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MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION LOSS
AND LOSS ADJUSTMENT EXPENSE RESERVES

AS OF DECEMBER 31, 2003

APRIL 7, 2004



April 7, 2004

Mr. David Francey
New York Compensation Managers, Inc.
6250 South Bay Road
P.O. Box 3580
Syracuse, NY 13220

Dear David:

Enclosed please find our report regarding the Mercantile Self Insurance Trust as December 31, 2003. As in the past, the report presents a range of indicated loss and loss adjustment expense reserves on an undiscounted and discounted basis. It also presents an indicated liability for future New York State assessments on self insurance trusts.

It has been a pleasure being of service to you again in this matter. If after reviewing this report you have any questions please feel free to call.

Sincerely,

Mark J. Sobel, FCAS, MAAA
Managing Principal

MJS/cv

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INTRODUCTION

Financial Risk Analysts, LLC has been retained by New York Compensation Managers, Inc. (NYCM) to provide indicated Workers Compensation loss and loss adjustment expense (LAE) reserves as of December 31, 2003 for the Mercantile Self Insurance Trust (the Trust). The Trust is a Workers Compensation insurance pool for New York based retailers. The Trust began providing coverage to its members on October 1, 1994.

The Trust provides statutory Workers Compensation and Employers Liability coverage to its member insureds. Contributions are based on the latest available rates promulgated by the New York Compensation Insurance Rating Board (NYCIRB). Rates are adjusted by each member's experience modification and other factors determined by the Trust administrators.

The Trust purchases specific excess reinsurance from Alea North America Insurance Company. Individual losses are limited to \$400,000 per accident. Administrative and claims handling services are provided by New York Compensation Managers, Inc.

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CONDITIONS & LIMITATIONS

GENERAL

Throughout this report and its exhibits the term "loss" is used to refer to losses inclusive of allocated loss adjustment expense (ALAE). Allocated loss adjustment expense provides for all expenses associated with the handling and settling of claims that can be directly attributable to a particular claim. Such expenses typically include independent medical exams, rehabilitation expenses, legal fees, investigatory expenses, expert witness fees, etc. Unallocated loss adjustment expenses, or ULAE, are expenses associated with the handling and settling of claims that cannot be specifically assigned to a particular claim. Such expenses are generally in the nature of overhead expenses and for this report are limited to State of New York assessments on self insurers. No costs associated with the Trust's program other than losses and loss adjustment expenses (LAE) have been considered in this report.

DATA

We have used data and other information provided to us by NYCM. This information consists of contributions, loss, exposure, and excess insurance information. In addition, we have relied on various oral representations made to us by the responsible employees of NYCM.

Although the data supplied have been reviewed for purposes of reasonability we have not independently audited or verified this information and we assume it to be accurate and complete. The results of our analysis will be contingent upon the reliability of the information supplied to us and such reliability is the responsibility of NYCM. Should NYCM become aware of any significant discrepancies in the data reported to us we should be notified of such discrepancies and this report will be amended, if necessary.

In performing our analysis we have also relied on appropriate loss development data and other information obtained from the New York Compensation Insurance Rating Board (NYCIRB) to

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supplement the actual historical data provided to us. This has been necessary due to the lack of completely credible actuarial information from the Mercantile Self Insurance Trust.

UNCERTAINTY

Actuarial projections, by their nature, are estimates of future contingent events which cannot be known with certainty. The ultimate liability of the Trust for its retained losses will be subject to events that have yet to occur such as the size of future Workers Compensation awards, medical cost inflation, judicial interpretations as to liability, as well as the propensity for claimants to bring suit. No assumptions have been made in this report as to any extraordinary changes in the legal, social, or judicial environment that might affect future losses.

While we believe the results presented in this report are reasonable and reflect the use of accepted actuarial principles and standards of practice it is possible that actual future loss results of the Trust will differ, perhaps materially, from those projected herein. Nothing in this report should be construed as a warranty or guarantee as to the adequacy of the liability estimates contained herein.

EXCESS INSURANCE

The reserve estimates contained in this report are net of all excess insurance purchased by the Trust. We have made no attempt to analyze the security of the Trust's excess insurer nor have we made provision for any contingent liability that would be incurred by the Trust should its excess insurer be unable to perform on any of its obligations.

ASSET QUALITY

No attempt has been made to evaluate the quality of the invested or non invested assets supporting the loss and loss adjustment expense reserves of the Trust. It has been assumed that the Trust's loss and LAE reserves are supported by creditworthy assets with minimal risk of default and/or capital loss.

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DISTRIBUTION & USE

This report is intended solely for the use of the Trust in evaluating its Workers Compensation loss and loss adjustment expense reserves as of December 31, 2003. A copy of this report may also be provided to the Trust's auditor with the proviso that the report is copied in its entirety and that each party receiving a copy of this report agrees to not distribute the report to any other third party.

Distribution of this report to parties other than those referenced above is not authorized without the express written consent of Financial Risk Analysts, LLC.

