DISCUSSION OF "CASUALTY ACTUARIAL SOCIETY'S STATEMENT OF PRINCIPLES REGARDING PROPERTY AND CASUALTY LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES" AS THOSE PRINCIPLES PERTAIN TO THE PCRB'S APRIL 1, 2014 LOSS COST FILING

INTRODUCTION

The Pennsylvania Compensation Rating Bureau (PCRB) offers the following narrative discussion of the Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves published by the Casualty Actuarial Society (Principles) in partial support of its April 1, 2014 Loss Cost Filing before the Pennsylvania Insurance Department (Department). The Department has requested similar discussions from the PCRB in prior filings in Pennsylvania and continues to require discussion of the Principles by each insurer filing Schedule W in Pennsylvania.

The PCRB believes that the following discussion may only be properly reviewed and understood if careful recognition is given to the nature and context of PCRB filings throughout the reader's perusal of these comments. In particular, the PCRB would advance the following points with respect to the Principles and PCRB loss cost filings:

- The Principles are most commonly applied in the context of establishing loss and/or loss adjustment expense reserves for a specific insurance carrier or insurer group.

- PCRB loss cost filings are intended to provide benchmark rating values which fairly and accurately reflect the aggregate experience of all insurers (more than 400 companies in all) writing workers compensation in the Commonwealth of Pennsylvania.

- Because the PCRB's loss cost filings are intended to reflect the average of all companies' experience, there will inevitably be individual companies which differ from the PCRB's aggregate data in each material respect. Some companies will have better experience, and others will have worse experience than the central tendency reflected in the PCRB's filings.

- In addition to real differences in experience prevailing between different individual PCRB members or between such individual members and total PCRB data, other perceptual differences may also arise in any comparison of separate carrier responses to the Principles section of Schedule W. While each carrier is presumably making a good faith effort to provide appropriate responses to the many considerations included in the Principles (as is the PCRB), in many cases the issues involved and/or the bases available for formation of opinions by the responding entity are extremely subjective. For example, some companies may not perform loss reserve or other similar analysis using data based exclusively or even predominantly on Pennsylvania workers compensation experience. Clearly, carriers which do not actually perform loss and loss adjustment expense reserve analysis specific to Pennsylvania workers compensation insurance may very well also not be able to render authoritative observations regarding the Principles as applied to Pennsylvania workers compensation insurance.

As a result of the above points, it must be understood that, in advancing comments regarding the Principles as applicable to its April 1, 2014 Loss Cost Filing, the PCRB is not asserting that all or even most carriers must necessarily have had or would report individual experience either quantitatively or qualitatively consistent with the filing's aggregate indications. The PCRB does believe, however, that the combined experience of all carriers supports or is consistent with the observations set forth below.

DATA ORGANIZATION

The discussion of data organization in the Principles is directed to the use of time units in categorizing claim data.

The PCRB's loss cost filings are based on two primary sources of claim data. The first of these sources is "financial data," collected in a set of annual Calls distributed by the PCRB to all of its member insurers. Financial data is organized by policy period, a practice specifically recognized in the Principles. Further, development of financial data is measured between successive accounting dates, typically falling at each December 31 year-end. Financial data is reported on specified due dates associated with each specific Call form.

The PCRB's second source of claim data is "unit statistical reports," which are filed with the PCRB continuously by its member insurers in accordance with an approved Statistical Plan. Statistical Plan data is also organized by policy period. The Statistical Plan specifies a series of valuation dates and report dates for unit statistical reports applicable to each policy written by any PCRB member.

The PCRB's organization of financial data allows development of such data to be analyzed for each policy period, recognizing changes in reported amounts between successive accounting dates. In deriving estimates of ultimate loss and implied IBNR based on financial data, the PCRB cannot separate "pure IBNR" associated with late reported claims from development on known cases or reopening of previously closed claims.

Statistical Plan data can also be analyzed for development between valuation dates. Subject to the limitation of the number of successive reports required under the Statistical Plan, the PCRB's development of unit statistical reports does identify "pure IBNR" separately from combined changes in values of known cases and reopening of previously closed claims.

One other data source that has been included in the analysis supporting previous PCRB filings is claim counts collected and distributed by the Pennsylvania Department of Labor and Industry (L&I). L&I has previously cautioned the PCRB that, starting in Calendar Year 2001, their data was influenced to an unknown extent by changes in reporting practices by some of the L&I data sources. The L&I data continues to show claim frequencies that vary widely from year-to-year and are not consistent with frequencies observed in PCRB data. PCRB has not been guided or influenced by the L&I data in preparing its April 1, 2014 Loss Cost Filing but does include that information in the filing for reference.

HOMOGENEITY

The PCRB accumulates its claim data from hundreds of different insurers' experience in underwriting workers compensation insurance for hundreds of thousands of Pennsylvania employers. While this database cannot be rendered completely homogeneous, the PCRB does take significant steps intended to improve the homogeneity of data as used for analysis in support of its loss cost filings.

The most significant step toward achieving greater homogeneity is to separately collect and analyze data pertaining to indemnity and medical benefits. These distinct components of workers compensation data are impacted in different ways by different factors in the economic, legal and social environment and consequently display significantly different behaviors in terms of loss development and trend. Separating these parts of the total workers compensation benefit for analytical purposes allows the PCRB to measure and recognize demonstrated differences over time in preparing its loss cost filings.

The PCRB also does not include discretionary reserve elements such as bulk reserves or IBNR in the claim data used in analysis for loss cost filings. The methods and judgments underlying these reserve components are expected to vary significantly from insurer-to-insurer and over time for any given insurer. Incorporating these differences would introduce an added level of uncertainty and volatility in the PCRB's analysis, which is avoided by limiting claim data used in support of the filing to paid and case reserved amounts.

In constructing loss development histories, the PCRB consistently uses the maximum available amount of data which passes all required checks and edits. As companies may pass edits for some but not for all reported data, the PCRB matches available data by carrier for each pair of accounting dates used in development of our financial data. The PCRB then limits data used in its filings to the experience reported by common sets of carriers at each successive pair of accounting dates.

Some levels of the PCRB's loss cost filings are susceptible to achieving even greater measures of homogeneity in the data used. In establishing classification loss cost relativities, for example, experience data is used separately by classification, effectively dividing unit statistical data into more than 350 categories which are individually much more homogeneous than is the aggregate total of all reported experience. Further, in operation of the Experience Rating Plan data reported for insurance of individual employers is taken as the basis for separate analysis in determining experience modifications.

CREDIBILITY

Credibility pertains to the degree of predictive value a given body of data is deemed to have with respect to a pricing exercise such as the PCRB's loss cost filings. In practice credibility considerations raise two issues: First, how much reliance is to be placed on a specific body of data, and, second, what alternative data is to be assigned any complementary credibility not ascribed to that primary information.

For purposes of determining the overall loss cost level, the database available to the PCRB is quite large and by any measure would have substantial credibility. For example, in their 1995 Examination of the Pennsylvania Compensation Rating Bureau (Volume VI, Pages 36-37), Milliman & Robertson, Inc. (M&R) noted that application of commonly-employed credibility standards produced very high trend credibilities for Pennsylvania (0.94 for indemnity and 0.87 for medical).

The PCRB also believes that, in addition to the substantial credibility attributable to Pennsylvania experience as a purely statistical matter, no alternative body of experience or information exists which would effectively serve as a basis for Pennsylvania price indications to the very limited extent that its statistical volume might suggest as appropriate. In this vein, M&R noted that difficulties of interpretation and timing might arise in any attempt to utilize countrywide data or data from another group(s) of states as a complement to Pennsylvania experience.

DATA AVAILABILITY

The financial data collected by the PCRB includes the types of loss data most commonly used in workers compensation loss reserving, namely paid loss and incurred loss data. Premium and loss data collected using the PCRB's Annual Calls is reconciled to Schedule W and is checked against prior years' Calls for consistency and reasonableness.

Two types of data provide additional value in estimating and/or testing estimates of ultimate losses. The first of these is claim counts consistent with financial data valuations and separating cases into "open" and "closed" categories. The PCRB has collected such claim count data beginning with its December 31, 1993 Financial Calls. The PCRB continues to accumulate claim count information and evaluate possible applications of that data to its pricing analysis.

The second type of data of particular interest to the PCRB is a separation of incurred loss amounts on open cases in the unit statistical reports into paid and case reserved components. The PCRB filed and the Department approved revisions to the Statistical Plan extending the period for unit data reporting from five years to ten and requiring separation of incurred amounts into paid and case reserves components. These changes were implemented on a mandatory basis with policies effective on or after January 1, 1996. The PCRB accumulates and considers this data as part of its review of loss patterns.

The PCRB does not need to report ultimate losses for Pennsylvania workers compensation in any detail not supported by either the financial data or unit statistical data as presently reported and believes that actuarial methods available using current data provide reasonable estimates of ultimate losses for this line of business.

EMERGENCE PATTERNS

The PCRB is able to monitor the reporting of claims through unit statistical reports. Exhibit VI presents reported counts of indemnity claims in Pennsylvania for the most recent available history, along with age-to-age development ratios computed based on the reported claims.

The data shows that reported claim development is quite modest for workers compensation insurance in Pennsylvania after second report. From first to second report, development experience shows a collection of relatively high development factors for Policy Years 1984 through 1989, a substantially lower set of development factors for Policy Years 1990 through 1999, and a set of consistent but somewhat higher development factors for Policy Years 2000 and later.

SETTLEMENT PATTERNS

The Principles relate settlement patterns to the length of time that it takes for reported claims to be "settled" or resolved. The PCRB is able to monitor the portion of reported indemnity claims which are reported as closed at each evaluation through its unit statistical report data. Exhibit VII shows the number of closed claims and the ratio of closed claims to reported claims in Pennsylvania for the most recent available history.

Based on that data, the PCRB has concluded that the length of time required for Pennsylvania workers compensation claims to be resolved consistently and significantly increased over time into the early 1990s. Since 1992, these patterns became relatively stable, although Policy Years 2004 through 2010 at first report are at the lowest levels over the entire period reviewed. Later report levels have improved, and the settlement ratios at fifth and later reports are generally at the highest levels over the entire period shown.

In the April 1, 2014 Loss Cost Filing, the PCRB made no adjustments in the selection of the method for estimating ultimate loss ratios to address changes in settlement patterns.

Another measure of settlement patterns, based on dollars of loss, can be observed by examining the relationship over time of payments to reported case-incurred losses. Exhibit VIII shows ratios of paid losses to reported case-incurred losses separately for indemnity and medical by policy year and level of maturity. These ratios are based on financial data and include the latest available five calendar years of experience (2008-2012). Exhibit IX shows similar detail but compares payments to estimated ultimate incurred losses where the estimated ultimate losses are based on the average of the paid to-25th and incurred loss development methods.

DEVELOPMENT PATTERNS

The PCRB routinely reviews both paid loss and case-incurred loss development patterns separately for indemnity and medical losses. Based on financial data, the PCRB's loss development analysis cannot separate development on known cases from the effects of late-reported claims or reopening of previously-closed cases but does include effects of each of these factors in the aggregate experience reported.

The Principles note that "...claims procedures will affect the manner in which the case reserves develop for any group of claims, and changes in claims practice may affect the consistency of historical development." The PCRB would also note that, when the environment in which claims must be managed changes, NOT changing claims procedures or case reserving practices may also affect the manner in which case reserves develop and/or the consistency of historical development. Exhibit I attached presents historical comparisons of average paid closed claims and average incurred open claims in Pennsylvania for the most recent available unit statistical report data. Exhibit I is presented in three pairs of pages. The first two pages present experience for average indemnity loss per indemnity claim. The third and fourth pages present experience for average medical loss on indemnity claims per indemnity claim. The last two pages present experience based on the average medical loss per claim including both indemnity and medical-only claims.

The first page of each pair in Exhibit I presents average incurred values for open and closed claims separately by policy year and unit statistical report level. The second page of each pair computes the year-to-year percentage changes in average open and closed claims, respectively. Over the period of experience provided in Exhibit I average closed indemnity claims have generally grown faster than have comparable average open claims, suggesting that case reserves established on open claims may have not historically kept pace with ongoing payment experience in Pennsylvania. Only Policy Year 1998 and early maturities for 2002 and 2007 show changes in average open claims higher than or approximately equal to changes in average closed claims. Interpretation of Exhibit 1 with respect to medical losses is complicated by the effects of Act 44 of 1993, which affected new claims and the outstanding portions of prior claims. In recent years, increases in average open and closed claims have evened out. For the seven Policy Years 2004 through 2010, four policy years tended to have higher increases in average closed claim than open claim, while the opposite was true for the remaining three policy years. Similarly, interpretation of Exhibit 1 with respect to indemnity losses requires recognition of the effect of Act 57 of 1996, parts of which affected new claims and parts of which affected both new and outstanding claims.

The Principles also note that the length of time to settlement may affect observed development. The PCRB believes that this is clearly the case in Pennsylvania and, in that regard, would refer in principal part to the claims closure rates patterns presented above in discussion of settlement patterns as a consideration under the Principles.

The PCRB believes that both settlement patterns and loss development patterns in Pennsylvania are affected by prevailing levels of litigation. Exhibit II attached presents a summary history of petitions filed with the Bureau of Workers Compensation (BWC) by type of action.

