Sappenfield, Anne

From: Williams, Ritch
Sent: Friday, May 15, 2009 2:45 PM
To: Sappenfield, Anne; Banaszynski, Matt; Battiato, Kate; Berceau, Terese; Bussan, Traci; Christianson, Peter; Clark, Lloyd; Cullen, David; Culotta, Jason; Farnsworth, Kathy; Hale, Janine; Hanson, Linda; Hebl, Gary; Hilgemann, Luke; Hochkammer, Debbie; Hurlburt1, Waylon; Kostelic; Luanne; Langenohl, Tony; Looze, Claudia; Mitchell-Morton, Laura; Molepske, Louis; Murray, Mike; Nygren, John; O'Connor, Alice; Parisi, Joe; Peloquin, Traci; Pyritz2, Mike; Rep.Ziegelbauer; Rieselman, Brian; Rindfleisch, Kelly; Roth, Roger; Ryan Natzke; Schubert, Heather; Suder, Scott; Toftness, Jennifer; Tonnon Byers, Anne; Vos, Robin; Walby, Katie; Welhouse, Andrew; Whitmore, Lori; Woskoff, Fred
Cc: Stegall, Jennifer L - OCI; Banks, Kelli J - OCI; Dilweg, Sean - OCI
Subject: Public Hearing Scheduled

The Assembly Committee on Insurance has scheduled a Public Hearing on Thursday, May 21st beginning at 11:00 a.m. in Room 328 Northwest, State Capitol. A copy of the hearing notice is attached for your review.

Ritch Williams
Clerk, Committee on Insurance
Office of Rep. David Cullen
216 North, State Capitol
(608) 267-9836

Assembly

PUBLIC HEARING

Committee on Insurance

The committee will hold a public hearing on the following items at the time specified below:

Thursday, May 21, 2009
11:00 AM
328 Northwest
State Capitol

Clearinghouse Rule 09-004

Relating to to annual patients compensation fund fees and medical mediation panel fees for the fiscal year beginning July 1, 2009, and affecting small businesses.

An Executive Session on Clearinghouse Rule 09-004 may follow the public hearing.

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

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Testimony of Commissioner Sean Dilweg
To the Assembly Committee on Insurance
CR 09-004
May 21, 2009

Chairman Cullen and Members of the Committee:

Thank you for the opportunity to testify today in support of CR 09-004; the Injured Patients and Families Compensation Fund Fiscal Year 2010 Fund Fee Rule.

Background:

The Injured Patients and Families Compensation Fund (Fund) was created by statute in 1975 to provide excess medical malpractice coverage for Wisconsin health care providers. Health care providers obtain primary medical malpractice insurance from private insurance companies in an amount required by statute. As of July 1, 1997, that amount is $1,000,000 per occurrence, and $3,000,000 annual aggregate. Coverage in excess of the primary insurance is provided by the Fund.

Since the Fund's inception (July 1, 1975) through December 31, 2008, the Fund's total number of paid claims was 655, totaling $731,930,683. Of the total number of claims in which the Fund has been named, 4,708 claims have been closed with no indemnity payment.

Over the past five years, approximately 613 malpractice cases were filed against the Fund. It is estimated the Fund will pay claims on 74 of these cases.

By September 30, 2007 the Fund had accumulated a balance of $840,619,741; substantially more than the total amount of claims paid out over the 32 year lifespan of the Fund. 2007 Wisconsin Act 20 transferred $200 million of the Fund to the Medical Assistance Trust Fund.

Current Status of the Fund

As of March 31, 2009 the Fund has assets totaling $628.1 million. This balance takes into account $51.4 million in payments from the fund last year and anticipated payments of $68.3 million this year.

Recent comments and media articles asserting that the Fund is "in the red" or "in a deficit" are not accurate. Rather, an actuarial analysis has projected a long term actuarial deficit (over the next 20-25 years) that assumes no more fees are collected in future years and assumes that medical malpractice awards continue at historic averages (despite the recent cap on non-economic damages passed by the Legislature).

CR 09-004

CR 09-004 establishes the fees that participating health care providers must pay to the Fund for the fiscal year beginning July 1, 2009. The proposed fees represent a 9.9% increase from fees paid for the 2008-09 fiscal year. Despite the $200 million transfer, the proposed fees are comparable to the Fund fees charged for fiscal year 2005, and are less than half of the fees charged 10 years ago (fiscal 2000).

	2000	2005	2009	2010 (proposed)
Class 1 fee	$2,531	$1,227	$1,128	$1,240

Attachment I to this testimony is the most recent Actuarial Analysis of the Fund. This analysis was considered by the Board at its December, 2008 meeting when the Board authorized the 9.9% fee increase. You will see on page D2 a chart detailing overall fund fee level changes since July 1, 1997. Clearly, fund fee rates have always varied. Fees were increased 25.0% in 2006 and additional increases were approved for 2007.

The proposed increase in fees is based upon the breakeven analysis as performed by the actuaries in determining the amount of fees needed to cover all the expenses incurred during the 2010 fiscal year. The transfer of monies from the fund was not considered in the analysis.

In way of background, actuaries begin their annual review of the Fund in September and present their findings to the Fund's Actuarial Committee in late November/early December. The Committee reports to the Fund Board in December with a rate recommendation. The Board, after much discussion, passes a motion to set rates for the next fiscal year. The Commissioner then promulgates a rule.

As part of the Board's consideration of the fee rates, it considered the actuary's finding that an actuarially determined break even point is estimated to be a 290.4% increase over the current assessment level. The breakeven point is the amount of assessments needed in one year to pay all the claims that will occur during that year regardless of when they are actually paid.

The actuarially determined breakeven rate increase of 290.4% is attributable to four items:

- The current fees are 80% below the break-even level
- The actuaries used a loss cost trend of 5.2% (expecting losses to increase)
- Deterioration in loss ratio trends as loss cost inflation has increased faster than annual rate actions
- Continued favorable reserve development on prior years reserves (without this the breakeven rate increase would have been substantially greater)

In 2007, the actuaries performed an analysis of the impact of increasing fees 25% per year for 5 years and concluded that such annual increases result in a negative impact to surplus of $414 million. This does not take into consideration such things as current surplus or deficit levels or any possible reserve changes during this same time period. This was done to illustrate the fact that the fees being charged were not adequate, even with 25% annual increases.

Several additional factors support the proposed increase, including decreased value of investments, large claim payouts, increased participation in the fund, actuarial analysis indicating insufficient assessments to pay claims and the establishment of a "premium deficiency reserve." Let me walk through these:

First, the Board approved the establishment of a premium deficiency reserve at its meeting in December 2007. This reserve was established for financial reporting purposes to reflect the inadequacy in the Fund's assessment levels.

Second, the economic environment has contributed to significant decreases in the market value of many of the Fund's investments.

Third, while historically the Fund has only paid out on about 11% of all malpractice cases filed against it, claim payments have risen. The 2008 Functional and Progress Report (Attachment II) illustrates a history of annual loss and loss expense payments on page 6. In fiscal year, 2008, the Fund paid out a $35 million dollar claim, the highest claim the Fund has experienced. Additionally, this year, the fund paid its 4th largest claim of $16.2 million. Attachment III is a state journal article summarizing that case. The larger payments are attributable to higher long term actual medical costs.

Finally, the increase in fund participation results in increased exposure to the Fund. Page 3 of Attachment II (the Functional report) shows the increasing number of heath care providers participating. The Fund acts as a risk sharing pool in that no underwriting is performed; providers pay a fee based upon their type of specialty. As the number of providers increases, so does the exposure within that class.

Conclusion

Wisconsin is one of the most attractive locations for health care providers in terms of liability protection. Maintaining sufficient funds to pay claims is key to maintaining the strong protection the fund offers to both providers and consumers. I would not be here today advocating for a 9.9% increase if I was not convinced it was necessary based on actuarially sound data. In July 2008, the Board asked for a 0% increase in fees. Circumstances, such as decreased investment earnings and large claim payments, have changed the environment and need for increased assessments.

2008 FUNCTIONAL AND PROGRESS REPORT

The Injured Patients and Families Compensation Fund (Fund) was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers in excess of the provider's primary limits of coverage. The Fund provides coverage in excess of the primary limit established by statute which is currently $1 million per occurrence and $3 million aggregate per year. Participation in the Fund is mandatory for health care providers as defined by Chapter 655, Wis. Stat.

The Fund is governed by a 13-member Board of Governors (Board) which consists of three insurance industry representatives, a member named by the Wisconsin Association for Justice, a member named by the State Bar of Wisconsin, two members named by the Wisconsin Medical Society, a member named by the Wisconsin Hospital Association, four public members appointed by the Governor, and the Commissioner of Insurance who serves as the chair.

Current members of the Board are:

Sean Dilweg, Commissioner of Insurance
Marilu Bintz, M.D., Wisconsin Hospital Association
Randy Blumer, Industry Representative
Dennis Conta, Public Member
Stan Davis, Public Member
Scott Froehlke, Public Member
Erik Huth, Industry Representative
Robert Jaeger, M.D., Wisconsin Medical Society
James Jansen, Wisconsin Association for Justice
Reid Olson, M.D., Public Member
Christopher Spencer, Industry Representative
Susan Turney, M.D., Wisconsin Medical Society
John Walsh, State Bar of Wisconsin

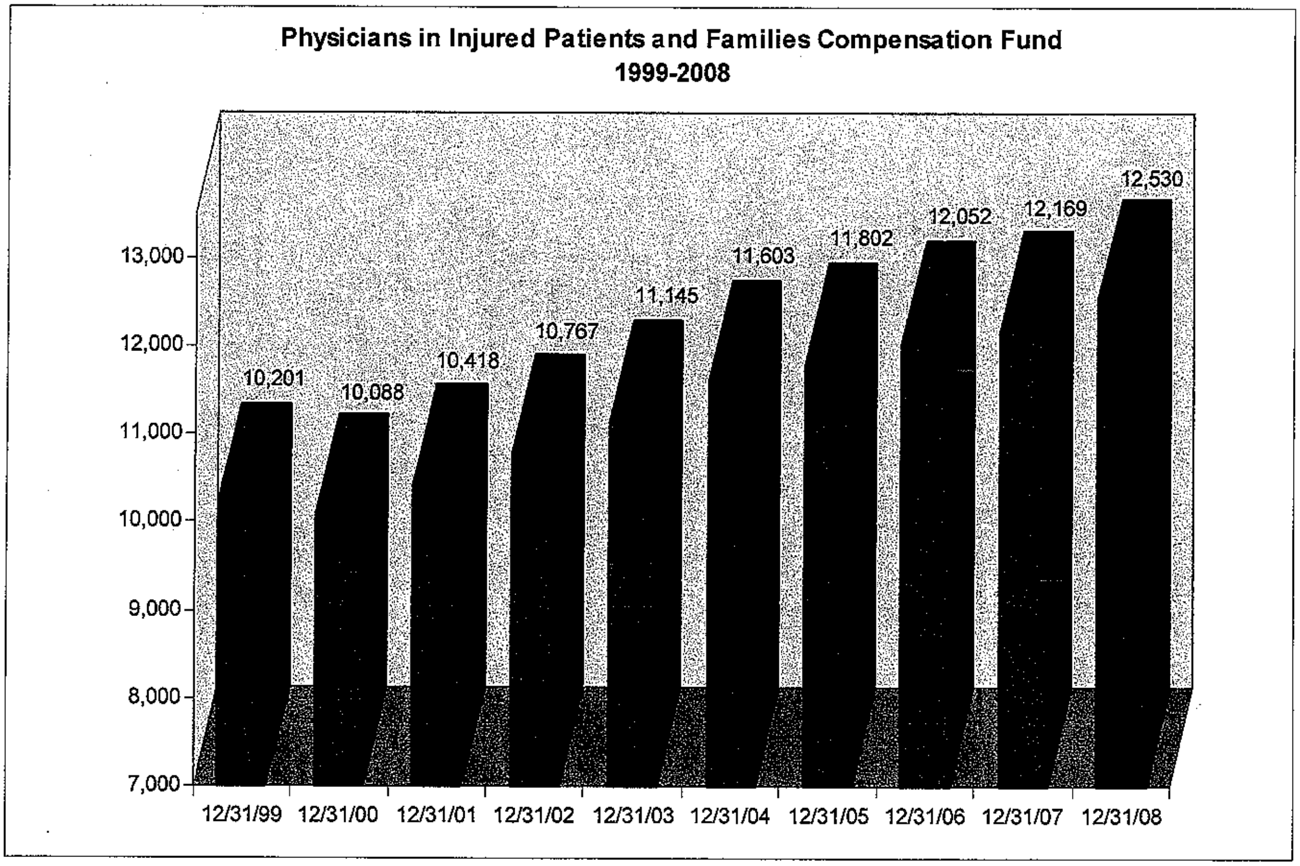
The Fund's Board is assisted in its governance function by the following committees: an Underwriting and Actuarial Committee, a Legal Committee, a Claims Committee, an Investment/Finance and Audit Committee, a Risk Management and Patient Safety Committee, Special Advisory Committee, and a Peer Review Council. The Board and committees generally meet at least quarterly.

The Fund operates on a fiscal year basis; July 1 through June 30. Administrative costs, operating costs, and claim payments are funded through assessments on participating health care providers.

Fund Participants

As of December 31, 2008, there were a total of 14,724 Fund participants comprised of 125 hospitals with 25 affiliated nursing homes, 12,530 physicians, 604 nurse anesthetists, 20 hospital-owned or controlled entities, 42 ambulatory surgery centers, one cooperative, 37 partnerships, and 1,340 corporations actively participating in the Fund.

As of December 31, 2008, physicians comprised 85% of the Fund participants and corporations made up 9%. All other participants made up the remaining 6%.


Physicians in Injured Patients and Families Compensation Fund
1999-2008
13,000
12,000
11,000
10,000
9,000
8,000
7,000
10,201
10,088
10,418
10,767
11,145
11,603
11,802
12,052
12,169
12,530
12/31/99
12/31/00
12/31/01
12/31/02
12/31/03
12/31/04
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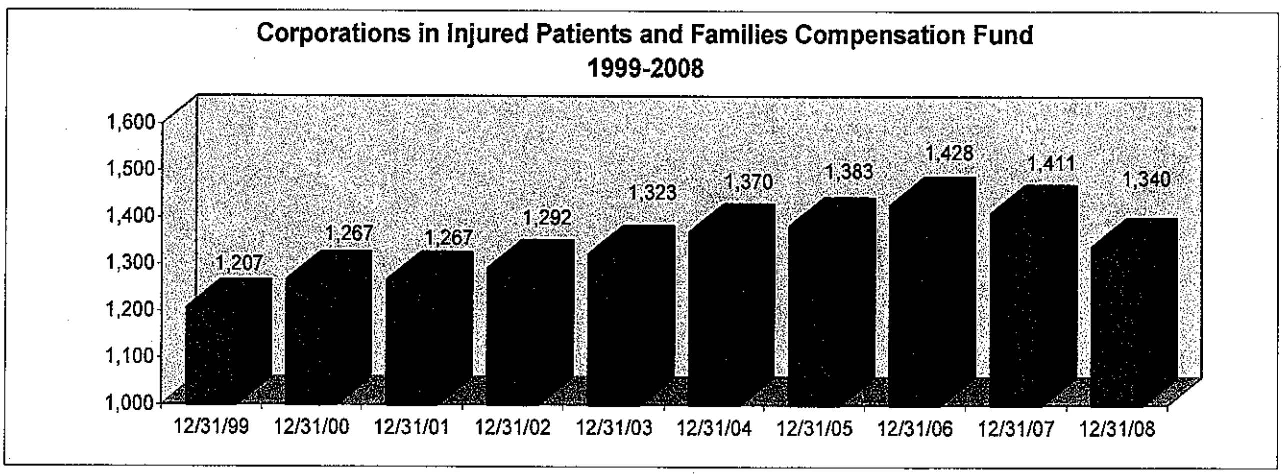
12/31/06
12/31/07
12/31/08