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SUMMARY & CONCLUSIONS

A. Loss and LAE Reserves as Of December 31, 2003

Based on the analysis contained herein the following are our expected loss reserve indications as of December 31, 2003 for losses and loss adjustment expenses:

	INDICATED OUTSTANDING LOSSES & LAE							
	Undiscounted		Discounted					
			At 3.0%		At 4.0%		At 5.0%	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Losses & ALAE	4,620,825	5,940,428	4,222,906	5,430,276	4,110,083	5,285,315	4,000,644	5,145,299
New York State Assessments	695,038	909,852	635,400	832,234	618,425	810,063	601,781	788,479
Total Outstanding Loss & LAE	5,315,863	6,850,280	4,858,306	6,262,510	4,728,508	6,095,378	4,602,425	5,933,778

Expected loss indications are synonymous with the term “best estimate” and refer to the most likely outcome from within a range of reasonable outcomes. Best estimate reserves generally reflect a statistical confidence level of between 50% and 55%. A 55% confidence level means there is a 55% likelihood that actual losses will be less than or equal to the estimate. Alternatively, there is a 45% likelihood that actual losses will exceed the estimate. Due to the possibility actual losses will exceed the best estimate the Trust may wish to consider booking additional amounts on its financial statements, over and above our recommendations, for loss and loss expense reserves.

Our liability indications are intended to provide for all Workers Compensation losses incurred by the Trust during the period October 1, 1994 through December 31, 2003 under the terms and conditions of its policy provisions.

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The reserve indications include a provision for the following:

- Losses on claims that have occurred but that are not yet known and not yet reported to the Trust. These claims are part of the reserve provision known as *IBNR* or *Incurred But Not Reported*.
- Case reserves as established by NYCM for known, recorded claims.
- Future loss development on known, recorded claims. This is also considered a part of the IBNR reserve.
- Anticipated second injury fund recoveries under New York Workers Compensation Law Section 15(8)
- New York State assessments on self insurance trusts

The loss reserve indications presented on a discounted basis include a reduction for anticipated future investment income to be earned on the assets underlying the loss reserves. An interest rate of 3.0%, 4.0% and 5.0% per annum has been used to discount the liabilities. The interest rates have been selected by New York Compensation Managers.

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ANALYSIS

Summary

Exhibit 2 presents a summary of the results of our analysis; separately for indemnity plus allocated loss adjustment expense and medical plus incidents. Results are based on four commonly used actuarial methodologies - Incurred Loss Development, Paid Loss Development, Incurred Bornhuetter-Ferguson and Paid Bornhuetter-Ferguson. A description of each of the four methods follows.

- **Incurred Loss Development Method (Exhibit 5)**

The incurred loss development method is a method in which incurred losses are projected to an ultimate level based on historical development patterns. An analysis of the changes in accident year incurred losses between various valuation points provides a basis for estimating future changes. Assuming that reporting patterns and reserving practices have remained reasonably stable, this method can be used to provide reasonable estimates of ultimate losses. Since the Trust has relatively little historical data upon which to base development factors we used a combination of the Trust's experience and the latest available NYCIRB incurred loss development experience. Incurred loss development factors are presented on Exhibits 6.1 and 6.3.

- **Paid Loss Development Method (Exhibit 5)**

This method is similar to the incurred loss development method except that paid losses are used instead of incurred losses. Paid losses are projected to an ultimate level based on historical paid loss development patterns. This method assumes that loss settlement and payment patterns have remained reasonably stable over time. Unlike the incurred method, the paid loss development method is not dependent on reasonably consistent reserving practices. Paid loss development factors have been derived from a combination of the Trust's experience and the latest available data for New York from the National Council on

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Compensation Insurance. Paid loss development factors are presented on Exhibits 6.2 and 6.4.

- **Bornhuetter-Ferguson Incurred Loss Method (Exhibits 3.1 & 3.3)**

This approach is essentially a credibility weighted average of two other reserving methods; the incurred loss development method and the expected loss method. The expected loss method simply sets the indicated reserve equal to the difference between expected losses and paid losses. It produces very stable results but fails to incorporate actual results as they emerge.

The Bornhuetter-Ferguson method blends the incurred loss development method and the expected loss method by splitting expected losses into two distinct pieces; expected reported losses and expected unreported losses. As an accident year matures, the expected incurred losses are replaced with actual reported losses plus expected unreported losses. Thus, as the year matures, the initial expected incurred loss estimate becomes less important while the actual reported loss experience increases in importance. In order to use this method, one must estimate both the initial expected losses and the expected loss reporting pattern.

Initial expected losses are derived on Exhibits 4.1 and 4.2. They are based on the historical results for the trust adjusted to current cost and benefit levels. An adjustment has also been made for changes in the Trust's retention level. Loss reporting patterns are the reciprocal of the development factors presented on Exhibit 5.

- **Bornhuetter-Ferguson Paid Loss Method (Exhibits 3.2 & 3.4)**

The Bornhuetter-Ferguson paid loss method is similar to the Bornhuetter-Ferguson incurred loss method except that expected losses are split between expected paid and unpaid losses. Initial expected losses are the same as for the incurred Bornhuetter-Ferguson method. Loss payment patterns are the reciprocal of the development factors shown on Exhibits 5.

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ADDITIONAL ASSUMPTIONS

Investment Income

Exhibits 8.1 and 8.2 present the derivation of the investment income factors used to discount the outstanding losses. An expected 3.0%, 4.0%, and 5.0% per annum investment return on fund monies has been used. The loss payout patterns are based on the paid loss development factors shown on Exhibit 5.

The use of discounted liabilities assumes that all investment earnings on the Trust's assets are made available to pay claims. To the extent the Trust has any deficit as of December 31, 2003 it may not be appropriate to use fully discounted liabilities.

Second Injury Fund Recoveries (Section 15(8))

All of our analysis has been performed using data excluding second injury fund recoveries received by the Trust. An adjustment has been made to the indicated outstanding losses to reduce them for anticipated second injury fund recoveries as established by the Trust administrator.

