

Actuarial Committee

Meeting Agenda

Date	Time	Location	Staff Contact
April 3, 2017	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci
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Released: March 27, 2017

To Members of the Actuarial Committee, WCIRB Members and All Interested Parties:

I. Approval of Minutes

None

II. Working Group Meeting Summaries

None

III. Unfinished Business

- A. AC17-03-01: First Quarter 2017 Review of Diagnostics
- B. AC17-03-02: 12/31/2016 Experience – Review of Methodologies

IV. New Business

- A. AC17-04-01: 12/31/2016 Loss Adjustment Expense Experience Review
- B. AC17-04-02: 12/31/2016 Experience – Alternative Loss Projections
- C. AC17-04-03: Computation of Industry Average Filed Rates as of 1/1/2017
- D. AC17-04-04: New Drug Formulary

V. Matters Arising at Time of Meeting

VI. Next Meeting Date: June 16, 2017

VII. Adjournment

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Item AC17-03-01
First Quarter 2017 Review of Diagnostics

At the March 21, 2017 meeting, the Committee reviewed the WCIRB's first quarter 2017 summary of diagnostics. The information will also be reviewed by the WCIRB Claims Working Group at its March 30, 2017 meeting. A summary of the input of the Claims Working Group on several of the diagnostics discussed at the Actuarial Committee's March 21, 2017 meeting will be provided at the meeting.

Item AC17-03-02 12/31/2016 Experience – Review of Methodologies

At the March 21, 2017 meeting, the Committee reviewed a preliminary summary of accident year experience through December 31, 2016. The attached Exhibits 1 through 8 contain an updated analysis of December 31, 2016 experience. In total, approximately 100% of the market is included. The loss projection methodologies are consistent with those reflected in the analysis presented at the March 21, 2017 meeting and those reflected in the January 1, 2017 Pure Premium Rate Filing and include the updated adjustments for Senate Bill No. 863 (SB 863) that were adopted by the Committee at the March 21, 2017 meeting. Wage and loss levels are projected to April 1, 2018—the approximate midpoint of experience on policies incepting during the period from July 1, 2017 through December 31, 2017. Premiums have been on-leveled to the July 1, 2016 industry average filed pure premium rate level.¹ Other changes from the analysis presented at the March 21, 2017 meeting include (a) updated UCLA wage forecasts through March of 2017 and (b) revisions to insurer data submissions.

As shown on Exhibit 8, based on December 31, 2016 accident year experience, the projected loss ratio for policies incepting during the period from July 1, 2017 through December 31, 2017 is 0.598. (This compares to 0.591 presented at the March 21, 2016 meeting and 0.642 reflected in the Amended January 1, 2017 Pure Premium Rate Filing.)

Exhibits 9 through 12 include supplemental information based on December 31, 2016 experience.

¹ See Item AC17-04-03 for the updates to the industry average filed pure premium rate level as of January 1, 2017.

**California Workers' Compensation
Accident Year Experience as of December 31, 2016**

<u>Year</u>	<u>Earned Premium</u>	<u>Paid Indemnity</u>	<u>Indemnity Reserves</u>	<u>Paid Medical**</u>	<u>Medical Reserves</u>	<u>IBNR*</u>	<u>Total Incurred**</u>	<u>Loss Ratio*</u>
1985	2,872,481,605	1,277,809,225	4,557,061	983,225,335	23,743,953	18,616,273	2,307,951,847	0.803
1986	3,506,609,097	1,381,137,204	5,953,194	1,131,217,772	34,274,253	60,486,352	2,613,068,775	0.745
1987	4,374,085,383	1,503,431,342	7,304,927	1,323,769,101	47,145,774	32,113,823	2,913,764,967	0.666
1988	5,173,049,472	1,700,183,614	8,197,837	1,527,230,702	48,798,066	44,616,210	3,329,026,429	0.644
1989	5,676,279,371	1,936,434,189	10,219,633	1,781,620,851	67,399,594	47,404,790	3,843,079,057	0.677
1990	5,705,878,797	2,256,688,478	9,242,856	2,028,759,171	65,817,081	67,548,570	4,428,056,156	0.776
1991	5,872,566,346	2,474,352,185	18,713,482	2,181,381,185	77,398,652	71,234,387	4,823,079,891	0.821
1992	5,692,939,950	1,973,685,770	16,435,847	1,739,746,793	76,322,830	62,456,641	3,868,647,881	0.680
1993	5,942,544,967	1,690,578,287	16,601,679	1,488,382,198	96,657,167	54,646,349	3,346,865,680	0.563
1994	5,034,831,820	1,621,821,229	24,787,911	1,445,081,650	110,918,422	60,308,047	3,262,917,259	0.648
1995	3,790,122,732	1,755,125,523	35,176,514	1,580,240,196	152,530,375	58,371,000	3,581,443,608	0.945
1996	3,748,266,525	1,940,972,288	41,053,584	1,678,771,408	144,047,226	83,823,319	3,888,667,825	1.037
1997	3,928,295,572	2,302,114,803	53,836,507	1,974,351,110	173,854,437	130,880,262	4,635,037,119	1.180
1998	4,333,560,338	2,751,672,300	65,831,834	2,577,508,497	283,949,378	215,937,786	5,894,899,795	1.360
1999	4,551,546,853	3,031,545,506	69,063,680	2,957,718,107	265,934,289	308,468,868	6,632,730,450	1.457
2000	5,923,031,823	3,391,222,929	91,142,753	3,478,347,165	316,539,789	458,860,413	7,736,113,049	1.306
2001	10,111,219,078	4,765,028,697	148,990,462	5,195,195,589	534,161,649	693,973,111	11,337,349,508	1.121
2002	13,429,699,563	4,697,391,354	135,034,475	5,318,978,833	473,668,471	1,000,024,122	11,625,097,255	0.866
2003	19,473,079,692	4,448,422,915	203,071,541	4,875,899,499	492,526,884	1,379,309,296	11,399,230,135	0.585
2004	23,096,787,993	3,126,613,450	177,305,238	3,893,072,243	452,230,434	1,460,005,639	9,109,227,004	0.394
2005	21,398,213,516	2,447,686,687	154,894,069	3,480,298,718	438,842,672	1,195,504,153	7,717,226,299	0.361
2006	17,236,747,588	2,517,302,449	181,611,588	3,568,929,720	452,117,895	872,192,465	7,592,154,117	0.440
2007	13,279,529,679	2,625,059,062	209,169,447	3,795,316,805	514,254,801	917,077,946	8,060,878,061	0.607
2008	10,768,181,015	2,652,234,829	230,331,871	3,768,846,556	544,168,956	746,511,745	7,942,093,957	0.738
2009	8,904,372,522	2,489,888,733	239,717,190	3,540,011,745	545,209,909	757,342,799	7,572,170,376	0.850
2010	9,529,218,292	2,507,421,173	261,527,645	3,609,512,460	555,424,478	905,062,198	7,838,947,954	0.823
2011	10,291,854,857	2,392,294,433	323,755,552	3,168,823,475	665,117,909	1,136,601,416	7,686,592,785	0.747
2012	11,908,576,708	2,315,538,919	398,710,617	2,937,813,680	729,823,511	2,177,302,458	8,559,189,185	0.719
2013	14,331,411,625	2,167,132,582	494,511,569	2,588,513,030	860,191,422	2,763,985,972	8,874,334,575	0.619
2014	16,082,684,846	1,844,682,151	699,384,993	2,121,676,946	1,037,201,223	4,023,865,681	9,726,810,994	0.605
2015	17,069,226,492	1,216,936,153	930,252,783	1,517,537,222	1,336,806,853	5,332,714,749	10,334,247,760	0.605
2016*	17,943,649,181	392,084,229	733,036,720	638,149,046	1,317,026,526	7,224,316,805	10,304,613,326	0.574

* Shown for informational purposes only

** Paid medical for accident years 2011 and subsequent exclude the paid cost of medical cost containment programs (MCCP).
Paid medical for accident years 2010 and prior include paid MCCP costs.

Incurred Indemnity Loss Development Factors

Accident Year	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
1991															1.001	1.000
1992															0.999	0.999
1993															1.001	1.000
1994															0.998	1.000
1995															1.000	1.000
1996															1.002	1.002
1997															1.001	1.001
1998															1.002	1.001
1999															1.002	1.001
2000															1.002	1.000
2001															1.004	1.001
2002															1.002	1.001
2003															1.002	1.001
2004															1.002	1.001
2005															1.002	1.001
2006															1.002	1.001
2007															1.002	1.001
2008															1.002	1.001
2009															1.002	1.001
2010															1.002	1.001
2011															1.002	1.001
2012															1.002	1.001
2013															1.002	1.001
2014															1.002	1.001
2015															1.002	1.001

Selected (a)
Cumulative

(a) Selections are latest year for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors.

Incurred Indemnity Loss Development Factors (Continued)

Accident Year	Age-to-Age (in months)													
	216/204	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336	360/348	372/360
1981										1.001	1.002	0.999	1.001	
1982									1.000	1.002	1.000	1.001	1.001	
1983								1.001	1.000	1.000	1.001	1.001	1.001	1.001
1984							1.000	1.000	1.001	1.001	1.000	1.001	1.001	0.999
1985						1.001	1.000	1.001	1.000	1.001	1.001	1.001	1.001	1.000
1986					1.000	1.001	1.001	1.000	1.001	1.002	1.001	1.000	0.999	1.000
1987				1.000	0.999	1.000	1.000	1.001	1.002	1.000	1.001	1.001	1.001	
1988			1.000	1.001	1.000	1.001	1.002	1.001	1.000	1.000	1.000	1.000		
1989		1.000	1.000	1.001	1.000	1.001	1.000	1.000	1.000	1.001	1.000			
1990	1.000	1.001	1.000	0.999	1.001	1.000	1.000	1.000	1.000	1.000				
1991	1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000					
1992	0.998	1.001	1.001	1.000	1.001	1.001	1.000	1.000						
1993	0.999	1.001	1.001	1.001	1.001	1.001	1.000							
1994	1.001	1.001	1.002	1.000	1.001	1.001								
1995	1.003	1.001	0.998	1.001	1.001									
1996	1.003	1.000	1.000	1.000										
1997	1.000	1.000	1.000											
1998	1.003	1.001												
1999	1.000													
Selected (a)	1.001	1.000	0.999	1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	1.007	1.006	1.005	1.006	1.006	1.005	1.004	1.004	1.004	1.004	1.004	1.004	1.003	1.003
														1.003

(b) The ULT/384Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 108-to-120 through 336-to-348 factors and extrapolated to 80 development years.

Incurred Medical Loss Development Factors

Accident Year	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
1991															1.010	1.004
1992														1.013	1.018	1.011
1993													1.008	1.009	1.021	1.007
1994												1.023	1.028	1.016	1.005	1.011
1995											1.014	1.024	1.018	1.013	1.014	1.009
1996										1.023	1.030	1.012	1.015	1.012	1.003	1.005
1997										1.038	1.023	1.017	1.004	1.014	1.008	1.012
1998									1.038	1.019	1.018	1.013	1.011	1.013	1.005	0.999
1999							1.044	1.028	1.017	1.024	1.018	1.018	1.012	1.006	0.999	0.995
2000							1.040	1.034	1.035	1.022	1.017	1.015	1.013	1.001	0.997	
2001							1.045	1.029	1.028	1.022	1.014	1.010	0.999	0.997		
2002							1.040	1.042	1.037	1.018	1.011	1.004	0.998			
2003					1.056		1.042	1.032	1.026	1.012	1.006	1.001				
2004			1.113	1.081	1.060		1.061	1.032	1.020	1.006						
2005		1.172	1.087	1.074	1.084		1.055	1.032	1.020	1.000						
2006	1.460	1.196	1.103	1.081	1.066		1.048	1.022	1.012							
2007	1.518	1.204	1.124	1.081	1.070		1.050	1.018	1.004							
2008	1.527	1.212	1.129	1.092	1.061		1.041	1.010								
2009	1.604	1.227	1.140	1.087	1.061		1.030									
2010	1.620	1.245	1.134	1.077	1.046		1.025									
2011	1.667	1.222	1.125	1.071	1.033											
2012	1.592	1.188	1.095	1.056												
2013	1.559	1.153	1.085													
2014	1.526	1.159														
2015	1.511															
Selected (a)	1.511	1.159	1.085	1.056	1.033	1.025	1.016	1.010	1.012	1.006	1.008	1.005	1.003	1.001	1.000	1.002
Cumulative	2.328	1.541	1.329	1.225	1.160	1.123	1.096	1.079	1.068	1.055	1.049	1.041	1.036	1.032	1.031	1.031

(a) Selections are latest year for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors.

(b) Incurred medical loss development factors include the paid cost of medical cost containment programs for accident years 2011 and prior.

Incurred Medical Loss Development Factors (Continued)

Accident Year	Age-to-Age (in months)															
	216/204	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336	360/348	372/360	384/372	ULT/384Inc (c)
1981										1.001	1.003	1.002	1.001			
1982									1.014	1.006	1.004	1.003	1.009			
1983								1.001	1.006	1.004	1.002	1.006	1.003	1.004	1.003	
1984							1.002	1.003	1.003	1.002	1.003	1.001	1.003	1.001	0.997	
1985						1.000	1.001	1.003	1.003	1.003	1.005	1.002	1.003	0.998	0.999	
1986					1.005	1.003	1.006	1.005	1.006	1.004	1.005	1.000	1.002	0.998		
1987				1.000	1.003	1.011	0.999	1.007	1.003	1.004	1.005	1.001	0.997			
1988			1.002	1.006	1.005	1.005	1.002	1.005	1.003	1.003	1.002	0.998				
1989		1.007	1.006	1.005	1.005	1.008	1.006	1.000	1.003	0.999	0.999					
1990	1.003	1.007	1.007	1.005	1.003	1.003	1.003	0.997	1.002	1.000						
1991	1.008	1.005	1.006	1.002	1.003	1.002	1.003	1.001	1.000							
1992	1.005	1.004	1.002	1.005	1.003	1.005	1.000	0.999								
1993	1.007	1.011	1.014	1.004	0.999	1.000	0.996									
1994	1.011	1.004	1.007	1.006	1.001	0.996										
1995	1.015	0.996	1.006	0.999	1.006											
1996	1.008	1.005	1.001	0.998												
1997	1.001	0.994	0.998													
1998	1.001	1.001														
1999	0.999															
Selected (a)	1.000	1.000	1.002	1.001	1.002	1.000	1.000	0.999	1.002	1.001	1.002	1.000	1.001	0.999	1.000	
Cumulative	1.029	1.028	1.028	1.026	1.025	1.023	1.023	1.023	1.024	1.023	1.022	1.020	1.020	1.020	1.021	1.021

(c) The ULT/384Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 108-to-120 through 336-to-348 factors and extrapolated to 80 development years.

Paid Indemnity Loss Development Factors

Accident Year	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
1991															1.003	1.003
1992														1.004	1.004	1.003
1993														1.006	1.003	1.003
1994													1.007	1.005	1.005	1.003
1995												1.008	1.006	1.006	1.004	1.004
1996												1.009	1.009	1.007	1.006	1.005
1997												1.009	1.009	1.008	1.007	1.006
1998												1.010	1.010	1.008	1.007	1.005
1999												1.011	1.011	1.008	1.007	1.004
2000												1.012	1.012	1.008	1.007	1.004
2001												1.012	1.012	1.008	1.007	1.006
2002												1.012	1.012	1.008	1.006	1.006
2003												1.012	1.012	1.008	1.006	1.006
2004												1.012	1.012	1.008	1.006	1.006
2005												1.012	1.012	1.008	1.006	1.006
2006												1.012	1.012	1.008	1.006	1.006
2007												1.012	1.012	1.008	1.006	1.006
2008												1.012	1.012	1.008	1.006	1.006
2009												1.012	1.012	1.008	1.006	1.006
2010												1.012	1.012	1.008	1.006	1.006
2011												1.012	1.012	1.008	1.006	1.006
2012												1.012	1.012	1.008	1.006	1.006
2013												1.012	1.012	1.008	1.006	1.006
2014												1.012	1.012	1.008	1.006	1.006
2015												1.012	1.012	1.008	1.006	1.006
Selected (a)	3.275	1.634	1.260	1.136	1.087	1.060	1.043	1.027	1.027	1.019	1.015	1.010	1.008	1.007	1.006	1.005
Cumulative Unadjusted for Impact of SB 863	10.757	3.285	2.010	1.595	1.404	1.292	1.219	1.169	1.138	1.108	1.087	1.071	1.060	1.051	1.044	1.038
Cumulative Adjusted for Impact of SB 863 (b)	11.455	3.498	2.141	1.627	1.404	1.292	1.219	1.169	1.138	1.108	1.087	1.071	1.060	1.051	1.044	1.038

(a) Selections are latest year for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors.

(b) The 36-to-ultimate factor for accident year 2014 and the 48-to-ultimate factor for accident year 2013 have been adjusted by 6.5% and 2.0%, respectively, for the impacts of SB 863 on indemnity loss development. (See *Impact of Senate Bill No. 863 on Loss Development Patterns*, WCIRB, August 13, 2013.)

Paid Indemnity Loss Development Factors (Continued)

Accident Year	216/204	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336	360/348	372/360	384/372	384Inc/384Pd (c)	ULT/384Inc (d)
1981										1.002	1.003	1.000	1.001			1.006	
1982									1.002	1.003	1.000	1.001	1.002			1.005	
1983								1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.005	
1984							1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.006	
1985						1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.003	
1986					1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.003	
1987				1.001	1.001	1.001	1.001	1.001	1.002	1.001	1.001	1.001	1.001	1.001			
1988			1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001					
1989		1.002	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001						
1990	1.002	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001							
1991	1.002	1.002	1.001	1.001	1.002	1.001	1.001	1.001	1.001								
1992	1.002	1.002	1.002	1.002	1.002	1.001	1.001	1.001									
1993	1.002	1.003	1.003	1.002	1.002	1.001	1.001										
1994	1.004	1.003	1.003	1.003	1.002	1.001											
1995	1.005	1.005	1.003	1.003	1.002												
1996	1.005	1.004	1.003	1.003													
1997	1.004	1.003	1.003														
1998	1.006	1.004															
1999	1.004																
Selected (a)	1.005	1.004	1.003	1.003	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.004	
Cumulative	1.034	1.029	1.025	1.022	1.019	1.017	1.015	1.014	1.013	1.012	1.012	1.011	1.010	1.009	1.008		1.003

- (c) Three-year averages of the 384Inc/384Pd factors are selected.
(d) The ULT/384Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 108-to-120 through 336-to-348 factors and extrapolated to 80 development years.

Paid Medical Loss Development Factors

Unadjusted (a) Accident Year	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
1991															1.010	1.007
1992														1.014	1.013	1.017
1993													1.014	1.017	1.013	1.011
1994												1.021	1.019	1.018	1.013	1.012
1995											1.027	1.023	1.020	1.018	1.016	1.015
1996										1.028	1.026	1.022	1.019	1.016	1.014	1.013
1997										1.032	1.030	1.022	1.019	1.016	1.014	1.014
1998									1.033	1.032	1.030	1.021	1.019	1.016	1.015	1.017
1999								1.035	1.032	1.032	1.025	1.025	1.016	1.016	1.018	1.015
2000							1.042	1.038	1.031	1.027	1.023	1.020	1.020	1.017	1.013	1.010
2001						1.057	1.045	1.038	1.034	1.030	1.022	1.022	1.022	1.017	1.012	
2002					1.072	1.054	1.046	1.041	1.032	1.024	1.023	1.018	1.017	1.012		
2003				1.112	1.074	1.057	1.048	1.041	1.030	1.030	1.026	1.019	1.016			
2004			1.189	1.123	1.092	1.070	1.055	1.040	1.036	1.034	1.024	1.018				
2005		1.345	1.209	1.138	1.095	1.073	1.054	1.049	1.038	1.031	1.021					
2006	2.340	1.399	1.220	1.140	1.099	1.068	1.056	1.042	1.034	1.025						
2007	2.416	1.413	1.230	1.142	1.097	1.075	1.057	1.042	1.031							
2008	2.325	1.421	1.241	1.148	1.103	1.072	1.051	1.035								
2009	2.408	1.447	1.251	1.160	1.104	1.068	1.046									
2010	2.479	1.468	1.265	1.152	1.096	1.066										
2011	2.580	1.470	1.248	1.147	1.095											
2012	2.561	1.468	1.249	1.143												
2013	2.492	1.466	1.238													
2014	2.518	1.462														
2015	2.533															

Adjusted (b) Accident Year	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
1998															1.019	1.018
1999														1.018	1.014	1.016
2000													1.024	1.019	1.013	1.011
2001												1.019	1.018	1.013		
2002											1.028	1.021	1.018			
2003										1.036	1.026	1.019				
2004								1.041	1.037	1.034	1.023					
2005								1.045	1.037	1.027						
2006							1.060	1.045	1.033							
2007						1.077	1.055	1.038								
2008						1.073	1.049									
2009					1.110	1.070										
2010			1.260	1.160	1.102											
2011		1.486	1.260	1.155	1.099											
2012			1.242	1.147												
2013	2.524	1.478														
2014	2.544	1.465														
2015	2.533															
Selected (c)	2.533	1.465	1.242	1.147	1.099	1.070	1.049	1.038	1.037	1.032	1.026	1.020	1.020	1.017	1.015	1.015
Cumulative	9.477	3.741	2.554	2.056	1.793	1.631	1.524	1.453	1.400	1.350	1.308	1.275	1.250	1.226	1.206	1.188

- (a) Paid medical loss development factors include the paid cost of medical cost containment programs for accident years 2011 and prior.
- (b) These factors are adjusted for the following impacts: (i) reduction of historical outstanding medical losses paid prior to January 1, 2013 by the estimated 4.2% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 2.1% decrease in costs, and losses paid prior to January 1, 2015 by an estimated 1.7% decrease in costs due to RBRVS.
- (c) Selections are latest year for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors.

Paid Medical Loss Development Factors (Continued)

Unadjusted (a)																	
Accident Year	216/204	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336	360/348	372/360	384/372	384Inc/384Pd (d)	ULT/384Inc (e)
1981										1.005	1.006	1.005	1.004			1.055	
1982									1.006	1.007	1.009	1.006	1.006			1.033	
1983								1.005	1.003	1.005	1.004	1.004	1.003	1.004	1.003	1.036	
1984							1.004	1.003	1.004	1.003	1.004	1.004	1.003	1.003	1.002	1.039	
1985						1.006	1.004	1.004	1.003	1.004	1.004	1.004	1.003	1.002	1.003	1.022	
1986					1.005	1.004	1.005	1.005	1.005	1.005	1.005	1.005	1.004	1.006		1.023	
1987				1.007	1.006	1.005	1.005	1.005	1.005	1.005	1.005	1.003	1.003				
1988			1.007	1.006	1.005	1.005	1.006	1.005	1.005	1.004	1.003	1.003					
1989		1.006	1.007	1.005	1.006	1.008	1.006	1.007	1.006	1.003	1.003						
1990	1.006	1.005	1.005	1.005	1.005	1.006	1.004	1.004	1.003	1.002							
1991	1.007	1.006	1.006	1.005	1.006	1.005	1.006	1.003	1.003								
1992	1.008	1.007	1.002	1.006	1.008	1.006	1.005	1.005									
1993	1.011	1.011	1.010	1.013	1.011	1.007	1.006										
1994	1.013	1.009	1.010	1.010	1.009	1.008											
1995	1.011	1.016	1.013	1.012	1.009												
1996	1.014	1.013	1.011	1.009													
1997	1.014	1.011	1.006														
1998	1.013	1.010															
1999	1.012																

Adjusted (b)																	
Accident Year	216/204	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336	360/348	372/360	384/372	384Inc/384Pd (d)	ULT/384Inc (e)
1981																1.055	
1982																1.033	
1983															1.004	1.036	
1984														1.003	1.003	1.039	
1985													1.003	1.002	1.003	1.022	
1986												1.006	1.005	1.006		1.023	
1987											1.005	1.004	1.003				
1988										1.005	1.003	1.003					
1989									1.006	1.004	1.003						
1990								1.004	1.003	1.003							
1991							1.007	1.004	1.004								
1992						1.007	1.005	1.005									
1993				1.011	1.011	1.008	1.007										
1994				1.013	1.009	1.010											
1995			1.013	1.013	1.009												
1996		1.014	1.012	1.009													
1997	1.014	1.012	1.007														
1998	1.014	1.010															
1999	1.013																

Selected (c)																	
Cumulative	1.014	1.012	1.011	1.011	1.010	1.008	1.006	1.004	1.004	1.004	1.004	1.004	1.004	1.004	1.003	1.035	1.021
	1.170	1.154	1.141	1.129	1.116	1.106	1.097	1.090	1.085	1.081	1.076	1.072	1.068	1.064	1.060		

Selected Indemnity Development Factors - Paid to Age 228, Incurred from Age 228 to Ultimate

Accident Year	Age-to-Age (in months)															
	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
1991																
1992																
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2013																
2014																
2015																
Selected (a)	3.268(d)	1.624(d)	1.250(d)	1.125(d)	1.077(d)	1.053(d)	1.043	1.027	1.027	1.019	1.015	1.010	1.008	1.007	1.006	1.005
Cumulative Unadjusted for Impact of SB 863	10.397	3.182	1.959	1.567	1.392	1.292	1.227	1.176	1.145	1.115	1.094	1.078	1.067	1.058	1.051	1.045
Cumulative Adjusted for Impact of SB 863 (b)	11.072	3.388	2.086	1.598	---	---	---	---	---	---	---	---	---	---	---	---

- (a) Selections are latest year for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors. Paid development factors are selected to age 228, where an incurred-to-paid ratio is chosen, and subsequently, incurred loss development factors are selected until ultimate.
- (b) The 36-to-ultimate factor for accident year 2014 and the 48-to-ultimate factor for accident year 2013 have been adjusted by 6.5% and 2.0%, respectively, for the impacts of SB 863 on indemnity loss development. (See Impact of Senate Bill No. 863 on Loss Development Patterns, WCIRB, August 13, 2013.)
- (c) A three-year average of the 228Inc/228Pd factor is selected.
- (d) Based on calculations shown on Exhibits 2.5.3 to 2.5.8. Each of these selections is calculated as the latest year paid indemnity age-to-age factor multiplied by an adjustment for changes in claim settlement rates.

Selected Indemnity Development Factors - Paid to Age 228, Incurred from Age 228 to Ultimate (Continued)

Accident Year	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336	360/348	372/360	384/372	ULT/384Inc (e)
1981								1.001	1.002	0.999	1.001			
1982							1.000	1.002	1.000	1.001	1.001			
1983						1.001	1.000	1.000	1.001	1.001	1.001	1.001	1.001	
1984					1.000	1.000	1.001	1.001	1.000	1.001	1.001	1.000	0.999	
1985				1.001	1.000	1.001	1.000	1.001	1.001	1.001	1.001	1.000	1.000	
1986			1.000	1.001	1.001	1.000	1.001	1.002	1.001	1.000	0.999	1.000		
1987		1.000	0.999	1.000	1.000	1.001	1.002	1.000	1.001	1.001	1.001			
1988	1.000	1.001	1.000	1.001	1.002	1.001	1.000	1.000	1.000	1.000				
1989	1.000	1.001	1.000	1.001	1.000	1.000	1.000	1.001	1.000					
1990	1.000	0.999	1.001	1.000	1.000	1.000	1.000	1.000						
1991	1.001	1.000	1.000	1.000	1.000	1.000	1.000							
1992	1.001	1.000	1.001	1.001	1.000	1.000								
1993	1.001	1.001	1.001	1.000	1.000									
1994	1.002	1.000	1.001	1.001										
1995	0.998	1.001	1.000											
1996	1.000	1.000												
1997	1.000													
Selected (a)	0.999	1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Cumulative	1.005	1.006	1.006	1.005	1.004	1.004	1.004	1.004	1.004	1.004	1.003	1.003	1.003	1.003

(e) The ULT/384Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 108-to-120 through 336-to-348 factors and extrapolated to 80 development years.

**Paid Indemnity Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

A. Total Reported Indemnity Claim Counts

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							123,889
2008						118,991	119,199
2009					112,022	112,412	112,636
2010				115,095	115,825	116,229	116,491
2011			114,681	116,235	117,126	117,455	
2012		118,192	122,335	124,065	124,877		
2013	101,277	125,731	129,870	131,399			
2014	105,236	130,780	134,990				
2015	109,170	136,054					
2016	110,589						

B. Development of Total Reported Indemnity Claim Counts

Accident Year	Age-to-Age Development (in months):						
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>	<u>84-Ultimate</u>
2008						1.002	
2009					1.003	1.002	
2010				1.006	1.003	1.002	
2011			1.014	1.008	1.003		
2012		1.035	1.014	1.007			
2013	1.241	1.033	1.012				
2014	1.243	1.032					
2015	1.246						
Latest Year	1.246	1.032	1.012	1.007	1.003	1.002	
Cumulative	1.323	1.062	1.028	1.016	1.010	1.007	1.005

Acc. Year	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Ult. Claim Counts	146,307	144,429	138,831	133,565	126,110	118,283	117,048

C. Closed Indemnity Claim Counts

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							109,983
2008						101,209	105,879
2009					88,617	95,067	99,731
2010				83,528	93,312	99,870	104,929
2011			71,275	85,495	95,581	102,222	
2012		56,977	77,684	93,207	103,698		
2013	27,382	61,044	84,041	100,931			
2014	28,382	65,193	89,543				
2015	29,987	69,614					
2016	32,008						

Source: Accident year experience of insurers with available claim count data

**Paid Indemnity Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

D. Ultimate Indemnity Claim Settlement Ratio (a)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							88.5%
2008						84.6%	88.5%
2009					78.3%	84.0%	88.1%
2010				71.4%	79.7%	85.3%	89.6%
2011			60.3%	72.3%	80.8%	86.4%	
2012		45.2%	61.6%	73.9%	82.2%		
2013	20.5%	45.7%	62.9%	75.6%			
2014	20.4%	47.0%	64.5%				
2015	20.8%	48.2%					
2016	21.9%						

E. Adjusted Closed Indemnity Claim Counts at Equal Percentiles of Ultimate Claim Counts (b)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							111,380
2008						103,442	107,301
2009					93,061	97,808	101,457
2010				88,450	96,246	101,155	104,929
2011			76,290	89,383	97,262	102,222	
2012		60,784	81,338	95,298	103,698		
2013	29,220	64,377	86,147	100,931			
2014	30,372	66,915	89,543				
2015	31,597	69,614					
2016	32,008						

F. Average Paid Indemnity per Closed Claim

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							15,099
2008						15,574	17,051
2009					14,272	16,353	18,081
2010				11,787	14,597	16,669	18,368
2011			8,574	12,149	14,926	16,894	
2012		4,973	9,066	12,583	15,144		
2013	2,097	5,328	9,527	12,953			
2014	2,165	5,650	10,171				
2015	2,358	6,189					
2016	2,495						

- (a) Ratio of closed indemnity claim counts (Item C) to the estimated ultimate indemnity claim counts (Item B) for that accident year.
- (b) The claim counts for the latest evaluation of each accident year are equal to the reported number of closed indemnity claims. All prior evaluations shown are the product of the latest ultimate indemnity claim settlement ratio (Item D) and the ultimate indemnity claim counts (Item B) for that accident year.

