

**ANALYSIS OF OHI WORKERS'
COMPENSATION TRUST
UNPAID LOSS AND
ALLOCATED LOSS ADJUSTMENT EXPENSE
AS OF DECEMBER 31, 2008**

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Prepared for:

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

Prepared by:

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April 22, 2009

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, 2008. 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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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 had 110 active members during 2008.

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, 2008. Our analysis was performed based on data evaluated as of December 31, 2008 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, nth 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.

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 2007 report dated April 24, 2008. Based on discussions with the State of New York Workers' Compensation Board (WCB), we revised the methodology used to estimate unpaid assessments. It is our understanding that the WCB plans to allow self-insured groups to reserve for most assessments on a "pay-as-you-go" basis. Consistent with this approach, we estimated unpaid assessments by applying the current assessment rates to one year's pure premium (except for the 50-5 fund, which continues to be based on indemnity losses).

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, 2008

Table 1 summarizes our low, central, and high estimates of the unpaid claim and assessment liabilities as of December 31, 2008 on an undiscounted basis.

Table 1
Estimated Undiscounted Unpaid Claim and Assessment Liabilities
as of December 31, 2008
Net of Excess Insurance

	Low	Central	High
Loss and ALAE	\$2,341,552	\$3,156,402	\$4,202,682
Assessments	259,105	259,105	259,105
Total Unpaid	\$2,600,657	\$3,415,507	\$4,461,787

Table 2 summarizes our low, central, and high estimates of the unpaid claim and assessment liabilities as of December 31, 2008 on a discounted basis. The interest rate (4%) used to discount the unpaid amounts to present value as of December 31, 2008 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, 2008
Net of Excess Insurance
Discounted to Present Value at 4%

	Low	Central	High
Loss and ALAE	\$2,041,867	\$2,752,469	\$3,665,756
Assessments	217,130	217,130	217,130
Total Unpaid	\$2,258,997	\$2,969,599	\$3,882,886

Data

Our analysis is based on the following data:

- (1) Premium and loss data for fund years 1998 through 2008 at historical December 31 evaluations provided by CMS.

- (2) Audited payroll for policy years 1998-2007 by employer and by classification code and initial estimates of total 2008 payroll underlying OHIWCT's 2008 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 2007 Financial Call Data.
- (6) Assessment rates and average annual trends in New York wages, claim frequencies and claim severities from the October 1, 2008 NYCIRB loss cost 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, 2008. Total unpaid loss and ALAE was estimated by subtracting cumulative paid losses and ALAE at December 31, 2008 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, 2008 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, 2008.

This exhibit summarizes the unpaid liabilities separately for loss and ALAE (from Exhibit 3, Sheet 1) versus assessments (from Exhibit 2). 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, 2008.

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, 2008 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 estimated unpaid assessments as of 12/31/08.

To estimate OHIWCT's unpaid assessment for all funds other than the 50-5 fund, we applied the assessment rates from the most recent invoices from the WCB to the estimated 2008 pure premium.

To estimate OHIWCT's unpaid assessment for the 50-5 fund, we applied the current assessment rate to the indemnity losses from OHIWCT's most recent assessment base factor report.

Exhibit 3, Sheet 1

This exhibit summarizes our range of estimates of ultimate loss and ALAE, the resulting estimated unpaid amounts as of 12/31/08, and ultimate loss and ALAE ratios.

Column (2) summarizes the loss and ALAE paid as of December 31, 2008. 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, Sheet 2

This exhibit breaks down our selected ultimate loss into its paid and unpaid components, together with the average outstanding claim size implied by our unpaid loss estimates.

Exhibit 3, Sheet 3

This exhibit summarizes our ultimate loss indications with the resulting selected ultimate and the implied ultimate loss ratios and ultimate claim severities.

Columns (2) – (4) summarize the ultimate loss and ALAE indications from our Bornhuetter-Ferguson (BF) and Cape Cod projection techniques from Sheets 4-6.

