

**ANALYSIS OF OHI WORKERS'
COMPENSATION TRUST
UNPAID LOSS AND
ALLOCATED LOSS ADJUSTMENT EXPENSE
AS OF DECEMBER 31, 2007**

Prepared for:

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

Prepared by:

Milliman, Inc.

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April 24, 2008

Board of Trustees &
David I. Harvey, Ph.D.
Administrator
OHI Workers' Compensation Trust
357 Bay Road, Suite 4
Queensbury, NY 12804

Dear David and Board Members:

Milliman, Inc. has completed its review of the loss and allocated loss adjustment expense claim liability, including unpaid assessments, of the OHI Workers' Compensation Trust as of December 31, 2007. This report discusses our conclusions, the data used in our analysis, the details of our analysis and the limitations on our results.

We appreciate the opportunity to be of continued assistance to the OHI Workers' Compensation Trust. Please feel free to call us if you have any questions or comments.

Sincerely,

A handwritten signature in cursive script that reads 'Derek A. Jones'.

Derek A. Jones, FCAS

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TABLE OF CONTENTS

	<u>Page</u>
Background and Scope.....	1
Disclosures.....	1
Conclusions.....	3
Data.....	4
Approach.....	4
Explanation of Exhibits.....	5
Excess Insurance.....	9
Potential Areas of Uncertainty in Our Analysis.....	9
Limitations.....	11
Distribution and Use.....	12

Background and Scope

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. OHIWCT 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. The Trust currently has 108 members.

Milliman was retained by CMS on behalf of OHIWCT to perform an independent analysis of OHIWCT's unpaid loss, allocated loss adjustment expense (ALAE), and assessments as of December 31, 2007. Our analysis was performed based on data evaluated as of December 31, 2007 and other information provided through the date of this report. The purpose of this report is to assist OHIWCT management in its financial reporting responsibilities. This report summarizes our findings.

This report may be considered a prescribed statement of actuarial opinion under guidelines promulgated by the American Academy of Actuaries. Derek Jones is a member of the American Academy of Actuaries and meets the Qualifications Standards of the American Academy of Actuaries to render the opinion contained herein.

Disclosures

Intended Measure

We produced an actuarial central estimate, as well as a range of reasonable claim estimates defined by a low estimate and a high estimate. The actuarial central estimate is not a statistically defined estimate (such as mean, median, n^{th} percentile), but is intended to be an estimate that represents an expected value over the range of reasonably possible outcomes. Our low estimate is based on assumptions that we believe to be optimistic but reasonable. Our high estimate is based on assumptions that we believe to be pessimistic but reasonable. We note that these are not intended to represent the lowest or highest possible outcomes.

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Constraints

There have been no unusual constraints (e.g., time, availability of data, access to staff) on our ability to perform this analysis.

Discount for the Time Value of Money

We evaluated the unpaid loss and ALAE, as well as the unpaid assessments, on both a discounted and undiscounted basis with respect to the time value of money. OHIWCT does not reduce reserves to reflect discounting.

Recoveries

The data underlying our review are net of collected salvage and subrogation recoveries. The resulting unpaid claim estimates are, therefore, implicitly net of future salvage and subrogation recoveries.

The data underlying our review are gross of excess insurance recoveries. We have limited the claim data to reflect OHIWCT's per occurrence retention under its excess insurance program. The resulting unpaid claim estimates are, therefore, implicitly net of future excess insurance recoveries. OHIWCT's carried reserves reflect anticipated excess insurance recoveries.

Methodology

This review is an update to our year-end 2006 report dated April 25, 2007. At OHIWCT's request, Milliman and Claim Services, Inc. (CSI), the Trust's third party claim administrator, have met quarterly to discuss the case reserves on open claims. During 2007, CSI changed its case reserving philosophy and Milliman claim consultants believe OHIWCT's case reserves are in line with industry standards. As a result, we used CSI's claim reserves for this study and our current methodology uses case incurred loss and ALAE and statewide incurred loss development patterns as discussed in the Explanation of Exhibits section.

There have been no other material changes in procedures, methodology or significant assumptions used to produce our estimates.

Loss Adjustment Expenses

The claim data underlying our analysis includes allocated loss adjustment expenses (ALAE), which typically reflects the cost of defense and claim adjusting costs that can be allocated to individual claims. Our analysis does not reflect a provision for unallocated

loss adjustment expenses (ULAE), which reflect the costs of third party claim administration.

Conclusions

Estimated Unpaid Claim and Assessment Liabilities as of December 31, 2007

Table 1 summarizes our low, central, and high estimates of the unpaid claim and assessment liabilities as of December 31, 2007 on an undiscounted basis.

Table 1
Estimated Undiscounted Unpaid Claim and Assessment Liabilities
as of December 31, 2007
Net of Excess Insurance

	Low	Central	High
Loss and ALAE	\$2,519,225	\$3,124,839	\$3,887,739
Assessments	233,175	233,175	233,175
Total Unpaid	\$2,752,400	\$3,358,014	\$4,120,914

Table 2 summarizes our low, central, and high estimates of the unpaid claim and assessment liabilities as of December 31, 2007 on a discounted basis. The interest rate (4%) used to discount the unpaid amounts to present value as of December 31, 2007 was provided by CMS. We express no opinion on the reasonableness of the interest rate.

