BEFORE THE NEW MEXICO SUPERINTENDENT OF INSURANCE
AS CUSTODIAN OF THE PATIENT COMPENSATION FUND

IN THE MATTER OF DETERMINING NEW PATIENT COMPENSATION FUND SURCHARGE RATES	))))	**Docket No. 19-00004-PCF**

PCF STAFF'S WRITTEN TESTIMONY

Pursuant to Paragraph 2 of the Order Appointing Hearing Officer and Setting Initial Case Schedule, PCF Staff respectfully submit the attached written testimony.

/s/ *Todd S. Baran*

Todd S. Baran
Associate General Counsel
Office of Superintendent of Insurance
Of Counsel for PCF Staff

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading and evidence were sent by email to the following individuals, as indicated below, on this 7th day of October, 2019.

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Office of General Counsel
Office of Superintendent of Insurance

New Mexico Patient's Compensation Fund

2019 Surcharge Rate Hearing

Report of

Robert J. Walling III, FCAS, MAAA, CERA

Prepared by
Pinnacle Actuarial Resources, Inc.

October 7, 2019

Table of Contents

EXHIBITS

I. Scope of Assignment

Pinnacle Actuarial Resources, Inc. (Pinnacle) has been retained by the New Mexico Office of the Superintendent of Insurance (OSI) to conduct an actuarial review of the New Mexico Patient's Compensation Fund (PCF). This review examines several aspects of the PCF including analyses of indicated reserves for unpaid losses and appropriate assessment surcharges for the upcoming policy period using data evaluated as of December 31, 2018. This year, the scope of the analysis included projections of:

1. Loss and loss reserves for unpaid claims obligations of the PCF as of December 31, 2018. These reserve estimates were stated on a nominal (undiscounted) basis as well as on a discounted basis, reflecting a 3.5% discount rate, and at a 90% level statistical confidence.
2. The PCF Fund balance as of December 31, 2018 based on the projected loss reserves.
3. The overall indicated percentage change indicated for surcharge levels applicable to physicians, surgeons and other participating healthcare providers. These projections were provided both on an undiscounted and discounted basis and stated at several different levels of statistical confidence.
4. PCF surcharge relativities by class for physicians, surgeons and other participating healthcare providers.
5. PCF surcharges for business entities.
6. The overall indicated percentage change indicated for surcharge levels applicable to hospitals and outpatient facilities. These projections were provided both on an undiscounted and discounted basis and stated at several different levels of statistical confidence.
7. An actuarially sound rating plan for PCF surcharges for hospitals and outpatient facilities.

II. Summary of Expert Opinions

Through a review of information associated with this matter, which are listed in Part IV of this report, I have come to a number of key findings. These findings are based on my experience as an actuary, my experience as a regulatory consulting actuary serving patient compensation funds and other medical professional liability government insurance programs, my experience in the insurance industry generally and with medical professional liability insurance in particular, and my review of the available documents. My key findings are as follows:

1. Pinnacle projects the amount of losses still to be paid for all PCF claims occurring prior to December 31, 2018 to be approximately $131.5 million on a nominal basis, $119.0 million on a discounted basis using a 3.5% discount rate, and $143.5 million when the discounted reserves reflect a risk margin to increase the statistical confidence to 90%.
2. The PCF Fund balance as of December 31, 2018 is a deficit of $44.4 million when unpaid claims reserves are stated on a nominal basis. This deficit is reduced to $31.9 million when unpaid claims reserves are discounted at an annual rate of 3.5%. When discounted reserves are stated at a 90% level of statistical confidence, the PCF deficit is $56.4 million.
3. The proposed changes in PCF surcharge relativities for physicians, surgeons and other participating healthcare providers by provider specialty or class groups including multiple specialties improve the actuarial soundness of the PCF surcharges.
4. A charge of 10% of the applicable PCF surcharges for each covered physicians, surgeons and other participating healthcare providers within a qualifying business entity seeking PCF coverage provides an actuarially sound surcharge for this coverage.
5. After reflecting the additional surcharge income derived from the PCF surcharge relativities and the business entity coverage, the proposed increase in overall surcharges for physicians, surgeons and other participating healthcare providers is 19.3% at the 80% confidence level and reflecting a 3.5% discount rate.
6. The proposed overall increase in surcharges for hospitals and outpatient facilities is 8.0% at the 80% confidence level and reflecting a 3.5% discount rate.

7. The proposed hospital and outpatient rating plan provides an actuarially sound means of determining the indicated surcharges for each participating facility.

III. Qualifications

My name is Robert J. Walling III. I am a Principal and Consulting Actuary with Pinnacle Actuarial Resources, Inc. Pinnacle is an independent property and casualty insurance actuarial consulting firm. By property and casualty, I mean insurance risk other than life, health and pensions. For the last twenty-two years, I have worked as an independent actuarial consultant. My clients include insurance regulators, admitted insurance companies, captive insurance companies and risk retention groups, captive managers, insurance agents and brokers, self-insured public and private entities, agencies of state governments, government insurance programs, industry associations and law firms. Many of these engagements have involved medical professional liability (MPL) insurance generally, and specifically government insurance companies providing MPL insurance coverage. A significant amount of this work has been related to establishing or reviewing expected loss and premium estimates and estimating unpaid loss and loss adjustment expenses.

I am a Fellow of the Casualty Actuarial Society (CAS), a member of the American Academy of Actuaries (AAA), and a Chartered Enterprise Risk Analyst or Actuary (CERA). The CAS is a professional organization for property/casualty actuaries in the U.S., Canada and internationally. The CAS establishes membership requirements, codes of professional conduct, and statements of actuarial principles. I achieved membership in the CAS by passing ten rigorous tests covering a range of topics: calculus and probability, interest theory, economics and finance, applied statistics, risk theory, ratemaking, loss reserving, insurance accounting, reinsurance, annual financial statements, taxation, insurance law and regulation, investments, solvency, and advanced ratemaking topics. I meet the continuing education requirements of the CAS and am a member in good standing with both organizations.

I have satisfied all the qualification requirements of my profession to render a prescribed statement of actuarial opinion and have previously participated in hearings, testified or provided depositions and actuarial reports as an expert actuary in a variety of venues. A more detailed summary of my education, training, experience, presentations and publications is set forth in my Curriculum Vitae which is attached.

From 2015 to 2017, I served as a member of the CAS Board of Directors. I have previously served the CAS as Chairman of the Ratemaking Seminar Committee, Chairman of the Risk and Capital Management Seminar Committee, Chairman of the New Fellows Committee, and faculty member of the Limited Attendance Seminar on Dynamic Financial Analysis. I am a frequent author and speaker on issues related to pricing, product development, loss reserving, costing of legislative changes, and captive and other alternative risk transfer mechanisms for a wide variety of property and casualty insurance products and coverages. I also serve as an instructor for the International Council for Captive Insurance Education. Finally, I have served as an actuarial expert to state insurance regulators in states including Connecticut, Florida, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Missouri, New Mexico, New York, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, and Wisconsin. I have work on assignments related to patient compensation funds and other MPL government insurance programs, such as birth injury funds, in seven of these states.

The materials that I considered in preparing this report are listed in the ***Data and Materials Reviewed*** section of this report. Exhibits supporting my findings are also attached.

IV. Data and Materials Reviewed

A number of data sources were used in the development of this analysis. To assist in the performance of this review, Pinnacle has been provided with or reviewed:

1) "2018 Actuarial Analysis of the New Mexico Patients Compensation Fund," dated July 10, 2019.
2) "Actuarial Report Addendum: New Mexico Patient's Compensation Fund Class Plan and Entity Coverage Review," dated October 7, 2019.
3) "Actuarial Report Addendum: New Mexico Patient's Compensation Fund Hospital & Outpatient Health Care Facility Rating Plan," dated October 7, 2019.
4) "New Mexico Patient's Compensation Fund Indicated Rate Change Effective 9/1/19 through 9/1/20 – Physicians & Surgeons," dated October 7, 2019
5) "New Mexico Patient's Compensation Fund Indicated Rate Change Effective 9/1/19 through 9/1/20 – Hospitals & Outpatient Facilities," dated October 7, 2019

I have also reviewed a number of the applicable actuarial standards and statements of principles relevant to this case. These include:

1) CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking
2) Actuarial Standard of Practice No. 12, *Risk Classification (for All Practice Areas)*
3) Actuarial Standard of Practice No. 17 *Expert Testimony by Actuaries*
4) Actuarial Standard of Practice No. 20 *Discounting of Property/ Casualty Unpaid Claim Estimates*
5) Actuarial Standard of Practice No. 23, *Data Quality*
6) Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*
7) Actuarial Standard of Practice No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*
8) Actuarial Standard of Practice No. 41, *Actuarial Communications*

9) Actuarial Standard of Practice No 53, *Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention*

10) CAS Code of Professional Conduct

V. Background

There are a couple of fundamental issues related to property-casualty ratemaking for commercial enterprises that are relevant background information supporting my findings.

Exposure versus Experience Rating

All personal insurance products and all but very large commercial insureds cannot estimate premiums solely based on the experience of the insured. As a result, exposure rating, which relies on a rate developed from aggregate data for similar insureds, is an essential element of premium development for most property casualty insurance. The need for exposure rating has its foundations in the law of large numbers and the closely related concepts of credibility and statistically independent exposure units.

The publicly available rate filings of large insurance companies and rating bureaus provide much larger, more credible sources of benchmark data to use in the ratemaking process. However, there may be differences between the exposures, coverages and/or claims in this data, relative to the individual risk being priced that must be reflected using adjustments to the benchmarks.

The CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking section on "Credibility" states: "Credibility is a measure of the predictive value that the actuary attaches to a particular body of data. Credibility is increased by making groupings more homogeneous or by increasing the size of the group analyzed. A group should be large enough to be statistically reliable. Obtaining homogeneous groupings requires refinement and partitioning of the data. There is a point at which partitioning divides data into groups too small

to provide credible patterns. Each situation requires balancing homogeneity and the volume of data."

The reason that rating bureaus and "me too" filings benchmarked off of large insurers are not only permitted but common practice is that without them most insurance companies, including captive insurance companies, would not have data of sufficient credibility to estimate expected losses with sufficient actuarial confidence.

Conversely, many commercial risks have sufficient experience that is predictive of their expected loss experience relative to the exposure rating plan to justify an adjustment to their indicated exposure rated premiums. Therefore, many commercial insurance products that utilize exposure rating also have an experience rating plan to reflect the predictive accuracy added to the projected premiums attributable to the claims experience of the individual insured.

CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking

Since its adoption by the CAS Board of Directors in May of 1988, CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking has arguably been one of the most important sources of guidance to U.S. property and casualty actuaries engaged in ratemaking. Many elements of this document are pertinent in this situation and will be cited throughout my expert report. As background information, the principles themselves are foundational to an understanding of how property-casualty actuaries determine rates. The principles are quoted below:

> **II. Principles**
>
> Ratemaking is prospective because the property and casualty insurance rate must be developed prior to the transfer of risk.
>
> **Principle 1: A rate is an estimate of the expected value of future costs.**

Ratemaking should provide for all costs so that the insurance system is financially sound.

Principle 2: A rate provides for all costs associated with the transfer of risk.

Ratemaking should provide for the costs of an individual risk transfer so that equity among insureds is maintained. When the experience of an individual risk does not provide a credible basis for estimating these costs, it is appropriate to consider the aggregate experience of similar risks. A rate estimated from such experience is an estimate of the costs of the risk transfer for each individual in the class.

Principle 3: A rate provides for the costs associated with an individual risk transfer.

Ratemaking produces cost estimates that are actuarially sound if the estimation is based on Principles 1, 2, and 3. Such rates comply with four criteria commonly used by actuaries: reasonable, not excessive, not inadequate, and not unfairly discriminatory.

Principle 4: A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.

There are several important elements of the actuarial aspects of property casualty ratemaking contained within these four principles. Among them:

- The rates used to develop premiums are prospective, that is they provide for expected future costs.
- The rates used to develop premiums must provide for all prospective costs.
- The rates used to develop premiums must provide for all prospective costs related to the specific, individual risk transfer.
- Using actuarial methods and assumptions consistent with Principles 1, 2, and 3 results in actuarially sound rates and by extension premium that are not excessive, not inadequate and not unfairly discriminatory.

VI. Opinions and Basis for Opinions

The following is some extended discussion of each of my opinions. Additional discussion can be found in the applicable actuarial reports.

1. **Pinnacle projects the amount of losses still to be paid for all PCF claims occurring prior to December 31, 2018 to be approximately $131.5 million on a nominal basis, $119.0 million on a discounted basis using a 3.5% discount rate, and $143.5 million when the discounted reserves reflect a risk margin to increase to the statistical confidence to 90%.**

   Pinnacle's analysis of the projected unpaid claims liabilities as of December 31, 2018 was based on data provided by OSI, including detailed claims payment data as of the December 31, 2018 valuation date and summarized PCF surcharge data by accident year. Organizing data by accident year is a commonly used actuarial approach which summarizes claims that occur during a common period to facilitate the projection of ultimate losses. The accident year data was organized into loss development triangles which allowed the estimation of development patterns that facilitated the estimation of development patterns for paid losses, claim counts, and claim severities.

   Based on this data, Pinnacle developed four estimates or projections of ultimate losses by accident year. The four methods used: (Paid) Loss Development, Expected Loss Ratio, (Paid) B-F Method, and Frequency and Severity Method (this method was used only for Physicians and Surgeons) are commonly used and generally accepted actuarial methodologies. Pinnacle's central estimate of ultimate losses by year were then based on these four methodologies by year. These methods were applied separately to data for 1) physicians, surgeons and other healthcare providers, and 2) hospitals and outpatient facilities. Indicated unpaid claims obligations on a nominal (undiscounted basis) were computed as the projected ultimate losses less paid amounts through the December 31, 2018 accounting date.

In order to state the project unpaid claim liabilities on a present value basis, that is reflecting the potential time value of money, projections were made of future loss payments for the unpaid loss amounts. These payments were then discounted using a 3.5% annual discount rate to the accounting date of December 31, 2018.

However, stating the unpaid loss obligation on a discounted basis removes an implicit risk margin from the stated reserves as the full nominal amount is not required as of the accounting to fulfill the future claims payment obligations, if the insurance program is able to derive investment income on invested assets until the payments are made. Therefore, an explicit risk margin is needed to protect the PCF from potential adverse claims development. Consistent with previous analyses and the requested scope of work, Pinnacle developed risk margins for the unpaid claims obligations at the 90% level of statistical confidence. This risk margin was developed using a stochastic simulation model of the expected number of unpaid claims and their severity.

2. **The PCF Fund balance as of December 31, 2018 is a deficit of $44.4 million when unpaid claims reserves are stated on a nominal basis. This deficit is reduced to $31.9 million when unpaid claims reserves are discounted at an annual rate of 3.5%. When discounted reserves are stated at a 90% level of statistical confidence, the PCF deficit is $56.4 million.**

The PCF's stated Fund balance prior to the reflection of unpaid claims obligations was $87,104,681. Therefore, once the estimated unpaid claims liabilities are applied, the indicated Fund deficit of $44.4 million on a nominal basis, $31.9 million after discounting, and $56.4 million discounted and at the 90% confidence level.

This is not to suggest in any way that the PCF is at risk of being unable to pay their claims obligations. We estimate that annual claims payments will be between $20 to $27 million per year in the next five years. These payments can be met with the current PCF assets and the additional surcharge collections from these years. Rather, it suggests that there is a

long term unfunded liability associated with the claims occurring prior to December 31, 2018 that will need to be funded at some point.

3. **The proposed changes in PCF surcharge relativities for physicians, surgeons and other participating healthcare providers by provider specialty or class groups including multiple specialties improve the actuarial soundness of the PCF surcharges.**

   Based on a detailed analysis of rating relativities for physicians, surgeons and other participating healthcare providers for admitted carriers in New Mexico and patient compensation funds in other states, Pinnacle proposes a number of changes in rating relativities for individual specialties and some class groups that include multiple specialties. The proposed changes include:

   - Radiation Therapy and Shock Therapy (80163, 80165, and 80431) - Move from class 1 to class 2.
   - Otorhinolaryngology – Minor Surgery (80291) - Move from class 2 to class 3.
   - Gynecology – Minor Surgery (80277) - Move from class 3 to class 4.
   - Intensive Care Medicine (80283) - Move from class 3 to class 4.
   - Nephrology – No Surgery (80260) - Move from class 3 to class 2.
   - Podiatrists/Chiropodists – No Surgery (80993-N) - Move from class 5 to class 4.
   - Cardiac Surgery (80141) - Move from class 6 to class 8.
   - Nephrology – Including Child – Minor Surgery (80288) - Move from class 6 to class 4.
   - Obstetrics Surgery (c-sections only) (80168) - Move from class 6 to class 8.
   - Pediatrics – Minor Surgery (80293) - Move from class 6 to class 4.
   - Class 5A: Increase the relativity from 1.60 to 1.70.
   - Class 7: Reduce the relativity from 4.00 to 3.50.
   - Class 10: Increase the relativity from 6.25 to 6.50.

Because the admitted primary medical professional liability insurers and the patient compensation funds in other states are all larger and possess more credible, that is larger and more predictive, databases of exposures and losses, the information in their filed and approved

class relativities is useful in estimating differences in expected loss experience for the PCF by specialty. Therefore, the revised surcharge relativities are more in line with expected claims experience and thus result in more actuarially sound rates. This is because the proposed relativities are less likely to be "unfairly discriminatory."

In total, the proposed changes in specialty and class group relativities result in approximately $201,673 in additional surcharges.

4. **A charge of 10% of the applicable PCF surcharges for each covered physicians, surgeons and other participating healthcare providers within a qualifying business entity seeking PCF coverage provides an actuarially sound surcharge for this coverage.**

   Pinnacle reviewed publicly available, filed and approved rate filings for leading medical professional liability insurers to assess the indicated surcharge for business entity coverage. The generally accepted approach is a percentage surcharge of the medical professional liability insurance premiums of the physicians, surgeons and other participating healthcare providers insured by the policy. Based on my years of reviewing these rate filings, a 10% surcharge is widely used for the business entity premium rate.

   The PCF does not have sufficient data to support a credible analysis of the indicated business entity surcharge. Further, the approach of benchmarking off of the filed and approved rates and rating plans of large commercial carriers allows the PCF to leverage off of the large and credible data sets these carriers possess. Further, because these rates and rating rules have been filed and approved, they have been found to be actuarially sound, that is no excessive, inadequate or unfairly discriminatory by the governing state insurance regulators. Therefore, we believe that following the generally accepted industry practice is appropriate.

This change will generate approximately $1.57 million in additional surcharges and thereby reduce the indicated change in surcharges for physicians, surgeons and other participating healthcare providers.

5. **After reflecting the additional surcharge income derived from the PCF surcharge relativities and the business entity coverage, the proposed increase in overall surcharges for physicians, surgeons and other participating healthcare providers is 19.3% at the 80% confidence level and reflecting a 3.5% discount rate.**

   At the current surcharge levels, we anticipate approximately $21.929 million in surcharges for the upcoming policy period. We also estimate losses for the accident year from 9/1/19 through 9/1/20 to be approximately $24.945 million on a discounted basis, resulting in a shortfall of just over $3 million. At higher levels of statistical confidence, this shortfall increases. At the 80% confidence level, the anticipated losses are $28.203 million, resulting in an anticipated shortfall almost $6.3 million. However, the proposed class plan changes for physicians, surgeons, and other participating healthcare providers and the proposed change to business entity surcharges produce an additional $2.035 million in additional surcharges, reducing the indicated percentage change in surcharges to 19.3% at the 80% confidence level.

6. **The proposed overall increase in surcharges for hospitals and outpatient facilities is 8.0% at the 80% confidence level and reflecting a 3.5% discount rate.**

   In the actuarial report issued to OSI and the PCF in July, Pinnacle projected indicated changes to the overall surcharge levels for hospitals and outpatient facilities discounted at 3.5% and reflecting both the actuarial central estimate of ultimate losses and also at the 90% level of statistical confidence. OSI requested that we produce an additional exhibit stating the indicated surcharge changes at the 65%, 70%, 75% and 80% confidence levels. At these confidence levels, the indicated surcharge increases are +0.9%, +3.0%, +5.3% and

+8.0% respectively. The risk margins at these additional confidence levels are based on the same stochastic simulation model that produced the 90% confidence level in the initial actuarial report.

7. **The proposed hospital and outpatient rating plan provides an actuarially sound means of determining the indicated surcharges for each participating facility.**

   In order to facilitate OSI performing the underwriting and premium determination for hospitals and outpatient facilities participating in the PCF, Pinnacle developed an exposure rating model. This rating model utilizes rates per unit of exposure. The ratable exposures included in the model are commonly used by hospital professional liability insurers and reflect the relative loss potential of these exposures. The surcharges by exposure were also selected so that the targeted overall surcharge increase of +8.0% at the 80% confidence level would be realized.

   An experience rating plan that modifies the surcharges of larger hospitals (those with more than $1.5 million of indicated surcharges) is proposed. The experience rating plan is based on a comparison of the number of PCF layer claims during a five year period compared to the expected number of PCF layer claims for the risk given their current ratable exposures. This approach will be responsive to large hospitals and outpatient facilities whose PCF claims frequency is better or worse than expected, but will also provide surcharges that do not overreact to a single large PCF claim.

This report submitted by Robert J. Walling III.

October 7, 2019
Date

Robert J. Walling III, FCAS, MAAA, CERA

CURRICULUM VITAE

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EDUCATION

MIAMI UNIVERSITY
- Bachelor of Science in Education 1987
- Certification in Secondary Mathematics Education

CONTINUING EDUCATION

Estimated study time exceeding 4,000 hours necessary for completion of qualifying exams for membership in Casualty Actuarial Society (CAS)

Meets and exceeds all annual requirements of the Casualty Actuarial Society (CAS) and the American Academy of Actuaries (AAA).

MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS

Casualty Actuarial Society	
- Fellow	2001
- Associate Member	1995
American Academy of Actuaries	1995
Chartered Enterprise Risk Analyst	2013
Midwestern Actuarial Forum	1989
American Society for Healthcare Risk Management	2011
Public Risk Management Association	
Risk and Insurance Management Society	
Vermont Captive Insurance Association	
South Carolina Captive Insurance Association	

EMPLOYMENT HISTORY

Pinnacle Actuarial Resources, Inc.	2003 – Present
Miller, Herbers, Lehmann, & Associates, Inc.	1997 – 2002
Shelby Insurance Company / Anthem Casualty	1992 – 1997
Providence Washington Insurance Companies	1991 – 1992
Great American Insurance Group	1989 – 1991

PROFESSIONAL ACTIVITIES

American Academy of Actuaries	
- Retained Risk Working Group	2016 - Present
- Government Insurance Task Force	2017 - Present
International Center for Captive Insurance Education (ICCIE)	
- Instructor	2016 - Present
Self-Insurance Institute of America (SIIA)	
- Captive Committee	2016 - Present
CAS Finance Committee	2015 – Present
Actuarial Standards Board Casualty Committee	2014 – Present
CAS University Liaison – Miami University	1999 – Present
CAS Board of Directors	2014 – 2017
Vermont Captive Insurance Association	
- Conference Committee	2009 – 2015

PROFESSIONAL ACTIVITIES (cont.)

