

**MERCANTILE SELF INSURANCE TRUST**

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

**AS OF DECEMBER 31, 2008**

**FEBRUARY 13, 2009**



February 13, 2009

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, 2008.

As with our prior analysis, we have not provided an estimated liability for future State assessments to the Trust. As you are aware, there is a great deal of uncertainty on future assessments to trusts as a result of several failures in the state and continued changes to the methodology of assessing trusts. We discussed future assessments with the New York Workers Compensation Board. They concurred that the current volatility of the market makes future assessments difficult to predict. 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,

Robert W. Van Epps, FCAS, MAAA  
Principal

# MERCANTILE SELF INSURANCE TRUST

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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, 2008 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.

The Trust terminated operations effective February 29, 2008. It is currently shut down and running off existing liabilities.

# MERCANTILE SELF INSURANCE TRUST

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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.

Within this report a range of loss estimates is presented and characterized as “Low” and “High”. This range is intended to present what we believe to be a reasonable range of expected loss estimates. It should not be constructed as an absolute lower and upper bound as to possible loss outcomes. Such a range would be considerably larger than the range presented in this report.

### ***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.

## **MERCANTILE SELF INSURANCE TRUST**

### ***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.

# MERCANTILE SELF INSURANCE TRUST

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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, 2008. 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.

# MERCANTILE SELF INSURANCE TRUST

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## SUMMARY & CONCLUSIONS

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### A. Loss and LAE Reserves as Of December 31, 2008

Based on the analysis contained herein the following are our expected loss reserve indications as of December 31, 2008 for losses and loss adjustment expenses:

INDICATED OUTSTANDING LOSSES & LAE AS OF DECEMBER 31, 2008 (\$000)								
Undiscounted			Discounted at 2.0%			Discounted at 3.0%		
<u>Low</u>	<u>Point</u>	<u>High</u>	<u>Low</u>	<u>Point</u>	<u>High</u>	<u>Low</u>	<u>Point</u>	<u>High</u>
\$8,741	\$9,929	\$11,116	\$8,229	\$9,345	\$10,460	\$7,997	\$9,081	\$10,165

It should be noted that the above does not contain a liability for future assessments from the State of New York that may be made on self insured trusts. These assessments could be significant. The current volatility of the market due to recent failures of several trusts, along with consistent changes to the methodology and rates for establishing assessments, make it impossible to estimate future assessments. 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.

## MERCANTILE SELF INSURANCE TRUST

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, 2008 under the terms and conditions of its policy provisions.

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 2.0% and 3.0% per annum has been used to discount the liabilities. The interest rates have been selected by New York Compensation Managers.

Any actuarial estimate of liability is subject to inherent variability. While expected losses represent the best estimate of losses to be incurred, actual losses in any given year can be expected to differ from expected losses. Establishing reserves at expected loss levels will entail a degree of risk (47%) that reserve levels will be exceeded. If the Trust wishes to fund at a level with a higher degree of statistical confidence, i.e. with a lower probability of liabilities being inadequate, it may wish to set reserves at a higher loss level than that indicated by expected losses.

# MERCANTILE SELF INSURANCE TRUST

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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.

## MERCANTILE SELF INSURANCE TRUST

- **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.

# MERCANTILE SELF INSURANCE TRUST

## 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 2.0% and 3.0% 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, 2008 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

New York State assessments on self insurers arise from the fact that the New York Workers Compensation Board levies assessments for administration (Section 151), Reopened Cases (Section 25-A), the Second Injury Fund (Section 15-8), the administration of other departments relating to occupational situations (Section 151-IDP) and the Self Insurance Office (Section 50-5). In addition, the Special Funds Conservation Committee requires an assessment.

We did not include a provision for future assessments on self insurer indemnity payments. As a result of recent trust failures and legislative changes, future assessment levels to trusts are uncertain. The Workers Compensation Board was unable to provide firm guidance as to future assessments and agreed that the volatile market made future assessment levels to trusts unclear. As such we have refrained from providing an estimate of assessments in this study.

**MERCANTILE SELF INSURANCE TRUST****WORKERS COMPENSATION  
INDICATED DISCOUNTED OUTSTANDING LOSSES  
AS OF DECEMBER 31, 2008  
SUMMARY**