Table 2
Estimated Unpaid Claim and Assessment Liabilities as of December 31, 2007
Net of Excess Insurance
Discounted to Present Value at 4%

	Low	Central	High
Loss and ALAE	\$2,195,449	\$2,723,953	\$3,389,683
Assessments	224,578	224,578	224,578
Total Unpaid	\$2,420,027	\$2,948,531	\$3,614,261

Data

Our analysis is based on the following data:

- (1) Premium and loss data for fund years 1998 through 2007 at historical December 31 evaluations provided by CMS.
- (2) Audited payroll for policy years 1998-2006 by employer and by classification code and initial estimates of total 2007 payroll underlying OHIWCT's 2007 premium calculations for current members provided by CMS.
- (3) New York Compensation Insurance Rating Board (NYCIRB) rates effective October 1, 1999 and rate changes provided by CMS.
- (4) State of New York Workers' Compensation Board (WCB) assessment invoices provided by CMS.
- (5) Incurred and paid loss development factors for New York from the NYCIRB 2006 Financial Call Data.
- (6) Assessment rates and average annual trends in New York wages, claim frequencies and claim severities from the October 1, 2007 NYCIRB rate filing.
- (7) Excess loss and ALAE factors from the New York Retrospective Rating Plan Manual effective January 1, 2008.

Approach

The scope of our work was to estimate the unpaid claim and assessment liabilities as of December 31, 2007. Total unpaid loss and ALAE was estimated by subtracting cumulative paid losses and ALAE at December 31, 2007 from the estimated ultimate loss and ALAE amounts. In estimating OHIWCT's ultimate loss and ALAE, we reviewed the historical loss, ALAE, claim, and premium data as of December 31, 2007 provided by CMS. Unpaid assessments were estimated in a similar manner.

The methodology that underlies our estimates is discussed below.

Explanation of Exhibits

Summary

This exhibit summarizes the estimated unpaid claim and assessment liabilities as of December 31, 2007.

This exhibit summarizes the unpaid liabilities separately for loss and ALAE (from Exhibit 2, Sheet 1) versus assessments (from Exhibit 3). The summary shows our estimates on both an undiscounted and discounted basis with respect to the time value of money.

Exhibit 1

This exhibit summarizes the estimated unpaid loss and ALAE discounted to present value as of December 31, 2007.

We reflected the impact of the time value of money by discounting the estimated unpaid loss and ALAE to present value as of December 31, 2007 based on an interest rate of 4%. Sheet 1 shows the application of present value discount factors to the low, central, and high estimates of the undiscounted unpaid loss and ALAE.

Sheet 2 shows the estimated factors to discount unpaid loss and ALAE amounts to present value. The expected payment pattern that underlies these discount factors was based on statewide paid loss development patterns from the NYCIRB with an adjustment to reflect the estimated impact of OHIWCT's excess insurance.

Exhibit 2

This exhibit summarizes our range of estimates of ultimate loss and ALAE, the resulting estimated unpaid amounts as of 12/31/07, and ultimate loss and ALAE ratios.

Column (2) summarizes the loss and ALAE paid as of December 31, 2007. This is subtracted from the estimated ultimate loss and ALAE amounts in columns (3) – (5) to produce our range of unpaid estimates in columns (6) – (8).

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

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

Exhibit 3

This exhibit summarizes our estimated unpaid assessments as of 12/31/07.

To estimate OHIWCT's unpaid loss-based assessment, we first estimate the assessment base for future bills from the WCB. Based on the recent workers compensation reform and discussions with the WCB, we used indemnity payments through March 31, 2008 as the assessment base for purposes of calculating the unpaid loss-based assessment. We applied the assessment rates from the latest NYCIRB rate filing to the assessment base and subtracted the payments to date to produce the estimate of unpaid loss-based assessment.

To estimate OHIWCT's unpaid security-based assessment, we applied the current assessment rate to the security deposit as of December 31, 2007.

Exhibit 4

This exhibit provides the calculations that underlie column (2) of Exhibit 5, Sheet 1.

Columns (2) – (10) show the actual audited payroll figures by classification for all OHIWCT members. The data in these columns were recorded from exhibits prepared by CMS for each OHIWCT member. The amounts for 2007, for which the audit has not been completed, are annualized estimates provided by CMS.

Column (11) shows OHIWCT's current rates for fund year 2008.

Columns (12) – (21) show the products of the adjusted payrolls by classification in columns (1) – (10) and the current rates in column (11). These products represent historical premium amounts adjusted to the 2008 rate level.

Exhibit 5

This exhibit shows the "Cape Cod" methodology used to produce indications of ultimate loss and ALAE.

The Cape Cod method is a common actuarial approach that estimates unpaid or unreported loss and ALAE based on an a priori expected loss estimate and the expected percentage of ultimate loss and ALAE that is currently unpaid or unreported. This is a

generally accepted actuarial approach for estimating ultimate losses when loss experience is immature or volume is low; both of these issues affect OHIWCT. Additional details about this method are available upon request.

On Sheet 1, the expected ultimate loss is based on the product of earned premium and an expected loss ratio. On Sheet 2, the expected ultimate loss is based on the product of an estimate of the ultimate number of reported claims and an expected ultimate average claim severity.

Exhibit 6

This exhibit shows the source of the loss development factors used in Exhibits 2 and 5.

The incurred loss and ALAE development pattern used in this analysis is based on data from the NYCIRB 2006 financial data call. The industry data excludes ALAE, but the omission of this data should have only a minor effect on the incurred loss development pattern.