Corporations in Injured Patients and Families Compensation Fund
1999-2008
1,600
1,500
1,400
1,300
1,200
1,100
1,000
1,207
1,267
1,267
1,292
1,323
1,370
1,383
1,428
1,411
1,340
12/31/99
12/31/00
12/31/01
12/31/02
12/31/03
12/31/04
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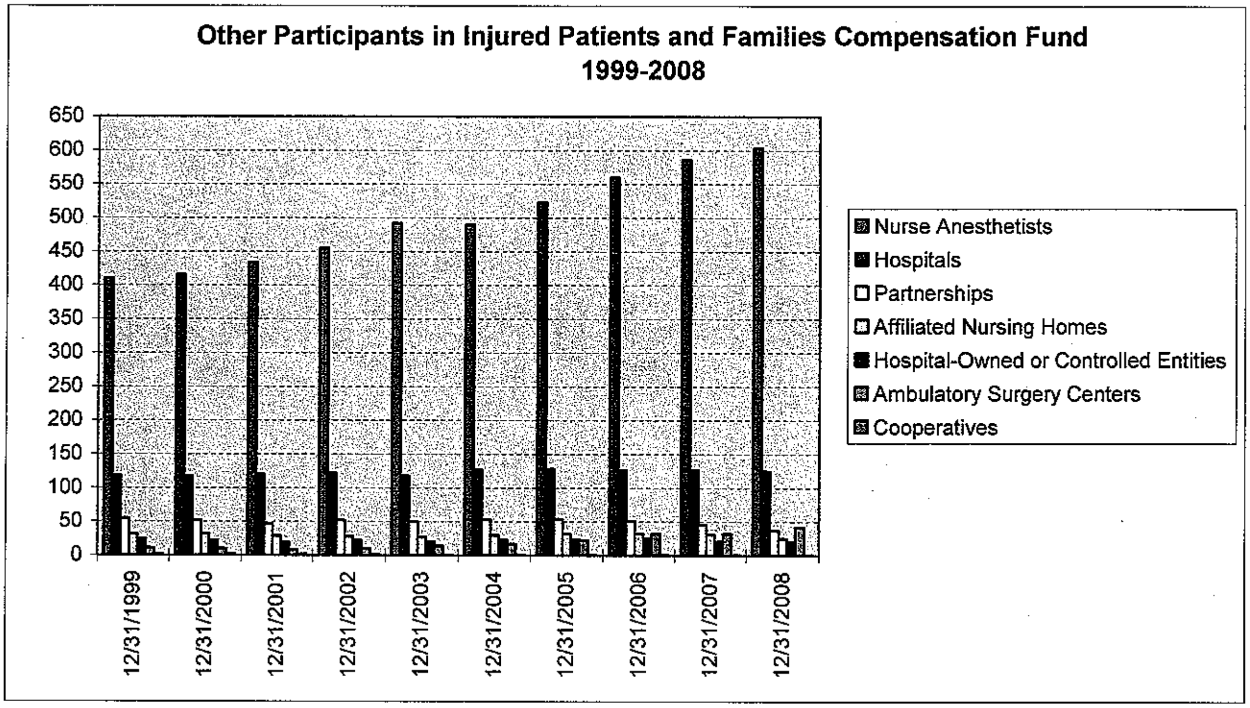
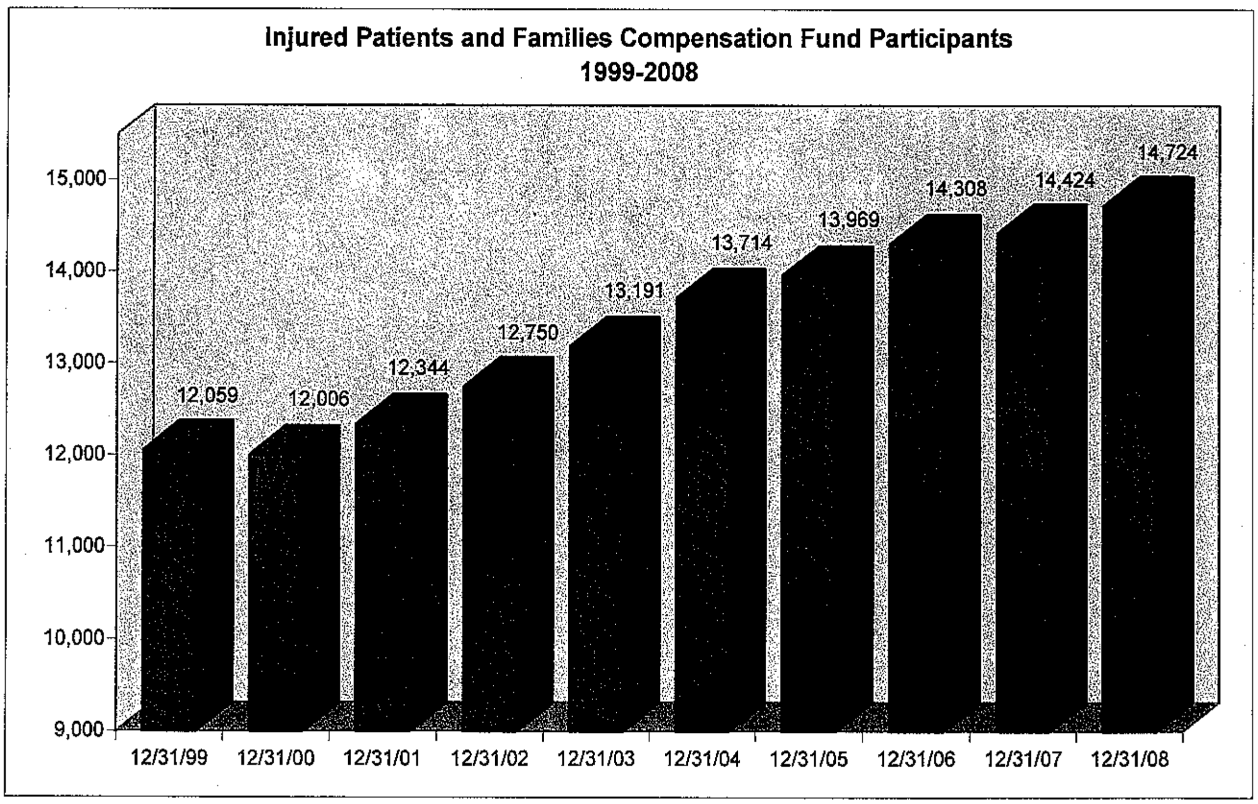
12/31/06
12/31/07
12/31/08


Other Participants in Injured Patients and Families Compensation Fund
1999-2008
650
600
550
500
450
400
350
300
250
200
150
100
50
0
12/31/1999
12/31/2000
12/31/2001
12/31/2002
12/31/2003
12/31/2004
12/31/2005
12/31/2006
12/31/2007
12/31/2008
Nurse Anesthetists
Hospitals
Partnerships
Affiliated Nursing Homes
Hospital-Owned or Controlled Entities
Ambulatory Surgery Centers
Cooperatives


Injured Patients and Families Compensation Fund Participants
1999-2008
15,000
14,000
13,000
12,000
11,000
10,000
9,000
12,059
12,006
12,344
12,750
13,191
13,714
13,969
14,308
14,424
14,724
12/31/99
12/31/00
12/31/01
12/31/02
12/31/03
12/31/04
12/31/05
12/31/06
12/31/07
12/31/08

Claims Activity

From July 1, 1975, through December 31, 2008, 5,549 claims had been filed in which the Fund was named. During this period, the Fund's total number of paid claims was 655, totaling $731,930,683. Of the total number of claims in which the Fund has been named, 4,708 claims have been closed with no indemnity payment.

Board Committees

Actuarial and Underwriting Committee

The Actuarial and Underwriting Committee advises the Board on actuarial and underwriting issues.

The Committee assisted the Board to promulgate the Fund Fee Rule for fiscal year 2008-2009 fees. Overall, there was no increase in total fees for fiscal year 2008-2009. Mediation panel fees for physicians (excluding physicians in a residency program) were set at $18 per physician and $2.50 per occupied hospital bed.

Under 1993 Act 473, various types of "health care professionals" may be shareholders in the same service corporation, regardless of the fact that they hold different licenses. "Health care professional" is defined to include anyone regulated by the Board of Nursing, Medical Examining Board, Optometry Examining Board, Pharmacy Examining Board, Psychology Examining Board and the Examining Board of Social Workers, Marriage and Family Therapists and Professional Counselors. Act 473 created s. 655.27(3)(a) 4, Wis. Stat., to require the Fund's Board, when setting annual fees for corporations, partnerships, and cooperative HMOs, to take into consideration risk factors and past and prospective loss and expense experience attributable to employees other than physicians and nurse anesthetists. As a result of Act 473, additional fees for corporations, partnerships and cooperative HMOs are included in the fiscal year 2009 annual fee rule and are anticipated to total $1,000,000 for the period.

Claims Committee

The responsibility of the Claims Committee of the Board is to establish claims policies and procedures for the Fund and the Wisconsin Health Care Liability Insurance Plan (Plan).

The functions of the Claims Committee include the following:

- Establish guidelines for claims management by the contractor and OCI staff of the Fund and the Plan and review claims to determine if the guidelines need to be revised.
- Provide for the evaluation of the claims contractor no less often than prior to the renegotiation of each contract to assure that claims are being handled in an appropriate and expeditious manner.
- Review all claims involving alleged sexual misconduct, neurological impairment, quadriplegia, and those claims which the contractor has set reserves of $500,000 or more and provide settlement authorization and advise on those claims where settlement value exceeds $1 million or when the contractor has a claim management question.
- Monitor claims administration costs and make recommendations for possible savings to the Board and the contractor.

- Establish guidelines for annuity purchases for structured settlements and review such purchases periodically. Recommend to the Board changes in the statutes or administrative rules that are needed to facilitate the claims policies and procedures of the Fund or Plan.

- Refer legal or other issues that come to the Committee's attention to the appropriate committees.

- Prepare reports analyzing claims trends for risk management purposes.

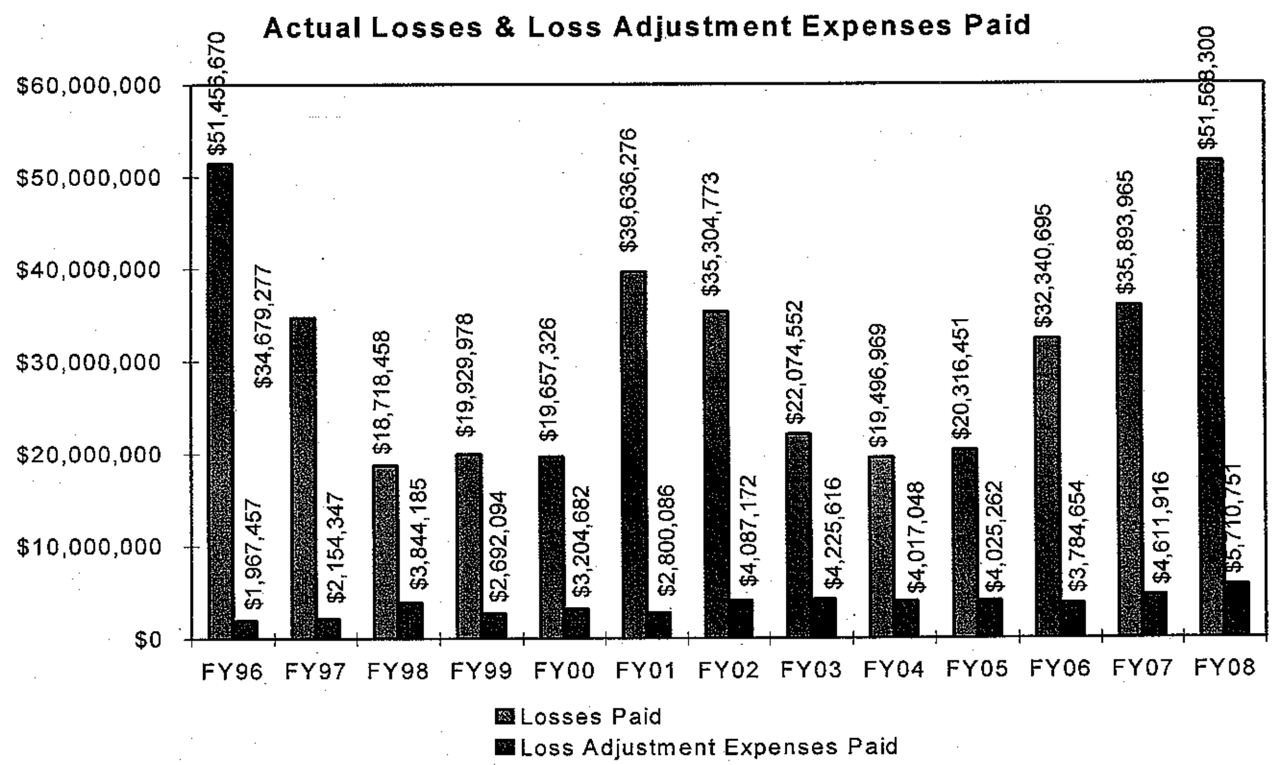
- Report to the Board quarterly on the Committee's activities.

Table 1, below, summarizes quarterly loss payments by amount and number of claims paid, from fiscal 2004 through fiscal 2008. The Actual Losses and Loss Adjustment Expenses Paid chart shows the range of annual Fund loss and loss expense payments, beginning with fiscal year 1996. The Fund's fiscal year runs from July 1 to June 30. The Fund made loss payments totaling approximately $51.6 million during fiscal 2008.

Table 1

AMOUNT AND NUMBER OF LOSSES PAID BY FISCAL YEAR

QUARTER ENDING	2003-2004 Amount #	2004-2005 Amount #	2005-2006 Amount #	2006-2007 Amount #	2007-2008 Amount #
Sept. 30	$1,020,599	$2,076,297	$5,388,768	$13,487,072	$1,450,671
	2	1	2	2	1
Dec. 31	$7,258,654	$8,938,812	$11,150,940	$4,605,551	$10,117,398
	5	2	3	1	2
March 31	$2,662,968	$5,000,671	($599,329)	$17,400,671	$6,654,255
	2	2	2	4	1
June 30	$8,554,748	$4,300,671	$16,400,316	$400,671	$33,345,976
	4	1	6	1	2
TOTAL	$19,496,969	$20,316,451	$32,340,695	$35,893,965	$51,568,300
	13	6	13	8	6



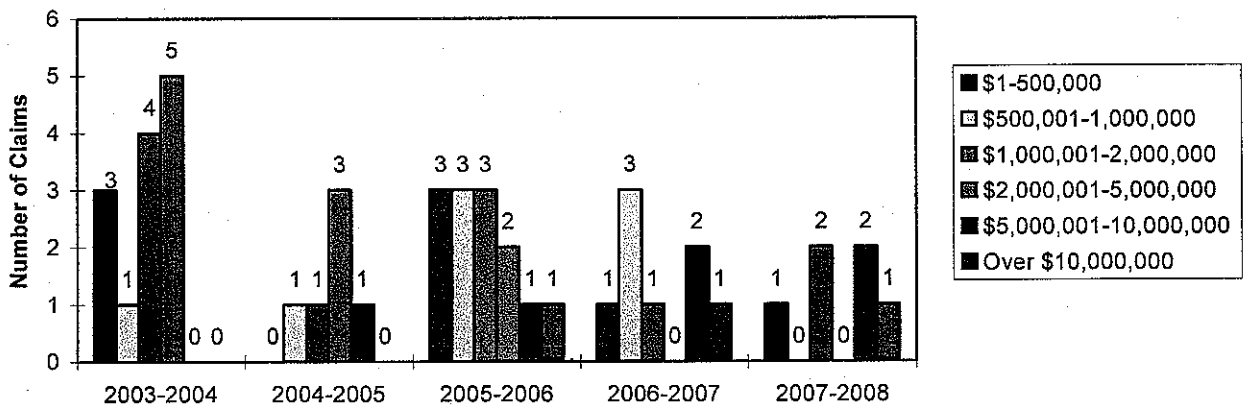
The range of Fund claim payments for the last five fiscal years is summarized below in table 2.

Table 2

RANGE OF FUND CLAIM PAYMENTS

Payment Range	2003-2004 # of Claims	2004-2005 # of Claims	2005-2006 # of Claims	2006-2007 # of Claims	2007-2008 # of Claims
$1-500,000	3	0	3	1	1
$500,001-1,000,000	1	1	3	3	0
$1,000,001-2,000,000	4	1	3	1	2
$2,000,001-5,000,000	5	3	2	0	0
$5,000,001-10,000,000	0	1	1	2	2
Over $10,000,000	0	0	1	1	1
Total Claims Paid	13	6	13	8	6

Range of Claim Payments



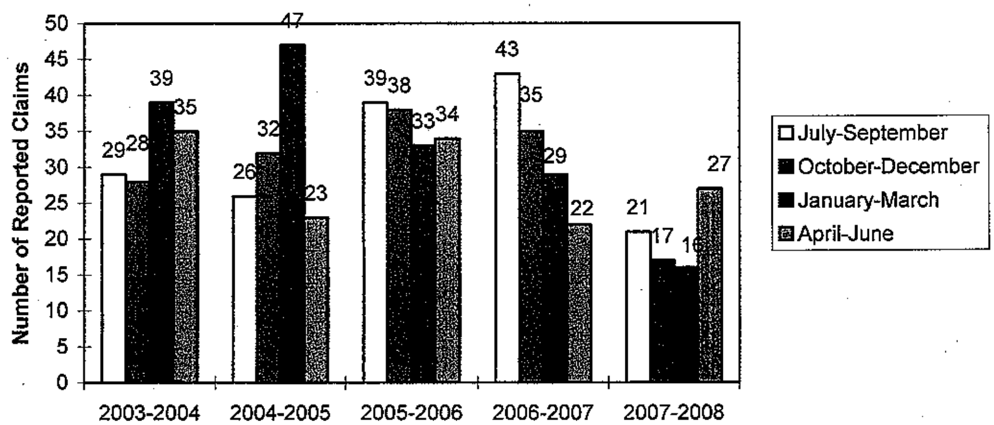
Fund claims reported by quarter by fiscal year are summarized in Table 3 below. A total of 81 claims were opened during fiscal 2008.

Table 3

CLAIMS OPENED QUARTERLY BY FISCAL YEAR

Quarter	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
July 1-September 30	29	26	39	43	21
October 1-December 31	28	32	38	35	17
January 1-March 31	39	47	33	29	16
April 1-June 30	35	23	34	22	27
Totals	131	128	144	129	81

Claims Reported by Quarter by Fiscal Year



Finance/Investment/Audit Committee

The Finance/Investment/Audit Committee's responsibilities include establishing, monitoring, and amending as necessary, the investment strategy for the Fund to ensure obligations are met. The Committee periodically reviews investments for compliance with investment guidelines and evaluates cash flow liquidity needs. In addition, the committee oversees the financial reporting process. Responsibilities include review of financial position and results, as well as correspondence with auditors concerning audit scope, accounting issues, internal controls and management recommendations.

On October 26, 2007, Wisconsin Act 20 (the budget bill) was signed into law. This included a transfer of $200 million from the Fund to the Medicaid Trust Account. On October 29, 2007, $71.5 million was transferred from the Fund's short term account. On July 1, 2008, $128.5 million was transferred. These amounts were transferred from the Fund's portion of the State Investment Fund (SIF). The Fund did not have cash available and the transfer resulted in the Fund having a negative balance in the SIF of approximately $103 million. The Committee is closely monitoring this situation and will make recommendations to the board if a change in investment policy is deemed necessary.