Source: Accident year experience of insurers with available claim count data

**Paid Indemnity Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

G. Adjusted Average Paid Indemnity per Closed Claim (c)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							15,590
2008						16,264	17,580
2009					15,676	17,347	18,686
2010				13,126	15,490	17,086	18,368
2011			9,695	13,152	15,401	16,894	
2012		5,553	9,793	13,057	15,144		
2013	2,207	5,796	9,899	12,953			
2014	2,281	5,890	10,171				
2015	2,452	6,189					
2016	2,495						

H. Adjusted Paid Indemnity on Closed Claims (in \$000) (d)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							1,736,466
2008						1,682,379	1,886,369
2009					1,458,794	1,696,705	1,895,859
2010				1,160,965	1,490,896	1,728,292	1,927,303
2011			739,661	1,175,573	1,497,968	1,726,952	
2012		337,564	796,588	1,244,277	1,570,423		
2013	64,490	373,148	852,756	1,307,321			
2014	69,267	394,157	910,740				
2015	77,478	430,831					
2016	79,861						

I. Paid Indemnity on Open Claims (in \$000)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							597,558
2008						704,321	613,321
2009					777,945	677,643	566,071
2010				844,115	735,600	625,990	500,140
2011			836,366	795,722	675,252	557,609	
2012		685,185	841,898	781,905	652,019		
2013	268,106	704,078	854,711	778,039			
2014	278,406	730,236	884,471				
2015	293,896	763,034					
2016	305,695						

- (c) Adjusted based on ultimate indemnity claim settlement ratios (Item D) and assuming a log-linear relationship between maturities.
- (d) Each amount is the product of the adjusted closed indemnity claim counts (Item E) and the adjusted average paid indemnity per closed claim (Item G), and divided by \$1,000.

Source: Accident year experience of insurers with available claim count data

**Paid Indemnity Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

J. Average Paid Indemnity per Open Claim for Indemnity Claims in Transition (e)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							42,971
2008						39,609	46,045
2009					33,238	39,068	43,864
2010				26,740	32,674	38,266	44,643
2011			19,268	25,886	31,341	37,610	
2012		11,193	18,855	25,339	31,674		
2013	3,628	10,884	18,650	24,867			
2014	3,623	11,134	16,701				
2015	3,712	7,423					
2016	3,890						

K. Changes in Paid Indemnity on Open Claims Resulting from the Impact of Changes in
Claim Settlement Rates (in \$000) (f)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							-60,031
2008						-88,446	-65,476
2009					-147,712	-107,087	-75,710
2010				-131,616	-95,867	-49,172	
2011			-96,631	-100,643	-52,685		
2012		-42,612	-68,896	-52,983			
2013	-6,669	-36,278	-39,277				
2014	-7,209	-19,172					
2015	-5,976						

L. Adjusted Paid Indemnity on Open Claims (in \$000) (g)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							537,527
2008						615,875	547,845
2009					630,234	570,556	490,361
2010				712,499	639,733	576,818	500,140
2011			739,734	695,079	622,567	557,609	
2012		642,573	773,001	728,922	652,019		
2013	261,437	667,801	815,434	778,039			
2014	271,198	711,063	884,471				
2015	287,921	763,034					
2016	305,695						

- (e) Each amount is equal to the product of [the average monthly indemnity payment per open indemnity claim] and [the number of months for the current evaluation]. For evaluations indicating claim settlement rate decreases, the average monthly indemnity payment per open indemnity claim at the prior evaluation is used. For evaluations indicating claim settlement rate increases, the average monthly indemnity payment per open indemnity claim at the same evaluation is used.
- (f) Each amount is equal to [the difference between unadjusted and adjusted closed indemnity claim counts (Items C and E)] multiplied by the corresponding [average paid indemnity per open claim for indemnity claims in transition (Item J)].
- (g) Each amount is the sum of [paid indemnity on open claims (Item I)] and the corresponding [incremental changes in paid indemnity on open claims resulting from the impact of changes in claim settlement rates (Item K)].

Source: Accident year experience of insurers with available claim count data

**Paid Indemnity Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

M. Adjusted Total Paid Indemnity (in \$000) (h)

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							2,273,993
2008						2,298,254	2,434,214
2009					2,089,027	2,267,261	2,386,220
2010				1,873,464	2,130,629	2,305,111	2,427,443
2011			1,479,395	1,870,653	2,120,535	2,284,561	
2012		980,138	1,569,589	1,973,198	2,222,442		
2013	325,927	1,040,949	1,668,190	2,085,360			
2014	340,464	1,105,220	1,795,211				
2015	365,398	1,193,865					
2016	385,556						

N. Paid Indemnity Loss Development Factors Based on Adjusted Total Paid Indemnity

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2007						
2008						1.059
2009					1.085	1.052
2010				1.137	1.082	1.053
2011			1.264	1.134	1.077	
2012		1.601	1.257	1.126		
2013	3.194	1.603	1.250			
2014	3.246	1.624				
2015	3.267					
Latest Year	3.267	1.624	1.250	1.126	1.077	1.053
3-Year Average	3.236	1.609	1.257	1.132	1.082	1.055

O. Paid Indemnity Loss Development Factors (i)

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						1.061
2009					1.093	1.061
2010				1.147	1.092	1.060
2011			1.267	1.146	1.087	
2012		1.596	1.264	1.137		
2013	3.162	1.608	1.260			
2014	3.232	1.634				
2015	3.274					

- (h) Each amount is the sum of the adjusted paid indemnity on closed claims (Item H) and the adjusted paid indemnity on open claims (Item L).
- (i) Development factors are based on paid indemnity losses from the same insurer mix as that used in the adjustment for changes in claim settlement rates and applied in the calculation of the development factors in Item N.

Source: Accident year experience of insurers with available claim count data

**Paid Indemnity Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

P. Impact of Adjustment for Changes in Claim Settlement Rates (j)

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						-0.13%
2009					-0.69%	-0.84%
2010				-0.85%	-0.93%	-0.62%
2011			-0.22%	-1.07%	-0.88%	
2012		0.31%	-0.56%	-0.93%		
2013	1.01%	-0.35%	-0.77%			
2014	0.42%	-0.60%				
2015	-0.22%					

Q. Paid Indemnity Loss Development Factors Adjusted for Changes in Indemnity
Claim Settlement Rates (k)

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						1.059
2009					1.085	1.052
2010				1.137	1.082	1.053
2011			1.263	1.134	1.077	
2012		1.602	1.258	1.125		
2013	3.201	1.604	1.250			
2014	3.246	1.624				
2015	3.268					
Latest Year	3.268	1.624	1.250	1.125	1.077	1.053
3-Year Average	3.238	1.610	1.257	1.132	1.081	1.055

(j) Each factor represents the change in age-to-age development factors from Item O to those in Item N.

(k) Each factor is the product of [1.0 + the impact of adjustment for changes in claim settlement rates (Item P)] and [the paid indemnity age-to-age development factor from Exhibit 2.5.1].

Source: Accident year experience of insurers with available claim count data

Selected Medical Development Factors - Paid to Age 228, Incurred from Age 228 to Ultimate

Unadjusted (a) Accident Year	Age-to-Age (in months)															
	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
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2015																

Adjusted (b) Accident Year	Age-to-Age (in months)															
	24/12	36/24	48/36	60/48	72/60	84/72	96/84	108/96	120/108	132/120	144/132	156/144	168/156	180/168	192/180	204/192
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Selected (c)	2.534(e)	1.461(e)	1.236(e)	1.138(e)	1.089(e)	1.064(e)	1.049	1.038	1.037	1.032	1.026	1.020	1.020	1.017	1.015	1.015
Cumulative	9.154	3.613	2.473	2.002	1.759	1.615	1.518	1.447	1.394	1.344	1.302	1.270	1.245	1.221	1.201	1.149

- (a) Paid medical loss development factors include the paid cost of medical cost containment programs for accident years 2011 and prior.
- (b) These factors are adjusted for the following impacts: (i) reduction of historical outstanding medical losses paid prior to January 1, 2013 by the estimated 4.2% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 2.1% decrease in costs, and losses paid prior to January 1, 2015 by an estimated 1.7% decrease in costs due to RBRVS.
- (c) Selections are latest year for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors. Paid development factors are selected to age 228, where an incurred-to-paid ratio is chosen, and subsequently, incurred loss development factors are selected until ultimate.
- (d) A three-year average of the 228inc/228Pd factor is selected.
- (e) Based on calculations shown on Exhibits 2.6.3 to 2.6.8. Each of these selections is calculated as the latest year paid medical age-to-age factor multiplied by an adjustment for changes in claim settlement rates.

Selected Medical Development Factors - Paid to Age 228, Incurred from Age 228 to Ultimate (Continued)

Accident Year	Age-to-Age (in months)													
	<u>240/228</u>	<u>252/240</u>	<u>264/252</u>	<u>276/264</u>	<u>288/276</u>	<u>300/288</u>	<u>312/300</u>	<u>324/312</u>	<u>336/324</u>	<u>348/336</u>	<u>360/348</u>	<u>372/360</u>	<u>384/372</u>	<u>ULT/384Inc (f)</u>
1983													1.003	
1984												1.001	0.997	
1985											1.003	0.998	0.999	
1986										1.000	1.002	0.998		
1987									1.005	1.001	0.997			
1988								1.003	1.002	0.999				
1989						0.997	1.003	0.999	1.002					
1990					1.003	1.001	1.002	1.000						
1991				1.005	1.000	0.999								
1992			0.999	1.000	0.996									
1993				0.999										
1994		1.006	1.001	0.996										
1995	1.006	0.999	1.006											
1996	1.001	0.998												
1997	0.998													
Selected (c)	1.002	1.001	1.002	1.000	1.000	0.999	1.002	1.001	1.002	1.000	1.001	0.999	1.000	
Cumulative	1.028	1.026	1.025	1.023	1.023	1.023	1.024	1.023	1.022	1.020	1.020	1.020	1.021	1.021

(f) The ULT/384Inc tail factor was calculated based on an inverse power curve fit to a six-year average of the 108-to-120 through 336-to-348 factors and extrapolated to 80 development years.

**Paid Medical Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

A. Total Reported Indemnity Claim Counts

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							121,960
2008						116,124	116,332
2009					109,409	109,783	110,010
2010				112,081	112,804	113,205	113,459
2011			112,972	114,493	115,373	115,694	
2012		117,210	121,319	123,020	123,824		
2013	100,591	124,860	128,928	130,444			
2014	105,216	130,758	134,967				
2015	109,170	136,054					
2016	110,589						

B. Development of Total Reported Indemnity Claim Counts

Accident Year	Age-to-Age Development (in months):						
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>	<u>84-Ultimate</u>
2008						1.002	
2009					1.003	1.002	
2010				1.006	1.004	1.002	
2011			1.013	1.008	1.003		
2012		1.035	1.014	1.007			
2013	1.241	1.033	1.012				
2014	1.243	1.032					
2015	1.246						
Latest Year	1.246	1.032	1.012	1.007	1.003	1.002	
Cumulative	1.323	1.061	1.028	1.016	1.010	1.007	1.005

Acc. Year	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Ult. Claim Counts	146,291	144,414	138,793	132,582	125,037	116,503	113,997

C. Closed Indemnity Claim Counts

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							108,162
2008						98,619	103,232
2009					86,382	92,721	97,321
2010				81,119	90,699	97,140	102,105
2011			70,129	84,145	94,100	100,638	
2012		56,491	77,029	92,421	102,830		
2013	27,172	60,619	83,433	100,196			
2014	28,376	65,175	89,525				
2015	29,987	69,614					
2016	32,008						

Source: Accident year experience of insurers with available claim count and paid loss data

**Paid Medical Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

D. Ultimate Indemnity Claim Settlement Ratio (a)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							88.4%
2008						84.4%	88.4%
2009					78.2%	83.9%	88.0%
2010				71.2%	79.6%	85.2%	89.6%
2011			60.2%	72.2%	80.8%	86.4%	
2012		45.2%	61.6%	73.9%	82.2%		
2013	20.5%	45.7%	62.9%	75.6%			
2014	20.4%	47.0%	64.5%				
2015	20.8%	48.2%					
2016	21.9%						

E. Adjusted Closed Indemnity Claim Counts at Equal Percentiles of Ultimate Claim Counts (b)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							109,538
2008						100,898	104,619
2009					90,901	95,479	99,001
2010				86,150	93,751	98,473	102,105
2011			75,148	88,044	95,812	100,638	
2012		60,273	80,652	94,494	102,830		
2013	29,009	63,911	85,519	100,196			
2014	30,367	66,904	89,525				
2015	31,597	69,614					
2016	32,008						

F. Average Paid Medical per Closed Indemnity Claim

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							18,011
2008						18,566	20,791
2009					17,157	20,059	22,607
2010				14,250	17,920	20,779	23,406
2011			9,660	13,876	17,315	20,286	
2012		5,591	9,980	13,878	17,126		
2013	2,388	5,736	10,024	13,615			
2014	2,390	5,838	10,071				
2015	2,535	6,312					
2016	2,758						

- (a) Ratio of closed indemnity claim counts (Item C) to the estimated ultimate indemnity claim counts (Item B) for that accident year.
- (b) The claim counts for the latest evaluation of each accident year are equal to the reported number of closed indemnity claims. All prior evaluations shown are the product of the latest ultimate indemnity claim settlement ratio (Item D) and the ultimate indemnity claim counts (Item B) for that accident year.

Source: Accident year experience of insurers with available claim count and paid loss data

**Paid Medical Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

G. Adjusted Average Paid Medical per Closed Indemnity Claim (c)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							18,808
2008						19,634	21,590
2009					19,179	21,551	23,515
2010				16,073	19,223	21,455	23,406
2011			10,998	15,134	18,049	20,286	
2012		6,220	10,786	14,472	17,126		
2013	2,506	6,217	10,413	13,615			
2014	2,508	6,069	10,071				
2015	2,631	6,312					
2016	2,758						

H. Adjusted Paid Medical (in \$000) on Closed Indemnity Claims (d)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							2,060,151
2008						1,981,041	2,258,697
2009					1,743,406	2,057,649	2,327,983
2010				1,384,662	1,802,133	2,112,711	2,389,850
2011			826,463	1,332,433	1,729,261	2,041,503	
2012		374,918	869,894	1,367,492	1,761,096		
2013	72,702	397,337	890,530	1,364,165			
2014	76,162	406,009	901,587				
2015	83,141	439,402					
2016	88,265						

I. Paid Medical on Open Indemnity Claims (in \$000)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							957,380
2008						1,020,688	927,923
2009					1,087,542	998,915	866,403
2010				1,122,091	1,030,636	912,007	748,238
2011			1,030,913	1,023,023	916,034	770,799	
2012		825,103	988,433	957,293	819,068		
2013	350,388	818,697	955,869	894,070			
2014	345,131	813,906	931,954				
2015	357,625	817,302					
2016	372,514						

- (c) Adjusted based on ultimate indemnity claim settlement ratios (Item D) and assuming a log-linear relationship between maturities.
- (d) Each amount is equal to the product of [adjusted closed indemnity claim counts (Item E)] and [adjusted average paid medical per closed indemnity claim (Item G)], and divided by \$1,000.

Source: Accident year experience of insurers with available claim count and paid loss data

**Paid Medical Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

J. Average Paid Medical per Open Indemnity Claim for Indemnity Claims in Transition (e)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							69,385
2008						58,308	70,834
2009					47,229	58,546	68,280
2010				36,241	46,625	56,770	66,231
2011			24,063	33,710	43,061	51,673	
2012		13,589	22,317	31,285	39,106		
2013	4,772	12,744	21,010	28,014			
2014	4,492	12,410	18,615				
2015	4,516	9,033					
2016	4,741						

K. Changes in Paid Medical on Open Indemnity Claims Resulting from the Impact of Changes in Indemnity Claim Settlement Rates (in \$000) (f)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							-95,474
2008						-132,885	-98,246
2009					-213,428	-161,470	-114,710
2010				-182,328	-142,298	-75,674	
2011			-120,770	-131,434	-73,720		
2012		-51,393	-80,856	-64,854			
2013	-8,767	-41,954	-43,828				
2014	-8,943	-21,457					
2015	-7,271						

L. Adjusted Paid Medical on Open Indemnity Claims (in \$000) (g)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2007							861,905
2008						887,804	829,676
2009					874,114	837,444	751,693
2010				939,763	888,338	836,332	748,238
2011			910,143	891,589	842,314	770,799	
2012		773,710	907,577	892,439	819,068		
2013	341,622	776,744	912,041	894,070			
2014	336,188	792,449	931,954				
2015	350,354	817,302					
2016	372,514						

- (e) Each amount is equal to the product of [the average monthly medical payment per open indemnity claim] and [the number of months for the current evaluation]. For evaluations indicating claim settlement rate decreases, the average monthly medical payment per open indemnity claim at the prior evaluation is used. For evaluations indicating claim settlement rate increases, the average monthly medical payment per open indemnity claim at the same evaluation is used.
- (f) Each amount is equal to [the difference between unadjusted and adjusted closed indemnity claim counts (Items C and E)] multiplied by [the corresponding average paid medical per open indemnity claim for indemnity claims in transition (Item J)].
- (g) Each amount is the sum of [paid medical on open indemnity claims (Item I)] and the corresponding [incremental changes in paid medical on open indemnity claims resulting from the impact of changes in indemnity claim settlement rates (Item K)].

Source: Accident year experience of insurers with available claim count and paid loss data

**Paid Medical Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

M. Paid Medical on Medical-Only Claims (in \$000)

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							241,348
2008						236,006	237,945
2009					216,222	219,090	221,488
2010				212,654	216,201	218,450	221,764
2011			200,110	205,198	209,117	212,620	
2012		199,021	208,662	214,167	219,909		
2013	134,354	200,678	210,946	218,813			
2014	150,349	222,804	234,466				
2015	155,363	234,821					
2016	166,920						

N. Adjusted Total Paid Medical (in \$000) (h)

Accident Year	Evaluated as of (in months)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2007							3,163,405
2008						3,104,851	3,326,318
2009					2,833,742	3,114,183	3,301,164
2010				2,572,121	2,945,492	3,209,683	3,403,793
2011			2,120,427	2,643,586	3,017,992	3,275,317	
2012		1,347,649	1,986,133	2,474,098	2,800,073		
2013	548,678	1,374,758	2,013,517	2,477,048			
2014	562,699	1,421,261	2,068,007				
2015	588,857	1,491,525					
2016	627,700						

O. Paid Medical Loss Development Factors Based on Adjusted Total Paid Medical

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						1.071
2009					1.099	1.060
2010				1.145	1.090	1.060
2011			1.247	1.142	1.085	
2012		1.474	1.246	1.132		
2013	2.506	1.465	1.230			
2014	2.526	1.455				
2015	2.533					
Latest Year	2.533	1.455	1.230	1.132	1.085	1.060

(h) Each amount is the sum of [adjusted paid medical on closed indemnity claims (Item H)], [adjusted paid medical on open indemnity claims (Item L)] and [paid medical on medical-only claims (Item M)]. The effect of the paid cost of medical cost containment programs are only present for accident years 2011 and prior.

Source: Accident year experience of insurers with available claim count and paid loss data

**Paid Medical Loss Development Factors
With Separate Adjustments on Open and Closed Claims
for Changes in Claim Settlement Rates**

P. Paid Medical Loss Development Factors (i)

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						1.073
2009					1.105	1.068
2010				1.153	1.096	1.067
2011			1.248	1.146	1.095	
2012		1.467	1.248	1.141		
2013	2.487	1.465	1.237			
2014	2.516	1.459				
2015	2.532					

Q. Impact of Adjustment for Changes in Indemnity Claim Settlement Rates (j)

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						-0.13%
2009					-0.53%	-0.77%
2010				-0.64%	-0.60%	-0.58%
2011			-0.07%	-0.40%	-0.87%	
2012		0.45%	-0.21%	-0.81%		
2013	0.74%	-0.04%	-0.52%			
2014	0.39%	-0.29%				
2015	0.03%					

R. Paid Medical Loss Development Factors Adjusted for Changes in Indemnity
Claim Settlement Rates (k)

Accident Year	Evaluated as of (in months)					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2008						1.076
2009					1.104	1.065
2010				1.153	1.095	1.064
2011			1.259	1.150	1.089	
2012		1.493	1.257	1.138		
2013	2.543	1.477	1.236			
2014	2.554	1.461				
2015	2.534					
Latest Year	2.534	1.461	1.236	1.138	1.089	1.064
3-Year Average	2.543	1.477	1.251	1.147	1.096	1.068

- (i) Development factors are based on paid medical losses from the same insurer mix as that used in the adjustment for changes in claim settlement rates and applied in the calculation of the development factors in Item O.
- (j) Each factor represents the change in age-to-age development factors from Item P to those in Item O.
- (k) Each factor is the product of [1.0 + the impact of adjustment for changes in claim settlement rates (Item Q)] and [the adjusted paid medical age-to-age development factor from Exhibit 2.6.1].

Source: Accident year experience of insurers with available claim count and paid loss data

**Developed Indemnity Loss Ratios Using Selected Loss Development Factors
Adjusted for Changes in Claim Settlement Rates
Based on Experience as of December 31, 2016**

Accident Year	(1) Paid or Incurred Loss <u>Ratio (a)</u>	Development Factors			(5) Projected Ultimate <u>Loss Ratio</u> (5) = (1) x (4)
		(2) <u>Annual (b)</u>	Cumulative		
			(3) Unadjusted for Impact of <u>SB 863 (b)</u>	(4) Adjusted for Impact of <u>SB 863 (b)</u>	
1985	0.446	1.000	1.003	1.003	0.448
1986	0.396	1.000	1.003	1.003	0.397
1987	0.345	1.000	1.003	1.003	0.346
1988	0.330	1.000	1.003	1.003	0.331
1989	0.343	1.000	1.004	1.004	0.344
1990	0.397	1.000	1.004	1.004	0.399
1991	0.425	1.000	1.004	1.004	0.426
1992	0.350	1.000	1.004	1.004	0.351
1993	0.287	1.000	1.004	1.004	0.289
1994	0.327	1.000	1.004	1.004	0.328
1995	0.472	1.001	1.005	1.005	0.475
1996	0.529	1.001	1.006	1.006	0.532
1997	0.600	1.000	1.006	1.006	0.603
1998	0.650	0.999	1.005	1.005	0.654
1999	0.666	1.004	1.035	1.035	0.690
2000	0.573	1.005	1.040	1.040	0.596
2001	0.471	1.005	1.045	1.045	0.492
2002	0.350	1.006	1.051	1.051	0.368
2003	0.228	1.007	1.058	1.058	0.242
2004	0.135	1.008	1.067	1.067	0.144
2005	0.114	1.010	1.078	1.078	0.123
2006	0.146	1.015	1.094	1.094	0.160
2007	0.198	1.019	1.115	1.115	0.220
2008	0.246	1.027	1.145	1.145	0.282
2009	0.280	1.027	1.176	1.176	0.329
2010	0.263	1.043	1.227	1.227	0.323
2011	0.232	1.053	1.292	1.292	0.300
2012	0.194	1.077	1.392	1.392	0.271
2013	0.151	1.125	1.567	1.598	0.242
2014	0.115	1.250	1.959	2.086	0.239
2015	0.071	1.624	3.182	3.388	0.242
2016	0.022	3.268	10.397	11.072	0.242

- (a) Based on Exhibit 1. To reflect the selected loss development methodology, reported loss ratios displayed prior to 1999 are on an incurred basis. Subsequent reported loss ratios are on a paid basis.
- (b) See Exhibits 2.5.1 and 2.5.2 .

**Developed Medical Loss Ratios Using Selected Loss Development Factors
Adjusted for Changes in Claim Settlement Rates with Adjustment for SB 863
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)
	Adjusted for SB 863					
Accident Year	Unadjusted Paid or Incurred Loss Ratio (a)	Adjusted Paid or Incurred Loss Ratio (b)	Development Factors		Adjusted Developed Loss Ratio (d)	Projected Ultimate Loss Ratio
			Annual (c)	Cumulative	(2) x (4)	(1) + ((5) - (2))
1985	0.351	0.351	0.999	1.021	0.358	0.358
1986	0.332	0.332	1.000	1.021	0.339	0.339
1987	0.313	0.313	0.999	1.020	0.320	0.320
1988	0.305	0.305	1.001	1.020	0.311	0.311
1989	0.326	0.326	1.000	1.020	0.332	0.332
1990	0.367	0.367	1.002	1.022	0.375	0.375
1991	0.385	0.385	1.001	1.023	0.393	0.393
1992	0.319	0.319	1.002	1.024	0.327	0.327
1993	0.267	0.267	0.999	1.023	0.273	0.273
1994	0.309	0.309	1.000	1.023	0.316	0.316
1995	0.457	0.457	1.000	1.023	0.468	0.468
1996	0.486	0.486	1.002	1.025	0.499	0.499
1997	0.547	0.547	1.001	1.026	0.561	0.561
1998	0.660	0.660	1.002	1.028	0.679	0.679
1999	0.650	0.602	1.012	1.149	0.691	0.740
2000	0.587	0.544	1.014	1.165	0.633	0.677
2001	0.514	0.476	1.015	1.183	0.563	0.601
2002	0.396	0.367	1.015	1.201	0.441	0.470
2003	0.250	0.232	1.017	1.221	0.284	0.302
2004	0.169	0.157	1.020	1.245	0.195	0.207
2005	0.163	0.151	1.020	1.270	0.192	0.203
2006	0.207	0.193	1.026	1.302	0.251	0.265
2007	0.286	0.267	1.032	1.344	0.359	0.378
2008	0.350	0.327	1.037	1.394	0.456	0.479
2009	0.398	0.374	1.038	1.447	0.541	0.565
2010	0.379	0.359	1.049	1.518	0.544	0.564
2011	0.308	0.295	1.064	1.615	0.476	0.489
2012	0.247	0.239	1.089	1.759	0.421	0.429
2013	0.181	0.178	1.138	2.002	0.356	0.359
2014	0.132	0.131	1.236	2.473	0.325	0.325
2015	0.089	0.089	1.461	3.613	0.321	0.321
2016	0.036	0.036	2.534	9.154	0.326	0.326

- (a) Based on Exhibit 1. Paid MCCP costs are excluded from accident years 2011 and subsequent. To reflect the selected loss development methodology, reported loss ratios displayed prior to 1999 are on an incurred basis. Subsequent reported loss ratios are on a paid basis.
- (b) Based on experience evaluated as of December 31, 2016. Reflects an adjustment for SB 863 of -4.2% applied to payments made before January 1, 2013, and adjustments for RBRVS of -2.1% applied to payments made before January 1, 2014, and -1.7% applied to payments made before January 1, 2015. No adjustments are applied to the incurred loss ratios.
- (c) Based on Exhibits 2.6.1 and 2.6.2. Reflects an adjustment for SB 863 of -4.2% applied to payments made before January 1, 2013, and adjustments for RBRVS of -2.1% applied to payments made before January 1, 2014, and -1.7% applied to payments made before January 1, 2015.
- (d) The developed medical loss ratios shown were derived based on an adjustment for SB 863 and RBRVS. They are only for purposes of projecting future medical loss ratios and do not reflect true estimates of ultimate loss ratios for those accident years.

Indemnity Benefit Level Factors

Accident Year	(1) Annual Benefit Change Prior to Frequency Adjustments (a)	(2) Frequency Adjustments (a)	(3) Annual Impact on Indemnity Benefits Due to Wage Inflation (b)	(4) Annual Cost Impact on Indemnity (c)	(5) Composite Indemnity Adjustment Factor (d)
1985	0.0	0.0	2.0	2.0	1.513
1986	0.0	0.0	1.6	1.6	1.490
1987	0.0	0.0	1.9	1.9	1.462
1988	0.0	0.0	1.5	1.5	1.440
1989	0.0	0.0	1.5	1.5	1.419
1990	2.3	19.9	1.7	24.7	1.137
1991	4.9	14.8	0.8	21.4	0.937
1992	1.8	-8.3	1.6	-5.2	0.988
1993	0.2	-18.1	0.4	-17.6	1.199
1994	-5.1	0.2	0.6	-4.3	1.254
1995	6.3	0.6	1.0	8.0	1.161
1996	5.3	0.4	1.2	7.0	1.085
1997	9.7	0.2	1.6	11.7	0.971
1998	6.5	0.0	1.8	8.4	0.896
1999	5.7	0.0	2.1	7.9	0.830
2000	3.9	0.0	3.1	7.1	0.775
2001	-0.3	0.0	0.2	-0.1	0.776
2002	-0.7	0.0	0.2	-0.5	0.796 (e)
2003	7.3	0.0	1.1	8.5	0.796 (e)
2004	-6.0	-13.7	1.6	-17.6	1.097 (e)
2005	-31.6	-15.3	1.1	-41.5	1.489
2006	5.6	-5.7	1.6	1.2	1.471
2007	1.6	0.0	1.6	3.2	1.425
2008	4.8	0.6	0.7	6.2	1.343
2009	0.4	1.4	0.2	2.0	1.316
2010	0.4	0.0	1.0	1.4	1.298
2011	0.0	0.0	1.6	1.6	1.277
2012	0.3	0.0	2.1	2.4	1.247
2013	2.2	0.2	0.4	2.8	1.213
2014	7.0	1.5	1.7	10.4	1.099
2015	0.3	0.0	2.3	2.6	1.071
2016	0.3	0.0	1.7	2.0	1.050
2017	0.5	0.0	2.4	2.9	
4/1/2018	0.3 (Annual 0.4)	0.0	1.8 (Annual 2.4)	2.1	

- (a) Based on WCIRB evaluations of the average impact of legislative changes on the cost of indemnity benefits. These annual changes in benefits reflect the WCIRB's retrospective estimates of the cost impact of recent legislation, including SB 863 as reflected in emerging post-reform costs. The annual cost impacts have been segregated between claim severity and claim frequency impacts.
- (b) These impacts are based on the weekly wages of injured workers and the legislatively scheduled benefits for that year.
- (c) $\{ [\text{Column (1)} / 100 + 1.0] \times [\text{Column (2)} / 100 + 1.0] \times [\text{Column (3)} / 100 + 1.0] - 1.0 \} \times 100$.
- (d) These factors represent the combined impact of the annual benefit changes on claim severity shown in Column (1), claim frequencies shown in Column (2) and wage inflation impact on benefits shown in Column (3), adjusted to the 4/1/2018 level.
- (e) On-level factors for accident years 2002, 2003 and 2004 adjust the portion of permanent disability claims that are estimated to not be subject to the January 1, 2005 PDRS (95% for accident year 2002, 75% for accident year 2003 and 40% for accident year 2004) to the January 1, 2005 PDRS level, and adjust for the corresponding utilization impacts on all 2002, 2003 and 2004 indemnity claims.

