

**ANALYSIS OF OHI WORKERS'
COMPENSATION TRUST
UNPAID LOSS AND
ALLOCATED LOSS ADJUSTMENT EXPENSE
AS OF DECEMBER 31, 2009**

Prepared for:

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

Prepared by:

Milliman, Inc.

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WORKERS' COMPENSATION
APR 28 2010
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April 9, 2010

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, 2009. 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 98 active members during 2009. Effective January 1, 2010, OHIWCT decided to begin a voluntary runoff of the trust's self-insurance claim liabilities. It will accept no claims related to accidents subsequent to December 31, 2009.

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, 2009. Our analysis was performed based on data evaluated as of December 31, 2009 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.

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 2008 report dated April 22, 2009. 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.

Qualifications

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.

Conclusions

Estimated Unpaid Claim and Assessment Liabilities as of December 31, 2009

Table 1 summarizes our low, central, and high estimates of the unpaid claim and assessment liabilities as of December 31, 2009 on an undiscounted basis.

Table 1
Estimated Undiscounted Unpaid Claim and Assessment Liabilities
as of December 31, 2009
Net of Excess Insurance

	Low	Central	High
Loss and ALAE	\$1,862,208	\$2,805,220	\$3,969,850
Assessments	266,220	266,220	266,220
Total Unpaid	\$2,128,428	\$3,071,440	\$4,236,070

Table 2 summarizes our low, central, and high estimates of the unpaid claim and assessment liabilities as of December 31, 2009 on a discounted basis. The interest rate (4%) used to discount the unpaid amounts to present value as of December 31, 2009 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, 2009
Net of Excess Insurance
Discounted to Present Value at 4%

	Low	Central	High
Loss and ALAE	\$1,628,025	\$2,450,406	\$3,466,723
Assessments	223,625	223,625	223,625
Total Unpaid	\$1,851,650	\$2,674,031	\$3,690,348

Estimated Payments during Calendar Years 2010-2014

Table 3 summarizes our estimates of the future calendar year loss payments during 2010-2014.

Table 3
Estimated Calendar Year Claim Payments – 2010-2014
Net of Excess Insurance

2010	2011	2012	2013	2014
\$674,962	\$499,013	\$371,082	\$297,272	\$235,014

Data

Our analysis is based on the following data:

- (1) Premium and loss data for fund years 1998 through 2009 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 and 2009 payroll.
- (3) State of New York Workers' Compensation Board (WCB) assessment invoices provided by CMS.
- (4) Incurred and paid loss development factors for New York from the NYCIRB 2008 Financial Call Data.
- (5) Assessment rates and average annual trends in New York wages, claim frequencies and claim severities from the October 1, 2008 NYCIRB loss cost filing.
- (6) 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, 2009. Total unpaid loss and ALAE was estimated by subtracting cumulative paid losses and ALAE at December 31, 2009 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, 2009 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, 2009.

This exhibit summarizes the unpaid liabilities separately for loss and ALAE (from Exhibit 1, 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, 2009.

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, 2009 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.

Sheet 3 summarizes our estimates of the claim payments expected to be made during calendar years 2010-2014. Our estimates are based on: a) indications of the future payout of the case reserves as of December 31, 2009, provided by OHIWCT's accountant based on a review with the trust's claim administrator, and b) our estimated payout of the total unpaid loss as of December 31, 2009 using the payment pattern in Sheet 2.

Exhibit 2

This exhibit summarizes our estimated unpaid assessments as of 12/31/09.

To estimate OHIWCT's unpaid assessment for each fund, we applied the assessment rates from the most recent invoices from the WCB to the estimated 2009 pure premium.

Exhibit 3, Sheet 1

This exhibit summarizes our range of estimates of ultimate loss and ALAE, the resulting estimated unpaid amounts as of 12/31/09, and ultimate loss and ALAE ratios.

Column (2) summarizes the loss and ALAE paid as of December 31, 2009. 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 2007-2009.

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 2007-2009, 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, 24-to-ultimate, and 36-ultimate factors for indemnity loss 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 2007-2009, 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 1998-2009.

Column (2) shows the number of claims reported for each fund year as of December 31, 2009.

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, 2009.

Column (6) shows our estimate of the ultimate number of reported claims for fund years 1998-2009.

Column (7) shows the number of closed claims for each fund year as of December 31, 2009.

