

# Actuarial Committee

## Meeting Agenda



Date	Time	Location	Staff Contact
March 30, 2015	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci

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Released: March 25, 2015

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. AC15-03-02: 12/31/14 Experience – Review of Methodologies

**IV. New Business**

A. AC15-03-04: 12/31/14 Loss Adjustment Expense Experience Review

B. AC15-03-05: 12/31/14 Experience – Alternative Loss Projections

C. AC15-03-06: Computation of Industry Average Filed Rates as of 1/1/2015

D. AC15-03-07: Study of ULAE Reported to California

E. AC15-03-08: Long-Term Medical Loss Development

**V. Matters Arising at Time of Meeting**

**VI. Next Meeting Date: June 12, 2015**

**VII. Adjournment**

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## Item AC15-03-02 12/31/2014 Experience – Review of Methodologies

At the March 18, 2015 meeting, the Committee reviewed a preliminary summary of accident year experience through December 31, 2014. The attached Exhibits 1 through 8 contain an updated analysis of December 31, 2014 experience. In total, almost 100% of the market is included. The loss projection methodologies are consistent with those reflected in the analysis presented at the March 18, 2015 meeting and those reflected in the amended January 1, 2015 Pure Premium Rate Filing. Wage and loss levels are projected to April 1, 2016—the approximate midpoint of experience on policies incepting during the period from July 1, 2015 through December 31, 2015. Premiums have been on-leveled to the July 1, 2014 industry average filed pure premium rate level.<sup>1</sup> Changes from the analysis presented at the March 8, 2015 meeting include updated UCLA wage forecasts and some minor revisions to insurer data submissions.

As shown on Exhibit 8, based on December 31, 2014 accident year experience, the projected loss ratio for policies incepting during the period from July 1, 2015 through December 31, 2015 is 0.700. (The projection reviewed at the March 18, 2015 meeting was 0.692.)

Exhibits 9 through 12 include supplemental information based on December 31, 2014 experience.

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<sup>1</sup> The industry average filed pure premium rate level as of January 1, 2015 will be presented under a separate item (see AC15-03-06).

**California Workers' Compensation  
Accident Year Experience as of December 31, 2014**

<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> *
1984	2,453,394,761	1,091,644,149	4,613,410	805,672,967	22,493,818	21,947,441	1,946,371,785	0.793
1985	2,888,282,514	1,282,377,735	5,808,534	983,384,363	30,966,363	19,018,743	2,321,555,738	0.804
1986	3,523,485,025	1,383,564,909	8,504,032	1,123,919,412	46,443,456	59,334,236	2,621,766,045	0.744
1987	4,392,571,702	1,506,227,017	8,586,223	1,321,254,952	58,017,293	31,639,387	2,925,724,872	0.666
1988	5,190,572,591	1,702,868,775	10,328,185	1,522,674,793	56,251,190	44,781,912	3,336,904,855	0.643
1989	5,693,234,317	1,937,252,206	10,324,928	1,773,709,875	81,743,671	53,978,082	3,857,008,762	0.677
1990	5,714,615,341	2,255,768,901	12,342,712	2,019,505,507	74,104,705	75,786,536	4,437,508,361	0.777
1991	5,876,743,642	2,472,801,344	22,747,039	2,168,753,178	91,183,565	66,249,566	4,821,734,692	0.820
1992	5,694,925,907	1,969,994,862	20,114,850	1,724,016,471	94,010,559	64,531,692	3,872,668,434	0.680
1993	5,946,535,902	1,687,322,229	20,581,676	1,469,530,093	122,541,972	59,957,183	3,359,933,153	0.565
1994	5,037,424,067	1,617,454,984	28,472,809	1,422,768,658	140,878,469	57,678,501	3,267,253,421	0.649
1995	3,795,974,537	1,749,571,394	42,294,924	1,551,320,465	175,495,410	68,928,676	3,587,610,869	0.945
1996	3,752,658,158	1,930,645,118	53,477,108	1,647,645,921	177,183,093	80,040,743	3,888,991,983	1.036
1997	3,933,986,402	2,291,414,431	66,756,631	1,943,641,963	226,466,458	140,257,843	4,668,537,326	1.187
1998	4,341,206,157	2,736,281,878	78,741,850	2,530,501,182	337,689,661	207,546,816	5,890,761,387	1.357
1999	4,561,893,832	3,017,238,424	90,847,337	2,889,363,667	358,013,481	314,634,888	6,670,097,797	1.462
2000	5,943,509,077	3,379,895,482	112,463,506	3,420,979,432	419,947,554	475,391,805	7,808,677,779	1.314
2001	10,143,218,804	4,724,193,026	194,752,938	5,070,663,011	695,069,551	765,731,154	11,450,409,680	1.129
2002	13,471,595,220	4,646,428,662	179,431,557	5,190,899,685	644,998,303	1,173,589,706	11,835,347,913	0.879
2003	19,542,018,451	4,370,269,166	258,272,984	4,728,917,913	654,559,523	1,478,510,017	11,490,529,603	0.588
2004	23,142,539,416	3,052,469,168	223,424,943	3,744,143,914	579,386,134	1,548,377,136	9,147,801,295	0.395
2005	21,427,668,627	2,366,629,538	210,042,788	3,310,700,252	565,512,522	1,267,056,132	7,719,941,232	0.360
2006	17,275,391,120	2,416,203,820	246,594,850	3,378,958,571	605,449,148	1,018,496,271	7,665,702,660	0.444
2007	13,321,227,094	2,484,966,519	297,765,196	3,549,489,678	681,169,411	1,105,715,699	8,119,106,503	0.609
2008	10,885,548,062	2,507,698,624	320,690,586	3,503,830,270	704,346,355	947,995,557	7,984,561,392	0.734
2009	9,039,801,056	2,289,365,174	373,287,566	3,223,971,040	744,947,135	867,748,985	7,499,319,900	0.830
2010	9,551,985,163	2,180,748,760	417,097,243	3,111,852,132	804,749,422	1,437,421,881	7,951,869,438	0.832
2011	10,321,419,083	1,934,306,166	547,600,632	2,527,191,892	984,375,948	1,628,945,823	7,622,420,461	0.739
2012	11,964,286,668	1,621,361,036	685,129,978	2,073,053,442	1,126,892,626	2,517,760,557	8,024,197,639	0.671
2013	14,379,700,731	1,077,698,765	842,172,457	1,438,808,406	1,349,226,456	4,183,217,100	8,891,123,184	0.618
2014	16,228,450,260	352,277,515	678,750,760	581,165,878	1,235,803,183	6,599,757,258	9,447,754,594	0.582

\* 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	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				
1989																1.000				
1990															1.001	1.001				
1991														1.000	1.003	1.000				
1992														1.002	1.001	0.999				
1993												1.001		1.001	0.998	0.999				
1994											1.000	1.002		1.002	1.000	1.000				
1995									0.998	1.003	1.003	1.000		1.002	1.002	1.000				
1996									1.001	1.004	1.000	1.000		1.000	1.001	1.002				
1997								1.002	1.005	1.002	1.002	1.003		1.002	1.001	1.001				
1998								1.008	1.004	1.002	1.003	1.004		1.001	1.002	1.002				
1999						1.014		1.011	1.006	1.007	1.004	1.002		1.001	1.002	1.002				
2000						1.015		1.011	1.008	1.004	1.004	1.005		1.001	1.004					
2001						1.021		1.014	1.009	1.006	1.007	1.006		1.003						
2002						1.033		1.018	1.010	1.010	1.007	1.005		1.003						
2003						1.069		1.069	1.033	1.033	1.009	1.006								
2004						1.069		1.083	1.056	1.033	1.021	1.015								
2005					1.448	1.158		1.042	1.041	1.041	1.026	1.018								
2006					1.503	1.218		1.068	1.053	1.053	1.040	1.016								
2007					1.690	1.247		1.080	1.053	1.053	1.035	1.023								
2008					1.784	1.273		1.070	1.049	1.049	1.037	1.022								
2009					1.858	1.302		1.136	1.074	1.045	1.030									
2010					1.983	1.293		1.142	1.076	1.048										
2011					1.994	1.315		1.131	1.068											
2012					1.997	1.277		1.134												
2013					1.992	1.281														
2013					1.934															
Selected (a)					1.934	1.281	1.134	1.068	1.048	1.030	1.022	1.015	1.014	1.008	1.006	1.004	1.002	1.002	1.002	
Cumulative					3.527	1.824	1.424	1.256	1.176	1.122	1.089	1.066	1.050	1.036	1.028	1.022	1.018	1.016	1.014	1.012

(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	ULT/360Inc	(b)	
1980									1.001	1.001	0.998	1.000	1.000	1.002		
1981							1.002	1.001	1.001	1.001	1.002	0.999	1.001	1.001	1.002	
1982					1.000		1.001	1.001	1.000	1.002	1.000	1.001	1.001	1.001	1.001	
1983					1.002		1.001	1.001	1.000	1.000	1.001	1.001	1.001	1.001	1.002	
1984					1.000		1.001	1.000	1.001	1.001	1.000	1.001	1.001	1.001	1.001	
1985					1.000		1.001	1.001	1.000	1.001	1.001	1.001	1.001	1.001	1.001	
1986					1.000		1.001	1.001	1.000	1.001	1.001	1.001	1.001	1.001	1.001	
1987					0.999		1.000	0.999	1.000	1.001	1.001	1.001	1.001	1.000		
1988					1.001		1.000	1.001	1.000	1.001	1.001	1.002	1.000	1.000		
1989					1.003		1.000	1.001	1.000	1.001	1.002	1.001	1.000	1.000		
1990					1.000		1.001	1.000	1.001	1.001	1.000	1.000	1.000	1.000		
1991					1.000		1.001	1.000	1.001	1.001	1.000	1.000	1.000	1.000		
1992					0.998		1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001		
1993					0.999		1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001		
1994					1.001		1.001	1.001	1.002	1.001	1.002	1.001	1.001	1.001		
1995					1.003		1.001	1.001	1.002	1.001	1.002	1.001	1.001	1.001		
1996					1.003		1.001	1.001	0.998	1.001	1.001	1.001	1.001	1.001		
1997					1.000		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Selected (a)	1.002	1.001	1.000	1.000	1.001	1.000	1.000	1.000	1.001	1.001	1.001	1.001	1.001	1.001		
Cumulative	1.010	1.008	1.008	1.007	1.007	1.006	1.006	1.006	1.006	1.005	1.004	1.003	1.003	1.002(c)		

- (b) To adjust for non-repeating asbestosis claim patterns in older accident years, these factors are reflected at 20% of the reported ULT/360Inc factors. The original factors were 1.011, 1.012, 1.005, 1.010, 1.005, and 1.003, respectively.
- (c) Six-year average of the ULT/360Inc factors is selected.

**Incurred Medical Loss Development Factors**

Accident Year	Age-to-Age (in months) (b)															
	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
1989																1.002
1990															1.001	1.004
1991															1.011	1.004
1992															1.010	1.011
1993															1.018	1.007
1994															1.021	1.011
1995															1.005	1.009
1996															1.014	1.005
1997															1.003	1.007
1998															1.008	1.012
1999															1.003	1.012
2000															1.005	1.005
2001															1.006	1.012
2002															1.006	1.012
2003															1.006	1.012
2004															1.006	1.012
2005															1.006	1.012
2006															1.006	1.012
2007															1.006	1.012
2008															1.006	1.012
2009															1.006	1.012
2010															1.006	1.012
2011															1.006	1.012
2012															1.006	1.012
2013															1.006	1.012
Selected (a)	1.593	1.200	1.128	1.078	1.061	1.041	1.032	1.022	1.025	1.017	1.014	1.014	1.012	1.011	1.005	1.008
Cumulative	3.303	2.073	1.728	1.532	1.421	1.339	1.286	1.246	1.220	1.190	1.170	1.153	1.137	1.124	1.111	1.106

(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.

**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	ULT/360Inc	(d)	
1980									1.003	1.005	1.005	1.013	1.006	1.049		
1981								1.003	1.002	1.001	1.003	1.002	1.001	1.067		
1982							1.000	1.000	1.014	1.006	1.004	1.003	1.009	1.041		
1983						1.001	1.005	1.001	1.006	1.004	1.002	1.006	1.003	1.066		
1984					1.002	1.004	1.002	1.003	1.003	1.002	1.003	1.001	1.003	1.020		
1985				1.008	1.004	1.000	1.001	1.003	1.003	1.003	1.005	1.002	1.003	1.024		
1986				1.001	1.005	1.003	1.006	1.005	1.006	1.004	1.005	1.000				
1987				1.000	1.003	1.011	0.999	1.007	1.003	1.004	1.005					
1988				1.006	1.005	1.005	1.002	1.005	1.003	1.003						
1989	1.004			1.005	1.005	1.008	1.006	1.000	1.003							
1990	0.999			1.005	1.003	1.003	1.003	0.997								
1991	1.003			1.005	1.003	1.002	1.003									
1992	1.008			1.002	1.003	1.002	1.003									
1993	1.005			1.005	1.003	1.005										
1994	1.007			1.004	0.999											
1995	1.011			1.014												
1996	1.015			1.006												
1997	1.008															
1997	1.001															
Selected (a)	1.008	1.002	1.009	1.005	1.002	1.003	1.004	1.001	1.003	1.004	1.005	1.001	1.003			
Cumulative	1.097	1.088	1.086	1.077	1.071	1.069	1.066	1.062	1.061	1.058	1.054	1.049	1.048	1.045	(c)	

(c) Six-year average of the ULT/360Inc factors is selected.

(d) ULT/360Inc factors have been adjusted for the effects of medical inflation.



**Paid Indemnity Loss Development Factors**

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				
1989																1.005				
1990														1.003	1.004	1.002				
1991													1.003	1.004	1.003	1.003				
1992												1.004	1.004	1.004	1.003	1.003				
1993											1.009	1.008	1.007	1.006	1.003	1.003				
1994									1.010	1.012	1.012	1.008	1.007	1.005	1.003	1.003				
1995								1.025	1.018	1.014	1.012	1.009	1.007	1.006	1.004	1.004				
1996							1.037	1.027	1.018	1.016	1.012	1.008	1.007	1.006	1.004	1.005				
1997						1.055	1.036	1.025	1.018	1.015	1.011	1.009	1.007	1.006	1.004	1.005				
1998					1.088	1.052	1.035	1.025	1.016	1.013	1.010	1.009	1.009	1.007	1.006	1.006				
1999					1.088	1.051	1.034	1.024	1.017	1.014	1.012	1.011	1.008	1.007	1.006	1.006				
2000					1.145	1.077	1.046	1.031	1.020	1.018	1.014	1.011	1.008	1.007	1.006	1.006				
2001					1.290	1.127	1.075	1.043	1.030	1.026	1.021	1.015	1.008	1.007	1.006	1.006				
2002					1.696	1.249	1.128	1.072	1.043	1.026	1.021	1.015	1.008	1.007	1.006	1.006				
2003					2.914	1.522	1.236	1.116	1.073	1.049	1.041	1.035	1.020	1.008	1.007	1.006				
2004					2.734	1.512	1.235	1.121	1.079	1.060	1.047	1.042	1.028	1.008	1.007	1.006				
2005					2.866	1.547	1.246	1.140	1.092	1.068	1.050	1.035	1.020	1.008	1.007	1.006				
2006					2.905	1.577	1.271	1.150	1.092	1.066	1.046	1.035	1.020	1.008	1.007	1.006				
2007					3.069	1.616	1.280	1.156	1.092	1.060	1.046	1.035	1.020	1.008	1.007	1.006				
2008					3.157	1.628	1.281	1.147	1.092	1.060	1.046	1.035	1.020	1.008	1.007	1.006				
2009					3.208	1.613	1.269													
2010					3.137	1.598														
2011					3.164	1.598	1.269	1.147	1.092	1.060	1.046	1.035	1.020	1.008	1.007	1.006				
2012					10.451	3.303	2.067	1.629	1.420	1.300	1.227	1.173	1.103	1.069	1.059	1.043				
2013					11.170	3.356	2.057	1.621	---	---	---	---	---	---	---	---				
Selected (a)					3.164	1.598	1.269	1.147	1.092	1.060	1.046	1.035	1.027	1.019	1.014	1.009	1.008	1.007	1.006	1.005
Cumulative Unadjusted for Impact of SB 863					10.451	3.303	2.067	1.629	1.420	1.300	1.227	1.173	1.103	1.069	1.059	1.043	1.037			
Cumulative Adjusted for Impact of SB 863 (b)					11.170	3.356	2.057	1.621	---	---	---	---	---	---	---	---	---	---	---	---

(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 12-to-ultimate factor for accident year 2014, the 24-to-ultimate factor for accident year 2013, the 36-to-ultimate factor for accident year 2012, and the 48-to-ultimate factor for accident year 2011 have been adjusted by 6.9%, 1.6%, -0.5%, and -0.5% 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	Age-to-Age (in months)														UL.T/360Inc (c)
	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	360Inc/360Pd	
1980								1.002	1.001	1.000	1.001	1.002	1.006	1.002	
1981								1.002	1.002	1.003	1.000	1.001	1.007	1.002	
1982						1.002		1.002	1.002	1.003	1.000	1.001	1.008	1.001	
1983						1.003		1.002	1.001	1.001	1.001	1.001	1.008	1.002	
1984					1.002	1.001		1.001	1.001	1.001	1.001	1.001	1.005	1.001	
1985				1.001	1.001	1.001		1.001	1.001	1.001	1.001	1.002	1.004	1.001	
1986				1.001	1.001	1.001		1.001	1.001	1.001	1.001	1.001			
1987				1.001	1.001	1.001		1.001	1.001	1.002	1.001	1.001			
1988	1.001	0.999		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	1.001		1.001	1.001	1.001	1.001	1.001			
1992	1.002	1.002		1.002	1.002	1.001		1.002	1.002	1.002	1.001	1.001			
1993	1.002	1.003		1.003	1.002	1.002		1.002	1.002	1.002	1.002	1.002			
1994	1.004	1.003		1.003	1.003	1.003		1.003	1.003	1.003	1.003	1.003			
1995	1.005	1.005		1.003	1.003	1.003		1.003	1.003	1.003	1.003	1.003			
1996	1.005	1.004		1.004	1.004	1.004		1.004	1.004	1.004	1.004	1.004			
1997	1.004			1.004	1.004	1.004		1.004	1.004	1.004	1.004	1.004			
Selected (a)	1.005	1.004	1.003	1.002	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.005		
Cumulative	1.032	1.027	1.023	1.020	1.017	1.015	1.014	1.013	1.012	1.011	1.010	1.009	1.008	1.002(d)	

(c) To adjust for non-repeating asbestosis claim patterns in older accident years, these factors are reflected at 20% of the reported UL.T/360Inc factors. The original factors were 1.011, 1.012, 1.005, 1.010, 1.005, and 1.003, respectively.

(d) A six-year average of the UL.T/360Inc and a three-year average of the 360Inc/360Pd factors are selected.

Paid Medical Loss Development Factors

Accident Year	Unadjusted (a)																
	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	
	Age-to-Age (in months)																
1989																	1.007
1990																1.005	1.005
1991															1.007	1.009	1.007
1992															1.010	1.010	1.017
1993															1.013	1.011	1.011
1994															1.014	1.012	1.012
1995															1.018	1.015	1.015
1996															1.017	1.016	1.013
1997															1.018	1.014	1.014
1998															1.019	1.015	1.017
1999															1.016	1.016	1.018
2000															1.016	1.016	1.017
2001															1.017	1.017	1.017
2002															1.018	1.022	1.022
2003															1.018	1.018	1.018
2004															1.018	1.018	1.018
2005															1.018	1.018	1.018
2006															1.018	1.018	1.018
2007															1.018	1.018	1.018
2008															1.018	1.018	1.018
2009															1.018	1.018	1.018
2010															1.018	1.018	1.018
2011															1.018	1.018	1.018
2012															1.018	1.018	1.018
2013															1.018	1.018	1.018

Accident Year	Adjusted (b)																
	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	
	Age-to-Age (in months)																
1996																	1.013
1997																1.014	1.015
1998															1.015	1.018	1.018
1999															1.017	1.018	1.018
2000															1.018	1.018	1.018
2001															1.018	1.018	1.018
2002															1.018	1.018	1.018
2003															1.018	1.018	1.018
2004															1.018	1.018	1.018
2005															1.018	1.018	1.018
2006															1.018	1.018	1.018
2007															1.018	1.018	1.018
2008															1.018	1.018	1.018
2009															1.018	1.018	1.018
2010															1.018	1.018	1.018
2011															1.018	1.018	1.018
2012															1.018	1.018	1.018
2013															1.018	1.018	1.018

Selected (c)	Unadjusted (a)																
	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	
Cumulative	Age-to-Age (in months)																
	1996																
1997																1.014	1.015
1998															1.015	1.018	1.018
1999															1.017	1.018	1.018
2000															1.018	1.018	1.018
2001															1.018	1.018	1.018
2002															1.018	1.018	1.018
2003															1.018	1.018	1.018
2004															1.018	1.018	1.018
2005															1.018	1.018	1.018
2006															1.018	1.018	1.018
2007															1.018	1.018	1.018
2008															1.018	1.018	1.018
2009															1.018	1.018	1.018
2010															1.018	1.018	1.018
2011															1.018	1.018	1.018
2012															1.018	1.018	1.018
2013															1.018	1.018	1.018
Selected (c)	2.474	1.462	1.260	1.157	1.107	1.075	1.058	1.044	1.036	1.030	1.024	1.021	1.020	1.018	1.016	1.015	1.015
Cumulative	9.940	4.018	2.748	2.181	1.885	1.703	1.584	1.497	1.434	1.384	1.344	1.312	1.286	1.260	1.238	1.219	1.219

(a) Paid medical loss development factors include the paid cost of medical cost containment programs.  
 (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 4.9% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 1.3% increase 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)

Accident Year	Age-to-Age (in months)												360/348	360Inc/360Pd	ULT/360Inc (e)
	Unadjusted	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336			
1980	1.004							1.006	1.006	1.006	1.006	1.008	1.008	1.074	1.049
1981									1.005	1.005	1.005	1.005	1.005	1.034	1.067
1982									1.005	1.005	1.005	1.005	1.005	1.034	1.067
1983									1.005	1.005	1.005	1.005	1.005	1.034	1.067
1984									1.004	1.004	1.004	1.004	1.004	1.041	1.066
1985									1.004	1.004	1.004	1.004	1.004	1.041	1.066
1986									1.004	1.004	1.004	1.004	1.004	1.029	1.020
1987									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1988									1.005	1.005	1.005	1.005	1.005	1.031	1.024
1989									1.005	1.005	1.005	1.005	1.005	1.031	1.024
1990									1.005	1.005	1.005	1.005	1.005	1.031	1.024
1991									1.005	1.005	1.005	1.005	1.005	1.031	1.024
1992									1.005	1.005	1.005	1.005	1.005	1.031	1.024
1993									1.005	1.005	1.005	1.005	1.005	1.031	1.024
1994									1.006	1.006	1.006	1.006	1.006	1.031	1.024
1995									1.006	1.006	1.006	1.006	1.006	1.031	1.024
1996									1.006	1.006	1.006	1.006	1.006	1.031	1.024
1997									1.006	1.006	1.006	1.006	1.006	1.031	1.024

Accident Year	Age-to-Age (in months)												360/348	360Inc/360Pd	ULT/360Inc (e)
	Adjusted (b)	228/216	240/228	252/240	264/252	276/264	288/276	300/288	312/300	324/312	336/324	348/336			
1980	1.013							1.005	1.005	1.005	1.005	1.005	1.005	1.074	1.049
1981									1.005	1.005	1.005	1.005	1.005	1.034	1.067
1982									1.005	1.005	1.005	1.005	1.005	1.034	1.067
1983									1.005	1.005	1.005	1.005	1.005	1.034	1.067
1984									1.004	1.004	1.004	1.004	1.004	1.041	1.066
1985									1.004	1.004	1.004	1.004	1.004	1.041	1.066
1986									1.004	1.004	1.004	1.004	1.004	1.029	1.020
1987									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1988									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1989									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1990									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1991									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1992									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1993									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1994									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1995									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1996									1.004	1.004	1.004	1.004	1.004	1.031	1.024
1997									1.004	1.004	1.004	1.004	1.004	1.031	1.024
Selected (c)	1.013	1.013	1.011	1.010	1.009	1.006	1.005	1.005	1.005	1.005	1.005	1.005	1.005	1.045	1.045 (d)
Cumulative	1.201	1.185	1.170	1.156	1.145	1.135	1.128	1.122	1.116	1.111	1.105	1.100	1.095	1.045	1.045 (d)

(d) Six-year averages of the ULT/360Inc and 360Inc/360Pd factors are selected.

(e) ULT/360Inc factors have been adjusted for the effects of medical inflation.