Annual Medical Cost Level Change - Non-Legislative

Accident Year	(1) Proportion of Medical Subject to Fee Schedule (a)	(2) Proportion of Medical Not Subject to Fee Schedule (a)	(3) Impact of Fee Schedule Change on Total Medical (b)	(4) Change in Medical CPI (c)	(5) Impact of CPI Change on Total Medical (d)	(6) Annual Non-Legislative Cost Impact on Total Medical (e)
1985	0.665	0.335	2.3%	6.5%	2.2%	4.5%
1986	0.604	0.396	0.0%	9.1%	3.0%	3.0%
1987	0.610	0.390	0.9%	7.4%	2.9%	3.8%
1988	0.649	0.351	0.8%	7.7%	3.0%	3.8%
1989	0.647	0.353	0.0%	8.6%	3.0%	3.0%
1990	0.661	0.339	0.0%	10.4%	3.7%	3.7%
1991	0.631	0.369	0.0%	10.6%	3.6%	3.6%
1992	0.628	0.372	0.0%	8.1%	3.0%	3.0%
1993	0.565	0.435	0.0%	7.3%	2.7%	2.7%
1994	0.691	0.309	-3.6%	4.3%	1.3% (i)	-2.3%
1995	0.681	0.319	0.0%	3.0%	0.9%	0.9%
1996	0.663	0.337	0.0%	3.0%	1.0%	1.0%
1997	0.643	0.357	0.0%	2.2%	0.7%	0.7%
1998	0.658	0.342	0.0%	2.2%	0.8%	0.8%
1999	0.728	0.272	1.6%	3.3%	0.9% (ii)	2.5%
2000	0.715	0.285	0.5%	4.3%	1.2%	1.7%
2001	0.722	0.278	1.5%	4.8%	1.4%	2.9%
2002	0.635	0.365	0.6%	5.1%	1.4%	2.0%
2003	0.786	0.214	0.0%	4.8%	1.4% (iii)	1.4%
2004	0.952	0.048	0.0%	5.0%	0.0% (iv),(v)	0.0%
2005	0.936	0.064	0.0%	4.8%	0.0% (v)	0.0%
2006	0.926	0.074	0.0%	4.1%	0.3%	0.3%
2007	0.923	0.077	1.4%	5.3%	0.4%	1.8%
2008	0.896	0.104	-0.1%	4.2%	0.3%	0.2%
2009	0.894	0.106	0.0%	3.6%	0.4%	0.4%
2010	0.895	0.105	0.0%	2.8%	0.3%	0.3%
2011	0.969	0.031	0.0%	3.2%	0.3%	0.3%
2012	0.969	0.031	0.0%	2.7%	0.1%	0.1%
2013	0.938	0.062	0.0%	2.6%	0.1%	0.1%
2014	0.928	0.072	0.5%	4.2%	0.3%	0.8%
2015	0.934	0.066	0.1%	3.1%	0.2%	0.3%
2016	0.934	0.066	0.1%	5.4%	0.4%	0.5%
2017	0.934	0.066	0.1%	3.8%	0.3%	0.4%
4/1/2018	0.934	0.066	0.0% (Annual 0.0%)	2.8% (Annual 3.7%)	0.2%	0.2%

- (a) From a Special Carrier Study through 1990. Based on WCIRB's Aggregate Indemnity and Medical Costs Calls for years 1991 through 2012. Based on WCIRB medical transaction data from 2013 onwards. Accident years 2011 and subsequent do not include MCCP costs.
- (b) Based on the WCIRB's evaluation of the cost impact of changes in the medical fee schedules. Includes the 1/1/2014 changes to the physician fee schedule to a resource-based relative value scale (RBRVS) except for the proportion reflected in loss development (See Exhibit 2.4).
- (c) Based on a component of the Consumer Price Index. Projections furnished by the California Department of Finance.
- (d) Adjusted CPI on workers' compensation medical costs that are not subject to fee schedules. The current year impact is the weighted average of 0% and Column (4), with Columns (1) and (2) from prior years as weights. (i) 1993's non-fee proportion is reduced by 13.8% due to the new medical-legal fee schedule enacted in 1994. (ii) 1998's non-fee proportion is reduced by 7.7% due to the Inpatient Hospital Fee Schedule (IHFS) effective 4/1/1999. (iii) 2002's non-fee proportion is reduced by 7.6% due to the new pharmaceutical fee schedule effective 1/1/2003. (iv) 2003's non-fee proportion is reduced by 17.2% due to the outpatient fee schedule effective 1/1/2004. (v) Given the anticipated impact of legislative reform, a 0% inflation rate has been assumed for 2004 and 2005.
- (e) Column (6) = Column (3) + Column (5).

Annual Medical Cost Level Change - Legislative

Accident Year	(1) Annual Legislative Cost Impact on Medical Severity(a)	(2) Annual Legislative Cost Impact on Medical Due to Frequency Changes(b)	(3) Annual Total Legislative Cost Impact on Medical(c)
1985	0.0%	0.0%	0.0%
1986	0.0%	0.0%	0.0%
1987	0.0%	0.0%	0.0%
1988	0.0%	0.0%	0.0%
1989	0.0%	0.0%	0.0%
1990	-0.7%	19.9%	19.1%
1991	-1.6%	14.7%	12.9%
1992	0.5%	-8.4%	-7.9%
1993	-0.7%	-18.1%	-18.7%
1994	-2.6%	0.3%	-2.3%
1995	0.0%	0.5%	0.5%
1996	0.0%	0.4%	0.4%
1997	0.0%	0.2%	0.2%
1998	12.6%	0.0%	12.6%
1999	12.6%	0.0%	12.6%
2000	7.0%	0.0%	7.0%
2001	6.6%	0.0%	6.6%
2002	-5.6%	0.0%	-5.6%
2003	-6.0%	0.0%	-6.0%
2004	-24.4%	-12.5%	-33.9%
2005	0.0%	-13.9%	-13.9%
2006	0.1%	-5.2%	-5.1%
2007	0.1%	0.0%	0.1%
2008	0.2%	0.3%	0.5%
2009	0.0%	1.0%	1.0%
2010	0.0%	0.0%	0.0%
2011	-2.0%	0.0%	-2.0%
2012	-3.0%	0.0%	-3.0%
2013	-3.0%	0.2%	-2.8%
2014	-2.0%	1.3%	-0.7%
2015	0.0%	0.0%	0.0%
2016	0.0%	0.0%	0.0%
2017	0.0%	0.0%	0.0%
4/1/2018	0.0%	0.0%	0.0%

(a) These annual cost impacts reflect the WCIRB's retrospective estimates of the cost impact of legislation based on WCIRB cost monitoring results. These factors do not include the estimated - 4.2% impact of 1/1/2013 medical provisions in SB 863, which was reflected in loss development projections.

(b) This reflects the annual percentage impact on medical costs due to changes in the frequency of indemnity claims as a result of benefit changes.

(c) $[\text{Column (1)} + 1.0] \times [\text{Column (2)} + 1.0] - 1.0$

Total Medical Cost Level Factors

Accident Year	(1) Annual Non-Legislative Cost Impact on Medical (a)	(2) Annual Legislative Cost Impact on Medical(b)	(3) Total Annual Cost Impact on Medical(c)	(4) Composite Medical On-level Factor(d)
1985	4.5%	0.0%	4.5%	0.990
1986	3.0%	0.0%	3.0%	0.961
1987	3.8%	0.0%	3.8%	0.926
1988	3.8%	0.0%	3.8%	0.892
1989	3.0%	0.0%	3.0%	0.866
1990	3.7%	19.1%	23.5%	0.702
1991	3.6%	12.9%	16.9%	0.600
1992	3.0%	-7.9%	-5.2%	0.633
1993	2.7%	-18.7%	-16.5%	0.758
1994	-2.3%	-2.3%	-4.6%	0.794
1995	0.9%	0.5%	1.4%	0.783
1996	1.0%	0.4%	1.4%	0.772
1997	0.7%	0.2%	0.9%	0.765
1998	0.8%	12.6%	13.5%	0.674
1999	2.5%	12.6%	15.4%	0.584
2000	1.7%	7.0%	8.8%	0.537
2001	2.9%	6.6%	9.7%	0.489
2002	2.0%	-5.6%	-3.7%	0.508
2003	1.4%	-6.0%	-4.7%	0.533
2004	0.0%	-33.9%	-33.9%	0.806
2005	0.0%	-13.9%	-13.9%	0.936
2006	0.3%	-5.1%	-4.8%	0.983
2007	1.8%	0.1%	1.9%	0.965
2008	0.2%	0.5%	0.7%	0.958
2009	0.4%	1.0%	1.4%	0.945
2010	0.3%	0.0%	0.3%	0.942
2011	0.3%	-2.0%	-1.7%	0.959
2012	0.1%	-3.0%	-2.9%	0.987
2013	0.1%	-2.8%	-2.7%	1.015
2014	0.8%	-0.7%	0.1%	1.019 (e)
2015	0.3%	0.0%	0.3%	1.017 (e)
2016	0.5%	0.0%	0.5%	1.013 (e)
2017	0.4%	0.0%	0.4%	
4/1/2018	0.2%	0.0%	0.2%	

(a) See Exhibit 4.2, Column (6).

(b) See Exhibit 4.3, Column (3).

(c) Column (3) = [1.0 + Column (1)] x [1.0 + Column (2)] - 1.0.

(d) These factors adjust the annual impact shown in Column (3) to the 4/1/2018 level.

(e) The on-level factors for accident years 2014, 2015, and 2016 include the estimated impact of the January 1, 2014 physician fee schedule for the service year 2017.

Annual Wage Level Changes

<u>Year</u>	<u>Annual Wage Level Change</u>	<u>Factor to a 4/1/2018 Wage Level</u>
1985	5.7	3.212
1986	4.7	3.068
1987	5.6	2.905
1988	4.4	2.783
1989	4.3	2.668
1990	5.0	2.541
1991	2.3	2.484
1992	4.7	2.372
1993	1.2	2.344
1994	1.8	2.303
1995	2.9	2.238
1996	3.4	2.164
1997	4.7	2.067
1998	5.2	1.965
1999	6.2	1.850
2000	9.0	1.697
2001	0.6	1.687
2002	0.5	1.679
2003	3.3	1.625
2004	4.7	1.552
2005	3.1	1.506
2006	4.6	1.439
2007	4.5	1.377
2008	2.1	1.349
2009	0.5	1.342
2010	3.0	1.303
2011	3.1	1.264
2012	4.1	1.214
2013	0.7	1.206
2014	3.3	1.167
2015	4.4	1.118
2016	3.2	1.083
Projected:		
2017	4.6	
4/1/2018	3.6	(Annual = 4.8)

Source: California average annual wage level changes for 1985 to 2018 derived from information published by the UCLA Anderson School of Business as of March 2017.

Premium Adjustment Factors

	(1)	(2a)	(2b)	(2c)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Factor to a 4/1/2018 Wage Level (a)	Ratio of Industry Average Charged Rates to Advisory Pure Premium Rates (b)	Factor to Industry Average Filed Pure Premium Rate Level as of July 1, 2016 (c)	Factor to Adjust Insurer Premium to an Industry Average Filed Pure Premium Rate Level as of July 1, 2016 (d)	Adjustment to Remove Surcharge Premium (e)	Average Experience Modification (f)	Off-Balance Correction in Advisory July 1, 2016 Pure Premium Rates	Factor to Adjust for Impact of Premium Resulting from Audits (g)	Composite Premium Adjustment Factor (h)
1985	3.212	---	---	1.047	0.991	0.984	1.028	---	3.295
1986	3.068	---	---	0.957	0.991	0.983	1.028	---	2.878
1987	2.905	---	---	0.841	0.992	0.983	1.028	---	2.398
1988	2.783	---	---	0.752	0.993	0.963	1.028	---	2.100
1989	2.668	---	---	0.740	0.993	0.945	1.028	---	2.019
1990	2.541	---	---	0.722	0.991	0.942	1.028	---	1.877
1991	2.484	---	---	0.668	0.987	0.939	1.028	---	1.698
1992	2.372	---	---	0.642	0.982	0.940	1.028	---	1.547
1993	2.344	---	---	0.633	0.981	0.949	1.028	---	1.493
1994	2.303	---	---	0.725	0.986	0.948	1.028	---	1.690
1995	2.238	---	---	0.982	0.995	0.958	1.028	---	2.220
1996	2.164	1.023	1.043	1.020	1.000	0.935	1.028	---	2.296
1997	2.067	0.989	1.041	1.053	1.000	0.949	1.028	---	2.230
1998	1.965	0.965	1.084	1.123	1.000	0.959	1.028	---	2.239
1999	1.850	0.972	1.096	1.128	1.000	0.954	1.028	---	2.127
2000	1.697	1.005	0.993	0.988	1.000	0.970	1.028	---	1.682
2001	1.687	1.030	0.875	0.850	1.000	0.969	1.028	---	1.439
2002	1.679	1.157	0.783	0.677	1.000	0.991	1.028	---	1.115
2003	1.625	1.266	0.641	0.506	1.000	1.005	1.028	---	0.797
2004	1.552	1.397	0.652	0.467	1.000	0.981	1.028	---	0.718
2005	1.506	1.470	0.784	0.533	1.000	0.982	1.028	---	0.795
2006	1.439	1.447	1.011	0.699	1.000	0.956	1.028	---	1.023
2007	1.377	1.492	1.377	0.923	1.000	0.931	1.028	0.985	1.308
2008	1.349	1.426	1.639	1.149	1.000	0.946	1.028	0.991	1.580
2009	1.342	1.365	1.615	1.183	1.000	0.937	1.028	1.034	1.705
2010	1.303	1.383	1.583	1.145	1.000	0.941	1.028	1.005	1.550
2011	1.264	1.402	1.582	1.128	1.000	0.982	1.028	---	1.413
2012	1.214	1.225	1.304	1.064	1.000	1.000	1.028	---	1.257
2013	1.206	1.139	1.050	0.922	1.000	0.983	1.028	---	1.100
2014	1.167	1.127	0.967	0.858	1.000	0.961	1.028	---	1.014
2015	1.118	1.109	0.940	0.848	1.000	0.952	1.028	---	0.968
2016	1.083	1.147	1.012	0.882	1.000	0.952	1.028	---	0.977

- (a) See Exhibit 5.1.
- (b) Based on WCIRB calendar year experience calls. The industry average charged rates reflect most rating plan adjustments but do not reflect the application of deductible credits or retrospective rating plan adjustments.
- (c) Reflects (1) advisory pure premium rate level changes to bring premium to the advisory July 1, 2016 pure premium rate level and (2) an additional adjustment factor, which is the ratio of the average advisory July 1, 2016 pure premium rate (\$2.32) to the industry average filed pure premium rate as of July 1, 2016 (\$2.54).
- (d) (2b) ÷ (2a). This column adjusts premiums at the industry average charged rate level to the industry average filed pure premium rate level as of July 1, 2016.
- (e) Based on unit statistical data.
- (f) Based on average promulgated experience modifications. Calendar years 1996 through 2000 include adjustments for the impacts of AB 1913 and SB 1217 (1998).
- (g) Based on a comparison of premium reported on a calendar year basis to premium reported on an estimated ultimate policy year basis over the course of two accident years. The factor is applied only for calendar years 2007 to 2010, during which reported premiums were impacted by recessionary economic forces.
- (h) (1)x(2c)x(3)x(6) ÷ [(4)x(5)] for calendar years 2007 to 2010. (1)x(2c)x(3) ÷ [(4)x(5)] for all other calendar years.

2016 Accident Year Indemnity Claim Frequency Model
As of PY 2014 Preliminary 1st Set & December 2016 UCLA

AY	Annual %	Annual Log Differences						
	Changes Intra-	Intra-Class Indemnity Frequency			AY+1		Economic	CalOSHA
	Class Ind Freq	per \$M Exposure at PY 2015 Level			Indemnity	Cumulative	Variables	Dummy
	Total	Total	Cumulative	Non-cum.	Benefit Level	Injury Index	(1st Prin. Comp.)	Variable
1979	0.5%	0.005	-0.053	0.007	0.000	-0.060	0.134	0.000
1980	-6.5%	-0.068	-0.132	-0.066	0.033	-0.066	-0.079	0.000
1981	-3.5%	-0.036	-0.028	-0.036	0.000	0.008	-0.078	0.000
1982	-1.6%	-0.016	0.153	-0.022	0.352	0.175	-0.292	0.000
1983	6.2%	0.060	0.214	0.054	0.081	0.160	0.029	0.000
1984	9.5%	0.091	0.235	0.084	0.000	0.151	0.221	0.000
1985	2.0%	0.020	0.138	0.014	0.000	0.124	0.080	0.000
1986	-2.4%	-0.024	0.039	-0.028	0.000	0.067	0.077	0.000
1987	1.5%	0.015	0.053	0.013	0.000	0.041	0.150	0.000
1988	0.7%	0.007	0.104	0.000	0.000	0.104	0.088	0.000
1989	2.5%	0.024	0.212	0.009	0.046	0.203	0.045	0.000
1990	9.0%	0.087	0.337	0.061	0.071	0.276	-0.120	0.000
1991	0.3%	0.003	0.166	-0.018	0.023	0.184	-0.291	0.000
1992	-11.1%	-0.118	-0.272	-0.098	0.013	-0.174	-0.185	0.068
1993	-14.9%	-0.162	-0.240	-0.153	-0.057	-0.088	-0.022	0.464
1994	-12.8%	-0.136	-0.462	-0.107	0.061	-0.355	0.106	0.173
1995	-4.6%	-0.048	-0.016	-0.050	0.053	0.034	0.092	0.295
1996	-6.8%	-0.070	-0.136	-0.065	0.096	-0.071	0.074	0.000
1997	-3.3%	-0.033	-0.023	-0.034	0.066	0.011	0.137	0.000
1998	-3.8%	-0.038	-0.040	-0.038	0.058	-0.002	0.078	0.000
1999	1.5%	0.014	0.100	0.008	0.040	0.092	0.127	0.000
2000	4.0%	0.039	0.071	0.037	-0.003	0.034	0.066	0.000
2001	-6.9%	-0.072	-0.017	-0.076	-0.007	0.059	-0.100	0.000
2002	-2.8%	-0.029	0.001	-0.031	0.060	0.033	-0.197	0.000
2003	-3.2%	-0.032	-0.009	-0.035	-0.065	0.026	-0.022	0.000
2004	-16.8%	-0.185	-0.212	-0.182	-0.398	-0.030	0.098	0.000
2005	-13.6%	-0.147	-0.299	-0.134	0.051	-0.165	0.143	0.000
2006	-5.7%	-0.059	-0.050	-0.059	0.016	0.009	0.090	0.000
2007	-1.6%	-0.017	0.021	-0.019	0.049	0.040	-0.095	0.000
2008	-2.7%	-0.027	0.038	-0.033	0.006	0.071	-0.320	0.000
2009	-0.2%	-0.002	0.168	-0.018	0.066	0.186	-0.414	0.000
2010	8.9%	0.085	0.139	0.079	0.012	0.060	-0.077	0.000
2011	1.3%	0.013	0.033	0.010	0.003	0.022	0.048	0.000
2012	4.9%	0.048	0.117	0.040	-0.008	0.077	0.122	0.000
2013	0.9%	0.009	0.171	-0.013	0.071	0.185	0.154	0.000
2014	1.0%	0.010	0.100	-0.005	0.003	0.105	0.170	0.000
2015*	-1.2%	-0.012	0.063	-0.027	0.003	0.091	0.179	0.000
2016	-0.5%	-0.005	-0.005	-0.005	0.004	0.000	0.141	0.000
2017	-1.6%	-0.016	-0.016	-0.016	0.003	0.000	0.038	0.000
2018	-1.9%	-0.019	-0.019	-0.019	0.003	0.000	0.004	0.000
2019	-1.9%	-0.019	-0.019	-0.019	0.003	0.000	0.002	0.000

Y = Hazardousness-Adjusted Noncumulative Indemnity Claim Frequency

Constant	-0.020			
Std Err of Y Est	0.041			
R Squared	0.577			
No. of Observations	37			
Degrees of Freedom	32			
X Coefficient(s)		0.174	0.282	0.098
Std Err of Coef.		0.075	0.063	0.046
				-0.135
				0.079

Notes:

Indemnity Benefit Level variable is leading. The benefit level change for AY 2004 is related to the AY 2003 change in non-cumulative frequency.

The Indemnity Benefit Level change for Ogilvie & Almaraz / Guzman in 2009-2010 is not leading.

The Indemnity Benefit Level variable excludes indemnity benefit utilization, and changes in the death and permanent total benefits.

The Indemnity Benefit Level variable has been revised due to on-leveling reassessments. See Actuarial Committee item AC09-03-03.

For 1993 on, cumulative claims include both cumulative trauma and occupational disease claims. See March 19, 2014 Actuarial Committee Agenda Item III.

Economic variables are historical through 2015; December 2016 UCLA Anderson Forecasts for 2016 on.

Regression is over AY 1979 through AY 2015. AY 2016 through AY 2019 are projections.

The constant term, -0.020, consists of measured offsets that recognize annual changes in real benefit levels relative to nominal benefit levels and long-term economic growth. Without these offsets, the indemnity benefit level and economic variables would project frequency to increase without bound.

*AY 2015 is preliminary and change is based on a comparison of 2015 accidents on 2014 policies to 2014 accidents on 2013 policies.

**Projection of Indemnity Severity Trends by Accident Year
Based on Experience as of December 31, 2016**

Accident Year	(1) Estimated Ultimate Severity	(2) Annual % Change	(3) Indemnity Adjustment Factor(a)	(4) Ultimate On-level Severity (1) x (3)	(5) Annual % Change
1990	9,964	---	1.819	18,128	---
1991	10,906	9.5%	1.721	18,765	3.5%
1992	10,995	0.8%	1.664	18,291	-2.5%
1993	11,965	8.8%	1.654	19,786	8.2%
1994	12,932	8.1%	1.732	22,399	13.2%
1995	14,511	12.2%	1.613	23,411	4.5%
1996	16,248	12.0%	1.514	24,599	5.1%
1997	19,338	19.0%	1.358	26,267	6.8%
1998	21,126	9.3%	1.253	26,469	0.8%
1999	23,225	9.9%	1.161	26,963	1.9%
2000	24,633	6.1%	1.084	26,696	-1.0%
2001	27,054	9.8%	1.085	29,350	9.9%
2002	26,180	-3.2%	1.114	29,159	-0.7%
2003	25,744	-1.7%	1.113	28,649	-1.7%
2004	20,987	-18.5%	1.323	27,776	-3.0%
2005	18,920	-9.8%	1.522	28,791	3.7%
2006	20,634	9.1%	1.418	29,264	1.6%
2007	22,436	8.7%	1.374	30,826	5.3%
2008	24,670	10.0%	1.302	32,119	4.2%
2009	25,626	3.9%	1.294	33,165	3.3%
2010	25,413	-0.8%	1.276	32,432	-2.2%
2011	25,005	-1.6%	1.256	31,410	-3.2%
2012	24,543	-1.8%	1.227	30,105	-4.2%
2013	24,863	1.3%	1.195	29,722	-1.3%
2014	26,779	7.7%	1.099	29,422	-1.0%
2015	27,834	3.9%	1.071	29,808	1.3%
2016	29,030	4.3%	1.050	30,486	2.3%
(6) Estimated Annual Exponential Trend Based on 2005 to 2016:					-0.1%
(7) Estimated Annual Exponential Trend Based on 2011 to 2016:					-0.5%
Selected Indemnity Severity Trend:					0.0%

(a) These adjustment factors are based on Exhibit 4.1, excluding the impact of frequency.

Source: WCIRB experience calls

**Projection of Medical Severity Trends by Accident Year
Based on Experience as of December 31, 2016**

Accident Year	(1) Estimated Ultimate Severity(a)	(2) Annual % Change	(3) Medical Adjustment Factor(b)	(4) Ultimate On-level Severity (1) x (3)	(5) Annual % Change
1990	8,738	---	1.015	8,866	---
1991	9,393	7.5%	0.996	9,354	5.5%
1992	9,466	0.8%	0.963	9,116	-2.5%
1993	10,474	10.6%	0.947	9,914	8.8%
1994	11,573	10.5%	0.996	11,522	16.2%
1995	13,349	15.3%	0.989	13,198	14.5%
1996	14,240	6.7%	0.978	13,930	5.5%
1997	16,974	19.2%	0.972	16,491	18.4%
1998	20,830	22.7%	0.858	17,864	8.3%
1999	23,688	13.7%	0.743	17,610	-1.4%
2000	26,704	12.7%	0.684	18,255	3.7%
2001	31,736	18.8%	0.624	19,817	8.6%
2002	32,190	1.4%	0.649	20,894	5.4%
2003	30,767	-4.4%	0.682	20,995	0.5%
2004	28,553	-7.2%	0.904	25,819	23.0%
2005	29,438	3.1%	0.907	26,686	3.4%
2006	32,331	9.8%	0.905	29,255	9.6%
2007	36,367	12.5%	0.891	32,411	10.8%
2008	39,756	9.3%	0.891	35,414	9.3%
2009	41,895	5.4%	0.892	37,357	5.5%
2010	42,411	1.2%	0.895	37,957	1.6%
2011	38,777 (c)	---	0.919	35,621 (c)	---
2012	36,957	-4.7%	0.956	35,339	-0.8%
2013	35,120	-5.0%	0.995	34,934	-1.1%
2014	34,478	-1.8%	1.017	35,068	0.4%
2015	35,046	1.6%	1.017	35,646	1.6%
2016	36,982	5.5%	1.013	37,469	5.1%

Selected Medical Severity Trend: 2.5%

(a) Estimated ultimate severities for all accident years are derived by dividing ultimate medical losses on indemnity claims by ultimate indemnity claim counts. The estimated ultimate medical severities were derived from the projected ultimate loss ratios shown in Exhibit 3.2, column (6).

(b) These adjustment factors are based on Exhibit 4.4, excluding the impact of frequency, and including the impact of SB 863 provisions applicable to outstanding medical losses.

(c) Severities for accident years 2011 and subsequent do not reflect the cost of medical cost containment programs (MCCP). Severities for accident years 2010 and prior do reflect MCCP costs.

**Projection of Medical Severity Trends by Accident Year
Adjusted to Remove the Cost of Medical Cost Containment Programs (MCCP)
Based on Experience as of December 31, 2016**

(1) Accident Year	MCCP Included				MCCP Removed Based on WCIRB Aggregate Calendar Year Data Calls (b)			
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Estimated Ultimate Severity (a)	Annual % Change	Ultimate On-Level Severity (c)	Annual % Change	Estimated Ultimate Severity (a)	Annual % Change	Ultimate On-Level Severity (c)	Annual % Change
2005	29,438	---	26,686	---	27,866	---	25,260	---
2006	32,331	9.8%	29,255	9.6%	30,282	8.7%	27,401	8.5%
2007	36,367	12.5%	32,411	10.8%	33,917	12.0%	30,228	10.3%
2008	39,756	9.3%	35,414	9.3%	36,246	6.9%	32,287	6.8%
2009	41,895	5.4%	37,357	5.5%	38,363	5.8%	34,207	5.9%
2010	42,411	1.2%	37,957	1.6%	38,797	1.1%	34,723	1.5%
2011	42,547	0.3%	39,084	3.0%	38,777	-0.1%	35,621	2.6%
2012	40,577	-4.6%	38,801	-0.7%	36,957	-4.7%	35,339	-0.8%
2013	38,714	-4.6%	38,509	-0.8%	35,120	-5.0%	34,934	-1.1%
2014	38,132	-1.5%	38,785	0.7%	34,478	-1.8%	35,068	0.4%
2015	38,822	1.8%	39,486	1.8%	35,046	1.6%	35,646	1.6%
2016	40,678	4.8%	41,213	4.4%	36,982	5.5%	37,469	5.1%

Estimated Annual Exponential
Trend Based on 2005 to 2016: 3.3%
Trend Based on 2011 to 2016: 0.9%

Selected Medical Severity Trend: 2.5%

- (a) Estimated ultimate severities for all accident years were derived by dividing ultimate medical losses on indemnity claims by ultimate indemnity claim counts.
- (b) Adjustments to accident years 2005 through 2010 based on WCIRB's Annual Calls for Direct California Workers' Compensation Aggregate Indemnity and Medical Costs.
- (c) Ultimate severities are on-leveled based on adjustment factors shown on Exhibit 4.4, excluding the impact of frequency.

Source: WCIRB experience calls

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)×(2)÷(3)
1985	0.448	1.513	3.295	0.206
1986	0.397	1.490	2.878	0.205
1987	0.346	1.462	2.398	0.211
1988	0.331	1.440	2.100	0.227
1989	0.344	1.419	2.019	0.242
1990	0.399	1.137	1.877	0.242
1991	0.426	0.937	1.698	0.235
1992	0.351	0.988	1.547	0.224
1993	0.289	1.199	1.493	0.232
1994	0.328	1.254	1.690	0.244
1995	0.475	1.161	2.220	0.248
1996	0.532	1.085	2.296	0.251
1997	0.603	0.971	2.230	0.263
1998	0.654	0.896	2.239	0.262
1999	0.690	0.830	2.127	0.269
2000	0.596	0.775	1.682	0.274
2001	0.492	0.776	1.439	0.265
2002	0.368	0.796	1.115	0.262
2003	0.242	0.796	0.797	0.241
2004	0.144	1.097	0.718	0.220
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.300	1.277	1.413	0.272
2012	0.271	1.247	1.257	0.269
2013	0.242	1.213	1.100	0.267
2014	0.239	1.099	1.014	0.259
2015	0.242	1.071	0.968	0.267
2016	0.242	1.050	0.977	0.260
				Projections (d)
2017				0.258
4/1/2018				0.254

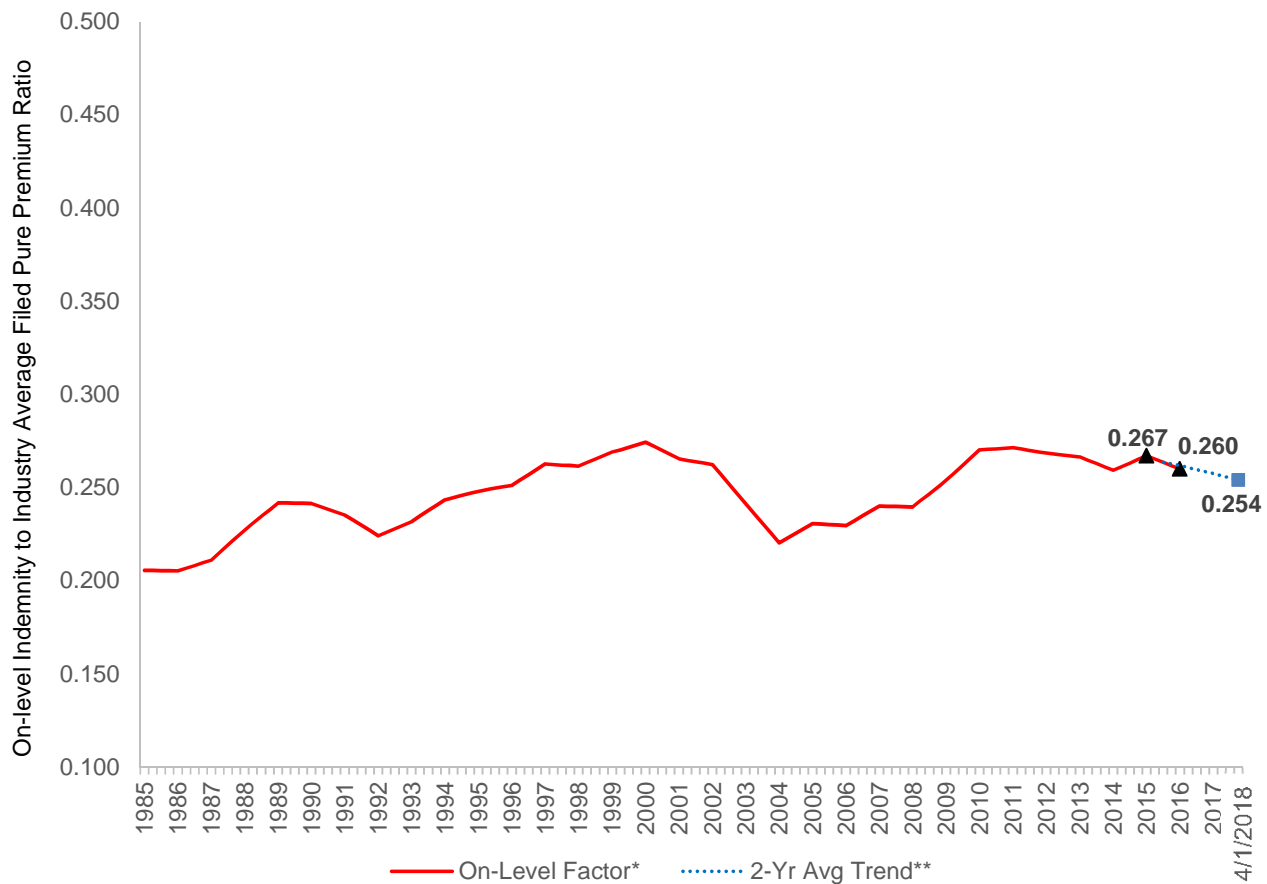
(a) See Exhibit 3.1.

