

EXHIBIT 1

BST



An Independent Member of the RSM McGladrey Network

SELF-INSURANCE AGREEMENT AND DECLARATION OF TRUST

THIS AGREEMENT, made and entered into this 17 day of September 1992, by and between the parties hereto which may become parties hereto, and the Trustees which have heretofore, or which may hereafter, be appointed to serve as provided herein.

WITNESSETH:

WHEREAS, several of the parties hereto have heretofore applied to the Worker's Compensation Board of the State of New York, for the establishment of a group Self-Insurance Fund pursuant to the provisions of Subdivision 3-a of Section 50 of the Workers' Compensation law, and

WHEREAS, the establishment of a group Self-Insurance Fund for the purpose of satisfying an employer's obligation with the New York State Workers' Compensation Act has been approved by the Workers' Compensation Board, and

WHEREAS, it is considered to be in the best interest of the Fund that an Agreement and Declaration of Trust fully setting forth the duties and responsibilities of the Trustees be entered into.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the *Health Care Providers Self-Insurance* Fund is hereby established as follows:

ARTICLE I

DEFINITIONS

Association--The New York State Association of Health Care Providers, Inc.

Fund - The group Self-Insurance Fund or Funds which are hereby created for the purposes set forth herein.

Indemnity Agreement - The Indemnity Agreement which was filed by the *Health Care Providers Self-Insurance Fund* pursuant to the Rules for Self-Insurance, said Agreement being dated September 17, 1992.

Member - A company, firm corporation, individual, partnership or other legal entity which is engaged in the home health care industry as an employer employing employees, and which is a participating member in this Fund and an Association member in good standing.

Rules for Self-Insurance - The Rules for Self-Insurance under the Workers' Compensation Law as Revised from time to time, and administered by the Workers' Compensation Board, of the State of New York.

Program Administrator-Any individual, firm, corporation, partnership or association duly authorized or licensed to write or act as a broker in the writing of Workers' Compensation Insurance in this state who agrees to act as the manager of the group self insurance program herein created.

Trustees - The Trustees appointed to serve on the Board of Trustees of this Trust Fund as provided herein.

Third Party Administrator-Any individual, firm, corporation, partnership or association duly authorized to do business in the state of New York and approved by the Workers' Compensation Board for the resolution and payment of claims pursuant to the Workers' Compensation law.

ARTICLE II

CREATION OF THE TRUST

There is hereby established and created a Trust Fund which shall be known as the "Health Care Provider's Self-Insurance Fund," and the Trustees may hold property, enter into contracts and in all matters as hereinafter set forth act in behalf of the Trust Fund in that name. This Trust Fund shall be used for the purposes as hereinafter set forth.

The members participating in this trust jointly and severally covenant and agree to assume and discharge, by payment, any lawful awards entered by the Workers' Compensation Board against any member of the group, and any lawful award against or obligation of the Fund which it may become legally obligated to pay, in respect of any fund year or part thereof that such member participated in the fund, whether or not still a member in good standing, and which award or obligation shall have been sustained by the Courts where an appeal by either party is taken.

The members jointly and severally covenant and agree to pay the necessary premiums and assessments, based upon appropriate classifications and rates in accordance with the rules of the trust, into a designated cash reserve trust fund out of which lawful and proper awards and claims are to be paid, and that there will be no disbursement out of the designated cash reserve trust fund by way of dividends or distribution of accumulated reserves to the members, except at the discretion of and direction by the trustees in a manner that is consistent with the Workers' Compensation Law and the rules and regulations of the Workers' Compensation Board.

ARTICLE III

PURPOSE

This Trust Agreement is made and executed for the purpose of meeting and fulfilling an employer's obligations and liabilities under Article 2 of the Workers' Compensation Law which provides for Workers' Compensation coverage and benefits; to form an overall Self-Insurance Fund pursuant to such Law, to provide maximum allowable advance discounts on premium payments made by employers for Workers' Compensation coverage; and to minimize the cost of providing Workers' Compensation coverage by developing and refining specialized claim services and a loss prevention program within the home health care industry.

ARTICLE IV

DESIGNATION OF TRUSTEES

SECTION 1. NUMBER OF TRUSTEES.

The operation and administration of the Trust Fund shall be the joint responsibility of a Board of Trustees consisting of a number of trustees which shall be composed of five persons appointed as provided in this Article.

SECTION 2. APPOINTMENT OF TRUSTEES.

Two members of the Association shall be designated to serve as trustees by the Chairman of the Association. Any trustee so appointed must be a member in good standing in both the Association and the Fund. Additionally, the President of the Association, the Counsel to the Association and a representative of Jardine Insurance Brokers New York, Inc. shall serve as trustees. No trustee may be appointed who is, or continues to serve as a trustee after becoming, an owner, officer, or employee of a third party administrator.

Each and every trustee heretofore or hereafter named and each successor trustee shall acknowledge and consent to their appointment as trustees by giving written notice of acceptance of such appointment to the chairman or acting chairman of the Board of Trustees of this Fund.

SECTION 3. RESIGNATION OF A TRUSTEE.

A trustee may resign and become and remain fully discharged from all further duties or responsibility hereunder, by giving at least thirty (30) days prior notice in writing sent by registered mail to the chairman or acting chairman of the Board of Trustees of this Fund, and to the Association, if such trustee was designated by that Association. Such notice shall state the date said resignation shall take effect and such resignation shall take effect on such date unless a successor trustee shall have been appointed, in which event resignation shall take effect immediately upon the appointment of such successor trustee.

Any trustee, upon leaving office, shall forthwith turn over and deliver to the chairman or the secretary of the trustees, at the principal office of the fund, any and all records, books, documents or other property in his/her possession or under his/her control which belongs to the Fund.

SECTION 4. LENGTH OF APPOINTMENT AND REMOVAL OF A TRUSTEE.

Each trustee designated by the Association, and each successor trustee, shall serve for a term of office of one year in duration. Persons serving as trustees other than as designees of such Association shall continue to serve for so long as they serve as the President or Counsel to the Association or until Jardine Insurance Brokers New York, Inc. shall notify the chairman or acting chairman in writing by registered mail of the appointment of a successor trustee, which notification shall be accompanied by the written acceptance of the successor trustee so appointed by Jardine Insurance Brokers New York, Inc. In all events, the term of appointment is subject to the provisions of the sections in this Article regarding resignation, death, incapacity, or refusal of a trustee to act.

A trustee designated by the Association may be removed by a majority vote of the Board of Directors of the Association. Notice of removal of a trustee shall be furnished to the chairman or acting chairman of the Board of Trustees of this Fund by certified mail and shall set forth the effective date of such removal.

Any such instrument of removal, in order to be effective, shall name the trustee removed, and shall contain the name of the successor trustee appointed to fill the vacancy caused by the removal, and shall be accompanied by the written acceptance of such successor trustee.

SECTION 5. APPOINTMENT OF A SUCCESSOR TRUSTEE

In the event any trustee duly appointed to serve on the Board of Trustees of this Fund shall die, resign, become incapacitated, or refuse to act, a successor trustee shall be appointed forthwith in the same fashion as the Trustee who is being replaced was selected and shall meet the qualifications of the trustee such successor is replacing. The notice of appointment of a successor

trustee shall be in writing to the chairman or acting chairman of the Board of Trustees by registered mail, and shall be accompanied by the written acceptance of the successor trustee so appointed.

SECTION 6. TRUSTEES TITLE

In case of death, resignation, refusal, or inability to act by any one or more of the trustees, the remaining trustees shall have all of the powers, rights, estates and interest of this Trust and shall be charged with its duties, provided that, in such case, no action may be taken unless it is concurred in by a majority of the remaining trustees.

SECTION 7. TRUSTEE OFFICERS.

The trustees shall meet as promptly as possible after execution of this Trust Agreement and elect from among the trustees a chairman and a secretary of the Board of Trustees. The term of such officers shall commence on the date of their election and continue to the end of the fiscal year. Thereafter such officers shall be elected annually.

ARTICLE V

ADMINISTRATION OF FUND

SECTION 1. MEETINGS.

The trustees shall meet semi-annually and more often if required at the principal office of the Fund or at such other location as may be acceptable to all the trustees or, in the alternative, by means of a conference phone call during the course of which each trustee may at all times speak and hear what is being said. The chairman of the trustees shall set the date, time and location of each meeting and notice thereof shall be furnished to each trustee by the secretary or administrator not less than ten (10) days prior to the date of such meeting. Such notice shall specify the date, time, and location of such meeting and may specify the purpose thereof and any action proposed to be taken thereat.

Whenever any notice is required to be given to any trustee hereunder, such notice shall be directed to said trustee by first class mail to the address of such trustee as recorded in the office of the Fund.

Special meetings of the trustees may be held at any time and place without notice provided all trustees execute a waiver of notice and consent to the said meeting.

For the purposes of a duly called and noticed meeting of the Board of Trustees a quorum shall consist of at least fifty (50) percent of the said Board of Trustees.

The secretary, acting secretary, or his designee shall keep minutes of all meetings, proceedings and acts of the Board of Trustees, but such minutes need not be verbatim. Copies of all minutes of the meeting of the Board of Trustees shall be sent by the secretary, acting secretary, or a designee to all trustees.

SECTION 2. VOTING.

All actions by, and decisions of, the Board of Trustees shall be by the vote of a majority of the number of trustees attending a duly called meeting of the trustees at which a quorum is present; provided, however, that actions by, and decisions of, the Board of Trustees may be taken by a

vote of a majority of the number of trustees attending a special meeting without notice when a proper waiver and consent has been obtained as provided in Section 1 above.

SECTION 3. OFFICE OF THE FUND.

The trustees shall establish and maintain an office of the Fund, the exact location of which is to be made known to the parties interested in or participating in the said Fund and to the appropriate governmental agencies and departments of state. The books and records pertaining to the Fund and its administration shall be kept and maintained at the office of the Trust.

SECTION 4. EXECUTION OF DOCUMENTS.

A certificate signed by the chairman and secretary of the Fund shall be evidence of the action of the Board of Trustees and any such certificate or other instrument so signed shall conclusively be presumed to be authentic, and all facts and matters stated therein shall conclusively be presumed to be true.

SECTION 5. APPOINTMENT OF ADMINISTRATOR.

The trustees may designate a fiscal agent and/or an administrator to administer the financial affairs of the Fund, provided, however, such fiscal agent or administrator shall not be an owner, officer, or employee of a third party administrator. Any fiscal agent and/or administrator so appointed shall furnish a fidelity bond with the trustees as obligee, in an amount sufficient to protect the Fund against the misappropriation or misuse of any moneys or securities held by or in the name of the Fund. The amount of the bond shall be determined by the trustees and evidence of such bond shall be filed with the appropriate governmental agencies and departments.

SECTION 6. COMPENSATION AND REIMBURSEMENT OF TRUSTEES.

The trustees may establish, from time to time, a reasonable amount of compensation to cover attendance at meetings of the Board of Trustees and the performance of the normal duties of a trustee which compensation may include reimbursement for necessary expenses incurred therein.

ARTICLE VI

POWERS AND DUTIES OF THE TRUSTEES

SECTION 1. AUTHORITY OF TRUSTEES.

The trustees shall have the power and authority and shall be charged with the duty of general supervision and operation of the Fund, and shall conduct the business and activities of the Fund in accordance with this Declaration of Trust, applicable federal and/or state statutes and applicable governmental rules and regulations.

SECTION 2. CONSIDERATION OF NEW MEMBERS.

The trustees, after the inception date of the Fund, shall receive applications for membership from prospective new members to the Fund and shall consider such application for membership in accordance with the Rules for Self-Insurance, the terms of the Indemnity Agreement, and the rules and regulations established and promulgated by the trustees for the admission of new members to the Fund. The Board of Trustees may delegate the ministerial authority for membership approval

to the administrator or such other person as they select, provided that such administrator or person designated is not an owner, officer, or employee of a third party administrator. All members of the fund shall specifically acknowledge that they are jointly and severally liable for all claims made against the Fund.

SECTION 3. ESTABLISHMENT OF FUNDS.

The trustees shall be responsible for establishing such trustee funds, loss funds, or other funds which may be required from time to time by the Workers' Compensation Law, or the Rules for Self-Insurance or the Rules of Conduct and Administration of this Fund as may be established by the trustees from time to time.

SECTION 4. POSTING OF SECURITY.

The trustees shall be responsible for and shall undertake the posting of such security deposit and/or security bonds as may be required to be posted with the Workers' Compensation Board pursuant to §50 of the Workers' Compensation Law, or the Rules for Self-Insurance or such other legislative enactments or administrative regulations which may be established from time to time.

SECTION 5. REPORTS.

The trustees shall be responsible for and shall cause to be filed such annual or other periodic audits, reports, and disclosures as may be required from time to time pursuant to applicable federal or state statutes or governmental regulations, including, but not limited to, periodic payroll audits, periodic summary loss reports, periodic statements of financial condition, certified audits, appropriate applications filed by prospective new members, reports as to financial standing, payroll records, coverage, accident experience and compensation payments, summary loss data statements, periodic status reports, and any other such reports as may be required from time to time.

SECTION 6. ASSET PROTECTION.

The trustees shall take all necessary precautions to safeguard the assets of the Fund including but not limited to the following:

a. The designation of a fiscal agent and/or administrator to administer the financial affairs of the Fund provided, however, such fiscal agent and/or administrator shall not be an owner, officer or employee of a third party administrator. Further, the trustees shall require the fiscal agent and/or administrator to furnish a fidelity bond with the trustees as obligee to an amount sufficient to protect the Fund against misappropriation or misuse of any moneys or securities, the amount of such bond shall be determined by the trustees and evidence of the said bond shall be filed with the appropriate governmental agencies and departments.

b. Retaining control of all moneys collected or distributed for the Fund; all loss funds or funds of any type shall remain in the custody of the trustees or the authorized administrator; provided, however, that a revolving fund for payment of compensation benefits due and other related expenses may be established for the use of the authorized third party administrator.

c. Designation of a third party administrator which shall be required to furnish a fidelity bond covering its employees, with the Fund as obligee, and in an amount sufficient to protect all moneys placed in any revolving fund made available to such

third party administrator for the payment of compensation benefits due and other related expenses; provided, however, in the event the bond required of the fiscal agent and/or administrator also covers moneys deposited in the revolving fund, then and in that event, a separate bond shall not be required of the third party administrator if the third party administrator is already covered by sufficient bond.

d. Having the accounts and records of the Fund audited annually or at any time which may be required by the Workers' Compensation Board or other governmental agency, such audits to be made by a certified public accountant; to implement any uniform accounting system prescribed by the Workers' Compensation Board for use by Self-Insurance Funds and/or third party administrators.

e. Activate efforts to collect delinquent accounts resulting from any unpaid premiums by members which shall include any cost incurred in the collection of same.

f. To prevent utilization of any of the moneys collected as premiums for any purpose unrelated to Workers' Compensation Insurance.

g. To invest any surplus moneys not needed for current obligations in accordance with the Rules for Self-Insurance, or applicable federal or state statutes or regulations.

h. To set up, operate and enforce administrative rules, regulations and by-laws as between the individual members of the Fund.

i. To adopt and promulgate rules and regulations for the proper administration of the Fund, the admission of members to the Fund, the suspension of members and the expulsion of members.

j. To take all reasonable and necessary precautions to protect the members from losses and provide for excess insurance coverage designed to protect said members against excess losses.

k. To abide by all applicable federal and state statutes and administrative regulations.

SECTION 7. RULES AND REGULATIONS.

The trustees may prescribe such rules and regulations as may, in their discretion, be proper and necessary for the sound and efficient administration of the Trust, provided the rules and regulations shall not be inconsistent with the provisions of this Declaration of Trust, the Indemnity Agreement, the Rules for Self-Insurance, applicable federal and/or statutes, and applicable governmental regulations.

SECTION 8. TRUSTEES' LIABILITIES.

No trustee shall be liable for any action taken pursuant to this Trust Agreement in good faith or for an omission, except gross negligence, or for any act of omission or commission by any other trustee or by any employee of trustee. And the trustees are hereby authorized and empowered to obtain, at the expense of the Fund, liability insurance fully protecting the trustees and the Fund from any loss or expense incurred, including reasonable attorney's fees, for all acts of the trustees except bad faith and gross negligence on the part of the trustees. The Fund hereby agrees to save, hold harmless, and indemnify the trustees from any loss, damage, or expense

incurred by said trustees while acting in the capacity of trustees excepting bad faith and gross negligence.

SECTION 9. RELIANCE ON COUNSEL'S OPINION.

The trustees may consult with legal counsel concerning any questions which may arise with reference to the duties and powers or with reference to any other matter pertaining to this Agreement or the Trust created hereby; and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered by the trustees hereunder in good faith in accordance with the opinion of such counsel, and the trustees shall not be liable therefore.

ARTICLE VI

MISCELLANEOUS

SECTION 1. AMENDMENTS.

This Agreement may be amended in writing at any time by the concurrence of a majority of the trustees. However, this Agreement may not be amended so as to change its purpose as set forth in Article III above or to permit the diversion or application of any of the funds of the Trust for any purpose other than those specified herein. The trustees, upon amending this Agreement, shall send a copy of any such amendment bearing the necessary signatures, to the Members.

SECTION 2. TERMINATION OF TRUST.

This Trust may be terminated at any time by a concurrence of all of the parties to this Agreement.

This Trust shall terminate in any case upon the death of the last survivor of such persons who were living at the time of the creation of the Trust and who were participating in the Trust, unless, without the benefit of this provision, the Trust does not violate the rule against perpetuities; in which case, the Trust may continue in perpetuity unless otherwise terminated.

This Agreement shall continue in full force and effect as may be amended and supplemented from time to time subject, however, to the above termination provision. In the event of termination, the remaining funds available in the trust, after providing for all outstanding obligations shall be distributed through a formula determined by the trustees to the participating members.

SECTION 3. SITUS OF THE TRUST.

This Trust Agreement is executed by the parties hereto and accepted by the Trustees in the State of New York, and all questions pertaining to its validity, construction and administration shall be determined in accordance with the laws of the State of New York.

SECTION 4. CONSTRUCTION.

Whenever any words are used in this Agreement in the masculine gender, they shall be construed as though they were also used in the feminine or neuter gender in all situations where they would so apply, and whenever any words are used in this Agreement in the singular form, they shall be construed as though they were also used in the plural form in all situations where they would so apply, and whenever words were used in this Agreement in the plural form, they shall be construed as though they were also used in the singular form in all situations where they would so apply.

IN WITNESS WHEREOF this Agreement and Declaration of Trust has been executed the day and year first above written.

**NEW YORK STATE ASSOCIATION OF HEALTH CARE PROVIDERS, INC.
MEMBERS**

By *John A. Lauterbach*
By _____
By _____
By _____
By _____
By _____

By _____
By _____
By _____
By _____
By _____
By _____

TRUSTEES

William J. ...
...
...

John A. Lauterbach
...

This is a true and correct copy of the original as the same appears on file in the office of the Clerk of the Court of the State of New York, and that it is a true and complete copy thereof.

Dated 10/17/92
William J. ...

EXHIBIT 2

BST



An Independent Member of the RSM McGladrey Network

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

INDEMNITY AGREEMENT

This agreement is made and entered into this 17 day of September 1992, by and between all parties who execute this Agreement or the same or similar Agreement and are now or may hereafter become Members of Health Care Providers Self-Insurance Trust (hereinafter referred to as "Members"), acting by and through their Trustees.

WITNESSETH

WHEREAS, the Members applied for authority to pool their liabilities pursuant to the terms of subdivision 3-a of Section 50 of the Workers' Compensation Law; and

WHEREAS, the said Members have, pursuant to the above section, formed such a fund to be known as The Health Care Providers Self-Insurance Trust, hereinafter referred to as the "Trust"; and

WHEREAS, the Workers' Compensation Board, upon petition of the Trust approved the application subject to the following conditions:

(1) That the Trust shall post either deposit funds acceptable to the Workers' Compensation Board or any bonds or securities required by the Superintendent of Insurance and the Workers' Compensation Board to secure the performance of any award which might be made against the Trust or any members thereof. The Trustees shall, from time to time, be entitled to receive all interest accruing on any negotiable securities posted, provided that the Trust is not in default in payment of compensation benefits or of any assessment levied by the Workers' Compensation Board.

(2) That the Members of the Trust execute a covenant, or agreement whereby, in addition to the collateral above mentioned, the Trust and its Members will jointly and severally covenant to assume and discharge, by payment, any lawful awards entered by the Workers' Compensation Board against any Member of the group, which awards shall have been sustained by the courts where an appeal by either party is taken.

(3) That the Members of the Trust execute a covenant or agreement whereby the Fund and each Member thereof will jointly and severally covenant and agree to pay premiums and assessments, based upon appropriate classifications and rates, into a designated cash reserve trust fund out of which lawful and proper claims and awards are to be paid, and further that the group will jointly and severally covenant and agree that there will be no disbursement out of this fund by way of dividends or distribution of accumulated reserves to the respective Members, except at the discretion of the Trustees; and

WHEREAS, the Members, through their designated Trustees, elected to comply with said conditions and become self-insurers, and to execute the other covenants required; and

WHEREAS, the Members designated EDNA LAUTERBACH and JOEL SCHWARTZ, THOMAS B. ARNEY, on behalf of Jardine Insurance Brokers, New York, Inc., PHYLLIS A. WANG, on behalf of the New York State Association of Health Care Providers, Inc. and THOMAS J. GOSDECK, as counsel to the New York State Association of Health Care Providers, Inc., as the TRUSTEES, to maintain and direct the affairs of the Trust for the benefit of the Members and to pass on the admissibility of future Members with the powers and duties hereinafter conferred upon the Trustees; and

WHEREAS, the above-mentioned persons have declared themselves as TRUSTEES of the Trust;

NOW, THEREFORE, for and in consideration of the mutual covenants, promises and obligations herein contained, which are given to and accepted by each Member who executes this Agreement hereof to the other, the Members jointly and severally stipulate and agree as follows;

ARTICLE I ACCEPTANCE OF COVENANTS

(1) The Members, through the Trustees, hereby agree to file with the Workers' Compensation Board either deposit funds acceptable to the Workers' Compensation Board or a surety bond in the amount specified by the Workers' Compensation Board to secure performance by the Trust of payment of all lawful awards made by the Workers' Compensation Board against any Member or Members, predicated on a claim or claims by an employee or employees of any Member, arising out of and in the course of such claimant's employment and which awards shall have been sustained by the courts where an appeal by either party is taken and upon condition that said Member through which such claim originates shall not have resigned from or been expelled from the Trust pursuant to the rules and regulations of the Trust.

(2) The Members jointly and severally covenant and agree to assume and discharge, by payment, any lawful awards entered by the Workers' Compensation Board against any Member of the group, and any lawful award against or obligation of the Trust which it may become legally obligated to pay, in respect of any fund year or part thereof that such Member participated in the Trust, whether or not still a Member in good standing, and which award or obligation shall have been sustained by the courts where an appeal by either party is taken.

(3) The Members jointly and severally covenant and agree to pay the necessary premiums and assessments, based upon appropriate classifications and rates, into a designated cash reserve trust fund out of which lawful and proper awards and claims are to be paid, and that there will be no disbursement out of the designated cash reserve trust fund by way of dividends or distribution of accumulated reserves to the Members, except at the discretion of and direction by the Trustees.

(4) The Members intend this agreement to be a mutual covenant of assumption and not a partnership, but should any court of competent jurisdiction construe it to be a partnership, then it is the intention of the parties that such partnership be strictly construed and limited in scope to the uses for which this agreement is executed and no other.

ARTICLE II
DEFINITIONS

(1) Program Administrator shall mean any individual, firm, corporation, partnership or association duly authorized or licensed to write or act as a broker in the writing of Workers' Compensation Insurance in this State and who agrees to act as the manager of the group self-insurance program.

(2) Third Party Administrator shall mean such individuals or business entities appointed by the Trustees to provide administrative, processing or other services, including the resolution and payment of claims to the Fund.

(3) Member shall mean the Members named herein, and which in each case (i) is an employer within the meaning of the New York Workers' Compensation Law, (ii) meets the qualifications for membership as established by this agreement and the Declaration of Trust, (iii) has been accepted for participation in the Fund by the Trustees, and (iv) has executed this Agreement.

(4) Trustees shall mean the Trustees acting hereunder and under the Declaration of Trust.

(5) Workers' Compensation Board shall mean the Workers' Compensation Workers' Compensation Board of the State of New York.

(6) Declaration of Trust shall mean Health Care Providers Self-Insurance Trust Declaration of Trust dated September 17, 1992, and as it may be amended from time to time.

(7) Trust shall mean The New York Health Care Association Workers' Compensation Fund as established by this Indemnity Agreement.

(8) Bank Trustee shall mean a state or federally chartered institution having trust powers according to the laws of the State of New York.

ARTICLE III
POWERS AND DUTIES OF THE TRUSTEES

(1) Each undersigned Member ratifies and confirms the designation of the Trustees as the Trustees for the Trust authorized to direct its affairs and to perform all acts necessary to accomplish the purposes and objectives of the Trust and this Agreement, in accordance with state law, applicable regulations of the Workers' Compensation Board, and the Declaration of Trust as defined herein and which is hereby incorporated by reference in its entirety.

(2) Subject to the approval of the Workers' Compensation Board, the Trustees may promulgate, adopt, operate and enforce administrative rules, regulations and/or bylaws for the administration and operation of the Trust. The Members agree to abide by any such rules, regulations or bylaws adopted by the Trustees. The Trustees may adopt, amend, change, or repeal such rules, regulations, or bylaws from time to time as they deem necessary.

(3) The Trustees are authorized to perform all other functions and exercise all other authority otherwise granted herein or necessary or desirable to carry out the purpose of this agreement or the specific powers granted herein.

ARTICLE IV ADMINISTRATION

(1) The Members ratify and confirm the designation of Jardine Insurance Brokers, New York, Inc. as Program Administrator with the authority to perform all necessary functions to administer and operate the Trust as directed by the Trustees.

(2) The Trustees are authorized to establish all necessary premiums, charges and assessments as authorized herein and as necessary for the proper operation and administration of the Trust.

(3) The Members ratify and confirm the appointment of Gallagher Bassett Services, Inc. as Third Party Administrator by the Trustees. The Third Party Administrator will pay all approved items of expense as directed by the Trustees and/or Program Administrator, and give a monthly account of all monies so handled. For handling the administrative and servicing functions, the Third Party Administrator shall receive a fee which shall be in consideration of all services and expenses contracted for with the Trust, which services or expenses may include the collecting, disbursing and accounting for monies collected, counseling with Members as to safety hazards, claims handling and investigation, and providing for excess insurance coverage. The Third Party Administrator's books and records are to be open to inspection by the Workers' Compensation Board and by the Trustees or their agents at all reasonable times.

(4) The Trustees, Program Administrator or their designee shall deposit with an independent fiduciary which is a Bank Trustee, for deposit to the account of the Trust, all premiums as and when collected from the Members. The Bank Trustee shall hold and administer the amounts on deposit in the account of the Trust as provided in the Trust Agreement between the Trust and the Bank Trustee. All directions by the Trustees or the Program Administrator to the Bank Trustee shall be in conformity with this Agreement and (a) the rules, regulations and bylaws of the Trust, (b) the Agreement between the Trustees and the Third Party Administrator and/or such independent fiduciary, (c) the rules and regulations of the Workers' Compensation Board pertaining to group self-insurers and (d) the Declaration of Trust.

(5) The Trustees are authorized and directed to take all reasonable precautions to protect the Members from losses and shall provide for excess insurance coverage designed to protect said members against excess losses. The contracts for coverage shall be governed by the rules and regulations of the Workers' Compensation Board.

(6) If the assets of the Trust are at any time actuarially determined to be insufficient to enable the Trust to discharge its legal liabilities and other obligations and to maintain actuarially sound reserves, the Trustees shall make up the deficiency by the levy of an assessment upon Members pro-rated in accordance with the Rules and Regulations adopted by the Trustees, or by other appropriate methods secure the amount needed to make up the deficiency, failing which, however, the Trustees shall levy an assessment required by any lawful order of the Workers' Compensation Board. The Members shall be given a minimum of 30 days notice of any assessment due. Any Member failing to make the payment required when due shall, following written notice and a thirty (30) day opportunity to cure such failure, and upon a minimum of ten (10) days notice to the

Workers' Compensation Board (whichever such period expires later), and otherwise in compliance with the Rules and Regulations adopted by the Trustees, be immediately suspended from membership and that Member's coverage and benefits hereunder shall prospectively cease. If the Member shall subsequently submit the payment, the Trustees may, in their discretion, reinstitute such membership. Each Member covenants and agrees to make payment of a deficiency assessment, pro-rated in accordance with the Rules and Regulations adopted by the Trustees, for any fund year, or part thereof, that the Member participated in the Trust, whether or not still a Member in good standing.

(7) The Members hereby agree that the Trustees may admit as a Member any acceptable employer having employees in the State of New York, and which qualifies to be a Member as defined herein, and that the Trustees shall be the sole judge of whether or not an applying entity shall be admitted to membership, and provided further that such admission of a new member shall be effective only upon acceptance of such applicant by the Trustees in their absolute discretion, and approval of such application for participation by the Workers' Compensation Board if required by applicable regulation of the Workers' Compensation Board. All Members of the Fund further agree that a Member may be expelled from the Trust by the Trustees in compliance with the bylaws and the Rules and Regulations adopted by the Trustees after thirty (30) days notice has been given to the Member, and ten (10) days notice has been given to the Workers' Compensation Board (except that in the case of a proposed expulsion for failure to pay any required assessment, the notice and cure provisions of paragraph (6) above shall apply in lieu of the notice provisions of this paragraph (7)), which notices may be given so that the notice periods shall all expire at the end of the 30 day notice period, and that no liability shall accrue to the Trust or its Members for any injury to an employee of an expelled Member occurring after the effective date of termination of such expelled Member.

(8) Rules and regulations and/or bylaws for administration and for the admission and expulsion of Members shall be promulgated by the Trustees. In addition, the Members agree to abide by the following rules and regulations:

- (a) Each Member agrees to follow the safety recommendations of the Trustees, the Program Administrator and the Third Party Administrator in order to give its employees the maximum in safe and sanitary working conditions, and to promote the general welfare of its employees. In the event of disagreement as to the implementation of any recommendations, any party may appeal to the Trustees, whose decision is final.
- (b) In the event of an accident or reported claim, each Member agrees to make immediate provision for remedial care for its employees, and to give immediate notification of said accident to the Third Party Administrator on the prescribed forms.
- (c) Each Member shall make prompt payment of all premiums and assessments as required by the Trustees. Such premiums shall include loss and expense constants and minimum premiums, where applicable, and may be reduced by any discount allowed by the Trustees as long as such discount does not exceed the amount permitted by the Workers' Compensation Board rules pertaining to self-insurers.
- (d) Each Member hereby appoints the Third Party Administrator selected by the Trustees as its agent and attorney-in-fact to act on its behalf and to execute all contracts, to

make or arrange for the payment of all claims, medical expenses, and all other things required or necessary as covered by the terms of this agreement and pursuant to the rules and regulations and/or by-laws as now provided or as may be hereafter promulgated by the Trustees and/or the Workers' Compensation Board.

- (e) Each Member agrees that the Trustees and attorneys or agents employed by the Trustees shall have sole authority to represent the Member in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Member within the scope of protection furnished by the Trust.
- (f) Each Member agrees that in the event of the payment of any loss by the Fund under this contract, the Fund shall be subrogated to the extent of such payment to all the rights of the Member against any person or other entity legally responsible for damages for said loss, and in such event the Member hereby agrees to render all reasonable assistance to effect recovery.
- (g) The Trustees of the Trust agree to defend in the name of and on behalf of the Member any suits or other proceedings which may at any time be instituted against the Member on account of injuries or death which occurred during the period of membership within the scope of the New York claims, outstanding reserves and loss fund requirements, shall be considered Trustees Funds. Such Trustees Funds may be used by the Trustees for any purpose they deem necessary to perform the purposes and functions of this Agreement and for the protection and preservation of the Trust. Any excess Trustees Funds remaining after provision has been made for all obligations under the Workers' Compensation Law and this Agreement, may be distributed to the Members at the discretion of the Trustees in accordance with the terms of this Agreement and the Declaration of Trust.
- (5) The Trustees are authorized to annually set aside from the premiums collected a reasonable sum to cover the operation expenses and administrative expenses. This sum shall include the cost of excess insurance, the Third Party Administrator fees and the operating costs of the Trust. All remaining funds coming into their possession during any one fiscal year shall be used for the following purposes:
 - (a) Payments for those benefits provided by the New York Workers' Compensation Law and also legal fees and costs in all contested cases.
 - (b) Payment of assessments as required by the New York Workers' Compensation Law.
 - (c) Payment of cost of all bonds and auditing expense required of the Fund or its agents or by the Workers' Compensation Board.
 - (d) All other investments, uses or payments as authorized by this Agreement and Declaration of Trust.
 - (e) Distribution to Members in such manner as the Trustees shall deem to be equitable of any excess monies as provided in Section 4 of this Article; provided, however, that no such distribution shall be made earlier than twelve

(12) months after the end of each Fund year, except that surplus monies not needed to satisfy the loss fund requirements as established by the aggregate excess contract and surplus monies not needed to satisfy the administrative fund requirements (such as Trustees Funds) may be refunded immediately after the end of the Fund year; provided further, that undistributed excess funds from previous Fund years may be distributed at the discretion of the Trustees at any time if not required for reserves.

- (6) The Trust shall operate on a fiscal year of twelve (12) calendar months ending on October 31, in each year. Execution of this agreement by each Member, when approved and accepted in writing by the Trustees or their designee, shall constitute a continuing contract for each succeeding fiscal period unless canceled by the Workers' Compensation Board or the Trustees or unless the Member shall have withdrawn or been otherwise terminated from the Trust.
- (7) The Members jointly and severally covenant and agree that there will be no disbursement by way of dividends or distribution of accumulated reserve to Members until after provision has been made for all obligations under the Workers' Compensation Law against the Trust and except at the discretion of the Trustees.

Any Member who applies for membership and is accepted by the Trustees shall thereupon become a party to this agreement and be bound by all of the terms and conditions hereof. Approval by the Trustees is conditioned upon the truth and accuracy of the information and financial data furnished on the application. Approval of the application shall be endorsed upon this agreement.

This agreement shall be the binding on and inure to the benefit of the parties' successors and assigns.

Each of the undersigned Members warrants and represents, and agrees to provide the opinion of the Member's counsel to the effect that, the execution, delivery and performance of this Agreement has been duly authorized by all requisite action of the Member, that the officer signing below on behalf of the Member has the requisite authority to execute and deliver this document and to bind the Member, and that the execution, delivery and performance of this Agreement will not conflict with or violate any provision of the Charter, Certificate of Incorporation, Bylaws or other document governing administration of the Member's affairs, or any agreement, contract, indenture or other undertaking to which the Member is a party or by which it is bound.

The undersigned pursuant to the vote of their respective Boards of Directors, certified copies of which votes are attached and become a part of this Agreement, do hereby agree to all the terms and conditions of this Agreement between the parties to this Agreement.

Effective as of the 17 day of September, 1992.

By: Phyllis G. Galy, Trustee Thomas B. Arroy, Trustee

Thomas J. Indeck, Notary

John A. Lautubach

[Signature]

State of New York
County of Albany, ss.

On the 17 day of September, 1992 before me the subscriber personally appeared Thomas B. Arney, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.

Thomas J. Indeck
Notary Public

State of New York
County of Albany, ss.

On the 17 day of September, 1992 before me the subscriber personally appeared Phyllis A. Wang, to me personally known, who by me duly sworn, did depose and say that she is the President of the New York State Association of Health Care Providers, Inc., the corporation described in, and which executed the within Instrument; that she knows the seal of such corporation; that the seal affixed to said Instrument is the seal of such corporation; that it was affixed by order of the Board of Directors of such corporation; and that she signed such Instrument by like Order.

Thomas J. Indeck
Notary Public

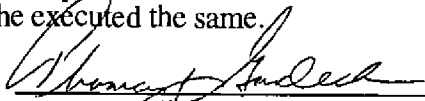
State of New York
County of Albany, ss.

On the 17 day of September, 1992 before me the subscriber personally appeared Thomas J. Gosdeck, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.


Notary Public

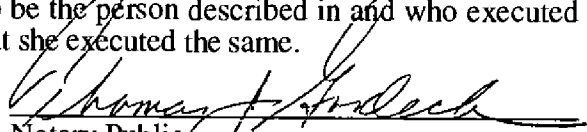
State of New York
County of ~~Suffolk~~, ss.
ALBANY

On the 22 day of September, 1992 before me the subscriber personally appeared Joel Schwartz, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.


Notary Public

State of New York
County of ~~Orange~~, ss.
ALBANY

On the 22 day of September, 1992 before me the subscriber personally appeared Edna Lauterbach, to me personally known, and known to be the person described in and who executed the within Instrument and she acknowledged to me that she executed the same.


Notary Public

State of New York
County of _____, ss.

On the _____ day of September, 1992 before me the subscriber personally appeared _____, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.

Notary Public

State of New York
County of _____, ss.

On the _____ day of September, 1992 before me the subscriber personally appeared _____, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.

Notary Public

State of New York
County of _____, ss.

On the _____ day of September, 1992 before me the subscriber personally appeared _____, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.

Notary Public

State of New York
County of _____, ss.

On the _____ day of September, 1992 before me the subscriber personally appeared _____, to me personally known, and known to be the person described in and who executed the within Instrument and he acknowledged to me that he executed the same.

Notary Public

I, _____, an attorney duly licensed to practice law in the State of New York, do hereby certify pursuant to Section 2105 OPLB that he has compared the instrument copy with the original thereof on file in the office of the Clerk of the County of ALBANY, State of New York, and that it is a true and complete copy thereof.

Dated _____

10/2/92
William G. O'Connell

EXHIBIT 3

BST



An Independent Member of the RSM McGladrey Network

NYS Department of State

Division of Corporations

Entity Information

The information contained in this database is current through December 7, 2009.

Selected Entity Name: HCP RESOURCES, INC.

Selected Entity Status Information

Current Entity Name: HCP RESOURCES, INC.

Initial DOS Filing Date: SEPTEMBER 22, 1992

County: ALBANY

Jurisdiction: NEW YORK

Entity Type: DOMESTIC BUSINESS CORPORATION

Current Entity Status: ACTIVE

Selected Entity Address Information

DOS Process (Address to which DOS will mail process if accepted on behalf of the entity)

HCP RESOURCES, INC.

99 TROY RD

STE 200

EAST GREENBUSH, NEW YORK, 12061

Chairman or Chief Executive Officer

PHYLLIS A WANG

99 TROY RD

STE 200

EAST GREENBUSH, NEW YORK, 12061

Principal Executive Office

HCP RESOURCES, INC.

99 TROY RD

STE 200

EAST GREENBUSH, NEW YORK, 12061

Registered Agent

NONE

This office does not require or maintain information regarding the names and addresses of officers, shareholders or directors of a corporation.

***Stock Information**

of Shares Type of Stock \$ Value per Share

200 No Par Value

*Stock information is applicable to domestic business corporations.

Name History

Filing Date	Name Type	Entity Name
SEP 22, 1992	Actual	HCP RESOURCES, INC.

A **Fictitious** name must be used when the **Actual** name of a foreign entity is unavailable for use in New York State. The entity must use the fictitious name when conducting its activities or business in New York State.

NOTE: New York State does not issue organizational identification numbers.

[Search Results](#)

[New Search](#)

[Division of Corporations, State Records and UCC Home Page](#) [NYS Department of State Home Page](#)

EXHIBIT 4



An Independent Member of the RSM McGladrey Network

BY-LAWS
of
HEALTH CARE PROVIDERS
SELF-INSURANCE TRUST

ARTICLE I

NAME AND LOCATION

Section 1. This trust shall be known as the Health Care Providers Self-Insurance Trust. Its principal office shall be located at 90 State Street, Albany, New York 12207.

ARTICLE II

PURPOSE AND POLICY

Section 1. Health Care Providers Self-Insurance Trust (hereinafter called the "Trust") is a group self-insurance organization organized pursuant to Section 50, subdivision 3-a of the Workers' Compensation Law of the State of New York. Its policies and purposes are:

- (a) To provide Workers' Compensation Insurance coverage in the State of New York to employers in the home care industry.
- (b) To pay benefits promptly and on a weekly basis.
- (c) To improve safe working conditions and to promote a safety program dedicated to the prevention of occupational accidents and disease.
- (d) To improve the medical care and promote the rehabilitation of injured workers.
- (e) To establish compensation insurance rates which are comparable to, or more favorable than, other available Workers' Compensation Insurance rates.
- (f) To do any other act or thing incidental to or connected with the foregoing purposes or in advancement thereof.

ARTICLE III

MEMBERSHIP

Section 1. All parties to the Trust Agreement and identified therein as members shall be members of the Trust. All members shall be entitled to one vote on any matter submitted to a vote of the Members.

Section 2. Additional members may be added to the Trust by vote of the Trustees of the Trust, in accordance with these by-laws and any applicable regulations governing the group self-insurance trust as adopted from time to time by the Workers' Compensation Board of the State of New York. To qualify for membership, an applicant must be a member of the New York State Association of Health Care Providers, Inc. and satisfy the following underwriting criteria:

[i] A prospective member must be financially solvent, and must meet such other criteria as to financial qualification as may be established by the Trustees;

[ii] a prospective Member's expected loss rate must be within the parameters as determined from time to time by the Trustees;

[iii] a prospective Member must satisfy all other requirements of the Fund's excess carrier or carriers, the Workers' Compensation Board of the State of New York; and

[iv] A prospective Member must adhere to the safety policies and practices as outlined in the policies adopted by the Trustees from time to time.

Section 3. Any qualified applicant may apply for membership by completing and submitting to the Trust an application on a form approved by the Workers' Compensation Board of the State of New York, and such other documents as the Trustees or the Workers' Compensation Board or the Superintendent of Insurance shall require, and paying to the Trust the required application fees as determined by the Trustees. Each applicant shall furnish to the Trust such access to its records and facilities as are deemed necessary by the Trustees in their sole and absolute discretion to permit evaluation of the eligibility for membership of the proposed Member. New members may be admitted to the Trust at any time during the year. All applications, application fees determined by the Trustees and other required information and documentation must be received by the Trust no later than sixty days before the proposed date of admission in order to qualify the applicant for admission as of the proposed admission date. The Trustees shall consider all completed applications no later than thirty days before the proposed date of admission, and any approval may be made subject to conditions imposed by the Trustees.

Section 4. An application shall be approved only upon the affirmative vote of a majority of the Trustees then in office, in accordance with the provisions of Article IV of these by laws. Upon approval of any application and satisfaction by the applicant of all other requirements of the Trust, these by-laws and applicable laws and regulations, the applicant shall be admitted as a Member as of the proposed date of admission approved by the Trustees.

Section 5. The approval or rejection of any application for admission by a prospective additional Member shall be subject to the sole and unfettered discretion of the Trustees, notwithstanding the qualification of the applicant and the satisfaction of the requirements of these by-laws and applicable rules and regulations, and the Trustees may approve or reject any such application for any reason, and no applicant shall be deemed to have any legal or equitable entitlement or right to membership in the Trust.

Section 6. Each member shall pay dues or assessments each quarter as the same shall from time to time be determined by the trustees of the Trust, or more frequently as may be required by the Workers' Compensation Board.

Section 7. Membership shall be continued for those members who continue to be engaged in the home care industry except that the trustees may exclude or suspend any member from continued membership for failure to comply with these By-laws, failure to comply with applicable laws relating to Workers' Compensation, or failure to pay premium due. Notice of termination shall be in writing and be given at least ten (10) days prior to the date of termination and shall be effective ten (10) days after the filing of due notice with the Chairman of the Workers' Compensation Board or the Self-Insurance Division of that Board.

Section 8. Each employer upon becoming a member shall designate the Trust and its Chairman as its agent and representative with respect to all matters relating to coverage and claims arising under the Workers' Compensation Law and related statutes and shall abide by all the By-laws of the Trust.

Section 9. Cancellation or termination of membership in the group Trust shall terminate any and all benefits that would otherwise accrue to such member or participant. Notwithstanding such cancellation or termination of membership, such member or participant shall remain liable for any

and all dues and assessments applicable during any period during which a member was a participant in the Self-Insurance Trust.

ARTICLE IV

TRUSTEES

Section 1. The trust shall be managed by five trustees, two of whom shall be designated by the Chairperson of the New York State Association of Health Care Providers, Inc. and each of whom shall be a member of such association and a participant in this trust. Trustees so designated shall be selected to serve for a term of one year from the date of the annual meeting at which they were selected or until their successors shall be elected and shall qualify. In addition, the Chairman of and the Counsel to the New York State Association of Health Care Providers, Inc. shall both serve as trustees as shall one person designated by Jardine Insurance Brokers New York, Inc.

The absence of a trustee for three (3) consecutive meetings without reasonable excuse may, in the discretion of the chairman, constitute cause to terminate his service as a trustee. Upon notice from the Chairman such vacancy or any other vacancy shall be filled by a person who meets the qualifications to hold such office..

Section 2. The trustees shall elect annually from its membership, by majority vote, a Chairman, and a Secretary-Treasurer. Any vacancy in office shall be filled by the Trustees. The trustees shall have the discretion to create and fill such other and further offices as they shall deem necessary or desirable for the fulfillment of the purposes for which the trust was created.

Section 3. The trustees shall administer the operations and business of the Trust and shall establish the premium rates to be charged members or participants and shall establish and promulgate By-laws to effectuate the policies and purposes of the Trust.

Section 4. The trustees shall regularly report to the members the operations, conditions and status of the Trust. The Trustees shall appoint a Certified Public Accountant to audit the records of the Trust and to submit its records.

Section 5. The Trustees shall meet at least two times per year at the call of the Chairman, upon at least five days notice to all trustees. Special meeting may be called by the Chairman or upon request of three trustees. Two days written notice for such meetings shall be sent by the Chairman to all members. The trustees may meet by means of conference phone call during which each trustee can, at all times, both speak and hear. Notwithstanding the foregoing, the trustees may meet without notice provided that all trustees sign a waiver of notice of the meeting and ratify the actions taken at such meeting.

Section 6. A quorum for the transaction of business at any regular or special meeting of the Trustees shall consist of not less than a majority of the Trustees.

Section 7. The order of business at all meetings of the Trustees shall be as follows:

1. Roll Call.
2. Reading of Minutes.
3. Communications.
4. Report of Chairman.
5. Treasurer's Report.
6. Reports of Committees.
7. Director's Report.
8. Safety Director's Report.
9. Unfinished Business.

10. New Business.

Section 8. Each Trustee shall be protected in acting upon any paper or document believed by him or her to be genuine and to have been made, executed or delivered by the proper party purporting to have made, executed or delivered the same, and shall be protected in relying and acting upon the opinion of legal counsel in connection with any matter pertaining to the administration or carrying out the functions of the Trust.

The trustees shall not be liable for any action taken or omitted by them in good faith, or for the acts of any agent, employee, attorney or accountant selected by them with reasonable care, or for any act or omission of any other member of the Board. The foregoing shall not relieve any member of the Trustees of liability for the commission of any act of misfeasance and malfeasance.

ARTICLE V

MEETING OF MEMBERS

Section 1. The annual meeting of the membership shall be held during the month of October of each year during the annual conference of the New York State Association of Health Care Providers, Inc. or on such other date as may be fixed by the Trustees. At least ten days written notice of such meeting shall be given to each member. Each member shall be entitled to one vote on any matter voted on at such meeting.

Section 2. Special meetings of members may be called by the Chairman upon two days written notice to the members sent either by certified mail return receipt requested or by facsimile transmission, and must be called by him upon the written request of 2/3 of the members.

Section 3. A quorum for the transaction of business at any regular or special meeting of members shall consist of not less than 1/3 members, present in person.

ARTICLE VI

FUNDS

Section 1. All funds of the Trust shall be deposited in banks or trust companies designated by the Trustees.

Section 2. All checks for the withdrawal of funds shall be signed in such manner as may be fixed by resolution duly adopted by the Trustees from time to time.

ARTICLE VII

DUTIES OF OFFICERS

Section 1. The Chairman shall preside at all meetings of the Trustees. He shall sign all contracts and orders drawn on the Treasurer. He shall apply for all bonds and catastrophe insurance as may be required of the Trust by the Chairman of the Workers' Compensation Board or other State agency to qualify the Trust and do any and all acts that may be necessary to obtain such bonds and insurance. He shall appoint all committees of the organization and shall define their powers and duties, except as otherwise provided, and shall be a member ex-officio of such committees. He shall submit regular reports of the operation of the Trust to its members. He shall furnish to each member of the Trustees a proposed budget consisting of an itemized statement of estimated revenue and anticipated and proposed expenditures for the fiscal year.

Section 2. The Secretary-Treasurer shall have access to all official papers of the Trust and the records of its proceedings. He shall attend meetings of the Trustees and keep the minutes of such meetings. He shall also attest, when required, written contracts or other documents and shall

perform all such other duties as are incident to his office. Additionally, he shall collect all fees, dues and assessments and such other funds as may be due to Trust. All moneys received by him shall immediately be deposited in the name of the Health Care Providers Self-Insurance Trust in such banks or trust companies as may be designated by the Trust and shall not be drawn upon except by checks signed by the Chairman of the Trust and countersigned by the Secretary-Treasurer of the Trust. He shall pay all bills and other indebtedness when ordered to do so by the Trust and shall make a detailed report at the meeting of the Trustees. His accounts shall be audited by a Certified Public Accountant selected by the Trust. He shall furnish a bond to the Health Care Providers Self-Insurance Trust satisfactory in form and amount, the fee and premium to be paid by the Trust.

Section 5. The officers of the Trust are empowered to invest and reinvest all funds of the said Trust in housing, mortgages, and in Government and other securities as they may in their sole discretion, select and to purchase, lease for any term of years, sell, exchange, convey or dispose of any property, whether real or personal, or any interest therein, all of which shall be at such prices and upon such terms and conditions as said officers may deem advisable to carry out the purposes of the Trust and whether or not any of the foregoing are authorized by law for the investment of trust funds generally; to borrow money in such amounts and upon such terms and conditions as shall be deemed advisable by the officers to carry out the purposes of the Trust and to pledge any securities and to mortgage any property, real or personal, or any interests therein, for the payment of any such loan, to lend moneys upon such terms and conditions as they may deem advisable; and to do all acts whether or not expressly authorized herein, which the officers may deem necessary or proper to effectuate the foregoing and for the protection of the property held hereunder.

Section 6. The acts of the officers shall be subject to the review and approval of the Trustees.

ARTICLE VIII

STANDING COMMITTEES

Section 1. The Chairman shall make provision for committees of the trust to undertake the following committee functions:

- (a) Education and Planning Committee.
- (b) Accounting, Reserves and Premium Rate Committee.
- (C) Safety Advisory Committee.
- (d) Membership Committee.

In the event that the number of trustees shall not exceed five, the trustees shall undertake all of these activities as a committee of the whole.

Section 2. The Trustees or the Chairman may from time to time create additional standing or special committees as may be deemed necessary and the Chairman shall make appointments to and designate the duties of such committees.

ARTICLE IX

ADMINISTRATION

Section 1. A Management Agreement shall be negotiated with the New York State Association of Health Care Providers, Inc., hereinafter the "Association". for the purposes of efficiently securing the benefits for which the group self-insurance Trust was established and to carry out the

intent of the Workers' Compensation Law. The Association shall have custody of all official records of the group insurance Trust. The Association shall provide the employees of the group insurance Trust and shall perform all necessary and incidental tasks necessary for the orderly functioning of the trust. A third party administrator shall be contracted with the administer the insurance program including, but not limited to, the processing of reports of accidents or occupational diseases of employees of the members, determining the validity of claims, advising the members with respect to such claims, filing of all required reports with the Workers' Compensation Board and do all other things and acts necessary in compliance with the Workers' Compensation Law and the Rules and Regulations promulgated by the Chairman of the Workers' Compensation Board for the proper disposition of claims for benefits. The Chairman shall be empowered to sign certificates of insurance to be furnished to the members of the Trust. The Chairman shall periodically review the reserves.

