1992 CASUALTY LOSS RESERVE SEMINAR

4E-1: USING THE REVISED SCHEDULE P

Moderator

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Tillinghast

Panel

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GUSTAVE KRAUSE: We're going to get started because we've only got a limited amount of time. These are mini sessions running today and we want to make sure we get everything in and answer questions you might have. Thank you all for joining us. I guess I'm obliged to offer the standard disclaimer. The opinions you may hear do not represent the opinions of the American Academy, CAS, CCA or anybody. Therefore, no one can be held accountable for them. We're going to get into the discussion rather quickly. I would like to first introduce both panelists who will join me today.

On my far left is Peter Huehne. Peter brings an international flavor to our panel, being born in Gudensberg, Germany. He received his degree in mathematics after studying at Goettingen, Lower Saxony. He worked on scholarship from the Robert Borsch Group, and taught statistics classes at the University of Hagen, Germany. Since 1989, Peter has been a member of the German Actuarial Society and the International Actuarial Association. Since 1990 he's been employed by Allianz A.G., first in Munich and more recently, for a little over a year, in the Fireman's Fund offices in Novato.

On my immediate left is Mike Larson. Mike is a graduate of the University of Minnesota. He is an associate of the CAS and has been with the St. Paul for just under six years. He spent the first four years there working in the pricing area for their small book of medical malpractice business, and for about the last year and a half he has been responsible for reserving, and in particular for the workers compensation and general liability reserves of St. Paul, which is no small task.

Before we get into the technical content of this session, I would like to mention the changes in Schedule P this year. As most of you know, Schedule P has undergone a lot of changes in the last few years. We're not going to dwell on those. We will assume that you're reasonably familiar with them. This year, the changes are quite easy to report. Part 4 is being deleted, Part 5 becomes Part 4, and Part 6 becomes Part 5.

In our discussion today, I am going to play the role of the consultant, hired by you, the policyholders of Had A Mission Insurance Company. Yes, Had A Mission. And you and I know what that mission was. It was to overstate it's reserves in order to justify higher prices for you. Peter and Mike, and they're finding this out for the first time, are the actuaries at Had A Mission. And they will attempt to demonstrate how Schedule P can be used to improve upon my own analysis, if you can imagine that. The setting is now 2001, and I've just completed my analysis. You have a large volume of material in the handout; if you don't have one they're in the back. We will only hit some highlights of the material in those handouts and leave you to take back the rest to peruse at your leisure.

First, and for the handouts I believe this is labeled Page 15, from my analysis, Had A Mission has overstated it's reserves based on even the briefest review of average claim values. This table shows that Had A Mission is showing net reserves of, on average, about $9,000 per claim, and this is from the annual statement data that is included in your package. You can trust that the arithmetic is right or, if it's not, it doesn't matter. And from this information and one comparison, which I believe is on Page 16 in the package, it's clear that this company, Had A Mission, is only paying $8,000 per claim. And this is true historically, as anyone can see. Therefore, as policyholders of this fine company, you can see that this company is over reserved by at least 6 million dollars of your money, by my calculations. What do you have to say about that, Peter?

PETER HUEHNE: Good afternoon. My part of this mini session - The Average Claim Value Analysis is covered in your handouts on Page 14 to 32. But don't worry, I won't get over all these pages with you, because our time is very limited today. The exhibits of the handouts cover all the material I would like to present here and also all the details about where you can find the data in the Annual Statement, Schedule P.

Let's see if we can come up with a more proper analysis than we just got from the consultant. In

the following I will call Gus' method the "presented method". I would like first to answer the question why the presented method is inappropriate to test the reserve adequacy and second to describe an acceptable method to evaluate the reserves based upon the data covered in Schedule P.

Okay. Let's go over my first slide, it's Page 17. Why is the presented method inappropriate to test the reserve adequacy? Basically for two reasons: It does not take any kind of historical development into account and so it's only a snapshot as of the end of the current year. Please note that in our case the current accident year is the year 2001 and remember this carefully. Why should we take the historical development into account? Well, a more detailed look to the presented method shows us that on one hand the "average reserve" is calculated with the number of open claims. On the other hand the "average paid" is calculated with the number of closed claims. Both claim counts are a snapshot as of 12/2001, see Page 15 and 16 of the handouts.

The comparison of severities based upon open versus closed claims is invalid because they have different mixes (a) by year and (b) by the size of claim. What do I mean with that. Well, by year the open claims are made up mostly of claims in the more recent years while the closed claims are leveraged by claims in the older years. By size of claim the open claims contains more claims which are larger and "harder" to close while the closed claims contain many small claims which are "easier" to close. I will show you a little bit later how this will affect the analysis.

My second major problem with the presented method is the fact that the presented method was using reported data as of 12/2001 only, to come up with an indication of a 14% redundancy. Applying this ratio to the total reserves including IBNR means that our consultant implicitly assumed that the IBNR claims are also over-reserved by 14%. Note, the company we are talking here about has IBNR and Bulk reserves of $ 27.6M which means 65% of the total reserve of $42.5M.

Now after all this criticism of the presented method the question is: How should we calculate the average reserve and the average paid to avoid the pitfalls mentioned above? I assume that most of you are familiar with the following phenomena: For a given accident year, both the average case reserve for loss and ALAE on open claims and the average paid loss and ALAE on closed claims increase by age of development. The triangles shown in exhibit 1 and 2 on page 18 and 19 prove this statement. The average case reserve by accident year and stage of development is shown in exhibit 1, the average paid by accident year and calendar year is shown in exhibit 2.

How did I calculate these triangles? Well, the average case reserve by accident year as of each calendar year-end is calculated as a quotient of the total case reserve by accident and calendar year and the number of open claims as of the end of each calendar year. Thus you have to look up the open claim counts in several annual statements to generate an open claim count triangle. A little bit easier is it to calculate the corresponding total case reserve triangle. It's simply the difference of Schedule P, Part 2 minus Part 3 minus Part 6 of the latest annual statement. Note, that the incurred losses displayed in Schedule P, Part 2 are representing the ultimate loss and ALAE. Subtracting the cumulative paid loss and ALAE (Part 3) and the IBNR and Bulk reserves for loss and ALAE (Part 6) gives us the case incurred triangle we are looking for. You will find the details of this calculation on Page 27 of your handouts.

To calculate the comparable average paid by accident year and stage of development we first of all have to calculate a triangle of the incremental paid loss and ALAE. We can derive this triangle from Schedule P, Part 3 of the latest annual statement . Further on we have to generate a triangle containing the number of calendar year closed claims by accident year. To get these numbers we have once again to use several annual statements. The number of closed claims for a given calendar year equals the difference of Schedule P, Part 1 Column 12 minus Column 23 of the corresponding annual

statement. The average paid triangle is then calculated as a quotient of the incremental paid loss and ALAE triangle and the closed claim triangle. You will find the details of this calculation on Page 28 of your handouts.

Let's have a brief look to the exhibits 1 and 2 to get a better understanding for these triangles. For accident year 1993 the average case reserve per open reported claim at the end of calendar year 2000 was $62,500 (exhibit 1). The average paid on closed claims during the subsequent calendar year 2001 is $145,000 (exhibit 2). I think this example gives us a good counter argument to the hypotheses that older accident years are significantly over-reserved. Note, that these numbers don't include IBNR claims and reserves. We should avoid the quick and dirty conclusion that for accident year 1993 the run off for the total reserves is negative for calendar year 2001. As you can figure out from your annual statement 2001, Part 6 which displays the IBNR triangle, the company had IBNR for accident year 1993 as of 12/2000. Overall there is no change in ultimate loss and ALAE for accident year 1993 during calendar year 2001.

The next slide (Page 20) illustrates the increase in the average reserve on open claims and average paid on closed claims by age of development. The exhibit displays the numbers of the calendar year 2000 column in exhibit 1 and the calendar year 2001 column in exhibit 2. The significant increase by age of development is in line with our expectation.

The facts I have pointed out so far lead us to the question: How should we project the ultimate loss and ALAE based upon the information available in the annual statement? We have several alternatives. Of course, we could use the standard link ratio methods for the cumulative paid and ALAE and the incurred loss and ALAE separately. Referring to the title of this part of the mini session I would like to describe a third method using claim counts and average paid loss and ALAE to project the ultimate loss and ALAE. As we will see it, all the information which we need to employ this method is covered in the revised annual statement, Schedule P.

Please have a look to my Exhibit 3 on page 21 of your handouts. The basic idea of the third method is to calculate first of all the ultimate claim count and the average ultimate paid loss and ALAE by accident year separately. The second step is then to calculate the total ultimate loss and ALAE by accident year as a product of the average ultimate paid loss and ALAE and the ultimate claim count.

Okay, let's have a look to the projection of the ultimate claim count. The underlying idea is to generate a "reported claim count" triangle by using the information covered in the annual statement, Part 1, Column (12). As we discussed it earlier, we have to use several annual statements to get a triangle like that. For details see Page 29. The next step is to square this claim count triangle to get age-to-age factors and finally based upon selected age-to-age factors the age-to-ultimate factors. As you can see it on Page 29 our claim count pattern is artificially stable which makes it a little bit easier than normally to make a selection. As you might guess, the displayed projected ultimate claim counts by accident year are calculated by applying the age-to-ultimate factors to the latest diagonal as you can see it in exhibit 3. The first column displays the numbers of the latest diagonal of the triangle with the exception of accident year 2001. I guess that's a typo. It should be 2,169 instead of 2,196. But I think overall the effect on the projection is minor. In column (2) and (3) you will find our selected age-to-ultimate factors and the projected ultimate claim count respectively.

The corresponding numbers for the average paid and ALAE are shown in Column (4) to (6) of exhibit 1. The underlying idea is the same as we just described. With the cumulative paid loss and ALAE (annual statement, part 3) and the reported claim count triangle mentioned above and displayed on page 31 I calculated the average paid and ALAE triangle displayed on page 30. The projected average ultimate paid and ALAE by accident year are calculated by applying the age-to-ultimate factors to the latest diagonal.

Now we can project the total ultimate loss and ALAE by accident year, which equals the estimated average ultimate paid (exhibit 3, Column (6)) times the estimated ultimate claim count (exhibit 3, Column (3)). You will find the results in Column (9) on page 22. The indicated reserves, defined as the sum of case reserves and IBNR and Bulk reserves equals the difference between the projected total ultimate loss and ALAE and the paid to date (in our case 12/2001). The indicated reserve is displayed in Column (11) on page 22.

The comparison between the annual statement unpaid loss and ALAE (displayed in Column (12) on page 22 of your handouts) and the calculated indicated reserves gives us a proper indication of the adequacy of the total reserves. The numbers are displayed in Column (13). As you can see there is almost no difference between indicated and reported reserves. Based upon this fact I would like to draw the conclusion that our considered company is adequate reserved rather then significant over-reserved.

I guess I have less than two minutes left, let's talk briefly about the credibility of my indicated reserves. To measure the credibility we should be aware of the pitfalls and underlying assumptions I have made by using squared claim count triangles and squared average paid triangles to project the ultimate loss and ALAE. You will find a list of those assumptions on page 23 and 24. Also I listed some of the problems which are might be in contradiction to these assumptions. For instance, increasing delays in claim closing rates or an increase of lump sum activities is not in line with the assumption of unchanging claim settlement patterns. To check on this you might have a look to the closing rates. On page 32 you will find a chart which displays closing rates by developed year and accident year.

Knowing the fact that any method can give us only an estimation, I think it's meaningful and important not having only one single indication for the ultimate losses. A check about the reasonableness of an indication especially in comparison to other methods should be part of any proper reserve analysis. Page 25 displays

some key figures like the ultimate loss ratio or the ultimate severity and its annual change you might should include in your comparison.

Thank you very much, I appreciate your attention.

MR. KRAUSE: Thank you, Peter. I think we've seen how Schedule P data can mislead naive analysis to go on conclusion, but I'd like to report that Peter's inhalation of my earlier analysis is the bad news. The good news for the Had A Mission policyholders is that Had A Mission has clearly overstated it's direct reserves used for pricing purposes. It's clear here that from their own annual statement, we've simply extracted in this slide, which I believe is Page 34 in the handouts. We have their net ultimate loss and allocated expenses shown in the annual statement. The net paid and case reserves as evaluated at yearned 2001, and therefore the development factors that they use to adjust the case values to an ultimate basis, and even Mike Larsin wouldn't disagree with those figures. However, in this analysis, we want to understand what they are doing with their direct losses because as we all know, those are the ones that the company uses in it's pricing analysis and it's rate filings. So what I've done here is shown the direct and assume paid and case outstanding in the first column, the development factors from the first exhibit, the company's very own development factors, and therefore, and ultimate estimate of direct losses which when compared to the carried values shows once again that U.S. policyholders are being asked to pay 17 million dollars worth of redundancy extra in your insurance prices. So we can clearly see that any request this company makes for higher rates are preposterous. What do you think about that, Mike?

