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November 6, 2018

Ms. Anna Krylova, ACAS, MAAA
Chief Actuary
New Mexico Office of Superintendent of Insurance
PERA Building, 4th Floor
1120 Paseo de Peralta
Santa Fe. NM 87501

Re: 2017 Actuarial Analysis of the New Mexico Patient's Compensation Fund

Dear Anna,

Enclosed are copies of our report analyzing a variety of issues related to the New Mexico Patient's Compensation Fund (PCF) as of December 31, 2017. This includes a review of the indicated unpaid claims liabilities, prospective surcharges, and the impact of potential coverage changes.

I am a member in good standing of the American Academy of Actuaries and meets its qualification standards to produce this report.

Please give me a call at your earliest convenience so that we can discuss this report. We have enjoyed working with you on this assignment and look forward to presenting the results in Albuquerque.

Sincerely,

A handwritten signature in black ink that reads "Robert J. Walling III". The signature is written in a cursive, professional style.

Robert J. Walling III, FCAS, MAAA, CERA
Principal and Consulting Actuary

**2017 Actuarial Analysis of the
New Mexico Patients Compensation Fund**

October 2018



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Commitment Beyond Numbers

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2017 Actuarial Analysis of the New Mexico Patients Compensation Fund

Executive Summary¹

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 its mandatory biennial actuarial review. This review examines several aspects of the PCF including analyses of indicated reserves for unpaid losses, appropriate assessment surcharges for upcoming policy periods, and the impact of potential legislative changes. In addition, since more hospitals have become covered under the PCF, physician & surgeon data and hospital data are now analyzed separately.

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, 2017 to be approximately \$100.9 million on a nominal basis, \$91.2 million on a discounted basis using a 3.5% discount rate, and \$109.9 million when the discounted reserves reflect a risk margin to increase to the statistical confidence to 90%. These are all increases

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.

from the values as of December 31, 2015 of \$73.3 million (nominal), \$66.4 million (discounted) and \$81.3 million (discounted at 90% confidence).

PCF Surplus/Deficit

- The current PCF Fund balance of approximately \$45.5 million as of December 31, 2017, when compared to Pinnacle's estimate of indicated nominal loss reserves of approximately \$100.9 million, suggests a Fund deficit position of \$55.4 million, or just over 120% of the current Fund balance.
- Reflecting reserves on a present value basis, using a 3.5% discount rate, results in a Fund deficit of approximately \$45.6 million.
- If discounted loss reserves are increased to the 90% confidence level, the resulting reserves indicate a \$64.4 million PCF surplus deficit.

Expected Surcharge Levels

- Pinnacle's prospective rate level indication for physicians & surgeons suggests a decrease of -17.0% on an expected value basis. If adjusted to a 90% level of statistical confidence, an indicated increase of +0.1% results. Stable loss ratios in more recent years also support keeping assessments level. 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 increase in surcharges to begin reducing the deficit would be reasonable from an actuarial perspective.
- Pinnacle's rate level indication for hospitals suggests an increase of +7.0% on an expected value basis. At a 90% level of statistical confidence, the indicated increase is +29.0%. Deteriorating loss ratios support this increase in assessments.
- The separately-provided rate reviews for CHRISTUS St. Vincent Regional Medical Center and the New Mexico Hospital RPG both indicate surcharge increases in line with these rate indications.

Impact of Potential Coverage Changes

- If the damage cap were increased to \$1.0 million for non-medical damages and the coverage attachment point is unchanged, PCF layer losses are estimated to increase by between 9.5% and 15.4%. This is based on data from the states of Florida, Texas and Virginia. This model assumes no increase in expected medical professional claims frequency due to societal shifts resulting from the increased caps.
- Increasing the non-medical cap amount creates larger expected claims cost increases for the PCF, while introducing some assumption regarding increased frequency due to societal behaviors impacts both costs for primary insurers and the PCF.

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, 2017,
- recommend PCF assessment surcharges to fund the operations of the PCF for the effective dates of September 1, 2018 and 2019, and
- the potential impact on primary insurance costs and PCF surcharges of a variety of changes in both non-medical damage caps in the state and underlying coverage requirements for PCF coverage.

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. Closed Claims Databases
4. 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 analysis we were provided only with loss, expense and operating payments; surcharges; and the total PCF funds for calendar years 2014 through 2017.

The material change in the type of data provided for analysis has an effect on the actuarial methods and assumptions used to project unpaid claim liabilities, making those projections subject to more uncertainty than if more detailed information were provided. Our findings may have been materially different had better loss data been available.

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 MPLI insurers and government insurance programs in New Mexico and other states to assess trends in the medical professional liability insurance (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.

Closed Claims Databases

A statewide closed claim database is a valuable data source available to legislators, policymakers and other stakeholders in the MPLI arena. Several states have created closed claim databases which are used to effectively analyze medical professional liability claims trends, crisis conditions, costing proposed legislation and measuring the impact of proposed and recently implemented laws.

Many states, including Florida, Texas, Michigan, and Virginia have developed data reporting requirements based on the NAIC template from the mid-1970s. The data collected on closed medical professional liability claims includes information about the:

- health care provider (e.g. name, specialty, location county, zip code),
- injured patient (age, sex),
- claim incident (date, location, procedure, nature of complaint),
- claim process (report, lawsuit and settlement dates, attorney involvement, arbitration), and
- settlement values [paid indemnity (economic versus non-economic), loss adjustment expense, insurance limits].

For this study, Pinnacle compiled data from Florida, Michigan, Texas and Virginia into an electronic format. The data for each state was then tested for reasonableness and consistency and “scrubbed” to correct for typographical errors during data entry. Pinnacle’s analysis is then based on the modified databases. All data was trended to appropriate loss dates to reflect the impact of claims severity

inflation. The use of these databases has enabled us to develop a range of estimated impacts of caps on non-medical damages at various levels which reflect some differing judicial systems and at the same time demonstrate a significant consistency in the estimated reductions in expected losses created by the caps. Ultimately, the Michigan data was not used as it had too few large losses for modeling the impacts under review.

The American Academy of Actuaries has provided guidance on the limitations of using closed claims databases. This guidance can be found at www.actuary.org/pdf/casualty/medmal_042005.pdf. Readers of this report are advised to be aware of these limitations. In spite of these cautions, closed claim databases such as those used in this analysis remain the most readily available source of large volumes of medical malpractice claims applicable for evaluating the impact of caps on non-economic damages and other legislative changes and are widely used and accepted.

These data sources represent states with a variety of different approaches to medical malpractice liability law. While none of the states have a current medical malpractice environment perfectly identical to the climate that exists in New Mexico, the consistency of the analysis results between the various states suggests that closed claim data are valid for the purpose of estimating the impact of non-economic damage caps. Examples of the differences between the states are Michigan's mandatory medical review panels and Virginia's Birth-Related Neurological Injury Fund. Another example is Florida, whose judicial system tends to results in a larger than average number and proportion of high severity medical professional liability claims. The Florida data may somewhat overstate the impact of the damage caps due to its greater frequency and severity of large losses.

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

current analysis, which showed 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, but the discrepancy in the total paid losses is apparent when comparing our current analysis to the 2015 analysis.

We were also provided with specific information regarding two large groups of claims. For the first group, we understand that early in 2012, a group of approximately 69 claims associated with Dr. Frank Bryant and Gerald Champion Regional Medical Center were all settled. It appears this group of claims were all patients that had adverse results from spinal surgeries, most in the 2007-2009 period. It has been represented to us that the settlement paid by the PCF 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 were made against Dr. Demosthenis Klonis and his 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, 2017. The review date (the cutoff date for including information to the actuary) was August 28, 2018.

Discussion and Analysis

Estimated Unpaid Claims Liabilities as of December 31, 2017

Pinnacle estimates the amount of losses still to be paid for all claims occurring prior to December 31, 2017 to be approximately \$100.9 million on a nominal basis, \$91.2 million on a discounted basis using a 3.5% discount rate, and \$109.9 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, 2017. These are all increases from the values as of December 31, 2015 of \$73.3 million (nominal), \$66.4 million (discounted) and \$81.3 million (discounted at 90% confidence).

