

State of West Virginia
AGENCY PURCHASE ORDER

Date 6/3/2009		Purchase Order # INS09-121		
Department or Institution WV OFFICES OF THE INSURANCE COMMISSIONER				
WVFIMS Account # 7152-mul-7952-099-025		Spending Unit Name & Address		
Vendor Name & Address: PINNACLE ACTUARIAL RESOURCES, INC. 5650 BLAZER PKWY STE 179 DUBLIN, OH 43017		WV OFFICES OF THE INSURANCE COMMISSION 1124 SMITH STREET CHARLESTON WV 25301 PHONE: (304) 558-3707 FAX: (304) 558-4967		
		Invoice in Quintuplicate to: WV OFFICES OF THE INSURANCE COMMISSION ATTN: ACCOUNTS PAYABLE PO BOX 50540 CHARLESTON WV 25305-0540		
TEAM Vendor # *111150233 01		WVFIMS Vendor #:		
Item No.	Quantity	Description	Unit Price	Amount
		<p align="center"><u>Contract Agreement</u></p> <p align="center">Type of Purchase</p> <p>THE WV OFFICES OF THE INSURANCE COMMISSIONER OFFICE OF ADMINISTRATION IS RELEASING THIS PURCHASE ORDER UNDER THE AUTHORITY GRANTED BY SENATE BILL 595 AND THE WV STATE CODE 23-1-1F (2).</p> <p>This agreement constitutes the acceptance of contract made by and between the WV Offices of the Insurance Commissioner and Pennacle Actuarial Resources, Inc. to provide casualty actuarial consulting and analytical services as described in the attached RFP.</p> <p>Services beginning May 27, 2009 and extending until May 26, 2010. All in accordance with the contract dated May 29, 2009 attached hereto as a part hereof.</p> <p>Schedule of payment shall be as outline on pages 8 & 9 of the attached contract.</p> <p>Receipt of this purchase order as executed by the Offices of the Insurance Commissioner constitutes acceptance by the state of West Virginia of the terms and conditions contained in this purchase order and binds the vendor as listed above.</p> <p>Renewal: This contract may be renewed upon the mutual written consent of the spending unit and vendor. Such renewals shall be in accordance with the terms and conditions of the original contract and shall be limited to two (2) one (1) year periods.</p>		
VENDOR: This order is your authorization for shipment of the commodities listed herein pursuant to the terms bid.			TOTAL	Open End

Dwayne Warfield
 (Approved as to form by Assistant Attorney General)

Hickie Marcum
 (Agency Signature)

Original - Vendor
 Copy - Spending Unit

**APPROVED FOR
 ONE FISCAL YEAR**

SCANNED

(304) 558-3707
 (Telephone Number)

**State of West Virginia
Offices of the Insurance Commissioner
INS09-121
Agreement**

Specifications:

The State of West Virginia Offices of the Insurance Commissioner (hereinafter referred to as "the OIC") agrees to engage the services of Pinnacle Actuarial Resources, Inc. (hereinafter referred to as "the Actuary") to provide casualty actuarial consulting and analytical services to be performed in accordance with actuarial standards of practice and generally accepted actuarial principles.

Vendor Relationship:

The relationship of the Actuary to the OIC shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by the parties to this contract. The Actuary as an independent contractor is solely liable for the acts and omissions of its employees and agents.

Actuary shall be responsible for selecting, supervising and compensating any and all individuals employed pursuant to the terms of this contract. Neither the Actuary, nor any employees or contractors of the Actuary, shall be deemed to be employees of the State for any purposes whatsoever.

Actuary shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension or other deferred compensation plans, including but not limited to, Workers' Compensation and Social Security obligations, and licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.

Actuary shall hold harmless the State, and shall provide the State and OIC with a defense against any and all claims including but not limited to the foregoing payments, withholdings, contributions, taxes, social security taxes and employer income tax returns.

The Actuary shall not assign, convey, transfer or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association or entity without expressed written consent of the OIC.

The Actuary will not perform any management functions nor make any management decisions on behalf of the OIC. Management of the OIC shall be responsible for the substantive outcomes of the work and will:

- a. Designate a management-level individual to be responsible and accountable for overseeing the service.
- b. Establish and monitor the performance of the service to ensure that it meets management's objectives.
- c. Make any decisions that involve management functions related to the service and accept full responsibility for such decisions.
- d. Evaluate the adequacy of the services performed and any findings that result.

Scope of Work to be Performed:

The OIC requires the Actuary to perform annual casualty actuarial analyses and consulting for each of the funds administered by the OIC in accordance with applicable standards established by the American Institute of Certified Public Accountants ("AICPA") and the Actuarial Standards Board. The Actuary will not render an attestation, assurance report or opinion under this Agreement, other than the Statement of Actuarial Opinion, if applicable, nor will the services constitute:

- a. an audit, review or examination of financial statements in accordance with generally accepted auditing standards;
- b. an examination of prospective financial statements in accordance with standards established by the AICPA; or
- c. a review to detect fraud or illegal acts.

The Services will not include preparation of reports addressing the effectiveness of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act, nor will the services include any procedures to test compliance with the laws or regulations of any jurisdiction. None of the services or reports of the Actuary will constitute any legal opinion or advice.

The Actuary will not be responsible for the accuracy or completeness of information provided by the OIC to the Actuary. The reports provided by the Actuary will be based solely on data and information furnished by the OIC.

The analyses will cover all claim-related liabilities of the separate funds, including, but not limited to, reserves for the following:

- a. Reported claims, with awards made (active claims)
- b. Other reported claims (unawarded claims)
- c. Claims incurred by not reported (IBNR)
- d. Self Insured Second Injury Claims (Old Fund Only)
- e. Medical expenses (separately identified)
- f. Occupational disease
- g. Reopened claims

The Actuary must also work closely with the third party administrator case reserving. This work may include, but is not limited to, reconciling the Actuary's estimates with the TPA reserve estimates, and assisting the OIC with understanding the Actuary's reliance upon the case reserves in the development of the final reserve estimates, and providing assistance in developing adjusting and conversion factors and formulas as needed. The Actuary will produce reserves requirements for IBNR claims.

The Actuary must meet the time requirements of the auditors and the OIC for the preparation of his or her annual actuarial loss reserve reports and the OIC's annual financial statements.

The Actuary must meet the financial reporting requirement of Governmental Accounting Standards Board Statement 10 (GASB 10). Accounting Financial Reporting for Risk Financing and Related Insurance Issues, and Financial Accounting Standards Board Statement 60 (FASB 60), Accounting and Reporting for Insurance Enterprises, and all other accounting requirements that are either applicable to the OIC or requested by the OIC. The Actuary must provide reconciliations, tables, and schedules required by GASB 10 disclosure in the OIC's financial statements. The Actuary must provide reconciliations, tables, and schedules required by any other current or future accounting standards for disclosure in the OIC's financial statements.

The Actuary must provide certification of his or her loss reserve estimates and must provide a Statement of Actuarial Opinion on actuarially derived items in the OIC's financial statements.

The certified actuarial loss reserve reports, the Statement of Actuarial Opinion and the required financial statement schedules, tables and reconciliations for Fiscal Year 2009, ending June 30, 2009 must be complete and delivered to the West Virginia Office of the Insurance Commissioner, Assistant Commissioner of Finance by September 30, 2009.

Other duties related to open end contract provisions are also included in the scope of this contract.

Under an Open End Contract:

The Actuary may provide additional services and advice on other actuarial matters as they arise subject to the limitations of the OIC's budget. These additional services may include appearances by the Actuary's personnel before judicial, legislative, and executive bodies, or others to respond to questions of an actuarial nature or to give reports. These services may also include the preparation of written reports concerning the actuarial matters as deemed necessary by the OIC. Preparation of testimony and testimony before administrative hearing, tribunals, and State and federal courts may also be required. The Actuary may be requested to provide training and support for the OIC actuarial and accounting staff. This training may include but is not limited to basic reserving methodologies, in depth reserve analysis including key issues, the data editing process, data extracts and preliminary decisions regarding loss development. Also, the OIC has recently revised the methods used for the purpose of calculating the amounts of security or bond to be provided by employers who wish to self-insure their workers' compensation risks. These calculations are used in conducting annual reviews of each of the self-insured employer accounts, both active and inactive, and previously posted security and bonds in order to determine the adequacy and sufficiency of the security and bonds. The Actuary may be required to review these calculations and make any necessary or requested changes. The Actuary will be required to modify the existing self-insured methodology to include updated IBNR and discount factors as of the end of December 31, 2008 and each year end thereafter. The methodology will also need to be adjusted to calculate another years' liability on the calendar year basis. Also, actuarial services and advice may be sought on matters related to the assessments for the Self-Insured Security Risk Pool and the Self-Insured Guaranty Fund.

All work under the proposed contract will be under the direction of the Insurance Commissioner or her designee. Written reports and actuarial audits must be submitted initially in draft form in order that any necessary changes may be discussed and agreed upon before final acceptance. Any public statements which may be required must be discussed with the OIC prior to the statements being made or released.

The Actuary will issue reports for all services as described in this section.

Reports to be Issued:

1. The Actuary shall be required to make an immediate written report of all irregularities and illegal acts of which they become aware to the Director of the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration under the authority of Section 5A-2-33 of the State Code.
2. Reporting to the Insurance Commissioner or her designee, the Actuary must inform the OIC of each of the following.
 - The Actuary's responsibility under generally accepted actuarial standards

- Significant actuarial policies
- Management judgments and actuarial estimates and projections
- Significant revisions of past and current actuarial estimates and projections
- Other information in documents containing actuarial estimates and projections.
- Disagreements with management
- Consultation with other actuaries
- Major issues discussed with management prior to retention
- Difficulties encountered in performing actuarial services

Working Paper Retention and Access to Working Papers:

All working papers and reports are the property of the Actuary. All working papers and reports must be retained, at the Actuary's expense, for a minimum of five (5) years, unless the Actuary is notified in writing by the OIC of the need to extend the retention period. The Actuary will be required to make all working papers and reports available immediately, upon request, to the following parties or their designees:

Insurance Commissioner,
West Virginia Offices of the Insurance Commissioner

Assistant Commissioner of Finance,
West Virginia Offices of the Insurance Commissioner

In addition, the Actuary shall respond to the reasonable inquires of successor actuaries and allow them to review papers relating to matters of continuing significance.

Actuary shall comply with all applicable Federal and State of West Virginia rules and regulations, and requirements governing the maintenance of documentation to verify any cost of services rendered under this contract by Actuary.

Confidentiality:

Except as otherwise provided in this Agreement, neither party shall disclose confidential information of the other received in connection with the performance of the services without the prior written consent of the other party. The recipient shall use the same degree of care that it uses to protect its own confidential information of like nature, but no less than a reasonable degree of care, to maintain in confidence the confidential information of the disclosing party. For purposes of this Agreement, confidential information shall mean proprietary information relating to the business, operations, methodologies, technologies, personnel, vendors, financial condition or procedures of a party that is not generally known to the public and that, under all of the circumstances, ought reasonably to be treated as confidential and/or proprietary.

To the extent that information obtained from the Commission is protected health information pursuant to the Health Insurance Portability and Accountability Act (as amended from time to time, "HIPAA"), this Agreement shall be deemed to incorporate all terms that HIPAA requires to be included in a business associate contract relating to such information.

The Actuary may transmit information to the OIC or its representatives by e-mail, over the Internet. Until the Commission specifically instructs the Actuary in writing not to transmit information to it in this manner, any breach of confidentiality that occurs thereby shall not constitute a breach of the Actuary's obligations.

Actuary shall have access to private and confidential data maintained by OIC to the extent required for Actuary to carry out the duties and responsibilities defined in this contract. Actuary agrees to maintain confidentiality and security of the data made available and shall indemnify and hold harmless the State and OIC against any and all claims brought by any party attributed to actions of breach of confidentiality by the Actuary, subcontractors or individuals permitted access by Actuary.

Liability:

To the fullest extent permitted by applicable law, the total aggregate liability of the Actuary and its subcontractors to the OIC in connection with the performance of the services under this Agreement, shall be limited to the fees actually paid to the Actuary in respect to such services. The Actuary will not be liable to the OIC for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the services under this Agreement, except in the case of gross negligence by the Actuary or its subcontractors.

Indemnification:

The Actuary agrees to indemnify, defend and hold harmless the State and the OIC, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person or firm performing or supplying services, materials or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Actuary, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use or disposition of any data used under the contract in a manner not authorized by the contract, or by Federal or State statutes or regulations; and (3) Any failure of the Actuary, its officers, employees or subcontractors to observe State and Federal laws, including but not limited to labor and wage laws.

Description of OIC:

- **Name of Contact Person:** The Actuary's principle contact with the OIC will be the Insurance Commissioner, Jane Cline or her designee, who will coordinate the assistance to be provided by the OIC to the Actuary.
- **Fund Structure/Method of Reporting:** The OIC will be reported as a proprietary fund and governmental fund of the State of West Virginia. It is anticipated that the financial statements will be included in the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia.
- **Technical Operations:** The OIC use the State's accounting systems WVFIMS and EPICS and has in-house systems for general ledger entries and accruals.

Time Requirements:

Schedule for the Fiscal Year 2009 Actuarial Consulting and Analytical Services Required for the Annual Audit: A similar schedule will be developed for actuarial analysis necessary for audits of future fiscal years if the OIC exercises the option for renewal. Each of the following shall be completed by the Actuary no later than the dates indicated.

- **Detailed Schedule of Data Needed:** The Actuary shall provide a detailed schedule of all data needed from the OIC, including the date this information is required to meet the reporting deadlines by May 30, 2009 or as soon as possible after the award of the contract.
- **Unsigned final draft including narratives:** The Actuary shall deliver an unsigned final draft with all modifications for the OIC annual actuarial loss reports including narratives to the OIC Assistant Commissioner of Finance by September 10, 2009.
- **Final Signed Reports:** The final signed report shall be delivered to the OIC Assistant Commissioner of Finance by September 30, 2009.
- **Entrance Conference, Progress Reporting, and Exit Conference**
 - *Entrance Conference with OIC staff:* The purpose of this meeting is to discuss the data that is needed, the work to be performed, and any anticipated problems.
 - *Monthly Progress Conference:* The purpose of this meeting is to report the progress of the work and identifying any problems, issues, and significant delays. The Actuary shall hold meetings as necessary with the OIC and key personnel to summarize the results of their work and to review significant issues.
 - *Exit Conference:* The Actuary's annual actuarial loss reports will be reviewed and tested as part of the OIC's annual financial statement audit. Firm personnel will meet with the auditors as needed to answer questions about the preparation, assumptions, and underlying data used in the report's preparation.

Assistance to be provided to the Actuary and Report Preparation:

The accounting staff of the OIC and responsible management personnel will be available to assist the Actuary by providing information, documentation and explanation. Final report preparation, editing, and printing shall be the responsibility of the Actuary.

Independence:

- The Actuary shall provide an affirmative statement that it is independent of the OIC as defined in accordance with actuarial standards of practice and generally accepted actuarial principles.
- The Actuary shall provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity, as defined by those same standards.
- The Actuary shall give the OIC written notice of any professional relationships entered into during the period of this Agreement which may cause a conflict of interest.
- The Actuary shall give the OIC an affirmative statement that the Actuary is properly registered and licensed to do business in West Virginia.

Subcontracts/Joint Ventures:

- The Actuary is solely responsible for all work performed under the contract and shall assume prime contractor responsibility for all services offered and products to be delivered under the terms of this contract.
- The OIC will consider the Actuary to be the sole point of contact with regard to all contractual matters.

Partner, Supervisory and Staff Qualifications and Experience:

- The Actuary shall identify the principal supervisory and management staff including engagement directors, managers, and specialists who would be assigned to the engagement.
- The Actuary shall provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The Actuary shall also indicate how the quality of the staff over the term of the Agreement will be assured.
- Engagement directors, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or assigned to another office. The personnel may also be changed for other reasons with the express prior written permission of the OIC. However, in either case, the OIC retains the right to approve or reject replacements, based upon their qualification, experience or performance.
- Other personnel may be changed at the discretion of the Actuary provided that replacements have substantially the same or better qualifications or experience.

Specific Work Plan:

The Actuary shall set forth a work plan, including an explanation of the methodology to be followed. In developing the work plan, reference should be made to such sources of information as actuarial studies and related materials, manuals and programs, and financial and other management information systems. The following information shall be included about the approach to providing actuarial services:

- Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- Approach to take in understanding and working closely with third party administrator case reserving.
- Approach to and methodology of determining IBNR reserves.
- Approach to and methodology of determining all reserves, if needed

Timetable for Completion of Actuarial Loss Reports

Required Submission or Event	Required Completion/Submission Date
Entrance Conference	Within two (2) weeks of award of contract
Detailed Schedule of Data Needed	Within five (5) weeks of award of contract or by May 30, 2009.
Data delivered by OIC to Consulting Actuary	July 13, 2009
Data clarifications, reruns, or adjustments needed before actuarial loss reports can be completed	July 27, 2009

Unsigned final draft with all modifications for the Insurance Commissioner annual actuarial loss reports submitted to Insurance Commissioner management for review.	September 10, 2009
Final signed annual actuarial loss report for the Insurance Commissioner submitted to the Insurance Commissioner	September 30, 2009

Schedule of Fees and Expenses – Specific All-Inclusive Actuarial Projects

	July 1, 2009 to June 30, 2010	Proposed July 1, 2010 to June 30, 2011
Reserves – Worker’s Compensation Old Fund	\$53,664	\$55,154
Reserves – Coal Worker’s Pneumoconiosis Fund	\$16,196	\$16,682
Reserves – Uninsured Employer’s Fund	\$16,196	\$16,682
Reserves – Self-Insured Funds	\$36,024	\$37,104
Total, all inclusive maximum price, actuarial services, prices to be firm for on year after award.	\$122,080	\$125,622

Cost for Casualty Actuarial Advisory and Analytical Services

Hourly rate Schedule. Additional services and advice for other (not subject to specific fixed fee sub-categories) actuarial matters as they may arise subject to limitations of the OIC’s budget.

Pinnacle Actuarial Resources Designation	July 1, 2009 to June 30, 2010	Proposed July 1, 2010 to June 30, 2011
Lead Consultant	328	338
Project Consultant 1	300	309
Project Consultant 2	300	309
Project Peer Reviewer 1	400	412
Project Peer Reviewer 2	400	412
Actuarial Analyst 1	176	181
Actuarial Analyst 2	176	181
Actuarial Analyst 3	176	181
Actuarial Analyst 4	176	181
Administrative Support	72	74

For non-specific, additional services, the Actuary will base its charges on the hourly rates set forth above, plus out-of-pocket expenses (travel and miscellaneous) incurred.

The fees are based on the current state of operation. Should significant changes occur, a reevaluation of the Actuary’s scope and work plan will take place. In the event these types of situations arise, there

will be a discussion of the issues with management before the Actuary can proceed, so as to obtain management's authorization and to develop the best approach to solve the problem.

All invoices will be submitted to the OIC pursuant to the terms of the contract and paid in accordance with the Prompt Payment Act of 1990, (W. VA. CODE §5A-3-54). Progress payments may be made on a monthly basis based upon the percentage of work completed.

The Actuary's inability to meet required deadlines may result in a 10% reduction in their fee.

Termination:

This contract will be effective on the May 27, 2009, and shall extend for the period of one (1) year, at which time the contract may, upon mutual consent, be renewed. Such renewals are for a period of up to one (1) year, with a maximum of two (2) one year renewals, or until such reasonable time thereafter as is necessary to obtain a new contract. The "reasonable time" period shall not exceed twelve (12) months. During the "reasonable time" period Actuary may terminate the contract for any reason upon giving the OIC ninety (90) days written notice. Notice by Vendor of intent to terminate will not relieve Vendor of the obligation to continue to provide services pursuant to the terms of the contract.

Any change in Federal or State law, or court actions which constitute binding precedent in West Virginia, and which significantly alters the Actuary's required activities or any change in the availability of funds, shall be viewed as binding and shall warrant good faith renegotiation of the compensation paid to the Actuary by the OIC and of such other provisions of the contract that are affected. If such renegotiation proves unsuccessful, the contract may be terminated by the OIC upon written notice to the Actuary at least thirty (30) days prior to termination of this contract.

If the OIC is not allotted funds in any succeeding fiscal year for the continued use of the service covered by this contract by the West Virginia Legislature, the OIC may terminate the contract at the end of the affected current fiscal period without further charge or penalty. The OIC shall give the Actuary written notice of such non-allocation of funds as soon as possible after the OIC receives notice. No penalty shall accrue to the OIC in the event this provision is exercised.

Either party may terminate this contract immediately at any time the other fails to carry out its responsibilities or to make substantial progress under the terms of this contract. Each party shall provide the other with advance notice of performance conditions which are endangering the contract's continuation. If after such notice the party fails to remedy the conditions contained in the notice, within fifteen (15) days following receipt of written notice thereof. The OIC shall issue the Actuary an order to cease and desist any and all work immediately. The OIC shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

The contract may also be terminated upon mutual agreement of the parties with thirty (30) days prior written notice.

The contract may also be terminated by the State with thirty (30) days prior notice.

Notice:

Any notices required to be given under this Agreement shall be sent by certified or registered mail, postage prepaid, to Actuary at:

Pinnacle Actuarial Resources, Inc.
5650 Paul Blazer Parkway, Suite #100
Dublin, OH 43017

And to the OIC at:

Insurance Commissioner
West Virginia Office of the Insurance Commissioner
P.O. Box 50540
1124 Smith Street
Charleston, WV 25305-0540

Waiver:

The failure of any party to this Agreement to object to, or take affirmative action with respect to, any conduct of the other which is in violation of the terms of this Agreement shall not be construed as a waiver thereof or of any future breach or subsequent wrongful conduct.

Conflict of Interest:

Actuary affirms that it, its officers or members or employees presently have no interest and shall not acquire any interest, direct or indirect, which would conflict or compromise in any manner or degree with the performance of its services hereunder. The Actuary further covenants that in the performance of the contract, the Actuary shall periodically inquire of its officers, members and employees concerning such interests. Any such interests discovered shall be promptly presented in detail to the OIC.

Prohibition Against Gratuities:

Actuary warrants that it has not employed any company or person other than a bona fide employee working solely for the Actuary or a company regularly employed as its marketing agent to solicit or secure the contract and that it has not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gifts or any other consideration contingent upon or resulting from the award of the contract.

For breach or violation of this warranty, the State shall have the right to annul this contract without liability at its discretion or to pursue any other remedies available under this contract or by law.

Certifications Related to Lobbying:

Actuary certifies that no federal appropriated funds have been paid or will be paid, by or on behalf of the company or an employee thereof, to any person for purposes of influencing or attempting to influence an officer or employee of any Federal entity, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with this Federal contract, grant, loan or cooperative agreement, the Actuary shall complete and submit a disclosure form to report the lobbying.

Actuary agrees that this language of certification shall be included in the award documents for all sub-awards at all tiers, including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements, and that all sub-recipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this contract was made and entered into.

Contract Provisions:

The RFP and the Actuary's response for this contract are included as part of this contract by reference. The order of precedence is the contract, the RFP and the Actuary's proposal in response to the RFP.

Governing Law:

This Contract is made and delivered in the State of West Virginia and shall be governed by and construed and interpreted in accordance with the laws of the State of West Virginia, including its statutes of limitations but without regard to its conflicts of law rules, and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and may not be changed orally but only in writing signed by the parties hereto. Any action instituted against Actuary as a result of, or in connection with this Agreement shall be brought in the West Virginia Court of Claims pursuant to West Virginia Code §14-2-3. The Actuary further agrees to comply with the Civil Rights Act of 1964 and all other applicable laws and regulations, Federal, State and Local Government.

Entire Agreement:

This Contract constitutes the entire understanding between the parties concerning its subject matter. All prior negotiations and Contracts of the parties with respect to any of the duties and obligations set forth in this Contract are merged into this Contract.

Invalidity:

The terms of this Contract shall be severable so that if any term, clause, or provision hereof shall be deemed invalid or unenforceable for any reason by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the remaining terms, clauses and provisions hereof, the parties intending that if any such term, clause or provision were held to be invalid prior to the execution hereof, they would have executed an agreement containing the remaining terms, clauses and provisions of this Contract.

Background, Enumerations and Headings:

The "Background," enumerations and headings contained in this Contract are for convenience of reference only and are not intended to have any substantive significance in interpreting this Contract.

Mutually Drafted:

It is agreed the parties mutually drafted and negotiated the terms of this Contract. When interpreting the terms of this contract, neither party is entitled to deference in the interpretation of the terms of this Contract.

