	
		10/1/1998	0.9491	1.0610		-----	-----	
		TO 12/1/07				0.0790	0.0823	
		TOTAL						0.7966

\* Loss & LAE and LBA portion of 12/1/99 rate.  
\*\* Loss, LAE and LBA portion of 10/1/98 rate.  
\*\*\* Loss, LAE and LBA portion of 8/1/97 rate.  
\*\*\*\* Loss, LAE and LBA portion of 8/1/94 rate.

**EXHIBIT V - 3**  
**POLICY YEARS 1997-2006**  
**INDEMNITY LOSS ON-LEVEL FACTORS**

<u>POLICY YEAR</u>	<u>(1) LAW AMENDMENT DATE</u>	<u>(2) BENEFIT CHANGE</u>	<u>(3) CUM. INDEX OF COL (2)</u>	<u>(4) PORTION OF YEAR ON-LEVEL</u>	<u>(5) PRODUCT (3) * (4)</u>	<u>FACTOR TO ADJUST TO 6/03/08 BENEFIT LEVEL</u>
2006	6/06/05	BASE	1.0000	0.0951	0.0951	1.0460
	6/07/06	1.0200	1.0200	0.7396	0.7544	
	6/07/07	1.0297	1.0503	0.1653	0.1736	
	6/03/08	1.0189	1.0702	----- 1.0000	----- 1.0231	
2005	5/21/04	BASE	1.0000	0.0939	0.0939	1.0681
	6/06/05	1.0136	1.0136	0.7471	0.7573	
	6/07/06	1.0200	1.0339	0.1590	0.1644	
	6/07/07	1.0492	1.0848	----- 1.0000	----- 1.0156	
	TO 6/03/08					
2004	6/04/03	BASE	1.0000	0.0767	0.0767	1.0830
	5/21/04	1.0094	1.0094	0.7627	0.7699	
	6/06/05	1.0136	1.0231	0.1606	0.1643	
	6/07/06	1.0701	1.0948	----- 1.0000	----- 1.0109	
	TO 6/03/08					
2003	6/14/02	BASE	1.0000	0.0915	0.0915	1.0959
	6/04/03	1.0284	1.0284	0.7235	0.7440	
	5/21/04	1.0094	1.0381	0.1850	0.1920	
	6/06/05	1.0847	1.1260	----- 1.0000	----- 1.0275	
	TO 6/03/08					
2002	6/20/01	BASE	1.0000	0.1038	0.1038	1.1231
	6/14/02	1.0207	1.0207	0.7325	0.7477	
	6/04/03	1.0284	1.0497	0.1637	0.1718	
	5/21/04	1.0949	1.1493	----- 1.0000	----- 1.0233	
	TO 6/03/08					
2001	6/12/00	BASE	1.0000	0.1115	0.1115	1.1488
	6/20/01	1.0242	1.0242	0.7403	0.7582	
	6/14/02	1.0207	1.0454	0.1482	0.1549	
	6/04/03	1.1260	1.1771	----- 1.0000	----- 1.0246	
	TO 6/03/08					
2000	6/15/99	BASE	1.0000	0.1013	0.1013	1.1762
	6/12/00	1.0260	1.0260	0.7594	0.7791	
	6/20/01	1.0242	1.0508	0.1393	0.1464	
	6/14/02	1.1493	1.2077	----- 1.0000	----- 1.0268	
	TO 6/03/08					
1999	6/11/98	BASE	1.0000	0.1050	0.1050	1.2059
	6/15/99	1.0237	1.0237	0.7437	0.7613	
	6/12/00	1.0260	1.0503	0.1513	0.1589	
	6/20/01	1.1771	1.2363	----- 1.0000	----- 1.0252	
	TO 6/03/08					
1998	6/18/97	BASE	1.0000	0.1000	0.1000	1.2347
	6/11/98	1.0221	1.0221	0.7533	0.7699	
	6/15/99	1.0237	1.0463	0.1467	0.1535	
	6/12/00	1.2077	1.2636	----- 1.0000	----- 1.0234	
	TO 6/03/08					
1997	6/03/96	BASE	1.0000	0.1089	0.1089	1.2620
	6/18/97	1.0193	1.0193	0.7383	0.7525	
	6/11/98	1.0221	1.0418	0.1528	0.1592	
	6/15/99	1.2363	1.2880	----- 1.0000	----- 1.0206	
	TO 6/03/08					

EXHIBIT VI - 1

DEVELOPMENT FACTORS

PREMIUM

Reports in Ratio	Calendar Years <u>06-07</u>	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Unweighted Average	Cumulative Average
2nd to 1st	1.0133	1.0063	0.9995	0.9912	1.0026	0.9967
3rd to 2nd	0.9992	1.0002	0.9959	0.9943	0.9974	0.9941
4th to 3rd	0.9998	0.9991	0.9975	0.9982	0.9987	0.9967
5th to 4th	1.0005	1.0001	0.9973	0.9942	0.9980	0.9980
6th to 5th	0.9971	1.0012	0.9982	1.0034	1.0000	1.0000
7th to 6th	0.9999	1.0007	0.9995	0.9999	1.0000	1.0000
8th to 7th	0.9999	1.0002	1.0000	0.9999	1.0000	1.0000
9th to 8th	0.9999	0.9997	1.0000	1.0002	1.0000 *	1.0000
10th to 9th	0.9998	0.9999	1.0000	1.0000	1.0000 *	1.0000
11th to 10th	1.0000	1.0000	1.0000	1.0001	1.0000 *	1.0000
12th to 11th	1.0000	1.0001	0.9999	1.0000	1.0000 *	1.0000
13th to 12th	1.0001	0.9995	1.0000	1.0001	1.0000 *	1.0000
14th to 13th	1.0000	0.9946	1.0002	1.0000	1.0000 *	1.0000
15th to 14th	1.0000	0.9989	1.0019	1.0000	1.0000 *	1.0000
16th to 15th	1.0004	1.0062	1.0000	1.0000	1.0000 *	1.0000
17th to 16th	1.0001	1.0035	1.0000	1.0000	1.0000 *	1.0000
18th to 17th	1.0004	0.9993	1.0000	1.0000	1.0000 *	1.0000
19th to 18th	1.0006	1.0000	1.0000	1.0000	1.0000 *	1.0000
20th to 19th	1.0002	0.9997	1.0000	1.0000	1.0000 *	1.0000
Beyond 20th	1.0000	1.0007	1.0000	0.9725	1.0000 *	1.0000

\* Selected

**EXHIBIT VI - 2**

**DEVELOPMENT FACTORS**

**INDEMNITY LOSSES  
PAID METHOD - LIMITED LOSS BASIS**

Reports in Ratio		Calendar Years <u>06-07</u>	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	1.9540	2.1728	1.8426	1.9296	1.9748	1.9748	4.8639
3rd to 2nd	a	1.4089	1.4474	1.3539	1.4010	1.4028	1.4029	2.4630
4th to 3rd	a	1.1620	1.1380	1.1720	1.2531	1.1813	1.1801	1.7557
5th to 4th	a	1.0909	1.1160	1.1013	1.0857	1.0985	1.1025	1.4877
6th to 5th	a	1.0636	1.0912	1.0583	1.0610	1.0685	1.0660	1.3494
7th to 6th	a	1.0489	1.0524	1.0414	1.0499	1.0482	1.0458	1.2659
8th to 7th	a	1.0216	1.0302	1.0599	1.0259	1.0344	1.0335	1.2104
9th to 8th	a	1.0262	1.0470	1.0158	1.0155	1.0261	1.0256	1.1712
10th to 9th	a	1.0272	1.0109	1.0150	1.0037	1.0142	1.0202	1.1419
11th to 10th	a	1.0118	1.0144	1.0203	1.0246	1.0178	1.0164	1.1193
12th to 11th	a	1.0137	1.0025	1.0176	1.0151	1.0122	1.0137	1.1013
13th to 12th	a	1.0028	1.0149	1.0108	1.0063	1.0087	1.0116	1.0864
14th to 13th	a	1.0536	1.0021	1.0092	1.0075	1.0181	1.0101	1.0739
15th to 14th	a	1.0000	1.0067	1.0101	1.0085	1.0063	1.0090	1.0632
16th to 15th	a	1.0053	1.0131	1.0039	1.0088	1.0078	1.0081	1.0537
17th to 16th	a	1.0042	1.0026	1.0111	1.0071	1.0063	1.0074	1.0452
18th to 17th	a	1.0024	1.0217	1.0040	1.0105	1.0097	1.0068	1.0376
19th to 18th	a	1.0225	1.0020	1.0101	0.9964	1.0078	1.0064	1.0306
20th to 19th	b	1.0203	1.0472	1.0263	1.0282	1.0305	1.0305	1.0240
Beyond 20th	c	0.9992	1.0193	0.9941	0.9621	0.9937	0.9937	0.9937