The present value as of December 31, 2017, assuming a 3.5% annual discount rate, of unpaid losses on claims occurring through December 31, 2017 is estimated as \$91.2 million. The \$45.6 million difference between the discounted losses and the estimated December 31, 2017 PCF Fund balance (\$45.5 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, 2017. The current PCF Fund balance is also \$55.4 million lower than the nominal reserve estimate. If discounted loss reserves are increased to the 90% confidence level, the resulting reserves indicate a \$64.4 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 110.0% for the 2000 and subsequent years based on the historical experience of the program, and the loss ratio for the hospital segment is assumed to be 120.0%

(reflecting the significant losses paid in the last four calendar years). 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 110.0% or 120.0% 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 2007 and prior have all produced reductions since the last study, and although the estimate for 2008 increased somewhat, the 2009 estimate decreased significantly. Estimates for 2010 – 2011 have resulted in material increases. The drastic difference in the current and prior estimates is due to the claims-level data provided for the 2014 and following years for this analysis instead of the calendar year estimates provided for 2014 and 2015 in the prior analysis.

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, however, 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. Also, unanticipated changes in the social, legal or economic environments can 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, and 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 occurring prior to December 31, 2017. 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, 2017. 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 \$45.5 million as of December 31, 2017. When compared to Pinnacle's estimate of indicated loss reserves of approximately \$100.9 million, this would suggest a Fund deficit position of \$55.4 million as of December 31, 2017. The indicated Fund position remains a deficit of approximately \$45.6 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 unpaid claims liabilities strongly indicates the need to add an implicit or explicit risk margin. For example, section 5.5 of Actuarial Standard of Practice No. 20, promulgated by the Actuarial Standards Board of the entitled, "Discounting of Property and Casualty Loss and Loss Adjustment Expense Reserves" states that, "The actuary should be aware that a discounted reserve is an inadequate estimate of economic value unless appropriate risk margins are included."(Emphasis added.)

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 \$109.9 million indicate a \$64.4 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. Two approaches are presented: a single rate change that would remain in-force for a two year period, and two annual rate changes each year to achieve the overall rate level indication. On an expected value basis the indicated surcharge change is a decrease of -17.0%, while at the 90% confidence level an indicated increase of +0.1% 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.

Impact of Potential Coverage Changes

Two different proposed changes are evaluated in this analysis. First, the analysis examines the impact of increasing the caps on non-medical damages from the current \$600,000 level to up to \$2,000,000. This analysis will look at limits of \$1,000,000, \$1,200,000, \$1,500,000, and \$2,000,000. Second, we examine an explicit assumption that overall MPLI claims frequency will increase if the cap on non-medical damages is increased significantly. These proposals have markedly different impacts on primary and PCF premium costs depending on the cap and frequency assumptions selected. It should be understood that increasing the damage caps will increase overall losses and therefore increase health care provider costs.

In order to estimate the impact of the revised cap on non-medical damages, Pinnacle's analysis started by trending the closed claims in the Florida, Texas and Virginia closed claims data sets by an annual rate of 5.0% for indemnity payments and ALAE payments. This trend factor is consistent with current MPLI industry trends and was selected after a review of recent insurer rate filings and industry trend analyses. Losses were trended assuming that the non-economic damage caps would begin to apply on July 1, 2018. The resulting trended losses were then organized by total size of loss and the impact of the proposed change in the cap was computed for each size of loss range separately. Exhibit 18 summarizes the results of this analysis.

In many cases, medical malpractice closed claim data does not contain a split between economic and non-economic damages. We reviewed the closed claim information that is publicly available from Texas and Florida which does contain the split between economic and non-economic as well as a split in economic damages between medical and other economic damages. Based on this data approximately 55% of total claim amounts are due to non-economic damages. For economic damages, data from Florida suggests that approximately 95% are medical. This suggests that medical costs are approximately 43% of total indemnity payments.

If the non-medical damage cap were increased to \$1,000,000, PCF layer losses are estimated to increase by between 9.5% and 15.4%. Similarly, overall losses in all of the states increase between 6.0% and 9.7%. The effect is more pronounced as the non-medical damage cap is increased to \$2 million. These results are largely in line with previous estimates.

The assumptions regarding increased claims frequency in the event of an increase in non-medical damage caps in New Mexico have the expected impacts of 1) increasing primary insurer claims costs, 2) amplifying any impacts on PCF claims costs and 3) driving up overall MPLI system costs in New Mexico.

The fundamental choice health care providers face when choosing to participate in a voluntary patients compensation fund is an economic one. In essence, “am I saving money by participating in the PCF or is something about the coverage worth the additional cost?” Even with a higher damage cap, the PCF would maintain two key coverage advantages over the rest of the insurance market: the availability of occurrence form coverage (as compared to a claims-made policy) and greater limits of protection. Currently, a significant number of physicians find these features attractive. However, increasing the cap on non-medical damages would result in an even larger gap between the coverage typically provided in the non-participating insurance market, e.g. \$1 million per occurrence and \$3 million aggregate limits on a claims-made form for physicians, and the greater coverage of the PCF. At some point, the increases in overall insurance costs, particularly in PCF assessments, suggested in our analysis increase the insurance cost of PCF participation to the point that it would be less attractive to participating physicians. Given that a number of carriers and healthcare providers already choose not to participate, any additional departures from the PCF, especially from Medical Protective and/or The Doctors Company could materially impair the viability of the PCF and the benefit it provides to the New Mexico medical professional liability insurance market.

Another potential effect of an increase in damage caps as significant as those that have been proposed in New Mexico is an increase in the number of medical professional liability lawsuits. This should not be surprising as a material increase in the caps on non-economic damages would offer the potential for larger overall awards and therefore attorney contingency fees. With this greater potential for larger awards, attorneys would be more likely to make the initial investment in discovery and expert witnesses needed to pursue these claims, even if the likelihood of success were relatively small and highly uncertain.

This phenomenon has been seen in numerous other states immediately before and after material changes in damage caps. In Ohio, there was a significant increase in reported incidents immediately prior to the enactment of Senate Bill 281 and a significant reduction in reported claims occurred subsequent to the enactment of this legislation. This has been attributed to attorneys seeking to have

as many incidents governed by the pre-S.B. 281 tort law (i.e. excluding damage caps) as possible. A similar surge in reported claims was seen in Wisconsin when the extremely successful damage cap in that state was ruled unconstitutional in 2005. Finally, Texas has seen double-digit reductions in claims since tort reform measures were enacted in 2003. Incidentally, these reforms have also led to significant decreases in medical professional liability insurance premiums for health care providers. Furthermore, access to care has been dramatically improved in Texas due to an increase in the number of new physicians entering the state. At some points in time, the state has had trouble keeping up with the timely review of licensing applications.

It is important to recognize that these changes in expected losses might not have an immediate, dollar for dollar impact on premiums. Often times, the initial estimates of the “anticipated impact” of legislation take a conservative and somewhat skeptical view of legislative changes until the actual impact can be seen more clearly in the insurer’s own experience. The uncertainty associated with legislative changes, their judicial interpretation, and the difficulty in recognizing changes in medical professional liability incentives all make estimation of impacts difficult and contribute to the conservative approach and the implementation lag.

For most medical professional liability insurance products, underwriting expenses such as commissions, other acquisition expenses, premium taxes and general underwriting expenses are treated as variable; that is, they vary with the level of expected losses and therefore with premiums. Because of this treatment, the expected percentage change in losses and loss adjustment expenses due to a legislative or judicial change should eventually result in a comparable percentage change in rate levels. What is less certain is the timing of these rates changes.

Beyond the initial conservatism and “trust but verify” attitude of insurers when evaluating the impact of legislative reforms, competitive forces play a significant role in the responsiveness of insurers’ rate actions following a legislative change. In insurance markets where a legislative reform appears to be material, but little competitive pressure is being exerted, an insurer may be much slower to reflect the impact of legislative changes than in a state with higher levels of competition. In the more competitive state, the insurer runs a greater risk of losing market share to more responsive insurers. This contributes to states that create an environment of higher levels of competition having less extreme cycles in coverage availability and rate affordability.

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 New Mexico Division of Insurance 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 addition, the New Mexico Insurance Division 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.