Compliance with Laws and Regulations:

The vendor shall procure all necessary permits and licenses to comply with all applicable laws, Federal, State or municipal, along with all regulations, and ordinances of any regulating body.

The Actuary shall pay any applicable sales, use or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract, the transaction, or the equipment, or services delivered pursuant here to shall be borne by the Actuary. It is clearly understood that the State of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract.

Miscellaneous:

This Agreement may not be modified except in a writing signed by both parties. If any portion of this Agreement is held to be void, invalid or otherwise unenforceable, in whole or part, the other provisions shall remain in full force and effect.

ACCEPTED BY:

STATE OF WEST VIRGINIA

Spending Unit: WV01C

Signed: Thibbe Marcum

Title: Procurement Officer

Date: 6/2/09

VENDOR Pinnacle Actuarial
Resources, Inc.

Company Name: _____

Signed: Joseph C. L...

Title: Managing Principal

Date: May 29, 2009

Samuel Wayfield
(Approved as to form Assistant Attorney General)

AGREEMENT ADDENDUM

In the event of conflict between this addendum and the agreement, this addendum shall control:

1. **DISPUTES** - Any references in the agreement to arbitration or to the jurisdiction of any court are hereby deleted. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
2. **HOLD HARMLESS** - Any clause requiring the Agency to indemnify or hold harmless any party is hereby deleted in its entirety.
3. **GOVERNING LAW** - The agreement shall be governed by the laws of the State of West Virginia. This provision replaces any references to any other State's governing law.
4. **TAXES** - Provisions in the agreement requiring the Agency to pay taxes are deleted. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of Vendor or any other party.
5. **PAYMENT** - Any references to prepayment are deleted. Payment will be in arrears.
6. **INTEREST** - Should the agreement include a provision for interest on late payments, the Agency agrees to pay the maximum legal rate under West Virginia law. All other references to interest or late charges are deleted.
7. **RECOURSEMENT** - Any language in the agreement waiving the Agency's right to set-off, counterclaim, recoupment, or other defense is hereby deleted.
8. **FISCAL YEAR FUNDING** - Service performed under the agreement may be continued in succeeding fiscal years for the term of the agreement, contingent upon funds being appropriated by the Legislature or otherwise being available for this service. In the event funds are not appropriated or otherwise available for this service, the agreement shall terminate without penalty on June 30. After that date, the agreement becomes of no effect and is null and void. However, the Agency agrees to use its best efforts to have the amounts contemplated under the agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default.
9. **STATUTE OF LIMITATION** - Any clauses limiting the time in which the Agency may bring suit against the Vendor, lessor, individual, or any other party are deleted.
10. **SIMILAR SERVICES** - Any provisions limiting the Agency's right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are hereby deleted.
11. **ATTORNEY FEES** - The Agency recognizes an obligation to pay attorney's fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
12. **ASSIGNMENT** - Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
13. **LIMITATION OF LIABILITY** - The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor's liability for direct damages to a certain dollar amount or to the amount of the agreement is hereby deleted. Limitations on special, incidental or consequential damages are acceptable. In addition, any limitation is null and void to the extent that it precludes any action for injury to persons or for damages to personal property.
14. **RIGHT TO TERMINATE** - Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor. Agency agrees to pay Vendor for services rendered or goods received prior to the effective date of termination.
15. **TERMINATION CHARGES** - Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is hereby deleted. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
16. **RENEWAL** - Any reference to automatic renewal is hereby deleted. The agreement may be renewed only upon mutual written agreement of the parties.
17. **INSURANCE** - Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is hereby deleted.
18. **RIGHT TO NOTICE** - Any provision for repossession of equipment without notice is hereby deleted. However, the Agency does recognize a right of repossession with notice.
19. **ACCELERATION** - Any reference to acceleration of payments in the event of default or non-funding is hereby deleted.
20. **CONFIDENTIALITY** - Any provision regarding confidentiality of the terms and conditions of the agreement is hereby deleted. State contracts are public records under the West Virginia Freedom of Information Act.
21. **AMENDMENTS** - All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties. No amendment, modification, alteration or change may be made to this addendum without the express written approval of the Purchasing Division and the Attorney General.

ACCEPTED BY:
STATE OF WEST VIRGINIA

Spending Unit: WVVOIC
 Signed: Thickie Marcum
 Title: Procurement Officer
 Date: 6/2/09

VENDOR Pinnacle Actuarial
 Resources, Inc.
 Company Name: _____
 Signed: Joseph C. Fuchs
 Title: Managing Principal
 Date: May 29, 2009

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

VENDOR OWING A DEBT TO THE STATE:

West Virginia Code §5A-3-10a provides that: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

PUBLIC IMPROVEMENT CONTRACTS & DRUG-FREE WORKPLACE ACT:

If this is a solicitation for a public improvement construction contract, the vendor, by its signature below, affirms that it has a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the *West Virginia Code*. The vendor **must** make said affirmation with its bid submission. Further, public improvement construction contract may not be awarded to a vendor who does not have a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the *West Virginia Code* and who has not submitted that plan to the appropriate contracting authority in timely fashion. For a vendor who is a subcontractor, compliance with Section 5, Article 1D, Chapter 21 of the *West Virginia Code* may take place before their work on the public improvement is begun.

ANTITRUST:

In submitting a bid to any agency for the state of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the state of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the state of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the state of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership or person or entity submitting a bid for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

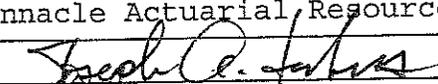
LICENSING:

Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

CONFIDENTIALITY:

The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.

Under penalty of law for false swearing (*West Virginia Code* §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

Vendor's Name: Pinnacle Actuarial Resources, Inc.
 Authorized Signature:  Date: 5/29/09
 Purchasing Affidavit (Revised 04/07/09) Joseph A. Herbers, Managing Principal

ORIGINAL

**Proposal to Provide
Casualty Actuarial Consulting
and
Analytical Services
to the
State of West Virginia
Offices of the Insurance Commissioner**

INS #09121

March 31, 2009

Contact:



**Christopher S. Carlson, FCAS, MAAA
Pinnacle Actuarial Resources, Inc.
5650 Paul Blazer Parkway, Suite #100
Dublin, Ohio 43017
614-734-8366
www.pinnacleactuaries.com**

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Appendices

Section I. General Requirements

Pinnacle Actuarial Resources, Inc. (Pinnacle) is pleased to submit this proposal to provide the Offices of the Insurance Commissioner of the State of West Virginia (Commissioner) with Actuarial Reviews of the Worker's Compensation Old Fund (WC), Coal Worker's Pneumoconiosis Fund (Coal), the Uninsured Employers' Fund (UEF) and the two Self-Insured Funds. Collectively these separate funds will be referred to as the Fund throughout this proposal.

Pinnacle Actuarial Resources is one of the 10 largest property/casualty actuarial consulting firms in the U.S., specializing in loss reserving, insurance pricing, alternative markets and financial risk modeling. Our clients, which are insurance companies, state regulators, state run insurers and funds, insurance trade organizations, captive insurers, self-insured businesses, and a variety of risk retention groups, include many of the top U.S. insurance carriers as well as many small to medium size insurers.

As can be seen throughout this response, Pinnacle has the qualifications, experience, and resources necessary to provide the appropriate analysis and reports within the Commission's desired time frame.

As required, we have attached a completed Proposer's Guarantee form (Appendix C of the RFP), Proposer's Warranty form (Appendix D of the RFP) and Purchasing Affidavit.

Pinnacle will comply with the general requirements as outlined within the RFP including but not limited to the following:

1. Reporting of irregularities and illegal acts
2. Working paper retention for at least 5 years and access to working papers
3. Insurance requirements for workers compensation, comprehensive general liability and professional liability.
4. Invoice submittal
5. Information confidentiality
6. Independent contractor status with the Office of Insurance Commissioner of West Virginia
7. Subcontractor/Joint Venture provisions

Pinnacle affirms that no conflict of interest exists and that should any conflicts be discovered that they will be promptly and fully disclosed to the Agency.

Pinnacle warrants that it has not employed or engaged the services of an outside agent to solicit or secure this contract. Further, Pinnacle certifies that no federal appropriate funds have been involved in the development of this proposal or in the submission thereof.

With respect to the engagement contract, Pinnacle agrees to be subject to the provisions as outlined including the following listed in the RFP:

1. Contract Provisions
2. Indemnification
3. Governing Laws and Compliance
4. Terms and Renewals
5. Non-appropriation of Funds
6. Contract Termination
7. Changes in Scope
8. Invoices, progress payments and retainage
9. Liquidated damages
10. Record retention (access and confidentiality)

Section II. Pinnacle's Qualifications and Experience

Pinnacle Actuarial Resources, Inc. (Pinnacle) is an independent Illinois corporation which is privately owned by its professional actuarial staff. Pinnacle took its current corporate form on January 1, 2003, but our core operations and many of our customer relationships have been maintained continuously under various names since 1984.

Pinnacle has offices in, Bloomington, IL, Columbus, OH, Detroit, Chicago, Indianapolis, New York and San Francisco. Pinnacle has 15 credentialed actuaries and another 30 support staff, assuring that we can handle projects of any size in a timely manner. A team of five consultants has been assembled should Pinnacle be selected for this engagement. Other staff members, including actuarial analysts (2), technical analysts (2) and administrative support (1) will assist the consultants in the analysis projects.

Our work will be conducted from our Columbus, Chicago, Bloomington (IL), Indianapolis, and San Francisco offices. Project management will be from our Columbus office. Contact information for our Columbus office is provided in the next section.

Every member of our engagement team will be available on a full time basis, as needed, to ensure the project is completed within the specified time requirements.

There is no litigation pending or litigation taken in the past three years against Pinnacle by any government regulatory bodies or professional organizations.

Pinnacle has years of experience in providing this type of analysis for our many and varied clients. We have been involved in reserving and funding studies since 1984.

We are completely independent of all auditors, brokers, or insurance/reinsurance carriers. Our independence helps assure that you are receiving unbiased advice and analysis. As an independent firm, we are not tied to any programs or methods in performing our analysis. Therefore we customize each analysis, designing it to fit the client's need rather than a pre-packaged program. Our consultants provide dedicated, personal service assuring that the client is satisfied with our product, including our timely completion of projects.

As a larger firm (we are among the top ten consulting property and casualty actuarial firms in terms of number of credentialed actuaries on staff), we also have the resources that allow us to perform independent research within the industry. Such research has allowed us to develop benchmarks useful in workers compensation reserve related analysis.

Our work with Ohio, Florida, and Kentucky has provided us with additional insight to the governmental run programs providing workers compensation or similar benefits. The leadership and primary consultants assigned to this engagement will provide the analysis, reports and presentations for each of the five Funds. The State will deal with the same individuals for all studies. Pinnacle's reputation as an industry leader in property & casualty actuarial consulting is based on several key principles: customized service, independence, expertise, and communication.

Customized service means that Pinnacle takes the time to understand the unique characteristics of each customer and not just apply a "one size fits all" boilerplate to every customer. While we have standardized spreadsheets to enable us to perform our analyses as efficiently as possible, we also take the time to make sure we understand your needs and customize our reports and presentations to best help you achieve your specific goals. We believe this approach results in more useful work products and greater customer satisfaction than a cookie cutter approach.

Pinnacle's client base of over 500 clients includes self-insured entities, captive insurers, municipalities, public authorities, universities, school districts, state insurance departments and other regulatory bodies, state operated insurers and funds, insurance companies, law firms, banks, transportation firms, retailers, manufacturers, and contractors.

Our communication skills are showcased in presentations at a wide variety of insurance industry meetings, our track record of outstanding session ratings and offers to repeat sessions in future years. We have spoken for audiences including such groups as the National Association of Insurance Commissioners (NAIC), Republican Governors Association, the American Association of Insurance Services (AAIS), National Association of Mutual Insurance Companies (NAMIC), the Insurance Regulatory Examiners Society (IRES), the Casualty Actuarial Society, American Academy of Actuaries as well as actuarial organizations in South Africa, Australia, Sweden and Finland. We also frequently make presentations to individual insurers.

As documented throughout this proposal for services, Pinnacle's staff has the experience and expertise to efficiently and effectively perform the required services as your actuarial experts.

All of Pinnacle's consultants are in full compliance with the appropriate continuing education requirements of the American Academy of Actuaries (Academy) and the Casualty Actuarial Society (CAS) that apply to property and casualty actuarial work generally and the work described in this RFP specifically.

Pinnacle's consultants have been involved within the organizations of the actuarial profession in the United States through both committee assignments and leadership positions of both the Academy and the CAS. All of Pinnacle's consultants are on at least one CAS committee. In the past three years, Pinnacle consultants served as President of the Academy, President of the CAS with an additional consultant on the Board of Directors of each organization. The current chair of the CAS Board is a Pinnacle consultant.

Section III. Personnel Qualifications and Experience

Chris Carlson, FCAS, MAAA, Consulting Actuary

Chris Carlson will be the Account Executive and contact. He will manage all aspects of this engagement. He is a consulting actuary in Pinnacle's Dublin, Ohio office. His contact information is listed below.

Christopher S. Carlson, FCAS, MAAA
Pinnacle Actuarial Resources, Inc.
5650 Paul Blazer Parkway, Suite 100
Dublin, Ohio 43017
(614) 734-8366
ccarlson@pinnacleactuaries.com

Mr. Carlson is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. He has a wealth of pricing, reserving, and reinsurance expertise developed in his nearly 30 years as an actuary with the Nationwide Insurance group. Mr. Carlson joined Pinnacle in 2005 and since then has been involved in numerous reserve and funding studies, including being the lead consultant on an engagement reviewing the reserves and group rating plan for the Ohio Bureau of Workers Compensation, Ohio Underground Storage Tank Fund, and co-authoring the Kentucky Transportation Cabinet workers compensation reserving study. Mr. Carlson is the immediate Past-President of the Casualty Actuarial Society and chair of the CAS Board of Directors. He has just completed a two year term on the Board of the American Academy of Actuaries.

The following are the primary personnel assigned to this engagement and the roles they would play. We will not change personnel without the prior written consent of the Commissioner.

John Wade, ACAS, MAAA, Senior Consulting Actuary

Mr. Wade will be an assisting consultant to Mr. Carlson for one of the Fund analyses in this engagement. With 30 years of pricing experience and over 20 years of reserving experience, Mr. Wade is ideally suited to serve in this capacity. He has self insured funding exposure dating back to his joining Pinnacle in 1997, and has been involved as a

lead or co-lead with Mr. Carlson on the Florida Special Disability Trust Fund, Kentucky Workers' Compensation Funding Commission's Special Funds (including their second injury fund, uninsured employers fund, and coal workers pneumoconiosis fund), and Kentucky Transportation Cabinet workers compensation. He is currently reviewing the Wisconsin Compensation Rating Bureau rate filing for that state's Office of the Insurance Commissioner. Mr. Wade is located in suburban Indianapolis, Indiana.

Laura Maxwell, FCAS, MAAA, Consulting Actuary

Ms. Maxwell will also be an assisting consultant to Mr. Carlson for one of the Fund analyses in this engagement. With over 20 years of industry experience, Ms. Maxwell is also ideally suited to serve in this capacity. She has worked for the National Council on Compensation Insurance (NCCI) and assisted Mr. Carlson on the Group Rating analysis of the Ohio Bureau of Workers Compensation. Ms. Maxwell is located in our San Francisco office.

Shawna Ackerman, FCAS, MAAA, Principal and Consulting Actuary

Ms. Ackerman will provide Peer Review of one or more of the analyses and reports. She is a principal and consulting actuary with Pinnacle in our San Francisco office and has tremendous experience with self-insurance programs, particularly public entity programs. Prior to joining Pinnacle Actuarial Resources in 1998, Ms. Ackerman was employed by the California Department of Insurance. Ms. Ackerman continues to advise Insurance Departments regarding rate reviews, reserving and regulatory matters. Ms. Ackerman has been the lead consultant on a wide variety of ratemaking assignments for insurance companies, government insurance programs and state regulators.

Rob Walling, FCAS, MAAA, Principal and Consulting Actuary

Mr. Walling will provide Peer Review of one or more of the analyses and reports. He is a principal and consulting actuary with Pinnacle in our Bloomington, IL office and has tremendous experience with all types of commercial insurance exposures including workers compensation. Prior to joining Pinnacle, Mr. Walling was employed for five years by Anthem Casualty Insurance Group where he was responsible for the pricing and product monitoring functions of the Commercial Lines and Managed Care Workers Compensation Divisions. Mr. Walling has been the lead consultant on a wide variety of assignments for insurance companies, government insurance programs and state regulators and serves as the appointed actuaries for a number of insurance companies and captives.

Pinnacle is committed to maintaining our professional standards, including the enhancement of the quality of our staff in general. To that end, we have a Professional Standards Officer (PSO). We conduct periodic staff training sessions, and all of our consultants adhere to the continuing education requirements of the AAA.

Biographies and CVs of our professional consulting staff assigned to this engagement immediately follow.

BIOGRAPHY

CHRISTOPHER S. CARLSON

Mr. Carlson is a Consultant with Pinnacle Actuarial Resources, Inc., in the Dublin, Ohio office. He holds a Bachelor of Science degree in Mathematics from the University of Oregon in Eugene and also attended Valparaiso University. He has worked in the insurance industry since 1979.

Mr. Carlson is a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. He is a Past President of the Casualty Actuarial Society and currently serves as the Chair of the CAS Board of Directors. Previously, he has served the CAS in various other capacities including as a member of the Board of Directors, Vice President of Professional Education, member of the Executive Council, Chairman of the Ratemaking Research Committee, Chairman of the Ratemaking Seminar Committee and faculty member of the Ratemaking Seminar, Casualty Loss Reserve Seminar and Predictive Modeling Seminar. Mr. Carlson is a frequent speaker at industry meetings on topics related to personal lines pricing and actuarial standards of practice.

Mr. Carlson was a member of the Casualty Committee of the Actuarial Standards Board from 1997 through 2006 and served as the Committee Chair in 2005 and 2006. He served on the Board of Directors of the American Academy of Actuaries in 2007 and 2008. He has been a member of the Academy's Casualty Practice Council since 2005.

Prior to joining Pinnacle in 2005, Mr. Carlson was employed for over twenty-five years with the Nationwide Insurance Companies. His ratemaking assignments included personal lines automobile and homeowners, rate filings and regulatory compliance, His reserving assignments included both personal and commercial lines as well as assumed reinsurance. He provided actuarial assistance to a subsidiary third party claims administrator. His involvement with assumed reinsurance included analysis of the run-off of asbestos and environmental liability both in the U.S. and London Markets and analysis of various potential commutation opportunities. He was involved in due diligence teams in the review of potential acquisition candidates.

Mr. Carlson's consulting experience and practice includes personal and commercial lines ratemaking, rate filing and regulatory compliance including expert witness testimony, legislative review and costing and personal and commercial lines reserving. He has considerable experience with Florida issues including rate filing requirements and catastrophe models.

CURRICULUM VITAE

NAME	Christopher S. Carlson	
BUSINESS ADDRESS	5650 Paul Blazer Parkway, Suite 179 Dublin, Ohio 43017 Phone: (614) 734-8366 Fax: (614) 734-8536 e-mail: ccarlson@pinnacleactuaries.com	
EDUCATION	UNIVERSITY OF OREGON Bachelor of Science in Mathematics – 1978 VALPARAISO UNIVERSITY (1973-1975)	
CONTINUING EDUCATION	Estimated study time exceeding 4,000 hours necessary to complete of qualifying exams for membership in Casualty Actuarial Society Participated as an attendee and on the faculty of the CAS Ratemaking Seminar, CAS annual meetings, Casualty Loss Reserve Seminar, the Casualty Loss Reserve Seminar and other educational seminars on various topics.	
MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS	Casualty Actuarial Society (CAS)	
	Associate Member	1986
	Fellow	1990
	American Academy of Actuaries (AAA)	1986
	Midwestern Actuarial Forum	1986-
	present	
EMPLOYMENT HISTORY	Nationwide Insurance Companies	1979-2005
	Pinnacle Actuarial Resources, Inc.	2005 -
	Present	
PROFESSIONAL ACTIVITIES	Faculty Member, CAS Ratemaking Seminar	1988-2000, 2006
	CAS Ratemaking Research Committee	1990-1996
	Vice Chairperson for Ratemaking Research Committee	1993 -1994
	Chairperson for Ratemaking Research Committee	1994- 1997
	CAS Ratemaking Seminar Committee	1995 - 2000
	Vice Chairperson for CAS Ratemaking Seminar	1999
	Chairperson for CAS Ratemaking Seminar	2000
	CAS Research Policy & Management Committee	1997 - 1999
	Chairperson for the CAS DFA Seminar	2000-2001
	CAS/SOA Enterprise Risk Management Symposium	2003 - 2005
	CAS Vice President of Programs & Communications	2001-2002
	CAS Vice President of Professional Education	2002 - 2004
	CAS Board of Directors	2004 –
	Present	

ASB Casualty Committee	1996 - 2006
Chairperson for ASB Casualty Committee	2005 – 2006
Casualty Practice Council of American Academy	2005 –
Present	
President-Elect, Casualty Actuarial Society	2007
AAA Board of Directors	2007- 2008
President, Casualty Actuarial Society	2008
Board Chair – Casualty Actuarial Society	2009

**PROFESSIONAL
PUBLICATIONS**

“No Such Thing as a Free Lunch”
Actuarial Review, Winter, 2003

“Focusing on the Present and Positive”
Actuarial Review, August, 2007

**PROFESSIONAL
conducted
PRESENTATIONS**

Numerous presentations at educational seminars and meetings
by the Casualty Actuarial Society, the American Academy of
Actuaries and various regional affiliates as well as in South Africa
and Australia.

EXPERT TESTIMONY

Civil Rights Commission in Ohio, 2004

Rate-making Deposition in Florida, 2005

Rate Filing Support in Florida, 2007

BIOGRAPHY

JOHN E. WADE

Mr. Wade is a Senior Consultant with Pinnacle Actuarial Resources, Inc., in the Indianapolis, IN office. He holds a Bachelor of Science degree and a Master of Arts degree in actuarial science from Ball State University. He has over thirty years of actuarial experience. He earned his designation as an Associate of the Casualty Actuarial Society in 2002 and became a member of the American Academy of Actuaries that same year. Mr. Wade serves on the Membership Advisory Panel Committee of the Casualty Actuarial Society. He also serves on the Emerging Issues Task Force (P&C) of the American Academy of Actuaries.

Prior to joining Pinnacle Actuarial Resources, Inc., Mr. Wade spent four years as an independent casualty actuarial consultant working in the areas of pricing, product development, and claims procedure analysis. He has also been employed by State Farm Insurance and Indiana Farm Bureau Insurance. His responsibilities have included developing and using ratemaking formulas and procedures for several property/casualty lines of insurance; developing forms, rating rules, and underwriting guidelines for personal lines of insurance; filing rates, rules and forms with state regulators; analyzing loss and loss adjustment expense reserves; managing and developing actuarial and loss control staff; developing actuarial data bases and attendant reports; and designing and costing agent compensation plans.

At Pinnacle Actuarial Resources, Inc., Mr. Wade's client engagements include rate reviews, reserve analyses, and funding studies. He also supports similar projects for other consultants. Mr. Wade has also served as a project manager within our Bloomington, IL office and is responsible for the work of several actuarial analysts and support staff.

Mr. Wade serves as the appointed actuary to two insurance companies and has been involved in the development and peer review of several other Statements of Actuarial Opinion regarding Unpaid Claim Estimates for several other appointed actuaries within Pinnacle. He has provided financial exam support to several state Insurance Departments. Mr. Wade has also provided several reserve and funding studies to various public agencies.

Mr. Wade serves as the consulting actuary to the Indiana Department of Insurance, providing actuarial reviews of property and casualty rate filings.