(b) See Exhibit 4.1.

(c) See Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from Exhibit 6.2, the actual frequency trend for accident year 2016 from Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**On-Level Indemnity Loss to Industry Average Filed Pure Premium Ratios
Based on Experience as of December 31, 2016**



* On-level indemnity to industry average filed pure premium ratios (see Exhibit 7.1)

** The 4/1/2018 indemnity to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2015 and 2016 years.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
1985	0.358	0.990	3.295	0.108
1986	0.339	0.961	2.878	0.113
1987	0.320	0.926	2.398	0.123
1988	0.311	0.892	2.100	0.132
1989	0.332	0.866	2.019	0.143
1990	0.375	0.702	1.877	0.140
1991	0.393	0.600	1.698	0.139
1992	0.327	0.633	1.547	0.134
1993	0.273	0.758	1.493	0.139
1994	0.316	0.794	1.690	0.149
1995	0.468	0.783	2.220	0.165
1996	0.499	0.772	2.296	0.168
1997	0.561	0.765	2.230	0.193
1998	0.679	0.674	2.239	0.204
1999	0.691	0.584	2.127	0.190
2000	0.633	0.537	1.682	0.202
2001	0.563	0.489	1.439	0.191
2002	0.441	0.508	1.115	0.201
2003	0.284	0.533	0.797	0.190
2004	0.195	0.806	0.718	0.219
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.476	0.959	1.413	0.323
2012	0.421	0.987	1.257	0.331
2013	0.356	1.015	1.100	0.329
2014	0.325	1.019	1.014	0.326
2015	0.321	1.017	0.968	0.337
2016	0.326	1.013	0.977	0.338
				Projections (d)
2017				0.342
4/1/2018				0.344

(a) See Exhibit 3.2.

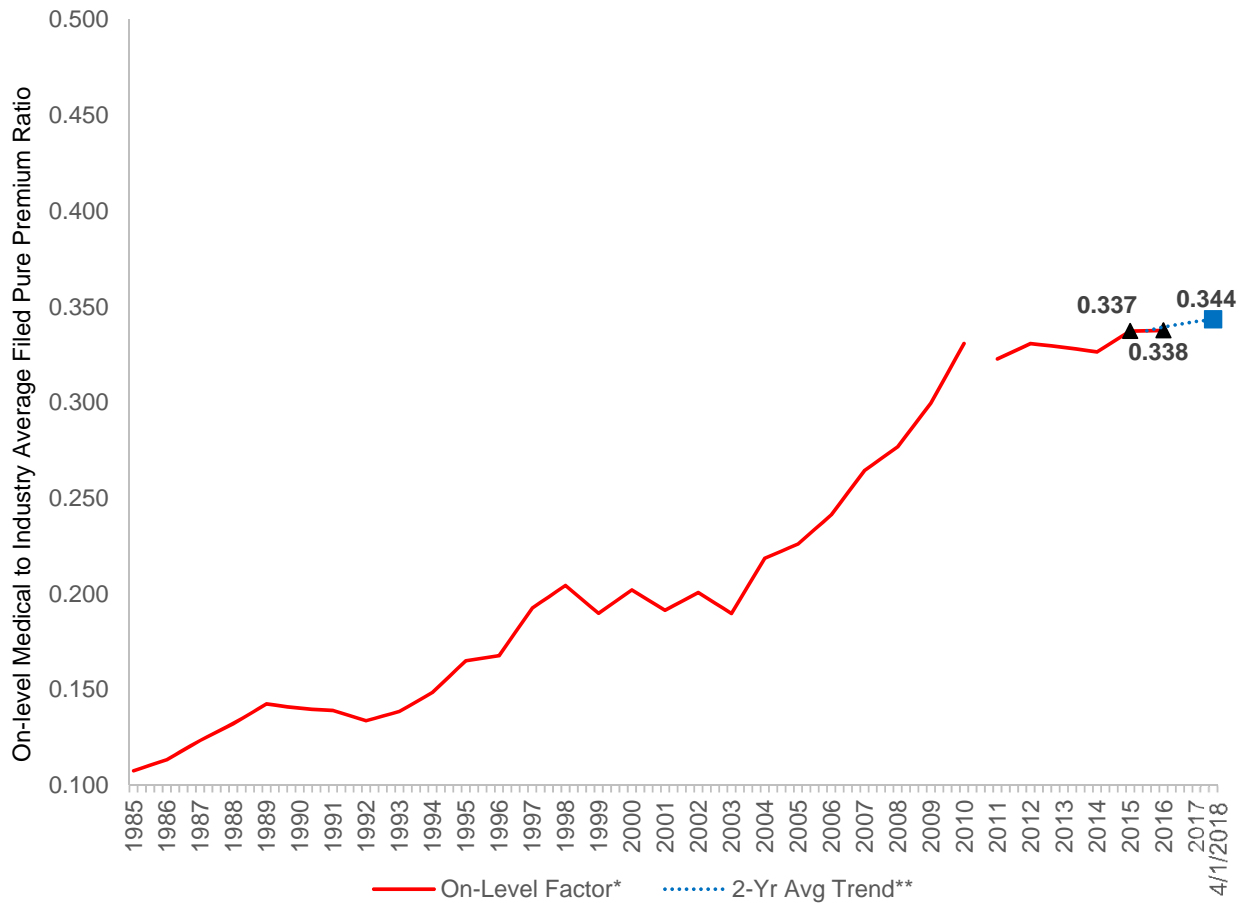
(b) See Exhibit 4.4.

(c) See Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from Exhibit 6.4, the actual frequency trend for accident year 2016 from Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**On-Level Medical Loss to Industry Average Filed Pure Premium Ratios
Based on Experience as of December 31, 2016**



* On-level medical to industry average filed pure premium ratios (see Exhibit 7.3)

** The 4/1/2018 medical to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2015 and 2016 years.

**Indicated Loss to Industry Average Filed Pure Premium Ratios
For Policies with Effective Dates between July 1, 2017 and December 31, 2017
Based on Experience as of December 31, 2016**

	<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>
1. Projected Loss to Industry Average Filed Pure Premium Ratio (See Exhibits 7.1 and 7.3)	0.254	0.344	0.598

Quarterly Incurred Indemnity Loss Development Factors
Through December 31, 2016

Age in Months	Accident Year																		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
6/3									2.417	2.724	2.785	3.031	3.116	3.052	3.238	3.344	3.303	3.209	3.201
9/6									1.656	1.776	1.820	1.848	1.904	2.001	1.966	1.940	1.960	1.948	1.945
12/9									1.448	1.511	1.510	1.530	1.564	1.632	1.587	1.585	1.570	1.578	1.579
15/12	1.229	1.260	1.268	1.250	1.257	1.238	1.180	1.149	1.189	1.234	1.248	1.293	1.306	1.306	1.303	1.301	1.301	1.313	
18/15	1.172	1.202	1.188	1.184	1.206	1.167	1.101	1.103	1.140	1.158	1.182	1.194	1.197	1.195	1.206	1.178	1.190	1.187	
21/18	1.145	1.140	1.150	1.148	1.153	1.127	1.066	1.096	1.117	1.128	1.139	1.153	1.140	1.146	1.141	1.141	1.132	1.137	
24/21	1.126	1.112	1.121	1.111	1.117	1.094	1.045	1.082	1.098	1.106	1.106	1.114	1.119	1.117	1.111	1.104	1.114	1.111	
27/24	1.074	1.096	1.093	1.100	1.094	1.073	1.045	1.070	1.082	1.081	1.088	1.089	1.091	1.085	1.087	1.081	1.082		
30/27	1.078	1.069	1.074	1.082	1.064	1.051	1.040	1.054	1.057	1.072	1.075	1.075	1.080	1.071	1.068	1.067	1.074		
33/30	1.045	1.058	1.048	1.062	1.047	1.032	1.036	1.042	1.049	1.053	1.059	1.052	1.064	1.053	1.060	1.047	1.055		
36/33	1.043	1.046	1.039	1.046	1.035	1.020	1.029	1.033	1.039	1.043	1.051	1.049	1.049	1.043	1.041	1.043	1.042		
39/36	1.038	1.041	1.035	1.038	1.028	1.017	1.027	1.029	1.031	1.033	1.040	1.039	1.039	1.041	1.035	1.032			
42/39	1.027	1.028	1.034	1.030	1.023	1.018	1.020	1.020	1.031	1.033	1.036	1.038	1.035	1.032	1.028	1.031			
45/42	1.024	1.026	1.026	1.020	1.009	1.019	1.018	1.024	1.026	1.028	1.030	1.035	1.027	1.033	1.022	1.024			
48/45	1.025	1.020	1.022	1.013	1.008	1.013	1.013	1.021	1.019	1.021	1.024	1.024	1.026	1.023	1.024	1.020			
51/48	1.022	1.017	1.018	1.015	1.010	1.016	1.010	1.018	1.021	1.018	1.022	1.023	1.021	1.018	1.017				
54/51	1.019	1.018	1.013	1.009	1.007	1.017	1.009	1.017	1.021	1.020	1.021	1.020	1.020	1.016	1.019				
57/54	1.014	1.017	1.012	1.006	1.008	1.011	1.011	1.018	1.017	1.014	1.018	1.017	1.015	1.014	1.013				
60/57	1.013	1.014	1.007	1.005	1.008	1.009	1.011	1.013	1.019	1.016	1.013	1.015	1.012	1.014	1.012				
63/60	1.012	1.012	1.007	1.007	1.008	1.008	1.010	1.014	1.013	1.015	1.011	1.014	1.014	1.009					
66/63	1.014	1.009	1.005	1.006	1.011	1.008	1.010	1.013	1.016	1.014	1.015	1.013	1.013	1.009					
69/66	1.010	1.007	1.003	1.005	1.008	1.007	1.011	1.012	1.011	1.010	1.009	1.012	1.007	1.010					
72/69	1.009	1.006	1.005	1.005	1.005	1.009	1.009	1.013	1.011	1.009	1.009	1.009	1.010	1.008					
75/72	1.006	1.004	1.004	1.005	1.003	1.005	1.007	1.010	1.011	1.010	1.010	1.008	1.007						
78/75	1.007	1.004	1.003	1.007	1.005	1.006	1.006	1.012	1.009	1.010	1.006	1.006	1.006						
81/78	1.005	1.002	1.003	1.004	1.004	1.005	1.006	1.010	1.009	1.007	1.007	1.006	1.006						
84/81	1.003	1.003	1.005	1.003	1.006	1.006	1.007	1.008	1.005	1.009	1.006	1.004	1.007						
87/84	1.003	1.003	1.002	1.003	1.004	1.002	1.007	1.010	1.007	1.004	1.005	1.006							
90/87	1.001	1.003	1.003	1.003	1.003	1.004	1.008	1.008	1.008	1.008	1.004	1.005							
93/90	1.001	1.002	1.004	1.003	1.002	1.005	1.006	1.008	1.006	1.007	1.006	1.003							
96/93	1.002	1.003	1.001	1.004	1.002	1.006	1.006	1.003	1.002	1.003	1.004	1.004							

Source: WCIRB accident year experience calls

Quarterly Incurred Medical Loss Development Factors *
Through December 31, 2016

Age in Months	Accident Year																		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
6/3									2.584	2.662	2.782	2.892	2.992	2.757	2.853	2.843	2.921	2.863	3.019
9/6									1.650	1.744	1.717	1.807	1.800	1.827	1.833	1.819	1.840	1.884	1.755
12/9									1.453	1.443	1.466	1.454	1.488	1.521	1.484	1.500	1.482	1.451	1.487
15/12	1.144	1.168	1.201	1.207	1.203	1.197	1.132	1.145	1.138	1.182	1.167	1.199	1.206	1.228	1.211	1.207	1.199	1.206	
18/15	1.093	1.116	1.123	1.144	1.151	1.126	1.086	1.087	1.103	1.106	1.126	1.135	1.129	1.141	1.136	1.117	1.114	1.094	
21/18	1.078	1.086	1.101	1.122	1.116	1.093	1.055	1.061	1.073	1.081	1.090	1.097	1.101	1.103	1.085	1.088	1.077	1.082	
24/21	1.074	1.072	1.080	1.083	1.082	1.060	1.040	1.052	1.070	1.074	1.067	1.074	1.080	1.080	1.067	1.064	1.055	1.059	
27/24	1.044	1.061	1.070	1.080	1.075	1.042	1.034	1.048	1.055	1.058	1.053	1.071	1.066	1.072	1.058	1.048	1.046		
30/27	1.044	1.052	1.058	1.070	1.051	1.038	1.039	1.049	1.046	1.054	1.057	1.048	1.063	1.052	1.046	1.037	1.044		
33/30	1.035	1.047	1.051	1.059	1.035	1.018	1.032	1.030	1.041	1.045	1.045	1.051	1.055	1.045	1.046	1.031	1.033		
36/33	1.037	1.042	1.035	1.040	1.029	1.016	1.024	1.034	1.042	1.033	1.042	1.040	1.041	1.037	1.028	1.026	1.027		
39/36	1.029	1.032	1.034	1.037	1.018	1.012	1.028	1.025	1.027	1.029	1.033	1.031	1.040	1.039	1.027	1.021			
42/39	1.025	1.031	1.036	1.026	1.019	1.013	1.017	1.020	1.025	1.035	1.036	1.037	1.037	1.031	1.022	1.026			
45/42	1.025	1.033	1.032	1.023	1.012	1.019	1.033	1.021	1.025	1.029	1.026	1.030	1.028	1.027	1.021	1.018			
48/45	1.028	1.023	1.026	1.017	1.008	1.013	1.025	1.018	1.022	1.025	1.029	1.034	1.022	1.023	1.020	1.018			
51/48	1.019	1.020	1.024	1.014	1.009	1.013	1.018	1.015	1.020	1.021	1.021	1.026	1.024	1.019	1.014				
54/51	1.025	1.027	1.017	1.016	1.010	1.012	1.021	1.019	1.022	1.022	1.027	1.023	1.019	1.018	1.015				
57/54	1.027	1.024	1.014	1.007	1.011	1.017	1.020	1.018	1.019	1.019	1.023	1.020	1.017	1.018	1.013				
60/57	1.021	1.021	1.015	1.009	1.008	1.014	1.020	1.019	1.018	1.017	1.019	1.016	1.015	1.014	1.012				
63/60	1.014	1.020	1.013	1.012	1.008	1.016	1.015	1.021	1.015	1.018	1.016	1.020	1.015	1.010					
66/63	1.023	1.016	1.010	1.012	1.015	1.013	1.015	1.022	1.019	1.018	1.017	1.015	1.010	1.009					
69/66	1.025	1.013	1.006	1.008	1.016	1.018	1.015	1.023	1.017	1.017	1.015	1.014	1.010	1.008					
72/69	1.020	1.009	1.007	1.009	1.015	1.010	1.014	1.015	1.013	1.014	1.012	1.011	1.010	1.007					
75/72	1.015	1.008	1.006	1.008	1.010	1.009	1.012	1.012	1.011	1.018	1.013	1.008	1.006						
78/75	1.012	1.012	1.008	1.012	1.010	1.011	1.018	1.013	1.012	1.012	1.010	1.008	1.008						
81/78	1.006	1.006	1.006	1.009	1.010	1.014	1.018	1.017	1.016	1.009	1.009	1.005	1.006						
84/81	1.008	1.006	1.009	1.014	1.009	1.007	1.012	1.011	1.008	1.010	1.008	1.007	1.005						
87/84	1.005	1.008	1.008	1.010	1.009	1.010	1.012	1.014	1.012	1.008	1.007	1.004							
90/87	1.002	1.005	1.008	1.008	1.009	1.012	1.009	1.009	1.013	1.008	1.006	1.006							
93/90	1.006	1.007	1.015	1.009	1.011	1.010	1.011	1.012	1.009	1.009	1.007	1.002							
96/93	1.007	1.007	1.010	1.012	1.008	1.010	1.011	1.009	1.005	1.006	1.005	1.003							

Source: WCIRB accident year experience calls

* Incurred medical loss development factors include the paid cost of medical cost containment programs for accident years 2011 and prior.

Quarterly Paid Indemnity Loss Development Factors
Through December 31, 2016

Age in Months	Accident Year																		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
6/3									4.376	4.495	4.553	4.807	4.911	4.722	4.854	5.099	5.076	5.056	5.087
9/6									2.259	2.375	2.377	2.398	2.452	2.432	2.484	2.462	2.462	2.484	2.456
12/9									1.812	1.834	1.810	1.825	1.861	1.869	1.877	1.866	1.879	1.910	1.883
15/12	1.499	1.536	1.538	1.552	1.550	1.516	1.491	1.456	1.482	1.488	1.481	1.507	1.532	1.539	1.506	1.539	1.540	1.559	
18/15	1.380	1.399	1.395	1.401	1.403	1.379	1.331	1.306	1.306	1.327	1.332	1.343	1.355	1.361	1.361	1.353	1.364	1.372	
21/18	1.323	1.298	1.303	1.303	1.311	1.297	1.241	1.217	1.233	1.235	1.243	1.259	1.257	1.261	1.261	1.263	1.267	1.264	
24/21	1.259	1.257	1.256	1.258	1.260	1.244	1.183	1.181	1.195	1.191	1.194	1.206	1.209	1.215	1.213	1.204	1.216	1.211	
27/24	1.186	1.199	1.203	1.200	1.205	1.186	1.140	1.142	1.151	1.149	1.153	1.162	1.165	1.168	1.164	1.159	1.170		
30/27	1.157	1.161	1.165	1.175	1.172	1.161	1.122	1.117	1.126	1.129	1.130	1.141	1.141	1.137	1.134	1.141	1.147		
33/30	1.118	1.125	1.130	1.142	1.136	1.123	1.097	1.096	1.100	1.101	1.108	1.114	1.116	1.112	1.111	1.111	1.115		
36/33	1.102	1.103	1.103	1.115	1.111	1.097	1.085	1.081	1.080	1.084	1.092	1.094	1.098	1.091	1.091	1.096	1.092		
39/36	1.074	1.081	1.081	1.092	1.087	1.072	1.070	1.066	1.064	1.067	1.074	1.078	1.077	1.073	1.075	1.075			
42/39	1.067	1.071	1.077	1.080	1.073	1.063	1.059	1.058	1.058	1.062	1.067	1.067	1.071	1.070	1.065	1.063			
45/42	1.057	1.054	1.063	1.064	1.056	1.049	1.047	1.049	1.047	1.051	1.058	1.059	1.057	1.055	1.054	1.052			
48/45	1.049	1.050	1.055	1.053	1.046	1.044	1.041	1.044	1.043	1.047	1.049	1.051	1.050	1.048	1.048	1.048			
51/48	1.039	1.038	1.043	1.044	1.036	1.035	1.033	1.036	1.036	1.037	1.042	1.042	1.043	1.039	1.038				
54/51	1.035	1.038	1.036	1.037	1.034	1.035	1.030	1.028	1.035	1.036	1.038	1.041	1.038	1.036	1.036				
57/54	1.029	1.033	1.037	1.030	1.028	1.026	1.025	1.028	1.030	1.032	1.033	1.033	1.032	1.033	1.028				
60/57	1.025	1.030	1.027	1.026	1.024	1.024	1.024	1.024	1.028	1.029	1.029	1.032	1.027	1.030	1.028				
63/60	1.023	1.026	1.024	1.021	1.022	1.019	1.019	1.021	1.023	1.025	1.025	1.024	1.026	1.025					
66/63	1.023	1.023	1.023	1.021	1.019	1.019	1.019	1.020	1.025	1.025	1.025	1.025	1.023	1.022					
69/66	1.019	1.021	1.020	1.017	1.016	1.017	1.016	1.021	1.020	1.020	1.020	1.022	1.020	1.019					
72/69	1.018	1.016	1.018	1.016	1.016	1.015	1.017	1.015	1.020	1.019	1.019	1.019	1.019	1.018					
75/72	1.015	1.016	1.015	1.014	1.012	1.012	1.013	1.015	1.019	1.018	1.016	1.016	1.017						
78/75	1.014	1.014	1.012	1.013	1.012	1.011	1.012	1.015	1.017	1.016	1.015	1.016	1.016						
81/78	1.013	1.013	1.011	1.012	1.011	1.010	1.012	1.015	1.015	1.016	1.015	1.015	1.013						
84/81	1.011	1.011	1.013	1.010	1.010	1.009	1.011	1.013	1.015	1.014	1.013	1.012	1.013						
87/84	1.012	1.010	1.008	1.010	1.009	1.008	1.009	1.012	1.014	1.013	1.010	1.012							
90/87	1.008	1.009	1.010	1.009	1.008	1.008	1.011	1.012	1.013	1.012	1.011	1.010							
93/90	1.009	1.009	1.008	1.008	1.007	1.008	1.012	1.011	1.011	1.012	1.010	1.010							
96/93	1.008	1.009	1.006	1.007	1.007	1.007	1.008	1.011	1.011	1.008	1.010	1.010							

Source: WCIRB accident year experience calls

Quarterly Paid Medical Loss Development Factors *
Through December 31, 2016

Age in Months	Accident Year															2012	2013	2014	2015	2016
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011						
6/3									5.308	5.615	6.579	6.101	6.048	5.854	5.989	6.284	5.604	5.720	5.897	
9/6									2.348	2.381	2.348	2.375	2.361	2.327	2.398	2.498	2.428	2.287	2.326	
12/9									1.716	1.765	1.731	1.723	1.756	1.746	1.763	1.736	1.750	1.705	1.752	
15/12	1.453	1.490	1.514	1.547	1.554	1.510	1.437	1.423	1.429	1.444	1.413	1.429	1.445	1.472	1.446	1.443	1.460	1.454		
18/15	1.241	1.267	1.286	1.310	1.330	1.295	1.243	1.230	1.227	1.259	1.243	1.259	1.268	1.282	1.284	1.263	1.265	1.278		
21/18	1.164	1.168	1.192	1.219	1.211	1.179	1.153	1.151	1.163	1.173	1.170	1.178	1.182	1.187	1.192	1.193	1.192	1.189		
24/21	1.132	1.124	1.149	1.159	1.154	1.125	1.115	1.118	1.127	1.133	1.132	1.137	1.144	1.153	1.154	1.148	1.146	1.146		
27/24	1.096	1.108	1.121	1.128	1.123	1.093	1.090	1.093	1.106	1.107	1.110	1.112	1.119	1.120	1.123	1.122	1.122			
30/27	1.077	1.088	1.101	1.108	1.103	1.077	1.084	1.087	1.097	1.100	1.100	1.106	1.107	1.111	1.109	1.111	1.111			
33/30	1.065	1.072	1.086	1.089	1.077	1.063	1.071	1.065	1.081	1.083	1.086	1.092	1.094	1.093	1.094	1.090	1.089			
36/33	1.055	1.066	1.069	1.076	1.061	1.055	1.062	1.062	1.071	1.072	1.072	1.077	1.083	1.082	1.078	1.080	1.076			
39/36	1.051	1.059	1.060	1.061	1.049	1.044	1.053	1.056	1.057	1.059	1.061	1.066	1.071	1.066	1.069	1.065				
42/39	1.044	1.049	1.055	1.054	1.041	1.044	1.049	1.054	1.055	1.058	1.059	1.061	1.068	1.063	1.062	1.057				
45/42	1.039	1.045	1.047	1.044	1.036	1.037	1.040	1.047	1.048	1.049	1.054	1.053	1.056	1.056	1.053	1.051				
48/45	1.035	1.039	1.044	1.037	1.032	1.035	1.037	1.043	1.043	1.046	1.047	1.050	1.051	1.046	1.045	1.046				
51/48	1.030	1.035	1.037	1.034	1.031	1.030	1.033	1.037	1.036	1.036	1.039	1.041	1.043	1.040	1.039					
54/51	1.031	1.036	1.032	1.027	1.030	1.029	1.034	1.034	1.035	1.035	1.036	1.042	1.038	1.035	1.035					
57/54	1.026	1.030	1.027	1.024	1.024	1.024	1.029	1.031	1.034	1.031	1.033	1.038	1.034	1.034	1.031					
60/57	1.026	1.028	1.026	1.021	1.023	1.026	1.028	1.029	1.028	1.032	1.032	1.035	1.030	1.030	1.030					
63/60	1.023	1.025	1.022	1.019	1.019	1.020	1.024	1.024	1.024	1.024	1.027	1.027	1.026	1.026						
66/63	1.026	1.021	1.020	1.020	1.018	1.021	1.023	1.024	1.026	1.026	1.029	1.029	1.024	1.027						
69/66	1.021	1.022	1.019	1.018	1.016	1.019	1.021	1.023	1.023	1.021	1.024	1.024	1.022	1.020						
72/69	1.022	1.018	1.016	1.017	1.018	1.016	1.021	1.021	1.022	1.022	1.023	1.021	1.020	1.019						
75/72	1.017	1.016	1.014	1.015	1.015	1.014	1.018	1.020	1.019	1.019	1.018	1.018	1.018							
78/75	1.018	1.015	1.014	1.015	1.016	1.015	1.016	1.018	1.017	1.022	1.019	1.018	1.017							
81/78	1.015	1.014	1.013	1.014	1.013	1.014	1.018	1.018	1.015	1.019	1.018	1.015	1.015							
84/81	1.013	1.012	1.013	1.012	1.012	1.013	1.016	1.016	1.015	1.018	1.015	1.015	1.015							
87/84	1.013	1.011	1.010	1.012	1.012	1.012	1.014	1.013	1.015	1.017	1.013	1.013								
90/87	1.013	1.012	1.011	1.013	1.012	1.013	1.015	1.013	1.015	1.013	1.013	1.012								
93/90	1.011	1.010	1.011	1.012	1.011	1.013	1.013	1.012	1.014	1.014	1.013	1.011								
96/93	1.010	1.010	1.008	1.010	1.010	1.009	1.013	1.015	1.016	1.011	1.012	1.010								

Source: WCIRB accident year experience calls

* Paid medical loss development factors include the paid cost of medical cost containment programs for accident years 2011 and prior.

Reported Indemnity Claim Count Development

Accident Year	Development															
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204
1992															1.000	1.000
1993															1.000	1.000
1994													1.000	1.000	1.000	1.000
1995												1.000	1.001	1.000	1.001	1.000
1996											1.001	1.001	1.000	1.000	1.000	1.000
1997										1.001	1.000	1.000	1.000	1.000	1.000	1.000
1998									1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1999								1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2000							1.000	1.000	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2001						1.000	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2002					1.000	0.999	1.000	1.000	0.999	1.000	1.000	1.000	1.000	1.000	1.000	
2003				1.000	0.999	0.998	0.999	0.999	0.999	0.999	1.000	1.000	1.000	1.000		
2004			1.002	1.000	0.999	1.000	0.999	0.999	0.999	1.000	1.000	1.000				
2005		1.007	1.002	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000					
2006	1.097	1.006	1.006	1.002	1.001	1.000	1.000	1.001	1.001	1.000						
2007	1.122	1.015	1.006	1.004	1.002	1.000	1.001	1.001	1.000							
2008	1.151	1.023	1.011	1.005	1.003	1.002	1.001	1.001								
2009	1.190	1.030	1.011	1.006	1.003	1.002	1.002									
2010	1.216	1.031	1.011	1.006	1.003	1.002										
2011	1.233	1.033	1.014	1.008	1.003											
2012	1.244	1.035	1.014	1.007												
2013	1.241	1.033	1.012													
2014	1.243	1.032														
2015	1.246															
Latest Year																
<u>Age-to-Age</u>																
1.246	1.032	1.012	1.007	1.003	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
<u>Age-to-Ultimate</u>																
1.323	1.062	1.028	1.017	1.010	1.007	1.005	1.003	1.001	1.001	1.001	1.001	1.001	1.002	1.002	1.002	1.002

Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 69% to 100% of the total California workers' compensation insured market measured using 2016 earned premium levels).

Quarterly Reported Indemnity Claim Count Development Factors

Accident Year	Development														
	<u>3-6</u>	<u>6-9</u>	<u>9-12</u>	<u>12-15</u>	<u>15-18</u>	<u>18-21</u>	<u>21-24</u>	<u>24-27</u>	<u>27-30</u>	<u>30-33</u>	<u>33-36</u>	<u>36-39</u>	<u>39-42</u>	<u>42-45</u>	<u>45-48</u>
2007	2.561	1.704	1.361	1.087	1.018	1.009	1.005	1.005	1.004	1.003	1.003	1.002	1.002	1.002	1.001
2008	2.539	1.651	1.340	1.095	1.025	1.015	1.010	1.009	1.007	1.004	1.003	1.003	1.002	1.003	1.002
2009	2.668	1.680	1.384	1.110	1.037	1.022	1.012	1.010	1.007	1.007	1.005	1.004	1.003	1.003	1.002
2010	2.674	1.712	1.404	1.126	1.039	1.023	1.016	1.011	1.008	1.006	1.005	1.003	1.004	1.003	1.001
2011	2.672	1.730	1.419	1.129	1.043	1.027	1.019	1.010	1.011	1.006	1.005	1.004	1.004	1.003	1.002
2012	2.718	1.744	1.418	1.125	1.053	1.030	1.020	1.013	1.010	1.007	1.004	1.005	1.004	1.003	1.003
2013	2.813	1.742	1.425	1.137	1.045	1.028	1.017	1.011	1.010	1.006	1.004	1.004	1.003	1.002	1.002
2014	2.752	1.731	1.429	1.135	1.048	1.026	1.018	1.013	1.010	1.005	1.004				
2015	2.827	1.740	1.419	1.140	1.048	1.026	1.017								
2016	2.757	1.706	1.421												

Reported Indemnity Claim Settlement Ratios

Accident Year	Evaluated as of (in months):																
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204
1991																99.2%	99.3%
1992															99.0%	99.1%	99.2%
1993														98.6%	98.8%	98.9%	99.0%
1994													98.1%	98.3%	98.6%	98.8%	98.9%
1995												97.5%	97.8%	98.1%	98.4%	98.5%	98.7%
1996											96.8%	97.2%	97.6%	98.0%	98.2%	98.4%	98.6%
1997										96.0%	96.6%	97.1%	97.5%	97.8%	98.0%	98.2%	98.4%
1998									94.4%	95.3%	96.1%	96.7%	97.1%	97.5%	97.8%	98.0%	98.2%
1999								92.5%	94.0%	95.1%	95.9%	96.5%	96.9%	97.3%	97.7%	97.9%	98.1%
2000							89.5%	91.7%	93.3%	94.6%	95.4%	96.1%	96.5%	97.1%	97.5%	97.8%	98.0%
2001						84.0%	87.7%	90.3%	92.2%	93.4%	94.4%	95.2%	96.0%	96.5%	96.9%	97.3%	
2002					78.8%	84.3%	88.0%	90.6%	92.2%	93.6%	94.6%	95.7%	96.4%	96.8%	97.3%		
2003				70.4%	78.9%	84.4%	88.0%	90.3%	92.1%	93.5%	95.0%	95.8%	96.3%	97.0%			
2004			60.4%	72.4%	80.3%	84.9%	88.0%	90.3%	92.2%	94.2%	95.2%	96.0%	96.7%				
2005		48.9%	63.1%	74.5%	81.1%	85.3%	88.3%	90.6%	93.0%	94.4%	95.4%	96.3%					
2006	26.9%	50.2%	64.8%	74.8%	81.3%	85.5%	88.5%	91.5%	93.2%	94.5%	95.7%						
2007	27.3%	49.7%	63.6%	73.6%	80.2%	84.5%	88.8%	91.3%	93.1%	94.8%							
2008	27.6%	48.2%	61.8%	72.0%	79.1%	85.1%	88.8%	91.5%	93.7%								
2009	26.9%	46.4%	60.1%	70.8%	79.1%	84.6%	88.5%	91.7%									
2010	27.1%	46.9%	60.8%	72.6%	80.6%	85.9%	90.1%										
2011	27.7%	47.3%	62.2%	73.6%	81.6%	87.0%											
2012	27.8%	48.2%	63.5%	75.1%	83.0%												
2013	27.0%	48.6%	64.7%	76.8%													
2014	27.0%	49.8%	66.3%														
2015	27.5%	51.2%															
2016	28.9%																

Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 69% to 100% of the total California workers' compensation insured market measured using 2016 earned premium levels).