Section 2. A Program Administrator under the supervision of the Chairman shall be employed to act as manager of the group self-insurance program. Such person shall work with the trustees and the third party administrator to establish an accident prevention program. He shall meet with the trustees as often as practicable to review the experience of the members so as to prevent recurrence of accidents and review and revise safety Rules and Regulations to be carried out by the members.

Section 3. Each member shall report promptly all accidents and occupational diseases and shall keep a permanent record of said injuries sustained in the course of employment. Such record shall include the name of the injured, his occupation, the time, date, place of injury, description of occurrence, treatment given, name and address of physician and shall show any lost time. The member shall promptly notify the Trust in writing of all subsequent loss of time of any employee due to injury or occupational disease and submit the required payroll reports. The member shall send promptly to the Trust all medical bills and any information or communications received from any physician, attorney, claimant or any other person relating to claims.

Section 4. Each member shall keep complete payroll records. The Trust shall be permitted to examine the members' payroll books and other related payroll records to verify remuneration earned by the employees.

Periodically the members shall file a reconciliation statement comparing wages reported to the Trust with the wages reported to the New York State Unemployment Insurance Fund.

Section 5. All members are required to post a notice of compliance at all employees' entrances and places of congregation, and also in the first-aid room or medical bureau, if any.

Section 6. No officer, director, or employee of the Health Care Providers Self-Insurance Trust may represent or participate directly on behalf of an injured workman or his dependents in any Workers' compensation proceedings.

Section 7. The Trust shall:

- (a) Keep an accurate and complete record of all accidents to employees of the participating employers and report such accidents as provided by law.
- (b) Authorize medical aid, pay compensation and file reports in accordance with the Workers' Compensation Law.
- (c) Maintain adequate reserves at all times to carry compensation claims to final settlement and advise the members of such reserves.

- (d) Permit the representatives of the Chairman of the Workers' Compensation Board to examine its establishment and records at any time for the purpose of ascertaining its full compliance with the foregoing.
- (e) Advise the Division of Self-Insurance of the Workers' Compensation Board on appropriate forms whenever a member's membership in the Trust is terminated and for each new member.
- (f) File reports with the Chairman of the Workers' Compensation Board as requested by the Chairman and as follows:
 - (1) an itemized statement of assets and liabilities as of the close of the fiscal year; to be filed not later than three months thereafter.
 - (2) a classified payroll for the twelve months' period ending March 31 of each year.
 - (3) a statement of all outstanding death and disability claims as of March 31 of each year segregated by State fiscal year of accident occurrence.
 - (4) a statement of compensation payments made by the Trust for the year ending March 31, analyzed by the State fiscal year of accident occurrence.

The reports called for in 2, 3 and 4 shall be filed on or before April 30.

- (g) All references herein to the Workers' Compensation Law and Rules and Regulations include the United States Longshoremen's and Harbor Workers' Compensation Act, applicable to New York operations.

ARTICLE X

AMENDMENTS

Section 1. These By-laws may be amended by a majority vote of all of the Trustees provided such amendment is first presented in writing at one regular meeting of the Board and voted upon at the next regular meeting after all members of the Board shall have been given notice, by mail of the proposed amendment, not less than ten days prior to the meeting at which the amendment is to be voted upon.

ARTICLE XI

FISCAL YEAR

Section 1. The fiscal year of the Trust shall be the period November 1 to October 31.

ARTICLE XII

CONSTRUCTION

Section 1. These by-laws shall be construed in accordance with the laws of the State of New York and the Rules and Regulations of the Workers' Compensation Board.

Section 2. Whenever a masculine pronoun is used it shall be deemed to represent both the masculine and the feminine forms of such pronoun. Similarly, whenever a feminine pronoun is used it shall be deemed to represent both the masculine and the feminine forms of such pronoun.

Section 3. These by-laws shall be liberally construed in order to effectuate the intention of the Settlers of this Trust.

[as approved September 23, 1992]

EXHIBIT 5



An Independent Member of the RSM McGladrey Network



Jardine Insurance Brokers New York Inc.

1155 Avenue of the Americas
New York, New York 10036

Telephone: 212-642-3000
Facsimile: 212-302-4593
212-642-3107
Telex: 229-975
640-437

September 24, 1992

RECEIVED
Workers' Compensation Board

SEP 28 1992

SELF INSURANCE SECTION

Mr. Jack M. Leicher
Director of Self-Insurance
New York Workers' Compensation Board
180 Livingston Street
Suite 514
Brooklyn, NY 11248

RE: HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

- 1) Comprehensive Home Care Services**
- 2) Health Savers, Inc.**

Dear Jack:

We are pleased to enclose the **first** two applicants to join the Trust as of its effective date:

1. Comprehensive Home Care Services, Smithtown, NY
2. Health Savers, Inc., Newburgh, NY


These two represent "typical" members of the sponsoring association.

I believe these, along with the data submitted under separate cover, will provide you with the necessary data to consider our filing.

The contract with Gallagher-Bassett Services for claim services and with Employers Reinsurance for the specific excess are awaiting the Department's approval to be issued.

Please advise if you need any further data.

Yours truly,


Thomas B. Arney
Chairman

TBA:rr

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
 180 LIVINGSTON STREET, BROOKLYN, NY 11248

RECEIVED
 Workers' Compensation Board

SEP 20 1992

SELF INSURANCE SECTION

APPLICATION FOR GROUP SELF-INSURANCE
WORKERS' COMPENSATION LAW

IMPORTANT INSTRUCTIONS

1. This application must be fully completed, in duplicate, and presented to the Self-Insurance Office of the Workers' Compensation Board at the above address.
2. Each participating employer must complete, in duplicate, Form GSI-1.1, Participating Employer's Report of Payrolls. Certification of reverse side of form must be executed, on every copy by an authorized official of the employer group. Forms GSI-1.1 for each employer must be submitted with this application.
3. Submit with this application certified copies of any and all agreements, contracts and other pertinent documents, including foundation document relating to the organization of the employers, in the group.
4. Submit with this application a certified list, in duplicate, of the names and addresses of all officers, directors, trustees and general manager of the employer group, together with evidence of the authority of the individual executing the application to do so.
5. Describe fully in an attached statement, in duplicate, the applicant's safety organization maintained for the prevention of accidents.
6. Attach a statement describing fully the group's staff and system for receiving, processing and paying claims, and for representation at hearings before the Worker's Compensation Board. Also attach a list of personnel and describe location and equipment of central and branch offices.
7. Attach a certified copy of the most recent independently audited financial statement of the employer group.

The undersigned (hereinafter referred to as the applicant) hereby makes application for the status of a Self-Insured Group under Section 50, Subd. 3-a of the Workers' Compensation Law of New York State. In connection with such application, the applicant makes the following declaration to permit the Chair, Workers' Compensation Board to establish whether the applicant possesses sufficient financial ability and adequate facilities to provide for the payment of compensation for all participating employers to all of their injured employees or to the dependents of such employees, as well as the applicant's other obligations under the Workers' Compensation Law.

The applicant hereby agrees that if this application be approved, such approval shall be subject to the deposit by the applicant with the Chair, Workers' Compensation Board, of securities or cash or irrevocable letters of credit or an acceptable Surety Bond as may be required. The applicant further agrees to abide by all of the provisions of said law and by the Rules and Regulations Governing Self-Insurers in New York State.

1. NAME OF APPLICANT <i>HEALTH SAVERS, INC</i>	3. NYS U.I. EMPLOYER REG. NO. ***	6. DESIRED EFFECTIVE DATE OF SELF-INSURANCE <i>10/18/92 or As Approved.</i>
2. ADDRESS (Principal Office) <i>419 Route 9W North Newburgh, NY 12550-1947</i>		7. PROPOSED RETENTION LEVEL OF EXCESS POLICY <i>\$ 325,000</i>
9. NATURE OF BUSINESS OF PARTICIPATING EMPLOYERS (a) Describe briefly the general character of the operations performed and the articles manufactured or compounded at the plants or on the premises of the participating employers. <i>Home Health Care</i>		8. LIMIT OF LIABILITY OF EXCESS POLICY <i>\$10,000,000</i>
(b) Describe briefly all classes of work performed away from the participants' plants or premises. <i>Code 8835 - Public Health Nursing</i>		
10. WHAT COMPANY NOW IS CARRYING YOUR COMPENSATION INSURANCE? <i>State Ins. Fund</i>		
11. DO YOU INTEND TO DEAL DIRECTLY WITH PARTICIPATING EMPLOYERS' EMPLOYEES IN COMPENSATION MATTERS OR THROUGH A LICENSED SELF-INSURANCE REPRESENTATIVE? IF THE LATTER METHOD IS TO BE USED, GIVE THE NAME AND ADDRESS OF THE REPRESENTATIVE. <i>Health Care Providers Self-Insurance Trust / Gallagher-Bassett Services, Inc.</i>		
12. LIST THE BANKS IN WHICH THIS GROUP HAS ACCOUNTS. <i>N/A</i>		
13. IF A CORPORATION, DATE WHEN INCORPORATED <i>4-21-82</i> UNDER LAWS OF WHAT STATE? <i>NY</i>		
IF NOT A CORPORATION, DATE WHEN ESTABLISHED		
DID YOU SUCCEED ANYONE? <i>No.</i> IF SO, WHOM?		

THE WORKERS' COMPENSATION BOARD EMPLOYS AND SERVES PEOPLE WITH DISABILITIES WITHOUT DISCRIMINATION.

APPLICATION FOR GROUP SELF-INSURANCE
WORKERS' COMPENSATION LAW

SEP 28 1992

SELF INSURANCE SECTION

IMPORTANT INSTRUCTIONS

1. This application must be fully completed, in duplicate, and presented to the Self-Insurance Office of the Workers' Compensation Board at the above address.
2. Each participating employer must complete, in duplicate, Form GSI-1.1, Participating Employer's Report of Payrolls. Certification of reverse side of form must be executed, on every copy by an authorized official of the employer group. Forms GSI-1.1 for each employer must be submitted with this application.
3. Submit with this application certified copies of any and all agreements, contracts and other pertinent documents, including foundation document relating to the organization of the employers, in the group.
4. Submit with this application a certified list, in duplicate, of the names and addresses of all officers, directors, trustees and general manager of the employer group, together with evidence of the authority of the individual executing the application to do so.
5. Describe fully in an attached statement, in duplicate, the applicant's safety organization maintained for the prevention of accidents.
6. Attach a statement describing fully the group's staff and system for receiving, processing and paying claims, and for representation at hearings before the Worker's Compensation Board. Also attach a list of personnel and describe location and equipment of central and branch offices.
7. Attach a certified copy of the most recent independently audited financial statement of the employer group.

The undersigned (hereinafter referred to as the applicant) hereby makes application for the status of a Self-Insured Group under Section 50, Subd. 3-a of the Workers' Compensation Law of New York State. In connection with such application, the applicant makes the following declaration to permit the Chair, Workers' Compensation Board to establish whether the applicant possesses sufficient financial ability and adequate facilities to provide for the payment of compensation for all participating employers to all of their injured employees or to the dependents of such employees, as well as the applicant's other obligations under the Workers' Compensation Law.

The applicant hereby agrees that if this application be approved, such approval shall be subject to the deposit by the applicant with the Chair, Workers' Compensation Board, of securities or cash or irrevocable letters of credit or an acceptable Surety Bond as may be required. The applicant further agrees to abide by all of the provisions of said law and by the Rules and Regulations Governing Self-Insurers in New York State.

1. NAME OF APPLICANT <i>COMPREHENSIVE HOME CARE SERVICES</i> [Redacted]	3. NYS U.I. EMPLOYER REG. NO. [Redacted]	6. DESIRED EFFECTIVE DATE OF SELF-INSURANCE <i>As Approved</i>
2. ADDRESS (Principal Office) <i>414 ROUTE 111</i> <i>SMITHTOWN, NY 11787</i>	4. FEDERAL EMPLOYER ID NO. [Redacted]	7. PROPOSED RETENTION LEVEL OF EXCESS POLICY <i>\$ 325,000</i>
9. NATURE OF BUSINESS OF PARTICIPATING EMPLOYERS (a) Describe briefly the general character of the operations performed and the articles manufactured or compounded at the plants or on the premises of the participating employers. <i>Home Health Care Services</i> (b) Describe briefly all classes of work performed away from the participants' plants or premises. <i>Code 8835 Public Health Nursing</i>		8. LIMIT OF LIABILITY OF EXCESS POLICY <i>\$ 10,000,000</i>
10. WHAT COMPANY NOW IS CARRYING YOUR COMPENSATION INSURANCE? <i>State Fund</i>		
11. DO YOU INTEND TO DEAL DIRECTLY WITH PARTICIPATING EMPLOYERS' EMPLOYEES IN COMPENSATION MATTERS OR THROUGH A LICENSED SELF-INSURANCE REPRESENTATIVE? IF THE LATTER METHOD IS TO BE USED, GIVE THE NAME AND ADDRESS OF THE REPRESENTATIVE. <i>Health Care Providers Self-Insurance Trust / Gallagher-Bassett Services, Inc.</i>		
12. LIST THE BANKS IN WHICH THIS GROUP HAS ACCOUNTS. <i>N/A</i>		
13. IF A CORPORATION, DATE WHEN INCORPORATED <i>3/77</i> IF NOT A CORPORATION, DATE WHEN ESTABLISHED		UNDER LAWS OF WHAT STATE? <i>NY</i>
DID YOU SUCCEED ANYONE? <i>No.</i> IF SO, WHOM?		

THE WORKERS' COMPENSATION BOARD EMPLOYS AND SERVES PEOPLE WITH DISABILITIES WITHOUT DISCRIMINATION.

Report full payrolls for all employees of participants. Include Interstate, maritime, home-workers, value of meals and lodgings, etc., received by employees and sub-contractors' employees payrolls unless compensation is definitely provided by sub-contractors. Show bonus and overtime to employees separately by each classification below.				(FOR BOARD USE ONLY) Pure Premium		
14. CLASS NO.	15. DIVISIONS OF OPERATIONS (DIVIDE PAYROLL TO CORRESPOND WITH EACH DIVISION BELOW.)	16. ESTIMATED AVERAGE NUMBER OF EMPLOYEES	17. WAGES RECEIVED BY EACH CLASS OF EMPLOYEES	Serious	Non- Serious	Medical
	(a) Employees engaged in general business operations upon the employer's premises, operative management and superintendence and ordinary repairs and upkeep of machinery and ordinary repairs to buildings.					
	(b) Clerical and office employees.					
	(c) Sales personnel, collectors and messengers outside.					
	(d) Sales personnel within buildings.					
	(e) Chauffeurs, drivers and their helpers.					
	(f) Executive officers, corporate (elected or appointed in accordance with the charter or by-laws).					
	(g) Description of operations not included in above.					
	TOTALS →					

STATE OF New York }
 County of ALBANY } ss.:

JOEL SCHWARTZ, being duly sworn, says (s)he is the

CHAIRMAN of the above named group applying for the privilege of group self-insurance status pursuant to Section 50, subdivision 3-a of the New York Workers' Compensation Law; that (s)he has carefully examined the foregoing statement and the facts therein set forth are true to the best of his knowledge and belief.

Sworn to before me this 22 day of

SEPTEMBER, 19 92

Thomas J. Andeck

My commission expires 9/30/93

[Signature]
 Signature of Authorized Official
(516) 473-5768
 Telephone Number

Information contained in this application shall not be open to public inspection.

NEW YORK STATE ASSOCIATION OF HEALTH CARE PROVIDERS, INC.

Derivation of Selected Workers' Compensation Rate for 1992-93

METHOD 1: Use of Indemnity & Medical Data Separately

AGENCY: [REDACTED]

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Policy Period	Payroll	Indemnity Paid (@ 6/30/92)	Medical Paid (@ 6/30/92)	Total Paid (2)+(3)	Indemnity Incurred	Medical Incurred	Total Incurred (5)+(6)
1987	[REDACTED]	70,326	30,542	100,868	228,531	40,622	269,153
1988	[REDACTED]	10,072	19,810	29,882	26,588	22,385	48,973
1989	[REDACTED]	2,325	5,464	7,789	16,211	11,004	27,215
1990	[REDACTED]	7,651	20,460	28,111	34,851	27,523	62,374
1991	[REDACTED]	0	763	763	2,364	1,206	3,570
Total	[REDACTED]	90,374	77,039	167,413	308,545	102,740	411,285

(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Policy Period	Indemnity LDF's	Medical LDF's	Ultimate Losses (5)x(8)+ (6)x(9)	Indemnity Benefit Adjust. Factor	Medical Benefit Adjust. Factor	Adjusted Ultimate Losses (5)x(8)x(11)+ (6)x(9)x(12)	Loss Cost \$100 Payroll (13)/1% of (1)
1987	1.183	1.053	313,127	1.400	1.667	449,799	\$8.56
1988	1.256	1.090	57,794	1.400	1.455	82,254	\$1.47
1989	1.389	1.130	34,952	1.400	1.281	47,453	\$0.76
1990	1.656	1.199	90,713	1.240	1.175	110,340	\$1.60
1991	2.108	1.332	6,590	1.084	1.079	7,135	\$0.11
Total			503,176			696,980	\$2.26

(15)	Selected Loss Cost for \$100 Payroll for 10/1/92-93 (Sum of last three years, Col. (13)/1% of last three years, Col. (1))	\$0.83
(16)	Expected Loss Ratio	0.70
(17)	Indicated Rate for \$100 Payroll for 10/1/92-93 (15)/(16)	\$1.18
(18)	Discount Factor at 5%	0.901
(19)	Discounted Rate for \$100 Payroll for 10/1/92-93 (17)x(18)	\$1.06

CLAIM NO CLAIMANT

ACC DATE

JCK

COMP INC

MED INC S

COMP PD

MED PD

POL DATE

GRP CLASS

INC PAYT

C TK

POLICY NO. 541359-6

COMPREHENSIVE GERIATRIC SERVICES

POL UNITS: D29

(CONT'D)

11/15/91	T	900.00	500.00	1	0.00	154.94	11/29/90	90	8835	12/91	2/92	0	0
12/13/91	X	614.00	206.00	1	0.00	255.29	11/29/91	90	8835	12/91	2/92	0	0
12/23/91	T	1750.00	1000.00	1	0.00	507.37	11/29/91	90	8835	1/92	3/92	0	0

TOTAL

55

308545.00

102739.23

90374.13

77038.31

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
 180 LIVINGSTON STREET, BROOKLYN, NY 11248

SEP 28 1992
 SELF INSURANCE SECTION

APPLICATION FOR GROUP SELF-INSURANCE
WORKERS' COMPENSATION LAW

IMPORTANT INSTRUCTIONS

1. This application must be fully completed, in duplicate, and presented to the Self-Insurance Office of the Workers' Compensation Board at the above address.
2. Each participating employer must complete, in duplicate, Form GSI-1.1, Participating Employer's Report of Payrolls. Certification of reverse side of form must be executed, on every copy by an authorized official of the employer group. Forms GSI-1.1 for each employer must be submitted with this application.
3. Submit with this application certified copies of any and all agreements, contracts and other pertinent documents, including foundation document relating to the organization of the employers, in the group.
4. Submit with this application a certified list, in duplicate, of the names and addresses of all officers, directors, trustees and general manager of the employer group, together with evidence of the authority of the individual executing the application to do so.
5. Describe fully in an attached statement, in duplicate, the applicant's safety organization maintained for the prevention of accidents.
6. Attach a statement describing fully the group's staff and system for receiving, processing and paying claims, and for representation at hearings before the Worker's Compensation Board. Also attach a list of personnel and describe location and equipment of central and branch offices.
7. Attach a certified copy of the most recent independently audited financial statement of the employer group.

The undersigned (hereinafter referred to as the applicant) hereby makes application for the status of a Self-Insured Group under Section 50, Subd. 3-a of the Workers' Compensation Law of New York State. In connection with such application, the applicant makes the following declaration to permit the Chair, Workers' Compensation Board to establish whether the applicant possesses sufficient financial ability and adequate facilities to provide for the payment of compensation for all participating employers to all of their injured employees or to the dependents of such employees, as well as the applicant's other obligations under the Workers' Compensation Law.

The applicant hereby agrees that if this application be approved, such approval shall be subject to the deposit by the applicant with the Chair, Workers' Compensation Board, of securities or cash or irrevocable letters of credit or an acceptable Surety Bond as may be required. The applicant further agrees to abide by all of the provisions of said law and by the Rules and Regulations Governing Self-Insurers in New York State.

1. NAME OF APPLICANT Health Care Providers Self-Insurance Trust		3. NYS U.I. EMPLOYER REG. NO. N/A	6. DESIRED EFFECTIVE DATE OF SELF-INSURANCE As Soon As Approved
2. ADDRESS (Principal Office) 90 State Street, Suite 522 Albany, NY 12207		4. FEDERAL EMPLOYER ID NO. N/A	7. PROPOSED RETENTION LEVEL OF EXCESS POLICY \$ 325,000
		5. TELEPHONE NUMBER 518-463-1118	8. LIMIT OF LIABILITY OF EXCESS POLICY \$ 10,000,000
9. NATURE OF BUSINESS OF PARTICIPATING EMPLOYERS (a) Describe briefly the general character of the operations performed and the articles manufactured or compounded at the plants or on the premises of the participating employers. Home Health Care (b) Describe briefly all classes of work performed away from the participants' plants or premises. 8835 - Public Health Nursing - Home Health Care			
10. WHAT COMPANY NOW IS CARRYING YOUR COMPENSATION INSURANCE? New Group Creation - Generally State Fund			
11. DO YOU INTEND TO DEAL DIRECTLY WITH PARTICIPATING EMPLOYERS' EMPLOYEES IN COMPENSATION MATTERS OR THROUGH A LICENSED SELF-INSURANCE REPRESENTATIVE? IF THE LATTER METHOD IS TO BE USED, GIVE THE NAME AND ADDRESS OF THE REPRESENTATIVE. Gallagher-Bassett Services, Inc. James Merrill, Area Manager 3300 Vickery Road, North Syracuse, NY 13212 TEL: 315-457-6004			
12. LIST THE BANKS IN WHICH THIS GROUP HAS ACCOUNTS. Chase Lincoln First Bank N/A			
13. IF A CORPORATION, DATE WHEN INCORPORATED Trust /1992 UNDER LAWS OF WHAT STATE? New York State IF NOT A CORPORATION, DATE WHEN ESTABLISHED 9/17/92 DID YOU SUCCEED ANYONE? No IF SO, WHOM?			

THE WORKERS' COMPENSATION BOARD EMPLOYS AND SERVES PEOPLE WITH DISABILITIES WITHOUT DISCRIMINATION.

Report full payrolls for all employees of participants. Include interstate, maritime, home-workers, value of meals and lodgings, etc., received by employees and sub-contractors' employees payrolls unless compensation is definitely provided by sub-contractors. Show bonus and overtime to employees separately by each classification below.

14. CLASS NO.	15. DIVISIONS OF OPERATIONS (DIVIDE PAYROLL TO CORRESPOND WITH EACH DIVISION BELOW.)	16. ESTIMATED AVERAGE NUMBER OF EMPLOYEES	17. WAGES RECEIVED BY EACH CLASS OF EMPLOYEES	(FOR BOARD USE ONLY) Pure Premium		
				Serious	Non-Serious	Medical
	(a) Employees engaged in general business operations upon the employer's premises, operative management and superintendence and ordinary repairs and upkeep of machinery and ordinary repairs to buildings.					
8835 ¹³	Public Health Maint. Assn.					
8810 ¹³	(b) Clerical and office employees.					
	(c) Sales personnel, collectors and messengers outside.					
	(d) Sales personnel within buildings.					
	(e) Chauffeurs, drivers and their helpers.					
8809 ¹³	(f) Executive officers, corporate (elected or appointed in accordance with the charter or by-laws).					
	(g) Description of operations not included in above.					
	TOTALS →					

STATE OF NEW YORK
 County of ALBANY } ss.:

PHYLLIS A. WANG, being duly sworn, says (s)he is the
PRESIDENT

of the above named group applying for the privilege of group self-insurance status pursuant to Section 50, subdivision 3-a of the New York Workers' Compensation Law; that (s)he has carefully examined the foregoing statement and the facts therein set forth are true to the best of his knowledge and belief.

Sworn to before me this 17 day of

SEPTEMBER, 1992

Phonny M. Deek

My commission expires 9/30/93

ALBANY COUNTY

Phyllis Wang
 Signature of Authorized Official
518 463 1118
 Telephone Number

Information contained in this application shall not be open to public inspection.



STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
180 LIVINGSTON STREET
BROOKLYN, N. Y. 11248

THIS AGENCY EMPLOYS AND SERVES
PEOPLE WITH DISABILITIES WITHOUT
DISCRIMINATION.

FORM OF DECISION

Granting Application for Group Self-Insurance under Sec. 50, Subd. 3-a of the Workers' Compensation Law

Health Care Providers Self-Insurance Trust, an employer group engaged in the Health care. industry with principal offices situated at 433 State Street, Schenectady, NY 12305, having furnished satisfactory proof to the Chair, Workers' Compensation Board, that it possesses sufficient financial ability and adequate facilities to provide for the payment of compensation for all participating employers to all of their injured employees or to dependents of such employees, as well as its other obligations under the Workers' Compensation Law, now, therefore,

The Chair, Workers' Compensation Board, exercising the discretion vested in her by Sec. 50, subd. 3-a of the Law, hereby grants said application to pay compensation as a group self-insurer subject to the following conditions:

1. That an acceptable surety bond issued by a company authorized by the New York State Insurance Department to write business as a surety in the State of New York in the penal sum of \$ 624,000 or that a deposit of securities of the kind specified by Subds. 1, 2, 3, 4, 5 and par. (a) of subd. 7 of Sec. 235 of the New York State Banking Law having a market value of at least Six hundred and twenty-four thousand Dollars (\$ 624,000) or \$ 624,000 in cash or irrevocable letters of credit issued by a qualified banking institution in the amount of \$ 624,000 be made as an initial deposit and maintained with the Chair under the provisions of Sec. 50, subd. 3-a of the Law, and upon further condition that said applicant will make such further deposit of securities of the same kind or increase the penal amount of the surety bond or deposit additional cash or increase the amount of the irrevocable letters of credit as the Chair may from time to time demand.
2. That the applicant shall provide reinsurance coverage against losses arising out of one accident by the applicant as a group self-insurer, on the standard form approved by the Chair; the contract to be issued by an insurance carrier authorized by the Superintendent of Insurance to write such excess contract in this State.
3. That the applicant sign and execute an agreement and undertaking as set forth in the form hereto attached and comply with the conditions, if any, listed on the reverse side of this notice.

This grant shall take effect when the aforementioned agreement and undertaking shall have been duly signed, executed and filed in the Office of the Chair, the securities or surety bond or cash or irrevocable letters of credit, called for by said agreement have been delivered to the Chair, and compliance with all other conditions specified by the Chair and required by the aforementioned regulations has been effected. Such approval will continue in force until revoked by the Chair or surrendered by the applicant accompanied by its compliance with Sec. 50, subd. 1 or 2 of the Law.

Given this 11th day of May, 1993, at the office of the Chair, Workers' Compensation Board, of the State of New York, under the hand of the Chair, Workers' Compensation Board, and the seal of the Board.

Barbara Patton
Chairwoman

By: *[Signature]*
Asst. Secretary to the Board



STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
180 LIVINGSTON STREET
BROOKLYN, N. Y. 11248

THIS AGENCY EMPLOYS AND SERVES
PEOPLE WITH DISABILITIES WITHOUT
DISCRIMINATION.

FORM OF DECISION

Granting Application for Group Self-Insurance under Sec. 50, Subd. 3-a of the Workers' Compensation Law

Health Care Providers Self-Insurance Trust, an employer group engaged in the Health care industry with principal offices situated at 433 State Street, Schenectady, NY 12305, having furnished satisfactory proof to the Chair, Workers' Compensation Board, that it possesses sufficient financial ability and adequate facilities to provide for the payment of compensation for all participating employers to all of their injured employees or to dependents of such employees, as well as its other obligations under the Workers' Compensation Law, now, therefore,

The Chair, Workers' Compensation Board, exercising the discretion vested in her by Sec. 50, subd. 3-a of the Law, hereby grants said application to pay compensation as a group self-insurer subject to the following conditions:

1. That an acceptable surety bond issued by a company authorized by the New York State Insurance Department to write business as a surety in the State of New York in the penal sum of \$ 624,000 or that a deposit of securities of the kind specified by Subds. 1, 2, 3, 4, 5 and par. (a) of subd. 7 of Sec. 235 of the New York State Banking Law having a market value of at least Six hundred and twenty-four thousand Dollars (\$ 624,000) or \$ 624,000 in cash or irrevocable letters of credit issued by a qualified banking institution in the amount of \$ 624,000 be made as an initial deposit and maintained with the Chair under the provisions of Sec. 50, subd. 3-a of the Law, and upon further condition that said applicant will make such further deposit of securities of the same kind or increase the penal amount of the surety bond or deposit additional cash or increase the amount of the irrevocable letters of credit as the Chair may from time to time demand.
2. That the applicant shall provide reinsurance coverage against losses arising out of one accident by the applicant as a group self-insurer, on the standard form approved by the Chair; the contract to be issued by an insurance carrier authorized by the Superintendent of Insurance to write such excess contract in this State.
3. That the applicant sign and execute an agreement and undertaking as set forth in the form hereto attached and comply with the conditions, if any, listed on the reverse side of this notice.

This grant shall take effect when the aforementioned agreement and undertaking shall have been duly signed, executed and filed in the Office of the Chair, the securities or surety bond or cash or irrevocable letters of credit, called for by said agreement have been delivered to the Chair, and compliance with all other conditions specified by the Chair and required by the aforementioned regulations has been effected. Such approval will continue in force until revoked by the Chair or surrendered by the applicant accompanied by its compliance with Sec. 50, subd. 1 or 2 of the Law.

Given this 11th day of May, 1993, at the office of the Chair, Workers' Compensation Board, of the State of New York, under the hand of the Chair, Workers' Compensation Board, and the seal of the Board.

Barbara Patton
Chairwoman

By: *[Signature]*
Secretary to the Board

CONDITIONS

1. The prescribed Form of Agreement and Undertaking shall be executed and filed.
2. An initial deposit valued at \$474,260 consisting of securities, or a surety bond or cash or irrevocable letters of credit or a combination thereof.
3. Filing of an excess contract providing reinsurance coverage against losses arising out of one accident; the contract to be issued by an insurance carrier authorized by The Superintendent of Insurance to write such excess contract in this State. The retention should be no more than \$200,000.
4. A statement from the applicant's bank evidencing that the sum of \$190,000 is available to pay claims.
5. Representation at hearings, processing of employee Workers' Compensation Claims, submission of required reports, authorizing and making payment of indemnity benefits and medical charges shall be restricted to and performed only by one or more of the following:
 - (a) A qualified employee of the self-insured.
 - (b) An attorney-at-law licensed in the State of New York.
 - (c) A self-insurer's representative duly licensed by the Workers' Compensation Board of the State of New York.



BARBARA PATTON
CHAIRWOMAN

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
180 LIVINGSTON STREET
BROOKLYN, N. Y. 11248

THIS AGENCY EMPLOYS AND SERVES
PEOPLE WITH DISABILITIES WITHOUT
DISCRIMINATION.

FORM OF DECISION

Granting Application for Group Self-Insurance under Sec. 50, Subd. 3-a of the Workers' Compensation Law

~~Health Care Providers Self Insurance Trust~~....., an employer group engaged in the ~~Home Health Care~~..... Industry with principal offices situated at ~~90 State Street, Albany, NY~~....., having furnished satisfactory proof to the Chair, Workers' Compensation Board, that it possesses sufficient financial ability and adequate facilities to provide for the payment of compensation for all participating employers to all of their injured employees or to dependents of such employees, as well as its other obligations under the Workers' Compensation Law, now, therefore,

The Chair, Workers' Compensation Board, exercising the discretion vested in her by Sec. 50, subd. 3-a of the Law, hereby grants said application to pay compensation as a group self-insurer subject to the following conditions:

1. That an acceptable surety bond issued by a company authorized by the New York State Insurance Department to write business as a surety in the State of New York in the penal sum of ~~\$593,275~~..... or that a deposit of securities of the kind specified by Subds. 1, 2, 3, 4, 5 and par. (a) of subd. 7 of Sec. 235 of the New York State Banking Law having a market value of at least ~~\$474,260~~..... ~~Four hundred and seventy-four thousand, two hundred and sixty~~ Dollars (\$~~474,260~~.....) or \$~~474,260~~..... In cash or irrevocable letters of credit issued by a qualified banking institution in the amount of \$~~474,260~~..... be made as an initial deposit and maintained with the Chair under the provisions of Sec. 50, subd. 3-a of the Law, and upon further condition that said applicant will make such further deposit of securities of the same kind or increase the penal amount of the surety bond or deposit additional cash or increase the amount of the irrevocable letters of credit as the Chair may from time to time demand.
2. That the applicant shall provide reinsurance coverage against losses arising out of one accident by the applicant as a group self-insurer, on the standard form approved by the Chair; the contract to be issued by an insurance carrier authorized by the Superintendent of Insurance to write such excess contract in this State.
3. That the applicant sign and execute an agreement and undertaking as set forth in the form hereto attached and comply with the conditions, if any, listed on the reverse side of this notice.

This grant shall take effect when the aforementioned agreement and undertaking shall have been duly signed, executed and filed in the Office of the Chair, the securities or surety bond or cash or irrevocable letters of credit, called for by said agreement have been delivered to the Chair, and compliance with all other conditions specified by the Chair and required by the aforementioned regulations has been effected. Such approval will continue in force until revoked by the Chair or surrendered by the applicant accompanied by its compliance with Sec. 50, subd. 1 or 2 of the Law.

Given this ^{4th}..... day of **February**....., 19**93**., at the office of the Chair, Workers' Compensation Board, of the State of New York, under the hand of the Chair, Workers' Compensation Board, and the seal of the Board.

Barbara Patton
Chairwoman

By: *Louise Janna*
Secretary to the Board



State of New York WORKERS' COMPENSATION BOARD

OFFICE OF THE CHAIRWOMAN
180 LIVINGSTON STREET
BROOKLYN, N. Y. 11248

THIS AGENCY EMPLOYS AND SERVES
PEOPLE WITH DISABILITIES WITHOUT
DISCRIMINATION.

NOTICE OF QUALIFICATION AS GROUP SELF-INSURER UNDER THE WORKERS' COMPENSATION LAW

Health Care Providers Self-Insurance Trust
(Name)

c/o Jardine Services Corp.; 433 State Street, Schenectady, NY 12305
(Address)

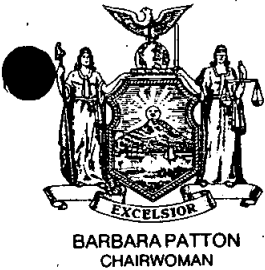
Health Care Providers
(Industry)

having executed and filed the Agreement and Undertaking, deposited surety bond securities
 cash irrevocable letters of credit
and complied with all other conditions provided for in the decision of the Chair, Workers' Compensation Board,
dated concurrent, 19....., the status of a group self-insurer under Sec. 50, subd. 3-a of the Workers'
Compensation Law became effective as of April 19, 19.93.....

Given this 11th day of May, 19.93, under the hand of the Chair and seal
of the Workers' Compensation Board.

Barbara Patton
Chairwoman

By *[Signature]*
Asst. Secretary to the Board



STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
180 LIVINGSTON STREET
BROOKLYN, N. Y. 11248
(718) 802 - 6795
Room 301

THIS AGENCY EMPLOYS AND SERVES
PEOPLE WITH DISABILITIES WITHOUT
DISCRIMINATION.

May 17, 1993

Mr. Thomas B. Arney
Senior-Vice-President
Jardine Group Services Corporation
111 Washington Avenue
Suite 604
Albany, NY 12210

Re: Group Self-Insurance Health Care Providers
Self-Insurance Trust

Dear Mr. Arney:

Enclosed is the Chair's Notice of Qualification as a group self insurer effective April 19, 1993.

Very truly yours,

Ted Cubinski
Principal W.C. Examiner

TC:mcr

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD

May 6, 1993
Self-Insurance Office

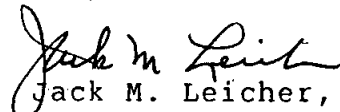
Memorandum to Barbara Patton, Chairwoman
Attention: Andrena Wyatt, Asst. Secretary
Re: Application for Group Self Insurance
Health Care Providers Self-Insurance Trust

Health Care Providers Self-Insurance Trust has applied for the Group Self Insurance privilege.

We have calculated the initial security deposit requirement and have received approval of the amount from the Superintendent of Insurance.

We have received a surety bond in the penal sum \$624,000. All of the usual conditions for qualification as a group self insurer have been met.

Based upon the foregoing, I recommend that the attached Form of Decision and Notice of Qualification be signed and sealed.


Jack M. Leicher, Director
W.C. Regulatory Services

JML:TC:acb

STATE OF NEW YORK - WORKERS' COMPENSATION BOARD
INTEROFFICE MEMORANDUM

TO: Joseph Salamone

DATE: May 3, 1993

FROM: Ted Cubinski

OFFICE: Self-Insurance

SUBJECT: Group Self-Insurance
Health Care Providers Self-Insurance Trust

This is to advise you that Health Care Providers Self-Insurance Trust, c/o Jardine Group Services Corporation, 433 State Street, Schenectady, NY 12305, Attn: Thomas B. Arney has qualified as a group self-insurer effective April 19, 1993.

The Finance Office has assigned Carrier I.D. NO. W450506 to the group self-insurer.

Claims will be administered by Gallagher-Bassett Services, Inc., 3300 Vickery Road, North Syracuse, NY 13212, Attn: James Merrill, Area Manager.

The following employers are participating in this group effective April 19, 1993:

- 1) Comprehensive Home Care Services
414 Route 111
Smithtown, NY 11787
- 2) Health Savers, Inc.
419 Route 9W North
Newburgh, NY 12550-1947
- 3) Competent Care
(same as #2)
- 4) American Care
(same as #2)

Principal W.C. Examiner

TC:mcr

cc: J. Shelton
B. Cohen
P. O'Donovan
P. Thompson
Employers Coverage Unit
All District Offices
R & S

The Chase Manhattan Bank, N.A.
120 State Street
Albany, New York 12207



April 14, 1993

State of New York Workers' Compensation Board
160 Livingston Street
Brooklyn, New York 11208

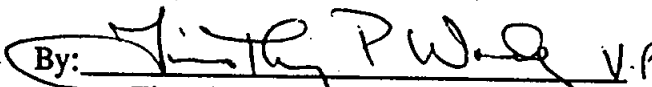
Re: Health Care Providers Self-Insurance Trust

Ladies and Gentlemen:

This is to advise you that on the date hereof, the Health Care Providers Self-Insurance Trust (the "Trust") has funds on deposit with the undersigned in account number [REDACTED] the sum of \$250,000.00. Of this sum, \$190,000.00 is presently unrestricted and the Trust may withdraw up to \$190,000.00 at its order.

Sincerely,

THE CHASE MANHATTAN BANK, N.A.

By:  V.P.
Timothy P. Wade, Vice President

RECEIVED
Workers' Compensation Board

JUN 11 1993

SELF INSURANCE SECTION

DATE 06/09/93

CARRIER NAME/ADDRESS INQUIRY

LAST MODIFIED 06/04/93

ID# W450506

NAME SEARCH HEALTH CAR

ER#

FED ID#

NAME:

HEALTH CARE PROVIDERS SELF INS
C/O JARDINE GROUP SERVICES CORP
ATTN THOMAS ARNEY

ASSESSMENTS:

<u>FUND</u>	<u>LIABILITY PERIOD</u>
151/IDP	-
505	-
* OSH	-

FINAL

ADDRESS:

433 STATE STREET

CITY, STATE:

SCHENECTADY NY

ZIP:

12305

* OSH/EOS/OHC Stopped after 1990-91

REPORTING:

<u>FUND</u>	<u>INITIAL PERIOD</u>	<u>FINAL PERIOD</u>
151	1993-94	-
505	-	-

CONTACT:

() -

CARRIER TYPE (C,I,P) I

COMPANY CODE (S,M,R)

PARENT ID

AUTH DATE 04/19/93 TERM DATE / /



Jardine Group Services Corporation

433 State Street
Schenectady
New York 12305

Telephone: 518-381-1600
Facsimile: 518-381-5369
Telex: 145-437

April 16, 1993

Mr. Jack Leicher, Director
State of New York Worker's Compensation Board
Division of Self-Insurance
180 Livingston Street
Brooklyn, NY 11248

RE: HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

Dear Jack:

In accordance with the Form of Decision approving the application for Group Self-Insurance, I am pleased to deliver the following items:

1. Utica Mutual Insurance Company Surety Bond in the amount of \$624,000. This is in accordance with the revised retention of \$250,000 in lieu of \$200,000.
2. Original letter from The Chase Manhattan Bank, N.A., evidencing \$190,000 of unrestricted funds on deposit.
3. Certificate of Insurance evidencing Excess Worker's Compensation and Employer's Liability naming the Board as Certificate Holder.

It is my understanding nothing further is required regarding our designated Third Party Administrator, Gallagher-Bassett Services, Inc. but I am re-confirming them as the authorized claim representatives and contract Loss Control Consultants.

You have previously received two (2) applications to join the Trust:

1. Comprehensive Home Care Services, Smithtown, NY
2. Health Savers, Inc., Newburgh, NY



I believe everything is in order and look forward to the approval to begin our Program.

Yours truly,

A handwritten signature in cursive script that reads "Tom".

Thomas B. Arney
Senior Vice President

TBA/gg

Enc.

cc: Mr. Ted Cubinski
State of NY Worker's Compensation Board

EXHIBIT 6

BST



An Independent Member of the RSM McGladrey Network

MANAGEMENT AGREEMENT

THIS AGREEMENT, dated as the 25 day of August, 1993, by and between **HEALTH CARE PROVIDERS SELF INSURANCE TRUST**, a Trust duly organized and operating pursuant to the laws of the State of New York (hereinafter referred to as "Trust"), and **HCP RESOURCES, INC.**, a corporation organized and existing pursuant to the Business Corporation Law of the State of New York (hereinafter referred to as "Resources");

WITNESSETH:

WHEREAS, Trust intends to engage in the activity of providing services to members of the New York State Association of Health Care Providers, Inc. who qualify for the same; and

WHEREAS, the parties are desirous of entering into a contract whereby Resources will render, itself or through others retained by it, management, administrative and consulting services with regard to the operation of Trust ;

NOW, THEREFORE, it is hereby mutually agreed by the parties as follows:

1. RESOURCES' RESPONSIBILITIES. Resources shall render the following services with regard to the business of Trust subject to the limitations and exceptions set forth herein:

(a) Provision of General Manager: Resources shall designate a member of its staff to serve, subject to the approval of Trust, as the Manager of Trust. Such person shall be selected in accordance with the needs of Trust and shall serve at its pleasure.

(b) Staffing Trust: Resources shall provide staff as shall be necessary, in the sole discretion of Resources, to allow Trust to fulfill its activities in a timely and professional manner.

(c) Contracts: Subject to the prior approval of Trust, the Resources shall enter into the contracts necessary or desirable to fulfill the functions of Trust .

(d) Other Responsibilities: Resources shall perform such other services as may from time to time be agreed upon by and between Trust and the Resources.

2. RECORDS, REPORTS AND ACCOUNTS:

(a) Books and Records: Resources shall keep, in a manner mutually acceptable, true and complete books of account and records of all business conducted under and pursuant to this Agreement and shall, at all reasonable times, make available for examination and inspection to a duly authorized representative of Trust all such books and records. Such books and records shall remain the property of Trust and shall be delivered promptly to Trust or its designee following any termination of this Agreement, but Resources shall have the right at any time within six years after any termination of this Agreement to inspect such books and records and to make copies thereof or extracts therefrom.

(b) Reports to Trust: Trust fiscal year shall end on October 31 of each year. Resources shall, not less than quarterly, render a report to Trust covering financial statements, including a balance sheet and profit and loss statement, all in such form as may be agreed upon from time to time between Resources and Trust.

(c) Government Reports: Resources shall prepare and file all governmental reports including tax reports, on the basis of information generated or made available to it. All such reports shall be submitted to Resource's accountant and/or counsel for approval before filing. Trust shall furnish any information in its possession necessary for the preparation of such reports.

(d) Bank Accounts: Resources shall open, maintain and operate bank accounts in the name of Trust, and shall make deposits there and disbursements therefrom, in accordance with such limitations and restrictions as may be set forth in resolutions passed by the board of directors of Trust or in instructions from Trust .

(e) Information Provided to Resources: Trust shall keep the Resources informed during the term of this Agreement of all material developments relating to the business of Trust and shall promptly furnish to the Resources a copy of all minutes of the meetings of and the resolutions adopted by the member and the board of directors of Trust .

(f) Authority of Resources: Resources shall have all the power and authority necessary or desirable to carry out its duties and obligations under this Agreement, which shall include the right to engage, as an independent contractor, any person, services or other organization to perform any functions agreed by the Resources to be performed hereunder. Any services from contractors not affiliated with the Resources may, unless insignificant cost, be obtained by the Resources on behalf of Trust only with Trust's prior written approval. Nothing contained herein shall give the Resources the power or authority to delegate all or substantially all of its obligations herein, except to the extent that Resources shall delegate any obligations to the New York State Association of Health Care Providers, Inc..

3. RELATIONSHIP BETWEEN PARTIES, LIMITATION OF RESPONSIBILITY

(a) Independent Contractors: The relationship between the parties established by this Agreement is that of independent contracting parties. As such, subject to the rights retained or granted to and the obligations undertaken by each party pursuant to this Agreement, each shall conduct its business at its own initiative, responsibility and expense, and shall have no authority to incur any obligation on behalf of the other party. No third party shall have or be deemed to acquire any rights under this Agreement. Resources shall not use the name of Trust and Trust shall not use the name of Resources, in any public document, advertising, public relations release or other publicity without the prior consent of the party whose name is to be so used.

(b) Indemnification: If, in connection with any services or matters that are the subject of this Agreement, Resources becomes involved in any capacity in any action or legal proceeding, Trust agrees to reimburse Resources for the reasonable legal fees, disbursements of counsel and other expenses (including the cost of investigation and preparation) incurred by Resources, and Trust also agrees to indemnify and hold Resources harmless against any losses, claims, damages or liabilities, joint or several, to which the Resources may become subject in connection with services which are the subject of this Agreement; provided, however, that Trust shall not be liable in respect of any loss, claim, damage or liability to the extent that such loss, claim, damage or liability results from the Resources' willful misfeasance or gross negligence.

(c) Scope of Responsibilities: The obligations of the Resources hereunder are limited to the faithful performance of duties to Trust set forth herein. Resources shall not have any other or further obligation or responsibilities to Trust , including, but not limited to the failure of third parties to fulfill their obligations.

4. COMPENSATION AND EXPENSES

Fees and expenses shall be determined and paid in accordance with Schedule 1, which is attached hereto and made a part hereof.

5. EFFECTIVE DATE AND TERMINATION

(a) Effective Date and Normal Termination: This Agreement shall be deemed to have become effective as of September 17, 1992 and, except as otherwise provided herein, shall continue until the end of any fiscal year in which either party shall notify the other, in writing, of its intention to terminate as of the end of such fiscal year or as otherwise provided in this Agreement. In addition, this agreement shall be deemed to have been in force and effect on and after January 1, 1992 for the purposes of providing Trust necessary and incidental to the formation of the group self insurance program to be managed by the Resources on behalf of Trust .

(b) Termination for Breach or Bankruptcy: This Agreement may be terminated forthwith by written notice of termination to the other party upon the occurrence of either of the following:

(i) If such other party fails to perform or observe, or commits a breach of any section, provision, or covenant of this Agreement, and fails to cure, remedy or satisfactorily explain such failure or breach within thirty (30) days following delivery to such other party of a written notice of the alleged failure or breach, or

(ii) If such other party becomes insolvent (in the legal sense) or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of creditors; or if a committee of creditors or other representative is appointed to represent its business or an involuntary petition in bankruptcy is filed against it, and the party fails within thirty (30) days following the appointment of such committee or representative or the filing of such petition to cause the discharge of such committee or representative or the dismissal of such petition; or if the other party commits any other act indicating insolvency.

6. MISCELLANEOUS

(a) Assignment: Neither this Agreement nor any right, benefit or obligation conferred or imposed hereunder is assignable in whole or in part, whether by operation of law or otherwise, by either party hereto without the prior written consent of the other party,

(b) Successors and Assigns: The Agreement shall be binding upon the successors, legal representatives or assigns of the parties hereto.


(c) Entire Agreement: All prior negotiations and agreements between the parties hereto relating to the subject matter hereof are superseded by this Agreement, and there are no representations, warranties, understandings or agreements other than those expressly set forth herein, except as modified in writing concurrently herewith or subsequent hereto, which writing shall be executed by a duly authorized officer of the party seeking to bound thereby.

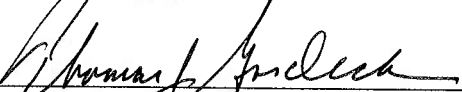
(d) Waivers: The failure of either party at any time to require the other party's performance of any obligation under this Agreement shall not affect the right to require performance of that obligation in the future. Any waiver by either party of any breach of any provision hereof shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver or modification of the provision itself, or a waiver or modification of any other right under this Agreement.

(e) Construction: In order to effectuate its terms, this Agreement shall be liberally construed.

(f) Law to Govern: The validity, construction and enforceability of this Agreement shall be governed in all respects by the law of the State of New York.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands at Albany, New York as of the day and date first-above written.

