

RHODE ISLAND



TECHNICAL SUPPLEMENT

PROPOSED EFFECTIVE JUNE 1, 2008



Regulatory Services Division

Laura Backus Hall, CPCU
State Relations Executive

December 18, 2007

Honorable A. Michael Marques
Director
State of Rhode Island and Providence Plantations
Department of Business Regulation
Insurance Division
233 Richmond Street
Providence, RI 02903-4233

Attention: Paula Pallozzi, Chief Property & Casualty Insurance Rate Analyst

**Re: Rhode Island Workers Compensation Loss Cost Level Change including Loss
Adjustment Expense (LAE)
Effective June 1, 2008**

CONFIDENTIAL AND COMMERCIAL DATA

Dear Commissioner Marques:

The enclosed material contains confidential and proprietary information in support of the filing of workers compensation loss cost level change including LAE for the Rhode Island market effective June 1, 2008 filed with your office under separate cover.

Information contained in this submission and the later supplementary component include: (1) data unique to this year's Rhode Island filing which has been thoroughly and meticulously edited using actuarial judgement and confirmation with providers on the edits, in order to make the data fit for use; (2) unique methods of calculating various loss costs and rating values; (3) the outputs of various proprietary computer programs used to calculate overall loss costs levels and classification loss costs rates and relativities; and (4) various instances of actuarial judgement used in the ratemaking process. This information is maintained by NCCI on a confidential basis and provides distinct competitive advantages to NCCI. Its unauthorized disclosure or use would irreparably damage NCCI. This information is maintained by NCCI in confidential manner and qualifies for trade secret protection.

While the new loss costs including LAE are summarized in terms of the magnitude of their departure from the previously approved loss costs plus the LAE provision from the previously approved loss costs plus LAE, the enclosed filing is a new, stand-alone document based on new

information and a fresh look at all ratemaking methods. It represents NCCI's original work product based on updated data, its selection of various actuarial techniques, and a useful arrangement of the material presented. In authoring this document, NCCI has conducted a complete review of the information available at the time the filing was prepared, has applied its judgement to arrive at the loss costs it has developed for the new effective period, and has presented its conclusions in a helpful format.

The filing of workers compensation loss costs is made exclusively on behalf of the companies which have given valid consideration for the express purpose of fulfilling regulatory rate or pure premium filing requirements and other private use of this information. The filing and the information related hereto is submitted for the examination of and approval by the regulatory authority governing rate service organizations in accordance with all applicable rules and regulations governing rate or pure premium filings.

This material is owned by NCCI and is protected by copyright law. The material contains proprietary and confidential information which is the sole property NCCI. NCCI will seek all appropriate legal remedies for the unauthorized use, sale, reproduction, distribution, preparation of derivative work, transfer or assignment of this material, or any part thereof.

It is our intent that this confidential, commercial data provides you with the information needed for your review of the proposed loss cost changes in the state.

If you should have any questions or need additional information, I will be pleased to meet with you at your convenience.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Laura Backus Hall".

Laura Backus Hall, CPCU
State Relations Executive



Actuarial Certification

The information contained in this filing has been prepared under the direction of the undersigned actuary in accordance with applicable Actuarial Standards of Practice as promulgated by the Actuarial Standards Board. The Actuarial Standards Board is vested by the U.S.-based actuarial organizations with the responsibility for promulgating Actuarial Standards of Practice for actuaries providing professional services in the United States. Each of these organizations requires its members, through its *Code of Professional Conduct*, to observe the Actuarial Standards of Practice when practicing in the United States.

Filing prepared by:

A handwritten signature in black ink that reads "Karen J. Ayres". The signature is written in a cursive, flowing style.

Karen Ayres
Director and Actuary, FCAS, MAAA
Actuarial & Economic Services Division
National Council on Compensation Insurance, Inc. (NCCI)
111 River Street, Suite 1202, Hoboken NJ 07030
Phone: 201-386-2636
Fax: 561-893-5739



© Copyright 2007 National Council on Compensation Insurance, Inc. All Rights Reserved.

These materials are comprised of NCCI actuarial judgment and proprietary and confidential information which are valuable assets of NCCI and are protected by copyright and other intellectual property laws. Any persons in the legal possession of these materials are required to maintain them in the strictest confidence and shall implement sufficient safeguards to protect the confidentiality of such materials in the same respect as it protects its own intellectual property. NCCI will seek appropriate legal remedies for any unauthorized use, sale, reproduction, distribution, preparation of derivative works, or transfer of this material, or any part thereof in any media. Authorized uses of these materials are governed by one or more agreements between NCCI and an end user. Unless expressly authorized by NCCI, you may not copy, create derivative works (by way of example, create or supplement your own works, or other materials), display, perform, or use the materials, in whole or in part, in any media and in any manner including posting to a web site.

NCCI MAKES NO REPRESENTATIONS OR WARRANTIES RELATING TO THESE MATERIALS, INCLUDING ANY EXPRESS, STATUTORY OR IMPLIED WARRANTIES INCLUDING THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. ADDITIONALLY, AUTHORIZED END USERS ASSUME RESPONSIBILITY FOR THE USE OF, AND FOR ANY AND ALL RESULTS DERIVED OR OBTAINED THROUGH THE USE OF SUCH MATERIALS.

RHODE ISLAND – ADVISORY LOSS COST LEVEL

Explanatory Memoranda

Consideration of the 1992 Reform in the Selection of Indemnity Development Factors

Calculation of Loss Adjustment Expense Provision

PART I

Exhibit I Determination of Indicated Pure Premium Level Change

Exhibit II Determination of Loss Based Expenses

PART II

A Factors Underlying Advisory Loss Cost Revision

- A-I Factors Adjusting Policy Year Premium and Losses to Current Levels
- A-II Calculation of Policy Year Development Factors
- A-III Calculation of Policy Year Trend Factors
- A-IV Carriers Not Included in Policy Year Experience
- A-V Derivation of Industry Group Differentials

B Computation of Advisory Loss Costs

- B-I Distribution of Pure Premium Level Change to Occupational Classification
- B-II Adjustments to Pure Premiums to Obtain Advisory Loss Costs
- B-III Sample Derivation of Proposed Advisory Loss Cost
- B-IV Determination and Distribution of Premium Level Change to “F” Classifications

C Memoranda for Laws and Assessments

- C-I Increase in State Average Weekly Wage – Effective September 1, 2007
- C-II Increase in Maximum Weekly Benefit Due to the Enactment of House Bill 7042
– Effective September 1, 2007



RHODE ISLAND EXPLANATORY MEMORANDUM

Consideration of the 1992 Reform in the Selection of Indemnity Development Factors

NCCI has analyzed the impact of the 1992 reform of the paid loss development method.

While examining claim closure rates in the financial data, it was observed that claim were closing faster after the reform. As a result, loss development for policy years preceding the reform (1992 and earlier) was reduced by 50%. The resulting adjusted loss development factors are appropriate for application to post reform data.

Then, a three year average of these adjusted development factors has been selected as shown on Appendix A-II.



RHODE ISLAND

EXPLANATORY MEMORANDUM

Calculation of Loss Adjustment Expense Provision Change in Methodology

Background

In the calculation of the final proposed loss costs, a provision for loss adjustment expenses (LAE) is included. These are expenses associated with the handling of workers compensation claims. LAE is included in the loss costs by using a ratio of loss adjustment expense dollars to loss dollars (called the LAE provision).

Overview of Methodology

In this filing, NCCI has computed the LAE allowance on a calendar year direct basis using private carrier data obtained from the countrywide Insurance Expense Exhibit. NCCI has also calculated the allowance on an accident year direct basis using countrywide data obtained from the NCCI Call for Loss Adjustment Expense. To ensure consistency between these two independent LAE reviews and to recognize differences between private carrier and state fund LAE provisions, a change to this year's accident year LAE analysis has been implemented. This year's countrywide accident year methodology is based on private carrier data only. In implementing this change, it is NCCI's intent to perform a separate state fund-specific LAE review in those states where applicable and reflect the results of that review in the final proposed statewide LAE provision.

Based on a review of the Rhode Island private carrier and state fund data, this filing proposes an LAE provision that uses the private carrier data only. This will result in an LAE provision that is appropriate for use by most insurance carriers in the state.

RHODE ISLAND – ADVISORY LOSS COST LEVEL

PART I

- Exhibit I Determination of Indicated Change in Voluntary Pure Premium Level
- I-A Policy Year 2005 Experience
 - I-B Policy Year 2004 Experience
 - I-C Policy Year 2003 Experience
 - I-D Indicated Change Based on Experience, Trend and Benefits
 - I-E Application of Change in Loss Based Expenses
 - I-F Distribution of Final Pure Premium Level Change to Industry Groups
- Exhibit II Determination of Voluntary Loss Based Expenses
- II-A Derivation of Expense Provisions – Loss Adjustment Expense
 - II-B Derivation of Rhode Island ALAE Relativity
 - II-C Proposed Changes in Rhode Island Loss Adjustment Expense Allowance



DETERMINATION OF
INDICATED PURE PREMIUM
LEVEL CHANGE

RHODE ISLAND

EXHIBIT I

Exhibit I-A - Policy Year 2005 Experience

Premium:

(1) Standard Earned Premium Developed to Ultimate (Appendix A-II)	\$162,233,908
(2) Premium On-level Factor (Appendix A-I)	0.879
(3) Premium Available for Benefits Costs = (1)x(2)	\$142,603,605

Indemnity Benefit Cost:

(4) Limited Indemnity Paid Losses Developed to Ultimate (Appendix A-II)	\$71,145,757
(5) Indemnity Loss On-level Factor (Appendix A-I)	1.002
(6) Factor to Include Loss-based Expenses (Exhibit II)	1.168
(7) Composite Adjustment Factor = (5)x(6)	1.170
(8) Adjusted Limited Indemnity Losses = (4)x(7)	\$83,240,536
(9) Adjusted Limited Indemnity Cost Ratio excluding Trend and Benefits = (8)/(3)	0.584
(10) Factor to Reflect Indemnity Trend (Appendix A-III)	0.932
(11) Projected Limited Indemnity Cost Ratio = (9)x(10)	0.544
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis (Appendix A-II)	1.021
(13) Projected Indemnity Cost Ratio = (11)x(12)	0.555
(14) Factor to Reflect Proposed Changes in Indemnity Benefits (Appendix C)	1.004
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13)x(14)	0.557

Medical Benefit Cost:

(16) Limited Medical Paid Losses Developed to Ultimate (Appendix A-II)	\$39,793,484
(17) Medical Loss On-level Factor (Appendix A-I)	1.000
(18) Factor to Include Loss-based Expenses (Exhibit II)	1.168
(19) Composite Adjustment Factor = (17)x(18)	1.168
(20) Adjusted Limited Medical Losses = (16)x(19)	\$46,478,789
(21) Adjusted Limited Medical Cost Ratio excluding Trend and Benefits = (20)/(3)	0.326
(22) Factor to Reflect Medical Trend (Appendix A-III)	1.053
(23) Projected Limited Medical Cost Ratio = (21)x(22)	0.343
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis (Appendix A-II)	1.021
(25) Projected Medical Cost Ratio = (23)x(24)	0.350
(26) Factor to Reflect Proposed Changes in Medical Benefits (Appendix C)	1.000
(27) Projected Medical Cost Ratio including Benefit Changes = (25)x(26)	0.350

Total Benefit Cost:

(28) Indicated Change Based on Experience, Trend and Benefits = (15)+(27)	0.907
---	-------



DETERMINATION OF
INDICATED PURE PREMIUM
LEVEL CHANGE

RHODE ISLAND

EXHIBIT I

Exhibit I-B - Policy Year 2004 Experience

Premium:

(1) Standard Earned Premium Developed to Ultimate (Appendix A-II)	\$259,991,641
(2) Premium On-level Factor (Appendix A-I)	0.507
(3) Premium Available for Benefits Costs = (1)x(2)	\$131,815,762

Indemnity Benefit Cost:

(4) Limited Indemnity Paid Losses Developed to Ultimate (Appendix A-II)	\$67,956,282
(5) Indemnity Loss On-level Factor (Appendix A-I)	1.003
(6) Factor to Include Loss-based Expenses (Exhibit II)	1.168
(7) Composite Adjustment Factor = (5)x(6)	1.172
(8) Adjusted Limited Indemnity Losses = (4)x(7)	\$79,644,763
(9) Adjusted Limited Indemnity Cost Ratio excluding Trend and Benefits = (8)/(3)	0.604
(10) Factor to Reflect Indemnity Trend (Appendix A-III)	0.914
(11) Projected Limited Indemnity Cost Ratio = (9)x(10)	0.552
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis (Appendix A-II)	1.021
(13) Projected Indemnity Cost Ratio = (11)x(12)	0.564
(14) Factor to Reflect Proposed Changes in Indemnity Benefits (Appendix C)	1.004
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13)x(14)	0.566

Medical Benefit Cost:

(16) Limited Medical Paid Losses Developed to Ultimate (Appendix A-II)	\$37,401,184
(17) Medical Loss On-level Factor (Appendix A-I)	1.000
(18) Factor to Include Loss-based Expenses (Exhibit II)	1.168
(19) Composite Adjustment Factor = (17)x(18)	1.168
(20) Adjusted Limited Medical Losses = (16)x(19)	\$43,684,583
(21) Adjusted Limited Medical Cost Ratio excluding Trend and Benefits = (20)/(3)	0.331
(22) Factor to Reflect Medical Trend (Appendix A-III)	1.069
(23) Projected Limited Medical Cost Ratio = (21)x(22)	0.354
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis (Appendix A-II)	1.021
(25) Projected Medical Cost Ratio = (23)x(24)	0.361
(26) Factor to Reflect Proposed Changes in Medical Benefits (Appendix C)	1.000
(27) Projected Medical Cost Ratio including Benefit Changes = (25)x(26)	0.361

Total Benefit Cost:

(28) Indicated Change Based on Experience, Trend and Benefits = (15)+(27)	0.927
---	-------



DETERMINATION OF
INDICATED PURE PREMIUM
LEVEL CHANGE

RHODE ISLAND

EXHIBIT I

Exhibit I-C - Policy Year 2003 Experience

Premium:

(1) Standard Earned Premium Developed to Ultimate (Appendix A-II)	\$249,171,662
(2) Premium On-level Factor (Appendix A-I)	0.495
(3) Premium Available for Benefits Costs = (1)x(2)	\$123,339,973

Indemnity Benefit Cost:

(4) Limited Indemnity Paid Losses Developed to Ultimate (Appendix A-II)	\$66,282,389
(5) Indemnity Loss On-level Factor (Appendix A-I)	1.005
(6) Factor to Include Loss-based Expenses (Exhibit II)	1.168
(7) Composite Adjustment Factor = (5)x(6)	1.174
(8) Adjusted Limited Indemnity Losses = (4)x(7)	\$77,815,525
(9) Adjusted Limited Indemnity Cost Ratio excluding Trend and Benefits = (8)/(3)	0.631
(10) Factor to Reflect Indemnity Trend (Appendix A-III)	0.895
(11) Projected Limited Indemnity Cost Ratio = (9)x(10)	0.565
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis (Appendix A-II)	1.021
(13) Projected Indemnity Cost Ratio = (11)x(12)	0.577
(14) Factor to Reflect Proposed Changes in Indemnity Benefits (Appendix C)	1.004
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13)x(14)	0.579

Medical Benefit Cost:

(16) Limited Medical Paid Losses Developed to Ultimate (Appendix A-II)	\$35,515,560
(17) Medical Loss On-level Factor (Appendix A-I)	1.000
(18) Factor to Include Loss-based Expenses (Exhibit II)	1.168
(19) Composite Adjustment Factor = (17)x(18)	1.168
(20) Adjusted Limited Medical Losses = (16)x(19)	\$41,482,174
(21) Adjusted Limited Medical Cost Ratio excluding Trend and Benefits = (20)/(3)	0.336
(22) Factor to Reflect Medical Trend (Appendix A-III)	1.085
(23) Projected Limited Medical Cost Ratio = (21)x(22)	0.365
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis (Appendix A-II)	1.021
(25) Projected Medical Cost Ratio = (23)x(24)	0.373
(26) Factor to Reflect Proposed Changes in Medical Benefits (Appendix C)	1.000
(27) Projected Medical Cost Ratio including Benefit Changes = (25)x(26)	0.373

Total Benefit Cost:

(28) Indicated Change Based on Experience, Trend and Benefits = (15)+(27)	0.952
---	-------



RHODE ISLAND

EXHIBIT I

Exhibit I-D - Indicated Change Based on Experience, Trend and Benefits

(1) Policy Year 2005 Indicated Change Based on Experience, Trend and Benefits	0.907
(2) Policy Year 2004 Indicated Change Based on Experience, Trend and Benefits	0.927
(3) Policy Year 2003 Indicated Change Based on Experience, Trend and Benefits	0.952
(4) Indicated Change Based on Experience, Trend and Benefits = $[(1)+(2)+(3)]/3$	0.929

Exhibit I-E - Application of the Change in Loss-based Expenses

(1) Indicated Change Based on Experience, Trend and Benefits	0.929
(2) Effect of Change in Loss-based Expenses	1.009
(3) Indicated Change Modified to Reflect the Change in Loss-based Expenses = $(1) \times (2)$	0.937

RHODE ISLAND

EXHIBIT I

Exhibit I-F - Distribution of Final Rate Level Change to Industry Groups

Industry Group Differentials (see Appendix A-V):

Manufacturing	1.004
Contracting	0.933
Office & Clerical	0.989
Goods & Services	1.013
Miscellaneous	1.078

Applying these industry group differentials to the final overall rate level change produces the changes in rate level proposed for each group as shown:

Industry Group	(1) Final Overall Voluntary Pure Premium Level Change	(2) Industry Group Differential	(3) = (1)x(2) Final Voluntary Pure Premium Level Change by Industry Group	
Manufacturing	0.937	1.004	0.941	(-5.9%)
Contracting	0.937	0.933	0.874	(-12.6%)
Office & Clerical	0.937	0.989	0.927	(-7.3%)
Goods & Services	0.937	1.013	0.949	(-5.1%)
Miscellaneous	0.937	1.078	1.010	(1.0%)
Overall	0.937	1.000	0.937	(-6.3%)

RHODE ISLAND

EXHIBIT II

(A) Derivation of Expense Provisions - Loss Adjustment Expense

NCCI has computed the Loss Adjustment Expense allowance on a Calendar Year Direct basis using data obtained from the Countrywide Insurance Expense Exhibit. NCCI has also calculated the allowance on an Accident Year Direct basis using data obtained from the NCCI Call for Loss Adjustment Expense. For this filing, NCCI proposes a 17.9% Loss Adjustment Expense allowance as a percentage of incurred losses.

<u>Year</u>	<u>IEE Results (Direct Basis) Ratio</u>	<u>Accident Year Developed LAE Ratio</u>	<u>Accident Year Developed DCCE Ratio</u>	<u>Accident Year Developed AOE Ratio</u>
1997	18.4%	16.0%	8.9%	7.1%
1998	19.5%	15.9%	9.2%	6.7%
1999	18.2%	15.4%	9.1%	6.3%
2000	15.0%	15.9%	9.7%	6.2%
2001	13.7%	16.4%	9.9%	6.5%
2002	14.2%	17.1%	10.5%	6.6%
2003	15.5%	18.2%	10.7%	7.5%
2004	16.6%	17.6%	10.6%	7.0%
2005	17.6%	19.3%	11.5%	7.8%
2006	19.7%	19.8%	11.9%	7.9%
Countrywide selected:		19.5%	11.7%	7.8%
Rhode Island Selected:		17.9%	10.1%	7.8%
(10.1% = 11.7% x 0.867)				

(B) Derivation of Rhode Island DCCE Relativity

(1a) Rhode Island paid losses in (000's)	90,894
(1b) Rhode Island paid DCCE in (000's)	8,289
(1c) Ratio (1b)/(1a)	9.1%
(2a) Countrywide Paid Losses in (000's)	58,822,500
(2b) Countrywide Paid DCCE in (000's)	6,179,270
(2c) Ratio (2b)/(2a)	10.5%
(3) Rhode Island DCCE Relativity	0.867

(C) Proposed Change in Rhode Island Loss Adjustment Expense Allowance

(1) Current RI LAE Allowance	16.8%
(2) Proposed RI LAE Allowance	17.9%
(3) Proposed Change in LAE [(1+(2))]/[1+(1)]	1.009 0.9%

Notes

NAIC Annual Statement data is used in the above calculations. The countrywide figures exclude most state funds.

RHODE ISLAND – ADVISORY LOSS COST LEVEL

PART II

A Factors Underlying Loss Cost Revision

A-I Factors Adjusting Policy Year Pure Premium and Losses to Current Levels

Section A	Factor Adjusting 2005 Policy Year Premium to Present Pure Premium Level
Section B	Factor Adjusting 2005 Policy Year Indemnity Losses to Present Benefit Level
Section C	Factor Adjusting 2005 Policy Year Medical Losses to Present Benefit Level
Section D	Factor Adjusting 2004 Policy Year Premium to Present Pure Premium Level
Section E	Factor Adjusting 2004 Policy Year Indemnity Losses to Present Benefit Level
Section F	Factor Adjusting 2004 Policy Year Medical Losses to Present Benefit Level
Section G	Factor Adjusting 2003 Policy Year Premium to Present Pure Premium Level
Section H	Factor Adjusting 2003 Policy Year Indemnity Losses to Present Benefit Level
Section I	Factor Adjusting 2003 Policy Year Medical Losses to Present Benefit Level
Section J	Premium Adjustment to Average Expected Mod

A-II Calculation of Policy Year Development Factors

Summary	Derivation of Premium & Losses Developed to an Ultimate Report
Section A	1 st to 5 th Report Premium Development Factors
Section B	1 st to 19 th Report Limited Paid Loss Development Factors
Section C	19 th to Ultimate Report Loss Development Factors
Section D	Accident Year Conversion Ratios
Section E	Derivation of Limited P+C 19 th to Ultimate Loss Development Factors
Section F	Summary of Limited Paid Loss Development Factors
Section G	Factor to Adjust Limited Losses to an Unlimited Basis
Section H	Policy Year and Accident Year Large Loss Thresholds

A-III Calculation of Policy Year Trend Factors

Section A	Summary of Annual Trend Factors
Section B	Derivation of Trend Factors

A-IV Carriers Not Included in Policy Year Experience

Section A	Carriers Not Included in 2005, 2004 & 2003 Policy Year Experience
Section B	Carriers Not Included in Large Loss and Catastrophe Call Data

A-V Derivation of Industry Group Differentials

RHODE ISLAND – ADVISORY LOSS COST LEVEL

PART II

- B Computation of Advisory Loss Costs
 - B-I - Distribution of Pure Premium Level Change to Occupational Classification
 - B-II - Adjustments to Pure Premiums to Obtain Advisory Loss Costs
 - B-III - Sample Derivation of Proposed Advisory Loss Cost
 - B-IV - Determination and Distribution of Premium Level Change to “F” Classifications

- C Memoranda for Laws and Assessments
 - C-I Increase in State Average Weekly Wage – Effective September 1, 2007
 - C-II Increase in Maximum Weekly Benefit Due to the Enactment of House Bill 7042
– Effective September 1, 2007

RHODE ISLAND

APPENDIX A-I

Derivation of Policy Year On-level Factors

Section A - Factor Adjusting 2005 Policy Year Premium to Present Pure Premium Level

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Rate Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)	Adj. For Expense Constant Removal @	Off-balance Adjustment Factor	Premium Adjustment Factor (5)x(6)x(7)
Date								
NR 01/01/05	Base	1.000	1.000	1.000	0.888	1.000	0.990	0.879
NR 01/01/06	0.958	0.958						
NR 02/01/07	0.927	0.888						
				1.000				

Section B - Factor Adjusting 2005 Policy Year Indemnity Losses To Present Benefit Level

	(1)	(2)	(3)	(4)	(5)
	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)
Date					
09/01/04	Base	1.000	0.299	0.299	1.002
09/01/05	1.002	1.002	0.652	0.653	
09/01/06	1.001	1.003	0.049	0.049	
				1.001	

Section C - Factor Adjusting 2005 Policy Year Medical Losses To Present Benefit Level

	(1)	(2)	(3)	(4)	(5)
	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)
Date					
09/01/04	Base	1.000	0.299	0.299	1.000
09/01/05	1.000	1.000	0.652	0.652	
09/01/06	1.000	1.000	0.049	0.049	
				1.000	

NR New and renewal business.
 @ Eliminates premium derived from expense constants.

RHODE ISLAND

APPENDIX A-I

Derivation of Policy Year On-level Factors

Section D - Factor Adjusting 2004 Policy Year Premium to Present Pure Premium Level

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Rate Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)	Adj. For Expense Constant Removal @	Off-balance Adjustment Factor	Premium Adjustment Factor (5)x(6)x(7)
Date								
NR 11/01/98	Base	1.000	1.000	1.000	0.519	0.987	0.990	0.507
NR 01/01/05	0.585	0.585						
NR 01/01/06	0.958	0.560						
NR 02/01/07	0.927	0.519						
				1.000				

Section E - Factor Adjusting 2004 Policy Year Indemnity Losses To Present Benefit Level

	(1)	(2)	(3)	(4)	(5)
	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)
Date					
01/01/04	Base	1.000	0.299	0.299	1.003
09/01/04	1.001	1.001	0.652	0.653	
09/01/05	1.002	1.003	0.049	0.049	
09/01/06	1.001	1.004			
				1.001	

Section F - Factor Adjusting 2004 Policy Year Medical Losses To Present Benefit Level

	(1)	(2)	(3)	(4)	(5)
	Benefit Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)
Date					
01/01/04	Base	1.000	0.299	0.299	1.000
09/01/04	1.000	1.000	0.652	0.652	
09/01/05	1.000	1.000	0.049	0.049	
09/01/06	1.000	1.000			
				1.000	

NR New and renewal business.
 @ Eliminates premium derived from expense constants.

