



**2014 Rate Level and 8/31/2013 Unpaid Loss and Loss Adjustment Expense and Confidence Level Analyses**  
**Property-Liability, Workers Compensation and Unemployment Compensation Coverages**

**A presentation to Property-Liability Trust, Inc. Board Meeting by Maureen Stazinski, FCAS, MAAA and Christina Centofanti, FCAS, MAAA**

**October 29, 2013**

## Agenda

- Recap of 2014 Rate Level Analyses
- 8/31/2013 Unpaid Loss and Loss Adjustment Expense (LAE) Analyses
  - P-L
  - WC
  - UC
- Summary
- 8/31/2013 Confidence Level Analysis
- Appendix

## Summary of 2014 Rate Level Analyses

- **Workers Compensation**
  - 10% rate increase in 2014 for full “adequacy” by 2014
  - Rate change taken in July 2014 when all members move to July renewals
  - Removal of all credits/debits from rating process
  - Adopt experience mods using same approach as 2013 but overall mod of 1.0
- **Property-Liability**
  - -5% rate change for P-L in order to maintain 90% DRM
  - Removal of all credits/debits from rating process
  - Incorporate experience mods in rating process
- **Unemployment Compensation**
  - -5% rate change

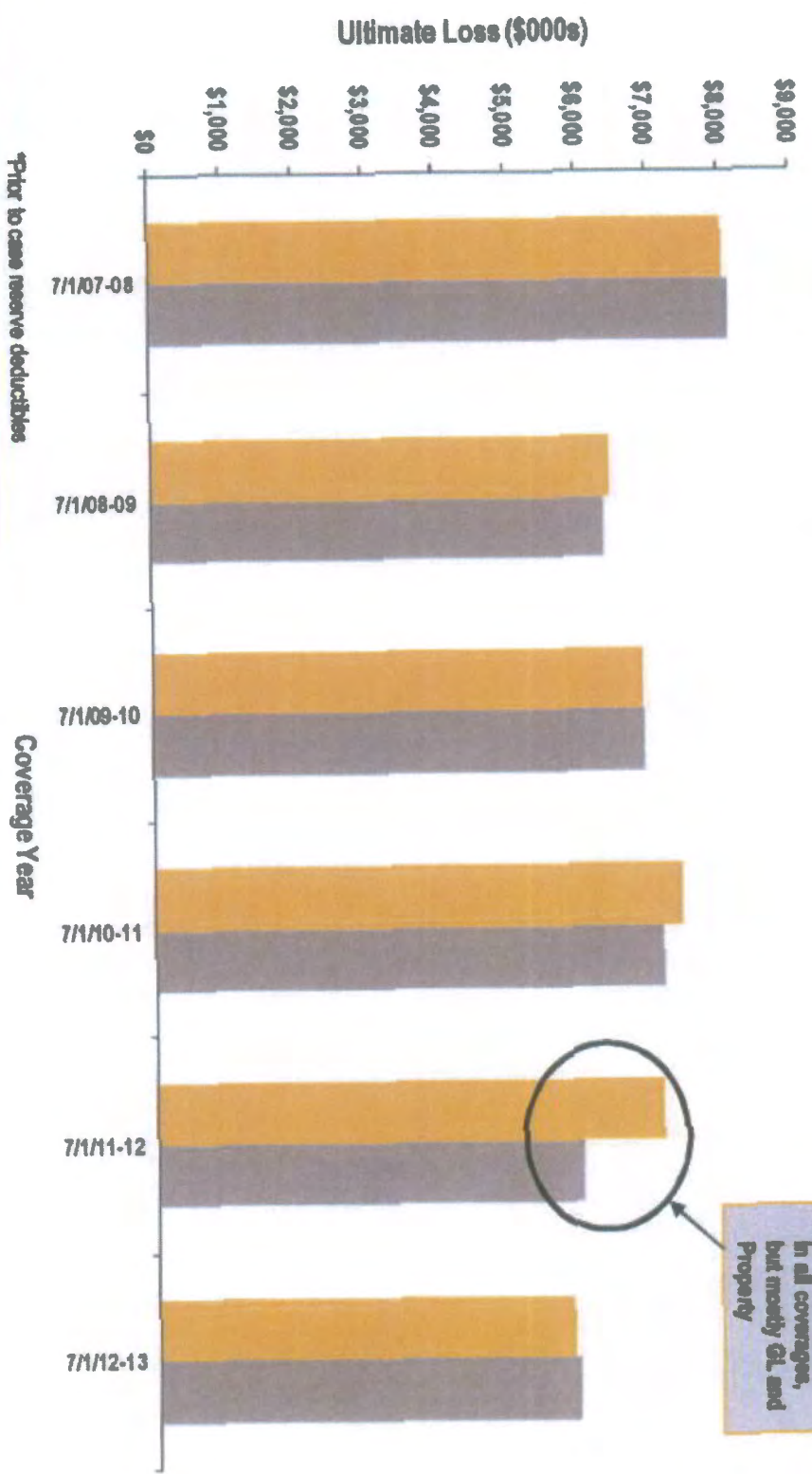
**Property-Liability Estimated Unpaid Loss  
and Loss Adjustment Expense (LAE) as of 8/31/2013 Analysis**

