

**NEW YORK COMPENSATION INSURANCE RATING BOARD**



**October 1, 2013**

**Loss Cost Filing**

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**NEW YORK WORKERS COMPENSATION  
OCTOBER 1, 2013 LOSS COST FILING**

**Actuarial Committee Recommended Loss Cost Level Change: +29.1%  
Meeting of May 1, 2013**

**Proposed Loss Cost Level Change: +16.9%  
Filing of May 14, 2013**

**Approved Loss Cost Level Change: +9.5%  
Opinion and Decision of July 15, 2013**

Following the Actuarial Committee's recommendation, several assumptions were revised that resulted in decreasing the proposed change from +29.1% to +16.9% in the submitted filing. These changes were as follows:

1. The percentage of indemnity losses that are assumed to reflect the PPD duration caps was changed from 100% to 66.7%
2. The impact of the closing of the Reopened Case Fund was changed from +6.3% to the originally published estimate of +4.5%.

The Rating Board submitted the 2013 General Loss Cost Revision to the New York State Department of Financial Services on May 14, 2013 requesting an average change of +16.9% in loss cost level to become effective October 1, 2013, and a 4.5% increase to apply on a pro-rata basis to policies in force as of October 1, 2013.

The May 14, 2013 loss cost revision included the Rating Board's estimate of the impact of the latest increases in the maximum weekly benefit as set forth in the 2007 reform legislation. The filing contained experience on the basis of two policy years, which is the same experience base that was introduced in the 2009 revision. Financial data was used in the determination of the frequency and severity trend factors. This methodology was first utilized in 2009 and continues to be the most responsive procedure for the determination of prospective trends.

A public hearing regarding the Rating Board's filing was called by the Superintendent of Financial Services and was held on June 25, 2013 at which the Rating Board, several carriers, and other interested parties provided testimony. The Workers' Compensation Law requires the Superintendent to hold a public hearing if a rate service organization makes a loss cost filing for workers compensation that is an increase of seven percent or more over the loss costs from the prior year.

Subsequent to the hearing, an amended filing was submitted by the Rating Board for an average loss cost change of +9.5%. The amended filing reflected the following changes in assumptions:

- 1. The percentage of indemnity losses that are assumed to reflect the PPD duration caps was changed from 66.7% to 55%**
- 2. The full impact of the elimination of the Special Disability Fund that is reflected in the loss on-level factors was reduced by 25% for private carriers.**
- 3. In the calculation of the loss development adjustment, the percentage of cases affected by the capped durations was shifted by three years, resulting in a change in the loss development adjustment factor from 0.925 to 0.888.**

**The amended filing was approved on July 15, 2013.**

**The attached actuarial exhibits provide specific information on all components of the approved 2013 loss cost revision. Included also is the detailed Filing Memorandum that accompanied the Rating Board's original filing submission.**

**The Department of Financial Services' Opinion & Decision documents regarding both the original filing and the amended filing are also attached and can be found following the actuarial exhibits.**

# NEW YORK WORKERS COMPENSATION

## October 1, 2013 Loss Cost Revision

### Explanatory Memorandum

This memorandum, together with the attached actuarial exhibits, provides supporting documentation for an overall loss cost level change of +16.9%, to become effective on October 1, 2013.

The proposed loss cost change is based on the latest statistical data reported by the Rating Board's member carriers and reflects the application of generally accepted actuarial principles and methodologies.

The elements contributing to the overall change are summarized below and are presented in detail on the following pages.

1. Change indicated by Policy Year 2011 experience	1.142
2. Change indicated by Policy Year 2010 experience	1.179
3. Average change indicated by experience [(1) + (2)] / 2	1.161
4. Change in prospective claim cost, frequency and wage levels	0.974
5. Change in loss adjustment expense (LAE)	0.986
6. Change due to experience, trend and LAE (3) x (4) x (5)	1.115
7. Change due to legislation and regulation	1.054
8. Indicated Manual Loss Cost Level Change (6) x (7)	1.175
9. Change in catastrophe provision	1.000
10. Catastrophe loss cost as percent of total loss costs	0.036
11. Proposed Total Loss Cost Level Change [(8) x (1.0 - (10))] + [(9) x (10)]	1.169

A listing of the actuarial exhibits follows this explanatory memorandum in order to provide easy reference for reviewing the underlying support for this filing.

#### 1. Experience of Policy Year 2011

The calculation of the indicated change in loss costs derived from the experience of Policy Year 2011 is presented as Exhibit B.

The experience of Policy Year 2011, valued as of December 31, 2012, has been compiled from the latest available statistical data submitted by the Rating Board's member companies. Similar to past years, large deductible experience is included in the determination of the indicated experience change. Although this experience is still viewed as unique and similar to self-insurance, its inclusion reflects the Department's long held position that this data should be included in the annual NYCIRB filing. Furthermore, at the previous direction of the Department of Financial Services, the policy year indication also includes the experience of the State Insurance Fund.

Beginning with policy year 2009, standard premiums have been reported in the annual New York Financial Data Calls on a designated statistical reporting (DSR) level. DSR level represents standard premium reported to NYCIRB excluding the effect of carrier lost cost multipliers. As a result of removing loss cost multipliers, the premium becomes an expected loss cost level against which the actual loss experience can be measured.

The premiums are then brought to the current loss cost level. This adjustment is done in accordance with standard actuarial procedures, reflecting the latest approved loss cost level changes. This results in an overall on-level factor of 1.068 for policy year 2011. The on-level calculations can be seen in Exhibit D, Sheet 1.

Similar to previous filings, the Rating Board has utilized paid plus case losses for the policy year loss evaluation. Indemnity and medical losses were analyzed separately in recognition of the significant differences in their respective development patterns.

Losses emanating from the September 11, 2001 terrorist attacks have been excluded from the ratemaking data. Both policy year 2000 and policy year 2001 losses have been adjusted to remove the effects of the September 11, 2001 experience that was identified and reported under Catastrophe Code 48. The definition of Catastrophe Code 48 encompasses claims directly arising from the commercial airline hijackings of September 11, 2001 and the resulting subsequent events with accident dates of September 11, 2001 through September 14, 2001.

For loss development, two, three, four and five-year average link ratios, as well as a three-year average, calculated after excluding the highest and lowest points, were analyzed for both indemnity and medical. Development patterns can vary at various report levels, but especially at the more immature valuations. Consequently, this methodology uses the middle three of five factors for the first to tenth reports and three-year average factors from tenth to twentieth reports in order to smooth the impact of any variations in the observed development patterns. Separate development factors were derived for the non-large deductible experience, the large deductible experience, and the State Insurance Fund using this same methodology. This is consistent with the techniques used in previous filings.

Improvements to the methodology for calculating the loss development factor from 20<sup>th</sup> to ultimate (the tail factor) are included this year. The first major difference between the new and prior methods, introduced initially in the 2012 filing, is in the data used to determine the factor. In the past, incurred losses including IBNR were used. The new procedure eliminates the use of IBNR losses, and the factor is determined strictly based on paid plus case losses. The rationale is that IBNR losses can be inconsistent from year to year as these losses can be allocated to different policy years in various ways. Another methodology enhancement, introduced this year, is the inclusion of a growth factor to adjust the experience of prior years used in the tail calculation to the level of the base development year at 20<sup>th</sup> report. The adjustment is needed to reflect trend and benefit level changes in the historical experience. Information from Policy years 1987 through 1991 was included in the growth factor calculation. This approach is consistent with the methodology used

by NCCI. A third improvement, initially introduced last year, is to utilize three reports of data at three successive valuations, and average the three indicated factors to determine the final tail factor. In the past, two successive valuations were used and the results were averaged with the prior year's final tail factor. The enhancements to the tail methodology should improve both long term tail factor responsiveness and stability. The resulting indication using this enhanced methodology is 2.7% lower than it would have been had the prior methodology been used.

Premium development factors for both non-large deductible private carriers and the State Insurance Fund are based on two-year averages. Similar to last year, the Rating Board observed anomalous values in the non-large deductible private carrier premium development link ratios and discovered they were caused by a few specific policies. The Rating Board obtained information on these policies and excluded them again from this year's analysis. Premium development for private carrier large deductible experience remains based on the middle three values of the latest five years of policy experience.

The private carrier non-large deductible development data can be found in Exhibits BB, Sheets 1 through 2G. For large deductible development, exhibits labeled as Exhibit CC, Sheets 1-2A are provided.

Exhibit DD, Sheets 1-2G contains the experience of the State Insurance Fund. These pages include premium development factors for the policy year, and separate indemnity and medical loss development factors. Because of the large volume of State Fund data, it is appropriate that projections of ultimate losses reflect this experience's own development patterns. This is consistent with the approach utilized in past filings.

Policy year losses for the private carrier non-large deductible experience, State Fund experience, and the large deductible experience are separately adjusted to an ultimate settlement basis, as described above.

Losses are then adjusted to reflect the current benefit level. All losses in the experience period of policy years 2010 and 2011 have occurred subsequent to the 2007 reforms. The three major components of the 2007 reform are the increase in maximum weekly benefits, the elimination of the Special Disability Fund (SDF) and the introduction of capped benefit durations for claimants with non-scheduled Permanent Partial Disability Benefits (PPD). In theory, losses that have occurred after the reform would not need to be adjusted for the full impact of the reform, as they are already at the post-reform level. In practice, however, this may not necessarily be the case. The actual implementation of the reform has evolved over time.

With respect to the SDF, while it has been eliminated effective 7/1/07, reimbursements from the fund are only paid after 5 years. Therefore, losses from 2010 and 2011, which are at an early maturity, are included in this filing at reserve levels that are similar to where these reserves would have been set in a pre-reform environment, with respect to reflection of potential reimbursement from the SDF. This is because carriers historically reflected potential reimbursement in the incurred losses after the claim has been accepted by the SDF, which had been approximately at five years after the date of accident. Since the reported losses are then developed to ultimate value using pre-reform development patterns, which reflect subrogation from the SDF, an adjustment is needed to bring the ultimate value of the losses to post-reform level, i.e. reflecting the elimination of the Fund. The adjustment is included in the indemnity on-level factors, and is equal to the impact of the closing of the SDF as was estimated in the approved 2007 rate filing.

As far as the PPD section of the reform (benefit duration caps), it was determined, based on a carrier survey, that most carriers now set reserves based on their estimates of post-reform benefits, within one or two years of the date of injury, and that no carriers reflect lifetime benefits for PPD claims. This result is expected because not only has the reform been in place since 2007, but Loss-of-Earning-Capacity Guidelines were implemented in January, 2012, a full year before the valuation of claims used in the filing.

In the last several loss cost filings it was assumed that, for a majority of PPD losses, reserves were still reflecting lifetime benefits. In order, though, to maintain stability in the loss cost process, in lieu of reflecting the fact that no PPD losses are reserved at lifetime benefit levels, it was assumed that a portion (one-third) is still at the lifetime benefit levels, and two-thirds reflect the duration caps.

The on-level *calculations* shown on Exhibit D, Sheet 2 reflect an assumption that carriers accurately reserve post-reform losses at the proper post-reform benefit levels. The displayed *selected* on-level factors reflect the following assumptions regarding loss reserves of post-reform losses:

- All reserves reflect post-reform maximum weekly benefit levels
- With respect to the SDF, all losses are at pre-reform level after application of ultimate development factors.
- 66.7% of losses reflect the elimination of lifetime benefits and application of duration caps on PPD losses
- 33.3% of losses *do not* reflect elimination of lifetime benefits and application of duration caps on PPD losses

In the selected on-level factors, the 66.7% of losses that are reflecting post-reform PPD benefits are not adjusted for the impact of the reform, but are expected to have a different development pattern than pre-reform losses. A development adjustment for these losses is implicitly reflected in the selected on-level factors. Exhibit D, Sheet 4 displays the assumptions with respect to how case reserves are handled post-reform, and the resultant on-level factors that have been calculated based on the aforementioned 66.7 / 33.3 split. Exhibit D, Sheet 5 provides the loss development adjustment that is included in the selected on-level factors.

Policy Year 2010 medical losses are adjusted to reflect the December 1, 2010 implementation of the Medical Treatment Guidelines as well as changes in the State's Medical Fee Schedule. The medical loss on-level factors are shown on Exhibit D, Sheet 3.

Loss cost indications are calculated separately for the non-large deductible and large deductible experience and are then weighted on the basis of their respective net earned premiums to arrive at an increase of 14.2% in loss cost level based upon Policy Year 2011 experience.

## 2. Experience of Policy Year 2010

The calculation of the change in loss cost level indicated by the experience of Policy Year 2010 is presented in Exhibit C.



As with policy year 2011, the policy year 2010 premiums are brought to the current loss cost level by an overall premium on-level factor of 1.156. The on-level calculations can be seen in Exhibit D, Sheet 1.

Policy year 2010 loss experience, which is valued at a second report, has been adjusted to the current loss cost level and developed to an estimated ultimate settlement basis in a similar manner as described previously for the policy year 2011 experience.

Loss cost indications are calculated separately for the non-large deductible and large deductible experience and are weighted on the basis of their respective net earned premiums. The subsequent weighted average indicates an increase of 17.9% in loss cost level based on Policy Year 2010 experience.

### 3. Average Experience Change

With equal weights given to the 14.2% increase indicated by the Policy Year 2011 experience and the 17.9% increase indicated by the Policy Year 2010 experience, the average effect of experience is an increase of 16.1%.

### 4. Trend Factor Analysis

The presentation of the loss portion of the trend factor is similar to previous years in that indicated trends are expressed in terms of average annual changes in claim costs and claim frequencies. This year's methodology, which is the same as filed last year, bases the indicated frequency and severities directly on the combined financial data of all private carriers (excluding large deductible experience) and the State Insurance Fund.

All data has been adjusted to current levels, i.e., the premiums underlying the frequency calculation are adjusted to the current loss cost level and losses are adjusted to an estimated ultimate settlement basis, as well as to the current benefit level in the same manner as previously described. Claim counts have also been adjusted to ultimate values.

It should be noted that the claim counts reported in the financial data include only lost-time claims, i.e., medical-only claim counts are not part of the analysis under this methodology. This produces a more realistic trend since, while medical-only cases represent over 60% of the total claims, they represent less than 4% of the losses. The inclusion of medical-only claims in a frequency and severity analysis can have a misleading effect on the final trend. The exclusion of medical-only claims results in a greater focus on medical costs on lost-time claims, which are a major cost driver in the workers compensation system.

Exhibit EE, Sheets 1-3 show the derivation of the indicated claim frequency trend and the claim cost trend for both indemnity and medical losses.

Claim frequency in New York experienced a small increase in 2010 following several years of continued decreases. However, frequency decreased in the most recent experience year (2011), resulting in a negative five year trend. Although claim costs continue to increase, the indicated indemnity trend is lower than seen in last year's filing. Medical claim cost trend continues to increase, but at a lesser rate than was indicated in last year's filing. In this revision, a five year exponential trend analysis was performed to derive the indicated trends. For claim frequency, the analysis resulted in an annual trend of -1.3%. For indemnity severity, the regression resulted in an

annual trend of 2.0%. For medical severity, the five-year exponential regression produced the indicated annual trend of 4.9%.

A wage trend analysis procedure, using both an exponential and linear regression of the latest five years of wage data from the New York State Department of Labor (DOL), was examined as part of the wage trend analysis as per the methodology used in previous years. The average weekly wages are derived directly from DOL statistics for all industries. Exhibit EE Sheet 4 shows the calculation of the wage trend factor produced by this methodology. However, in light of the current economic environment, the indicated annual wage trend of 1.4%, which is based on historical wage changes, will likely be exceeded during the trend period, i.e., from the experience period though the prospective policy period. According to the New York State Assembly's 2013 Economic Report, average wage growth is expected to be 3.0% in 2013 and 3.5% in 2014. Using these projections, the average annual expected wage growth from the experience period to the prospective filing period is 2.6%. The calculation can be seen on the bottom of Exhibit EE Sheet 4. Consequently, a 2.6% annual wage trend has been selected for inclusion in the overall trend calculation.

As can be seen in Exhibit E, combining the frequency, severity and wage trends results in a combined annual trend of 0.992 or -0.8%. When projected over the entire trend period, the calculation produces an overall trend of 0.974 or -2.6%.

#### 5. Loss Adjustment Expense

The indicated change in loss adjustment expense can be found on Exhibit F.

In this filing, similar to last year, loss adjustment expense has been determined on the basis of paid policy year and accident year Financial Call data for Defense and Cost Containment Expense (DCCE), and on Insurance Expense Exhibit data for Adjusting and Other Expense (AOE). The utilization of Financial Call data for determining DCCE provides a stable base for measuring these expenses and is the most current data available. Ratios of paid DCCE to paid loss is an accurate measure of these costs since any variability over time in reserves for either loss or DCCE does not enter the calculation of this factor. AOE continues to be based on Insurance Expense Exhibit data since it is the only data available with which to calculate this expense.

For both DCCE and AOE, the effects of the 2007 reforms on losses have been taken into account. The historical underlying policy year and accident year indemnity losses were brought to the post-reform benefit level through adjustment to the loss development factors, which are reported at pre-reform levels. For AOE, ratios of indemnity to total loss were estimated for each calendar period and an average benefit adjustment factor was applied to the average AOE ratio. Similar to last year's filing, an average of the latest three years of policy year and accident year ratios was used to determine the final DCCE provision. The use of the latest three years is considered to be responsive to the rising DCCE ratios observed in both the policy year and accident year experience. For AOE, the five-year average continues to be used for this element of loss adjustment expense. The proposed 1.163 factor for LAE contributes -1.4% to the change in the overall loss cost level.

#### 6. Legislative and Regulatory Changes

##### a) Increases in Maximum Weekly Benefits

In accordance with the 2007 legislation, the maximum weekly benefit for injured workers increased to 2/3 of the statewide average weekly wage effective July 1, 2010, with additional annual increases,

effective on July 1 of each subsequent year. Increases in the maximum weekly benefit are keyed to the statewide average weekly wage as determined by the New York State Department of Labor.

The determination of the loss cost impact resulting from the statutory benefit changes that raise the minimum or maximum weekly benefit continues to be based on a universally accepted actuarial methodology developed by actuary Barney Fratello in a paper entitled *The Workers Compensation Injury Table and Standard Wage Distribution Table – Their Development and Use in Workers Compensation Insurance Ratemaking*, published by the Casualty Actuarial Society. This publication, or portions thereof, has been used for over fifty years by actuaries in all jurisdictions to price the effects of changes in the maximum weekly benefit that are either proposed or enacted by their respective state legislatures. The incorporation of a state's current statutory maximum weekly benefit, the new maximum weekly benefit, the state's average weekly wage and the 2010 'Standard Actuarial Wage Distribution Table' enable an actuary to produce an accurate estimate of the benefit cost when changes to the maximum are proposed or enacted.

The actual methodology used by the NYCIRB to calculate the effects of changes in the maximum weekly benefit is a Limit Factor Analysis, as set forth in Mr. Fratello's actuarial paper. For a better understanding of the method, the following should be especially noted:

- While the methodology refers to average benefits and wage levels, these are expressed in terms of ratios for use with the Wage Distribution Table and are not intended to be actual values.
- The methodology only measures changes in the minimum and maximum benefits, or percentage that these benefits bear to an employee's wages, and nothing more. It assumes that the current administrative functions within the workers compensation system and the level of disability or impairment of the injured workers that determines these benefits are at the current level.
- The methodology also reflects potential increases in utilization of the system as a result of the increase in benefits. In other states, when large benefit changes were enacted, it was often seen that more claimants applied for the more generous benefits, which resulted in higher actual effects than the actuarial estimates were able to predict.

The determination of the overall impact in New York of increasing the maximum weekly benefits as of July 1, 2013, and then on July 1, 2014 and July 1, 2015, can be found on the attached Exhibit G, in which Sheets 2 through 4 display the calculation of the 2013, 2014 and 2015 benefit changes, respectively. Note that it was assumed that the average weekly wage and the maximum weekly benefits will increase by 2.6% in both 2014 and 2015. The methodology is performed separately for each injury type [death, permanent total, permanent partial major (>22,000 per claim), permanent partial minor (<22,000 per claim) and temporary] to recognize any variation in the maximum, as a percent of wage, that is provided for by statute. Recognition has also been given to the lower wage levels of PPD claimants and the manner of determining benefits that is used by the Workers' Compensation Board (WCB) for PPD cases. This is consistent with last year's calculation.

Once the indicated changes are determined by injury type, these changes are applied to a distribution of incurred losses by injury type in order to obtain the estimated change in total indemnity costs. In this filing, a five year distribution of losses by injury type has been used to provide additional stability to this part of the analysis. The resultant indicated indemnity change is then weighted with the distribution of indemnity and medical losses based on 2011 policy year financial data to obtain an overall change. The NYCIRB analysis then includes a utilization factor

of 1.10 that contemplates the additional utilization of the workers compensation system as a result of the significantly higher benefit level. This adjustment is consistent with the utilization factor used in last year's analysis.

The increases in the maximum weekly benefit, as summarized in Exhibit G, Sheet 1, is expected to result in a 0.5% increase in total workers compensation claim costs.

#### **b) The 2013 Reforms**

##### **Closing of the Reopened Case Fund (25-A)**

The estimated impact of the closing of the Reopened Case Fund was derived using ten years of historical assessments, adjusted to reflect only the portion of private carriers and the State Insurance Fund, and to remove the impact of "supplemental payments". This amount was further adjusted to remove the effects of "Defense of Fund" payments and payments from the Fund to volunteer firefighters and ambulance workers on the assessment amounts. This was then related to an average annual loss amount based on five years of historical losses to determine the impact. The calculation of the impact can be seen in Exhibit G, Sheet 7.

##### **Increase in minimum weekly benefits**

Upon passage of the 2013-2014 New York State Budget, the minimum weekly benefit for injured workers increased from \$100 per week to \$150 per week on May 1, 2013. Unlike the maximum benefit increases, this is a one-time increase, not indexed to the average weekly wage. The impact of this increase is estimated using the same methodology used to determine the impact of the increase in the maximum weekly benefit as described above. The increase in the minimum weekly benefit, as summarized in Exhibit G, Sheet 5, results in a 0.4% increase in total workers compensation claim costs.

#### **7. Catastrophe Provisions**

In December 2007, the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) extended the federal back stop for terrorism through December 31, 2014. In response to the increased carrier retentions required by the Act, the loss cost provision for terrorism was increased as part of the approved October 1, 2008 loss cost filing. The loss cost for natural disasters and catastrophic industrial accidents was also changed at that time.

In this filing, no change in the catastrophe provision for either terrorism or natural disasters and catastrophic industrial accidents is being proposed.

#### **8. Industry Group Differentials**

Industry group differentials are used to more equitably distribute the overall loss cost level change to individual employer classifications. Nine industry groups are used in this analysis and are listed below:

Food and Beverage Manufacturing  
Chemical Manufacturing  
All Other Manufacturing  
Contracting

Stores and Dealers-Wholesale/Retail  
Professional and Office  
Services  
Miscellaneous

## **Maritime, Admiralty and Federal**

The industry group methodology entails a compilation of the latest five years of Unit Statistical Plan data into the nine industry groups, and utilizes loss cost ratios as the basis for calculating a differential for each group relative to the statewide average (Exhibit I, Sheet 1). In years prior to the 2012 filing, three years had been used. The change to five years was introduced last year in order to further stabilize the industry group differentials from year to year. The underlying base is standard premium on current loss cost level and includes payroll development. Incurred losses have been developed to ultimate and are at the October 1, 2012 benefit level to be consistent with the classification pure premiums. The methodology includes trend and utilizes other factors as previously described. Credibility for each industry group is based on the five-year total number of compensable claims, with an industry standard of 12,000 lost-time claims, as the standard for full credibility. The credibility standard is intended to enable each industry group differential to be more representative of the actual experience of the respective industry groups.