RHODE ISLAND

APPENDIX A-I

Derivation of Policy Year On-level Factors

Section G - Factor Adjusting 2003 Policy Year Premium to Present Pure Premium Level

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Date	Rate Level Change	Cumulative Index	Weight	Product (2)x(3)	Adj. Factor Present Index/ Sum Column (4)	Adj. For Expense Constant Removal @	Off-balance Adjustment Factor	Premium Adjustment Factor (5)x(6)x(7)
NR 11/01/98	Base	1.000	1.000	1.000	0.519	0.987	0.966	0.495
NR 01/01/05	0.585	0.585						
NR 01/01/06	0.958	0.560						
NR 02/01/07	0.927	0.519						
				1.000				

Section H - Factor Adjusting 2003 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 Present Index/ Sum Column (4)
09/01/02	Base	1.000	0.299	0.299	1.005
09/01/03	1.001	1.001	0.285	0.285	
01/01/04	1.001	1.002	0.367	0.368	
09/01/04	1.001	1.003	0.049	0.049	
09/01/05	1.002	1.005			
09/01/06	1.001	1.006			
				1.001	

Section I - Factor Adjusting 2003 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 Present Index/ Sum Column (4)
09/01/02	Base	1.000	0.299	0.299	1.000
09/01/03	1.000	1.000	0.285	0.285	
01/01/04	1.000	1.000	0.367	0.367	
09/01/04	1.000	1.000	0.049	0.049	
09/01/05	1.000	1.000			
09/01/06	1.000	1.000			
				1.000	

NR New and renewal business.
 @ Eliminates premium derived from expense constants.



RHODE ISLAND

APPENDIX A-I (continued)

Section J - Premium Adjustment to Average Expected Mod

Rating Year	(1) Average Intrastate Mod	(2) Average Interstate Mod	(3) Average Mod Combined Rated Risk	(4) Weighted Average Off-Balance	(5) Average Mod Expected	(6)= (5)/(4) Policy Year Adjustment Factor
1991	1.087	1.112	1.098	1.096	0.972	0.887
1992	1.055	1.095	1.072	1.070	0.972	0.908
1993	1.053	1.039	1.047	1.045	0.972	0.930
1994	0.996	0.964	0.981	0.982	0.972	0.990
1995	0.932	0.934	0.933	0.935	0.972	1.040
1996	0.914	0.833	0.870	0.874	0.972	1.112
1997	0.934	0.901	0.919	0.921	0.972	1.055
1998	0.955	0.905	0.933	0.935	0.972	1.040
1999	1.041	0.955	1.000	1.000	0.972	0.972
2000	1.006	0.946	0.979	0.980	0.972	0.992
2001	1.010	0.975	0.993	0.993	0.972	0.979
2002	1.010	1.006	1.008	1.007	0.972	0.965
2003	1.019	0.992	1.007	1.006	0.972	0.966
2004	0.993	0.967	0.980	0.982	0.972	0.990
2005	0.977	0.982	0.980	0.982	0.972	0.990
2006	0.975	0.957	0.966	0.969	0.972	1.003



RHODE ISLAND

APPENDIX A-II

Determination of Premium and Losses Developed to an Ultimate Report

Premium and Loss Summary Valued as of 12/31/2006

Policy Year 2005

(1)	Standard Earned Premium	\$159,208,938
(2)	Factor to Develop Premium to Ultimate	1.019
(3)	Standard Earned Premium Developed to Ultimate = (1)x(2)	\$162,233,908
(4)	Limited Indemnity Paid Losses	\$26,291,854
(5)	Limited Indemnity Paid Development Factor to Ultimate	2.706
(6)	Limited Indemnity Paid Losses Developed to Ultimate = (4)x(5)	\$71,145,757
(7)	Limited Medical Paid Losses	\$24,503,377
(8)	Limited Medical Paid Development Factor to Ultimate	1.624
(9)	Limited Medical Paid Losses Developed to Ultimate = (7)x(8)	\$39,793,484

Policy Year 2004

(1)	Standard Earned Premium	\$259,731,909
(2)	Factor to Develop Premium to Ultimate	1.001
(3)	Standard Earned Premium Developed to Ultimate = (1)x(2)	\$259,991,641
(4)	Limited Indemnity Paid Losses	\$41,285,712
(5)	Limited Indemnity Paid Development Factor to Ultimate	1.646
(6)	Limited Indemnity Paid Losses Developed to Ultimate = (4)x(5)	\$67,956,282
(7)	Limited Medical Paid Losses	\$29,083,347
(8)	Limited Medical Paid Development Factor to Ultimate	1.286
(9)	Limited Medical Paid Losses Developed to Ultimate = (7)x(8)	\$37,401,184

Policy Year 2003

(1)	Standard Earned Premium	\$248,674,313
(2)	Factor to Develop Premium to Ultimate	1.002
(3)	Standard Earned Premium Developed to Ultimate = (1)x(2)	\$249,171,662
(4)	Limited Indemnity Paid Losses	\$49,207,416
(5)	Limited Indemnity Paid Development Factor to Ultimate	1.347
(6)	Limited Indemnity Paid Losses Developed to Ultimate = (4)x(5)	\$66,282,389
(7)	Limited Medical Paid Losses	\$29,720,134
(8)	Limited Medical Paid Development Factor to Ultimate	1.195
(9)	Limited Medical Paid Losses Developed to Ultimate = (7)x(8)	\$35,515,560



RHODE ISLAND

APPENDIX A-II

Determination of Policy Year Development Factors

Section A - Premium Development Factors

<u>Policy Year</u>	<u>Standard Premium For Matching Companies</u>		<u>Development Factor</u>
	<u>1st Report</u>	<u>2nd Report</u>	
2002	226,374,385	230,540,318	1.018
2003	234,542,054	240,108,409	1.024
2004	256,539,529	259,731,328	1.012
Average			1.018
	<u>2nd Report</u>	<u>3rd Report</u>	
2001	220,037,631	220,121,598	1.000
2002	223,300,342	223,025,937	0.999
2003	248,924,516	248,649,015	0.999
Average			0.999
	<u>3rd Report</u>	<u>4th Report</u>	
2000	215,070,872	214,977,233	1.000
2001	213,390,529	213,289,982	1.000
2002	230,233,648	230,079,359	0.999
Average			1.000
	<u>4th Report</u>	<u>5th Report</u>	
1999	201,691,187	201,784,788	1.000
2000	214,977,233	216,239,730	1.006
2001	220,063,341	220,017,993	1.000
Average			1.002

Summary of Premium Development Factors

<u>1st/5th</u>	<u>2nd/5th</u>	<u>3rd/5th</u>	<u>4th/5th</u>
1.019	1.001	1.002	1.002

RHODE ISLAND

APPENDIX A-II

Determination of Policy Year Development Factors

Section B - Limited Paid Loss Development Factors

Policy Year	Limited Paid Indemnity Losses For Matching Companies		Development Factor	Adjusted Development Factor**	Policy Year	Limited Paid Medical Losses For Matching Companies		Development Factor
	13th Report	14th Report				13th Report	14th Report	
					1988	37,836,772	37,983,756	1.004
					1989	44,334,575	44,475,037	1.003
1990	111,922,071	112,320,117	1.004	1.002	1990	34,524,877	34,586,548	1.002
1991	84,628,296	84,867,644	1.003	1.002	1991	31,762,826	31,791,597	1.001
1992	50,054,354	50,171,991	1.002	1.001	1992	21,858,867	22,006,254	1.007
Average				1.002	Average*			1.003
						<u>14th Report</u>	<u>15th Report</u>	
					1987	36,010,161	36,194,166	1.005
					1988	37,985,875	38,148,972	1.004
1989	161,581,941	162,605,702	1.006	1.003	1989	43,621,855	43,720,566	1.002
1990	111,977,063	112,369,065	1.004	1.002	1990	34,478,407	34,619,956	1.004
1991	84,867,644	85,067,275	1.002	1.001	1991	31,791,597	31,801,608	1.000
Average				1.002	Average*			1.003
						<u>15th Report</u>	<u>16th Report</u>	
					1986	31,478,722	31,570,189	1.003
					1987	36,159,640	36,321,795	1.004
1988	146,004,371	146,691,576	1.005	1.003	1988	37,441,153	37,585,523	1.004
1989	161,679,955	162,900,487	1.008	1.004	1989	43,467,949	43,595,965	1.003
1990	112,369,065	112,921,997	1.005	1.003	1990	34,619,956	34,683,835	1.002
Average				1.003	Average*			1.003
						<u>16th Report</u>	<u>17th Report</u>	
					1985	23,804,134	23,960,348	1.007
					1986	31,652,940	31,705,348	1.002
1987	137,558,306	138,412,309	1.006	1.003	1987	35,589,227	35,884,565	1.008
1988	146,226,995	146,965,675	1.005	1.003	1988	37,451,148	37,570,253	1.003
1989	162,900,487	163,987,971	1.007	1.004	1989	43,595,965	43,688,573	1.002
Average				1.003	Average*			1.004
						<u>17th Report</u>	<u>18th Report</u>	
					1984	19,692,760	19,727,368	1.002
					1985	23,954,859	24,128,271	1.007
1986	125,730,342	126,330,124	1.005	1.003	1986	31,034,416	31,100,986	1.002
1987	137,686,478	138,446,777	1.006	1.003	1987	35,766,653	35,831,050	1.002
1988	146,868,881	147,472,552	1.004	1.002	1988	37,529,517	37,719,691	1.005
Average				1.003	Average*			1.003
						<u>18th Report</u>	<u>19th Report</u>	
					1983	18,917,906	18,972,434	1.003
					1984	19,708,244	19,731,222	1.001
1985	92,153,247	92,748,792	1.006	1.003	1985	23,574,741	23,717,069	1.006
1986	126,066,987	126,639,361	1.005	1.003	1986	31,051,196	31,095,589	1.001
1987	138,441,535	139,580,151	1.008	1.004	1987	35,827,215	35,885,372	1.002
Selected†				1.002	Selected†			1.001

* Based on five years of data; a three-year average after the highest and lowest factors are excluded.

** For policy years 1992 and prior, the development portion of the link ratio was adjusted by a factor of 0.5.

No adjustment was made for policy years 1993 and after.

† The 18th/19th link ratio is raised to the two-thirds power to remove the overlap with the AY 19th/Ult development factor.



RHODE ISLAND

APPENDIX A-II

Determination of Loss Development Factors to Ultimate Report

Section C - Determination of Accident Year Loss Development Factors (19th-to-Ultimate Report)

	<u>Indemnity</u>	<u>Medical</u>
(1) Losses for accident year 1978 valued as of 12-31-1985	42,722,567	10,404,941
(2) Losses for accident year 1979 valued as of 12-31-1986	52,481,983	13,337,617
(3) Losses for accident year 1980 valued as of 12-31-1987	63,625,757	15,546,857
(4) Losses for accident year 1981 valued as of 12-31-1988	63,128,297	16,564,454
(5) Losses for accident year 1982 valued as of 12-31-1989	63,341,652	17,380,493
(6) Average = ((1)+(2)+(3)+(4)+(5))/5	57,060,051	14,646,872
(7) Losses for accident year 1983 valued as of 12-31-1990	69,380,704	18,018,287
(8) Ratio = (6)/(7)	0.822	0.813
(9) Losses for accident year 1983 valued as of 12-31-2001	73,151,445	17,731,946
(10) Losses for accident year 1983 valued as of 12-31-2002	73,357,085	17,760,791
(11) Losses for accident years prior to 1983 valued as of 12-31-2001	493,561,677	156,716,105
(12) Losses for accident years prior to 1983 valued as of 12-31-2002	495,032,286	157,491,815
(13) 19th-to-ultimate development factor = 1+[(10)-(9)+((12)-(11))/(8)]/(9)	1.027	1.055
(14) Losses for accident year 1979 valued as of 12-31-1986	41,670,409	10,727,452
(15) Losses for accident year 1980 valued as of 12-31-1987	47,099,815	11,115,989
(16) Losses for accident year 1981 valued as of 12-31-1988	45,493,009	12,387,747
(17) Losses for accident year 1982 valued as of 12-31-1989	47,603,503	13,322,780
(18) Losses for accident year 1983 valued as of 12-31-1990	56,342,732	14,567,973
(19) Average = ((14)+(15)+(16)+(17)+(18))/5	47,641,894	12,424,388
(20) Losses for accident year 1984 valued as of 12-31-1991	71,826,065	18,855,506
(21) Ratio = (19)/(20)	0.663	0.659
(22) Losses for accident year 1984 valued as of 12-31-2002	86,046,547	21,082,820
(23) Losses for accident year 1984 valued as of 12-31-2003	86,381,604	21,002,598
(24) Losses for accident years prior to 1984 valued as of 12-31-2002	571,526,862	175,967,058
(25) Losses for accident years prior to 1984 valued as of 12-31-2003	571,778,224	176,934,060
(26) 19th-to-ultimate development factor = 1+[(23)-(22)+((25)-(24))/(21)]/(22)	1.008	1.066
(27) Losses for accident year 1980 valued as of 12-31-1987	44,126,232	10,421,687
(28) Losses for accident year 1981 valued as of 12-31-1988	43,654,704	11,564,110
(29) Losses for accident year 1982 valued as of 12-31-1989	44,988,516	12,803,967
(30) Losses for accident year 1983 valued as of 12-31-1990	53,682,570	13,615,672
(31) Losses for accident year 1984 valued as of 12-31-1991	67,280,504	17,561,393
(32) Average = ((27)+(28)+(29)+(30)+(31))/5	50,746,505	13,193,366
(33) Losses for accident year 1985 valued as of 12-31-1992	72,318,809	17,842,123
(34) Ratio = (32)/(33)	0.702	0.739
(35) Losses for accident year 1985 valued as of 12-31-2003	85,158,463	14,812,613
(36) Losses for accident year 1985 valued as of 12-31-2004	85,492,252	14,957,476
(37) Losses for accident years prior to 1985 valued as of 12-31-2003	621,376,873	123,389,941
(38) Losses for accident years prior to 1985 valued as of 12-31-2004	622,029,701	123,497,569
(39) 19th-to-ultimate development factor = 1+[(36)-(35)+((38)-(37))/(34)]/(35)	1.015	1.020

