

RHODE ISLAND



TECHNICAL SUPPLEMENT

PROPOSED EFFECTIVE JANUARY 1, 2007



Regulatory Services Division

Laura Backus Hall, CPCU
State Relations Executive

September 5, 2006

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 January 1, 2007**

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 January 1, 2007 filed with your office under separate cover. In order not to delay the delivery of this filing and its review, NCCI will be providing a supplementary component containing the loss costs and rating values at a later date (currently projected for delivery by the end of September).

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.

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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 your at your convenience.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Laura Backus Hall". The signature is fluid and cursive, with a large initial "L" and "H".

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, which appears to read "Carolyn J. Bergh". The signature is written in a cursive style and is positioned above the printed name and title.

Carolyn Bergh, FCAS, MAAA
Director and Actuary



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RHODE ISLAND – ADVISORY LOSS COST LEVEL

Explanatory Memoranda

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

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
- C Memoranda for Laws and Assessments



RHODE ISLAND EXPLANATORY MEMORANDUM

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

As shown in Appendix A-II, Section B, in order to avoid using pre-reform data in the 9th-10th, 10th-11th, and 11th-12th indemnity development factors, the selected factors are based on 4-year, 3-year and 2-year averages respectively. This is the same approach contained in the two most recent NCCI filings (effective January 1, 2005 and January 1, 2006).

RHODE ISLAND – ADVISORY LOSS COST LEVEL

PART I

- Exhibit I Determination of Indicated Change in Voluntary Pure Premium Level
- I-A Policy Year 2004 Experience
 - I-B Policy Year 2003 Experience
 - I-C Policy Year 2002 Experience
 - I-D Indicated Change Based on Experience, Trend and Benefits
 - I-E Application of Change in Loss Based Expenses
- 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



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EXHIBIT I

Exhibit I-A - Policy Year 2004 Experience

Premium:

(1) Standard Earned Premium Developed to Ultimate (Appendix A-II)	\$250,639,734
(2) Premium On-level Factor (Appendix A-I)	0.553
(3) Premium Available for Benefits Costs = (1)x(2)	\$138,603,773

Indemnity Benefit Cost:

(4) Limited Indemnity Paid Losses Developed to Ultimate (Appendix A-II)	\$73,008,722
(5) Indemnity Loss On-level Factor (Appendix A-I)	1.002
(6) Factor to Include Loss-based Expenses (Exhibit II)	1.167
(7) Composite Adjustment Factor = (5)x(6)	1.169
(8) Adjusted Limited Indemnity Losses = (4)x(7)	\$85,347,196
(9) Adjusted Limited Indemnity Cost Ratio excluding Trend and Benefits = (8)/(3)	0.616
(10) Factor to Reflect Indemnity Trend (Appendix A-III)	0.970
(11) Projected Limited Indemnity Cost Ratio = (9)x(10)	0.598
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis (Appendix A-II)	1.019
(13) Projected Indemnity Cost Ratio = (11)x(12)	0.609
(14) Factor to Reflect Proposed Changes in Indemnity Benefits (Appendix C)	1.001
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13)x(14)	0.610

Medical Benefit Cost:

(16) Limited Medical Paid Losses Developed to Ultimate (Appendix A-II)	\$38,814,996
(17) Medical Loss On-level Factor (Appendix A-I)	1.000
(18) Factor to Include Loss-based Expenses (Exhibit II)	1.167
(19) Composite Adjustment Factor = (17)x(18)	1.167
(20) Adjusted Limited Medical Losses = (16)x(19)	\$45,297,100
(21) Adjusted Limited Medical Cost Ratio excluding Trend and Benefits = (20)/(3)	0.327
(22) Factor to Reflect Medical Trend (Appendix A-III)	1.061
(23) Projected Limited Medical Cost Ratio = (21)x(22)	0.347
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis (Appendix A-II)	1.019
(25) Projected Medical Cost Ratio = (23)x(24)	0.354
(26) Factor to Reflect Proposed Changes in Medical Benefits (Appendix C)	1.000
(27) Projected Medical Cost Ratio including Benefit Changes = (25)x(26)	0.354

Total Benefit Cost:

(28) Indicated Change Based on Experience, Trend and Benefits = (15)+(27)	0.964
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EXHIBIT I

Exhibit I-B - Policy Year 2003 Experience

Premium:

(1) Standard Earned Premium Developed to Ultimate (Appendix A-II)	\$249,617,427
(2) Premium On-level Factor (Appendix A-I)	0.541
(3) Premium Available for Benefits Costs = (1)x(2)	\$135,043,028

Indemnity Benefit Cost:

(4) Limited Indemnity Paid Losses Developed to Ultimate (Appendix A-II)	\$72,263,979
(5) Indemnity Loss On-level Factor (Appendix A-I)	1.004
(6) Factor to Include Loss-based Expenses (Exhibit II)	1.167
(7) Composite Adjustment Factor = (5)x(6)	1.172
(8) Adjusted Limited Indemnity Losses = (4)x(7)	\$84,693,383
(9) Adjusted Limited Indemnity Cost Ratio excluding Trend and Benefits = (8)/(3)	0.627
(10) Factor to Reflect Indemnity Trend (Appendix A-III)	0.961
(11) Projected Limited Indemnity Cost Ratio = (9)x(10)	0.603
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis (Appendix A-II)	1.019
(13) Projected Indemnity Cost Ratio = (11)x(12)	0.614
(14) Factor to Reflect Proposed Changes in Indemnity Benefits (Appendix C)	1.001
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13)x(14)	0.615

Medical Benefit Cost:

