WYOMING HEALTHCARE COMMISSION

PHYSICIANS AND SURGEONS
EXCESS LIABILITY FUND STUDY

Prepared by:

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October 29, 2004

A MILLIMAN GLOBAL FIRM

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October 29, 2004

T. Chris Muirhead
Chairman
Wyoming Healthcare Commission
PO Box 2760
Casper, WY 82602

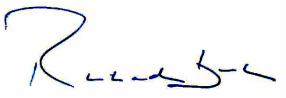
Subject: Physicians and Surgeons Excess Liability Fund Study

Dear Chris:

Milliman is pleased to enclose five copies of the above-captioned final report. The final report has been revised from the second draft version to include minor editorial changes suggested made by the Wyoming Healthcare Commission.

We appreciate this opportunity to provide consulting actuarial services to the Wyoming Healthcare Commission regarding the important medical malpractice reform issues under consideration by the Wyoming legislature. We further appreciate the cooperation and information provided by the Wyoming Healthcare Commission and the Wyoming Department of Insurance during the course of our analysis. We are available if there are any questions regarding this report or if we may provide any additional information.

Sincerely,



Richard B. Lord
FCAS, MAAA

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Enclosure

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INTRODUCTION

Milliman, Inc. (Milliman) was engaged by the Wyoming Healthcare Commission (WHCC) to analyze programs to provide excess liability coverage to physicians in Wyoming. In particular, we were asked to study the Nebraska Excess Liability Fund (NELF) and the New Mexico Patients Compensation Fund (NMPCF), in order to assess the practicality and cost of introducing a similar fund for Wyoming physicians.

Milliman studied the funds and tort systems in Nebraska, New Mexico, and several other states with excess liability funds[1]. We developed several model scenarios for a Wyoming excess liability fund using the current NELF attachment point[2] and limits, the current NMPCF attachment point and limits, and several other scenarios requested by the WHCC. These scenarios also include the alternate assumptions 1) that no tort reform is enacted in Wyoming, and 2) that Wyoming enacts a $250,000 cap on the maximum allowable verdict amount for non-economic damages[3] (primarily, "pain and suffering").

Our analysis made use of data provided by the Wyoming Department of Insurance and the Wyoming Legislative Office (LSO), and utilized the claim amount size-of-loss model and other results from a Milliman report to the WHCC on the potential impact of non-economic damages caps[4].

Milliman is an independent consulting firm, which is wholly owned by its senior consultants. Our clients include insurance companies, regulators and government agencies, consumer groups, and industry associations. This report was prepared for the Wyoming Healthcare Commission

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[1] For a complete listing of excess liability funds we reviewed along with corresponding damages limitations and participation requirements (voluntary vs. mandatory), please refer to Exhibit 14, page 3.

[2] The "attachment point" refers to the dollar amount above which the excess liability fund pays on a claim.

[3] Verdict amounts are sometimes itemized between economic damages and non-economic damages. Economic damages include reimbursement for medical expenses, lost wages and other out-of-pocket expenses. Additional verdict amounts are non-economic damages. These amounts mainly are intended to compensate claimants for pain and suffering endured from medical malpractice occurrences.

[4] Milliman, *Projected Effect of Capping Non-economic Damages on Physicians and Surgeons Professional Liability Costs*, October 13, 2004.

and the State of Wyoming and not any other third party. We understand this report may be further distributed, but require that it be distributed in its entirety. We further recommend that any third party receiving our report consult with a qualified professional.

We acknowledge and appreciate the cooperation received from the Wyoming Healthcare Commission and the Wyoming Department of Insurance during the course of our analysis.

CONCLUSIONS

Table 1 presents the expected needed surcharge for an excess liability fund as a percentage of the underlying primary policy for the 2005 policy year and recognizes five possible scenarios reflecting various retentions and fund limits. Surcharge estimates are presented on a basis assuming that the tort environment in Wyoming is unchanged in 2005, and also on a basis assuming a $250,000 cap on non-economic damages is instituted in policy year 2005 (hereafter referred to as "without tort reform" and "with tort reform" scenarios[5]).

[5] Laws that enact a cap on damages have a substantially greater impact on higher layers of coverage than lower layers; therefore, the assumption that tort reform is enacted has a large impact on the expected surcharge.

Table 1: Estimated Policy Year 2005 Wyoming Excess Liability Fund Needed Surcharge as a Percentage of Primary Policy Premium

Scenario	Fund Coverage	Surcharge without Tort Reform	Surcharge with Tort Reform
A	$0.5M - $1.00M	15%	9%
B	$0.2M - $0.60M	27%	21%
C	$0.2M - $1.00M	41%	29%
D	$0.25M - $1.00M	34%	24%
E	$0.5M - $1.75M	26%	15%

Note:
1. Scenario B is modeled on the New Mexico Patients Compensation Fund, Scenario E is modeled on the Nebraska Excess Liability Fund, and the remaining scenarios were constructed at the request of the WHCC.

The surcharges shown in Table 1 are stated as percentages of the underlying primary policy premium. These surcharges are also shown in Exhibit 3 and derived in the technical exhibits supporting this report, Exhibits 1 through 13. We have assumed the excess liability fund will follow the form of the underlying coverage in that it will provide claims-made coverage with a matching retroactive coverage date above a claims-made policy, and occurrence coverage above an occurrence policy.

The surcharges are based on the calculated expected excess indemnity retained by the fund, a contingency margin to enhance the near-term viability of the fund, and expected administrative expenses as a percentage of the underlying policy premium. It is assumed the primary physician liability insurance carriers will continue to sell and service these policies, and that all defense costs (also known as allocated loss adjustment expense, or ALAE[6]), will be covered by the primary policy[7]. Table 2 presents the expected cost of coverage under each of the scenarios

[6] "ALAE" refers to the expenses associated with the defense of medical malpractice claims. These include defense attorneys' fees, expert witness fees, and other defense related expenses.

[7] This structure is common to the various excess liability funds that were reviewed as part of this analysis. While defense costs are paid by the primary carrier, we found that ELF's will also hire a claims reviewer for large cases to monitor the progress of the defense. It would be a desirable feature for any ELF under consideration in Wyoming to have a say in the resolution of any claim on which it incurs a loss.

presented in Table 1, and compares them with the "base case", which is the expected average 2005 policy year claims-made ground up coverage cost for limits of $1 million. Table 3 presents similar estimates as Table 2; however, with the assumption that tort reform is enacted for policy year 2005.

Table 2: Estimated Policy Year 2005 Wyoming Total Average Coverage Cost Without Tort Reform

Scenario	(1) Primary Policy Average Rate	(2) Surcharge without Tort Reform	(3) = (1) + (2) Total Average Coverage Cost
Base Case	$34,787	$0	$34,787
A	28,177	4,143	32,320
B	21,420	5,759	27,179
C	21,420	8,773	30,193
D	22,771	7,762	30,533
E	28,177	7,402	35,579

Table 3: Estimated Policy Year 2005 Wyoming Total Average Coverage Cost With Tort Reform

Scenario	(1) Primary Policy Average Rate	(2) Surcharge with Tort Reform	(3) = (1) + (2) Total Average Coverage Cost
Base Case	$29,503	$0	$29,503
A	25,789	2,444	28,234
B	20,820	4,377	25,197
C	20,820	6,141	26,961
D	21,918	5,201	27,119
E	25,789	3,997	29,786

As a test of sensitivity of results under the "with tort reform" scenarios, we have also calculated the surcharges under a $350,000 cap on non-economic damages. We estimate that the total average cost would be 3% to 4% greater than the amounts shown in Table 3, depending on the scenario.

In Tables 2 and 3, Scenarios A, C and D are directly comparable to the base case in terms of limits—as both provide coverage up to $1 million per claim—thus offer the closest comparison of expected cost differences produced by establishing an excess liability fund. Scenario B is based on the New Mexico fund, which provides lower total limits, and Scenario E is based on current coverage limits provided by the Nebraska fund, which offer greater total limits.

The estimates in Tables 1 through 3 may also be found in Exhibits 1 and 3. There are several key assumptions underlying these estimates. The first is that the fund administrative expenses will be comparable to Nebraska as a percent of the fund surcharge. As the loss volume of the Nebraska fund is greater than what would enter a similar fund in Wyoming, actual relative administrative expenses may be greater in Wyoming. The second is that the primary insurance carrier required provision for underwriting expenses, unallocated loss adjustment expenses (ULAE), and all expenses other than loss and ALAE will remain a constant percentage of the premium. While these expenses are generally set equal to a fixed percentage of premium in the insurance company rate filings, it's possible that if a layer of coverage is assigned to the excess liability fund, higher expenses as a percentage of net premium will be needed for the primary carriers.

The estimated surcharge includes a contingency margin to reduce the probability of the need for a deficit assessment in the early years of the fund. The contingency margin is judgmentally selected as the amount that would offset the need for a deficit assessment in year 2 in the event a 90th percentile loss cost[8] is experienced in year 1. This contingency margin is a surcharge equal to the 70th percentile loss cost, and as demonstrated in the pro forma financial statements in Exhibit 2, contributes expected capital to the fund of about $1 million during year 1. Over time, the capital would ultimately be used to reduce future surcharges or offset loss development

[8] The 90th percentile loss cost is an adverse development scenario with a one-in-ten year frequency of occurrence.

greater than expected. The pro forma financial statement presented in Exhibit 2 indicates the capital offset to surcharges would begin in year 4 if we target a long-term liability to capital ratio of 3:1.

While funds of this nature are typically not mandatory, we have assumed that a majority of physicians would participate in the fund, and refer to this as the "mandatory" scenario in the exhibits that accompany this report. The estimated surcharge for this scenario is slightly higher than the "selective" scenario, which is based on average insurer rates. The mandatory scenario is only marginally higher than the selective scenario as nearly all physicians are voluntarily covered by the major insurance providers in the state. The final scenario is "residual market", and assumes that only the poorest quality risks opt to participate in the fund. The summary results presented in this report are based on the mandatory scenario; however, the estimated required surcharges for the selective and residual market scenarios are also presented in the exhibits that accompany this report.

Information and results in this report are meant to provide a basis for making an informed decision regarding the implementation of an excess liability fund, along with outlying approaches to participation requirements, expected surcharges and recommended start-up capitalization. All else being equal, as an excess liability fund does not fundamentally impact the underlying liability costs in and of itself, total system costs should be expected to be comparable under a system that includes such a fund and one that does not. The fund will primarily add value to the extent that it can increase the affordability or availability of purchasing coverage, as follows:

1. The excess liability fund will not require a return on invested capital (or profit provision), or need to maintain a statutory surplus as would be required of a stock or mutual insurer. The fund would be able to assess for past deficits if needed, thus a lower level of capital would be targeted and in the long-run the fund would be managed toward a zero balance.

2. Market inefficiencies may exist in Wyoming as the result of a highly-concentrated market. This situation may be exacerbated by the exit of a major insurance carrier in the

state beginning in late 2004. If this creates an anti-competitive situation or leads to higher profit loadings than in medical malpractice markets in other states, the excess liability fund will reduce costs by assuming part of the coverage at costs that don't require profit loadings.

3. If the fund is viewed as a means of ceding the riskier layer of exposure at an actuarially fair cost, the market may in general become more attractive for insurers, thus possibly increasing availability of coverage.

4. An excess liability fund may help deliver more stable insurance costs over time. As insurance companies often cede the higher layers of coverage to the reinsurance market, the excess liability fund can help to reduce fluctuations in costs due to hard reinsurance market conditions (times characterized by increasing prices and decreasing availability) and soft reinsurance market conditions (times characterized by decreasing prices and increasing availability).

5. Finally, the usefulness of an excess liability fund diminishes when there exists a cap on non-economic damages. This is because a damages cap has the greatest impact on the excess layer of losses, decreasing the amount of exposure ceded to the fund, thus decreasing the amount by which the fund impacts total overall costs and stability of costs.

There are numerous other considerations beyond the cost of providing coverage when determining what structure would best suit the needs of various Wyoming physicians and patients, each of whom may benefit differently from different arrangements. While our analysis provides an objective review of the features and the expected liability funding costs and capital recommendations, consideration regarding the balancing of costs and benefits must be made by the WHCC and the Wyoming Legislature.

OVERVIEW

We reviewed the excess liability funds and tort systems in various states. This section of the report presents a detailed discussion of the Nebraska fund, the similarities and differences in the Nebraska and Wyoming tort systems, and the practicality and application of a Nebraska style fund in Wyoming. Historical Nebraska fund information as well as information regarding funds and tort systems in other states are presented in Exhibits 14 through 17.

The Nebraska Excess Liability Fund

The NELF was established in 1976 through the Nebraska Hospital - Medical Liability Act. The NELF is a voluntary plan and requires participating health care providers to submit a proof of financial responsibility in the form of an underlying medical professional liability policy with minimum coverage limits. Also, participating health care providers pay an excess surcharge, currently 50% of the underlying coverage premium. There have been several changes over time, but currently Nebraska limits total damages paid to health care providers to $1,750,000 per occurrence if arising on or after 1/1/2004. The NELF pays all loss indemnity payments in excess of the primary policy limit purchased (minimum coverage limit required is currently $500,000 per occurrence / $1,000,000 annual aggregate) by the health care providers up to the total damages limit, which implies that the fund limit is $1,250,000 per occurrence. ALAE applies "in addition to" the policy limit and is the responsibility of the primary insurance carrier. Exhibit 14, page 1 presents the NELF along with the NMPCF and Wisconsin Patient Compensation Funds.

The NELF surcharge has varied from 1% to 50% (ceiling by law) over the years. Recently, the surcharge was brought to the maximum allowable by law which is expected to lead to income exceeding claims and expenses for the year. The current surcharge is partly attributed to 80 Dodge County Hepatitis C pending claims; however, we have not reviewed the adequacy of these reserves or the resulting surcharge.

The NELF works in conjunction with several tort reform provisions, which are presented in Exhibit 14, page 2 and discussed below.

Wyoming and Nebraska Tort Systems

Neither Nebraska nor Wyoming currently limit judgments and settlements labeled as non-economic damages. However, Nebraska imposes a limit on total compensatory damages (i.e., economic and non-economic damages) equal to the combined primary plus NELF limits of $1.75 million.

