

National Council On Compensation Insurance

Loss Cost Filing Review Missouri Workers' Compensation January 1, 2012

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Loss Cost Filing Review Missouri Workers' Compensation Effective January 1, 2012

INTRODUCTION AND SCOPE

AMI Risk Consultants Inc. (AMI) has been retained by the Missouri Department of Insurance, Financial Institutions, and Professional Regulation (DIFP) to review the 2012 Workers' Compensation Loss Cost filing submitted by the National Council on Compensation Insurance (NCCI).

This report summarizes the results of our review of the calculations and assumptions used by NCCI to derive the advisory loss costs effective January 1, 2012.

In particular we reviewed the following components of the filing:

- NCCI's statewide pure premium level indication
- Revisions to NCCI's approach to determining the intrastate experience rating off-balance adjustment to premiums used in developing the statewide pure premium level indication.

Specifically excluded from the scope of our review are loss costs for special groups such as F-Classifications and Underground Coal Mine workers.

Furthermore we did not audit the premium or loss data underlying the loss cost development, nor did we verify the accuracy of NCCI's detail calculations.

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CONCLUSIONS

The summarized results of our review are as follows:

Statewide Indicated Change

We find that the statewide indicated pure premium level change developed by NCCI recognizes the appropriate, standard ratemaking elements. Our opinion of the various selections made by NCCI in developing the statewide indication is that selections of trend rates are somewhat conservative. In addition NCCI's inclusion of assigned risk experience in developing the statewide indication tends to mildly overstate the statewide loss cost level.

AMI's calculated statewide indicated change compared to NCCI's is:

2012 Missouri Statewide Indicated Change	
Filed by NCCI	Estimated by AMI
-3.0%	-6.8%

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CONCLUSIONS (continued)

Experience Rating Off-Balance

Our review of the revised procedure for developing the experience rating off-balance indicates that NCCI is applying this change in order to slowly shift a greater percentage of premium collected to non-experience-rated insureds. The impetus to initiate this change is the observation that smaller insureds (in terms of annual premium) as a group produce higher loss ratios than larger insureds.

Without this revision the overall loss cost change would have been -3.8% instead of -3.0%. However, the average expected experience mod would have been higher.

Average Impact of Off-Balance Approach	
Experience-Rated Insureds	Slightly higher loss costs (reducing by -3.0% instead of -3.8%) offset by slightly lower experience mods
Non-Experience-Rated Insureds	Slightly higher loss costs (reducing by -3.0% instead of -3.8%) with no offset

Our opinion is that this small adjustment is justified by NCCI's study of countrywide pure premiums by policy size. (A summary is attached in Appendix A.) However, it will take many future adjustments of this magnitude to correct the imbalance suggested by the study. Furthermore, the industry groups exhibiting the most significant imbalance between large and small policy sizes are not the major industry groups in Missouri. Consequently it is not clear that further adjustments are appropriate for Missouri. (See Page 15 for additional discussion.)

**SOURCES
RELIED UPON**

In performing our review we relied on information from the following sources:

- NCCI 2012 Advisory Loss Cost Filing for Missouri
- NCCI 2011 Advisory Loss Cost Filing for Missouri
- Data and explanatory notes provided by NCCI in response to our questions (attached here as Appendix A)
- Missouri State Page history provided by the DIFP.

**Acknowledgment of
Qualifications**

Aguedo M. (Bob) Ingco is a consulting actuary and President of AMI Risk Consultants, Inc. He is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. Mr. Ingco meets the qualification standards of the American Academy of Actuaries to provide the estimates in this report.

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OVERVIEW OF FILING

Statewide Average Loss Cost Change

With this filing NCCI is proposing a -3.0% reduction in overall loss costs to be distributed by Industry Group as follows:

INDUSTRY GROUP	LOSS COST CHANGE	MISSOURI EXPOSURE DISTRIBUTION**
Manufacturing	-2.9%	11%
Contracting	-3.6%	6%
Office and Clerical	-5.2%	58%
Goods and Services	-3.4%	20%
Miscellaneous	0.2%	5%
Overall	-3.0%	100%

** exposure distribution based on 7/08-6/09 payroll

Of the top twenty classes based on payroll, the largest changes in classification loss costs are:

Large Classes with Loss Cost Increases > 5%			
Class	Class Description	Size Rank based on Payroll **	Loss Cost Change
7229	Trucking – Long Distance Hauling & Drivers	16th	+9%

** rank based on 7/08-6/09 payroll

Large Classes with Loss Cost Decreases > - 10%			
Class	Class Description	Size Rank based on Payroll **	Loss Cost Change
8901	Telecommunications Co: Office or Exchange Empl. or Clerical	10th	-19%
8601	Architectural or Engineering Firm: Incl. Salespersons & Drivers	14th	-13%
8810	Clerical Office Employees NOC	1st	-11%

** rank based on 7/08-6/09 payroll

**OVERVIEW OF
FILING
(continued)**

Distribution of Loss Cost Changes by Size of Change

As shown in the chart below, the proposed loss cost changes result in a reduction between -10% and -15% for 36% of statewide payroll, and a change between 0% and -5% for 38% of statewide payroll.



Experience Rating

The Expected Loss Rates (ELR's) for Experience Rating were recalculated to produce a targeted average experience rating mod for 2012. This is the part of the process aimed at shifting premium between experience-rated and non-rated insureds in an overall revenue-neutral manner. Please see Page 15 of this report for further discussion.

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STATEWIDE INDICATION

In this section we will describe and comment upon NCCI's statewide loss cost level indication, including the approach applied and the actuarial selections made. In addition we show the results of our own calculations.

Description of NCCI Approach

Provision for Benefits

The statewide indicated change in the provision for benefits is determined using premium and loss data for policy years 2008 and 2009. Standard earned premiums are developed to ultimate and adjusted to current pure premium level. Limited losses are likewise developed to ultimate and adjusted to current benefit level. Ultimate on-level losses are further adjusted for frequency and severity trend and for proposed benefit level changes, and are also loaded for average excess losses.

Separate indications are derived for medical and indemnity and are then summed to a combined indication for each policy year.

Equal weight is assigned to the combined (medical + indemnity) indications from the two policy years.

Statewide Indicated Change Excluding Loss Adjustment Expenses**

Policy Year	Projected Losses / Projected Premium		
	Indemnity	Medical	Combined
2008	.370	.641	1.011
2009	.352	.584	.936
Average			.974

The current (2011) provision for LAE is loaded to losses so that the resulting indication is effectively before any consideration for indicated change in LAE provision.

The indicated loss cost level change this year is .974 or **-2.6% before considering loss adjustment expenses.**

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STATEWIDE INDICATION (continued)

Provision for Loss Adjustment Expenses

A loss adjustment expense (LAE) provision is derived from countrywide developed ratios of expenses to incurred losses for the past five accident years. Separate countrywide ratios are selected for defense and cost containment (DCC) expenses and for adjusting and other (A&O) expenses.

A Missouri relativity is applied to the countrywide DCC ratio. That relativity is determined from ratio of paid DCC to paid loss for Missouri and countrywide during the most recent three calendar years.

Loss Adjustment Expense Provision Ratios LAE to Losses			
	DCC	A&O	Total LAE
Countrywide Selected	12.2%	7.5%	19.7%
Missouri DCC Relativity to Cwide	1.073	-	-
Indicated Missouri DCC	13.1%	-	-
NCCI Selected Missouri	13.1%	7.5%	20.6%

Thus the Missouri provision for DCC expense is 7.3% higher than countrywide, and the provision for A&O expense is equal to countrywide. The total allowance for LAE this year is 20.6% which represents a **-0.4%** reduction over the 2011 provision of 21.1%.

Statewide Indicated Change Proposed by NCCI

The combined indication for benefits and LAE is therefore:

-2.6%	Benefits indicated change
-0.4%	LAE indicated change
-3.0	Statewide indicated change.

**STATEWIDE
INDICATION
(continued)**

Comments on NCCI Approach

The NCCI approach to determining the statewide indication recognizes the appropriate, standard ratemaking elements. The use of policy year data, though not common in the industry, is considered the best possible match between premiums and losses. The general approach applied for the 2012 filing is the same as that applied in the 2011 filing. Furthermore, NCCI has indicated in past years that the Missouri approach is similar, but not identical to the approach used by NCCI in other states.

The Inclusion of Assigned Risk Experience

NCCI includes the experience of assigned risks in setting the loss cost level for the voluntary market. It is the DIFP's position that in doing so NCCI violates the scope of their undertaking which is to provide statewide loss costs for the **voluntary** market.

Missouri statutes do allow for the inclusion of assigned risk **assessments**, if any, in the determination of voluntary loss costs. The assigned risk program, however, is self-supporting and has been for a number of years. Therefore the increase in the voluntary loss cost level that results from NCCI's approach is unacceptable from a regulatory perspective.

The treatment of assigned risk experience is a source of long-standing disagreement between NCCI and the DIFP. NCCI has indicated that in their opinion including assigned risk experience:

- 1) Utilizes the largest available volume of credible data,
- 2) Produces consistent loss costs from year to year independent of the size of the assigned risk program, and
- 3) Encourages companies to write as much of the market as possible on a voluntary basis.

Impact: Including assigned risk experience, as NCCI does, increases the overall statewide indication by **1.1%**.

AMI Adjustments: In our adjustments to the NCCI statewide indication (discussed further below) we have lowered our adjusted indication by **1.1%** to reflect the exclusion of assigned risks.

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STATEWIDE INDICATION (continued)

The Exclusion of Missouri Employers Mutual LAE Costs

In determining the Missouri DCC Relativity to countrywide, NCCI excludes the losses and DCC expenses of the state's largest carrier, Missouri Employers Mutual (MEM). Because MEM's ratio of DCC to losses is consistently lower than the average of other carriers in Missouri, excluding MEM has the effect of increasing the indicated LAE provision and consequently the statewide indication.

It is the DIFP's position that advisory loss costs should reflect the average LAE expense of the *statewide* voluntary market, and should therefore necessarily include MEM.

Impact:

If NCCI had included MEM's DCC expenses in developing the Missouri LAE provision, the *indicated* LAE provision would have decreased by **-0.6%**. (See Exhibit VI.)

Missouri LAE Provision Comparison			
Current (2011)	Indicated Per Filing (2012) Excl. MEM	Adjusted Indicated (2012) Incl. MEM	NCCI Selected (2012)
21.1%	20.6%	20.0%	20.6%

AMI Adjustments:

Our selected LAE provision of **20.0%** is developed on Exhibit V. This LAE estimate **includes MEM's DCC experience**, and represents a **-0.9%** change from the provision underlying the current loss costs.

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STATEWIDE INDICATION (continued)

NCCI Selections

The ratemaking approach utilized by NCCI necessitates the selection of various factors and provisions based on available information. Since actuarial judgment is involved at these junctures, it is possible, and even likely, that opinions will vary as to the appropriate selection. NCCI's selections for key factors are shown in the tables below for both the 2011 filing and the 2012 filing.

NCCI Factors Applied to Most Recent Policy Year		
	2012 Filing	2011 Filing
Premium Development Factor	.999	1.008
Paid Loss Development Factor - Indemnity	3.452	3.450
Incurred Loss Development Factor - Indemnity	1.218	1.213
Paid Loss Development Factor - Medical	1.621	1.628
Incurred Loss Development Factor - Medical	1.118	1.120
Indemnity Trend	.871	.871
Medical Trend	1.015	1.015
Loss Adjustment Expense	1.211	1.211
Excess Loss Loading	1.021	1.019

NCCI Factors Applied to Penultimate Policy Year		
	2012 Filing	2011 Filing
Premium Development Factor	1.000	1.003
Paid Loss Development Factor - Indemnity	1.908	1.907
Incurred Loss Development Factor - Indemnity	1.106	1.102
Paid Loss Development Factor - Medical	1.320	1.319
Incurred Loss Development Factor - Medical	1.075	1.080
Indemnity Trend	.832	.832
Medical Trend	1.020	1.020
Loss Adjustment Expense	1.211	1.211
Excess Loss Loading	1.021	1.019

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STATEWIDE INDICATION (continued)

Comments on NCCI Selections

Shown below are the changes in NCCI's selected factors and provisions between the 2011 and 2012 filings. The individual changes are generally minor.

NCCI Ratemaking Factors – Statewide Indication % Changes Between 2011 and 2012 Filings		
	Most Recent PY	Penultimate PY
Premium Development Factor	-0.9%	-0.3%
Paid Loss Development Factor - Indemnity	0.1%	0.1%
Incurred Loss Development Factor - Indemnity	0.4%	0.4%
Paid Loss Development Factor - Medical	-0.4%	0.1%
Incurred Loss Development Factor - Medical	-0.2%	-0.5%
Indemnity Trend	0.0%	0.0%
Medical Trend	0.0%	0.0%
Loss Adjustment Expense	0.0%	0.0%
Excess Loss Loading	0.2%	0.2%

AMI's selections differ from NCCI's as follows:

AMI Selections Compared to NCCI			
	AMI	NCCI	% Difference
Ultimate Losses – Indem - 2009	170,154,148	169,783,875	.2%
Ultimate Losses – Indem - 2008	191,604,598	191,544,772	0%
Ultimate Losses – Med - 2009	243,735,681	243,418,458	.1%
Ultimate Losses – Med - 2008	277,400,462	277,244,077	.1%
Annual Indemnity Trend	-5.5%	-4.50%	-1.0%
Annual Medical Trend	0%	.50%	-.5%
Loss Adjustment Expense	1.200	1.206	-0.5%

The development of the AMI selections is shown on Exhibits II – V.