Selected Indemnity Development Factors - Paid to Age 204, Incurred from Age 204 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	204Inc/204Pd (c)
1989																	1.012
1990															1.003		1.012
1991														1.003			1.018
1992														1.004			1.021
1993														1.004			1.026
1994														1.006			1.035
1995														1.007			1.034
1996														1.006			1.031
1997														1.006			
1998														1.007			
1999														1.008			
2000														1.008			
2001														1.008			
2002														1.008			
2003														1.008			
2004														1.008			
2005														1.008			
2006														1.008			
2007														1.008			
2008														1.008			
2009														1.008			
2010														1.008			
2011														1.008			
2012														1.008			
2013														1.008			
Selected (a)	3.164	1.598	1.269	1.147	1.092	1.060	1.046	1.035	1.027	1.019	1.014	1.009	1.008	1.007	1.006	1.005	1.033
Cumulative Unadjusted for Impact of SB 863	10.568	3.340	2.090	1.647	1.436	1.315	1.241	1.186	1.146	1.116	1.095	1.081	1.071	1.062	1.055	1.048	
Cumulative Adjusted for Impact of SB 863 (b)	11.296	3.394	2.080	1.639	1.436	1.315	1.241	1.186	1.146	1.116	1.095	1.081	1.071	1.062	1.055	1.048	

(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 204, where an incurred-to-paid ratio is chosen, and subsequently, incurred loss development factors are selected until Ultimate.  
 (b) The 12-to-ultimate factor for accident year 2014, the 24-to-ultimate factor for accident year 2013, the 36-to-ultimate factor for accident year 2012, and the 48-to-ultimate factor for accident year 2011 have been adjusted by 6.9%, 1.6%, -0.5%, and -0.5% 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 204Inc/204Pd factor is selected.

**Selected Indemnity Development Factors - Paid to Age 204, Incurred from Age 204 to Ultimate (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	ULT/360Inc (d)			
1980																	
1981								1.002	1.001	1.001	1.001	1.000	1.000	1.002	1.000	1.000	1.002
1982							1.000	1.001	1.000	1.000	1.002	1.000	1.001	1.001	1.001	1.001	1.002
1983						1.002	1.001	1.001	1.000	1.000	1.000	1.001	1.001	1.001	1.001	1.001	1.001
1984					1.000	1.001	1.000	1.000	1.001	1.001	1.001	1.000	1.001	1.001	1.001	1.001	1.002
1985				1.000	1.001	1.001	1.000	1.001	1.001	1.000	1.001	1.001	1.001	1.001	1.001	1.001	1.001
1986			1.000	1.000	1.000	1.001	1.001	1.000	1.001	1.001	1.002	1.001	1.001	1.001	1.001	1.001	1.001
1987		0.999	1.000	1.000	0.999	1.000	1.001	1.001	1.001	1.001	1.002	1.000	1.001	1.000	1.000	1.000	1.001
1988	1.001	1.001	1.000	1.001	1.000	1.001	1.001	1.001	1.001	1.001	1.001	1.000	1.001	1.001	1.001	1.001	1.001
1989	1.003	1.000	1.000	1.001	1.000	1.001	1.001	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1990	1.000	1.001	1.000	1.001	1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1991	1.000	1.001	1.000	1.001	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1992	0.998	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001
1993	0.999	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.001
1994	1.001	1.001	1.002	1.000													
1995	1.003	1.001	1.002	1.000													
1996	1.003	1.001	0.998														
1997	1.000																
Selected (a)	1.002	1.001	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.001	1.001	1.001	1.001	1.001	1.001	1.001	1.002 (e)
Cumulative	1.010	1.008	1.008	1.007	1.007	1.006	1.006	1.006	1.006	1.005	1.004	1.003	1.003	1.003	1.003	1.003	1.002 (e)

(d) To adjust for non-repeating asbestosis claim patterns in older accident years, these factors are reflected at 20% of the reported ULT/360Inc factors. The original factors were 1.011, 1.012, 1.005, 1.010, 1.005, and 1.003, respectively.

(e) A six-year average of the ULT/360Inc factors is selected.

Selected Medical Development Factors - Paid to Age 204, Incurred from Age 204 to Ultimate

Accident Year	Unadjusted (a)												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	204Inc/204Pd (d)							
1989																1.007	1.062							
1990															1.005	1.005	1.050							
1991														1.007	1.007	1.007	1.055							
1992														1.010	1.010	1.017	1.070							
1993													1.013	1.013	1.011	1.015	1.105							
1994											1.017	1.014	1.017	1.013	1.012	1.012	1.119							
1995									1.029	1.025	1.024	1.021	1.019	1.018	1.015	1.143	1.125							
1996								1.036	1.033	1.028	1.026	1.022	1.019	1.016	1.013	1.013	1.125							
1997								1.039	1.033	1.032	1.030	1.021	1.019	1.016	1.014	1.014	1.131							
1998								1.035	1.032	1.032	1.025	1.025	1.016	1.015	1.017	1.017	1.132							
1999								1.038	1.031	1.027	1.023	1.020	1.016	1.015	1.018									
2000					1.079	1.056	1.042	1.038	1.034	1.030	1.022	1.022	1.017											
2001				1.109	1.076	1.057	1.045	1.038	1.034	1.030	1.022	1.022	1.017											
2002				1.112	1.072	1.054	1.046	1.034	1.032	1.024	1.023	1.018												
2003				1.112	1.074	1.057	1.048	1.041	1.030	1.026														
2004	2.298	1.318	1.168	1.123	1.092	1.070	1.054	1.040	1.036	1.034														
2005	2.251	1.345	1.209	1.138	1.095	1.073	1.054	1.049	1.038															
2006	2.340	1.399	1.220	1.140	1.099	1.068	1.056	1.042																
2007	2.416	1.413	1.230	1.142	1.097	1.075	1.057																	
2008	2.325	1.421	1.241	1.148	1.103	1.072	1.057																	
2009	2.408	1.447	1.251	1.160	1.104																			
2010	2.479	1.468	1.265	1.153																				
2011	2.580	1.471	1.255																					
2012	2.553	1.459																						
2013	2.493																							

Accident Year	Adjusted (b)												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	204Inc/204Pd (d)							
1996																1.013	1.125							
1997															1.014	1.015	1.131							
1998														1.019	1.015	1.018	1.132							
1999														1.017	1.018									
2000														1.018	1.018									
2001														1.016	1.018									
2002														1.020	1.023									
2003									1.024	1.031	1.027			1.016	1.023									
2004									1.030	1.038	1.035			1.020	1.023									
2005								1.040	1.038	1.040				1.020	1.019									
2006								1.054	1.051	1.044				1.016	1.018									
2007								1.059	1.059	1.058				1.020	1.023									
2008					1.097	1.075	1.068	1.054	1.040					1.020	1.023									
2009				1.148	1.109	1.075	1.068	1.059	1.044					1.020	1.023									
2010			1.251	1.169	1.107	1.075	1.058	1.044	1.044					1.020	1.023									
2011		1.468	1.278	1.157										1.020	1.023									
2012		2.580	1.495	1.260										1.020	1.023									
2013		2.633	1.462											1.020	1.023									
		2.474												1.020	1.023									
Selected (c)	2.474	1.462	1.260	1.157	1.107	1.075	1.058	1.044	1.036	1.030	1.024	1.021	1.020	1.016	1.015	1.129								
Cumulative	10.256	4.146	2.836	2.250	1.945	1.757	1.634	1.545	1.480	1.428	1.387	1.354	1.326	1.277	1.258									

(a) Paid medical loss development factors include the paid cost of medical cost containment programs.  
 (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 4.9% cost savings due to applicable SB 863 provisions; (ii) adjustment to historical outstanding medical losses paid prior to January 1, 2014 by an estimated 1.3% increase 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 204, 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 204Inc/204Pd factor is selected.

**Selected Medical Development Factors - Paid to Age 204, Incurred from Age 204 to Ultimate (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	UL/T/360Inc (f)			
1980														1.049			
1981														1.067			
1982														1.041			
1983													1.003	1.066			
1984												1.001	1.003	1.020			
1985											1.005	1.002	1.003	1.024			
1986										1.004	1.005	1.000					
1987										1.004	1.004	1.005					
1988										1.003	1.003	1.003					
1989										1.006	1.000						
1990										1.003	1.003	0.997					
1991										1.003	1.002	1.003					
1992										1.005	1.003	1.005					
1993										1.014	1.004	0.999					
1994										1.004	1.007	1.006					
1995										1.015	0.996	1.006					
1996										1.008	1.005						
1997										1.001							
Selected (c)	1.008	1.002	1.009	1.005	1.002	1.003	1.004	1.001	1.001	1.003	1.004	1.005	1.001	1.003			
Cumulative	1.097	1.088	1.086	1.077	1.071	1.069	1.066	1.062	1.062	1.061	1.058	1.054	1.049	1.048			

(e) Six-year average of the UL/T/360Inc factors is selected.

(f) UL/T/360Inc factors have been adjusted for the effects of medical inflation.



**Developed Indemnity Loss Ratios Using Selected Loss Development Factors  
Based on Experience as of December 31, 2014**

Accident Year	(1) Paid or Incurred Loss Ratio(a)	Development Factors		(5) = (1) x (4) Projected Ultimate Loss Ratio	
		(2) Annual(b)	Cumulative		
			(3) Unadjusted for Impact of SB 863(b)		(4) Adjusted for Impact of SB 863(b)
1984	0.447		1.001	1.001	0.447
1985	0.446	1.001	1.002	1.002	0.447
1986	0.395	1.001	1.003	1.003	0.396
1987	0.345	1.001	1.003	1.003	0.346
1988	0.330	1.001	1.004	1.004	0.331
1989	0.342	1.001	1.005	1.005	0.344
1990	0.397	1.001	1.006	1.006	0.399
1991	0.425	1.000	1.006	1.006	0.427
1992	0.349	1.000	1.006	1.006	0.351
1993	0.287	1.000	1.006	1.006	0.289
1994	0.327	1.001	1.007	1.007	0.329
1995	0.472	1.000	1.007	1.007	0.475
1996	0.529	1.000	1.008	1.008	0.533
1997	0.599	1.001	1.008	1.008	0.604
1998	0.648	1.002	1.010	1.010	0.655
1999	0.661	1.005	1.048	1.048	0.693
2000	0.569	1.006	1.055	1.055	0.600
2001	0.466	1.007	1.062	1.062	0.495
2002	0.345	1.008	1.071	1.071	0.369
2003	0.224	1.009	1.081	1.081	0.242
2004	0.132	1.014	1.095	1.095	0.144
2005	0.110	1.019	1.116	1.116	0.123
2006	0.140	1.027	1.146	1.146	0.160
2007	0.187	1.035	1.186	1.186	0.221
2008	0.230	1.046	1.241	1.241	0.286
2009	0.253	1.060	1.315	1.315	0.333
2010	0.228	1.092	1.436	1.436	0.328
2011	0.187	1.147	1.647	1.639	0.307
2012	0.136	1.269	2.090	2.080	0.282
2013	0.075	1.598	3.340	3.394	0.254
2014	0.022	3.164	10.568	11.296	0.245

- (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 Exhibit 2.5.

**Developed Medical Loss Ratios Using Selected Loss Development Factors  
With Adjustment for SB 863  
Based on Experience as of December 31, 2014**

Accident Year	(1)	(2)	(3)	(4)	(5)	(6)
	Unadjusted Paid or Incurred Loss Ratio(a)	Adjusted Paid or Incurred Loss Ratio(b)	Development Factors		Adjusted Developed Loss Ratio(d)  (2) x (4)	Projected Ultimate Loss Ratio  (1) + ((5) - (2))
			Annual(c)	Cumulative		
1984	0.338	0.338		1.042	0.352	0.352
1985	0.351	0.351	1.002	1.045	0.367	0.367
1986	0.332	0.332	1.003	1.048	0.348	0.348
1987	0.314	0.314	1.001	1.049	0.329	0.329
1988	0.304	0.304	1.005	1.054	0.321	0.321
1989	0.326	0.326	1.004	1.058	0.345	0.345
1990	0.366	0.366	1.003	1.061	0.389	0.389
1991	0.385	0.385	1.001	1.062	0.408	0.408
1992	0.319	0.319	1.004	1.066	0.340	0.340
1993	0.268	0.268	1.003	1.069	0.286	0.286
1994	0.310	0.310	1.002	1.071	0.333	0.333
1995	0.455	0.455	1.005	1.077	0.490	0.490
1996	0.486	0.486	1.009	1.086	0.528	0.528
1997	0.552	0.552	1.002	1.088	0.600	0.600
1998	0.661	0.661	1.008	1.097	0.725	0.725
1999	0.633	0.611	1.015	1.258	0.769	0.791
2000	0.576	0.556	1.016	1.277	0.710	0.730
2001	0.500	0.483	1.018	1.300	0.628	0.645
2002	0.385	0.372	1.020	1.326	0.493	0.507
2003	0.242	0.234	1.021	1.354	0.316	0.325
2004	0.162	0.156	1.024	1.387	0.217	0.222
2005	0.155	0.149	1.030	1.428	0.213	0.219
2006	0.196	0.189	1.036	1.480	0.280	0.286
2007	0.266	0.258	1.044	1.545	0.399	0.407
2008	0.322	0.312	1.058	1.634	0.511	0.520
2009	0.357	0.347	1.075	1.757	0.610	0.619
2010	0.326	0.318	1.107	1.945	0.619	0.627
2011	0.245	0.241	1.157	2.250	0.542	0.546
2012	0.173	0.173	1.260	2.836	0.489	0.490
2013	0.100	0.101	1.462	4.146	0.417	0.416
2014	0.036	0.036	2.474	10.256	0.367	0.367

- (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, 2014. Reflects an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, and an adjustment for RBRVS of 1.3% applied to payments made before January 1, 2014. No adjustments are applied to the incurred loss ratios.
- (c) Based on Exhibit 2.6. Reflects an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, and an adjustment for RBRVS of 1.3% applied to payments made before January 1, 2014.
- (d) The developed medical loss ratios shown were derived based on an adjustment to reflect 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)
1984	7.2	0.9	2.1	10.4	1.404
1985	0.0	0.0	2.0	2.0	1.376
1986	0.0	0.0	1.6	1.6	1.355
1987	0.0	0.0	1.9	1.9	1.330
1988	0.0	0.0	1.5	1.5	1.310
1989	0.0	0.0	1.5	1.5	1.291
1990	2.3	19.9	1.7	24.7	1.035
1991	4.9	14.8	0.8	21.4	0.852
1992	1.8	-8.3	1.6	-5.2	0.899
1993	0.2	-18.1	0.4	-17.6	1.091
1994	-5.1	0.2	0.6	-4.3	1.140
1995	6.3	0.6	1.0	8.0	1.056
1996	5.3	0.4	1.2	7.0	0.987
1997	9.7	0.2	1.6	11.7	0.883
1998	6.5	0.0	1.8	8.4	0.815
1999	5.7	0.0	2.1	7.9	0.755
2000	3.9	0.0	3.1	7.1	0.705
2001	-0.3	0.0	0.2	-0.1	0.706
2002	-0.7	0.0	0.2	-0.5	0.724 (e)
2003	7.3	0.0	1.1	8.5	0.724 (e)
2004	-6.0	-13.7	1.7	-17.5	0.996 (e)
2005	-31.6	-15.3	1.1	-41.5	1.353
2006	5.6	-5.7	1.6	1.2	1.337
2007	1.6	0.0	1.6	3.2	1.295
2008	4.8	0.6	0.7	6.2	1.220
2009	0.4	1.4	0.2	2.0	1.196
2010	0.4	0.0	1.0	1.4	1.179
2011	0.0	0.0	1.6	1.6	1.167 (f)
2012	0.3	0.0	1.9	2.2	1.141 (f)
2013	-0.6	-0.3	0.5	-0.4	1.140
2014	7.0	1.5	1.4	10.1	1.036
2015	0.3	0.0	1.3	1.6	
4/1/2016	0.2 (Annual 0.3)	0.0	1.7 (Annual 2.3)	2.0	

- (a) Based on WCIRB evaluations of the average impact of legislative changes on the cost of indemnity benefits, including the impact of AB 338. These annual changes in benefits reflect the WCIRB's retrospective estimates of the cost impact of recent legislation, including AB 749, AB 227, SB 228, SB 899, and SB 863 as reflected in emerging post-reform costs. The annual cost impacts have been segregated between claim severity and claim frequency impacts. The negative frequency adjustments for accident years 2004 through 2006 reflect the estimated impact of the reforms of 2002 through 2004 on claim frequency. (See *2008 Legislative Cost Monitoring Report*, WCIRB, October 9, 2008.)
- (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 4/1/2016 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.
- (f) On-level factors for accident years 2011 and 2012 adjust the portion of indemnity losses not impacted by the adjustments to outstanding indemnity claims for the impact of SB 863 (see Exhibit 2.5).

**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)
1984	0.665	0.335	3.3%	3.7%	1.5%	4.8%
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	0.957	0.043	0.0%	2.6%	0.1%	0.1%
2014	0.957	0.043	2.1%	4.0%	0.2%	2.3%
2015	0.957	0.043	0.4%	1.7%	0.1%	0.5%
4/1/2016	0.957	0.043	0.2% (Annual 0.3%)	1.8% (Annual 2.4%)	0.1%	0.3%

- (a) From a Special Carrier Study through 1990. Based on WCIRB's Aggregate Indemnity and Medical Costs Calls for years subsequent to 1990. 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)
1984	0.0%	0.9%	0.9%
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	0.0%	0.0%	0.0%
2012	0.0%	0.0%	0.0%
2013	0.0%	-0.2%	-0.2%
2014	0.0%	1.3%	1.3%
2015	0.0%	0.0%	0.0%
4/1/2016	0.0%	0.0%	0.0%

- (a) These annual cost impacts reflect the WCIRB's retrospective estimates of the cost impact of recent legislation that includes AB 749, AB 227, SB 228, and SB 899 as reflected in emerging post-reform costs. (See *2008 Legislative Cost Monitoring Report*, WCIRB, October 9, 2008.) These factors do not include the estimated -4.9% 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. The negative frequency adjustments for accident years 2004 through 2006 reflect the estimated impact of the reforms of 2002 through 2004 on claim frequency. (See *2008 Legislative Cost Monitoring Report*, WCIRB, October 9, 2008.)
- (c) [Column (1) + 1.0] x [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)
1984	4.8%	0.9%	5.7%	1.151
1985	4.5%	0.0%	4.5%	1.101
1986	3.0%	0.0%	3.0%	1.069
1987	3.8%	0.0%	3.8%	1.030
1988	3.8%	0.0%	3.8%	0.992
1989	3.0%	0.0%	3.0%	0.963
1990	3.7%	19.1%	23.5%	0.780
1991	3.6%	12.9%	16.9%	0.667
1992	3.0%	-7.9%	-5.2%	0.704
1993	2.7%	-18.7%	-16.5%	0.842
1994	-2.3%	-2.3%	-4.6%	0.883
1995	0.9%	0.5%	1.4%	0.870
1996	1.0%	0.4%	1.4%	0.858
1997	0.7%	0.2%	0.9%	0.851
1998	0.8%	12.6%	13.5%	0.750
1999	2.5%	12.6%	15.4%	0.649
2000	1.7%	7.0%	8.8%	0.597
2001	2.9%	6.6%	9.7%	0.544
2002	2.0%	-5.6%	-3.7%	0.565
2003	1.4%	-6.0%	-4.7%	0.593
2004	0.0%	-33.9%	-33.9%	0.896
2005	0.0%	-13.9%	-13.9%	1.041
2006	0.3%	-5.1%	-4.8%	1.094
2007	1.8%	0.1%	1.9%	1.073
2008	0.2%	0.5%	0.7%	1.066
2009	0.4%	1.0%	1.4%	1.051
2010	0.3%	0.0%	0.3%	1.048
2011	0.3%	0.0%	0.3%	1.045
2012	0.1%	0.0%	0.1%	1.044
2013	0.1%	-0.2%	-0.1%	1.045
2014	2.3%	1.3%	3.6%	1.029 (e)
2015	0.5%	0.0%	0.5%	
4/1/2016	0.3%	0.0%	0.3%	

(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 4/1/2016 level.

(e) The on-level factor for accident year 2014 includes the estimated impact of the January 1, 2014 physician fee schedule for the service years 2015 and subsequent.

**Annual Wage Level Changes**

<u>Year</u>	<u>Annual Wage Level Change</u>	<u>Factor to a 4/1/2016 Wage Level</u>
1984	6.1	3.067
1985	5.7	2.902
1986	4.7	2.771
1987	5.6	2.625
1988	4.4	2.514
1989	4.3	2.410
1990	5.0	2.295
1991	2.3	2.244
1992	4.7	2.143
1993	1.2	2.118
1994	1.8	2.080
1995	2.9	2.022
1996	3.4	1.955
1997	4.7	1.867
1998	5.2	1.775
1999	6.2	1.671
2000	9.0	1.533
2001	0.6	1.524
2002	0.6	1.515
2003	3.3	1.467
2004	4.8	1.400
2005	3.2	1.356
2006	4.7	1.295
2007	4.6	1.238
2008	2.1	1.213
2009	0.6	1.206
2010	3.0	1.171
2011	3.1	1.135
2012	3.6	1.096
2013	0.8	1.087
2014	2.7	1.059
Projected:		
2015	2.5	1.033
4/1/2016	3.3 (Annual = 4.4)	

Source: California average annual wage level changes for 1984 to 2016 derived from information published by the UCLA Anderson School of Business as of March 2015.

Premium Adjustment Factors

	(1)	(2a)	(2b)	(2c)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Factor to a 4/1/2016 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, 2014 (c)	Factor to Adjust Insurer Premium to an Industry Average Filed Pure Premium Rate Level as of July 1, 2014 (d)	Adjustment to Remove Surcharge Premium (e)	Average Experience Modification (f)	Off-Balance Correction in Advisory January 1, 2014 Pure Premium Rates	Factor to Adjust for Impact of Premium Resulting from Audits (g)	Composite Premium Adjustment Factor (h)
1984	3.067	---	---	1.090	0.992	0.980	1.024	---	3.304
1985	2.902	---	---	1.072	0.991	0.984	1.024	---	3.061
1986	2.771	---	---	0.980	0.991	0.983	1.024	---	2.673
1987	2.625	---	---	0.861	0.992	0.983	1.024	---	2.228
1988	2.514	---	---	0.770	0.993	0.963	1.024	---	1.950
1989	2.410	---	---	0.758	0.993	0.945	1.024	---	1.876
1990	2.295	---	---	0.740	0.991	0.942	1.024	---	1.744
1991	2.244	---	---	0.685	0.987	0.939	1.024	---	1.577
1992	2.143	---	---	0.657	0.982	0.940	1.024	---	1.437
1993	2.118	---	---	0.649	0.981	0.949	1.024	---	1.387
1994	2.080	---	---	0.743	0.986	0.948	1.024	---	1.570
1995	2.022	---	---	1.006	0.995	0.958	1.024	---	2.062
1996	1.955	1.024	1.068	1.043	1.000	0.935	1.024	---	2.130
1997	1.867	0.989	1.066	1.078	1.000	0.949	1.024	---	2.071
1998	1.775	0.965	1.110	1.150	1.000	0.959	1.024	---	2.079
1999	1.671	0.971	1.122	1.156	1.000	0.954	1.024	---	1.977
2000	1.533	1.003	1.017	1.014	1.000	0.970	1.024	---	1.565
2001	1.524	1.030	0.896	0.870	1.000	0.969	1.024	---	1.336
2002	1.515	1.157	0.802	0.693	1.000	0.991	1.024	---	1.035
2003	1.467	1.266	0.657	0.519	1.000	1.005	1.024	---	0.740
2004	1.400	1.396	0.668	0.479	1.000	0.981	1.024	---	0.667
2005	1.356	1.470	0.803	0.546	1.000	0.982	1.024	---	0.737
2006	1.295	1.447	1.035	0.715	1.000	0.956	1.024	---	0.946
2007	1.238	1.493	1.410	0.944	1.000	0.931	1.024	0.985	1.208
2008	1.213	1.427	1.679	1.177	1.000	0.946	1.024	0.991	1.460
2009	1.206	1.366	1.654	1.211	1.000	0.937	1.024	1.034	1.573
2010	1.171	1.383	1.622	1.173	1.000	0.941	1.024	1.005	1.432
2011	1.135	1.403	1.620	1.155	1.000	0.982	1.024	---	1.304
2012	1.096	1.227	1.336	1.089	1.000	1.000	1.024	---	1.165
2013	1.087	1.141	1.075	0.942	1.000	0.983	1.024	---	1.018
2014	1.059	1.133	0.991	0.875	1.000	0.962	1.024	---	0.940

- (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, 2014 pure premium rate level and (2) an additional adjustment factor, which is the ratio of the average advisory January 1, 2014 pure premium rate (\$2.68) to the industry average filed pure premium rate as of July 1, 2014 (\$2.57).
- (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, 2014.
- (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)×(2c)×(3)×(6) ÷ [(4)×(5)] for calendar years 2007 to 2010. (1)×(2c)×(3) ÷ [(4)×(5)] for all other calendar years.



