

**MERCANTILE SELF INSURANCE TRUST**

**WORKERS COMPENSATION LOSS  
AND LOSS ADJUSTMENT EXPENSE RESERVES**

**AS OF DECEMBER 31, 2007**

**MARCH 19, 2008**

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March 19, 2008

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, 2007. Projected ultimate losses in total are slightly lower as compared with our previous projections as of June 30, 2007.

Due to recent legislation enacted in New York, the methodology for establishing a liability for future State assessments on pre-2008 losses is unclear at this time. Per our discussion, this report is being issued without an estimated liability for these assessments. I encourage you to discuss this matter more fully with your auditors for purposes of determining the need to establish a provision for these assessments on your balance sheet.

It has been a pleasure being of service to you 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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# MERCANTILE SELF INSURANCE TRUST

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## INTRODUCTION

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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, 2007 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 New York Marine and General Insurance Company. Individual losses are limited to \$400,000 per accident. A complete history of self insured retentions is presented on Exhibit 9. Administrative and claims handling services are provided by New York Compensation Managers, Inc.

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### CONDITIONS & LIMITATIONS

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#### *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.

## MERCANTILE SELF INSURANCE TRUST

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

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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, 2007. 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, 2007

Based on the analysis contained herein the following are our expected loss reserve indications as of December 31, 2007 for losses and loss adjustment expenses:

	INDICATED OUTSTANDING LOSSES & LAE AS OF DECEMBER 31, 2007 (\$000)								
	Undiscounted			Discounted at 4.0%			Discounted at 5.0%		
	Low	Point	High	Low	Point	High	Low	Point	High
Outstanding Losses & ALAE	\$10,968	\$11,980	\$12,992	\$9,824	\$10,727	\$11,629	\$9,580	\$10,460	\$11,339

(It should be noted that the above does not contain a liability for future assessments that may be made on self insurers related to indemnity payments made on claims outstanding as of December 31, 2007. New York Compensation Managers has requested that we issue this report in draft format without a liability for future assessments.)

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, 2007 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.

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

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### 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.

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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 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, 2007 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 did not include a provision for future assessments on self insurer indemnity payments. As a result of recent legislative changes, the methodology used for determining assessments will be revised. It is unclear at this time as to how the December 31, 2007 liability for future assessments should be calculated.

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**MERCANTILE SELF INSURANCE TRUST**
**WORKERS COMPENSATION  
INDICATED DISCOUNTED OUTSTANDING LOSSES  
AS OF DECEMBER 31, 2007  
SUMMARY**

Accident Year (1)	Discounted Outstanding Losses					
	4.0%			5.0%		
	Low (2)	Point (3)	High (4)	Low (5)	Point (6)	High (7)
<b>Indemnity Plus ALAE</b>						
1995	9,405	10,347	11,288	9,164	10,081	10,998
1996	4,789	6,650	8,511	4,653	6,462	8,271
1997	13,121	14,790	16,459	12,733	14,353	15,972
1998	9,596	17,800	26,004	9,299	17,250	25,200
1999	7,453	19,079	30,704	7,192	18,410	29,627
2000	81,985	84,206	86,426	79,444	81,596	83,747
2001	110,898	137,270	163,642	107,610	133,201	158,791
2002	386,354	428,388	470,421	374,432	415,169	455,905
2003	416,272	479,569	542,866	404,419	465,914	527,408
2004	987,763	997,108	1,006,452	964,741	973,868	982,994
2005	1,389,541	1,466,939	1,544,336	1,358,765	1,434,448	1,510,131
2006	1,625,597	1,774,519	1,923,440	1,587,835	1,733,297	1,878,758
2007	767,981	810,437	852,892	749,145	790,560	831,974
<b>TOTAL</b>	<b>5,810,755</b>	<b>6,247,102</b>	<b>6,683,441</b>	<b>5,669,432</b>	<b>6,094,609</b>	<b>6,519,776</b>
<b>Medical Plus Incidents</b>						
1995	4,125	5,085	6,044	4,019	4,954	5,889
1996	3,526	4,434	5,342	3,431	4,315	5,198
1997	10,604	12,175	13,745	10,289	11,814	13,338
1998	10,557	15,084	19,611	10,245	14,639	19,032
1999	13,901	16,828	19,754	13,470	16,306	19,141
2000	17,131	22,874	28,617	16,554	22,104	27,653
2001	89,921	108,823	127,725	87,357	105,721	124,084
2002	362,139	409,384	456,628	352,780	398,804	444,828
2003	329,904	388,685	447,466	321,397	378,663	435,928
2004	539,041	663,947	788,853	525,126	646,808	768,490
2005	826,687	912,055	997,422	805,419	888,590	971,761
2006	1,106,128	1,178,501	1,250,873	1,077,639	1,148,147	1,218,655
2007	699,579	741,659	783,738	683,291	724,391	765,491
<b>TOTAL</b>	<b>4,013,243</b>	<b>4,479,534</b>	<b>4,945,818</b>	<b>3,911,017</b>	<b>4,365,256</b>	<b>4,819,488</b>
<b>Total Indemnity, Medical, Incidents-All Years</b>						
	<b>9,823,998</b>	<b>10,726,636</b>	<b>11,629,259</b>	<b>9,580,449</b>	<b>10,459,865</b>	<b>11,339,264</b>

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Discounted reserves from Exhibit 1.2 by multiplying  
undiscounted reserves by discount factor.

