



**PRICING ANALYSIS
FOR THE OHI WORKERS'
COMPENSATION TRUST
FOR FUND YEAR
EFFECTIVE JANUARY 1, 2005**

Prepared for:

Board of Trustees &
David I. Harvey, Ph. D., Administrator
OHI Workers' Compensation Trust

Prepared by:

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Milliman, Inc.

March 24, 2005

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March 24, 2005

Board of Trustees &
David I. Harvey, Ph.D.
Administrator
OHI Workers' Compensation Trust
357 Bay Road, Suite 4
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Dear David and Board Members:

Milliman, Inc. has completed its work related to the adequacy of the proposed premium funding levels for the eighth fund year for the OHI Workers' Compensation Trust (hereafter referred to as "OHIWCT" or "the Trust"). This report discusses our conclusions, the data underlying our work and our analysis.

In summary, we believe the proposed rate structure produces an expected loss and allocated loss expense ratio of 33.0% for the eighth fund year effective January 1, 2005. Based on an expected expense ratio (including excess insurance costs) of 62.1%, the expected combined ratio is 95.1%. Further, based on a total premium of \$1,500,000 and a per occurrence retention of \$400,000, we estimate that there is a 75% confidence level that the eighth fund year will not result in an underwriting loss (i.e., a combined ratio of 100.0% or less).

Please feel free to call us if you have any questions or would like any clarification.

Sincerely,

Derek A. Jones, FCAS

Robert J. Meyer, FCAS

Introduction and Background

The OHI Workers' Compensation Trust is comprised of employers in the heat, petroleum, gasoline, plumbing, auto (including auto dealers and repair shops), and home supply and related industries. These businesses service both residential and commercial clientele.

In response to the increasing cost of workers' compensation insurance, the OHI Workers' Compensation Trust (OHIWCT) was formed on October 21, 1997. Through OHIWCT, the members self-insure their collective workers compensation costs. OHI retained the services of Cody Management Services, Inc. (CMS) to assist them in their efforts to develop the OHIWCT and to administer the operations of the OHIWCT on an ongoing basis. OHIWCT began self-insurance operations on January 1, 1998 with 16 Founding Members; 3 Charter Members joined subsequent to January 1, 1998. In the 2004 fund year, the Trust has more than 90 members.

CMS considered several rating scenarios for OHIWCT and selected one in which fund year 2005 rates for OHIWCT members would be equal to 109% of the 2004 rates. Members that renew effective January 1, 2005 will continue to receive a 1% rate reduction. There will be the continued application of a 2% Founding Members discount and a 1% Charter Members discount. OHIWCT debits/credits of up to 15% may be applied to both existing and new accounts. Except for Founding and Charter Members whose original debits may exceed 15% and which may be retained at their original levels, or increased or decreased as determined from an underwriting perspective, CMS determined that the 2005 rates are achieved by the following process:

New York Compensation Insurance Rating Board (NYCIRB) rates effective October 1, 1999 \times 86% (i.e., a 14% reduction)

While new experience modifications are calculated reflecting each member's loss history, OHIWCT utilizes debit/credit caps to achieve either an aggregate revenue-neutral outcome or a revenue-enhancing outcome arising from the new experience modifiers.

Milliman was retained by CMS on behalf of OHIWCT to analyze the adequacy of the rates OHIWCT has proposed to charge during 2005. This report discusses our findings.

Conclusions

Based on our work, we estimate OHIWCT's expected loss and allocated loss adjustment expense (ALAE) ratio for fund year 2005 will be 33% based on rates that are 14% below the October 1, 1999 NYCIRB rates. Based on an expected expense ratio of 62%, our analysis finds that OHIWCT's proposed rate structure would generate sufficient premium

to fund the benefits to injured workers, all administrative expenses and return an underwriting profit to OHIWCT of 5%.

Assuming a total premium of \$1,500,000 and a per occurrence retention of \$400,000, we estimate that at a 75% confidence level, the eighth fund year will not produce an underwriting loss. A 0% underwriting loss (i.e., combined ratio equal to 100%) equates to a 38% loss and ALAE ratio. This should be interpreted to mean that, based on rates that are 14% below the NYCIRB rates effective October 1, 1999, it can be expected that the loss and ALAE ratio will be 38% or less 75% of the time. Conversely, there is a 25% chance that actual results will exceed a 38% loss and ALAE ratio.

The table below illustrates the impact that an increase in the total premium collected would have on the confidence level associated with a 0% underwriting loss (combined ratio = 100%) and a \$400,000 per occurrence retention.