New York State Assessments

We included a provision as of December 31, 2003 for future assessments levied on self insurance trusts by the State of New York. The New York Workers Compensation Board levies assessments for administration (Section 151), Reopened Cases (Section 25-A), the Second Injury Fund (Section 15-8) and the administration of other departments relating to occupational situations (Section 151-IDP). In addition, the Special Funds Conservation Committee requires an assessment.

All assessments are levied after the end of the calendar year as a percent of paid indemnity losses. Since current indemnity loss reserves are the estimated amount of future benefits to be paid it is reasonable to assume assessments will be levied as those benefits are paid. The present assessment rate is 33.1% and we used this rate to determine the liability for future assessments.

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A further adjustment is required in order to remove ALAE from the indemnity plus ALAE liability estimates. We allocated 69% of the indemnity plus ALAE reserves to pure indemnity based on the Trust's historical experience. This produces a net rate of 22.8% to be applied to the indemnity plus ALAE reserves.

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WORKERS COMPENSATION INDICATED DISCOUNTED OUTSTANDING LOSSES AS OF DECEMBER 31, 2003

Policy Year	Outstanding Losses		Discount Factor			Discounted Outstanding Losses					
						3.0%		4.0%		5.0%	
	Low (2)	High (3)	3.0% (4)	4.0% (5)	5.0% (6)	Low (7)=(2)x(4)	High (8)=(3)x(4)	Low (9)=(2)x(5)	High (10)=(3)x(5)	Low (11)=(2)x(6)	High (12)=(3)x(6)
Indemnity Plus ALAE											
1995	-11,447	-8,810	0.895	0.864	0.835	-10,245	-7,885	-9,890	-7,612	-9,558	-7,356
1996	47,766	48,135	0.887	0.854	0.823	42,368	42,696	40,792	41,107	39,311	39,615
1997	23,222	63,214	0.922	0.899	0.878	21,411	58,283	20,877	56,829	20,389	55,502
1998	18,149	114,182	0.927	0.905	0.885	16,824	105,847	16,425	103,335	16,062	101,051
1999	46,623	150,345	0.923	0.900	0.878	43,033	138,768	41,961	135,311	40,935	132,003
2000	102,217	247,883	0.913	0.888	0.864	93,324	226,317	90,769	220,120	88,315	214,171
2001	315,236	429,239	0.909	0.882	0.857	286,550	390,178	278,038	378,589	270,157	367,858
2002	520,426	875,869	0.915	0.891	0.868	476,190	801,420	463,700	780,399	451,730	760,254
2003	1,981,016	2,063,709	0.915	0.891	0.867	1,812,630	1,888,294	1,765,085	1,838,765	1,717,541	1,789,236
TOTAL	3,043,208	3,983,766				2,782,085	3,643,918	2,707,757	3,546,843	2,634,882	3,452,334
Medical Plus Incidents											
Policy Year	Outstanding Losses		Discount Factor			Discounted Outstanding Losses					
						3.0%		4.0%		5.0%	
	Low (2)	High (3)	3.0% (4)	4.0% (5)	5.0% (6)	Low (7)=(2)x(4)	High (8)=(3)x(4)	Low (9)=(2)x(5)	High (10)=(3)x(5)	Low (11)=(2)x(6)	High (12)=(3)x(6)
1995	-3,332	-1,616	0.879	0.844	0.812	-2,929	-1,420	-2,812	-1,364	-2,706	-1,312
1996	2,207	7,159	0.877	0.842	0.810	1,936	6,278	1,858	6,028	1,788	5,799
1997	10,673	18,690	0.877	0.843	0.811	9,360	16,391	8,997	15,756	8,656	15,158
1998	15,021	24,275	0.879	0.846	0.814	13,203	21,338	12,708	20,537	12,227	19,760
1999	30,023	33,257	0.883	0.851	0.821	26,510	29,366	25,550	28,302	24,649	27,304
2000	51,397	65,901	0.890	0.859	0.830	45,743	58,652	44,150	56,609	42,660	54,698
2001	132,459	147,447	0.898	0.869	0.843	118,948	132,407	115,107	128,131	111,663	124,298
2002	240,567	328,901	0.908	0.883	0.859	218,435	298,642	212,421	290,420	206,647	282,526
2003	1,098,602	1,332,648	0.919	0.896	0.874	1,009,615	1,224,704	984,347	1,194,053	960,178	1,164,734
TOTAL	1,577,617	1,956,662				1,440,821	1,786,358	1,402,326	1,738,472	1,365,762	1,692,965
Total Indemnity, Medical, Incidents-All Years											
	4,620,825	5,940,428				4,222,906	5,430,276	4,110,083	5,285,315	4,000,644	5,145,299

(2),(3) Exhibit 1.2

(4),(5),(6) Exhibits 8.1 & 8.2

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INDICATED OUTSTANDING LOSSES - NET OF SECTION 15(8) RECOVERIES AS OF DECEMBER 31, 2003