**INCURRED METHOD**

Reports in Ratio		Calendar Years <u>06-07</u>	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	c	1.2374	1.3445	1.3025	1.2981	1.2956	1.2956	1.8851
3rd to 2nd	c	1.1298	1.1462	1.1414	1.1874	1.1512	1.1512	1.4550
4th to 3rd	c	1.0330	1.0701	1.0310	1.1176	1.0629	1.0626	1.2639
5th to 4th	c	1.0094	1.0315	1.0562	1.0817	1.0447	1.0433	1.1894
6th to 5th	c	1.0161	1.0301	1.0085	1.0416	1.0241	1.0325	1.1401
7th to 6th	c	1.0071	1.0294	1.0217	1.0616	1.0300	1.0249	1.1042
8th to 7th	c	1.0158	1.0253	1.0840	1.0086	1.0334	1.0192	1.0774
9th to 8th	c	1.0131	0.9915	1.0262	1.0064	1.0093	1.0149	1.0571
10th to 9th	c	1.0123	0.9925	0.9900	1.0069	1.0004	1.0116	1.0416
11th to 10th	c	0.9961	0.9979	1.0061	1.0153	1.0039	1.0091	1.0296
12th to 11th	c	0.9999	1.0243	1.0176	1.0099	1.0129	1.0071	1.0203
13th to 12th	c	0.9938	1.0070	1.0065	1.0119	1.0048	1.0055	1.0131
14th to 13th	c	1.0439	0.9971	0.9925	1.0153	1.0122	1.0043	1.0076
15th to 14th	c	0.9962	1.0107	1.0010	1.0015	1.0024	1.0033	1.0033
16th to 15th	c	1.0014	1.0060	1.0092	0.9950	1.0029	1.0024	1.0000
17th to 16th	c	0.9987	0.9980	1.0040	1.0031	1.0010	1.0017	0.9976
18th to 17th	c	0.9983	1.0001	0.9988	0.9965	0.9984	1.0012	0.9959
19th to 18th	c	1.0007	1.0019	0.9926	0.9998	0.9988	1.0007	0.9947
20th to 19th	c	1.0038	1.0011	1.0014	1.0043	1.0027	1.0003	0.9940
Beyond 20th	c	0.9992	1.0193	0.9941	0.9621	0.9937	0.9937	0.9937

- a From Table I-D
- b 19th (Paid - Table I-D) to 20th (Incurred - Table 1-B)
- c From Table I-B

**EXHIBIT VI - 3**

**FITTED DEVELOPMENT FACTORS  
INDEMNITY LOSSES**

**Paid Development**

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.9748	0.9748	0.9748	1.9748
3rd to 2nd	1.4028	0.4028	0.4029	1.4029
4th to 3rd	1.1813	0.1813	0.1801	1.1801
5th to 4th	1.0985	0.0985	0.1025	1.1025
6th to 5th	1.0685	0.0685	0.0660	1.0660
7th to 6th	1.0482	0.0482	0.0458	1.0458
8th to 7th	1.0344	0.0344	0.0335	1.0335
9th to 8th	1.0261	0.0261	0.0256	1.0256
10th to 9th	1.0142	0.0142	0.0202	1.0202
11th to 10th	1.0178	0.0178	0.0164	1.0164
12th to 11th	1.0122	0.0122	0.0137	1.0137
13th to 12th	1.0087	0.0087	0.0116	1.0116
14th to 13th	1.0181	0.0181	0.0101	1.0101
15th to 14th	1.0063	0.0063	0.0090	1.0090
16th to 15th	1.0078	0.0078	0.0081	1.0081
17th to 16th	1.0063	0.0063	0.0074	1.0074
18th to 17th	1.0097	0.0097	0.0068	1.0068
19th to 18th	1.0078	0.0078	0.0064	1.0064
20th to 19th *	1.0305	0.0305	0.0305	1.0305

$Y = a+b/x+c/x^2+d/x^3+e/x^4+f/x^5$

a = 0.009994 b = -0.243423 c = 3.715420 d = -7.639513 e = 12.169911 f = -7.037590

\* Paid-Incurred 4 year average

**Incurred Development**

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.2956	0.2956	0.2956	1.2956
3rd to 2nd	1.1512	0.1512	0.1512	1.1512
4th to 3rd	1.0629	0.0629	0.0626	1.0626
5th to 4th	1.0447	0.0447	0.0433	1.0433
6th to 5th	1.0241	0.0241	0.0325	1.0325
7th to 6th	1.0300	0.0300	0.0249	1.0249
8th to 7th	1.0334	0.0334	0.0192	1.0192
9th to 8th	1.0093	0.0093	0.0149	1.0149
10th to 9th	1.0004	0.0004	0.0116	1.0116
11th to 10th	1.0039	0.0039	0.0091	1.0091
12th to 11th	1.0129	0.0129	0.0071	1.0071
13th to 12th	1.0048	0.0048	0.0055	1.0055
14th to 13th	1.0122	0.0122	0.0043	1.0043
15th to 14th	1.0024	0.0024	0.0033	1.0033
16th to 15th	1.0029	0.0029	0.0024	1.0024
17th to 16th	1.0010	0.0010	0.0017	1.0017
18th to 17th	0.9984	-0.0016	0.0012	1.0012
19th to 18th	0.9988	-0.0012	0.0007	1.0007
20th to 19th	1.0027	0.0027	0.0003	1.0003
Beyond 20th +	0.9937	-0.0063	-0.0063	0.9937

$Y = a+b/x+c/x^2+d/x^3+e/x^4+f/x^5$

a = -0.000664 b = -0.126293 c = 3.449834 d = -14.563004 e = 25.999212 f = -14.463485

+ Selected four year average

**EXHIBIT VI - 4**

**DEVELOPMENT FACTORS**

**MEDICAL LOSSES  
PAID METHOD - LIMITED LOSS BASIS**

Reports in Ratio	Calendar Years <u>06-07</u>	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Unweighted Average	Fitted Value	Cumulative Average
2nd to 1st	a	1.3230	1.3390	1.3288	1.3111		1.3255	1.3255	2.7129
3rd to 2nd	a	1.1383	1.1522	1.1553	1.1432		1.1473	1.1460	2.0467
4th to 3rd	a	1.0428	1.0830	1.0627	1.0931		1.0704	1.0785	1.7860
5th to 4th	a	1.0548	1.0720	1.1013	1.0432		1.0678	1.0581	1.6560
6th to 5th	a	1.0439	1.0627	1.0515	1.0494		1.0519	1.0477	1.5650
7th to 6th	a	1.0500	1.0529	1.0318	1.0404		1.0438	1.0406	1.4938
8th to 7th	a	1.0268	1.0240	1.0274	1.0164		1.0237	1.0350	1.4355
9th to 8th	a	1.0271	1.0366	1.0237	1.0163		1.0259	1.0304	1.3870
10th to 9th	a	1.0341	1.0300	1.0187	1.0093		1.0230	1.0265	1.3460
11th to 10th	a	1.0376	1.0333	1.0206	1.0195		1.0278	1.0231	1.3113
12th to 11th	a	1.0336	1.0299	1.0156	1.0197		1.0247	1.0202	1.2817
13th to 12th	a	1.0309	1.0137	1.0082	1.0146		1.0169	1.0176	1.2563
14th to 13th	a	1.0172	1.0070	1.0107	1.0151		1.0125	1.0153	1.2346
15th to 14th	a	1.0115	1.0215	1.0109	1.0109		1.0137	1.0132	1.2160
16th to 15th	a	1.0104	1.0207	1.0119	1.0075		1.0126	1.0113	1.2001
17th to 16th	a	1.0109	1.0094	1.0086	1.0114		1.0101	1.0097	1.1867
18th to 17th	a	1.0128	1.0051	1.0158	1.0092		1.0107	1.0081	1.1753
19th to 18th	a	1.0059	1.0099	1.0037	1.0011		1.0052	1.0068	1.1659
20th to 19th	b	1.0593	1.0468	1.0563	1.0616		1.0560	1.0560	1.1580
Beyond 20th+	c	1.1050	1.0349	1.0528	1.1167	1.0835	1.1935	1.0966	1.0966

