

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION LOSS
AND LOSS ADJUSTMENT EXPENSE RESERVES

AS OF DECEMBER 31, 2006

MARCH 22, 2007

RECEIVED
WORKERS' COMPENSATION

APR 30 2007

SELF INSURANCE OFFICE



FINANCIAL RISK ANALYSTS, LLC

CONNECTICUT • FLORIDA • NORTH CAROLINA

Actuaries • Insurance Consultants

March 22, 2007

Mr. Anthony D'Amato
New York Compensation Managers, Inc.
6250 South Bay Road
P.O. Box 3580
Syracuse, NY 13220

Dear Tony:

Enclosed please find our report regarding the Mercantile Self Insurance Trust as December 31, 2006. Projected ultimate losses in total are very close to our previous projections as of June 30, 2006.

We have continued using historical losses net of actual recoveries received by the Trust. Our projections are therefore also net of anticipated future recoveries. This approach was re-implemented effective with our revised June 30, 2006 analysis and we anticipate continuing to use this approach going forward.

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

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	2
CONDITIONS & LIMITATIONS.....	3
DISTRIBUTION & USE.....	5
SUMMARY & CONCLUSIONS.....	6
ANALYSIS.....	8
EXHIBITS	

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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, 2006 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 Fintra International. Individual losses are limited to \$400,000 per accident. A complete history of self insured retentions are presented on Exhibit 9. 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. Payroll data for trust years beginning January 1, 2000 are on an "earned" basis. Prior to this, the Trust issued coterminous policies and earned payroll was therefore equal to written payroll.

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.

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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 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 2006. 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, 2006

Based on the analysis contained herein the following are our expected loss reserve indications as of December 31, 2006 for losses and loss adjustment expenses:

	INDICATED OUTSTANDING LOSSES & LAE AS OF DECEMBER 31, 2006 (\$000)								
	Undiscounted			Discounted at 4.0%			Discounted at 5.0%		
	Low	Point	High	Low	Point	High	Low	Point	High
Losses & ALAE	\$12,353	\$13,575	\$14,798	\$11,005	\$12,083	\$13,161	\$10,726	\$11,775	\$12,824
New York State Assessments	\$2,178	\$2,370	\$2,563	\$1,929	\$2,097	\$2,265	\$1,877	\$2,040	\$2,204
Total Outstanding Loss & LAE	\$14,531	\$15,945	\$17,360	\$12,933	\$14,180	\$15,426	\$12,604	\$13,815	\$15,028

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, 2006 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 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. We relied primarily on the Trust's historical experience for purposes of selecting incurred loss development factors. 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 primarily from the Trust's historical experience. Paid loss development factors are presented on Exhibits 6.2 and 6.4.

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- **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. A pure premium represents the expected losses per \$100 of payroll. Loss reporting patterns are the reciprocal of the development factors presented on Exhibits 6.1 and 6.3. Historical pure premiums are adjusted to current benefit and cost levels using data available from the NYCIRB.

- **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 6.2 and 6.4.

ADDITIONAL ASSUMPTIONS

Investment Income

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Exhibits 8.1 and 8.2 present the derivation of the investment income factors used to discount the outstanding losses. An expected 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, 2006 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 net of second injury fund recoveries received by the Trust. Our projections are therefore net of anticipated future second injury fund recoveries.

New York State Assessments

We included a provision as of December 31, 2006 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 43.3% of paid losses. Since this is a very high assessment rate as compared with historical rates we used a 40.0% assessment rate in our analysis.

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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 27.6% to be applied to the indemnity plus ALAE reserves.

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WORKERS COMPENSATION INDICATED DISCOUNTED OUTSTANDING LOSSES AS OF DECEMBER 31, 2006 SUMMARY