MICHAEL LARSON: Thank you, Gus. I appreciate being given the opportunity to be here today to present an alternative evaluation of the reserve adequacy of the Ham Insurance Company. I am certain that Gus has spent many long hours on this analysis but I am equally sure that as we go through some of these slides and exhibits here today that he will see that there were much better ways in which he could have made use of the information found in Schedule P.

Had he done so, the results of his analysis would have been substantially different.

As opposed to simply jumping in and tackling the issue of whether or not the conclusions reached are valid, what I would prefer to do is to start from the beginning and verify the results at each step throughout the process. Along the way, I will try to touch on any problems or issues that might need to be addressed and resolved.

The first issue I would like to address today is whether or not the net loss and alae development pattern utilized by Gus in his analysis is, in fact, correct. Based on his analysis, it appears as though Gus has taken the booked or carried ultimates from Part 2, related them to the current year-to-date paid and case and implied a net development pattern. Rather than simply assuming that the carried net ultimates are accurate, I would prefer to make use of Parts 2,3, and 6 of Schedule P to estimate the net ultimate loss and alae. In deriving my estimated net ultimates, I have made use of the straight forward link ratio approach applied to both incurred and paid experience from Schedule P. The historical incurred data can be generated by subtracting the "Bulk and IBNR" reserves of Part 6 from the total carried ultimate incurred of Part 2. This information is displayed for you on Exhibit 1 of my analysis. From Exhibit 1, you can see that the incurred development pattern is extremely stable. Both the straight average and weighted average age-to-age factors are identical in each and every instance, which, needless to say, makes the selection of a development pattern very straightforward. The selected development pattern results in the estimated net ultimates displayed in the upper right hand portion of Exhibit 1. The historical paid experience comes directly from Part 3 and is displayed for you on Exhibit 2. As was the case with the incurred data, the paid data exhibits extreme stability from a development factor standpoint. The estimated ultimates are similarly displayed for you on this exhibit as well.

What I would like to do now is turn your attention to Exhibit 3 at this time. This exhibit displays for you a comparison of the two sets of estimated

ultimates based on the paid and incurred link ration approach with those carried on the books of the Ham Insurance Company. As can be seen here, it certainly appears as though the carried estimate of net ultimates is reasonable. As an additional check, I went back and looked at such things as changes in average reserve levels over time as well as paid/incurred ratios and determined that there weren't any dramatic changes taking place which would bring into question the validity of my estimated ultimates. As an example, I have included for you as Exhibit 4 a comparison of the paid/incurred ratios by year and age of development. Based on all of these factors, even though it appears as though Gus arrived at his development patterns in somewhat of a risky fashion, I would have to agree with the net development pattern utilized by Gus in his analysis.

Having now validated the accuracy of the net development pattern, we must turn our attention to the question of whether or not it is appropriate to apply net development patterns to gross loss and alae data. In most instances, assuming that the particular insurance company has reinsurance agreements in effect, it is not appropriate to apply net patterns to gross data. This is due to the fact that any excess of loss type reinsurance agreements will cause the net patterns to display less development than what would be experienced on a gross basis. However, trying now to play the devils advocate, I tried to brainstorm and come up with some situations (rare as they may be) in which the net patterns would be the same as or very similar to the gross patterns. These are displayed for you in Exhibit 5. This is by no means an exhaustive list. As I have mentioned before, these are very rare instances in which the development patterns may be very similar:

1) The company has no reinsurance agreements in effect. Here the gross and net data are the same as are the development patterns.

2) The reinsurance agreements are all excess of loss with retentions so high that the reinsurance layers are never penetrated. Here, once again, the gross data and net

data would be the same as would the development patterns.

3) The reinsurance is proportional in nature and applies to all claims. Here the company would cede X percent of every single loss which would lead to the gross, ceded and net patterns all being identical.

4) The net and gross patterns are so unstable that the selected patterns may be very similar due to sheer coincidence.

In my opinion, these situations do not arise often enough to allow us to jump to the conclusion that the net and gross patterns will be the same in this example. As a result, the best solution in my mind is to perform a gross reserve analysis in much the same fashion as was done on a net basis. The initial problem with this approach is that Parts 2,3, and 6 of Schedule P are not provided for on a gross basis. If you recall, however, cumulative to date gross experience is available in Part 1 of Schedule P. Therefore, by gathering together a number of years worth of Part 1 information, Parts 2,3, and 6 can be generated on a gross basis. Specifically, using Part 1, the following formulas would need to be used:

1) Gross Paid L&LE = Col(5) + Col(7)
= Gross Paid Loss + Gross Paid LE

2) Gross Inc. L&LE = Gross Paid L&LE + Col(13) + Col(17)

3) Gross Carried = Col(24) - Col(21) - Col(10)

On exhibits 7 and 8 of the handouts you will see the generated gross development triangles for The Ham Insurance Company, the corresponding age-to-age factors and the estimated ultimates based on the incurred and paid experience. As you can see, as was the case for the net analysis, the development patterns are extremely stable and predictable. Exhibit 9 show a comparison between the carried gross ultimates and the estimated gross ultimates based on the incurred and paid link ration approach. If you look closely you will note that the paid and

incurred estimates are fairly similar to one another but differ substantially from the ultimates being carried on a gross basis. Making use of some of the diagnostic tests that I mentioned earlier, I am convinced that the paid and incurred estimated ultimates are more reasonable than what is being carried. On Exhibit 10, I have displayed my estimate of the gross ultimates. My estimate is, for the most part, based on an average of the two estimates from Exhibit 9. As you will note, my estimate of the gross ultimates indicates that the reserves are actually inadequate by approximately $11.5M as opposed to Gus' assertion that they are approximately $17M redundant. This translates into an amazing difference in opinions of approximately $28.5M. To give you some sort of feel as to why these answers differ as much as they do, I have put together a slide which compares my selected gross and ceded patterns relative to the net. This is Exhibit 11 mentioned before, the gross patterns display more development than the net. Because of this, the gross ultimates that Gus arrived at (by using the net patterns) were severely understated.

Now let us turn our attention to the final argument put forth by Gus; that is, with the reserves being redundant by $17M, data for pricing will overstate loss trends. We have already shown that the reserves are not in fact redundant; but inadequate. As a result of this revelation, I thought it was only appropriate to analyze the trends implied by both my estimate of the gross ultimates and those carried on the books of The Ham Insurance Company. In order to do this, I needed to estimate the ultimate number of claim counts by year. This was done by creating a development triangle of reported claim counts using a number of years worth of Part 1 and projecting the counts to ultimate. Utilizing these ultimate counts, ultimate severities were calculated based on my estimate of ultimates as well as the estimate carried on the books of The Ham Insurance Company. Using simple linear least squares regression on the natural logs of the severities, I tried to measure the trends inherent in the fitted severities. As you can see on Exhibit 12, the carried ultimates imply a severity trend of approximately 1% while my

estimated gross ultimates imply a severity of about 1.5%. As it turns out, not only was the conclusion regarding gross reserve adequacy incorrect, but the additional conclusion regarding the impact on trends for pricing was also incorrect. The trends in this instance are actually going to be understated.

That wraps up by rebuttal to the conclusions reached by Gus in his analysis. Before I turn it back over to Gus, I would like to leave you with these thoughts:

1) It is probably not in your best interest to apply net development patterns to gross data.

2) If it comes down to a situation where you think that Schedule P won't provide the information that you need, I suggest you take a closer look. It may just be an instance where you need to collect a number of years worth of Schedule P in order to create usable data elements.

Thank you very much.

MR. KRAUSE: Thank you, Mike. Well, I guess I'm zero for two. Can anyone tell me how to get to California? Peter and Mike will now join me in addressing any questions. We do have just a few minutes. I'm willing to spill over by a minute or two if we have the questions. Anybody out there? Okay, well I guess we were eminently successful. We have 10 minutes between now and the next session. I would like to thank you all and please join me in thanking our panelists.

CLRS 1992

USING THE REVISED SCHEDULE P

Contents

Schedule P Data

    Current Year Parts 1, 2, 3 and 6

    Prior Years Part 1

Case I: Average Claim Value Analysis

Case II: Gross, Ceded and Net Analysis

ANNUAL STATEMENT FOR THE YEAR OF 2001 OF THE HAM INSURANCE COMPANY

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned 2 Direct and Assumed	3 Ceded	4 Net (2 – 3)	Loss Payments 5 Direct and Assumed	6 Ceded	ALAE Payments 7 Direct and Assumed	8 Ceded	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 – 6 + 7 – 8 + 10)	12 Number of Claims Reported – Direct and Assumed
1. Prior	XXXX	XXXX	XXXX								
2. 1992	38,827	9,453	29,374	16,661	4,998	5,554	1,666	0	2,221	17,771	2,000
3. 1993	41,398	9,949	31,449	17,660	5,298	5,887	1,766	0	2,355	18,838	2,060
4. 1994	43,921	10,389	33,532	18,090	4,884	6,030	1,628	0	2,412	20,019	2,204
5. 1995	47,026	10,570	36,456	18,023	4,325	6,008	1,442	0	2,403	20,666	2,314
6. 1996	49,485	10,206	39,278	17,605	3,697	5,868	1,232	0	2,347	20,891	2,385
7. 1997	51,698	10,408	41,290	17,293	3,113	5,764	1,038	0	2,306	21,212	2,428
8. 1998	49,381	9,731	39,649	14,758	2,214	4,919	738	0	1,968	18,694	2,306
9. 1999	52,896	10,381	42,515	14,048	1,686	4,683	562	0	1,873	18,356	2,318
10. 2000	56,149	11,930	44,219	12,580	1,132	4,193	377	0	1,677	16,941	2,244
11. 2001	62,704	15,285	47,419	11,122	667	3,707	222	0	1,483	15,423	2,169
Totals	XXXX	XXXX	XXXX	157,839	32,015	52,613	10,672	0	21,045	188,812	22,429

Note: For "prior" report amounts paid or received in current year only.

Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid Case Basis 13 Direct and Assumed	14 Ceded	Bulk + IBNR 15 Direct and Assumed	16 Ceded	Allocated Loss Expenses Unpaid Case Basis 17 Direct and Assumed	18 Ceded	Bulk + IBNR 19 Direct and Assumed	20 Ceded	21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding – Direct and Assumed
1. Prior											
2. 1992	0	0	0	0	0	0	0	0	0	0	0
3. 1993	0	0	0	0	0	0	0	0	0	0	0
4. 1994	438	304	386	251	146	101	129	84	110	469	2
5. 1995	877	588	973	540	292	196	324	180	247	1,208	7
6. 1996	1,298	840	1,777	860	433	280	592	287	410	2,244	19
7. 1997	1,752	1,077	2,940	1,290	584	359	980	430	626	3,727	35
8. 1998	1,902	1,118	4,063	1,711	634	373	1,354	570	795	4,977	66
9. 1999	2,258	1,249	6,077	2,523	753	416	2,026	841	1,111	7,195	126
10. 2000	2,489	1,279	8,766	3,843	830	426	2,922	1,281	1,501	9,678	227
11. 2001	2,771	1,278	12,801	6,080	924	426	4,267	2,027	2,076	13,029	412
Totals	13,787	7,733	37,782	17,097	4,596	2,578	12,594	5,699	6,876	42,527	894

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred 24 Direct and Assumed	25 Ceded	26 Net *	Loss and Expense Percentage (Incurred/Premiums Earned) 27 Direct and Assumed	28 Ceded	29 Net *	Discount for Time Value of Money 30 Loss	31 Loss Expense	32 Intercompany Pooling Participation Percentage	Net Balance Sheet Reserves After Discounting 33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1992	24,436	6,664	17,771	62.9%	70.5%	60.5%	0	0	0		
3. 1993	25,902	7,064	18,838	62.6%	71.0%	59.9%	0	0	0		
4. 1994	27,740	7,252	20,488	63.2%	69.8%	61.1%	0	0	0		
5. 1995	29,146	7,272	21,874	62.0%	68.8%	60.0%	0	0	0		
6. 1996	30,330	7,195	23,135	61.3%	70.5%	58.9%	0	0	0		
7. 1997	32,245	7,306	24,939	62.4%	70.2%	60.4%	0	0	0		
8. 1998	30,395	6,724	23,671	61.6%	69.1%	59.7%	0	0	0		
9. 1999	32,829	7,277	25,552	62.1%	70.1%	60.1%	0	0	0		
10. 2000	34,959	8,339	26,620	62.3%	69.9%	60.2%	0	0	0		
11. 2001	39,151	10,700	28,451	62.4%	70.0%	60.0%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

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ANNUAL STATEMENT FOR THE YEAR OF 2001 OF THE HAM INSURANCE COMPANY

SCHEDULE P – PART 2 – SUMMARY

1 Years in Which Losses Were Incurred	Incurred Losses and Allocated Expenses Reported at Year End (000 omitted)										Development **	
	2	3	4	5	6	7	8	9	10	11	12	13
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	One Year	Two Years
1. Prior *												
2. 1992	15,566	15,550	15,499	15,491	15,550	15,502	15,529	15,560	15,550	15,550	0	(10)
3. 1993	XXXX	16,483	16,483	16,458	16,483	16,461	16,499	16,462	16,483	16,483	0	21
4. 1994	XXXX	XXXX	17,888	17,966	17,992	17,966	17,911	17,966	17,966	17,966	0	0
5. 1995	XXXX	XXXX	XXXX	19,224	19,148	19,230	19,165	19,224	19,192	19,224	32	0
6. 1996	XXXX	XXXX	XXXX	XXXX	20,378	20,378	20,327	20,378	20,394	20,378	(17)	0
7. 1997	XXXX	XXXX	XXXX	XXXX	XXXX	22,008	21,974	21,982	22,008	22,008	0	25
8. 1998	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	21,001	20,907	20,964	20,907	(57)	0
9. 1999	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	22,471	22,580	22,567	(13)	97
10. 2000	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	23,483	23,442	(42)	XXXX
11. 2001	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	24,892	XXXX	XXXX
Totals											(96)	133

*Reported reserves only. Subsequent development relates only to subsequent payments and reserves.