## Property-Liability Retained IBNER/IBNR Liabilities as of 8/31/2013 (\$000s)

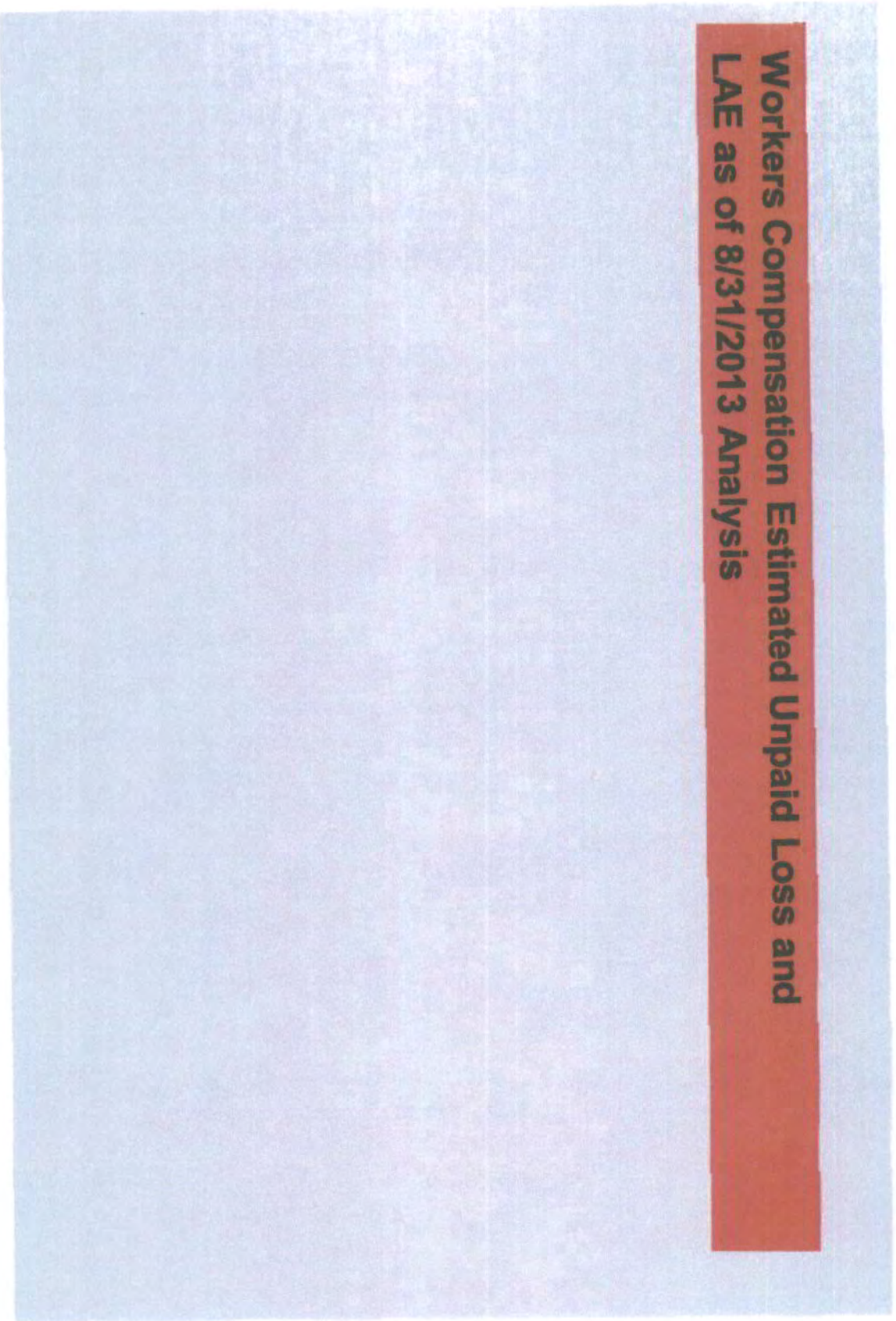
Coverage Year	Paid Losses	Reported Losses	Ultimate Losses	Unpaid Losses	Ultimate Loss Ratio
7/1/00-07	\$32,740	\$32,790	\$32,790	\$49	69%
7/1/07-08	7,991	8,118	8,134	143	77%
7/1/08-09	6,229	6,395	6,366	137	52%
7/1/09-10	6,011	6,912	6,908	897	56%
7/1/10-11	5,496	7,076	7,132	1,636	55%
7/1/11-12	4,159	5,553	5,945	1,786	54%
7/1/12-13	2,498	4,834	5,877	3,379	57%
7/1/13-8/31/13	78	1,503	1,406	1,328	82%
Nose	831	834	834	4	N/A
Total	\$66,034	\$74,004	\$75,392	\$9,359	63%

