

November 2, 2020

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

Re: 2019 Actuarial Analysis of the New Mexico Patient's Compensation Fund

Dear Anna,

Please find enclosed a copy of our actuarial review of a number of items related to the New Mexico Patient's Compensation Fund (PCF) as of December 31, 2019. This includes a review of the indicated unpaid claims liabilities and prospective surcharges.

We are members in good standing with the American Academy of Actuaries and meet its qualification standards to produce this report.

Please give us a call at your earliest convenience so that we can discuss this report. We have enjoyed working with you on this assignment.

Sincerely,



David Shepherd, FCAS, MAAA



Brett E. Miller, FCAS, MAAA, ARM

*New Mexico Patient's Compensation Fund*

*2019 Actuarial Analysis*

Merlinos & Associates, Inc.  
November 2020

## Table of Contents

Introduction .....	1
Background.....	2
Qualifications .....	3
Executive Summary.....	3
Unpaid Claims Liabilities and PCF Surplus/Deficit.....	3
Adverse Development .....	5
Use of Data Valued Through August 4, 2020 .....	5
Expected Surcharge Levels.....	5
Confidence Levels .....	7
Distribution and Use.....	7
Conditions and Limitations .....	8
Data.....	10
PCF Claims Data .....	10
PCF Financial Statement Data.....	11
Prior Period Actuarial Reports and Analyses .....	11
Additional PCF Specific Information.....	12
Methodology.....	12
Expected Surcharge Levels.....	15
Considerations .....	17
Index to Exhibits.....	24

Exhibits

## Introduction

Merlinos & Associates, Inc. (M&A) was engaged by the New Mexico Office of the Superintendent of Insurance (OSI) to conduct an actuarial review of the New Mexico Patient's Compensation Fund (PCF) as of December 31, 2019. This review examines several aspects of the PCF, including estimated ultimate liabilities for losses incurred by the PCF as of December 31, 2019 and recommended PCF assessment surcharges to fund the operations of the PCF for the upcoming policy period effective March 1, 2021. PCFs are typically formed to serve a need in the insurance market. Our actuarial analysis does not address all of the considerations of managing a PCF, and thus, the actual funding and 2021 surcharge levels enacted by the OSI may differ from our findings.

Our analysis was performed using data evaluated through December 31, 2019 and as of August 4, 2020. The scope of the analysis included projections of:

1. Loss and loss reserve estimates for unpaid claims obligations of the PCF as of December 31, 2019. These reserve estimates were stated on a nominal (undiscounted) basis as well as on a discounted basis reflecting a 3.5% discount rate, and at a 90% statistical confidence level.
2. The estimated PCF Fund balance as of December 31, 2019 based on the projected loss reserves.
3. The overall indicated percentage change for surcharge levels applicable to physicians, surgeons and other participating healthcare providers to be effective March 1, 2021.
4. These projections were provided both on an undiscounted and discounted basis and stated at several different levels of statistical confidence; and
5. The overall indicated percentage change for surcharge levels applicable to hospitals and outpatient facilities to be effective March 1, 2021. These projections were provided both on an undiscounted and discounted basis and stated at several different levels of statistical confidence.

The unpaid claims estimates are as of December 31, 2019 and are based on data evaluated as of December 31, 2019, with additional information provided to us through August 26, 2020. For the purposes of this report, we refer to our selected reserves, which are defined as our Actuarial Central

Estimate. Actuarial Standard of Practice No. 43 defines Actuarial Central Estimate as, “An estimate that represents an expected value over the range of reasonably possible outcomes.”

This report sets forth our findings and recommendations. For the purposes of this report, loss and LAE (administrative expense) will collectively be referred to as “loss”.

## Background

The New Mexico Patient Compensation Fund was established by the New Mexico Medical Malpractice Act NMSA 1976, § 41-5-25, et seq. The PCF is funded solely through the surcharges paid by its participants and is administrated by the Superintendent of Insurance.

The purpose of the PCF is to promote the availability of coverage for medical professional liability to health care providers practicing in New Mexico. The PCF provides an excess layer of coverage to doctors, hospitals, and other health care providers who qualify under the provisions of the Medical Malpractice Act. The PCF provides limitations on monetary awards, time limits for filing claims, and mandatory panel review of claims.