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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 2017. 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 somewhat limited data available from PCF claims payments for most claims since 2000 through 2017. 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 tabular 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
- 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

Impact of Potential Coverage Changes

- Exhibit 18. Impact of Damage Cap and Primary Limit Changes on PCF

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Reserve Summary

Exhibit 1
Page 1

Accident Year	Physician & Surgeons			Hospitals			Combined Selected Ultimate Reserves	Discount Factor	Estimated Discounted Reserves	Indicated Risk Margin @ 90%	Estimated Discounted Reserves @ 90%	
	Selected Ultimate Losses	Paid Losses	Selected Ultimate Reserves	Selected Ultimate Losses	Paid Losses	Selected Ultimate Reserves						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
2000	6,562,409	6,560,000	2,409				2,409	0.983	2,368	1.206	2,855	
2001	9,269,230	9,261,652	7,578				7,578	0.970	7,349	1.206	8,863	
2002	9,324,379	9,309,500	14,879				14,879	0.959	14,272	1.206	17,212	
2003	6,619,260	6,596,189	23,071				23,071	0.951	21,933	1.206	26,451	
2004	5,512,224	5,482,500	29,724				29,724	0.938	27,885	1.206	33,629	
2005	8,843,727	8,791,254	52,474				52,474	0.931	48,841	1.206	58,903	
2006	6,566,583	6,498,290	68,293				68,293	0.927	63,291	1.206	76,329	
2007	17,530,000	17,363,630	166,370				166,370	0.925	153,848	1.206	185,540	
2008	17,690,000	17,427,369	262,631				262,631	0.924	242,613	1.206	292,591	
2009	9,830,000	9,518,429	311,571	399,829	375,000	24,829	336,400	0.923	310,615	1.206	374,602	
2010	14,910,000	14,247,567	662,433	2,755,524	2,655,000	100,524	762,957	0.930	709,209	1.206	855,305	
2011	16,770,000	15,476,228	1,293,772	4,178,280	3,922,500	255,780	1,549,552	0.937	1,451,884	1.206	1,750,972	
2012	8,070,000	6,454,408	1,615,592	844,500	675,000	169,500	1,785,092	0.939	1,676,988	1.206	2,022,448	
2013	8,970,000	4,025,000	4,945,000	1,137,387	550,000	587,387	5,532,387	0.957	5,294,947	1.206	6,385,706	
2014	14,290,000	4,945,000	9,345,000	1,115,894	0	1,115,894	10,460,894	0.944	9,871,492	1.206	11,905,019	
2015	10,750,000	375,000	10,375,000	2,105,815	737,868	1,367,947	11,742,947	0.925	10,860,637	1.206	13,097,928	
2016	13,330,088	200,000	13,130,088	11,500,000	500,000	11,000,000	24,130,088	0.904	21,819,050	1.206	26,313,774	
2017	21,483,204	0	21,483,204	22,500,000	0	22,500,000	43,983,204	0.877	38,591,812	1.206	46,541,725	
Total	206,321,103	142,532,016	63,789,087	46,537,229	9,415,368	37,121,861	100,910,948		91,169,033		109,949,854	
(13)	Estimated 12/31/2017 Fund Balance							\$45,547,959		\$45,547,959		45,547,959
(14)	Difference							-\$55,362,989		-\$45,621,075		-\$64,401,896

Column/Row	Note
(2)	Exhibit 2, Col (8)
(3)	Exhibit 2, Col (3)
(4)	Col (2) - Col (3)
(5)	Exhibit 11, Col (7)
(6)	Exhibit 11, Col (3)
(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 12/31/2017
Calculation of Discount Factor

Accident Year	Indicated Reserve	Months	Unpaid Percentage	Payments made at:																			Acc Yr Discount
				07/01/18	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	
2000	2,409	216	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%	0.983	
2001	7,578	204	0.1%	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%	0.970	
2002	14,879	192	0.2%	48.2%	31.4%	20.4%	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%	0.959	
2003	23,071	180	0.3%	42.6%	27.7%	18.0%	11.7%	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%	0.951	
2004	29,724	168	0.4%	30.4%	29.6%	19.3%	12.5%	8.2%	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	
2005	52,474	156	0.6%	31.8%	20.7%	20.2%	13.1%	8.5%	5.6%	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	
2006	68,293	144	0.8%	32.8%	21.4%	13.9%	13.6%	8.8%	5.7%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.927	
2007	166,370	132	1.2%	33.5%	21.8%	14.2%	9.3%	9.0%	5.9%	3.8%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.925	
2008	262,631	120	1.9%	33.9%	22.1%	14.4%	9.4%	6.1%	6.0%	3.9%	2.5%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.924	
2009	336,400	108	2.9%	34.1%	22.3%	14.6%	9.5%	6.2%	4.0%	3.9%	2.6%	1.7%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.923	
2010	762,957	96	4.8%	41.2%	20.0%	13.1%	8.6%	5.6%	3.6%	2.4%	2.3%	1.5%	1.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.930	
2011	1,549,552	84	8.9%	45.8%	22.3%	10.9%	7.1%	4.7%	3.0%	2.0%	1.3%	1.3%	0.8%	0.5%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.937	
2012	1,785,092	72	16.0%	44.0%	25.7%	12.5%	6.1%	4.0%	2.6%	1.7%	1.1%	0.7%	0.7%	0.5%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.939	
2013	5,532,287	60	46.5%	65.6%	15.1%	8.8%	4.3%	2.1%	1.4%	0.9%	0.6%	0.4%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.957	
2014	10,460,894	48	68.9%	32.5%	44.3%	10.2%	5.9%	2.9%	1.4%	0.9%	0.6%	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.944	
2015	11,742,947	36	84.4%	18.4%	26.5%	36.1%	8.3%	4.9%	2.4%	1.2%	0.8%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.925	
2016	24,130,088	24	95.9%	11.9%	16.2%	23.4%	31.8%	7.3%	4.3%	2.1%	1.0%	0.7%	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.904	
2017	43,983,204	12	99.3%	3.5%	11.5%	15.7%	22.6%	30.7%	7.1%	4.1%	2.0%	1.0%	0.6%	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.877	
Total	100,910,948			15,729,201	18,731,536	18,965,805	19,822,041	16,523,701	4,811,560	2,710,994	1,390,529	764,443	501,342	329,254	217,072	143,040	100,204	79,273	48,523	28,769	13,660	0	

		Interest Rate	07/01/18	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	
(1)	Annual Discount Factors	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	
		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	
		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 Values	3.5%	15,460,962	17,789,464	17,402,852	17,573,455	14,153,888	3,982,117	2,167,785	1,074,305	570,627	361,577	229,434	146,147	93,047	62,978	48,138	28,469	16,308	7,481	0	
		4.5%	15,386,808	17,534,725	16,989,499	16,991,877	13,554,516	3,776,994	2,036,445	999,558	525,844	330,012	207,401	130,848	82,510	55,311	41,874	24,527	13,916	6,323	0	
		5.5%	15,313,711	17,286,008	16,589,762	16,434,813	12,985,876	3,584,242	1,914,201	930,651	484,953	301,464	187,664	117,274	73,249	48,638	36,473	21,161	11,892	5,352	0	
(3)	Discounted Totals	3.5%	91,169,033		(4)	Overall Discount Factors	3.5%	0.903														
		4.5%	88,688,985					4.5%	0.879													
		5.5%	86,327,382					5.5%	0.855													

- Row Note**
- (1) 1 / (1 + Discount Factor) ^ (Payments made at date - 12/31/17) 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 12/31/2017
Compare