**Current year less first or second prior year, showing (redundant) or adverse.

SCHEDULE P – PART 3 – SUMMARY

1 Years in Which Losses Were Incurred	Cumulative Paid Losses and Allocated Expenses Reported at Year End (000 omitted)										12 Number of Claims Closed with Loss Payment	13 Number of Claims Closed without Loss Payment
	2	3	4	5	6	7	8	9	10	11		
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001		
1. Prior												
2. 1992	8,708	10,128	11,352	12,420	13,373	14,101	14,773	15,199	15,550	15,550	1,900	100
3. 1993	XXXX	9,230	10,764	12,033	13,236	14,175	15,020	15,659	16,193	16,483	1,957	103
4. 1994	XXXX	XXXX	10,061	11,628	13,116	14,373	15,451	16,389	17,068	17,607	2,092	110
5. 1995	XXXX	XXXX	XXXX	10,766	12,496	14,034	15,309	16,533	17,464	18,263	2,192	115
6. 1996	XXXX	XXXX	XXXX	XXXX	11,366	13,245	14,826	16,302	17,525	18,544	2,248	118
7. 1997	XXXX	XXXX	XXXX	XXXX	XXXX	12,344	14,305	16,106	17,606	18,907	2,273	120
8. 1998	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	11,768	13,590	15,252	16,726	2,128	112
9. 1999	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	12,625	14,677	16,483	2,082	110
10. 2000	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	13,151	15,264	1,916	101
11. 2001	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	13,940	1,669	88

Note: Net of salvage and subrogation received.

SCHEDULE P – PART 6 – SUMMARY

1 Years in Which Losses Were Incurred	Bulk and Incurred But Not Reported reserves on Losses and Allocated Expenses at Year End (000 omitted)									
	2	3	4	5	6	7	8	9	10	11
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
1. Prior										
2. 1992	5,604	4,354	3,255	2,324	1,555	930	466	156	0	0
3. 1993	XXXX	5,934	4,615	3,456	2,472	1,646	990	494	165	0
4. 1994	XXXX	XXXX	6,440	5,031	3,778	2,695	1,791	1,078	539	180
5. 1995	XXXX	XXXX	XXXX	6,921	5,361	4,038	2,875	1,922	1,152	577
6. 1996	XXXX	XXXX	XXXX	XXXX	7,336	5,706	4,269	3,057	2,039	1,223
7. 1997	XXXX	XXXX	XXXX	XXXX	XXXX	7,923	6,153	4,616	3,301	2,201
8. 1998	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	7,560	5,854	4,403	3,136
9. 1999	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	8,089	6,322	4,739
10. 2000	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	8,454	6,564
11. 2001	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	8,961

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SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments							12 Number of Claims Reported - Direct and Assumed
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		ALAE Payments		9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded				
1. Prior	XXXX	XXXX	XXXX								
2. 1991	0	0	0	0	0	0	0	0	0	0	0
3. 1992	38,827	9,453	29,374	16,661	4,998	5,554	1,666	0	2,221	17,771	2,000
4. 1993	41,398	9,949	31,449	16,637	4,492	5,546	1,497	0	2,218	18,412	2,060
5. 1994	43,921	10,389	33,532	16,844	4,042	5,615	1,347	0	2,246	19,314	2,202
6. 1995	47,026	10,570	36,456	16,580	3,482	5,527	1,161	0	2,211	19,675	2,291
7. 1996	49,485	10,206	39,278	16,029	2,885	5,343	962	0	2,137	19,662	2,337
8. 1997	51,698	10,408	41,290	15,535	2,330	5,178	777	0	2,071	19,678	2,353
9. 1998	49,381	9,731	39,649	12,999	1,560	4,333	520	0	1,733	16,986	2,212
10. 1999	52,896	10,381	42,515	12,096	1,089	4,032	363	0	1,613	16,290	2,189
11. 2000	56,149	11,930	44,219	10,492	630	3,497	210	0	1,399	14,550	2,086
Totals	XXXX	XXXX	XXXX	133,873	25,508	44,624	8,503	0	17,850	162,336	19,730

Note: For "prior" report amounts paid or received in current year only.

Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded			
1. Prior											
2. 1991	0	0	0	0	0	0	0	0	0	0	0
3. 1992	0	0	0	0	0	0	0	0	0	0	0
4. 1993	361	267	355	232	120	89	118	77	96	385	2
5. 1994	819	550	905	501	273	183	302	167	230	1,128	5
6. 1995	1,224	791	1,676	813	408	264	559	271	387	2,115	16
7. 1996	1,620	998	2,722	1,193	540	333	907	398	579	3,449	36
8. 1997	2,003	1,177	4,258	1,782	668	392	1,419	594	835	5,236	68
9. 1998	2,149	1,167	5,680	2,378	716	389	1,893	793	1,044	6,756	124
10. 1999	2,419	1,234	8,388	3,646	806	411	2,796	1,215	1,441	9,344	222
11. 2000	2,614	1,205	12,076	5,736	871	402	4,025	1,912	1,959	12,291	396
Totals	13,209	7,389	36,061	16,280	4,403	2,463	12,020	5,427	6,569	40,704	868

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32 Intercompany Pooling Participation Percentage	Net Balance Sheet Reserves After Discounting	
	24 Direct and Assumed	25 Ceded	26 Net *	27 Direct and Assumed	28 Ceded	29 Net *	30 Loss	31 Loss Expense		33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1991	0	0	0				0	0	0		
3. 1992	24,436	6,664	17,771	62.9%	70.5%	60.5%	0	0	0		
4. 1993	25,452	6,655	18,797	61.5%	66.9%	59.8%	0	0	0		
5. 1994	27,233	6,791	20,442	62.0%	65.4%	61.0%	0	0	0		
6. 1995	28,570	6,781	21,789	60.8%	64.2%	59.8%	0	0	0		
7. 1996	29,878	6,767	23,110	60.4%	66.3%	58.8%	0	0	0		
8. 1997	31,967	7,053	24,914	61.8%	67.8%	60.3%	0	0	0		
9. 1998	30,547	6,806	23,741	61.9%	69.9%	59.9%	0	0	0		
10. 1999	33,592	7,958	25,634	63.5%	76.7%	60.3%	0	0	0		
11. 2000	36,935	10,094	26,841	65.8%	84.6%	60.7%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 - 25) = (11 + 22)

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ANNUAL STATEMENT FOR THE YEAR OF 1999 OF THE HAM INSURANCE COMPANY

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	2 Direct and Assumed	3 Ceded	4 Net (2 − 3)	5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 − 6 + 7 − 8 + 10)	12 Number of Claims Reported − Direct and Assumed
	Premiums Earned			Loss Payments		ALAE Payments					
1. Prior	XXXX	XXXX	XXXX								
2. 1990	0	0	0	0	0	0	0	0	0	0	0
3. 1991	0	0	0	0	0	0	0	0	0	0	0
4. 1992	38,827	9,453	29,374	15,615	4,216	5,205	1,405	0	2,082	17,281	2,000
5. 1993	41,398	9,949	31,449	15,453	3,709	5,151	1,236	0	2,060	17,719	2,060
6. 1994	43,921	10,389	33,532	15,560	3,268	5,187	1,089	0	2,075	18,464	2,182
7. 1995	47,026	10,570	36,456	15,121	2,722	5,040	907	0	2,016	18,549	2,243
8. 1996	49,485	10,206	39,278	14,384	2,158	4,795	719	0	1,918	18,220	2,263
9. 1997	51,698	10,408	41,290	13,726	1,647	4,575	549	0	1,830	17,936	2,252
10. 1998	49,381	9,731	39,649	11,200	1,008	3,733	336	0	1,493	15,083	2,085
11. 1999	52,896	10,381	42,515	10,073	604	3,358	201	0	1,343	13,968	2,038
Totals	XXXX	XXXX	XXXX	111,133	19,331	37,044	6,444	0	14,818	137,220	17,123

Note: For "prior" report amounts paid or received in current year only.

Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding − Direct and Assumed
	Losses Unpaid				Allocated Loss Expenses Unpaid						
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR				
1. Prior											
2. 1990	0	0	0	0	0	0	0	0	0	0	0
3. 1991	0	0	0	0	0	0	0	0	0	0	0
4. 1992	431	277	336	219	144	92	112	73	102	463	2
5. 1993	731	499	834	464	244	166	278	155	209	1,012	6
6. 1994	1,107	732	1,560	751	369	244	520	250	356	1,933	15
7. 1995	1,515	938	2,568	1,127	505	313	856	376	544	3,236	30
8. 1996	1,854	1,090	3,943	1,650	618	363	1,314	550	773	4,848	65
9. 1997	2,157	1,212	5,952	2,490	719	404	1,984	830	1,081	6,958	122
10. 1998	2,240	1,142	7,839	3,449	747	381	2,613	1,150	1,344	8,662	211
11. 1999	2,469	1,151	11,555	5,488	823	384	3,852	1,829	1,870	11,716	389
Totals	12,504	7,042	34,587	15,637	4,168	2,347	11,529	5,212	6,279	38,828	841

Years in Which Premiums Were Earned and Losses Were Incurred	24 Direct and Assumed	25 Ceded	26 Net *	27 Direct and Assumed	28 Ceded	29 Net *	30 Loss	31 Loss Expense	32 Intercompany Pooling Participation Percentage	33 Losses Unpaid	34 Loss Expenses Unpaid
	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money			Net Balance Sheet Reserves After Discounting	
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1990	0	0	0				0	0	0		
3. 1991	0	0	0				0	0	0		
4. 1992	24,027	6,282	17,744	61.9%	66.5%	60.4%	0	0	0		
5. 1993	24,960	6,229	18,731	60.3%	62.6%	59.6%	0	0	0		
6. 1994	26,732	6,335	20,397	60.9%	61.0%	60.8%	0	0	0		
7. 1995	28,167	6,382	21,785	59.9%	60.4%	59.8%	0	0	0		
8. 1996	29,599	6,530	23,068	59.8%	64.0%	58.7%	0	0	0		
9. 1997	32,025	7,131	24,894	61.9%	68.5%	60.3%	0	0	0		
10. 1998	31,210	7,466	23,745	63.2%	76.7%	59.9%	0	0	0		
11. 1999	35,342	9,659	25,684	66.8%	93.0%	60.4%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 − 25) = (11 + 22)

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SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments				9	10	11	12
	2	3	4	Loss Payments		ALAE Payments		Salvage and Subrogation Received	Unallocated Loss Expense Payments	Total Net Paid (5 – 6 + 7 – 8 + 10)	Number of Claims Reported – Direct and Assumed
				5	6	7	8				
	Direct and Assumed	Ceded	Net (2 – 3)	Direct and Assumed	Ceded	Direct and Assumed	Ceded				
1. Prior	XXXX	XXXX	XXXX								
2. 1989	0	0	0	0	0	0	0	0	0	0	0
3. 1990	0	0	0	0	0	0	0	0	0	0	0
4. 1991	0	0	0	0	0	0	0	0	0	0	0
5. 1992	38,827	9,453	29,374	14,578	3,499	4,859	1,166	0	1,944	16,716	2,000
6. 1993	41,398	9,949	31,449	14,259	2,994	4,753	998	0	1,901	16,921	2,039
7. 1994	43,921	10,389	33,532	14,132	2,544	4,711	848	0	1,884	17,335	2,143
8. 1995	47,026	10,570	36,456	13,508	2,026	4,503	675	0	1,801	17,110	2,175
9. 1996	49,485	10,206	39,278	12,635	1,516	4,212	505	0	1,685	16,510	2,168
10. 1997	51,698	10,408	41,290	11,790	1,061	3,930	354	0	1,572	15,877	2,128
11. 1998	49,381	9,731	39,649	9,389	563	3,130	188	0	1,252	13,020	1,935
Totals	XXXX	XXXX	XXXX	90,292	14,204	30,097	4,735	0	12,039	113,490	14,588

