

August 28, 2013

**By Email and U.S. Mail**

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**Dave Bellusci**  
Executive Vice President, Chief  
Operating Officer & Chief Actuary

**RE: California Workers' Compensation Insurance Regulatory Filing  
CDI File No REG-2013-00013 – Proposed 2015 ERP Changes**

Dear Ms. Carroll:

On August 9, 2013, the WCIRB submitted its regulatory filing to the Commissioner. Included in this filing were amendments to the *California Workers' Compensation Experience Rating Plan—1995* (ERP) that were proposed to be effective January 1, 2015. These proposed amendments are intended to constrain the impact of a single claim in the experience rating period to no more than 25 percentage points above what the experience modification would have been had the employer been loss free during the experience period.

Part B, Section B of the WCIRB's Regulatory Filing summarizes the basis of the WCIRB's proposed 2015 amendments to the ERP. As referenced in Part B, Section B, additional information on the development of the proposed amendments including potential alternative constraints was discussed at the WCIRB Actuarial Committee meeting of August 1, 2013. The pertinent meeting Agenda and Minutes from the Actuarial Committee meeting of August 1, 2013 are attached.

Please let us know if there is any additional information that we can provide.

Sincerely,



David Bellusci  
Executive Vice President,  
Chief Operating Officer & Chief Actuary

DB:smd  
cc: Giovanni Muzzarelli  
Brenda Keys  
Ward Brooks

## Item AC13-06-02 Potential January 1, 2015 Changes to Experience Rating

At its June 15, 2012 meeting, the Committee reviewed potential updates to the current \$7,000 primary and excess split point in the Experience Rating Plan formula. The Committee was advised that while the overall indication was to increase the primary and excess split point from \$7,000 to \$9,000, prior staff research suggested that the threshold should potentially be decreased for smaller employers and increased even further for larger employers. As a result, the Committee agreed that the current \$7,000 should at least temporarily be maintained and that staff should commence an analysis of alternative approaches to experience rating smaller employers in 2013.<sup>1</sup>

At its June 12, 2013 meeting, the Committee was advised that after obtaining input from the Actuarial Research Working Group (ARWG) as well as an informal working group of employer and labor representatives, staff reviewed a wide range of experience rating alternatives (e.g., frequency-based experience rating for smaller employers, plans structured on payroll or expected claim count rather than expected losses, debit/credit schedules for a given number of claims, and multiple split points). While a number of these alternatives were actuarially feasible, concerns were expressed by both the ARWG and employer and labor representatives with making a major overhaul to the Plan that (a) could create significant shifts and dislocations in employer experience modifications, (b) could create potential issues at transition points if the plan was bifurcated based on employer size, (c) would be fundamentally different from experience rating plans in other jurisdictions (most insurers and many employers operate in multiple states) or (d) would require a major effort to re-educate employers, producers and insurers about the new plan. As a result, staff is not exploring a major restructuring of the Plan at this time, but is continuing to assess whether the performance of the Plan can be significantly improved by varying the primary and excess split point by employer size.

The Committee was further advised that in the interim, in response to concerns expressed by employers and others as to the wide fluctuation in smaller employers' experience modifications,<sup>2</sup> staff has explored several targeted changes to the Experience Rating Plan formula. Specifically, after considering several alternative approaches with the ARWG, staff recommended that the Committee consider the following:

1. For employers who have incurred only one claim during the experience rating period, limit the impact of that claim on the experience modification to 25 percentage points.
2. Establish a schedule of maximum debit experience modifications beginning at 200% for the smallest experience rated employers. The schedule of maximum debit experience modifications recommended by the staff at the June 12, 2013 meeting is included as Exhibit 1.

At the June 12, 2013 meeting, a Public Member of the Governing Committee in attendance expressed concern that restricting experience modification changes resulting from a single claim to no more than 25 percentage points would not prevent many previously loss-free smaller employers' experience modifications from increasing to over 100% due to a single claim, which in some instances would preclude that employer from bidding on certain construction jobs. As a result, the Committee was asked to also review a potential 15 percentage point constraint on experience modification changes due to a single claim. Staff noted that while a 15% constraint would often preclude a smaller employer's experience modification from increasing above 100%, (a) the 25% constraint was based on the actuarially indicated change resulting from a single claim if the experience modification formula was to be based only on claim counts, (b) the 15% constraint could affect many more employers, including some larger employers, and (c) there could be a more significant cost to offset through lower expected loss rates or a higher experience rating off-balance adjustment. Nevertheless, it was agreed at the June 12, 2013

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<sup>1</sup> This recommendation was also made by the WCIRB Classification and Rating Committee and adopted by the Governing Committee.

<sup>2</sup> Under the current formula, a small employer's experience modification can be impacted by 50 points or more by a single claim.

meeting that the Staff would to prepare an analysis of a 15 point constraint for the Committee's review as well as prepare analysis of the impacts by industrial sector and additional analysis on the maximum debit modification.

A summary of the additional information compiled by staff is included in Exhibits 2 through 8. In addition to comparisons at 15 and 25 percentage point constraints, Staff has also included information on a 20 point constraint. This information was also presented to the ARWG, an informal working group of employer representatives, and to the Classification and Rating Committee at its July 23, 2013 meeting.

For the fourteen experience periods evaluated, Exhibit 2 shows the average numbers and shares of risks affected each year by the potential alternatives, by size of risk, for all industries combined and for a number of credible industrial sectors. Note that this evaluation used 2013 credibilities and promulgated expected loss rates adjusted to a hindsight actual overall level. Exhibit 2 shows that smaller risks are more likely to be affected and that risks from all industries will be affected with modest differences by industry.

Exhibit 3 shows 14-year median and average shares of risks and shares of expected losses that will be affected by the potential alternatives. These are not estimates of impacts, but summaries of shares impacted. Medians are shown in addition to averages to provide information on the variability of the expected impacts. The shares of expected losses expected to be affected are smaller than the shares of risks as smaller risks are more likely to be affected than larger risks. This information is also shown for select industries.

Exhibit 4 shows the median and average expected loss-weighted actuarial efficiencies of the potential alternatives for all rated risks and for medium and smaller rated risks over the 14 periods studied. Actuarial efficiency is the reduction in squared-error variance achieved by the alternative relative to no modification. The median and average 14-year impacts on modified expected losses relative to the current experience rating plan are also shown for rated risks, medium to small rated risks, and all risks including unrated risks. The impacts over all rated risks estimate the adjustment required to expected loss rates to balance the impact of the potential changes across rated risks. The impacts over all risks, including unrated risks, estimate the adjustment required to pure premium rates to balance the impact of the potential changes across all risks. This information is also shown for select industries. Because affected risks tend to be smaller, the impacts are modest overall.

#### *Debit Caps and Volatility vs. Persistence*

Staff has attempted to analyze the debit caps' tendency to correct for volatility rather than for the persistence of high modifications due to being a chronically worse risk or a poor fit between an employer's exposures and the available classification assignments.

To examine this, staff first segregated the risks used in developing the experience rating alternatives according to how many of the, up to fourteen, evaluable experience periods were available. This segregation was done so that risks with comparable numbers of evaluable modifications were compared to each other. Smaller risks tend to have shorter evaluable modification histories. Risks have not been segregated by size directly as risks' size changes over time.

Next, to address serial correlation of modifications, staff averaged the largest three modifications and the smallest three modifications. Each risk's swing in modification was then calculated as the ratio of the average of the largest three modifications to the average of the smallest three modifications. (This measure is highly correlated with the coefficient of variation of a risk's mod history.) We expect risks with volatile experience to exhibit large swings relative to risks with high persistency (for example, always high or always low modifications), which we expect to exhibit small swings. Also, we expect risks with relatively volatile experience to exhibit large swings relative to average risks.

Within groups with common numbers of observations, staff then segregated risks according to whether the proposed debit caps would ever have been applied over the observable period versus risks for which the proposed debit caps would never have been applied. (The proposed 2013 caps were used based on a risk's expected loss cohort in each year.) If risks that are ever debit capped tend to be capped due to volatility, then these risks will have a larger swing than uncapped risks. If risks are capped due to persistently high modifications, then we do not expect these risks will have a larger swing than uncapped risks. The results were broken out by smaller versus larger risks based on the long-term median expected losses, within each group with a common number of observations. This approach looked at relative patterns by size while recognizing risks changing size over time and the limited number of capped observations for each group. The results of these comparisons for risks with at least six evaluable modifications were reviewed by the ARWG. Results for smaller and larger risks appeared to be generally comparable.

Exhibit 5 provides information on the distribution of the swing metric for all risks with 14 observations and provides a characterization of the swing metric by persistent versus volatile.