(16) Limited Medical Paid Losses Developed to Ultimate (Appendix A-II)	\$36,362,683
(17) Medical Loss On-level Factor (Appendix A-I)	1.000
(18) Factor to Include Loss-based Expenses (Exhibit II)	1.167
(19) Composite Adjustment Factor = (17)x(18)	1.167
(20) Adjusted Limited Medical Losses = (16)x(19)	\$42,435,251
(21) Adjusted Limited Medical Cost Ratio excluding Trend and Benefits = (20)/(3)	0.314
(22) Factor to Reflect Medical Trend (Appendix A-III)	1.082
(23) Projected Limited Medical Cost Ratio = (21)x(22)	0.340
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis (Appendix A-II)	1.019
(25) Projected Medical Cost Ratio = (23)x(24)	0.346
(26) Factor to Reflect Proposed Changes in Medical Benefits (Appendix C)	1.000
(27) Projected Medical Cost Ratio including Benefit Changes = (25)x(26)	0.346

Total Benefit Cost:

(28) Indicated Change Based on Experience, Trend and Benefits = (15)+(27)	0.961
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EXHIBIT I

Exhibit I-C - Policy Year 2002 Experience

Premium:

(1) Standard Earned Premium Developed to Ultimate (Appendix A-II)	\$231,174,589
(2) Premium On-level Factor (Appendix A-I)	0.540
(3) Premium Available for Benefits Costs = (1)x(2)	\$124,834,278

Indemnity Benefit Cost:

(4) Limited Indemnity Paid Losses Developed to Ultimate (Appendix A-II)	\$67,347,312
(5) Indemnity Loss On-level Factor (Appendix A-I)	1.006
(6) Factor to Include Loss-based Expenses (Exhibit II)	1.167
(7) Composite Adjustment Factor = (5)x(6)	1.174
(8) Adjusted Limited Indemnity Losses = (4)x(7)	\$79,065,744
(9) Adjusted Limited Indemnity Cost Ratio excluding Trend and Benefits = (8)/(3)	0.633
(10) Factor to Reflect Indemnity Trend (Appendix A-III)	0.951
(11) Projected Limited Indemnity Cost Ratio = (9)x(10)	0.602
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis (Appendix A-II)	1.019
(13) Projected Indemnity Cost Ratio = (11)x(12)	0.613
(14) Factor to Reflect Proposed Changes in Indemnity Benefits (Appendix C)	1.001
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13)x(14)	0.614

Medical Benefit Cost:

(16) Limited Medical Paid Losses Developed to Ultimate (Appendix A-II)	\$32,931,912
(17) Medical Loss On-level Factor (Appendix A-I)	1.000
(18) Factor to Include Loss-based Expenses (Exhibit II)	1.167
(19) Composite Adjustment Factor = (17)x(18)	1.167
(20) Adjusted Limited Medical Losses = (16)x(19)	\$38,431,541
(21) Adjusted Limited Medical Cost Ratio excluding Trend and Benefits = (20)/(3)	0.308
(22) Factor to Reflect Medical Trend (Appendix A-III)	1.104
(23) Projected Limited Medical Cost Ratio = (21)x(22)	0.340
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis (Appendix A-II)	1.019
(25) Projected Medical Cost Ratio = (23)x(24)	0.346
(26) Factor to Reflect Proposed Changes in Medical Benefits (Appendix C)	1.000
(27) Projected Medical Cost Ratio including Benefit Changes = (25)x(26)	0.346

Total Benefit Cost:

(28) Indicated Change Based on Experience, Trend and Benefits = (15)+(27)	0.960
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EXHIBIT I

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

(1)	Policy Year 2004 Indicated Change Based on Experience, Trend and Benefits	0.964
(2)	Policy Year 2003 Indicated Change Based on Experience, Trend and Benefits	0.961
(3)	Policy Year 2002 Indicated Change Based on Experience, Trend and Benefits	0.960
(4)	Indicated Change Based on Experience, Trend and Benefits = $[(1)+(2)+(3)]/3$	0.962

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

(1)	Indicated Change Based on Experience, Trend and Benefits	0.962
(2)	Effect of Change in Loss-based Expenses	1.001
(3)	Indicated Change Modified to Reflect the Change in Loss-based Expenses = $(1) \times (2)$	0.963

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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 16.8% 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>
1996	19.5%	15.6%	8.1%	7.6%
1997	18.4%	16.2%	8.9%	7.4%
1998	19.5%	15.7%	8.9%	6.8%
1999	18.2%	15.2%	8.8%	6.4%
2000	15.0%	15.6%	9.2%	6.3%
2001	13.7%	16.0%	9.4%	6.6%
2002	14.2%	16.6%	9.8%	6.7%
2003	15.5%	17.4%	10.0%	7.4%
2004	16.6%	16.7%	10.0%	6.7%
2005	17.6%	17.5%	10.3%	7.3%
C/W Two-year Avg:	17.1%	17.1%	10.1%	7.0%
C/W Selected:		17.1%	10.1%	7.0%
Rhode Island Selected:		16.8%	9.8%	7.0%
(9.8% = 10.1% x 0.970)				

(B) Derivation of Rhode Island DCCE Relativity

(1a) Rhode Island paid losses	311,171,589
(1b) Rhode Island paid DCCE	30,509,742
(1c) Ratio (1b)/(1a)	9.8%
(2a) Countrywide Paid Losses	60,072,796,854
(2b) Countrywide Paid DCCE	6,073,453,879
(2c) Ratio (2b)/(2a)	10.1%
(3) Rhode Island DCCE Relativity	0.970

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

(1) Current RI LAE Allowance	16.7%
(2) Proposed RI LAE Allowance	16.8%
(3) Proposed Change in LAE [[1+(2)]/(1+(1))]	1.001 0.1%

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 Premium and Losses to Current Levels