Partial credibility for each group is determined by the formula  $(N/T)^{1/2}$ , where N is the five-year total of lost-time claims for the industry group and T is 12,000 lost-time claims. The complement of credibility is the loss ratio for all groups combined. Indicated differentials are calculated by relating each credibility weighted industry group's loss ratio to the overall total loss ratio. As in past revisions, an additional refinement to the indicated differential is included which recognizes different wage trends by industry group (Exhibit I, Sheet 2). Furthermore, in the 2010 filing, the indicated differentials were capped at +/- .05 due to the change in the credibility formula that was introduced at that time. Since the 2011 filing, capping was no longer considered necessary since the formula assures that each industry group will achieve its appropriate level relative to the overall loss ratio. The final differentials will be applied as part of the process which calculates loss costs from class pure premiums. The use of relativities by industry group provides a more refined and equitable distribution of the overall loss cost level to each class. To ensure overall balance, after the differentials are applied in the determination of class loss costs, a test of loss costs will become the final step in the process.

Loss cost changes for each classification will be limited to +/- 25% from the calculated industry group change to minimize the swings in loss cost level by class while still maintaining a proper relativity structure.

### **9. Classification Pure Premiums**

Classification pure premiums are based on the experience of all carriers for the five policy years 2006 - 2010, excluding the experience of self-rated risks. In addition, losses over \$1,600,000 per claim (State Act) and \$2,400,000 (Federal Act) are excluded from the pure premium development. Consistent with past revisions, five years of experience are used to determine the proposed pure premiums for all classes, irrespective of credibility.

Complete details with respect to the classification experience are contained in a separate document that will be provided to the Department under separate cover.

### **10. Changes in Loss Cost by Classification and Industry Group**

A table showing the percentage change in loss cost level for each classification and industry group and the number of classifications for which loss costs are to be increased or decreased, as well as those to which no change will be applicable, will be provided upon approval.

### **11. Total Change**

As a result of the above analyses, a manual loss cost level change of +17.5% is indicated. When combined with no change in the catastrophe provisions, an overall change of +16.9% is proposed.

### **12. New York State Assessment**

A separate identifiable policy charge, referred to as the New York State Assessment, has been in effect since April 1, 1994 as the mechanism to fund the costs of the Workers' Compensation Board (WCB), the Reopened Case Fund, the Special Disability Fund, the Special Funds Conservation Committee and Interdepartmental Expenses. The current percentage charge, effective October 1, 2012, is 18.8% of standard premium.

According to 2013 legislation, effective January 1, 2014, the WCB is responsible for determining the New York State Assessment. It is expected that, given the closing of the Reopened Case Fund, together with an increased premium base, the assessment charge would be significantly reduced for policyholders.

### **13. Effective Date**

It is proposed that the filed loss costs and related rating values, after approval by the Department of Financial Services, be increased by 16.9% effective on October 1, 2013 for new and renewal business, observing the established rating anniversary date in accordance with the provisions of Rule I, Section G of the New York Workers Compensation and Employers Liability Manual. Also proposed is a 4.5% increase to outstanding policies due to the elimination of the Reopened Case Fund. This change will be applied on a pro rata basis to policies effective October 1, 2012 to September 30, 2013.

**New York Workers Compensation**

**2013 Loss Cost Revision**

**List of Exhibits**

**Principal Exhibits**

- Exhibit A - Summary - All Elements**
- Exhibit B - Determination of Policy Year 2011 Loss Cost Indication**
- Exhibit C - Determination of Policy Year 2010 Loss Cost Indication**
- Exhibit D - On-Level Factors**
- Exhibit E - Trend Factors**
- Exhibit F - Loss Adjustment Expense**
- Exhibit G - Legislative and Regulatory Changes**
- Exhibit H - Terrorism and Natural Catastrophes**
- Exhibit I - Industry Group Differentials**
- Exhibit J - Pure Premium Multipliers**
- Exhibit K - Loss Cost Level Changes by Industry Group**
- Exhibit L - Loss Cost Swing Limits by Industry Group**

**Supporting Exhibits**

- Exhibit AA - Test of Loss Cost Level**
- Exhibit BB, Sheet 1 - Private Carrier Policy Year Premium Development Factors**
- Exhibit BB, Sheets 2 – 2G - Private Carrier Policy Year Loss Development Factors**
- Exhibit CC, Sheet 1 - Large Deductible Policy Year Premium Development Factors**
- Exhibit CC, Sheets 2 – 2A - Large Deductible Policy Year Loss Development Factors**
- Exhibit DD, Sheet 1 - State Ins. Fund Policy Year Premium Development Factors**
- Exhibit DD, Sheets 2 – 2G - State Insurance Fund Policy Year Loss Development Factors**
- Exhibit EE, Sheets 1 – 4 - Trend Analysis**

## WORKERS COMPENSATION - NEW YORK

## GENERAL LOSS COST REVISION - OCTOBER 1, 2013

## SUMMARY - ALL ELEMENTS

**2 Policy Years**

1.	Loss Cost change indicated by Policy Year 2011 Experience (Exhibit B)	1.074
2.	Loss Cost change indicated by Policy Year 2010 Experience (Exhibit C)	1.108
3.	Average Loss Cost change indicated by Experience $[(1)+(2)] / 2$	1.091
4.	Projected change in Loss Costs (Trend Exhibit E Sheet 1)	0.977
5.	Change in Loss Adjustment Expenses (Exhibit F)	0.986
6.	Indicated Change in Loss Costs Based on Experience [(3) x (4) x (5)]	1.051
7.	Legislative Changes (Exhibit G)	1.053
8.	Indicated Total Loss Cost Change [(6) x (7)]	1.107
8a.	Selected Adjustment Factor	0.993
8b.	Total Loss Cost Level Change [(8) x (8a)]	1.099
9.	Change in Catastrophe Provision (Exhibit H)	1.000
10.	Catastrophe Provision loss cost as percent of total loss costs	0.036
11.	Total Proposed Premium Level Change [(8b) x (1.0 - (10)) + [(9) x (10)]	1.095



NEW YORK WORKERS COMPENSATION

Determination of Change in Manual Loss Cost Level

Experience of All Carriers

Policy Year 2011 Experience

	Valued as of <u>12/31/2012</u> (1)	To 9/30/2013 <u>Levels #</u> (2)	Development <u>Factors *</u> (3)	Adjusted Data <u>(1) x (2) x (3)</u> (4)	Excl. Lge. Ded. Loss Cost <u>Change</u> (5)	Lge. Ded. Loss Cost <u>Change</u> (6)
1. Expected Total Losses**						
a. Excl. Large Ded.	1,718,695,348	1.068	0.983	1,804,361,999		
b. Large Deductible	970,029,241	1.068	1.007	1,043,243,168		
c. SIF	1,291,788,858	1.068	0.985	1,358,936,043		
d. Total Std. Ed. Prem. a+c	3,010,484,206			3,163,298,042		
2. Case Basis Indemnity Losses						
a. Excl. Large Ded.	397,339,233	0.851	2.794	944,751,110	0.524	-----
b. Large Deductible	234,349,762	0.851	3.288	655,731,257	-----	0.629
c. SIF	312,321,724	0.884	2.356	650,473,704	0.479	-----
d. Total Ind. Losses a+c	709,660,957			1,595,224,814	0.504	-----
3. Case Basis Medical Losses						
a. Excl. Large Ded.	354,727,840	1.000	2.163	767,276,318	0.425	-----
b. Large Deductible	174,883,860	1.000	2.361	412,900,793	-----	0.396
c. SIF	239,320,379	1.000	2.085	498,982,990	0.367	-----
d. Total Med. Losses a+c	594,048,219			1,266,259,308	0.400	-----
4. Indicated Change in Indemnity & Medical Loss Costs Col.(5) = (2d) + (3d); Col. (6) = (2b) + (3b)					0.904	1.025
5. Loss Cost Change, incl. Loss Adjustment Expense (4) x			1.180		1.067	1.210
6. Weights Based on Net Earned Premium					0.950	0.050
<b>7. Final Policy Year 2011 Loss Cost Indication</b> [Col (5), (5)*(6)] + [Col (6), (5)*(6)]						<b>1.074</b>

# See Exhibit D.

\* Development Factors are from Exhibit BB for private carriers; Exhibit CC for Large Deductible; Exhibit DD for SIF.

\*\* Expected Losses represent standard premium at NYCIRB DSR (loss cost) level.

NEW YORK WORKERS COMPENSATION

Determination of Change in Manual Loss Cost Level

**Experience of All Carriers**

Policy Year 2010 Experience

	Valued as of <u>12/31/2012</u> (1)	To 9/30/2013 <u>Levels #</u> (2)	Development <u>Factors *</u> (3)	Adjusted Data <u>(1) x (2) x (3)</u> (4)	Excl. Lge. Ded. Loss Cost <u>Change</u> (5)	Lge. Ded. Loss Cost <u>Change</u> (6)
<b>1. Expected Total Losses**</b>						
a. Excl. Large Ded.	1,570,050,716	1.156	0.991	1,798,643,820		
b. Large Deductible	767,706,003	1.156	0.996	883,918,267		
c. SIF	1,098,451,369	1.156	0.989	1,255,841,875		
d. Total Std. Ed. Prem. a+c	2,668,502,085			3,054,485,695		
<b>2. Case Basis Indemnity Losses</b>						
a. Excl. Large Ded.	617,459,405	0.866	1.893	1,012,224,666	0.563	-----
b. Large Deductible	293,386,643	0.866	2.086	529,995,929	-----	0.600
c. SIF	427,498,084	0.901	1.603	617,436,765	0.492	-----
d. Total Ind. Losses a+c	1,044,957,489			1,629,661,431	0.534	-----
<b>3. Case Basis Medical Losses</b>						
a. Excl. Large Ded.	442,974,661	0.991	1.770	777,008,564	0.432	-----
b. Large Deductible	189,028,715	0.991	1.868	349,927,689	-----	0.396
c. SIF	269,790,341	0.991	1.691	452,109,527	0.360	-----
d. Total Med. Losses a+c	712,765,002			1,229,118,091	0.402	-----
<b>4. Indicated Change in Indemnity &amp; Medical Loss Costs</b>					0.936	0.996
Col.(5) = (2d) + (3d); Col. (6) = (2b) + (3b)						
<b>5. Loss Cost Change, incl. Loss Adjustment Expense (4) x</b>			1.180		1.105	1.175
<b>6. Weights Based on Net Earned Premium</b>					0.958	0.042
<b>7. Final Policy Year 2011 Loss Cost Indication</b>						<b>1.108</b>
[Col (5), (5)*(6)] + [Col (6), (5)*(6)]						

# See Exhibit D.

\* Development Factors are from Exhibit BB for private carriers; Exhibit CC for Large Deductible; Exhibit DD for SIF.

\*\* Expected Losses represent standard premium at NYCIRB DSR (loss cost) level.

**New York Workers Compensation**

**Determination of On-level Factors**

**Section A - Factor Adjusting 2010 Policy Year Loss Costs to Present Level**

	(1)	(2)	(3)	(4)	(5)
	Rate	Cumulative		Product	Adj. Factor
Date	Level	Index	Weight	(2)x(3)	Cumulative Index/ Sum Column (4)
	Change				
NR 10/01/09	Base	1.000	0.750	0.750	<b>1.156</b>
NR 10/01/10	1.079	1.079	0.250	0.270	
NR 10/01/11	1.093	1.179			
NR 10/01/12	1.000	1.179			
				1.020	

**Section B - Factor Adjusting 2011 Policy Year Loss Costs to Present Level**

	(1)	(2)	(3)	(4)	(5)
	Rate	Cumulative		Product	Adj. Factor
Date	Level	Index	Weight	(2)x(3)	Cumulative Index/ Sum Column (4)
	Change				
NR 10/01/10	Base	1.000	0.750	0.750	<b>1.068</b>
NR 10/01/11	1.093	1.093	0.250	0.273	
NR 10/01/12	1.000	1.093			
				1.023	

**New York Workers Compensation**

**Determination of On-level Factors**

**Section C - Factor Adjusting 2010 Policy Year Indemnity Losses To Present Benefit Level**

	(1)	(2)	(3)	(4)	(5)
Date	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Cumulative Index/ Sum Column (4)
07/01/09	Base	1.000	0.123	0.123	<b>1.031*</b>
07/01/10	1.078	1.078	0.750	0.809	
07/01/11	1.012	1.091	0.127	0.139	
07/01/12	1.012	1.104			
				1.071	

\* Selected for SIF: 0.901 (see Sheet 4 - SIF)

\* Selected for PC: 0.866 (see Sheet 4 - PC)

**Section D - Factor Adjusting 2011 Policy Year Indemnity Losses To Present Benefit Level**

	(1)	(2)	(3)	(4)	(5)
Date	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Cumulative Index/ Sum Column (4)
07/01/10	Base	1.000	0.123	0.123	<b>1.012*</b>
07/01/11	1.012	1.012	0.750	0.759	
07/01/12	1.012	1.024	0.127	0.130	
				1.012	

\* Selected for SIF: 0.884 (see Sheet 4 - SIF)

\* Selected for PC: 0.851 (see Sheet 4 - PC)

**New York Workers Compensation**

**Determination of On-level Factors**

**Section E - Factor Adjusting 2010 Policy Year Medical Losses To Present Benefit Level**

	(1)	(2)	(3)	(4)	(5)
Date	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Cumulative Index/ Sum Column (4)
10/01/09	Base	1.000	0.419	0.419	<b>0.991</b>
12/01/10	0.9804	0.980	0.578	0.566	
12/01/11	1.0000	0.980	0.004	0.004	
				0.989	

**Section F - Factor Adjusting 2011 Policy Year Medical Losses To Present Benefit Level**

	(1)	(2)	(3)	(4)	(5)
Date	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Cumulative Index/ Sum Column (4)
12/01/10	Base	1.000	0.419	0.419	<b>1.000</b>
12/01/11	1.000	1.000	0.581	0.581	
				1.000	

New York Workers Compensation

Determination of Onlevel Factors

Section G - Selection of Indemnity Onlevel Factors - Private Carriers

**Indemnity Onlevel Selection**

	Assumption	Indemnity Onlevel Factors		Development Adjustment
		PY 2010	PY 2011	
A	All Carriers' reserves of post reform losses are low reflecting: Post reform durations (i.e. duration caps)	<b>1.168</b>	<b>1.147</b>	Yes
B	All Carriers' reserves of post reform losses based on pre-reform benefits i.e. pre-reform durations (i.e. lifetime)	<b>0.657</b>	<b>0.646</b>	No

Selected Onlevels Using 0.667/0.333 Split:

	<u>PY 2010</u>	<u>PY 2011</u>	<u>Weights</u>
(1) Method A	1.168	1.147	
(2) LDF Adjustment	0.888	0.888	
(3) Adjusted Method A	1.037	1.019	55.0%
(4) Method B	0.657	0.646	45.0%
(5) Final ONLEVEL FACTOR	<b>0.866</b>	<b>0.851</b>	

New York Workers Compensation

Determination of Onlevel Factors

Section G - Selection of Indemnity Onlevel Factors - SIF

**Indemnity Onlevel Selection**

	Assumption	Indemnity Onlevel Factors		Development Adjustment
		PY 2010	PY 2011	
A	All Carriers' reserves of post reform losses are low reflecting: Post reform durations (i.e. duration caps)	<b>1.215</b>	<b>1.192</b>	Yes
B	All Carriers' reserves of post reform losses based on pre-reform benefits i.e. pre-reform durations (i.e. lifetime)	<b>0.683</b>	<b>0.671</b>	No

Selected Onlevels Using 0.667/0.333 Split:

	<u>PY 2010</u>	<u>PY 2011</u>	<u>Weights</u>
(1) Method A	1.215	1.192	
(2) LDF Adjustment	0.888	0.888	
(3) Adjusted Method A	1.079	1.058	55.0%
(4) Method B	0.683	0.671	45.0%
(5) Final ONLEVEL FACTOR	<b>0.901</b>	<b>0.884</b>	

Development: Reform Adjustment Summary

Paid + Case	1st to 20th			20th to Ult			1st to Ult Adjustment	Total Full Year Adjsutment	% of year impacted	Total Adjustment
	Original	Restated	Adjustment	Original	Restated	Adjustment				
PC	2.708	2.403	0.887	1.034	1.015	0.982	0.871	-12.9%	100%	-12.9%
SIF	2.215	2.091	0.944	1.063	1.028	0.967	0.913	-8.7%	100%	-8.7%
<b>Total</b>										<b>-11.2%</b>
										<b>0.888</b>

60%  
40%

Restating the LDFs: Example

(1) Original Factor: Private Carriers: PY 1999 8th to 9th link ratio	1.019
(2) Development portion	0.019
(3) % of Non Sched out of total PPD	66.7%
(4) % of PPD out of total indemnity	86.6%
(5) % Non Scheduled out of indemnity (3)x(4)	57.7%
(6) Development portion that is NSPPD (2)x(5)	0.011
(7) Development portion that is other than NSPPD (2)-(6)	0.008
(8)* % of cases effected by limited duration	75%
(9) Restated NSPPD Development portion (6) x [1-(8)]	0.003
(10) Restated total development 1+(9)+(7)	1.011

\* Row (8) assumes at this point in the development, 75% are cases are now limited, whereas before they were still developing. 25% of the cases are stil developing at this point in the triangle, even after the reform, as they still haven't reached the maximum duration. These assumed percentages can be found on the top of each column of the "restated" triangles. The percentages are based on a distribution of severities obtained from the WCB



## WORKERS COMPENSATION - NEW YORK

## DETERMINATION OF TREND FACTOR

<b>(A)</b>	Annual Loss Trend (See Exhibit EE)	<u>Average Annual Change</u>
	(1) Selected Indemnity Claim Cost Trend	1.020
	(2) Selected Indemnity Claim Frequency Trend	0.987
	(3) Indemnity Loss Trend [(1) x (2)]	1.007
	(4) Selected Medical Claim Cost Trend	1.049
	(5) Selected Medical Claim Frequency Trend	0.987
	(6) Medical Loss Trend [(4) x (5)]	1.035
	(7) Indemnity Weight*	0.570
	(8) Medical Weight*	0.430
	(9) Indicated Annual Loss Trend [(3)x(7) + (6)x(8)]	1.019
<b>(B)</b>	Annual Wage Trend (Selected)	1.026
<b>(C)</b>	Annual Loss/Wage Trend (A9) / (B)	0.993
<b>(D)</b>	Selected Loss/Wage Trend	0.993
<b>(E)</b>	Trended to Average Accident Date (D) <sup>3.25</sup>	0.977
<b>(F)</b>	Final Loss/Wage Trend Factor	<b>0.977</b>

\* Policy Year 2011 adjusted ultimate losses - See Exhibit B

New York Workers Compensation

Loss Adjustment Expense Analysis (Private Carrier Experience)

Paid Defense & Cost Containment Expense by Policy Year @12/12						Paid Defense & Cost Containment Expense by Accident Year @12/12					
PY	Paid DCCE	DCCE Factor to Ult.	DCCE @ Ult	Ultimate Indem.+ Med. Loss *	Paid DCCE Ratio to Loss	AY	Paid DCCE	DCCE Factor to Ult.	DCCE @ Ult	Ultimate Indem.+ Med. Loss *	Paid DCCE Ratio to Loss
1997	56,524,912	1.096	61,951,304	842,474,092	0.074	1998	57,104,196	1.113	63,556,970	885,622,834	0.072
1998	64,906,674	1.109	71,981,501	944,440,526	0.076	1999	70,474,813	1.127	79,425,114	1,000,526,717	0.079
1999	72,929,066	1.128	82,263,986	1,022,134,744	0.080	2000	72,767,698	1.146	83,391,782	1,038,312,668	0.080
2000	72,923,248	1.149	83,788,812	1,009,522,514	0.083	2001	73,255,202	1.170	85,708,586	957,564,600	0.090
2001	71,732,871	1.174	84,214,391	917,827,903	0.092	2002	70,055,734	1.199	83,996,825	938,294,979	0.090
2002	70,917,216	1.207	85,597,080	972,345,248	0.088	2003	72,848,208	1.234	89,894,689	965,729,129	0.093
2003	73,965,454	1.244	92,013,025	988,167,022	0.093	2004	71,912,054	1.272	91,472,133	937,110,387	0.098
2004	70,952,246	1.286	91,244,588	945,455,276	0.097	2005	71,073,679	1.324	94,101,551	966,289,794	0.097
2005	73,748,425	1.343	99,044,135	991,622,469	0.100	2006	77,952,966	1.386	108,042,811	1,016,925,517	0.106
2006	79,288,561	1.411	111,876,160	1,141,908,321	0.098	2007	86,870,065	1.473	127,959,606	1,434,827,817	0.089
2007	90,840,397	1.530	138,985,807	1,653,316,681	0.084	2008	90,780,466	1.626	147,609,038	1,808,072,475	0.082
2008	93,762,533	1.703	159,677,594	1,922,705,318	0.083	2009	90,824,945	1.850	168,026,148	1,927,453,301	0.087
2009	84,662,691	1.984	167,970,779	1,934,341,048	0.087	2010	76,648,685	2.255	172,842,785	1,961,333,904	0.088
2010	68,215,149	2.559	174,562,566	2,012,739,576	0.087	2011	55,108,329	3.272	180,314,452	2,038,106,915	0.088
2011	39,770,576	4.476	178,013,098	1,998,783,328	0.089	2012	17,674,575	9.803	173,263,859	1,778,178,534	0.097

Source: New York Financial Data Calls		Source: New York Financial Data Calls
* Indemnity losses are adjusted to the current benefit level.	All Year Average	* Indemnity losses are adjusted to the current benefit level.
	Average 2007-2011	Average 2008-2012
	Average 2009-2011	Average 2010-2012
	0.087	0.089
	0.086	0.089
	0.088	0.091

Adjusting and Other Expenses Incurred						Paid DCC - page 14 data		
CY	Incurred Losses	AOE Incurred	Adjustments for Large Deductibles		Inc. AOE Ratio to Loss *	Paid Loss	Paid DCC	Paid DCC/Loss
			Adj. to AOE	Adj. to Loss				
	(1)	(2)	(3)	(4)	(5)			
1998	12,240,243,000	1,772,564,000	0.010	0.66	0.102	961,464,639	61,584,064	0.064
1999	12,190,030,000	1,191,923,000	0.010	0.66	0.071	1,018,201,641	114,193,931	0.112
2000	13,036,758,000	1,271,399,000	0.008	0.66	0.070	1,097,848,700	147,753,424	0.135
2001	16,499,675,000	1,572,009,000	0.008	0.66	0.068	1,080,224,919	112,961,524	0.105
2002	19,625,724,000	1,733,224,000	0.008	0.63	0.061	1,343,928,260	41,136,944	0.031
2003	20,131,432,000	1,503,135,000	0.007	0.64	0.052	1,142,753,333	80,022,647	0.070
2004	21,158,156,700	1,891,204,800	0.004	0.64	0.060	893,985,675	62,392,630	0.070
2005	21,516,206,058	1,986,173,553	0.007	0.65	0.065	1,133,121,107	74,609,951	0.066
2006	19,786,622,352	1,948,192,140	0.008	0.65	0.069	1,118,133,443	90,949,345	0.081
2007	18,513,969,963	1,746,118,572	0.009	0.67	0.069	1,110,478,756	97,873,765	0.088
2008	22,161,623,000	1,960,693,000	0.008	0.67	0.065	1,303,133,279	112,387,710	0.086
2009	17,604,683,000	1,936,449,000	0.008	0.68	0.080	1,385,724,978	123,654,506	0.089
2010	20,487,721,000	1,858,147,000	0.007	0.69	0.067	1,475,092,461	135,338,799	0.092
2011	20,603,656,000	1,768,629,000	0.005	0.69	0.063	1,566,208,572	144,338,682	0.092
2012	22,434,533,000	1,607,421,000	0.005	0.69	0.053	1,624,123,717	150,580,494	0.093