By: 
Title: Chairperson
Health Care Providers Self-Insurance Trust

By: 
Title: Chairperson of the Board
HCP Resources, Inc. Secretary

SCHEDULE 1

COMPENSATION AND EXPENSES

(a) Management Fees: In consideration of those duties agreed to be performed hereunder by the Resources, Trust agrees to pay to the Resources a management fee which is to be computed as follows:

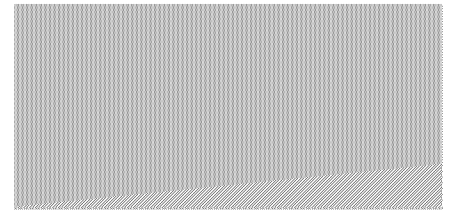
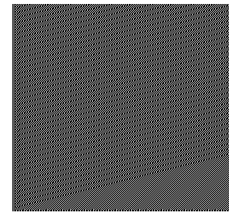
1. Trust shall reimburse the Resources for that pro rata portion of the share of the salaries paid to officers, directors, employees and agents of the Resources for that time which was expended by them in furtherance with the purposes of this Agreement. Trust shall further reimburse Resources for its prorata share of the operating expenses attributable to Trust including all state taxes, fees, accounting charges, bank fees and the like
2. The Resources shall develop and implement procedures necessary to apportion the time expended by Resources officers, directors and employees on activities which may be reimbursed in accordance with these provisions.
3. All fringe benefits of Resources personnel rendering Trust under this Agreement shall be apportioned in the same ratio as are apportioned the salaries of such person.
4. Trust shall reimburse the Resources for all costs, expenses and charges incurred in the performance of this Agreement including but not limited to printing costs, office supplies, photocopies and other reproduction charges, facsimile transmission charges, telephone charges, filing and examination fees, and that portion of the Resources' lawyers' and accountants' expenses which are attributable to the activities of Trust. Prior to reimbursing Resources for any extraordinary expenses, which shall mean expenses not reasonably anticipated as necessary for the operation and management of the Trust, Resources shall receive the prior approval of the Trustees of the Trust.
5. In addition, the Resources shall be entitled to be reimbursed for such expenses incurred by it in the performance of service hereunder as necessary travel, including meals and accommodations, and the time charges and expenses of affiliated subcontractors and consultants retained to advise or assist the Resources, but only if such engagement have been approved in advance by Trust .
6. Reimbursable expenses shall include a sum which shall represent reasonable reimbursement for rent, utilization of office equipment, conference rooms and other facilities as are directly attributable to the use of Trust .
7. Within thirty (30) days after the end of each month, the Resources shall render a statement to Trust setting forth the expenses incurred by the Resources during the immediately preceding month in accordance with the foregoing provisions. Payment by Trust of the amount set forth in a statement rendered shall be due thirty (30) days subsequent to the delivery of this statement unless the parties agree to less frequent, but not less than annual payments. Unless a calculation of the above items indicates that Resources is entitled to a greater sum, it shall be presumed that Resources

EXHIBIT 7

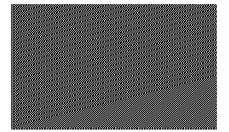
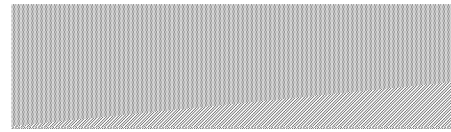
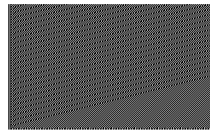
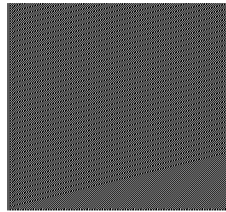
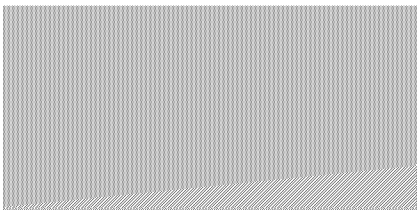
BST



An Independent Member of the RSM McGladrey Network

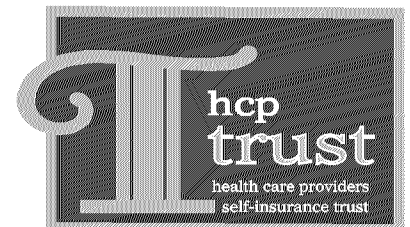


Health Care
Providers
Self-Insurance
Trust



Board of Trustees Manual

April 2008



Health Care Provider Self-Insurance Trust (HCPSIT)
Board of Trustees Manual

** THE INFORMATION IN THIS MANUAL IS **CONFIDENTIAL** **

A. ORGANIZATIONAL INFORMATION

1. Board of Trustees List
2. Staff List
3. Professional Services List
4. Overview of HCP Affiliates
5. HCPSIT on the Web

B. CORPORATE & PROGRAM DOCUMENTS

6. Bylaws
7. Fiduciary Duty, Conflicts & Confidentiality
8. Conflict of Interest Policy
9. Trustee Board Meeting Minutes
10. Self-Insurance Agreement & Declaration of Trust
11. Indemnity Agreement
12. WCB Required Participant Agreement

C. NYS STATUTES & REGULATIONS

13. Summary of Workers' Compensation Law
14. Section 50
15. Definitions
16. Administrative Expenses/Assessments
17. Group Self-Insurance Regulations
18. HCRA Public Goods Pool

D. SERVICE CONTRACTS & INSURANCE COVERAGE

19. Program Administration
20. Third Party Administration
21. Loss Control Services Agreement
22. Marketing Services Agreement
23. HCPSIT/HCP Resources Management Agreement
24. Bank Fee Schedule
25. Insurance Coverage

E. PROGRAM INFORMATION

26. Program Basics
27. Sample Participant Proposal
28. Sample Trustee Worksheet
29. Sample Participant Renewal
30. Claim Reporting/Handling
31. Sample monthly Claim Report
32. Loss Control Services
33. Risk Management Piece

F. FINANCIAL INFORMATION

- 34. Financial Policies & Procedures
- 35. Budget
- 36. Glossary of terms
- 37. Sample Vendor List
- 38. Interim Statement
- 39. 24 month Comparison
- 40. Participant Enrollment Information
- 41. Outside Auditor's Report
- 42. Investment Objectives/Guidelines
- 43. WCB Consent Agreement
- 44. Allowable assets - Underfunding

G. ADDITIONAL MATERIALS

- 45. Functions of the Board
- 46. Trustee Expense Reimbursement
- 47. Sample New Trustee Letter
- 48. Trust Annual Report
- 49. Solutions Newsletter
- 50. PRM Promotional Piece

Updated 4/08

EXHIBIT 8

BST



An Independent Member of the RSM McGladrey Network

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT ("Agreement"), dated as of November 1, 2007, by and between **HEALTH CARE PROVIDERS SELF INSURANCE TRUST**, a workers' compensation group self-insurance trust duly organized and operating pursuant to section 50 of the Workers' Compensation Law of the State of New York (hereinafter referred to as "Trust"), and **HCP RESOURCES, INC.**, a corporation organized and existing pursuant to the Business Corporation Law of the State of New York (hereinafter referred to as "Resources");

WITNESSETH:

WHEREAS, the Trust is a group self-insurer organized and existing pursuant to Workers' Compensation Law, section 50 and regulations promulgated thereunder, providing workers' compensation self-insurance to its members ("Members") pursuant to applicable provisions of law and regulation, the Trust's Self-Insurance Agreement and Declaration of Trust and Indemnity Agreement executed by and among such Members and the Trust's by-laws; and

WHEREAS, Resources is in the business of providing management, administrative and other related services; and

WHEREAS, the parties have heretofore entered into a certain Management Agreement pursuant to which Resources has provided to the Trust and the Trust has acquired from Resources certain management and administrative services in accordance with the terms and conditions therein set forth, the term of which expired on October 31, 2007; and

WHEREAS, the parties desire to continue their arrangement in effect for a term commencing November 1, 2007;

NOW, THEREFORE, in consideration of mutual covenants and conditions herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. RESOURCES' RESPONSIBILITIES. Resources shall render the following services with regard to the business of Trust subject to the limitations and exceptions set forth herein:

(a) Provision of General Manager: Resources shall designate a member of its staff to serve, subject to the approval of Trust, as the Manager of Trust. Such person shall be selected in accordance with the needs of Trust and shall serve at its pleasure.

(b) Staffing Trust: Resources shall provide staff as shall be necessary, in the sole discretion of Resources, to allow Trust to fulfill its activities in a timely and professional manner.

(c) Contracts: Subject to the prior approval of Trust, the Resources shall enter into the contracts necessary or desirable to fulfill the functions of Trust.

(d) Other Responsibilities: Resources shall perform such other services as may from time to time be agreed upon by and between Trust and the Resources.

2. RECORDS, REPORTS AND ACCOUNTS:

(a) Books and Records: Resources shall keep, in a manner mutually acceptable, true and complete books of account and records of all business conducted under and pursuant to this Agreement and shall, at all reasonable times, make available for examination and inspection to a duly authorized representative of Trust all such books and records. Such books and records shall remain the property of Trust and shall be delivered promptly to Trust or its designee following any termination of this Agreement, but Resources shall have the right at any time within six years after any termination of this Agreement to inspect such books and records and to make copies thereof or extracts therefrom.

(b) Reports to Trust: Trust fiscal year shall end on October 31 of each year. Resources shall, not less than quarterly, render a report to Trust covering financial statements, including a balance sheet and profit and loss statement, all in such form as may be agreed upon from time to time between Resources and Trust.

(c) Government Reports: Resources shall prepare and file all governmental reports including tax reports, on the basis of information generated or made available to it. All such reports shall be submitted to Resource's accountant and/or counsel for approval before filing. Trust shall furnish any information in its possession necessary for the preparation of such reports.

(d) Bank Accounts: Resources shall open, maintain and operate bank accounts in the name of Trust, and shall make deposits there and disbursements therefrom, in accordance with such limitations and restrictions as may be set forth in resolutions passed by the board of directors of Trust or in instructions from Trust.

(e) Information Provided to Resources: Trust shall keep the Resources informed during the term of this Agreement of all material developments relating to the business of Trust and shall promptly furnish to the Resources a copy of all minutes of the meetings of and the resolutions adopted by the member and the board of directors of Trust.

(f) Authority of Resources: Resources shall have all the power and authority necessary or desirable to carry out its duties and obligations under this Agreement, which shall include the right to engage, as an independent contractor, any person, services or other organization to perform any functions agreed by the Resources to be performed hereunder. Any services from contractors not affiliated with the Resources may, unless insignificant cost, be obtained by the Resources on behalf of Trust only with Trust's prior written approval. Nothing contained herein shall give the Resources the power or authority to delegate all or substantially all of its obligations herein, except to the extent that Resources shall delegate any obligations to the New York State Association of Health Care Providers, Inc.

3. RELATIONSHIP BETWEEN PARTIES, LIMITATION OF RESPONSIBILITY

(a) Independent Contractors: The relationship between the parties established by this Agreement is that of independent contracting parties. As such, subject to the rights retained or granted to and the obligations undertaken by each party pursuant to this Agreement, each shall conduct its business at its own initiative, responsibility and expense, and shall have no authority to incur any obligation on behalf of the other party. No third party shall have or be deemed to acquire any rights under this Agreement. Resources shall not use the name of Trust and Trust shall not use the name of Resources, in any public document, advertising, public relations release or other publicity without the prior consent of the party whose name is to be so used.

(b) Indemnification: If, in connection with any services or matters that are the subject of this Agreement, Resources becomes involved in any capacity in any action or legal proceeding, Trust agrees to reimburse Resources for the reasonable legal fees, disbursements of counsel and other expenses (including the cost of investigation and preparation) incurred by Resources, and Trust also agrees to indemnify and hold Resources harmless against any losses, claims, damages or liabilities, joint or several, to which the Resources may become subject in connection with services which are the subject of this Agreement; provided, however, that Trust shall not be liable in respect of any loss, claim, damage or liability to the extent that such loss, claim, damage or liability results from the Resources' willful misfeasance or gross negligence.

(c) Scope of Responsibilities: The obligations of the Resources hereunder are limited to the faithful performance of duties to Trust set forth herein: Resources shall not have any other or further obligation or responsibilities to Trust, including, but not limited to the failure of third parties to fulfill their obligations.

4. COMPENSATION AND EXPENSES

Fees and expenses shall be determined and paid in accordance with Schedule 1, which is attached hereto and made a part hereof.

5. EFFECTIVE DATE AND TERMINATION

(a) Effective Date and Normal Termination: This Agreement shall be deemed to have become effective as of November 1, 2007 and, except as otherwise provided herein, shall continue in effect until the end of any fiscal year in which either party shall notify the other, in writing, of its intention to terminate as of the end of such fiscal year or as otherwise provided in this Agreement.

(b) Termination for Breach or Bankruptcy: This Agreement may be terminated forthwith by written notice of termination to the other party upon the occurrence of either of the following:

(i) If such other party fails to perform or observe, or commits a breach of any section, provision, or covenant of this Agreement, and fails to cure, remedy or satisfactorily explain such failure or breach within thirty (30) days following delivery to such other party of a written notice of the alleged failure or breach, or

(ii) If such other party becomes insolvent (in the legal sense) or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of creditors; or if a committee of creditors or other representative is appointed to represent its business or an involuntary petition in bankruptcy is filed against it, and the party fails within thirty (30) days following the appointment of such committee or representative or the filing of such petition to cause the discharge of such committee or representative or the dismissal of such petition; or if the other party commits any other act indicating insolvency.

6. MISCELLANEOUS

(a) Assignment: Neither this Agreement nor any right, benefit or obligation conferred or imposed hereunder is assignable in whole or in part, whether by operation of law or otherwise, by either party hereto without the prior written consent of the other party.

(b) Successors and Assigns: The Agreement shall be binding upon the successors, legal representatives or assigns of the parties hereto.

(c) Entire Agreement: All prior negotiations and agreements between the parties hereto relating to the subject matter hereof are superseded by this Agreement, and there are no representations, warranties, understandings or agreements other than those expressly set forth herein, except as modified in writing concurrently herewith or subsequent hereto, which writing shall be executed by a duly authorized officer of the party seeking to bound thereby.

(d) Waivers: The failure of either party at any time to require the other party's performance of any obligation under this Agreement shall not affect the right to require performance of that obligation in the future. Any waiver by either party of any breach of any provision hereof shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver or modification of the provision itself, or a waiver or modification of any other right under this Agreement.

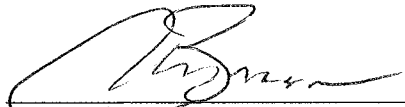
(e) Construction: In order to effectuate its terms, this Agreement shall be liberally construed.

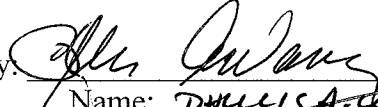
(f) Law to Govern: The validity, construction and enforceability of this Agreement shall be governed in all respects by the law of the State of New York.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands at Albany, New York as of the day and date first-above written.

**HEALTH CARE PROVIDERS
SELF-INSURANCE TRUST**

HCP RESOURCES, INC.

By: 
Name: Todd BRASON
Title: CHAIRPERSON

By: 
Name: PHYLLIS A. WANG
Title: President

SCHEDULE 1
COMPENSATION AND EXPENSES

(a) Management Fees: In consideration of those duties agreed to be performed hereunder by the Resources, Trust agrees to pay to Resources a management fee which is to be computed as follows:

1. Trust shall reimburse Resources for that pro rata portion of the share of the salaries paid to officers, directors, employees and agents of Resources for that time which was expended by them in furtherance with the purposes of this Agreement. Trust shall further reimburse Resources for its pro rata share of the operating expenses attributable to Trust including all state taxes, fees, accounting charges, bank fees and the like.

2. Resources shall develop and implement procedures necessary to apportion the time expended by Resources officers, directors and employees on activities that may be reimbursed in accordance with these provisions.

3. All fringe benefits of Resources personnel rendering Trust under this Agreement shall be apportioned in the same ratio as are apportioned the salaries of such person.

4. Trust shall reimburse Resources for all costs, expenses and charges incurred in the performance of this Agreement including but not limited to printing costs, office supplies, photocopies and other reproduction charges, facsimile transmission charges, telephone charges, filing and examination fees, and that portion of Resources' lawyers' and accountants' expenses which are attributable to the activities of Trust. Prior to reimbursing Resources for any extraordinary expenses, which shall mean expenses not reasonably anticipated as necessary for the operation and management of the Trust, Resources shall receive the prior approval of the Trustees of the Trust.

5. In addition, Resources shall be entitled to be reimbursed for such expenses incurred by it in the performance of service hereunder as necessary travel, including meals and accommodations, and the time charges and expenses of affiliated subcontractors and consultants retained to advise or assist Resources, but only if such engagement have been approved in advance by Trust.

6. Reimbursable expenses shall include a sum which shall represent reasonable reimbursement for rent, utilization of office equipment, conference rooms and other facilities as are directly attributable to the use of Trust.

7. Within thirty (30) days after the end of each month, Resources shall render a statement to Trust setting forth the expenses incurred by Resources during the immediately preceding month in accordance with the foregoing provisions. Payment by Trust of the amount set forth in a statement rendered shall be due thirty (30) days subsequent to the delivery of this statement unless the parties agree to less frequent, but not less than annual payments.

8. In addition to any amounts otherwise due the Resources as its Management Fee in and for the first year of the term of this Agreement only, the Trust shall pay to Resources as additional compensation for its services (the "Additional Compensation") an amount equal to one percent (1%) of the gross written contributions made by the Members to the Trust for and during such year. The Additional Compensation shall be payable in the same manner and at the same time as the monthly installments of the Management Fee due Resources hereunder.

EXHIBIT 9

BST



An Independent Member of the RSM McGladrey Network

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
 180 LIVINGSTON STREET, BROOKLYN, NY 11248

APPLICATION FOR SELF-INSURANCE
DISABILITY BENEFITS LAW

An application filed by an applicant for self-insurance under the Disability Benefits Law does not cover any of its subsidiary corporations. New York State requires that each corporation desiring to self-insure under the Disability Benefits Law file its own individual application. If additional applications are needed, they will be sent upon request.

The undersigned (hereinafter referred to as the applicant) hereby makes application for the status of a self-insurer under Sec. 211, subd. 3 of Article 9 of the Workers' Compensation Law of New York State. In connection with such application the applicant makes the following declarations for the purpose of enabling the Chair, Workers' Compensation Board, to make a finding of facts as to whether the applicant possesses sufficient financial ability and has adequate facilities to render certain the payment of disability benefits to applicant's employees as specified in the Law.

Applicant hereby agrees that if this application be approved such approval shall be subject to the applicant making and maintaining with the Chair, Workers' Compensation Board, such deposit of securities or cash* or an acceptable surety bond as, in the discretion vested in the Chair, Sec. 211, subd. 3 of such law, may be required. Applicant further agrees to abide by all the provisions of such law and by the rules and regulations governing self-insurers under Article 9 of the Workers' Compensation Law. (*NOTE: Cash deposit may not exceed \$100,000.)

1. NAME OF APPLICANT Health Care Providers Disability Benefits	3. NYS U.I. EMPLOYER REG. NO. N/A	6. DESIRED EFFECTIVE DATE OF SELF-INSURANCE 7/31/95
2. ADDRESS (Principal Office) Suite 522 90 State Street Albany, New York 12207	4. FEDERAL EMPLOYER ID NO. 14-1782888 5. TELEPHONE NUMBER 518-463-1118	7. CURRENT DISABILITY BENEFITS COVERAGE (a) Insurance Co. Various (b) Policy No.
8. NATURE OF BUSINESS (Describe briefly the general character of the operations performed.) Home and Health Care		
9. PAYMENTS WILL BE MADE TO CLAIMANTS: <input checked="" type="checkbox"/> At least equal to requirements set forth in sec. 204 (Statutory Benefits). <input type="checkbox"/> provided by a Plan accepted under Sec. 211, subd. 4 or 5 for employees covered by the Plan. (If benefits are provided by a Plan, a copy of the application for acceptance of the Plan is attached and made a part hereof.) IF PAYMENTS TO CLAIMANTS EXCEED STATUTORY BENEFITS, FILING OF A PLAN IS OPTIONAL. IN ABSENCE OF PLAN, APPLICANT WILL BE HELD RESPONSIBLE FOR PAYMENT OF STATUTORY BENEFITS ONLY.		
10. THE APPLICANT AS A SELF-INSURER WILL PAY BENEFITS TO THE EMPLOYER'S EMPLOYEES, AS FOLLOWS: <input checked="" type="checkbox"/> All employees eligible under the New York State Disability Benefits Law. <input type="checkbox"/> All employees eligible for benefits under the New York State Disability Benefits Law except those classes of employees eligible to receive benefits under another policy or plan accepted by the Chair. <input type="checkbox"/> Only the following class or classes of employees:		
11. DO YOU INTEND TO DEAL DIRECTLY WITH YOUR EMPLOYEES IN DISABILITY BENEFITS MATTERS OR THROUGH A LICENSED SELF-INSURANCE REPRESENTATIVE? IF THE LATTER METHOD IS TO BE USED, GIVE THE NAME AND ADDRESS AND LICENSE NUMBER OF THE REPRESENTATIVE. Gallagher Bassett Services, Inc.		
12. IF A CORPORATION... Trust (a) Enter date when incorporated: Authorized 6/95 (b) Under laws of what State? New York (c) If not a New York corporation, enter date of registration in New York State (d) Has applicant any affiliates or subsidiaries with operations in New York State? IF YES, ATTACH A LIST. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> (e) Did you succeed anyone? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If so, whom did you succeed? (f) If a subsidiary, enter name and address of parent company: Health Care Providers Self-Ins. Trust-W450506 (g) Enter parent's percentage of stock ownership: 100% (h) ATTACH CERTIFIED COPY OF CERTIFICATE OF INCORPORATION		
13. IF A PARTNERSHIP... (a) List the names and home addresses of all partners and designate whether they are general, special, limited, etc. (b) Enter date when partnership established (c) ATTACH CERTIFIED COPY OF PARTNERSHIP AGREEMENT.		
14. IF A SOLE PROPRIETORSHIP... Home address of proprietor		

15. IF AN ASSOCIATION OF EMPLOYERS, ASSOCIATION OF EMPLOYEES OR TRUSTEE OR TRUSTEES...
 (a) ATTACH A LIST OF PARTICIPATING EMPLOYERS AND A STATEMENT AS TO THE SOURCE OF FUNDS FOR THE PAYMENT OF OBLIGATIONS.
 (b) ATTACH CERTIFIED LIST OF TRUSTEES.
 (c) ATTACH CERTIFIED COPY OF TRUST INDENTURE.
 (d) IF APPLICATION IS SIGNED BY OTHER THAN A TRUSTEE, ATTACH EVIDENCE OF AUTHORITY TO EXECUTE APPLICATION.
 (e) ATTACH PLAN APPLICATION.

16. ENTER NAMES OF OFFICERS
 President Chair: Phyllis Wang
 Secretary Joel Hodes, Esq.
 Trustees:
 XXXXXXXX Jordan Shames
 Treasurer Todd Brason
 Michael Reda

In items 17 through 23 below, enter data for employees to be covered by this application.

17. LOCATIONS OF OFFICES, PLANTS OR BRANCHES TO BE COVERED BY SELF INSURANCE	18. AVERAGE NO. OF EMPLOYEES FOR PRECEDING 12 MONTHS	19. CONTRIBUTIONS OF EMPLOYEES FOR PRECEDING 12 MONTHS	20. ESTIMATED AVERAGE NO. OF EMPLOYEES FOR ENSUING 12 MONTHS	21. ESTIMATED CONTRIBUTIONS OF EMPLOYEES FOR ENSUING 12 MONTHS	22. NUMBER OF EMPLOYEES TO BE PROVIDED BENEFITS	
					22. UNDER SEC. 204	23. BY A PLAN
Same as Health Care Providers Self-Insurance Trust	Estimated at 10,000 by the	10,000 by the	second year			
TOTALS →		\$		\$		

24. ATTACH A STATEMENT OF FINANCIAL CONDITION (a Form 10-k, an annual report or a certified independently audited financial statement)

STATE OF New York ss.:
 County of Albany
Phyllis Wang, being duly sworn, says (s)he is the
Chair of the above named applicant; that (s)he has carefully examined
 the foregoing statement and the facts therein set forth are true.
 Sworn to before me this 24th day of August, 1995
Carolyn S. Arney
 My commission expires 12-20-95
 CAROLYN S. ARNEY
 Notary Public, State of New York
 Qualified in Albany County



Phyllis Wang
 Signature of Owner, Partner or Authorized Official
Chair
 Title

FOR BOARD USE ONLY

GREATER YRL. NO. OF EMPLOYEES	ONE HALF OF CONTRIBUTIONS GREATER YEAR	MINIMUM EXPOSURE	ADDITIONAL EXPOSURE	ADDITIONAL FOR OTHER FACTORS	TOTAL EXPOSURE DEPOSIT
	\$	\$	\$	\$	\$60,000

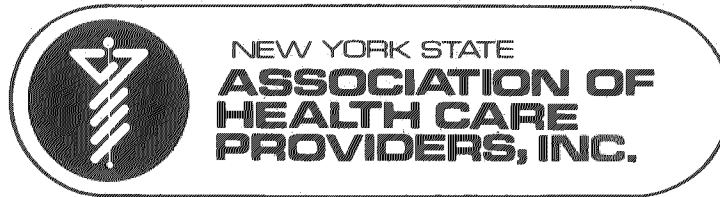
Information contained in this application shall not be open to public inspection.

EXHIBIT 10

BST



An Independent Member of the RSM McGladrey Network



PHYLLIS A. WANG
President

Suite 522
90 State Street
Albany, New York 12207

(518) 463-1118
FAX: (518) 463-1606

September 14, 1992

Mr. Thomas B. Arney, Chairman
Jardine Insurance Brokers New York, Inc.
1155 Avenue of the Americas
New York, New York 10036

Re: Workers' Compensation Group Self Insurance Program

Dear Tom:

Based on our mutual agreement to proceed with the Group Self Insured Workers Compensation Program, I believe that it is appropriate for the Self-Insurance Trust, HCP and Jardines to have a clear understanding of the respective rights and obligations of each party to the Workers' Compensation program.

HCP RESPONSIBILITIES:

1. Draft the Trust Agreement and related documents including those necessary for the establishment of a for-profit subsidiary of HCP, the trust agreement, indemnity agreement, the by-laws for the trust and a description of the business activities of the HCP membership.
2. Assure that the trust has a depository bank for trust assets and appoints a certified public accountant for the trust financial records.
3. Create a for-profit subsidiary corporation to manage the activities of the trust.
4. Execute a management agreement with the for-profit subsidiary.
5. Appoint four trustees.
6. Appoint a licensed insurance agent to serve as an officer or director of the for-profit subsidiary within six months of the formation of the subsidiary.

JARDINE RESPONSIBILITIES:

1. Act as broker to provide the insurance services required by the trust.
2. Act as the program manager for the trust. In acting as program manager, Jardine will perform duties including managing the activities of the third party administrator, develop loss control programs and risk management programs for the trust, coordinate actuarial services relating to prospective members of the trust, recommend experience ratings to be required of participants, market the trust, serve as liaison with the Workers' Compensation Board and related services.

3. Promote and market the self-insurance program to HCP membership.
4. Design and develop safety programs and training for members participating in the activities of the trust and, in addition, present such programs to membership at regularly scheduled meetings and conventions and such other times and places as the Trust, HCP and Jardine may agree.
5. Appoint one trustee to the Trust.

JOINT RESPONSIBILITIES:

1. Complete the application to the Workers' Compensation Board for approval of a group self-insurance trust.
2. Develop a mechanism for the determination of each participant's equitable share of responsibility for claims.
3. Select and negotiate a contract with a third party administrator who shall be responsible for management and payment of claims, the establishment of the duties of the third party administrator, the development of loss control programs for participants and the negotiation of a contract with such third party administrator.
4. Establish guidelines for the activation of the trust, including the development of experience rating standards and safety and financial standards for participation.
5. Establish standards for the management of claims.

FINANCIAL AGREEMENT:

1. Jardine will be entitled to collect all premiums derived from any HCP member for the provision of Workers' Compensation insurance.
2. Jardine will pay, in at least quarterly installments, to the corporation to be formed pursuant to the Business Corporation Law two (2) percent of premium collections for administrative fees.
3. Jardine shall prepare an annual accounting of the revenues generated from the sale of Workers' Compensation Insurance.
4. The Trust and Jardine will annually review the allocation of revenues between them to determine if such allocation covers all of the administrative costs borne by HCP or a subsidiary and Jardine. The trust and Jardine will annually renegotiate the allocation of revenues as appropriate and mutually acceptable.

MISCELLANEOUS PROVISIONS:

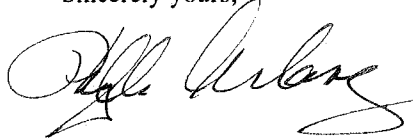
1. This agreement shall remain in full force and effect until it is terminated which occurs by either party giving the other sixty days written notice to the other.

Mr. Thomas B. Arney
September 14, 1992
Page 3

2. This agreement shall be governed by the laws of the State of New York. Any suit regarding it shall be commenced in Supreme Court in either New York or Albany county. The parties agree and consent to the jurisdiction and venue of such counties.
3. This letter constitutes the entire agreement between the parties and cannot be altered, changed, modified or terminated except by subsequent written agreement of all parties.

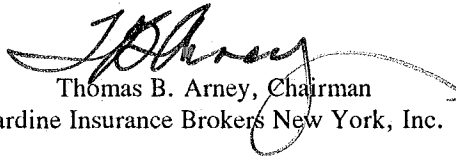
I believe that this represents our agreement regarding the Workers' Compensation Self-Insurance Program. HCP also agrees to grant Jardine the first opportunity to submit proposals for endorsement for other insurance and benefit programs as it has recently endorsed Jardine as a provider of statutory Disability Insurance programs. Similarly, HCP anticipates Jardine to reasonably negotiate appropriate administrative fees for the management of such programs by HCP or a subsidiary.

Sincerely yours,



Phyllis A. Wang, President
New York State Association of Health Care Providers, Inc.
and as Trustee on behalf of the Health Care Providers Self-Insurance Trust.

The foregoing represents our understanding of our agreement.



Thomas B. Arney, Chairman
Jardine Insurance Brokers New York, Inc.

EXHIBIT 11

BST



An Independent Member of the RSM McGladrey Network

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

90 State Street, Suite 522
Albany, New York 12207
(518) 463-1118 ♦ Fax: (518) 463-1606

April 1, 1994

Mr. Thomas B. Arney
President
Naples Risk Management, Inc.
Suite 106
3 Marcus Boulevard
Albany, NY 12205

Re: Program Administrator's Agreement

Dear Tom:

I am delighted that Naples Risk Management, Inc. ("Naples") has agreed to serve as Program Administrator for the Health Care Provider Self-Insurance Trust ("Trust") and that you will serve as Naples' representative in that capacity, continuing the relationship that the Trust has had with you for the last two years.

I am writing to confirm our understanding of the respective rights and obligations of the Trust and Naples with respect to your service as Program Administrator.

Responsibilities of Program Administrator

We understand that Naples has and will maintain all appropriate licenses and authorization necessary to enable it to perform its services as Program Administrator, described below. We also understand that those services will be provided by you personally or, if appropriate, under your direct supervision. If and when you are or will become unavailable to serve in that capacity, we understand that the parties may agree on an individual to succeed you.

We understand that the Program Administrator will among other duties manage the activities of the third-party administrator retained by the Trust; develop loss control, risk management and safety programs for the Trust and its members; coordinate administrative claims and actuarial services; and act as the Trust's liaison with the Workers' Compensation Board. The Program Administrator will also evaluate the suitability of prospective Trust members, monitor the Trust's financial condition and activities and make recommendations to the Trustees of the Trust concerning Trust policies, programs, investments, contribution rates

and the like. In addition, the Program Administrator will promote and market the Trust's programs to present to prospective members of HCP.

It is our understanding that the Program Administrator will act as broker to provide the insurance services required by the Trust. The Program Administrator will also receive and retain in escrow, pending payment to the Trust, member contributions to the Trust, and pay over to the Trust the amount of such contributions (net of the Program Administrator's fee) in accordance with the procedures upon which the Trust and the Program Administrator will agree.

Finally, we understand that the Program Administrator will provide such other services as the Trust and Naples may agree from time to time.

As you know, we expect that you will attend meetings of the Trustees and to provide reports on or relating to Trust activities as requested.

The Program Administrator will of course treat Trust and HCP membership lists, and any other information acquired by the program Administrator regarding the Trust or any of its members' present or proposed operations, business activities and finances, as strictly secret and confidential and the property of the Trust.

As Program Administrator, Naples will indemnify the Trust, its Trustees, employees, agents and members and save them harmless from any and all claims, losses, liabilities, judgments, actions, costs and expenses (including attorneys' fees) arising out of or attributable to the services required to be performed by the Program Administrator. In addition, we understand that Naples has secured from Jardine Insurance Brokers New York, Inc. ("Jardine") with which you were associated prior to April 1, 1994, Jardine's agreement to the termination of the Trust's previous contract with Jardine, and the unconditional release of the Trust and the New York State Association of Health Care Providers, Inc. ("HCP") from the Trust's obligations under that contract. Naples will, therefore, indemnify the Trust, the Trustees, the Trust's officers, employees and members and HCP and its officers, directors, employees and members from claims, losses, liabilities, judgments, actions, costs and expenses arising out of that contract and its termination.

Compensation

Unless the parties otherwise agree in writing, the Trust shall pay to the Program Administrator a fee equal to 7% of the gross written contributions made by the members to the Trust for as long as this agreement remains in effect. The parties agree they will review annually the fee to determine whether it is appropriate to services provided by the Program Administrator.

Term of Agreement

The agreement between the Trust and the Program Administrator will commence on April 1, 1994 and continue in effect unless and until it is terminated by either party on not less than sixty (60) days notice in writing to the other. The agreement may be terminated by the Trust immediately and without notice to the Program Administrator in the event that the Program Administrator or a majority interest therein is transferred, sold, merged, or acquired; or that you cease to be associated with Naples or to serve as its designee hereunder and the parties are unable to agree upon a suitable successor designee; or that Naples files or is the subject of a petition in bankruptcy or makes an assignment for the benefit of creditors; or in the event of gross malfeasance by the Program Administrator or any of its officers, directors or employees in the performance of its duties under this agreement or a violation by the Program Administrator of its fiduciary duty to the Trust or of any applicable federal, State or local law or regulation.

This letter constitutes the entire agreement between the Program Administrator and the Trust. The agreement may be modified only in writing and signed by the parties.

Finally, we understand that our agreement will be governed by the Laws of the State of New York and that any action arising between the parties relating to the agreement shall be brought exclusively in the courts of the State of New York, with venue in Albany County.

If the foregoing represents your understanding of the agreement between the Trust and Naples Risk Management, Inc., I would appreciate your so indicating by signing the enclosed copy of this letter and returning it to me at your convenience.

As always, the Trustees and I appreciate all your good work for the Trust and look forward to a long and mutually satisfactory relationship.

Sincerely,



Phyllis A. Wang
President

Accepted and Agreed to _____

NAPLES RISK MANAGEMENT, INC.

By:



Thomas B. Arney, President

EXHIBIT 12

BST



An Independent Member of the RSM McGladrey Network

NYS Department of State

Division of Corporations

Entity Information

The information contained in this database is current through December 7, 2009.

Selected Entity Name: PROGRAM RISK MANAGEMENT INC.
Selected Entity Status Information

Current Entity Name: PROGRAM RISK MANAGEMENT INC.
Initial DOS Filing Date: JULY 25, 1995
County: ALBANY
Jurisdiction: NEW YORK
Entity Type: DOMESTIC BUSINESS CORPORATION
Current Entity Status: ACTIVE

Selected Entity Address Information

DOS Process (Address to which DOS will mail process if accepted on behalf of the entity)

PROGRAM RISK MANAGEMENT INC.
PO BOX 12305
ALBANY, NEW YORK, 12212-2305

Chairman or Chief Executive Officer

JOHN M. CONROY
1021 WATERVLIET-SHAKER RD
ALBANY, NEW YORK, 12205

Principal Executive Office

PROGRAM RISK MANAGEMENT INC.
1021 WATERVLIET-SHAKER RD.
ALBANY, NEW YORK, 12205

Registered Agent

NONE

This office does not require or maintain information regarding the names and addresses of officers, shareholders or directors of a corporation.

***Stock Information**

# of Shares	Type of Stock	\$ Value per Share
200	No Par Value	

*Stock information is applicable to domestic business corporations.

Name History

Filing Date	Name Type	Entity Name
JUL 25, 1995	Actual	PROGRAM RISK MANAGEMENT INC.

A **Fictitious** name must be used when the **Actual** name of a foreign entity is unavailable for use in New York State. The entity must use the fictitious name when conducting its activities or business in New York State.

NOTE: New York State does not issue organizational identification numbers.

[Search Results](#)

[New Search](#)

[Division of Corporations, State Records and UCC Home Page](#) [NYS Department of State Home Page](#)

EXHIBIT 13

BST



An Independent Member of the RSM McGladrey Network

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

Agreement for Services for Program Administration

This Agreement, made as of August 1, 1995, by and between the Health Care Providers Self-Insurance Trust ("Trust"), a group self-insurer organized and existing pursuant to section 50 of the New York Workers' Compensation Law with an office and principal place of business at 90 State Street, Albany, New York 12207, and Program Risk Management, Inc. (as appropriate "PRM" or "Program Administrator"), a New York corporation with an office and principal place of business at One Marcus Boulevard, Suite 204, Albany, New York 12205.

WHEREAS, the Trust is a group self-insurer organized and existing pursuant to Workers' Compensation Law, section 50 and regulations promulgated thereunder, providing workers' compensation self-insurance to its members ("Members") pursuant to applicable provisions of law and regulation, the Self-Insurance Agreement and Declaration of Trust and Indemnity Agreement executed by and among such Members and the Trust's by-laws; and

WHEREAS, PRM is in the business of providing program administration services to workers' compensation group self-insurers; and

WHEREAS, the parties desire to enter into a services agreement pursuant to which PRM will provide to the Trust and the Trust will acquire from PRM certain program administration services in accordance with the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of mutual covenants and conditions herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Retainer of Program Administrator.

The Trust hereby retains Program Risk Management, Inc. to provide, and Program Risk Management agrees to provide to the Trust, program administration services in accordance with the provisions of this Agreement.

2. Services.

The Program Administrator shall:

(a) act as the program administrator for the Trust, in furtherance of which the Program Administrator will, among other duties, manage the activities of the third party administrator retained by the Trust, develop loss control programs and risk management programs for the Trust, coordinate actuarial services relating to prospective and present Members of the Trust, recommend experience ratings of Members, serve as liaison with the Workers' Compensation Board, evaluate and make recommendations regarding the suitability for participation in the Trust of prospective Members thereof, monitor the financial condition and activities of the Trust, and make recommendations to the Trustees of the Trust concerning, inter alia, the adoption and/or amendment of Trust policies, programs, by-laws, investments, contribution rates, insurance policies, procedures and forms;

(b) promote and market the self-insurance program to present and prospective Members of the New York State Association of Health Care Providers, Inc., provided however, that the costs of design and production of marketing and promotional materials the Trust may require in the furtherance of the activities of the Program Administrator hereunder, shall be provided by the Trust.

(c) design and develop safety programs and training for Members and, present such programs to the Members at regularly scheduled meetings, conventions and seminars and at such other times and places as the Trustees and the Program Administrator may agree;

(d) act as the broker/agent to provide the insurance services required by the Trust;

(e) receive and retain in escrow pending payment to the Trust, Member contributions to the Trust, it being the parties' present intention that all such contributions be retained by the Program Administrator in escrow for the Trust's account until the third business day of the calendar month following that in which such contributions are received, upon which date the entire balance of such contributions so retained, net of the fee in respect thereof due the Program Administrator pursuant to paragraph 3 of this Agreement, shall be paid over to the Trust by the Program Administrator; and

(f) perform such other and further duties as are or may be reasonably related to the administration of a New York Workers' Compensation group self-insurance trust, whether or not such duties are or have been specifically or expressly delegated to the Program Administrator by the Trustees.

3. Fee

(a) In consideration of the full and faithful performance of the services to be rendered by the Program Administrator hereunder, the Trust shall pay to the Program Administrator a fee equal in amount to seven percent (7%) of the gross written contributions made by the Members to the Trust during the term of this Agreement. Such fee shall be payable in monthly installments equal to seven percent (7%) of the gross written contributions received by the Trust from the Members in and for the calendar month immediately preceding that in which each such installment is due. Upon the termination of this Agreement or any successor thereto, by expiration of its term or otherwise, the balance of the fee due the Program Administrator from the

Trust, if any, for any period of service rendered by the Program Administrator prior to the effective date of such termination shall be payable by the Trust to the Program Administrator not later than sixty (60) days following such effective date.

(b) The parties acknowledge that it is their present practice that all Member contributions to the Trust are remitted directly to the Program Administrator and retained by the Program Administrator in escrow for and on account of the Trust pending payment thereto in accordance with the provisions of this Agreement. For as long as the parties continue such practice, the fee due the Program Administrator hereunder shall be paid on the first business day of each calendar month of the term of this Agreement by the transfer by the Program Administrator to the Trust of all Member contributions received in the preceding calendar month, less seven percent (7%) thereof, which shall be the fee due the Program Administrator hereunder and may be retained by the Program Administrator as such for its own account. In the event that either or both of the parties proposes any change in their current practice regarding the receipt of Member contributions on the Trust's account and/or the payment to the Program Administrator of any fee due with respect thereto, such party or parties shall notify the other reasonably in advance of the anticipated effective date of such change and the parties shall forthwith meet and negotiate an alternate procedure for the receipt of such contributions and the payment of such fee.

4. Indemnification and Insurance.

(a) The Program Administrator shall indemnify and hold harmless the Trust, its Trustees, employees, agents and Members from any and all claims, losses, liabilities, judgments, actions, costs and expenses (including reasonable attorneys' fees and expenses) arising out of or attributable to the services required to be performed by the Program Administrator under the terms of this Agreement.

The Trust shall indemnify and hold harmless the Program Administrator, its Officers, employees, agents and representatives from any and all claims, losses, liabilities, judgments, actions, costs and expenses (including reasonable attorneys' fees and expenses) arising out of or attributable to the actions of the Trustees and the agents and employees of the Trust in furtherance of the business and purposes of the Trust.

(b) Throughout the term of this Agreement and any successor thereto, the Program Administrator shall maintain, at its sole cost and expense, a policy or policies of insurance that will insure the Program Administrator, continuously and without interruption, with respect to its acts and omissions and those of its officers, directors, employees, agents and representatives in connection with or relating to the services required to be provided hereunder in the face amount of not less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate. The said insurance policy or policies shall insure against all claims, actions, judgments, settlements, loss or damage arising from or relating to the said acts or omissions, irrespective of whether any such claim, judgment or settlement is made, such action commenced or such loss or damage actually incurred during the term of this Agreement or any successor thereto.

The Program Administrator shall upon request provide reasonable evidence to the Trust that the said assurances is in place as required by this paragraph and shall provide immediate written notice to the Trust of termination or material amendment of any such policy.

5. Representations and Warranties of the Program Administrator and Trust.

In addition to the representations and warranties herein above set forth, the Program Administrator hereby represents and warrants to the Trust each of the following, which representations and warranties, together with those herein above set forth, shall be deemed continuing representations and warranties that are the essence of this Agreement and upon which the Trust has relied in entering into this Agreement.

(a) It is a validly existing corporate entity with full right, power and authority to enter into this Agreement.

(b) This Agreement is duly authorized, executed and delivered by it and constitutes a legal, binding obligation upon it, its successors and assigns and does not violate any provision of any agreement or judicial or administrative order to which it is a party or to which it is subject.

(c) No government or other approvals are required to permit it to enter into and perform its obligations hereunder.

(d) It has all appropriate title, licenses and/or approvals to enable it to perform the services required of it hereunder.

(e) Entry into and performance of its obligations hereunder is not restricted or prohibited by any loan, security, financing, contractual or other agreement.

(f) There are not existing or threatened legal proceedings against it that would have a material adverse effect upon its ability to perform its obligations hereunder.

In addition to the representations and warranties herein above set forth, the Trust hereby represents and warrants to the Program Administrator each of the following, which representations and warranties, together with those herein above set forth, shall be deemed continuing representations and warranties that are the essence of this Agreement and upon which the Program Administrator has relied in entering into this Agreement.

(a) It is a validly existing entity with full right, power and authority to enter into this Agreement.

(b) This Agreement is duly authorized, executed and delivered by it and constitutes a legal, binding obligation upon it, its successors and assigns and does not violate any provision of any agreement or judicial or administrative order to which it is a party or to which it is subject.

(c) No government or other approvals are required to permit it to enter into and perform its obligations hereunder.

(d) It has all appropriate title, licenses and/or approvals to enable it to perform the services required of it hereunder.

(e) Entry into and performance of its obligations hereunder is not restricted or prohibited by any loan, security, financing, contractual or other agreement.

(f) There are not existing or threatened legal proceedings against it that would have a material effect upon its ability to perform its obligations hereunder.

6. Independent Contractor.

The Program Administrator is an independent contractor hereunder and neither the Program Administrator nor any of its officers, directors, employees, agents or contractors shall be deemed to be a partner, joint venturer or employee of the Trust, the Trustees, any of the Members or any of the Trust's or Members', officers, directors, employees, agents or contractors.

No Member of the Trust nor any officer, agent or employee thereof shall be deemed to be a partner, joint venturer or employee of the Program Administrator.

7. No Authority to Bind.

The Trust acknowledges that the Program Administrator shall be acting on its behalf in the exercise of matters within its professional expertise.

8. Term of Agreement.

The term of this Agreement shall commence as of August 1, 1995 and shall continue to and including July 31, 1998, unless this Agreement is earlier terminated pursuant to paragraph 9 hereof or a successor agreement that conforms with the provisions of paragraph 10 hereof is made by the parties. This Agreement shall automatically renew for successive terms of two (2) years unless either party gives notice to the other of its intention to terminate the Agreement, which notice must be in writing and must be given not less than ninety (90) days prior to the expiration of the initial or any successor term of this Agreement. In the event such notice is given, this Agreement shall terminate upon such expiration date unless such notice is earlier rescinded, a successor agreement earlier executed or the term of this agreement earlier extended by an agreement of the parties that conforms with the requirements of paragraph 10 hereof. As used in this Agreement, the term "year" shall mean the 12-month period beginning on August 1, 1995 or any anniversary thereof.

9. Termination.

This Agreement may be terminated by the Trust immediately and without further notice to the Program Administrator (a) if the Program Administrator files or has filed against it a petition in bankruptcy or an assignment for the benefit of creditors or becomes insolvent or has a substantial portion of its property become subject to levy, execution or assignment; or (b) the Program Administrator or any of its officers, directors, agents or employees, by act or omission, commits a breach of this Agreement of such magnitude and materiality as to constitute gross malfeasance by the Program Administrator in the performance of its duties hereunder, a

breach of its fiduciary duty to the Trust or a violation of its duty to take reasonable care in the performance of its duties hereunder or that is materially inconsistent with applicable federal, State or local law or regulation; or (c) pursuant to the terms of Paragraph 11 hereof.

10. Entire Agreement.

This Agreement constitutes the entire understanding and agreement between the parties with regard to all matters herein. There are no other agreements, conditions or representations, oral or written, express or implied, with regard thereto. This Agreement supersedes in their entirety any and all previous agreements, whether written or oral, between the parties. This Agreement may be modified or amended only in writing signed by the parties hereto.

11. Successors and Assignment.

The services to be rendered by the Program Administrator pursuant to this Agreement are personal in nature. It may not assign the performance of any covenant, obligation or duty to be performed or observed by it hereunder. In the event of any transfer, sale, merger or acquisition of the Program Administrator or of a majority interest therein (other than as the result of death or disability of a shareholder, in accordance with the provisions of the Buy-Sell Agreement between the shareholders of the Program Administrator in effect on the date of execution of this Agreement) by any person or entity, the Trust shall have the right, at its sole and exclusive discretion, immediately to terminate this Agreement, without further notice of any kind to the Program Administrator.

12. Trade Secrets and Confidentiality.

Any and all information not already lawfully available to the public, including (but not limited to) information regarding the Trust or any of its Members' present or proposed operations, business activities and financial information, is SECRET and CONFIDENTIAL and is the proprietary information of the Trust or its Member (as the case may be). The Program Administrator will not, either before, during or following termination of this Agreement, disclose such information or any part thereof, or use such information for its own benefit, except as required in the conduct of the Trust's business, nor shall it authorize others (including but not limited to its officers, directors, agents and employees) to do so, without the Trust's specific written authorization in every instance. The Trust and its Members will suffer irreparable loss and injury if the Program Administrator violates the provisions of this paragraph. Accordingly, in the event of the Program Administrator's breach or threatened breach of this provision, the Trust and/or its Member(s) shall be entitled to a temporary restraining order and to preliminary and permanent injunctive relief restraining and enjoining the Program Administrator from disclosing all or any part of such information. Such injunctive relief shall be in addition to all other legal and equitable relief available to the Trust and its Members in the event of such breach or threatened breach by the Program Administrator including, but not limited to, the recovery of damages from the Program Administrator.

13. Waiver.

The failure of either party to insist in any instance upon performance of any term, covenant or condition of this Agreement shall not be construed as a waiver of future performance of any such term, covenant or condition, and the obligations of the parties with respect thereto shall continue in full force and effect.

14. Severability.

If any provision of this Agreement shall be held, be deemed to be or shall in fact be invalid, inoperative or enforceable, either in part or in whole, this Agreement shall be reformed and construed in any such case as if such invalid, inoperative or unenforceable provision had never been contained herein and such provision reformed so that it would be valid, operative and enforceable to the maximum extent permitted in such case.

15. Notices.

All notices and other communications required or desired to be given hereunder shall be deemed given if in writing and sent by registered or certified mail, postage prepaid, to the following addresses:

If to the Program Administrator:

Thomas B. Arney
President Program Risk Management, Inc.
One Marcus Boulevard
Albany, New York 12205

If to the Trust:

Phyllis Wang, President
Health Care Providers Self-Insurance Trust
90 State Street
Albany, New York 12207

With copy to:

Joel L. Hodes, Esq.
Whiteman Osterman & Hanna
One Commerce Plaza
Albany, New York 12260

A party is entitled to rely upon the names and addresses set forth herein unless notified of a change in the manner provided in this paragraph.

16. Section Headings.

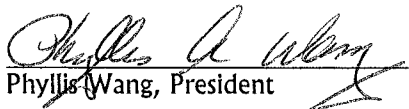
The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this agreement.

17. Gender and Number.

Whenever used herein, the singular number shall include the plural, the plural shall include the singular and the use of any gender shall include all genders.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Health Care Providers Self-Insurance Trust

By: 
Phyllis Wang, President

Program Risk Management, Inc.

By: 
Thomas B. Arney, President

EXHIBIT 14

BST



An Independent Member of the RSM McGladrey Network

**Health Care Providers Self Insurance Trust
Review of Actuarial Workpapers**

Prepared by: John Herzfeld, FCAS, MAAA
Tim Kolojay, ACAS, MAAA
Milliman & Robertson, Inc.
Wakefield, MA
(617) 245-4847

Prepared for: Thomas B. Arney
Naples Risk Management
Albany, NY

Date: November 28, 1994

TABLE OF CONTENTS

- I. BACKGROUND 3
- II. LIMITATIONS 3
- III. FINDINGS 5
- IV. METHODOLOGY 6
 - A. Method 1 6
 - B. Method 2 10
 - C. Method 3 12
 - D. Recalculation of Indications for Methods 1 and 2 13
- V. EXHIBITS 15

I. BACKGROUND

Naples Risk Management ("Naples") has requested that Milliman & Robertson, Inc. ("M&R") review certain actuarial analysis performed by Stergiou & Gruber Risk Consultants, Inc. ("S&G") for the Health Care Providers Self-Insurance Trust. M&R's review is to include their report dated September 22, 1994, as well as prior reports from S&G.

M&R is to provide comments on the methods used by S&G and to describe how an M&R analysis would differ.

II. LIMITATIONS

In performing our analysis, we relied on data and information supplied to us by Naples. We did not audit, verify, or review this data and information for reasonableness and consistency. Such a review is beyond the scope of our assignment. If the data or information should prove to be incorrect, our conclusions may likewise be incorrect.

For any evaluation of loss and loss expense reserves, there is a certain amount of variation inherent in our estimates, and actual results will likely vary from these estimates. Our results should be considered as our best estimate from a wide range of possible outcomes. Possible sources of variation due to external factors include

unexpected changes in economic conditions, or in the legal environment, among other variables.

Our analysis was limited since we did not have access to all available source data. Instead, we were limited to the data that appeared in the S&G reports that we received. This adds to the uncertainty of our results. Naples should not take any action based on our report without further analysis.

This report was prepared for Naples Risk Management, Inc. for their internal use. This report should not be distributed to outside parties without the prior consent of M&R. Given our consent, the report must be distributed in its entirety.

III. FINDINGS

The Health Care Providers Self-Insurance Trust is currently using a manual rate of \$3.00 per \$100 of payroll. S&G used three different methods to analyze the experience of the Health Care Providers Self-Insurance Trust to measure how the \$3.00 should change.