\*Additional ULAE liability is \$496,000; therefore total unpaid loss and LAE is \$9.855 million.

# Property-Liability Comparison of Ultimate Retained\* Loss and ALAE by Year



**Workers Compensation Estimated Unpaid Loss and  
LAE as of 8/31/2013 Analysis**

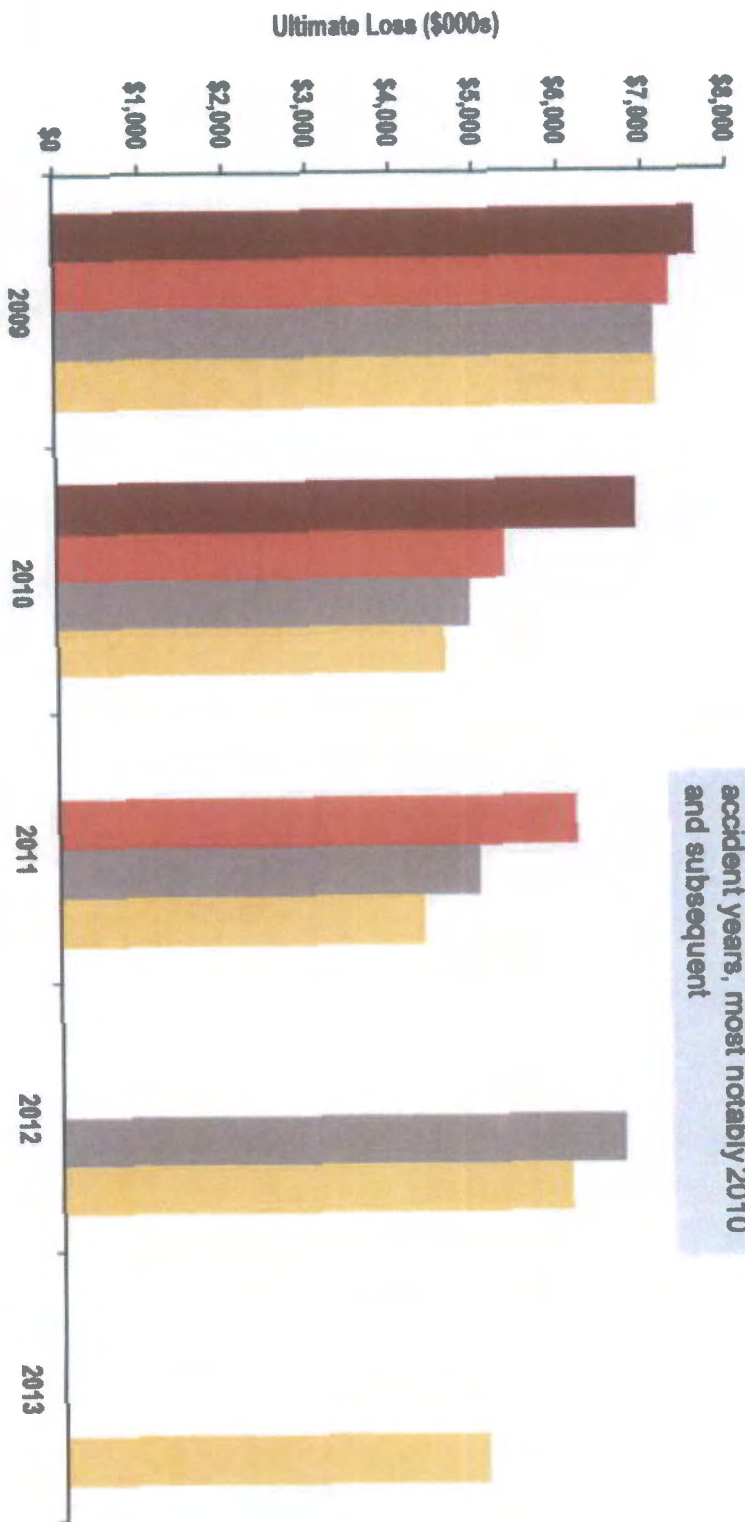


## Workers Compensation – Retained Liabilities as of 8/31/2013 (\$000s)

Coverage Year	Paid Losses	Reported Losses	Ultimate Losses	Unpaid Liabilities	IBNR Liabilities
1/1/00-12/31/06	\$ 8,242	\$ 8,333	\$ 8,482	\$ 240	\$ 149
1/1/07-12/31/07	2,582	2,701	2,774	192	73
1/1/08-12/31/08	7,225	7,484	7,713	488	229
1/1/09-12/31/09	6,339	6,886	7,169	830	283
1/1/10-12/31/10	4,002	4,139	4,609	608	470
1/1/11-12/31/11	3,295	3,746	4,337	1,042	590
1/1/12-12/31/12	3,055	4,730	6,062	3,007	1,332
1/1/13-8/31/13	860	1,702	3,357	2,496	1,654
<b>Total</b>	<b>\$35,599</b>	<b>\$39,723</b>	<b>\$44,503</b>	<b>\$8,904</b>	<b>\$4,780</b>