Accident Year (1)	Discounted Outstanding Losses					
	2.0%			3.0%		
	Low (2)	Point (3)	High (4)	Low (5)	Point (6)	High (7)
<b>Indemnity Plus ALAE</b>						
1995	10,126	11,144	12,162	9,881	10,875	11,868
1996	5,447	7,341	9,234	5,303	7,147	8,990
1997	10,642	14,189	17,735	10,325	13,766	17,207
1998	4,910	7,611	10,311	4,752	7,366	9,980
1999	11,352	22,411	33,469	10,987	21,690	32,392
2000	83,449	86,224	88,999	80,766	83,452	86,138
2001	102,311	115,994	129,676	99,369	112,658	125,947
2002	340,447	387,304	434,161	330,273	375,730	421,187
2003	376,674	442,984	509,294	364,991	429,245	493,498
2004	717,815	830,409	943,002	696,365	805,594	914,823
2005	1,004,272	1,093,012	1,181,752	977,704	1,064,097	1,150,489
2006	1,395,017	1,436,527	1,478,037	1,358,190	1,398,604	1,439,018
2007	625,078	647,779	670,479	608,559	630,660	652,760
2008	87,315	95,448	103,581	84,905	92,814	100,722
<b>TOTAL</b>	<b>4,774,855</b>	<b>5,198,377</b>	<b>5,621,892</b>	<b>4,642,370</b>	<b>5,053,698</b>	<b>5,465,019</b>
<b>Medical Plus Incidents</b>						
1995	6,610	7,435	8,259	6,450	7,255	8,059
1996	0	0	0	0	0	0
1997	51,950	55,420	58,889	50,461	53,831	57,201
1998	13,190	13,198	13,206	12,812	12,820	12,828
1999	24,198	26,120	28,041	23,475	25,340	27,204
2000	20,800	27,215	33,629	20,131	26,339	32,547
2001	105,043	126,885	148,727	101,300	122,364	143,427
2002	368,548	444,665	520,781	356,685	430,351	504,017
2003	287,703	407,018	526,333	279,430	395,315	511,199
2004	461,267	623,460	785,652	448,509	606,215	763,921
2005	661,822	702,639	743,455	642,812	682,456	722,100
2006	889,558	1,084,599	1,279,639	865,005	1,054,663	1,244,320
2007	491,496	547,882	604,268	477,930	532,760	587,590
2008	71,863	79,697	87,531	70,042	77,678	85,313
<b>TOTAL</b>	<b>3,454,048</b>	<b>4,146,233</b>	<b>4,838,410</b>	<b>3,355,042</b>	<b>4,027,387</b>	<b>4,699,726</b>
<b>Total Indemnity, Medical, Incidents-All Years</b>						
	8,228,903	9,344,610	10,460,302	7,997,412	9,081,085	10,164,745

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, 2008**

Accident Year	Outstanding Losses			Discount Factor	
	Low	Point	High	2.0%	3.0%
(1)	(2)	(3)	(4)	(6)	(7)
<b>Indemnity Plus ALAE</b>					
1995	10,648	11,718	12,789	0.951	0.928
1996	5,764	7,768	9,772	0.945	0.920
1997	11,321	15,094	18,867	0.940	0.912
1998	5,246	8,131	11,016	0.936	0.906
1999	12,181	24,046	35,911	0.932	0.902
2000	89,442	92,416	95,391	0.933	0.903
2001	108,958	123,529	138,100	0.939	0.912
2002	363,337	413,344	463,352	0.937	0.909
2003	402,860	473,780	544,699	0.935	0.906
2004	766,078	886,242	1,006,406	0.937	0.909
2005	1,062,722	1,156,626	1,250,531	0.945	0.920
2006	1,473,091	1,516,924	1,560,757	0.947	0.922
2007	660,759	684,755	708,751	0.946	0.921
2008	92,691	101,325	109,959	0.942	0.916
TOTAL	5,065,096	5,515,698	5,966,300		
<b>Medical Plus Incidents</b>					
Accident Year	Outstanding Losses			Discount Factor	
	Low	Point	High	2.0%	3.0%
(1)	(2)	(3)	(4)	(6)	(7)
1995	6,943	7,809	8,675	0.952	0.929
1996	0	0	0	0.946	0.921
1997	55,148	58,831	62,514	0.942	0.915
1998	14,002	14,011	14,019	0.942	0.915
1999	25,797	27,846	29,894	0.938	0.910
2000	22,294	29,169	36,044	0.933	0.903
2001	113,438	137,025	160,613	0.926	0.893
2002	395,438	477,108	558,778	0.932	0.902
2003	306,393	433,459	560,525	0.939	0.912
2004	490,710	663,255	835,800	0.940	0.914
2005	704,066	747,488	790,910	0.940	0.913
2006	944,329	1,151,378	1,358,428	0.942	0.916
2007	521,758	581,616	641,473	0.942	0.916
2008	75,885	84,158	92,430	0.947	0.923
TOTAL	3,676,201	4,413,153	5,150,103		
<b>Total Indemnity, Medical, Incidents-All Years</b>					
	8,741,298	9,928,851	11,116,403		

