

PENNSYLVANIA COMPENSATION RATING BUREAU

Retrospective Development Factors

Attached is an exhibit showing Retrospective Development Factors.

## RETROSPECTIVE DEVELOPMENT FACTORS \*

Retrospective development factors for first, second and third adjustments are calculated below. They are intended for application to retrospective plans with no loss limitation.

|                   |       |        |
|-------------------|-------|--------|
| First Adjustment  | RDF = | 0.3132 |
| Second Adjustment | RDF = | 0.1734 |
| Third Adjustment  | RDF = | 0.1237 |

For those companies using retrospective development factors with loss limitations, the following formula may be used:

$$\text{RDF(LIM)} = (1.0 - \text{ELF}) \times \text{RDF}$$

RDF(LIM) = Retrospective Development Factors at limited basis

ELF = Excess Loss Factors for given Hazard Group and Loss Limitation

RDF = Retrospective Development Factors without Loss Limitation

For Example:

$$\text{The \$25,000 limit Hazard Group C ELF} = 0.662$$

$$\begin{aligned} \text{Then First Adjustment RDF} &= (1 - 0.662) * 0.3132 \\ &= 0.1059 \end{aligned}$$

\* The use of retrospective development factors is optional.