The exhibit reflects the numbers of petitions filed as reported by the BWC. The PCRB has been advised that, beginning March 16, 1992, a petition form received containing pleadings on three types of issues was counted as three petitions. There are seven types of petitions that may be involved in these multiple pleadings: termination, suspension, modification, medical review, review, reinstatement and set aside of final receipt.

Petition filings in Pennsylvania showed substantial declines from 1999 into 2001. From 2001 through 2009 petition activity remained relatively flat followed by reductions for the 12-month periods ending June 30, 2010 through June 30, 2013.

The PCRB can observe loss development patterns directly by virtue of the financial data reported to it by its members. Exhibit III presents a history of this loss development experience for indemnity benefits, while Exhibit IV presents a similar history for medical benefits.

Portions of the case reserve data included in the PCRB's financial data are subject to discounting. As a result, loss development experience derived from this financial data will reflect some "unwinding" of these discounts over time. When changes were made in the pension tables underlying some of the case reserves included in financial data, the PCRB collected data providing concurrent valuations of liabilities on both the previous and revised bases in order to correct ongoing loss development analysis for the effects of those tabular changes.

In the course of preparing the April 1, 2014 Loss Cost Filing and other recent PCRB filings, the PCRB has tested different loss development methods, including a case-incurred loss development approach and a method which applies a paid loss development approach for an initial period of 25 reports and then converts paid losses to incurred losses and applies an incurred-loss development approach for all remaining development to ultimate loss. In addition, ultimate loss estimates computed as the average of the case-incurred and paid-to-25th report methods were considered.

Because of the enactment of Act 44 in July 1993, the medical financial data reported to the PCRB required adjustment for the effects of statutory changes before loss development analysis could proceed. The details of the adjustments made are set forth under subsequent discussion of "External Factors." In brief, the PCRB estimated the effects of medical cost containment provisions of Act 44 on medical losses and then adjusted paid and incurred loss data for periods prior to the implementation of Act 44 to a "post-Act 44" basis. Under this approach, loss development analysis can proceed with medical experience before and after the implementation of Act 44 stated at comparable levels. Absent such adjustment, the PCRB's loss development methods would have inappropriately treated changes in costs attributable to this legislation as integral parts of ongoing loss development patterns.

Because of the enactment of Act 57 in June 1996, an adjustment to indemnity financial data, similar to the adjustment made to medical financial data previously described, was also warranted. In brief, the PCRB estimated the effects of the provisions within Act 57 on indemnity losses and then adjusted paid and incurred-loss data for periods affected to a "post-Act 57" basis. This process for adjusting indemnity losses to a post-Act 57 basis was first implemented in the PCRB's April 1, 2000 Loss Cost Filing. Thus, loss development analysis can proceed with indemnity experience before and after the implementation of Act 57 stated at comparable levels.

Exhibit V attached presents summary results of the PCRB's loss development analysis for the April 1, 2014 Loss Cost Filing.

After consideration of results of all methods tested for estimation of ultimate loss and consistent with the April 1, 2003 and subsequent filings, the PCRB has selected the average of the paid-to-25th report and the incurred loss development methods for both indemnity and medical loss.

FREQUENCY AND SEVERITY

This consideration is directed primarily toward the statistical theories underlying the predictability of ultimate loss amounts. Historically, workers compensation insurance has been considered a high frequency, low severity form of coverage. Pennsylvania data suggests that increases in claim severity have been occurring (see Exhibit I), although Acts 44 and 57 have caused changes in both the levels and trends in loss severities. Claim frequency has been a significant favorable factor in changes of costs of workers compensation insurance in recent years for Pennsylvania.

In the current filing, as was the case in other previous loss cost filings, the PCRB has examined claim frequencies and recent changes in claim frequency in depth. In effect, the PCRB has separated observed loss ratio trends into frequency and "other" components. Claim severity and benefit utilization are significant elements within the "other" trend component.

The Principles direct that a provision be made for the expectation of claims of a magnitude not present in historical data. Workers compensation insurance does present potential catastrophic exposures not represented in historical data, and the PCRB believes the likelihood of such claims increased with the events of 2001. Apart from losses for terrorism and catastrophic events with losses in excess of $50 million, as discussed below, the PCRB has not supplemented its developed and trended estimates of ultimate loss with a separate provision for such contingencies. This practice is but one element of conservatism adopted in this filing which produces loss cost indications in the middle of the range of reasonable estimates.

Through the establishment of separate rating values for certified acts of terrorism and for catastrophes other than certified acts of terrorism, PCRB and its members have made provisions of the types contemplated in the Principles. In concert with the application of rating values to those catastrophes, loss events qualifying as certified acts of terrorism or catastrophes other than certified acts of terrorism would be excluded from PCRB data used to promulgate loss costs.

REOPENED CLAIMS POTENTIAL

Workers compensation insurance is commonly affected by reopening of claims previously reported as closed. Such reopenings increase the cost of insurance and contribute toward the long-tailed nature of benefits for this line of insurance. While the PCRB's financial data does not specifically identify reopened cases or costs attributable to such reopening, the paid and incurred-loss valuations reflected in that financial data include the effects of any reopening which may have occurred.

CLAIMS MADE COVERAGES

Pennsylvania workers compensation insurance policies are uniformly written on an occurrence basis, and claims made coverage is not applicable to the PCRB's April 1, 2014 Loss Cost Filing.

AGGREGATE LIMITS

Statutory benefit levels for indemnity payments and considerations of mortality applicable to workers compensation claimants serve to produce some broad practical limitations of the possible costs of benefits payable to individual claimants. However, no maximum limit on total losses applies to any Pennsylvania workers compensation insurance policy subject to the PCRB's April 1, 2014 Loss Cost Filing or which contributed data to the analysis supporting this filing.

SALVAGE, SUBROGATION AND COLLATERAL SOURCES

For Pennsylvania workers compensation the following conditions or circumstances would give rise to recoveries of loss amounts commonly perceived as "salvage, subrogation and collateral sources."

Third-party Recoveries. These recoveries occur as a result of actions in which the claimant pursues and obtains a liability award from someone other than their employer or a fellow employee on the basis that the third party was responsible for the workers' injuries. Effective with the implementation of Act 44 of 1993 on August 31, 1993, workers compensation insurers are empowered to subrogate proceeds of third-party actions involving automobile accidents. Prior to that date third-party claims prosecuted in cases of automobile accidents could not be subrogated by workers compensation insurers in Pennsylvania.

- ***Subsequent Injury Fund***. This fund makes some payments for total disability arising out of the combined effects of two separate instances (with the most recent occurrence subject to the provisions of the Pennsylvania Workers Compensation Act), each resulting in the loss or loss of use of one hand, one arm, one foot, one leg or one eye. Such payments are made by the L&I from the Subsequent Injury Fund after the insurer of record for the most recent injury has paid partial disability benefits consistent with the effects of the most recent occurrence alone.

- ***Supersedeas Fund Recoveries***. Upon approval by the appropriate administrative agency, this fund reimburses certain benefit payments made by insurers pending determination of certain petitions before the BWC or the Workers Compensation Appeals Board.

Deductible Reimbursements. In Pennsylvania employers may elect various levels of deductible coverage. The election of a deductible policy does not change the insurer's primary responsibility for administering all benefit payments on claims incurred under the policy but requires that the employer reimburse the insurer for payments made under the qualifying deductible level. In return for the agreement to reimburse specified payments, the employer receives an advance premium credit, the amount of which is a function of the deductible level selected.

Deductible plans in Pennsylvania are separated for purposes of financial data reporting into "large" deductible plans (policies having a deductible amount of $100,000 or over) and "small" deductible plans (policies with a deductible amount less than $100,000).

- ***Unemployment Compensation Benefit Offsets***. Effective with the implementation of Act 44 of 1993, in instances where a workers compensation claimant has received unemployment compensation benefits and workers compensation disability benefits for the same period of disability, the workers compensation insurer is entitled to reduce the amount of workers compensation benefit by the amount of unemployment benefits paid. This procedure became effective on August 31, 1993.

- ***Social Security Old Age Benefit Offsets***. Act 57 of 1996 provides for offsets to workers compensation benefits by virtue of Social Security Old Age Benefits to the extent that those benefits are funded by employers. This provision of the law applies prospectively for injuries occurring after the effective date of the statute. Thus, no adjustment or reorganization of prior experience data was required in preparing this filing to recognize this amendment. Prospective adjustment to proposed loss cost levels were made as appropriate to reflect effects of this change on future losses.

The financial data reported to the PCRB is net of third-party subrogation and Supersedeas Fund recoveries received and excludes payments made directly from the Subsequent Injury Fund. Thus, the loss development patterns based on that financial data reflect such collateral sources. With respect to both subrogation on automobile injury claims and offsets for unemployment compensation benefits, experience will continue to be reflected in future financial data and will affect ultimate loss estimates as the effects of these provisions are demonstrated in reductions in amounts otherwise paid.

The financial data reported to the PCRB is gross of deductible reimbursements under so-called "small-deductible" plans. This allows overall loss cost levels to be promulgated consistent with first-dollar coverage, with credits attributable to deductible policies then applied for policies written on a deductible basis. Experience for "large deductible" policies is excluded from the determination of overall loss cost levels in PCRB filings, recognizing that employers purchasing such policies are effectively self-insuring major portions of their workers compensation insurance obligations. The behavior and experience of these risks is deemed not to be representative of the losses expected for other employers remaining insured by the PCRB's members on a first-dollar basis. If large deductible business were to be considered for inclusion in the derivation of overall loss costs levels, the appropriate basis for such work would be on a gross or first-dollar basis. However, carrier experience reported on such a basis is not reconcilable to independent sources such as carriers' Annual Statements. This lack of available sources for verification of carrier data is another reason that large deductible business is not applied to the purpose of deriving overall loss cost change indications. In order to maximize the amount of experience available by classification, however, both small and large deductible policies are included on a first-dollar basis in the determination of loss costs at the individual classification level.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Loss data used in preparing the PCRB's loss cost filings is more directly related to statutory accounting procedures than to GAAP. The PCRB's April 1, 2014 Loss Cost Filing attempts to estimate ultimate loss amounts on an undiscounted basis for purposes of determining the overall loss cost level appropriate for Pennsylvania workers compensation.

REINSURANCE

Financial and Statistical Plan data submitted to the PCRB and used in preparing this filing is reported on a direct basis. As a result, any reinsurance arrangements which may have been in effect between various insurers have properly not been recognized in the PCRB's analysis of loss costs for this filing.

PORTFOLIO TRANSFERS, COMMUTATIONS AND STRUCTURED SETTLEMENTS

Because data is reported to the PCRB on a direct basis, portfolio transfers would not affect the analysis underlying this filing. Commutations and structured settlements (i.e., annuity purchases, etc.) are reflected in reported data and may have some effect on that data and analysis performed based thereon.

As shown on Exhibit II, commutation petitions show limited usage since the 12 months ending June 30, 1999. The Compromise and Release feature of Act 57 of 1996 appears to be a tool of which the carriers have made considerable use, perhaps in the place of commutation activity which would have otherwise taken place.

In preparing its January 1, 1992 rate filing the PCRB attempted to collect specific data pertaining to the timing and amount of commutation awards and the history of claim valuations presented by claims subject to such commutations. The PCRB obtained a detailed listing of claims for each PCRB member on which prior commutation petitions had been filed and provided each member of the PCRB with its own listing as a basis for developing responses to the PCRB's request for data. Despite an extensive effort by the PCRB and its members, most carriers with any significant volume of commuted cases could not reconstruct the requested data for at least some claims, and much of the data reported did not pass various quality control edits imposed by the PCRB upon receipt of the responses. Given the difficulty of preparing and distributing the commutation call and the lack of success in obtaining useful data based on that call, the PCRB has not subsequently reissued that call for information.

Although the PCRB has not made specific adjustments to its loss development data to account for any effects of commutation activity, due consideration was given to development patterns, settlement rates, and the potential effects of commutations and compromise and release settlements on the PCRB's data in the selection of ultimate incurred losses.

POOLS AND ASSOCIATIONS

There are no pools or associations whose operations affect the policies subject to this filing. Intercompany pooling agreements or other similar arrangements which may affect the allocation of business between affiliated companies would also not affect the aggregate data underlying this filing or the indications presented herein.

OPERATIONAL CHANGES

A broad variety of operational changes and adaptations will presumably be at various stages of maturity among different members of the PCRB at any point in time. In performing a loss reserve analysis for a specific carrier or a carrier group, particularly important changes of this

nature might be identified and used as a basis for modifying certain assumptions or parameters in the analysis. However, it is not possible for the PCRB to assimilate detailed information regarding operational changes in over 400 separate companies and then to meaningfully translate the complex spectrum of such changes into specific quantitative adjustments applicable to the overall data for all carriers in the aggregate.

The PCRB has endeavored to identify pervasive and important trends in its overall data and to discover possible explanations for and ramifications of those trends for use in its analysis of this filing. In filings prior to April 1, 2011, that effort had included discussions of company considerations and perspectives on system features conducted by PCRB staff, with many carrier groups collectively representing a significant portion of the Pennsylvania workers compensation premium. The PCRB has not issued a formal carrier survey or summary of responses as part of the support for its April 1, 2011 and later loss cost filings.