**INCURRED METHOD**

Reports in Ratio	Calendar Years <u>06-07</u>	Calendar Years <u>05-06</u>	Calendar Years <u>04-05</u>	Calendar Years <u>03-04</u>	Calendar Years <u>02-03</u>	Calendar Years <u>01-02</u>	Unweighted Average+	Fitted Value	Cumulative Average	
2nd to 1st	c	1.1286	1.1267	1.1921	1.1282	1.1601	1.2264	1.1685	1.1694	2.1204
3rd to 2nd	c	1.0903	1.1161	1.1279	1.2077	1.1520	1.0821	1.1041	1.0984	1.8133
4th to 3rd	c	1.0633	1.0930	1.0612	1.1625	1.0714	1.0392	1.0642	1.0782	1.6508
5th to 4th	c	1.0326	1.0954	1.1314	1.0845	1.0393	1.0543	1.0784	1.0632	1.5311
6th to 5th	c	1.0230	1.0608	1.0474	1.0669	1.1157	1.0642	1.0489	1.0510	1.4401
7th to 6th	c	1.0474	1.0560	1.0474	1.0444	1.0321	1.0224	1.0433	1.0414	1.3702
8th to 7th	c	1.0613	1.0313	1.0240	1.0214	1.0704	1.0374	1.0385	1.0339	1.3157
9th to 8th	c	1.0093	0.9982	1.0500	1.0467	1.0159	1.0417	1.0248	1.0280	1.2726
10th to 9th	c	1.0090	1.0242	1.0163	1.0766	1.0474	1.0175	1.0168	1.0233	1.2379
11th to 10th	c	0.9926	1.0053	1.0264	1.0077	1.0259	1.0284	1.0132	1.0195	1.2097
12th to 11th	c	1.0171	0.9999	1.0399	1.0262	1.0197	1.0206	1.0194	1.0164	1.1866
13th to 12th	c	1.0006	1.0123	0.9906	1.0428	1.0459	1.0183	1.0055	1.0138	1.1675
14th to 13th	c	1.0146	1.0116	1.0082	1.0356	1.0124	1.0072	1.0104	1.0116	1.1516
15th to 14th	c	1.0041	1.0174	1.0007	1.0270	1.0313	1.0105	1.0082	1.0097	1.1384
16th to 15th	c	0.9984	1.0206	1.0183	1.0028	1.0160	1.0072	1.0111	1.0081	1.1274
17th to 16th	c	1.0115	1.0102	1.0024	1.0158	1.0147	0.9996	1.0059	1.0067	1.1184
18th to 17th	c	0.9992	1.0166	1.0059	1.0040	1.0085	1.0027	1.0061	1.0054	1.1109
19th to 18th	c	1.0111	1.0034	1.0169	1.0127	1.0246	1.0147	1.0115	1.0043	1.1049
20th to 19th	c	1.0080	1.0036	1.0140	1.0222	0.9936	1.0018	1.0069	1.0033	1.1002
Beyond 20th	c	1.1050	1.0349	1.0528	1.1167	1.0835	1.1935	1.0966	1.0966	1.0966

- a** From Table I-E
- b** 19th (Paid - Table I-E) to 20th (Incurred - Table 1-C)
- c** From Table I-C
- +** Average of 01-02, 04-05, 05-06 and 06-07

**EXHIBIT VI - 5**

**FITTED DEVELOPMENT FACTORS**

**MEDICAL LOSSES**

**Paid Development**

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.3255	0.3255	0.3255	1.3255
3rd to 2nd	1.1473	0.1473	0.1460	1.1460
4th to 3rd	1.0704	0.0704	0.0785	1.0785
5th to 4th	1.0678	0.0678	0.0581	1.0581
6th to 5th	1.0519	0.0519	0.0477	1.0477
7th to 6th	1.0438	0.0438	0.0406	1.0406
8th to 7th	1.0237	0.0237	0.0350	1.0350
9th to 8th	1.0259	0.0259	0.0304	1.0304
10th to 9th	1.0230	0.0230	0.0265	1.0265
11th to 10th	1.0278	0.0278	0.0231	1.0231
12th to 11th	1.0247	0.0247	0.0202	1.0202
13th to 12th	1.0169	0.0169	0.0176	1.0176
14th to 13th	1.0125	0.0125	0.0153	1.0153
15th to 14th	1.0137	0.0137	0.0132	1.0132
16th to 15th	1.0126	0.0126	0.0113	1.0113
17th to 16th	1.0101	0.0101	0.0097	1.0097
18th to 17th	1.0107	0.0107	0.0081	1.0081
19th to 18th	1.0052	0.0052	0.0068	1.0068
20th to 19th *	1.0560	0.0560	0.0560	1.0560

$Y = a+b/x+c/x^2+d/x^3+e/x^4$

$a = -0.022495 \quad b = 0.638596 \quad c = -2.265798 \quad d = 4.675805 \quad e = -2.700587$

\* Paid-Incurred 4 year average

**Incurred Development**

	<u>4 Year Average</u>	<u>4 Year Average - 1</u>	<u>Fitted Value</u>	<u>Fitted Value + 1</u>
2nd to 1st	1.1685	0.1685	0.1694	1.1694
3rd to 2nd	1.1041	0.1041	0.0984	1.0984
4th to 3rd	1.0642	0.0642	0.0782	1.0782
5th to 4th	1.0784	0.0784	0.0632	1.0632
6th to 5th	1.0489	0.0489	0.0510	1.0510
7th to 6th	1.0433	0.0433	0.0414	1.0414
8th to 7th	1.0385	0.0385	0.0339	1.0339
9th to 8th	1.0248	0.0248	0.0280	1.0280
10th to 9th	1.0168	0.0168	0.0233	1.0233
11th to 10th	1.0132	0.0132	0.0195	1.0195
12th to 11th	1.0194	0.0194	0.0164	1.0164
13th to 12th	1.0055	0.0055	0.0138	1.0138
14th to 13th	1.0104	0.0104	0.0116	1.0116
15th to 14th	1.0082	0.0082	0.0097	1.0097
16th to 15th	1.0111	0.0111	0.0081	1.0081
17th to 16th	1.0059	0.0059	0.0067	1.0067
18th to 17th	1.0061	0.0061	0.0054	1.0054
19th to 18th	1.0115	0.0115	0.0043	1.0043
20th to 19th	1.0069	0.0069	0.0033	1.0033
Beyond 20th +	1.0966	0.0966	0.0966	1.0966

$Y = a+b/x+c*\exp(-x)$

$a = -0.014830 \quad b = 0.343859 \quad c = -0.433802$

+ Average of 01-02, 04-05, 05-06 and 06-07

**EXHIBIT VII - 1**

**DETERMINATION OF TREND**

**INDEMNITY**

Policy Year	2001	2002	2003	2004	2005	2006
Actual Loss Ratio	0.3389	0.3460	0.3386	0.2942	0.2602	0.2413
Normalized Frequency	0.6001	0.6071	0.5800	0.5093	0.4591	0.4124
Severity Loss Ratio	0.5647	0.5699	0.5838	0.5777	0.5668	0.5851
<b>x</b>	1	2	3	4	5	6
<b>y</b>	0.5647	0.5699	0.5838	0.5777	0.5668	0.5851

6 Point Exponential Regression:  $y = 0.566024 * 1.004311 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/09 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2003	0.5734	0.5882	1.0258	0.6185
2004	0.5758	0.5882	1.0214	0.6708
2005	0.5783	0.5882	1.0170	0.7276
2006	0.5808	0.5882	1.0126	0.7891

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2003	0.3386	0.6345	0.2148
2004	0.2942	0.6852	0.2015
2005	0.2602	0.7400	0.1925
2006	0.2413	0.7990	0.1928

# See Exhibit VII-3 for column (4).



**EXHIBIT VII - 2**

**DETERMINATION OF TREND**

**MEDICAL**

Policy Year	2001	2002	2003	2004	2005	2006
Actual Loss Ratio	0.4248	0.4691	0.4777	0.4559	0.4167	0.3801
Normalized Frequency	0.6001	0.6071	0.5800	0.5093	0.4591	0.4124
Severity Loss Ratio	0.7079	0.7727	0.8236	0.8952	0.9076	0.9217
<b>x</b>	1	2	3	4	5	6
<b>y</b>	0.7079	0.7727	0.8236	0.8952	0.9076	0.9217

6 Point Exponential Regression:  $y = 0.690965 * 1.055355 ^ x$

Policy Year	Fitted Value @ Midpoint of PY (1)	Fitted Value @ 12/1/08 (2)	Severity Trend Factor (3) = (2) / (1)	Frequency Trend Factor (4) #
2003	0.8122	1.1171	1.3754	0.6185
2004	0.8571	1.1171	1.3033	0.6708
2005	0.9046	1.1171	1.2349	0.7276
2006	0.9547	1.1171	1.1702	0.7891

**Trended Loss Ratio**

Policy Year	Actual Loss Ratio (5)	Combined Trend Factor (6) = (3)*(4)	Trended Loss Ratio (7) = (5) * (6)
2003	0.4777	0.8507	0.4064
2004	0.4559	0.8743	0.3986
2005	0.4167	0.8985	0.3744
2006	0.3801	0.9234	0.3510

# See Exhibit VII-3 for column (4).

**EXHIBIT VII - 3**

**DETERMINATION OF TREND**

**Claim Frequency**

Policy Year Frequency per \$1 million of Expected Losses  
{1 = PY 1994, 13 = PY 2006}