By changing the parameters underlying S&G's method 1, we developed a rate indication of approximately +85%. By changing the parameters underlying method 2, we developed a rate indication of approximately +41%.

Finally, method 3 is simply a calculation of the manual rate change for the classes in the Health Care Providers Self-Insurance Trust based on the October 1994 insurance industry rate filing.

We used a sample of 8 risks and determined that by changing to the Insurance Industry October, 1994 rates, the Trust would increase rates approximately 100%. See Exhibit 3.

Thus, all three methods indicate that the Trust's current rate of \$3.00 is likely to be inadequate.

IV. METHODOLOGY

We have reviewed the 3 methods used by S&G in their letter dated September 22, 1994. In our comments below, we will describe how our methods and results would have differed from those of S&G.

A. Method 1

Using Method 1, S&G develops an indication that current rates are redundant by 8.7% for all risks. The calculations are based on a study of 11 risks which amount to approximately \$1 million of "contributions" (i.e., premiums) based on a rate of \$3.00 per \$100 of payroll. The results from the 11 risks are then extrapolated to the entire portfolio by assuming that experience mod determines the adequacy of the rate.

For each of the 11 risks, an "indicated contribution" is calculated. The indicated contribution is calculated based on each risk's historical losses and payroll.

While the calculations are not displayed in the September 22, 1994 report, S&G's April 22, 1994 report demonstrates the methodology they used to calculate the indicated contributions.

The techniques used by S&G in this method are fairly similar to those that M&R would use with several important exceptions.

1. Discounting of losses for investment income

S&G uses a present value discount in their calculations. Typically, M&R does not discount losses for projecting funding levels.

2. Discounting of losses for self-insurance

S&G assumes that losses under a self-insurance program will be 25% less than losses under an insured program.

Typically, M&R will not use this sort of discount (with occasional exceptions based on specific direction from the client). We feel it is far more prudent to let the actual experience speak for itself, and if improved loss experience results under the self-insurance program, then increased dividends or rate decreases will be available.

In the few cases where M&R is directed to assume a discount for self-insurance funding purposes, we have used a 10-15% discount. Generally, this discount is assumed to result from improved risk management, safety or claims handling programs introduced by the administrator and not from the existence of self-insurance.

3. Expense ratio of 23%

The S&G study assumes the expense ratio will be 23% of standard premium.

a. Loss adjustment expense

The expense ratio figure was based on a review of actual expenses divided by earned premium. However, it appears that there is no provision for either allocated or unallocated loss adjustment expense. The underlying experience from the 11 risks is pure losses and does not include any loss adjustment expense.

b. WCB assessment

The financials include a provision for the WCB fund assessment of 4.6% of earned premium. Insurance companies include a provision of 10% of premium for this assessment in their rates. The reason these two values are different is due to the fact that the assessment is charged on the basis of 25% of paid indemnity. The Health Care Providers Self-Insurance Trust is funding this expense on the basis of actual indemnity payments. Since the trust is fairly new and growing, their actual cost is 4.6% of premium, which is properly reflected in their financials.

However, for ratemaking, the assessment should be not be funded on the basis of historical experience but on the basis of the indemnity that will eventually be paid. For example, if the expected ultimate loss ratio is 65% and 60% of total losses are

indemnity and the assessment rate is 25%, this yields a provision of $.65 \times .60 \times .25$, or 9.75%.

c. M&R method

When M&R develops a funding model, we generally work with the administrator to develop an expense provision. The administrator should be aware of future costs, such as their charges and the charges for other services such as claims handling, reinsurance, assessments, bonds, etc.

4. Use of loss experience by individual member

The S&G study calculates a premium provision for each member.

When M&R does a funding study, we analyze the loss experience by member, but the funding projections are based on the combined loss experience.

The actual experience of each member has limited reliability. For example, small risks that have no losses may be good risks, or they may be "lucky" risks. There is really no way to be certain.

Actuaries have developed means to measure the amount of weight to be given a body of data. These are known as "credibility" formulas. When M&R performs a funding study, we generally use credibility to determine how much weight to give the

actual combined experience of the members with the balance of credibility being assigned to insurance industry average experience.

For example, for the 11 members analyzed the aggregate standard premium is approximately \$1 million. Under our current procedures, we would give this body of experience approximately 67% credibility.

Not only does S&G use the experience without regard to its overall credibility, they extrapolate the results from the individual risks to a much larger body of data. For example, the experience of risks with mods less than 1.0, which have an aggregate standard premium of \$258,593 are extrapolated to a base of \$2.6 million. Under M&R's current procedures, the loss experience of this body of data would only have a credibility measure of approximately 34%.

B. Method 2

Method 2 is an analysis of the first 15 months of actual Trust experience. On an undiscounted basis, S&G develops a rate indication of +9.3%.

We have a number of comments on this method.

1. The loss experience is mislabelled

Based on our conversations, we believe that the incurred losses and ALAE in line 1 are actually incurred losses plus all loss adjustment expenses, i.e., they also include Gallagher-Bassett charges for claims handling.

2. The loss development factors appear to be too low.

The loss development factor of 1.70 appears low compared to industry loss development factors and other S&G development factors. Our calculated loss development factor based on insurance industry data is 2.086. S&G uses an 18 month to ultimate factor of 1.839 in their individual risk analysis which was used in method 1. The experience in method 2 is as of 15 months, so it should require a higher loss development factor.

When M&R reviews the loss experience of a self-insured group, we try to reflect actual group experience to the greatest extent possible. This is very difficult to do in the early stages of a group, since actual self-insured loss development history is not available.

The best approach is to carry out an independent review of the claims handling process, including a review of a sample of claim files. This would allow us to vary insurance industry loss development factors based on the actual claim experience of the group.

3. The "factor to adjust to present level" appears to be incorrect.

The on-level factor appears to be slightly too low. We calculated a factor that was slightly higher. The use of too low a factor overstates the needed rate level (but just by a couple of points). We feel that this is not a material difference.

4. The expense ratio of 23%

The expense ratio is not right. (See discussion above). However, since the losses in this calculation include all loss adjustment expenses, the difference in the expense ratio is not as severe as the difference for method 1. The only problem we see in the expense ratio is the 4.6% of premium for the WCB assessment.

As noted previously, when M&R develops a funding model, we generally work with the administrator to develop an expense provision.

C. Method 3

This is merely a calculation of the average industry rate level change for the appropriate classes. It appears to be calculated properly. However, it would be just as easy to calculate the average rate, which could be compared to the \$3.00 rate for the group.

Based on information we have available, we were able to compare the manual premium at the October, 1994 industry rates as compared to the manual premium at the current \$3.00 rate for a sample of 8 risks. (See Exhibit 3.) This indicates that current manual rates are about one half of insurance industry rates.

D. Recalculation of Indications for Methods 1 and 2

We recalculated the rate indications for Methods 1 and 2 based on our comments above.

For Method 1, we removed the present value discount and the self-insurance discount. In addition, we adjusted the expense ratio to include a 10% provision for the WCB Fund. Finally, we used an insurance industry factor of 12% of losses to load in all loss adjustment expenses. The overall rate level indication is approximately +85%, as compared to the -4% generated by S&G. See Exhibit 1.

For Method 2, we changed the loss development factor to an insurance industry factor based on the relative maturity of the data. We also corrected the premium on-level factor and included a provision for the WCB Fund assessment of 10% of premium. The overall rate indication is approximately +41% as compared to +9.3% developed by S&G. See Exhibit 2.

1. Commentary

We do not intend to imply that a discount for present value is unacceptable, or that a discount for self-insurance is never appropriate. In addition, we do not intend to imply that the work performed by S&G is unreasonable. Our intention is to demonstrate how M&R would have used different techniques in its analysis.

Our current approach to pricing and reserving for self-insurance groups has been developed over the past six years. We have performed pricing and reserving analyses using techniques similar to those described above for 20-30 different workers compensation self insurance groups in a number of states.

V. EXHIBITS

HEALTH CARE PROVIDERS SELF INSURANCE TRUST

EXHIBIT 1

METHOD 1

SUMMARY COMPARISON OF INDICATED & CHARGED CONTRIBUTIONS FOR SAMPLE PARTICIPANTS

(1)	(2)	(3)	(4)	(5)
MOD SIZE	STANDARD CONTRIB.	INDICATED CONTRIB.	DIFFERENCE (2)-(3)	CHARGED CONTRIB. (4)/(2)
< 1	258,593	191,712	66,881	25.9%
1 TO 1.10	227,691	411,723	(184,032)	-80.8%
1.10 TO 1.20	103,470	204,559	(101,089)	-97.7%
<u>>1.20</u>	<u>452,958</u>	<u>1,121,603</u>	<u>(668,645)</u>	<u>-147.6%</u>
TOTAL	1,042,712	1,929,597	(886,885)	-85.1%

HEALTH CARE PROVIDERS SELF INSURANCE TRUST

EXHIBIT 1A

**METHOD 1
SUMMARY COMPARISON OF INDICATED & CHARGED CONTRIBUTIONS FOR SAMPLE PARTICIPANTS**

	(3)	(4)	(5)	(6)	(7)
	<u>MANUAL CONTRIB.</u>	<u>MOD FACTOR</u>	<u>STANDARD CONTRIB.</u>	<u>INDICATED CONTRIB.</u>	<u>DIFFERENCE (5) – (6)</u>
ACCREDITED A	37,367	0.81	30,267	19,431	10,836
ANY – TIME	135,852	0.94	140,607	240,458	(99,851)
EGW HOME CA	79,167	1.13	87,084	171,265	(84,181)
NY NURSING C.	23,787	1.10	28,465	39,804	(11,339)
UTOPIA HOME	199,803	1.30	267,320	672,670	(405,350)
ALLSTATE HOM	60,000	0.99	72,600	134,200	(61,600)
COMMUNITY H	169,375	1.34	108,400	46,296	62,104
ISLAND HEALTH	62,290	1.21	59,176	77,655	(18,479)
STAF CARE OF I	73,881	1.33	113,038	314,733	(201,695)
AFTERCARE NL	64,107	1.53	75,005	164,755	(89,750)
BARKSDALE HE	81,000	1.17	60,750	48,330	12,420
TOTAL	986,629	0.75	1,042,712	1,929,597	(886,885)

HEALTH CARE PROVIDERS SELF INSURANCE TRUST

EXHIBIT 1B

METHOD 1: INDICATED RATE FOR INDIVIDUAL PARTICIPANTS

	<u>ANY-TIME HOME CARE</u>	<u>ACCREDITED AIDES</u>	<u>EGW HOME CARE</u>	<u>NY NURSING CARE</u>	<u>UTOPIA HOME CARE</u>	<u>ALLSTATE HOME CARE</u>	<u>COMMUNITY HOME CARE</u>	<u>ISLAND HEALTH CARE</u>	<u>STAF CARE NEW YORK</u>	<u>AFTER CARE</u>	<u>BARKSDALE HEALTH CARE</u>
TRENDED ULTIMATE LOSSES	464,357	41,261	285,145	257,943	1,153,320	580,872	72,171	139,045	461,633	166,656	120,504
ALAE LOADING	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.12
TRENDED ULTIMATE LOSSES+ALAE	520,080	46,212	319,362	288,896	1,291,718	650,577	80,832	155,730	517,029	186,655	134,964
PAYROLL	13,633,641	4,115,641	6,862,083	8,030,686	17,851,648	13,532,378	13,689,154	5,816,490	5,641,416	3,374,632	10,550,100
WEIGHTED TRENDED LOSS COST	3.81	1.12	4.65	3.60	7.24	4.81	0.59	2.68	9.16	5.53	1.28
SELECTED LOSS COST PER \$100 PAYROLL	3.81	1.12	4.65	3.60	7.24	4.81	0.59	2.68	9.16	5.53	1.28
EXPECTED LOSS RATIO	0.717	0.717	0.717	0.717	0.717	0.717	0.717	0.717	0.717	0.717	0.717
INDICATED RATE PER \$100 PAYROLL	5.31	1.56	6.49	5.02	10.10	6.71	0.82	3.74	12.78	7.71	1.79
DISCOUNT FACTOR	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
DISCOUNTED RATE PER \$100 PAYROLL	5.31	1.56	6.49	5.02	10.1	6.71	0.82	3.74	12.78	7.71	1.79
PAYROLL FOR CERTIFICATE PERIOD	4,528,400	1,245,576	2,638,900	792,900	6,660,100	2,000,000	5,645,831	2,076,350	2,462,700	2,136,900	2,700,000
INDICATED PREMIUM											
NOT DISCOUNTED	240,458	19,431	171,265	39,804	672,670	134,200	46,296	77,655	314,733	164,755	48,330
DISCOUNTED	240,458	19,431	171,265	39,804	672,670	134,200	46,296	77,655	314,733	164,755	48,330
CREDIT	1.000	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DISCOUNTED PREMIUM WITH CREDIT	240,458	19,431	171,265	39,804	672,670	134,200	46,296	77,655	314,733	164,755	48,330

METHOD 2: USE OF TRUST LOSS EXPERIENCE

	<u>S&G</u>	<u>REVISED</u>
(1) INCURRED LOSSES+ALAE FROM INCEPTION TO 6/30/94	1,165,364	1,165,364
(2) SELECTED LOSS DEVELOPMENT FACTOR TO ULTIMATE	1.700	2.086
(3) PROJECTED ULTIMATE LOSSES + ALAE (1)x(2)	1,981,119	2,430,949
(4) EARNED CONTRIBUTIONS	2,044,107	2,044,107
(5) FACTOR TO ADJUST TO PRESENT LEVEL	1.150	1.176
(6) EARNED CONTRIBUTION AT PRESENT LEVEL	2,350,723	2,403,870
(7) PROJECTED ULTIMATE LOSS RATIO (3)/(6)	0.843	1.011
(8) DISCOUNT FACTOR AT 5%	0.901	0.901
(9) DISCOUNTED ULTIMATE LOSS RATIO (7)x(8)	0.760	0.911
(10) EXPECTED LOSS RATIO	0.771	0.717
(11) INDICATED CHANGE IN CONTRIBUTION RATE:		
A) UNDISCOUNTED (7)/(10)-1.0	9.3%	41.0%
B) DISCOUNTED (9)/(10)-1.0	-1.4%	27.1%

HEALTH CARE PROVIDERS SELF INSURANCE TRUST

EXHIBIT 3

METHOD 3: MANUAL RATE CHANGE BASED ON 10/94 FILING

	(1)	(2)	(3)
	10/94 FILING	TRUST	PERCENT
	MANUAL	3.00	DIFFERENCE
<u>AGENCY</u>	<u>PREMIUM</u>	<u>PREMIUM</u>	<u>(1)/(2)-1</u>
<u>ABLE</u>	<u>518,327</u>	<u>266,135</u>	<u>94.8%</u>
COMP GER	343,260	191,525	79.2%
AURORA	93,436	43,000	117.3%
CORTLAND	77,364	32,594	137.4%
BARKSDALE	176,760	76,411	131.3%
ISLAND	119,985	52,951	126.6%
ACCRED.	83,677	36,171	131.3%
WELLNESS	<u>94,492</u>	<u>42,126</u>	<u>124.3%</u>
TOTAL	1,507,301	740,913	103.4%

EXHIBIT 15

BST



An Independent Member of the RSM McGladrey Network

**Health Care Providers Self-Insurance
Trust**

**Self-Insured Workers
Compensation Liability as
of October 31, 2001**

January 29, 2002

DRAFT

Prepared by:

David F. Mohrman, FCAS, MAAA
Tillinghast – Towers Perrin
Forestal Centre
175 Powder Forest Drive
Weatogue, Connecticut 06089-9658

January 29, 2002

Ms. Phyllis Wang
President
Health Care Providers Self-Insurance Trust
90 State Street, Suite 200
Albany, NY 12207

DRAFT

Dear Phyllis:

The draft report on the workers compensation liabilities of Health Care Providers Self-Insurance Trust as of October 31, 2001 is attached. It has been our pleasure to assist you with this assignment.

Sincerely,

David F. Mohrman, FCAS, MAAA
Principal
Direct Dial: (860) 843-7041

DFM:rk

Enclosure

cc: Debbie Turner – Tillinghast – Towers Perrin/Hartford

Table of Contents

PURPOSE	1
SCOPE	2
DISTRIBUTION AND USE	3
FINDINGS.....	4
DATA AND INFORMATION	8
METHODS	9
ANALYSIS	10
DESCRIPTION OF RESERVING METHODS.....	11

DRAFT

January 29, 2002

PURPOSE

The Health Care Providers Self-Insurance Trust (HCP-SIT) engaged Tillinghast – Towers Perrin (Tillinghast) to perform an actuarial review of the loss and allocated loss adjustment expense (ALAE) reserves of HCP-SIT's self-insured workers compensation program in New York as of October 31, 2001.

This document presents a summary of our findings.

Judgments about the conclusions in this report should be made only after considering the report in its entirety.

DRAFT

January 29, 2002

SCOPE

This report represents an independent actuarial analysis of HCP-SIT's loss and allocated loss adjustment expense (ALAE) reserves as of October 31, 2001 for its workers compensation program in New York.

Our analysis is performed net as to ceded reinsurance. Projections are on both an undiscounted basis and discounted for the time value of money.

As noted in the Data and Information section of this report, we have not audited or independently verified the data provided for our analysis. However, we did review the data for reasonableness and internal consistency.

Throughout this report, the word loss is used to mean loss and ALAE.

DRAFT

DISTRIBUTION AND USE

This report and the opinions and conclusions contained herein are being provided to HCP-SIT solely for internal use in connection with our actuarial analysis of the loss and ALAE reserves as of October 31, 2001. It is not intended nor necessarily suitable for any other purpose.

No further distribution of this report or reference, either oral or written, to Tillinghast, our analysis or findings related to this report may be made without our prior written consent.

This report contains workpapers, trade secrets, and confidential information of HCP-SIT and as such, it is not intended to be subject to disclosure requirements under any Freedom of Information Act.

The exhibits and appendices attached in support of our recommendations and findings are an integral part of this report. These sections have been prepared so that our actuarial assumptions and judgments are documented. Judgments about the conclusions drawn in this report should be made only after considering the report in its entirety. We remain available to answer any questions that may arise regarding this report. We assume that the user of this report will seek such explanation on any matter in question.

Our conclusions and recommendations are predicated on a number of assumptions as to future conditions and events. Those assumptions, which are documented in subsequent sections of this report, must be understood in order to place our conclusions in their appropriate context. In addition, our findings are subject to inherent limitations, which are also discussed in the report.

DRAFT

January 29, 2002

FINDINGS

DRAFT

Reserves

The indicated discounted and undiscounted reserve as of October 31, 2001 is presented in the table below. Estimates are provided reflecting both excess insurance (net) and before recoveries (gross).

INDICATED RESERVES AS OF 10/31/01 (IN MILLIONS)

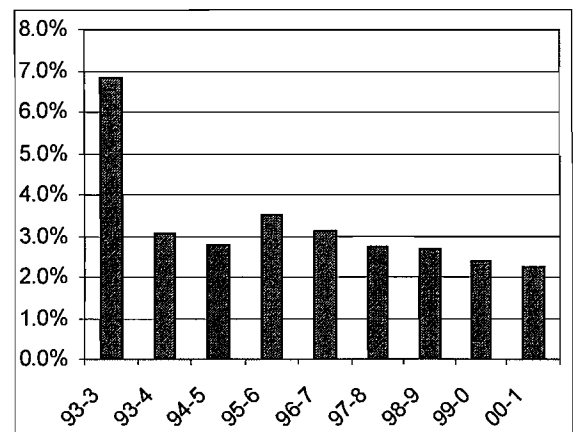
<u>Item</u>	<u>Undiscounted</u>	<u>Discounted @ 8.0%</u>
Gross Reserve	\$39.26	\$27.59
Net Reserve	\$39.24	\$27.56

Loss Costs

The following chart presents our estimate of ultimate losses and loss costs (or pure premiums) as of October 31, 2001. Our projections indicate that loss costs have decreased by a total of 36% since the 95-96 policy year.

<u>Policy Year</u>	<u>Payroll</u>	<u>Selected Ultimate Losses</u>	<u>Pure Premium</u>	<u>Change</u>
4/93-93	\$14.5	\$0.99	6.8%	
11/93-94	155.1	4.7	3.1%	-55%
11/94-95	260.0	7.3	2.8%	-9%
11/95-96	284.6	10.0	3.5%	+26%
11/96-97	327.3	10.2	3.1%	-11%
11/97-98	329.5	9.1	2.7%	-12%
11/98-99	375.9	10.0	2.7%	-3%
11/99-00	455.0	10.8	2.4%	-11%
11/00-01	535.3	12.0	2.2%	-6%

(Dollars in millions)



January 29, 2002

Observations

The loss data provides significant evidence of improving results:

- The Claims Practice Review as of July 31, 2001 indicates steady upward progress of claims handling over the past two years.
- Paid loss development and incurred loss development over the past calendar year is lower than in previous periods, especially for the most immature policy years. This can be seen in the development triangles of Exhibit 4, Sheet 3 and Exhibit 5, Sheet 3.
- Paid loss projections and incurred loss projections indicate a downward trend in pure premiums (losses per payroll). Exhibit 3, Sheet 3 presents these findings.

These trends indicate that improvement in pure premiums is real. That is, loss development is not being postponed and improvements in claim handling are having a measurable impact on losses. However, given these changes and observations, there is considerable uncertainty in our estimates. Reversion to prior practices could result in cost deterioration. On the other hand, it is very possible that the savings associated with improved claim handling have not yet fully worked through the losses. It may be prudent to provide for a bulk IBNR reserve on a slightly conservative basis until more is known.

The use of an 8% interest rate for discounting to present value may be aggressive. While we understand that historically HCP-SIT has earned in excess of this rate, current interest rates on low risk securities are significantly below this level. In addition, changes to the timing and amounts of payments can result in the sale of assets at inopportune times.

DRAFT

January 29, 2002

Reliances and Limitations

DRAFT

Inherent Uncertainty

It must be understood that estimates of loss and loss expense liabilities are subject to large potential errors of estimation, due to the fact that the ultimate disposition of claims incurred prior to the financial statement due, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, subsequent damage to property, changes in the medical condition of claimants, public attitudes, and social/economic conditions such as inflation. Any estimate of future costs is subject to the inherent limitation on one's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and loss expenses will vary, perhaps materially, from any estimate. Thus, no assurance can be given that HCP-SIT's actual loss and loss expense liabilities will not ultimately exceed the estimates contained herein. In our judgment, we have employed techniques and assumptions that are appropriate, and the conclusions presented herein are reasonable, given the information currently available.

The uncertainty associated with loss reserve estimates is magnified in the current review due to changes in HCP-SIT's claim handling practices.

Data Reliance

In developing this report, Tillinghast has relied, without audit or independent verification, on historical data and other quantitative and qualitative information supplied by HCP-SIT and its claim administrator, PRM, Inc. Tillinghast did, however, review this information for reasonableness and internal consistency. The accuracy of our results is dependent upon the accuracy and completeness of this underlying data; therefore, any material discrepancies discovered in this data should be reported to us and this report amended accordingly, if warranted.

January 29, 2002

Extraordinary Future Emergence

We have not anticipated any extraordinary changes to the legal, social, or economic environment which might affect the cost, frequency, or future reporting of claims. In addition, our estimates make no provision for potential future claims arising from loss causes not represented in the historical data (e.g., pollution, asbestos, latent injuries, terrorist acts, etc.) except insofar as claims of these types are included in the reported claims and are implicitly analyzed.

Reinsurance Collectibility

Liabilities are estimated net of ceded reinsurance. Currently, one claim has an incurred value above HCP-SIT's retention. We have assumed that all of the company's reinsurance protection is valid and collectible. Contingent liability may exist for any reinsurance recoveries which may prove to be uncollectible. Should such liabilities materialize, they would be in addition to the net liability estimates contained herein.

DRAFT

DATA AND INFORMATION

We were provided with the following workers compensation information for use in our analysis:

- Paid and incurred loss and allocated loss adjustment expense data, evaluated as of October 31, 2001 and past October 31sts;
- Payrolls by calendar year;
- Excess insurance provisions
- Individual claims in excess of \$100,000; and
- Selected interest rate for discounting at 8%.

DRAFT

We have relied on this data and information without audit or independent verification. We did, however, review the information for reasonableness and internal consistency.

As explained in the Analysis section, we have supplemented this information with conclusions drawn from data compiled from industry sources.

METHODS

Actuarial Techniques Utilized

The estimated ultimate losses are judgmentally selected by Tillinghast after reviewing the results of various projection methods.

The following actuarial techniques were used (described in a later section of this report):

- Development method on incurred losses;
- Development method on paid losses;
- Bornhuetter-Ferguson method on incurred losses;
- Bornhuetter-Ferguson method on paid losses; and
- Expected loss method.

DRAFT

To apply the above methodologies, the following assumptions are determined:

- Emergence pattern;
- Payment pattern; and
- Initial expected losses (Bornhuetter-Ferguson only).

The Analysis section provides detail as to the various considerations.

ANALYSIS

Our analysis consists of the steps outlined below. Details of our analysis relating specifically to HCP-SIT are described at the end of this section.

Development Patterns

Our projection of future claim reporting and payment activity is based upon patterns derived from HCP-SIT data and development benchmarks developed by Tillinghast.

Initial Expected Loss Rates

The selected initial expected loss rates (IELRs) are based on a review of the paid and incurred loss development methods, industry indications, observed trends, and changes in HCP-SIT payroll levels.

Selected Ultimate Losses

In general, the ultimate loss estimates have been selected from review of the results of the various methods used in our analysis.

DRAFT

DESCRIPTION OF RESERVING METHODS

The choice of a method to estimate ultimate claims should consider, among other things, the line of business, number of years of experience, and the age of the accident year being developed.

DRAFT

Incurred Loss Development Method

The incurred loss development method is based upon the assumption that the relative change in a given accident year's incurred loss estimates from one evaluation point to the next is similar to the relative change in prior accident years' incurred loss estimates at similar evaluation points. In utilizing this method, actual historical accident year incurred loss data is valued at the end of each calendar year. Successive accident years can be arranged to form a triangle of data.

"Report-to-report" development factors are calculated to measure the change in cumulative incurred costs from one evaluation point to the next. These historical report-to-report development factors and comparable industry factors form the basis for selecting appropriate report-to-report development factors used in projecting the immature accident years to an ultimate basis. In addition, a tail factor is selected to allow for development beyond the observed experience. This tail factor is based on trends shown in the data and consideration of external benchmarks.

This method's implicit assumption is that the relative adequacy of the company's case reserves has been consistent over time, and that there have been no material changes in the rate at which claims have been reported.

Paid Loss Development Method

The paid loss development method is based upon the assumption that the relative change in a given accident year's paid losses from one evaluation point to the next is similar to the relative change in prior accident years' paid losses at similar evaluation point. In utilizing this method, historical evaluations of actual accident year paid losses are made in a manner similar to that used for the incurred loss development method.

Report-to-report development factors are calculated in a manner similar to that described above and selected factors are then used to project the actual paid losses for any given accident year to an ultimate basis.

This method differs from the incurred loss development method in that the company's case reserves are excluded from the analysis. This method has the disadvantage of ignoring whatever information is provided by current case loss reserves, but it has the advantage of avoiding the distortions which might be reflected in the incurred loss development method from abnormal reserve increases or decreases.

This method's implicit assumption is that the rate of payment of claims has not changed materially over time.

DRAFT

Expected Loss Method

Under the expected loss method, ultimate losses are based upon some prior measure of the anticipated losses, usually relative to some measure of exposure, such as premiums, sales receipts, or payroll. An expected loss ratio (or loss rate) is applied to the measure of exposure to determine estimated ultimate losses for each accident year.

Since actual losses do not enter into the calculations, this method has the advantage of stability over time. The ultimate loss estimate does not change unless the exposures or loss rate are changed. However, this advantage of stability is offset by a lack of responsiveness. In effect, the method ignores actual loss experience as it is reported.

This method is based on the assumption that the loss rate per unit of exposure is a good indication of ultimate losses. It is entirely dependent on pricing assumptions.

Incurred Bornhuetter-Ferguson Method

The Bornhuetter-Ferguson (B-F) method is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. For slow reporting coverages, this method can lead to erratic and unreliable projections because a relatively small swing in early reportings results in a very large swing in ultimate projections. The second method is the expected loss method whereby the IBNR reserve equals the difference between a predetermined estimate

January 29, 2002

of expected losses and actual reported losses. This has the advantage of stability, but it completely ignores actual results as they emerge.

The incurred Bornhuetter-Ferguson method combines these two methods by splitting expected losses into two pieces: expected reported and expected unreported. As an accident year matures, the expected reported losses are replaced by actual reported losses and the initial expected loss assumption becomes gradually less important.

Two parameters are needed to apply the Bornhuetter-Ferguson method: the initial expected losses and the expected reporting pattern.

This method is often used to long-tail lines and in situations where the reported loss experience is relatively immature or lacks sufficient credibility for the application of other methods.

Paid Bornhuetter-Ferguson Method

The paid Bornhuetter-Ferguson method is analogous to the incurred Bornhuetter-Ferguson method using the paid loss development patterns in place of incurred patterns.

DRAFT

Health Care Providers Self-Insurance Trust

DRAFT

Exhibit 1
Sheet 1

Workers' Compensation Reserve Review
Calculation of Net Unpaid Losses
Losses Evaluated as of 10/31/01

Policy Year	Net Selected Ultimate Losses	Net Incurred Losses	Net Indicated IBNR	Net Paid Losses	Net Indicated Unpaid Losses	Present Value Factor	Net Indicated Discounted Unpaid Losses
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
4/19/93-10/31/93	\$964,978	\$848,991	\$115,987	\$765,838	\$199,140	0.7604	\$151,417
11/1/1993-94	4,740,000	4,059,792	680,208	3,576,825	1,163,175	0.7357	855,769
11/1/1994-95	7,270,000	6,101,291	1,168,709	5,084,797	2,185,203	0.7128	1,557,682
11/1/1995-96	10,000,000	8,167,331	1,832,669	6,578,602	3,421,398	0.6988	2,390,955
11/1/1996-97	10,220,000	7,702,290	2,517,710	6,196,154	4,023,846	0.6988	2,811,843
11/1/1997-98	9,050,000	6,227,672	2,822,328	4,542,016	4,507,984	0.7036	3,171,735
11/1/1998-99	10,000,000	6,045,456	3,954,544	4,211,845	5,788,155	0.6995	4,048,665
11/1/1999-00	10,790,000	5,019,268	5,770,732	3,249,892	7,540,108	0.6972	5,257,155
11/1/2000-01	11,970,000	3,717,818	8,252,182	1,559,113	10,410,887	0.7029	7,317,382
Total	\$75,004,978	\$47,889,909	\$27,115,069	\$35,765,082	\$39,239,896		\$27,562,603

Notes:

- (2) Exhibit 1, Sheet 3a, column (4).
- (3) Exhibit 1, Sheet 3b, column (4).
- (4) (2) - (3).
- (5) Exhibit 1, Sheet 3c, column (4).
- (6) (2) - (5).
- (7) From Exhibit 6, column (4). Calculation uses an 8.0% interest rate.
- (8) (6) x (7).

Health Care Providers Self-Insurance Trust

Exhibit 1
Sheet 2

Workers' Compensation Reserve Review
Calculation of Gross Unpaid Losses
Losses Evaluated as of 10/31/01

DRAFT

Policy Year	Gross Selected Ultimate Losses	Gross Incurred Losses	Gross Indicated IBNR	Gross Paid Losses	Gross Indicated Unpaid Losses	Present Value Factor	Gross Indicated Discounted Unpaid Losses
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
4/19/93-10/31/93	\$990,000	\$874,013	\$115,987	\$765,838	\$224,162	0.7604	\$170,000
11/1/1993-94	4,740,000	4,059,792	680,208	3,576,825	1,163,175	0.7357	860,000
11/1/1994-95	7,270,000	6,101,291	1,168,709	5,084,797	2,185,203	0.7128	1,560,000
11/1/1995-96	10,000,000	8,167,331	1,832,669	6,578,602	3,421,398	0.6988	2,390,000
11/1/1996-97	10,220,000	7,702,290	2,517,710	6,196,154	4,023,846	0.6988	2,810,000
11/1/1997-98	9,050,000	6,227,672	2,822,328	4,542,016	4,507,984	0.7036	3,170,000
11/1/1998-99	10,000,000	6,045,456	3,954,544	4,211,845	5,788,155	0.6995	4,050,000
11/1/1999-00	10,790,000	5,019,268	5,770,732	3,249,892	7,540,108	0.6972	5,260,000
11/1/2000-01	11,970,000	3,717,818	8,252,182	1,559,113	10,410,887	0.7029	7,320,000
Total	\$75,030,000	\$47,914,931	\$27,115,069	\$35,765,082	\$39,264,918		\$27,590,000

Notes:

- (2) Exhibit 2, column (6).
- (3) Provided by PRM Claim Services, Inc.
- (4) (2) - (3).
- (5) Provided by PRM Claim Services, Inc.
- (6) (2) - (5).
- (7) From Exhibit 6, column (4). Calculation uses an 8.0% interest rate.
- (8) (6) x (7).

Health Care Providers Self-Insurance Trust

Exhibit 1
Sheet 3a

Workers' Compensation Reserve Review
Calculation of Net Ultimate Losses (Incl. ALAE)
Losses Evaluated as of 10/31/01
(\$000s)

DRAFT

<u>Policy Year</u> (1)	<u>Gross Selected Ultimate Losses</u> (2)	<u>Anticipated Specific Recoveries</u> (3)	<u>Estimated Ultimate Net Losses</u> (4)
4/19/93-10/31/93	\$990,000	\$25,022	\$964,978
11/1/1993-94	4,740,000	0	4,740,000
11/1/1994-95	7,270,000	0	7,270,000
11/1/1995-96	10,000,000	0	10,000,000
11/1/1996-97	10,220,000	0	10,220,000
11/1/1997-98	9,050,000	0	9,050,000
11/1/1998-99	10,000,000	0	10,000,000
11/1/1999-00	10,790,000	0	10,790,000
11/1/2000-01	11,970,000	0	11,970,000
Total	\$75,030,000	\$25,022	\$75,004,978

Notes:

- (2) Exhibit 2, column (6).
- (3) Exhibit 1, Sheet 3b, column (3).
- (4) (2) - (3)

Health Care Providers Self-Insurance Trust

Exhibit 1
Sheet 3b

Workers' Compensation Reserve Review
Calculation of Net Incurred Losses (Incl. ALAE)
Losses Evaluated as of 10/31/01
(\$000s)

DRAFT

Policy Year	Gross Incurred Losses	Specific Recoveries On Incurred Losses	Net Incurred Losses
(1)	(2)	(3)	(4)
4/19/93-10/31/93	\$874,013	\$25,022	\$848,991
11/1/1993-94	4,059,792	0	4,059,792
11/1/1994-95	6,101,291	0	6,101,291
11/1/1995-96	8,167,331	0	8,167,331
11/1/1996-97	7,702,290	0	7,702,290
11/1/1997-98	6,227,672	0	6,227,672
11/1/1998-99	6,045,456	0	6,045,456
11/1/1999-00	5,019,268	0	5,019,268
11/1/2000-01	3,717,818	0	3,717,818
Total	\$47,914,931	\$25,022	\$47,889,909

Notes:

(2) Provided by PRM Claim Services, Inc.

(3) Based on Exhibit 7, column (6)

(4) (2) - (3)

Health Care Providers Self-Insurance Trust

Exhibit 1
Sheet 3c

Workers' Compensation Reserve Review
Calculation of Net Paid Losses (Incl. ALAE)
Losses Evaluated as of 10/31/01
(\$000s)

DRAFT

Policy Year	Gross Paid Losses	Specific Recoveries On Paid Losses	Net Paid Losses
(1)	(2)	(3)	(4)
4/19/93-10/31/93	\$765,838	\$0	\$765,838
11/1/1993-94	3,576,825	0	3,576,825
11/1/1994-95	5,084,797	0	5,084,797
11/1/1995-96	6,578,602	0	6,578,602
11/1/1996-97	6,196,154	0	6,196,154
11/1/1997-98	4,542,016	0	4,542,016
11/1/1998-99	4,211,845	0	4,211,845
11/1/1999-00	3,249,892	0	3,249,892
11/1/2000-01	1,559,113	0	1,559,113
Total	\$35,765,082	\$0	\$35,765,082

Notes:

(2) Provided by PRM Claim Services, Inc.

(3) Based on Exhibit 7, column (7)

(4) (2) - (3)

Health Care Providers Self-Insurance Trust

Exhibit 2

Workers' Compensation Reserve Review
 Selection of Ultimate Losses
 Losses Evaluated as of 10/31/01

DRAFT

Policy Year	Projected Ultimate Losses Based upon:				Selected Ultimate Losses
	Direct Method		BF Method		
	Incurred	Paid	Incurred	Paid	
(1)	(2)	(3)	(4)	(5)	(6)
4/19/93-10/31/93	\$971,902	\$1,018,564	\$974,332	\$1,012,656	\$990,000
11/1/1993-94	4,607,864	4,918,134	4,603,803	4,826,950	4,740,000
11/1/1994-95	7,132,409	7,342,447	7,190,827	7,404,115	7,270,000
11/1/1995-96	9,882,471	10,163,940	9,888,063	10,080,599	10,000,000
11/1/1996-97	9,781,908	10,725,543	9,866,971	10,490,930	10,220,000
11/1/1997-98	8,625,326	9,356,552	8,844,975	9,389,396	9,050,000
11/1/1998-99	9,461,139	10,757,053	9,587,177	10,183,408	10,000,000
11/1/1999-00	9,973,286	11,702,861	10,407,129	11,084,908	10,790,000
11/1/2000-01	11,302,167	13,194,774	11,537,913	11,834,423	11,970,000
Total	\$71,738,472	\$79,179,868	\$72,901,190	\$76,307,384	\$75,030,000

Notes:

- (2) Exhibit 4, Sheet 1, column (4).
- (3) Exhibit 5, Sheet 1, column (4).
- (4) Exhibit 3, Sheet 1, column (5).
- (5) Exhibit 3, Sheet 2, column (5).

Health Care Providers Self-Insurance Trust

Workers' Compensation Reserve Review
Calculation Ultimate Losses Using Bornhuetter-Ferguson Method
on Incurred Losses as of 10/31/01

DRAFT

<u>Policy Year</u>	<u>Initial Expected Ultimate Losses</u>	<u>Percent Unreported</u>	<u>Incurred Losses</u>	<u>Estimated Ultimate Losses</u>
(1)	(2)	(3)	(4)	(5)
4/19/93-10/31/93	\$995,233	10.08%	\$874,013	\$974,332
11/1/1993-94	4,579,215	11.88%	4,059,792	4,603,803
11/1/1994-95	7,540,044	14.45%	6,101,291	7,190,827
11/1/1995-96	9,923,482	17.34%	8,167,331	9,888,063
11/1/1996-97	10,172,373	21.28%	7,702,290	9,866,971
11/1/1997-98	9,421,536	27.78%	6,227,672	8,844,975
11/1/1998-99	9,813,579	36.09%	6,045,456	9,587,177
11/1/1999-00	10,847,315	49.67%	5,019,268	10,407,129
11/1/2000-01	11,652,653	67.11%	3,717,818	11,537,913
Total	\$74,945,430		\$47,914,931	\$72,901,190

Notes:
(2) From Exhibit 3, Sheet 3, column (2) x (7).
(3) Based on pattern from Exhibit 4, Sheet 2.
(4) Provided by PRM Claim Services, Inc.
(5) [(2) x (3)] + (4)

Health Care Providers Self-Insurance Trust

Workers' Compensation Reserve Review
Calculation Ultimate Losses Using Bornhuetter-Ferguson Method
on Paid Losses as of 10/31/01

DRAFT

Policy Year	Initial Expected Ultimate Losses	Percent Unpaid	Paid Losses	Estimated Ultimate Losses
(1)	(2)	(3)	(4)	(5)
4/19/93-10/31/93	\$995,233	24.80%	\$765,838	\$1,012,656
11/1/1993-94	4,579,215	27.30%	3,576,825	4,826,950
11/1/1994-95	7,540,044	30.76%	5,084,797	7,404,115
11/1/1995-96	9,923,482	35.29%	6,578,602	10,080,599
11/1/1996-97	10,172,373	42.22%	6,196,154	10,490,930
11/1/1997-98	9,421,536	51.45%	4,542,016	9,389,396
11/1/1998-99	9,813,579	60.85%	4,211,845	10,183,408
11/1/1999-00	10,847,315	72.23%	3,249,892	11,084,908
11/1/2000-01	11,652,653	88.18%	1,559,113	11,834,423
Total	\$74,945,430		\$35,765,082	\$76,307,384

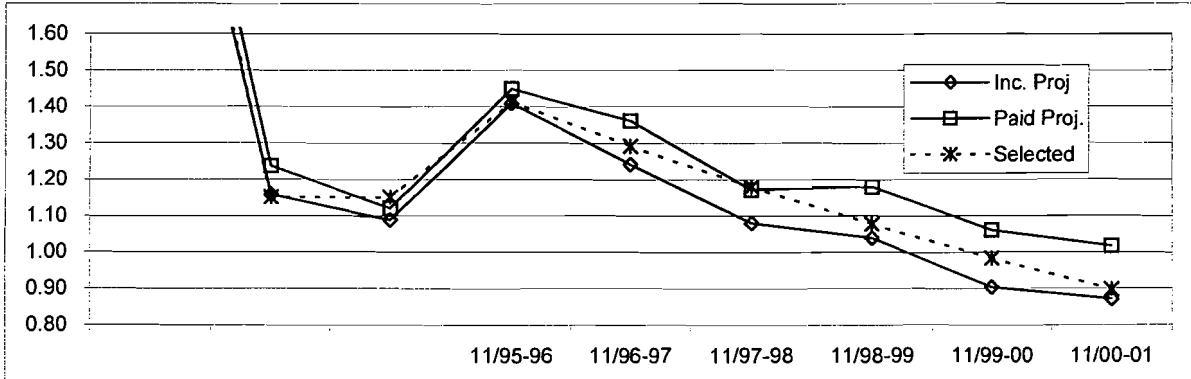
Notes:
(2) From Exhibit 3, Sheet 3, column (2) x (7).
(3) Based on pattern from Exhibit 5, Sheet 2.
(4) Provided by PRM Claim Services, Inc.
(5) [(2) x (3)] + (4)

Health Care Providers Self-Insurance Trust

Workers' Compensation Reserve Review
Calculation of Initial Expected Ultimate Losses
Data Evaluated as of 10/31/01

DRAFT

Experience Period (1)	Unmodified Expected Losses (2)	Projected Losses		Ratio		
		Incurred Projection (3)	Paid Projection (4)	Incurred to Expected (5)	Paid to Expected (6)	Selected (7)
4/19/93-10/31/93	\$381,920	\$971,902	\$1,018,564	2.54	2.67	2.61
11/1/1993-94	3,978,611	4,607,864	4,918,134	1.16	1.24	1.15
11/1/1994-95	6,551,102	7,132,409	7,342,447	1.09	1.12	1.15
11/1/1995-96	7,015,475	9,882,471	10,163,940	1.41	1.45	1.41
11/1/1996-97	7,875,783	9,781,908	10,725,543	1.24	1.36	1.29
11/1/1997-98	7,988,618	8,625,326	9,356,552	1.08	1.17	1.18
11/1/1998-99	9,112,884	9,461,139	10,757,053	1.04	1.18	1.08
11/1/1999-00	11,031,362	9,973,286	11,702,861	0.90	1.06	0.98
11/1/2000-01	12,978,071	11,302,167	13,194,774	0.87	1.02	0.90
	\$66,913,826	\$71,738,472	\$79,179,868	1.07	1.18	1.12



Notes:

- (2) From Exhibit 3, Sheet 4, Section (3)
- (3) From Exhibit 4, Sheet 1, column (4)
- (4) From Exhibit 5, Sheet 1, column (4)
- (5) (3) / (2)
- (6) (4) / (2)

Health Care Providers Self-Insurance Trust

Exhibit 3
Sheet 4

Workers' Compensation Reserve Review
Calculation of Initial Expected Ultimate Losses
Data Evaluated as of 10/31/01

DRAFT

Experience Period	Payroll by Class Code			Total
	9051	8854	8810	
<i>(1) Payroll (00's)</i>				
4/19/93-10/31/93	\$79,869	\$50,826	\$14,522	\$145,216
11/1/1993-94	852,781	542,679	155,051	1,550,511
11/1/1994-95	1,429,804	909,875	259,964	2,599,644
11/1/1995-96	1,565,319	996,112	284,603	2,846,034
11/1/1996-97	1,799,992	1,145,449	327,271	3,272,712
11/1/1997-98	1,812,225	1,153,234	329,496	3,294,955
11/1/1998-99	2,067,266	1,315,533	375,867	3,758,665
11/1/1999-00	2,502,474	1,592,484	454,995	4,549,953
11/1/2000-01	2,944,087	1,873,510	535,289	5,352,886
<i>(2) Pure Premium</i>				
4/19/93-10/31/93	2.80	3.02	0.33	
11/1/1993-94	2.73	2.95	0.32	
11/1/1994-95	2.68	2.90	0.31	
11/1/1995-96	2.62	2.84	0.30	
11/1/1996-97	2.56	2.77	0.29	
11/1/1997-98	2.58	2.79	0.29	
11/1/1998-99	2.58	2.79	0.29	
11/1/1999-00	2.58	2.79	0.29	
11/1/2000-01	2.58	2.79	0.29	
<i>(3) Unmodified Expected Losses</i>				
4/19/93-10/31/93	\$223,633	\$153,495	\$4,792	\$381,920
11/1/1993-94	2,328,092	1,600,903	49,616	3,978,611
11/1/1994-95	3,831,875	2,638,638	80,589	6,551,102
11/1/1995-96	4,101,136	2,828,958	85,381	7,015,475
11/1/1996-97	4,607,980	3,172,894	94,909	7,875,783
11/1/1997-98	4,675,541	3,217,523	95,554	7,988,618
11/1/1998-99	5,333,546	3,670,337	109,001	9,112,884
11/1/1999-00	6,456,383	4,443,030	131,949	11,031,362
11/1/2000-01	7,595,744	5,227,093	155,234	12,978,071
Total				\$66,913,826

Notes:

- (1) Total Payroll Provided by PRM Claim Services, Inc. Allocation to class code:
55% to 9051, 35% to 8854, and 10% to 8810 per PRM
- (2) From 2001 Rate filing for New York, adjusted for expense and benefit level change
- (3) (1) x(2)

Health Care Providers Self-Insurance Trust

Workers' Compensation

Incurred Loss & ALAE

Data Evaluated as of 10/31/01

Exhibit 4

Sheet 1

DRAFT

Projected Ultimate Loss & ALAE Using Development
Technique on Incurred Loss & ALAE

<u>Accident Year</u> (1)	<u>Incurred Loss & ALAE</u> (2)	<u>Development Factor to Ultimate</u> (3)	<u>Projected Ultimate Loss & ALAE</u> (4)
4/19/93-10/31/93	\$ 874,013	1.112	\$ 971,902
11/1/93-94	4,059,792	1.135	4,607,864
11/1/94-95	6,101,291	1.169	7,132,409
11/1/95-96	8,167,331	1.210	9,882,471
11/1/96-97	7,702,290	1.270	9,781,908
11/1/97-98	6,227,672	1.385	8,625,326
11/1/98-99	6,045,456	1.565	9,461,139
11/1/99-00	5,019,268	1.987	9,973,286
11/1/00-01	3,717,818	3.040	11,302,167
Total	\$ 47,914,931		\$ 71,738,472

Notes:

(2) Provided by PRM Claim Services, Inc.

(3) Based on Exhibit 4, Sheet 2.