CHANGES IN CONTRACTS

Although most contract provisions of workers compensation insurance policies in Pennsylvania have remained intact for an extended period of time, some changes of note have occurred in recent years as the result either of legislative action or individual carrier initiatives. Changes of which the PCRB is aware are noted below with comments as appropriate in the context of the Principles.

Deductibles: Since 1990 some Pennsylvania workers compensation business has been written subject to "large deductible" policies. The PCRB has consistently defined "large deductible" plans to be those arrangements in which the insured agrees to reimburse their carrier for losses below selected amounts of $100,000 or more per claim or accident.

The PCRB excludes large deductible experience from financial data used to determine overall indications for its loss cost filings, as these types of policies are tantamount to self-insurance. The experience of these risks is deemed not to be representative of the losses expected for other employers remaining insured by the PCRB's members on a first-dollar basis and present additional challenges in verifying the accuracy and consistency of reported data.

Act 44 implemented a requirement for carriers to offer "small" deductibles at specified levels of retention to Pennsylvania employers. At present, the statutorily-required deductible choices are $1,000, $5,000 and $10,000. Carriers are also allowed to file and use other deductible levels under provisions of the law, but the PCRB is not aware of significant numbers of such filings having been made to date.

In financial data, the PCRB's reporting instructions have for a number of years required small deductible experience to be reported on a gross or first-dollar basis, so that the determination of overall loss cost levels is accomplished using data which does not reflect differences in either premiums or losses attributable to these smaller deductible plans.

Unit statistical reports in Pennsylvania require the reporting of all experience on a "first dollar" basis for large and small deductible policies. This practice allows classification relativities and experience modifications to be promulgated and applied directly in pricing all risks, regardless of whether or at what level deductible provisions may attach.

Workplace Safety Credits: Act 44 provided that employers could apply on a one-time basis for a policy credit of five percent against premium otherwise due, based on qualification as having a certified Workplace Safety Committee. Act 57 extended the availability of the credit by allowing for renewal for up to four additional years. In December 2002, the cap on the number of years risks may receive credits was lifted, and employers can now qualify for the program every year. Applications are processed through L&I. "Standard premium" excludes the effects of premium discounts or retrospective rating plans which may also apply to some risks qualifying for workplace safety credits and may be especially significant for certain large employers.

EXTERNAL INFLUENCES

Workers compensation insurance is susceptible to influence by a broad variety of external social, economic and legal factors. The more significant such factors affecting and accounted for in this filing are identified below:

Act 44 of 1993: Signed into law in July 1993 this legislation implemented numerous changes in the Pennsylvania workers compensation system. These changes included the following:

Loss Cost Pricing: The PCRB now files advisory loss costs only, and individual carriers must file their own independent provisions for expenses, profit and related items. In addition, carriers are authorized to file independently for loss costs and/or to implement subclassifications within existing PCRB classifications. Within the context of the PCRB's loss cost filings, this change will affect the designated statistical reporting level for "premiums" attributable to policy years beginning with 1993.

Medical Cost Containment: Various provisions of Act 44 were designed to reduce current costs and control future cost increases for medical treatment of workers compensation claims. The more notable of these features of the law include implementation of a fee schedule based on the Medicare reimbursement system, authorization for coordinated care organizations, provisions for the establishment of peer review and utilization review procedures, and extension of the duration of employer-directed choice of physician from 14 to 30 days.

Minimum Indemnity Benefit: Act 44 eliminated the absolute minimum benefit level for indemnity payments, reducing the likelihood and extent to which claimants could receive workers compensation benefits exceeding their pre-injury take-home pay.

Other provisions: Act 44 also included language addressing the following subject areas:

- Authorization for employers and workers compensation insurers to subrogate proceeds of third-party actions in injuries involving automobile accidents.

- Provisions to preclude entitlement to workers compensation benefits if injuries were caused by use of illegal drugs or alcohol.

- Initiation of certain procedures for the reporting, investigation and prosecution of fraud related to workers compensation insurance.

- Authorization for the formation of group self-insurance programs.

Petitions Filed: Through 1995 the Pennsylvania workers compensation system had become increasingly involved in matters of dispute pertaining to individual claims. The situation has improved somewhat since that time based on counts of petitions filed with the BWC. This tendency is illustrated in the accompanying Exhibit II, presenting numbers of petitions filed by type of issue for the 12 months ending June 30, as indicated starting with 1999. Petitions generally invoke administrative proceedings which can be very protracted in nature and which often require significant periods of time to complete. In Pennsylvania such delays are translated into additional indemnity, medical and expense payments by virtue of prevailing case law precedents (see below).

Pennsylvania Economy: The PCRB has not observed any pronounced divergence between the Pennsylvania economy and countrywide economic conditions over the last decade, and in particular, state and national economic trends have not been moving in opposite directions. When economic conditions are difficult, alternative employment may be difficult for injured workers to obtain in new settings or for their former employers to provide within their own operations. This could contribute to increased claims severity and may be particularly relevant given current economic conditions. On the other hand, analysis done by the National Council on Compensation Insurance, Inc. (NCCI) suggested that a meaningful and sustainable improvement in claim frequency counteracting increases in claim severity may be expected during times of economic stress.

The PCRB is aware that many other jurisdictions have observed increases in claim frequency for a recent year(s). Pennsylvania did not experience any increase in claim frequency during the recent experience available for this filing and, in fact, claim frequency continued to improve in Pennsylvania through Policy Year 2011 as measured in unit statistical report data.

Wage Inflation: Wage inflation, which drives indemnity benefit levels, has not been particularly high in Pennsylvania in recent years. Changes in the PCRB's pricing procedures invoked by prior orders of the Insurance Commissioner's office have dictated changes in the approved trend procedures. These changes effectively eliminated the on-level adjustments commonly derived in workers compensation pricing for routine revisions in minimum and maximum wage levels based on changes in the Statewide Average Weekly Wage. Instead, the Commissioner's Orders require the PCRB's trend analysis to include the effects of those on-level adjustments. This requirement must be kept in mind when comparing the PCRB's indicated trends to values produced in other jurisdictions based on traditional approaches.

The PCRB would note that, in the course of analysis of claim frequencies for the April 1, 2001 Loss Cost Filing, staff discovered an unusually large amount of payroll reported by the Bureau of Labor Statistics for the First Quarter of 2000. This data appears to be an isolated occurrence, and total payrolls and average wages for Fiscal Year 2000 have been adjusted to remove this anomaly in the current and prior loss cost filings.

Wage level changes in Policy Years 2008 and 2009 were suppressed by general economic conditions, but the wage changes for Policy Years 2010 and 2011 are closer to historical levels. Wage changes impact the PCRB's measures of claim frequency and claim severity in offsetting fashion, so that the April 1, 2014 filing did not apply adjusted expectations for wage level changes from the trends evident in historical data.

Case Law Precedents: The PCRB is aware of several specific cases having current and/or potential future precedential implications for Pennsylvania workers compensation insurance. These decisions have imposed or may impose additional requirements to be met by employers or insurers attempting to accomplish certain actions on workers compensation claims or invoke new bases for determination of compensability under Pennsylvania law. Collectively, these cases have had the effect of extending the duration and increasing the amounts of benefit payments required for Pennsylvania workers compensation claims. A brief summary of the nature and implications of each of the cases known to the PCRB is set forth below:

Baksalary: Decided in 1984, the Baksalary case effectively requires continued payment of both indemnity and medical benefits during the pendency of petitions filed for suspension, modification or termination of benefits. By extending the period during which benefits are paid, this precedent has materially increased the cost of Pennsylvania workers compensation claims.

Kachinski: Decided in 1987, the Kachinski case significantly increased the vocational standards to be met by employers or their insurers in order to be able to successfully close Pennsylvania workers compensation claims. In effect, these expanded vocational requirements altered the nature of the workers compensation system from its previous focus on medical improvement and stability to an emphasis on whether suitable work was available to injured workers. In turn, these requirements extended the period of compensable disability on many claims.

McCray: Decided in 1994, the McCray decision effectively increased the burden of proof regarding job availability required of insurers or employers in order to suspend or modify disability benefits.

Jackson Township v. WCAB: Decided in 1991, the Jackson Township case awarded benefits to a worker not suffering any diagnosed injury or illness but affected by a fear that they had or could contract AIDS in the course of their employment. This case is perceived by at least some insurers as potentially precedential in terms of certain stress or anxiety disorders which may be contended to be work-related.

***Martin v. WCAB*:** Decided in 1995, the Martin case allowed a worker to seek treatment from a medical practitioner not on the list of designated practitioners posted by the worker's employer. This case is perceived by some as potentially obviating the employer's ability to direct injured workers to designated medical practitioners during the first 30 days after their injuries. Act 57 further expanded the period during which employers could designate medical providers from 30 to 90 days.

Act 57 of 1996: Signed into law in June 1996 this legislation included certain measures which the PCRB has estimated will reduce the level of indemnity benefit payments. Based on responses to the PCRB's survey of large carriers or groups, the PCRB felt that savings under Act 57 of 1996, which would normally have been expected to materialize over an extended period of time, were already substantially evident in the experience of the financial data. This was the result of carriers', employers' and claimants' willingness to reach agreement on the settlement of claims, presumably advanced by the provisions of Act 57 of 1996 which would ultimately come into play. One of the key elements of this process is the Compromise and Release feature of Act 57. The PCRB's financial data has been adjusted to a post-Act 57 basis to reflect a common indemnity benefit level for all policy years.

***Gardner*:** The Gardner case asserted that the claimant was not required to submit to an independent impairment rating evaluation (IRE), because the insurer did not request an IRE within 60 days of expiration of the 104 weeks of temporary total disability benefits. The Supreme Court of Pennsylvania, in a decision dated December 28, 2005, upheld the insurer's right to request an IRE after the 60-day window immediately following the expiration of the 104 weeks of temporary total disability benefits has passed. However, the decision states that, after the 60-day window has passed, an insurer must litigate the case by submitting a Petition to Modify before obtaining any reduction in benefits. No recognition of the potential impact of the Gardner decision on Pennsylvania loss costs has been reflected in this filing.

Dowhower: The Dowhower case involved a request for an independent impairment rating evaluation (IRE) that was made prior to the completion of the 104 weeks of temporary total disability benefits. On October 15, 2007 Commonwealth Court decided that an IRE request must be made within the 60-316 window following the completion of 104 weeks of temporary total disability in order to preserve a carrier's ability to make a unilateral change upon a finding of a rating of less than 50 percent. There is some concern that the decision could lead to new litigation in cases where an IRE had been requested prior to the 60-day window.

Terrorism: Workers compensation policies provide coverage and benefits for employees who may be injured, made ill or killed as a result of acts of terrorism precipitated by individuals or groups based outside the United States. As illustrated by the events of September 11, 2001, such acts can have devastating personal and economic consequences.

The PCRB has established a rating value specific to coverage for certified acts of terrorism. In addition, carrier programs may be developed in terms of deductible coverages and underwriting procedures to mitigate or account for this source of potential loss.

House Bill 797: House Bill 797 (Act 46 of 2011) (HB 797) was signed into law and became effective July 7, 2011. This legislation established a rebuttable presumption of work causation for certain forms of cancer diagnosed in firefighters. While this legislation has the potential to impact loss costs in selected risk classifications, such impact would be subject to a variety of considerations about which little or no experience data was or is yet available or known to the PCRB. No adjustment(s) to indicated loss costs attributable to HB 797 have been included in the April 1, 2014 Loss Cost Filing submitted by the PCRB.

***Medicare Secondary Payer Statute*:** (*The following discussion was provided by a PCRB member as part of their response to the carrier survey conducted in support of the April 1, 2007 Loss Cost Filing*.) There has been increased recognition of the need to comply with the Medicare Secondary Payer statute because of memos from the Center for Medicare and Medicaid Services (CMS) to the insurance industry since approximately 2001. Medicare recognized that, in the settlement of certain claims where future medical was settled and closed, those claimants sometimes shifted the medical costs related to the work injury to Medicare. In an effort to address this trend, CMS released a series of memos from 2001-present which reminded the industry about the Medicare Secondary Payer Act and established procedures advising carriers how to comply with the provisions of that act.

When a carrier is settling out future medical care on a claimant who is or may be Medicare eligible in the future, the carrier is required to calculate future medical that is Medicare-covered and is related to the work injury and set it aside for the claimant's future medical care needs so that the claimant does not send bills for such care to Medicare. Effective January 1, 2006 all Medicare set-asides must also include dollars set aside to cover prescription costs arising from the work-related injury. In addition, CMS requires that carriers seek CMS approval of settlements exceeding certain thresholds. The process of calculating a set-aside and obtaining CMS approval can be lengthy and prolong the term and severity of the claim, as benefits often continue to be paid during the approval process and additional dollars are required to be set aside for future medical.

Six-L's Packing Company v. WCAB: Decided in May 2012, this case expanded the scope of who may be considered a statutory employer under the Workers' Compensation Act. Previously, courts had held that the five-part *McDonald* test had to be met before a statutory employment relationship could be established – in particular, the claimant had to prove that the general contractor occupied or controlled the premises where the work injury occurred. Under this case decision, it is no longer necessary that the general contractor control or occupy the premises before liability attaches; rather, the critical factor is whether the work the subcontractor was performing is a regular or recurring part of the business of the general contractor. Trucking companies and other general contractors who hire uninsured subcontractors are potentially subject to similar findings based on this precedent.

