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October 10, 2012

Melinda A. Kiss, CPA, CGMA, APIR
Assistant Commissioner
WV Offices of the Insurance Commissioner
P.O. Box 11683
Charleston, WV 25339-1683

Dear Melinda:

Attached are updated exhibits previously included in the May 16, 2012 funding study report for the West Virginia State Agencies. All reliance's, limitations and disclosures applied to that report are applicable to these updated exhibits.

We were provided updated loss experience as of 6/30/12 for the 10/1/11 to 6/30/12 time period and asked to update the attached exhibits. We constructed a range of selected ultimate losses as of 6/30/12. Our selected ultimate losses at the low end of the range are \$8.379 million, and \$9.407 million at the high end of the range. From the funding study report dated May 16, 2012 our selected ultimate was \$8.813 million for the 10/1/11 to 6/30/12 time period. This previous selection falls within the range of selected ultimate losses as of 6/30/12. Therefore we find no need to deviate from our previous selection for the 10/1/11 to 6/30/12 time period.

Zurich, the insurance carrier for the WV State Agencies Workers' Compensation Program Fund reports paid losses of \$2.057 million as of June 30, 2012 for the period 10/1/11 to 6/30/12. Considering those payments made during the year, the total undiscounted reserve estimate as of 6/30/2012 is \$6.837 million at the central estimate of the range.

We have enjoyed working with you on this assignment. We are available to discuss any questions you may have with these attached exhibits.

Sincerely,

John E. Wade, ACAS, MAAA
Senior Consulting Actuary

State of West Virginia State Agencies Workers Compensation Deductible Program
Development of 2011/2012 Loss Reimbursement Fund Adjustment
as of June 30, 2012

Exhibit 1

Estimated Ultimate Loss
10/01/11 to 06/30/12

Item	Time Period (1)	Period Length (2)	Coverage Layer (3)	Incurred Loss Development Method			Paid Loss Development Method		
				CW NCCI (4a)	Best's A&A (4b)	WV NCCI (4c)	CW NCCI (5a)	Best's A&A (5b)	WV NCCI (5c)
	07/01/11 to 06/30/12	One Year	Unlimited	14,895,007	18,170,633	11,793,410	14,314,704	17,126,754	11,078,499
	07/01/11 to 06/30/12	One Year	Excess of \$250,000	2,424,384	2,957,540	1,919,553	2,329,931	2,787,633	1,803,190
	07/01/11 to 06/30/12	One Year	\$0 to \$250,000	12,470,623	15,213,093	9,873,857	11,984,773	14,339,120	9,275,309
				Zurich's Most Recent Estimate (6)	Pinnacle's Selected Ultimate			True Up Adjustment (8)	
					Low (7a)	Central (7b)	High (7c)		
(9)	07/01/11 to 06/30/12	One Year	\$0 to \$250,000	12,000,000	11,172,000	11,858,000	12,543,000	-142,000	
(10)	Nine Month Adjustment Factor			0.75	0.75	0.75	0.75	0.75	
(11)	10/01/11 to 06/30/12	Nine Months	\$0 to \$250,000	9,000,000	8,379,000	8,893,500	9,407,250	-106,500	
(12)	10/01/11 to 06/30/12	Nine Months	\$0 to \$250,000	9,000,000		8,812,500		-187,500	
(13)	Change from 3/13/12 to 6/30/12			0	-433,500	81,000	594,750	81,000	
				Zurich Unlimited Paid Loss (14)	Undiscounted Total Reserves as of 6/30/12				
					Low (15a)	Central (15b)	High (15c)		
(16)	10/01/11 to 06/30/12	Nine Months		2,056,731	6,322,269	6,836,769	7,350,519		

- Item
- (4) & (5) Exhibit 2, Col (3), Col (5) & Col (6) at respective layer
 - (6) Zurich
 - (7) Judgmental Selections
 - (8) = Col (7b) - Col (6)
 - (11) = Row (9) x Row (10)
 - (12) Results as of March 13, 2012
 - (13) Row (11) - Row (12)
 - (14) Provided by Client, evaluated as of 6/30/12
 - (15) Col (7) - Col (14)

State of West Virginia State Agencies Workers Compensation Deductible Program
Development of 2011/2012 Loss Reimbursement Fund Adjustment
Development of Ultimate Loss & LAE at Various Limits

Exhibit 2

Type	Development Pattern	Accident Year	Unlimited Loss & LAE (1)	Unlimited % of Ultimate (2)	Unlimited Ultimate Loss & LAE (3)	Excess of \$250,000 Limit		Ultimate Loss & LAE Limited to \$250,000 (6)
						Excess Ratio (4)	Excess Ultimate Loss & LAE (5)	
Incurred	CW NCCI	2011	8,423,864	56.6%	14,895,007	16.3%	2,424,384	12,470,623
	Best's A&A	2011	8,423,864	46.4%	18,170,633	16.3%	2,957,540	15,213,093
	WV NCCI	2011	8,423,864	71.4%	11,793,410	16.3%	1,919,553	9,873,857
Paid	CW NCCI	2011	3,292,426	23.0%	14,314,704	16.3%	2,329,931	11,984,773
	Best's A&A	2011	3,292,426	19.2%	17,126,754	16.3%	2,787,633	14,339,120
	WV NCCI	2011	3,292,426	29.7%	11,078,499	16.3%	1,803,190	9,275,309

Column

- (1) Provided by Client
- (2) Based on Pinnacle analysis of WV NCCI, CW NCCI and AM Best data.
- (3) Col (1) / Col (2)
- (4) Based upon Pinnacle analysis of industry data by layer of excess loss pure premium factors for WV [weighted by payroll by hazard groups A to G] factors
- (5) Col (3) x Col (4)
- (6) Col (3) - Col (5)