CURRICULUM VITAE

NAME	John E. Wade
BUSINESS ADDRESS	374 Meridian Parke Lane, Suite C Greenwood, IN 46142 Phone: 317-889-5760 Fax: 309-807-2301 e-mail: jwade@pinnacleactuaries.com
EDUCATION	BALL STATE UNIVERSITY Bachelor of Science – 1977 Major: Actuarial Science Minor: Economics Master of Arts - 1979 Major: Actuarial Science
CONTINUING EDUCATION	Attendance at CAS semi-annual meetings and various ratemaking and loss reserving seminars Estimated study time exceeding 4,000 hours necessary for completion of qualifying exams for membership in the Casualty Actuarial Society (CAS)
MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS	<i>Casualty Actuarial Society (CAS)</i> <i>Associate Member</i> 2002 <i>American Academy of Actuaries (AAA)</i> 2002
EMPLOYMENT HISTORY	State Farm Mutual Automobile Insurance Actuarial Analyst 1978-1984 Indiana Farm Bureau Insurance Actuarial Department Manager 1984-1993 Actuarial Business Consultants, Inc. Independent Consulting Firm, President 1993-1997 Miller, Herbers, Lehmann, & Associates, Inc. Consultant 1997-2002 Pinnacle Actuarial Resources, Inc. Senior Consultant 2003-Present
PROFESSIONAL ACTIVITIES	CAS Membership Advisory Panel Committee 2003-Present CAS Committee on Professionalism Education 2008-Present AAA Emerging Issues Task Force (P&C) 2008-Present

**PROFESSIONAL
PRESENTATIONS**

Role of the Consulting Actuary – Presented to the Society of Insurance Research, 2004
Loss Reserve Training Seminar – Presented to the Indiana Department of Insurance, Financial Services Division, 2005
Making an Actuarially Sound Rate Filing – Presented as part of the Pinnacle Actuarial Resources, Inc. Apex Webinar series, 2008
ASOP Fables, Real World Usage of the Actuarial Standards of Practice – Presented at the Casualty Actuarial Society Spring, 2008 meeting

**SIGNIFICANT
ASSIGNMENTS**

Served as the Consulting Actuary to the Indiana Department of Insurance, Reviewing Property and Casualty Rate Filings, 2005 -2009

BIOGRAPHY

SHAWNA S. ACKERMAN

Shawna Ackerman is a Principal and Consultant with Pinnacle Actuarial Resources, Inc., in San Francisco, California. She holds a Bachelor of Arts degree in mathematics from Oregon State University. She has worked in the insurance industry since 1989.

Ms. Ackerman is a Fellow of the Casualty Actuarial Society (CAS) and a member of the American Academy of Actuaries. She currently serves the CAS as a member of the Variance Editorial Board. She is the co-chair for the American Academy of Actuaries Extreme Events Committee.

Prior to joining Pinnacle Actuarial Resources, Ms. Ackerman was a Senior Casualty Actuary with the California Department of Insurance. At the Department, she was responsible for evaluating ratemaking formulas and procedures for most property and casualty lines of insurance; providing expert witness testimony and other litigation support related to Proposition 103 matters; and analyzing loss and loss adjustment expense reserves for workers' compensation carriers.

Ms. Ackerman's consulting experience and practice includes, personal and commercial lines ratemaking, rate filing and regulatory compliance, including expert witness testimony in numerous jurisdictions, legislative review and costing and personal and commercial lines reserving. She has considerable experience with California issues including rate filing requirements, sequential analysis, workers compensation and catastrophe models.

CURRICULUM VITAE

NAME Shawna Ackerman

BUSINESS ADDRESS 50 California Street, Suite 1500
San Francisco, California 94111
Phone: (415) 439-5226
Fax: (415) 439-5228
e-mail: shawnaa@pinnacleactuaries.com

EDUCATION OREGON STATE UNIVERSITY
Bachelor of Arts, Highest Honors – 1985
Major – Mathematics

CONTINUING EDUCATION Estimated study time exceeding 3,000 hours necessary for completion of qualifying exams for membership in Casualty Actuarial Society (CAS)

Meet all continuing education requirements of the American Academy of Actuaries necessary to sign a public actuarial opinion

MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS

Casualty Actuarial Society (CAS)	
Associate Member	1994
Fellow	1996
American Academy of Actuaries	1998
Casualty Actuaries of the Bay Area	1994

EMPLOYMENT HISTORY

Drake Office Overload	1986-1987
Jon Douglas Company	1987-1989
California Department of Insurance	1989-1998
Miller, Herbers, Lehmann, & Associates, Inc.	1998-2002
Pinnacle Actuarial Resources, Inc.	2003-present

PROFESSIONAL ACTIVITIES

CAS Examination Committee	1996-2000
CAS Committee on Review of Papers	1998-2006
CAS Ratemaking Committee	1998-2003
AAA Committee on Financial Soundness/Risk Management	2004-2008
CAS Dynamic Risk Modeling Committee	2004-2007
AAA Committee on Extreme Events	2006-
CAS Editorial Board	2007-

Shawna Ackerman
Page Two

**PROFESSIONAL
PRESENTATIONS**

Auto Rating Yardsticks, Insurance Regulatory Examiners Society

Earthquake Loss Mitigation and Insurance, Western States
Seismic Policy Council, Panel Discussion

Workers Compensation Filing under Open Competition,
Society of State Filers

Numerous presentations at CAS events regarding pricing and
regulatory issues

**EXPERT
TESTIMONY**

Administrative Hearings in California, Connecticut, Florida,
Kentucky, Texas

Legislative Hearings in California and Oregon
Courts in California, Colorado

BIOGRAPHY

Laura A. Maxwell, FCAS, MAAA

Ms. Maxwell is a Consultant with Pinnacle Actuarial Resources, Inc. in the San Francisco, California office. She holds a Bachelor of Science degree in mathematics from Moravian College. She has twenty years of actuarial experience in the property/casualty insurance industry.

Ms. Maxwell is a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. She currently serves the CAS as a member of the Exam Committee.

Prior to joining Pinnacle Actuarial Resources, Ms. Maxwell was a consulting actuary for Milliman, Inc. Prior to Milliman she was a product manager for Kemper Direct and held actuarial positions with the New Jersey Department of Banking and Insurance and the National Council on Compensation Insurance. Her background includes personal and commercial lines pricing and reserving.

At Pinnacle, Ms. Maxwell's pricing experience includes predictive modeling and competitive analysis for both personal and commercial lines. Her loss reserving experience includes loss reserve analyses for insurance companies and development of funding and reserving recommendations for self-insured entities.

CURRICULUM VITAE

NAME Laura A. Maxwell

BUSINESS ADDRESS 50 California Street
Suite 1500
San Francisco, California 94111
Phone: (415) 692-0938
Fax: (309) 807-2301
e-mail: lm Maxwell@pinnacleactuaries.com

EDUCATION MORAVIAN COLLEGE
Bachelor of Science in Mathematics – 1985

CONTINUING EDUCATION Estimated study time exceeding 3,000 hours necessary for completion of qualifying exams for membership in Casualty Actuarial Society (CAS)

MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS

Casualty Actuarial Society (CAS)	
Associate Member	2002
Fellow	2004
American Academy of Actuaries (AAA)	2002

EMPLOYMENT HISTORY

National Council on Compensation Insurance	1987-1991
NJ Dept. of Banking & Insurance	1991-1998
Kemper Direct	1998-2003
Milliman, Inc	2003-2005
Pinnacle Actuarial Resources, Inc.	2006-Present

PROFESSIONAL ACTIVITIES

CAS Exam Committee	2005-Present
CAS Student Liaison Committee	1996-1998

PROFESSIONAL PRESENTATIONS “Workshop: How to Use Predictive Modeling in Claim Organizations”, National Underwriter Annual Claim Event, Las Vegas, NV, June 25, 2007

BIOGRAPHY

ROBERT J. WALLING III

Mr. Walling is a Principal and Consultant with Pinnacle Actuarial Resources, Inc., in the Bloomington, Illinois, office. He holds a Bachelor of Science degree in secondary mathematics education from Miami University. He has worked in the insurance industry since 1989.

Mr. Walling is a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. He has served the CAS as Chairman of the Ratemaking Seminar Committee, Chairman of the Risk and Capital Management Seminar Committee, Chairman of the New Fellows Committee, and faculty member of the Limited Attendance Seminar on Dynamic Financial Analysis (DFA). Mr. Walling is a frequent speaker at industry meetings on topics related to commercial lines ratemaking, generalized linear modeling (GLM), medical professional liability reforms, DFA, and captive insurance and other forms of self insurance.

Prior to joining Pinnacle, Mr. Walling was employed for five years by Anthem Casualty Insurance Group where he was responsible for the pricing and product monitoring functions of the Commercial Lines and Managed Care Workers Compensation Divisions. He also has work experience at Providence Washington Insurance Company and Great American Insurance Group. His experience includes personal and commercial lines ratemaking and product development, funding and reserving studies for self-insureds, personal and commercial lines reserving, rate filings and regulatory compliance, dynamic financial analysis of insurance companies, and legislative review and costing.

His published articles include:

- "Using the Public Access DFA Model: A Case Study," *CAS Forum*, Summer, 1998
- "A Dynamic Approach to Modeling Free Tail Coverage," *CAS Forum*, Fall, 1999
- "Customizing the Public Access Model Using Publicly Available Data," *CAS Forum*, Summer, 1999
- "Are You Ready to Unlock the Power Hidden in Your BOP Application," *Pinnacle Actuarial Resources Monograph Program*, July 2003
- "The Case of the Medical Malpractice Crisis: A Classic Who Dunit," *CAS Forum*, Summer, 2004
- "Medical Malpractice Insurance: A Call for Efficiency" *Pinnacle Actuarial Resources Monograph Program*, May 2006
- "Having to Say You're Sorry: A More Efficient Medical Malpractice Insurance Model" *Contingencies*, November/December 2006
- "I Like You as a Neighbor, But We're Not Sharing Checkbooks" (Opportunities and challenges for public entity groups)" *Public Risk Magazine*, June/July 2006
- "What Makes an Effective Captive Application: Actuarial Do's and Don'ts" *Captive Chronicle*, June/July 2006

CURRICULUM VITAE

NAME	Robert J. Walling, III	
BUSINESS ADDRESS	2817 Reed Road, Suite 2 Bloomington, Illinois 61704 Phone: (309) 807-2320 Fax: (309) 807-2301 e-mail: rwalling@pinnacleactuaries.com	
EDUCATION	MIAMI UNIVERSITY Bachelor of Science in Education – 1987 Certification in Secondary Mathematics Education	
CONTINUING EDUCATION	Estimated study time exceeding 4,000 hours necessary for completion of qualifying exams for membership in Casualty Actuarial Society (CAS) Participation as an attendee and on the faculty of the CAS seminars on Ratemaking, Predictive Modeling and Dynamic Financial Analysis, CAS annual meetings, and other industry meetings such as Captive Insurance Company Association (CICA), Vermont Captive Insurance Association (VCIA), and Risk and Insurance Management Society (RIMS)	
MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS	Casualty Actuarial Society (CAS)	1995
	Associate Member	2001
	Fellow	1995
	American Academy of Actuaries (AAA)	1989-present
	Midwestern Actuarial Forum	1997-present
	Central Illinois Actuarial Club	
EMPLOYMENT HISTORY	Great American Insurance Group	1989-1991
	Providence Washington Insurance Companies	1991-1992
	Shelby Insurance Company / Anthem Casualty	1992-1997
	Miller, Herbers, Lehmann, & Associates, Inc.	1997-2002
	Pinnacle Actuarial Resources, Inc.	2003 - Present
PROFESSIONAL ACTIVITIES	CAS Committee on Health and Managed Care Issues	1996-2001
	CAS Ratemaking Seminar Committee	1997-2002, 2004
	Vice Chairperson for CAS Ratemaking Seminar	2000-2001
	Chairperson for CAS Ratemaking Seminar	2001-2002
	Vice Chairperson for CAS DFA Seminar	2000
	Chairperson for the CAS DFA Seminar	2000-2001
	Chairperson of CAS Risk & Capital Mgmt. Seminar	2002
	Faculty Member, CAS Limited Attendance Seminars on Dynamic Financial Analysis	1998-99, 2001-04
	Vice Chairperson for CAS New Fellows Committee	2003
	Chairperson for CAS New Fellows Committee	2003-2006
	CAS Task Force on ACAS Voting Rights	2004
	CAS Working Group on Executive Level Decision Making Using DFA	2004

**PROFESSIONAL
PUBLICATIONS**

“Using the Public Access DFA Model: A Case Study,”
CAS Forum, Summer, 1998

“A Dynamic Approach to Modeling Free Tail Coverage,”
CAS Forum, Fall, 1999

“Customizing the Public Access Model Using Publicly Available
Data,” *CAS Forum*, Summer, 1999

“Are You Ready to Unlock the Power Hidden in Your BOP Application,”
Pinnacle Actuarial Resources Monograph Program, July 2003

“The Case of the Medical Malpractice Crisis: A Classic Who Dunit,”
CAS Forum, Summer, 2004

“Medical Malpractice Insurance: A Call for Efficiency” *Pinnacle Actuarial
Resources Monograph Program*, May 2006

“I Like You as a Neighbor, But We’re Not Sharing Checkbooks
(Opportunities and challenges for public entity groups)” *Public Risk
Magazine*, June/July 2006

**PROFESSIONAL
PRESENTATIONS**

Numerous interviews and presentations at educational seminars and meetings
conducted by the CAS and other industry organizations on topics including:

- o Ratemaking, emphasizing Workers Compensation, Professional Liability,
Commercial Automobile, and Businessowners Policy (BOP)
- o Generalized Linear Modeling (GLM) for Commercial Lines Insurance
- o Loss Reserving for Medical and Non-Medical Professional Liability
- o Self-Insured Funding and Reserving for Individual and Group Public
Entities and Private Companies
- o Legislative Costing for Medical Professional Liability, Workers’
Compensation, Commercial Auto Liability, Contractors Liability
- o Dynamic Financial Analysis (DFA)
- o Workers Compensation Managed Care

EXPERT TESTIMONY

Maine Joint Standing Committee on Insurance and Financial Services,
New Mexico Patients Compensation Fund, 2002, 2005
Ohio Medical Malpractice Commission, 2003
Oregon Professional Panel for Analysis of Medical Professional Liability
Insurance, 2004
Oregon Construction Claims Task Force, 2006
Republican Governors Association, *An Analysis of the Impact of Workers’
Compensation Reform in Nevada*, 2005
Virginia Birth Related Neurological Injury Compensation Program, 2003-06
Wisconsin Assembly Committee on Insurance, 2005

Numerous written and oral testimonies in support of litigation associated
with commercial lines insurance.

Section IV. Prior Engagements with the State of West Virginia

We have not yet been privileged to have had an opportunity to work with or provide services to any other entities associated with the State of West Virginia. We have provided similar services in a number of neighboring states such as Ohio, Kentucky, and Pennsylvania.

Section V. Similar Engagements

Pinnacle has performed numerous actuarial analyses examining indicated loss reserves for workers compensation programs of governmental entities. These assignments have included a wide variety of organizations including the following related to governmental workers compensation funds:

Pinnacle is currently engaged by the audit firm Schneider Downs to assist in their 2007, 2008, and 2009 annual reviews of the Ohio Bureau of Workers' Compensation (BWC) liabilities and assessment of future payouts. The BWC is responsible for the state monopolistic fund. The BWC has a Coal Worker's Pneumoconiosis Fund, which is similar in nature to the Fund in West Virginia but likely on a much smaller scale and a Self Insurance Guarantee Fund that covers the claims from insolvent self-insured companies in Ohio. During 2006, Pinnacle also assisted the Ohio BWC in a Group Rating Project.

Pinnacle is currently engaged by the Florida Department of Financial Services to estimate the liabilities of their Special Disability Trust Fund. This Fund provides assistance to injured workers who return to employment and are subsequently injured on the job.

Pinnacle provided the Kentucky Workers' Compensation Funding Commission with their most recent (2007) reserve analysis and funding study of their Special Fund (Workers Compensation Second Injury Fund), Uninsured Employers' Fund, and Coal Workers' Pneumoconiosis Fund.

Pinnacle has provided actuarial services to the Kentucky Transportation Cabinet in estimating the future cost of previous Workers' Compensation claims related to the state workers involved in the maintenance of the Commonwealth's transportation system.

We provide actuarial services to numerous state insurance departments and other governmental agencies, including having served as the primary actuaries providing financial exam support to the state of Iowa and rate filing support for the state of Indiana. We have recently completed studies for Kentucky regarding their Workers Compensation (Second Injury) funds. We have recently completed analyses of the Underground Petroleum Storage Tank funds in the states of Kentucky, South Carolina and Ohio and Mine Subsidence Funds in the states of Indiana and Pennsylvania. Pinnacle is on the approved provider of actuarial services to the insurance departments in Pennsylvania, Maryland and New York for various items including reserve analyses. We also provide analyses to the Virginia Birth Related Neurological Fund.

Pinnacle References

Kentucky Workers' Compensation Funding Commission

Scope: Biennial actuarial review of the liabilities and funding needs of the Special Fund (WC Second Injury Fund) and other WC funds.
Contact: Louie Hord
Address: P.O. Box 1128, Frankfort, Kentucky 40602-1128
Telephone: 502-573-3505 ext. 234
Email: Louie.Hord@ky.gov
Service Date: 2007
Hours: 417

Ohio Bureau of Workers' Compensation.

Scope: Reserve analysis of all funds of the monopolistic state WC insurer
Contact: Elizabeth Bravender
Address: 30 W. Spring Street, Columbus, Ohio 43215
Telephone: (614)-466-1926
Email: Elizabeth.B.1@bwc.state.oh.us
Service Date: 2006
Hours: 295

Schneider Downs & Co.

Scope: Audit Support Reserve Analysis of Ohio BWC
Contact: Joseph J. Patrick, Jr.
Address: 41 South High Street, Suite 2100, Columbus, Ohio 43215-6102
Telephone: (614)-586-7216
Email: jpatrick@schneiderdowns.com
Service Date: 2006, 2007, 2008
Hours: 254 (annual)

Florida Department of Financial Services

Scope: Biennial actuarial review of the liabilities and funding needs of the Special Disability Trust Fund (WC Second Injury Fund).
Contact: Eric Lloyd
Address: 200 East Gaines Street, Larson Building, Tallahassee, FL 32399-0317
Telephone: 850-413-1604
Email: Eric.Lloyd@fldfs.com
Service Date: 2007, 2008
Hours: 118 (annual)

Kentucky Transportation Cabinet

Scope: Reserve and Funding Analysis of Self Insured WC for DOT
Contact: Bob Scott
Address: 200 Mero Street, Frankfort, Kentucky 40601
Telephone: 502-564-7334
Email: Bob.Scott@ky.gov
Service Date: 2006, 2007
Hours: 78 (annual)

Section VI. Specific Work Plan

At the inception of each project, we strive to clearly understand our clients' expectations using a project kickoff meeting (entrance conference) where we seek our customers' input on their expectations including delivery dates, the operating environment and any recent changes, the data and any potential issues, and the contacts for any questions that arise in the course of our analysis. We are working under the assumptions that the data will be provided shortly after the June 30th accounting date and that the report must be completed and provided before September 30th of each year.

The analyses will cover all claim-related liabilities of the separate funds including but not limited to reserves for the following:

1. Claims, with awards made (active claims)
2. Other reported claims (un-awarded claims)
3. Claims incurred but not reported (IBNR)
4. Self Insured Second-injury claims
5. Medical expenses (separately defined)
6. Occupational disease
7. Reopened claims
8. Claims of self-insurers (separately defined)
9. Anticipated and unanticipated contingencies

Following our initial meeting, a project plan will be finalized. Preparations will be made to receive the data as soon as it becomes available. The data will be captured to facilitate the analysis of the liability broken down into at least the following types:

1. Fatalities,
2. Permanent Total Disability,
3. Permanent Partial Disability,
4. Temporary Total Disability,
5. Medical Reimbursements
6. Loss Adjustment Expenses

Within each type, the data at additional levels of detail may be sufficient to analyze and develop a projection of future cost.

In addition to the review of the Old Fund, the scope of our analyses as specified in the RFP will also include the

1. Coal Workers' Pneumoconiosis Fund
2. Uninsured Fund
3. Self Insured Second Injury Fund
4. Self Insured Guaranty Fund

Based upon our understanding of the time constraints for this analysis and the needs of the Office of the Commissioner, we have developed the following proposed time table for the 2009 analysis. The subsequent years would follow a similar schedule with the

likelihood of being able to accelerate the data reconciliation and the release of the preliminary draft of the report.

2009 Proposed Timelines	
Activity	Date On Or Before
Entrance Conference	May 15 th
Data Detail Requirements	June 5 th
Data Delivery Date	July 13 th
Data Reconciliation Completion	July 24 th
Preliminary Draft Report	September 11 th
Draft Report Discussion Conference	September 18 th
Final Report Released	September 30 th

The primary task will be to determine the unpaid liability of the each of the funds.

Analysis Techniques

The techniques used in this analysis will involve standard actuarial methods utilized in reserving studies. Multiple estimation techniques will be utilized and final selections will be based on the techniques that provide the best fit to the Fund's data and operation. Because of the size and experience of our staff, we can perform our analysis in a timely manner. The results will be presented in a formal written document and oral report in the professional manner expected by our clients and demanded by our professional standards. Pinnacle has the necessary resources to accomplish the goals of the Commissioner in the time frame desired.

There are several different methods we may employ in the development of estimated ultimate losses. Given satisfactory data, these methods will include:

- Paid Loss Development
- Incurred Loss Development
- Paid Counts and Averages Development
- Incurred Counts and Averages Development
- Bornhuetter-Ferguson Method.

The paid and incurred loss development methods use losses as of the current valuation date for each fiscal year to project losses to an ultimate basis. These extrapolations are developed using loss development patterns selected based on an analysis of historical loss payment and reporting patterns and an understanding of any material changes in claims handling that can cause anticipated development patterns to shift from historical patterns. These payment patterns also provide a basis for estimating cash.

Under the counts and averages methods, paid (or reported) counts by development year are projected to ultimate separately from paid (or reported) severities. Estimated ultimate paid (reported) counts are then multiplied by estimated ultimate paid (reported) severities to produce estimated ultimate losses.

The Bornhuetter-Ferguson method (B-F method), actual paid (or reported) losses to date are increased by a provision for incurred-but-not-reported (IBNR) claims in order to arrive at an ultimate loss estimate. The provision for incurred but not reported claim costs is not dependent on actual claims experience, but rather relies on previous loss estimates, typically from prior funding studies. This method is useful in situations where anticipated future development is not related to prior actual development. The B-F method produces reserve estimates that are less responsive to large losses and thus more stable over time.

The specific methodologies employed and any adjustments made to the historic data (such as an adjustment to reflect changes in case reserve adequacy) will depend on the data available, any material changes in the underlying data and our own analysis of the data. Communication with the operations management and personnel of the various funds will be essential in allowing us to accurately address the effects of such changes. We will use the historic data and the insights gained through conversations to determine best estimate reserve indications. We will also compare our estimates of ultimate losses to those from previous actuarial reports and strive to better understand the causes of any material changes (e.g. increases in case reserves, reopened claims, significantly reduced settlement value below prior case estimate).

Statistical methods that reflect both process and parameter risk will be used to adjust the estimated reserve and funding needs at higher levels of statistical confidence. It should be noted that this estimate reflects both the potential "process" variation (i.e., the random variation inherent in the claim settlement process) and the "parameter" variation that exists due to the risk that the selected theoretical loss distributions and their parameters will not be reflective of the true loss distributions. We use a number of different methods to estimate risk margins including individual loss simulations, the Murphy method, the Mack method, and the Myers-Heckman method. It must be noted that a stochastic simulation model of this type cannot possibly capture all of the dynamic forces that impact liability losses or completely describe the risks the program's loss exposures. Such a model can, however, provide considerable insight into the range of potential fluctuations of losses.

The reserve analysis will be conducted consistent with the Actuarial Standards Board, Actuarial Standard of Practice No. 43 "Property/Casualty Unpaid Claim Estimates" (ASOP 43). The results will be presented in a formal written document and oral report in the professional manner expected by our clients and demanded by our professional standards.

The primary source of data will be the Fund's claim statistics and the third party administrators (TPAs) reserve estimates. We will also supplement the derived Fund reporting and payment patterns with industry benchmark patterns produced by Pinnacle's independent analysis of data reported to the A.M. Best company.

Level of Staff

The following hours by staff level are anticipated within each project segment:

Projected Hours per Project Segment (Fund)					
<u>Staff Level</u>	<u>Old Fund</u>	<u>Coal</u> <u>Workers</u>	<u>Uninsured</u> <u>Workers</u>	<u>Self</u> <u>Insured</u>	<u>Total</u>
Lead Consultant	45	10	10	20	85
Project Consultant 1	35	20	0	20	75
Project Consultant 2	35	0	20	20	75
Peer Reviewer 1	8	0	4	2	14
Peer Reviewer 1	0	4	0	2	6
Actuarial Analyst 1	25	0	15	20	60
Actuarial Analyst 2	25	0	15	20	60
Actuarial Analyst 3	5	15	0	20	40
Actuarial Analyst 4	5	15	0	20	40
Administrative Support	2	.5	.5	2	5
Total	185	64.5	64.5	146	460

Working with the TPAs

Pinnacle is accustomed to working with TPAs. Many of the self-insured programs we review involve the use of outside vendors for claims handling and reporting. Typically, we are able to get the desired data from the TPAs. Usually, if questions arise, the TPA goes back to the client for resolution. Occasionally, Pinnacle works directly with the client for resolution. When the TPA is not able to provide summarized data, we will ask for the transactional data and perform our own summarizations, which we then balance to the financial records of the client and/or TPA.