***City of Pittsburgh v. WCAB*:** A 2013 Supreme Court of Pennsylvania decision rejected the rule that taking a pension raises a presumption of retirement and ratifies the "totality of the circumstances" test. The pivotal issue in this case was the burden of proof when the employer seeks to modify or suspend a claimant's benefits on the basis that the claimant has withdrawn from the workforce. In a 2013 Commonwealth Court decision, the Court plurality announced its "totality of the circumstances" standard to be used in retirement cases. Under that standard, to demonstrate that a claimant has retired, the employer must show by a totality of the circumstances that the claimant has not returned to the workforce. The employer appealed to the Supreme Court of Pennsylvania, which unanimously affirmed the Commonwealth Court.

***Tooey v. AK Steel Corporation*:** Very recently the Supreme Court of Pennsylvania ruled that the exclusive remedy of the state's Workers Compensation Act does not bar tort claims of former employees against an employer, where an occupational disease develops more than 300 weeks after last exposure.

The PCRB is aware of this decision and will monitor its implications for the Pennsylvania workers compensation system.

DISCOUNTING

Discounting practices vary from carrier-to-carrier within the financial data reported to the PCRB. Some carriers discount death and permanent total disability cases using mortality and interest assumptions consistent with the Statistical Plan requirements applicable to unit statistical reports. Other carriers discount such cases using independently-established assumptions and procedures. Some carriers may discount some or all financial data reserves on a bulk or aggregate basis, either in addition to or instead of application of case-specific discounts such as those described above.

To the extent that reported losses in financial data have been discounted, loss development experience will reflect the "unwinding" of these discounts as losses are paid out over time. The objective of the PCRB's analysis of ultimate losses is to accurately predict final UNDISCOUNTED loss amounts, as the reflection of investment income in carrier prices is part of the statutory requirements for those companies' loss cost multipliers filed with the Department.

The PCRB filed and the Department approved changes in the Statistical Plan pension tables effective in 1992, in 2000 and again in 2004. For financial data reported in 1991, 1992, 2000 and 2004, the PCRB collected data providing information of the effects (if any) of those pension table changes on valuations of incurred losses for each carrier. This information was used to adjust loss development for the pension table changes so that ultimate loss estimates would be unaffected by the transition to the new tables.

PROVISION FOR UNCERTAINTY

Workers compensation insurance in Pennsylvania has historically demonstrated a very xtended payout and settlement "tail" which contributes significantly to the uncertainty inherent in estimates of ultimate incurred losses for this type of insurance.

The PCRB's loss cost filing is based on indications of methods which have been selected as providing the best estimate of ultimate losses for the experience periods used in this analysis. The filing thus makes no explicit or implicit provision for uncertainty in estimates, either by way of adding an incremental margin to the best estimate or by selecting a method which produces results falling closer to the upper end than the lower end of the range of reasonable results achieved by various alternative methods. While the Principles would advocate application of an explicit provision for uncertainty under these circumstances, the PCRB has declined to do so, in part because of the difficulty of objectively establishing an appropriate level for such a provision and in part because, in the context of Pennsylvania's current workers compensation pricing system, individual carriers have an opportunity to incorporate their own perspectives of uncertainty in the determination of their individual loss cost multipliers. The PCRB does recognize that recent world events have heightened the potential for catastrophic loss.

Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA): Bureau Filing No. C-354 was approved effective September 1, 2008 and provided procedures, endorsements and rating values associated with coverage for terrorism losses. TRIPRA is a federal backstop for substantial portions of possible losses due to certified acts of foreign and domestic terrorism.

TRIPRA is set to expire on December 31, 2014. The PCRB will monitor activity related to TRIPRA. If TRIPRA is not extended, the PCRB would assess the implications regarding associated rating values and forms and would file changes as necessary.

Natural Catastrophes and Catastrophic Industrial Accidents: While workers compensation policies provide coverage for injuries and/or illnesses attributable to these causes, loss events arising from them are (and would be expected to be) rare. As a result, the statistical underpinnings for rating values generally do not include any reflection of the potential for losses due to these factors. Bureau Filing No. C-349, effective January 1, 2006, provided a procedure, endorsement form and related rating values specific to these causes

of loss, as well as domestic terrorism. More recently, Bureau Filing C-354 was approved effective September 1, 2008, providing rating values and endorsements for the coverage of these losses. Under Bureau Filing No. C-354, domestic terrorism protections were moved under the banner of TRIPRA, discussed above.

REASONABLENESS

The PCRB has applied extensive tests of reasonableness to the estimates produced in a variety of approaches to loss development and trend in the preparation of this filing. Methods selected produce results falling in the middle of the range of all methods tested. On balance, the PCRB firmly believes that its present estimates are reasonable and, in particular, are unlikely to prove excessive given the overall circumstances applicable to these estimates.

LOSS-RELATED BALANCE SHEET ITEMS

Because of the statutory limitation of the PCRB's loss cost filings to the "Provision for Claims Payment," most loss-related balance sheet items are outside the scope of the filing's analysis. Employer assessments and funding for the Office of the Small Business Advocate are exceptions to this limitation. The filing has reviewed recent experience pertaining to the amounts of such assessments as a means of providing an appropriate Employer Assessment Factor to carriers applicable to these employer assessments and for the inclusion in proposed loss costs of provision for funding for the Office of the Small Business Advocate.

LOSS RESERVING METHODS

Consistent with directions provided by the Principles, the PCRB has tested and reviewed the results of alternative methods to estimate ultimate losses in preparing this filing. The methods so tested are those most compatible with and making the best use of all data available for purposes of supporting this filing.

STANDARDS OF PRACTICE & STATEMENTS OF PRINCIPLES

The PCRB is familiar with and mindful of the various standards of practice pertinent to the estimation of property and casualty loss and loss adjustment expense reserves and property and casualty insurance ratemaking. Within the context of the PCRB's loss cost filing responsibilities, as set forth in the Workers Compensation Act, the PCRB has appropriately complied with those applicable standards. In summary form the PCRB offers the following comments with respect to standards of practice:

Actuarial Standard of Practice No. 41: Actuarial Communications:

ASOP No. 41 in part pertains to the form and content of actuarial work products supporting ratemaking, loss reserving and valuations for property and casualty insurance. The standard requires that such work be documented in a form and to an extent so that another actuary practicing in the same field could evaluate the work. In addition, the standard addresses appropriate measures to be taken in the event that conflicts with the actuary's professional judgment or with interests of persons other than the client or employer are encountered.

The PCRB has fully documented and disclosed the analysis and assumptions underlying its preparation of this filing in the supporting information provided therewith. Further, the PCRB has made itself available to the Insurance Department and other parties for purposes of providing any further explanation or information which may be requested and available with regard to the filing and the analysis underlying it. Conflicts of the type discussed in the standard were not encountered in the course of the PCRB's preparation of this filing.

Actuarial Standard of Practice No. 13: Trending Procedures in Property/Casualty Insurance:

ASOP No. 13 requires in essence that trend analyses be applied and conducted in a way most appropriate to measure and account for future costs not directly measurable in prior experience data due to continuing changes intervening between the end of the available experience and the future period to which rates or loss costs will apply.

In conformance with this standard the PCRB has tested and evaluated the most common trending models in use in the property and casualty insurance industry (linear and exponential models) in preparing this filing. Each model has been tested over various experience periods to measure the historical success of each possible approach in predicting future experience. Final trend indications have been selected after consideration of these test results and prevailing methodologies used in workers compensation pricing in other jurisdictions.

This standard specifically mentions the use of non-insurance data. Such mention is permissive and indicates that such data may be used to indicate general trends in various ratemaking components.

The PCRB has not, as cautioned against in the standard, selected a trend substantially different from one suggested by the range of relevant information.

In addition to the Actuarial Standards of Practice, the Casualty Actuarial Society references three related documents. One of these is the Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves, which the PCRB has discussed at length above. The remaining two documents are noted below.

Statement of Principles Regarding Property and Casualty Insurance Ratemaking: Much of this document is directed at specific components of "rates," such as expenses, profit and contingency provisions, which are excluded from the PCRB's loss cost filings. The PCRB has complied with Principles No. 1 and 4 of this document which respectively require that a "rate" ("loss costs" in the context of this filing) be an estimate of the expected value of future costs and that "rates" ("loss costs" in the context of this filing) be actuarially sound estimates of the expected value of all future costs associated with risk transfers.

This document sets forth numerous considerations deemed to be applicable generally to the process of ratemaking. Many of these considerations are duplicative of those enumerated in the Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves, and the PCRB's preceding comments regarding those items are generally applicable in the context of this Principle as well. Some considerations not common to the Loss and Loss Adjustment Expense Reserve and Ratemaking Principles are noted briefly below:

- ***Exposure Unit***: The exposure unit used almost exclusively in this filing is total payroll. Some limited exceptions have been provided for specific classifications where payroll data does not exist or does not apply. Total payroll meets the criteria generally suggested for an exposure unit as applicable to workers compensation insurance.

  Data: The Principles refer to "other relevant data" outside the historical data for the line and state being analyzed. Given the volume of statistical data available specific to Pennsylvania workers compensation insurance and the numerous factors and features either unique to or affecting this line and state in a way not completely common to other situations, the PCRB believes that external information is of greatest use as a means of providing a background and context for analysis of the Pennsylvania data rather than as a surrogate source of indications to be given substantial weight in preference to Pennsylvania experience.

- ***Classification Plans***: The PCRB uses a classification plan developed over an extensive period of time and with the benefit of continuing review and evaluation by PCRB staff, employers and the Department. This classification system was the subject of an extensive study performed by the PCRB in cooperation with the Department, intervenors from prior rate proceedings and contractors retained by the Insurance Department, a summary report of which was delivered to the Department on September 16, 1994.

- ***Individual Risk Rating***: The PCRB's Experience Rating Plan was materially revised effective April 1, 2004. Revisions adopted include changes to credibility tables, loss limitations and allowable changes in experience modifications year-to-year. The revised Experience Rating Plan has been shown through extensive testing to produce more accurate forecasts of risk experience than were possible under the former Experience Rating Plan.

- ***Risk***: The PCRB's loss cost filings do NOT provide or include specific charges for the transfer of risk. This omission occurs because of the statutory limitations on PCRB filings imposed in Pennsylvania but does NOT preclude recognition of such charges from final RATES promulgated by individual insurers.

- ***Investment and Other Income***: The PCRB's loss cost filings do NOT address the effects of investment or other income in Pennsylvania workers compensation insurance. Pennsylvania law requires these matters to be recognized in insurer filings of loss cost multipliers.

- ***Actuarial Judgment***: The PCRB has invoked actuarial judgment throughout its testing and evaluation of various alternative methods for loss development and trend and in the process of evaluating the initial effects of Act 44 and Act 57 provisions on Pennsylvania workers compensation experience. This judgment has been applied in the selection of various methods to be considered and in the derivation of certain filing parameters such as trend factors.

<u>Statement of Principles Regarding Property and Casualty Valuations</u>: This statement is largely inapplicable to the PCRB's loss cost filings, as it treats the collective measurement of specific insurers' or other risk bearers' obligations and assets for purposes of assessing their financial condition as of a specific date.