Based on input from the ARWG, staff prepared an evaluation of higher debit modification caps. Exhibit 6 provides the shares of risks affected by the higher debit modification caps evaluated. Exhibit 7 shows the distribution of risks by swing metric for all, ever-capped, and never-capped risks both for risks with 14 observations and risks with 6 or more observations for the originally proposed caps and caps that are 25% higher than the original proposal. Only a small share of ever-capped risks has a swing metric characterized as persistent in Exhibit 5. The higher debit caps do not appreciably affect the share of risks characterized as persistent.

Based on input from the informal employer working group, staff evaluated the share of risks with a single claim and a debit modification that would still have a debit modification after application of the alternative constraints. This information is provided in Exhibit 8.

**Table III - Credibility Primary and Credibility Excess Values**  
Maximum Loss Value \$175,000  
Average Death Value \$175,000

Expected Losses	Credibility Primary	Credibility Excess	Maximum Experience Modification
Below - 14,722	1.00	0.00	200
14,723 - 16,505	1.00	0.01	200
16,506 - 18,433	1.00	0.02	200
18,434 - 20,515	1.00	0.03	200
20,516 - 22,760	1.00	0.04	200
22,761 - 25,180	1.00	0.05	201
25,181 - 27,785	1.00	0.06	203
27,786 - 30,587	1.00	0.07	205
30,588 - 33,599	1.00	0.08	208
33,600 - 36,834	1.00	0.09	211
36,835 - 40,309	1.00	0.10	214
40,310 - 44,038	1.00	0.11	217
44,039 - 48,039	1.00	0.12	221
48,040 - 52,331	1.00	0.13	225
52,332 - 56,934	1.00	0.14	230
56,935 - 61,870	1.00	0.15	235
61,871 - 67,163	1.00	0.16	240
67,164 - 72,840	1.00	0.17	246
72,841 - 78,927	1.00	0.18	252
78,928 - 85,456	1.00	0.19	259
85,457 - 92,461	1.00	0.20	266
92,462 - 99,976	1.00	0.21	274
99,977 - 108,043	1.00	0.22	283
108,044 - 116,705	1.00	0.23	292
116,706 - 126,009	1.00	0.24	302
126,010 - 136,008	1.00	0.25	313
136,009 - 146,758	1.00	0.26	326
146,759 - 158,323	1.00	0.27	339
158,324 - 170,772	1.00	0.28	353
170,773 - 184,183	1.00	0.29	369
184,184 - 198,639	1.00	0.30	386
198,640 - 214,235	1.00	0.31	405
214,236 - 231,076	1.00	0.32	426
231,077 - 249,276	1.00	0.33	448
249,277 - 268,966	1.00	0.34	473
268,967 - 290,289	1.00	0.35	500
290,290 - 313,407	1.00	0.36	Unlimited
313,408 - 338,502	1.00	0.37	Unlimited
338,503 - 365,778	1.00	0.38	Unlimited
365,779 - 395,463	1.00	0.39	Unlimited
395,464 - 427,820	1.00	0.40	Unlimited
427,821 - 463,141	1.00	0.41	Unlimited
463,142 - 501,763	1.00	0.42	Unlimited
501,764 - 544,069	1.00	0.43	Unlimited

**Table III - Credibility Primary and Credibility Excess Values**  
Maximum Loss Value \$175,000  
Average Death Value \$175,00

Expected Losses	Credibility Primary	Credibility Excess	Maximum Experience Modification
544,070 - 590,498	1.00	0.44	Unlimited
590,499 - 641,552	1.00	0.45	Unlimited
641,553 - 697,812	1.00	0.46	Unlimited
697,813 - 759,953	1.00	0.47	Unlimited
759,954 - 828,754	1.00	0.48	Unlimited
828,755 - 905,132	1.00	0.49	Unlimited
905,133 - 990,156	1.00	0.50	Unlimited
990,157 - 1,085,093	1.00	0.51	Unlimited
1,085,094 - 1,191,441	1.00	0.52	Unlimited
1,191,442 - 1,310,989	1.00	0.53	Unlimited
1,310,990 - 1,445,883	1.00	0.54	Unlimited
1,445,884 - 1,598,718	1.00	0.55	Unlimited
1,598,719 - 1,772,649	1.00	0.56	Unlimited
1,772,650 - 1,971,546	1.00	0.57	Unlimited
1,971,547 - 2,200,197	1.00	0.58	Unlimited
2,200,198 - 2,464,578	1.00	0.59	Unlimited
2,464,579 - 2,772,225	1.00	0.60	Unlimited
2,772,226 - 3,132,747	1.00	0.61	Unlimited
3,132,748 - 3,558,546	1.00	0.62	Unlimited
3,558,547 - 4,065,846	1.00	0.63	Unlimited
4,065,847 - 4,676,199	1.00	0.64	Unlimited
4,676,200 - 5,418,723	1.00	0.65	Unlimited
5,418,724 - 6,333,516	1.00	0.66	Unlimited
6,333,517 - 7,477,027	1.00	0.67	Unlimited
7,477,028 - 8,930,740	1.00	0.68	Unlimited
8,930,741 - 10,815,788	1.00	0.69	Unlimited
10,815,789 - 13,318,556	1.00	0.70	Unlimited
13,318,557 - 16,737,935	1.00	0.71	Unlimited
16,737,936 - 21,577,967	1.00	0.72	Unlimited
21,577,968 - 28,743,678	1.00	0.73	Unlimited
28,743,679 - 39,996,335	1.00	0.74	Unlimited
39,996,336 - 59,152,242	1.00	0.75	Unlimited
59,152,243 - 95,831,895	1.00	0.76	Unlimited
95,831,896 - 180,615,463	1.00	0.77	Unlimited
180,615,464 - & Over	1.00	0.78	Unlimited

All Risks

Number of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	503,619	5,000	0	0	0	0	0	0	0
L02	182,170	5,000	3	2	1	2	5	3	3
L03	111,495	5,000	16	10	6	7	22	17	13
L04	79,544	5,000	35	22	13	14	50	36	28
L05	61,319	5,000	63	41	27	22	85	62	49
L06	49,500	5,000	114	73	48	34	148	107	82
L07	41,015	5,000	163	103	67	41	205	145	109
L08	34,859	5,000	213	157	95	48	262	205	144
L09	30,166	5,000	252	202	136	63	315	265	199
L10	26,394	5,000	296	245	192	71	366	315	263
L11	23,371	5,000	319	280	229	81	399	360	309
L12	20,809	5,000	357	322	272	87	444	409	359
L13	18,713	5,000	383	355	307	92	475	446	399
L14	16,942	5,000	405	372	337	96	501	468	434
L15	15,378	5,000	416	384	361	95	511	479	456
L16	14,074	5,000	435	403	379	101	535	504	479
L17	12,890	5,000	451	415	388	103	554	518	491
L18	11,856	5,000	462	425	402	103	565	528	505
L19	10,929	5,000	476	437	411	123	599	560	533
L20	10,067	5,000	488	447	421	135	623	582	556
L01 - L20	24,783	100,000	5,348	4,693	4,093	1,316	6,664	6,010	5,409
L10 - L20	15,378	55,000	4,487	4,084	3,699	1,085	5,573	5,169	4,784

Share of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	503,619	5,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	182,170	5,000	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
L03	111,495	5,000	0.3%	0.2%	0.1%	0.1%	0.4%	0.3%	0.3%
L04	79,544	5,000	0.7%	0.4%	0.3%	0.3%	1.0%	0.7%	0.6%
L05	61,319	5,000	1.3%	0.8%	0.5%	0.4%	1.7%	1.2%	1.0%
L06	49,500	5,000	2.3%	1.5%	1.0%	0.7%	3.0%	2.1%	1.6%
L07	41,015	5,000	3.3%	2.1%	1.3%	0.8%	4.1%	2.9%	2.2%
L08	34,859	5,000	4.3%	3.1%	1.9%	1.0%	5.2%	4.1%	2.9%
L09	30,166	5,000	5.0%	4.0%	2.7%	1.3%	6.3%	5.3%	4.0%
L10	26,394	5,000	5.9%	4.9%	3.8%	1.4%	7.3%	6.3%	5.3%
L11	23,371	5,000	6.4%	5.6%	4.6%	1.6%	8.0%	7.2%	6.2%
L12	20,809	5,000	7.1%	6.4%	5.4%	1.7%	8.9%	8.2%	7.2%
L13	18,713	5,000	7.7%	7.1%	6.1%	1.8%	9.5%	8.9%	8.0%
L14	16,942	5,000	8.1%	7.4%	6.7%	1.9%	10.0%	9.4%	8.7%
L15	15,378	5,000	8.3%	7.7%	7.2%	1.9%	10.2%	9.6%	9.1%
L16	14,074	5,000	8.7%	8.1%	7.6%	2.0%	10.7%	10.1%	9.6%
L17	12,890	5,000	9.0%	8.3%	7.8%	2.1%	11.1%	10.4%	9.8%
L18	11,856	5,000	9.2%	8.5%	8.0%	2.1%	11.3%	10.6%	10.1%
L19	10,929	5,000	9.5%	8.7%	8.2%	2.5%	12.0%	11.2%	10.7%
L20	10,067	5,000	9.8%	8.9%	8.4%	2.7%	12.5%	11.6%	11.1%
L01 - L20	24,783	100,000	5.3%	4.7%	4.1%	1.3%	6.7%	6.0%	5.4%
L10 - L20	15,378	55,000	8.2%	7.4%	6.7%	2.0%	10.1%	9.4%	8.7%

L01-L20 includes all experience rated risks. L10-L20 includes small to medium rated risks only.