**MERCANTILE SELF INSURANCE TRUST****WORKERS COMPENSATION  
INDICATED DISCOUNTED OUTSTANDING LOSSES  
AS OF DECEMBER 31, 2007**

Accident Year	Outstanding Losses			Discount Factor	
	Low	Point	High	4.0%	5.0%
(1)	(2)	(3)	(4)	(6)	(7)
<b>Indemnity Plus ALAE</b>					
1995	10,509	11,560	12,612	0.895	0.872
1996	5,405	7,505	9,606	0.886	0.861
1997	14,927	16,826	18,724	0.879	0.853
1998	10,992	20,390	29,788	0.873	0.846
1999	8,717	22,314	35,911	0.855	0.825
2000	94,128	96,677	99,227	0.871	0.844
2001	126,451	156,522	186,593	0.877	0.851
2002	441,547	489,586	537,624	0.875	0.848
2003	474,114	546,206	618,298	0.878	0.853
2004	1,096,297	1,106,668	1,117,039	0.901	0.880
2005	1,538,806	1,624,517	1,710,228	0.903	0.883
2006	1,798,227	1,962,963	2,127,699	0.904	0.883
2007	856,166	903,496	950,827	0.897	0.875
TOTAL	6,476,286	6,965,230	7,454,176		
<b>Medical Plus Incidents</b>					
Accident Year	Outstanding Losses			Discount Factor	
Low	Point	High	4.0%	5.0%	
(1)	(2)	(3)	(4)	(6)	(7)
1995	4,593	5,662	6,730	0.898	0.875
1996	3,966	4,988	6,009	0.889	0.865
1997	12,091	13,882	15,673	0.877	0.851
1998	11,996	17,141	22,285	0.880	0.854
1999	15,960	19,320	22,679	0.871	0.844
2000	19,897	26,567	33,237	0.861	0.832
2001	102,532	124,085	145,638	0.877	0.852
2002	406,898	459,982	513,066	0.890	0.867
2003	369,847	435,745	501,643	0.892	0.869
2004	604,984	745,170	885,357	0.891	0.868
2005	924,706	1,020,195	1,115,684	0.894	0.871
2006	1,238,665	1,319,709	1,400,753	0.893	0.870
2007	775,586	822,238	868,889	0.902	0.881
TOTAL	4,491,721	5,014,684	5,537,644		
<b>Total Indemnity, Medical, Incidents-All Years</b>					
	10,968,007	11,979,914	12,991,820		

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(2),(3) Exhibit 1.3

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

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### WORKERS COMPENSATION INDICATED OUTSTANDING LOSSES AS OF DECEMBER 31, 2007

Accident Year (1)	Indicated Ultimate Losses		Paid Losses (4)	Indicated Outstanding Losses	
	Low (2)	High (3)		Low (5)=(2)-(4)	High (6)=(3)-(4)
<b>Indemnity Plus ALAE</b>					
1995	141,404	143,507	130,895	10,509	12,612
1996	193,755	197,956	188,350	5,405	9,606
1997	382,076	385,873	367,149	14,927	18,724
1998	226,513	245,309	215,522	10,992	29,788
1999	246,158	273,352	237,441	8,717	35,911
2000	469,487	474,586	375,359	94,128	99,227
2001	1,286,560	1,346,702	1,160,109	126,451	186,593
2002	2,172,333	2,268,410	1,730,786	441,547	537,624
2003	3,086,198	3,230,382	2,612,084	474,114	618,298
2004	2,765,679	2,786,421	1,669,382	1,096,297	1,117,039
2005	2,915,629	3,087,051	1,376,823	1,538,806	1,710,228
2006	2,717,697	3,047,169	919,470	1,798,227	2,127,699
2007	1,020,415	1,115,076	164,249	856,166	950,827
<b>TOTAL</b>	<b>17,623,904</b>	<b>18,601,794</b>	<b>11,147,618</b>	<b>6,476,286</b>	<b>7,454,176</b>
<b>Medical Plus Incidents</b>					
Accident Year (1)	Indicated Ultimate Losses		Paid Losses (4)	Indicated Outstanding Losses	
	Low (2)	High (3)		Low (5)=(2)-(4)	High (6)=(3)-(4)
1995	144,811	146,948	140,218	4,593	6,730
1996	117,355	119,398	113,389	3,966	6,009
1997	282,311	285,893	270,220	12,091	15,673
1998	185,861	196,150	173,865	11,996	22,285
1999	299,451	306,170	283,491	15,960	22,679
2000	310,875	324,215	290,978	19,897	33,237
2001	835,069	878,175	732,537	102,532	145,638
2002	1,941,312	2,047,480	1,534,414	406,898	513,066
2003	2,148,985	2,280,781	1,779,138	369,847	501,643
2004	2,296,268	2,576,641	1,691,284	604,984	885,357
2005	2,019,135	2,210,113	1,094,429	924,706	1,115,684
2006	2,080,437	2,242,525	841,772	1,238,665	1,400,753
2007	992,354	1,085,657	216,768	775,586	868,889
<b>TOTAL</b>	<b>13,654,223</b>	<b>14,700,146</b>	<b>9,162,502</b>	<b>4,491,721</b>	<b>5,537,644</b>
<b>Total Indemnity, Medical, Incidents-All Years</b>					
	<b>31,278,127</b>	<b>33,301,940</b>	<b>20,310,120</b>	<b>10,968,007</b>	<b>12,991,820</b>