Confidence Level of a 100% Combined Ratio or Less

Retention	Premium		
	\$1,400,000	\$1,500,000	\$1,600,000
\$400,000	73%	75%	76%

Data

Our analysis is based on the following data:

- (1) Premium and loss data for fund years 1998 through 2004 at historical September 30 evaluations and the December 31, 2004 evaluation.
- (2) Audited payroll for policy years 1998-2003 by employer and by classification code and initial estimates of total 2004 payroll underlying OHIWCT's 2004 premium calculations for current members.
- (3) NYCIRB rates effective October 1, 1999 and rate change assumptions provided by CMS.
- (4) Incurred loss development factors for New York from the 2004 edition of the NCCI Annual Statistical Bulletin and the NYCIRB rate filing effective December 1, 2003.

- (5) Average annual trend in New York wages from the 2003 edition of the United States Statistical Abstract and from the December 1, 2003 NYCIRB rate filing.

Items (1) and (2) were provided to us by CMS.

Approach

The scope of our work was to estimate, from an actuarial standpoint, whether or not the premium revenue generated by rates that are 14% below the October 1, 1999 NYCIRB rates will be adequate to fund the expected loss costs and administrative costs for OHIWCT's 2005 fund year. In addition, the premium should be large enough to provide some margin for a contingency reserve.

Using loss & ALAE and payroll data for fund years 1998-2004 for the OHIWCT members, we estimated the loss and ALAE ratio for fund year 2005. The following adjustments were made to the historical data in order to estimate the fund year 2005 loss and ALAE ratio:

1. Incurred loss and ALAE amounts were developed to an ultimate basis.
2. Ultimate loss and ALAE amounts were trended to estimated cost levels for 2005.
3. Premiums at the proposed OHIWCT rates were trended to estimated wage levels for 2005.

Our estimate of the ratio of ultimate loss and ALAE costs to premium for fund year 2005 is 33%.

Explanation of Exhibits

Exhibit 1

This exhibit summarizes our estimate of the 33% loss and ALAE ratio.

Column (2) shows the premium level that would have been generated for each of fund years 1998 through 2004 if the proposed rates (14% below the October 1, 1999 NYCIRB rates) were used.

Columns (3), (4) and (5) further adjust the premiums in column (2) by modifying the underlying payrolls to expected wage levels for 2005. We selected an average annual wage trend factor of 3.0% based on our review of data contained in the United States Statistical Abstract for the state of New York and from the NYCIRB's December 1, 2003 rate filing.

Column (6) is the case incurred loss and ALAE data.

Column (7) is an estimate of the ultimate incurred loss and ALAE costs. It includes both the known case incurred loss and ALAE data from column (6) and an estimate of the incurred but not reported (IBNR) losses.

Columns (8) and (9) modify the ultimate incurred loss and ALAE amounts in column (7) by adjusting them to the level of loss costs anticipated during fund year 2005. The average annual loss trend factor of 5.0% is based on our estimate of recent workers compensation trend indications.

Column (10) shows an estimate of the loss and ALAE ratio for fund years 1998 - 2004 at the proposed rates, projected 2005 wage levels and projected 2005 loss cost levels.

Column (11) shows the selected weights given to each policy year used in determining the selected loss and ALAE ratio for fund year 2005. It is appropriate to give greater weight to more recent data since it better reflects current conditions. The "TOTAL" row shows the weighted average of loss and ALAE ratios in column (10).

Column (12) shows the weighted average loss and ALAE ratio from column (11), adjusted to reflect an average member discount of approximately 3% for Founding or Charter Membership, rate renewal and posting financial security.

Exhibit 2

This exhibit summarizes the estimated unpaid loss discounted to present value as of 12/31/04.

We reflected the impact of the time value of money by discounting the estimated unpaid loss and ALAE as of 12/31/04 to present value based on an interest rate of 4%. Sheet 1 shows the application of present value discount factors to the undiscounted estimate of unpaid loss and ALAE.

Sheet 2 shows the estimated factors to discount unpaid loss and ALAE amounts to present value. The payment pattern that underlies these discount factors was based on

paid indemnity and medical loss data from the NYCIRB with an adjustment to reflect that the OHIWCT has historically paid claims faster than the industry average for New York.

The interest rate used to discount future payments was selected by CMS. We express no opinion as to the reasonableness of this rate.

Exhibit 3

This exhibit summarizes our range of estimates of ultimate loss and ALAE, the resulting estimated unpaid amounts as of 12/31/04, and ultimate loss and ALAE ratios

Column (2) summarizes the total loss and ALAE paid as of December 31, 2004. This is subtracted from the estimated ultimate loss and ALAE amounts in columns (3) – (5) to produce our range of reserve estimates in columns (6) – (8).

Columns (3) – (5) show our low, best, and high estimates of the ultimate loss and ALAE. The best estimate shown in column (4) is from Sheet 2 of this exhibit. Columns (2) and (4) are selected judgmentally based on optimistic and pessimistic assumptions that we believe to be reasonable.

Columns (10) – (12) show the low, best, and high estimates of the ultimate loss and ALAE ratio implied by our estimated ultimate loss and ALAE amounts in columns (3) – (5).

Exhibit 4

This exhibit provides the calculations that underlie column (2) from Exhibit 1.