AMI indemnity trend selection is based on the most recent five years of experience. The most recent three years suggest an even more negative trend in indemnity costs. The medical trend selection was capped at 0% despite the negative indications since the long-run loss ratio trend is fairly flat.

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STATEWIDE INDICATION (continued)

AMI Adjusted Statewide Indication

The adjustments/selections proposed by the DIFP and AMI lower the statewide indication from NCCI's proposed -3.0% to -6.8% as shown on Exhibit I. Therefore the proposed loss costs appear **overstated by 3.8%**. The components of the overstatement are:

AMI Adjustments To January 1, 2012 Advisory Loss Costs	
Item	AMI Adjustment
Ultimate Losses	0.1%
Trend	-2.3%
Loss Adjustment Expense Provision	-0.5%
Assigned Risk Exclusion	-1.1%
Total	-3.8%

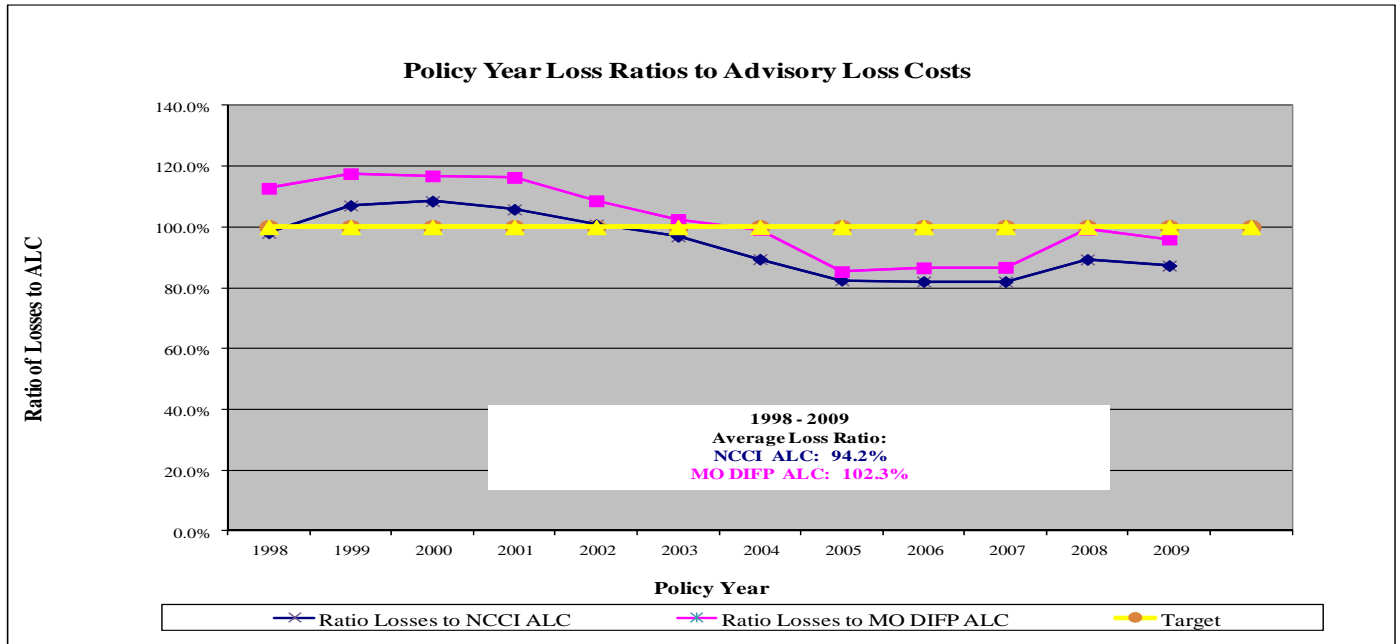
**STATEWIDE
INDICATION
(continued)**

History of DIFP Reviewer Alternate Statewide Indications

The graph below shows a retrospective test of advisory loss costs. It compares the Missouri statewide ultimate losses by policy year to those anticipated by:

- NCCI Advisory Loss Costs (blue line)
- NCCI Advisory Loss Costs as adjusted by Missouri DIFP reviewer (pink line).

We note that in 9 years of the most recent 14-year history the DIFP reviewer's adjusted loss costs produced loss ratios closer to the 100% target than the NCCI ALC's, while in the other 5 years NCCI loss costs came closer to the target. Over the long-run, the NCCI Advisory Loss Costs have produced a 94.2% loss ratio, i.e. overstating the average voluntary loss cost level by 5.8%. The DIFP reviewer's adjusted loss costs, on the other hand, have understated the voluntary average loss cost level by 2.3%, producing a loss ratio of 102.3%.



**EXPERIENCE
RATING
DISCUSSION**

Countrywide experience by policy size suggests the following adjustments are appropriate for small risks (NCCI's graphs showing pure premium relativities by policy size are included in Appendix A to this report.):

NCCI Indication Based on Pure Premium Relativity to Overall Countrywide Policy Size \$1 to \$10,000		
Industry Group	Indicated Change	Missouri Exposure Distribution*
Manufacturing	-0.8%	11%
Contracting	+30.1%	6%
Office/Clerical	-4.5%	58%
Goods & Services	-0.5%	20%
Miscellaneous	+24.9%	5%
Total	+9.0%	100%

*7/08 – 6/09 payroll distribution for all risks without consideration of policy size

As shown above the countrywide indicated adjustment for small risks is +9.0%. However since the larger indications are in industry groups not prominent in Missouri, namely Contracting and Miscellaneous, a target adjustment over time for Missouri small risks should be significantly less than +9.0%. In fact, weighting the indicated change by industry group with the Missouri distribution yields an overall indication of only +0.3%. Since a change of +0.8% will be implemented with the 2012 loss cost revision, it's not clear that further adjustments in future years are appropriate.

**ATTACHED
EXHIBITS**

The following exhibits are attached to this report:

- Exhibit I – Statewide Indication – AMI Compared to NCCI
- Exhibit II – AMI Selected Ultimate Premium and Losses
- Exhibit III – Selected Loss Development Factors
- Exhibit IV – Selected Trend Rates
- Exhibit V – Derivation of Loss Adjustment Expense Provision
- Exhibit VI – Estimated Impact on LAE Provision of Including MEM
- Exhibit VII – Retrospective Test of Advisory Loss Costs

Attached as Appendix A are answers and data received from NCCI in response to our questions. The only exclusion is the list of payroll and loss cost changes by class which was deleted due to length.

MISSOURI 2012 NCCI LOSS COST FILING REVIEW
STATEWIDE INDICATION
AMI COMPARED TO NCCI

	AMI			NCCI		
	PY 2008	PY 2009	Combined	PY 2008	PY 2009	Combined
Premium						
(1) Standard Premium Developed to Ultimate	\$624,016,188	\$557,859,812		\$624,016,188	\$557,859,812	
(2) Premium On Level Factor	0.873	0.937		0.873	0.937	
(3) Premium Available for Benefit Costs = (1) x (2)	\$544,766,132	\$522,714,644		\$544,766,132	\$522,714,644	
Indemnity Benefit Cost						
(4) Limited Indemnity Developed to Ultimate	\$191,604,598	\$170,154,148		\$191,544,772	\$169,783,875	
(5) Indemnity Loss On-level Factor	1.014	0.999		1.014	0.999	
(6) Factor to Include Loss-based Expenses (Current Factor)	1.211	1.211		1.211	1.211	
(7) Composite Adjustment Factor = (5) x (6)	1.228	1.210		1.228	1.210	
(8) Adjusted Limited Indemnity Losses = (4) x (7)	\$235,290,446	\$205,886,519		\$235,216,980	\$205,438,489	
(9) Adjusted Limited Indemnity Cost Ratio excl Trend & Benefits = (8)/(3)	0.432	0.394		0.432	0.393	
(10) Factor To Reflect Indemnity Trend	0.797	0.844		0.832	0.871	
(11) Projected Limited Indemnity Cost Ratio = (9) x (10)	0.344	0.332		0.359	0.342	
(12) Factor to Adjust Indemnity Cost Ratio to an Unlimited Basis	1.021	1.021		1.021	1.021	
(13) Projected Indemnity Cost Ratio = (11) x (12)	0.352	0.339		0.367	0.349	
(14) Factor to Reflect Proposed Changes in Benefits	1.008	1.008		1.008	1.008	
(15) Projected Indemnity Cost Ratio including Benefit Changes = (13) x (14)	0.354	0.342		0.370	0.352	
Medical Benefit Cost						
(16) Limited Medical Developed to Ultimate	\$277,400,462	\$243,735,681		\$277,244,077	\$243,418,458	
(17) Medical Loss On-level Factor	1.000	1.000		1.000	1.000	
(18) Factor to Include Loss-based Expenses	1.211	1.211		1.211	1.211	
(19) Composite Adjustment Factor = (17) x (18)	1.211	1.211		1.211	1.211	
(20) Adjusted Limited Medical Losses = (16) x (19)	\$335,931,959	\$295,163,909		\$335,742,577	\$294,779,753	
(21) Adjusted Limited Medical Cost Ratio excl Trend & Benefits = (20)/(3)	0.617	0.565		0.616	0.564	
(22) Factor To Reflect Medical Trend	1.000	1.000		1.020	1.015	
(23) Projected Limited Medical Cost Ratio = (21) x (22)	0.617	0.565		0.628	0.572	
(24) Factor to Adjust Medical Cost Ratio to an Unlimited Basis	1.021	1.021		1.021	1.021	
(25) Projected Medical Cost Ratio = (23) x (24)	0.630	0.577		0.641	0.584	
(26) Factor to Reflect Proposed Chnages in Benefits	1.000	1.000		1.000	1.000	
(27) Projected Medical Ratio including Benefit Changes = (25) x (26)	0.630	0.577		0.641	0.584	
Total Benefit Cost						
(28) Indicated Change Based on Experience, Trend and Benefits = (15) + (27)	0.984	0.919		1.011	0.936	
(29) Indicated Change in Benefit Provision			0.951			0.974
(30) Indicated Change in LAE Provision			0.991			0.996
(31) Adjustment to Exclude Assigned Risk			0.989			N/A
(32) Indicated Statewide Change			0.932			0.970
			-6.8%			-3.0%
(33) AMI Indicated Change to NCCI Proposed January 1, 2012 Advisory Loss Costs			-3.8%			N/A

Notes on AMI Columns:

(4) & (16) - Per Exhibit II.

(10) & (22) - Per Exhibit IV.

(30) - Per Exhibit V.

(32) = (29) x (30) x (31).

(33) = [(32) AMI / (32) NCCI] - 1

**MISSOURI 2012 NCCI LOSS COST FILING REVIEW
AMI SELECTED ULTIMATE PREMIUM AND LOSSES
AMI COMPARED TO NCCI**

Standard Premium

Policy Year	Earned Premium	Development Factor	AMI Ultimate Earned Premium	NCCI Ultimate Earned Premium
2008	624,016,188	1.000	624,016,188	624,016,188
2009	558,418,230	0.999	557,859,812	557,859,812
Total	1,182,434,418		1,181,876,000	1,181,876,000

Indemnity Losses

Policy Year	Limited Paid	Paid LDF	PLDA Ultimate	Limited Paid+Case	Paid+Case LDF	ILDA Ultimate	
2008	102,980,520	1.904	196,036,503	168,718,545	1.108	186,935,837	
2009	50,725,112	3.443	174,642,028	135,028,458	1.219	164,664,780	
Total	153,705,632		370,678,532	303,747,003		351,600,617	
Policy Year	Expected Ultimate	Percent Unpaid	BFPLA Ultimate	Percent Unrepd	BFILA Ultimate	AMI Selected Ultimate	NCCI Ultimate
2008	190,677,313	47.5%	193,492,565	9.7%	187,300,452	191,604,598	191,544,772
2009	170,462,261	71.0%	171,676,282	18.0%	165,708,209	170,154,148	169,783,875
Total	361,139,574		365,168,848		353,008,661	361,758,746	361,328,647

Medical Losses

Policy Year	Limited Paid	Paid LDF	PLDA Ultimate	Limited Paid+Case	Paid+Case LDF	ILDA Ultimate	
2008	204,048,841	1.310	267,364,723	265,249,939	1.075	285,148,382	
2009	153,349,528	1.609	246,678,106	213,110,313	1.117	237,985,848	
Total	357,398,369		514,042,829	478,360,252		523,134,231	
Policy Year	Expected Ultimate	Percent Unpaid	BFPLA Ultimate	Percent Unrepd	BFILA Ultimate	AMI Selected Ultimate	NCCI Ultimate
2008	273,808,451	23.7%	268,890,692	7.0%	284,357,051	277,400,462	277,244,077
2009	244,780,078	37.8%	245,960,003	10.5%	238,696,017	243,735,681	243,418,458
Total	518,588,530		514,850,695		523,053,068	521,136,142	520,662,535