The health care providers participating in the PCF must meet the financial responsibility requirements of the Act by purchasing medical professional liability insurance policies written on occurrence policy forms at \$200,000 per claim from PCF authorized insurers. These insurers collect the primary layer of premium and the PCF surcharge from the health care provider and remit the surcharges to the PCF.

For each incident exceeding the \$200,000 retention, the PCF provides coverage of up to \$400,000 for the non-medical indemnity portion of a claim (pain and suffering, and economic losses) plus unlimited medical expense amounts. The \$600,000 ground-up maximum cap on the non-medical indemnity amounts has been in effect since 1995.

Through 2015, the PCF has covered physicians along with one small hospital. Two larger hospital groups have since become covered by the PCF, one in 2016 and one in 2017. Effective 3/1/2020, The PCF changed the way they rated the hospitals exposures. This revised rating plan was more consistent with the industry norms, and included an experience rating provision.

The unlimited medical feature of the PCF presents significant risk for the PCF and can produce additional variability in estimating the current liabilities and prospective rates. The methods and assumptions used to estimate indicated loss reserves and PCF surcharges are detailed later in the report and in the attached exhibits.

### Qualifications

This report was prepared by Mr. David Shepherd and Mr. Brett Miller as the primary actuaries, and by Mr. Derek Chapman as the peer reviewer. Messrs. Shepherd, Miller and Chapman are credentialed by the Casualty Actuarial Society and are members in good standing with the American Academy of Actuaries. They all have extensive experience in property and casualty loss reserves and rate analyses, including medical professional liability analyses. They have fulfilled all of the required continuing education requirements. As such, they are qualified to perform this review.

### Executive Summary

Based on our analysis documented in the remainder of this report and accompanying exhibits, we have reached the following conclusions and observations.

#### *Unpaid Claims Liabilities and PCF Surplus/Deficit*

Our selected ultimate loss reserves and indicated PCF surplus/deficit position as of December 31, 2019 are shown in the following table:

**New Mexico Patient's Compensation Fund  
Indicated Reserves as of December 31, 2019  
(\$ 000's)**

Classification	Total Estimated Reserves - Nominal Basis	Total Estimated Reserves - Discounted Basis	Total Estimated Reserves - Discounted at 70% CL	Total Estimated Reserves - Discounted at 80% CL	Total Estimated Reserves - Discounted at 90% CL
Merlinos Estimated	174,558	158,625	182,419	198,282	222,076
Total Fund Balance as of 12/31/2019	109,399				
Difference	(65,160)	(49,227)	(73,021)	(88,883)	(112,677)

The reserves are on a discounted basis and were estimated using a 3.5% discount rate. They include amounts for on-going medical payments, and are also calculated at the 70%, 80%, and 90% confidence levels. All of these assumptions were provided by the NM OSI.

We also sensitivity tested the interest rate assumptions, and concluded that a one-point change in interest rate from 3.5% to either 2.5% or 4.5% would change expected present value reserves by roughly 2.4%, or about \$4.0M.

Our selected ultimate loss reserves and indicated PCF surplus/deficit position as of December 31, 2019, compared to the December 31, 2018 estimates are shown in the following table:

**New Mexico Patient's Compensation Fund  
Indicated Fund Position as of December 31, 2019  
(\$ 000's)**

	Estimated as of 12/31/2019	Estimated as of 12/31/2018	Change In Estimate/Position
<i><u>Estimated Reserves Basis</u></i>			
Nominal Basis	174,558	131,538	43,020
Discounted Basis @3.5%	158,625	118,963	39,662
Discounted at 70% Confidence Level	182,419	128,361	54,058
Discounted at 80% Confidence Level	198,282	134,547	63,735
Discounted at 90% Confidence Level	222,076	143,470	78,606
 Fund Balance	 109,399	 87,105	 22,294
<i><u>Indicated Surplus/(Deficit)</u></i>			
Nominal Basis	(65,160)	(44,433)	(20,727)
Discounted Basis @3.5%	(49,227)	(31,859)	(17,368)
Discounted at 70% Confidence Level	(73,021)	(41,257)	(31,764)
Discounted at 80% Confidence Level	(88,883)	(47,443)	(41,441)
Discounted at 90% Confidence Level	(112,677)	(56,365)	(56,312)

There are three main drivers of the growth in reserves shown in the table above:

1. We included reserve amounts for on-going medical payments which were not estimated in the prior actuarial analysis,
2. The confidence level factors have changed materially from the prior actuary's analysis.
3. The significant growth in exposures over the past few years due to the additional of the two large hospital groups.