Column (5) shows our selection ultimate loss and ALAE based on the indications from columns (2) – (4). For the oldest accident years, we selected the case incurred losses because no additional development is expected.

Columns (8) and (9) show the ultimate loss ratios and claim severities implied by our selected ultimate loss and ALAE.

Exhibit 3, Sheet 4

This exhibit shows the Bornhuetter-Ferguson projection method used to estimate ultimate loss and ALAE for accident years 2007-2008.

The Bornhuetter-Ferguson (BF) 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.

The expected ultimate loss is based on the product of an estimate of the ultimate number of reported claims (from Exhibit 5) and an expected ultimate average claim severity. The expected severity is based on OHIWCT's historical claim severities and statewide industry information from the NYCIRB, adjusted for trend. In projecting the ultimate loss and ALAE for 2007 and 2008, we also adjusted for the expected impact of legislative reform in New York based on information from the NYCIRB.

Exhibit 3, Sheets 5 and 6

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

The Cape Cod method is a modified version of the BF method that relies on OHIWCT's own experience to determine the expected loss estimate. Additional details about this method are available upon request.

On Sheet 5, the expected ultimate loss is based on the product of earned premium and an expected loss ratio. On Sheet 6, 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 4

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

The incurred loss and ALAE development pattern used in this analysis is based on data from the NYCIRB 2008 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 and 24-to-ultimate factors to reflect the expected impact of the recent workers compensation reform.

On Sheet 1 of Exhibit 4, we calculate the weighted average of the two development patterns to determine a development pattern for medical and indemnity loss combined.

For 2006 and prior, which are not affected by the recent legislative reform, we used weights of 65% for indemnity and 35% for medical. For 2007 and 2008, which are expected to be impacted by the duration caps on indemnity losses, we used weights of 55% for indemnity and 45% for medical. These loss development factors are used in Exhibit 3 for the calculation of the Cape Cod ultimate losses.

Exhibit 5

This exhibit shows the estimated number of ultimate claims for fund years 1998-2008.

Column (2) shows the number of claims reported for each fund year as of December 31, 2008.

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, 2008.

Column (6) shows our estimate of the ultimate number of reported claims for fund years 1998-2008.

Column (7) shows our estimate of the number of outstanding claims implied by column (6) for fund years 1998-2008.

Exhibit 6

This exhibit provides a summary of the paid and incurred loss and ALAE through December 31, 2008 both gross and net of excess insurance.

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	\$250,000
1999	250,000
2000	200,000
2001	250,000
2002	350,000
2003	350,000
2004	350,000
2005	400,000
2006	400,000
2007	400,000
2008	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, 2008.

1. Incurred Loss Development Factor from 120 Months

Exhibit 4 shows the industry loss experience in the development of incurred losses from 120 months to their ultimate reported values. Over the most recently available six years, this factor has ranged from 1.068 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, 2008

	Undiscounted			Discounted to Present Value at 4%		
	Low	Central	High	Low	Central	High
(1) Estimated Unpaid Loss and ALAE	2,341,552	3,156,402	4,202,682	2,041,867	2,752,469	3,665,756
(2) Estimated Unpaid Assessments	259,105	259,105	259,105	217,130	217,130	217,130
(3) Estimated Total Unpaid = (1) + (2)	2,600,657	3,415,507	4,461,787	2,258,997	2,969,599	3,882,886