Source: Insurance Expense Exhibit	
* (5) = {(2)/(1)+(3)} x (4)	All Year Average *
	5 Year Average *
	3 Year Average *
	0.076
	0.073
	0.068
	0.095
	0.101
	0.103
* Adj for reform by factor of	0.895
Final DCCE	0.090
(3 yr avg PY & AY)	
Final AOE	<u>0.073</u>
Total LAE	0.163
Current LAE	0.180
<b>Change in LAE</b>	<b>0.986</b>

New York Workers Compensation  
 Proposed Maximum Weekly Benefit Changes

<u>Date</u> (1)	<u>Proposed Max. Benefit</u> (2)	<u>Est. Increase in Cost Actual %</u> (3)	<u>Cumulative Impact</u> (4)	<u>Weight in Filing Effective Period</u> (5)	<u>Filing Impact</u> (6) [(4)-1]x(5)
July 1, 2013	\$803	0.2%	1.002	0.281	0.1%
July 1, 2014	\$824	0.3%	1.005	0.688	0.3%
July 1, 2015	\$845	0.3%	1.008	0.031	0.0%
Total Filing Impact					0.4%

New York Workers Compensation

Maximum @ July 1, 2013 = 2/3 SAWW Per Week

1 Injury Type	Death		Permanent Total		Perm Partial - Major		Perm Partial - Minor		Temporary	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
2 Effective Date	July 1, 2012	July 1, 2013	July 1, 2012	July 1, 2013	July 1, 2012	July 1, 2013	July 1, 2012	July 1, 2013	July 1, 2012	July 1, 2013
3 % Compensation	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667
4 Minimum Comp	\$30.00	\$30.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
5 Maximum Comp	\$792.07	\$803.21	\$792.07	\$803.21	\$792.07	\$803.21	\$792.07	\$803.21	\$792.07	\$803.21
6 Eff Wkly Wage for Min (4)/(3)	\$45.00	\$45.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00	\$225.00
7 Eff Wkly Wage for Max (5)/(3)	\$1,188.10	\$1,204.81	\$1,188.10	\$1,204.81	\$1,188.10	\$1,204.81	\$1,188.10	\$1,204.81	\$1,188.10	\$1,204.81
8 Avg Weekly Wage	\$1,437.09	\$1,437.09	\$1,437.09	\$1,437.09	\$576.08	\$576.08 **	\$576.08	\$576.08 **	\$1,437.09	\$1,437.09
9 Ratio to Avg -Min- (6)/(8)	0.03	0.03	0.16	0.16	0.39	0.39	0.39	0.39	0.16	0.16
10 Ratio to Avg -Max- (7)/(8)	0.83	0.84	0.83	0.84	2.06	2.09	2.06	2.09	0.83	0.84
11 "B" Value for (9)	0.0022	0.0022	0.1255	0.1255	2.1369	2.1369	2.1369	2.1369	0.1255	0.1255
12 "B" Value for (10)	25.5322	26.2852	25.5322	26.2852	87.3709	87.9983	87.3709	87.9983	25.5322	26.2852
13 Difference (12) - (11)	25.5301	26.2830	25.4067	26.1597	85.2341	85.8614	85.2341	85.8614	25.4067	26.1597
14 "A" Value for (9)	0.1346	0.1346	1.3190	1.3190	8.0501	8.0501	8.0501	8.0501	1.3190	1.3190
15 "A" Value for (10)	45.3051	46.2069	45.3051	46.2069	95.0433	95.3458	95.0433	95.3458	45.3051	46.2069
16 Difference 100 - (15)	54.6949	53.7931	54.6949	53.7931	4.9567	4.6542	4.9567	4.6542	54.6949	53.7931
17 (9) x (14)	0.0040	0.0040	0.2110	0.2110	3.1395	3.1395	3.1395	3.1395	0.2110	0.2110
18 Product (10) x (16)	45.3968	45.1862	45.3968	45.1862	10.2107	9.7273	10.2107	9.7273	45.3968	45.1862
19 'Limit' Factor {(13) + (17) + (18)}	70.9309	71.4733	71.0145	71.5569	98.5843	98.7282	98.5843	98.7282	71.0145	71.5569
20 Eff. Avg. Weekly Wage (8) x (19)	\$1,019.34	\$1,027.13	\$1,020.54	\$1,028.33	\$567.92	\$568.75	\$567.92	\$568.75	\$1,020.54	\$1,028.33
21 Average Weekly Benefit	\$679.56	\$684.75	\$680.36	\$685.56	\$378.62	\$379.17	\$378.62	\$379.17	\$680.36	\$685.56
22 Indicated Change in Costs	-	0.8%	-	0.8%	-	0.1%	-	0.1%	-	0.8%

\*\* PPD average wage adjusted for average % disability rating.

New York Incurred Losses *	July 1, 2012	Benefit Change	July 1, 2013
Death	\$370,584,593	0.8%	\$373,549,269
Permanent Total	\$434,945,067	0.8%	\$438,424,627
Permanent Partial - Major	\$5,681,293,840	0.1%	\$5,686,975,133
Permanent Partial - Minor	\$286,484,147	0.1%	\$286,770,631
Temporary	\$907,573,964	0.8%	\$914,834,556
<b>Total Indemnity</b>	<b>\$7,680,881,610</b>	<b>0.3%</b>	<b>\$7,700,554,217</b>

\* Policy Year 2006-2010 Unit Statistical Plan data are for all carriers, on\_ leveled, developed.

Indemnity Losses as Percent of Total Losses #	0.60
Medical Losses as Percent of Total Losses #	0.40

# Based on PY 2011 Ult Loss

Estimated Claim Cost Effect of Benefit Change = 0.2%  
 $\{((0.59909460982413 \times 1.003 + (0.40090539017587 \times 1.00)) - 1.00)$

Factor to Reflect Expected Increase in System Utilization 1.10

Estimated Rate Level Effect of Benefit Change = 0.2%

Estimated Premium Effect of Benefit Change = \$9,283,561

New York Workers Compensation

Maximum @ July 1, 2014 = 2/3 SAWW Per Week

1 Injury Type	Death		Permanent Total		Perm Partial - Major		Perm Partial - Minor		Temporary	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
2 Effective Date	July 1, 2013	July 1, 2014	July 1, 2013	July 1, 2014	July 1, 2013	July 1, 2014	July 1, 2013	July 1, 2014	July 1, 2013	July 1, 2014
3 % Compensation	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667
4 Minimum Comp	\$30.00	\$30.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
5 Maximum Comp	\$803.21	\$824.02	\$803.21	\$824.02	\$803.21	\$824.02	\$803.21	\$824.02	\$803.21	\$824.02
6 Eff Wkly Wage for Min (4)/(3)	\$45.00	\$45.00	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99
7 Eff Wkly Wage for Max (5)/(3)	\$1,204.75	\$1,235.97	\$1,204.75	\$1,235.97	\$1,204.75	\$1,235.97	\$1,204.75	\$1,235.97	\$1,204.75	\$1,235.97
8 Avg Weekly Wage	\$1,474.32	\$1,474.32	\$1,474.32	\$1,474.32	\$591.01	\$591.01 **	\$591.01	\$591.01 **	\$1,474.32	\$1,474.32
9 Ratio to Avg -Min- (6)/(8)	0.03	0.03	0.15	0.15	0.38	0.38	0.38	0.38	0.15	0.15
10 Ratio to Avg -Max- (7)/(8)	0.82	0.84	0.82	0.84	2.04	2.09	2.04	2.09	0.82	0.84
11 "B" Value for (9)	0.0022	0.0022	0.1060	0.1060	1.9456	1.9456	1.9456	1.9456	0.1060	0.1060
12 "B" Value for (10)	24.7822	26.2852	24.7822	26.2852	86.9355	87.9983	86.9355	87.9983	24.7822	26.2852
13 Difference (12) - (11)	24.7800	26.2830	24.6762	26.1792	84.9899	86.0526	84.9899	86.0526	24.6762	26.1792
14 "A" Value for (9)	0.1346	0.1346	1.1926	1.1926	7.5531	7.5531	7.5531	7.5531	1.1926	1.1926
15 "A" Value for (10)	44.3959	46.2069	44.3959	46.2069	94.8310	95.3458	94.8310	95.3458	44.3959	46.2069
16 Difference 100 - (15)	55.6041	53.7931	55.6041	53.7931	5.1690	4.6542	5.1690	4.6542	55.6041	53.7931
17 (9) x (14)	0.0040	0.0040	0.1789	0.1789	2.8702	2.8702	2.8702	2.8702	0.1789	0.1789
18 Product (10) x (16)	45.5954	45.1862	45.5954	45.1862	10.5449	9.7273	10.5449	9.7273	45.5954	45.1862
19 'Limit' Factor {(13) + (17) + (18)}	70.3794	71.4733	70.4505	71.5443	98.4049	98.6501	98.4049	98.6501	70.4505	71.5443
20 Eff. Avg. Weekly Wage (8) x (19)	\$1,037.62	\$1,053.75	\$1,038.67	\$1,054.79	\$581.58	\$583.03	\$581.58	\$583.03	\$1,038.67	\$1,054.79
21 Average Weekly Benefit	\$691.78	\$702.53	\$692.48	\$703.23	\$387.74	\$388.71	\$387.74	\$388.71	\$692.48	\$703.23
22 Indicated Change in Costs	-	1.6%	-	1.6%	-	0.2%	-	0.2%	-	1.6%

\*\* PPD average wage adjusted for average % disability rating.

New York Incurred Losses *	July 1, 2013	Benefit Change	July 1, 2014
Death	\$373,549,269	1.6%	\$379,526,058
Permanent Total	\$438,424,627	1.6%	\$445,439,421
Permanent Partial - Major	\$5,686,975,133	0.2%	\$5,698,349,084
Permanent Partial - Minor	\$286,770,631	0.2%	\$287,344,172
Temporary	\$914,834,556	1.6%	\$929,471,909
<b>Total Indemnity</b>	<b>\$7,700,554,217</b>	<b>0.5%</b>	<b>\$7,740,130,644</b>

\* Policy Year 2006-2010 Unit Statistical Plan data are for all carriers, on\_ leveled, developed.

Indemnity Losses as Percent of Total Losses #	0.601
Medical Losses as Percent of Total Losses #	0.399

# Based on PY 2011 Ult Loss

Estimated Claim Cost Effect of Benefit Change = 0.3%  
 {(0.601 x 1.005 + (0.399 x 1.00)) - 1.00}

Factor to Reflect Expected Increase in System Utilization 1.10

**Estimated Rate Level Effect of Benefit Change = 0.3%**

**Estimated Premium Effect of Benefit Change = \$13,925,342**

New York Workers Compensation

Maximum @ July 1, 2015 = 2/3 SAWW Per Week

1 Injury Type	Death		Permanent Total		Perm Partial - Major		Perm Partial - Minor		Temporary	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
2 Effective Date	July 1, 2014	July 1, 2015	July 1, 2014	July 1, 2015	July 1, 2014	July 1, 2015	July 1, 2014	July 1, 2015	July 1, 2014	July 1, 2015
3 % Compensation	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667
4 Minimum Comp	\$30.00	\$30.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
5 Maximum Comp	\$824.02	\$845.37	\$824.02	\$845.37	\$824.02	\$845.37	\$824.02	\$845.37	\$824.02	\$845.37
6 Eff Wkly Wage for Min (4)/ (3)	\$45.00	\$45.00	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99	\$224.99
7 Eff Wkly Wage for Max (5)/ (3)	\$1,235.97	\$1,267.99	\$1,235.97	\$1,267.99	\$1,235.97	\$1,267.99	\$1,235.97	\$1,267.99	\$1,235.97	\$1,267.99
8 Avg Weekly Wage	\$1,512.52	\$1,512.52	\$1,512.52	\$1,512.52	\$606.32	\$606.32 **	\$606.32	\$606.32 **	\$1,512.52	\$1,512.52
9 Ratio to Avg -Min- (6)/(8)	0.03	0.03	0.15	0.15	0.37	0.37	0.37	0.37	0.15	0.15
10 Ratio to Avg -Max- (7)/(8)	0.82	0.84	0.82	0.84	2.04	2.09	2.04	2.09	0.82	0.84
11 "B" Value for (9)	0.0022	0.0022	0.1060	0.1060	1.7688	1.7688	1.7688	1.7688	0.1060	0.1060
12 "B" Value for (10)	24.7822	26.2852	24.7822	26.2852	86.9355	87.9983	86.9355	87.9983	24.7822	26.2852
13 Difference (12) - (11)	24.7800	26.2830	24.6762	26.1792	85.1667	86.2295	85.1667	86.2295	24.6762	26.1792
14 "A" Value for (9)	0.1346	0.1346	1.1926	1.1926	7.0814	7.0814	7.0814	7.0814	1.1926	1.1926
15 "A" Value for (10)	44.3959	46.2069	44.3959	46.2069	94.8310	95.3458	94.8310	95.3458	44.3959	46.2069
16 Difference 100 - (15)	55.6041	53.7931	55.6041	53.7931	5.1690	4.6542	5.1690	4.6542	55.6041	53.7931
17 (9) x (14)	0.0040	0.0040	0.1789	0.1789	2.6201	2.6201	2.6201	2.6201	0.1789	0.1789
18 Product (10)x (16)	45.5954	45.1862	45.5954	45.1862	10.5449	9.7273	10.5449	9.7273	45.5954	45.1862
19 'Limit' Factor {(13) + (17) + (18)}	70.3794	71.4733	70.4505	71.5443	98.3317	98.5769	98.3317	98.5769	70.4505	71.5443
20 Eff. Avg. Weekly Wage (8) x (19)	\$1,064.51	\$1,081.05	\$1,065.58	\$1,082.12	\$596.21	\$597.69	\$596.21	\$597.69	\$1,065.58	\$1,082.12
21 Average Weekly Benefit	\$709.71	\$720.74	\$710.42	\$721.45	\$397.49	\$398.48	\$397.49	\$398.48	\$710.42	\$721.45
22 Indicated Change in Costs	-	1.6%	-	1.6%	-	0.2%	-	0.2%	-	1.6%

\*\* PPD average wage adjusted for average % disability rating.

New York Incurred Losses *	July 1, 2014	Benefit Change	July 1, 2015
Death	\$379,526,058	1.6%	\$385,598,475
Permanent Total	\$445,439,421	1.6%	\$452,566,452
Permanent Partial - Major	\$5,698,349,084	0.2%	\$5,709,745,782
Permanent Partial - Minor	\$287,344,172	0.2%	\$287,918,860
Temporary	\$929,471,909	1.6%	\$944,343,460
<b>Total Indemnity</b>	<b>\$7,740,130,644</b>	<b>0.5%</b>	<b>\$7,780,173,028</b>

\* Policy Year 2006-2010 Unit Statistical Plan data are for all carriers, on\_ leveled, developed.

Indemnity Losses as Percent of Total Losses #	0.604
Medical Losses as Percent of Total Losses #	0.396

# Based on PY 2011 Ult Loss

Estimated Claim Cost Effect of Benefit Change =	0.3%
{{ (0.604 x 1.005 + (0.396 x 1.00)) - 1.00	
Factor to Reflect Expected Increase in System Utilization	1.10
<b>Estimated Rate Level Effect of Benefit Change =</b>	<b>0.3%</b>
<b>Estimated Premium Effect of Benefit Change =</b>	<b>\$13,925,342</b>

New York Workers Compensation

Impact of Proposed Minimum Weekly Benefit Changes

<u>Effective Date</u> (1)	<u>Current Min. Benefit</u> (2)	<u>Proposed Min. Benefit</u> (3)	<u>Filing Impact</u> (4)
May 1, 2013	\$100	\$150	0.4%

New York Workers Compensation

**Minimum Weekly Benefit Increases From \$100 to \$150, Effective May 1, 2013**

1 Injury Type	<u>Death</u>		<u>Permanent Total</u>		<u>Perm Partial - Major</u>		<u>Perm Partial - Minor</u>		<u>Temporary</u>	
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
2 Effective Date	July 1, 2012	May 1, 2013	July 1, 2012	May 1, 2013	July 1, 2012	May 1, 2013	July 1, 2012	May 1, 2013	July 1, 2012	May 1, 2013
3 % Compensation	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667	0.6667
4 Minimum Comp	\$30.00	\$30.00	\$100.00	150.00	\$100.00	\$150.00	\$100.00	\$150.00	\$100.00	\$150.00
5 Maximum Comp	\$792.07	\$792.07	\$792.07	\$792.07	\$792.07	\$792.07	\$792.07	\$792.07	\$792.07	\$792.07
6 Eff Wkly Wage for Min (4)/(3)	\$45.00	\$45.00	\$150.00	\$225.00	\$150.00	\$225.00	\$150.00	\$225.00	\$150.00	\$225.00
7 Eff Wkly Wage for Max (5)/(3)	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10	\$1,188.10
8 Avg Weekly Wage	\$1,437.09	\$1,437.09	\$1,437.09	\$1,437.09	\$576.08	\$576.08 **	\$576.08	\$576.08 **	\$1,437.09	\$1,437.09
9 Ratio to Avg -Min- (6)/(8)	0.03	0.03	0.10	0.16	0.26	0.39	0.26	0.39	0.10	0.16
10 Ratio to Avg -Max- (7)/(8)	0.83	0.83	0.83	0.83	2.06	2.06	2.06	2.06	0.83	0.83
11 "B" Value for (9)	0.0022	0.0022	0.0363	0.1255	0.5357	2.1369	0.5357	2.1369	0.0363	0.1255
12 "B" Value for (10)	25.5322	25.5322	25.5322	25.5322	87.3709	87.3709	87.3709	87.3709	25.5322	25.5322
13 Difference (12) - (11)	25.5301	25.5301	25.4959	25.4067	86.8352	85.2341	86.8352	85.2341	25.4959	25.4067
14 "A" Value for (9)	0.1346	0.1346	0.6416	1.3190	3.2301	8.0501	3.2301	8.0501	0.6416	1.3190
15 "A" Value for (10)	45.3051	45.3051	45.3051	45.3051	95.0433	95.0433	95.0433	95.0433	45.3051	45.3051
16 Difference 100 - (15)	54.6949	54.6949	54.6949	54.6949	4.9567	4.9567	4.9567	4.9567	54.6949	54.6949
17 (9) x (14)	0.0040	0.0040	0.0642	0.2110	0.8398	3.1395	0.8398	3.1395	0.0642	0.2110
18 Product (10) x (16)	45.3968	45.3968	45.3968	45.3968	10.2107	10.2107	10.2107	10.2107	45.3968	45.3968
19 'Limit' Factor {(13) + (17) + (18)}	70.9309	70.9309	70.9569	71.0145	97.8858	98.5843	97.8858	98.5843	70.9569	71.0145
20 Eff. Avg. Weekly Wage (8) x (19)	\$1,019.34	\$1,019.34	\$1,019.71	\$1,020.54	\$563.90	\$567.92	\$563.90	\$567.92	\$1,019.71	\$1,020.54
21 Average Weekly Benefit	\$679.56	\$679.56	\$679.81	\$680.36	\$375.93	\$378.62	\$375.93	\$378.62	\$679.81	\$680.36
22 Indicated Change in Costs	-	0.0%	-	0.1%	-	0.7%	-	0.7%	-	0.1%

\*\* PPD average wage adjusted for average % disability rating.

New York Incurred Losses *	July 1, 2012	Benefit Change	May 1, 2013
Death	\$370,584,593	0.0%	\$370,584,593
Permanent Total	\$434,945,067	0.1%	\$435,380,012
Permanent Partial - Major	\$5,681,293,840	0.7%	\$5,721,062,897
Permanent Partial - Minor	\$286,484,147	0.7%	\$288,489,536
Temporary	\$907,573,964	0.1%	\$908,481,538
<b>Total Indemnity</b>	<b>\$7,680,881,610</b>	<b>0.6%</b>	<b>\$7,723,998,575</b>

\* Policy Year 2006-2010 Unit Statistical Plan data for all carriers, on level and developed to estimated ultimate.

Indemnity Losses as Percent of Total Losses #	0.60
Medical Losses as Percent of Total Losses #	0.40

# Based on PY 2011 Ultimate Loss

Estimated Claim Cost Effect of Benefit Change = 0.4%  
 $\{(0.599027812333192 \times 1.006 + (0.400972187666808 \times 1.00)) - 1.00\}$

Factor to Reflect Expected Increase in System Utilization 1.10

**Estimated Rate Level Effect of Benefit Change = 0.4%**

**Estimated Premium Effect of Benefit Change = \$18,567,122**



## New York Workers Compensation

## Estimated Impact of the closing of the Reopened Case Fund

(1) Average Assessment Amount*	\$133,595,835
(2) Defence of Fund adjustment	0.97
(3) Volunteer Firefighter and Ambulance Workers adjustment	0.985
(4) Adjusted Assessment Amount (1) x (2) x (3)	\$127,644,140
(5) Average Annual Loss**	\$2,823,369,519
(6) Loss Cost Impact of the Closing of the Reopened Case Fund (5) / (4)	4.5%

\* Combined Private Carrier and SIF Assessment, after removing supplemental benefit compensation. Average based on 2003-2012

\*\* Average based on ultimate private carrier and State Insurance Fund losses from policy years 2002 through 2006

**New York Workers Compensation  
Terrorism and Catastrophe Charges**

**In the October 1, 2008 loss cost filing, the charge for terrorism was changed to reflect the higher carrier retentions required by the enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA). The charge for natural disasters and catastrophic industrial accidents was also changed at that time.**

**In this filing, no changes to these catastrophe charges are being proposed. Consequently, the currently approved loss cost for terrorism will remain at \$ .038 per \$100 of payroll (2.9% of premium for per capita classes) and the current loss cost for natural disasters and catastrophic industrial accidents will remain at \$ .008 per \$100 of payroll (0.7% of premium for per capita classes).**