CAS Leadership Development Committee	2012 – 2014
Captive Insurance Company Association	
Actuary/Consultant Best Practices Committee	2009 – 2010
AAA Medical Professional Liability Subcommittee	2009 – 2010
Actuarial Review Editorial Board	2003 – 2008
CAS Ratemaking and Product Management	
Seminar Committee	2008 – 2009
CAS Ratemaking Seminar Committee	1997 – 2002, 2004 – 06
Vice Chairperson for CAS Ratemaking Seminar	2000 – 2001
Chairperson for CAS Ratemaking Seminar	2001 – 2002
CAS Task Force on ACAS Voting Rights	2004
CAS Working Group on	
Executive Level Decision Making Using DFA	2004
Chairperson, CAS Risk & Capital Mgmt. Seminar	2002
Chairperson, CAS DFA Seminar	2000 – 2001
Vice Chairperson, CAS DFA Seminar	2000
Faculty Member, CAS Limited Attendance	
Seminars on Dynamic Financial Analysis	1998 – 1999, 2001 – 04
Chairperson, CAS New Fellows Committee	2003 – 2006
Vice Chairperson, CAS New Fellows Committee	2003
CAS Committee on Health and Managed Care Issues	1996 – 2001

PROFESSIONAL PUBLICATIONS

"The Future of ERC Captives," *Best's Review Issues & Answers,* August 2017

"The Actuary's Role in Captive Formation," *Captive Review – How to Start a Captive Report 2017*

"Common Ground With The IRS?" *Captive Review Domiciles,* April 2017

"The Case for Birth Injury Funds," *Pinnacle Actuarial Resources Monograph Program,* March 2017

"A Guide to Actuarial Reports," *International Risk Management Institute*, March 2017

"Diversification in the Medical Professional Liability Market," *Inside Medical Liability*, PIAA, First Quarter 2017 (Also published in *Pinnacle Actuarial Resources Monograph Program,* January 2017)

"Puerto Rico: The Right Place, the Right Time?" *Captive Review*, November 2016

"Workers Comp: Approaches That Work," with Jing Liu, FCAS, MAAA, *Captive Review*, October 2016

"Will Captives Capitalize on Analytics?" *IRMI Captive Insurance Company Reports*, October 2016

"How Do Actuaries Preserve Their Market Value?" *Actuarial Review*, September/October 2016

"Your Results May Vary," with Erich A. Brandt, FCAS, MAAA, and Gregory W. Fears, Jr., ACAS, MAAA, ARM, *Risk Retention Reporter* (Also published in *Pinnacle Actuarial Resources Monograph Program,* September 2016)

"Captive Expertise," *Best's Review Issues & Answers,* August 2016

"The Actuary's Expanding Role in the Era of Big Data," *Captive Review – Captive Start-Up Report 2016* (Also published in *Pinnacle Actuarial Resources Monograph Program,* September 2016)

"The Benefits of Automated Underwriting," *Pinnacle Actuarial Resources Monograph Program,* May 2016

"More Than Insurance, Homegrown Vermont RRG Protects Land that Americans Love," VCIA Newsletter: *The Captive Chronicle*, May 2016

"A Deep Dive into the Casualty Group Captive Space," *TerrillConnect* Interview, March 2016

"Healthcare Provider Captives: An Alternative Approach to Evolving Coverages," *Inside Medical Liability*, PIAA, First Quarter 2015

"Expert Captive Analysis," *Best's Review Issues & Answers,* August 2014

"Innovative Uses of Captives for Health Care Providers," *Pinnacle Actuarial Resources Monograph Program,* August 2014

"Using the Hospital Medicare Licensee Database for Analytics," *Pinnacle Actuarial Resources Monograph Program,* October 2013

"Effects of Loss Reserve Margins on Calendar Year Results – Balcarek Expanded," with Erich A. Brandt, FCAS, MAAA, *CAS Forum*, Fall 2013

"External Peer Review," *Pinnacle Actuarial Resources Monograph Program,* January 2013

"DD&R Reserves for Claims-Made Professional Liability Coverage," with Jessica Lasher, CPA, *Johnson & Lambert Industry Insights*, September 2011 (Also published in *Pinnacle Actuarial Resources Monograph Program*)

"Improving Commercial Casualty Claims Handling with Predictive Analytics," *Pinnacle Actuarial Resources Monograph Program,* October 2010

"How I Became a Negative Patient Outcome Statistic – and What I Learned," *Physician Insurer*, Second Quarter 2010

"Underwriting Power Tools for Small Business Insurance," *Pinnacle Actuarial Resources Monograph Program,* September 2008 (reprinted in National Association of Mutual Insurance Companies (NAMIC) Farm Forum in 2009)

"Medical Malpractice Predictive Modeling: A Push-Me-Pull-You Proposition" *Physician Insurer*, First Quarter 2008

"Commercial Auto Predictive Modeling: The Time Is Now," *Pinnacle Actuarial Resources Monograph Program,* September 2007 (Reprinted in Best's Review October 2007 as "Rules of the Road: Predictive Modeling Can Help Commercial Insurers Set Premiums")

"Having to Say You're Sorry: A More Efficient Medical Malpractice Insurance Model" Contingencies, November/December 2006

"I Like You as a Neighbor, But We're Not Sharing Checkbooks (Opportunities and for public entity groups)" *Public Risk Magazine,* June/July 2006

"What Makes an Effective Captive Application: Actuarial Do's and Don'ts" *Captive Chronicle,* June/July 2006

"Medical Malpractice Insurance: A Call for Efficiency" *Pinnacle Actuarial Resources Monograph Program,* May 2006

"The Case of the Medical Malpractice Crisis: A Classic Who Dunnit," *CAS Forum,* Summer 2004

"Are You Ready to Unlock the Power Hidden in Your BOP Application," *Pinnacle Actuarial Resources Monograph Program,* July 2003

"A Dynamic Approach to Modeling Free Tail Coverage," *CAS Forum*, Fall 1999

"Customizing the Public Access Model Using Publicly Available Data," *CAS Forum,* Summer 1999

CURRENTLY APPOINTED ACTUARY

American Risk Management Risk Retention Group	2016 - Present
Asset Protection Program Risk Retention Group	2014 – Present
Aviation Alliance Insurance Risk Retention Group, Inc.	2012 – Present
Blackshield Indemnity International Insurer	2017 - Present
C.A.R. Risk Retention Group, Inc.	2016 – Present
Cedar Rapids Insurance Ltd.	2003 – Present
Continuing Care Risk Retention Group	2015 – Present
Emergency Medicine Professional Assurance Co. RRG	2016 - Present
Florida Lawyers Mutual Insurance Company	2010 – Present
FS Preferred Insurance Company	2004 – Present
Great Plains Casualty, Inc.	2007 – Present
Highland Fidelity Limited	2014 - Present
Madison International Insurance Company, I.I.	2016 - Present
Madison RE, International Insurer	2015 – Present
Missouri Doctors Mutual Insurance Company	2015 - Present
Pamlico Insurance Company Limited	2016 - Present
PCH Mutual Insurance Co., Inc., A Risk Retention Group	2016 - Present
Peninsula Insurance Company, Ltd.	2008 – Present
PIA Professional Liability Insurance Company, RRG	2013 – Present
Romulus Insurance Risk Retention Group	2015 – Present
SCRUBS Mutual Assurance Co. Risk Retention Group	2016 - Present
Spencer Re Insurance Company	2017 - Present
Terra Firma Risk Retention Group	2014 – Present
The Captive Advantage for Human Services	2012 - Present
Traders and Merchants Insurance Company, Ltd.	2015 - Present

Currently provides statements of actuarial opinion for scores of captive insurance companies not required to file NAIC annual financial statements.

PROFESSIONAL PRESENTATIONS

Numerous interviews and presentations at educational seminars conducted by the CAS and other industry organizations on topics including:

- Captives and Alternative Markets Pricing and Loss Reserving
- Dynamic Financial Analysis and Enterprise Risk Management (ERM)
- Ratemaking and Loss reserving for Workers Compensation, Professional Liability, Commercial Automobile, Business Owners Policy (BOP) and Commercial Specialty Lines
- Predictive Analytics for Commercial Lines Insurance
- Loss Reserving issues specific to Medical Professional Liability
- Self-Insured Funding and Reserving for Individual and Group Programs
- Legislative Costing for Medical Professional Liability, Workers' Compensation, Commercial Auto Liability, Contractors Liability
- Workers Compensation Managed Care
- Actuarial Professionalism

PROFESSIONAL PRESENTATIONS

Presentations at actuarial, captive insurance and property and casualty educational seminars include:

- American Association of Insurance Services (AAIS) Conference
- Bermuda Captive Conference
- British Virgin Islands Captive Insurance Educational Conference
- Captive Alternatives Annual Meeting
- Captive Insurance Companies Association (CICA) Annual Meeting
- Casualty Actuarial Society (CAS)
    - Casualty Loss Reserve Seminar (CLRS)
    - Central States Actuarial Forum
    - Midwestern Actuarial Forum
    - Ratemaking Seminar
    - Ratemaking and Product Management (RPM) Seminar
    - Special Interest Seminars
    - Spring and Fall Annual Meetings
    - Webinar Program
- Farm Bureau Actuaries Conference
- Illinois State University – Katie School of Insurance – Financial Regulators Program
- Insurance Managers Association of Cayman (IMAC)
    - Annual Meeting
    - Summer Educational Conference
- Insurance Regulatory Examiners Society (IRES)
- International Center for Captive Insurance Education (ICCIE) Webinars
- Montana Captive Insurance Association Annual Conference
- National Association of Insurance Commissioners (NAIC) Quarterly Meeting
- National Association of Mutual Insurance Companies (NAMIC)
    - Commercial Lines Underwriting Seminar
    - Annual Meeting
- North Carolina Captive Insurance Association Meeting
- Oxford Risk Partners Annual Conference
- Property Casualty Insurers Association of America (PCI) Joint Marketing and Underwriting Seminar
- Physician Insurers Association of America (PIAA) Annual Meeting
- Public Risk Management Association (PRIMA) Annual Meeting
- Risk and Insurance Managers Society (RIMS) Conference
- Self-Insurance Association of America (SIAA)
    - Annual Conference
    - International Conference
- Society of State Filers
- South Carolina Captive Insurance Association Meeting
- Tennessee Captive Insurance Association Conference
- USA Risk Annual Conference
- Vermont Captive Insurance Association Annual Conference
- Western Regional Captive Insurance Conference (WRCIC)
- Willis Re Healthcare Reinsurance Forum

EXPERT TESTIMONY/ REPORTS

Florida Office of Public Policy and Governmental Accountability, 2004-07
Florida Office of Insurance Regulation, 2014
Illinois Department of Insurance, 2010
Indiana State Medical Association, 2014, 2016
Maine Joint Standing Committee on Insurance and Financial Services, 2004
Maryland Insurance Administration, 2013
Maryland Legislature, 2014-2017
Massachusetts Division of Insurance, 2012
Michigan Office of Insurance and Financial Regulation, 2007-2008
Missouri Division of Workers Compensation, 2009-2012
Missouri Second Injury Fund, 2011-2013, 2017
New Mexico Patients Compensation Fund, 2002 - 2017
New York Department of Financial Services, 2010 - 2017
New York Medical Indemnity Fund, 2011-2017
Ohio Medical Malpractice Commission, 2003
Oregon Medical Association, 2005
Oregon Prof. Panel for Analysis of Medical Professional Liability Ins., 2004
Oregon Construction Claims Task Force, 2006
Republican Governors Association, An Analysis of the Impact of Workers' Compensation Reform in Nevada, 2005
Virginia Birth Related Neurological Injury Compensation Program, 2003 - 2010
Virginia State Corporation Commission, Bureau of Insurance, 2011 - 2016
Virginia Medical Society, 2008
Wisconsin Assembly Committee on Insurance, 2005
Wisconsin Injured Patients and Families Compensation Fund, 2007 - 2016
Wisconsin Medical Society and Wisconsin Hospital Association, 2005, 2007

Numerous written and oral testimonies in support of arbitrations, mediations, and litigations associated with commercial lines insurance issues in numerous venues including the U.S. Tax Court, U.S. Bankruptcy Court, U.S. District Courts, and state courts.

2018 Actuarial Analysis of the

New Mexico Patients Compensation Fund

July 2019

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Commitment Beyond Numbers

Table of Contents

2018 Actuarial Analysis of the New Mexico Patients Compensation Fund

Executive Summary [1]

The New Mexico Patients Compensation Fund (PCF) serves a vital role in supporting the overall health of the medical professional liability insurance (MPLI) system in New Mexico. The PCF provides excess coverage that stabilizes the operating results of participating insurers and encourages competition which leads to greater availability and affordability of coverage. In New Mexico and other states, a competitive MPLI market tends to attract new physicians leading to greater access to care. The coverage provided by the PCF requires the use of an occurrence coverage form, preferred by healthcare providers, with limits that provide comprehensive coverage to ensure that injured patients receive appropriate compensation for their injuries. As a result, all stakeholders in the New Mexico healthcare system benefit in some way from a healthy PCF.

One way that the New Mexico Office of Superintendent of Insurance (OSI) ensures the ongoing health of the PCF is to conduct a periodic actuarial review. This review examines several aspects of the PCF including analyses of indicated reserves for unpaid losses and appropriate assessment surcharges for upcoming policy periods.

Through a review of a number of both publicly available and proprietary data sources, Pinnacle has come to a number of key conclusions regarding a number of aspects of the PCF. The highlights of our findings regarding the various issues include:

Unpaid Claims Liabilities

- Pinnacle estimates the amount of losses still to be paid for all claims occurring prior to December 31, 2018 to be approximately $131.5 million on a nominal basis, $119.0 million on a discounted basis using a 3.5% discount rate, and $143.5 million when the discounted reserves reflect a risk margin to increase to the statistical confidence to 90%. These are all increases from the values as of December 31, 2017 of $100.9 million (nominal), $91.2 million (discounted) and $109.9 million (discounted at 90% confidence).

[1] Third parties receiving only this Executive Summary should recognize that the furnishing of this summary is not a substitute for their own due diligence and should place no reliance on this summary that would result in the creation of any duty or liability by Pinnacle to the third party. Pinnacle is available to answer any questions regarding the information contained in the Executive Summary.

PCF Surplus/Deficit

- The current PCF Fund balance of approximately $87.1 million as of December 31, 2018, when compared to Pinnacle's estimate of indicated nominal loss reserves of approximately $131.5 million, suggests a Fund deficit position of $44.4 million, or just over 50% of the current Fund balance. This is an improvement of $11.0 million since our analysis as of December 31, 2017.
- Reflecting reserves on a present value basis, using a 3.5% discount rate, results in a Fund deficit of approximately $31.9 million. This is an improvement of $13.7 million since our analysis as of December 31, 2017.
- If discounted loss reserves are increased to the 90% confidence level, the resulting reserves indicate a $56.4 million PCF surplus deficit.

Expected Surcharge Levels

- Pinnacle's prospective rate level indication for physicians & surgeons suggests an increase of +13.8% on an expected value basis. If adjusted to a 90% level of statistical confidence, an indicated increase of +37.2% results. This estimate only reflects expected future losses and does not contemplate funding to reduce the indicated Fund deficit.
- Given the magnitude of the current indicated Fund deficit, a small additional increase in surcharges to begin reducing the deficit would be reasonable from an actuarial perspective.
- Pinnacle's rate level indication for hospitals suggests a decrease of -4.5% on an expected value basis. At a 90% level of statistical confidence, the indicated increase is +15.2%. Stable loss ratios in the three most recent years support keeping in assessments level.
- We received a more accurate breakdown of losses for this analysis detailing the split of PCF payments when both a physician and hospital were named as providers on a claim. This breakdown showed that some payments originally attributed to hospitals were actually made on behalf of physicians, not the hospital. This resulted in a shifting of some payments from our prior analysis.

Background

The PCF was established in 1976 to provide for the payment of claims in excess of a primary limit of $100,000 per incident which was provided by private insurers. This resulted in the PCF providing coverage with a non-medical indemnity limit of $400,000 per incident (to reach the state damage cap on non-medical damages), plus unlimited medical benefits. Effective July 1, 1991, the primary limit was increased to $150,000 on new and renewal policies, thereby reducing the PCF's liability limit to $350,000 non-medical indemnity, plus unlimited medical. The PCF's liability was further reduced to $300,000 effective April 1, 1992 when the primary limit was increased to $200,000. Most recently, an increase in the maximum non-medical indemnity amount to $600,000 effective April 1, 1995 increased the PCF liability retention to $400,000 non-medical indemnity, plus unlimited medical.

The unlimited medical feature of the New Mexico PCF presents significant risk for the PCF and additional variability in estimating the current liabilities and prospective rates. Since the detailed data available to estimate the unpaid claims liabilities and indicated surcharge levels only goes back to calendar year 2000, some adjustments are required to this data. These adjustments, as well as the methods and assumptions used to estimate indicated loss reserves and PCF surcharges are detailed later in the report and in the attached exhibits.

Pinnacle Actuarial Resources, Inc. (Pinnacle) has been retained by the New Mexico Office of Superintendent of Insurance (OSI) to conduct a comprehensive actuarial analysis of the New Mexico Patients Compensation Fund (PCF). This analysis will contain several components including evaluation of:

- the estimated ultimate liabilities for losses incurred by the New Mexico Patients Compensation Fund (PCF) as of December 31, 2018, and
- recommended PCF assessment surcharges to fund the operations of the PCF for the effective date of September 1, 2019.

Pinnacle is an Illinois corporation that has been in property and casualty actuarial consulting since 1984. Our actuarial consultants make Pinnacle one of the largest property/casualty actuarial consulting firms in the U.S. We specialize in insurance pricing, loss reserving, alternative markets, legislative costing, market analysis and financial risk modeling.

Pinnacle has established a reputation as a provider of unbiased, independent, actuarially sound analyses and reports. This reputation is demonstrated in the variety of clients that have engaged us for projects similar to this one. Clients that have engaged Pinnacle in areas of medical professional liability

including governmental insurance programs, legislative costing and market evaluation have included healthcare industry associations (e.g. American Medical Association, Oregon Medical Association, Medical Society of Virginia), insurance departments and governmental panels (e.g. Connecticut, Florida, Illinois, Indiana, Maine, Michigan, New York, Ohio, Oregon), and government insurance programs, (e.g. Florida Neurological Injury Compensation Association, New Mexico Patient Compensation Fund, New York Medical Indemnity Fund, Virginia Birth Related Neurological Injury Compensation Program, Wisconsin Patients Compensation Fund). Pinnacle may be unique in the breadth of parties involved in the medical professional liability insurance system that have engaged us.

Data Sources

Our analyses use a number of data sources. The data sources are categorized as follows:

1. PCF Financial Statement Data
2. Industry Rate Filings
3. PCF Claims Data

A brief description of the data sources utilized in each area along with a description of the key data elements and potential limitations of the data follows for each category.

PCF Financial Statement Data

Unlike insurance companies who are required to provide extensive, detailed financial information annually that complies with a standardized format prescribed by the National Association of Insurance Commissioners (NAIC), most governmental insurance programs, such as the PCF, have much simpler financial reporting requirements.

Pinnacle was provided a single document, one page in length, related to and supporting the financial statements of the PCF. While in analyses prior to 2015 monthly cash flows in and out of the PCF were provided dating back to 1996 (including surcharge collections, loss payments, interest earned, underwriting expenses and claims handling expenses), for this analysis as well as the 2015 and 2017 analyses we were provided only with loss, expense and operating payments; surcharges; and the total PCF funds for calendar years 2014 through 2018. However, for this analysis we were also provided with categories of operating expenses to consider in the surcharge evaluation as well as significantly revised PCF total funds.

Industry Rate Filings

Insurance company rate filings provide valuable insights into individual insurance company perceptions of prospective claim trends. Many of these filings include rigorous actuarial analyses of claim frequency, severity and pure premium trends. Due to data limitations, these trend analyses are often performed on countrywide data to increase statistical credibility. Pinnacle reviewed several publicly available filings for medical professional liability insurance (MPLI) providers and government insurance programs in New Mexico and other states to assess trends in the MPLI marketplace and for MPLI excess insurance programs in particular. Pinnacle relied on this information without independent review or verification. However, given that information had been through regulatory scrutiny, we are comfortable that the information is appropriate for the limited role it plays in our analysis.

PCF Claims Data

The enabling statute for the PCF (41-5-25) requires that the PCF surcharges be based on data obtained from New Mexico experience if available. When Pinnacle began performing these studies for OSI, credible New Mexico loss data in the PCF layer was only available on a calendar year basis which is not appropriate for reserving or ratemaking. As a result, prior analyses relied on New Mexico data for losses limited to $100,000 from the two major primary insurers in New Mexico that participate in the PCF.

Starting with our 2010 study, OSI has been able to provide detailed claim data for most claims paid since 2000. Most of this data had valid loss dates and payment dates as well. In addition, a table of open claims with loss date information was also provided. These databases enabled Pinnacle to develop a much more direct approach to estimating indicated loss reserves as well as prospective assessment surcharge levels. However, for the 2015 analysis, only calendar year 2014 and 2015 aggregate loss payments were provided. We were again provided with detailed claim data for the 2017 and current analyses, which show that the prior estimated calendar year 2014 and 2015 payments were much too high. We have relied upon the individual claim data provided to us for the current analysis and prior analyses.

Starting with the 2017 analysis and continuing in the current analyses, significant effort has gone into improving the loss database provided to us by OSI. These improvements now allow us to sort payments by hospital/provider more precisely. We anticipate that this improvement to the database going forward will provide material insights into the PCF payments.

We were also provided with specific information regarding two large groups of claims. For the first group (Batch #1), we understand that early in 2012, a group of approximately 69 claims associated with a single physician and medical center were all settled. Most of these claims occurred in the 2007-

2009 period. It has been represented to us that the settlement paid by the PCF on Batch #1 claims is $11.7 million. We were provided the approximate number of claims per accident year by the department and have reflected this settlement across accident years 2006-2009, allocating the settlement by the number of claims falling in each accident year.

The second group of claims (Batch #2) were made for a single physician and associated corporations for a total of 31 incidents in accident years 2005-2010. These claims were settled for $10,182,000. We have allocated this amount based on the claim counts in each accident year from 2005 through 2010.

Please note that for the purposes of this report, the accounting date and the valuation date was December 31, 2019. The review date (the cutoff date for including information to the actuary) was May 22, 2019.

Discussion and Analysis

Estimated Unpaid Claims Liabilities as of December 31, 2018

Pinnacle estimates the amount of losses still to be paid for all claims occurring prior to December 31, 2018 to be approximately $131.5 million on a nominal basis, $119.0 million on a discounted basis using a 3.5% discount rate, and $143.5 million when the discounted reserves reflect a risk margin to increase to the statistical confidence to 90%. These results are summarized in Exhibit 1. These amounts represent estimates of the losses that remain to be paid from the current Fund balance if the PCF had ceased operations as of December 31, 2018. These are all increases from the values as of December 31, 2017 of $100.9 million (nominal), $91.2 million (discounted) and $109.9 million (discounted at 90% confidence).

The present value as of December 31, 2018, assuming a 3.5% annual discount rate, of unpaid losses on claims occurring through December 31, 2018 is estimated as $119.0 million. The $31.9 million difference between the discounted losses and the estimated December 31, 2018 PCF Fund balance ($87.1 million) represents the present value of the expected deficit between the currently available funds and the funds needed to meet all outstanding claim obligations as of December 31, 2018. The current PCF Fund balance is also $44.4 million lower than the nominal reserve estimate. If discounted loss reserves are increased to the 90% confidence level, the resulting reserves indicate a $56.4 million PCF surplus deficit.

Methodology

Pinnacle's estimates of ultimate losses for the PCF were developed based on four actuarial methods for the physician data and three methods for the hospital data. The methods used are paid loss development, expected loss ratio method, paid loss Bornhuetter-Ferguson (B-F) method, and average paid claim development (also known as a frequency and severity or counts and averages method; this method was not used with the hospital data). These methods are among the most commonly used methods and would be considered generally accepted actuarial methods. The intended measure of this approach is an actuarial central estimate of the ultimate losses and indicated loss reserves. The calculations and assumptions underpinning these methods are documented in Exhibits 3 through 8 for the physician data and Exhibits 12 through 13 for the hospital data.

The paid loss development method uses historical loss payment patterns to project actual payments to an ultimate settlement basis. Estimates of the percentage of additional development expected during a given interval between valuations (link ratios or age-to-age factors) based on historical development of the combined physician and hospital experience are used to estimate the expected amount of ultimate loss that is paid as of a given valuation. These factors "to ultimate" are applied to the latest paid loss data for each accident year to compute an estimate of ultimate losses. Estimates produced using this method are not affected by changes in case reserve adequacy or open claim frequency that might have occurred during the review period. The inability to respond to the presence or absence of large outstanding claims is a significant weakness of this method. This method may also be susceptible to changes in claims settlement philosophy and/or payment speed. The results of the paid loss development method are summarized in Exhibits 4 and 13. The paid loss development triangles and selected age-to-age factors are shown in Exhibit 15.

The expected loss ratio method assumes that over the long run the ratio of ultimate losses to earned premiums, or in this case assessment surcharges, will remain stable. The long term loss ratio for the physician segment is assumed to be 115.0% for the 2000 and subsequent years based on the historical experience of the program, up from 110.0% in the 2017 analysis, and the loss ratio for the hospital segment is assumed to be 98.0%, a significant drop from the 120.0% assumed in the 2017 analysis reflecting the shift in losses paid from the hospital to physician segment. The estimates of ultimate losses are computed as the assessments for each year times this long term average loss ratio. The results of this method are shown in Exhibits 3 and 12, Page 2.