If we determine that the TPAs case reserving has not been handled in a consistent or proper manner, we will adjust the data or our methods as appropriate.

IBNR Approach

As discussed above, our approach will typically be to determine the estimated ultimate cost and determine the required IBNR reserves by subtracting the paid loss and case reserves from the ultimate cost.

All Reserves Approach

In general, our approach to estimating required reserves is dependant upon the data available while utilizing the most suitable available methodologies. In some cases, the analyses will be utilizing summarized claim data while in other cases, the use of individual claim level data is more appropriate.

Pinnacle's Peer Review Process

Pinnacle requires, and our governing professional organization encourages, that all actuarial work products be peer reviewed before release. The intent of the peer review process is to foster the maintenance of high professional standards and practices and to consistently apply these standards to all assignments. Peer review is also important to our clients because it serves to increase the confidence in our opinions by all users of those opinions. Shawna S. Ackerman, FCAS, MAAA and Robert J. Walling, III, FCAS, MAAA will serve as the peer reviewers for this customer relationship.

The primary purposes of peer review are to maximize the quality and comprehension of our work product, and to minimize our own professional liability exposure within practical time and fee constraints.

The interest of the firm's clients, and those of the firm itself, mandate that work performed by the firm, and the communication of that work by the firm, conform to high professional standards. Appropriate recognition of such interests deserves and requires adoption of and compliance with certain internal standards and procedures regarding work performance and communication of the work product, the objectives of such standards and procedures being to attempt to determine, to the extent practicable, that:

- methods and assumptions employed are appropriate and acceptable in the circumstances,
- judgments made and applied are reasonable and supportable,
- communications to clients are accurate, complete and understandable; and
- the work performed adequately supports all statements and conclusions included within the reports.

Pinnacle also requires that an employee who is independent of entering data and making calculations completely check all data inputs and any non-automated calculations which are carried out in a work product. This technical review is done to assure that our findings are based on the information that is precisely as provided as well as free from errors in calculation. Our peer review and technical review processes on each and every assignment contribute to our continual improvement. These technical and peer reviews are a mandatory part of each project. A copy of our peer review procedures and requirements is available upon request.

Section VII Identification of Potential Problems

While we do not anticipate issues will arise during this assignment, the following items could create problems during the course of the project:

- Delay in receipt of data
- Delay in reconciliation of the data to prior reports or other sources
- Legislative changes preceding or following the June 30th analysis date
- Changes in claims administration.

Each of these possible items can be successfully dealt with but would impact the normal course of events as follows:

- For delays in data or reconciliation, we would attempt to proceed with the analysis of sections where data is available and reconciles as efforts to obtain/reconcile data continue.
- We will diligently monitor any legislative activity that could potentially impact the areas under study and attempt as time allows to fully reflect the impact in our estimates and analysis.
- We will meet with and work with any new third party claims administrator utilized by the State of West Virginia. The goal would be to duplicate if not improve the level of data and data availability for use in the estimation process

Section VIII. Report Format

A sample report of the typical format for the documentation of our analysis and conclusions including exhibits is included as separate Appendix B.

Section IX. Licensed to Do Business in West Virginia

Pinnacle is authorized to conduct business in the state of West Virginia (Vendor # 1111502330. Pinnacle will comply with all requirements in this section.

Section X. Cost Proposal

The cost proposal is provided as Appendix A.

Report on the Actuarial Valuation
of the
State Workers Compensation Funding Commission
Employers' Reinsurance Fund, Uninsured Employers'
Fund, and
Coal Workers Pneumoconiosis Fund

Actuarial Analysis
as of June 30, 2007

September, 2007

Pinnacle Actuarial Resources, Inc.
5650 Paul Blazer Parkway, Suite #100
Dublin, Ohio 43017
614-734-8366
www.pinnacleactuaries.com

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EXHIBITS

State Workers Compensation Funding Commission
Employers' Reinsurance Fund Actuarial Valuation as of June 30, 2007

I. BACKGROUND

Purpose & Scope

Pinnacle Actuarial Resources, Inc. (Pinnacle) was retained by the State Workers Compensation Funding Commission (SWCFC) to provide an actuarial valuation of the Workers Compensation liabilities of State's Employers' Reinsurance Fund (ERF), Uninsured Employers' Fund (UEF), and Coal Workers Pneumoconiosis Fund (CWP FUND) as of June 30, 2007, and a determination of the actuarial soundness of the funding mechanisms for the ERF and CWP FUND, to be used by the SWCFC to base its statutorily mandated report to the 2008 General Assembly.

Fund History

Employers' Reinsurance Fund

Prior to November 30, 1996, the Employers' Reinsurance Fund served as State's Second-Injury fund, paying a portion of certain occupational injury claims and occupational disease claims. The ERF assumed a substantial portion of the ultimate liability for indemnity benefits for permanent disability claims when a claimant had one or more prior related injuries or medical conditions that aggravated a work related disability. The EF's outstanding liability is financed through assessments against employers' workers compensation insurance premiums (or simulated premiums for self-insured employers).

Historically, the ERF has paid benefits according to the following schedule:

- Prior to 1973 the ERF paid benefits limited to a maximum of 425 weeks.
- Beginning in 1973 permanent disability claims became payable for life.
- Beginning in 1980 permanent partial benefits were again limited to 425 weeks, while permanent total disability claims remained payable for life.
- In 1987 black lung claims were tied to the claimant's actual pulmonary dysfunction.
- Beginning in 1994 post retirement age benefits for permanent total disability claims were reduced 10% a year, down to 40%.
- Beginning in 1996 CWP permanent disability claims terminated when the claimant reached retirement age.

- On November 30, 1996 the ERF quit accepting new claims occurring after that date.
- Beginning in 1996, a 4 year statute of limitations was imposed on re-opening claims. The clock started on the latest date of original award or final payment, or 11/30/96.

With the stoppage of new claims and the limits on reopening established over ten years ago, the liabilities of the ERF are practically limited to those claims currently in a payment status. There are some claims that carry an unknown payment status in the ERF data base. Some of those claims can migrate into an award payment status.

The ERF is mandated to be fully funded by the end of 2018. Funding is primarily through industry premium assessments and by an annual \$19,000,000 coal severance tax. It should be noted that in some of the past years the coal severance tax has been diverted away from the ERF. The ERF Funding mechanism is financially administered by the State Workers Compensation Fund Commission, formed specifically for such administration.

Uninsured Employers' Fund

The Uninsured Employers' Fund pays workers compensation claims when the employer has failed to secure payment for statutory workers compensation claims. The UEF is administered by the office of the Attorney General. Claims and operating expenses are funded through the ERF. Unlike the ERF, the UEF continues to accept new claims. Therefore, IBNR is an issue for the UEF, although the open and IBNR claim counts are minor in relation to the ERF.

Coal Workers Pneumoconiosis Fund

The CWP FUND is also funded by the State Workers Compensation Fund Commission. Claims liabilities and administrative costs are funded from two different sources: (1) by assessments levied on workers compensation premiums of employers (and simulated premiums for self insured employers) engaged in the severance or processing of coal, and (2) by severed tonnage assessments levied against entities engaged in the severance of coal. The CWP FUND is mandated to be fully funded each year.

The CWP FUND began in 1996, taking on the black lung claims that were previously handled by the ERF. At the same time some benefit payments were restricted. In 2002, CWP FUND award

qualification criteria were lowered and the benefits were increased. Like the UEF, the CWP FUND continues to accept new claims. Therefore, IBNR is an issue for the CWP FUND, although the open and IBNR claim counts are minor in relation to the ERF.

Methodology

Known claim awards were extended for the expected duration of the claim. Pending, IBNR and future claim activity were determined by application of derived load factors to claims data. Future payout patterns were established based on the periodic payment schedules of the individual claims. These same patterns were applied to estimated pending, IBNR and future claims. Historic industry premium and ERF expenses were analyzed to estimate future annual changes to each of these items. Future interest earnings were calculated by multiplying the projected average fund balance by the selected interest rates.

Data

ERF (and CWP FUND) claims data were provided electronically by the SWCFC. The data included payment status, award amount, periodic payment schedule, claimant date of birth, and information that allowed a determination of award ending date. The award ending date data was supplemented with the 94 GAM tables to determine life expectancy. Not all date fields were populated. Pinnacle populated these fields with our best estimate based on data that was provided.

UEF claims data were provided electronically and hard copy by the Labor Department.

Historic industry premiums were provided by the SWCFC. Historic administrative costs and fund balances were provided by the SWCFC. Historic Benefit Level changes were pulled from the NCCI Statistical Bulletin.

Development patterns for IBNR were derived considering relevant A.M. Best data, and NCCI Statistical Bulletin data, with additional consideration for the reporting lags calculated from ERF data.

qualification criteria were lowered and the benefits were increased. Like the UEF, the CWP FUND continues to accept new claims. Therefore, IBNR is an issue for the CWP FUND, although the open and IBNR claim counts are minor in relation to the ERF.

Methodology

Known claim awards were extended for the expected duration of the claim. Pending, IBNR and future claim activity were determined by application of derived load factors to claims data. Future payout patterns were established based on the periodic payment schedules of the individual claims. These same patterns were applied to estimated pending, IBNR and future claims. Historic industry premium and ERF expenses were analyzed to estimate future annual changes to each of these items. Future interest earnings were calculated by multiplying the projected average fund balance by the selected interest rates.

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ERF (and CWP FUND) claims data were provided electronically by the SWCFC. The data included payment status, award amount, periodic payment schedule, claimant date of birth, and information that allowed a determination of award ending date. The award ending date data was supplemented with the 94 GAM tables to determine life expectancy. Not all date fields were populated. Pinnacle populated these fields with our best estimate based on data that was provided.

UEF claims data were provided electronically and hard copy by the Labor Department.

Historic industry premiums were provided by the SWCFC. Historic administrative costs and fund balances were provided by the SWCFC. Historic Benefit Level changes were pulled from the NCCI Statistical Bulletin.

Development patterns for IBNR were derived considering relevant A.M. Best data, and NCCI Statistical Bulletin data, with additional consideration for the reporting lags calculated from ERF data.

Distribution & Use

This study has been conducted at the request of SWCFC officials. Further distribution or use is expressly prohibited without the prior written consent of Pinnacle. Any reference to Pinnacle in relation to this report in any reports, accounts, or other published documents by SWCFC is not authorized without our prior written consent. The nature of the material contained in the report is such that this limitation on distribution should apply to requests under any Freedom of Information Act.

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

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

Reliances & Limitations

We have prepared this report in conformity with its intended use by persons technically competent in the areas addressed and for the stated purposes only. Judgments as to conclusions, methods, and data contained in this report should be made only after studying the report in its entirety. Furthermore, we are available to explain any matter presented herein.

Throughout our analysis we have, without audit or verification, relied on historical data and qualitative information provided by SWCFC and the UEF. We have reviewed this data for consistency and believe it to be reasonable and accurate. However, we have made no attempt to audit or verify this information. The accuracy of our results is dependent upon the accuracy and completeness of this underlying data. Therefore, any material discrepancies discovered in this data by SWCFC or its auditor should be reported to us and this report amended accordingly, if warranted.

There is a limitation upon the accuracy of these estimates and projections in that there is an inherent uncertainty in any estimate of loss reserves and financial projections. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur, e.g., the likelihood of claimants bringing suit, the size of awards, changes in the standards of liability, and the attitudes of claimants toward settlement of their claims. Also our financial projections are subject to a very high degree of uncertainty because they require prediction of future economic, legal, and judicial conditions which are not knowable. In our judgment, we have employed techniques and assumptions that are appropriate, and the conclusions presented herein are reasonable, given the information currently available. However, it should be recognized that future financial results will likely deviate, perhaps materially, from our estimates.

II. EXECUTIVE SUMMARY

The combined projected liabilities through 2018 of the Employers' Reinsurance Fund (including the Uninsured Employers' Fund) and the Coal Workers Pneumoconiosis Fund is \$1,773.5 Million as of June 30, 2007. The breakdown by fund and type of claim is shown in the following table.

ESTIMATE OF REMAINING PAYMENTS (Undiscounted values, in millions)

Fund	Permanent Partial Disability	Permanent Total Disability	Pending Claims	Incurred But Not Reported (IBNR)	Total
ERF	\$189.1	\$1,516.4	\$17.4		\$1,722.9
UEF		36.4			36.4
CWP FUND	2.3	5.7	0.1	6.0	14.2
Total	\$191.4	\$1,558.4	\$17.6	\$6.0	\$1,773.5

The current liability of the combined ERF and UEF funds as of June 30, 2007 of \$1,759.3 Million is slightly lower than the liability estimated in the prior actuarial report as of September 1, 2005 of \$1,796 Million. A greater decrease may have been anticipated, but concerns about data base consistency and missing information led to selection of larger ultimate losses.

Please note that the Employers' Reinsurance Fund IBNR is included in the Pending amount which reflects a minor loading for claims in litigation for ERF and CWP, and an additional amount for potential variation due to uncertainties created by data issues. This load was chosen as 1% of outstanding liabilities, similar to the same type of loading applied in the last analysis.

Because of the limited amount of information included with the UEF data it was not possible to make a determination of a split between Permanent Total Disability (PTD) and Permanent Partial Disability (PPD) claims. Also, the IBNR for UEF is included in the total figure provided above and is further discussed below.

As of 06/30/2007, there were 11,010 open claims in the ERF. In the prior analysis (09/01/2005) this figure was 12,145. It is estimated that there is about a three-to-one split between PTD and

PPD claims, although precise figures could not be gleaned from the data provided to Pinnacle since many of the fields in the claims records were not descriptive enough to make a final determination of this classification.

There are 98 open CWP claims with twice as many PPD claims as PTD claims. For reference, in the last review there were 89 open claims.

The most recent claim file provided by the UEF had 165 open claims, although no distinction between PTD or PPD could be made.

A summary of the liabilities from the last few evaluations is shown below.

LIABILITY COMPARISON TO PRIOR YEARS (in millions)

	2001	2003	2005	2007*
Total Liability	\$2,347	\$2,144	\$1,796	\$1,759
Present Value	\$1,018	\$968	\$860	\$869
Unfunded Liability	\$748	\$707	\$512	\$446

*2007 Present Value assumes 7.0% discount rate

III. EMPLOYERS' REINSURANCE FUND ANALYSIS

1. ERF Total Liability

Total liability for the Employers' Reinsurance Fund (including UEF) as of June 30, 2007 is listed in the Executive Summary as \$1,759.3 Million. The development of this projected amount is summarized by fiscal year in Exhibit 1, and was determined by extending the payments on open and pending claims using the mortality table discussed below. The payout patterns from this method were compared to the recent payment activity within the fund. The projected patterns called for a much quicker payout of claims than what has been the case historically. This divergence was attributed to the fact that some of the claims records were incomplete as regards various date fields. Therefore the projected payout patterns were weighted with the patterns established in the previous study in order to better match the actual past payment history. Similarly, the total unpaid claim awards developed from within the claims data base were affected by the incomplete data fields. Therefore, the total liabilities were weighted against the prior analysis liabilities adjusted for recent payment activity. More details of the derivation of underlying liabilities are available upon request.

2. ERF Projected Payout Analysis

The projected payouts for total liabilities through 2018 and subsequent runoff of ERF claims is shown in the cash flow Exhibit 1. Future payments were determined as described above. No major shifts in economic conditions or cost trends are anticipated.

3. ERF Administrative Costs

Historic administrative costs of the SWCFC, Labor Department, and the UEF are shown in Exhibit 2. In Exhibit 2 it can be seen that the administrative costs have been running at levels between \$22 Million and \$27 Million. In the prior analysis a 4% anticipated growth rate was used to project future administrative costs. For this year's analysis we are using a 3% growth rate, reflecting the addition of two more years of expense data into the analysis. The average change in administrative costs over the last seven years has been just below 1%. However, during that same time period the annual change in administrative expense has varied from -5% to +13%, so a selection above the average is prudent. Projected administrative costs are included in the cash flow Exhibit 1.

4. ERF Fund Balance Projections, Alternative Scenarios

The indicated premium assessment rate to fully fund ERF liabilities by 12/31/20018 is 5.25%. At the request of the SWCFC, several funding scenarios were modeled and are included in Exhibit 1. Three sets of scenarios were modeled as follows:

Scenario 1. Claims are fully funded in 2018. After 2018 the ERF only pays for claims, not for administrative expenses. The post 2018 assessment rate is set at 0.00%

Scenario 2. Claims are fully funded in 2018. After 2018 the assessment rate changes annually to cover administrative expenses.

Scenario 3. Claims and administrative expenses are fully funded in 2018.

Under the above scenarios three cases are modeled, a point estimate, a pessimistic estimate, and an optimistic estimate. Differing assumptions are employed within each case, as described below:

CASE PARAMETERS

Case	Interest/Discount Rate	Premium Growth	Expense Growth	Award Variance
Pessimistic Estimate	6.00%	3.00%	4.00%	1.00%
Point Estimate	7.00%	4.00%	3.00%	0.00%
Optimistic Estimate	8.00%	5.00%	2.00%	-1.00%

The selected interest/discount rates were requested by the SWCFC. A review of the investment history of the ERF was made and the selected 7% interest rate was found to be reasonable.

The indicated assessment rates from the above scenarios are displayed in the table below:

INDICATED ASSESSMENT RATES

Case	2007 - 2018			Post 2018
	Scenario 1	Scenario 2	Scenario 3	Scenario 2
Pessimistic Estimate	6.17%	6.17%	11.77%	2.3% to 2.7%
Point Estimate	5.25%	5.25%	8.37%	0.9% to 1.9%
Optimistic Estimate	4.47%	4.47%	6.31%	0.3% to 1.5%

Note: Revenues associated with the coal severance tax (\$19 Million) are not considered in the analysis.

5. ERF Breakdown by Claim Category

The apportionment of the ERF total liability by claim category is shown in the table below.

ESTIMATED COAL LIABILITIES (in millions)

Claim Category	Percent of Total Liability	Amount of Total Liability
Coal Traumatic	20%	\$349
Coal Occupational Disease	38%	\$656
Non-Coal	42%	\$718
All	100%	\$1,723

6. ERF Pending Litigation

ERF claims pending litigation are expected to have a minor impact on total liabilities. Liability for these claims has been included in the Pending claims load of 1% discussed in the Executive Summary.

7. ERF Remaining Claims Occurring Prior to November 30, 1996

Consideration for IBNR claims made against the ERF occurring prior to November 30, 1996 has been included in a contingent loading discussed above.

8. ERF Reopened Permanent Partial Disability Claims

The reopening of claims against the ERF occurring November 30, 1996 and later are considered to be minor since there is a four-year statute of limitation. The contingent loading discussed above should cover any potential reopenings.

9. ERF IBNR and Reopening Methodology

IBNR and reopenings are very minor at this point in the ERF. A contingent loading designed to cover claims in litigation and reopenings, as well as cover some variation due to data quality, has been applied to total liabilities.

10. ERF Mortality Table Notes

We used the 1994 Group Annuity Mortality tables for this study. The 94 GAM tables were used in the 2005 and 2003 analyses as well. The Group Annuity tables are derived from the working population, as opposed to the entire population, therefore reflecting a better estimation of workers compensation claimants. The 1994 GAM tables include margins for random variations in mortality rates and contingencies for other factors such as smaller blocks of business, mix of employment types (white-collar versus blue-collar, higher-income versus lower-income, etc.) and geographic concentration of risk. The margins were established so that the use of the GAM tables would produce reserves adequate to cover various business characteristics and random variations.

IV. UNINSURED EMPLOYERS' FUND ANALYSIS

1. UEF Total Liability

Total liability for the UEFF as of June 30, 2007 is listed in the Executive Summary as \$36.1 Million. The development of this projected amount is summarized by fiscal year in Exhibit 3. UEF annual claim payments have been very consistently running around \$1.25 Million. The claim count for open Catastrophe Medical claims (spinal cord injuries and the loss of multiple limbs) was 11 two years ago. The count is still at 11 as of 6/30/07, although there are two new quadriplegic claims included in the count. We have assumed that claims and claim counts will remain consistent. As a conservative measure, we have selected an annual claim expense of \$1.5 Million through 2018.

After 2018, we wound the claims down using a conservative payout pattern. The Total UEF liability is estimated at \$36 Million.

2. UEF Projected Payout Analysis

The projected payouts for the open and IBNR claims through 2018 are shown in the cash flow Exhibit 3. Future payments were determined based on mortality assumptions and consideration for workers compensation law and economic trends. These payouts have been incorporated into the ERF payout analysis.

3. UEF Administrative Costs

Historic administrative costs of the SWCFC, Labor Department, and the UEF are shown in Exhibit 2. These costs include benefit payments as well as other expenses of the UEF. As mentioned above, the benefit payments make up about \$1.25 Million of the historic transfers. The remainder of the transfers has been included in the Agency Budget expense in the amount of \$4 Million.

The non-benefit portion of UEF and the other Administrative transfers are extended forward in the projections using a 3% growth rate. Projected administrative costs are included in the cash flow Exhibit 1. The projected expenses are shown on Exhibit 3. Please note that while we are not including any new claims after 2018, we have included decreasing administrative expenses consistent with the runoff of all claims through 2018.

V. COAL WORKERS PNEUMOCONIOSIS FUND ANALYSIS

1. CWP FUND Balance as of June 30, 2007, December 31, 2007, and December 31, 2008

Exhibit 4 displays the projected revenues, expenses, and liabilities for the CWP FUND. Awards were projected forward in the same manner as the ERF awards. IBNR was added in by means of 75% load on the case reserves. The surplus levels are summarized below and reflect adjustments for new awards, as can be seen on Exhibit 4.

Date	Projected Surplus
06/30/07	\$9,122
12/31/07	\$10,206
12/31/08	\$11,469

Based on the projected surplus, it does not appear necessary to adjust the CWP FUND assessment rate for 2008.

2. CWP FUND Pending Litigation

CWP claims pending litigation are expected to have a minor impact on total liabilities. Liability for these claims has been included in a fashion similar to the ERF Pending claims by applying a load of 5% discussed in the Executive Summary.