Sheet 2 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 2001 incurred medical losses valued as of December 31, 2002 (24 months) are 39.4% larger than accident year 2001 incurred medical losses valued as of December 31, 2001 (12 months). The loss development factor is, therefore, expressed as 1.394. 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 3 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 120 months become the selected loss development factors to an ultimate loss level. We adjusted the tail factor at 120 months to reflect OHIWCT's self-insured retention. Also, we adjusted the 12-to-ultimate factor to reflect the expected impact of the recent workers compensation reform.

On Sheet 1 of Exhibit 6, we calculate the weighted average of the two development patterns, using weights of 65% for indemnity and 35% for medical, to determine a development pattern for medical and indemnity loss combined. These loss development factors are used in Exhibit 4 for the calculation of the Cape Cod ultimate losses.

Exhibit 7

This exhibit shows the OHIWCT rates for 2008 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 OHIWCT rate per \$100 of payroll for prospective members.

Column (4) shows the OHIWCT rate per \$100 of payroll for current members that renew effective January 1, 2008. This is based on the proposed OHIWCT rates shown in column (3) and an additional 1% renewal rate credit.

Exhibit 8

This exhibit shows the estimated number of ultimate claims for fund years 1998-2007.

Column (2) shows the number of claims reported for each fund year as of December 31, 2007.

Column (3) shows our estimate of the development on reported claims from one evaluation date to the next.

Column (4) shows our estimate of the ultimate development on reported claims based on Column (3).

Column (5) represents the percentage of the estimated ultimate number of claims that have been reported as of December 31, 2007.

Column (6) shows our estimate of the ultimate number of reported claims for fund years 1998-2007.

Exhibit 9

This exhibit provides a summary of the paid and incurred loss and ALAE through December 31, 2007 both gross and net of excess insurance.

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Excess Insurance

OHIWCT has historically purchased excess of loss insurance to protect itself from catastrophic claims. OHIWCT's per occurrence retention has increased over time, as shown in Table 3.

Table 3
Summary of Excess Insurance Program

Fund Year	Per Occurrence Retention
1998	\$200,000
1999	200,000
2000	200,000
2001	200,000
2002	250,000
2003	350,000
2004	350,000
2005	400,000
2006	400,000
2007	400,000

Our estimate of the unpaid loss and ALAE net of excess insurance assumes that all excess insurance is valid and collectible. We have not anticipated any contingent liabilities that could arise if the excess insurers do not meet their obligations to OHIWCT as reflected in the data and other information provided to us.

Potential Areas of Uncertainty in Our Analysis

There are several assumptions underlying our work that have potential to either overestimate or underestimate the unpaid claim liabilities as of December 31, 2007.

1. Incurred Loss Development Factor from 120 Months

Exhibit 6 shows the industry loss experience in the development of incurred losses from 120 months to their ultimate reported values. Over the most recently available five years, this factor has ranged from 1.179 to 1.216 for indemnity and from 1.282 to 1.308 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 6% 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 insurance, 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. We adjusted the industry tail for the \$400,000 per occurrence limit.

Due to the relative lack of relevant historical experience for OHIWCT, we utilized incurred loss and ALAE development patterns 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.

3. Impact of 2007 Workers Compensation Legislative Reform

In producing our estimates of the unpaid claim and assessment liabilities, it was necessary to reflect the impact of recent legislative reform of the New York workers compensation system. The main components of this reform were:

- a) A cap has been placed on the duration of payments made for permanent partial claims occurring on or after March 13, 2007; this could decrease the future losses for OHIWCT.
- b) The maximum weekly benefit has been increased from \$400 to \$500 for claims occurring on or after July 1, 2007 and to \$550 for claims occurring on or after July 1, 2008. This will increase the future loss for OHIWCT.
- c) The second injury fund will no longer be available as a reimbursement mechanism for claims that occur on or after July 1, 2007. This could increase the OHIWCT payments.

We relied on the statewide average impact estimated by the NYCIRB in adjusting historical loss estimates to the 2007 fund year level, but it is premature to estimate

whether the reform's impact on OHIWCT will be different from the NYCIRB's estimates for New York State overall.

4. Annual Wage Trend

The annual wage trend 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.

5. Annual Loss Trend

The annual loss trend is based on the NYCIRB rate filing, which is based on statewide data for all class codes combined. This annual loss trend may or may not be representative of the expected annual loss cost trend of the OHIWCT.

Limitations

Data

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 other information. Such a review is beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for values that are questionable or relationships that are materially inconsistent. Such a review is beyond the scope of our assignment.

Uncertainty

The estimates contained in our report reflect our best professional judgment, based on our actuarial analysis of the available data. Our results reflect assumptions regarding loss development, loss trend and wage trend. All unpaid claim estimates inherently contain uncertainty. Actual future payments may differ materially, and in either direction, from our estimate. This is particularly true for small insurance programs where actual results tend to vary considerably from year to year.

The causes of this inherent variability are numerous, and can include changes in the legal, social, or regulatory environment surrounding the claims process. Uncontrollable factors

such as general economic conditions and random statistical variation also contribute to this variability. Factors such as changes in claim reserving or settlement practices, can also affect our estimates. Of course, uncontrollable factors such as general economic conditions and random statistical variation can also influence future claim amounts.

Our findings are based, in part, on assumptions we made with respect to the applicability of using industry data to estimate OHIWCT's loss and ALAE claim liability. To the extent that the risks faced by OHIWCT are different from those underlying the industry sources we used, there is additional uncertainty.