Plaintiff attorney's fees are reviewed for reasonableness in Nebraska, and they are limited by court ruling in Wyoming. This would not impact excess liability fund costs as plaintiff attorney fees are not paid directly by the defendant.

Nebraska has enacted a mandatory review of medical injury claims by a pre-trial screening panel. The panel report is admissible in any subsequent trial in Nebraska. Wyoming found such a statute to be unconstitutional.

In general, in Nebraska, the statute of limitations is within two years of the alleged act, error or omission or one year from the discovery of the alleged act, error or omission, but no more than 10 years after the date of service. In Wyoming, the statute of limitations is within two years of the alleged act, error, or omission, or within two years of discovery if the act, error, or omission was not reasonably discoverable within two years or was not discovered despite due diligence. There are exceptions for young children, the disabled and wrongful deaths.

The collateral source rule applies in Wyoming, meaning that a claimant's receipt of collateral benefits does not serve to reduce their recovery. In Nebraska, non-refundable medical reimbursement insurance benefits, less all premiums paid by or for the claimant, are credited against any judgment. The net effect may result in higher court judgments in Wyoming, as awards would be gross of any subrogation of medical costs.

Suitable Structure for a Wyoming Excess Liability Fund

We reviewed the structure of the NELF and the NMPCF. We have summarized and discussed all relevant/available information pertaining to these funds in Exhibits 14 through 17.

There are several types of recommendations concerning the feasibility of an excess liability fund, among others are: participation requirements, selection of an excess layer, and associated expected excess surcharges. The first two items are discussed in this subsection; expected excess surcharges are discussed and shown in the prior section.

Participation Requirements. Eight of the ten states (FL, IN, KS, LA, NE, NM, PA, SC, VA, and WI) with an active excess liability fund, also called patient compensation funds or catastrophe funds, allow voluntary participation for health care providers. For a listing of these states, please refer to Exhibit 14, page 3. However, in states with a healthy fund that provides a valuable coverage, the fund participation includes the vast majority of the market.

All states with excess liability funds are made available to all health care providers[9] without discrimination. This is one of the goals of the excess liability fund, providing availability of coverage.

In all the states with an excess liability fund, participation requires submitting a proof of financial responsibility in the form of an underlying professional liability policy with minimum limits and payment of a yearly fee (surcharge). We recommend the same protocol for Wyoming. A broad range of minimum policy limits are required by various states. In Exhibits 1 through 7, we model five different scenarios.

Excess Layer of Coverage. States with excess liability funds offer various layers of coverage, usually higher layers for hospitals versus physicians and surgeons. We were directed by the WHCC to model scenarios equivalent to the attachment points and limits of the Nebraska ELF

[9] The scope of this report and supporting exhibits is limited to physicians and surgeons. The general conclusion would also apply to other healthcare providers; however, the expected surcharges, capital amounts and other calculations related to the fund finances would not.

and New Mexico Patients Compensation Fund. These are represented by Scenarios E and B, respectively. The remainder of the scenarios represent layers requested by the WHCC. Below are several scenarios that were reviewed as applicable to Wyoming's loss experience:

- $500,000 in excess of $500,000 (Scenario A)
- $400,000 in excess of $200,000 (Scenario B)
- $800,000 in excess of $200,000 (Scenario C)
- $750.000 in excess of $250,000 (Scenario D)
- $1,250,000 in excess of $500,000 (Scenario E)

These scenarios are also presented in Exhibit 1, page 2.

METHODOLOGY AND ASSUMPTIONS

Our estimates are based on an actuarial analysis of historical physicians professional liability claim experience in Wyoming, other relevant data sources, and a review of excess liability funds in other states, notably Nebraska. The methodology and assumptions associated with our analysis is detailed in the following discussion and presented in Exhibits 1 through 13.

Exhibit 1 presents a summary of the results of our analysis and the structure of the modeled scenarios. Exhibit 2 presents a pro forma financial statement for Scenario D, which represents WHCC's preferred structure. Exhibits 3 through 7 derive the excess layer costs for each of the modeled scenarios; Scenarios A to E are shown on pages 1 through 5, respectively. Exhibits 8 through 13 show the derivation of the parameters underlying the calculation of excess layer costs and estimated primary layer premium.

Any reference to results applying "with/without tort reform" is defined as results inclusive/exclusive of a $250,000 cap on non-economic damages.

Projected Fund Surcharges

Exhibit 1. Exhibit 1 shows the average mature claims-made physician's rate considering the enactment of an excess liability fund under various excess layer scenarios, except for the base case. The base case represents the average physician's mature claims-made rate with $1M/$3M policy limits. These results are shown without and with tort reform, columns (4) and (5) respectively. Page 2 of this exhibit shows the fund layer assumed for each scenario.

Pro Forma Financial Statement

Exhibit 2. A pro forma financial statement is derived for Scenario D ($0.75M in excess of $0.25M), with tort reform. The pro forma income statement and balance sheet contain future projections of net income, total assets, liabilities, and surplus/deficit amounts that are dependent on certain key parameter assumptions as discussed below.

Capital. Beginning capital for year 1 is assumed to be $0. Also, additional paid in capital in subsequent years is zero.

Total assessment. The 70% probability level excess fund surcharge as a percentage of primary policy limits of $0.25M/$1M is shown on Exhibit 3, page 4. This surcharge is assumed to be level but decreases in years 3 and subsequent in order to maintain an approximate leverage ratio 3:1. Total assessment is the excess liability fund surcharge (as a percentage) times the physician's mature clams-made market rate at primary policy limits times the expected number of participants.

The following years' mature claims-made market rates are assumed to vary proportionally to the expected change in prospective underlying pure premium. In other words, we assume rate adequacy. In addition, we assume that the distribution of physicians by specialty does not vary over time.

Expense assumptions. The years' administrative expenses to run the fund are assumed a constant percentage to loss, which serves as a good proxy to reflect expense inflation.

For the next 5 years, no economies of scale are assumed. The expense percentage was modeled using the NELF.

Present value ultimate loss. The present value of ultimate loss payments per year in the excess layer are a function of the underlying selected loss distribution model, the expected payout pattern and the net discount rate of interest.

Net unpaid loss. The unpaid loss estimates equal cumulative loss to date less the estimated cumulative payments. Unpaid losses are discounted assuming a 2.8% net discount rate which represents the US T-bill rate of return with maturity equal to expected duration of these liabilities. Milliman expresses no opinion regarding the appropriate net discount rate assumption.

Net Investment Income. For all years, we have applied an assumed net annual yield of 2.8% to average investable assets per year. Investable assets are a function of total assessment, administrative expenses including ULAE, capital, and losses paid out during the year.

We have assumed payments were made as a lump sum in the middle of the policy year – in turn, this assumes a uniform payout pattern. Similarly, we have assumed assessments to be received as a lump sum in the middle of the policy year.

Financial ratios. We have calculated the assessment to surplus/deficit ratio and expected leverage ratio. The expected leverage ratio is calculated as the ratio of present value of excess reserves (line 10) to surplus/deficit (line 14).

Derivation of Excess Layer Costs

Exhibit 3. Exhibit 3 compiles the 2005 indicated excess fund surcharge rate at the expected level, and at the 70% and 80% probability level with and without tort reform. The indicated excess fund surcharge rate per physician at the expected level is obtained from Exhibit 5, line

(5). For other probability levels, we multiply these rates by the appropriate probability level factor (PLF) (Exhibit 12).

Also shown are the excess fund surcharge rates as a percentage of average market rate limited at attachment point. These are obtained by dividing the excess fund surcharge rates by the average market rate limited at the attachment point, depending on each scenario.

Exhibit 4. Exhibit 4 shows the average physician's rate with and without an excess liability fund, and with and without tort reform. For each scenario, the average mature claims-made rate limited at attachment point is added to the indicated excess fund surcharge rate at the 70% probability level to obtain the physician's rate with excess liability fund (without tort reform). This is compared to the physician's average market rate at $1M/$3M obtained from Exhibit 9, page 1 (without tort reform).

Also, for each scenario, the same is accomplished in the case of enactment of tort reform. Explicitly, the average mature claims-made rate limited at attachment point (adjusted for tort reform savings) is added to the indicated excess fund surcharge rate at the 70% probability level (adjusted for tort reform savings) to obtain the physician's rate with excess liability fund (with tort reform). This is compared to the physician's average market rate at $1M/$3M obtained from Exhibit 9, page 1 and adjusted for tort reform savings. The tort reform savings are from the October 13, 2004 Milliman report.

Exhibit 5. Exhibit 5 shows the derivation of the expected excess fund surcharge rate applying "on top" of the physician's primary policy for 2005 and each of the subsequent four report years. The indicated expected fund surcharge rate per physician is obtained by loading the present value of expected excess loss payments for ELF expenses, and dividing by the expected number of participants. Implicit in the calculation of the excess layer rate is the assumption that the distribution of physicians by specialty will not vary in future years from historical levels. Then, in order to include a contingency margin, we apply the 70% PLF (Exhibit 12) times the indicated expected excess fund surcharge rate, to obtain the 70% probability level indicated excess fund surcharge rate.

For pages 1 through 4, these results apply to a mandatory plan without tort reform. However, page 5 explicitly shows the 70% probability level indicated excess layer rate for a mandatory plan with tort reform. This result is utilized for the pro-forma shown on Exhibit 2.

Exhibit 6. Exhibit 6 shows the present value of excess expected loss for the Scenarios A through E over the next five report years (2005 through 2009). The undiscounted expected excess loss for each report year is paid out in each subsequent calendar year based on the excess incremental payout pattern from Exhibit 11. The aggregate of the present value of each of these future payments produce the present value of expected excess loss payments for each report year. These results are shown in column (17). The selected net discount rate of 2.8% represents the rate of interest on US T-bill with maturity equal to duration of expected liabilities. Milliman expresses no opinion regarding the appropriate net discount rate assumption. Also shown in this exhibit are the expected calendar year excess loss payments for each of the next 5 years.

Exhibit 7. Exhibit 7 shows the undiscounted excess expected loss for the Scenarios A through E. It is obtained by multiplying the expected undiscounted excess pure premium (loss indemnity only) by the number of expected participants in the plan. The number of physicians in Wyoming was assumed to be 817 in 2004 as per "Wyoming Legislative Service Office, Research Memo". Then, this number was trended forward assuming a conservative flat annual observed trend of 1.2% based on data presented in the October 13, 2004 Milliman report (Exhibit 12). We have made no attempt to assess the impact of a change in the physician distribution by specialty in future years. This results in an implicit assumption that the physician distribution by specialty in the future will be the same as the 2004 and prior levels. The undiscounted excess loss is also shown at the 70% and 80% probability level.

Derivation of Primary and Excess Cost Parameters

Exhibit 8. Expected undiscounted excess pure premium (loss indemnity only) are derived for each of these five scenarios. They are the difference between pure premium limited at the upper

limit and pure premium limited at attachment point, both obtained from Exhibit 8, page 2. These results are shown in column (6).

On page 2, the average mature claims-made pure premium (loss indemnity only) limited at various retentions are shown in column (4), based on the applying increased limit factors (ILF) from the selected excess layer loss distribution described in Exhibit 10.

Exhibit 9. Exhibit 9 presents the average mature claims-made pure premium (loss indemnity per physician) and average mature claims-made market rate (loss & ALAE plus all other expenses per physician) limited at $1,000,000 per occurrence / $3,000,000 annual aggregate ($1M/$3M) and other various policy limits.

Page 2 shows TDC rates limited at $1M/$3M per physician's classification, trended to policy period 2005 and also multiplied by a rate adequacy adjustment ratio. These rates are from the TDC rate filing, effective 6/1/2004. They have been distributed by physician's classification as described in the OHIC rate filing, effective 1/1/2004. The selected 5% annual trend factor is applied from the average accident date of policy period underlying the rates (6/1/2005) to the average accident date of prospective policy period (1/1/2006). The annual trend was selected based on a review of medical professional rate filings in Wyoming. The rate adequacy adjustment ratio is the ratio of indicated to selected rate change from the TDC rate filing, effective 6/1/2004. These two adjustments to TDC rates are necessary in order to apply these rates, effective 6/1/2004 to policy period 1/1/2005 through 12/31/2005 and in order to assume rate adequacy. These rates are the average mature claims-made market rate limited at $1M/$3M for a selective plan. An additional load (Exhibit 13) is added to obtain the average mature claims-made rate limited at $1M/$3M for a mandatory plan. All results shown in this report apply to a mandatory plan or one that assumes a rate of voluntary participation of 100%.

Page 1 shows the development of the average mature claims-made pure premium (indemnity only) limited at $1M/$3M underlying the average mature claims-made rate shown on page 2. Expected average 2005 premium discount, permissible loss & ALAE ratio, and mediguard loss adjustment factor were taken from the TDC rate filing, effective 6/1/2004. These are used to

extract the expense component from the rates and obtain a pure premium loss and ALAE. Then, by applying the complement of an expected ratio of paid ALAE to paid loss, we obtain an average pure premium excluding ALAE (loss indemnity only). This result is shown on line (8). This expected ratio of paid ALAE to paid loss is presented in the October 13, 2004 Milliman report (Exhibit 9).

The average mature claims-made market rate limited to various other limits (for use in our scenario analyses) are shown on lines (11) and (12) by applying selected industry increased limit factors.

Exhibit 10. Our selected indemnity loss distribution for Wyoming medical malpractice liability risks is shown on Exhibit 10. These expected severities are calculated based on the selected lognormal loss distribution with parameters (mu = 11.750 and sigma = 1.598) as derived in the October 13, 2004 Milliman report.

Exhibit 11. Exhibit 11 shows the expected ground-up payout pattern. This payout pattern was obtained from industry medical professional liability rate filings. The ground-up payout pattern is used as a conservative approximation of an excess payout pattern. We believe this assumption is conservative since while loss indemnity for medical malpractice claims are generally paid in a lump sum, larger claims tend to take longer to settle. This payout pattern is utilized in Exhibit 6 to discount the excess layer pure premium for time value of money.