**Construction Risks**  
**(Risks with Construction Exposure of at Least 50%)**

**Number of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	430,515	752	0	0	0	0	0	0	0
L02	182,581	889	1	1	1	0	1	1	1
L03	110,658	906	6	4	2	0	6	4	3
L04	79,761	946	14	9	5	1	15	10	6
L05	61,591	936	20	14	9	2	23	17	11
L06	49,415	918	30	20	13	3	32	23	16
L07	41,072	924	40	28	20	5	45	33	25
L08	34,961	915	56	44	28	6	62	50	34
L09	30,268	931	63	52	37	9	72	61	46
L10	26,491	890	70	59	47	9	79	67	55
L11	23,334	890	76	67	57	10	86	77	68
L12	20,789	894	81	74	65	11	93	85	76
L13	18,669	883	84	78	68	12	96	90	80
L14	16,965	896	89	82	75	14	102	96	88
L15	15,369	884	95	87	82	13	108	99	95
L16	14,047	874	98	91	87	14	112	105	100
L17	12,901	855	96	88	82	14	110	102	96
L18	11,867	848	96	89	85	16	112	105	101
L19	10,946	827	102	94	89	19	121	113	108
L20	10,076	816	97	89	83	22	119	111	105
L01 - L20	25,707	17,673	1,215	1,069	935	179	1,394	1,249	1,114
L10 - L20	15,566	9,557	985	898	820	153	1,138	1,051	973

**Share of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	430,515	752	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	182,581	889	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
L03	110,658	906	0.7%	0.4%	0.3%	0.0%	0.7%	0.4%	0.3%
L04	79,761	946	1.5%	0.9%	0.5%	0.1%	1.6%	1.0%	0.6%
L05	61,591	936	2.2%	1.5%	1.0%	0.3%	2.4%	1.8%	1.2%
L06	49,415	918	3.2%	2.2%	1.5%	0.3%	3.5%	2.5%	1.8%
L07	41,072	924	4.4%	3.1%	2.2%	0.5%	4.9%	3.6%	2.7%
L08	34,961	915	6.1%	4.8%	3.0%	0.7%	6.8%	5.4%	3.7%
L09	30,268	931	6.7%	5.6%	3.9%	1.0%	7.7%	6.6%	4.9%
L10	26,491	890	7.8%	6.6%	5.2%	1.0%	8.8%	7.6%	6.2%
L11	23,334	890	8.5%	7.5%	6.4%	1.2%	9.7%	8.7%	7.6%
L12	20,789	894	9.1%	8.3%	7.3%	1.3%	10.4%	9.6%	8.5%
L13	18,669	883	9.5%	8.9%	7.7%	1.4%	10.9%	10.2%	9.1%
L14	16,965	896	9.9%	9.1%	8.3%	1.5%	11.4%	10.7%	9.8%
L15	15,369	884	10.8%	9.8%	9.3%	1.4%	12.2%	11.2%	10.7%
L16	14,047	874	11.3%	10.4%	9.9%	1.6%	12.8%	12.0%	11.5%
L17	12,901	855	11.2%	10.3%	9.6%	1.6%	12.8%	11.9%	11.3%
L18	11,867	848	11.4%	10.5%	10.0%	1.9%	13.2%	12.4%	11.9%
L19	10,946	827	12.3%	11.4%	10.8%	2.3%	14.6%	13.6%	13.0%
L20	10,076	816	11.9%	10.9%	10.2%	2.7%	14.6%	13.6%	12.9%
L01 - L20	25,707	17,673	6.9%	6.1%	5.3%	1.0%	7.9%	7.1%	6.3%
L10 - L20	15,566	9,557	10.3%	9.4%	8.6%	1.6%	11.9%	11.0%	10.2%

L01-L20 includes all construction experience rated risks. L10-L20 includes small to medium construction rated risks only.

**Manufacturing Risks**  
**(Risks with Manufacturing Exposure of at Least 50%)**

**Number of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	490,294	805	0	0	0	0	0	0	0
L02	180,844	820	0	0	0	0	0	0	0
L03	112,347	811	2	1	0	0	2	1	1
L04	79,409	798	4	3	2	2	6	5	3
L05	61,409	786	8	4	3	4	11	8	7
L06	49,003	758	16	10	6	5	20	15	11
L07	40,961	727	23	14	9	6	29	20	15
L08	34,987	699	27	19	12	7	34	26	19
L09	30,065	646	30	23	14	8	38	31	22
L10	26,486	641	36	30	23	10	45	39	33
L11	23,414	612	36	32	26	11	48	44	37
L12	20,885	607	40	37	31	11	51	48	43
L13	18,819	578	40	37	32	11	50	48	43
L14	16,993	564	42	39	35	12	53	50	46
L15	15,336	558	42	39	36	12	53	50	48
L16	14,058	542	45	42	39	12	57	53	51
L17	12,874	517	40	38	36	13	52	50	48
L18	11,835	504	44	41	38	11	55	52	50
L19	10,986	488	43	40	37	12	55	53	49
L20	10,061	471	43	40	38	10	54	50	48
L01 - L20	30,769	12,933	559	488	417	156	714	643	573
L10 - L20	16,058	6,082	450	414	372	124	574	538	496

**Share of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	490,294	805	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	180,844	820	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L03	112,347	811	0.2%	0.1%	0.1%	0.0%	0.2%	0.2%	0.1%
L04	79,409	798	0.5%	0.4%	0.2%	0.2%	0.7%	0.6%	0.4%
L05	61,409	786	1.0%	0.5%	0.4%	0.5%	1.4%	1.0%	0.9%
L06	49,003	758	2.1%	1.3%	0.8%	0.6%	2.7%	2.0%	1.4%
L07	40,961	727	3.2%	1.9%	1.2%	0.8%	4.0%	2.7%	2.0%
L08	34,987	699	3.9%	2.7%	1.6%	1.0%	4.9%	3.8%	2.7%
L09	30,065	646	4.7%	3.5%	2.2%	1.2%	5.9%	4.7%	3.4%
L10	26,486	641	5.6%	4.6%	3.7%	1.5%	7.1%	6.1%	5.1%
L11	23,414	612	5.9%	5.3%	4.3%	1.9%	7.8%	7.1%	6.1%
L12	20,885	607	6.6%	6.1%	5.2%	1.9%	8.5%	7.9%	7.1%
L13	18,819	578	6.8%	6.4%	5.5%	1.9%	8.7%	8.3%	7.4%
L14	16,993	564	7.4%	6.8%	6.1%	2.1%	9.4%	8.9%	8.2%
L15	15,336	558	7.5%	6.9%	6.5%	2.1%	9.5%	9.0%	8.5%
L16	14,058	542	8.3%	7.7%	7.2%	2.1%	10.4%	9.9%	9.3%
L17	12,874	517	7.6%	7.2%	6.9%	2.4%	10.1%	9.7%	9.3%
L18	11,835	504	8.7%	8.1%	7.6%	2.2%	10.9%	10.3%	9.8%
L19	10,986	488	8.8%	8.2%	7.6%	2.5%	11.4%	10.8%	10.1%
L20	10,061	471	9.2%	8.6%	8.1%	2.2%	11.4%	10.7%	10.3%
L01 - L20	30,769	12,933	4.3%	3.8%	3.2%	1.2%	5.5%	5.0%	4.4%
L10 - L20	16,058	6,082	7.4%	6.8%	6.1%	2.0%	9.4%	8.8%	8.2%

L01-L20 includes all manufacturing experience rated risks. L10-L20 includes small to medium manufacturing rated risks only.