Variability

The sensitivity of key variables in the analysis was considered. Key variables include loss development factor selections, expected loss ratios and expected claim severities. The overall results are potentially sensitive to any of these items, and reasonable alternative selections could change the results either upward or downward.

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, and the WCB. 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. Any reference to Milliman's work in securities filings, analyst meetings and press releases will not be authorized.

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
 Estimated Unpaid Loss, ALAE and Assessments as of December 31, 2007

	Undiscounted			Discounted to Present Value at 4%		
	Low	Central	High	Low	Central	High
(1) Estimated Unpaid Loss and ALAE	2,519,225	3,124,839	3,887,739	2,195,449	2,723,953	3,389,682
(2) Estimated Unpaid Assessments	233,175	233,175	233,175	224,578	224,578	224,578
(3) Estimated Total Unpaid = (1) + (2)	2,752,400	3,358,014	4,120,914	2,420,027	2,948,531	3,614,261

Notes

- (1) From Exhibit 1, Sheet 1
 (2) From Exhibit 3

OHI Workers' Compensation Trust

Estimated Unpaid Loss & ALAE - Discounted to Present Value as of 12/31/07

(1) Fund Year	(2) Maturity as of 12/31/07	(3) Factor to Discount to Present Value as of 12/31/07	(4) Estimated Unpaid Loss & ALAE as of 12/31/07						(9) = (3) x (8)
			(5) = (3) x (4)		(6) = (3) x (6)		(7) = (3) x (8)		
			Low		Central		High		
			Undiscounted	Discounted at 4%	Undiscounted	Discounted at 4%	Undiscounted	Discounted at 4%	
1998	120	0.902	0	0	0	0	0	0	0
1999	108	0.902	0	0	0	0	0	0	0
2000	96	0.891	15,158	13,502	30,316	27,003	46,332	41,270	
2001	84	0.887	48,814	43,311	97,629	86,622	133,022	118,026	
2002	72	0.880	5,040	4,437	10,079	8,874	59,039	51,979	
2003	60	0.878	35,961	31,566	56,275	49,397	88,777	77,927	
2004	48	0.876	443,565	388,550	505,371	442,690	579,538	507,658	
2005	36	0.871	505,938	440,535	613,380	534,089	745,617	649,231	
2006	24	0.869	542,383	471,385	685,909	596,123	865,317	752,047	
2007	12	0.870	922,366	802,163	1,125,880	979,155	1,370,097	1,191,545	
Total			2,519,225	2,195,449	3,124,839	2,723,953	3,887,739	3,389,682	

Notes

- (3) Based on Exhibit 1, Sheet 2
- (4), (6), (8) From Exhibit 2, Sheet 1

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Factors to Discount to Present Value

(1) Months of Development (n)	(2) Payment Pattern		(3) Factor to Discount to Present Value from n Months from the Beginning of the Year at 4%
	Cumulative	Incremental	
0	0.000	0.000	85.7%
12	0.143	0.143	87.0%
24	0.344	0.201	86.9%
36	0.490	0.146	87.1%
48	0.595	0.105	87.6%
60	0.690	0.095	87.8%
72	0.762	0.072	88.0%
84	0.813	0.051	88.7%
96	0.859	0.046	89.1%
108	0.888	0.029	90.2%
120	0.913	0.025	91.5%
132	0.934	0.021	92.9%
144	0.954	0.020	94.4%
156	0.969	0.015	96.2%
168	0.985	0.016	98.1%
180	1.000	0.015	100.0%

Notes

(2), (3) Based on data from the New York Compensation Insurance Rating Board
2006 Financial Call Data excluding large deductible experience

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Estimated Unpaid Loss and ALAE as of December 31, 2007

(1) Fund Year	(2) Limited Paid Loss & ALAE as of 12/31/07	(3) - (4) - (5) Estimated Ultimate Loss & ALAE			(6) - (7) - (8) Estimated Unpaid Loss & ALAE as of December 31, 2007		
		Low	Central	High	Low	Central	High
		1998	64,514	64,514	64,514	64,514	0
1999	79,162	79,162	79,162	79,162	0	0	0
2000	241,478	256,636	271,794	287,811	15,158	30,316	46,332
2001	332,854	381,669	430,483	465,877	48,814	97,629	133,022
2002	92,449	97,488	102,528	151,487	5,040	10,079	59,039
2003	179,122	215,083	235,397	267,899	35,961	56,275	88,777
2004	498,601	942,167	1,003,973	1,078,140	443,565	505,371	579,538
2005	597,099	1,103,037	1,210,479	1,342,716	505,938	613,380	745,617
2006	258,636	801,019	944,545	1,123,953	542,383	685,909	865,317
2007	246,405	1,168,771	1,372,285	1,616,501	922,366	1,125,880	1,370,097
Total	2,590,321	5,109,546	5,715,160	6,478,060	2,519,225	3,124,839	3,887,739

Fund Year	(9) Earned Premium	(10) - (11) - (12) Estimated Ultimate Loss & ALAE Ratio		
		(3) ÷ (9)	(4) ÷ (9)	(5) ÷ (9)
1998	220,347	29.3%	29.3%	29.3%
1999	231,045	34.3%	34.3%	34.3%
2000	266,944	96.1%	101.8%	107.8%
2001	442,419	86.3%	97.3%	105.3%
2002	611,995	15.9%	16.8%	24.8%
2003	812,550	26.5%	29.0%	33.0%
2004	1,236,118	76.2%	81.2%	87.2%
2005	1,652,958	66.7%	73.2%	81.2%
2006	1,794,080	44.6%	52.6%	62.6%
2007	2,035,139	57.4%	67.4%	79.4%
Total	9,303,595	54.9%	61.4%	69.6%