Policy Year	Claim Frequency	Normalized Frequency
1994	19.93	1.0000
1995	20.01	1.0040
1996	18.85	0.9458
1997	17.16	0.8610
1998	15.73	0.7893
1999	15.12	0.7587
2000	13.71	0.6879
2001	11.96	0.6001
2002	12.10	0.6071
2003	11.56	0.5800
2004	10.15	0.5093
2005	9.15	0.4591
2006	8.22	0.4124

Policy Year	2001	2002	2003	2004	2005	2006
<b>x</b>	1	2	3	4	5	6
<b>y</b>	0.6001	0.6071	0.5800	0.5093	0.4591	0.4124

6 Point Exponential Regression:  $y = 0.694527 * 0.92196238 ^ x$

**SELECTED FREQUENCY TREND FACTOR**

**-7.8%**

Policy Year	Frequency Trend Factor (1)	# of years to 12/1/09 (2)	Frequency Trend to 12/1/09 (3) = (1)^(2)
2003	0.9220	5.9167	0.6185
2004	0.9220	4.9167	0.6708
2005	0.9220	3.9167	0.7276
2006	0.9220	2.9167	0.7891

TABLE I - LIMITED

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

ACCUMULATED STANDARD EARNED PREMIUM

Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year	Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year
Prior to 1984	345,802,829	344,657,478	0.9967	Prior to 1985	411,530,545	411,530,545	1.0000
1984	41,676,205	41,676,070	1.0000	1985	58,945,026	58,945,026	1.0000
1985	55,822,104	55,822,104	1.0000	1986	70,662,878	70,662,878	1.0000
1986	66,209,998	66,209,998	1.0000	1987	82,211,641	82,211,641	1.0000
1987	76,555,162	76,555,161	1.0000	1988	98,358,405	98,358,405	1.0000
1988	92,299,777	92,299,135	1.0000	1989	106,098,405	106,098,916	1.0000
1989	97,460,913	97,461,505	1.0000	1990	93,359,040	93,535,763	1.0019
1990	85,110,911	85,109,500	1.0000	1991	92,940,119	92,960,348	1.0002
1991	86,210,356	86,219,084	1.0001	1992	86,377,584	86,375,862	1.0000
1992	78,255,565	78,254,283	1.0000	1993	86,989,474	86,984,577	0.9999
1993	79,860,765	79,865,509	1.0001	1994	83,902,268	83,903,080	1.0000
1994	76,190,720	76,193,011	1.0000	1995	80,763,835	80,761,029	1.0000
1995	76,024,554	76,036,484	1.0002	1996	85,205,097	85,206,686	1.0000
1996	79,962,377	79,953,089	0.9999	1997	88,897,437	88,899,092	1.0000
1997	83,392,380	83,387,902	0.9999	1998	94,856,565	94,807,782	0.9995
1998	88,723,451	89,028,759	1.0034	1999	88,781,739	88,621,444	0.9982
1999	82,032,513	81,559,212	0.9942	2000	96,023,457	95,760,743	0.9973
2000	90,030,337	89,864,096	0.9982	2001	98,785,582	98,540,790	0.9975
2001	93,521,814	92,988,725	0.9943	2002	120,434,706	119,937,152	0.9959
2002	116,780,532	115,751,627	0.9912	2003	134,241,592	134,178,663	0.9995
2003	67,633,669	129,488,542	1.9146	2004	75,862,004	150,089,303	1.9785
2004		73,227,683		2005		92,830,898	

  

Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year	Policy Year Valued	As of 12/31/06	As of 12/31/07	Ratio to Prior Year
Prior to 1986	470,469,262	470,520,746	1.0001	Prior to 1986	470,520,746	470,521,010	1.0000
1986	70,662,802	70,642,703	0.9997	1986	70,642,703	70,643,392	1.0000
1987	82,211,765	82,212,725	1.0000	1987	82,212,725	82,225,750	1.0002
1988	98,361,301	98,290,364	0.9993	1988	98,290,364	98,345,982	1.0006
1989	106,128,025	106,496,998	1.0035	1989	106,496,998	106,535,459	1.0004
1990	93,537,296	94,117,228	1.0062	1990	94,117,228	94,130,902	1.0001
1991	92,964,855	92,864,993	0.9989	1991	92,864,993	92,904,056	1.0004
1992	86,386,679	85,921,187	0.9946	1992	85,921,187	85,919,982	1.0000
1993	86,984,577	86,945,402	0.9995	1993	86,945,402	86,944,981	1.0000
1994	83,903,080	83,907,387	1.0001	1994	83,907,387	83,912,349	1.0001
1995	80,761,029	80,758,868	1.0000	1995	80,758,868	80,759,982	1.0000
1996	85,206,686	85,199,703	0.9999	1996	85,199,703	85,197,215	1.0000
1997	88,899,092	88,872,668	0.9997	1997	88,872,668	88,853,555	0.9998
1998	94,807,782	94,826,083	1.0002	1998	94,826,083	94,812,033	0.9999
1999	88,621,444	88,680,449	1.0007	1999	88,680,449	88,669,578	0.9999
2000	95,760,743	95,875,733	1.0012	2000	95,875,733	95,862,477	0.9999
2001	98,540,790	98,551,423	1.0001	2001	98,551,423	98,266,463	0.9971
2002	119,937,152	119,825,276	0.9991	2002	119,825,276	119,887,918	1.0005
2003	134,178,663	134,204,821	1.0002	2003	134,204,821	134,172,879	0.9998
2004	150,089,303	151,031,871	1.0063	2004	151,012,670	150,894,279	0.9992
2005	92,849,035	181,556,428	1.9554	2005	180,949,801	183,361,578	1.0133
2006		109,112,372		2006	109,101,431	203,892,331	1.8688
				2007		107,882,277	

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

TABLE I - A - Individual Losses Limited to \$2,115,000 \*

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year	Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year
Prior to 1984	207,974,007	208,667,855	1.0033	Prior to 1985	249,934,959	250,643,320	1.0028
1984	26,478,791	26,789,743	1.0117	1985	37,327,924	37,579,469	1.0067
1985	34,512,023	34,697,888	1.0054	1986	41,081,108	41,182,198	1.0025
1986	38,607,527	38,590,160	0.9996	1987	49,975,639	50,068,573	1.0019
1987	46,072,857	46,470,641	1.0086	1988	49,122,065	49,281,411	1.0032
1988	46,080,375	46,011,447	0.9985	1989	54,436,910	55,166,478	1.0134
1989	47,025,549	47,653,159	1.0133	1990	55,137,830	55,184,921	1.0009
1990	48,942,686	50,153,839	1.0247	1991	56,513,232	56,529,748	1.0003
1991	50,378,421	51,737,820	1.0270	1992	52,100,621	52,006,065	0.9982
1992	46,560,388	47,416,801	1.0184	1993	56,081,932	57,702,313	1.0289
1993	50,604,142	51,184,754	1.0115	1994	49,886,639	50,734,686	1.0170
1994	40,921,987	42,685,716	1.0431	1995	54,340,700	54,564,465	1.0041
1995	49,641,726	51,000,286	1.0274	1996	62,381,200	64,800,100	1.0388
1996	56,169,213	57,023,368	1.0152	1997	60,402,200	63,561,446	1.0523
1997	53,685,483	56,501,116	1.0524	1998	57,402,433	59,466,423	1.0360
1998	49,642,151	52,388,355	1.0553	1999	64,876,821	66,779,749	1.0293
1999	56,310,225	60,994,190	1.0832	2000	79,724,017	87,342,548	1.0956
2000	64,838,319	73,981,636	1.1410	2001	67,745,187	70,930,773	1.0470
2001	52,591,542	63,009,165	1.1981	2002	64,533,554	73,178,519	1.1340
2002	52,161,705	62,543,409	1.1990	2003	55,296,883	68,466,888	1.2382
2003	21,054,646	53,840,926	2.5572	2004	23,645,495	60,644,987	2.5648
2004		23,162,230		2005		20,195,971	

  

Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year	Policy Year Valued	As of 12/31/06	As of 12/31/07	Ratio to Prior Year
Prior to 1986	288,222,789	289,281,833	1.0037	Prior to 1986	289,281,833	290,726,569	1.0050
1986	41,182,198	41,271,085	1.0022	1986	41,271,085	41,586,110	1.0076
1987	50,068,573	50,197,119	1.0026	1987	50,197,119	50,477,565	1.0056
1988	49,281,411	49,651,287	1.0075	1988	49,651,287	49,920,057	1.0054
1989	55,166,478	55,366,538	1.0036	1989	55,366,538	55,294,679	0.9987
1990	55,184,921	55,895,148	1.0129	1990	55,895,148	56,161,437	1.0048
1991	56,529,748	57,323,113	1.0140	1991	57,323,113	57,314,587	0.9999
1992	52,007,400	52,249,133	1.0046	1992	52,249,133	52,265,065	1.0003
1993	57,702,313	58,264,620	1.0097	1993	58,264,620	59,948,567	1.0289
1994	50,734,686	51,295,888	1.0111	1994	51,295,888	51,165,644	0.9975
1995	54,564,465	54,669,112	1.0019	1995	54,669,112	55,173,897	1.0092
1996	64,800,100	65,407,852	1.0094	1996	65,407,852	65,031,889	0.9943
1997	63,561,446	63,241,436	0.9950	1997	63,241,436	63,913,810	1.0106
1998	59,466,423	61,171,592	1.0287	1998	61,171,592	61,843,264	1.0110
1999	66,779,749	69,709,456	1.0439	1999	69,709,456	72,559,384	1.0409
2000	87,342,548	91,423,905	1.0467	2000	91,423,905	94,091,934	1.0292
2001	70,930,773	75,602,656	1.0659	2001	75,602,656	77,108,689	1.0199
2002	73,178,519	79,224,170	1.0826	2002	79,224,170	80,983,111	1.0222
2003	68,466,888	77,321,626	1.1293	2003	77,321,626	81,172,519	1.0498
2004	60,644,987	73,292,050	1.2085	2004	73,277,664	81,104,201	1.1068
2005	20,195,971	59,645,373	2.9533	2005	59,400,066	69,602,952	1.1718
2006		22,450,867		2006	22,445,616	56,240,186	2.5056
				2007		19,736,223	

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

\* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - B - Individual Losses Limited to \$2,115,000 \*

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES

Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year	Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year
Prior to 1984	135,009,547	134,421,504	0.9956	Prior to 1985	160,196,434	160,070,335	0.9992
1984	15,497,305	15,564,649	1.0043	1985	21,525,222	21,555,742	1.0014
1985	19,644,936	19,641,461	0.9998	1986	24,447,561	24,267,594	0.9926
1986	22,911,400	22,830,992	0.9965	1987	28,479,939	28,445,233	0.9988
1987	26,038,222	26,118,872	1.0031	1988	27,041,563	27,148,707	1.0040
1988	25,348,175	25,221,126	0.9950	1989	29,364,859	29,634,495	1.0092
1989	25,253,218	25,292,262	1.0015	1990	29,103,454	29,133,330	1.0010
1990	26,111,240	26,509,701	1.0153	1991	28,480,544	28,266,746	0.9925
1991	25,856,577	26,165,464	1.0119	1992	24,816,549	24,977,801	1.0065
1992	22,219,510	22,438,569	1.0099	1993	27,735,856	28,223,964	1.0176
1993	25,394,746	25,782,404	1.0153	1994	23,082,123	23,222,300	1.0061
1994	19,655,469	19,790,860	1.0069	1995	25,194,596	24,943,817	0.9900
1995	23,848,193	24,001,194	1.0064	1996	29,508,572	30,282,987	1.0262
1996	27,277,516	27,513,011	1.0086	1997	28,485,565	30,878,966	1.0840
1997	25,040,683	26,583,889	1.0616	1998	25,569,599	26,125,298	1.0217
1998	22,693,043	23,636,172	1.0416	1999	30,150,518	30,407,675	1.0085
1999	25,987,131	28,109,907	1.0817	2000	37,951,960	40,083,699	1.0562
2000	31,022,063	34,670,790	1.1176	2001	31,794,525	32,779,118	1.0310
2001	24,861,991	29,521,058	1.1874	2002	29,064,623	33,173,595	1.1414
2002	21,733,092	28,212,510	1.2981	2003	23,082,823	30,064,652	1.3025
2003	7,650,393	22,469,439	2.9370	2004	8,864,663	22,788,309	2.5707
2004		8,720,526		2005		7,113,116	

  

Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year	Policy Year Valued	As of 12/31/06	As of 12/31/07	Ratio to Prior Year
Prior to 1986	181,728,790	182,197,827	1.0026	Prior to 1986	182,197,827	181,956,036	0.9987
1986	24,267,594	24,295,279	1.0011	1986	24,295,279	24,521,681	1.0093
1987	28,445,233	28,499,715	1.0019	1987	28,499,715	28,606,834	1.0038
1988	27,148,707	27,151,458	1.0001	1988	27,151,458	27,170,512	1.0007
1989	29,634,495	29,574,888	0.9980	1989	29,574,888	29,523,491	0.9983
1990	29,133,330	29,307,719	1.0060	1990	29,307,719	29,268,379	0.9987
1991	28,266,746	28,568,063	1.0107	1991	28,568,063	28,606,976	1.0014
1992	24,977,801	24,905,202	0.9971	1992	24,905,202	24,809,796	0.9962
1993	28,223,964	28,422,697	1.0070	1993	28,422,697	29,670,576	1.0439
1994	23,222,300	23,787,447	1.0243	1994	23,787,447	23,640,597	0.9938
1995	24,943,817	24,890,459	0.9979	1995	24,890,459	24,886,843	0.9999
1996	30,282,987	30,056,816	0.9925	1996	30,056,816	29,940,715	0.9961
1997	30,878,966	30,617,885	0.9915	1997	30,617,885	30,995,037	1.0123
1998	26,125,298	26,785,822	1.0253	1998	26,785,822	27,136,252	1.0131
1999	30,407,675	31,300,363	1.0294	1999	31,300,363	31,794,905	1.0158
2000	40,083,699	41,291,573	1.0301	2000	41,291,573	41,585,759	1.0071
2001	32,779,118	33,811,519	1.0315	2001	33,811,519	34,354,962	1.0161
2002	33,173,595	35,500,198	1.0701	2002	35,500,198	35,834,800	1.0094
2003	30,064,652	34,460,398	1.1462	2003	34,460,398	35,597,351	1.0330
2004	22,788,309	30,639,429	1.3445	2004	30,639,429	34,616,520	1.1298
2005	7,113,116	23,664,538	3.3269	2005	23,568,852	29,165,067	1.2374
2006		8,718,499		2006	8,716,928	22,190,237	2.5456
				2007		6,687,708	

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

\* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

**TABLE I - C - Individual Losses Limited to \$2,115,000 \***

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**

**MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/03</b>	<b>As of 12/31/04</b>	<b>Ratio to Prior Year</b>	<b>Policy Year Valued</b>	<b>As of 12/31/04</b>	<b>As of 12/31/05</b>	<b>Ratio to Prior Year</b>
Prior to 1984	72,964,460	74,246,351	1.0176	Prior to 1985	89,738,525	90,572,985	1.0093
1984	10,981,486	11,225,094	1.0222	1985	15,802,702	16,023,727	1.0140
1985	14,867,087	15,056,427	1.0127	1986	16,633,547	16,914,604	1.0169
1986	15,696,127	15,759,168	1.0040	1987	21,495,700	21,623,340	1.0059
1987	20,034,635	20,351,769	1.0158	1988	22,080,502	22,132,704	1.0024
1988	20,732,200	20,790,321	1.0028	1989	25,072,051	25,531,983	1.0183
1989	21,772,331	22,360,897	1.0270	1990	26,034,376	26,051,591	1.0007
1990	22,831,446	23,644,138	1.0356	1991	28,032,688	28,263,002	1.0082
1991	24,521,844	25,572,356	1.0428	1992	27,284,072	27,028,264	0.9906
1992	24,340,878	24,978,232	1.0262	1993	28,346,076	29,478,349	1.0399
1993	25,209,396	25,402,350	1.0077	1994	26,804,516	27,512,386	1.0264
1994	21,266,518	22,894,856	1.0766	1995	29,146,104	29,620,648	1.0163
1995	25,793,533	26,999,092	1.0467	1996	32,872,628	34,517,113	1.0500
1996	28,891,697	29,510,357	1.0214	1997	31,916,635	32,682,480	1.0240
1997	28,644,800	29,917,227	1.0444	1998	31,832,834	33,341,125	1.0474
1998	26,949,108	28,752,183	1.0669	1999	34,726,303	36,372,074	1.0474
1999	30,323,094	32,884,283	1.0845	2000	41,772,057	47,258,849	1.1314
2000	33,816,256	39,310,846	1.1625	2001	35,950,662	38,151,655	1.0612
2001	27,729,551	33,488,107	1.2077	2002	35,468,931	40,004,924	1.1279
2002	30,428,613	34,330,899	1.1282	2003	32,214,060	38,402,236	1.1921
2003	13,404,253	31,371,487	2.3404	2004	14,780,832	37,856,678	2.5612
2004		14,441,704		2005		13,082,855	

  