Exhibit 1
Page 3

Accident Year	as of 12/31/17		as of 12/31/15		Difference			
	NMPCF Ultimate Excess Losses	NMPCF Discounted Reserves	NMPCF Ultimate Excess Losses	NMPCF Discounted Reserves	NMPCF Ultimate Excess Losses		NMPCF Discounted Reserves	
2000	6,562,409	2,368	6,573,059	12,526	-10,651	0%	-10,159	-81%
2001	9,269,230	7,349	9,289,582	26,552	-20,352	0%	-19,203	-72%
2002	9,324,379	14,272	9,550,000	38,232	-225,621	-2%	-23,960	-63%
2003	6,619,260	21,933	6,664,558	64,188	-45,298	-1%	-42,255	-66%
2004	5,512,224	27,885	5,732,668	91,751	-220,444	-4%	-63,866	-70%
2005	8,843,727	48,841	9,500,000	265,462	-656,273	-7%	-216,620	-82%
2006	6,566,583	63,291	8,500,000	408,167	-1,933,417	-23%	-344,875	-84%
2007	17,530,000	153,848	18,250,000	564,265	-720,000	-4%	-410,418	-73%
2008	17,690,000	242,613	17,250,000	998,873	440,000	3%	-756,260	-76%
2009	10,229,829	310,615	15,500,000	1,879,851	-5,270,171	-34%	-1,569,236	-83%
2010	17,665,524	709,209	16,500,000	2,438,972	1,165,524	7%	-1,729,764	-71%
2011	20,948,280	1,451,884	16,830,782	4,761,318	4,117,498	24%	-3,309,435	-70%
2012	8,914,500	1,676,988	16,500,000	7,737,091	-7,585,500	-46%	-6,060,103	-78%
2013	10,107,387	5,294,947	16,374,925	12,188,143	-6,267,538	-38%	-6,893,196	-57%
2014	15,405,894	9,871,492	20,000,000	17,069,133	-4,594,106	-23%	-7,197,641	-42%
2015	12,855,815	10,860,637	20,800,000	17,829,871	-7,944,185	-38%	-6,969,234	-39%
Subtotal	184,045,040	30,758,172	213,815,574	66,374,398	-29,770,534	-14%	-35,616,226	-54%
2016-17	68,813,292	60,410,862						
Total	252,858,332	91,169,033						

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Selected Ultimate Losses

Exhibit 2

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	6,562,794	9,062,140	6,562,023	4,145,559	6,562,409	79.7%
2001	9,181,946	9,261,652	9,269,555	10,100,140	9,268,905	7,331,093	9,269,230	101.0%
2002	9,421,675	9,309,500	9,325,165	10,363,842	9,323,593	6,254,339	9,324,379	99.0%
2003	9,924,688	6,596,189	6,624,923	10,917,157	6,613,596	6,567,056	6,619,260	66.7%
2004	9,283,270	5,482,500	5,521,129	10,211,597	5,503,319	6,099,785	5,512,224	59.4%
2005	9,151,210	8,791,254	8,847,130	10,066,331	8,840,325	8,910,990	8,843,727	96.6%
2006	9,067,465	6,498,290	6,580,722	9,974,212	6,552,443	6,725,013	6,566,583	72.4%
2007	8,810,595	17,363,630	17,484,050	9,691,655	17,582,089	18,113,675	17,530,000	199.0%
2008	9,696,249	17,427,369	17,627,800	10,665,874	17,761,133	23,854,789	17,690,000	182.4%
2009	11,113,554	9,518,429	9,866,922	12,224,910	9,797,731	12,523,764	9,830,000	88.5%
2010	11,293,496	14,247,567	14,849,932	12,422,846	14,973,615	14,926,973	14,910,000	132.0%
2011	10,798,897	15,476,228	16,538,936	11,878,787	16,996,807	10,075,707	16,770,000	155.3%
2012	10,498,870	6,454,408	8,298,737	11,548,757	7,681,069	7,836,661	8,070,000	76.9%
2013	10,330,574	4,025,000	9,306,550	11,363,631	7,520,225	8,639,919	8,970,000	86.8%
2014	10,838,627	4,945,000	13,157,493	11,922,490	15,891,310	13,823,870	14,290,000	131.8%
2015	10,536,745	375,000	10,162,087	11,590,420	2,410,209	10,482,801	10,750,000	102.0%
2016	12,118,262	200,000	12,977,020	13,330,088	4,820,418	13,335,714	13,330,088	110.0%
2017	19,530,185	0	21,328,188	21,483,204	0	21,503,839	21,483,204	110.0%
Total	189,834,618	142,532,016	204,329,134	208,818,079	168,098,808	201,151,547	206,321,103	108.7%

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 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
B-F Method

Exhibit 3

Page 1

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	110.0%	6,560,000	100.0%	6,562,794
2001	9,181,946	110.0%	9,261,652	99.9%	9,269,555
2002	9,421,675	110.0%	9,309,500	99.8%	9,325,165
2003	9,924,688	110.0%	6,596,189	99.7%	6,624,923
2004	9,283,270	110.0%	5,482,500	99.6%	5,521,129
2005	9,151,210	110.0%	8,791,254	99.4%	8,847,130
2006	9,067,465	110.0%	6,498,290	99.2%	6,580,722
2007	8,810,595	110.0%	17,363,630	98.8%	17,484,050
2008	9,696,249	110.0%	17,427,369	98.1%	17,627,800
2009	11,113,554	110.0%	9,518,429	97.1%	9,866,922
2010	11,293,496	110.0%	14,247,567	95.2%	14,849,932
2011	10,798,897	110.0%	15,476,228	91.1%	16,538,936
2012	10,498,870	110.0%	6,454,408	84.0%	8,298,737
2013	10,330,574	110.0%	4,025,000	53.5%	9,306,550
2014	10,838,627	110.0%	4,945,000	31.1%	13,157,493
2015	10,536,745	110.0%	375,000	15.6%	10,162,087
2016	12,118,262	110.0%	200,000	4.1%	12,977,020
2017	19,530,185	110.0%	0	0.7%	21,328,188
Total	189,834,618		142,532,016		204,329,134
2009-17	107,059,210		55,241,632		116,485,864

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 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Expected Loss Ratio Method

Exhibit 3

Page 2

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	6,562,023	79.7%		9,062,140
2001	9,181,946	9,268,905	100.9%		10,100,140
2002	9,421,675	9,323,593	99.0%		10,363,842
2003	9,924,688	6,613,596	66.6%		10,917,157
2004	9,283,270	5,503,319	59.3%		10,211,597
2005	9,151,210	8,840,325	96.6%		10,066,331
2006	9,067,465	6,552,443	72.3%		9,974,212
2007	8,810,595	17,582,089	199.6%		9,691,655
2008	9,696,249	17,761,133	183.2%		10,665,874
2009	11,113,554	9,797,731	88.2%		12,224,910
2010	11,293,496	14,973,615	132.6%		12,422,846
2011	10,798,897	16,996,807	157.4%		11,878,787
2012	10,498,870	7,681,069	73.2%		11,548,757
2013	10,330,574	7,520,225	72.8%		11,363,631
2014	10,838,627	15,891,310	146.6%		11,922,490
2015	10,536,745	2,410,209	22.9%		11,590,420
2016	12,118,262	4,820,418	39.8%		13,330,088
2017	19,530,185	0	0.0%		21,483,204
Total	189,834,618	168,098,808	88.6%	110.0%	208,818,079
2000-12	126,480,224	137,456,647	108.7%		
2005-14	101,599,538	123,596,747	121.7%		

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
Reserves as of 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Paid Loss Development Method

Exhibit 4

Accident Year	Paid Losses	Month of Development	Cumulative Development Factor	Indicated Ultimate Losses
(1)	(2)	(3)	(4)	(5)
2000	6,560,000	216	1.000	6,562,023
2001	9,261,652	204	1.001	9,268,905
2002	9,309,500	192	1.002	9,323,593
2003	6,596,189	180	1.003	6,613,596
2004	5,482,500	168	1.004	5,503,319
2005	8,791,254	156	1.006	8,840,325
2006	6,498,290	144	1.008	6,552,443
2007	17,363,630	132	1.013	17,582,089
2008	17,427,369	120	1.019	17,761,133
2009	9,518,429	108	1.029	9,797,731
2010	14,247,567	96	1.051	14,973,615
2011	15,476,228	84	1.098	16,996,807
2012	6,454,408	72	1.190	7,681,069
2013	4,025,000	60	1.868	7,520,225
2014	4,945,000	48	3.214	15,891,310
2015	375,000	36	6.427	2,410,209
2016	200,000	24	24.102	4,820,418
2017	0	12	138.587	0
Total	142,532,016			168,098,808

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 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Frequency and Severity Method