**Clerical Risks**  
**(Risks with 8810 Exposure of at Least 50%)**

**Number of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	557,171	453	0	0	0	0	0	0	0
L02	183,592	337	0	0	0	0	0	0	0
L03	111,997	343	1	1	1	2	3	3	2
L04	79,688	344	1	1	0	3	4	4	4
L05	61,429	352	3	2	1	4	7	6	5
L06	49,441	361	7	4	3	7	13	11	9
L07	40,835	368	8	5	3	6	15	11	9
L08	34,773	381	13	10	6	5	18	14	11
L09	30,195	382	15	11	7	9	24	20	16
L10	26,291	378	20	15	11	7	27	23	19
L11	23,436	383	20	17	14	9	29	27	23
L12	20,748	391	24	22	18	12	37	34	30
L13	18,689	397	28	26	22	10	38	36	33
L14	16,865	402	33	30	27	11	44	41	38
L15	15,308	410	32	30	29	11	43	41	40
L16	14,149	417	33	31	30	14	46	44	43
L17	12,869	419	37	34	31	12	49	46	43
L18	11,870	430	38	35	32	12	50	46	44
L19	10,914	430	39	35	32	14	52	49	45
L20	10,050	435	43	39	37	15	57	54	52
L01 - L20	23,487	7,815	395	347	303	163	558	510	467
L10 - L20	15,105	4,492	346	314	283	127	473	441	410

**Share of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	557,171	453	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	183,592	337	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
L03	111,997	343	0.2%	0.2%	0.1%	0.5%	0.8%	0.7%	0.7%
L04	79,688	344	0.4%	0.2%	0.1%	0.9%	1.3%	1.1%	1.0%
L05	61,429	352	0.9%	0.5%	0.3%	1.1%	2.0%	1.6%	1.5%
L06	49,441	361	1.9%	1.2%	0.7%	1.9%	3.7%	3.0%	2.6%
L07	40,835	368	2.3%	1.3%	0.7%	1.7%	4.0%	3.0%	2.4%
L08	34,773	381	3.5%	2.5%	1.5%	1.3%	4.8%	3.8%	2.8%
L09	30,195	382	4.0%	2.9%	1.9%	2.3%	6.3%	5.2%	4.2%
L10	26,291	378	5.3%	4.0%	3.0%	1.9%	7.2%	5.9%	4.9%
L11	23,436	383	5.2%	4.5%	3.6%	2.4%	7.6%	6.9%	6.0%
L12	20,748	391	6.2%	5.6%	4.6%	3.1%	9.4%	8.7%	7.7%
L13	18,689	397	7.0%	6.6%	5.6%	2.6%	9.7%	9.2%	8.3%
L14	16,865	402	8.2%	7.5%	6.7%	2.7%	10.9%	10.3%	9.5%
L15	15,308	410	7.8%	7.2%	7.0%	2.7%	10.6%	10.0%	9.7%
L16	14,149	417	7.8%	7.4%	7.1%	3.3%	11.1%	10.6%	10.3%
L17	12,869	419	8.8%	8.0%	7.3%	2.9%	11.7%	10.9%	10.2%
L18	11,870	430	8.9%	8.1%	7.5%	2.7%	11.5%	10.8%	10.2%
L19	10,914	430	9.0%	8.2%	7.4%	3.2%	12.2%	11.3%	10.5%
L20	10,050	435	9.8%	8.9%	8.6%	3.4%	13.2%	12.3%	12.0%
L01 - L20	23,487	7,815	5.1%	4.4%	3.9%	2.1%	7.1%	6.5%	6.0%
L10 - L20	15,105	4,492	7.7%	7.0%	6.3%	2.8%	10.5%	9.8%	9.1%

L01-L20 includes all clerical experience rated risks. L10-L20 includes small to medium clerical rated risks only.

**Restaurant Risks**  
(Risks with 9079 Exposure of at Least 50%)

**Number of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	660,360	144	0	0	0	0	0	0	0
L02	177,245	151	0	0	0	0	0	0	0
L03	110,873	178	0	0	0	0	0	0	0
L04	78,178	204	0	0	0	0	0	0	0
L05	61,489	201	1	0	0	0	1	1	1
L06	49,679	220	2	1	1	1	3	2	1
L07	40,457	232	5	3	2	1	6	4	3
L08	34,775	248	7	4	2	1	8	5	3
L09	30,265	254	6	5	3	2	8	7	5
L10	26,410	267	10	9	7	2	12	11	8
L11	23,487	277	12	11	8	2	14	13	10
L12	20,721	289	14	12	10	3	17	15	13
L13	18,697	299	20	18	15	4	23	22	19
L14	16,952	297	19	17	16	4	24	22	20
L15	15,425	313	20	18	17	5	25	23	22
L16	14,083	306	20	19	18	5	25	24	23
L17	12,857	319	24	22	21	5	28	27	25
L18	11,818	319	23	22	20	6	29	28	26
L19	10,933	326	26	24	23	7	34	32	31
L20	10,073	320	27	24	23	8	34	32	31
L01 - L20	19,600	5,165	237	210	185	56	292	266	241
L10 - L20	14,965	3,332	215	197	178	50	266	247	228

**Share of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average**

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	660,360	144	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	177,245	151	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L03	110,873	178	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
L04	78,178	204	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
L05	61,489	201	0.4%	0.1%	0.1%	0.1%	0.5%	0.3%	0.2%
L06	49,679	220	1.0%	0.5%	0.3%	0.4%	1.4%	0.8%	0.6%
L07	40,457	232	2.2%	1.2%	0.7%	0.5%	2.7%	1.7%	1.2%
L08	34,775	248	2.6%	1.7%	0.8%	0.5%	3.1%	2.2%	1.3%
L09	30,265	254	2.5%	2.1%	1.2%	0.8%	3.3%	2.8%	2.0%
L10	26,410	267	3.8%	3.4%	2.4%	0.7%	4.5%	4.1%	3.1%
L11	23,487	277	4.4%	3.9%	3.0%	0.7%	5.1%	4.6%	3.7%
L12	20,721	289	5.0%	4.2%	3.6%	1.1%	6.0%	5.3%	4.7%
L13	18,697	299	6.6%	6.0%	5.0%	1.3%	7.8%	7.3%	6.3%
L14	16,952	297	6.4%	5.7%	5.3%	1.5%	7.9%	7.2%	6.8%
L15	15,425	313	6.3%	5.8%	5.4%	1.6%	7.9%	7.4%	7.0%
L16	14,083	306	6.7%	6.2%	5.9%	1.5%	8.1%	7.7%	7.4%
L17	12,857	319	7.4%	6.9%	6.4%	1.5%	8.9%	8.3%	7.9%
L18	11,818	319	7.3%	6.9%	6.4%	1.8%	9.2%	8.7%	8.2%
L19	10,933	326	8.0%	7.4%	7.1%	2.3%	10.3%	9.7%	9.4%
L20	10,073	320	8.3%	7.6%	7.2%	2.4%	10.7%	10.0%	9.6%
L01 - L20	19,600	5,165	4.6%	4.1%	3.6%	1.1%	5.7%	5.2%	4.7%
L10 - L20	14,965	3,332	6.5%	5.9%	5.3%	1.5%	8.0%	7.4%	6.8%

L01-L20 includes all restaurant experience rated risks. L10-L20 includes small to medium restaurant rated risks only.

All Other Risks

Number of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	513,386	2,845	0	0	0	0	0	0	0
L02	182,272	2,802	2	1	0	1	3	2	2
L03	111,519	2,764	7	5	3	4	11	9	7
L04	79,575	2,707	16	9	6	9	24	18	15
L05	61,156	2,725	32	20	13	11	43	32	25
L06	49,712	2,743	60	38	25	19	79	57	44
L07	41,086	2,749	86	54	34	23	109	76	57
L08	34,818	2,757	110	80	48	29	140	109	77
L09	30,135	2,787	138	111	75	35	174	146	110
L10	26,361	2,823	160	132	104	43	203	175	148
L11	23,347	2,838	175	152	123	48	222	200	171
L12	20,829	2,820	197	177	148	49	246	226	196
L13	18,713	2,843	212	196	170	54	266	250	224
L14	16,939	2,841	223	204	186	56	278	260	241
L15	15,390	2,835	228	211	197	55	282	265	252
L16	14,073	2,861	238	220	205	57	296	278	263
L17	12,896	2,889	255	234	219	60	315	294	279
L18	11,859	2,899	260	238	226	59	319	297	285
L19	10,923	2,929	266	244	230	71	337	314	300
L20	10,067	2,958	278	254	239	80	358	335	319
L01 - L20	24,474	56,415	2,942	2,579	2,252	763	3,705	3,342	3,015
L10 - L20	15,311	31,537	2,491	2,262	2,047	631	3,122	2,893	2,678