Exhibit 12. The probability level factors (PLFs) are based on data from a stochastic simulation. This simulation uses results from the selected size-of-loss distribution shown in Exhibit 10 and frequency on claims closed with indemnity payments (CWIP frequency). The CWIP frequency was approximated using TDC's closed claim listing and assuming that TDC's experience is about one third of all claims in Wyoming.

PLFs represent the approximate percentage by which the expected value estimates must change in order to achieve the desired probability (70% or 80%) that actual experience will not exceed

the indicated amounts during one program year. These factors differ for each of the five excess layer scenarios modeled.

Exhibit 13. Exhibit 13, page 1 shows the additional surcharges per type of plan (e.g. a mandatory participation plan, selective plan and a residual market plan). These surcharges apply multiplicatively to the average rate, which is assumed to be the selective plan level. The residual market surcharge percentage in column (4) represents a surcharge for a risk considered to be a worst-case scenario. TDC's and OHIC's worst-case scenarios are shown on pages 2 and 3. We assumed a worse case scenario risk to receive the maximum allowable surcharge from a schedule rating plan. The mandatory plan is a 90%/10% weighted average of selective plan (average risks) and residual market risks.

LIMITATIONS

Although we based our results on generally accepted actuarial and statistical procedures and our professional judgment, our results also reflect numerous assumptions. Due to the uncertainty associated with these assumptions and with the prediction of future events, actual results will vary from our projections.

Reasons for this uncertainty include random statistical fluctuations, as well as unanticipated changes in claim procedures and settlement practices, legislative and judicial decisions, attitudes of claimants and the courts, social and economic inflation, and numerous other social, political, and economic factors. Data limitations also contribute significantly to the uncertainty surrounding these results.

Furthermore, no simple theoretical model can reflect all of the forces underlying a complex insurance process. The various parameters and probability distributions within a simulation model reflect numerous assumptions. The underlying "true" distributions of the various quantities within the model may be significantly different from the estimated distributions.

In performing this analysis we relied upon publicly available data from the Wyoming Department of Insurance, the National Practitioners Data Bank, the Wyoming Legislative Office (LSO), and industry sources of medical professional liability data. We did not audit any of this data or other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis will be affected.

GLOSSARY OF TERMS

Actuarial – Statistics related to insurance risks and premium.

Actuarial model – A statistical representation of insurance risks and premium.

Allocated loss adjustment expenses (ALAE) – The expenses associated with the defense of medical malpractice claims. These include defense attorneys' fees, expert witness fees, and other defense related expenses.

Attachment point – The dollar amount at which a layer of insurance begins to provide coverage.

Cap – The amount at which claim damages are limited.

Claim frequency – The annual number of reported claims per exposure unit, such as physicians or civilians.

Claim severity – The average cost per physician claim.

Claims made policy – Insurance that provides coverage for claims that arise from incidents that occur on or after a retroactive coverage date specified by the policy and are reported during the policy term.

Claims per occurrence – The number of claims filed as the result of a single event.

Claims with indemnity payment (CWIP) - Claims that incur an indemnity payment.

Claims without indemnity payment (CWOP) - Claims that do not incur an indemnity payment, but may include payment for ALAE.

Closed claims – Claims that have been resolved.

Coefficient of variation – The ratio of the standard deviation to the mean of a statistical distribution or sample.

Collateral source benefits - Amounts that a plaintiff recovers from sources other than the defendant, such as the plaintiff's own insurance.

Collateral source rule – Rule that disallows evidence of collateral source benefits to reduce the amount of recovery from the defendant.

Combined losses and ALAE – The total amount of loss and ALAE paid on a claim.

Compensatory damages – Economic plus non-economic damages.

Contingency margin – Capital used to protect against losses that develop worse than expected.

Defense verdict – A jury verdict in favor of the defense.

Economic damages - Funds to compensate a plaintiff for the monetary costs of an injury, such as medical bills or loss of income.

Ground-up losses – Amount of losses without application of any attachment point or limit.

Implied verdict amount – The estimated amount that would have been awarded by a jury if a claim had been tried rather than settled.

Indemnity – The amount paid to a plaintiff to compensate for loss.

Inferred verdict value – See "implied verdict amount."

Joint-and-several liability – Liability in which each liable party is individually responsible for the entire obligation. Under joint-and-several liability, a plaintiff may choose to seek full damages from all, some, or any one of the parties alleged to have committed the injury. In most cases, a defendant who pays damages may seek reimbursement from nonpaying parties.

Layer of insurance – The portion of a claim or aggregate claim amounts covered by an insurance contract. The layer has an attachment point that represents the dollar amount at which it starts paying and a limit which represents the maximum amount it will pay.

Leverage ratio – The ratio of liabilities to capital or equity.

Lognormal loss distribution – A statistical distribution commonly used by actuaries to estimate the probability of the occurrence of a claim of a given amount.

Loss payments – See "indemnity."

Malpractice – Failure of one rendering professional services to exercise that degree of skill and learning commonly applied under all the circumstances in the community by the average prudent reputable member of the profession with the result of injury, loss or damage to the recipient of those services or to those entitled to rely upon them.

Malpractice Premiums – The amount paid by physicians to purchase insurance covering medical malpractice exposure.

Mean – The average value of a statistical distribution or sample.

Measured claim values – Actual claim amounts collected by surveying various sources.

Medical malpractice losses – Indemnity for medical malpractice claims.

Medical malpractice occurrence – A medical incident that leads to a claim of medical malpractice

Negligence – A violation of a duty to meet an applicable standard of care.

Non-economic damages – Damages payable for items other than monetary losses, such as pain and suffering.

Normalizing – The process by which a distribution of values is scaled such that the mean value equals a target mean value.

NPDB – The National Practitioner Data Bank, a government database of medical malpractice claims, including indemnity payments made on behalf of physicians exclusively for resolved claims.

Occurrence policy – Insurance that provides coverage for claims that arise from incidents that occur during policy term regardless of the report date.

OHIC – The Ohio Hospital Insurance Company, an insurer providing medical malpractice coverage to Wyoming physicians.

Pain and Suffering – Amounts awarded in a court of law for damages that do not have a specific dollar value, also known as general damages.

Parameters – The constant values that define a specific mathematical model, such as average claim size or standard deviation.

Policy limit – The maximum amount payable under an insurance policy.

Post verdict adjustments – The amount by which jury verdicts are changed upon appeal.

Present value of loss – The discount for the time value of money to adjust future losses paid to current dollar values.

Primary layer – Layer which provides coverage from first-dollar basis up to policy limits.

Projected loss distribution – The expected spectrum of claims of a given amount and the associated probabilities of occurrence.

Punitive Damages – Damages awarded in addition to compensatory damages to punish a defendant for willful and wanton conduct.

Settlements – Claims that are resolved between the parties without resorting to a jury verdict.

Statute of Limitations – A statute specifying the period of time after the occurrence of an injury—or, in some cases, after the discovery of the injury or of its cause—during which any suit must be filed.

Statutory – Relating to a law enacted by a legislature.

Stochastic Simulation Model – A statistical model used to project a loss distribution by generating a large number of random outcomes. Stochastic simulation is often used when the process being modeled is too complex to be defined by a single mathematical formula, such as may be the case when the model includes a large number of parameters, and many of the parameters are in turn described by statistical distributions.

TDC – The Doctors Company, an insurer providing medical malpractice coverage to Wyoming physicians.

Tort reform – Change in laws imposing civil liability for damage, injury, or a wrongful act done negligently or willfully.

Verdict – The finding of a jury in a trial.

Verdict adjustment factor – A factor that represents the relative change in claim amounts due to post verdict adjustments.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

2005 AVERAGE PHYSICIAN RATE AT UPPER POLICY LIMIT

(1)	(2)	(3)	(4)	(5)
	Excess Liability Fund Per Occurrence Retention		2005 Average Physician Rate @ Lower Policy Limit plus Excess Liability Fund Rate	
Layer Scenario	Attachment Pt	Upper Limit	Without Non-Economic Damage Caps at $250K	With Non-Economic Damage Caps at $250K
Base Case	--	--	$34,787	$29,503
A	$0.5M	$1.00M	32,320	28,234
B	0.2M	0.60M	27,179	25,197
C	0.2M	1.00M	30,193	26,961
D	0.25M	1.00M	30,533	27,119
E	0.5M	1.75M	35,579	29,786

NOTES:
1. The per-occurrence retention applies to loss only. ALAE (defense costs) is assumed to be the responsibility of the primary carrier.
2. Columns (4) and (5) are from Exhibit 4, pages 1 through 5. They apply to a mature claims-made policy.
3. The base rate and resulting excess fund rate + surcharge is for illustrative purposes only, and demonstrates the relationship between costs of various structures.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

SELECTION OF EXCESS LAYERS FOR WYOMING EXCESS LIABILITY FUND

Scenarios to apply for period 1/1/2005 - 12/31/2005

(1)	(2)	(3)	(4)	(5)
Layer Scenario	**Per Occurrence Retention**		**Applicable State**	**Effective Date (occurrences on or after) (Exhibit 15)**
	Attachment Pt	**Upper Limit**		
A	$0.5M	$1.00M	---	---
B	0.2M	0.60M	New Mexico	Since inception
C	0.2M	1.00M	---	---
D	0.25M	1.00M	---	---
E	0.5M	1.75M	Nebraska	1/1/2005

NOTES:
1. The per-occurrence retention applies to loss only. ALAE (defense costs) is assumed to be the responsibility of the primary carrier.
2. Layer scenarios B & E are based, respectively, on current excess liability funds in the state of New Mexico and Nebraska.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

FIVE YEAR PRO-FORMA FINANCIAL STATEMENTS - WYOMING EXCESS LIABILITY FUND

Expected Level - without tort reform

Scenario D : $0.25M to $1.00M

		Year 1	Year 2	Year 3	Year 4	Year 5
	Statement of Income					
	(a) 70% Prob. Level. Excess Fund Surcharges (Exhibit 3, pg 4)	34%	34%	34%	28%	25%
	(b) Market Rate per physician at $0.5/$1.5M policy limit (Exhibit 3, pg 4)	$ 22,771	$ 23,910	$ 25,105	$ 26,360	$ 27,678
	(c) Expected Number of Participants (Exhibit 5, pg 4)	827	837	847	858	869
(1)	**Total Assessment**	$ 6,419,445	$ 6,821,921	$ 7,248,597	$ 6,219,727	$ 6,013,128
	=(a)*(b)*(c)					
(2)	**Fund Present Value Ultimate Loss (including tort reform savings)**	$ 5,463,095	$ 5,647,483	$ 5,837,260	$ 6,039,613	$ 6,247,953
	(Exhibit 5, pg 4)					
(3)	**Administrative Expenses**	$ 117,457	$ 121,421	$ 125,501	$ 129,852	$ 134,331
	Additional Load of 2.15% of loss					
(4)	**Contingency Margin**	**$ 838,893**	**$ 1,053,018**	**$ 1,285,836**	**$ 50,263**	**$ (369,156)**
	=(1)-(2)-(3)					
	(a) Present Value of Assessment	$ 6,331,417	$ 6,728,374	$ 7,149,199	$ 6,134,438	$ 5,930,672
	(b) Underwriting & Other Expenses	$ 117,457	$ 121,421	$ 125,501	$ 129,852	$ 134,331
	(c) Present Value of Paid Loss (not including tort reform savings)	$ 312,844	$ 1,436,266	$ 3,043,261	$ 4,461,982	$ 5,604,743
	(d) Beginning of year Capital	$ -	$ -	$ -	$ -	$ -
	(e) Prior Year's Total Liabilities Capital & Surplus	$ -	$ 6,154,375	$ 11,735,712	$ 16,255,598	$ 18,381,842
	(f) Average Investable Assets	$ 5,901,116	$ 11,325,063	$ 15,716,149	$ 17,798,203	$ 18,573,440
	=(a)-(b)-(c)+(d)+(e)					
	(g) Interest rate assumption (T-bonds with maturity = duration on excess layer liabilities)	2.8%	2.8%	2.8%	2.8%	2.8%
(5)	**Net Investment Income**	$165,231	$317,102	$440,052	$498,350	$520,056
	=(f)*(g)					
(6)	**Contribution to Surplus**	$ 1,004,124	$ 1,370,119	$ 1,725,888	$ 548,612	$ 150,900
	=(4)+(5)					
	Assets					
(7)	**Cash & Investments**	$ 6,154,375	$ 11,735,712	$ 16,255,598	$ 18,381,842	$ 19,175,952
	=(1)+(5)- (4c) -(3) + Prior Year Total Assets					
(8)	**Total Assets**	**$ 6,154,375**	**$ 11,735,712**	**$ 16,255,598**	**$ 18,381,842**	**$ 19,175,952**
	=(7)					
	Liabilities					
(9)	**Unpaid Discounted Excess Losses**	$ 5,150,251	$ 9,361,468	$ 12,155,467	$ 13,733,098	$ 14,376,308
	= cumulative line (2) minus cumulative line (4c)					
(10)	**Total Liabilities**	**$ 5,150,251**	**$ 9,361,468**	**$ 12,155,467**	**$ 13,733,098**	**$ 14,376,308**
	=(9)					
	Surplus / Deficit					
(11)	**Beginning of Year Capital**	$ -	$ -	$ -	$ -	$ -
(12)	**Additional Paid in Capital**	$ -	$ -	$ -	$ -	$ -
(13)	**Unassigned Surplus**	$ 1,004,124	$ 2,374,243	$ 4,100,131	$ 4,648,744	$ 4,799,644
	=(8)-(10)-(11)-(12)					
(14)	**Total Surplus / Deficit**	**$ 1,004,124**	**$ 2,374,243**	**$ 4,100,131**	**$ 4,648,744**	**$ 4,799,644**
	=(11)+(12)+(13)					
(15)	**Total Liabilities, Surplus / Deficit**	**$ 6,154,375**	**$ 11,735,712**	**$ 16,255,598**	**$ 18,381,842**	**$ 19,175,952**
	=(10)+(14)					
(16)	**Assessment to Surplus/Deficit ratio -- [(1)/(14)]**	6.4	2.9	1.8	1.3	1.3
(17)	**Expected Leverage ratio -- [(10)/(14)]**	5.1	3.9	3.0	3.0	3.0

