

**EXPENSE LOSS COST MULTIPLIER WORKSHEET  
FOR GROUP SELF-INSURANCE FUND DEVIATING  
FROM RATING ORGANIZATION LOSS COSTS  
MULTIPLIER CALCULATION WORKSHEET AND  
INSTRUCTIONS**

Name of fund: \_\_\_\_\_

Address: \_\_\_\_\_

City/Town: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Insurer code (XXXX): \_\_\_\_\_

Fund officer responsible for this filing: \_\_\_\_\_

Title: \_\_\_\_\_ Firm: \_\_\_\_\_

Telephone: \_\_\_\_\_ Ext: \_\_\_\_\_ Fax: \_\_\_\_\_

Email address: \_\_\_\_\_

Fund Year the multiplier calculated in this worksheet covers: From   -   -     To   -   -      
MM DD YYYY MM DD YYYY

**INSTRUCTIONS**

The following worksheet provides specific parameters for filing an expense loss cost multiplier and an overall contribution amount in compliance with 34 Pa. Code § 125.135 for the upcoming fund year. This worksheet is for use by funds **DEVIATING FROM RATING ORGANIZATION LOSS COSTS**.

Nothing in the worksheet, these instructions or actuarial guidelines should be construed as placing an upper limit on the degree of additional conservatism that is determined necessary in creating and maintaining adequate surplus for the support of the fund's inherent asset and liability risks.

**This worksheet and all supporting material must be received by the Bureau of Workers' Compensation no later than 45 days prior to the beginning of the upcoming fund year. Do not deviate from the instructions for each line of the worksheet.**

The worksheet assumes that no other rate change has been/is being filed for the upcoming fund year, and that fund membership for the upcoming year is relatively known. Please contact the Self-Insurance Division, Bureau of Workers' Compensation, ra-libwc-si@pa.gov, 717.783.4476, if either of these assumptions is not valid for the fund.

The worksheet exhibits should be uploaded as an EXCEL document.

Please note that once the bureau approves the loss cost or loss cost multiplier for the upcoming year, the fund must complete and file an **ANNUAL CONTRIBUTION WORKSHEET (LIBC-350)** on each member.

**LOSS COST MULTIPLIER CALCULATION WORKSHEET  
FOR GROUP DEVIATING FROM RATING ORGANIZATION LOSS COSTS**

A. MEDICAL AND INDEMNITY LOSSES

A. \_\_\_\_\_

- An actuarial rate analysis (following bureau guidelines for such reports) including an exhibit showing the deviation of the projected loss based upon the fund's projected trended payroll (or other basis of contributions) must be submitted with the form. Box A must be at least as great as such a report's loss estimate (for the upcoming loss year) which the report clearly states is at 75 percent or higher confidence. Such an actuarial estimate may be discounted for a conservative rate of interest to be earned on the upcoming loss year's loss reserve.
- The actuarial estimate **MUST NOT** include any allowance for income from (nor any transfer of) earlier fund years' surplus.
- The projection reported in Box A must include medical and indemnity losses only (i.e., net of expenses). If an Allocated Adjustment Expense (ALAE) is present in the "loss" projection developed by the actuary, an estimate of such ALAE must be subtracted before the "loss" projection is placed in Box A. An exhibit of the derivation of any expense estimate being removed from the "loss" projection would then need to be included in this form. Expense estimates within the Expense Exhibits should include both allocated and unallocated expenses.

B. ADJUSTED PROJECTION EXCESS INSURANCE PREMIUM NET or GROSS OF EXCESS LOSSES (in dollars)

B. \_\_\_\_\_

- Attach an exhibit or other information explaining amount of estimated excess insurance premium; e.g., a written premium quote.
- Is **BOX B NET** of excess losses (in which case **BOX A MUST** be an UNLIMITED estimate in that it includes gross loss covered by excess insurance or is **BOX B GROSS** of excess losses (in which case **BOX A** would be expected to be an estimate LIMITED by the retention level of excess insurance)? Answer  **NET**  **GROSS**
- The premium must also be entered in Part I, Line A of the attached EXPENSE EXHIBIT.