**2014 Accident Year Indemnity Claim Frequency Model  
As of PY 2012 Preliminary 1st Set & December 2014 UCLA**

AY	Annual % Changes Intra- Class Ind Freq	Annual Log Differences							
		Intra-Class Indemnity Frequency per \$M Exposure at PY 2015 Level			AY+1 Indemnity		Cumulative Injury Index	Economic Variables (1st Prin. Comp.)	CalOSHA Dummy Variable
		Total	Cumulative	Non-cum.	Benefit Level				
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	-0.119	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	-6.8%	-0.071	-0.017	-0.076	-0.007	0.059	-0.091	0.000	
2002	-2.8%	-0.028	0.002	-0.031	0.060	0.033	-0.211	0.000	
2003	-3.2%	-0.032	-0.008	-0.034	-0.065	0.026	-0.022	0.000	
2004	-16.8%	-0.184	-0.211	-0.181	-0.398	-0.030	0.094	0.000	
2005	-13.6%	-0.146	-0.298	-0.133	0.051	-0.165	0.142	0.000	
2006	-5.6%	-0.058	-0.049	-0.059	0.016	0.009	0.101	0.000	
2007	-1.6%	-0.016	0.021	-0.019	0.049	0.040	-0.083	0.000	
2008	-2.6%	-0.027	0.038	-0.032	0.006	0.070	-0.302	0.000	
2009	0.0%	0.000	0.165	-0.015	0.066	0.180	-0.452	0.000	
2010	8.9%	0.085	0.135	0.080	0.012	0.056	-0.087	0.000	
2011	1.1%	0.011	0.017	0.010	0.003	0.007	0.048	0.000	
2012	4.2%	0.041	0.085	0.036	-0.008	0.049	0.125	0.000	
2013*	1.2%	0.012	0.196	-0.016	0.071	0.212	0.155	0.000	
2014	-0.2%	-0.002	-0.002	-0.002	0.003	0.000	0.171	0.000	
2015	-0.6%	-0.006	-0.006	-0.006	0.003	0.000	0.135	0.000	
2016	-0.4%	-0.004	-0.004	-0.004	0.003	0.000	0.158	0.000	

**Y = Hazardousness-Adjusted Noncumulative Indemnity Claim Frequency**

Constant	-0.020			
Std Err of Y Est	0.043			
R Squared	0.565			
No. of Observations	35			
Degrees of Freedom	30			
X Coefficient(s)		0.171	0.277	0.100
Std Err of Coef.		0.078	0.066	0.049
				-0.143
				0.082

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 2013; December 2014 UCLA Anderson Forecasts for 2014 on. Regression is over AY 1979 through AY 2013. AY 2014 through AY 2016 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 2013 is preliminary and change is based on a comparison of 2013 accidents on 2012 policies to 2012 accidents on 2011 policies.

**Projection of Indemnity Severity Trends by Accident Year  
Based on Experience as of December 31, 2014**

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	9,977	---	1.663	16,592	---
1991	10,924	9.5%	1.573	17,182	3.6%
1992	11,005	0.7%	1.521	16,736	-2.6%
1993	11,981	8.9%	1.512	18,110	8.2%
1994	12,943	8.0%	1.583	20,494	13.2%
1995	14,526	12.2%	1.475	21,423	4.5%
1996	16,254	11.9%	1.384	22,494	5.0%
1997	19,353	19.1%	1.242	24,031	6.8%
1998	21,130	9.2%	1.145	24,200	0.7%
1999	23,297	10.3%	1.061	24,724	2.2%
2000	24,755	6.3%	0.991	24,525	-0.8%
2001	27,129	9.6%	0.992	26,904	9.7%
2002	26,248	-3.2%	1.018	26,724	-0.7%
2003	25,704	-2.1%	1.017	26,148	-2.2%
2004	20,959	-18.5%	1.209	25,331	-3.1%
2005	18,860	-10.0%	1.390	26,209	3.5%
2006	20,732	9.9%	1.295	26,852	2.5%
2007	22,473	8.4%	1.255	28,198	5.0%
2008	24,962	11.1%	1.189	29,679	5.3%
2009	25,945	3.9%	1.182	30,663	3.3%
2010	25,746	-0.8%	1.165	30,006	-2.1%
2011	25,484	-1.0%	1.153	29,380	-2.1%
2012	25,490	0.0%	1.128	28,753	-2.1%
2013	25,870	1.5%	1.124	29,068	1.1%
2014	27,230	5.3%	1.036	28,204	-3.0%

(6) Estimated Annual Exponential Trend Based on 2005 to 2014: 0.8%

(7) Estimated Annual Exponential Trend Based on 2009 to 2014: -1.5%

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, 2014**

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	9,069	---	1.182	10,719	---
1991	9,758	7.6%	1.160	11,317	5.6%
1992	9,865	1.1%	1.121	11,059	-2.3%
1993	11,001	11.5%	1.101	12,110	9.5%
1994	12,202	10.9%	1.157	14,122	16.6%
1995	14,012	14.8%	1.148	16,086	13.9%
1996	15,134	8.0%	1.137	17,203	6.9%
1997	18,205	20.3%	1.129	20,557	19.5%
1998	22,258	22.3%	0.996	22,161	7.8%
1999	25,313	13.7%	0.863	21,843	-1.4%
2000	28,788	13.7%	0.793	22,842	4.6%
2001	34,041	18.2%	0.724	24,642	7.9%
2002	34,714	2.0%	0.752	26,111	6.0%
2003	33,152	-4.5%	0.790	26,188	0.3%
2004	30,717	-7.3%	1.046	32,128	22.7%
2005	31,668	3.1%	1.047	33,166	3.2%
2006	35,106	10.9%	1.044	36,657	10.5%
2007	39,308	12.0%	1.026	40,349	10.1%
2008	43,309	10.2%	1.024	44,370	10.0%
2009	46,178	6.6%	1.023	47,261	6.5%
2010	47,221	2.3%	1.024	48,363	2.3%
2011	43,436 (c)	---	1.026	44,558 (c)	---
2012	42,484	-2.2%	1.031	43,786	-1.7%
2013	40,636	-4.3%	1.032	41,956	-4.2%
2014	38,942	-4.2%	1.029	40,078	-4.5%

Selected Medical Severity Trend: 1.0%

(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.

Source: WCIRB experience calls.

**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, 2014**

(1) Accident Year	(2) No Adjustment for MCCP			(3)			(4)			(5)			(6)			(7)			(8)			(9)				
	Estimated Ultimate Severity (a)	% Change	Annual Change	Ultimate On-Level Severity (c)	Annual Change	Estimated Ultimate Severity (a)	% Change	Annual Change	Ultimate On-Level Severity (c)	Annual Change	Estimated Ultimate Severity (a)	% Change	Annual Change	Ultimate On-Level Severity (c)	Annual Change	Estimated Ultimate Severity (a)	% Change	Annual Change	Ultimate On-Level Severity (c)	Annual Change	Estimated Ultimate Severity (a)	% Change	Annual Change	Ultimate On-Level Severity (c)	Annual Change	
2005	31,668	---	---	33,167	---	29,732	---	---	31,139	---	29,732	---	---	31,139	---	29,732	---	---	31,139	---	29,732	---	---	31,139	---	---
2006	35,106	10.9%	10.9%	36,657	10.5%	32,613	10.5%	36,657	9.7%	32,613	9.7%	32,613	9.7%	34,054	9.4%	32,613	9.7%	34,054	9.4%	32,613	9.7%	32,613	9.7%	34,054	9.4%	
2007	39,308	12.0%	12.0%	40,350	10.1%	36,361	10.1%	40,350	11.5%	36,361	11.5%	36,361	11.5%	37,325	9.6%	36,361	11.5%	37,325	9.6%	36,361	11.5%	36,361	11.5%	37,325	9.6%	
2008	43,309	10.2%	10.2%	44,369	10.0%	39,163	10.0%	44,369	7.7%	39,163	7.7%	39,163	7.7%	40,122	7.5%	39,163	7.7%	40,122	7.5%	39,163	7.7%	39,163	7.7%	40,122	7.5%	
2009	46,178	6.6%	6.6%	47,261	6.5%	41,940	6.5%	47,261	7.1%	41,940	7.1%	41,940	7.1%	42,924	7.0%	41,940	7.1%	42,924	7.0%	41,940	7.1%	41,940	7.1%	42,924	7.0%	
2010	47,221	2.3%	2.3%	48,364	2.3%	42,845	2.3%	48,364	2.2%	42,845	2.2%	42,845	2.2%	43,881	2.2%	42,845	2.2%	43,881	2.2%	42,845	2.2%	42,845	2.2%	43,881	2.2%	
2011	48,051	1.8%	1.8%	49,293	1.9%	43,436	1.9%	49,293	1.4%	43,436	1.4%	43,436	1.4%	44,558	1.5%	43,436	1.4%	44,558	1.5%	43,436	1.4%	43,436	1.4%	44,558	1.5%	
2012	47,136	-1.9%	-1.9%	48,581	-1.4%	42,484	-1.4%	48,581	-2.2%	42,484	-2.2%	42,484	-2.2%	43,786	-1.7%	42,484	-2.2%	43,786	-1.7%	42,484	-2.2%	42,484	-2.2%	43,786	-1.7%	
2013	45,428	-3.6%	-3.6%	46,904	-3.5%	40,636	-3.5%	46,904	-4.3%	40,636	-4.3%	40,636	-4.3%	41,956	-4.2%	40,636	-4.3%	41,956	-4.2%	40,636	-4.3%	40,636	-4.3%	41,956	-4.2%	
2014	43,410	-4.4%	-4.4%	44,677	-4.7%	38,942	-4.7%	44,677	-4.2%	38,942	-4.2%	38,942	-4.2%	40,078	-4.5%	38,942	-4.2%	40,078	-4.5%	38,942	-4.2%	38,942	-4.2%	40,078	-4.5%	

Estimated Annual Exponential  
Trend Based on 2005 to 2014: 3.5%  
Trend Based on 2009 to 2014: -1.1%

Selected Medical Severity Trend: 1.0%

- (a) Estimated ultimate severities for all accident years were derived by dividing ultimate medical losses on indemnity claims by ultimate indemnity claim counts.
- (b) 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, 2014**

Accident Year	(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)
1984	0.447	1.404	3.304	0.190
1985	0.447	1.376	3.061	0.201
1986	0.396	1.355	2.673	0.201
1987	0.346	1.330	2.228	0.206
1988	0.331	1.310	1.950	0.223
1989	0.344	1.291	1.876	0.236
1990	0.399	1.035	1.744	0.237
1991	0.427	0.852	1.577	0.231
1992	0.351	0.899	1.437	0.220
1993	0.289	1.091	1.387	0.227
1994	0.329	1.140	1.570	0.239
1995	0.475	1.056	2.062	0.243
1996	0.533	0.987	2.130	0.247
1997	0.604	0.883	2.071	0.258
1998	0.655	0.815	2.079	0.257
1999	0.693	0.755	1.977	0.265
2000	0.600	0.705	1.565	0.270
2001	0.495	0.706	1.336	0.261
2002	0.369	0.724	1.035	0.258
2003	0.242	0.724	0.740	0.236
2004	0.144	0.996	0.667	0.216
2005	0.123	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.333	1.196	1.573	0.253
2010	0.328	1.179	1.432	0.270
2011	0.307	1.167	1.304	0.275
2012	0.282	1.141	1.165	0.276
2013	0.254	1.140	1.018	0.285
2014	0.245	1.036	0.940	0.270
2015				Projections (d) 0.278
4/1/2016				0.277

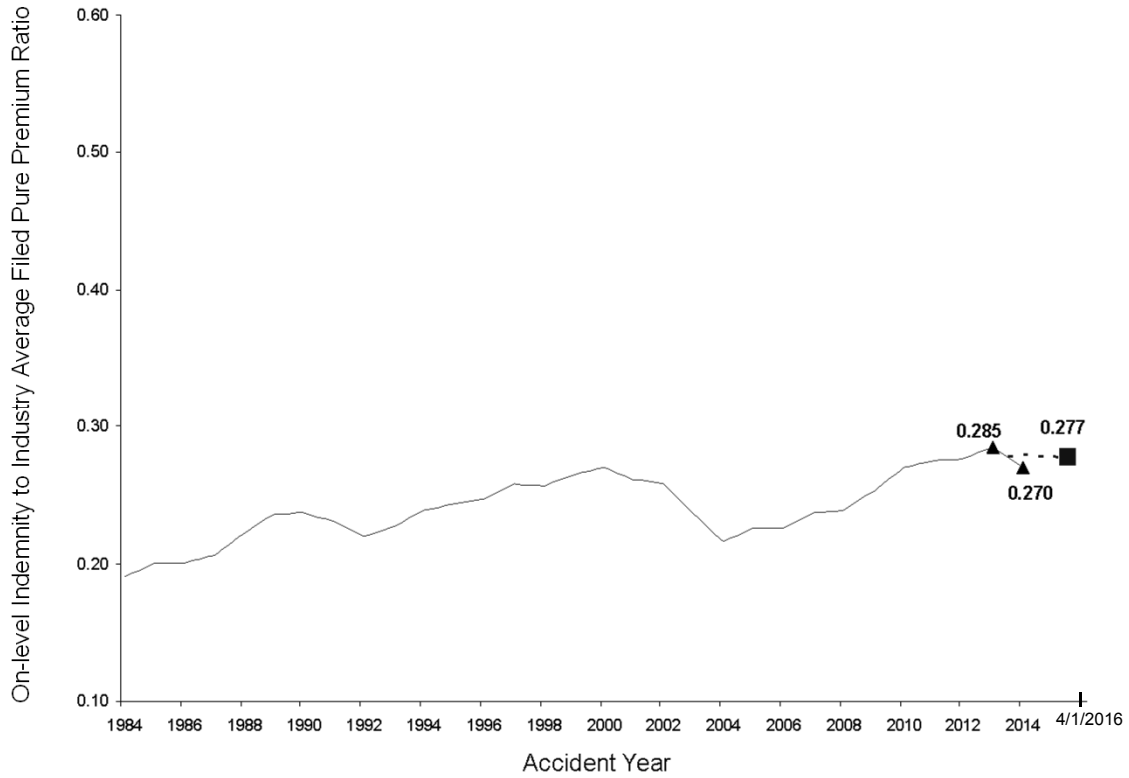
(a) See Exhibit 3.1.

(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 2014, and projected frequency trends for accident years 2015 and 2016 from Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**On-Level Indemnity Loss to Industry Average Filed Pure Premium Ratios  
Using December 31, 2014 Valuations**



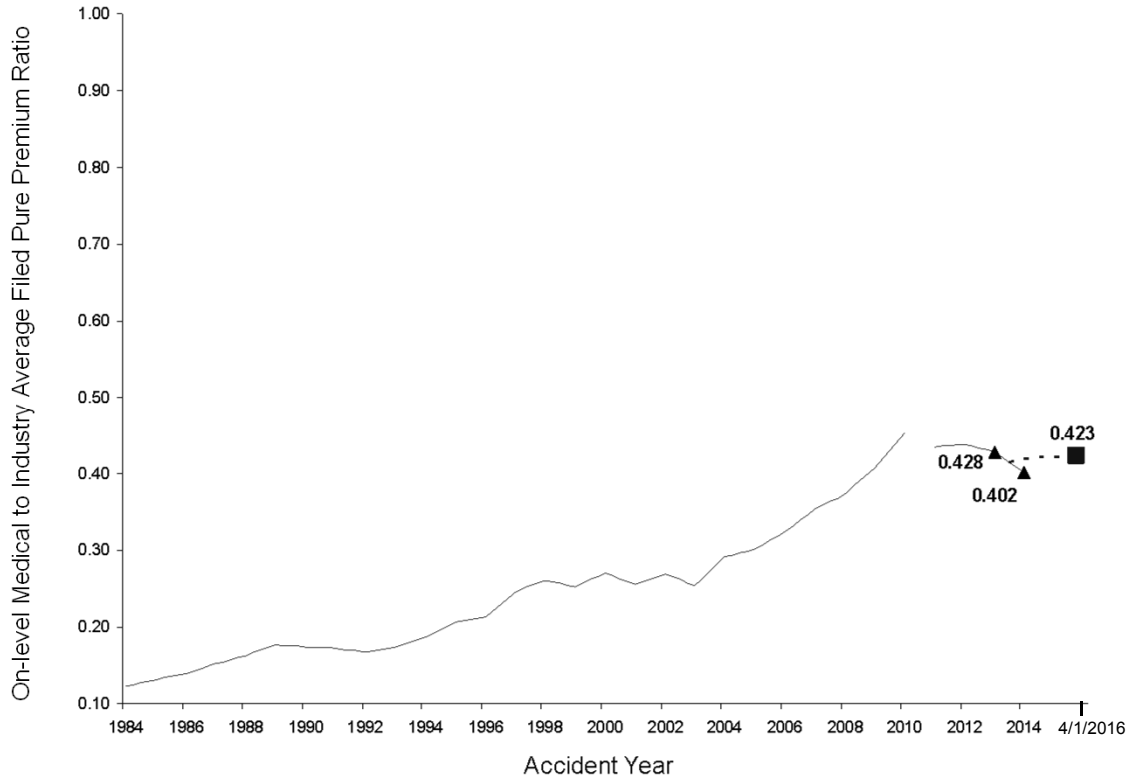
- ▲— On-level indemnity to industry average filed pure premium ratios (see Exhibit 7.1).
- - - The 4/1/2016 indemnity to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2013 and 2014 years.

**Projected On-Level Accident Year  
Medical Loss to Industry Average Filed Pure Premium Ratios  
Based on Experience as of December 31, 2014**

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 (1)×(2)÷(3)
1984	0.352	1.151	3.304	0.123
1985	0.367	1.101	3.061	0.132
1986	0.348	1.069	2.673	0.139
1987	0.329	1.030	2.228	0.152
1988	0.321	0.992	1.950	0.163
1989	0.345	0.963	1.876	0.177
1990	0.389	0.780	1.744	0.174
1991	0.408	0.667	1.577	0.173
1992	0.340	0.704	1.437	0.167
1993	0.286	0.842	1.387	0.174
1994	0.333	0.883	1.570	0.187
1995	0.490	0.870	2.062	0.207
1996	0.528	0.858	2.130	0.213
1997	0.600	0.851	2.071	0.247
1998	0.725	0.750	2.079	0.261
1999	0.769	0.649	1.977	0.252
2000	0.710	0.597	1.565	0.271
2001	0.628	0.544	1.336	0.256
2002	0.493	0.565	1.035	0.269
2003	0.316	0.593	0.740	0.254
2004	0.217	0.896	0.667	0.291
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.610	1.051	1.573	0.407
2010	0.619	1.048	1.432	0.453
2011	0.542	1.045	1.304	0.434
2012	0.489	1.044	1.165	0.438
2013	0.417	1.045	1.018	0.428
2014	0.367	1.029	0.940	0.402
2015				Projections (d) 0.421
4/1/2016				0.423

- (a) See Exhibit 3.2. Medical loss ratios for accident years 2011 and subsequent do not reflect the cost of medical cost containment programs (MCCP). Ratios for accident years 2010 and prior do reflect MCCP costs.
- (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 2014, and projected frequency trends for accident years 2015 and 2016 from Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**On-Level Medical Loss to Industry Average Filed Pure Premium Ratios  
Using December 31, 2014 Valuations**



- ▲ On-level medical to industry average filed pure premium ratios (see Exhibit 7.3).
- - - The 4/1/2016 indemnity to industry average filed pure premium ratio was calculated based on separate frequency and severity trends applied to the 2013 and 2014 years.



**Indicated Loss to Industry Average Filed Pure Premium Ratios  
For Policies with Effective Dates between July 1, 2015 and December 31, 2015  
Based on Experience as of December 31, 2014**

	<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)	0.277	0.423	0.700

**Quarterly Incurred Indemnity Loss Development Factors  
Through December 31, 2014**

Age in Months	Accident Year																	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
6/3										2.417	2.724	2.785	3.031	3.116	3.052	3.238	3.344	3.303
9/6										1.656	1.776	1.820	1.848	1.904	2.001	1.966	1.940	1.962
<b>12/9</b>										<b>1.448</b>	<b>1.511</b>	<b>1.510</b>	<b>1.530</b>	<b>1.564</b>	<b>1.632</b>	<b>1.587</b>	<b>1.585</b>	<b>1.569</b>
15/12	1.199	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	
18/15	1.165	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	
21/18	1.141	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	1.143	
<b>24/21</b>	<b>1.095</b>	<b>1.126</b>	<b>1.112</b>	<b>1.121</b>	<b>1.111</b>	<b>1.117</b>	<b>1.094</b>	<b>1.045</b>	<b>1.082</b>	<b>1.098</b>	<b>1.106</b>	<b>1.106</b>	<b>1.114</b>	<b>1.119</b>	<b>1.117</b>	<b>1.111</b>	<b>1.104</b>	
27/24	1.070	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		
30/27	1.048	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	1.067		
33/30	1.048	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		
<b>36/33</b>	<b>1.043</b>	<b>1.043</b>	<b>1.046</b>	<b>1.039</b>	<b>1.046</b>	<b>1.035</b>	<b>1.020</b>	<b>1.029</b>	<b>1.033</b>	<b>1.039</b>	<b>1.043</b>	<b>1.051</b>	<b>1.049</b>	<b>1.049</b>	<b>1.043</b>	<b>1.041</b>		
39/36	1.029	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			
42/39	1.033	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	1.035			
45/42	1.022	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	1.030			
<b>48/45</b>	<b>1.021</b>	<b>1.025</b>	<b>1.020</b>	<b>1.022</b>	<b>1.013</b>	<b>1.008</b>	<b>1.013</b>	<b>1.013</b>	<b>1.021</b>	<b>1.019</b>	<b>1.021</b>	<b>1.024</b>	<b>1.024</b>	<b>1.026</b>	<b>1.023</b>			
51/48	1.018	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				
54/51	1.017	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				
57/54	1.019	1.014	1.017	1.012	1.006	1.008	1.011	1.011	1.018	1.017	1.014	1.018	1.017	1.014				
<b>60/57</b>	<b>1.016</b>	<b>1.013</b>	<b>1.014</b>	<b>1.007</b>	<b>1.005</b>	<b>1.008</b>	<b>1.009</b>	<b>1.011</b>	<b>1.013</b>	<b>1.019</b>	<b>1.016</b>	<b>1.013</b>	<b>1.015</b>	<b>1.012</b>				
63/60	1.012	1.012	1.012	1.007	1.007	1.008	1.008	1.010	1.014	1.013	1.015	1.011	1.014					
66/63	1.012	1.014	1.009	1.005	1.006	1.011	1.008	1.010	1.013	1.016	1.014	1.015	1.013					
69/66	1.011	1.010	1.007	1.003	1.005	1.008	1.007	1.011	1.012	1.011	1.010	1.009	1.012					
<b>72/69</b>	<b>1.008</b>	<b>1.009</b>	<b>1.006</b>	<b>1.005</b>	<b>1.005</b>	<b>1.005</b>	<b>1.009</b>	<b>1.009</b>	<b>1.013</b>	<b>1.011</b>	<b>1.009</b>	<b>1.009</b>	<b>1.009</b>					
75/72	1.006	1.006	1.004	1.004	1.005	1.003	1.005	1.007	1.010	1.011	1.010	1.010						
78/75	1.007	1.007	1.004	1.003	1.007	1.005	1.006	1.006	1.012	1.009	1.010	1.006						
81/78	1.006	1.005	1.002	1.003	1.004	1.004	1.005	1.006	1.010	1.009	1.007	1.007						
<b>84/81</b>	<b>1.007</b>	<b>1.003</b>	<b>1.003</b>	<b>1.005</b>	<b>1.003</b>	<b>1.006</b>	<b>1.006</b>	<b>1.007</b>	<b>1.008</b>	<b>1.005</b>	<b>1.009</b>	<b>1.006</b>						
87/84	1.005	1.003	1.003	1.002	1.003	1.004	1.002	1.007	1.010	1.007	1.004							
90/87	1.004	1.001	1.003	1.003	1.003	1.003	1.004	1.008	1.008	1.008	1.008							
93/90	1.003	1.001	1.002	1.004	1.003	1.002	1.005	1.006	1.008	1.006	1.007							
<b>96/93</b>	<b>1.001</b>	<b>1.002</b>	<b>1.003</b>	<b>1.001</b>	<b>1.004</b>	<b>1.002</b>	<b>1.006</b>	<b>1.006</b>	<b>1.003</b>	<b>1.002</b>	<b>1.003</b>							

Source: WCIRB accident year experience calls

**Quarterly Incurred Medical Loss Development Factors \*  
Through December 31, 2014**

Age in Months	Accident Year																	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
6/3										2.584	2.662	2.782	2.892	2.992	2.757	2.889	2.875	2.956
9/6										1.650	1.744	1.717	1.807	1.800	1.827	1.846	1.832	1.849
<b>12/9</b>										<b>1.453</b>	<b>1.443</b>	<b>1.466</b>	<b>1.454</b>	<b>1.488</b>	<b>1.521</b>	<b>1.493</b>	<b>1.511</b>	<b>1.490</b>
15/12	1.120	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	1.221	1.216	
18/15	1.071	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	1.142	1.124	
21/18	1.074	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	1.090	1.093	
<b>24/21</b>	<b>1.049</b>	<b>1.074</b>	<b>1.072</b>	<b>1.080</b>	<b>1.083</b>	<b>1.082</b>	<b>1.060</b>	<b>1.040</b>	<b>1.052</b>	<b>1.070</b>	<b>1.074</b>	<b>1.067</b>	<b>1.074</b>	<b>1.080</b>	<b>1.080</b>	<b>1.070</b>	<b>1.067</b>	
27/24	1.033	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	1.061		
30/27	1.029	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	1.049		
33/30	1.019	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	1.048		
<b>36/33</b>	<b>1.032</b>	<b>1.037</b>	<b>1.042</b>	<b>1.035</b>	<b>1.040</b>	<b>1.029</b>	<b>1.016</b>	<b>1.024</b>	<b>1.034</b>	<b>1.042</b>	<b>1.033</b>	<b>1.042</b>	<b>1.040</b>	<b>1.042</b>	<b>1.037</b>	<b>1.029</b>		
39/36	1.019	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	1.040			
42/39	1.025	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			
45/42	1.017	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	1.028			
<b>48/45</b>	<b>1.022</b>	<b>1.028</b>	<b>1.023</b>	<b>1.026</b>	<b>1.017</b>	<b>1.008</b>	<b>1.013</b>	<b>1.025</b>	<b>1.018</b>	<b>1.022</b>	<b>1.025</b>	<b>1.029</b>	<b>1.034</b>	<b>1.022</b>	<b>1.023</b>			
51/48	1.018	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				
54/51	1.016	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				
57/54	1.016	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				
<b>60/57</b>	<b>1.018</b>	<b>1.021</b>	<b>1.021</b>	<b>1.015</b>	<b>1.009</b>	<b>1.008</b>	<b>1.014</b>	<b>1.020</b>	<b>1.019</b>	<b>1.018</b>	<b>1.017</b>	<b>1.019</b>	<b>1.016</b>	<b>1.015</b>				
63/60	1.022	1.014	1.020	1.013	1.012	1.008	1.016	1.015	1.021	1.015	1.018	1.016	1.020					
66/63	1.018	1.023	1.016	1.010	1.012	1.015	1.013	1.015	1.022	1.019	1.018	1.017	1.015					
69/66	1.019	1.025	1.013	1.006	1.008	1.016	1.018	1.015	1.023	1.017	1.017	1.015	1.014					
<b>72/69</b>	<b>1.014</b>	<b>1.020</b>	<b>1.009</b>	<b>1.007</b>	<b>1.009</b>	<b>1.015</b>	<b>1.010</b>	<b>1.014</b>	<b>1.015</b>	<b>1.013</b>	<b>1.014</b>	<b>1.012</b>	<b>1.011</b>					
75/72	1.014	1.015	1.008	1.006	1.008	1.010	1.009	1.012	1.012	1.011	1.018	1.013						
78/75	1.022	1.012	1.012	1.008	1.012	1.010	1.011	1.018	1.013	1.012	1.012	1.010						
81/78	1.011	1.006	1.006	1.006	1.009	1.010	1.014	1.018	1.017	1.016	1.009	1.009						
<b>84/81</b>	<b>1.014</b>	<b>1.008</b>	<b>1.006</b>	<b>1.009</b>	<b>1.014</b>	<b>1.009</b>	<b>1.007</b>	<b>1.012</b>	<b>1.011</b>	<b>1.008</b>	<b>1.010</b>	<b>1.008</b>						
87/84	1.018	1.005	1.008	1.008	1.010	1.009	1.010	1.012	1.014	1.012	1.008							
90/87	1.010	1.002	1.005	1.008	1.008	1.009	1.012	1.009	1.009	1.013	1.008							
93/90	1.009	1.006	1.007	1.015	1.009	1.011	1.010	1.011	1.012	1.009	1.009							
<b>96/93</b>	<b>1.011</b>	<b>1.007</b>	<b>1.007</b>	<b>1.010</b>	<b>1.012</b>	<b>1.008</b>	<b>1.010</b>	<b>1.011</b>	<b>1.010</b>	<b>1.005</b>	<b>1.006</b>							

Source: WCIRB accident year experience calls

\* Incurred medical loss development factors include the paid cost of medical cost containment programs.