New York Workers Compensation

Determination of Industry Group Differentials

Industry Group	Policy Year	Expected Losses On 10/2012 Level	Incurred USP Losses on 10/2012 Level	Loss Ratio	Number of Compensable Cases	Group Credibility	Cred. Wt'd Loss Ratio	Indicated Ind. Group Differential	Differential Adjustment Factor	Final Ind. Group Differential
Food&Bev Mfg.	2006	\$86,644,307	\$51,267,943		1,381					
	2007	\$87,996,864	\$54,408,120		1,300					
	2008	\$89,896,958	\$61,995,054		1,435					
	2009	\$89,145,155	\$77,007,149		1,486					
	2010	\$85,977,240	\$75,148,881		1,351					
	Total	\$439,660,524	\$319,827,147	0.727	6,953	0.695	0.710	1.061	0.999	<b>1.060</b>
Chemical Mfg.	2006	\$33,742,742	\$17,499,097		436					
	2007	\$33,371,094	\$19,969,772		433					
	2008	\$33,458,744	\$19,342,071		428					
	2009	\$31,985,054	\$20,106,056		421					
	2010	\$36,247,258	\$21,352,007		425					
	Total	\$168,804,892	\$98,269,003	0.582	2,143	0.317	0.641	0.959	1.002	<b>0.961</b>
All Other Mfg.	2006	\$289,435,203	\$208,697,750		5,003					
	2007	\$300,744,520	\$209,064,184		4,722					
	2008	\$307,577,871	\$201,832,368		4,242					
	2009	\$278,573,985	\$173,677,188		3,647					
	2010	\$296,914,426	\$183,216,818		3,439					
	Total	\$1,473,246,006	\$976,488,309	0.663	21,053	1.000	0.663	0.991	1.007	<b>0.997</b>
Contracting	2006	\$851,629,186	\$501,300,923		6,326					
	2007	\$928,554,203	\$607,435,036		6,547					
	2008	\$1,039,077,274	\$588,994,198		6,634					
	2009	\$982,020,003	\$581,339,674		6,121					
	2010	\$1,029,303,099	\$646,989,571		6,171					
	Total	\$4,830,583,764	\$2,926,059,401	0.606	31,799	1.000	0.606	0.905	0.989	<b>0.896</b>
Stores&Dealers	2006	\$337,919,570	\$223,078,803		6,404					
	2007	\$363,482,225	\$265,712,814		6,535					
	2008	\$368,419,958	\$256,317,730		6,217					
	2009	\$349,521,854	\$247,175,437		5,560					
	2010	\$374,483,770	\$250,697,043		5,801					
	Total	\$1,793,827,378	\$1,242,981,827	0.693	30,517	1.000	0.693	1.036	0.997	<b>1.033</b>
Prof&Office	2006	\$545,742,790	\$384,790,807		8,416					
	2007	\$592,581,471	\$446,390,508		9,338					
	2008	\$613,727,686	\$445,259,531		8,815					
	2009	\$630,904,188	\$470,718,749		8,568					
	2010	\$692,533,570	\$489,755,711		8,364					
	Total	\$3,075,489,706	\$2,236,915,307	0.727	43,501	1.000	0.727	1.087	1.001	<b>1.088</b>
Services	2006	\$1,049,411,123	\$691,173,164		16,256					
	2007	\$1,131,001,920	\$768,151,169		16,263					
	2008	\$1,273,500,618	\$854,730,174		16,834					
	2009	\$1,315,661,157	\$978,563,328		17,984					
	2010	\$1,509,113,307	\$994,523,438		18,696					
	Total	\$6,278,688,126	\$4,287,141,274	0.683	86,033	1.000	0.683	1.021	1.003	<b>1.024</b>
Miscellaneous	2006	\$207,177,973	\$135,584,938		3,467					
	2007	\$222,917,289	\$144,298,192		3,486					
	2008	\$234,948,826	\$151,122,389		3,426					
	2009	\$297,600,766	\$200,363,702		4,386					
	2010	\$286,426,352	\$197,914,757		3,860					
	Total	\$1,249,071,206	\$829,283,978	0.664	18,625	1.000	0.664	0.992	1.014	<b>1.006</b>
Mar,Adm, Fed	2006	\$8,590,818	\$7,168,364		122					
	2007	\$8,838,205	\$6,925,563		113					
	2008	\$9,965,117	\$6,174,234		93					
	2009	\$9,015,605	\$5,066,273		100					
	2010	\$8,643,104	\$5,582,888		80					
	Total	\$45,052,848	\$30,917,321	0.686	508	0.121	0.671	1.003	1.000	<b>1.003</b>
All Ind Groups	2006	\$3,410,293,713	\$2,220,561,789		47,811					
	2007	\$3,669,487,792	\$2,522,355,358		48,737					
	2008	\$3,970,573,052	\$2,585,767,750		48,124					
	2009	\$3,984,427,767	\$2,754,017,555		48,273					
	2010	\$4,319,642,126	\$2,865,181,115		48,187					
	Total	\$19,354,424,450	\$12,947,883,568	0.669	241,132	1.000	0.669	1.000	1.000	<b>1.000</b>

Cred. Std. 12,000

New York Workers Compensation

Industry Group Differential Adjustment Factor Calculation

Industry Group	Indemnity Losses	Medical Losses	Total Losses	Avg. Annual Wage Trend	Effect of Med/Ind Wage trends On Ind. Group *
(1)	(2)	(3)	(4)	(5)	(6)
1	\$199,867,650	\$119,959,497	\$319,827,147	1.0231	1.0263
2	\$59,922,146	\$38,346,856	\$98,269,003	1.0206	1.0321
3	\$606,099,622	\$370,388,686	\$976,488,309	1.0148	1.0454
4	\$1,896,940,588	\$1,029,118,813	\$2,926,059,401	1.0334	1.0035
5	\$702,566,942	\$540,414,886	\$1,242,981,827	1.0292	1.0128
6	\$1,341,264,981	\$895,650,326	\$2,236,915,307	1.0225	1.0276
7	\$2,561,843,709	\$1,725,297,565	\$4,287,141,274	1.0205	1.0323
8	\$485,611,297	\$343,672,681	\$829,283,978	1.0106	1.0552
9	\$17,559,415	\$13,357,907	\$30,917,321	1.0262	1.0193
Total	\$7,871,676,350	\$5,076,207,218	\$12,947,883,568	1.026	0.9590

(7) Annual Indemnity Trend from 10/2013 loss cost revision. 1.007

(8) Annual Medical Trend from 10/2013 loss cost revision. 1.035

\* Effect by Group(6) =  $\text{MedLossTrend}(8)^{2.25} / \text{Group Wage Trend}(5)^{2.25}$   
Effect for Total(6) =  $\text{IndLossTrend}(8)^{2.25} / \text{Total Wage Trend}(5)^{2.25}$

Industry Group	Factors to Adjust Indicated Differentials	Normalized Adjustment Factors
(9)	(10)	(11)
1	0.9843	<b>0.999</b>
2	0.9875	<b>1.002</b>
3	0.9918	<b>1.007</b>
4	0.9747	<b>0.989</b>
5	0.9824	<b>0.997</b>
6	0.9865	<b>1.001</b>
7	0.9885	<b>1.003</b>
8	0.9989	<b>1.014</b>
9	0.9851	<b>1.000</b>
Total	0.9852	<b>1.000</b>

WORKERS COMPENSATION - NEW YORK

PURE PREMIUM CORRECTION FACTORS AND MULTIPLIERS

Provision for Losses at 10/01/2012 Loss Costs Including LTF, RLAF, & Wage Factor (a)	Needed Provision	Needed Provision	Including RLAF & Change in Trend/ Wage Factor	Policy Year	Pure Premium Correction Factors (2)/(4)	Pure Premium Multipliers 10/1/2013 (3)/(4)
	for Losses on 10/1/2013 Level (b)	for Losses on 10/1/2013 Level (c)		Extension at 10/1/2012 Final Pure Premiums		
(1)	(1a)	(2)	(3)	(4)	(5)	(6)
Serious	2,487,464,235	2,427,165,178	2,462,486,972	2,551,376,891	1.0089	0.9652
Non-Serious	171,871,264	178,054,588	173,734,534	177,892,154	1.0209	0.9766
Medical	1,569,587,841	2,080,427,295	2,079,704,574	1,610,422,597	1.3500	1.2914
	4,228,923,340	4,685,647,061	4,715,926,080	4,339,691,642		

Industry Group	Industry Group Differential	Industry Group Off-Balance(d)	Pure Premium Multipliers		
			Serious	Non-Serious	Medical
1 - Food & Beverage Manufacturing	1.060	0.95942	0.9652	0.9766	1.2914
2 - Chemical Manufacturing	0.961	1.16349	0.9652	0.9766	1.2914
3 - All Other Manufacturing	0.997	1.04010	0.9652	0.9766	1.2914
4 - Contracting	0.896	1.05684	0.9652	0.9766	1.2914
5 - Stores & Dealers	1.033	0.92097	0.9652	0.9766	1.2914
6 - Professional & Office	1.088	1.09553	0.9652	0.9766	1.2914
7 - Services - All Other	1.024	0.95896	0.9652	0.9766	1.2914
- Servants Per Capita (e)	1.024	0.95896	0.9407	0.9519	1.2587
8 - Miscellaneous	1.006	0.94939	0.9652	0.9766	1.2914
9 - Maritime, Admiralty & Federal - N.Y.	1.003	0.87270	0.9652	0.9766	1.2914
- U.S.(f)	1.003	0.87270	0.9313	0.9349	1.2914

Manual Loss Cost = { (Final Pure Premiums X Pure Premium Multipliers) X Change in LAE of 0.986 X Industry Group Differentials X Industry Group Off-Balance X (g) }, subject to swing limits of +/- 25% of the industry group change.

- (a) Obtained by multiplying Policy Year 2010 payrolls for all carriers by present Underlying Pure Premiums and Loss Trend/Wage Factor, and Rate Level Adjustment Factor from the 2011 Loss Cost Revision. Includes a test correction factor of 0.9503288.
- (b) Column (1) Total was multiplied by the Policy Year indication excluding any benefit level changes (1.108), and the Serious, Non-Serious, and Medical were then made proportional to the Policy Year 2010 Unit Statistical Report data.
- (c) Column (1a) multiplied by the Serious Indemnity Benefit Change (1.061), the Non Serious Indemnity Benefit Change (1.02), and the Medical Legislative Change (1.045). to reflect the maximum benefit increases, minimum benefit increases, and the closing of reopened case fund. Below are the details:  
 Maximum benefit increases: Serious (1.005), Non-serious (1.017), and Medical (1.000)  
 Minimum benefit increases: Serious (1.007), Non-serious (1.003), and Medical (1.000)  
 Provision for the reopened case fund: Serious (1.048), Non-serious (1.000), and Medical (1.045)
- (d) Reflects balancing factor and the premium effect of limiting each class loss cost change to within 25% of its industry group change.
- (e) Not subject to Wage Factor of 1.026.
- (f) All U.S. Multipliers include a factor of 0.976 to reflect the difference between U.S.L. Assessment for Special Funds (1.16) and New York Assessments (1.188).
- (g) For classes eligible for the New York Construction Classification Premium Adjustment Program, an off-balance factor of 1.008 has been applied. For classes subject to the Payroll Limitation Law, a factor of 1.000 has been applied.

WORKERS COMPENSATION - NEW YORK

CHANGES IN CLASSIFICATION LOSS COSTS - OCTOBER 1, 2013  
BY INDUSTRY GROUP

Set forth below are the percentage changes in manual loss cost level for each industry group and the number of classifications for which loss costs were increased or decreased, as well as those for which no change was developed.

Industry Group	Percentage Change in Manual Loss Cost Level	Decreased	Increased	Unchanged	Total Number of Classes
1. Food & Beverage Mfg.	17.2%	3	21	0	24
2. Chemical Mfg	4.1%	7	18	0	25
3. All Other Mfg.	8.7%	46	149	1	196
4. Contracting	-2.0%	55	31	1	87
5. Stores & Dealers	13.8%	7	36	1	44
6. Professional and Office	19.1%	2	20	1	23
7. Services	12.4%	15	64	0	79
8. Miscellaneous	10.3%	15	37	3	55
9. Maritime, Admiralty & Federal	12.0%	11	27	0	38
<b>Total</b>	<b>9.9%</b>	<b>161</b>	<b>403</b>	<b>7</b>	<b>571</b>

WORKERS COMPENSATION - NEW YORK

SWING LIMITS IN CLASSIFICATION LOSS COSTS - OCTOBER 1, 2013  
BY INDUSTRY GROUP

The manual loss costs were calculated to fall within the following swing limits:

Industry Group	Upper Limits *	Lower Limits*
1. Food & Beverage Mfg.	41.5%	-8.5%
2. Chemical Mfg	30.6%	-19.4%
3. All Other Mfg.	34.6%	-15.4%
4. Contracting	23.5%	-26.5%
5. Stores & Dealers	38.5%	-11.5%
6. Professional and Office	44.6%	-5.4%
7. Services	37.5%	-12.5%
8. Miscellaneous	35.6%	-14.4%
9. Maritime, Admiralty & Federal	35.2%	-14.8%

\* Upper and lower limits are +/-25% of the respective industry group change as shown in Exhibit K.

The classifications which have been limited are listed below:

List of Classifications Limited by Upper Swing

1747	3113	7047	8280
2002	3307	7242	8350
2089	3400	7333	8353
2112	3643	7335	9027
2121	4024	7337	9044
2157	4038	7390	9051
2380	4239	7394	9088
2571	4282	7395	9410
2640	6824	7542	9501
2816	6874	7580	9519
3018	7016	8116	9534
3028	7024		

List of Classifications Limited by Lower Swing

2111	5709
4558	6251
4568	6872
4825	7309

WORKERS COMPENSATION -- NEW YORK

LOSS COST LEVEL TEST \*

Excluding the Experience of Self-Insured Risks

<u>Industry Group</u> (1)	<u>Premium at</u> 10/1/ <u>Loss Costs</u> (2)	<u>Premium at</u> 10/1/2013 <u>Loss Costs</u> (3)	<u>Loss Cost</u> <u>Level Change</u> <u>(3)/(2)</u> (4)
1 Food & Beverage Mfg.	\$92,309,052	\$108,177,354	1.172
2 Chemical Mfg	\$40,570,428	\$42,214,100	1.041
3 All Other Mfg.	\$317,332,078	\$344,971,397	1.087
4 Contracting	\$1,013,297,535	\$992,686,043	0.980
5 Stores & Dealers	\$374,009,047	\$425,492,077	1.138
6 Professional and Office	\$756,440,596	\$901,253,562	1.191
7 Services	\$1,417,688,543	\$1,593,000,284	1.124
8 Miscellaneous	\$262,182,083	\$289,092,951	1.103
9 Maritime, Admiralty & Federal	\$7,636,306	\$8,550,001	1.120
A. Total Loss Cost Change	\$4,281,465,670	\$4,705,437,768	1.099
B. Change in Catastrophe Provisions (Exhibit H)			1.000
C. Overall Change [ (A) x .964 ] + [ (B) x .(1.0-.964) ]			1.095

\* Based on Policy Year 2010 New York Unit Statistical Plan Experience.



WORKERS COMPENSATION - NEW YORK

Development Factors - Premiums

Private Carriers Excluding Large Deductible Experience

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	
2002	Dev. 5/6					1,638,882,479	1,638,475,683	1.000
2003	Dev. 5/6					1,706,042,303	1,694,938,690	0.993
2004	Dev. 5/6					1,719,140,749	1,695,323,764	0.986
2005	Dev. 5/6					1,785,562,199	1,782,184,787	0.998
2006	Dev. 5/6					1,993,211,766	1,991,821,715	0.999
2003	Dev. 4/5				1,702,612,411	1,706,042,303		1.002
2004	Dev. 4/5				1,730,904,366	1,736,060,060		1.003
2005	Dev. 4/5				1,806,831,217	1,785,562,199		0.988
2006	Dev. 4/5				2,001,930,801	1,993,576,587		0.996
2007	Dev. 4/5				2,028,970,801	2,028,281,467		1.000
2004	Dev. 3/4			1,863,548,289	1,730,904,366			0.929
2005	Dev. 3/4			1,902,378,226	1,806,835,355			0.950
2006	Dev. 3/4			2,025,103,051	2,001,930,801			0.989
2007	Dev. 3/4			2,049,375,756	2,029,294,468			0.990
2008	Dev. 3/4			1,989,131,873	1,985,276,353			0.998
2005	Dev. 2/3		1,917,357,517	1,902,048,013		0.992		
2006	Dev. 2/3		2,094,474,379	2,025,103,277		0.967		
2007	Dev. 2/3		2,091,940,115	2,049,375,756		0.980		
2008	Dev. 2/3		1,988,586,275	1,990,470,770		1.001		
2009	Dev. 2/3		1,424,899,860	1,421,838,586		0.998		
2006	Dev. 1/2	2,223,849,225	2,094,087,613			0.942		
2007	Dev. 1/2	2,172,341,154	2,091,940,115			0.963		
2008	Dev. 1/2	2,065,162,030	1,988,586,275			0.963		
2009	Dev. 1/2	1,455,421,329	1,433,121,482			0.985		
2010	Dev. 1/2	1,573,042,183	1,570,050,716			0.998		
		1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/Ult.	
All Year Average								
Age to Age		0.970	0.988	0.971	0.998	0.995	1.000	
Age to Ult.		0.924	0.953	0.964	0.993	0.995	1.000	
4 Year Average								
Age to Age		0.977	0.987	0.982	0.997	0.994	1.000	
Age to Ult.		0.938	0.961	0.973	0.991	0.994	1.000	
3 Year Average								
Age to Age		0.982	0.993	0.992	0.995	0.994	1.000	
Age to Ult.		0.957	0.974	0.981	0.989	0.994	1.000	
2 Year Average								
Age to Age		0.992	1.000	0.994	0.998	0.999	1.000	
Age to Ult.		0.983	0.991	0.991	0.997	0.999	1.000	
Premium Development to Ultimate*		0.983	0.991	0.991	0.997	0.999	1.000	

\*Premium development based on two year average

WORKERS COMPENSATION - NEW YORK  
Policy Year Development Factors - Indemnity Losses (Case Basis)  
Private Carriers Excluding Large Deductible Experience

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1998	Dev. 9/10									655,192,480	664,523,497	1.014
1999	Dev. 9/10									711,993,033	721,053,407	1.013
2000	Dev. 9/10									681,252,711	703,168,056	1.032
2001	Dev. 9/10									605,834,036	617,198,583	1.019
2002	Dev. 9/10									619,263,903	629,112,605	1.016
1999	Dev. 8/9								698,970,767	711,993,033		1.019
2000	Dev. 8/9								685,025,403	704,261,299		1.028
2001	Dev. 8/9								589,822,361	605,905,037		1.027
2002	Dev. 8/9								610,285,713	621,724,969		1.019
2003	Dev. 8/9								588,017,927	601,888,559		1.024
2000	Dev. 7/8							661,495,708	685,025,403			1.036
2001	Dev. 7/8							598,281,268	606,312,221			1.013
2002	Dev. 7/8							590,402,438	610,285,713			1.034
2003	Dev. 7/8							578,724,371	588,945,589			1.018
2004	Dev. 7/8							540,845,158	551,948,933			1.021
2001	Dev. 6/7						567,556,155	598,281,268		1,054		
2002	Dev. 6/7						578,909,840	601,397,246		1,039		
2003	Dev. 6/7						559,917,019	578,724,371		1,034		
2004	Dev. 6/7						520,095,189	540,880,430		1,040		
2005	Dev. 6/7						515,908,697	530,149,119		1,028		
2002	Dev. 5/6					551,287,558	578,909,840			1,050		
2003	Dev. 5/6					539,217,657	567,059,971			1,052		
2004	Dev. 5/6					485,588,200	520,095,189			1,071		
2005	Dev. 5/6					497,395,106	516,063,595			1,038		
2006	Dev. 5/6					529,697,510	565,783,792			1,068		
2003	Dev. 4/5				506,927,549	539,217,657		1,064				
2004	Dev. 4/5				461,389,849	486,995,099		1,055				
2005	Dev. 4/5				461,845,144	497,395,106		1,077				
2006	Dev. 4/5				500,480,724	529,754,620		1,058				
2007	Dev. 4/5				619,270,265	650,118,415		1,050				
2004	Dev. 3/4			414,340,846	461,389,849			1,114				
2005	Dev. 3/4			421,187,474	461,864,544			1,097				
2006	Dev. 3/4			449,834,274	500,480,724			1,113				
2007	Dev. 3/4			558,445,313	619,543,025			1,109				
2008	Dev. 3/4			679,142,649	755,779,008			1,113				
2005	Dev. 2/3		351,113,493	420,917,826				1,199				
2006	Dev. 2/3		357,076,172	449,837,244				1,260				
2007	Dev. 2/3		455,483,210	558,445,313				1,226				
2008	Dev. 2/3		544,429,517	679,942,680				1,249				
2009	Dev. 2/3		569,418,122	682,651,591				1,199				
2006	Dev. 1/2	251,165,706	356,889,612		1,421							
2007	Dev. 1/2	311,015,431	455,483,210		1,465							
2008	Dev. 1/2	375,038,290	544,429,517		1,452							
2009	Dev. 1/2	374,993,842	572,222,852		1,526							
2010	Dev. 1/2	408,888,419	617,459,405		1,510							
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.790	1.892	1.475	1.227	1.109	1.061	1.056	1.039	1.024	1.023	1.019
4 Year Average		2.837	1.907	1.488	1.234	1.108	1.060	1.057	1.035	1.022	1.025	1.020
3 Year Average		2.858	1.910	1.496	1.225	1.112	1.062	1.059	1.034	1.024	1.023	1.022
2 Year Average		2.831	1.865	1.518	1.224	1.111	1.054	1.053	1.034	1.020	1.022	1.018
Latest Year		2.737	1.813	1.510	1.199	1.113	1.050	1.068	1.028	1.021	1.024	1.016
Mid 3 of 5		2.762	1.871	1.476	1.225	1.112	1.059	1.057	1.038	1.024	1.023	1.016
Loss Development to Ultimate*		2.794	1.893									

\*Loss development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to 20th.

Note: Policy years 2000 and 2001 adjusted for Cat48 losses.