NOTES:

1. "Year 1" begins January 1, 2005.
2. Calculations may differ due to rounding.
3. Item 1(a) is decreased over time to target a long term 3:1 leverage ratio.
4. Item 1(b) is assumed to grow at same rate as losses: 5% annual rate.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

2005 EXCESS FUND SURCHARGE RATE - SUMMARY

Scenario A: $0.5M to $1.0M
Indemnity only

		(1)	(2)	(3)
		$250,000 Cap on Non-Economic Damages		
		WITHOUT (Exhibit 5, pg 1)	Saving % (Exhibit 18)	WITH (1)*(1-(2))
(1)	Expected Excess Fund Surcharge Rate per average physician	**$3,506**	41%	**$2,069**
(2)	70% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 70% Prob. Level	4,143	41%	2,444
(3)	80% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 80% Prob. Level	4,575	41%	2,699
(4)	**Average Market rate limited at $0.5M / $1.5M policy limit** (Exhibit 8, page 1)	$28,177	8%	**$25,789**
(5)	Expected Excess Fund Surcharge Rate as a % of physician rate. (1)/(4)	**12%**		**8%**
(6)	70% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (2)/(4)	15%		9%
(7)	80% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (3)/(4)	16%		10%

NOTES:
1. Assumptions:
- Expense provisions as a percentage of present value of excess pure premiums.
- Rates are assumed adequate over time and mature claims-made.
- Physicians are assumed to purchase the minimum policy limit required.
- Overall funding costs differ per type of plan but surcharge assumed to be constant.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

2005 EXCESS FUND SURCHARGE RATE - SUMMARY

Scenario B: $0.2M to $0.6M
Indemnity only

		(1)	(2)	(3)
		$250,000 Cap on Non-Economic Damages		
		WITHOUT (Exhibit 5, pg 2)	Saving % (Exhibit 18)	WITH (1)*(1-(2))
(1)	Expected Excess Fund Surcharge Rate per average physician	**$5,078**	24%	**$3,859**
(2)	70% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 70% Prob. Level	5,759	24%	4,377
(3)	80% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 80% Prob. Level	6,230	24%	4,735
(4)	**Average Market rate limited at $0.2M / $1.0M policy limit** (Exhibit 8, page 1)	$21,420	3%	**$20,820**
(5)	Expected Excess Fund Surcharge Rate as a % of physician rate. (1)/(4)	**24%**		**19%**
(6)	70% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (2)/(4)	27%		21%
(7)	80% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (3)/(4)	29%		23%

NOTES:
1. Assumptions:
- Expense provisions as a percentage of present value of excess pure premiums.
- Rates are assumed adequate over time and mature claims-made.
- Physicians are assumed to purchase the minimum policy limit required.
- Overall funding costs differ per type of plan but surcharge assumed to be constant.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

2005 EXCESS FUND SURCHARGE RATE - SUMMARY

Scenario C: $0.2M to $1.00M
Indemnity only

		(1)	(2)	(3)
		$250,000 Cap on Non-Economic Damages		
		WITHOUT (Exhibit 5, pg 3)	Saving % (Exhibit 18)	WITH (1)*(1-(2))
(1)	Expected Excess Fund Surcharge Rate per average physician	**$7,668**	30%	**$5,367**
(2)	70% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 70% Prob. Level	8,773	30%	6,141
(3)	80% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 80% Prob. Level	9,553	30%	6,687
(4)	**Average Market rate limited at $0.2M / $1.0M policy limit** (Exhibit 8, page 1)	$21,420	3%	**$20,820**
(5)	Expected Excess Fund Surcharge Rate as a % of physician rate. (1)/(4)	**36%**		**26%**
(6)	70% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (2)/(4)	41%		29%
(7)	80% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (3)/(4)	45%		32%

NOTES:
1. Assumptions:
- Expense provisions as a percentage of present value of excess pure premiums.
- Rates are assumed adequate over time and mature claims-made.
- Physicians are assumed to purchase the minimum policy limit required.
- Overall funding costs differ per type of plan but surcharge assumed to be constant.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

2005 EXCESS FUND SURCHARGE RATE - SUMMARY

Scenario D: $0.25M to $1.00M
Indemnity only

		(1)	(2)	(3)
		$250,000 Cap on Non-Economic Damages		
		WITHOUT (Exhibit 5, pg 4)	Saving % (Exhibit 18)	WITH (1)*(1-(2))
(1)	Expected Excess Fund Surcharge Rate per average physician	**$6,748**	33%	**$4,521**
(2)	70% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 70% Prob. Level	7,762	33%	5,201
(3)	80% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 80% Prob. Level	8,475	33%	5,678
(4)	**Average Market rate limited at $0.2M / $1.0M policy limit** (Exhibit 8, page 1)	$22,771	4%	**$21,918**
(5)	Expected Excess Fund Surcharge Rate as a % of physician rate. (1)/(4)	**30%**		**21%**
(6)	70% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (2)/(4)	34%		24%
(7)	80% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (3)/(4)	37%		26%

NOTES:
1. Assumptions:
- Expense provisions as a percentage of present value of excess pure premiums.
- Rates are assumed adequate over time and mature claims-made.
- Physicians are assumed to purchase the minimum policy limit required.
- Overall funding costs differ per type of plan but surcharge assumed to be constant.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

2005 EXCESS FUND SURCHARGE RATE - SUMMARY

Scenario E: $0.5M to $1.75M
Indemnity only

		(1)	(2)	(3)
		$250,000 Cap on Non-Economic Damages		
		WITHOUT (Exhibit 5, pg 5)	Saving % (Exhibit 18)	WITH (1)*(1-(2))
(1)	Expected Excess Fund Surcharge Rate per average physician	**$6,182**	46%	**$3,338**
(2)	70% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 70% Prob. Level	7,402	46%	3,997
(3)	80% Prob. Level Excess Fund Surcharge Rate per average physician (1) * PLF @ 80% Prob. Level	8,272	46%	4,467
(4)	**Average Market rate limited at $0.5M / $1.5M policy limit** (Exhibit 8, page 1)	$28,177	8%	**$25,789**
(5)	Expected Excess Fund Surcharge Rate as a % of physician rate. (1)/(4)	**22%**		**13%**
(6)	70% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (2)/(4)	26%		15%
(7)	80% Prob. Level Excess Fund Surcharge Rate as a % of physician rate (3)/(4)	29%		17%

NOTES:
1. Assumptions:
- Expense provisions as a percentage of present value of excess pure premiums.
- Rates are assumed adequate over time and mature claims-made.
- Physicians are assumed to purchase the minimum policy limit required.
- Overall funding costs differ per type of plan but surcharge assumed to be constant.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

PHYSICIAN'S RATE DEVELOPMENT (WITH AND WITHOUT AN EXCESS LIABILITY FUND)

Scenario A: $0.5M to $1.0M
For period 1/1/2005 through 12/31/2005

(1)	2005 Average Mature Claims-made Market Rate Limited at $0.5M per occurrence: (Exhibit 9, page 1)	$28,177
(2)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.5M in excess of $0.5M: (without non-economic damage caps at $250,000) (Exhibit 5, page 1)	$4,143
(3)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- with an excess liability fund: (without non-economic damage caps at $250,000) (1)+(2)**	$32,320
(4)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (without non-economic damage caps at $250,000) (Exhibit 9, page 1)**	$34,787
(5)	Estimated savings percentage due to non-economic damages caps at $250,000: (October 13, 2004 Milliman report, savings for excess layer on indemnity only)	41%
(6)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.5M in excess of $0.5M: (with non-economic damage caps at $250,000) (2)*(1-(5))	$2,444
(7)	Estimated savings percentage due to non-economic damages caps at $250,000 at $1M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	15%
(8)	Estimated savings percentage due to non-economic damages caps at $250,000 at $0.5M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	8%
(9)	2005 Average Mature Claims-made Market Rate Limited at $0.5M per occurrence: (with non-economic damage caps at $250,000) (1)*(1-(8))	$25,789
(10)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- with an excess liability fund: (with non-economic damage caps at $250,000) (6)+(9)**	$28,234
(11)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (with non-economic damage caps at $250,000) (4)*(1-(7))**	$29,503
(12)	**Estimated avg rate differential per physician for 2005 - without non-economic damage caps: (3)/(4)-1**	**-7%**
(13)	**Estimated avg rate differential per physician for 2005 - with non-economic damage caps: (10)/(11)-1**	**-4%**

NOTES:
1. Lines (5), (7) and (8) are from Exhibit 18. Exhibit 18 lists information taken from October 13, 2004 Milliman report.
2. Differences in aggregate annual limits are assumed to not impact these results.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

PHYSICIAN'S RATE DEVELOPMENT (WITH AND WITHOUT AN EXCESS LIABILITY FUND)

Scenario B: $0.2M to $0.6M
For period 1/1/2005 through 12/31/2005

(1)	2005 Average Mature Claims-made Market Rate Limited at $0.2M per occurrence: (Exhibit 9, page 1)	$21,420
(2)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.4M in excess of $0.2M: (without non-economic damage caps at $250,000) (Exhibit 5, page 2)	$5,759
(3)	**2005 Average Mature Claims-made Rate Limited at $0.6M per occ. -- with an excess liability fund: (without non-economic damage caps at $250,000) (1)+(2)**	$27,179
(4)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (without non-economic damage caps at $250,000) (Exhibit 9, page 1)**	$34,787
(5)	Estimated savings percentage due to non-economic damages caps at $250,000: (October 13, 2004 Milliman report, savings for excess layer on indemnity only)	24%
(6)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.4M in excess of $0.2M: (with non-economic damage caps at $250,000) (2)*(1-(5))	$4,377
(7)	Estimated savings percentage due to non-economic damages caps at $250,000 at $1M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	15%
(8)	Estimated savings percentage due to non-economic damages caps at $250,000 at $0.2M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	3%
(9)	2005 Average Mature Claims-made Market Rate Limited at $0.2M per occurrence: (with non-economic damage caps at $250,000) (1)*(1-(8))	$20,820
(10)	**2005 Average Mature Claims-made Rate Limited at $0.6M per occ. -- with an excess liability fund: (with non-economic damage caps at $250,000) (6)+(9)**	$25,197
(11)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (with non-economic damage caps at $250,000) (4)*(1-(7))**	$29,503
(12)	**Estimated avg rate differential per physician for 2005 - without non-economic damage caps: (3)/(4)-1**	**-22%**
(13)	**Estimated avg rate differential per physician for 2005 - with non-economic damage caps: (10)/(11)-1**	**-15%**

NOTES:
1. Lines (5), (7) and (8) are from Exhibit 18. Exhibit 18 lists information taken from October 13, 2004 Milliman report.
2. Differences in aggregate annual limits are assumed to not impact these results.
3. Lines (12) and (13) include the impact that is due to different policy limits.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

PHYSICIAN'S RATE DEVELOPMENT (WITH AND WITHOUT AN EXCESS LIABILITY FUND)

Scenario C: $0.2M to $1.00M
For period 1/1/2005 through 12/31/2005

(1)	2005 Average Mature Claims-made Market Rate Limited at $0.2M per occurrence: (Exhibit 9, page 1)	$21,420
(2)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.8M in excess of $0.2M: (without non-economic damage caps at $250,000) (Exhibit 5, page 3)	$8,773
(3)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- with an excess liability fund: (without non-economic damage caps at $250,000) (1)+(2)**	$30,193
(4)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (without non-economic damage caps at $250,000) (Exhibit 9, page 1)**	$34,787
(5)	Estimated savings percentage due to non-economic damages caps at $250,000: (October 13, 2004 Milliman report, savings for excess layer on indemnity only)	30%
(6)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.8M in excess of $0.2M: (with non-economic damage caps at $250,000) (2)*(1-(5))	$6,141
(7)	Estimated savings percentage due to non-economic damages caps at $250,000 at $1M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	15%
(8)	Estimated savings percentage due to non-economic damages caps at $250,000 at $0.2M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	3%
(9)	2005 Average Mature Claims-made Market Rate Limited at $0.2M per occurrence: (with non-economic damage caps at $250,000) (1)*(1-(8))	$20,820
(10)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- with an excess liability fund: (with non-economic damage caps at $250,000) (6)+(9)**	$26,961
(11)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (with non-economic damage caps at $250,000) (4)*(1-(7))**	$29,503
(12)	**Estimated avg rate differential per physician for 2005 - without non-economic damage caps: (3)/(4)-1**	**-13%**
(13)	**Estimated avg rate differential per physician for 2005 - with non-economic damage caps: (10)/(11)-1**	**-9%**

NOTES:
1. Lines (5), (7) and (8) are from Exhibit 18. Exhibit 18 lists information taken from October 13, 2004 Milliman report.
2. Differences in aggregate annual limits are assumed to not impact these results.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

PHYSICIAN'S RATE DEVELOPMENT (WITH AND WITHOUT AN EXCESS LIABILITY FUND)

Scenario D: $0.25M to $1.00M
For period 1/1/2005 through 12/31/2005

(1)	2005 Average Mature Claims-made Market Rate Limited at $0.25M per occurrence: (Exhibit 9, page 1)	$22,771
(2)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.75M in excess of $0.25M: (without non-economic damage caps at $250,000) (Exhibit 5, page 4)	$7,762
(3)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- with an excess liability fund: (without non-economic damage caps at $250,000) (1)+(2)**	$30,533
(4)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (without non-economic damage caps at $250,000) (Exhibit 9, page 1)**	$34,787
(5)	Estimated savings percentage due to non-economic damages caps at $250,000: (October 13, 2004 Milliman report, savings for excess layer on indemnity only)	33%
(6)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $0.75M in excess of $0.25M: (with non-economic damage caps at $250,000) (2)*(1-(5))	$5,201
(7)	Estimated savings percentage due to non-economic damages caps at $250,000 at $1M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	15%
(8)	Estimated savings percentage due to non-economic damages caps at $250,000 at $0.25M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	4%
(9)	2005 Average Mature Claims-made Market Rate Limited at $0.25M per occurrence: (with non-economic damage caps at $250,000) (1)*(1-(8))	$21,918
(10)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- with an excess liability fund: (with non-economic damage caps at $250,000) (6)+(9)**	$27,119
(11)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (with non-economic damage caps at $250,000) (4)*(1-(7))**	$29,503
(12)	**Estimated avg rate differential per physician for 2005 - without non-economic damage caps: (3)/(4)-1**	**-12%**
(13)	**Estimated avg rate differential per physician for 2005 - with non-economic damage caps: (10)/(11)-1**	**-8%**