Notes

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

OHI Workers' Compensation Trust

Estimated Unpaid Loss & ALAE - Discounted to Present Value as of 12/31/08

(1)	(2)	(3)	(4)	(5) = (3) × (4)	(6)	(7) = (3) × (6)	(8)	(9) = (3) × (8)
Fund Year	Maturity as of 12/31/08	Factor to Discount to Present Value as of 12/31/08	Estimated Unpaid Loss & ALAE as of 12/31/08					
			Low		Central		High	
			Undiscounted	Discounted at 4%	Undiscounted	Discounted at 4%	Undiscounted	Discounted at 4%
1998	132	0.928	0	0	0	0	0	0
1999	120	0.912	0	0	0	0	0	0
2000	108	0.900	1,850	1,666	3,701	3,331	19,717	17,749
2001	96	0.890	44,901	39,983	79,802	71,061	115,196	102,577
2002	84	0.885	20,452	18,101	25,904	22,926	74,863	66,257
2003	72	0.879	12,713	11,173	33,027	29,027	65,529	57,592
2004	60	0.875	430,522	376,597	492,328	430,661	566,495	495,538
2005	48	0.874	381,306	333,093	488,748	426,950	620,985	542,466
2006	36	0.870	385,874	335,696	531,950	462,778	714,546	621,630
2007	24	0.870	579,464	504,009	801,472	697,108	1,067,881	928,827
2008	12	0.870	484,470	421,550	699,470	608,627	957,470	833,120
Total			2,341,552	2,041,867	3,156,402	2,752,469	4,202,682	3,665,756

Notes

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

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Factors to Discount to Present Value

(1) Months of Development <u>(n)</u>	(2) <u>Payment Pattern</u>		(4) 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	85.7%
12	0.144	0.144	87.0%
24	0.344	0.201	87.0%
36	0.496	0.151	87.0%
48	0.603	0.108	87.4%
60	0.696	0.092	87.5%
72	0.762	0.067	87.9%
84	0.813	0.051	88.5%
96	0.857	0.043	89.0%
108	0.888	0.031	90.0%
120	0.913	0.025	91.2%
132	0.933	0.020	92.8%
144	0.951	0.019	94.4%
156	0.967	0.016	96.3%
168	0.985	0.017	98.1%
180	1.000	0.015	100.0%

Notes

(2), (3) Based on data from the New York Compensation Insurance Rating Board
2008 Financial Call Data excluding large deductible experience

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Estimated Unpaid Assessments as of December 31, 2008

	15-8	25A	151	151-IDP	50-5	Total
(1) Assessment Base	2,150,000	2,150,000	2,150,000	2,150,000	418,613	
(2) Assessment Rate	6.6%	1.3%	2.3%	0.8%	5.4%	
(3) Estimated Assessments	141,900	27,950	49,450	17,200	22,605	259,105
(4) Factor to Discount at 4% to Present Value as of 12/31/08	0.838	0.838	0.838	0.838	0.838	
(5) Estimated Unpaid Assessments Discounted to Present Value as of 12/31/08	118,912	23,422	41,439	14,414	18,943	217,130

Notes

- (1) Based on assessment reports to OHIWCT from the State of New York Workers' Compensation Board. For funds other than 50-5, the assessment base is 2008 pure premium, estimated based on discussions with Cody Management. For 50-5, the assessment base is paid indemnity loss during 4/1/08-3/31/09.
- (2) Based on assessment reports from the State of New York Workers' Compensation Board.
- (3) [(1) × (2)]
- (4) Based on Exhibit 1
- (5) = (3) × (4)