Estimated Ultimate Indemnity Claim Settlement Ratios

Accident Year	Evaluated as of (in months):																
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204
1991																99.0%	99.1%
1992															98.8%	99.0%	99.1%
1993														98.4%	98.6%	98.8%	98.9%
1994													97.8%	98.1%	98.4%	98.6%	98.7%
1995											97.0%	97.4%	97.8%	98.1%	98.3%	98.5%	
1996										96.4%	96.9%	97.4%	97.8%	98.0%	98.2%	98.4%	
1997										95.6%	96.3%	96.8%	97.3%	97.6%	97.8%	98.0%	98.3%
1998									94.1%	95.1%	95.9%	96.5%	96.9%	97.3%	97.6%	97.9%	98.1%
1999								92.3%	93.8%	94.9%	95.7%	96.3%	96.7%	97.1%	97.5%	97.8%	98.0%
2000						83.9%	87.6%	91.5%	93.1%	94.3%	95.1%	95.8%	96.3%	96.9%	97.3%	97.6%	97.9%
2001									90.2%	92.0%	93.2%	94.2%	95.0%	95.8%	96.3%	96.7%	
2002					78.8%	84.4%	88.0%	90.6%	92.2%	93.5%	94.5%	95.6%	96.2%	96.7%	97.2%		
2003				70.7%	79.3%	84.7%	88.2%	90.4%	92.1%	93.4%	94.9%	95.6%	96.1%	96.8%			
2004			60.4%	72.6%	80.5%	85.1%	88.1%	90.3%	92.1%	94.0%	95.1%	95.8%	96.6%				
2005		48.3%	62.8%	74.2%	80.9%	85.1%	88.2%	90.5%	92.9%	94.3%	95.3%	96.2%					
2006	24.1%	49.4%	64.1%	74.4%	81.0%	85.3%	88.3%	91.3%	93.1%	94.4%	95.6%						
2007	23.6%	48.2%	62.6%	72.9%	79.7%	84.3%	88.5%	91.2%	93.0%	94.7%							
2008	22.9%	45.9%	60.3%	71.1%	78.4%	84.6%	88.5%	91.2%	93.5%								
2009	21.3%	43.9%	58.5%	69.6%	78.3%	84.0%	88.1%	91.5%									
2010	21.0%	44.3%	59.1%	71.4%	79.7%	85.3%	89.6%										
2011	21.1%	44.3%	60.3%	72.3%	80.8%	86.4%											
2012	21.0%	45.2%	61.6%	73.9%	82.2%												
2013	20.5%	45.7%	62.9%	75.6%													
2014	20.4%	47.0%	64.5%														
2015	20.8%	48.2%															
2016	21.9%																

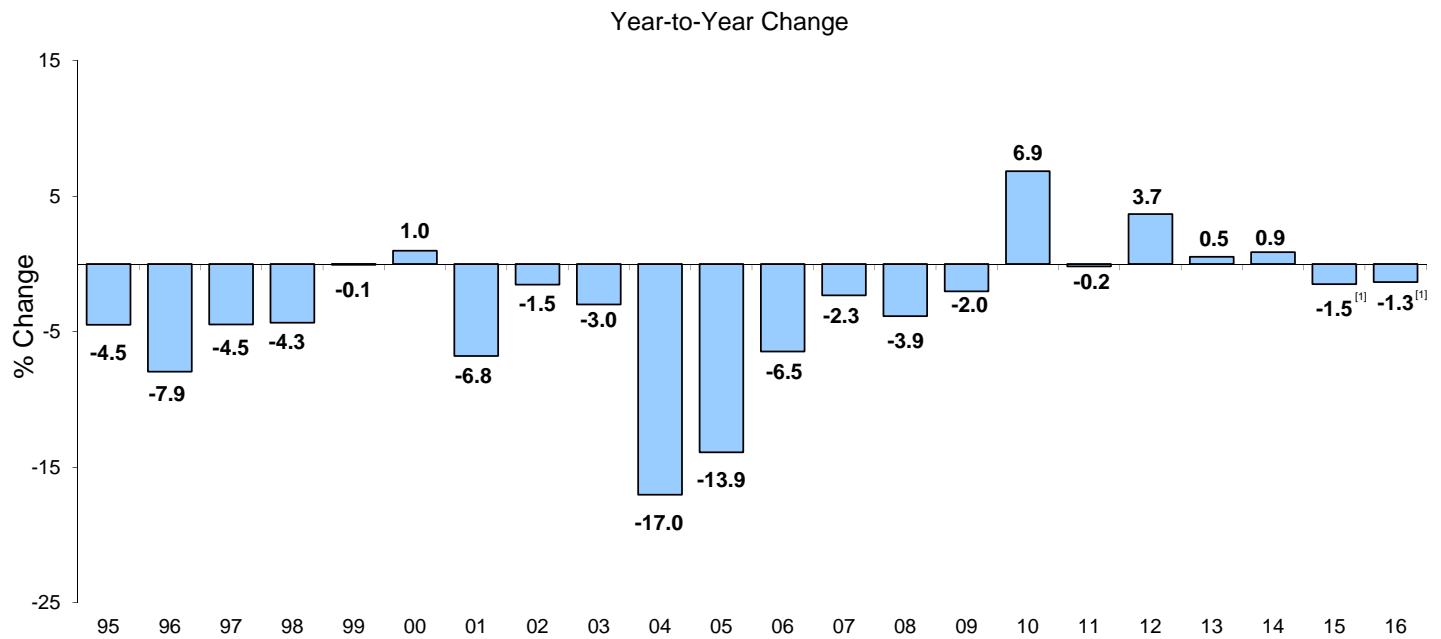
Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 69% to 100% of the total California workers' compensation insured market measured using 2016 earned premium levels).

Quarterly Ultimate Settlement Ratios

Accident	Evaluated as of (in months):															
<u>Year</u>	<u>3</u>	<u>6</u>	<u>9</u>	<u>12</u>	<u>15</u>	<u>18</u>	<u>21</u>	<u>24</u>	<u>27</u>	<u>30</u>	<u>33</u>	<u>36</u>	<u>39</u>	<u>42</u>	<u>45</u>	<u>48</u>
2007	0.8%	5.3%	13.3%	23.6%	32.9%	39.4%	43.9%	48.2%	51.8%	55.6%	58.8%	62.6%	65.4%	68.0%	70.5%	72.9%
2008	0.8%	5.5%	13.3%	22.9%	31.5%	37.7%	42.0%	46.0%	49.6%	53.3%	56.8%	60.3%	63.3%	66.1%	68.7%	71.1%
2009	0.7%	4.8%	12.3%	21.4%	29.6%	35.5%	39.9%	43.9%	47.6%	51.3%	55.0%	58.5%	61.6%	64.6%	67.2%	69.7%
2010	0.7%	4.8%	11.9%	21.1%	29.7%	35.6%	40.0%	44.3%	48.1%	52.1%	55.7%	59.2%	62.3%	65.6%	68.6%	71.4%
2011	0.8%	5.2%	11.9%	21.1%	29.5%	35.5%	40.0%	44.4%	48.2%	52.5%	56.4%	60.3%	63.6%	66.6%	69.6%	72.3%
2012	0.8%	4.9%	12.0%	21.0%	29.1%	35.5%	40.4%	45.3%	49.4%	53.6%	57.8%	61.7%	65.1%	68.3%	71.2%	74.0%
2013	0.9%	5.0%	11.5%	20.5%	29.0%	35.5%	40.9%	45.7%	50.4%	54.9%	59.0%	63.0%	66.6%	69.9%	72.9%	75.6%
2014	0.7%	4.7%	11.5%	20.5%	29.3%	36.1%	41.9%	47.0%	51.8%	56.3%	60.6%	64.6%				
2015	0.8%	4.7%	11.9%	20.8%	29.9%	37.2%	42.9%	48.2%								
2016	0.8%	5.1%	12.3%	21.9%												

Accident	Quarterly Incremental Change														
<u>Year</u>	<u>3-6</u>	<u>6-9</u>	<u>9-12</u>	<u>12-15</u>	<u>15-18</u>	<u>18-21</u>	<u>21-24</u>	<u>24-27</u>	<u>27-30</u>	<u>30-33</u>	<u>33-36</u>	<u>36-39</u>	<u>39-42</u>	<u>42-45</u>	<u>45-48</u>
2007	4.5%	8.0%	10.3%	9.3%	6.5%	4.5%	4.3%	3.6%	3.8%	3.2%	3.8%	2.8%	2.6%	2.5%	2.4%
2008	4.6%	7.8%	9.7%	8.5%	6.2%	4.4%	3.9%	3.6%	3.7%	3.5%	3.5%	2.9%	2.8%	2.6%	2.4%
2009	4.0%	7.5%	9.1%	8.2%	6.0%	4.4%	4.0%	3.6%	3.7%	3.7%	3.5%	3.0%	3.0%	2.6%	2.5%
2010	4.1%	7.1%	9.2%	8.6%	5.9%	4.4%	4.3%	3.8%	3.9%	3.6%	3.5%	3.1%	3.3%	3.0%	2.8%
2011	4.3%	6.8%	9.2%	8.4%	6.0%	4.6%	4.4%	3.8%	4.3%	3.9%	4.0%	3.2%	3.0%	3.0%	2.7%
2012	4.1%	7.1%	9.0%	8.1%	6.5%	4.9%	4.8%	4.1%	4.2%	4.2%	3.8%	3.4%	3.2%	2.9%	2.8%
2013	4.1%	6.5%	9.0%	8.5%	6.5%	5.4%	4.9%	4.7%	4.5%	4.1%	4.0%	3.6%	3.3%	3.0%	2.7%
2014	3.9%	6.8%	8.9%	8.9%	6.8%	5.7%	5.1%	4.8%	4.5%	4.4%	3.9%				
2015	3.9%	7.2%	8.9%	9.1%	7.3%	5.7%	5.3%								
2016	4.2%	7.2%	9.6%												

**California Workers' Compensation
Estimated Indemnity Claim Frequency by Accident Year**



^[1] The 2014-2015 estimate is based on partial year unit statistical data. The 2015-2016 estimates are based on comparison of claim counts based on WCIRB accident year experience as of December 31, 2016 relative to the estimated change in statewide employment. Prior years are based on unit statistical data.

Item AC17-04-01 12/31/2016 Loss Adjustment Expense Experience Review

The WCIRB's Amended January 1, 2017 Pure Premium Rate Filing included a provision for loss adjustment expenses (LAE) of 37.2%. This amount reflected 10.8% for unallocated loss adjustment expenses (ULAE) and 26.4% for allocated loss adjustment expenses (ALAE), including the cost of medical cost containment programs (MCCP), and was based on calendar year 2015 ULAE data and accident year ALAE and MCCP data evaluated as of March 31, 2016. The updated ULAE and ALAE projections, including MCCP costs, for the July 1, 2017 to December 31, 2017 policy period are summarized separately below.

ULAE Projection

As of this time, the WCIRB does not have available calendar year 2016 ULAE information. However, staff has computed a preliminary updated ULAE projection based on updated frequency and loss projections as of December 31, 2016 using the same methodologies as those reflected in the January 1, 2017 Pure Premium Rate Filing.

Table 1 shows the updated preliminary projections of ULAE as a percentage of loss. Using the same approach as in the WCIRB's January 1, 2017 Pure Premium Rate Filing, the ULAE projection is 11.5%.

**Table 1: ULAE to Loss Ratio Projections
for Policies Incepting July 1, 2017 through December 31, 2017**

ULAE Projection Method	ULAE Ratio
Paid ULAE per Open Indemnity Claim	12.9%
Paid ULAE to Paid Losses	10.0%
Average of Open Indemnity Claim-Based and Paid Loss-Based Projections	11.5%

ALAE Projection – Excluding MCCP

The ALAE provision reflected in the WCIRB's January 1, 2017 Pure Premium Rate Filing was based on a methodology that projects future ALAE as a function of the anticipated future number of indemnity claims and private insurer average ALAE per indemnity claim. The WCIRB has updated the ALAE projection based on ALAE data evaluated as of December 31, 2016 as well as updated frequency and loss projections. (These ALAE projections exclude MCCP costs, which are discussed separately below.)

Exhibit 1 shows paid ALAE amounts per reported indemnity claim on a private insurer basis. Exhibits 2.1 and 2.2 show statewide and private insurer annual ALAE severity growth percentages based on estimated ultimate accident year ALAE per indemnity claim, while Exhibit 3 shows private insurer annual growth percentages based on ratios of incremental calendar year paid ALAE per indemnity claims inventory.

Exhibits 4.1 through 4.4 show the ALAE projection excluding MCCP costs, which is based on statewide claim and loss projections and private insurer average ALAE per indemnity claim. The projection shown in Exhibit 4.4 was computed using a 4.0% ALAE severity trend selected based on the approximate average of the private insurer longer-term (post-2005) and shorter-term (five-year) growth rates of (a) estimated ultimate accident year ALAE per indemnity claim (Exhibit 2.2) and (b) incremental paid calendar year ALAE per open indemnity claim (Exhibit 3), which is consistent with the methodology used to select the ALAE severity trend in the last several pure premium rate filings. (The projected ALAE severity trend reflected in the Amended January 1, 2017 Premium Rate Filing was 5.0 %.)

As shown in Exhibit 4.4, the preliminary updated projection of ALAE as a percentage of loss, excluding the cost of MCCP, is 18.4% based on December 31, 2016 ALAE experience and the projection methodology reflected in the January 1, 2017 pure premium rate filing. (This compares to a projected ALAE excluding MCCP costs to loss of 20.7% in the Amended January 1, 2017 Pure Premium Rate Filing.)

ALAE Projection – MCCP

The ALAE provision reflected in the WCIRB's January 1, 2017 Pure Premium Rate Filing also included a provision for MCCP costs. The projection of MCCP costs was based on a methodology analogous to that used for ALAE excluding MCCP costs and using statewide claim and MCCP cost data. The WCIRB has updated the MCCP cost projection based on MCCP data evaluated as of December 31, 2016 as well as updated frequency and loss projections.

Exhibit 5 shows statewide and private insurer annual MCCP severity growth percentages based on ratios of calendar year paid MCCP costs per indemnity claims inventory. Exhibit 6 shows statewide annual MCCP severity growth percentages based on estimated accident year ultimate MCCP costs per indemnity claim. Exhibits 7.1 and 7.2 show the projection of MCCP costs in ALAE based on statewide data. A 0% MCCP severity trend was selected based on the approximate average rates of growth in (a) statewide calendar year MCCP per indemnity claims inventory from 2009 through 2015 (Exhibit 5) and (b) estimated ultimate accident year MCCP costs per indemnity claim from 2011 through 2016 (Exhibit 6), which is consistent with the methodology used to select the MCCP severity trend in the January 1, 2017 Pure Premium Rate Filing.¹ The projected ratio of MCCP to loss based on this methodology is 4.3%. (This compares to a MCCP cost projection of 5.7% in the Amended January 1, 2017 Pure Premium Rate Filing.)

Table 2 also shows the preliminary projections of ALAE, including the cost of MCCP, as a percentage of loss. The projected ratio of total ALAE to loss is 22.7%.

**Table 2: Projections of ALAE to Loss
for Policies Incepting July 1, 2017 through December 31, 2017**

ALAE Projection Method	ALAE Ratio
Separate Projections of Indemnity Claims and Private Insurer Average ALAE per Indemnity Claim – Excluding MCCP Costs	18.4%
Separate Projections of Indemnity Claims and Average MCCP Costs per Indemnity Claim	4.3%
Total Projections of ALAE Including MCCP Costs	22.7%

The total projected LAE to loss ratio for policies incepting between July 1, 2017 and December 31, 2017 is 34.2%. This compares to 37.2% reflected in the Amended January 1, 2017 Pure Premium Rate Filing.

¹ The MCCP severity trend reflected in the January 1, 2017 Pure Premium Rate Filing was 1.0%.

Average Paid ALAE^[1] Per Reported Indemnity Claim - Private Insurers
As of December 31, 2016

Accident	Evaluated as of (in months):									
Year	12	24	36	48	60	72	84	96	108	120
2000								4,525	4,714	4,904
2001							5,484	5,708	5,981	6,148
2002						5,671	5,941	6,256	6,449	6,613
2003					5,474	5,916	6,313	6,595	6,813	7,008
2004				4,368	5,061	5,575	5,952	6,220	6,434	6,630
2005			3,023	3,987	4,698	5,218	5,600	5,906	6,170	6,380
2006		1,853	3,125	4,127	4,875	5,442	5,872	6,191	6,465	6,681
2007	574	1,976	3,320	4,415	5,241	5,876	6,391	6,764	7,055	7,267
2008	619	2,114	3,614	4,878	5,810	6,522	7,064	7,469	7,754	
2009	674	2,402	4,119	5,504	6,534	7,322	7,912	8,323		
2010	744	2,583	4,343	5,677	6,706	7,458	7,997			
2011	768	2,613	4,267	5,613	6,599	7,305				
2012	774	2,602	4,337	5,702	6,666					
2013	788	2,759	4,511	5,814						
2014	888	2,971	4,730							
2015	971	3,118								
2016	984									

Accident	Annual Change									
Year	12	24	36	48	60	72	84	96	108	120
2001								26.1%	26.9%	25.4%
2002							8.3%	9.6%	7.8%	7.6%
2003						4.3%	6.3%	5.4%	5.6%	6.0%
2004					-7.6%	-5.8%	-5.7%	-5.7%	-5.6%	-5.4%
2005				-8.7%	-7.2%	-6.4%	-5.9%	-5.0%	-4.1%	-3.8%
2006			3.4%	3.5%	3.8%	4.3%	4.9%	4.8%	4.8%	4.7%
2007		6.7%	6.2%	7.0%	7.5%	8.0%	8.8%	9.3%	9.1%	8.8%
2008	7.7%	7.0%	8.9%	10.5%	10.9%	11.0%	10.5%	10.4%	9.9%	
2009	8.9%	13.6%	14.0%	12.8%	12.5%	12.3%	12.0%	11.4%		
2010	10.4%	7.5%	5.4%	3.1%	2.6%	1.9%	1.1%			
2011	3.2%	1.2%	-1.7%	-1.1%	-1.6%	-2.1%				
2012	0.7%	-0.4%	1.6%	1.6%	1.0%					
2013	1.9%	6.0%	4.0%	2.0%						
2014	12.7%	7.7%	4.8%							
2015	9.3%	4.9%								
2016	1.3%									

Annual Trend^[2]

All-Year	6.0%	5.7%	5.3%	4.6%	3.9%	3.7%	3.8%	4.7%	4.1%	3.6%
R ²	0.963	0.948	0.917	0.848	0.704	0.675	0.714	0.721	0.637	0.533
5-Year	7.1%	5.0%	2.3%	1.1%	2.9%	5.9%	8.7%	9.1%	5.2%	0.8%
R ²	0.934	0.929	0.747	0.797	0.571	0.777	0.960	0.982	0.770	0.063

^[1] All paid ALAE exclude the paid cost of medical cost containment programs.

^[2] Trend is based on exponential distribution.

Source: WCIRB accident year experience calls.

Estimated Ultimate ALAE Per Indemnity Claim - Statewide

Acc. Year	Paid ALAE ^[1] @ 12/31/16 (in \$000) (1)	Paid ALAE Cumulative Development Factors ^[2] (2)	Estimated Ult. ALAE (in \$000) (3)=(1)x(2)	Indemnity Claim Counts @ 12/31/16 (4)	Cumulative Count Development Factors ^[3] (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ult. ALAE Per Indemnity Claim (7)=(3)/(6)x1000	Annual Change
1991	447,409	1.045	467,345	249,723	1.000	249,777	1,871	---
1992	347,157	1.048	363,722	198,431	1.000	198,499	1,832	-2.1%
1993	252,709	1.051	265,474	156,120	1.000	156,187	1,700	-7.2%
1994	236,886	1.056	250,147	143,669	1.000	143,733	1,740	2.4%
1995	263,343	1.062	279,558	135,141	1.001	135,222	2,067	18.8%
1996	308,544	1.070	330,029	133,098	1.001	133,219	2,477	19.8%
1997	392,672	1.077	422,827	137,253	1.001	137,410	3,077	24.2%
1998	569,257	1.084	617,241	147,438	1.001	147,613	4,181	35.9%
1999	621,979	1.095	681,003	148,634	1.001	148,835	4,576	9.4%
2000	769,530	1.106	851,277	161,953	1.002	162,214	5,248	14.7%
2001	967,423	1.119	1,082,424	185,610	1.002	185,935	5,822	10.9%
2002	1,025,351	1.131	1,160,174	194,682	1.002	195,029	5,949	2.2%
2003	1,031,201	1.145	1,180,300	184,220	1.002	184,551	6,396	7.5%
2004	866,336	1.160	1,004,799	158,959	1.002	159,230	6,310	-1.3%
2005	765,655	1.178	901,992	139,659	1.001	139,865	6,449	2.2%
2006	798,656	1.204	961,850	133,535	1.001	133,675	7,195	11.6%
2007	847,258	1.235	1,045,957	130,529	1.001	130,659	8,005	11.3%
2008	881,939	1.274	1,123,426	123,875	1.001	124,052	9,056	13.1%
2009	906,439	1.325	1,201,060	115,663	1.003	116,000	10,354	14.3%
2010	926,564	1.397	1,294,132	120,632	1.005	121,210	10,677	3.1%
2011	869,321	1.502	1,305,764	122,778	1.007	123,642	10,561	-1.1%
2012	846,858	1.668	1,412,739	130,117	1.010	131,402	10,751	1.8%
2013	771,688	1.964	1,515,723	137,123	1.017	139,400	10,873	1.1%
2014	630,820	2.565	1,618,038	139,836	1.029	143,827	11,250	3.5%
2015	413,629	4.229	1,749,182	139,718	1.061	148,289	11,796	4.9%
2016	106,383	17.346	1,845,343	113,199	1.322	149,697	12,327	4.5%

Estimated Annual Exponential Trend Based on:

		R²
2005 to 2016	5.4%	0.854
2011 to 2016	3.1%	0.945

Notes:

^[1] All paid ALAE exclude the paid cost of medical cost containment programs.

^[2] Based on private insurers latest year paid ALAE age-to-age development from Exhibit 4.2.

^[3] See Exhibit 4.1.

Estimated Ultimate ALAE Per Indemnity Claim - Private Insurers

Acc. Year	Paid ALAE ^[1] @ 12/31/16 (in \$000) (1)	Cumulative Development Factors ^[2] (2)	Estimated Ultimate ALAE (in \$000) (3)=(1)x(2)	Indemnity Claim Counts @ 12/31/16 (4)	Cumulative Count Development Factors ^[3] (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ultimate ALAE Per Indemnity Claim (7)=(3)/(6)x1000	Annual Change
1991	413,142	1.045	431,551	175,263	1.000	175,326	2,461	---
1992	317,321	1.048	332,462	141,916	1.001	142,005	2,341	-4.9%
1993	234,722	1.051	246,579	113,504	1.001	113,589	2,171	-7.3%
1994	217,646	1.056	229,831	105,351	1.001	105,434	2,180	0.4%
1995	238,376	1.062	253,053	101,295	1.001	101,399	2,496	14.5%
1996	284,199	1.070	303,988	103,142	1.001	103,274	2,944	17.9%
1997	359,719	1.077	387,343	104,703	1.001	104,852	3,694	25.5%
1998	496,724	1.084	538,594	112,415	1.002	112,604	4,783	29.5%
1999	546,604	1.095	598,475	116,325	1.002	116,514	5,136	7.4%
2000	648,382	1.106	717,259	118,381	1.002	118,602	6,048	17.7%
2001	768,896	1.119	860,298	113,875	1.002	114,123	7,538	24.7%
2002	807,507	1.131	913,685	112,930	1.003	113,225	8,070	7.0%
2003	816,596	1.145	934,666	108,267	1.003	108,589	8,607	6.7%
2004	698,860	1.160	810,556	99,367	1.003	99,681	8,132	-5.5%
2005	651,576	1.178	767,600	97,311	1.004	97,668	7,859	-3.3%
2006	714,716	1.204	860,759	104,455	1.004	104,841	8,210	4.5%
2007	782,082	1.235	965,496	107,556	1.004	108,035	8,937	8.9%
2008	825,746	1.274	1,051,846	106,377	1.005	106,958	9,834	10.0%
2009	856,495	1.325	1,134,881	102,723	1.007	103,492	10,966	11.5%
2010	887,112	1.397	1,239,030	110,826	1.010	111,880	11,075	1.0%
2011	839,877	1.502	1,261,537	114,979	1.013	116,420	10,836	-2.2%
2012	823,169	1.668	1,373,220	123,550	1.016	125,531	10,939	1.0%
2013	747,737	1.964	1,468,679	129,025	1.023	132,049	11,122	1.7%
2014	607,060	2.565	1,557,092	129,050	1.037	133,812	11,636	4.6%
2015	399,233	4.229	1,688,301	128,816	1.074	138,321	12,206	4.9%
2016	102,899	17.346	1,784,895	104,963	1.358	142,498	12,526	2.6%

Estimated Annual Exponential Trend Based on:

		R²
2005 to 2016	4.0%	0.870
2011 to 2016	3.2%	0.952
Average:	3.6%	

Notes:

^[1] All paid ALAE exclude the paid cost of medical cost containment programs.

^[2] Based on the latest year paid ALAE age-to-age development from Exhibit 4.2.

^[3] Based on analogous Exhibit 4.1, applicable to private insurers only.

**Ratio of Accident Year Incremental Paid ALAE^[1] to Indemnity Claims Inventory^[2]
By Payment Year - Private Insurers**

Acc. Year	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1989	917	1,055	923	1,167	1,027	1,221	1,236	1,525	1,530	1,368	1,685	1,834
1990	1,449	1,198	1,086	1,406	1,138	1,341	1,386	1,584	1,777	1,496	1,585	1,993
1991	1,323	1,120	1,203	1,481	1,384	1,577	1,308	1,678	1,541	1,714	1,467	2,195
1992	1,740	1,485	1,507	1,647	1,477	1,718	1,434	1,579	1,633	1,501	1,944	1,666
1993	1,532	1,630	1,677	1,945	1,450	1,732	1,788	1,932	1,934	1,802	2,119	2,314
1994	1,750	1,784	1,748	1,864	1,389	1,514	1,774	1,830	1,812	1,804	1,826	1,970
1995	1,638	1,649	1,771	1,866	1,682	2,022	1,602	1,996	2,144	1,998	2,211	2,402
1996	2,010	2,006	2,003	2,040	1,938	1,755	1,868	2,035	2,244	2,008	2,187	2,218
1997	2,276	2,503	2,463	2,343	2,268	2,196	2,281	2,489	2,350	1,951	2,333	2,208
1998	2,835	2,604	2,405	2,426	2,374	2,398	2,338	2,401	2,362	2,306	2,363	2,577
1999	2,415	2,752	2,526	2,468	2,806	2,659	2,600	2,662	2,452	2,130	2,402	2,576
2000	2,479	2,861	2,658	2,699	2,806	2,773	2,781	2,841	2,670	2,530	2,858	2,814
2001	2,332	2,618	2,918	2,644	2,756	2,707	2,730	2,841	2,819	3,290	3,113	2,908
2002	2,522	2,746	3,081	2,881	2,976	2,949	3,029	2,959	3,017	3,428	3,322	3,291
2003	2,548	2,818	3,077	3,014	3,007	3,226	3,208	3,518	3,353	3,687	3,796	3,442
2004	1,816	2,562	2,919	3,062	3,170	3,256	3,156	3,084	3,264	3,556	3,580	3,338
2005	498	1,692	2,493	2,877	3,084	3,227	3,286	3,267	3,443	3,568	3,741	3,838
2006		529	1,815	2,675	2,969	3,220	3,478	3,468	3,387	3,511	3,585	3,268
2007			572	1,987	2,752	3,155	3,398	3,572	3,667	3,671	3,816	3,551
2008				620	2,095	2,976	3,480	3,559	3,657	3,840	3,989	3,753
2009					674	2,380	3,307	3,620	3,770	3,964	4,087	3,963
2010						746	2,542	3,411	3,681	3,888	4,191	4,155
2011							766	2,569	3,335	3,660	4,017	4,047
2012								773	2,589	3,436	3,922	4,061
2013									788	2,735	3,575	3,872
2014										888	2,954	3,656
2015											979	3,039
2016												974
ALAE per Claim	1,852	1,915	1,979	2,047	2,160	2,318	2,480	2,563	2,611	2,749	2,924	2,925
Annual Change		3.4%	3.4%	3.4%	5.5%	7.3%	7.0%	3.4%	1.9%	5.3%	6.4%	0.0%

<u>Estimated Annual Exponential Trend Based on Payment Year:</u>		R²
2005-2016	4.6%	0.987
2011-2016	3.7%	0.958
Average:	4.2%	

[1] All paid ALAE exclude the paid cost of medical cost containment programs.

[2] Indemnity claims inventory is the sum of indemnity claims open as of January 1 of Year N and newly-reported indemnity claims between January 1 of year N and December 31 of year N.