Indemnity+Medical Combined

Policy Year	Limited Paid	Paid LDF	PLDA Ultimate	Limited Paid+Case	Paid+Case LDF	ILDA Ultimate	Indicated Ult. Combined Dev't	AMI Selected Ultimate	NCCI Ultimate
2008	307,029,361	1.527	468,937,899	433,968,484	1.088	472,319,237	470,628,568	469,005,060	468,788,849
2009	204,074,640	2.104	429,454,918	348,138,771	1.158	403,098,759	416,276,838	413,889,828	413,202,333
Total	511,104,001		898,392,817	782,107,255		875,417,996	886,905,407	882,894,888	881,991,182

MISSOURI 2012 NCCI LOSS COST FILING REVIEW
INCURRED LOSS DEVELOPMENT FACTORS
AMI COMPARED TO NCCI

Limited Combined Incurred Indemnity and Medical Loss Development Factors

Policy Year	1/2	2/3	3/4	4/5	5/6	Report	6/7	7/8	8/9	9/10	10/11
Avg	1.065	1.018	1.014	1.007	1.006		1.004	0.999	1.002	1.003	1.000
Wtd Avg	1.065	1.018	1.014	1.007	1.006		1.004	0.999	1.002	1.003	0.999
Avg ex Hi-Lo	1.062	1.021	1.013	1.008	1.006		1.004	0.999	1.002	1.003	1.001
NCCI Selected	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A
AMI Selected	1.064	1.019	1.014	1.007	1.006		1.004	0.999	1.002	1.003	1.000
AMI LDF to ULT.	1.158	1.088	1.068	1.053	1.046		1.039	1.035	1.036	1.034	1.031

Policy Year	11/12	12/13	13/14	14/15	15/16	Report	16/17	17/18	18/19	19/Ult
Avg	1.003	1.003	1.001	1.000	1.000		1.002	1.001	1.002	
Wtd Avg	1.003	1.003	1.001	1.000	1.000		1.002	1.001	1.002	
Avg ex Hi-Lo	1.003	1.003	1.001	1.000	1.000		1.002	1.001	1.002	
NCCI Selected	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A
AMI Selected	1.003	1.003	1.001	1.000	1.000		1.002	1.001	1.002	1.018
AMI LDF to ULT.	1.031	1.027	1.025	1.023	1.023		1.023	1.021	1.020	1.018

Limited Incurred Indemnity Loss Development Factors

Policy Year	1/2	2/3	3/4	4/5	5/6	Report	6/7	7/8	8/9	9/10	10/11
Avg	1.101	1.036	1.030	1.010	1.006		1.008	0.999	1.000	0.999	1.001
Wtd Avg	1.101	1.036	1.030	1.009	1.006		1.008	0.999	1.000	0.999	1.001
Avg ex Hi-Lo	1.101	1.036	1.029	1.011	1.006		1.008	0.998	1.000	1.000	1.001
NCCI Selected	1.101	1.036	1.030	1.010	1.006		1.008	0.999	1.000	0.999	1.001
AMI Selected	1.101	1.036	1.030	1.010	1.006		1.008	0.999	1.000	0.999	1.001
AMI LDF to ULT.	1.219	1.108	1.070	1.039	1.029		1.022	1.014	1.015	1.015	1.016

Policy Year	11/12	12/13	13/14	14/15	15/16	Report	16/17	17/18	18/19	19/Ult
Avg	1.001	1.002	0.999	1.000	1.000		1.001	1.001	1.000	
Wtd Avg	1.001	1.002	0.999	1.000	1.000		1.001	1.001	1.000	
Avg ex Hi-Lo	1.001	1.002	1.000	0.999	1.001		1.001	1.001	1.000	
NCCI Selected	1.001	1.002	0.999	1.000	1.000		1.001	1.001	1.000	1.010
AMI Selected	1.001	1.002	0.999	1.000	1.000		1.001	1.001	1.000	1.010
AMI LDF to ULT.	1.015	1.014	1.012	1.012	1.013		1.012	1.011	1.010	1.010

Limited Incurred Medical Loss Development Factors

Policy Year	1/2	2/3	3/4	4/5	5/6	Report	6/7	7/8	8/9	9/10	10/11
Avg	1.040	1.004	1.001	1.005	1.006		1.000	0.999	1.003	1.008	0.998
Wtd Avg	1.041	1.004	1.001	1.005	1.006		1.001	0.999	1.003	1.008	0.997
Avg ex Hi-Lo	1.035	1.010	1.001	1.006	1.008		1.001	1.000	1.003	1.007	1.001
NCCI Sel	1.040	1.004	1.001	1.005	1.007		1.001	0.999	1.003	1.008	0.998
AMI Selected	1.039	1.006	1.001	1.005	1.007		1.001	0.999	1.003	1.008	0.999
AMI LDF to ULT.	1.117	1.075	1.069	1.068	1.062		1.054	1.054	1.054	1.051	1.043

Policy Year	11/12	12/13	13/14	14/15	15/16	Report	16/17	17/18	18/19	19/Ult
Avg	1.005	1.004	1.003	1.000	1.000		1.002	1.002	1.005	
Wtd Avg	1.006	1.004	1.003	1.000	1.000		1.002	1.002	1.004	
Avg ex Hi-Lo	1.004	1.003	1.002	1.000	1.001		1.002	1.001	1.004	
NCCI Selected	1.005	1.004	1.003	1.000	1.000		1.002	1.002	1.003	1.030
AMI Selected	1.005	1.004	1.003	1.000	1.001		1.002	1.002	1.004	1.023
AMI LDF to ULT.	1.044	1.039	1.035	1.032	1.032		1.031	1.029	1.027	1.023

MISSOURI 2012 NCCI LOSS COST FILING REVIEW
PAID LOSS DEVELOPMENT FACTORS
AMI COMPARED TO NCCI

Limited Combined Paid Indemnity and Medical Loss Development Factors

Policy Year	1/2	2/3	3/4	4/5	5/6	Report 6/7	7/8	8/9	9/10	10/11
Avg	1.378	1.133	1.074	1.047	1.031	1.021	1.018	1.009	1.011	1.009
Wtd Avg	1.378	1.133	1.073	1.047	1.031	1.021	1.018	1.009	1.011	1.009
NCCI Selected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AMI Selected	1.378	1.133	1.074	1.047	1.031	1.021	1.018	1.009	1.011	1.009
AMI LDF to ULT.	2.104	1.527	1.348	1.256	1.199	1.163	1.139	1.119	1.110	1.097

Policy Year	11/12	12/13	13/14	14/15	15/16	Report 16/17	17/18	18/19	19/Ult
Avg	1.008	1.006	1.005	1.005	1.005	1.003	1.003	1.002	
Wtd Avg	1.008	1.006	1.005	1.005	1.005	1.003	1.003	1.002	
NCCI Selected	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AMI Selected	1.008	1.006	1.005	1.005	1.005	1.003	1.003	1.002	1.050
AMI LDF to ULT.	1.088	1.079	1.073	1.068	1.062	1.057	1.054	1.051	1.050

Limited Paid Indemnity Loss Development Factors

Policy Year	1/2	2/3	3/4	4/5	5/6	Report 6/7	7/8	8/9	9/10	10/11
Avg	1.808	1.270	1.130	1.076	1.053	1.031	1.026	1.011	1.011	1.011
Wtd Avg	1.809	1.270	1.129	1.075	1.054	1.031	1.026	1.011	1.011	1.011
NCCI Selected	1.809	1.271	1.130	1.076	1.054	1.031	1.026	1.011	1.011	1.011
AMI Selected	1.809	1.270	1.129	1.076	1.054	1.031	1.026	1.011	1.011	1.011
AMI LDF to ULT.	3.443	1.904	1.498	1.327	1.234	1.171	1.136	1.108	1.096	1.084

Policy Year	11/12	12/13	13/14	14/15	15/16	Report 16/17	17/18	18/19	19/Ult
Avg	1.007	1.007	1.005	1.006	1.005	1.004	1.003	1.002	
Wtd Avg	1.007	1.007	1.005	1.005	1.005	1.004	1.003	1.002	
NCCI Selected	1.007	1.007	1.005	1.006	1.005	1.004	1.003	1.001	1.033
AMI Selected	1.007	1.007	1.005	1.006	1.005	1.004	1.003	1.002	1.033
AMI LDF to ULT.	1.072	1.065	1.058	1.053	1.047	1.041	1.038	1.034	1.033

Limited Paid Medical Loss Development Factors

Policy Year	1/2	2/3	3/4	4/5	5/6	Report 6/7	7/8	8/9	9/10	10/11
Avg	1.228	1.061	1.037	1.026	1.012	1.012	1.010	1.006	1.012	1.006
Wtd Avg	1.228	1.061	1.037	1.026	1.012	1.012	1.009	1.006	1.012	1.006
NCCI Selected	1.228	1.061	1.038	1.026	1.012	1.012	1.010	1.006	1.012	1.006
AMI Selected	1.228	1.061	1.037	1.026	1.012	1.012	1.010	1.006	1.012	1.006
AMI LDF to ULT.	1.609	1.310	1.235	1.191	1.161	1.147	1.134	1.123	1.116	1.103

Policy Year	11/12	12/13	13/14	14/15	15/16	Report 16/17	17/18	18/19	19/Ult
Avg	1.010	1.005	1.004	1.004	1.004	1.002	1.002	1.002	
Wtd Avg	1.010	1.005	1.004	1.004	1.004	1.002	1.002	1.002	
NCCI Selected	1.010	1.005	1.005	1.005	1.004	1.002	1.002	1.001	1.067
AMI Selected	1.010	1.005	1.004	1.004	1.004	1.002	1.002	1.002	1.060
AMI LDF to ULT.	1.097	1.086	1.080	1.076	1.071	1.066	1.064	1.062	1.060

MISSOURI 2012 NCCI LOSS COST FILING REVIEW SELECTED TREND RATES

Policy Year	Indemnity LR Paid+Case	Medical LR Paid + Case
1998	0.634	0.476
1999	0.655	0.526
2000	0.645	0.533
2001	0.614	0.515
2002	0.561	0.513
2003	0.583	0.571
2004	0.491	0.523
2005	0.415	0.505
2006	0.383	0.500
2007	0.391	0.504
2008	0.357	0.509
2009	0.324	0.466
Calc Trend		
all	-6.68%	-0.42%
last 5	-5.50%	-1.42%
last 3	-8.97%	-3.84%
AMI Selected	-5.50%	0.00%
NCCI Selected	-4.50%	0.50%

Notes:

Loss Ratios per NCCI 2012 filing, Appendix A-III.

MISSOURI 2012 NCCI LOSS COST FILING REVIEW
DERIVATION OF LOSS ADJUSTMENT EXPENSE PROVISION
AMI COMPARED TO NCCI

Countrywide						
Accident Year	AMI			NCCI		
	Ultimate DCCE Ratio	Ultimate A&O Ratio	Total LAE Ratio	Ultimate DCCE Ratio	Ultimate A&O Ratio	Total LAE Ratio
2000	9.7%	6.3%				
2001	10.1%	6.5%				
2002	10.5%	6.7%				
2003	10.6%	7.5%				
2004	10.7%	7.1%				
2005	10.8%	7.9%				
2006	10.6%	8.0%		10.6%	8.0%	
2007	11.1%	8.0%		11.1%	8.0%	
2008	11.6%	7.4%		11.6%	7.4%	
2009	12.0%	7.6%		12.0%	7.6%	
2010	12.3%	7.4%		12.3%	7.4%	
(1) Selected Countrywide LAE Ratios	12.3%	7.5%		12.2%	7.5%	
(2) Missouri DCC Relativity	1.018	-		1.073	-	
(3) Indicated Missouri LAE Ratios (1) x (2)	12.5%	-		13.1%	-	
(4) Selected Missouri LAE Ratios	12.5%	7.5%	20.0%	13.1%	7.5%	20.6%
(5) Current Missouri LAE Ratios	13.3%	7.8%	21.1%	13.3%	7.8%	21.1%
(6) Change in Missouri LAE Ratios			-0.9%			-0.4%

Notes:

(2 - NCCI) - Per NCCI 2012 Loss Cost Filing, Exhibit II-C. Relativity excludes Missouri Employers Mutual (MEM).

(2 - AMI) - Per Exhibit VI, Item (5), Including MEM.

MISSOURI 2012 NCCI LOSS COST FILING REVIEW
ESTIMATED IMPACT ON LAE PROVISION OF INCLUDING MEM LAE

	EXCLUDING MEM	MEM	INCLUDING MEM
(1) 3-YR Missouri Paid Losses	1,203,089	189,836	1,392,925
(2) 3-YR Missouri Paid DCC	142,013	14,038	156,051
(3) Missouri Ratio (2) / (1)	11.8%	7.4%	11.2%
(4) 3-YR Countrywide DCC Ratio	11.0%	11.0%	11.0%
(5) Missouri Relativity to Countywide (3) / (4)	1.073	N/A	1.018
(6) NCCI Selected Countrywide DCC Provision	12.2%	N/A	12.2%
(7) NCCI Indicated Missouri DCC Provision (5) x (6)	13.1%	N/A	12.5%
(8) NCCI Selected Missouri A&O Provision	7.5%	N/A	7.5%
(9) NCCI Indicated Missouri LAE Provision (7) + (8)	20.6%		20.0%
IMPACT OF INCLUDING MEM DCC		-0.6%	

Notes:

Column "Excluding MEM" per NCCI 2012 Loss Cost Filing, Exhibit II.