C. ADJUSTED PROJECTED VARIABLE EXPENSE (in dollars)

C. \_\_\_\_\_

- Complete the attached EXPENSE EXHIBIT form. The ADJUSTED PROJECTED VARIABLE EXPENSE is taken from Part 1, Line D of that form.

D. ADJUSTED PROJECTED FIXED EXPENSE (in dollars)

D. \_\_\_\_\_

- The ADJUSTED PROJECTED FIXED EXPENSE is taken from Part 2, Line B of the EXPENSE EXHIBIT form.

E. CONSERVATIVE ESTIMATE OF SURPLUS OR DEFICITS FROM THE CURRENT AND PREVIOUS LOSS YEARS

E. \_\_\_\_\_

- Create an exhibit showing for each loss year a conservative and reasonable estimate of surplus (after discounting losses) for the loss year (with ultimate losses derived from loss data having a valuation date within the last 6 months). If no such analysis has been created for the current loss year, the exhibit will be limited to only prior years. Each surplus should be net of any dividends already approved.
- If the sum of such surpluses is negative, meaning a deficit exists, then enter that negative sum into **BOX E** and submit the exhibit with this form.
- If the sum of such surpluses is positive or zero, you may enter 0 into **BOX E** and submit the exhibit with this form.
- If the sum of such surpluses is positive, you may enter the positive amount in **BOX E** and submit the exhibit with an extra line which shows a selected transfer from surplus by loss year within the following constraints:

**LOSS COST MULTIPLIER CALCULATION WORKSHEET  
FOR GROUP DEVIATING FROM RATING ORGANIZATION LOSS COSTS**

- An actuarial evaluation on reserves (following bureau guidelines for such reports) MUST be submitted with this form. The selected transfer from surplus for a loss year must not exceed the report's surplus for the loss year for which the report clearly states is at 75 percent or higher confidence.
- No transfer of surplus may be made from the current loss year.
- The sum of the selected transfers entered into **BOX E must be limited to** that amount used within the loss estimate given in **BOX A** that raised the estimate from expected to the 75 percent or higher confidence level.

F. CALCULATED MINIMUM AMOUNT OF CONTRIBUTION NEEDED TO BE COLLECTED (in dollars) F. \_\_\_\_\_

- $F = A + B + C + D - E$  (NOTE: If BOX E is negative, its subtraction adds to the overall size of BOX F.)

G. SELECTED ADDITIONAL MARGIN WITHIN CONTRIBUTIONS G. \_\_\_\_\_

- Enter any additional margin determined to be needed for fluctuation in the claim count, for adverse development in claim severity, or for unexpected expense. **BOX G** may not be less than zero.
- Typically, most of BOX G will become surplus associated with the upcoming loss year.

H. SELECTED/PROPOSED CONTRIBUTIONS (net of credits) TO BE COLLECTED (in dollars) H. \_\_\_\_\_

- $H = F + G$

I. LOSS COST MULTIPLIER (LCM) BASED ON SELECTED CONTRIBUTIONS I. \_\_\_\_\_  
(State multiplier to 4 digits to right of decimal point (i.e., #.####))

- $I = (H + E)/A$  NOTE: While the selected contribution in **BOX H** does reflect the effect of experience modifications, the LCM will not.

**FUND'S VERIFICATION**

The fund verifies that the facts set forth in this worksheet, including any rider exhibits or addendum, herewith, are true and correct and that this verification is made subject to Section 4904 of the Crime Code, 18 Pa. C.S.A. § 4904, relating to unsworn falsification to authorities.