(2),(3) Exhibit 1.3

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

**MERCANTILE SELF INSURANCE TRUST****WORKERS COMPENSATION  
INDICATED OUTSTANDING LOSSES  
AS OF DECEMBER 31, 2008**

Accident Year	Indicated Ultimate Losses		Paid Losses	Indicated Outstanding Losses	
	Low	High		Low	High
(1)	(2)	(3)	(4)	(5)=(2)-(4)	(6)=(3)-(4)
<b>Indemnity Plus ALAE</b>					
1995	139,493	141,634	128,845	10,648	12,789
1996	197,367	201,375	191,603	5,764	9,772
1997	381,267	388,813	369,946	11,321	18,867
1998	221,241	227,011	215,996	5,246	11,016
1999	251,019	274,749	238,838	12,181	35,911
2000	470,319	476,268	380,877	89,442	95,391
2001	1,268,078	1,297,220	1,159,120	108,958	138,100
2002	2,261,671	2,361,686	1,898,334	363,337	463,352
2003	3,128,674	3,270,513	2,725,814	402,860	544,699
2004	2,666,628	2,906,956	1,900,550	766,078	1,006,406
2005	2,843,003	3,030,812	1,780,281	1,062,722	1,250,531
2006	2,807,171	2,894,837	1,334,080	1,473,091	1,560,757
2007	1,002,910	1,050,902	342,151	660,759	708,751
2008	149,581	166,849	56,890	92,691	109,959
TOTAL	17,788,422	18,689,625	12,723,326	5,065,096	5,966,300
<b>Medical Plus Incidents</b>					
Accident Year	Indicated Ultimate Losses		Paid Losses	Indicated Outstanding Losses	
(1)	Low	High		Low	High
(1)	(2)	(3)	(4)	(5)=(2)-(4)	(6)=(3)-(4)
1995	151,585	153,317	144,642	6,943	8,675
1996	113,389	113,389	113,389	0	0
1997	372,393	379,759	317,245	55,148	62,514
1998	189,245	189,262	175,243	14,002	14,019
1999	309,288	313,385	283,491	25,797	29,894
2000	313,470	327,220	291,176	22,294	36,044
2001	850,445	897,620	737,007	113,438	160,613
2002	2,110,567	2,273,907	1,715,129	395,438	558,778
2003	2,137,831	2,391,963	1,831,438	306,393	560,525
2004	2,239,014	2,584,104	1,748,304	490,710	835,800
2005	2,151,611	2,238,455	1,447,545	704,066	790,910
2006	2,028,835	2,442,934	1,084,506	944,329	1,358,428
2007	975,625	1,095,340	453,867	521,758	641,473
2008	135,040	151,585	59,155	75,885	92,430
TOTAL	14,078,338	15,552,240	10,402,137	3,676,201	5,150,103
<b>Total Indemnity, Medical, Incidents-All Years</b>					
	31,866,760	34,241,865	23,125,462	8,741,298	11,116,403

(2),(3) Exhibit 2

(4) Exhibit 5

**MERCANTILE SELF INSURANCE TRUST****WORKERS COMPENSATION  
INDICATED ULTIMATE LOSSES  
SUMMARY OF RESULTS**

Accident Year	Indicated Ultimate Losses				Selected Ultimate Losses	
	Incurred LDF	Paid LDF	Incurred BF	Paid BF	Low	High
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Indemnity Plus ALAE</b>						
1995	139,493	135,416	141,634	140,792	139,493	141,634
1996	197,367	201,375	201,313	210,752	197,367	201,375
1997	381,267	388,813	384,327	395,758	381,267	388,813
1998	221,241	227,011	229,247	246,239	221,241	227,011
1999	254,160	251,019	268,011	274,749	251,019	274,749
2000	470,319	404,492	476,268	416,220	470,319	476,268
2001	1,297,220	1,268,078	1,253,248	1,209,533	1,268,078	1,297,220
2002	2,361,686	2,139,423	2,261,671	2,038,978	2,261,671	2,361,686
2003	3,270,513	3,194,654	3,209,603	3,128,674	3,128,674	3,270,513
2004	2,758,857	2,383,290	2,906,956	2,666,628	2,666,628	2,906,956
2005	2,607,222	2,622,354	2,843,003	3,030,812	2,843,003	3,030,812
2006	2,609,560	2,505,402	2,807,171	2,894,837	2,807,171	2,894,837
2007	1,077,552	996,001	1,050,902	1,002,910	1,002,910	1,050,902
2008	216,532	250,999	166,849	149,581	149,581	166,849
TOTAL	17,862,989	16,968,327	18,200,203	17,806,464	17,788,422	18,689,625
<b>Medical Plus Incidents</b>						
Accident Year	Indicated Ultimate Losses				Selected Ultimate Losses	
Incurred LDF	Paid LDF	Incurred BF	Paid BF	Low	High	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1995	153,317	151,585	152,086	149,449	151,585	153,317
1996	117,358	119,965	119,083	122,601	113,389	113,389
1997	379,759	339,135	372,393	331,920	372,393	379,759
1998	189,245	189,262	193,724	194,353	189,245	189,262
1999	313,385	309,288	311,455	307,385	309,288	313,385
2000	327,220	320,876	319,789	313,470	313,470	327,220
2001	897,620	820,289	850,445	781,689	850,445	897,620
2002	2,273,907	1,965,538	2,110,567	1,837,423	2,110,567	2,273,907
2003	2,391,963	2,203,220	2,299,887	2,137,831	2,137,831	2,391,963
2004	2,584,104	2,239,578	2,515,912	2,239,014	2,239,014	2,584,104
2005	2,169,727	2,020,773	2,238,455	2,151,611	2,151,611	2,238,455
2006	2,439,524	1,763,407	2,442,934	2,028,835	2,028,835	2,442,934
2007	1,154,462	940,866	1,095,340	975,625	975,625	1,095,340
2008	187,940	178,234	151,585	135,040	135,040	151,585
TOTAL	15,579,531	13,562,016	15,173,655	13,706,246	14,078,338	15,552,240