OHI Workers' Compensation Trust
Estimated Unpaid Loss and ALAE as of December 31, 2008
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6) (3) - (2)	(7) (4) - (2)	(8) (5) - (2)
Fund Year	Paid Loss & ALAE as of 12/31/08	Estimated Ultimate Loss & ALAE			Estimated Unpaid Loss & ALAE as of December 31, 2008		
		Low	Central	High	Low	Central	High
1998	64,689	64,689	64,689	64,689	0	0	0
1999	79,162	79,162	79,162	79,162	0	0	0
2000	268,093	269,944	271,794	287,811	1,850	3,701	19,717
2001	364,496	409,397	444,298	479,691	44,901	79,802	115,196
2002	116,848	137,300	142,752	191,711	20,452	25,904	74,863
2003	199,450	212,163	232,477	264,979	12,713	33,027	65,529
2004	594,425	1,024,948	1,086,753	1,160,921	430,522	492,328	566,495
2005	740,691	1,121,997	1,229,439	1,361,676	381,306	488,748	620,985
2006	366,935	752,809	898,885	1,081,481	385,874	531,950	714,546
2007	460,288	1,039,752	1,261,760	1,528,169	579,464	801,472	1,067,881
2008	127,458	611,928	826,928	1,084,928	484,470	699,470	957,470
Total	3,382,535	5,724,087	6,538,936	7,585,217	2,341,552	3,156,402	4,202,682
	(9)	(10) (3) ÷ (9)	(11) (4) ÷ (9)	(12) (5) ÷ (9)			
Fund Year	Earned Premium	Estimated Ultimate Loss & ALAE Ratio					
		Low	Central	High			
1998	220,347	29.4%	29.4%	29.4%			
1999	231,045	34.3%	34.3%	34.3%			
2000	266,944	101.1%	101.8%	107.8%			
2001	442,419	92.5%	100.4%	108.4%			
2002	611,995	22.4%	23.3%	31.3%			
2003	812,550	26.1%	28.6%	32.6%			
2004	1,236,118	82.9%	87.9%	93.9%			
2005	1,652,958	67.9%	74.4%	82.4%			
2006	1,825,957	41.2%	49.2%	59.2%			
2007	2,220,079	46.8%	56.8%	68.8%			
2008	2,150,000	28.5%	38.5%	50.5%			
Total	11,670,412	49.0%	56.0%	65.0%			

Notes

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

OHI Workers' Compensation Trust
Estimated Unpaid Loss and ALAE
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Fund Year</u>	<u>Estimated Ultimate Loss & ALAE</u>	<u>Paid Loss & ALAE</u>	<u>Inc. Loss & ALAE</u>	<u>Case Reserves</u>	<u>IBNR</u>	<u>Total Unpaid</u>	<u>Estimated Number of O/S Claims</u>	<u>Estimated O/S Claim Severity</u>
1998	64,689	64,689	64,689	0	0	0	0	—
1999	79,162	79,162	79,162	0	0	0	0	—
2000	271,794	268,093	271,794	3,701	0	3,701	1	3,701
2001	444,298	364,496	434,298	69,802	10,000	79,802	2	39,901
2002	142,752	116,848	127,752	10,904	15,000	25,904	1	25,904
2003	232,477	199,450	202,477	3,027	30,000	33,027	1	33,027
2004	1,086,753	594,425	938,770	344,345	147,983	492,328	7	70,333
2005	1,229,439	740,691	975,143	234,453	254,296	488,748	5	97,750
2006	898,885	366,935	578,618	211,683	320,267	531,950	6	88,658
2007	1,261,760	460,288	766,888	306,600	494,872	801,472	14	57,248
2008	826,928	127,458	306,002	178,544	520,925	699,470	24	29,145
Total	6,538,936	3,382,535	4,745,593	1,363,058	1,793,343	3,156,402	61	

OHI Workers' Compensation Trust
Estimated Ultimate Loss and ALAE
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (5) / (6)	(9) (5) / (7)
<u>Fund Year</u>	<u>Bornhuetter-Ferguson</u>	<u>Loss Ratio Cape Cod</u>	<u>Severity Cape Cod</u>	<u>Estimated Ultimate Loss & ALAE</u>	<u>Earned Premium</u>	<u>Estimated Ultimate Number of Claims</u>	<u>Estimated Ultimate Loss & ALAE Ratio</u>	<u>Estimated Ultimate Claim Severity</u>
1998		72,960	75,043	64,689	220,347	11	29.4%	5,881
1999		93,444	98,533	79,162	231,045	16	34.3%	4,948
2000		289,397	289,898	271,794	266,944	12	101.8%	22,650
2001		470,665	474,492	444,298	442,419	22	100.4%	20,195
2002		181,206	174,105	142,752	611,995	20	23.3%	7,138
2003		286,700	275,242	232,477	812,550	23	28.6%	10,108
2004		1,099,716	1,073,791	1,086,753	1,236,118	33	87.9%	32,932
2005		1,210,072	1,248,806	1,229,439	1,652,958	49	74.4%	25,091
2006		905,621	892,150	898,885	1,825,957	41	49.2%	21,924
2007	1,261,760			1,261,760	2,220,079	56	56.8%	22,531
2008	826,928			826,928	2,150,000	37	38.5%	22,349
Total				6,538,936	11,670,412	320		