\_\_\_\_\_  
Signature of fund officer responsible for the filing

Date  

		-			-				
MM			DD			YYYY			

\_\_\_\_\_  
Name and Title (type or print)

**ACTUARY'S CERTIFICATION**

Does the actuary certify (based upon the data and other relevant information provided to the actuary) that the selected contribution amount in BOX H represent an amount that is appropriate (with projected losses and allocated loss adjustment expenses at the 75 percent confidence level) both in terms of expected experience for the upcoming fund year and in light of any deficits for previous years?  Yes  No

\_\_\_\_\_  
Signature of actuary

Date  

		-			-				
MM			DD			YYYY			

\_\_\_\_\_  
Name (type or print)

Professional credentials (i.e., letters): \_\_\_\_\_ Firm: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email address: \_\_\_\_\_

**EXPENSE LOSS COSTS MULTIPLIER WORKSHEET FOR GROUP SELF-INSURANCE FUND**  
**DEVIATING FROM RATING ORGANIZATION LOSS COSTS**

**EXPENSE EXHIBITS AND INSTRUCTIONS FOR COMPLETING BOXES C AND D OF THE WORKSHEET**

**INSTRUCTIONS**

The following exhibits are used to calculate a group self-insurance fund's projected annual adjusted variable expenses and adjusted fixed expenses for inclusion in the submission of its LOSS COST MULTIPLIER WORKSHEET (LIBC-352).

THESE EXHIBITS ARE FOR USE BY FUNDS **DEVIATING FROM RATING ORGANIZATION LOSS COSTS**.

- The fund must make a complete and realistic determination of all its projected costs of operation for the upcoming fund year including all allocated and unallocated loss adjustment expenses and all other expenses not included as a component in the standard contribution.
- The fund's administrator should consider adding margins to the projected expenses over and above the best estimate as a source of risk stabilization funding in order to avoid the possibility of deficits. Any unused expense margin would be a source of future surplus.
- The projected expenses should be sorted on the attached exhibits by type of expense into two categories:
  - **VARIABLE EXPENSES** – For the purposes of these exhibits, VARIABLE EXPENSES are more dependent upon size of exposure, losses, number of claims and collected premium as is for example, loss adjustment expenses.
  - **FIXED EXPENSES** – For the purposes of these exhibits, FIXED EXPENSES are less dependent upon the exposure and are considered overhead.

It is conceivable that what is defined as a VARIABLE EXPENSE in one fund year is redefined as a FIXED EXPENSE in a subsequent year due to contractual considerations or changes in pricing methodologies.

Part 3 of this Exhibit, all expenses must be listed as they were originally projected by the fund for use in the two previous fund years – PRIOR AND SECOND PRIOR.

- **PRIOR FUND YEAR** – is the fund year immediately preceding the current fund year;
- **SECOND PRIOR FUND YEAR** - the fund year immediately preceding the PRIOR FUND YEAR.
- **COLUMN I** –
  - List the **actual expenses** as they were incurred during the course of the fund year.
  - Includes both anticipated and unanticipated actual expenses.
- **COLUMN II** –
  - List all **projected expenses** as originally reported to the bureau with any trend assumption by the fund, both realized and unrealized projected expenses, adjusted to the same payroll basis (per \$100 of payroll) as the actual expenses, preferably consistent with the year end financial audit.

The amount in **Part 3, Line E** **must** be compared to 1.0. The greater of the two is the VARIANCE ADJUSTMENT FACTOR and **must** be multiplied by the amounts in PARTS 1 and 2 in the column entitled, 'PROJECTED EXPENSES' to obtain the 'ADJUSTED PROJECTED EXPENSES' amounts.

The VARIANCE ADJUSTMENT FACTOR will remain 1.0 while the fund maintains a history of conservatively projected expenses in comparison to their actual incurred expenses. This can be ensured by trending expenses to the midpoint of the fund year at an appropriate trend rate and by adding margins to accommodate expense fluctuation.

**EXPENSE EXHIBITS – PART 1**

- A. List VARIABLE EXPENSE ELEMENTS, including excess insurance costs, and the projected expenses for the upcoming fund year on lines 1 through 15.
- Projected Expenses are the best estimate of trended expenses for the upcoming fund year on the assumed payroll basis.
  - Adjusted Projected Expense is Projected Expenses multiplied by the Variance Adjustment Factor from Part 3, Line E.