Policy Year (1)	Indicated Ultimate Losses		Paid Losses (4)	Anticipated Section 15(8) Recoveries (5)	Indicated Outstanding Losses	
	Low (2)	High (3)			Low (6)=(2)-(4)-(5)	High (7)=(3)-(4)-(5)
Indemnity Plus ALAE						
1995	114,170	116,807	107,687	17,930	-11,447	-8,810
1996	376,505	376,874	287,059	41,680	47,766	48,135
1997	399,865	439,857	376,643	0	23,222	63,214
1998	207,134	303,167	188,985	0	18,149	114,182
1999	321,216	424,938	240,251	34,342	46,623	150,345
2000	379,377	525,043	260,382	16,778	102,217	247,883
2001	981,208	1,095,211	631,727	34,245	315,236	429,239
2002	1,296,456	1,651,899	678,741	97,289	520,426	875,869
2003	2,555,816	2,638,509	538,400	36,400	1,981,016	2,063,709
TOTAL	6,631,747	7,572,305	3,309,875	278,664	3,043,208	3,983,766
Medical Plus Incidents						
Policy Year (1)	Indicated Ultimate Losses		Paid Losses (4)	Anticipated Section 15(8) Recoveries (5)	Indicated Outstanding Losses	
	Low (2)	High (3)			Low (6)=(2)-(4)-(5)	High (7)=(3)-(4)-(5)
1995	117,461	119,177	115,706	5,087	-3,332	-1,616
1996	188,994	193,946	180,787	6,000	2,207	7,159
1997	253,398	261,415	242,725	0	10,673	18,690
1998	186,909	196,163	171,888	0	15,021	24,275
1999	260,820	264,054	229,797	1,000	30,023	33,257
2000	334,458	348,962	283,061	0	51,397	65,901
2001	678,123	693,111	545,356	308	132,459	147,447
2002	1,036,062	1,124,396	794,295	1,200	240,567	328,901
2003	1,649,373	1,883,419	550,771	0	1,098,602	1,332,648
TOTAL	4,705,598	5,084,643	3,114,386	13,595	1,577,617	1,956,662
Total Indemnity, Medical, Incidents-All Years						
	11,337,345	12,656,948	6,424,261	292,259	4,620,825	5,940,428

(2),(3) Exhibit 2

(4) Exhibit 5

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INDICATED ULTIMATE LOSSES SUMMARY OF RESULTS

Policy Year (1)	Indicated Ultimate Losses				Selected Ultimate Losses	
	Incurring LDF (2)	Paid LDF (3)	Incurring BF (4)	Paid BF (5)	Low (6)	High (7)
Indemnity Plus ALAE						
1995	114,170	111,241	116,807	115,489	114,170	116,807
1996	376,505	306,292	376,874	311,679	376,505	376,874
1997	399,865	427,866	406,903	439,857	399,865	439,857
1998	207,134	231,885	238,343	303,167	207,134	303,167
1999	334,151	321,216	382,093	424,938	321,216	424,938
2000	431,653	379,377	481,120	525,043	379,377	525,043
2001	1,142,181	1,058,774	1,095,211	981,208	981,208	1,095,211
2002	1,777,642	1,677,848	1,651,899	1,296,456	1,296,456	1,651,899
2003	2,772,606	2,994,581	2,638,509	2,555,816	2,555,816	2,638,509
TOTAL	7,555,907	7,509,080	7,387,759	6,953,653	6,631,747	7,572,305
Medical Plus Incidents						
Policy Year (1)	Incurring LDF (2)	Paid LDF (3)	Incurring BF (4)	Paid BF (5)	Low (6)	High (7)
1995	117,632	119,177	117,461	118,736	117,461	119,177
1996	193,946	190,007	193,154	188,994	188,994	193,946
1997	254,656	261,415	253,398	258,754	253,398	261,415
1998	186,909	189,764	190,883	196,163	186,909	196,163
1999	261,091	260,820	262,863	264,054	260,820	264,054
2000	348,962	334,861	347,455	334,458	334,458	348,962
2001	682,515	706,236	678,123	693,111	678,123	693,111
2002	1,190,359	1,136,636	1,124,396	1,036,062	1,036,062	1,124,396
2003	2,028,079	1,694,722	1,883,419	1,649,373	1,649,373	1,883,419
TOTAL	5,264,149	4,893,638	5,051,152	4,739,705	4,705,598	5,084,643

(2),(3) Exhibit 5

(4) Exhibits 3.1 and 3.3

(5) Exhibits 3.2 and 3.4

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INDICATED ULTIMATE LOSSES BORNHUETTTER-FERGUSON INCURRED LOSS METHOD INDEMNITY PLUS ALAE

Policy Period (1)	Initial Expected Losses (2)	Expected Percent Reported (3)	Reported Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	243,824	98.0%	111,931	238,948
1996	390,792	96.2%	362,024	375,942
1997	526,785	94.3%	376,876	496,758
1998	617,198	92.4%	191,436	570,291
1999	732,884	88.0%	294,147	644,938
2000	842,869	88.0%	379,976	741,725
2001	867,198	83.1%	948,655	720,642
2002	1,038,176	83.1%	1,476,447	862,724
2003	2,460,264	57.3%	1,587,976	1,409,731
TOTAL	7,719,990		5,729,468	6,061,699

Policy Period (1)	Expected Percent Unreported (6)=1.0-(3)	Expected Unreported Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	2.0%	4,876	116,807
1996	3.8%	14,850	376,874
1997	5.7%	30,027	406,903
1998	7.6%	46,907	238,343
1999	12.0%	87,946	382,093
2000	12.0%	101,144	481,120
2001	16.9%	146,556	1,095,211
2002	16.9%	175,452	1,651,899
2003	42.7%	1,050,533	2,638,509
TOTAL		1,658,291	7,387,759

(2) Exhibit 4.1. Periods prior to 2003 from 12/31/02 analysis.