Columns (1) – (7) show the actual audited payroll figures by classification for all OHIWCT members. The data in these columns were recorded here from exhibits prepared by CMS for each OHIWCT member. The payroll from those exhibits sum to the totals as shown. The amounts for 2004, for which the payroll audit is not yet complete, are annualized estimates provided by CMS.

Column (8) shows OHIWCT's proposed rates for fund year 2005, which are equal to approximately 86% of the NYCIRB rates effective October 1, 1999.

Columns (9) – (15) show the products of the adjusted payrolls by classification in columns (6) – (16) and the proposed rates in column (8). These products represent historical premium amounts adjusted to the proposed 2005 rate level. The total amounts in these columns are also shown in column (2) of Exhibit 1.

Exhibit 5

This exhibit shows the source of the loss development factors used on Exhibit 3.

The incurred loss and ALAE development pattern used in this analysis is based on a review of statewide (New York only) industry loss development as reported in the 2003 edition of the NCCI's Annual Statistical Bulletin and the NYCIRB rate filing effective December 1, 2003. (The NCCI obtains this information from the NYCIRB.) The industry data excludes ALAE data, but the omission of this data should have only a minor effect on the incurred loss development pattern. We developed a combined indemnity and medical development pattern using separate reporting patterns weighted 65% (indemnity) and 35% (medical).

Sheet 1 of this exhibit shows the percent change in the valuation of incurred medical losses from one calendar year to the next. For example, accident year 1994 incurred medical losses valued as of December 31, 1995 (24 months) are 21.7% larger than accident year 1994 incurred medical losses valued as of December 31, 1994 (12 months). The loss development factor is, therefore, expressed as 1.217. By looking at the loss development factors within a column, one can see several historical loss development factors that represent similar aging of the claims as they mature. Sheet 2 shows the development pattern for indemnity losses.

In each column, there are five historical factors shown. The two-year average factor and the five-year average factor are also shown. For both medical and indemnity, we selected the average of the latest five years. The cumulative products of the selected factors beginning with the tail factor at 96 months become the selected loss development factors to an ultimate loss level.

On Sheet 3 of Exhibit 4, we calculate the weighted average of the two development patterns to determine a development pattern for medical and indemnity loss combined. These loss development factors are interpolated to account for the various ages in months of the reported incurred losses and are used on line (3) on Exhibit 2.

Exhibit 6

This exhibit shows the proposed OHIWCT rates for 2005 for prospective and current members.

Column (1) shows the various employee classification codes for OHIWCT members.

Column (2) shows the NYCIRB workers compensation rate per \$100 of payroll effective October 1, 1999 for each of the classes in column (1).

Column (3) shows the proposed OHIWCT rate per \$100 of payroll for prospective members. This is calculated as 86% of (i.e., 14% below) the NYCIRB rates shown in column (2).

Column (4) shows the proposed OHIWCT rate per \$100 of payroll for current members that renew effective January 1, 2005. This is based on the proposed OHIWCT rates shown in column (3) and an additional 1% renewal rate credit.

Potential Areas of Uncertainty in Our Analysis

There are several assumptions underlying our work that have potential to either overestimate or underestimate the fund year 2005 loss and ALAE ratio. The following two assumptions have potential to overestimate the loss and ALAE ratio.

1. Incurred Loss Development Factor from 96 Months

Exhibit 4 shows the industry loss experience in the development of incurred losses from 96 months to their ultimate reported values. Over the most recently available ten years, this factor has ranged from 1.052 to 1.180 for indemnity and from 1.091 to 1.251 for medical. When insurers report loss data to the NYCIRB, they are permitted to report losses on a discounted basis to reflect the time value of money for lifetime annuity claims such as permanent total cases or fatal cases involving weekly benefits to widows and children. As these cases move from the reserve status to the payment status, the amount of discount that underlies the case reserves is unwound, which creates artificially higher loss development factors.

The impact of this overstatement is expected to be minimal, however, since permanent total claims represent a small portion (approximately 3% in New York) of the total ultimate losses. Further, many insurers report the undiscounted case reserve, rather than the discounted value, amounts on these claims.

2. Incurred Loss Development Factors in General

As stated above, the selected incurred loss development factors are based on NYCIRB data. Since the loss data underlying these development factors are prior to the limiting effect of excess of loss reinsurance, it includes the development of losses above OHIWCT's expected per occurrence retention of \$400,000. Loss development factors from incurred loss data which had individual claim amounts

capped at \$400,000 per occurrence would be lower, albeit by a relatively small amount, than those used in this analysis.

The following three assumptions have potential to either overestimate or underestimate the loss and ALAE ratio.

1. Incurred Loss and ALAE Development Pattern

The selected incurred loss and ALAE development pattern is based on statewide New York data representing a broad spectrum of employment activity. This pattern may or may not be representative of the expected incurred loss and ALAE development of the OHIWCT.