Section A	Factor Adjusting 2004 Policy Year Premium to Present Pure Premium Level
Section B	Factor Adjusting 2004 Policy Year Indemnity Losses to Present Benefit Level
Section C	Factor Adjusting 2004 Policy Year Medical Losses to Present Benefit Level
Section D	Factor Adjusting 2003 Policy Year Premium to Present Pure Premium Level
Section E	Factor Adjusting 2003 Policy Year Indemnity Losses to Present Benefit Level
Section F	Factor Adjusting 2003 Policy Year Medical Losses to Present Benefit Level
Section G	Factor Adjusting 2002 Policy Year Premium to Present Pure Premium Level
Section H	Factor Adjusting 2002 Policy Year Indemnity Losses to Present Benefit Level
Section I	Factor Adjusting 2002 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 2004, 2003 & 2002 Policy Year Experience
Section B	Carriers Not Included in Claim Count Experience
Section C	Carriers Not Included in Large Loss and Catastrophe Call Data

C Memoranda for Laws and Assessments

C-I Increase in State Average Weekly Wage – Effective September 1, 2006

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APPENDIX A-I



Derivation of Policy Year On-level Factors

Section A - 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	0.560	0.990	0.999	0.553
NR 01/01/05	0.585	0.585						
NR 01/01/06	0.958	0.560						
				1.000				

Section B - 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	0.309	0.309	1.002
09/01/04	1.0010	1.001	0.646	0.647	
09/01/05	1.0020	1.003	0.045	0.045	
				1.001	

Section C - 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	0.309	0.309	1.000
09/01/04	1.0000	1.000	0.646	0.646	
09/01/05	1.0000	1.000	0.045	0.045	
				1.000	

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APPENDIX A-I

Derivation of Policy Year On-level Factors

Section D - Factor Adjusting 2003 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	0.560	0.990	0.976	0.541
NR 01/01/05	0.585	0.585						
NR 01/01/06	0.958	0.560						
				1.000				

Section E - Factor Adjusting 2003 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					
09/01/02	Base	1.000	0.309	0.309	1.004
09/01/03	1.0010	1.001	0.288	0.288	
01/01/04	1.0010	1.002	0.358	0.359	
09/01/04	1.0010	1.003	0.045	0.045	
09/01/05	1.0020	1.005			
				1.001	

Section F - Factor Adjusting 2003 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					
09/01/02	Base	1.000	0.309	0.309	1.000
09/01/03	1.0000	1.000	0.288	0.288	
01/01/04	1.0000	1.000	0.358	0.358	
09/01/04	1.0000	1.000	0.045	0.045	
09/01/05	1.0000	1.000			
				1.000	

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APPENDIX A-I

Derivation of Policy Year On-level Factors

Section G - Factor Adjusting 2002 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	0.560	0.990	0.975	0.540
NR 01/01/05	0.585	0.585						
NR 01/01/06	0.958	0.560						
				1.000				

Section H - Factor Adjusting 2002 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					
09/01/01	Base	1.000	0.309	0.309	1.006
09/01/02	1.0020	1.002	0.646	0.647	
09/01/03	1.0010	1.003	0.045	0.045	
01/01/04	1.0010	1.004			
09/01/04	1.0010	1.005			
09/01/05	1.0020	1.007			
				1.001	

Section I - Factor Adjusting 2002 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					
09/01/01	Base	1.000	0.309	0.309	1.000
09/01/02	1.0000	1.000	0.646	0.646	
09/01/03	1.0000	1.000	0.045	0.045	
01/01/04	1.0000	1.000			
09/01/04	1.0000	1.000			
09/01/05	1.0000	1.000			
				1.000	



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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
1990	1.056	1.063	1.059	1.057	0.982	0.929
1991	1.087	1.112	1.098	1.096	0.982	0.896
1992	1.055	1.095	1.072	1.070	0.982	0.918
1993	1.053	1.039	1.047	1.045	0.982	0.940
1994	0.996	0.964	0.981	0.982	0.982	1.000
1995	0.932	0.934	0.933	0.935	0.982	1.050
1996	0.914	0.833	0.870	0.874	0.982	1.124
1997	0.934	0.901	0.919	0.921	0.982	1.066
1998	0.955	0.905	0.933	0.935	0.982	1.050
1999	1.041	0.955	1.000	1.000	0.982	0.982
2000	1.006	0.946	0.979	0.980	0.982	1.002
2001	1.010	0.975	0.993	0.993	0.982	0.989
2002	1.010	1.006	1.008	1.007	0.982	0.975
2003	1.019	0.992	1.007	1.006	0.982	0.976
2004	0.993	0.968	0.981	0.983	0.982	0.999
2005	0.979	0.980	0.980	0.982	0.982	1.000



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APPENDIX A-II

Determination of Premium and Losses Developed to an Ultimate Report

Premium and Loss Summary Valued as of 12/31/2005

Policy Year 2004

(1)	Standard Earned Premium	\$246,935,699
(2)	Factor to Develop Premium to Ultimate	1.015
(3)	Standard Earned Premium Developed to Ultimate = (1)x(2)	\$250,639,734
(4)	Limited Indemnity Paid Losses	\$24,466,730
(5)	Limited Indemnity Paid Development Factor to Ultimate	2.984
(6)	Limited Indemnity Paid Losses Developed to Ultimate = (4)x(5)	\$73,008,722
(7)	Limited Medical Paid Losses	\$23,439,007
(8)	Limited Medical Paid Development Factor to Ultimate	1.656
(9)	Limited Medical Paid Losses Developed to Ultimate = (7)x(8)	\$38,814,996

