

**DEFICIT RECONSTRUCTION AND
2013 ASSESSMENT**

of

COMMUNITY RESIDENCE INSURANCE SAVING PLAN SELF-INSURANCE TRUST

for

THE NEW YORK STATE WORKERS' COMPENSATION BOARD

by

BOLLAM, SHEEDY, TORANI & CO. LLP, CPAS

January 14, 2013

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EXECUTIVE SUMMARY

Effective December 31, 2010, the Community Residence Insurance Savings Plans Self-Insurance Trust (CRISP) ceased operations. The New York State Workers' Compensation Board (WCB) assumed control of CRISP as a result of its deteriorated financial condition. The WCB required assistance in the reconstruction of CRISP's historical operating results and members' deficits. Additionally, the WCB desired support in reasonably determining each member's proportionate share of the reconstructed members' deficits and in computing a 2013 deficit assessment.

Bollam, Sheedy, Torani & Co. LLP, CPAs (BST) was engaged by WCB to provide assistance. BST has completed its work which has resulted in a reconstructed members' deficit and a 2013 deficit assessment, in total and by member. The information, methodology, and assumptions used to reconstruct and assess the members' deficit are outlined in detail herein. Based upon the procedures performed, and information provided to date, it is our opinion, within a reasonable degree of professional certainty that the reconstructed members' deficit, by fiscal year, is as follows:

<u>Fiscal Year</u>	<u>Reconstructed Members' Deficit</u>
11/30/96	\$ 710,003
11/30/97	328,697
11/30/98	2,149,495
11/30/99	3,157,948
11/30/00	4,253,584
11/30/01	864,267
11/30/02	2,337,887
11/30/03	4,261,469
11/30/04 (a)	(1,326,033)
11/30/05	367,146
11/30/06	6,483,623
11/30/07	7,029,210
11/30/08	10,307,398
11/30/09	7,934,244
12/31/10	<u>10,530,479</u>
Net Deficit	59,389,417
Add: Surplus Years (a)	<u>1,326,033</u>
Gross Deficit	<u>\$ 60,715,450</u>

Please note that the final fiscal year of the Trust was thirteen (13) months ending on December 31, 2010.

If additional information is provided we reserve the right to revise our opinion, as necessary, after review of the additional information.

In November 2011, subsequent to CRISP ceasing operations, the WCB issued invoices to all members of CRISP reflecting their “Member’s Estimated Pro Rata Deficit Allocation” for the fiscal years ended November 30, 1996 through 2009 and December 31, 2010. The invoices were issued pursuant to Chapter 139 of the laws of 2008, which was signed into law by Governor Patterson on June 30, 2008. Chapter 139 requires the Chair of the WCB to levy an assessment on all employers who were members of a defaulted group self-insurer, within one hundred twenty days of default. The November 2011 assessment, based on information available to the WCB at that time, resulted in an estimated deficit and related invoices totaling \$17,737,352¹. Members making payments on this assessment will be given credit for their respective payments as part of this process.

The CRISP 2013 gross deficit assessment (excluding surplus), as determined by BST, is **\$60,715,450**.

Any payments made on the WCB’s November 2011 estimated deficit billing from December 31, 2010 to date are not reflected in these amounts. However, it is our understanding that these payments will be reflected on the invoices to members that will be issued for the 2013 deficit assessment.

¹ CRISP Estimated Assessment Billing of November 2011, received from WCB.

I. METHODOLOGY

A. Audited Members' Deficit

Schedule 1 presents the revenues, expenses and other deficit adjustments reported in the audited financial statements over the life of CRISP through October 31, 2012. The schedule reveals total revenues of \$114,046,966 and total expenses and other deficit adjustments of \$165,967,340, resulting in a reported cumulative members' deficit before income taxes and adjustments of \$51,920,374. Within each fiscal year, items of revenues and expenses have been separately stated or grouped together to identify and quantify them for re-allocation purposes as part of the deficit reconstruction process. Re-allocation of these items is reflected on Schedule 3. Such items are as follows:

- Losses and LAE – The expenses include a line item which combines claims losses and loss adjustment expenses (LAE) into a single line item with a cumulative total of \$117,920,419.
- NYS Assessments – The expense for NYS assessments have a cumulative total of \$13,187,264.
- Future ULAE – Included in expenses is a separately stated item for future unreported loss adjustment expenses (ULAE) anticipated to be incurred in the run off of claims totaling \$6,669,868. This amount was originally reported in claims expense.