2. Annual Wage Trend

The annual wage trend of 3.0% is based on changes in the aggregate level of statewide New York wages. This annual wage trend may or may not be representative of the expected annual wage trend of the OHIWCT.

3. Annual Loss Trend

The annual loss trend of 5.0% is based on our estimate of the annual trend in workers compensation costs given the recent positive effects of managed care efforts and return to work guidelines that are commonplace on the medical side. This annual loss trend may or may not be representative of the expected annual loss cost trend of the OHIWCT.

Confidence Level

The confidence level we attach to these results, based on a total premium of \$1,100,000 and a per occurrence retention of \$400,000, is 75%. As stated earlier, this suggests that while our expected loss and ALAE ratio is 33%, the actual loss and ALAE ratio should be 38% or less (i.e., no underwriting loss) approximately 75% of the time. The confidence level may change if either the total premium or the retention changes, as shown earlier in the table in the "Conclusions" section.

We relied on a Monte Carlo simulation technique to model the distribution of the aggregate expected losses. A more technical description of the assumptions and mathematics underlying this technique can be provided, if desired.

Limitations

We based our results on generally accepted actuarial procedures and reasonable judgments. Our results reflect assumptions regarding loss development, loss trend and wage trend. Projections of expected loss ratios, however, are inherently uncertain and actual results are likely to vary, perhaps materially, from our estimates. This is particularly true for small insurance programs where actual results tend to vary considerably from year to year.

We have produced a range of reasonable reserve estimates, defined by a low and high estimate, and a best estimate within this range. The range of estimates has been produced by alternative sets of assumptions that we consider to be reasonable based on information available to us. It should be understood that this range does not in any way represent the "lowest" or "highest" reserve estimates. Instead, the range should be interpreted as a range of reasonable outcomes that can be expected given current information. There is no guarantee that all possible outcomes are contained within this range.

In performing this analysis we have relied on data and other information provided to us by CMS. We have not audited or verified this data and information. If the underlying data or information is inaccurate or incomplete, our analysis may likewise be inaccurate or incomplete.

The current and future financial position of the OHIWCT is the responsibility of OHIWCT and not Milliman.

Distribution and Use

This report is intended for the internal use of the OHIWCT, CMS, the accounting firm of Fuller & La Fiura, the law firm of Matte & Nenninger, the New York State Workers' Compensation Board and the New York State Insurance Department. No other distribution or use is authorized without prior written consent of Milliman. In the event that distribution of the report is authorized, it may be copied only in its entirety and any party receiving this report must be informed that we are available to answer questions and provide clarification. This report may not be filed with the SEC or other securities regulatory bodies.

Milliman does not intend to benefit any third party recipient of its work product including the auditor, and does not intend to create any legal duty from Milliman even if Milliman consents to the release of its work product. In the event that any audit reveals any error or inaccuracy in the data underlying this report, Milliman requests that the auditor notify Milliman as soon as possible.

OHI Workers' Compensation Trust
Loss Ratio Projection for Fund Year 2005

(1) Fund Year	(2) Premium at Proposed Rates	(3) Annual Wage Trend Factor	(4) Trend Period in Years	(5) Premium at Proposed Rates and 2005 Wage Level
1998	\$229,257	1.030	7	\$281,957
1999	327,392	1.030	6	390,923
2000	344,465	1.030	5	399,329
2001	625,126	1.030	4	703,584
2002	770,470	1.030	3	841,914
2003	945,970	1.030	2	1,003,580
2004	1,387,747	1.030	1	1,429,379
Total	\$4,630,426			\$5,050,666

(1) Fund Year	(6) Case Incurred Loss & ALAE	(7) Ultimate Incurred Loss & ALAE	(8) Annual Loss Trend Factor	(9) Ultimate Incurred Loss & ALAE at 2005 Cost Level
1998	\$64,514	\$64,514	1.050	\$90,778
1999	79,162	79,162	1.050	106,085
2000	184,454	189,454	1.050	241,796
2001	239,554	249,554	1.050	303,334
2002	83,849	103,849	1.050	120,218
2003	229,469	268,142	1.050	295,626
2004	148,750	357,000	1.050	374,850
Total	\$1,029,751	\$954,674		\$1,532,687

(1) Fund Year	(10) Loss & ALAE Ratio at 2005 Level	(11) Weights	(12) Selected Loss & ALAE Ratio
1998	32%	0.056	
1999	27%	0.077	
2000	61%	0.079	
2001	43%	0.139	
2002	14%	0.167	
2003	29%	0.199	
2004	26%	0.283	
Total	30%	30%	33%

FOOTNOTES ON FOLLOWING PAGE

OHI Workers' Compensation Trust
Loss Ratio Projection for Fund Year 2005

FOOTNOTES TO PRECEDING PAGE

- (2) From Exhibit 4
- (3) Selected by Milliman
- (4) Number of years to Fund Year 2005
- (5) $= (2) \times [(3) ^ (4)]$
- (6) From Exhibit 3, Sheet 2
- (7) From Exhibit 3, Sheet 2
- (8) Selected by Milliman
- (9) $= (7) \times [(8) ^ (4)]$
- (10) $= (9) + (5)$
- (11) Selected by Milliman
- (12) Weighted average of column (11), adjusted to include an additional 3% to account for members' average discount.