"MEM" column provided by DIFP.

**MISSOURI 2012 NCCI LOSS COST FILING REVIEW
RETROSPECTIVE TEST OF ADVISORY LOSS COSTS
NCCI ALC COMPARED TO MISSOURI DIFF ALC**

Policy Year	Voluntary Premium (ALC) (1)	Premium Dev. Factor (2)	Ultimate Premium (3)	Voluntary				LAE Factor (8)	Excess Provision (9)	Ultimate Losses & LAE (10)
				Paid + Case Losses		AMI Selected LDF				
				Indemnity (4)	Medical (5)	Indemnity (6)	Medical (7)			
1994	N/A	1.000	N/A	N/A	N/A	1.012	1.031	N/A	1.021	N/A
1995	N/A	1.000	N/A	N/A	N/A	1.013	1.032	N/A	1.021	N/A
1996	399,512,272	1.000	399,512,272	135,592,185	112,297,913	1.012	1.032	1.171	1.021	302,689,918
1997	408,635,491	1.000	408,635,491	154,139,908	147,104,868	1.012	1.035	1.164	1.021	366,215,621
1998	440,658,602	1.000	440,658,602	191,863,314	163,243,465	1.014	1.039	1.163	1.021	432,300,595
1999	420,729,141	1.000	420,729,141	196,983,584	176,858,662	1.015	1.044	1.148	1.021	450,665,245
2000	433,041,143	1.000	433,041,143	206,057,209	190,440,089	1.016	1.043	1.129	1.021	470,091,836
2001	467,683,637	1.000	467,683,637	219,678,721	196,045,047	1.015	1.051	1.130	1.021	495,076,375
2002	466,191,400	1.000	466,191,400	199,286,290	192,079,198	1.015	1.054	1.137	1.021	470,119,458
2003	525,996,283	1.000	525,996,283	206,556,762	208,962,917	1.014	1.054	1.163	1.021	510,127,692
2004	571,705,756	1.000	571,705,756	195,633,403	215,634,490	1.022	1.054	1.172	1.021	511,425,011
2005	604,202,517	1.000	604,202,517	172,849,918	217,889,752	1.029	1.062	1.194	1.021	498,781,070
2006	644,419,671	0.999	643,775,251	174,310,213	235,284,950	1.039	1.068	1.198	1.021	528,535,871
2007	705,732,788	1.000	705,732,788	193,387,652	254,206,408	1.070	1.069	1.186	1.021	579,266,975
2008	614,516,203	1.000	614,516,203	165,178,220	251,459,289	1.108	1.075	1.187	1.021	549,203,368
2009	550,837,534	0.999	550,286,696	133,107,002	209,283,206	1.219	1.117	1.189	1.021	480,666,746

Policy Year	Missouri DIFP Reviewer Relativity to NCCI ALC (11)	Missouri Statewide Loss & LAE Ratio	
		NCCI ALC (12)	Missouri DIFP ALC (13)
1994	0.790	N/A	N/A
1995	0.823	N/A	N/A
1996	0.870	75.8%	87.1%
1997	0.899	89.6%	99.7%
1998	0.870	98.1%	112.8%
1999	0.911	107.1%	117.6%
2000	0.929	108.6%	116.9%
2001	0.910	105.9%	116.3%
2002	0.928	100.8%	108.7%
2003	0.946	97.0%	102.5%
2004	0.902	89.5%	99.2%
2005	0.967	82.6%	85.4%
2006	0.948	82.1%	86.6%
2007	0.946	82.1%	86.8%
2008	0.900	89.4%	99.3%
2009	0.909	87.3%	96.1%
2010	0.937		
2011	0.930		
2012	0.961		

1998-2009 Average	94.2%	102.3%
1998-2009 Wtd Average	92.7%	106.3%

Notes:

(1), (4) & (5) - Per Exhibit VII, Page 2, Columns (3), (8) & (9), respectively.

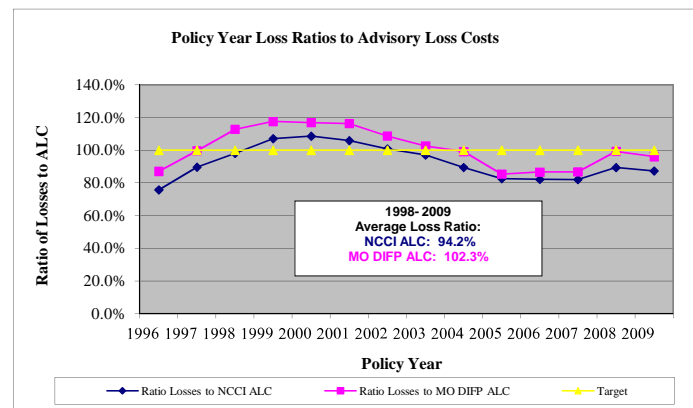
(2) & (9) - Per NCCI Trend Analysis Exhibit (Appendix A of this report)

$$(3) = (1) \times (2).$$

(6) & (7) - Per Exhibit III, Page 1. (8) - Per Exhibit VII, Page 2, Column (19).

$$(10) = [(4) \times (6) + (5) \times (7)] \times (8) \times (9).$$

(11) - 1994 - 2011 Per Prior Year's Report, Exhibit 7, Sheet 1. For 2010 (11) = 1 + Exhibit 1, Item (33).

$$(12) = (10) / (3); (13) = (12) / (11).$$


**MISSOURI 2012 NCCI LOSS COST FILING REVIEW
RETROSPECTIVE TEST OF ADVISORY LOSS COSTS
PREMIUMS, LOSSES AND LAE EXCLUDING ASSIGNED RISK**

Policy Year	Statewide Premium (ALC) (1)	Assigned Risk Premium (2)	Voluntary Premium (3)	Statewide		Assigned Risk		Voluntary	
				Paid + Case Losses		Paid + Case Losses		Paid + Case Losses	
				Indemnity (4)	Medical (5)	Indemnity (6)	Medical (7)	Indemnity (8)	Medical (9)
1994	513,339,093	N/A	N/A	167,241,378	153,341,503	N/A	N/A	N/A	N/A
1995	455,910,143	N/A	N/A	143,067,160	135,302,786	N/A	N/A	N/A	N/A
1996	425,050,398	25,538,126	399,512,272	150,530,363	129,792,313	14,938,178	17,494,400	135,592,185	112,297,913
1997	423,987,345	15,351,854	408,635,491	160,513,704	152,392,065	6,373,796	5,287,197	154,139,908	147,104,868
1998	448,356,210	7,697,608	440,658,602	197,473,926	168,564,124	5,610,612	5,320,659	191,863,314	163,243,465
1999	426,151,465	5,422,324	420,729,141	200,424,021	179,350,651	3,440,437	2,491,989	196,983,584	176,858,662
2000	439,469,069	6,427,926	433,041,143	212,209,693	197,192,278	6,152,484	6,752,189	206,057,209	190,440,089
2001	481,042,488	13,358,851	467,683,637	228,360,546	203,519,267	8,681,825	7,474,220	219,678,721	196,045,047
2002	491,219,461	25,028,061	466,191,400	212,849,602	204,051,738	13,563,312	11,972,540	199,286,290	192,079,198
2003	563,905,063	37,908,780	525,996,283	228,093,989	233,524,703	21,537,227	24,561,786	206,556,762	208,962,917
2004	608,942,057	37,236,301	571,705,756	210,892,150	230,250,566	15,258,747	14,616,076	195,633,403	215,634,490
2005	632,735,096	28,532,579	604,202,517	183,994,468	237,695,014	11,144,550	19,805,262	172,849,918	217,889,752
2006	662,152,502	17,732,831	644,419,671	180,502,759	244,496,512	6,192,546	9,211,562	174,310,213	235,284,950
2007	719,062,952	13,330,164	705,732,788	198,836,061	264,137,862	5,448,409	9,931,454	193,387,652	254,206,408
2008	624,016,188	9,499,985	614,516,203	168,718,545	265,249,930	3,540,325	13,790,641	165,178,220	251,459,289
2009	558,418,230	7,580,696	550,837,534	135,028,458	213,110,313	1,921,456	3,827,107	133,107,002	209,283,206

Calendar Year	Missouri State Page Direct Incurred Loss			Missouri State Page Direct DCC Incurred			Voluntary Ratio DCC to Loss (16)	Policy Year	Estimated Voluntary Ratio DCC to Loss (17)	Countrywide Ratio A&O to Loss (18)	Voluntary LAE Factor (19)
	Statewide (10)	Assigned Risk (11)	Voluntary (12)	Statewide (13)	Assigned Risk (14)	Voluntary (15)					
1994	399,784,379	N/A	N/A	31,943,333	N/A	N/A	N/A				
1995	373,003,787	5,268,747	367,735,040	30,589,929	323,632	30,266,297	8.2%				
1996	284,523,019	30,920,902	253,602,117	32,816,590	2,659,854	30,156,736	11.9%	1996	11.1%	6.0%	1.171
1997	315,499,272	21,340,142	294,159,130	36,971,113	673,722	36,297,391	12.3%	1997	10.2%	6.2%	1.164
1998	334,417,606	11,545,924	322,871,682	31,105,042	1,069,474	30,035,568	9.3%	1998	10.0%	6.3%	1.163
1999	398,635,376	8,470,871	390,164,505	43,561,232	522,307	43,038,925	11.0%	1999	8.6%	6.2%	1.148
2000	491,331,605	9,372,076	481,959,529	34,649,320	1,509,079	33,140,241	6.9%	2000	6.6%	6.3%	1.129
2001	522,946,159	15,673,013	507,273,146	34,796,065	1,457,297	33,338,768	6.6%	2001	6.5%	6.5%	1.130
2002	565,429,657	40,228,731	525,200,926	41,628,120	4,168,988	37,459,132	7.1%	2002	7.0%	6.7%	1.137
2003	592,204,109	45,831,911	546,372,198	49,525,667	5,592,425	43,933,242	8.0%	2003	8.8%	7.5%	1.163
2004	589,472,136	43,564,525	545,907,611	63,306,565	3,524,196	59,782,369	11.0%	2004	10.1%	7.1%	1.172
2005	592,988,058	47,046,874	545,941,184	64,242,316	4,606,468	59,635,848	10.9%	2005	11.5%	7.9%	1.194
2006	542,562,472	28,909,434	513,653,038	74,581,800	3,637,756	70,944,044	13.8%	2006	11.8%	8.0%	1.198
2007	535,271,667	20,519,657	514,752,010	58,684,645	2,736,237	55,948,408	10.9%	2007	10.6%	8.0%	1.186
2008	556,887,603	16,280,546	540,607,057	61,091,056	1,513,680	59,577,376	11.0%	2008	11.3%	7.4%	1.187
2009	411,268,430	-4,135,441	415,403,871	49,378,827	(11,821)	49,390,648	11.9%	2009	11.3%	7.6%	1.189
2010	462,853,417	1,515,360	461,338,057	49,637,936	481,506	49,156,430	10.7%	2010	10.6%	7.4%	1.180

Notes:

- (1), (4) & (5) - Per NCCI Trend Analysis Exhibit (Appendix A of this report)
(2), (6) & (7) - Per NCCI.
(3) = (1) - (2); (8) = (4) - (6); (9) = (5) - (7).
(10) - (15) - Per Missouri State Page
(16) = (15) / (12).
(17) = weighted average of (16) for two calendar years.
(18) - Per NCCI 2012 Loss Cost Filing - Exhibit II. Years prior to 1999 are approximated by detrending.
(19) = 1 + (17) + (18).

APPENDIX A

INFORMATION RECEIVED FROM NCCI

Missouri Filing Effective January 1, 2012

Responses to AMI Request Received November 4, 2011

Question 1

Can you please explain in detail, or better yet illustrate, the change in procedure for determining the off-balance?

Response 1

Please see the attachment labeled Response 1. This exhibit shows the actual intrastate experience mod, interstate experience mod, percentage of intrastate expected losses, calculated combined experience mod, percentage of risks that are experience rated and average off-balance by year for 2006 through 2010. The column labeled 1/1/2011 Target shows the values that were used in the off-balance adjustment for the 1/1/2011 filing. The column labeled 1/1/2012 Target shows the values that were used in the off-balance adjustment for the 1/1/2012 filing.

In the absence of the recent studies showing the better experience of experience rated employers, NCCI would have probably selected a target intrastate experience mod of 0.990 rather than the 0.975 incorporated in the 1/1/2012 filing. This would have resulted in a final target off-balance of 0.982 rather than the 0.975 shown.

Question 2

What is the amount of change in the off-balance (old method vs. new method and/or last year's filing vs. this year's filing)? This is by class? Can we see the impact of the change by class in Missouri?

Response 2

Using the prior method would have resulted in a final target off-balance of 0.982 rather than 0.975 incorporated in the filing. Targeting 0.982 would have reduced the loss cost level change from the filed amount of -3.0% to -3.8%. However, if this higher off-balance was targeted, the projected average experience modification for policies effective in 2012 would also be higher and the ELR's used for experience rating would be lower.