NOTES:
1. Lines (5), (7) and (8) are from Exhibit 18. Exhibit 18 lists information taken from October 13, 2004 Milliman report.
2. Differences in aggregate annual limits are assumed to not impact these results.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

PHYSICIAN'S RATE DEVELOPMENT (WITH AND WITHOUT AN EXCESS LIABILITY FUND)

Scenario E: $0.5M to $1.75M
For period 1/1/2005 through 12/31/2005

(1)	2005 Average Mature Claims-made Market Rate Limited at $0.5M per occurrence: (Exhibit 9, page 1)	$28,177
(2)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $1.25M in excess of $0.5M: (without non-economic damage caps at $250,000) (Exhibit 5, page 5)	$7,402
(3)	**2005 Average Mature Claims-made Rate Limited at $1.75M per occ. -- with an excess liability fund: (without non-economic damage caps at $250,000) (1)+(2)**	$35,579
(4)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (without non-economic damage caps at $250,000) (Exhibit 9, page 1)**	$34,787
(5)	Estimated savings percentage due to non-economic damages caps at $250,000: (October 13, 2004 Milliman report, savings for excess layer on indemnity only)	46%
(6)	70% Prob. Level Excess Liabilty Fund Rate for excess layer $1.25M in excess of $0.5M: (with non-economic damage caps at $250,000) (2)*(1-(5))	$3,997
(7)	Estimated savings percentage due to non-economic damages caps at $250,000 at $1M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	15%
(8)	Estimated savings percentage due to non-economic damages caps at $250,000 at $0.5M per occurrence: (October 13, 2004 Milliman report, savings for primary layer on loss & ALAE)	8%
(9)	2005 Average Mature Claims-made Market Rate Limited at $0.5M per occurrence: (with non-economic damage caps at $250,000) (1)*(1-(8))	$25,789
(10)	**2005 Average Mature Claims-made Rate Limited at $1.75M per occ. -- with an excess liability fund: (with non-economic damage caps at $250,000) (6)+(9)**	$29,786
(11)	**2005 Average Mature Claims-made Rate Limited at $1M per occ. -- without an excess liability fund: (with non-economic damage caps at $250,000) (4)*(1-(7))**	$29,503
(12)	**Estimated avg rate differential per physician for 2005 - without non-economic damage caps: (3)/(4)-1**	**2%**
(13)	**Estimated avg rate differential per physician for 2005 - with non-economic damage caps: (10)/(11)-1**	**1%**

NOTES:
1. Lines (5), (7) and (8) are from Exhibit 18. Exhibit 18 lists information taken from October 13, 2004 Milliman report.
2. Differences in aggregate annual limits are assumed to not impact these results.
3. Lines (12) and (13) include the impact that is due to different policy limits.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

EXCESS FUND SURCHARGES UNDER SCENARIO A

Scenario A: $0.5M to $1.0M

		2005	2006	2007	2008	2009
(1)	**Ultimate Present Value Expected Excess Loss ($'000) (Exhibit 6, page 1)**	**$2,838**	**$2,934**	**$3,033**	**$3,138**	**$3,246**
(2)	Expected Exposures **(Exhibit 7, page 1)**	827	837	847	858	869
(3)	Present Value Expected Pure Premium (1)/(2)*1000	$3,432	$3,506	$3,581	$3,657	$3,736
(4)	Expense Provision (ULAE and other general expense as % of loss)	2.15%	2.15%	2.15%	2.15%	2.15%
(5)	**Indicated Excess Layer Rate - Present Value Expected value (without tort reform) (3) x [1+(4)]**	**$3,506**	**$3,581**	**$3,658**	**$3,736**	**$3,816**
(6)	**Indicated Excess Layer Rate - Present Value 70% Prob. Level (without tort reform) (5) x PLF @ 70%**	**$4,143**	**$4,232**	**$4,322**	**$4,415**	**$4,509**

NOTES:

1. Assumptions

- All physicians participate in the excess fund.
- Expense provisions are as a percentage of present value excess pure premium.
- Rate increases at 5% per annum to follow excess pure premium trend. Assumption of rate adequacy.
- Physicians are assumed to purchase the minimum policy limit required ($.5M/$1.0M).
- Rates are assumed adequate over time and mature claims-made.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

EXCESS FUND SURCHARGES UNDER SCENARIO B

Scenario B: $0.2M to $0.6M

		2005	2006	2007	2008	2009
(1)	**Ultimate Present Value Expected Excess Loss ($'000) (Exhibit 6, page 2)**	**$4,111**	**$4,250**	**$4,393**	**$4,545**	**$4,702**
(2)	Expected Exposures **(Exhibit 7, page 2)**	827	837	847	858	869
(3)	Present Value Expected Pure Premium (1)/(2)*1000	$4,971	$5,078	$5,186	$5,297	$5,411
(4)	Expense Provision (ULAE and other general expense as % of loss)	2.15%	2.15%	2.15%	2.15%	2.15%
(5)	**Indicated Excess Layer Rate - Present Value Expected value (without tort reform) (3) x [1+(4)]**	**$5,078**	**$5,187**	**$5,298**	**$5,411**	**$5,527**
(6)	**Indicated Excess Layer Rate - Present Value 70% Prob. Level (without tort reform) (5) x PLF @ 70%**	**$5,759**	**$5,882**	**$6,008**	**$6,137**	**$6,268**

NOTES:

1. Assumptions

- All physicians participate in the excess fund.
- Expense provisions are as a percentage of present value excess pure premium.
- Rate increases at 5% per annum to follow excess pure premium trend. Assumption of rate adequacy.
- Physicians are assumed to purchase the minimum policy limit required ($.2M/$0.6M).
- Rates are assumed adequate over time and mature claims-made.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

EXCESS FUND SURCHARGES UNDER SCENARIO C

Scenario C: $0.2M to $1.00M

		2005	2006	2007	2008	2009
(1)	**Ultimate Present Value Expected Excess Loss ($'000) (Exhibit 6, page 3)**	**$6,208**	**$6,417**	**$6,633**	**$6,863**	**$7,099**
(2)	Expected Exposures **(Exhibit 7, page 3)**	827	837	847	858	869
(3)	Present Value Expected Pure Premium (1)/(2)*1000	$7,506	$7,667	$7,831	$7,998	$8,170
(4)	Expense Provision (ULAE and other general expense as % of loss)	2.15%	2.15%	2.15%	2.15%	2.15%
(5)	**Indicated Excess Layer Rate - Present Value Expected value (without tort reform) (3) x [1+(4)]**	**$7,668**	**$7,832**	**$7,999**	**$8,170**	**$8,345**
(6)	**Indicated Excess Layer Rate - Present Value 70% Prob. Level (without tort reform) (5) x PLF @ 70%**	**$8,773**	**$8,961**	**$9,153**	**$9,349**	**$9,549**

NOTES:

1. Assumptions

- All physicians participate in the excess fund.
- Expense provisions are as a percentage of present value excess pure premium.
- Rate increases at 5% per annum to follow excess pure premium trend. Assumption of rate adequacy.
- Physicians are assumed to purchase the minimum policy limit required ($.2M/$0.6M).
- Rates are assumed adequate over time and mature claims-made.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

EXCESS FUND SURCHARGES UNDER SCENARIO D

Scenario D: $0.25M to $1.00M

		2005	2006	2007	2008	2009
(1)	**Ultimate Present Value Expected Excess Loss ($'000) (Exhibit 6, page 4)**	**$5,463**	**$5,647**	**$5,837**	**$6,040**	**$6,248**
(2)	Expected Exposures **(Exhibit 7, page 4)**	827	837	847	858	869
(3)	Present Value Expected Pure Premium (1)/(2)*1000	$6,606	$6,747	$6,892	$7,039	$7,190
(4)	Expense Provision (ULAE and other general expense as % of loss)	2.15%	2.15%	2.15%	2.15%	2.15%
(5)	**Indicated Excess Layer Rate - Present Value Expected value (without tort reform) (3) x [1+(4)]**	**$6,748**	**$6,892**	**$7,040**	**$7,191**	**$7,344**
(6)	**Indicated Excess Layer Rate - Present Value 70% Prob. Level (without tort reform) (5) x PLF @ 70%**	**$7,762**	**$7,928**	**$8,098**	**$8,271**	**$8,448**
(7)	Estimated savings percentage due to non-economic damages caps at $250,000: (Task 4, savings for excess layer on indemnity only)	33%	33%	33%	33%	33%
(8)	**Ultimate Present Value Expected Excess Loss ($'000) (with tort reform) (1) x [1-(7)]**	**$3,660**	**$3,784**	**$3,911**	**$4,047**	**$4,186**

NOTES:

1. Assumptions

- All physicians participate in the excess fund.
- Expense provisions are as a percentage of present value excess pure premium.
- Rate increases at 5% per annum to follow excess pure premium trend. Assumption of rate adequacy.
- Physicians are assumed to purchase the minimum policy limit required ($.25M/$1M).
- Rates are assumed adequate over time and mature claims-made.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

EXCESS FUND SURCHARGES UNDER SCENARIO E

Scenario E: $0.5M to $1.75M

		2005	2006	2007	2008	2009
(1)	**Ultimate Present Value Expected Excess Loss ($'000) (Exhibit 6, page 5)**	**$5,005**	**$5,174**	**$5,348**	**$5,533**	**$5,724**
(2)	Expected Exposures **(Exhibit 7, page 5)**	827	837	847	858	869
(3)	Present Value Expected Pure Premium (1)/(2)*1000	$6,052	$6,182	$6,314	$6,449	$6,587
(4)	Expense Provision (ULAE and other general expense as % of loss)	2.15%	2.15%	2.15%	2.15%	2.15%
(5)	**Indicated Excess Layer Rate - Present Value Expected value (without tort reform) (3) x [1+(4)]**	**$6,182**	**$6,315**	**$6,450**	**$6,588**	**$6,729**
(6)	**Indicated Excess Layer Rate - Present Value 70% Prob. Level (without tort reform) (5) x PLF @ 70%**	**$7,402**	**$7,560**	**$7,722**	**$7,887**	**$8,056**
(7)	Estimated savings percentage due to non-economic damages caps at $250,000: (Task 4, savings for excess layer on indemnity only)	46%	46%	46%	46%	46%
(8)	**Ultimate Present Value Expected Excess Loss ($'000) (with tort reform) (1) x [1-(7)]**	**$2,703**	**$2,794**	**$2,888**	**$2,988**	**$3,091**

NOTES:

1. Assumptions

- All physicians participate in the excess fund.
- Expense provisions are as a percentage of present value excess pure premium.
- Rate increases at 5% per annum to follow excess pure premium trend. Assumption of rate adequacy.
- Physicians are assumed to purchase the minimum policy limit required ($.5M/$1M).
- Rates are assumed adequate over time and mature claims-made.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE PRESENT VALUE OF EXPECTED EXCESS LOSS PAYMENTS

Scenario A: $0.5M to $1.0M
Indemnity only
Amounts are in ($'000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Report Year	Ultimate Undiscounted Expected Excess Loss (Exhibit 7, page 1)	Expected Payments for Calendar Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018+	Ultimate Present Value of Expected Excess Loss Payments
2005	$3,109	$165	$581	$799	$647	$454	$267	$90	$31	$50	$19	$0	$0	$0	$0	$2,838
2006	3,304		175	618	849	687	482	284	96	33	53	20	0	0	0	2,934
2007	3,511			186	657	902	730	513	302	102	35	56	21	0	0	3,033
2008	3,735				198	698	960	777	545	321	108	37	60	22	0	3,138
2009	3,972					210	743	1,021	826	580	342	115	40	64	24	3,246
	Incremental Exp. Payout: (Exhibit 11)	5%	19%	26%	21%	15%	9%	3%	1%	2%	1%	0%	0%	0%	0%	
	Discount Factor:	0.986	0.959	0.933	0.908	0.883	0.859	0.836	0.813	0.791	0.769	0.748	0.728	0.708	0.689	
	Expected Payments: = sum over column	$165	$757	$1,603	$2,351	$2,953	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

NOTES:
1. Discount factor assumes a net discount rate of 2.8%. This represents the T-Bill rate of interest with maturity equivalent to expected duration of liabilities.
2. Expected Payments shown for calendar years 2010 and subsequent are incomplete.
3. Expected payout assumes that there is no retroactive date applying on the excess liability fund i.e. claims may be reported to the Fund even though they may have occurred prior to 1/1/2005.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE PRESENT VALUE OF EXPECTED EXCESS LOSS PAYMENTS

Scenario B: $0.2M to $0.6M
Indemnity only
Amounts are in ($'000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Report Year	Ultimate Undiscounted Expected Excess Loss (Exhibit 7, page 2)	Expected Payments for Calendar Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018+	Ultimate Present Value of Expected Excess Loss Payments
2005	$4,504	$239	$842	$1,157	$937	$658	$387	$131	$45	$72	$27	$0	$0	$0	$0	$4,111
2006	4,786		254	895	1,230	996	699	412	139	48	77	29	0	0	0	4,250
2007	5,085			270	951	1,307	1,058	742	437	147	51	81	31	0	0	4,393
2008	5,409				287	1,011	1,390	1,125	790	465	157	54	87	32	0	4,545
2009	5,752					305	1,076	1,478	1,196	840	495	167	58	92	35	4,702
	Incremental Exp. Payout: (Exhibit 11)	5%	19%	26%	21%	15%	9%	3%	1%	2%	1%	0%	0%	0%	0%	
	Discount Factor:	0.986	0.959	0.933	0.908	0.883	0.859	0.836	0.813	0.791	0.769	0.748	0.728	0.708	0.689	
	Expected Payments: = sum over column	$239	$1,096	$2,322	$3,404	$4,276	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