Accident Year (1)	Discounted Outstanding Losses					
	4.0%			5.0%		
	Low (2)	Point (3)	High (4)	Low (5)	Point (6)	High (7)
Indemnity Plus ALAE						
1995	4,570	4,570	4,570	4,411	4,411	4,411
1996	5,969	7,434	8,899	5,753	7,165	8,576
1997	3,963	12,280	20,596	3,814	11,817	19,820
1998	21,337	30,487	39,636	20,554	29,368	38,182
1999	10,232	35,426	60,619	9,844	34,082	58,320
2000	44,234	54,785	65,336	42,678	52,858	63,038
2001	149,426	173,101	196,776	144,159	166,999	189,839
2002	204,423	334,850	465,276	197,217	323,046	448,874
2003	659,932	827,518	995,103	642,761	805,987	969,212
2004	1,296,967	1,443,701	1,590,434	1,264,943	1,408,054	1,551,164
2005	2,075,008	2,159,145	2,243,281	2,021,384	2,103,347	2,185,309
2006	2,511,551	2,514,021	2,516,490	2,443,518	2,445,921	2,448,323
TOTAL	6,987,612	7,597,318	8,207,016	6,801,036	7,393,055	7,985,068
Medical Plus Incidents						
1995	2,498	2,642	2,785	2,407	2,546	2,684
1996	2,551	2,690	2,829	2,447	2,580	2,713
1997	7,048	8,252	9,455	6,751	7,904	9,056
1998	5,212	12,219	19,225	4,984	11,685	18,385
1999	0	0	0	0	0	0
2000	12,250	14,530	16,809	11,819	14,018	16,217
2001	31,123	74,995	118,867	30,069	72,455	114,840
2002	417,465	448,752	480,039	403,905	434,176	464,446
2003	436,045	451,641	467,236	423,643	438,795	453,947
2004	556,586	753,338	950,090	543,599	735,760	927,921
2005	615,666	1,071,667	1,607,704	605,666	1,047,666	1,583,666

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WORKERS COMPENSATION INDICATED DISCOUNTED OUTSTANDING LOSSES AS OF DECEMBER 31, 2006

Accident Year (1)	Outstanding Losses			Discount Factor	
	Low (2)	Point (3)	High (4)	4.0% (6)	5.0% (7)
Indemnity Plus ALAE					
1995	5,308	5,308	5,308	0.861	0.831
1996	6,990	8,705	10,420	0.854	0.823
1997	4,668	14,464	24,259	0.849	0.817
1998	25,251	36,079	46,907	0.845	0.814
1999	12,123	41,973	71,823	0.844	0.812
2000	51,857	64,226	76,595	0.853	0.823
2001	175,589	203,409	231,229	0.851	0.821
2002	240,215	393,478	546,740	0.851	0.821
2003	746,529	936,106	1,125,682	0.884	0.861
2004	1,455,631	1,620,315	1,784,999	0.891	0.869
2005	2,331,470	2,426,006	2,520,541	0.890	0.867
2006	2,834,708	2,837,495	2,840,282	0.886	0.862
TOTAL	7,890,339	8,587,564	9,284,785		
Medical Plus Incidents					
Accident Year (1)	Outstanding Losses			Discount Factor	
	Low (2)	Point (3)	High (4)	4.0% (6)	5.0% (7)
1995	2,925	3,093	3,261	0.854	0.823
1996	3,062	3,229	3,396	0.833	0.799
1997	8,492	9,942	11,391	0.830	0.795
1998	6,325	14,828	23,331	0.824	0.788
1999	0	0	0	0.830	0.795
2000	14,378	17,054	19,729	0.852	0.822
2001	36,359	87,611	138,863	0.856	0.827
2002	484,298	520,594	556,890	0.862	0.834
2003	496,069	513,812	531,554	0.879	0.854
2004	618,420	627,042	635,665	0.886	0.870

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WORKERS COMPENSATION INDICATED OUTSTANDING LOSSES AS OF DECEMBER 31, 2006

Accident Year	Indicated Ultimate Losses		Paid Losses	Indicated Outstanding Losses	
	Low	High		Low	High
(1)	(2)	(3)	(4)	(5)=(2)-(4)	(6)=(3)-(4)
Indemnity Plus ALAE					
1995	126,130	126,130	120,822	5,308	5,308
1996	196,452	199,882	189,462	6,990	10,420
1997	372,223	391,814	367,555	4,668	24,259
1998	240,467	262,123	215,216	25,251	46,907
1999	247,954	307,654	235,831	12,123	71,823
2000	417,046	441,784	365,189	51,857	76,595
2001	1,266,390	1,322,030	1,090,801	175,589	231,229
2002	1,767,651	2,074,176	1,527,436	240,215	546,740
2003	3,086,824	3,465,977	2,340,295	746,529	1,125,682
2004	2,808,659	3,138,027	1,353,028	1,455,631	1,784,999
2005	3,133,983	3,323,054	802,513	2,331,470	2,520,541
2006	3,216,614	3,222,188	381,906	2,834,708	2,840,282
TOTAL	16,880,393	18,274,839	8,990,054	7,890,339	9,284,785
Medical Plus Incidents					
Accident Year	Indicated Ultimate Losses		Paid Losses	Indicated Outstanding Losses	
	Low	High		Low	High
(1)	(2)	(3)	(4)	(5)=(2)-(4)	(6)=(3)-(4)
1995	133,349	133,685	130,424	2,925	3,261
1996	116,451	116,785	113,389	3,062	3,396
1997	273,866	276,765	265,374	8,492	11,391
1998	177,266	194,272	170,941	6,325	23,331
1999	283,490	283,490	283,490	0	0
2000	304,509	309,860	290,131	14,378	19,729
2001	732,455	834,959	696,096	36,359	138,863
2002	1,796,901	1,869,493	1,312,603	484,298	556,890
2003	2,095,037	2,130,522	1,598,968	496,069	531,554