EXHIBITS

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Point Estimate (\$000)

Scenario 1

Claims fully funded in 2018
Assessment Rate = 0 in 2019 and later
Fund only pays claims, no expenses after 2018

Interest Discount	7.00%
Wage / Premium Increase	4.00%
Expense Increase	3.00%
Pre 2018 Assessment Rate	5.25%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$28,888
Award Variation	0.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities	Surplus/ (Deficit)
										869,062	
0.5	2007.5	695,500	5.25%	444,529	36,547	15,103	47,715	14,878	433,585	850,436	(416,851)
1	2008	1,408,080	5.25%	433,585	73,886	28,788	88,341	30,189	417,720	818,586	(400,866)
2	2009	1,462,323	5.25%	417,720	76,641	27,840	85,754	31,105	405,542	787,182	(381,640)
3	2010	1,520,816	5.25%	405,542	79,915	27,115	84,242	32,038	396,293	755,144	(358,852)
4	2011	1,581,649	5.25%	396,293	83,112	26,607	82,505	32,999	390,508	722,661	(332,163)
5	2012	1,644,915	5.25%	390,508	86,436	26,343	80,819	33,989	388,479	689,648	(301,169)
6	2013	1,710,711	5.25%	388,479	89,894	26,349	79,003	35,009	390,710	656,201	(265,492)
7	2014	1,779,140	5.25%	390,710	93,489	26,668	76,894	36,059	397,914	622,595	(224,681)
8	2015	1,850,305	5.25%	397,914	97,229	27,344	74,650	37,141	410,697	588,958	(178,261)
9	2016	1,924,318	5.25%	410,697	101,118	28,425	72,108	38,255	429,877	555,596	(125,719)
10	2017	2,001,290	5.25%	429,877	105,163	29,961	69,485	39,402	458,114	522,612	(66,498)
11	2018	2,081,342	5.25%	458,114	109,369	32,001	66,702	40,585	490,198	490,198	0
12	2019	2,164,586		490,198		30,617	63,809	41,802	415,204	458,507	(43,303)
13	2020	2,251,179		415,204		25,434	60,672	43,056	336,910	427,843	(90,933)
14	2021	2,341,227		336,910		20,018	57,544	44,348	255,036	398,269	(143,232)
15	2022	2,434,876		255,036		14,350	54,408	45,678	169,299	369,867	(200,568)
16	2023	2,532,271		169,299		8,407	51,337	47,049	79,322	342,655	(263,333)
17	2024	2,633,561		79,322		2,165	48,326	48,460	(15,299)	316,952	(331,952)
18	2025	2,738,904		(15,299)		0	45,371	49,914	(110,584)	291,886	(402,470)
19	2026	2,848,460		(110,584)		0	42,537	51,411	(204,532)	268,317	(472,850)
20	2027	2,962,398		(204,532)		0	39,800	52,954	(292,286)	245,930	(543,216)
21	2028	3,080,894		(292,286)		0	37,137	54,542	(388,965)	224,730	(613,696)
22	2029	3,204,130		(388,965)		0	34,627	56,178	(479,771)	204,643	(684,414)
23	2030	3,332,295		(479,771)		0	32,184	57,864	(569,818)	185,677	(755,495)
24	2031	3,465,587		(569,818)		0	29,846	59,600	(658,264)	167,802	(827,065)
25	2032	3,604,211		(659,264)		0	27,568	61,388	(748,220)	151,031	(899,251)
26	2033	3,748,379		(748,220)		0	25,330	63,229	(838,779)	135,402	(972,181)
27	2034	3,898,314		(838,779)		0	23,207	65,126	(925,113)	120,874	(1,045,987)
28	2035	4,054,247		(925,113)		0	21,174	67,060	(1,013,366)	107,433	(1,120,799)
29	2036	4,216,417		(1,013,366)		0	19,240	69,092	(1,101,698)	95,052	(1,196,750)
30	2037	4,385,073		(1,101,698)		0	17,399	71,165	(1,190,262)	83,708	(1,273,970)
31	2038	4,560,476		(1,190,262)		0	15,673	73,300	(1,279,235)	73,355	(1,352,591)
32	2039	4,742,895		(1,279,235)		0	14,053	75,499	(1,368,787)	63,954	(1,432,741)
33	2040	4,932,611		(1,368,787)		0	12,539	77,764	(1,459,090)	55,460	(1,514,551)
34	2041	5,129,916		(1,459,090)		0	11,139	80,097	(1,550,326)	47,820	(1,598,147)
35	2042	5,335,112		(1,550,326)		0	9,825	82,500	(1,642,652)	41,004	(1,683,656)
36	2043	5,548,517		(1,642,652)		0	8,615	84,975	(1,736,242)	34,963	(1,771,205)
37	2044	5,770,457		(1,736,242)		0	7,510	87,524	(1,831,276)	29,642	(1,860,918)
38	2045	6,001,276		(1,831,276)		0	6,509	90,150	(1,927,935)	24,984	(1,952,919)
39	2046	6,241,327		(1,927,935)		0	5,611	92,854	(2,026,400)	20,929	(2,047,330)
40	2047	6,490,980		(2,026,400)		0	4,808	95,640	(2,126,848)	17,421	(2,144,269)
41	2048	6,750,619		(2,126,848)		0	4,091	98,509	(2,229,448)	14,409	(2,243,857)
42	2049	7,020,644		(2,229,448)		0	3,456	101,465	(2,334,369)	11,843	(2,345,212)
43	2050	7,301,470		(2,334,369)		0	2,899	104,509	(2,441,777)	9,673	(2,451,449)
44	2051	7,593,528		(2,441,777)		0	2,414	107,644	(2,551,835)	7,853	(2,559,687)
45	2052	7,897,270		(2,551,835)		0	1,997	110,873	(2,664,705)	6,336	(2,671,041)
46	2053	8,213,160		(2,664,705)		0	1,638	114,199	(2,780,543)	5,085	(2,785,628)
47	2054	8,541,867		(2,780,543)		0	1,333	117,625	(2,899,501)	4,063	(2,903,563)
48	2055	8,883,354		(2,899,501)		0	1,074	121,154	(3,021,729)	3,236	(3,024,965)
49	2056	9,238,688		(3,021,729)		0	860	124,789	(3,147,377)	2,573	(3,149,950)
50	2057	9,608,236		(3,147,377)		0	683	128,532	(3,276,593)	2,046	(3,278,639)
51	2058	9,992,565		(3,276,593)		0	539	132,388	(3,409,521)	1,631	(3,411,152)
52	2059	10,392,268		(3,409,521)		0	423	136,360	(3,546,304)	1,308	(3,547,612)
53	2060	10,807,959		(3,546,304)		0	330	140,451	(3,687,085)	1,058	(3,688,143)
54	2061	11,240,277		(3,687,085)		0	257	144,664	(3,832,006)	866	(3,832,872)
55	2062	11,689,888		(3,832,006)		0	201	149,004	(3,981,211)	719	(3,981,930)
56	2063	12,157,484		(3,981,211)		0	158	153,474	(4,134,843)	606	(4,135,449)
57	2064	12,643,783		(4,134,843)		0	125	158,079	(4,293,047)	519	(4,293,566)
58	2065	13,149,534		(4,293,047)		0	100	162,821	(4,455,968)	452	(4,456,420)

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Pessimistic Estimate (\$000)

Scenario 1

Claims fully funded in 2018
Assessment Rate = 0 in 2019 and later
Fund only pays claims, no expenses after 2018

Interest Discount	6.00%
Wage / Premium Increase	3.00%
Expense Increase	4.00%
Pre 2018 Assessment Rate	6.17%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$26,889
Award Variation	1.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities	Surplus/ (Deficit)
0.5	2007.5	689,000	6.17%	444,529	42,515	13,025	48,192	15,022	436,854	950,332	-492,674
1	2008	1,379,170	6.17%	436,854	85,101	25,168	89,224	30,840	427,260	928,528	-466,178
2	2009	1,420,545	6.17%	427,260	87,654	24,711	86,612	31,865	421,148	893,437	-436,723
3	2010	1,463,161	6.17%	421,148	90,284	24,431	85,084	33,140	417,639	857,871	-404,105
4	2011	1,507,056	6.17%	417,639	92,993	24,314	83,330	34,465	417,151	785,256	-368,105
5	2012	1,552,268	6.17%	417,151	95,782	24,378	81,627	35,844	419,840	748,331	-328,490
6	2013	1,598,836	6.17%	419,840	98,656	24,638	79,793	37,278	426,063	711,078	-285,015
7	2014	1,646,801	6.17%	426,063	101,615	25,119	77,663	38,769	436,366	673,783	-237,418
8	2015	1,696,205	6.17%	436,366	104,664	25,850	75,397	40,320	451,164	636,585	-185,421
9	2016	1,747,091	6.17%	451,164	107,804	26,861	72,829	41,932	471,067	599,798	-128,731
10	2017	1,799,504	6.17%	471,067	111,038	28,181	70,179	43,610	496,498	563,532	-67,034
11	2018	1,853,489	6.17%	496,498	114,369	29,839	67,369	45,354	527,983	527,983	0
12	2019	1,909,094		527,983		28,331	64,448	47,168	444,698	499,309	-48,611
13	2020	1,966,367		444,698		23,372	61,278	49,055	357,736	459,818	-102,081
14	2021	2,025,358		357,736		18,190	58,119	51,017	266,790	427,569	-160,779
15	2022	2,086,118		266,790		12,767	54,952	53,058	171,547	396,647	-225,100
16	2023	2,148,702		171,547		7,082	51,850	55,180	71,599	367,063	-295,464
17	2024	2,213,163		71,599		1,110	48,809	57,387	(33,487)	338,835	-372,322
18	2025	2,279,558		(33,487)		0	45,825	59,683	(138,995)	311,985	-450,980
19	2026	2,347,945		(138,995)		0	42,962	62,070	(244,027)	286,472	-530,499
20	2027	2,418,383		(244,027)		0	40,198	64,553	(348,778)	262,274	-611,052
21	2028	2,490,934		(348,778)		0	37,508	67,135	(453,422)	239,393	-692,815
22	2029	2,565,662		(453,422)		0	34,973	69,820	(558,215)	217,750	-775,965
23	2030	2,642,632		(558,215)		0	32,506	72,613	(663,334)	197,348	-860,682
24	2031	2,721,911		(663,334)		0	30,144	75,518	(768,996)	178,154	-947,150
25	2032	2,803,569		(768,996)		0	27,844	78,539	(875,378)	160,176	-1,035,554
26	2033	2,887,676		(875,378)		0	25,583	81,680	(982,642)	143,447	-1,126,089
27	2034	2,974,306		(982,642)		0	23,440	84,947	(1,091,029)	127,921	-1,218,950
28	2035	3,063,535		(1,091,029)		0	21,385	88,345	(1,200,759)	113,579	-1,314,338
29	2036	3,155,441		(1,200,759)		0	19,432	91,879	(1,312,070)	100,387	-1,412,457
30	2037	3,250,104		(1,312,070)		0	17,573	95,554	(1,425,197)	88,318	-1,513,515
31	2038	3,347,608		(1,425,197)		0	15,830	99,376	(1,540,403)	77,320	-1,617,722
32	2039	3,448,036		(1,540,403)		0	14,193	103,351	(1,657,947)	67,346	-1,725,293
33	2040	3,551,477		(1,657,947)		0	12,664	107,485	(1,778,097)	58,348	-1,836,445
34	2041	3,658,021		(1,778,097)		0	11,250	111,785	(1,901,132)	50,266	-1,951,398
35	2042	3,767,762		(1,901,132)		0	9,924	116,256	(2,027,312)	43,065	-2,070,377
36	2043	3,880,795		(2,027,312)		0	8,701	120,906	(2,156,919)	36,691	-2,193,610
37	2044	3,997,219		(2,156,919)		0	7,585	125,743	(2,290,247)	31,083	-2,321,330
38	2045	4,117,135		(2,290,247)		0	6,574	130,772	(2,427,594)	26,179	-2,453,773
39	2046	4,240,649		(2,427,594)		0	5,667	136,003	(2,569,264)	21,916	-2,591,179
40	2047	4,367,869		(2,569,264)		0	4,856	141,443	(2,715,563)	18,231	-2,733,794
41	2048	4,498,905		(2,715,563)		0	4,131	147,101	(2,866,796)	15,071	-2,881,667
42	2049	4,633,872		(2,866,796)		0	3,491	152,985	(3,023,272)	12,381	-3,035,653
43	2050	4,772,888		(3,023,272)		0	2,928	159,105	(3,185,304)	10,110	-3,195,414
44	2051	4,916,075		(3,185,304)		0	2,438	165,469	(3,353,212)	8,206	-3,361,417
45	2052	5,063,557		(3,353,212)		0	2,017	172,068	(3,527,317)	6,621	-3,533,938
46	2053	5,215,464		(3,527,317)		0	1,654	178,971	(3,707,942)	5,315	-3,713,257
47	2054	5,371,927		(3,707,942)		0	1,346	186,130	(3,895,418)	4,248	-3,899,666
48	2055	5,533,085		(3,895,418)		0	1,085	193,575	(4,090,078)	3,386	-4,093,464
49	2056	5,699,078		(4,090,078)		0	869	201,318	(4,292,265)	2,695	-4,294,960
50	2057	5,870,050		(4,292,265)		0	690	209,371	(4,502,326)	2,146	-4,504,472
51	2058	6,046,152		(4,502,326)		0	545	217,746	(4,720,616)	1,714	-4,722,330
52	2059	6,227,536		(4,720,616)		0	427	226,455	(4,947,499)	1,377	-4,948,876
53	2060	6,414,362		(4,947,499)		0	334	235,514	(5,183,346)	1,116	-5,184,462
54	2061	6,606,793		(5,183,346)		0	260	244,934	(5,428,540)	916	-5,429,456
55	2062	6,804,997		(5,428,540)		0	203	254,732	(5,683,475)	761	-5,684,236
56	2063	7,009,147		(5,683,475)		0	159	264,921	(5,948,555)	643	-5,949,198
57	2064	7,219,421		(5,948,555)		0	126	275,518	(6,224,189)	552	-6,224,751
58	2065	7,436,004		(6,224,189)		0	101	286,538	(6,510,638)	481	-6,511,319

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Optimistic Estimate (\$000)

Scenario 1

Claims fully funded in 2018

Assessment Rate = 0 in 2019 and later

Fund only pays claims, no expenses after 2018

Interest Discount	8.00%
Wage / Premium Increase	5.00%
Expense Increase	2.00%
Pre 2018 Assessment Rate	4.47%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$28,889
Award Variation	-1.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities	Surplus/ (Deficit)
0.5	2007.5	702,000	4.47%	444,529	31,394	17,170	47,238	14,733	431,121	798,826	
1	2008	1,433,250	4.47%	431,121	64,096	32,365	87,458	29,760	410,364	782,009	-350,888
2	2009	1,504,913	4.47%	410,364	67,301	30,911	84,897	30,355	393,324	753,581	-343,317
3	2010	1,550,158	4.47%	393,324	70,656	29,718	83,399	30,962	379,347	725,746	-332,424
4	2011	1,659,166	4.47%	379,347	74,199	28,785	81,680	31,582	369,070	697,137	-317,780
5	2012	1,742,124	4.47%	369,070	77,909	28,153	80,011	32,213	362,908	668,024	-298,954
6	2013	1,829,231	4.47%	362,908	81,805	27,862	78,213	32,857	361,504	638,316	-275,408
7	2014	1,920,692	4.47%	361,504	85,895	27,971	76,126	33,515	365,729	608,100	-246,596
8	2015	2,016,727	4.47%	365,729	90,190	26,542	73,904	34,185	376,373	577,536	-211,906
9	2016	2,117,563	4.47%	376,373	94,699	26,542	71,387	34,869	394,464	547,043	-170,671
10	2017	2,223,441	4.47%	394,464	99,434	31,360	68,790	35,566	420,903	516,620	-122,156
11	2018	2,334,613	4.47%	420,903	104,406	33,756	66,035	36,277	456,752	486,491	-65,558
12	2019	2,451,344		456,752		32,533	63,171	37,003	389,111	456,752	0
13	2020	2,573,911		389,111		27,217	60,065	37,743	318,520	427,643	-38,532
14	2021	2,702,607		318,520		21,663	56,968	38,498	244,717	399,433	-80,913
15	2022	2,837,737		244,717		15,852	53,864	39,268	167,437	372,184	-127,468
16	2023	2,979,824		167,437		9,760	50,823	40,053	86,321	345,982	-178,545
17	2024	3,128,905		86,321		3,358	47,843	40,854	982	320,844	-234,523
18	2025	3,285,035		982		0	44,917	41,671	(85,606)	296,792	-295,810
19	2026	3,449,287		(85,606)		0	42,112	42,505	(170,222)	273,856	-359,462
20	2027	3,621,751		(170,222)		0	39,402	43,355	(252,979)	252,000	-422,223
21	2028	3,802,839		(252,979)		0	36,766	44,222	(333,967)	231,213	-484,192
22	2029	3,992,981		(333,967)		0	34,281	45,106	(413,353)	211,502	-545,468
23	2030	4,192,630		(413,353)		0	31,862	46,008	(491,224)	192,796	-606,150
24	2031	4,402,261		(491,224)		0	29,547	46,929	(567,700)	175,108	-666,332
25	2032	4,622,374		(567,700)		0	27,292	47,867	(642,859)	158,410	-726,110
26	2033	4,853,493		(642,859)		0	25,077	48,824	(716,760)	142,720	-785,579
27	2034	5,096,168		(716,760)		0	22,975	49,801	(789,536)	128,077	-844,637
28	2035	5,350,976		(789,536)		0	20,962	50,797	(861,295)	114,447	-903,983
29	2036	5,618,525		(861,295)		0	19,047	51,813	(932,155)	101,818	-963,113
30	2037	5,899,451		(932,155)		0	17,225	52,849	(1,002,229)	90,169	-1,022,325
31	2038	6,194,424		(1,002,229)		0	15,516	53,906	(1,071,651)	79,482	-1,081,711
32	2039	6,504,145		(1,071,651)		0	13,912	54,984	(1,140,548)	69,716	-1,141,367
33	2040	6,829,352		(1,140,548)		0	12,413	56,084	(1,209,045)	60,835	-1,201,383
34	2041	7,170,820		(1,209,045)		0	11,028	57,206	(1,277,278)	52,802	-1,261,847
35	2042	7,529,361		(1,277,278)		0	9,727	58,350	(1,345,355)	45,566	-1,322,844
36	2043	7,905,829		(1,345,355)		0	8,529	59,517	(1,413,401)	39,102	-1,384,457
37	2044	8,301,120		(1,413,401)		0	7,435	60,707	(1,481,542)	33,367	-1,446,768
38	2045	8,716,177		(1,481,542)		0	6,444	61,921	(1,549,908)	28,310	-1,509,852
39	2046	9,151,985		(1,549,908)		0	5,555	63,160	(1,618,622)	23,878	-1,573,786
40	2047	9,609,585		(1,618,622)		0	4,760	64,423	(1,687,805)	20,016	-1,638,638
41	2048	10,090,064		(1,687,805)		0	4,050	65,711	(1,757,565)	16,670	-1,704,475
42	2049	10,594,567		(1,757,565)		0	3,422	67,025	(1,828,013)	13,795	-1,771,361
43	2050	11,124,295		(1,828,013)		0	2,870	68,366	(1,899,249)	11,343	-1,839,356
44	2051	11,680,510		(1,899,249)		0	2,390	69,733	(1,971,372)	9,268	-1,908,517
45	2052	12,264,536		(1,971,372)		0	1,977	71,128	(2,044,477)	7,525	-1,978,897
46	2053	12,877,762		(2,044,477)		0	1,622	72,551	(2,118,650)	6,072	-2,050,550
47	2054	13,521,651		(2,118,650)		0	1,319	74,002	(2,193,970)	4,873	-2,123,523
48	2055	14,197,733		(2,193,970)		0	1,063	75,482	(2,270,515)	3,892	-2,197,862
49	2056	14,907,620		(2,270,515)		0	851	76,991	(2,348,358)	3,098	-2,273,613
50	2057	15,653,001		(2,348,358)		0	677	78,531	(2,427,568)	2,461	-2,350,819
51	2058	16,435,651		(2,427,568)		0	534	80,102	(2,508,201)	1,955	-2,429,520
52	2059	17,257,433		(2,508,201)		0	418	81,704	(2,590,324)	1,556	-2,509,757
53	2060	18,120,305		(2,590,324)		0	327	83,338	(2,673,988)	1,246	-2,591,569
54	2061	19,026,320		(2,673,988)		0	255	85,004	(2,759,248)	1,005	-2,674,994
55	2062	19,977,636		(2,759,248)		0	199	86,705	(2,846,151)	821	-2,760,069
56	2063	20,976,618		(2,846,151)		0	156	88,439	(2,934,746)	680	-2,846,831
57	2064	22,025,344		(2,934,746)		0	124	90,207	(3,025,077)	572	-2,935,318
58	2065	23,126,611		(3,025,077)		0	99	92,012	(3,117,188)	489	-3,025,566

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Point Estimate (\$000)

Scenario 2	Interest Discount	7.00%	7/1/2007 Starting Balance	\$444,529
Claims fully funded in 2015.	Wage / Premium Increase	4.00%	2006 Statewide Premium	\$1,300,000
Assessment Rate changes in 2019 and later to cover ongoing expenses until claims pay out.	Expense Increase	3.00%	FY 2007 Agency Expense	\$28,889
	Pre 2018 Assessment Rate	5.25%	Award Variation	0.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities	Surplus/ (Deficit)
0.5	2007.5	695,500	5.25%	444,529	36,547	15,103	47,715	14,878	433,585	850,436	-416,851
1	2008	1,406,080	5.25%	433,585	73,886	28,788	88,341	30,199	417,720	818,586	-400,866
2	2009	1,462,323	5.25%	417,720	76,841	27,840	85,764	31,105	405,542	787,182	-381,640
3	2010	1,520,816	5.25%	405,542	79,915	27,115	84,242	32,038	396,293	755,144	-358,852
4	2011	1,581,649	5.25%	396,293	83,112	26,607	82,505	32,999	390,508	722,661	-332,153
5	2012	1,644,915	5.25%	390,508	86,436	26,343	80,819	33,989	388,479	689,548	-301,169
6	2013	1,710,711	5.25%	388,479	89,894	26,349	79,003	35,009	390,710	656,201	-265,492
7	2014	1,779,140	5.25%	390,710	93,489	26,668	78,894	36,059	397,914	622,595	-224,681
8	2015	1,850,305	5.25%	397,914	97,229	27,344	74,650	37,141	410,697	588,958	-178,261
9	2016	1,924,318	5.25%	410,897	101,118	28,425	72,108	38,255	429,877	555,596	-125,719
10	2017	2,001,290	5.25%	429,877	105,163	29,961	69,485	39,402	456,114	522,612	-66,498
11	2018	2,081,342	5.25%	456,114	109,369	32,001	66,702	40,585	490,198	490,198	0
12	2019	2,164,566	1.93%	490,198	41,802	32,081	63,809	41,802	458,469	458,469	-38
13	2020	2,251,179	1.91%	458,469	43,056	29,969	60,772	43,056	427,767	427,767	-76
14	2021	2,341,227	1.89%	427,767	44,348	27,930	57,544	44,348	398,153	398,269	-116
15	2022	2,434,876	1.86%	398,153	45,678	25,966	54,408	45,678	369,711	369,667	-156
16	2023	2,532,271	1.86%	369,711	47,049	24,083	51,337	47,049	342,458	342,655	-197
17	2024	2,633,561	1.84%	342,458	48,460	22,281	48,326	48,460	316,413	316,652	-240
18	2025	2,738,904	1.82%	316,413	49,914	20,561	45,371	49,914	291,603	291,886	-283
19	2026	2,848,460	1.80%	291,603	51,411	18,923	42,537	51,411	267,989	268,317	-328
20	2027	2,962,398	1.79%	267,989	52,954	17,366	39,800	52,954	245,555	245,930	-375
21	2028	3,080,894	1.77%	245,555	54,542	15,889	37,137	54,542	224,307	224,730	-423
22	2029	3,204,130	1.75%	224,307	56,178	14,490	34,627	56,178	204,170	204,643	-473
23	2030	3,332,295	1.74%	204,170	57,864	13,165	32,184	57,864	185,152	185,677	-526
24	2031	3,465,587	1.72%	185,152	59,600	11,916	29,846	59,600	167,222	167,802	-580
25	2032	3,604,211	1.70%	167,222	61,388	10,741	27,568	61,388	150,394	151,031	-637
26	2033	3,748,379	1.69%	150,394	63,229	9,641	25,330	63,229	134,705	135,402	-696
27	2034	3,898,314	1.67%	134,705	65,126	8,617	23,207	65,126	120,115	120,874	-759
28	2035	4,054,247	1.65%	120,115	67,080	7,667	21,174	67,080	106,608	107,433	-825
29	2036	4,216,417	1.64%	106,608	69,092	6,789	19,240	69,092	94,158	95,052	-894
30	2037	4,385,073	1.62%	94,158	71,165	5,982	17,399	71,165	82,741	83,708	-967
31	2038	4,560,476	1.61%	82,741	73,300	5,243	15,673	73,300	72,312	73,355	-1,044
32	2039	4,742,895	1.59%	72,312	75,499	4,570	14,053	75,499	62,829	63,954	-1,125
33	2040	4,932,511	1.58%	62,829	77,764	3,959	12,539	77,764	54,249	55,460	-1,211
34	2041	5,129,916	1.56%	54,249	80,097	3,408	11,139	80,097	46,518	47,820	-1,302
35	2042	5,335,112	1.55%	46,518	82,500	2,912	9,825	82,500	39,605	41,004	-1,399
36	2043	5,548,517	1.53%	39,605	84,975	2,471	8,615	84,975	33,461	34,963	-1,502
37	2044	5,770,457	1.52%	33,461	87,524	2,079	7,510	87,524	28,030	29,642	-1,612
38	2045	6,001,276	1.50%	28,030	90,150	1,734	6,509	90,150	23,256	24,984	-1,729
39	2046	6,241,327	1.49%	23,256	92,854	1,432	5,611	92,854	19,076	20,929	-1,853
40	2047	6,490,980	1.47%	19,076	95,640	1,167	4,808	95,640	15,435	17,421	-1,986
41	2048	6,750,619	1.46%	15,435	98,509	937	4,091	98,509	12,282	14,409	-2,127
42	2049	7,020,644	1.45%	12,282	101,465	739	3,456	101,465	9,565	11,843	-2,278
43	2050	7,301,470	1.43%	9,565	104,509	568	2,899	104,509	7,234	9,673	-2,439
44	2051	7,593,528	1.42%	7,234	107,644	422	2,414	107,644	5,241	7,853	-2,611
45	2052	7,897,270	1.40%	5,241	110,873	297	1,997	110,873	3,541	6,336	-2,795
46	2053	8,213,160	1.39%	3,541	114,199	191	1,638	114,199	2,093	5,085	-2,992
47	2054	8,541,687	1.38%	2,093	117,625	100	1,333	117,625	860	4,063	-3,202
48	2055	8,883,354	1.36%	860	121,154	23	1,074	121,154	-191	3,236	-3,427
49	2056	9,238,888	1.35%	(191)	124,789	0	860	124,789	-1,051	2,573	-3,624
50	2057	9,608,236	1.34%	(1,051)	128,532	0	683	128,532	-1,736	2,046	-3,780
51	2058	9,992,565	1.32%	(1,735)	132,388	0	539	132,388	-2,274	1,631	-3,905
52	2059	10,392,268	1.31%	(2,274)	136,360	0	423	136,360	-2,697	1,308	-4,005
53	2060	10,807,959	1.30%	(2,697)	140,451	0	330	140,451	-3,027	1,058	-4,085
54	2061	11,240,277	1.29%	(3,027)	144,664	0	257	144,664	-3,264	886	-4,150
55	2062	11,689,888	1.27%	(3,284)	149,004	0	201	149,004	-3,485	719	-4,204
56	2063	12,157,484	1.26%	(3,485)	153,474	0	158	153,474	-3,643	606	-4,249
57	2064	12,643,783	1.25%	(3,643)	158,079	0	125	158,079	-3,768	519	-4,287
58	2065	13,149,534	1.24%	(3,768)	162,821	0	100	162,821	-3,868	452	-4,320

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Pessimistic Estimate (\$000)

Scenario 2

Claims fully funded in 2018.
Assessment Rate changes in 2019 and later
to cover ongoing expenses until claims pay out.