NOTES:
1. Discount factor assumes a net discount rate of 2.8%. This represents the T-Bill rate of interest with maturity equivalent to expected duration of liabilities.
2. Expected Payments shown for calendar years 2010 and subsequent are incomplete.
3. Expected payout assumes that there is no retroactive date applying on the excess liability fund i.e. claims may be reported to the Fund even though they may have occurred prior to 1/1/2005.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE PRESENT VALUE OF EXPECTED EXCESS LOSS PAYMENTS

Scenario C: $0.2M to $1.00M
Indemnity only
Amounts are in ($'000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Report Year	Ultimate Undiscounted Expected Excess Loss (Exhibit 7, page 3)	Expected Payments for Calendar Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018+	Ultimate Present Value of Expected Excess Loss Payments
2005	$6,800	$360	$1,272	$1,748	$1,414	$993	$585	$197	$68	$109	$41	$0	$0	$0	$0	$6,208
2006	7,227		383	1,351	1,857	1,503	1,055	622	210	72	116	43	0	0	0	6,417
2007	7,679			407	1,436	1,973	1,597	1,121	660	223	77	123	46	0	0	6,633
2008	8,167				433	1,527	2,099	1,699	1,192	702	237	82	131	49	0	6,863
2009	8,686					460	1,624	2,232	1,807	1,268	747	252	87	139	52	7,099
	Incremental Exp. Payout: (Exhibit 11)	5%	19%	26%	21%	15%	9%	3%	1%	2%	1%	0%	0%	0%	0%	
	Discount Factor:	0.986	0.959	0.933	0.908	0.883	0.859	0.836	0.813	0.791	0.769	0.748	0.728	0.708	0.689	
	Expected Payments: = sum over column	$360	$1,655	$3,506	$5,141	$6,457	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

NOTES:
1. Discount factor assumes a net discount rate of 2.8%. This represents the T-Bill rate of interest with maturity equivalent to expected duration of liabilities.
2. Expected Payments shown for calendar years 2010 and subsequent are incomplete.
3. Expected payout assumes that there is no retroactive date applying on the excess liability fund i.e. claims may be reported to the Fund even though they may have occurred prior to 1/1/2005.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE PRESENT VALUE OF EXPECTED EXCESS LOSS PAYMENTS

Scenario D: $0.25M to $1.00M
Indemnity only
Amounts are in ($'000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Report Year	Ultimate Undiscounted Expected Excess Loss (Exhibit 7, page 4)	Expected Payments for Calendar Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018+	Ultimate Present Value of Expected Excess Loss Payments
2005	$5,985	$317	$1,119	$1,538	$1,245	$874	$515	$174	$60	$96	$36	$0	$0	$0	$0	$5,463
2006	6,360		337	1,189	1,635	1,323	929	547	184	64	102	38	0	0	0	5,647
2007	6,758			358	1,264	1,737	1,406	987	581	196	68	108	41	0	0	5,837
2008	7,188				381	1,344	1,847	1,495	1,049	618	208	72	115	43	0	6,040
2009	7,644					405	1,429	1,965	1,590	1,116	657	222	76	122	46	6,248
	Incremental Exp. Payout: (Exhibit 11)	5%	19%	26%	21%	15%	9%	3%	1%	2%	1%	0%	0%	0%	0%	
	Discount Factor:	0.986	0.959	0.933	0.908	0.883	0.859	0.836	0.813	0.791	0.769	0.748	0.728	0.708	0.689	
	Expected Payments: = sum over column	$317	$1,456	$3,086	$4,524	$5,683	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

NOTES:
1. Discount factor assumes a net discount rate of 2.8%. This represents the T-Bill rate of interest with maturity equivalent to expected duration of liabilities.
2. Expected Payments shown for calendar years 2010 and subsequent are incomplete.
3. Expected payout assumes that there is no retroactive date applying on the excess liability fund i.e. claims may be reported to the Fund even though they may have occurred prior to 1/1/2005.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE PRESENT VALUE OF EXPECTED EXCESS LOSS PAYMENTS

Scenario E: $0.5M to $1.75M
Indemnity only
Amounts are in ($'000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
							Expected Payments for Calendar Year									
Report Year	Ultimate Undiscounted Expected Excess Loss (Exhibit 7, page 5)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018+	Ultimate Present Value of Expected Excess Loss Payments
2005	$5,483	$291	$1,025	$1,409	$1,140	$801	$472	$159	$55	$88	$33	$0	$0	$0	$0	$5,005
2006	5,827		309	1,090	1,498	1,212	851	501	169	58	93	35	0	0	0	5,174
2007	6,191			328	1,158	1,591	1,288	904	532	180	62	99	37	0	0	5,348
2008	6,585				349	1,231	1,692	1,370	961	566	191	66	105	40	0	5,533
2009	7,003					371	1,310	1,800	1,457	1,022	602	203	70	112	42	5,724
	Incremental Exp. Payout: (Exhibit 11)	5%	19%	26%	21%	15%	9%	3%	1%	2%	1%	0%	0%	0%	0%	
	Discount Factor:	0.986	0.959	0.933	0.908	0.883	0.859	0.836	0.813	0.791	0.769	0.748	0.728	0.708	0.689	
	Expected Payments: = sum over column	$291	$1,334	$2,827	$4,145	$5,206	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

NOTES:
1. Discount factor assumes a net discount rate of 2.8%. This represents the T-Bill rate of interest with maturity equivalent to expected duration of liabilities.
2. Expected Payments shown for calendar years 2010 and subsequent are incomplete.
3. Expected payout assumes that there is no retroactive date applying on the excess liability fund i.e. claims may be reported to the Fund even though they may have occurred prior to 1/1/2005.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE UNDISCOUNTED EXPECTED EXCESS LOSS

Scenario A: $0.5M to $1.0M
Indemnity only

(1)	(2)	(3)	(4)	(5)	(6)
				UNDISCOUNTED	
Report/Calendar Year	Expected Physician Participation	Ultimate Expected Excess Pure Premium (Exhibit 8, pg 1)	Ultimate Expected Excess Loss (2)*(3)	70% Prob. Level Ultimate Excess Loss (4)*PLF	80% Prob. Level Ultimate Excess Loss (4)*PLF
2005	827	**$3,760**	$3,109,492	$3,674,472	$4,057,201
2006	837	3,948	3,304,447	3,904,848	4,311,574
2007	847	4,145	3,511,123	4,149,076	4,581,240
2008	858	4,353	3,734,558	4,413,108	4,872,773
2009	869	4,570	3,971,558	4,693,171	5,182,007
			Probability Level Factor: (Exhibit 12)	**1.182**	**1.305**

NOTES:
1. Column (2) assumes that there are 817 Wyoming physicians in 2004, an expected participation rate of 100% and a trend based on underlying average physician rate increases observed in our October 13, 2004 Milliman report, Exhibit 12, page 1.
2. Column (3) assumes an excess pure premium trend of 5% per year for years beyond 2005.
3. Calculations may differ due to rounding.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE UNDISCOUNTED EXPECTED EXCESS LOSS

Scenario B: $0.2M to $0.6M
Indemnity only

(1)	(2)	(3)	(4)	(5)	(6)
				UNDISCOUNTED	
Report/Calendar Year	Expected Physician Participation	Ultimate Expected Excess Pure Premium (Exhibit 8, pg 1)	Ultimate Expected Excess Loss (2)*(3)	70% Prob. Level Ultimate Excess Loss (4)*PLF	80% Prob. Level Ultimate Excess Loss (4)*PLF
2005	827	**$5,446**	$4,503,716	$5,107,828	$5,525,501
2006	837	5,718	4,786,083	5,428,071	5,871,931
2007	847	6,004	5,085,428	5,767,569	6,239,190
2008	858	6,304	5,409,046	6,134,596	6,636,229
2009	869	6,619	5,752,312	6,523,907	7,057,374
			Probability Level Factor: (Exhibit 12)	**1.134**	**1.227**

NOTES:
1. Column (2) assumes that there are 817 Wyoming physicians in 2004, an expected participation rate of 100% and a trend based on underlying average physician rate increases observed in our October 13, 2004 Milliman report, Exhibit 12, page 1.
2. Column (3) assumes an excess pure premium trend of 5% per year for years beyond 2005.
3. Calculations may differ due to rounding.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE UNDISCOUNTED EXPECTED EXCESS LOSS

Scenario C: $0.2M to $1.00M
Indemnity only

(1)	(2)	(3)	(4)	(5)	(6)
				UNDISCOUNTED	
Report/Calendar Year	Expected Physician Participation	Ultimate Expected Excess Pure Premium (Exhibit 8, pg 1)	Ultimate Expected Excess Loss (2)*(3)	70% Prob. Level Ultimate Excess Loss (4)*PLF	80% Prob. Level Ultimate Excess Loss (4)*PLF
2005	827	**$8,223**	$6,800,408	$7,781,179	$8,472,872
2006	837	8,634	7,226,770	8,269,031	9,004,091
2007	847	9,066	7,678,767	8,786,216	9,567,251
2008	858	9,519	8,167,416	9,345,339	10,176,076
2009	869	9,995	8,685,733	9,938,409	10,821,865
			Probability Level Factor: (Exhibit 12)	**1.144**	**1.246**

NOTES:
1. Column (2) assumes that there are 817 Wyoming physicians in 2004, an expected participation rate of 100% and a trend based on underlying average physician rate increases observed in our October 13, 2004 Milliman report, Exhibit 12, page 1.
2. Column (3) assumes an excess pure premium trend of 5% per year for years beyond 2005.
3. Calculations may differ due to rounding.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE UNDISCOUNTED EXPECTED EXCESS LOSS

Scenario D: $0.25M to $1.00M
Indemnity only

(1)	(2)	(3)	(4)	(5)	(6)
				UNDISCOUNTED	
Report/Calendar Year	Expected Physician Participation	Ultimate Expected Excess Pure Premium (Exhibit 8, pg 1)	Ultimate Expected Excess Loss (2)*(3)	70% Prob. Level Ultimate Excess Loss (4)*PLF	80% Prob. Level Ultimate Excess Loss (4)*PLF
2005	827	**$7,237**	$5,984,782	$6,884,440	$7,516,127
2006	837	7,599	6,360,006	7,316,070	7,987,362
2007	847	7,979	6,757,792	7,773,652	8,486,930
2008	858	8,377	7,187,833	8,268,339	9,027,007
2009	869	8,796	7,643,984	8,793,061	9,599,875
			Probability Level Factor: (Exhibit 12)	**1.150**	**1.256**

NOTES:
1. Column (2) assumes that there are 817 Wyoming physicians in 2004, an expected participation rate of 100% and a trend based on underlying average physician rate increases observed in our October 13, 2004 Milliman report, Exhibit 12, page 1.
2. Column (3) assumes an excess pure premium trend of 5% per year for years beyond 2005.
3. Calculations may differ due to rounding.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ULTIMATE UNDISCOUNTED EXPECTED EXCESS LOSS

Scenario E: $0.5M to $1.75M
Indemnity only

(1)	(2)	(3)	(4)	(5)	(6)
				UNDISCOUNTED	
Report/Calendar Year	Expected Physician Participation	Ultimate Expected Excess Pure Premium (Exhibit 8, pg 1)	Ultimate Expected Excess Loss (2)*(3)	70% Prob. Level Ultimate Excess Loss (4)*PLF	80% Prob. Level Ultimate Excess Loss (4)*PLF
2005	827	**$6,630**	$5,483,089	$6,564,657	$7,336,548
2006	837	6,962	5,826,859	6,976,238	7,796,524
2007	847	7,310	6,191,299	7,412,565	8,284,156
2008	858	7,675	6,585,291	7,884,274	8,811,330
2009	869	8,059	7,003,203	8,384,622	9,370,510
			Probability Level Factor: (Exhibit 12)	**1.197**	**1.338**

NOTES:
1. Column (2) assumes that there are 817 Wyoming physicians in 2004, an expected participation rate of 100% and a trend based on underlying average physician rate increases observed in our October 13, 2004 Milliman report, Exhibit 12, page 1.
2. Column (3) assumes an excess pure premium trend of 5% per year for years beyond 2005.
3. Calculations may differ due to rounding.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

UNDISCOUNTED EXPECTED EXCESS PURE PREMIUM

For period 1/1/2005 through 12/31/2005
Indemnity only
Based on Milliman fitted lognormal loss distribution - October 13, 2004 Milliman report

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Layer Scenario	**Per Occurrence Retention**		**Expected Pure Premium @ Attachment Pt** (Exhibit 8, page 2)	**Expected Pure Premium @ Upper Limit** (Exhibit 8, page 2)	**Undiscounted Expected Excess Pure Premium** (5)-(4)	**Market Rate @ Attachment Pt** (Exhibit 9, page 1)
	Attachment Pt	**Upper Limit**				
A	$0.5M	$1.00M	$11,062	$14,822	$3,760	$28,177
B	0.2M	0.60M	6,599	12,045	5,446	21,420
C	0.2M	1.00M	6,599	14,822	8,223	21,420
D	0.25M	1.00M	7,585	14,822	7,237	22,771
E	0.5M	1.75M	11,062	17,692	6,630	28,177

NOTES:
1. The per-occurrence retention applies to loss only. Excess Liability Funds commonly do not reimburse ALAE (defense costs). This is usually the responsibility of the primary carrier. This is the case of the New Mexico and Nebraska Excess Liability Funds.
2. Layer scenarios B and E are based, respectively, on current excess liability funds in the states of New Mexico and Nebraska.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

LOGNORMAL LOSS DISTRIBUTION

Based on Milliman fitted lognormal loss distribution - October 13, 2004 Milliman report
Indemnity only