The B-F method estimates ultimate losses using a combination of a priori expected losses and loss development techniques. If we define:

A = Paid Losses
B = Expected Percentage of Ultimate Losses Reported
C = *a priori* Expected Losses, equal to historical assessments times long term loss ratio of 115.0% or 98.0% depending on the segment

then the estimated ultimate losses using the B-F technique are:

$$A + [C \times (1 - B)].$$

B-F ultimate loss estimates have the advantage of stability. This is important for coverages with long periods of loss development like MPLI. This stability means the method's estimates do not over-react to short term or one-time changes in development patterns that do not impact long-term development expectations. They also do not overreact to the presence or absence of large losses early in the development of a portfolio of claims. Conversely, B-F estimates have the disadvantage of being slow to respond to real changes in underlying loss development behavior. The a priori losses were based on the expected loss ratio method previously described. This method is summarized in Exhibits 3 and 12, Page 1.

The counts and averages method estimates ultimate losses by multiplying an estimate of the ultimate number of claims by a selected average cost per claim. This method was only used on the physician segment as the hospital data is not yet robust enough to support the method. The results of this method are contained in Exhibits 5 through 8 and summarized in Exhibit 5. The supporting development patterns are contained in Exhibit 16.

The estimated number of claims has been selected based on three methods: a closed claim development method, a B-F method, and a frequency method looking at the long term ratio of claims closed with payment to assessment revenues. Similarly, average claim costs (severities) have been estimated using paid claim severity development and applying a smoothing approach to adjust for volatility between years.

These four methods are standard actuarial reserving techniques for estimating claim liabilities. Selected ultimate loss estimates for the PCF layer of coverage by year were then made based on the results of these four methods for each segment (three methods for the hospitals segment). These estimates rely heavily on the B-F method and expected loss ratio method in the more recent years.

Exhibit 1, Page 3 contains a detailed comparison of the selected ultimate losses compared to the results of our previous study. Estimated ultimate losses for years 2004 and prior have all produced reductions since the last study, while the estimates for 2005 through 2012 all increased (in the case of 2012, the increase was $3.8 million, or 42% of the prior estimate). Estimates for 2013 – 2017 decreased somewhat, except for 2015 which saw a modest increase.

Because of the often significant delay between the occurrence of a PCF claim and its payment, a material discount to bring the ultimate claim payments to a present value reflecting the time value of money exists. Exhibit 1, Page 2 contains the analysis developing estimates of the PCF present value factors based on a 3.5% rate of return and the estimated PCF excess payment pattern. This analysis assumes claim payments are made mid-year on average.

The financial operations of the PCF are similar to a commercial insurer, but one major difference is that the PCF does not maintain a large capital/surplus account. However, in any given year, the actual experience of the PCF can deviate widely from the expected experience. Unanticipated changes in the social, legal or economic environments can also adversely affect PCF experience. An insurer's capital/surplus can assist in withstanding such deviations in experience. By adding a margin for the risk of adverse deviation to indicated loss reserve (and also funding levels), the PCF can be protected in a similar manner.

There are various rules of thumb used in the insurance industry (some mandated by state regulations) that specify the size of the required risk margin (surplus). One state, for example, requires a margin sufficient to assure that funds will be sufficient to meet all claims obligations under 90% of all claims scenarios on a discounted basis. While there are a number of methods for estimating a risk margin, a reasonable margin can be estimated via a simulation model.

We constructed a simulation model that randomly generated possible aggregate loss outcomes for each of the PCF's projected unpaid claims that will ultimately result in payments. Each random outcome generated by a model is called a trial. A trial consists of simulating the individual and aggregate claim results for the PCF for the coming years. We generated 10,000 trials for each model and produced a distribution of aggregate PCF losses. We then compared the average outcome with the outcome at the 90th percentile to compute the risk margin for the 90% confidence level. Exhibit 1, Page 1 summarizes Pinnacle's selected ultimate losses and ultimate loss reserves as of December 31, 2018. These selected reserves are then adjusted for discounting at 3.5% annually and a risk margin to increase statistical confidence to the 90% level. A similar simulation model was created for the risk margin applied to the prospective rate level indication and a similar approach was used to develop the rate indication at the 90% confidence level.

PCF Surplus/Deficit

The current PCF Fund balance appears to be approximately $87.1 million as of December 31, 2018. When compared to Pinnacle's estimate of indicated loss reserves of approximately $131.5 million, this would suggest a Fund deficit position of $44.4 million as of December 31, 2018. The indicated Fund position remains a deficit of approximately $31.9 million when losses are considered on a discounted basis using a 3.5% discount rate.

However, it is imperative to understand that the application of discounting to these unpaid claims liabilities strongly indicates the need to add an explicit risk margin. For example, section 3.6 of Actuarial Standard of Practice No. 20 promulgated by the Actuarial Standards Board entitled, "Discounting of Property/Casualty Unpaid Claim Estimates" states that, "The actuary should be aware of the relationship between discounting unpaid claim estimates and risk margins. Discounting an unpaid claim estimate diminishes the [implicit] margin in an undiscounted unpaid claim estimate."

The standard allows both implicit margins (such as the nominal reserve estimate) and explicit margins (such as the 90% risk margin developed by Pinnacle). If discounted reserves are increased to the 90% confidence level, the resulting reserves of $143.5 million indicate a $56.4 million PCF surplus deficit.

Expected Surcharge Levels

A table of current and recommended PCF surcharges by physician class is shown in Exhibit 9. Recommended surcharges were computed based on both an expected value basis and a 90% confidence level. The indicated percentage rate level changes are derived in Exhibit 10. On an expected value basis the indicated surcharge change is an increase of +13.8%, while at the 90% confidence level an indicated increase of +37.2% is indicated. Including the risk margin improves the likelihood that rates will be sufficient to cover all claims liabilities for the upcoming exposure year.

Investment income as an offset to the otherwise required revenue is recognized in both sets of rates using a 3.5% annual discount rate. Loss ratios were selected based on historical results and reflect recent loss ratio deterioration. The rates include provisions for other expenses, such as administration and medical/legal panels, as well as losses. However, since allocated loss adjustment expenses (ALAE) have historically been paid by the primary carrier, no ALAE provision is included in the PCF rates. Exhibit 17 shows selected ratios of expenses to either losses or surcharge revenues based on the PCF's historical paid expenses and losses. There is also no provision for profit and contingencies in the rate level indications, other than the risk margin.

Glossary of Terms & Abbreviations

The definitions included in this glossary are intended to be practical definitions to assist non-technical readers in understanding the key technical contents of this report.

Accident Year – A method of organizing insurance loss and loss adjustment expense data according to the year in which the accident or event occurred.

Annual Statement – A detailed financial report of an insurance company, required to be filed with state insurance regulators in a specified format using insurance-specific accounting rules.

Calendar Year – A method of organizing insurance loss and loss adjustment expense data according to the year in which the financial transaction (e.g., a loss payment or reserve increase) occurred.

Case Reserves – A financial provision for the potential liability associated with known, unpaid claims.

Claims-Made Coverage – An insurance coverage form that provides reimbursement for claims reported during the coverage period.

Damage Cap – An amount imposed as a limit on claim damages. In New Mexico, this cap applies only to non-medical indemnity payments.

DCC – Defense and Cost Containment, loss adjustment expenses specifically attributable to the defense of a claim or cost containment procedures. Also called DCCE.

Earned Premium – The portion of an insurance policy's premium for which the coverage has been provided.

Experience Rating – A method of adjusting insured premium derived from manual rates for insured historical loss experience to the extent that it is predictive of future loss results.

Frequency – The number of claims per unit of exposure, such as physicians or beds.

Incurred but not Reported (IBNR) reserves – A provision for unpaid claims liabilities intended to provide a provision for both unknown/unreported claims events and additional development on known claims.

Incurred Loss – Paid losses plus Case Reserves.

Indemnity – The sum paid by the insurer to the insured by way of compensation for a particular loss suffered by the insured.

LAE – Loss Adjustment Expenses; insurance company expenses associated with settling claims. LAE includes both unallocated loss adjustment expenses (ULAE, which is similar to Adjusting and Other Expense, AOE) and allocated loss adjustment expenses (ALAE, which is similar to DCC).

Limit – The most the insurer is obligated to pay for loss in any one occurrence.

Loss Cost – The ratio of actual losses to a company's subject matter exposure for the same period.

Loss Ratio – The ratio of some measure of losses (typically paid or incurred) to some measure of premium.

Patient Compensation Fund (PCF) - a medical malpractice insurance mechanism, created by state law, designed to increase professional liability coverage availability and/or affordability primarily by providing coverage for a specific type of injury or an excess layer of coverage.

Primary Carrier – The insurance company issuing the insurance policy to the insured and typically providing the lowest or primary layer of coverage. This is compared to a reinsurer or excess carrier providing coverage to the primary insurer for higher loss limits.

Pure Premium – The provision in the rate per exposure unit to pay losses.

Rate – The price per exposure unit for insurance coverage.

Reinsurance – A mechanism by which an insurance company can transfer some of their insurance risk to another insurer.

Report Year – A method of organizing insurance loss and loss adjustment expense data according to the year in which the accident or event was reported to the insurer, regardless of when it occurred.

Risk Margin – A factor added to indicated ultimate losses, loss reserves or funding estimates to increase statistical confidence to a higher level.

Severity – The average cost or payment amount of a claim.

Surcharges – For the PCF, assessments paid by insureds to fund benefits payments. Akin to premiums, these surcharges are added to the premiums charged by primary insurers so insureds can make a single payment for both primary and PCF coverage.

Territory – The geographic area within which a carrier provides coverage.

Trend – The direction and amount that rates, premium, or losses tend to move over time.

Written Premium – The entire amount of premium on a policy contract.

Legal Disclosures

Distribution and Use

This report is being provided to the OSI solely for their internal use. It is understood that this report may also be distributed to representatives of the New Mexico Medical Society, New Mexico Bar Association, as well as other makers of public policy and various stakeholders in the healthcare industry in the State of New Mexico. Distribution to these parties is granted on the conditions that the entire report be distributed rather than any excerpts and that all recipients be made aware that Pinnacle is available to answer any questions regarding the report. In the event our report is distributed to other parties due to statute or regulations, or by agreement of Pinnacle and the OSI, we require that the report and supporting exhibits be distributed in their entirety. Pinnacle advises that any recipient 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.

In addition, the OSI may desire to distribute the Executive Summary separately to summarize key findings for broader distribution. This distribution is also granted. Individual findings may also be referenced in press releases and other public communications along with proper citation of the report.

Third party users of any of the elements of this report should recognize that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data, computations, or interpretations contained herein that would result in the creation of any duty or liability by Pinnacle to the third party.

Any reference to Pinnacle in relation to this report in any reports, accounts, or other published documents or any verbal reference issued by PCF is not authorized without prior written consent and then only if the complete report is provided.

Reliances and Limitations

Judgments as to conclusions, recommendations, methods and data contained in this report should be made only after studying the report in its entirety. It should be understood that the exhibits, graphs and figures are integral elements of the report. These sections have been prepared so that our actuarial assumptions and judgments are documented. Pinnacle is available to answer any questions that may arise regarding this report. We assume that the user of this report will seek such explanation on any matter in question.

We have relied upon a great deal of publicly available and proprietary data, without audit or verification. Pinnacle reviewed as many elements of this data and information as practical for reasonableness and consistency with our knowledge of the insurance industry. It is possible that the historical data used to make our estimates may not be predictive of future experience in New Mexico. We have not anticipated any extraordinary changes to the legal, social or economic environment which might affect the size or frequency of medical malpractice claims beyond those contemplated in the proposed legislative changes.

Our analysis is based on closed and open claims information provided by OSI in prior analyses as well as closed claim information for the years 2012 through 2018. In the data provided for prior analyses, there were a small number of claims that did not contain accurate loss dates. In addition, there were a small number of claims handled in 2000-2001 by a secondary third party administrator (TPA) that were not contained in the data we were provided. However, we believe the methods and assumptions incorporated into our analysis effectively recognize these shortcomings in the data. If it is subsequently discovered that the underlying data or information provided to us is materially in error, the calculations and conclusions herein will not be correct and will need to be revised. We expect OSI to notify us promptly if any such data issues are subsequently discovered.

The payment pattern used in our analysis for deriving PCF's present value factor and estimated unpaid losses is based on the data available from PCF claims payments for most claims since 2000 through 2018. We also reviewed a variety of external databases for other PCFs and MPLI reinsurance to validate the reasonableness of the payment pattern for the PCF excess layer. The volatility of the payment patterns for this layer of coverage on a relatively small portfolio of claims introduces additional risk into the estimation process.

Many actuarial estimates, including loss and loss adjustment expense reserves, future premium level estimates and potential legislative impacts, are subject to potential errors of estimation due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur, e.g., jury decisions, judicial interpretations of statutory changes and attitudes of claimants with respect to settlements. Pinnacle has employed techniques and assumptions that we believe are appropriate, and we believe the conclusions presented herein are reasonable, given the information currently available. It should be recognized that future loss emergence will likely deviate, perhaps substantially, from our estimates.

A source of variation is introduced in estimating outstanding liabilities on a discounted basis. That is, besides the risk of underestimating or overestimating the overall amount of nominal loss liabilities, there is the additional risk that the future yield on the underlying assets will differ from our assumed

discount rate. Actual loss payments could occur materially more rapidly or more slowly than projected, due to random variations and the timing of large claim payments. The yield on assets supporting the liabilities may be affected by capital gains or losses, or significant changes in economic conditions. The 3.5% interest rate used in the discounting calculation was provided to us by the OSI and we are expressing no opinion on the appropriateness of this interest rate.
The mathematical techniques underlying our estimate of the risk margin are intended to provide an approximation of the potential variation in loss costs. It should be noted that this estimate reflects only the potential "process" variation (i.e., the random variation inherent in the claim process) based on the assumed loss distributions and the selected parameters. Additional "parameter" variation exists due to the risk that the selected theoretical loss distributions and their parameters will not be predictive of the actual loss distributions. Of particular concern is the potential for unexpected increases in the inflation of the losses.

A simulation model of this type cannot possibly capture all or completely describe any of the dynamic forces that impact medical professional liability losses. Such a model, however, can provide considerable insight into the range of potential fluctuation of losses.

Pinnacle is not qualified to provide formal legal interpretations of state legislation. The elements of this report that require legal interpretation should be recognized as reasonable interpretations of the available statutes, regulations, and administrative rules. State governments and courts are also constantly in the process of changing and reinterpreting these statutes.

Exhibits and Appendices

Estimated Unpaid Claims Liabilities & Surcharge Levels

Exhibit 1. Reserve Summary; Calculation of Discount Factor; Compare (pages 1-3)

Exhibit 2. Physicians & Surgeons - Selected Ultimate Losses

Exhibit 3. Physicians & Surgeons - B-F and Expected Loss Ratio Methods

Exhibit 4. Physicians & Surgeons - Paid Loss Development Method

Exhibit 5. Physicians & Surgeons - Frequency and Severity Method

Exhibit 6. Physicians & Surgeons - Paid Claim Projection Based on B-F Method

Exhibit 7. Physicians & Surgeons - Paid Claim Projection Based on Frequency Method

Exhibit 8. Physicians & Surgeons - Paid Claim Development Method

Exhibit 9. Development of Physician Surcharge Estimates

Exhibit 10. Physicians & Surgeons – Indicated Rate Change

Exhibit 11. Hospitals - Selected Ultimate Losses

Exhibit 12. Hospitals - B-F and Expected Loss Ratio Methods

Exhibit 13. Hospitals - Paid Loss Development Method

Exhibit 14. Hospitals - Indicated Rate Change

Exhibit 15. Combined - Historical Loss Experience

Exhibit 16. Combined - Historical Claim Experience

Exhibit 17. Expense Analysis

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Reserve Summary

	Physician & Surgeons			Hospitals			Combined				
Accident Year	Selected Ultimate Losses	Paid Losses	Selected Ultimate Reserves	Selected Ultimate Losses	Paid Losses	Selected Ultimate Reserves	Selected Ultimate Reserves	Discount Factor	Estimated Discounted Reserves	Indicated Risk Margin @ 90%	Estimated Discounted Reserves @ 90%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2000	6,560,000	6,560,000	0				0	0.000	0	1.206	0
2001	9,261,652	9,261,652	0				0	0.000	0	1.206	0
2002	9,309,500	9,309,500	0				0	0.983	0	1.206	0
2003	6,602,760	6,596,189	6,572				6,572	0.983	6,460	1.206	7,790
2004	5,497,464	5,482,500	14,964				14,964	0.970	14,513	1.206	17,503
2005	9,807,180	9,776,657	30,523				30,523	0.955	29,139	1.206	35,142
2006	8,185,026	8,140,629	44,397				44,397	0.945	41,948	1.206	50,589
2007	19,120,000	19,005,969	114,031				114,031	0.938	106,994	1.206	129,035
2008	19,580,000	19,398,176	181,824				181,824	0.934	169,798	1.206	204,776
2009	12,040,000	11,817,704	222,296	388,421	375,000	13,421	235,717	0.931	219,405	1.206	264,602
2010	18,140,000	17,709,906	430,094	862,277	835,000	27,277	457,372	0.929	424,726	1.206	512,220
2011	19,610,000	18,972,165	637,835	2,106,190	2,041,563	64,627	702,462	0.923	648,120	1.206	781,633
2012	11,630,000	10,674,408	955,592	1,040,513	955,000	85,513	1,041,105	0.938	976,850	1.206	1,178,081
2013	8,760,000	5,781,250	2,978,750	858,816	625,898	232,918	3,211,668	0.950	3,052,627	1.206	3,681,468
2014	14,340,000	7,484,434	6,855,566	753,652	88,826	664,826	7,520,391	0.959	7,208,299	1.206	8,693,208
2015	11,140,000	1,240,000	9,900,000	2,114,649	737,868	1,376,782	11,276,782	0.943	10,631,150	1.206	12,821,167
2016	13,950,000	1,700,000	12,250,000	9,286,945	925,000	8,361,945	20,611,945	0.923	19,028,487	1.206	22,948,355
2017	22,676,596	500,000	22,176,596	18,271,430	175,000	18,096,430	40,273,026	0.902	36,320,907	1.206	43,803,013
2018	24,650,739	0	24,650,739	21,164,351	0	21,164,351	45,815,090	0.875	40,083,764	1.206	48,341,019
Total	250,860,917	169,411,138	81,449,779	56,847,243	6,759,154	50,088,089	131,537,868		118,963,186		143,469,603
(13)	Estimated 12/31/2018 Fund Balance						87,104,681		87,104,681		87,104,681
(14)	Difference						-$44,433,187		-$31,858,505		-$56,364,921

Column/Row	Note
(2)	Exhibit 2, Col (8)
(3), (6)	Provided by client
(4)	Col (2) - Col (3)
(5)	Exhibit 11, Col (7)
(7)	Col (5) - Col (6)
(8)	Col (4) + Col (7)
(9)	Exhibit 1, Page 2
(10)	Col (8) x Col (9)
(11)	Based on simulation analysis of future closed claims
(12)	Col (10) x Col (11)
(13)	Provided by client
(14)	Row (13) - Column totals

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Calculation of Discount Factor

Accident Year	Indicated Reserve	Months	Unpaid Percentage	Payments made at: 07/01/19	07/01/20	07/01/21	07/01/22	07/01/23	07/01/24	07/01/25	07/01/26	07/01/27	07/01/28	07/01/29	07/01/30	07/01/31	07/01/32	07/01/33	07/01/34	07/01/35	07/01/36	07/01/37	Acc Yr Discount
2000	-	228	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.000
2001	-	216	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.000
2002	-	204	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.983
2003	6,572	192	0.1%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.983
2004	14,964	180	0.2%	60.6%	39.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.970
2005	30,523	168	0.3%	38.4%	37.3%	24.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.955
2006	44,397	156	0.5%	37.1%	24.1%	23.5%	15.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.945
2007	114,031	144	0.7%	36.3%	23.6%	15.4%	15.0%	9.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.938
2008	181,824	132	1.2%	35.7%	23.3%	15.2%	9.9%	9.6%	6.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.934
2009	235,717	120	1.8%	35.4%	23.1%	15.1%	9.8%	6.4%	6.2%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.931
2010	457,372	108	2.8%	35.0%	23.0%	15.0%	9.8%	6.4%	4.2%	4.0%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.929
2011	702,462	96	3.9%	29.7%	24.7%	16.2%	10.6%	6.9%	4.5%	2.9%	2.8%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.923
2012	1,041,105	84	8.1%	51.2%	14.5%	12.0%	7.9%	5.2%	3.4%	2.2%	1.4%	1.4%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.938
2013	3,211,668	72	19.0%	57.5%	21.8%	6.2%	5.1%	3.4%	2.2%	1.4%	0.9%	0.6%	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.950
2014	7,520,391	60	50.3%	62.2%	21.8%	8.2%	2.3%	1.9%	1.3%	0.8%	0.5%	0.4%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.959
2015	11,276,782	48	71.1%	29.3%	43.9%	15.4%	5.8%	1.6%	1.4%	0.9%	0.6%	0.4%	0.2%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.943
2016	20,611,945	36	85.7%	17.1%	24.3%	36.4%	12.8%	4.8%	1.4%	1.1%	0.7%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.923
2017	40,273,026	24	96.2%	10.9%	15.2%	21.6%	32.5%	11.4%	4.3%	1.2%	1.0%	0.7%	0.4%	0.3%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.902
2018	45,815,090	12	99.3%	3.2%	10.5%	14.7%	21.0%	31.4%	11.0%	4.2%	1.2%	1.0%	0.6%	0.4%	0.3%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.875
Total	131,537,868			20,317,720	23,839,791	25,939,878	26,573,688	20,592,662	7,486,968	2,911,808	1,283,127	931,768	607,153	395,668	255,740	168,363	117,615	82,268	33,650	0	0	0	

		Interest Rate																			
(1)	Annual	3.5%	0.983	0.950	0.918	0.887	0.857	0.828	0.800	0.773	0.746	0.721	0.697	0.673	0.650	0.628	0.607	0.587	0.567	0.548	0.529
	Discount	4.5%	0.978	0.936	0.896	0.857	0.820	0.785	0.751	0.719	0.688	0.658	0.630	0.603	0.577	0.552	0.528	0.505	0.484	0.463	0.443
	Factors	5.5%	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371
(2)	Discounted	3.5%	19,971,229	22,640,808	23,802,198	23,559,204	17,639,283	6,196,323	2,328,362	991,328	695,529	437,890	275,713	172,180	109,520	73,921	49,957	19,743	0	0	0
	Values	4.5%	19,875,444	22,316,599	23,236,848	22,779,533	16,892,316	5,877,144	2,187,293	922,354	640,943	399,662	249,235	154,156	97,117	64,922	43,456	17,009	0	0	0
		5.5%	19,781,023	22,000,054	22,690,120	22,032,726	16,183,648	5,577,216	2,055,994	858,769	591,101	365,090	225,517	138,164	86,217	57,089	37,850	14,675	0	0	0
(3)	Discounted	3.5%	118,963,186		(4)	Overall	3.5%	0.904															
	Totals	4.5%	115,754,030			Discount	4.5%	0.880															
		5.5%	112,695,253			Factors	5.5%	0.857															

Row Note
(1) 1 / (1 + Discount Factor) ^ (Payments made at date - 12/31/18) Assumes payments are made uniformly throughout the policy period, starting six months subsequent to the loss evaluation date.
(2) Annual Discount Factor x Payments made at date
(3) Sum across all years
(4) (3) / Total Reserves

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Compare

Accident Year	as of 12/31/18 NMPCF Ultimate Excess Losses	as of 12/31/18 NMPCF Discounted Reserves	as of 12/31/17 NMPCF Ultimate Excess Losses	as of 12/31/17 NMPCF Discounted Reserves	Difference NMPCF Ultimate Excess Losses		Difference NMPCF Discounted Reserves	
2000	6,560,000	0	6,562,409	2,368	-2,409	0%	-2,368	-100%
2001	9,261,652	0	9,269,230	7,349	-7,578	0%	-7,349	-100%
2002	9,309,500	0	9,324,379	14,272	-14,879	0%	-14,272	-100%
2003	6,602,760	6,460	6,619,260	21,933	-16,499	0%	-15,474	-71%
2004	5,497,464	14,513	5,512,224	27,885	-14,760	0%	-13,372	-48%
2005	9,807,180	29,139	8,843,727	48,841	963,453	11%	-19,702	-40%
2006	8,185,026	41,948	6,566,583	63,291	1,618,444	25%	-21,343	-34%
2007	19,120,000	106,994	17,530,000	153,848	1,590,000	9%	-46,853	-30%
2008	19,580,000	169,798	17,690,000	242,613	1,890,000	11%	-72,815	-30%
2009	12,428,421	219,405	10,229,829	310,615	2,198,592	21%	-91,210	-29%
2010	19,002,277	424,726	17,665,524	709,209	1,336,754	8%	-284,482	-40%
2011	21,716,190	648,120	20,948,280	1,451,884	767,910	4%	-803,763	-55%
2012	12,670,513	976,850	8,914,500	1,676,988	3,756,013	42%	-700,138	-42%
2013	9,618,816	3,052,627	10,107,387	5,294,947	-488,571	-5%	-2,242,321	-42%
2014	15,093,652	7,208,299	15,405,894	9,871,492	-312,243	-2%	-2,663,193	-27%
2015	13,254,649	10,631,150	12,855,815	10,860,637	398,834	3%	-229,487	-2%
2016	23,236,945	19,028,487	24,830,088	21,819,050	-1,593,143	-6%	-2,790,563	-13%
2017	40,948,026	36,320,907	43,983,204	38,591,812	-3,035,178	-7%	-2,270,905	-6%
Subtotal	261,893,071	78,879,423	252,858,332	91,169,033	9,034,739	4%	-12,289,611	-13%
2018	45,815,090	40,083,764						
Total	307,708,161	118,963,186						