**Quarterly Paid Indemnity Loss Development Factors  
Through December 31, 2014**

Age in Months	Accident Year																	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
6/3										4.376	4.495	4.553	4.807	4.911	4.722	4.854	5.099	5.078
9/6										2.259	2.375	2.377	2.398	2.452	2.432	2.484	2.462	2.459
<b>12/9</b>										<b>1.812</b>	<b>1.834</b>	<b>1.810</b>	<b>1.825</b>	<b>1.861</b>	<b>1.869</b>	<b>1.877</b>	<b>1.867</b>	<b>1.879</b>
15/12	1.503	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	1.538	
18/15	1.390	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	
21/18	1.309	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	
<b>24/21</b>	<b>1.275</b>	<b>1.259</b>	<b>1.257</b>	<b>1.256</b>	<b>1.258</b>	<b>1.260</b>	<b>1.244</b>	<b>1.183</b>	<b>1.181</b>	<b>1.195</b>	<b>1.191</b>	<b>1.194</b>	<b>1.206</b>	<b>1.209</b>	<b>1.215</b>	<b>1.213</b>	<b>1.204</b>	
27/24	1.186	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		
30/27	1.141	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		
33/30	1.124	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	1.110		
<b>36/33</b>	<b>1.088</b>	<b>1.102</b>	<b>1.103</b>	<b>1.103</b>	<b>1.115</b>	<b>1.111</b>	<b>1.097</b>	<b>1.085</b>	<b>1.081</b>	<b>1.080</b>	<b>1.084</b>	<b>1.092</b>	<b>1.094</b>	<b>1.098</b>	<b>1.091</b>	<b>1.091</b>		
39/36	1.073	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			
42/39	1.063	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	1.075			
45/42	1.048	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	1.050			
<b>48/45</b>	<b>1.046</b>	<b>1.049</b>	<b>1.050</b>	<b>1.055</b>	<b>1.053</b>	<b>1.046</b>	<b>1.044</b>	<b>1.041</b>	<b>1.044</b>	<b>1.043</b>	<b>1.047</b>	<b>1.049</b>	<b>1.051</b>	<b>1.050</b>	<b>1.048</b>			
51/48	1.035	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				
54/51	1.033	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				
57/54	1.032	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				
<b>60/57</b>	<b>1.026</b>	<b>1.025</b>	<b>1.030</b>	<b>1.027</b>	<b>1.026</b>	<b>1.024</b>	<b>1.024</b>	<b>1.024</b>	<b>1.024</b>	<b>1.028</b>	<b>1.029</b>	<b>1.029</b>	<b>1.032</b>	<b>1.027</b>				
63/60	1.022	1.023	1.026	1.024	1.021	1.022	1.019	1.019	1.021	1.023	1.025	1.025	1.024					
66/63	1.021	1.023	1.023	1.023	1.021	1.019	1.019	1.019	1.020	1.025	1.025	1.025	1.025					
69/66	1.018	1.019	1.021	1.020	1.017	1.016	1.017	1.016	1.021	1.020	1.020	1.020	1.022					
<b>72/69</b>	<b>1.017</b>	<b>1.018</b>	<b>1.016</b>	<b>1.018</b>	<b>1.016</b>	<b>1.016</b>	<b>1.015</b>	<b>1.017</b>	<b>1.015</b>	<b>1.020</b>	<b>1.019</b>	<b>1.019</b>	<b>1.019</b>					
75/72	1.013	1.015	1.016	1.015	1.014	1.012	1.012	1.013	1.015	1.019	1.018	1.016						
78/75	1.014	1.014	1.014	1.012	1.013	1.012	1.011	1.012	1.015	1.017	1.016	1.015						
81/78	1.011	1.013	1.013	1.011	1.012	1.011	1.010	1.012	1.015	1.015	1.016	1.015						
<b>84/81</b>	<b>1.013</b>	<b>1.011</b>	<b>1.011</b>	<b>1.013</b>	<b>1.010</b>	<b>1.010</b>	<b>1.009</b>	<b>1.011</b>	<b>1.013</b>	<b>1.015</b>	<b>1.014</b>	<b>1.013</b>						
87/84	1.011	1.012	1.010	1.008	1.010	1.009	1.008	1.009	1.012	1.014	1.013							
90/87	1.009	1.008	1.009	1.010	1.009	1.008	1.008	1.011	1.012	1.013	1.012							
93/90	1.008	1.009	1.009	1.008	1.008	1.007	1.008	1.012	1.011	1.011	1.012							
<b>96/93</b>	<b>1.006</b>	<b>1.008</b>	<b>1.009</b>	<b>1.006</b>	<b>1.007</b>	<b>1.007</b>	<b>1.007</b>	<b>1.008</b>	<b>1.011</b>	<b>1.011</b>	<b>1.008</b>							

Source: WCIRB accident year experience calls

Quarterly Paid Medical Loss Development Factors \*  
Through December 31, 2014

Age in Months	Accident Year																	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
6/3										5.308	5.615	6.579	6.101	6.048	5.854	5.942	6.201	5.647
9/6										2.348	2.381	2.348	2.375	2.361	2.327	2.395	2.488	2.425
<b>12/9</b>										<b>1.716</b>	<b>1.765</b>	<b>1.731</b>	<b>1.723</b>	<b>1.756</b>	<b>1.746</b>	<b>1.763</b>	<b>1.748</b>	<b>1.752</b>
15/12	1.434	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	1.449	1.443	
18/15	1.232	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	1.262	
21/18	1.155	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	1.189	1.193	
<b>24/21</b>	<b>1.128</b>	<b>1.132</b>	<b>1.124</b>	<b>1.149</b>	<b>1.159</b>	<b>1.154</b>	<b>1.125</b>	<b>1.115</b>	<b>1.118</b>	<b>1.127</b>	<b>1.133</b>	<b>1.132</b>	<b>1.137</b>	<b>1.144</b>	<b>1.153</b>	<b>1.151</b>	<b>1.147</b>	
27/24	1.086	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	1.121		
30/27	1.070	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	1.107		
33/30	1.059	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	1.093		
<b>36/33</b>	<b>1.048</b>	<b>1.055</b>	<b>1.066</b>	<b>1.069</b>	<b>1.076</b>	<b>1.061</b>	<b>1.055</b>	<b>1.062</b>	<b>1.062</b>	<b>1.071</b>	<b>1.072</b>	<b>1.072</b>	<b>1.077</b>	<b>1.083</b>	<b>1.082</b>	<b>1.076</b>		
39/36	1.046	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	1.067			
42/39	1.038	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	1.059			
45/42	1.035	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	1.061			
<b>48/45</b>	<b>1.031</b>	<b>1.035</b>	<b>1.039</b>	<b>1.044</b>	<b>1.037</b>	<b>1.032</b>	<b>1.035</b>	<b>1.037</b>	<b>1.043</b>	<b>1.043</b>	<b>1.046</b>	<b>1.047</b>	<b>1.050</b>	<b>1.051</b>	<b>1.046</b>			
51/48	1.027	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				
54/51	1.026	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				
57/54	1.025	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				
<b>60/57</b>	<b>1.023</b>	<b>1.026</b>	<b>1.028</b>	<b>1.026</b>	<b>1.021</b>	<b>1.023</b>	<b>1.026</b>	<b>1.028</b>	<b>1.029</b>	<b>1.028</b>	<b>1.032</b>	<b>1.032</b>	<b>1.035</b>	<b>1.030</b>				
63/60	1.021	1.023	1.025	1.022	1.019	1.019	1.020	1.024	1.024	1.024	1.024	1.027	1.027					
66/63	1.021	1.026	1.021	1.020	1.020	1.018	1.021	1.023	1.024	1.026	1.026	1.029	1.029					
69/66	1.019	1.021	1.022	1.019	1.018	1.016	1.019	1.021	1.023	1.023	1.021	1.024	1.024					
<b>72/69</b>	<b>1.017</b>	<b>1.022</b>	<b>1.018</b>	<b>1.016</b>	<b>1.017</b>	<b>1.018</b>	<b>1.016</b>	<b>1.021</b>	<b>1.021</b>	<b>1.022</b>	<b>1.022</b>	<b>1.023</b>	<b>1.021</b>					
75/72	1.016	1.017	1.016	1.014	1.015	1.015	1.014	1.018	1.020	1.019	1.019	1.018						
78/75	1.017	1.018	1.015	1.014	1.015	1.016	1.015	1.016	1.018	1.017	1.022	1.019						
81/78	1.015	1.015	1.014	1.013	1.014	1.013	1.014	1.018	1.018	1.015	1.019	1.018						
<b>84/81</b>	<b>1.015</b>	<b>1.013</b>	<b>1.012</b>	<b>1.013</b>	<b>1.012</b>	<b>1.012</b>	<b>1.013</b>	<b>1.016</b>	<b>1.016</b>	<b>1.015</b>	<b>1.018</b>	<b>1.015</b>						
87/84	1.014	1.013	1.011	1.010	1.012	1.012	1.012	1.014	1.013	1.015	1.017							
90/87	1.018	1.013	1.012	1.011	1.013	1.012	1.013	1.015	1.013	1.015	1.013							
93/90	1.011	1.011	1.010	1.011	1.012	1.011	1.013	1.013	1.012	1.014	1.014							
<b>96/93</b>	<b>1.010</b>	<b>1.010</b>	<b>1.010</b>	<b>1.008</b>	<b>1.010</b>	<b>1.010</b>	<b>1.009</b>	<b>1.013</b>	<b>1.015</b>	<b>1.016</b>	<b>1.011</b>							

Source: WCIRB accident year experience calls

\* Paid medical loss development factors include the paid cost of medical cost containment programs.

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
1991																1.000
1992															1.000	1.000
1993														1.000	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	
2001						1.000	0.999	1.000	0.999	1.000	1.000	1.000	1.000	1.000	1.000	
2002					1.000	1.000	1.000	0.999	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	1.000	
2004			1.003	1.000	0.999	0.999	0.999	0.999	0.999	1.000	1.000	1.000	1.000	1.000	1.000	
2005		1.008	1.001	1.001	1.000	1.001	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2006	1.114	1.009	1.006	1.002	1.001	1.000	1.000	1.001								
2007	1.121	1.015	1.006	1.004	1.002	1.000	1.001									
2008	1.153	1.023	1.011	1.005	1.003	1.002										
2009	1.193	1.029	1.011	1.006	1.003											
2010	1.216	1.030	1.011	1.006												
2011	1.231	1.032	1.013													
2012	1.242	1.035														
2013	1.245															

	Latest Year															
<u>Age-to-Age</u>																
1.245	1.035	1.013	1.006	1.003	1.002	1.001	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>																
1.326	1.065	1.029	1.015	1.009	1.005	1.004	1.003	1.002	1.002	1.002	1.002	1.002	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 76% to 100% of the total California workers' compensation insured market measured using 2014 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	2.563	1.704	1.361	1.087	1.018	1.009	1.004	1.005	1.004	1.003	1.003	1.002	1.002	1.002	1.001
2008	2.537	1.653	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	2.694	1.682	1.388	1.113	1.037	1.021	1.012	1.010	1.007	1.007	1.005	1.004	1.003	1.003	1.002
2010	2.716	1.716	1.407	1.127	1.039	1.022	1.016	1.011	1.008	1.006	1.005	1.003	1.004	1.003	1.001
2011	2.702	1.737	1.421	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	2.751	1.742	1.421	1.125	1.053	1.029	1.019	1.013	1.010	1.007	1.004				
2013	2.844	1.747	1.422	1.141	1.044	1.028	1.017								
2014	2.765	1.732	1.425												

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	
1990																		99.3%
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%	98.6%
1997										96.0%	96.6%	97.1%	97.5%	97.8%	98.0%	98.2%	98.5%	98.5%
1998									94.4%	95.4%	96.1%	96.7%	97.1%	97.5%	97.8%	98.1%	98.3%	98.3%
1999								92.5%	94.0%	95.1%	95.9%	96.5%	96.9%	97.3%	97.6%	97.9%		
2000							89.6%	91.7%	93.3%	94.6%	95.4%	96.1%	96.6%	97.1%	97.5%			
2001						84.1%	87.8%	90.4%	92.3%	93.5%	94.5%	95.3%	96.1%	96.6%				
2002				78.9%	84.5%	88.2%	90.7%	92.4%	93.7%	94.7%	95.8%	96.4%						
2003				70.5%	79.1%	84.6%	88.2%	90.4%	92.3%	93.6%	95.1%	95.9%						
2004				60.4%	72.4%	80.4%	85.0%	88.0%	90.3%	92.2%	94.2%	95.2%						
2005		48.9%	63.2%	74.5%	81.2%	85.3%	88.4%	90.7%	93.0%	94.4%								
2006	26.6%	50.0%	64.6%	74.7%	81.4%	85.6%	88.7%	91.7%	93.5%									
2007	27.3%	49.7%	63.6%	73.6%	80.2%	84.6%	88.8%	91.4%										
2008	27.6%	48.1%	61.8%	72.1%	79.2%	85.1%	88.9%											
2009	26.8%	46.3%	60.1%	70.8%	79.2%	84.7%												
2010	27.0%	46.9%	60.8%	72.6%	80.6%													
2011	27.6%	47.3%	62.2%	73.7%														
2012	27.8%	48.2%	63.5%															
2013	27.0%	48.6%																
2014	27.0%																	

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 76% to 100% of the total California workers' compensation insured market measured using 2014 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	
1990																		99.3%
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													97.1%	97.4%	97.8%	98.1%	98.3%	98.5%
1996											96.5%	96.9%	97.4%	97.8%	98.0%	98.3%	98.4%	98.4%
1997										95.6%	96.3%	96.9%	97.3%	97.6%	97.8%	98.0%	98.3%	98.3%
1998									94.1%	95.1%	95.9%	96.5%	96.9%	97.3%	97.6%	97.9%	98.1%	98.1%
1999								92.3%	93.8%	94.9%	95.7%	96.3%	96.7%	97.1%	97.5%	97.7%		
2000							89.4%	91.6%	93.2%	94.3%	95.2%	95.8%	96.4%	96.9%	97.3%			
2001						84.0%	87.8%	90.3%	92.1%	93.3%	94.3%	95.1%	95.9%	96.4%				
2002				78.9%	79.4%	84.5%	88.2%	90.7%	92.3%	93.6%	94.5%	95.6%	96.2%					
2003				70.8%	78.9%	84.9%	88.4%	90.5%	92.2%	93.5%	94.9%	95.7%						
2004				60.5%	72.6%	80.6%	85.1%	88.1%	90.3%	92.1%	94.0%	95.0%						
2005		48.3%	62.9%	74.2%	80.9%	85.1%	88.2%	90.5%	92.8%	94.2%								
2006	23.4%	49.0%	63.8%	74.3%	81.1%	85.4%	88.5%	91.4%	93.3%									
2007	23.6%	48.2%	62.5%	72.8%	79.7%	84.2%	88.5%	91.1%										
2008	22.9%	45.9%	60.3%	71.2%	78.6%	84.7%	88.6%											
2009	21.3%	43.9%	58.6%	69.8%	78.5%	84.2%												
2010	21.0%	44.4%	59.2%	71.5%	79.9%													
2011	21.2%	44.5%	60.5%	72.6%														
2012	21.0%	45.3%	61.8%															
2013	20.4%	45.7%																
2014	20.4%																	

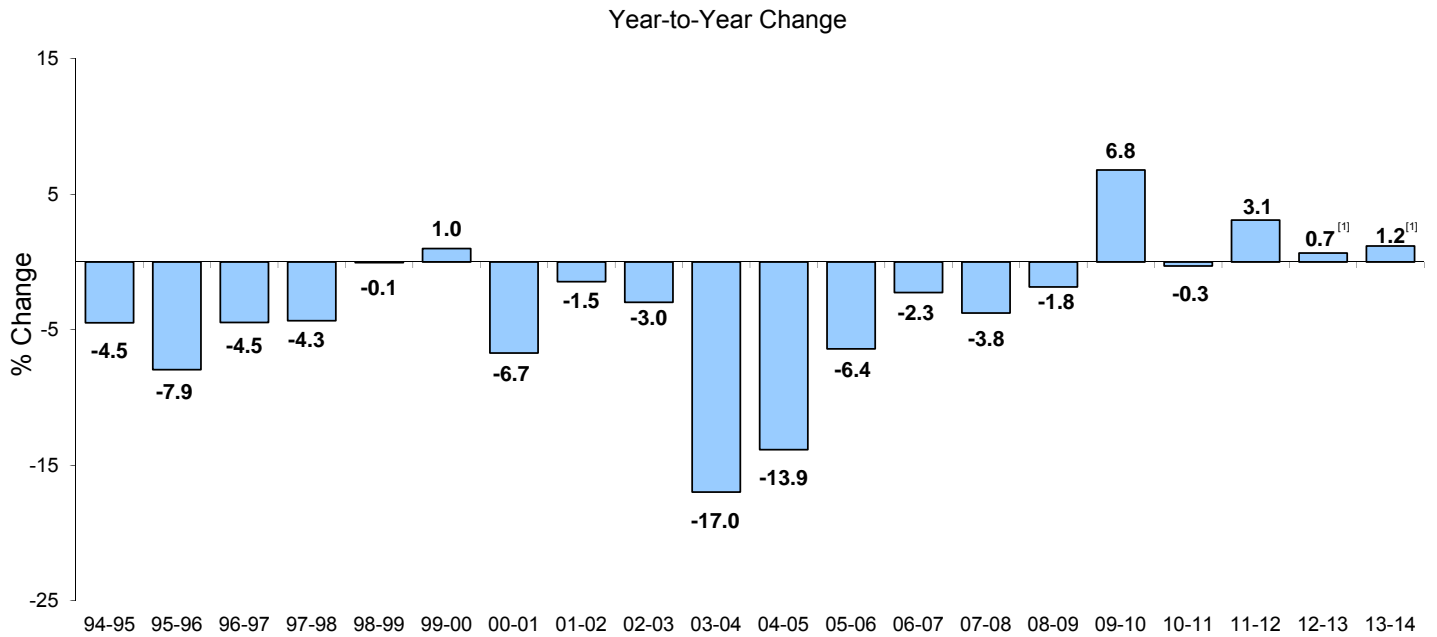
Notes All figures in each accident year contain information from the same combination of insurers, all of whom submitted complete data for all evaluations for that accident year. Therefore, each accident year may contain a different mix of insurers (ranging from 76% to 100% of the total California workers' compensation insured market measured using 2014 earned premium levels).

Quarterly Ultimate Settlement Ratios

Accident Year	Evaluated as of (in months):															
	<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%	23.7%	33.0%	39.5%	43.9%	48.2%	51.7%	55.6%	58.7%	62.5%	65.3%	67.9%	70.4%	72.8%
2008	0.8%	5.4%	13.3%	22.9%	31.5%	37.7%	42.0%	46.0%	49.6%	53.3%	56.8%	60.4%	63.3%	66.1%	68.7%	71.1%
2009	0.7%	4.7%	12.2%	21.3%	29.5%	35.5%	39.9%	43.9%	47.5%	51.3%	55.0%	58.6%	61.6%	64.7%	67.3%	69.8%
2010	0.7%	4.7%	11.8%	21.0%	29.6%	35.7%	40.0%	44.4%	48.2%	52.1%	55.7%	59.2%	62.4%	65.7%	68.7%	71.6%
2011	0.8%	5.1%	11.9%	21.2%	29.5%	35.6%	40.1%	44.5%	48.4%	52.6%	56.5%	60.5%	63.7%	66.8%	69.8%	72.6%
2012	0.8%	5.0%	12.0%	21.0%	29.2%	35.6%	40.4%	45.3%	49.4%	53.7%	57.9%	61.8%				
2013	0.9%	4.9%	11.4%	20.4%	28.9%	35.4%	40.7%	45.7%								
2014	0.7%	4.7%	11.4%	20.4%												

Accident Year	Quarterly Incremental Change														
	<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%	10.4%	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%	8.6%	6.2%	4.3%	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%	3.8%	3.6%	3.0%	3.1%	2.6%	2.5%
2010	4.1%	7.0%	9.2%	8.6%	6.0%	4.4%	4.3%	3.8%	3.9%	3.5%	3.5%	3.2%	3.3%	3.0%	2.9%
2011	4.3%	6.8%	9.3%	8.4%	6.1%	4.5%	4.4%	3.8%	4.3%	3.9%	4.0%	3.3%	3.0%	3.0%	2.8%
2012	4.1%	7.0%	9.0%	8.1%	6.4%	4.8%	4.8%	4.2%	4.3%	4.2%	3.9%				
2013	4.0%	6.5%	8.9%	8.5%	6.5%	5.3%	5.0%								
2014	3.9%	6.8%	8.9%												

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



<sup>[1]</sup> The 2012-2013 estimate is based on partial year unit statistical data. The 2013-2014 estimate is based on comparison of claim counts based on WCIRB accident year experience as of December 31, 2014 relative to the estimated change in statewide employment.

Item AC15-03-04  
12/31/2014 Loss Adjustment Expense Experience Review

The WCIRB's amended January 1, 2015 Pure Premium Rate Filing included a provision for loss adjustment expenses (LAE) of 28.2%. This amount reflected 5.5% for unallocated loss adjustment expenses (ULAE) and 22.7% for allocated loss adjustment expenses (ALAE), including the cost of medical cost containment programs (MCCP), and was based on calendar year 2013 ULAE data and accident year ALAE and MCCP data evaluated as of March 31, 2014. The updated ULAE and ALAE projections, including MCCP costs, for the July 1, 2015 to December 31, 2015 policy period are summarized separately below.

*ULAE Projection*

As of this time, the WCIRB does not have available calendar year 2014 ULAE information. However, staff has computed a preliminary updated ULAE projection based on updated frequency and loss projections as of December 31, 2014 as well as updated market share information, using the same methodologies as those reflected in the January 1, 2015 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 amended January 1, 2015 Pure Premium Rate Filing based solely on the experience of private insurers, the ULAE projection is 6.5%.

**Table 1: ULAE to Loss Ratio Projections  
for Policies Incepting July 1, 2015 through December 31, 2015**

ULAE Projection Method	Statewide ULAE Ratio	Private Insurer ULAE Ratio
Open Indemnity Claim-Based Projection Applied to Paid ULAE	9.5%	6.9%
Paid Loss-Based Projection Applied to Paid ULAE	8.6%	6.0%
Average of Indemnity Claim and Paid Loss-Based Projections	9.1%	<b>6.5%</b>

*ALAE Projection – Excluding MCCP*

The ALAE provision reflected in the WCIRB's amended January 1, 2015 Pure Premium Rate Filing reflected only the experience of private insurers and was based on a methodology that projects future ALAE as a function of the anticipated future number of indemnity claims and average ALAE per indemnity claim. The WCIRB has updated the ALAE projection based on ALAE data evaluated as of December 31, 2014 as well as updated frequency 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 ALAE per indemnity claim, while Exhibit 3 shows private insurer annual growth percentages based on ratios of incremental paid ALAE per indemnity claims inventory.