(3) Reciprocal of development factor from Exhibit 6.1.

(4) Exhibit 5

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INDICATED ULTIMATE LOSSES BORNHUETTER-FERGUSON PAID LOSS METHOD INDEMNITY PLUS ALAE

Policy Period (1)	Initial Expected Losses (2)	Expected Percent Paid (3)	Paid Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	243,824	96.8%	107,687	236,022
1996	390,792	93.7%	287,059	366,172
1997	526,785	88.0%	376,643	463,571
1998	617,198	81.5%	188,985	503,016
1999	732,884	74.8%	240,251	548,197
2000	842,869	68.6%	260,382	578,208
2001	867,198	59.7%	631,727	517,717
2002	1,038,176	40.5%	678,741	420,461
2003	2,460,264	18.0%	538,400	442,848
TOTAL	7,719,990		3,309,875	4,076,212

Policy Period (1)	Expected Percent Unpaid (6)=1.0-(3)	Expected Unpaid Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	3.2%	7,802	115,489
1996	6.3%	24,620	311,679
1997	12.0%	63,214	439,857
1998	18.5%	114,182	303,167
1999	25.2%	184,687	424,938
2000	31.4%	264,661	525,043
2001	40.3%	349,481	981,208
2002	59.5%	617,715	1,296,456
2003	82.0%	2,017,416	2,555,816
TOTAL		3,643,778	6,953,653

(2) Exhibit 4.1. Periods prior to 2003 from 12/31/02 analysis.

(3) Reciprocal of development factor from Exhibit 6.2.

(4) Exhibit 5

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INDICATED ULTIMATE LOSSES BORNHUETTER-FERGUSON INCURRED LOSS METHOD MEDICAL PLUS INCIDENTS

Policy Period (1)	Initial Expected Losses (2)	Expected Percent Reported (3)	Reported Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	104,497	98.5%	115,894	102,930
1996	167,483	97.1%	188,297	162,626
1997	225,765	95.7%	243,690	216,057
1998	258,244	94.3%	176,163	243,524
1999	287,875	92.9%	242,424	267,436
2000	331,591	91.5%	319,270	303,406
2001	648,050	87.1%	594,525	564,452
2002	803,212	83.0%	987,850	666,666
2003	1,627,559	63.8%	1,294,243	1,038,383
TOTAL	4,454,276		4,162,356	3,565,480

Policy Period (1)	Expected Percent Unreported (6)=1.0-(3)	Expected Unreported Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	1.5%	1,567	117,461
1996	2.9%	4,857	193,154
1997	4.3%	9,708	253,398
1998	5.7%	14,720	190,883
1999	7.1%	20,439	262,863
2000	8.5%	28,185	347,455
2001	12.9%	83,598	678,123
2002	17.0%	136,546	1,124,396
2003	36.2%	589,176	1,883,419
TOTAL		888,796	5,051,152

(2) Exhibit 4.2. Periods prior to 2003 from 12/31/02 analysis.

(3) Reciprocal of development factor from Exhibit 6.3

(4) Exhibit 5

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INDICATED ULTIMATE LOSSES BORNHUETTER-FERGUSON PAID LOSS METHOD MEDICAL PLUS INCIDENTS

Policy Period (1)	Initial Expected Losses (2)	Expected Percent Paid (3)	Paid Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	104,497	97.1%	115,706	101,467
1996	167,483	95.1%	180,787	159,276
1997	225,765	92.9%	242,725	209,736
1998	258,244	90.6%	171,888	233,969
1999	287,875	88.1%	229,797	253,618
2000	331,591	84.5%	283,061	280,194
2001	648,050	77.2%	545,356	500,295
2002	803,212	69.9%	794,295	561,445
2003	1,627,559	32.5%	550,771	528,957
TOTAL	4,454,276		3,114,386	2,828,957

Policy Period (1)	Expected Percent Unpaid (6)=1.0-(3)	Expected Unpaid Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	2.9%	3,030	118,736
1996	4.9%	8,207	188,994
1997	7.1%	16,029	258,754
1998	9.4%	24,275	196,163
1999	11.9%	34,257	264,054
2000	15.5%	51,397	334,458
2001	22.8%	147,755	693,111
2002	30.1%	241,767	1,036,062
2003	67.5%	1,098,602	1,649,373
TOTAL		1,625,319	4,739,705

(2) Exhibit 4.2. Periods prior to 2003 from 12/31/02 analysis.

(3) Reciprocal of development factor from Exhibit 6.4

(4) Exhibit 5

MERCANTILE SELF INSURANCE TRUST

Exhibit 4.1

2003 INITIAL EXPECTED LOSSES-INDEMNITY

Policy Period (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Trend To 7/1/03 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurred LDF (2)	Paid LDF (3)	Selected (4)					
1996	376,505	306,292	341,399	259,757	1.31	0.874	0.968	1.11
1997	399,865	427,866	413,866	304,532	1.36	0.891	1.000	1.21
1998	207,134	231,885	219,510	285,167	0.77	0.908	1.000	0.70
1999	334,151	321,216	327,684	312,816	1.05	0.926	1.000	0.97
2000	431,653	379,377	405,515	357,349	1.13	0.944	1.000	1.07
2001	1,142,181	1,058,774	1,100,478	800,022	1.38	0.962	1.000	1.33
2002	1,777,642	1,677,848	1,727,745	1,089,229	1.59	0.981	1.000	1.56
TOTAL	4,669,131	4,403,258	4,536,197	3,408,872	1.33			1.26
Mean								1.14
Latest 3								1.32
Latest 5								1.13
Best 3								1.12
Selected								1.30
2003 Payroll								1,892,511
2003 Initial Expected Losses								2,460,264