### *Adverse Development*

Our analysis reflects selected PCF ultimate losses that imply adverse development from the prior actuarial analysis performed by the PCF's prior actuarial firm. While we had reviewed the prior analysis and concluded that it was reasonable, part of the indicated development may be due to different actuaries coming to different opinions.

We also reviewed the PCF's actual versus expected experience. Through 12/31/2019, the paid loss experience was generally as expected. The hospital experience was slightly worse than expected while the physicians & surgeons experience was slightly better than expected.

### *Use of Data Valued Through August 4, 2020*

The majority of the development in the selected losses from 12/31/2018 to 12/31/2019 derived from subsequent information provided us during our analysis. This subsequent data included a \$5.0M hospital claim payment from accident year 2014. In addition, physicians & surgeons experienced \$5.5M in claim payments in excess of what was expected for accident year 2017. This greater than expected development in 2020 was reflected in our selections of ultimate loss.

### *Expected Surcharge Levels*

As part of last year's determination of the changes in surcharges, we understand that the PCF was enacting increases with a two-year phase in period. As such, there is an expectation that the physicians will see another 9.3% increase and the hospitals will see another 4.0% increase. In the aggregate, these expected surcharge changes are consistent with the indications derived from our analysis.

Our prospective rate level indication for physicians & surgeons implies an increase of +17.4% on an expected value basis, or 7.4% over the previously approved 9.3% increase scheduled to go into effect on 3/1/2021. Our prospective rate level indication for hospitals implies a decrease of -2.1% on an expected value basis.

These rate level indications are generally consistent with the prior actuarial analysis. Rates are expected to change each year based on the change in underlying loss costs. The change in



underlying loss costs is often referred to as trend. Our 17.4% indicated increase for physicians is due to expected trend of 4.0%, plus three other factors.

The surcharge increase for policies effective 3/1/2020 was 10.0%, although the indication in the prior actuarial analysis was 13.8% (on an expected value basis, without any addition confidence level margin). This 3.8% difference is part of our 17.4% indicated increase. In addition, we became aware of on-going medical costs that the PCF is responsible for on claims that have settled the non-medical portion of the claim, but the medical remains open. We have determined this provision to be 4.0%. This provision was not included in the prior analysis, but we have confirmed with the PCF that it is a needed provision.

These differences from last year's analysis described above account for roughly 12.0% of the 17.4% indicated increase. The remaining difference is a combination of some worse than expected development on prior losses, and the fact that while we concluded that the prior actuarial work was reasonable, we would have likely selected slightly different numbers if we had performed a thorough analysis last year.

A comparable analysis can be done for the hospitals, with the main difference being that the PCF set the surcharge level for hospitals at an increase of 4.0%, while the prior actuarial analysis showed an indicated 4.5% decrease. In addition, it is our expectation that the uncertainty surrounding the hospitals' exposures is greater than the physicians' exposures since the PCF has very little loss experience from the new hospital groups. Because of this, there is a greater chance that we would have selected a different surcharge change than indicated in the prior actuarial analysis, even though the selected change was reasonable.

Note that the PCF includes a hospital experience rating plan intended to better refine the premiums charged each insured hospital group, and to better match the premiums to their exposure to loss.

Our indications are prospective in nature and only reflect expected future losses. They do not contemplate funding to reduce the indicated Fund deficit. To the extent that rates are charged at

higher confidence levels than expected losses, and the experience is as expected, funds could be available to reduce the existing Fund deficit.