Exhibits 4 and 5 show the ALAE projection, excluding MCCP costs, for statewide and private insurers, respectively. The projections in both Exhibits 4 and 5 were computed using a 5.0% ALAE severity trend selected based on the approximate average of the private insurer longer-term (post-2005) and short-term (post-2009) growth rates of a) the estimated ultimate ALAE per indemnity claim (Exhibit 2.2) and b) incremental paid 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 upper portion of Table 2 shows the updated preliminary projections of ALAE as a percentage of loss, excluding the cost of MCCP. The projected ratio of ALAE to loss excluding the cost of MCCP, based solely on the experience of private insurers, is 19.6%. (This compares to a projected ALAE to loss based solely on the experience of private insurers of 15.4% in the amended January 1, 2015 Pure Premium Rate Filing.)

*ALAE Projection – MCCP*

The ALAE provision reflected in the WCIRB’s amended January 1, 2015 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. The WCIRB has updated the MCCP cost projection based on MCCP data evaluated as of December 31, 2014 as well as updated frequency and loss projections.

Exhibit 6 shows statewide and private insurer annual MCCP severity growth percentages based on ratios of calendar year paid MCCP costs per indemnity claims inventory. Exhibits 7 and 8 show the projection of MCCP costs in ALAE on a statewide basis and for private insurers, respectively. A 5% MCCP severity trend was selected based on the private insurer MCCP severity growth rates from 2009 through 2013 shown on Exhibit 6.

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 27.3%.

**Table 2: Projections of ALAE to Loss  
for Policies Incepting July 1, 2015 through December 31, 2015**

<b>ALAE Projection Method</b>	<b>Statewide ALAE Ratio</b>	<b>Private Insurer ALAE Ratio</b>
Separate Projections of Indemnity Claims and Average ALAE per Indemnity Claim – Excluding MCCP	17.7%	19.6%
Separate Projections of Indemnity Claims and Average MCCP Costs per Indemnity Claim	7.2%	7.7%
<b>Total Projections of ALAE Including MCCP</b>	<b>24.9%</b>	<b>27.3%</b>

The total projected LAE to loss ratio for policies incepting between July 1, 2015 and December 31, 2015 is 33.8%. This compares to 28.2% reflected in the amended January 1, 2015 Pure Premium Rate Filing.

**Average Paid ALAE<sup>[1]</sup> Per Reported Indemnity Claim - Private Insurers**  
As of December 31, 2014

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>	<u>96</u>	<u>108</u>	<u>120</u>
2000								4,517	4,705	4,895
2001							5,473	5,697	5,970	6,139
2002						5,667	5,937	6,252	6,449	6,614
2003					5,466	5,907	6,305	6,588	6,808	7,014
2004				4,361	5,053	5,568	5,945	6,214	6,429	6,635
2005			3,017	3,979	4,689	5,209	5,591	5,898	6,161	6,370
2006		1,849	3,119	4,119	4,867	5,434	5,864	6,218	6,493	
2007	574	1,977	3,322	4,417	5,243	5,879	6,394	6,767		
2008	619	2,117	3,618	4,883	5,816	6,529	7,071			
2009	675	2,405	4,128	5,516	6,547	7,336				
2010	744	2,587	4,349	5,681	6,707					
2011	768	2,612	4,254	5,580						
2012	773	2,597	4,313							
2013	790	2,745								
2014	886									

Accident Year	Annual Change									
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>	<u>120</u>
2001								26.1%	26.9%	25.4%
2002							8.5%	9.7%	8.0%	7.7%
2003						4.3%	6.2%	5.4%	5.6%	6.1%
2004					-7.6%	-5.7%	-5.7%	-5.7%	-5.6%	-5.4%
2005				-8.8%	-7.2%	-6.4%	-6.0%	-5.1%	-4.2%	-4.0%
2006			3.4%	3.5%	3.8%	4.3%	4.9%	5.4%	5.4%	
2007		6.9%	6.5%	7.2%	7.7%	8.2%	9.0%	8.8%		
2008	7.9%	7.1%	8.9%	10.6%	10.9%	11.1%	10.6%			
2009	9.0%	13.6%	14.1%	13.0%	12.6%	12.4%				
2010	10.4%	7.6%	5.4%	3.0%	2.4%					
2011	3.2%	1.0%	-2.2%	-1.8%						
2012	0.7%	-0.6%	1.4%							
2013	2.2%	5.7%								
2014	12.1%									

Annual Trend <sup>[2]</sup>										
All-Year	5.8%	5.9%	6.1%	5.5%	4.2%	3.0%	2.3%	3.7%	3.7%	4.7%
R <sup>2</sup>	0.937	0.907	0.907	0.824	0.576	0.442	0.450	0.494	0.419	0.460
5-Year	3.8%	2.7%	3.9%	6.4%	9.0%	9.1%	4.9%	0.5%	-0.9%	0.8%
R <sup>2</sup>	0.792	0.803	0.635	0.817	0.972	0.971	0.691	0.025	0.147	0.060

<sup>[1]</sup> All paid ALAE exclude the paid cost of medical cost containment programs.

<sup>[2]</sup> Trend is based on exponential distribution.

Source: WCIRB accident year experience calls.

**Estimated Ultimate ALAE Per Indemnity Claim - Statewide**

Acc. Year	Paid ALAE <sup>[1]</sup> @12/31/14 (in \$000) (1)	Cumulative Development Factors <sup>[2]</sup> (2)	Estimated Ultimate ALAE (in \$000) (3)=(1)x(2)	Indemnity Claim Counts @12/31/14 (4)	Cumulative Count Development Factors <sup>[3]</sup> (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ultimate ALAE Per Indemnity Claim (7)=(3)/(6)x1000	Annual Change
1991	444,137	1.019	452,466	249,886	1.000	249,987	1,810	---
1992	343,526	1.021	350,892	198,523	1.001	198,637	1,767	-2.4%
1993	249,030	1.024	255,123	156,234	1.001	156,353	1,632	-7.6%
1994	233,325	1.030	240,243	143,780	1.001	143,927	1,669	2.3%
1995	257,942	1.036	267,211	135,329	1.001	135,509	1,972	18.1%
1996	302,294	1.044	315,572	133,371	1.002	133,576	2,362	19.8%
1997	384,562	1.052	404,607	137,469	1.002	137,720	2,938	24.4%
1998	558,769	1.060	592,434	147,870	1.002	148,183	3,998	36.1%
1999	610,868	1.073	655,237	149,215	1.002	149,519	4,382	9.6%
2000	755,477	1.086	820,496	162,724	1.003	163,150	5,029	14.8%
2001	950,852	1.102	1,047,543	186,760	1.003	187,327	5,592	11.2%
2002	1,002,635	1.121	1,123,636	195,576	1.003	196,199	5,727	2.4%
2003	1,000,915	1.140	1,140,731	184,916	1.003	185,503	6,149	7.4%
2004	833,793	1.163	969,409	159,353	1.003	159,877	6,063	-1.4%
2005	726,871	1.192	866,377	140,096	1.003	140,517	6,166	1.7%
2006	751,240	1.234	926,749	133,187	1.003	133,618	6,936	12.5%
2007	785,469	1.290	1,013,377	130,772	1.004	131,307	7,718	11.3%
2008	802,030	1.368	1,097,029	124,222	1.005	124,824	8,789	13.9%
2009	794,445	1.484	1,179,080	115,696	1.006	116,409	10,129	15.2%
2010	772,843	1.670	1,290,951	120,669	1.010	121,827	10,597	4.6%
2011	658,888	1.986	1,308,627	122,498	1.016	124,440	10,516	-0.8%
2012	538,509	2.645	1,424,301	128,534	1.030	132,348	10,762	2.3%
2013	349,340	4.562	1,593,797	132,573	1.067	141,416	11,270	4.7%
2014	91,110	19.945	1,817,172	110,025	1.328	146,131	12,435	10.3%

**Estimated Annual Exponential Trend Based on:**

	<b>R<sup>2</sup></b>
2005 to 2014	7.5% 0.912
2009 to 2014	3.6% 0.834

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 5.1.
- [3] See Exhibit 4.1.

**Estimated Ultimate ALAE Per Indemnity Claim - Private Insurers**

Acc. Year	Paid ALAE <sup>[1]</sup> @12/31/14 (in \$000) (1)	Cumulative Development Factors <sup>[2]</sup> (2)	Estimated Ultimate ALAE (in \$000) (3)=(1)x(2)	Indemnity Claim Counts @12/31/14 (4)	Cumulative Count Development Factors <sup>[3]</sup> (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ultimate ALAE Per Indemnity Claim (7)=(3)/(6)x1000	Annual Change
1991	410,523	1.019	418,222	175,426	1.001	175,534	2,383	---
1992	314,355	1.021	321,095	142,012	1.001	142,136	2,259	-5.2%
1993	231,762	1.024	237,432	113,623	1.001	113,757	2,087	-7.6%
1994	214,985	1.030	221,359	105,468	1.002	105,632	2,096	0.4%
1995	234,207	1.036	242,624	101,497	1.002	101,701	2,386	13.8%
1996	279,084	1.044	291,342	103,412	1.002	103,654	2,811	17.8%
1997	352,884	1.052	371,278	104,899	1.003	105,177	3,530	25.6%
1998	488,211	1.060	517,626	112,846	1.003	113,177	4,574	29.6%
1999	537,833	1.073	576,898	116,905	1.003	117,241	4,921	7.6%
2000	637,803	1.086	692,694	119,143	1.004	119,587	5,792	17.7%
2001	759,934	1.102	837,211	114,983	1.005	115,503	7,248	25.1%
2002	794,616	1.121	890,513	113,746	1.005	114,314	7,790	7.5%
2003	797,553	1.140	908,962	108,877	1.005	109,474	8,303	6.6%
2004	676,534	1.163	786,571	99,629	1.006	100,253	7,846	-5.5%
2005	622,069	1.192	741,460	97,653	1.007	98,292	7,543	-3.9%
2006	675,380	1.234	833,167	104,017	1.008	104,814	7,949	5.4%
2007	728,767	1.290	940,223	107,694	1.009	108,706	8,649	8.8%
2008	754,055	1.368	1,031,408	106,640	1.011	107,840	9,564	10.6%
2009	753,440	1.484	1,118,222	102,697	1.013	104,064	10,746	12.4%
2010	742,784	1.670	1,240,740	110,749	1.018	112,753	11,004	2.4%
2011	639,467	1.986	1,270,056	114,594	1.026	117,530	10,806	-1.8%
2012	525,664	2.645	1,390,327	121,864	1.041	126,858	10,960	1.4%
2013	340,938	4.562	1,555,465	124,224	1.081	134,259	11,586	5.7%
2014	88,443	19.945	1,763,981	99,786	1.358	135,540	13,014	12.3%

Estimated Annual Exponential Trend Based on:		R <sup>2</sup>
2005 to 2014	5.7%	0.917
2009 to 2014	3.3%	0.679

Notes:

- <sup>[1]</sup> All paid ALAE exclude the paid cost of medical cost containment programs.
- <sup>[2]</sup> Based on the latest year paid ALAE age-to-age development from Exhibit 5.1.
- <sup>[3]</sup> See Exhibit 5.2.



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

Acc. Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1989	1,117	813	940	917	1,055	923	1,167	1,027	1,221	1,236	1,525	1,530	1,442
1990	1,360	1,316	1,252	1,449	1,198	1,086	1,406	1,138	1,341	1,386	1,584	1,777	1,689
1991	1,449	1,068	1,594	1,323	1,120	1,203	1,481	1,384	1,577	1,308	1,678	1,541	1,840
1992	1,637	1,405	1,636	1,740	1,485	1,507	1,647	1,477	1,718	1,434	1,579	1,633	1,566
1993	1,636	1,667	1,767	1,532	1,630	1,677	1,945	1,450	1,732	1,788	1,932	1,934	1,862
1994	1,423	1,276	1,488	1,750	1,784	1,748	1,864	1,389	1,514	1,774	1,830	1,814	1,845
1995	1,992	2,178	2,179	1,638	1,649	1,771	1,866	1,682	2,022	1,602	1,996	2,144	2,036
1996	2,267	2,602	2,834	2,010	2,006	2,003	2,040	1,938	1,755	1,868	2,035	2,244	2,073
1997	2,489	2,827	3,404	2,276	2,503	2,463	2,343	2,268	2,196	2,281	2,489	2,350	2,181
1998	2,250	2,818	2,997	2,835	2,604	2,405	2,426	2,374	2,398	2,338	2,401	2,362	2,357
1999	2,197	2,512	2,795	2,415	2,752	2,526	2,468	2,806	2,659	2,600	2,662	2,452	2,142
2000	2,124	2,340	2,717	2,479	2,861	2,658	2,699	2,806	2,773	2,781	2,841	2,670	2,491
2001	1,610	2,271	2,590	2,332	2,618	2,918	2,644	2,756	2,707	2,730	2,841	2,819	3,344
2002	622	1,676	2,618	2,522	2,746	3,081	2,881	2,976	2,949	3,029	2,959	3,017	3,466
2003		635	1,949	2,548	2,818	3,077	3,014	3,007	3,226	3,208	3,518	3,353	3,672
2004			553	1,816	2,562	2,919	3,062	3,170	3,256	3,156	3,084	3,264	3,583
2005				498	1,692	2,493	2,877	3,084	3,227	3,286	3,267	3,442	3,587
2006					529	1,815	2,675	2,969	3,220	3,478	3,468	3,582	3,840
2007						572	1,987	2,752	3,155	3,398	3,572	3,667	3,698
2008							620	2,095	2,976	3,480	3,559	3,657	3,860
2009								674	2,380	3,307	3,620	3,770	3,975
2010									746	2,542	3,411	3,674	3,881
2011										766	2,569	3,310	3,617
2012											773	2,581	3,407
2013												789	2,718
													887
ALAE per Claim	1,580	1,742	1,973	1,852	1,915	1,979	2,047	2,160	2,318	2,480	2,563	2,609	2,745
Annual Change		10.2%	13.2%	-6.1%	3.4%	3.4%	3.4%	5.5%	7.3%	7.0%	3.4%	1.8%	5.2%

<b>Estimated Annual Exponential Trend Based on Payment Year:</b>		<b>R<sup>2</sup></b>
2005-2014	4.7%	0.986
2009-2014	4.6%	0.958

[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														1.001
1994													1.001	1.000
1995												1.001	1.000	1.004
1996											1.001	1.001	1.001	1.000
1997										1.001	1.000	1.000	1.000	1.000
1998									1.001	1.000	1.000	1.000	1.001	1.000
1999								1.001	1.002	1.000	1.000	1.000	1.000	1.000
2000							1.000	0.998	1.000	1.000	1.000	1.001	1.000	1.000
2001						0.999	0.998	1.000	0.999	1.000	1.000	1.000	1.000	
2002					0.999	1.007	1.000	0.999	1.000	1.000	1.000	1.000		
2003				0.999	1.008	0.998	0.999	0.999	0.999	0.999	1.000			
2004			1.002	1.000	0.998	1.000	0.999	0.999	0.999	1.000				
2005		1.007	1.004	1.000	1.001	1.001	0.999	1.000	1.000					
2006	1.116	1.013	1.004	1.002	1.001	1.000	1.000	1.001						
2007	1.124	1.015	1.006	1.004	1.002	1.000	1.001							
2008	1.153	1.023	1.011	1.005	1.003	1.001								
2009	1.193	1.029	1.011	1.006	1.003									
2010	1.220	1.030	1.011	1.006										
2011	1.230	1.033	1.014											
2012	1.241	1.036												
2013	1.245													
I. <u>Age-to-Age (Latest Year)</u>														
	1.245	1.036	1.014	1.006	1.003	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000
II. <u>Age-to-Ultimate</u>														
	1.328	1.067	1.030	1.016	1.010	1.006	1.005	1.004	1.003	1.003	1.003	1.003	1.003	1.003

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
1989				1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1990			1.001	0.999	1.000	1.000	1.000	1.000	1.001	1.000	
1991		1.001	0.999	1.000	1.000	1.000	1.000	1.000	1.000		
1992	1.001	0.999	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				
1994	1.000	1.000	1.000	1.000	1.000	1.000					
1995	1.001	1.000	1.000	1.000	1.000						
1996	1.000	1.000	1.000	1.000							
1997	1.000	1.000	1.000								
1998	1.000	1.000									
1999	1.001										
I. <u>Age-to-Age (Latest Year)</u>											
	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
II. <u>Age-to-Ultimate</u>											
	1.003	1.002	1.002	1.002	1.002	1.001	1.001	1.001	1.001	1.000	1.000

Source: WCIRB quarterly calls for experience

**Projected Ratio of ALAE<sup>[1]</sup> to Losses - Statewide**

Based on Estimated Accident Year Indemnity Claim Frequency and ALAE Severity  
For Policies with Effective Dates between July 1, 2015 and December 31, 2015

Acc. Year	Paid ALAE <sup>[1]</sup>	Paid ALAE	Estimated Ult. ALAE (in \$000) (3)=(1)x(2)	Indemnity Claim Counts @12/31/14 (4)	Cumulative Count Development Factors <sup>[3]</sup> (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5) (6)	Estimated Ult. ALAE Per Indemnity Claim (7)=(3)/(6)x1000 (7)
	@12/31/14 (in \$000) (1)	Cumulative Development Factors <sup>[2]</sup> (2)					
1991	444,137	1.019	452,466	249,886	1.000	249,987	1,810
1992	343,526	1.021	350,892	198,523	1.001	198,637	1,767
1993	249,030	1.024	255,123	156,234	1.001	156,353	1,632
1994	233,325	1.030	240,243	143,780	1.001	143,927	1,669
1995	257,942	1.036	267,211	135,329	1.001	135,509	1,972
1996	302,294	1.044	315,572	133,371	1.002	133,576	2,362
1997	384,562	1.052	404,607	137,469	1.002	137,720	2,938
1998	558,769	1.060	592,434	147,870	1.002	148,183	3,998
1999	610,868	1.073	655,237	149,215	1.002	149,519	4,382
2000	755,477	1.086	820,496	162,724	1.003	163,150	5,029
2001	950,852	1.102	1,047,543	186,760	1.003	187,327	5,592
2002	1,002,635	1.121	1,123,636	195,576	1.003	196,199	5,727
2003	1,000,915	1.140	1,140,731	184,916	1.003	185,503	6,149
2004	833,793	1.163	969,409	159,353	1.003	159,877	6,063
2005	726,871	1.192	866,377	140,096	1.003	140,517	6,166
2006	751,240	1.234	926,749	133,187	1.003	133,618	6,936
2007	785,469	1.290	1,013,377	130,772	1.004	131,307	7,718
2008	802,030	1.368	1,097,029	124,222	1.005	124,824	8,789
2009	794,445	1.484	1,179,080	115,696	1.006	116,409	10,129
2010	772,843	1.670	1,290,951	120,669	1.010	121,827	10,597
2011	658,888	1.986	1,308,627	122,498	1.016	124,440	10,516
2012	538,509	2.645	1,424,301	128,534	1.030	132,348	10,762
2013	349,340	4.562	1,593,797	132,573	1.067	141,416	11,270
2014	91,110	19.945	1,817,172	110,025	1.328	146,131	12,435

**Projected Based on 2-Year Average of 2013 and 2014:**

	Ultimate ALAE <sup>[6]</sup>	Ult. Ind. Counts <sup>[4]</sup>	Ult. ALAE per Ind. Counts <sup>[5]</sup>
2015	1,825,341	143,263	12,741
4/1/2016	1,884,846	142,618	13,216

- (a) Projected ALAE Incurred (\$000): 1,884,846
- (b) Calendar Year 2014 Earned Premium<sup>[7]</sup> (\$000): 16,228,450
- (c) Projected Loss to Industry Average Filed Pure Premium Ratio<sup>[8]</sup>: 0.700
- (d) Premium Adjustment Factor for Calendar Year 2014<sup>[9]</sup>: 0.940
- (e) Projected Losses (\$000): (b) x (c) x (d) 10,678,320
- (f) Projected Ratio of ALAE to Losses: (a)/(e) 17.7%

Notes:

- [1] All paid ALAE exclude the paid cost of medical cost containment programs.
- [2] Based on the private insurers latest year paid ALAE age-to-age development from Exhibit 5.1.
- [3] Based on the latest year indemnity claim count age-to-age development from Exhibit 4.1.
- [4] Estimated based on projected frequency trends for accident years 2014 to 2016. 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 2013 and 2014.
- [5] Severity is projected by applying an annual growth rate of 5%, 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 2013 and 2014.
- [6] Column(6) x Column(7) / 1,000.
- [7] Based on the reported earned premium for calendar year 2014 from the same group of insurers that reported the paid ALAE in column (1) and the indemnity claim counts in column (4) by accident year as of December 31, 2014.
- [8] See Exhibit 8 of Item AC15-03-02.
- [9] See Exhibit 5.2 of Item AC15-03-02.

**Paid Allocated Loss Adjustment Expense Development - Private Insurers**  
As of December 31, 2014

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								1.002	1.014	1.013	1.011	1.009	1.008	1.004	1.012
1986							1.038	1.000	1.018	1.013	1.010	1.008	1.009	1.010	1.005
1987						1.056	1.035	1.025	1.016	1.012	1.009	1.012	1.009	1.006	1.006
1988					1.095	1.055	1.036	1.023	1.016	1.011	1.010	1.014	1.005	1.004	1.004
1989				1.178	1.110	1.063	1.064	1.030	1.018	1.012	1.008	1.004	1.006	1.005	1.004
1990			1.335	1.170	1.085	1.070	1.035	1.020	1.015	1.010	1.007	1.006	1.006	1.004	1.005
1991		1.711	1.303	1.131	1.083	1.054	1.027	1.019	1.012	1.017	1.008	1.005	1.002	1.005	1.007
1992	3.520	1.631	1.249	1.134	1.081	1.050	1.028	1.021	1.024	1.010	1.008	1.004	1.007	1.005	1.006
1993	3.143	1.624	1.281	1.148	1.082	1.053	1.034	1.035	1.020	1.014	1.011	1.010	1.011	1.010	1.009
1994	3.130	1.649	1.285	1.126	1.087	1.055	1.046	1.027	1.020	1.016	1.015	1.017	1.014	1.012	1.008
1995	3.401	1.698	1.258	1.180	1.081	1.058	1.038	1.031	1.025	1.021	1.020	1.017	1.016	1.011	1.012
1996	3.147	1.569	1.330	1.132	1.081	1.061	1.049	1.036	1.033	1.028	1.022	1.018	1.014	1.010	1.009
1997	2.994	1.675	1.231	1.132	1.092	1.067	1.052	1.042	1.035	1.027	1.021	1.017	1.013	1.012	1.012
1998	3.591	1.608	1.248	1.163	1.105	1.076	1.071	1.045	1.032	1.024	1.021	1.017	1.014	1.014	1.012
1999	3.351	1.720	1.319	1.158	1.116	1.086	1.064	1.042	1.034	1.029	1.021	1.018	1.016	1.013	1.013
2000	4.051	1.752	1.315	1.183	1.121	1.090	1.053	1.042	1.033	1.025	1.021	1.019	1.015	1.014	
2001	3.939	1.768	1.357	1.182	1.118	1.078	1.054	1.039	1.028	1.024	1.020	1.017	1.017		
2002	3.927	1.784	1.315	1.171	1.101	1.074	1.046	1.032	1.026	1.021	1.018	1.017			
2003	4.109	1.707	1.324	1.159	1.107	1.062	1.045	1.034	1.029	1.023	1.020				
2004	4.040	1.713	1.319	1.169	1.101	1.069	1.048	1.036	1.030	1.025					
2005	3.840	1.698	1.336	1.181	1.113	1.079	1.056	1.045	1.035						
2006	3.750	1.736	1.330	1.186	1.120	1.081	1.060	1.046							
2007	4.027	1.716	1.340	1.194	1.126	1.088	1.060								
2008	4.015	1.758	1.367	1.198	1.126	1.085									
2009	4.322	1.775	1.354	1.199	1.125										
2010	4.300	1.737	1.342	1.189											
2011	4.230	1.723	1.332												
2012	4.315	1.725													
2013	4.372														

Latest Year		1.725	1.332	1.189	1.125	1.085	1.060	1.046	1.035	1.025	1.020	1.017	1.017	1.014	1.013
Age-to-Age	4.372	1.725	1.332	1.189	1.125	1.085	1.060	1.046	1.035	1.025	1.020	1.017	1.017	1.014	1.013
Cumulative	19.945	4.562	2.645	1.986	1.670	1.484	1.368	1.290	1.234	1.192	1.163	1.140	1.121	1.102	1.086
3-Year Arithmetics Average		1.728	1.342	1.196	1.126	1.085	1.059	1.042	1.031	1.023	1.020	1.018	1.016	1.014	1.012
Age-to-Age	4.305	1.728	1.342	1.196	1.126	1.085	1.059	1.042	1.031	1.023	1.020	1.018	1.016	1.014	1.012
Cumulative	19.617	4.556	2.636	1.964	1.643	1.459	1.345	1.271	1.220	1.183	1.156	1.134	1.114	1.097	1.082
Average Excluding High & Low		1.706	1.314	1.167	1.102	1.068	1.047	1.031	1.025	1.019	1.015	1.013	1.011	1.009	1.008
Age-to-Age	3.807	1.706	1.314	1.167	1.102	1.068	1.047	1.031	1.025	1.019	1.015	1.013	1.011	1.009	1.008
Cumulative	14.751	3.874	2.271	1.729	1.481	1.344	1.258	1.201	1.165	1.137	1.116	1.100	1.085	1.074	1.065

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
1985	1.003	1.004	1.006	1.004	1.003	1.005	1.005	1.000	1.003	1.004	1.004	1.004	1.004	1.006
1986	1.006	1.005	1.005	1.005	1.006	1.005	1.000	1.004	1.005	1.005	1.006	1.006	1.007	
1987	1.004	1.004	1.005	1.006	1.007	1.000	1.003	1.006	1.005	1.004	1.005	1.006		
1988	1.004	1.004	1.005	1.005	1.012	1.004	1.004	1.004	1.004	1.004	1.004			
1989	1.005	1.005	1.004	1.004	1.003	1.004	1.004	1.004	1.004	1.004				
1990	1.006	1.005	1.004	1.002	1.003	1.003	1.003	1.003	1.003					
1991	1.004	1.004	1.002	1.003	1.003	1.003	1.003	1.003						
1992	1.005	1.002	1.005	1.004	1.003	1.003	1.003							
1993	1.004	1.007	1.006	1.006	1.006	1.005								
1994	1.007	1.008	1.007	1.006	1.006									
1995	1.008	1.009	1.009	1.008										
1996	1.010	1.009	1.008											
1997	1.010	1.008												
1998	1.012													

Latest Year		1.008	1.008	1.008	1.006	1.005	1.003	1.003	1.003	1.004	1.004	1.006	1.007	1.006
Age-to-Age	1.012	1.008	1.008	1.008	1.006	1.005	1.003	1.003	1.003	1.004	1.004	1.006	1.007	1.006
Cumulative	1.073	1.060	1.052	1.044	1.036	1.030	1.024	1.021	1.019	1.016	1.014	1.012	1.010	1.009
3-Year Arithmetics Average		1.009	1.008	1.007	1.005	1.004	1.003	1.003	1.004	1.004	1.005	1.006	1.007	1.006
Age-to-Age	1.010	1.009	1.008	1.007	1.005	1.004	1.003	1.003	1.004	1.004	1.005	1.006	1.007	1.006
Cumulative	1.069	1.058	1.049	1.040	1.033	1.028	1.024	1.021	1.019	1.016	1.014	1.012	1.010	1.009
Average Excluding High & Low		1.006	1.005	1.005	1.005	1.004	1.003	1.004	1.004	1.004	1.005	1.006		
Age-to-Age	1.006	1.006	1.005	1.005	1.005	1.004	1.003	1.004	1.004	1.004	1.005	1.006		
Cumulative	1.056	1.050	1.044	1.038	1.033	1.028	1.024	1.021	1.019	1.016	1.014	1.012	1.010	1.009

Note: Factors in italics are based on powerfit fit to the "Average Excluding High & Low" factors.  
Source: WCIRB accident year experience calls. Excludes MCPP costs.