Legal Committee

The Legal Committee advises the Board on legal issues, including retroactive coverage requests, appeals, proposed statutory changes, administrative rule changes, and other issues that affect eligibility or Fund participation.

During 2008, the Committee reviewed 46 requests for retroactive coverage of which 39 were approved, four were denied, and three were deferred pending receipt of further information.

Peer Review Council

The Peer Review Council (Council) reviews physician claim records to determine whether a surcharge should be imposed against the Fund fee or Wisconsin Health Care Liability Insurance Plan (Plan) premium, if applicable. The surcharge is a percentage of a provider's Fund fee or Plan premium based on the number of closed medical liability claims reported, and the aggregate amount paid for those claims.

During the fiscal year from July 1, 2007, to June 30, 2008, 138 claims paid reports were filed. These included 52 for physicians or nurse anesthetists, 78 for hospitals, corporations or clinics, and 8 for other types of providers. One provider was found to be subject to possible surcharge.

Since inception of the Council in 1986, 62 providers have been subject to possible surcharge. The status, or disposition, of those providers as of June 30, 2008, was as follows:

- Exemptions from participation in the Fund have been filed by 30 providers, resulting in suspension of the review for surcharge.
- No surcharge was warranted for 12 providers as a result of the Council's review or consultant opinions.
- Two providers have been surcharged for failure to respond to Council requests for information.
- The review for surcharge was pending for two providers.

Risk Management and Patient Safety Committee

The purpose of the Risk Management and Patient Safety Committee, created in June 1991, is to reduce patient/claimant compensable injuries, reduce Fund losses and associated expenses, improve the general quality of medical care, and reduce the premiums of participating health care providers.

Activities of the committee during 2008 included the following:

- Electronic publication of the Physicians Risk Management Manual.
- Publication of the quarterly risk management newsletter, WiscRisk, also available on the Fund website. Topics included:
    - ➢ *Root Cause Analysis for Performance Improvement*
    - ➢ *Bridging the Language Gap: Providing Linguistically Appropriate Services*
    - ➢ *Disruptive Clinician Behavior: A Recurring Threat to Patient Safety*
    - ➢ *Injured Patients and Families Compensation Fund Claims Experience*

- Production and distribution of 2009 Risk Tips Calendar entitled *Healthy Communities*

- Presentation of webinars with the following titles:

  - *The "Write" Stuff—document pitfalls to avoid*

  - *Communication Challenges: strategies for enhancing patient safety*

- Live presentation regarding nursing documentation

Special Advisory Committee

During 2008 the Board established the Special Advisory Committee with a mission to make recommendations to the board for any statutory or administrative code change relating to Fund participation and coverage that it deems appropriate. The committee met several times during 2008 with a focus on a requirement for supervision and direction of specific employees of a Fund participating health care provider. Other issues may be reviewed and discussed during 2009.

Other Fund Activities

The Fund is currently in the process of developing a replacement automated operating system. The Fund is a unique operation in that there are no other patient compensation funds like the Wisconsin Fund; therefore, no off-the-shelf application software was available. The development process was nearly complete by December 31, 2008, and it is expected that the new system will be in production by spring of 2009.

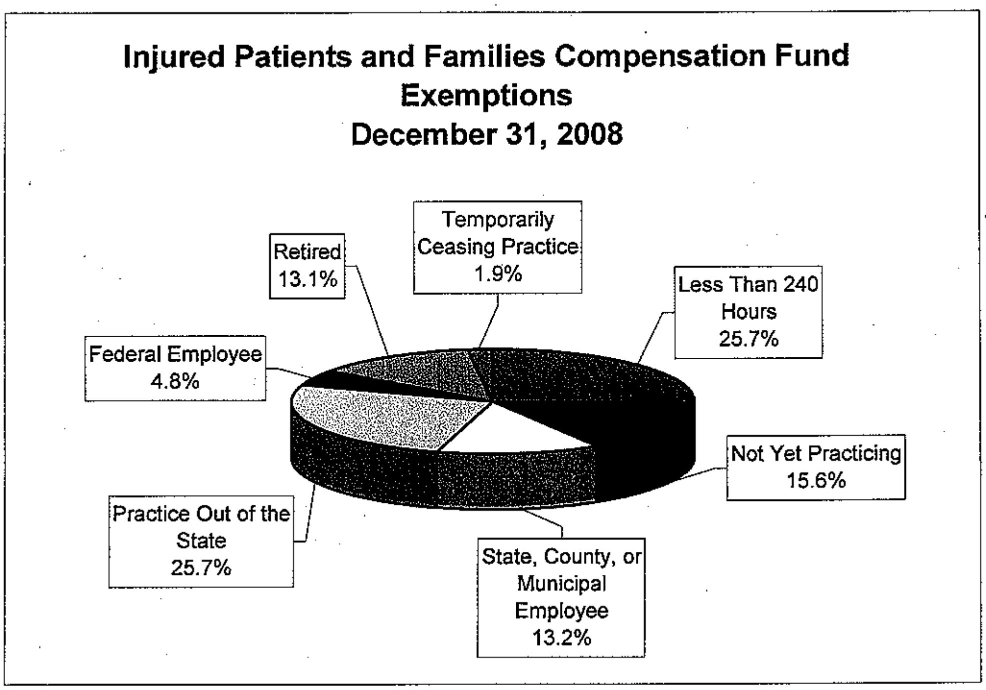
Fund administration closely monitors the use of outside counsel. Pursuant to a court decision in 2000, the Fund hires separate defense counsel on each claim. Fund staff monitors the claims and the use of this outside counsel to ensure that while the Fund receives the necessary representation, that legal fees are controlled.

Fund administration is monitoring the lawsuit filed by the Wisconsin Medical Society challenging the constitutionality of the provision in 2007 Wisconsin Act 20 which transferred monies from the Fund to the Medicaid Trust Account. The circuit court ruled in December 2007 in the state's favor and dismissed the Medical Society's claim.

Extensive work continued during 2008 to verify and process up-to-date exemption status for providers that held a license to practice in Wisconsin but for which a current exemption or certificate was not on file with the Fund. Providers that remain in noncompliance are referred to their respective licensing boards for appropriate enforcement action by that board.

As of December 31, 2008, there were 10,731 providers exempt from participation in the Fund. The exemptions are grouped as follows:

Less Than 240 Hours	2,753
Practice Out of Wisconsin	2,760
Retired	1,407
Not Practicing or Never Practiced in Wisconsin	1,678
State, County, or Municipal Employee	1,413
Federal Employee	518
Temporarily Ceasing Practice	202

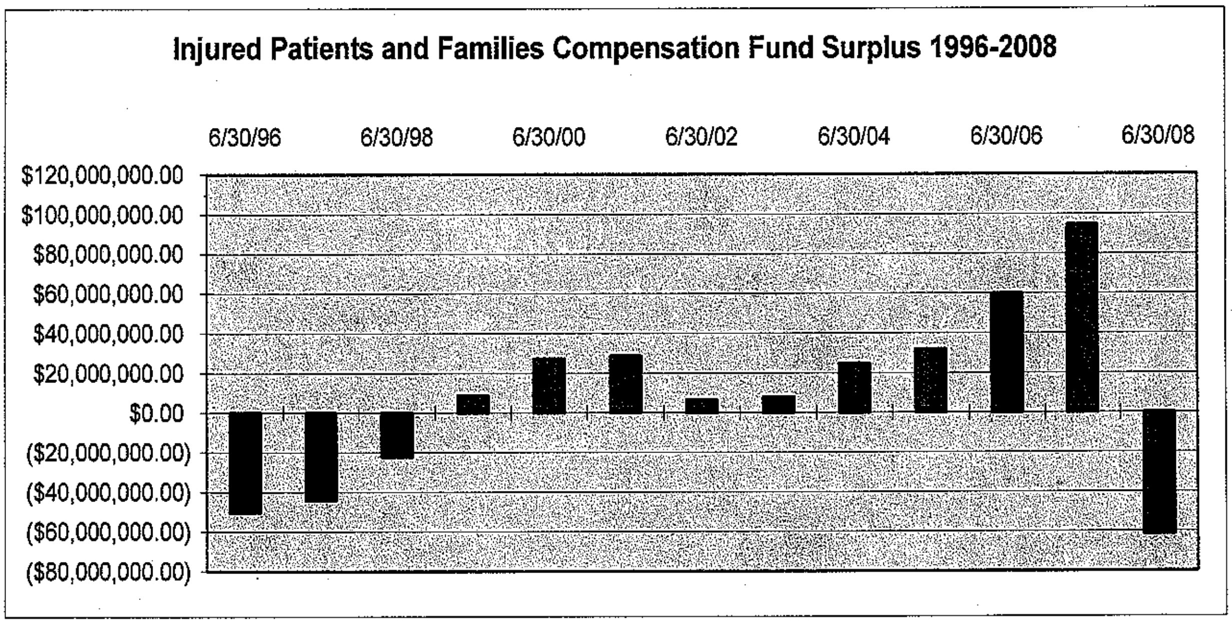


Financial Statistics

Attached as Exhibit 1 is the financial statement for the Fund for the fiscal year ending June 30, 2008.

The Fund reported a deficit, an amount of liabilities in excess of assets, of $61,489,660 as of June 30, 2008.

The following graph reflects the Fund's surplus (deficit) over the last thirteen fiscal years.



Medical malpractice with its extended reporting and settlement patterns is especially difficult to estimate and the ultimate claim payments will differ from the originally projected liabilities. The Fund reports its liabilities for losses and loss adjustment expenses on a discounted basis. This means that the actuarially determined amount that is expected to be needed to pay all claims that have occurred, and those that will occur during the current fiscal year, has been reduced by the amount of investment income that is expected to be received during the payout period. Any changes in interest rates or investment balance will have an impact on the financial position of the Fund.

The Board of Governors had previously established a policy to maintain surplus at or near zero. Any expected surplus was used to reduce the fees collected from the Fund participants in subsequent years. Because of this policy, the Fund is currently collecting fees in an amount less than the amount being paid out for claims and expenses. As a result, investment income that was expected to be used to discount reserves is being used to pay claims and expenses. The reduction in investments and investment income along with the significant increase in claims paid, an increase of 44% from 2007 to 2008, and the transfer to the Medicaid Trust Account, as noted above, has resulted in a deficit for the Fund. Fund management will closely monitor the financial position of the Fund and provide updated information in future reports.

The Fund's next progress report, due March 1, 2010, will include an update on the Fund's activities during 2009.

Exhibit 1

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND
Statement of Net Equity
6/30/2008
Unaudited

ASSETS

Current Assets	
Cash	$253
State Investment Fund Shares (market value)	$0
Short-term Investments (market vaule)	$74,473,775
Bond Investment Income Receivable	$9,778,279
State Shares Interest Receivable	($212)
Securities Lending Receivable	$14,722
Assessments Receivable	$82,615
Less: Allowance for Uncollectible Accounts	($170)
Prepaid Items	$6,759
Office Supplies	$1,267
Other Receivables	$29,465
Total Current Assets	$84,386,753
Noncurrent Assets	
Long-term Investments (market value)	$686,685,486
Capital assets, net of accumulated depreciation	$0
Total Noncurrent Assets	$686,685,486
TOTAL ASSETS	**$771,072,238**

LIABILITIES

Current Liabilities	
Future Benefits and Loss Liabilities - Short Term	$108,676,661.00
Unearned Assessments Levied	$3,591
Provider Refunds Payable	$227,436
Medical Mediation Panels Payable	$4,128
General & Administrative Expense Pay	$470,344
Interfund Payables	$35,338,194
Compensated Absences	$9,876

Total Current Liabilities	$144,730,229
Noncurrent Liabilities	
Loss liabilities:	
Liability for IBNR	$738,591,094
Liability for Reported Losses	$49,633,822
Liability for LAE	$164,922,511
Estimated Loss Liabilities	$953,147,427
Less: Amount Representing Interest	$181,098,011
Discounted Loss Liabilities	$772,049,416
Liabilities for Future Medical Expenses	$23,415,191
Contributions Being Held	$1,000,000
Total Loss liabilities	$796,464,607
Less: Short Term Future Benefits & Loss Liabilities	$108,676,661
Noncurrent loss liabilities	$687,787,946
Premium deficiency reserve	$0
Compensated Absences - LT	$30,167
Other Postemployment Benefits	$13,556
Total Noncurrent Liabilities	$687,831,669
TOTAL LIABILITIES	**$832,561,898**

NET EQUITY

Net Equity:	
Invested in capital assets, net of related debt	$0
Restricted for injured patients and families	($61,489,660)
TOTAL NET EQUITY	**($61,489,660)**

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND
Statement of Revenues, Expenses, and Changes in Fund Net Equity for the Fiscal Year Ended 6/30/2008
Unaudited

OPERATING REVENUES	
Assessment Interest Income (Chg for Goods and Services)	$204,748
Assessment Admin Fee Income (Chg for Goods and Services)	$43,119
Assessments (Charges for Goods and Services)	$25,442,565
Total Operating Revenues	**$25,690,431**
OPERATING EXPENSES	
Underwriting Expenses:	
Net Losses Paid	$39,749,385
Risk management expenses	$85,911
Medical expenses paid	$426,543
Change in liability for IBNR	$24,627,870
Change in liability for premium deficiency reserve	$0
Change in liability for reported Losses	$514,671
Change in liability for loss adjustment expense	$8,133,612
Change in amount representing interest	$45,701,637
Change in liability for future medical expense	$16,488,121
Total Underwriting Expenses	$135,727,751
General and Administrative Expenses	$1,189,940
Total Operating Expenses	**$136,917,690**
Operating Income (Loss)	**($111,227,259)**
NONOPERATING REVENUES (EXPENSES)	
Investment income	$27,667,671
Miscellaneous Revenue	$0
Interest Expense	($826,331)
Total Nonoperating Revenues (Expenses)	**$26,841,340**
Net Income (Loss)	**($84,385,919)**
Transfers Out - Impending	**$0**
Transfers Out	**($71,512,266)**
Net Change in Fund Equity	($155,898,185)

NET ASSETS

Net Assets--Beginning of the Period	$94,408,525
Net Assets--End of the Period	($61,489,660)

Statement of Cash Flows for FY Ended June 30, 2008

Fund Name:	IP&FCF
Fund Type:	Enterprise

Cash Flows from Operating Activities:		
Cash Receipts from Customers	$	24,347,369.07
Cash Payments to Suppliers for Goods and Services		(530,938.67)
Cash Payments to Employees for Services		(583,217.46)
Cash Payments for Lottery Prizes		
Cash Payments for Loans Originated		
Collection of Loans		
Interest Income		
Cash Payments for Benefits		(41,261,838.95)
Other Operating Revenues		
Other Operating Expenses		
Other Sources of Cash		
Other Uses of Cash		
Net Cash Provided (Used) by Operating Activities		(18,028,626.01)
Cash Flows from Noncapital Financing Activities:		
Operating Grants Receipts		
Grants for Loans to Governments		
Grants Disbursed		
Proceeds from Issuance of Long-term Debt		
Retirement of Long-term Debt		
Escrow Deposit		
Interest Payments		(826,331.38)
Property Tax Credit Payments		
Noncapital Gifts and Grants		
Interfund Loans Received *(Lendee - s/b positive)*		35,338,193.41
Interfund Loans Repaid *(Lendee - s/b negative)*		
Interfund Borrowings to Other Funds *(Lender - s/b negative)*		
Repayment of Interfund Borrowings *(Lender - s/b positive)*		
Interfund Advances Collected *(Lender - s/b positive)*		
Transfers In		
Transfers Out		(71,512,265.95)
Other Cash Inflows from Noncapital Financing Activities		
Other Cash Outflows from Noncapital Financing Activities		
Net Cash Provided (Used) by Noncapital Financing Activities		(37,000,403.92)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt		
Capital Contributions		
Repayment of Long-term Debt		
Proceeds of Short-term Notes		
Interest Payments		
Interfund Loans Received		

Capital Lease Obligations	
Proceeds from Sale of Capital Assets	
Payments for Purchase of Capital Assets	
Other Cash Inflows from Capital Financing Activities	
Transfers Out	
Net Cash Provided (Used) by Capital and Related Financing Activities	-
Cash Flows from Investing Activities:	
Proceeds from Sale and Maturities of Investment Securities	38,279,755.99
Purchase of Investment Securities	(60,558,986.42)
Cash Payments for Loans Originated	
Collection of Loans	
Investment and Interest Receipts	35,891,440.99
Net Cash Provided (Used) by Investing Activities	13,612,210.56
Net Increase (Decrease) in Cash and Cash Equivalents	6 (41,416,819.37)

Statement of Cash Flows for FY Ended June 30, 2008

Fund Name: **IP&FCF**

Fund Type: Enterprise

Net Increase (Decrease) in Cash and Cash Equivalents		(41,416,819.37)
Cash and Cash Equivalents, Beginning of Year		41,416,860.32
Cash and Cash Equivalents, End of Year	$	40.95
	(0.00)	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:		
Operating Income (Loss)	$	(111,227,261.59)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation		
Amortization		
Provision for Uncollectible Accounts		(148.00)
Operating Income (Investment Income) Classified as Investing Activity		
Operating Expense (Interest Expense) Classified as Noncapital Financing Activity		
Miscellaneous Nonoperating Income (Expense)		0.00
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables		60,047.48
Decrease (Increase) in Due from Other Funds		(6.40)
Decrease (Increase) in Due from Component Units		0.00
Decrease (Increase) in Due from Other Governments		

Decrease (Increase) in Inventories		1,271.00
Decrease (Increase) in Prepaid Items		(473.28)
Decrease (Increase) in Other Assets		
Decrease (Increase) in Deferred Charges		
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities		(47,635.51)
Increase (Decrease) in Compensated Absences		(1,009.82)
Increase (Decrease) in Other Post Employment Benefits		13,556.00
Increase (Decrease) in Due to Other Funds		110,076.00
Increase (Decrease) in Due to Component Units		
Increase (Decrease) in Due to Other Governments		
Increase (Decrease) in Tax and Other Deposits		
Increase (Decrease) in Unearned Revenue		(1,402,952.89)
Increase (Decrease) in Interest Payable		
Increase (Decrease) in Future Benefits and Loss Liabilities		94,465,911.00
Total Adjustments		93,198,635.58
Net Cash Provided by Operating Activities	$	(18,028,626.01)
		0.00

Noncash Investing, Capital and Financing Activities:

Capital Leases (Initial Year):		
Fair Market Value	$	
Current Year Cash Receipts (Payments)		
Contributions/Transfer In (Out) of Noncash Assets and Liabilities from/to Other Funds		
Lottery Prize Annuity Investment Assumption		
Lottery Prize Annuity Investment Liability		
Net Change in Unrealized Gains and Losses		(7,866,927.00)
Other		(751,650.02)

Notes to the Financial Statements – 6/30/08

1. Description of the Fund

The Injured Patients and Families Compensation Fund was created in 1975 for the purpose of paying that portion of medical malpractice claims exceeding the legal primary insurance limits prescribed in Wis. Stat. Sec. 655.23(4), or the maximum liability limit for which the health care provided is insured, whichever limit is greater. Management of the Injured Patients and Families Compensation Fund is vested with a 13-member Board of Governors, which is chaired by the Commissioner of Insurance. Most health care providers permanently practicing or operating in the State of Wisconsin are required to pay annual assessment fees to the Injured Patients and Families Compensation Fund. Risk of loss is retained by the fund.

