

CALCUATION OF RATE CHANGE FOR POLICIES INCEPTING IN 2006						
WCIRB AMENDED 1/1/06 RATE FILING: 9/15/05						
	2003	2004	2005	Selected	Formula	Source Exhibit
Medical						
<u>Ultimate Pure Premium</u>						
(1)	Paid Pure Premium	0.113	0.047	na		A-9
(2)	Paid LDF	2.667	4.243	na		A-9
(3)	Paid Ultimate	0.301	0.199	na	(1)x(2)	A-9
<u>Adjustments</u>						
(4)	Other Medical Cost Adj.	1.000	1.000	1.000		A-11
(5)	Legislative Changes	0.917	0.972	1.000		A-12
(6)	Composite Prem. Adj. Factor	0.596	0.5262	na		A-17
(7)	<u>On-Level Pure Premium</u>	0.464	0.368		0.416 (3)x(4)x(5)/(6)	A-19
Indemnity						
<u>Ultimate Pure Premium</u>						
(8)	Paid Pure Premium	0.101	0.033	na		A-9
(9)	Paid LDF	2.542	5.643	na		A-9
(10)	Paid Ultimate	0.257	0.186	na	(8)x(9)	A-9
<u>Benefit Level & Wage Adj.</u>						
(11)	Annual Benefit Change		(10.2%)	(28.2%)	from (12)	A-10
(12)	Factor to 1/1/05 Benefits	0.645	0.718	1.000		A-10
(13)	Wage Inflation		1.5%	1.2%		A-10
(14)	Factor to 1/1/07 Wages	1.040	1.025	1.013	from (13)	A-10
(15)	Composite Factor	0.670	0.736		(12)x(14)	A-10
(16)	<u>Composite Prem. Adj. Factor</u>	0.596	0.5262	na		A-17
(17)	<u>On-Level Pure Premium</u>	0.289	0.261		0.275 (10)x(15)/(16)	A-18
Rate Change						
			<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
(18)	Projected Loss to PP Ratio		0.275	0.416	0.691 (7) & (13)	A-22
(19)	Additional Impact of AB 749		5.8%	0.6%	2.7%	A-22
(20)	Projected Loss to PP Ratio after all reforms reflected		0.290	0.418	0.708 (18)x[1+(19)]	A-22
(21)	Projected Loss Adj. Expense				1.205	A-22
(22)	Loss & LAE to PP Ratio				0.854 (20)x(21)	A-22
(23)	Change in Off-Balance Factor				(1.5%)	A-22
(24)	Indicated Rate Change				(15.9%) (22)x[1+(23)]	A-22

Summary of Cost impacts of AB 749, AB 227, SB 228 and SB 899 Provision included 1/1/06 Pure Premium Rate Filing							
WCIRB Estimated Impacts							
Provided by WCIRB 1/5/06							
Indemnity							
	Effective Date						
	1/1/2003	1/1/2004	4/19/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008
AB 749	11.2%	11.7%		6.0%	5.8%	0.0%	0.2%
AB 227, SB 228							
- Vocational Rehab.		(12.6%)					
SB 899							
- Apportionment			(6.7%)				
- 2-Year Cap on TD			(5.3%)				
- Multi-tier PD Benefits				(1.8%)			
- # of weeks of PD				(5.4%)			
- New PD Rating Schedule				(24.1%)			
Total	11.2%	(2.4%)	(11.6%)	(25.3%)	5.8%	0.0%	0.2%
Indemnity Trend Factor	0.717	0.645		0.718	1.000	1.000	1.000
	percent after 1/1/05 ==>		32.1%				
Medical							
	Effective Date						
	1/1/2003	1/1/2004	4/19/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008
AB 749							
- Pharm (generic)	(0.1%)						
- Utilization impact due to change in indemnity benefit	0.9%	1.4%		0.7%	0.6%		
AB 227, SB 228							
- Fee Schedule		(9.4%)		0.3%	0.3%		
- Limit on # of Chiropractic visits		(3.6%)					
- Limit on # of physical therapy visits		(2.5%)					
SB 899							
- Apportionment			(0.8%)				
- 2-Year Cap on TD			(0.6%)				
- Multi-tier PD Benefits				(0.2%)			
- # of weeks of PD				(0.7%)			
- Employers' liability for first aid			0.7%				
- Medical Legal			(0.3%)				
- Utilization due to new PD Rating				(2.9%)			
- Utilization due to MPN's, ACOEM		0.0%					
Total	0.8%	(13.7%)	(1.0%)	(2.8%)	0.9%	0.0%	0.0%
Total ex Med Fee, MPN, ACOEM util)	0.8%	(4.7%)	(1.0%)	(2.8%)	0.9%	0.0%	0.0%
Total ex Med Fee Change	0.8%	(4.7%)	(1.0%)	(2.8%)	0.9%	0.0%	0.0%
Med. Trend							
Total	0.837	0.831		0.972	1.000	1.000	1.000
Med. Trend (ex Med Fee, MPN/ACOEM util)	0.924	0.917		0.972	1.000	1.000	1.000
Med. Trend (MPN/ACOEM util)	1.000	1.000		1.000	1.000	1.000	1.000
Med. Trend (ex Med Fee)	0.924	0.917		0.972	1.000	1.000	1.000
	Ex MPN/ACOEM util: percent after 1/1/05 ==>		0.0%				

