PENNSYLVANIA COMPENSATION RATING BUREAU
F CLASS FILING

Expense Loading

This exhibit details the development of the permissible loss, loss adjustment and fixed expense ratio. Expenses prior to trending are from the Expense Study. Fixed expenses are trended as noted. Trended loss, loss adjustment and fixed expenses are then adjusted by the overall indicated change in collectible premium level to arrive at the final proposed provisions in the third column. Variable expenses vary with premium level and therefore the variable expense ratios are unaffected by the overall change in premium level. The combined profit and federal tax is computed through an internal rate of return model.

Results of the Bureau's analysis of the minimum premium formula and expense constant are shown at the bottom of the exhibit.

EXPENSE LOADING

	Expenses Prior to Trending	Expenses After Trending	Proposed Provision
Losses		65.78	60.00
Loss Adjustment Expense (c)		8.83	8.05
Loss & Loss Adjustment		74.61	68.05
Security Fund	0.00	0.00 (a)	0.00
General Expenses	2.92	2.65 (b)	2.42
Other Acquisition	2.24	2.04 (b)	1.86
Fixed Expense Total	5.16	4.69	4.28
Premium Discount	7.90	7.90	7.90
Commission	4.53	4.53	4.53
Taxes	2.36	2.36	2.36
Uncollected Premium	1.00	1.00	1.00
Federal Assessment (d)		16.60	15.14
Combined Profit & Federal Tax			-3.26
Variable Expense Total			27.67
Permissible Loss, Loss Adjustment and Fixed Expense Ratio			72.33

Fixed Expense Trend Factor	0.0337
Payroll Trend Factor	0.0547
a) $[1/(1+\text{Payroll Trend})]^{1.7500} =$	0.9110 (0.9110 * 0.00 = 0.00)
b) $[(1+\text{Fixed Expense Trend})/(1+\text{Payroll Trend})]^{4.7500} =$	0.9089 (0.9089 * 2.92 = 2.65)
c) 13.42% of Losses	
d) 25.24% of Losses	

MINIMUM PREMIUM:

It is proposed that the Minimum Premium formula be revised from (185*Rate)+Expense Constant to

(205 * Rate) + Expense Constant

It is proposed that the Minimum Premium be subject to a Maximum Minimum Premium of $3250.

EXPENSE CONSTANT:

It is proposed that the Expense Constant be increased from $250 to $270.