Exhibit 5

Page 1

Accident Year	Selected Ultimate Claims Closed with Payment	Selected Ultimate Severity	Indicated Ultimate Losses
(1)	(2)	(3)	(4)
2000	19	218,187	4,145,559
2001	32	229,097	7,331,093
2002	26	240,551	6,254,339
2003	26	252,579	6,567,056
2004	23	265,208	6,099,785
2005	32	278,468	8,910,990
2006	23	292,392	6,725,013
2007	59	307,011	18,113,675
2008	74	322,362	23,854,789
2009	37	338,480	12,523,764
2010	42	355,404	14,926,973
2011	27	373,174	10,075,707
2012	20	391,833	7,836,661
2013	21	411,425	8,639,919
2014	32	431,996	13,823,870
2015	23	453,596	10,482,801
2016	28	476,276	13,335,714
2017	43	500,089	21,503,839
Total	587		201,151,547

<u>Column</u>	<u>Note</u>
(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 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Severity Trend for Paid Losses Excess of Retention

Exhibit 5

Page 2

Accident Year	Paid Loss	Claims Closed With Payment	Paid Severity	Indicated Trend	R ²	Selected Trend	Trended Severity to 2017	Selected Severity	Detrended Severity
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2000	6,560,000	19.0	345,263				791,349		218,187
2001	9,261,652	32.0	289,427				631,782		229,097
2002	9,309,500	26.0	358,058				744,376		240,551
2003	6,596,189	26.0	253,700				502,308		252,579
2004	5,482,500	23.0	238,370				449,481		265,208
2005	8,791,254	32.0	274,727				493,370		278,468
2006	6,498,290	23.0	282,534				483,230		292,392
2007	17,363,630	59.0	294,299				479,382		307,011
2008	17,427,369	74.0	235,505				365,346		322,362
2009	9,518,429	36.0	264,401				390,640		338,480
2010	14,247,567	40.0	356,189				501,194		355,404
2011	15,476,228	24.0	644,843				864,151		373,174
2012	6,454,408	16.0	403,400				514,853		391,833
2013	4,025,000	8.0	503,125				611,552		411,425
2014	4,945,000	12.0	412,083				477,038		431,996
2015	375,000	1.0	375,000				413,438		453,596
2016	200,000	1.0	200,000				210,000		476,276
2017	0	0.0	0				0		500,089
Total	142,532,016	452.0	315,336				518,925		
2005-14	104,747,176	324.0	323,294	7.9%	0.520	5.0%	481,254	500,089	

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 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Closed With Payment Projection Summary

Exhibit 5
Page 3

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	19.0	19.0	25.8	19.0	19
2001	32.0	32.0	26.9	32.0	32
2002	26.0	26.0	26.7	26.0	26
2003	26.0	26.0	28.1	26.0	26
2004	23.0	23.0	26.3	23.0	23
2005	32.0	32.0	25.9	32.0	32
2006	23.0	23.0	25.7	23.0	23
2007	59.0	59.1	24.7	59.2	59
2008	74.0	74.2	25.4	74.6	74
2009	36.0	36.5	28.6	36.7	37
2010	40.0	41.1	27.2	41.7	42
2011	24.0	26.3	25.5	26.4	27
2012	16.0	20.6	24.8	19.7	20
2013	8.0	17.8	24.4	13.4	21
2014	12.0	28.0	25.6	31.8	32
2015	1.0	21.3	24.9	5.4	23
2016	1.0	28.2	28.6	20.4	28
2017	0.0	42.8	43.3	0.0	43
Total	452.0	576.9	488.4	510.2	587.1

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 12/31/2017

Physicians & Surgeons

Including Bryant & Klonis 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	19.0	25.8	100.0%	19.0
2001	32.0	26.9	100.0%	32.0
2002	26.0	26.7	100.0%	26.0
2003	26.0	28.1	100.0%	26.0
2004	23.0	26.3	100.0%	23.0
2005	32.0	25.9	100.0%	32.0
2006	23.0	25.7	100.0%	23.0
2007	59.0	24.7	99.7%	59.1
2008	74.0	25.4	99.2%	74.2
2009	36.0	28.6	98.2%	36.5
2010	40.0	27.2	96.0%	41.1
2011	24.0	25.5	91.0%	26.3
2012	16.0	24.8	81.3%	20.6
2013	8.0	24.4	59.7%	17.8
2014	12.0	25.6	37.7%	28.0
2015	1.0	24.9	18.4%	21.3
2016	1.0	28.6	4.9%	28.2
2017	0.0	43.3	1.2%	42.8
Total	452.0	488.4		576.9

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 12/31/2017

Physicians & Surgeons

Including Bryant & Klonis 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	19.0	19.0	12,878,190	1.48		25.8
2001	32.0	32.0	13,452,186	2.38		26.9
2002	26.0	26.0	13,347,977	1.95		26.7
2003	26.0	26.0	14,060,611	1.85		28.1
2004	23.0	23.0	13,151,894	1.75		26.3
2005	32.0	32.0	12,964,801	2.47		25.9
2006	23.0	23.0	12,846,157	1.79		25.7
2007	59.0	59.2	12,335,754	4.80		24.7
2008	74.0	74.6	12,682,723	5.88		25.4
2009	36.0	36.7	14,303,427	2.56		28.6
2010	40.0	41.7	13,606,370	3.06		27.2
2011	24.0	26.4	12,759,642	2.07		25.5
2012	16.0	19.7	12,405,139	1.59		24.8
2013	8.0	13.4	12,206,286	1.10		24.4
2014	12.0	31.8	12,806,586	2.49		25.6
2015	1.0	5.4	12,449,891	0.44		24.9
2016	1.0	20.4	14,279,739	1.43		28.6
2017	0.0	0.0	21,657,957	0.00		43.3
Total	452.0	510.2	244,195,329	2.09	2.00	488.4
2005-14	324.0	358.4	128,916,884	2.78		

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
Reserves as of 12/31/2017
Physicians & Surgeons
Including Bryant & Klonis Claims
Closed With Payment Claim Development Method

Exhibit 8

Accident Year (1)	Claims Closed With Payment (2)	Month of Development (3)	Cumulative Development Factor (4)	Indicated Ultimate Claims Closed With Payment (5)
2000	19.0	216	1.000	19.0
2001	32.0	204	1.000	32.0
2002	26.0	192	1.000	26.0
2003	26.0	180	1.000	26.0
2004	23.0	168	1.000	23.0
2005	32.0	156	1.000	32.0
2006	23.0	144	1.000	23.0
2007	59.0	132	1.003	59.2
2008	74.0	120	1.008	74.6
2009	36.0	108	1.018	36.7
2010	40.0	96	1.042	41.7
2011	24.0	84	1.099	26.4
2012	16.0	72	1.231	19.7
2013	8.0	60	1.674	13.4
2014	12.0	48	2.653	31.8
2015	1.0	36	5.438	5.4
2016	1.0	24	20.393	20.4
2017	0.0	12	81.573	0.0
Total	452.0			510.2

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

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Development of Physician Surcharge Estimates

Exhibit 9

NMPCF Indicated Surcharge Physicians and Surgeons							
Discounted Estimated Surcharges							
Class	NMPCF Current Surcharge	9/1/18-20 Rate Level		9/1/18-19 Rate Level		9/1/19-20 Rate Level	
		Expected Value	Risk Loaded Value	Expected Value	Risk Loaded Value	Expected Value	Risk Loaded Value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	\$2,920	\$2,424	\$2,923	\$2,660	\$2,922	\$2,188	\$2,925
2	3,889	3,228	3,894	3,543	3,891	2,914	3,896
3	4,676	3,882	4,681	4,260	4,679	3,503	4,684
4A	5,843	4,851	5,850	5,324	5,846	4,377	5,853
4	7,008	5,818	7,016	6,385	7,012	5,250	7,020
5A	6,214	5,159	6,221	5,662	6,218	4,655	6,225
5	8,562	7,108	8,572	7,801	8,567	6,415	8,577
6	10,122	8,403	10,134	9,222	10,128	7,583	10,140
7A	11,678	9,695	11,692	10,640	11,685	8,749	11,699
7	15,569	12,925	15,587	14,185	15,578	11,664	15,596
8	18,494	15,353	18,516	16,850	18,505	13,855	18,526
9A	18,876	15,670	18,898	17,198	18,887	14,142	18,909
9	22,384	18,582	22,410	20,395	22,397	16,770	22,423
10	24,334	20,201	24,362	22,171	24,348	18,231	24,377
51	341	283	341	311	341	255	342
52	341	283	341	311	341	255	342
53	234	194	234	213	234	175	234
99	2,325	1,930	2,328	2,118	2,326	1,742	2,329
CRNA	774	643	775	705	774	580	775
PA-1	1,319	1,095	1,321	1,202	1,320	988	1,321
PA-2	1,760	1,461	1,762	1,604	1,761	1,319	1,763
PA-3	2,119	1,759	2,121	1,931	2,120	1,588	2,123
(9)	Class 1 Rate						
	\$2,920	\$2,424	\$2,923	\$2,660	\$2,922	\$2,188	\$2,925
(10)	Indicated Percent of Change						
		-17.0%	0.1%	-8.9%	0.1%	-25.1%	0.2%