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(2),(3) Exhibit 2

(4) Exhibit 5

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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)
<b>Indemnity Plus ALAE</b>						
1995	141,404	137,571	143,507	142,842	141,404	143,507
1996	193,755	197,956	197,772	207,499	193,755	197,956
1997	382,076	385,873	385,120	392,961	382,076	385,873
1998	245,309	226,513	252,843	245,765	226,513	245,309
1999	246,158	249,550	255,989	273,352	246,158	273,352
2000	469,487	404,262	474,586	418,623	469,487	474,586
2001	1,346,702	1,286,560	1,296,114	1,217,556	1,286,560	1,346,702
2002	2,268,410	1,983,480	2,172,333	1,888,855	2,172,333	2,268,410
2003	3,230,382	3,158,009	3,168,533	3,086,198	3,086,198	3,230,382
2004	2,577,272	2,372,192	2,765,679	2,786,421	2,765,679	2,786,421
2005	2,585,630	2,454,876	2,915,629	3,087,051	2,915,629	3,087,051
2006	2,355,566	2,541,415	2,717,697	3,047,169	2,717,697	3,047,169
2007	1,273,574	1,094,063	1,115,076	1,020,415	1,020,415	1,115,076
<b>TOTAL</b>	<b>17,315,725</b>	<b>16,492,320</b>	<b>17,860,878</b>	<b>17,814,706</b>	<b>17,623,904</b>	<b>18,601,794</b>
<b>Medical Plus Incidents</b>						
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	144,811	146,948	143,787	145,025	144,811	146,948
1996	117,355	119,398	118,794	121,763	117,355	119,398
1997	282,311	285,893	280,440	282,637	282,311	285,893
1998	196,150	185,861	198,807	190,651	185,861	196,150
1999	299,451	306,170	298,809	304,794	299,451	306,170
2000	324,215	317,457	318,335	310,875	310,875	324,215
2001	878,175	823,371	835,069	780,723	835,069	878,175
2002	2,047,480	1,810,609	1,941,312	1,681,745	1,941,312	2,047,480
2003	2,280,781	2,236,376	2,214,935	2,148,985	2,148,985	2,280,781
2004	2,576,641	2,317,059	2,518,742	2,296,268	2,296,268	2,576,641
2005	2,104,158	1,746,708	2,210,113	2,019,135	2,019,135	2,210,113
2006	2,116,394	1,699,537	2,242,525	2,080,437	2,080,437	2,242,525
2007	1,176,684	940,990	1,085,657	992,354	992,354	1,085,657
<b>TOTAL</b>	<b>14,544,606</b>	<b>12,936,377</b>	<b>14,407,325</b>	<b>13,355,391</b>	<b>13,654,223</b>	<b>14,700,146</b>

(2),(3) Exhibit 5

(4) Exhibits 3.1 and 3.3

(5) Exhibits 3.2 and 3.4

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## MERCANTILE SELF INSURANCE TRUST

### 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	98.0%	138,631	238,948
1996	390,792	98.0%	189,956	382,976
1997	526,785	98.0%	374,584	516,249
1998	617,198	98.0%	240,499	604,854
1999	732,884	98.0%	241,331	718,226
2000	609,356	96.2%	451,430	586,200
2001	586,196	93.4%	1,257,425	547,507
2002	1,244,635	90.7%	2,056,582	1,128,884
2003	2,740,544	87.6%	2,828,706	2,400,717
2004	3,773,782	84.2%	2,169,421	3,177,524
2005	3,895,736	74.8%	1,933,904	2,914,011
2006	3,334,951	63.1%	1,487,100	2,104,354
2007	1,007,254	40.3%	513,745	405,923
TOTAL	19,703,937		13,883,314	15,726,373

  

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%	4,876	143,507
1996	2.0%	7,816	197,772
1997	2.0%	10,536	385,120
1998	2.0%	12,344	252,843
1999	2.0%	14,658	255,989
2000	3.8%	23,156	474,586
2001	6.6%	38,689	1,296,114
2002	9.3%	115,751	2,172,333
2003	12.4%	339,827	3,168,533
2004	15.8%	596,258	2,765,679
2005	25.2%	981,725	2,915,629
2006	36.9%	1,230,597	2,717,697
2007	59.7%	601,331	1,115,076
TOTAL		3,977,564	17,860,878