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Indemnity Losses (Case Basis)

Private Carriers Excluding Large Deductible Experience

Policy Year	10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	
1989	Dev. 18/19								751,379,935	754,305,126	1.004
1990	Dev. 18/19								866,315,406	870,599,836	1.005
1991	Dev. 18/19								819,187,054	822,866,621	1.004
1992	Dev. 18/19								787,650,594	795,943,923	1.011
1993	Dev. 18/19								757,543,640	755,242,709	0.997
1990	Dev. 17/18							862,213,953	866,315,406		1.005
1991	Dev. 17/18							828,226,155	831,326,486		1.004
1992	Dev. 17/18							778,105,016	787,650,594		1.012
1993	Dev. 17/18							748,985,186	757,543,640		1.011
1994	Dev. 17/18							701,526,782	705,550,935		1.006
1991	Dev. 16/17						821,415,744	828,226,155		1.008	
1992	Dev. 16/17						778,426,398	788,336,855		1.013	
1993	Dev. 16/17						736,026,490	748,985,186		1.018	
1994	Dev. 16/17						698,227,698	701,526,782		1.005	
1995	Dev. 16/17						634,461,478	638,347,486		1.006	
1992	Dev. 15/16					773,693,183	778,426,398		1.006		
1993	Dev. 15/16					741,122,210	749,940,601		1.012		
1994	Dev. 15/16					692,575,167	698,227,698		1.008		
1995	Dev. 15/16					632,872,142	634,461,478		1.003		
1996	Dev. 15/16					579,061,798	580,872,630		1.003		
1993	Dev. 14/15				733,653,010	741,122,210		1.010			
1994	Dev. 14/15				703,777,729	708,525,398		1.007			
1995	Dev. 14/15				630,541,738	632,872,142		1.004			
1996	Dev. 14/15				574,033,776	579,098,376		1.009			
1997	Dev. 14/15				597,823,884	598,834,470		1.002			
1994	Dev. 13/14			696,652,763	703,777,729		1.010				
1995	Dev. 13/14			641,369,406	645,472,778		1.006				
1996	Dev. 13/14			567,508,184	574,033,776		1.011				
1997	Dev. 13/14			596,722,103	599,565,188		1.005				
1998	Dev. 13/14			671,348,010	692,714,770		1.032				
1995	Dev. 12/13		639,735,718	641,369,406		1.003					
1996	Dev. 12/13		579,293,667	584,012,459		1.008					
1997	Dev. 12/13		588,090,041	596,738,573		1.015					
1998	Dev. 12/13		658,187,825	673,677,738		1.024					
1999	Dev. 12/13		707,934,613	710,483,132		1.004					
1996	Dev. 11/12	577,015,882	579,293,667		1.004						
1997	Dev. 11/12	603,865,329	607,431,733		1.006						
1998	Dev. 11/12	655,320,181	658,221,163		1.004						
1999	Dev. 11/12	710,772,289	713,491,361		1.004						
2000	Dev. 11/12	701,833,305	703,460,603		1.002						
1997	Dev. 10/11	597,057,453	603,865,329		1.011						
1998	Dev. 10/11	664,523,497	670,655,290		1.009						
1999	Dev. 10/11	706,638,328	710,954,062		1.006						
2000	Dev. 10/11	698,911,131	708,953,723		1.014						
2001	Dev. 10/11	612,591,816	622,421,179		1.016						
Development			10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th
5 Year Average			1.011	1.004	1.011	1.013	1.006	1.006	1.010	1.008	1.004
4 Year Average			1.011	1.004	1.013	1.014	1.006	1.007	1.011	1.008	1.004
3 Year Average			1.012	1.003	1.014	1.016	1.005	1.005	1.010	1.010	1.004
2 Year Average			1.015	1.003	1.014	1.019	1.006	1.003	1.006	1.009	1.004
Latest Year			1.016	1.002	1.004	1.032	1.002	1.003	1.006	1.006	0.997
Mid 3 of 5			1.011	1.004	1.009	1.009	1.007	1.006	1.009	1.007	1.004

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Indemnity Losses (Case Basis)

Private Carriers Excluding Large Deductible Experience

Policy Year		19th Report	20th Report	21st Report	22nd Report	23th Report	24th Report	25th Report	26th Report	27th Report	28th Report
1980	Dev. 27/28										
1981	Dev. 27/28										
1982	Dev. 27/28										
1983	Dev. 27/28										
1984	Dev. 27/28										
1981	Dev. 26/27										
1982	Dev. 26/27										
1983	Dev. 26/27										
1984	Dev. 26/27										
1985	Dev. 26/27										
1982	Dev. 25/26										
1983	Dev. 25/26										
1984	Dev. 25/26										
1985	Dev. 25/26										
1986	Dev. 25/26										
1983	Dev. 24/25										
1984	Dev. 24/25										
1985	Dev. 24/25										
1986	Dev. 24/25										
1987	Dev. 24/25										
1984	Dev. 23/24										
1985	Dev. 23/24										
1986	Dev. 23/24										
1987	Dev. 23/24										
1988	Dev. 23/24										
1985	Dev. 22/23										
1986	Dev. 22/23										
1987	Dev. 22/23										
1988	Dev. 22/23										
1989	Dev. 22/23										
1986	Dev. 21/22										
1987	Dev. 21/22										
1988	Dev. 21/22										
1989	Dev. 21/22										
1990	Dev. 21/22										
1987	Dev. 20/21										
1988	Dev. 20/21										
1989	Dev. 20/21										
1990	Dev. 20/21										
1991	Dev. 20/21										
1988	Dev. 19/20	679,494,674	681,807,333	1.003							
1989	Dev. 19/20	754,305,126	758,493,953	1.006							
1990	Dev. 19/20	859,952,066	866,906,646	1.008							
1991	Dev. 19/20	822,866,621	831,285,999	1.010							
1992	Dev. 19/20	795,943,923	798,621,691	1.003							
Development				19th/20th	20th/Ult.*						
5 Year Average				1.006	1.034						
4 Year Average				1.007	1.034						
3 Year Average				1.007	1.034						
2 Year Average				1.007	1.034						
Latest Year				1.003	1.034						
Mid 3 of 5				1.006	1.034						

\* From Exhibit BB, Sheet 2G

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)

Private Carriers Excluding Large Deductible Experience

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1998	Dev. 9/10									353,964,407	362,532,852	1.024
1999	Dev. 9/10									387,098,058	394,613,981	1.019
2000	Dev. 9/10									375,675,735	383,756,652	1.022
2001	Dev. 9/10									356,379,865	362,640,500	1.018
2002	Dev. 9/10									379,271,438	385,815,282	1.017
1999	Dev. 8/9								374,833,965	387,098,058		1.033
2000	Dev. 8/9								373,662,715	387,634,719		1.037
2001	Dev. 8/9								346,009,658	354,715,610		1.025
2002	Dev. 8/9								371,288,416	380,506,027		1.025
2003	Dev. 8/9								379,384,014	386,071,251		1.018
2000	Dev. 7/8							357,679,443	373,662,715		1.045	
2001	Dev. 7/8							341,929,225	354,512,689		1.037	
2002	Dev. 7/8							354,236,427	370,024,099		1.045	
2003	Dev. 7/8							374,369,022	379,769,307		1.014	
2004	Dev. 7/8							341,004,942	349,955,035		1.026	
2001	Dev. 6/7						326,253,957	341,929,225				1.048
2002	Dev. 6/7						348,606,696	360,975,057				1.035
2003	Dev. 6/7						362,421,074	372,730,080				1.028
2004	Dev. 6/7						329,785,055	341,041,654				1.034
2005	Dev. 6/7						372,172,070	383,148,320				1.029
2002	Dev. 5/6					338,223,634	348,606,696					1.031
2003	Dev. 5/6					349,395,132	366,387,180					1.049
2004	Dev. 5/6					314,048,495	328,021,055					1.044
2005	Dev. 5/6					359,320,006	372,247,659					1.036
2006	Dev. 5/6					382,231,242	397,948,784					1.041
2003	Dev. 4/5				327,732,575	349,395,132		1.066				
2004	Dev. 4/5				303,884,008	315,023,017		1.037				
2005	Dev. 4/5				334,774,927	358,881,921		1.072				
2006	Dev. 4/5				362,557,337	382,240,950		1.054				
2007	Dev. 4/5				456,423,800	482,838,280		1.058				
2004	Dev. 3/4			283,695,300	303,884,008		1.071					
2005	Dev. 3/4			309,393,885	334,787,730		1.082					
2006	Dev. 3/4			326,078,236	361,772,015		1.109					
2007	Dev. 3/4			427,023,797	456,558,601		1.069					
2008	Dev. 3/4			462,209,879	500,233,205		1.082					
2005	Dev. 2/3		282,483,340	309,282,378		1.095						
2006	Dev. 2/3		289,714,316	326,082,402		1.126						
2007	Dev. 2/3		361,726,259	425,553,634		1.176						
2008	Dev. 2/3		398,637,695	462,767,884		1.161						
2009	Dev. 2/3		411,202,035	470,705,751		1.145						
2006	Dev. 1/2	242,212,370	289,387,686		1.195							
2007	Dev. 1/2	297,197,737	361,726,259		1.217							
2008	Dev. 1/2	325,091,974	398,217,080		1.225							
2009	Dev. 1/2	338,725,777	414,465,200		1.224							
2010	Dev. 1/2	352,890,578	442,974,661		1.255							
		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.189	1.790	1.223	1.141	1.083	1.057	1.040	1.035	1.033	1.028	1.020
4 Year Average		2.211	1.798	1.230	1.152	1.086	1.055	1.043	1.032	1.031	1.026	1.019
3 Year Average		2.206	1.786	1.235	1.161	1.087	1.061	1.040	1.030	1.028	1.023	1.019
2 Year Average		2.163	1.744	1.240	1.153	1.076	1.056	1.039	1.032	1.020	1.022	1.018
Latest Year		2.122	1.691	1.255	1.145	1.082	1.058	1.041	1.029	1.026	1.018	1.017
Mid 3 of 5		2.191	1.793	1.222	1.144	1.078	1.059	1.040	1.033	1.036	1.028	1.020
Loss Development to Ultimate*		2.163	1.770									

\*Loss development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to 20th.

Note: Policy years 2000 and 2001 adjusted for Cat48 losses.

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)

Private Carriers Excluding Large Deductible Experience

Policy Year		10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	
1989	Dev. 18/19									335,298,854	338,655,312	1.010
1990	Dev. 18/19									371,453,632	376,341,792	1.013
1991	Dev. 18/19									335,319,310	335,442,579	1.000
1992	Dev. 18/19									325,887,007	330,986,660	1.016
1993	Dev. 18/19									320,367,532	322,069,188	1.005
1990	Dev. 17/18								368,014,197	371,453,632		1.009
1991	Dev. 17/18								336,816,540	341,160,149		1.013
1992	Dev. 17/18								320,433,082	324,891,287		1.014
1993	Dev. 17/18								320,330,466	320,367,532		1.000
1994	Dev. 17/18								298,191,371	299,410,267		1.004
1991	Dev. 16/17							334,148,255	336,816,540			1.008
1992	Dev. 16/17							320,960,686	324,599,638			1.011
1993	Dev. 16/17							315,442,968	318,909,289			1.011
1994	Dev. 16/17							297,594,401	298,191,371			1.002
1995	Dev. 16/17							304,540,989	307,511,205			1.010
1992	Dev. 15/16						316,367,765	320,960,686				1.015
1993	Dev. 15/16						320,059,827	323,381,161				1.010
1994	Dev. 15/16						293,155,389	297,036,712				1.013
1995	Dev. 15/16						303,722,089	304,540,989				1.003
1996	Dev. 15/16						289,154,903	287,003,654				0.993
1993	Dev. 14/15					316,211,262	320,059,827					1.012
1994	Dev. 14/15					298,350,682	301,049,027					1.009
1995	Dev. 14/15					302,694,603	302,630,830					1.000
1996	Dev. 14/15					288,854,709	289,184,715					1.001
1997	Dev. 14/15					322,204,324	321,777,939					0.999
1994	Dev. 13/14				293,605,321	298,350,682						1.016
1995	Dev. 13/14				304,993,927	309,724,777						1.016
1996	Dev. 13/14				285,574,351	287,503,903						1.007
1997	Dev. 13/14				317,390,524	322,787,416						1.017
1998	Dev. 13/14				370,786,322	371,595,789						1.002
1995	Dev. 12/13			300,571,961	304,993,927							1.015
1996	Dev. 12/13			287,805,760	292,550,799							1.016
1997	Dev. 12/13			311,842,391	315,821,002							1.013
1998	Dev. 12/13			362,708,215	372,659,724							1.027
1999	Dev. 12/13			398,039,969	401,617,479							1.009
1996	Dev. 11/12		286,828,580	287,805,760								1.003
1997	Dev. 11/12		318,388,310	321,700,069								1.010
1998	Dev. 11/12		358,654,217	359,909,418								1.003
1999	Dev. 11/12		392,123,137	401,430,257								1.024
2000	Dev. 11/12		388,468,745	390,682,326								1.006
1997	Dev. 10/11	311,860,926	318,388,310									1.021
1998	Dev. 10/11	362,532,852	366,657,098									1.011
1999	Dev. 10/11	385,152,143	390,861,312									1.015
2000	Dev. 10/11	386,332,124	397,821,979									1.030
2001	Dev. 10/11	358,449,053	366,841,447									1.023
Development				10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th
5 Year Average				1.020	1.009	1.016	1.012	1.004	1.007	1.008	1.008	1.009
4 Year Average				1.020	1.011	1.016	1.011	1.002	1.005	1.009	1.008	1.009
3 Year Average				1.023	1.011	1.016	1.009	1.000	1.003	1.008	1.006	1.007
2 Year Average				1.027	1.015	1.018	1.010	1.000	0.998	1.006	1.002	1.011
Latest Year				1.023	1.006	1.009	1.002	0.999	0.993	1.010	1.004	1.005
Mid 3 of 5				1.020	1.006	1.015	1.013	1.003	1.009	1.010	1.009	1.009

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)

Private Carriers Excluding Large Deductible Experience

Policy Year		19th Report	20th Report	21st Report	22nd Report	23rd Report	24th Report	25th Report	26th Report	27th Report	28th Report
1980	Dev. 27/28										
1981	Dev. 27/28										
1982	Dev. 27/28										
1983	Dev. 27/28										
1984	Dev. 27/28										
1981	Dev. 26/27										
1982	Dev. 26/27										
1983	Dev. 26/27										
1984	Dev. 26/27										
1985	Dev. 26/27										
1982	Dev. 25/26										
1983	Dev. 25/26										
1984	Dev. 25/26										
1985	Dev. 25/26										
1986	Dev. 25/26										
1983	Dev. 24/25										
1984	Dev. 24/25										
1985	Dev. 24/25										
1986	Dev. 24/25										
1987	Dev. 24/25										
1984	Dev. 23/24										
1985	Dev. 23/24										
1986	Dev. 23/24										
1987	Dev. 23/24										
1988	Dev. 23/24										
1985	Dev. 22/23										
1986	Dev. 22/23										
1987	Dev. 22/23										
1988	Dev. 22/23										
1989	Dev. 22/23										
1986	Dev. 21/22										
1987	Dev. 21/22										
1988	Dev. 21/22										
1989	Dev. 21/22										
1990	Dev. 21/22										
1987	Dev. 20/21										
1988	Dev. 20/21										
1989	Dev. 20/21										
1990	Dev. 20/21										
1991	Dev. 20/21										
1988	Dev. 19/20	297,274,846	299,149,461	1.006							
1989	Dev. 19/20	338,655,312	342,467,935	1.011							
1990	Dev. 19/20	371,245,583	371,725,445	1.001							
1991	Dev. 19/20	336,325,995	338,011,825	1.005							
1992	Dev. 19/20	330,986,660	335,150,740	1.013							
Development				19th/20th	20th/Ult.*						
5 Year Average				1.007	1.064						
4 Year Average				1.008	1.064						
3 Year Average				1.006	1.064						
2 Year Average				1.009	1.064						
Latest Year				1.013	1.064						
Mid 3 of 5				1.007	1.064						

\* From Exhibit BB, Sheet 2G

WORKERS COMPENSATION - NEW YORK

Policy Year Loss Development Factors from 20th Report (Case Basis) to Ultimate Incurred  
Private Carriers Excluding Large Deductible Experience

	<u>INDEMNITY</u>	<u>MEDICAL</u>
1. Case incurred losses for Policy Year 1987 valued as of 12/31/07	644,106,518	259,543,861
2. Case incurred losses for Policy Year 1988 valued as of 12/31/08	681,807,333	299,149,461
3. Case incurred losses for Policy Year 1989 valued as of 12/31/09	748,978,847	335,426,351
4a. Change in case incurred losses from 12/31/07 to 12/31/08 for Policy Year 1987	2,781,907	5,318,794
4b. Change in case incurred losses from 12/31/07 to 12/31/08 for all Policy Years prior to 1987	11,352,910	4,246,639
5a. Change in case incurred losses from 12/31/08 to 12/31/09 for Policy Year 1988	2,246,184	1,396,322
5b. Change in case incurred losses from 12/31/08 to 12/31/09 for all Policy Years prior to 1988	24,875,860	21,539,684
6a. Change in case incurred losses from 12/31/09 to 12/31/10 for Policy Year 1989	5,732,086	3,405,974
6b. Change in case incurred losses from 12/31/09 to 12/31/10 for all Policy Years prior to 1989	18,406,527	9,413,210
7a. Growth Factor for 1987 Line 4b.	0.818	0.797
7b. Growth Factor for 1988 Line 5b.	0.806	0.725
7c. Growth Factor for 1989 Line 6b.	0.755	0.677
<b>8 Development factor 20th to ultimate: Average [(8a)+(8b)+(8c)]/3</b>	<b>1.038</b>	<b>1.065</b>
8a. $1+[(4a)/(1)]+[(4b)/((1)*(7a))]$	1.026	1.041
8b. $1+[(5a)/(2)]+[(5b)/((2)*(7b))]$	1.048	1.104
8c. $1+[(6a)/(3)]+[(6b)/((3)*(7c))]$	1.041	1.051
9 Case incurred losses for Policy Year 1988 valued as of 12/31/08	681,807,333	299,149,461
10 Case incurred losses for Policy Year 1989 valued as of 12/31/09	748,978,847	335,426,351
11 Case incurred losses for Policy Year 1990 valued as of 12/31/10	866,906,646	372,829,904
12a. Change in case incurred losses from 12/31/08 to 12/31/09 for Policy Year 1988	2,246,184	1,396,322
12b. Change in case incurred losses from 12/31/08 to 12/31/09 for all Policy Years prior to 1988	24,875,860	21,539,684
13a. Change in case incurred losses from 12/31/09 to 12/31/10 for Policy Year 1989	5,732,086	3,405,974
13b. Change in case incurred losses from 12/31/09 to 12/31/10 for all Policy Years prior to 1989	18,406,527	9,413,210
14a. Change in case incurred losses from 12/31/10 to 12/31/11 for Policy Year 1990	6,253,468	5,171,799
14b. Change in case incurred losses from 12/31/10 to 12/31/11 for all Policy Years prior to 1990	8,960,722	14,468,497



WORKERS COMPENSATION - NEW YORK

Policy Year Loss Development Factors from 20th Report (Case Basis) to Ultimate Incurred  
Private Carriers Excluding Large Deductible Experience

	<u>INDEMNITY</u>	<u>MEDICAL</u>
15a. Growth Factor for 1988 Line 12b.	0.806	0.725
15b. Growth Factor for 1989 Line 13b.	0.755	0.677
15c. Growth Factor for 1990 Line 14b.	0.684	0.651
<b>16 Development factor 20th to ultimate: Average [(16a)+(16b)+(16c)]/3</b>	<b>1.037</b>	<b>1.076</b>
16a. $1+[(12a)/(9)]+[(12b)/((9)*(15a))]$	1.048	1.104
16b. $1+[(13a)/(10)]+[(13b)/((10)*(15b))]$	1.041	1.051
16c. $1+[(14a)/(11)]+[(14b)/((11)*(15c))]$	1.022	1.074
17 Case incurred losses for Policy Year 1989 valued as of 12/31/09	748,978,847	335,426,351
18 Case incurred losses for Policy Year 1990 valued as of 12/31/10	866,906,646	372,829,904
19 Case incurred losses for Policy Year 1991 valued as of 12/31/11	831,285,999	338,011,825
20a. Change in case incurred losses from 12/31/09 to 12/31/10 for Policy Year 1989	5,732,086	3,405,974
20b. Change in case incurred losses from 12/31/09 to 12/31/10 for all Policy Years prior to 1989	18,406,527	9,413,210
21a. Change in case incurred losses from 12/31/10 to 12/31/11 for Policy Year 1990	6,253,468	5,171,799
21b. Change in case incurred losses from 12/31/10 to 12/31/11 for all Policy Years prior to 1990	8,960,722	14,468,497
22a. Change in case incurred losses from 12/31/11 to 12/31/12 for Policy Year 1991	-2,001,678	3,493,239
22b. Change in case incurred losses from 12/31/11 to 12/31/12 for all Policy Years prior to 1991	11,376,679	5,442,538
23a. Growth Factor for 1989 Line 20b.	0.755	0.677
23b. Growth Factor for 1990 Line 21b.	0.684	0.651
23c. Growth Factor for 1991 Line 22b.	0.756	0.768
<b>24 Development factor 20th to ultimate: Average [(24a)+(24b)+(24c)]/3</b>	<b>1.026</b>	<b>1.052</b>
24a. $1+[(20a)/(17)]+[(20b)/((17)*(23a))]$	1.041	1.051
24b. $1+[(21a)/(18)]+[(21b)/((18)*(23b))]$	1.022	1.074
24c. $1+[(22a)/(19)]+[(22b)/((19)*(23c))]$	1.016	1.031
<b>25 Indicated average development factor from 20th to ultimate [(8) + (16) + (24)] / 3</b>	<b>1.034</b>	<b>1.064</b>



WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Indemnity Losses (Case Basis)

		Experience from Large Deductible Policies Only										
Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1998	Dev. 9/10									304,613,578	312,762,959	1.027
1999	Dev. 9/10									317,782,269	325,459,879	1.024
2000	Dev. 9/10									377,782,845	388,552,533	1.029
2001	Dev. 9/10									428,334,875	452,398,807	1.056
2002	Dev. 9/10									379,138,842	384,219,808	1.013
1999	Dev. 8/9								308,661,946	317,782,269	1.030	
2000	Dev. 8/9								371,612,388	380,041,710	1.023	
2001	Dev. 8/9								419,586,985	428,334,875	1.021	
2002	Dev. 8/9								361,130,883	385,107,258	1.066	
2003	Dev. 8/9								374,668,640	386,165,845	1.031	
2000	Dev. 7/8							357,401,281	371,625,377	1.040		
2001	Dev. 7/8							407,585,268	423,016,620	1.038		
2002	Dev. 7/8							348,041,711	361,130,883	1.038		
2003	Dev. 7/8							363,484,177	380,719,285	1.047		
2004	Dev. 7/8							378,883,375	391,085,676	1.032		
2001	Dev. 6/7						389,989,048	407,585,268	1.045			
2002	Dev. 6/7						341,525,463	353,911,514	1.036			
2003	Dev. 6/7						345,652,918	363,484,177	1.052			
2004	Dev. 6/7						351,939,255	378,883,375	1.077			
2005	Dev. 6/7						329,904,443	340,746,920	1.033			
2002	Dev. 5/6					331,699,987	341,525,463	1.030				
2003	Dev. 5/6					333,226,950	351,544,847	1.055				
2004	Dev. 5/6					324,307,355	351,939,255	1.085				
2005	Dev. 5/6					304,248,938	329,904,443	1.084				
2006	Dev. 5/6					311,109,910	325,771,041	1.047				
2003	Dev. 4/5			313,583,196	333,226,950	1.063						
2004	Dev. 4/5			305,106,959	324,338,980	1.063						
2005	Dev. 4/5			278,147,842	304,248,938	1.094						
2006	Dev. 4/5			280,035,078	311,109,910	1.111						
2007	Dev. 4/5			305,988,647	330,285,418	1.079						
2004	Dev. 3/4			275,715,476	305,106,959	1.107						
2005	Dev. 3/4			243,825,920	278,147,842	1.141						
2006	Dev. 3/4			240,043,660	280,035,078	1.167						
2007	Dev. 3/4			265,154,270	305,988,647	1.154						
2008	Dev. 3/4			291,439,348	326,223,240	1.119						
2005	Dev. 2/3		201,936,408	243,825,920	1.207							
2006	Dev. 2/3		192,670,671	240,043,660	1.246							
2007	Dev. 2/3		207,679,506	265,154,270	1.277							
2008	Dev. 2/3		233,872,276	291,439,348	1.246							
2009	Dev. 2/3		279,693,236	346,945,037	1.240							
2006	Dev. 1/2	127,469,225	192,670,671	1.512								
2007	Dev. 1/2	129,582,091	207,679,506	1.603								
2008	Dev. 1/2	142,736,832	233,872,276	1.638								
2009	Dev. 1/2	179,687,243	279,693,236	1.557								
2010	Dev. 1/2	186,954,668	293,386,643	1.569								
Development		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		3.320	2.107	1.576	1.243	1.138	1.082	1.060	1.049	1.039	1.034	1.030
4 Year Average		3.471	2.180	1.592	1.252	1.145	1.087	1.068	1.050	1.039	1.035	1.031
3 Year Average		3.549	2.235	1.588	1.254	1.147	1.095	1.072	1.054	1.039	1.039	1.033
2 Year Average		3.460	2.214	1.563	1.243	1.137	1.095	1.066	1.055	1.040	1.049	1.035
Latest Year		3.038	1.936	1.569	1.240	1.119	1.079	1.047	1.033	1.032	1.031	1.013
Mid 3 of 5		3.252	2.063	1.576	1.244	1.138	1.079	1.062	1.044	1.039	1.028	1.027
Loss Development to Ultimate		3.288	2.086									

\*Loss development to ultimate based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average of non-deductible experience for 10th to ultimate.