EXHIBIT I

APRIL 1, 2014 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
AVERAGE OPEN AND CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

AVERAGE OPEN INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT	Policy Year													
LEVEL	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	21,889	22,542	22,800	25,146	26,459	28,589	28,014	28,144	29,479	30,866	34,955	37,656	35,240	35,398
SECOND	44,776	44,708	49,765	53,252	57,113	61,523	58,334	60,754	62,082	65,908	73,789	75,751	74,558	
THIRD	61,841	66,723	74,474	82,203	85,289	89,198	85,487	91,763	96,548	100,757	107,450	105,556		
FOURTH	76,477	85,595	99,796	106,082	110,847	111,841	111,176	115,976	120,628	130,536	133,799			
FIFTH	92,159	109,612	119,891	122,069	133,026	132,151	134,617	144,805	145,207	157,435				
SIXTH	109,748	123,616	134,723	136,445	148,842	145,218	149,744	165,301	164,462					
SEVENTH	113,705	134,081	144,785	143,789	159,961	160,492	169,217	189,520						
EIGHTH	121,801	144,692	147,206	153,503	166,045	169,281	190,563							
NINTH	124,865	145,488	152,577	160,002	171,767	176,754								
TENTH	123,175	147,249	153,970	161,867	179,817									

AVERAGE CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT	Policy Year													
LEVEL	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	2,819	2,880	3,206	3,465	3,515	3,702	3,998	4,101	4,354	5,153	5,507	6,101	6,327	6,352
SECOND	5,191	5,418	5,900	6,639	7,177	7,590	8,148	8,695	9,616	10,930	12,301	13,559	13,496	
THIRD	7,490	7,780	8,959	9,992	11,186	11,693	12,329	13,101	14,575	15,662	17,432	19,008		
FOURTH	9,302	9,909	11,352	12,513	14,103	14,555	15,236	16,458	18,006	18,622	20,515			
FIFTH	10,670	11,375	13,354	14,611	16,104	16,800	17,445	18,466	19,897	20,461				
SIXTH	11,633	12,576	14,610	15,962	17,454	18,131	18,838	19,574	21,052					
SEVENTH	12,441	13,352	15,592	16,784	18,474	19,080	19,648	20,431						
EIGHTH	12,888	13,946	16,334	17,420	19,119	19,682	20,134							
NINTH	13,326	14,473	16,852	17,903	19,591	20,205								
TENTH	13,760	14,895	17,184	18,204	19,806									

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2014 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
ANNUAL PERCENTAGE CHANGE IN AVERAGE OPEN AND CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

PERCENTAGE CHANGE IN AVERAGE OPEN INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	2.98	1.15	10.29	5.22	8.05	(2.01)	0.46	4.75	4.71	13.25	7.73	(6.42)	0.45
SECOND	(0.15)	11.31	7.01	7.25	7.72	(5.18)	4.15	2.19	6.16	11.96	2.66	(1.57)	
THIRD	7.89	11.62	10.38	3.75	4.58	(4.16)	7.34	5.21	4.36	6.64	(1.76)		
FOURTH	11.92	16.59	6.30	4.49	0.90	(0.59)	4.32	4.01	8.21	2.50			
FIFTH	18.94	9.38	1.82	8.98	(0.66)	1.87	7.57	0.28	8.42				
SIXTH	12.64	8.99	1.28	9.09	(2.43)	3.12	10.39	(0.51)					
SEVENTH	17.92	7.98	(0.69)	11.25	0.33	5.44	12.00						
EIGHTH	18.79	1.74	4.28	8.17	1.95	12.57							
NINTH	16.52	4.87	4.87	7.35	2.90								
TENTH	19.54	4.56	5.13	11.09									

PERCENTAGE CHANGE IN AVERAGE CLOSED INDEMNITY LOSS FOR INDEMNITY CLAIMS

REPORT LEVEL	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	2.17	11.33	8.06	1.46	5.31	8.01	2.57	6.17	18.34	6.87	10.79	3.70	0.40
SECOND	4.37	8.90	12.52	8.10	5.75	7.36	6.71	10.59	13.66	12.54	10.23	(0.46)	
THIRD	3.87	15.15	11.54	11.95	4.54	5.44	6.26	11.25	7.46	11.30	9.04		
FOURTH	6.53	14.56	10.23	12.71	3.20	4.68	8.02	9.41	3.42	10.17			
FIFTH	6.61	17.40	9.41	10.22	4.32	3.84	5.85	7.75	2.83				
SIXTH	8.11	16.17	9.25	9.35	3.88	3.90	3.91	7.55					
SEVENTH	7.32	16.78	7.64	10.07	3.28	2.98	3.99						
EIGHTH	8.21	17.12	6.65	9.75	2.94	2.30							
NINTH	8.61	16.44	6.24	9.43	3.13								
TENTH	8.25	15.37	5.94	8.80									

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2014 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

AVERAGE OPEN MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT	Policy Year													
LEVEL	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	16,954	18,775	18,224	20,743	21,802	23,371	24,771	26,562	29,595	28,874	33,744	35,396	34,694	36,479
SECOND	28,111	32,549	32,403	35,989	36,132	37,885	39,430	42,825	46,370	47,210	57,707	57,991	56,963	
THIRD	36,031	44,073	45,917	53,527	50,565	54,346	58,221	61,870	70,420	70,926	84,313	83,747		
FOURTH	46,498	59,403	64,092	71,916	70,374	75,660	82,347	83,418	95,824	99,444	116,988			
FIFTH	60,415	77,627	83,080	91,880	91,279	100,878	112,330	112,441	125,725	124,749				
SIXTH	75,638	97,586	105,808	118,384	116,407	119,025	136,548	137,144	156,729					
SEVENTH	84,732	120,470	128,039	139,672	138,016	143,286	165,784	168,213						
EIGHTH	100,397	153,134	150,807	159,311	154,029	154,607	202,694							
NINTH	117,450	179,209	171,781	170,103	171,940	175,442								
TENTH	123,928	192,652	181,646	180,943	190,128									

AVERAGE CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT	Policy Year													
LEVEL	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	3,168	3,253	3,510	3,808	4,071	4,328	4,609	4,786	5,245	5,604	6,042	6,455	6,913	7,076
SECOND	4,412	4,679	4,911	5,300	5,702	6,083	6,570	6,926	7,659	8,343	9,120	9,641	10,223	
THIRD	5,430	5,616	6,025	6,495	7,101	7,490	8,136	8,864	9,639	10,402	11,266	11,978		
FOURTH	6,003	6,366	6,924	7,337	8,085	8,579	9,283	10,250	11,166	11,757	12,824			
FIFTH	6,504	6,947	7,669	8,177	8,936	9,389	10,328	11,296	12,195	12,844				
SIXTH	6,866	7,391	8,174	8,756	9,555	10,035	11,036	11,955	12,840					
SEVENTH	7,200	7,704	8,605	9,162	10,071	10,478	11,641	12,515						
EIGHTH	7,381	7,971	9,013	9,651	10,511	10,910	11,975							
NINTH	7,589	8,244	9,344	10,084	10,865	11,281								
TENTH	7,849	8,604	9,637	10,300	11,026									

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2014 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
ANNUAL PERCENTAGE CHANGE IN AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

PERCENTAGE CHANGE IN AVERAGE OPEN MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT	Policy Year												
LEVEL	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	10.74	(2.94)	13.82	5.10	7.20	5.99	7.23	11.42	(2.44)	16.87	4.90	(1.98)	5.14
SECOND	15.79	(0.45)	11.07	0.40	4.85	4.08	8.61	8.28	1.81	22.23	0.49	(1.77)	
THIRD	22.32	4.18	16.57	(5.53)	7.48	7.13	6.27	13.82	0.72	18.87	(0.67)		
FOURTH	27.75	7.89	12.21	(2.14)	7.51	8.84	1.30	14.87	3.78	17.64			
FIFTH	28.49	7.03	10.59	(0.65)	10.52	11.35	0.10	11.81	(0.78)				
SIXTH	29.02	8.43	11.89	(1.67)	2.25	14.72	0.44	14.28					
SEVENTH	42.18	6.28	9.09	(1.19)	3.82	15.70	1.47						
EIGHTH	52.53	(1.52)	5.64	(3.32)	0.38	31.10							
NINTH	52.58	(4.14)	(0.98)	1.08	2.04								
TENTH	55.45	(5.71)	(0.39)	5.08									

PERCENTAGE CHANGE IN AVERAGE CLOSED MEDICAL LOSS FOR INDEMNITY CLAIMS

REPORT	Policy Year												
LEVEL	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	2.68	7.90	8.47	6.91	6.31	6.50	3.85	9.59	6.84	7.82	6.84	7.10	2.36
SECOND	6.05	4.95	7.92	7.58	6.68	8.01	5.43	10.58	8.93	9.31	5.71	6.04	
THIRD	3.42	7.28	7.80	9.33	5.49	8.62	8.95	8.74	7.92	8.31	6.32		
FOURTH	6.04	8.78	5.97	10.19	6.11	8.21	10.42	8.94	5.29	9.08			
FIFTH	6.81	10.40	6.62	9.28	5.07	10.00	9.37	7.96	5.32				
SIXTH	7.64	10.59	7.12	9.13	5.02	9.98	8.33	7.40					
SEVENTH	7.00	11.70	6.48	9.92	4.04	11.10	7.51						
EIGHTH	7.99	13.07	7.08	8.91	3.80	9.76							
NINTH	8.63	13.34	7.92	7.74	3.83								
TENTH	9.62	12.01	6.88	7.05									

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2014 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR ALL CLAIMS

AVERAGE OPEN MEDICAL LOSS FOR ALL CLAIMS

REPORT LEVEL	POLICY YEAR 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	13,133	14,825	14,527	16,446	16,834	19,034	19,955	20,948	21,056	21,402	26,604	29,208	28,044	29,167
SECOND	25,065	28,822	28,665	31,573	30,918	34,168	33,932	35,430	32,560	35,060	49,137	51,053	48,982	
THIRD	32,176	39,817	41,595	47,932	43,918	48,674	49,577	48,903	44,481	51,524	71,401	71,286		
FOURTH	41,729	53,526	57,855	63,751	60,500	67,189	68,138	62,088	53,716	65,916	93,864			
FIFTH	53,266	68,909	74,675	79,253	77,306	87,193	89,635	80,644	64,693	75,121				
SIXTH	65,489	85,319	93,003	100,428	95,206	101,229	108,456	98,524	70,175					
SEVENTH	71,921	103,410	111,155	121,316	114,084	121,212	129,359	113,910						
EIGHTH	83,240	128,802	126,274	140,584	125,386	128,947	153,680							
NINTH	95,519	142,883	143,620	150,706	151,462	143,754								
TENTH	99,838	150,669	151,458	161,802	166,496									

AVERAGE CLOSED MEDICAL LOSS FOR ALL CLAIMS

REPORT LEVEL	POLICY YEAR 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	776	804	871	966	1,039	1,135	1,197	1,243	1,337	1,414	1,541	1,665	1,767	1,814
SECOND	1,057	1,117	1,195	1,319	1,419	1,553	1,654	1,785	1,909	2,065	2,283	2,441	2,603	
THIRD	1,270	1,316	1,429	1,583	1,727	1,873	2,015	2,192	2,379	2,553	2,792	3,009		
FOURTH	1,395	1,474	1,622	1,769	1,944	2,118	2,282	2,509	2,727	2,863	3,151			
FIFTH	1,504	1,598	1,774	1,944	2,125	2,301	2,514	2,746	2,955	3,105				
SIXTH	1,581	1,690	1,878	2,065	2,255	2,443	2,668	2,886	3,097					
SEVENTH	1,647	1,753	1,966	2,149	2,359	2,538	2,794	3,006						
EIGHTH	1,684	1,806	2,046	2,246	2,447	2,626	2,866							
NINTH	1,724	1,858	2,110	2,330	2,514	2,701								
TENTH	1,774	1,923	2,165	2,372	2,545									

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

APRIL 1, 2014 LOSS COST FILING

PENNSYLVANIA COMPENSATION RATING BUREAU
ANNUAL PERCENTAGE CHANGE IN AVERAGE OPEN AND CLOSED MEDICAL LOSS FOR ALL CLAIMS

PERCENTAGE CHANGE IN AVERAGE OPEN MEDICAL LOSS FOR ALL CLAIMS

REPORT	POLICY YEAR												
LEVEL	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	12.89	(2.02)	13.21	2.36	13.07	4.83	4.98	0.52	1.64	24.31	9.79	(3.99)	4.00
SECOND	14.99	(0.54)	10.15	(2.07)	10.51	(0.69)	4.42	(8.10)	7.68	40.15	3.90	(4.06)	
THIRD	23.75	4.47	15.24	(8.38)	10.83	1.85	(1.36)	(9.04)	15.83	38.58	(0.16)		
FOURTH	28.27	8.09	10.19	(5.10)	11.05	1.41	(8.88)	(13.48)	22.71	42.40			
FIFTH	29.37	8.37	6.13	(2.46)	12.79	2.80	(10.03)	(19.78)	16.12				
SIXTH	30.28	9.01	7.98	(5.20)	6.33	7.14	(9.16)	(28.77)					
SEVENTH	43.78	7.49	9.14	(5.96)	6.25	6.72	(11.94)						
EIGHTH	54.74	(1.96)	11.33	(10.81)	2.84	19.18							
NINTH	49.59	0.52	4.93	0.50	(5.09)								
TENTH	50.91	0.52	6.83	2.90									

PERCENTAGE CHANGE IN AVERAGE CLOSED MEDICAL LOSS FOR ALL CLAIMS

REPORT	POLICY YEAR												
LEVEL	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FIRST	3.59	8.36	10.96	7.56	9.19	5.44	3.91	7.51	5.77	8.98	8.05	6.13	2.66
SECOND	5.70	6.94	10.42	7.56	9.44	6.48	7.95	6.93	8.17	10.56	6.92	6.64	
THIRD	3.62	8.64	10.77	9.05	8.47	7.60	8.77	8.53	7.31	9.36	7.77		
FOURTH	5.69	9.98	9.06	9.93	8.92	7.75	9.95	8.69	4.99	10.06			
FIFTH	6.30	11.00	9.59	9.30	8.27	9.26	9.23	7.61	5.08				
SIXTH	6.86	11.16	9.93	9.20	8.34	9.21	8.17	7.31					
SEVENTH	6.46	12.16	9.30	9.77	7.59	10.09	7.59						
EIGHTH	7.23	13.32	9.78	8.95	7.32	9.14							
NINTH	7.75	13.56	10.43	7.90	7.44								
TENTH	8.40	12.58	9.56	7.29									

SOURCE: UNIT STATISTICAL DATA AS REPORTED TO PCRB

Pennsylvania Compensation Rating Bureau

Petitions Filed with Bureau of Workers Compensation (As Reported)