### *Confidence Levels*

We have provided our indications on both nominal and discounted bases, as well as at the 70%, 80% and 90% confidence levels. These are presented in Sheet 2 of Exhibits 10 and 14 for the surcharges, and Exhibit 1, Sheet 1 for the reserves. The confidence levels were derived using a bootstrapping methodology and produced factors that were applied to the estimated loss reserves and prospective surcharges. The factor at the 70% confidence level is 15.0%, the factor at the 80% confidence level is 25.0%, and the factor at the 90% confidence level is 40.0%.

We do not have an opinion as to appropriateness of including confidence level risk loads versus no risk load in the selection of loss reserves or 2021/2022 estimated surcharges. Those are management and strategic issues rather than actuarial questions.

### Distribution and Use

This report has been prepared for internal use by the OSI. This report may also be provided to the New Mexico Legislature if requested. We also understand that this report may also be distributed to a number of interested third parties.

Such distribution is permitted, subject to the condition that the report is distributed in its entirety. The intended recipients of this report and third parties are cautioned that this analysis constitutes a statement of professional judgment; it is in no way intended to replace the informed judgment and due diligence of its users. M&A cannot warrant or guarantee the results, conclusions, or opinions produced by this report.

M&A assumes no responsibility for any loss or damage that might arise from the use of, or reliance on, this report for any purpose other than for a description of the analysis described above.

## Conditions and Limitations

The projection of the adequacy of surcharge levels by class are based on estimates of future events, the outcomes of which are unknown at this time. Considerable uncertainty and variability are inherent in the estimation of loss reserves and resultant surcharges by class. As a result, it is possible that actual PCF experience may be different than the estimates opined on in this report, and such difference may be material. As such, we cannot guarantee that future experience will be as expected in this actuarial analysis.

In preparing our analysis, we relied on data and information provided directly from the OSI and on discussions with the OSI. This information included prior actuarial work that reflected the prior actuaries' compilation of loss experience. We have assumed that this compilation is correct, and have updated that experience with the claim experience since 12/31/2018. We have relied without audit or verification on the oral and/or written statements of the OSI regarding the quality, accuracy, and completeness of the data and information supplied to us. Any inaccuracies or inconsistencies in the data could have a significant effect on our analysis.

For this analysis, we note that there is no impact on loss reserves from COVID-19, as the disruptions caused by COVID-19 did not occur until sometime in early 2020. The claims effects of COVID-19 for the 2020 accident year will likely not be seen in the claims data until calendar year 2021 and subsequent. It is our expectation that COVID-19 effects will have materially decreased by March 1, 2021, the effective date of the surcharges, but there remains uncertainty surrounding when its impact will be over.

Our analysis does not anticipate any extraordinary changes in the legal, social or economic environments that could affect the ultimate outcome of claims. This includes the emergence of claims from causes not currently recognized in the historical data. Such extraordinary changes or claim emergence may impact the level of required reserves or surcharges in ways that are not presently recognized in the historical data. Thus, while we believe our estimates are reasonable given the information currently available, it must be recognized that actual emergence of losses could deviate, perhaps significantly, from our estimates. No guarantee should be inferred from this analysis that the ultimate cost of all unpaid claims for the March 1, 2021 to March 1, 2022

period will necessarily fall within recommended funding levels, thus requiring additional monies to be funded.

The PCF does not record case reserves on their individual claims. Case reserves are estimates made by claims experts that reflect their expectation of the ultimate cost of each claim and are standard practice in the insurance industry. Without notification of claims when they happen or are indicated to have potential for large settlements, the lag of time between the date of occurrence and the date that the PCF knows about the claim can be significant. Our analysis reflects additional uncertainty because we have neither case reserves nor the number of open and outstanding claim counts available to help inform our analysis.

The PCF began providing coverage to a small hospital system in the 2009 calendar year, and then more recently began providing coverage to two larger hospital groups, one in the 2016 calendar year and one in the 2017 calendar year. The latter two hospital groups are much larger than the first hospital group. Our analysis reflects additional uncertainty caused by a lack of a credible volume of data due to the limited time that the PCF has provided hospital coverage.

In addition, the PCF does not maintain credible metrics for understanding the rate level adequacy changes over time for hospitals. Because of this, we were unable to produce on-level loss ratios to assist in our estimation of future loss ratios. This adds uncertainty to our estimates.