Other deficit adjustments total \$396,521 and consist of: (1) prior period pre-tax adjustment for the cumulative effect of a change in accounting of \$396,521 reflecting the Trust changing the method of recording the liability for unpaid claims from a non-discounted to a discounted basis, and (2) recognition of various elements of other comprehensive income (loss) pertaining primarily to CRISP's investment portfolio and unrealized gains and losses which net out to zero.

B. Adjusted Members' Deficit

Schedule 2 presents the adjustments that were made to Schedule 1 – Audited Members' Deficit amounts to determine the Adjusted Members' Deficit that requires re-allocation.

The Audited Members' Deficit of \$51,920,374 was increased and decreased by the following items:

- Current Income Tax Provisions – The Trust incurs income taxes based primarily on graduated tax rates, state taxes net of federal benefits, and alternative minimum income taxes.

This reflects the cumulative income taxes incurred by the Trust in the amount of \$191,055. This adjustment increased the deficit.

- Income - NYS Workers' Compensation Board – This reflects the reversal of income recorded as “Income-NYS Workers' Compensation Board” in the amount of \$4,486,978. The income reported on the December 31, 2011 and October 31, 2012 financial statements represents a portion of the collections on an estimated deficiency assessment billing made by the WCB in November 2011. Therefore, this income has been reversed in anticipation of the deficit reconstruction and 2013 assessment. This adjustment increased the deficit.
- Prior Deficit Assessments - The Trust assessed all active and inactive members with operating businesses assessments totaling \$2,516,612. This income has been reversed to determine the adjusted members' deficit for re-allocation and 2013 deficit assessment purposes. Each member will be given credit for their prior deficit assessment payments as part of the 2013 deficit assessment process. This adjustment increased the deficit.
- Reversal of Administrative Expenses – The WCB decided to reverse a \$30,000 administrative expense owed to Program Risk Management, Inc. (PRM). This adjustment reduced the deficit.
- Administrative Expenses – This adjustment reflects the cost of certain administrative expenses of \$304,398. The administrative expenses include the actual and estimated expenses incurred by CRISP for actuarial services, forensic accounting and auditing after October 31, 2012. The annual allocation was based on the “Estimated Ultimate Incurred Losses” as detailed in the actuarial report prepared by Casualty Actuarial Consultants as of October 31, 2012. This adjustment increased the deficit.

The adjustment of the aforementioned items to the Audited Members' Deficit resulted in an Adjusted Members' Deficit of \$59,389,417, which is detailed, by fiscal year, on Schedule 2.

C. Re-Allocated Members' Deficit

Schedule 3 presents the Re-Allocated Members' Deficit. Part of the deficit reconstruction process requires re-allocation of certain items to reflect a more appropriate recording of the items over the life of the trust. Items re-allocated and related re-allocation methodology follows:

- Losses and LAE – Losses and LAE, net of a credit of \$396,521 reflected as a pre-tax prior period Adjustment in “Other Deficit Adjustments” on Schedule 1, total \$117,523,898 over the life of the trust. The re-allocation was based on the “Estimated Ultimate Incurred Losses” detailed in the actuarial report prepared by Casualty Actuarial Consultants, Inc. as

of October 31, 2012. The actuary estimated the ultimate amounts that will be paid to settle all claims by year originated. The estimate included a provision for the subsequent development of known claims and for claims incurred but not yet reported (IBNR). These estimates reflect the terms of the specific and aggregate excess insurance in force for the policy periods. However, until all the claims are closed, the reserve remains an estimate.