# Workers Compensation – Comparison of Ultimate Retained Losses by Accident Year by Evaluation

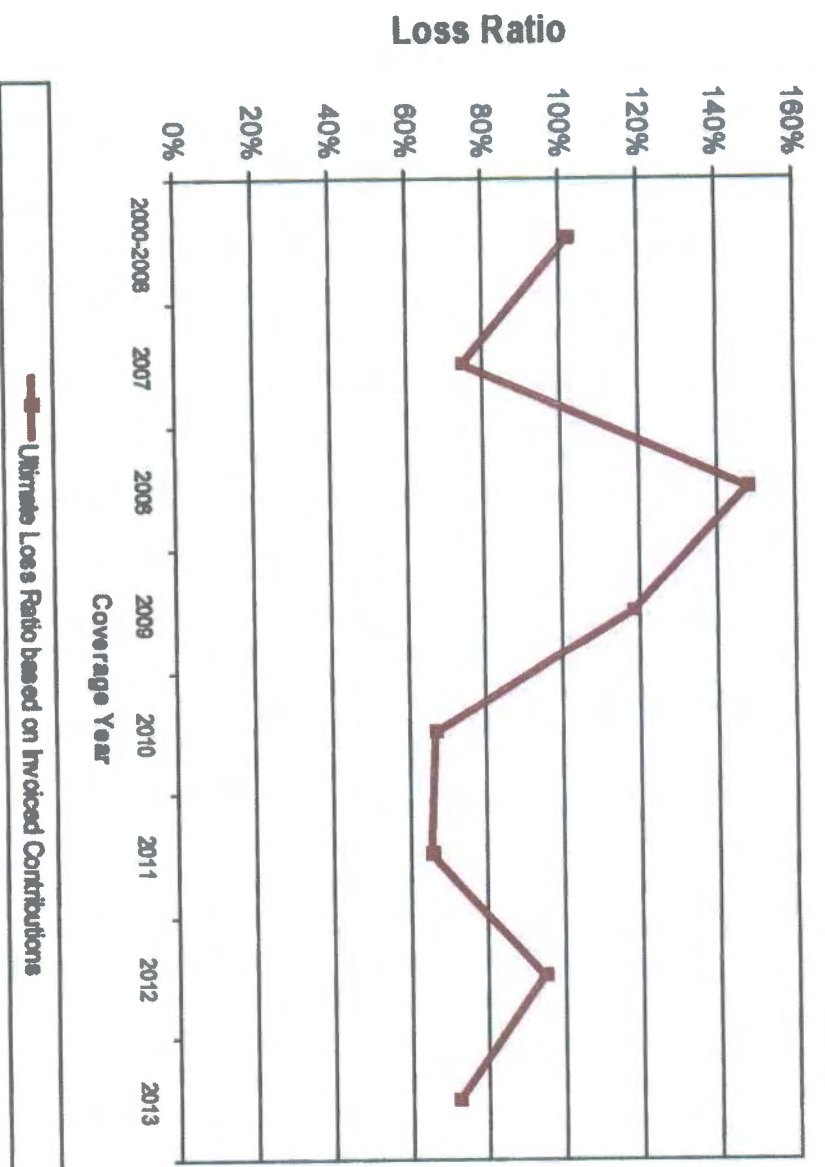


Favorable emergence in most accident years, most notably 2010 and subsequent

At 8/13, the reduction since 12/12 for coverage years 2012 and prior is \$1,823 million, which is 18% of 12/12 unpaid loss