(4) (2) x (3)

01/29/2002 1:56 PM

HCP

DRAFT

Interpolated Development Pattern using Cubic Spline Method

Evaluation Point (Months)	Expected Percentage		Evaluation Point (Months)	Expected Percentage		Evaluation Point (Months)	Expected Percentage	
	Developed (2)	Undeveloped (3)		Developed (5)	Undeveloped (6)		Developed (8)	Undeveloped (9)
0	0.00	100.00	46	71.05	28.95	92	87.29	12.71
1	1.66	98.34	47	71.64	28.36	93	87.50	12.50
2	3.56	96.44	48	72.22	27.78	94	87.71	12.29
3	5.69	94.31	49	72.81	27.19	95	87.91	12.09
4	8.04	91.96	50	73.39	26.61	96	88.12	11.88
5	10.59	89.41	51	73.98	26.02	97	88.32	11.68
6	13.32	86.68	52	74.55	25.45	98	88.53	11.47
7	16.23	83.77	53	75.12	24.88	99	88.73	11.27
8	19.30	80.70	54	75.69	24.31	100	88.93	11.07
9	22.52	77.48	55	76.24	23.76	101	89.13	10.87
10	25.86	74.14	56	76.77	23.23	102	89.33	10.67
11	29.33	70.67	57	77.29	22.71	103	89.53	10.47
12	32.89	67.11	58	77.79	22.21	104	89.73	10.27
13	34.89	65.11	59	78.27	21.73	105	89.92	10.08
14	36.74	63.26	60	78.72	21.28	106	90.11	9.89
15	38.46	61.54	61	79.15	20.85	107	90.31	9.69
16	40.06	59.94	62	79.55	20.45	108	90.50	9.50
17	41.55	58.45	63	79.94	20.06	109	90.69	9.31
18	42.95	57.05	64	80.30	19.70	110	90.88	9.12
19	44.28	55.72	65	80.64	19.36	111	91.06	8.94
20	45.55	54.45	66	80.96	19.04	112	91.25	8.75
21	46.77	53.23	67	81.27	18.73	113	91.43	8.57
22	47.96	52.04	68	81.57	18.43	114	91.61	8.39
23	49.14	50.86	69	81.85	18.15	115	91.79	8.21
24	50.33	49.67	70	82.13	17.87	116	91.97	8.03
25	51.52	48.48	71	82.40	17.60	117	92.15	7.85
26	52.72	47.28	72	82.66	17.34	118	92.32	7.68
27	53.93	46.07	73	82.92	17.08	119	92.50	7.50
28	55.14	44.86	74	83.17	16.83	120	92.67	7.33
29	56.33	43.67	75	83.42	16.58	121	92.84	7.16
30	57.51	42.49	76	83.67	16.33	122	93.01	6.99
31	58.67	41.33	77	83.92	16.08	123	93.18	6.82
32	59.80	40.20	78	84.16	15.84	124	93.34	6.66
33	60.90	39.10	79	84.40	15.60	125	93.50	6.50
34	61.95	38.05	80	84.63	15.37	126	93.67	6.33
35	62.96	37.04	81	84.87	15.13	127	93.83	6.17
36	63.91	36.09	82	85.10	14.90	128	93.99	6.01
37	64.81	35.19	83	85.33	14.67	129	94.14	5.86
38	65.65	34.35	84	85.55	14.45	130	94.30	5.70
39	66.45	33.55	85	85.78	14.22	131	94.45	5.55
40	67.20	32.80	86	86.00	14.00	132	94.60	5.40
41	67.91	32.09	87	86.22	13.78	133	94.75	5.25
42	68.58	31.42	88	86.43	13.57	134	94.90	5.10
43	69.23	30.77	89	86.65	13.35	135	95.05	4.95
44	69.85	30.15	90	86.86	13.14	136	95.19	4.81
45	70.46	29.54	91	87.08	12.92	137	95.33	4.67

DRAFT

Interpolated Development Pattern using Cubic Spline Method

Evaluation Point (Months)	Expected Percentage		Evaluation Point (Months)	Expected Percentage	
	Developed (2)	Undeveloped (3)		Developed (5)	Undeveloped (6)
138	95.47	4.53	184	99.69	0.31
139	95.61	4.39	185	99.73	0.27
140	95.75	4.25	186	99.77	0.23
141	95.88	4.12	187	99.80	0.20
142	96.02	3.98	188	99.83	0.17
143	96.15	3.85	189	99.86	0.14
144	96.28	3.72	190	99.89	0.11
145	96.40	3.60	191	99.91	0.09
146	96.53	3.47	192	99.93	0.07
147	96.65	3.35	193	99.95	0.05
148	96.77	3.23	194	99.96	0.04
149	96.89	3.11	195	99.98	0.02
150	97.01	2.99	196	99.99	0.01
151	97.12	2.88	197	99.99	0.01
152	97.24	2.76	198	100.00	0.00
153	97.35	2.65	199	100.00	0.00
154	97.46	2.54			
155	97.56	2.44			
156	97.67	2.33			
157	97.77	2.23			
158	97.87	2.13			
159	97.97	2.03			
160	98.07	1.93			
161	98.16	1.84			
162	98.25	1.75			
163	98.34	1.66			
164	98.43	1.57			
165	98.51	1.49			
166	98.60	1.40			
167	98.68	1.32			
168	98.76	1.24			
169	98.83	1.17			
170	98.91	1.09			
171	98.98	1.02			
172	99.05	0.95			
173	99.11	0.89			
174	99.18	0.82			
175	99.24	0.76			
176	99.30	0.70			
177	99.36	0.64			
178	99.41	0.59			
179	99.47	0.53			
180	99.52	0.48			
181	99.56	0.44			
182	99.61	0.39			
183	99.65	0.35			

Health Care Providers Self-Insurance Trust

Workers' Compensation

Incurred Loss & ALAE

Data Evaluated as of 10/31/01

Exhibit 4

Sheet 2.3

DRAFT

Conversion of Development Factors
Into Percent of Ultimate

Evaluation Point (Months)	Development Factors		Expected Percentage	
	Report to Next Report	Report to Ultimate	Developed	Undeveloped
(1)	(2)	(3)	(4)	(5)
12	1.530	3.040	32.89	67.11
24	1.270	1.987	50.33	49.67
36	1.130	1.565	63.91	36.09
48	1.090	1.385	72.22	27.78
60	1.050	1.270	78.72	21.28
72	1.035	1.210	82.66	17.34
84	1.030	1.169	85.55	14.45
96	1.027	1.135	88.12	11.88
108	1.105	1.105	90.50	9.50

DRAFT

Accident Year	Evaluation Age in Months								
	12	24	36	48	60	72	84	96	108
4/19/93-10/31/93	122,203	348,328	549,035	661,853	680,275	731,441	721,470	866,664	874,013
11/1/93-94	1,433,584	2,556,779	3,570,742	3,746,629	4,033,871	3,801,973	3,973,341	4,059,792	
11/1/94-95	2,522,056	4,150,432	5,044,303	5,292,397	5,249,021	5,719,887	6,101,291		
11/1/95-96	3,542,135	5,423,665	6,096,852	6,352,921	7,434,890	8,167,331			
11/1/96-97	3,190,609	4,447,977	5,355,869	6,777,643	7,702,290				
11/1/97-98	2,347,353	3,852,221	5,327,997	6,227,672					
11/1/98-99	3,002,025	4,825,408	6,045,456						
11/1/99-00	3,419,880	5,019,268							
11/1/00-01	3,717,818								

Accident Year	Age Interval in Months								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to Ult
4/19/93-10/31/93	2.850	1.576	1.205	1.028	1.075	0.986	1.201	1.008	
11/1/93-94	1.783	1.397	1.049	1.077	0.943	1.045	1.022		
11/1/94-95	1.646	1.215	1.049	0.992	1.090	1.067			
11/1/95-96	1.531	1.124	1.042	1.170	1.099				
11/1/96-97	1.394	1.204	1.265	1.136					
11/1/97-98	1.641	1.383	1.169						
11/1/98-99	1.607	1.253							
11/1/99-00	1.468								
11/1/00-01									

	Simple Average of Middle 3 of Latest 5 (Non-Contiguous, Average High-Low)								
[1]	1.535	1.224	1.089	1.080	1.062	1.033	1.112	1.008	1.000
	Volume Weighted Average of Latest 5 (Non-Contiguous)								
[2]	1.520	1.228	1.118	1.099	1.059	1.053	1.049	1.008	1.000
	Volume Weighted Average of Latest 3 (Non-Contiguous)								
[3]	1.562	1.275	1.154	1.107	1.058	1.053	1.049	1.008	1.000
	Volume Weighted Average of Latest 2 (Non-Contiguous)								
[4]	1.533	1.311	1.217	1.153	1.095	1.058	1.049	1.008	1.000
	Industry Patterns								
[5]	1.550	1.195	1.110	1.050	1.040	1.030	1.030	1.027	1.105
	Selected								
Selected	1.530	1.270	1.130	1.090	1.050	1.035	1.030	1.027	1.105
Dev to Ult	3.040	1.987	1.565	1.385	1.270	1.210	1.169	1.135	1.105

Health Care Providers Self-Insurance Trust

Workers' Compensation

Paid Loss & ALAE

Data Evaluated as of 10/31/01

DRAFT

Projected Ultimate Loss & ALAE Using Development
Technique on Paid Loss & ALAE

<u>Accident Year</u> (1)	<u>Paid Loss & ALAE</u> (2)	<u>Development Factor to Ultimate</u> (3)	<u>Projected Ultimate Loss & ALAE</u> (4)
4/19/93-10/31/93	\$ 765,838	1.330	\$ 1,018,564
11/1/93-94	3,576,825	1.375	4,918,134
11/1/94-95	5,084,797	1.444	7,342,447
11/1/95-96	6,578,602	1.545	10,163,940
11/1/96-97	6,196,154	1.731	10,725,543
11/1/97-98	4,542,016	2.060	9,356,552
11/1/98-99	4,211,845	2.554	10,757,053
11/1/99-00	3,249,892	3.601	11,702,861
11/1/00-01	1,559,113	8.463	13,194,774
Total	\$ 35,765,082		\$ 79,179,868

Notes:
(2) Provided by PRM Claim Services, Inc.
(3) Based on Exhibit 5, Sheet 2.
(4) (2) x (3)

Health Care Providers Self-Insurance Trust

Workers' Compensation
 Paid Loss & ALAE
 Data Evaluated as of 10/31/01

DRAFT

Interpolated Development Pattern using Cubic Spline Method

Evaluation Point			Evaluation Point			Evaluation Point		
(Months)	Expected Percentage		(Months)	Expected Percentage		(Months)	Expected Percentage	
	Developed	Undeveloped		Developed	Undeveloped		Developed	Undeveloped
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
0	0.00	100.00	46	46.98	53.02	92	71.59	28.41
1	0.47	99.53	47	47.76	52.24	93	71.87	28.13
2	1.02	98.98	48	48.55	51.45	94	72.15	27.85
3	1.64	98.36	49	49.34	50.66	95	72.43	27.57
4	2.36	97.64	50	50.14	49.86	96	72.70	27.30
5	3.17	96.83	51	50.93	49.07	97	72.98	27.02
6	4.07	95.93	52	51.73	48.27	98	73.25	26.75
7	5.08	94.92	53	52.52	47.48	99	73.53	26.47
8	6.19	93.81	54	53.30	46.70	100	73.81	26.19
9	7.42	92.58	55	54.08	45.92	101	74.09	25.91
10	8.76	91.24	56	54.85	45.15	102	74.36	25.64
11	10.23	89.77	57	55.60	44.40	103	74.64	25.36
12	11.82	88.18	58	56.35	43.65	104	74.92	25.08
13	13.06	86.94	59	57.07	42.93	105	75.20	24.80
14	14.35	85.65	60	57.78	42.22	106	75.48	24.52
15	15.69	84.31	61	58.46	41.54	107	75.76	24.24
16	17.05	82.95	62	59.13	40.87	108	76.05	23.95
17	18.43	81.57	63	59.77	40.23	109	76.33	23.67
18	19.81	80.19	64	60.40	39.60	110	76.61	23.39
19	21.20	78.80	65	61.01	38.99	111	76.90	23.10
20	22.57	77.43	66	61.59	38.41	112	77.18	22.82
21	23.93	76.07	67	62.16	37.84	113	77.47	22.53
22	25.25	74.75	68	62.71	37.29	114	77.75	22.25
23	26.54	73.46	69	63.24	36.76	115	78.04	21.96
24	27.77	72.23	70	63.75	36.25	116	78.33	21.67
25	28.94	71.06	71	64.24	35.76	117	78.61	21.39
26	30.06	69.94	72	64.71	35.29	118	78.90	21.10
27	31.13	68.87	73	65.16	34.84	119	79.19	20.81
28	32.15	67.85	74	65.60	34.40	120	79.48	20.52
29	33.13	66.87	75	66.02	33.98	121	79.77	20.23
30	34.07	65.93	76	66.43	33.57	122	80.05	19.95
31	34.97	65.03	77	66.82	33.18	123	80.34	19.66
32	35.85	64.15	78	67.20	32.80	124	80.63	19.37
33	36.70	63.30	79	67.56	32.44	125	80.92	19.08
34	37.53	62.47	80	67.92	32.08	126	81.21	18.79
35	38.35	61.65	81	68.26	31.74	127	81.50	18.50
36	39.15	60.85	82	68.60	31.40	128	81.78	18.22
37	39.95	60.05	83	68.92	31.08	129	82.07	17.93
38	40.74	59.26	84	69.24	30.76	130	82.36	17.64
39	41.53	58.47	85	69.55	30.45	131	82.64	17.36
40	42.31	57.69	86	69.86	30.14	132	82.93	17.07
41	43.09	56.91	87	70.16	29.84	133	83.22	16.78
42	43.87	56.13	88	70.45	29.55	134	83.50	16.50
43	44.65	55.35	89	70.74	29.26	135	83.79	16.21
44	45.42	54.58	90	71.03	28.97	136	84.07	15.93
45	46.20	53.80	91	71.31	28.69	137	84.35	15.65

DRAFT

Interpolated Development Pattern using Cubic Spline Method

Evaluation Point (Months)	Expected Percentage		Evaluation Point (Months)	Expected Percentage	
	Developed	Undeveloped		Developed	Undeveloped
(1)	(2)	(3)	(4)	(5)	(6)
138	84.64	15.36	184	95.84	4.16
139	84.92	15.08	185	96.02	3.98
140	85.20	14.80	186	96.20	3.80
141	85.48	14.52	187	96.38	3.62
142	85.76	14.24	188	96.56	3.44
143	86.04	13.96	189	96.73	3.27
144	86.31	13.69	190	96.89	3.11
145	86.59	13.41	191	97.05	2.95
146	86.86	13.14	192	97.21	2.79
147	87.13	12.87	193	97.37	2.63
148	87.41	12.59	194	97.52	2.48
149	87.68	12.32	195	97.67	2.33
150	87.95	12.05	196	97.81	2.19
151	88.21	11.79	197	97.95	2.05
152	88.48	11.52	198	98.09	1.91
153	88.74	11.26	199	98.22	1.78
154	89.01	10.99	200	98.34	1.66
155	89.27	10.73	201	98.47	1.53
156	89.53	10.47	202	98.58	1.42
157	89.78	10.22	203	98.70	1.30
158	90.04	9.96	204	98.81	1.19
159	90.29	9.71	205	98.91	1.09
160	90.54	9.46	206	99.01	0.99
161	90.79	9.21	207	99.11	0.89
162	91.04	8.96	208	99.20	0.80
163	91.29	8.71	209	99.29	0.71
164	91.53	8.47	210	99.37	0.63
165	91.77	8.23	211	99.45	0.55
166	92.01	7.99	212	99.52	0.48
167	92.24	7.76	213	99.59	0.41
168	92.48	7.52	214	99.65	0.35
169	92.71	7.29	215	99.71	0.29
170	92.94	7.06	216	99.76	0.24
171	93.16	6.84	217	99.81	0.19
172	93.39	6.61	218	99.85	0.15
173	93.61	6.39	219	99.89	0.11
174	93.82	6.18	220	99.92	0.08
175	94.04	5.96	221	99.95	0.05
176	94.25	5.75	222	99.97	0.03
177	94.46	5.54	223	99.99	0.01
178	94.67	5.33	224	100.00	0.00
179	94.87	5.13	225	100.00	0.00
180	95.07	4.93			
181	95.27	4.73			
182	95.46	4.54			
183	95.65	4.35			

Health Care Providers Self-Insurance Trust

Workers' Compensation

Paid Loss & ALAE

Data Evaluated as of 10/31/01

Exhibit 5

Sheet 2.3

DRAFT

**Conversion of Development Factors
Into Percent of Ultimate**

<u>Evaluation Point (Months)</u>	<u>Development Factors</u>		<u>Expected Percentage</u>	
	<u>Report to Next Report</u>	<u>Report to Ultimate</u>	<u>Developed</u>	<u>Undeveloped</u>
(1)	(2)	(3)	(4)	(5)
12	2.350	8.463	11.82	88.18
24	1.410	3.601	27.77	72.23
36	1.240	2.554	39.15	60.85
48	1.190	2.060	48.55	51.45
60	1.120	1.731	57.78	42.22
72	1.070	1.545	64.71	35.29
84	1.050	1.444	69.24	30.76
96	1.046	1.375	72.70	27.30
108	1.315	1.315	76.05	23.95

Health Care Providers Self-Insurance Trust

Workers' Compensation
 Paid Loss & ALAE
 Data Evaluated as of 10/31/01

DRAFT

Accident Year	Evaluation Age in Months								
	12	24	36	48	60	72	84	96	108
4/19/93-10/31/93	12,458	169,137	288,149	375,460	469,239		570,217	662,111	765,838
11/1/93-94	591,077	1,452,758	1,944,489	2,412,705	2,641,336	3,177,213	3,313,428	3,576,825	
11/1/94-95	814,861	2,077,395	2,883,248	3,330,209	4,250,100	4,739,716	5,084,797		
11/1/95-96	1,103,969	3,026,408	4,022,930	5,019,757	5,942,544	6,578,602			
11/1/96-97	1,249,933	2,915,348	4,090,998	5,206,165	6,196,154				
11/1/97-98	947,972	2,541,262	3,763,581	4,542,016					
11/1/98-99	1,272,106	3,099,714	4,211,845						
11/1/99-00	1,446,111	3,249,892							
11/1/00-01	1,559,113								

Accident Year	Age Interval in Months								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to Ult
4/19/93-10/31/93	13.576	1.704	1.303	1.250			1.161	1.157	
11/1/93-94	2.458	1.338	1.241	1.095	1.203	1.043	1.079		
11/1/94-95	2.549	1.388	1.155	1.276	1.115	1.073			
11/1/95-96	2.741	1.329	1.248	1.184	1.107				
11/1/96-97	2.332	1.403	1.273	1.190					
11/1/97-98	2.681	1.481	1.207						
11/1/98-99	2.437	1.359							
11/1/99-00	2.247								
11/1/00-01									

	Simple Average of Middle 3 of Latest 5 (Non-Contiguous, Average High-Low)								
[1]	2.483	1.383	1.232	1.208	1.142	1.058	1.120	1.157	1.000
	Volume Weighted Average of Latest 5 (Non-Contiguous)								
[2]	2.464	1.389	1.228	1.193	1.129	1.061	1.091	1.157	1.000
	Volume Weighted Average of Latest 3 (Non-Contiguous)								
[3]	2.425	1.410	1.243	1.209	1.129	1.061	1.091	1.157	1.000
	Volume Weighted Average of Latest 2 (Non-Contiguous)								
[4]	2.336	1.414	1.241	1.187	1.110	1.061	1.091	1.157	1.000
	Industry Patterns								
[5]	2.300	1.420	1.230	1.160	1.100	1.070	1.050	1.046	1.315
	Selected								
Selected	2.350	1.410	1.240	1.190	1.120	1.070	1.050	1.046	1.315
Dev to Ult	8.463	3.601	2.554	2.060	1.731	1.545	1.444	1.375	1.315

Health Care Providers Self-Insurance Trust

Exhibit 6

Workers' Compensation Reserve Review
 Determination of Present Value Factors
 Investment Rate of Return:

8.0%

DRAFT

Year (1)	Expected % Paid During Year (2)	% Unpaid at Beginning of Year (3)	Present Value Factor at Beginning of Year (4)
1	11.82%	100.00%	0.6876
2	15.95%	88.18%	0.7029
3	11.38%	72.23%	0.6972
4	9.40%	60.85%	0.6995
5	9.23%	51.45%	0.7036
6	6.93%	42.22%	0.6988
7	4.53%	35.29%	0.6988
8	3.46%	30.76%	0.7128
9	3.35%	27.30%	0.7357
10	3.43%	23.95%	0.7604
11	3.45%	20.52%	0.7847
12	3.38%	17.07%	0.8088
13	3.22%	13.69%	0.8325
14	2.95%	10.47%	0.8561
15	2.59%	7.52%	0.8796
16	2.14%	4.93%	0.9030
17	1.60%	2.79%	0.9262
18	0.95%	1.19%	0.9479
19	0.24%	0.24%	0.9623

Notes:
(2) Derived from Exhibit 5, Sheets 2.1 through 2.2.
(3) Upward accumulation of column (2).

Health Care Providers Self-Insurance Trust

Exhibit 7

DRAFT

Workers' Compensation Reserve Review
 Listing of Large Losses over \$250,000
 Data Evaluated as of 10/31/01

Policy Year	Accident Date	Unlimited Total Incurred	Unlimited Total Paid	Applicable Retention	Excess Total Incurred	Excess Total Paid
(1)	(2)	(3)	(4)	(5)	(6)	(7)
4/19/93-10/31/93	09/29/1993	\$275,022	\$211,842	\$250,000	\$25,022	\$0
11/1/1993-94	01/03/1994	175,722	173,761	250,000	0	0
11/1/1993-94	01/25/1994	216,741	97,176	250,000	0	0
11/1/1993-94	10/21/1994	212,907	194,999	250,000	0	0
11/1/1994-95	12/07/1994	220,226	81,679	250,000	0	0
11/1/1994-95	03/17/1995	150,571	102,124	250,000	0	0
11/1/1994-95	06/15/1995	160,948	109,164	250,000	0	0
11/1/1994-95	07/28/1995	151,350	139,366	250,000	0	0
11/1/1994-95	08/04/1995	163,532	117,023	250,000	0	0
11/1/1995-96	11/04/1995	179,721	106,541	250,000	0	0
11/1/1995-96	12/06/1995	156,482	90,574	250,000	0	0
11/1/1995-96	01/26/1996	200,218	87,044	250,000	0	0
11/1/1995-96	02/23/1996	219,597	219,597	250,000	0	0
11/1/1995-96	04/21/1996	152,388	115,356	250,000	0	0
11/1/1995-96	06/24/1996	160,774	70,806	250,000	0	0
11/1/1995-96	07/27/1996	150,049	99,842	250,000	0	0
11/1/1995-96	09/09/1996	157,734	56,800	250,000	0	0
11/1/1996-97	01/31/1997	163,854	143,317	250,000	0	0
11/1/1996-97	06/09/1997	158,995	116,493	250,000	0	0
11/1/1996-97	07/27/1997	151,105	118,773	250,000	0	0
11/1/1996-97	09/26/1997	175,670	106,142	250,000	0	0
11/1/1996-97	10/08/1997	161,780	97,578	250,000	0	0
11/1/1997-98	12/05/1997	163,379	163,222	250,000	0	0
11/1/1997-98	04/18/1998	150,527	87,702	250,000	0	0
11/1/1997-98	10/05/1998	238,356	88,259	250,000	0	0
11/1/1998-99	11/21/1998	179,302	86,605	250,000	0	0

Notes:
(2) through (5) Provided by PRM Claim Services, Inc.

EXHIBIT 16

BST



An Independent Member of the RSM McGladrey Network

Memo

To: / Location: Bethany Smith - PwC Albany

From: / Location: Maryellen Coggins - PwC Boston

Date: May 9, 2003

Subject: Health Care Providers Self-Insurance Trust – Reserves as of 10-31-2002

In conjunction with PwC's full fiscal review of the Health Care Providers Self-Insurance Trust (the Trust) for the New York Workers Compensation Board (NYWCB), the Actuarial & Insurance Management Solutions (AIMS) group was asked to review the loss, ALAE and assessment reserves of the Trust. We were not requested to perform an independent evaluation of the reserves. Our analysis encompassed reviewing for reasonableness the assumptions, methodologies and conclusions of the 10/31/02 report prepared by SGRisk, Inc. Our review also included:

- Reviewing a report prepared by Tillinghast entitled 'Actuarial Evaluation as of October 31, 2001' and dated December 2002.
- Reviewing a report prepared by SGRisk entitled 'Valuation as of October 31, 2001' and dated December 4, 2001.
- Participating in discussions with John Conroy, President of Program Risk Management Inc. (PRM) and communications with Charles Gruber of SGRisk.
- Performing independent tests of the calculations as we considered necessary.

This memorandum documents the scope of our review and includes a summary of our observations.

Summary

SGRisk, Inc. indicates a nominal value for loss and ALAE reserves of \$28.1 and a discounted value using a 5% interest rate of \$23.8 as of 10/31/02. While many of the assumptions and much of the approach supporting SGRisk's indication are reasonable, we believe that additional reliance should be placed on the Trust's own loss experience rather than industry data, producing an adjustment to the indicated reserve of \$1.3 million. Consideration of this adjustment produces a nominal reserve of \$29.4 million and a discounted reserve of \$24.9 million using a 5% interest rate.

In addition, SGRisk, Inc. calculated a liability of \$5.9 million on a nominal basis and \$5.0 on a discounted basis for loss-based assessments as required under AICPA Statement of Position 97-3. While we agree in general with SGRisk's approach to calculating this liability, our loss and ALAE

adjustment implies a further adjustment to the assessment liability of \$278,204 on a nominal basis and \$234,976 on a discounted basis. All discounted values reflect a 5% interest rate.

AIMS Observations

1. SGRisk's report was authored by Charles Gruber, who is a Fellow in the Casualty Actuarial Society and a Member of the American Academy of Actuaries. Tillinghast's report was authored by John Yonkunas who is also an FCAS and MAAA.
2. SGRisk utilized five actuarial methods to determine the indicated loss and ALAE reserves for the Trust: paid loss development, incurred loss development, paid loss Bornhuetter-Ferguson, incurred loss Bornhuetter-Ferguson and the 'budgeted loss method'. We tested the implications of selecting alternative age-to-ultimate loss development factors for the first five years of incurred loss development to those selected by SGRisk. SGRisk relied exclusively on industry loss development factors for all development periods, subject to a tail factor adjustment. We selected development factors based upon the loss development history of the Trust. While this test produced indicated results for the incurred loss development method that were \$4 million higher than those produced by SGRisk using the same method, SGRisk's final selected ultimate loss values were \$3.4 million higher than the indications produced by their application of this method.
3. Tillinghast's analysis was performed as of 10/31/01. As such, they produced estimates for ultimate loss and ALAE for policy years 11/1/2000-01 and prior. For those years exclusively, Tillinghast's estimates of ultimate loss and ALAE were \$9.9 million greater than those produced by SGRisk. The differences between the two analyses appear to relate to 1) Tillinghast's reliance upon medical and indemnity data combined, and more significantly, 2) Tillinghast's reliance upon the Trust's own data for the first six years of loss development and industry development patterns for development beyond age 84 months with no tail factor adjustment. Given our experience with other self-insurance trusts, we believe the tail factor assumption made by Tillinghast (age 108 months to ultimate) may be too conservative and have elected to accept SGRisk's assumption for the tail factor. We do strongly suggest, however, that this assumption be closely monitored over time.
4. In general, the approach used by SGRisk to estimate the value of the liability for loss-based assessments appears to be reasonable. As indicated within the report, SGRisk has not included in the assessment liability calculation the amount for unbilled assessments that relate to prior indemnity payments. (It is our understanding that a provision for that liability is included elsewhere on the balance sheet.) Our calculated adjustment to the assessment liability is intended to be high-level and relates strictly to the relationship between SGRisk's

assessment liability and their indicated loss and ALAE reserves applied to our reserve adjustment. Tillinghast did not estimate this liability within their analysis.

5. We were asked to comment on the value of the receivable for the loss-sensitive program offered by the Trust. SGRisk did not estimate this asset, so we reviewed the approach used by Tillinghast. In general, the approach used by Tillinghast appears to be reasonable. The asset, however, was valued by Tillinghast as of 10/31/01 and relies upon more conservative development factors than those implied within this review. We have therefore performed a high-level calculation of the asset value using relationships implied within the Tillinghast study to the estimates of ultimate cost indicated within the attached exhibits. To more accurately estimate this asset, one would have to re-do the calculations performed by Tillinghast using data valued as of 10/31/02. This calculation is not included within the scope of this review.

Limitations

In our review, we have relied on the information provided in the SGRisk, Inc. and Tillinghast actuarial analyses. We have made no attempt to validate or reconcile this information, but have checked it for reasonableness.

The projected ultimate losses and loss adjustment expenses in our review were point estimates. As estimates, these values are subject to variability arising from the fact that all factors affecting the ultimate liability have not taken place and cannot be evaluated with absolute certainty. Such factors may include, but are not limited to, tort reform, expected future inflationary trends and jury awards. We have not anticipated any extraordinary changes to the various factors that might impact the future cost of claims. No guarantee, either expressed or implied, should be inferred that losses and allocated loss adjustment expenses will develop as indicated within the attached exhibits. Therefore, in assessing the reasonableness of the reserves, we have assumed that a range of acceptable estimates around these values exist in which the selected value is one possible value.

This memo does not constitute an Actuarial Statement of Opinion as described in the Actuarial Standard of Practice No. 36. If you have any questions, or if I can be of any further assistance, please do not hesitate to call me (617-478-3427).

Health Care Providers Self-Insurance Trust
Review of SGRisk Valuation as of October 31, 2002

	<u>(\$s)</u>
	<u>Total Loss and ALAE Reserves</u>
1) SGRisk indicated net reserves - undiscounted	28,120,817
2) SGRisk discount on reserves at 5%	(4,369,501)
3) SGRisk assessment reserves	5,905,371
4) SGRisk discount on assessments at 5%	(917,595)
5) SGRisk total net discounted reserves	28,739,092
6) PwC reserve adjustment	1,324,783
7) PwC discount adjustment	(205,849)
8) PwC assessment adjustment	278,204
9) PwC assessment discount adjustment	(43,228)
10) PwC indicated reserves with adjustments	30,093,003
11) Tillinghast loss-sensitive ultimate to total ultimate	25.3%
12) Tillinghast receivable to loss-sensitive ultimate	22.1%
13) PwC estimated receivable	4,142,739

Health Care Providers Self-Insurance Trust
Review of SGRisk Valuation as of October 31, 2002

Policy Year	Comparison of Net Ultimate Loss and ALAE										Selected LLAE per \$00 Payroll (6)
	SGRisk 10/31/00 (1)	SGRisk 10/31/01 (2)	SGRisk 10/31/02 (3)	Tillinghast 10/31/01 (4)	Difference (3) - (2)	Difference (4) - (3)	Payroll (5)	SGRisk Ultimate LLAE (13)	Total Ultimate LLAE (13)	Medical Ultimate LLAE (12)	
4/19/93-10/31/93	844,325	857,707	830,173	865,254	(27,534)	35,081	145,216	830,173	820,892	203,115	830,173
11/1/1993-94	3,978,910	4,135,377	4,129,725	4,490,451	(5,652)	360,726	1,550,511	4,129,725	4,126,682	1,184,648	4,129,725
11/1/1994-95	5,842,127	6,284,525	6,288,194	7,132,409	3,669	844,215	2,599,644	6,288,194	6,289,104	2,102,848	6,288,194
11/1/1995-96	7,750,020	8,647,903	8,554,455	9,882,471	(93,448)	1,328,016	2,846,034	8,554,455	8,523,118	2,748,924	8,554,455
11/1/1996-97	7,378,074	8,564,896	8,890,554	9,781,908	325,658	891,354	3,272,712	8,890,554	8,995,953	3,289,541	8,890,554
11/1/1997-98	6,145,280	7,128,545	7,193,390	8,625,326	64,845	1,431,936	3,294,955	7,193,390	7,398,283	2,642,049	7,398,283
11/1/1998-99	6,852,792	7,080,377	7,740,186	9,461,139	659,809	1,720,953	3,758,665	7,740,186	8,340,663	2,825,006	8,340,663
11/1/1999-00	7,980,933	8,140,186	8,408,733	9,973,286	268,547	1,564,553	4,549,953	8,408,733	8,729,059	3,095,691	8,729,059
11/1/2000-01		9,046,377	9,504,197	11,302,167	457,820	1,797,970	5,352,886	9,504,197	9,703,283	3,820,814	9,703,283
11/1/2001-02			11,063,715				5,725,749	11,063,715	10,341,808	3,943,033	11,063,715
Total through '00	46,772,461	50,839,516	52,035,410	60,212,244	1,195,894	8,176,834					
Total through '01		59,885,893	61,539,607	71,514,411	1,653,714	9,974,804					
Policy Year	Indemnity Incurred LLAE (7)	LDL (8)	Indemnity Ultimate LLAE (9)	Medical Incurred LLAE (10)	LDL (11)	Medical Ultimate LLAE (12)	SGRisk Ultimate LLAE (13)	Total Ultimate LLAE (13)	Medical Ultimate LLAE (12)	Selected Ultimate LLAE (14)	
4/19/93-10/31/93	611,055	1,011	617,777	201,503	1,008	203,115	830,173	820,892	203,115	830,173	
11/1/1993-94	2,878,361	1,022	2,942,033	1,165,919	1,016	1,184,648	4,129,725	4,126,682	1,184,648	4,129,725	
11/1/1994-95	4,035,129	1,037	4,186,256	2,049,111	1,026	2,102,848	6,288,194	6,289,104	2,102,848	6,288,194	
11/1/1995-96	5,456,609	1,058	5,774,194	2,646,914	1,039	2,748,924	8,554,455	8,523,118	2,748,924	8,554,455	
11/1/1996-97	5,245,676	1,088	5,706,412	3,120,659	1,054	3,289,541	8,890,554	8,995,953	3,289,541	8,890,554	
11/1/1997-98	4,086,183	1,164	4,756,234	2,387,056	1,107	2,642,049	7,193,390	7,398,283	2,642,049	7,398,283	
11/1/1998-99	4,307,836	1,280	5,515,657	2,419,294	1,168	2,825,006	7,740,186	8,340,663	2,825,006	8,340,663	
11/1/1999-00	3,825,888	1,472	5,633,369	2,445,668	1,266	3,095,691	8,408,733	8,729,059	3,095,691	8,729,059	
11/1/2000-01	3,049,667	1,929	5,882,469	2,624,811	1,456	3,820,814	9,504,197	9,703,283	3,820,814	9,703,283	
11/1/2001-02	2,003,223	3,194	6,398,775	1,977,206	1,994	3,943,033	11,063,715	10,341,808	3,943,033	11,063,715	
Total	35,499,627		47,413,176	21,038,141		25,855,669	72,603,322	73,268,846	25,855,669	73,928,105	

EXHIBIT 17

BST



An Independent Member of the RSM McGladrey Network

Health Care Providers Self-Insurance Trust

Analysis of Trust's Actuarial Report

PRICEWATERHOUSECOOPERS 

Boston
June 2007

Introduction

Purpose

PricewaterhouseCoopers LLP (PwC) has been asked by the New York State Workers' Compensation Board (NYSWCB) to perform a review of the loss and loss adjustment expense reserves for certain group self-insurance Trusts. In an effort to develop an efficient review process, the NYWCB has requested that the review be conducted in three tiers. The first tier was an initial screening of the Trust's reserves by examining the actuarial reports prepared during the past three years and comparing the results to the Trust's financial statements.

Tier one procedures included the following:

- Review the methods, procedures and key assumptions used in prior actuarial reports.
- Perform runoff-analysis of prior reserve estimates and recorded reserves.
- Evaluate the Trust's expected losses from prior indications and review the relationship of the selected ultimate losses to this expectation.
- Develop the most recent paid and reported losses using industry benchmark loss development factors to get a preview of current indications.
- Calculate other diagnostic statistics deemed necessary.

Based on the results of this initial screening process, the NYWCB would determine whether additional work would be required as described in our proposed scope of services for the second and third tier analyses. The second tier of the analysis was designed to prepare an independent estimate based on prescribed methods. These methods are standard actuarial techniques that are commonly used to evaluate the loss and loss adjustment expenses for workers compensation. The results from the second tier were to be discussed with the Trust's actuary in an attempt to reconcile the differences in the estimates and determine which estimates were the most appropriate to use for recording liabilities.

It was recognized that the prescribed actuarial techniques used in the second tier of the review may not be the best alternative for estimating the unpaid workers compensation losses for these Trusts. Therefore, the NYWCB may determine that the third tier of the actuarial analysis would be necessary. For the third tier of the actuarial analysis, PwC would incorporate any changes in exposure or claim handling procedures into the reserve estimation process in order to determine the PwC best estimate of the indicated reserve levels. Details of the work plan for the second and third tier of the review are shown in Exhibit A - Scope of Services.

Distribution and Use

This report is being prepared in conjunction with the New York State Workers' Compensation Board (NYSWCB) examination of the financial statements for the group self-insurance Trust. This report shall be distributed to the group self-insurance Trust and the New York State Workers' Compensation Board. This report shall not be discussed with, or otherwise disclosed to any Third Party without PricewaterhouseCoopers' prior written consent.

Reliance Upon Provided Data

PwC review was based exclusively on information provided in the actuarial reports prepared by SGRisk and any data directly provided by the Trust administrator. While we have compared the data in the various reports for consistency, we have made no attempt to verify the data contained therein. We have not reviewed any supplemental information contained in the actuarial work papers or other calculations that may have been performed by Trust's actuarial firm that is not disclosed within this report. Often, an actuary's work papers will contain supplemental calculations to support his assumptions or assertions that are not contained in the actuarial report. Since this additional information may influence the actuary's judgments and selections, it

may be necessary for PwC to review additional information before concluding on the recommendations contained in this report.

Limitations

The evaluation of workers compensation loss and loss adjustment expense reserves requires the estimation of loss development over an extended period of time. During this period, numerous factors will affect the ultimate settlement value of claims. Such factors may include, but are not limited to, inflationary trends, benefit levels, compensation awards and claim settlement practices. These factors may change in the future in ways that are not expected or not sufficiently represented in the historical data. In general, actuarial projections do not contemplate the unforeseen changes in these factors. As such, the use of generally accepted actuarial practices and standards, will not guarantee that the actual losses will not vary materially from the actuarial estimates, due to the uncertainty inherent in loss projections.

Data

Reports Reviewed for Tier One

The following is a list of the reports reviewed for our analysis:

1. SGRisk Actuarial Report Titled: Health Care Providers Self-Insurance Trust Loss and ALAE Reserves at October 31, 2006, prepared by David A. Royce, dated January 19, 2007.
2. SGRisk Actuarial Report Titled: Health Care Providers Self-Insurance Trust Loss and ALAE Reserves at October 31, 2005, prepared by David A. Royce, dated January 5, 2006.
3. SGRisk Actuarial Report Titled: Health Care Providers Self-Insurance Trust Loss and ALAE Reserves at October 31, 2004, prepared by David A. Royce, dated December 29, 2004.
4. SGRisk Actuarial Report Titled: Health Care Providers Self-Insurance Trust Loss and ALAE Reserves at October 31, 2003, prepared by David A. Royce, dated February 17, 2004.
5. Audited Financial Statements for the Health Care Providers Self-Insurance Trust for years ending October 31, 2006 and 2005.
6. NCCI Statistical Bulletin 2006 Edition, which contained the New York Compensation Insurance Rating Board (NYCIRB) loss development factors.

Findings - Health Care Providers Trust

Summary of Findings

The actuary provides a net analysis. The Trust has increased its per occurrence retention from \$250,000 in 2001 to the current level of \$500,000. The appendix contains large loss information from which one can derive the excess recoveries. Based on our review, it does not seem as though the Trust is accounting for the excess recoveries appropriately (by grossing up the net reserves and establishing a receivable for the anticipated recoveries per GAAP requirements). The actuary uses five standard actuarial techniques to forecast the ultimate loss and determine the indicated reserve: PLDM, RLDM, PBFM, RBFM and an expected loss method. All methods were appropriately applied with no unusual exceptions. Actuarial documentation supporting judgments was complete.

The expected loss rate used seemed appropriate. The improving expected loss rate of resulting from the ultimate loss selections may be a concern, especially in light of the increased retention. The NYSWCB may want to inquire whether this seems reasonable and consistent with claim activity. No claim count data was included in the actuarial report to validate the appropriateness of the selections.

The loss development factors were derived from the Trust experience. LDF selections were reasonable and responsive to the data. The tail factors were derived using an inverse power function. In 2006, the Trust's actuary increased the reported tail factor for the medical component and the paid tail factor for the indemnity component. This increase may have caused the slight adverse runoff of ultimate losses but it reflects the responsiveness to the experience.

The discount factors were calculated using a 5.0% interest rate assumption and the Trust's paid development experience. The Trust's payment patterns are reasonably stable to justify discounting.

To determine a provision for the loss based assessments, a 43% assessment rate and a 51% indemnity/medical split was used. The assessment rate was based on the average or maximum of prior assessment rates and the indemnity/medical split ratio was based on experience, tempered for the ALAE inherent in the indemnity data.

The methods relied on by the actuary were reasonable, consistent and appropriately reflect the strengths and weakness of the methods. There was slight adverse runoff but it was due to an increase in tail factors.

The recorded reserves were significantly below the actuarial indications. There seems to be an offset to the liabilities for a retrospective premium adjustment that does not seem to conform to standard accounting practices. The standard accounting practice is to establish the appropriate liabilities for the gross amount of unpaid workers compensation claim payments. Anticipated premiums that are receivable from the members (or recoveries from excess insurers) should be established as an asset and meet accounting standards for receivables. To eliminate the collection risk associated with this asset, insurance companies that write retrospective premium programs usually require the unpaid premium payments to be secured with irrevocable Letters Of Credit (LOCs).

Since the trust is not holding invested assets to support the recorded loss reserves, the Board should investigate the appropriateness of discounting the loss reserves. Discounting the loss reserves to reflect the time value of these payments is appropriate when the Trust maintains invested assets that will earn interest before the claim payment is made. It is uncertain whether it is appropriate to discount the liabilities when the trust does not have invested assets to support the liabilities. If the retrospective premium adjustments are appropriately classified as an asset, it

is unclear how these retrospective premium adjustments comply with the Title 12 Rules and Regulations of the State of New York, Chapter V, Part 315 - Regulations, section §317.8 - *Integrity of the Group Self-Insurer's Trust Funds*.

Recommendation

- The actuarial review was complete and well documented.
- The slight adverse runoff of the actuarial estimates was due to more conservative parameters and did not cause a concern.
- Parameters and indicated reserve seemed reasonable.
- No Tier Two review is recommended but the NYSWCB may want to obtain claim count data and evaluate certain diagnostics to assess the appropriateness of the improving loss rate. We would expect the improvement in the loss rate to be supported by a reduction in reported claim frequencies and average paid claim amounts at equal age of development. We may have a concern if the improvement in the recent experience was driven by a reduction in the average case reserve per outstanding claim since this may signal a change in the adequacy of the case reserves.
- The difference between the actuarial indicated loss reserve and the recorded reserve needs to be reconciled.
- The accounting for excess loss recoveries and the retrospective premium adjustments needs to be evaluated to determine if the Trusts accounting complies with US GAAP accounting standards and section §317.8 - *Integrity of the Group Self-Insurer's Trust Funds*. If maintaining funds with its members is permitted, the NYSWCB should investigate the appropriateness of discounting and secure the nominal premium payments with irrevocable LOCs.

Methods and Procedures

Review Procedures

The first tier of the loss and loss adjustment expense reserve review was intended to be a screening process to identify the trusts where additional actuarial analysis was recommended to assess the reasonableness of the recorded loss and loss adjustment expense reserves. The recommendation to perform additional work was made under any of the following circumstances:

- The actuarial report supporting the recorded reserves was not considered complete and/or the actuarial judgments made were not well documented or supported.
- The runoff of the prior ultimate loss selections suggested that the methods and parameters were not performing as expected.
- Key parameters used in the actuarial forecasts were not consistent with the Trust experience or inconsistent with other benchmark statistics.

To assess the above issues, we reviewed the actuarial reports submitted to NYSWCB in the prior three years. The methods, assumptions and key parameters used by the actuary were evaluated for consistency and responsiveness to the data. The judgment made in selecting which method to use and the weights assigned to the various methods were reviewed for consistency and reasonableness (based on the strengths and weakness of the methods applied). Additional work was recommended when the actuary made judgments that were not well documented, not supported by the Trusts actual experience or inconsistent with the strengths and weakness of the method. The resulting recommendation for incomplete documentation may have been to simply review the supporting information that was not presented or to perform independent testing to validate the actuarial judgment made by the Trust's actuary. A tier two analysis was recommended when the methods relied on by the Trust actuary may not be the best alternative available.

We evaluated the runoff of the actuary's prior selections (Exhibit 4) of the ultimate losses. An actuary's estimate of the ultimate losses may change over time for a number of reasons. Sometimes the actual experience emerges different than anticipated in the actuarial forecast and sometimes the key parameters used in the actuarial forecasting model are revised or updated in subsequent reviews. When the runoff analysis showed there was significant adverse development in the prior ultimate losses, we assessed whether this was due to loss emergence, a change in the model parameters or both. When the methods and parameters used by the actuary remained consistent and losses emerge significantly higher than originally anticipated, we recommended proceeding to the second tier review. If there was adverse runoff, and it was the result of adverse loss emergence and a change in the key parameters that was responsive to the emergence, a tier two review may not have been recommended. We also considered Trusts with favorable runoff for a tier two review if the favorable runoff was caused by a change in the key actuarial parameters with no supporting change in loss emergence.

The key parameters used in the actuarial review were evaluated for consistency and compared to benchmark statistics. We evaluated the exposure for changes in retention and the expected loss ratio used by the Trust's actuary was compared to the experience loss ratios shown in the report (Exhibit 2). We evaluated the selected loss development factors for consistency (Exhibit 3). The loss development factors were also compared to the NYCIRB development factors, using the PwC retention adjustment procedure. We evaluated the discount rate and the payment patterns used for discounting. We compared the payment pattern used for discounting with the payment patterns inherent in the ultimate loss selections and the NYCIRB payment patterns (considering the retention adjustment used by the Trust's actuary). To evaluate the reasonableness of the provision for loss based assessments, we compared the assessment percentage used in the calculation to that used for other Trusts and evaluated the indemnity/medical split ratio using the forecasted ultimate loss components and the benchmark split ratio used by other trusts.

We calculated certain diagnostic statistics to assess potential changes in the claim reserving and settlement practices and to test the appropriateness of the selected reserve. When the data was available in the actuarial reports, we calculated reported frequency, ultimate severity, ultimate loss ratio, paid-to-incurred ratio, IBNR to Case Reserve ratio, average case reserve per reported claim, average case reserve per open claim, and settlement rate.

Comparison to the Recorded Reserve

We compared the indicated reserve produced by the Trust's actuary to the recorded reserve. Since actuarial loss reserve estimates are in fact estimates, there is a range around the actuarial estimate that should be considered reasonable. However, under GAAP accounting, the Trust needs to record its best estimate. There should be valid reasons that a Trust is recording a reserve that differs from the actuary's best estimate. That reason should also be tested for reasonableness. The Trust has been recording reserves that are significantly below their own actuary's best estimate with no supporting reason. The Trust and their auditor should be contacted to validate the appropriateness of the recorded accrual. The reasonableness of this procedure is certainly questionable when the actuary's best estimate has had unfavorable runoff in prior years.

Ultimate Losses Using 2005 Development Factors

To evaluate the ultimate loss selections we also compared the indicated ultimate losses produced by the Trust's actuary to the indicated ultimate losses produced by developing the Trust's paid and reported losses using the 2005 loss development factors and weighting the results 25% and 75%, respectively. Loss development factors will differ by type of risk, retention level and claim handling philosophy. Therefore, loss development factors based on the Trust's own experience will usually produce better indications than development methods using industry experience. We adjusted the 2005 NYCIRB loss development factors to the Trust's retention level using a PwC

internal procedure to make the comparison more appropriate. While this test does provide insight about the potential risk inherent in the estimate, it should not be used by itself to draw conclusions about the adequacy of the indicated reserves produced in the actuarial reports. The results are shown in Exhibit 6. The ultimate losses using the industry benchmark loss development factors produce nominal reserves that are \$3.6 million above the actuarial indicated reserves with the most recent policy year indication \$1.5 million above the benchmark.

DRAFT

Index of Exhibits

Exhibits

Descriptions

Summary Notes of Analysis of Trust's Actuarial Report.....	1
Exposure Analysis	2
LDF Analysis.....	3
Runoff	4
Diagnostics	5
Benchmark Development	6

Abbreviations

ALAE	Allocated loss adjustment expenses
BF	Bornhuetter-Ferguson method for projecting ultimate amounts
GAAP	Generally Accepted Accounting Principles
IBNR	Incurred but not reported
LAE	Loss adjustment expenses
LDF	Loss development factor
NCCI	National Council on Compensation Insurance, Inc.
NYCIRB	New York Compensation Insurance Rating Board
NYSWCB	New York State Workers' Compensation Board
PLDM	Paid Loss Development Method
PBFM	Paid Bornhuetter-Ferguson Method
PwC	PricewaterhouseCoopers LLP
RLDM	Reported Loss Development Method
RBFM	Reported Bornhuetter-Ferguson Method
TPA	Third party administrator
ULAE	Unallocated loss adjustment expenses

Trust Info

Name	Health Care Providers
Latest Valuation Date	10/31/2006
Actuary	David Royce
TPA	Program Risk Management
Inception	4/1/1993

Exposure

Comments: Retention: 1993 to 11/1/2001 -\$250,000; 11/1/01 to 02 - \$300,000; 11/1/02 to 03 - \$400,000; 11/1/03 to present - \$500,000

Gross vs Net

Appendix contains information on large claims but the documentation of the excess recoveries is not apparent
May not be accounting for excess recoveries appropriately. Loss reserve analysis is net of recoveries.