Source: WCIRB quarterly calls and aggregate indemnity and medical cost calls for experience

Reported Indemnity Claim Count Development - Statewide

Accident Year	Age-to-Age Development (in months):													
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180
1993														1.000
1994													1.000	1.000
1995												1.000	1.001	1.000
1996											1.001	1.001	1.000	1.000
1997										1.001	1.000	1.000	1.000	1.000
1998									1.001	1.000	1.000	1.000	1.000	1.000
1999								1.000	1.000	1.000	1.000	1.000	1.000	1.000
2000							1.000	1.000	0.999	1.000	1.000	1.000	1.000	1.000
2001						1.000	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2002					1.000	0.999	1.000	1.000	0.999	1.000	1.000	1.000	1.000	1.000
2003				1.000	0.999	0.998	0.999	0.999	1.000	0.999	1.000	1.000	1.000	
2004			1.002	1.000	0.999	1.000	0.999	0.999	0.999	1.000	1.000	1.000		
2005		1.007	1.002	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000			
2006	1.097	1.006	1.006	1.002	1.001	1.000	1.000	1.001	1.001	1.000				
2007	1.122	1.015	1.006	1.004	1.002	1.000	1.001	1.001	1.000					
2008	1.153	1.023	1.011	1.005	1.003	1.002	1.001	1.001						
2009	1.193	1.029	1.011	1.006	1.003	1.002	1.002							
2010	1.216	1.030	1.011	1.006	1.003	1.002								
2011	1.232	1.032	1.013	1.008	1.003									
2012	1.244	1.035	1.014	1.007										
2013	1.241	1.033	1.012											
2014	1.243	1.032												
2015	1.246													

I. Age-to-Age (Latest Year)

1.246 1.032 1.012 1.007 1.003 1.002 1.002 1.001 1.000 1.000 1.000 1.000 1.000 1.000 1.000

II. Age-to-Ultimate

1.322 1.061 1.029 1.017 1.010 1.007 1.005 1.003 1.001 1.001 1.001 1.001 1.002 1.002

Accident Year	Age-to-Age Development (in months):												
	180-192	192-204	204-216	216-228	228-240	240-252	252-264	264-276	276-288	288-300	300-312	312-324	324-336
1989				0.996	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1990			0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1991		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1992	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
1993	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
1994	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
1995	1.001	1.000	1.000	1.000	1.000	1.000	1.000						
1996	1.000	1.000	1.000	1.000	1.000	1.000							
1997	1.000	1.000	1.000	1.000	1.000								
1998	1.000	1.000	1.000	1.000									
1999	1.000	1.000	1.000										
2000	1.000	1.000											
2001	1.000												

I. Age-to-Age (Latest Year)

1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

II. Age-to-Ultimate

1.002 1.002 1.002 1.001 1.001 1.001 1.001 1.001 1.000 1.000 1.000 1.000 1.000 1.000

Source: WCIRB quarterly calls for experience

Paid Allocated Loss Adjustment Expense Development - Private Insurers
As of December 31, 2016

Accident Year	Age-to-Age Development (in months):														
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192
1985								1.003	1.014	1.013	1.010	1.009	1.008	1.004	1.011
1986							1.038	1.001	1.018	1.014	1.010	1.008	1.009	1.010	1.005
1987						1.056	1.035	1.024	1.016	1.013	1.009	1.012	1.009	1.006	1.006
1988					1.096	1.055	1.035	1.023	1.016	1.011	1.010	1.014	1.005	1.004	1.004
1989				1.179	1.110	1.063	1.062	1.029	1.017	1.012	1.008	1.004	1.006	1.005	1.006
1990			1.337	1.169	1.085	1.068	1.034	1.020	1.015	1.010	1.007	1.006	1.006	1.006	1.005
1991		1.713	1.300	1.130	1.081	1.052	1.026	1.018	1.012	1.017	1.008	1.005	1.005	1.005	1.007
1992	3.520	1.633	1.249	1.132	1.079	1.048	1.028	1.020	1.023	1.010	1.008	1.006	1.007	1.005	1.006
1993	3.175	1.633	1.276	1.147	1.081	1.052	1.034	1.034	1.021	1.015	1.013	1.010	1.011	1.010	0.998
1994	3.203	1.645	1.284	1.125	1.085	1.055	1.046	1.027	1.020	1.017	1.015	1.017	1.014	0.999	1.008
1995	3.403	1.700	1.264	1.182	1.088	1.065	1.045	1.040	1.031	1.021	1.020	1.017	1.003	1.012	1.012
1996	3.178	1.610	1.331	1.144	1.094	1.073	1.064	1.048	1.033	1.028	1.022	1.002	1.014	1.010	1.009
1997	3.071	1.678	1.256	1.151	1.111	1.088	1.071	1.042	1.035	1.027	1.002	1.017	1.013	1.012	1.012
1998	3.629	1.644	1.273	1.176	1.126	1.093	1.071	1.045	1.032	1.007	1.021	1.017	1.014	1.014	1.012
1999	3.413	1.743	1.335	1.189	1.134	1.086	1.066	1.045	1.017	1.029	1.021	1.018	1.016	1.013	1.013
2000	4.244	1.779	1.357	1.208	1.121	1.091	1.057	1.030	1.033	1.025	1.021	1.019	1.015	1.014	1.012
2001	4.001	1.797	1.384	1.182	1.121	1.084	1.044	1.039	1.028	1.024	1.020	1.017	1.017	1.014	1.011
2002	3.822	1.805	1.318	1.177	1.109	1.064	1.047	1.032	1.026	1.021	1.018	1.017	1.014	1.012	
2003	3.950	1.705	1.329	1.171	1.101	1.063	1.045	1.034	1.029	1.023	1.020	1.018	1.013		
2004	4.073	1.734	1.339	1.161	1.101	1.069	1.048	1.036	1.030	1.025	1.020	1.016			
2005	3.932	1.740	1.330	1.181	1.113	1.079	1.056	1.044	1.035	1.028	1.022				
2006	3.976	1.727	1.330	1.186	1.120	1.081	1.060	1.046	1.035	1.025					
2007	3.956	1.716	1.340	1.194	1.126	1.088	1.060	1.045	1.032						
2008	4.015	1.758	1.367	1.198	1.126	1.085	1.060	1.040							
2009	4.322	1.775	1.354	1.199	1.126	1.084	1.054								
2010	4.300	1.737	1.342	1.190	1.120	1.075									
2011	4.233	1.727	1.335	1.191	1.111										
2012	4.322	1.729	1.338	1.177											
2013	4.386	1.701	1.306												
2014	4.255	1.649													
2015	4.102														

	<u>Latest Year</u>														
Age-to-Age	4.102	1.649	1.306	1.177	1.111	1.075	1.054	1.040	1.032	1.025	1.022	1.016	1.013	1.012	1.011
Cumulative	17.346	4.229	2.565	1.964	1.668	1.502	1.397	1.325	1.274	1.235	1.204	1.178	1.160	1.145	1.131
	<u>3-Year Arithmetics Average</u>														
Age-to-Age	4.248	1.693	1.326	1.186	1.119	1.081	1.058	1.044	1.034	1.026	1.021	1.017	1.015	1.013	1.012
Cumulative	19.285	4.540	2.682	2.022	1.705	1.524	1.409	1.332	1.276	1.234	1.202	1.178	1.158	1.141	1.126
	<u>Average Excluding High & Low</u>														
Age-to-Age	3.865	1.712	1.320	1.173	1.107	1.072	1.049	1.033	1.025	1.019	1.015	1.013	1.011	1.009	1.009
Cumulative	15.951	4.127	2.411	1.826	1.557	1.407	1.313	1.251	1.211	1.182	1.160	1.143	1.129	1.117	1.107

Accident Year	Age-to-Age Development (in months):															
	192-204	204-216	216-228	228-240	240-252	252-264	264-276	276-288	288-300	300-312	312-324	324-336	336-348	348-360	360-372	372-384
1985	1.003	1.004	1.006	1.005	1.003	1.005	1.005	0.999	1.036	1.004	1.004	1.004	1.004	1.006	1.004	1.003
1986	1.006	1.005	1.005	1.005	1.006	1.005	0.999	1.039	1.005	1.005	1.006	1.006	1.007	1.006	1.005	
1987	1.005	1.005	1.005	1.006	1.007	0.998	1.024	1.006	1.005	1.004	1.005	1.006	1.005	1.004		
1988	1.005	1.004	1.005	1.005	1.009	1.008	1.004	1.004	1.004	1.004	1.004	1.004	1.004			
1989	1.005	1.005	1.004	1.002	1.003	1.004	1.004	1.004	1.004	1.004	1.004	1.004				
1990	1.006	1.005	1.001	1.002	1.003	1.003	1.003	1.003	1.003	1.002	1.003					
1991	1.004	1.000	1.002	1.003	1.003	1.003	1.003	1.003	1.002	1.003						
1992	0.998	1.003	1.005	1.004	1.003	1.003	1.003	1.003	1.003							
1993	1.006	1.007	1.006	1.006	1.006	1.005	1.005	1.005								
1994	1.007	1.008	1.007	1.006	1.006	1.006	1.005									
1995	1.008	1.009	1.009	1.008	1.008	1.008										
1996	1.010	1.009	1.008	1.007	1.007											
1997	1.010	1.008	1.008	1.007												
1998	1.012	1.010	1.010													
1999	1.010	1.010														
2000	1.011															
	<u>Latest Year</u>															
Age-to-Age	1.011	1.010	1.010	1.007	1.007	1.008	1.005	1.005	1.003	1.003	1.003	1.004	1.004	1.004	1.005	1.003
Cumulative	1.119	1.106	1.095	1.084	1.077	1.070	1.062	1.056	1.051	1.048	1.045	1.042	1.039	1.036	1.034	1.031
	<u>3-Year Arithmetics Average</u>															
Age-to-Age	1.011	1.009	1.009	1.007	1.007	1.006	1.005	1.004	1.003	1.003	1.004	1.004	1.005	1.005	1.005	1.003
Cumulative	1.113	1.100	1.090	1.081	1.073	1.066	1.059	1.054	1.050	1.048	1.045	1.042	1.039	1.036	1.034	1.031
	<u>Average Excluding High & Low</u>															
Age-to-Age	1.007	1.006	1.006	1.005	1.005	1.005	1.004	1.004	1.004	1.004	1.004	1.005	1.004	1.006	1.005	1.003
Cumulative	1.098	1.090	1.083	1.077	1.072	1.066	1.061	1.057	1.053	1.049	1.045	1.042	1.039	1.036	1.034	1.031

Note: Factors in italics are based on powerfit to the "3-Year Arithmetics Average" factors.
Source: WCIRB accident year experience calls. Excludes MCPP costs.

Quarterly Paid ALAE Loss Development Factors^[1] - Private Insurers

Age in Months	Accident Year														
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
3 - 6						7.976	7.570	5.434	9.136	8.769	8.694	8.529	6.313	9.817	6.772
6 - 9					2.427	3.016	2.765	2.630	3.023	3.176	3.214	3.060	3.136	3.157	2.984
9 - 12					2.022	2.078	2.021	2.034	2.077	2.165	2.113	2.134	2.139	2.134	2.112
12 - 15					1.653	1.627	1.687	1.724	1.737	1.701	1.714	1.772	1.739	1.724	
15 - 18					1.415	1.486	1.494	1.509	1.482	1.485	1.510	1.490	1.483	1.479	
18 - 21				1.318	1.357	1.328	1.289	1.326	1.334	1.343	1.338	1.346	1.326	1.309	
21 - 24				1.249	1.255	1.234	1.237	1.255	1.253	1.248	1.248	1.234	1.239	1.221	
24 - 27				1.192	1.187	1.191	1.190	1.197	1.189	1.186	1.198	1.188	1.176		
27 - 30				1.151	1.165	1.167	1.172	1.170	1.158	1.163	1.159	1.156	1.149		
30 - 33			1.127	1.145	1.128	1.119	1.135	1.138	1.133	1.131	1.130	1.121	1.117		
33 - 36			1.113	1.110	1.107	1.103	1.111	1.114	1.113	1.107	1.102	1.102	1.093		
36 - 39			1.093	1.087	1.093	1.090	1.097	1.094	1.091	1.092	1.092	1.085			
39 - 42			1.076	1.083	1.083	1.086	1.096	1.082	1.083	1.081	1.081	1.076			
42 - 45		1.063	1.077	1.068	1.063	1.069	1.069	1.074	1.069	1.068	1.070	1.062			
45 - 48		1.059	1.057	1.058	1.057	1.059	1.063	1.064	1.062	1.059	1.059	1.054			
48 - 51		1.049	1.039	1.050	1.050	1.050	1.052	1.053	1.053	1.051	1.049				
51 - 54		1.043	1.044	1.048	1.049	1.050	1.049	1.050	1.048	1.048	1.044				
54 - 57	1.038	1.045	1.037	1.037	1.038	1.043	1.045	1.043	1.040	1.043	1.039				
57 - 60	1.037	1.025	1.032	1.034	1.037	1.038	1.039	1.039	1.037	1.037	1.034				
60 - 63	1.031	1.027	1.028	1.030	1.032	1.032	1.034	1.034	1.032	1.031					
63 - 66	1.029	1.025	1.025	1.030	1.030	1.031	1.033	1.031	1.032	1.029					
66 - 69	1.027	1.023	1.022	1.026	1.027	1.029	1.028	1.028	1.028	1.025					
69 - 72	1.018	1.021	1.022	1.023	1.025	1.028	1.026	1.026	1.023	1.022					
72 - 75	1.014	1.017	1.018	1.021	1.022	1.023	1.023	1.022	1.022	1.021					
75 - 78	1.018	1.018	1.019	1.020	1.020	1.023	1.022	1.022	1.022	1.020					
78 - 81	1.017	1.013	1.015	1.019	1.019	1.020	1.020	1.020	1.020	1.017					
81 - 84	1.015	1.013	1.015	1.017	1.018	1.019	1.018	1.017	1.016						
84 - 87	1.014	1.011	1.013	1.015	1.016	1.016	1.016	1.015							
87 - 90	1.013	1.012	1.012	1.014	1.015	1.015	1.016	1.014							
90 - 93	1.010	1.011	1.011	1.013	1.014	1.014	1.014	1.012							
93 - 96	1.010	1.011	1.011	1.013	1.013	1.013	1.013	1.012							
96 - 99	1.007	1.009	1.010	1.012	1.012	1.012	1.011								
99 - 102	1.008	1.009	1.009	1.012	1.012	1.012	1.011								
102 - 105	1.007	1.008	1.008	1.010	1.012	1.011	1.009								
105 - 108	1.008	1.008	1.008	1.010	1.010	1.010	1.008								
108 - 111	1.007	1.007	1.008	1.009	1.009	1.009									
111 - 114	1.007	1.008	1.008	1.009	1.009	1.008									
114 - 117	1.006	1.007	1.007	1.009	1.008	1.007									
117 - 120	1.006	1.007	1.007	1.008	1.008	1.007									
120 - 123	1.006	1.006	1.007	1.007	1.007										

[1] All paid allocated loss adjustment expense exclude the paid cost of medical cost containment programs.

Source: WCIRB quarterly calls for experience.

Projected Ratio of ALAE^[1] to Losses - Statewide

Based on Estimated Accident Year Indemnity Claim Frequency and Private Insurers ALAE Severity
For Policies with Effective Dates between July 1, 2016 and December 31, 2016

Acc. Year	Indemnity Claim Counts @12/31/16 (1)	Cumulative Count Development Factors ^[2] (2)	Estimated Ultimate Ind. Counts (3)=(1)x(2) (3)	Estimated Ult. ALAE Per Indemnity Claim ^[3] (4)	Estimated Ult. ALAE (in \$000) (5)=(3)x(4)
1991	249,723	1.000	249,777	2,461	614,805
1992	198,431	1.000	198,499	2,341	464,727
1993	156,120	1.000	156,187	2,171	339,053
1994	143,669	1.000	143,733	2,180	313,317
1995	135,141	1.001	135,222	2,496	337,462
1996	133,098	1.001	133,219	2,944	392,134
1997	137,253	1.001	137,410	3,694	507,618
1998	147,438	1.001	147,613	4,783	706,044
1999	148,634	1.001	148,835	5,136	764,488
2000	161,953	1.002	162,214	6,048	981,005
2001	185,610	1.002	185,935	7,538	1,401,643
2002	194,682	1.002	195,029	8,070	1,573,817
2003	184,220	1.002	184,551	8,607	1,588,501
2004	158,959	1.002	159,230	8,132	1,294,780
2005	139,659	1.001	139,865	7,859	1,099,230
2006	133,535	1.001	133,675	8,210	1,097,490
2007	130,529	1.001	130,659	8,937	1,167,680
2008	123,875	1.001	124,052	9,834	1,219,947
2009	115,663	1.003	116,000	10,966	1,272,042
2010	120,632	1.005	121,210	11,075	1,342,360
2011	122,778	1.007	123,642	10,836	1,339,798
2012	130,117	1.010	131,402	10,939	1,437,453
2013	137,123	1.017	139,400	11,122	1,550,434
2014	139,836	1.029	143,827	11,636	1,673,629
2015	139,718	1.061	148,289	12,206	1,809,974
2016	113,199	1.322	149,697	12,526	1,875,066

Projected Based on 2-Year Average of 2015 and 2016:

	Ult. Ind. Counts ^[4]	Ult. ALAE per Ind. Counts ^[5]	Ultimate ALAE
2017	145,069	13,114	1,902,463
4/1/2018	142,450	13,506	1,923,883

(a) Projected ALAE Incurred (\$000):	1,923,883
(b) Calendar Year 2016 Earned Premium ^[6] (\$000):	17,943,649
(c) Projected Loss to Industry Average Filed Pure Premium Ratio ^[7] :	0.598
(d) Premium Adjustment Factor for Calendar Year 2016 ^[8] :	0.977
(e) Projected Losses (\$000): (b) x (c) x (d)	10,483,505
(f) Projected Ratio of ALAE to Losses: (a)/(e)	18.4%

Notes:

- [1] All paid ALAE exclude the paid cost of medical cost containment programs.
- [2] Based on the latest year indemnity claim count age-to-age development from Exhibit 4.1.
- [3] Based on estimated ultimate ALAE per indemnity for private insurers from Exhibit 2.2.
- [4] Estimated based on projected frequency trends for accident years 2017 and 2018. The estimated frequency changes are based on the projected growth in overall indemnity claim frequency. These frequency trends were then applied to the ultimate indemnity claim counts estimated from averaging 2015 and 2016.
- [5] Severity is projected by applying an annual growth rate of 4.0%, which is based on the approximate average of the private insurers selected rate of growth in (i) estimated ultimate accident year ALAE severities from Exhibit 2.2 and (ii) paid ALAE per open indemnity claim from Exhibit 3, to the ultimate ALAE severity estimated from averaging 2015 and 2016.
- [6] Based on the reported earned premium for calendar year 2016 from the same group of insurers that reported the paid ALAE, and the indemnity claim counts by accident year as of December 31, 2016.
- [7] See Exhibit 8 of AC17-03-02.
- [8] See Exhibit 5.2 of AC17-03-02.

Paid M CCP per Indemnity Claims Inventory^[1] by Calendar Year

Calendar Year	Private Insurer		Statewide	
	Paid M CCP ^[2] per Indemnity Claim	Year-to-Year Change	Paid M CCP ^[2] per Indemnity Claim	Year-to-Year Change
2005	\$469	---	---	---
2006	\$559	19.2%	---	---
2007	\$631	12.8%	\$433	---
2008	\$953	51.1%	\$673	55.4%
2009	\$830	-13.0%	\$665	-1.2%
2010	\$888	7.0%	\$733	10.2%
2011	\$931	4.8%	\$786	7.1%
2012	\$983	5.6%	\$841	7.1%
2013	\$1,020	3.8%	\$898	6.8%
2014	\$913	-10.5%	\$816	-9.2%
2015	\$1,000	9.6%	\$903	10.6%

Estimated Annual Exponential Trend Based on:

2005-2015	6.9%	---
R ²	0.702	---
2009-2015	2.6%	4.6%
R ²	0.557	0.783

^[1] Indemnity claims inventory is the sum of indemnity claims open as of January 1 of Year N and newly-reported indemnity claims between January 1 of year N and December 31 of year N.

^[2] Paid M CCP per indemnity claim for calendar years 2013 through 2015 was adjusted to remove the cost of independent medical review (IMR) and independent bill review (IBR). IMR/IBR fees estimated based on a WCIRB review of insurer payments and information provided by the Division of Workers' Compensation.

Source: WCIRB expense calls, aggregate indemnity and medical cost calls, and quarterly calls for experience.

Estimated Ultimate MCCP Per Indemnity Claim - Statewide

Year	Paid MCCP @12/31/16 (in \$000) (1)	Cumulative Development Factors ^[1] (2)	Estimated Ultimate MCCP (3)=(1)x(2)	Indemnity Claim Counts @12/31/16 (4)	Cumulative Count Development Factors ^[2] (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ultimate MCCP Per Indemnity Claim (7)=(3)/(6) x 1000	Annual change
2011	309,105	1.615	499,155	122,778	1.007	123,642	4,037	---
2012	288,469	1.759	507,505	130,117	1.010	131,402	3,862	-4.3%
2013	265,339	1.916	508,439	137,123	1.017	139,400	3,647	-5.6%
2014	224,920	2.209	496,829	139,836	1.029	143,827	3,454	-5.3%
2015	163,506	2.951	482,450	139,718	1.061	148,289	3,253	-5.8%
2016	63,770	7.074	451,115	113,199	1.322	149,697	3,014	-7.4%

Estimated Annual Exponential Trend 2011 - 2016: -5.6%
R²: 0.993

Notes:

[1] Based on MCCP development through 72 months from Exhibit 7.1. 60-to-ultimate and 72-to-ultimate development factors are based on selected paid medical development factors from Exhibit 3.2 of AC17-03-02.

[2] Based on the latest year indemnity claim count age-to-age development from Exhibit 4.1

Paid MCCP Development Factors - Statewide

Quarterly Development						
Age in Months	Accident Year					
	2012	2013	2014	2015	2016	
3 - 6	5.634	5.835	6.038	5.668	6.098	
6 - 9	2.377	2.423	2.396	2.480	2.368	
9 - 12	1.761	1.770	1.769	1.762	1.715	
12 - 15	1.474	1.428	1.454	1.448		
15 - 18	1.279	1.264	1.300	1.273		
18 - 21	1.171	1.186	1.193	1.171		
21 - 24	1.130	1.138	1.131	1.112		
24 - 27	1.096	1.106	1.107			
27 - 30	1.087	1.092	1.083			
30 - 33	1.070	1.076	1.065			
33 - 36	1.058	1.062	1.047			
36 - 39	1.054	1.048				
39 - 42	1.044	1.039				
42 - 45	1.041	1.033				
45 - 48	1.037	1.025				
48 - 51	1.028					
51 - 54	1.022					
54 - 57	1.021					
57 - 60	1.016					

Annual Development						
Age in Months	Accident Year					
	2012	2013	2014	2015		
12 - 24	2.494	2.434	2.549	2.397		
24 - 36	1.349	1.378	1.336			
36 - 48	1.188	1.153				
48 - 60	1.089					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-Ult.</u>	
Age-to-Age[1]	2.397	1.336	1.153	1.089		
Age -to-Ult.[2]	7.074	2.951	2.209	1.916	1.759	

Notes:

[1] Based on Latest Year.

[2] 60-to-Ult. is based on selected paid medical 60-to-ultimate development factor on Exhibit 3.2 of AC17-03-02.

Source: WCIRB accident year experience calls.

Projected Ratio of M CCP to Losses - Statewide

Based on Estimated Accident Year Indemnity Claim Frequency and M CCP Severity
For Policies with Effective Dates between July 1, 2017 and December 31, 2017

Year	Paid M CCP @12/31/16 (in \$000) (1)	Cumulative Development Factors ^[1] (2)	Estimated Ultimate M CCP (3)=(1)x(2)	Indemnity Claim Counts @12/31/16 (4)	Cumulative Count Development Factors ^[2] (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ultimate M CCP Per Indemnity Claim (7)=(3)/(6) x 1000	Annual change
2011	309,105	1.615	499,155	122,778	1.007	123,642	4,037	---
2012	288,469	1.759	507,505	130,117	1.010	131,402	3,862	-4.3%
2013	265,339	1.916	508,439	137,123	1.017	139,400	3,647	-5.6%
2014	224,920	2.209	496,829	139,836	1.029	143,827	3,454	-5.3%
2015	163,506	2.951	482,450	139,718	1.061	148,289	3,253	-5.8%
2016	63,770	7.074	451,115	113,199	1.322	149,697	3,014	-7.4%

Projected Based on 2-Year Average of 2015 and 2016:

	Ultimate M CCP ^[5]	Ult. Ind. Counts ^[3]	Ult. M CCP per Ind. Counts ^[4]
2017	454,569	145,069	3,133
4/1/2018	446,362	142,450	3,133

(a) Projected M CCP (\$000):	446,362
(b) Calendar Year 2016 Earned Premium ^[6] (\$000):	17,943,649
(c) Projected Loss to Industry Average Filed Pure Premium Ratio ^[7] :	0.598
(d) Premium Adjustment Factor for Calendar Year 2016 ^[8] :	0.977
(e) Projected Losses (\$000): (b) x (c) x (d)	10,483,505
(f) Projected Ratio of M CCP to Losses: (a)/(e)	4.3%

Notes:

- [1] Based on M CCP development through 60 months from Exhibit 7.1, 60-to-ultimate and 72-to-ultimate development factors are based on selected paid medical development factors from Exhibit 3.2 of AC17-03-02.
- [2] Based on the latest year indemnity claim count age-to-age development from Exhibit 4.1.
- [3] Estimated based on projected frequency trends for accident years 2016 to 2018. The estimated frequency changes are based on the projected growth in total or overall indemnity claim frequency. These frequency trends were then applied to the ultimate indemnity claim counts estimated from averaging 2015 and 2016.
- [4] Severity is projected by applying an annual growth rate of 0%, which is based on the approximate average of the selected rate of growth in (i) calendar year paid M CCP per open indemnity claim from Exhibit 5 and (ii) estimated ultimate accident year M CCP severities from Exhibit 6, to the ultimate M CCP severity estimated from averaging 2015 and 2016.
- [5] Column(6) x Column(7) / 1,000.
- [6] Based on the reported earned premium for calendar year 2016 from the same group of insurers that reported the paid M CCP in column (1) and the indemnity claim counts in column (4) by accident year as of December 31, 2016.
- [7] See Exhibit 8 of AC17-03-02.
- [8] See Exhibit 5.2 of AC17-03-02.

Item AC17-04-02

12/31/2016 Experience – Alternative Loss Projections

For a number of years, the WCIRB has included alternative loss development and trending methodology projections in its pure premium rate filing submissions.

Loss Development Methodologies

The loss development projections based on the methodology reflected in the WCIRB's summary analysis of December 31, 2016 experience, included in Item AC17-03-02 of this Agenda, were based on a combination of (a) latest year reform-adjusted paid loss development factors through 108 months with adjustments for changes in claim settlement rates applied through 84 months, (b) three-year average reform-adjusted paid loss development factors from 108 months through 228 months, and (c) three-year average (unadjusted) incurred loss development factors after 228 months. Attached for the Committee's review are a number of alternative loss development projections based on methodologies that have been included, for informational purposes, in prior pure premium rate filing materials or have been discussed at prior meetings. Specifically, alternative loss ratio projections, based on December 31, 2016 experience, derived using the following loss development methodologies and the trending methodology reflected in the analysis included in Item AC17-03-02 of this Agenda are included:¹

1. 3-Year Average Unadjusted Incurred Loss Development – Exhibits 1.1 through 1.3.
2. Latest Year Unadjusted Incurred Loss Development – Exhibits 2.1 through 2.3.
3. Latest Year Incurred Loss Development Adjusted for Changes in Case Reserve Levels – Exhibits 3.1 through 3.11.
4. 3-Year Average Unadjusted Paid Loss Development – Exhibits 4.1 through 4.3.
5. Latest Year Unadjusted Paid Loss Development – Exhibits 5.1 through 5.3.
6. Latest Year Paid Loss Development Adjusted for Reforms – Exhibits 6.1 through 6.3.
7. 3-Year Average Paid Loss Development Adjusted for Changes in Claim Settlement Rates and Reforms – Exhibits 7.1 through 7.3.

A summary of the July 1, 2017 through December 31, 2017 policy period loss ratio projections based on the alternative loss development methodologies described above is shown in Table 1.

¹ All methodologies reflect three-year average loss development factors applied after 108 months. All paid loss development methodologies reflect three-year average incurred loss development factors applied after 228 months.

**Table 1: Projected Loss Ratios for Policies Incepting between July 1, 2017 and December 31, 2017
Based on Alternative Loss Development Methodologies²**

Loss Development Methodologies	Indemnity Loss Ratio	Medical Loss Ratio	Total Loss Ratio
1/1/2017 Filing Methodology			
Latest Year Adjusted for Reforms and Changes in Claim Settlement Rates	0.254	0.344	0.598
Alternative Methodologies			
<u>Incurred Methodologies</u>			
3-Year Average (Unadjusted)	0.229	0.293	0.522
Latest Year (Unadjusted)	0.226	0.272	0.498
Latest Year Adjusted for Changes in Case Reserve Levels	0.237	0.296	0.533
<u>Paid Methodologies</u>			
3-Year Average (Unadjusted)	0.247	0.350	0.597
Latest Year (Unadjusted)	0.248	0.342	0.590
Latest Year Adjusted for Reforms	0.264	0.354	0.618
3-Year Average Adjusted for Changes in Claim Settlement Rates and Reforms	0.255	0.359	0.614

Trending Methodologies

The trending projections reflected in the summary analysis of December 31, 2016 experience, included in Item AC17-03-02 of this Agenda, were based on the average of the latest two years' on-level loss ratios with separate projections of claim frequency and claim severity growth applied. The claim frequency growth estimates were based on the preliminary 12-month frequency change for accident year 2016 and the WCIRB's claim frequency model forecasts for accident years 2017 and 2018. The severity growth estimates were based on the approximate average longer-term (post-2005) on-level severity trends for indemnity and medical.

Attached for the Committee's review are a number of alternative trending projections based on methodologies that have been included, for informational purposes, in prior advisory pure premium rate filing materials or have been discussed at prior meetings. Specifically, alternative loss ratio projections, based on December 31, 2016 experience, derived using the loss development methodologies reflected in the analysis included in Item AC17-03-02 of this Agenda and the following trending methodologies have been included:

1. Separate Projections of Frequency and Severity Growth Applied to the Latest Year Only – Exhibits 8.1 and 8.2.

² All methodologies reflect three-year average loss development factors applied after 108 months. All paid loss development methodologies reflect three-year average incurred loss development factors applied after 216 months.

2. Separate Projections of Frequency and the Approximate Average of the Longer-Term (Post-2005) and Shorter-Term (5-Year) Severity Growth Rates Applied to the Latest Two Years – Exhibits 9.1 and 9.2.
3. Post-2005 On-Level Loss Ratio Exponential Trend Applied to the Latest Two Years' Loss Ratios and then Averaged – Exhibits 10.1 and 10.2.
4. 5-Year On-Level Loss Ratio Exponential Trend Applied to the Latest Two Years' Loss Ratios and then Averaged – Exhibits 11.1 and 11.2.
5. 5-Year Fitted On-Level Loss Ratio Exponential Trend – Exhibits 12.1 and 12.2

A summary of the July 1, 2017 through December 31, 2017 policy period loss ratio projections based on the alternative trending methodologies is shown in Table 2.