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(2) Exhibit 4.2. Periods prior to 2007 from 12/31/06 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

Accident Year (1)	Initial Expected Losses (2)	Expected Percent Paid (3)	Paid Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	243,824	95.1%	130,895	231,877
1996	390,792	95.1%	188,350	371,643
1997	526,785	95.1%	367,149	500,973
1998	617,198	95.1%	215,522	586,955
1999	732,884	95.1%	237,441	696,973
2000	609,356	92.9%	375,359	566,092
2001	586,196	90.2%	1,160,109	528,749
2002	1,244,635	87.3%	1,730,786	1,086,566
2003	2,740,544	82.7%	2,612,084	2,266,430
2004	3,773,782	70.4%	1,669,382	2,656,743
2005	3,895,736	56.1%	1,376,823	2,185,508
2006	3,334,951	36.2%	919,470	1,207,252
2007	1,007,254	15.0%	164,249	151,088
TOTAL	19,703,937		11,147,618	13,036,849

  

Accident Year (1)	Expected Percent Unpaid (6)=1.0-(3)	Expected Unpaid Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	4.9%	11,947	142,842
1996	4.9%	19,149	207,499
1997	4.9%	25,812	392,961
1998	4.9%	30,243	245,765
1999	4.9%	35,911	273,352
2000	7.1%	43,264	418,623
2001	9.8%	57,447	1,217,556
2002	12.7%	158,069	1,888,855
2003	17.3%	474,114	3,086,198
2004	29.6%	1,117,039	2,786,421
2005	43.9%	1,710,228	3,087,051
2006	63.8%	2,127,699	3,047,169
2007	85.0%	856,166	1,020,415
TOTAL		6,667,088	17,814,706

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(2) Exhibit 4.2. Periods prior to 2007 from 12/31/06 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

Accident Year (1)	Initial Expected Losses (2)	Expected Percent Reported (3)	Reported Losses	
			Actual (4)	Expected (5)=(2)x(3)
1995	104,497	97.6%	141,279	101,989
1996	167,483	97.1%	113,937	162,626
1997	225,765	96.6%	272,764	218,089
1998	258,244	95.7%	187,703	247,140
1999	287,875	94.8%	283,840	272,906
2000	239,725	92.9%	301,315	222,705
2001	438,059	90.3%	792,577	395,567
2002	962,945	90.3%	1,847,906	869,539
2003	1,812,975	86.0%	1,961,119	1,559,159
2004	2,240,683	83.1%	2,140,067	1,862,008
2005	2,479,105	72.0%	1,515,964	1,784,956
2006	2,452,802	62.4%	1,320,271	1,530,548
2007	1,007,254	46.2%	543,754	465,351
TOTAL	12,677,412		11,422,496	9,692,583

  

Accident Year (1)	Expected Percent Unreported (6)=1.0-(3)	Expected Unreported Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	2.4%	2,508	143,787
1996	2.9%	4,857	118,794
1997	3.4%	7,676	280,440
1998	4.3%	11,104	198,807
1999	5.2%	14,969	298,809
2000	7.1%	17,020	318,335
2001	9.7%	42,492	835,069
2002	9.7%	93,406	1,941,312
2003	14.0%	253,816	2,214,935
2004	16.9%	378,675	2,518,742
2005	28.0%	694,149	2,210,113
2006	37.6%	922,254	2,242,525
2007	53.8%	541,903	1,085,657
TOTAL		2,984,829	14,407,325

(2) Exhibit 4.2. Periods prior to 2007 from 12/31/06 analysis.

(3) Reciprocal of development factor from Exhibit 6.3

(4) Exhibit 5

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## MERCANTILE SELF INSURANCE TRUST

### WORKERS COMPENSATION INDICATED ULTIMATE LOSSES BORNHUETTER-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	95.4%	140,218	99,690
1996	167,483	95.0%	113,389	159,109
1997	225,765	94.5%	270,220	213,348
1998	258,244	93.5%	173,865	241,458
1999	287,875	92.6%	283,491	266,572
2000	239,725	91.7%	290,978	219,828
2001	438,059	89.0%	732,537	389,873
2002	962,945	84.7%	1,534,414	815,614
2003	1,812,975	79.6%	1,779,138	1,443,128
2004	2,240,683	73.0%	1,691,284	1,635,699
2005	2,479,105	62.7%	1,094,429	1,554,399
2006	2,452,802	49.5%	841,772	1,214,137
2007	1,007,254	23.0%	216,768	231,668
TOTAL	12,677,412		9,162,502	8,484,523

  

Accident Year (1)	Expected Percent Unpaid (6)=1.0-(3)	Expected Unpaid Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1995	4.6%	4,807	145,025
1996	5.0%	8,374	121,763
1997	5.5%	12,417	282,637
1998	6.5%	16,786	190,651
1999	7.4%	21,303	304,794
2000	8.3%	19,897	310,875
2001	11.0%	48,186	780,723
2002	15.3%	147,331	1,681,745
2003	20.4%	369,847	2,148,985
2004	27.0%	604,984	2,296,268
2005	37.3%	924,706	2,019,135
2006	50.5%	1,238,665	2,080,437
2007	77.0%	775,586	992,354
TOTAL		4,192,889	13,355,391

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(2) Exhibit 4.2. Periods prior to 2007 from 12/31/06 analysis.