Notes

- (2) Based on claim list provided by Code Management
- (3), (5) Selected judgmentally based on column (4) and actual claim experience to date
- (4), (9) From Exhibit 2, Sheet 2

OHI Workers' Compensation Trust
Estimated Ultimate Loss & ALAE
Central Estimate

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Expected Loss & ALAE Ratio</u>										
(1A) Indemnity	0.21	0.21	0.21	0.39	0.55	0.41	0.27	0.34	0.44	0.31
(1B) Medical	0.11	0.11	0.11	0.19	0.28	0.20	0.14	0.16	0.22	0.31
(1C) Total Expected Loss & ALAE Ratio	0.32	0.32	0.32	0.58	0.83	0.61	0.41	0.50	0.66	0.62
(2) Earned Premium	220,347	231,045	266,944	442,419	611,995	812,550	1,236,118	1,652,958	1,794,080	2,035,139
<u>Loss Development Factor</u>										
(3A) Indemnity	1.093	1.110	1.124	1.147	1.185	1.257	1.352	1.548	2.041	3.161
(3B) Medical	1.094	1.120	1.149	1.180	1.230	1.285	1.354	1.456	1.635	1.946
<u>Estimated IBNR Loss & ALAE</u>										
(4A) Indemnity = (1A) * (2) * [1.0 - 1/(3A)]	3,919	4,808	6,203	22,162	52,439	68,171	86,907	198,918	402,685	431,286
(4B) Medical = (1B) * (2) * [1.0 - 1/(3B)]	2,078	2,723	3,747	12,694	32,199	35,856	45,749	85,080	154,625	304,376
(4C) Total	5,996	7,531	9,950	34,856	84,639	104,027	132,656	283,999	557,310	735,662
(5A) Paid Loss & ALAE as of 12/31/07	64,514	79,162	241,478	332,854	92,449	179,122	498,601	597,099	258,636	246,405
(5B) Case Loss & ALAE Reserves as of 12/31/07	0	0	30,316	97,629	10,079	26,275	316,867	258,092	208,062	422,456
(5C) Case Incurred Loss & ALAE as of 12/31/07	64,514	79,162	271,794	430,483	102,528	205,397	815,468	855,192	466,698	668,860
(6) Indicated Ultimate Loss & ALAE BF Method = (4C) + (5C)	70,510	86,694	281,744	465,339	187,166	309,424	948,124	1,139,191	1,024,008	1,404,522
Incurred Loss & ALAE Loss Ratio Cape Cod Method	73,532	94,650	291,009	472,109	167,857	315,274	1,024,415	1,192,879	968,651	1,292,109
Incurred Loss & ALAE Severity Cape Cod Method	76,233	100,797	291,765	476,242	158,464	297,798	983,530	1,228,080	920,440	1,452,460
(7) Selected Ultimate Loss & ALAE	64,514	79,162	271,794	430,483	102,528	235,397	1,003,973	1,210,479	944,545	1,372,285
(8) Selected Unpaid Loss & ALAE = (7) - (5A)	0	0	30,316	97,629	10,079	56,275	505,371	613,380	685,909	1,125,880
(9) Remaining Open and IBNR Claims as of 12/31/07	0	0	1	2	1	2	5	7	9	4
(10) Implied Unpaid Loss & ALAE per Outstanding Claim = (8) ÷ (9)	NA	NA	30,316	48,814	10,079	28,137	101,074	87,626	76,212	26,183
(11) Ultimate Loss & ALAE Ratio = (7) ÷ (2)	29.3%	34.3%	101.8%	97.3%	16.8%	29.0%	81.2%	73.2%	52.6%	67.4%

Notes

- (1) Selected based on prior years' indicated loss & ALAE ratios
- (2) Amounts for 2006 and prior reflect audited premium. 2007 estimates provided by Cody Management
- (3) Based on Exhibit 6, Sheet 1
- (4) IBNR loss & ALAE is estimated based on the Bornhuetter-Ferguson method
- (5) Based on claim list provided by Cody Management
- (6) Loss Ratio Cape Cod and Severity Cape Cod Indications from Exhibit 5, Sheets 1 and 2, respectively
- (7) Selected judgmentally based on line (6) and a review of the open claims
- (9) Based on claim list provided by Cody Management and Exhibit 8

OHIO Workers' Compensation Trust
 Estimated Unpaid Assessments as of December 31, 2007