WORKERS COMPENSATION - NEW YORK

Policy Year Development Factors - Medical Losses (Case Basis)

		Experience from Large Deductible Policies Only										
Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1998	Dev. 9/10									162,412,883	165,918,747	1.022
1999	Dev. 9/10									174,345,981	176,981,544	1.015
2000	Dev. 9/10									214,621,013	221,187,618	1.031
2001	Dev. 9/10									251,361,761	258,440,826	1.028
2002	Dev. 9/10									220,501,205	225,180,254	1.021
1999	Dev. 8/9								168,032,725	174,345,981	1.038	
2000	Dev. 8/9								212,721,665	216,883,701	1.020	
2001	Dev. 8/9								243,263,967	251,361,761	1.033	
2002	Dev. 8/9								216,246,448	222,941,865	1.031	
2003	Dev. 8/9								238,845,811	244,225,019	1.023	
2000	Dev. 7/8							202,889,896	212,754,769	1.049		
2001	Dev. 7/8							234,839,519	245,735,425	1.046		
2002	Dev. 7/8							209,187,430	216,216,328	1.034		
2003	Dev. 7/8							227,932,146	241,347,113	1.059		
2004	Dev. 7/8							240,108,185	250,853,494	1.045		
2001	Dev. 6/7						222,178,487	234,839,519	1.057			
2002	Dev. 6/7						206,439,527	212,852,964	1.031			
2003	Dev. 6/7						216,240,658	227,717,417	1.053			
2004	Dev. 6/7						229,323,517	240,108,185	1.047			
2005	Dev. 6/7						221,787,995	232,025,220	1.046			
2002	Dev. 5/6					198,338,873	206,439,527	1.041				
2003	Dev. 5/6					209,808,260	219,441,533	1.046				
2004	Dev. 5/6					213,782,932	228,906,131	1.071				
2005	Dev. 5/6					207,218,768	221,787,995	1.070				
2006	Dev. 5/6					214,685,270	225,795,302	1.052				
2003	Dev. 4/5				198,259,117	209,808,260	1.058					
2004	Dev. 4/5				202,883,048	213,790,861	1.054					
2005	Dev. 4/5				193,147,476	207,100,675	1.072					
2006	Dev. 4/5				197,985,931	214,685,270	1.084					
2007	Dev. 4/5				207,214,354	218,579,384	1.055					
2004	Dev. 3/4			186,118,777	202,883,048	1.090						
2005	Dev. 3/4			179,289,656	193,147,476	1.077						
2006	Dev. 3/4			175,355,912	197,117,363	1.124						
2007	Dev. 3/4			190,717,552	207,214,354	1.086						
2008	Dev. 3/4			184,486,403	204,589,475	1.109						
2005	Dev. 2/3		162,676,951	179,289,656	1.102							
2006	Dev. 2/3		156,536,306	175,355,912	1.120							
2007	Dev. 2/3		161,476,071	190,717,552	1.181							
2008	Dev. 2/3		160,462,191	184,486,403	1.150							
2009	Dev. 2/3		187,852,272	212,282,907	1.130							
2006	Dev. 1/2	123,346,757	156,536,306	1.269								
2007	Dev. 1/2	130,201,791	161,476,071	1.240								
2008	Dev. 1/2	125,649,846	160,462,191	1.277								
2009	Dev. 1/2	149,117,725	187,852,272	1.260								
2010	Dev. 1/2	149,499,691	189,028,715	1.264								
Development		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.401	1.903	1.262	1.137	1.097	1.065	1.056	1.047	1.047	1.029	1.023
4 Year Average		2.416	1.917	1.260	1.145	1.099	1.066	1.060	1.044	1.046	1.027	1.024
3 Year Average		2.481	1.958	1.267	1.154	1.106	1.070	1.064	1.049	1.046	1.029	1.027
2 Year Average		2.433	1.928	1.262	1.140	1.098	1.070	1.061	1.047	1.052	1.027	1.025
Latest Year		2.276	1.801	1.264	1.130	1.109	1.055	1.052	1.046	1.045	1.023	1.021
Mid 3 of 5		2.394	1.894	1.264	1.133	1.095	1.062	1.056	1.049	1.047	1.029	1.024
Loss Development to Ultimate		2.361	1.868									

\*Loss development to ultimate based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average of non-deductible experience for 10th to ultimate.

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Development Factors - Premium

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	
2002	Dev. 5/6					1,390,006,322	1,389,627,554	1.000
2003	Dev. 5/6					1,472,407,155	1,471,302,604	0.999
2004	Dev. 5/6					1,557,077,728	1,555,581,526	0.999
2005	Dev. 5/6					1,652,037,731	1,651,974,546	1.000
2006	Dev. 5/6					1,751,529,866	1,751,372,691	1.000
2003	Dev. 4/5				1,473,670,252	1,472,407,155		0.999
2004	Dev. 4/5				1,557,679,593	1,557,077,728		1.000
2005	Dev. 4/5				1,652,230,700	1,652,037,731		1.000
2006	Dev. 4/5				1,752,024,429	1,751,529,866		1.000
2007	Dev. 4/5				1,610,100,417	1,608,562,377		0.999
2004	Dev. 3/4			1,561,166,457	1,557,679,593			0.998
2005	Dev. 3/4			1,658,178,029	1,652,230,700			0.996
2006	Dev. 3/4			1,755,394,373	1,752,024,429			0.998
2007	Dev. 3/4			1,614,182,152	1,610,100,417			0.997
2008	Dev. 3/4			1,351,196,858	1,348,378,520			0.998
2005	Dev. 2/3		1,672,006,212	1,658,178,029		0.992		
2006	Dev. 2/3		1,772,774,107	1,755,394,373		0.990		
2007	Dev. 2/3		1,629,575,235	1,614,182,152		0.991		
2008	Dev. 2/3		1,365,627,737	1,351,196,858		0.989		
2009	Dev. 2/3		1,031,638,895	1,024,109,321		0.993		
2006	Dev. 1/2	1,755,897,236	1,772,774,107		1.010			
2007	Dev. 1/2	1,648,357,313	1,629,575,235		0.989			
2008	Dev. 1/2	1,456,367,058	1,365,627,737		0.938			
2009	Dev. 1/2	1,025,829,307	1,031,638,895		1.006			
2010	Dev. 1/2	1,115,565,366	1,098,451,369		0.985			
		1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/Ult.	
<b>5 Year Average</b>								
Age to Age		0.986	0.991	0.997	1.000	1.000	1.000	
Age to Ult.		0.974	0.988	0.997	1.000	1.000	1.000	
<b>4 Year Average</b>								
Age to Age		0.980	0.991	0.997	1.000	1.000	1.000	
Age to Ult.		0.968	0.988	0.997	1.000	1.000	1.000	
<b>3 Year Average</b>								
Age to Age		0.976	0.991	0.998	1.000	1.000	1.000	
Age to Ult.		0.965	0.989	0.998	1.000	1.000	1.000	
<b>2 Year Average</b>								
Age to Age		0.996	0.991	0.998	1.000	1.000	1.000	
Age to Ult.		0.985	0.989	0.998	1.000	1.000	1.000	
Premium Development to Ultimate*		<b>0.985</b>	<b>0.989</b>	<b>0.998</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	

\*Premium development based on two year average

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1998	Dev. 9/10									406,773,025	406,818,911	1.000
1999	Dev. 9/10									493,350,072	495,134,384	1.004
2000	Dev. 9/10									450,975,592	451,636,764	1.001
2001	Dev. 9/10									424,094,945	427,851,578	1.009
2002	Dev. 9/10									503,050,975	508,667,346	1.011
1999	Dev. 8/9								489,392,883	493,350,072	1.008	
2000	Dev. 8/9								453,158,980	450,975,592	0.995	
2001	Dev. 8/9								437,305,369	424,094,945	0.970	
2002	Dev. 8/9								499,872,081	503,050,975	1.006	
2003	Dev. 8/9								527,789,401	528,555,814	1.001	
2000	Dev. 7/8							452,182,407	453,158,980	1.002		
2001	Dev. 7/8							435,029,616	437,305,369	1.005		
2002	Dev. 7/8							510,576,475	499,872,081	0.979		
2003	Dev. 7/8							527,458,559	527,789,401	1.001		
2004	Dev. 7/8							549,412,548	546,500,343	0.995		
2001	Dev. 6/7						437,904,451	435,029,616	0.993			
2002	Dev. 6/7						509,415,979	510,576,475	1.002			
2003	Dev. 6/7						524,081,341	527,458,559	1.006			
2004	Dev. 6/7						553,381,815	549,412,548	0.993			
2005	Dev. 6/7						541,313,582	540,228,373	0.998			
2002	Dev. 5/6					510,507,545	509,415,979	0.998				
2003	Dev. 5/6					524,008,825	524,081,341	1.000				
2004	Dev. 5/6					552,167,015	553,381,815	1.002				
2005	Dev. 5/6					537,233,848	541,313,582	1.008				
2006	Dev. 5/6					540,631,059	565,965,324	1.047				
2003	Dev. 4/5				518,479,747	524,008,825	1.011					
2004	Dev. 4/5				560,010,573	552,167,015	0.986					
2005	Dev. 4/5				528,375,924	537,233,848	1.017					
2006	Dev. 4/5				533,691,919	540,631,059	1.013					
2007	Dev. 4/5				545,498,715	574,948,812	1.054					
2004	Dev. 3/4			505,087,949	560,010,573	1.109						
2005	Dev. 3/4			489,787,100	528,375,924	1.079						
2006	Dev. 3/4			510,087,473	533,691,919	1.046						
2007	Dev. 3/4			489,610,476	545,498,715	1.114						
2008	Dev. 3/4			479,647,831	520,454,759	1.085						
2005	Dev. 2/3		387,985,295	489,787,100	1.262							
2006	Dev. 2/3		420,770,920	510,087,473	1.212							
2007	Dev. 2/3		383,015,563	489,610,476	1.278							
2008	Dev. 2/3		376,321,765	479,647,831	1.275							
2009	Dev. 2/3		386,466,671	473,252,307	1.225							
2006	Dev. 1/2	263,108,106	420,770,920	1.599								
2007	Dev. 1/2	261,186,892	383,015,563	1.466								
2008	Dev. 1/2	262,752,097	376,321,765	1.432								
2009	Dev. 1/2	255,853,102	386,466,671	1.511								
2010	Dev. 1/2	300,164,998	427,498,084	1.424								
Development		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.361	1.589	1.486	1.250	1.087	1.016	1.011	0.998	0.996	0.996	1.005
4 Year Average		2.307	1.582	1.458	1.248	1.081	1.018	1.014	1.000	0.995	0.993	1.006
3 Year Average		2.361	1.621	1.456	1.259	1.082	1.028	1.019	0.999	0.992	0.992	1.007
2 Year Average		2.482	1.691	1.468	1.250	1.100	1.034	1.028	0.996	0.998	1.004	1.010
Latest Year		2.399	1.685	1.424	1.225	1.085	1.054	1.047	0.998	0.995	1.001	1.011
Mid 3 of 5		2.348	1.597	1.470	1.254	1.091	1.014	1.003	0.998	0.999	1.001	1.005
Loss Development to Ultima		2.356	1.603									

\*Loss development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to ultimate.

Note: Policy years 2000 and 2001 adjusted for Cat48 losses

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year		10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	19th Report
1989	Dev. 18/19									726,652,982	730,959,396	1.006
1990	Dev. 18/19									885,496,394	893,416,152	1.009
1991	Dev. 18/19									964,105,142	970,917,464	1.007
1992	Dev. 18/19									1,020,314,256	1,024,195,589	1.004
1993	Dev. 18/19									1,021,256,900	1,029,590,130	1.008
1990	Dev. 17/18								878,475,275	885,496,394		1.008
1991	Dev. 17/18								959,639,669	964,105,142		1.005
1992	Dev. 17/18								1,011,961,316	1,020,314,256		1.008
1993	Dev. 17/18								1,009,838,657	1,021,256,900		1.011
1994	Dev. 17/18								875,500,357	880,088,854		1.005
1991	Dev. 16/17							947,811,982	959,639,669	1,012		
1992	Dev. 16/17							1,005,278,584	1,011,961,316	1,007		
1993	Dev. 16/17							1,003,767,121	1,009,838,657	1,006		
1994	Dev. 16/17							867,113,754	875,500,357	1,010		
1995	Dev. 16/17							691,318,648	694,384,523	1,004		
1992	Dev. 15/16						997,850,661	1,005,278,584	1,007			
1993	Dev. 15/16						996,595,915	1,003,767,121	1,007			
1994	Dev. 15/16						865,757,739	867,113,754	1,002			
1995	Dev. 15/16						686,479,928	691,318,648	1,007			
1996	Dev. 15/16						579,041,108	586,058,897	1,012			
1993	Dev. 14/15					990,544,634	996,595,915	1,006				
1994	Dev. 14/15					859,378,182	865,757,739	1,007				
1995	Dev. 14/15					678,659,430	686,479,928	1,012				
1996	Dev. 14/15					571,860,141	579,041,108	1,013				
1997	Dev. 14/15					497,254,603	500,962,066	1,007				
1994	Dev. 13/14				852,279,060	859,378,182	1,008					
1995	Dev. 13/14				672,114,638	678,659,430	1,010					
1996	Dev. 13/14				566,388,673	571,860,141	1,010					
1997	Dev. 13/14				492,405,785	497,254,603	1,010					
1998	Dev. 13/14				411,933,808	414,693,365	1,007					
1995	Dev. 12/13			667,841,486	672,114,638	1,006						
1996	Dev. 12/13			560,955,542	566,388,673	1,010						
1997	Dev. 12/13			487,335,120	492,405,785	1,010						
1998	Dev. 12/13			408,190,835	411,933,808	1,009						
1999	Dev. 12/13			503,813,136	507,994,821	1,008						
1996	Dev. 11/12		555,729,552	560,955,542	1,009							
1997	Dev. 11/12		485,625,229	487,335,120	1,004							
1998	Dev. 11/12		406,294,526	408,190,835	1,005							
1999	Dev. 11/12		499,144,398	503,813,136	1,009							
2000	Dev. 11/12		453,280,632	457,645,461	1,010							
1997	Dev. 10/11	482,957,899	485,625,229	1,006								
1998	Dev. 10/11	406,818,911	406,294,526	0.999								
1999	Dev. 10/11	495,134,384	499,144,398	1,008								
2000	Dev. 10/11	451,636,764	453,280,632	1,004								
2001	Dev. 10/11	427,851,578	429,215,641	1,003								
Development				10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th
5 Year Average				1.004	1.007	1.009	1.009	1.009	1.007	1.008	1.007	1.007
4 Year Average				1.003	1.007	1.009	1.009	1.010	1.007	1.007	1.007	1.007
3 Year Average				1.005	1.008	1.009	1.009	1.011	1.007	1.007	1.008	1.006
2 Year Average				1.003	1.009	1.009	1.008	1.010	1.010	1.007	1.008	1.006
Latest Year				1.003	1.010	1.008	1.007	1.007	1.012	1.004	1.005	1.008
Mid 3 of 5				1.004	1.008	1.009	1.009	1.009	1.007	1.007	1.007	1.007

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Indemnity Losses (Case Basis)

Policy Year		19th Report	20th Report	21st Report	22nd Report	23th Report	24th Report	25th Report	26th Report	27th Report	28th Report
1980	Dev. 27/28										
1981	Dev. 27/28										
1982	Dev. 27/28										
1983	Dev. 27/28										
1984	Dev. 27/28										
1981	Dev. 26/27										
1982	Dev. 26/27										
1983	Dev. 26/27										
1984	Dev. 26/27										
1985	Dev. 26/27										
1982	Dev. 25/26										
1983	Dev. 25/26										
1984	Dev. 25/26										
1985	Dev. 25/26										
1986	Dev. 25/26										
1983	Dev. 24/25										
1984	Dev. 24/25										
1985	Dev. 24/25										
1986	Dev. 24/25										
1987	Dev. 24/25										
1984	Dev. 23/24										
1985	Dev. 23/24										
1986	Dev. 23/24										
1987	Dev. 23/24										
1988	Dev. 23/24										
1985	Dev. 22/23										
1986	Dev. 22/23										
1987	Dev. 22/23										
1988	Dev. 22/23										
1989	Dev. 22/23										
1986	Dev. 21/22										
1987	Dev. 21/22										
1988	Dev. 21/22										
1989	Dev. 21/22										
1990	Dev. 21/22										
1987	Dev. 20/21										
1988	Dev. 20/21										
1989	Dev. 20/21										
1990	Dev. 20/21										
1991	Dev. 20/21										
1988	Dev. 19/20	630,417,574	636,657,940	1.010							
1989	Dev. 19/20	730,959,396	734,674,594	1.005							
1990	Dev. 19/20	893,416,152	900,113,670	1.007							
1991	Dev. 19/20	970,917,464	977,409,872	1.007							
1992	Dev. 19/20	1,024,195,589	1,031,899,417	1.008							
Development				19th/20th	20th/Ult.*						
5 Year Average				1.007	1.063						
4 Year Average				1.007	1.063						
3 Year Average				1.007	1.063						
2 Year Average				1.007	1.063						
Latest Year				1.008	1.063						
Mid 3 of 5				1.007	1.063						

\* From Exhibit DD, Sheet 2G



WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year		1st Report	2nd Report	3rd Report	4th Report	5th Report	6th Report	7th Report	8th Report	9th Report	10th Report	
1998	Dev. 9/10									177,948,154	180,886,423	1.017
1999	Dev. 9/10									195,994,014	194,569,748	0.993
2000	Dev. 9/10									201,326,223	206,803,498	1.027
2001	Dev. 9/10									214,479,957	219,885,299	1.025
2002	Dev. 9/10									253,534,088	259,870,164	1.025
1999	Dev. 8/9								190,949,339	195,994,014		1.026
2000	Dev. 8/9								198,746,274	201,326,223		1.013
2001	Dev. 8/9								208,841,155	214,479,957		1.027
2002	Dev. 8/9								252,926,381	253,534,088		1.002
2003	Dev. 8/9								274,031,803	272,228,360		0.993
2000	Dev. 7/8						193,987,311		198,746,274			1.025
2001	Dev. 7/8						212,903,098		208,841,155			0.981
2002	Dev. 7/8						239,561,866		252,926,381			1.056
2003	Dev. 7/8						260,733,207		274,031,803			1.051
2004	Dev. 7/8						273,395,810		275,877,085			1.009
2001	Dev. 6/7						202,031,846	212,903,098				1.054
2002	Dev. 6/7						234,060,030	239,561,866				1.024
2003	Dev. 6/7						256,436,567	260,733,207				1.017
2004	Dev. 6/7						265,527,967	273,395,810				1.030
2005	Dev. 6/7						301,650,138	305,942,782				1.014
2002	Dev. 5/6					231,300,333	234,060,030					1.012
2003	Dev. 5/6					251,015,932	256,436,567					1.022
2004	Dev. 5/6					259,145,913	265,527,967					1.025
2005	Dev. 5/6					285,659,366	301,650,138					1.056
2006	Dev. 5/6					312,314,916	318,441,180					1.020
2003	Dev. 4/5				245,881,503	251,015,932						1.021
2004	Dev. 4/5				252,426,961	259,145,913						1.027
2005	Dev. 4/5				273,944,688	285,659,366						1.043
2006	Dev. 4/5				293,502,461	312,314,916						1.064
2007	Dev. 4/5				321,649,763	334,759,001						1.041
2004	Dev. 3/4			241,080,001	252,426,961							1.047
2005	Dev. 3/4			252,498,001	273,944,688							1.085
2006	Dev. 3/4			268,154,979	293,502,461							1.095
2007	Dev. 3/4			293,984,947	321,649,763							1.094
2008	Dev. 3/4			287,230,900	313,257,502							1.091
2005	Dev. 2/3		222,685,883	252,498,001								1.134
2006	Dev. 2/3		237,208,418	268,154,979								1.130
2007	Dev. 2/3		263,189,804	293,984,947								1.117
2008	Dev. 2/3		250,519,335	287,230,900								1.147
2009	Dev. 2/3		267,652,260	304,250,819								1.137
2006	Dev. 1/2	193,016,505	237,208,418									1.229
2007	Dev. 1/2	212,872,377	263,189,804									1.236
2008	Dev. 1/2	203,063,311	250,519,335									1.234
2009	Dev. 1/2	208,296,049	267,652,260									1.285
2010	Dev. 1/2	222,699,502	269,790,341									1.211
Development		1st/Ult.	2nd/Ult.	1st/2nd	2nd/3rd	3rd/4th	4th/5th	5th/6th	6th/7th	7th/8th	8th/9th	9th/10th
5 Year Average		2.078	1.677	1.239	1.133	1.082	1.039	1.027	1.028	1.024	1.012	1.017
4 Year Average		2.088	1.681	1.242	1.133	1.091	1.044	1.031	1.021	1.024	1.009	1.018
3 Year Average		2.166	1.742	1.243	1.134	1.093	1.049	1.034	1.020	1.039	1.007	1.026
2 Year Average		2.202	1.765	1.248	1.142	1.093	1.053	1.038	1.022	1.030	0.998	1.025
Latest Year		1.987	1.641	1.211	1.137	1.091	1.041	1.020	1.014	1.009	0.993	1.025
Mid 3 of 5		2.092	1.696	1.233	1.134	1.090	1.037	1.022	1.024	1.028	1.014	1.022
Loss Development to Ultima		2.085	1.691									

\*Loss development based on 3 Mid of 5 Year average for 1st to 10th maturities and 3 Year average for 10th to ultimate.

Note: Policy years 2000 and 2001 adjusted for Cat48 losses.

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year		10th Report	11th Report	12th Report	13th Report	14th Report	15th Report	16th Report	17th Report	18th Report	19th Report	
1989	Dev. 18/19									247,214,230	251,465,152	1.017
1990	Dev. 18/19									317,781,505	316,700,608	0.997
1991	Dev. 18/19									330,224,268	335,994,818	1.017
1992	Dev. 18/19									339,471,512	343,413,451	1.012
1993	Dev. 18/19									351,042,790	353,019,029	1.006
1990	Dev. 17/18								311,578,246	317,781,505	1.020	
1991	Dev. 17/18								330,752,852	330,224,268	0.998	
1992	Dev. 17/18								335,957,660	339,471,512	1.010	
1993	Dev. 17/18								347,414,387	351,042,790	1.010	
1994	Dev. 17/18								309,964,203	312,812,376	1.009	
1991	Dev. 16/17							323,357,762	330,752,852	1.023		
1992	Dev. 16/17							330,904,888	335,957,660	1.015		
1993	Dev. 16/17							347,322,002	347,414,387	1.000		
1994	Dev. 16/17							306,898,193	309,964,203	1.010		
1995	Dev. 16/17							277,448,439	282,901,386	1.020		
1992	Dev. 15/16						325,867,921	330,904,888	1.015			
1993	Dev. 15/16						341,051,309	347,322,002	1.018			
1994	Dev. 15/16						302,751,069	306,898,193	1.014			
1995	Dev. 15/16						273,758,784	277,448,439	1.013			
1996	Dev. 15/16						240,438,853	238,924,987	0.994			
1993	Dev. 14/15				339,348,918	341,051,309	1.005					
1994	Dev. 14/15				298,742,179	302,751,069	1.013					
1995	Dev. 14/15				272,014,709	273,758,784	1.006					
1996	Dev. 14/15				232,040,385	240,438,853	1.036					
1997	Dev. 14/15				209,472,841	212,282,019	1.013					
1994	Dev. 13/14				296,298,356	298,742,179	1.008					
1995	Dev. 13/14				272,451,157	272,014,709	0.998					
1996	Dev. 13/14				230,557,650	232,040,385	1.006					
1997	Dev. 13/14				205,815,001	209,472,841	1.018					
1998	Dev. 13/14				185,907,323	188,730,772	1.015					
1995	Dev. 12/13			268,660,131	272,451,157	1.014						
1996	Dev. 12/13			225,349,885	230,557,650	1.023						
1997	Dev. 12/13			204,274,857	205,815,001	1.008						
1998	Dev. 12/13			183,790,804	185,907,323	1.012						
1999	Dev. 12/13			201,863,632	203,796,280	1.010						
1996	Dev. 11/12		222,946,670	225,349,885	1.011							
1997	Dev. 11/12		201,559,217	204,274,857	1.013							
1998	Dev. 11/12		182,757,197	183,790,804	1.006							
1999	Dev. 11/12		198,550,106	201,863,632	1.017							
2000	Dev. 11/12		206,309,072	209,640,390	1.016							
1997	Dev. 10/11	198,877,074	201,559,217	1.013								
1998	Dev. 10/11	180,886,423	182,757,197	1.010								
1999	Dev. 10/11	194,569,748	198,550,106	1.020								
2000	Dev. 10/11	206,803,498	206,309,072	0.998								
2001	Dev. 10/11	219,885,299	225,378,515	1.025								
Development				10th/11th	11th/12th	12th/13th	13th/14th	14th/15th	15th/16th	16th/17th	17th/18th	18th/19th
5 Year Average				1.013	1.013	1.013	1.009	1.015	1.011	1.014	1.009	1.010
4 Year Average				1.013	1.013	1.013	1.009	1.017	1.010	1.011	1.007	1.008
3 Year Average				1.014	1.013	1.010	1.013	1.018	1.007	1.010	1.010	1.012
2 Year Average				1.012	1.017	1.011	1.017	1.025	1.004	1.015	1.010	1.009
Latest Year				1.025	1.016	1.010	1.015	1.013	0.994	1.020	1.009	1.006
Mid 3 of 5				1.014	1.013	1.012	1.010	1.011	1.014	1.015	1.010	1.012