■ As of 12/31/2010 ■ As of 12/31/2011 ■ As of 12/31/2012 ■ As of 8/31/2013

# Workers Compensation – Ultimate Retained Loss Ratios as of 8/31/2013, as a percent of Invoiced Contributions



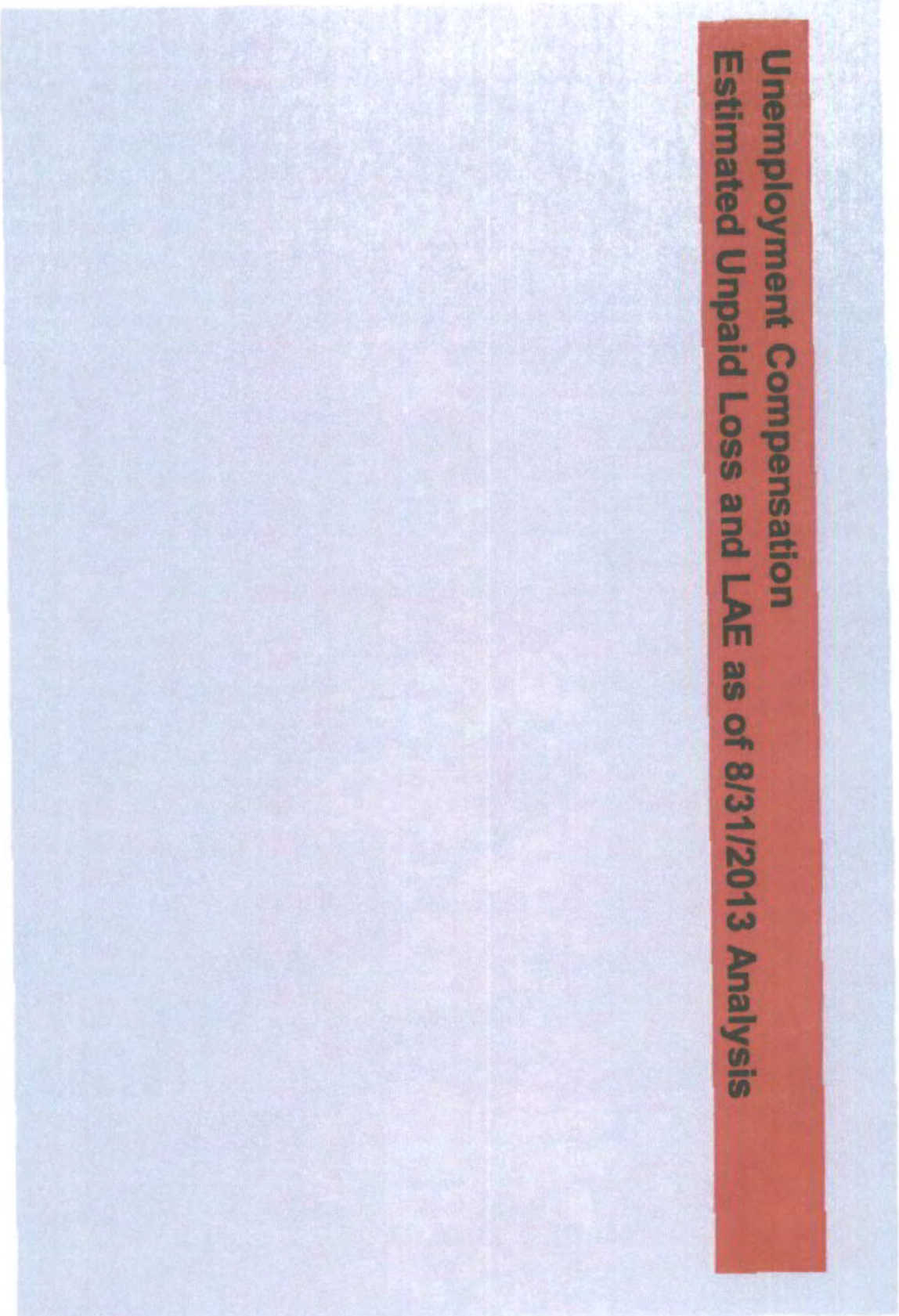
## Observations

- Loss ratios for 2007, 2010, 2011 and 2013 are favorable
- 2008 loss ratio higher than any other year
- Loss ratios do not consider NH state assessments and effect of investment income

## **Workers Compensation – ULAE and Assessment Liabilities as of 8/31/2013**

- Estimated unallocated loss adjustment expense (ULAE) of \$775,000
- At year-end 2012 the amount was \$825,000