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

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Indicated Rate Change Effective 9/1/18 through 9/1/20
Using Expected Value Losses
Physicians & Surgeons

Exhibit 10

Page 1

Accident Year (1)	Practitioner Surcharges @ 12/31/17 Level (2)	Projected Ultimate Losses (3)	Projected Ultimate Loss Ratio (4)
2008	12,682,723	17,690,000	139.5%
2009	14,303,427	9,830,000	68.7%
2010	13,606,370	14,910,000	109.6%
2011	12,759,642	16,770,000	131.4%
2012	12,405,139	8,070,000	65.1%
2013	12,206,286	8,970,000	73.5%
2014	12,806,586	14,290,000	111.6%
2015	12,449,891	10,750,000	86.3%
2016	14,279,739	13,330,088	93.3%
2017	21,657,957	21,483,204	99.2%
All Years	139,157,760	136,093,292	97.8%
2008 - 2015	103,220,064	101,280,000	98.1%
2011 - 2015	62,627,544	58,850,000	94.0%
2013 - 2015	37,462,763	34,010,000	90.8%
(5) Projected 2018-2020 Undiscounted Loss Ratio (Selected Based on Col (4))			94.0%
(6) Projected 2018-2020 Assessments at 10/1/17 Fee Level			43,315,914
(7) Projected 2018-2020 Undiscounted Losses			40,716,959
(8) Projected Loss Adjustment Expenses as a Percentage of Losses Paid			3.8%
(9) Discount Factor at 3.5% Yield			0.849
(10) Projected Office Expenses as a Percentage of Surcharges Collected			0.2%
(11) Projected 2018-2020 Income Requirements			35,959,041
(12) Indicated Assessment Level Change on September 1, 2018			-17.0%

<u>Column / Row</u>	<u>Note</u>
(2), (8), (9), (10)	Based on data provided by client
(3)	Exhibit 2, Col (8)
(4)	Col (3) / Col (2)
(6)	Most current Assessment x 2
(7)	Row (5) x Row (6)
(11)	[Row (7) x [1 + Row (8)] x Row (9)] / [1 - Row (10)]
(12)	Row (11) / Row (6) - 1

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Indicated Rate Change Effective 9/1/18 through 9/1/20
Using Expected Value Losses with Risk Load
Physicians & Surgeons

Exhibit 10
Page 2

Accident Year	Practitioner Surcharges @ 12/31/17 Level	Projected Ultimate Losses	Projected Ultimate Loss Ratio
(1)	(2)	(3)	(4)
2008	12,682,723	17,690,000	139.5%
2009	14,303,427	9,830,000	68.7%
2010	13,606,370	14,910,000	109.6%
2011	12,759,642	16,770,000	131.4%
2012	12,405,139	8,070,000	65.1%
2013	12,206,286	8,970,000	73.5%
2014	12,806,586	14,290,000	111.6%
2015	12,449,891	10,750,000	86.3%
2016	14,279,739	13,330,088	93.3%
2017	21,657,957	21,483,204	99.2%
All Years	139,157,760	136,093,292	97.8%
2008 - 2015	103,220,064	101,280,000	98.1%
2011 - 2015	62,627,544	58,850,000	94.0%
2013 - 2015	37,462,763	34,010,000	90.8%
(5) Projected 2018-2020 Undiscounted Loss Ratio (Selected Based on Col (4))			94.0%
(6) Projected 2018-2020 Assessments at 10/1/17 Fee Level			43,315,914
(7) Projected 2018-2020 Undiscounted Losses			40,716,959
(8) Projected Loss Adjustment Expenses as a Percentage of Losses Paid			3.8%
(9) Discount Factor at 3.5% Yield			0.849
(10) Risk Margin Factor at 90% Confidence Level			1.206
(11) Projected Office Expenses as a Percentage of Surcharges Collected			0.2%
(12) Projected 2018-2020 Income Requirements @ 90%			43,366,604
(13) Indicated Assessment Level Change on September 1, 2018			0.1%

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

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Hospitals
Selected Ultimate Losses

Exhibit 11

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	413,655	1,356,000	386,004	399,829	35.4%
2010	1,130,000	2,655,000	2,720,750	1,356,000	2,790,297	2,755,524	243.9%
2011	1,175,200	3,922,500	4,048,664	1,410,240	4,307,896	4,178,280	355.5%
2012	1,099,542	675,000	885,715	1,319,450	803,284	844,500	76.8%
2013	1,250,000	550,000	1,247,165	1,500,000	1,027,608	1,137,387	91.0%
2014	1,350,000	0	1,115,894	1,620,000	0	1,115,894	82.7%
2015	1,350,000	737,868	2,105,815	1,620,000	4,742,441	2,105,815	156.0%
2016	9,106,968	500,000	10,974,942	10,928,362	12,051,044	11,500,000	126.3%
2017	18,847,805	0	22,454,166	22,617,366	0	22,500,000	119.4%
Total	36,439,515	9,415,368	45,966,767	43,727,418	26,108,574	46,537,229	127.7%

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 12/31/2017**

Exhibit 12

Page 1

**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	120.0%	375,000	97.1%	413,655
2010	1,130,000	120.0%	2,655,000	95.2%	2,720,750
2011	1,175,200	120.0%	3,922,500	91.1%	4,048,664
2012	1,099,542	120.0%	675,000	84.0%	885,715
2013	1,250,000	120.0%	550,000	53.5%	1,247,165
2014	1,350,000	120.0%	0	31.1%	1,115,894
2015	1,350,000	120.0%	737,868	15.6%	2,105,815
2016	9,106,968	120.0%	500,000	4.1%	10,974,942
2017	18,847,805	120.0%	0	0.7%	22,454,166
Total	36,439,515		9,415,368		45,966,767

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 12/31/2017**

Exhibit 12

Page 2

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	386,004	34.2%		1,356,000
2010	1,130,000	2,790,297	246.9%		1,356,000
2011	1,175,200	4,307,896	366.6%		1,410,240
2012	1,099,542	803,284	73.1%		1,319,450
2013	1,250,000	1,027,608	82.2%		1,500,000
2014	1,350,000	0	0.0%		1,620,000
2015	1,350,000	4,742,441	351.3%		1,620,000
2016	9,106,968	12,051,044	132.3%		10,928,362
2017	18,847,805	0	0.0%		22,617,366
Total	36,439,515	26,108,574	71.6%	120.0%	43,727,418
2009-14	7,134,742	9,315,089	130.6%		
2009-16	17,591,710	26,108,574	148.4%		

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 12/31/2017

Hospitals

Paid Loss Development Method

<u>Accident Year</u>	<u>Paid Losses</u>	<u>Month of Development</u>	<u>Cumulative Development Factor</u>	<u>Indicated Ultimate Losses</u>
(1)	(2)	(3)	(4)	(5)
2009	375,000	108	1.029	386,004
2010	2,655,000	96	1.051	2,790,297
2011	3,922,500	84	1.098	4,307,896
2012	675,000	72	1.190	803,284
2013	550,000	60	1.868	1,027,608
2014	0	48	3.214	0
2015	737,868	36	6.427	4,742,441
2016	500,000	24	24.102	12,051,044
2017	0	12	138.587	0
Total	9,415,368			26,108,574

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

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Indicated Rate Change Effective 9/1/18 through 9/1/20
Using Expected Value Losses
Hospitals