Notes

- (2) From Sheet 4
- (3) From Sheet 5
- (4) From Sheet 6
- (5) Selected based on columns (2) - (4)
- (6) Data provided by Cody Management

OHI Workers' Compensation Trust
Incurred Claim Severity Bornhuetter-Ferguson Method
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
			(2) + (3)			(4) × (6)	(5) × (6)				(3) × (9) × (11)			[(12) × (13)] + (14)
Fund Year	Estimated Ultimate Loss & ALAE	Estimated Ultimate Number of Claims	Indic. Ult. OHI Data	Claim Severity Industry	On-Level Factor	Trended to AY 2007 OHI Data	Industry	Expected Claim Severity (Pre-Reform)	Estimated Impact of Reform	Selected Impact of Reform	Expected Ultimate Loss & ALAE	Estimated Unreported %	Case Inc. Loss & ALAE	Estimated Ultimate Loss & ALAE
1998	64,689	11	5,881		1.658	9,749								
1999	79,162	16	4,948		1.580	7,816								
2000	271,794	12	22,650	12,770	1.466	33,209	18,723							
2001	444,298	22	20,195	14,022	1.359	27,440	19,052							
2002	142,752	20	7,138	15,821	1.312	9,363	20,753							
2003	232,477	23	10,108	17,702	1.304	13,182	23,087							
2004	1,086,753	33	32,932	19,663	1.220	40,173	23,986							
2005	1,229,439	49	25,091	21,959	1.156	28,996	25,378							
2006	898,885	41	21,924	24,608	1.081	23,702	26,604							
2007		56						25,500	0.834	0.875	1,249,965	0.396	766,888	1,261,760
2008		37						27,000	0.823	0.867	866,324	0.601	306,002	826,928
Total														

Notes

- (2) From Sheet 3
- (3) From Exhibit 5
- (5) Based on statewide industry claim size information from NCCI
- (6) Reflects severity trend of 6.2% (based on 2008 NYCIRB loss cost filing) and indexing to recognize changes in OHIWCT's self-insured retention.
- (9) AY 2007: Selected based on columns (7) and (8)
AY 2008: Trended forward from 2007 at 6.2%
- (10) Based on analysis of statewide data by NYCIRB in its review of the impact of 2007 workers compensation reform.
- (11) We judgmentally reduced the impact of the reform by 25%.
- (13) Based on Exhibit 4
- (14) From Exhibit 6

OHI Workers' Compensation Trust
Incurred Loss & ALAE Loss Ratio Cape Cod
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Fund Year	Premium at Current Rates and 2008 Wage Level	Loss Trend Index	SIR Index	Exposure Base	Portion of Ultimate Incurred Loss & ALAE as of 12/31/2008	Incurred Loss & ALAE as of 12/31/2008	Developed Loss to Exposure Ratio	Expected Loss to Exposure Ratio	Expected Ultimate Loss & ALAE	Expected IBNR Loss & ALAE	Indicated Ultimate Loss & ALAE
1998	354,731	0.771	0.973	266,226	0.929	64,689	0.262	0.436	115,998	8,271	72,960
1999	492,315	0.791	0.984	383,436	0.915	79,162	0.226	0.436	167,067	14,282	93,444
2000	503,359	0.812	0.969	396,186	0.898	271,794	0.764	0.436	172,623	17,603	289,397
2001	887,684	0.834	0.953	705,010	0.882	434,298	0.699	0.436	307,181	36,367	470,665
2002	1,063,223	0.856	0.976	887,694	0.862	127,752	0.167	0.436	386,779	53,454	181,206
2003	1,268,635	0.878	1.029	1,146,671	0.831	202,477	0.212	0.436	499,618	84,223	286,700
2004 *	1,879,038	0.901	1.021	1,729,843	0.786	567,070	0.417	0.436	753,713	160,946	1,099,716
2005	2,142,035	0.925	1.027	2,034,232	0.735	975,143	0.652	0.436	886,339	234,928	1,210,072
2006	2,250,972	0.949	1.019	2,177,496	0.655	578,618	0.405	0.436	948,761	327,003	905,621
Total	10,841,993			9,726,794		3,301,003			4,238,080	937,077	4,609,780