Policy Year 2003

(1)	Standard Earned Premium	\$250,117,662
(2)	Factor to Develop Premium to Ultimate	0.998
(3)	Standard Earned Premium Developed to Ultimate = (1)x(2)	\$249,617,427
(4)	Limited Indemnity Paid Losses	\$39,640,142
(5)	Limited Indemnity Paid Development Factor to Ultimate	1.823
(6)	Limited Indemnity Paid Losses Developed to Ultimate = (4)x(5)	\$72,263,979
(7)	Limited Medical Paid Losses	\$27,864,125
(8)	Limited Medical Paid Development Factor to Ultimate	1.305
(9)	Limited Medical Paid Losses Developed to Ultimate = (7)x(8)	\$36,362,683

Policy Year 2002

(1)	Standard Earned Premium	\$230,943,645
(2)	Factor to Develop Premium to Ultimate	1.001
(3)	Standard Earned Premium Developed to Ultimate = (1)x(2)	\$231,174,589
(4)	Limited Indemnity Paid Losses	\$45,690,171
(5)	Limited Indemnity Paid Development Factor to Ultimate	1.474
(6)	Limited Indemnity Paid Losses Developed to Ultimate = (4)x(5)	\$67,347,312
(7)	Limited Medical Paid Losses	\$27,193,982
(8)	Limited Medical Paid Development Factor to Ultimate	1.211
(9)	Limited Medical Paid Losses Developed to Ultimate = (7)x(8)	\$32,931,912



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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>	
2001	219,834,946	221,866,041	1.009
2002	227,093,589	231,253,619	1.018
2003	244,478,241	250,117,177	1.023
Average			1.017
	<u>2nd Report</u>	<u>3rd Report</u>	
2000	219,151,365	217,380,532	0.992
2001	220,041,176	220,079,096	1.000
2002	231,253,619	230,943,645	0.999
Average			0.997
	<u>3rd Report</u>	<u>4th Report</u>	
1999	204,790,265	204,126,504	0.997
2000	215,013,994	214,918,633	1.000
2001	220,079,096	219,978,428	1.000
Average			0.999
	<u>4th Report</u>	<u>5th Report</u>	
1998	172,957,691	172,882,103	1.000
1999	201,672,515	201,764,063	1.000
2000	214,918,633	216,181,130	1.006
Average			1.002

Summary of Premium Development Factors

<u>1st/5th</u>	<u>2nd/5th</u>	<u>3rd/5th</u>	<u>4th/5th</u>
1.015	0.998	1.001	1.002

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APPENDIX A-II

Determination of Policy Year Development Factors

Section B - Limited Paid Loss Development Factors

<u>Policy Year</u>	<u>Limited Paid Indemnity Losses For Matching Companies</u>		<u>Development Factor</u>	<u>Policy Year</u>	<u>Limited Paid Medical Losses For Matching Companies</u>		<u>Development Factor</u>
	<u>1st Report</u>	<u>2nd Report</u>			<u>1st Report</u>	<u>2nd Report</u>	
1999	20,033,765	32,503,256	1.622	1999	16,916,165	21,452,809	1.268
2000	22,555,416	37,230,071	1.651	2000	18,209,704	23,144,784	1.271
2001	23,172,259	38,176,978	1.648	2001	19,774,493	24,100,595	1.219
2002	23,346,789	37,461,605	1.605	2002	19,596,605	25,281,667	1.290
2003	24,171,199	39,640,142	1.640	2003	21,999,409	27,864,125	1.267
Average*			1.637	Average*			1.269
	<u>2nd Report</u>	<u>3rd Report</u>			<u>2nd Report</u>	<u>3rd Report</u>	
1998	24,571,835	30,817,881	1.254	1998	16,096,097	17,407,072	1.081
1999	32,245,180	40,243,278	1.248	1999	21,512,777	23,201,376	1.078
2000	38,123,141	47,340,279	1.242	2000	23,600,562	25,033,727	1.061
2001	37,930,737	45,716,036	1.205	2001	23,884,766	25,963,990	1.087
2002	37,461,605	45,690,171	1.220	2002	25,281,667	27,193,982	1.076
Average*			1.237	Average*			1.078
	<u>3rd Report</u>	<u>4th Report</u>			<u>3rd Report</u>	<u>4th Report</u>	
1997	27,892,191	32,134,919	1.152	1997	17,422,427	17,954,957	1.031
1998	32,582,510	37,312,549	1.145	1998	18,254,252	18,847,024	1.032
1999	42,448,110	47,125,588	1.110	1999	24,282,563	25,293,605	1.042
2000	46,574,454	51,686,443	1.110	2000	24,413,213	25,164,981	1.031
2001	45,716,036	51,291,505	1.122	2001	25,963,990	27,014,650	1.040
Average*			1.126	Average*			1.034
	<u>4th Report</u>	<u>5th Report</u>			<u>4th Report</u>	<u>5th Report</u>	
1996	27,969,689	29,776,659	1.065	1996	15,214,876	15,371,940	1.010
1997	32,669,035	34,871,269	1.067	1997	19,516,974	19,986,331	1.024
1998	39,708,448	41,995,810	1.058	1998	19,787,407	20,085,761	1.015
1999	46,702,303	48,892,634	1.047	1999	25,089,362	25,716,609	1.025
2000	51,686,443	54,328,191	1.051	2000	25,164,981	25,752,821	1.023
Average*			1.058	Average*			1.021
	<u>5th Report</u>	<u>6th Report</u>			<u>5th Report</u>	<u>6th Report</u>	
1995	30,360,212	32,045,474	1.056	1995	15,296,112	15,546,499	1.016
1996	30,021,490	31,684,274	1.055	1996	15,956,765	16,293,431	1.021
1997	35,357,549	36,472,258	1.032	1997	20,173,193	20,185,366	1.001
1998	40,344,124	41,507,620	1.029	1998	19,373,373	19,557,509	1.010
1999	48,892,634	50,066,828	1.024	1999	25,716,609	25,986,170	1.010
Average*			1.039	Average*			1.012
	<u>6th Report</u>	<u>7th Report</u>			<u>6th Report</u>	<u>7th Report</u>	
1994	30,010,148	31,186,176	1.039	1994	14,827,674	15,010,829	1.012
1995	32,010,217	33,305,265	1.040	1995	15,537,561	15,792,844	1.016
1996	32,302,307	32,973,645	1.021	1996	17,021,470	16,959,437	0.996
1997	34,805,970	35,395,946	1.017	1997	19,058,244	19,181,519	1.006
1998	41,507,620	42,598,135	1.026	1998	19,557,509	19,786,828	1.012
Average*			1.029	Average*			1.010