Type	12 months ending 6/30/1999	12 months ending 6/30/2000	12 months ending 6/30/2001	12 months ending 6/30/2002	12 months ending 6/30/2003	12 months ending 6/30/2004	12 months ending 6/30/2005	12 months ending 6/30/2006	12 months ending 6/30/2007	12 months ending 6/30/2008	12 months ending 6/30/2009	12 months ending 6/30/2010	12 months ending 6/30/2011	12 months ending 6/30/2012	12 months ending 6/30/2013
Claim	11,578	11,482	11,344	11,314	11,304	11,750	11,399	10,805	10,096	10,482	9,702	9,109	9,125	9,331	9,012
Commutation	130	29	24	15	20	12	11	3	2	2	4	1	1	1	3
Fatal	179	147	127	134	151	88	79	91	90	67	91	84	65	89	93
Modification	4,400	4,198	3,753	3,646	3,230	2,846	3,242	3,147	3,223	3,364	3,034	3,020	2,830	2,867	2,594
Penalty	5,386	5,618	5,559	5,896	6,195	6,630	6,822	6,926	6,502	7,065	6,796	6,422	6,252	6,065	6,298
Review	2,615	3,182	3,210	3,588	3,575	3,632	3,794	3,808	4,236	4,551	4,501	4,489	4,642	4,595	4,551
Medical Review	1,617	1,232	1,081	1,073	1,068	1,076	1,109	1,112	1,005	1,085	1,063	1,004	1,046	1,071	1,117
Reinstatement	3,170	2,914	2,778	2,917	2,762	2,717	2,639	2,561	2,367	2,445	2,616	2,631	2,399	2,363	2,402
Set Aside Final	126	97	71	79	72	45	47	38	27	32	30	29	26	29	27
Supersedeas	1,839	214	151	85	79	126	105	124	63	73	76	61	61	60	56
Suspension	7,083	6,147	5,698	5,806	5,138	4,543	4,828	4,544	4,419	4,753	4,432	3,876	3,849	3,915	3,336
Termination	6,323	4,564	4,038	4,348	4,194	3,906	4,135	4,031	3,962	4,385	4,452	4,314	4,595	4,690	4,525
301 I	187	87	118	48	59	31	29	18	14	24	24	14	10	13	5
O.D. Fatal	22	13	14	11	8	14	7	3	3	4	6	5	3	0	1
O. D. Fatal Special	5	5	3	6	8	14	7	3	6	9	7	6	3	8	5
301 G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subsequent Injury	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilization Review	1,526	2,185	1,745	1,658	1,817	1,813	1,833	1,811	1,783	1,719	2,054	1,879	1,903	1,890	1,781
Remands	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Joinder	610	644	600	644	594	535	513	444	410	338	318	367	298	296	349
Physical Exam	2,165	1,938	1,892	1,990	2,163	2,057	2,188	2,081	2,189	2,212	2,066	1,872	1,861	1,744	1,646
Challenge	1,155	1,231	1,042	1,044	927	878	833	815	857	808	773	782	798	810	795
Comp/Release	7,906	6,175	6,114	5,605	5,763	6,018	6,270	6,731	6,683	6,501	6,748	6,424	5,977	5,690	5,624
Special Term	1,578	2,017	1,597	1,537	1,570	1,397	1,117	949	894	838	936	734	769	685	718
Expert Interview	121	168	208	249	597	529	497	426	378	351	318	264	261	244	224
Grand Total	59,721	54,287	51,167	51,693	51,294	50,657	51,504	50,471	49,209	51,108	50,047	47,387	46,774	46,456	45,162

Multiple petition filings are counted once within each relevant petition category.

PENNSYLVANIA COMPENSATION RATING BUREAU

APRIL 1, 2014 LOSS COST FILING

FINANCIAL DATA LOSS DEVELOPMENT - INDEMNITY LOSS

Development Periods	Incurred Loss Development Ratio CY 2006	Incurred Loss Development Ratio CY 2007	Incurred Loss Development Ratio CY 2008	Incurred Loss Development Ratio CY 2009	Incurred Loss Development Ratio CY 2010	Incurred Loss Development Ratio CY 2011	Incurred Loss Development Ratio CY 2012
24-25						1.0007	1.0011
23-24					1.0017	1.0002	0.9975
22-23				1.0006	0.9995	1.0015	1.0022
21-22			0.9982	1.0003	1.0004	1.0037	1.0001
20-21		1.0033	1.0006	1.0006	0.9998	1.0010	1.0013
19-20	0.9972	1.0012	1.0002	1.0001	1.0002	1.0007	1.0026
18-19	1.0010	1.0010	1.0015	1.0018	1.0027	1.0023	0.9996
17-18	0.9991	1.0026	1.0000	1.0007	0.9989	1.0023	1.0011
16-17	1.0009	1.0082	1.0012	0.9993	0.9998	1.0026	1.0007
15-16	1.0015	1.0064	1.0007	1.0021	0.9994	1.0005	1.0027
14-15	0.9993	1.0040	1.0016	1.0025	1.0006	1.0005	1.0021
13-14	1.0007	1.0000	1.0019	1.0016	1.0012	1.0005	0.9991
12-13	0.9988	1.0013	1.0025	1.0030	0.9990	1.0007	1.0010
11-12	0.9991	0.9916	0.9998	1.0005	1.0000	1.0020	1.0018
10-11	1.0138	1.0006	1.0006	1.0007	1.0000	1.0038	1.0027
9-10	1.0059	1.0035	0.9933	1.0017	1.0042	1.0029	0.9997
8-9	1.0061	1.0106	1.0009	1.0024	1.0022	1.0095	1.0033
7-8	1.0061	0.9977	1.0000	1.0021	1.0094	1.0132	1.0043
6-7	1.0062	1.0069	1.0016	1.0121	1.0125	1.0146	1.0021
5-6	1.0052	1.0114	1.0185	1.0138	1.0129	1.0133	1.0012
4-5	1.0223	1.0338	1.0385	1.0145	1.0159	1.0192	1.0015
3-4	1.0548	1.0676	1.0701	1.0469	1.0399	1.0333	1.0216
2-3	1.1656	1.1531	1.1634	1.1392	1.1189	1.1048	1.0962
1-2	1.4119	1.4602	1.4728	1.4263	1.3976	1.4153	1.4151

Development Periods	Paid Loss Development Ratio CY 2006	Paid Loss Development Ratio CY 2007	Paid Loss Development Ratio CY 2008	Paid Loss Development Ratio CY 2009	Paid Loss Development Ratio CY 2010	Paid Loss Development Ratio CY 2011	Paid Loss Development Ratio CY 2012
24-25						1.0032	1.0035
23-24					1.0042	1.0033	1.0035
22-23				1.0045	1.0040	1.0033	1.0040
21-22			1.0040	1.0034	1.0040	1.0032	1.0035
20-21		1.0062	1.0040	1.0042	1.0036	1.0038	1.0045
19-20	1.0064	1.0051	1.0043	1.0050	1.0048	1.0051	1.0055
18-19	1.0048	1.0054	1.0060	1.0063	1.0058	1.0050	1.0049
17-18	1.0060	1.0053	1.0057	1.0068	1.0075	1.0064	1.0050
16-17	1.0060	1.0070	1.0084	1.0068	1.0082	1.0057	1.0048
15-16	1.0066	1.0081	1.0073	1.0078	1.0071	1.0053	1.0039
14-15	1.0076	1.0131	1.0084	1.0088	1.0063	1.0057	1.0037
13-14	1.0090	1.0086	1.0073	1.0074	1.0059	1.0042	1.0026
12-13	1.0102	1.0102	1.0100	1.0085	1.0046	1.0059	1.0045
11-12	1.0109	1.0115	1.0119	1.0076	1.0058	1.0075	1.0075
10-11	1.0119	1.0128	1.0077	1.0093	1.0078	1.0073	1.0067
9-10	1.0149	1.0191	1.0149	1.0105	1.0111	1.0073	1.0131
8-9	1.0192	1.0237	1.0137	1.0147	1.0104	1.0150	1.0139
7-8	1.0305	1.0232	1.0226	1.0189	1.0244	1.0176	1.0225
6-7	1.0356	1.0293	1.0250	1.0318	1.0316	1.0281	1.0219
5-6	1.0545	1.0546	1.0558	1.0515	1.0445	1.0396	1.0384
4-5	1.0883	1.0986	1.0921	1.0722	1.0704	1.0697	1.0526
3-4	1.1599	1.1695	1.1728	1.1530	1.1419	1.1252	1.1095
2-3	1.3896	1.3844	1.3819	1.3439	1.3121	1.2832	1.2814
1-2	1.8408	1.9080	1.9241	1.9902	1.9318	1.9161	1.9332

PENNSYLVANIA COMPENSATION RATING BUREAU

APRIL 1, 2014 LOSS COST FILING

FINANCIAL DATA LOSS DEVELOPMENT - MEDICAL LOSS

Development Periods	Incurred Loss Development Ratio CY 2006	Incurred Loss Development Ratio CY 2007	Incurred Loss Development Ratio CY 2008	Incurred Loss Development Ratio CY 2009	Incurred Loss Development Ratio CY 2010	Incurred Loss Development Ratio CY 2011	Incurred Loss Development Ratio CY 2012
24-25						1.0050	1.0049
23-24					1.0228	1.0072	1.0038
22-23				1.0049	1.0063	1.0125	1.0078
21-22			1.0035	1.0058	1.0076	1.0106	1.0034
20-21		1.0005	1.0033	1.0089	1.0109	1.0094	1.0085
19-20	1.0142	1.0100	1.0121	1.0081	1.0094	1.0009	1.0095
18-19	1.0144	1.0078	1.0071	1.0017	1.0062	1.0095	1.0088
17-18	1.0086	1.0095	1.0068	1.0119	1.0091	1.0060	1.0201
16-17	1.0089	1.0098	1.0074	1.0113	1.0098	1.0141	1.0064
15-16	1.0115	1.0135	1.0074	1.0093	0.9985	1.0075	1.0082
14-15	1.0108	1.0127	1.0025	1.0120	1.0030	1.0077	1.0087
13-14	1.0146	1.0112	1.0166	1.0107	1.0074	1.0099	1.0090
12-13	1.0106	1.0105	1.0076	1.0092	1.0040	0.9911	1.0022
11-12	1.0199	1.0134	1.0020	1.0127	1.0100	1.0186	1.0033
10-11	1.0206	1.0079	1.0088	1.0081	1.0068	1.0033	1.0043
9-10	1.0169	1.0107	1.0041	1.0035	1.0122	1.0107	1.0031
8-9	1.0163	1.0220	1.0084	1.0015	1.0067	1.0151	1.0120
7-8	1.0304	1.0164	1.0039	1.0078	1.0127	1.0082	1.0051
6-7	1.0080	1.0208	1.0106	1.0149	1.0148	1.0112	0.9971
5-6	1.0126	1.0095	1.0033	1.0152	1.0230	1.0113	1.0077
4-5	1.0126	1.0207	1.0072	1.0050	1.0108	1.0126	0.9959
3-4	1.0501	1.0272	1.0049	1.0194	1.0234	1.0186	1.0003
2-3	1.0681	1.0407	1.0366	1.0495	1.0261	1.0374	1.0270
1-2	1.1243	1.0915	1.1110	1.1105	1.0823	1.0806	1.0831

Development Periods	Paid Loss Development Ratio CY 2006	Paid Loss Development Ratio CY 2007	Paid Loss Development Ratio CY 2008	Paid Loss Development Ratio CY 2009	Paid Loss Development Ratio CY 2010	Paid Loss Development Ratio CY 2011	Paid Loss Development Ratio CY 2012
24-25						1.0101	1.0082
23-24					1.0087	1.0103	1.0086
22-23				1.0097	1.0090	1.0089	1.0097
21-22			1.0114	1.0096	1.0095	1.0081	1.0076
20-21		1.0112	1.0101	1.0096	1.0108	1.0080	1.0089
19-20	1.0124	1.0111	1.0100	1.0101	1.0092	1.0098	1.0113
18-19	1.0105	1.0101	1.0102	1.0088	1.0103	1.0131	1.0085
17-18	1.0101	1.0109	1.0098	1.0103	1.0117	1.0094	1.0127
16-17	1.0116	1.0110	1.0123	1.0134	1.0090	1.0121	1.0119
15-16	1.0111	1.0134	1.0129	1.0112	1.0154	1.0091	1.0093
14-15	1.0118	1.0126	1.0114	1.0144	1.0120	1.0108	1.0107
13-14	1.0135	1.0117	1.0134	1.0152	1.0110	1.0112	1.0095
12-13	1.0135	1.0159	1.0128	1.0125	1.0101	1.0182	1.0130
11-12	1.0164	1.0169	1.0139	1.0147	1.0184	1.0132	1.0125
10-11	1.0224	1.0129	1.0176	1.0169	1.0142	1.0145	1.0101
9-10	1.0165	1.0164	1.0222	1.0195	1.0171	1.0119	1.0128
8-9	1.0194	1.0268	1.0188	1.0208	1.0132	1.0171	1.0163
7-8	1.0226	1.0204	1.0200	1.0192	1.0173	1.0167	1.0151
6-7	1.0239	1.0226	1.0191	1.0282	1.0206	1.0183	1.0179
5-6	1.0273	1.0263	1.0295	1.0293	1.0221	1.0200	1.0156
4-5	1.0368	1.0360	1.0326	1.0274	1.0266	1.0280	1.0252
3-4	1.0558	1.0477	1.0484	1.0489	1.0431	1.0436	1.0346
2-3	1.1065	1.0905	1.0933	1.1014	1.0786	1.0876	1.0804
1-2	1.2908	1.2634	1.2698	1.2811	1.2550	1.2466	1.2630