Notes

- * Fund 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 2008 wage level at an annual wage trend of 2.9%
- (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. 9 years included in Column (9) calculation.
- (10) = (5) × (9)
- (11) = (10) × [1.0 - (6)]
- (12) = (7) + (11)

OHI Workers' Compensation Trust
Incurred Loss & ALAE Severity Cape Cod
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Fund Year	Ultimate Number of Reported Claims	Severity Index	SIR Index	Exposure Base	Portion of Ultimate Incurred Loss & ALAE as of 12/31/2008	Incurred Loss & ALAE as of 12/31/2008	Developed Loss to Exposure Ratio	Expected Loss to Exposure Ratio	Expected Ultimate Loss & ALAE	Expected IBNR Loss & ALAE	Indicated Ultimate Loss & ALAE
1998	11	0.623	0.973	7	0.929	64,689	10,444	21,774	145,217	10,354	75,043
1999	16	0.661	0.984	10	0.915	79,162	8,318	21,774	226,593	19,371	98,533
2000	12	0.701	0.969	8	0.898	271,794	37,119	21,774	177,536	18,104	289,898
2001	22	0.744	0.953	16	0.882	434,298	31,594	21,774	339,507	40,194	474,492
2002	20	0.789	0.976	15	0.862	127,752	9,624	21,774	335,400	46,354	174,105
2003	23	0.837	1.029	20	0.831	202,477	12,285	21,774	431,648	72,765	275,242
2004 *	32	0.888	1.021	29	0.786	567,070	24,830	21,774	632,304	135,021	1,073,791
2005	49	0.943	1.027	47	0.735	975,143	27,981	21,774	1,032,477	273,663	1,248,806
2006	41	1.000	1.019	42	0.655	578,618	21,134	21,774	909,677	313,532	892,150
2007											
2008											
Total	226			194		3,301,003			4,230,359	929,356	4,602,059

Notes

- * Fund 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) Reflects 6.1% trend based on data from NYCIRB
- (4) Estimated based on historical
- (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. 9 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	2.199	45.5%	2.835	35.3%	39.9%	2.508	12	39.9%	2.508
24	1.665	60.1%	1.648	60.7%	60.4%	1.655	24	60.4%	1.655
36	1.493	67.0%	1.544	64.8%	65.5%	1.526	36	65.5%	1.526
48	1.383	72.3%	1.349	74.1%	73.5%	1.361	48	73.5%	1.361
60	1.305	76.7%	1.254	79.7%	78.6%	1.272	60	78.6%	1.272
72	1.244	80.4%	1.182	84.6%	83.1%	1.203	72	83.1%	1.203
84	1.191	84.0%	1.145	87.4%	86.2%	1.160	84	86.2%	1.160
96	1.158	86.3%	1.122	89.1%	88.2%	1.134	96	88.2%	1.134
108	1.125	88.9%	1.107	90.3%	89.8%	1.114	108	89.8%	1.114
120	1.100	90.9%	1.090	91.7%	91.5%	1.093	120	91.5%	1.093
132	1.075	93.0%	1.078	92.8%	92.9%	1.077	132	92.9%	1.077

Notes

* From Exhibit 4, Sheet 2

** From Exhibit 4, Sheet 3

Weights 12-24: 55% indemnity, 45% medical - these are for post-reform accident periods (2007 and subsequent)
36 and subsequent: 65% indemnity, 35% medical