WCIRB 9/15/05 (page A-13)								
Figures in Red match CDI explanation of rate changes								
	Reduction			Reduction				
	% of	Due to	Util.	utilization	Due to	PD as a	% Reduction	% Reduction
	Total Loss	PD ex Util.	Factor	savings	PD w/Util.	% of Total	PD	PD
							Ex Util.	w/Util.
Serious	32.64%	0.0%	#DIV/0!	-25.8%	-25.8%	18.1%	0.0%	
Not Serious	10.26%	-12.4%	1.51	-6.2%	-18.6%	3.4%	-37.5%	
Indem	42.90%	-3.0%		-21.1%	-24.1%	21.5%		
Medical	57.10%	0.0%		-2.9%	-2.9%	0.0%		
Total	100.00%	-1.3%		-10.7%	-12.0%	21.5%	-5.9%	-55.7%

APPORTIONMENT IMPACT			
(THIS TAKES PLACE ON TOP OF THE OTHER PD CHANGES)			
All the figures below are after the impact of AMA guides, etc. but before apportionment			
	% of	PD as a %	PD as a %
	Total Loss	Total Loss	Indem
Serious	27.52%		
Not Serious	9.49%		
Indem	37.01%	18.15%	49.04%
Medical	62.99%		
Total	100.00%		

(Assumes utilization applies equally to all indem.)

DERIVATION OF SAVINGS SERIOUS & NOT SERIOUS							
WCIRB 9/15/05 (page A-14, A-15)							
	% of	Duration	Avg. Comp	\$\$	Duration	Avg. Comp	\$\$
	Total Loss	Temp	Temp	Temp	Perm	Perm	Perm
Pre-Reform							
Death	0.46%						
Permanent Total	3.87%						
Major 70-99.75	4.73%	57.7	408.54	23,573	425.5	239.08	101,729
Major 25-69.5	23.59%	38.9	385.92	15,012	151.8	201.78	30,630
Total Serious	32.65%						
Minor 15-24.75	4.12%	26.3	379.63	9,984	61.8	198.67	12,278
Minor .25-14.75	2.41%	10.5	368.67	3,871	20.2	204.52	4,131
Temporary	3.72%						
Non-Serious	10.25%						
Savings on Average PD Claim							
Major 70-99.75					(38.00%)	(0.65%)	
Major 25-69.5					(38.00%)	(0.39%)	
Minor 15-24.75					(38.00%)	1.32%	
Minor .25-14.75					(38.00%)	0.00%	
Post-Reform							
Major 70-99.75		57.7	408.54	23,573	263.81	237.52	62,660
Major 25-69.5		38.9	385.92	15,012	94.116	201	18,917
Minor 15-24.75		26.3	379.63	9,984	38.316	201.29	7,713
Minor .25-14.75		10.5	368.67	3,871	12.524	204.52	2,561