New Mexico Patients' Compensation Fund Exhibit 2

Reserves as of 12/31/2018

Physicians & Surgeons

Including Batch Claims

Selected Ultimate Losses

Accident Year	Practitioner Surcharges	Paid Losses	Indicated Ultimate Losses				Selected Ultimate Losses	Loss Ratio
			B-F Method	Expected Loss Ratio Method	Paid Development Method	Frequency/ Severity Method		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2000	8,238,309	6,560,000	6,560,000	9,474,056	6,560,000	4,546,643	6,560,000	79.6%
2001	9,181,946	9,261,652	9,261,652	10,559,238	9,261,652	8,040,380	9,261,652	100.9%
2002	9,421,675	9,309,500	9,309,500	10,834,926	9,309,500	6,859,449	9,309,500	98.8%
2003	9,924,688	6,596,189	6,604,516	11,413,391	6,601,005	7,202,421	6,602,760	66.5%
2004	9,283,270	5,482,500	5,502,261	10,675,761	5,492,667	6,689,941	5,497,464	59.2%
2005	9,151,210	9,776,657	9,808,258	10,523,892	9,806,102	9,773,132	9,807,180	107.2%
2006	9,067,465	8,140,629	8,190,390	10,427,585	8,179,663	7,375,660	8,185,026	90.3%
2007	8,810,595	19,005,969	19,081,838	10,132,184	19,149,358	19,866,181	19,120,000	217.0%
2008	9,696,249	19,398,176	19,528,100	11,150,686	19,626,862	26,162,750	19,580,000	201.9%
2009	11,113,554	11,817,704	12,048,053	12,780,587	12,034,608	13,364,216	12,040,000	108.3%
2010	11,293,496	17,709,906	18,070,257	12,987,521	18,215,307	17,150,743	18,140,000	160.6%
2011	10,798,897	18,972,165	19,461,982	12,418,731	19,751,187	13,506,210	19,610,000	181.6%
2012	10,498,870	10,674,408	11,650,029	12,073,701	11,612,785	9,454,347	11,630,000	110.8%
2013	10,330,574	5,781,250	8,040,108	11,880,160	7,138,553	9,475,834	8,760,000	84.8%
2014	10,838,627	7,484,434	13,747,977	12,464,421	15,044,503	14,213,752	14,340,000	132.3%
2015	10,536,745	1,240,000	9,852,507	12,117,257	4,287,153	11,442,070	11,140,000	105.7%
2016	11,706,286	1,700,000	13,239,382	13,462,229	11,902,036	15,148,306	13,950,000	119.2%
2017	19,718,779	500,000	22,312,873	22,676,596	13,127,245	24,681,291	22,676,596	115.0%
2018	21,435,425	0	24,487,449	24,650,739	0	25,915,356	24,650,739	115.0%
Total	211,046,660	169,411,138	246,757,134	242,703,660	207,100,187	250,868,685	250,860,917	118.9%
2009-18	128,271,253	75,879,867	152,910,619	147,511,941	113,113,378	154,352,126	156,937,334	122.3%

Column	Note
(2), (3)	Based on data provided by client
(4)	Exhibit 3, Page 1, Col (6)
(5)	Exhibit 3, Page 2, Col (6)
(6)	Exhibit 4, Col (5)
(7)	Exhibit 5, Page 1, Col (4)
(8)	Judgmental selection based on Cols (4) - (7)
(9)	Col (8) / Col (2)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Physicians & Surgeons
Including Batch Claims
B-F Method

Accident Year	Practitioner Surcharges	Expected Loss Ratio	Paid Loss	Percentage Of Ultimate Paid	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)	(6)
2000	8,238,309	115.0%	6,560,000	100.0%	6,560,000
2001	9,181,946	115.0%	9,261,652	100.0%	9,261,652
2002	9,421,675	115.0%	9,309,500	100.0%	9,309,500
2003	9,924,688	115.0%	6,596,189	99.9%	6,604,516
2004	9,283,270	115.0%	5,482,500	99.8%	5,502,261
2005	9,151,210	115.0%	9,776,657	99.7%	9,808,258
2006	9,067,465	115.0%	8,140,629	99.5%	8,190,390
2007	8,810,595	115.0%	19,005,969	99.3%	19,081,838
2008	9,696,249	115.0%	19,398,176	98.8%	19,528,100
2009	11,113,554	115.0%	11,817,704	98.2%	12,048,053
2010	11,293,496	115.0%	17,709,906	97.2%	18,070,257
2011	10,798,897	115.0%	18,972,165	96.1%	19,461,982
2012	10,498,870	115.0%	10,674,408	91.9%	11,650,029
2013	10,330,574	115.0%	5,781,250	81.0%	8,040,108
2014	10,838,627	115.0%	7,484,434	49.7%	13,747,977
2015	10,536,745	115.0%	1,240,000	28.9%	9,852,507
2016	11,706,286	115.0%	1,700,000	14.3%	13,239,382
2017	19,718,779	115.0%	500,000	3.8%	22,312,873
2018	21,435,425	115.0%	0	0.7%	24,487,449
Total	211,046,660		169,411,138		246,757,134
2010-18	117,157,699		64,062,163		140,862,565

Column	Note
(2), (4)	Based on data provided by client
(3)	Exhibit 3, Page 2, Col (5)
(5)	Exhibit 15
(6)	Col (2) x Col (3) x [1 - Col (5)] + Col (4)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Physicians & Surgeons
Including Batch Claims
Expected Loss Ratio Method

Accident Year	Practitioner Surcharges	Indicated Ultimate Losses From Paid Loss Dev Method	Indicated Loss Ratio	Expected Loss Ratio	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)	(6)
2000	8,238,309	6,560,000	79.6%		9,474,056
2001	9,181,946	9,261,652	100.9%		10,559,238
2002	9,421,675	9,309,500	98.8%		10,834,926
2003	9,924,688	6,601,005	66.5%		11,413,391
2004	9,283,270	5,492,667	59.2%		10,675,761
2005	9,151,210	9,806,102	107.2%		10,523,892
2006	9,067,465	8,179,663	90.2%		10,427,585
2007	8,810,595	19,149,358	217.3%		10,132,184
2008	9,696,249	19,626,862	202.4%		11,150,686
2009	11,113,554	12,034,608	108.3%		12,780,587
2010	11,293,496	18,215,307	161.3%		12,987,521
2011	10,798,897	19,751,187	182.9%		12,418,731
2012	10,498,870	11,612,785	110.6%		12,073,701
2013	10,330,574	7,138,553	69.1%		11,880,160
2014	10,838,627	15,044,503	138.8%		12,464,421
2015	10,536,745	4,287,153	40.7%		12,117,257
2016	11,706,286	11,902,036	101.7%		13,462,229
2017	19,718,779	13,127,245	66.6%		22,676,596
2018	21,435,425	0	0.0%		24,650,739
Total	211,046,660	207,100,187	98.1%	115.0%	242,703,660
2000-13	136,810,798	162,739,250	119.0%		
2009-15	75,410,763	88,084,097	116.8%		

Column	Note
(2)	Based on data provided by client
(3)	Exhibit 4, Col (5)
(4)	Col (3) / Col (2)
(5)	Judgment
(6)	Col (2) x Col (5)

New Mexico Patients' Compensation Fund

Exhibit 4

Reserves as of 12/31/2018

Physicians & Surgeons

Including Batch Claims

Paid Loss Development Method

Accident Year	Paid Losses	Month of Development	Cumulative Development Factor	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)
2000	6,560,000	228	1.000	6,560,000
2001	9,261,652	216	1.000	9,261,652
2002	9,309,500	204	1.000	9,309,500
2003	6,596,189	192	1.001	6,601,005
2004	5,482,500	180	1.002	5,492,667
2005	9,776,657	168	1.003	9,806,102
2006	8,140,629	156	1.005	8,179,663
2007	19,005,969	144	1.008	19,149,358
2008	19,398,176	132	1.012	19,626,862
2009	11,817,704	120	1.018	12,034,608
2010	17,709,906	108	1.029	18,215,307
2011	18,972,165	96	1.041	19,751,187
2012	10,674,408	84	1.088	11,612,785
2013	5,781,250	72	1.235	7,138,553
2014	7,484,434	60	2.010	15,044,503
2015	1,240,000	48	3.457	4,287,153
2016	1,700,000	36	7.001	11,902,036
2017	500,000	24	26.254	13,127,245
2018	0	12	150.963	0
Total	169,411,138			207,100,187

Column	Note
(2)	Based on data provided by client
(4)	Exhibit 15
(5)	Col (2) x Col (4)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Physicians & Surgeons
Including Batch Claims
Frequency and Severity Method

Accident Year	Selected Ultimate Claims Closed with Payment	Selected Ultimate Severity	Indicated Ultimate Losses
(1)	(2)	(3)	(4)
2000	19	239,297	4,546,643
2001	32	251,262	8,040,380
2002	26	263,825	6,859,449
2003	26	277,016	7,202,421
2004	23	290,867	6,689,941
2005	32	305,410	9,773,132
2006	23	320,681	7,375,660
2007	59	336,715	19,866,181
2008	74	353,551	26,162,750
2009	36	371,228	13,364,216
2010	44	389,790	17,150,743
2011	33	409,279	13,506,210
2012	22	429,743	9,454,347
2013	21	451,230	9,475,834
2014	30	473,792	14,213,752
2015	23	497,481	11,442,070
2016	29	522,355	15,148,306
2017	45	548,473	24,681,291
2018	45	575,897	25,915,356
Total	642		250,868,685

Column	Note
(2)	Exhibit 5, Page 3, Col (6)
(3)	Exhibit 5, Page 2, Col (10)
(4)	Col (2) x Col (3)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Physicians & Surgeons
Including Batch Claims
Severity Trend for Paid Losses Excess of Retention

Accident Year	Paid Loss	Claims Closed With Payment	Paid Severity	Indicated Trend	R^2	Selected Trend	Trended Severity to 2018	Selected Severity	Detrended Severity
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2000	6,560,000	19	345,263				830,917		239,297
2001	9,261,652	32	289,427				663,371		251,262
2002	9,309,500	26	358,058				781,595		263,825
2003	6,596,189	26	253,700				527,423		277,016
2004	5,482,500	23	238,370				471,955		290,867
2005	9,776,657	32	305,521				576,105		305,410
2006	8,140,629	23	353,940				635,626		320,681
2007	19,005,969	59	322,135				550,960		336,715
2008	19,398,176	74	262,138				426,994		353,551
2009	11,817,704	36	328,270				509,254		371,228
2010	17,709,906	43	411,858				608,502		389,790
2011	18,972,165	32	592,880				834,242		409,279
2012	10,674,408	20	533,720				715,236		429,743
2013	5,781,250	14	412,946				527,036		451,230
2014	7,484,434	17	440,261				535,140		473,792
2015	1,240,000	4	310,000				358,864		497,481
2016	1,700,000	5	340,000				374,850		522,355
2017	500,000	1	500,000				525,000		548,473
2018	0	0	0				0		575,897
Total	169,411,138	486	348,583				586,160		
2006-15	120,224,641	322	373,368	3.1%	0.135	5.0%	565,634	575,897	

Column	Note
(2), (3)	Based on data provided by client
(4)	Col (2) / Col (3)
(8)	Col (4) trended forward with selected trend in Col (7)
(10)	Selected severity in Col (9) detrended with selected trend in Col (7)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Physicians & Surgeons
Including Batch Claims
Closed With Payment Projection Summary

Accident Year	Claims Closed With Payment	Indicated Ultimate Claims Closed With Payment			Selected Ultimate Closed With Payment
		B-F Method	Frequency Method	Claim Development Method	
(1)	(2)	(3)	(4)	(5)	(6)
2000	19	19	27	19	19
2001	32	32	29	32	32
2002	26	26	28	26	26
2003	26	26	30	26	26
2004	23	23	28	23	23
2005	32	32	27	32	32
2006	23	23	27	23	23
2007	59	59	26	59	59
2008	74	74	27	74	74
2009	36	36	30	36	36
2010	43	44	29	44	44
2011	32	33	27	33	33
2012	20	22	26	22	22
2013	14	19	26	17	21
2014	17	29	27	30	30
2015	4	21	26	12	23
2016	5	29	29	30	29
2017	1	45	46	23	45
2018	0	45	46	0	45
Total	486	637	561	561	642

Column	Note
(2)	Based on data provided by client
(3)	Exhibit 6, Col (5)
(4)	Exhibit 7, Col (7)
(5)	Exhibit 8, Col (5)
(6)	Judgmental selection based on Cols (3) - (5)

New Mexico Patients' Compensation Fund Exhibit 6

Reserves as of 12/31/2018

Physicians & Surgeons

Including Batch Claims

Paid Claim Projection Based on B-F Method

Accident Year	Claims Closed With Payment	Frequency Mtd. Indicated Ultimate Claims Closed With Payment	Percent of Ultimate Closed With Payment	Indicated Ultimate Closed With Payment
(1)	(2)	(3)	(4)	(5)
2000	19	27	100.0%	19
2001	32	29	100.0%	32
2002	26	28	100.0%	26
2003	26	30	100.0%	26
2004	23	28	100.0%	23
2005	32	27	100.0%	32
2006	23	27	100.0%	23
2007	59	26	100.0%	59
2008	74	27	99.7%	74
2009	36	30	99.2%	36
2010	43	29	98.2%	44
2011	32	27	96.3%	33
2012	20	26	91.2%	22
2013	14	26	81.4%	19
2014	17	27	56.1%	29
2015	4	26	34.6%	21
2016	5	29	16.5%	29
2017	1	46	4.4%	45
2018	0	46	1.1%	45
Total	486	561		637

Column	Note
(2)	Based on data provided by client
(4)	Exhibit 16
(3)	Exhibit 7, Col (7)
(5)	Col (2) + Col (3) x [1 - Col (4)]

New Mexico Patients' Compensation Fund Exhibit 7

Reserves as of 12/31/2018

Physicians & Surgeons

Including Batch Claims

Paid Claim Projection Based on Frequency Method

Accident Year	Claims Closed With Payment	Development Mtd. Indicated Ultimate Claims Closed With Payment	Practitioner Surcharges at Current Rate Level	Indicated Ultimate Claim Frequency Per $1M in Surcharges	Selected Frequency	Indicated Ultimate Claims Closed With Payment
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	19	19	12,878,190	1.48		27
2001	32	32	13,452,186	2.38		29
2002	26	26	13,347,977	1.95		28
2003	26	26	14,060,611	1.85		30
2004	23	23	13,151,894	1.75		28
2005	32	32	12,964,801	2.47		27
2006	23	23	12,846,157	1.79		27
2007	59	59	12,335,754	4.78		26
2008	74	74	12,682,723	5.83		27
2009	36	36	14,303,427	2.52		30
2010	43	44	13,606,370	3.23		29
2011	32	33	12,759,642	2.59		27
2012	20	22	12,405,139	1.77		26
2013	14	17	12,206,286	1.39		26
2014	17	30	12,806,586	2.34		27
2015	4	12	12,449,891	0.96		26
2016	5	30	13,794,281	2.17		29
2017	1	23	21,867,098	1.05		46
2018	0	0	21,929,056	0.00		46
Total	486	561	265,848,068	2.11	2.12	561
2009-15	166	194	90,537,341	2.14		

Column	Note
(2)	Exhibit 8, Col (1)
(3)	Exhibit 8, Col (5)
(4)	Based on data provided by client
(5)	Col (3) / Col (4) x 1,000,000
(7)	Col (4) x Col (6) / 1,000,000

New Mexico Patients' Compensation Fund Exhibit 8

Reserves as of 12/31/2018

Physicians & Surgeons

Including Batch Claims

Closed With Payment Claim Development Method

Accident Year	Claims Closed With Payment	Month of Development	Cumulative Development Factor	Indicated Ultimate Claims Closed With Payment
(1)	(2)	(3)	(4)	(5)
2000	19.0	228	1.000	19
2001	32.0	216	1.000	32
2002	26.0	204	1.000	26
2003	26.0	192	1.000	26
2004	23.0	180	1.000	23
2005	32.0	168	1.000	32
2006	23.0	156	1.000	23
2007	59.0	144	1.000	59
2008	74.0	132	1.003	74
2009	36.0	120	1.008	36
2010	43.0	108	1.018	44
2011	32.0	96	1.038	33
2012	20.0	84	1.097	22
2013	14.0	72	1.229	17
2014	17.0	60	1.782	30
2015	4.0	48	2.886	12
2016	5.0	36	6.061	30
2017	1.0	24	22.729	23
2018	0.0	12	90.914	0
Total	486.0			561

Column	Note
(2)	Based on data provided by client
(4)	Exhibit 16
(5)	Col (2) x Col (4)

New Mexico Patients' Compensation Fund Exhibit 9

Reserves as of 12/31/2018

Development of Physician Surcharge Estimates

NMPCF Indicated Surcharge
Physicians and Surgeons

Class	NMPCF Current Surcharge	Discounted Estimated Surcharges 9/1/19-20 Rate Level Expected Value	Risk Loaded Value
(1)	(2)	(3)	(4)
1	$2,920	$3,322	$4,006
2	3,889	4,424	5,335
3	4,676	5,319	6,415
4A	5,843	6,647	8,016
4	7,008	7,972	9,614
5A	6,214	7,069	8,525
5	8,562	9,740	11,746
6	10,122	11,514	13,886
7A	11,678	13,284	16,021
7	15,569	17,710	21,359
8	18,494	21,038	25,371
9A	18,876	21,472	25,896
9	22,384	25,463	30,708
10	24,334	27,681	33,383
51	341	388	468
52	341	388	468
53	234	266	321
99	2,325	2,645	3,190
CRNA	774	880	1,062
PA-1	1,319	1,500	1,810
PA-2	1,760	2,002	2,414
PA-3	2,119	2,410	2,907
(9) Class 1 Rate	$2,920	$3,322	$4,006
(10) Indicated Percent of Change		13.8%	37.2%

Column/Row	Note
(2)	Provided by NMPCF
(3)-(4)	Based on indicated surcharge changes in Exhibit 10

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Indicated Rate Change Effective 9/1/19 through 9/1/20
Using Expected Value Losses
Physicians & Surgeons

Accident Year	Practitioner Surcharges @ 12/31/18 Level	Projected Ultimate Losses	Trended Ultimate Loss	Trended Ultimate Loss Ratio
(1)	(2)	(3)	(4)	(5)
2009	14,303,427	12,040,000	19,611,891	137.1%
2010	13,606,370	18,140,000	28,141,094	206.8%
2011	12,759,642	19,610,000	28,972,901	227.1%
2012	12,405,139	11,630,000	16,364,578	131.9%
2013	12,206,286	8,760,000	11,739,238	96.2%
2014	12,806,586	14,340,000	18,301,878	142.9%
2015	12,449,891	11,140,000	13,540,740	108.8%
2016	13,794,281	13,950,000	16,148,869	117.1%
2017	21,867,098	22,676,596	25,000,947	114.3%
2018	21,929,056	24,650,739	25,883,276	118.0%
All Years	148,127,775	156,937,334	203,705,411	137.5%
2009 - 2016	104,331,622	109,610,000	152,821,188	146.5%
2012 - 2016	63,662,184	59,820,000	76,095,302	119.5%
2014 - 2016	39,050,759	39,430,000	47,991,486	122.9%

(6)	Projected 2019-2020 Undiscounted Loss Ratio (Selected Based on Col (4))	119.5%
(7)	Projected 2019-2020 Assessments at Current Fee Level	21,929,056
(8)	Projected 2019-2020 Undiscounted Losses	26,211,763
(9)	Projected Loss Adjustment Expenses as a Percentage of Losses Paid	2.7%
(10)	Discount Factor at 3.5% Yield	0.846
(11)	Projected Office Expenses as a Percentage of Surcharges Collected	2.7%
(12)	Projected Reinsurance Expense as a Percentage of Surcharges Collected	6.0%
(13)	Projected 2019-2020 Income Requirements	24,945,200
(14)	Indicated Assessment Level Change on September 1, 2019	13.8%

Column / Row	Note
(2), (9), (10), (11), (12)	Based on data provided by client
(3)	Exhibit 2, Col (8)
(4)	Col (3) x [1 + Selected trend rate of 5%] ^ (2019 - Col (1))
(5)	Col (4) / Col (2)
(7)	Most current Assessment
(8)	Row (6) x Row (7)
(13)	[Row (8) x [1 + Row (9)] x Row (10)] / [1 - Row (11) - Row (12)]
(14)	Row (13) / Row (7) - 1

New Mexico Patients' Compensation Fund

Reserves as of 12/31/2018

Indicated Rate Change Effective 9/1/19 through 9/1/20
Using Expected Value Losses with Risk Load
Physicians & Surgeons

Accident Year	Practitioner Surcharges @ 12/31/18 Level	Projected Ultimate Losses	Trended Ultimate Loss	Trended Ultimate Loss Ratio
(1)	(2)	(3)	(4)	(5)
2009	14,303,427	12,040,000	19,611,891	137.1%
2010	13,606,370	18,140,000	28,141,094	206.8%
2011	12,759,642	19,610,000	28,972,901	227.1%
2012	12,405,139	11,630,000	16,364,578	131.9%
2013	12,206,286	8,760,000	11,739,238	96.2%
2014	12,806,586	14,340,000	18,301,878	142.9%
2015	12,449,891	11,140,000	13,540,740	108.8%
2016	13,794,281	13,950,000	16,148,869	117.1%
2017	21,867,098	22,676,596	25,000,947	114.3%
2018	21,929,056	24,650,739	25,883,276	118.0%
All Years	148,127,775	156,937,334	203,705,411	137.5%
2009 - 2016	104,331,622	109,610,000	152,821,188	146.5%
2012 - 2016	63,662,184	59,820,000	76,095,302	119.5%
2014 - 2016	39,050,759	39,430,000	47,991,486	122.9%

(6)	Projected 2019-2020 Undiscounted Loss Ratio (Selected Based on Col (4))	119.5%
(7)	Projected 2019-2020 Assessments at Current Fee Level	21,929,056
(8)	Projected 2019-2020 Undiscounted Losses	26,211,763
(9)	Projected Loss Adjustment Expenses as a Percentage of Losses Paid	2.7%
(10)	Discount Factor at 3.5% Yield	0.846
(11)	Risk Margin Factor at 90% Confidence Level	1.206
(12)	Projected Office Expenses as a Percentage of Surcharges Collected	2.7%
(13)	Projected Reinsurance Expense as a Percentage of Surcharges Collected	6.0%
(14)	Projected 2019-2021 Income Requirements @ 90%	30,083,911
(15)	Indicated Assessment Level Change on September 1, 2019	37.2%

Column / Row	Note
(2), (9), (10), (11), (12), (13)	Based on data provided by client
(3)	Exhibit 2, Col (8)
(4)	Col (3) x [1 + Selected trend rate of 5%] ^ (2019 - Col (1))
(5)	Col (4) / Col (2)
(7)	Most current Assessment
(8)	Row (6) x Row (7)
(14)	[Row (8) x [1 + Row (9)] x Row (10) x Row (11)] / [1 - Row (12) - Row (13)]
(15)	Row (14) / Row (7) - 1