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	1.290
1998				1.036	1.033	1.045	1.021	1.020	1.017	
1999			1.083	1.061	1.071	1.068	1.036	1.028		
2000		1.150	1.066	1.047	1.051	1.040	1.025			
2001	1.394	1.118	1.107	1.092	1.031	1.048				
2002	1.328	1.096	1.048	1.033	1.059					
2003	1.305	1.091	1.073	1.067						
2004	1.202	1.161	1.104							
2005	1.382	1.110								
2006	1.386									
	24:12	36:24	48:36	60:48	72:60	84:72	96:84	108:96	120:108	ULT:120
2 year avg.	1.384	1.136	1.089	1.050	1.045	1.044	1.031	1.024	1.018	1.293
5 year avg.	1.321	1.115	1.080	1.060	1.049	1.045	1.028	1.029	1.023	1.300
Selected	1.321	1.115	1.080	1.060	1.049	1.045	1.028	1.029	1.023	1.100
Factor to Ultimate	2.199	1.665	1.493	1.383	1.305	1.244	1.191	1.158	1.125	1.100

Notes

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

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	1.068
1998				1.084	1.061	1.040	1.025	1.016	1.024	
1999			1.170	1.081	1.062	1.036	1.007	1.015		
2000		1.450	1.136	1.076	1.050	1.024	1.032			
2001	1.739	1.300	1.202	1.097	1.084	1.054				
2002	1.735	1.256	1.117	1.039	1.060					
2003	1.694	1.289	1.099	1.095						
2004	1.665	1.299	1.158							
2005	1.769	1.329								
2006	1.669									
	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	1.720	1.067	1.145	1.075	1.061	1.032	1.020	1.013	1.016	1.090
Factor to Ultimate	2.835	1.648	1.544	1.349	1.254	1.182	1.145	1.122	1.107	1.090

Notes

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

OHI Workers' Compensation Trust
Reported Claims Development Method

(1)	(2)	(3)	(4)	(5)	(6)	(6)	(7)
Fund Year	Reported Claims as of 12/31/2008	Age to Age Development Factor	Cumulative Claim Development Factor	Portion of Ultimate Reported Claims	Selected Number of Reported Claims	Number of Closed Claims	Estimated Number of Outstanding Claims
1998	11	1.000	1.000	1.000	11	11	0
1999	16	1.000	1.000	1.000	16	16	0
2000	12	1.000	1.000	1.000	12	11	1
2001	22	1.000	1.000	1.000	22	20	2
2002	20	1.000	1.000	1.000	20	19	1
2003	23	1.000	1.000	1.000	23	22	1
2004	33	1.000	1.000	1.000	33	26	7
2005	49	1.000	1.000	1.000	49	44	5
2006	41	1.000	1.000	1.000	41	35	6
2007	56	1.000	1.000	1.000	56	42	14
2008	34	1.100	1.100	0.909	37	13	24
Total	317				320	259	61

Notes

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

OHI Workers' Compensation Trust
Data Summary

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fund Year	Paid Loss as of 12/31/2008	Paid ALAE as of 12/31/2008	Incurred Loss as of 12/31/2008	Incurred ALAE as of 12/31/2008	SIR	Limited Paid Loss as of 12/31/2008	Limited Incurred Loss as of 12/31/2008
1998	62,403	2,286	62,403	2,286	200,000	62,403	62,403
1999	76,849	2,313	76,849	2,313	200,000	76,849	76,849
2000	256,644	11,450	331,481	14,154	200,000	256,644	257,640
2001	326,330	38,165	429,912	39,876	200,000	326,330	394,422
2002	107,934	8,914	117,637	10,114	250,000	107,934	117,637
2003	189,876	9,574	192,903	9,574	350,000	189,876	192,903
2004	528,398	66,027	925,486	73,903	350,000	528,398	864,867
2005	690,851	49,840	918,321	56,822	400,000	690,851	918,321
2006	339,888	27,047	545,345	33,273	400,000	339,888	545,345
2007	438,221	22,067	729,076	37,812	400,000	438,221	729,076
2008	125,287	2,171	294,202	11,800	400,000	125,287	294,202
Total	3,142,682	239,853	4,623,616	291,928		3,142,682	4,453,666

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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