Methods Used

Methods Net analysis
PLDM, RLDM, Expected Loss, PBFM, RBFM

Comments: Standard methods, no unusual exceptions
Consistent for all years

Expected Loss (Exhibit 2)

Method: Standard loss rate method
Increased trend in 2006. 2006 ELR similar to 2005

Comments: Improving expected loss rate may be a concern

Loss Development Factors

Method: 2006 Reasonable selections based on averages of historical data and fitted values with inverse power
 2005 Reasonable selections based on averages of historical data and fitted values with inverse power
 2004 Reasonable selections based on averages of historical data and fitted values with inverse power

Tail Factors 132 to ult	Ind. RLDF	Med RLDF	Ind PLDF	Med PLDF
2006 Net	1.016	1.062	1.035	1.038
2005 Net	1.018	1.058	1.019	1.034
2004 Net	1.023	1.029	1.032	1.031

Comment: Slight increase in Med and Ind Tail factor created slight adverse runoff

Discounting

Discount Factors	Net Loss	Assessment
2006	86.1%	86.1%
2005	85.6%	85.6%
2004	85.6%	85.6%

Reflective of Trust Development

Discount based on Trust development factors - Reasonable and consistent
 All years based on 5.0%

Claim Adjustment Expense

Comments: Not Reviewed

Assessments

	2006	2005	2004
Assessment Percentage	43.0%	42.0%	38.4%
Indemnity/Medical Split	51.00%	51.60%	51.30%
Discount	5%	5%	5%

Comments: Assessment percent either an average or maximum of prior rates
 Indemnity tempered 17% to reflect ALAE

Judgments and Ultimate Loss Selections

Methods Relied On:

Net and Direct

2006 92-97 ave PLDF and RLDF, 98-04 ave LDM and BFM methods x hi/lo, 2005 (ave LDM and BFM ex hi lo) and Exp. Loss
 2005 92-97 ave PLDF and RLDF, 98-03 ave LDM and BFM methods x hi/lo, 2004 (ave LDM and BFM ex hi lo) and Exp. Loss
 2004 92-97 ave PLDF and RLDF, 98-02 ave LDM and BFM methods x hi/lo, 2003 (ave LDM and BFM ex hi lo) and Exp. Loss

Comments:

Consistent approach and judgements all years

Diagnostics

Comments:

Average reserves relatively consistent, slight decrease in recent periods, but may be claim related

Comparison To Recorded

	2006		2005		2006	2005
					IBNR	IBNR
Indicated Net Loss Reserve	38,115,983		37,213,639			
Discounted Net Loss Reserve (5.0%)	32,810,553		31,849,420			
Recorded	28,405,005	(4,405,548) 87%	26,673,519	(5,175,901) 84%	17,288,841	13,736,498
Indicated Assessment	8,385,516		8,187,001			
Discounted Assessment	7,218,322		7,006,872			
Recorded	5,739,230	(1,479,092) 80%	3,825,517	(3,181,355) 55%		
Asset recorded for retro receivable	17,678,361		14,975,957			

Comments:

Are ther LOC's supporting retro adjustments?
 Can not get from Actuarial indication to recorded reserve
 Actuarial indications are net of anticipated recoveries

Findings

Comments:

The loss reserve analysis was complete, well documented and the selected results were reasonable
 No claim count data to perform additional diagnostics

 No need for further review on actuarial analysis
 Need to review excess recovery and retro recovery offsets

**Health Care Providers
Exposure Analysis**

Exhibit 2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
									2004
			Premium	Ultimate	Ultimate	2005	2005	2004	Expected
Policy Year	Retention	Payroll	Contribution	Loss	Loss Rate	Expected Loss	Expected Loss Rate	Expected Loss Rate	Loss Rate
4/1/93-11/1/93	250,000	145,216		756,025	5.21	739,969	5.10	747,040	5.14
11/1/93-11/1/94	250,000	1,550,511		3,985,984	2.57	4,563,196	2.94	4,308,174	2.78
11/1/94-11/1/95	250,000	2,599,644		6,305,402	2.43	7,305,109	2.81	6,947,979	2.67
11/1/95-11/1/96	250,000	2,846,034		8,066,375	2.83	7,931,800	2.79	7,715,654	2.71
11/1/96-11/1/97	250,000	3,272,712		9,394,073	2.87	9,243,721	2.82	9,136,852	2.79
11/1/97-11/1/98	250,000	3,294,955		7,381,939	2.24	7,828,299	2.38	7,612,757	2.31
11/1/98-11/1/99	250,000	3,758,665		8,848,689	2.35	8,654,708	2.30	8,317,765	2.21
11/1/99-11/1/00	250,000	4,549,953		8,968,007	1.97	9,764,961	2.15	9,643,159	2.12
11/1/00-11/1/01	250,000	5,233,227		10,729,298	2.05	10,676,798	2.04	10,624,881	2.03
11/1/01-11/1/02	300,000	5,665,387		11,449,939	2.02	10,986,519	1.94	11,017,773	1.94
11/1/02-11/1/03	400,000	6,188,825		13,069,490	2.11	11,407,782	1.84	11,529,048	1.86
11/1/03-11/1/04	500,000	6,911,800		11,761,230	1.70	12,108,510	1.75	12,333,479	1.78
11/1/04-11/1/05	500,000	7,783,693		12,567,371	1.61	12,962,528	1.67	12,967,552	1.67
11/1/05-11/1/06	500,000	8,350,000		12,613,859	1.51	13,217,737	1.58		

Exhibit 3

**Health Care Providers
Exposure Analysis**

Tail	Net Medical PLDF			Net Indemnity PLDF		
	2006	2005	2004	2006	2005	2004
156	1.025			1.014		
144	1.031	1.021		1.023	1.011	
132	1.038	1.034	1.031	1.035	1.019	1.032
120	1.048	1.050	1.042	1.049	1.030	1.046
108	1.059	1.067	1.055	1.068	1.036	1.065
96	1.075	1.084	1.072	1.094	1.061	1.091
84	1.097	1.120	1.095	1.129	1.103	1.130
72	1.129	1.160	1.119	1.181	1.166	1.190
60	1.177	1.222	1.164	1.259	1.268	1.301
48	1.280	1.319	1.254	1.403	1.395	1.459
36	1.433	1.471	1.400	1.714	1.661	1.786
24	1.674	1.705	1.635	2.234	2.134	2.335
12	2.224	2.256	2.168	3.315	3.168	3.432

Tail	Net Medical RLDF			Net Indemnity RLDF		
	2006	2005	2004	2006	2005	2004
156	1.053			1.014		
144	1.057	1.057		1.015	1.017	
132	1.062	1.058	1.029	1.016	1.018	1.023
120	1.067	1.060	1.030	1.017	1.020	1.024
108	1.075	1.063	1.033	1.020	1.023	1.027
96	1.085	1.067	1.037	1.024	1.028	1.032
84	1.096	1.074	1.043	1.033	1.037	1.042
72	1.111	1.079	1.054	1.048	1.056	1.060
60	1.139	1.107	1.070	1.071	1.087	1.089
48	1.205	1.163	1.120	1.134	1.159	1.160
36	1.282	1.234	1.192	1.250	1.280	1.290
24	1.412	1.350	1.310	1.468	1.499	1.491
12	1.639	1.569	1.515	1.947	1.990	1.966

**Health Care Providers
Runoff Analysis**

Exhibit 4

Total Net Ultimate Loss

	2006	2005	2004	2003	One Year Change	Two Year Change	Three Year Change
4/1/93-11/1/93							
11/1/93-11/1/94							
11/1/94-11/1/95							
11/1/95-11/1/96							
11/1/96-11/1/97	9,394,073	9,265,695	8,969,866	8,793,660	128,378	424,207	600,413
11/1/97-11/1/98	7,381,939	7,453,305	7,399,067	7,279,812	(71,366)	(17,128)	102,127
11/1/98-11/1/99	8,848,689	8,598,631	8,439,511	8,404,218	250,058	409,178	444,471
11/1/99-11/1/00	8,968,007	8,992,651	8,695,728	8,386,749	(24,644)	272,279	581,258
11/1/00-11/1/01	10,729,298	10,677,185	10,449,302	9,933,059	52,113	279,996	796,239
11/1/01-11/1/02	11,449,939	11,259,237	10,890,661	10,990,689	190,702	559,278	459,250
11/1/02-11/1/03	13,069,490	12,649,242	12,535,483	13,253,187	420,248	534,007	(183,697)
11/1/03-11/1/04	11,761,230	11,873,474	12,363,141		(112,244)	(601,911)	
11/1/04-11/1/05	12,567,371	12,491,915			75,456		
11/1/05-11/1/06	12,613,859						
Total	106,783,895	93,261,335	79,742,759	67,041,374	908,701	1,859,906	2,800,061

**Health Care Providers
Diagnostics**

Exhibit 5

Policy Year	(1) Implied Medical Frequency	(2) Implied Indemnity Frequency	(3) Implied Medical Severity	(4) Implied Indemnity Severity	(5) Medical Open Claim Ct	(6) Indemnity Open Claim Ct	(7) 12 month Average Case Reserve	(8) 24 month Average Case Reserve	(9) Ultimate Loss Rate	(10) Paid to Incurred	(11) IBNR to Case
4/1/93-11/1/93							754	1,234	5.21	1.01	-
11/1/93-11/1/94							543	712	2.57	0.95	0.44
11/1/94-11/1/95							657	771	2.43	0.99	1.84
11/1/95-11/1/96							857	842	2.83	0.99	3.93
11/1/96-11/1/97							593	484	2.87	0.93	0.23
11/1/97-11/1/98							425	398	2.24	0.95	1.17
11/1/98-11/1/99							460	459	2.35	0.90	0.30
11/1/99-11/1/00							434	389	1.97	0.91	1.05
11/1/00-11/1/01							412	328	2.05	0.94	1.95
11/1/01-11/1/02							404	327	2.02	0.88	1.33
11/1/02-11/1/03							436	349	2.11	0.81	1.22
11/1/03-11/1/04							331	265	1.70	0.80	2.74
11/1/04-11/1/05							313	196	1.61	0.79	4.48
11/1/05-11/1/06							245	-	1.51	0.43	4.42

Policy Year	(12) 12 Mo Indemnity Case	(13) 24 Mo Indemnity Case	(14) 12 Mo Medical Case	(15) 24 Mo Medical Case	(16) 12 Mo ALAE Case	(17) 24 Mo ALAE Case	(18) 12 Mo Total Case	(19) 24 Mo Total Case
4/1/93-11/1/93	38,480	92,440	61,695	66,526	9,330	20,225	109,505	179,191
11/1/93-11/1/94	319,997	759,223	417,456	266,947	105,054	77,850	842,507	1,104,020
11/1/94-11/1/95	921,698	1,319,853	573,601	481,727	211,897	203,467	1,707,196	2,005,047
11/1/95-11/1/96	1,117,270	1,541,941	980,669	665,352	340,227	189,964	2,438,166	2,397,257
11/1/96-11/1/97	875,118	873,854	836,921	524,443	228,637	185,522	1,940,676	1,583,819
11/1/97-11/1/98	529,269	654,158	607,602	460,581	265,115	196,219	1,401,986	1,310,958
11/1/98-11/1/99	609,739	915,563	764,764	611,751	355,416	198,380	1,729,919	1,725,694
11/1/99-11/1/00	800,433	943,728	924,553	677,719	248,773	147,930	1,973,759	1,769,377
11/1/00-11/1/01	796,186	906,050	1,068,774	622,043	293,745	188,717	2,158,705	1,716,810
11/1/01-11/1/02	855,850	1,001,626	1,090,308	647,612	344,451	200,673	2,290,609	1,849,911
11/1/02-11/1/03	1,037,164	1,165,228	1,287,788	713,550	371,656	280,352	2,696,608	2,159,130
11/1/03-11/1/04	905,645	981,522	996,917	618,024	387,850	229,629	2,290,412	1,829,175
11/1/04-11/1/05	907,441	822,700	1,090,067	520,253	441,838	181,975	2,439,346	1,524,928
11/1/05-11/1/06	800,343		833,597		408,737		2,042,677	-
							-	-

Exhibit 6

**Health Care Providers
Analysis Using Industry Factors
As of 10/31/2006**

Policy Year	Retention	Paid Loss	Incurred Loss	Paid LDF*	Incurred LDF*	Paid Ultimate	Incurred Ultimate	Average Ultimate**	Selected Ultimate	Difference
1993	250,000	745,899	739,969	1.116	1.026	832,538	758,985	777,373		
1994	250,000	3,728,849	3,907,718	1.122	1.026	4,182,779	4,010,142	4,053,301		
1995	250,000	6,068,577	6,151,962	1.133	1.032	6,875,407	6,351,089	6,482,168		
1996	250,000	7,717,008	7,787,920	1.156	1.038	8,917,860	8,080,199	8,289,614		
1997	250,000	8,587,850	9,243,721	1.190	1.048	10,221,941	9,686,543	9,820,392	9,394,073	(426,319)
1998	250,000	6,632,497	6,977,638	1.238	1.069	8,210,306	7,458,141	7,646,182	7,381,939	(264,243)
1999	250,000	7,776,246	8,600,362	1.300	1.101	10,107,449	9,468,389	9,628,154	8,848,689	(779,465)
2000	250,000	7,512,258	8,223,225	1.353	1.116	10,161,174	9,174,921	9,421,484	8,968,007	(453,477)
2001	250,000	8,955,338	9,557,134	1.428	1.141	12,786,803	10,900,924	11,372,394	10,729,298	(643,096)
2002	300,000	8,658,939	9,859,260	1.587	1.194	13,742,740	11,776,536	12,268,087	11,449,939	(818,148)
2003	400,000	8,673,414	10,654,837	1.850	1.275	16,046,788	13,589,204	14,203,600	13,069,490	(1,134,110)
2004	500,000	6,114,460	7,624,729	2.347	1.433	14,352,614	10,925,035	11,781,930	11,761,230	(20,700)
2005	500,000	5,050,838	6,422,304	3.566	1.788	18,012,342	11,481,184	13,113,974	12,567,371	(546,603)
2006	500,000	1,559,524	3,600,873	9.275	2.778	14,464,325	10,004,104	11,119,159	12,613,859	1,494,700
		87,781,697	99,351,652			148,915,067	123,665,395	129,977,813	106,783,895	(3,591,461)

* 2005 AM Best 2-Year Average New York State loss development factors adjusted for appropriate retention.

** 25% Paid and 75% Incurred

Independent Grocers Workers Compensation Self-Insurance Trust

Analysis of Trust's Actuarial Report

PRICEWATERHOUSECOOPERS 

**Boston
June 2007**

Introduction

Purpose

PricewaterhouseCoopers LLP (PwC) has been asked by the New York State Workers' Compensation Board (NYSWCB) to perform a review of the loss and loss adjustment expense reserves for certain group self-insurance Trusts. In an effort to develop an efficient review process, the NYWCB has requested that the review be conducted in three tiers. The first tier was an initial screening of the Trust's reserves by examining the actuarial reports prepared during the past three years and comparing the results to the Trust's financial statements.

Tier one procedures included the following:

- Review the methods, procedures and key assumptions used in prior actuarial reports.
- Perform runoff-analysis of prior reserve estimates and recorded reserves.
- Evaluate the Trust's expected losses from prior indications and review the relationship of the selected ultimate losses to this expectation.
- Develop the most recent paid and reported losses using industry benchmark loss development factors to get a preview of current indications.
- Calculate other diagnostic statistics deemed necessary.

Based on the results of this initial screening process, the NYWCB would determine whether additional work would be required as described in our proposed scope of services for the second and third tier analyses. The second tier of the analysis was designed to prepare an independent estimate based on prescribed methods. These methods are standard actuarial techniques that are commonly used to evaluate the loss and loss adjustment expenses for workers compensation. The results from the second tier were to be discussed with the Trust's actuary in an attempt to reconcile the differences in the estimates and determine which estimates were the most appropriate to use for recording liabilities.

It was recognized that the prescribed actuarial techniques used in the second tier of the review may not be the best alternative for estimating the unpaid workers compensation losses for these Trusts. Therefore, the NYWCB may determine that the third tier of the actuarial analysis would be necessary. For the third tier of the actuarial analysis, PwC would incorporate any changes in exposure or claim handling procedures into the reserve estimation process in order to determine the PwC best estimate of the indicated reserve levels. Details of the work plan for the second and third tier of the review are shown in Exhibit A - Scope of Services.

Distribution and Use

This report is being prepared in conjunction with the New York State Workers' Compensation Board (NYSWCB) examination of the financial statements for the group self-insurance Trust. This report shall be distributed to the group self-insurance Trust and the New York State Workers' Compensation Board. This report shall not be discussed with, or otherwise disclosed to any third party without PricewaterhouseCoopers' prior written consent.

Reliance Upon Provided Data

PwC review was based exclusively on information provided in the actuarial reports prepared by SGRisk and any data directly provided by the Trust administrator. While we have compared the data in the various reports for consistency, we have made no attempt to verify the data contained therein. We have not reviewed any supplemental information contained in the actuarial work papers or other calculations that may have been performed by Trust's actuarial firm that is not disclosed within this report. Often, an actuary's work papers will contain supplemental calculations to support his assumptions or assertions that are not contained in the actuarial report. Since this additional information may influence the actuary's judgments and selections, it

may be necessary for PwC to review additional information before concluding on the recommendations contained in this report.

Limitations

The evaluation of workers compensation loss and loss adjustment expense reserves requires the estimation of loss development over an extended period of time. During this period, numerous factors will affect the ultimate settlement value of claims. Such factors may include, but are not limited to, inflationary trends, benefit levels, compensation awards and claim settlement practices. These factors may change in the future in ways that are not expected or not sufficiently represented in the historical data. In general, actuarial projections do not contemplate the unforeseen changes in these factors. As such, the use of generally accepted actuarial practices and standards will not guarantee that the actual losses will not vary materially from the actuarial estimates, due to the uncertainty inherent in loss projections.

Data

Reports Reviewed for Tier One

The following is a list of the reports reviewed for our analysis:

1. SGRisk Actuarial Report Titled: Independent Grocers Workers Compensation Self-Insurance Trust Loss and ALAE Reserves at December 31, 2005, prepared by David A. Royce, dated March 20, 2006.
2. SGRisk Actuarial Report Titled: Independent Grocers Workers Compensation Self-Insurance Trust Loss and ALAE Reserves at December 31, 2004, prepared by David A. Royce, dated March 4, 2005.
3. SGRisk Actuarial Report Titled: Independent Grocers Workers Compensation Self-Insurance Trust Loss and ALAE Reserves at December 31, 2003, prepared by David A. Royce, dated March 3, 2004.
4. SGRisk Actuarial Report Titled: Independent Grocers Workers Compensation Self-Insurance Trust Loss and ALAE Reserves at December 31, 2002, prepared by David A. Royce, dated March 24, 2003.
5. Audited Financial Statements for the Independent Grocers Workers Compensation Self-Insurance Trust for years ending December 31, 2005 and 2004 dated April 10, 2006.
6. NCCI Statistical Bulletin 2006 Edition, which contained the New York Compensation Insurance Rating Board (NYCIRB) loss development factors.

Findings - Independent Grocers Workers' Compensation Trust

Summary of Findings

The actuary provides a net analysis. The Trust appears to have a consistent retention of \$350,000; however, this is not entirely certain since there are conflicting references within the actuarial report. The appendix contains large loss information from which one can derive the excess recoveries. Based on our review, it is unclear if the Trust is accounting for the excess recoveries appropriately (by grossing up the net reserves and establishing a receivable for the anticipated recoveries per GAAP requirements). There was no large loss experience provided so we are uncertain whether there were any excess losses. However, based on the aggregate amount of losses in each period, we do not believe there have been any large losses so this does not seem to be a concern.

The actuary uses five standard actuarial techniques to forecast the ultimate loss and determine the indicated reserve: PLDM, RLDM, PBFM, RBFM and an expected loss method. All methods were appropriately applied with no unusual exceptions. Actuarial documentation supporting judgments was complete. Claim counts and diagnostics are contained in the actuarial report.

The expected loss rate used seemed appropriate. The low implied loss rate resulting from the ultimate loss selection for the recent policy period initially suggested a concern. However, the claim count data provided shows that the latest policy period had very low reported claim counts for both medical and indemnity, as compared to prior periods. Therefore, the actuarial judgments seem reasonable.

The loss development factors were derived from the Trust experience. LDF selections were responsive to the data and the tail factor was derived using an inverse power function. In 2006, the Trust's actuary decreased the paid tail factor for the medical and indemnity components with no explanation provided in the actuarial memo. We noted that this adjustment made the paid and reported indications converge for the older periods where most claims have been settled and therefore we believe this revision may be appropriate.

The discount factors were calculated with a 5.0% interest assumption and the Trust's development experience. The Trust's payment patterns are reasonably stable enough to justify discounting. The runoff of the prior ultimate loss selections was reasonably stable and did not cause a concern.

To determine a provision for the loss-based assessments, a 42.2% assessment rate and a 40.5% indemnity/medical split was used. The assessment rate was based on the average or maximum of prior assessment rates and the indemnity/medical split ratio was based on experience, tempered for the ALAE inherent in the indemnity data.

The methods relied on by the actuary were reasonable, consistent and appropriately reflect the strengths and weakness of the methods.

The recorded loss reserves were 5.0% below that actuarial best estimate. The runoff of the actuary's indicated reserves do not suggest that the actuarial indications have been conservative. Therefore, this reduction does not seem warranted. However, it was also noted that the actuarial recorded provision for assessments was above the actuarial estimates for the indicated assessment. Therefore, in aggregate, the recorded reserves were reasonable.

Recommendation

- The actuarial review was complete and well documented (however, an explanation for the paid loss development tail reduction in 2006 was warranted).
- The runoff shows years with both positive and negative changes. Most of the slight adverse runoff is explained by the account year that has one of the highest loss rates and may have been the result of unexpected emergence.
- Parameters and indicated reserve seemed reasonable and responsive to the Trust's experience.
- A tier two review is not recommended.
- We noted no valid reason for the Trust to record loss reserves below the actuarial best estimate. However, this did not create a significant concern, since the recorded provision for loss-based assessments was higher than the actuarial indicated amount.

Methods and Procedures

Review Procedures

The first tier of the loss and loss adjustment expense reserve review was intended to be a screening process to identify the trusts where additional actuarial analysis was recommended to assess the reasonableness of the recorded loss and loss adjustment expense reserves. The recommendation to perform additional work was made under any of the following circumstances:

- The actuarial report supporting the recorded reserves was not considered complete and/or the actuarial judgments made were not well documented or supported.
- The runoff of the prior ultimate loss selections suggested that the methods and parameters were not performing as expected.
- Key parameters used in the actuarial forecasts were not consistent with the Trust experience or inconsistent with other benchmark statistics.

To assess the above issues, we reviewed the actuarial reports submitted to NYSWCB in the prior three years. The methods, assumptions and key parameters used by the actuary were evaluated for consistency and responsiveness to the data. The judgment made in selecting which method to use and the weights assigned to the various methods were reviewed for consistency and reasonableness (based on the strengths and weakness of the methods applied). Additional work was recommended when the actuary made judgments that were not well documented, not supported by the Trusts actual experience or inconsistent with the strengths and weakness of the method. The resulting recommendation for incomplete documentation may have been to simply review the supporting information that was not presented or to perform independent testing to validate the actuarial judgment made by the Trust's actuary. A tier two analysis was recommended when the methods relied on by the Trust actuary may not be the best alternative available.

We evaluated the runoff of the actuary's prior selections (Exhibit 4) of the ultimate losses. An actuary's estimate of the ultimate losses may change over time for a number of reasons. Sometimes the actual experience emerges different than anticipated in the actuarial forecast and sometimes the key parameters used in the actuarial forecasting model are revised or updated in subsequent reviews. When the runoff analysis showed there was significant adverse development in the prior ultimate losses, we assessed whether this was due to loss emergence, a change in the model parameters or both. When the methods and parameters used by the actuary remained consistent and losses emerge significantly higher than originally anticipated, we recommended proceeding to the second tier review. If there was adverse runoff, and it was the result of adverse loss emergence and a change in the key parameters that was responsive to the emergence, a tier two review may not have been recommended. We also considered Trusts with favorable runoff for a tier two review if the favorable runoff was caused by a change in the key actuarial parameters with no supporting change in loss emergence.

The key parameters used in the actuarial review were evaluated for consistency and compared to benchmark statistics. We evaluated the exposure for changes in retention and the expected loss ratio used by the Trust's actuary was compared to the experience loss ratios shown in the report (Exhibit 2). We evaluated the selected loss development factors for consistency (Exhibit 3). The loss development factors were also compared to the NYCIRB development factors, using the PwC retention adjustment procedure. We evaluated the discount rate and the payment patterns used for discounting. We compared the payment pattern used for discounting with the payment patterns inherent in the ultimate loss selections and the NYCIRB payment patterns (considering the retention adjustment used by the Trust's actuary). To evaluate the reasonableness of the provision for loss based assessments, we compared the assessment percentage used in the calculation to that used for other Trusts and evaluated the indemnity/medical split ratio using the forecasted ultimate loss components and the benchmark split ratio used by other trusts.

We calculated certain diagnostic statistics to assess potential changes in the claim reserving and settlement practices and to test the appropriateness of the selected reserve. When the data was available in the actuarial reports, we calculated reported frequency, ultimate severity, ultimate loss ratio, paid-to-incurred ratio, IBNR to Case Reserve ratio, average case reserve per reported claim, average case reserve per open claim, and settlement rate.

Comparison to the Recorded Reserve

We compared the indicated reserve produced by the Trust's actuary to the recorded reserve. Since actuarial loss reserve estimates are in fact estimates, there is a range around the actuarial estimate that should be considered reasonable. However, under GAAP accounting, the Trust needs to record its best estimate. There should be valid reasons that a Trust is recording a reserve that differs from the actuary's best estimate. That reason should also be tested for reasonableness. The Trust have been recording loss reserves that are below their own actuary's best estimate with no supporting reason. The Trust and their auditor should be contacted to validate the appropriateness of the recorded accrual.

Ultimate Losses Using 2005 Development Factors

To evaluate the ultimate loss selections we also compared the indicated ultimate losses produced by the Trust's actuary to the indicated ultimate losses produced by developing the Trust's paid and reported losses using the 2005 loss development factors and weighting the results 25% and 75%, respectively. Loss development factors will differ by type of risk, retention level and claim handling philosophy. Therefore, loss development factors based on the Trust's own experience will usually produce better indications than development methods using industry experience. We adjusted the 2005 NYCIRB loss development factors to the Trust's retention level using a PwC internal procedure to make the comparison more appropriate. While this test does provide insight about the potential risk inherent in the estimate, it should not be used by itself to draw conclusions about the adequacy of the indicated reserves produced in the actuarial reports. The results are shown in Exhibit 6. The ultimate losses using the industry benchmark loss development factors produce nominal reserves that are \$0.5 million above the actuarial indicated reserves with the most recent policy year indication approximately equaling the benchmark. However, it was noted that the paid indications are driving this difference and the Trust's loss development experience suggests that the type of claims reported for this trust seem to settle much quicker than the industry average.

Index of Exhibits

	<u>Exhibits</u>
Descriptions	
Summary Notes of Analysis of Trust's Actuarial Report.....	1
Exposure Analysis	2
LDF Analysis.....	3
Runoff	4
Diagnostics	5
Benchmark Development	6

Abbreviations

ALAE	Allocated loss adjustment expenses
BF	Bornhuetter-Ferguson method for projecting ultimate amounts
GAAP	Generally Accepted Accounting Principles
IBNR	Incurred but not reported
LAE	Loss adjustment expenses
LDF	Loss development factor
NCCI	National Council on Compensation Insurance, Inc.
NYCIRB	New York Compensation Insurance Rating Board
NYSWCB	New York State Workers' Compensation Board
PLDM	Paid Loss Development Method
PBFM	Paid Bornhuetter-Ferguson Method
PwC	PricewaterhouseCoopers LLP
RLDM	Reported Loss Development Method
RBFM	Reported Bornhuetter-Ferguson Method
TPA	Third party administrator
ULAE	Unallocated loss adjustment expenses

Trust Info

Name	Independent Grocers Workers Comp Trust
Latest Valuation Date	12/31/2005
Actuary	David Royce
TPA	Naples Claims Management

Exposure

Comments: Retention: Not Clearly noted in Report - Excess Table notes \$200,000 - \$300,000? Premium Analysis notes \$350,000.

Gross vs Net

Separate loss development analysis and indication.
Loss Development factors calculated net of recoveries and Consistent Retention.
Settlement for 1 claim - No material distortion.

Methods Used

Methods	Net analysis only PLDM, RLDM, Expected Loss, PBFM, RBFM
---------	--

Comments: Standard methods, no unusual exceptions
Consistent for all years

Expected Loss

Method:	Standard loss rate method using 3% annual trend. Splits loss costs 48% indemnity, 52% Medical Consistent Expected used in prior years
---------	---

Comments: Reasonable expected loss rate compared to Ultimate loss rate

Loss Development Factors

Method: **2005** Reasonable selections based on averages of historical data and fitted values with inverse power
2004 Reasonable selections based on averages of historical data and fitted values with inverse power
2003 Reasonable selections based on averages of historical data and fitted values with inverse power

Tail Factors 96 to ult		Ind. RLDF	Med RLDF	Ind PLDF	Med PLDF
	2005	1.025	1.068	1.070	1.096
	2004	1.047	1.066	1.169	1.211
	2003	1.031	1.071	1.224	1.107

Comments: Tail Factor reduced significantly.

Discounting

Discount Factors		Gross Loss	Assessment
	2005	85.2%	85.2%
	2004	84.4%	84.4%
	2003	85.7%	85.7%

Reflective of Trust Development

Discount based on Trust development factors - Reasonable and consistent
 All years based on 5.0%

Claim Adjustment Expense

Comments: Not Reviewed

Assessments

	2005	2004	2003
Assessment Percentage	42.2%	38.4%	37.9%
Indemnity/Medical Split	40.5%	41.9%	42.2%
Discount	5%	5%	5%

Comments: Assessment percent either an average or maximum of prior rates
 Indemnity % tempered to reflect ALAE
 Discount provided at 4.0, 5.0 and 6.0%, Recorded at 5.0%

Judgments and Ultimate Loss Selections

Methods Relied On:

Net and Direct

2005 96-06 ave LDM and BFM methods x hi/lo
2004 96-04 ave RLDF and prior (6/30/04), 05 ave PLDF and RLDF
2003 96-04 ave RLDM and RBFM methods with some judgemental adjustments in older periods.

Comments:

Consistent approach and judgments all years
Methods converge to similar ultimate losses

Diagnostics

Comments:

Normal runoff.

Comparison To Recorded

	2005		2004	
Indicated Gross Loss Reserve	1,407,476		1,615,181	
Discounted Gross Loss Reserve	1,198,636		1,363,018	
Recorded	1,138,704	(59,932) -5.0%	1,294,876	(68,142) -5.0%
Indicated Assessment	253,346		259,981	
Discounted Assessment	215,754		219,394	
Recorded	289,117	73,363 34.0%	292,436	73,042 33.3%
Indicated Recoverable	Not calculated		Not calculated	
Discounted Recoverable	-		-	
Recorded	-		-	

Comments:

Excess recoveries not properly accounted for.

Findings

Comments:

The loss reserve analysis was complete, well documented and the selected results were reasonable
No need for further review

**Independent Grocers Workers Comp Trust
Exposure Analysis**

Policy Year	Retention (1)	Payroll	Expected Indemnity Loss Cost	Expected Medical Loss Cost	Expected Total Loss Cost	Selected Loss Cost
5/1/96-1/1/97	350,000	166,982	0.80	0.86	1.66	2.79
1/1/97-1/1/98	350,000	274,574	0.82	0.89	1.71	1.62
1/1/98-1/1/99	350,000	294,870	0.84	0.91	1.75	1.88
1/1/99-1/1/00	350,000	278,512	0.87	0.94	1.81	2.21
1/1/00-1/1/01	350,000	270,752	0.89	0.97	1.86	1.70
1/1/01-1/1/02	350,000	311,960	0.92	1.00	1.92	2.10
1/1/02-1/1/03	350,000	315,821	0.95	1.03	1.98	1.82
1/1/03-1/1/04	350,000	302,169	0.98	1.06	2.04	2.21
1/1/04-1/1/05	350,000	293,836	1.00	1.09	2.09	1.71
1/1/05-1/1/06	350,000	273,798	1.04	1.12	2.16	1.46

(1) Not documented well in report.

**Independent Grocers Workers Comp Trust
Exposure Analysis**

Tail	Net Medical PLDF			Net Indemnity PLDF		
	2005	2004	2003	2005	2004	2003
	108					
96	1.096	1.211	1.107	1.070	1.169	1.224
84	1.125	1.245	1.145	1.106	1.218	1.266
72	1.165	1.290	1.193	1.163	1.290	1.332
60	1.219	1.351	1.259	1.264	1.402	1.447
48	1.290	1.419	1.357	1.455	1.600	1.661
36	1.519	1.659	1.522	1.865	2.008	2.122
24	1.902	2.087	1.888	2.984	3.160	3.335
12	3.983	4.350	3.885	7.410	7.913	7.831

Tail	Net Medical RLDF			Net Indemnity RLDF		
	2005	2004	2003	2005	2004	2003
	108					
96	1.068	1.066	1.071	1.025	1.047	1.031
84	1.080	1.080	1.086	1.032	1.056	1.034
72	1.098	1.101	1.111	1.046	1.072	1.041
60	1.130	1.135	1.149	1.070	1.103	1.055
48	1.188	1.169	1.215	1.125	1.142	1.089
36	1.296	1.282	1.335	1.319	1.335	1.173
24	1.559	1.569	1.576	1.617	1.684	1.396
12	2.181	2.209	2.132	2.319	2.436	2.076

**Independent Grocers Workers Comp Trust
Runoff Analysis**

Exhibit 4

Total Net Ultimate Loss

	2005	2004	2003	2002	One Year Change	Two Year Change	Three Year Change
5/1/96-1/1/97	466,000	451,000	429,000	529,000	15,000	37,000	(63,000)
1/1/97-1/1/98	444,000	444,000	407,000	353,000	-	37,000	91,000
1/1/98-1/1/99	554,000	571,000	539,000	548,000	(17,000)	15,000	6,000
1/1/99-1/1/00	615,000	597,000	567,000	596,000	18,000	48,000	19,000
1/1/00-1/1/01	460,000	494,000	467,000	497,000	(34,000)	(7,000)	(37,000)
1/1/01-1/1/02	655,000	616,000	620,000	638,000	39,000	35,000	17,000
1/1/02-1/1/03	576,000	561,000	524,000	528,000	15,000	52,000	48,000
1/1/03-1/1/04	667,000	690,000	524,000		(23,000)	143,000	
1/1/04-1/1/05	503,000	514,214			(11,214)		
1/1/05-1/1/06	401,000						
Total	5,341,000	4,938,214	4,077,000	3,689,000	1,786	360,000	81,000

**Independent Grocers Workers Comp Trust
Diagnostics**

Exhibit 5

Policy Year	Indemnity Reported	Indemnity Closed	Indemnity Open	Medical Reported	Medical Closed	Medical Open	Paid to Incurred	IBNR to Case
5/1/96-1/1/97	40	38	2	71	71	0	0.945	0.376
1/1/97-1/1/98	55	53	2	94	94	0	0.855	0.225
1/1/98-1/1/99	50	47	3	114	114	0	0.961	1.068
1/1/99-1/1/00	58	52	6	266	266	0	0.973	2.170
1/1/00-1/1/01	48	43	5	264	264	0	0.923	1.015
1/1/01-1/1/02	45	40	5	261	261	0	0.929	1.608
1/1/02-1/1/03	47	36	11	269	268	1	0.828	0.937
1/1/03-1/1/04	45	31	14	203	203	0	0.820	1.701
1/1/04-1/1/05	40	23	17	116	112	4	0.789	3.925
1/1/05-1/1/06	26	10	16	19	3	16	0.625	6.631

Independent Grocers Workers Comp Trust
Analysis Using Industry Factors
As of 12/31/2005

Policy Year	Retention	Paid Loss	Incurred Loss	Paid LDF*	Incurred LDF*	Paid Ultimate	Incurred Ultimate	Average Ultimate**	Selected Ultimate	Difference
1996	350,000	431,445	456,563	1.214	1.059	523,769	483,312	493,426	466,000	(27,426)
1997	350,000	367,817	429,992	1.263	1.080	464,386	464,288	464,313	444,000	(20,313)
1998	350,000	510,750	531,659	1.326	1.112	677,088	591,286	612,737	554,000	(58,737)
1999	350,000	565,367	581,022	1.382	1.129	781,500	655,769	687,202	615,000	(72,202)
2000	350,000	393,733	426,620	1.463	1.156	575,879	493,231	513,893	460,000	(53,893)
2001	350,000	545,896	587,730	1.600	1.200	873,235	705,399	747,358	655,000	(92,358)
2002	350,000	410,682	496,025	1.833	1.268	752,954	628,808	659,844	576,000	(83,844)
2003	350,000	419,094	510,894	2.276	1.399	953,864	714,650	774,454	667,000	(107,454)
2004	350,000	216,816	274,923	3.448	1.731	747,606	475,835	543,777	503,000	(40,777)
2005	350,000	71,923	115,044	8.982	2.688	646,037	309,215	393,421	401,000	7,579
		3,933,523	4,410,472			6,996,317	5,521,794	5,890,425	5,341,000	(549,425)

* 2005 AM Best 2-Year Average New York State loss development factors adjusted for appropriate retention..


** 25% Paid and 75% Incurred

EXHIBIT 18

BST



An Independent Member of the RSM McGladrey Network

By The Numbers
Actuarial 
Consulting, Inc.

March 31, 2010

Mr. Christopher J. Rosetti, CPA, CFF, CFE

Partner

BST Valuation & Litigation Advisors, LLC Forensic Accounting and Financial Investigations

26 Computer Drive West

Albany, NY 12205

RE: Health Care Providers Self-Insurance Trust

Dear Mr. Rosetti:

By the Numbers Actuarial Consulting, Inc. (BYNAC) has been retained by BS&T Valuation Litigation Advisors, LLC (BS&T) to provide support in its financial and forensic-related services of the Health Care Providers Self-Insurance Trust (HCP).

INFORMATION PROVIDED

Listed below is the information provided by BS&T that we have reviewed.

1. SGRisk, Inc. actuarial report dated 1/15/02 - estimated required reserves as of 10/31/01.
2. SGRisk, Inc. actuarial report dated 2/25/03 - estimated required reserves as of 10/31/02.
3. SGRisk, Inc. actuarial report dated 2/17/04 - estimated required reserves as of 10/31/03.
4. SGRisk, Inc. actuarial report dated 12/29/04 - estimated required reserves as of 10/31/04.
5. SGRisk, Inc. actuarial report dated 1/5/06 - estimated required reserves as of 10/31/05.
6. SGRisk, Inc. actuarial report dated 1/19/07 - estimated required reserves as of 10/31/06.
7. SGRisk, Inc. actuarial report dated 2/27/08 - estimated required reserves as of 10/31/07.
8. SGRisk, Inc. actuarial report dated 8/29/08 – analysis of rates effective 11/1/08.
9. SGRisk, Inc. actuarial report dated 1/23/09 - estimated required reserves as of 10/31/08.
10. PricewaterhouseCoopers LLP (PWC) analysis of HCP's actuarial reports valued as of 10/31/01 dated 5/9/03.
11. PWC analysis of HCP's actuarial reports valued as of 10/31/03, 10/31/04, 10/31/05, and 10/31/06 dated 6/07.
12. Level I Review as of 10/31/03 by the New York State Workers' Compensation Board dated 7/26/04.
13. Level I Review as of 10/31/04 by the New York State Workers' Compensation Board dated 5/10/05.
14. Level I Review as of 10/31/05 by the New York State Workers' Compensation Board dated 5/22/06.
15. Level I Review as of 10/31/06 by the New York State Workers' Compensation Board dated 6/18/07.
16. Level I Review as of 10/31/07 by the New York State Workers' Compensation Board dated 5/7/08.
17. Level I Review as of 10/31/08 by the New York State Workers' Compensation Board dated 3/24/09.
18. HCP response to the PWC review as of 10/31/02 dated 10/22/03.

Mr. Christopher J. Rosetti, CPA, CFF, CFE
March 31, 2010
Page Two

19. HCP response to the 10/31/04 WCB Level I Review dated 7/21/05.
20. HCP response to the 10/31/07 WCB Level I Review dated 5/28/08.
21. SGRisk protest of WCB's order of an independent review of the 10/31/05 actuarial report dated 2/22/07.

In addition to the information listed above, supplemental data including claims practice audits as of 8/99, 2/00, 7/00, and 12/09 and financial statements for 1994-2008 were provided and used in my analysis.

PRICEWATERHOUSECOOPERS LLP ANALYSIS OF TRUST'S ACTUARIAL REPORTS

The PWC reports provide a good analysis of the SGRisk actuarial reports from 10/31/01 through 10/31/06. In general, the PWC reports indicate and BYNAC agrees that the SGRisk reports were complete and well documented. The methods relied on by the actuary were reasonable and consistent. The main concerns raised by PWC are still valid through the 2008 financials these are:

- The recorded reserves are significantly below the actuarial indications (see Exhibit I).
- The Trust does not seem to be accounting for excess recoveries appropriately.
- The collectability of the anticipated premiums from loss sensitive programs is a concern due to the large size of the anticipated additional premium.
- Since the Trust is not holding invested assets to support the recorded loss reserves, the appropriateness of the discounting is questionable.

The remainder of this report will focus on the 10/31/07, 10/31/08, and 11/1/08 actuarial reports that were not reviewed by PWC.

SGRISK ACTUARIAL REPORTS

Following are comments on the SGRisk actuarial reports. Per your instructions, we are commenting from a "prudent" actuary's point of view.

- 10/31/07 SGRisk Actuarial Report – Five methods were used to estimate ultimate incurred losses in this report (incurred loss development indemnity/medical separate, paid loss development indemnity/medical separate, expected loss projection, incurred Bornhuetter-Ferguson (B-F), and paid B-F). Comments on this report are:
 - The incurred and paid loss development factors are based on HCP experience limited to the specific retention. A claim in the 11/1/06-07 period with incurred losses of \$600,000 is not developed beyond the retention in both the paid and incurred analysis.
 - It is noted that the experience provided is net of excess recoveries and that it was not possible to distinguish excess recoveries from other types of recoveries in order to put the data on a gross of excess recoveries basis. SGRisk adjusted the paid losses and case reserves in order to limit both to the specific retention. The report notes that no

adjustment was necessary for incurred losses. The accounting of excess claims is confusing and will be discussed later in this report. It should be noted that the reinsurer for 4/19/93-94 through 11/1/96-97 is Reliance which is now in liquidation. The anticipated recoveries shown in Appendix A and B for claims in these periods seem to indicate that anticipated recoveries are still being recognized. The actuarial report indicates that no opinion is made concerning the collectability of excess insurance recoveries.

- The method used in the expected loss projection calculation is reasonable. No adjustment is made for the changes in the specific retention. BYNAC was unable to verify the source of the -4.9% (indemnity) and -3.5% (medical) trend. The trend in the 10/1/07 NYCIRB rate filing is +5.5% (combined).
- Selected ultimate for 4/19 – 11/1/93 through 11/1/05-06 are based on the mean of the two development methods and two B-F methods excluding the high and low equally weighted with the estimated ultimate as of 4/30/07. This is the same method used in prior reports. Since the estimates have generally been increasing over time, this method of selection resulted in lower estimates than the indications alone. The report indicates that using the prior estimate provides more stability.
- Selected ultimate for 11/1/06-07 is based on the mean of the four methods, excluding high and low, weighted equally with the expected loss projection (since no prior estimate is available). This method was also used in prior reports.
- 10/31/08 SGRisk Actuarial Report – Five methods were used to estimate ultimate incurred losses in this report (incurred loss development indemnity/medical separate, paid loss development indemnity/medical separate, expected loss projection, incurred B-F, and paid B-F). Comments on this report are:
 - The incurred and paid loss development factors are based on HCP experience limited to the specific retention. Changes in the selections are reasonable compared to the 10/31/07 report. Two claims, one in the 11/1/06-07 period and one in the 11/1/07-08 period, at or near the \$600,000 retention were not developed beyond the retention.
 - The expected loss projection calculation is reasonable. No adjustment is made for changes in the specific retention. BYNAC was unable to verify the -4.3% (indemnity) and -3.8% (medical) trend. The trend in the 10/1/08 NYCIRB loss cost revision is -0.8% (combined). The projection for 11/1/07-08 is heavily influenced by the estimated savings ensuing from the passage of the Workers Compensation Reform Bill. These estimates were taken directly from the WCIRB loss cost filing for 10/1/08. While a reasonable method, this may prove optimistic over time.
 - Selected ultimate for 4/19 – 11/1/93 through 11/1/06-07 are based on the mean of the two development methods and two B-F methods excluding the high and low equally weighted with the estimated ultimate as of 4/30/08. This is the same method used in prior reports.
 - Selected ultimate for 11/1/07-08 is based on the mean of the four methods, excluding high and low. Unlike prior reports, the result of this mean was not averaged with the expected loss projection. The change is noted in the actuarial report. This serves to

- reduce somewhat, the dependence on the estimated change in benefit levels.
- 11/1/08 SGRisk Actuarial Report – An analysis of rates effective 11/1/08. Five methods are used to estimate ultimate incurred losses: incurred development, paid development, expected loss projection, incurred B-F, and paid B-F. Development factors were fitted from the 4/30/08 reserve analysis which was not examined for this report. Trend and benefit level adjustments were taken from industry sources.
 - Selected ultimate based on average of the development and B-F methods excluding high and low. This is more responsive to change than the method used in the reserve review where the average is weighted with the prior year estimate. This is appropriate for a rate study.
 - Trend used is -0.8% which matches the trend in the NYCIRB 2008 loss cost revision.
 - Projected expense and assessment ratios are reasonable compared to prior year actual amounts.
 - Report is well documented. Projected contribution rate of \$1.93 per \$100 payroll is reasonable.

Below are our opinions about the SGRisk reports.

1. The methods used by the actuary in all of the reports were reasonable and provided an adequate review of HCP. Selected estimates were consistent with those of a prudent actuary. The actuarial review could have been more complete in the areas described below.
2. The following diagnostics are not included in the reports that we believe a prudent actuary would include: reported and closed claim triangles, average severities, frequencies, and paid to incurred ratios. This information would assist in checking the reasonableness of the estimates and validate any assumptions about changes in reserving and claim closing by the third-party administrator. Judgment should be as fact-based as possible.
3. Although a listing of large losses is provided, better documentation of the excess estimates would have enhanced the reports. It is clear that anticipated recoveries were not handled consistently between the actuarial reports and financial statements.
4. The losses in the 10/31/07 and 10/31/08 reports are discounted using the actual paid compared to the selected ultimate to estimate a payout pattern. Losses discounted at 4%, 5%, and 6% are shown in the report and losses using the 5% rate are presented in the results. The method used and calculations appear reasonable. Below is a comparison of the average discount factor.

Discounted Reserves at Actuarial Central Level

Report	Discounted Reserves at the Actuarial Central Level	Undiscounted Reserves at the Actuarial Central Level	Discount Factor	Interest Rate
10/31/01	15,569,055	24,120,813	0.645	9.75%
10/31/02	23,751,316	28,120,817	0.845	5.00%
10/31/03	26,659,613	31,213,412	0.854	5.00%
10/31/04	29,159,710	34,053,362	0.856	5.00%
10/31/05	31,849,420	37,213,639	0.856	5.00%
10/31/06	32,810,553	38,115,983	0.861	5.00%
10/31/07	34,186,992	39,977,669	0.855	5.00%
10/31/08	37,359,223	43,818,400	0.853	5.00%

- Exhibit II is a comparison of the estimated ultimate incurred losses selected by SGRisk in the 10/31/01 through 10/31/08 actuarial reports. As shown, SGRisk's estimates have increased about \$10,200,000 over the eight year period.
- A graph of Exhibit II is shown in Exhibits III-XVII for the 11/1/93-94 through 11/1/07-08 accident periods, respectively. If the estimates and methodology are reasonable, the bars (the estimates of ultimate incurred losses) would remain at approximately the same height or the increases and decreases would approximately offset each other. While these estimates are generally increasing, no large swings in case or IBNR reserves are observed.
- The indemnity ratios used in the assessment reserve calculations are based on the actual HCP experience.

LEVEL I REVIEWS

The Level I reviews rely heavily on the estimates in the actuarial reports. To the extent that the actuarial estimate is inadequate or inaccurate, the funding level calculation shown in these reports is also inaccurate. The Level I reviews express concern about the large loss sensitive premium receivable and the difference between actuarial indications and carried reserves. In 2005, the Trust entered into a Consent Agreement to address the issue with the retention program receivable asset. The "Profitability Predictor" shown in the 10/31/06 review indicated that the 11/1/06-07 period would break even. This is consistent with BYNAC's determination that the actuarial reports provided gave reasonable projections of ultimate losses.

TREATMENT OF EXCESS RECOVERIES IN 10/31/08 ACTUARIAL REPORT AND FINANCIAL STATEMENTS

The net cumulative paid shown in the actuarial reports is equal to the cumulative paid (Appendix A of SGRisk report) – recoveries received (Appendix A of SGRisk Report) – actuarial excess adjustments (Appendix B of SGRisk report). For instance, the cumulative Indemnity and ALAE

Mr. Christopher J. Rosetti, CPA, CFF, CFE
March 31, 2010
Page Six

paid for 4/1-11/1/93 is equal to $\$728,293 - \$155,501 - \$171,000 + \$87,788 - \$0 - \$0 = \$489,580$. This represents the actuary's estimate of the paid losses net of recoveries received and limited to the specific retention. The net case reserves shown in the actuarial reports is equal to the case reserve (Appendix A of SGRisk Report) – anticipated recoveries (Appendix A of SGRisk Report) - actuarial excess adjustments (Appendix B of SGRisk Report). For instance, the Indemnity and ALAE case reserve for 4/1-11/1/93 is $\$80,097 - \$263,067 - (-\$176,553) + \$3,271 - \$0 - \$0 = -\$3,146$. The sum of the net cumulative paid and net case reserve represent the actuary's estimate of the incurred losses net of recoveries received and anticipated and limited to the specific retention. It is not possible to check from the information provided if the actuary's understanding of the claims data provided is correct.

The "Reserves-Expected Recoveries" on the 10/31/08 balance sheet of \$4,685,537 is approximately equal to the sum of the anticipated recoveries (Appendix A of SGRisk Report) and the actuarial case reserve excess adjustments (Appendix B of SGRisk Report). If you add the anticipated recoveries to the balance sheet case reserves you get the net case reserve in the actuarial report ($\$15,995,394 - \$4,685,537 = \$11,309,857$). However, BYNAC could not tie the amounts shown in Note 5 of the Financial Statement to the actuarial report. The balance sheet amount for IBNR reserve of \$16,609,619 is well below the nominal low actuarial estimate of \$30,317,750 and the total net claim reserves of \$27,919,476 is 20% below the discounted low actuarial estimate of \$35,491,262.

Since the problem with the accounting of excess recoveries had been pointed out in the PWC report from 6/07 and the Level I report for 10/31/06 dated 6/18/07 clearly states that the actuarial indications are net of excess recoveries, it seems that the difference between the 10/31/08 financial statements and the actuarial indications is due to a management decision rather than an error in accounting as may have been true in past financial reports.

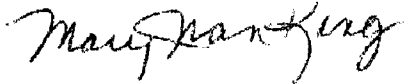
KBM MANAGEMENT CLAIM AUDIT

The 12/09 KBM Management claim audit report indicates that the Trust claims as of 10/31/08 were severely under reserved. In addition, late notice to excess carriers could result in the nonpayment of some anticipated excess recoveries. Based on this report, it is impossible to estimate at this time the true liabilities of the Trust. While some of the diagnostic reports mentioned in item 2 above may have helped to identify the possibility of under reserving, it is BYNAC's opinion that the experience available to the actuary as of 10/31/08 did not indicate the potential development seen in this claim audit.

Mr. Christopher J. Rosetti, CPA, CFF, CFE
March 31, 2010
Page Seven

If you should have any questions, please do not hesitate to call. It is a pleasure to be of service to BS&T.