(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 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%	136,758	238,948
1996	390,792	98.0%	193,497	382,976
1997	526,785	98.0%	373,791	516,249
1998	617,198	98.0%	216,903	604,854
1999	732,884	97.1%	246,757	711,630
2000	609,356	95.7%	450,066	583,154
2001	586,196	93.8%	1,216,904	549,852
2002	1,244,635	91.1%	2,150,898	1,133,862
2003	2,740,544	88.4%	2,891,700	2,422,641
2004	3,773,782	85.4%	2,355,984	3,222,810
2005	3,895,736	81.7%	2,130,083	3,182,816
2006	3,334,951	72.9%	1,903,399	2,431,179
2007	1,007,254	61.5%	663,109	619,461
2008	119,911	48.6%	105,215	58,277
TOTAL	19,823,848		15,035,064	16,658,709

  

Accident Year (1)	Expected Percent Unreported (6)=1.0-(3)	Expected Unreported Losses (7)=(2)x(6)	Indicated Ultimate Losses (8)=(4)+(7)
1996	2.0%	7,816	201,313
1997	2.0%	10,536	384,327
1998	2.0%	12,344	229,247
1999	2.9%	21,254	268,011
2000	4.3%	26,202	476,268
2001	6.2%	36,344	1,253,248
2002	8.9%	110,773	2,261,671
2003	11.6%	317,903	3,209,603
2004	14.6%	550,972	2,906,956
2005	18.3%	712,920	2,843,003
2006	27.1%	903,772	2,807,171
2007	38.5%	387,793	1,050,902
2008	51.4%	61,634	166,849
TOTAL		3,165,139	18,200,203

(2) Exhibit 4.2. Periods prior to 2008 from 12/31/07 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%	128,845	231,877
1996	390,792	95.1%	191,603	371,643
1997	526,785	95.1%	369,946	500,973
1998	617,198	95.1%	215,996	586,955
1999	732,884	95.1%	238,838	696,973
2000	609,356	94.2%	380,877	574,013
2001	586,196	91.4%	1,159,120	535,783
2002	1,244,635	88.7%	1,898,334	1,103,991
2003	2,740,544	85.3%	2,725,814	2,337,684
2004	3,773,782	79.7%	1,900,550	3,007,704
2005	3,895,736	67.9%	1,780,281	2,645,205
2006	3,334,951	53.2%	1,334,080	1,774,194
2007	1,007,254	34.4%	342,151	346,495
2008	119,911	22.7%	56,890	27,220
TOTAL	19,823,848		12,723,326	14,740,710

  

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	140,792
1996	4.9%	19,149	210,752
1997	4.9%	25,812	395,758
1998	4.9%	30,243	246,239
1999	4.9%	35,911	274,749
2000	5.8%	35,343	416,220
2001	8.6%	50,413	1,209,533
2002	11.3%	140,644	2,038,978
2003	14.7%	402,860	3,128,674
2004	20.3%	766,078	2,666,628
2005	32.1%	1,250,531	3,030,812
2006	46.8%	1,560,757	2,894,837
2007	65.6%	660,759	1,002,910
2008	77.3%	92,691	149,581
TOTAL		5,083,138	17,806,464

(2) Exhibit 4.2. Periods prior to 2008 from 12/31/07 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%	149,578	101,989
1996	167,483	96.6%	113,389	161,789
1997	225,765	95.1%	361,331	214,703
1998	258,244	93.6%	177,196	241,716
1999	287,875	92.7%	290,440	266,860
2000	239,725	91.6%	299,652	219,588
2001	438,059	89.8%	805,763	393,377
2002	962,945	87.6%	1,991,162	843,540
2003	1,812,975	84.2%	2,013,437	1,526,525
2004	2,240,683	80.2%	2,072,257	1,797,028
2005	2,479,105	77.5%	1,680,656	1,921,306
2006	2,452,802	68.9%	1,680,113	1,689,981
2007	1,007,254	59.6%	688,409	600,323
2008	113,600	51.1%	96,035	58,050
TOTAL	12,791,012		12,419,418	10,036,775

  

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	152,086
1996	3.4%	5,694	119,083
1997	4.9%	11,062	372,393
1998	6.4%	16,528	193,724
1999	7.3%	21,015	311,455
2000	8.4%	20,137	319,789
2001	10.2%	44,682	850,445
2002	12.4%	119,405	2,110,567
2003	15.8%	286,450	2,299,887
2004	19.8%	443,655	2,515,912
2005	22.5%	557,799	2,238,455
2006	31.1%	762,821	2,442,934
2007	40.4%	406,931	1,095,340
2008	48.9%	55,550	151,585
TOTAL		2,754,237	15,173,655

(2) Exhibit 4.2. Periods prior to 2008 from 12/31/07 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**

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%	144,642	99,690
1996	167,483	94.5%	113,389	158,271
1997	225,765	93.5%	317,245	211,090
1998	258,244	92.6%	175,243	239,134
1999	287,875	91.7%	283,491	263,981
2000	239,725	90.7%	291,176	217,431
2001	438,059	89.8%	737,007	393,377
2002	962,945	87.3%	1,715,129	840,651
2003	1,812,975	83.1%	1,831,438	1,506,582
2004	2,240,683	78.1%	1,748,304	1,749,973
2005	2,479,105	71.6%	1,447,545	1,775,039
2006	2,452,802	61.5%	1,084,506	1,508,473
2007	1,007,254	48.2%	453,867	485,496
2008	113,600	33.2%	59,155	37,715
TOTAL	12,791,012		10,402,137	9,486,903