Note: For "prior" report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21	22	23
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding – Direct and Assumed
	13	14	15	16	17	18	19	20			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior											
2. 1989	0	0	0	0	0	0	0	0	0	0	0
3. 1990	0	0	0	0	0	0	0	0	0	0	0
4. 1991	0	0	0	0	0	0	0	0	0	0	0
5. 1992	689	471	788	438	230	157	263	146	197	954	6
6. 1993	1,046	679	1,437	695	349	126	479	232	331	1,811	14
7. 1994	1,368	866	2,390	1,047	456	289	797	349	501	2,961	36
8. 1995	1,764	1,028	3,719	1,563	588	343	1,240	521	731	4,587	61
9. 1996	2,052	1,127	5,511	2,309	684	376	1,837	770	1,008	6,510	120
10. 1997	2,337	1,199	8,215	3,601	779	400	2,738	1,200	1,407	9,076	215
11. 1998	2,332	1,078	10,800	5,129	777	359	3,600	1,710	1,751	10,984	365
Totals	11,587	6,448	32,860	14,782	3,862	2,149	10,953	4,927	5,926	36,882	818

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32	Net Balance Sheet Reserves After Discounting	
	24	25	26	27	28	29	30	31	Intercompany Pooling Participation Percentage	33	34
	Direct and Assumed	Ceded	Net *	Direct and Assumed	Ceded	Net *	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1989	0	0	0				0	0	0		
3. 1990	0	0	0				0	0	0		
4. 1991	0	0	0				0	0	0		
5. 1992	23,547	5,877	17,670	60.6%	62.2%	60.2%	0	0	0		
6. 1993	24,555	5,824	18,731	59.3%	58.5%	59.6%	0	0	0		
7. 1994	26,238	5,942	20,296	59.7%	57.2%	60.5%	0	0	0		
8. 1995	27,855	6,157	21,698	59.2%	58.3%	59.5%	0	0	0		
9. 1996	29,624	6,604	23,020	59.9%	64.7%	58.6%	0	0	0		
10. 1997	32,768	7,814	24,953	63.4%	75.1%	60.4%	0	0	0		
11. 1998	33,031	9,027	24,004	66.9%	92.8%	60.5%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

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ANNUAL STATEMENT FOR THE YEAR OF 1997 OF THE HAM INSURANCE COMPANY

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments				9	10	11	12
	2 Direct and Assumed	3 Ceded	4 Net (2 – 3)	Loss Payments		ALAE Payments		Salvage and Subrogation Received	Unallocated Loss Expense Payments	Total Net Paid (5 – 6 + 7 – 8 + 10)	Number of Claims Reported – Direct and Assumed
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded				
1. Prior	XXXX	XXXX	XXXX								
2. 1988	0	0	0	0	0	0	0	0	0	0	0
3. 1989	0	0	0	0	0	0	0	0	0	0	0
4. 1990	0	0	0	0	0	0	0	0	0	0	0
5. 1991	0	0	0	0	0	0	0	0	0	0	0
6. 1992	38,827	9,453	29,374	13,387	2,811	4,462	937	0	1,785	15,885	1,980
7. 1993	41,398	9,949	31,449	12,965	2,334	4,322	778	0	1,729	15,904	1,992
8. 1994	43,921	10,389	33,532	12,682	1,902	4,227	634	0	1,691	16,064	2,072
9. 1995	47,026	10,570	36,456	11,960	1,435	3,987	478	0	1,595	15,628	2,078
10. 1996	49,485	10,206	39,278	10,917	982	3,639	327	0	1,456	14,701	2,046
11. 1997	51,698	10,408	41,290	9,849	591	3,283	197	0	1,313	13,658	1,980
Totals	XXXX	XXXX	XXXX	71,760	10,056	23,920	3,352	0	9,568	91,840	12,148

te: For "prior" report amounts paid or received in current year only.

Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21	22	23
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding – Direct and Assumed
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded			
1. Prior											
2. 1988	0	0	0	0	0	0	0	0	0	0	0
3. 1989	0	0	0	0	0	0	0	0	0	0	0
4. 1990	0	0	0	0	0	0	0	0	0	0	0
5. 1991	0	0	0	0	0	0	0	0	0	0	0
6. 1992	994	640	1,357	660	331	213	452	220	313	1,715	14
7. 1993	1,280	800	2,202	968	427	267	734	323	464	2,750	23
8. 1994	1,635	961	3,461	1,440	545	320	1,154	480	679	4,273	60
9. 1995	1,935	1,066	5,199	2,170	645	355	1,733	723	951	6,148	108
10. 1996	2,183	1,113	7,607	3,327	728	371	2,536	1,109	1,305	8,437	207
11. 1997	2,434	1,129	11,317	5,375	811	376	3,772	1,792	1,834	11,497	377
Totals	10,460	5,709	31,143	13,940	3,487	1,903	10,381	4,647	5,547	34,820	789

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32	Net Balance Sheet Reserves After Discounting	
	24 Direct and Assumed	25 Ceded	26 Net *	27 Direct and Assumed	28 Ceded	29 Net *	30 Loss	31 Loss Expense	Intercompany Pooling Participation Percentage	33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1988	0	0	0				0	0	0		
3. 1989	0	0	0				0	0	0		
4. 1990	0	0	0				0	0	0		
5. 1991	0	0	0				0	0	0		
6. 1992	23,082	5,481	17,600	59.4%	58.0%	59.9%	0	0	0		
7. 1993	24,122	5,469	18,654	58.3%	55.0%	59.3%	0	0	0		
8. 1994	26,074	5,738	20,337	59.4%	55.2%	60.6%	0	0	0		
9. 1995	28,005	6,228	21,776	59.6%	58.9%	59.7%	0	0	0		
10. 1996	30,370	7,231	23,138	61.4%	70.8%	58.9%	0	0	0		
11. 1997	34,615	9,460	25,155	67.0%	90.9%	60.9%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

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ANNUAL STATEMENT FOR THE YEAR OF 1996 OF THE HAM INSURANCE COMPANY

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments								12
	2 Direct and Assumed	3 Ceded	4 Net (2 - 3)	Loss Payments		ALAE Payments		9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 - 6 + 7 - 8 + 10)		Number of Claims Reported - Direct and Assumed
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded					
1. Prior	XXXX	XXXX	XXXX									
2. 1987	0	0	0	0	0	0	0	0	0	0		0
3. 1988	0	0	0	0	0	0	0	0	0	0		0
4. 1989	0	0	0	0	0	0	0	0	0	0		0
5. 1990	0	0	0	0	0	0	0	0	0	0		0
6. 1991	0	0	0	0	0	0	0	0	0	0		0
7. 1992	38,827	9,453	29,374	12,231	2,202	4,077	734	0	1,631	15,004		1,940
8. 1993	41,398	9,949	31,449	11,679	1,752	3,893	584	0	1,557	14,794		1,936
9. 1994	43,921	10,389	33,532	11,178	1,341	3,726	447	0	1,490	14,606		1,984
10. 1995	47,026	10,570	36,456	10,299	927	3,433	309	0	1,373	13,869		1,967
11. 1996	49,485	10,206	39,278	9,069	544	3,023	181	0	1,209	12,576		1,906
Totals	XXXX	XXXX	XXXX	54,456	6,766	18,152	2,255	0	7,261	70,848		9,733

Note: For "prior" report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding - Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded			
1. Prior											
2. 1987	0	0	0	0	0	0	0	0	0	0	0
3. 1988	0	0	0	0	0	0	0	0	0	0	0
4. 1989	0	0	0	0	0	0	0	0	0	0	0
5. 1990	0	0	0	0	0	0	0	0	0	0	0
6. 1991	0	0	0	0	0	0	0	0	0	0	0
7. 1992	1,225	759	2,080	913	408	253	693	304	441	2,618	28
8. 1993	1,456	875	3,189	1,335	485	292	1,063	445	619	3,866	56
9. 1994	1,822	999	4,838	2,004	607	333	1,613	668	888	5,764	108
10. 1995	2,011	1,043	7,176	3,155	670	348	2,392	1,052	1,225	7,877	199
11. 1996	2,305	1,048	10,479	4,977	768	349	3,493	1,659	1,704	10,716	365
Totals	8,818	4,723	27,761	12,384	2,939	1,574	9,254	4,128	4,877	30,840	756

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32 Intercompany Pooling Participation Percentage	Net Balance Sheet Reserves After Discounting	
	24 Direct and Assumed	25 Ceded	26 Net *	27 Direct and Assumed	28 Ceded	29 Net *	30 Loss	31 Loss Expense		33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1987	0	0	0				0	0	0		
3. 1988	0	0	0				0	0	0		
4. 1989	0	0	0				0	0	0		
5. 1990	0	0	0				0	0	0		
6. 1991	0	0	0				0	0	0		
7. 1992	22,787	5,165	17,622	58.7%	54.6%	60.0%	0	0	0		
8. 1993	23,942	5,282	18,660	57.8%	53.1%	59.3%	0	0	0		
9. 1994	26,162	5,792	20,370	59.6%	55.8%	60.7%	0	0	0		
10. 1995	28,578	6,833	21,746	60.8%	64.6%	59.6%	0	0	0		
11. 1996	32,050	8,759	23,291	64.8%	85.8%	59.3%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 - 25) = (11 + 22)

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SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments							12
	2	3	4	Loss Payments		ALAE Payments		9	10	11	Number of Claims Reported – Direct and Assumed
				5	6	7	8	Salvage and Subrogation Received	Unallocated Loss Expense Payments	Total Net Paid (5 – 6 + 7 – 8 + 10)	
	Direct and Assumed	Ceded	Net (2 – 3)	Direct and Assumed	Ceded	Direct and Assumed	Ceded				
1. Prior	XXXX	XXXX	XXXX								
2. 1986	0	0	0	0	0	0	0	0	0	0	0
3. 1987	0	0	0	0	0	0	0	0	0	0	0
4. 1988	0	0	0	0	0	0	0	0	0	0	0
5. 1989	0	0	0	0	0	0	0	0	0	0	0
6. 1990	0	0	0	0	0	0	0	0	0	0	0
7. 1991	0	0	0	0	0	0	0	0	0	0	0
8. 1992	38,827	9,453	29,374	10,959	1,644	3,653	548	0	1,461	13,881	1,880
9. 1993	41,398	9,949	31,449	10,255	1,231	3,418	410	0	1,367	13,400	1,859
10. 1994	43,921	10,389	33,532	9,584	863	3,195	288	0	1,278	12,906	1,874
11. 1995	47,026	10,570	36,456	8,590	515	2,863	172	0	1,145	11,911	1,827
Totals	XXXX	XXXX	XXXX	39,387	4,252	13,129	1,417	0	5,252	52,098	7,440

Note: For "prior" report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21	22	23
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Unallocated Loss Expenses Unpaid	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding – Direct and Assumed
	13	14	15	16	17	18	19	20			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior											
2. 1986	0	0	0	0	0	0	0	0	0	0	0
3. 1987	0	0	0	0	0	0	0	0	0	0	0
4. 1988	0	0	0	0	0	0	0	0	0	0	0
5. 1989	0	0	0	0	0	0	0	0	0	0	0
6. 1990	0	0	0	0	0	0	0	0	0	0	0
7. 1991	0	0	0	0	0	0	0	0	0	0	0
8. 1992	1,386	825	3,012	1,269	462	275	1,004	423	586	3,657	54
9. 1993	1,637	910	4,458	1,866	546	303	1,486	622	813	5,238	106
10. 1994	1,966	985	6,677	2,904	655	328	2,226	968	1,152	7,491	190
11. 1995	2,140	987	9,886	4,695	713	329	3,295	1,565	1,603	10,062	346
Totals	7,129	3,707	24,033	10,734	2,376	1,236	8,011	3,578	4,155	26,448	696

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32	Net Balance Sheet Reserves After Discounting	
	24	25	26	27	28	29	30	31	Intercompany Pooling Participation Percentage	33	34
	Direct and Assumed	Ceded	Net *	Direct and Assumed	Ceded	Net *	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1986	0	0	0				0	0	0		
3. 1987	0	0	0				0	0	0		
4. 1988	0	0	0				0	0	0		
5. 1989	0	0	0				0	0	0		
6. 1990	0	0	0				0	0	0		
7. 1991	0	0	0				0	0	0		
8. 1992	22,522	4,984	17,539	58.0%	52.7%	59.7%	0	0	0		
9. 1993	23,979	5,341	18,638	57.9%	53.7%	59.3%	0	0	0		
10. 1994	26,733	6,337	20,397	60.9%	61.0%	60.8%	0	0	0		
11. 1995	30,236	8,263	21,973	64.3%	78.2%	60.3%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