- NYS Assessments - NYS assessments total \$13,187,264 over the life of the trust. The re-allocation was based on the “Estimated Ultimate Incurred Losses” detailed in the actuarial report prepared by Casualty Actuarial Consultants, Inc. as of October 31, 2012. The actuary estimated the ultimate amounts that will be paid to settle all claims by year originated. The estimate included a provision for the subsequent development of known claims and for claims incurred but not yet reported (IBNR). These estimates reflect the terms of the specific and aggregate excess insurance in force for the policy periods. However, until all the claims are closed, the reserve remains an estimate.
- Future ULAE – Future unallocated loss adjustment expenses (ULAE) total \$6,669,868 and were recorded as of October 31, 2012 because CRISP had no members or the potential for revenue to fund the ongoing loss adjustment expenses. The re-allocation was based on the number of open claims (excluding medical) as of October 31, 2012. A summary loss report for open cases for the period ending October 31, 2012 was used to determine the relationship of open claims by year to total open claims (excluding medical) for re-allocation purposes.
- Other Income and Expenses – Other income and certain expenses netting to \$5,498,193 for the years ended December 31, 2011 and period ending October 31, 2012 have been re-allocated based on the “Estimated Ultimate Incurred Losses” detailed in the actuarial report prepared by Casualty Actuarial Consultants, Inc. as of October 31, 2012.

D. 2013 Deficit Assessment by Year

Schedule 4 presents the 2013 Gross Deficit Assessment of \$60,715,450 by year. The Gross Deficit Assessment was determined starting with the 2013 Net Deficit Assessment of \$59,389,417, reflected on Schedule 3 as the Re-Allocated Members’ Equity Deficit. This amount was increased by \$1,326,033, which represents an add back for the surplus attained by CRISP during the fiscal year ended November 30, 2004. Since CRISP is insolvent, most years are deficits and funds are needed for those years now. A potential surplus year cannot be used to offset deficit years. Therefore, the surplus attributable to fiscal year ended November 30, 2004 will be credited or refunded to the members participating in CRISP during the year after all of the obligations of CRISP for that particular year have been satisfied.

E. Members' Deficit Allocation Worksheet

The Gross Deficit Assessment of \$60,715,450, as reflected on Schedule 4, was used to determine the assessment for individual members for each year. Each member has an individual worksheet (See Schedule 5) that allocates the trust deficit using the following methodology:

The individual members' annual deficit was determined by multiplying the amount of the re-allocated annual deficit by a fraction, the numerator of which was the individual participating employer's total premium contribution for each fiscal year and the denominator for which was the total premium contribution for all participating employers for the fiscal year.

The worksheet for each member, for each fiscal year, includes: 1) the member's annual premium contribution; 2) the total members' annual premium contributions; 3) the member's percentage of total members' annual premium contributions; 4) the annual re-allocated members' deficit and 5) the member's share of the re-allocated annual members' deficit. Please note that in all cases the member's annual deficit allocation was rounded to the nearest dollar. As a result, and in some cases, the sum of the member's annual deficit allocation may be off from their total deficit allocation. Regardless, the sum of all the member's totals (as noted in the total column on Schedule 5) agrees to the cumulative net deficit as noted on Schedule 6 and represents each member's actual net deficit allocation. In using this methodology the members are only responsible for their pro-rata share of trust's deficits for the years in which they participated in the trust.

Information for a member's name and enrollment term was taken from records on file with the Workers' Compensation Board for each individual member and from the NYS Department of State records. Annual premium contributions were taken from the payroll audit summary worksheets or final payroll audit statements for each individual member, for each enrollment term (policy period) a member participated in the trust. In instances where payroll audit reports were incomplete or missing, a member's application, billed invoice, renewal, endorsement, quote or the payroll auditors' work papers were used.

II. AMOUNTS OWED BY MEMBERS

Schedule 6 presents, by member, each member's respective share of the reconstructed members' gross deficit of \$60,715,450 as of October 31, 2012.

However, any payments made on the WCB's November 2011 estimated deficit billing from October 31, 2012 to date are not reflected in these amounts. We understand these payments will be reflected on the invoices to members that will be issued for the 2013 deficit assessment.

III. SOURCES OF INFORMATION

Numerous sources of information were utilized in the reconstruction and assessment of the members' deficit for CRISP. The most significant data included:

- CRISP's audited financial statements for the years ended November 30, 1996 through 2009, year ended December 31, 2011 and period ending October 31, 2012;
- CRISP's actuarial report estimated reserves as of October 31, 2012 prepared by Casualty Actuarial Consultants, Inc.;
- Open Case summary reports prepared by NCA Comp Inc;
- Accounts receivable subsidiary ledgers provided by NCA Comp Inc.; and
- Program Risk Management, Inc.'s member underwriting files.