  

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	149,449
1996	5.5%	9,212	122,601
1997	6.5%	14,675	331,920
1998	7.4%	19,110	194,353
1999	8.3%	23,894	307,385
2000	9.3%	22,294	313,470
2001	10.2%	44,682	781,689
2002	12.7%	122,294	1,837,423
2003	16.9%	306,393	2,137,831
2004	21.9%	490,710	2,239,014
2005	28.4%	704,066	2,151,611
2006	38.5%	944,329	2,028,835
2007	51.8%	521,758	975,625
2008	66.8%	75,885	135,040
TOTAL		3,304,109	13,706,246

(2) Exhibit 4.2. Periods prior to 2008 from 12/31/07 analysis.

(3) Reciprocal of development factor from Exhibit 6.4

(4) Exhibit 5

**MERCANTILE SELF INSURANCE TRUST**

Exhibit 4.1

**2008 INITIAL EXPECTED LOSSES-INDEMNITY**

Accident Year (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Net Trend To 7/1/08 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
2000	470,319	404,492	470,319	258,347	1.82	0.824	0.871	1.31
2001	1,297,220	1,268,078	1,282,649	540,787	2.37	0.844	0.871	1.74
2002	2,361,686	2,139,423	2,250,555	1,305,841	1.72	0.865	0.871	1.30
2003	3,270,513	3,194,654	3,232,584	2,108,111	1.53	0.886	0.871	1.18
2004	2,758,857	2,383,290	2,571,074	2,358,614	1.09	0.908	0.871	0.86
2005	2,607,222	2,622,354	2,614,788	2,361,052	1.11	0.930	0.871	0.90
2006	2,609,560	2,505,402	2,557,481	2,151,581	1.19	0.953	0.871	0.99
2007	1,077,552	996,001	1,036,777	915,686	1.13	0.976	0.871	0.96
TOTAL	16,452,929	15,513,694	16,016,227	12,000,019				1.05
Mean								1.16
Latest 3								0.95
Latest 5								0.98
Best 3								0.95
Selected								0.95
2008 Payroll								126,222
2008 Initial Expected Losses								119,911

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

**MERCANTILE SELF INSURANCE TRUST**

Exhibit 4.2

**2008 INITIAL EXPECTED LOSSES-MEDICAL**

Accident Year (1)	Ultimate Losses			Payroll (00) (5)	Loss Cost (6)=(4)/(5)	Net Trend To 7/1/08 (7)	Benefit Level Factor (8)	On Level Loss Cost (9)
	Incurring LDF (2)	Paid LDF (3)	Selected (4)					
2000	327,220	320,876	324,048	258,347	1.25	0.891	0.920	1.02
2001	897,620	820,289	858,955	540,787	1.59	0.904	0.920	1.32
2002	2,273,907	1,965,538	2,273,907	1,305,841	1.74	0.917	0.920	1.47
2003	2,391,963	2,203,220	2,297,592	2,108,111	1.09	0.930	0.920	0.93
2004	2,584,104	2,239,578	2,411,841	2,358,614	1.02	0.944	0.920	0.89
2005	2,169,727	2,020,773	2,095,250	2,361,052	0.89	0.958	0.920	0.78
2006	2,439,524	1,763,407	2,101,466	2,151,581	0.98	0.972	0.920	0.88
2007	1,154,462	940,866	1,047,664	915,686	1.14	0.986	0.920	1.03
TOTAL	14,238,527	12,274,547	13,410,723	12,000,019				0.97
Mean								1.04
Latest 3								0.90
Latest 5								0.90
Best 3								0.90
Selected								0.90
2008 Payroll								126,222
2008 Initial Expected Losses								113,600

(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 <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)
<b>Indemnity Plus ALAE</b>						
1995	136,758	1.020	139,493	128,845	1.051	135,416
1996	193,497	1.020	197,367	191,603	1.051	201,375
1997	373,791	1.020	381,267	369,946	1.051	388,813
1998	216,903	1.020	221,241	215,996	1.051	227,011
1999	246,757	1.030	254,160	238,838	1.051	251,019
2000	450,066	1.045	470,319	380,877	1.062	404,492
2001	1,216,904	1.066	1,297,220	1,159,120	1.094	1,268,078
2002	2,150,898	1.098	2,361,686	1,898,334	1.127	2,139,423
2003	2,891,700	1.131	3,270,513	2,725,814	1.172	3,194,654
2004	2,355,984	1.171	2,758,857	1,900,550	1.254	2,383,290
2005	2,130,083	1.224	2,607,222	1,780,281	1.473	2,622,354
2006	1,903,399	1.371	2,609,560	1,334,080	1.878	2,505,402
2007	663,109	1.625	1,077,552	342,151	2.911	996,001
2008	105,215	2.058	216,532	56,890	4.412	250,999
TOTAL	15,035,064		17,862,989	12,723,326		16,968,327
<b>Medical Plus Incidents</b>						
1995	149,578	1.025	153,317	144,642	1.048	151,585
1996	113,389	1.035	117,358	113,389	1.058	119,965
1997	361,331	1.051	379,759	317,245	1.069	339,135
1998	177,196	1.068	189,245	175,243	1.080	189,262
1999	290,440	1.079	313,385	283,491	1.091	309,288
2000	299,652	1.092	327,220	291,176	1.102	320,876
2001	805,763	1.114	897,620	737,007	1.113	820,289
2002	1,991,162	1.142	2,273,907	1,715,129	1.146	1,965,538
2003	2,013,437	1.188	2,391,963	1,831,438	1.203	2,203,220
2004	2,072,257	1.247	2,584,104	1,748,304	1.281	2,239,578
2005	1,680,656	1.291	2,169,727	1,447,545	1.396	2,020,773
2006	1,680,113	1.452	2,439,524	1,084,506	1.626	1,763,407
2007	688,409	1.677	1,154,462	453,867	2.073	940,866
2008	96,035	1.957	187,940	59,155	3.013	178,234
TOTAL	12,419,418		15,579,531	10,402,137		13,562,016