<b>Policy Year Valued</b>	<b>As of 12/31/05</b>	<b>As of 12/31/06</b>	<b>Ratio to Prior Year</b>	<b>Policy Year Valued</b>	<b>As of 12/31/06</b>	<b>As of 12/31/07</b>	<b>Ratio to Prior Year</b>
Prior to 1986	106,493,999	107,084,006	1.0055	Prior to 1986	107,084,006	108,770,533	1.0157
1986	16,914,604	16,975,806	1.0036	1986	16,975,806	17,064,429	1.0052
1987	21,623,340	21,697,404	1.0034	1987	21,697,404	21,870,731	1.0080
1988	22,132,704	22,499,829	1.0166	1988	22,499,829	22,749,545	1.0111
1989	25,531,983	25,791,650	1.0102	1989	25,791,650	25,771,188	0.9992
1990	26,051,591	26,587,429	1.0206	1990	26,587,429	26,893,058	1.0115
1991	28,263,002	28,755,050	1.0174	1991	28,755,050	28,707,611	0.9984
1992	27,029,599	27,343,931	1.0116	1992	27,343,931	27,455,269	1.0041
1993	29,478,349	29,841,923	1.0123	1993	29,841,923	30,277,991	1.0146
1994	27,512,386	27,508,441	0.9999	1994	27,508,441	27,525,047	1.0006
1995	29,620,648	29,778,653	1.0053	1995	29,778,653	30,287,054	1.0171
1996	34,517,113	35,351,036	1.0242	1996	35,351,036	35,091,174	0.9926
1997	32,682,480	32,623,551	0.9982	1997	32,623,551	32,918,773	1.0090
1998	33,341,125	34,385,770	1.0313	1998	34,385,770	34,707,012	1.0093
1999	36,372,074	38,409,093	1.0560	1999	38,409,093	40,764,479	1.0613
2000	47,258,849	50,132,332	1.0608	2000	50,132,332	52,506,175	1.0474
2001	38,151,655	41,791,137	1.0954	2001	41,791,137	42,753,727	1.0230
2002	40,004,924	43,723,972	1.0930	2002	43,723,972	45,148,311	1.0326
2003	38,402,236	42,861,228	1.1161	2003	42,861,228	45,575,168	1.0633
2004	37,856,678	42,652,621	1.1267	2004	42,638,235	46,487,681	1.0903
2005	13,082,855	35,980,835	2.7502	2005	35,831,214	40,437,885	1.1286
2006		13,732,368		2006	13,728,688	34,049,949	2.4802
				2007		13,048,515	

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

\* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - D - Individual Losses Limited to \$2,115,000 \*

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

INDEMNITY PAID LOSSES

Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year	Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year
Prior to 1984	129,196,963	129,795,958	1.0046	Prior to 1985	154,891,111	155,354,719	1.0030
1984	15,138,484	15,120,518	0.9988	1985	21,004,031	21,063,110	1.0028
1985	19,202,040	19,133,346	0.9964	1986	22,968,803	23,200,692	1.0101
1986	21,168,343	21,391,444	1.0105	1987	27,871,736	27,982,289	1.0040
1987	25,461,220	25,641,545	1.0071	1988	25,070,865	25,348,539	1.0111
1988	23,057,634	23,261,424	1.0088	1989	28,692,519	28,804,034	1.0039
1989	24,729,491	24,939,607	1.0085	1990	26,456,122	26,723,899	1.0101
1990	23,864,994	24,044,605	1.0075	1991	26,754,576	27,000,763	1.0092
1991	24,518,897	24,673,481	1.0063	1992	24,165,137	24,425,443	1.0108
1992	21,465,245	21,789,344	1.0151	1993	25,925,341	26,382,188	1.0176
1993	23,411,068	23,986,737	1.0246	1994	21,766,184	22,208,109	1.0203
1994	18,452,937	18,521,159	1.0037	1995	22,844,564	23,186,562	1.0150
1995	21,320,275	21,651,162	1.0155	1996	27,019,375	27,446,527	1.0158
1996	24,447,168	25,081,032	1.0259	1997	24,264,738	25,718,357	1.0599
1997	21,624,691	22,703,633	1.0499	1998	22,582,421	23,516,914	1.0414
1998	19,637,970	20,836,227	1.0610	1999	25,474,522	26,960,937	1.0583
1999	21,651,985	23,506,776	1.0857	2000	28,835,652	31,757,362	1.1013
2000	21,127,554	26,474,576	1.2531	2001	21,259,953	24,915,684	1.1720
2001	14,249,243	19,962,747	1.4010	2002	17,529,272	23,733,730	1.3539
2002	8,858,695	17,093,916	1.9296	2003	9,226,464	17,000,415	1.8426
2003	2,031,122	9,004,783	4.4334	2004	1,984,115	8,061,155	4.0628
2004		1,938,227		2005		1,944,100	

  

Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year	Policy Year Valued	As of 12/31/06	As of 12/31/07	Ratio to Prior Year
Prior to 1986	176,547,241	177,363,524	1.0046	Prior to 1986	177,363,524	178,354,479	1.0056
1986	23,200,692	23,317,528	1.0050	1986	23,317,528	23,440,635	1.0053
1987	27,982,289	28,038,015	1.0020	1987	28,038,015	28,221,719	1.0066
1988	25,348,539	25,898,981	1.0217	1988	25,898,981	26,481,376	1.0225
1989	28,804,034	28,879,463	1.0026	1989	28,879,463	28,949,332	1.0024
1990	26,723,899	27,074,690	1.0131	1990	27,074,690	27,187,316	1.0042
1991	27,000,763	27,180,649	1.0067	1991	27,180,649	27,323,874	1.0053
1992	24,425,443	24,477,650	1.0021	1992	24,477,650	24,477,065	1.0000
1993	26,382,188	26,775,126	1.0149	1993	26,775,126	28,211,094	1.0536
1994	22,208,109	22,264,471	1.0025	1994	22,264,471	22,326,915	1.0028
1995	23,186,562	23,519,491	1.0144	1995	23,519,491	23,841,626	1.0137
1996	27,446,527	27,745,982	1.0109	1996	27,745,982	28,072,192	1.0118
1997	25,718,357	26,927,543	1.0470	1997	26,927,543	27,660,768	1.0272
1998	23,516,914	24,227,897	1.0302	1998	24,227,897	24,862,164	1.0262
1999	26,960,937	28,373,764	1.0524	1999	28,373,764	28,985,509	1.0216
2000	31,757,362	34,652,939	1.0912	2000	34,652,939	36,347,864	1.0489
2001	24,915,684	27,804,785	1.1160	2001	27,804,785	29,572,380	1.0636
2002	23,733,730	27,008,623	1.1380	2002	27,008,623	29,463,585	1.0909
2003	17,000,415	24,606,807	1.4474	2003	24,606,807	28,594,218	1.1620
2004	8,061,155	17,515,452	2.1728	2004	17,515,452	24,677,133	1.4089
2005	1,944,100	8,483,069	4.3635	2005	8,453,523	16,518,168	1.9540
2006		2,041,025		2006	2,041,025	8,625,993	4.2263
				2007		1,907,475	

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

\* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

TABLE I - E - Individual Losses Limited to \$2,115,000 \*

POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR

MEDICAL PAID LOSSES

Policy Year Valued	As of 12/31/03	As of 12/31/04	Ratio to Prior Year	Policy Year Valued	As of 12/31/04	As of 12/31/05	Ratio to Prior Year
Prior to 1984	69,019,174	69,536,510	1.0075	Prior to 1985	84,257,147	84,978,621	1.0086
1984	10,573,643	10,631,149	1.0054	1985	15,169,957	15,230,534	1.0040
1985	14,453,764	14,469,505	1.0011	1986	16,156,365	16,216,790	1.0037
1986	15,146,821	15,286,511	1.0092	1987	20,126,140	20,445,038	1.0158
1987	18,795,092	19,009,283	1.0114	1988	21,599,229	21,784,746	1.0086
1988	20,157,963	20,309,048	1.0075	1989	23,720,768	24,004,060	1.0119
1989	21,068,691	21,297,794	1.0109	1990	23,690,108	23,947,799	1.0109
1990	21,101,690	21,420,010	1.0151	1991	25,671,818	25,946,633	1.0107
1991	22,946,227	23,280,832	1.0146	1992	25,951,000	26,162,969	1.0082
1992	23,252,740	23,711,059	1.0197	1993	26,036,667	26,442,599	1.0156
1993	22,910,338	23,356,316	1.0195	1994	23,015,304	23,488,730	1.0206
1994	19,623,250	19,806,477	1.0093	1995	25,288,443	25,760,421	1.0187
1995	23,220,861	23,599,392	1.0163	1996	28,166,362	28,832,598	1.0237
1996	25,229,069	25,642,155	1.0164	1997	27,027,468	27,767,038	1.0274
1997	24,441,222	25,427,555	1.0404	1998	27,863,230	28,748,550	1.0318
1998	24,285,275	25,483,968	1.0494	1999	30,091,439	31,640,472	1.0515
1999	27,252,854	28,429,357	1.0432	2000	32,707,082	36,020,836	1.1013
2000	28,132,548	30,753,081	1.0931	2001	28,112,093	29,874,880	1.0627
2001	22,971,720	26,260,424	1.1432	2002	27,960,994	32,304,423	1.1553
2002	20,652,923	27,078,393	1.3111	2003	23,234,230	30,872,774	1.3288
2003	6,332,445	22,625,650	3.5730	2004	5,899,326	25,507,428	4.3238
2004		5,708,993		2005		6,162,882	