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WORKERS COMPENSATION INDICATED ULTIMATE LOSSES SUMMARY OF RESULTS

Accident Year	Indicated Ultimate Losses				Selected Ultimate Losses	
	Incurring LDF	Paid LDF	Incurring BF	Paid BF	Low	High
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Indemnity Plus ALAE						
1995	126,130	126,863	126,130	132,526	126,130	126,130
1996	196,452	199,882	196,452	209,783	196,452	199,882
1997	372,223	391,814	372,223	400,216	372,223	391,814
1998	240,467	232,864	240,467	262,123	240,467	262,123
1999	247,954	261,537	261,986	307,654	247,954	307,654
2000	427,902	417,046	441,784	440,749	417,046	441,784
2001	1,322,030	1,289,327	1,266,390	1,181,075	1,266,390	1,322,030
2002	2,074,176	1,892,493	1,999,822	1,767,651	1,767,651	2,074,176
2003	3,137,071	3,465,977	3,086,824	3,230,972	3,086,824	3,465,977
2004	2,532,580	2,565,341	2,808,659	3,138,027	2,808,659	3,138,027
2005	2,694,749	2,275,124	3,133,983	3,323,054	3,133,983	3,323,054
2006	3,047,097	2,549,604	3,222,188	3,216,614	3,216,614	3,222,188
TOTAL	16,418,831	15,667,872	17,156,908	17,610,444	16,880,393	18,274,839
Medical Plus Incidents						
Accident Year	Indicated Ultimate Losses				Selected Ultimate Losses	
	Incurring LDF	Paid LDF	Incurring BF	Paid BF	Low	High
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1995	133,349	133,685	132,824	132,932	133,349	133,685
1996	116,785	116,451	117,957	117,744	116,451	116,785
1997	276,765	273,866	275,251	272,373	273,866	276,765
1998	194,272	177,266	196,482	180,238	177,266	194,272
1999	296,613	296,814	296,219	296,444	283,490	283,490
2000	308,105	309,860	304,509	305,473	304,509	309,860
2001	834,959	758,745	814,209	732,455	732,455	834,959
2002	1,869,493	1,474,053	1,796,901	1,418,527	1,796,901	1,869,493
2003	2,130,522	1,912,366	2,095,037	1,896,296	2,095,037	2,130,522
2004	2,532,580	2,565,341	2,808,659	3,138,027	2,808,659	3,138,027
2005	2,694,749	2,275,124	3,133,983	3,323,054	3,133,983	3,323,054
2006	3,047,097	2,549,604	3,222,188	3,216,614	3,216,614	3,222,188

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

Accident Year (1)	Initial Expected Losses (2)	Expected Percent Reported (3)	Reported Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	243,824	100.0%	126,130	243,824
1996	390,792	100.0%	196,452	390,792
1997	526,785	100.0%	372,223	526,785
1998	617,198	100.0%	240,467	617,198
1999	732,884	97.1%	240,732	711,630
2000	609,356	92.4%	395,473	563,045
2001	586,196	92.4%	1,221,839	541,645
2002	1,244,635	91.1%	1,889,049	1,133,862
2003	2,740,544	87.6%	2,746,997	2,400,717
2004	3,773,782	77.8%	1,970,879	2,936,002
2005	3,895,736	63.5%	1,712,039	2,473,792
2006	3,334,951	39.1%	1,191,203	1,303,966
TOTAL	18,696,683		12,303,483	13,843,258

Accident Year (1)	Expected Percent Unreported (6)=1.0-(3)	Expected Unreported Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	0.0%	0	126,130
1996	0.0%	0	196,452
1997	0.0%	0	372,223
1998	0.0%	0	240,467
1999	2.9%	21,254	261,986
2000	7.6%	46,311	441,784
2001	7.6%	44,551	1,266,390
2002	8.9%	110,773	1,999,822