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SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments								12 Number of Claims Reported – Direct and Assumed
	2 Direct and Assumed	3 Ceded	4 Net (2 – 3)	Loss Payments		ALAE Payments		9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 – 6 + 7 – 8 + 10)	
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded				
1. Prior	XXXX	XXXX	XXXX								
2. 1985	0	0	0	0	0	0	0	0	0	0	0
3. 1986	0	0	0	0	0	0	0	0	0	0	0
4. 1987	0	0	0	0	0	0	0	0	0	0	0
5. 1988	0	0	0	0	0	0	0	0	0	0	0
6. 1989	0	0	0	0	0	0	0	0	0	0	0
7. 1990	0	0	0	0	0	0	0	0	0	0	0
8. 1991	0	0	0	0	0	0	0	0	0	0	0
9. 1992	38,827	9,453	29,374	9,675	1,161	3,225	387	0	1,290	12,641	1,795
10. 1993	41,398	9,949	31,449	8,871	798	2,957	266	0	1,183	11,947	1,751
11. 1994	43,921	10,389	33,532	8,028	482	2,676	161	0	1,070	11,132	1,735
Totals	XXXX	XXXX	XXXX	26,574	2,441	8,858	814	0	3,543	35,720	5,281

Note: For "prior" report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding – Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded			
1. Prior											
2. 1985	0	0	0	0	0	0	0	0	0	0	0
3. 1986	0	0	0	0	0	0	0	0	0	0	0
4. 1987	0	0	0	0	0	0	0	0	0	0	0
5. 1988	0	0	0	0	0	0	0	0	0	0	0
6. 1989	0	0	0	0	0	0	0	0	0	0	0
7. 1990	0	0	0	0	0	0	0	0	0	0	0
8. 1991	0	0	0	0	0	0	0	0	0	0	0
9. 1992	1,525	855	4,210	1,768	508	285	1,403	589	765	4,912	93
10. 1993	1,725	897	6,153	2,691	575	299	2,051	897	1,050	6,769	177
11. 1994	1,957	916	9,199	4,369	652	305	3,066	1,456	1,487	9,315	325
Totals	5,206	2,668	19,561	8,829	1,735	889	6,520	2,943	3,302	20,996	595

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32 Intercompany Pooling Participation Percentage	Net Balance Sheet Reserves After Discounting	
	24 Direct and Assumed	25 Ceded	26 Net *	27 Direct and Assumed	28 Ceded	29 Net *	30 Loss	31 Loss Expense		33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1985	0	0	0				0	0	0		
3. 1986	0	0	0				0	0	0		
4. 1987	0	0	0				0	0	0		
5. 1988	0	0	0				0	0	0		
6. 1989	0	0	0				0	0	0		
7. 1990	0	0	0				0	0	0		
8. 1991	0	0	0				0	0	0		
9. 1992	22,600	5,046	17,554	58.2%	53.4%	59.8%	0	0	0		
10. 1993	24,565	5,849	18,716	59.3%	58.8%	59.5%	0	0	0		
11. 1994	28,135	7,689	20,446	64.1%	74.0%	61.0%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

ANNUAL STATEMENT FOR THE YEAR OF 1993 OF THE HAM INSURANCE COMPANY

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Expense Payments								12 Number of Claims Reported – Direct and Assumed
	2 Direct and Assumed	3 Ceded	4 Net (2 – 3)	Loss Payments		ALAE Payments		9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 – 6 + 7 – 8 + 10)		
				5 Direct and Assumed	6 Ceded	7 Direct and Assumed	8 Ceded					
1. Prior	XXXX	XXXX	XXXX									
2. 1984	0	0	0	0	0	0	0	0	0	0		0
3. 1985	0	0	0	0	0	0	0	0	0	0		0
4. 1986	0	0	0	0	0	0	0	0	0	0		0
5. 1987	0	0	0	0	0	0	0	0	0	0		0
6. 1988	0	0	0	0	0	0	0	0	0	0		0
7. 1989	0	0	0	0	0	0	0	0	0	0		0
8. 1990	0	0	0	0	0	0	0	0	0	0		0
9. 1991	0	0	0	0	0	0	0	0	0	0		0
10. 1992	38.827	9,453	29.374	8,347	751	2.782	250	0	1,113	11,240		1,700
11. 1993	41,398	9,949	31,449	7,365	442	2,455	147	0	982	10,212		1,627
Totals	XXXX	XXXX	XXXX	15,712	1,193	5,237	398	0	2,095	21,453		3,327

Note: For "prior" report amounts paid or received in current year only.
Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid				Allocated Loss Expenses Unpaid				21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding – Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded			
1. Prior											
2. 1984	0	0	0	0	0	0	0	0	0	0	0
3. 1985	0	0	0	0	0	0	0	0	0	0	0
4. 1986	0	0	0	0	0	0	0	0	0	0	0
5. 1987	0	0	0	0	0	0	0	0	0	0	0
6. 1988	0	0	0	0	0	0	0	0	0	0	0
7. 1989	0	0	0	0	0	0	0	0	0	0	0
8. 1990	0	0	0	0	0	0	0	0	0	0	0
9. 1991	0	0	0	0	0	0	0	0	0	0	0
10. 1992	1.650	848	5,810	2,545	550	283	1,937	848	995	6,417	172
11. 1993	1,835	846	8,476	4,026	612	282	2,825	1,342	1,375	8,627	309
Totals	3,485	1,694	14,287	6,571	1,162	565	4,762	2,190	2,370	15,045	481

Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred			Loss and Expense Percentage (Incurred/Premiums Earned)			Discount for Time Value of Money		32 Intercompany Pooling Participation Percentage	Net Balance Sheet Reserves After Discounting	
	24 Direct and Assumed	25 Ceded	26 Net *	27 Direct and Assumed	28 Ceded	29 Net *	30 Loss	31 Loss Expense		33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1984	0	0	0				0	0	0		
3. 1985	0	0	0				0	0	0		
4. 1986	0	0	0				0	0	0		
5. 1987	0	0	0				0	0	0		
6. 1988	0	0	0				0	0	0		
7. 1989	0	0	0				0	0	0		
8. 1990	0	0	0				0	0	0		
9. 1991	0	0	0				0	0	0		
10. 1992	23,183	5,526	17,658	59.7%	58.5%	60.1%	0	0	0		
11. 1993	25,925	7,085	18,840	62.6%	71.2%	59.9%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY
(000's ommitted)

1 Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned 2 Direct and Assumed	3 Ceded	4 Net (2 – 3)	Loss Payments 5 Direct and Assumed	6 Ceded	ALAE Payments 7 Direct and Assumed	8 Ceded	9 Salvage and Subrogation Received	10 Unallocated Loss Expense Payments	11 Total Net Paid (5 – 6 + 7 – 8 + 10)	12 Number of Claims Reported – Direct and Assumed
1. Prior	XXXX	XXXX	XXXX								
2. 1983	0	0	0	0	0	0	0	0	0	0	0
3. 1984	0	0	0	0	0	0	0	0	0	0	0
4. 1985	0	0	0	0	0	0	0	0	0	0	0
5. 1986	0	0	0	0	0	0	0	0	0	0	0
6. 1987	0	0	0	0	0	0	0	0	0	0	0
7. 1988	0	0	0	0	0	0	0	0	0	0	0
8. 1989	0	0	0	0	0	0	0	0	0	0	0
9. 1990	0	0	0	0	0	0	0	0	0	0	0
10. 1991	0	0	0	0	0	0	0	0	0	0	0
11. 1992	38,827	9,453	29,374	6,948	417	2,316	139	0	926	9,634	1,585
Totals	XXXX	XXXX	XXXX	6,948	417	2,316	139	0	926	9,634	1,585

Note: For "prior" report amounts paid or received in current year only.

Report cumulative amounts paid or received for specific years. Report loss payments net of salvage and subrogation received.

1 Years in Which Premiums Were Earned and Losses Were Incurred	Losses Unpaid Case Basis 13 Direct and Assumed	14 Ceded	Bulk + IBNR 15 Direct and Assumed	16 Ceded	Allocated Loss Expenses Unpaid Case Basis 17 Direct and Assumed	18 Ceded	Bulk + IBNR 19 Direct and Assumed	20 Ceded	21 Unallocated Loss Expenses Unpaid	22 Total Net Losses and Expenses Unpaid	23 Number of Claims Outstanding – Direct and Assumed
1. Prior											
2. 1983	0	0	0	0	0	0	0	0	0	0	0
3. 1984	0	0	0	0	0	0	0	0	0	0	0
4. 1985	0	0	0	0	0	0	0	0	0	0	0
5. 1986	0	0	0	0	0	0	0	0	0	0	0
6. 1987	0	0	0	0	0	0	0	0	0	0	0
7. 1988	0	0	0	0	0	0	0	0	0	0	0
8. 1989	0	0	0	0	0	0	0	0	0	0	0
9. 1990	0	0	0	0	0	0	0	0	0	0	0
10. 1991	0	0	0	0	0	0	0	0	0	0	0
11. 1992	1,740	799	8,005	3,802	580	266	2,668	1,267	1,299	8,157	305
Totals	1,740	799	8,005	3,802	580	266	2,668	1,267	1,299	8,157	305

1 Years in Which Premiums Were Earned and Losses Were Incurred	Total Losses and Loss Expense Incurred 24 Direct and Assumed	25 Ceded	26 Net *	Loss and Expense Percentage (Incurred/Premiums Earned) 27 Direct and Assumed	28 Ceded	29 Net *	Discount for Time Value of Money 30 Loss	31 Loss Expense	32 Intercompany Pooling Participation Percentage	Net Balance Sheet Reserves After Discounting 33 Losses Unpaid	34 Loss Expenses Unpaid
1. Prior	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX			XXXX		
2. 1983	0	0	0				0	0	0		
3. 1984	0	0	0				0	0	0		
4. 1985	0	0	0				0	0	0		
5. 1986	0	0	0				0	0	0		
6. 1987	0	0	0				0	0	0		
7. 1988	0	0	0				0	0	0		
8. 1989	0	0	0				0	0	0		
9. 1990	0	0	0				0	0	0		
10. 1991	0	0	0				0	0	0		
11. 1992	24,482	6,691	17,791	63.1%	70.8%	60.6%	0	0	0		
Totals	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	0	0	XXXX	0	0

* Net = (24 – 25) = (11 + 22)

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CASE I

Average Claim Value Analysis

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AVERAGE CLAIM VALUE ANALYSIS
AT 12/31/01

Accident Year	Net Case O/S Loss and ALAE ($000) (1)	Claims O/S (2)	Average Reserve (1)/(2) (3)
1992	--	--	--
1993	--	--	--
1994	$179	2	$89,500
1995	385	7	55,000
1996	611	19	32,158
1997	900	35	25,714
1998	1,045	66	15,833
1999	1,346	126	10,683
2000	1,614	227	7,110
2001	1,991	412	4,833
TOTAL	$8,071	894	$9,028

Notes Column (1) = Schedule P, Part 1, Column (13) plus Column (17) less Column (14) less Column (18).

Column (2) = Schedule P, Part 1, Column (23).

Conclusion is that older years are significantly over-reserved.

AVERAGE CLAIM VALUE ANALYSIS
AT 12/31/01

Accident Year	Net Paid Loss and ALAE ($000) (1)	Closed Claims (2)	Average (1)/(2) (3)
1992	$15,550	2,000	$7,775
1993	16,483	2,060	8,001
1994	17,607	2,202	7,996
1995	18,263	2,307	7,916
1996	18,554	2,366	7,838
1997	18,906	2,393	7,901
1998	16,726	2,240	7,467
1999	16,483	2,192	7,520
2000	15,264	2,017	7,568
2001	13,940	1,757	7,934
TOTAL	$167,766	21,534	$7,791

Notes Column (1) = Schedule P, Part 3, Column (11)

Column (2) = Schedule P, Part 3, Column (12) + Column (13)

Conclusion: Average Case reserve of $9,028 (on Sheet 1) is overstated by almost 14%. Total Net reserves are probably equally redundant: 14% x $42.5 million = redundancy of $6.0 million

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Why is the presented "method (?)" inappropriate to test the reserve adequacy?