OHI Workers' Compensation Trust

Estimated Unpaid Loss & ALAE - Discounted to Present Value as of 12/31/04

(1)	(2)	(3)	(4)	(5)
Fund Year	Maturity as of 12/31/04	Factor to Discount to Present Value as of 12/31/04	Estimated Unpaid Loss & ALAE as of 12/31/04	
			Undiscounted	Discounted at 4%
1998	84	1.000	\$0	\$0
1999	72	0.981	0	0
2000	60	0.964	28,809	27,784
2001	48	0.950	87,299	82,929
2002	36	0.936	28,813	26,973
2003	24	0.926	73,300	67,842
2004	12	0.914	274,983	251,341
Total			\$493,205	\$456,869

Notes

- (3) Based on Exhibit 2, Sheet 2
- (4) From Exhibit 3, Sheet 1.

OHI Workers' Compensation Trust
Factors to Discount to Present Value

(1)	(2)	(3)	(4)
Months of Development (n)	Payment Pattern		Factor to Discount to Present Value from n Months from the Beginning of the Year at 4%
	<u>Cumulative</u>	<u>Incremental</u>	
0	0.000	0.000	89.5%
12	0.159	0.159	91.4%
24	0.382	0.224	92.6%
36	0.577	0.195	93.6%
48	0.720	0.143	95.0%
60	0.839	0.119	96.4%
72	0.931	0.092	98.1%
84	1.000	0.069	100.0%

(2), (3) Based on data from the New York Compensation Insurance Rating Board filing effective December 1, 2003

OHI Workers' Compensation Trust
Estimated Unpaid Loss and ALAE as of December 31, 2004

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
					(2) - (5)	(3) - (5)	(4) - (5)
Fund Year	Paid Loss & ALAE as of 12/31/04	Estimated Ultimate Loss & ALAE			Estimated Unpaid Loss & ALAE as of December 31, 2004		
		Low	Best	High	Low	Best	High
1998	\$64,514	\$64,514	\$64,514	\$64,514	\$0	\$0	\$0
1999	79,162	79,162	79,162	79,162	0	0	0
2000	160,644	186,861	189,454	200,208	26,217	28,809	39,564
2001	162,254	247,755	249,554	265,451	85,500	87,299	103,197
2002	75,036	104,039	103,849	134,639	29,003	28,813	59,603
2003	194,841	243,765	268,142	284,393	48,924	73,300	89,551
2004	82,017	297,500	357,000	416,500	215,483	274,983	334,483
Total	\$818,469	\$1,223,596	\$1,311,674	\$1,444,867	\$405,127	\$493,205	\$626,398
	(9)	(10)	(11)	(12)			
		(2) ÷ (9)	(3) ÷ (9)	(4) ÷ (9)			
Fund Year	Earned Premium	Estimated Ultimate Loss & ALAE Ratio					
		Low	Best	High			
1998	\$220,347	29.3%	29.3%	29.3%			
1999	231,045	34.3%	34.3%	34.3%			
2000	266,944	70.0%	71.0%	75.0%			
2001	442,419	56.0%	56.4%	60.0%			
2002	611,995	17.0%	17.0%	22.0%			
2003	812,550	30.0%	33.0%	35.0%			
2004	1,190,000	25.0%	30.0%	35.0%			
Total	\$3,775,300	32.4%	34.7%	38.3%			

Notes

- (2), (9) From Exhibit 3, Sheet 2
(3), (5) Selected judgmentally based on column (3) and actual claim experience to date