(3) Reciprocal of development factor from Exhibit 6.4

(4) Exhibit 5

MERCANTILE SELF INSURANCE TRUST

Exhibit 4.1

2007 INITIAL EXPECTED LOSSES-INDEMNITY

Accident Year (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Net Trend To 7/1/07 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
2000	469,487	404,262	469,487	258,347	1.82	1.183	0.871	1.88
2001	1,346,702	1,286,560	1,316,631	540,787	2.43	1.155	0.871	2.44
2002	2,268,410	1,983,480	2,125,945	1,305,841	1.63	1.128	0.871	1.60
2003	3,230,382	3,158,009	3,194,196	2,108,111	1.52	1.101	0.871	1.46
2004	2,577,272	2,372,192	2,474,732	2,358,614	1.05	1.075	0.871	0.98
2005	2,585,630	2,454,876	2,520,253	2,361,052	1.07	1.049	0.871	0.98
2006	2,355,566	2,541,415	2,448,491	2,151,581	1.14	1.024	0.871	1.02
TOTAL	14,833,449	14,200,794	14,549,735	11,084,333				1.24
Mean								1.48
Latest 3								0.99
Latest 5								1.21
Best 3								1.15
Selected								1.10
2007 Payroll								915,686
2007 Initial Expected Losses								1,007,254

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(2),(3) Exhibit 5  
 (5) Exhibit 7  
 (7),(8) Per latest Industry data

MERCANTILE SELF INSURANCE TRUST

Exhibit 4.2

2007 INITIAL EXPECTED LOSSES-MEDICAL

Accident Year (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Net Trend To 7/1/07 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
2000	324,215	317,457	320,836	258,347	1.24	1.289	0.992	1.59
2001	878,175	823,371	850,773	540,787	1.57	1.243	0.992	1.94
2002	2,047,480	1,810,609	2,047,480	1,305,841	1.57	1.199	0.992	1.87
2003	2,280,781	2,236,376	2,258,579	2,108,111	1.07	1.156	0.992	1.23
2004	2,576,641	2,317,059	2,446,850	2,358,614	1.04	1.115	0.992	1.15
2005	2,104,158	1,746,708	1,925,433	2,361,052	0.82	1.075	0.992	0.87
2006	2,116,394	1,699,537	1,907,966	2,151,581	0.89	1.037	0.992	0.92
TOTAL	12,327,844	10,951,117	11,757,917	11,084,333				1.19
Mean								1.37
Latest 3								0.98
Latest 5								1.21
Best 3								1.10
Selected								1.10
2007 Payroll								915,686
2007 Initial Expected Losses								1,007,254

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(2),(3) Exhibit 5  
 (5) Exhibit 7  
 (7),(8) Per latest Industry data

## MERCANTILE SELF INSURANCE TRUST

### WORKERS COMPENSATION PROJECTED ULTIMATE LOSSES LOSS DEVELOPMENT METHODS

Accident Year (1)	Incurred Losses (2)	LDF (3)	Projected Ultimate Losses (4)=(2)x(3)	Paid Losses (5)	LDF (6)	Projected Ultimate Losses (7)=(5)x(6)
<b>Indemnity Plus ALAE</b>						
1995	138,631	1.020	141,404	130,895	1.051	137,571
1996	189,956	1.020	193,755	188,350	1.051	197,956
1997	374,584	1.020	382,076	367,149	1.051	385,873
1998	240,499	1.020	245,309	215,522	1.051	226,513
1999	241,331	1.020	246,158	237,441	1.051	249,550
2000	451,430	1.040	469,487	375,359	1.077	404,262
2001	1,257,425	1.071	1,346,702	1,160,109	1.109	1,286,560
2002	2,056,582	1.103	2,268,410	1,730,786	1.146	1,983,480
2003	2,828,706	1.142	3,230,382	2,612,084	1.209	3,158,009
2004	2,169,421	1.188	2,577,272	1,669,382	1.421	2,372,192
2005	1,933,904	1.337	2,585,630	1,376,823	1.783	2,454,876
2006	1,487,100	1.584	2,355,566	919,470	2.764	2,541,415
2007	513,745	2.479	1,273,574	164,249	6.661	1,094,063
TOTAL	13,883,314		17,315,725	11,147,618		16,492,320
<b>Medical Plus Incidents</b>						
1995	141,279	1.025	144,811	140,218	1.048	146,948
1996	113,937	1.030	117,355	113,389	1.053	119,398
1997	272,764	1.035	282,311	270,220	1.058	285,893
1998	187,703	1.045	196,150	173,865	1.069	185,861
1999	283,840	1.055	299,451	283,491	1.080	306,170
2000	301,315	1.076	324,215	290,978	1.091	317,457
2001	792,577	1.108	878,175	732,537	1.124	823,371
2002	1,847,906	1.108	2,047,480	1,534,414	1.180	1,810,609
2003	1,961,119	1.163	2,280,781	1,779,138	1.257	2,236,376
2004	2,140,067	1.204	2,576,641	1,691,284	1.370	2,317,059
2005	1,515,964	1.388	2,104,158	1,094,429	1.596	1,746,708
2006	1,320,271	1.603	2,116,394	841,772	2.019	1,699,537
2007	543,754	2.164	1,176,684	216,768	4.341	940,990
TOTAL	11,422,496		14,544,606	9,162,502		12,936,377