Sincerely,



Mary Jean King, FCAS, FCA, MAAA
Consulting Actuary



Lisa Dennison, FCAS, FCA, MAAA
President and Consulting Actuary

attachments

Exhibit I

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST**Comparison of Actuarial Indications to Carried Reserves**

	Undiscounted			Discounted			Carried	Carried - Discounted Central
	Low	Central	High	Low	Central	High		
<u>10/31/08</u>								
Claim	41,627,480	43,818,400	48,200,240	35,491,262	37,359,223	41,095,145	27,919,476	(9,439,747)
Assessments	4,066,368	4,280,387	4,708,426	3,870,862	4,074,591	4,482,050	2,419,210	(1,655,381)
<u>10/31/07</u>								
Claim	37,978,786	39,977,669	43,975,436	32,477,642	34,186,992	37,605,691	26,024,929	(8,162,063)
Assessments	8,355,333	8,795,087	9,674,596	7,145,081	7,521,138	8,273,252	6,344,541	(1,176,597)
<u>10/31/06</u>								
Claim	34,304,385	38,115,983	41,927,581	29,529,498	32,810,553	36,091,608	28,405,005	(4,405,548)
Assessments	7,546,964	8,385,516	9,224,068	6,496,490	7,218,322	7,940,154	5,739,230	(1,479,092)
<u>10/31/05</u>								
Claim	33,492,275	37,213,639	40,935,003	28,664,478	31,849,420	35,034,362	26,673,519	(5,175,901)
Assessments	7,368,301	8,187,001	9,005,701	6,306,185	7,006,872	7,707,559	3,825,517	(3,181,355)
<u>10/31/04</u>								
Claim	30,648,026	34,053,362	37,458,698	26,243,739	29,159,710	32,075,681	24,668,813	(4,490,897)
Assessments	6,129,605	6,810,672	7,491,739	5,248,748	5,831,942	6,415,136	3,554,756	(2,277,186)
<u>10/31/03</u>								
Claim	28,092,071	31,213,412	34,334,753	23,993,652	26,659,613	29,325,574	22,885,643	(3,773,970)
Assessments	5,620,163	6,244,625	6,869,088	4,800,224	5,333,582	5,866,940	2,844,551	(2,489,031)
<u>10/31/02</u>								
Claim	25,308,735	28,120,817	30,932,899	21,376,184	23,751,316	26,126,448	20,341,304	(3,410,012)
Assessments	5,314,834	5,905,371	6,495,908	4,488,998	4,987,776	5,486,554	2,155,408	(2,832,368)

Exhibit II

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

WORKERS COMPENSATION

COMPARISON TO PRIOR ACTUARIAL REPORTS
(Limited to Specific and Aggregate Retentions)

Accident Year	10/31/01	10/31/02	10/31/03	10/31/04	10/31/05	10/31/06	10/31/07	10/31/08
4/1-10/31/93	857,707	830,173	743,492	772,682	762,553	756,025	752,796	751,320
11/1/93-94	4,135,377	4,129,725	4,076,576	4,037,170	4,005,124	3,985,984	3,988,706	4,002,500
11/1/94-95	6,284,525	6,288,194	6,050,589	6,252,837	6,290,306	6,305,402	6,299,422	6,315,957
11/1/95-96	8,647,903	8,554,455	8,058,269	8,154,298	8,087,974	8,066,375	8,077,612	8,158,643
11/1/96-97	8,564,896	8,890,554	8,793,660	8,969,866	9,265,695	9,394,073	9,568,624	9,765,974
11/1/97-98	7,128,545	7,193,390	7,279,812	7,399,067	7,453,305	7,381,939	7,375,781	7,487,655
11/1/98-99	7,080,377	7,740,186	8,404,218	8,439,511	8,598,631	8,848,689	9,149,061	9,407,043
11/1/99-00	8,140,186	8,408,733	8,386,749	8,695,728	8,992,651	8,968,007	8,926,159	9,087,718
11/1/00-01	9,046,377	9,504,197	9,933,059	10,449,302	10,677,185	10,729,298	10,879,994	11,452,437
11/1/01-02		11,063,715	10,990,689	10,890,661	11,259,237	11,449,939	11,606,213	12,047,049
11/1/02-03			13,253,187	12,535,483	12,649,242	13,069,490	13,253,173	13,636,104
11/1/03-04				12,363,141	11,873,474	11,761,230	12,025,598	12,648,347
11/1/04-05					12,491,915	12,567,371	13,066,619	13,848,669
11/1/05-06						12,613,859	12,133,520	12,712,068
11/1/06-07							14,640,572	15,212,081
11/1/07-08								14,431,444
Total	59,885,893	72,603,322	85,970,300	98,959,746	112,407,292	125,897,681	141,743,850	160,965,009

Accident Year	10/31/01 to 10/31/02	10/31/02 to 10/31/03	10/31/03 to 10/31/04	10/31/04 to 10/31/05	10/31/05 to 10/31/06	10/31/06 to 10/31/07	10/31/07 to 10/31/08	10/31/01 to 10/31/08
4/1-10/31/93	(27,534)	(86,681)	29,190	(10,129)	(6,528)	(3,229)	(1,476)	(106,387)
11/1/93-94	(5,652)	(53,149)	(39,406)	(32,046)	(19,140)	2,722	13,794	(132,877)
11/1/94-95	3,669	(237,605)	202,248	37,469	15,096	(5,980)	16,535	31,432
11/1/95-96	(93,448)	(496,186)	96,029	(66,324)	(21,599)	11,237	81,031	(489,260)
11/1/96-97	325,658	(96,894)	176,206	295,829	128,378	174,551	197,350	1,201,078
11/1/97-98	64,845	86,422	119,255	54,238	(71,366)	(6,158)	111,874	359,110
11/1/98-99	659,809	664,032	35,293	159,120	250,058	300,372	257,982	2,326,666
11/1/99-00	268,547	(21,984)	308,979	296,923	(24,644)	(41,848)	161,559	947,532
11/1/00-01	457,820	428,862	516,243	227,883	52,113	150,696	572,443	2,406,060
11/1/01-02		(73,026)	(100,028)	368,576	190,702	156,274	440,836	983,334
11/1/02-03			(717,704)	113,759	420,248	183,683	382,931	382,917
11/1/03-04				(489,667)	(112,244)	264,368	622,749	285,206
11/1/04-05					75,456	499,248	782,050	1,356,754
11/1/05-06						(480,339)	578,548	98,209
11/1/06-07							571,509	571,509
Total	1,653,714	113,791	626,305	955,631	876,530	1,205,597	4,789,715	10,221,283

Exhibit III

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/93-94 ESTIMATED ULTIMATE LOSSES BY SGRISK

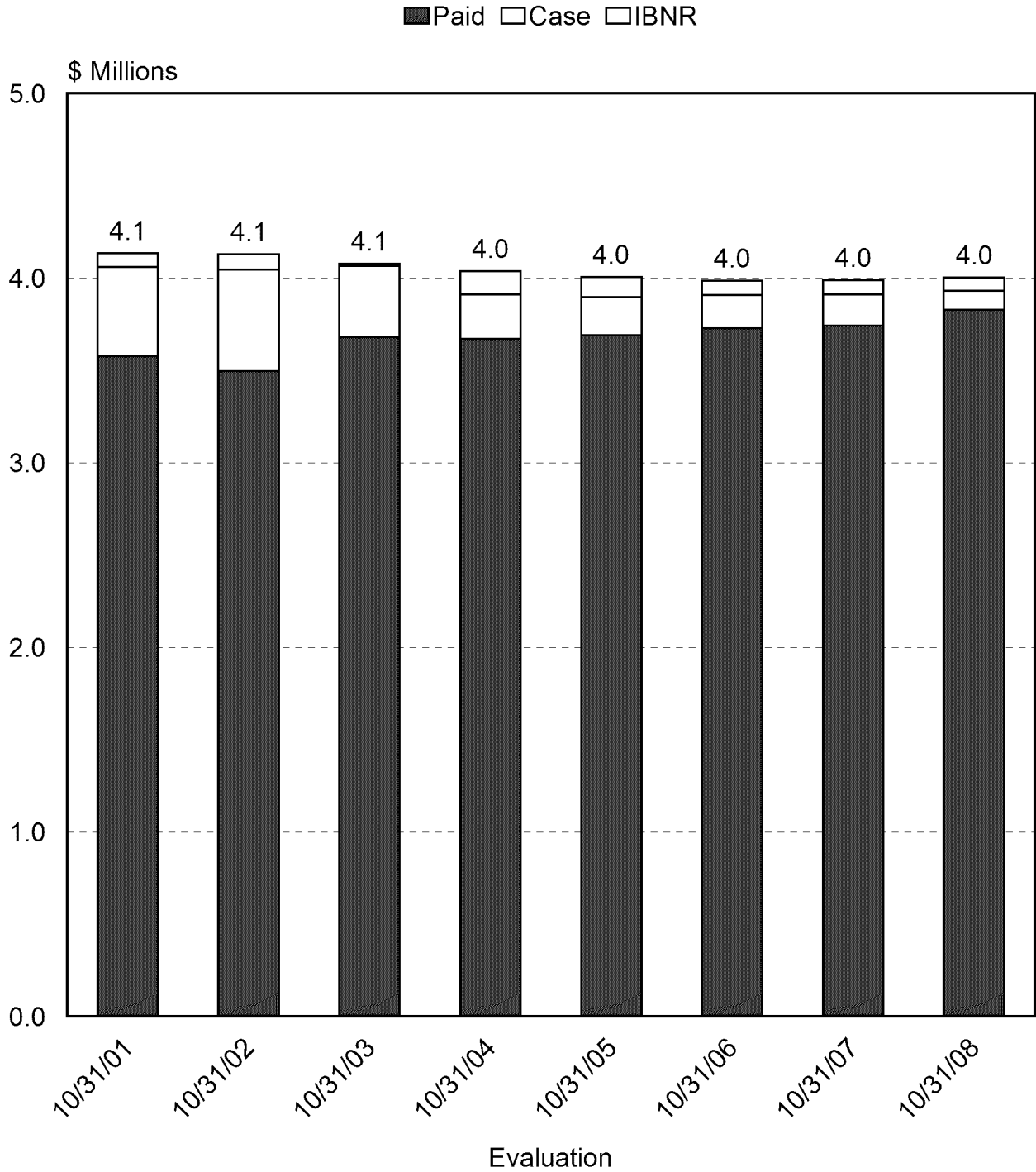


Exhibit IV

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/94-95 ESTIMATED ULTIMATE LOSSES BY SGRISK

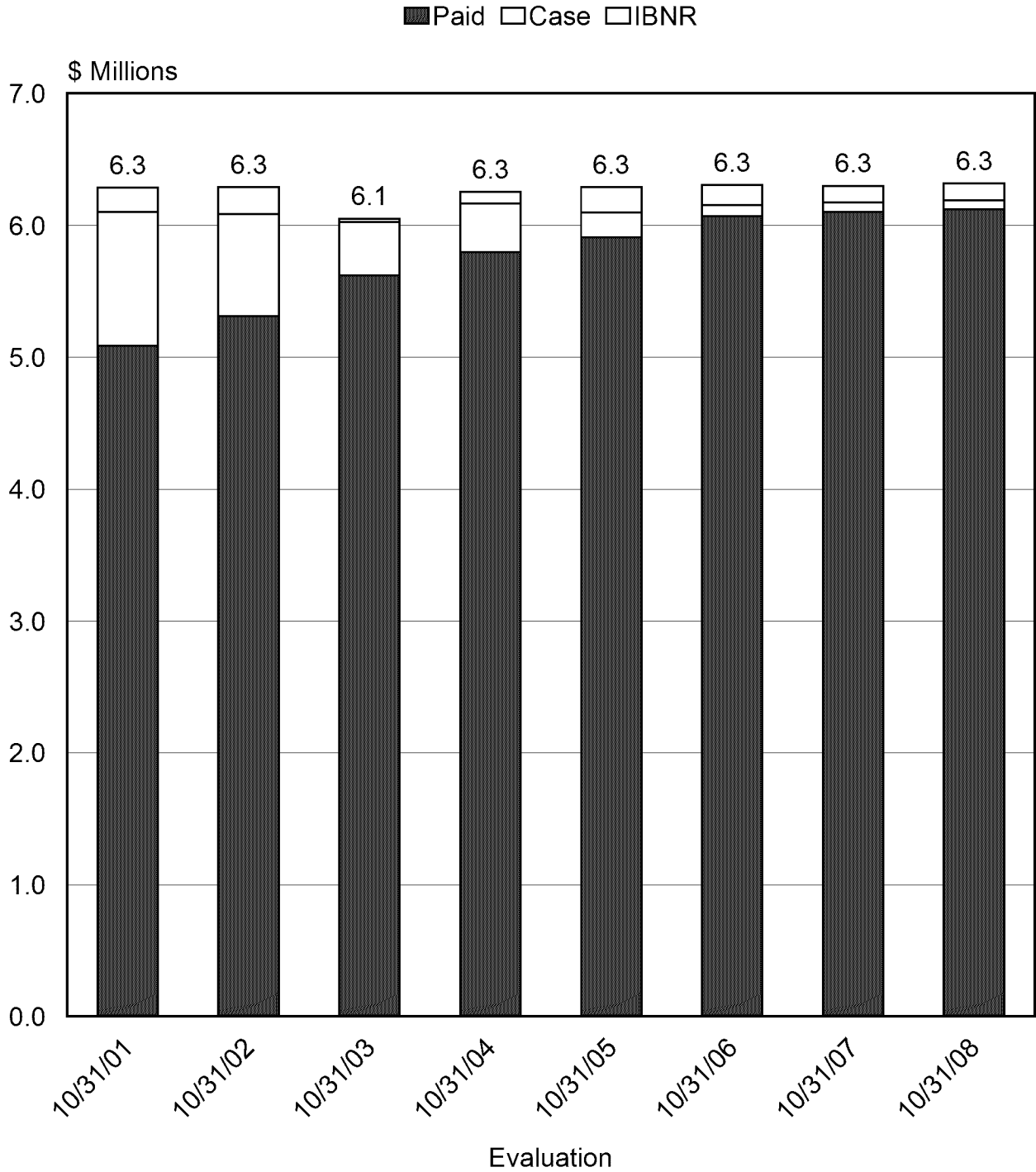


Exhibit V

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/95-96 ESTIMATED ULTIMATE LOSSES BY SGRISK

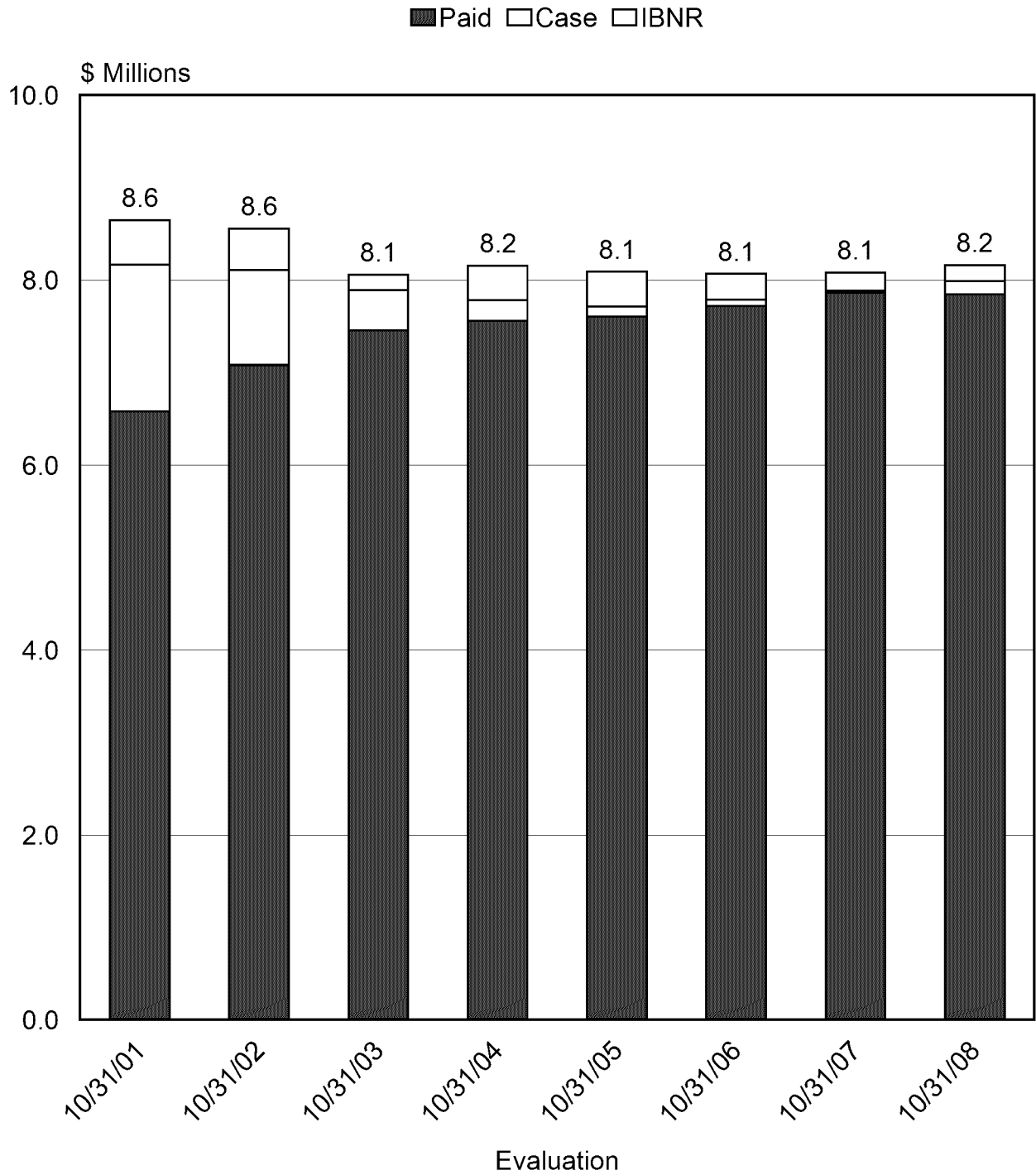


Exhibit VI

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/96-97 ESTIMATED ULTIMATE LOSSES BY SGRISK

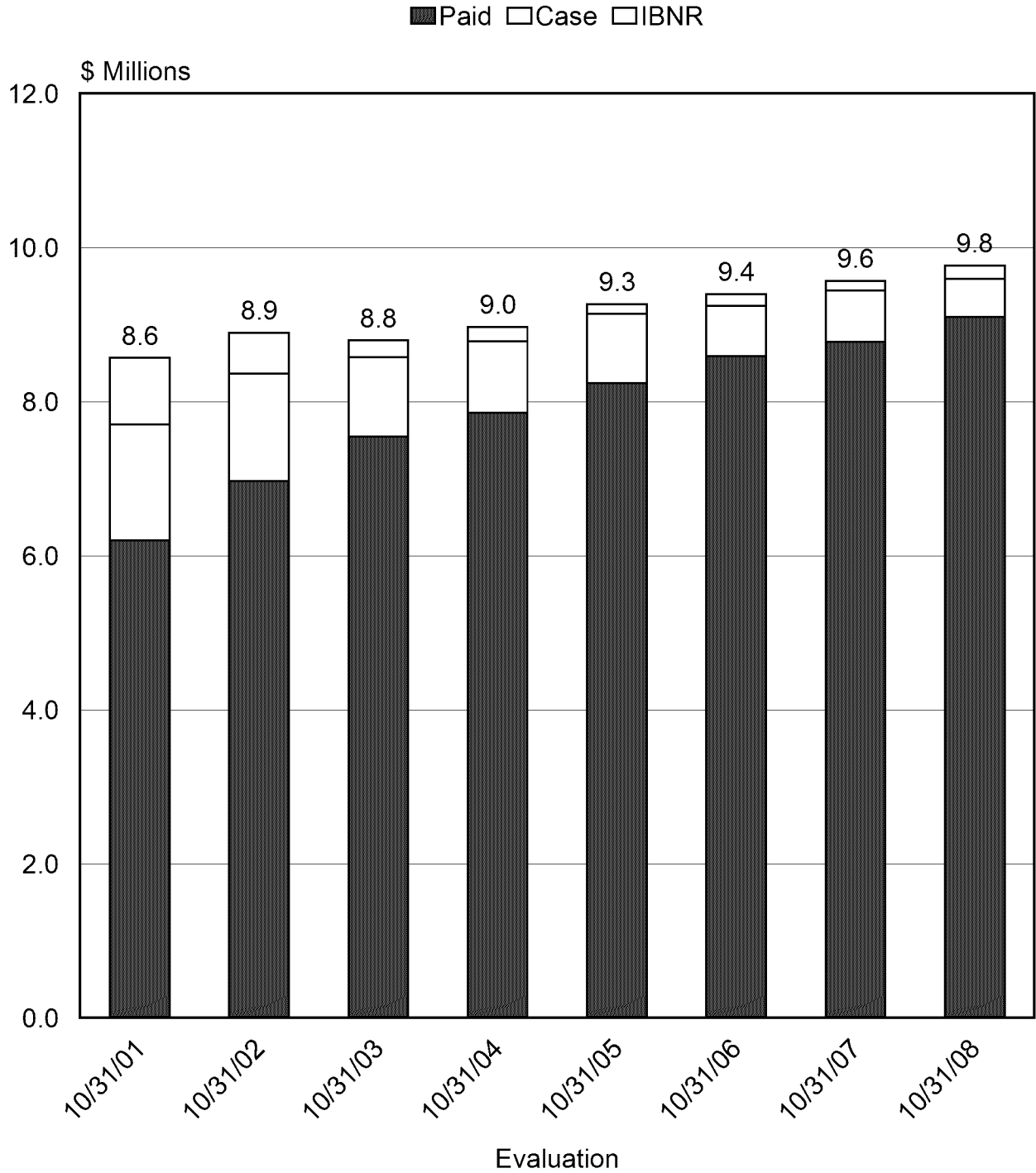


Exhibit VII

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/97-98 ESTIMATED ULTIMATE LOSSES BY SGRISK

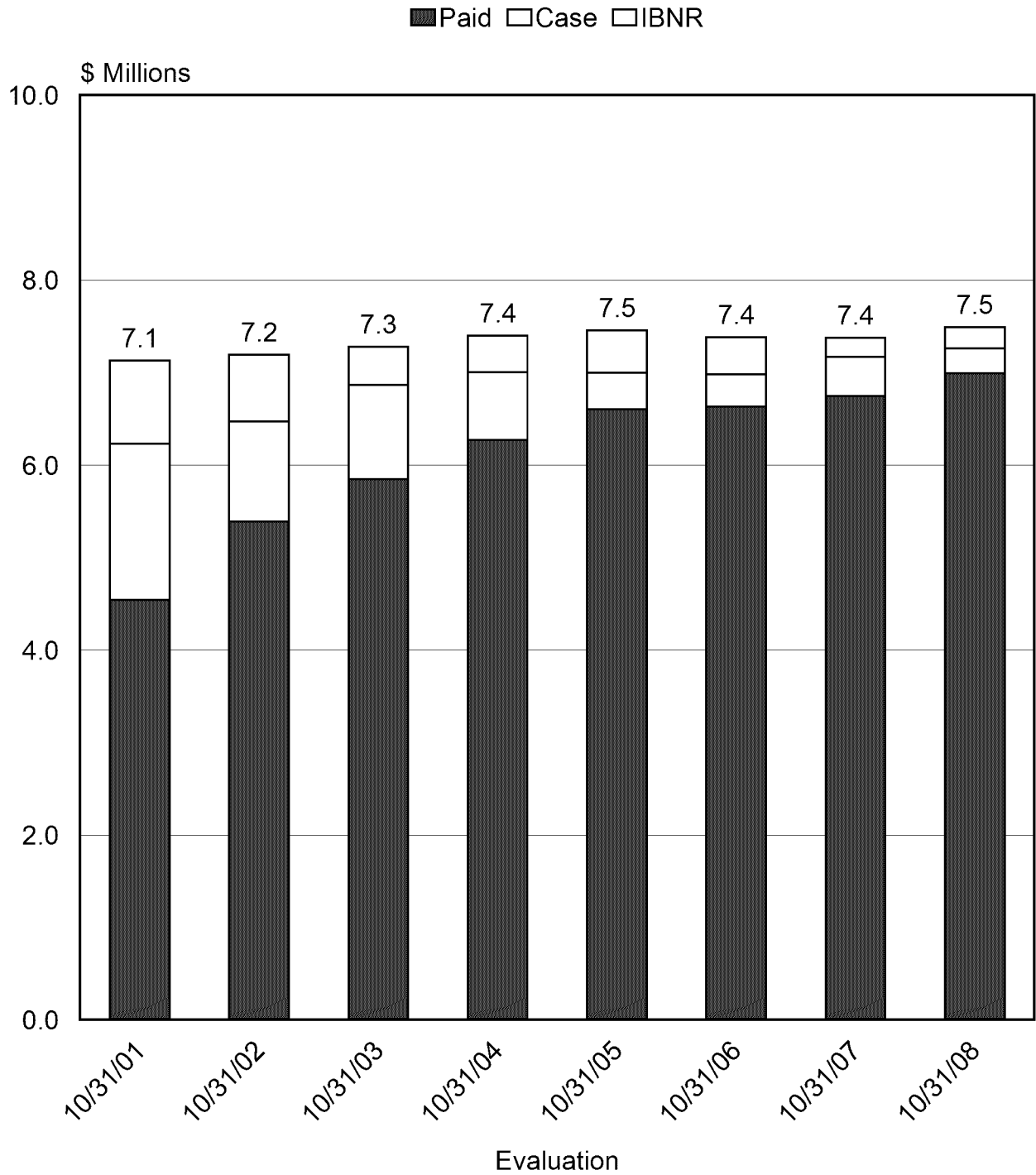


Exhibit VIII

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/98-99 ESTIMATED ULTIMATE LOSSES BY SGRISK

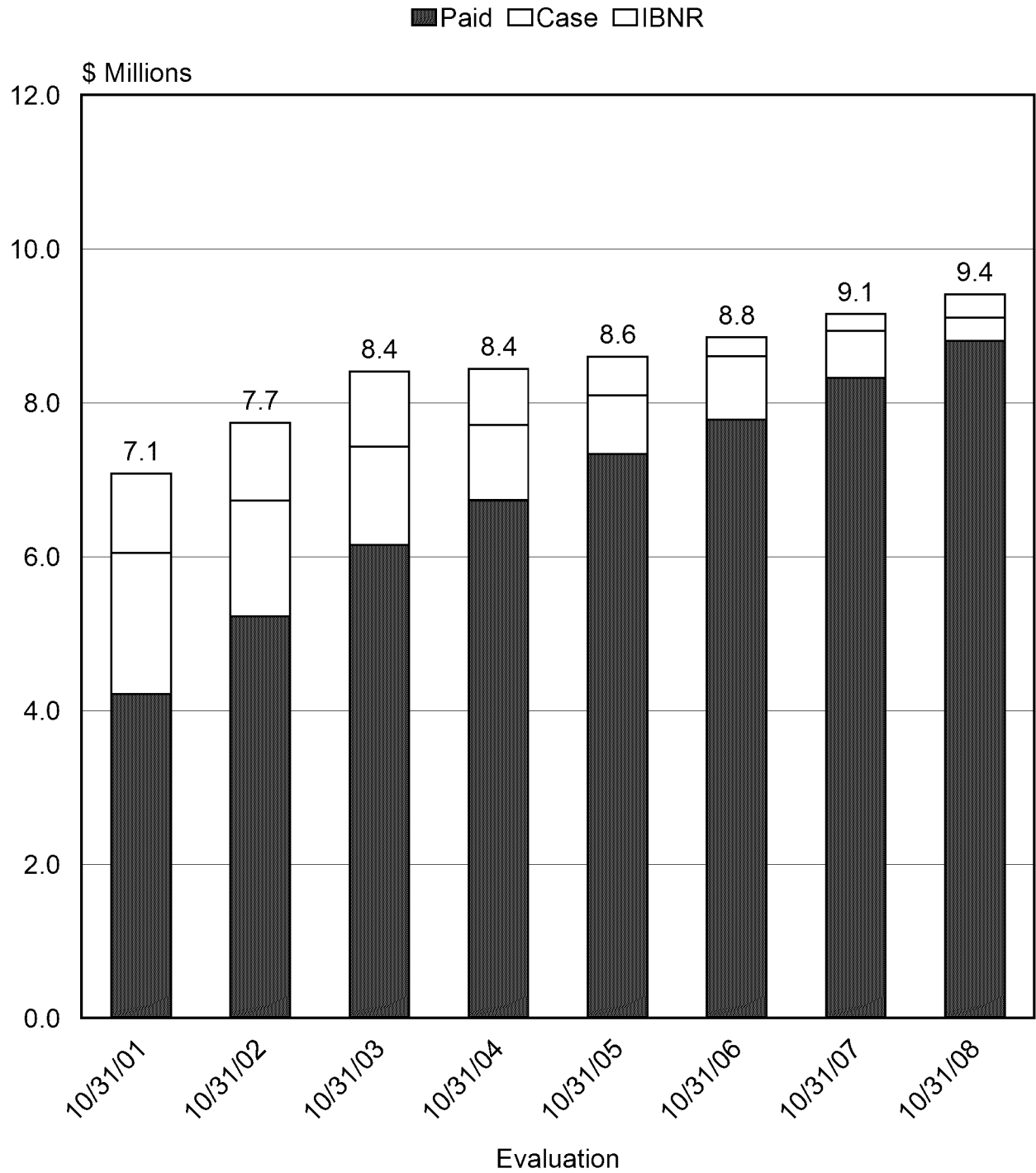


Exhibit IX

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/99-00 ESTIMATED ULTIMATE LOSSES BY SGRISK

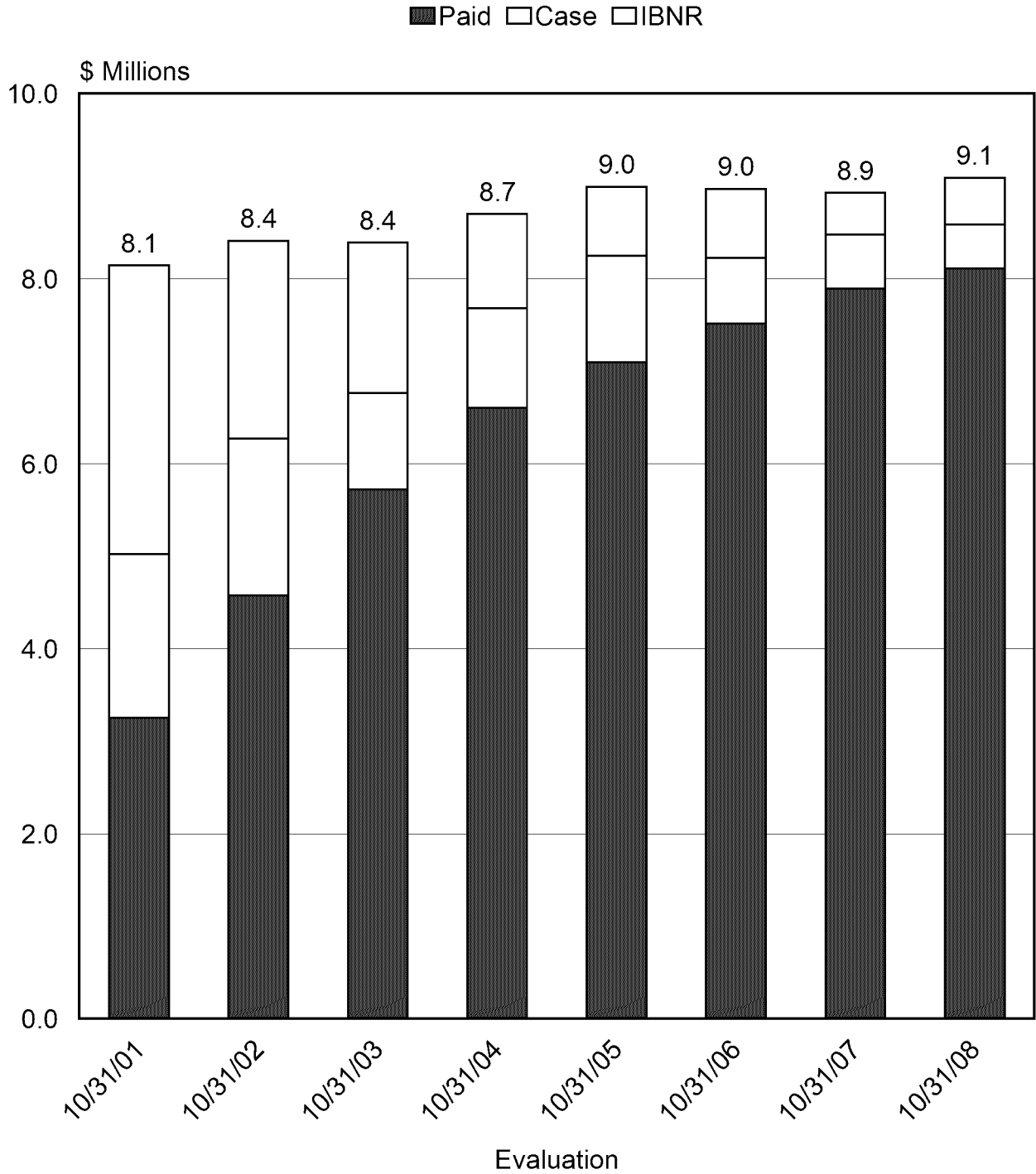


Exhibit X

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/00-01 ESTIMATED ULTIMATE LOSSES BY SGRISK

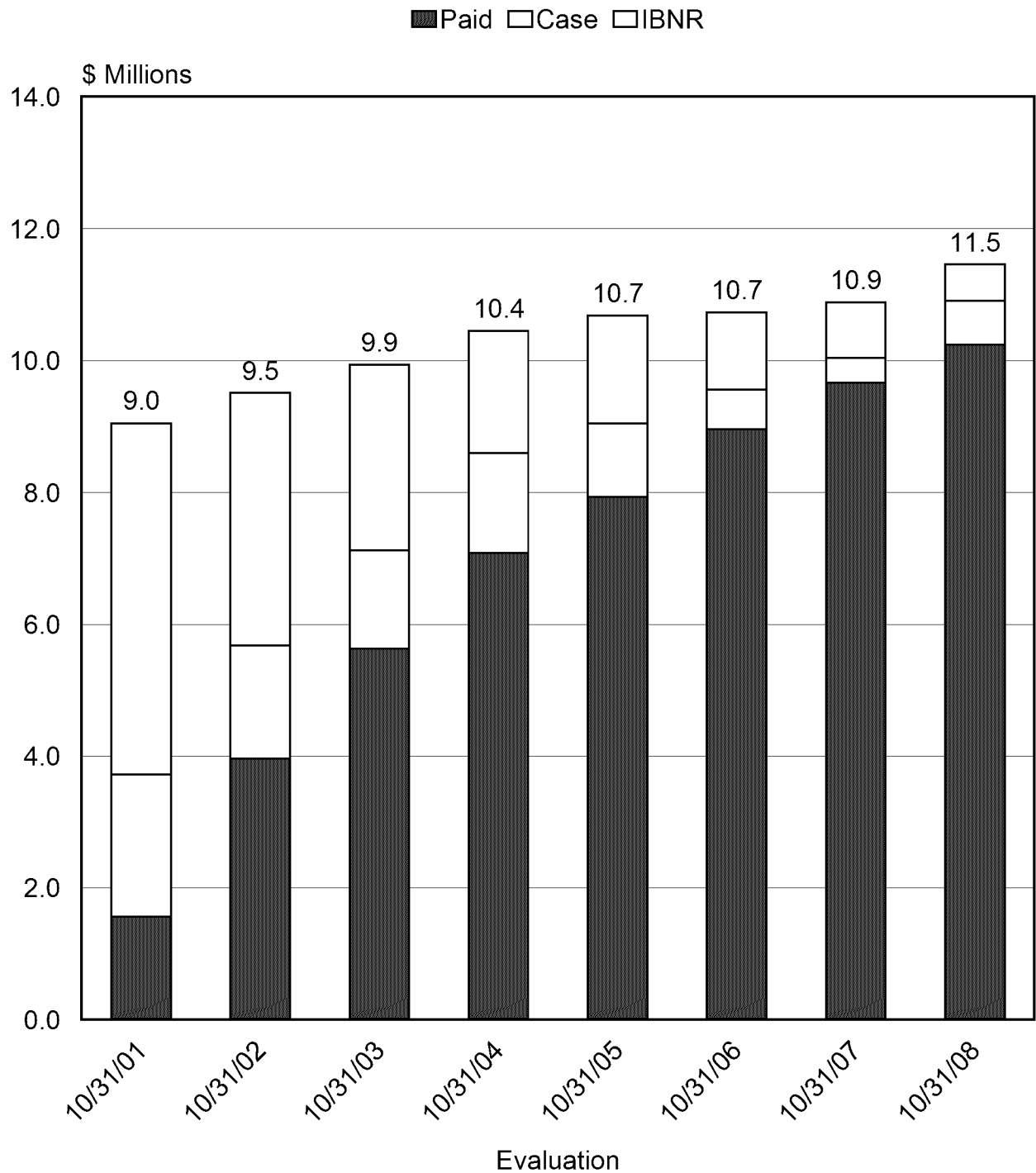


Exhibit XI

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/01-02 ESTIMATED ULTIMATE LOSSES BY SGRISK

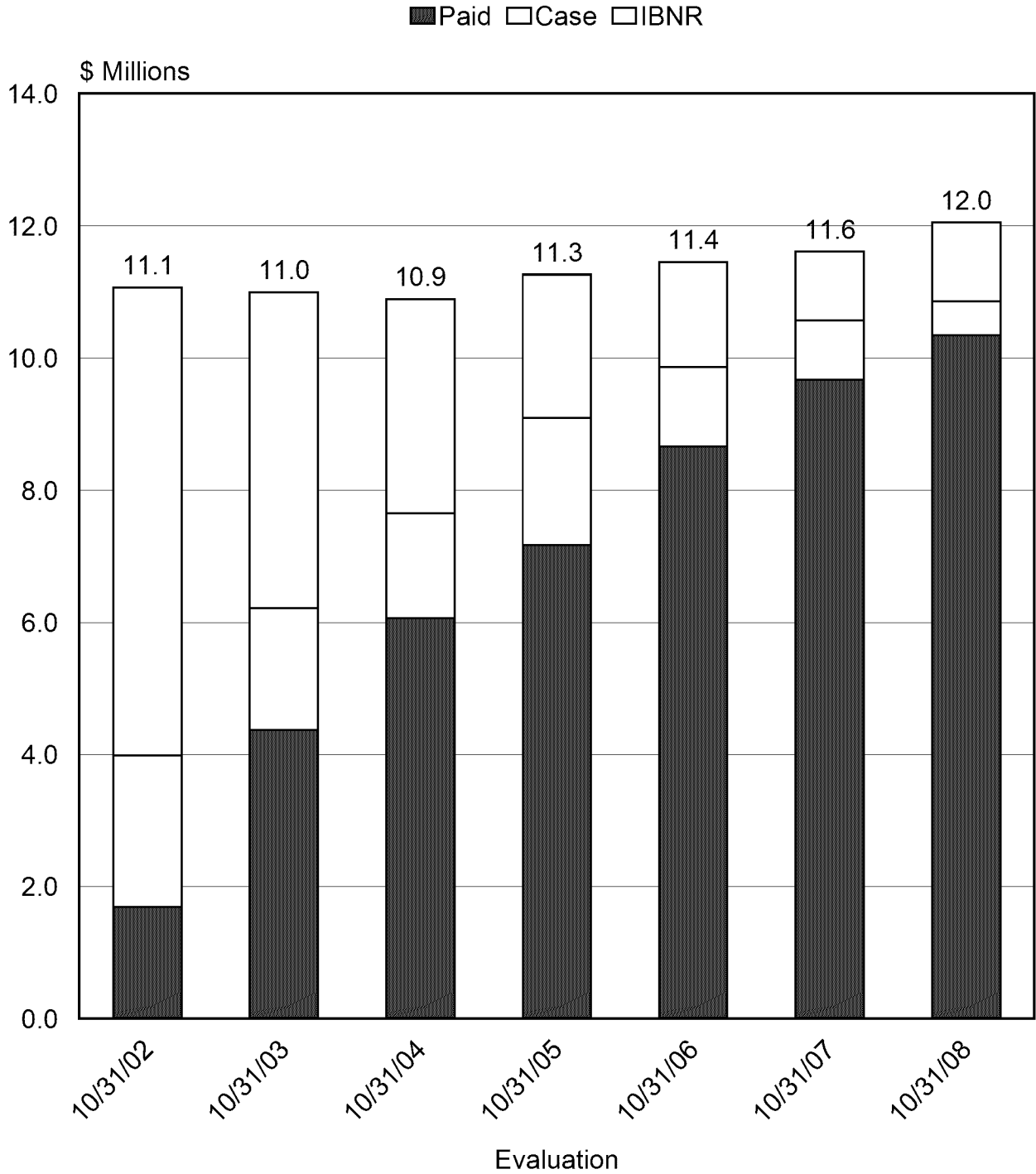


Exhibit XII

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/02-03 ESTIMATED ULTIMATE LOSSES BY SGRISK

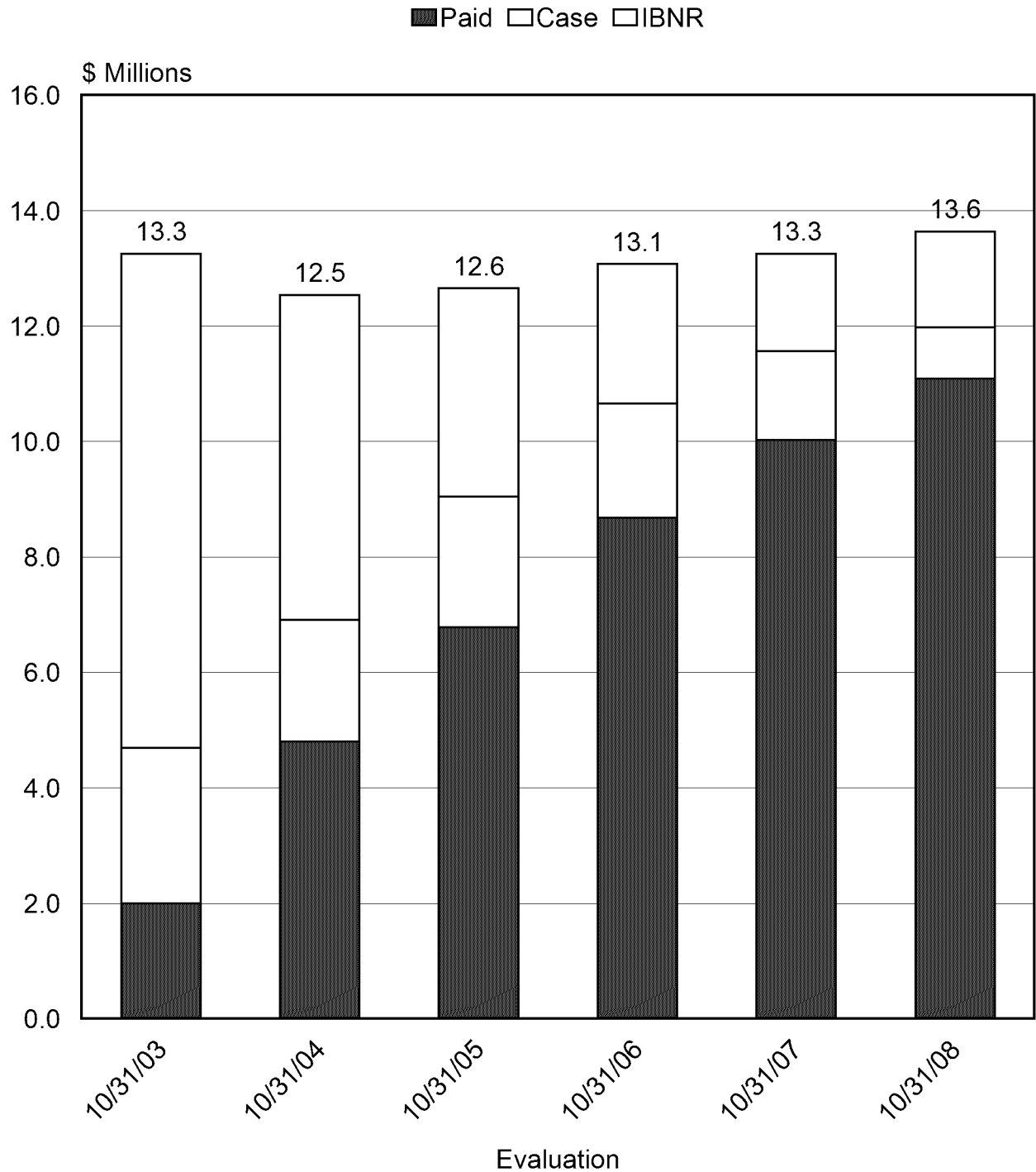


Exhibit XIII

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/03-04 ESTIMATED ULTIMATE LOSSES BY SGRISK

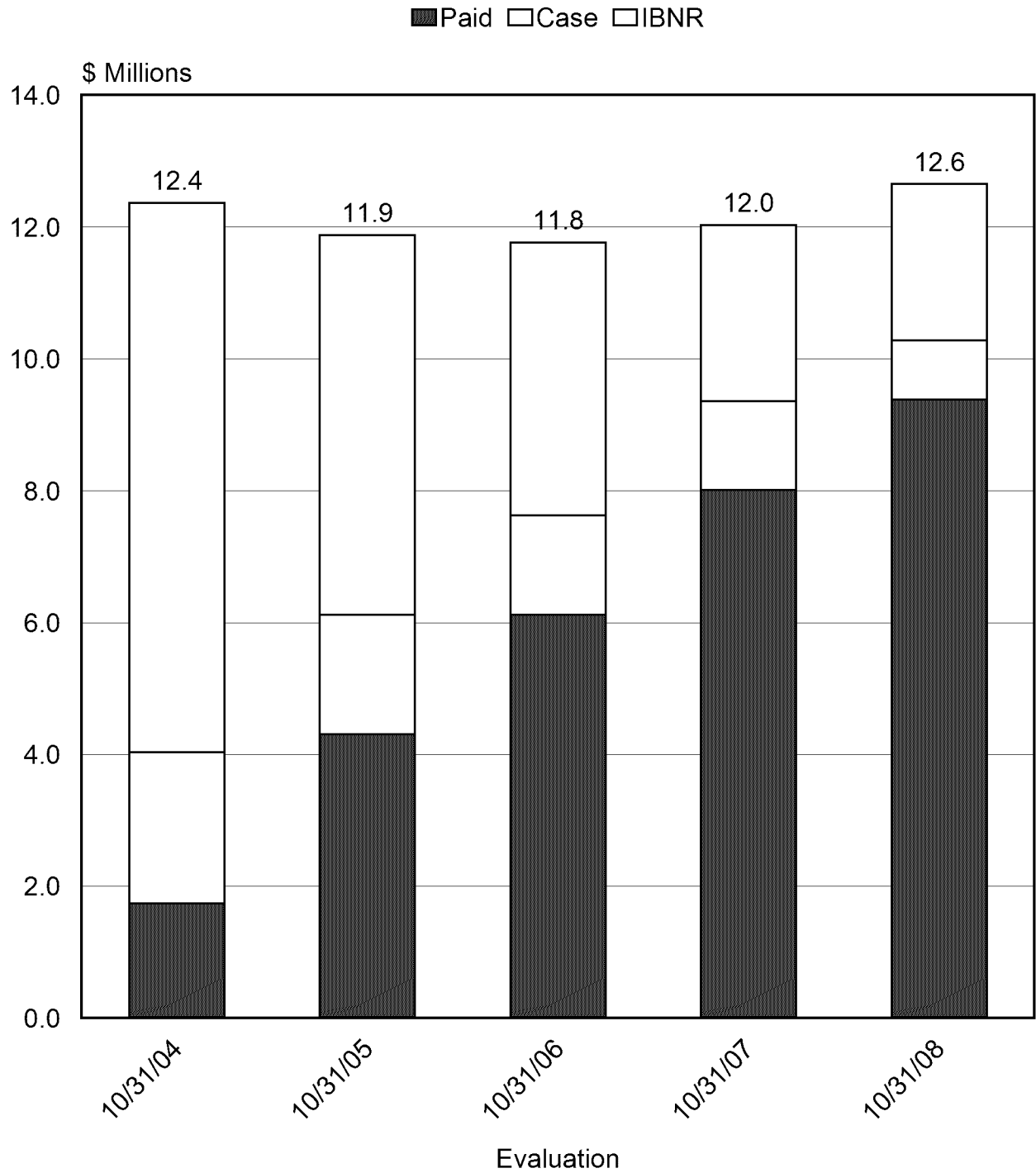


Exhibit XIV

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/04-05 ESTIMATED ULTIMATE LOSSES BY SGRISK

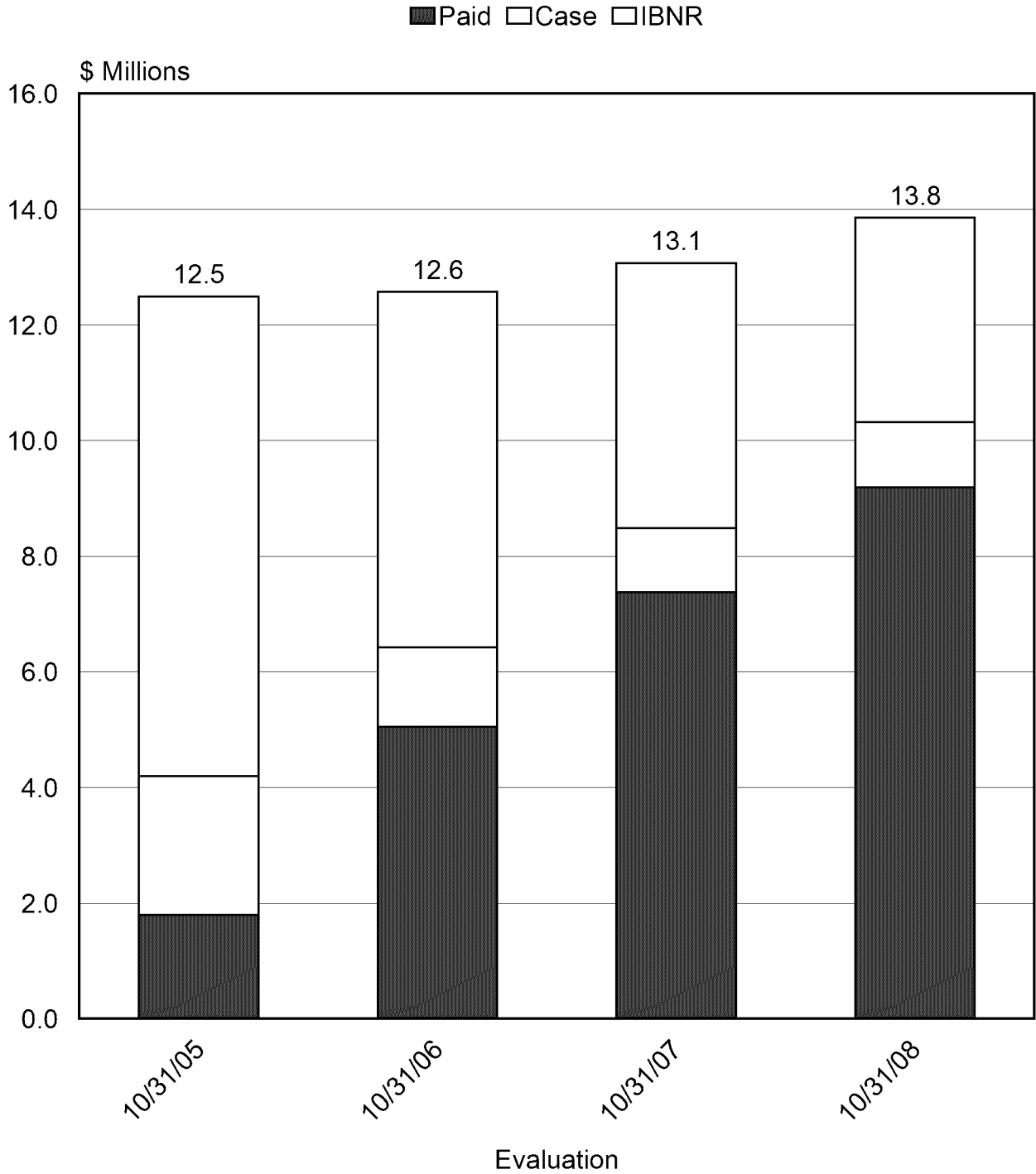


Exhibit XV

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/05-06 ESTIMATED ULTIMATE LOSSES BY SGRISK

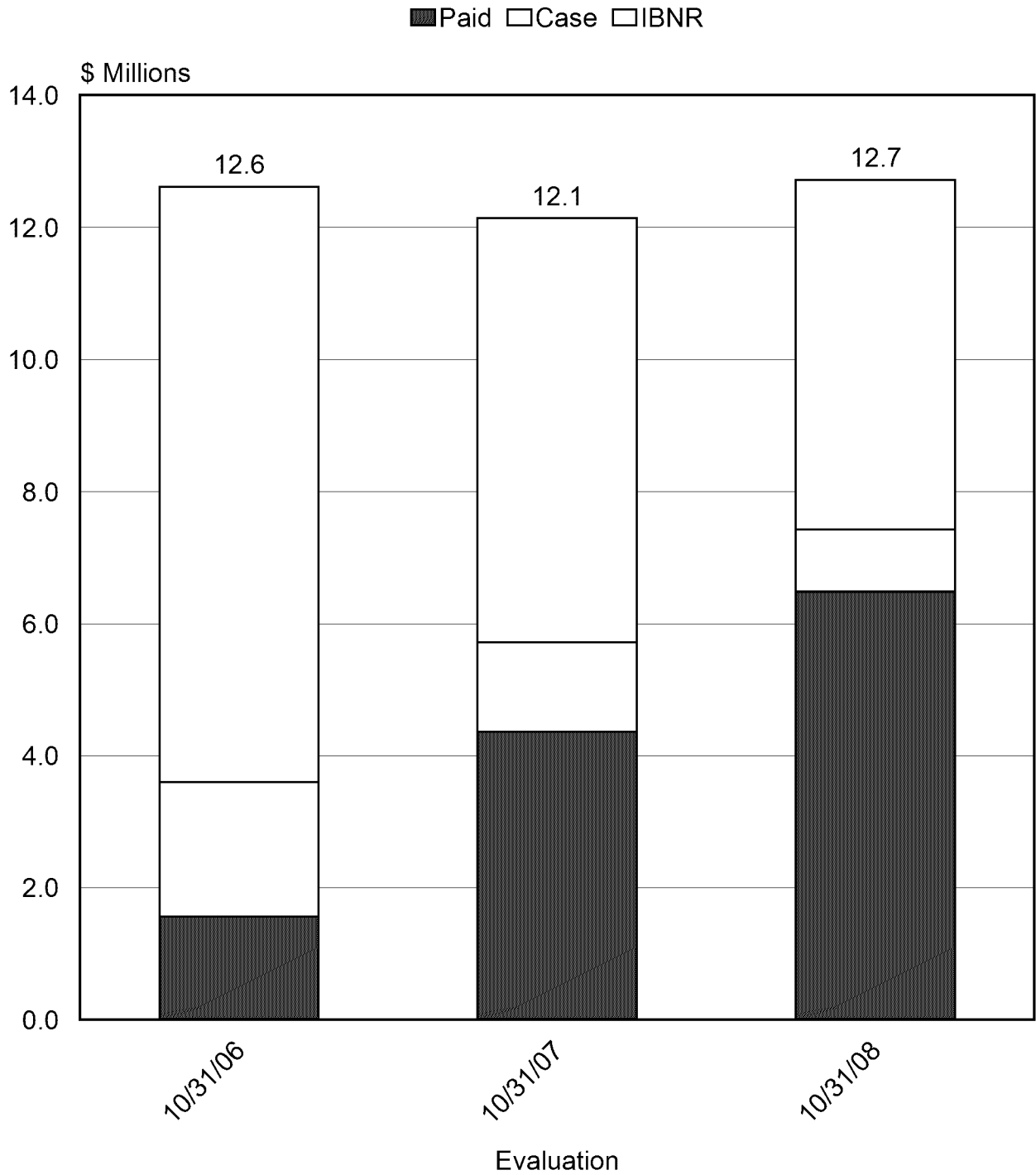


Exhibit XVI

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/06-07 ESTIMATED ULTIMATE LOSSES BY SGRISK