- Estimated liability for future New Hampshire State Second Injury Fund assessments of \$1.571 million
  - Significant uncertainty in estimate
  - PLT's assessment is proportionate to share of total State of New Hampshire WC payments made (during prior year), combined with an assessment rate determined by the State of NH
- Total WC unpaid loss, LAE and assessment is \$11.25 million

**Unemployment Compensation  
Estimated Unpaid Loss and LAE as of 8/31/2013 Analysis**



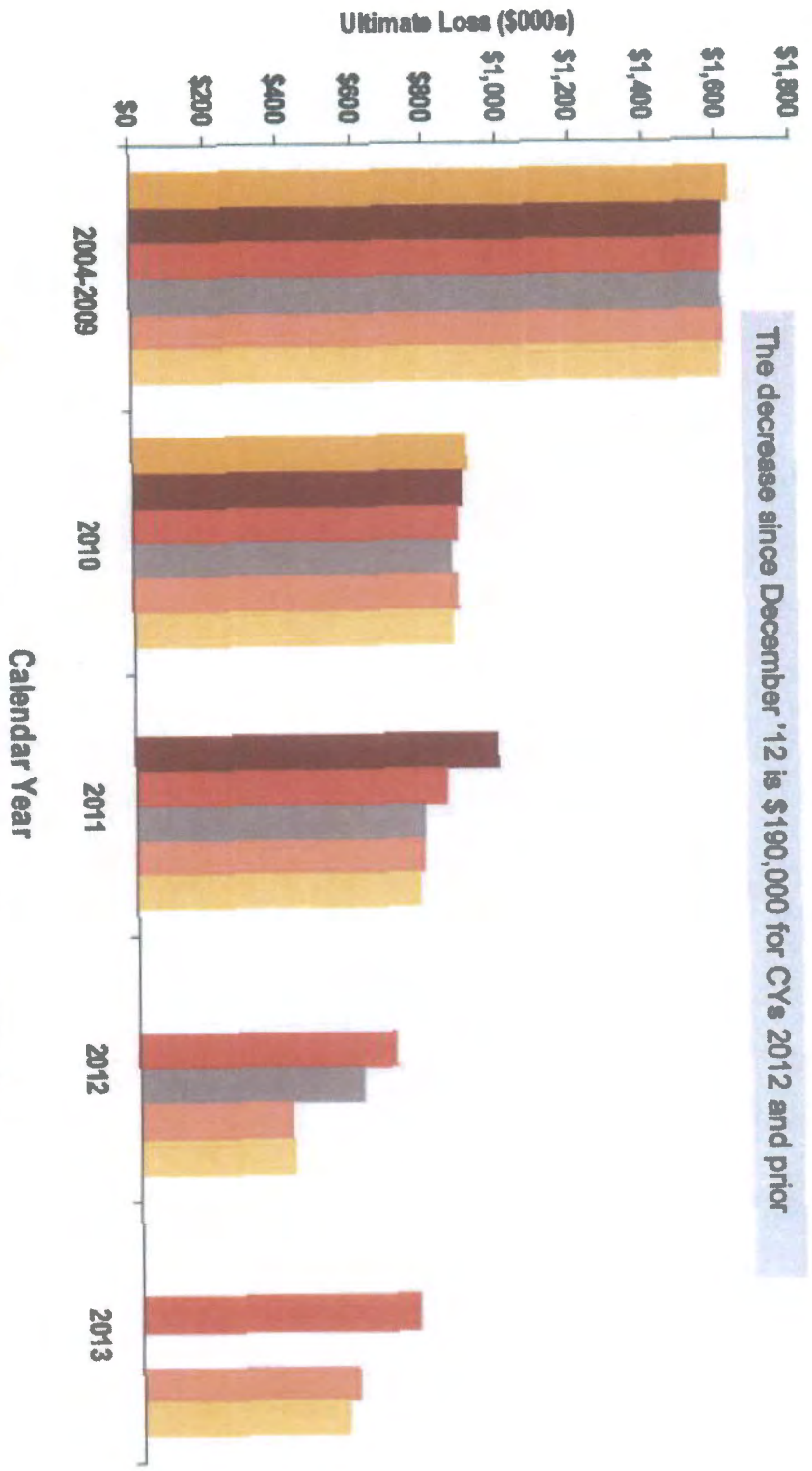
## Unemployment Compensation – Estimated Ultimate Losses and IBNR Liabilities as of 8/31/2013 (\$'000s)