  

Policy Year Valued	As of 12/31/05	As of 12/31/06	Ratio to Prior Year	Policy Year Valued	As of 12/31/06	As of 12/31/07	Ratio to Prior Year
Prior to 1986	100,079,743	100,939,570	1.0086	Prior to 1986	100,939,570	101,788,666	1.0084
1986	16,216,790	16,295,955	1.0049	1986	16,295,955	16,428,982	1.0082
1987	20,445,038	20,647,196	1.0099	1987	20,647,196	20,798,748	1.0073
1988	21,784,746	21,896,215	1.0051	1988	21,896,215	22,025,902	1.0059
1989	24,004,060	24,229,437	1.0094	1989	24,229,437	24,539,478	1.0128
1990	23,947,799	24,443,547	1.0207	1990	24,443,547	24,710,353	1.0109
1991	25,946,633	26,504,027	1.0215	1991	26,504,027	26,779,154	1.0104
1992	26,164,304	26,346,479	1.0070	1992	26,346,479	26,648,573	1.0115
1993	26,442,599	26,806,043	1.0137	1993	26,806,043	27,267,417	1.0172
1994	23,488,730	24,190,631	1.0299	1994	24,190,631	24,938,220	1.0309
1995	25,760,421	26,617,681	1.0333	1995	26,617,681	27,512,185	1.0336
1996	28,832,598	29,697,252	1.0300	1996	29,697,252	30,815,205	1.0376
1997	27,767,038	28,782,332	1.0366	1997	28,782,332	29,764,896	1.0341
1998	28,748,550	29,438,712	1.0240	1998	29,438,712	30,237,904	1.0271
1999	31,640,472	33,314,786	1.0529	1999	33,314,786	34,206,007	1.0268
2000	36,020,836	38,279,984	1.0627	2000	38,279,984	40,193,259	1.0500
2001	29,874,880	32,026,914	1.0720	2001	32,026,914	33,432,013	1.0439
2002	32,304,423	34,987,001	1.0830	2002	34,987,001	36,903,929	1.0548
2003	30,872,774	35,572,714	1.1522	2003	35,572,714	37,095,765	1.0428
2004	25,507,428	34,153,218	1.3390	2004	34,138,832	38,858,553	1.1383
2005	6,162,882	25,536,080	4.1435	2005	25,432,778	33,648,608	1.3230
2006		6,255,230		2006	6,255,230	24,285,960	3.8825
				2007		5,709,025	

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

\* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.



**TABLE I - C - Individual Losses Limited to \$2,115,000 \***

**POLICY YEAR DATA ACCUMULATED TO END OF CALENDAR YEAR**

**MEDICAL INCURRED LOSSES EXCLUDING BULK AND IBNR RESERVES**

<b>Policy Year Valued</b>	<b>As of 12/31/01</b>	<b>As of 12/31/02</b>	<b>Ratio to Prior Year</b>	<b>Policy Year Valued</b>	<b>As of 12/31/02</b>	<b>As of 12/31/03</b>	<b>Ratio to Prior Year</b>
Prior to 1982	61,592,203	63,128,330	1.0249	Prior to 1983	67,876,537	68,735,526	1.0127
1982	7,937,143	7,951,509	1.0018	1983	10,287,998	10,222,186	0.9936
1983	10,164,894	10,314,790	1.0147	1984	11,252,233	11,528,682	1.0246
1984	11,222,946	11,253,059	1.0027	1985	15,870,517	16,006,027	1.0085
1985	15,856,901	15,850,538	0.9996	1986	16,328,936	16,569,119	1.0147
1986	16,324,007	16,440,964	1.0072	1987	20,828,691	21,161,926	1.0160
1987	20,575,582	20,791,861	1.0105	1988	21,320,967	21,988,374	1.0313
1988	21,166,334	21,317,793	1.0072	1989	24,059,503	24,358,779	1.0124
1989	23,585,192	24,016,869	1.0183	1990	24,407,224	25,526,393	1.0459
1990	23,885,154	24,377,128	1.0206	1991	26,678,380	27,202,804	1.0197
1991	25,824,583	26,558,683	1.0284	1992	25,647,211	26,311,268	1.0259
1992	25,123,408	25,562,590	1.0175	1993	25,068,181	26,255,556	1.0474
1993	24,038,596	25,041,264	1.0417	1994	22,481,901	22,838,613	1.0159
1994	21,672,302	22,481,901	1.0374	1995	24,911,846	26,665,462	1.0704
1995	24,326,866	24,872,016	1.0224	1996	28,856,548	29,781,718	1.0321
1996	27,121,231	28,861,711	1.0642	1997	26,457,830	29,519,294	1.1157
1997	24,437,372	25,764,950	1.0543	1998	27,890,871	28,986,501	1.0393
1998	26,845,900	27,898,097	1.0392	1999	29,774,261	31,900,979	1.0714
1999	27,136,424	29,363,225	1.0821	2000	30,685,224	35,350,250	1.1520
2000	24,465,693	30,004,431	1.2264	2001	24,801,501	28,771,131	1.1601
2001	10,225,219	23,888,085	2.3362	2002	13,403,329	30,655,854	2.2872
2002		13,128,555		2003		13,424,295	

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

\* Losses limited on a per-claim basis, with the actual limitation varying by policy year as described in Exhibit 1a.

EXHIBIT VIII  
DELAWARE COMPENSATION RATING BUREAU, INC.  
RATE AND LOSS COST FORMULAE

The experience used for classification relativities for the December 1, 2008 revision will include all available risks. It is proposed that catastrophes be limited in accordance with the procedure previously employed in other Bureau filings. The experience period will be five (5) years for all classifications regardless of whether a classification might meet the full credibility requirements with less than five years of data. Credibility will be based on reported payrolls for classifications using payroll as the exposure base. For non-payroll classifications, expected losses will be used as the basis for credibility. Thus, two credibility tables will be prepared for use in the December 1, 2008 filing. The values for these respective tables will be established such that the credibilities assigned to a payroll-based classification having the same portion of total statewide expected losses and payrolls attributable to its experience using each table would be equal. All occupational disease losses will be included in the exhibit of classification experience, with the total amount of such losses by type of injury being shown on a separate line on the classification rate worksheets.

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

The calculation of assigned risk classification rates will be made in accordance with the following procedure:

- (1) Determine the pure premiums underlying present Manual Residual Market Rates by category (serious, non-serious, medical only and total) for each classification.
- (2) Adjust the present pure premiums by category (serious, non-serious, medical-only and total) to the December 1, 2008 on-rate-level to obtain present on-rate-level pure premiums.
- (3) Determine Expected Losses (serious, non-serious, medical-only and total) for each classification by multiplying the exposures from the experience period by the pure premiums underlying present Manual Rates.
- (4) Determine the indicated pure premiums (serious, non-serious, medical-only and total) from the exposures and losses from the experience period.
- (5) Test the indicated total pure premiums by multiplying the exposures of the latest three years for each classification and obtaining the total Actual Losses for all classifications combined.
- (6) Calculate Expected Losses by multiplying the present pure premiums by the exposures from the last three years for each classification and by the overall average rate change.
- (7) Obtain correction factors by category of loss (serious, non-serious and medical-only) by dividing the Expected Losses derived in (6) by the Actual Losses derived in (5).
- (8) Multiply the indicated (pre-test) pure premiums from (4) times the correction factors derived in (7) to obtain indicated (post-test) pure premiums.