Quarterly Paid ALAE Loss Development Factors<sup>[1]</sup> - Private Insurers

Age in Months	Accident Year												
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
3 - 6						7.976	7.570	5.434	9.136	8.769	8.694	9.038	6.309
6 - 9					2.427	3.016	2.765	2.630	3.023	3.176	3.214	3.032	3.135
9 - 12					2.022	2.078	2.021	2.034	2.077	2.165	2.113	2.037	2.139
12 - 15					1.653	1.627	1.687	1.724	1.737	1.698	1.709	1.759	
15 - 18					1.415	1.486	1.494	1.509	1.482	1.486	1.511	1.493	
18 - 21				1.318	1.357	1.328	1.289	1.326	1.334	1.343	1.339	1.348	
21 - 24				1.249	1.255	1.234	1.237	1.255	1.253	1.248	1.248	1.235	
24 - 27				1.192	1.187	1.191	1.190	1.197	1.189	1.185	1.193		
27 - 30				1.151	1.165	1.167	1.172	1.170	1.158	1.163	1.161		
30 - 33			1.127	1.145	1.128	1.119	1.135	1.138	1.133	1.131	1.130		
33 - 36			1.113	1.110	1.107	1.103	1.111	1.114	1.113	1.105	1.102		
36 - 39			1.093	1.087	1.093	1.090	1.097	1.094	1.091	1.088			
39 - 42			1.076	1.083	1.083	1.086	1.096	1.082	1.083	1.081			
42 - 45		1.063	1.077	1.068	1.063	1.069	1.069	1.074	1.069	1.069			
45 - 48		1.059	1.057	1.058	1.057	1.059	1.063	1.064	1.062	1.059			
48 - 51		1.049	1.039	1.050	1.050	1.050	1.052	1.053	1.052				
51 - 54		1.043	1.044	1.048	1.049	1.050	1.049	1.050	1.048				
54 - 57	1.038	1.045	1.037	1.037	1.038	1.043	1.045	1.043	1.040				
57 - 60	1.037	1.025	1.032	1.034	1.037	1.038	1.039	1.039	1.037				
60 - 63	1.031	1.027	1.028	1.030	1.032	1.032	1.034	1.034					
63 - 66	1.029	1.025	1.025	1.030	1.030	1.031	1.033	1.031					
66 - 69	1.027	1.023	1.022	1.026	1.027	1.029	1.028	1.028					
69 - 72	1.018	1.021	1.022	1.023	1.025	1.028	1.026	1.026					
72 - 75	1.014	1.017	1.018	1.021	1.022	1.023	1.023						
75 - 78	1.018	1.018	1.019	1.020	1.020	1.023	1.022						
78 - 81	1.017	1.013	1.015	1.019	1.019	1.020	1.020						
81 - 84	1.015	1.013	1.015	1.017	1.018	1.019	1.018						
84 - 87	1.014	1.011	1.013	1.015	1.016	1.016							
87 - 90	1.013	1.012	1.012	1.014	1.015	1.015							
90 - 93	1.010	1.011	1.011	1.013	1.014	1.014							
93 - 96	1.010	1.011	1.011	1.013	1.013	1.013							
96 - 99	1.007	1.009	1.010	1.012	1.012								
99 - 102	1.008	1.009	1.009	1.012	1.012								
102 - 105	1.007	1.008	1.008	1.010	1.012								
105 - 108	1.008	1.008	1.008	1.010	1.010								
108 - 111	1.007	1.007	1.008	1.009									
111 - 114	1.007	1.008	1.008	1.009									
114 - 117	1.006	1.007	1.007	1.009									
117 - 120	1.006	1.007	1.007	1.008									
120 - 123	1.006	1.006	1.007										

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

Source: WCIRB quarterly calls for experience.

Reported Indemnity Claim Count Development - Private Insurers

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														1.001
1994													1.002	1.000
1995												1.001	1.000	1.006
1996											1.001	1.001	1.002	1.001
1997										1.002	1.000	1.001	1.001	1.000
1998									1.002	1.000	1.001	1.001	1.002	1.000
1999								1.002	1.002	1.001	1.001	1.000	1.001	1.000
2000							1.001	0.998	1.000	1.000	1.001	1.001	1.001	1.001
2001						1.000	0.999	1.001	0.999	1.001	1.001	1.001	1.000	
2002					1.000	1.015	1.001	1.000	1.001	1.001	1.002	1.001	1.000	
2003				1.004	1.018	0.999	1.000	1.001	1.000	1.001	1.001			
2004			1.007	1.003	1.000	1.001	1.001	1.001	1.001	1.000				
2005		1.017	1.010	1.002	1.002	1.003	1.001	1.002	1.001					
2006	1.145	1.024	1.007	1.003	1.003	1.002	1.001	1.002						
2007	1.150	1.021	1.008	1.006	1.004	1.002	1.002							
2008	1.175	1.029	1.013	1.006	1.004	1.002								
2009	1.212	1.034	1.013	1.008	1.005									
2010	1.237	1.033	1.013	1.007										
2011	1.242	1.036	1.015											
2012	1.254	1.038												
2013	1.257													
I. <u>Age-to-Age (Latest Year)</u>														
	1.257	1.038	1.015	1.007	1.005	1.002	1.002	1.002	1.001	1.000	1.001	1.000	1.000	1.001
II. <u>Age-to-Ultimate</u>														
	1.358	1.081	1.041	1.026	1.018	1.013	1.011	1.009	1.008	1.007	1.006	1.005	1.005	1.005

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	
1989				1.001	0.999	1.000	1.000	1.001	1.001	1.000	1.000	
1990			1.001	0.999	1.000	1.000	1.001	1.001	1.001	1.000		
1991		1.001	0.998	1.000	1.000	1.000	1.001	1.001	1.000			
1992	1.001	0.999	1.000	1.000	1.001	1.001	1.000	1.000				
1993	1.000	1.000	1.000	1.000	1.001	1.001	1.000					
1994	1.001	1.001	1.000	1.001	1.001	1.000						
1995	1.002	1.000	1.001	1.001	1.000							
1996	1.000	1.001	1.001	1.000								
1997	1.001	1.001	1.000									
1998	1.001	1.000										
1999	1.001											
I. <u>Age-to-Age (Latest Year)</u>												
	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
II. <u>Age-to-Ultimate</u>												
	1.004	1.003	1.003	1.003	1.002	1.002	1.002	1.001	1.001	1.001	1.000	1.000

Source: WCIRB quarterly calls for experience

**Projected Ratio of ALAE<sup>[1]</sup> to Losses - Private Insurers**  
Based on Estimated Accident Year Indemnity Claim Frequency and ALAE Severity  
For Policies with Effective Dates between July 1, 2015 and December 31, 2015

Acc. Year	Paid ALAE <sup>[1]</sup> @12/31/14 (in \$000) (1)	Paid ALAE Cumulative Development Factors <sup>[2]</sup> (2)	Estimated Ult. ALAE (in \$000) (3)=(1)x(2)	Indemnity Claim Counts @12/31/14 (4)	Cumulative Count Development Factors <sup>[3]</sup> (5)	Estimated Ultimate Ind. Counts (6)=(4)x(5)	Estimated Ult. ALAE Per Indemnity Claim (7)=(3)/(6)x1000
1991	410,523	1.019	418,222	175,426	1.001	175,534	2,383
1992	314,355	1.021	321,095	142,012	1.001	142,136	2,259
1993	231,762	1.024	237,432	113,623	1.001	113,757	2,087
1994	214,985	1.030	221,359	105,468	1.002	105,632	2,096
1995	234,207	1.036	242,624	101,497	1.002	101,701	2,386
1996	279,084	1.044	291,342	103,412	1.002	103,654	2,811
1997	352,884	1.052	371,278	104,899	1.003	105,177	3,530
1998	488,211	1.060	517,626	112,846	1.003	113,177	4,574
1999	537,833	1.073	576,898	116,905	1.003	117,241	4,921
2000	637,803	1.086	692,694	119,143	1.004	119,587	5,792
2001	759,934	1.102	837,211	114,983	1.005	115,503	7,248
2002	794,616	1.121	890,513	113,746	1.005	114,314	7,790
2003	797,553	1.140	908,962	108,877	1.005	109,474	8,303
2004	676,534	1.163	786,571	99,629	1.006	100,253	7,846
2005	622,069	1.192	741,460	97,653	1.007	98,292	7,543
2006	675,380	1.234	833,167	104,017	1.008	104,814	7,949
2007	728,767	1.290	940,223	107,694	1.009	108,706	8,649
2008	754,055	1.368	1,031,408	106,640	1.011	107,840	9,564
2009	753,440	1.484	1,118,222	102,697	1.013	104,064	10,746
2010	742,784	1.670	1,240,740	110,749	1.018	112,753	11,004
2011	639,467	1.986	1,270,056	114,594	1.026	117,530	10,806
2012	525,664	2.645	1,390,327	121,864	1.041	126,858	10,960
2013	340,938	4.562	1,555,465	124,224	1.081	134,259	11,586
2014	88,443	19.945	1,763,981	99,786	1.358	135,540	13,014

**Projected Based on 2-Year Average of 2013 and 2014:**

	Ultimate ALAE <sup>[6]</sup>	Ult. Ind. Counts <sup>[4]</sup>	Ult. ALAE per Ind. Counts <sup>[5]</sup>
2015	1,777,041	134,429	13,219
4/1/2016	1,834,971	133,824	13,712

(a) Projected ALAE Incurred (\$000):	1,834,971
(b) Calendar Year 2014 Earned Premium <sup>[7]</sup> (\$000):	14,545,889
(c) Projected Loss to Industry Average Filed Pure Premium Ratio <sup>[8]</sup> :	0.665
(d) Premium Adjustment Factor for Calendar Year 2014 <sup>[9]</sup> :	0.970
(e) Projected Losses (\$000): (b) x (c) x (d)	9,382,826
(f) Projected Ratio of ALAE to Losses: (a)/(e)	19.6%

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 5.1.
- [3] Based on the latest year indemnity claim count age-to-age development from Exhibit 5.3.
- [4] Estimated based on projected frequency trends for accident years 2014 to 2016. 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 2013 and 2014.
- [5] Severity is projected by applying an annual growth rate of 5%, which is based on the approximate average of the 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 2013 and 2014.
- [6] Column(6) x Column(7) / 1,000.
- [7] Based on the reported earned premium for calendar year 2014 from the same group of private insurers that reported the paid ALAE in column (1) and the indemnity claim counts in column (4) by accident year as of December 31, 2014.
- [8] Based on analogous Exhibit 8 of Item AC15-03-02, applicable to private insurers only.
- [9] Based on analogous Exhibit 5.2 of Item AC15-03-02, applicable to private insurers only.

**Paid MCCP per Indemnity Claims Inventory<sup>[1]</sup> Calendar Year**

<u>Calendar Year</u>	<u>Private Insurers</u>	<u>Statewide</u>
2005	\$469	---
2006	\$559	---
2007	\$631	\$433
2008	\$953	\$673
2009	\$830	\$665
2010	\$888	\$733
2011	\$928	\$784
2012	\$973	\$834
2013	\$1,019	\$898
<u>Estimated Annual Exponential Trend Based on:</u>		
2005-2013	9.5%	---
R <sup>2</sup>	0.796	---
2009-2013	5.2%	7.5%
R <sup>2</sup>	0.993	0.993
Selected:	5.0%	

<sup>[1]</sup> 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 expense calls, aggregate indemnity and medical cost calls and quarterly calls for experience



**Projected Ratio of MCCP to Losses - Statewide**

Based on Estimated Accident Year Indemnity Claim Frequency and MCCP Severity  
For Policies with Effective Dates between July 1, 2015 and December 31, 2015

<u>Year</u>	<u>Paid MCCP @12/31/14 (in \$000)</u> (1)	<u>Cumulative Development Factors<sup>[1]</sup></u> (2)	<u>Estimated Ultimate MCCP</u> (3)=(1)x(2)	<u>Indemnity Claim Counts @12/31/14</u> (4)	<u>Cumulative Count Development Factors<sup>[2]</sup></u> (5)	<u>Estimated Ultimate Ind. Counts</u> (6)=(4)x(5)	<u>Estimated Ultimate MCCP Per Indemnity Claim</u> (7)=(3)/(6) x 1000	<u>Annual change</u>
2011	269,160	2.250	605,718	122,498	1.016	124,440	4,868	---
2012	227,152	2.836	644,090	128,534	1.030	132,348	4,867	0.0%
2013	169,709	4.146	703,531	132,573	1.067	141,416	4,975	2.2%
2014	66,681	10.256	683,883	110,025	1.328	146,131	4,680	-5.9%

Projected Based on 2-Year Average of 2013 and 2014:

	<u>Ultimate MCCP<sup>[5]</sup></u>	<u>Ult. Ind. Counts<sup>[3]</sup></u>	<u>Ult.MCCP per Ind. Counts<sup>[4]</sup></u>
2015	744,876	143,263	5,199
4/1/2016	769,159	142,618	5,393

(a) Projected MCCP (\$000):	769,159
(b) Calendar Year 2014 Earned Premium <sup>[6]</sup> (\$000):	16,228,450
(c) Projected Loss to Industry Average Filed Pure Premium Ratio <sup>[7]</sup> :	0.700
(d) Premium Adjustment Factor for Calendar Year 2014 <sup>[8]</sup> :	0.940
(e) Projected Losses (\$000): (b) x (c) x (d)	10,678,320
(f) Projected Ratio of MCCP to Losses: (a)/(e)	7.2%

Notes:

- [1] Based on paid medical cumulative loss development factors from Exhibit 2.6.1 of Item AC15-03-02.
- [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 2014 to 2016. 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 2013 and 2014.
- [4] Severity is projected by applying an annual growth rate of 5%, which is based on the approximate average rate of growth, based on private insurers, in paid MCCP per indemnity claim from Exhibit 6, to the ultimate MCCP severity estimated from averaging 2013 and 2014.
- [5] Column(6) x Column(7) / 1,000.
- [6] Based on the reported earned premium for calendar year 2014 from the same group of insurers that reported the paid MCCP in column (1) and the indemnity claim counts in column (4) by accident year as of December 31, 2014.
- [7] See Exhibit 8 of Item AC15-03-02.
- [8] See Exhibit 5.2 of Item AC15-03-02.

**Projected Ratio of MCCP to Losses - Private Insurers**  
Based on Estimated Accident Year Indemnity Claim Frequency and MCCP Severity  
For Policies with Effective Dates between July 1, 2015 and December 31, 2015

<u>Year</u>	<u>Paid MCCP @12/31/14 (in \$000)</u> (1)	<u>Cumulative Development Factors<sup>[1]</sup></u> (2)	<u>Estimated Ultimate MCCP</u> (3)=(1)x(2)	<u>Indemnity Claim Counts @12/31/14</u> (4)	<u>Cumulative Count Development Factors<sup>[2]</sup></u> (5)	<u>Estimated Ultimate Ind. Counts</u> (6)=(4)x(5)	<u>Estimated Ultimate MCCP Per Indemnity Claim</u> (7)=(3)/(6) x 1000	<u>Annual change</u>
2011	260,363	2.156	561,449	114,594	1.026	117,530	4,777	---
2012	221,992	2.711	601,734	121,864	1.041	126,858	4,743	-0.7%
2013	165,536	3.963	656,005	124,224	1.081	134,259	4,886	3.0%
2014	64,491	9.959	642,254	99,786	1.358	135,540	4,738	-3.0%

Projected Based on 2-Year Average of 2013 and 2014:

	<u>Ultimate MCCP<sup>[6]</sup></u>	<u>Ult. Ind. Counts<sup>[4]</sup></u>	<u>Ult.MCCP per Ind. Counts<sup>[5]</sup></u>
2015	696,502	134,429	5,181
4/1/2016	719,208	133,824	5,374

(a) Projected MCCP (\$000):	719,208
(b) Calendar Year 2014 Earned Premium <sup>[7]</sup> (\$000):	14,545,889
(c) Projected Loss to Industry Average Filed Pure Premium Ratio <sup>[8]</sup> :	0.665
(d) Premium Adjustment Factor for Calendar Year 2014 <sup>[9]</sup> :	0.970
(e) Projected Losses (\$000): (b) x (c) x (d)	9,382,826
(f) Projected Ratio of MCCP to Losses: (a)/(e)	7.7%

Notes:

- <sup>[1]</sup> Based on the analogous paid medical cumulative loss development factors from Exhibit 2.6.1 of Item AC15-03-02, applicable to private insurers only.
- <sup>[2]</sup> Based on the latest year indemnity claim count age-to-age development from Exhibit 5.3.
- <sup>[3]</sup> Estimated based on projected frequency trends for accident years 2014 to 2016. 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 2013 and 2014.
- <sup>[4]</sup> Severity is projected by applying an annual growth rate of 5%, which is based on the approximate average rate of growth, based on private insurers, in paid MCCP per indemnity claim from Exhibit 6, to the ultimate MCCP severity estimated from averaging 2013 and 2014.
- <sup>[5]</sup> Column(6) x Column(7) / 1,000.
- <sup>[6]</sup> Based on the reported earned premium for calendar year 2014 from the same group of private insurers that reported the paid MCCP in column (1) and the indemnity claim counts in column (4) by accident year as of December 31, 2014.
- <sup>[7]</sup> Based on analogous Exhibit 8 of Item AC15-03-02, applicable to private insurers only.
- <sup>[8]</sup> Based on analogous Exhibit 5.2 of Item AC15-03-02, applicable to private insurers only.

## Item AC15-03-05 12/31/2014 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, 2014 experience, included in Item AC15-03-02 of this Agenda, were based on latest year paid development factors, with adjustments for the impact of Senate Bill No. 863 (SB 863). 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, 2014 experience, derived using the following loss development methodologies and the trending methodology reflected in the analysis included in Item AC15-03-02 of this Agenda are included:

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. 3-Year Average Unadjusted Paid Loss Development – Exhibits 3.1 through 3.3.
4. Latest Year Unadjusted Paid Loss Development – Exhibits 4.1 through 4.3.
5. 3-Year Average Paid Loss Development Adjusted for Changes in Claim Settlement Rates and Reforms – Exhibits 5.1 through 5.15.
6. Latest Year Paid Loss Development Adjusted for Changes in Claim Settlement Rates and Reforms – Exhibits 6.1 through 6.3.

A summary of the July 1, 2015 through December 1, 2015 policy period loss ratio projections based on the alternative loss development methodologies described above is shown in Table 1.

**Table 1: Projected Loss Ratios for Policies Incepting between July 1, 2015 and December 31, 2015  
Based on Alternative Loss Development Methodologies**

<b>Loss Development Methodologies</b>	<b>Indemnity Loss Ratio</b>	<b>Medical Loss Ratio</b>	<b>Total Loss Ratio</b>
<b>Current WCIRB Methodology</b>			
Latest Year Paid Adjusted for SB 863	<b>0.277</b>	<b>0.423</b>	<b>0.700</b>
<b>Alternative Methodologies</b>			
<u>Incurred Methodologies</u>			
3-Year Average (Unadjusted)	0.267	0.447	0.714
Latest Year (Unadjusted)	0.259	0.420	0.679
<u>Paid Methodologies</u>			
3-Year Average (Unadjusted)	0.274	0.423	0.697
Latest Year (Unadjusted)	0.266	0.417	0.683
3-Year Average Adjusted for Changes in Claim Settlement Rates and Reforms	0.281	0.433	0.714
Latest Year Adjusted for Changes in Claim Settlement Rates and Reforms	0.273	0.420	0.693

*Trending Methodologies*

The trending projections reflected in the summary analysis of December 31, 2014 experience, included in Item AC15-03-02 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 2014 and the WCIRB's claim frequency model forecasts for accident years 2015 and 2016. The severity growth estimates were based on the approximate average of the longer-term post-reform (2005) average on-level severity trend and the five-year average on-level severity trend.

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, 2014 experience, derived using the loss development methodologies reflected in the analysis included in Item AC15-03-02 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 7.1 and 7.2.
2. Separate Projections of Frequency and Severity Growth Applied to the Latest Two Years, with Indemnity Severity at 1% and Medical Severity at 4%<sup>1</sup> – Exhibits 8.1 and 8.2.
3. Post-2005 On-Level Loss Ratio Exponential Trend Applied to the Latest Two Years' Loss Ratios and then Averaged – Exhibits 9.1 and 9.2.

<sup>1</sup> These are the severity trends reflected in the amended January 1, 2015 Pure Premium Rate Filing.

4. Post-2009 On-Level Loss Ratio Exponential Trend Applied to the Latest Two Years' Loss Ratios and then Averaged – Exhibits 10.1 and 10.2.

A summary of the July 1, 2015 through December 31, 2015 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, 2015 and December 31, 2015 Based on Alternative Trending Methodologies**

<b>Trending Methodologies</b>	<b>Indemnity Loss Ratio</b>	<b>Medical Loss Ratio</b>	<b>Total Loss Ratio</b>
<b>Current WCIRB Methodology</b>			
Separate Projections of Frequency and Severity, with Indemnity Severity at 0% and Medical Severity at +1%, Applied to the Latest Two Years	<b>0.277</b>	<b>0.423</b>	<b>0.700</b>
<b>Alternative Methodologies</b>			
Separate Projections of Frequency and Severity Applied to the Latest Year	0.268	0.406	0.674
Separate Projections of Frequency and Severity, with Indemnity Severity at +1% and Medical Severity at +4%, Applied to the Latest Two Years	0.283	0.453	0.736
Post-2005 On-level Loss Ratio Exponential Trend Applied to the Latest Two Years	0.295	0.468	0.763
Post-2009 On-level Loss Ratio Exponential Trend Applied to the Latest Two Years	0.287	0.433	0.720

**Developed Loss Ratios Using Unadjusted 3-Year Average Incurred Development Factors  
Based on Experience as of December 31, 2014**

Accident Year	(1)	(2) Indemnity		(4)	(5)	(6) Medical		(8)	(9)
	Reported Incurred Loss Ratio	Annual Development	Cumulative Development	Developed Loss Ratio	Reported Incurred Loss Ratio	Annual Development	Cumulative Development	Developed Loss Ratio	Total Developed Loss Ratio
	<u>Ex IBNR(a)</u>	<u>Factor(b)</u>	<u>Factor</u>	<u>Loss Ratio</u> (1) x (3)	<u>Ex IBNR(a)</u>	<u>Factor(c)</u>	<u>Factor</u>	<u>Loss Ratio</u> (5) x (7)	<u>Loss Ratio</u> (4) + (8)
2005	0.120	1.008	1.036	0.125	0.181	1.017	1.190	0.215	0.340
2006	0.154	1.014	1.050	0.162	0.231	1.025	1.220	0.281	0.443
2007	0.209	1.016	1.067	0.223	0.318	1.029	1.255	0.398	0.621
2008	0.260	1.024	1.093	0.284	0.387	1.039	1.304	0.504	0.788
2009	0.295	1.034	1.130	0.333	0.439	1.046	1.364	0.599	0.932
2010	0.272	1.047	1.184	0.322	0.410	1.064	1.451	0.595	0.917
2011	0.240	1.073	1.270	0.305	0.340	1.086	1.576	0.536	0.841
2012	0.193	1.136	1.442	0.278	0.267	1.134	1.787	0.478	0.756
2013	0.134	1.291	1.862	0.249	0.194	1.222	2.184	0.423	0.672
2014	0.064	1.974	3.675	0.233	0.112	1.629	3.557	0.398	0.632

- (a) Based on Item AC 15-03-02, 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 AC 15-03-02, Exhibit 2.1.
- (c) Based on AC 15-03-02, 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, 2014**

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	0.125	1.353	0.737	0.229
2006	0.162	1.337	0.946	0.229
2007	0.223	1.295	1.208	0.239
2008	0.284	1.220	1.460	0.237
2009	0.333	1.196	1.573	0.253
2010	0.322	1.179	1.432	0.265
2011	0.305	1.161	1.304	0.272
2012	0.278	1.136	1.165	0.271
2013	0.249	1.140	1.018	0.279
2014	0.233	1.036	0.940	0.257
				Projections (d)
2015				0.268
4/1/2016				0.267

(a) See Exhibit 1.1.