EXHIBIT V

PENNSYLVANIA COMPENSATION RATING BUREAU
APRIL 1, 2014 LOSS COST FILING
RATIOS OF LOSS TO EXPECTED LOSS - ON APRIL 1, 2011 LEVEL
DERIVED BY INDICATED LOSS DEVELOPMENT METHODS

Policy Year	Incurred	Paid -to- 2nd	Paid -to- 3rd	Paid -to- 4th	Paid -to- 5th	Paid -to- 6th	Paid -to- 7th	Paid -to- 8th	Paid -to- 9th	Paid -to- 10th	Paid -to- 11th	Paid -to- 12th	Paid -to- 13th	Paid -to- 14th	Paid -to- 15th	Paid -to- 16th	Paid -to- 17th	Paid -to- 18th	Paid -to- 19th	Paid -to- 20th	Paid -to- 21st	Paid -to- 22nd	Paid -to- 23rd	Paid -to- 24th	Paid -to- 25th
INDEMNITY LOSS																									
1988	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8291	0.8314
1989	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9685	0.9660	0.9692
1990	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9565	0.9582	0.9561	0.9593	
1991	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9457	0.9390	0.9397	0.9377	0.9408	
1992	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8668	0.8597	0.8565	0.8572	0.8554	0.8582	
1993	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8502	0.8531	0.8482	0.8451	0.8457	0.8439	0.8467	
1994	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8136	0.8149	0.8158	0.8111	0.8081	0.8087	0.8070	0.8097	
1995	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7450	0.7557	0.7570	0.7578	0.7534	0.7507	0.7512	0.7497	0.7521
1996	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6283	0.6340	0.6388	0.6398	0.6406	0.6369	0.6345	0.6350	0.6337	0.6357
1997	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6338	0.6473	0.6524	0.6574	0.6585	0.6592	0.6554	0.6530	0.6535	0.6521	0.6543
1998	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5875	0.5986	0.6061	0.6109	0.6155	0.6166	0.6173	0.6137	0.6115	0.6119	0.6106	0.6126
1999	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6090	0.6121	0.6214	0.6291	0.6341	0.6389	0.6400	0.6407	0.6370	0.6347	0.6351	0.6338	0.6359
2000	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6238	0.6225	0.6252	0.6347	0.6425	0.6477	0.6526	0.6537	0.6544	0.6507	0.6483	0.6487	0.6474	0.6495
2001	0.5953	0.5953	0.5953	0.5953	0.5953	0.5953	0.5953	0.5953	0.5953	0.5953	0.5953	0.5978	0.5977	0.6002	0.6093	0.6169	0.6218	0.6265	0.6276	0.6283	0.6247	0.6224	0.6228	0.6215	0.6236
2002	0.6056	0.6056	0.6056	0.6056	0.6056	0.6056	0.6056	0.6056	0.6056	0.6056	0.5965	0.5972	0.5971	0.5996	0.6087	0.6163	0.6212	0.6259	0.6270	0.6276	0.6240	0.6218	0.6222	0.6209	0.6230
2003	0.5653	0.5653	0.5653	0.5653	0.5653	0.5653	0.5653	0.5653	0.5653	0.5625	0.5592	0.5598	0.5597	0.5621	0.5705	0.5777	0.5823	0.5867	0.5877	0.5883	0.5849	0.5828	0.5832	0.5820	0.5839
2004	0.5691	0.5691	0.5691	0.5691	0.5691	0.5691	0.5691	0.5691	0.5639	0.5587	0.5554	0.5560	0.5560	0.5583	0.5667	0.5738	0.5784	0.5828	0.5837	0.5844	0.5810	0.5789	0.5793	0.5781	0.5800
2005	0.5223	0.5223	0.5223	0.5223	0.5223	0.5223	0.5223	0.5277	0.5258	0.5210	0.5179	0.5184	0.5184	0.5206	0.5284	0.5350	0.5393	0.5434	0.5443	0.5449	0.5418	0.5398	0.5402	0.5390	0.5408
2006	0.5128	0.5128	0.5128	0.5128	0.5128	0.5128	0.5175	0.5168	0.5149	0.5102	0.5072	0.5077	0.5076	0.5098	0.5175	0.5239	0.5282	0.5321	0.5330	0.5336	0.5306	0.5286	0.5290	0.5279	0.5296
2007	0.5234	0.5234	0.5234	0.5234	0.5234	0.5324	0.5370	0.5363	0.5343	0.5295	0.5263	0.5269	0.5268	0.5290	0.5370	0.5437	0.5480	0.5522	0.5531	0.5537	0.5506	0.5485	0.5489	0.5478	0.5496
2008	0.4997	0.4997	0.4997	0.4997	0.5205	0.5235	0.5280	0.5274	0.5255	0.5207	0.5176	0.5181	0.5181	0.5203	0.5281	0.5347	0.5390	0.5431	0.5440	0.5445	0.5414	0.5394	0.5398	0.5387	0.5405
2009	0.4758	0.4758	0.4758	0.4880	0.5006	0.5035	0.5079	0.5072	0.5054	0.5008	0.4978	0.4983	0.4983	0.5004	0.5079	0.5143	0.5184	0.5223	0.5231	0.5237	0.5207	0.5188	0.5192	0.5181	0.5198
2010	0.4634	0.4634	0.4657	0.4756	0.4879	0.4908	0.4950	0.4944	0.4926	0.4881	0.4852	0.4857	0.4857	0.4877	0.4951	0.5012	0.5052	0.5091	0.5099	0.5105	0.5076	0.5057	0.5060	0.5050	0.5066
2011	0.4519	0.4589	0.4603	0.4701	0.4822	0.4850	0.4892	0.4886	0.4869	0.4824	0.4795	0.4800	0.4800	0.4820	0.4893	0.4954	0.4993	0.5031	0.5040	0.5045	0.5016	0.4998	0.5002	0.4991	0.5007
MEDICAL LOSS																									
1988	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4622	0.4701
1989	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5708	0.5696	0.5745
1990	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5768	0.5902	0.5921	0.5971
1991	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6139	0.6125	0.6174	0.6193	0.6246	
1992	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.6110	0.5995	0.6024	0.6072	0.6092	0.6143
1993	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5815	0.5889	0.5812	0.5839	0.5886	0.5905	0.5955	
1994	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5792	0.5759	0.5793	0.5717	0.5744	0.5790	0.5809	0.5858	
1995	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5713	0.5709	0.5713	0.5747	0.5671	0.5698	0.5744	0.5762	0.5812
1996	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5557	0.5454	0.5453	0.5456	0.5489	0.5417	0.5443	0.5486	0.5504	0.5551
1997	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5774	0.5788	0.5726	0.5725	0.5729	0.5763	0.5687	0.5714	0.5760	0.5779	0.5828
1998	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5619	0.5685	0.5671	0.5611	0.5610	0.5613	0.5647	0.5573	0.5599	0.5644	0.5662	0.5711
1999	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5731	0.5712	0.5764	0.5751	0.5689	0.5688	0.5692	0.5726	0.5651	0.5677	0.5723	0.5741	0.5790
2000	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5585	0.5797	0.5781	0.5834	0.5820	0.5758	0.5757	0.5760	0.5795	0.5719	0.5746	0.5792	0.5811	0.5860
2001	0.5221	0.5221	0.5221	0.5221	0.5221	0.5221	0.5221	0.5221	0.5221	0.5221	0.5221	0.5354	0.5482	0.5467	0.5517	0.5504	0.5445	0.5445	0.5448	0.5481	0.5408	0.5434	0.5477	0.5495	0.5542
2002	0.5390	0.5390	0.5390	0.5390	0.5390	0.5390	0.5390	0.5390	0.5390	0.5390	0.5391	0.5472	0.5603	0.5587	0.5638	0.5625	0.5565	0.5564	0.5567	0.5601	0.5527	0.5553	0.5598	0.5616	0.5664
2003	0.5356	0.5356	0.5356	0.5356	0.5356	0.5356	0.5356	0.5356	0.5356	0.5370	0.5409	0.5489	0.5621	0.5605	0.5656	0.5643	0.5583	0.5582	0.5586	0.5619	0.5545	0.5572	0.5616	0.5634	0.5682
2004	0.5559	0.5559	0.5559	0.5559	0.5559	0.5559	0.5559	0.5559	0.5585	0.5560	0.5601	0.5684	0.5820	0.5803	0.5857	0.5844	0.5781	0.5780	0.5783	0.5818	0.5742	0.5769	0.5815	0.5834	0.5883
2005	0.5181	0.5181	0.5181	0.5181	0.5181	0.5181	0.5181	0.5189	0.5216	0.5193	0.5230	0.5308	0.5435	0.5420	0.5470	0.5457	0.5399	0.5398	0.5402	0.5434	0.5362	0.5388	0.5431	0.5448	0.5495
2006	0.4987	0.4987	0.4987	0.4987	0.4987	0.4987	0.5039	0.5040	0.5066	0.5044	0.5080	0.5156	0.5279	0.5265	0.5313	0.5301	0.5244	0.5243	0.5246	0.5278	0.5208	0.5233	0.5275	0.5292	0.5337
2007	0.5269	0.5269	0.5269	0.5269	0.5269	0.5288	0.5301	0.5301	0.5328	0.5305	0.5344	0.5423	0.5553	0.5538	0.5588	0.5576	0.5516	0.5515	0.5518	0.5552	0.5478	0.5505	0.5549	0.5566	0.5614
2008	0.4874	0.4874	0.4874	0.4874	0.5007	0.5037	0.5049	0.5050	0.5075	0.5053	0.5090	0.5166	0.5289	0.5274	0.5323	0.5311	0.5254	0.5253	0.5256	0.5288	0.5218	0.5243	0.5285	0.5302	0.5347
2009	0.4762	0.4762	0.4762	0.4868	0.4910	0.4939	0.4951	0.4952	0.4977	0.4955	0.4991	0.5066	0.5187	0.5172	0.5220	0.5208	0.5152	0.5151	0.5154	0.5185	0.5117	0.5141	0.5182	0.5199	0.5243
2010	0.5011	0.5011	0.4946	0.5035	0.5078	0.5109	0.5121	0.5121	0.5148	0.5125	0.5162	0.5239	0.5365	0.5349	0.5398	0.5386	0.5329	0.5328	0.5331	0.5363	0.5292	0.5317	0.5360	0.5377	0.5423
2011	0.4898	0.4988	0.4961	0.5051	0.5095	0.5125	0.5137	0.5138	0.5164	0.5141	0.5179	0.5256	0.5382	0.5366	0.5416	0.5403	0.5346	0.5345	0.5348	0.5380	0.5309	0.5334	0.5377	0.5394	0.5440