The adjustments are premium neutral, so the same amount of total premium will be collected under either scenario; if more is collected through the loss costs, less is collected through experience rating and vice versa.

Outside of minor differences such as rounding, this adjustment impacts all industrial classes equally.

Question 3

How can we see that loss costs were adjusted so that the change in off-balance remained revenue neutral?

Response 3

You can see the off-balance adjustment made through the premium onlevel factors, as detailed in sections A and D of Appendix A-I. These details of these adjustments are included in the “Adjustment Factor Summary” table in Response 1.

To ensure that the target intrastate modification of 0.975 is achieved, the data underlying the latest available year of experience mod calculations is projected forward to the period that will be used to calculate the experience mods for policies effective in 2012. Through an iterative process, individual experience mods are calculated for intrastate policies, the average mod is then calculated and ELR's are adjusted upward or downward until the target is achieved.

Question 4

Page 6 of the Technical Supplement seems to suggest that the reduction to the intra-state experience rating off-balance is being phased in over several years. Can you please elaborate?

Response 4

Yes. Recent studies have shown that experience rated risks have better experience on an overall basis than non-rated risks. Thus, targeting something lower than 0.982 allows more premium to be collected through the rates from non-experience rated risks, helping to correct the equity issue between rated risks and non-rated risks.

All else equal between the 1/1/2011 and 1/1/2012 filings including the loss costs and carrier rates, a non-experience rated risk would pay 0.8% more in 2012 than they did in 2011.

NCCI currently intends to propose further small decreases to the target intrastate mod for the next few filings in order to further correct this issue.

Question 5

Why is only the intrastate off-balance changing? Is it because small risks are typically intrastate?

Response 5

Small risks are typically intrastate policies. Additionally, NCCI only “targets” the average intrastate mod. Because experience rating values are calculated by state, NCCI can only really ensure premium neutrality for intrastate risks. As a result, the current estimate for interstate experience mods is used in calculating the target off-balance.

National Council on Compensation Insurance
Off-balance Analysis—**Excluding Large Deductible Risks**
Targeting Exhibit and On-Level Adjustment Factors
Missouri

	<u>Actual Results</u>					Experience Period: 2 PY	1/1/2011 Target	1/1/2012 Target
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>			
Intrastate	0.961	0.969	0.975	0.980	0.986	0.978	0.990	0.975
Interstate	0.952	0.949	0.948	0.967	0.969	0.958		0.969
Intrastate % ¹	57.0%	57.8%	55.0%	54.3%	52.9%	54.7%		53.6%
Combined	0.957	0.961	0.963	0.974	0.978	0.969		0.972
Rated % ²	93.1%	93.1%	93.0%	91.5%	88.7%	92.3%		90.1%
Off-balance	0.960	0.964	0.966	0.976	0.980	0.971	0.985	0.975

¹ Intrastate Expected Losses / (Intrastate + Interstate Expected Losses)

² Rated Premium / Total Premium



Adjustment Factor Summary

Policy Year	Weighted Average <u>Off-balance</u>	Targeted <u>Off-balance</u>	Adjustment <u>Factor</u>	Calendar Accident Year	Weighted Average <u>Off-balance</u>	Target <u>Off-balance</u>	Adjustment <u>Factor</u>
1989	1.063	0.975	0.917				
1990	1.058	0.975	0.922	1990	1.060	0.975	0.920
1991	1.068	0.975	0.913	1991	1.064	0.975	0.916
1992	1.058	0.975	0.922	1992	1.062	0.975	0.918
1993	1.027	0.975	0.949	1993	1.040	0.975	0.938
1994	0.970	0.975	1.005	1994	0.993	0.975	0.982
1995	0.955	0.975	1.021	1995	0.961	0.975	1.015
1996	0.940	0.975	1.037	1996	0.946	0.975	1.031
1997	0.950	0.975	1.026	1997	0.946	0.975	1.031
1998	0.947	0.975	1.030	1998	0.948	0.975	1.028
1999	0.972	0.975	1.003	1999	0.962	0.975	1.014
2000	0.957	0.975	1.019	2000	0.963	0.975	1.012
2001	0.965	0.975	1.010	2001	0.962	0.975	1.014
2002	0.987	0.975	0.988	2002	0.978	0.975	0.997
2003	0.973	0.975	1.002	2003	0.979	0.975	0.996
2004	0.984	0.975	0.991	2004	0.980	0.975	0.995
2005	0.981	0.975	0.994	2005	0.982	0.975	0.993
2006	0.960	0.975	1.016	2006	0.968	0.975	1.007
2007	0.964	0.975	1.011	2007	0.962	0.975	1.014
2008	0.966	0.975	1.009	2008	0.965	0.975	1.010
2009	0.976	0.975	0.999	2009	0.972	0.975	1.003
2010	0.980	0.975	0.995	2010	0.978	0.975	0.997

Note: the adjustment factor for 2010 is for the half policy year

Policy Year Loss Ratios - Missouri 1/1/2012 Filing Paid Data

Cap Claims? ☒ Yes=1 No=0

Use Selected Market Share? ☐ N (from Summary sheet)

Premium		1/2PY2010	PY2009	PY2008	PY2007	PY2006	PY2005	PY2004	PY2003	PY2002	PY2001	PY2000	PY1999	PY1998	PY1997	PY1996	PY1995	PY1994	PY1993	PY1992
	1) Premium	314,184,928	558,418,230	624,016,188	719,062,952	662,815,317	632,735,096	608,942,057	563,905,063	491,219,461	481,042,488	439,469,069	426,151,465	448,356,210	423,987,345	425,050,398	455,910,143	513,339,093	645,007,265	674,351,509
	2) Dev't	1.774	0.999	1.000	1.000	0.999	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	3) Ultimate Premium	557,364,062	557,859,812	624,016,188	719,062,952	662,152,502	632,735,096	608,942,057	563,905,063	491,219,461	481,042,488	439,469,069	426,151,465	448,356,210	423,987,345	425,050,398	455,910,143	513,339,093	645,007,265	674,351,509
	4) On-Level	0.951	0.937	0.873	0.787	0.784	0.767	0.756	0.753	0.846	0.861	0.865	0.833	0.817	0.715	0.648	0.579	0.523	0.439	0.464
4a) Impact of A/R Pricing	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
5) Total: (3)x(4)/(4a)	530,053,223	522,714,644	544,766,132	565,902,543	519,127,562	485,307,819	460,360,195	424,620,512	415,571,664	414,177,582	380,140,745	354,984,170	366,307,024	303,150,952	275,432,658	263,971,973	268,476,346	283,158,189	312,899,100	
Indemnity	Development	Link Ratios to 19th: 2 Yr Avg - Primary Data																		
	Summary	Unlimited CF: 5 Yr Avg - Primary Data																		
		Limited CF: 5 Yr Avg - Primary Data																		
		Tail Factor: 5 Yr Avg - Primary Data																		
	Loss Type	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid
	6) Losses	10,651,393	50,725,112	102,980,520	144,188,327	146,017,286	156,644,600	180,075,436	204,591,641	196,481,090	210,547,359	201,986,885	188,528,220	188,608,463	153,886,225	143,728,260	137,623,613	161,978,021	179,347,637	197,400,459
	7) Dev't	16.956	3.452	1.908	1.501	1.328	1.234	1.171	1.136	1.107	1.095	1.083	1.071	1.064	1.057	1.052	1.046	1.041	1.037	1.034
	8) Ultimate Losses: (6)x(7)	180,605,020	175,103,087	196,486,832	216,426,679	193,910,956	193,299,436	210,868,336	232,416,104	217,504,567	230,549,358	218,751,796	201,913,724	200,679,405	162,657,740	151,202,130	143,954,299	168,619,120	185,983,500	204,112,075
	9) On-Level	0.998	0.999	1.014	1.031	1.043	1.055	1.060	1.068	1.076	1.100	1.130	1.147	1.159	1.181	1.202	1.219	1.234	1.247	1.273
	10) Assessment	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
11) LAE	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	
12) Factor: (9)x(10)+(11)-1	1.209	1.210	1.228	1.249	1.263	1.278	1.284	1.293	1.303	1.332	1.368	1.389	1.404	1.430	1.456	1.476	1.494	1.510	1.542	
13) Tot Inc LAE&Assess:(8)x(12)	218,351,469	211,874,735	241,285,830	270,316,922	244,909,537	247,036,679	270,754,943	300,514,022	283,408,451	307,091,745	299,252,457	280,458,163	281,753,885	232,600,568	220,150,301	212,476,545	251,916,965	280,835,085	314,740,820	
14) Tot Exc LAE&A: (8)x(9)	180,243,810	174,927,984	199,237,648	223,135,906	202,249,127	203,930,905	223,520,436	248,220,399	234,034,914	253,604,294	247,189,529	231,595,041	232,587,430	192,098,791	181,744,960	175,480,290	208,075,994	231,921,425	259,834,671	
15) Trend L/R: (14)/(5)	0.340	0.335	0.366	0.394	0.390	0.420	0.486	0.585	0.563	0.612	0.650	0.652	0.635	0.634	0.660	0.665	0.775	0.819	0.830	
16) Loss Ratio: (13)/(5)	0.412	0.405	0.443	0.478	0.472	0.509	0.588	0.708	0.682	0.741	0.787	0.790	0.769	0.767	0.799	0.805	0.938	0.992	1.006	
17) Trend Length	2.001	3.001	4.001	5.001	6.001	7.001	8.001	9.001	10.001	11.001	12.001	13.001	14.001	15.001	16.001	17.001	18.001	19.001	20.001	
18) Trend Factor: 0.955^(17)	0.912	0.871	0.832	0.794	0.759	0.724	0.692	0.661	0.631	0.603	0.575	0.550	0.525	0.501	0.479	0.457	0.437	0.417	0.398	
19) Projected Limited Loss Ratio: (16)x(18)	0.376	0.353	0.369	0.380	0.358	0.369	0.407	0.468	0.430	0.447	0.453	0.435	0.404	0.384	0.383	0.368	0.410	0.414	0.400	
20) Excess Provision	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	
21) Projected Unlimited Loss Ratio: (19)x(20)	0.384	0.360	0.377	0.388	0.366	0.377	0.416	0.478	0.439	0.456	0.463	0.444	0.412	0.392	0.391	0.376	0.419	0.423	0.408	
22) Proposed Indemnity Benefits	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	
23) Proj. Ind L/R Incl. Benefits: (21)x(22)	0.387	0.363	0.380	0.391	0.369	0.380	0.419	0.482	0.443	0.460	0.467	0.448	0.415	0.395	0.394	0.379	0.422	0.426	0.411	
Medical	Development	Link Ratios to 19th: 2 Yr Avg - Primary Data																		
	Summary	Unlimited CF: 5 Yr Avg - Primary Data																		
		Limited CF: 5 Yr Avg - Primary Data																		
		Tail Factor: 5 Yr Avg - Primary Data																		
	Loss Type	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid	Paid
	24) Losses	43,429,220	153,349,528	204,048,841	231,160,874	215,122,536	203,773,392	210,455,506	213,348,709	190,455,744	192,381,917	182,840,090	171,601,941	161,702,622	141,632,346	123,164,480	128,924,909	144,009,869	161,643,515	163,264,784
	25) Dev't	5.776	1.621	1.320	1.244	1.198	1.168	1.154	1.140	1.129	1.122	1.109	1.102	1.091	1.086	1.081	1.076	1.072	1.070	1.068
	26) Ultimate Losses: (24)x(25)	250,847,175	248,579,585	269,344,470	287,564,127	257,716,798	238,007,322	242,865,654	243,217,528	215,024,535	215,852,511	202,769,660	189,105,339	176,417,561	153,812,728	133,140,803	138,723,202	154,378,580	172,958,561	174,366,789
	27) On-Level	1.000	1.000	1.000	1.000	1.000	0.997	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.989
	28) Assessment	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
29) LAE	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	
30) Factor: (27)x(28)+(29)-1	1.211	1.211	1.211	1.211	1.211	1.207	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.198	
31) Tot Inc LAE&Assess: (26)x(30)	303,775,929	301,029,877	326,176,153	348,240,158	312,095,042	287,274,838	291,195,919	291,617,816	257,814,417	258,807,161	243,120,822	226,737,301	211,524,656	184,421,461	159,635,823	166,329,119	185,099,917	207,377,315	208,891,413	
32) Tot Exc LAE&A: (26)x(27)	250,847,175	248,579,585	269,344,470	287,564,127	257,716,798	237,293,300	240,436,997	240,785,353	212,874,290	213,693,986	200,741,963	187,214,286	174,653,385	152,274,601	131,809,395	137,335,970	152,834,794	171,228,975	172,448,754	
33) Trend L/R: (32)/(5)	0.473	0.476	0.494	0.508	0.496	0.489	0.522	0.567	0.512	0.516	0.527	0.477	0.502	0.479	0.52	0.569	0.605	0.551		
34) Loss Ratio: (31)/(5)	0.573	0.576	0.599	0.615	0.601	0.592	0.633	0.687	0.620	0.625	0.640	0.639	0.577	0.608	0.580	0.630	0.689	0.732	0.668	
35) Trend Length	2.001	3.001	4.001	5.001	6.001	7.001	8.001	9.001	10.001	11.001	12.001	13.001	14.001	15.001	16.001	17.001	18.001	19.001	20.001	
36) Trend Factor: 1.005^(35)	1.010	1.015	1.020	1.025	1.030	1.036	1.041	1.046	1.051	1.056	1.062	1.067	1.072	1.078	1.083	1.088	1.094	1.099	1.105	
37) Projected Limited Loss Ratio: (34)x(36)	0.579	0.585	0.611	0.630	0.619	0.613	0.659	0.719	0.652	0.660	0.680	0.682	0.619	0.655	0.628	0.685	0.754	0.804	0.738	
38) Excess Provision	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	
39) Projected Unlimited Loss Ratio: (37)x(38)	0.591	0.597	0.624	0.643	0.632	0.626	0.673	0.734	0.666	0.674	0.694	0.696	0.632	0.669	0.641	0.699	0.770	0.821	0.753	
40) Proposed Medical Benefits	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
41) Proj. Med L/R Incl. Benefits: (39)x(40)	0.591	0.597	0.624	0.643	0.632	0.626	0.673	0.734	0.666	0.674	0.694	0.696	0.632	0.669	0.641	0.699	0.770	0.821	0.753	
42) Exh. I Projected L/R: (23) + (41)	0.978	0.960	1.004	1.034	1.001	1.006	1.092	1.216	1.109	1.134	1.161	1.144	1.047	1.064	1.035	1.078	1.192	1.247	1.164	