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

Accident Year (1)	Initial Expected Losses (2)	Expected Percent Paid (3)	Paid Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	243,824	95.2%	120,822	232,120
1996	390,792	94.8%	189,462	370,471
1997	526,785	93.8%	367,555	494,124
1998	617,198	92.4%	215,216	570,291
1999	732,884	90.2%	235,831	661,061
2000	609,356	87.6%	365,189	533,796
2001	586,196	84.6%	1,090,801	495,922
2002	1,244,635	80.7%	1,527,436	1,004,420
2003	2,740,544	67.5%	2,340,295	1,849,867
2004	3,773,782	52.7%	1,353,028	1,988,783
2005	3,895,736	35.3%	802,513	1,375,195
2006	3,334,951	15.0%	381,906	500,243
TOTAL	18,696,683		8,990,054	10,076,293

Accident Year (1)	Expected Percent Unpaid (6)=1.0-(3)	Expected Unpaid Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	4.8%	11,704	132,526
1996	5.2%	20,321	209,783
1997	6.2%	32,661	400,216
1998	7.6%	46,907	262,123
1999	9.8%	71,823	307,654
2000	12.4%	75,560	440,749
2001	15.4%	90,274	1,181,075
2002	19.3%	240,215	1,767,651

MERCANTILE SELF INSURANCE TRUST

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

Accident Year (1)	Initial Expected Losses (2)	Expected Percent Reported (3)	Reported Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	104,497	98.0%	130,734	102,407
1996	167,483	97.6%	113,937	163,463
1997	225,765	97.1%	268,704	219,218
1998	258,244	96.6%	187,702	249,464
1999	287,875	95.7%	283,840	275,496
2000	239,725	94.8%	292,043	227,259
2001	438,059	94.8%	791,430	415,280
2002	962,945	92.0%	1,719,865	885,909
2003	1,812,975	88.9%	1,893,797	1,611,735
2004	2,240,683	77.1%	1,954,223	1,727,567
2005	2,479,105	66.2%	1,365,212	1,641,168
2006	2,452,802	49.0%	957,571	1,201,873
TOTAL	11,670,158		9,959,058	8,720,839

Accident Year (1)	Expected Percent Unreported (6)=1.0-(3)	Expected Unreported Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	2.0%	2,090	132,824
1996	2.4%	4,020	117,957
1997	2.9%	6,547	275,251
1998	3.4%	8,780	196,482
1999	4.3%	12,379	296,219
2000	5.2%	12,466	304,509
2001	5.2%	22,779	814,209
2002	8.0%	77,036	1,796,901

MERCANTILE SELF INSURANCE TRUST

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

Accident Year (1)	Initial Expected Losses (2)	Expected Percent Paid (3)	Paid Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	104,497	97.6%	130,424	101,989
1996	167,483	97.4%	113,389	163,128
1997	225,765	96.9%	265,374	218,766
1998	258,244	96.4%	170,941	248,947
1999	287,875	95.5%	283,490	274,921
2000	239,725	93.6%	290,131	224,383
2001	438,059	91.7%	696,096	401,700
2002	962,945	89.0%	1,312,603	857,021
2003	1,812,975	83.6%	1,598,968	1,515,647
2004	2,240,683	72.4%	1,411,684	1,622,254
2005	2,479,105	59.1%	843,466	1,465,151
2006	2,452,802	27.5%	399,516	674,521
TOTAL	11,670,158		7,516,082	7,768,428

Accident Year (1)	Expected Percent Unpaid (6)=1.0-(3)	Expected Unpaid Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	2.4%	2,508	132,932
1996	2.6%	4,355	117,744
1997	3.1%	6,999	272,373
1998	3.6%	9,297	180,238
1999	4.5%	12,954	296,444
2000	6.4%	15,342	305,473
2001	8.3%	36,359	732,455
2002	11.0%	105,924	1,418,527

MERCANTILE SELF INSURANCE TRUST

Exhibit 4.1

2006 INITIAL EXPECTED LOSSES-INDEMNITY

Accident Year (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Net Trend To 7/1/06 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
1999	247,954	261,537	254,746	312,816	0.81	1.336	1.000	1.08
2000	427,902	417,046	422,474	258,347	1.64	1.282	1.000	2.10
2001	1,322,030	1,289,327	1,305,679	540,787	2.41	1.230	1.000	2.96
2002	2,074,176	1,892,493	1,983,335	1,305,841	1.52	1.180	1.000	1.79
2003	3,137,071	3,465,977	3,301,524	2,108,111	1.57	1.132	1.000	1.78
2004	2,532,580	2,565,341	2,548,961	2,358,614	1.08	1.086	1.000	1.17
2005	2,694,749	2,275,124	2,484,937	2,361,052	1.05	1.042	1.000	1.09
TOTAL	12,436,462	12,166,845	12,301,656	9,245,568	1.33			1.50
Mean								1.71
Latest 3								1.35
Latest 5								1.76
Best 3								1.58
Selected								1.55
2006 Payroll								2,151,581
2006 Initial Expected Losses								3,334,951