Interest Discount	6.00%
Wage / Premium Increase	3.00%
Expense Increase	4.00%
Pre 2018 Assessment Rate	6.17%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$28,889
Award Variation	1.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities	Surplus/ (Deficit)
0.5	2007.5	689,000	6.17%	444,529	42,515	13,025	48,192	15,022	436,854	950,332	-492,674
1	2008	1,379,170	6.17%	436,854	85,101	25,168	89,224	30,640	427,260	928,528	-466,178
2	2009	1,420,945	6.17%	427,260	87,654	24,711	86,612	31,865	421,148	893,437	-436,723
3	2010	1,463,161	6.17%	421,148	90,284	24,431	85,084	33,140	417,639	857,871	-404,105
4	2011	1,507,056	6.17%	417,639	92,993	24,314	83,330	34,465	417,151	821,744	-368,105
5	2012	1,552,268	6.17%	417,151	95,782	24,378	81,627	35,844	419,840	785,256	-328,490
6	2013	1,598,836	6.17%	419,840	98,656	24,638	79,793	37,278	426,063	748,331	-285,015
7	2014	1,646,801	6.17%	426,063	101,615	25,119	77,663	38,769	436,366	711,078	-237,418
8	2015	1,696,205	6.17%	436,366	104,664	25,850	75,987	40,320	451,164	673,783	-185,421
9	2016	1,747,091	6.17%	451,164	107,804	26,861	72,829	41,932	471,067	636,585	-128,731
10	2017	1,799,504	6.17%	471,067	111,038	28,181	70,179	43,610	496,498	599,798	-67,034
11	2018	1,853,489	6.17%	496,498	114,369	29,839	67,369	45,354	527,983	563,532	0
12	2019	1,909,094	2.47%	527,983	47,168	29,746	64,448	47,168	493,281	493,309	-28
13	2020	1,966,367	2.49%	493,281	49,055	27,759	61,278	49,055	459,761	458,818	-57
14	2021	2,025,358	2.52%	459,761	51,017	25,842	58,119	51,017	427,484	427,569	-85
15	2022	2,086,118	2.54%	427,484	53,058	24,000	54,952	53,058	396,532	396,847	-115
16	2023	2,148,702	2.57%	396,532	55,180	22,236	51,850	55,180	366,919	367,063	-144
17	2024	2,213,163	2.59%	366,919	57,387	20,551	48,809	57,387	338,661	338,835	-174
18	2025	2,279,558	2.62%	338,661	59,683	18,945	45,625	59,683	311,781	311,985	-204
19	2026	2,347,945	2.64%	311,781	62,070	17,418	42,962	62,070	286,237	286,472	-236
20	2027	2,418,383	2.67%	286,237	64,583	15,968	40,198	64,583	262,007	262,274	-267
21	2028	2,490,934	2.70%	262,007	67,135	14,595	37,508	67,135	239,094	239,393	-300
22	2029	2,565,662	2.72%	239,094	69,820	13,296	34,973	69,820	217,417	217,760	-333
23	2030	2,642,632	2.75%	217,417	72,613	12,070	32,506	72,613	196,981	197,348	-367
24	2031	2,721,911	2.77%	196,981	75,518	10,915	30,144	75,518	177,751	178,154	-402
25	2032	2,803,589	2.80%	177,751	78,539	9,830	27,844	78,539	159,737	160,176	-439
26	2033	2,887,676	2.83%	159,737	81,680	8,817	25,583	81,680	142,971	143,447	-476
27	2034	2,974,306	2.86%	142,971	84,947	7,875	23,440	84,947	127,406	127,921	-515
28	2035	3,063,535	2.88%	127,406	88,345	7,003	21,385	88,345	113,024	113,579	-555
29	2036	3,155,441	2.91%	113,024	91,879	6,198	19,432	91,879	99,790	100,387	-597
30	2037	3,250,104	2.94%	99,790	95,554	5,460	17,573	95,554	87,678	88,318	-640
31	2038	3,347,608	2.97%	87,678	99,376	4,786	15,830	99,376	76,634	77,320	-686
32	2039	3,448,036	3.00%	76,634	103,351	4,172	14,193	103,351	66,613	67,346	-733
33	2040	3,551,477	3.03%	66,613	107,485	3,617	12,664	107,485	57,586	58,348	-783
34	2041	3,658,021	3.06%	57,586	111,785	3,116	11,250	111,785	49,432	50,266	-834
35	2042	3,767,782	3.09%	49,432	116,256	2,668	9,924	116,256	42,176	43,065	-889
36	2043	3,880,795	3.12%	42,176	120,906	2,270	8,701	120,906	35,745	36,691	-948
37	2044	3,997,219	3.15%	35,745	125,743	1,917	7,585	125,743	30,077	31,083	-1,006
38	2045	4,117,135	3.18%	30,077	130,772	1,607	6,574	130,772	25,110	26,179	-1,069
39	2046	4,240,649	3.21%	25,110	136,003	1,337	5,667	136,003	20,780	21,916	-1,136
40	2047	4,367,869	3.24%	20,780	141,443	1,101	4,856	141,443	17,025	18,231	-1,206
41	2048	4,498,905	3.27%	17,025	147,101	898	4,131	147,101	13,791	15,071	-1,280
42	2049	4,633,872	3.30%	13,791	152,985	723	3,491	152,985	11,023	12,381	-1,359
43	2050	4,772,888	3.33%	11,023	159,105	574	2,928	159,105	8,668	10,110	-1,442
44	2051	4,916,075	3.37%	8,668	165,489	447	2,438	165,489	6,677	8,206	-1,529
45	2052	5,063,557	3.40%	6,677	172,088	340	2,017	172,088	4,999	6,621	-1,622
46	2053	5,215,464	3.43%	4,999	178,971	250	1,654	178,971	3,595	5,315	-1,720
47	2054	5,371,927	3.46%	3,595	186,130	175	1,346	186,130	2,425	4,248	-1,824
48	2055	5,533,085	3.50%	2,425	193,575	113	1,085	193,575	1,453	3,386	-1,933
49	2056	5,699,078	3.53%	1,453	201,318	61	869	201,318	645	2,695	-2,050
50	2057	5,870,050	3.57%	645	209,371	18	690	209,371	-27	2,146	-2,173
51	2058	6,046,152	3.60%	(27)	217,746	0	545	217,746	-572	1,714	-2,286
52	2059	6,227,536	3.64%	(572)	226,455	0	427	226,455	-999	1,377	-2,376
53	2060	6,414,362	3.67%	(999)	235,514	0	334	235,514	-1,333	1,116	-2,449
54	2061	6,606,793	3.71%	(1,333)	244,934	0	260	244,934	-1,693	916	-2,508
55	2062	6,804,997	3.74%	(1,593)	254,732	0	203	254,732	-1,796	761	-2,557
56	2063	7,009,147	3.78%	(1,796)	264,921	0	159	264,921	-1,955	643	-2,598
57	2064	7,219,421	3.82%	(1,955)	275,518	0	126	275,518	-2,081	552	-2,633
58	2065	7,436,064	3.85%	(2,081)	286,538	0	101	286,538	-2,182	481	-2,663

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Optimistic Estimate (\$000)

Scenario 2

Claims fully funded in 2018.
Assessment Rate changes in 2019 and later
to cover ongoing expenses until claims pay out.

Interest Discount	8.00%
Wage / Premium Increase	5.00%
Expense Increase	2.00%
Pre 2018 Assessment Rate	4.47%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$28,889
Award Variation	-1.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities	Surplus/ (Deficit)
0.5	2007.5	702,000	4.47%	444,529	31,394	17,170	47,238	14,733	431,121	798,826	-350,886
1	2008	1,433,250	4.47%	431,121	64,096	32,365	87,458	29,760	410,364	782,009	-343,317
2	2009	1,504,913	4.47%	410,364	67,301	30,911	84,897	30,355	393,324	725,748	-332,424
3	2010	1,580,158	4.47%	393,324	70,866	29,718	83,399	30,962	379,347	697,137	-317,790
4	2011	1,659,166	4.47%	379,347	74,199	28,785	81,880	31,582	369,070	668,024	-298,954
5	2012	1,742,124	4.47%	369,070	77,909	28,153	80,011	32,213	362,908	638,316	-275,408
6	2013	1,829,231	4.47%	362,908	81,805	27,862	78,213	32,857	361,504	608,100	-246,596
7	2014	1,920,692	4.47%	361,504	85,895	27,971	76,126	33,515	365,729	577,636	-211,906
8	2015	2,016,727	4.47%	365,729	90,190	28,542	73,904	34,185	376,373	547,043	-170,671
9	2016	2,117,563	4.47%	376,373	94,899	29,648	71,387	34,869	394,464	516,620	-122,156
10	2017	2,223,441	4.47%	394,464	99,434	31,360	68,790	35,566	420,903	486,461	-65,558
11	2018	2,334,613	4.47%	420,903	104,406	33,756	66,035	36,277	459,752	456,752	0
12	2019	2,451,344	1.51%	456,752	37,003	34,013	63,171	37,003	427,594	427,594	-49
13	2020	2,573,911	1.47%	427,594	37,743	31,805	60,065	37,743	399,334	399,433	-99
14	2021	2,702,607	1.42%	399,334	39,334	30,668	56,968	38,498	372,034	372,184	-151
15	2022	2,837,737	1.38%	372,034	39,268	27,608	53,864	39,268	345,778	345,982	-204
16	2023	2,979,624	1.34%	345,778	40,053	25,629	50,823	40,053	320,584	320,844	-260
17	2024	3,128,605	1.31%	320,584	40,854	23,733	47,843	40,854	296,474	296,792	-317
18	2025	3,285,035	1.27%	296,474	41,671	21,921	44,917	41,671	273,478	273,856	-377
19	2026	3,449,287	1.23%	273,478	42,505	20,194	42,112	42,505	251,561	252,000	-440
20	2027	3,621,751	1.20%	251,561	43,355	18,549	39,402	43,355	230,707	231,213	-505
21	2028	3,802,839	1.16%	230,707	44,222	16,986	36,766	44,222	210,828	211,502	-574
22	2029	3,992,981	1.13%	210,828	45,106	15,503	34,281	45,106	192,150	192,796	-646
23	2030	4,192,630	1.10%	192,150	46,008	14,098	31,862	46,008	174,386	175,108	-723
24	2031	4,402,261	1.07%	174,386	46,929	12,769	29,547	46,929	157,807	158,410	-803
25	2032	4,622,374	1.04%	157,807	47,867	11,517	27,292	47,867	141,832	142,720	-888
26	2033	4,853,493	1.01%	141,832	48,824	10,343	25,077	48,824	127,099	128,077	-979
27	2034	5,096,168	0.98%	127,099	49,801	9,249	22,975	49,801	113,372	114,447	-1,075
28	2035	5,350,976	0.95%	113,372	50,797	8,231	20,962	50,797	100,642	101,818	-1,177
29	2036	5,618,525	0.92%	100,642	51,813	7,289	19,047	51,813	88,884	90,169	-1,286
30	2037	5,899,451	0.90%	88,884	52,849	6,422	17,225	52,849	78,081	79,482	-1,402
31	2038	6,194,424	0.87%	78,081	53,906	5,626	15,516	53,906	68,190	69,716	-1,526
32	2039	6,504,145	0.85%	68,190	54,984	4,899	13,912	54,984	59,177	60,835	-1,658
33	2040	6,829,352	0.82%	59,177	56,084	4,238	12,413	56,084	51,001	52,802	-1,801
34	2041	7,170,820	0.80%	51,001	57,206	3,639	11,028	57,206	43,613	45,566	-1,953
35	2042	7,529,361	0.77%	43,613	58,350	3,100	9,727	58,350	36,986	39,102	-2,117
36	2043	7,905,829	0.75%	36,986	59,517	2,618	8,529	59,517	31,074	33,367	-2,293
37	2044	8,301,120	0.73%	31,074	60,707	2,189	7,435	60,707	25,828	28,310	-2,482
38	2045	8,716,177	0.71%	25,828	61,921	1,808	6,444	61,921	21,192	23,878	-2,686
39	2046	9,151,985	0.69%	21,192	63,160	1,473	5,555	63,160	17,111	20,016	-2,905
40	2047	9,609,585	0.67%	17,111	64,423	1,178	4,760	64,423	13,530	16,670	-3,141
41	2048	10,090,064	0.65%	13,530	65,711	920	4,050	65,711	10,400	13,795	-3,395
42	2049	10,594,567	0.63%	10,400	67,025	695	3,422	67,025	7,674	11,343	-3,669
43	2050	11,124,295	0.61%	7,674	68,366	499	2,870	68,366	5,303	9,268	-3,965
44	2051	11,680,510	0.60%	5,303	69,733	329	2,390	69,733	3,241	7,525	-4,284
45	2052	12,264,536	0.58%	3,241	71,128	180	1,977	71,128	1,444	6,072	-4,628
46	2053	12,877,762	0.56%	1,444	72,551	51	1,622	72,551	-127	4,873	-5,000
47	2054	13,521,651	0.55%	(127)	74,002	0	1,319	74,002	-1,446	3,892	-5,338
48	2055	14,197,733	0.53%	(1,446)	75,482	0	1,063	75,482	-2,510	3,098	-5,608
49	2056	14,907,620	0.52%	(2,510)	76,991	0	851	76,991	-3,361	2,461	-5,822
50	2057	15,653,001	0.50%	(3,361)	78,531	0	677	78,531	-4,038	1,955	-5,992
51	2058	16,435,651	0.49%	(4,038)	80,102	0	534	80,102	-4,572	1,556	-6,128
52	2059	17,257,433	0.47%	(4,572)	81,704	0	418	81,704	-4,990	1,246	-6,236
53	2060	18,120,305	0.46%	(4,990)	83,338	0	327	83,338	-5,317	1,005	-6,323
54	2061	19,026,320	0.45%	(5,317)	85,004	0	255	85,004	-5,572	821	-6,393
55	2062	19,977,636	0.43%	(5,572)	86,705	0	199	86,705	-5,771	680	-6,451
56	2063	20,976,518	0.42%	(5,771)	88,439	0	156	88,439	-5,927	572	-6,499
57	2064	22,025,344	0.41%	(5,927)	90,207	0	124	90,207	-6,051	489	-6,540
58	2065	23,126,611	0.40%	(6,051)	92,012	0	99	92,012	-6,150	425	-6,575

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Point Estimate (\$000)

Scenario 3

Claims fully funded in 2018.
Expenses fully funded in 2018.

Interest Discount	7.00%
Wage / Premium Increase	4.00%
Expense Increase	3.00%
Pre 2018 Assessment Rate	8.37%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$28,888
Award Variation	0.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities & Agency Exp	Surplus/ (Deficit)
										1,555,820	
0.5	2007.5	695,500	8.37%	444,529	58,209	15,482	47,715	14,878	485,627	1,545,693	-1,090,066
1	2008	1,406,080	8.37%	455,627	117,880	31,864	88,341	30,199	486,631	1,531,273	-1,044,642
2	2009	1,462,323	8.37%	486,631	122,387	34,258	85,754	31,105	526,416	1,517,582	-991,165
3	2010	1,520,816	8.37%	526,416	127,283	37,234	84,242	32,038	574,654	1,503,632	-928,878
4	2011	1,581,849	8.37%	574,654	132,374	40,816	82,505	32,999	632,341	1,489,302	-858,961
5	2012	1,644,915	8.37%	632,341	137,659	45,084	80,819	33,989	700,266	1,474,795	-774,529
6	2013	1,710,711	8.37%	700,266	143,176	50,089	79,003	35,009	779,469	1,460,095	-680,626
7	2014	1,779,140	8.37%	779,469	148,903	55,821	76,894	36,059	871,240	1,445,462	-574,222
8	2015	1,850,305	8.37%	871,240	154,859	62,494	74,650	37,141	976,802	1,431,007	-454,205
9	2016	1,924,318	8.37%	976,802	161,053	70,150	72,108	38,255	1,097,643	1,417,016	-319,375
10	2017	2,001,290	8.37%	1,097,643	167,495	78,886	69,485	39,402	1,235,138	1,403,575	-168,438
11	2018	2,081,342	8.37%	1,235,138	174,195	88,801	66,702	40,585	1,390,848	1,390,848	0
12	2019			1,390,848		93,663	63,809	41,802	1,378,899	1,378,962	-62
13	2020			1,378,899		92,892	60,672	43,056	1,368,064	1,368,192	-128
14	2021			1,368,064		92,198	57,544	44,348	1,358,371	1,358,568	-197
15	2022			1,358,371		91,583	54,408	45,678	1,349,667	1,350,138	-270
16	2023			1,349,667		91,047	51,337	47,049	1,342,529	1,342,877	-347
17	2024			1,342,529		90,590	48,326	48,460	1,336,333	1,336,762	-429
18	2025			1,336,333		90,208	45,371	49,914	1,331,257	1,331,772	-515
19	2026			1,331,257		89,900	42,537	51,411	1,327,208	1,327,815	-607
20	2027			1,327,208		89,658	39,800	52,954	1,324,113	1,324,817	-705
21	2028			1,324,113		89,479	37,137	54,542	1,321,913	1,322,721	-806
22	2029			1,321,913		89,356	34,627	56,178	1,320,463	1,321,381	-918
23	2030			1,320,463		89,281	32,184	57,864	1,319,696	1,320,732	-1,036
24	2031			1,319,696		89,248	29,846	59,600	1,319,499	1,320,660	-1,181
25	2032			1,319,499		89,251	27,568	61,368	1,319,794	1,321,090	-1,295
26	2033			1,319,794		89,286	25,330	63,229	1,320,521	1,321,959	-1,439
27	2034			1,320,521		89,345	23,207	65,126	1,321,532	1,323,123	-1,592
28	2035			1,321,532		89,418	21,174	67,060	1,322,697	1,324,452	-1,755
29	2036			1,322,697		89,497	19,240	69,092	1,323,862	1,325,792	-1,930
30	2037			1,323,862		89,571	17,399	71,165	1,324,858	1,326,966	-2,118
31	2038			1,324,858		89,627	15,673	73,300	1,325,522	1,327,841	-2,319
32	2039			1,325,522		89,652	14,053	75,499	1,326,622	1,328,156	-2,534
33	2040			1,325,622		89,633	12,539	77,764	1,324,952	1,327,717	-2,765
34	2041			1,324,952		89,553	11,139	80,097	1,323,270	1,326,282	-3,013
35	2042			1,323,270		89,397	9,825	82,500	1,320,342	1,323,620	-3,278
36	2043			1,320,342		89,148	8,615	84,975	1,315,900	1,319,463	-3,563
37	2044			1,315,900		88,787	7,510	87,524	1,309,653	1,313,521	-3,869
38	2045			1,309,653		88,293	6,509	90,150	1,301,286	1,305,483	-4,197
39	2046			1,301,286		87,644	5,611	92,854	1,290,465	1,298,013	-4,549
40	2047			1,290,465		86,817	4,808	95,640	1,276,834	1,281,760	-4,927
41	2048			1,276,834		85,787	4,091	98,509	1,260,021	1,265,353	-5,332
42	2049			1,260,021		84,529	3,456	101,465	1,239,629	1,245,397	-5,768
43	2050			1,239,629		83,015	2,899	104,609	1,215,237	1,221,471	-6,235
44	2051			1,215,237		81,215	2,414	107,644	1,186,393	1,193,129	-6,736
45	2052			1,186,393		79,097	1,997	110,873	1,152,619	1,159,894	-7,275
46	2053			1,152,619		76,629	1,638	114,199	1,113,411	1,121,264	-7,853
47	2054			1,113,411		73,775	1,333	117,625	1,068,229	1,076,701	-8,473
48	2055			1,068,229		70,498	1,074	121,154	1,016,498	1,025,636	-9,138
49	2056			1,016,498		66,757	860	124,789	957,607	967,459	-9,852
50	2057			957,607		62,510	683	128,532	890,901	901,519	-10,618
51	2058			890,901		57,711	539	132,388	815,684	827,124	-11,440
52	2059			815,684		52,310	423	136,360	731,212	743,534	-12,322
53	2060			731,212		46,257	330	140,451	636,688	649,956	-13,268
54	2061			636,688		39,496	257	144,664	531,262	545,545	-14,283
55	2062			531,262		31,966	201	149,004	414,023	429,384	-15,371
56	2063			414,023		23,605	158	153,474	283,996	300,534	-16,538
57	2064			283,996		14,343	125	158,079	140,135	157,924	-17,789
58	2065			140,135		4,107	100	162,821	(18,679)	452	-19,130

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Pessimistic Estimate (\$000)

Scenario 3

Claims fully funded in 2018.
Expenses fully funded in 2018.