2. Summary of Significant Accounting Policies

A. Fund Accounting and Basis of Presentation

The financial statements of the Injured Patients and Families Compensation Fund have been prepared in conformance with generally accepted accounting principles (GAAP) for proprietary funds. The accompanying financial statements were prepared based upon the flow of economic resources focus and full accrual basis of accounting, with revenues recognized when earned and expenses recognized when incurred. Security transactions and the related gains and losses are recorded on a trade date basis. Dividend income is recorded on the ex-dividend dafter and interest income is accrued as earned.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets classifies the Fund's fiscal year activity as either operating or nonoperating. Because the Fund is an enterprise fund, which is a type of proprietary fund, it accounts for operations in a manner similar to private businesses in which operating revenues are derived from exchange transactions. Assessments, which are received from health care providers in exchange for coverage under the Fund, represent a significant component of operating revenues. Operating expenses include underwriting and administrative expenses.

Certain revenues and expenses that are not related to the Fund's primary purpose, such as investment income, are reported as nonoperating revenues and expenses.

The Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) statements effective after November 30, 1989, are not applied in accounting for the operations of the Fund.

B. Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in future years are the liabilities for unpaid losses and loss adjustment expenses. In estimating these liabilities, management uses the methodology discussed in Note 4 on ultimate and discounted loss liabilities.

C. Cash and Cash Equivalents

All cash is deposited with the State and is required to be invested in the State Investment Fund. The State Investment Fund is a short-term pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees. Since shares in the State Investment Fund are purchased in $1,000 increments, cash balances below $1,000 are deposited in the State's bank.

D. Investment Valuation

Since September 1990, SWIB has been responsible for investing the securities held by this Fund. SWIB's investment objective is to maintain a portfolio of investments with maturities and liquidity levels that are appropriate for the needs of the IPFCF. Wisconsin Statute 25.17(3)(a) allows investments in loans, securities and any other investments as authorized by s. 620.22, Wis. Stats. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property and other investments not specifically prohibited by statute.

In reporting the investment activity of proprietary funds, SWIB applies all applicable GASB pronouncements and those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

As required by Governmental Accounting Standards Board Statement No. 31, the investments of the Various Funds are valued at fair value, with unrealized and realized gains and losses reflected in the Statement of Changes in Net Investment Assets as "Net Increase (Decrease) in Fair Value of Investments".

Generally, fair value is based on quoted market prices. Private placements are priced via a multi-tiered method. This method prices each holding based on the best available information using a hierarchy of pricing sources.

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported herein. Due to the inherent uncertainty involved, actual results could differ from those estimates.

E. Assessments

Assessments are billed and recognized as revenues on a fiscal year basis, which is also the policy year. Assessments received for the upcoming fiscal year are treated as deferred revenue and reported as assessments received in advance. Accounts of providers are automatically credited and reported as provider refunds payable when primary insurance lapses.

F. Loss Liabilities

Loss liabilities are estimated based on recommendations of a consulting actuary and are discounted to the extent that they are matched by cash and invested assets. The uncertainties inherent in projecting the frequency and severity of claims, the Fund's unlimited liability coverage, and extended reporting and settlement periods make it likely that the amounts ultimately paid will differ from the recorded estimated liabilities.

G. Policy Acquisition Costs

Since the Fund has no marketing staff and incurs no sales commissions, acquisition costs are minimal and charged to operations as incurred.

H. Employee Compensated Absences

The Fund's compensated absence liability consists of accumulated unpaid leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested as of June 30.

3. Deposits and Investments

A. Deposits

The fair value of shares in the State Investment Fund was ($35,342,000) (net of mark-to-market of $0) as of June 30, 2008. Shares in the State Investment Fund are not required to be categorized under GASB Statement 3.

B. Investments

The Fund's investments are managed by the Investment Board, whose objectives are to invest moneys held in the Fund in investments with maturities and liquidity that are appropriate for the needs of the Fund. Permitted classes of investments include bonds of governmental units or of private corporations, loans secured by mortgages, preferred or common stock, real property, and other investments not specifically prohibited by statute. In FY 1999-2000, the Investment Board began investing a portion of the Fund's portfolio in equity index funds. The Fund's current investment guidelines limit equity investments to 20 percent of the total portfolio.

SWIB recognizes that risk issues permeate the entire investment process from asset allocation to performance evaluation. SWIB monitors risk through multiple forms of analysis and reporting. Inspection of levels of diversification, nominal risk exposures, risk/return plots, and matching liabilities with assets forms the core of the monitoring process. In addition, portfolios and asset classes are reviewed monthly for compliance with investment guidelines. On a monthly basis, guideline exceptions, if any, are reported to SWIB's Compliance Committee.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Various Funds. The Various Funds' investment guidelines provide that issues be rated "A-" or better at the time of purchase based on the minimum credit ratings as issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, these credit ratings were as follows:

Credit Quality for Fixed Income Securities

	Fair Value	%
AAA	293,493,277	45.9
AA	52,698,978	8.2
A	157,703,044	24.7
BBB	108,893,873	17.0
BB	16,660,625	2.6
B	4,747,650	0.8
CCC	5,200,000	0.8
Not Rated	0	0.0
Totals	$639,397,447	

Note: SIF shares are reported on the Statement of Net Investment Assets as Cash and Cash Equivalents.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund would not be able to recover deposits that are in possession of an outside party. The Fund does not have a deposit policy specifically for custodial credit risk. As of June 30, 2008 the Fund does not have funds deposited in a bank account covered by federal depository insurance.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund would not be able to recover the value of investments that are in the possession of an outside party. The Fund does not have an investment policy specifically for custodial credit risk. As of June 30, 2008 the Fund did not have any investment securities exposed to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The Fund's investment guidelines limit concentrations of credit risk by establishing maximum issuer and/or sector exposure limits. The guidelines require that no single issuer may exceed 5% of the fund investments, with the exception of U.S. Government and its Agencies, which may be unlimited. As of June 30, 2008, the Fund had no more than five percent of their total investments (including the SIF) in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The IP&FCP Fund uses the duration method to identify and manage interest rate risk. The IPFCF guidelines require that the average duration of the aggregate bond portfolio shall be less than ten years.

Duration for Fixed Income Securities (in years)

	Fair Value	Duration
Govt/Agcy	$269,168,088	4.41
Corporate	370,229,359	5.17
Bond Funds	0	0.00
Total/Ave	$639,397,447	4.85

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Various Fund investment guidelines do not specifically address foreign currency risk. As of June 30, 2008 the Fund did not own any issues denominated in a foreign currency.

Subsequent to the June 30, 2008 fiscal year end, global capital markets have experienced unprecedented, adverse events including a worldwide credit crisis, liquidity constraints and the continued write down of mortgage related assets. These events have helped bring about a global economic recession which has already seen a rise in bankruptcies, acquisitions of several large financial institutions and government bailouts. Capital markets have reacted with increased volatility due to continued uncertainty of future global economic conditions.

The investment assets of the Fund have incurred a considerable decline in value due to the unfavorable market conditions. To weather the issues facing the global economy, SWIB continues to focus on producing long-term, stable asset growth by focusing on asset allocation, diversification of investments, and selecting the best investment opportunities for meeting the long term objectives of the Fund.

4. Ultimate and Discounted Loss Liabilities

A. Loss Liabilities

The Future Benefits and Loss Liabilities account includes individual case estimates for reported losses and estimates for incurred but not reported losses. Individual case estimates of the liability for reported losses and net losses paid from inception of the Injured Patients and Families Compensation Fund are deducted from the actuarially-determined projected ultimate loss liabilities to determine the liability for incurred but not reported losses as of June 30, 2008 as follows (in thousands):

Projected ultimate loss liability	$ 1,488,728
Less: Net loss paid from inception	(700,503)
Less: Liability for reported losses	(49,634)
Liability for incurred but not reported losses	$ 738,591

The Future Benefits and Loss Liabilities account also includes a provision for the estimated future payment of the costs to settle claims. These ultimate loss adjustment expenses as of June 30, 2008 are estimated by the fund's actuary at 20.0 percent of the estimated unpaid loss liabilities. The loss adjustment expenses paid from the inception of the Injured Patients and Families Compensation Fund are deducted from the projected ultimate loss adjustment expenses provision to determine the liability for loss adjustment expenses as of June 30, 2008 as follows (in thousands):

Projected ultimate loss adjustment expenses liability	$ 224,823
Less: Loss adjustment expenses paid from inception	(59,900)
Liability for loss adjustment expenses	$ 164,923

B. Discounted Loss Liabilities

In accordance with Section Ins. 17.27(3), Wis. Adm. Code, the liability for reported losses, liability for incurred but not reported losses, and liability for loss adjustment expense are maintained on a present value basis with the difference from full value being reported as a contra account to these estimated loss liabilities. These estimated loss liabilities are discounted only to the extent that they are matched by cash and invested assets. Using the actuarially determined discount factor of 0.810, which is based on an investment yield assumption of 5.5 percent approved by the Board of Governors, the discounted loss liability would be as follows as of June 30, 2008 (in thousands):

Liability for incurred but not reported losses	$ 738,591
Liability for reported losses	49,634
Liability for loss adjustment expenses	164,923
Total estimated loss liabilities	953,148
Less: Amount representing interest	(181,098)
Discounted loss liabilities	$ 772,050

Included in the above estimates of loss liabilities, both undiscounted and discounted, is a 25 percent risk margin, which was recommended by the actuary and approved by the Board of Governors. The current 25 percent risk margin represents an increase from the 5 percent risk margin approved by the Board of Governors for FY 2007.

On behalf of the Board of Governors, the Office of the Commissioner of Insurance contracted for an actuarial audit of the fund, which included a review by another actuary of the reasonableness of the actuarial methodology and assumptions used in developing estimates of the Injured Patients and Families Compensation Fund's estimated loss liabilities. The actuarial audit, which was completed on December 3, 2007, concluded that the projected ultimate loss and loss adjustment expense liabilities (before discounting) are at the high end of the reasonable range, when combined with a 25 percent risk margin.

In addition to discounted loss liabilities, the Future Benefit and Loss Liabilities account also includes a future medical expenses liability and a contributions being held liability. The future medical expenses liability consists of those accounts required by Wis. Stat. Sec. 655.015 to be established for future medical expense awards in excess of $25,000 that were entered into or rendered before June 14, 1986, or in excess of $100,000 that were entered into or rendered on or after May 25, 1995. The contributions being held liability consists of nonrefundable payments, generally in amounts equal to the primary coverage in effect for related claims, that primary insurers have voluntarily presented to the fund and which are negotiable with the fund in exchange for a release of payment for any future defense costs that may be incurred on the claim.

The breakdown of Future Benefit and Loss Liabilities, including the portions that are estimated as current and noncurrent as of June 20, 3008 (in thousands), is as follows:

Discounted loss liabilities	$ 772,050
Future medical expenses liability	23,415
Contributions being held liability	1,000
Total Future Benefit and Loss Liabilities	796,465
Less: Current Portion of Future Benefit and Loss Liabilities	(108,677)
Noncurrent Portion of Future Benefit and Loss Liabilities	$ 687,788

The uncertainties inherent in projecting the frequency and severity of large claims because of the Injured Patients and Families Compensation Fund's unlimited liability coverage, and extended reporting and settlement periods, makes it likely that the amounts ultimately paid will differ from the recorded estimated loss liabilities. These differences cannot be quantified.

The estimated amounts included in the balance of Future Benefits and Loss Liabilities are continually reviewed and adjusted as the Injured Patients and Families Compensation Fund gains additional experience. Such adjustments are reflected in current operations. Because of the changes in these estimates, the benefit expense for the fiscal year is not necessarily indicative of the loss experience for the year.

The following is a reconciliation of the change in the balance of Future Benefits and Loss Liabilities during FY 2008:

Future Benefits and Loss Liabilities at the beginning of the fiscal year	$ 701,999
Incurred claims and related expenses for the current year and the change in estimated amounts for claims incurred in prior fiscal years	135,728
Less: Current year payments attributable to claims incurred in current and prior fiscal years	(41,262)
Future Benefit and Loss Liabilities at the end of the fiscal year	$ 796,465

5. Future Medical Expense Liability

Section 655.015, Wis. Stats., requires accounts to be established for future medical expense awards in excess of $25,000 that were entered into or rendered before June 14, 1986, or in excess of $100,000 that were entered into or rendered on or after May 25, 1995.

6. Contributions Being Held Liability

A primary insurer may voluntarily present a nonrefundable payment to the Fund generally equal to the amount of primary coverage in effect for the related claim. This payment from the primary insurer is negotiable with the Fund in exchange for a release of payment for any future defense costs that may be incurred on the claim.

7. Medical Mediation Panel

Section Ins 17.27(3), Wis. Adm. Code, requires the fees collected for administration of the Medical Mediation Panel to be included in the Fund's financial reports, but that they should not be regarded as assets or liabilities or otherwise taken into consideration in determining assessment levels to pay claims. The Fund collected $183,289 in Medical Mediation Panel Fees in FY 2007-08.

8. Assessment Interest Income

Fund participants choosing payment plans other than annually are assessed interest on the deferred assessment amounts. Section Ins 17.28(4), Wis. Adm. Code, prescribes the interest rate to be assessed on the deferred assessments as the average annualized rate earned by the Fund on its short-term funds for the first three quarters of the preceding fiscal year, as determined by the Investment Board. Interest was assessed at the rate of 5.275 percent for FY 2007-08.

9. Commitments – Claim Annuities

The Injured Patients and Families Compensation Fund may be required to purchase an annuity as a result of a claim settlement. Under specific annuity arrangements, the Fund may have ultimate responsibility for annuity payments if the annuity company and the reassignment company default on annuity payments. One of the Fund's annuity providers defaulted on $99 thousand in annuity payments through June 30, 2008, which the Fund subsequently paid. The annuity provider is currently making the majority of these annuity payments, but the Fund continues to make monthly annuity payments to cover defaulted payments. The Fund has received reimbursement for these payments, including interest of $93 thousand through June 30, 2008. It is unclear when the annuity provider will be able to make the remaining annuity payments and whether the Fund will be able to recover the remaining annuity payments made on the behalf of the annuity provider. The total estimated replacement value of the Fund's annuities as of June 30, 2008 was <u>$32.8 million.</u> The replacement value calculation includes only annuities where the Fund remains the owner. Annuities with qualified assignments are no longer included. The Fund reserves the right to pursue collection from State guarantee funds.

10. Employee Retirement Plan

Permanent full-time employees of the Patients Compensation Fund are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee's final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee's contributions, matching employer's contributions, and interest credited to the employee's account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit. The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information may be obtained by writing to:

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

The report is also available on the Department of Employee Trust Funds' Web site, *http://etf.wi.gov*.

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the retirement system. Prior service costs are amortized over 40 years, beginning January 1, 1990. However, in December 2003 the State issued bonds and subsequently fully liquidated its prior service liability balance as of January 2003. The liquidation of the State's prior service liability resulted in credits being granted to state agencies for amounts already paid in 2003. In addition, state agencies will be required to make future contributions to fund the bond payments.

The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. The Injured Patients and Families Compensation Fund's contributions to the plan were $53,835 for FY 2007-08. The relative position of the Injured Patients and Families Compensation Fund in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multiple-employer plan.

11. Subsequent Events

2007 Wisconsin Act 29 which was signed into law October 2007 included a transfer of $200 million from the Injured Patients and Families Compensation Fund to the Medical Assistance Trust Fund (which was later reclassified to the General Fund). The transfer consists of $71.5 million which was transferred October 2007 and $128.5 million which was transferred in July 2008. Subsequent to the signing of this legislation and the initial transfer, the Wisconsin Medical Society filed a lawsuit on behalf of their members challenging the transfer as unconstitutional.

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$17.3 million malpractice award is largest ever in Dane County

By DAVID WAHLBERG
608-252-6125
April 29, 2009

The family of an Iowa County girl injured during an operation by a Dean Health System surgeon has received a $17.3 million settlement from the state's medical malpractice fund.