Calendar Year	Paid Losses	Reported Losses	Ultimate Losses	Unpaid Losses	IBNR
2004-2009	\$1,609	\$1,609	\$1,609	\$ 0	\$ 0
2010	860	863	865	5	2
2011	768	768	770	2	2
2012	358	418	419	61	1
1/1/2013-8/31/2013	60	309	373	313	64
Total	\$ 3,656	\$ 3,968	\$ 4,037	\$380	\$69

- Significant growth in UC program from 2008 through 2010, but decline afterwards with exposure in 2013 at 64% of 2010 level
- Additional ULAE liability of \$276,000; therefore total unpaid UC loss and LAE is \$0.66 million

# Unemployment Compensation – Comparison of Ultimate Losses by Calendar Year by Evaluation

The decrease since December '12 is \$190,000 for CYs 2012 and prior



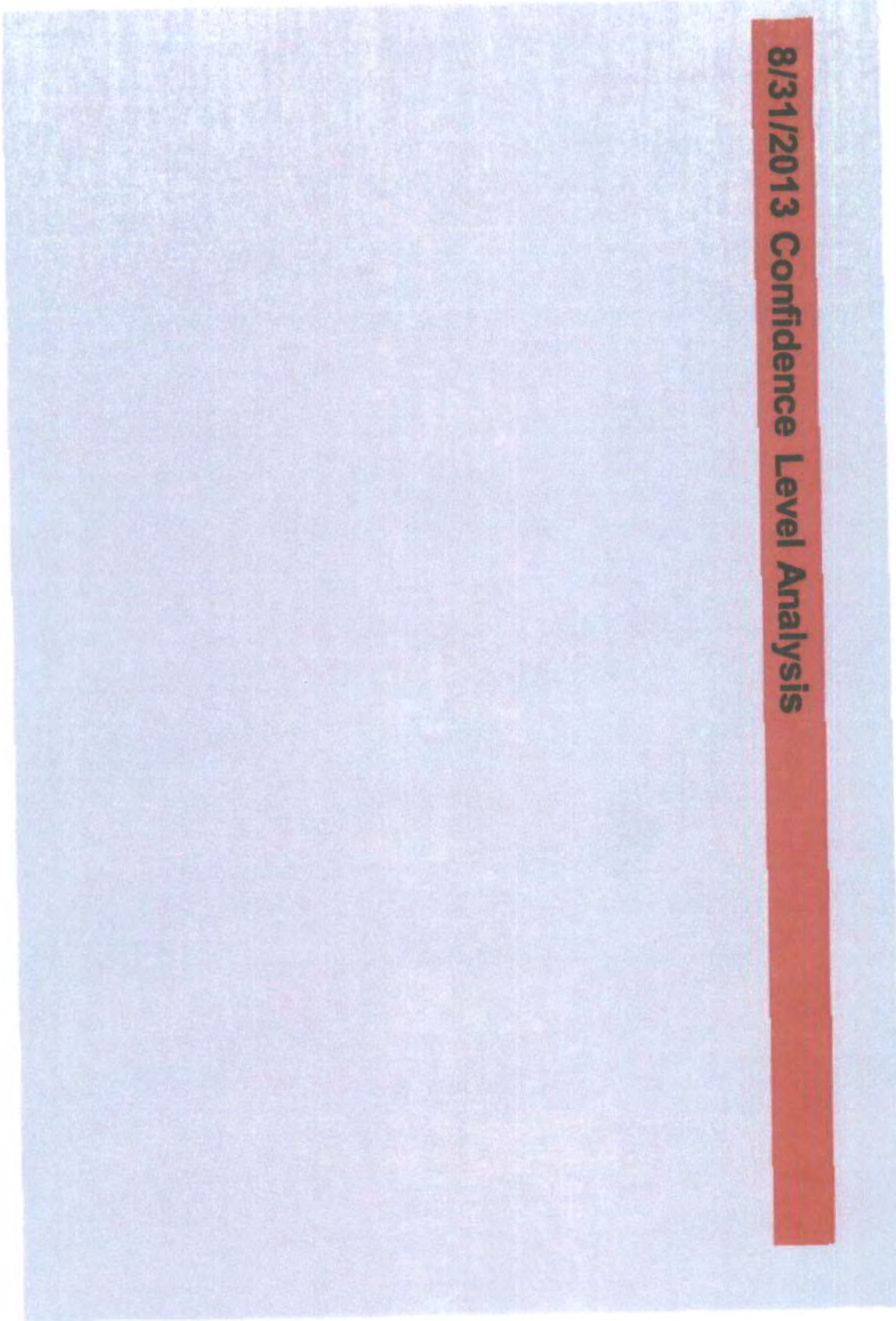
## Conclusions and Summary of Results by Analysis