	VARIABLE PROJECTED EXPENSES	ADJUSTED PROJECTED EXPENSES
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
B. SUM of 1 through 15.....		
C. AMOUNT OF ADJUSTED PROJECTED EXCESS INSURANCE PREMIUM.....		
D. <b>LINE B – LINE C =</b>		
• <b>LINE D</b> is entered into <b>BOX C</b> of the <u>LOSS COST MULTIPLIER SHEET</u> .....		

SAMPLE

**EXPENSE EXHIBITS – PART 2**

- A. List FIXED EXPENSE ELEMENTS, and the projected expenses for the upcoming fund year.
- Projected Expenses are the best estimate of trended expenses for the upcoming fund year on the assumed payroll basis.
  - Adjusted Projected Expense is Projected Expenses multiplied by the Variance Adjustment Factor from Part 3, Line E.

	PROJECTED FIXED EXPENSES	ADJUSTED PROJECTED EXPENSES
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. _____	_____	_____
9. _____	_____	_____
10. _____	_____	_____
11. _____	_____	_____
12. _____	_____	_____
13. _____	_____	_____
14. _____	_____	_____
15. _____	_____	_____
B. SUM of 1 through 15.....	_____	_____

- **Line B** is entered into **Box D** of the last COST MULTIPLIER WORKSHEET

SAMPLE

**EXPENSE EXHIBITS – PART 3**

- A. List all **prior FUND YEAR VARIABLE AND FIXED EXPENSES**, (exclusive of dividends, deficit funding assessments and surplus contributions).
- List actual expenses in COLUMN I that were incurred in the course of the prior fund year.
  - List projected expenses in COLUMN II that were used in the calculation of the prior fund year’s funding level.
    - Include trend but exclude the ACTUAL ADJUSTMENT, as calculated below.
  - Both ACTUAL and PROJECTED EXPENSES must** be on the same payroll basis for the purposes of **Part 3A**.
  - The expense provision for Pennsylvania workers’ compensation assessments may be excluded from the variance calculation, at the option of the fund.

	<u>COLUMN I</u> ACTUAL INCURRED PRIOR FUND YR	<u>COLUMN II</u> PROJECTED PRIOR FUND YR	<u>COLUMN III</u> VARIANCE I / II
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			
	<u>PRIOR FUND YEAR TOTALS</u> .....		



- B. PRIOR FUND YEAR VARIANCE.....
- Column I total divided by Column II total

- C. List all **SECOND PRIOR FUND YEAR VARIABLE AND FIXED EXPENSES** (exclusive of dividends, assessments and surplus contributions).
- List **actual** expenses in COLUMN I that were incurred in the course of the second prior fund year.
  - List **projected** expenses in COLUMN II that were used in the calculation of the second prior fund year’s funding level.
    - Include trend, but exclude the ACTUAL ADJUSTMENT, as calculated below.
  - Both ACTUAL and PROJECTED EXPENSES must** be on the same payroll basis for the purposes of **Part 3C**.

**COLUMN I**  
ACTUAL SECOND  
PRIOR FUND YR

**COLUMN II**  
PROJECTED SECOND  
PRIOR FUND YR

**COLUMN III**  
VARIANCE  
I / II

1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			

SECOND PRIOR FUND YEAR TOTALS

D. SECOND PRIOR FUND YEAR VARIANCE .....

- Column I total divided by Column II total

E. VARIANCE ADJUSTMENT FACTOR.....

- If there is a PRIOR FUND YEAR and a SECOND PRIOR FUND YEAR then  $E = (B + D) \text{ divided by } 2 \text{ or } 1.0$ , whichever is **greater**.
- If there is a PRIOR FUND YEAR but NO SECOND PRIOR FUND YEAR then  $E = B \text{ or } 1.0$ , whichever is **greater**.
- If there is **NO** PRIOR FUND YEAR then  $E = 1.0$

**Employer Information Services**  
717.772.3702

**Claims Information Services**  
toll-free inside PA: 800.482.2383  
local & outside PA: 717.772.4447

**Hearing Impaired**  
PA Relay 7-1-1

**Email**  
ra-li-bwc-helpline@pa.gov



Auxiliary aids and services are available upon request to individuals with disabilities.  
Equal Opportunity Employer/Program