(2),(3) Exhibit 4
 (5) From prior analyses
 (7),(8) Per latest Industry data

MERCANTILE SELF INSURANCE TRUST

Exhibit 4.2

2003 INITIAL EXPECTED LOSSES-MEDICAL

Policy Period (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Trend To 7/1/03 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
1996	193,946	190,007	191,977	259,757	0.74	0.862	1.020	0.65
1997	254,656	261,415	258,036	304,532	0.85	0.880	1.015	0.76
1998	186,909	189,764	188,337	285,167	0.66	0.899	1.000	0.59
1999	261,091	260,820	260,956	312,816	0.83	0.918	1.000	0.76
2000	348,962	334,861	341,912	357,349	0.96	0.938	1.000	0.90
2001	682,515	706,236	694,376	800,022	0.87	0.958	1.000	0.83
2002	1,190,359	1,136,636	1,163,498	1,089,229	1.07	0.979	1.000	1.05
TOTAL	3,118,438	3,079,739	3,099,092	3,408,872	0.91			0.86
Mean								0.79
Latest 3								0.93
Latest 5								0.83
Best 3								0.83
Selected								0.86
2003 Payroll								1,892,511
2003 Initial Expected Losses								1,627,559

(2),(3) Exhibit 4
 (5) From prior analyses
 (7),(8) Per latest industry data

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION PROJECTED ULTIMATE LOSSES LOSS DEVELOPMENT METHODS

<u>Policy Period</u> (1)	<u>Incurred Losses</u> (2)	<u>LDF</u> (3)	<u>Projected Ultimate Losses</u> (4)=(2)x(3)	<u>Paid Losses</u> (5)	<u>LDF</u> (6)	<u>Projected Ultimate Losses</u> (7)=(5)x(6)
Indemnity Plus ALAE						
1995	111,931	1.020	114,170	107,687	1.033	111,241
1996	362,024	1.040	376,505	287,059	1.067	306,292
1997	376,876	1.061	399,865	376,643	1.136	427,866
1998	191,436	1.082	207,134	188,985	1.227	231,885
1999	294,147	1.136	334,151	240,251	1.337	321,216
2000	379,976	1.136	431,653	260,382	1.457	379,377
2001	948,655	1.204	1,142,181	631,727	1.676	1,058,774
2002	1,476,447	1.204	1,777,642	678,741	2.472	1,677,848
2003	1,587,976	1.746	2,772,606	538,400	5.562	2,994,581
TOTAL	5,729,468		7,555,907	3,309,875		7,509,080
Medical Plus Incidents						
1995	115,894	1.015	117,632	115,706	1.030	119,177
1996	188,297	1.030	193,946	180,787	1.051	190,007
1997	243,690	1.045	254,656	242,725	1.077	261,415
1998	176,163	1.061	186,909	171,888	1.104	189,764
1999	242,424	1.077	261,091	229,797	1.135	260,820
2000	319,270	1.093	348,962	283,061	1.183	334,861
2001	594,525	1.148	682,515	545,356	1.295	706,236
2002	987,850	1.205	1,190,359	794,295	1.431	1,136,636
2003	1,294,243	1.567	2,028,079	550,771	3.077	1,694,722
TOTAL	4,162,356		5,264,149	3,114,386		4,893,638

(2),(3) Exhibits 6.1 and 6.3

(5),(6) Exhibits 6.2 and 6.4

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INCURRED LOSS DEVELOPMENT HISTORY INDEMNITY PLUS ALAE

Accident Year	Months of Development								
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>
1995	84,112	124,598	129,980	120,372	105,536	116,043	107,593	107,594	111,931
1996	73,195	314,125	319,486	318,002	278,442	288,357	293,935	362,024	
1997	279,627	295,368	283,293	319,211	349,192	375,076	376,876		
1998	239,023	222,226	223,182	219,718	215,350	191,436			
1999	320,408	408,981	281,007	297,171	294,147				
2000	297,179	300,671	249,912	379,976					
2001	488,783	707,627	948,655						
2002	787,814	1,476,447							
2003	1,587,976								

Accident Year	Development Factors								
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>	<u>84-96</u>	<u>96-108</u>	<u>108-Ult.</u>
1995	1.481	1.043	0.926	0.877	1.100	0.927	1.000	1.040	
1996	4.292	1.017	0.995	0.876	1.036	1.019	1.232		
1997	1.056	0.959	1.127	1.094	1.074	1.005			
1998	0.930	1.004	0.984	0.980	0.889				
1999	1.276	0.687	1.058	0.990					
2000	1.012	0.831	1.520						
2001	1.448	1.341							
2002	1.874								
Mean	1.671	0.983	1.102	0.963	1.025	0.984	1.116	1.040	
3 Yr. Mean	1.445	0.953	1.187	1.021	1.000	0.984			
5 Yr. Mean	1.308	0.964	1.137	0.963					
Best 3	1.245	0.931	1.060	0.949					
Industry	1.743	1.372	1.163	1.100	1.053	1.036	1.022	1.016	1.084
Selected	1.450	1.000	1.060	1.000	1.050	1.020	1.020	1.020	1.020
Cumulative	1.746	1.204	1.204	1.136	1.136	1.082	1.061	1.040	1.020