Table 2: Projected Loss Ratios for Policies Incepting between July 1, 2017 and December 31, 2017 Based on Alternative Trending Methodologies

Trending Methodologies	Indemnity Loss Ratio	Medical Loss Ratio	Total Loss Ratio
1/1/2017 Filing Methodology			
Separate Projections of Frequency and Severity, with Indemnity Severity at 0% and Medical Severity at +2.5%, Applied to the Latest Two Years	0.254	0.344	0.598
Alternative Methodologies			
Separate Projections of Frequency and Severity Applied to the Latest Year	0.252	0.342	0.594
Separate Projections of Frequency and Severity, with Indemnity Severity at -0.3% and Medical Severity at +1.9%, Applied to the Latest Two Years	0.253	0.339	0.592
Post-2005 On-level Loss Ratio Exponential Trend Applied to the Latest Two Years	0.272	0.376	0.648
5-Year On-level Loss Ratio Exponential Trend Applied to the Latest Two Years	0.259	0.344	0.603
5-Year Fitted On-level Loss Ratio Exponential Trend	0.257	0.342	0.599

**Developed Loss Ratios Using Unadjusted 3-Year Average Incurred Development Factors
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Indemnity				Medical				
	Reported Incurred Loss Ratio	Annual Development Factor(b)	Cumulative Development Factor	Developed Loss Ratio (1) x (3)	Reported Incurred Loss Ratio Ex IBNR(a)	Annual Development Factor(c)	Cumulative Development Factor	Developed Loss Ratio (5) x (7)	Total Developed Loss Ratio (4) + (8)
Accident Year	<u>Ex IBNR(a)</u>	<u>Factor(b)</u>	<u>Factor</u>	<u>Loss Ratio</u> <u>(1) x (3)</u>	<u>Ex IBNR(a)</u>	<u>Factor(c)</u>	<u>Factor</u>	<u>Loss Ratio</u> <u>(5) x (7)</u>	<u>Loss Ratio</u> <u>(4) + (8)</u>
2005	0.122	1.004	1.018	0.124	0.183	1.005	1.041	0.191	0.314
2006	0.157	1.006	1.024	0.160	0.233	1.008	1.049	0.245	0.405
2007	0.213	1.007	1.031	0.220	0.325	1.006	1.055	0.342	0.562
2008	0.268	1.011	1.042	0.279	0.401	1.012	1.068	0.428	0.707
2009	0.307	1.013	1.056	0.324	0.459	1.017	1.086	0.498	0.822
2010	0.291	1.020	1.077	0.313	0.437	1.025	1.112	0.486	0.799
2011	0.264	1.027	1.106	0.292	0.373	1.032	1.148	0.428	0.719
2012	0.228	1.044	1.154	0.263	0.308	1.047	1.202	0.370	0.633
2013	0.186	1.065	1.229	0.228	0.241	1.068	1.283	0.309	0.537
2014	0.158	1.120	1.377	0.218	0.196	1.102	1.414	0.278	0.495
2015	0.126	1.273	1.753	0.221	0.167	1.167	1.649	0.276	0.496
2016	0.063	1.955	3.426	0.215	0.109	1.532	2.527	0.275	0.490

- (a) Based on AC17-03-02, Exhibit 1. Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs. No adjustment has been made to MCCP costs in medical reserves.
- (b) Based on AC17-03-02, Exhibit 2.1.
- (c) Based on AC17-03-02, Exhibit 2.2.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Using Unadjusted 3-Year Average Incurred Development Factors
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)x(2)÷(3)
2005	0.124	1.489	0.795	0.232
2006	0.160	1.471	1.023	0.231
2007	0.220	1.425	1.308	0.240
2008	0.279	1.343	1.580	0.237
2009	0.324	1.316	1.705	0.250
2010	0.313	1.298	1.550	0.262
2011	0.292	1.277	1.413	0.264
2012	0.263	1.247	1.257	0.261
2013	0.228	1.213	1.100	0.252
2014	0.218	1.099	1.014	0.236
2015	0.221	1.071	0.968	0.244
2016	0.215	1.050	0.977	0.231
				Projections (d)
2017				0.232
4/1/2018				0.229

(a) See Exhibit 1.1.

(b) Based on AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Using Unadjusted 3-Year Average Incurred Development Factors
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4a) On-Level Medical to Industry Average Filed Pure Premium Ratio (e) (1)×(2)÷(3)
2005	0.191	0.865	0.795	0.207
2006	0.245	0.908	1.023	0.217
2007	0.342	0.892	1.308	0.233
2008	0.428	0.885	1.580	0.240
2009	0.498	0.873	1.705	0.255
2010	0.486	0.870	1.550	0.273
2011	0.428	0.886	1.413	0.268
2012	0.370	0.912	1.257	0.268
2013	0.309	0.979	1.100	0.275
2014	0.278	1.019	1.014	0.279
2015	0.276	1.017	0.968	0.290
2016	0.275	1.013	0.977	0.286

				Projections (d)
2017				0.292
4/1/2018				0.293

- (a) See Exhibit 1.1.
- (b) Based on AC17-03-02, Exhibit 4.4.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.
- (e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs. No adjustment has been made to MCCP costs in medical reserves.

**Developed Loss Ratios Using Unadjusted Latest Year Incurred Development Factors
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Indemnity				Medical				
	Reported				Reported				Total
Accident	Incurred	Annual	Cumulative	Developed	Incurred	Annual	Cumulative	Developed	Developed
Year	Loss Ratio	Development	Development	Loss Ratio	Loss Ratio	Development	Development	Loss Ratio	Loss Ratio
	<u>Ex IBNR(a)</u>	<u>Factor(b)</u>	<u>Factor</u>	<u>Loss Ratio</u>	<u>Ex IBNR(a)</u>	<u>Factor(c)</u>	<u>Factor</u>	<u>Loss Ratio</u>	<u>Loss Ratio</u>
				(1) x (3)				(5) x (7)	(4) + (8)
2005	0.122	1.004	1.018	0.124	0.183	1.005	1.041	0.191	0.314
2006	0.157	1.006	1.024	0.160	0.233	1.008	1.049	0.245	0.405
2007	0.213	1.007	1.031	0.220	0.325	1.006	1.055	0.342	0.562
2008	0.268	1.011	1.042	0.279	0.401	1.012	1.068	0.428	0.707
2009	0.307	1.012	1.055	0.323	0.459	1.010	1.079	0.495	0.818
2010	0.291	1.019	1.075	0.312	0.437	1.016	1.096	0.479	0.791
2011	0.264	1.026	1.103	0.291	0.373	1.025	1.123	0.418	0.709
2012	0.228	1.037	1.144	0.261	0.308	1.033	1.160	0.357	0.618
2013	0.186	1.063	1.216	0.226	0.241	1.056	1.225	0.295	0.521
2014	0.158	1.111	1.351	0.214	0.196	1.085	1.329	0.261	0.475
2015	0.126	1.278	1.726	0.217	0.167	1.159	1.541	0.258	0.475
2016	0.063	1.969	3.399	0.213	0.109	1.511	2.328	0.254	0.467

- (a) Based on AC17-03-02, Exhibit 1. Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs. No adjustment has been made to MCCP costs in medical reserves.
- (b) Based on AC17-03-02, Exhibit 2.1.
- (c) Based on AC17-03-02, Exhibit 2.2.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Using Unadjusted Latest Year Incurred Development Factors
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)x(2)÷(3)
2005	0.124	1.489	0.795	0.232
2006	0.160	1.471	1.023	0.231
2007	0.220	1.425	1.308	0.240
2008	0.279	1.343	1.580	0.237
2009	0.323	1.316	1.705	0.250
2010	0.312	1.298	1.550	0.262
2011	0.291	1.277	1.413	0.263
2012	0.261	1.247	1.257	0.259
2013	0.226	1.213	1.100	0.249
2014	0.214	1.099	1.014	0.232
2015	0.217	1.071	0.968	0.240
2016	0.213	1.050	0.977	0.229
				Projections (d)
2017				0.229
4/1/2018				0.226

(a) Based on Exhibit 2.1.

(b) Based on AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Using Unadjusted Latest Year Incurred Development Factors
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)x(2)÷(3)
2005	0.191	0.865	0.795	0.207
2006	0.245	0.908	1.023	0.217
2007	0.342	0.892	1.308	0.233
2008	0.428	0.885	1.580	0.240
2009	0.495	0.873	1.705	0.253
2010	0.479	0.870	1.550	0.269
2011	0.418	0.886	1.413	0.262
2012	0.357	0.912	1.257	0.259
2013	0.295	0.979	1.100	0.262
2014	0.261	1.019	1.014	0.262
2015	0.258	1.017	0.968	0.271
2016	0.254	1.013	0.977	0.263
				Projections (d)
2017				0.271
4/1/2018				0.272

- (a) See Exhibit 2.2.
- (b) Based on AC17-03-02, Exhibit 4.4.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.
- (e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs. No adjustment has been made to MCCP costs in medical reserves.

**Incurred Indemnity Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

A. Indemnity Case Reserves Per Open Claim

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2001							21,058
2002						17,470	18,424
2003					16,694	18,562	21,001
2004				14,077	15,422	17,812	19,822
2005			11,162	12,578	14,865	17,768	20,858
2006		10,748	12,689	14,816	18,142	20,946	22,687
2007	7,325	11,131	13,890	16,132	18,098	19,932	23,974
2008	7,622	11,564	14,512	16,508	18,081	20,724	23,319
2009	7,696	12,133	14,304	16,239	18,423	20,980	22,469
2010	7,681	11,678	14,073	15,887	17,680	19,572	21,689
2011	8,155	12,310	14,376	16,871	18,522	20,439	
2012	7,981	12,151	14,564	16,012	18,188		
2013	8,312	12,307	14,099	15,578			
2014	8,378	12,701	14,924				
2015	8,877	13,675					
2016	9,154						

B. Average Paid Indemnity per Closed Claim Adjusted to Common Benefit Level (a)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2001							18,635
2002						16,935	18,301
2003					14,123	15,807	16,869
2004				9,781	11,779	13,043	13,927
2005			8,138	11,986	14,653	16,326	17,599
2006		4,313	8,189	11,773	14,222	16,047	17,628
2007	1,810	4,539	8,739	12,403	15,092	17,327	19,373
2008	1,878	4,659	9,114	13,006	16,110	18,934	20,730
2009	1,924	4,965	9,508	13,619	17,248	19,762	21,850
2010	1,836	4,960	9,614	14,048	17,395	19,866	21,890
2011	1,937	5,256	10,057	14,250	17,508	19,816	
2012	2,073	5,696	10,384	14,413	17,346		
2013	2,341	5,947	10,635	14,459			
2014	2,222	5,797	10,435				
2015	2,358	6,189					
2016	2,447						
Annual Trend (b):	3.6%	4.1%	3.2%	3.8%	3.8%	3.5%	2.9%

C. Indemnity Case Reserves per Open Claim Adjusted by Paid Indemnity Severity Trend (c)

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2001							18,965
2002						17,591	19,629
2003					15,286	18,206	20,316
2004				12,759	15,821	18,844	21,027
2005			11,235	13,206	16,374	19,503	21,763
2006		10,034	11,628	13,668	16,948	20,186	22,524
2007	6,587	10,385	12,035	14,146	17,541	20,892	23,313
2008	6,817	10,748	12,456	14,641	18,155	21,623	24,129
2009	7,056	11,124	12,892	15,154	18,790	22,380	24,973
2010	7,303	11,514	13,343	15,684	19,448	23,164	25,847
2011	7,558	11,917	13,810	16,233	20,128	23,974	
2012	7,823	12,334	14,294	16,801	20,833		
2013	8,097	12,765	14,794	17,389			
2014	8,380	13,212	15,312				
2015	8,673	13,675					
2016	8,977						

(a) Represents average paid indemnity on closed claims only. All evaluations are brought to the accident year 2015 benefit level based on benefit factors shown in AC17-03-02, Exhibit 4.1, excluding utilization impacts.

(b) Trend is based on an all-year exponential distribution.

(c) Latest evaluation for each accident year is brought to the accident year 2015 benefit level based on benefit factors shown in AC17-03-02, Exhibit 4.1, excluding utilization impacts. Evaluations prior to the latest evaluation are determined by adjusting the latest accident year average indemnity case reserves by the selected annual paid indemnity severity trend on closed claims (Item B) of 3.5%.

Source: Accident year experience of insurers with available claim count data

**Incurred Indemnity Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

D. Indemnity Open Claim Counts

Accident	Evaluated as of (in months)						
<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2001							20,589
2002						27,829	21,227
2003					35,276	26,013	19,963
2004				41,052	29,202	22,322	17,848
2005			48,418	33,562	24,812	19,319	15,368
2006		53,836	38,360	27,592	20,491	15,902	12,648
2007	78,110	60,587	44,567	32,552	24,511	19,150	13,906
2008	71,807	59,216	44,617	33,012	24,745	17,782	13,320
2009	65,732	57,299	43,959	32,571	23,405	17,345	12,905
2010	66,197	58,610	44,619	31,567	22,513	16,359	11,562
2011	65,072	58,554	43,406	30,740	21,545	15,233	
2012	68,600	61,215	44,651	30,858	21,179		
2013	73,895	64,687	45,829	30,468			
2014	76,854	65,587	45,447				
2015	79,183	66,440					
2016	78,581						

E. Total Indemnity Case Reserves Adjusted to Common Benefit Level and by Paid Indemnity
Severity Trend (in \$000) (d)

Accident Year	Evaluated as of (in months)					
	24	36	48	60	72	84
2001						390,470
2002					489,531	416,660
2003				539,220	473,602	405,564
2004			523,786	461,997	420,626	375,287
2005		543,966	443,208	406,283	376,780	334,450
2006	540,164	446,050	377,123	347,273	320,993	284,890
2007	514,477	629,177	536,363	460,488	429,941	400,086
2008	489,516	636,462	555,758	483,340	449,237	384,508
2009	463,785	637,413	566,727	493,574	439,782	388,185
2010	483,414	674,817	595,369	495,102	437,827	378,933
2011	491,830	697,768	599,455	499,006	433,666	365,200
2012	536,643	755,010	638,232	518,454	441,220	
2013	598,297	825,757	677,997	529,818		
2014	644,033	866,550	695,878			
2015	686,775	908,543				
2016	705,408					

F. Paid Indemnity Loss on All Claims Adjusted to the Common Benefit Level (in \$000) (e)

Accident	Evaluated as of (in months)						
<u>Year</u>	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2001							3,797,900
2002						3,709,994	3,883,546
2003					3,007,322	3,227,588	3,368,346
2004				1,980,881	2,211,117	2,373,010	2,489,909
2005			1,796,130	2,219,809	2,488,561	2,685,205	2,847,837
2006		975,067	1,482,058	1,808,047	2,044,282	2,225,895	2,375,681
2007	392,571	1,136,484	1,753,449	2,181,977	2,487,643	2,717,835	2,897,343
2008	378,799	1,100,800	1,733,816	2,202,820	2,536,501	2,772,577	2,940,492
2009	339,520	1,036,366	1,669,433	2,137,024	2,468,557	2,697,652	2,863,206
2010	334,126	1,046,937	1,702,477	2,179,337	2,499,853	2,730,007	2,892,898
2011	329,801	1,055,276	1,697,860	2,151,671	2,465,468	2,679,743	
2012	353,745	1,109,361	1,771,008	2,239,022	2,545,624		
2013	363,396	1,149,018	1,847,862	2,327,879			
2014	348,687	1,127,126	1,841,827				
2015	364,597	1,193,865					
2016	378,090						

(d) Each amount is derived as the product of the indemnity open claim counts (Item D) and the adjusted average indemnity case reserves per open claim (Item C).

(e) Brought to accident year 2015 benefit level based on benefit factors shown in AC17-03-02, Exhibit 4.1, excluding utilization impacts.

Source: Accident year experience of insurers with available claim count data

**Incurred Indemnity Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

G. Adjusted Total Indemnity Incurred (in \$000) (f)

Accident Year	Evaluated as of (in months)					
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u> <u>84</u>
2001						4,188,371
2002						4,300,206
2003					3,546,541	3,701,190
2004				2,504,667	2,673,115	2,793,636
2005			2,340,096	2,663,017	2,894,844	3,061,985
2006		1,515,231	1,928,108	2,185,170	2,391,555	2,546,888
2007	907,048	1,765,661	2,289,811	2,642,466	2,917,584	3,117,921
2008	868,315	1,737,262	2,289,574	2,686,160	2,985,738	3,157,085
2009	803,306	1,673,779	2,236,159	2,630,598	2,908,339	3,085,837
2010	817,540	1,721,754	2,297,846	2,674,440	2,937,679	3,108,940
2011	821,631	1,753,044	2,297,315	2,650,677	2,899,135	3,044,943
2012	890,388	1,864,371	2,409,239	2,757,476	2,986,844	
2013	961,693	1,974,775	2,525,859	2,857,697		
2014	992,720	1,993,676	2,537,704			
2015	1,051,372	2,102,408				
2016	1,083,498					

H. Indemnity Incurred Loss Development Factors Based on Adjusted Total Indemnity Incurred

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						1.024
2003					1.044	1.020
2004				1.067	1.045	1.026
2005			1.138	1.087	1.058	1.039
2006		1.272	1.133	1.094	1.065	1.045
2007	1.947	1.297	1.154	1.104	1.069	1.033
2008	2.001	1.318	1.173	1.112	1.057	1.033
2009	2.084	1.336	1.176	1.106	1.061	1.032
2010	2.106	1.335	1.164	1.098	1.058	1.027
2011	2.134	1.310	1.154	1.094	1.050	
2012	2.094	1.292	1.145	1.083		
2013	2.053	1.279	1.131			
2014	2.008	1.273				
2015	2.000					
Latest Year	2.000	1.273	1.131	1.083	1.050	1.027

I. Indemnity Incurred Loss Development Factors Adjusted to Common Benefit Level(g)

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						1.018
2003					1.034	1.022
2004				1.041	1.041	1.027
2005			1.100	1.068	1.053	1.041
2006		1.221	1.105	1.080	1.051	1.033
2007	1.777	1.273	1.121	1.070	1.049	1.037
2008	1.851	1.304	1.137	1.075	1.046	1.030
2009	1.973	1.295	1.143	1.077	1.049	1.024
2010	1.981	1.316	1.133	1.071	1.046	1.026
2011	1.996	1.278	1.136	1.063	1.038	
2012	2.000	1.283	1.115	1.065		
2013	1.942	1.261	1.112			
2014	1.964	1.281				
2015	1.969					

- (f) Each amount is the sum of the adjusted total indemnity case reserves (Item E) and the adjusted total indemnity paid losses (Item F).
(g) Development factors are based on incurred losses adjusted to a common benefit level and from the same insurer mix as those which have been adjusted for case reserve level adequacy and applied in the calculation of the development factors in Item H.

Source: Accident year experience of insurers with available claim count data

**Incurred Indemnity Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

J. Impact of Adjustments to Common Case Reserve Level (h)

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						0.56%
2003					0.94%	-0.23%
2004				2.50%	0.35%	-0.11%
2005			3.49%	1.74%	0.43%	-0.17%
2006		4.19%	2.59%	1.37%	1.29%	1.10%
2007	9.57%	1.89%	2.95%	3.15%	1.84%	-0.33%
2008	8.06%	1.07%	3.22%	3.39%	1.14%	0.28%
2009	5.58%	3.20%	2.94%	2.67%	1.11%	0.78%
2010	6.29%	1.43%	2.72%	2.56%	1.16%	0.08%
2011	6.89%	2.51%	1.58%	2.90%	1.19%	
2012	4.71%	0.74%	2.66%	1.72%		
2013	5.71%	1.45%	1.71%			
2014	2.28%	-0.60%				
2015	1.53%					

K. Indemnity Incurred Loss Development Factors Adjusted for Changes in Case Reserve Adequacy(i)

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						1.024
2003					1.043	1.019
2004				1.068	1.045	1.025
2005			1.136	1.087	1.058	1.038
2006		1.299	1.140	1.095	1.067	1.046
2007	1.955	1.297	1.153	1.104	1.068	1.034
2008	2.008	1.316	1.173	1.110	1.057	1.033
2009	2.094	1.334	1.176	1.105	1.060	1.032
2010	2.119	1.334	1.162	1.096	1.058	1.027
2011	2.135	1.309	1.151	1.094	1.049	
2012	2.086	1.288	1.146	1.081		
2013	2.041	1.281	1.130			
2014	2.009	1.270				
2015	1.999					
Latest Year	1.999	1.270	1.130	1.081	1.049	1.027

(h) Each factor represents the change in age-to-age development factors from Item I to those in Item H.

(i) Each factor is the product of [1.0 + the impact of adjustments to common case reserve level (Item J)] and [the incurred indemnity age-to-age development factors from AC17-03-02, Exhibit 2.1.1].

Source: Accident year experience of insurers with available claim count data

**Incurred Medical Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

A. Medical Case Reserves Per Open Indemnity Claim

Accident	Evaluated as of (in months)					
Year	12	24	36	48	60	84
2001						34,469
2002						33,204
2003					21,405	36,839
2004				18,731	24,594	39,605
2005			17,477	21,119	25,568	42,773
2006		16,447	21,178	25,697	32,256	47,598
2007	12,941	16,805	20,969	26,512	32,661	51,251
2008	14,037	17,883	22,378	27,560	33,802	51,184
2009	14,234	18,271	22,770	27,839	34,000	48,809
2010	14,507	18,311	22,693	27,779	33,915	46,047
2011	15,493	19,929	24,261	30,386	37,174	
2012	15,719	19,810	24,033	28,209	33,118	
2013	15,486	19,846	22,817	27,203		
2014	15,343	18,882	22,146			
2015	15,938	19,673				
2016	16,457					

B. Average Paid Medical Loss Per Claim Adjusted to the Common Benefit Level (a)

Accident	Evaluated as of (in months)					
Year	12	24	36	48	60	84
2001						4,422
2002						4,902
2003					4,347	4,959
2004				4,110	4,646	5,432
2005			3,173	3,856	4,379	5,145
2006		2,492	3,483	4,227	4,795	5,677
2007	1,311	2,800	3,903	4,756	5,421	6,480
2008	1,515	3,130	4,386	5,403	6,243	7,408
2009	1,616	3,422	4,867	6,119	7,114	8,364
2010	1,640	3,545	5,173	6,539	7,508	8,756
2011	1,678	3,817	5,584	6,933	7,919	
2012	1,833	4,011	5,731	7,059	7,981	
2013	2,005	4,254	6,075	7,405		
2014	2,058	4,399	6,254			
2015	2,067	4,410				
2016	2,123					

Annual Trend (b): 5.2% 6.5% 8.0% 8.3% 8.3% 8.2% 7.9%

C. Medical Case Reserves per Open Indemnity Claim Adjusted by Paid Medical Severity Trend (c)

Accident	Evaluated as of (in months)					
Year	12	24	36	48	60	84
2001						20,250
2002						21,769
2003					15,260	23,401
2004				13,475	16,404	25,156
2005			11,574	14,486	17,635	27,043
2006		10,261	12,442	15,572	18,957	29,071
2007	8,550	11,031	13,376	16,740	20,379	31,252
2008	9,191	11,858	14,379	17,995	21,908	33,595
2009	9,880	12,748	15,457	19,345	23,551	36,115
2010	10,621	13,704	16,616	20,796	25,317	38,824
2011	11,418	14,731	17,863	22,356	27,216	
2012	12,274	15,836	19,202	24,032	29,257	
2013	13,195	17,024	20,643	25,835		
2014	14,184	18,301	22,191			
2015	15,248	19,673				
2016	16,392					

- (a) Represents average paid medical on all claims. All evaluations are brought to the accident year 2015 benefit level based on benefit factors shown in AC17-03-02, Exhibit 4.4, excluding utilization impacts.
- (b) Trend is based on an all-year exponential distribution.
- (c) Latest evaluation for each accident year is brought to the accident year 2015 benefit level based on benefit factors shown in AC17-03-02, Exhibit 4.4, excluding utilization impacts. Evaluations prior to the latest evaluation are determined by adjusting the latest accident year average medical case reserves by the selected annual paid medical severity trend on all claims (Item B) of 7.5%.

Source: Accident year experience of insurers with available claim count data

**Incurred Medical Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

**D. Total Medical Case Reserves Adjusted to the Common Benefit Level and by Paid Medical Severity Trend
(in \$000) (d)**

Accident	Evaluated as of (in months)					
Year	24	36	48	60	72	84
2001						416,924
2002					524,868	462,082
2003				538,309	527,413	467,159
2004			553,177	479,042	486,522	448,990
2005		560,405	486,168	437,554	452,650	415,597
2006	552,429	477,290	429,665	388,455	400,533	367,693
2007	668,331	596,109	544,920	499,514	518,517	434,585
2008	702,198	641,536	594,067	542,104	517,587	447,492
2009	730,426	679,480	630,091	551,204	542,732	466,066
2010	803,173	741,408	656,468	569,961	550,271	448,880
2011	862,586	775,346	687,215	586,363	550,825	
2012	969,420	857,404	741,592	619,632		
2013	1,101,234	946,027	787,136			
2014	1,200,298	1,008,502				
2015	1,307,101					

E. Paid Medical Loss on All Claims Adjusted to the Common Benefit Level (in \$000) (e)

Accident	Evaluated as of (in months)					
Year	24	36	48	60	72	84
2001						2,161,457
2002					2,299,285	2,435,350
2003				2,054,906	2,219,157	2,348,782
2004			1,920,674	2,177,208	2,375,896	2,548,457
2005		1,438,506	1,754,346	1,995,793	2,188,608	2,348,652
2006	930,248	1,308,718	1,598,373	1,820,062	2,002,019	2,153,937
2007	1,149,527	1,621,484	1,986,551	2,268,748	2,505,219	2,714,469
2008	1,184,824	1,679,720	2,082,078	2,410,818	2,674,871	2,868,142
2009	1,133,112	1,635,262	2,064,327	2,408,605	2,659,735	2,839,880
2010	1,166,834	1,720,706	2,185,315	2,516,708	2,757,975	2,941,044
2011	1,230,026	1,820,211	2,269,953	2,601,036	2,847,624	
2012	1,192,838	1,749,791	2,184,203	2,491,912		
2013	1,305,585	1,913,462	2,366,248			
2014	1,420,178	2,072,304				
2015	1,491,525					

F. Adjusted Total Medical Incurred (in \$000) (f)

Accident	Evaluated as of (in months)					
Year	24	36	48	60	72	84
2001						2,578,381
2002					2,824,152	2,897,432
2003				2,593,215	2,746,570	2,815,941
2004			2,473,851	2,656,250	2,862,418	2,997,447
2005		1,998,911	2,240,513	2,433,346	2,641,258	2,764,250
2006	1,482,676	1,786,008	2,028,038	2,208,517	2,402,552	2,521,631
2007	1,817,858	2,217,593	2,531,471	2,768,262	3,023,736	3,149,054
2008	1,887,022	2,321,256	2,676,144	2,952,922	3,192,459	3,315,634
2009	1,863,537	2,314,743	2,694,418	2,959,809	3,202,468	3,305,946
2010	1,970,007	2,462,114	2,841,783	3,086,669	3,308,246	3,389,925
2011	2,092,612	2,595,557	2,957,168	3,187,399	3,398,449	
2012	2,162,258	2,607,195	2,925,795	3,111,545		
2013	2,406,819	2,859,489	3,153,384			
2014	2,620,476	3,080,806				
2015	2,798,626					

(d) Each amount is derived as the product of the indemnity open claim counts (Exhibit 3.2, Item D) and the adjusted average medical case reserves per open claim (Item C).

(e) Brought to accident year 2015 benefit level based on benefit factors shown in AC17-03-02, Exhibit 4.4, excluding utilization impacts.

(f) Each amount is the sum of the adjusted total medical case reserves (Item D) and the adjusted total medical paid losses (Item E).

Source: Accident year experience of insurers with available claim count data

**Incurred Medical Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

G. Medical Incurred Loss Development Factors Based on Adjusted Total Medical Incurred

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						1.026
2003					1.059	1.025
2004				1.074	1.078	1.047
2005			1.121	1.086	1.085	1.047
2006		1.205	1.136	1.089	1.088	1.050
2007	1.597	1.220	1.142	1.094	1.092	1.041
2008	1.608	1.230	1.153	1.103	1.081	1.039
2009	1.660	1.242	1.164	1.098	1.082	1.032
2010	1.672	1.250	1.154	1.086	1.072	1.025
2011	1.719	1.240	1.139	1.078	1.066	
2012	1.653	1.206	1.122	1.063		
2013	1.604	1.188	1.103			
2014	1.584	1.176				
2015	1.558					
Latest Year	1.558	1.176	1.103	1.063	1.066	1.025

H. Medical Incurred Loss Development Factors Adjusted to Common Benefit Level (g)

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						1.043
2003					1.063	1.044
2004				1.082	1.061	1.064
2005			1.090	1.074	1.086	1.056
2006		1.185	1.099	1.081	1.066	1.049
2007	1.515	1.199	1.126	1.084	1.071	1.051
2008	1.522	1.213	1.129	1.093	1.061	1.041
2009	1.597	1.230	1.141	1.088	1.062	1.031
2010	1.612	1.243	1.136	1.081	1.046	1.026
2011	1.666	1.221	1.128	1.071	1.034	
2012	1.596	1.192	1.095	1.054		
2013	1.566	1.151	1.085			
2014	1.524	1.158				
2015	1.512					

I. Impact of Adjustments to Common Case Reserve Level (h)

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						-1.61%
2003					-0.39%	-1.79%
2004				-0.76%	1.54%	-1.55%
2005			2.83%	1.08%	-0.02%	-0.88%
2006		1.62%	3.30%	0.72%	2.06%	0.06%
2007	5.45%	1.78%	1.40%	0.87%	2.02%	-0.94%
2008	5.66%	1.42%	2.08%	0.92%	1.90%	-0.24%
2009	3.99%	1.03%	2.04%	0.92%	1.89%	0.17%
2010	3.69%	0.57%	1.60%	0.51%	2.51%	-0.11%
2011	3.18%	1.60%	1.03%	0.68%	3.16%	
2012	3.58%	1.20%	2.51%	0.94%		
2013	2.43%	3.20%	1.65%			
2014	3.91%	1.55%				
2015	3.04%					

(g) Development factors are based on incurred losses adjusted to a common benefit level and from the same insurer mix as those which have been adjusted for case reserve level adequacy and applied in the calculation of the development factors in Item G.

(h) Each factor represents the change in age-to-age development factors from Item H to those in Item G.

Source: Accident year experience of insurers with available claim count data

**Incurred Medical Loss Development Factors
Adjusted for Changes in Case Reserve Adequacy**

J. Medical Incurred Loss Development Factors After Adjustment for Changes in Case Reserve Adequacy (i)

Accident Year	Age-to-Age Development (in months):					
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>
2002						1.023
2003					1.056	1.023
2004				1.073	1.076	1.045
2005			1.118	1.086	1.084	1.046
2006		1.215	1.139	1.089	1.088	1.049
2007	1.601	1.225	1.140	1.090	1.092	1.040
2008	1.613	1.229	1.152	1.102	1.081	1.039
2009	1.668	1.240	1.163	1.097	1.081	1.032
2010	1.680	1.252	1.152	1.083	1.072	1.024
2011	1.720	1.242	1.137	1.078	1.066	
2012	1.649	1.202	1.123	1.066		
2013	1.597	1.190	1.103			
2014	1.586	1.177				
2015	1.557					
Latest Year	1.557	1.177	1.103	1.066	1.066	1.024

- (i) Each factor is the product of [1.0 + the impact of adjustments to common case reserve level (Item I)] and [the incurred medical age-to-age development factors from AC17-03-02, Exhibit 2.2.1].