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
			<u>Workers Compensation Board</u>						<u>Reopened Case Fund (25-A)</u>												
Period	Indemnity Payments	Rate	Estimated Assessment Amount	Deposits/Prepayments	Estimated Unpaid Assessment	Rate	Estimated Assessment Amount	Deposits/Prepayments	Estimated Unpaid Assessment												
4/1/06 - 3/31/07	281,424	0.069	19,418	18,094	1,325	0.042	11,820	0	11,820												
4/1/07 - 3/31/08	603,465	0.069	41,639	20,601	21,038	0.042	25,346	0	25,346												
Total			61,057	38,695	22,362		37,165	0	37,165												
			<u>Special Disability Fund (15-8)</u>						<u>Interdepartmental Expense</u>						<u>Special Funds Conservation Committee</u>						
Period	Indemnity Payments	Rate	Estimated Assessment Amount	Deposits/Prepayments	Estimated Unpaid Assessment	Rate	Estimated Assessment Amount	Deposits/Prepayments	Estimated Unpaid Assessment	Rate	Estimated Assessment Amount	Deposits/Prepayments	Estimated Unpaid Assessment								
4/1/06 - 3/31/07	281,424	0.182	51,219	0	51,219	0.019	5,347	5,177	170	0.002	567	0	567								
4/1/07 - 3/31/08	603,465	0.182	109,831	0	109,831	0.019	11,466	5,985	5,481	0.002	1,207	0	1,207								
Total			161,050	0	161,050		16,813	11,162	5,651		1,774	0	1,774								
							(23)	Security Deposit as of 12/31/07					624,000								
							(24)	Security-Based Assessment					0.8%								
							(25)	Estimated Unpaid Assessments (25a) Loss-Based Assessments = (6) + (10) + (14) + (18) + (22) (25b) Security-Based Assessment = (23) + (24) (25c) Total					227,908 5,177 233,175								
							(26)	Factor to Discount Assessment to Present Value as of December 31, 2007 (26a) Loss-Based Assessments (26b) Security-Based Assessment					96.2% 100.0%								
							(27)	Estimated Unpaid Assessments Discounted at 4% (27a) Loss-Based Assessments = (25a) * (26a) (27b) Security-Based Assessment = (25b) * (26b) (27c) Total					219,401 5,177 224,578								

Notes

(2)	Based on assessment reports and claim list provided by Cody Management	(14)	= (12) - (13)
(3), (7), (11), (15), (19)	Based on NYCIRB rate filing effective 10/1/07	(16)	= (2) - (15)
(4)	= (2) - (3)	(18)	= (16) - (17)
(5), (9), (13), (17), (21)	Based on assessment notices provided by Cody Management	(20)	= (2) - (19)
(6)	= (4) - (5)	(22)	= (20) - (21)
(8)	= (2) - (7)	(23)	Based on information provided by Cody Management
(10)	= (8) - (9)	(24)	Based on Section 50-5 assessment notice
(12)	= (2) - (11)	(26)	Based on expected timing of assessment notices

OHI Workers' Compensation Trust
Incurred Loss & ALAE Loss Ratio Cape Cod

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Find Year	Premium at Current Rates and 2007 Wage Level	Loss Trend Index	SIR Index	Exposure Base	Portion of Ultimate Incurred Loss & ALAE as of 12/31/2007	Limited Incurred Loss & ALAE as of 12/31/2007	Developed Loss to Exposure Ratio	Expected Loss to Exposure Ratio	Expected Ultimate Loss & ALAE	Expected IBNR Loss & ALAE	Indicated Ultimate Loss & ALAE
1998	315,164	0.713	0.998	224,043	0.915	64,514	0.315	0.473	106,037	9,018	73,532
1999	437,264	0.755	0.973	321,093	0.898	79,162	0.275	0.473	151,969	15,488	94,650
2000	448,162	0.800	0.966	346,145	0.883	271,794	0.890	0.473	163,826	19,215	291,009
2001	793,160	0.848	0.956	642,919	0.863	430,483	0.776	0.473	304,286	41,625	472,109
2002	945,232	0.898	0.975	827,496	0.833	102,528	0.149	0.473	391,643	65,329	167,857
2003	1,130,042	0.952	1.025	1,102,405	0.789	205,397	0.236	0.473	521,755	109,877	315,274
2004 *	1,678,390	1.008	1.001	1,693,128	0.739	445,768	0.356	0.473	801,336	208,947	1,024,415
2005	1,911,396	1.068	1.029	2,100,491	0.660	855,192	0.617	0.473	994,136	337,688	1,192,879
2006	1,994,779	1.132	1.005	2,268,300	0.532	466,698	0.386	0.473	1,073,558	501,952	968,651
2007	2,142,967	1.000	1.000	2,142,967	0.386	668,860	0.810	0.473	1,014,239	623,249	1,292,109
Total	11,796,556			11,668,987		3,590,397			5,522,785	1,932,388	5,892,485

Notes

- * Find Year 2004 excludes the Robert Harvey claim in (7); Incurred loss limited to SIR and incurred ALAE for this claim added back in (12)
- (2) Premium at current rates trended to 2007 wage level at an annual wage trend of 2.9%
- (3) Selected judgmentally
- (4) Selected judgmentally
- (5) = (2) x (3) x (4)
- (6) From Exhibit 6
- (7) Based on claim list provided by Cody Management
- (8) = (7) ÷ [(5) x (6)]
- Values which are boxed are used to calculate the values in (9).
- (9) Weighted average of (8) with weights equal to (5) x (6) x 1.0^LAG where LAG = absolute value of difference in years. 10 years included in Column (9) calculation.
- (10) = (5) x (9)
- (11) = (10) x [1.0 - (6)]
- (12) = (7) + (11)