(2),(3) Exhibits 6.1 and 6.3; 2008 interpolated

(5),(6) Exhibits 6.2 and 6.4; 2008 interpolated

**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>	<u>120</u>	<u>132</u>	<u>144</u>	<u>156</u>	<u>168</u>
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	136,758
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	193,497	
1997	299,741	317,546	372,388	377,672	401,071	404,556	372,710	385,982	382,018	372,223	374,584	373,791		
1998	245,827	289,658	301,371	233,242	232,789	204,012	210,082	211,068	240,467	240,499	216,903			
1999	215,219	331,130	277,137	273,441	257,280	260,389	223,346	240,732	241,331	246,757				
2000	274,550	298,182	256,136	398,354	400,782	410,715	395,473	451,430	450,066					
2001	463,374	722,055	1,002,405	1,121,227	1,335,263	1,221,839	1,257,425	1,216,904						
2002	764,634	1,502,354	1,748,071	2,034,264	1,889,049	2,056,582	2,150,898							
2003	1,482,297	2,511,265	3,404,013	2,746,997	2,828,706	2,891,700								
2004	1,363,303	2,184,735	1,970,879	2,169,421	2,355,984									
2005	1,174,765	1,712,039	1,933,904	2,130,083										
2006	1,191,203	1,487,100	1,903,399											
2007	513,745	663,109												
2008	105,215													

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>144-156</u>	<u>156-168</u>	<u>168-ult.</u>
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	0.986	
1996	4.975	1.039	0.994	0.859	0.995	1.043	1.200	0.925	0.836	0.965	0.967	1.019		
1997	1.059	1.173	1.014	1.062	1.009	0.921	1.036	0.990	0.974	1.006	0.998			
1998	1.178	1.040	0.774	0.998	0.876	1.030	1.005	1.139	1.000	0.902				
1999	1.539	0.837	0.987	0.941	1.012	0.858	1.078	1.002	1.022					
2000	1.086	0.859	1.555	1.006	1.025	0.963	1.141	0.997						
2001	1.558	1.388	1.119	1.191	0.915	1.029	0.968							
2002	1.965	1.164	1.164	0.929	1.089	1.046								
2003	1.694	1.355	0.807	1.030	1.022									
2004	1.603	0.902	1.101	1.086										
2005	1.457	1.130	1.101											
2006	1.248	1.280												
2007	1.291													
Mean	1.703	1.094	1.051	1.001	0.994	0.978	1.057	1.019	1.010	0.952	0.949	1.059		
3 Yr. Mean	1.332	1.104	1.003	1.015	1.009	1.013	1.062	1.046	0.999	0.958	0.949			
5 Yr. Mean	1.459	1.166	1.058	1.048	1.013	0.985	1.046	1.011	1.010					
Best 3	1.450	1.191	1.107	1.041	1.020	1.007	1.040	0.996	0.999					
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	1.120	1.045	1.035	1.030	1.030	1.020	1.015	1.010	1.000	1.000	1.000	1.020
Cumulative	2.543	1.625	1.371	1.224	1.171	1.131	1.098	1.066	1.045	1.030	1.020	1.020	1.020	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>	<u>120</u>	<u>132</u>	<u>144</u>	<u>156</u>	<u>168</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	130,895	128,845
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	191,603	
1997	98,447	180,255	224,651	258,210	331,318	387,042	365,672	369,201	367,599	367,555	367,149	369,946		
1998	83,825	122,561	175,837	180,391	186,013	202,144	204,552	205,215	215,216	215,522	215,996			
1999	76,993	137,016	174,406	218,172	209,376	213,175	223,346	235,831	237,441	238,838				
2000	59,427	123,138	217,180	278,853	364,981	371,168	365,189	375,359	380,877					
2001	186,696	476,179	655,027	854,365	1,050,836	1,090,801	1,160,109	1,159,120						
2002	268,081	660,734	1,004,141	1,288,644	1,527,436	1,730,786	1,898,334							
2003	508,432	1,209,052	1,879,676	2,340,295	2,612,084	2,725,814								
2004	511,861	988,879	1,353,028	1,669,382	1,900,550									
2005	327,331	802,513	1,376,823	1,780,281										
2006	381,906	919,470	1,334,080											
2007	164,249	342,151												
2008	56,890													