## Data

We relied on data and information provided by the OSI, as well as publicly available information, for our analysis. This data and information included the following:

1. PCF Claims Data
2. PCF Financial Statement Data
3. Prior period actuarial reports and analyses
4. Additional PCF specific information; and
5. Discussions with the OSI

A brief description of the data sources utilized along with a description of the key data elements and potential limitations of the data follows.

### *PCF Claims Data*

New Mexico's statute for the PCF (§ 41-5-25) requires that the PCF surcharges be based on data obtained from New Mexico experience, if available. It is our understanding that early actuarial analyses had experienced a number of data issues and concerns that affected the reserve and ratemaking analysis.

The individual claims data we were provided contains detailed information for claims paid since 2012. The details include loss dates, payment dates, settlement dates, and identification of physician versus hospital payments and claims. It is our understanding that a good amount of work was performed in the prior actuarial analyses to develop a credible claims database. We relied on this information without detailed independent review or verification. However, we tested it for reasonableness and are comfortable that the information is appropriate for use in our analysis. We have reviewed this database and are utilizing it directly in our analysis.

As part of the data provided, we received information regarding two large groups of claims. The first group of batched claims (Batch #1) came from early in 2012, when a group of 69 claims that were associated with a single physician and medical center were all settled. These claims occurred in the 2006 to 2009 accident year period. The aggregate settlement paid by the PCF on Batch #1 claims was \$11,700,000.

The second group of batched claims (Batch #2) totaling 31 incidents occurring between 2005 and 2010 were made against a single physician and associated corporations. The settlement paid by the PCF on Batch #2 claims was \$10,182,500.

#### *PCF Financial Statement Data*

We were provided the PCF financial statement, and an Excel spreadsheet related to and supporting these statements, including balance sheet and income statement items. We were provided with loss, expense and detailed operating payments, surcharges, and the total PCF funds for calendar years 2014 through 2019.

We note that there are unreconciled differences between paid claims data contained within the loss development data and the paid claims data contained within the financial statements. Based on conversations with the OSI, we understand that part of the difference may be due to timing of when claims are deemed to be settled and paid versus when checks are actually sent. As of the date of this report, the OSI is in the process of investigating these differences. We do not expect these differences to have a significant impact on our estimates, but they might change our estimates to some degree.

#### *Prior Period Actuarial Reports and Analyses*

The OSI has previously utilized other actuarial consulting firms to assist them with various analyses related to the PCF operations. Some of the reports we reviewed included the 2017 and 2018:

1. Actuarial analyses of reserves and prospective loss costs and surcharges,
2. Actuarial analysis of physicians' class plan and entity coverage,

3. Actuarial analysis of hospital and healthcare facility rating plan,
4. Actuarial analyses of hospital surcharge funding studies for the each of three hospital groups insured by the PCF, and
5. Rate hearing testimony.

We have relied upon these prior actuarial analyses for some of our historical loss experience.

#### *Additional PCF Specific Information*

Additional PCF specific information and data that was provided to us included a history of surcharge changes since PCF inception, details of the batch claim reinsurance treaty, and details of the changes in the exposure bases since the 2015 calendar year.

#### Methodology

Our analysis of the PCF's ultimate losses utilized four actuarial methods for the physician exposures and three methods for the hospital exposures. The standard actuarial methods used were the paid loss development method, expected loss ratio method, paid loss Bornhuetter-Ferguson (B-F) method, and a frequency-severity method. Due to a relatively small number of claims, the large increase in exposure base over the last three years, and the large swings in variability of average claim size, we concluded that the frequency-severity method was not credible enough to be used with the hospital data.

These are all generally accepted actuarial methods. The result of our reserve analysis 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 and surgeons experience and Exhibits 12 through 13 for the hospital experience.

Paid Loss Development method – This method uses historical loss development to project actual payments to an ultimate settlement by exposure period. Estimates of the percentage of subsequent development expected between valuations (age-to-age factors) is based on historical development of the combined physician and hospital experience. The age to age factors are multiplied together

to derive age-to-ultimate factors, which are applied to the corresponding accident year paid loss experience to derive an estimate of ultimate losses. The paid loss development method is shown in Exhibits 4 and 13, while the paid loss development triangles and selected age-to-age factors are shown in Exhibit 15.