Exhibit 14
Page 1

Accident Year (1)	Hospital Surcharges @ 12/31/17 Level (2)	Projected Ultimate Losses (3)	Projected Ultimate Loss Ratio (4)
2009	1,454,339	399,829	27.5%
2010	1,361,421	2,755,524	202.4%
2011	1,388,580	4,178,280	300.9%
2012	1,299,185	844,500	65.0%
2013	1,476,961	1,137,387	77.0%
2014	1,595,118	1,115,894	70.0%
2015	1,595,118	2,105,815	132.0%
2016	10,731,335	11,500,000	107.2%
2017	20,901,233	22,500,000	107.6%
All Years	41,803,290	46,537,229	111.3%
2009 - 2015	10,170,721	12,537,229	123.3%
2011 - 2015	7,354,962	9,381,875	127.6%
2013 - 2015	4,667,198	4,359,096	93.4%
(5) Projected 2018-2020 Undiscounted Loss Ratio (Selected Based on Col (4))			120.0%
(6) Projected 2018-2020 Assessments at 10/1/17 Fee Level			41,802,466
(7) Projected 2018-2020 Undiscounted Losses			50,162,959
(8) Projected Loss Adjustment Expenses as a Percentage of Losses Paid			4.8%
(9) Discount Factor at 3.5% Yield			0.849
(10) Projected Office Expenses as a Percentage of Surcharges Collected			0.2%
(11) Projected 2018-2020 Income Requirements			44,726,637
(12) Indicated Assessment Level Change on September 1, 2018			7.0%

Column / Row	Note
(2), (8), (9), (10)	Based on data provided by client
(3)	Exhibit 11, Col (7)
(4)	Col (3) / Col (2)
(6)	Most current Assessment x 2
(7)	Row (5) x Row (6)
(11)	[Row (7) x [1 + Row (8)] x Row (9)] / [1 - Row (10)]
(12)	Row (11) / Row (6) - 1

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Indicated Rate Change Effective 9/1/18 through 9/1/20
Using Expected Value Losses with Risk Load
Hospitals

Exhibit 14
Page 2

Accident Year	Participant Surcharges @ 12/31/17 Level	Projected Ultimate Losses	Projected Ultimate Loss Ratio
(1)	(2)	(3)	(4)
2009	1,454,339	399,829	27.5%
2010	1,361,421	2,755,524	202.4%
2011	1,388,580	4,178,280	300.9%
2012	1,299,185	844,500	65.0%
2013	1,476,961	1,137,387	77.0%
2014	1,595,118	1,115,894	70.0%
2015	1,595,118	2,105,815	132.0%
2016	10,731,335	11,500,000	107.2%
2017	20,901,233	22,500,000	107.6%
All Years	41,803,290	46,537,229	111.3%
2009 - 2015	10,170,721	12,537,229	123.3%
2011 - 2015	7,354,962	9,381,875	127.6%
2013 - 2015	4,667,198	4,359,096	93.4%
(5) Projected 2018-2020 Undiscounted Loss Ratio (Selected Based on Col (4))			120.0%
(6) Projected 2018-2020 Assessments at 10/1/17 Fee Level			41,802,466
(7) Projected 2018-2020 Undiscounted Losses			50,162,959
(8) Projected Loss Adjustment Expenses as a Percentage of Losses Paid			4.8%
(9) Discount Factor at 3.5% Yield			0.849
(10) Risk Margin Factor at 90% Confidence Level			1.206
(11) Projected Office Expenses as a Percentage of Surcharges Collected			0.2%
(12) Projected 2018-2020 Income Requirements @ 90%			53,940,324
(13) Indicated Assessment Level Change on September 1, 2018			29.0%

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

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017

Exhibit 15

Paid Losses - Hospital & Practitioner Combined (Excluding Bryant and Klonis Claims)

Accident Year	Months of Development																					
	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	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	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	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	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	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	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	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	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	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	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	8,791,254	8,791,254	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	6,328,725	6,328,725	6,328,725	6,328,725	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	13,124,500	13,124,500	13,124,500	13,124,500	13,124,500	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													
2010	0	775,000	3,511,000	6,138,000	9,688,000	16,177,567	16,502,567	16,902,567														
2011	0	1,365,000	1,965,000	4,793,000	9,990,312	17,266,228	19,398,728															
2012	0	50,000	850,000	2,614,408	4,324,408	7,129,408																
2013	0	450,000	750,000	875,000	4,575,000																	
2014	0	480,000	2,370,000	4,945,000																		
2015	0	0	1,112,868																			
2016	0	700,000																				
2017	0																					

Paid Losses - Hospital & Practitioner Combined (Excluding Bryant and Klonis Claims)

Accident Year	Development Factors																					
	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	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	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	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	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	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	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	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	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	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	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	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2009		5.795	1.174	1.248	1.961	1.000	1.015	1.000														
2010		4.530	1.748	1.578	1.670	1.020	1.024															
2011		1.440	2.439	2.084	1.728	1.124																
2012		17.000	3.076	1.654	1.649																	
2013		1.667	1.167	5.229																		
2014		4.938	2.086																			
2015																						
2016																						
Avg	3.649	4.831	2.234	1.974	1.431	1.124	1.039	1.012	1.001	1.000	1.045	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
W Avg	11.783	3.736	2.034	1.761	1.482	1.110	1.038	1.012	1.001	1.000	1.021	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
5 yr W Avg		3.005	2.050	1.843	1.670	1.082	1.031	1.018	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	
7 yr W Avg		3.714	1.899	1.717	1.576	1.084	1.046	1.021	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	
5 yr Avg x Hi/Lo		3.711	2.091	1.772	1.682	1.066	1.032	1.018	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	
7 yr Avg x Hi/Lo		3.746	1.930	1.657	1.596	1.074	1.045	1.024	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	
Prior	5.750	3.700	2.571	1.670	1.420	1.200	1.070	1.025	1.015	1.010	1.006	1.004	1.003	1.002	1.001	1.001	1.001	1.001	1.000	1.000	1.000	
Selected	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	1.001	1.001	1.000	1.000	1.000	
LDF to Ultimate	138.587	24.102	6.427	3.214	1.868	1.190	1.098	1.051	1.029	1.019	1.013	1.008	1.006	1.004	1.003	1.002	1.001	1.000	1.000	1.000	1.000	
% of Ultimate	0.7%	4.1%	15.6%	31.1%	53.5%	84.0%	91.1%	95.2%	97.1%	98.1%	98.8%	99.2%	99.4%	99.6%	99.7%	99.8%	99.					

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017

Exhibit 16

Claims Closed With Payment - Hospital & Practitioner Combined (Excluding Bryant and Klonis Claims)

Accident Year	Months of Development																				
	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	20
2000	0	3	7	10	16	19	19	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	32	32	32
2002	1	2	3	10	15	21	25	26	26	26	26	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	26	26	26	26	26
2004	0	0	6	8	14	20	21	23	23	23	23	23	23	23	23	23	23	23	23	23	23
2005	1	2	4	7	16	23	26	27	29	29	29	29	29	29	29	29	29	29	29	29	29
2006	0	0	2	7	11	13	15	16	17	17	17	17	17	17	17	17	17	17	17	17	17
2007	0	0	2	13	20	25	27	29	29	29	29	29	29	29	29	29	29	29	29	29	29
2008	0	0	6	15	21	27	33	34	34	34	34	34	34	34	34	34	34	34	34	34	34
2009	0	2	7	9	13	20	20	21	21	21	21	21	21	21	21	21	21	21	21	21	21
2010	0	2	9	16	24	38	40	41	41	41	41	41	41	41	41	41	41	41	41	41	41
2011	0	2	5	11	21	29	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34
2012	0	1	3	8	12	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
2013	0	1	2	3	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
2014	0	1	6	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
2015	0	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2016	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Claims Closed With Payment - Hospital & Practitioner Combined (Excluding Bryant and Klonis Claims)