MERCANTILE SELF INSURANCE TRUST

Exhibit 4.2

2006 INITIAL EXPECTED LOSSES-MEDICAL

Accident Year (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Net Trend To 7/1/06 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
1999	296,613	296,814	283,840	312,816	0.91	1.336	1.000	1.22
2000	308,105	309,860	308,983	258,347	1.20	1.282	1.000	1.54
2001	834,959	758,745	796,852	540,787	1.47	1.230	1.000	1.81
2002	1,869,493	1,474,053	1,869,493	1,305,841	1.43	1.180	1.000	1.69
2003	2,130,522	1,912,366	2,021,444	2,108,111	0.96	1.132	1.000	1.09
2004	2,534,627	1,949,536	2,242,082	2,358,614	0.95	1.086	1.000	1.03
2005	2,062,835	1,427,144	1,744,990	2,361,052	0.74	1.042	1.000	0.77
TOTAL	10,037,154	8,128,518	9,267,684	9,245,568	1.00			1.14
Mean								1.31
Latest 3								0.96
Latest 5								1.28
Best 3								1.27
Selected								1.14
2006 Payroll								2,151,581
2006 Initial Expected Losses								2,452,802

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION
PROJECTED ULTIMATE LOSSES
LOSS DEVELOPMENT METHODS

Accident <u>Year</u> (1)	Incurred <u>Losses</u> (2)	<u>LDF</u> (3)	Projected Ultimate <u>Losses</u> (4)=(2)x(3)	Paid <u>Losses</u> (5)	<u>LDF</u> (6)	Projected Ultimate <u>Losses</u> (7)=(5)x(6)
Indemnity Plus ALAE						
1995	126,130	1.000	126,130	120,822	1.050	126,863
1996	196,452	1.000	196,452	189,462	1.055	199,882
1997	372,223	1.000	372,223	367,555	1.066	391,814
1998	240,467	1.000	240,467	215,216	1.082	232,864
1999	240,732	1.030	247,954	235,831	1.109	261,537
2000	395,473	1.082	427,902	365,189	1.142	417,046
2001	1,221,839	1.082	1,322,030	1,090,801	1.182	1,289,327
2002	1,889,049	1.098	2,074,176	1,527,436	1.239	1,892,493
2003	2,746,997	1.142	3,137,071	2,340,295	1.481	3,465,977
2004	1,970,879	1.285	2,532,580	1,353,028	1.896	2,565,341
2005	1,712,039	1.574	2,694,749	802,513	2.835	2,275,124
2006	1,191,203	2.558	3,047,097	381,906	6.676	2,549,604
TOTAL	12,303,483		16,418,831	8,990,054		15,667,872
Medical Plus Incidents						
1995	130,734	1.020	133,349	130,424	1.025	133,685
1996	113,937	1.025	116,785	113,389	1.027	116,451
1997	268,704	1.030	276,765	265,374	1.032	273,866
1998	187,702	1.035	194,272	170,941	1.037	177,266
1999	283,840	1.045	296,613	283,490	1.047	296,814
2000	292,043	1.055	308,105	290,131	1.068	309,860
2001	791,430	1.055	834,959	696,096	1.090	758,745
2002	1,719,865	1.087	1,869,493	1,312,603	1.123	1,474,053
2003	1,893,797	1.125	2,130,522	1,598,968	1.196	1,912,366
2004	1,051,222	1.207	1,268,627	1,111,684	1.281	1,424,526

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION INCURRED LOSS DEVELOPMENT HISTORY INDEMNITY PLUS ALAE

Accident Year	Months of Development											
	12	24	36	48	60	72	84	96	108	120	132	144
1995	106,653	158,024	152,299	144,191	130,342	130,772	122,238	118,402	125,382	152,952	143,019	126,130
1996	47,942	238,518	247,710	246,105	211,344	210,384	219,362	263,244	243,493	203,474	196,452	
1997	299,741	317,546	372,388	377,672	401,071	404,556	372,710	385,982	382,018	372,223		
1998	245,827	289,658	301,371	233,242	232,789	204,012	210,082	211,068	240,467			
1999	215,219	331,130	277,137	273,441	257,280	260,389	223,346	240,732				
2000	274,550	298,182	256,136	398,354	400,782	410,715	395,473					
2001	463,374	722,055	1,002,405	1,121,227	1,335,263	1,221,839						
2002	764,634	1,502,354	1,748,071	2,034,264	1,889,049							
2003	1,482,297	2,511,265	3,404,013	2,746,997								
2004	1,363,303	2,184,735	1,970,879									
2005	1,174,765	1,712,039										
2006	1,191,203											