WORKERS COMPENSATION - NEW YORK  
New York State Insurance Fund  
Policy Year Development Factors - Medical Losses (Case Basis)

Policy Year		19th Report	20th Report	21st Report	22nd Report	23th Report	24th Report	25th Report	26th Report	27th Report	28th Report
1980	Dev. 27/28										
1981	Dev. 27/28										
1982	Dev. 27/28										
1983	Dev. 27/28										
1984	Dev. 27/28										
1981	Dev. 26/27										
1982	Dev. 26/27										
1983	Dev. 26/27										
1984	Dev. 26/27										
1985	Dev. 26/27										
1982	Dev. 25/26										
1983	Dev. 25/26										
1984	Dev. 25/26										
1985	Dev. 25/26										
1986	Dev. 25/26										
1983	Dev. 24/25										
1984	Dev. 24/25										
1985	Dev. 24/25										
1986	Dev. 24/25										
1987	Dev. 24/25										
1984	Dev. 23/24										
1985	Dev. 23/24										
1986	Dev. 23/24										
1987	Dev. 23/24										
1988	Dev. 23/24										
1985	Dev. 22/23										
1986	Dev. 22/23										
1987	Dev. 22/23										
1988	Dev. 22/23										
1989	Dev. 22/23										
1986	Dev. 21/22										
1987	Dev. 21/22										
1988	Dev. 21/22										
1989	Dev. 21/22										
1990	Dev. 21/22										
1987	Dev. 20/21										
1988	Dev. 20/21										
1989	Dev. 20/21										
1990	Dev. 20/21										
1991	Dev. 20/21										
1988	Dev. 19/20	222,269,830	223,360,855	1.005							
1989	Dev. 19/20	251,465,152	252,304,358	1.003							
1990	Dev. 19/20	316,700,608	316,489,943	0.999							
1991	Dev. 19/20	335,994,818	334,742,444	0.996							
1992	Dev. 19/20	343,413,451	347,831,641	1.013							
Development				19th/20th	20th/Ult.*						
5 Year Average				1.003	1.061						
4 Year Average				1.003	1.061						
3 Year Average				1.003	1.061						
2 Year Average				1.005	1.061						
Latest Year				1.013	1.061						
Mid 3 of 5				1.002	1.061						

\* From Exhibit DD, Sheet 2G

WORKERS COMPENSATION - NEW YORK  
Policy Year Loss Development Factors from 20th Report (Case Basis) to Ultimate Incurred  
New York State Insurance Fund Excluding Large Deductible Experience

	INDEMNITY	MEDICAL
1. Case incurred losses for Policy Year 1987 valued as of 12/31/07	547,392,404	189,579,503
2. Case incurred losses for Policy Year 1988 valued as of 12/31/08	636,657,940	223,360,855
3. Case incurred losses for Policy Year 1989 valued as of 12/31/09	734,674,594	252,304,358
4a. Change in case incurred losses from 12/31/07 to 12/31/08 for Policy Year 1987	2,732,309	271,239
4b. Change in case incurred losses from 12/31/07 to 12/31/08 for all Policy Years prior to 1987	18,273,816	6,194,375
5a. Change in case incurred losses from 12/31/08 to 12/31/09 for Policy Year 1988	816,324	2,149,844
5b. Change in case incurred losses from 12/31/08 to 12/31/09 for all Policy Years prior to 1988	18,773,916	5,244,956
6a. Change in case incurred losses from 12/31/09 to 12/31/10 for Policy Year 1989	5,080,182	3,469,295
6b. Change in case incurred losses from 12/31/09 to 12/31/10 for all Policy Years prior to 1989	21,819,914	5,370,756
7a. Growth Factor for 1987 Line 4b.	0.657	0.660
7b. Growth Factor for 1988 Line 5b.	0.624	0.650
7c. Growth Factor for 1989 Line 6b.	0.592	0.626
<b>8 Development factor 20th to ultimate: Average [(8a)+(8b)+(8c)]/3</b>	<b>1.054</b>	<b>1.048</b>
8a. $1 + \frac{(4a)}{(1)} + \frac{[4b]}{[(1) \cdot (7a)]}$	1.056	1.051
8b. $1 + \frac{(5a)}{(2)} + \frac{[5b]}{[(2) \cdot (7b)]}$	1.048	1.046
8c. $1 + \frac{(6a)}{(3)} + \frac{[6b]}{[(3) \cdot (7c)]}$	1.057	1.048
9 Case incurred losses for Policy Year 1988 valued as of 12/31/08	636,657,940	223,360,855
10 Case incurred losses for Policy Year 1989 valued as of 12/31/09	734,674,594	252,304,358
11 Case incurred losses for Policy Year 1990 valued as of 12/31/10	900,113,670	316,489,943
12a. Change in case incurred losses from 12/31/08 to 12/31/09 for Policy Year 1988	816,324	2,149,844
12b. Change in case incurred losses from 12/31/08 to 12/31/09 for all Policy Years prior to 1988	18,773,916	5,244,956
13a. Change in case incurred losses from 12/31/09 to 12/31/10 for Policy Year 1989	5,080,182	3,469,295
13b. Change in case incurred losses from 12/31/09 to 12/31/10 for all Policy Years prior to 1989	21,819,914	5,370,756
14a. Change in case incurred losses from 12/31/10 to 12/31/11 for Policy Year 1990	5,337,573	2,906,679
14b. Change in case incurred losses from 12/31/10 to 12/31/11 for all Policy Years prior to 1990	36,016,898	14,665,795

WORKERS COMPENSATION - NEW YORK  
Policy Year Loss Development Factors from 20th Report (Case Basis) to Ultimate Incurred  
New York State Insurance Fund Excluding Large Deductible Experience

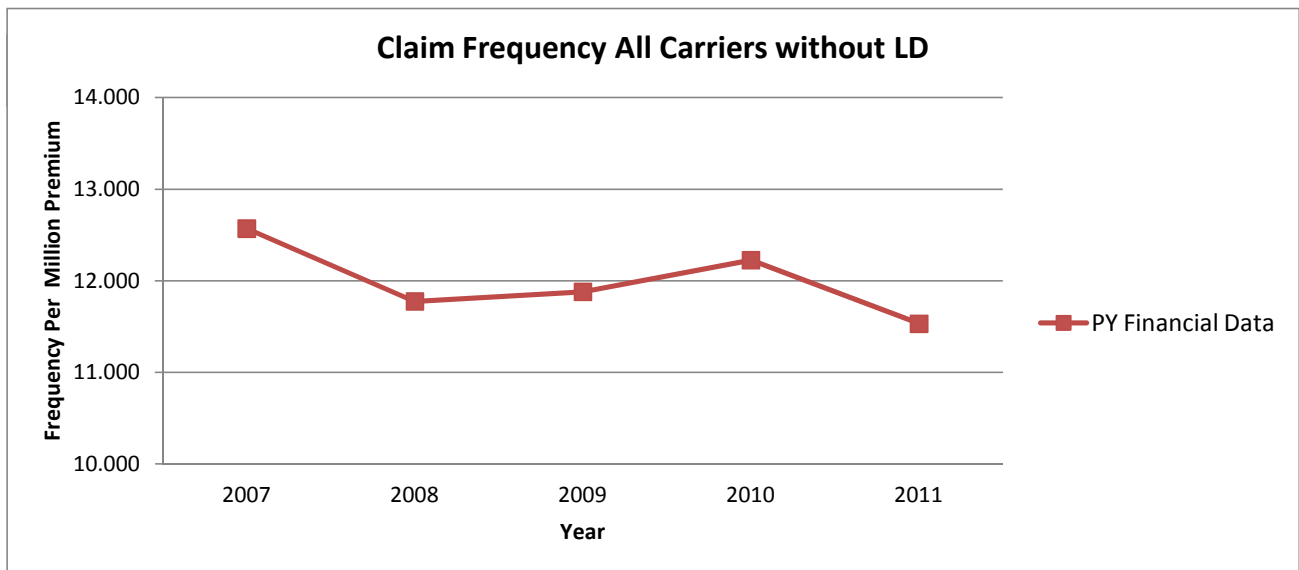
	INDEMNITY	MEDICAL
15a. Growth Factor for 1988 Line 12b.	0.624	0.650
15b. Growth Factor for 1989 Line 13b.	0.592	0.626
15c. Growth Factor for 1990 Line 14b.	0.532	0.540
<b>16 Development factor 20th to ultimate: Average [(16a)+(16b)+(16c)]/3</b>	<b>1.062</b>	<b>1.063</b>
16a. $1 + \frac{(12a)}{(9)} + \frac{(12b)}{(9) * (15a)}$	1.048	1.046
16b. $1 + \frac{(13a)}{(10)} + \frac{(13b)}{(10) * (15b)}$	1.057	1.048
16c. $1 + \frac{(14a)}{(11)} + \frac{(14b)}{(11) * (15c)}$	1.081	1.095
17 Case incurred losses for Policy Year 1989 valued as of 12/31/09	734,674,594	252,304,358
18 Case incurred losses for Policy Year 1990 valued as of 12/31/10	900,113,670	316,489,943
19 Case incurred losses for Policy Year 1991 valued as of 12/31/11	977,409,872	334,742,444
20a. Change in case incurred losses from 12/31/09 to 12/31/10 for Policy Year 1989	5,080,182	3,469,295
20b. Change in case incurred losses from 12/31/09 to 12/31/10 for all Policy Years prior to 1989	21,819,914	5,370,756
21a. Change in case incurred losses from 12/31/10 to 12/31/11 for Policy Year 1990	5,337,573	2,906,679
21b. Change in case incurred losses from 12/31/10 to 12/31/11 for all Policy Years prior to 1990	36,016,898	14,665,795
22a. Change in case incurred losses from 12/31/11 to 12/31/12 for Policy Year 1991	8,952,171	3,066,876
22b. Change in case incurred losses from 12/31/11 to 12/31/12 for all Policy Years prior to 1991	36,792,146	12,742,119
23a. Growth Factor for 1989 Line 20b.	0.592	0.626
23b. Growth Factor for 1990 Line 21b.	0.532	0.540
23c. Growth Factor for 1991 Line 22b.	0.543	0.563
<b>24 Development factor 20th to ultimate: Average [(24a)+(24b)+(24c)]/3</b>	<b>1.072</b>	<b>1.073</b>
24a. $1 + \frac{(20a)}{(17)} + \frac{(20b)}{(17) * (23a)}$	1.057	1.048
24b. $1 + \frac{(21a)}{(18)} + \frac{(21b)}{(18) * (23b)}$	1.081	1.095
24c. $1 + \frac{(22a)}{(19)} + \frac{(22b)}{(19) * (23c)}$	1.078	1.077
<b>25 Indicated average development factor from 20th to ultimate [(8) + (16) + (24)] / 3</b>	<b>1.063</b>	<b>1.061</b>

## Trend Analysis

### Claim Frequency - All Carriers without LD

Frequency = developed claims counts per 1,000,000 of onleveled premium adjusted for wage growth

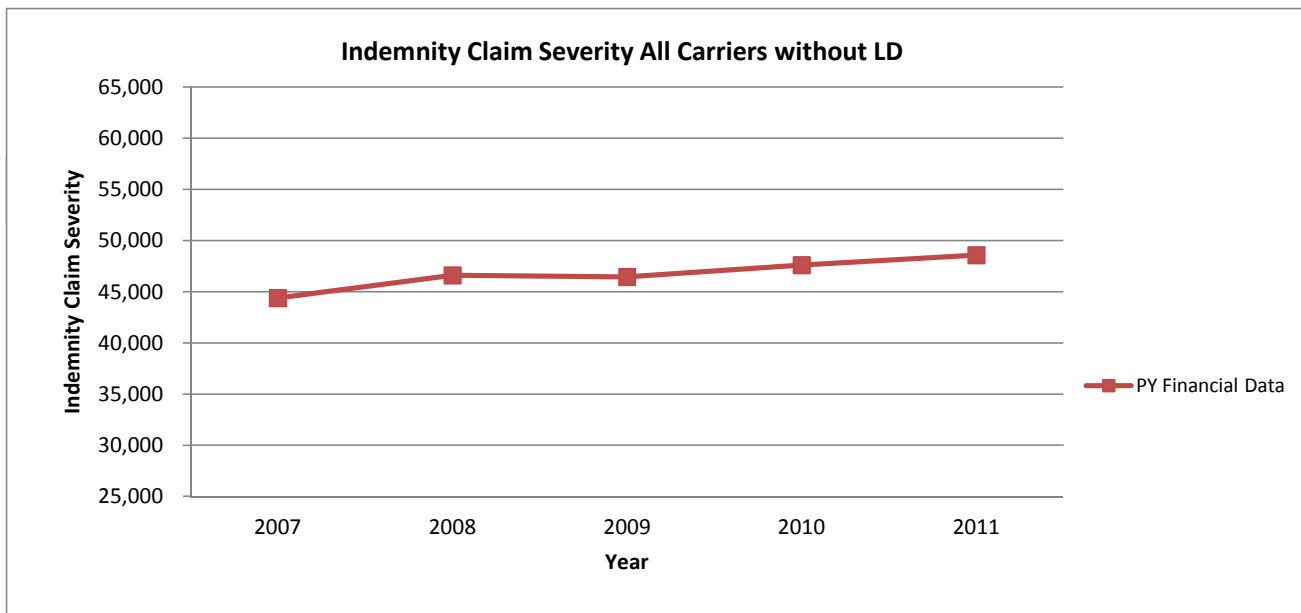
<u>PY</u>	Financial Trend Policy Year Data	
2007	12.571	
2008	11.776	
2009	11.880	
2010	12.226	
2011	11.533	
	Trend	R squared
2007-2011	-1.3%	0.401



## Trend Analysis

### Indemnity Severity - All Carriers without LD

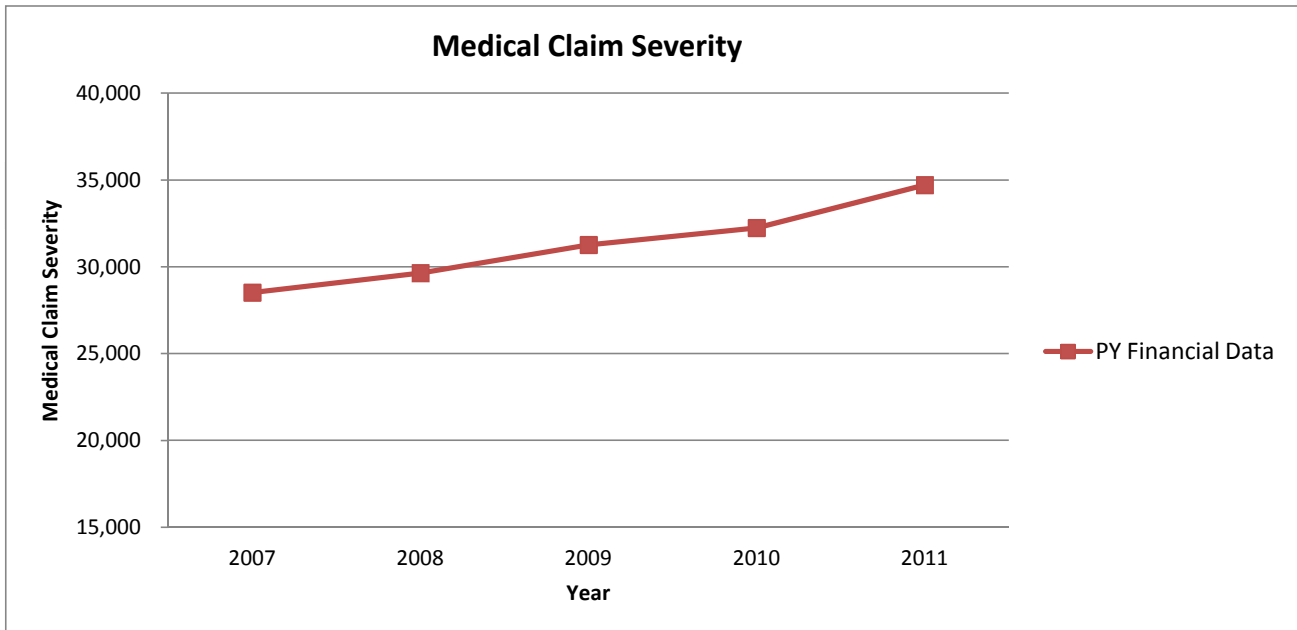
PY	Financial Data	
	Indemnity Average Claim Severity (Policy Year)	
2007	44,401	
2008	46,612	
2009	46,442	
2010	47,619	
2011	48,576	
	Trend	R squared
2007-2011	2.0%	0.901



## Trend Analysis

### Medical Severity - All Carriers without LD

PY	Financial Data	
	Medical Average Claim Severity (Policy Year)	
2007	28,518	
2008	29,635	
2009	31,263	
2010	32,244	
2011	34,709	
	Trend	R squared
2007-2011	4.9%	0.976





TREND STUDY

Analysis of New York Average Wage Trends

New York Average Weekly Wage

<u>Experience Period</u>	<u>Actual</u> *	<u>Fitted Regression Lines</u>	
		<u>Exponential</u>	<u>Linear</u>
2008	1,161.22	1132.21	1132.12
2009	1,111.41	1148.24	1148.53
2010	1,158.91	1164.50	1164.93
2011	1,188.31	1180.98	1181.34
2012	1,204.81	1197.71	1197.75
Projected Average Annual Change		1.42%	1.41%
R Squared		0.524	0.533

\* Average weekly wages from N. Y. Department of Labor for all industries

Projected Economic Changes \*\*

	<u>Employment</u>	<u>Total Wages</u>	<u>Average Wages</u>	<u>Projected AWW</u>
2013	1.2%	4.2%	3.0%	1240.53
2014	1.3%	4.8%	3.5%	1283.39
Projected change 2010 - 2014			<u>Total</u>	<u>Annualized</u>
Projected change 2011 - 2014			10.7%	2.6%
			8.0%	2.6%
<b>Selected Annual Wage Trend</b>				<b>2.6%</b>

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In the Matter of  
Workers' Compensation Insurance Loss Cost  
Application of the New York  
Compensation Insurance Rating Board

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**OPINION AND DECISION**

On May 14, 2013, an application for an overall loss cost increase of 16.9% was submitted to the Department of Financial Services ("Department") by the New York Compensation Insurance Rating Board ("NYCIRB"). A public hearing concerning the loss cost filing was held on June 25, 2013. As discussed below, the Department disapproves the application as filed. But should NYCIRB refile its application in accordance with this Opinion and Decision, policyholders will experience an overall increase in workers' compensation costs of 2.8%.

NYCIRB'S FILING

NYCIRB, licensed pursuant to Insurance Law § 2313, serves as the private rate service organization for New York State workers' compensation insurers. Consequently, all workers' compensation insurers that write business in New York report statistical information to NYCIRB. NYCIRB compiles and evaluates the data and proposes loss cost changes, which require the Superintendent's prior approval before implementation.

In its May 14, 2013 filing, NYCIRB sought an overall loss cost increase of 16.9%. NYCIRB based its 16.9% request on: loss experience, as measured by two policy years of data, which contributed 16.1% to the proposed increase; an overall trend factor of 0.974; a change in the loss adjustment expense contributing -1.4% to the overall loss cost level; and legislative and regulatory changes, including a raise

in the maximum and minimum weekly benefit amounts and the closure of the Reopened Case Fund, which, in NYCIRB's estimation, increases the overall loss costs by 5.4%.

## PUBLIC HEARING

In accordance with the requirement under Insurance Law § 2305 that a hearing be held on any proposal for a loss cost increase greater than 7%, the Department held a public hearing concerning NYCIRB's loss cost filing on June 25, 2013, at its Beaver Street offices in New York City. At the hearing, the Department heard testimony from eight people: Ziv Kimmel of NYCIRB; Elizabeth Heck of Greater New York Mutual Insurance Company; Steve Bennett of the American Insurance Association; Laurie Barkhorn of The Hartford Insurance Company; Thomas Nowak of AIG Property and Casualty Group; Nancy Treitel-Moore of Liberty Mutual; Robert Grey of the New York Workers' Compensation Alliance; and Mark Humowiecki of the Workers' Compensation Board.

Mr. Kimmel testified about the actuarial analysis NYCIRB performed in support of the loss cost application. For example, he explained the use of a revised methodology in calculating carrier experience, which he estimated reduced the application by 2.7%; the decision to assume that two-thirds of losses are reserved at post-2007 reform levels to avoid a shock to the market;<sup>1</sup> the rationale for using a five-year period to calculate the trend factor; and the impact of benefit level changes and of the closing of the Reopened Case Fund.

The next five witnesses, representing private carriers that write workers' compensation business in New York and an insurance industry trade group, testified in support of NYCIRB's filing. Elizabeth

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<sup>1</sup> The 2007 workers' compensation reforms sought to reduce the costs of the system while increasing weekly benefits. Among a number of changes, the reforms imposed duration caps on non-scheduled permanent partial disability cases, required the implementation of medical treatment guidelines, and allowed employers and carriers to establish mandatory networks for pharmacy and diagnostic testing. In addition, the Workers' Compensation Board established fee schedules for pharmacy, diagnostic testing, and durable medical equipment.

Heck testified that rising claim and medical costs, combined with the extended period of low interest rates, require a loss cost increase. In particular, Ms. Heck identified the over-prescription of pain medication and increased delays in classifying permanent partial disability (“PPD”) claims as the drivers of higher workers’ compensation claim costs. Steve Bennett testified that the Department’s decision regarding the loss cost increase will inform how much capital private insurers commit to writing workers’ compensation insurance in New York. Laurie Barkhorn testified that approval of NYCIRB’s application is necessary to “address rising system costs in the state.” Thomas Nowak, who served as chair for NYCIRB’s Governing Committee this year, testified that NYCIRB’s filing is supported by standard actuarial analysis. Nancy Treitel-Moore testified that the requested increase in loss cost rates is necessary to address rising claim costs and maintain a competitive workers’ compensation marketplace. Moreover, Ms. Treitel-Moore testified that NYCIRB could have used less favorable assumptions and requested a more substantial loss cost rate increase.

Robert Grey and Mark Humowiecki testified in opposition to NYCIRB’s loss cost application. Mr. Grey questioned the validity of the data and assumptions underlying NYCIRB’s filing. Mr. Humowiecki testified that the 16.9% rate increase request is primarily attributable to a change in actuarial assumptions – relating to duration caps for permanent partial disability claims and the closure of both the Special Disability and Reopened Case Funds – rather than a change in financial data. Moreover, Mr. Humowiecki testified that recent reforms have significantly expedited the classification of PPD claims and will lower the assumed costs incorporated in NYCIRB’s requested loss cost increase.

## WRITTEN SUBMISSIONS

In addition to the public testimony presented at the hearing, the Department received three written submissions before and two submissions after the hearing.<sup>2</sup> Before the hearing, the Department received written submissions from Kristina Baldwin of the Property Casualty Insurers Association of America; Lev Ginsburg, Esq. of The Business Council of New York State; and David Dickson, public member of NYCIRB. All three submissions supported NYCIRB's request for a loss cost increase. Ms. Baldwin wrote that a loss cost increase is necessary to maintain a competitive market and avoid more business shifting to the State Insurance Fund. Mr. Ginsburg suggested that NYCIRB's requested increase is necessary to offset the increasing costs associated with increased benefit levels, higher medical and frictional costs. Mr. Dickson contended that New York workers' compensation rates are too high because insufficient action has been taken to improve workplace safety and to address workers' compensation insurance fraud.