It is only a snapshot — 12/2001 — of the situation and does not take into account

■ **Historical Development**

The comparison of severities of Open versus Closed Claims is invalid because they have different mixes by

—	Year	Open claims:	Made up mostly of claims in the more recent years
		Closed claims:	Leveraged by claims in the older years
—	Size of claim	Open claims:	Contains claims which are larger and "harder" to close
		Closed claims:	Contains many small claims which are "easy" to close

■ **IBNR and Reopened Claims**

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EXHIBIT 1

■ For a given Accident Year, both the Average Case Reserve for Loss and ALAE on Open Claims and the Average Paid loss and ALAE on Closed Claims increase by age of development

AVERAGE CASE RESERVE FOR LOSS AND ALAE $ AT CALENDAR YEAR-END

AY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
1992	4,111	6,209	9,591	13,833	22,214	33,643	48,333	102,500	0	0
1993		4,269	6,237	9,142	14,091	27,826	34,929	51,500	62,500	0
1994			4,281	6,879	10,167	14,967	18,583	33,267	89,750	89,500
1995				4,442	6,487	10,722	15,823	25,633	36,625	55,000
1996					4,579	6,894	10,267	15,677	23,056	32,158
1997						4,606	7,109	10,328	16,191	25,714
1998							4,584	6,934	10,556	15,833
1999								4,517	7,154	10,683
2000									4,742	7,110
2001										4,833

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EXHIBIT 2

■ For a given Accident Year, both the Average Case Reserve for Loss and ALAE on Open Claims and the Average Paid loss and ALAE on Closed Claims increase by age of development

AVERAGE PAID LOSS AND ALAE $ IN EACH CALENDAR YEAR

AY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
1992	6,803	5,726	7,034	8,613	11,081	13,481	24,000	106,500	175,500	0
1993		7,003	5,992	7,089	9,398	10,670	15,089	22,034	133,500	145,000
1994			7,130	5,740	7,750	9,243	11,347	15,633	21,903	134,750
1995				7,269	6,028	7,614	8,916	12,240	14,855	25,281
1996					7,381	6,284	7,565	9,840	11,874	15,677
1997						7,705	6,326	8,261	9,677	12,046
1998							7,496	5,993	7,766	9,697
1999								7,656	6,433	8,063
2000									7,782	6,462
2001										7,934

AY 1993

Average Case Reserve at end of CY 2000: $62,500 per open claim

Average Paid Loss and ALAE in CY 2001: $145,000 per closed claim

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The Average Reserve on open Claims and the Average Paid on Closed Claims increase by Age of Development

Average Reserve on Open Claims @ 12/2000   ☐ Average Paid on Closed Claims in CY 2001

20
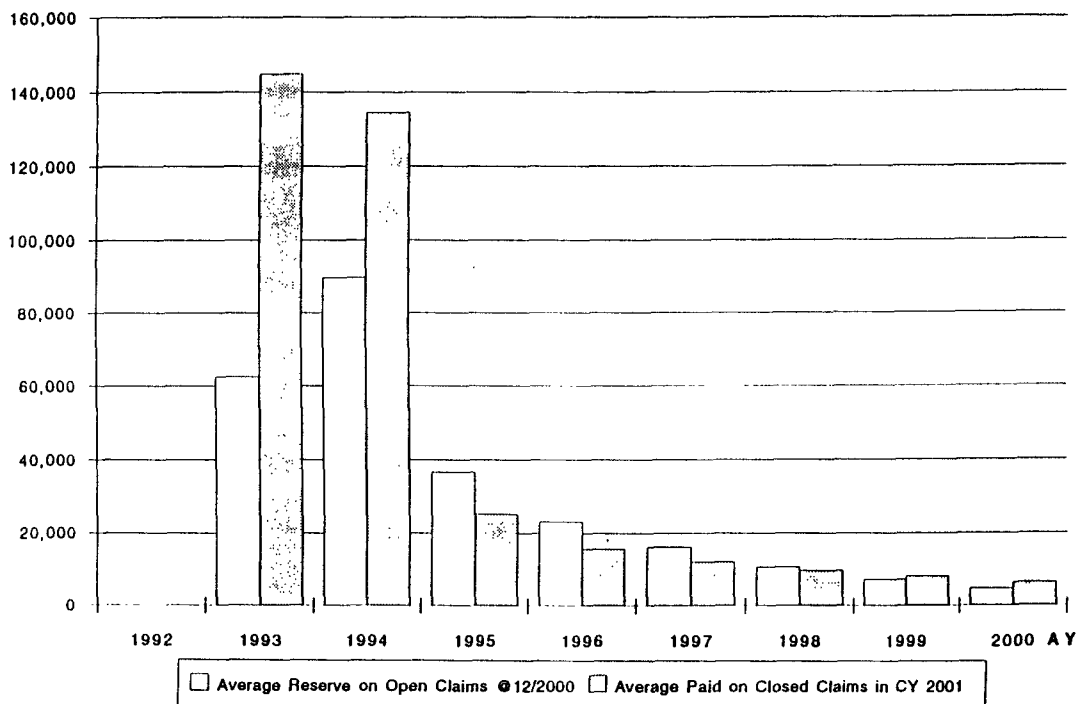
EXHIBIT 3

■   **Separate estimation of**

—   **Ultimate Claim Counts**
—   **Average Ultimate Paid Loss and ALAE**

ULTIMATE LOSS AND ALAE
CALCULATED WITH REPORTED CLAIMS

Accident Year	Claims Reported to Date (1)	Selected Factor Age-to-Ult. (2)	Estimated Ultimate Claim Count (1) x (2) (3)	Average Paid to Date (4)	Selected Factor Age-to-Ult. (5)	Estimated Average Ultimate Paid (4) x (5) (6)
1992	2,000	1.000	2,000	7,775	1.000	7,775
1993	2,060	1.000	2,060	8,001	1.000	8,001
1994	2,204	1.000	2,204	7,989	1.021	8,156
1995	2,314	1.000	2,314	7,892	1.053	8,308
1996	2,385	1.010	2,409	7,775	1.088	8,463
1997	2,428	1.031	2,504	7,787	1.128	8,781
1998	2,306	1.064	2,454	7,253	1.175	8,522
1999	2,318	1.111	2,575	7,111	1.233	8,765
2000	2,244	1.177	2,641	6,802	1.307	8,887
2001	2,196	1.266	2,780	6,348	1.410	8,949

EXHIBIT 4

■   **Separate estimation of**

—   **Ultimate Claim Counts**
—   **Average Ultimate Paid Loss and ALAE**

ULTIMATE LOSS AND ALAE
CALCULATED WITH REPORTED CLAIMS

Accident Year	NPE (000's) (7)	Paid to Date (000's) (8)	Estimated Ultimate Loss & ALAE (000's) (3) x (6) (9)	Ratio to NPE (9)/(7) (10)	Indicated Reserves (000's) (9) - (8) (11)	Annual Statement Unpaid* (000's) (12)	Reserve Redundancy (Deficiency) (000's) (12) - (11) (13)
1992	29,374	15,550	15,550	52.9%	0	0	0
1993	31,449	16,483	16,483	52.4%	0	0	0
1994	33,532	17,607	17,976	53.6%	369	359	-10
1995	36,456	18,263	19,225	52.7%	962	961	-1
1996	39,278	18,544	20,386	51.9%	1,842	1,834	-8
1997	41,290	18,907	21,988	53.3%	3,081	3,101	20
1998	39,649	16,726	20,910	52.7%	4,184	4,182	-2
1999	42,515	16,483	22,572	53.1%	6,089	6,084	-5
2000	44,219	15,264	23,471	53.1%	8,207	8,177	-30
2001	47,419	13,940	24,879	52.5%	10,939	10,953	14
TOTAL	385,181	167,767	203,440	52.8%	35,673	35,661	-22

*   Unpaid are excluding ULAE - Unpaid
    Annual Statement Schedule P: Part 1, Col. (22) - Col. (21)

CHECKLIST FOR USING THE COUNTS AND AVERAGES METHOD

■ **Squaring the Claim Count Triangle**

Assumptions	Sample Problems
Claim settlement patterns unchanging	■ Increasing delays in claim closing rates ■ Increasing lump sum activities
No claim processing changes	■ Change in data processing ■ Revised claim payment recording procedures
No changes in mix of business	■ Changes in reinsurance coverages ■ Increased long-tail exposure ■ Introduction of new or revised coverages
No cyclicity of loss development	■ Claim settlement impacted by business or underwriting cycles
No data anomalies	■ Unusual claim settlement/reporting delays

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┌─────────────────────────────────────────┐
│               CHECK                      │
└─────────────────────────────────────────┘
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■ Closing rate by Accident Year and Age of Development

■ Use comparable industry experience to select the tail factor

■ Consider claims closed without loss payment

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CHECKLIST FOR USING THE COUNTS AND AVERAGES METHOD

■ **Squaring the Average Paid Triangle**

Assumptions	Sample Problems
Claim settlement patterns unchanging	■ Increasing delays in claim closing rates ■ Increasing lump sum activities
No claim processing changes	■ Change in data processing ■ Revised claim payment recording procedures
No changes in mix of business	■ Changes in reinsurance coverages ■ Increased long-tail exposure ■ Introduction of new or revised coverages
No cyclicity of loss development	■ Claim settlement impacted by business or underwriting cycles
No data anomalies	■ Unusual claim settlement/reporting delays ■ Catastrophic settlement or unusual losses reflected in loss experience
Loss development unaffected by changing loss cost trends	■ Surges in inflation ■ Increased litigation ■ Diminished policy defenses

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┌─────────────────────────────────────────┐
│               CHECK                      │
└─────────────────────────────────────────┘
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■ Closing rate by Accident Year and Age of Development

■ Use comparable industry experience to select the tail factor

■ Consider claims closed without loss payment

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CHECKLIST FOR USING THE COUNTS AND AVERAGES METHOD

■ **Reasonableness of the Estimated Ultimate Losses**

Compare the Counts and Averages Method with other methods such as Paid/Incurred Link Ratio and industry experience as they relate to

— the indicated reserves

— the indicated IBNR

— the ultimate loss ratio

— the ultimate severity and its annual change

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APPENDIX

TO

CASE I

26

☐   Calculation of the Average Case Reserve based on Open Claim Counts

Case Reserves for Loss & ALAE   -   (000's)

< Annual Statement 2001; Schedule P :   Part 2 - Part 3 - Part 6 >

Developed Month   ----->

A Y	12	24	36	48	60	72	84	96	108	120
1992	1,254	1,068	892	747	622	471	290	205	0	0
1993	1,319	1,104	969	775	640	489	309	125	0	
1994	1,387	1,307	1,098	898	669	499	359	179		
1995	1,537	1,291	1,158	981	769	586	385			
1996	1,676	1,427	1,232	1,019	830	611				
1997	1,741	1,516	1,260	1,101	900					
1998	1,673	1,463	1,309	1,045						
1999	1,757	1,581	1,346							
2000	1,878	1,614								
2001	1,991									

CY 2001 Total : $ 8,071

Open Claim Counts

< Schedule P :   Part 1, Col. (23); several Annual Statements >

Developed Month   ----->

A Y	12	24	36	48	60	72	84	96	108	120
1992	305	172	93	54	28	14	6	2	0	0
1993	309	177	106	55	23	14	6	2	0	
1994	324	190	108	60	36	15	4	2		
1995	346	199	108	62	30	16	7			
1996	366	207	120	65	36	19				
1997	378	216	122	68	35					
1998	365	211	124	66						
1999	389	221	126							
2000	396	227								
2001	412									

CY 2001 Total :   894

Average Case Reserve for Loss & ALAE $

Developed Month   ----->

A Y	12	24	36	48	60	72	84	96	108	120	CY 2001
1992	4,111	6,209	9,591	13,833	22,214	33,643	48,333	102,500	0	0	0
1993	4,269	6,237	9,142	14,091	27,826	34,929	51,500	62,500	0		0
1994	4,281	6,879	10,167	14,967	18,583	33,267	89,750	89,500			89,500
1995	4,442	6,487	10,722	15,823	25,633	36,625	55,000				55,000
1996	4,579	6,894	10,267	15,677	23,056	32,158					32,158
1997	4,606	7,019	10,328	16,191	25,714						25,714
1998	4,584	6,934	10,556	15,833							15,833
1999	4,517	7,154	10,683								10,683
2000	4,742	7,110									7,110
2001	4,833										4,833

CY 2001   Average   9,028

□ Calculation of the Average Paid based on Closed Claim Counts

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Incremental Paid Loss & ALAE - (000's)

< Annual Statement 2001; Schedule P : Part 3 >

Developed Month ------>

AY	12	24	36	48	60	72	84	96	108	120
1992	8,708	1,420	1,224	1,068	953	728	672	426	351	0
1993	9,230	1,534	1,269	1,203	939	845	639	534	290	
1994	10,061	1,567	1,488	1,257	1,078	938	679	539		
1995	10,766	1,730	1,538	1,275	1,224	921	809			
1996	11,366	1,879	1,581	1,476	1,223	1,019				
1997	12,344	1,961	1,801	1,500	1,301					
1998	11,768	1,822	1,662	1,474						
1999	12,625	2,052	1,806							
2000	13,151	2,113								
2001	13,940									

CY 2001 Total : $ 23,291

Closed Claim Counts by Developed Month

< Schedule P : Part 1, Col. (12) - Col. (23); several Annual Statements >

Developed Month ------>

AY	12	24	36	48	60	72	84	96	108	120
1992	1,280	248	174	124	86	54	28	4	2	0
1993	1,318	256	179	128	88	56	29	4	2	
1994	1,411	273	192	136	95	60	31	4		
1995	1,481	287	202	143	100	62	32			
1996	1,540	299	209	150	103	65				
1997	1,602	310	218	155	108					
1998	1,570	304	214	152						
1999	1,649	319	224							
2000	1,690	327								
2001	1,757									

CY 2001 Total :   2,671

Average Paid Loss & ALAE $

Developed Month ------>

AY	12	24	36	48	60	72	84	96	108	120	CY 2001
1992	6,803	5,726	7,034	8,613	11,081	13,481	24,000	106,500	175,500	0	0
1993	7,003	5,992	7,089	9,398	10,670	15,089	22,034	133,500	145,000		145,000
1994	7,130	5,740	7,750	9,243	11,347	15,633	21,903	134,750			134,750
1995	7,269	6,028	7,614	8,916	12,240	14,855	25,281				25,281
1996	7,381	6,284	7,565	9,840	11,874	15,677					15,677
1997	7,705	6,326	8,261	9,677	12,046						12,046
1998	7,496	5,993	7,766	9,697							9,697
1999	7,656	6,433	8,063								8,063
2000	7,782	6,462									6,462
2001	7,934										7,934