Interest Discount	6.00%
Wage / Premium Increase	3.00%
Expense Increase	4.00%
Pre 2018 Assessment Rate	11.77%

7/1/2007 Starting Balance	\$444,529
2005 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$26,889
Award Variance	1.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities & Agency Exp	Surplus/ (Deficit)
0.5	2007.5	689,000	11.77%	444,529	81,065	13,604	48,192	15,022	475,983	1,989,604	-1,508,297
1	2008	1,379,170	11.77%	475,983	162,268	29,831	89,224	30,640	548,219	1,979,930	-1,431,711
2	2009	1,420,545	11.77%	548,219	167,138	34,353	86,612	31,865	631,231	1,976,746	-1,345,515
3	2010	1,463,161	11.77%	631,231	172,150	39,492	85,084	33,140	724,649	1,973,632	-1,248,963
4	2011	1,507,056	11.77%	724,649	177,315	45,265	83,330	34,465	829,434	1,970,772	-1,141,339
5	2012	1,552,268	11.77%	829,434	182,634	51,721	81,627	35,844	946,318	1,968,075	-1,021,757
6	2013	1,598,836	11.77%	946,318	188,113	58,910	79,793	37,278	1,076,271	1,965,627	-889,357
7	2014	1,646,801	11.77%	1,076,271	193,757	66,896	77,663	38,769	1,220,492	1,963,691	-743,199
8	2015	1,696,205	11.77%	1,220,492	199,570	75,745	75,397	40,320	1,380,090	1,962,375	-662,265
9	2016	1,747,091	11.77%	1,380,090	205,557	85,529	72,829	41,932	1,556,414	1,961,963	-405,549
10	2017	1,799,504	11.77%	1,556,414	211,723	96,323	70,179	43,610	1,750,672	1,962,528	-211,856
11	2018	1,853,489	11.77%	1,750,672	218,075	108,201	67,369	45,354	1,964,225	1,964,225	0
12	2019			1,964,225		114,505	64,448	47,168	1,967,114	1,967,163	-48
13	2020			1,967,114		114,717	61,278	49,055	1,971,498	1,971,597	-100
14	2021			1,971,498		115,016	58,119	51,017	1,977,377	1,977,530	-153
15	2022			1,977,377		115,402	54,952	53,058	1,984,769	1,984,979	-210
16	2023			1,984,769		115,875	51,850	55,180	1,993,615	1,993,884	-269
17	2024			1,993,615		116,431	48,809	57,387	2,003,849	2,004,181	-332
18	2025			2,003,849		117,068	45,825	59,683	2,015,408	2,015,805	-398
19	2026			2,015,408		117,773	42,962	62,070	2,028,149	2,028,616	-467
20	2027			2,028,149		118,546	40,198	64,553	2,041,944	2,042,485	-541
21	2028			2,041,944		119,377	37,508	67,135	2,056,678	2,057,297	-619
22	2029			2,056,678		120,257	34,973	69,820	2,072,141	2,072,843	-702
23	2030			2,072,141		121,175	32,506	72,613	2,088,197	2,088,987	-790
24	2031			2,088,197		122,122	30,144	75,518	2,104,657	2,105,541	-884
25	2032			2,104,657		123,088	27,844	78,539	2,121,363	2,122,346	-983
26	2033			2,121,363		124,064	25,583	81,680	2,138,193	2,139,252	-1,089
27	2034			2,138,163		125,038	23,440	84,947	2,154,815	2,156,017	-1,202
28	2035			2,154,815		125,997	21,385	88,345	2,171,081	2,172,403	-1,322
29	2036			2,171,081		126,926	19,432	91,879	2,188,696	2,189,146	-1,450
30	2037			2,186,696		127,808	17,573	95,554	2,201,377	2,202,963	-1,586
31	2038			2,201,377		128,626	15,830	99,376	2,214,797	2,216,529	-1,732
32	2039			2,214,797		129,361	14,193	103,351	2,226,614	2,228,501	-1,887
33	2040			2,226,614		129,992	12,664	107,465	2,236,457	2,238,510	-2,053
34	2041			2,236,457		130,496	11,250	111,785	2,243,918	2,246,148	-2,230
35	2042			2,243,918		130,850	9,924	116,256	2,248,588	2,251,007	-2,419
36	2043			2,248,588		131,027	8,701	120,906	2,250,008	2,252,628	-2,621
37	2044			2,250,008		131,001	7,585	125,743	2,247,681	2,250,517	-2,836
38	2045			2,247,681		130,740	6,574	130,772	2,241,075	2,244,141	-3,066
39	2046			2,241,075		130,214	5,667	136,003	2,229,619	2,232,931	-3,312
40	2047			2,229,619		129,388	4,856	141,443	2,212,707	2,216,282	-3,575
41	2048			2,212,707		128,225	4,131	147,101	2,189,700	2,193,556	-3,855
42	2049			2,189,700		126,688	3,491	152,985	2,159,912	2,164,067	-4,155
43	2050			2,159,912		124,734	2,928	159,105	2,122,613	2,127,088	-4,475
44	2051			2,122,613		122,320	2,438	165,469	2,077,025	2,081,843	-4,817
45	2052			2,077,025		119,398	2,017	172,088	2,022,319	2,027,501	-5,182
46	2053			2,022,319		115,920	1,654	178,971	1,957,614	1,963,186	-5,572
47	2054			1,957,614		111,833	1,346	186,130	1,881,970	1,887,959	-5,988
48	2055			1,881,970		107,078	1,085	193,575	1,794,399	1,800,822	-6,433
49	2056			1,794,389		101,598	869	201,318	1,693,800	1,700,707	-6,907
50	2057			1,693,800		95,326	690	209,371	1,579,065	1,586,478	-7,413
51	2058			1,579,065		88,195	545	217,746	1,448,970	1,456,923	-7,954
52	2059			1,448,970		80,132	427	226,455	1,302,219	1,310,749	-8,530
53	2060			1,302,219		71,058	334	235,514	1,137,429	1,146,574	-9,145
54	2061			1,137,429		60,890	260	244,934	953,125	962,926	-9,801
55	2062			953,125		49,539	203	254,732	747,730	758,230	-10,500
56	2063			747,730		36,911	159	264,921	519,561	530,807	-11,246
57	2064			519,561		22,904	126	275,518	266,822	278,863	-12,041
58	2065			266,822		7,410	101	286,538	(12,406)	481	-12,889

State Workers' Compensation Funding Commission
Employers' Reinsurance Fund 2018 Funding Plan Model
Optimistic Estimate (\$000)

Scenario 3

Claims fully funded in 2018.
Expenses fully funded in 2018.

Interest Discount	8.00%
Wage / Premium Increase	5.00%
Expense Increase	2.00%
Pre 2018 Assessment Rate	6.31%

7/1/2007 Starting Balance	\$444,529
2006 Statewide Premium	\$1,300,000
FY 2007 Agency Expense	\$28,889
Award Variance	-1.00%

Plan Year	Cal. Year	Statewide WC Premiums	Assessment Rate	Period Beginning Balance	Assessment Income	Interest Earnings	SF & UEF Benefit Payments	Agency Budget Payments	Funding Commission Ending Balance	PV of SF Liabilities & Agency Exp	Surplus/ (Deficit)
0.5	2007.5	702,000	6.31%	444,529	44,279	17,427	47,238	14,733	444,264	1,291,260	-834,478
1	2008	1,433,250	6.31%	444,264	90,403	34,469	67,458	29,760	451,917	1,259,225	-807,308
2	2009	1,504,913	6.31%	451,917	94,923	35,340	84,897	30,355	466,928	1,240,190	-773,261
3	2010	1,580,158	6.31%	466,928	99,669	36,767	83,399	30,962	489,002	1,220,557	-731,554
4	2011	1,659,166	6.31%	489,002	104,652	38,776	81,680	31,582	519,169	1,200,497	-681,327
5	2012	1,742,124	6.31%	519,169	109,885	41,440	80,011	32,213	558,271	1,179,910	-621,640
6	2013	1,829,231	6.31%	558,271	115,379	44,834	78,213	32,857	607,413	1,158,875	-551,462
7	2014	1,920,692	6.31%	607,413	121,148	49,053	76,126	33,515	667,975	1,137,643	-469,669
8	2015	2,016,727	6.31%	667,975	127,206	54,203	73,904	34,185	741,294	1,116,326	-375,031
9	2016	2,117,563	6.31%	741,294	133,566	60,396	71,387	34,869	829,001	1,095,208	-266,207
10	2017	2,223,441	6.31%	829,001	140,244	67,756	68,790	35,566	932,645	1,074,375	-141,730
11	2018	2,334,613	6.31%	932,645	147,257	76,409	66,035	36,277	1,053,999	1,053,999	0
12	2019			1,053,999		80,313	63,171	37,003	1,034,138	1,034,215	-77
13	2020			1,034,138		78,819	60,065	37,743	1,015,149	1,015,308	-159
14	2021			1,015,149		77,393	56,968	38,498	997,076	997,321	-245
15	2022			997,076		76,041	53,864	39,268	979,985	980,322	-336
16	2023			979,985		74,764	50,823	40,053	963,873	964,306	-433
17	2024			963,873		73,562	47,843	40,854	948,738	949,274	-536
18	2025			948,738		72,436	44,917	41,671	934,585	935,231	-645
19	2026			934,585		71,382	42,112	42,505	921,351	922,113	-762
20	2027			921,351		70,398	39,402	43,355	908,993	909,879	-887
21	2028			908,993		69,480	36,766	44,222	897,485	898,505	-1,020
22	2029			897,485		68,623	34,281	45,106	886,721	887,884	-1,163
23	2030			886,721		67,823	31,862	46,008	876,674	877,990	-1,316
24	2031			876,674		67,075	29,547	46,929	867,273	868,753	-1,480
25	2032			867,273		66,375	27,292	47,867	858,489	860,145	-1,656
26	2033			858,489		65,723	25,077	48,824	850,311	852,156	-1,845
27	2034			850,311		65,114	22,975	49,801	842,649	844,697	-2,049
28	2035			842,649		64,542	20,962	50,797	835,431	837,699	-2,268
29	2036			835,431		64,000	19,047	51,813	828,571	831,075	-2,504
30	2037			828,571		63,483	17,225	52,849	821,980	824,738	-2,758
31	2038			821,980		62,982	15,516	53,906	815,540	818,572	-3,032
32	2039			815,540		62,487	13,912	54,984	809,130	812,458	-3,328
33	2040			809,130		61,991	12,413	56,084	802,624	806,271	-3,647
34	2041			802,624		61,481	11,028	57,206	795,871	799,862	-3,991
35	2042			795,871		60,947	9,727	58,350	788,741	793,104	-4,363
36	2043			788,741		60,377	8,529	59,517	781,073	785,837	-4,764
37	2044			781,073		59,760	7,435	60,707	772,991	777,899	-5,198
38	2045			772,991		59,081	6,444	61,921	763,407	769,073	-5,666
39	2046			763,407		58,324	5,555	63,180	753,017	759,189	-6,172
40	2047			753,017		57,474	4,760	64,423	741,308	748,027	-6,719
41	2048			741,308		56,514	4,050	65,711	728,061	735,372	-7,311
42	2049			728,061		55,427	3,422	67,025	713,041	720,991	-7,950
43	2050			713,041		54,194	2,870	68,366	695,999	704,639	-8,640
44	2051			695,999		52,795	2,390	69,733	676,670	686,057	-9,387
45	2052			676,670		51,209	1,977	71,128	654,774	664,969	-10,194
46	2053			654,774		49,415	1,622	72,551	630,017	641,064	-11,067
47	2054			630,017		47,389	1,319	74,002	602,085	614,095	-12,010
48	2055			602,085		45,105	1,063	75,482	570,645	583,675	-13,030
49	2056			570,645		42,538	851	76,991	535,340	549,472	-14,132
50	2057			535,340		39,659	677	78,531	495,791	511,115	-15,324
51	2058			495,791		36,438	534	80,102	451,594	488,205	-16,612
52	2059			451,594		32,843	418	81,704	402,314	420,318	-18,004
53	2060			402,314		28,839	327	83,338	347,488	366,997	-19,509
54	2061			347,488		24,389	255	85,004	286,617	307,752	-21,135
55	2062			286,617		19,453	199	86,705	219,167	242,060	-22,893
56	2063			219,167		13,990	156	88,439	144,562	169,354	-24,792
57	2064			144,562		7,952	124	90,207	62,183	89,028	-26,845
58	2065			62,183		1,290	99	92,012	(28,638)	425	-29,064

**State Workers' Compensation Funding Commission
Annual Cash Transfers by Agency**

Fiscal Year	Labor Adm.	Labor Claims	UEF*	CWP Adm.	CWP Claims	Mines & Minerals	SOSH	Funding Com.	Total	Adm. Expense
2000	23,885,000	95,500,000	4,028,000	328,000	25,000	1,737,000	0	0	125,503,000	24,213,000
2001	21,850,000	95,000,000	3,378,595	260,000	125,000	793,600	320,000	1,727,200	123,454,395	24,157,200
2002	24,840,000	91,350,000	4,378,400	150,000	220,000	700,000	438,000	1,932,900	124,009,300	27,360,900
2003	22,290,000	81,060,000	3,694,323	0	0	1,000,000	350,000	1,720,400	110,114,723	24,360,400
2004	20,300,000	80,000,000	4,307,724	440,000	1,460,000	675,000	365,000	1,908,200	109,455,924	23,013,200
2005	19,535,000	70,100,000	5,704,700	200,000	1,200,000	0	479,300	1,585,200	98,804,200	21,799,500
2006	22,111,300	68,350,000	6,212,300	240,000	1,579,000	0	550,000	1,732,000	100,774,600	24,633,300
2007	22,535,000	70,500,000	5,250,000	270,000	1,480,000	0	450,000	1,634,000	102,119,000	24,889,000

* Includes Benefit Payments of about \$1.25 million annually.

Selected non-UEF Administrative Expense	24,889,000
Selected UEF Administrative Expense	4,000,000
Selected Total Administrative Expense	28,889,000

State Workers' Compensation Funding Commission
Uninsured Employers Fund Cash Flows (\$000s)

Sum	Awarded Claims, IBNR, and Future Claims	Administrative Costs	Total
	\$36,387	\$123,871	\$160,257
2007.5	750	2,000	2,750
2008	1,500	4,000	5,500
2009	1,500	4,120	5,620
2010	1,500	4,244	5,744
2011	1,500	4,371	5,871
2012	1,500	4,502	6,002
2013	1,500	4,637	6,137
2014	1,500	4,776	6,276
2015	1,500	4,919	6,419
2016	1,500	5,067	6,567
2017	1,500	5,219	6,719
2018	1,500	5,376	6,876
2019	1,435	5,297	6,732
2020	1,364	5,036	6,401
2021	1,294	4,777	6,071
2022	1,224	4,516	5,740
2023	1,154	4,261	5,416
2024	1,087	4,012	5,098
2025	1,020	3,766	4,787
2026	957	3,531	4,488
2027	895	3,304	4,199
2028	835	3,083	3,918
2029	779	2,874	3,653
2030	724	2,672	3,395
2031	671	2,478	3,149
2032	620	2,288	2,908
2033	570	2,103	2,672
2034	522	1,926	2,448
2035	476	1,758	2,234
2036	433	1,597	2,030
2037	391	1,444	1,836
2038	352	1,301	1,653
2039	316	1,167	1,483
2040	282	1,041	1,323
2041	250	925	1,175
2042	221	816	1,037
2043	194	715	909

**State Workers' Compensation Funding Commission
Uninsured Employers Fund Cash Flows (\$000s)**

	Awarded Claims, IBNR, and Future Claims	Administrative Costs	Total
2044	169	623	792
2045	146	540	687
2046	126	466	592
2047	108	399	507
2048	92	340	432
2049	78	287	365
2050	65	241	306
2051	54	200	255
2052	45	166	211
2053	37	136	173
2054	30	111	141
2055	24	89	113
2056	19	71	91
2057	15	57	72
2058	12	45	57
2059	10	35	45
2060	7	27	35
2061	6	21	27
2062	5	17	21
2063	4	13	17
2064	3	10	13
2065	2	8	11
2066	2	7	9
2067	2	6	7
2068	1	5	6
2069	1	4	5
2070	1	4	5
2071	1	3	4
2072	1	3	4
2073	1	3	4
2074	1	3	3
2075	1	2	3
2076	1	2	3
2077	1	2	3
2078	1	2	2
2079	0	2	2
2080	0	2	2

State Workers' Compensation Funding Commission
Estimated CWP Fund Surplus (\$000)

	7/31/2006 to 6/30/2007	7/1/2007 to 12/31/2007	1/1/2008 to 12/31/2008
Interest Rate	7.00%	7.00%	7.00%
Beginning Assets	\$20,903	\$23,285	\$23,727
Projected Revenue	\$1,300	\$715	\$1,573
Interest on Surplus	\$1,463	\$815	\$1,661
Interest on Revenue	\$46	\$13	\$55
Interest on Payments	(\$54)	(\$11)	(\$40)
Total Interest	\$1,454	\$816	\$1,676
Administrative Expense	\$270	\$139	\$286
Estimated Payments	\$1,557	\$642	\$1,143
Award Liabilities	\$14,163	\$13,521	\$13,503
Loss Pick*		\$1,125	\$2,250
Total Liabilities	\$14,163	\$14,646	\$15,753
Surplus	\$9,122	\$10,206	\$11,469

* Loss pick based on CWP claim file where the average annual award amount by award year has been \$2,250 for 2000-2006.

Appendix C

PROPOSED GUARANTEES

The Proposed certifies it can and will provide and make available, at a minimum, all services set forth in Part 3, Procurement Specifications.

Signature of Official: Steven G. Lehmann

Name (Printed or typed): Steven G. Lehmann

Title: Principal

Vendor: Pinnacle Actuarial Resources, Inc.

Date: March 31, 2009

AGREEMENT ADDENDUM

In the event of conflict between this addendum and the agreement, this addendum shall control:

1. **DISPUTES** - Any references in the agreement to arbitration or to the jurisdiction of any court are hereby deleted. Disputes arising out of the agreement shall be presented to the West Virginia Court of Claims.
2. **HOLD HARMLESS** - Any clause requiring the Agency to indemnify or hold harmless any party is hereby deleted in its entirety.
3. **GOVERNING LAW** - The agreement shall be governed by the laws of the State of West Virginia. This provision replaces any references to any other State's governing law.
4. **TAXES** - Provisions in the agreement requiring the Agency to pay taxes are deleted. As a State entity, the Agency is exempt from Federal, State, and local taxes and will not pay taxes for any Vendor including individuals, nor will the Agency file any tax returns or reports on behalf of Vendor or any other party.
5. **PAYMENT** - Any references to prepayment are deleted. Payment will be in arrears.
6. **INTEREST** - Should the agreement include a provision for interest on late payments, the Agency agrees to pay the maximum legal rate under West Virginia law. All other references to interest or late charges are deleted.
7. **RECOUPMENT** - Any language in the agreement waiving the Agency's right to set-off, counterclaim, recoupment, or other defense is hereby deleted.
8. **FISCAL YEAR FUNDING** - Service performed under the agreement may be continued in succeeding fiscal years for the term of the agreement, contingent upon funds being appropriated by the Legislature or otherwise being available for this service. In the event funds are not appropriated or otherwise available for this service, the agreement shall terminate without penalty on June 30. After that date, the agreement becomes of no effect and is null and void. However, the Agency agrees to use its best efforts to have the amounts contemplated under the agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default.
9. **STATUTE OF LIMITATION** - Any clauses limiting the time in which the Agency may bring suit against the Vendor, lessor, individual, or any other party are deleted.
10. **SIMILAR SERVICES** - Any provisions limiting the Agency's right to obtain similar services or equipment in the event of default or non-funding during the term of the agreement are hereby deleted.
11. **ATTORNEY FEES** - The Agency recognizes an obligation to pay attorney's fees or costs only when assessed by a court of competent jurisdiction. Any other provision is invalid and considered null and void.
12. **ASSIGNMENT** - Notwithstanding any clause to the contrary, the Agency reserves the right to assign the agreement to another State of West Virginia agency, board or commission upon thirty (30) days written notice to the Vendor and Vendor shall obtain the written consent of Agency prior to assigning the agreement.
13. **LIMITATION OF LIABILITY** - The Agency, as a State entity, cannot agree to assume the potential liability of a Vendor. Accordingly, any provision limiting the Vendor's liability for direct damages to a certain dollar amount or to the amount of the agreement is hereby deleted. Limitations on special, incidental or consequential damages are acceptable. In addition, any limitation is null and void to the extent that it precludes any action for injury to persons or for damages to personal property.
14. **RIGHT TO TERMINATE** - Agency shall have the right to terminate the agreement upon thirty (30) days written notice to Vendor. Agency agrees to pay Vendor for services rendered or goods received prior to the effective date of termination.
15. **TERMINATION CHARGES** - Any provision requiring the Agency to pay a fixed amount or liquidated damages upon termination of the agreement is hereby deleted. The Agency may only agree to reimburse a Vendor for actual costs incurred or losses sustained during the current fiscal year due to wrongful termination by the Agency prior to the end of any current agreement term.
16. **RENEWAL** - Any reference to automatic renewal is hereby deleted. The agreement may be renewed only upon mutual written agreement of the parties.
17. **INSURANCE** - Any provision requiring the Agency to insure equipment or property of any kind and name the Vendor as beneficiary or as an additional insured is hereby deleted.
18. **RIGHT TO NOTICE** - Any provision for repossession of equipment without notice is hereby deleted. However, the Agency does recognize a right of repossession with notice.
19. **ACCELERATION** - Any reference to acceleration of payments in the event of default or non-funding is hereby deleted.
20. **CONFIDENTIALITY**: -Any provision regarding confidentiality of the terms and conditions of the agreement is hereby deleted. State contracts are public records under the West Virginia Freedom of Information Act.
21. **AMENDMENTS** - All amendments, modifications, alterations or changes to the agreement shall be in writing and signed by both parties. No amendment, modification, alteration or change may be made to this addendum without the express written approval of the Purchasing Division and the Attorney General.

ACCEPTED BY:
STATE OF WEST VIRGINIA

VENDOR

Spending Unit: _____

Company Name: Pinnacle Actuarial Resources

Signed: _____

Signed: Stonewall Stehmann

Title: _____

Title: Principal

Date: _____

Date: 3/31/2009

STATE OF WEST VIRGINIA
Purchasing Division**PURCHASING AFFIDAVIT****VENDOR OWING A DEBT TO THE STATE:**

West Virginia Code §5A-3-10a provides that: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

PUBLIC IMPROVEMENT CONTRACTS & DRUG-FREE WORKPLACE ACT:

If this is a solicitation for a public improvement construction contract, the vendor, by its signature below, affirms that it has a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the **West Virginia Code**. The vendor must make said affirmation with its bid submission. Further, public improvement construction contract may not be awarded to a vendor who does not have a written plan for a drug-free workplace policy in compliance with Article 1D, Chapter 21 of the **West Virginia Code** and who has not submitted that plan to the appropriate contracting authority in timely fashion. For a vendor who is a subcontractor, compliance with Section 5, Article 1D, Chapter 21 of the **West Virginia Code** may take place before their work on the public improvement is begun.

ANTITRUST:

In submitting a bid to any agency for the state of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the state of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the state of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the state of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership or person or entity submitting a bid for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

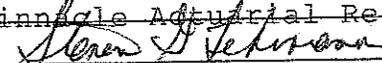
LICENSING:

Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

CONFIDENTIALITY:

The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.

Under penalty of law for false swearing (**West Virginia Code** §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

Vendor's Name: Pinnacle Adjudicial Resources, Inc.
Authorized Signature:  Date: 3/31/09

ORIGINAL

**Cost Proposal
to Provide
Casualty Actuarial Consulting
and
Analytical Services
to the
State of West Virginia
Offices of the Insurance Commissioner**

INS #09121

March 31, 2009

Contact:



**Christopher S. Carlson, FCAS, MAAA
Pinnacle Actuarial Resources, Inc.
5650 Paul Blazer Parkway, Suite #100
Dublin, Ohio 43017
614-734-8366
www.pinnacleactuaries.com**

Appendix A

COST PROPOSAL

**Schedule of Fees and Expense
Specific All-Inclusive Actuarial Projects**

	April 15, 2009 to April 15, 2010	Proposed April 14, 2010 to April 14, 2011
Reserves - Worker's Compensation Old Fund	\$53,664	\$55,154
Reserves - Coal Worker's Pneumoconiosis Fund	\$16,196	\$ 16,682
Reserves - Uninsured Employer's Fund	\$16,196	\$16,682
Reserves - Self-Insured Funds	\$36,024	\$37,104
Total, all inclusive maximum price, actuarial services, prices to be firm for one year after award.	\$122,080	\$125,622

Signature: 

Title: Principal

Date: March 31, 2009

DBS PS

ORDER FROM VENDOR SETUP

VOS

NEXT FUNCTION: _____ ACTION: _____

06/03/2009 09:16:29

```

=====
PAY ENTITY      : PUR
VENDOR NUMBER  : *111150233
GROUP NUMBER   : 01
SHORT NAME     : PINNACLEACTUARI
VENDOR TYPE    : D
ORDER FROM NAME: PINNACLE ACTUARIAL RESOURCES I
ADDR LINE 1:   5650 BLAZER PKWY STE 179
ADDR LINE 2:
CITY/STATE:   DUBLIN OH
FEIN OR SSN:  113669570
CONTACT:      CHRISTOPHER S CARLSON
FAX NUMBER:   309-807-2301
EDI/FAX CODE  :
FAX           :
PHONE        : 614-734-8366
STATE CODE   :
POSTAL CODE  : 43017
OPT ADDR USE :
OPT STATE CD :
OPT POSTAL CD:

```

PAYMENT TERMS : STATUS: ORDER HOLD:

--- CONSOLIDATED REPORTING INFORMATION ---

```

PAY ENTITY      :
VENDOR NUMBER  :
GROUP NUMBER   :

```

ID: IN#J607
WVEA278A

STATE OF WEST VIRGINIA
FINANCIAL INFORMATION MANAGEMENT SYSTEM
MAIN MENU - VENDOR INQUIRY DETAIL

06/03/09
09:17:04
PAGE: 01

VENDOR ID: 0000539509
NAME: PINNACLE ACTUARIAL RESOURCES INC

NEW VEND ID: LAST UPDATED: 06/03/2009 BEP-WCC DEFAULT: N
FEIN OR SSN: F (F OR S) VENDOR STATUS: Y
FEIN SSN : 113669570 BRANCH CODE: 00 BUSINESS DESIGNATION: CO
DOING BUSINESS AS:

CONTACT NAME (FIRST, MI, LAST):
PHONE NUMBER: - EXTENSION:
STREET ADDRESS: PO BOX 6139

CITY: BLOOMINGTON
ADDR TYPE: R (R OR O) STATE: IL ZIP-CODE: 61702 COUNTRY: USA
OUTSTANDING A P: .00 PAYMENTS YTD: .00
PREVIOUS FY PAYMENTS: .00 LAST AMOUNT: .00
LAST WARRANT NUMBER: LAST PAY DATE:
MAILING DATE: MAIL RESPONSE DATE: 06/03/09
OVERRIDE ADDRESS: Y SUBRECIPIENT: N

NEXT:
PF1 =HELP

PF3 =END PF4 =MENU

UC/WC Defaulted Accounts Search Results

Sorry, no records matching your criteria were found.

