

PENNSYLVANIA COMPENSATION RATING BUREAU

Retrospective Development Factors

Attached is an exhibit showing Retrospective Development Factors.

RETROSPECTIVE DEVELOPMENT FACTORS *

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

First Adjustment	RDF =	0.4658
Second Adjustment	RDF =	0.3277
Third Adjustment	RDF =	0.2495

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

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

RDF(LIM) = Retrospective Development Factors at limited basis

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

RDF = Retrospective Development Factors without Loss Limitation

For Example:

Suppose the \$25,000 limit Hazard Group II ELF = 0.6000

$$\begin{aligned} \text{Then First Adjustment RDF} &= (1 - 0.6000) \times 0.4658 \\ &= 0.1863 \end{aligned}$$

* The use of retrospective development factors is optional.