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION PAID LOSS DEVELOPMENT HISTORY INDEMNITY PLUS ALAE

Accident Year	Months of Development								
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>
1995	5,967	15,104	59,946	84,409	88,864	94,491	98,709	103,412	107,687
1996	28,607	97,392	154,647	184,840	209,467	224,471	266,845	287,059	
1997	95,716	173,581	213,402	241,159	288,994	366,536	376,643		
1998	74,245	112,835	164,037	169,094	172,778	188,985			
1999	74,320	131,733	197,062	228,644	240,251				
2000	72,206	138,031	225,193	260,382					
2001	190,835	469,568	631,727						
2002	275,483	678,741							
2003	538,400								

Accident Year	Development Factors								
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>	<u>84-96</u>	<u>96-108</u>	<u>108-Ult.</u>
1995	0.153	3.969	1.408	1.053	1.063	1.045	1.048	1.041	
1996	3.404	1.588	1.195	1.133	1.072	1.189	1.076		
1997	1.814	1.229	1.130	1.198	1.268	1.028			
1998	1.520	1.454	1.031	1.022	1.094				
1999	1.773	1.496	1.160	1.051					
2000	1.912	1.631	1.156						
2001	2.461	1.345							
2002	2.464								
Mean	1.938	1.816	1.180	1.091	1.124	1.087	1.062	1.041	
3 Yr. Mean	2.279	1.491	1.116	1.090	1.145	1.087			
5 Yr. Mean	2.026	1.431	1.134	1.091					
Best 3	2.049	1.432	1.149	1.079					
Industry	2.507	1.803	1.351	1.227	1.142	1.096	1.068	1.050	1.396
Selected	2.250	1.475	1.150	1.090	1.090	1.080	1.065	1.033	1.033
Cumulative	5.562	2.472	1.676	1.457	1.337	1.227	1.136	1.067	1.033

MERCANTILE SELF INSURANCE TRUSTWORKERS COMPENSATION
INCURRED LOSS DEVELOPMENT HISTORY
MEDICAL PLUS INCIDENTS

Accident Year	Months of Development								
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>
1995	46,697	75,273	112,548	109,484	107,257	118,299	111,237	113,036	115,894
1996	76,441	132,655	134,443	137,997	134,954	146,234	184,836	188,297	
1997	217,555	242,718	230,478	246,877	246,863	251,100	243,690		
1998	205,231	175,900	192,094	194,217	198,546	176,163			
1999	243,074	278,310	237,991	242,928	242,424				
2000	275,731	270,802	267,577	319,270					
2001	346,024	529,804	594,525						
2002	762,775	987,850							
2003	1,294,243								

Accident Year	Development Factors								
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>	<u>84-96</u>	<u>96-108</u>	<u>108-Ult.</u>
1995	1.612	1.495	0.973	0.980	1.103	0.940	1.016	1.025	
1996	1.735	1.013	1.026	0.978	1.084	1.264	1.019		
1997	1.116	0.950	1.071	1.000	1.017	0.970			
1998	0.857	1.092	1.011	1.022	0.887				
1999	1.145	0.855	1.021	0.998					
2000	0.982	0.988	1.193						
2001	1.531	1.122							
2002	1.295								
Mean	1.284	1.074	1.049	0.996	1.023	1.058	1.018	1.025	
3 Yr. Mean	1.269	0.988	1.075	1.007	0.996	1.058			
5 Yr. Mean	1.162	1.001	1.064	0.996					
Best 3	1.141	1.010	1.039	0.993					
Industry	1.378	1.132	1.090	1.044	1.038	1.018	1.009	1.005	1.094
Selected	1.300	1.050	1.050	1.015	1.015	1.015	1.015	1.015	1.015
Cumulative	1.567	1.205	1.148	1.093	1.077	1.061	1.045	1.030	1.015

MERCANTILE SELF INSURANCE TRUST
**WORKERS COMPENSATION
 PAID LOSS DEVELOPMENT HISTORY
 MEDICAL PLUS INCIDENTS**

Accident Year	Months of Development								
	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>	<u>84</u>	<u>96</u>	<u>108</u>
1995	23,183	38,137	93,392	106,433	106,635	107,890	110,619	112,498	115,706
1996	41,762	108,299	117,265	127,685	129,836	133,654	173,936	180,787	
1997	130,356	188,099	204,506	211,107	236,640	242,595	242,725		
1998	128,976	152,721	161,446	166,141	169,379	171,888			
1999	96,106	175,113	191,287	221,757	229,797				
2000	122,026	230,256	255,191	283,061					
2001	210,072	468,857	545,356						
2002	352,432	794,295							
2003	550,771								

Accident Year	Development Factors								
	<u>12-24</u>	<u>24-36</u>	<u>36-48</u>	<u>48-60</u>	<u>60-72</u>	<u>72-84</u>	<u>84-96</u>	<u>96-108</u>	<u>108-Ult.</u>
1995	1.645	2.449	1.140	1.002	1.012	1.025	1.017	1.029	
1996	2.593	1.083	1.089	1.017	1.029	1.301	1.039		
1997	1.443	1.087	1.032	1.121	1.025	1.001			
1998	1.184	1.057	1.029	1.019	1.015				
1999	1.822	1.092	1.159	1.036					
2000	1.887	1.108	1.109						
2001	2.232	1.163							
2002	2.254								
Mean	1.883	1.291	1.093	1.039	1.020	1.109	1.028	1.029	
3 Yr. Mean	2.124	1.121	1.099	1.059	1.023	1.109			
5 Yr. Mean	1.876	1.101	1.084	1.039					
Best 3	1.980	1.096	1.077	1.024					
Industry	2.333	1.270	1.130	1.080	1.055	1.037	1.027	1.019	1.236
Selected	2.150	1.105	1.095	1.042	1.028	1.025	1.025	1.020	1.030
Cumulative	3.077	1.431	1.295	1.183	1.135	1.104	1.077	1.051	1.030