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(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												
	12	24	36	48	60	72	84	96	108	120	132	144	156
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	138,631
1996	47,942	238,518	247,710	246,105	211,344	210,384	219,362	263,244	243,493	203,474	196,452	189,956	
1997	299,741	317,546	372,388	377,672	401,071	404,556	372,710	385,982	382,018	372,223	374,584		
1998	245,827	289,658	301,371	233,242	232,789	204,012	210,082	211,068	240,467	240,499			
1999	215,219	331,130	277,137	273,441	257,280	260,389	223,346	240,732	241,331				
2000	274,550	298,182	256,136	398,354	400,782	410,715	395,473	451,430					
2001	463,374	722,055	1,002,405	1,121,227	1,335,263	1,221,839	1,257,425						
2002	764,634	1,502,354	1,748,071	2,034,264	1,889,049	2,056,582							
2003	1,482,297	2,511,265	3,404,013	2,746,997	2,828,706								
2004	1,363,303	2,184,735	1,970,879	2,169,421									
2005	1,174,765	1,712,039	1,933,904										
2006	1,191,203	1,487,100											
2007	513,745												

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	144-156	156-ult.
1995	1.482	0.964	0.947	0.904	1.003	0.935	0.969	1.059	1.220	0.935	0.882	1.099	
1996	4.975	1.039	0.994	0.859	0.995	1.043	1.200	0.925	0.836	0.965	0.967		
1997	1.059	1.173	1.014	1.062	1.009	0.921	1.036	0.990	0.974	1.006			
1998	1.178	1.040	0.774	0.998	0.876	1.030	1.005	1.139	1.000				
1999	1.539	0.837	0.987	0.941	1.012	0.858	1.078	1.002					
2000	1.086	0.859	1.555	1.006	1.025	0.963	1.141						
2001	1.558	1.388	1.119	1.191	0.915	1.029							
2002	1.965	1.164	1.164	0.929	1.089								
2003	1.694	1.355	0.807	1.030									
2004	1.603	0.902	1.101										
2005	1.457	1.130											
2006	1.248												
Mean	1.737	1.077	1.046	0.991	0.991	0.968	1.072	1.023	1.008	0.969	0.925	1.099	
3 Yr. Mean	1.436	1.129	1.024	1.050	1.010	0.950	1.075	1.044	0.937	0.969			
5 Yr. Mean	1.593	1.188	1.149	1.019	0.983	0.960	1.092	1.023					
Best 3	1.585	1.216	1.128	0.992	0.984	0.971	1.085	1.017					
Industry	1.720	1.319	1.145	1.075	1.061	1.032	1.020	1.013	1.016	1.011	1.016	1.014	1.139
Selected	1.565	1.185	1.125	1.040	1.035	1.030	1.030	1.020	1.000	1.000	1.000	1.000	1.020
Cumulative	2.479	1.584	1.337	1.188	1.142	1.103	1.071	1.040	1.020	1.020	1.020	1.020	1.020

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WORKERS COMPENSATION  
PAID LOSS DEVELOPMENT HISTORY  
INDEMNITY PLUS ALAE

Accident Year	Months of Development												
	12	24	36	48	60	72	84	96	108	120	132	144	156
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	130,895
1996	24,904	81,665	121,175	146,860	165,120	176,023	196,216	188,259	222,556	190,114	189,462	188,350	
1997	98,447	180,255	224,651	258,210	331,318	387,042	365,672	369,201	367,599	367,555	367,149		
1998	83,825	122,561	175,837	180,391	186,013	202,144	204,552	205,215	215,216	215,522			
1999	76,993	137,016	174,406	218,172	209,376	213,175	223,346	235,831	237,441				
2000	59,427	123,138	217,180	278,853	364,981	371,168	365,189	375,359					
2001	186,696	476,179	655,027	854,365	1,050,836	1,090,801	1,160,109						
2002	268,081	660,734	1,004,141	1,288,644	1,527,436	1,730,786							
2003	508,432	1,209,052	1,879,676	2,340,295	2,612,084								
2004	511,861	988,879	1,353,028	1,669,382									
2005	327,331	802,513	1,376,823										
2006	381,906	919,470											
2007	164,249												