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

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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	Policy Year	Limited Paid Medical Losses For Matching Companies		Development Factor
	<u>7th Report</u>	<u>8th Report</u>			<u>7th Report</u>	<u>8th Report</u>	
1993	29,916,069	30,248,807	1.011	1993	15,306,922	15,370,997	1.004
1994	31,186,176	32,298,788	1.036	1994	15,010,685	15,080,046	1.005
1995	33,741,563	33,967,206	1.007	1995	15,939,937	16,013,816	1.005
1996	32,368,143	32,473,496	1.003	1996	16,573,084	16,565,341	1.000
1997	35,395,946	35,821,795	1.012	1997	19,181,519	19,232,891	1.003
Average*			1.010	Average*			1.004
	<u>8th Report</u>	<u>9th Report</u>			<u>8th Report</u>	<u>9th Report</u>	
1992	48,516,304	48,939,788	1.009	1992	6,769,885	6,821,064	1.008
1993	30,240,088	30,376,173	1.005	1993	15,359,004	15,421,888	1.004
1994	32,565,588	33,039,892	1.015	1994	15,175,031	15,264,773	1.006
1995	33,954,705	34,102,374	1.004	1995	15,991,315	16,070,041	1.005
1996	32,471,469	32,708,780	1.007	1996	16,562,854	16,581,711	1.001
Average*			1.007	Average*			1.005
	<u>9th Report</u>	<u>10th Report</u>			<u>9th Report</u>	<u>10th Report</u>	
1992	49,003,721	49,330,676	1.007	1991	31,651,010	31,850,403	1.006
1993	30,793,780	31,139,794	1.011	1992	21,769,508	21,806,503	1.002
1994	33,035,239	33,178,189	1.004	1993	15,508,543	15,659,295	1.010
1995	34,077,849	34,475,356	1.012	1994	15,252,814	15,333,735	1.005
Average			1.009	1995	16,051,055	16,089,334	1.002
	<u>10th Report</u>	<u>11th Report</u>			<u>10th Report</u>	<u>11th Report</u>	
1992	49,722,485	49,948,417	1.005	1990	33,935,712	33,953,588	1.001
1993	31,139,039	31,248,463	1.004	1991	31,850,403	32,002,974	1.005
1994	33,144,339	33,323,206	1.005	1992	21,847,935	21,878,006	1.001
Average			1.005	1993	15,657,777	15,775,866	1.008
	<u>11th Report</u>	<u>12th Report</u>			<u>11th Report</u>	<u>12th Report</u>	
1992	49,739,802	49,928,038	1.004	1989	43,048,016	43,248,505	1.005
1993	31,247,722	31,311,916	1.002	1990	33,952,561	33,999,309	1.001
Average			1.003	1991	32,327,146	32,350,146	1.001
	<u>12th Report</u>	<u>13th Report</u>			<u>12th Report</u>	<u>13th Report</u>	
1988	142,140,172	143,126,576	1.007	1988	36,391,954	36,542,350	1.004
1989	157,256,445	159,445,154	1.014	1989	43,041,915	43,232,627	1.004
1990	112,580,273	113,022,313	1.004	1990	34,937,457	34,978,737	1.001
1991	84,966,687	85,473,120	1.006	1991	31,984,490	31,981,123	1.000
1992	49,862,197	50,054,354	1.004	1992	21,765,170	21,858,867	1.004
Average*			1.006	Average*			1.003