Duration lp	Avg. Comp lp	\$\$ lp	\$ed. Vouchers	\$\$ Total	Post-Reform Total	% Savings f/PD Sched.	PD as a % of loss in Category
				na			
				na			
499.1	81.62	40,737	2,700	168,738	129,669	-23.2%	60.3%
0	0	-	1,623	47,265	35,553	-24.8%	64.8%
0	0	-	780	23,042	18,477	-19.8%	53.3%
0	0	-	400	8,402	6,832	-18.7%	49.2%
				na			
						-12.4%	
499.1	81.62	40,737	2700	129,669			
0	0	-	1623	35,553			
0	0	-	780	18,477			
0	0	-	400	6,832			

BRS: CALCULATION OF RATE CHANGE FOR POLICIES INCEPTING IN 2006					
<i>LOW SCENARIO</i>					
	2003	2004	2005	Selected Formula	Source Exhibit
Medical					
<u>Ultimate Pure Premium</u>					
(1)	Paid Pure Premium	0.12	0.054	na	III-A-7
(2)	Paid LDF	2.426	3.469	na	III-A-7
(3)	Paid Ultimate	0.291	0.187	na	(1)x(2) III-A-7
<u>Adjustments</u>					
(4)	Medical Cost Adj.	1.276	1.269	1.154	
(5)	Legislative Changes	#DIV/0!	#DIV/0!		
(6)	Composite Prem. Adj. Factor	0.596	0.526	na	
(7)	<u>On-Level Pure Premium</u>	#DIV/0!	#DIV/0!	#DIV/0!	(3)x(4)x(5)/(6) Calculated
Indemnity					
<u>Ultimate Pure Premium</u>					
(8)	Paid Pure Premium	0.114	0.041	na	III-A-7
(9)	Paid LDF	2.207	4.29	na	III-A-7
(10)	Paid Ultimate	0.252	0.176	na	(8)x(9) III-A-7
<u>Benefit Level & Wage Adj.</u>					
(11)	Annual Benefit Change		#DIV/0!	#DIV/0!	from (12) BRS
(12)	Factor to 1/1/05 Benefits	#DIV/0!	#DIV/0!	1.000	Calculated
(13)	Wage Inflation		1.5%	1.2%	A-10
(14)	Factor to 1/1/07 Wages	1.040	1.025	1.013	from (13) Calculated
(15)	Composite Factor	#DIV/0!	#DIV/0!		(12)x(14) Calculated
(16)	<u>Composite Prem. Adj. Factor</u>	0.596	0.5262	na	A-17
(17)	<u>On-Level Pure Premium</u>	#DIV/0!	#DIV/0!	#DIV/0!	(10)x(15)/(16) Calculated
Rate Change					
		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>	
(18)	Projected Loss to PP Ratio	#DIV/0!	#DIV/0!	#DIV/0!	(7) & (13) Calculated
(19)	Additional Impact of AB 749		5.8%	0.6%	#DIV/0! A-22
(20)	Projected Loss to PP Ratio after all reforms reflected	#DIV/0!	#DIV/0!	#DIV/0!	(18)x[1+(19)] Calculated
(21)	Projected Loss Adj. Expense			1.205	A-22
(22)	Loss & LAE to PP Ratio			#DIV/0!	(20)x(21) A-22
(23)	Change in Off-Balance Factor			(1.5%)	A-22
(24)	Indicated Rate Change			#DIV/0!	(22)x[1+(23)] - 1 A-22