OHI Workers' Compensation Trust
Incurred Loss & ALAE Severity Cape Cod

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Final Year	Ultimate Number of Reported Claims	Severity Index	SIR Index	Exposure Base	Portion of Ultimate Incurred Loss & ALAE as of 12/31/2007	Limited Incurred Loss & ALAE as of 12/31/2007	Developed Loss to Exposure Ratio	Expected Loss to Exposure Ratio	Expected Ultimate Loss & ALAE	Expected IBNR Loss & ALAE	Indicated Ultimate Loss & ALAE
1998	11	0.591	0.998	6	0.915	64,514	10.875	21.253	137,801	11,719	76,233
1999	16	0.639	0.973	10	0.898	79,162	8.862	21.253	211,402	21,545	100,707
2000	12	0.691	0.966	8	0.883	271,794	38,432	21.253	170,274	19,971	291,765
2001	22	0.748	0.956	16	0.863	430,483	31,686	21.253	334,504	45,759	476,242
2002	20	0.809	0.975	16	0.833	102,528	7,799	21.253	335,336	55,937	158,464
2003	23	0.876	1.025	21	0.789	205,397	12,603	21.253	438,770	92,401	297,798
2004 *	32	0.947	1.001	30	0.759	445,768	19,883	21.253	644,539	168,062	983,530
2005	49	1.025	1.029	52	0.660	855,192	25,074	21.253	1,097,763	372,888	1,228,080
2006	41	1.109	1.005	46	0.532	466,698	19,196	21.253	970,447	453,742	920,440
2007	60	1.000	1.000	60	0.386	668,860	28,917	21.253	1,275,186	783,600	1,452,460
Total	286			264		3,590,397			5,616,021	2,025,625	5,985,721

Notes

- * Final Year 2004 excludes the Robert Harvey claim in (7); incurred loss limited to SIR and incurred ALAE for this claim added back in (12)
- (2) From Exhibit 8
- (3) Selected judgmentally
- (4) Selected judgmentally
- (5) = (2) × (3) × (4)
- (6) From Exhibit 6
- (7) Based on claim list provided by Cody Management
- (8) = (7) ÷ [(5) × (6)]
Values which are boxed are used to calculate the values in (9).
- (9) Weighted average of (8) with weights equal to (5) × (6) × 1.0^{LAG} where LAG = absolute value of difference in years.
10 years included in Column (9) calculation.
- (10) = (5) × (9)
- (11) = (10) × [1.0 × (6)]
- (12) = (7) + (11)

OHI Workers' Compensation Trust
Loss Development Factors

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Age	Medical *		Indemnity **		Weighted Average		Interpolated		
	LDF	% Reported	LDF	% Reported	% Reported	LDF	Maturity	% Reported	LDF
12	1.946	51.4%	3.161	31.6%	38.6%	2.594	12	38.6%	2.594
24	1.635	61.1%	2.041	49.0%	53.2%	1.878	24	53.2%	1.878
36	1.456	68.7%	1.548	64.6%	66.0%	1.514	36	66.0%	1.514
48	1.354	73.9%	1.352	74.0%	73.9%	1.353	48	73.9%	1.353
60	1.285	77.8%	1.257	79.5%	78.9%	1.267	60	78.9%	1.267
72	1.230	81.3%	1.185	84.4%	83.3%	1.200	72	83.3%	1.200
84	1.180	84.8%	1.147	87.2%	86.3%	1.158	84	86.3%	1.158
96	1.149	87.0%	1.124	88.9%	88.3%	1.133	96	88.3%	1.133
108	1.120	89.3%	1.110	90.1%	89.8%	1.113	108	89.8%	1.113
120	1.094	91.4%	1.093	91.5%	91.5%	1.093	120	91.5%	1.093
	Weight:	35.0%	Weight:	65.0%					

Notes

* From Exhibit 6, Sheet 2

** From Exhibit 6, Sheet 3

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OHI Workers' Compensation Trust
Case Incurred Loss Development*
Medical

Accident Year	Evaluation Months									
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	108:96	120:108	ULT:120
1992										1.282
1993									1.023	1.308
1994								1.010	1.019	1.301
1995							1.019	1.017	1.031	1.306
1996						1.040	1.021	1.056	1.029	1.296
1997					1.035	1.022	1.037	1.026	1.018	
1998				1.036	1.033	1.045	1.021	1.020		
1999			1.083	1.061	1.071	1.068	1.036			
2000		1.150	1.066	1.047	1.051	1.040				
2001	1.394	1.118	1.107	1.092	1.031					
2002	1.328	1.096	1.048	1.033						
2003	1.305	1.091	1.073							
2004	1.202	1.161								
2005	1.382									
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	108:96	120:108	ULT:120
2 year avg.	1.292	1.126	1.061	1.063	1.041	1.054	1.029	1.023	1.024	1.301
5 year avg.	1.322	1.123	1.075	1.054	1.044	1.043	1.027	1.026	1.024	1.299
Selected **	1.190	1.123	1.075	1.054	1.044	1.043	1.027	1.026	1.024	1.094
Factor to Ultimate	1.946	1.635	1.456	1.354	1.285	1.230	1.180	1.149	1.120	1.094

Notes

- * Statewide industry loss development from the New York Compensation Insurance Rating Board.
- ** See discussion in text of this report. 12-ult factor adjusted for expected impact of NY WC reform.