It's the largest such payment ever awarded in Dane County, said the family's attorney, Dan Rottier. It's one of the largest payments by the fund, supported by fees from health care providers.

Shelbey Bomkamp, now 8, had her spleen removed in June 2007 at St. Mary's Hospital by Dr. Leonard Go because of a hereditary condition.

Go performed the procedure through small holes in her abdomen, not a large incision, according to court documents.

To retrieve the fist-sized spleen through one of the holes, he encased the organ in a bag and used a blender-like device called a morcellator to chop it up inside the girl's body.

The device punctured the bag, cut major blood vessels and severed part of her bowel, causing serious blood loss and permanent brain damage, according to allegations in the lawsuit that the state fund confirmed.

Go, a pediatric surgeon, hadn't used a morcellator before and didn't tell Shelbey's parents he would be using one on their daughter, he said in a deposition.

"It reflects the tremendous societal cost when a doctor's ego overtakes his good sense," said Rottier, from Madison.

Rottier represented Shelbey and her parents, Margaret and Douglas Bomkamp, from Highland, northwest of Dodgeville. They declined an interview.

Shelbey is confined to a wheelchair and fed through a feeding tube, Rottier said. She is unable to speak and communicates by blinking her eyes, he said. She requires around-the-clock care, and the damage is irreversible, he said.

Go and his attorneys did not return messages seeking comment.

The incident "is extremely unfortunate," Dean Health System said in a statement. "We sympathize with the patient and the patient's family."

St. Mary's was not part of the lawsuit because hospital employees did nothing wrong, Rottier said.

The $17.3 million settlement, approved April 15 by Dane County Circuit

Wisconsin Medical Society

Your Doctor. Your Health.

TO: Office of the Commissioner of Insurance

FROM: Mark Grapentine, JD – Senior Vice President, Government Relations

DATE: March 2, 2009

RE: Proposed Injured Patients and Families Compensation Fund Fee Increase

On behalf of more than 12,500 members statewide, the Wisconsin Medical Society thanks you for this opportunity to provide our opinion on the proposed Fiscal Year 2010 Injured Patients and Families Compensation Fund (Fund) fee increase. The Society opposes any increases to Fund fees at this time. The proposed Fund fee increase follows the State's transfer of $200 million from the Fund, which occurred in two installments in October 2007 and July 2008. The money in the Fund along with accrued interest was held in trust to pay the claims of injured patients and their families. Because the State transferred the money to fill a budget deficit rather than pay the claims of injured patients, the Society filed a lawsuit in *Wisconsin Medical Society v. Michael Morgan*, case number 07-CV-4035, to restore the $200 million transferred by the State from the Fund, protect the integrity of the Fund for injured patients and their families and preserve the stability of Fund fees so that Wisconsin remains an attractive place for Wisconsin physicians to practice medicine.

The Society's lawsuit, which could ultimately improve the financial integrity of the Fund and thereby obviate the need for the proposed fee increase, is still pending before the courts. We urge the Fund Board of Governors to withdraw the pending rule and preserve the status quo while the courts resolve the pending legal issues.

Wisconsin consistently ranks high in providing top quality health care to patients, in large part because of its ability to attract some of the best and brightest physicians to this state. Reasonable medical liability rates and a stable medical liability environment are key factors in the recruitment and retention of Wisconsin physicians. Raising Fund fees before the courts have exhausted their review of the State's transfer of funds is premature and could erode physicians' confidence in the stability of the Fund and the fairness of those entrusted to administer it.

During these tough economic times, physicians are facing declining reimbursements and increased practice costs. Under these circumstances, the proposed Fund fee increase could have a significant impact on physicians, particularly on those in solo and small practices. We believe that the restoration of $200 million to the Fund could prevent or significantly reduce the amount of a fee increase. Therefore, withdrawing the proposed increase until the resolution of the Society's lawsuit is vital to physicians as well as to the patients who rely on the availability of high quality physicians to provide the treatment that they need.

Thank you for your attention to this information. If you have any questions or need additional information, please feel free to contact me at mark.grapentine@wismed.org or 608.442.3800.

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Wisconsin Medical Society

Your Doctor. Your Health.

TO: Assembly Committee on Insurance

FROM: Mark Grapentine, JD – Senior Vice President, Government Relations

DATE: May 21, 2009

RE: **Opposition to Clearinghouse Rule 09-004**: Proposed IPFCF Fees Increase

On behalf of more than 12,500 members statewide, the Wisconsin Medical Society thanks you for this opportunity to provide our opinion on Clearinghouse Rule 09-004, the proposed Fiscal Year 2010 Injured Patients and Families Compensation Fund (Fund) fees increase. **The Society opposes any increases to Fund fees at this time.**

The proposed fees increase follows the State's transfer of $200 million from the Fund, which occurred in two installments in October 2007 and July 2008. The money in the Fund along with accrued interest was held in trust to pay the claims of injured patients and their families. Because the State transferred the money to fill a budget deficit rather than pay the claims of injured patients, the Society filed a lawsuit in *Wisconsin Medical Society v. Michael Morgan*, case number 07-CV-4035, to restore the $200 million transferred by the State from the Fund, protect the integrity of the Fund for injured patients and their families and preserve the stability of Fund fees so that Wisconsin remains an attractive place for Wisconsin physicians to practice medicine.

The Society's lawsuit, which could ultimately improve the financial integrity of the Fund and thereby obviate the need for the proposed fees increase, is still pending before the courts. We ask that the Assembly Committee on Insurance object to the pending rule – and any future Fund fees-related proposals while the lawsuit is still pending.

Wisconsin consistently ranks high in providing top quality health care to patients, in large part because of its ability to attract some of the best and brightest physicians to this state. Reasonable medical liability rates and a stable medical liability environment are key factors in the recruitment and retention of Wisconsin physicians. Raising Fund fees before the courts have exhausted their review of the State's transfer of funds is premature and could erode physicians' confidence in the stability of the Fund and the fairness of those entrusted to administer it.

During these very difficult economic times, physicians are facing declining reimbursements and increased practice costs. Under these circumstances, the proposed Fund fees increase could have a significant impact on physicians, particularly on those in solo and small practices. We believe that the restoration of $200 million to the Fund could prevent or significantly reduce the amount of a fees increase. Therefore, legislative action objecting to CR 09-004 would help physicians as well as to the patients who rely on the availability of high quality physicians to provide the treatment that they need.

Thank you for your attention to this information. If you have any questions or need additional information, please feel free to get in touch.

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WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008

REPORT TO THE ACTUARIAL COMMITTEE

Prepared for: The Underwriting & Actuarial Committee of the Wisconsin Injured Patients and Families Compensation Fund

Prepared by: Robert J. Walling, F.C.A.S., M.A.A.A.
Principal & Consulting Actuary

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November 25, 2008

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008

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WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

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INTRODUCTION

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
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INTRODUCTION

This report summarizes Pinnacle Actuarial Resources, Inc.'s (Pinnacle's) annual actuarial analysis of the Wisconsin Injured Patients and Families Compensation Fund (Fund). As in past years, this actuarial analysis has two major objectives:

- For financial reporting purposes, to estimate the Fund's unpaid claim liabilities for claims that have occurred prior to June 30, 2009; and
- For funding purposes, to estimate the break-even assessment levels for the July 1, 2009-2010 Fund year.

In addition to these two primary objectives, this report also discusses:

- Our hindsight restatement of the Fund surplus;
- The estimated medical mediation panel fees to provide the requested medical mediation panel funding level for the July 1, 2009-2010 fiscal year; and
- Our response to the actuarial audit of our December 3, 2007 report prepared by Leon Gottlieb, FCAS, MAAA of Oliver Wyman.

The Underwriting and Actuarial Committee is cautioned to keep in mind the nature of claims against the Fund when drawing their conclusions. Given the low frequency and high severity nature of excess medical malpractice claims, a program will experience significant volatility in results in any given year and can only expect to match revenues against claim estimates over an extended period of time. This volatility exists for the aggregate experience of the Fund and even more so when evaluating changes in the expected ultimate settlement value of individual claims from notice of event to their final settlement.

This actuarial report summarizes our analysis and recommendations. The exhibits and analysis supporting our recommendations are contained in a separate technical appendix which is available upon request. The appendix details our methodology and assumptions. As such, the technical appendix should be considered an integral part of this report.

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
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SUMMARY AND RECOMMENDATIONS

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
REPORT TO THE ACTUARIAL COMMITTEE

SUMMARY AND RECOMMENDATIONS

Since the actuarial review as of September 30, 2007, one event has occurred that directly impacts our annual analysis of the Fund. This event is related to a reduction in the assets of the Fund. On Friday, October 26, 2007, Governor Doyle signed 2007 Wisconsin Act 20, the biennial budget bill, in a ceremony at UW-Madison Memorial Union. This law contains a provision transferring a total of $200 million in assets from the Injured Patients and Families Compensation Fund to support elements of the State's Budget Bill. This reduction in the assets of the Fund directly impacts the total funds available for unpaid claims liabilities. It also reduces the investment income derived from the Fund's invested assets. The reduction in assets also accelerates the timing and magnitude of future surplus deficiencies from those otherwise indicated, increasing the urgency of future assessment increases. This situation would also argue for a more conservative approach to held loss reserves and thus a higher explicit risk margin.

We are making one recommendation for the Committee's consideration, and offer guidance in assisting the Committee on two other issues.

Our recommendation deals with the Fund's financial reporting requirements as of June 30, 2009. Specifically, we recommend that the Fund adopt the following for estimating its unpaid claim liabilities as of June 30, 2009:

- To establish the actuarial central estimate undiscounted reserve for unpaid losses and loss adjustment expenses (LAE) as of June 30, 2009, we recommend that the Fund assume ultimate settlement costs of $1,461.5 million for all claims that have occurred prior to June 30, 2009. By subtracting from this amount the Fund's cumulative inception-to-date payments - which we estimate will be $846.9 million through June 30, 2009 - an undiscounted unpaid loss and LAE reserve of $614.6 million is expected;
- With respect to the yield assumption used to discount the unpaid claim liabilities to their present value, we have assumed that the Fund will maintain the Board-approved blended yield of 5.5% (on an amortized value basis). That is, an average yield of 5.5% will be earned on investable assets over the lifetime of the run-off of its unpaid claim liabilities; and
- At its December 2007 meeting, the Board approved a risk margin of 25% to be applied to the carried reserves. For financial reporting, the risk margin is to be calculated as 25% of the Fund's discounted unpaid claim liability. The following table provides the estimated undiscounted and discounted unpaid claim liabilities as of June 30, 2009 and the estimated surplus as of June 30, 2009 based on the recommended 25% risk margin:

Projected Fund Financial Position as of June 30, 2009
($ in millions)

	(1)	(2)	(3)	(4) [(1) * (3)]	(5) [(3) + (4)]	(6)
	Risk Margin Percentage	Best Estimate Unpaid Claim Liabilities		Risk Margin Amount	Discounted Unpaid Claim Liabilities	Estimated Surplus
		Undiscounted	Discounted[1]			
Loss		512.2	416.1	$104.0	$520.2	
LAE		102.4	83.2	$20.8	$104.0	
Loss and LAE	25%	614.6	499.4	$124.8	$624.2	($62.1)

[1] Based on an investment yield assumption of 5.5%

A risk margin of at least 25% appears to be warranted this year. The reasons for this change include uncertainty regarding the current non-economic damage caps, the impact of large claim settlements in the last year, and the additional risk introduced by the recent $200 million asset reduction.

- In 2007, the Fund's Actuarial Committee recommended the addition of a premium deficiency reserve (PDR) to reflect the current inadequacy in the Fund's assessment levels. As of September 30, 2008 the indicated PDR is approximately $54.3 million. Additional support of this unearned premium reserve item is shown in Exhibit 1, Pages 6 and 7.

As of September 30, 2008	
Held Unearned Premium Reserve	$19,513,153
Premium Deficiancy Reserve	54,273,364
Total	$73,786,517

The second area for the Committee's consideration is establishing Fund fees for the July 1, 2009-2010 fiscal year. While we are not making a specific recommendation, we would offer the following guidance.

We have estimated that the statutory limitation on 2009-2010 funding levels is a 500.0% increase over the current Fund assessment income of approximately $26.0 million. We have also measured the "break-even" funding level for the July 1, 2009-2010 fiscal year as an increase of 290.4% from the current fees. The indicated 290.4% increase is attributable to four items:

- A 402.1% implied increase due to the July 1, 2008 fee change. The indicated July 1, 2008 break-even fee level was an increase of 402.1%, while the adopted fee change was 0.0%. Thus, the current fees are 80.0% below the break-even level;

- An annual loss cost trend of 5.2%;
- Further deterioration in loss ratio trends as loss cost inflation has increased faster than annual rate actions; and
- Continued favorable reserve development on prior Fund years which serve as the basis for our forecast for 2009-10.

We estimate that the current assessment level is approximately 74.4% below the indicated break-even assessment level. The current assessment level is approximately $26.0 million and the discounted ultimate loss and LAE for Fund Year 2009-2010 is approximately $101.4 million. If the assessment level remains at $26.0 million, we believe the 2009-2010 Fund Year will reduce the estimated surplus by $75.4 million solely due to the difference between assessments and incurred losses. From a long-term perspective, we believe that if the Fund does not continue taking at least modest fee increases, the Fund will potentially develop a significant deficit in the next five years. To illustrate the situation, we have examined a scenario where the annual assessment level of $26.0 million is not changed for the next five years. Over the same time period, we have assumed that the discounted ultimate losses of $101.4 million will increase with trend at 5.2% per year.

Fund Year	Future Assessments	Discounted Ultimate Loss & LAE	Surplus/(Deficit) Contribution
2008-2009	$26,000,000	$xx	$xx
2009-2010	26,000,000	101,400,000	-75,400,000
2010-2011	26,000,000	106,600,000	-80,600,000
2011-2012	26,000,000	112,100,000	-86,100,000
2012-2013	26,000,000	117,900,000	-91,900,000
2013-2014	26,000,000	124,000,000	-98,000,000
Total (2008/09 through 2012/13)	**$156,000,000**	**$562,000,000**	**($432,000,000)**

As shown in the previous table, we have estimated that if the Fund were to implement no annual fee increases for each of the next five years, the assessment level for Fund Year 2013-2014 would remain at approximately $26.0 million. Over the five years, the Fund would collect $156.0 million in assessments, but would also accrue a present value liability of $562.0 million which would create a $432.0 million loss to the Fund.

The third area for the Committee's consideration is the estimated medical mediation panel fees for July 1, 2009-2010 fiscal year. We have estimated that the following fees will generate approximately the requested medical mediation panel funding level:

	Panel Fees				Panel Assessments			
Provider Type	08-09	09-10			08-09	09-10		
		Scenario A	Scenario B	Scenario C		Scenario A	Scenario B	Scenario C
Physicians	$18.0	$18.50	$19.50	$21.00	$259,600	266,800	281,300	302,900
Hospital Beds	$2.5	$2.50	$3.00	$3.50	15,000	18,000	21,600	25,300
Total	**xx**	**xx**	**xx**	**xx**	**$274,600**	**$284,800**	**$302,900**	**$328,200**
Target	**xx**	**xx**	**xx**	**xx**	**$280,000**	**$280,000**	**$305,000**	**$330,000**

Four final points should be made. First, it is important to emphasize the nature of our work for the Fund. While the reserve estimates contained in this report represent our best professional judgment, arrived at after careful actuarial analysis of the available data, any study of unpaid claims involves estimates of future contingencies. A high severity, low frequency coverage such as medical malpractice which also has extended reporting and settlement patterns is especially difficult to estimate. This is compounded even further for the Fund, given the nature of its coverage - unlimited excess liability protection over the primary carriers. A reasonable estimate of an adequate level of unpaid claim liabilities should be interpreted as just that - an estimate, with no implication of certainty. When the ultimate costs of claims occurring prior to any financial statement date are known, variation from our estimates is not only possible but, in fact, probable. While the degree of such variation cannot be quantified, it could be in either direction from our estimates.

Second, in performing this analysis, we have relied on data and other information provided to us by the Fund and their service providers. We have not audited or verified this data and information, because such was beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, our analysis may likewise be inaccurate or incomplete.

Third, the Fund cedes part of its exposure to loss through annuities to limit its liability for losses. Although we have not reviewed the various annuity contracts which affect the Fund's exposure, we are relying on the accuracy of the summary of those provisions which has been provided by the Fund. Our projections of the Fund's reserve requirements for unpaid claim liabilities as of June 30, 2009 reflect these annuity contracts. Contingent liability exists with respect to outside annuity contracts which would become an actual liability to the Fund in the event that the annuity providers might be unable to meet their obligations under existing contracts.

Finally, Pinnacle's actuarial report and supporting work papers are prepared solely for the internal business use of the Fund. We understand that our work will be distributed to a variety of interested parties. In the event our report is distributed to other parties due to statute or regulations, or by agreement of Pinnacle and the Fund, we require that the report and supporting exhibits be distributed in their entirety, and that any recipient be advised to have their own actuary review the work. Pinnacle does not intend to benefit any third party recipient of its work product or create any legal duty from Pinnacle to a third party even if Pinnacle consents to the release of its work product to such third party.

We look forward to discussing these recommendations with the Board on December 17th.