CY 2001   Average   8,720

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□ **Squaring the Reported Claim Count Triangle**

Reported Claim Counts

< Schedule P : Part 1, Col. (12); several Annual Statements >

Developed Month - - - - ->

AY	12	24	36	48	60	72	84	96	108	120	Ultimate Claim Count
1992	1,585	1,700	1,795	1,880	1,940	1,980	2,000	2,000	2,000	2,000	2,000
1993	1,627	1,751	1,859	1,936	1,992	2,039	2,060	2,060	2,060		2,060
1994	1,735	1,874	1,984	2,072	2,143	2,182	2,202	2,204			2,204
1995	1,827	1,967	2,078	2,175	2,243	2,291	2,314				2,314
1996	1,906	2,046	2,168	2,263	2,337	2,385					2,409
1997	1,980	2,128	2,252	2,353	2,428						2,504
1998	1,935	2,085	2,212	2,306							2,454
1999	2,038	2,189	2,318								2,575
2000	2,086	2,244									2,641
2001	2,169										2,780

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Developed Month - - - - ->

AY	12	24	36	48	60	72	84	96	108
1992	1.073	1.056	1.047	1.032	1.021	1.010	1.000	1.000	1.000
1993	1.076	1.062	1.041	1.029	1.024	1.010	1.000	1.000	
1994	1.080	1.059	1.044	1.034	1.018	1.009	1.001		
1995	1.077	1.056	1.047	1.031	1.021	1.010			
1996	1.073	1.060	1.044	1.033	1.021				
1997	1.075	1.058	1.045	1.032					
1998	1.078	1.061	1.042						
1999	1.074	1.059							
2000	1.076								

Age-to-Age										
Last 5	1.075	1.059	1.044	1.032	1.021	1.010	1.000	1.000	1.000	
Last 3	1.076	1.059	1.044	1.032	1.020	1.010	1.000	1.000	1.000	
✔ Average	1.076	1.059	1.044	1.032	1.021	1.010	1.000	1.000	1.000	
										Tail
✔ Selected	1.076	1.059	1.044	1.032	1.021	1.010	1.000	1.000	1.000	1.000
Age-to-Ultimate	1.266	1.177	1.111	1.064	1.031	1.010	1.000	1.000	1.000	1.000

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☐ Squaring the Average Paid Triangle

| Cumulative Paid Loss & ALAE / Reported Claims = Average Paid |

Developed Month ----->

AY	12	24	36	48	60	72	84	96	108	120	Estimated Average Ultimate Paid
1992	5,494	5,958	6,324	6,606	6,893	7,122	7,387	7,600	7,775	7,775	7,775
1993	5,673	6,147	6,473	6,837	7,116	7,366	7,601	7,861	8,001		8,001
1994	5,799	6,205	6,611	6,937	7,210	7,511	7,751	7,989			8,156
1995	5,893	6,353	6,754	7,039	7,371	7,619	7,892				8,308
1996	5,963	6,474	6,839	7,204	7,499	7,775					8,463
1997	6,234	6,722	7,152	7,482	7,787						8,781
1998	6,082	6,518	6,895	7,253							8,522
1999	6,195	6,705	7,111								8,765
2000	6,304	6,802									8,887
2001	6,348										8,949

682

Developed Month ----->

AY	12	24	36	48	60	72	84	96	108
1992	1.084	1.062	1.045	1.043	1.033	1.037	1.029	1.023	1.000
1993	1.084	1.053	1.056	1.041	1.035	1.032	1.034	1.018	
1994	1.070	1.065	1.049	1.039	1.042	1.032	1.031		
1995	1.078	1.063	1.042	1.047	1.034	1.036			
1996	1.086	1.056	1.053	1.041	1.037				
1997	1.078	1.064	1.046	1.041					
1998	1.072	1.058	1.052						
1999	1.082	1.061							
2000	1.079								

Age-to-Age	12	24	36	48	60	72	84	96	108	Tail
Last 5	1.079	1.060	1.049	1.042	1.036	1.034	1.031	1.021	1.000	
Last 3	1.078	1.061	1.051	1.043	1.037	1.033	1.031	1.021	1.000	
Average	1.079	1.060	1.049	1.042	1.036	1.034	1.031	1.021	1.000	
Selected	1.079	1.060	1.049	1.042	1.036	1.034	1.031	1.021	1.000	1.000
Age-to-Ultimate	1.410	1.307	1.233	1.175	1.128	1.088	1.053	1.021	1.000	1.000

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☐   **Required Data to calculate the Average Paid**

Cumulative Paid Losses incl. ALAE   -   (000's)
< Annual Statement 2001; Schedule P : Part 3 >

Developed Month   ----->

AY	12	24	36	48	60	72	84	96	108	120
1992	8,708	10,128	11,352	12,420	13,373	14,101	14,773	15,199	15,550	15,550
1993	9,230	10,764	12,033	13,236	14,175	15,020	15,659	16,193	16,483	
1994	10,061	11,628	13,116	14,373	15,451	16,389	17,068	17,607		
1995	10,766	12,496	14,034	15,309	16,533	17,454	18,263			
1996	11,366	13,245	14,826	16,302	17,525	18,544				
1997	12,344	14,305	16,106	17,606	18,907					
1998	11,768	13,590	15,252	16,726						
1999	12,625	14,677	16,483							
2000	13,151	15,264								
2001	13,940									

Reported Claim Counts
< Schedule P : Part 1, Col. (12); several Annual Statements >

Developed Month   ----->

AY	12	24	36	48	60	72	84	96	108	120
1992	1,585	1,700	1,795	1,880	1,940	1,980	2,000	2,000	2,000	2,000
1993	1,627	1,751	1,859	1,936	1,992	2,039	2,060	2,060	2,060	
1994	1,735	1,874	1,984	2,072	2,143	2,182	2,202	2,204		
1995	1,827	1,967	2,078	2,175	2,243	2,291	2,314			
1996	1,906	2,046	2,168	2,263	2,337	2,385				
1997	1,980	2,128	2,252	2,353	2,428					
1998	1,935	2,085	2,212	2,306						
1999	2,038	2,189	2,318							
2000	2,086	2,244								
2001	2,196									

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Closing Rate
Claims Closed / Claims Reported

684

| Developed Quarter | ■ 4 QTRS | □ 8 QTRS | ◆ 12 QTRS | ◇ 16 QTRS |
| ▲ 20 QTRS | △ 24 QTRS | ● 28 QTRS | ○ 32 QTRS |

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CASE II

GROSS, CEDED AND NET ANALYSIS

33
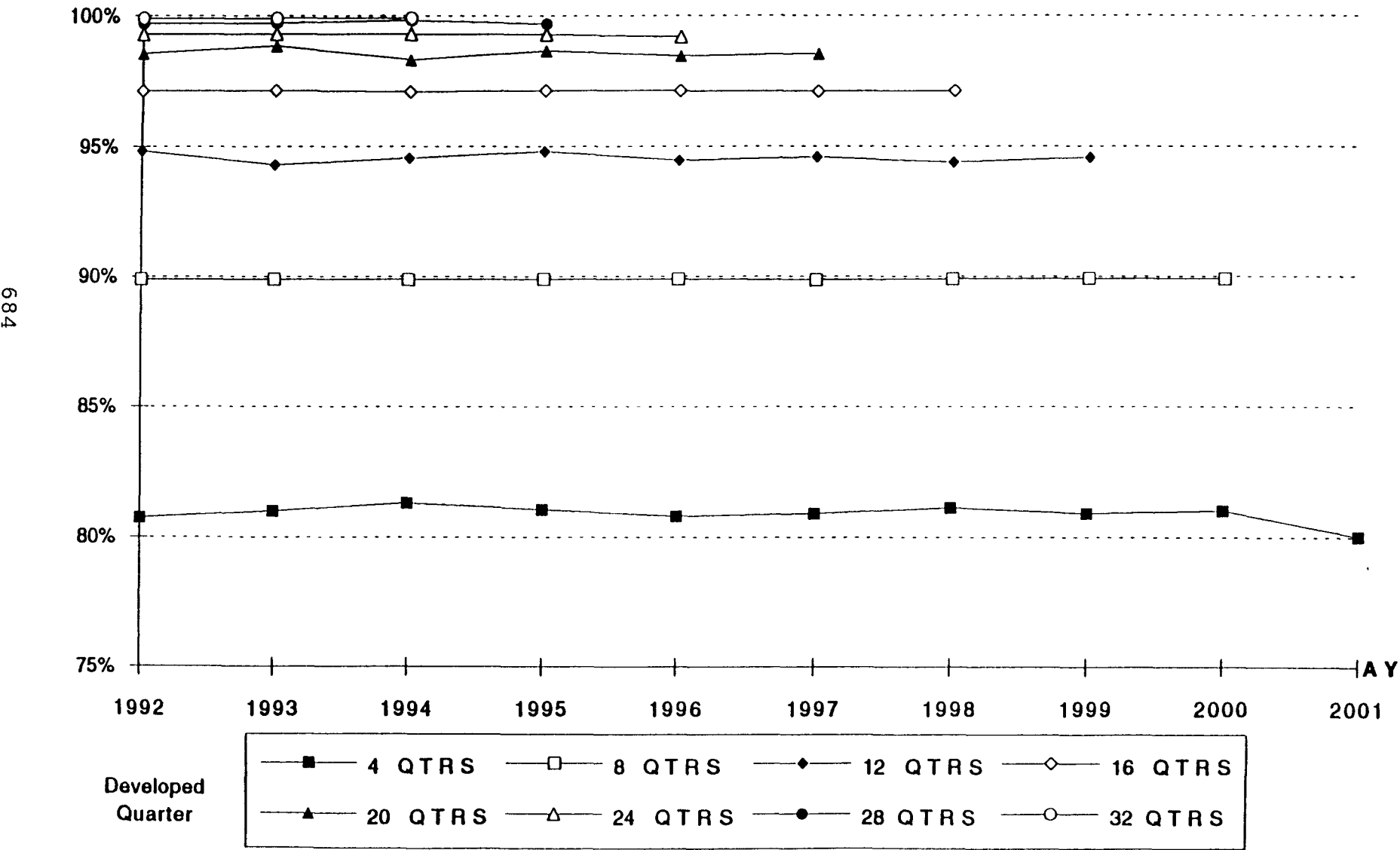
ANALYSIS OF DEVELOPMENT
AT 12/31/01
($000)

Accident Year	Net Ultimate Loss and ALAE (1)	Net Paid and Case O/S Loss and ALAE (2)	Development Factor (1)/(2) (3)
1992	$15,550	$15,550	1.000
1993	16,483	16,483	1.000
1994	17,966	17,786	1.010
1995	19,224	18,647	1.031
1996	20,378	19,155	1.064
1997	22,008	19,807	1.111
1998	20,907	17,771	1.176
1999	22,567	17,828	1.266
2000	23,442	16,878	1.388
2001	24,892	15,931	1.562

Notes: Column (1) = Schedule P, Part 2, Column (11).

Column (2) = Schedule P, Part 2 less Part 6, for the current evaluation (Column (11))

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ANALYSIS OF DEVELOPMENT
AT 12/31/01
($000)

Accident Year	Direct and Assumed Paid and Case O/S Loss and ALAE (4)	Development Factor = (3) (Sheet 1) (5)	Ultimate Loss and ALAE (4) x (5) (6)	Carried Value (7)	Redundancy (7) - (6) (8)
1992	$22,215	1.000	$22,215	$22,215	$ —
1993	23,547	1.000	23,547	23,547	—
1994	24,704	1.010	24,951	25,218	267
1995	25,200	1.031	25,981	26,496	515
1996	25,204	1.064	26,817	27,573	756
1997	25,393	1.111	28,212	29,313	1,101
1998	22,213	1.176	26,122	27,632	1,510
1999	21,742	1.266	27,525	29,845	2,320
2000	20,092	1.38	27,888	31,781	3,893
2001	18,524	1.56	28,934	35,592	6,658
					$17,020

Notes: Column (4) = Schedule P, Part 1, Column (5) + Column (7) + Column (13) + Column (17).
Column (7) = Schedule P, Part 1, Column (24) less Column (21) less Column (10).

Conclusion is that Direct and Assumed reserves are $17 million redundant!

Also, data for pricing will overstate trends since redundancy grows as we come forward in time.