BRS: SUMMARY OF COST IMPACTS OF AB 749, AB 227, SB 228 AND SB 899 PROVISION INCLUDED 1/1/06 PURE PREMIUM RATE FILING							
Indemnity							
	Effective Date						
	1/1/2003	1/1/2004	4/19/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008
AB 749	11.2%	11.7%		6.0%	5.8%	0.0%	0.2%
AB 227, SB 228							
- Vocational Rehab.		(12.6%)					
SB 899							
- Apportionment			#DIV/0!				
- 2-Year Cap on TD			(5.3%)				
- Multi-tier PD Benefits				(1.8%)			
- # of weeks of PD				(5.4%)			
- New PD Rating Schedule				#DIV/0!			
Total	11.2%	(2.4%)	#DIV/0!	#DIV/0!	5.8%	0.0%	0.2%
Indemnity Trend Factor	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
percent after 1/1/05 ==>			32.1%				
Medical							
	Effective Date						
	1/1/2003	1/1/2004	4/19/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008
AB 749							
- Pharm (generic)	(0.1%)						
- Utilization impact due to change in indemnity benefit	0.9%	1.4%		0.7%	0.6%		
AB 227, SB 228							
- Fee Schedule		(9.4%)		0.3%	0.3%		
- Limit on # of Chiropractic visits		(3.6%)					
- Limit on # of physical therapy visits		(2.5%)					
SB 899							
- Apportionment			#DIV/0!				
- 2-Year Cap on TD			(0.6%)				
- Multi-tier PD Benefits				(0.2%)			
- # of weeks of PD				(0.7%)			
- Employers' liability for first aid			0.7%				
- Medical Legal			(0.3%)				
- Utilization due to new PD Rating				#DIV/0!			
- Utilization due to MPN's, ACOEM		(10.0%)					
Total	0.8%	(22.3%)	#DIV/0!	#DIV/0!	0.9%	0.0%	0.0%
Total ex Med Fee, MPN,ACOEM util)	0.8%	(4.7%)	#DIV/0!	#DIV/0!	0.9%	0.0%	0.0%
Total ex Med Fee Change	0.8%	(14.2%)	#DIV/0!	#DIV/0!	0.9%	0.0%	0.0%
Med. Trend							
Total	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
Med. Trend (ex Med Fee, MPN/ACOEM util)	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
Med. Trend (MPN/ACOEM util)	0.900	0.900		0.987	1.000	1.000	1.000
Med. Trend (ex Med Fee)	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
Ex MPN/ACOEM util: percent after 1/1/05 ==>			0.0%				
ACOEM: Avg. Date implemented ==>			2/15/04	1/1/2004			
% 2004 Affected ==>			88%	1/1/2005			

Derivation of Savings Serious & Not Serious															
wcirb 9/15/05 (page A-14, A-15)															
	% of total Loss	duration temp	avg. comp temp	\$\$ temp	duration perm	avg. comp perm	\$\$ perm	duration lp	avg. comp lp	\$\$ lp	\$ed. vouchers	\$\$ Total	post-reform total	% Savings f/PD sched.	PD as a % of loss in category
<u>Pre-Reform</u>															
Death	0.46%											na			
Permanent Total	3.87%											na			
Major 70-99.75	4.73%	57.7	408.54	23,573	425.5	239.08	101,729	499.1	81.62	40,737	2700	168,738	141,797	-16.0%	60.3%
Major 25-69.5	23.59%	38.9	385.92	15,012	151.8	201.78	30,630	0	0	-	1623	47,265	39,214	-17.0%	64.8%
Total Serious	32.65%														-14.6%
Minor 15-24.75	4.12%	26.3	379.63	9,984	61.8	198.67	12,278	0	0	-	780	23,042	19,970	-13.3%	53.3%
Minor .25-14.75	2.41%	10.5	368.67	3,871	20.2	204.52	4,131	0	0	-	400	8,402	7,328	-12.8%	49.2%
Temporary	3.72%											na			
Non-Serious	10.25%														-8.4%
<u>Savings on Average PD Claim</u>															
Major 70-99.75					(26.00%)	(0.65%)									
Major 25-69.5					(26.00%)	(0.39%)									
Minor 15-24.75					(26.00%)	1.32%									
Minor .25-14.75					(26.00%)	0.00%									
<u>Post-Reform</u>															
Major 70-99.75		57.7	408.54	23,573	314.87	237.52	74,788	499.1	81.62	40,737	2700	141,797			
Major 25-69.5		38.9	385.92	15,012	112.332	201	22,579	0	0	-	1623	39,214			
Minor 15-24.75		26.3	379.63	9,984	45.732	201.29	9,205	0	0	-	780	19,970			
Minor .25-14.75		10.5	368.67	3,871	14.948	204.52	3,057	0	0	-	400	7,328			

	Reduction				Reduction			
	% of Total Loss	Due to PD ex util	util. factor	utilization savings	Due to PD w/util	PD as a % of total	% reduction PD ex util	% reduction PD w/util
serious	32.64%	-14.6%	#DIV/0!	#DIV/0!	#DIV/0!	18.1%	-26.3%	
not serious	10.26%	-8.4%	1.51	-4.2%	-12.6%	3.4%	-25.4%	
indem	42.90%	-13.1%		#DIV/0!	#DIV/0!	21.5%		
medical	57.10%	0.00%		#DIV/0!	#DIV/0!	0.0%		
total	100.00%	-5.6%		#DIV/0!	#DIV/0!	21.5%	-26.2%	#DIV/0!