Respectfully submitted,

Robert J. Walling III

Robert J. Walling, F.C.A.S., M.A.A.A.
Principal and Consulting Actuary

Derek W. Freihaut, F.C.A.S., M.A.A.A.
Consulting Actuary

November 25, 2008

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
REPORT TO THE ACTUARIAL COMMITTEE

FUND FINANCIAL REPORTING AS OF JUNE 30, 2009

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WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
REPORT TO THE ACTUARIAL COMMITTEE

FUND FINANCIAL REPORTING AS OF JUNE 30, 2009

Chapter 655.27 of the Wisconsin statutes provides for the following with respect to the Fund's financial reporting:

> "Annually after the close of a fiscal year, the board of governors shall furnish a financial report to the commissioner. The report shall be prepared in accordance with accepted accounting procedures and shall include the present value of all claims reserves, including those for incurred but not reported claims as determined by accepted actuarial principles, and such other information as may be required by the commissioner. The board of governors shall furnish an appropriate summary of this report to all fund participants."

In order to measure the change in actuarial estimates, we have restated the June 30, 2008 undiscounted unpaid claim liabilities to reflect a actuarial central estimate. For financial reporting as of June 30, 2008, the Fund has incorporated a risk margin which is calculated as 25% of the Fund's discounted unpaid claim liability. An actuarial central estimate undiscounted unpaid claim liability would exclude the reserve for risk margin.

The following table derives the actuarial central estimate of undiscounted unpaid claim liability as of June 30, 2008:

	Best Estimate **Undiscounted Unpaid Claim Liabilities as of June 30, 2008**
1. Prior Analysis	748,262,025
2. Current Analysis	556,203,557
3. Change [(2) - (1)]	-192,058,468
4. Percent Change [(3) / (1)]	-25.7%

As shown in the previous table, we believe the published actuarial central estimate undiscounted unpaid claim liability as of June 30, 2008 was $748.3 million and our most recent analysis indicates a decrease of $192.1 million to $556.2 to be appropriate.

In order to satisfy the Fund's financial reporting requirements as of June 30, 2009, our first recommendation to the Committee deals with estimating the Fund's unpaid claim liabilities. Based on the Fund's claims experience from inception through September 30, 2008, we have developed projections of the actuarial central estimate ultimate settlement costs for all claims that have occurred during the Fund's first thirty-four years of operation (i.e., through June 30, 2009).

During the last 12 months, we have seen a material increase in both paid loss and incurred loss activity relative to recent years. In fact, the calendar year paid losses were the highest recorded in the last twelve years. It is also noteworthy that total case reserves were reduced slightly in the last twelve months:

Twelve Months Ending	Incurred Losses	Paid Losses
September 30, 1997	$14,047,262	$23,680,212
September 30, 1998	21,218,799	25,625,139
September 30, 1999	39,009,131	16,386,158
September 30, 2000	42,768,763	48,661,528
September 30, 2001	35,425,662	30,018,178
September 30, 2002[1]	27,954,307	30,361,482
September 30, 2003	14,862,881	16,314,986
September 30, 2004	17,585,158	18,881,685
September 30, 2005	60,415,843	23,661,500
September 30, 2006	46,395,124	46,464,983
September 30, 2007	-2,497,359	16,621,825
September 30, 2008	62,390,889	63,921,115

1 The September 30, 2002 incurred losses and paid losses do not include the recovery of $6.0 million related to claim numbers 2797 and 3129.

We have also reviewed the Fund's current methodology for estimating its ultimate loss adjustment expense costs. Exhibit C1 shows the cumulative allocated loss adjustment expense (ALAE) payments and loss payments for the first twenty-nine Fund years (i.e., through the 2003-2004 Fund year) from inception through September 30, 2008. For all twenty-nine years combined, the current relationship of paid ALAE to paid losses is approximately 6%. Given the typical settlement patterns for medical malpractice, where later settling claims on average require greater ALAE costs, we would expect this current ratio of 6% to increase over time.

Exhibit C1 summarizes only the outside defense costs that the Fund has incurred – what insurance accounting refers to as allocated loss adjustment expenses. The Fund has contracted with Wausau Insurance Companies to provide general claims administration services. It is our understanding that Wausau's fees are being treated as unallocated loss adjustment expenses.

Exhibit C2 shows a history of the Fund's fiscal year loss and loss adjustment expense payments, which would include payment activity during the fiscal year on all Fund years. Also, Exhibit C2 includes both unallocated as well as allocated loss adjustment expenses. During the twenty-seven year period from July 1, 1981 through June 30, 2008, total LAE payments averaged 9% of paid losses. However, beginning with July 1, 2001-02, the paid LAE increased to a level typically over $4 million and approached $6 million in the most recent year. The increase in paid LAE may be a result of the Court of Appeals decision (Wisconsin Patients Compensation Fund vs. Physicians Insurance Company of

Wisconsin, Inc.) in October of 2000 which Fund management believes requires the Fund to retain legal counsel on nearly every claim reported to the Fund. This creates additional loss adjustment expenses for the Fund.

For financial reporting as of June 30, 2008, the unpaid loss adjustment expense reserve was estimated as 20% of the actuarial central estimate unpaid loss. By adding the estimated unpaid LAE to the paid LAE, we produce the ultimate LAE. Based on the more recent years ratio of paid LAE to paid losses (shown on Exhibit C2), we recommend the selected paid LAE to paid loss ratio be used to estimate the unpaid LAE. For financial reporting as of June 30, 2009, we recommend that the methodology used to estimate the unpaid LAE be estimated at 18% of the unpaid loss.

The combined impact of our current recommendations for establishing the Fund's actuarial central estimate reserves for unpaid losses and loss adjustment expenses would be a decrease of $192.1 million from the actuarial central estimate undiscounted reserves currently held by the Fund for claims occurring prior to June 30, 2008, as shown in the following table:

	Best Estimate **Undiscounted Unpaid Claim Liabilities as of June 30, 2008**
1. Prior Analysis	748,262,025
2. Current Analysis	556,203,557
3. Change [(2) - (1)]	-192,058,468
4. Percent Change [(3) / (1)]	-25.7%

As shown in the table above, our current analysis indicates that, with the benefit of twelve months of additional claims experience, the actuarial central estimate reserve of $748.3 million as of June 30, 2008 may ultimately prove to be redundant by $192.1 million. On a percentage basis, this translates to a potential nominal reserve redundancy of 25.7%.

From an actuarial perspective, we consider a difference of this magnitude to be somewhat outside the normal range of variability inherent in any set of actuarial projections, particularly given the significant reserve reductions indicated in last year's analysis. However, it appears to be consistent with the findings of Oliver Wyman in their actuarial audit that some additional conservatism remained in the reserve levels. This reduction in indicated reserves, from levels that appear to have included an implicit margin, along with the increase in the explicit risk margin from 5% to 25% appears to provide a clearer picture of the current reserve situation.

For reference, Exhibit C3 provides a similar history of subsequent one-year reserve changes for the Fund based on the actuarial recommendations to the Committee over the past twenty one years. The consistent reserve reductions and the magnitude of the indicated reserve redundancies in the last several years are noteworthy.

Investment Yield Assumption

The Fund's financial statement as of June 30, 2008 assumed a blended average yield of 5.5% (on an amortized value basis) would be earned on investable assets over the lifetime of the run-off of the unpaid claim liabilities to discount the Fund's unpaid claim liabilities to their present value.

At their February 25, 1998 meeting, the Board of Governors adopted a blended yield methodology for financial reporting requirements and funding purposes. The blended yield is generated by combining the yield from the current investment portfolio with the yield from newly purchased securities. By combining these yields, the Board of Governors believed a 7.0% yield on investable assets was achievable over an extended period of time. This 7.0% investment yield was reduced to 6.0% as of June 30, 2004 and then to 5.5% as of June 30, 2005 based on the Fund's recent investment experience, as well as a conversation with the Fund's Investment Committee.

Subsequent to the February 1998 Board meeting, the Fund was subject to an accounting change where it is now required to carry its assets in its financial statements at market value rather than at amortized value. For financial reporting purposes at June 30, 2008, the blended yield of 5.5% was used. This assumption was continued for the current analysis, although the differential between the amortized rate of 5.5% and a market rate of 5.7% was removed.

By statute, in its financial statements the Fund includes as an offset to its unpaid claim liabilities an estimate of the future investment earnings expected to be generated from assets supporting the unpaid claim liabilities before these liabilities are discharged as claim payments. That is, the Fund presents its accrual for unpaid claims on a discounted (or present value) basis. As of June 30, 2009, this had the impact of reducing the Fund's unpaid claim liabilities by $115.2 million. In estimating its future investment earnings, the Fund assumed an annual yield of 5.5% would be realized over the lifetime of the run-off of the unpaid claims. Note that this investment income will only be earned to the extent that the liabilities for unpaid claims and LAE are supported by valid invested assets.

For reference, Exhibit C4 shows the Fund's balance sheet as of June 30, 2008 which reflects a Fund surplus deficit of $61.5 million. The unpaid claim liabilities and investment income offset shown on Exhibit C4 are consistent with the Committee's recommendations of November 2007 which were subsequently adopted by the Fund's Board of Governors.

The yield assumption, on an amortized value basis, to discount the Fund's unpaid claim liabilities to their present value as of June 30, 2006 was 5.5%. We have maintained the Board-approved investment yield assumption of 5.5% for discounting the Fund's unpaid claim liabilities as of June 30, 2009.

For reference, the following table provides a history of the Fund's investment yields from the short-term and long-term accounts, excluding the equity accounts:

Year Ending	Average Assets[1]	Investment Income[2]	Investment Yield		
			Realized Capital Gains	Excluding Realized Capital Gains	Including Realized Capital Gains
September 30, 1998	$434,950,000	$30,135,000	$11,000	7.10%	7.10%
September 30, 1999	492,022,000	33,758,000	-9,000	7.1	7.1
September 30, 2000	514,506,000	36,009,000	-73,000	7.2	7.2
September 30, 2001	496,202,000	33,791,000	-68,000	7	7
September 30, 2002	511,902,000	32,061,000	-10,491,000	6.4	4.2
September 30, 2003	536,229,000	29,541,000	4,109,000	5.6	6.4
September 30, 2004	567,505,000	30,114,000	453,000	5.4	5.5
September 30, 2005	592,676,000	31,106,000	2,100,000	5.4	5.7
September 30, 2006	610,760,000	32,964,000	-1,603,000	5.5	5.2
September 30, 2007	742,985,056	33,815,669	28,225,288	4.6	8.4
September 30, 2008	752,801,201	33,384,366	88,259	4.4	4.4

[1] The long-term account asset was presented on an amortized value basis.

[2] Excludes realized capital gains.

Through June 30, 2003 the Fund had been assuming a long-term blended yield of 7.0% for financial reporting and funding purposes. By examining the table above, we observe that the actual investment returns during 1998 through 2001 were very close to the assumed yield of 7.0%. However, beginning in 2002 and continuing through 2006, we see the actual investment yield excluding capital gains declining to 5.5% (or 5.2% including realized capital gains) for the 12 months ending September 30, 2006. For the twelve months ending September 30, 2007, investment income other than realized gains further decreased; however, the return including these gains increased significantly. For the twelve months ending September 30, 2008, investment income other than realized gains further decreased and the Fund did not benefit from realized capital gains either. However, it is important to realize that the investment yield assumption is applied to assets invested over a long period of time to correspond to the sometimes lengthy periods before claim payments are required.

Exhibit C5 provides the details of our projected run-off of the Fund's actuarial central estimate undiscounted unpaid losses and loss adjustment expenses (excluding any risk margin) as of June 30, 2009. In computing the investment income offset for the Fund as of June 30, 2009, we relied on the cash flow development in Exhibit C5 to compute an overall discount factor. This overall discount factor was applied to the total estimated unpaid loss and loss adjustment expenses.

Risk Margin

For financial reporting as of June 30, 2007, the Fund included a risk margin in the carried reserves. The risk margin was based on 25% of the discounted actuarial central estimate unpaid claim liabilities.

There are several reasons why it is appropriate for the Fund to include a risk margin, which include:

- The coverage offered by the Fund is unlimited;
- There is considerable uncertainty regarding the current caps on non-economic damages and therefore current case reserves and IBNR reserve estimates;
- There is considerable uncertainty with respect to investment results;
- The Fund may have contingent liabilities related to annuity purchases, in addition to its direct liabilities;
- If the Fund should run out of money, there is no easy source of additional funds. The state does not want to be in a position of needing to provide additional funding because the existing funds have been exhausted; and
- In most insurance funding mechanisms, including commercial insurance companies,

captive insurers, and self-insurance trust funds, some form of margin for adverse deviation, either explicit or implicit through the use of nominal or undiscounted reserve estimates, is included because of the possibility that actual loss experience will prove to be worse than expected.

As of June 30, 2008, the Fund's risk margin was $151.2 million, or 25% of the Fund's actuarial central estimate discounted unpaid claim liabilities. Pinnacle performed an analysis of the variability in the Fund's historical claims and determined that the 25% risk margin increased the statistical confidence level of the indicated reserves to approximately a 65% confidence level. As of June 30, 2009, we estimate the 25% risk margin will be approximately $124.8 million due to indicated reductions in the indicated reserves.

Assuming the Fund maintains its risk margin for financial reporting purposes to 25% of the actuarial central estimate discounted unpaid claim liabilities as has been recommended by the Actuarial Committee, the following table provides the estimated undiscounted and discounted unpaid claim liabilities as of June 30, 2009 and the estimated surplus as of June 30, 2009:

Projected Fund Financial Position as of June 30, 2009
($ in millions)

	(1)	(2)	(3)	(4) [(1) * (3)]	(5) [(3) + (4)]	(6)
	Risk Margin Percentage	Best Estimate Unpaid Claim Liabilities		Risk Margin Amount	Discounted Unpaid Claim Liabilities	Estimated Surplus
		Undiscounted	Discounted[1]			
Loss		512.2	416.1	$104.0	$520.2	
LAE		102.4	83.2	$20.8	$104.0	
Loss and LAE	25%	614.6	499.4	$124.8	$624.2	($62.1)

[1] Based on an investment yield assumption of 5.5%

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

Cumulative ALAE Payments by Fund Year

Fund Year	Cumulative Paid ALAE @ 9/30/08	Cumulative Paid Loss @ 9/30/08	Paid ALAE as a % of Paid Loss
(1)	(2)	(3)	(4)
1975-76	300,726	5,713,360	5%
1976-77	198,469	4,762,988	4%
1977-78	449,465	8,960,047	5%
1978-79	326,875	11,143,678	3%
1979-80	540,485	21,652,057	2%
1980-81	401,921	16,258,064	2%
1981-82	352,860	23,112,703	2%
1982-83	175,194	19,120,228	1%
1983-84	192,735	19,574,397	1%
1984-85	259,048	11,572,113	2%
1985-86	2,328,879	54,440,036	4%
1986-87	1,039,643	23,597,782	4%
1987-88	984,542	41,883,890	2%
1988-89	1,704,065	23,540,406	7%
1989-90	1,506,743	25,795,853	6%
1990-91	1,574,630	29,030,188	5%
1991-92	1,688,582	32,829,094	5%
1992-93	1,481,705	30,394,125	5%
1993-94	2,198,196	51,120,663	4%
1994-95	2,496,690	31,717,914	8%
1995-96	2,949,053	*15,225,024	19%
1996-97	2,997,878	33,669,833	9%
1997-98	1,387,096	8,671,460	16%
1998-99	3,067,974	28,178,570	11%
1999-00	2,452,218	27,971,233	9%
2000-01	2,188,449	21,368,637	10%
2001-02	3,000,692	17,262,500	17%
2002-03	2,542,638	16,398,220	16%
2003-04	2,768,721	48,345,585	6%
Total	43,556,171	703,310,646	6%

* Prepayments excluded from total

Column	Note
(2)	Provided by client
(3)	From Supplemental Exhibit 8
(4)	Col (2) / Col (3)

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

History of Fiscal Year LAE Payments

Fiscal Year	Paid LAE	Paid Losses	Paid LAE as a % of Paid Loss
(1)	(2)	(3)	(4)
July 1, 1981-82	172,395	3,422,063	5%
July 1, 1982-83	115,000	7,407,133	2%
July 1, 1983-84	472,780	13,734,504	3%
July 1, 1984-85	532,496	12,390,204	4%
July 1, 1985-86	274,948	9,613,249	3%
July 1, 1986-87	496,246	16,778,242	3%
July 1, 1987-88	495,063	25,259,786	2%
July 1, 1988-89	400,748	15,579,910	3%
July 1, 1989-90	1,213,574	23,945,573	5%
July 1, 1990-91	1,402,338	24,383,757	6%
July 1, 1991-92	1,573,801	42,215,118	4%
July 1, 1992-93	1,682,550	44,381,939	4%
July 1, 1993-94	2,048,140	23,821,639	9%
July 1, 1994-95	2,094,646	24,525,517	9%
July 1, 1995-96	1,967,457	51,456,670	4%
July 1, 1996-97	2,154,347	34,679,277	6%
July 1, 1997-98	3,844,185	18,718,458	21%
July 1, 1998-99	2,692,094	19,929,978	14%
July 1, 1999-00	3,204,682	19,657,326	16%
July 1, 2000-01	2,800,086	39,636,276	7%
July 1, 2001-02	4,087,172	35,304,774	12%
July 1, 2002-03	4,225,616	22,074,552	19%
July 1, 2003-04	4,017,048	19,496,969	21%
July 1, 2004-05	4,025,262	20,316,451	20%
July 1, 2005-06	3,784,654	32,340,696	12%
July 1, 2006-07	4,611,916	35,893,965	13%
July 1, 2007-08	5,710,751	51,568,300	11%
Total	60,099,995	688,532,326	9%
July 1, 2002-08	26,375,247	181,690,933	15%
	(5)	Prior	20%
	(6)	Selected	18%

Note: This exhibit includes both unallocated and allocated loss adjustment expenses.

Note: 1997-98 Losses include a recovery of $5.0 million for St. Mary's case. Also, the Fund incurred legal expenses of $1.3 million. Excluding the St. Mary's Case, the 1997 -1998 ratio would be 10.8%.