**Community Residence Insurance Saving Plan Trust
2013 Deficit Reconstruction**

Schedule 1

Audited Members' Deficit as of October 31, 2012

	11/30/96	11/30/97	11/30/98	11/30/99	11/30/00	11/30/01	11/30/02	11/30/03	11/30/04	11/30/05	11/30/06	11/30/07	11/30/08	11/30/09	12/31/10	12/31/11	10/31/12	Cumulative @ 10/31/12
Revenues																		
Earned Contributions	\$ 1,096,106	\$ 2,090,784	\$ 2,262,027	\$ 2,634,837	\$ 3,367,376	\$ 4,853,443	\$ 6,466,824	\$ 7,268,295	\$ 9,626,427	\$ 8,188,399	\$ 10,779,291	\$ 10,908,457	\$ 10,753,760	\$ 11,661,701	\$ 11,667,762	\$ (2,111,462)	\$ 18,878	\$ 101,532,905
Contribution Surcharge	-	-	-	-	-	1,502,956	-	-	-	-	-	-	-	-	-	-	-	1,502,956
Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,516,612	-	2,516,612
Income - NYS Workers' Compensation Board	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,230,895	4,486,978
Investment and other income	29,248	83,283	83,694	122,059	100,885	129,802	193,549	154,473	291,907	276,129	343,334	697,960	163,689	207,461	488,154	641,888	-	4,007,515
	1,125,354	2,174,067	2,345,721	2,756,896	3,468,261	6,486,201	6,660,373	7,422,768	9,918,334	8,464,528	11,122,625	11,606,417	10,917,449	11,869,162	12,155,916	3,303,121	2,249,773	114,046,966
Expenses																		
Losses and LAE	856,998	1,444,678	1,686,932	2,114,248	5,111,755	5,439,836	5,002,701	5,010,696	5,162,904	3,957,027	6,480,602	8,191,874	8,866,267	9,637,978	22,214,541	27,420,269	(678,887)	117,920,419
NYS Assessments	25,213	40,938	89,294	155,806	346,877	526,354	1,247,400	622,550	1,018,573	971,172	1,420,833	120,897	919,484	1,049,277	1,123,849	7,256,856	(3,748,109)	13,187,264
Management Fees	194,362	287,797	290,529	361,263	514,418	643,118	720,854	747,849	762,699	862,903	1,183,671	1,454,810	1,376,988	1,461,273	1,199,090	-	-	12,061,624
Insurance	240,591	369,898	268,220	326,277	328,019	291,554	507,400	583,775	678,874	754,121	910,223	1,070,752	1,051,851	881,224	886,658	-	-	9,149,437
Future ULAE ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,627,220	42,648	6,669,868
Other expenses ⁽²⁾	66,020	106,628	134,740	164,734	164,092	322,489	253,768	441,439	330,476	255,998	284,816	335,435	366,612	461,629	496,735	2,822,706	366,932	7,375,249
	1,383,184	2,249,939	2,469,715	3,122,328	6,465,161	7,223,351	7,732,123	7,406,309	7,953,526	6,801,221	10,280,145	11,173,768	12,581,202	13,491,381	25,920,873	44,127,051	(4,017,416)	166,363,861
Income (Loss) Before Income Taxes	(257,830)	(75,872)	(123,994)	(365,432)	(2,996,900)	(737,150)	(1,071,750)	16,459	1,964,808	1,663,307	842,480	432,649	(1,663,753)	(1,622,219)	(13,764,957)	(40,823,930)	6,267,189	(52,316,895)
Other Deficit Adjustments																		
Change in accounting principle - Pretax ⁽³⁾	-	-	-	396,521	-	-	-	-	-	-	-	-	-	-	-	-	-	396,521
Comprehensive Income (Loss) - Pretax	-	1,535	2,049	(27,082)	9,818	2,415	(15,301)	58,159	55,093	(14,587)	265,050	4,414	(784,784)	771,816	152,466	(481,061)	-	-
Change in Equity (Deficit) Before Income Taxes and Adjustments	\$ (257,830)	\$ (74,337)	\$ (121,945)	\$ 4,007	\$ (2,987,082)	\$ (734,735)	\$ (1,087,051)	\$ 74,618	\$ 2,019,901	\$ 1,648,720	\$ 1,107,530	\$ 437,063	\$ (2,448,537)	\$ (850,403)	\$ (13,612,491)	\$ (41,304,991)	\$ 6,267,189	\$ (51,920,374)

⁽¹⁾ Future unallocated loss adjustment expense (ULAE) includes incurred expenses and changes in the current year estimates since the trust ceased operations. The cumulative amount reflects the current liability on the October 31, 2012 financial statement.