Share of Risks Affected by Selected Debit Cap/Constraint - 14-Year Average

Cohort	Proj Yr 2010 Median E[Losses]	Number of Risks	No Debit Cap			Proposed Debit Cap			
			15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
L01	513,386	2,845	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	182,272	2,802	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
L03	111,519	2,764	0.3%	0.2%	0.1%	0.2%	0.4%	0.3%	0.3%
L04	79,575	2,707	0.6%	0.3%	0.2%	0.3%	0.9%	0.7%	0.5%
L05	61,156	2,725	1.2%	0.7%	0.5%	0.4%	1.6%	1.2%	0.9%
L06	49,712	2,743	2.2%	1.4%	0.9%	0.7%	2.9%	2.1%	1.6%
L07	41,086	2,749	3.1%	1.9%	1.2%	0.8%	4.0%	2.8%	2.1%
L08	34,818	2,757	4.0%	2.9%	1.7%	1.1%	5.1%	4.0%	2.8%
L09	30,135	2,787	5.0%	4.0%	2.7%	1.3%	6.2%	5.2%	4.0%
L10	26,361	2,823	5.7%	4.7%	3.7%	1.5%	7.2%	6.2%	5.2%
L11	23,347	2,838	6.2%	5.4%	4.3%	1.7%	7.8%	7.0%	6.0%
L12	20,829	2,820	7.0%	6.3%	5.2%	1.7%	8.7%	8.0%	7.0%
L13	18,713	2,843	7.5%	6.9%	6.0%	1.9%	9.4%	8.8%	7.9%
L14	16,939	2,841	7.8%	7.2%	6.5%	2.0%	9.8%	9.1%	8.5%
L15	15,390	2,835	8.0%	7.4%	7.0%	1.9%	9.9%	9.4%	8.9%
L16	14,073	2,861	8.3%	7.7%	7.2%	2.0%	10.3%	9.7%	9.2%
L17	12,896	2,889	8.8%	8.1%	7.6%	2.1%	10.9%	10.2%	9.6%
L18	11,859	2,899	9.0%	8.2%	7.8%	2.0%	11.0%	10.2%	9.8%
L19	10,923	2,929	9.1%	8.3%	7.8%	2.4%	11.5%	10.7%	10.3%
L20	10,067	2,958	9.4%	8.6%	8.1%	2.7%	12.1%	11.3%	10.8%
L01 - L20	24,474	56,415	5.2%	4.6%	4.0%	1.4%	6.6%	5.9%	5.3%
L10 - L20	15,311	31,537	7.9%	7.2%	6.5%	2.0%	9.9%	9.2%	8.5%

L01-L20 includes all other experience rated risks. L10-L20 includes all other small to medium rated risks only.

All Risks

Shares of Risks and Expected Losses Affected By Debit Caps & One Claim Constraints

14-Year Medians

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	5.2%	4.5%	3.8%	1.3%	6.3%	5.7%	5.2%
Risks	L10-L20	8.2%	7.3%	6.3%	2.0%	9.8%	9.0%	8.4%
Risks	ALL	0.8%	0.7%	0.6%	0.2%	1.1%	1.0%	0.9%
E[Losses]	L01-L20	1.1%	0.9%	0.8%	0.3%	1.5%	1.3%	1.1%
E[Losses]	L10-L20	7.8%	6.8%	5.6%	1.9%	9.3%	8.5%	7.9%
E[Losses]	ALL	0.9%	0.7%	0.6%	0.3%	1.2%	1.0%	0.9%

14-Year Averages

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	5.3%	4.7%	4.1%	1.3%	6.7%	6.0%	5.4%
Risks	L10-L20	8.2%	7.4%	6.7%	2.0%	10.1%	9.4%	8.7%
Risks	ALL	0.9%	0.8%	0.7%	0.2%	1.1%	1.0%	0.9%
E[Losses]	L01-L20	1.2%	1.0%	0.8%	0.3%	1.5%	1.3%	1.1%
E[Losses]	L10-L20	7.8%	7.0%	6.3%	1.9%	9.7%	8.9%	8.1%
E[Losses]	ALL	1.0%	0.8%	0.7%	0.3%	1.2%	1.1%	0.9%

**Construction Risks**  
**(Risks with Construction Exposure of at Least 50%)**

**Shares of Risks and Expected Losses Affected By Debit Caps & One Claim Constraints**

**14-Year Medians**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	6.5%	5.6%	4.9%	1.1%	7.5%	6.6%	5.9%
Risks	L10-L20	10.0%	9.0%	8.0%	1.6%	11.6%	10.5%	9.7%
Risks	ALL	1.5%	1.3%	1.1%	0.2%	1.7%	1.5%	1.3%
E[Losses]	L01-L20	2.1%	1.7%	1.4%	0.3%	2.4%	2.0%	1.7%
E[Losses]	L10-L20	9.6%	8.5%	7.5%	1.5%	11.0%	9.9%	9.1%
E[Losses]	ALL	1.7%	1.4%	1.1%	0.2%	1.9%	1.6%	1.4%

**14-Year Averages**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	<b>6.9%</b>	6.1%	<b>5.3%</b>	<b>1.0%</b>	<b>7.9%</b>	7.1%	<b>6.3%</b>
Risks	L10-L20	10.3%	9.4%	8.6%	1.6%	11.9%	11.0%	10.2%
Risks	ALL	1.6%	1.4%	1.2%	0.2%	1.8%	1.6%	1.4%
E[Losses]	L01-L20	2.1%	1.8%	1.4%	0.3%	2.4%	2.1%	1.7%
E[Losses]	L10-L20	9.9%	8.9%	8.0%	1.5%	11.4%	10.4%	9.5%
E[Losses]	ALL	1.7%	1.4%	1.2%	0.2%	1.9%	1.7%	1.4%

**Manufacturing Risks**  
**(Risks with Manufacturing Exposure of at Least 50%)**

**Shares of Risks and Expected Losses Affected By Debit Caps & One Claim Constraints**

**14-Year Medians**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	4.4%	3.8%	3.2%	1.3%	5.2%	4.8%	4.2%
Risks	L10-L20	7.9%	7.1%	6.1%	2.0%	9.2%	8.5%	7.9%
Risks	ALL	1.3%	1.1%	0.9%	0.4%	1.5%	1.4%	1.2%
E[Losses]	L01-L20	0.9%	0.8%	0.6%	0.3%	1.2%	1.0%	0.9%
E[Losses]	L10-L20	7.6%	6.6%	5.5%	2.0%	8.8%	8.1%	7.4%
E[Losses]	ALL	0.8%	0.6%	0.5%	0.3%	1.0%	0.9%	0.7%

**14-Year Averages**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	4.3%	3.8%	3.2%	1.2%	5.5%	5.0%	4.4%
Risks	L10-L20	7.4%	6.8%	6.1%	2.0%	9.4%	8.8%	8.2%
Risks	ALL	1.3%	1.1%	1.0%	0.4%	1.7%	1.5%	1.3%
E[Losses]	L01-L20	1.0%	0.8%	0.7%	0.3%	1.3%	1.1%	0.9%
E[Losses]	L10-L20	7.1%	6.5%	5.8%	1.9%	9.1%	8.5%	7.7%
E[Losses]	ALL	0.8%	0.7%	0.5%	0.2%	1.1%	0.9%	0.8%

**Clerical Risks**  
**(Risks with 8810 Exposure of at Least 50%)**

**Shares of Risks and Expected Losses Affected By Debit Caps & One Claim Constraints**

**14-Year Medians**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	4.9%	4.3%	3.7%	2.0%	7.1%	6.6%	6.2%
Risks	L10-L20	7.7%	6.9%	6.1%	2.6%	10.6%	10.1%	9.4%
Risks	ALL	0.5%	0.4%	0.4%	0.2%	0.7%	0.7%	0.6%
E[Losses]	L01-L20	0.8%	0.7%	0.6%	0.4%	1.2%	1.1%	1.1%
E[Losses]	L10-L20	7.2%	6.3%	5.5%	2.6%	10.1%	9.5%	8.8%
E[Losses]	ALL	0.6%	0.5%	0.4%	0.3%	1.0%	0.9%	0.8%

**14-Year Averages**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	5.1%	4.4%	3.9%	2.1%	7.1%	6.5%	6.0%
Risks	L10-L20	7.7%	7.0%	6.3%	2.8%	10.5%	9.8%	9.1%
Risks	ALL	0.5%	0.4%	0.4%	0.2%	0.7%	0.6%	0.6%
E[Losses]	L01-L20	0.8%	0.7%	0.6%	0.5%	1.3%	1.2%	1.0%
E[Losses]	L10-L20	7.2%	6.5%	5.8%	2.8%	10.0%	9.3%	8.5%
E[Losses]	ALL	0.7%	0.5%	0.5%	0.3%	1.0%	0.9%	0.8%

**Restaurant Risks**  
**(Risks with 9079 Exposure of at Least 50%)**

**Shares of Risks and Expected Losses Affected By Debit Caps & One Claim Constraints**

**14-Year Medians**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	4.5%	4.0%	3.4%	1.0%	5.4%	4.9%	4.3%
Risks	L10-L20	6.5%	6.0%	5.1%	1.3%	7.7%	7.1%	6.3%
Risks	ALL	0.7%	0.6%	0.5%	0.1%	0.8%	0.7%	0.7%
E[Losses]	L01-L20	1.1%	1.0%	0.8%	0.3%	1.4%	1.2%	1.0%
E[Losses]	L10-L20	6.0%	5.4%	4.4%	1.1%	7.0%	6.4%	5.5%
E[Losses]	ALL	0.9%	0.8%	0.6%	0.2%	1.0%	0.9%	0.8%