Accident Year	Development Factors											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult.
1995	1.482	0.964	0.947	0.904	1.003	0.935	0.969	1.059	1.220	0.935	0.882	
1996	4.975	1.039	0.994	0.859	0.995	1.043	1.200	0.925	0.836	0.965		
1997	1.059	1.173	1.014	1.062	1.009	0.921	1.036	0.990	0.974			
1998	1.178	1.040	0.774	0.998	0.876	1.030	1.005	1.139				
1999	1.539	0.837	0.987	0.941	1.012	0.858	1.078					
2000	1.086	0.859	1.555	1.006	1.025	0.963						
2001	1.558	1.388	1.119	1.191	0.915							
2002	1.965	1.164	1.164	0.929								
2003	1.694	1.355	0.807									
2004	1.603	0.902										
2005	1.457											
Mean	1.781	1.072	1.040	0.986	0.976	0.958	1.058	1.028	1.010	0.950	0.882	
3 Yr. Mean	1.585	1.140	1.030	1.042	0.984	0.950	1.040	1.018	1.010			
5 Yr. Mean	1.655	1.134	1.126	1.013	0.967	0.963	1.058					
Best 3	1.618	1.140	1.090	0.982	0.979	0.971	1.040					
Industry	1.725	1.346	1.166	1.096	1.058	1.035	1.028	1.014	1.014	1.010	1.014	1.139
Selected	1.625	1.225	1.125	1.040	1.015	1.000	1.050	1.030	1.000	1.000	1.000	1.000
Cumulative	2.558	1.574	1.285	1.142	1.098	1.082	1.082	1.030	1.000	1.000	1.000	1.000

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>	<u>120</u>	<u>132</u>	<u>144</u>
1995	8,416	19,822	70,052	95,820	101,080	109,135	113,354	110,275	121,138	126,393	121,581	120,822
1996	24,904	81,665	121,175	146,860	165,120	176,023	196,216	188,259	222,556	190,114	189,462	
1997	98,447	180,255	224,651	258,210	331,318	387,042	365,672	369,201	367,599	367,555		
1998	83,825	122,561	175,837	180,391	186,013	202,144	204,552	205,215	215,216			
1999	76,993	137,016	174,406	218,172	209,376	213,175	223,346	235,831				
2000	59,427	123,138	217,180	278,853	364,981	371,168	365,189					
2001	186,696	476,179	655,027	854,365	1,050,836	1,090,801						
2002	268,081	660,734	1,004,141	1,288,644	1,527,436							
2003	508,432	1,209,052	1,879,676	2,340,295								
2004	511,861	988,879	1,353,028									
2005	327,331	802,513										
2006	381,906											

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>108-120</u>	<u>120-132</u>	<u>132-144</u>	<u>144-Ult.</u>
1995	0.175	3.534	1.368	1.055	1.080	1.039	0.973	1.099	1.043	0.962	0.994	
1996	3.279	1.484	1.212	1.124	1.066	1.115	0.959	1.182	0.854	0.997		
1997	1.831	1.246	1.149	1.283	1.168	0.945	1.010	0.996	1.000			
1998	1.462	1.435	1.026	1.031	1.087	1.012	1.003	1.049				
1999	1.780	1.273	1.251	0.960	1.018	1.048	1.056					
2000	2.072	1.764	1.284	1.309	1.017	0.984						
2001	2.551	1.376	1.304	1.230	1.038							
2002	2.465	1.520	1.283	1.185								
2003	2.378	1.555	1.245									
2004	1.932	1.368										
2005	2.452											
Mean	2.034	1.656	1.236	1.147	1.068	1.024	1.000	1.082	0.966	0.980	0.994	
3 Yr. Mean	2.254	1.481	1.277	1.241	1.024	1.015	1.023	1.076	0.966			
5 Yr. Mean	2.356	1.517	1.273	1.143	1.066	1.021	1.000					
Best 3 Industry	2.432	1.484	1.273	1.149	1.048	1.015	0.995					
	2.580	1.725	1.331	1.217	1.133	1.088	1.060	1.045	1.034	1.027	1.026	1.313
Selected	2.355	1.495	1.280	1.195	1.048	1.035	1.030	1.025	1.015	1.010	1.005	1.050
Cumulative	6.676	2.835	1.896	1.481	1.239	1.182	1.142	1.109	1.082	1.066	1.055	1.050