APPENDIX A-II

Determination of Loss Development Factors to Ultimate Report

Section C - Determination of Accident Year Loss Development Factors (19th-to-Ultimate Report)

	<u>Indemnity</u>	<u>Medical</u>
(40) Losses for accident year 1981 valued as of 12-31-1988	44,227,601	11,776,485
(41) Losses for accident year 1982 valued as of 12-31-1989	45,785,025	13,033,842
(42) Losses for accident year 1983 valued as of 12-31-1990	55,217,416	13,992,512
(43) Losses for accident year 1984 valued as of 12-31-1991	69,528,647	18,086,444
(44) Losses for accident year 1985 valued as of 12-31-1992	73,595,546	18,279,808
(45) Average = ((40)+(41)+(42)+(43)+(44))/5	57,670,847	15,033,818
(46) Losses for accident year 1986 valued as of 12-31-1993	99,245,100	27,690,018
(47) Ratio = (45)/(46)	0.581	0.543
(48) Losses for accident year 1986 valued as of 12-31-2004	118,123,542	32,846,245
(49) Losses for accident year 1986 valued as of 12-31-2005	118,067,362	33,116,949
(50) Losses for accident years prior to 1986 valued as of 12-31-2004	683,184,291	206,866,549
(51) Losses for accident years prior to 1986 valued as of 12-31-2005	682,526,429	207,099,063
(52) 19th-to-ultimate development factor = 1+[(49)-(48)+((51)-(50))/(47)]/(48)	0.990	1.021
(53) Losses for accident year 1982 valued as of 12-31-1989	41,579,735	12,185,765
(54) Losses for accident year 1983 valued as of 12-31-1990	48,207,932	12,491,967
(55) Losses for accident year 1984 valued as of 12-31-1991	60,815,286	16,007,784
(56) Losses for accident year 1985 valued as of 12-31-1992	62,687,270	16,038,245
(57) Losses for accident year 1986 valued as of 12-31-1993	87,142,610	23,613,214
(58) Average = ((53)+(54)+(55)+(56)+(57))/5	60,086,567	16,067,395
(59) Losses for accident year 1987 valued as of 12-31-1994	94,213,387	24,999,754
(60) Ratio = (58)/(59)	0.638	0.643
(61) Losses for accident year 1987 valued as of 12-31-2005	125,005,357	31,467,731
(62) Losses for accident year 1987 valued as of 12-31-2006	125,618,737	31,320,949
(63) Losses for accident years prior to 1987 valued as of 12-31-2005	761,895,840	227,420,226
(64) Losses for accident years prior to 1987 valued as of 12-31-2006	762,659,607	226,907,055
(65) 19th-to-ultimate development factor = 1+[(62)-(61)+((64)-(63))/(60)]/(61)	1.014	0.970
(66) Five Year Average	1.011	1.026
(67) Selected*	1.006	1.026

* For indemnity, the development portion of the tail factor was adjusted by the factor of 0.5.

- (1) through (5) and (7) include only information for matching companies for the 1985 through 1990 valuations.
 (9) through (12) include only information for matching companies for the 2001 and 2002 valuations.
 (14) through (18) and (20) include only information for matching companies for the 1986 through 1991 valuations.
 (22) through (25) include only information for matching companies for the 2002 and 2003 valuations.
 (27) through (31) and (33) include only information for matching companies for the 1987 through 1992 valuations.
 (35) through (38) include only information for matching companies for the 2003 and 2004 valuations.
 (40) through (44) and (46) include only information for matching companies for the 1988 through 1993 valuations.
 (48) through (51) include only information for matching companies for the 2004 and 2005 valuations.
 (53) through (57) and (59) include only information for matching companies for the 1989 through 1994 valuations.
 (61) through (64) include only information for matching companies for the 2005 and 2006 valuations.

RHODE ISLAND

APPENDIX A-II

Derivation of Loss Development Factors

Section D - Accident Year Conversion Ratios

Accident Year Unlimited Paid+Case-to-Incurred Including IBNR Ratios

Accident Year	Indemnity Losses at a 19th Report			Ratio	Accident Year	Medical Losses at a 19th Report			Ratio
	Paid+Case	Incl. IBNR	Ratio			Paid+Case	Incl. IBNR	Ratio	
1984	85,547,959	86,139,384	0.993	1984	20,707,710	21,097,970	0.982		
1985	86,907,547	87,303,620	0.995	1985	20,571,478	20,828,623	0.988		
1986	117,094,801	118,385,656	0.989	1986	30,817,333	31,654,229	0.974		
1987	137,542,846	138,544,183	0.993	1987	34,022,008	34,677,006	0.981		
1988	155,275,894	157,213,503	0.988	1988	38,432,257	39,536,559	0.972		
Average			0.992	Average			0.979		

Accident Year Limited Paid-to-Paid+Case Ratios

Accident Year	Indemnity Losses at a 19th Report			Ratio	Accident Year	Medical Losses at a 19th Report			Ratio
	Paid	Paid+Case	Ratio			Paid	Paid+Case	Ratio	
1984	80,606,721	85,547,959	0.942	1984	20,252,522	20,707,710	0.978		
1985	81,921,924	86,907,547	0.943	1985	20,240,754	20,571,478	0.984		
1986	108,817,831	116,568,992	0.934	1986	27,802,334	29,354,234	0.947		
1987	129,440,986	137,542,846	0.941	1987	33,232,482	34,022,008	0.977		
1988	148,809,702	155,275,894	0.958	1988	36,842,589	38,432,257	0.959		
Average			0.944	Average			0.969		
Selected*			0.972						

* The selected ratio reflects an adjustment for the 1992 reform, assuming that the reserves for pre-reform policy years would be reduced by 50% at post reform level.

Section E - Derivation of Limited Paid+Case 19th-to-Ultimate Loss Development Factor

	<u>Indemnity</u>	<u>Medical</u>
(1) Selected Unlimited Incurred 19th-to-Ultimate Loss Development Factor (Section C)	1.006	1.026
(2) Unlimited Paid+Case-to-Incurred Including IBNR Ratio (Section D)	0.992	0.979
(3) Unlimited Paid+Case 19th-to-Ultimate Loss Development Factor = (1)/(2)	1.014	1.048
(4) Factor to Adjust 19th-to-Ultimate Development Factor to a Limited Basis	0.643	0.643
(5) Limited Paid+Case 19th-to-Ultimate Loss Development Factor = ((3)-1)x(4)+1	1.009	1.031

APPENDIX A-II

Derivation of Policy Year Loss Development Factors

Section F - Summary of Limited Paid Loss Development Factors

	(1) 1st/2nd	(2) 2nd/3rd	(3) 3rd/4th	(4) 4th/5th	(5) 5th/6th	(6) 6th/7th	(7) 7th/8th	(8) 8th/9th
Indemnity	1.644	1.222	1.112	1.054	1.030	1.022	1.014	1.005
Medical	1.263	1.076	1.036	1.021	1.011	1.010	1.004	1.005
	(9) 9th/10th	(10) 10th/11th	(11) 11th/12th	(12) 12th/13th	(13) 13th/14th	(14) 14th/15th	(15) 15th/16th	(16) 16th/17th
Indemnity	1.007	1.006	1.003	1.003	1.002	1.002	1.003	1.003
Medical	1.003	1.006	1.003	1.003	1.003	1.003	1.003	1.004
	(17) 17th/18th	(18) 18th/19th†	(19) Ltd. P+C 19th/Ult Factor	(20) Ltd. Paid to P+C Factor	(21) 18th/Ult ((19)/(20)) x(18)	(22) 17th/Ult (21)x(17)	(23) 16th/Ult (22)x(16)	(24) 15th/Ult (23)x(15)
Indemnity	1.003	1.002	1.009	0.972	1.040	1.043	1.046	1.049
Medical	1.003	1.001	1.031	0.969	1.065	1.068	1.072	1.075
	(25) 14th/Ult (24)x(14)	(26) 13th/Ult (25)x(13)	(27) 12th/Ult (26)x(12)	(28) 11th/Ult (27)x(11)	(29) 10th/Ult (28)x(10)	(30) 9th/Ult (29)x(9)	(31) 8th/Ult (30)x(8)	(32) 7th/Ult (31)x(7)
Indemnity	1.051	1.053	1.056	1.059	1.065	1.072	1.077	1.092
Medical	1.078	1.081	1.084	1.087	1.094	1.097	1.102	1.106
	(33) 6th/Ult (32)x(6)	(34) 5th/Ult (33)x(5)	(35) 4th/Ult (34)x(4)	(36) 3rd/Ult (35)x(3)	(37) 2nd/Ult (36)x(2)	(38) 1st/Ult (37)x(1)		
Indemnity	1.116	1.149	1.211	1.347	1.646	2.706		
Medical	1.117	1.129	1.153	1.195	1.286	1.624		

† The 18th/19th link ratio is raised to the two-thirds power to remove the overlap with the AY 19th/Ult development factor.

RHODE ISLAND

APPENDIX A-II

Thresholds

Section G - Factor to Adjust Limited Losses to an Unlimited Basis

(1) Threshold at the Midpoint of the Loss Cost Effective Period*	4,478,273
(2) Statewide Excess Ratio for (1)	0.021
(3) Market Share for Carriers Missing from Large Loss and Catastrophe Call	0.000
(4) Factor to Adjust Limited Losses to an Unlimited Basis = $1/\{1-[(2)\times(1-(3))]\}$	1.021

Section H - Policy Year and Accident Year Thresholds

<u>Experience Year</u>	<u>Policy Year Detrended Threshold</u>	<u>Accident Year Detrended Threshold</u>
2006	4,154,626	4,154,626
2005	4,011,074	3,908,397
2004	3,860,405	3,828,009
2003	3,772,269	3,734,643
2002	3,757,164	3,772,367
2001	3,698,313	3,648,324
2000	3,580,788	3,535,198
1999	3,382,489	3,279,404
1998	3,252,373	3,234,126
1997	3,036,542	2,903,165
1996	2,782,245	2,700,619
1995	2,743,657	2,772,709
1994	2,724,496	2,691,950
1993	2,602,414	2,541,974
1992	2,532,923	2,526,813
1991	2,457,721	2,411,081
1990	2,405,346	2,401,475
1989	2,307,683	2,244,369
1988	2,172,114	2,123,339
1987	2,056,116	2,010,738
1986	1,918,740	1,856,637

* May 24, 2009 is the midpoint of the effective period for which the revised pure premiums are being proposed.



RHODE ISLAND

APPENDIX A-III

Policy Year Trend Factors

Section A - Summary of Annual Trend Factors

Rhode Island Underlying Data*

(1) Policy Year	(2) Claim Freq Per Million of On-level Premium	(3) Indemnity Average Claim Severity	(4) Medical Average Claim Severity	(5) Indemnity Loss Ratio	(6) Medical Loss Ratio
1996	46.937	13,179	6,350	0.618	0.298
1997	48.941	12,230	6,019	0.599	0.295
1998	47.725	12,370	5,706	0.590	0.272
1999	48.053	12,044	6,017	0.579	0.289
2000	47.363	12,468	5,658	0.590	0.268
2001	45.216	12,610	6,138	0.570	0.278
2002	44.025	12,237	6,325	0.539	0.279
2003	41.491	13,018	6,942	0.540	0.288
2004	38.689	13,358	7,331	0.517	0.284
2005	38.197	13,088	7,306	0.500	0.279

* All developed to ultimate, and placed on current loss and premium levels

	Indemnity	Medical
- Current Approved Trend Factor for Rhode Island	0.9875	1.020
- Countrywide Average Trend Factor	0.979	1.020
- Countrywide Medical CPI Trend Factor		1.040
- PY 8-Point Trend Factors Based on Frequency/Severity Analysis		
(1) Frequency Trend:	0.964	0.964
(2) Severity Trend:	1.012	1.041
(3) Loss Ratio Trend = (1)x(2)	0.976	1.004
- Annual Trend Factors Based on Statistical Trend Analysis		
(1) Frequency Trend:	0.980	0.980
(2) Severity Trend:	0.993	1.019
(3) Loss Ratio Trend = (1)x(2)	0.973	0.999
Selected Annual Trend Factor	0.980	1.015



RHODE ISLAND

APPENDIX A-III

Policy Year Trend Factors

Section B - Derivation of Trend Factors

Policy Year 2005 with an average accident date of December 01,2005 (Exhibit I-A), policy year 2004 with an average accident date of December 01,2004 (Exhibit I-B), and policy year 2003 with an average accident date of December 01,2003 (Exhibit I-B) are used in the determination of the indicated change based on experience, trend and benefits (Exhibit I-C). The midpoint of the effective period for which the revised premiums are being proposed is May 24, 2009. The premium level must therefore reflect experience levels which will exist 3.477 years later than the policy year 2005 experience, 4.477 years later than the policy year 2004 experience and 5.477 years later than the policy year 2003 experience on which the current indication has been derived. The derivation of trend factors is outlined below:

I. Indemnity		II. Medical	
(1) Selected annual trend factor	0.980	(1) Selected annual trend factor	1.015
(2) Length of trend period from the midpoint of policy year 2005 to the midpoint of the effective period	3.477	(2) Length of trend period from the midpoint of policy year 2005 to the midpoint of the effective period	3.477
(3) Length of trend period from the midpoint of policy year 2004 to the midpoint of the effective period	4.477	(3) Length of trend period from the midpoint of policy year 2004 to the midpoint of the effective period	4.477
(4) Length of trend period from the midpoint of policy year 2003 to the midpoint of the effective period	5.477	(4) Length of trend period from the midpoint of policy year 2003 to the midpoint of the effective period	5.477
(5) Effect on Policy Year 2005 = (1) ^ (2)	0.932	(5) Effect on Policy Year 2005 = (1) ^ (2)	1.053
(6) Effect on Policy Year 2004 = (1) ^ (3)	0.914	(6) Effect on Policy Year 2004 = (1) ^ (3)	1.069
(7) Effect on Policy Year 2003 = (1) ^ (4)	0.895	(7) Effect on Policy Year 2003 = (1) ^ (4)	1.085



RHODE ISLAND

APPENDIX A-IV-A

NCCI maintains several data reporting initiatives and programs to assist carriers to report data and to ensure that the data that is reported to NCCI is complete, accurate, and reported in a timely fashion. Occasionally, a particular carrier's data submission is not available for use in an NCCI filing either because the data was not reported prior to the filing, had quality issues, or NCCI determined that the data that was reported should not be included in the filing based on NCCI's actuarial judgment. All carriers writing at least one-tenth of one percent of the Rhode Island workers compensation written premium volume and whose data is not included in this filing are listed below. The listing is separated between policy years 2003 and 2004 and 2005.

Carriers not included in experience valued as of 12/31/2006

<u>Name of Carrier</u>	<u>Annual Statement Premium Written</u>	<u>Annual Statement Losses Incurred</u>	<u>% of State Premium</u>	<u>% of State Losses</u>
None				



RHODE ISLAND

APPENDIX A-IV-B

NCCI maintains several data reporting initiatives and programs to assist carriers to report data and to ensure that the data that is reported to NCCI is complete, accurate, and reported in a timely fashion. Occasionally, a particular carrier's Large Loss and Catastrophe Call data submission is not available for use in an NCCI filing either because the data was not reported prior to the filing, had quality issues, or NCCI determined that the data that was reported should not be included in the filing based on NCCI's actuarial judgment. All carriers writing at least one percent of the Rhode Island workers compensation financial call standard earned premium volume and whose Large Loss and Catastrophe Call data is not included in this filing are listed below.

Carriers not included in the Large Loss and Catastrophe Call data valued as of 12/31/2006

Name of Carrier

Carrier Market Share

None

Derivation of Industry Group Differentials

Industry group differentials are used to more equitably distribute the overall premium level change based on the individual experience of each industry group.

Wage trend adjustments are calculated to account for the change in industry group wages relative to the change in medical losses. The converted losses used to calculate these adjustments are the losses from the Workers Compensation Statistical Plan adjusted to include development and brought to the proposed experience, law and loss-based expense levels.

The indicated losses, column (8), are the converted losses further adjusted for trend and the change in overall off balance for experience rating; the combined adjustments are shown in parts (1) through (6) of Appendix B-I, Section (A). The expected losses (13) are at the same proposed level as the indicated losses and contain a change in industry group off balance. An adjustment to convert the proposed expected losses to reflect current relativities (15) is used to calculate the indicated to expected ratio (16). The indicated differential (17) reflects the indicated losses at a proposed level to expected losses with relativities of the current level to correctly distribute the proposed trend and benefits on an industry group basis.

In the calculation of the credibility weighted differentials, the ratios of indicated losses to expected losses by industry group (modified by the wage trend adjustments), column (18), are credibility weighted with the statewide ratio. The credibility is based on compensable claim counts, column (20). The full credibility standards, column (21), reflect the variability of the data within each industry group. Partial credibility is calculated using the square root of the ratio of the actual compensable claims and the number of compensable claims required for full credibility. The statewide credibility weighted ratio (23) is rebalanced using the latest year expected losses to ensure that the overall premium level change is achieved.

I. INDUSTRY GROUP WAGE TREND ADJUSTMENT

Industry Group	(1) Converted Indemnity Losses	(2) Converted Medical Losses	(3) Converted Total Losses (1)+(2)	(4) Wage Trend	(5) Wage Trend Differential (4)sw/(4)ig	(6) Adjustments ((1)+(2)x(5)) /(3)	(7) Wage Trend Adjustments (6)ig/(6)sw
Manufacturing	90,406,959	45,688,684	136,095,643	1.095	1.003	1.001	1.001
Contracting	85,116,520	39,017,292	124,133,812	1.108	0.991	0.997	0.997
Off. & Cler.	56,313,710	30,603,727	86,917,437	1.102	0.996	0.999	0.999
Goods & Srv.	144,298,915	86,167,329	230,466,244	1.100	0.998	0.999	0.999
Miscellaneous	70,065,359	31,534,630	101,599,989	1.075	1.021	1.007	1.007
Statewide	446,201,463	233,011,662	679,213,125	1.098		1.000	

II. INDICATED AND EXPECTED LOSSES

Industry Group	(8) Indicated Losses	(9) Curr. Ratio of Manual to Earned	(10) Prop. Ratio of Manual to Earned	(11) One Year Current Expected Losses	(12) Five Year Current Expected Losses	(13) Five Year Proposed Expected Losses	(14) Curr./ Prop. (12)/ (13)	(15) Adjust. to Prop. for Curr. Rel. (14)ig/ (14)sw
Manufacturing	144,148,810	1.033	1.031	30,067,975	153,747,044	144,099,932	1.067	1.000
Contracting	127,181,592	1.090	1.086	34,228,331	149,935,608	140,375,163	1.068	1.001
Off. & Cler.	92,718,798	1.018	1.033	23,353,711	100,801,313	94,465,052	1.067	1.000
Goods & Srv.	246,595,498	1.004	0.983	58,704,473	260,286,472	244,039,063	1.067	1.000
Miscellaneous	105,440,943	1.007	0.995	22,133,247	101,359,569	94,939,310	1.068	1.001
Statewide	716,085,640			168,487,737	766,130,006	717,918,520	1.067	

Derivation of Industry Group Differentials (contd.)

III. INDUSTRY GROUP DIFFERENTIALS

Industry Group	(16) Indicated/ Expected Ratio (8)/ ((13)x(15))	(17) Indicated Differential (w/o Wage Trend) (16)ig/(16)sw	(18) Indicated/ Expected Ratio (w/ Wage Trend) (16)x(7)	(19) Indicated Differential (w/Wage Trend) (18)ig/(18)sw	(20) Compens- able Cases	(21) Full Credibility Standard	(22) Credibility	(23) Credibility Weighted Ratio	(24) Credibility Weighted Differential	(25) Final Differ- ential
Manufacturing	1.000	1.003	1.001	1.004	6,774	10,000	0.820	1.000	1.004	1.004
Contracting	0.905	0.908	0.902	0.905	4,183	8,000	0.720	0.929	0.933	0.933
Off. & Cler.	0.982	0.985	0.981	0.984	4,107	7,000	0.770	0.985	0.989	0.989
Goods & Srv.	1.010	1.013	1.009	1.012	13,708	9,000	1.000	1.009	1.013	1.013
Miscellaneous	1.110	1.113	1.118	1.121	4,441	11,000	0.640	1.074	1.078	1.078
Statewide	0.997		0.997					0.996		1.000

Statewide ratio (column 23) = $\Sigma_{IG}((11)x(23)) \div \Sigma_{IG}(11)$

Distribution of Pure Premium Level Change to Occupational Classification

After determining the required changes in pure premium level (see Exhibit I), the next step in the ratemaking procedure is to distribute these changes among the various occupational classifications. In order to do this, the pure premiums by classification must be adjusted, by policy period, industry group, or on an overall basis, to incorporate the changes proposed in the filing. There are three sets of pure premiums for each classification: indicated, present on rate level, and national pure premiums.

The indicated pure premiums are calculated from the payroll and loss data reported, by class code and policy period, in the Workers Compensation Statistical Plan (WCSP) for the latest available five policy periods. Various adjustments are made to these pure premiums to put them at the level proposed in this filing (Section A). The pure premiums present on rate level are the pure premiums underlying the current manual loss cost, adjusted to the proposed level (Section B). Since the indicated and present on rate level pure premiums are modified to comparable levels, the adjustments to each are displayed concurrently for comparison purposes. Finally, there are the national pure premiums, which reflect the countrywide experience for each classification adjusted to state conditions (Section C).

The indicated, present on rate level and national pure premiums are credibility weighted (Section D), and the results, the derived by formula pure premiums, are used to determine the final class loss costs.

Section A – Calculation of Indicated Pure Premiums

The data used in the calculation of indicated pure premiums is the Workers Compensation Statistical Plan (WCSP) for the latest available five policy periods.

1. Loss Development Factors

The following factors are applied to develop the losses from first through fifth report to an ultimate basis.

Policy Period	Indemnity		Medical	
	Serious	Non-ser.	Serious	Non-ser.
1/00 - 12/00	0.987	1.000	1.088	1.000
1/01 - 12/01	1.000	0.998	1.078	0.991
1/02 - 12/02	1.035	1.001	1.099	1.010
1/03 - 12/03	1.241	0.983	1.128	1.037
1/04 - 12/04	2.143	0.893	1.187	1.091
3 Yr. Fixed	1.473	0.959	1.138	1.046

Section B – Calculation of Pure Premiums Present on Rate Level

The source of data for the above captioned pure premiums is the partial pure premiums underlying the current loss costs.

1. Loss Development Factors

The pure premiums already reflect development to an ultimate basis.

Section A – Calculation of Indicated Pure Premiums (contd.)

2. Adjustment for Experience Change

The following factor is applied to adjust for the experience change in the proposed loss cost level.

Indicated Change Based Upon Experience	0.955
--	-------

3. Factors to Adjust to the Proposed Trend Level

The proposed trend factors are applied to adjust the indicated pure premiums to the proposed level.

Indemnity	Medical
0.913	1.069

4. Factors to Adjust to the September 1, 2007 Benefit Level

The factors in the following table are applied to adjust the statistical plan losses to the proposed benefit level.

Policy Period	Death	P.T.	Major	Minor	T.T	Medical
1/00 - 12/00	1.059	1.028	1.016	1.013	1.030	1.000
1/01 - 12/01	1.047	1.022	1.007	1.003	1.024	1.000
1/02 - 12/02	1.043	1.018	1.005	1.003	1.020	1.000
1/03 - 12/03	1.031	1.015	1.005	1.003	1.017	1.000
1/04 - 12/04	1.015	1.012	1.003	1.003	1.014	1.000
3 Yr. Fixed	1.029	1.015	1.005	1.003	1.017	1.000

Section B – Calculation of Pure Premiums Present on Rate Level (contd.)

2. Adjustment for Experience Change

The following factor is applied to adjust for the experience change in the proposed loss cost level.

Indicated Change Based Upon Experience	0.955
--	-------

3. Factors to Adjust to the Proposed Trend Level

The pure premiums underlying present loss costs contain the current trend. The change in trend is applied to adjust to the proposed trend level.

	Serious Indemnity	Non-serious Indemnity	Medical
(1) Current Trend	0.948	0.948	1.089
(2) Proposed Trend	0.913	0.913	1.069
(3) Change in Trend (2)/(1)	0.963	0.963	0.982

4. Factors to Adjust to the September 1, 2007 Benefit Level

The pure premiums are at the current September 1, 2006 level. The following factors are applied to adjust to the proposed benefit level.

Effective Date	Serious	Non-serious	Medical
September 1, 2007	1.001	1.003	1.000
September 1, 2007	1.001	1.003	1.000
Combined Benefit Adjustment	1.002	1.006	1.000

Section A – Calculation of Indicated Pure Premiums (contd.)

5. Factors to Include the Proposed Loss-Based Expense Provisions

The following factors are applied to include the proposed loss adjustment expense and loss-based assessments.

	Indemnity	Medical
(1) Loss Adjustment Expense	1.179	1.179
(2) Loss-based Assessment	1.000	1.000
(3) = (1) + (2) – 1.000	1.179	1.179

6. Adjustment to Balance Indicated to Expected Losses

The expected losses are calculated as the pure premium underlying the current loss costs adjusted to the proposed level and adjusted for the Experience Rating Plan off-balance. The indicated losses are balanced to the expected losses by applying the following factors.