**14-Year Averages**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	4.6%	4.1%	3.6%	1.1%	5.7%	5.2%	4.7%
Risks	L10-L20	6.5%	5.9%	5.3%	1.5%	8.0%	7.4%	6.8%
Risks	ALL	0.7%	0.6%	0.5%	0.2%	0.8%	0.8%	0.7%
E[Losses]	L01-L20	1.2%	1.0%	0.9%	0.3%	1.5%	1.3%	1.1%
E[Losses]	L10-L20	6.1%	5.5%	4.9%	1.4%	7.4%	6.9%	6.2%
E[Losses]	ALL	0.9%	0.8%	0.7%	0.2%	1.1%	1.0%	0.9%

**All Other Risks**  
**(Risks Other than Those Classified as Clerical, Construction, Manufacturing, or Restaurants)**

**Shares of Risks and Expected Losses Affected By Debit Caps & One Claim Constraints**

**14-Year Medians**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	5.0%	4.4%	3.7%	1.4%	6.1%	5.6%	5.1%
Risks	L10-L20	7.9%	7.1%	6.1%	2.0%	9.5%	8.8%	8.2%
Risks	ALL	0.8%	0.7%	0.6%	0.2%	1.0%	0.9%	0.8%
E[Losses]	L01-L20	1.0%	0.9%	0.7%	0.3%	1.4%	1.2%	1.1%
E[Losses]	L10-L20	7.5%	6.6%	5.4%	2.0%	9.0%	8.3%	7.7%
E[Losses]	ALL	0.8%	0.7%	0.5%	0.2%	1.1%	1.0%	0.8%

**14-Year Averages**

Affected Share of:	Group	No Debit Cap			Proposed Debit Cap			
		15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
Risks	L01-L20	5.2%	4.6%	4.0%	1.4%	6.6%	5.9%	5.3%
Risks	L10-L20	7.9%	7.2%	6.5%	2.0%	9.9%	9.2%	8.5%
Risks	ALL	0.8%	0.7%	0.6%	0.2%	1.0%	0.9%	0.8%
E[Losses]	L01-L20	1.1%	0.9%	0.8%	0.3%	1.4%	1.2%	1.1%
E[Losses]	L10-L20	7.5%	6.8%	6.0%	1.9%	9.4%	8.7%	8.0%
E[Losses]	ALL	0.9%	0.7%	0.6%	0.2%	1.1%	1.0%	0.8%

Actuarial Efficiencies and Impacts on Modifications of Debit Caps & Alternative Constraints for One Single Claim

All Risks

		Expected Loss-Weighted Actuarial Efficiency for Rated Risks							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	11.46%	11.47%	11.47%	11.47%	11.35%	11.36%	11.36%	11.36%
	L10-L20	0.99%	1.03%	1.03%	1.02%	0.91%	0.94%	0.94%	0.93%
<b>14-Year Averages</b>	L01-L20	12.34%	12.35%	12.35%	12.35%	12.25%	12.25%	12.25%	12.25%
	L10-L20	1.00%	1.03%	1.03%	1.03%	0.90%	0.94%	0.94%	0.93%

		Impacts on Modified Expected Losses Relative to No Debit Cap/Constraint							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	0.00%	-0.25%	-0.19%	-0.14%	-0.25%	<b>-0.50%</b>	<b>-0.44%</b>	<b>-0.39%</b>
	L10-L20	0.00%	-1.67%	-1.25%	-0.90%	-0.66%	-2.35%	-1.98%	-1.65%
	ALL	0.00%	-0.19%	-0.15%	-0.11%	-0.20%	<b>-0.39%</b>	<b>-0.35%</b>	<b>-0.31%</b>
<b>14-Year Averages</b>	L01-L20	0.00%	-0.24%	-0.18%	-0.14%	-0.20%	<b>-0.44%</b>	<b>-0.39%</b>	<b>-0.34%</b>
	L10-L20	0.00%	-1.80%	-1.41%	-1.07%	-0.92%	-2.72%	-2.34%	-2.00%
	ALL	0.00%	-0.20%	-0.15%	-0.11%	-0.17%	<b>-0.37%</b>	<b>-0.32%</b>	<b>-0.28%</b>

L01-L20 includes all experience rated risks. L10-L20 includes small to medium rated risks only.  
ALL includes all risks, including unrated risks.

Actuarial Efficiencies and Impacts on Modifications of Debit Caps & Alternative Constraints for One Single Claim

**Construction Risks**  
(Risks with Construction Exposure of at Least 50%)

		Expected Loss-Weighted Actuarial Efficiency for Rated Risks							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	3.16%	3.17%	3.17%	3.16%	3.17%	3.18%	3.18%	3.17%
	L10-L20	0.29%	0.33%	0.34%	0.33%	0.34%	0.33%	0.34%	0.33%
<b>14-Year Averages</b>	L01-L20	3.40%	3.41%	3.41%	3.41%	3.40%	3.41%	3.41%	3.41%
	L10-L20	0.29%	0.35%	0.35%	0.34%	0.31%	0.36%	0.36%	0.36%

		Impacts on Modified Expected Losses Relative to No Debit Cap/Constraint							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	0.00%	-0.33%	-0.24%	-0.17%	-0.04%	<b>-0.37%</b>	<b>-0.28%</b>	<b>-0.21%</b>
	L10-L20	0.00%	-2.41%	-1.92%	-1.48%	-0.53%	-2.91%	-2.45%	-2.01%
	ALL	0.00%	-0.38%	-0.29%	-0.22%	-0.07%	<b>-0.45%</b>	<b>-0.36%</b>	<b>-0.29%</b>
<b>14-Year Averages</b>	L01-L20	0.00%	-0.46%	-0.35%	-0.26%	-0.09%	<b>-0.54%</b>	<b>-0.44%</b>	<b>-0.35%</b>
	L10-L20	0.00%	-2.30%	-1.83%	-1.40%	-0.41%	-2.72%	-2.24%	-1.81%
	ALL	0.00%	-0.40%	-0.30%	-0.22%	-0.08%	<b>-0.48%</b>	<b>-0.38%</b>	<b>-0.30%</b>

L01-L20 includes all construction experience rated risks. L10-L20 includes small to medium construction rated risks only.  
ALL includes all construction risks, including unrated construction risks.

Actuarial Efficiencies and Impacts on Modifications of Debit Caps & Alternative Constraints for One Single Claim

**Manufacturing Risks**  
(Risks with Manufacturing Exposure of at Least 50%)

		Expected Loss-Weighted Actuarial Efficiency for Rated Risks							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	7.46%	7.48%	7.47%	7.47%	7.50%	7.51%	7.51%	7.50%
	L10-L20	1.24%	1.30%	1.30%	1.29%	1.17%	1.23%	1.22%	1.22%
<b>14-Year Averages</b>	L01-L20	7.88%	7.89%	7.89%	7.89%	7.87%	7.88%	7.88%	7.88%
	L10-L20	1.14%	1.19%	1.18%	1.18%	1.04%	1.09%	1.09%	1.08%

		Impacts on Modified Expected Losses Relative to No Debit Cap/Constraint							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	0.00%	-0.18%	-0.13%	-0.10%	-0.20%	<b>-0.37%</b>	<b>-0.33%</b>	<b>-0.29%</b>
	L10-L20	0.00%	-2.07%	-1.69%	-1.29%	-0.75%	-2.88%	-2.44%	-2.04%
	ALL	0.00%	-0.15%	-0.11%	-0.07%	-0.06%	<b>-0.21%</b>	<b>-0.16%</b>	<b>-0.13%</b>
<b>14-Year Averages</b>	L01-L20	0.00%	-0.19%	-0.14%	-0.10%	-0.13%	<b>-0.32%</b>	<b>-0.27%</b>	<b>-0.23%</b>
	L10-L20	0.00%	-1.62%	-1.27%	-0.95%	-0.85%	-2.47%	-2.12%	-1.81%
	ALL	0.00%	-0.18%	-0.13%	-0.10%	-0.12%	<b>-0.30%</b>	<b>-0.25%</b>	<b>-0.22%</b>

L01-L20 includes all manufacturing experience rated risks. L10-L20 includes small to medium manufacturing rated risks only. ALL includes all manufacturing risks, including unrated manufacturing risks.