New Mexico Patients' Compensation Fund Exhibit 11

Reserves as of 12/31/2018

Hospitals

Selected Ultimate Losses

Accident Year	Hospital Surcharges	Paid Losses	Indicated Ultimate Losses			Selected Ultimate Losses	Loss Ratio
			B-F Method	Expected Loss Ratio Method	Paid Development Method		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2009	1,130,000	375,000	394,959	1,107,400	381,883	388,421	34.4%
2010	1,130,000	835,000	865,726	1,107,400	858,829	862,277	76.3%
2011	1,175,200	2,041,563	2,086,987	1,151,696	2,125,392	2,106,190	179.2%
2012	1,099,542	955,000	1,042,072	1,077,551	1,038,953	1,040,513	94.6%
2013	1,250,000	625,898	858,816	1,225,000	772,844	858,816	68.7%
2014	1,350,000	88,826	753,652	1,323,000	178,550	753,652	55.8%
2015	1,350,000	737,868	1,678,208	1,323,000	2,551,090	2,114,649	156.6%
2016	9,476,474	925,000	8,885,465	9,286,945	6,476,108	9,286,945	98.0%
2017	18,644,316	175,000	17,750,494	18,271,430	4,594,536	18,271,430	98.0%
2018	21,596,277	0	21,024,156	21,164,351	0	21,164,351	98.0%
Total	58,201,809	6,759,154	55,340,536	57,037,773	18,978,185	56,847,243	97.7%

Column	Note
(2), (3)	Based on data provided by client
(4)	Exhibit 12, Page 1, Col (6)
(5)	Exhibit 12, Page 2, Col (6)
(6)	Exhibit 13, Col (5)
(7)	Judgmental selection based on Cols (4) - (6)
(8)	Col (8) / Col (2)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Hospitals
B-F Method

Accident Year	Hospital Surcharges	Expected Loss Ratio	Paid Loss	Percentage Of Ultimate Paid	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)	(6)
2009	1,130,000	98.0%	375,000	98.2%	394,959
2010	1,130,000	98.0%	835,000	97.2%	865,726
2011	1,175,200	98.0%	2,041,563	96.1%	2,086,987
2012	1,099,542	98.0%	955,000	91.9%	1,042,072
2013	1,250,000	98.0%	625,898	81.0%	858,816
2014	1,350,000	98.0%	88,826	49.7%	753,652
2015	1,350,000	98.0%	737,868	28.9%	1,678,208
2016	9,476,474	98.0%	925,000	14.3%	8,885,465
2017	18,644,316	98.0%	175,000	3.8%	17,750,494
2018	21,596,277	98.0%	0	0.7%	21,024,156
Total	58,201,809		6,759,154		55,340,536

Column	Note
(2), (4)	Based on data provided by client
(3)	Exhibit 12, Page 2, Col (5)
(5)	Exhibit 15
(6)	Col (2) x Col (3) x [1 - Col (5)] + Col (4)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Hospitals
Expected Loss Ratio Method

Accident Year	Hospital Surcharges	Indicated Ultimate Losses From Paid Loss Dev Method	Indicated Loss Ratio	Expected Loss Ratio	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)	(6)
2009	1,130,000	381,883	33.8%		1,107,400
2010	1,130,000	858,829	76.0%		1,107,400
2011	1,175,200	2,125,392	180.9%		1,151,696
2012	1,099,542	1,038,953	94.5%		1,077,551
2013	1,250,000	772,844	61.8%		1,225,000
2014	1,350,000	178,550	13.2%		1,323,000
2015	1,350,000	2,551,090	189.0%		1,323,000
2016	9,476,474	6,476,108	68.3%		9,286,945
2017	18,644,316	4,594,536	24.6%		18,271,430
2018	21,596,277	0	0.0%		21,164,351
Total	58,201,809	18,978,185	32.6%	98.0%	57,037,773
2009-15	8,484,742	7,907,541	93.2%		
2009-17	36,605,532	18,978,185	51.8%		

Column	Note
(2)	Based on data provided by client
(3)	Exhibit 13, Col (5)
(4)	Col (3) / Col (2)
(5)	Judgment
(6)	Col (2) x Col (5)

New Mexico Patients' Compensation Fund

Exhibit 13

Reserves as of 12/31/2018

Hospitals

Paid Loss Development Method

Accident Year	Paid Losses	Month of Development	Cumulative Development Factor	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)
2009	375,000	120	1.018	381,883
2010	835,000	108	1.029	858,829
2011	2,041,563	96	1.041	2,125,392
2012	955,000	84	1.088	1,038,953
2013	625,898	72	1.235	772,844
2014	88,826	60	2.010	178,550
2015	737,868	48	3.457	2,551,090
2016	925,000	36	7.001	6,476,108
2017	175,000	24	26.254	4,594,536
2018	0	12	150.963	0
Total	6,759,154			18,978,185

Column	Note
(2)	Based on data provided by client
(4)	Exhibit 15
(5)	Col (2) x Col (4)

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Indicated Rate Change Effective 9/1/19 through 9/1/20
Using Expected Value Losses
Hospitals

Accident Year	Hospital Surcharges @ 12/31/18 Level	Projected Ultimate Losses	Trended Ultimate Loss	Projected Ultimate Loss Ratio
(1)	(2)	(3)	(4)	(5)
2009	1,454,339	388,421	632,697	43.5%
2010	1,361,421	862,277	1,337,675	98.3%
2011	1,388,580	2,106,190	3,111,801	224.1%
2012	1,299,185	1,040,513	1,464,106	112.7%
2013	1,476,961	858,816	1,150,896	77.9%
2014	1,595,118	753,652	961,872	60.3%
2015	1,595,118	2,114,649	2,570,369	161.1%
2016	11,166,748	9,286,945	10,750,799	96.3%
2017	20,675,574	18,271,430	20,144,251	97.4%
2018	22,093,612	21,164,351	22,222,569	100.6%
All Years	64,106,656	56,847,243	64,347,035	100.4%
2009 - 2016	21,337,470	17,411,462	21,980,215	103.0%
2012 - 2016	17,133,131	14,054,574	16,898,042	98.6%
2014 - 2016	14,356,985	12,155,245	14,283,040	99.5%

(6)	Projected 2019-2020 Undiscounted Loss Ratio (Selected Based on Col (4))	100.4%
(7)	Projected 2019-2020 Assessments at Current Fee Level	22,093,612
(8)	Projected 2019-2020 Undiscounted Losses	22,176,471
(9)	Projected Loss Adjustment Expenses as a Percentage of Losses Paid	2.7%
(10)	Discount Factor at 3.5% Yield	0.846
(11)	Projected Office Expenses as a Percentage of Surcharges Collected	2.7%
(12)	Projected Reinsurance Expense as a Percentage of Surcharges Collected	6.0%
(13)	Projected 2019-2020 Income Requirements	21,104,895
(14)	Indicated Assessment Level Change on September 1, 2019	-4.5%

Column / Row	Note
(2), (9), (10), (11), (12)	Based on data provided by client
(3)	Exhibit 2, Col (8)
(4)	Col (3) x [1 + Selected trend rate of 5%] ^ (2019 - Col (1))
(5)	Col (4) / Col (2)
(7)	Most current Assessment
(8)	Row (6) x Row (7)
(13)	[Row (8) x [1 + Row (9)] x Row (10)] / [1 - Row (11) - Row (12)]
(14)	Row (13) / Row (7) - 1

New Mexico Patients' Compensation Fund

Reserves as of 12/31/2018

Indicated Rate Change Effective 9/1/19 through 9/1/20
Using Expected Value Losses with Risk Load
Hospitals

Accident Year	Participant Surcharges @ 12/31/18 Level	Projected Ultimate Losses	Trended Ultimate Loss	Projected Ultimate Loss Ratio
(1)	(2)	(3)	(4)	(4)
2009	1,454,339	388,421	632,697	43.5%
2010	1,361,421	862,277	1,337,675	98.3%
2011	1,388,580	2,106,190	3,111,801	224.1%
2012	1,299,185	1,040,513	1,464,106	112.7%
2013	1,476,961	858,816	1,150,896	77.9%
2014	1,595,118	753,652	961,872	60.3%
2015	1,595,118	2,114,649	2,570,369	161.1%
2016	11,166,748	9,286,945	10,750,799	96.3%
2017	20,675,574	18,271,430	20,144,251	97.4%
2018	22,093,612	21,164,351	22,222,569	100.6%
All Years	64,106,656	56,847,243	64,347,035	100.4%
2009 - 2016	21,337,470	17,411,462	21,980,215	103.0%
2012 - 2016	17,133,131	14,054,574	16,898,042	98.6%
2014 - 2016	14,356,985	12,155,245	14,283,040	99.5%

(6)	Projected 2019-2020 Undiscounted Loss Ratio (Selected Based on Col (4))	100.4%
(7)	Projected 2019-2020 Assessments at Current Fee Level	22,093,612
(8)	Projected 2019-2020 Undiscounted Losses	22,176,471
(9)	Projected Loss Adjustment Expenses as a Percentage of Losses Paid	2.7%
(10)	Discount Factor at 3.5% Yield	0.846
(11)	Risk Margin Factor at 90% Confidence Level	1.206
(12)	Projected Office Expenses as a Percentage of Surcharges Collected	2.7%
(13)	Projected Reinsurance Expense as a Percentage of Surcharges Collected	6.0%
(14)	Projected 2019-2021 Income Requirements @ 90%	25,452,503
(15)	Indicated Assessment Level Change on September 1, 2019	15.2%

Column / Row	Note
(2), (9), (10), (11), (12), (13)	Based on data provided by client
(3)	Exhibit 2, Col (8)
(4)	Col (3) x [1 + Selected trend rate of 5%] ^ (2019 - Col (1))
(5)	Col (4) / Col (2)
(7)	Most current Assessment
(8)	Row (6) x Row (7)
(14)	[Row (8) x [1 + Row (9)] x Row (10) x Row (11)] / [1 - Row (12) - Row (13)]
(15)	Row (14) / Row (7) - 1

New Mexico Patients' Compensation Fund Exhibit 15

Reserves as of 12/31/2018

Paid Losses - Hospital & Practitioner Combined (Excluding Batch Claims)

Accident	Months of Development																				
Year	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252
1995	0	0	0	0	0	2,520,000	2,920,000	2,995,000	2,995,000	2,995,000	2,995,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000	4,045,000
1996	0	0	0	0	925,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000
1997	0	0	0	2,060,000	4,360,000	5,162,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000	5,462,000
1998	0	0	600,000	1,255,000	1,895,000	2,005,000	2,305,000	2,305,000	2,305,000	2,305,000	2,305,000	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000
1999	0	125,000	993,000	1,530,500	2,437,000	3,462,000	4,887,000	5,187,000	5,187,000	5,282,000	5,282,000	5,284,209	5,285,956	5,285,956	5,285,956	5,285,956	5,285,956	5,285,956	5,285,956	5,285,956	
2000	0	1,500,000	2,295,000	2,745,000	5,845,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000	6,560,000		
2001	125,000	745,000	2,332,152	3,282,152	6,024,152	8,226,652	9,226,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652	9,261,652			
2002	290,000	890,000	990,000	2,932,000	4,819,500	6,144,500	8,994,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500				
2003	0	275,000	1,950,000	2,997,500	4,137,500	5,032,500	5,707,500	6,196,189	6,596,189	6,596,189	6,596,189	6,596,189	6,596,189	6,596,189	6,596,189	6,596,189					
2004	0	0	1,197,500	1,527,500	2,870,000	4,607,500	4,657,500	5,482,500	5,482,500	5,482,500	5,482,500	5,482,500	5,482,500	5,482,500	5,482,500						
2005	300,000	575,000	1,035,000	1,410,000	4,911,086	6,873,180	7,741,254	8,341,254	8,791,254	8,791,254	8,791,254	8,791,254	8,791,254	8,791,254							
2006	0	0	628,725	4,253,725	5,228,725	5,378,725	5,628,725	5,928,725	6,328,725	6,328,725	6,328,725	6,328,725	6,328,725								
2007	0	0	1,250,000	4,937,000	7,887,000	12,027,000	12,677,000	13,124,500	13,124,500	13,124,500	13,124,500	13,124,500									
2008	0	0	2,163,652	4,764,652	6,542,152	9,204,652	11,262,152	11,662,152	11,662,152	11,662,152	11,662,152										
2009	0	495,000	2,868,567	3,368,567	4,203,567	8,242,342	8,242,342	8,367,342	8,367,342	8,367,342											
2010	0	775,000	3,511,000	6,138,000	9,688,000	16,177,567	16,502,567	16,902,567	16,902,567												
2011	0	1,365,000	1,965,000	4,793,000	9,990,312	17,266,228	19,398,728	21,013,728													
2012	0	50,000	850,000	2,614,408	4,324,408	7,529,408	11,629,408														
2013	0	450,000	750,000	875,000	4,575,000	6,407,148															
2014	0	480,000	2,370,000	4,945,000	7,573,261																
2015	0	0	1,112,868	1,977,868																	
2016	0	700,000	2,625,000																		
2017	0	675,000																			
2018	0																				

Paid Losses - Hospital & Practitioner Combined (Excluding Batch Claims)

Accident	Development Factors																			
Year	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-252	252-Ult
1995						1.159	1.026	1.000	1.000	1.000	1.351	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1996					1.719	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1997				2.117	1.184	1.058	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1998			2.092	1.510	1.058	1.150	1.000	1.000	1.000	1.000	1.184	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1999		7.944	1.541	1.592	1.421	1.412	1.061	1.000	1.018	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2000		1.530	1.196	2.129	1.122	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2001	5.960	3.130	1.407	1.835	1.366	1.122	1.004	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2002	3.069	1.112	2.962	1.644	1.275	1.464	1.035	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
2003		7.091	1.537	1.380	1.216	1.134	1.086	1.065	1.000	1.000	1.000	1.000	1.000	1.000	1.000						
2004			1.276	1.879	1.605	1.011	1.177	1.000	1.000	1.000	1.000	1.000	1.000	1.000							
2005	1.917	1.800	1.362	3.483	1.400	1.126	1.078	1.054	1.000	1.000	1.000	1.000	1.000								
2006			6.766	1.229	1.029	1.046	1.053	1.067	1.000	1.000	1.000	1.000									
2007			3.950	1.598	1.525	1.054	1.035	1.000	1.000	1.000	1.000										
2008			2.202	1.373	1.407	1.224	1.036	1.000	1.000	1.000											
2009		5.795	1.174	1.248	1.961	1.000	1.015	1.000	1.000												
2010		4.530	1.748	1.578	1.670	1.020	1.024	1.000													
2011		1.440	2.439	2.084	1.728	1.124	1.083														
2012		17.000	3.076	1.654	1.741	1.545															
2013		1.667	1.167	5.229	1.400																
2014		4.938	2.086	1.531																	
2015			1.777																		
2016		3.750																			
2017																					
Avg	3.649	4.748	2.209	1.950	1.435	1.147	1.042	1.012	1.001	1.000	1.041	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
W Avg	12.727	3.737	2.024	1.741	1.483	1.136	1.044	1.011	1.001	1.000	1.018	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
5 yr W Avg		4.588	2.157	1.867	1.697	1.147	1.044	1.007	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
7 yr W Avg		3.451	1.840	1.705	1.628	1.125	1.048	1.012	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
5 yr Avg x Hi/Lo		3.451	2.101	1.772	1.713	1.122	1.032	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
7 yr Avg x Hi/Lo		4.136	1.845	1.644	1.614	1.094	1.045	1.011	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
Prior	5.750	3.750	2.000	1.720	1.570	1.084	1.045	1.021	1.010	1.006	1.004	1.003	1.002	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000
Selected	5.750	3.750	2.025	1.720	1.628	1.135	1.045	1.012	1.010	1.006	1.004	1.003	1.002	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000
LDF to Ultimate	150.963	26.254	7.001	3.457	2.010	1.235	1.088	1.041	1.029	1.018	1.012	1.008	1.005	1.003	1.002	1.001	1.000	1.000	1.000	1.000	1.000
% of Ultimate	0.7%	3.8%	14.3%	28.9%	49.7%	81.0%	91.9%	96.1%	97.2%	98.2%	98.8%	99.3%	99.5%	99.7%	99.8%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%

New Mexico Patients' Compensation Fund Exhibit 16

Reserves as of 12/31/2018

Claims Closed With Payment - Hospital & Practitioner Combined (Excluding Batch Claims)

Accident	Months of Development																				
Year	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	252
1995	0	0	0	0	0	3	4	5	5	5	5	6	6	6	6	6	6	6	6	6	6
1996	0	0	0	0	4	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
1997	0	0	0	6	10	13	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
1998	0	0	2	6	8	10	12	12	12	12	12	13	13	13	13	13	13	13	13	13	13
1999	0	1	3	6	11	15	18	19	19	20	20	20	20	20	20	20	20	20	20	20	
2000	0	3	7	10	16	19	19	19	19	19	19	19	19	19	19	19	19	19	19		
2001	1	5	10	14	22	28	31	32	32	32	32	32	32	32	32	32	32	32			
2002	1	2	3	10	15	21	25	26	26	26	26	26	26	26	26	26	26				
2003	0	1	7	12	18	20	22	25	26	26	26	26	26	26	26	26					
2004	0	0	6	8	14	20	21	23	23	23	23	23	23	23	23						
2005	1	2	4	7	16	23	26	27	29	29	29	29	29	29							
2006	0	0	2	7	11	13	15	16	17	17	17	17	17								
2007	0	0	2	13	20	25	27	29	29	29	29	29									
2008	0	0	6	15	21	27	33	34	34	34	34										
2009	0	2	7	9	13	20	20	21	21	21											
2010	0	2	9	16	24	38	40	41	41												
2011	0	2	5	11	21	29	34	38													
2012	0	1	3	8	12	19	22														
2013	0	1	2	3	10	15															
2014	0	1	6	12	17																
2015	0	0	2	5																	
2016	0	2	7																		
2017	0	2																			
2018	0																				

Claims Closed With Payment - Hospital & Practitioner Combined (Excluding Batch Claims)

Accident	Development Factors																				
Year	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-252	252-Ult
1995						1.333	1.250	1.000	1.000	1.000	1.200	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1996					2.250	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1997				1.667	1.300	1.077	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1998			3.000	1.333	1.250	1.200	1.000	1.000	1.000	1.000	1.083	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1999		3.000	2.000	1.833	1.364	1.200	1.056	1.000	1.053	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2000		2.333	1.429	1.600	1.188	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2001	5.000	2.000	1.400	1.571	1.273	1.107	1.032	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2002	2.000	1.500	3.333	1.500	1.400	1.190	1.040	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
2003		7.000	1.714	1.500	1.111	1.100	1.136	1.040	1.000	1.000	1.000	1.000	1.000	1.000	1.000						
2004			1.333	1.750	1.429	1.050	1.095	1.000	1.000	1.000	1.000	1.000	1.000	1.000							
2005	2.000	2.000	1.750	2.286	1.438	1.130	1.038	1.074	1.000	1.000	1.000	1.000	1.000								
2006			3.500	1.571	1.182	1.154	1.067	1.063	1.000	1.000	1.000	1.000									
2007			6.500	1.538	1.250	1.080	1.074	1.000	1.000	1.000	1.000										
2008			2.500	1.400	1.286	1.222	1.030	1.000	1.000	1.000											
2009		3.500	1.286	1.444	1.538	1.000	1.050	1.000	1.000												
2010		4.500	1.778	1.500	1.583	1.053	1.025	1.000													
2011		2.500	2.200	1.909	1.381	1.172	1.118														
2012		3.000	2.667	1.500	1.583	1.158															
2013		2.000	1.500	3.333	1.500																
2014		6.000	2.000	1.417																	
2015			2.500																		
2016		3.500																			
2017																					
Avg	3.000	3.295	2.355	1.703	1.406	1.124	1.060	1.011	1.004	1.000	1.022	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
W Avg	9.000	3.720	2.070	1.636	1.380	1.114	1.054	1.011	1.003	1.000	1.008	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
5 yr W Avg		4.000	2.167	1.680	1.513	1.120	1.058	1.007	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
7 yr W Avg		3.778	1.882	1.595	1.430	1.117	1.056	1.016	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
5 yr Avg x Hi/Lo		3.000	2.233	1.636	1.541	1.128	1.051	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
7 yr Avg x Hi/Lo		3.400	1.996	1.554	1.458	1.123	1.052	1.013	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
Prior	4.000	3.750	2.050	1.585	1.360	1.120	1.055	1.023	1.010	1.005	1.003	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	4.000	3.750	2.100	1.620	1.450	1.120	1.056	1.020	1.010	1.005	1.003	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
LDF to Ultimate	90.914	22.729	6.061	2.886	1.782	1.229	1.097	1.038	1.018	1.008	1.003	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
% of Ultimate	1.1%	4.4%	16.5%	34.6%	56.1%	81.4%	91.2%	96.3%	98.2%	99.2%	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Expense Analysis

Loss Adjustment Expenses as a Percentage of Losses Paid

Calendar Year	NM Med Soc/ Medical Panel Expenses	Contracts and Consultants	Paid Losses
(1)	(2)	(3)	(4)
2014	217,379	122,628	18,123,993
2015	303,346	198,302	27,429,472
2016	228,983	203,449	11,851,645
2017	205,740	212,293	18,100,094
2018	287,476	299,274	15,469,183
Total	1,242,924	1,035,946	90,974,388

Loss Adjustment Expenses as a Percentage of Losses Paid

2014	1.2%	0.7%
2015	1.1%	0.7%
2016	1.9%	1.7%
2017	1.1%	1.2%
2018	1.9%	1.9%
Total	1.4%	1.1%

Selected Ratio of Expenses to Losses Paid

Average 2014 - 2018	1.4%	1.2%
Total		2.7%

Notes: (2) - (4) Based on data provided by client

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Expense Analysis

Office Expenses as a percentage of Surcharges collected

Calendar Year	IT Services	PCF Employee Services	Rent	Intra-Agency Transfer	Participant Surcharges
(1)	(2)	(3)	(4)	(5)	(6)
2014			6,000		12,188,627
2015	30,816		6,000	665,100	11,886,745
2016	41,592	41,428	6,000	665,100	21,182,760
2017	44,191	73,653	6,000	665,100	38,363,095
2018	30,785	76,662	6,749	689,000	43,031,702
Total	147,384	191,744	30,749	2,684,300	126,652,929
		Operating Expenses as a Percentage of Premiums			
2014	0.0%	0.0%	0.0%	0.0%	
2015	0.3%	0.0%	0.1%	5.6%	
2016	0.2%	0.2%	0.0%	3.1%	
2017	0.1%	0.2%	0.0%	1.7%	
2018	0.1%	0.2%	0.0%	1.6%	
Total	0.1%	0.2%	0.0%	2.1%	
		Selected Ratio of Expenses to Premiums			
Average 2014 - 2018	0.1%	0.1%	0.0%	2.4%	
Total					2.7%

Notes: (2) - (6) Based on data provided by client

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2018
Expense Analysis

Batch Claim Reinsurance as a Percentage of Surcharges collected

Calendar Year	Batch Claim Reinsurance *	Participant Surcharges	Reinsurance as % of Surcharges	Selected Percentage
(1)	(2)	(3)	(4)	(5)
2014	0	12,188,627	0.0%	
2015	0	11,886,745	0.0%	
2016	0	21,182,760	0.0%	
2017	1,399,296	38,363,095	3.6%	
2018	2,975,445	43,031,702	6.9%	
Total	4,374,741	126,652,929	3.5%	6.0%

Notes: (2) - (5) Based on data provided by client
* applies to both doctors and hospitals

Actuarial Report Addendum:

New Mexico Patient's Compensation Fund
Class Plan and Entity Coverage Review

October 2019

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Commitment Beyond Numbers

Table of Contents

New Mexico Patient's Compensation Fund
Class Plan and Entity Coverage Review

Purpose and Scope

Pinnacle was requested by the New Mexico Patient Compensation Fund (PCF) to review the current physician and allied health providers class plan as well as current surcharges for entity coverage. Entity coverage provides PCF coverage to a business entity employing one or more physicians. The purpose of this review is to ensure that physicians, allied health providers, and entities are being charged in a manner proportionate to their risk level, i.e. their level of expected losses in the PCF coverage layer.

Using a number of publicly available data sources, Pinnacle has prepared this analysis as an addendum to our report dated July 10, 2019. Relevant background information on Pinnacle and the PCF as well as legal disclosures (including information on distribution, use, reliances, and limitations) can be found in our report dated July 10, 2019.

The Medical Malpractice Act of New Mexico (Chapter 41, Article 5 NMSA 1978) states that health care provider surcharges for the PCF shall be "based on sound actuarial principles, using data obtained from New Mexico experience if available" and "collected on the same basis as premiums". The PCF currently groups physicians and surgeons into thirteen classes based on their specialty ISO code with three additional classes for physician assistants and one code each for certified registered nurse anesthetists (CRNAs) and chiropractors. In addition, business entities comprised of PCF eligible providers may be covered by the PCF, including physician, podiatrist, and chiropractor practice groups. Pinnacle has reviewed these classes as a whole as well as the groupings of specialties into classes against other patient compensation funds and New Mexico medical professional liability insurers to propose adjustments as appear reasonable.