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

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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	Policy Year	Limited Paid Medical Losses For Matching Companies	Development Factor
	<u>13th Report</u>	<u>14th Report</u>		<u>13th Report</u>	<u>14th Report</u>
1987	129,090,309	130,613,032	1987	33,439,610	33,582,887
1988	142,424,134	143,458,873	1988	36,386,395	36,532,981
1989	162,378,355	163,784,186	1989	44,334,575	44,475,037
1990	111,922,071	112,320,117	1990	34,524,877	34,586,548
1991	84,628,296	84,867,644	1991	31,762,826	31,791,597
Average*		1.007	Average*		1.003
	<u>14th Report</u>	<u>15th Report</u>		<u>14th Report</u>	<u>15th Report</u>
1986	120,574,739	121,575,758	1986	30,283,111	30,345,330
1987	130,613,032	131,651,490	1987	33,582,887	33,731,149
1988	147,685,286	148,332,400	1988	37,985,875	38,148,972
1989	161,581,941	162,605,702	1989	43,621,855	43,720,566
1990	111,977,063	112,369,065	1990	34,478,407	34,619,956
Average*		1.006	Average*		1.003
	<u>15th Report</u>	<u>16th Report</u>		<u>15th Report</u>	<u>16th Report</u>
1985	90,375,576	91,101,464	1985	23,095,515	23,219,387
1986	121,575,758	122,774,371	1986	30,345,330	30,436,798
1987	138,847,683	139,688,741	1987	36,159,640	36,321,795
1988	146,004,371	146,691,576	1988	37,441,153	37,585,523
1989	161,679,955	162,900,487	1989	43,467,949	43,595,965
Average*		1.007	Average*		1.004
	<u>16th Report</u>	<u>17th Report</u>		<u>16th Report</u>	<u>17th Report</u>
1984	76,423,885	76,791,366	1984	19,106,986	19,143,652
1985	91,101,464	91,814,448	1985	23,219,387	23,378,092
1986	126,981,144	127,730,679	1986	31,654,459	31,706,867
1987	137,558,306	138,412,309	1987	35,589,227	35,884,565
1988	146,226,995	146,965,675	1988	37,451,148	37,570,253
Average*		1.006	Average*		1.004
	<u>17th Report</u>	<u>18th Report</u>		<u>17th Report</u>	<u>18th Report</u>
1983	68,855,198	69,043,732	1983	18,185,282	18,210,485
1984	76,677,361	77,143,098	1984	19,133,412	19,167,328
1985	93,135,067	93,908,554	1985	23,955,941	24,129,353
1986	125,730,384	126,330,166	1986	31,035,935	31,102,505
1987	137,686,478	138,446,777	1987	35,766,653	35,831,050
Average*		1.006	Average*		1.002
	<u>18th Report</u>	<u>19th Report</u>		<u>18th Report</u>	<u>19th Report</u>
1982	58,104,531	58,329,967	1982	15,765,391	15,967,516
1983	69,043,732	69,612,892	1983	18,210,485	18,265,013
1984	79,822,404	80,113,318	1984	19,708,244	19,731,222
1985	92,153,247	92,748,792	1985	23,575,823	23,718,151
1986	126,066,987	126,639,361	1986	31,051,196	31,095,589
Average†*		1.003	Average†*		1.002

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

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

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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 1977 valued as of 12-31-1984	35,844,213	8,638,658
(2) Losses for accident year 1978 valued as of 12-31-1985	42,982,630	10,504,230
(3) Losses for accident year 1979 valued as of 12-31-1986	53,196,521	13,443,836
(4) Losses for accident year 1980 valued as of 12-31-1987	64,683,778	15,758,692
(5) Losses for accident year 1981 valued as of 12-31-1988	63,953,797	17,021,273
(6) Average = ((1)+(2)+(3)+(4)+(5))/5	52,132,188	13,073,338
(7) Losses for accident year 1982 valued as of 12-31-1989	64,802,678	17,823,366
(8) Ratio = (6)/(7)	0.804	0.733
(9) Losses for accident year 1982 valued as of 12-31-2000	62,129,480	17,951,859
(10) Losses for accident year 1982 valued as of 12-31-2001	62,707,183	18,276,515
(11) Losses for accident years prior to 1982 valued as of 12-31-2000	417,128,130	133,762,082
(12) Losses for accident years prior to 1982 valued as of 12-31-2001	416,466,255	135,100,208
(13) 19th-to-ultimate development factor	0.996	1.120
= 1+[(10)-(9)+((12)-(11))/(8)]/(9)		
(14) Losses for accident year 1978 valued as of 12-31-1985	42,722,567	10,404,941
(15) Losses for accident year 1979 valued as of 12-31-1986	52,481,983	13,337,617
(16) Losses for accident year 1980 valued as of 12-31-1987	63,625,757	15,546,857
(17) Losses for accident year 1981 valued as of 12-31-1988	63,128,297	16,564,454
(18) Losses for accident year 1982 valued as of 12-31-1989	63,341,652	17,380,493
(19) Average = ((14)+(15)+(16)+(17)+(18))/5	57,060,051	14,646,872
(20) Losses for accident year 1983 valued as of 12-31-1990	69,380,704	18,018,287
(21) Ratio = (19)/(20)	0.822	0.813
(22) Losses for accident year 1983 valued as of 12-31-2001	69,453,061	16,992,224
(23) Losses for accident year 1983 valued as of 12-31-2002	69,658,681	17,021,070
(24) Losses for accident years prior to 1983 valued as of 12-31-2001	479,631,846	153,494,620
(25) Losses for accident years prior to 1983 valued as of 12-31-2002	481,071,355	154,267,302
(26) 19th-to-ultimate development factor	1.028	1.058
= 1+[(23)-(22)+((25)-(24))/(21)]/(22)		
(27) Losses for accident year 1979 valued as of 12-31-1986	41,670,409	10,727,452
(28) Losses for accident year 1980 valued as of 12-31-1987	47,099,815	11,115,989
(29) Losses for accident year 1981 valued as of 12-31-1988	45,493,009	12,387,747
(30) Losses for accident year 1982 valued as of 12-31-1989	47,603,503	13,322,780
(31) Losses for accident year 1983 valued as of 12-31-1990	56,342,732	14,567,973
(32) Average = ((27)+(28)+(29)+(30)+(31))/5	47,641,894	12,424,388
(33) Losses for accident year 1984 valued as of 12-31-1991	71,826,065	18,855,506
(34) Ratio = (32)/(33)	0.663	0.659
(35) Losses for accident year 1984 valued as of 12-31-2002	86,046,547	21,082,820
(36) Losses for accident year 1984 valued as of 12-31-2003	86,381,604	21,002,598
(37) Losses for accident years prior to 1984 valued as of 12-31-2002	571,528,828	175,970,607
(38) Losses for accident years prior to 1984 valued as of 12-31-2003	571,780,190	176,937,609
(39) 19th-to-ultimate development factor	1.008	1.066
= 1+[(36)-(35)+((38)-(37))/(34)]/(35)		

(1) through (5) and (7) include only information for matching companies for the 1984 through 1989 valuations.