PENNSYLVANIA COMPENSATION RATING BUREAU
APRIL 1, 2014 LOSS COST FILING

Claim Emergence Patterns

	Number of Reported Indemnity Claims as of:										Age-to-Age Development Ratios								
Policy Year	First Report	Second Report	Third Report	Fourth Report	Fifth Report	Sixth Report	Seventh Report	Eighth Report	Ninth Report	Tenth Report	1st - 2nd Report	2nd - 3rd Report	3rd - 4th Report	4th - 5th Report	5th - 6th Report	6th - 7th Report	7th - 8th Report	8th - 9th Report	9th - 10th Report
2010	35,444																		
2009	34,588	35,696									1.0320								
2008	36,787	37,750	38,075								1.0262	1.0086							
2007	41,148	42,128	42,378	42,460							1.0238	1.0059	1.0019						
2006	40,957	42,043	42,296	42,314	42,353						1.0265	1.0060	1.0004	1.0009					
2005	42,014	43,291	43,606	43,716	43,714	43,722					1.0304	1.0073	1.0025	1.0000	1.0002				
2004	43,226	44,542	44,629	44,708	44,773	44,784	44,791				1.0304	1.0020	1.0018	1.0015	1.0002	1.0002			
2003	43,999	45,113	45,412	45,459	45,442	45,495	45,507	45,505			1.0253	1.0066	1.0010	0.9996	1.0012	1.0003	1.0000		
2002	45,464	46,909	47,170	47,277	47,332	47,350	47,335	47,340	47,358		1.0318	1.0056	1.0023	1.0012	1.0004	0.9997	1.0001	1.0004	
2001	47,545	48,787	49,167	49,094	49,120	49,224	49,214	49,195	49,214	49,213	1.0261	1.0078	0.9985	1.0005	1.0021	0.9998	0.9996	1.0004	1.0000
2000	50,489	52,109	52,439	52,619	52,611	52,694	52,715	52,686	52,685	52,685	1.0321	1.0063	1.0034	0.9998	1.0016	1.0004	0.9994	1.0000	1.0000
1999	49,662	50,735	51,202	51,390	51,432	51,443	51,545	51,555	51,545	51,549	1.0216	1.0092	1.0037	1.0008	1.0002	1.0020	1.0002	0.9998	1.0001
1998	48,236	49,329	49,616	49,792	49,753	49,766	49,787	49,770	49,766	49,764	1.0227	1.0058	1.0035	0.9992	1.0003	1.0004	0.9997	0.9999	1.0000
1997	47,827	48,850	49,187	49,291	49,351	49,381	49,423	49,431	49,403	49,399	1.0214	1.0069	1.0021	1.0012	1.0006	1.0009	1.0002	0.9994	0.9999
1996	48,339	49,279	49,639	49,758	49,788	49,810	49,798	49,844	49,859	49,863	1.0194	1.0073	1.0024	1.0006	1.0004	0.9998	1.0009	1.0003	1.0001
1995	51,224	52,088	52,434	52,482	52,464	52,450	52,456	52,457	52,458	52,455	1.0169	1.0066	1.0009	0.9997	0.9997	1.0001	1.0000	1.0000	0.9999
1994	55,780	56,981	57,259	57,397	57,389	57,366	57,429	57,426	57,440	57,442	1.0215	1.0049	1.0024	0.9999	0.9996	1.0011	0.9999	1.0002	1.0000
1993	59,776	60,916	61,255	61,366	61,374	61,370	61,371	61,419	61,419	61,432	1.0191	1.0056	1.0018	1.0001	0.9999	1.0000	1.0008	1.0000	1.0002
1992	65,230	66,450	66,660	66,748	66,734						1.0187	1.0032	1.0013	0.9998					
1991	71,121	72,391	72,384	72,452	72,384						1.0179	0.9999	1.0009	0.9991					
1990	77,201	79,352	79,732	79,677	79,514						1.0279	1.0048	0.9993	0.9980					
1989	79,909	84,195	84,610	84,611	84,375						1.0536	1.0049	1.0000	0.9972					
1988	76,897	81,418	82,644	82,844	82,929						1.0588	1.0151	1.0024	1.0010					
1987	75,383	78,206	79,506	80,264	80,608						1.0374	1.0166	1.0095	1.0043					
1986	67,894	71,615	72,753	73,245	73,559						1.0548	1.0159	1.0068	1.0043					
1985	65,118	68,622	69,549	69,898	69,868						1.0538	1.0135	1.0050	0.9996					
1984	62,176	67,385	67,827	67,837	67,784						1.0838	1.0066	1.0001	0.9992					

PENNSYLVANIA COMPENSATION RATING BUREAU
APRIL 1, 2014 LOSS COST FILING

Claim Settlement Patterns

Number of Reported Indemnity Claims Closed as of:

Policy Year	First Report	Second Report	Third Report	Fourth Report	Fifth Report	Sixth Report	Seventh Report	Eighth Report	Ninth Report	Tenth Report
2010	22,827									
2009	22,002	29,478								
2008	23,777	31,060	34,402							
2007	25,924	34,424	38,054	39,811						
2006	25,637	33,772	37,827	39,570	40,493					
2005	26,560	34,538	38,820	40,862	41,871	42,375				
2004	27,483	35,573	39,459	41,575	42,837	43,347	43,702			
2003	28,632	36,204	40,010	42,083	43,311	43,980	44,371	44,571		
2002	30,023	38,056	41,734	43,739	44,986	45,597	45,955	46,194	46,382	
2001	31,194	39,405	43,429	45,548	46,744	47,520	47,906	48,136	48,307	48,408
2000	33,592	42,429	46,492	48,593	49,879	50,771	51,171	51,454	51,655	51,753
1999	33,002	41,329	45,209	47,524	48,731	49,426	49,986	50,296	50,497	50,612
1998	32,819	40,706	43,995	45,995	47,191	47,828	48,256	48,531	48,706	48,858
1997	32,679	40,441	43,531	45,301	46,538	47,316	47,733	47,985	48,165	48,308
1996	33,149	40,297	43,524	45,351	46,470	47,322	47,918	48,230	48,462	48,621
1995	34,562	42,151	45,482	47,526	48,798	49,584	50,249	50,747	50,948	51,124
1994	37,917	45,808	49,271	51,574	53,174	54,062	54,703	55,269	55,664	55,866
1993	39,889	48,731	52,332	54,762	56,407	57,590	58,360	58,859	59,298	59,545
1992	43,684	52,380	56,429	58,910	60,775					
1991	49,209	57,748	61,554	64,324	66,152					
1990	54,909	64,297	67,849	70,445	72,564					
1989	57,872	69,258	73,029	75,374	77,046					
1988	57,595	68,355	72,630	74,800	76,268					
1987	56,720	66,287	70,237	72,839	74,371					
1986	51,185	60,369	64,073	66,052	67,495					
1985	49,513	58,594	61,891	63,892	64,926					
1984	48,168	57,940	60,541	62,282	63,397					

Portion of Reported Indemnity Claims Closed as of:

First Report	Second Report	Third Report	Fourth Report	Fifth Report	Sixth Report	Seventh Report	Eighth Report	Ninth Report	Tenth Report
0.6440									
0.6361	0.8258								
0.6463	0.8228	0.9035							
0.6300	0.8171	0.8980	0.9376						
0.6259	0.8033	0.8943	0.9352	0.9561					
0.6322	0.7978	0.8902	0.9347	0.9578	0.9692				
0.6358	0.7986	0.8842	0.9299	0.9568	0.9679	0.9757			
0.6507	0.8025	0.8810	0.9257	0.9531	0.9667	0.9750	0.9795		
0.6604	0.8113	0.8848	0.9252	0.9504	0.9630	0.9708	0.9758	0.9794	
0.6561	0.8077	0.8833	0.9278	0.9516	0.9654	0.9734	0.9785	0.9816	0.9836
0.6653	0.8142	0.8866	0.9235	0.9481	0.9635	0.9707	0.9766	0.9804	0.9823
0.6645	0.8146	0.8830	0.9248	0.9475	0.9608	0.9698	0.9756	0.9797	0.9818
0.6804	0.8252	0.8867	0.9237	0.9485	0.9611	0.9692	0.9751	0.9787	0.9818
0.6833	0.8279	0.8850	0.9191	0.9430	0.9582	0.9658	0.9707	0.9749	0.9779
0.6858	0.8177	0.8768	0.9114	0.9334	0.9501	0.9622	0.9676	0.9720	0.9751
0.6747	0.8092	0.8674	0.9056	0.9301	0.9454	0.9579	0.9674	0.9712	0.9746
0.6798	0.8039	0.8605	0.8985	0.9266	0.9424	0.9525	0.9624	0.9691	0.9726
0.6673	0.8000	0.8543	0.8924	0.9191	0.9384	0.9509	0.9583	0.9655	0.9693
0.6697	0.7883	0.8465	0.8826	0.9107					
0.6919	0.7977	0.8504	0.8878	0.9139					
0.7112	0.8103	0.8510	0.8841	0.9126					
0.7242	0.8226	0.8631	0.8908	0.9131					
0.7490	0.8396	0.8788	0.9029	0.9197					
0.7524	0.8476	0.8834	0.9075	0.9226					
0.7539	0.8430	0.8807	0.9018	0.9176					
0.7604	0.8539	0.8899	0.9141	0.9293					
0.7747	0.8598	0.8926	0.9181	0.9353					

PENNSYLVANIA COMPENSATION RATING BUREAU

RATIO OF PAID LOSSES TO REPORTED INCURRED LOSSES

INDEMNITY

Policy Year	Maturity (in months) 12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252
1992																	0.9339	0.9410	0.9489	0.9509	0.9537
1993																0.9328	0.9398	0.9477	0.9508	0.9558	
1994															0.9304	0.9383	0.9454	0.9477	0.9514		
1995														0.9415	0.9482	0.9535	0.9575	0.9614			
1996													0.9432	0.9504	0.9548	0.9589	0.9600				
1997												0.9606	0.9668	0.9722	0.9750	0.9766					
1998											0.9606	0.9687	0.9741	0.9796	0.9830						
1999										0.9550	0.9644	0.9723	0.9774	0.9808							
2000									0.9470	0.9596	0.9651	0.9683	0.9738								
2001								0.9420	0.9594	0.9667	0.9705	0.9744									
2002							0.9032	0.9223	0.9357	0.9407	0.9533										
2003						0.8834	0.9175	0.9348	0.9388	0.9488											
2004					0.8256	0.8727	0.9000	0.9122	0.9288												
2005				0.7675	0.8464	0.8919	0.9150	0.9330													
2006			0.6508	0.7661	0.8413	0.8829	0.9157														
2007		0.4814	0.6723	0.7887	0.8587	0.9026															
2008	0.3679	0.5078	0.7020	0.8150	0.8851																
2009	0.3551	0.5196	0.7033	0.8221																	
2010	0.3439	0.5168	0.7061																		
2011	0.3479	0.5262																			
2012	0.3578																				

MEDICAL

Policy Year	Maturity (in months) 12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252
1992																	0.9159	0.9148	0.9170	0.9188	0.9204
1993																0.9312	0.9290	0.9281	0.9327	0.9325	
1994															0.9170	0.9148	0.9294	0.9261	0.9194		
1995														0.9099	0.9132	0.9213	0.9215	0.9265			
1996													0.9044	0.9020	0.9052	0.9074	0.9083				
1997												0.9123	0.9094	0.9149	0.9149	0.9167					
1998											0.8825	0.8827	0.8912	0.9201	0.9205						
1999										0.8881	0.9009	0.9117	0.9045	0.9143							
2000									0.8921	0.9091	0.9116	0.9235	0.9320								
2001								0.9233	0.9308	0.9356	0.9356	0.9410									
2002							0.8990	0.9093	0.9131	0.9148	0.9236										
2003						0.8991	0.9106	0.9158	0.9235	0.9275											
2004					0.8928	0.9078	0.9071	0.9134	0.9224												
2005				0.8539	0.8759	0.8896	0.8973	0.9160													
2006			0.8355	0.8742	0.8910	0.9045	0.9116														
2007		0.7074	0.8124	0.8536	0.8744	0.9002															
2008	0.4696	0.7215	0.8365	0.8768	0.9069																
2009	0.4658	0.7286	0.8405	0.8842																	
2010	0.4569	0.7097	0.8276																		
2011	0.4429	0.7323																			
2012	0.4706																				

PENNSYLVANIA COMPENSATION RATING BUREAU, INC.

RATIOS OF REPORTED PAID LOSSES TO PROJECTED ULTIMATE INCURRED LOSSES

INDEMNITY - AVERAGE OF PAID & INCURRED METHODS

Policy	Maturity (in months)																			
Year	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252
1992																	0.9301	0.9354	0.9413	0.9460	0.9512
1993																0.9281	0.9330	0.9383	0.9443	0.9490	
1994															0.9238	0.9290	0.9340	0.9393	0.9440		
1995														0.9267	0.9306	0.9359	0.9409	0.9454			
1996													0.9231	0.9285	0.9324	0.9377	0.9414				
1997												0.9266	0.9335	0.9390	0.9430	0.9464					
1998											0.9249	0.9317	0.9387	0.9442	0.9467						
1999										0.9194	0.9261	0.9329	0.9399	0.9441							
2000									0.9039	0.9175	0.9242	0.9309	0.9379								
2001								0.8914	0.9071	0.9207	0.9274	0.9337									
2002							0.8542	0.8782	0.8937	0.9071	0.9190										
2003						0.8266	0.8593	0.8835	0.8990	0.9115											
2004					0.7635	0.8168	0.8491	0.8730	0.8926												
2005				0.6896	0.7760	0.8300	0.8629	0.8818													
2006			0.5358	0.6875	0.7736	0.8275	0.8593														
2007		0.2863	0.5486	0.7040	0.7921	0.8338															
2008	0.0582	0.2922	0.5598	0.7183	0.7970																
2009	0.0582	0.2919	0.5593	0.7167																	
2010	0.0576	0.2892	0.5591																		
2011	0.0578	0.2923																			

MEDICAL - AVERAGE OF PAID & INCURRED METHODS

Policy	Maturity (in months)																			
Year	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252
1992																	0.8164	0.8263	0.8341	0.8450	0.8546
1993																0.8284	0.8360	0.8461	0.8541	0.8613	
1994															0.8050	0.8136	0.8211	0.8310	0.8415		
1995														0.8021	0.8110	0.8198	0.8273	0.8371			
1996													0.7733	0.7874	0.7962	0.8048	0.8123				
1997												0.7714	0.7815	0.7958	0.8047	0.8133					
1998											0.7667	0.7778	0.7881	0.8024	0.8101						
1999										0.7565	0.7655	0.7766	0.7868	0.7970							
2000									0.7711	0.7843	0.7936	0.8051	0.8152								
2001								0.7702	0.7831	0.7965	0.8059	0.8141									
2002							0.7464	0.7601	0.7728	0.7860	0.7960										
2003						0.7397	0.7545	0.7683	0.7811	0.7939											
2004					0.7187	0.7388	0.7536	0.7674	0.7789												
2005				0.6898	0.7199	0.7401	0.7549	0.7684													
2006			0.6426	0.6989	0.7294	0.7498	0.7615														
2007		0.5135	0.6402	0.6962	0.7266	0.7449															
2008	0.1541	0.5327	0.6641	0.7222	0.7472																
2009	0.1550	0.5358	0.6680	0.7217																	
2010	0.1519	0.5250	0.6630																		
2011	0.1517	0.5284																			