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>144-156</u>	<u>156-168</u>	<u>168-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	1.083	0.984	
1996	3.279	1.484	1.212	1.124	1.066	1.115	0.959	1.182	0.854	0.997	0.994	1.017		
1997	1.831	1.246	1.149	1.283	1.168	0.945	1.010	0.996	1.000	0.999	1.008			
1998	1.462	1.435	1.026	1.031	1.087	1.012	1.003	1.049	1.001	1.002				
1999	1.780	1.273	1.251	0.960	1.018	1.048	1.056	1.007	1.006					
2000	2.072	1.764	1.284	1.309	1.017	0.984	1.028	1.015						
2001	2.551	1.376	1.304	1.230	1.038	1.064	0.999							
2002	2.465	1.520	1.283	1.185	1.133	1.097								
2003	2.378	1.555	1.245	1.116	1.044									
2004	1.932	1.368	1.234	1.138										
2005	2.452	1.716	1.293											
2006	2.408	1.451												
2007	2.083													
Mean	2.067	1.644	1.241	1.143	1.072	1.038	1.004	1.058	0.981	0.990	0.999	1.050		
3 Yr. Mean	2.314	1.512	1.257	1.146	1.072	1.048	1.028	1.024	1.002	0.999	0.999			
5 Yr. Mean	2.251	1.522	1.272	1.196	1.050	1.041	1.019	1.050	0.981					
Best 3	2.290	1.509	1.274	1.184	1.033	1.041	1.014	1.024	1.002					
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	2.400	1.550	1.275	1.175	1.070	1.040	1.030	1.030	1.010	1.000	1.000	1.000	1.000	1.051
Cumulative	6.986	2.911	1.878	1.473	1.254	1.172	1.127	1.094	1.062	1.051	1.051	1.051	1.051	1.051

**MERCANTILE SELF INSURANCE TRUST**

WORKERS 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>	<u>120</u>	<u>132</u>	<u>144</u>	<u>156</u>	<u>168</u>
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	149,578
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	113,389	
1997	219,269	255,683	273,226	297,651	287,637	276,294	265,360	266,825	267,065	268,704	272,764	361,331		
1998	199,124	180,526	211,518	188,259	195,888	167,585	167,759	169,477	187,702	187,703	177,196			
1999	208,578	238,192	230,430	240,901	244,796	272,337	268,213	283,840	283,840	290,440				
2000	249,171	261,192	263,184	318,539	321,006	306,961	292,043	301,315	299,652					
2001	331,190	529,845	604,910	698,387	702,315	791,430	792,577	805,763						
2002	758,637	1,060,091	1,223,621	1,388,403	1,719,865	1,847,906	1,991,162							
2003	1,179,726	1,503,034	1,619,774	1,893,797	1,961,119	2,013,437								
2004	1,287,321	1,535,865	1,954,223	2,140,067	2,072,257									
2005	971,885	1,365,212	1,515,964	1,680,656										
2006	957,571	1,320,271	1,680,113											
2007	543,754	688,409												
2008	96,035													

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>144-156</u>	<u>156-168</u>	<u>168-ult.</u>
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	1.059	
1996	1.584	0.992	0.970	1.003	1.118	1.393	0.805	0.967	0.976	0.984	1.000	0.995		
1997	1.166	1.069	1.089	0.966	0.961	0.960	1.006	1.001	1.006	1.015	1.325			
1998	0.907	1.172	0.890	1.041	0.856	1.001	1.010	1.108	1.000	0.944				
1999	1.142	0.967	1.045	1.016	1.113	0.985	1.058	1.000	1.023					
2000	1.048	1.008	1.210	1.008	0.956	0.951	1.032	0.994						
2001	1.600	1.142	1.155	1.006	1.127	1.001	1.017							
2002	1.397	1.154	1.135	1.239	1.074	1.078								
2003	1.274	1.078	1.169	1.036	1.027									
2004	1.193	1.272	1.095	0.968										
2005	1.405	1.110	1.109											
2006	1.379	1.273												
2007	1.266													
Mean	1.302	1.141	1.078	1.029	1.029	1.040	0.992	1.010	1.012	0.990	1.089	1.038		
3 Yr. Mean	1.350	1.218	1.124	1.081	1.076	1.010	1.036	1.034	1.010	0.981	1.089			
5 Yr. Mean	1.303	1.177	1.133	1.051	1.059	1.003	1.025	1.014	1.012					
Best 3	1.306	1.179	1.133	1.017	1.071	0.996	1.020	0.998	1.010					
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	1.325	1.155	1.125	1.035	1.050	1.040	1.025	1.020	1.012	1.010	1.016	1.015	1.010	1.025
Cumulative	2.222	1.677	1.452	1.291	1.247	1.188	1.142	1.114	1.092	1.079	1.068	1.051	1.035	1.025