Policy Year Loss Ratios - Missouri 1/1/2012 Filing
 Paid + Case Data

Premium		Use Selected Market Share? N (from Summary sheet)																		
		%PY2010	PY2009	PY2008	PY2007	PY2006	PY2005	PY2004	PY2003	PY2002	PY2001	PY2000	PY1999	PY1998	PY1997	PY1996	PY1995	PY1994	PY1993	PY1992
1) Premium		314,184,928	558,418,230	624,016,188	719,062,952	662,815,317	632,735,096	608,942,057	563,905,063	491,219,461	481,042,488	439,469,069	426,151,465	448,356,210	423,987,345	425,050,398	455,910,143	513,339,093	645,007,265	674,351,509
2) Dev't		1.774	0.999	1.000	1.000	0.999	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3) Ultimate Premium		557,364,062	557,859,812	624,016,188	719,062,952	662,152,502	632,735,096	608,942,057	563,905,063	491,219,461	481,042,488	439,469,069	426,151,465	448,356,210	423,987,345	425,050,398	455,910,143	513,339,093	645,007,265	674,351,509
4) On-Level		0.951	0.937	0.873	0.787	0.784	0.767	0.756	0.753	0.846	0.861	0.865	0.833	0.817	0.715	0.648	0.579	0.523	0.439	0.464
4a) Impact of A/R Pricing		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
5) Total: (3)x(4)+(4a)		530,053,223	522,714,644	544,766,132	565,902,543	519,127,562	485,307,819	460,360,195	424,620,512	415,571,664	414,177,582	380,140,745	354,984,170	366,307,024	303,150,952	275,432,658	263,971,973	268,476,346	283,158,189	312,899,100
Indemnity		Development Summary																		
		Link Ratios to 19th: 5 Yr Avg - Primary Data																		
		Unlimited CF: 5 Yr Avg - Primary Data																		
		Limited CF: 5 Yr Avg - Primary Data																		
		Tail Factor: 5 Yr Avg - Primary Data																		
Loss Type		P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C
6) Losses		59,614,802	135,028,458	168,718,545	198,836,061	180,502,759	183,994,468	210,892,150	228,093,989	212,849,602	228,360,546	212,209,693	200,424,021	197,473,926	160,513,704	150,530,363	143,067,160	167,241,378	183,563,923	201,752,566
7) Dev't		2.950	1.218	1.106	1.068	1.037	1.027	1.021	1.013	1.014	1.014	1.015	1.014	1.013	1.011	1.012	1.012	1.012	1.011	1.010
8) Ultimate Losses: (6)x(7)		175,863,666	164,464,662	186,602,711	212,356,913	187,181,361	188,962,319	215,320,885	231,059,211	215,829,496	231,557,594	215,392,838	203,229,957	200,041,087	162,279,355	152,336,727	144,783,966	169,248,275	185,583,126	203,770,092
9) On-Level		0.998	0.999	1.014	1.031	1.043	1.055	1.060	1.068	1.076	1.100	1.130	1.147	1.159	1.181	1.202	1.219	1.234	1.247	1.273
10) Assessment		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
11) LAE		1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211
12) Factor: (9)x((10)+(11)-1)		1.209	1.210	1.228	1.249	1.263	1.278	1.284	1.293	1.303	1.332	1.368	1.389	1.404	1.430	1.456	1.476	1.494	1.510	1.542
13) Tot Inc LAE&Assess:(8)x(12)		212,619,172	199,002,241	229,148,129	265,233,784	236,410,059	241,493,844	276,472,016	298,759,560	281,225,833	308,434,715	294,657,402	282,286,410	280,857,686	232,059,478	221,802,275	213,701,134	252,856,923	280,230,520	314,213,482
14) Tot Exc LAE&A: (8)x(9)		175,511,939	164,300,197	189,215,149	218,939,977	195,230,160	199,355,247	228,240,138	246,771,237	232,232,538	254,713,353	243,393,907	233,104,761	231,847,620	191,651,918	183,108,746	176,491,655	208,852,371	231,422,158	259,399,327
15) Trend L/R: (14)/(5)		0.331	0.314	0.347	0.387	0.376	0.411	0.496	0.581	0.559	0.615	0.640	0.657	0.633	0.632	0.665	0.669	0.778	0.817	0.829
16) Loss Ratio: (13)/(5)		0.401	0.381	0.421	0.469	0.455	0.498	0.601	0.704	0.677	0.745	0.775	0.795	0.767	0.765	0.805	0.810	0.942	0.990	1.004
17) Trend Length		2.001	3.001	4.001	5.001	6.001	7.001	8.001	9.001	10.001	11.001	12.001	13.001	14.001	15.001	16.001	17.001	18.001	19.001	20.001
18) Trend Factor: 0.955^(17)		0.912	0.871	0.832	0.794	0.759	0.724	0.692	0.661	0.631	0.603	0.575	0.550	0.525	0.501	0.479	0.457	0.437	0.417	0.398
19) Projected Limited Loss Ratio: (16)x(18)		0.366	0.332	0.350	0.372	0.345	0.361	0.416	0.465	0.427	0.449	0.446	0.437	0.403	0.383	0.386	0.370	0.412	0.413	0.400
20) Excess Provision		1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021
21) Projected Unlimited Loss Ratio: (19)x(20)		0.374	0.339	0.357	0.380	0.352	0.369	0.425	0.475	0.436	0.458	0.455	0.446	0.411	0.391	0.394	0.378	0.421	0.422	0.408
22) Proposed Indemnity Benefits		1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008	1.008
23) Proj. Ind L/R Incl. Benefits: (21)x(22)		0.377	0.342	0.360	0.383	0.355	0.372	0.428	0.479	0.439	0.462	0.459	0.450	0.414	0.394	0.397	0.381	0.424	0.425	0.411
Medical		Development Summary																		
		Link Ratios to 19th: 5 Yr Avg - Primary Data																		
		Unlimited CF: 5 Yr Avg - Primary Data																		
		Limited CF: 5 Yr Avg - Primary Data																		
		Tail Factor: 5 Yr Avg - Primary Data																		
Loss Type		P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C	P+C
24) Losses		97,344,608	213,110,313	265,249,939	264,137,862	244,496,512	237,695,014	230,250,566	233,524,703	204,051,738	203,519,267	197,192,278	179,350,651	168,564,124	152,392,065	129,792,313	135,302,786	153,341,503	170,153,952	166,741,154
25) Dev't		2.549	1.118	1.075	1.071	1.070	1.065	1.058	1.057	1.058	1.055	1.047	1.049	1.044	1.040	1.037	1.037	1.037	1.035	1.033
26) Ultimate Losses: (24)x(25)		248,131,406	238,257,330	285,143,684	282,891,650	261,611,268	253,145,190	243,605,099	246,835,611	215,886,739	214,712,827	206,460,315	188,138,833	175,980,945	158,487,748	134,594,629	140,308,989	159,015,139	176,109,340	172,243,612
27) On-Level		1.000	1.000	1.000	1.000	1.000	0.997	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.990	0.989
28) Assessment		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
29) LAE		1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211	1.211
30) Factor: (27)x((28)+(29)-1)		1.211	1.211	1.211	1.211	1.211	1.207	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.199	1.198
31) Tot Inc LAE&Assess: (26)x(30)		300,487,133	288,529,627	345,309,001	342,581,788	316,811,246	305,546,244	292,082,514	295,955,898	258,848,200	257,440,680	247,545,918	225,578,461	211,001,153	190,026,810	161,378,960	168,230,478	190,659,152	211,155,099	206,347,847
32) Tot Exc LAE&A: (26)x(27)		248,131,406	238,257,330	285,143,684	282,891,650	261,611,268	252,385,754	241,169,048	244,367,255	213,727,872	212,565,699	204,395,712	186,257,445	174,221,136	156,902,871	133,248,683	138,905,899	157,424,988	174,348,247	170,348,932
33) Trend L/R: (32)/(5)		0.468	0.456	0.523	0.5	0.504	0.52	0.524	0.575	0.514	0.513	0.538	0.525	0.476	0.518	0.484	0.526	0.586	0.616	0.544
34) Loss Ratio: (31)/(5)		0.567	0.552	0.634	0.605	0.610	0.630	0.634	0.697	0.623	0.622	0.651	0.635	0.576	0.627	0.586	0.637	0.710	0.746	0.659
35) Trend Length		2.001	3.001	4.001	5.001	6.001	7.001	8.001	9.001	10.001	11.001	12.001	13.001	14.001	15.001	16.001	17.001	18.001	19.001	20.001
36) Trend Factor: 1.005^(33)		1.010	1.015	1.020	1.025	1.030	1.036	1.041	1.046	1.051	1.056	1.062	1.067	1.072	1.078	1.083	1.088	1.094	1.099	1.105
37) Projected Limited Loss Ratio: (34)x(36)		0.573	0.560	0.647	0.620	0.628	0.653	0.660	0.729	0.655	0.657	0.691	0.678	0.617	0.676	0.635	0.693	0.777	0.820	0.728
38) Excess Provision		1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021	1.021
39) Projected Unlimited Loss Ratio: (37)x(38)		0.585	0.572	0.661	0.633	0.641	0.667	0.674	0.744	0.669	0.671	0.706	0.692	0.630	0.690	0.648	0.708	0.793	0.837	0.743
40) Proposed Medical Benefits		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
41) Proj. Med L/R Incl. Benefits: (35)x(36)		0.585	0.572	0.661	0.633	0.641	0.667	0.674	0.744	0.669	0.671	0.706	0.692	0.630	0.690	0.648	0.708	0.793	0.837	0.743
42) Exh. I Projected L/R: (23) + (41)		0.962	0.914	1.021	1.016															

Data Valued as of 12/31/2010

Missouri - Assigned Risk Data

Policy Year	Premium at NCCI DSR Level	Limited Indemnity Paid + Case Losses	Limited Medical Paid + Case Losses
1996	25,538,126	14,938,178	17,494,400
1997	15,351,854	6,373,796	5,287,197
1998	7,697,608	5,610,612	5,320,659
1999	5,422,324	3,440,437	2,491,989
2000	6,427,926	6,152,484	6,752,189
2001	13,358,851	8,681,825	7,474,220
2002	25,028,061	13,563,312	11,972,540
2003	37,908,780	21,537,227	24,561,786
2004	37,236,301	15,258,747	14,616,076
2005	28,532,579	11,144,550	19,805,262
2006	17,732,831	6,192,546	9,211,562
2007	13,330,164	5,448,409	9,931,454
2008	9,499,985	3,540,325	13,790,641
2009	7,580,696	1,921,456	3,827,107

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Missouri Filing Effective January 1, 2012

Responses to AMI Request Received November 22, 2011

Question 1

Could you please provide the experience or study that shows that experience rated risks produce lower loss ratios than non-rated risks?

Response 1

As discussed in this year's explanatory memorandum, NCCI has reduced the Missouri intrastate target average experience modification in order to move towards a more equitable loss ratio distribution across all premium sizes. Attached is a portion of a presentation presented to the NCCI Actuarial Committee on March 2, 2011 which shows pure premium relativities by policy size in support of lowering a state's intrastate experience rating off-balance – see attachment labeled Response 1. Such an approach should help improve the loss ratio experience for smaller risks when compared with risks of larger premium sizes.

The expected overall impact of this change to the off-balance is applied on a revenue neutral basis, with offsetting adjustments made to the loss costs.

Question 2

Could you please tell me what the Missouri statewide indication would have been if Assigned Risk experience had been excluded?