Apportionment Impact (this takes place ON TOP OF the other PD changes)					
All the figures below are after the impact of AMA guides, etc. but before apportionment					
			Reduction	Reduction	
	% of PD as a %	PD as a %	PD as a %	PD as a %	Ind
	Total Loss	Total Loss	Indem	f/Apport.	f/Apport.
serious	#DIV/0!				
not serious	#DIV/0!				
indem	#DIV/0!	#DIV/0!	#DIV/0!	(5.00%)	#DIV/0!
medical	#DIV/0!				
total	#DIV/0!				

(assumes utilization applies equally to all indem)

BRS: Calculation of Rate Change for Policies Incepting in 2006
Middle Scenario

	2003	2004	2005	Selected	Formula	Source Exhibit
Medical						
<u>Ultimate Pure Premium</u>						
(1) Paid Pure Premium	0.12	0.054	na			III-A-7
(2) Paid LDF	2.426	3.469	na			III-A-7
(3) Paid Ultimate	0.291	0.187	na		(1)x(2)	III-A-7
<u>Adjustments</u>						
(4) Medical Cost Adj.	1.189	1.184	1.107			
(5) Legislative Changes	#DIV/0!	#DIV/0!				
(6) Composite Prem. Adj. Factor	0.596	0.526	na			
(7) <u>On-Level Pure Premium</u>	#DIV/0!	#DIV/0!		#DIV/0!	(3)x(4)x(5)/(6)	Calculated
Indemnity						
<u>Ultimate Pure Premium</u>						
(8) Paid Pure Premium	0.114	0.041	na			III-A-7
(9) Paid LDF	2.207	4.29	na			III-A-7
(10) Paid Ultimate	0.252	0.176	na		(8)x(9)	III-A-7
<u>Benefit Level & Wage Adj.</u>						
(11) Annual Benefit Change		#DIV/0!	#DIV/0!		from (12)	BRS
(12) Factor to 1/1/05 Benefits	#DIV/0!	#DIV/0!	1.000			Calculated
(13) Wage Inflation		1.5%	1.2%			A-10
(14) Factor to 1/1/07 Wages	1.040	1.025	1.013		from (13)	Calculated
(15) Composite Factor	#DIV/0!	#DIV/0!			(12)x(14)	Calculated
(16) <u>Composite Prem. Adj. Factor</u>	0.596	0.5262	na			A-17
(17) <u>On-Level Pure Premium</u>	#DIV/0!	#DIV/0!		#DIV/0!	(10)x(15)/(16)	Calculated
Rate Change						
		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>		
(18) Projected Loss to PP Ratio		#DIV/0!	#DIV/0!	#DIV/0!	(7) & (13)	Calculated
(19) Additional Impact of AB 749		5.8%	0.6%	#DIV/0!		A-22
(20) Projected Loss to PP Ratio after all reforms reflected		#DIV/0!	#DIV/0!	#DIV/0!	(18)x[1+(19)]	Calculated
(21) Projected Loss Adj. Expense				1.205		A-22
(22) Loss & LAE to PP Ratio				#DIV/0!	(20)x(21)	A-22
(23) Change in Off-Balance Factor				(1.5%)		A-22
(24) Indicated Rate Change				#DIV/0!	(22)x[1+(23)] - 1	A-22

**BRS: SUMMARY OF COST IMPACTS OF AB 749, AB 227, SB 228 AND
SB 899 PROVISION INCLUDED 1/1/06 PURE PREMIUM RATE FILING**

Middle Scenario

Indemnity

	Effective Date						
	1/1/2003	1/1/2004	4/19/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008
AB 749	11.2%	11.7%		6.0%	5.8%	0.0%	0.2%
AB 227, SB 228							
- Vocational Rehab.		(12.6%)					
SB 899							
- Apportionment			#DIV/0!				
- 2-Year Cap on TD			(5.3%)				
- Multi-tier PD Benefits				(1.8%)			
- # of weeks of PD				(5.4%)			
New PD Rating Schedule				#DIV/0!			
Total	11.2%	(2.4%)	#DIV/0!	#DIV/0!	5.8%	0.0%	0.2%
Indemnity Trend Factor	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
	percent after 1/1/05 ==>		32.1%				