OHI Workers' Compensation Trust
Estimated Ultimate Loss & ALAE

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Expected Loss Ratio (ELR)</u>							
(1A) Indemnity	0.21	0.21	0.21	0.31	0.33	0.26	0.25
(1B) <u>Medical</u>	<u>0.11</u>	<u>0.11</u>	<u>0.11</u>	<u>0.15</u>	<u>0.17</u>	<u>0.13</u>	<u>0.12</u>
(1C) Total ELR	0.32	0.32	0.32	0.46	0.50	0.39	0.37
(2) Earned Premium	220,347	231,045	266,944	442,419	611,995	812,550	1,190,000
<u>Loss Development Factor</u>							
(3A) Indemnity	1.130	1.168	1.227	1.328	1.520	2.004	3.427
(3B) Medical	1.171	1.193	1.235	1.280	1.365	1.513	2.092
<u>Estimated IBNR Loss & ALAE</u>							
(4A) Indemnity = (1A) × (2) × [1.0 - 1/(3A)]	5,323	6,979	10,371	33,874	69,091	105,842	210,689
(4B) <u>Medical = (1B) × (2) × [1.0 - 1/(3B)]</u>	<u>3,539</u>	<u>4,112</u>	<u>5,501</u>	<u>14,880</u>	<u>28,145</u>	<u>35,063</u>	<u>74,086</u>
(4C) Total	8,863	11,090	15,872	48,754	97,236	140,906	284,776
(5) Case Incurred Loss & ALAE as of 12/31/04	64,514	79,162	184,454	239,554	83,849	229,469	148,750
(6) Indicated Ultimate Loss & ALAE = (4C) + (5)	73,377	90,253	200,325	288,308	181,085	370,375	433,526
(7) Selected Ultimate Loss & ALAE	64,514	79,162	189,454	249,554	103,849	268,142	357,000
(8) Ultimate Loss & ALAE Ratio = (7) ÷ (2)	29.3%	34.3%	71.0%	56.4%	17.0%	33.0%	30.0%

Notes

- (1) Selected based on prior years' indicated loss & ALAE ratios.
- (2) Amounts for 2003 and prior reflect audited premium. 2004 estimate provided by Cody Management.
- (3) From Exhibit 5, Sheet 1
- (4) IBNR loss & ALAE is estimated based on the Bornhuetter-Ferguson method
- (5) Based on claim list provided by Cody Management
- (7) Selected judgmentally based on line (6) and discussions with Cody Management

OHI Workers' Compensation Trust
Estimated Unpaid Assessments as of December 31, 2004

(1)	Estimated Ultimate Loss & ALAE	\$1,311,674
(2)	Estimated Ultimate Indemnity Loss as % of total	50%
(3)	Estimated Ultimate Indemnity Loss = (1) × (2)	\$655,837
(4)	Indemnity Loss Reported to WCB as of 12/31/04	\$360,048
(5)	Estimated Unreported Indemnity Loss as of 12/31/04 = (3) - (4)	\$295,789
(6)	Security Deposit as of 12/31/04	\$624,000
(7)	Estimated Assessment Rates	
	(7a) Loss-Based Assessments	33.1%
	(7b) Security-Based Assessment	0.4%
(8)	Estimated Unpaid Assessments	
	(8a) Loss-Based Assessments = (5) × (7a)	\$97,906
	(8b) Security-Based Assessment = (6) × (7b)	2,544
	(8c) Total	\$100,450
(9)	Factor to Discount Assessment to Present Value as of December 31, 2004	
	(9a) Loss-Based Assessments	88.7%
	(9b) Security-Based Assessment	100.0%
(10)	Estimated Unpaid Assessments Discounted at 4%	
	(10a) Loss-Based Assessments = (5) × (7a)	\$86,864
	(10b) Security-Based Assessment = (6) × (7b)	2,544
	(10c) Total	\$89,408

Notes

- (1) From Exhibit 3, Sheet 1.
- (2) Selected judgmentally based on OHI Workers' Compensation Trust claim data
- (6) Based on information provided by Cody Management
- (7a) Based on NYCIRB rate filing effective 12/1/03
- (7b) Based on Section 50-5 assessment notice