⁽²⁾ Other expenses include reinsurance premiums, other underwriting expenses, general and administrative expenses, bad debt expense, collateral surrendered.

⁽³⁾ This represents the cumulative effect of change in accounting method for recording the liability for unpaid claims from a non-discounted to a discounted basis.



Community Residence Insurance Saving Plan Trust
2013 Deficit Reconstruction

Adjusted Members' Deficit																		
	11/30/96	11/30/97	11/30/98	11/30/99	11/30/00	11/30/01	11/30/02	11/30/03	11/30/04	11/30/05	11/30/06	11/30/07	11/30/08	11/30/09	12/31/10	12/31/11	10/31/12	Cumulative @ 10/31/12
Change in Equity (Deficit) Before Income Taxes and Adjustments⁽¹⁾	\$ (257,830)	\$ (74,337)	\$ (121,945)	\$ 4,007	\$ (2,987,082)	\$ (734,735)	\$ (1,087,051)	\$ 74,618	\$ 2,019,901	\$ 1,648,720	\$ 1,107,530	\$ 437,063	\$ (2,448,537)	\$ (850,403)	\$ (13,612,491)	\$ (41,304,991)	\$ 6,267,189	\$ (51,920,374)
Current Income Tax Provisions ⁽²⁾	(333)	(19,097)	(12,099)	(30,791)	42,364	(100)	-	(100)	(20,454)	(28,955)	(10,656)	(1,334)	(100)	(3,500)	(3,500)	(1,500)	(100,900)	(191,055)
Income - NYS Workers' Compensation Board ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,256,083)	(2,230,895)	(4,486,978)
Prior Deficit Assessments ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,516,612)	-	(2,516,612)
Reversal of Administrative Expense ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000	30,000
Administrative Expenses ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(304,398)	(304,398)
Change in Adjusted Members' Equity (Deficit)	<u>\$ (258,163)</u>	<u>\$ (93,434)</u>	<u>\$ (134,044)</u>	<u>\$ (26,784)</u>	<u>\$ (2,944,718)</u>	<u>\$ (734,835)</u>	<u>\$ (1,087,051)</u>	<u>\$ 74,518</u>	<u>\$ 1,999,447</u>	<u>\$ 1,619,765</u>	<u>\$ 1,096,874</u>	<u>\$ 435,729</u>	<u>\$ (2,448,637)</u>	<u>\$ (853,903)</u>	<u>\$ (13,615,991)</u>	<u>\$ (46,079,186)</u>	<u>\$ 3,660,996</u>	<u>\$ (59,389,417)</u>

Notes:

⁽¹⁾ Change in Equity (Deficit) Before Income Taxes and Adjustments amounts represent the balances that have been carried forward from Schedule 1.

⁽²⁾ The Trust incurs income taxes based primarily on graduated tax rates, state taxes net of federal benefits, and alternative minimum income taxes.

⁽³⁾ The \$4,486,978 recorded as "Income - NYS Workers' Compensation Board" on the December 31, 2011 and October 31, 2012 financial statement represents a portion of collections on the deficiency and deficit assessment billings after the WCB assumed control of the trust. This income has been reversed in anticipation of the updated deficit reconstruction and 2013 assessment. Members will be given credit for their respective payments made.

⁽⁴⁾ Prior deficit assessment income has been reversed in order to determine an overall cumulative members' deficit for re-allocation and final deficit assessment purposes. Members will be given credit for their respective prior deficit assessment payments as part of the final deficit assessment process.

⁽⁵⁾ This reflects the reversal of a \$30,000 administrative expense previously owed to Program Risk Management, Inc. (PRM) based on a decision by the Workers Compensation Board.