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION
INCURRED LOSS DEVELOPMENT HISTORY
MEDICAL PLUS INCIDENTS

Accident Year	Months of Development											
	12	24	36	48	60	72	84	96	108	120	132	144
1995	58,035	90,793	132,053	130,775	132,267	136,381	129,319	131,167	129,776	136,827	138,987	130,734
1996	64,042	101,428	100,578	97,601	97,911	109,451	152,492	122,698	118,637	115,737	113,937	
1997	219,269	255,683	273,226	297,651	287,637	276,294	265,360	266,825	267,065	268,704		
1998	199,124	180,526	211,518	188,259	195,888	167,585	167,759	169,477	187,702			
1999	208,578	238,192	230,430	240,901	244,796	272,337	268,213	283,840				
2000	249,171	261,192	263,184	318,539	321,006	306,961	292,043					
2001	331,190	529,845	604,910	698,387	702,315	791,430						
2002	758,637	1,060,091	1,223,621	1,388,403	1,719,865							
2003	1,179,726	1,503,034	1,619,774	1,893,797								
2004	1,287,321	1,535,865	1,954,223									
2005	971,885	1,365,212										
2006	957,571											

Accident Year	Development Factors											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult.
1995	1.564	1.454	0.990	1.011	1.031	0.948	1.014	0.989	1.054	1.016	0.941	
1996	1.584	0.992	0.970	1.003	1.118	1.393	0.805	0.967	0.976	0.984		
1997	1.166	1.069	1.089	0.966	0.961	0.960	1.006	1.001	1.006			
1998	0.907	1.172	0.890	1.041	0.856	1.001	1.010	1.108				
1999	1.142	0.967	1.045	1.016	1.113	0.985	1.058					
2000	1.048	1.008	1.210	1.008	0.956	0.951						
2001	1.600	1.142	1.155	1.006	1.127							
2002	1.397	1.154	1.135	1.239								
2003	1.274	1.078	1.169									
2004	1.193	1.272										
2005	1.405											
Mean	1.298	1.131	1.073	1.036	1.023	1.040	0.979	1.016	1.012	1.000	0.941	
3 Yr. Mean	1.291	1.168	1.153	1.084	1.065	0.979	1.025	1.025	1.012			
5 Yr. Mean	1.374	1.131	1.143	1.062	1.003	1.058	0.979					
Best 3 Industry	1.359	1.125	1.153	1.022	1.010	0.982	1.010					
	1.326	1.124	1.090	1.060	1.048	1.035	1.020	1.022	1.021	1.015	1.011	1.227
Selected Cumulative	1.350	1.165	1.153	1.035	1.030	1.000	1.010	1.010	1.005	1.005	1.005	1.020
	2.040	1.511	1.297	1.125	1.087	1.055	1.055	1.045	1.035	1.030	1.025	1.020

MERCANTILE SELF INSURANCE TRUST

WORKERS COMPENSATION
PAID LOSS DEVELOPMENT HISTORY
MEDICAL PLUS INCIDENTS

Accident Year	Months of Development											
	12	24	36	48	60	72	84	96	108	120	132	144
1995	25,724	41,862	108,533	122,061	124,719	125,972	128,701	130,629	129,588	135,934	138,923	130,424
1996	38,657	88,577	94,266	97,323	97,911	101,358	141,592	115,228	116,289	113,389	113,389	
1997	133,723	197,470	216,516	226,119	253,489	260,081	258,449	262,557	265,044	265,374		
1998	123,055	146,200	154,279	159,253	161,742	163,603	166,987	169,038	170,941			
1999	100,424	187,776	202,439	232,323	237,958	265,390	268,213	283,490				
2000	100,889	219,943	249,524	281,967	302,468	303,493	290,131					
2001	198,337	461,633	546,839	641,834	679,237	696,096						
2002	354,281	846,462	1,039,803	1,191,594	1,312,603							
2003	479,216	1,162,075	1,374,944	1,598,968								
2004	617,768	1,089,024	1,411,684									
2005	442,436	843,466										
2006	399,516											