- Development for all three analyses is favorable

Change in Retained Ultimate Loss* (\$000s)				
	WC	P-L	UC	Total
December 2007	\$(1,810)	\$(1,726)	N/A	\$(3,526)
December 2008	(3,011)	919	N/A	(2,092)
December 2009	(669)	(485)	114	(1,039)
December 2010	(1,064)	205	(84)	(943)
December 2011	(1,746)	(1,401)	(37)	(3,184)
December 2012	(2,036)	(3,356)	(237)	(5,629)
August 2013	(1,823)	(1,390)	(190)	(3,403)

\*Does not include ULAE or WC assessment changes

**8/31/2013 Confidence Level Analysis**





## PLT Risk Margin Funding Levels as of 8/31/2013

Risk Margin Funding Levels (\$000s)				
	75%	80%	85%	90%
August 2013	\$2,176	\$2,829	\$3,808	\$5,113

- Based on P-L, WC and UC modeled on a combined basis
- 90% confidence level reflects additional unpaid loss, LAE and WC assessment amount PLT needs to be 90% confident to fulfill claim obligations incurred through August 31, 2013
- Prior 90% risk margin funding level = \$5.435M
- Additional results provided through August 31, 2013 with P-L, WC and UC modeled separately

# Appendix

## Scope and Distribution

- PLT retained Towers Watson to prepare an actuarial analysis of loss and LAE as of August 31, 2013 for its P-L, WC and UC coverages
- The preceding slides provide a high-level summary of Towers Watson's full reports, dated October 14, 2013 (UC); October 17, 2013 (WC); October 18, 2013 (P-L) and October 22, 2013 (CL)
  - Any conclusions drawn from these slides may be inappropriate and/or incomplete without a thorough reading of the full reports
  - The reports include additional detail related to our analyses and are available to all Board members
- The distribution of the slides contained herein is limited to PLT and its Board members
- We are members of the American Academy of Actuaries and meet its qualification standards to render the actuarial opinion contained herein

## Basic Details

- Data used in this analysis is evaluated as of August 31, 2013
  - This analysis is an update to our most recent prior analysis which was performed as of December 31, 2012
  - This analysis relates to coverage provided through August 31, 2013
- Estimates are produced by analyzing:
  - Loss and ALAE combined and
  - ULAE and WC assessments separately
- Unpaid liabilities are estimated by subtracting paid losses from ultimate loss
- Historical PLT experience supplemented by industry benchmarks (WC and UC)

## Inherent Uncertainty

- Our estimates are based on historical claim and loss information
- There is no guarantee that estimates will prove to be accurate
  - Our estimates will change with future updates
- Multiple projection techniques (methods and models) are used, which provide various indications of the ultimate loss and ALAE
- The ranges implied by these projections are not all inclusive
  - The findings presented here represent our “actuarial central estimate” (ACE)
  - Estimates above the ACE are provided in the CL analysis
  - These estimates are based on PLT’s historical experience and do not reflect extreme events that have a remote possibility of occurring

## Additional Uncertainty