Policy Period	(1) Adjustment of Indicated Losses to Pure Premium at Proposed Level	(2) Current Ratio of Manual to Standard Premium	(3) Proposed Ratio of Manual to Standard Premium	(4) Off-balance Adjustment (2) / (3)	(5) Balancing Indicated to Expected Losses (1) x (4)
1/00 - 12/00	1.062	1.029	1.044	0.986	1.047
1/01 - 12/01	1.032	1.029	1.032	0.997	1.029
1/02 - 12/02	1.097	1.028	1.012	1.016	1.115
1/03 - 12/03	1.111	1.030	1.009	1.021	1.134
1/04 - 12/04	1.117	1.029	1.025	1.004	1.121
3 Yr. Fixed	1.109	1.029	1.016	1.013	1.123

Section B – Calculation of Pure Premiums Present on Rate Level (contd.)

5. Factors to Include the Proposed Loss-Based Expense Provisions

The pure premiums include the current loss adjustment expense and loss-based assessment provisions and must be adjusted to the proposed level.

	(a) Current		(b) Proposed	
	Indemnity	Medical	Indemnity	Medical
(1) Loss Adjustment Expense	1.168	1.168	1.179	1.179
(2) Loss-based Assessment	1.000	1.000	1.000	1.000
(3) = (1) + (2) – 1.000	1.168	1.168	1.179	1.179
(4) Overall Change (3b)/(3a)			1.009	1.009

6. Adjustment to Obtain Expected Losses

The pure premiums reflect the current off-balance for the Experience Rating Plan. The change in off-balance must be applied.

Industry Group	(1) Current Ratio of Manual to Standard Premium	(2) Proposed Ratio of Manual to Standard Premium	(3) Off-balance Adjustment (1)/(2)
Manufacturing	1.033	1.031	1.002
Contracting	1.090	1.086	1.004
Office & Clerical	1.018	1.033	0.985
Goods & Services	1.004	0.983	1.021
Miscellaneous	1.007	0.995	1.012

Section A – Calculation of Indicated Pure Premiums (contd.)

7. Factors to Adjust for Proposed Industry Group Differentials

The following factors are applied to adjust the indicated industry group differentials for normalized wage trend, the effect of the credibility weighting of the industry group differentials, and weighting the differentials by the latest year expected losses.

Industry Group	(1) Indicated Differentials	(2) Cred.-Wtd. Differentials	(3) Adjustment (2)/(1)
Manufacturing	1.003	1.004	1.001
Contracting	0.908	0.933	1.028
Office & Clerical	0.985	0.989	1.004
Goods & Services	1.013	1.013	1.000
Miscellaneous	1.113	1.078	0.969

8. Ratio of Unlimited to Limited Losses

In order to reduce distortions in individual class loss cost indications, individual claim amounts in the WCSP data are subject to a maximum limit based on five times the historical average serious cost per case. The limit utilized in this filing is \$543,000. Incurred losses for each multiple claim accident are limited such that the total loss for the accident does not exceed two times the individual claim loss limitation. This limit is \$1,086,000. To build back the limited losses, the following ratios of unlimited to limited losses are applied.

Industry Group	Unlimited-to- Limited Ratio
Manufacturing	1.022
Contracting	1.076
Office & Clerical	1.013
Goods & Services	1.023
Miscellaneous	1.076

Section B – Calculation of Pure Premiums Present on Rate Level (contd.)

7. Factors to Adjust for Proposed Industry Group Differentials

The pure premiums are adjusted by the proposed industry group differentials.

Industry Group	(1) Differential	(2) Adjustment to Proposed for Current Relativities	(3) Adjusted Differential (1)x(2)
Manufacturing	1.004	1.000	1.004
Contracting	0.933	1.001	0.934
Office & Clerical	0.989	1.000	0.989
Goods & Services	1.013	1.000	1.013
Miscellaneous	1.078	1.001	1.079

8. Ratio of Unlimited to Limited Losses

The pure premiums reflect unlimited losses.

Section A – Calculation of Indicated Pure Premiums (contd.)

9. Combined Conversion Factors

The factors above are combined multiplicatively, resulting in the following factors:

Industry Group	Policy Period	Death	P.T.	Major	Minor	T.T.	Ser Med.	NSer Med.
Manufacturing	1/00 - 12/00	1.150	1.117	1.104	1.115	1.134	1.403	1.290
	1/01 - 12/01	1.133	1.106	1.090	1.083	1.106	1.366	1.256
	1/02 - 12/02	1.266	1.235	1.219	1.177	1.198	1.509	1.387
	1/03 - 12/03	1.526	1.502	1.487	1.176	1.193	1.575	1.448
	1/04 - 12/04	2.564	2.556	2.534	1.056	1.068	1.639	1.506
	3 Yr. Fixed	1.790	1.766	1.749	1.136	1.152	1.574	1.446
Contracting	1/00 - 12/00	1.244	1.208	1.194	1.206	1.226	1.517	1.394
	1/01 - 12/01	1.225	1.196	1.178	1.171	1.196	1.477	1.358
	1/02 - 12/02	1.369	1.336	1.318	1.273	1.295	1.632	1.500
	1/03 - 12/03	1.649	1.624	1.608	1.272	1.289	1.703	1.565
	1/04 - 12/04	2.773	2.764	2.740	1.142	1.154	1.772	1.628
	3 Yr. Fixed	1.935	1.909	1.891	1.229	1.246	1.702	1.564
Office & Clerical	1/00 - 12/00	1.144	1.111	1.098	1.109	1.128	1.395	1.282
	1/01 - 12/01	1.126	1.100	1.083	1.077	1.100	1.358	1.249
	1/02 - 12/02	1.259	1.228	1.212	1.170	1.191	1.500	1.379
	1/03 - 12/03	1.517	1.494	1.479	1.169	1.186	1.566	1.439
	1/04 - 12/04	2.549	2.541	2.520	1.050	1.061	1.629	1.497
	3 Yr. Fixed	1.779	1.755	1.738	1.130	1.146	1.565	1.438
Goods & Services	1/00 - 12/00	1.150	1.117	1.104	1.115	1.134	1.403	1.290
	1/01 - 12/01	1.133	1.106	1.090	1.083	1.106	1.366	1.256
	1/02 - 12/02	1.266	1.235	1.219	1.177	1.198	1.509	1.387
	1/03 - 12/03	1.526	1.502	1.487	1.176	1.193	1.575	1.448
	1/04 - 12/04	2.564	2.556	2.534	1.056	1.068	1.639	1.506
	3 Yr. Fixed	1.790	1.766	1.749	1.136	1.152	1.574	1.446
Miscellaneous	1/00 - 12/00	1.172	1.139	1.125	1.136	1.156	1.430	1.314
	1/01 - 12/01	1.154	1.128	1.110	1.104	1.128	1.393	1.280
	1/02 - 12/02	1.290	1.259	1.243	1.200	1.221	1.538	1.414
	1/03 - 12/03	1.555	1.531	1.516	1.199	1.215	1.606	1.476
	1/04 - 12/04	2.613	2.605	2.583	1.076	1.088	1.670	1.535
	3 Yr. Fixed	1.824	1.800	1.782	1.158	1.174	1.604	1.474

Section B – Calculation of Pure Premiums Present on Rate Level (contd.)

9. Combined Conversion Factors

The factors above are combined multiplicatively, resulting in the following factors.

Industry Group	Serious Indemnity	Non-serious Indemnity	Medical
Manufacturing	0.936	0.940	0.952
Contracting	0.872	0.876	0.887
Office & Clerical	0.906	0.910	0.922
Goods & Services	0.962	0.966	0.978
Miscellaneous	1.016	1.020	1.033

Section C – Calculation of Pure Premiums Indicated by National Relativity

These pure premiums reflect the countrywide experience for each classification as indicated by the latest available individual classification experience for all states for which the National Council on Compensation Insurance compiles workers compensation data.

Countrywide data is adjusted to Rhode Island conditions in four steps. First, statewide indicated pure premiums are determined for Rhode Island. Second, using Rhode Island payrolls as weights, corresponding statewide average pure premiums are computed for each remaining state. Third, the ratios of Rhode Island statewide pure premiums to those for other states are used as adjustment factors to convert losses for other states to a basis concomitant with the Rhode Island indicated pure premiums. The quotient of the countrywide total of such adjusted losses divided by the total countrywide payroll for the classification is the initial pure premium indicated by national relativity. Finally, national pure premiums are balanced to the level of the state indicated pure premiums to ensure unbiased derived by formula pure premiums. Serious, non-serious and medical pure premiums are computed separately.

Section D – Calculation of the Derived by Formula Pure Premiums

As for the preceding pure premiums, separate computations are performed for each partial pure premium: serious, non-serious and medical. Each partial formula pure premium is derived by the weighting of the indicated, present on rate level and national partial pure premiums. The weight assigned to the policy year indicated pure premium varies in one percent intervals from zero percent to one hundred percent, depending upon the volume of expected losses (i.e. the product of the underlying pure premiums and the payroll in hundreds). To achieve full state credibility, a classification must have expected losses of at least: \$14,974,899 for serious, 1,626,849 for non-serious, and 3,486,105 for medical.

The partial credibilities formula is:

$$z = [(\text{expected losses}) / (\text{full credibility standard})]^{0.4}$$

For the pure premiums indicated by national relativity, credibility is determined from the number of cases. Full credibility standards are: 175 serious cases for serious; 500 non-serious cases for non-serious; and 1000 serious and non-serious cases for medical.

Partial credibilities are assigned using a credibility formula similar to that used for indicated pure premiums but based on the number of cases nationally. In no case is the national credibility permitted to exceed 50% of the complement of the state credibility.

National Credibility = the smaller of
 $[(\text{cases nationally}) / (\text{full credibility standard})]^{0.4}$ and $[(1 - \text{state credibility}) / 2]$

The residual credibility (100% minus the sum of the state and national credibilities) is assigned to the present on rate level pure premium.

For example, if the state credibility is 40%, the pure premium indicated by national relativity is assigned a maximum credibility of 30% $((100-40) / 2)$. The remainder is assigned to the present on rate level pure premium.

The total pure premium shown on the attached Appendix B-II is obtained by adding the partial pure premiums obtained above and rounding the sum to two decimal places.

Adjustments to Pure Premiums to Obtain Advisory Loss Costs

The following items are combined with the derived by formula pure premium to obtain the proposed advisory loss cost:

(1) Test Correction Factor

The payrolls are now extended by the advisory loss costs presently in effect and by the indicated advisory loss costs to determine if the required change in manual premium level as calculated in Exhibit I has been achieved. Since at first this calculation may not yield the required results, an iterative process is initiated which continuously tests the proposed advisory loss costs including tentative test correction factors until the required change in manual premium level is obtained. The test correction factor is applied to the derived by formula pure premiums.

The factors referred to above are set out as follows:

	Test Correction Factor
Manufacturing	1.0198
Contracting	1.0120
Office & Clerical	0.9941
Goods & Services	1.0177
Miscellaneous	1.0080

(2) Ratios of Manual to Standard Premiums

The ratios of manual to standard premiums by industry group have also been excluded from the classification experience, and it is necessary to apply these factors to the derived by formula pure premiums.

	Ratio of Manual to Standard Premiums
Manufacturing	1.031
Contracting	1.086
Office & Clerical	1.033
Goods & Services	0.983
Miscellaneous	0.995

(3) Disease Loadings

The proposed manual advisory loss costs shown in this filing include specific disease loadings for those classifications where they apply. The proposed specific disease loadings are shown on the footnote page.

(4) Swing Limits

As a further step a test is made to make certain that the proposed advisory loss costs fall within the following departures from the present advisory loss costs:

Manufacturing	from 9% above to 21% below
Contracting	from 2% above to 28% below
Office & Clerical	from 8% above to 22% below
Goods & Services	from 10% above to 20% below
Miscellaneous	from 16% above to 14% below

These limits have been calculated in accordance with the following formula:

Max. Deviation = Effect of the final change in premium level by industry group plus or minus 15% rounded to the nearest 1%.

The product of the swing limits and the present advisory loss cost sets bounds for the proposed advisory loss cost. If the calculated advisory loss cost falls outside of the bounds, the closest bound is chosen as the proposed advisory loss cost. When a code is limited, the underlying pure premiums are adjusted to reflect the limited advisory loss cost. The classifications which have been so limited are shown below.

An illustrative example showing the calculation of a proposed manual class advisory loss cost is attached as Appendix B-III. This example demonstrates the manner in which the partial pure premiums are combined to produce a total pure premium, and shows the steps in the calculation at which the rounding takes place. The advisory loss costs for other classifications are calculated in the same manner.

List of Classifications Limited by Upper Swing

List of Classifications Limited by Lower Swing

0079	0908	0913	1642	1860	1925	2065	2111
2112	2362	2587	2651	2913	2915	3042	3081
3082	3114	3132	3179	3241	3300	3307	3365
3559	3581	3629	3635	3726	4061	4111	4130
4243	4304	4360	4470	4686	4703	4720	5037
5069	5160	5506	5508	6854	7222	7232	7425
7539	7605	8111	8235	8293	8381	8842	8864
8869	8901	9012	9501				

0083	1430	1654	2172	2417	2585	2714	2960
3018	3169	3180	4062	4113	4307	4511	4583
4653	4740	5951	6233	6252	7016	7024	7133
7151	7153	7230	7394	7395	7405	7421	7445
7590	7601	8032	8204	8606	8755	8868	



RHODE ISLAND

APPENDIX B-II

Determination of Rating Values on Miscellaneous Values Page

A. Miscellaneous Values are calculated based on formulas, dependent on C.P.S. wages, which were fixed with the original item filing. Therefore, the indicated rate change is equivalent to the C.P.S. rate of change.