⁽⁶⁾ Administrative expenses of \$304,398 reflect the anticipated costs incurred, after October 31, 2012, for actuarial, forensic accounting, and auditing services. These expenses have been re-allocated on Schedule 3 in the Re-allocation of Interest and Expenses based on the "Estimated Ultimate Incurred Losses" detailed in the October 31, 2012 actuarial report prepared by Casualty Actuarial Consultants and dated January 9, 2013.



**Community Residence Insurance Saving Plan Trust
2013 Deficit Reconstruction**

Schedule 3

Re-Allocated Members' Deficit

	11/30/96	11/30/97	11/30/98	11/30/99	11/30/00	11/30/01	11/30/02	11/30/03	11/30/04	11/30/05	11/30/06	11/30/07	11/30/08	11/30/09	12/31/10	12/31/11	10/31/12	Cumulative @ 10/31/12
Change in Adjusted Members' Equity (Deficit)⁽¹⁾	\$ (258,163)	\$ (93,434)	\$ (134,044)	\$ (26,784)	\$ (2,944,718)	\$ (734,835)	\$ (1,087,051)	\$ 74,518	\$ 1,999,447	\$ 1,619,765	\$ 1,096,874	\$ 435,729	\$ (2,448,637)	\$ (853,903)	\$ (13,615,991)	\$ (46,079,186)	\$ 3,660,996	\$ (59,389,417)
Losses and LAE⁽²⁾																		
Previously reported:																		
Losses and LAE	856,998	1,444,678	1,686,932	2,114,248	5,111,755	5,439,836	5,002,701	5,010,696	5,162,904	3,957,027	6,480,602	8,191,874	8,866,267	9,637,978	22,214,541	27,420,269	(678,887)	117,920,419
Other - Losses and LAE ⁽⁴⁾	-	-	-	(396,521)	-	-	-	-	-	-	-	-	-	-	-	-	-	(396,521)
Total previously reported	856,998	1,444,678	1,686,932	1,717,727	5,111,755	5,439,836	5,002,701	5,010,696	5,162,904	3,957,027	6,480,602	8,191,874	8,866,267	9,637,978	22,214,541	27,420,269	(678,887)	117,523,898
Re-Allocation	(1,135,858)	(1,469,621)	(3,165,237)	(4,105,562)	(5,672,091)	(5,137,938)	(6,213,810)	(8,404,238)	(5,747,495)	(5,829,823)	(12,872,191)	(13,051,472)	(14,464,785)	(14,252,113)	(16,001,664)	-	-	(117,523,898)
Net Annual Impact	(278,860)	(24,943)	(1,478,305)	(2,387,835)	(560,336)	301,898	(1,211,109)	(3,393,542)	(584,591)	(1,872,796)	(6,391,589)	(4,859,598)	(5,598,518)	(4,614,135)	6,212,877	27,420,269	(678,887)	-
NYS Assessments⁽³⁾																		
Previously reported:																		
NYS assessments	25,213	40,938	89,294	155,806	346,877	526,354	1,247,400	622,550	1,018,573	971,172	1,420,833	120,897	919,484	1,049,277	1,123,849	7,256,856	(3,748,109)	13,187,264
Total previously reported	25,213	40,938	89,294	155,806	346,877	526,354	1,247,400	622,550	1,018,573	971,172	1,420,833	120,897	919,484	1,049,277	1,123,849	7,256,856	(3,748,109)	13,187,264
Re-Allocation	(127,454)	(164,905)	(355,169)	(460,682)	(636,461)	(576,524)	(697,247)	(943,033)	(644,922)	(654,160)	(1,444,378)	(1,464,495)	(1,623,082)	(1,599,218)	(1,795,534)	-	-	(13,187,264)
Net Annual Impact	(102,241)	(123,967)	(265,875)	(304,876)	(289,584)	(50,170)	550,153	(320,483)	373,651	317,012	(23,545)	(1,343,598)	(703,598)	(549,941)	(671,685)	7,256,856	(3,748,109)	-
Future ULAE⁽⁵⁾																		
Previously reported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,627,220	42,648	6,669,868
Re-Allocation	(17,599)	(17,599)	(123,190)	(246,380)	(193,585)	(140,789)	(299,176)	(228,781)	(193,585)	(158,387)	(563,155)	(651,148)	(879,930)	(1,249,500)	(1,707,064)	-	-	(6,669,868)
Net Annual Impact	(17,599)	(17,599)	(123,190)	(246,380)	(193,585)	(140,789)	(299,176)	(228,781)	(193,585)	(158,387)	(563,155)	(651,148)	(879,930)	(1,249,500)	(1,707,064)	6,627,220	42,648	-
Re-Allocation of Other Income & Expenses⁽⁶⁾	(53,140)	(68,754)	(148,081)	(192,073)	(265,361)	(240,371)	(290,704)	(393,181)	(268,889)	(272,740)	(602,208)	(610,595)	(676,715)	(666,765)	(748,616)	4,774,841	723,352	-
Re-Allocated Members' Equity (Deficit)	\$ (710,003)	\$ (328,697)	\$ (2,149,495)	\$ (3,157,948)	\$ (4,253,584)	\$ (864,267)	\$ (2,337,887)	\$ (4,261,469)	\$ 1,326,033	\$ (367,146)	\$ (6,483,623)	\$ (7,029,210)	\$ (10,307,398)	\$ (7,934,244)	\$ (10,530,479)	\$ -	\$ -	\$ (59,389,417)