(9) through (12) include only information for matching companies for the 2000 and 2001 valuations.

(14) through (18) and (20) include only information for matching companies for the 1985 through 1990 valuations.

(22) through (25) include only information for matching companies for the 2001 and 2002 valuations.

(27) through (31) and (33) include only information for matching companies for the 1986 through 1991 valuations.

(35) through (38) include only information for matching companies for the 2002 and 2003 valuations.

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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 1980 valued as of 12-31-1987	44,126,232	10,421,687
(41) Losses for accident year 1981 valued as of 12-31-1988	43,654,704	11,564,110
(42) Losses for accident year 1982 valued as of 12-31-1989	44,988,516	12,803,967
(43) Losses for accident year 1983 valued as of 12-31-1990	53,682,570	13,615,672
(44) Losses for accident year 1984 valued as of 12-31-1991	67,280,504	17,561,393
(45) Average = ((40)+(41)+(42)+(43)+(44))/5	50,746,505	13,193,366
(46) Losses for accident year 1985 valued as of 12-31-1992	72,318,809	17,842,123
(47) Ratio = (45)/(46)	0.702	0.739
(48) Losses for accident year 1985 valued as of 12-31-2003	85,158,463	14,813,013
(49) Losses for accident year 1985 valued as of 12-31-2004	85,492,252	14,957,876
(50) Losses for accident years prior to 1985 valued as of 12-31-2003	621,378,839	123,393,490
(51) Losses for accident years prior to 1985 valued as of 12-31-2004	622,031,667	123,501,118
(52) 19th-to-ultimate development factor = 1+[(49)-(48)+((51)-(50))/(47)]/(48)	1.015	1.020
(53) Losses for accident year 1981 valued as of 12-31-1988	44,227,601	11,776,485
(54) Losses for accident year 1982 valued as of 12-31-1989	45,785,025	13,033,842
(55) Losses for accident year 1983 valued as of 12-31-1990	55,217,416	13,992,512
(56) Losses for accident year 1984 valued as of 12-31-1991	69,528,647	18,086,444
(57) Losses for accident year 1985 valued as of 12-31-1992	73,595,546	18,279,808
(58) Average = ((53)+(54)+(55)+(56)+(57))/5	57,670,847	15,033,818
(59) Losses for accident year 1986 valued as of 12-31-1993	99,245,100	27,690,018
(60) Ratio = (58)/(59)	0.581	0.543
(61) Losses for accident year 1986 valued as of 12-31-2004	118,123,584	32,848,445
(62) Losses for accident year 1986 valued as of 12-31-2005	118,067,404	33,119,149
(63) Losses for accident years prior to 1986 valued as of 12-31-2004	683,186,257	206,870,498
(64) Losses for accident years prior to 1986 valued as of 12-31-2005	682,528,395	207,103,012
(65) 19th-to-ultimate development factor = 1+[(62)-(61)+((64)-(63))/(60)]/(61)	0.990	1.021
(66) 5-year average 19th-to-ultimate development factor ((13)+(26)+(39)+(52)+(65))/5	1.007	1.057

(40) through (44) and (46) include only information for matching companies for the 1987 through 1992 valuations.

(48) through (51) include only information for matching companies for the 2003 and 2004 valuations.

(53) through (57) and (59) include only information for matching companies for the 1988 through 1993 valuations.

(61) through (64) include only information for matching companies for the 2004 and 2005 valuations.

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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			Accident Year	Medical Losses at a 19th Report		
	Paid+Case	Incl. IBNR	Ratio		Paid+Case	Incl. IBNR	Ratio
1983	68,869,366	69,453,061	0.992	1983	16,600,291	16,992,431	0.977
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
Average			0.992	Average			0.980

Accident Year Limited Paid-to-Paid+Case Ratios

Accident Year	Indemnity Losses at a 19th Report			Accident Year	Medical Losses at a 19th Report		
	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
Average			0.940	Average			0.972

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)	1.007	1.057
(2) Unlimited Paid+Case-to-Incurred Including IBNR Ratio (Section D)	0.992	0.980
(3) Unlimited Paid+Case 19th-to-Ultimate Loss Development Factor = (1)/(2)	1.015	1.079
(4) Factor to Adjust 19th-to-Ultimate Development Factor to a Limited Basis	0.639	0.639
(5) Limited Paid+Case 19th-to-Ultimate Loss Development Factor = ((3)-1)x(4)+1	1.010	1.050

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	1.637	1.237	1.126	1.058	1.039	1.029	1.010	1.007
Medical	1.269	1.078	1.034	1.021	1.012	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	1.009	1.005	1.003	1.006	1.007	1.006	1.007	1.006
Medical	1.004	1.004	1.003	1.003	1.003	1.003	1.004	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	1.006	1.003	1.010	0.940	1.077	1.083	1.089	1.097
Medical	1.002	1.002	1.050	0.972	1.082	1.084	1.088	1.092
	(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	1.104	1.112	1.119	1.122	1.128	1.138	1.146	1.157
Medical	1.095	1.098	1.101	1.104	1.108	1.112	1.118	1.122
	(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	1.191	1.237	1.309	1.474	1.823	2.984		
Medical	1.133	1.147	1.171	1.211	1.305	1.656		

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



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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*	4,536,019
(2) Statewide Excess Ratio for (1)	0.019
(3) Market Share for Carriers Missing from Large Loss and Catastrophe Call	0.000
(4) Factor to Adjust Limited Losses to an Unlimited Basis = $1 / \{1 - [(2) \times (1 - (3))]\}$	1.019

Section H - Policy Year and Accident Year Thresholds

<u>Experience Year</u>	<u>Policy Year Detrended Threshold</u>	<u>Accident Year Detrended Threshold</u>
2005	3,908,397	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
1985	1,779,306	1,727,104

* November 26, 2007 is the midpoint of the effective period for which the revised pure premiums are being proposed.