	Current	Proposed	Change
1) Average Weekly Wage (basis for determination of rating values listed below)	\$673.49 *	\$715.75 **	6.3%
2) Basis of premium applicable in accordance with the Basic Manual footnote instructions for Code 7370 -- "Taxicab Co.":			
Employee operated vehicle	\$52,532.00	\$55,829.00	6.3%
Leased or rented vehicle	\$35,021.00	\$37,219.00	6.3%
3) Maximum Payroll applicable in accordance with the Basic Manual Rule 2-E-1 -- "Executive Officers" and the footnote instructions for Code 9178 -- "Athletic Sports or Park: Non-Contact Sports," Code 9179 -- "Athletic Sports or Park: Contact Sports," and Code 9186 -- "Carnival--Traveling"	\$2,700.00 #	\$2,900.00 #	7.4%
4) Minimum Payroll applicable in accordance with Basic Manual Rule 2-E-1 -- "Executive Officers"	\$337.00	\$358.00	6.2%
5) Per Passenger Seat Surcharge - In accordance with the Basic Manual footnote instructions for classification Code 7421, the surcharge is			
Maximum surcharge per aircraft	\$1,000.00 +	\$1,000.00 +	0.0%
Per passenger seat	\$100.00 ++	\$100.00 ++	0.0%

* Estimate for calendar year 2005 from Current Population Survey (C.P.S.) statistics. Reflects wages capped at \$150,000.

** Estimate for calendar year 2006 from Current Population Survey (C.P.S.) statistics. Reflects wages capped at \$150,000.

Underlying formula is: Latest C.P.S. x 4 (Rounded to nearest \$100).

+ Amount is capped at \$1000.

++ Amount is capped at \$100.

B. Loss Elimination Ratios (LERs) and Percent Premium Reductions for deductibles continue to be determined using the standard methodology described in the literature (e.g. Gillam,W.R.; and Snader, R.H., "Fundamentals of Individual Risk Rating," 1992, and Rollins, J.; and Washburn,M.J., "A Quantification of Snader's Deductible Safety Factor," 1994). The updated values reflect the experience and selections for trend and development presented in Item R-1396.



RHODE ISLAND

APPENDIX B-III

DERIVATION OF PROPOSED ADVISORY LOSS COST - CODE 8810

As previously explained in Appendix B-I, the indicated pure premiums are developed by adjusting the limited losses by a set of conversion factors. The converted losses are then summarized into serious, non-serious and medical and then divided by payroll (in hundreds). The derivation of the indicated pure premium for the above captioned classification follows:

LIMITED LOSSES (Workers Compensation Statistical Plan)

Policy Period	Fatal	Permanent Total	Major Permanent Partial	Minor Permanent Partial	Temporary Total	Serious Medical	Non-Serious Medical
01/01/00 - 12/31/00	0	91,865	1,959,803	242,246	916,868	600,192	1,205,338
01/01/01 - 12/31/01	0	101,616	2,512,248	245,267	1,056,203	689,063	1,147,697
01/01/02 - 12/31/02	0	0	2,426,314	186,473	791,622	892,298	996,043
01/01/03 - 12/31/03	0	0	1,869,352	352,196	812,034	630,693	1,382,054
01/01/04 - 12/31/04	0	0	1,139,560	300,287	1,472,485	701,654	1,848,885
Three Year Fixed	0	0	0	0	0	0	0

COMBINED CONVERSION FACTORS (Appendix B-I, Section A)

Policy Period	Fatal	Permanent Total	Major Permanent Partial	Minor Permanent Partial	Temporary Total	Serious Medical	Non-Serious Medical
01/01/00 - 12/31/00	1.144	1.111	1.098	1.109	1.128	1.395	1.282
01/01/01 - 12/31/01	1.126	1.100	1.083	1.077	1.100	1.358	1.249
01/01/02 - 12/31/02	1.259	1.228	1.212	1.170	1.191	1.500	1.379
01/01/03 - 12/31/03	1.517	1.494	1.479	1.169	1.186	1.566	1.439
01/01/04 - 12/31/04	2.549	2.541	2.520	1.050	1.061	1.629	1.497
Three Year Fixed	1.779	1.755	1.738	1.130	1.146	1.565	1.438

PAYROLL, CONVERTED LOSSES (Limited Losses x Combined Conversion Factors)

Policy Period	Payroll	Serious	Non-Serious	Medical	Total
01/01/00 - 12/31/00	3,206,357,862	2,253,926	1,302,878	2,382,511	5,939,315
01/01/01 - 12/31/01	3,203,957,655	2,832,543	1,425,976	2,369,222	6,627,741
01/01/02 - 12/31/02	3,381,588,776	2,940,693	1,160,995	2,711,990	6,813,678
01/01/03 - 12/31/03	3,522,532,467	2,764,772	1,374,789	2,976,441	7,116,002
01/01/04 - 12/31/04	3,696,289,639	2,871,691	1,877,608	3,910,775	8,660,074
Three Year Fixed	0	0	0	0	0
Total	17,010,726,399	13,663,625	7,142,246	14,350,939	35,156,810
INDICATED PURE PREMIUM		0.080	0.042	0.084	0.21

The present on rate level pure premiums are developed by adjusting the pure premiums underlying the current loss cost by the conversion factors calculated in Appendix B-I. The derivation of the present on rate level pure premiums for the above captioned classification follows:

	Serious	Non-Serious	Medical	Total
Pure Premiums Underlying Current Loss Cost	0.080	0.047	0.093	0.22
Conversion Factors (App. B-I, section B)	0.906	0.910	0.922	
PURE PREMIUMS PRESENT ON RATE LEVEL (Underlying Pure Premiums) x (Conversion Factor)	0.072	0.043	0.086	0.20



RHODE ISLAND APPENDIX B-III

DERIVATION OF PROPOSED ADVISORY LOSS COST - CODE 8810 Industry Group - Office and Clerical

The loss cost for the above captioned classification is then derived as shown in the following exhibit:

	<u>Serious</u>	<u>Non-Serious</u>	<u>Medical</u>	<u>Total</u>
1. Indicated Pure Premium	0.080	0.042	0.084	0.21
2. Pure Premium Indicated by National Relativity	0.073	0.044	0.084	0.20
3. Pure Premium Present on Rate Level	0.072	0.043	0.086	0.20
4. State Credibilities	93%	100%	100%	xxx
5. National Credibilities	3%	0%	0%	xxx
6. Residual Credibilities = 100% - (4) - (5)	4%	0%	0%	xxx
7. Derived by Formula Pure Premiums = (1) x (4) + (2) x (5) + (3) x (6)	0.079	0.042	0.084	0.21
8. Test Correction Factor	0.9941	0.9941	0.9941	xxx
9. Underlying Pure Premiums = (7) x (8) *	0.084	0.042	0.084	0.21
10. Ratio of Manual to Standard Premium				1.033
11. Loss Cost = (9) x (10)				0.22
12. Loss Cost Within Swing Limits				0.22
Current Loss Cost x Swing Limits				
a) Lower bound = 0.22 x 0.780 = 0.18				
b) Upper bound = 0.22 x 1.080 = 0.23				
13. Pure Premiums Underlying Proposed Loss Cost* = ((13TOT) / (9TOT)) x (9) , (13TOT) = (12) / (10)	0.084	0.042	0.084	0.21
14. Disease, PAP, Catastrophe and/or Miscellaneous Loadings				0.00
15. Final Loaded Loss Cost				0.22

* Serious pure premium is adjusted for the rounded total pure premium:

$$\text{Serious Pure Premium} = \text{Total Pure Premium} - (\text{Non-serious Pure Premium} + \text{Medical Pure Premium})$$

I. Determination and Distribution of Premium Level Change to “F” Classifications

The Workers Compensation Statistical Plan (WCSP) data is used to determine the overall “F” class premium level change as well as the individual change by the various classifications. There are three sets of pure premiums for each classification: indicated, present on rate level, and national pure premiums. All sets of pure premiums are adjusted to the common proposed level that is explained further in this exhibit. These three sets of pure premiums are credibility weighted and the results, the derived by formula pure premiums, are adjusted for additional proposed components (section II) to determine the indicated loss costs. The payrolls are extended by the loss costs presently in effect and the indicated loss costs. This results in the indicated loss cost level change of +0.7%. The loss costs are rerun and limited to the swing limits based on 15% surrounding the premium level indication (16% above to 14% below the current loss costs). Since, by applying swing limits, the adjusted loss costs may not yield the proposed premium level change, an iterative process is initiated which continuously tests the loss costs including tentative test correction factors until the required change in loss cost level is obtained. Since the indicated and present on rate level pure premiums are modified to comparable levels, the adjustments to each are displayed concurrently for comparison purposes.

A. Indicated Pure Premiums

The payroll and loss data reported are from the WCSP data by class code for the latest available five policy periods.

1. Benefits

The state losses are adjusted to the September 1, 2007 state law level. The federal losses are adjusted to the October 1, 2007 federal law level.

STATE

Policy Period	Fatal	P.T.	Major	Minor	T.T.	Medical
1/04 - 12/04	1.015	1.012	1.003	1.003	1.014	1.000
1/03 - 12/03	1.031	1.015	1.005	1.003	1.017	1.000
1/02 - 12/02	1.043	1.018	1.005	1.003	1.020	1.000
1/01 - 12/01	1.047	1.022	1.007	1.003	1.024	1.000
1/00 - 12/00	1.059	1.028	1.016	1.013	1.030	1.000

FEDERAL

Policy Period	Fatal	P.T.	Major	Minor	T.T.	Medical
1/04 - 12/04	1.021	1.011	1.002	1.002	1.011	1.000
1/03 - 12/03	1.030	1.016	1.003	1.003	1.016	1.000
1/02 - 12/02	1.039	1.020	1.004	1.004	1.020	1.000
1/01 - 12/01	1.050	1.026	1.005	1.005	1.026	1.000
1/00 - 12/00	1.061	1.032	1.006	1.006	1.032	1.000

B. Present on Rate Level

1. Benefits

The current underlying pure premiums are at the current September 1, 2006 state and October 1, 2006 federal law levels. These pure premiums are adjusted to reflect the weighted effect of state and federal laws which bring losses to the proposed September 1, 2007 state and October 1, 2007 federal law levels. The distribution of state and federal losses in regard to total losses was used to determine the weighted effects.

State Weight (St%)	0.304
Federal Weight (Fed%)	0.696

	Serious	Non-ser	Medical	Total
(a) State Laws	1.002	1.006	1.000	1.002
(b) Federal Laws	1.002	1.003	1.000	1.002
(c) Weighted Laws = [(a)xSt%] + [(b)xFed%]	1.002	1.004	1.000	1.002

2. Loss-based Expenses

The state losses are adjusted to reflect the proposed state assessment and loss adjustment expense. The federal losses are adjusted to reflect the proposed USL&HW Special Fund Assessment and loss adjustment expense.

Proposed:

STATE			
	Indemnity	Medical	Total
(a) Loss Adjustment Expense	1.179	1.179	1.179
(b) Loss-based Assessment	1.000	1.000	1.000
(c) Total = (a) + (b) - 1	1.179	1.179	1.179

FEDERAL			
	Indemnity	Medical	Total
(d) Loss Adjustment Expense	1.179	1.179	1.179
(e) Loss-based Assessment	1.266	1.000	1.138
(f) Total = (d) + (e) - 1	1.445	1.179	1.317

	Indemnity	Medical	Total
(Ag) Weighted Proposed Expenses = [(c) x St%] + [(f) x Fed%]	1.364	1.179	1.275

3. Trend

The following factors are applied to trend the losses in each policy year to the proposed rating year. The credibility-weighted annual trends utilized were 0.980 and 1.015 for indemnity and medical, respectively.

Policy Period	Indemnity	Medical
1/04 - 12/04	0.914	1.069
1/03 - 12/03	0.895	1.085
1/02 - 12/02	0.877	1.101
1/01 - 12/01	0.860	1.118
1/00 - 12/00	0.843	1.135

2. Loss-based Expenses

The current underlying pure premiums are adjusted to reflect the change in the weighted effect of the loss-based expense provisions.

Current:

STATE			
	Indemnity	Medical	Total
(a) Loss Adjustment Expense	1.168	1.168	1.168
(b) Loss-based Assessment	1.000	1.000	1.000
(c) Total = (a) + (b) - 1	1.168	1.168	1.168

FEDERAL			
	Indemnity	Medical	Total
(d) Loss Adjustment Expense	1.168	1.168	1.168
(e) Loss-based Assessment	1.299	1.000	1.162
(f) Total = (d) + (e) - 1	1.467	1.168	1.330

	Indemnity	Medical	Total
(Bg) Weighted Current Expenses = [(c) x St%] + [(f) x Fed%]	1.376	1.168	1.281

	Indemnity	Medical	Total
Weighted Expense Change = (Ag)/(Bg)	0.991	1.009	0.995

3. Trend

Since the trend in the current underlying pure premiums is adequate for the current rating year, additional trend is applied to bring the underlyings to the proposed rating year.

Indemnity	Medical
0.975	1.019

4. Development

The following factors are applied to develop the losses from first through fifth report to an ultimate basis utilizing countrywide data.