Column (8) shows our estimate of the number of outstanding claims implied by columns (6) and (7) for fund years 1998-2009.

Exhibit 6

This exhibit provides a summary of the paid and incurred loss and ALAE through December 31, 2009 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 4.

*Table 4
Summary of Excess Insurance Program*

Fund Year	Per Occurrence Retention
1998	\$250,000
1999	250,000
2000	200,000
2001	250,000
2002-2004	350,000
2005-2009	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, 2009.

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 (less than 5% 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, to \$550 for claims occurring on or

after July 1, 2008, and to \$600 for claims occurring on or after July 1, 2009. 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

Milliman's work is prepared solely for the internal use of OHIWCT. No portion of Milliman's work may be provided to any other party without Milliman's prior written consent. If Milliman does consent, additional work may be required at additional expense. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work. Milliman's work may not be filed with the SEC or other securities regulatory bodies. In addition, references to Milliman or its estimates in securities filings, analyst meetings and press releases are not authorized.

Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Third Party Release Agreement, subject to the following exceptions:

- (a) OHIWCT may provide a copy of Milliman's work to the trust's administrator, Cody Management Services, Inc.

(b) OHIWCT may provide a copy of Milliman's work to its accountant, Fuller & LaFiura, to be used solely for accounting purposes.

(c) OHIWCT may provide a copy of Milliman's work, in its entirety, to governmental entities, as required by law.

In the event Milliman consents to release its work product, it must be provided in its entirety. We recommend that any such party have its own actuary or other qualified professional review the work product to ensure that the party understands the assumptions and uncertainties inherent in our estimates. No third party recipient of Milliman's work product should rely upon Milliman's work product.

Use of Milliman Name

Milliman does not permit the use of Milliman's name, trademarks or service marks, or any reference to Milliman directly or indirectly in any media release, public announcement or public disclosure, including in any promotional or marketing materials, customer lists, referral lists, websites or business presentations without Milliman's prior written consent for each such use or release, which consent shall be given in Milliman's sole discretion.

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OHI Workers' Compensation Trust
 Estimated Unpaid Loss, ALAE and Assessments as of December 31, 2009

	Undiscounted			Discounted to Present Value at 4%		
	Low	Central	High	Low	Central	High
(1) Estimated Unpaid Loss and ALAE	1,862,208	2,805,220	3,969,850	1,628,025	2,450,406	3,466,723
(2) Estimated Unpaid Assessments	266,220	266,220	266,220	223,625	223,625	223,625
(3) Estimated Total Unpaid = (1) + (2)	2,128,428	3,071,440	4,236,070	1,851,650	2,674,031	3,690,348

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 12/31/09

(1)	(2)	(3)	(4)	(5) = (3) × (4)	(6)	(7) = (3) × (6)	(8)	(9) = (3) × (8)
Fund Year	Maturity as of 12/31/09	Factor to Discount to Present Value as of 12/31/09	Estimated Unpaid Loss & ALAE as of 12/31/09					
			Low		Central		High	
			Undiscounted	Discounted at 4%	Undiscounted	Discounted at 4%	Undiscounted	Discounted at 4%
1998	144	0.944	0	0	0	0	0	0
1999	132	0.928	0	0	0	0	0	0
2000	120	0.912	757	691	757	691	5,757	5,253
2001	108	0.900	95,428	85,899	102,928	92,650	125,049	112,562
2002	96	0.890	21,432	19,084	30,612	27,258	45,911	40,882
2003	84	0.885	0	0	0	0	0	0
2004	72	0.879	269,766	237,090	331,572	291,410	405,739	356,593
2005	60	0.875	315,777	276,224	423,220	370,209	555,456	485,882
2006	48	0.874	189,413	165,463	335,489	293,069	518,085	452,577
2007	36	0.870	282,398	245,676	504,406	438,815	770,815	670,582
2008	24	0.870	251,817	219,027	466,817	406,031	724,817	630,435
2009	12	0.870	435,420	378,871	609,420	530,273	818,220	711,955
Total			1,862,208	1,628,025	2,805,220	2,450,406	3,969,850	3,466,723