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OHI Workers' Compensation Trust
Case Incurred Loss Development*
Indemnity

Accident Year	Evaluation Months									
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	108:96	120:108	ULT:120
1992										1.194
1993									1.019	1.179
1994								1.014	1.001	1.216
1995							1.026	0.999	1.018	1.200
1996						1.047	1.011	1.018	1.025	1.187
1997					1.050	1.015	1.033	1.018	1.017	
1998				1.084	1.061	1.040	1.025	1.016		
1999			1.170	1.081	1.062	1.036	1.007			
2000		1.450	1.136	1.076	1.050	1.024				
2001	1.739	1.300	1.202	1.097	1.084					
2002	1.735	1.256	1.117	1.039						
2003	1.694	1.289	1.099							
2004	1.665	1.299								
2005	1.769									
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	108:96	120:108	ULT:120
2 year avg.	1.717	1.294	1.108	1.068	1.067	1.030	1.016	1.017	1.021	1.194
5 year avg.	1.720	1.319	1.145	1.075	1.061	1.032	1.020	1.013	1.016	1.195
Selected **	1.548	1.319	1.145	1.075	1.061	1.032	1.020	1.013	1.016	1.093
Factor to Ultimate	3.161	2.041	1.548	1.352	1.257	1.185	1.147	1.124	1.110	1.093

Notes

- * Statewide industry loss development from the New York Compensation Insurance Rating Board.
- ** See discussion in text of this report. 12-ult factor adjusted for expected impact of NY WC reform.

OHI Workers' Compensation Trust
2008 Fund Year Rate Page

(1) Class Code	(2) NYCIRB Rates Eff. 10/1/99	(3) OHIWCT 2008 Fund Year Rates		(4)
		New Members	Renewal	
3085	8.95	8.25	8.16	
3620	9.23	8.68	8.59	
3632	4.99	4.60	4.55	
3724	9.55	8.80	8.71	
3726	15.71	14.48	14.33	
3737	6.15	5.49	5.43	
4000	8.50	7.83	7.75	
5183	8.49	7.58	7.50	
5190	6.77	6.24	6.17	
5193	12.76	11.76	11.64	
5221	15.14	13.95	13.81	
5536	8.44	7.78	7.70	
5645	14.89	13.72	13.58	
6217	8.75	8.06	7.98	
7219	10.87	10.23	10.12	
7380	8.59	8.08	8.00	
7998	2.88	2.65	2.63	
8006	2.92	2.69	2.66	
8017	2.19	2.02	2.00	
8018	5.39	4.97	4.92	
8043	1.89	1.74	1.72	
8046	2.74	2.53	2.50	
8111	5.42	5.10	5.05	
8232	9.19	8.47	8.38	
8292	7.71	7.11	7.03	
8350	6.08	5.60	5.51	
8353	7.16	6.08	6.02	
8381	3.13	2.88	2.85	
8382	2.42	2.23	2.21	
8391	5.18	4.77	4.72	
8742	0.71	0.63	0.63	
8748	0.95	0.88	0.87	
8809	0.45	0.53	0.52	
8810	0.39	0.32	0.31	
9026	4.76	4.39	4.34	
9030	7.01	6.46	6.39	
9079	2.98	2.75	2.72	
9519	3.85	3.55	3.51	
0006	7.18	6.62	6.55	

(2) NYCIRB rates per \$100 of payroll, from NYCIRB rate filing effective 10/1/99.

(3) Current OHIWCT rates per \$100 of payroll for new members.

(4) Current OHIWCT rates per \$100 of payroll for members renewing 1/1/2008. Reflects an additional 1% renewal credit.

OHI reserves at 12-31-07, Als proj rates

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OHI Workers' Compensation Trust
Reported Claims Development Method

(1)	(2)	(3)	(4)	(5)	(6)
Fund Year	Reported Claims as of 12/31/2007	Age to Age Development Factor	Cumulative Claim Development Factor	Portion of Ultimate Reported Claims	Selected Number of Reported Claims
1998	11	1.000	1.000	1.000	11
1999	16	1.000	1.000	1.000	16
2000	12	1.000	1.000	1.000	12
2001	22	1.000	1.000	1.000	22
2002	20	1.000	1.000	1.000	20
2003	23	1.000	1.000	1.000	23
2004	33	1.000	1.000	1.000	33
2005	49	1.000	1.000	1.000	49
2006	41	1.000	1.000	1.000	41
2007	53	1.125	1.125	0.889	60
Total	280				287

Notes

- (2) Based on claim list provided by Cody Management
(3) Selected judgmentally
(4) Cumulative of (3)
(5) = 1.0 ÷ (4)
(6) = (2) × (4)

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OHI Workers' Compensation Trust
Data Summary

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fund Year	Paid Loss as of 12/31/2007	Paid ALAE as of 12/31/2007	Incurred Loss as of 12/31/2007	Incurred ALAE as of 12/31/2007	SIR	Limited Paid Loss as of 12/31/2007	Limited Incurred Loss as of 12/31/2007
1998	62,228	2,286	62,228	2,286	200,000	62,228	62,228
1999	76,849	2,313	76,849	2,313	200,000	76,849	76,849
2000	231,103	10,375	331,481	14,154	200,000	231,103	257,640
2001	295,494	37,361	404,594	38,780	200,000	295,494	391,704
2002	83,639	8,809	93,526	9,001	250,000	83,639	93,526
2003	169,798	9,324	195,548	9,849	350,000	169,798	195,548
2004	440,946	57,655	789,714	65,373	350,000	440,946	750,095
2005	555,503	41,596	797,339	57,852	400,000	555,503	797,339
2006	236,487	22,150	434,364	32,334	400,000	236,487	434,364
2007	240,093	6,312	630,663	38,197	400,000	240,093	630,663
Total	2,392,140	198,181	3,816,307	270,140		2,392,140	3,689,956

Notes

- (2) - (5) Based on claim list provided by Cody Management
 (6) Based on information provided by Cody Management
 (7) (2) limited by (6) on a per occurrence basis
 (8) (4) limited by (6) on a per occurrence basis

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