(1) Per - occurrence Retention	(2) 2005 Average Mature Claims-made Pure Premium (loss only) @ $1M/$3M (Exhibit 9, page 1)	(3) Increased Limit Factor (ILF) Based on selected loss distribution (Exhibit 10)	(4) 2005 Average Mature Claims-made Pure Premium (loss only) @ various retention (2)*(3)
100,000		0.274	$4,064
200,000		0.445	6,599
250,000		0.512	7,585
500,000		0.746	11,062
600,000		0.813	12,045
800,000		0.918	13,613
1,000,000	**$14,822**	1.000	**14,822**
1,250,000		1.080	16,003
1,450,000		1.131	16,764
1,750,000		1.194	17,692
1,950,000		1.228	18,204
2,000,000		1.236	18,321
2,250,000		1.272	18,854
3,000,000		1.353	20,055
4,000,000		1.424	21,103
5,000,000		1.471	21,807
6,000,000		1.505	22,311
7,000,000		1.531	22,688
8,000,000		1.551	22,981
9,000,000		1.566	23,215
10,000,000		1.579	23,404
Unlimited		1.678	24,875

NOTES:
1. Column (3) is based on Milliman lognormal loss distribution obtained for October 13, 2004 Milliman report.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

AVERAGE MATURE CLAIMS-MADE PURE PREMIUM (LOSS ONLY) LIMITED AT $1M/$3M

Wyoming Statewide
For Prospective Period 1/1/2005 through 12/31/2005

(1)	2005 Average Mature Claims-made Rate Limited at $1M/$3M (Mandatory Plan) (Exhibit 9, page 2)		$36,928
(2)	2005 Expected premium discount / surcharge (From TDC Rate Filing, effective 6/1/2004)		5.8%
(3)	**2005 Average Mature Claims-made Market Rate Limited at $1M/$3M** **(1)*(1-(2))**	**$34,787**	
(4)	TDC Permissible Loss & ALAE Ratio (From TDC Rate Filing, effective 6/1/2004)		0.647
(5)	TDC Mediguard loss adjustment expense (From TDC Rate Filing, effective 6/1/2004)		1.015
(6)	2005 Average Mature Claims-made Pure Premium Loss & ALAE Limited at $1M/$3M (3)*(4)/(5)		$22,160
(7)	Selected Ratio of Paid ALAE to Paid Loss (*) (October 13, 2004 Milliman report, Exhibit 9)		33%
(8)	**2005 Average Mature Claims-made Pure Premium Loss only Limited at $1M/$3M** **(6)*(1-(7))**	**$14,822**	
(9)	TDC Increased Limit Factor $1M/$3M to $0.5M/$1.5M: (From TDC Rate Filing, effective 6/1/2004)		0.810
(10)	Med Pro Increased Limit Factor $1M/$3M to $0.2M/$0.6M: (From Med Pro Rate Filing, effective 9/1/2004)		0.616
(11)	Increased Limit Factor $1M/$3M to $0.25M / $1M: (From Interpolation between rows (9) and (10))		0.655
(12)	**2005 Average Mature Claims-made Market Rate Limited at $0.5M / $1.5M:** **(3)*(9)**	**$28,177**	
(13)	**2005 Average Mature Claims-made Market Rate Limited at $0.2M / $0.6M:** **(3)*(10)**	**$21,420**	
(14)	**2005 Average Mature Claims-made Market Rate Limited at $0.25M / $1M:** **(3)*(11)**	**$22,771**	

NOTE:
1. (*) This ratio is utilized to obtain an average loss pure premium excluding ALAE since the excess liability fund (ELF) does not cover defense costs. In most states with ELF, these are the responsibility of the primary carrier.
2. Calculations may differ due to rounding.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

AVERAGE MATURE CLAIMS-MADE RATE LIMITED AT $1M/$3M

Wyoming Statewide
For Prospective Period 1/1/2005 through 12/31/2005
Mandatory Plan

(1)	(2)	(3)	(4)
Specialty Class	**Wyoming Statewide Number of Phys. & Surg.**	**Wyoming Statewide Physician Distribution**	**TDC Trended Rate**
0	69	9%	$17,677
1A	92	11%	18,208
1B	134	16%	21,796
2	195	24%	22,724
3A	52	6%	22,896
3	33	4%	34,435
4	67	8%	41,955
5	105	13%	65,928
6	6	1%	68,475
7	56	7%	90,677
8	7	1%	135,082
Total	817*	100%	**$35,170****

Additional load for a mandatory plan versus selective plan (Exhibit 13): 1.050

Average Mature Claims-Made Rate (Limited at $1M/$3M) for a mandatory plan: **$36,928*****

NOTES:
1. (*) Total physicians and surgeons for calendar year 2004 is 817 as per Wyoming Legislative Service Office, Research Memo, dated July 8, 2004. (Attachment A)
2. (**) This is the weighted average of column (3) and (4). It represents the average market rate for a selective plan.
3. (***) This represents the average mature claims-made rate for a mandatory type plan.
4. Classification of physician's specialty (column (1)) are from OHIC rate filing, effective 1/1/2004.
5. Column (2) is (Column (2), Total) times Column (3).
6. Column (3) is presented by UMIA in their rate filing, derived from the 2003-2004 edition of Physician Characteristics and Distribution in the U.S. It has been compiled to match the classes in column (1).
7. Column (4) is from TDC rate filing, trended forward to average accident date of prospective period at 5% per year. Rates have been distributed per OHIC classification of physician's specialty.

Exhibit 10

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

LOGNORMAL LOSS DISTRIBUTION

Based on Milliman fitted lognormal loss distribution - October 13, 2004 Milliman report
Indemnity only

(1)	(2)	(3)
Per - occurrence Retention	**Expected Severity Based on Loss Distribution**	**Underlying Increased Limit Factor (ILF) (Ratios of Column (2) to Column (2) at $1M)**
100,000	74,244	0.274
200,000	120,550	0.445
250,000	138,567	0.512
500,000	202,083	0.746
600,000	220,038	0.813
800,000	248,690	0.918
1,000,000	270,773	1.000
1,250,000	292,349	1.080
1,450,000	306,256	1.131
1,750,000	323,206	1.194
1,950,000	332,562	1.228
2,000,000	334,705	1.236
2,250,000	344,432	1.272
3,000,000	366,376	1.353
4,000,000	385,528	1.424
5,000,000	398,379	1.471
6,000,000	407,586	1.505
7,000,000	414,488	1.531
8,000,000	419,840	1.551
9,000,000	424,099	1.566
10,000,000	427,559	1.579
Unlimited	454,431	1.678

NOTES:
1. Column (2) is based on Milliman loss distribution obtained from October 13, 2004 Milliman report.
2. The selected loss distribution is lognormal with parameters (mu = 11.75. Sigma = 1.598) and expected unlimited loss (on claims closed with indemnity payments) of $454431.

Exhibit 11

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

EXPECTED GROUND-UP PAYOUT PATTERNS

INDEMNITY & ALAE
Based on Wyoming Rate Filings

(1)	(2)	(3)	(3)	(4)
Calendar Year	**TDC Incremental Payout Pattern**	**UMIA Incremental Payout Pattern**	**Countrywide Incremental Payout Pattern**	**Selected Incremental Payout Pattern**
1	5%	7%	3%	5%
2	19%	21%	23%	19%
3	26%	26%	35%	26%
4	21%	19%	20%	21%
5	15%	13%	9%	15%
6	9%	7%	5%	9%
7	3%	3%	2%	3%
8	1%	2%	1%	1%
9	2%	2%	0%	2%
10	1%	1%	0%	1%
11	0%	0%	1%	0%
12	0%	1%	1%	0%
13	0%	0%	0%	0%
14	0%	0%	0%	0%
15	0%	0%	0%	0%
Total				**100%**

NOTES:
1. TDC Incremental payout pattern is from the TDC medical professional liability rate filing, effective 6/1/2004.
2. UMIA Incremental payout pattern is from the UMIA medical professional liability rate filing, effective 1/1/2004.
3. Countrywide incremental payout pattern is from the Medical Protective Company - medical professional liability rate filing, effective 9/1/2004.
4. Ground-up payout pattern is assumed to approximate an excess payout pattern since medical professional liability loss indemnity is often paid in lump sum.
5. TDC was selected as a representative payout pattern.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

PROBABILITY LEVEL FACTORS (PLF) PER SCENARIO

For period 1/1/2005 through 12/31/2005
Indemnity only
Based on Milliman fitted lognormal loss distribution - October 13, 2004 Milliman report

(1)	(2)	(3)	(4)	(5)
Layer Scenario	**Per Occurrence Retention**		**70% Probability Level Factor**	**80% Probability Level Factor**
	Attachment Pt	**Upper Limit**		
A	$0.5M	$1.00M	1.182	1.305
B	0.2M	0.60M	1.134	1.227
C	0.2M	1.00M	1.144	1.246
D	0.25M	1.00M	1.150	1.256
E	0.5M	1.75M	1.197	1.338

NOTES:
1. The per-occurrence retention is applied to loss only. Excess Liability Funds commonly do not reimburse ALAE (defense costs). This is the responsibility of the primary carrier. This is the case for the New Mexico and Nebraska Excess Liability Funds.
2. Layer scenarios B and E are based, respectively, on current excess liability funds in the states of New Mexico and Nebraska.
3. Probability Level Factors are based on a Monte Carlo simulation.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ADDITIONAL SURCHARGE BY PARTICIPATION LEVEL

For period 1/1/2005 through 12/31/2005
Based on Schedule Rating Plans

(1) Company Name	(2) Mandatory Plan	(3) Selective Plan (Expected)	(4) Residual Market Plan (Worse-case scenario) (pages 2 and 3)
TDC	4%	0%	40%
OHIC	7%	0%	70%
Med Pro	NA	0%	NA
UMIA	NA	0%	NA
Selected:	5%	0%	50%

NOTES:
1. Percentages for residual market plan represent expected surcharges applying to a typical worse than average risk. Surcharges are from the companies' schedule rating plan.
2. Schedule rating surcharges for TDC are from Exhibit 13, page 3.
3. Schedule rating surcharges for OHIC are from Exhibit 13, page 2.
4. Mandatory Plan surcharge is a weighted average (90% for selective plan and 10% for residual market) between column (3) and (4).

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ADDITIONAL SURCHARGE FOR RESIDUAL MARKET PLAN

Schedule Rating Plan
OHIC Insurance Company (OHIC)
Effective 1/29/1998

(1) Type of Credits / Debits (-/+)	(2) Maximum Allowable Credit / Debit
Professional liability loss history frequency or severity trending	20%
Staff priviledges with an OHIC insured facility	20%
Unusual Risk Characteristics	10%
Office surgery inspection by an OHIC approved organization	10%
Continuing Education - The professional and paraprofessional staff participation in an effective continuing eductaion program	5%
Longevity - continuous insurance coverage	25%
Overall Maximum Credit/Debit	**70%**

NOTES:
1. These percentages represent surcharges applying to a typical worse than average risk who belongs to the residual market plan.
2. OHIC risk surcharge program ranging from 0%-150% has not been considered. This program contains surcharge for risks in severe insurable conditions such as denial or restriction of hospital priviledges, been adjudged guilty of a crime of moral turpitude, etc.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

ADDITIONAL SURCHARGE FOR RESIDUAL MARKET PLAN

Schedule Rating Plan
The Doctor's Company (TDC)
Effective 6/1/2004 (New Business) and 7/1/2004 (Renewals)

(1)	(2)	(3)
Type of Credits / Debits (-/+)	**Items of Descriptions**	**Maximum Allowable Credit / Debit**
Claims Management	Internal Review Procedures Commitment to Loss Prevention Incident/Claim Reporting Procedures Other	40%
Risk Managements	Credentialing/Peer Review Medical Record/Consent Form Documentation Quality Assurance Procedures Employee Selection, Training and Supervision Participation in Risk Management Programs Other	40%
Factors General	Geographic Location (outside of an urban area) Loss Experience /History Hospital Staff Priviledges Managed Care Network Participation Other	40%
Overall Maximum Credit/Debit		40%

NOTES:
1. The high end of these percentages represent surcharges applying to a typical worse than average risk who belongs to the residual market plan.
2. TDC imposed deductible and surcharge program - profile adjusted rating (PAR) with surcharges ranging from 20%-400% has not been considered. This program contains surcharge and deductible for risks in severe insurable conditions such as currently in treatment for drug or alcohol abuse, medical license placed on probation, etc.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

DESCRIPTION OF EXCESS LIABILITY FUNDS

(1) State	(2) Eligibility and Participation	(3) Current Excess Fund Coverage (Exhibit 15)	(4) Current Surcharge for Physicians & surgeons (Exhibit 16)	(5) Current Level of Participation (Exhibit 17)	(6) Treatment of ALAE	(7) AMA (**) Status
Nebraska (*)	To qualify under the plan Health care providers submit proof of financial responsibility in the form of an underlying professional liability policy with minimum limits and pay yearly fee.	For physicians and surgeons, minimun underlying insurance of $500,000/$1,000,000 is required and funds cover excess up to $1,750,000.	50%	77%	ALAE applies "on top" of retention and are the responsibility of primary carrier	"Problem"
New Mexico	To qualify under the plan, a health care provider must pay the surcharge and carry liability insurance with limits of $200,000 per occurrence or deposit an equivalent amount of security with the Superintendent of Insurance.	The excess over $200,000 per occurrence of any judgment obtained in a medical malpractice action against a qualified health care provider will be paid by the patient's compensation fund. N.M. Stat. Ann. § 41-5-6 (Michie 1996). However, the patient's compensation fund does not cover a health care provider's liability for punitive damages.			ALAE applies "on top" of retention and are the responsibility of primary carrier	"OK"
Wisconsin	Health care providers (principally physicians and hospitals) are required to pay a yearly assessment into the Wisconsin Patients Compensation Fund (the "Fund") and provide proof of financial responsibility to the Commissioner of Insurance in the form of insurance, an approved plan of self-insurance, or a surety bond.	For occurrences after 1/1/2001, the prescribed limits are $1,000,000 for each occurrence and $3,000,000 in the annual aggregate. The Fund pays the excess.			The Fund must be joined as a party in the case, although the initial duty to defend is that of the underlying insurer or self-insurer. In certain large cases resulting from acts or omissions on or after May 25, 1995, the Fund can make periodic payments.	"OK"
Wyoming	N/A	N/A	N/A	N/A	N/A	"Crisis"