Notes:

⁽¹⁾ Change in Adjusted Members' Equity (Deficit) amounts represent the balances that have been carried forward from Schedule 2.

⁽²⁾ Incurred losses and loss adjustment expenses have been re-allocated based on the "Estimated Ultimate Incurred Losses" detailed in the October 31, 2012 actuarial report prepared by Casualty Actuarial Consultants and dated January 9, 2013.

⁽³⁾ NYS Assessments have been re-allocated based on the "Estimated Ultimate Incurred Losses" detailed in the October 31, 2012 actuarial report prepared by Casualty Actuarial Consultants and dated January 9, 2013.

⁽⁴⁾ This represents the cumulative effect of change in accounting method for recording the liability for unpaid claims from a non-discounted to a discounted basis.

⁽⁵⁾ Future unallocated loss adjustment expenses (ULAE) of \$6,669,868 as of October 31, 2012 reported on Schedule 1 have been re-allocated based on open cases for each respective year.

⁽⁶⁾ Other income and certain expenses for the periods ended December 31, 2010 through October 31, 2012 have been re-allocated based on the "Estimated Ultimate Incurred Losses" detailed in the October 31, 2012 actuarial report prepared by Casualty Actuarial Consultants and dated January 9, 2013.



**Community Residence Insurance Saving Plan Trust
2013 Deficit Reconstruction**

2013 Deficit Assessment by Year

	11/30/96	11/30/97	11/30/98	11/30/99	11/30/00	11/30/01	11/30/02	11/30/03	11/30/04	11/30/05	11/30/06	11/30/07	11/30/08	11/30/09	12/31/10	12/31/11	10/31/12	Cumulative @ 10/31/12
2013 Net Deficit Assessment ⁽¹⁾	\$ (710,003)	\$ (328,697)	\$ (2,149,495)	\$ (3,157,948)	\$ (4,253,584)	\$ (864,267)	\$ (2,337,887)	\$ (4,261,469)	\$ 1,326,033	\$ (367,146)	\$ (6,483,623)	\$ (7,029,210)	\$ (10,307,398)	\$ (7,934,244)	\$ (10,530,479)	\$ -	\$ -	\$ (59,389,417)
Add: Surplus Years ⁽²⁾	-	-	-	-	-	-	-	-	(1,326,033)	-	-	-	-	-	-	-	-	(1,326,033)
2013 Gross Deficit Assessment	\$ (710,003)	\$ (328,697)	\$ (2,149,495)	\$ (3,157,948)	\$ (4,253,584)	\$ (864,267)	\$ (2,337,887)	\$ (4,261,469)	\$ -	\$ (367,146)	\$ (6,483,623)	\$ (7,029,210)	\$ (10,307,398)	\$ (7,934,244)	\$ (10,530,479)	\$ -	\$ -	\$ (60,715,450)

Notes:

⁽¹⁾ The 2013 Deficit Assessment amounts represent the Re-Allocated Members' Equity (Deficit) amounts that have been carried from Schedule 3.

⁽²⁾ Surplus years cannot be used to offset deficit years. Surpluses will be credited or refunded to participating members during the year after all obligations applicable to that year have been satisfied.