Response 2

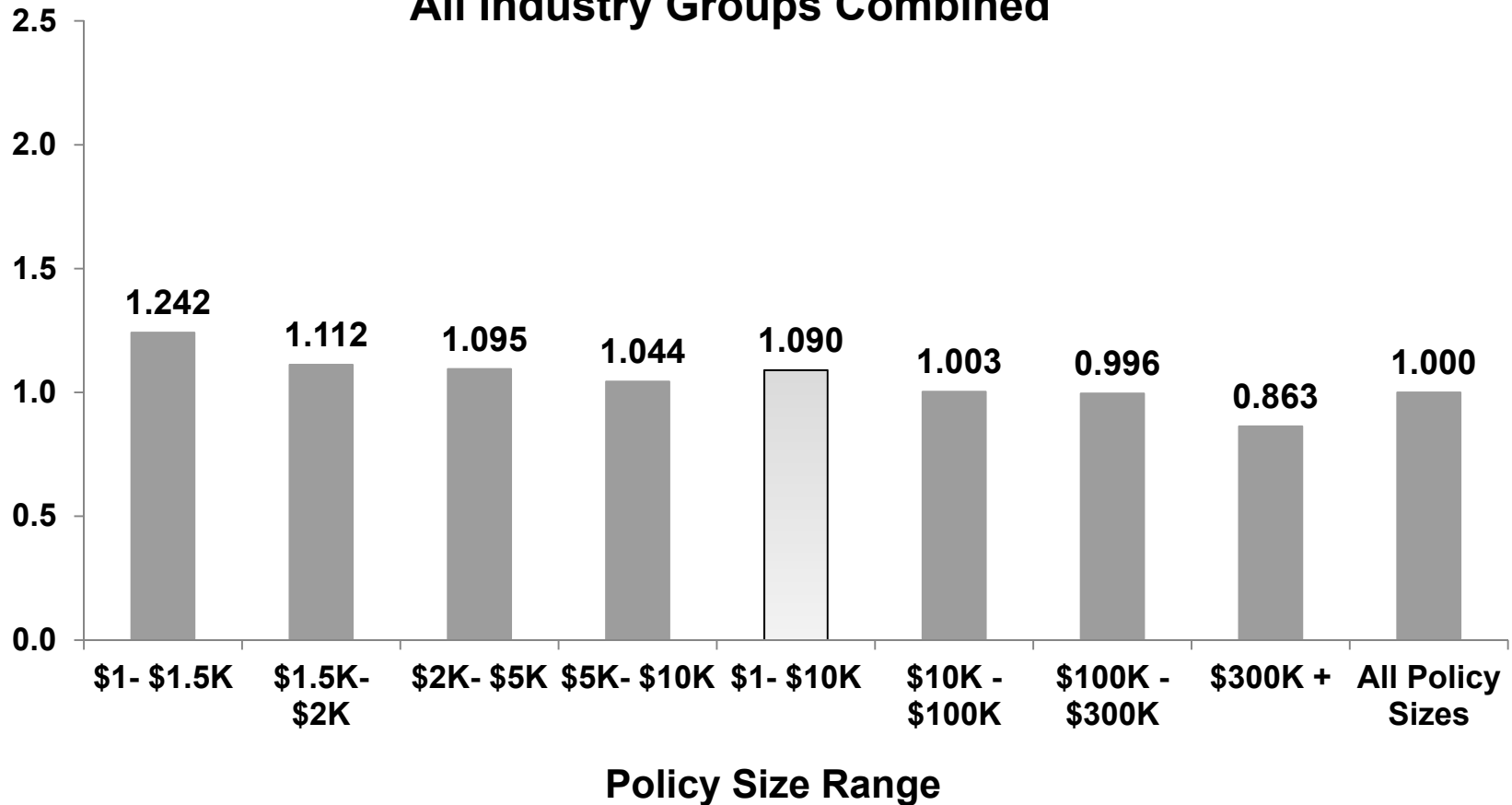
Excluding the Assigned Risk experience from the indication but utilizing the same development factors and selected trends would have resulted in an overall indication of -4.1% instead of the filed indication of -3.0%.

Non-Minimum Premium Policies

Pure Premium Relativities by Policy Size

Countrywide Pure Premium Relativities/Intrastate Policies

All Industry Groups Combined



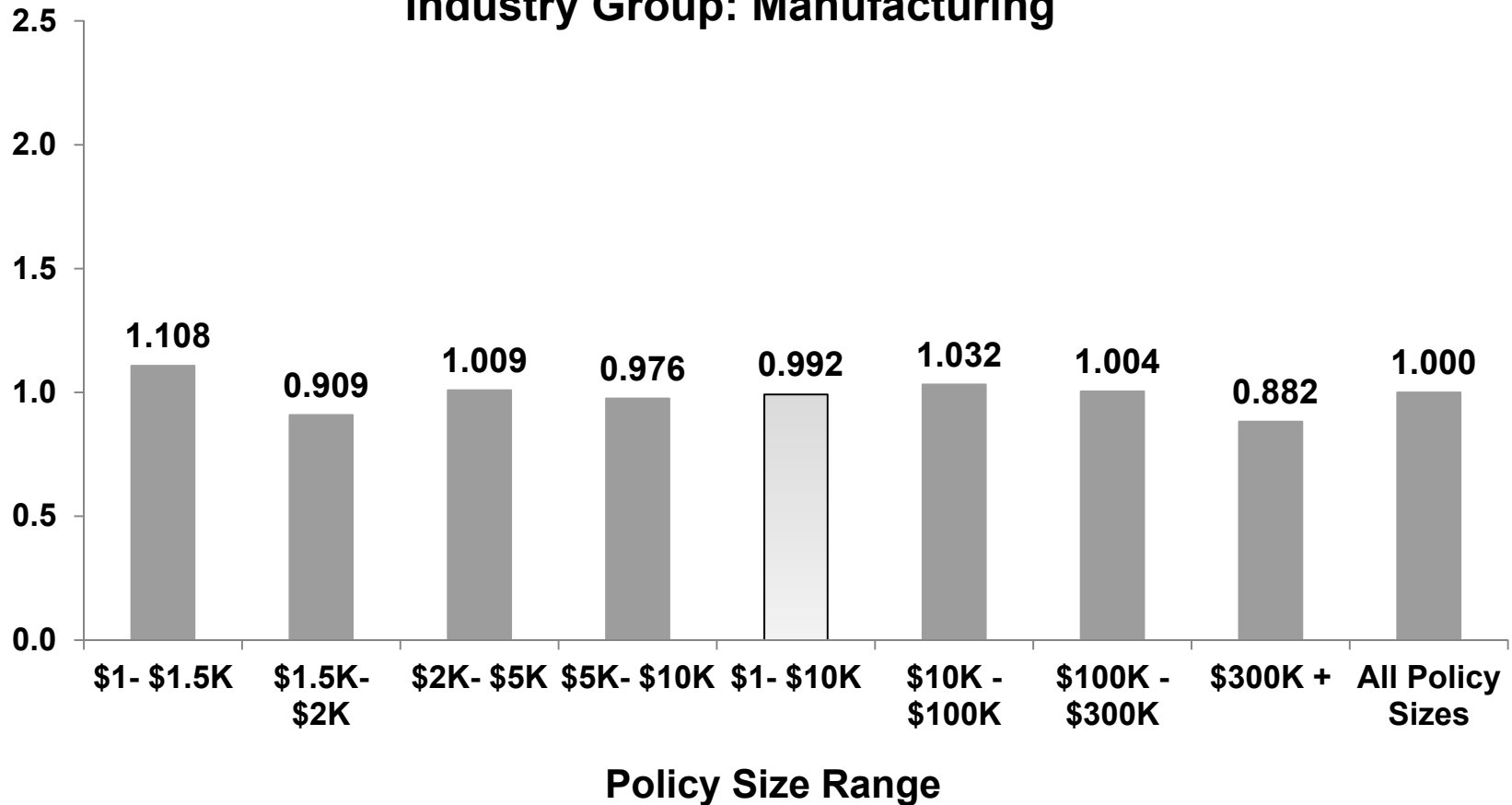
Based on the most recent five policy periods of Statistical Plan (combined voluntary and assigned risk market) data used in the 2010 filing cycle. Figures are on a standard premium basis at the NCCI 2010 filing cycle loss cost level. Claims have been limited to \$500,000. Cancelled policies (less than 12 months) have been excluded.

Policy size ranges less than \$10K exclude minimum premium policies and the "All Policy Sizes" group includes minimum premium policies after the minimum premium formula has been applied.

Pure Premium Relativities by Policy Size

Countrywide Pure Premium Relativities/Intrastate Policies

Industry Group: Manufacturing



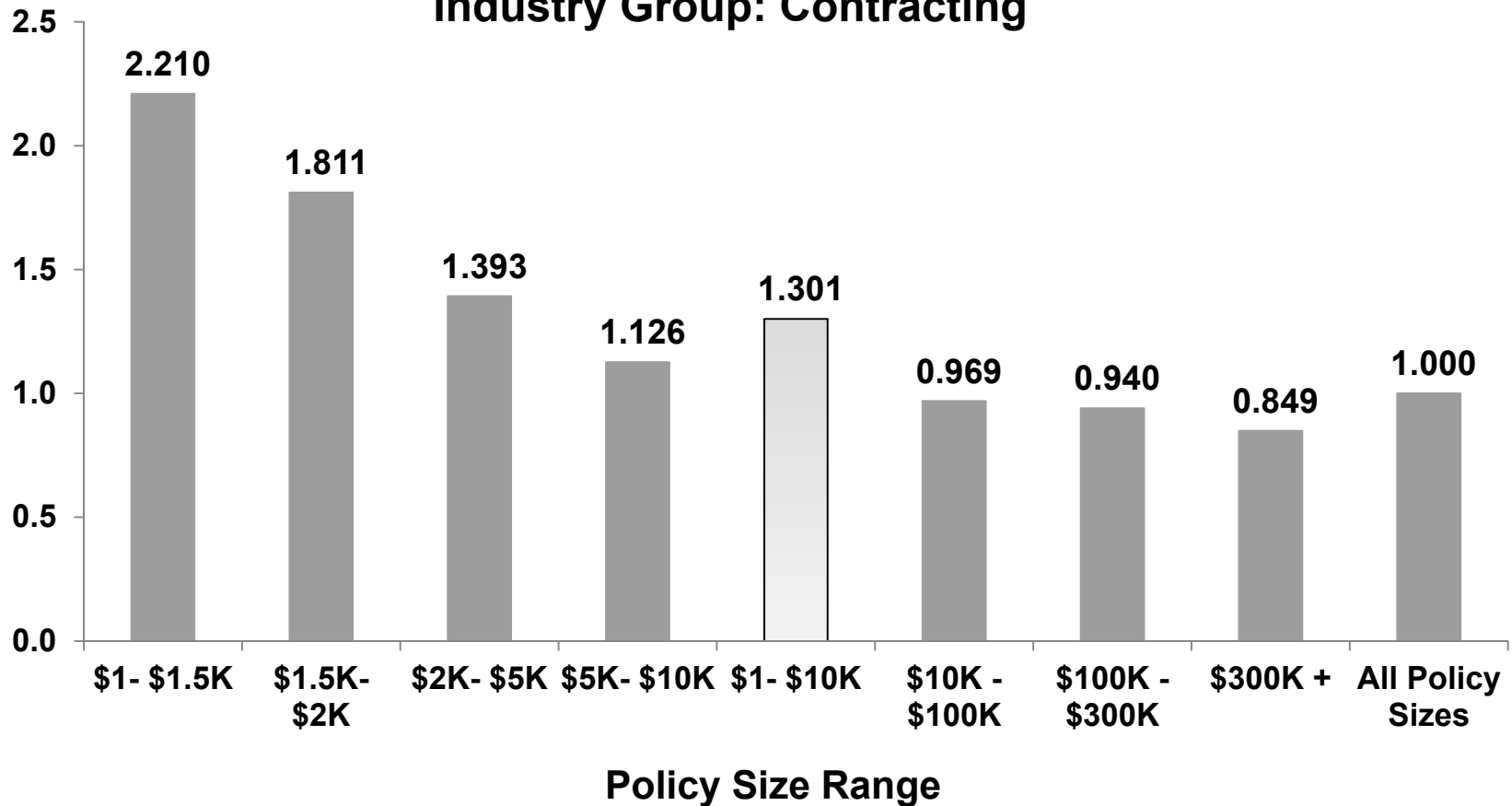
Based on the most recent five policy periods of Statistical Plan (combined voluntary and assigned risk market) data used in the 2010 filing cycle. Figures are on a standard premium basis at the NCCI 2010 filing cycle loss cost level. Claims have been limited to \$500,000. Cancelled policies (less than 12 months) have been excluded.

Policy size ranges less than \$10K exclude minimum premium policies and the "All Policy Sizes" group includes minimum premium policies after the minimum premium formula has been applied.