Medical

	Effective Date						
	1/1/2003	1/1/2004	4/19/2004	1/1/2005	1/1/2006	1/1/2007	1/1/2008
AB 749							
- Pharm (generic)	(0.1%)						
- Utilization impact due to change in indemnity benefit	0.9%	1.4%		0.7%	0.6%		
AB 227, SB 228							
- Fee Schedule		(9.4%)		0.3%	0.3%		
- Limit on # of Chiropractic visits		(3.6%)					
- Limit on # of physical therapy visits		(2.5%)					
SB 899							
- Apportionment			#DIV/0!				
- 2-Year Cap on TD			(0.6%)				
- Multi-tier PD Benefits				(0.2%)			
- # of weeks of PD				(0.7%)			
- Employers' liability for first aid			0.7%				
- Medical Legal			(0.3%)				
Utilization due to new PD Rating				#DIV/0!			
Utilization due to MPN's, ACOEM		(20.0%)					
Total	0.8%	(30.9%)	#DIV/0!	#DIV/0!	0.9%	0.0%	0.0%
Total ex Med Fee, MPN,ACOEM util)	0.8%	(4.7%)	#DIV/0!	#DIV/0!	0.9%	0.0%	0.0%
Total ex Med Fee Change	0.8%	(23.8%)	#DIV/0!	#DIV/0!	0.9%	0.0%	0.0%
Med. Trend							
Total	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
Med. Trend (ex Med Fee, MPN/ACOEM util)	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
Med. Trend (MPN/ACOEM util)	0.800	0.800		0.956	1.000	1.000	1.000
Med. Trend (ex Med Fee)	#DIV/0!	#DIV/0!		#DIV/0!	1.000	1.000	1.000
Ex MPN/ACOEM util: percent after 1/1/05 ==>			0.0%				
ACOEM: Avg. Date implemented ==>			3/15/04	1/1/2004			
% 2004 Affected ==>			80%	1/1/2005			

Middle Scenario
BRS

WCIRB 9/15/05 (page A-13)							
Figures in Red match CDI explanation of rate changes							
Changes are in blue (PD savings & med utilization)							
	Reduction % of Total Loss	Due to PD ex Util.	Util. Factor	Utilization savings	Due to PD w/Util.	PD as a % of Total	Reduction % Reduction PD
Serious	32.64%	-25.1%	#DIV/0!	#DIV/0!	#DIV/0!	18.1%	-45.2%
Not Serious	10.26%	-14.7%	1.51	-7.4%	-22.1%	3.4%	-44.6%
Indem	42.90%	-22.6%	#DIV/0!	#DIV/0!	#DIV/0!	21.5%	
Medical	57.10%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!	0.0%	
Total	100.00%	-9.7%	#DIV/0!	#DIV/0!	#DIV/0!	21.5%	-45.1%

Apportionment Impact (this takes place ON TOP OF the other PD changes)
All the figures below are after the impact of AMA guides, etc. but before apportionment

	Total Loss	% of Total Loss	PD as a % Indem	PD as a % f/Apport.	PD as a % Reduction	PD as a % f/Apport.
Serious	#DIV/0!					
Not Serious	#DIV/0!					
Indem	#DIV/0!	#DIV/0!	#DIV/0!	(8.50%)	#DIV/0!	
Medical	#DIV/0!					
Total	#DIV/0!					

(assumes utilization applies equally to all indem)

Derivation of Savings Serious & Not Serious
wcirb 9/15/05 (page A-14, A-15)