NOTES:
1. (*) Nebraska current coverage is effective January 1, 2005. LB146 & LB998 passed by the legislature.
2. (**) AMA represents American Medical Association. The AMA status is from their web site.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

DESCRIPTION OF STATE TORT SYSTEM

(1) State	(2) Modified Joint and Several Liability	(3) Collateral Source Rule	(4) Limit on Noneconomic Damages	(5) Limit on Punitive Damages	(6) Prejudgment Interests	(7) Statute of Limitations	(8) Pre-Trial Screening Panel	(9) Attorney's Fees
Nebraska	The liability of each defendant for economic damages is joint and several, but liability for non-economic damages is several only and non-economic damages are allocated by percentage of negligence. Neb. Rev. Stat. § 25-21,185.10 (1995). There is an exception to this rule when defendants as part of a common enterprise or plan act in concert and cause harm, in which case liability for all damages is joint and several.	Non-refundable medical reimbursement insurance benefits, less all premiums paid by or for the claimant, are credited against any judgment rendered under the Nebraska Hospital-Medical Liability Act	NONE	It is a fundamental rule of law in Nebraska that punitive, vindictive, or exemplary damages are not allowed.	YES, prejudgment interest rate is set at 1% above the rate of the US treasury Bill.	Two years from act or 1 year from discovery, but not more than 10 years after date of services which is basis for suit.	Mandatory review of medical injury claims except where plaintiff affirmatively waives his right to panel hearing. The panel report is admissible in any subsequent trial.	Court review for reasonableness of attorney fees in medical liability actions.
New Mexico	In any lawsuit to which comparative negligence applies, a tortfeasor is only liable for that portion of the judgment equal to his share of fault. N.M. Stat. Ann. § 41-3A-1 (Michie 1996). However, joint tortfeasors who stand in such a relation with one another that one tortfeasor's liability may result in the vicarious imposition of liability on the other are jointly and severally liable for that portion of any judgment equal to their combined share of fault.	New Mexico recognizes the collateral source rule; thus, evidence of a claimant's receipt of payments from collateral sources is inadmissible.	NONE, but in medical malpractice actions against a qualified health care provider tried before a jury, a $600,000 limit ($500,000 for incidents prior to April 1, 1995) **applies to all damages**, with the exception of punitive damages and damages for medical expenses. N.M. Stat. Ann. § 41-5-6 (Michie 1996).	N/A	Pre-judgment interest at up to ten percent from the date of service of process may be granted in the court's discretion. N.M. Stat. Ann. § 56-8-4 (Michie 1996).	Three years from date of injury. Minors under 6: until 9th birthday to file suit. This provision applies to all persons regardless of minority or disability. The statute is tolled upon submission to hearing panel and shall not run until 30 days after panel final decision.	Mandatory submission of medical injury claims to a hearing panel. Panel report is not admissible at any subsequent trial.	NONE; There is no New Mexico statute limiting attorneys' fees in medical malpractice actions.
Wyoming	For actions accruing on or after June 11, 1986, Wyoming has replaced the rule of joint and several liability in tort cases with allocated several liability. A defendant is liable only for that portion of the total damages that is equal to his percentage of fault. Wyo. Stat. Ann. § 1-1-109(d) (Michie 1997).	The collateral source rule applies in Wyoming. A claimant's receipt of collateral benefits does not serve to reduce his recovery.	NONE	N/A	The nature of personal injury damages makes the award of pre-judgment interest in a medical malpractice case unlikely.	Two years from injury but if discovered in 2nd year plaintiff gets 6 mos. extension. If discovered after 2 years, plaintiff has 2 years from discovery.	Mandatory submission of all medical injury claims to a "medical review panel." The decision of the panel is not admissible at any subsequent trial. The Wyoming Supreme Court struck down the 1986 statute in **Hoem v. Wyoming, 756 P.2d 780 (Wyo. 1988)**	Limits contingent fees in medical liability cases to: one-third of the recovery, if the claim settles within 60 days of the filing of the lawsuit; forty percent of the recovery, if the claim is settled after 60 days or a judgment is entered upon a verdict; and 30 percent of any recovery exceeding $1 million.

NOTES:
1. Columns (2) through (6) is from American Tort Reform Association (ATRA), Dec 31, 2003 edition and by "McCullough, Campbell & Lane." web site.
2. Columns (7) through (11) is from ATRA's tort reform record, 2002 edition and by "McCullough, Campbell & Lane." web site.

Wyoming Healthcare Commission

Medical Professional Liability - Physicians & Surgeons

BRIEF DESCRIPTION OF OTHER STATE TORT SYSTEM & EXCESS LIABILITY FUND

(1) State	(2) Limit on Damages	(3) Limit on Punitive Damages	(4) Mandatory or Voluntary
Florida	If a claimant refuses to accept a defendant's offer to arbitrate, his recovery will be limited to economic damages (but only 80 percent of lost wages) plus no more than $350,000 in non-economic damages. *Id*. If the claimant does accept, his recovery will be limited to economic damage (but only 80 percent of lost wages) plus no more than $250,000 in non-economic damages, plus attorneys' fees of fifteen percent. The damage cap in the arbitration statute has been held to be constitutional.	Punitive damages in excess of three times the claimant's compensatory damages are presumed to be unreasonable	Voluntary
Indiana	For claims accruing on or after July 1, 1999, the limit for each qualified provider is $250,000, and the total cap on damages against all qualified providers and the Fund is $1,250,000.		Voluntary
Kansas	In any personal injury action, non-economic damages are limited to a total of $250,000 per plaintiff as against all defendants. The statute specifies that the jury should not be told about this limitation, and if it awards non-economic damages in excess of the limit, the judge should enter an award of $250,000.		Voluntary
Lousiana	In particular, the *Butler* decision upholds the $100,000 limit of each qualified health care provider, and makes it clear that such providers have no excess obligation after the payment of the excess up to $500,000 by the state. The opinion includes a review of prior cases holding other parts of the Medical Malpractice Act to be constitutional	Punitive damages are not recoverable in Louisiana, except as specifically authorized by statute.	Voluntary
Nebraska	$1,750,000 limit on total damages.	It is a fundamental rule of law in Nebraska that punitive, vindictive, or exemplary damages are not allowed.	Voluntary
New Mexico	In medical malpractice actions against a qualified health care provider tried before a jury, a $600,000 limit ($500,000 for incidents prior to April 1, 1995) **applies to all damages**, with the exception of punitive damages and damages for medical		Voluntary
Pennsylvania	Pennsylvania does not impose a cap on compensatory damages, but it does have a program of state-sponsored excess insurance.		Mandatory
South Carolina	NONE		Voluntary
Virginia	For acts or omissions on or after August 1, 1999, and before July 1, 2000, the cap is $1.5 million. The cap is increasing by $50,000 every July 1. Two final increases of $75,000 beginning in 2007 will bring the damage cap to $2 million for acts or omissions on or after July 1, 2008. Va. Code Ann. § 8.01-581.15 (LEXIS 2003). The Virginia Supreme Court has twice considered this legislation and held that it does not violate the U.S. or Virginia constitutions.		Voluntary
Wisconsin	Except in death cases, for any medical malpractice occurrence on or after May 25, 1995, the total limit on non-economic damages from all health care providers is $350,000. This limit is adjusted annually for inflation.		Mandatory

NOTES:
1. Columns (2) through (4) are from "McCullough, Campbell & Lane." web site.

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DESCRIPTION OF NEBRASKA EXCESS LIABILITY FUND

History of Excess Fund Coverage Levels

(1) Effective Date (occurrences on or after)	(2) Minimum coverage limits required to prove financial responsibility for Physicians & nurse anesthetics	(3) Minimum coverage limits required to prove financial responsibility --- for Hospitals	(4) Cap on amount a plaintiff can recover	(5) Code of the Law
1976	$100,000 / $300,000	$100,000 / $1,000,000	$500,000	
1/1/1985	$100,000 / $300,000	$100,000 / $1,000,000	$1,000,000	LB 692
1/1/1987	$200,000 / $600,000	$200,000 / $1,000,000	$1,000,000	LB 1005
1/1/1993	$200,000 / $600,000	$200,000 / $1,000,000	$1,250,000	LB 1006
1/1/2004	$200,000 / $600,000	$200,000 / $1,000,000	$1,750,000	LB 146
1/1/2005	$500,000 / $1,000,000	$500,000 / $3,000,000	$1,750,000	LB 998

NOTES:
1. All information is from the Nebraska Hospital Liability Act, Annual Report, As of December 31, 2003.
2. Limits are per occurrence / annual aggregate.

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DESCRIPTION OF NEW MEXICO EXCESS LIABILITY FUND

History of Excess Fund Coverage Levels

(1) Effective Date (occurrences on or after)	(2) Minimum coverage limits required to prove financial responsibility for Physicians & nurse anesthetics	(3) Minimum coverage limits required to prove financial responsibility --- for Hospitals	(4) Cap on amount a plaintiff can recover	(5) Code of the Law
Since inception	$200,000	$200,000	$600,000	N/A

NOTES:
1. All information is from the Nebraska Hospital Liability Act, Annual Report, As of December 31, 2003.
2. Limits are per occurrence.

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DESCRIPTION OF NEBRASKA EXCESS LIABILITY FUND

History of Excess Fund Surcharge Levels

(1)	(2)	(3)
Effective Date	**Surcharge for Physicians & Others**	**Surcharge for Hospitals**
1976	50%	15%
1/1/1981	25%	10%
1/1/1982	1%	1%
1/1/1985	50%	50%
1/1/1988	45%	50%
1/1/1989	45%	45%
1/1/1990	40%	40%
1/1/1991	35%	35%
1/1/1992	40%	40%
1/1/1994	30%	30%
1/1/1995	30%	15%
1/1/1996	10%	10%
1/1/1997	5%	5%
1/1/2001	20%	20%
1/1/2002	35%	35%
1/1/2003	50%	50%

NOTES:
1. All information is from the Nebraska Hospital Liability Act, Annual Report, As of December 31, 2003.
2. Surcharges are applied to the underlying primary coverage premium. They are limited to 50% by law. The surcharge of 50% applying in 2004 is also due to about 80 Dodge County Hepatitis C pending claims.

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Medical Professional Liability - Physicians & Surgeons

DESCRIPTION OF NEBRASKA EXCESS LIABILITY FUND

Level of Participation in Excess Fund versus Residual Fund

Excess Liability Fund

(1)	(2)	(3)	(4)
As of Date	**Number of Physicians**	**Number of Hospitals**	**TOTAL**
12/31/1999	2,640	61	2,701
12/31/2000	2,878	69	2,947
12/31/2001	2,966	75	3,041
12/31/2002	3,107	85	3,192
12/31/2003	3,675	94	3,769
Proportion	**76.3%**	**95.9%**	**76.8%**

Residual Market Liability Fund

(5)	(6)	(7)	(8)
As of Date	**Number of Physicians**	**Number of Hospitals**	**TOTAL**
12/31/1999	1	0	1
12/31/2000	1	0	1
12/31/2001	8	0	8
12/31/2002	22	1	23
12/31/2003	21	0	21
Proportion	**0.2%**	**0.0%**	**0.2%**
Total for NE (*)	**3,887**	**98**	**3,985**

NOTES:

1. All information except total is from the Nebraska Hospital Liability Act, Annual Report, as of December 31, 2003.
2. (*) The total number of physicians for 2001 is from US Bureau of the Census, Statistical abstract of the United States. And the number of hospitals for 2003 is from the Nebraska State Department of Health, Roster of Hospitals.

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INFORMATION COMING EXPLICITLY / IMPLICITLY FROM OCTOBER 13, 2004 MILLIMAN REPORT

Percentage Savings due to $250,000 non-economic damage caps

(1)	(2)	(3)	(4)	(5)	(6)
			Percentage Savings on		
Layer Scenario	Per Occurrence Retention		Loss & ALAE at attachment point	Loss & ALAE at upper limit	Loss only in excess layer
	Attachment Pt	Upper Limit			
A	$0.5M	$1.00M	8%	15%	41%
B	0.2M	0.60M	3%	N/A	24%
C	0.2M	1.00M	3%	N/A	30%
D	0.25M	1.00M	4%	N/A	33%
E	0.5M	1.75M	8%	N/A	46%

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Medical Professional Liability - Physicians & Surgeons

SUMMARY OF KEY ASSUMPTIONS

Item	Reference
WY excess liability fund does not reimburse ALAE	Exhibit 1
Base scenario is for policy limits $1M/$3M	Exhibit 1
Excess fund surcharges (%) assumed constant over time	Exhibit 2
Excess fund surcharges include a contingency margin	Exhibit 1, 2 and 4
Market rate grow at same rate as losses	Exhibit 2
Market rate adequacy	Exhibit 3
Beginning of year capital	Exhibit 2
Interest rate / discount rate assumptions	Exhibit 6
Additional expense load	Exhibit 2 through 5
Premium and payments made in lump sum in the middle of the year	Exhibit 2
Expense provision as a % of present value of excess pure premiums	Exhibit 2 through 5
Surcharge rates apply for mature claims-made policy	Exhibit 1
Physicians are assumed to purchase the minimum policy limit required	Exhibit 1
Differences in aggregate annual limits are assumed to not impact results.	Exhibit 2 through 5
No retroactive date applying to the excess liability fund	Exhibit 1
Excess pure premium trend	Exhibit 7
Exposure annual trend	Exhibit 7
TDC indicated and trended rates are adequate and representative of the market	Exhibit 9
Ground-up payout pattern approximates excess payout pattern	Exhibit 11
Maximum surcharge under schedule rating plan of TDC and OHIC represents a risk belonging to the residual market.	Exhibit 13
Mandatory plan is a weighting average of selective plan and residual market plan	Exhibit 13
Data Sources	Wyoming Department of Insurance NPDB Wyoming LSO Texas Department of Insurance Rand Institute for Civil Justice Nebraska Hospital Liability Act, Annual Report US Bureau of the Census