Notes

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

OHI Workers' Compensation Trust
Factors to Discount to Present Value

(1) Months of Development (n)	(2) Payment Pattern		(4) Factor to Discount to Present Value from n Months from the Beginning of the Year at 4%
	Cumulative	Incremental	
0	0.000	0.000	0.857
12	0.144	0.144	0.870
24	0.344	0.201	0.870
36	0.496	0.151	0.870
48	0.603	0.108	0.874
60	0.696	0.092	0.875
72	0.762	0.067	0.879
84	0.813	0.051	0.885
96	0.857	0.043	0.890
108	0.888	0.031	0.900
120	0.913	0.025	0.912
132	0.933	0.020	0.928
144	0.951	0.019	0.944
156	0.967	0.016	0.963
168	0.985	0.017	0.981
180	1.000	0.015	1.000

Notes

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

OHI Workers' Compensation Trust
Estimated Payout - 2010 to 2014

(1)	(2)	(3)	(4)
Calendar Year	<u>Estimated Loss Payment</u>		<u>Selected</u>
	<u>Known Open Claims</u>	<u>Total Unpaid</u>	
2010	679,907	630,455	674,962
2011	509,822	488,204	499,013
2012	352,748	377,193	371,082
2013		297,272	297,272
2014		235,014	235,014

Notes

- (2) Based on projected payout of case reserves on known, open claims prepared by OHIWCT's accountant and claims administrator
- (3) Based on estimated unpaid loss from Exhibit 3 and payment pattern from Exhibit 1, Sheet 2
- (4) Selected judgmentally based on columns 2 and 3

OHI Workers' Compensation Trust

Estimated Unpaid Assessments as of December 31, 2009

	15-8	25A	151	151-IDP	50-5	Total
(1) Assessment Base	1,740,000	1,740,000	1,740,000	1,740,000	1,740,000	
(2) Assessment Rate	6.6%	2.4%	2.1%	0.7%	3.5%	
(3) Estimated Assessments	114,840	41,760	36,540	12,180	60,900	266,220
(4) Factor to Discount at 4% to Present Value as of 12/31/09	0.840	0.840	0.840	0.840	0.840	
(5) Estimated Unpaid Assessments Discounted to Present Value as of 12/31/09	96,466	35,078	30,694	10,231	51,156	223,625

Notes

- (1) Based on assessment reports to OHIWCT from the State of New York Workers' Compensation Board. The assessment base is 2009 pure premium, estimated based on discussions with Cody Management.
- (2) Based on 2009 assessment reports from the State of New York Workers' Compensation Board.
- (3) [(1) × (2)]
- (4) Based on Exhibit 1, Sheet 1
- (5) = (3) × (4)

OHI Workers' Compensation Trust
Estimated Unpaid Loss and ALAE as of December 31, 2009
Limited to Self-Insured Retention

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
					(3) - (2)	(4) - (2)	(5) - (2)
Fund Year	Paid Loss & ALAE as of 12/31/09	Estimated Ultimate Loss & ALAE			Estimated Unpaid Loss & ALAE as of December 31, 2009		
		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	271,037	271,794	271,794	276,794	757	757	5,757
2001	388,977	484,405	491,905	514,026	95,428	102,928	125,049
2002	120,253	141,684	150,864	166,164	21,432	30,612	45,911
2003	199,651	199,651	199,651	199,651	0	0	0
2004	820,770	1,090,536	1,152,342	1,226,509	269,766	331,572	405,739
2005	892,850	1,208,628	1,316,070	1,448,307	315,777	423,220	555,456
2006	561,947	751,360	897,436	1,080,032	189,413	335,489	518,085
2007	638,391	920,789	1,142,797	1,409,206	282,398	504,406	770,815
2008	281,055	532,872	747,872	1,005,872	251,817	466,817	724,817
2009	141,978	577,398	751,398	960,198	435,420	609,420	818,220
Total	4,460,760	6,322,968	7,265,981	8,430,610	1,862,208	2,805,220	3,969,850
	(9)	(10)	(11)	(12)			
		(3) ÷ (9)	(4) ÷ (9)	(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	101.8%	101.8%	103.7%			
2001	442,419	109.5%	111.2%	116.2%			
2002	611,995	23.2%	24.7%	27.2%			
2003	812,550	24.6%	24.6%	24.6%			
2004	1,236,118	88.2%	93.2%	99.2%			
2005	1,652,958	73.1%	79.6%	87.6%			
2006	1,825,957	41.1%	49.1%	59.1%			
2007	2,220,079	41.5%	51.5%	63.5%			
2008	2,150,000	24.8%	34.8%	46.8%			
2009	1,740,000	33.2%	43.2%	55.2%			
Total	13,410,412	47.1%	54.2%	62.9%			