Data Sources

Our analyses use a number of data sources. The data sources are categorized as follows:

1. PCF Current Class Plan and Exposure Data
2. Industry Rate Filings

A brief description of the data sources utilized in each area along with a description of the key data elements and potential limitations of the data follows for each category.

PCF Current Class Plan and Exposure Data

Pinnacle was provided with the PCF current class plan including base surcharges by class and assignment of Insurance Services Office (ISO) codes to PCF class. This information is publicly available on the PCF's website. A list of the physician ISO codes, their current and selected classes, and the corresponding current and selected relativities are shown in Exhibit 1. Class relativities are the ratio of the surcharge for a given class and a selected base class. They allow for an easier comparison of how different rating plans reflect the risk potential of a given specialty by normalizing for differences in base rates. For the PCF surcharges, Class 2 has been selected as the base class. Classes and relativities for allied health providers (physician assistants, CRNAs, and chiropractors) are shown on Exhibit 4.

In addition, we were provided with the number of health care providers with PCF coverage by ISO specialty (for physicians and surgeons) or class (for allied health providers and business entities). These exposure counts enable us to determine the impact of any changes in classes or relativities on the PCF's surcharge levels. Based on the percentage of providers employed by business entities with PCF corporation coverage, a calculation provided by The Doctors Company, we project that 80% of physicians and surgeons, physician assistants, and CRNAs would practice under the form of an entity. Exposures can be found on Exhibit 2 (for physicians and surgeons), Exhibit 4 Page 2 (for allied health providers), and Exhibit 5 (for business entities).

Industry Rate Filings

The PCF loss data is not yet credible enough to calculate new relativities by ISO class. In order to review these relativities, we compiled data from The Doctors Company (TDC, filing submitted 8/11/2014) and The Medical Protective Company (MedPro, filing submitted 12/21/2010), two of the largest medical professional liability carriers in the state of New Mexico. Since these carrier relativities are based on the underlying coverage required by the PCF ($200,000 per occurrence, $600,000 in aggregate occurrence policies), we also compare to the Wisconsin and Indiana patient compensation funds which cover excess layers of medical professional liability similar to the PCF. These relativities are shown on Exhibit 1 and Exhibit 4, Page 1. We also relied on filings by TDC as well as our industry knowledge of medical professional liability coverage in determining the appropriate entity surcharge, shown on Exhibit 5.

Methods and Assumptions

Pinnacle's class plan review was based on two parts: reviewing class assignments by ISO code, and evaluating overall relativities by class. We then calculated the indicated surcharge impact to the PCF based on each suggested change on Exhibit 2.

To review the ISO code class assignments, we compared the current PCF relativities to the other patient compensation fund and primary carrier relativities to determine if any classes appeared to be significantly lower or higher than the industry would indicate and selected new relativities as appropriate. These ISO codes and relativities are found on Exhibit 1, while new class assignments are shown on Exhibit 2.

Based on the class assignment review, we recommend the following adjustments. All ISO codes shown in the following list are for M.D. physicians and surgeons; the same adjustments apply to the corresponding codes for D.O. physicians and surgeons. More detail regarding these numbers is shown in Exhibits 2 and 4.

- Radiation Therapy and Shock Therapy (80163, 80165, and 80431)
  Move from class 1 to class 2. There are no PCF-covered providers with this specialty, so there is no impact to the surcharge.

- Otorhinolaryngology – Minor Surgery (80291)
  Move from class 2 to class 3. There is one PCF-covered provider with this specialty resulting in an indicated surcharge impact of $778.

- Gynecology – Minor Surgery (80277)
  Move from class 3 to class 4. There are twenty one PCF-covered providers with this specialty resulting in an indicated surcharge impact of $48,804.

- Intensive Care Medicine (80283)
  Move from class 3 to class 4. There are thirty-five PCF-covered providers with this specialty resulting in an indicated surcharge impact of $81,340.

- Nephrology – No Surgery (80260)
  Move from class 3 to class 2. There are thirty three PCF-covered providers with this specialty resulting in an indicated surcharge impact of -$25,971.

- Podiatrists/Chiropodists – No Surgery (80993-N)
  Move from class 5 to class 4. There are three PCF-covered providers with this specialty resulting in an indicated surcharge impact of -$4,686.

- Cardiac Surgery (80141)
  Move from class 6 to class 8. There are two PCF-covered providers with this specialty resulting in an indicated surcharge impact of $16,902.

- Nephrology – Including Child – Minor Surgery (80288)
  Move from class 6 to class 4. There is one PCF-covered provider with this specialty resulting in an indicated surcharge impact of -$3,122.

- Obstetrics Surgery (c-sections only) (80168)
  Move from class 6 to class 8. There are no PCF-covered providers with this specialty, so there is no impact to the surcharge.

- Pediatrics – Minor Surgery (80293)
  Move from class 6 to class 4. There are seven PCF-covered providers with this specialty resulting in an indicated surcharge impact of -$21,854.

Once the class assignments were adjusted, we reviewed the overall weighted relativities by class to determine whether the class relativities remained appropriate. Our analysis resulted in the following recommendations and impacts:

- Class 5A: Increase the relativity from 1.60 to 1.70. This class is composed entirely of physicians with ISO code 80273.

- Class 7: Reduce the relativity from 4.00 to 3.50. Only physicians with ISO code 80993-S are included in this class.

- Class 10: Increase the relativity from 6.25 to 6.50. This class includes physicians with ISO codes 80150, 80152, and 80153.

Further details regarding these recommendations are on Exhibit 3. The total impact of the class assignment changes and class relativity changes on the indicated surcharge is $180,915. See Exhibit 2 for more detail regarding this impact.

We also compared PCF relativities for the allied provider types to the other patient compensation fund and insurer relativities, resulting in the following recommendation:

- CRNA: Increase relativity from 0.20 to 0.25.

The indicated surcharge impact of this change is $20,758. More details of this recommendation may be found on Exhibit 4.

The final piece of our analysis was a review of the entity coverage charge for business entities covered by the PCF. The prior entity charge for physician and surgeon entities (including podiatrists/ chiropodists) was $341 for a single physician plus $86 for each additional physician and $42 for each additional CRNA or physician assistant. For a chiropractor business entity, the charge was $234 for a single chiropractor plus $50 for each additional chiropractor. Based on our review of industry rate filings, we found that a typical entity charge is 10% of the premium for each covered provider in the entity. Because individual analysis of practice groups to calculate an appropriate rate would be inefficient, and because there is no indication that the industry standard is unreasonable, we believe that following the industry practice is appropriate. We therefore propose adjusting the entity charge to 10% of the individual provider surcharges in the entity. The actual surcharge will therefore vary based on the individual provider specialty. In order to estimate the funding impact of this change, we relied on a calculation provided by The Doctors Company, showing that 80% of PCF-covered physicians, surgeons, physician assistants, and CRNAs are employed as providers by a business entity. We also used the weighted average provider surcharges for physicians and CRNAs/physician assistants in order to estimate the surcharge impact of this change. This change results in an estimated surcharge impact of $1,570,142. More details of this calculation are available in Exhibit 5.

Exhibits and Appendices

New Mexico Patient's Compensation Fund

Development of Classification Assignments by Specialty - Review of Assigned Factors

ISO Class Code			Current	Proposed	Current Rate Factors					Proposed	Indicated
					Patient Compensation Funds			NM Primary Carriers			
M.D.	D.O.	Specialty	Class	Class	NM	IN	WI	TDC	MedPro	Factor	Change
80437	84437	Acupuncture - Other than Acupuncture Anesthesia	1	1	0.75	N/A	1.80	N/A	N/A	0.75	0.0%
80230		Aerospace Medicine / Medical Director	1	1	0.75	0.70	1.00	N/A	0.67	0.75	0.0%
80254	84254	Allergy/Immunology - No Surgery	1	1	0.75	0.70	1.00	0.52	0.67	0.75	0.0%
80237		Diabetes - No Surgery	1	1	0.75	1.00	1.00	N/A	1.45	0.75	0.0%
80238	84238	Endocrinology - No Surgery	1	1	0.75	1.00	1.00	0.52	0.85	0.75	0.0%
80239		Family Practitioners - No Ob/ No Surgery	1	1	0.75	1.00	N/A	N/A	1.00	0.75	0.0%
80240	84240	Forensic Medicine / Legal Medicine	1	1	0.75	0.70	1.00	N/A	0.67	0.75	0.0%
80242		General Practitioners - No Ob/ No Major Surgery	1	1	0.75	1.00	N/A	N/A	1.70	0.75	0.0%
80420	84420	General Practitioners or Family Physicians - No Surgery - M	1	1	0.75	1.00	1.00	0.66	1.00	0.75	0.0%
80231		General Preventive Medicine - No Surgery / No Ob	1	1	0.75	0.70	1.00	0.66	0.67	0.75	0.0%
80243	84243	Geriatrics - No Surgery	1	1	0.75	1.00	1.00	N/A	0.85	0.75	0.0%
80244	84244	Gynecology - No Surgery	1	1	0.75	1.00	1.00	N/A	0.85	0.75	0.0%
80245	84245	Hematology - No Surgery	1	1	0.75	1.00	1.00	0.83	1.00	0.75	0.0%
80232		Hypnosis	1	1	0.75	N/A	1.00	N/A	N/A	0.75	0.0%
80246		Infectious Diseases - No Surgery	1	1	0.75	1.00	1.00	0.52	1.45	0.75	0.0%
80258		Larynogology - No Surgery	1	1	0.75	1.00	1.00	N/A	N/A	0.75	0.0%
	84801	Manipulator	1	1	0.75	N/A	1.00	N/A	N/A	0.75	0.0%
80259		Neoplastic Diseases - No Surgery	1	1	0.75	1.00	1.00	N/A	N/A	0.75	0.0%
80262	84262	Nuclear Medicine - Excluding Radiation Therapy	1	1	0.75	1.00	1.00	0.85	0.67	0.75	0.0%
80248		Nutrition	1	1	0.75	0.70	1.00	N/A	0.67	0.75	0.0%
80233		Occupational Medicine	1	1	0.75	0.70	1.00	0.52	0.67	0.75	0.0%
80263	84263	Ophthamology - No Surgery	1	1	0.75	0.70	1.00	0.52	0.67	0.75	0.0%
80264		Otology - No Surgery	1	1	0.75	1.00	1.00	N/A	N/A	0.75	0.0%
80265	84265	Otorhinolaryngology - No Surgery	1	1	0.75	1.00	1.00	N/A	0.85	0.75	0.0%
80307	84307	Pathology - All Other	1	1	0.75	1.00	1.00	0.83	N/A	0.75	0.0%
80304	84304	Pathology - Blood Banking/Transfusion Medicine - No Sur	1	1	0.75	1.00	1.00	0.83	N/A	0.75	0.0%
80306	84306	Pathology - Cytopathology - No Surgery	1	1	0.75	1.00	1.00	0.83	N/A	0.75	0.0%
80266		Pathology - No Surgery	1	1	0.75	1.00	1.00	0.83	0.95	0.75	0.0%
80234		Pharmacology - Clinical	1	1	0.75	0.70	1.00	N/A	0.85	0.75	0.0%
80209	84209	Physical Medicine and Rehabilitation - All Other	1	1	0.75	N/A	N/A	0.83	N/A	0.75	0.0%
80235		Physical Medicine and Rehabilitation / Physiatry	1	1	0.75	1.00	1.00	1.00	0.67	0.75	0.0%
80133	84133	Preventive Medicine - No Surgery - Aerospace Medicine	1	1	0.75	N/A	N/A	N/A	N/A	0.75	0.0%
80138	84138	Preventive Medicine - No Surgery - Medical Toxicology	1	1	0.75	N/A	N/A	N/A	N/A	0.75	0.0%
80134	84134	Preventive Medicine - No Surgery - Occupational Medicin	1	1	0.75	N/A	N/A	N/A	N/A	0.75	0.0%
80135	84135	Preventive Medicine - No Surgery - Public/General Health	1	1	0.75	N/A	N/A	N/A	N/A	0.75	0.0%
80139	84139	Preventive Medicine - No Surgery - Undersea/Hyperbaric	1	1	0.75	N/A	N/A	N/A	N/A	0.75	0.0%
80224	84224	Psychiatry - Addiction Psychiatry	1	1	0.75	0.70	1.00	0.83	N/A	0.75	0.0%
80229	84229	Psychiatry - All Other	1	1	0.75	0.70	1.00	0.83	0.67	0.75	0.0%
80226	84226	Psychiatry - Child and Adolescent Psychiatry	1	1	0.75	0.70	1.00	0.83	0.67	0.75	0.0%
80227	84227	Psychiatry - Forensic Psychiatry	1	1	0.75	0.70	1.00	0.83	0.67	0.75	0.0%
80228	84228	Psychiatry - Geriatric Psychiatry	1	1	0.75	0.70	1.00	0.83	0.67	0.75	0.0%
80249	84249	Psychiatry - Including Child	1	1	0.75	0.70	1.00	0.83	0.67	0.75	0.0%
80250		Psychoanalysis	1	1	0.75	0.70	1.00	N/A	N/A	0.75	0.0%
80251	84251	Psychosomatic Medicine	1	1	0.75	0.70	1.00	N/A	N/A	0.75	0.0%
80236		Public Health	1	1	0.75	0.70	1.00	N/A	0.67	0.75	0.0%
80163	84163	Radiation Therapy - by Employed Physicians or Surgeons I	1	2	0.75	1.70	4.00	N/A	1.25	1.00	33.3%
80165	84165	Radiation Therapy - by Insured Physicians or Surgeons Inv	1	2	0.75	N/A	1.80	N/A	1.25	1.00	33.3%
80252	84252	Rheumatology - No Surgery	1	1	0.75	1.00	1.00	0.52	0.95	0.75	0.0%
80247		Rhinology - No Surgery	1	1	0.75	1.00	1.00	N/A	0.85	0.75	0.0%
80431	84431	Shock Therapy	1	2	0.75	1.30	1.00	N/A	1.45	1.00	33.3%
80162	84162	Shock Therapy - by Insured Physicians or Surgeons Involv	1	1	0.75	N/A	1.00	N/A	N/A	0.75	0.0%
80161	84161	Shock Therapy - by Employed Physicians or Surgeons Inv	1	1	0.75	N/A	4.00	N/A	N/A	0.75	0.0%
80321		Teaching Physicians - No Surgery	1	1	0.75	N/A	N/A	N/A	N/A	0.75	0.0%
80121	84121	Urology - No Surgery	1	1	0.75	N/A	1.00	1.88	N/A	0.75	0.0%
80182	84182	Anesthesiology - Pain Management	2	2	1.00	N/A	1.80	1.50	1.25	1.00	0.0%
80255	84255	Cardiovascular Disease - No Surgery	2	2	1.00	1.00	1.00	0.83	1.25	1.00	0.0%
80225		Cardiovascular Disease - No Surgery	2	2	1.00	1.00	1.00	0.83	1.25	1.00	0.0%
80256	84256	Dermatology - No Surgery	2	2	1.00	0.70	1.00	0.52	0.67	1.00	0.0%
80428	84428	Discograms / Myleography / Pneumoencephalography	2	2	1.00	N/A	1.80	N/A	N/A	1.00	0.0%
80222	84222	Hospitalism	2	2	1.00	N/A	1.80	1.25	1.00	1.00	0.0%
80257	84257	Internal Medicine - No Surgery	2	2	1.00	1.00	1.00	N/A	1.00	1.00	0.0%
80440	84440	Laparoscopy (Peritonescopy)	2	2	1.00	N/A	1.80	N/A	N/A	1.00	0.0%
80446	84446	Needle Biopsy	2	2	1.00	N/A	1.80	N/A	N/A	1.00	0.0%
80261		Neurology - Including Child - No Surgery	2	2	1.00	1.30	1.00	1.02	1.45	1.00	0.0%
80299	84299	Neurology - Including Child - No Surgery - All Other	2	2	1.00	N/A	N/A	1.02	N/A	1.00	0.0%

New Mexico Patient's Compensation Fund

Development of Classification Assignments by Specialty - Review of Assigned Factors

ISO Class Code			Current	Proposed	Current Rate Factors					Proposed	Indicated
					Patient Compensation Funds			NM Primary Carriers			
M.D.	D.O.	Specialty	Class	Class	NM	IN	WI	TDC	MedPro	Factor	Change
80298	84298	Neurology - Including Child - No Surgery - Pain Manageme	2	2	1.00	N/A	1.80	1.02	1.45	1.00	0.0%
80302	84302	Oncology - No Surgery	2	2	1.00	N/A	1.00	0.83	N/A	1.00	0.0%
80289	84289	Ophthamology - Minor Surgery	2	2	1.00	1.30	1.80	0.83	0.85	1.00	0.0%
80291	84291	Otorhinolaryngology - Minor Surgery	2	3	1.00	1.70	1.80	N/A	1.45	1.20	20.0%
80208	84208	Physical Medicine and Rehabilitation - Pain Management	2	2	1.00	N/A	1.00	1.66	N/A	1.00	0.0%
80269	84269	Pulmonary Diseases - No Surgery	2	2	1.00	1.00	1.00	0.83	1.70	1.00	0.0%
80253	84253	Radiology - Diagnostic - No Surgery	2	2	1.00	1.30	1.00	1.09	1.45	1.00	0.0%
80359	84359	Radiology - Therapeutic - No Surgery	2	2	1.00	N/A	N/A	N/A	N/A	1.00	0.0%
80205	84205	Sports Medicine - No Surgery	2	2	1.00	N/A	N/A	N/A	N/A	1.00	0.0%
80322		Teaching Physicians - Minor Surgery	2	2	1.00	N/A	N/A	N/A	N/A	1.00	0.0%
80101		Broncho-Esophagology	3	3	1.20	2.00	1.80	N/A	N/A	1.20	0.0%
80443	84443	Colonoscopy / Endoscopic Retrograde Cholangiopancreat	3	3	1.20	N/A	1.80	N/A	N/A	1.20	0.0%
80297	84297	Dermatology - All Other	3	3	1.20	N/A	N/A	1.02	0.85	1.20	0.0%
80295	84295	Dermatology - Clinical and Dermatological Immunology	3	3	1.20	N/A	N/A	1.02	0.85	1.20	0.0%
80296	84296	Dermatology - Dermatopathology	3	3	1.20	N/A	1.80	1.02	0.85	1.20	0.0%
80282		Dermatology - including X-Ray Therapy / Radiation Thera	3	3	1.20	1.30	1.80	1.02	0.85	1.20	0.0%
80271		Diabetes - Minor Surgery	3	3	1.20	1.70	1.80	N/A	N/A	1.20	0.0%
80272	84272	Endocrinology - Minor Surgery	3	3	1.20	1.70	1.80	N/A	1.25	1.20	0.0%
80241	84241	Gastroenterology - No Surgery	3	3	1.20	1.00	1.00	1.30	1.45	1.20	0.0%
80421	84421	General Practitioners or Family Physicians - Minor Surger	3	3	1.20	1.70	1.80	1.00	2.21	1.20	0.0%
80276	84276	Geriatrics - Minor Surgery	3	3	1.20	1.70	1.80	N/A	1.45	1.20	0.0%
80277	84277	Gynecology - Minor Surgery (including 1st trimester abort	3	4	1.20	2.00	1.80	2.72	1.45	1.80	50.0%
80278	84278	Hematology - Minor Surgery	3	3	1.20	1.70	1.80	N/A	1.70	1.20	0.0%
80279		Infectious Diseases - Minor Surgery	3	3	1.20	1.70	1.80	1.00	1.70	1.20	0.0%
80283	84283	Intensive Care Medicine	3	4	1.20	1.70	1.80	N/A	2.21	1.80	50.0%
80285		Larynogology - Minor Surgery	3	3	1.20	1.70	1.80	N/A	N/A	1.20	0.0%
80286		Neoplastic Diseases - Minor Surgery	3	3	1.20	1.70	1.80	N/A	N/A	1.20	0.0%
80260		Nephrology - No Surgery	3	2	1.20	1.00	1.00	0.52	0.95	1.00	-16.7%
80114		Ophthamology Surgery	3	3	1.20	1.70	1.80	1.09	0.91	1.20	0.0%
80290		Otology - Minor Surgery	3	3	1.20	1.70	1.80	N/A	N/A	1.20	0.0%
80303	84303	Pathology - Blood Banking/Transfusion Medicine - Minor	3	3	1.20	N/A	N/A	N/A	1.45	1.20	0.0%
80305	84305	Pathology - Cytopathology - Minor Surgery	3	3	1.20	N/A	N/A	N/A	1.45	1.20	0.0%
80292		Pathology - Minor Surgery	3	3	1.20	1.30	1.80	N/A	1.45	1.20	0.0%
80294		Physicians - Minor Surgery - No Ob	3	3	1.20	1.70	1.80	N/A	1.45	1.20	0.0%
80268	84268	Physicians - No Surgery / No Ob - Urgent Care Only	3	3	1.20	1.00	1.00	N/A	N/A	1.20	0.0%
80270		Rhinology - Minor Surgery	3	3	1.20	1.70	1.80	N/A	N/A	1.20	0.0%
	84802	Sclerotherapy	3	3	1.20	N/A	N/A	N/A	N/A	1.20	0.0%
80120	84120	Urology - Minor Surgery	3	3	1.20	N/A	1.00	1.88	N/A	1.20	0.0%
80422	84422	Angiography / Arteriography / Catheterization	4	4	1.80	1.70	1.80	N/A	N/A	1.80	0.0%
80281	84281	Cardiovascular Disease - Minor Surgery	4	4	1.80	1.70	1.80	N/A	1.70	1.80	0.0%
80429	84429	Cryosurgery	4	4	1.80	N/A	N/A	N/A	N/A	1.80	0.0%
80284	84284	Internal Medicine - Minor Surgery	4	4	1.80	1.70	1.80	1.15	1.70	1.80	0.0%
80287		Nephrology - Minor Surgery	4	4	1.80	1.70	1.80	N/A	1.45	1.80	0.0%
80449	84449	Radiopaque Dye Injections	4	4	1.80	N/A	1.00	N/A	1.95	1.80	0.0%
80102	84102	Emergency Medicine - No Major Surgery	5	5	2.20	2.75	1.80	2.09	2.57	2.20	0.0%
80275		General Practitioners or Family Physicians - Ob but No Ma	5	5	2.20	1.70	N/A	1.88	N/A	2.20	0.0%
80804	84804	Neonatal/Perinatal Medicine	5	5	2.20	N/A	N/A	1.30	N/A	2.20	0.0%
80301	84301	Oncology - Minor Surgery	5	5	2.20	N/A	1.80	N/A	N/A	2.20	0.0%
80993-N		Podiatrists/Chiropodists - No Surgery	5	4	2.20	0.93	N/A	0.67	N/A	1.80	-18.2%
80425	84425	Radiation Therapy / Lasers - Used in Therapy	5	5	2.20	1.30	1.80	N/A	N/A	2.20	0.0%
80280	84280	Radiology - Diagnostic - Minor Surgery	5	5	2.20	1.30	1.80	2.00	1.95	2.20	0.0%
80360	84360	Radiology - Interventional	5	5	2.20	N/A	N/A	2.00	N/A	2.20	0.0%
80358	84358	Radiology - Therapeutic - Minor Surgery	5	5	2.20	N/A	N/A	1.45	N/A	2.20	0.0%
80141		Cardiac Surgery	6	8	2.60	6.00	4.00	N/A	N/A	4.75	82.7%
80157	84157	Emergency Medicine - Including Major Surgery	6	6	2.60	4.25	4.00	2.09	2.57	2.60	0.0%
80169		Hand Surgery	6	6	2.60	4.25	4.00	2.63	2.39	2.60	0.0%
80170		Head and Neck Surgery	6	6	2.60	4.25	4.00	N/A	2.39	2.60	0.0%
80106		Laryngology Surgery	6	6	2.60	2.75	4.00	N/A	N/A	2.60	0.0%
80107		Neoplastic Surgery	6	6	2.60	2.75	1.80	N/A	N/A	2.60	0.0%
80288	84288	Nephrology - Including Child - Minor Surgery	6	4	2.60	1.70	1.80	N/A	2.21	1.80	-30.8%
80108		Nephrology Surgery	6	6	2.60	2.00	1.80	N/A	N/A	2.60	0.0%
80168		Obstetrics Surgery (c-sections only)	6	8	2.60	7.50	6.60	4.86	N/A	4.75	82.7%
80158		Otology Surgery	6	6	2.60	2.75	4.00	N/A	N/A	2.60	0.0%
80159		Otorhinolaryngology Surgery	6	6	2.60	2.75	4.00	2.00	1.95	2.60	0.0%
80293	84293	Pediatrics - Minor Surgery	6	4	2.60	1.70	1.80	N/A	1.45	1.80	-30.8%