**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>	<u>120</u>	<u>132</u>	<u>144</u>	<u>156</u>	<u>168</u>
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	144,642
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	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	317,245		
1998	123,055	146,200	154,279	159,253	161,742	163,603	166,987	169,038	170,941	173,865	175,243			
1999	100,424	187,776	202,439	232,323	237,958	265,390	268,213	283,490	283,491	283,491				
2000	100,889	219,943	249,524	281,967	302,468	303,493	290,131	290,978	291,176					
2001	198,337	461,633	546,839	641,834	679,237	696,096	732,537	737,007						
2002	354,281	846,462	1,039,803	1,191,594	1,312,603	1,534,414	1,715,129							
2003	479,216	1,162,075	1,374,944	1,598,968	1,779,138	1,831,438								
2004	617,768	1,089,024	1,411,684	1,691,284	1,748,304									
2005	442,436	843,466	1,094,429	1,447,545										
2006	399,516	841,772	1,084,506											
2007	216,768	453,867												
2008	59,155													

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>144-156</u>	<u>156-168</u>	<u>168-ult.</u>
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	1.032	
1996	2.291	1.064	1.032	1.006	1.035	1.397	0.814	1.009	0.975	1.000	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	1.174			
1998	1.188	1.055	1.032	1.016	1.012	1.021	1.012	1.011	1.017	1.008				
1999	1.870	1.078	1.148	1.024	1.115	1.011	1.057	1.000	1.000					
2000	2.180	1.134	1.130	1.073	1.003	0.956	1.003	1.001						
2001	2.328	1.185	1.174	1.058	1.025	1.052	1.006							
2002	2.389	1.228	1.146	1.102	1.169	1.118								
2003	2.425	1.183	1.163	1.113	1.029									
2004	1.763	1.296	1.198	1.034										
2005	1.906	1.298	1.323											
2006	2.107	1.288												
2007	2.094													
Mean	1.973	1.292	1.138	1.057	1.047	1.071	0.989	1.004	1.008	1.012	1.038	1.038		
3 Yr. Mean	2.036	1.294	1.228	1.083	1.074	1.042	1.022	1.004	1.006	1.009	1.038			
5 Yr. Mean	2.059	1.259	1.201	1.076	1.068	1.032	1.019	1.006	1.008					
Best 3	2.036	1.271	1.178	1.078	1.056	1.028	1.011	1.006	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	1.275	1.165	1.090	1.065	1.050	1.030	1.010	1.010	1.010	1.010	1.010	1.010	1.048
Cumulative	4.457	2.073	1.626	1.396	1.281	1.203	1.146	1.113	1.102	1.091	1.080	1.069	1.058	1.048

**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
2008	126,222
TOTAL	13,028,756

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(2) Payroll provided by New York Compensation Managers

**MERCANTILE SELF INSURANCE TRUST****WORKERS COMPENSATION  
DISCOUNT FACTOR CALCULATION  
INDEMNITY PLUS ALAE**

<u>End of Year</u> (1)	<u>Cumulative Percent Paid</u> (2)	<u>Incremental Percent Paid</u> (3)	<u>Present Value Of Payments Discounted At 3.0%</u> (4)	<u>Present Value Of Payments Discounted At 2.0%</u>
1	14.3%	14.3%	0.903	0.933
2	34.4%	20.1%	0.916	0.942
3	53.2%	18.8%	0.921	0.946
4	67.9%	14.7%	0.922	0.947
5	79.7%	11.8%	0.920	0.945
6	85.3%	5.6%	0.909	0.937
7	88.7%	3.4%	0.906	0.935
8	91.4%	2.7%	0.909	0.937
9	94.2%	2.8%	0.912	0.939
10	95.7%	1.5%	0.903	0.933
11	96.5%	0.9%	0.902	0.932
12	97.3%	0.7%	0.906	0.936
13	97.8%	0.6%	0.912	0.940
14	98.3%	0.5%	0.920	0.945
15	98.7%	0.4%	0.928	0.951
16	99.1%	0.3%	0.937	0.957
17	99.4%	0.3%	0.947	0.964
18	99.6%	0.2%	0.959	0.972
19	99.8%	0.2%	0.971	0.981
20	100.0%	0.2%	0.985	0.990

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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**

<u>End of Year</u> (1)	<u>Cumulative Percent Paid</u> (2)	<u>Incremental Percent Paid</u> (3)	<u>Present Value Of Payments Discounted At 3.0%</u> (4)	<u>Present Value Of Payments Discounted At 2.0%</u>
1	22.4%	22.4%	0.917	0.943
2	48.2%	25.8%	0.923	0.947
3	61.5%	13.3%	0.916	0.942
4	71.6%	10.1%	0.916	0.942
5	78.1%	6.5%	0.913	0.940
6	83.1%	5.0%	0.914	0.940
7	87.3%	4.2%	0.912	0.939
8	89.8%	2.5%	0.902	0.932
9	90.7%	0.9%	0.893	0.926
10	91.7%	1.0%	0.903	0.933
11	92.6%	0.9%	0.910	0.938
12	93.5%	0.9%	0.915	0.942
13	94.5%	0.5%	0.915	0.942
14	94.9%	0.4%	0.921	0.946
15	95.3%	0.3%	0.929	0.952
16	95.5%	0.3%	0.938	0.958
17	95.8%	0.2%	0.949	0.965
18	96.0%	0.2%	0.960	0.973
19	96.1%	0.2%	0.972	0.981
20	100.0%	0.1%	0.985	0.990

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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
1/1/08-12/31/08	\$400,000

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