FEIN: 113669570

Business name:

Doing business

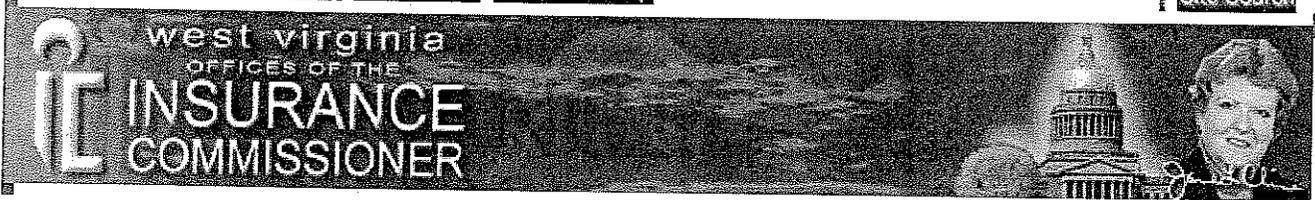
as/Trading as:

Please use your browsers back button to try again.

WorkforceWV	Unemployment Compensation	Offices of the Insurance Commissioner
-----------------------------	---	---

[Home](#) | [Agents](#) | [Companies](#) | [Consumers](#) | [Workers Comp](#)

[Site Search](#)



You searched for:

FEIN: 113669570

Business Name:

Doing Business As/Trading As:

Results Found: 0

[Printable View](#)

No Results Found. Please try your search again.

[About Us](#) | [Contact](#) | [Privacy Policy](#)



State of West Virginia
Purchasing Division

AGREEMENT QUESTIONNAIRE

Requisition # INS09121
WVFIMS# _____

1. Briefly describe the project scope of work to be complete or the problem to be solved by executing this agreement purchase order with (firm) Pinnacle Actuarial Resources, Inc.

The State of West Virginia Offices of the Insurance Commissioner (hereinafter referred to as "the OIC") agrees to engage the services of Pinnacle Actuarial Resources, Inc. (hereinafter referred to as "the actuary") to provide casualty actuarial consulting and analytical services to be performed in accordance with actuarial standards of practice and generally accepted actuarial principles. The actuary will provide services as an independent contractor. The actuary will not perform any management functions nor make any management decisions on behalf of the OIC.

2. What results do you expect to achieve issuing this agreement?

To obtain professional/actuarial services.

3. What would be the effects on you, the agency, if this agreement was not implemented?

Our current actuarial consulting contract ends June 30, 2009. Without this agreement, the OIC would be without actuarial consulting services. We would not be able to meet the timeframes set by the Financial Accounting and Reporting Section and the Federal Government for the completion of the audit.

4. What specialized or professional skill will be provided that is not available within your own or some other agency?

Pinnacle Actuarial Resources served other state workers' compensation funds including Ohio and Kentucky. Their particular skills include experience in Loss Reserve Adequacy, Loss Reserving Practices in Workers' Compensation, and Claims Management Practices. There is additional expertise included in their proposal.

5. Is this agreement related to any other project being undertaken within your agency? If so, briefly describe.

No

6. Describe the methodology and evaluation criteria utilized to select this consultant.

According to West Virginia State Code §23-1-1f-2, the Insurance Commissioner may "expend such sums for professional services as he or she determines are necessary to perform those duties transferred to the Insurance Commissioner upon termination of the commission." We do not need to rely on the Purchasing Division of the Department of Administration for this RFP as the work is predominantly for Workers' Compensation matters.

We reviewed the submitted proposal in conjunction with Technical Criteria included in the RFP as follows:

1. Responsiveness of the proposal in clear language stating an understanding of the work to be done.
2. Experience
 - a. Do the actuaries have experience with Workers' Compensation?
 - b. Does the firm have experience in similar engagements?
3. Qualifications
 - a. What is the size of the firm?
 - b. What are the levels of expertise of those individuals in the actuarial department?
4. General Approach
 - a. Is the work plan clearly defined?
 - b. Are any potential problems defined and approaches to resolving the problems included?
5. Specific Work Plan
 - a. Are an adequate number of qualified personnel proposed for the engagement?
 - b. Are the approaches and methodologies adequate to fulfill the requirement of the RFP?

7. What other consultants were considered for this work? Explain why this particular consultant was selected over those considered.

Seven other actuarial firms submitted proposals for review. Pinnacle was selected based on the overall score received during the technical and cost evaluation. Pinnacle received the highest score of "90".

8. Is this agreement associated with providing any software, hardware, or data processing related services? If yes, written verification of IS&C approval is required and must be attached.

N/A

Pinnacle

Level of Staff

The following hours by staff level are anticipated within each project segment:

<u>Staff Level</u>	<u>Projected Hours per Project Segment (Fund)</u>				<u>Total</u>
	<u>Old Fund</u>	<u>Coal Workers</u>	<u>Uninsured Workers</u>	<u>Self Insured</u>	
Lead Consultant	45	10	10	20	85
Project Consultant 1	35	20	0	20	75
Project Consultant 2	35	0	20	20	75
Peer Reviewer 1	8	0	4	2	14
Peer Reviewer 1	0	4	0	2	6
Actuarial Analyst 1	25	0	15	20	60
Actuarial Analyst 2	25	0	15	20	60
Actuarial Analyst 3	5	15	0	20	40
Actuarial Analyst 4	5	15	0	20	40
Administrative Support	2	.5	.5	2	5
<u>Total</u>	185	64.5	64.5	146	460

Working with the TPAs

Pinnacle is accustomed to working with TPAs. Many of the self-insured programs we review involve the use of outside vendors for claims handling and reporting. Typically, we are able to get the desired data from the TPAs. Usually, if questions arise, the TPA goes back to the client for resolution. Occasionally, Pinnacle works directly with the client for resolution. When the TPA is not able to provide summarized data, we will ask for the transactional data and perform our own summarizations, which we then balance to the financial records of the client and/or TPA.

If we determine that the TPAs case reserving has not been handled in a consistent or proper manner, we will adjust the data or our methods as appropriate.

IBNR Approach

As discussed above, our approach will typically be to determine the estimated ultimate cost and determine the required IBNR reserves by subtracting the paid loss and case reserves from the ultimate cost.

All Reserves Approach

In general, our approach to estimating required reserves is dependant upon the data available while utilizing the most suitable available methodologies. In some cases, the analyses will be utilizing summarized claim data while in other cases, the use of individual claim level data is more appropriate.

Offices of the Insurance Commissioner
Casualty Actuarial Consulting and Analytical Services (INS#09121)
Technical Criteria

Name of Vendor:

Pinnacle Actuarial Resources, Inc.

	Score
<p>1. Responsiveness of the proposal in clear language stating an understanding of the work to be done (5 points)</p> <p>a. Does the proposal clearly define the scope and purpose of the assignment?</p> <p>b. Is the proposal clear and straightforward, concisely describing the proposer's capability of satisfying the requirements of the RFP?</p> <p>c. Does the proposal indicate that the proposer understands the work to be performed?</p> <p>d. How well is the proposer's approach suited to the projects?</p> <p>e. Has the proposer demonstrated an understanding of the timeliness of completion of the work?</p>	5
<p>2. Experience (25 points)</p> <p>a. Are the actuaries proposed experienced with Workers' Compensation?</p> <p>b. Are the actuaries proposed experienced with GAAP and governmental GAAP?</p> <p>c. Does the vendor have experience in engagements similar to the one proposed?</p> <p>d. Has the proposer designated a qualified/experienced project manager to oversee projects assigned under the contract?</p> <p>e. What are the years of experience of each person proposed for the engagement?</p> <p>f. What are the years of workers' compensation experience of each person proposed for the engagement?</p> <p>g. Does the list of individuals available to work on assignments include an appropriate range of experience/cost levels to match the level of work needed?</p>	23
<p>3. Qualifications (15 points)</p> <p>a. Is the size of the vendor's office to be assigned to the engagement appropriate for the level of work needed?</p> <p>b. How many personnel make up the actuarial department and what are their levels of expertise?</p> <p>c. What is the professional standing of the vendor's actuaries assigned to the engagement?</p> <p>d. Do any personnel available for the engagement have articles published in professional journals? Do any personnel conduct or teach seminars, conferences, college-level courses, etc.?</p> <p>e. Do any personnel sit on professional accounting, auditing, or actuarial boards or committee?</p> <p>e. How will the vendor assure that it will maintain a high quality of personnel throughout the engagement?</p>	15
<p>4. General Approach (5 points)</p> <p>a. Does the proposal clearly and thoroughly describe the work plan?</p> <p>b. Does the vendor identify any potential problems in performing the engagement?</p> <p>c. Does the vendor offer an acceptable approach to resolving the problems?</p> <p>d. Are the sample reports or formats of reports well-organized?</p> <p>e. Are the sample reports or formats of reports prepared and written in a manner that a reasonably educated and informed reader can understand?</p>	5
<p>5. Specific Work Plan (20 points)</p> <p>a. Does the proposal specifically address points in 4.1, Section 6, (under Technical, Specific Work Plan)?</p> <p>b. Are an adequate number of personnel proposed for the engagement?</p> <p>c. Are the estimated hours allocated for the work plan sufficient to meet the time requirements specified in the RFP?</p> <p>d. What is the extent of participation of senior consultants? Other professional personnel? Are the levels of participation satisfactory?</p> <p>e. Are the descriptions of the approaches and methodologies clear and thorough?</p> <p>f. Are the approaches and methodologies appropriate to the operations, procedures, & systems of the Agency?</p> <p>g. Are the approaches and methodologies adequate to fulfill the requirements of this RFP?</p>	20
Total Points from Above	68
Cost Points	22
Total Points for this Proposal	90

Evaluator:

J. Seal Cooper
Amy L. Rhodes
Michael D. Rhy

Date:

4/27/09
4/27/09
- 32 -
4/27/09

State of West Virginia
AGENCY PURCHASE ORDER

Date 5/7/2010 Purchase Order # INS09-121

Department or Institution WV OFFICES OF THE INSURANCE COMMISSIONER	
WVFIMS Account # 7152-mul-7952-099-025	Spending Unit Name & Address WV OFFICES OF THE INSURANCE COMMISSION 1124 SMITH STREET CHARLESTON WV 25301
Vendor Name & Address: PINNACLE ACTUARIAL RESOURCES, INC. 5650 BLAZER PKWY STE 179 DUBLIN, OH 43017	PHONE: (304) 558-3707 FAX: (304) 558-4967
	Invoice in Quintuplicate to: WV OFFICES OF THE INSURANCE COMMISSION ATTN: ACCOUNTS PAYABLE PO BOX 50540 CHARLESTON WV 25305-0540
TEAM Vendor # *111150233 01	WVFIMS Vendor #:

Item No.	Quantity	Description	Unit Price	Amount
		<p align="center">Change Order #1</p> <p align="center">Type of Purchase</p> <p>THE WV OFFICES OF THE INSURANCE COMMISSIONER OFFICE OF ADMINISTRATION IS RELEASING THIS PURCHASE ORDER UNDER THE AUTHORITY GRANTED BY SENATE BILL 595 AND THE WV STATE CODE 23-1-1F (2).</p> <p>Effective Date: May 27, 2010</p> <p>Reason for change: To renew this purchase order agreement for an additional 12 months and revise certain sections of the original agreement as agreed upon on the attached documentation.</p> <p>Schedule of payment shall be as outline on pages 8 & 9 of the attached contract.</p> <p>Renewals Remaining: One (1)</p>		
			TOTAL	Open End

VENDOR: This order is your authorization for shipment of the commodities listed herein pursuant to the terms bid.

ENTERED

SCANNED

Michelle Marcum
 (Agency Signature)

Original - Vendor
 Copy - Spending Unit

(304) 558-3707
 (Telephone Number)

MAILED
 6/10/10 *mm*

State of West Virginia
Offices of the Insurance Commissioner
INS 09-121
Change Order #1 to Original Agreement

Replace the last three paragraphs of Scope of Work to be Performed section with the following:

The actuary must provide certification of his or her loss reserve estimates and must provide a Statement of Actuarial Opinion on actuarially derived items in the OIC's financial statements.

The certified actuarial loss reserve reports, the Statement of Actuarial Opinion and the required financial statement schedules, tables and reconciliations for Fiscal Year 2010, ending June 30, 2010 must be complete and delivered to the West Virginia Office of the Insurance Commissioner, Assistant Commissioner of Finance by September 30, 2010.

Other duties related to open end contract provisions are also included in the scope of this contract.

Replace the first paragraph of UNDER AN OPEN END CONTRACT section with the following:

UNDER AN OPEN END CONTRACT: The actuary may provide additional services and advice on other actuarial matters as they arise subject to the limitations of the OIC's budget. These additional services may include appearances by the actuary's personnel before judicial, legislative, and executive bodies, or others to respond to questions of an actuarial nature or to give reports. These services may also include the preparation of written reports concerning the actuarial matters as deemed necessary by the OIC. Preparation of testimony and testimony before administrative hearing, tribunals, and State and federal courts may also be required. The actuary may be requested to provide training and support for the OIC actuarial and accounting staff. This training may include but is not limited to basic reserving methodologies, in depth reserve analysis including key issues, the data editing process, data extracts and preliminary decisions regarding loss development. Also, the OIC has recently revised the methods used for the purpose of calculating the amounts of security or bond to be provided by employers who wish to self-insure their workers' compensation risks. These calculations are used in conducting annual reviews of each of the self-insured employer accounts, both active and inactive, and previously posted security and bonds in order to determine the adequacy and sufficiency of the security and bonds. The actuary may be required to review these calculations and make any necessary or requested changes. The actuary will be required to modify the existing self-insured methodology to include updated IBNR and discount factors as of the end of December 31, 2009 and each year end thereafter. The methodology will also need to be adjusted to calculate another years' liability on the calendar year basis. Also, actuarial services and advice may be sought on matters related to the assessments for the Self-Insured Security Risk Pool and the Self Insured Guaranty Fund.

Replace the Time Requirements Section with the following:

Time Requirements

Schedule for the Fiscal Year 2010 Actuarial Consulting and Analytical Services Required for the Annual Audit: A similar schedule will be developed for actuarial analysis necessary for audits of future fiscal years if the OIC exercises the option for renewal. Each of the following shall be completed by the actuary no later than the dates indicated.

- **Detailed Schedule of Data Needed:** The actuary shall provide a detailed schedule of all data needed from the OIC, including the date this information is required to meet the reporting deadlines by May 28, 2010 or as soon as possible thereafter.

- **Unsigned final draft including narratives:** The actuary shall deliver an unsigned final draft with all modifications for the OIC annual actuarial loss reports including narratives to the OIC Assistant Commissioner of Finance by September 10, 2010.

- **Final Signed Reports:** The final signed report shall be delivered to the OIC Assistant Commissioner of Finance by September 30, 2010.

- **Progress Reporting, and Exit Conference**
 - o *Monthly Progress Conference:* The purpose of this meeting is to report the progress of the work and identifying any problems, issues, and significant delays. The actuary shall hold meetings as necessary with the OIC and key personnel to summarize the results of their work and to review significant issues.

 - o *Exit Conference:* The actuary's annual actuarial loss reports will be reviewed and tested as part of the OIC's annual financial statement audit. Firm personnel will meet with the auditors as needed to answer questions about the preparation, assumptions, and underlying data used in the report's preparation.

Replace the Timetable for Completion of Actuarial Loss Reports Section with the following:

Timetable for Completion of Actuarial Loss Reports

Required Submission or Event	Required Completion/Submission Date
Detailed Schedule of Data Needed	May 28, 2010
Data delivered by OIC to Consulting Actuary	July 12, 2010
Data clarifications, reruns, or adjustments needed before actuarial loss reports can be completed	July 26, 2010

Unsigned final draft with all modifications for the Insurance Commissioner annual actuarial loss reports submitted to Insurance Commissioner management for review.	September 10, 2010
Final signed annual actuarial loss report for the Insurance Commissioner submitted to the Insurance Commissioner	September 30, 2010

Replace the Notice Portion of the Termination Section with the following:

The contract may also be terminated by the State with thirty (30) days prior notice.

Notice:

Any notices required to be given under this Agreement shall be sent by certified or registered mail, postage prepaid, to actuary at:

Pinnacle Actuarial Resources, Inc.
 3040 Riverside Drive, Suite 206
 Upper Arlington, Ohio 43221

And to the OIC at:

West Virginia Office of the Insurance Commissioner
 P.O. Box 50540
 1124 Smith Street
 Charleston, WV 25305-0540

Miscellaneous

This Agreement may not be modified except in a writing signed by both parties. If any portion of this Agreement is held to be void, invalid or otherwise unenforceable, in whole or part, the other provisions shall remain in full force and effect.

ACCEPTED BY:

STATE OF WEST VIRGINIA

VENDOR

Spending Unit: WV Offices of the Insurance Commissioner
 Signed: Yueku Marcum
 Title: Procurement Officer
 Date: 5/7/10

Company Name: Pinnacle Actuarial Resources, Inc.
 Signed: Chia Hsin Kala
 Title: CONSULTING ACTUARY
 Date: MAY 6, 2010

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code §61-5-3*), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: Pinnacle Actuarial Resources, Inc.

Authorized Signature: Christy L. Cal Date: May 6, 2010

State of West Virginia

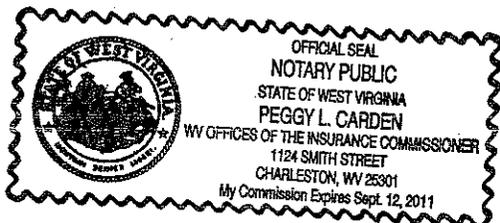
County of Kanawha to-wit:

Taken, subscribed, and sworn to before me this 6 day of May, 2010

My Commission expires Sept. 12, 2011

AFFIX SEAL HERE

NOTARY PUBLIC Peggy L. Carden



State of West Virginia
AGENCY PURCHASE ORDER

Date	5/26/2011	Purchase Order #	INS09-121
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Department or Institution		WV OFFICES OF THE INSURANCE COMMISSIONER	
WVFIMS Account #	7152-mul-7952-099-025	Spending Unit Name & Address	
Vendor Name & Address:		WV OFFICES OF THE INSURANCE COMMISSION 1124 SMITH STREET CHARLESTON WV 25301	
PINNACLE ACTUARIAL RESOURCES, INC. 5650 BLAZER PKWY STE 179 DUBLIN, OH 43017		PHONE: (304) 558-3707 FAX: (304) 558-4967	
		Invoice in Quintuplicate to:	
		WV OFFICES OF THE INSURANCE COMMISSION ATTN: ACCOUNTS PAYABLE PO BOX 50540 CHARLESTON WV 25305-0540	

TEAM Vendor #	*111150233 01	WVFIMS Vendor #:	
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Item No.	Quantity	Description	Unit Price	Amount
		<p align="center"><u>Change Order #2</u></p> <p align="center">Type of Purchase</p> <p>THE WV OFFICES OF THE INSURANCE COMMISSIONER OFFICE OF ADMINISTRATION IS RELEASING THIS PURCHASE ORDER UNDER THE AUTHORITY GRANTED BY SENATE BILL 595 AND THE WV STATE CODE 23-1-1F (2).</p> <p>Effective Date: May 27, 2011</p> <p>Reason for change: To renew this purchase order agreement for an additional 12 months.</p> <p>Schedule of payment shall be as outline on pages 8 & 9 of the original contract.</p> <p>Renewals Remaining: 0</p>		

VENDOR: This order is your authorization for shipment of the commodities listed herein pursuant to the terms bid.

TOTAL	Open End
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 (Agency Signature)

Original - Vendor
 Copy - Spending Unit

(304) 558-6279 ext 1191
 (Telephone Number)

State of West Virginia
Offices of the Insurance Commissioner
Legal Division
INS09-121
Change Order #2
Renewal # 2

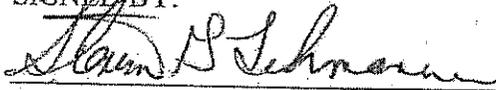
The parties to purchase order number INS09-121 hereby agree to renew said purchase order under the same terms and conditions as set forth in the original purchase order agreement and, if applicable, as amended by change orders.

Description of Services: To provide casualty actuarial consulting and analytical services as agreed to in the original contract agreement.

Date(s) of Service: May 27, 2011 to May 26, 2012

Rate of Pay: As outlined on pages 8 & 9 of the original contract agreement.

SIGNED BY:


Pinnacle Actuarial Resources, Inc.

DATE: 4/1/11

APPROVED BY:


Vickie Marcum
Procurement Officer
WV Offices of the Insurance Commissioner

DATE: 5/31/2011

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

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EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code §61-5-3*), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: Pinnacle Actuarial Resources, Inc

Authorized Signature: [Signature] Date: 4/1/11

State of ILLINOIS

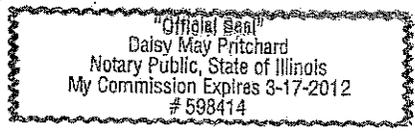
County of McLEAN, to-wit:

Taken, subscribed, and sworn to before me this 1st day of April, 2011.

My Commission expires March 17, 2012.

AFFIX SEAL HERE

NOTARY PUBLIC [Signature]



State of West Virginia
AGENCY PURCHASE ORDER

Date 4/11/2012 Purchase Order # INS09-121

Department or Institution WV OFFICES OF THE INSURANCE COMMISSIONER	
WVFIMS Account # 7152-mul-7952-099-025	Spending Unit Name & Address WV OFFICES OF THE INSURANCE COMMISSION 1124 SMITH STREET CHARLESTON WV 25301
Vendor Name & Address: Pinnacle Actuarial Resources, Inc. 2817 Reed Road Suite 2 Bloomington, IL 61704	PHONE: (304) 558-3707 FAX: (304) 558-4967 Invoice in Quintuplicate to: WV OFFICES OF THE INSURANCE COMMISSION ATTN: ACCOUNTS PAYABLE PO BOX 50540 CHARLESTON WV 25305-0540
Phone: 309-807-2310 Fax: 309-807-2301	
TEAM Vendor # *111150233 01	WVFIMS Vendor #:

Item No.	Quantity	Description	Unit Price	Amount
		MAINTENANCE AGREEMENT		
		CHANGE ORDER # 3		
		The WV Offices Of the Insurance Commissioner Office Of Administration is releasing this Purchase Order under the authority granted by Senate Bill 595 and the WV State Code 23-1-1F (2). Effective Date: May 27, 2012 Reason for change: To extend this purchase order agreement for an additional 12 months. Schedule of payment shall be as outline on pages 8 & 9 of the original contract.		

NOTE:

VENDOR: This order is your authorization for shipment of the commodities listed herein pursuant to the terms bid.

TOTAL Open End

Thibbe Marcus Date 4/12/12

Agency Signature
 (304) 558-6279 ext 1191

Telephone Number

Original - Vendor
 Copy - Spending Unit

State of West Virginia
Offices of the Insurance Commissioner
INS09-121
Change Order # 3

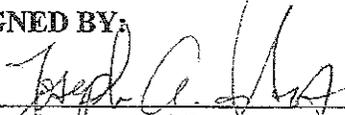
The parties to purchase order number INS09-121 hereby agree to extend said purchase order under the same terms and conditions as set forth in the original purchase order agreement and, if applicable, as amended by change orders.

Description of Services: To provide casualty actuarial consulting and analytical services as agreed to in the original contract agreement.

Date(s) of Services: May 27, 2012 to May 26, 2013.

Rate of Pay: As outlined on pages 8 & 9 of the original contract agreement.

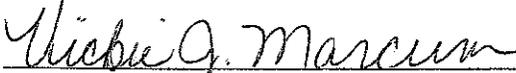
SIGNED BY:



Pinnacle Actuarial Resources, Inc.

DATE: 4/12/2012

APPROVED BY:



Vickie J. Marcum
Administrative Support Manager
WV Offices of the Insurance Commissioner

DATE: 4/12/12

RFQ No. _____

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

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EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code* §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

WITNESS THE FOLLOWING SIGNATURE

Vendor's Name: Pinnacle Actuarial Resources, Inc.

Authorized Signature: [Signature] Date: 4-9-2012

State of Illinois

County of McLean, to-wit:

Taken, subscribed, and sworn to before me this 9th day of April, 2012.

My Commission expires April 3, 2016.

AFFIX SEAL HERE

NOTARY PUBLIC [Signature: Sandra K. Braasch]