Column / Row	Note
(2), (3)	Provided by client
(4)	Col (2) / Col (3)
(5)	Previous Report
(6)	Judgment

Wisconsin Injured Patients and Families Compensation Fund
History of Recommended Reserve Changes

Financial Statement Date	Fund Best Estimate Reserve For Unpaid Losses and LAE	Subsequent Recommended Reserve Changes* $	% of (2)
June 30,1988	231,097,803	(13,760,945)	(6.0)
June 30,1989	258,248,357	830,732	0.3
June 30,1990	290,323,281	5,773,156	2.0
June 30,1991	335,093,478	(2,967,433)	(0.9)
June 30, 1992	362,988,314	(6,189,565)	(1.7)
June 30, 1993	390,171,374	(15,651,893)	(4.0)
June 30,1994	440,322,232	(7,838,467)	(1.8)
June 30,1995	497,979,560	4,253,498	0.9
June 30, 1996	544,791,109	(7,505,152)	(1.4)
June 30,1997	594,630,074	(10,233,297)	(1.7)
June 30,1998	638,730,618	(10,356,122)	(1.6)
June 30, 1999	693,118,316	(13,995,242)	(2.0)
June 30,2000	748,661,611	(20,157,640)	(2.7)
June 30,2001	786,453,837	(32,518,192)	(4.1)
June 30,2002	818,994,479	(32,028,815)	(3.9)
June 30, 2003	873,139,152	(82,904,318)	(9.5)
June 30,2004	880,444,510	(94,414,102)	(10.7)
June 30,2005	832,772,000	(78,990,000)	(9.5)
June 30,2006	858,643,109	(72,881,907)	(8.5)
June 30,2007	876,067,880	(211,332,464)	(24.1)
June 30,2008	748,262,025	(192,058,468)	(25.7)

* Based on one year of development

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

Balance Sheet as of June 30, 2008

Fund Assets as of June 30, 2008	
State Investment Fund Shares (market value)	$0
Long Term Investments (market value)	686,685,486
Short Term Investments (market value)	74,473,775
Cash	253
Assessments Receivable	82,445
Securities Lending Receivable	14,722
State Shares Interest Receivable	(212)
Office Supplies and Prepaid Items	8,026
Other Receivables	29,465
Bond Investment Income Receivable	9,778,279
Total Assets	$771,072,239

Funding Liabilities as of June 30, 2008	
Unpaid Losses & LAE (Undiscounted)	$953,147,427
Offset for Investment Income	(181,098,011)
Net Unpaid Losses & LAE	772,049,416
Funds Held on Behalf of Primary Companies	1,000,000
Medical Expense Reserves	23,415,191
Premium Deficiency Reserve	0
Assessments Received in Advance	3,591
Provider Refunds Payable	227,436
Medical Mediation Panels	4,128
General Expense Payable	470,344
Interfund Payables	35,338,194
Compensated Absences	40,043
Other Post Emplyment Benefits	13,556
Total Liabilities	$832,561,899

Fund Surplus as of June 30, 2008:	($61,489,660)

Exhibit C5

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

Payout of Unpaid Losses and LAE at 6/30/2009

Fund Year	Selected Ultimate Losses and LAE	Paid Losses and LAE at 9/30/08	Projected Paid Losses and LAE 10/1/08 to 6/30/09	Outstanding Losses and LAE at 6/30/09	Projected Loss and LAE Paid during the Fiscal Year Ending: 6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	Total Paid Loss and LAE Beyond 6/30/2015
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1975-76	6,144,771	6,144,771	0	0	0	0	0	0	0	0
1976-77	4,890,316	4,890,316	0	0	0	0	0	0	0	0
1977-78	9,792,482	9,792,482	0	0	0	0	0	0	0	0
1978-79	11,719,447	11,719,447	0	0	0	0	0	0	0	0
1979-80	22,674,086	22,674,086	0	0	0	0	0	0	0	0
1980-81	17,069,389	17,029,715	39,673	0	0	0	0	0	0	0
1981-82	23,985,845	23,985,845	0	0	0	0	0	0	0	0
1982-83	18,977,297	18,977,297	0	0	0	0	0	0	0	0
1983-84	20,808,542	20,808,542	0	0	0	0	0	0	0	0
1984-85	12,212,189	12,212,189	0	0	0	0	0	0	0	0
1985-86	56,723,591	56,723,591	0	0	0	0	0	0	0	0
1986-87	24,570,688	24,570,688	0	0	0	0	0	0	0	0
1987-88	43,336,168	43,336,168	0	0	0	0	0	0	0	0
1988-89	26,335,780	26,280,224	55,555	0	0	0	0	0	0	0
1989-90	29,323,197	29,170,819	152,378	0	0	0	0	0	0	0
1990-91	30,273,279	29,964,087	309,192	0	0	0	0	0	0	0
1991-92	37,650,675	37,105,582	545,093	0	0	0	0	0	0	0
1992-93	32,451,484	31,692,233	759,251	0	0	0	0	0	0	0
1993-94	56,517,530	54,624,532	1,892,998	0	0	0	0	0	0	0
1994-95	37,351,007	35,674,671	1,676,336	0	0	0	0	0	0	0
1995-96	19,723,079	18,580,552	1,142,527	0	0	0	0	0	0	0
1996-97	44,709,583	37,313,246	5,602,766	1,793,570	1,793,570	0	0	0	0	0
1997-98	21,921,337	10,302,590	2,886,345	8,732,402	6,844,315	1,888,087	0	0	0	0
1998-99	44,644,873	30,644,445	2,612,393	11,388,035	3,437,897	6,231,189	1,718,949	0	0	0
1999-00	44,373,979	32,064,152	3,959,272	8,350,555	2,602,770	1,735,180	3,145,014	867,590	0	0
2000-01	38,968,237	23,827,552	3,224,750	11,915,936	4,575,719	2,287,860	1,525,240	2,764,497	762,620	0
2001-02	49,188,542	20,365,773	3,622,431	25,200,338	6,337,809	7,243,211	3,621,605	2,414,404	4,376,107	1,207,202
2002-03	53,809,272	19,029,749	7,924,906	26,854,618	5,650,262	5,332,832	6,094,665	3,047,333	2,031,555	4,697,971
2003-04	102,750,741	51,894,222	4,231,282	46,625,236	11,718,201	7,344,506	6,931,894	7,922,164	3,961,082	8,747,389
2004-05	76,557,338	6,547,221	13,716,447	56,293,669	8,892,890	11,913,116	7,466,672	7,047,196	8,053,938	12,919,859
2005-06	97,284,458	10,775,526	6,389,756	80,119,176	17,388,759	9,909,723	13,275,289	8,320,428	7,852,988	23,371,988
2006-07	99,967,901	1,793,513	5,178,849	92,995,539	8,481,035	18,342,704	10,453,369	14,003,570	8,776,885	32,937,974
2007-08	114,155,528	71,493	342,252	113,741,783	6,160,538	9,811,227	21,219,630	12,092,908	16,199,933	48,257,547
2008-09	130,629,343	0	0	130,629,343	391,888	7,053,985	11,234,124	24,297,058	13,846,710	73,805,579
Total	1,461,491,971	780,587,320	66,264,452	614,640,199	84,275,655	89,093,620	86,686,451	82,777,146	65,861,818	205,945,509

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
REPORT TO THE ACTUARIAL COMMITTEE

BREAK-EVEN FUND FEE LEVELS AT JULY 1, 2009

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
REPORT TO THE ACTUARIAL COMMITTEE

BREAK-EVEN FUND FEE LEVELS AT JULY 1, 2009

This section of the report discusses our estimate of the assessment income that will be needed to cover the expected operating expenses and the discounted cost of claims occurring during the 2009-2010 Fund year. Tab E discusses the statutory limitations on assessment levels imposed by Chapter 655.27 of the Wisconsin statutes.

To develop the indicated break-even fee levels for 2009-2010, we utilized the following assumptions:

- Our current actuarial central estimates of the ultimate losses and loss adjustment expenses for the latest ten Fund years prior to the 2007-2008 year;
- An assumed linear trend in loss costs for the period July 1, 2008 and beyond;
- A blended investment yield assumption of 5.5%. For reference, the comparable yield assumption used in the analysis of the July 1, 2008 fee levels was 5.5%;
- Projected general operating expenses of $1,300,000 for the July 1, 2009-2010 fiscal year. The comparable assumption in the analysis of the July 1, 2008 fees was $1,300,000; and
- Projected expenses of $200,000 for the risk management program for the July 1, 2009-2010 fiscal year. The comparable assumption in the analysis of the July 1, 2008 fees was $200,000.

With these assumptions, Exhibit Dl develops our indication of the assessment level necessary to fund the expected July 1, 2009-2010 claim costs. The indication is for an increase of 290.4% in the current Fund fees. This would increase the Fund's current assessment income of $26.0 million to $101.6 million for the 2009-2010 fiscal year. While several of the assumptions that underpin the indicated funding level analysis can be debated and made more or less conservative, it is imperative to recognize that even the most optimistic estimates of ultimate losses indicate that the current assessment levels are materially inadequate.

For reference, the indicated break-even funding level of $101.6 million reflects a 20.4% decrease relative to the estimate of the break-even funding level for the July 1, 2008-2009 fiscal year of $127.5 million.

For reference, the table below shows a ten-year history of Fund fee level changes:

Effective Date	Overall Fund Fee Level Changes
July 1, 1997	-17.7%
July 1, 1998	0.0%
July 1, 1999	-7.0%
July 1, 2000	-25.0%
July 1, 2001	-20.0%
July 1, 2002	-5.0%
July 1, 2003	5.0%
July 1, 2004	-20.0%
July 1, 2005	-30.0%
July 1, 2006	25.0%
July 1, 2007	5.0%
July 1, 2008	0.0%

Exhibit D2 provides the historical annual Fund fees by Fund year since inception.

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

Development of Required Assessment Income for 2009-10

3 Year Rolling Fund Years	Assessment Income @ 7/1/07 Fee Level	Projected Ultimate Loss and LAE	Projected Loss and LAE Ratio
(1)	(2)	(3)	(4)
1997-98 thru 1999-00	62,311,830	99,846,170	160.2%
1998-99 thru 2000-01	63,154,875	115,188,380	182.4%
1999-00 thru 2001-02	64,229,550	119,277,682	185.7%
2000-01 thru 2002-03	65,897,475	127,769,446	193.9%
2001-02 thru 2003-04	67,658,955	185,173,699	273.7%
2002-03 thru 2004-05	70,033,845	209,805,615	299.6%
2003-04 thru 2005-06	72,356,550	248,933,282	344.0%
2004-05 thru 2006-07	74,285,606	256,425,517	345.2%

(5) Projected 2009-10 Undiscounted Loss and LAE Ratio (Trended through Col (4))	473.5%
(6) Projected 2009-10 Assessments at 7/1/08 Fee Level	26,017,537
(7) Projected 2009-10 Undiscounted Losses and LAE	123,186,316
(8) Discount Factor at 5.5% Yield	0.812
(9) Projected 2009-10 General Operating Expenses	1,500,000
(10) Projected 2009-10 Income Requirements	101,583,647
(11) Indicated Assessment Level Change on July 1, 2009	290.4%

Column / Row	Note
(2), (3), (6), (8)	From Supplemental Exhibits
(3)	Fund years prior to 06-07 are adjusted for 10% savings due to cap on non economic damages
(4)	Col (3) / Col (2)
(7)	Row (5) x Row (6)
(9)	Based on data provided by client
(10)	Row (7) x Row (8) + Row (9)
(11)	Row (10) / Row (6) - 1

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

HISTORICAL ANNUAL FEES

Class Group	1975-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-91	1991-92
1	140	60	58	97	194	223	381	538	952	1,809	1,939	2,094	2,316	2,571	2,571
2	252	107	105	175	350	403	686	968	1,905	3,620	3,878	4,188	4,632	5,142	5,142
3	433	184	180	300	600	690	1,097	1,549	2,449	4,653	3,878	4,188	4,632	5,142	5,142
4	577	245	239	398	798	918	1,177	1,662	2,939	5,584	3,878	4,188	4,632	5,142	5,142
5A	722	307	300	500	1,000	1,150	1,958	2,765	4,899	9,308	9,695	10,470	11,580	12,854	5,142
5	722	307	300	500	1,000	1,150	1,958	2,765	4,899	9,308	9,695	10,470	11,580	12,854	12,854
6	866	368	360	600	1,200	1,380	2,351	3,319	5,878	11,168	9,695	10,470	11,580	12,854	12,854
7	1,155	491	480	800	1,600	1,840	2,743	3,874	6,858	13,030	11,634	12,564	13,896	15,425	15,425
8	70	30	29	49	98	113	191	269	476	904	1,939	2,094	2,316	2,571	2,571
9	1,155	491	480	800	1,600	1,840	3,528	6,090	10,287	19,545	11,634	12,564	13,896	15,425	15,425
Nurse Anesthetist	40	20	20	33	50	58	114	162	285	542	519	561	620	688	688
Surgical Podiatrist	N/A	N/A	N/A	N/A	305	351	878	1,756	2,578	2,578	N/A	N/A	N/A	N/A	N/A
Non-Surgical Podiatrist	N/A	N/A	N/A	N/A	152	175	220	313	459	459	N/A	N/A	N/A	N/A	N/A
Hospital	75	35	35	58	84	56	56	55	81	154	148	137	152	169	169
Nursing Home	N/A	N/A	17	29	29	19	19	10	15	29	28	26	29	32	32
Fund Threshold	200/600	200/600	200/600	200/600	200/600	200/600	200/600	200/600	200/600	200/600	200/600	300/900	400/1000	400/1000	400/1000

Class Group	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-09
1	2,674	2,941	3,150	2,923	3,215	2,647	2,721	2,531	1,898	1,538	1,461	1,534	1,227	859	1,074	1,128
2	5,348	5,883	6,300	5,846	6,430	5,294	5,170	4,809	3,606	2,769	2,630	2,761	2,209	1,546	1,933	2,030
3	5,348	5,883	6,300	5,846	6,430	5,294	5,170	4,809	3,606	2,769	2,630	2,761	2,209	1,546	1,933	2,030
4	5,348	5,883	6,300	5,846	6,430	5,294	5,170	4,809	3,606	2,769	2,630	2,761	2,209	1,546	1,933	2,030
5A	5,348	5,883	6,300	5,846	6,430	5,294	5,170	4,809	3,606	2,769	2,630	2,761	2,209	1,546	1,933	2,030
5	13,368	14,705	15,750	12,569	13,825	11,382	11,292	10,504	7,877	6,385	6,063	6,366	5,093	3,565	4,456	4,679
6	13,368	14,705	15,750	12,569	13,825	11,382	11,292	10,504	7,877	6,385	6,063	6,366	5,093	3,565	4,456	4,679
7	16,042	17,646	18,900	17,538	19,290	15,882	16,326	15,186	11,388	9,231	8,766	9,204	7,363	5,154	6,443	6,765
8	2,674	2,941	3,150	2,923	3,215	2,647	2,721	2,531	1,898	1,538	1,461	1,534	1,227	859	1,074	1,128
9	16,042	17,646	18,900	17,538	19,290	15,882	16,326	15,186	11,388	9,231	8,766	9,204	7,363	5,154	6,443	6,765
Nurse Anesthetist	716	788	844	749	824	678	678	631	473	378	359	377	302	211	264	277
Surgical Podiatrist	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Surgical Podiatrist	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hospital	176	194	208	185	203	167	167	155	116	93	88	92	74	52	*65*	*68*
Nursing Home	33	36	39	35	38	31	31	29	22	17	16	17	13	9	12	13
Fund Threshold	400/1000	400/1000	400/1000	400/1000	400/1000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000	1000/3000

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
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STATUTORY LIMITATIONS ON ASSESSMENTS

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

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STATUTORY LIMITATIONS ON ASSESSMENTS

Chapter 655.27 of the Wisconsin statutes provides for the following cap in establishing overall assessment levels for the Fund:

> "Limit on Fees. Every rule setting fees for a particular fiscal year……shall ensure that the fees assessed do not exceed the greatest of the following:
>
> 1. The estimated total dollar amount of claims to be paid during that particular fiscal year.
> 2. The fees assessed for the fiscal year preceding that particular fiscal year, adjusted by the commissioner of insurance to reflect changes in the consumer price index for all urban consumers, U.S. city average, for the medical care group, as determined by the U.S. Department of Labor.
> 3. Two hundred percent of the actual total dollar amount disbursed for claims during the calendar year preceding that particular fiscal year."

The first formula for determining the cap on assessment levels for 2009-2010 is based on the projected claim payments during the 2009-2010 fiscal year. Based on our projected run-off of the Fund's unpaid claim liabilities as of June 30, 2008 (see Exhibit C5 for details), we project loss and loss adjustment expense payments of $84.3 million during the 2009-2010 fiscal year.

The second formula is based on changes in the consumer price index for all urban consumers, U.S. city average, for the medical care group, as determined by the U.S. Department of Labor.

This index increased by 2.8% during the twelve months from October 31, 2007 to October 31, 2008.

The estimated 2008-2009 assessment income is $26.0 million. The second formula would then cap 2009-2010 funding levels at $26.7 million, or an increase of 2.8% over the 2008-2009 level.

The third formula is based on 200% of the actual total amount of claim payments during the 2008 calendar year. Losses and loss adjustment expenses paid in calendar year 2008 through September 30 is $55.9 million. The annualized estimate for payments during 2008 are $78.0 million. The third formula calls for a cap of 200% of this amount or $156.0 million, based on payments through September 30, 2008.