Accident Year	Development Factors											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult.
1995	1.627	2.593	1.125	1.022	1.010	1.022	1.015	0.992	1.049	1.022	0.939	
1996	2.291	1.064	1.032	1.006	1.035	1.397	0.814	1.009	0.975	1.000		
1997	1.477	1.096	1.044	1.121	1.026	0.994	1.016	1.009	1.001			
1998	1.188	1.055	1.032	1.016	1.012	1.021	1.012	1.011				
1999	1.870	1.078	1.148	1.024	1.115	1.011	1.057					
2000	2.180	1.134	1.130	1.073	1.003	0.956						
2001	2.328	1.185	1.174	1.058	1.025							
2002	2.389	1.228	1.146	1.102								
2003	2.425	1.183	1.163									
2004	1.763	1.296										
2005	1.906											
Mean	1.949	1.291	1.110	1.053	1.032	1.067	0.983	1.005	1.008	1.011	0.939	
3 Yr. Mean	2.031	1.236	1.161	1.078	1.048	0.996	1.028	1.010	1.008			
5 Yr. Mean	2.162	1.205	1.152	1.055	1.036	1.076	0.983					
Best 3	2.208	1.199	1.152	1.052	1.021	1.009	1.014					
Industry	2.348	1.275	1.141	1.093	1.064	1.046	1.032	1.024	1.017	1.015	1.013	1.273
Selected	2.150	1.225	1.155	1.065	1.030	1.021	1.020	1.010	1.005	1.005	1.002	1.025
Cumulative	3.638	1.692	1.381	1.196	1.123	1.090	1.068	1.047	1.037	1.032	1.027	1.025

MERCANTILE SELF INSURANCE TRUST

PAYROLL
(\$00)

<u>Calendar Period</u> (1)	<u>Earned Payroll</u> (2)
1997	304,532
1998	285,167
1999	312,816
2000	258,347
2001	540,787
2002	1,305,841
2003	2,108,111
2004	2,358,614
2005	2,361,052
2006	2,151,581
TOTAL	11,986,848

RECEIVED
WORKERS' COMPENSATION
APR 30 2007
SELF INSURANCE OFFICE

(2) Payroll provided by New York Compensation Managers

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%
1	15.0%	15.0%	0.844	0.871
2	35.3%	20.3%	0.862	0.886
3	52.7%	17.4%	0.867	0.890
4	67.5%	14.8%	0.869	0.891
5	80.7%	13.2%	0.861	0.884
6	84.6%	3.9%	0.821	0.851
7	87.6%	3.0%	0.821	0.851
8	90.6%	3.0%	0.823	0.853
9	92.4%	1.7%	0.812	0.844
10	93.7%	1.4%	0.814	0.845
11	94.8%	1.1%	0.817	0.849
12	95.7%	0.9%	0.823	0.854
13	96.4%	0.7%	0.831	0.861
14	97.1%	0.6%	0.841	0.869
15	97.6%	0.5%	0.854	0.880
16	98.0%	0.4%	0.870	0.893
17	98.4%	0.4%	0.888	0.909
18	98.7%	0.3%	0.911	0.928
19	99.0%	0.3%	0.940	0.951
20	100.0%	1.0%	0.976	0.981

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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%
1	27.5%	27.5%	0.889	0.909
2	59.1%	31.6%	0.900	0.917
3	72.4%	13.3%	0.883	0.903
4	83.6%	11.2%	0.879	0.900
5	89.0%	5.4%	0.854	0.879
6	91.7%	2.7%	0.834	0.862
7	93.6%	1.9%	0.827	0.856
8	95.5%	1.9%	0.822	0.852
9	96.4%	0.9%	0.795	0.830
10	96.9%	0.5%	0.788	0.824
11	97.4%	0.5%	0.795	0.830
12	97.6%	0.2%	0.799	0.833
13	98.0%	0.4%	0.823	0.854
14	98.4%	0.3%	0.828	0.859
15	98.6%	0.3%	0.838	0.867
16	98.8%	0.2%	0.854	0.880
17	99.0%	0.2%	0.874	0.898
18	99.1%	0.1%	0.901	0.920
19	99.2%	0.1%	0.935	0.947
20	100.0%	0.8%	0.976	0.981

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RETENTION LEVELS

<u>Policy Period</u> (1)	<u>Per Occurrence Retention</u> (2)
10/1/94-95	\$300,000
10/1/95-96	\$300,000
10/1/96-97	\$300,000
10/1/97-98	\$300,000
10/1/98-99	\$300,000
10/1/00-01	\$300,000
10/1/01-02	\$350,000
10/1/02-12/31/03	\$400,000
12/31/03-04	\$400,000 *
12/31/04-3/1/06	\$400,000 *
3/1/06-12/31/06	\$400,000

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*Corridor deductible of \$1.2 million in layer \$600,000 excess \$400,000