OHI Workers' Compensation Trust
Estimated Historical Premium at Proposed Rates

Class Code	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Actual Payroll							Proposed OHIWCT Rate	Manual Premium at Proposed Rates						
	2004	2003	2002	2001	2000	1999	1998		2004	2003	2002	2001	2000	1999	1998
3620	\$1,002,500	\$228,936	\$0	\$0	\$0	\$0	\$0	\$7.94	\$79,599	\$18,178	\$0	\$0	\$0	\$0	\$0
3632	452,400	0	0	0	0	0	0	4.29	19,408	0	0	0	0	0	0
3724	171,381	134,081	158,300	158,311	43,400	0	0	8.25	14,139	11,062	13,060	13,061	3,581	0	0
3726	107,550	178,193	0	0	0	0	0	13.51	14,530	24,074	0	0	0	0	0
3737	395,207	396,470	59,500	279,352	23,549	0	0	5.29	20,906	20,973	3,148	14,778	1,246	0	0
5183	1,579,131	1,230,042	1,015,186	276,815	63,000	0	0	7.30	115,277	89,793	74,109	20,207	4,599	0	0
5193	2,014,249	1,812,209	1,570,869	2,177,468	1,304,701	1,596,048	1,114,455	10.97	220,963	198,799	172,324	238,868	143,126	175,086	122,256
5221	0	0	16,500	0	46,200	0	0	13.02	0	0	2,148	0	6,015	0	0
5536	1,812,367	1,003,083	1,045,489	576,343	61,656	0	0	7.26	131,578	72,824	75,903	41,843	4,476	0	0
5645	0	0	0	0	0	0	158	12.81	0	0	0	0	0	0	20
6217	37,000	35,907	17,900	19,489	0	0	0	7.53	2,786	2,704	1,348	1,468	0	0	0
7219	1,670,001	1,193,089	1,226,292	1,008,450	118,500	53,603	0	9.35	156,145	111,554	114,658	94,290	11,080	5,012	0
7380	346,700	207,799	0	0	0	0	0	7.39	25,621	15,356	0	0	0	0	0
7998	146,000	127,197	144,560	25,100	21,900	21,200	20,800	2.48	3,621	3,154	3,585	622	543	526	516
8006	332,000	275,417	369,360	278,241	256,804	170,359	35,431	2.51	8,333	6,913	9,271	6,984	6,446	4,276	889
8017	78,000	80,638	131,000	99,135	0	0	0	1.88	1,466	1,516	2,463	1,864	0	0	0
8018	160,700	52,288	0	0	0	0	0	4.64	7,456	2,426	0	0	0	0	0
8043	50,000	48,082	44,400	31,433	0	0	0	1.63	815	784	724	512	0	0	0
8111	1,485,085	362,681	13,872	0	0	0	0	4.66	69,205	16,901	646	0	0	0	0
8232	0	322,622	141,800	101,405	0	0	0	7.90	0	25,487	11,202	8,011	0	0	0
8292	52,000	48,117	53,054	0	0	0	0	6.63	3,448	3,190	3,517	0	0	0	0
8350	3,391,858	2,923,927	2,442,958	1,992,602	1,629,577	1,440,419	1,072,654	5.23	177,394	152,921	127,767	104,213	85,227	75,334	56,100
8353	1,193,500	1,343,341	1,414,465	732,306	621,600	703,350	494,558	6.16	73,520	82,750	87,131	45,110	38,291	43,326	30,465
8381	208,500	208,239	127,948	70,579	244,200	66,471	15,761	2.69	5,609	5,602	3,442	1,899	6,569	1,788	424
8382	133,529	0	0	0	0	0	0	2.08	2,777	0	0	0	0	0	0
8391	3,628,867	963,643	851,744	276,343	507,178	270,427	258,569	4.45	161,485	42,882	37,903	12,297	22,569	12,034	11,506
8742	1,471,027	775,869	599,474	359,565	166,450	277,231	69,342	0.61	8,973	4,733	3,657	2,193	1,015	1,691	423
8748	1,637,638	0	0	0	0	0	0	0.82	13,429	0	0	0	0	0	0
8809	4,008,483	2,795,032	2,193,892	1,895,631	1,394,821	1,063,588	891,978	0.39	15,633	10,901	8,556	7,393	5,440	4,148	3,479
8810	5,210,935	3,565,093	2,692,178	1,979,585	1,247,932	1,226,590	935,051	0.34	17,717	12,121	9,153	6,731	4,243	4,170	3,179
9030	60,840	0	0	0	0	0	0	6.03	3,669	0	0	0	0	0	0
9079	242,000	264,474	132,750	63,460	0	0	0	2.56	6,195	6,771	3,398	1,625	0	0	0
9519	125,000	26,868	0	0	0	0	0	3.31	4,138	889	0	0	0	0	0
0006	31,000	11,547	22,000	18,760	0	0	0	6.17	1,913	712	1,357	1,157	0	0	0
	\$33,235,446	\$20,614,884	\$16,485,491	\$12,420,373	\$7,751,468	\$6,889,286	\$4,908,757		\$1,387,747	\$945,970	\$770,470	\$625,126	\$344,465	\$327,392	\$229,257

OHI Workers' Compensation Trust
Loss Development Factors

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Age	Medical *		Indemnity **		Weighted Average		Interpolated	
	LDF	% Reported	LDF	% Reported	% Reported	LDF	Maturity	LDF
12	2.092	47.8%	3.427	29.2%	35.7%	2.802	12	2.802
24	1.513	66.1%	2.004	49.9%	55.6%	1.799	24	1.799
36	1.365	73.3%	1.520	65.8%	68.4%	1.462	36	1.462
48	1.280	78.1%	1.328	75.3%	76.3%	1.311	48	1.311
60	1.235	81.0%	1.227	81.5%	81.3%	1.230	60	1.230
72	1.193	83.8%	1.168	85.6%	85.0%	1.177	72	1.177
84	1.171	85.4%	1.130	88.5%	87.4%	1.144	84	1.144
96	1.150	87.0%	1.100	90.9%	89.5%	1.117	96	1.117
	Weight:	35.0%	Weight:	65.0%				