RATE AND LOSS COST FORMULAE (continued)

- (9) Determine “formula” pure premiums from (2) and (8) above for each type of loss (serious, non-serious and medical-only), with credibility for each category of loss corresponding to either the amount of reported payroll (for all classifications in which payroll is the exposure base) or to the amount of Expected Losses (for all “non-payroll” classifications). Credibility weights will be taken from exhibits appearing in the Class Book. The complement of credibility is in each case to be assigned to the present on December 1, 2008 level pure premiums for each category of loss.
- (10) Select proposed total pure premiums for each classification, using the middle value from the total pure premiums derived in (2), (8) and (9) above. If the proposed pure premium selected on this basis is different from the formula pure premium derived in (9) above, partial pure premiums are to be allocated between categories (serious, non-serious and medical-only) in the same proportion as the partial pure premiums comprising the formula pure premium.
- (11) Test the proposed total pure premiums selected in (10) by multiplying by the exposures of the three latest years for each classification and obtaining the total Expected Losses for all classifications combined.
- (12) Obtain a correction factor by dividing the Expected Losses derived in (6) above by the Expected Losses derived in (11) above.
- (13) Calculate the “composite pure premium multipliers” for each industry group as the product of the following items:
  - (a) The pure premium correction factor determined in (12) above.
  - (b) The proposed experience rating plan off-balance factor (Collectible Premium Ratio).
  - (c) The inverse of the permissible loss and loss adjustment ratio.
  - (d) The estimated effect of the July 1, 2009 benefit change.
- (14) Apply the composite pure premium multiplier obtained in (13) above to the proposed total pure premiums to obtain Manual Rates.
- (15) Test to assure that the maximum departure of the Manual Rates derived in (14) above from current Manual Rates is in accordance with the following parameters:

Maximum Change in Rates:  
Upward: The industry group average change plus 25% rounded to the nearest 1%.  
Downward: The industry group average change minus 25% rounded to the nearest 1%.
- (16) Manual rates are to be rounded to the nearest \$.01.
- (17) Test the Manual Rates derived in (16) above to determine if balance has been achieved within 0.0005 of the indicated change in rate level by industry group. If such balance has not been achieved, calculate the necessary correction factor to adjust the composite pure premium multipliers derived in (13) above to achieve the necessary balance. Perform steps (14) through (17) iteratively until the desired balance is achieved.

## RATE AND LOSS COST FORMULAE (continued)

### Non-reviewed Classifications

- (18) For classifications with insufficient credibility (non-reviewed classifications), an alternative calculation is used to derive indicated rates.

Insufficient credibility is defined as having five-year payroll of less than that necessary to achieve 5% credibility for the non-serious component of pure premium. For non-payroll based classifications, expected losses replace payrolls.

For these non-reviewed classes, the indicated rate is calculated as follows:

- a) An average loss cost using Pennsylvania loss cost values and the Delaware distribution of business by class is calculated.
- b) Classification relativities are then calculated that relate the Pennsylvania loss cost by classification to the average overall loss cost calculated in (a) above.
- c) Indicated average loss costs are calculated by class by multiplying the relativities in (b) above times the average Delaware loss cost value for all classes combined times the average manual change in rates times the indicated composite pure premium multiplier.
- d) A second indicated rate is calculated by applying the average manual change in rates by industry group to the current Delaware rate for the class.
- e) A final indicated rate, subject to capping and balancing criteria previously described, is calculated by applying one-third weight to (c) above plus two-thirds weight to (d) above.

### Loss Costs

The calculation of non-assigned risk classification loss costs will be made in accordance with the following procedure:

- (19) Multiply the proposed assigned risk Manual Rates by classification by the permissible loss, loss adjustment expense and loss based assessment ratio.

**EXHIBIT IX**

**COLLECTIBLE PREMIUM RATIOS \***

Manual Years 2003 to 2005 Unit Data

Manual Year	Premium at Manual Rates	Collected Premium (Excluding Constants)	Collectible Premium Ratio (2)/(3)
(1)	(2)	(3)	(4)
<b>ALL INDUSTRIES</b>			
2003	230,173,636	217,234,175	1.0596
2004	238,916,236	241,586,528	0.9889
2005	288,211,015	289,878,089	0.9942
<b>TOTAL</b>	<b>757,300,887</b>	<b>748,698,792</b>	<b>1.0115</b>
<b>MANUFACTURING AND UTILITIES</b>			
2003	36,136,505	32,770,751	1.1027
2004	34,846,900	31,675,424	1.1001
2005	39,930,674	36,041,971	1.1079
<b>TOTAL</b>	<b>110,914,079</b>	<b>100,488,146</b>	<b>1.1038</b>
<b>CONTRACTING AND QUARRYING</b>			
2003	49,888,396	45,289,777	1.1015
2004	54,878,263	53,434,275	1.0270
2005	68,081,175	65,398,675	1.0410
<b>TOTAL</b>	<b>172,847,834</b>	<b>164,122,727</b>	<b>1.0532</b>
<b>OTHER INDUSTRIES</b>			
2003	144,148,735	139,173,647	1.0357
2004	149,191,073	156,476,829	0.9534
2005	180,199,166	188,437,443	0.9563
<b>TOTAL</b>	<b>473,538,974</b>	<b>484,087,919</b>	<b>0.9782</b>

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

**EXHIBIT X**

**EXPECTED LOSS RATE FACTORS**

**CALCULATION OF EXPECTED LOSS RATE FACTORS**

<b>Policy Year Beginning 12/1 (1)</b>	<b>Average Law Multiplier (2)</b>	<b>Adjustment Factor (3)</b>	<b>Loss Ratio Development Factor (4)</b>	<b>Expense Allowance ** 1 / (PLR/CPR) (5)</b>	<b>Trend Factor (6)</b>	<b>Product (2) * (3) * (4) *(5) * (6) (7)</b>	<b>Expected Loss Rate Factor 1.0 / (7) (8)</b>	<b>Factor to Reflect Approved Rate Levels * (9)</b>	<b>Adjusted Expected LC Factors (8)*(9) (10)</b>
<b><u>Manufacturing and Utilities</u></b>									
2004	0.9071	1.0000	1.8821	1.7166	1.2879	3.7744	0.2649	1.0121	0.2681
2005	0.9032	1.0000	2.1950	1.7166	1.2072	4.1083	0.2434	1.0121	0.2463
2006	0.9041	1.0000	2.8395	1.7166	1.1327	4.9916	0.2003	1.0121	0.2027
<b><u>Contracting and Quarrying</u></b>									
2004	0.9071	1.0000	1.9165	1.6379	1.2879	3.6672	0.2727	1.0121	0.2760
2005	0.9032	1.0000	2.3598	1.6379	1.2072	4.2143	0.2373	1.0121	0.2402
2006	0.9041	1.0000	2.9779	1.6379	1.1327	4.9949	0.2002	1.0121	0.2026
<b><u>Other Industries</u></b>									
2004	0.9071	1.0000	1.8360	1.5213	1.2879	3.2631	0.3065	1.0123	0.3103
2005	0.9032	1.0000	2.1206	1.5213	1.2072	3.5175	0.2843	1.0123	0.2878
2006	0.9041	1.0000	2.8595	1.5213	1.1327	4.4549	0.2245	1.0123	0.2273

\* (12/1/08 Filed Indicated Change in Manual Rate Level) / (12/1/08 Approved indicated Change in Manual Rate Level by Industry Group, from Page 1.

**EXHIBIT XI**

**CALCULATION OF TAX MULTIPLIER FOR USE IN RETROSPECTIVE RATING PLANS  
(O/T U.S.L. & H.W. Act Coverages)**

**Expense Provisions for O/T U.S.L. & H.W. Classes**

Losses	64.30
Loss Adjustment Expense	<u>7.97</u>
Loss & Loss Adjustment	72.27
Premium Discount	8.33
Acquisition	9.58
General Expenses	3.17
Profit and Contingencies	(2.55)
Taxes	2.36
Uncollectible Premium	2.00
Workers' Compensation Fund	2.00
Administrative Assessment	<u>2.84</u>
	27.73

If

- T = Tax multiplier
- E = Expense provision in rates (General, Acquisition, and Profit), less premium discount
- L = Loss provision in rates
- C = Loss conversion factor
- B = Assessments made on premiums
- A = Assessments made on losses (adjusted so as not to collect profit and general expense dollars on the extra premium generated by the assessments)

Using average discount (Schedule Y) this yields:

$$E = 0.0187 = \frac{ACQ}{0.0958} + \frac{GEN}{0.0317} + \frac{PROFIT}{(0.0255)} - \frac{PREM DISC}{0.0833}$$

$$A = 0.0447 = 0.0442 \times \frac{1 - 0.0187 - 0.0636}{1 - 0.0284 - 0.0636}$$

Then

$$T = \frac{E + L(1 + C + A)}{E + L(1 + C)} \times \frac{1}{1 - B - S}$$

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0045$$

$$T = \frac{0.0187 + 0.6430(1 + 0.1239 + 0.0447)}{0.0187 + 0.6430(1 + 0.1239)} \times \frac{1}{1 - 0.0636 - 0.0045} = 1.1147$$

## EXHIBIT XII

### DELAWARE RETROSPECTIVE DEVELOPMENT FACTORS \*

Retrospective development factors for first, second and third adjustments are calculated below. They are intended for use in retrospective plans with no loss limitation and applicable to the expected loss portion of premium.

First Adjustment	RDF =	0.6529
Second Adjustment	RDF =	0.5419
Third Adjustment	RDF =	0.4609

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

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

RDF(LIM) = Retrospective Development Factors at limited basis

ELF = Excess Loss (Pure Premium) Factors exclusive of allocated loss adjustment expenses for given Hazard Group and Loss Limitation

RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{\$25,000 limit Hazard Group II ELF} = 0.6640$$

$$\text{First Adjustment RDF} = (1 - 0.6640) \times 0.6529 = 0.2194$$

\* The use of retrospective development factors is optional.