(b) Based on AC 15-03-02, Exhibit 4.1.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 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, 2014**

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 (1)×(2)÷(3)
2005	0.215	1.002	0.737	0.293
2006	0.281	1.053	0.946	0.313
2007	0.398	1.033	1.208	0.341
2008	0.504	1.026	1.460	0.354
2009	0.599	1.012	1.573	0.385
2010	0.595	1.009	1.432	0.419
2011	0.536	1.006	1.304	0.414
2012	0.478	1.005	1.165	0.412
2013	0.423	1.058	1.018	0.440
2014	0.398	1.029	0.940	0.436
				Projections (d)
2015				0.445
4/1/2016				0.447

(a) See Exhibit 1.1.

(b) Based on AC 15-03-02, Exhibit 4.4.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.



**Developed Loss Ratios Using Unadjusted Latest Year Incurred Development Factors  
Based on Experience as of December 31, 2014**

Accident Year	(1)	(2) Indemnity			(4)	(5)	(6) Medical			(8)	(9)
	Reported Incurred Loss Ratio <u>Ex IBNR(a)</u>	Annual Development Factor(b)	Cumulative Development Factor	Developed Loss Ratio <u>(1) x (3)</u>	Reported Incurred Loss Ratio <u>Ex IBNR(a)</u>	Annual Development Factor(c)	Cumulative Development Factor	Developed Loss Ratio <u>(5) x (7)</u>	Total Developed Loss Ratio <u>(4) + (8)</u>		
2005	0.120	1.008	1.036	0.125	0.181	1.017	1.190	0.215	0.340		
2006	0.154	1.014	1.050	0.162	0.231	1.025	1.220	0.281	0.443		
2007	0.209	1.015	1.066	0.223	0.318	1.022	1.246	0.396	0.618		
2008	0.260	1.022	1.089	0.283	0.387	1.032	1.286	0.497	0.780		
2009	0.295	1.030	1.122	0.330	0.439	1.041	1.339	0.588	0.918		
2010	0.272	1.048	1.176	0.320	0.410	1.061	1.421	0.583	0.902		
2011	0.240	1.068	1.256	0.302	0.340	1.078	1.532	0.521	0.823		
2012	0.193	1.134	1.424	0.274	0.267	1.128	1.728	0.462	0.737		
2013	0.134	1.281	1.824	0.244	0.194	1.200	2.073	0.402	0.645		
2014	0.064	1.934	3.527	0.224	0.112	1.593	3.303	0.370	0.594		

- (a) Based on AC 15-03-02, 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 AC 15-03-02, Exhibit 2.1.
- (c) Based on AC 15-03-02, 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, 2014**

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	0.125	1.353	0.737	0.229
2006	0.162	1.337	0.946	0.229
2007	0.223	1.295	1.208	0.239
2008	0.283	1.220	1.460	0.236
2009	0.330	1.196	1.573	0.251
2010	0.320	1.179	1.432	0.263
2011	0.302	1.161	1.304	0.269
2012	0.274	1.136	1.165	0.268
2013	0.244	1.140	1.018	0.273
2014	0.224	1.036	0.940	0.247
				Projections (d)
2015				0.260
4/1/2016				0.259

(a) See Exhibit 2.1.

(b) Based on AC 15-03-02, Exhibit 4.1.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 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, 2014**

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 (1)×(2)÷(3)
2005	0.215	1.002	0.737	0.293
2006	0.281	1.053	0.946	0.313
2007	0.396	1.033	1.208	0.339
2008	0.497	1.026	1.460	0.350
2009	0.588	1.012	1.573	0.378
2010	0.583	1.009	1.432	0.411
2011	0.521	1.006	1.304	0.402
2012	0.462	1.005	1.165	0.399
2013	0.402	1.058	1.018	0.418
2014	0.370	1.029	0.940	0.405
				Projections (d)
2015				0.418
4/1/2016				0.420

- (a) See Exhibit 2.1.
- (b) Based on AC 15-03-02, Exhibit 4.4.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**Developed Loss Ratios Using Unadjusted 3-Year Average Paid Development Factors  
Based on Experience as of December 31, 2014**

Accident Year	Indemnity				Medical				Total Developed Loss Ratio (4) + (8)
	(1) Reported Paid	(2) Annual Development	(3) Cumulative Development	(4) Developed	(5) Reported Paid	(6) Annual Development	(7) Cumulative Development	(8) Developed	
	<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)	
2005	0.110	1.019	1.116	0.123	0.155	1.029	1.423	0.220	0.343
2006	0.140	1.027	1.146	0.160	0.196	1.035	1.472	0.288	0.448
2007	0.187	1.037	1.189	0.222	0.266	1.044	1.536	0.409	0.631
2008	0.230	1.048	1.245	0.287	0.322	1.056	1.622	0.522	0.809
2009	0.253	1.065	1.326	0.336	0.357	1.072	1.738	0.620	0.956
2010	0.228	1.092	1.448	0.331	0.326	1.101	1.914	0.624	0.954
2011	0.187	1.151	1.667	0.312	0.245	1.154	2.208	0.541	0.853
2012	0.136	1.277	2.128	0.288	0.173	1.257	2.776	0.481	0.769
2013	0.075	1.613	3.432	0.257	0.100	1.466	4.069	0.407	0.664
2014	0.022	3.170	10.878	0.236	0.036	2.542	10.345	0.370	0.607

- (a) Based on AC 15-03-02, Exhibit 1.
- (b) Age-to-age factors are selected as three-year averages based on AC 15-03-02, Exhibit 2.5.
- (c) Age-to-age factors are selected as three-year averages based on AC 15-03-02, 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, 2014**

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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.222	1.295	1.208	0.238
2008	0.287	1.220	1.460	0.240
2009	0.336	1.196	1.573	0.255
2010	0.331	1.179	1.432	0.272
2011	0.312	1.161	1.304	0.278
2012	0.288	1.136	1.165	0.281
2013	0.257	1.140	1.018	0.288
2014	0.236	1.036	0.940	0.260
				Projections (d)
2015				0.274
4/1/2016				0.274

(a) See Exhibit 3.1.

(b) Based on AC 15-03-02, Exhibit 4.1.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 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, 2014**

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 (1)×(2)÷(3)
2005	0.220	1.002	0.737	0.299
2006	0.288	1.053	0.946	0.320
2007	0.409	1.033	1.208	0.350
2008	0.522	1.026	1.460	0.367
2009	0.620	1.012	1.573	0.399
2010	0.624	1.009	1.432	0.439
2011	0.541	1.006	1.304	0.417
2012	0.481	1.005	1.165	0.415
2013	0.407	1.058	1.018	0.423
2014	0.370	1.029	0.940	0.406
				Projections (d)
2015				0.421
4/1/12016				0.423

- (a) See Exhibit 3.1.
- (b) Based on AC 15-03-02, Exhibit 4.4.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**Developed Loss Ratios Using Unadjusted Paid Development Factors  
Based on Experience as of December 31, 2014**

Accident Year	(1)	(2) Indemnity		(4)	(5)	(6) Medical		(8)	(9)
	Paid <u>Loss Ratio(a)</u>	Annual Development <u>Factor(b)</u>	Cumulative Development <u>Factor</u>	Developed <u>Loss Ratio</u> (1) x (3)	Paid <u>Loss Ratio(a)</u>	Annual Development <u>Factor(c)</u>	Cumulative Development <u>Factor</u>	Developed <u>Loss Ratio</u> (5) x (7)	Total Developed <u>Loss Ratio</u> (4) + (8)
2005	0.110	1.019	1.116	0.123	0.155	1.029	1.423	0.220	0.343
2006	0.140	1.027	1.146	0.160	0.196	1.035	1.472	0.288	0.448
2007	0.187	1.035	1.186	0.221	0.266	1.042	1.534	0.409	0.630
2008	0.230	1.046	1.241	0.286	0.322	1.057	1.621	0.522	0.808
2009	0.253	1.060	1.315	0.333	0.357	1.072	1.738	0.620	0.953
2010	0.228	1.092	1.436	0.328	0.326	1.104	1.919	0.625	0.953
2011	0.187	1.147	1.647	0.309	0.245	1.153	2.212	0.542	0.850
2012	0.136	1.269	2.090	0.283	0.173	1.255	2.777	0.481	0.764
2013	0.075	1.598	3.340	0.250	0.100	1.459	4.051	0.405	0.656
2014	0.022	3.164	10.568	0.229	0.036	2.493	10.099	0.362	0.591

- (a) Based on AC 15-03-02, 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 AC 15-03-02, 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 AC 15-03-02, 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 Paid Selections  
Based on Experience as of December 31, 2014**

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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.333	1.196	1.573	0.253
2010	0.328	1.179	1.432	0.270
2011	0.309	1.161	1.304	0.275
2012	0.283	1.136	1.165	0.276
2013	0.250	1.140	1.018	0.281
2014	0.229	1.036	0.940	0.253
				Projections (d)
2015				0.267
4/1/2016				0.266

- (a) See Exhibit 4.1.
- (b) Based on AC 15-03-02, Exhibit 4.1.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.



**Projected On-Level Accident Year  
Medical Loss to Industry Average Filed Pure Premium Ratios  
Based on Unadjusted Paid Selections  
Based on Experience as of December 31, 2014**

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 (1)×(2)÷(3)
2005	0.220	1.002	0.737	0.299
2006	0.288	1.053	0.946	0.320
2007	0.409	1.033	1.208	0.350
2008	0.522	1.026	1.460	0.367
2009	0.620	1.012	1.573	0.399
2010	0.625	1.009	1.432	0.441
2011	0.542	1.006	1.304	0.418
2012	0.481	1.005	1.165	0.415
2013	0.405	1.058	1.018	0.421
2014	0.362	1.029	0.940	0.396
				Projections (d)
2015				0.415
4/1/2016				0.417

- (a) See Exhibit 4.1.
- (b) Based on AC 15-03-02, Exhibit 4.4.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**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>
2005							132,107
2006						125,872	125,886
2007					123,975	124,253	124,309
2008				120,312	120,899	121,269	121,475
2009			113,025	114,278	114,929	115,322	
2010		114,171	117,595	118,906	119,656		
2011	93,397	114,942	118,629	120,218			
2012	97,982	121,735	126,015				
2013	106,440	132,547					
2014	110,025						

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>
2006						1.000	
2007					1.002	1.000	
2008				1.005	1.003	1.002	
2009			1.011	1.006	1.003		
2010		1.030	1.011	1.006			
2011	1.231	1.032	1.013				
2012	1.242	1.035					
2013	1.245						
Latest Year	1.245	1.035	1.013	1.006	1.003	1.002	
Cumulative	1.326	1.065	1.029	1.015	1.009	1.005	1.004

Acc. Year	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Ult. Claim Counts	145,890	141,137	129,624	122,026	120,695	115,927	121,905

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>
2005							116,720
2006						107,751	111,666
2007					99,396	105,059	110,376
2008				86,736	95,780	103,223	107,972
2009			67,919	80,934	91,033	97,650	
2010		53,530	71,463	86,356	96,495		
2011	25,824	54,330	73,768	88,551			
2012	27,236	58,669	80,073				
2013	28,730	64,464					
2014	29,709						

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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							88.2%
2006						85.4%	88.5%
2007					79.7%	84.2%	88.5%
2008				71.2%	78.6%	84.7%	88.6%
2009			58.6%	69.8%	78.5%	84.2%	
2010		44.4%	59.2%	71.5%	79.9%		
2011	21.2%	44.5%	60.5%	72.6%			
2012	21.0%	45.3%	61.8%				
2013	20.4%	45.7%					
2014	20.4%						

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

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>
2005							117,196
2006						106,336	111,810
2007					99,736	105,081	110,491
2008				88,463	97,463	102,686	107,972
2009			71,612	84,125	92,683	97,650	
2010		55,127	74,557	87,585	96,495		
2011	24,849	55,735	75,380	88,551			
2012	26,397	59,206	80,073				
2013	28,741	64,464					
2014	29,709						

F. Average Paid Indemnity per Closed Claim

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>
2005							12,372
2006						12,403	13,632
2007					11,769	13,512	15,104
2008				10,745	13,276	15,572	17,039
2009			7,978	11,352	14,329	16,393	
2010		4,310	8,193	11,877	14,664		
2011	1,753	4,598	8,651	12,198			
2012	1,876	5,053	9,119				
2013	2,162	5,398					
2014	2,214						

- (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
2005							12,508
2006						12,013	13,679
2007					11,868	13,519	15,144
2008				11,188	13,763	15,394	17,039
2009			8,818	12,219	14,819	16,393	
2010		4,564	8,851	12,184	14,664		
2011	1,696	4,813	8,981	12,198			
2012	1,827	5,129	9,119				
2013	2,163	5,398					
2014	2,214						

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

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2005							1,465,825
2006						1,277,395	1,529,422
2007					1,183,634	1,420,591	1,673,271
2008				989,701	1,341,413	1,580,729	1,839,720
2009			631,465	1,027,942	1,373,442	1,600,824	
2010		251,621	659,872	1,067,155	1,414,979		
2011	42,146	268,246	676,990	1,080,117			
2012	48,218	303,654	730,202				
2013	62,168	347,985					
2014	65,763						

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

Accident Year	Evaluated as of (in months)						
	12	24	36	48	60	72	84
2005							563,864
2006						638,551	587,569
2007					775,687	705,812	598,335
2008				913,210	852,011	712,739	620,341
2009			875,458	894,788	791,444	688,518	
2010		677,013	889,795	863,466	750,941		
2011	245,316	678,738	857,283	813,685			
2012	265,454	698,224	858,136				
2013	278,481	729,782					
2014	286,514						

- (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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							36,645
2006						35,282	41,320
2007					31,559	36,773	42,944
2008				27,198	33,919	40,703	46,078
2009			19,409	26,835	33,120	39,744	
2010		11,164	19,288	26,527	33,159		
2011	3,630	11,198	19,110	25,480			
2012	3,752	11,071	16,607				
2013	3,584	7,167					
2014	3,567						

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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							-17,429
2006						49,936	-5,945
2007					-10,740	-821	-4,938
2008				-46,965	-57,069	21,870	
2009			-71,672	-85,619	-54,648		
2010		-17,831	-59,679	-32,591			
2011	3,538	-15,738	-30,800				
2012	3,150	-5,941					
2013	-39						

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

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>
2005							546,435
2006						688,487	581,623
2007					764,947	704,991	593,397
2008				866,245	794,942	734,609	620,341
2009			803,786	809,168	736,796	688,518	
2010		659,182	830,116	830,874	750,941		
2011	248,855	663,000	826,483	813,685			
2012	268,604	692,283	858,136				
2013	278,441	729,782					
2014	286,514						

- (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>
2005							2,012,260
2006						1,965,882	2,111,045
2007					1,948,581	2,125,582	2,266,668
2008				1,855,946	2,136,356	2,315,338	2,460,060
2009			1,435,251	1,837,110	2,110,239	2,289,341	
2010		910,803	1,489,988	1,898,029	2,165,920		
2011	291,001	931,246	1,503,473	1,893,802			
2012	316,822	995,937	1,588,338				
2013	340,609	1,077,767					
2014	352,278						

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>
2006						1.074
2007					1.091	1.066
2008				1.151	1.084	1.063
2009			1.280	1.149	1.085	
2010		1.636	1.274	1.141		
2011	3.200	1.614	1.260			
2012	3.144	1.595				
2013	3.164					
Latest Year	3.164	1.595	1.260	1.141	1.085	1.063
3-Year Average	3.169	1.615	1.271	1.147	1.086	1.068

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>
2006						1.068
2007					1.092	1.066
2008				1.151	1.093	1.060
2009			1.280	1.156	1.092	
2010		1.625	1.280	1.147		
2011	3.195	1.611	1.266			
2012	3.142	1.597				
2013	3.164					

- (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>
2006						0.52%
2007					-0.15%	0.05%
2008				0.02%	-0.80%	0.21%
2009			0.03%	-0.61%	-0.68%	
2010		0.66%	-0.52%	-0.47%		
2011	0.15%	0.25%	-0.54%			
2012	0.04%	-0.12%				
2013	0.00%					

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>
2006						1.074
2007					1.090	1.066
2008				1.150	1.083	1.062
2009			1.280	1.149	1.085	
2010		1.639	1.274	1.142		
2011	3.213	1.617	1.262			
2012	3.138	1.596				
2013	3.164					
Latest Year	3.164	1.596	1.262	1.142	1.085	1.062
3-Year Average	3.172	1.617	1.272	1.147	1.086	1.067

- (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 AC 15-03-02, Exhibit 2.5.1].

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

**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>
2005							130,193
2006						123,848	123,862
2007					121,208	121,485	121,544
2008				118,554	119,136	119,510	119,721
2009			111,611	112,878	113,528	113,915	
2010		112,403	115,797	117,101	117,848		
2011	93,336	114,872	118,554	120,143			
2012	97,916	121,655	125,941				
2013	106,327	132,377					
2014	109,768						

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>
2006						1.000	
2007					1.002	1.000	
2008				1.005	1.003	1.002	
2009			1.011	1.006	1.003		
2010		1.030	1.011	1.006			
2011	1.231	1.032	1.013				
2012	1.242	1.035					
2013	1.245						
Latest Year	1.245	1.035	1.013	1.006	1.003	1.002	
Cumulative	1.325	1.065	1.028	1.015	1.008	1.005	1.003

Acc. Year	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Ult. Claim Counts	145,497	140,936	129,521	121,924	118,837	114,481	120,104

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>
2005							114,908
2006						105,889	109,769
2007					96,958	102,530	107,770
2008				85,283	94,233	101,621	106,343
2009			66,932	79,809	89,819	96,380	
2010		52,572	70,246	84,934	94,955		
2011	25,813	54,310	73,735	88,509			
2012	27,226	58,644	80,041				
2013	28,713	64,413					
2014	29,671						

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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							88.1%
2006						85.3%	88.4%
2007					79.5%	84.1%	88.4%
2008				71.0%	78.5%	84.6%	88.5%
2009			58.5%	69.7%	78.5%	84.2%	
2010		44.2%	59.1%	71.5%	79.9%		
2011	21.2%	44.5%	60.5%	72.6%			
2012	21.0%	45.3%	61.8%				
2013	20.4%	45.7%					
2014	20.4%						

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

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>
2005							115,424
2006						104,541	109,947
2007					97,428	102,653	107,962
2008				87,187	95,967	101,114	106,343
2009			70,746	83,106	91,474	96,380	
2010		54,313	73,438	86,268	94,955		
2011	24,864	55,724	75,346	88,509			
2012	26,413	59,196	80,041				
2013	28,741	64,413					
2014	29,671						

F. Average Paid Medical per Closed Indemnity Claim

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>
2005							13,805
2006						14,001	15,718
2007					13,487	15,649	18,056
2008				12,420	15,398	18,621	20,826
2009			9,348	13,304	17,222	20,120	
2010		5,669	9,831	14,318	17,981		
2011	2,110	5,219	9,670	13,872			
2012	2,333	5,601	9,986				
2013	2,373	5,691					
2014	2,370						

- (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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							14,023
2006						13,526	15,800
2007					13,658	15,703	18,166
2008				13,001	16,101	18,380	20,826
2009			10,378	14,485	17,912	20,120	
2010		5,985	10,668	14,759	17,981		
2011	2,048	5,459	10,059	13,872			
2012	2,281	5,685	9,986				
2013	2,374	5,691					
2014	2,370						

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

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>
2005							1,618,573
2006						1,414,000	1,737,142
2007					1,330,633	1,611,948	1,961,234
2008				1,133,536	1,545,132	1,858,449	2,214,671
2009			734,213	1,203,759	1,638,477	1,939,130	
2010		325,056	783,442	1,273,263	1,707,385		
2011	50,911	304,197	757,881	1,227,814			
2012	60,245	336,540	799,329				
2013	68,239	366,557					
2014	70,324						

I. Paid Medical on Open Indemnity 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>
2005							856,448
2006						943,038	898,148
2007					1,079,218	1,055,211	954,719
2008				1,177,666	1,172,267	1,041,014	947,568
2009			1,117,550	1,191,628	1,116,668	1,023,490	
2010		883,676	1,141,992	1,169,290	1,072,078		
2011	326,493	859,222	1,078,608	1,068,778			
2012	338,805	855,219	1,023,968				
2013	368,652	863,859					
2014	356,281						

- (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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							56,032
2006						49,678	63,730
2007					44,504	55,669	69,313
2008				35,396	47,073	56,488	67,892
2009			25,013	36,035	47,099	56,519	
2010		14,770	25,071	36,351	45,438		
2011	4,835	14,187	24,066	32,088			
2012	4,793	13,573	20,359				
2013	4,750	9,500					
2014	4,448						

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)						
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>
2005							-28,926
2006						66,990	-11,343
2007					-20,930	-6,871	-13,328
2008				-67,408	-81,625	28,653	
2009			-95,410	-118,792	-77,958		
2010		-25,711	-80,038	-48,491			
2011	4,590	-20,057	-38,776				
2012	3,897	-7,489					
2013	-132						

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

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>
2005							827,522
2006						1,010,028	886,805
2007					1,058,288	1,048,340	941,391
2008				1,110,258	1,090,642	1,069,667	947,568
2009			1,022,140	1,072,836	1,038,710	1,023,490	
2010		857,965	1,061,955	1,120,799	1,072,078		
2011	331,083	839,165	1,039,832	1,068,778			
2012	342,701	847,730	1,023,968				
2013	368,519	863,859					
2014	356,281						

- (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>
2005							223,814
2006						229,535	231,551
2007					237,484	239,500	241,154
2008				235,125	238,488	241,151	243,051
2009			212,617	218,237	222,088	225,000	
2010		204,195	212,888	218,788	222,470		
2011	134,332	195,617	206,005	211,347			
2012	138,063	203,531	213,511				
2013	138,566	207,511					
2014	153,501						

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>
2005							2,669,909
2006						2,653,563	2,855,498
2007					2,626,404	2,899,789	3,143,778
2008				2,478,919	2,874,262	3,169,267	3,405,290
2009			1,968,970	2,494,832	2,899,275	3,187,620	
2010		1,407,268	2,088,007	2,649,253	3,042,657		
2011	571,169	1,478,589	2,194,823	2,732,589			
2012	605,897	1,549,619	2,255,616				
2013	644,576	1,607,534					
2014	646,688						

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>
2006						1.076
2007					1.104	1.084
2008				1.159	1.103	1.074
2009			1.267	1.162	1.099	
2010		1.484	1.269	1.148		
2011	2.589	1.484	1.245			
2012	2.558	1.456				
2013	2.494					
Latest Year	2.494	1.456	1.245	1.148	1.099	1.074
3-Year Average	2.547	1.475	1.260	1.157	1.102	1.078

(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)]. Cumulative values of the paid cost of medical cost containment programs applicable to policies incepting July 1, 2010 and subsequent are also added to the totals at each valuation for accident years 2010 and subsequent in order to adjust the totals to an equivalent basis for development purposes.

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>
2006						1.075
2007					1.105	1.084
2008				1.158	1.109	1.073
2009			1.264	1.168	1.105	
2010		1.476	1.272	1.152		
2011	2.592	1.481	1.248			
2012	2.559	1.456				
2013	2.494					

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>
2006						0.08%
2007					-0.06%	0.05%
2008				0.16%	-0.60%	0.16%
2009			0.27%	-0.46%	-0.47%	
2010		0.52%	-0.29%	-0.33%		
2011	-0.13%	0.23%	-0.28%			
2012	-0.06%	-0.04%				
2013	0.00%					

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>
2006						1.069
2007					1.096	1.079
2008				1.150	1.102	1.077
2009			1.254	1.164	1.102	
2010		1.476	1.274	1.153		
2011	2.577	1.498	1.257			
2012	2.631	1.461				
2013	2.474					
Latest Year	2.474	1.461	1.257	1.153	1.102	1.077
3-Year Average	2.561	1.479	1.262	1.156	1.100	1.075

- (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 AC 15-03-02, Exhibit 2.6.1].