Policy Period	Serious Indemnity	Non-serious Indemnity	Serious Medical	Non-serious Medical
1/04 - 12/04	2.452	0.924	3.946	0.824
1/03 - 12/03	1.548	0.963	2.411	0.906
1/02 - 12/02	1.282	0.993	2.163	0.971
1/01 - 12/01	1.193	0.991	2.026	0.987
1/00 - 12/00	1.115	1.000	1.963	1.000

5. Unlimited-to-Limited Ratio

To reduce distortions in individual class loss cost indications, individual claim amounts are subject to a maximum of five times the historical average serious cost per case. Utilizing countrywide data, this limit is \$996,000. Multiple claim accidents are limited to two times the individual claim loss limitation. To build back the limited losses, the following unlimited-to-limited loss ratio is applied.

1.038

6. Conversion Factors = (1) x (2) x (3) x (4) x (5)

The factors have been applied multiplicatively resulting in the following factors.

STATE

Policy Period	Fatal	P.T.	Major	Minor	T.T	Ser Med	NS Med
1/04 - 12/04	2.784	2.776	2.751	1.037	1.048	5.162	1.078
1/03 - 12/03	1.748	1.721	1.704	1.058	1.073	3.201	1.203
1/02 - 12/02	1.435	1.401	1.383	1.069	1.087	2.914	1.308
1/01 - 12/01	1.315	1.283	1.264	1.046	1.068	2.772	1.350
1/00 - 12/00	1.218	1.183	1.169	1.045	1.063	2.727	1.389

FEDERAL

Policy Period	Fatal	P.T.	Major	Minor	T.T	Ser Med	NS Med
1/04 - 12/04	3.432	3.398	3.368	1.269	1.281	5.162	1.078
1/03 - 12/03	2.140	2.111	2.084	1.297	1.313	3.201	1.203
1/02 - 12/02	1.752	1.720	1.693	1.311	1.332	2.914	1.308
1/01 - 12/01	1.616	1.579	1.547	1.285	1.312	2.772	1.350
1/00 - 12/00	1.496	1.455	1.418	1.272	1.305	2.727	1.389

4. Development

The pure premiums already reflect development to an ultimate basis.

5. Unlimited-to-Limited Ratio

The pure premiums reflect unlimited losses.

6. Conversion Factors = (1) x (2) x (3)

The factors have been applied multiplicatively resulting in the following factors.

Serious	Non-Serious	Medical
0.968	0.970	1.028

C. National Pure Premiums

The latest three years of state and federal losses for states in which NCCI compiles workers compensation data are separately adjusted to the same level as the indicated and present on rate level pure premiums.

Class Code 9077

For Code 9077, the indicated, national and present on rate level pure premiums were calculated as described previously in A, B and C but using the non-appropriated benefit changes and the federal loss-based expenses.

D. Derived by Formula Pure Premiums

The derived by formula pure premiums are calculated by a process similar to that of the industrial codes, which is described in Appendix B-I, Section D. To achieve full state credibility, a classification must have expected losses of at least: \$28,673,375 for serious, 3,015,600 for non-serious, and 6,462,000 for medical.

II. Calculation of Proposed Loss Costs

The following items are combined with the derived by formula pure premiums to obtain the proposed loss cost:

A. Test Correction Factor 1.0033

B. Ratio of Manual Premium to Earned Premium 1.029
(Selected based on Rhode Island off-balance analysis)

C. Swing Limits

The classifications which were adjusted by swing limits are as follows:

List of Classifications Limited by Upper Swing
6843

List of Classifications Limited by Lower Swing
6872 7309 7350

RHODE ISLAND
APPENDIX B-IV

DERIVATION OF PROPOSED ADVISORY LOSS COST - CODE 8709

The indicated pure premiums are developed by adjusting the limited losses by a set of conversion factors. The converted losses are then summarized into serious, non-serious and medical and then divided by payroll (in hundreds). The derivation of the indicated pure premium for the above captioned classification follows:

STATE LIMITED LOSSES (Workers Compensation Statistical Plan)

Policy Period	Fatal	Permanent Total	Major Permanent Partial	Minor Permanent Partial	Temporary Total	Serious Medical	Non-Serious Medical
01/01/00 - 12/31/00	0	0	0	0	0	0	0
01/01/01 - 12/31/01	0	0	0	0	0	0	0
01/01/02 - 12/31/02	0	0	0	0	0	0	0
01/01/03 - 12/31/03	0	0	0	0	0	0	0
01/01/04 - 12/31/04	0	0	0	0	0	0	0

FEDERAL LIMITED LOSSES (Workers Compensation Statistical Plan)

Policy Period	Fatal	Permanent Total	Major Permanent Partial	Minor Permanent Partial	Temporary Total	Serious Medical	Non-Serious Medical
01/01/00 - 12/31/00	0	0	0	0	0	0	0
01/01/01 - 12/31/01	0	0	0	0	0	0	0
01/01/02 - 12/31/02	0	0	0	0	0	0	0
01/01/03 - 12/31/03	0	0	0	0	0	0	0
01/01/04 - 12/31/04	0	0	0	0	0	0	0

STATE COMBINED CONVERSION FACTORS (Section A)

Policy Period	Fatal	Permanent Total	Major Permanent Partial	Minor Permanent Partial	Temporary Total	Serious Medical	Non-Serious Medical
01/01/00 - 12/31/00	1.218	1.183	1.169	1.045	1.063	2.727	1.389
01/01/01 - 12/31/01	1.315	1.283	1.264	1.046	1.068	2.772	1.350
01/01/02 - 12/31/02	1.435	1.401	1.383	1.069	1.087	2.914	1.308
01/01/03 - 12/31/03	1.748	1.721	1.704	1.058	1.073	3.201	1.203
01/01/04 - 12/31/04	2.784	2.776	2.751	1.037	1.048	5.162	1.078

FEDERAL COMBINED CONVERSION FACTORS (Section A)

Policy Period	Fatal	Permanent Total	Major Permanent Partial	Minor Permanent Partial	Temporary Total	Serious Medical	Non-Serious Medical
01/01/00 - 12/31/00	1.496	1.455	1.418	1.272	1.305	2.727	1.389
01/01/01 - 12/31/01	1.616	1.579	1.547	1.285	1.312	2.772	1.350
01/01/02 - 12/31/02	1.752	1.720	1.693	1.311	1.332	2.914	1.308
01/01/03 - 12/31/03	2.140	2.111	2.084	1.297	1.313	3.201	1.203
01/01/04 - 12/31/04	3.432	3.398	3.368	1.269	1.281	5.162	1.078



RHODE ISLAND
APPENDIX B-IV

DERIVATION OF PROPOSED ADVISORY LOSS COST - CODE 8709

STATE CONVERTED LOSSES (Limited Losses x Combined Conversion Factors)

Policy Period	Payroll	Serious	Non-Serious	Medical	Total
01/01/00 - 12/31/00	126,400	0	0	0	0
01/01/01 - 12/31/01	69,039	0	0	0	0
01/01/02 - 12/31/02	206,910	0	0	0	0
01/01/03 - 12/31/03	328,864	0	0	0	0
01/01/04 - 12/31/04	462,569	0	0	0	0
Total	1,193,782	0	0	0	0

FEDERAL CONVERTED LOSSES (Limited Losses x Combined Conversion Factors)

Policy Period	Payroll	Serious	Non-Serious	Medical	Total
01/01/00 - 12/31/00	126,400	0	0	0	0
01/01/01 - 12/31/01	69,039	0	0	0	0
01/01/02 - 12/31/02	206,910	0	0	0	0
01/01/03 - 12/31/03	328,864	0	0	0	0
01/01/04 - 12/31/04	462,569	0	0	0	0
Total	1,193,782	0	0	0	0

TOTAL PAYROLL, CONVERTED LOSSES

Policy Period	Payroll	Serious	Non-Serious	Medical	Total
01/01/00 - 12/31/00	126,400	0	0	0	0
01/01/01 - 12/31/01	69,039	0	0	0	0
01/01/02 - 12/31/02	206,910	0	0	0	0
01/01/03 - 12/31/03	328,864	0	0	0	0
01/01/04 - 12/31/04	462,569	0	0	0	0
Total	1,193,782	0	0	0	0
INDICATED PURE PREMIUM		0.000	0.000	0.000	0.00

The present on rate level pure premiums are developed by adjusting the pure premiums underlying the current statewide loss cost by the conversion factors. The derivation of the present on rate level pure premiums for the above captioned classification follows:

	Serious	Non-Serious	Medical	Total
Pure Premiums Underlying Current Statewide Loss Cost	1.856	0.699	1.835	4.39
Conversion Factors (Section B)	0.968	0.970	1.028	
PURE PREMIUMS PRESENT ON RATE LEVEL (Underlying Pure Premiums) x (Conversion Factor)	1.797	0.678	1.886	4.36



RHODE ISLAND

APPENDIX B-IV

DERIVATION OF PROPOSED ADVISORY LOSS COST - CODE 8709 F-Class

The loss cost for the above captioned classification is then derived as shown in the following exhibit:

	<u>Serious</u>	<u>Non-Serious</u>	<u>Medical</u>	<u>Total</u>
1. Indicated Pure Premium	0.000	0.000	0.000	0.00
2. Pure Premium Indicated by National Relativity	0.774	0.579	2.486	3.84
3. Pure Premium Present on Rate Level	1.797	0.678	1.886	4.36
4. State Credibilities	6%	9%	10%	xxx
5. National Credibilities	20%	32%	25%	xxx
6. Residual Credibilities = 100% - (4) - (5)	74%	59%	65%	xxx
7. Derived by Formula Pure Premiums = (1) x (4) + (2) x (5) + (3) x (6)	1.485	0.585	1.847	3.92
8. Test Correction Factor	1.0033	1.0033	1.0033	xxx
9. Underlying Pure Premiums = (7) x (8) *	1.490	0.587	1.853	3.93
10. Ratio of Manual to Standard Premium				1.029
11. Loss Cost = (9) x (10)				4.04
12. Loss Cost Within Swing Limits				4.04
Current Loss Cost x Swing Limits				
a) Lower bound = 4.31 x 0.860 = 3.71				
b) Upper bound = 4.31 x 1.160 = 4.99				
13. Pure Premiums Underlying Proposed Loss Cost* = ((12) / (11)) x (9)	1.490	0.587	1.853	3.93

* Serious pure premium is adjusted for the rounded total pure premium:
 Serious Pure Premium = Total Pure Premium - (Non-serious Pure Premium + Medical Pure Premium)



RHODE ISLAND LAW MEMO

Appendix C-I

Increase in the Maximum Weekly Benefit

Effective 09/01/2007

Increase in the Maximum Weekly Benefit for:

Fatal, Total and Primary Permanent

Partial Disability:

(110% of SAWW)

From: 811.00

To: 844.00

Total Effect: + 0.1%

SAWW effective 09/01/2006 = 736.74 (Estimated).

SAWW effective 09/01/2007 = 766.94 (Actual).



RHODE ISLAND LAW MEMO

Appendix C-I

Impact by Type of Injury and Overall Effect Due to the Annual Increase in the Maximum Weekly Benefit, Effective 09/01/2007

Type of Injury	Percentage of Losses (a)	Effect (%)
Fatal	1.8%	0.4
Permanent Total	0.5%	0.3
Major Permanent Partial	40.7%	0.09
Serious	43.0%	0.1 (b)
Minor Permanent Partial	3.6%	0.09
Temporary Total	16.1%	0.4
Non Serious	19.7%	0.3 (b)
Indemnity	62.7%	0.2 (b)
Medical	37.3%	0.0
Total	100.0%	0.1 (b)

(a) Indemnity/Medical split based on policy year financial data projected to 9/1/2007. Proportions within indemnity based on the 24 month period ending 12/31/2003 on the 09/01/2006 law level and developed to an ultimate basis by type of injury.

(b) Weighted average.



RHODE ISLAND LAW MEMO

Appendix C-II

Increase in the Maximum Weekly Benefit Due to the Enactment of House Bill 7042

Effective 09/01/2007

Increase in the Maximum Weekly Benefit for:

Fatal, Total and Primary Permanent
Partial Disability:
(110% of SAWW) From: 844.00

(115% of SAWW) To: 882.00

Total Effect: + 0.1%

SAWW effective 09/01/2007 = 766.94 (Actual).
SAWW effective 09/01/2007 = 766.94 (Actual).



RHODE ISLAND LAW MEMO

Appendix C-II

Impact by Type of Injury and Overall Effect Due to the Enactment
of House Bill 7042, Effective 09/01/2007

Type of Injury	Percentage of Losses (a)	Effect (%)
Fatal	1.8%	0.4
Permanent Total	0.5%	0.3
Major Permanent Partial	40.6%	0.08
Serious	42.9%	0.1 (b)
Minor Permanent Partial	3.6%	0.08
Temporary Total	16.1%	0.4
Non Serious	19.7%	0.3 (b)
Indemnity	62.7%	0.2 (b)
Medical	37.3%	0.0
Total	100.0%	0.1 (b)

(a) Indemnity/Medical split based on policy year financial data projected to 9/1/2007. Proportions within indemnity based on the 24 month period ending 12/31/2003 on the 09/01/2006 law level and developed to an ultimate basis by type of injury.

(b) Weighted average.