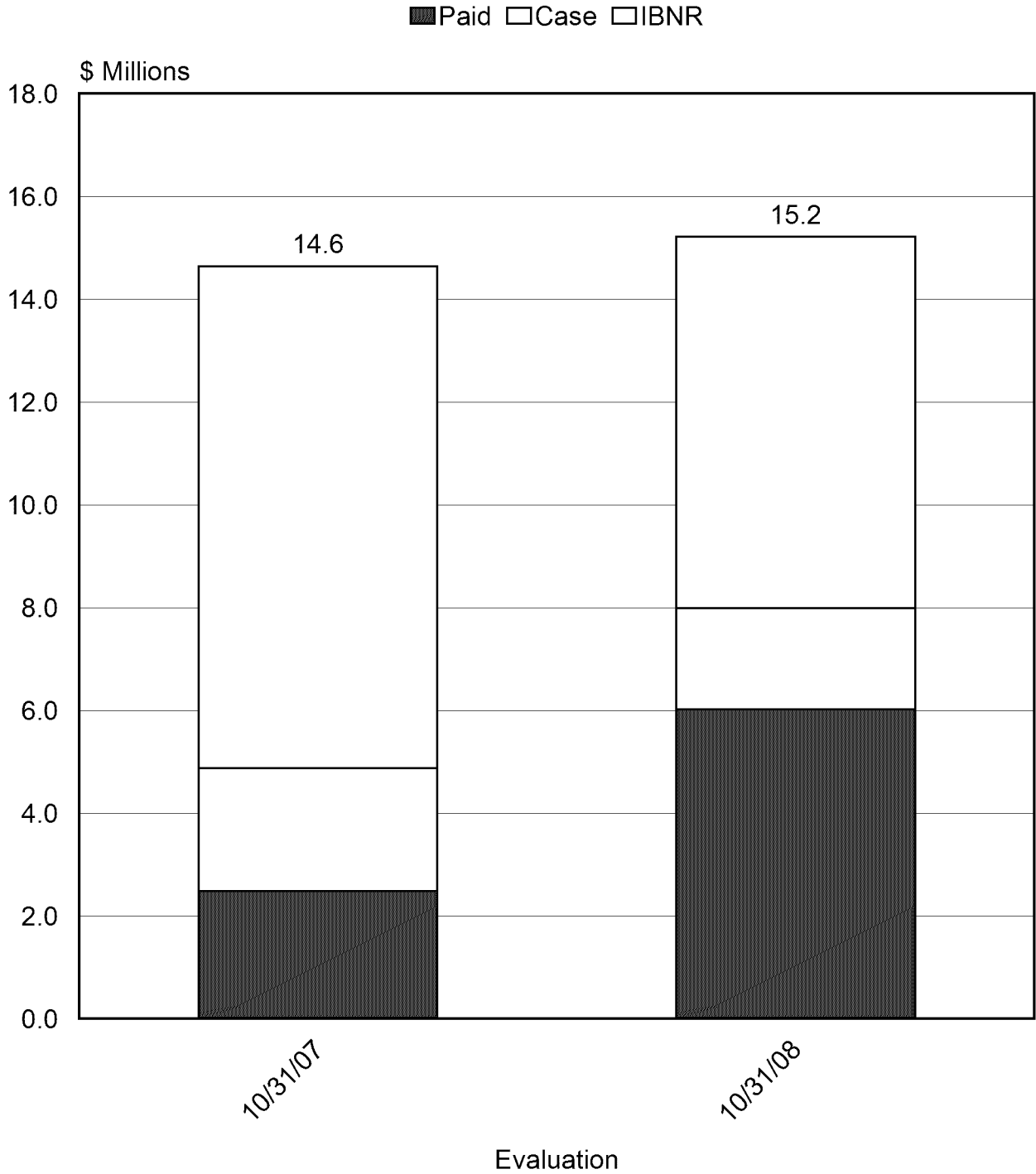


Exhibit XVII

HEALTH CARE PROVIDERS SELF-INSURANCE TRUST

COMPARISON OF 11/1/07-08 ESTIMATED ULTIMATE LOSSES BY SGRISK

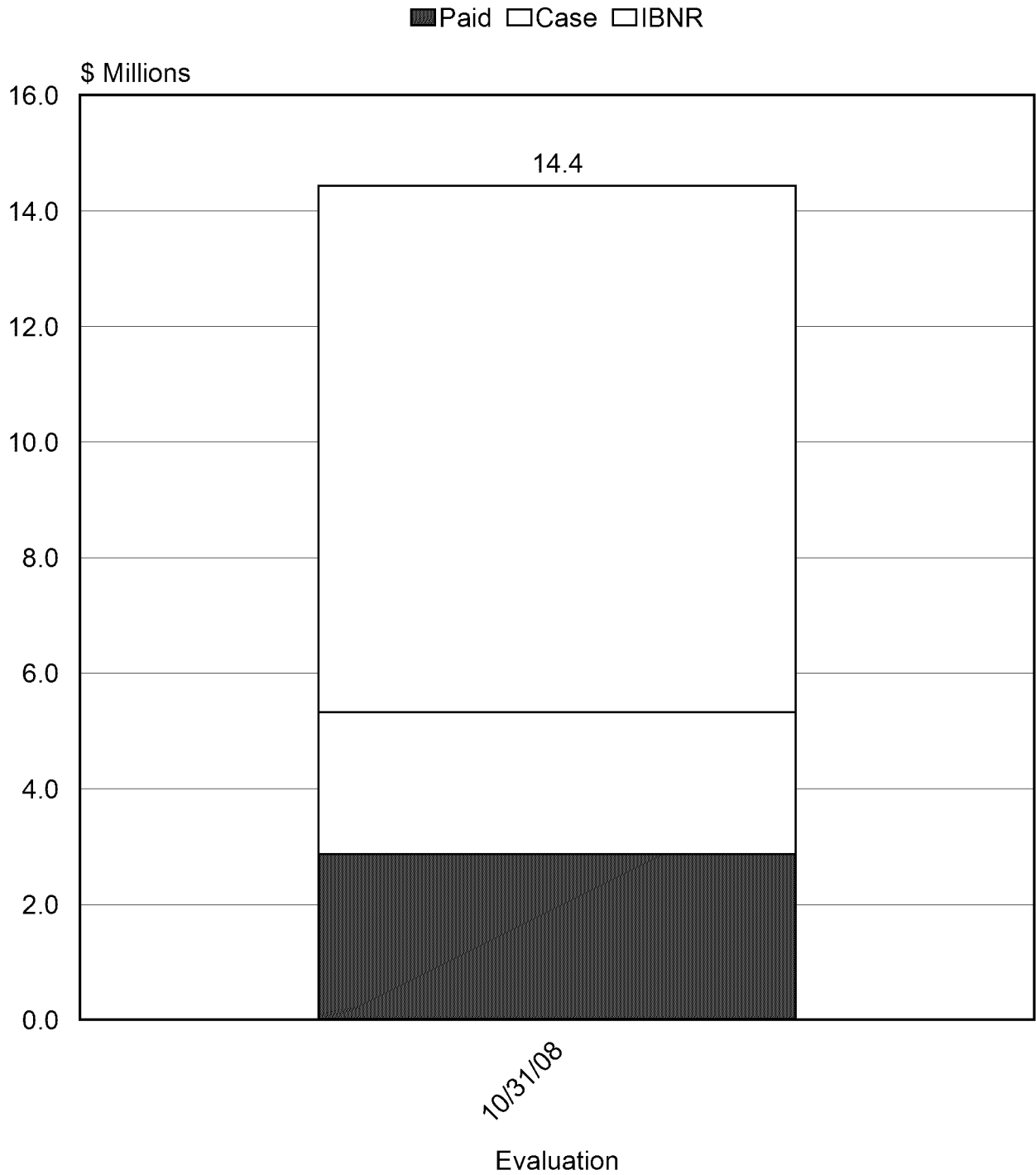


EXHIBIT 19

BST



An Independent Member of the RSM McGladrey Network

NYS Department of State

Division of Corporations

Entity Information

The information contained in this database is current through December 7, 2009.

Selected Entity Name: PRM CLAIM SERVICES INC.

Selected Entity Status Information

Current Entity Name: PRM CLAIM SERVICES INC.

Initial DOS Filing Date: JUNE 27, 1997

County: ALBANY

Jurisdiction: NEW YORK

Entity Type: DOMESTIC BUSINESS CORPORATION

Current Entity Status: ACTIVE

Selected Entity Address Information

DOS Process (Address to which DOS will mail process if accepted on behalf of the entity)

JOHN M. CONROY
900 WATERVLIET SHAKER RD
ALBANY, NEW YORK, 12205

Chairman or Chief Executive Officer

JOHN M. CONROY
900 WATERVLIET SHAKER RD
ALBANY, NEW YORK, 12205

Principal Executive Office

JOHN M. CONROY
900 WATERVLIET SHAKER RD
ALBANY, NEW YORK, 12205

Registered Agent

NONE

This office does not require or maintain information regarding the names and addresses of officers, shareholders or directors of a corporation.

***Stock Information**

# of Shares	Type of Stock	\$ Value per Share
20000	Par Value	.01

*Stock information is applicable to domestic business corporations.

Name History

Filing Date	Name Type	Entity Name
APR 09, 1998	Actual	PRM CLAIM SERVICES INC.
JUN 27, 1997	Actual	COMPCARE INC.

A **Fictitious** name must be used when the **Actual** name of a foreign entity is unavailable for use in New York State. The entity must use the fictitious name when conducting its activities or business in New York State.

NOTE: New York State does not issue organizational identification numbers.

[Search Results](#)

[New Search](#)

[Division of Corporations, State Records and UCC Home Page](#) [NYS Department of State Home Page](#)

EXHIBIT 20

BST



An Independent Member of the RSM McGladrey Network

NYS Department of State

Division of Corporations

Entity Information

The information contained in this database is current through December 7, 2009.

Selected Entity Name: PRM CLAIM SERVICES INC.

Selected Entity Status Information

Current Entity Name: PRM CLAIM SERVICES INC.

Initial DOS Filing Date: JUNE 27, 1997

County: ALBANY

Jurisdiction: NEW YORK

Entity Type: DOMESTIC BUSINESS CORPORATION

Current Entity Status: ACTIVE

Selected Entity Address Information

DOS Process (Address to which DOS will mail process if accepted on behalf of the entity)

JOHN M. CONROY
900 WATERVLIET SHAKER RD
ALBANY, NEW YORK, 12205

Chairman or Chief Executive Officer

JOHN M. CONROY
900 WATERVLIET SHAKER RD
ALBANY, NEW YORK, 12205

Principal Executive Office

JOHN M. CONROY
900 WATERVLIET SHAKER RD
ALBANY, NEW YORK, 12205

Registered Agent

NONE

This office does not require or maintain information regarding the names and addresses of officers, shareholders or directors of a corporation.

***Stock Information**

# of Shares	Type of Stock	\$ Value per Share
20000	Par Value	.01

*Stock information is applicable to domestic business corporations.

Name History

Filing Date	Name Type	Entity Name
APR 09, 1998	Actual	PRM CLAIM SERVICES INC.
JUN 27, 1997	Actual	COMPCARE INC.

A **Fictitious** name must be used when the **Actual** name of a foreign entity is unavailable for use in New York State. The entity must use the fictitious name when conducting its activities or business in New York State.

NOTE: New York State does not issue organizational identification numbers.

[Search Results](#)

[New Search](#)

[Division of Corporations, State Records and UCC Home Page](#) [NYS Department of State Home Page](#)

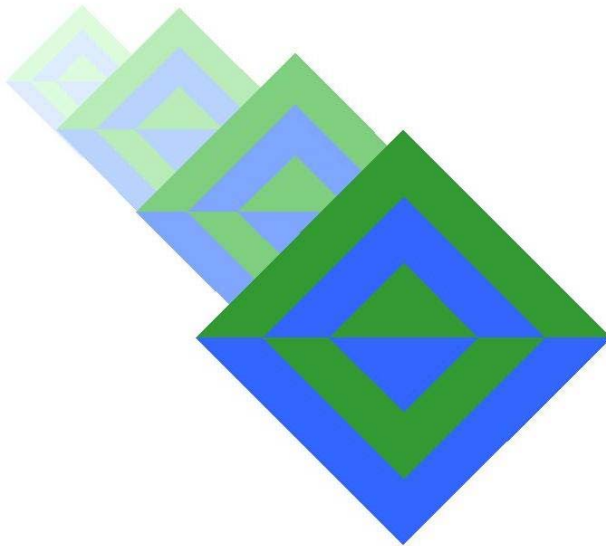
EXHIBIT 21

BST



An Independent Member of the RSM McGladrey Network

HEALTH CARE PROVIDERS SELF- INSURANCE TRUST



QUALITY ASSURANCE CLAIM AUDIT

December 2009 and March 2010

1st Draft reserve review only 2nd Draft combined full audit review

Prepared by

KBM **MANAGEMENT, INC.**

5860 Heritage Landing Drive
East Syracuse, NY 13057

TABLE OF CONTENTS

<u>AUDIT OVERVIEW</u>	2
<u>STOP-LOSS INSURANCE</u>	3
<u>SECOND INJURY FUND OPPORTUNITIES</u>	5
<u>CLAIM DETAIL</u>	7
<u>RESERVES</u>	23
<u>CONCLUSIONS</u>	23
<u>ACRONYMS & DEFINITIONS</u>	24



AUDIT OVERVIEW

KBM Management, Inc. initially audited the reserves on Workers' Compensation claims processed on behalf of Healthcare Providers Trust of New York (HCP). These claims were processed by Program Risk Management, Inc. (PRM) until being transferred to NCAComp, Inc. (NCA) on October 19, 2009 where the audit field work was performed. The claim audit priorities were to evaluate and express opinions on the quality and accuracy of the reserves set by PRM. KBM was then asked at a later date to complete a full file review on several files and incorporate those results with the reserve review that was previously completed. We were specifically asked to include files from the first reserve only review, new files and a selected choice from the prior administrator. Therefore there are two files that were included in both reviews 4/LO1 and 27/LO6. We were unable to complete a review of the prior administrator as the files were not available. This report contains both reviews.

The reserve audit examination includes a sample of claimants' files processed while under the authority of PRM.

The transfer of claim information from PRM to NCA is incomplete. Although NCA has now received the old paper files from PRM (PRM went paperless approximately 5 years ago and the paper files were not sent to NCA prior to the initial audit) there are over six hundred boxes of files and are in no particular order, KBM was advised that it would be impossible to locate the files we were reviewing. Therefore there is quite a bit of information missing on many files.

For the initial phase of the review KBM Management was given the task of completing a quick overview of the reserves on as many files as our budget would allow. During the first phase when we completed the reserve review 32 open files were selected and reviewed. During



the second phase, the task was to perform a full claim audit, the budget only allowed for 6 files to be reviewed (5 open and 1 closed). These claims combined represented a total incurred of \$6,285,217.37 (indemnity, medical and expense payments/reserves) prior to the transfer to NCA and a total incurred of \$12,951,249.47 at the time of the audit. It also included one closed file for an additional total incurred of \$124,050.27 with no reserves. This limited file selection did provide great insight into the reserving practices of the prior administrator.

All written or verbal discussions of the files are referenced by the audit sequence number to maintain the confidentiality of the claimant.

STOP-LOSS INSURANCE

Employers who choose to self-fund their Workers' Compensation insurance are able to limit the potential risk through the purchase of stop-loss insurance. Stop-loss insurance is defined as a contract established between a self-insured group and an insurance carrier providing coverage when claims (specific and/or aggregate) exceed a specified dollar amount over a specified period of time.

"Specific" stop-loss insurance limits an employer's risk on individual catastrophic claims by establishing a maximum liability for covered employees/retirees. The employer is only responsible for the payment of individual's claims up to the Specific stop-loss attachment point or deductible. These deductibles generally range from \$200,000 to \$500,000 for a medium-sized employer. Once claims cost have exceeded this deductible, the carrier will reimburse the employer for all additional claims cost.

During the period audited the Trust had Specific stop-loss coverage with deductibles of \$250,000 to \$600,000. The stop-loss insurance



carrier required notification of potential claims for specific diagnoses or once reserves were established that would exceed the deductible. Failure to notify the stop-loss carrier timely could potentially result in denial of the claim.

Of the thirty six files reviewed it appears four have exceeded the deductible (file #'s 1, 4, 14, and 16). Of those, two have begun receiving reimbursements from the stop-loss carrier (file #'s 14 and 16), one contains three letters from the carrier indicating they require further information (file #1) and one is being denied because PRM did not obtain 15-8 on the file (file #4/LO1).

Five files have been reported but have not yet met or exceeded the self-insured retention for the policy year (file #'s 5, 6, 9, 10 and 27). Four files were deemed not timely filed and therefore will be precluded from reimbursement (file #'s 3, 18, 19 and 24). None of these files have exceeded the deductible so we are unable to determine the loss involved to the Trust.

Per the denial letter from Safety National, the company that carried the stop loss insurance for the Trust from 10/31/1997-10/31/2009 (Reliance was the carrier from 4/19/93-10/31/97) the Prompt Reporting of Claims section reads as follows:

"As soon as the EMPLOYER becomes aware, the EMPLOYER must provide prompt notice to the CORPORATION of: (a) any claim or action commenced against the EMPLOYER which exceeds or is likely to exceed, fifty percent (50%) of the Self-Insured Retention Per Occurrence specified in Item 7 of the Declarations: (b) the reopening of any claim which as further award might involve liability of the CORPORATION under the Agreement: and (c) any disability claim, whether or not contested by the EMPLOYER, where it appears



reasonably likely that such disability will exceed one year in duration, or where such disability actually exceeds one year in duration.:

“In addition, the following categories of claims shall be reported to the CORPORATION immediately, regardless of any question of potential involvement of the CORPORATION:

1. Fatalities;
2. Paraplegics and quadriplegics;
3. Serious burns;
4. Brain injury;
5. Spinal cord injury;
6. Amputation of a major extremity; and
7. Any occurrence which results in serious injury to two or more Employees.”

“Failure to render prompt notice of any claim in a manner sufficient to the CORPORATION by the EMPLOYER, or its designated representative(s), may result in the disclaimer of coverage for the particular claim. To constitute prompt, sufficient notice, the EMPLOYER must provide complete information as to the details of the injury disease, or death.”

This is common language for this type of policy.

SECOND INJURY FUND OPPORTUNITIES

Prior to recent changes in the Workers’ Compensation laws (indicated below) if an injured worker had suffered previous injuries or illnesses that resulted in a permanent impairment the carrier/self insured employer could file a C-250 seeking financial relief through the Special Disability Fund, Section 15-(8)(d) of the Workers Compensation Law. This form cites the prior impairments and must be filed within 104 weeks of death or disability or within 52 weeks of the filing of a claim. WCL Section 15-(8)(f) extends this time in cases that are reopened



after being closed without a finding of permanency. Under this clause, a C-250 is timely if filed before a finding of permanency has been made. If after filing the C-250, along with the medical records to substantiate the claim, Special Funds accepts the case and the claimant is found to have a permanent partial disability (PPD) it limits the present employer's liability to the first 260 weeks of indemnity and medical payments. If the claimant is found to have a permanent total disability (PTD) there is no relief under this section of the law.

There were several issues with filing for/obtaining 15-8 on files, some of which are:

- There was one incident of outright denial due to late filing of the C-250 (file #23).
- There was one instance in which the amended C-250 was not filed timely (file #4/LO1).
- There was one file (file #9) which indicated the PRM adjuster did not feel that high blood pressure and obesity were strong enough to qualify, which is not true.
- There was one file (file #21) wherein an IME identified a prior injury and provided an apportionment opinion, however PRM did not file a C-250 at that time.
- There was one (file # 4/LO1) that listed a prior injury to the left knee but it should have listed the right knee.

There are seven others that are still in the process of obtaining the prior medical records to substantiate the C-250 and obtain a concession (file #'s 10, 19, 24, 25, 28, 29 and 30); this must be completed prior to 7/1/10 due to the new amendment to the Law. Failure to complete this investigation prohibits the Trust from receiving potential reimbursement for previous injuries.



This will not be an issue in the future as no carrier or employer may file a claim for reimbursement from the Second Injury Fund, for an injury or illness with a date of accident or date of disablement on or after July 1, 2007. No carrier or employer may file a claim for reimbursement from the Special Disability Fund after July 1, 2010 and no written submissions or evidence in support of such a claim may be submitted after that date.

CLAIM DETAIL

Please note the “previous total incurred” refers to the reserves set by PRM. The “current total incurred” refers to the reserves on the date the file was reviewed. If there is a difference it is a file that has been reviewed and readjusted by NCA. The ANCR’s listed are from NCA’s system, these could not be confirmed as we were unable to access the e-case files.

File #1	Date of injury: 9/29/93	Previous total incurred: \$531,551.29
		Current total incurred: \$531,551.29
		Difference + or -: \$0.00

- ANCR: back strain/sprain
- The reserves on this file are far too low for the known exposure (NCA has not yet reviewed this file). PRM’s last reserve change was on 4/1/09 at which time they increased the medical reserve “to cover treatment and medications until reimbursement is received from Reliance (excess carrier)”. Prior to this, the reserves were increased on 7/18/06 & 8/10/06 to cover a potential 6 year Section 32 settlement and 6 years of treatment. Their notes indicate that if no agreement was reached within 60 days they would put up the full lifetime exposure. The claimant made it very clear that she would not settle her claim however they never went back to adjust the reserves.
- This claimant has extensive unrelated health problems however it is unclear if any of these issues were documented prior to the work injury since the older medical records are in the paper files that have not yet been turned over to NCA. PRM did not file a C-250 on this case but they should have if the medical conditions existed prior to the work injury.
- This file was reported to the excess carrier however, they have not received any reimbursements thus far as they did not send in complete information. There were 3 letters located in the file from Reliance requesting additional information; it is not clear



whether or not they received all they need to process the reimbursement.

File #2 Date of injury: 3/25/94 Previous total incurred: \$144,749.21
Current total incurred: \$220,484.48
Difference + or -: +\$ 75,735.27

- ANCR: back sprain/strain
- The reserves set on this file by PRM were far too low for the known exposure. This file has since been reviewed by NCA and the reserves have been adjusted to the proper level.
- This case is now being litigated on the issue of voluntary removal from the workforce. In the past the claimant has been unwilling to settle her claim however, after the hearing in October 2009 she has reconsidered her position although her demand was excessive (\$50,000.00) it opens the door for negotiations.

File #3 Date of injury: 9/12/94 Previous total incurred: \$191,778.39
Current total incurred: \$489,228.71
Difference + or -: +\$297,450.32

- ANCR: back, knees
- The reserves set on this file by PRM were far too low for the known exposure. This file has since been reviewed by NCA and the reserves have been adjusted to the proper level.
- It appears this file was reported to the excess carrier but the notification failed to meet the timely reporting requirements as outlined in the Insurance Agreement (excerpt listed under the stop loss section of this report) and therefore will not be eligible for reimbursement. By failing to meet the reporting requirements PRM has left the Trust open to ongoing liability.
- The claimant does have some unrelated health concerns however it is not clear if these were present prior to the work injury as the older medical records are in the paper files that have not yet been turned over to NCA. A C-250 was not filed on this case.

File #4 Date of injury: 10/21/94 Previous total incurred: \$ 530,173.53
#LO1 Current total incurred: \$1,261,508.18
Difference + or -: +\$ 731,334.65

- ANCR: neck, right shoulder
- The reserves set on this file by PRM were far too low for the known exposure. This file has since been reviewed by NCA and the reserves have been set for the life of the claimant.



- This file was reported to the excess carrier however they are resisting reimbursement based on the fact that 15-8 was denied by Special Funds even though there were qualifying prior medical conditions. Reliance has asked on several occasions for an explanation of how this was ruled out and what went into that decision. It appears from a note in the file that they were unable to produce medical evidence of treatment of a pre-existing neck injury. There were other conditions listed on the C-250. There was a significant right knee injury however the C-250 lists it as the left knee (per a medical report from 3/23/06, the prior injury was to the right knee). If acted upon immediately there would have been sufficient time to amend the C-250 as permanency had not yet been established. If 15-8 was found on this case then the excess layer would not be pierced and no reimbursement would be due.
- PRM did not provide written authorization to the doctor for a MRI as directed by the Judge at a hearing that took place on 3/5/07. The claimant's attorney wrote a letter to PRM with a copy to the WCB on 9/6/07 requesting the authorization be sent as the doctor would not perform the test without the written consent. This left the Trust open to potential penalties for not following the Judge's orders.
- The claimant's attorney was awarded a fee of \$150.00 at the hearing that was held on 6/21/07. This fee was ordered to be paid at \$25.00 per pay period. PRM did not issue the check until 2/14/08 after three requests from the attorney's office. In addition to late payment, this was paid as an expense but it should have been paid under indemnity.
- PRM overpaid several medical bills and it appears they did not attempt to recover those funds. \$4.46 – the provider returned a portion of the payment after they received payment from Medicare (this bill should not have been paid as the treatment provided was not causally related to the injury). \$12.44 – the provider wrote to PRM to advise them they overpaid a bill and asked them to request a refund, it does not appear that they followed through on this.
- There appears to be a duplicate payment of \$1,175.78 to Hudson Valley Center for date of service 6/4/09.
- Twenty-four medical bills were reviewed for timely payment. Eighteen were reviewed using the date of the bill because there was no received date stamped on the bills. Seven of those were found to be paid within forty-five days and eleven were paid in excess of forty-five days. The rest were reviewed using the date they were scanned into the electronic system. Two of those were paid within forty-five days and the other two were paid in excess of forty-five days.



pursued further; she is a very young woman (38) and appears to be physically capable of some type of work.

File #7 Date of injury: 9/1/95 Previous total incurred: \$168,856.96
Current total incurred: \$149,855.18
Difference + or -: - \$ 19,001.78

- ANCR: right leg fracture
- The indemnity reserve set by PRM was too high considering there is a substantial reimbursement from Special Funds under Section 14-6 (concurrent earnings); this reserve was lowered by NCA.

File #8 Date of injury: 9/22/95 Previous total incurred: \$154,849.34
Current total incurred: \$434,880.48
Difference + or -: + \$280,031.14

- ANCR: neck & back
- The reserves set on this file by PRM were far too low for the known exposure. This file has since been reviewed by NCA and they have been adjusted to the proper levels.
- When the last alive and well check was completed the investigator recommended doing an activity check to determine her daily activities, physical capabilities and employment status since she was able to maneuver her neck and back in a normal and fluid manner without a visible support device. She was very difficult and did not want to answer their questions in detail. She would not provide information such as the treating physician's name for her diabetes or the amount she pays for rent. It does not appear they took any further steps in this direction, such as surveillance.

File #9 Date of injury: 1/26/96 Previous total incurred: \$200,390.70
Current total incurred: \$319,278.98
Difference + or -: + \$118,888.28

- ANCR: back sprain/strain
- The indemnity reserve set by PRM was far too low for the known exposure. This file has since been reviewed and adjusted by NCA.
- The file notes indicate they did not pursue 15-8 because they felt obesity and high blood pressure would not qualify for reimbursement, this is not true. If those conditions impacted her health then they should have been considered.
- Notification was sent to the excess carrier advising them that they did not think the file would exceed the SIR.



File #10 Date of injury: 4/15/96 Previous total incurred: \$289,958.79
Current total incurred: \$289,958.79
Difference + or -: \$0.00

- ANCR: back hernia/rupture
- This file has not yet been reviewed by NCA. The reserves set by PRM are far too low for the known exposure.
- The excess carrier has been placed on notice and PRM was working on obtaining 15-8.
- An IME from 9/26/08 indicated the claimant was going door-to-door for the Jehovah Witnesses. She also brought her neighbor's 3 year old child with her to the exam, surveillance should have been completed to see if she was babysitting on a regular basis and to determine how often she was going out for the Jehovah Witnesses. They did send out a "work activity letter" however this letter does not ask about volunteer work.
- There was a comment in a note from Mid-Hudson Pain Management that states the claimant works from home doing child care for the State when she has custody of children from the State. She advised this was something she has been doing for 10 years however she did not have any kids for the last year. Their notes indicate they were going to investigate further but did not.

File #11 Date of injury: 5/23/97 Previous total incurred: \$185,243.32
Current total incurred: \$318,177.72
Difference + or -:+ \$132,934.40

- ANCR: back hernia/rupture
- The reserves set by PRM were far too low for the known exposure. They had negotiated a settlement but did not have the funds on the file to pay it if it was finalized. The settlement has now been delayed and must be re-negotiated as the Medicare set-aside is so large it will take up most of the settlement (\$29,655.00 – settlement, \$22,184.00 - MSA) therefore the claimant's attorney has advised they would not recommend she accept it. The last note prior to transfer to NCA indicated they were going to attempt to split the cost of an annuity for the medical expense on the claim which would have increased the total settlement to \$36,387.63. It is not clear from the notes what the status is. It is unclear why NCA would set a lifetime reserve at this juncture.



File #12 Date of injury: 7/29/97 Previous total incurred: \$267,535.62
Current total incurred: \$642,416.46
Difference + or -:+ \$374,880.84

- ANCR: back sprain/strain
- The reserves set by PRM were far too low for the known exposure. They wrote a letter to the excess carrier on 4/1/09 advising them that the claimant had no interest in settlement. They then went on to say they were running out of money in the indemnity reserve and would need to increase it soon for either settlement or lifetime but did not follow through. This file has since been reviewed by NCA and the reserves were increased to the proper levels.
- The claimant has not treated for her injuries since 2000.

File #13 Date of injury: 9/16/08 Previous total incurred: \$39,184.02
Current total incurred: \$42,705.10
Difference + or -:+ \$ 3,521.08

- ANCR: back sprain/strain
- The expense reserve on this file is too low (NCA has not yet reviewed this file). NCA will need to obtain yearly alive and well checks for Special Funds and there is only \$275.00 remaining in that reserve.

File #14 Date of injury: 10/5/98 Previous total incurred: \$683,798.90
Current total incurred: \$872,024.81
Difference + or -:+ \$188,225.91

- ANCR: back, deep vein thrombosis & depression
- The reserves appeared to be sufficient due to the fact that they were already obtaining reimbursements from the excess carrier; it is unclear why NCA increased them as they acknowledge in their notes that the file is receiving reimbursements from the excess carrier.

File #15 Date of injury: 1/14/99 Previous total incurred: \$100,074.22
Current total incurred: \$197,522.08
Difference + or -:+ \$ 97,447.86

- ANCR: left shoulder, neck
- This case was set to close with a Section 32 settlement for \$16,000.00 however; when it went before the Judge to be finalized she felt that the amount was too low and felt that \$30,000.00 would be more appropriate. Her reasoning was that since the claimant was a healthy 77 year old and her mother



was still living at 90 years old the lower amount would not be sufficient. The settlement is now being processed for \$27,500.00.

File #16 Date of injury: 6/11/99 Previous total incurred: \$587,527.84
Current total incurred: \$587,527.84
Difference + or -: \$ 0.00

- ANCR: neck, back, left knee & consequential right knee
- The reserves on this file are high since they are receiving reimbursement from the excess carrier. NCA has not had a chance to review this file yet. The claimant has been "temporarily totally disabled" since April 2005 and is very active in treatment.
- It is unclear if a C-250 was filed however; an IME from 7/16/06 did indicate there was nothing positive to base a M & S on.

File #17 Date of injury: 6/13/00 Previous total incurred: \$158,070.28
Current total incurred: \$279,267.04
Difference + or -:+ \$121,196.76

- ANCR: back sprain/strain
- The reserves set by PRM were far too low for the known exposure on this file. The case has been reviewed by NCA and the reserves increased accordingly.
- 15-8 has been ruled out as they were unable to locate any prior medical records showing a permanent impairment to substantiate the C-250.

File #18 Date of injury: 2/8/01 Previous total incurred: \$107,328.33
Current total incurred: \$297,854.93
Difference + or -:+ \$190,526.60

- ANCR: back, right elbow
- The reserves set by PRM were far too low for the known exposure. NCA has now reviewed the file and increased the indemnity reserve for lifetime benefits; they advised they are obtaining a medical cost projection to determine the proper medical reserve.
- The case is now being litigated on the issue of voluntary removal from the work force. A hearing was held on September 16, 2009 on this issue however, the Judge would not take any action on that day because he felt the file was improperly reopened by the WCB (they should have referred the case to the Board Panel for reopening under Rule 300.23(c)). The Judge did advise the claimant that if she did not institute a job search her



benefits would be suspended at the next hearing. At the close of the case, the claimant's attorney advised that she is interested in an indemnity only Section 32 settlement.

- This file was reported to the excess carrier but the notification failed to meet the timely reporting requirements as outlined in the Insurance Agreement (excerpt listed under the stop loss section of this report) and therefore will not be eligible for reimbursement. By failing to meet the reporting requirements PRM has left the Trust open to ongoing liability.

File #19	Date of injury: 2/9/01	Previous total incurred: \$111,080.96
		Current total incurred: \$392,280.97
		Difference + or -:+ \$281,200.01

- ANCR: bilateral carpal tunnel syndrome
- The reserves set by PRM were not sufficient for the known exposure.
- This file was reported to the excess carrier but the notification failed to meet the timely reporting requirements as outlined in the Insurance Agreement (excerpt listed under the stop loss section of this report) and therefore will not be eligible for reimbursement. By failing to meet the reporting requirements PRM has left the Trust open to ongoing liability.
- The carrier's right to relief under Section 15-8 was reserved per the Administrative Decision of 6/24/03. There appears to be a very strong case for at least a partial concession for Section 15-8 on this file. The claimant has a prior history of depression for which they have been able to obtain some medical records and they have an M & S statement to support their claim. You are required to submit all proof in support of your Section 15-8 claim to both the WCB and SFCC no later than 7/1/2010 due to the recent amendments to the WC Law.

File #20	Date of injury: 7/19/01	Previous total incurred: \$33,628.63
		Current total incurred: \$36,628.63
		Difference + or -:+ \$ 3,000.00

- ANCR: back
- The reserves set by PRM were not sufficient to cover the ongoing treatment on this file. NCA put up a temporary reserve to cover the ongoing treatment until they have an opportunity to fully review the file to determine the true exposure and reserve accordingly.
- PRM should have pursued 25-a on this file since more than seven years has passed since the injury occurred and it has



been more than three years since the last payment of indemnity.

- There was a \$50.00 penalty for untimely payment of a medical bill. In addition to this they were ordered to pay the doctor interest on the unpaid balance.

File #21 Date of injury: 9/23/01 Previous total incurred: \$130,796.69
 Current total incurred: \$384,387.53
 Difference + or -:+ \$253,590.84

- ANCR: back sprain/strain
- The reserves set by PRM were far too low for the known exposure. At the time the files were transferred this case only had \$7.24 left in the indemnity reserve. There was an order to continue payments to the claimant @ \$145.63/week (PRM suspended payments as of 11/11/09 after filing an appeal on the last decision). NCA has now reviewed the file and adjusted the reserves.
- It appears PRM had a good plan in place to move forward on this file in May 2005: voluntary removal, Section 32, but did not follow through. At that time the notes indicate they expected the claimant to be classified PPD @ moderate degree but only reserved the file for an additional 8 years of benefits, they did not include an explanation for this.
- There was an IME completed 5/24/05 which indicated that only 70% of her disability was related to this file, 30% was related to an earlier accident. It is not clear why PRM didn't file a C-250 at that time. Since there was no finding of permanency at that time it could have been deemed timely (Special Funds were more relaxed about the rules at that time).

File #22 Date of injury: 1/25/02 Previous total incurred: \$182,676.74
 Current total incurred: \$468,879.14
 Difference + or -:+ \$286,202.40

- ANCR: low back only
- The reserves set by PRM were far too low for the known exposure on this file. Relief under Section 15-8 was ruled out during a pre-trial with Special Funds since none of the IME doctors would provide an M&S statement. NCA has now reviewed the file and adjusted the reserves.
- A settlement should/could have been attempted and if there was no interest then lifetime reserves should have been set (which has now been done by NCA).
- There is a possibility of apportionment on this file which needs to be pursued.



File #23 Date of injury: 7/16/03 Previous total incurred: \$260,906.10
Current total incurred: \$951,075.69
Difference + or -:+ \$690,169.59

- ANCR: neck
- This file was under-reserved for the known exposure. PRM's last notes indicate they were writing to Special Funds for their permission to settle the claim however, they did not have sufficient funds to cover the anticipated settlement (\$126,750.00). NCA has now reviewed the file and adjusted the reserves.
- 14-6 (concurrent earnings) has been found on this file and is being reimbursed @ \$176.85/week.
- This case was found not eligible for 15-8 as the C-250 was filed late.
- There were four \$50.00 penalties assessed for late payment to medical providers.
- They had to pay the claimant \$326.59 in interest due to late payment of awards.
- PRM attempted to cite voluntary removal from the workforce. However, they sent the work status letter to the claimant's attorney instead of to her with a copy to the attorney which was improper (it must be sent directly to the claimant with a copy to their attorney) therefore the Judge would not view it. They resent these to both the claimant and her attorney. The attorney signed the certified mail receipt on 9/3/09 however the claimant never returned hers. They did not pursue it further.

File #24 Date of injury: 3/10/04 Previous total incurred: \$167,913.84
Current total incurred: \$749,040.33
Difference + or -:+ \$581,126.49

- ANCR: neck, back, right hip, right arm
- The reserves set by PRM on this file were far too low for the known exposure. NCA has reviewed the file and increased the indemnity reserve to cover the life of the claimant and will be obtaining a medical cost projection to determine the proper lifetime medical reserve.
- This file was reported to the excess carrier but the notification failed to meet the timely reporting requirements as outlined in the Insurance Agreement (excerpt listed under the stop loss section of this report) and therefore will not be eligible for reimbursement. By failing to meet the reporting requirements PRM has left the Trust open to ongoing liability.



File #25 Date of injury: 9/14/04 Previous total incurred: \$100,488.85
Current total incurred: \$496,686.53
Difference + or -:+ \$396,197.68

- ANCR: back, neck, bilateral shoulders
- The reserves set by PRM on this file were far too low for the known exposure. There was clear evidence of step-reserving. NCA has now reviewed the file and adjusted the reserves.
- There have been comments in the file notes since 2006 discussing a possible Section 32 settlement and then the claimant was classified PPD in 2008. PRM did not reserve for either one.

File #26 Date of injury: 2/25/05 Previous total incurred: \$40,786.29
Current total incurred: \$40,979.49
Difference + or -:+ \$ 193.20

- ANCR: right ankle, consequential back
- The reserves set by PRM were much too low for the known exposure on this file. There is no money left in the indemnity reserve and there is an ongoing payment order for \$92.33/week to the claimant. There is talk of further surgery on her foot and only \$727.48 in the medical reserve. NCA has not yet reviewed this file.
- The initial indemnity reserve on this file should have been to cover a schedule loss of use award since they were aware of the fractured ankle from the start. They were discussing settlement in September 2008 however they never reserved the file for this possibility.
- PRM had a timely filed C-250 on this file that should be amended to include prior surgery on her right foot (it may be too late but it couldn't hurt to try). After which NCA will need to perfect their claim for reimbursement. If this is not completed prior to 7/1/10 they will lose the opportunity due to the changes in the law.

File #27 Date of injury: 12/20/05 Previous total incurred: \$131,537.63
#LO6 Current total incurred: \$637,300.53
Difference + or -:+ \$505,762.90

- ANCR: back sprain/strain
- The reserves set by PRM on this file were far too low for the known exposure. Since she did not have any prior injuries that would qualify for 15-8 and has no interest in settling her claim at this juncture, NCA reserved the file for the life of the claimant.



File #30 Date of injury: 9/17/07 Previous total incurred: \$ 74,602.06
Current total incurred: \$164,621.41
Difference + or -:+ \$ 90,019.35

- ANCR: back sprain/strain
- The reserves set by PRM were far too low for the known exposure on this file. History has shown when you exceed one year of lost time the chances of returning the person to work is very low. This file should have been reserved for either a settlement (especially after she indicated she was interested in one) or for the life of the claimant. Their notes from 8/21/09 indicate they were considering lifetime reserves however, their calculation was wrong (much too low) and for some reason they never followed through with the posting. NCA has now reviewed the file and adjusted the reserves.
- They should have been more aggressive in their surveillance attempts especially when they had difficulty physically locating the claimant (she received mail at one address but it was clear when the investigation began that she did not reside there). Since they had several IME's they should have followed her after one of those exams to see where she was living and to obtain a positive ID on her.
- There were two occasions when they opened the Trust up to potential penalties for late payment of awards. They paid out 10 weeks of benefits on 7/28/09 and 8 weeks on 11/17/09, the claimant is well within her rights to file for penalties and interest on the amount that was paid late.

File #31 Date of injury: 10/13/08 Previous total incurred: \$ 66,002.92
Current total incurred: \$148,883.98
Difference + or -:+ \$ 82,881.06

- ANCR: right knee, low back
- The reserves set by PRM for the indemnity on this file were set to cover 84 weeks @ the TTD rate; it is unclear how they arrived at this amount as there is no explanation in the file notes. This file was under-reserved considering the back surgery she had and the recovery time involved. NCA has now reviewed the file and adjusted the reserves.

File #32 Date of injury: 1/18/09 Previous total incurred: \$18,138.68
Current total incurred: \$23,138.68
Difference + or -:+ \$ 5,000.00

- ANCR: back sprain/strain



File #LO7 Date of injury: 6/5/06 Previous total incurred: \$ 71,935.70
Current total incurred: \$494,851.02
Difference + or -: + \$422,915.32

- ANCR: bilateral hands/wrists
- This file was under-reserved by PRM. The case has since been reviewed by NCA and lifetime reserves have been set.
- This case was reviewed for Section 15-8 and found to be weak because PRM did not list the details of the claimant's prior workers' compensation cases on the C-250. In addition to this the claimant only received a 15% SLU on the prior case and Special Funds requires the prior permanent impairment be 20% or higher or in the alternative have another qualifying condition to go with it.
- The Notice of Decision filed 8/27/09 ordered the claimant to produce a job search every thirty days; she has not filed one with the WCB since 10/28/09. NCA should file a RFA-2 requesting a suspension of benefits citing voluntary removal from the workforce and failure to follow Judge's orders.
- Sixty-three medical bills were reviewed for timely payment. Forty bills were reviewed using the date of the bill because there was no received date stamped on the bills. Nineteen were found to be paid within forty-five days and twenty-one were paid in excess of forty-five days. The rest were reviewed using the date they were scanned into the electronic system. Twelve were paid within forty-five days and four were in excess of forty-five days.
- Thirty-seven checks could not be matched to a bill and there were twelve bills that could not be matched to a check.

File #LC3 Date of injury: 6/14/01 Total incurred: \$124,050.27

- ANCR: neck, back, left shoulder and left wrist
- This file closed with a Section 32 settlement on 8/10/06 for \$24,310.00 which was a good result.
- Twenty-five medical bills were reviewed for timely payment. Seventeen bills were reviewed using the date of the bill because there was no received date stamped on the bills. Eleven bills were found to be paid within forty-five days and six were paid in excess of forty-five days. The rest were reviewed based on the date they were scanned into the electronic system, eight were in excess of forty-five days.
- There were eighty-nine checks that could not be matched to a bill and one bill that could not be matched to a check.



RESERVES

The main focus of the initial review was completed with regard to proper reserves for the known exposure. Of the thirty two files reviewed, twenty-nine were under-reserved (file #'s 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 and 32). Since the initial reserve review was completed file #'s 4 (LO1) and 27 (LO6) have been reviewed by NCA and the reserves are now set for the life of the claimant. Two files were under-reserved (file #'s RO9 and LO7).

There were two files that are over-reserved (file #'s 7 and 16) which needlessly ties up the Trust's money. They were receiving reimbursements from Special Funds under Section 14-6 (concurrent employment) however, they factored the reserve using the full PPD rate on file #7 and are receiving reimbursement from the excess carrier on file #16. There was only one file in each review that had proper reserves (file #'s 14 and RO1). File # LC3 is closed and therefore does not require reserves.

CONCLUSIONS

Based on the audited claims the prior administrator (PRM) failed to show they had a grasp on proper reserving techniques and failed to provide a satisfactory level of claims processing service on behalf of the Health Care Providers Self-Insured Trust. The deficiencies described in this report were found in reserving deficiencies and filing timeliness, not filing forms when appropriate, insufficient or incorrect information on forms, overall claim management, and poor transfer of information.

Please note that the main focus of the initial audit was a review of the reserves to determine if they were set properly. There were several other issues noted when they "jumped off the page" at the auditor while reviewing the reserves such as; penalties for non-payment of medical bills and late payment of awards, improper filing of C-250's, poor excess carrier reporting and poor follow up on issues identified by attorney's, investigator's and doctors. A thorough review of six files found those deficiencies noted above as well as late payment of medical bills, overpayment of medical bills and duplicate medical bill payments.



ACRONYMS AND DEFINITIONS:

Alive & well check – this is typically done annually on files that are receiving reimbursements from Special Funds. It is simply a face-to-face meeting to confirm the claimant is alive and receiving their checks timely.

ANCR – accident, notice, causal relationship

AWW – average weekly wage

C-669 - Notice to Chair of Carrier's Action on Claim for Benefits –when this form should be filed:

IF PAYMENT HAS BEGUN: on or before 18th day after disability, or within 10 days after employer first had knowledge of injury, whichever is greater.

IF PAYMENT HAS NOT BEGUN: no later than 25 days after the Board has mailed a Notice of Indexing.

CCP – carrier continue payments

CMS – Center for Medicare Services

DOS – date of service

EC-84 – Notice of Indexing – when the WCB is advised of a new claim either by the carrier or claimant they will request forms that have not been filed yet. If these are not filed timely the carrier is potentially subjected to penalties.

EE – employee

HP-1 – This form is filed by the doctor alleging a medical bill has not been paid timely or at all.

HP-2 – Health Provider Administration: Notice of Decision and Administrative Award under Section 13-4, 13-k, 13-I or 13-m. This form results from a doctor filing an HP-1 advising the WCB that their bill has not been paid or has not been paid timely. The carrier has the right to argue and present evidence that they have paid the bill. If they have not paid it then they are fined \$50.00 and are told to pay the bill plus interest.



M & S Statement – this statement is usually given by an IME physician, it simply states the due to a prior injury the current injury/condition is materially and substantially greater than it would have been “but for” the prior medical condition/injury.

MSA – Medicare set-aside – when settling a claim you must make provisions for ongoing care as Medicare has stated they will no longer pay for medical treatment for a work related injury after settlement.

NCLT – no compensable lost time

NOD – Notice of Decision

OOW – out of work

PFME – prima facie medical evidence

PPD – permanent partial disability

RTW – return to work

SFCC – Special Funds Conservation Committee

SLU – schedule loss of use

TPD – temporary partial disability

TTD – temporary total disability

WCB – Workers’ Compensation Board

WCL – Workers’ Compensation Law

“STEP RESERVING”:

This is the practice of setting reserves a little bit at a time rather than reserving for “the most probable outcome”.



This is not an issue at the beginning of the claim as the adjuster may not have all the facts therefore will set a reserve for 6-12 weeks then once they have the medical reports they can set the reserve properly.

This practice becomes an issue when the facts are known and they still don't reserve the file for the most probable outcome. A common example of this would be having an employee with an injury such as a fracture of an arm or leg, this type of injury would almost always result in a schedule loss of use award (SLU) but the Administrator sets an indemnity reserve for just 8 weeks of lost time rather than putting up the full schedule loss of use award (a 10% SLU of an arm would be 31.2 weeks). Another example is when an employee's injury is deemed permanent and they are classified by the WCB with a permanent partial disability, if the claimant indicates they have no interest in settling their case then the adjuster should reserve the file for the life of the claimant.

"PROTRACTED HEALING":

Protracted temporary total disability in connection with permanent partial disability (in this instance this would refer to SLU). In case of temporary total disability and permanent partial disability both resulting from the same injury, if the TTD continues for a longer period than the number of weeks set forth in the schedule, the period of TTD in excess of such number of weeks shall be added to the compensation period. Example: an injury to the arm is given 32 weeks to recuperate, if the number of TTD weeks is 40 then an additional 8 weeks is added to the SLU award, 10% SLU of the arm is 31.2 weeks + 8 weeks of protracted healing, the total award would be 39.2 weeks.

"STIPULATED AGREEMENT"

This form is most often used to close a case with a schedule loss of use percentage that has been agreed to by all parties. By using this form they can expedite the closing of the file and get money to the claimant quicker.

"SECTION 14-6 – CONCURRENT WAGE REIMBURSEMENT"

The Workers' Compensation Law provides that where an individual is concurrently employed and loses time and wages from both of said employments, that the individual is entitled to an increase in the



average weekly wage that would equate to the total of all wages from all (covered) employments, from which he or she lost wages. Essentially, the Workers' Compensation insurance carrier is required to pay the additional lost wages pursuant to the total average weekly wage, and must then seek reimbursement from the Special Funds.

"SECTION 25-a"

WCL Section 25-a essentially provides that the Special Funds will undertake the administration and responsibility for the Workers Compensation claims where

1. More than seven years has elapsed from the date of the injury or death and;
2. No more than three years have elapsed after the last payment of compensation, and;
3. In circumstances where the case has been "truly closed".



EXHIBIT 22

BST



An Independent Member of the RSM McGladrey Network

DECHANTS,
FUGLEIN &
JOHNSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Diane M. Fuglein, CPA
David A. Johnson, CPA
David A. Froehlich, CPA
Mary Anne Skavina, CPA

4 Avis Drive, Latham, New York 12110-2674
Tel: (518) 785-1211 Fax: (518) 785-4480

January 29, 2010

New York State Workers' Compensation Board
29 Park Street
Albany, NY 12207

I am responding to the [REDACTED] [REDACTED] conference call from last week.

I had a detailed conversation with [REDACTED] [REDACTED] regarding the add back of the contra-liability of expected recoveries under the theory that they have already been accounted for in the actuary report in calculating ultimate losses. While reviewing different examples of recording the expected recoveries on case reserves, he seemed to concur with that theory. However, there seemed to be a disconnect of this when looking at the totals on the financial statement accounting for contra-liability already in the total reserves. Although I believe that there are additional recoveries that will be realized as these reserves are paid, including the eventual realization of some of the IBNR, and the fact that there seems to be other Trusts that appear to be using this theory, it really comes down to the actuary of the Trust is now stating that these contra-liabilities of expected recoveries are already in the total reserve number. As auditors, we are allowed to rely on an outside expert work product when conducting parts of the audits. The actuary report is one of these products that auditors can rely on. Although, personally, I may not necessarily agree with everything, as an auditor I have to accept the findings of the actuary. With the current year end already ended, and the Workers' Compensation Board not wanting to address the earlier level I review results, any changes to the 3/31/2009 financial statements will be addressed through the current year end financial statements.

As for the issue of the need to record a liability of claims processing fees on the assumption that they might be incurred if the Trust was to change claims processing firms or if the Trust was taken over by the Workers' Compensation Board; at this time I do not believe this a real liability and should not be recorded. The Trust could consider adding a footnote that if there was a change in the claims processing firm, additional costs may be incurred. To record a liability with such an unknown ultimate cost or the possibility that in negotiations with a new claims processing firm could result in either not charging for the takeover of old claims or could heavily discount them, would be hard to justify. In addition, what if the Trust was to change again after another year, how much of a liability would be needed to be recorded to take in that potential issue? As per GAAP, the Trust is using the assumption that this is an ongoing business. The potential cost for any additional claims processing fees or any other additional cost to be incurred by a Trust that is taken over by the Workers' Compensation Board should not be recorded. I have not found any other auditors that have recorded such liabilities.

Please let me know if you have any questions.

Sincerely,



David A. Johnson, CPA
Partner