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

**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, 2014**

Accident Year	(1) (2) (3) Indemnity			(4) Developed Loss Ratio (1) x (3)	(5) Paid Loss Ratio(a)	(6) (7) (8) (9) Medical Adjusted				(10) Total Developed Loss Ratio (4) + (9)
	Paid Loss Ratio(a)	Development Factors				Paid Loss Ratio(c)	Development Factors		Paid Loss Ratio (6) x (8)	
		Annual(b)	Cumulative(b)				Annual(d)	Cumulative(d)		
2005	0.110	1.019	1.116	0.123	0.155	0.149	1.030	1.428	0.213	0.337
2006	0.140	1.027	1.146	0.160	0.196	0.189	1.036	1.480	0.280	0.440
2007	0.187	1.035	1.186	0.221	0.266	0.258	1.044	1.545	0.399	0.620
2008	0.230	1.046	1.241	0.286	0.322	0.312	1.058	1.634	0.511	0.796
2009	0.253	1.067	1.324	0.335	0.357	0.347	1.075	1.757	0.610	0.945
2010	0.228	1.086	1.438	0.328	0.326	0.318	1.100	1.933	0.615	0.944
2011	0.187	1.147	1.641	0.307	0.245	0.241	1.156	2.234	0.538	0.846
2012	0.136	1.272	2.087	0.283	0.173	0.173	1.262	2.820	0.486	0.769
2013	0.075	1.617	3.446	0.258	0.100	0.101	1.479	4.170	0.419	0.678
2014	0.022	3.172	11.498	0.250	0.036	0.036	2.561	10.680	0.382	0.632

- (a) Based on AC 15-03-02, Exhibit 1. Column 5 is shown for informational purposes only.
- (b) Age-to-age factors for developing accident years 2009 to 2014 were adjusted for changes in claim settlement rates based on 3-year average selections (see Exhibit 5.6, Item Q). The cumulative loss development factors for developing accident years 2011 through 2014 are adjusted for the impact of SB 863 (see AC 15-03-02, Exhibit 2.5.1).
- (c) Based on experience evaluated as of December 31, 2014. These medical paid loss ratios reflect the following: (i) an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, (ii) an adjustment for RBRVS of 1.3% applied to payments made before January 1, 2014.
- (d) Age-to-age factors for developing accident years 2009 to 2014 were adjusted for changes in claim settlement rates based on 3-year average selections (see Exhibit 5.12, Item R). Age-to-age factors for developing accident years 2005 to 2014 reflect an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, and an adjustment for RBRVS of 1.3% applied to payments made before January 1, 2014.

**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, 2014**

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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.335	1.196	1.573	0.255
2010	0.328	1.179	1.432	0.270
2011	0.307	1.167	1.304	0.275
2012	0.283	1.141	1.165	0.277
2013	0.258	1.140	1.018	0.289
2014	0.250	1.036	0.940	0.275
				Projections (d)
2015				0.282
4/1/2016				0.281

- (a) See Exhibit 5.13.
- (b) See AC 15-03-02, Exhibit 4.1.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 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, 2014**

Accident <u>Year</u>	(1) Developed Medical <u>Loss Ratio(a)</u>	(2) Composite Medical <u>On-Level Factor(b)</u>	(3) Composite Premium <u>Adjustment Factor(c)</u>	(4) On-Level Medical to Industry Average Filed Pure Premium Ratio <u>(1)×(2)÷(3)</u>
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.610	1.051	1.573	0.407
2010	0.615	1.048	1.432	0.450
2011	0.538	1.045	1.304	0.431
2012	0.486	1.044	1.165	0.436
2013	0.419	1.045	1.018	0.431
2014	0.382	1.029	0.940	0.419
				Projections (d)
2015				0.431
4/1/2016				0.433

(a) See Exhibit 5.13.

(b) See AC 15-03-02, Exhibit 4.4.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.



**Developed Loss Ratios Adjusted for the Impact of Reforms and Changes in Claim Settlement Rates  
Based on Latest Year Selections  
Based on Experience as of December 31, 2014**

Accident Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
	Indemnity				Medical						Total Developed Loss Ratio (4) + (9)
	Paid Loss Ratio(a)	Development Factors		Developed Loss Ratio (1) x (3)	Paid Loss Ratio(a)	Paid Loss Ratio(c)	Development Factors		Developed Loss Ratio (6) x (8)		
	Annual(b)	Cumulative(b)				Annual(d)	Cumulative(d)				
2005	0.110	1.019	1.116	0.123	0.155	0.149	1.030	1.428	0.213	0.337	
2006	0.140	1.027	1.146	0.160	0.196	0.189	1.036	1.480	0.280	0.440	
2007	0.187	1.035	1.186	0.221	0.266	0.258	1.044	1.545	0.399	0.620	
2008	0.230	1.046	1.241	0.286	0.322	0.312	1.058	1.634	0.511	0.796	
2009	0.253	1.062	1.318	0.334	0.357	0.347	1.077	1.760	0.611	0.945	
2010	0.228	1.085	1.430	0.326	0.326	0.318	1.102	1.940	0.618	0.944	
2011	0.187	1.142	1.624	0.304	0.245	0.241	1.153	2.237	0.539	0.843	
2012	0.136	1.262	2.050	0.278	0.173	0.173	1.257	2.811	0.485	0.763	
2013	0.075	1.596	3.341	0.250	0.100	0.101	1.461	4.108	0.413	0.664	
2014	0.022	3.164	11.120	0.241	0.036	0.036	2.474	10.162	0.364	0.605	

- (a) Based on AC 15-03-02, Exhibit 1. Column 5 is shown for informational purposes only.
- (b) Age-to-age factors for developing accident years 2009 to 2014 were adjusted for changes in claim settlement rates based on latest year selections (see Exhibit 5.6, Item Q). The cumulative loss development factors for developing accident years 2011 through 2014 are adjusted for the impact of SB 863 (see AC 15-03-02, Exhibit 2.5.1).
- (c) Based on experience evaluated as of December 31, 2014. These medical paid loss ratios reflect the following: (i) an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, (ii) an adjustment for RBRVS of 1.3% applied to payments made before January 1, 2014.
- (d) Age-to-age factors for developing accident years 2009 to 2014 were adjusted for changes in claim settlement rates based on latest year selections (see Exhibit 5.12, Item R). Age-to-age factors for developing accident years 2005 to 2014 reflect an adjustment for SB 863 of -4.9% applied to payments made before January 1, 2013, and an adjustment for RBRVS of 1.3% applied to payments made before January 1, 2014.

**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 Latest Year Paid Selections  
Based on Experience as of December 31, 2014**

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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.334	1.196	1.573	0.254
2010	0.326	1.179	1.432	0.269
2011	0.304	1.167	1.304	0.272
2012	0.278	1.141	1.165	0.272
2013	0.250	1.140	1.018	0.281
2014	0.241	1.036	0.940	0.266
				Projections (d)
2015				0.273
4/1/2016				0.273

- (a) See Exhibit 6.1.
- (b) See AC 15-03-02, Exhibit 4.1.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 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 Latest Year Paid Selections  
Based on Experience as of December 31, 2014**

Accident <u>Year</u>	(1) Developed Medical <u>Loss Ratio(a)</u>	(2) Composite Medical <u>On-Level Factor(b)</u>	(3) Composite Premium <u>Adjustment Factor(c)</u>	(4) On-Level Medical to Industry Average Filed <u>Pure Premium Ratio</u> (1)×(2)÷(3)
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.611	1.051	1.573	0.408
2010	0.618	1.048	1.432	0.452
2011	0.539	1.045	1.304	0.432
2012	0.485	1.044	1.165	0.434
2013	0.413	1.045	1.018	0.424
2014	0.364	1.029	0.940	0.398
				Projections (d)
2015				0.418
4/1/2016				0.420

(a) See Exhibit 6.1.

(b) See AC 15-03-02, Exhibit 4.4.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**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 2014  
Based on Experience as of December 31, 2014**

Accident Year	(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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.333	1.196	1.573	0.253
2010	0.328	1.179	1.432	0.270
2011	0.307	1.167	1.304	0.275
2012	0.282	1.141	1.165	0.276
2013	0.254	1.140	1.018	0.285
2014	0.245	1.036	0.940	0.270
				Projected (d)
2015				0.269
4/1/2016				0.268

(a) See AC 15-03-02, Exhibit 3.1.

(b) See AC 15-03-02, Exhibit 4.1.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend from AC 15-03-02, Exhibit 6.2 and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then applied to the 2014 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 2014  
Based on Experience as of December 31, 2014**

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 (1)×(2)÷(3)
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.610	1.051	1.573	0.407
2010	0.619	1.048	1.432	0.453
2011	0.542	1.045	1.304	0.434
2012	0.489	1.044	1.165	0.438
2013	0.417	1.045	1.018	0.428
2014	0.367	1.029	0.940	0.402
				Projected (d)
2015				0.404
4/1/2016				0.406

(a) See AC 15-03-02, Exhibit 3.2.

(b) See AC 15-03-02, Exhibit 4.4.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend from AC 15-03-02, Exhibit 6.4 and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then applied to the 2014 on-level ratio.

**Projected On-Level Accident Year  
Indemnity Loss to Industry Average Filed Pure Premium Ratios  
Separate Applications of Frequency Trend and 1% Severity Trend  
Based on Experience as of December 31, 2014**

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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.333	1.196	1.573	0.253
2010	0.328	1.179	1.432	0.270
2011	0.307	1.167	1.304	0.275
2012	0.282	1.141	1.165	0.276
2013	0.254	1.140	1.018	0.285
2014	0.245	1.036	0.940	0.270
				Projected (d)
2015				0.282
4/1/2016				0.283

(a) See AC 15-03-02, Exhibit 3.1.

(b) See AC 15-03-02, Exhibit 4.1.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual indemnity severity trend of 1%, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**Projected On-Level Accident Year  
Medical Loss to Industry Average Filed Pure Premium Ratios  
Separate Applications of Frequency Trend and 4% Severity Trend  
Based on Experience as of December 31, 2014**

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 (1)×(2)÷(3)
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.610	1.051	1.573	0.407
2010	0.619	1.048	1.432	0.453
2011	0.542	1.045	1.304	0.434
2012	0.489	1.044	1.165	0.438
2013	0.417	1.045	1.018	0.428
2014	0.367	1.029	0.940	0.402
				Projected (d)
2015				0.441
4/1/2016				0.453

(a) See AC 15-03-02, Exhibit 3.2.

(b) See AC 15-03-02, Exhibit 4.4.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected based on an estimated annual medical severity trend of 4%, the actual frequency trend for accident year 2014, and projected frequency trends for accident years 2015 and 2016 from AC 15-03-02, Exhibit 6.1; these trends were then separately applied to the 2013 and 2014 on-level ratios.

**Projected On-Level Accident Year  
Indemnity Loss to Industry Average Filed Pure Premium Ratios  
Post-2005 Exponential Trend  
Based on Experience as of December 31, 2014**

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</u> <small>(1)×(2)÷(3)</small>
2005	0.123	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.333	1.196	1.573	0.253
2010	0.328	1.179	1.432	0.270
2011	0.307	1.167	1.304	0.275
2012	0.282	1.141	1.165	0.276
2013	0.254	1.140	1.018	0.285
2014	0.245	1.036	0.940	0.270
				Projected (d)
2015				0.289
4/1/2016				0.295

- (a) See AC 15-03-02, Exhibit 3.1.
- (b) See AC 15-03-02, Exhibit 4.1.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected by separately applying an exponential trend of approximately 2.7% based on the 2005 to 2014 on-level indemnity to industry average filed pure premium ratios to each of the 2013 and 2014 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  
Post-2005 Exponential Trend  
Based on Experience as of December 31, 2014**

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 (1)×(2)÷(3)
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.610	1.051	1.573	0.407
2010	0.619	1.048	1.432	0.453
2011	0.542	1.045	1.304	0.434
2012	0.489	1.044	1.165	0.438
2013	0.417	1.045	1.018	0.428
2014	0.367	1.029	0.940	0.402
				Projected (d)
2015				0.450
4/1/2016				0.468

(a) See AC 15-03-02, Exhibit 3.2.

(b) See AC 15-03-02, Exhibit 4.4.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by separately applying an exponential trend of approximately 5.4% based on the 2005 to 2014 on-level medical to industry average filed pure premium ratios to each of the 2013 and 2014 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.

**Projected On-Level Accident Year  
Indemnity Loss to Industry Average Filed Pure Premium Ratios  
Post-2009 Exponential Trend  
Based on Experience as of December 31, 2014**

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	1.353	0.737	0.226
2006	0.160	1.337	0.946	0.226
2007	0.221	1.295	1.208	0.237
2008	0.286	1.220	1.460	0.239
2009	0.333	1.196	1.573	0.253
2010	0.328	1.179	1.432	0.270
2011	0.307	1.167	1.304	0.275
2012	0.282	1.141	1.165	0.276
2013	0.254	1.140	1.018	0.285
2014	0.245	1.036	0.940	0.270
				Projected (d)
2015				0.284
4/1/2016				0.287

- (a) See AC 15-03-02, Exhibit 3.1.
- (b) See AC 15-03-02, Exhibit 4.1.
- (c) See AC 15-03-02, Exhibit 5.2.
- (d) These on-level ratios were projected by separately applying an exponential trend of approximately 1.4% based on the 2009 to 2014 on-level indemnity to industry average filed pure premium ratios to each of the 2013 and 2014 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  
 Post-2009 Exponential Trend  
 Based on Experience as of December 31, 2014**

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 (1)×(2)÷(3)
2005	0.213	1.041	0.737	0.302
2006	0.280	1.094	0.946	0.324
2007	0.399	1.073	1.208	0.354
2008	0.511	1.066	1.460	0.373
2009	0.610	1.051	1.573	0.407
2010	0.619	1.048	1.432	0.453
2011	0.542	1.045	1.304	0.434
2012	0.489	1.044	1.165	0.438
2013	0.417	1.045	1.018	0.428
2014	0.367	1.029	0.940	0.402
				Projected (d)
2015				0.427
4/1/2016				0.433

(a) See AC 15-03-02, Exhibit 3.1.

(b) See AC 15-03-02, Exhibit 4.1.

(c) See AC 15-03-02, Exhibit 5.2.

(d) These on-level ratios were projected by separately applying an exponential trend of approximately 1.9% based on the 2009 to 2014 on-level medical to industry average filed pure premium ratios to each of the 2013 and 2014 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.

## Item AC15-03-06 Computation of Industry Average Filed Rates as of 1/1/2015

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, 2015 Pure Premium Rate Filing, the WCIRB compared the average proposed January 1, 2015 advisory pure premium rate to the average industry filed pure premium rate as of July 1, 2014.

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 rolling the July 1 industry average filed rates forward by adjusting the average insurer rate of each insurer 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, 2015. The industry average filed pure premium rate as of January 1, 2015 is \$2.59 per \$100 of payroll, and the corresponding industry average filed manual rate is \$3.83. The comparable industry average filed rates as of July 1, 2014 were \$2.57 and \$3.80, respectively.

## Item AC15-03-07 Study of ULAE Reported to California

In addition to losses and allocated loss adjustment expenses, advisory pure premium rates include a provision for unallocated loss adjustment expenses (ULAE). (The ULAE provision included in the amended January 1, 2015 Pure Premium Rate Filing was 5.5% of losses.) The ULAE data underlying the pure premium rate projections is based on calendar year paid ULAE amounts for California workers' compensation reported to the WCIRB on its annual Expense Call. The Expense Call instructions require the ULAE to be reported consistent with the definition in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), which includes, among other things, that the data be reported only for California claims and reflect a gross of deductible policy basis. However, it is generally understood that it is very difficult for insurers who write business in multiple states to segregate ULAE for California claims from that for other states and to adjust ULAE to a gross of deductible basis. (The Expense Call instructions suggest allocating total countrywide ULAE to California based on the share of total calendar year incurred losses and incurred ALAE for California.)

As discussed in prior pure premium rate filings and at prior meetings, there is a large differential between average ULAE costs reported for insurers who write a large proportion of business in other states (national insurers) and those who primarily write business in California (California insurers). Table 1 shows ULAE to loss ratios for national insurers compared to those for California private insurers. Prior WCIRB research has shown these differences to be statistically significant.<sup>1</sup> Some of this differential may be attributable to economies of scale. However, it is unclear to what extent this differential may be attributable to a) the types of ULAE costs or adjustments to ULAE reflected in national insurer ULAE amounts compared to those for California insurers, b) the impact of large deductible policies or usage of third party administrators (TPAs), which are much more heavily utilized by national insurers, and c) the allocation of national ULAE amounts to California, which may not appropriately reflect the comparatively higher cost of handling claims in California. As a result, staff has conducted a study of ULAE data reported to California with the intent of determining what additional information (if any) may be useful to more appropriately measure and project ULAE costs for California in pure premium rates.

Calendar Year	Paid ULAE Ratio		Incurred ULAE Ratio	
	National Insurers	California Private Insurers	National Insurers	California Private Insurers
2010	6.4%	17.3%	7.0%	15.5%
2011	6.5%	15.9%	6.5%	12.6%
2012	6.4%	15.0%	5.6%	13.4%
2013	6.4%	16.3%	6.4%	13.6%

Although national insurers generally report lower ULAE ratios than California private insurers, these ratios vary considerably across insurer. In fact, some insurers report negative ULAE. Some of these amounts may include arrangements for large deductible policies, TPAs, or other special adjustments that may be appropriate for statutory reporting purposes but may not be appropriate for projecting California ULAE in advisory pure premium rates. (For illustrative purposes, the calendar year 2013 paid ULAE for national insurers in Table 1 excluding insurers who report negative ULAE would be 7.5% instead of 6.4%.)

In order to better understand the ULAE data reported to California, staff met by teleconference with several insurers which included those who write workers' compensation business in multiple states and those who primarily write business in California. Some of staff's findings are summarized below.

<sup>1</sup> See Item AC14-08-08 of the August 5, 2014 meeting.

1. All of the participating insurers indicated the components of their reported ULAE costs are consistent with those outlined in the USRP and did not include any special adjustments. The ULAE costs are largely made up of salaries, benefits, and rent for claims adjusting activities.
2. The participating insurers who write business in other states use a variety of methods to allocate ULAE data to California. These included allocating based on California incurred loss and ALAE (as a ratio to countrywide loss and ALAE, which is the method suggested in the Expense Call), incurred loss only, paid loss, transaction counts, or ratios of countrywide net ULAE to net losses applied to gross California losses.
3. Many of the participating insurers do not “gross up” their countrywide ULAE data, which is typically on a net of deductible basis (as reported statutorily), prior to or after allocating it to California.
4. Many insurers utilize TPAs to handle claims for California, primarily for large deductible policies but also in some instances for first-dollar policies. The extent to which TPA costs are included in the ULAE amounts reported to California appears to differ by company and was sometimes unclear.

In summary, while the reported ULAE costs appear to be consistent with USRP definitions, ULAE reported to California may be understated inasmuch as not all insurers may be “grossing up” their reported ULAE to a gross of deductible basis or allocating ULAE reported to California to reflect the “real” cost of handling California claims, which may be much more difficult to do for ULAE compared to losses or premium. The extent to which this understatement impacts or is appropriate to project in pure premium rates is unclear. Staff has researched potential ways to address these issues including those used in other jurisdictions, which are summarized below.

1. Net-to-Net ULAE Ratio

For this approach, the WCIRB would require insurers to report ULAE to California on a net-of-deductible basis rather than reporting on a gross basis as is currently done. Insurers who write business in other states would continue to apportion their countrywide net ULAE figures to California as appropriate. The WCIRB would derive California gross ULAE for pure premium ratemaking by determining the California ratio of insurer net ULAE to net losses and applying that to gross losses. The advantages of this method are that a) it requires fewer changes to aggregate data calls than other alternative approaches, b) it requests information more closely tied to statutory reporting requirements, c) the computation to gross-up ULAE is relatively straightforward, and d) the required additional data elements can be validated by WCIRB staff using data available on statutory reports. The disadvantages of this method are that a) it assumes the ratio of California gross losses to net losses is a reasonable estimate of the ratio of California gross ULAE to net ULAE, which may not be appropriate for insurers who write deductible policies in California but not in other states and vice versa, b) it assumes insurers can compute net ULAE either on a countrywide or California basis and that this ties to information contained in annual statutory requirements, which may not be the case for all components of ULAE (such as rent), and c) the extent to which it addresses the varying ways insurers handle TPA costs, which may or may not tie to deductible policies, is ambiguous.

2. WCIRB to Derive CA ULAE from CW ULAE

For this approach, the WCIRB would collect countrywide net ULAE information (which can easily be derived from annual statutory reports) as well as additional information to gross-up ULAE for deductibles and TPAs (similar information is currently requested by other jurisdictions) and data needed for staff to allocate countrywide ULAE to California. The advantages of this method are that a) it requires few assumptions as to what is reported or not reported in ULAE and b) it would

allow California ULAE to be computed on a more consistent and complete basis since it uses standardized ULAE data from statutory information and does not require insurers to directly adjust or allocate the ULAE data for California. The disadvantages of this method are a) it requires several additional data elements to be reported on the Expense Call, some of which may be difficult to provide, and difficult for staff to validate, and b) the additional data requested to gross-up ULAE may not be enough to fully reflect the cost of handling California claims since deductibles and TPAs are accounted for very differently by insurer.

Note that while these potential approaches address some of the inconsistencies in the ULAE data reported between national insurers and California private insurers, each would result in countrywide ULAE to continue to be allocated to California using some approach, and may not address the hypothesis that it costs comparatively more to administer a workers' compensation claim in California.<sup>2</sup>

Committee input and suggested next steps will be solicited at the meeting.

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<sup>2</sup> See Item AC14-08-08 in the August 5, 2014 meeting for more details on this differential.

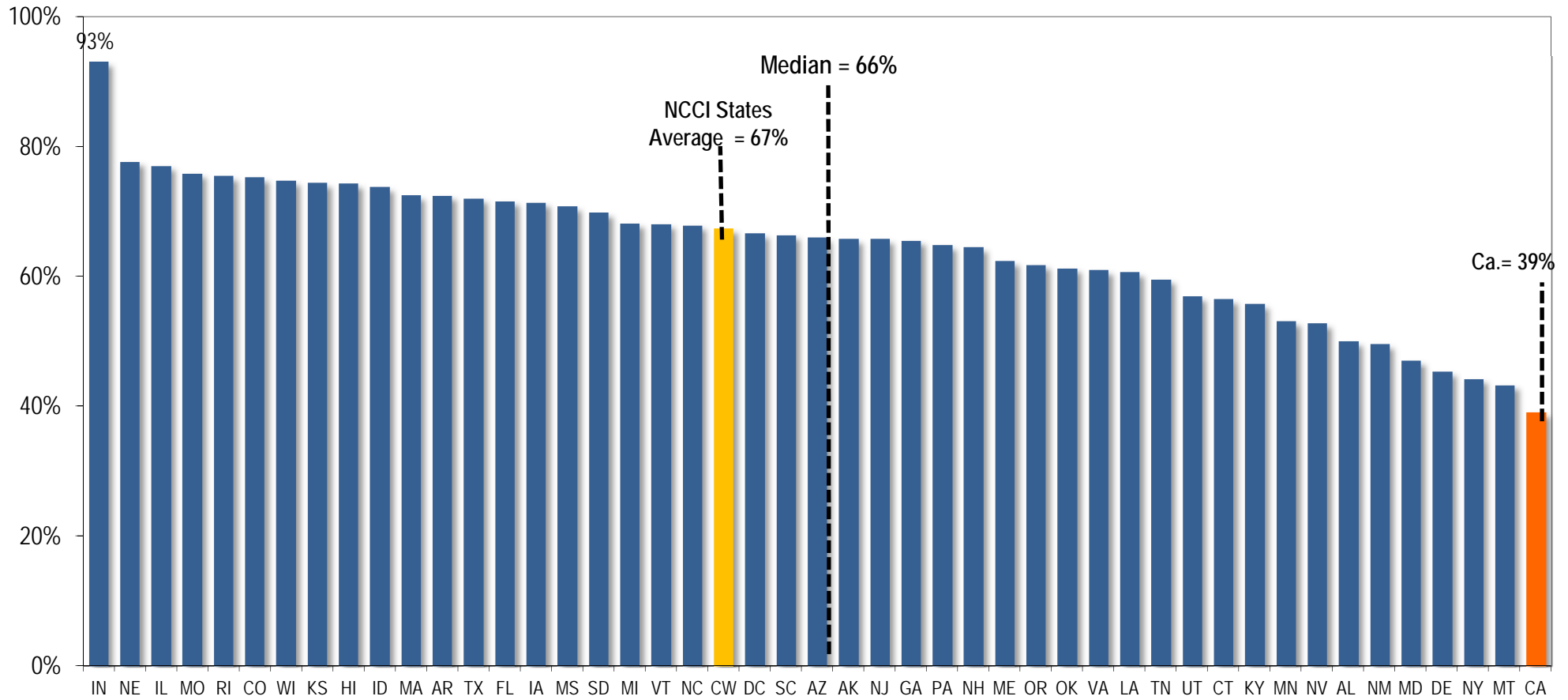
## Item AC15-03-08 Long-Term Medical Loss Development

A countrywide analysis of the most recent summary of medical loss development included in the 2014 NCCI Annual Statistical Bulletin shows that California has the greatest proportion of medical losses paid after 36 months. The attached Exhibit 1 summarizes this information graphically.

Staff is conducting a study of the long-term medical patterns in California and how that might differ from those in other states. At the meeting, staff will present a summary of its initial findings.



# Percent of Ultimate Accident Year Medical Losses Paid at 36 Months



Source: NCCI Annual Statistical Bulletin (2014 Edition) for 2009 accident year.