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Exhibit 1

Net Incurred Loss And ALAE Development

Accident Year	12	24	36	48	60	72	84	96	108	120	Ultimate
1992	9,962	11,196	12,245	13,168	13,995	14,572	15,064	15,405	15,550	15,550	15,550
1993	10,549	11,868	13,002	14,011	14,815	15,509	15,969	16,318	16,483		16,483
1994	11,449	12,936	14,214	15,271	16,120	16,888	17,427	17,786			17,960
1995	12,303	13,786	15,192	16,291	17,302	18,041	18,647				19,237
1996	13,042	14,672	16,058	17,321	18,355	19,155					20,398
1997	14,085	15,822	17,366	18,707	19,807						22,029
1998	13,441	15,053	16,562	17,771							20,938
1999	14,381	16,258	17,828								22,592
2000	15,029	16,878									23,471
2001	15,931										24,914

Age-to-Age Factors

	12 – 24	24 – 36	36 – 48	48 – 60	60 – 72	72 – 84	84 – 96	96 – 108	108 – 120
1992	1.124	1.094	1.075	1.063	1.041	1.034	1.023	1.009	1.000
1993	1.125	1.096	1.078	1.057	1.047	1.030	1.022	1.010	
1994	1.130	1.099	1.074	1.056	1.048	1.032	1.021		
1995	1.121	1.102	1.072	1.062	1.043	1.034			
1996	1.125	1.094	1.079	1.060	1.044				
1997	1.123	1.098	1.077	1.059					
1998	1.120	1.100	1.073						
1999	1.131	1.097							
2000	1.123								
Average	1.125	1.097	1.076	1.059	1.044	1.032	1.022	1.010	1.000
$ WTD AVG	1.125	1.097	1.076	1.059	1.044	1.032	1.022	1.010	
Selected	1.125	1.097	1.076	1.059	1.044	1.032	1.022	1.010	1.000
Age-to-Ult	1.564	1.391	1.267	1.178	1.112	1.065	1.032	1.010	1.000

Exhibit 2

Net Paid Loss And ALAE Development

Accident Year	12	24	36	48	60	72	84	96	108	120	Ultimate
1992	8,708	10,128	11,352	12,420	13,373	14,101	14,773	15,199	15,550	15,550	15,550
1993	9,230	10,764	12,033	13,236	14,175	15,020	15,659	16,193	16,483		16,483
1994	10,061	11,628	13,116	14,373	15,451	16,389	17,068	17,607			17,967
1995	10,766	12,496	14,034	15,309	16,533	17,464	18,263				19,224
1996	11,366	13,245	14,826	16,302	17,525	18,544					20,385
1997	12,344	14,305	16,106	17,606	18,907						21,987
1998	11,768	13,590	15,252	16,728							20,915
1999	12,625	14,677	16,483								22,583
2000	13,151	15,264									23,477
2001	13,940										24,889

Age-to-Age Factors

	12 – 24	24 – 36	36 – 48	48 – 60	60 – 72	72 – 84	84 – 96	96 – 108	108 – 120
1992	1.163	1.121	1.094	1.077	1.054	1.048	1.029	1.023	1.000
1993	1.166	1.118	1.100	1.071	1.060	1.043	1.034	1.018	
1994	1.156	1.128	1.096	1.075	1.061	1.041	1.032		
1995	1.161	1.123	1.091	1.080	1.056	1.046			
1996	1.165	1.119	1.100	1.075	1.058				
1997	1.159	1.126	1.093	1.074					
1998	1.155	1.122	1.097						
1999	1.163	1.123							
2000	1.161								
Average	1.161	1.123	1.096	1.075	1.058	1.044	1.032	1.021	1.000
$ WTD AVG	1.161	1.123	1.096	1.075	1.058	1.044	1.032	1.020	
Selected	1.161	1.123	1.096	1.075	1.058	1.044	1.032	1.020	1.000
Age-to-Ult	1.785	1.538	1.370	1.250	1.163	1.099	1.053	1.020	1.000

Exhibit 3

Comparison of Estimated Net Ultimates

Accident Year	Carried Net Ultimate Loss and ALAE	Inc. Method Ultimate Loss and ALAE	Paid Method Ultimate Loss and ALAE
1992	15,550	15,550	15,550
1993	16,483	16,483	16,483
1994	17,966	17,960	17,967
1995	19,224	19,237	19,224
1996	20,378	20,398	20,385
1997	22,008	22,029	21,987
1998	20,907	20,938	20,915
1999	22,567	22,592	22,583
2000	23,442	23,471	23,477
2001	24,892	24,914	24,889
	203,417	203,573	203,460

Exhibit 4

Net Paid / Net Incurred Ratios

Accident Year	Age in Months									
	12	24	36	48	60	72	84	96	108	120
1992	87.4%	90.5%	92.7%	94.3%	95.6%	96.8%	98.1%	98.7%	100.0%	100.0%
1993	87.5%	90.7%	92.5%	94.5%	95.7%	96.8%	98.1%	99.2%	100.0%	
1994	87.9%	89.9%	92.3%	94.1%	95.8%	97.0%	97.9%	99.0%		
1995	87.5%	90.6%	92.4%	94.0%	95.6%	96.8%	97.9%			
1996	87.1%	90.3%	92.3%	94.1%	95.5%	96.8%				
1997	87.6%	90.4%	92.7%	94.1%	95.5%					
1998	87.6%	90.3%	92.1%	94.1%						
1999	87.8%	90.3%	92.5%							
2000	87.5%	90.4%								
2001	87.5%									

Exhibit 5

When would it be appropriate to apply net development patterns to gross data?

1) Reinsurance does not exist.

2) Retentions are high enough that reinsurance layers are never penetrated.

3) Reinsurance is proportional in nature and applies to all claims.

4) Instances of sheer coincidence.

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Exhibit 6

Formulas Used to Derive Gross Paid and Incurred Data from Schedule P Part 1

Gross Paid Loss and ALAE	=	Column (5) + Column (7)
Gross Incurred Loss and ALAE	=	Column (5) + Column (7) + Column (13) + Column (17)
Gross Carried Ultimate Loss and ALAE	=	Column (24) – Column (21) – Column (10)

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Exhibit 7

Gross Incurred Loss And ALAE Development

Accident Year	Age in Months										Ultimate
	12	24	36	48	60	72	84	96	108	120	
1992	11,584	13,329	14,932	16,459	17,942	19,174	20,356	21,395	22,215	22,215	22,215
1993	12,266	14,128	15,856	17,513	18,993	20,407	21,579	22,664	23,547		23,547
1994	13,312	15,400	17,334	19,089	20,666	22,222	23,551	24,704			25,659
1995	14,306	16,412	18,527	20,363	22,182	23,738	25,200				27,484
1996	15,165	17,466	19,583	21,451	23,532	25,204					29,142
1997	16,378	18,835	21,178	23,083	25,393						31,472
1998	15,629	17,921	20,197	22,113							29,913
1999	16,722	19,354	21,742								32,276
2000	17,476	20,092									33,531
2001	18,524										35,592

Age-to-Age Factors

	12 – 24	24 – 36	36 – 48	48 – 60	60 – 72	72 – 84	84 – 96	96 – 108	108 – 120
1992	1.151	1.120	1.102	1.090	1.069	1.062	1.051	1.038	1.000
1993	1.152	1.122	1.105	1.085	1.074	1.057	1.050	1.039	
1994	1.157	1.126	1.101	1.083	1.075	1.060	1.049		
1995	1.147	1.129	1.099	1.089	1.070	1.062			
1996	1.152	1.121	1.106	1.087	1.071				
1997	1.150	1.124	1.104	1.086					
1998	1.147	1.127	1.100						
1999	1.157	1.123							
2000	1.150								
Average	1.151	1.124	1.102	1.087	1.072	1.060	1.050	1.039	1.000
$ WTD AVG	1.151	1.124	1.102	1.087	1.072	1.060	1.050	1.039	
Selected	1.151	1.124	1.102	1.087	1.072	1.060	1.050	1.039	1.000
Age – to – Ult	1.921	1.669	1.485	1.347	1.239	1.156	1.091	1.039	1.000

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Exhibit 8

Gross Paid Loss And ALAE Development

Accident Year	Age in Months										Ultimate
	12	24	36	48	60	72	84	96	108	120	
1992	9,264	11,129	12,899	14,612	16,309	17,849	19,438	20,821	22,215	22,215	22,215
1993	9,820	11,829	13,673	15,572	17,287	19,012	20,604	22,183	23,533		23,533
1994	10,703	12,778	14,904	16,910	18,843	20,746	22,458	24,119			25,659
1995	11,453	13,732	15,947	18,011	20,162	22,106	24,030				27,455
1996	12,092	14,555	16,847	19,179	21,372	23,473					29,113
1997	13,132	15,720	18,302	20,713	23,057						31,400
1998	12,519	14,934	17,332	19,678							29,869
1999	13,431	16,129	18,731								32,263
2000	13,990	16,774									33,529
2001	14,829										35,542

Age-to-Age Factors

	12 – 24	24 – 36	36 – 48	48 – 60	60 – 72	72 – 84	84 – 96	96 – 108	108 – 120
1992	1.201	1.159	1.133	1.116	1.094	1.089	1.071	1.067	1.000
1993	1.205	1.156	1.139	1.110	1.100	1.084	1.077	1.061	
1994	1.194	1.166	1.135	1.114	1.101	1.083	1.074		
1995	1.199	1.161	1.129	1.119	1.096	1.087			
1996	1.204	1.157	1.138	1.114	1.098				
1997	1.197	1.164	1.132	1.113					
1998	1.193	1.161	1.135						
1999	1.201	1.161							
2000	1.199								
Average	1.199	1.161	1.134	1.115	1.098	1.086	1.074	1.064	1.000
$ WTD AVG	1.199	1.161	1.134	1.115	1.098	1.086	1.074	1.064	
Selected	1.199	1.161	1.134	1.115	1.098	1.086	1.074	1.064	1.000
Age – to – Ult	2.397	1.999	1.722	1.518	1.362	1.240	1.143	1.064	1.000

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Exhibit 9

Comparison of Estimated Gross Ultimates

Accident Year	Carried Gross Ultimate Loss and ALAE	Inc. Method Ultimate Loss and ALAE	Paid Method Ultimate Loss and ALAE
1992	22,215	22,215	22,215
1993	23,547	23,547	23,533
1994	25,218	25,659	25,659
1995	26,496	27,484	27,455
1996	27,573	29,142	29,113
1997	29,313	31,472	31,400
1998	27,632	29,913	29,869
1999	29,845	32,276	32,253
2000	31,781	33,531	33,529
2001	35,592	35,592	35,542
	279,212	290,831	290,568

Exhibit 10

Comparison of Gross Reserve Positions

Accident Year	Selected Gross Ultimate Loss and ALAE	"Correct" Redundancy (+) or Inadequacy (−)	"Incorrect" Redundancy (+) or Inadequacy (−)
1992	22,215	0	0
1993	23,540	7	0
1994	25,660	(442)	267
1995	27,470	(974)	515
1996	29,130	(1,557)	756
1997	31,435	(2,122)	1,101
1998	29,900	(2,268)	1,510
1999	32,260	(2,415)	2,320
2000	33,530	(1,749)	3,893
2001	35,570	22	6,658
	290,710	(11,498)	17,020

Difference in Reserve Position Opinions =   28,518

Exhibit 11

Comparison of Incurred Loss and ALAE Development Patterns

Age-to-Ult	Gross	Ceded	Net
12-Ult	1.921	4.118	1.564
24-Ult *	1.669	3.130	1.391
36-Ult	1.485	2.475	1.267
48-Ult	1.347	2.020	1.178
60-Ult	1.239	1.690	1.112
72-Ult	1.156	1.445	1.065
84-Ult	1.091	1.259	1.032
96-Ult	1.039	1.113	1.010
108-Ult	1.000	1.000	1.000
120-Ult	1.000	1.000	1.000

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Exhibit 12

Comparison of Implied Gross Severity Trends

Accident Year	Selected Ultimate Counts	Carried Ultimate Loss & ALAE	Ultimate Severity	Fitted Ultimate Severity	
1992	2,000	22,215	11.11	11.08	
1993	2,060	23,547	11.43	11.20	
1994	2,205	25,218	11.44	11.32	
1995	2,315	26,496	11.45	11.44	
1996	2,410	27,573	11.44	11.57	
1997	2,505	29,313	11.70	11.69	Implied
1998	2,455	27,632	11.26	11.82	Exponential
1999	2,575	29,845	11.59	11.95	Severity
2000	2,640	31,781	12.04	12.08	Trend
2001	2,745	35,592	12.97	12.21	1.1%

Accident Year	Selected Ultimate Counts	Selected Ultimate Loss & ALAE	Ultimate Severity	Fitted Ultimate Severity	
1992	2,000	22,215	11.11	11.26	
1993	2,060	23,540	11.43	11.44	
1994	2,205	25,660	11.64	11.62	
1995	2,315	27,470	11.87	11.81	
1996	2,410	29,130	12.09	12.00	
1997	2,505	31,435	12.55	12.19	Implied
1998	2,455	29,900	12.18	12.38	Exponential
1999	2,575	32,260	12.53	12.58	Severity
2000	2,640-	33,530	12.70	12.78	Trend
2001	2,745	35,570	12.96	12.98	1.6%

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