Source: Accident year experience of insurers with available claim count data

**Developed Loss Ratios Using Latest Year Incurred Development Factors
Adjusted for Changes in Average Case Reserve Levels
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Indemnity				Medical				
Accident	Incurred	Annual	Cumulative		Incurred	Annual	Cumulative		Total
<u>Year</u>	<u>Loss Ratio</u>	<u>Development</u>	<u>Development</u>	<u>Developed</u>	<u>Loss Ratio</u>	<u>Development</u>	<u>Development</u>	<u>Developed</u>	<u>Developed</u>
	<u>Ex IBNR(a)</u>	<u>Factor(b)</u>	<u>Factor</u>	<u>Loss Ratio</u>	<u>Ex IBNR(a)</u>	<u>Factor(c)</u>	<u>Factor</u>	<u>Loss Ratio</u>	<u>Loss Ratio</u>
				(1) x (3)				(5) x (7)	(4) + (8)
2005	0.122	1.004	1.018	0.124	0.183	1.005	1.041	0.191	0.314
2006	0.157	1.006	1.024	0.160	0.233	1.008	1.049	0.245	0.405
2007	0.213	1.007	1.031	0.220	0.325	1.006	1.055	0.342	0.562
2008	0.268	1.011	1.042	0.279	0.401	1.012	1.068	0.428	0.707
2009	0.307	1.012	1.055	0.323	0.459	1.010	1.079	0.495	0.818
2010	0.291	1.019	1.075	0.312	0.437	1.016	1.096	0.479	0.791
2011	0.264	1.027	1.104	0.291	0.373	1.024	1.122	0.418	0.709
2012	0.228	1.049	1.158	0.264	0.308	1.066	1.196	0.368	0.632
2013	0.186	1.081	1.252	0.233	0.241	1.066	1.274	0.307	0.539
2014	0.158	1.130	1.415	0.224	0.196	1.103	1.405	0.276	0.500
2015	0.126	1.270	1.798	0.226	0.167	1.177	1.654	0.277	0.503
2016	0.063	1.999	3.595	0.225	0.109	1.557	2.575	0.281	0.506

- (a) Based on AC17-03-02, Exhibit 1. Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs. No adjustment has been made to MCCP costs in medical reserves.
- (b) Age-to-age factors for developing accident years 2011 to 2016 were adjusted for changes in indemnity case reserve levels based on estimated annual severity trends on closed indemnity claims (see Exhibit 3.4, Item K). Age-to-age factors for developing accident years prior to 2011 are selected as the age-to-age factors shown in AC17-03-02, Exhibit 2.1.
- (c) Age-to-age factors for developing accident years 2011 to 2016 were adjusted for changes in medical case reserve levels based on estimated annual medical severity trend on all claims (see Exhibit 3.8, Item J). Age-to-age factors for developing accident years prior to 2011 are selected as the age-to-age factors shown in AC17-03-02, Exhibit 2.2.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Using Latest Year Incurred Development Factors
Adjusted for Changes in Indemnity Average Case Reserve Levels
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)x(2)÷(3)
2005	0.124	1.489	0.795	0.232
2006	0.160	1.471	1.023	0.231
2007	0.220	1.425	1.308	0.240
2008	0.279	1.343	1.580	0.237
2009	0.323	1.316	1.705	0.250
2010	0.312	1.298	1.550	0.262
2011	0.291	1.277	1.413	0.263
2012	0.264	1.247	1.257	0.262
2013	0.233	1.213	1.100	0.257
2014	0.224	1.099	1.014	0.243
2015	0.226	1.071	0.968	0.250
2016	0.225	1.050	0.977	0.242
				Projections (d)
2017				0.241
4/1/2018				0.237

(a) See Exhibit 3.9.

(b) Based on AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Using Latest Year Incurred Development Factors
Adjusted for Changes in Medical Average Case Reserve Levels
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.191	0.865	0.795	0.207
2006	0.245	0.908	1.023	0.217
2007	0.342	0.892	1.308	0.233
2008	0.428	0.885	1.580	0.240
2009	0.495	0.873	1.705	0.253
2010	0.479	0.870	1.550	0.269
2011	0.418	0.886	1.413	0.262
2012	0.368	0.912	1.257	0.267
2013	0.307	0.979	1.100	0.273
2014	0.276	1.019	1.014	0.277
2015	0.277	1.017	0.968	0.290
2016	0.281	1.013	0.977	0.291
				Projections (d)
2017				0.295
4/1/2018				0.296

(a) See Exhibit 3.9.

(b) Based on AC17-03-02, Exhibit 4.4.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs. No adjustment has been made to MCCP costs in medical reserves.

**Developed Loss Ratios Using Unadjusted 3-Year Average Paid Development Factors
Based on Experience as of December 31, 2016**

Accident Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Indemnity			Developed	Medical			Developed	Total
	Reported Paid	Annual Development	Cumulative Development		Reported Paid	Annual Development	Cumulative Development		
<u>Year</u>	<u>Loss Ratio(a)</u>	<u>Factor(b)</u>	<u>Factor</u>	<u>Loss Ratio</u> (1) x (3)	<u>Loss Ratio(a)</u>	<u>Factor(c)</u>	<u>Factor</u>	<u>Loss Ratio</u> (5) x (7)	<u>Loss Ratio</u> (4) + (8)
2005	0.114	1.010	1.078	0.123	0.163	1.018	1.260	0.205	0.328
2006	0.146	1.015	1.094	0.160	0.207	1.024	1.290	0.267	0.427
2007	0.198	1.019	1.115	0.220	0.286	1.030	1.329	0.380	0.600
2008	0.246	1.027	1.145	0.282	0.350	1.034	1.374	0.481	0.763
2009	0.280	1.032	1.181	0.330	0.398	1.040	1.429	0.568	0.898
2010	0.263	1.044	1.233	0.324	0.379	1.051	1.502	0.569	0.893
2011	0.232	1.060	1.307	0.304	0.308	1.069	1.605	0.494	0.798
2012	0.194	1.090	1.425	0.277	0.247	1.098	1.763	0.435	0.712
2013	0.151	1.143	1.629	0.246	0.181	1.147	2.023	0.365	0.612
2014	0.115	1.264	2.059	0.236	0.132	1.245	2.518	0.332	0.568
2015	0.071	1.614	3.322	0.237	0.089	1.465	3.690	0.328	0.565
2016	0.022	3.225	10.716	0.234	0.036	2.514	9.279	0.330	0.564

- (a) Based on AC17-03-02, Exhibit 1.
- (b) Age-to-age factors are selected as three-year averages based on AC17-03-02, Exhibit 2.5.
- (c) Age-to-age factors are selected as three-year averages based on AC17-03-02, Exhibit 2.6. These factors have not been adjusted for the SB 863 reforms or RBRVS.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Using Unadjusted 3-Year Average Paid Development Factors
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)x(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.330	1.316	1.705	0.255
2010	0.324	1.298	1.550	0.272
2011	0.304	1.277	1.413	0.275
2012	0.277	1.247	1.257	0.275
2013	0.246	1.213	1.100	0.272
2014	0.236	1.099	1.014	0.256
2015	0.237	1.071	0.968	0.262
2016	0.234	1.050	0.977	0.252
				Projections (d)
2017				0.251
4/1/2018				0.247

(a) See Exhibit 4.1.

(b) Based on AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Using Unadjusted 3-Year Average Paid Development Factors
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)
Accident Year	Developed Medical Loss Ratio(a)	Composite Medical On-Level Factor(b)	Composite Premium Adjustment Factor(c)	On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.205	0.865	0.795	0.223
2006	0.267	0.908	1.023	0.237
2007	0.380	0.892	1.308	0.259
2008	0.481	0.885	1.580	0.269
2009	0.568	0.873	1.705	0.291
2010	0.569	0.870	1.550	0.320
2011	0.494	0.886	1.413	0.310
2012	0.435	0.912	1.257	0.315
2013	0.365	0.979	1.100	0.325
2014	0.332	1.019	1.014	0.334
2015	0.328	1.017	0.968	0.345
2016	0.330	1.013	0.977	0.342
				Projections (d)
2017				0.348
4/1/2018				0.350

- (a) See Exhibit 4.1.
- (b) Based on AC17-03-02, Exhibit 4.4.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.
- (e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**Developed Loss Ratios Using Unadjusted Latest Year Paid Development Factors
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Indemnity				Medical			
Accident	Paid	Annual	Cumulative	Developed	Paid	Annual	Cumulative	Developed	Total
<u>Year</u>	<u>Loss Ratio(a)</u>	<u>Development</u>	<u>Development</u>	<u>Loss Ratio</u>	<u>Loss Ratio(a)</u>	<u>Development</u>	<u>Development</u>	<u>Loss Ratio</u>	<u>Developed</u>
		<u>Factor(b)</u>	<u>Factor</u>	<u>(1) x (3)</u>		<u>Factor(c)</u>	<u>Factor</u>	<u>(5) x (7)</u>	<u>(4) + (8)</u>
2005	0.114	1.010	1.078	0.123	0.163	1.018	1.260	0.205	0.328
2006	0.146	1.015	1.094	0.160	0.207	1.024	1.290	0.267	0.427
2007	0.198	1.019	1.115	0.220	0.286	1.030	1.329	0.380	0.600
2008	0.246	1.027	1.145	0.282	0.350	1.034	1.374	0.481	0.763
2009	0.280	1.027	1.176	0.329	0.398	1.035	1.422	0.565	0.894
2010	0.263	1.043	1.227	0.323	0.379	1.046	1.488	0.564	0.886
2011	0.232	1.060	1.300	0.302	0.308	1.066	1.586	0.488	0.791
2012	0.194	1.087	1.413	0.275	0.247	1.095	1.737	0.428	0.703
2013	0.151	1.136	1.606	0.243	0.181	1.143	1.985	0.359	0.601
2014	0.115	1.260	2.023	0.232	0.132	1.238	2.457	0.324	0.556
2015	0.071	1.634	3.306	0.236	0.089	1.462	3.593	0.319	0.555
2016	0.022	3.275	10.826	0.237	0.036	2.533	9.100	0.324	0.560

- (a) Based on AC17-03-02, Exhibit 1.
- (b) Age-to-age factors are selected as latest year for for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors based on AC17-03-02, Exhibit 2.5.
- (c) Age-to-age factors are selected as latest year for for the 12-to-24 month through 96-to-108 month factors and three-year average for the subsequent age-to-age factors based on AC17-03-02, Exhibit 2.6. These factors have not been adjusted for the SB 863 reforms or RBRVS.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Based on Unadjusted Latest Year Paid Selections
Based on Experience as of December 31, 2016**

Accident <u>Year</u>	(1) Developed Indemnity <u>Loss Ratio(a)</u>	(2) Composite Indemnity <u>Adjustment Factor(b)</u>	(3) Composite Premium <u>Adjustment Factor(c)</u>	(4) On-Level Indemnity to Industry Average Filed <u>Pure Premium Ratio</u> (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.302	1.277	1.413	0.273
2012	0.275	1.247	1.257	0.273
2013	0.243	1.213	1.100	0.268
2014	0.232	1.099	1.014	0.251
2015	0.236	1.071	0.968	0.261
2016	0.237	1.050	0.977	0.254
				Projections (d)
2017				0.252
4/1/2018				0.248

- (a) See Exhibit 5.1.
- (b) Based on AC17-03-02, Exhibit 4.1.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Based on Unadjusted Latest Year Paid Selections
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.205	0.865	0.795	0.223
2006	0.267	0.908	1.023	0.237
2007	0.380	0.892	1.308	0.259
2008	0.481	0.885	1.580	0.269
2009	0.565	0.873	1.705	0.290
2010	0.564	0.870	1.550	0.317
2011	0.488	0.886	1.413	0.306
2012	0.428	0.912	1.257	0.311
2013	0.359	0.979	1.100	0.319
2014	0.324	1.019	1.014	0.326
2015	0.319	1.017	0.968	0.335
2016	0.324	1.013	0.977	0.336
				Projections (d)
2017				0.340
4/1/2018				0.342

(a) See Exhibit 5.1.

(b) Based on AC17-03-02, Exhibit 4.4.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**Developed Loss Ratios Adjusted for the Impact of Reforms
Based on Paid Latest Year Selections
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Indemnity				Medical					
				Developed			Adjusted		Developed	Total
Accident	Paid	Development Factors		Loss	Paid	Paid	Development Factors		Loss	Developed
Year	Loss Ratio(a)	Annual(b)	Cumulative(b)	Ratio	Loss Ratio(a)	Loss Ratio(c)	Annual(d)	Cumulative(d)	Ratio	Loss
				(1) x (3)					(6) x (8)	(4) + (9)
2005	0.114	1.010	1.078	0.123	0.163	0.151	1.020	1.270	0.192	0.315
2006	0.146	1.015	1.094	0.160	0.207	0.193	1.026	1.302	0.251	0.411
2007	0.198	1.019	1.115	0.220	0.286	0.267	1.032	1.344	0.359	0.579
2008	0.246	1.027	1.145	0.282	0.350	0.327	1.037	1.394	0.456	0.739
2009	0.280	1.027	1.176	0.329	0.398	0.374	1.038	1.447	0.541	0.870
2010	0.263	1.043	1.227	0.323	0.379	0.359	1.049	1.518	0.544	0.867
2011	0.232	1.060	1.300	0.302	0.308	0.295	1.070	1.624	0.478	0.781
2012	0.194	1.087	1.413	0.275	0.247	0.239	1.099	1.785	0.427	0.702
2013	0.151	1.136	1.638	0.248	0.181	0.178	1.147	2.047	0.365	0.612
2014	0.115	1.260	2.154	0.247	0.132	0.131	1.242	2.543	0.334	0.581
2015	0.071	1.634	3.520	0.251	0.089	0.089	1.465	3.725	0.331	0.582
2016	0.022	3.275	11.528	0.252	0.089	0.036	2.533	9.436	0.336	0.587

- (a) Based on AC17-03-02, Exhibit 1. For medical, Paid MCCP costs are excluded from accident years 2011 and subsequent. Column 5 is shown for informational purposes only.
- (b) Based on AC17-03-02, Exhibit 2.5.1. Does not reflect any adjustment for changes in claim settlement rates. The cumulative loss development factors for developing accident years 2013 through 2016 are adjusted for the impact of SB 863.
- (c) Based on experience evaluated as of December 31, 2016. Reflects an adjustment for SB 863 of -4.2% applied to payments made before January 1, 2013, and adjustments for RBRVS of -2.1% applied to payments made before January 1, 2014, and -1.7% applied to payments made before January 1, 2015.
- (d) Based on AC16-03-02, Exhibit 2.6.1. Does not reflect any adjustment for changes in claim settlement rates. Age-to-age factors for developing accident years 2005 to 2016 reflect an adjustment for SB 863 of -4.2% applied to payments made before January 1, 2013 and adjustments to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 2.1% decrease in costs, and losses paid prior to January 1, 2015 by an estimated 1.7% decrease in costs due to RBRVS.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Using Latest Year Paid Development Adjusted for Reforms
Based on Experience as of December 31, 2016**

Accident <u>Year</u>	(1) <u>Developed Indemnity Loss Ratio(a)</u>	(2) <u>Composite Indemnity Adjustment Factor(b)</u>	(3) <u>Composite Premium Adjustment Factor(c)</u>	(4) <u>On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)×(2)÷(3)</u>
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.302	1.277	1.413	0.273
2012	0.275	1.247	1.257	0.273
2013	0.248	1.213	1.100	0.273
2014	0.247	1.099	1.014	0.268
2015	0.251	1.071	0.968	0.278
2016	0.252	1.050	0.977	0.271
				Projections (d)
2017				0.268
4/1/2018				0.264

(a) See Exhibit 6.1.

(b) See AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Using Latest Year Paid Development Adjusted for Reforms
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)
Accident <u>Year</u>	Developed Medical <u>Loss Ratio(a)</u>	Composite Medical <u>On-Level Factor(b)</u>	Composite Premium <u>Adjustment Factor(c)</u>	On-Level Medical to Industry Average Filed <u>Pure Premium Ratio</u> (1)×(2)÷(3)
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.478	0.959	1.413	0.325
2012	0.427	0.987	1.257	0.336
2013	0.365	1.015	1.100	0.336
2014	0.334	1.019	1.014	0.336
2015	0.331	1.017	0.968	0.348
2016	0.336	1.013	0.977	0.348
				Projections (d)
2017				0.353
4/1/2018				0.354

- (a) See Exhibit 6.1.
- (b) See AC17-03-02, Exhibit 4.4.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Developed Loss Ratios Adjusted for the Impact of Reforms and Changes in Claim Settlement Rates
Based on 3-Year Average Selections
Based on Experience as of December 31, 2016**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Indemnity				Medical					
				Developed			Adjusted		Developed	Total
Accident	Paid	Development Factors		Loss	Paid	Paid	Development Factors		Loss	Developed
Year	Loss Ratio(a)	Annual(b)	Cumulative(b)	Ratio	Loss Ratio(a)	Loss Ratio(c)	Annual(d)	Cumulative(d)	Ratio	Loss
				(1) x (3)					(6) x (8)	(4) + (9)
2005	0.114	1.010	1.078	0.123	0.163	0.151	1.020	1.270	0.192	0.315
2006	0.146	1.015	1.094	0.160	0.207	0.193	1.026	1.302	0.251	0.411
2007	0.198	1.019	1.115	0.220	0.286	0.267	1.032	1.344	0.359	0.579
2008	0.246	1.027	1.145	0.282	0.350	0.327	1.037	1.394	0.456	0.739
2009	0.280	1.027	1.176	0.329	0.398	0.374	1.038	1.447	0.541	0.870
2010	0.263	1.043	1.227	0.323	0.379	0.359	1.049	1.518	0.544	0.867
2011	0.232	1.055	1.294	0.301	0.308	0.295	1.068	1.621	0.478	0.778
2012	0.194	1.081	1.399	0.272	0.247	0.239	1.096	1.777	0.426	0.698
2013	0.151	1.132	1.615	0.244	0.181	0.178	1.147	2.039	0.363	0.607
2014	0.115	1.257	2.120	0.243	0.132	0.131	1.251	2.550	0.335	0.578
2015	0.071	1.610	3.414	0.243	0.089	0.089	1.477	3.766	0.335	0.578
2016	0.022	3.238	11.054	0.242	0.036	0.036	2.543	9.578	0.341	0.582

- (a) Based on AC17-03-02, Exhibit 1. Column 5 is shown for informational purposes only.
- (b) Age-to-age factors for developing accident years 2011 to 2015 were adjusted for changes in claim settlement rates based on 3-year average selections (see AC17-03-02, Exhibit 2.5.8, Item Q). The cumulative loss development factors for developing accident years 2013 through 2015 are adjusted for the impact of SB 863 (see AC17-03-02, Exhibit 2.5.1).
- (c) Based on experience evaluated as of December 31, 2016. Reflects an adjustment for SB 863 of -4.2% applied to payments made before January 1, 2013, and adjustments for RBRVS of -2.1% applied to payments made before January 1, 2014, and -1.7% applied to payments made before January 1, 2015.
- (d) Age-to-age factors for developing accident years 2011 to 2015 were adjusted for changes in claim settlement rates based on 3-year average selections (see AC17-03-02, Exhibit 2.6.8, Item R). Age-to-age factors for developing accident years 2005 to 2015 reflect an adjustment for SB 863 of -4.2% applied to payments made before January 1, 2013 and adjustments to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 2.1% decrease in costs, and losses paid prior to January 1, 2015 by an estimated 1.7% decrease in costs due to RBRVS.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Adjusted for the Impact of Reforms and Changes in Claim Settlement Rates
Based on 3-Year Average Selections
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.301	1.277	1.413	0.272
2012	0.272	1.247	1.257	0.270
2013	0.244	1.213	1.100	0.269
2014	0.243	1.099	1.014	0.264
2015	0.243	1.071	0.968	0.269
2016	0.242	1.050	0.977	0.260
				Projections (d)
2017				0.258
4/1/2018				0.255

- (a) See Exhibit 7.1.
- (b) See AC17-03-02, Exhibit 4.1.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Adjusted for the Impact of Reforms and Changes in Claim Settlement Rates
Based on 3-Year Average Selections
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.478	0.959	1.413	0.324
2012	0.426	0.987	1.257	0.334
2013	0.363	1.015	1.100	0.335
2014	0.335	1.019	1.014	0.336
2015	0.335	1.017	0.968	0.352
2016	0.341	1.013	0.977	0.353
				Projections (d)
2017				0.358
4/1/2018				0.359

- (a) See Exhibit 7.1.
- (b) See AC17-03-02, Exhibit 4.4.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.
- (e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Separate Applications of Frequency and Severity Trends
Applied to Accident Year 2016
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.300	1.277	1.413	0.272
2012	0.271	1.247	1.257	0.269
2013	0.242	1.213	1.100	0.267
2014	0.239	1.099	1.014	0.259
2015	0.242	1.071	0.968	0.267
2016	0.242	1.050	0.977	0.260
				Projections (d)
2017				0.256
4/1/2018				0.252

(a) See AC17-03-02, Exhibit 3.1.

(b) See AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC17-03-02, Exhibit 6.2, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2016 on-level ratio.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Separate Applications of Frequency and Severity Trends
Applied to Accident Year 2016
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.476	0.959	1.413	0.323
2012	0.421	0.987	1.257	0.331
2013	0.356	1.015	1.100	0.329
2014	0.325	1.019	1.014	0.326
2015	0.321	1.017	0.968	0.337
2016	0.326	1.013	0.977	0.338
				Projections (d)
2017				0.341
4/1/2018				0.342

(a) See AC17-03-02, Exhibit 3.2.

(b) See AC17-03-02, Exhibit 4.4.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC17-03-02, Exhibit 6.4, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2016 on-level ratio.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Separate Applications of Frequency Trend and Post-2005 and Five-Year Average Severity Trend
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Indemnity Loss Ratio(a)	(2) Composite Indemnity Adjustment Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Indemnity to Industry Average Filed Pure Premium Ratio (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.300	1.277	1.413	0.272
2012	0.271	1.247	1.257	0.269
2013	0.242	1.213	1.100	0.267
2014	0.239	1.099	1.014	0.259
2015	0.242	1.071	0.968	0.267
2016	0.242	1.050	0.977	0.260
				Projections (d)
2017				0.256
1/1/2018				0.252

(a) See AC17-03-02, Exhibit 3.1.

(b) See AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend of -0.3% based on the average annual rates of growth in the 2005 through 2016 and 2011 through 2016 severities from AC17-03-02, Exhibit 6.2, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Separate Applications of Frequency Trend and Post-2005 and Five-Year Average Severity Trend
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)x(2)÷(3)
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.476	0.959	1.413	0.323
2012	0.421	0.987	1.257	0.331
2013	0.356	1.015	1.100	0.329
2014	0.325	1.019	1.014	0.326
2015	0.321	1.017	0.968	0.337
2016	0.326	1.013	0.977	0.338
				Projections (d)
2017				0.339
1/1/2018				0.339

(a) See AC17-03-02, Exhibit 3.2.

(b) See AC17-03-02, Exhibit 4.4.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend of 1.9% based on the average annual rates of growth in the 2005 through 2016 and 2011 through 2016 severities from AC17-03-02, Exhibit 6.4, the actual frequency trend for accident year 2016 from AC17-03-02, Exhibit 12, and projected frequency trends for accident years 2017 and 2018 from AC17-03-02, Exhibit 6.1; these trends were then separately applied to the 2015 and 2016 on-level ratios.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Post-2005 Exponential Loss Ratio Trend
Based on Experience as of December 31, 2016**

Accident <u>Year</u>	(1) Developed Indemnity <u>Loss Ratio(a)</u>	(2) Composite Indemnity <u>Adjustment Factor(b)</u>	(3) Composite Premium <u>Adjustment Factor(c)</u>	(4) On-Level Indemnity to Industry Average Filed <u>Pure Premium Ratio</u> (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.300	1.277	1.413	0.272
2012	0.271	1.247	1.257	0.269
2013	0.242	1.213	1.100	0.267
2014	0.239	1.099	1.014	0.259
2015	0.242	1.071	0.968	0.267
2016	0.242	1.050	0.977	0.260
				Projections (d)
2017				0.269
4/1/2018				0.272

(a) See AC17-03-02, Exhibit 3.1.

(b) See AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by separately applying an exponential trend of approximately 1.4% based on the 2005 to 2016 on-level indemnity to industry average filed pure premium ratios to each of the 2015 and 2016 on-level indemnity to industry average filed pure premium ratios. Each stated projection is equal to the average of the corresponding trended on-level ratios.

**Medical Loss to Industry Average Filed Pure Premium Ratios
Post-2005 Exponential Loss Ratio Trend
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)	(5) On-Level Medical to Industry Average Filed Pure Premium Ratio(f)
2005	0.192	0.936	0.795	0.226	0.226
2006	0.251	0.983	1.023	0.241	0.241
2007	0.359	0.965	1.308	0.264	0.264
2008	0.456	0.958	1.580	0.277	0.277
2009	0.541	0.945	1.705	0.300	0.300
2010	0.544	0.942	1.550	0.331	0.331
2011	0.476	0.959	1.413	0.323	0.354
2012	0.421	0.987	1.257	0.331	0.363
2013	0.356	1.015	1.100	0.329	0.362
2014	0.325	1.019	1.014	0.326	0.361
2015	0.321	1.017	0.968	0.337	0.374
2016	0.326	1.013	0.977	0.338	0.371
				Projected (d)	
2017				0.362	
4/1/2018				0.376	

- (a) See AC17-03-02, Exhibit 3.2.
- (b) See AC17-03-02, Exhibit 4.4.
- (c) See AC17-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected by separately applying an exponential trend of approximately 4.9% based on the 2005 to 2016 on-level medical to industry average filed pure premium ratios including MCCP costs to each of the 2015 and 2016 on-level medical to industry average filed pure premium ratios. Each stated projection is equal to the average of the corresponding trended on-level ratios.
- (e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.
- (f) These on-level ratios include MCCP and are used to calculate the exponential trend to project future on-level ratios.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Five-Year Exponential Loss Ratio Trend
Based on Experience as of December 31, 2016**

Accident <u>Year</u>	(1) Developed Indemnity <u>Loss Ratio(a)</u>	(2) Composite Indemnity <u>Adjustment Factor(b)</u>	(3) Composite Premium <u>Adjustment Factor(c)</u>	(4) On-Level Indemnity to Industry Average Filed <u>Pure Premium Ratio</u> (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.300	1.277	1.413	0.272
2012	0.271	1.247	1.257	0.269
2013	0.242	1.213	1.100	0.267
2014	0.239	1.099	1.014	0.259
2015	0.242	1.071	0.968	0.267
2016	0.242	1.050	0.977	0.260
				Projected (d)
2017				0.261
4/1/2018				0.259

(a) See AC17-03-02, Exhibit 3.1.

(b) See AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by separately applying an exponential trend of approximately -0.8% based on the 2011 to 2016 on-level indemnity to industry average filed pure premium ratios to each of the 2015 and 2016 on-level indemnity to industry average filed pure premium ratios. Each stated projection is equal to the average of the corresponding trended on-level ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Five-Year Exponential Loss Ratio Trend
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.476	0.959	1.413	0.323
2012	0.421	0.987	1.257	0.331
2013	0.356	1.015	1.100	0.329
2014	0.325	1.019	1.014	0.326
2015	0.321	1.017	0.968	0.337
2016	0.326	1.013	0.977	0.338
				Projected (d)
2017				0.342
4/1/2018				0.344

(a) See AC17-03-02, Exhibit 3.2.

(b) See AC17-03-02, Exhibit 4.4.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by separately applying an exponential trend of approximately 0.9% based on the 2011 to 2016 on-level medical to industry average filed pure premium ratios to each of the 2015 and 2016 on-level medical to industry average filed pure premium ratios. Each stated projection is equal to the average of the corresponding trended on-level ratios.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

**Projected On-Level Accident Year
Indemnity Loss to Industry Average Filed Pure Premium Ratios
Five-Year Fitted Exponential Loss Ratio Trend
Based on Experience as of December 31, 2016**

Accident <u>Year</u>	(1) Developed Indemnity <u>Loss Ratio(a)</u>	(2) Composite Indemnity <u>Adjustment Factor(b)</u>	(3) Composite Premium <u>Adjustment Factor(c)</u>	(4) On-Level Indemnity to Industry Average Filed <u>Pure Premium Ratio</u> (1)×(2)÷(3)
2005	0.123	1.489	0.795	0.231
2006	0.160	1.471	1.023	0.230
2007	0.220	1.425	1.308	0.240
2008	0.282	1.343	1.580	0.240
2009	0.329	1.316	1.705	0.254
2010	0.323	1.298	1.550	0.270
2011	0.300	1.277	1.413	0.272
2012	0.271	1.247	1.257	0.269
2013	0.242	1.213	1.100	0.267
2014	0.239	1.099	1.014	0.259
2015	0.242	1.071	0.968	0.267
2016	0.242	1.050	0.977	0.260
				Projected (d)
2017				0.259
4/1/2018				0.257

(a) See AC17-03-02, Exhibit 3.1.

(b) See AC17-03-02, Exhibit 4.1.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by fitting an exponential trend to the 2011 to 2016 on-level indemnity to industry average filed pure premium ratios.

**Projected On-Level Accident Year
Medical Loss to Industry Average Filed Pure Premium Ratios
Five-Year Fitted Exponential Loss Ratio Trend
Based on Experience as of December 31, 2016**

Accident Year	(1) Developed Medical Loss Ratio(a)	(2) Composite Medical On-Level Factor(b)	(3) Composite Premium Adjustment Factor(c)	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio(e) (1)×(2)÷(3)
2005	0.192	0.936	0.795	0.226
2006	0.251	0.983	1.023	0.241
2007	0.359	0.965	1.308	0.264
2008	0.456	0.958	1.580	0.277
2009	0.541	0.945	1.705	0.300
2010	0.544	0.942	1.550	0.331
2011	0.476	0.959	1.413	0.323
2012	0.421	0.987	1.257	0.331
2013	0.356	1.015	1.100	0.329
2014	0.325	1.019	1.014	0.326
2015	0.321	1.017	0.968	0.337
2016	0.326	1.013	0.977	0.338
				Projected (d)
2017				0.340
4/1/2018				0.342

(a) See AC17-03-02, Exhibit 3.2.

(b) See AC17-03-02, Exhibit 4.4.

(c) See AC17-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by fitting an exponential trend to the 2011 to 2016 on-level medical to industry average filed pure premium ratios.

(e) Accident years 2011 and subsequent do not reflect the paid cost of medical cost containment programs (MCCP). Accident years 2010 and prior do reflect paid MCCP costs.

Item AC17-04-03 Computation of Industry Average Filed Rates as of 1/1/2017

In 2011, the WCIRB was directed by the California Insurance Commissioner to modify the manner in which it presents its proposed advisory pure premium rates to benchmark the average proposed pure premium rate against the industry average filed pure premium rate rather than the average of the advisory pure premium rates currently in effect. As a result, since that time the WCIRB, using a process developed in consultation with California Department of Insurance (CDI) staff, has been computing the industry average filed pure premium rate and using that as a benchmark to use in comparison to the filed advisory pure premium rate indication. In the January 1, 2017 Pure Premium Rate Filing, the WCIRB compared the average proposed January 1, 2017 advisory pure premium rate to the average industry filed pure premium rate as of July 1, 2016.

The approach staff uses to compute the January 1 industry average filed pure premium rate for inclusion in a potential mid-year rate filing is based on adjusting each insurer's average filed rate as of July 1 to reflect additional rate filing activity through January 1.

Based on this approach, staff has updated the industry average filed pure premium rate and industry average filed manual rate as of January 1, 2017. The industry average filed pure premium rate as of January 1, 2017 is \$2.42 per \$100 of payroll, and the corresponding industry average filed manual rate as of January 1, 2017 is \$3.55. The comparable industry average filed rates as of July 1, 2016 were \$2.54 and \$3.74 respectively.

Item AC17-04-04
New Drug Formulary

Assembly Bill No. 1124 (AB 1124), which was signed by the Governor on October 7, 2015, requires the Division of Workers' Compensation (DWC) to implement a formulary for prescription medications to be effective July 1, 2017. On March 17, 2017, the DWC submitted proposed regulations for a new formulary to be effective July 1, 2017 with a public hearing on the proposed regulations scheduled for May 1, 2017. The proposed regulations can be accessed through the following link (<http://www.dir.ca.gov/dwc/DWCPropRegs/MTUS-Formulary/MTUS-Formulary.htm>).

The DWC's proposed drug formulary will be discussed at the meeting.