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	144-156	156-ult.
1995	0.175	3.534	1.368	1.055	1.080	1.039	0.973	1.099	1.043	0.962	0.994	1.083	
1996	3.279	1.484	1.212	1.124	1.066	1.115	0.959	1.182	0.854	0.997	0.994		
1997	1.831	1.246	1.149	1.283	1.168	0.945	1.010	0.996	1.000	0.999			
1998	1.462	1.435	1.026	1.031	1.087	1.012	1.003	1.049	1.001				
1999	1.780	1.273	1.251	0.960	1.018	1.048	1.056	1.007					
2000	2.072	1.764	1.284	1.309	1.017	0.984	1.028						
2001	2.551	1.376	1.304	1.230	1.038	1.064							
2002	2.465	1.520	1.283	1.185	1.133								
2003	2.378	1.555	1.245	1.116									
2004	1.932	1.368	1.234										
2005	2.452	1.716											
2006	2.408												
Mean	2.065	1.661	1.236	1.144	1.076	1.030	1.005	1.067	0.975	0.986	0.994	1.083	
3 Yr. Mean	2.264	1.546	1.254	1.177	1.063	1.032	1.029	1.017	0.952	0.986			
5 Yr. Mean	2.327	1.507	1.270	1.160	1.059	1.011	1.011	1.067					
Best 3	2.413	1.484	1.271	1.177	1.048	1.015	1.014	1.052					
Industry	2.676	1.719	1.325	1.208	1.134	1.083	1.062	1.040	1.033	1.026	1.024	1.021	1.330
Selected	2.410	1.550	1.255	1.175	1.055	1.033	1.030	1.025	1.000	1.000	1.000	1.000	1.051
Cumulative	6.661	2.764	1.783	1.421	1.209	1.146	1.109	1.077	1.051	1.051	1.051	1.051	1.051

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**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	156
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	141,279
1996	64,042	101,428	100,578	97,601	97,911	109,451	152,492	122,698	118,637	115,737	113,937	113,937	
1997	219,269	255,683	273,226	297,651	287,637	276,294	265,360	266,825	267,065	268,704	272,764		
1998	199,124	180,526	211,518	188,259	195,888	167,585	167,759	169,477	187,702	187,703			
1999	208,578	238,192	230,430	240,901	244,796	272,337	268,213	283,840	283,840				
2000	249,171	261,192	263,184	318,539	321,006	306,961	292,043	301,315					
2001	331,190	529,845	604,910	698,387	702,315	791,430	792,577						
2002	758,637	1,060,091	1,223,621	1,388,403	1,719,865	1,847,906							
2003	1,179,726	1,503,034	1,619,774	1,893,797	1,961,119								
2004	1,287,321	1,535,865	1,954,223	2,140,067									
2005	971,885	1,365,212	1,515,964										
2006	957,571	1,320,271											
2007	543,754												

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	144-156	156-ult.
1995	1.564	1.454	0.990	1.011	1.031	0.948	1.014	0.989	1.054	1.016	0.941	1.081	
1996	1.584	0.992	0.970	1.003	1.118	1.393	0.805	0.967	0.976	0.984	1.000		
1997	1.166	1.069	1.089	0.966	0.961	0.960	1.006	1.001	1.006	1.015			
1998	0.907	1.172	0.890	1.041	0.856	1.001	1.010	1.108	1.000				
1999	1.142	0.967	1.045	1.016	1.113	0.985	1.058	1.000					
2000	1.048	1.008	1.210	1.008	0.956	0.951	1.032						
2001	1.600	1.142	1.155	1.006	1.127	1.001							
2002	1.397	1.154	1.135	1.239	1.074								
2003	1.274	1.078	1.169	1.036									
2004	1.193	1.272	1.095										
2005	1.405	1.110											
2006	1.379												
Mean	1.305	1.129	1.075	1.036	1.030	1.034	0.988	1.013	1.009	1.005	0.971	1.081	
3 Yr. Mean	1.326	1.153	1.133	1.094	1.052	0.979	1.033	1.036	0.994	1.005			
5 Yr. Mean	1.330	1.151	1.153	1.061	1.025	0.980	0.982	1.013					
Best 3	1.350	1.135	1.153	1.020	1.048	0.982	1.016	0.997					
Industry	1.322	1.123	1.075	1.054	1.044	1.043	1.027	1.026	1.024	1.016	1.016	1.015	1.234
Selected	1.350	1.155	1.153	1.035	1.050	1.000	1.030	1.020	1.010	1.010	1.005	1.005	1.025
Cumulative	2.164	1.603	1.388	1.204	1.163	1.108	1.108	1.076	1.055	1.045	1.035	1.030	1.025