**Expected Loss Ratio method** – This method is based on the assumption that the ratio of ultimate losses to earned assessment surcharges will remain stable over time, and vary only due to loss trends and rate changes. It also assumes that expected loss ratios are reasonable estimates of ultimate loss, especially for accident periods with little or no loss experience to date. The estimates of ultimate losses are derived by multiplying the assessments for each accident year times the long-term average on-level loss ratio, detrended to the applicable accident period. Our on-level loss ratio of 115% for the physicians and surgeons exposure is consistent with the prior actuary's expected loss ratio of 115.0%. For hospitals, our selected on-level loss ratio of 90.0% for hospitals is a decrease from the prior actuary's expected loss ratio of 98.0%. The Expected Loss Ratio method are shown in Exhibits 3 and 12, Page 2.

**Bornhuetter – Ferguson (B-F) method** - This method estimates ultimate losses using a combination of a priori expected losses and loss development techniques. Ultimate losses are estimated as the paid losses to date, plus the expected unpaid losses based on selected loss development factors and expected loss ratios.

The B-F method was derived by two reinsurance actuaries who needed to estimate ultimate losses for excess of loss exposures with very little expected experience. The practical result of this method is a credibility weighing of the Expected Loss and Paid Development methods, with the credibility being based on the maturity of the accident period. This method is very helpful for lines of business such as excess medical malpractice that are written on an occurrence basis. This method is shown in Exhibits 3 and 12, Page 1.



Frequency times Severity method – This method derives estimates of ultimate losses by multiplying an expected number of claims by an expected cost per claim. There is not enough credible experience to use this with the hospital experience. This method is documented in Exhibits 5 through 8 and Exhibit 16.

We estimated the number of claims based on the three methods described previously, with the frequency method using claims as a percentage of surcharges. The average claim costs by accident year were derived by trending average paid claim severity by accident year, selecting an expected average severity at 2020 cost levels, then detrending back to derive the appropriate expected severity by accident year.

*Confidence Levels* - Our process for determining loss reserve confidence levels comprised the following steps:

- Using a bootstrapping methodology, produce reserve confidence levels for the 2017 & prior occurrence years for physicians & surgeons and hospitals, combined. The bootstrapping methodology is described in more detail below.
- Based on the simulated variability for the 2017 occurrence year, select confidence level ratios to apply to the 2018 and 2019 expected-value reserves. This step is necessary because the long-tailed nature of excess occurrence MPLI coverage leads to unreasonably high volatility for 2018 and 2019 using a stochastic simulation approach.
- Stochastically re-sample the simulated reserve estimates for 2017 & prior, 2018, and 2019 in order to determine overall aggregate reserve confidence levels. This process also produces a separate expected-value reserve estimate for all years in aggregate.
- Select confidence level factors based on factors produced at the 70%, 80%, and 90% levels by dividing the simulated reserves at these percentiles by the simulated expected-value reserves.
- Produce final physicians & surgeons and hospital reserve estimates at the 70%, 80%, and 90% levels by multiplying the confidence level factors determined in the preceding step by our selected best estimates of reserves.

The bootstrapping methodology that formed the basis for much of our confidence level analysis is based on a traditional chain-ladder development approach. Using the cumulative paid loss triangle, discrepancies between empirical losses and those implied by the chain-ladder are calculated, and the resulting residual losses are then re-sampled with replacement 10,000 times. An implied alternative cumulative triangle is produced for each iteration, and these alternative triangles are used to produce chain-ladder reserve estimates. The distribution of unpaid losses from these iterations is used to produce summary statistics such as mean and confidence levels.

#### *Expected Surcharge Levels*

A table of current and recommended PCF surcharges by physician class is shown in Exhibit 9. The surcharges were computed based on both an expected value basis and 70%, 80% and 90% confidence levels. The indicated percentage rate level changes are derived in Exhibit 10. On an expected value basis, the indicated surcharge change is an increase of +17.4%. Indicated surcharge changes at the 70%, 80% and 90% confidence levels are also shown.