Our understanding of the statutory limit on the Fund's 2009-2010 assessment income is thus the greater of:

a) $84.3 million;
b) $26.7 million; or
c) $156.0 million.

It would appear that the 2009-2010 assessment income could be set as high as $156.0 million and still meet the statutory limitations. This would equate to a 500.0% increase over the estimated 2008-2009 assessment income of $26.0 million, which is in excess of the break-even rate change of 290.4%.

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

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HISTORICAL FUND CASH FLOW

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WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
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HISTORICAL FUND CASH FLOW

For reference, Exhibit F1 provides a history of the Fund's cash flow from inception through June 30, 2008. Specifically, this exhibit shows the Fund's actual assessment income, investment earnings, loss payments, and expense payments (including loss adjustment expenses) for each fiscal year since inception. The table below summarizes the Fund's inception-to-date totals for these items:

	Inception-to-Date Totals through June 30, 2008
Assessment Income	$951,237
Investment Income	537,468
Paid Losses	672,499
Paid Expenses	112,890

In interpreting Exhibit F1, we caution the Committee that the exhibit represents merely the cash flow of the Fund, and excludes any consideration of the Fund's actuarial central estimate unpaid claim liabilities, which is currently estimated at $556 million (before discounting) for losses as of June 30, 2008.

Wisconsin Injured Patients and Families Compensation Fund
Historical Cash Flow Analysis

Fiscal Year	Assessment Income	Investment Income		Other Income	Total Income	Incep-To-Date Income	Paid Losses	Other Expenses	Total Expenditures	Incep-To-Date Expenditures
1975-76	3,036	116			3,152	3,152	0	52	52	52
1976-77	3,055	351			3,406	6,558	0	65	65	116
1977-78	1,351	483			1,835	8,392	700	84	784	901
1978-79	1,416	809			2,225	10,618	252	77	329	1,229
1979-80	2,396	1,173			3,568	14,186	3,816	107	3,922	5,152
1980-81	4,413	1,590			6,003	20,189	2,121	139	2,261	7,412
1981-82	4,653	2,043			6,695	26,884	3,404	215	3,619	11,032
1982-83	7,344	1,981			9,325	36,209	7,481	181	7,662	18,693
1983-84	10,276	1,989			12,265	48,474	13,657	499	14,156	32,849
1984-85	17,417	2,909			20,327	68,801	13,168	732	13,899	46,748
1985-86	32,325	3,300		955	36,579	105,380	9,414	489	9,903	56,651
1986-87	30,560	4,357		440	35,357	140,737	16,778	795	17,573	74,224
1987-88	33,643	6,011		484	40,139	180,876	25,260	833	26,093	100,317
1988-89	37,970	9,114		591	47,674	228,550	15,580	771	16,351	116,668
1989-90	43,161	12,112		800	56,073	284,623	23,946	1,644	25,590	142,258
1990-91	43,937	14,705		893	59,534	344,157	24,384	2,363	26,747	169,005
1991-92	42,350	18,284		755	61,389	405,547	41,733	3,095	44,828	213,834
1992-93	45,064	22,474		482	68,020	473,566	44,337	2,674	47,012	260,846
1993-94	51,213	17,486		278	68,978	542,544	23,793	3,037	26,829	287,675
1994-95	55,506	21,795		45	77,346	619,889	24,499	3,084	27,582	315,257
1995-96	51,049	26,020		52	77,120	697,009	46,616	6,589	53,205	368,462
1996-97	58,271	25,533		478	84,282	781,291	34,431	2,966	37,397	405,860
1997-98	49,892	54,708	*	384	104,985	886,276	20,028	4,813	24,840	430,700
1998-99	50,622	13,828	*	499	64,949	951,226	19,832	3,712	23,544	454,244
1999-00	47,879	15,948	*	449	64,277	1,015,502	19,650	4,225	23,876	478,120
2000-01	37,052	33,663	*	408	71,124	1,086,626	37,323	3,792	41,115	519,235
2001-02	29,534	33,141	*	683	63,359	1,149,985	34,376	5,104	39,480	558,715
2002-03	29,464	35,824	*	252	65,540	1,215,525	20,683	5,840	26,523	585,238
2003-04	32,067	33,481		176	65,725	1,281,249	18,460	5,864	24,324	609,562
2004-05	26,545	33,545		89	60,179	1,341,428	19,880	5,185	25,065	634,627
2005-06	18,931	31,555		96	50,581	1,392,009	26,096	5,056	31,152	665,779
2006-07	24,262	43,593		145	68,001	1,460,010	39,594	1,006	40,600	706,378
2007-08	24,584	13,547		463	38,593	1,498,604	41,208	37,802	79,010	785,389
Total	951,237	537,468		9,898	1,498,604		672,499	112,890	785,389	

* An accounting change was introduced in fiscal year 1997-98 where investment income now reflects the impact of unrealized capital gains.

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

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MEDICAL MEDIATION PANEL FEES

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

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MEDICAL MEDIATION PANEL FEES

Wisconsin Statute 655.61(1) provides that the Director of State Courts shall, by February 1 of each year determine the revenues needed for the operation of the mediation system created by 1985 Wisconsin Act 340 during the succeeding fiscal year and inform the Board of Governors of the Wisconsin Injured Patients and Families Compensation Fund of that amount.

On November 13, 2007, Fund management was informed that the projected budget for the mediation panel system for the July 1, 2008-2009 fiscal year is approximately $280,000. For reference, the panel funding levels approved by the Board of Governors for the July 1, 2007-2008 fiscal year was approximately $250,000. For the 2009-2010 year, we have developed fees at three levels: the current $280,000, $305,000, and $330,000.

We have estimated that the following mediation panel fees will generate approximately the requested mediation panel assessments:

	Panel Fees				Panel Assessments			
Provider Type	**08-09**	**09-10**			**08-09**	**09-10**		
		Scenario A	Scenario B	Scenario C		Scenario A	Scenario B	Scenario C
Physicians	$18.0	$18.50	$19.50	$21.00	$259,600	266,800	281,300	302,900
Hospital Beds	$2.5	$2.50	$3.00	$3.50	15,000	18,000	21,600	25,300
Total	xx	xx	xx	xx	**$274,600**	**$284,800**	**$302,900**	**$328,200**
Target	xx	xx	xx	xx	**$280,000**	**$280,000**	**$305,000**	**$330,000**

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
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HINDSIGHT RESTATEMENT OF FUND SURPLUS

WISCONSIN INJURED PATIENTS AND FAMILIES COMPENSATION FUND

ACTUARIAL ANALYSIS AS OF SEPTEMBER 30, 2008
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HINDSIGHT RESTATEMENT OF FUND SURPLUS

In its July, 1993 Audit Report on the Wisconsin Patients Compensation Fund, the Legislative Audit Bureau (LAB) cited the accounting deficit as one of the most significant concerns facing the Fund, and asserted that it is likely to continue increasing in the future. Finally, the LAB concluded that steps should be taken to reduce the Fund deficit, and directed the Fund Board of Governors to prepare a report on this issue for the Joint Legislative Audit Committee by June 30, 1995.

In response to the LAB report, the Board in 2005 formed a Special Subcommittee to study the Fund. The Special Subcommittee requested Milliman to provide a history of the Fund deficit, which would provide an accounting of the contribution to the deficit by fiscal year. Pinnacle has been asked to update this analysis as part of the 2008 study.

This tab provides a hindsight restatement using published financial statements through June 30, 2007. At that time, the Fund published a surplus of $94.4 million. This was prior to the $200 million that was removed.

While reviewing this historical perspective on the Fund surplus/(deficit), the Committee is cautioned to keep in mind the nature of claims against the Fund when drawing their conclusions. Given the low frequency and high severity nature of excess medical malpractice claims, a significant amount of volatility exists in both the aggregate value of a portfolio of claims and even more so in the ultimate settlement value of unpaid claims. One can only expect to match revenue against claim estimates over an extended period of time.

Exhibit H1 provides an historical summary of the published Fund surplus/(deficit) as of the close of each fiscal year. This exhibit displays total assets, total liabilities, the resulting surplus/(deficit), and the yield assumption used for discounting purposes. It is important to note that the Fund's unpaid claim liabilities are stated on a present value (or discounted) basis. That is, the nominal (or undiscounted) value of the unpaid claim liabilities has been reduced to reflect the time value of money.

The first financial statement values shown on Exhibit H1 are as of June 30, 1979. Until March of 1980 the Fund accounting guidelines with respect to accruing for unpaid claim liabilities were not well defined. Thus, financial statement information prior to June 30, 1979 is not available on a basis consistent with the Fund's current accounting guidelines.

In interpreting the history of the published Fund surplus/(deficit) reflected on Exhibit H1, the Committee is cautioned that changes in the surplus/(deficit) from one year to the next are influenced by at least six factors:

- The relative adequacy of the assessment levels approved by the legislature;

- Changes in previous actuarial projections of the Fund's ultimate claim costs;
- Changes in interest rate assumptions and risk margins;
- Significant changes in case reserves;
- Deviations from expected payment patterns; and
- Large losses.

The Committee asked that Pinnacle update the accounting of the contribution to the Fund surplus/(deficit) by fiscal year. Exhibit H2 provides a hindsight restatement of the surplus/(deficit), which reflects:

- A consistent set of actuarial projections used across all years (specifically, our projections as of September 30, 2008); and
- The yield assumptions for discounting that were approved by Board of Governors for the Fund financial reporting purposes as of each valuation date.

Essentially, each Fund year has been analyzed on a stand-alone basis. The change in surplus reflects our current estimates of the remaining unpaid claims as of June 30, 2008 (discounted to their present value).

We made three critical assumptions in preparing this hindsight accounting of the surplus/(deficit):

- We have attempted to estimate the discounted loss and LAE reserve liabilities, reflecting investment income, that would have been developed based on the subsequent information available regarding the timing and amount of future loss payments;
- We have not penalized those years whose fee levels were inadequate to reflect any cost of borrowing to discharge their remaining unpaid claim obligations; and
- Where possible, we relied upon audited financial statements as the source for our revenue and expense items. The Fund's first audit was not conducted by the LAB until the July 1, 1982-83 fiscal year, and some of the financial records prior to that time were incomplete.

In our analysis we, by necessity, made several critical simplifying assumptions to facilitate the mechanics of our models. While we believe that these assumptions are reasonable, other reasonable assumptions are possible and may, in fact, lead to conclusions which differ from ours.

Where possible, we relied on audited Fund financial statements. This was not always possible and, therefore, we relied upon data and other background information provided to us by Fund management. We did not perform an independent audit or verification of the accuracy of this data. In some instances, we were forced to estimate certain values for which no financial data was available.

Wisconsin Injured Patients and Families Compensation Fund
History of Fund Surplus/(Deficit)

Financial Statement Date	Total Assets	Total Liabilities	Surplus/ (Deficit)	Underlying Yield Assumption*
June 30, 2007	798,492,286	704,080,045	94,412,241	5.5%
June 30, 2006	746,386,079	686,538,067	59,848,012	5.5%
June 30, 2005	758,681,054	726,974,874	31,706,180	5.5%
June 30, 2004	741,282,878	716,666,554	24,616,324	6.0%
June 30, 2003	667,445,867	659,513,519	7,932,348	7.0%
June 30, 2002	586,969,782	582,081,717	4,888,065	7.0%
June 30, 2001	576,533,347	547,808,388	28,724,959	7.0%
June 30, 2000	542,594,300	515,383,326	27,210,974	7.0%
June 30, 1999	501,134,215	492,554,448	8,579,767	7.0%
June 30, 1998	462,415,814	481,799,748	(19,383,934)	7.0%
June 30, 1997	376,830,675	420,924,889	(44,094,214)	7.1%
June 30, 1996	336,223,029	378,018,525	(41,795,496)	7.7%
June 30, 1995	310,015,339	367,738,111	(57,722,772)	7.0%
June 30, 1994	270,754,464	338,658,225	(67,903,761)	7.0%
June 30, 1993	215,041,561	286,655,202	(71,613,641)	7.4%
June 30, 1992	200,753,785	279,736,466	(78,982,681)	8.0%
June 30, 1991	176,197,886	247,877,474	(71,679,588)	8.7%
June 30, 1990	146,871,231	220,469,223	(73,597,992)	8.0%
June 30, 1989	114,346,934	222,603,283	(108,256,349)	6.0%
June 30, 1988	84,922,010	207,644,610	(122,722,600)	6.0%
June 30, 1987	76,457,629	188,559,576	(112,101,947)	6.0%
June 30, 1986	49,646,281	150,201,538	(100,555,257)	8.0%
June 30, 1985	23,352,648	102,976,970	(79,624,322)	10.0%
June 30, 1984	16,080,184	65,703,273	(49,623,089)	6.0% - 12.0%
June 30, 1983	17,995,764	37,821,821	(19,826,057)	6.0% - 12.0%
June 30, 1982	16,383,775	25,338,206	(8,954,431)	6.0% - 12.0%
June 30, 1981	13,275,392	12,783,392	492,000	6.0% - 12.0%
June 30, 1980	11,556,621	13,476,493	(1,919,872)	6.0% - 12.0%
June 30, 1979	11,165,573	11,894,332	(728,759)	6.0% - 8.0%
June 30, 1978	N/A	N/A	N/A	N/A
June 30, 1977	N/A	N/A	N/A	N/A
June 30, 1976	N/A	N/A	N/A	N/A

* Yield assumption is on an amortized value basis.

Wisconsin Injured Patients and Families Compensation Fund
Comparison of Published Surplus/(Deficit) to Hindsight Surplus/(Deficit)

Financial Statement Date	Projected Undiscounted Unpaid Loss & LAE as of Statement Date	Underlying Yield Assumption*	Discount Factor**	Projected Discounted Unpaid Loss & LAE as of Statement Date	Cumulative Paid to Date as of Statement Date	Hindsight Projected Ultimate Losses	Hindsight Discounted Unpaid Loss & LAE as of Statement Date	Published Surplus / (Deficit)	Hindsight Surplus / (Deficit)	Change in Estimated Surplus / (Deficit)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
June 30, 2007	876,067,880	5.5%	0.812	711,367,119	631,290	1,216,707,100	987,453,557	94,412,241	(181,674,198)	(276,086,439)
June 30, 2006	858,643,109	5.5%	0.812	697,218,205	591,697	1,116,739,199	906,311,772	59,848,012	(149,245,555)	(209,093,567)
June 30, 2005	832,772,000	5.5%	0.812	676,210,864	565,600	1,019,454,741	827,337,982	31,706,180	(119,420,938)	(151,127,118)
June 30, 2004	880,444,510	6.0%	0.799	703,475,163	545,721	942,897,403	752,938,994	24,616,324	(24,847,507)	(49,463,831)
June 30, 2003	873,139,152	7.0%	0.772	674,063,425	527,261	840,146,663	648,186,178	7,932,348	33,809,595	25,877,247
June 30, 2002	818,994,479	7.0%	0.772	632,263,738	506,578	786,337,390	606,661,387	4,888,065	30,490,416	25,602,351
June 30, 2001	786,453,837	7.0%	0.772	607,142,362	472,202	737,148,849	568,714,371	28,724,959	67,152,950	38,427,991
June 30, 2000	748,661,611	7.0%	0.772	577,966,764	434,880	698,180,612	538,659,705	27,210,974	66,518,032	39,307,058
June 30, 1999	693,118,316	7.0%	0.772	535,087,340	415,229	653,806,633	504,418,164	8,579,767	39,248,943	30,669,176
June 30, 1998	638,730,618	7.0%	0.772	493,100,037	395,397	609,161,760	469,967,632	(19,383,934)	3,748,471	23,132,405
June 30, 1997	594,630,074	7.1%	0.769	457,270,527	375,369	587,240,423	451,299,226	(44,094,214)	(38,122,913)	5,971,301
June 30, 1996	544,791,109	7.7%	0.754	410,772,496	340,938	542,530,840	408,811,186	(41,795,496)	(39,834,186)	1,961,310
June 30, 1995	497,979,560	7.0%	0.772	384,440,220	294,322	522,807,761	403,380,375	(57,722,772)	(76,662,927)	(18,940,155)
June 30, 1994	440,322,232	7.0%	0.772	339,928,763	269,823	485,456,754	374,564,311	(67,903,761)	(102,539,309)	(34,635,548)
June 30, 1993	390,171,374	7.4%	0.762	297,310,587	246,031	428,939,225	326,664,214	(71,613,641)	(100,967,268)	(29,353,627)
June 30, 1992	362,988,314	8.0%	0.747	271,152,271	201,693	396,487,741	296,025,678	(78,982,681)	(103,856,088)	(24,873,407)
June 30, 1991	335,093,478	8.7%	0.730	244,618,239	159,960	358,837,066	261,834,288	(71,679,588)	(88,895,637)	(17,216,049)
June 30, 1990	290,323,281	8.0%	0.747	216,871,491	135,576	328,563,787	245,335,874	(73,597,992)	(102,062,375)	(28,464,383)
June 30, 1989	258,248,357	6.0%	0.799	206,340,437	111,630	299,240,590	239,004,039	(108,256,349)	(140,919,951)	(32,663,602)
June 30, 1988	231,097,803	6.0%	0.799	184,647,145	96,050	272,904,810	217,974,199	(122,722,600)	(156,049,655)	(33,327,055)

* Yield assumption is on an amortized value basis.

** Assumes all reserves are backed by valid assets

Column	Note
(2)	Exhibit C3
(3), (9)	Exhibit G1
(4)	Based on the current payout pattern developed in Supplemental Exhibits and the yield assumption in Col (3)
(5)	Col (2) x Col (4)
(6)	Exhibit F1
(7)	From Supplemental Exhibits
(8)	(Col (7) - Col (6)) x Col (4)
(10)	Col (9) - (Col (8) - Col (5))
(11)	Col (10) - Col (9)