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**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	156
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	140,218
1996	38,657	88,577	94,266	97,323	97,911	101,358	141,592	115,228	116,289	113,389	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	270,220		
1998	123,055	146,200	154,279	159,253	161,742	163,603	166,987	169,038	170,941	173,865			
1999	100,424	187,776	202,439	232,323	237,958	265,390	268,213	283,490	283,491				
2000	100,889	219,943	249,524	281,967	302,468	303,493	290,131	290,978					
2001	198,337	461,633	546,839	641,834	679,237	696,096	732,537						
2002	354,281	846,462	1,039,803	1,191,594	1,312,603	1,534,414							
2003	479,216	1,162,075	1,374,944	1,598,968	1,779,138								
2004	617,768	1,089,024	1,411,684	1,691,284									
2005	442,436	843,466	1,094,429										
2006	399,516	841,772											
2007	216,768												

Accident Year	Development Factors												156-ult
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	
1995	1.627	2.593	1.125	1.022	1.010	1.022	1.015	0.992	1.049	1.022	0.939	1.075	
1996	2.291	1.064	1.032	1.006	1.035	1.397	0.814	1.009	0.975	1.000	1.000		
1997	1.477	1.096	1.044	1.121	1.026	0.994	1.016	1.009	1.001	1.018			
1998	1.188	1.055	1.032	1.016	1.012	1.021	1.012	1.011	1.017				
1999	1.870	1.078	1.148	1.024	1.115	1.011	1.057	1.000					
2000	2.180	1.134	1.130	1.073	1.003	0.956	1.003						
2001	2.328	1.185	1.174	1.058	1.025	1.052							
2002	2.389	1.228	1.146	1.102	1.169								
2003	2.425	1.183	1.163	1.113									
2004	1.763	1.296	1.198										
2005	1.906	1.298											
2006	2.107												
Mean	1.963	1.292	1.119	1.059	1.049	1.065	0.986	1.004	1.011	1.013	0.970	1.075	
3 Yr. Mean	1.925	1.259	1.169	1.091	1.066	1.006	1.024	1.007	0.998	1.013			
5 Yr. Mean	2.118	1.238	1.162	1.074	1.065	1.007	0.980	1.004					
Best 3	2.134	1.236	1.161	1.078	1.051	1.009	1.010	1.006					
Industry	2.354	1.274	1.141	1.092	1.066	1.047	1.037	1.025	1.019	1.016	1.014	1.012	1.281
Selected	2.150	1.265	1.165	1.090	1.065	1.050	1.030	1.010	1.010	1.010	1.005	1.005	1.048
Cumulative	4.341	2.019	1.596	1.370	1.257	1.180	1.124	1.091	1.080	1.069	1.058	1.053	1.048

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**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
2007	915,686
TOTAL	12,902,534

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(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%	0.854	0.880
2	36.2%	21.2%	0.875	0.897
3	56.1%	19.9%	0.883	0.904
4	70.4%	14.3%	0.883	0.903
5	82.7%	12.3%	0.880	0.901
6	87.3%	4.6%	0.853	0.878
7	90.2%	2.9%	0.848	0.875
8	92.9%	2.7%	0.851	0.877
9	95.1%	2.2%	0.844	0.871
10	95.7%	0.6%	0.825	0.855
11	96.5%	0.9%	0.846	0.873
12	97.3%	0.7%	0.853	0.879
13	97.8%	0.6%	0.861	0.886
14	98.3%	0.5%	0.872	0.895
15	98.7%	0.4%	0.885	0.906
16	99.1%	0.3%	0.899	0.918
17	99.4%	0.3%	0.915	0.931
18	99.6%	0.2%	0.933	0.946
19	99.8%	0.2%	0.953	0.962
20	100.0%	0.2%	0.976	0.981

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Payout pattern derived from inverse power curve fit  
of 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%
1	23.0%	23.0%	0.871	0.894
2	49.5%	26.5%	0.881	0.902
3	62.7%	13.2%	0.870	0.893
4	73.0%	10.3%	0.871	0.894
5	79.6%	6.6%	0.868	0.891
6	84.7%	5.1%	0.869	0.892
7	89.0%	4.3%	0.867	0.890
8	91.7%	2.7%	0.852	0.877
9	92.6%	0.9%	0.832	0.861
10	93.5%	0.9%	0.844	0.871
11	94.5%	1.0%	0.854	0.880
12	95.0%	0.5%	0.851	0.877
13	95.4%	0.5%	0.865	0.889
14	95.8%	0.4%	0.875	0.898
15	96.2%	0.3%	0.887	0.908
16	96.4%	0.3%	0.901	0.919
17	96.7%	0.2%	0.917	0.932
18	96.9%	0.2%	0.935	0.947
19	97.0%	0.2%	0.954	0.963
20	100.0%	0.1%	0.976	0.981

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WORKERS' COMPENSATION  
APR 30 2008  
SELF INSURANCE OFFICE

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

# MERCANTILE SELF INSURANCE TRUST

## 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
1/1/07-12/31/07	\$400,000

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