Pure Premium Relativities by Policy Size

Countrywide Pure Premium Relativities/Intrastate Policies

Industry Group: Contracting



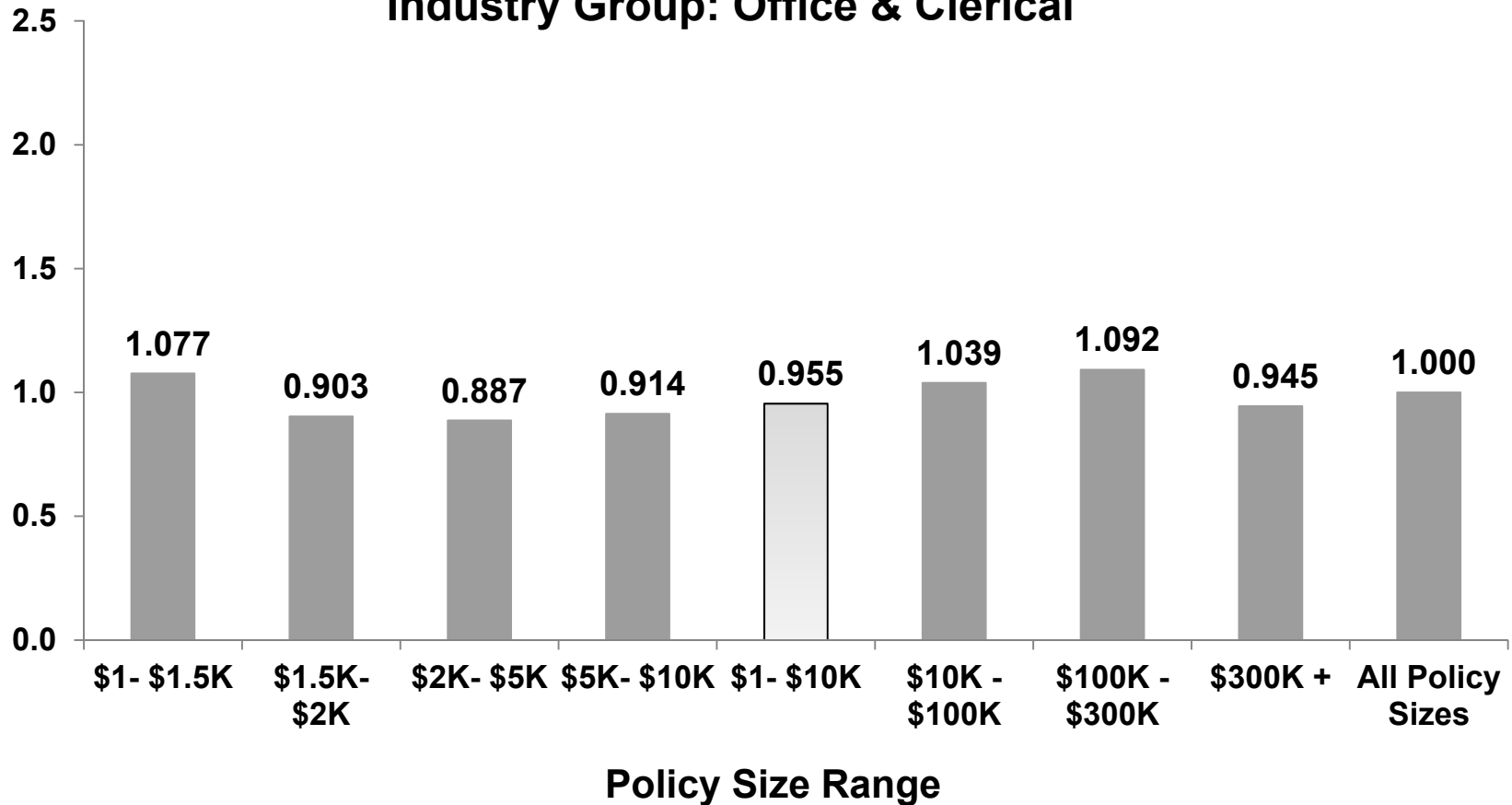
Based on the most recent five policy periods of Statistical Plan (combined voluntary and assigned risk market) data used in the 2010 filing cycle. Figures are on a standard premium basis at the NCCI 2010 filing cycle loss cost level. Claims have been limited to \$500,000. Cancelled policies (less than 12 months) have been excluded.

Policy size ranges less than \$10K exclude minimum premium policies and the "All Policy Sizes" group includes minimum premium policies after the minimum premium formula has been applied.

Pure Premium Relativities by Policy Size

Countrywide Pure Premium Relativities/Intrastate Policies

Industry Group: Office & Clerical



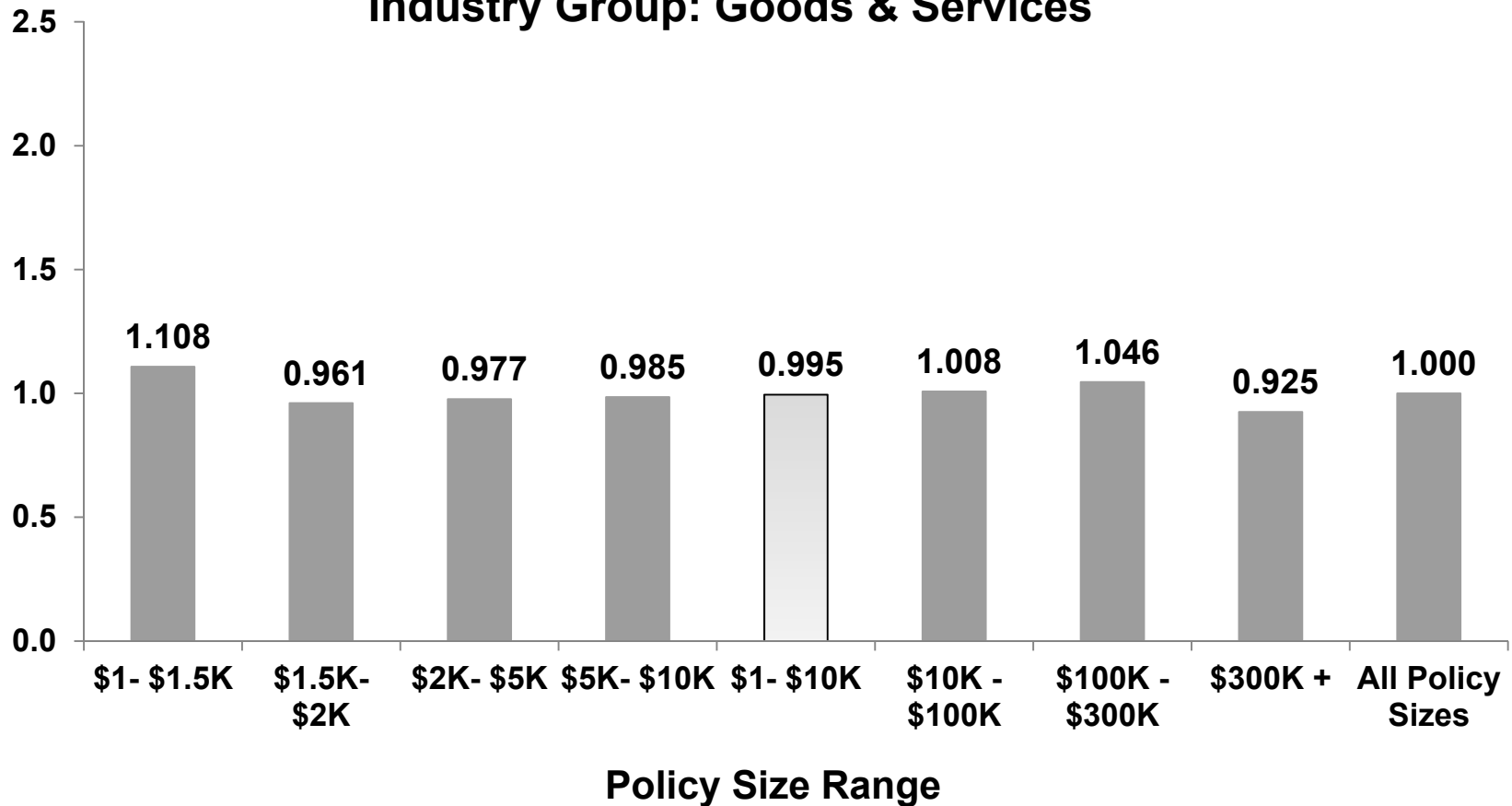
Based on the most recent five policy periods of Statistical Plan (combined voluntary and assigned risk market) data used in the 2010 filing cycle. Figures are on a standard premium basis at the NCCI 2010 filing cycle loss cost level. Claims have been limited to \$500,000. Cancelled policies (less than 12 months) have been excluded.

Policy size ranges less than \$10K exclude minimum premium policies and the "All Policy Sizes" group includes minimum premium policies after the minimum premium formula has been applied.

Pure Premium Relativities by Policy Size

Countrywide Pure Premium Relativities/Intrastate Policies

Industry Group: Goods & Services



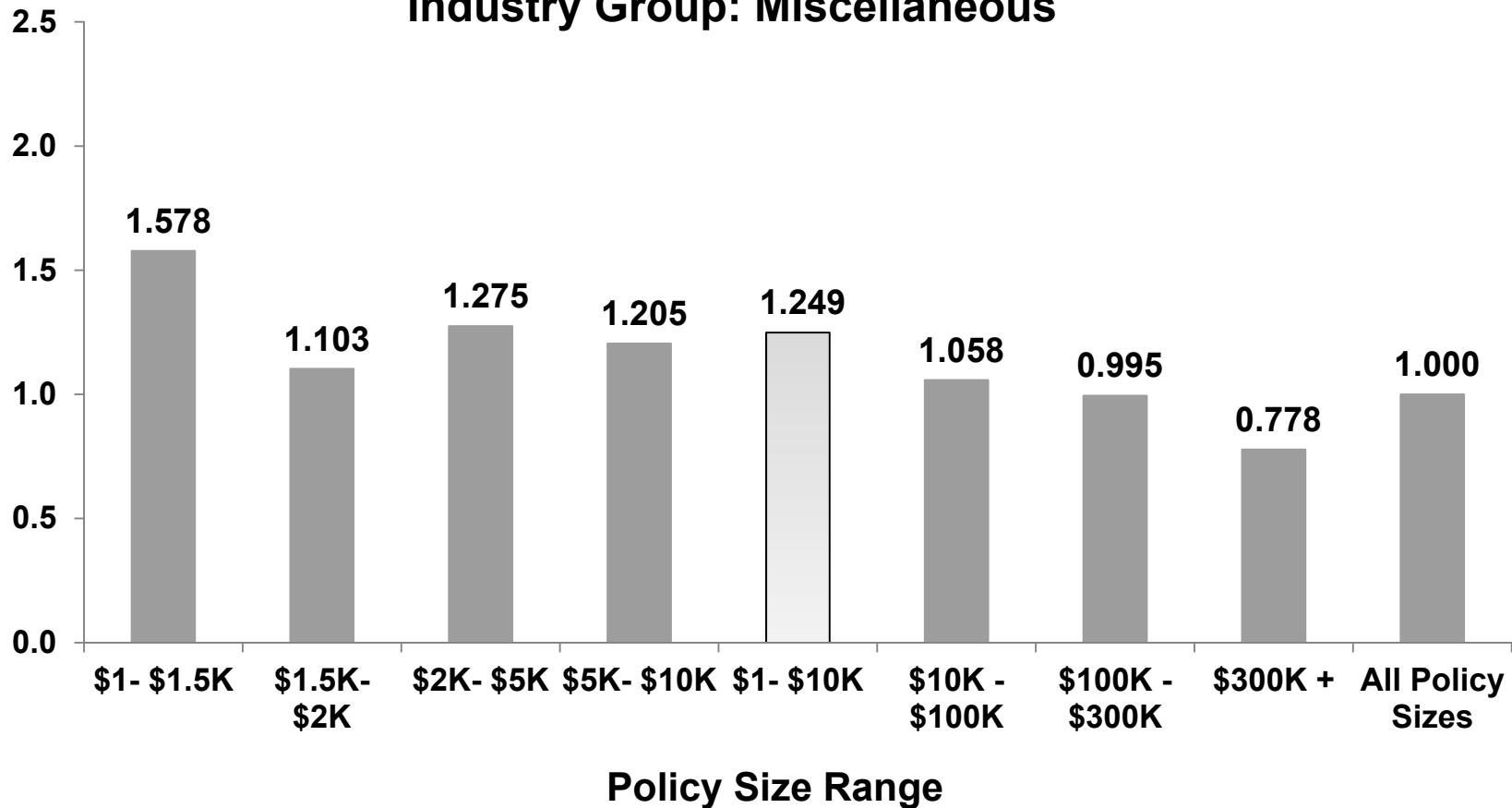
Based on the most recent five policy periods of Statistical Plan (combined voluntary and assigned risk market) data used in the 2010 filing cycle. Figures are on a standard premium basis at the NCCI 2010 filing cycle loss cost level. Claims have been limited to \$500,000. Cancelled policies (less than 12 months) have been excluded.

Policy size ranges less than \$10K exclude minimum premium policies and the "All Policy Sizes" group includes minimum premium policies after the minimum premium formula has been applied.

Pure Premium Relativities by Policy Size

Countrywide Pure Premium Relativities/Intrastate Policies

Industry Group: Miscellaneous



Based on the most recent five policy periods of Statistical Plan (combined voluntary and assigned risk market) data used in the 2010 filing cycle. Figures are on a standard premium basis at the NCCI 2010 filing cycle loss cost level. Claims have been limited to \$500,000. Cancelled policies (less than 12 months) have been excluded.

Policy size ranges less than \$10K exclude minimum premium policies and the "All Policy Sizes" group includes minimum premium policies after the minimum premium formula has been applied.