MERCANTILE SELF INSURANCE TRUST

Exhibit 7

**PAYROLL
CALENDAR YEAR 2003**

<u>Code</u> (1)	<u>Payroll</u> (2)	<u>Code</u> (1)	<u>Payroll</u> (2)
0005	255,000	8018	8,441,832
0913	900	8021	6,001,763
2003	8,142,387	8033	18,332,520
2081	140,906	8034	487,628
2095	97,223	8044	767,119
2172	1,098,574	8046	214,252
2388	22,683	8048	927,695
2501	82,623	8103	695,000
2553	119,072	8106	551,952
2881	279,411	8107	757,726
3365	52,500	8199	78,022
3632	272,499	8232	5,467,040
3726	67,000	8263	687,161
3737	101,091	8264	1,842,005
4000	20,000	8265	471,680
4111	46,800	8291	31,007
4130	174,000	8292	20,465
4299	180,156	8350	1,852,468
4352	22,806	8353	84,407
4635	667,103	8381	3,853,192
5022	51,500	8382	538,500
5183	106,509	8391	6,046,118
5190	50,904	8500	811,683
5192	242,703	8742	19,284,651
5193	913,050	8745	1,722,347
5348	509,526	8748	787,500
5462	63,000	8751	943,646
5536	48,128	8809	10,444,845
5606	125,000	8810	38,088,623
5610	283,963	8832	17,585
7219	610,917	9026	244,207
7380	9,968,186	9028	189,329
7390	378,908	9072	4,792,404
7998	12,910,550	9519	39,162
7999	3,385,065	9521	1,138,099
8006	4,482,747	9522	9,577
8008	52,260	9539	286,186
8017	6,276,083		
		TOTAL	189,251,129

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION DISCOUNT FACTOR CALCULATION INDEMNITY PLUS ALAE

End of Year (1)	Cumulative Percent Paid (2)	Incremental Percent Paid (3)	Present Value Of Payments Discounted At 5.0% (4)	Present Value Of Payments Discounted At 4.0%	Present Value Of Payments Discounted At 3.0%
1	18.0%	18.0%	0.853	0.879	0.906
2	40.5%	22.5%	0.867	0.891	0.915
3	59.7%	19.2%	0.868	0.891	0.915
4	68.6%	8.9%	0.857	0.882	0.909
5	74.8%	6.2%	0.864	0.888	0.913
6	81.5%	6.7%	0.878	0.900	0.923
7	88.0%	6.5%	0.885	0.905	0.927
8	93.9%	5.9%	0.878	0.899	0.922
9	94.8%	1.0%	0.823	0.854	0.887
10	95.7%	0.8%	0.835	0.864	0.895
11	96.4%	0.8%	0.847	0.874	0.903
12	97.1%	0.7%	0.861	0.886	0.912
13	97.7%	0.6%	0.876	0.898	0.922
14	98.3%	0.5%	0.892	0.912	0.932
15	98.8%	0.5%	0.909	0.926	0.943
16	99.2%	0.5%	0.926	0.940	0.954
17	99.6%	0.4%	0.942	0.953	0.965
18	99.8%	0.2%	0.951	0.961	0.970
19	100.0%	0.2%	0.976	0.981	0.985

Payout pattern based on extrapolated paid loss development factors

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION DISCOUNT FACTOR CALCULATION MEDICAL PLUS INCIDENTS

End of Year (1)	Cumulative Percent Paid (2)	Incremental Percent Paid (3)	Present Value Of Payments Discounted At 5.0% (4)	Present Value Of Payments Discounted At 4.0%	Present Value Of Payments Discounted At 3.0%
1	39.1%	39.1%	0.889	0.908	0.929
2	60.9%	21.9%	0.874	0.896	0.919
3	73.5%	12.6%	0.859	0.883	0.908
4	81.0%	7.5%	0.843	0.869	0.898
5	85.7%	4.8%	0.830	0.859	0.890
6	89.0%	3.2%	0.821	0.851	0.883
7	91.2%	2.3%	0.814	0.846	0.879
8	92.9%	1.7%	0.811	0.843	0.877
9	94.2%	1.3%	0.810	0.842	0.877
10	95.2%	1.0%	0.812	0.844	0.879
11	96.0%	0.8%	0.817	0.848	0.882
12	96.7%	0.7%	0.824	0.855	0.888
13	97.2%	0.5%	0.834	0.863	0.894
14	97.7%	0.5%	0.847	0.874	0.903
15	98.0%	0.4%	0.863	0.888	0.914
16	98.4%	0.3%	0.883	0.905	0.927
17	98.7%	0.3%	0.908	0.925	0.943
18	98.9%	0.2%	0.938	0.950	0.962
19	100.0%	1.1%	0.976	0.981	0.985

Payout pattern derived from inverse power curve fit
of paid loss development factors