New Mexico Patient's Compensation Fund

Development of Classification Assignments by Specialty - Review of Assigned Factors

ISO Class Code			Current	Proposed	Current Rate Factors					Proposed	Indicated
					Patient Compensation Funds			NM Primary Carriers			
M.D.	D.O.	Specialty	Class	Class	NM	IN	WI	TDC	MedPro	Factor	Change
80160		Rhinology Surgery	6	6	2.60	2.75	4.00	N/A	N/A	2.60	0.0%
80145	84145	Urological Surgery	6	6	2.60	2.00	1.80	N/A	1.70	2.60	0.0%
80993-S		Podiatrists - Surgery	7	7	4.00	1.45	4.25	2.05	N/A	3.50	-12.5%
80167	84167	Gynecology Surgery	8	8	4.75	6.00	4.00	1.39	2.39	4.75	0.0%
80164	84164	Oncology Surgery	8	8	4.75	N/A	N/A	N/A	N/A	4.75	0.0%
80180	84180	Pediatric Surgery	8	8	4.75	N/A	4.00	N/A	6.22	4.75	0.0%
80156	84156	Plastic Surgery	8	8	4.75	4.25	4.00	2.72	2.21	4.75	0.0%
80155	84155	Plastic-otorhino-laryngology Surgery	8	8	4.75	2.75	4.00	2.72	2.21	4.75	0.0%
80166		Abdominal Surgery	9	9	5.75	4.25	4.00	N/A	4.00	5.75	0.0%
80115		Colon and Rectal Surgery	9	9	5.75	2.00	1.80	1.88	2.21	5.75	0.0%
80103		Endocrinology Surgery	9	9	5.75	2.75	1.80	N/A	N/A	5.75	0.0%
80104		Gastroenterology Surgery	9	9	5.75	2.75	1.80	N/A	2.21	5.75	0.0%
80117		General Practice or Family Practice Surgery	9	9	5.75	2.00	1.80	1.30	2.21	5.75	0.0%
80143	84143	General Surgery	9	9	5.75	4.25	4.00	4.10	3.81	5.75	0.0%
80105		Geriatrics Surgery	9	9	5.75	2.75	1.80	N/A	2.39	5.75	0.0%
80154	84154	Orthopedic Surgery	9	9	5.75	6.00	4.00	2.96	3.00	5.75	0.0%
80144	84144	Thoracic Surgery	9	9	5.75	6.00	4.00	4.10	3.48	5.75	0.0%
80171		Traumatic Surgery	9	9	5.75	6.00	4.00	N/A	4.58	5.75	0.0%
80146		Vascular Surgery	9	9	5.75	6.00	4.00	N/A	3.48	5.75	0.0%
80150	84150	Cardiovascular Disease Surgery	10	10	6.25	6.00	4.00	1.09	3.48	6.50	4.0%
80152	84152	Neurology Surgery - Including Child	10	10	6.25	N/A	6.60	5.82	6.22	6.50	4.0%
80153	84153	Obstetrics Surgery / Gynecology Surgery	10	10	6.25	7.50	6.60	4.13	4.00	6.50	4.0%
80274	84274	Gastroenterology - Minor Surgery	4A	4A	1.50	1.70	1.80	N/A	1.70	1.50	0.0%
80434	84434	Lymphangiography / Phlebography	4A	4A	1.50	N/A	1.80	N/A	1.45	1.50	0.0%
80267	84267	Pediatrics - No Surgery	4A	4A	1.50	1.00	1.00	1.02	0.91	1.50	0.0%
80204	84204	Sports Medicine - Minor Surgery	4A	4A	1.50	N/A	N/A	N/A	N/A	1.50	0.0%
80273		General Practitioners or Family Physicians - Ob but No Ma	5A	5A	1.60	1.70	N/A	N/A	N/A	1.70	6.3%
80151	84151	Anesthesiology	7A	7A	3.00	1.70	1.80	1.50	1.25	3.00	0.0%
80183	84183	Anesthesiology - All Other	7A	7A	3.00	1.70	1.80	1.50	N/A	3.00	0.0%
80181	84181	Anesthesiology - Critical Care Medicine	7A	7A	3.00	1.70	1.80	1.50	N/A	3.00	0.0%
80323		Teaching Physicians or Surgeons - Major Surgery	7A	7A	3.00	N/A	N/A	N/A	N/A	3.00	0.0%
80324		Teaching Physicians or Surgeons - Major Surgery	7A	7A	3.00	N/A	N/A	N/A	N/A	3.00	0.0%
80325		Teaching Physicians or Surgeons - Major Surgery	7A	7A	3.00	N/A	N/A	N/A	N/A	3.00	0.0%
80326		Teaching Physicians or Surgeons - Major Surgery	7A	7A	3.00	N/A	N/A	N/A	N/A	3.00	0.0%
80327		Teaching Physicians or Surgeons - Major Surgery	7A	7A	3.00	N/A	N/A	N/A	N/A	3.00	0.0%

New Mexico Patient's Compensation Fund

Surcharge Impact of Classification Assignments

ISO Class Code			Current	Proposed		Current	Proposed	Proposed	Indicated Surcharge	% of Surcharge
M.D.	D.O.	Specialty	Class	Class	Exposures	Rate	Rate	Factor	Impact	Impact
80437	84437	Acupuncture - Other than Acupuncture Anesthesia	1	1	2	$2,920	$2,917	0.75	-$6	-0.1%
80230		Aerospace Medicine / Medical Director	1	1	0	2,920	2,917	0.75	0	0.0%
80254	84254	Allergy/Immunology - No Surgery	1	1	15	2,920	2,917	0.75	-45	-0.1%
80237		Diabetes - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
80238	84238	Endocrinology - No Surgery	1	1	14	2,920	2,917	0.75	-42	-0.1%
80239		Family Practitioners - No Ob/ No Surgery	1	1	131	2,920	2,917	0.75	-393	-0.1%
80240	84240	Forensic Medicine / Legal Medicine	1	1	0	2,920	2,917	0.75	0	0.0%
80242		General Practitioners - No Ob/ No Major Surgery	1	1	3	2,920	2,917	0.75	-9	-0.1%
80420	84420	General Practitioners or Family Physicians - No Surgery - M	1	1	328	2,920	2,917	0.75	-984	-0.1%
80231		General Preventive Medicine - No Surgery / No Ob	1	1	0	2,920	2,917	0.75	0	0.0%
80243	84243	Geriatrics - No Surgery	1	1	2	2,920	2,917	0.75	-6	-0.1%
80244	84244	Gynecology - No Surgery	1	1	3	2,920	2,917	0.75	-9	-0.1%
80245	84245	Hematology - No Surgery	1	1	3	2,920	2,917	0.75	-9	-0.1%
80232		Hypnosis	1	1	0	2,920	2,917	0.75	0	0.0%
80246		Infectious Diseases - No Surgery	1	1	12	2,920	2,917	0.75	-36	-0.1%
80258		Larynogology - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
	84801	Manipulator	1	1	0	2,920	2,917	0.75	0	0.0%
80259		Neoplastic Diseases - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
80262	84262	Nuclear Medicine - Excluding Radiation Therapy	1	1	0	2,920	2,917	0.75	0	0.0%
80248		Nutrition	1	1	0	2,920	2,917	0.75	0	0.0%
80233		Occupational Medicine	1	1	1	2,920	2,917	0.75	-3	-0.1%
80263	84263	Ophthamology - No Surgery	1	1	11	2,920	2,917	0.75	-33	-0.1%
80264		Otology - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
80265	84265	Otorhinolaryngology - No Surgery	1	1	3	2,920	2,917	0.75	-9	-0.1%
80307	84307	Pathology - All Other	1	1	44	2,920	2,917	0.75	-132	-0.1%
80304	84304	Pathology - Blood Banking/Transfusion Medicine - No Sur	1	1	0	2,920	2,917	0.75	0	0.0%
80306	84306	Pathology - Cytopathology - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
80266		Pathology - No Surgery	1	1	6	2,920	2,917	0.75	-18	-0.1%
80234		Pharmacology - Clinical	1	1	0	2,920	2,917	0.75	0	0.0%
80209	84209	Physical Medicine and Rehabilitation - All Other	1	1	15	2,920	2,917	0.75	-45	-0.1%
80235		Physical Medicine and Rehabilitation / Physiatry	1	1	6	2,920	2,917	0.75	-18	-0.1%
80133	84133	Preventive Medicine - No Surgery - Aerospace Medicine	1	1	0	2,920	2,917	0.75	0	0.0%
80138	84138	Preventive Medicine - No Surgery - Medical Toxicology	1	1	0	2,920	2,917	0.75	0	0.0%
80134	84134	Preventive Medicine - No Surgery - Occupational Medicin	1	1	7	2,920	2,917	0.75	-21	-0.1%
80135	84135	Preventive Medicine - No Surgery - Public/General Health	1	1	2	2,920	2,917	0.75	-6	-0.1%
80139	84139	Preventive Medicine - No Surgery - Undersea/Hyperbaric	1	1	0	2,920	2,917	0.75	0	0.0%
80224	84224	Psychiatry - Addiction Psychiatry	1	1	0	2,920	2,917	0.75	0	0.0%
80229	84229	Psychiatry - All Other	1	1	20	2,920	2,917	0.75	-60	-0.1%
80226	84226	Psychiatry - Child and Adolescent Psychiatry	1	1	1	2,920	2,917	0.75	-3	-0.1%
80227	84227	Psychiatry - Forensic Psychiatry	1	1	0	2,920	2,917	0.75	0	0.0%
80228	84228	Psychiatry - Geriatric Psychiatry	1	1	0	2,920	2,917	0.75	0	0.0%
80249	84249	Psychiatry - Including Child	1	1	53	2,920	2,917	0.75	-159	-0.1%
80250		Psychoanalysis	1	1	0	2,920	2,917	0.75	0	0.0%
80251	84251	Psychosomatic Medicine	1	1	0	2,920	2,917	0.75	0	0.0%
80236		Public Health	1	1	0	2,920	2,917	0.75	0	0.0%
80163	84163	Radiation Therapy - by Employed Physicians or Surgeons I	1	2	0	2,920	3,889	1.00	0	0.0%
80165	84165	Radiation Therapy - by Insured Physicians or Surgeons Inv	1	2	0	2,920	3,889	1.00	0	0.0%
80252	84252	Rheumatology - No Surgery	1	1	27	2,920	2,917	0.75	-81	-0.1%
80247		Rhinology - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
80431	84431	Shock Therapy	1	2	0	2,920	3,889	1.00	0	0.0%
80162	84162	Shock Therapy - by Insured Physicians or Surgeons Involv	1	1	0	2,920	2,917	0.75	0	0.0%
80161	84161	Shock Therapy - by Employed Physicians or Surgeons Inv	1	1	0	2,920	2,917	0.75	0	0.0%
80321		Teaching Physicians - No Surgery	1	1	2	2,920	2,917	0.75	-6	-0.1%
80121	84121	Urology - No Surgery	1	1	0	2,920	2,917	0.75	0	0.0%
80182	84182	Anesthesiology - Pain Management	2	2	23	3,889	3,889	1.00	0	0.0%
80255	84255	Cardiovascular Disease - No Surgery	2	2	24	3,889	3,889	1.00	0	0.0%
80225		Cardiovascular Disease - No Surgery	2	2	1	3,889	3,889	1.00	0	0.0%
80256	84256	Dermatology - No Surgery	2	2	36	3,889	3,889	1.00	0	0.0%
80428	84428	Discograms / Myleography / Pneumoencephalography	2	2	0	3,889	3,889	1.00	0	0.0%
80222	84222	Hospitalism	2	2	121	3,889	3,889	1.00	0	0.0%
80257	84257	Internal Medicine - No Surgery	2	2	244	3,889	3,889	1.00	0	0.0%
80440	84440	Laparoscopy (Peritonescopy)	2	2	0	3,889	3,889	1.00	0	0.0%
80446	84446	Needle Biopsy	2	2	0	3,889	3,889	1.00	0	0.0%
80261		Neurology - Including Child - No Surgery	2	2	12	3,889	3,889	1.00	0	0.0%
80299	84299	Neurology - Including Child - No Surgery - All Other	2	2	17	3,889	3,889	1.00	0	0.0%

New Mexico Patient's Compensation Fund

Surcharge Impact of Classification Assignments

ISO Class Code			Current	Proposed		Current	Proposed	Proposed	Indicated Surcharge	% of Surcharge
M.D.	D.O.	Specialty	Class	Class	Exposures	Rate	Rate	Factor	Impact	Impact
80298	84298	Neurology - Including Child - No Surgery - Pain Manageme	2	2	25	3,889	3,889	1.00	0	0.0%
80302	84302	Oncology - No Surgery	2	2	42	3,889	3,889	1.00	0	0.0%
80289	84289	Ophthamology - Minor Surgery	2	2	1	3,889	3,889	1.00	0	0.0%
80291	84291	Otorhinolaryngology - Minor Surgery	2	3	1	3,889	4,667	1.20	778	20.0%
80208	84208	Physical Medicine and Rehabilitation - Pain Management	2	2	2	3,889	3,889	1.00	0	0.0%
80269	84269	Pulmonary Diseases - No Surgery	2	2	25	3,889	3,889	1.00	0	0.0%
80253	84253	Radiology - Diagnostic - No Surgery	2	2	135	3,889	3,889	1.00	0	0.0%
80359	84359	Radiology - Therapeutic - No Surgery	2	2	3	3,889	3,889	1.00	0	0.0%
80205	84205	Sports Medicine - No Surgery	2	2	2	3,889	3,889	1.00	0	0.0%
80322		Teaching Physicians - Minor Surgery	2	2	0	3,889	3,889	1.00	0	0.0%
80101		Broncho-Esophagology	3	3	0	4,676	4,667	1.20	0	0.0%
80443	84443	Colonoscopy / Endoscopic Retrograde Cholangiopancreat	3	3	1	4,676	4,667	1.20	-9	-0.2%
80297	84297	Dermatology - All Other	3	3	12	4,676	4,667	1.20	-108	-0.2%
80295	84295	Dermatology - Clinical and Dermatological Immunology	3	3	0	4,676	4,667	1.20	0	0.0%
80296	84296	Dermatology - Dermatopathology	3	3	0	4,676	4,667	1.20	0	0.0%
80282		Dermatology - including X-Ray Therapy / Radiation Thera	3	3	0	4,676	4,667	1.20	0	0.0%
80271		Diabetes - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80272	84272	Endocrinology - Minor Surgery	3	3	13	4,676	4,667	1.20	-117	-0.2%
80241	84241	Gastroenterology - No Surgery	3	3	3	4,676	4,667	1.20	-27	-0.2%
80421	84421	General Practitioners or Family Physicians - Minor Surgen	3	3	26	4,676	4,667	1.20	-234	-0.2%
80276	84276	Geriatrics - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80277	84277	Gynecology - Minor Surgery (including 1st trimester abort	3	4	21	4,676	7,000	1.80	48,804	49.7%
80278	84278	Hematology - Minor Surgery	3	3	9	4,676	4,667	1.20	-81	-0.2%
80279		Infectious Diseases - Minor Surgery	3	3	1	4,676	4,667	1.20	-9	-0.2%
80283	84283	Intensive Care Medicine	3	4	35	4,676	7,000	1.80	81,340	49.7%
80285		Larynogology - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80286		Neoplastic Diseases - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80260		Nephrology - No Surgery	3	2	33	4,676	3,889	1.00	-25,971	-16.8%
80114		Ophthamology Surgery	3	3	65	4,676	4,667	1.20	-585	-0.2%
80290		Otology - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80303	84303	Pathology - Blood Banking/Transfusion Medicine - Minor	3	3	0	4,676	4,667	1.20	0	0.0%
80305	84305	Pathology - Cytopathology - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80292		Pathology - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
80294		Physicians - Minor Surgery - No Ob	3	3	10	4,676	4,667	1.20	-90	-0.2%
80268	84268	Physicians - No Surgery / No Ob - Urgent Care Only	3	3	38	4,676	4,667	1.20	-342	-0.2%
80270		Rhinology - Minor Surgery	3	3	0	4,676	4,667	1.20	0	0.0%
	84802	Sclerotherapy	3	3	0	4,676	4,667	1.20	0	0.0%
80120	84120	Urology - Minor Surgery	3	3	3	4,676	4,667	1.20	-27	-0.2%
80422	84422	Angiography / Arteriography / Catheterization	4	4	1	7,008	7,000	1.80	-8	-0.1%
80281	84281	Cardiovascular Disease - Minor Surgery	4	4	65	7,008	7,000	1.80	-520	-0.1%
80429	84429	Cryosurgery	4	4	0	7,008	7,000	1.80	0	0.0%
80284	84284	Internal Medicine - Minor Surgery	4	4	18	7,008	7,000	1.80	-144	-0.1%
80287		Nephrology - Minor Surgery	4	4	5	7,008	7,000	1.80	-40	-0.1%
80449	84449	Radiopaque Dye Injections	4	4	2	7,008	7,000	1.80	-16	-0.1%
80102	84102	Emergency Medicine - No Major Surgery	5	5	238	8,562	8,556	2.20	-1,428	-0.1%
80275		General Practitioners or Family Physicians - Ob but No Ma	5	5	11	8,562	8,556	2.20	-66	-0.1%
80804	84804	Neonatal/Perinatal Medicine	5	5	18	8,562	8,556	2.20	-108	-0.1%
80301	84301	Oncology - Minor Surgery	5	5	6	8,562	8,556	2.20	-36	-0.1%
80993-N		Podiatrists/Chiropodists - No Surgery	5	4	3	8,562	7,000	1.80	-4,686	-18.2%
80425	84425	Radiation Therapy / Lasers - Used in Therapy	5	5	3	8,562	8,556	2.20	-18	-0.1%
80280	84280	Radiology - Diagnostic - Minor Surgery	5	5	44	8,562	8,556	2.20	-264	-0.1%
80360	84360	Radiology - Interventional	5	5	1	8,562	8,556	2.20	-6	-0.1%
80358	84358	Radiology - Therapeutic - Minor Surgery	5	5	0	8,562	8,556	2.20	0	0.0%
80141		Cardiac Surgery	6	8	2	10,122	18,473	4.75	16,702	82.5%
80157	84157	Emergency Medicine - Including Major Surgery	6	6	0	10,122	10,111	2.60	0	0.0%
80169		Hand Surgery	6	6	6	10,122	10,111	2.60	-66	-0.1%
80170		Head and Neck Surgery	6	6	1	10,122	10,111	2.60	-11	-0.1%
80106		Laryngology Surgery	6	6	0	10,122	10,111	2.60	0	0.0%
80107		Neoplastic Surgery	6	6	0	10,122	10,111	2.60	0	0.0%
80288	84288	Nephrology - Including Child - Minor Surgery	6	4	1	10,122	7,000	1.80	-3,122	-30.8%
80108		Nephrology Surgery	6	6	1	10,122	10,111	2.60	-11	-0.1%
80168		Obstetrics Surgery (c-sections only)	6	8	0	10,122	18,473	4.75	0	0.0%
80158		Otology Surgery	6	6	0	10,122	10,111	2.60	0	0.0%
80159		Otorhinolaryngology Surgery	6	6	23	10,122	10,111	2.60	-253	-0.1%
80293	84293	Pediatrics - Minor Surgery	6	4	7	10,122	7,000	1.80	-21,854	-30.8%

New Mexico Patient's Compensation Fund

Surcharge Impact of Classification Assignments

ISO Class Code			Current	Proposed		Current	Proposed	Proposed	Indicated Surcharge	% of Surcharge
M.D.	D.O.	Specialty	Class	Class	Exposures	Rate	Rate	Factor	Impact	Impact
80160		Rhinology Surgery	6	6	0	10,122	10,111	2.60	0	0.0%
80145	84145	Urological Surgery	6	6	24	10,122	10,111	2.60	-264	-0.1%
80993-S		Podiatrists - Surgery	7	7	18	15,569	13,612	3.50	-35,226	-12.6%
80167	84167	Gynecology Surgery	8	8	19	18,494	18,473	4.75	-399	-0.1%
80164	84164	Oncology Surgery	8	8	7	18,494	18,473	4.75	-147	-0.1%
80180	84180	Pediatric Surgery	8	8	5	18,494	18,473	4.75	-105	-0.1%
80156	84156	Plastic Surgery	8	8	13	18,494	18,473	4.75	-273	-0.1%
80155	84155	Plastic-otorhino-laryngology Surgery	8	8	3	18,494	18,473	4.75	-63	-0.1%
80166		Abdominal Surgery	9	9	0	22,384	22,362	5.75	0	0.0%
80115		Colon and Rectal Surgery	9	9	4	22,384	22,362	5.75	-88	-0.1%
80103		Endocrinology Surgery	9	9	1	22,384	22,362	5.75	-22	-0.1%
80104		Gastroenterology Surgery	9	9	27	22,384	22,362	5.75	-594	-0.1%
80117		General Practice or Family Practice Surgery	9	9	2	22,384	22,362	5.75	-44	-0.1%
80143	84143	General Surgery	9	9	90	22,384	22,362	5.75	-1,980	-0.1%
80105		Geriatrics Surgery	9	9	0	22,384	22,362	5.75	0	0.0%
80154	84154	Orthopedic Surgery	9	9	99	22,384	22,362	5.75	-2,178	-0.1%
80144	84144	Thoracic Surgery	9	9	8	22,384	22,362	5.75	-176	-0.1%
80171		Traumatic Surgery	9	9	3	22,384	22,362	5.75	-66	-0.1%
80146		Vascular Surgery	9	9	12	22,384	22,362	5.75	-264	-0.1%
80150	84150	Cardiovascular Disease Surgery	10	10	9	24,334	25,279	6.50	8,505	3.9%
80152	84152	Neurology Surgery - Including Child	10	10	9	24,334	25,279	6.50	8,505	3.9%
80153	84153	Obstetrics Surgery / Gynecology Surgery	10	10	123	24,334	25,279	6.50	116,235	3.9%
80274	84274	Gastroenterology - Minor Surgery	4A	4A	27	5,843	5,834	1.50	-243	-0.2%
80434	84434	Lymphangiography / Phlebography	4A	4A	0	5,843	5,834	1.50	0	0.0%
80267	84267	Pediatrics - No Surgery	4A	4A	201	5,843	5,834	1.50	-1,809	-0.2%
80204	84204	Sports Medicine - Minor Surgery	4A	4A	0	5,843	5,834	1.50	0	0.0%
80273		General Practitioners or Family Physicians - Ob but No Ma	5A	5A	19	6,214	6,611	1.70	7,543	6.4%
80151	84151	Anesthesiology	7A	7A	31	11,678	11,667	3.00	-341	-0.1%
80183	84183	Anesthesiology - All Other	7A	7A	75	11,678	11,667	3.00	-825	-0.1%
80181	84181	Anesthesiology - Critical Care Medicine	7A	7A	0	11,678	11,667	3.00	0	0.0%
80323		Teaching Physicians or Surgeons - Major Surgery	7A	7A	0	11,678	11,667	3.00	0	0.0%
80324		Teaching Physicians or Surgeons - Major Surgery	7A	7A	0	11,678	11,667	3.00	0	0.0%
80325		Teaching Physicians or Surgeons - Major Surgery	7A	7A	0	11,678	11,667	3.00	0	0.0%
80326		Teaching Physicians or Surgeons - Major Surgery	7A	7A	0	11,678	11,667	3.00	0	0.0%
80327		Teaching Physicians or Surgeons - Major Surgery	7A	7A	0	11,678	11,667	3.00	0	0.0%
							Total Surcharge Impact		180,915	

New Mexico Patient's Compensation Fund

Review of Classification Factors by Assigned Class

		Current Rate Factors Evaluated Over Proposed Class*					
	Current	Patient Compensation Funds			NM Primary Carriers		Proposed
Class	Factor	NM	IN	WI	TDC	MedPro	Factor
1	0.75	0.75	0.87	1.09	0.79	0.85	0.75
2	1.00	0.98	1.15	1.47	0.98	1.22	1.00
3	1.20	1.19	1.59	1.69	1.15	1.33	1.20
4A	1.50	1.50	1.35	1.53	1.02	1.36	1.50
4	1.80	1.87	1.65	1.71	1.51	1.77	1.80
5A	1.60	1.60	1.70				1.70
5	2.20	2.20	1.76	1.80	1.79	2.26	2.20
6	2.60	2.60	3.05	3.34	2.24	2.20	2.60
7A	3.00	3.00	1.70	1.80	1.50	1.25	3.00
7	4.00	4.00	1.45	4.25	2.05		3.50
8	4.75	4.14	5.30	4.43	2.92	3.26	4.75
9	5.75	5.75	4.07	3.00	2.87	3.14	5.75
10	6.25	6.25	6.75	5.73	3.68	4.57	6.50