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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
1995	42.983	15,964	6,943	0.686	0.298
1996	43.420	13,667	6,432	0.593	0.279
1997	45.346	12,596	6,289	0.571	0.285
1998	43.606	13,087	5,684	0.571	0.248
1999	44.492	12,584	6,025	0.560	0.268
2000	43.365	13,140	5,673	0.570	0.246
2001	42.517	13,183	6,159	0.560	0.262
2002	40.934	13,266	6,450	0.543	0.264
2003	38.360	14,012	7,024	0.537	0.269
2004	37.964	13,902	7,376	0.528	0.280

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

	Indemnity	Medical
- Current Approved Trend Factor for Rhode Island	1.000	1.015
- Countrywide Average Trend Factor	0.990	1.023
- Countrywide Medical CPI Trend Factor		1.042
- PY 5-Point Trend Factors Based on Frequency/Severity Analysis		
(1) Frequency Trend:	0.964	0.964
(2) Severity Trend:	1.017	1.068
(3) Loss Ratio Trend = (1)x(2)	0.980	1.030
- Annual Trend Factors Based on Statistical Trend Analysis		
(1) Frequency Trend:	0.991	0.991
(2) Severity Trend:	0.996	1.032
(3) Loss Ratio Trend = (1)x(2)	0.987	1.023
Selected Annual Trend Factor	0.990	1.020

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APPENDIX A-III

Policy Year Trend Factors

Section B - Derivation of Trend Factors

Policy Year 2004 with an average accident date of November 25,2004 (Exhibit I-A), policy year 2003 with an average accident date of November 25,2003 (Exhibit I-B), and policy year 2002 with an average accident date of November 25,2002 (Exhibit I-C) are used in the determination of the indicated change based on experience, trend and benefits (Exhibit I-D). The midpoint of the effective period for which the revised premiums are being proposed is November 26, 2007. The premium level must therefore reflect experience levels which will exist 3.001 years later than the policy year 2004 experience, 4.001 years later than the policy year 2003 experience and 5.001 years later than the policy year 2002 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	0.990	(1) Selected annual trend factor	1.020
(2) Length of trend period from the midpoint of policy year 2004 to the midpoint of the effective period	3.001	(2) Length of trend period from the midpoint of policy year 2004 to the midpoint of the effective period	3.001
(3) Length of trend period from the midpoint of policy year 2003 to the midpoint of the effective period	4.001	(3) Length of trend period from the midpoint of policy year 2003 to the midpoint of the effective period	4.001
(4) Length of trend period from the midpoint of policy year 2002 to the midpoint of the effective period	5.001	(4) Length of trend period from the midpoint of policy year 2002 to the midpoint of the effective period	5.001
(5) Effect on Policy Year 2004 = (1) ^ (2)	0.970	(5) Effect on Policy Year 2004 = (1) ^ (2)	1.061
(6) Effect on Policy Year 2003 = (1) ^ (3)	0.961	(6) Effect on Policy Year 2003 = (1) ^ (3)	1.082
(7) Effect on Policy Year 2002 = (1) ^ (4)	0.951	(7) Effect on Policy Year 2002 = (1) ^ (4)	1.104



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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 2002 and 2003 and 2004.

Carriers not included in experience valued as of 12/31/2005

Name of Carrier	Annual Statement Premium Written	Annual Statement Losses Incurred	% of State Premium	% of State Losses
<u>Policy Year 2002</u>				
Lumbermens Mutual Casualty Company	2,794,575	1,451,076	1.6	2.5
Eastern Casualty Insurance Company	<u>205,863</u>	<u>-354,661</u>	0.1	-0.6
Total	3,000,438	1,096,415		
<u>Policy Year 2003</u>				
Lumbermens Mutual Casualty Company	488,315	-460,173	0.2	-0.5
Total	488,315	-460,173		



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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 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.

Carriers not included in claim count experience valued as of 12/31/2005

Name of Carrier

Policy Years Excluded

None



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APPENDIX A-IV-C

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 12/31/2005

Name of Carrier

Carrier Market Share

None



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Appendix C-I

Increase in the Maximum Weekly Benefit

Effective 09/01/2006

Increase in the Maximum Weekly Benefit for:

Fatal, Total and Primary Permanent
Partial Disability:

(110% of SAWW)

From: 791.00

To: 811.00

Total Effect: + 0.1%

SAWW effective 09/01/2005 = 718.59 (Estimated).

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



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Appendix C-I

Impact by Type of Injury and Overall Effect Due to the Increase in the
Maximum Weekly Benefit, Effective 09/01/2006

<u>Type of Injury</u>	<u>Percentage of Losses (a)</u>	<u>Effect (%)</u>
Fatal	2.7%	0.2
Permanent Total	1.0%	0.2
<u>Major Permanent Partial</u>	<u>37.1%</u>	<u>0.04</u>
Serious	40.8%	0.1 (b)
Minor Permanent Partial	3.5%	0.04
<u>Temporary Total</u>	<u>19.4%</u>	<u>0.2</u>
Non Serious	22.9%	0.2 (b)
Indemnity	63.7%	0.1 (b)
<u>Medical</u>	<u>36.3%</u>	<u>0.0</u>
Total	100.0%	0.1 (b)

(a) Indemnity/Medical split based on policy year financial data projected to 09/01/2006. Proportions within indemnity based on the 24 month period ending 12/31/2002 on the 09/01/2005 law level and developed to an ultimate basis by type of injury.

(b) Weighted average.