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, Sheet 2
- (9) Based on data provided by Cody Management

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Fund Year	Estimated Ultimate Loss & ALAE	Paid Loss & ALAE as of 12/31/09	Inc. Loss & ALAE as of 12/31/09	Case Reserves	Estimated IBNR as of 12/31/09	Total Unpaid as of 12/31/09	Estimated Number of O/S Claims	Estimated O/S Claim Severity
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	271,037	271,794	757	0	757	1	757
2001	491,905	388,977	484,405	95,428	7,500	102,928	2	51,464
2002	150,864	120,253	140,864	20,612	10,000	30,612	1	30,612
2003	199,651	199,651	199,651	0	0	0	0	—
2004	1,152,342	820,770	1,031,291	210,521	121,051	331,572	5	66,314
2005	1,316,070	892,850	1,102,121	209,271	213,949	423,220	5	84,644
2006	897,436	561,947	639,957	78,010	257,479	335,489	5	67,098
2007	1,142,797	638,391	823,218	184,827	319,579	504,406	7	72,058
2008	747,872	281,055	424,757	143,703	323,115	466,817	9	51,869
2009	751,398	141,978	387,995	246,016	363,404	609,420	17	35,848
Total	7,265,981	4,460,760	5,649,904	1,189,144	1,616,077	2,805,220	52	

Notes

- (2) From Exhibit 3, Sheet 3
- (3), (4) Based on Exhibit 6
- (5) (4) - (3)
- (6) (2) - (4)
- (7) (5) + (6)
- (8) From Exhibit 5
- (9) (7) ÷ (8)

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)
Fund Year	Bornhuetter-Ferguson	Loss Ratio Cape Cod	Severity Cape Cod	Estimated Ultimate Loss & ALAE	Earned Premium	Estimated Ultimate Number of Claims	Estimated Ultimate Loss & ALAE Ratio	Estimated Ultimate Claim Severity
1998		70,783	72,574	64,689	220,347	11	29.4%	5,881
1999		91,485	96,282	79,162	231,045	16	34.3%	4,948
2000		286,640	287,297	271,794	266,944	12	101.8%	22,650
2001		517,804	521,553	491,905	442,419	22	111.2%	22,359
2002		191,071	184,291	150,864	611,995	20	24.7%	7,543
2003		271,413	260,946	199,651	812,550	23	24.6%	8,680
2004		1,164,164	1,140,520	1,152,342	1,236,118	33	93.2%	34,919
2005		1,302,882	1,329,258	1,316,070	1,652,958	49	79.6%	26,859
2006		907,746	887,127	897,436	1,825,957	41	49.1%	21,889
2007	1,142,797			1,142,797	2,220,079	56	51.5%	20,407
2008	747,872			747,872	2,150,000	36	34.8%	20,774
2009	751,398			751,398	1,740,000	25	43.2%	30,056
Total				7,265,981	13,410,412	344		

Notes

- (2) From Exhibit 3, Sheet 4
- (3) From Exhibit 3, Sheet 5
- (4) From Exhibit 3, Sheet 6
- (5) Selected based on columns (2) - (4)
- (6) Data provided by Cotly Management
- (7) From Exhibit 5

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. Claim Severity 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		1.639	9,636								
1999	79,162	16	4,948		1.565	7,744								
2000	271,794	12	22,650	12,798	1.554	35,207	19,894							
2001	491,905	22	22,359	14,478	1.427	31,898	20,655							
2002	150,864	20	7,543	16,298	1.288	9,717	20,995							
2003	199,651	23	8,680	18,139	1.230	10,677	22,310							
2004	1,152,342	33	34,919	20,111	1.174	41,000	23,613							
2005	1,316,070	49	26,859	22,675	1.097	29,457	24,869							
2006	897,436	41	21,889	25,257	1.047	22,919	26,446							
2007		56						25,000	0.834	0.875	1,225,455	0.261	823,218	1,142,797
2008		36						26,500	0.820	0.865	825,226	0.392	424,757	747,872
2009		25						28,000	0.826	0.869	608,556	0.597	387,995	751,398