**Actuarial Efficiencies and Impacts on Modifications of Debit Caps & Alternative Constraints for One Single Claim**

**Clerical Risks  
(Risks with 8810 Exposure of at Least 50%)**

		<b>Expected Loss-Weighted Actuarial Efficiency for Rated Risks</b>							
		<b>No Debit Cap</b>				<b>Proposed Debit Cap</b>			
		<b>No</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>No</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>
<b>Expected Loss Cohort</b>		<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>
<b>14-Year</b>	L01-L20	29.53%	29.53%	29.53%	29.53%	29.50%	29.51%	29.51%	29.51%
<b>Medians</b>	L10-L20	2.27%	2.39%	2.37%	2.35%	2.14%	2.25%	2.24%	2.22%
<b>14-Year</b>	L01-L20	28.70%	28.71%	28.71%	28.71%	28.63%	28.63%	28.63%	28.63%
<b>Averages</b>	L10-L20	2.25%	2.33%	2.32%	2.31%	2.05%	2.14%	2.13%	2.12%

		<b>Impacts on Modified Expected Losses Relative to No Debit Cap/Constraint</b>							
		<b>No Debit Cap</b>				<b>Proposed Debit Cap</b>			
		<b>No</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>	<b>No</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>
<b>Expected Loss Cohort</b>		<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>	<b>Constraint</b>
<b>14-Year</b>	L01-L20	0.00%	-0.23%	-0.17%	-0.13%	-0.68%	<b>-0.96%</b>	<b>-0.90%</b>	<b>-0.85%</b>
<b>Medians</b>	L10-L20	0.00%	-1.49%	-1.17%	-0.89%	-2.66%	<b>-4.10%</b>	<b>-3.77%</b>	<b>-3.47%</b>
	ALL	0.00%	-0.18%	-0.14%	-0.11%	-0.39%	<b>-0.57%</b>	<b>-0.53%</b>	<b>-0.49%</b>
<b>14-Year</b>	L01-L20	0.00%	-0.19%	-0.14%	-0.11%	-0.44%	<b>-0.63%</b>	<b>-0.59%</b>	<b>-0.55%</b>
<b>Averages</b>	L10-L20	0.00%	-1.58%	-1.24%	-0.93%	-2.77%	<b>-4.35%</b>	<b>-4.00%</b>	<b>-3.70%</b>
	ALL	0.00%	-0.16%	-0.12%	-0.09%	-0.37%	<b>-0.53%</b>	<b>-0.49%</b>	<b>-0.46%</b>

L01-L20 includes all clerical experience rated risks. L10-L20 includes small to medium clerical rated risks only. ALL includes all clerical risks, including unrated clerical risks.

Actuarial Efficiencies and Impacts on Modifications of Debit Caps & Alternative Constraints for One Single Claim

**Restaurant Risks**  
(Risks with 9079 Exposure of at Least 50%)

		Expected Loss-Weighted Actuarial Efficiency for Rated Risks							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	10.62%	10.62%	10.62%	10.62%	10.57%	10.57%	10.57%	10.57%
	L10-L20	0.43%	0.45%	0.43%	0.43%	0.42%	0.48%	0.46%	0.45%
<b>14-Year Averages</b>	L01-L20	11.93%	11.94%	11.94%	11.94%	11.92%	11.93%	11.93%	11.93%
	L10-L20	0.48%	0.54%	0.54%	0.53%	0.52%	0.58%	0.57%	0.57%

		Impacts on Modified Expected Losses Relative to No Debit Cap/Constraint							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	0.00%	-0.31%	-0.24%	-0.18%	-0.07%	<b>-0.38%</b>	<b>-0.31%</b>	<b>-0.25%</b>
	L10-L20	0.00%	-1.08%	-0.87%	-0.67%	-0.67%	-1.81%	-1.54%	-1.33%
	ALL	0.00%	-0.18%	-0.13%	-0.09%	-0.06%	<b>-0.24%</b>	<b>-0.20%</b>	<b>-0.15%</b>
<b>14-Year Averages</b>	L01-L20	0.00%	-0.24%	-0.19%	-0.14%	-0.10%	<b>-0.35%</b>	<b>-0.29%</b>	<b>-0.24%</b>
	L10-L20	0.00%	-1.46%	-1.15%	-0.87%	-0.52%	-1.98%	-1.67%	-1.39%
	ALL	0.00%	-0.20%	-0.16%	-0.12%	-0.09%	<b>-0.29%</b>	<b>-0.24%</b>	<b>-0.20%</b>

L01-L20 includes all restaurant experience rated risks. L10-L20 includes small to medium restaurant rated risks only.  
ALL includes all restaurant risks, including unrated restaurant risks.

Actuarial Efficiencies and Impacts on Modifications of Debit Caps & Alternative Constraints for One Single Claim

**All Other Risks**  
(Risks Other than Those Classified as Clerical, Construction, Manufacturing, or Restaurants)

		Expected Loss-Weighted Actuarial Efficiency for Rated Risks							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	12.92%	12.93%	12.93%	12.93%	12.77%	12.77%	12.77%	12.77%
	L10-L20	1.12%	1.13%	1.14%	1.14%	0.98%	1.02%	1.02%	1.02%
<b>14-Year Averages</b>	L01-L20	13.60%	13.60%	13.60%	13.60%	13.45%	13.45%	13.45%	13.45%
	L10-L20	1.12%	1.16%	1.16%	1.15%	1.00%	1.03%	1.03%	1.03%

		Impacts on Modified Expected Losses Relative to No Debit Cap/Constraint							
		No Debit Cap				Proposed Debit Cap			
Expected Loss Cohort		No Constraint	15% Constraint	20% Constraint	25% Constraint	No Constraint	15% Constraint	20% Constraint	25% Constraint
<b>14-Year Medians</b>	L01-L20	0.00%	-0.20%	-0.15%	-0.10%	-0.27%	<b>-0.47%</b>	<b>-0.42%</b>	<b>-0.38%</b>
	L10-L20	0.00%	-1.54%	-1.17%	-0.84%	-0.64%	-2.18%	-1.81%	-1.48%
	ALL	0.00%	-0.20%	-0.16%	-0.12%	-0.20%	<b>-0.38%</b>	<b>-0.33%</b>	<b>-0.29%</b>
<b>14-Year Averages</b>	L01-L20	0.00%	-0.22%	-0.16%	-0.12%	-0.21%	<b>-0.42%</b>	<b>-0.37%</b>	<b>-0.33%</b>
	L10-L20	0.00%	-1.74%	-1.37%	-1.04%	-0.83%	-2.57%	-2.20%	-1.87%
	ALL	0.00%	-0.19%	-0.14%	-0.11%	-0.18%	<b>-0.37%</b>	<b>-0.33%</b>	<b>-0.29%</b>

L01-L20 includes all other experience rated risks. L10-L20 includes all other small to medium rated risks only.  
ALL includes all other risks, including unrated other risks.

**Distribution of Swing Metric  
Before Capping for Risks with 14  
Evaluable Observations**

Percentile	Swing	Characterization
1%	1.064	Persistent
5%	1.126	Persistent
10%	1.196	Persistent
25%	1.356	Average
50%	1.532	
75%	1.748	Volatile
90%	1.998	
95%	2.181	Volatile
99%	2.599	Volatile
Mean	1.580	

**All Risks**

**Share of Risks Affected by Selected Debit Cap - 14-Period Average**

Cohort	Approx. PY 2010 Annual Premium	Number of Risks	Original Proposed Debit Cap and Increased Debit Cap					
			Original Proposal	Original Times 5%	Original Times 10%	Original Times 15%	Original Times 20%	Original Times 25%
L01	433,112	5,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L02	156,666	5,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
L03	95,886	5,000	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
L04	68,408	5,000	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%
L05	52,734	5,000	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%
L06	42,570	5,000	0.7%	0.5%	0.4%	0.3%	0.2%	0.2%
L07	35,273	5,000	0.8%	0.6%	0.4%	0.3%	0.3%	0.2%
L08	29,979	5,000	1.0%	0.7%	0.5%	0.4%	0.3%	0.2%
L09	25,943	5,000	1.3%	0.9%	0.7%	0.6%	0.4%	0.4%
L10	22,699	5,000	1.4%	1.0%	0.7%	0.6%	0.4%	0.4%
L11	20,099	5,000	1.6%	1.2%	0.9%	0.7%	0.6%	0.4%
L12	17,896	5,000	1.7%	1.3%	1.0%	0.8%	0.6%	0.5%
L13	16,093	5,000	1.8%	1.4%	1.1%	0.9%	0.7%	0.5%
L14	14,570	5,000	1.9%	1.5%	1.1%	0.9%	0.7%	0.5%
L15	13,225	5,000	1.9%	1.5%	1.1%	0.8%	0.7%	0.5%
L16	12,104	5,000	2.0%	1.6%	1.3%	1.0%	0.8%	0.6%
L17	11,085	5,000	2.1%	1.7%	1.3%	1.0%	0.8%	0.6%
L18	10,196	5,000	2.1%	1.7%	1.4%	1.1%	0.8%	0.7%
L19	9,399	5,000	2.5%	1.8%	1.4%	1.1%	0.9%	0.8%
L20	8,658	5,000	2.7%	2.0%	1.5%	1.2%	0.9%	0.8%
L01 - L20		100,000	1.3%	1.0%	0.8%	0.6%	0.5%	0.4%
L10 - L20		55,000	2.0%	1.5%	1.2%	0.9%	0.7%	0.6%

L01-L20 includes all experience rated risks. L10-L20 includes small to medium rated risks only.