	% of total Loss	duration temp	avg. comp temp	\$\$\$ temp	duration perm	avg. comp perm	\$\$\$ perm	duration lp	avg. comp lp	\$\$\$ lp	Sed. vouchers	\$\$\$ Total	post-reform total	% Savings f/ PD sched.	PD as a % of loss in category
<u>Pre-Reform</u>															
Death	0.46%											na			
Permanent Total	3.87%											na			
Major 70-99.75	4.73%	57.7	408.54	23,573	425.5	239.08	101,729	499.1	81.62	40,737	2700	168,738	122,595	-27.3%	60.3%
Major 25-69.5	23.59%	38.9	385.92	15,012	151.8	201.78	30,630	0	0	-	1623	47,265	33,417	-29.3%	64.8%
Total Serious	32.65%														-25.1%
Minor 15-24.75	4.12%	26.3	379.63	9,984	61.8	198.67	12,278	0	0	-	780	23,042	17,606	-23.6%	53.3%
Minor .25-14.75	2.41%	10.5	368.67	3,871	20.2	204.52	4,131	0	0	-	400	8,402	6,543	-22.1%	49.2%
Temporary	3.72%											na			
Non-Serious	10.25%														-14.7%
<u>Savings on Average PD Claim</u>															
Major 70-99.75					(45.00%)	(0.65%)									
Major 25-69.5					(45.00%)	(0.39%)									
Minor 15-24.75					(45.00%)	1.32%									
Minor .25-14.75					(45.00%)	0.00%									
<u>Post-Reform</u>															
Major 70-99.75		57.7	408.54	23,573	234.025	237.52	55,586	499.1	81.62	40,737	2700	122,595			
Major 25-69.5		38.9	385.92	15,012	83.49	201	16,781	0	0	-	1623	33,417			
Minor 15-24.75		26.3	379.63	9,984	33.99	201.29	6,842	0	0	-	780	17,606			
Minor .25-14.75		10.5	368.67	3,871	11.11	204.52	2,272	0	0	-	400	6,543			

BRS: Calculation of Rate Change for Policies Incepting in 2006

High Scenario

	2003	2004	2005	Selected	Formula	Source Exhibit
Medical						
<i>Ultimate Pure Premium</i>						
(1) Paid Pure Premium	0.12	0.054	na			III-A-7
(2) Paid LDF	2.426	3.469	na			III-A-7
(3) Paid Ultimate	0.291	0.187	na		(1)x(2)	III-A-7
<i>Adjustments</i>						
(4) Medical Cost Adj.	1.105	1.103	1.061			
(5) Legislative Changes	#DIV/0!	#DIV/0!				
(6) Composite Prem. Adj. Factor	0.596	0.526	na			
(7) <i>On-Level Pure Premium</i>	#DIV/0!	#DIV/0!		#DIV/0!	(3)x(4)x(5)/(6)	Calculated
Indemnity						
<i>Ultimate Pure Premium</i>						
(8) Paid Pure Premium	0.114	0.041	na			III-A-7
(9) Paid LDF	2.207	4.29	na			III-A-7
(10) Paid Ultimate	0.252	0.176	na		(8)x(9)	III-A-7
<i>Benefit Level & Wage Adj.</i>						
(11) Annual Benefit Change		#DIV/0!	#DIV/0!		from (12)	BRS
(12) Factor to 1/1/05 Benefits	#DIV/0!	#DIV/0!	1.000			Calculated
(13) Wage Inflation		1.5%	1.2%			A-10
(14) Factor to 1/1/07 Wages	1.040	1.025	1.013		from (13)	Calculated
(15) Composite Factor	#DIV/0!	#DIV/0!			(12)x(14)	Calculated
(16) <i>Composite Prem. Adj. Factor</i>	0.596	0.5262	na			A-17
(17) <i>On-Level Pure Premium</i>	#DIV/0!	#DIV/0!		#DIV/0!	(10)x(15)/(16)	Calculated
Rate Change						
		<u>Indemnity</u>	<u>Medical</u>	<u>Total</u>		
(18) Projected Loss to PP Ratio		#DIV/0!	#DIV/0!	#DIV/0!	(7) & (13)	Calculated
(19) Additional Impact of AB 749		5.8%	0.6%	#DIV/0!		A-22
(20) Projected Loss to PP Ratio after all reforms reflected		#DIV/0!	#DIV/0!	#DIV/0!	(18)x[1+(19)]	Calculated
(21) Projected Loss Adj. Expense				1.205		A-22
(22) Loss & LAE to PP Ratio				#DIV/0!	(20)x(21)	A-22
(23) Change in Off-Balance Factor				(1.5%)		A-22
(24) Indicated Rate Change				#DIV/0!	(22)x[1+(23)] - 1	A-22