Notes

- (2) From Exhibit 3, Sheet 3
- (3) From Exhibit 5
- (5) Based on statewide industry claim size information from NCCI
- (6) Reflects severity trend of 5.7% (based on 2009 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, 2009: Trended forward from 2007 at 5.7%
- (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, Sheet 1
- (14) Based on 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 2009 Wage Level	Loss Trend Index	SIR Index	Exposure Base	Portion of Ultimate Incurred Loss & ALAE as of 12/31/2009	Incurred Loss & ALAE as of 12/31/2009	Developed Loss to Exposure Ratio	Expected Loss to Exposure Ratio	Expected Ultimate Loss & ALAE	Expected IBNR Loss & ALAE	Indicated Ultimate Loss & ALAE
1998	365,018	0.779	0.996	283,295	0.950	64,689	0.240	0.430	121,883	6,094	70,783
1999	506,592	0.804	0.986	401,697	0.929	79,162	0.212	0.430	172,824	12,322	91,485
2000	517,956	0.830	0.939	403,649	0.915	271,794	0.736	0.430	173,664	14,846	286,640
2001	913,427	0.856	0.968	756,999	0.897	484,405	0.713	0.430	325,687	33,399	517,804
2002	1,094,057	0.883	1.015	980,039	0.881	140,864	0.163	0.430	421,646	50,207	191,071
2003	1,305,426	0.911	1.005	1,195,339	0.860	199,651	0.194	0.430	514,276	71,762	271,413
2004 *	1,933,530	0.940	0.996	1,810,169	0.829	660,220	0.440	0.430	778,797	132,873	1,164,164
2005	2,204,154	0.969	1.009	2,156,056	0.784	1,102,121	0.652	0.430	927,610	200,761	1,302,882
2006	2,316,250	1.000	1.000	2,316,250	0.731	639,957	0.378	0.430	996,530	267,789	907,746
Total	11,156,410			10,303,492		3,642,864			4,432,916	790,052	4,803,987

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 2009 wage level at an annual wage trend of 2.9%
- (3) Reflects 5.7% severity trend and -2.4% frequency trend based on data from NYCIRB
- (4) Estimated based on historical self-insurance retentions (SIRs) and excess loss pure premium factors effective January 1, 2008
- (5) = (2) × (3) × (4)
- (6) From Exhibit 4, Sheet 1
- (7) Based on claim list provided by Claim Services
- (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 12/31/2009	Incurred Loss & ALAE as of 12/31/2009	Developed Loss to Exposure Ratio	Expected Loss to Exposure Ratio	Expected Ultimate Loss & ALAE	Expected IBNR Loss & ALAE	Indicated Ultimate Loss & ALAE
1998	11	0.642	0.996	7	0.950	64,689	9,687	22,434	157,698	7,885	72,574
1999	16	0.678	0.986	11	0.929	79,162	7,964	22,434	240,114	17,120	96,282
2000	12	0.717	0.939	8	0.915	271,794	36,767	22,434	181,343	15,503	287,297
2001	22	0.758	0.968	16	0.897	484,405	33,428	22,434	362,245	37,148	521,553
2002	20	0.801	1.015	16	0.881	140,864	9,836	22,434	364,705	43,426	184,291
2003	23	0.847	1.005	20	0.860	199,651	11,850	22,434	439,264	61,295	260,946
2004 *	32	0.895	0.996	29	0.829	660,220	27,894	22,434	640,217	109,229	1,140,520
2005	49	0.946	1.009	47	0.784	1,102,121	30,067	22,434	1,049,478	227,137	1,329,258
2006	41	1.000	1.000	41	0.731	639,957	21,344	22,434	919,799	247,169	887,127
Total	226			194		3,642,864			4,354,862	765,912	4,779,847