Following the hearing, the Department received additional comments from Ziv Kimmel, in further support of his public testimony, and from Jeffrey Fenster of the Workers' Compensation Board. Mr. Kimmel responded directly to Mr. Humowiecki's criticism of the actuarial assumptions supporting NYCIRB's filing. In particular, Mr. Kimmel explained why NYCIRB concluded that its duration cap assumptions were reasonable. Mr. Fenster explained how changes in the assessment process are expected to reduce assessments and administrative expenses.

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<sup>2</sup> Robert Grey submitted written testimony that mirrored his hearing testimony and is not restated here.

## DISCUSSION

### A. Loss Experience by Policy Years

In this revision, NYCIRB has submitted case basis loss experience for Policy Years 2010 and 2011.<sup>3</sup> The submission shows a loss cost indication for Policy Year 2010 of +17.9% and a loss cost indication for Policy Year 2011 of +14.2%. Both indications rely on premium and loss development factors and on-level factors to project data to ultimate values and adjust data to the current loss cost level, respectively. Such factors must be evaluated each year to assure that they are reasonable projections of past development patterns, and appropriate to apply to the current data.

This task has been complicated by the gradual inclusion of reserves reflecting the 2007 workers' compensation reforms that were enacted to reduce the costs of the system while increasing weekly benefits. Among other changes, the reforms imposed duration caps on non-scheduled PPD cases, required the implementation of medical treatment guidelines, and allowed employers and carriers to establish mandatory networks for pharmacy and diagnostic testing. Moreover, the Workers' Compensation Board established fee schedules for pharmacy, diagnostic testing, and durable medical equipment. The January 2012 implementation of Loss-of-Earning-Capacity Guidelines and May 28, 2013 subject number announcing "Efforts to Promote Permanency Classifications" provided clarity and have helped carriers become more responsive to the post-reform environment.

The Department has reviewed and modified three of the assumptions underlying NYCIRB's policy year experience analysis to arrive at a reasonable calculation of loss experience for Policy Years 2010 and 2011. Specifically, the Department adjusted NYCIRB's assumptions relating to Special Disability Fund reserves, PPD loss reporting and the development rate for PPD losses. Each of those items is addressed in turn.

## 1. Special Disability Fund Reserves

The Special Disability Fund (“SDF”) reimburses insurers for all benefits paid to a claimant who is classified as having a PPD, and subsequently becomes permanently disabled as a result of a work-related injury or occupational disease.<sup>4</sup> As part of the 2007 workers’ compensation reforms, the SDF was closed to all claims arising from accidents occurring on or after July 1, 2007.

Regarding reserving for SDF eligible claims, NYCIRB assumes that “all losses are at pre-reform level after application of ultimate development factors.”<sup>5</sup> In other words, all reserves valued as of December 31, 2012 do not reflect the elimination of the SDF. For post-reform reserves on SDF eligible claims to be comparable at early reports to reserves established when the SDF was accepting claims, carriers would have had to reserve for the full value of the claim and then reduced the reserves once they received relief from the SDF. This practice should be evident in the indemnity case basis loss development factors, where the link ratios would decrease markedly around the fifth report as the SDF began accepting a majority of its claims. While this pattern is borne out in the development data of the State Insurance Fund, the residual market carrier, it is not apparent in the historical private carrier data. This evidence suggests that NYCIRB’s reserving assumption with respect to the closure of the SDF, while valid for the State Insurance Fund, is not entirely appropriate for private carriers. The result is an apparent overestimation of the impact of the closure of the SDF on private carrier experience. To temper this result, the reserve assumption is hereby revised to 75% of the filed adjustment to private

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<sup>3</sup> Case basis losses consist of paid losses plus reserves on specific claims and do not include bulk or Incurred But Not Reported (“INBR”) loss reserves.

<sup>4</sup> To qualify for the SDF, the permanent disability must result from the combined effects of the initial and subsequent injury or occupational disease. All benefits paid to qualifying claimants after the first 260 weeks of disability (or 104 weeks for accidents or disablements before August 1, 1994) are reimbursed by the SDF. Workers’ Comp. Law § 15-8(d). Further, if a second injury results in the employee’s death and either the injury or death would not have occurred except for the pre-existing permanent condition, the employer or carrier shall be reimbursed from the SDF for all death benefits payable in excess of 260 weeks (or 104 weeks for accidents or disablements before August 1, 1994). Workers’ Comp. Law § 15(8)(e).

<sup>5</sup> New York Workers Compensation, October 1, 2013 Loss Cost Revision, Explanatory Memorandum, p. 4.

carrier indemnity losses to more accurately account for the closure of the SDF. This change decreases the Policy Year 2010 and 2011 indications to +15.8% and +12.2%, respectively.

## 2. PPD Duration Cap Loss Assumptions

The Workers' Compensation Reform Act of 2007 imposed duration caps on non-scheduled PPD claims, limiting what were previously considered "lifetime" benefits to a specified period of time. Thus, losses reserved at pre-reform levels would be reserving for lifetime benefits, while those reserved at post-reform levels would account for the cap. In calculating the loss cost adjustment, pre-reform losses are adjusted downward to reflect the full impact of anticipated savings from the duration caps, while post-reform losses do not need to be adjusted, as they already reflect the caps.

In the loss cost application, NYCIRB assumes that 66.7% of the private carrier PPD losses reflect the elimination of lifetime benefits and the application of duration caps.<sup>6</sup> This results in a substantial increase in NYCIRB's loss assumptions as compared to the assumptions made in prior filings. The 2011 loss cost filing, for example, assumed that 25% of PPD losses were reserved at post-reform levels while the comparable assumption in last year's loss cost filing was 27.5%. NYCIRB justified the current assumption on the grounds that the implementation of the Loss-of-Earning-Capacity Guidelines in January 2012 and the increased temporal distance from the effective date of the reforms indicate that carrier reserving practices now reflect the post-reform environment.<sup>7</sup>

While NYCIRB stated that its survey of private market carriers supports the view that practically all carriers now set claim reserves based on post-reform benefits, NYCIRB assumed that 66.7% of reserves are set at post-reform levels to maintain marketplace stability and limit any shock resulting from

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<sup>6</sup> New York Workers Compensation, October 1, 2013 Loss Cost Revision, Explanatory Memorandum, p. 4.

<sup>7</sup> Ziv Kimmel, Hearing Transcript, page 8-9



the changed assumption.<sup>8</sup> As modified, however, the PPD duration cap loss assumptions still result in a drastic change to the indication that will have a significant impact on the market. An assumption of 55% of PPD losses reflecting the application of duration caps for the calculation of indemnity on-level factor would be more reasonable. The increase would still be twice the assumption used in the 2012 loss cost filing, but would be less disruptive to the market. In combination with the revision to the SDF assumption, this adjustment further reduces the Policy Year 2010 indication to +12.1% and the Policy Year 2011 indication to +8.6%.

### 3. PPD Loss Adjustment

For the PPD losses estimated to reflect the duration caps, the indemnity loss development pattern was accelerated to reflect a lower anticipated development for these claims. The adjustment to the indemnity loss development embedded in the indemnity on-level factors are based on assumptions regarding: (i) the portion of PPD indemnity losses that arise from non-scheduled claims; (ii) the portion of indemnity losses that are from PPD claims; and (iii) the percentage of non-scheduled PPD (“NSPPD”) claims that are impacted by duration caps at each reporting age. In reviewing the assumed distribution of NSPPD claims for item (iii), the Department notes that, on average, NYCIRB assumes that it would take nine years before the duration caps would affect a NSPPD claim. However, according to the Workers’ Compensation Board’s Subject No. 046-058, issued on May 28, 2013, the average time from accident date to the classification of a NSPPD claim is 6.4 years. In addition, NYCIRB does not begin to adjust the indemnity development pattern until sixth report, where only 5% of the NSPPD claims are assumed to be affected by the duration caps. While this assumption may be reasonable for adjusting paid development factors, case reserves should be decreased sooner.

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<sup>8</sup> “The obvious question that needs to be asked is, therefore, why are we not reflecting the fact with respect to duration caps, 100% are at post-reform levels? The answer is that while a 100% would constitute a better reflection of the reserve levels and

Moreover, the Workers' Compensation Board's recently announced initiative to expedite the classification of NSPPD claims will likely result in a significant reduction of the delay underlying NYCIRB's loss cost application. While the full extent of the impact of this reform is yet to be determined, the Workers' Compensation Board indicated that initiative has resulted in a substantial increase in classifications in the first month of operation.<sup>9</sup> As a result, NYCIRB's NSPPD loss assumptions are overly pessimistic. It is therefore appropriate to take the assumed distribution of NSPPD claims impacted by duration caps and shift it forward by three years. This change decreases the loss development adjustment embedded in the indemnity on-level factor from 0.925 to 0.872. By making this change, the total Policy Year 2010 indication is changed to +9.5% and the total Policy Year 2011 indication is changed to +6.2%.

B. Loss and Wage Trend Factor

Apart from the analysis of loss experience by policy years discussed above, the Department also evaluated loss and wage trend factors in assessing NYCIRB's filing. The trend factor is based on an analysis of exponential regression lines of claim costs and frequencies. Wage data are analyzed separately, and severity trends are shown separately for indemnity and medical claims. The indemnity and medical claim frequencies are identical, as only lost time claims are considered in the claim frequency analysis. The indemnity and medical indications are combined using a weighted average based on Policy Year 2011 ultimate on-level losses valued as of December 31, 2012.

Loss trend data comes from policy year financial data submitted to NYCIRB and valued as of December 31, 2012. Workers' compensation insurance is a long-tailed line (i.e., it takes many years after the occurrence of a claim for the last dollar to be paid). Based on historical patterns, losses from

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would be more responsive to current market conditions, it was the Rating Board's decision to select two-thirds, in order to contribute to stability in the market." Ziv Kimmel, Hearing Transcript, p. 9, lines 9-16.

<sup>9</sup> Mark Humowiecki, Hearing Transcript, pp. 75-76.

more recent years (2004-2011) are adjusted (or developed) to ultimate value (the total cost of those claims when all dollars have been paid) through the use of loss development factors. This is done separately for the private carriers (excluding large deductible experience) and the State Insurance Fund. These losses are also brought to current levels. The adjusted data are then combined for the trend analysis. The eight years of trend data in the current filing are from 2004-2011. There is no available data for 2012.

Trend lines are calculated using exponential regression based on four, five and eight years of data. Historically, the trend indication has generally been based on five year exponential trend lines. The selected claim frequency, indemnity severity, and medical severity trend lines were based on the five year exponential trends.

The wage factor is designed to account for rising payrolls, which exceed the corresponding increase in exposure to loss. The wage factor is based on published annual Department of Labor statistics for the historical experience period, as well as projections made in the New York State Assembly's 2013 Economic Report to trend from the historical to the prospective experience periods.

The selected trends in claim costs for both medical and indemnity losses are lower than those submitted in last year's filing: +2.0% annually for Indemnity Claim Cost trend (vs. +4.7% in the 2012 filing), and +4.9% for Medical Claim Cost trend (as opposed to +5.2% in last year's filing). The trends reflect improving conditions that may be attributable to the 2007 reforms.

While the Department prefers that private carrier and State Insurance Fund trends be computed separately, and then weighted by the most recent projected claim counts available (for severity), or the most recent on-level premium (for frequency), determining the trend factor in this manner would not change the overall loss trend/wage factor. Therefore, the Department accepts the frequency and severity

trends as filed by NYCIRB. However, because the changes to the experience indication also affected the split of ultimate indemnity/medical losses, the approvable trend factor changes from 0.984 to 0.987.

C. Loss Adjustment Expense

The Department also analyzed the loss adjustment expense information, which relates to costs associated with resolving claims. The loss adjustment expense (“LAE”) provision was based on developing an ultimate ratio of paid LAE to paid losses for Defense and Cost Containment Expense (“DCCE”), and a review of historical calendar year ratios of paid LAE to paid losses for Adjusting and Other Expense (“AOE”). Private carrier financial data, excluding large deductible experience on both policy year and accident year bases, were used to determine the DCCE provision, while the AOE provision was based on a review of Insurance Expense Exhibit data. The selected DCCE factor of 0.090, based on an average of the latest three years of policy year and accident year ratios of ultimate DCCE to ultimate paid losses, increases to 0.095 as a result of the decrease in projected on-level ultimate paid losses resulting from the reduction of the on-level factors described above in section A. An average of the latest five ratios of calendar year incurred AOE to losses produces the selected AOE provision of 0.073.

The change in the LAE factor from 1.180 to 1.168 results in a decrease of 1.0% to the loss cost level. The original filed decrease in the LAE factor was 1.4% of loss costs.

D. Legislative and Regulatory Changes

Recent legislative and regulatory changes, too, affect the analysis of NYCIRB’s submission. The 2013-2014 Business Relief Act<sup>10</sup> closes the Reopened Case Fund (“RCF”) as of January 1, 2014 to all new claims.<sup>11</sup> Claims formerly eligible to be assumed by the RCF will now be paid fully by the insurer.

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<sup>10</sup> Part GG of Chapter 57 of the Laws of 2013.

<sup>11</sup> The RCF was established in 1933 and provides payments directly to claimants and health providers when the claimant’s case is reopened when: (i) the case was previously disallowed or closed without compensation and is reopened after a lapse of

While this action will result in an increase in loss costs, the Workers' Compensation Board testified that employers will realize an annual assessment savings of \$300 million.<sup>12</sup> In estimating the impact of the closure of the RCF on loss costs, NYCIRB took an average of the latest ten years of RCF assessments excluding self-insurers. "Defense of Fund" payments and payments to volunteer firefighters and ambulance workers were also removed. NYCIRB estimated the loss cost impact at +4.5% by taking a ratio of this adjusted assessment average to five years of historical ultimate losses. Since a claim must be at least seven years old before becoming eligible to be taken over by the RCF, the cost of any claim from an in-force policy cannot be shifted to the Fund. Therefore, NYCIRB has proposed to apply this +4.5% loss cost change to both new and renewal policies and to outstanding policies.

Also as a result of the 2013 Business Relief Act, the minimum weekly benefits for injured workers increased from \$100 per week to \$150 per week effective May 1, 2013. NYCIRB estimates that this increase will result in a 0.4% increase in total workers' compensation loss costs. In accordance with the 2007 reforms, the maximum weekly benefits for injured workers increased from \$600 per week to two-thirds of the statewide average weekly wage on July 1, 2010, with additional annual increases effective July 1 of each subsequent year. As a result, the maximum weekly benefit increased from \$772.96 to \$792.07 effective July 1, 2012, and to \$803.21 effective July 1, 2013. NYCIRB estimates the loss cost impact of these actual and anticipated indemnity benefit changes from October 1, 2012 to average +0.5% over the prospective experience period. However, NYCIRB inadvertently used the prior \$100 minimum weekly benefit in its calculation of the impact of these maximum benefit changes,

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7 years from date of accident; or (ii) the case is reopened 7 years after the date of accident and at least 3 years after the last compensation payment; or (iii) death occurs after 7 years from the accident in non-compensated cases or after 7 years from the date of the accident and at least 3 years after the last compensation payment. Supplemental benefits are also paid out of the RCF to reimburse for payments to totally disabled individuals or the spouses of deceased individuals where the date of accident or death occurred on or before December 31, 1978; the RCF reimburses the supplemental portion of the payment. Finally, the RCF also reimburses payments to totally disabled volunteer firefighters and ambulance workers where the date of accident occurred on or before December 31, 1998.

<sup>12</sup> Mark Humowiecki, Hearing Transcript, p. 80.

instead of the recently enacted \$150 minimum weekly benefit. Making this correction reduces the loss cost impact of the contemplated indemnity benefit changes to +0.4%.

The approvable combined effect of these legislative changes is a loss cost increase of 5.3% on new and renewal policies. NYCIRB also proposed a pro-rated +4.5% loss cost increase to outstanding policies effective October 1, 2012 to September 30, 2013 due to the elimination of the RCF. However, those policyholders who have a renewal date earlier in the period would see the 4.5% increase pro-rated over a fewer number of days than those policyholders who have a renewal date later in the filing period. As the Workers' Compensation Board noted, "those policies that renew in October or shortly thereafter will have avoided the additional increase and will pay a much smaller assessment on the 2013 to 2014 policy."<sup>13</sup> This would have differing impacts on policyholders with in-force policies in the current period. Moreover, it is not practical or feasible to quantify the effect the fund closure will have, if any, on the experience of policies that are currently in effect. To the extent that such experience is adversely affected by the RCF closure, the adverse experience will be reviewed as part of future rate filings. Accordingly, this aspect of the request is disapproved at this time.

#### E. Catastrophes

Costs related to catastrophic risk also factor into NYCIRB's submission. In December 2007, the Terrorism Risk Insurance Program Reauthorization Act extended the federal backstop for terrorism exposure through December 31, 2014. In response to the increased carrier retentions required by the Act (20% of earned premium compared to 15% of earned premium through December 31, 2005), the loss cost provision for terrorism was increased to \$0.038 per \$100 of payroll as part of the October 1, 2008 loss cost filing. The current loss cost provision for natural disasters and catastrophic industrial accidents is \$0.008 per \$100 of payroll. For these hazards, payroll is a better reflection of risk than

premium, as the exposure to these hazards appears to be independent of the inherent risk of a given employment.

The NYCIRB did not file for any changes in these factors in the 2013 filing, and, the Department finds that no adjustments are warranted.

F. Comparative Analysis

The following table (“Summary Table”) compares the NYCIRB’s filed request with the Department’s findings:

	NYCIRB	DEPARTMENT
1. Change from present loss costs indicated by experience of Policy Year 2011	1.142	1.062
2. Change indicated by Policy Year 2010	1.179	1.095
2a. Average of (1) and (2)	1.161	1.079
3. New York Trend/Wage Factor	0.974	0.977
4. Change in Loss Adjustment Expense	0.986	0.990
5. Change Due To Legislation and Regulation	1.054	1.053
6. Manual Loss Cost Level Change {(2a)*(3)*(4)*(5)}	1.175	1.099
7. Change in Catastrophe Provision	1.000	1.000
8. Catastrophe Loss Cost as Percent of Total Loss Costs	0.036	0.036
9. Total Loss Cost Level Change {(6)*[(1.0-(8))+ (7)*(8)]}	1.169	1.095

In sum, the Department’s analysis of 2010 and 2011 Policy Year experience reduces the indicated loss cost increase from 16.1% to 7.9%<sup>14</sup>. Together with the adjustments for trend and wage

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<sup>13</sup> Mark Humowiecki, Hearing Transcript, p. 81.

<sup>14</sup> See line 2a, Summary Table.

factor, loss adjustment expenses, and legislative and regulatory changes, this produces a manual loss cost level change of 9.9%<sup>15</sup> The catastrophe provision remains the same and represents an estimated 3.6% of total loss costs.<sup>16</sup> Thus the total loss costs increase indicated by the Department's analysis is +9.5%.<sup>17</sup>

## ASSESSMENT DISCUSSION

A policyholder pays not only the premium on a workers compensation policy, of which the loss cost is an integral part, but also pays a separate New York Assessment charge with the premium. The New York State Assessment is levied by the Workers' Compensation Board. It is the mechanism that funds the costs of the Workers' Compensation Board, the Reopened Case Fund, the Special Disability Fund, the Special Funds Conservation Committee and interdepartmental expenses.

The 2013 Business Relief Act simplified the billing and collection of assessments. By November 1, 2013 and every year thereafter, the Workers' Compensation Board will publish an assessment rate as a percentage of premium to be used by all payers beginning January 1 of the upcoming calendar year. All statutory assessments will be combined into this single assessment except for the so-called self-insurers' assessment.

In addition, effective January 1, the assessment will no longer be subject to premium tax or include a paid premium tax loading. The current assessment percentage charge is 18.8% of standard premium and includes a 0.4% premium tax loading that will no longer be necessary. Removing the premium tax load would produce an estimated 0.3% reduction in policyholder costs.<sup>18</sup>

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<sup>15</sup> See line 6, Summary Table.

<sup>16</sup> See lines 7 and 8, Summary Table.

<sup>17</sup> See line 9, Summary Table.

<sup>18</sup> The adjusted assessment charge over the current assessment charge of 18.8%, which is calculated as  $[1.184/1.188] - 1.0 = -0.3\%$



Increases in the overall statewide premium base resulting from a loss cost increase could reduce the assessment rate further, equating to an approximate 1% assessment reduction for every 5% increase in loss costs.<sup>19</sup> Based upon a 9.5% loss cost increase, the reduction in the New York State Assessment charge is estimated to be 1.9%, which would result in an estimated net impact of 1.6% reduction in policyholder costs.<sup>20</sup>

Finally, the closure of the Reopened Case Fund would result in a reduction in the overall assessments for 2014 of roughly \$300 million, or approximately 5% of what the assessment would have been had it not been for the legislative action to close the Fund.<sup>21</sup> This would result in an estimated net impact of 4.2% decrease in policyholder costs.<sup>22</sup> The combined effect of these changes would decrease policyholder costs, as applied to the current premium base, by approximately 6.1%<sup>23</sup>. However, when this decrease is applied to the 9.5% loss cost increase indicated by the Department's analysis, the effect of these changes would decrease policyholder costs by an estimated 6.7%.<sup>24</sup>

## CONCLUSION

Based on the review of the filing, the related written submissions and the testimony provided at the public hearing held on June 25, 2013, the Superintendent disapproves NYCIRB's request for an increase of 16.9%. The Department's analysis indicates that an increase of no more than 9.5% would be reasonable. A 9.5% increase would alleviate the impact of the cost increases identified in NYCIRB's filing, and the supporting submissions and testimony, while, when combined with the anticipated 2014

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<sup>19</sup> Letter to Superintendent Lawsky from Executive Director Jeffrey Fenster, dated July 1, 2013.

<sup>20</sup> The adjusted assessment charge over the current assessment charge, which is calculated as  $[1.169/1.188] - 1.0 = -1.6\%$

<sup>21</sup> Letter to Superintendent Lawsky from Executive Director Jeffrey Fenster, dated July 1, 2013.

<sup>22</sup> The adjusted assessment charge over the current assessment charge, which is calculated as  $[1.138/1.188] - 1.0 = -4.2\%$

<sup>23</sup>  $-0.3\% - 1.6\% - 4.2\% = -6.1\%$

<sup>24</sup> The  $-6.1\%$  is applied to the adjusted premium base, which is calculated as  $1.095 * -6.1\% = -6.7\%$ .

New York State assessment reductions (resulting in a further 6.7% decrease in policyholder costs), limit the overall projected cost increase passed on to policyholders to approximately 2.8%.



DATED: July 11, 2013  
New York, New York

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Benjamin M. Lawskey  
Superintendent of Financial Services

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In the Matter of  
Workers' Compensation Insurance Loss Cost  
Application of the New York  
Compensation Insurance Rating Board

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**OPINION AND DECISION**

On May 14, 2013, the New York Compensation Insurance Rating Board ("NYCIRB") filed an application with the Department of Financial Services ("Department") requesting a workers' compensation overall loss cost increase of 16.9%. As the application sought a loss cost increase in excess of 7%, a public hearing was held, pursuant to Insurance Law § 2305, on June 25, 2013. In an Opinion and Decision dated July 11, 2013 ("O&D"), the Department disapproved the application and invited NYCIRB to refile in accordance with the O&D.

On July 12, 2013, NYCIRB refiled its application with the Department in accordance with the O&D. On review and consideration, that application is approved, and, for the reasons explained in the O&D, policyholders will experience an overall increase in workers' compensation costs of 2.8%.

DATED: July 15, 2013  
New York, New York

BENJAMIN M. LAWSKY  
SUPERINTENDENT OF FINANCIAL SERVICES

By:   
Robert H. Easton  
Executive Deputy Superintendent  
Insurance Division