*Incorporates impact of changes in classification for physician classes

New Mexico Patient's Compensation Fund

Development of Relativities by Allied Class

NM Class Code				Relativity to Internal Medicine No Surgery - 80257						
				Patient Compensation Funds			NM Primary Carrier		Proposed	Indicated
M.D.	D.O.	Description	Class	NM	IN	WI	TDC	MedPro	Factor	Change
80410		Chiropractors	99	0.60	N/A	0.40	0.85	N/A	0.60	0.0%
		Nurse Anesthetists	CRNA	0.20	0.45	0.25	0.60	N/A	0.25	25.0%
		Physicians Assistants - Supervised by Non-Invasive Specialists	PA-1	0.34	0.35	0.20	0.25	N/A	0.34	0.0%
80116	84116	Physicians Assistants - Supervised by Specialists Performing Minor Surgery	PA-2	0.45	0.35	0.20	0.25	N/A	0.45	0.0%
		Physicians Assistants - Supervised by Specialists Performing Major Surgery	PA-3	0.54	0.35	0.20	0.25	N/A	0.54	0.0%

New Mexico Patient's Compensation Fund

Surcharge Impact of New Relativities by Allied Class

NM Class Code M.D.	NM Class Code D.O.	Description	Class	Exposures	Current Factor	Proposed Factor	Current Rate	Proposed Rate	Indicated Surcharge Impact	% of Surcharge Impact
80410		Chiropractors	99	3	0.60	0.60	2,333	2,333	0	0.0%
		Nurse Anesthetists	CRNA	107	0.20	0.25	778	972	20,758	24.9%
		Physicians Assistants - Supervised by Non-Invasive Specialists	PA-1	312	0.34	0.34	1,322	1,322	0	0.0%
80116	84116	Physicians Assistants - Supervised by Specialists Performing Minor Surgery	PA-2	59	0.45	0.45	1,750	1,750	0	0.0%
		Physicians Assistants - Supervised by Specialists Performing Major Surgery	PA-3	73	0.54	0.54	2,100	2,100	0	0.0%
								Total	20,758	

New Mexico Patient's Compensation Fund

Entity Coverage Evaluation

NM Class Code M.D.	D.O.	Description	Class	Exposures (1)	Current Rate Per Provider (2)	Current Surcharge (3)	Proposed Rate per Provider (4)	Weighted Average Provider Surcharge (5)	Estimated Rate Per Provider (6)	Estimated Surcharge (7)	Estimated Surcharge Impact (8)	% of Surcharge Impact (9)
80999	84999	Physicians and Surgeons - Corporate or Partnership Liability	51									
		Single doctor		503	$341	$171,523	10% of provider surcharge	$7,766	$777	$390,605	$219,082	127.7%
		Each additional doctor		1,882	86	161,835	10% of provider surcharge	7,766	777	1,461,313	1,299,478	803.0%
		Each additional CRNA or PA		441	42	18,514	10% of provider surcharge	1,403	140	61,841	43,328	234.0%
80943		Podiatrists/Chiropodists - Corporate or Partnership Liability	52									
		Single doctor		23	$341	$7,843	10% of provider surcharge	$7,000	$700	$16,100	$8,257	105.3%
		Each additional doctor		0	86	0	10% of provider surcharge	7,000	700	0	0	
		Each additional CRNA or PA		0	42	0	10% of provider surcharge	1,403	140	0	0	
80412		Chiropractors - Corporate or Partnership Liability	53									
		Single chiropractor		3	$234	$702	10% of provider surcharge	$2,333	$233	$700	-$2	-0.3%
		Each additional chiropractor		0	54	0	10% of provider surcharge	2,333	233	0	0	
					Total	$360,416				Total	$1,570,142	335.6%

Notes

(1),(2) Provided by New Mexico PCF; estimating 80% of physicians, physician assistants and CRNAs belong to a corporate entity

(3) Col (1) x Col (2)

(5) Weighted average of exposures and proposed rate on Exhibit 2 for physicians, Exhibit 4 Page 2 for CRNAs and physician assistants
For podiatrists/chiropodists and chiropractors, using actual Proposed rate

(6) Col (5) x 10% (note that actual rate will differ based on individual provider specialty)

(7) Col (1) x Col (6)

(8) Col (7) - Col (3)

(9) Col (8) / Col (3)

Actuarial Report Addendum:

New Mexico Patient's Compensation Fund
Hospital & Outpatient Health Care Facility Rating Plan

October 2019

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Commitment Beyond Numbers

Table of Contents

Exhibits

New Mexico Patient's Compensation Fund
Hospital & Outpatient Health Care Facility Rating Plan

Purpose and Scope

In the past, surcharges for hospitals and outpatient health care facilities (QHP facilities) that participate in the New Mexico Patient's Compensation Fund (PCF) have been determined on an individual basis through an independent actuarial review. The purpose of this rating plan is to provide a consistent framework for rating QHP facilities that participate in the PCF. This rating plan includes both exposure and experience rating portions.

Through a review of a number of both publicly available and confidential data sources, Pinnacle has prepared a QHP facility rating plan consistent with the funding recommendations shown in our analysis of the PCF as of December 31, 2018 and is an addendum to our report dated July 10, 2019. Further discussion of the data and assumptions underlying these recommendations as well as relevant background information on Pinnacle and the PCF and legal disclosures (including information on distribution, use, reliances, and limitations) can be found in our report dated July 10, 2019.

Based on the provisions of the Medical Malpractice Act of New Mexico (Chapter 41, Article 5 NMSA 1978), hospitals and outpatient health care facilities may be admitted to the PCF subject to the superintendent's determination of base coverage and PCF surcharges for each facility. The surcharges shall be determined "based upon sound actuarial principles." Pinnacle was approached by the PCF to provide a consistent rating framework for hospitals and outpatient health care facilities.

Data Sources

Our analyses use a number of data sources. The data sources are categorized as follows:

1. Health System Loss and Exposure Data
2. Industry Rate Filings
3. PCF Actuarial Analysis as of December 31, 2018

A brief description of the data sources utilized in each area along with a description of the key data elements and potential limitations of the data follows for each category.

Health System Loss and Exposure Data

Pinnacle was provided with claim counts and exposure information for two New Mexico health systems (Presbyterian Health Services and Christus St. Vincent) with claims evaluated as of 12/31/2018, as well as claim counts and exposure information for the New Mexico Hospital Risk Purchasing Group (RPG) as a whole evaluated as of 3/31/2018. The claim counts are comprised of claims with indemnity over $200,000 (i.e. claims that would pierce the PCF layer). These are summarized by year in Exhibit 4.

Exposures include number of beds (for acute care, psychiatric care, extended care, skilled nursing care, personal care, physical rehab, and chemical dependency rehab beds), number of births, number of surgeries (inpatient and outpatient), and number of visits in hundreds (ER, other outpatient, and home healthcare). These exposures are summarized on Exhibit 3.

Industry Rate Filings

In order to develop PCF rates for the different types of QHP facility loss exposures, e.g. emergency room visits, births, outpatient surgeries, Pinnacle reviewed several publicly available filings for medical professional liability insurance (MPLI) providers and government insurance programs in New Mexico and other states in developing appropriate relativities to the acute care bed base rate (i.e. the occupied bed equivalent or OBE rate). Because these rate filings have been through regulatory scrutiny, we are comfortable that the information is appropriate for use in this analysis. These relativities are shown in Exhibit 2.

PCF Actuarial Analysis as of December 31, 2018

The rating plan is based on the funding recommendation provided in our analysis as of December 31, 2018. Further information on methods, data, and assumptions incorporated in this analysis is discussed in our report dated July 10, 2019.

Methods and Assumptions

Pinnacle's developed PCF surcharges for QHP facilities based on the overall funding need for QHP facilities insured by the PCF. The goal of the analysis was to satisfy the overall surcharge need for the PCF through actuarially sound rates by ratable exposure. First, hospital exposures were collected and summarized. These exposures comprise all the hospital systems currently participating in the PCF. The exposures are summarized in Exhibit 3.

Second, appropriate relativities for each exposure type were selected based a review of relativities for two primary carriers in the state of New Mexico (MMIC Insurance, Inc. and The Continental Insurance Company; these rate filings were accessed as of May 2, 2019) as well as the Indiana Patient Compensation Fund, a state program that offers excess coverage in a similar manner to the PCF. Selections were made based on these relativities. See Exhibit 2 for more detail.

Finally, we calculate the acute care bed base rate by balancing the calculated funding (using the results of Exhibits 2 and 3) to the overall funding recommendation for hospitals in the PCF. In calculating the base rate, we developed the projected 2019-2020 assessments based on an 80% confidence level shown in the hospital funding.

For the experience rating portion of the plan, we used the total hospital claims with over $200,000 in indemnity and current exposures to estimate an estimated frequency of claims per bed. The estimated frequency can then be applied to the OBE exposures of a facility to determine expected claim counts. A facility's ratio of its actual claim counts to expected claim counts over the five years of the experience period is then credibility-weighted using the maximum of statewide claims summarized over the past five years as the full credibility standard to provide an experience modification factor to the facility's surcharge.

Exhibits and Appendices

Exhibit 1. Proposed Hospital & Outpatient Health Care Facility Rates

Exhibit 2. Proposed Hospital & Outpatient Health Care Facility OBE Relativities

Exhibit 3. Current Health System Exposures

Exhibit 4. Expected Claims Estimate

Exhibit 5. Patient's Compensation Fund – Rules and Rating Manual for Owners/Operators of New Mexico Hospitals and Outpatient Health Care Facilities

Supplemental Exhibit Experience Rating Adjustment Example

New Mexico Patient's Compensation Fund

Exhibit 1

Proposed Hospital & Outpatient Health Care Facility Rates

Exposure Type	Exposure Basis	Proposed PCF Rate	Indicated Hospital Premium
(1)	(2)	(3)	(4)
Acute Care Bed	Per bed	4,957	7,473,425
Psychiatric Care Bed	Per bed	4,957	23,150
Extended Care Bed	Per bed	496	13,384
Skilled Nursing Care Bed	Per bed	1,735	-
Personal Care Bed	Per bed	744	-
Physical Rehab Bed	Per bed	2,479	31,874
Chemical Dependency Rehab Bed	Per bed	1,239	-
Births	Per birth	248	4,090,131
Inpatient Surgeries	Per 100 surgeries	8,675	3,447,757
Outpatient Surgeries	Per 100 surgeries	991	781,783
ER visits	Per 100 visits	744	4,831,786
Other Outpatient visits	Per 100 visits	248	3,167,760
Home Healthcare	Per 100 visits	248	-
			23,861,051

Column / Row	Note
(3)	Based on current hospital & outpatient health care facility surcharge indication and proposed relativities from Exhibit 2, Col (3)
(4)	Col (3) x Exhibit 3, Col (6)

New Mexico Patient's Compensation Fund

Exhibit 2

Proposed Hospital & Outpatient Health Care Facility OBE Relativities

Exposure Type	Exposure Basis	Proposed Relativity to Acute Care Beds	MMIC	IN PCF	CNA
(1)	(2)	(3)	(4)	(5)	(6)
Acute Care Bed	Per bed	1.0000	1.0000	1.0000	1.0000
Psychiatric Care Bed	Per bed	1.0000	1.0000	0.5005	0.7000
Extended Care Bed	Per bed	0.1000	0.1501	0.0501	0.1000
Skilled Nursing Care Bed	Per bed	0.3500	0.3000	0.5005	0.5000
Personal Care Bed	Per bed	0.1500	0.1000	0.1996	
Physical Rehab Bed	Per bed	0.5000	0.5000		
Chemical Dependency Rehab Bed	Per bed	0.2500	0.2500		
Births	Per birth	0.0500	0.0501	0.0400	0.0400
Inpatient Surgeries	Per 100 surgeries	1.7500	1.2501	2.0000	1.5997
Outpatient Surgeries	Per 100 surgeries	0.2000	0.4000	0.1000	0.4001
ER visits	Per 100 visits	0.1500	0.1501	0.1000	0.1500
Other Outpatient visits	Per 100 visits	0.0500	0.0501	0.0500	0.0700
Home Healthcare	Per 100 visits	0.0500	0.0125	0.0500	0.0300

Column / Row	Note
(3)	Proposed based on Cols (4) - (6)
(4), (6)	From New Mexico rate filings PERR-131779736 and CNAC-125268857 respectively
(5)	From 2019 surcharges bulletin for Indiana Patient Compensation Fund

New Mexico Patient's Compensation Fund

Exhibit 3

Current Health System Exposures

Exposure Type	Exposure Basis	Hospital RPG	PHS	St. Vincent	Total - All Hospitals
(1)	(2)	(3)	(4)	(5)	(6)
Acute Care Bed	Per bed	795	583	130	1,508
Psychiatric Care Bed	Per bed			5	5
Extended Care Bed	Per bed		27		27
Skilled Nursing Care Bed	Per bed				-
Personal Care Bed	Per bed				-
Physical Rehab Bed	Per bed			13	13
Chemical Dependency Rehab Bed	Per bed				-
					-
Births	Per birth	8,630	6,569	1,303	16,502
Inpatient Surgeries	Per 100 surgeries	245	120	32	397
Outpatient Surgeries	Per 100 surgeries	490	224	75	789
ER visits	Per 100 visits	3,376	2,634	489	6,498
Other Outpatient visits	Per 100 visits	7,338	4,068	1,375	12,781
Home Healthcare	Per 100 visits				-

Column / Row	Note
(3)	From 2018 actuarial study of New Mexico Hospital Risk Purchasing Group
(4), (5)	From 2018 surcharge analyses
(6)	Sum of Cols (3) - (5)

New Mexico Patient's Compensation Fund

Exhibit 4

Expected Claims Estimate

Policy Year	Hospital RPG PCF Layer Claims	PHS PCF Layer Claims	St. Vincent PCF Layer Claims	Total	5-Year Total
(1)	(2)	(3)	(4)	(5)	(6)
2009	12	15	1	28	
2010	25	19	4	48	
2011	23	20	8	51	
2012	27	33	2	62	
2013	23	17	2	42	231
2014	25	22	0	47	250
2015	15	19	1	35	237
2016	8	11	0	19	205
2017	0	3	0	3	146
2018	0	0	0	0	104
Total (excl. 2017 and 2018)	158	156	18	332	

(7)	Expected Claims per Year (excl. 2017 and 2018)	41.500
(8)	Acute Care Bed Equivalent Exposures	4,813
(9)	Expected Claims per Exposure	0.009

Column / Row	Note
(2)	From 2018 actuarial study of New Mexico Hospital Risk Purchasing Group
(3), (4)	From 2018 surcharge analyses
(5)	Sum of Cols (2) - (4)
(6)	Sum of prior 5 years of Col (5)
(7)	Col (5) Total / 8
(8)	Sum of Exhibit 3, Col (6) x Exhibit 2, Col (3)
(9)	Row (7) / Row (8)

PATIENT'S COMPENSATION FUND

RULES AND RATING MANUAL
FOR OWNERS/OPERATORS OF NEW MEXICO HOSPITALS AND OUTPATIENT HEALTH CARE FACILITIES

INTRODUCTION

This manual contains the rules and rating procedures governing the underwriting of hospitals and outpatient health care facilities (QHP facilities) for participation in the New Mexico Patient Compensation Fund (PCF).

This manual shall be used to calculate PCF surcharges. Any exceptions to this manual must be approved by the Superintendent of Insurance.

PCF COVERAGE TERM

PCF coverage is coextensive with the underlying coverage term, but not to exceed 1 year.

LIMITS OF LIABILITY

A. Required Underlying Coverage

QHP facilities are required to hold professional liability policies covering up to $200,000 per occurrence. Annual aggregate limits are determined on a case-by-case basis by the Superintendent of Insurance.

B. PCF Coverage

The PCF provides coverage excess of the required underlying coverage of $200,000 per occurrence with awards capped at $600,000 per occurrence (excluding medical care costs, which are uncapped). Punitive damages are not covered by the PCF.

RATING

Patient Compensation Fund Surcharge

A. Basis of Surcharge

The surcharge is calculated based on the following:

1. Occupied Bed: When overnight care is provided, a charge is made for the number of annual average occupied beds, which is defined as the total annual inpatient days divided by 365.

2. Inpatient Surgeries: The total number of surgeries performed for patients who remain in the facility overnight or longer. The rates apply per 100 inpatient surgeries.
3. Outpatient Surgeries: The total number of surgeries performed for patients who do not remain in the facility overnight. The rates apply per 100 outpatient surgeries.
4. Births: Total annual number of births. The rates apply per birth.
5. Visits: The number of ER visits, Other Outpatient visits and Home Health Care visits. The rate apply per 100 visits.

B. Surcharge Calculation

1. Computation
   i. Compute the surcharge at coverage inception using the rules, rates and rating plan in effect at that time. At each renewal, compute the surcharge using the rules, rates and rating plan then in effect.
   ii. Pro-rate the surcharge when coverage is issued for other than a whole year.

2. Exposure Changes
   If there is a change to the exposures of a QHP facility that would result in a surcharge increase of more than 10% of the initial surcharge paid, the revised exposure must be reported to the PCF, and the surcharge restated for the remainder of the coverage period.

SUPPLEMENTARY RULES

A. PCF Experience Rating Plan

Refer to the PCF Experience Rating Plan for details.

B. Surcharge Change Rules

1. Pro-rate all changes requiring additional surcharge.
2. Apply the rates and rules in effect on the effective date of the coverage. Charge the additional surcharge applicable to the change.

C. Coverage Cancellation

1. Compute return surcharge pro-rata, at the rates used to calculate the original surcharge, when coverage is canceled at the request of the QHP facility.
2. Refund checks will not be issued, unless approved by the Superintendent. Return surcharge will be credited.

Patient Compensation Fund Surcharge Rates

Occupied Beds:	Exposure Type	Proposed PCF Rate
Acute Care	Per bed	4,957
Psychiatric Care	Per bed	4,957
Extended Care	Per bed	496
Skilled Nursing Care	Per bed	1,735
Personal Care	Per bed	744
Physical Rehab	Per bed	2,479
Chemical Dependency Rehab	Per bed	1,239
Births	Per birth	248
Inpatient Surgeries	Per 100 surgeries	8,675
Outpatient Surgeries	Per 100 surgeries	991
ER visits	Per 100 visits	744
Other Outpatient visits	Per 100 visits	248
Home Healthcare	Per 100 visits	248

Sample Calculation:
A hospital with 20 acute care beds and 55 births a year that performs 50 inpatient surgeries annually would pay an annual surcharge of:

$$20 \times \$4,957 + 55 \times \$248 + (50/100) \times \$8,675 = \$117,112$$

PCF Experience Rating Plan

General Rules and Eligibility

A QHP facility that develops an annual manual surcharge of $1.5 million or more for its rated exposures shall be subject to Experience Rating.

Experience Period

The experience period is determined as the five years immediately preceding the effective date of the coverage period prior to the current coverage period.

Experience Rating Rules

The experience rating modification shall be calculated based on the following formula:

$$\left(\frac{A}{E}\right) * \sqrt{\frac{E}{S}} + 1.0 * \left(1 - \sqrt{\frac{E}{S}}\right)$$

Where

$$A = Actual\ PCF\ Claims\ in\ Experience\ Period$$
$$E = Expected\ Claims\ in\ Experience\ Period$$
$$S = Statewide\ 5 - Year\ Claim\ Maximum$$

For years in the experience period where the QHP facility was not covered by the PCF, actual claims (A) shall be counted as any claims with incurred indemnity in excess of $200,000. Expected claims shall be calculated as

$$0.009 * (Experience\ Period\ Occupied\ Bed\ Equivalent\ Exposure)$$

Where the *Occupied Bed Equivalent Exposure* is the acute care bed equivalent exposure for the experience period calculated using the relativities provided in Exhibit 2, Column (3).

Sample Calculation:
An entity with 5 Acute Care beds, 70 Extended Care beds, 600 Inpatient Surgeries and 1,000 ER visits, would have 24 acute-care-equivalent occupied beds:
Occupied Bed Equivalent Exposure =
5 x 1 + 70 x 0.1 + (600/100) x 1.75 + (1,000/100) x 0.15 = 24

The Experience Period Occupied Bed Equivalent Exposure would then be the sum of the Occupied Bed Equivalent Exposures for the five years of the experience period.

The Statewide 5-Year Claim Maximum is calculated as the maximum over the past ten years of the sum of the prior five years of claim counts, as shown in Exhibit 4, Col (6).

New Mexico Patient's Compensation Fund

Supplemental Exhibit

Experience Rating Adjustment Example

Presbyterian Health Services

(1)	Expected Claims (5 years):	80
(2)	Actual Claims (5 years):	102
(3)	Statewide Claims (5 years):	250
(4)	Emod:	1.16
(5)	Manual Surcharge:	8,764,689
(6)	Adjusted Surcharge:	10,167,039
(7)	Difference:	1,402,350

Column / Row	Note
(1)	Exhibit 4, Row (9) x [Sum of Exhibit 3, Col (4) x Exhibit 2, Col (3)]
(2)	Exhibit 4, Col (3) Sum of 2012 - 2016
(3)	Max of Exhibit 4, Col (6)
(4)	[Row (2) / Row (1)] x [Row (1) / Row (3)] ^ 0.5 + 1.0 x {1 - [Row (1) / Row (3)] ^ 0.5}
(5)	Sum of Exhibit 3, Col (4) x Exhibit 1, Col (3)
(6)	Row (5) x Row (4)
(7)	Row (6) - Row (5)

New Mexico Patient's Compensation Fund

Indicated Rate Change Effective 9/1/19 through 9/1/20
Physicians & Surgeons

(1)	Projected 2019-2020 Assessments at Current Fee Level	21,929,056					
(2)	Projected 2019-2020 Income Requirements @ Central Confidence Level	24,945,200					
(3)	Confidence Level	Central	65%	70%	75%	80%	90%
(4)	Risk Margin Factor at Confidence Level	1.000	1.057	1.079	1.102	1.131	1.206
(5)	Projected 2019-2020 Income Requirements @ Confidence Level	24,945,200	26,358,218	26,904,735	27,489,395	28,202,873	30,091,177
(6)	Offset due to Class Plan Change	229,411	242,406	247,432	252,809	259,371	276,737
(7)	Offset due to Entity Coverage Change	1,570,142	1,659,083	1,693,483	1,730,283	1,775,192	1,894,049
(8)	Projected 2019-2020 Income Requirements with Offsets	23,145,646	24,456,729	24,963,819	25,506,302	26,168,310	27,920,391
(9)	Indicated Assessment Level Change on September 1, 2019	5.5%	11.5%	13.8%	16.3%	19.3%	27.3%

Row	Note
(1)	From New Mexico Patient's Compensation Fund reserve analysis as of 12/31/2018, Exhibit 10, Page 1, Row (7)
(2)	From New Mexico Patient's Compensation Fund reserve analysis as of 12/31/2018, Exhibit 10, Page 1, Row (13)
(4)	Based on data provided by client
(5)	= Row (2) x Row (4)
(6), (7)	Based on class plan review provided by Pinnacle
(8)	= Row (5) - Row (6) - Row (7)
(9)	= Row (8) / Row (1) - 1

New Mexico Patient's Compensation Fund

Indicated Rate Change Effective 9/1/19 through 9/1/20

Hospitals & Outpatient Facilities

(1)	Projected 2019-2020 Assessments at Current Fee Level	22,093,612					
(2)	Projected 2019-2020 Income Requirements @ Central Confidence Level	21,104,895					
(3)	Confidence Level	Central	65%	70%	75%	80%	90%
(4)	Risk Margin Factor at Confidence Level	1.000	1.057	1.079	1.102	1.131	1.206
(5)	Projected 2019-2020 Income Requirements @ Confidence Level	21,104,895	22,300,379	22,762,760	23,257,412	23,861,051	25,458,651
(6)	Indicated Assessment Level Change on September 1, 2019	-4.5%	0.9%	3.0%	5.3%	8.0%	15.2%

Row	Note
(1)	From New Mexico Patient's Compensation Fund reserve analysis as of 12/31/2018, Exhibit 14, Page 1, Row (7)
(2)	From New Mexico Patient's Compensation Fund reserve analysis as of 12/31/2018, Exhibit 14, Page 1, Row (13)
(4)	Based on data provided by client
(5)	= Row (2) x Row (4)
(6)	= Row (5) / Row (1) - 1