**Distribution of Risks by Swing Metric**

Characterization	Percentile Range		Risks with 14 Observations			Risks with >=6 Observations		
			ALL	Ever Capped	Never Capped	ALL	Ever Capped	Never Capped
Persistent	0%	1%	1.0%	0.0%	1.1%	6.3%	0.0%	6.7%
	1%	5%	4.0%	0.0%	4.2%	8.3%	0.1%	8.9%
	5%	10%	5.0%	0.0%	5.4%	8.7%	0.5%	9.3%
Average/Persistent	10%	25%	15.0%	0.3%	16.1%	20.9%	3.5%	22.1%
Average	25%	50%	24.9%	2.9%	26.5%	23.0%	9.6%	23.9%
	50%	75%	25.0%	15.6%	25.7%	17.8%	22.7%	17.4%
Average/Volatile	75%	90%	15.0%	30.0%	14.0%	9.3%	28.7%	8.0%
Volatile	90%	95%	5.0%	20.1%	3.9%	2.9%	15.1%	2.1%
	95%	99%	4.0%	22.7%	2.7%	2.1%	14.3%	1.3%
	99%	& Above	1.0%	8.3%	0.5%	0.6%	5.4%	0.3%
Total			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
No. of Observations			39,114	2,577	36,537	124,732	7,942	116,790

**Distribution of Risks by Swing Metric--Original Debit Cap x 1.25**

Characterization	Percentile Range		Risks with >=6 Observations		
			ALL	Ever Capped	Never Capped
Persistent	0%	1%	6.3%	0.0%	6.4%
	1%	5%	8.3%	0.1%	8.5%
	5%	10%	8.7%	0.5%	8.9%
Average/Persistent	10%	25%	20.9%	2.2%	21.3%
Average	25%	50%	23.0%	6.0%	23.3%
	50%	75%	17.8%	13.1%	17.9%
Average/Volatile	75%	90%	9.3%	23.6%	9.0%
Volatile	90%	95%	2.9%	17.3%	2.7%
	95%	99%	2.1%	24.8%	1.7%
	99%	& Above	0.6%	12.4%	0.4%
Total			100.0%	100.0%	100.0%
No. of Observations			124,732	2,378	122,354

**Shifts in Characterization Shares--Original x 1.25 vs. Original**

Persistent	-0.1%	-1.1%
Average/Persistent	-1.4%	-0.8%
Average	-13.2%	-0.2%
Average/Volatile	-5.1%	1.0%
Volatile	19.7%	1.0%

**All Risks**

**Share of Risks Affected by Selected Constraint - 14-Period Average**

Cohort	Approx. PY 2010 Annual Premium	Number of Risks	Single Claim Before Constraint w/ Mod > 1	Single Claim After Constraint		
				Mod Still >1 after 15% Constraint	Mod Still >1 after 20% Constraint	Mod Still >1 after 25% Constraint
L01	433,112	5,000	0.0%	0.0%	0.0%	0.0%
L02	156,666	5,000	0.0%	0.0%	0.0%	0.0%
L03	95,886	5,000	0.0%	0.0%	0.0%	0.0%
L04	68,408	5,000	0.1%	0.0%	0.0%	0.0%
L05	52,734	5,000	0.3%	0.0%	0.0%	0.0%
L06	42,570	5,000	0.4%	0.0%	0.0%	0.0%
L07	35,273	5,000	0.8%	0.0%	0.0%	0.0%
L08	29,979	5,000	1.2%	0.0%	0.0%	0.1%
L09	25,943	5,000	1.8%	0.0%	0.0%	0.2%
L10	22,699	5,000	2.7%	0.0%	0.0%	0.4%
L11	20,099	5,000	3.6%	0.0%	0.0%	0.8%
L12	17,896	5,000	4.8%	0.0%	0.1%	1.3%
L13	16,093	5,000	5.9%	0.0%	0.1%	2.0%
L14	14,570	5,000	6.7%	0.0%	0.2%	2.9%
L15	13,225	5,000	7.2%	0.0%	0.4%	3.9%
L16	12,104	5,000	7.6%	0.0%	0.7%	4.5%
L17	11,085	5,000	7.9%	0.0%	0.9%	5.0%
L18	10,196	5,000	8.1%	0.0%	1.2%	5.3%
L19	9,399	5,000	8.4%	0.0%	1.5%	5.8%
L20	8,658	5,000	8.6%	0.0%	1.8%	5.8%
L01 - L20		100,000	3.8%	0.0%	0.3%	1.9%
L10 - L20		55,000	6.5%	0.0%	0.6%	3.4%

L01-L20 includes all experience rated risks. L10-L20 includes small to medium rated risks only.

## Item AC13-06-02 Potential January 1, 2015 Changes to Experience Rating

The Committee was reminded that at its June 15, 2012 meeting, the Committee reviewed potential updates to the current \$7,000 primary and excess split point in the Experience Rating Plan (ERP) formula. The Committee was advised that while the overall indication was to increase the primary and excess split point from \$7,000 to \$9,000, prior staff research suggested that the threshold should potentially be decreased for smaller employers and increased even further for larger employers. As a result, the Committee agreed that the current \$7,000 split point should at least temporarily be maintained and that staff should commence an analysis of alternative approaches to experience rating smaller employers in 2013.<sup>1</sup>

At its June 12, 2013 meeting, the Committee was advised that after obtaining input from the Actuarial Research Working Group (ARWG) as well as an informal working group of employer and labor representatives, the staff reviewed a wide range of experience rating alternatives. While a number of these alternatives were actuarially feasible, concerns were expressed by both the ARWG and the employer and labor representatives with making a major overhaul to the Plan. As a result, staff is not exploring a major restructuring of the Plan at this time, but is continuing to assess whether the performance of the Plan can be significantly improved by varying the primary and excess split point by employer size. The Committee was further advised that in the interim, in response to concerns expressed by employers and others as to the wide fluctuation in smaller employers' experience modifications,<sup>2</sup> staff had explored several targeted changes to the ERP formula. Specifically, staff recommended that the Committee consider the following:

1. For employers who have incurred only one claim during the experience rating period, limit the impact of that claim on the experience modification to 25 percentage points.
2. Establish a schedule of maximum debit experience modifications beginning at 200% for the smallest experience rated employers.

The Committee was reminded that in discussing the proposal at the June 12, 2013 meeting, a Public Member of the Governing Committee expressed concern that restricting experience modification changes resulting from a single claim to no more than 25 percentage points would not prevent many previously loss-free smaller employers' experience modifications from increasing to over 100% due to a single claim, which in some instances would preclude that employer from bidding on certain construction jobs. As a result, the Committee was asked to also review a potential 15 percentage point constraint on experience modification changes due to a single claim. Additionally, the Committee requested that staff provide more information on the impacts of the potential changes by industry and the potential for the proposed debit caps to cap persistency rather than volatility.

The Committee was informed that staff had completed this analysis. Staff reviewed the results of the analysis for the 15 point and 25 point constraints for the Committee. Staff noted that the proposed changes impacted all industries. It was noted that, unlike the 25 point constraint, the 15 point constraint, while expected to preclude a debit modification for employers with a single claim, did not have similar actuarial support to the 25 point constraint.

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<sup>1</sup> This recommendation was also made by the WCIRB Classification and Rating Committee and adopted by the Governing Committee.

<sup>2</sup> Under the current formula, a small employer's experience modification can be impacted by 50 points or more by a single claim.

Staff provided the Committee the background of the analysis of the impact of the proposed debit caps on persistency relative to volatility, which was previously reviewed by the ARWG. Staff explained the metric that was developed to assess the impact of the debit caps and its assessment for risks exhibiting persistent experience versus volatile experience. Additionally, at the request of the ARWG, staff developed an analysis of debit caps 25% higher than those originally proposed. Staff also reviewed the results of this analysis with the Committee. Staff noted that the proposed debit caps affected few persistent risks and that the higher debit caps did not significantly reduce the volume of persistent risks expected to be affected by the proposed debit cap. It was also noted that some persistent risks would be affected by the debit cap. Staff suggested that this would probably be an inevitable result of any approach that attempted to control for volatility through as simple a mechanism as the debit cap and that to control for volatility directly would require a more complex evaluation of a risk's experience over an extended timeframe.

After the Committee discussed staff's findings at length, a motion was made and seconded to adopt the proposals reflected in the Agenda materials including: a 25 point constraint, the proposed debit caps and the requirement that the constraints and debit caps would not apply if the risk was experience rated with unaudited payroll pursuant to ERP rules. The motion passed with five in favor and two abstentions.