* From Exhibit 5, Sheet 2

** From Exhibit 5, Sheet 3

OHI Workers' Compensation Trust
Case Incurred Loss Development*
Medical

Accident Year	EvaluationMonths							
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	ULT:96
1983								
1984								
1985								1.091
1986							1.016	1.231
1987						1.021	1.002	1.129
1988					1.008	0.989	1.013	1.187
1989				1.013	1.016	1.013	1.009	1.143
1990			1.030	1.023	1.019	1.017	1.003	1.251
1991		1.071	1.063	0.995	1.019	1.016	1.052	1.163
1992	1.258	1.054	1.029	1.041	1.018	1.035	1.010	1.121
1993	1.343	1.075	1.062	1.019	1.050	1.006	1.009	1.175
1994	1.217	1.113	1.070	1.020	1.011	1.013	1.000	1.131
1995	1.449	1.121	1.030	1.030	1.032	1.002	1.019	
1996	1.303	1.098	1.033	1.032	1.048	1.040		
1997	1.415	1.045	1.039	1.063	1.035			
1998	1.368	1.083	1.148	1.036				
1999	1.339	1.164	1.083					
2000	1.401	1.150						
2001	1.394							
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	ULT:96
2 year avg.	1.398	1.157	1.116	1.050	1.042	1.021	1.010	1.153
5 year avg.	1.383	1.108	1.067	1.036	1.035	1.019	1.018	1.168
Selected **	1.383	1.108	1.067	1.036	1.035	1.019	1.018	1.150
Factor to Ultimate	2.092	1.513	1.365	1.280	1.235	1.193	1.171	1.150

* Statewide industry loss development from the New York Compensation Insurance Rating Board.

** See discussion in text of this report.

OHI Workers' Compensation Trust
Case Incurred Loss Development*
Indemnity

Accident Year	EvaluationMonths							
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	ULT:96
1983								
1984								
1985								1.180
1986							1.015	1.096
1987						1.029	1.001	1.119
1988					1.050	1.020	1.021	1.114
1989				1.067	1.040	1.015	1.024	1.100
1990			1.093	1.078	1.037	1.024	1.021	1.111
1991		1.229	1.121	1.060	1.054	1.050	1.053	1.052
1992	1.597	1.265	1.101	1.086	1.052	1.038	1.017	1.080
1993	1.547	1.234	1.157	1.088	1.057	1.023	1.021	1.086
1994	1.441	1.306	1.167	1.069	1.034	1.024	1.019	1.128
1995	1.592	1.309	1.140	1.044	1.045	1.038	1.026	
1996	1.482	1.237	1.096	1.071	1.065	1.047		
1997	1.637	1.238	1.111	1.145	1.050			
1998	1.685	1.233	1.207	1.081				
1999	1.697	1.434	1.170					
2000	1.794	1.450						
2001	1.739							
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	ULT:96
2 year avg.	1.767	1.442	1.189	1.113	1.058	1.043	1.023	1.107
5 year avg.	1.710	1.318	1.145	1.082	1.050	1.034	1.027	1.091
Selected**	1.710	1.318	1.145	1.082	1.050	1.034	1.027	1.100
Factor to Ultimate	3.427	2.004	1.520	1.328	1.227	1.168	1.130	1.100

* Statewide industry loss development from the New York Compensation Insurance Rating Board.

** See discussion in text of this report.

OHI Workers' Compensation Trust
2005 Fund Year Rate Page

(1)	(2)	(3)	(4)
Class Code	NYCIRB Rates Eff. 10/1/99	OHIWCT Proposed 2005 Fund Year Rates New Members	Renewal
3620	\$9.23	\$7.94	\$7.85
3632	4.99	4.29	4.24
3724	9.59	8.25	8.15
3726	15.71	13.51	13.35
3737	6.15	5.29	5.23
5183	8.49	7.30	7.22
5193	12.76	10.97	10.85
5221	15.14	13.02	12.87
5536	8.44	7.26	7.17
5645	14.89	12.81	12.66
6217	8.75	7.53	7.44
7219	10.87	9.35	9.24
7380	8.59	7.39	7.30
7998	2.88	2.48	2.45
8006	2.92	2.51	2.48
8017	2.19	1.88	1.86
8018	5.39	4.64	4.58
8043	1.89	1.63	1.61
8111	5.42	4.66	4.61
8232	9.19	7.90	7.81
8292	7.71	6.63	6.55
8350	6.08	5.23	5.17
8353	7.16	6.16	6.09
8381	3.13	2.69	2.66
8382	2.42	2.08	2.06
8391	5.18	4.45	4.40
8742	0.71	0.61	0.60
8748	0.95	0.82	0.81
8809	0.45	0.39	0.38
8810	0.39	0.34	0.33
9030	7.01	6.03	5.96
9079	2.98	2.56	2.53
9519	3.85	3.31	3.27
0006	7.18	6.17	6.10

- (2) NYCIRB rates per \$100 of payroll, from NYCIRB rate filing effective 10/1/99.
- (3) Proposed OHIWCT rates per \$100 of payroll for new members. Equal to column (2), reduced by 14%.
- (4) Proposed OHIWCT rates per \$100 of payroll for members renewing 1/1/2005. Equal to column (2) reduced by 15% to reflect an additional 1% renewal credit.