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 5
- (3) Reflects 5.7% severity trend based on data from NYCIRB
- (4) Estimated based on historical self-insurance retentions (SIRs) and excess loss pure premium factors effective January 1, 2008
- (5) = (2) × (3) × (4)
- (6) From Exhibit 4, Sheet 1
- (7) Based on claim list provided by Claim Services
- (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 (2) × (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		Maturity	Interpolated	
	LDF	% Reported	LDF	% Reported	% Reported	LDF		% Reported	LDF
12	2.199	45.5%	2.775	36.0%	40.3%	2.482	12	40.3%	2.482
24	1.665	60.1%	1.626	61.5%	60.8%	1.644	24	60.8%	1.644
36	1.493	67.0%	1.256	79.6%	73.9%	1.353	36	73.9%	1.353
48	1.383	72.3%	1.359	73.6%	73.1%	1.367	48	73.1%	1.367
60	1.305	76.7%	1.261	79.3%	78.4%	1.276	60	78.4%	1.276
72	1.244	80.4%	1.186	84.3%	82.9%	1.206	72	82.9%	1.206
84	1.191	84.0%	1.147	87.2%	86.0%	1.162	84	86.0%	1.162
96	1.158	86.3%	1.123	89.0%	88.1%	1.135	96	88.1%	1.135
108	1.125	88.9%	1.109	90.2%	89.7%	1.114	108	89.7%	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
144	1.053	95.0%	1.053	95.0%	95.0%	1.053	144	95.0%	1.053

Notes

- (2) From Exhibit 4, Sheet 2. 132-ultimate and 144-ultimate development factors were selected judgmentally based on the preceding pattern.
- (3) From Exhibit 4, Sheet 3. 132-ultimate and 144-ultimate development factors were selected judgmentally based on the preceding pattern.
- (6) 12-36: 55% indemnity, 45% medical - (these are for post-reform accident periods (2007 and subsequent) 48 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.	1.719	1.314	1.129	1.067	1.072	1.039	1.020	1.016	1.021	1.127
5 year avg.	1.706	1.295	1.142	1.078	1.063	1.034	1.022	1.013	1.017	1.170
Selected	1.706	1.295	0.924	1.078	1.063	1.034	1.022	1.013	1.017	1.090
Factor to Ultimate	2.775	1.626	1.256	1.359	1.261	1.186	1.147	1.123	1.109	1.090

Notes

- * Statewide industry loss development from the New York Compensation Insurance Rating Board.
Note: the 36-48 loss development factor has been adjusted to reflect the expected impact of the 2007 reform

OHI Workers' Compensation Trust
Reported Claims Development Method

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fund Year	Reported Claims as of 12/31/2009	Age to Age Development Factor	Cumulative Claim Development Factor	Portion of Ultimate Reported Claims	Selected Number of Reported Claims	Number of Closed Claims as of 12/31/09	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	23	0
2004	33	1.000	1.000	1.000	33	28	5
2005	49	1.000	1.000	1.000	49	44	5
2006	41	1.000	1.000	1.000	41	36	5
2007	56	1.000	1.000	1.000	56	49	7
2008	36	1.000	1.000	1.000	36	27	9
2009	23	1.070	1.070	0.935	25	8	17
Total	342				344	292	52

Notes

- (2), (7) Based on claim list provided by Claim Services, Inc.
 (3) Selected based on historical data
 (4) Cumulative of (3)
 (5) = 1.0 ÷ (4)
 (6) = (2) × (4)
 (8) = (6) - (7)

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OHI Workers' Compensation Trust
Data Summary

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fund Year	Paid Loss as of 12/31/2009	Paid ALAE as of 12/31/2009	Incurred Loss as of 12/31/2009	Incurred ALAE as of 12/31/2009	SIR	Limited Paid Loss as of 12/31/2009	Limited Incurred Loss as of 12/31/2009
1998	62,403	2,286	62,403	2,286	250,000	62,403	62,403
1999	76,849	2,313	76,849	2,313	250,000	76,849	76,849
2000	274,747	11,482	337,431	14,154	200,000	259,555	257,640
2001	350,672	38,305	446,412	39,983	250,000	350,672	444,422
2002	111,323	8,930	130,750	10,114	350,000	111,323	130,750
2003	190,077	9,574	190,077	9,574	350,000	190,077	190,077
2004	811,091	71,480	1,013,517	79,574	350,000	749,290	951,717
2005	836,538	56,312	1,040,475	61,646	400,000	836,538	1,040,475
2006	528,058	33,889	598,238	41,719	400,000	528,058	598,238
2007	605,293	33,098	781,632	41,585	400,000	605,293	781,632
2008	271,356	9,698	403,424	21,333	400,000	271,356	403,424
2009	137,826	4,152	360,325	27,669	400,000	137,826	360,325
Total	4,256,233	281,520	5,441,534	351,952		4,179,241	5,297,953

Notes

- (2) - (5) Based on claim list provided by Claim Services, Inc.
(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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