Accident Year	Development Factors																				
	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	1.000	1.200	1.000	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	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	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	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	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	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	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	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	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	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	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2009		3.500	1.286	1.444	1.538	1.000	1.050	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
2010		4.500	1.778	1.500	1.583	1.053	1.025	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
2011		2.500	2.200	1.909	1.381	1.172	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
2012		3.000	2.667	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
2013		2.000	1.500	3.333	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
2014		6.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
2015																					
2016																					
Avg	3.000	3.278	2.346	1.720	1.395	1.122	1.056	1.012	1.004	1.000	1.024	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
W Avg	8.333	3.739	2.060	1.652	1.371	1.111	1.048	1.013	1.003	1.000	1.009	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
5 yr W Avg		3.600	2.000	1.702	1.451	1.108	1.044	1.024	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
7 yr W Avg		3.778	1.947	1.613	1.393	1.114	1.049	1.023	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
5 yr Avg x Hi/Lo		3.333	1.993	1.636	1.473	1.102	1.049	1.021	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
7 yr Avg x Hi/Lo		3.100	1.996	1.578	1.391	1.118	1.052	1.021	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
Prior	4.000	3.750	2.250	1.575	1.300	1.120	1.060	1.030	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	2.050	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
LDF to Ultimate	81.573	20.393	5.438	2.653	1.674	1.231	1.099	1.042	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	1.2%	4.9%	18.4%	37.7%	59.7%	81.3%	91.0%	96.0%	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 12/31/2017
Expense Analysis

Exhibit 17

Page 1

Loss Adjustment Expenses as a Percentage of Losses Paid

Calendar Year (1)	Legal Panel Expenses (2)	Directors (3)	Contracts and Consultants (4)	Batch Claim Reinsurance * (5)	Paid Losses (6)
2000	198,610	43,933	208,388	0	7,464,957
2001	127,399	62,341	204,762	0	8,972,794
2002	179,169	44,711	211,230	0	7,252,284
2003	266,067	38,639	182,911	0	7,763,846
2004	142,006	0	175,327	0	7,756,382
2005	277,072	11,906	179,338	0	8,694,721
2006	183,207	21,609	169,061	0	6,826,168
2007	206,855	8,955	170,298	0	7,016,996
2008	187,560	164,847	204,032	0	6,524,444
2009	196,630	0	219,653	0	9,514,606
2010	246,893	81,023	113,423	0	11,979,982
2011	214,369	0	129,835	0	11,121,007
2012	205,728	0	160,270	0	20,176,654
2013	234,639	0	156,843	0	12,204,253
2014	217,379	0	122,628	0	18,010,597
2015	259,644	0	213,639	0	27,511,877
2016	206,575	182,453	1,036,092	0	11,851,621
2017	250,060	29,175	285,817	1,399,296	17,543,425
Total	3,799,862	689,593	4,143,548	1,399,296	208,186,615

Loss Adjustment Expenses as a Percentage of Losses Paid

2000	2.7%	0.6%	2.8%	0.0%
2001	1.4%	0.7%	2.3%	0.0%
2002	2.5%	0.6%	2.9%	0.0%
2003	3.4%	0.5%	2.4%	0.0%
2004	1.8%	0.0%	2.3%	0.0%
2005	3.2%	0.1%	2.1%	0.0%
2006	2.7%	0.3%	2.5%	0.0%
2007	2.9%	0.1%	2.4%	0.0%
2008	2.9%	2.5%	3.1%	0.0%
2009	2.1%	0.0%	2.3%	0.0%
2010	2.1%	0.7%	0.9%	0.0%
2011	1.9%	0.0%	1.2%	0.0%
2012	1.0%	0.0%	0.8%	0.0%
2013	1.9%	0.0%	1.3%	0.0%
2014	1.2%	0.0%	0.7%	0.0%
2015	0.9%	0.0%	0.8%	0.0%
2016	1.7%	1.5%	8.7%	0.0%
2017	1.4%	0.2%	1.6%	8.0%
Total	1.8%	0.3%	2.0%	0.7%

Selected Ratio of Expenses to Losses Paid

Average 2010 - 2017	1.5%	0.3%	2.0%	1.0%
Total			3.8%	4.8%

Notes: (2) - (6) Based on data provided by client
 * applies to hospitals

New Mexico Patients' Compensation Fund
Reserves as of 12/31/2017
Expense Analysis

Exhibit 17

Page 2

Office Expenses as a percentage of Surcharges collected

Calendar Year (1)	Office Expenses (2)	Rent (3)	Operating Transfers (4)	Participant Surcharges (5)
2000	54,708	24,000	22,500,000	8,238,309
2001	12,378	10,000	270,000	9,181,946
2002	75,036	20,000	225,000	9,421,675
2003	6,156	10,000	11,300	9,924,688
2004	10,592	0	325,101	9,283,270
2005	7,510	15,000	524,000	9,151,210
2006	31,177	5,000	12,000	9,067,465
2007	5,299	0	0	8,810,595
2008	0	0	0	9,696,249
2009	0	0	0	12,243,554
2010	11,719	0	0	12,423,496
2011	11,119	0	0	11,974,097
2012	107,164	0	0	11,598,412
2013	63,984	0	0	11,580,574
2014	514	0	0	12,188,627
2015	1,696	0	0	11,886,745
2016	4,175	0	0	21,225,230
2017	7,128	0	0	38,377,990
Total	410,355	84,000	23,867,401	226,274,133

Operating Expenses as a Percentage of Premiums

2000	0.7%	0.3%	273.1%
2001	0.1%	0.1%	2.9%
2002	0.8%	0.2%	2.4%
2003	0.1%	0.1%	0.1%
2004	0.1%	0.0%	3.5%
2005	0.1%	0.2%	5.7%
2006	0.3%	0.1%	0.1%
2007	0.1%	0.0%	0.0%
2008	0.0%	0.0%	0.0%
2009	0.0%	0.0%	0.0%
2010	0.1%	0.0%	0.0%
2011	0.1%	0.0%	0.0%
2012	0.9%	0.0%	0.0%
2013	0.6%	0.0%	0.0%
2014	0.0%	0.0%	0.0%
2015	0.0%	0.0%	0.0%
2016	0.0%	0.0%	0.0%
2017	0.0%	0.0%	0.0%
Total	0.2%	0.0%	10.5%

Selected Ratio of Expenses to Premiums

Average 2010 - 2017	0.2%	0.0%	0.0%
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Total 0.2%

Notes: (2) - (5) Based on data provided by client

New Mexico Patients' Compensation Fund
Impact of Damage Cap and Primary Limit Changes on Patient's Compensation Fund
Summary

Exhibit 18

I. Total Insured Loss and LAE

State	Primary Limit and Non-Medical Damage Cap																			
	No Change in Claim Frequency				2% Increase in Claims Frequency					5% Increase in Claims Frequency					10% Increase in Claims Frequency					
	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	
Florida	9.7%	12.7%	16.2%	20.2%	2.0%	11.9%	15.0%	18.5%	22.6%	5.0%	15.1%	18.3%	22.0%	26.2%	10.0%	20.6%	24.0%	27.8%	32.2%	
Texas	7.1%	9.4%	12.0%	13.8%	2.0%	9.2%	11.6%	14.2%	16.1%	5.0%	12.4%	14.9%	17.6%	19.5%	10.0%	17.8%	20.4%	23.2%	25.2%	
Virginia	6.0%	7.6%	9.0%	10.1%	2.0%	8.1%	9.8%	11.2%	12.3%	5.0%	11.3%	13.0%	14.5%	15.6%	10.0%	16.6%	18.4%	19.9%	21.1%	

II. Primary Insurance Layer

State	Primary Limit and Non-Medical Damage Cap																			
	No Change in Claim Frequency				2% Increase in Claims Frequency					5% Increase in Claims Frequency					10% Increase in Claims Frequency					
	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	
Florida	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Texas	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Virginia	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	

III. NM PCF Layer

State	Primary Limit and Non-Medical Damage Cap																			
	No Change in Claim Frequency				2% Increase in Claims Frequency					5% Increase in Claims Frequency					10% Increase in Claims Frequency					
	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	200K/600K	200K/1M	200K/1.2M	200K/1.5M	200K/2M	
Florida	15.4%	20.2%	25.8%	32.2%	2.0%	17.7%	22.6%	28.3%	34.8%	5.0%	21.2%	26.3%	32.1%	38.8%	10.0%	26.9%	32.3%	38.4%	45.4%	
Texas	10.5%	14.1%	17.8%	20.6%	2.0%	12.7%	16.3%	20.2%	23.0%	5.0%	16.1%	19.8%	23.7%	26.6%	10.0%	21.6%	25.5%	29.6%	32.7%	
Virginia	9.5%	12.0%	14.2%	15.9%	2.0%	11.7%	14.2%	16.5%	18.2%	5.0%	15.0%	17.6%	19.9%	21.7%	10.0%	20.5%	23.2%	25.6%	27.5%	