The indicated percentage rate level changes for hospitals is derived in Exhibit 14. On an expected value basis, the indicated surcharge change is a decrease of -2.1%. Indicated hospital rate level changes at the 70%, 80% and 90% confidence levels are also shown. To determine the surcharge indications at the higher confidence levels, we applied the same confidence level factors to the expected losses used in the indications. To ensure these volatility estimates are appropriate for the rate indications, we compared the confidence level factors to the actual differences in our ultimate loss ratio estimates by occurrence year over the last twenty occurrence years. This gave us comfort that our estimated volatility is reasonably close to the actual volatility in results experienced by the PCF, and a reasonable estimate of the volatility in future results.

Investment income, as an offset to the otherwise required revenue, is recognized in each set of surcharges using a 3.5% annual discount rate. Loss ratios were selected based on historical results and reflect loss ratio development during calendar year 2020.

Physicians and surgeons' premiums reflect historical rate level changes through the use of on-level factors and losses are trended to the date the rates will be in effect. The indicated rates include provisions for other expenses, such as administration and medical/legal panels, on-going medical payments for settled claims, as well as losses. Exhibit 18 shows selected ratios of expenses to either losses or surcharge revenues based on the PCF's historical paid expenses and losses. We also note that there is no provision for profit and contingencies in the rate level indications, other than the implicit risk margin underlying the 70%, 80% and 90% confidence levels surcharges.

For the hospitals, we also considered the relatively recent additional large hospital system insureds and the change in rating plan underlying the current rates. As mentioned previously, historical rate level changes are not available. As such, we made our expected loss ratio selection based on the unadjusted historical loss ratios. We discuss this further in the next section.

## Considerations

The following assumptions were considered within our analysis:

1. **Data Completeness/Accuracy** – As noted above, the claims data we were provided contained detailed information for claims paid since 2000. It is our understanding that for a number of years there was not sufficient detail to segregate Physicians losses from Hospitals losses, and thus we combined the Physicians and Hospital data for development triangle purposes so that we would have credible development, consistent with prior analyses. We also excluded the batch payments from development triangles due to the distortions that these claims would have on the calculated development patterns.

We note that there are unreconciled differences between paid claims data contained within the loss development data and the paid claims data contained within the financial statements. We compared the latest six paid diagonals shown in the development triangles to the calendar year paid amounts shown in the financial statements. The financial statements show higher payments by approximately 13% compared to the paid development triangles. Based on conversations with the OSI, we understand that part of the difference may be due to timing of when claims are deemed to settled and paid versus when checks are actually sent. As of the date of this report, the OSI is in the process of investigating these differences. We note that this difference is large enough that it may have a material effect on our analysis.

2. **Historical Rate Changes and On-Level Premium Adjustments** – While the historical physicians rate changes are relatively credible, the rate adequacy changes for hospitals over time are much less credible. The lack of credibility stems from the individual rating of the hospital groups and the potential difference in exposures between the larger hospital groups. Historically, the PCF has not tracked the change in underlying hospital surcharge rates, although they have tracked the change in individual hospital group premium. The uncertainty comes from not knowing whether a premium increase comes from an increase in exposure or an increase in rate, or if it is a combination of the two. For the hospitals, we have assumed that the rate adequacy level has been unchanged over time.

3. Hospital Data Calls - As part of our previous Second Opinion report, we concluded that the hospital rating plan could benefit from additional information about the hospital insureds. We concluded that beneficial data and information could include case reserves in the PCF layer, loss experience on underlying primary policy layer, claim count information, and historical exposures.

In June 2020, the three hospital groups responded to a May 2020 data call and provided data files containing accident year reported and paid losses in the underlying layer, reported and paid losses in the PCF layer, open and closed with payment claim counts, and five calendar years of exposure data. We reviewed this information and for each hospital group, we noted that a number of concerns with this data, including a lack of distinction between hospital and physician data and the lack of loss experience assigned to exposures.

While we did not utilize the data call information directly in our analysis, we did compile the historical loss development to reasonability check the loss development factors used in our analysis.

4. Confidence levels - We note that confidence level factors may not necessarily be equivalent for different volumes and profiles of business. As such, the percent risk charge for different confidence levels should theoretically vary between the physicians and hospitals segments, and between their surcharges and reserves. Due to the lack of a robust data base for the hospital segment and our understanding of the intended use of this information, we determined that it was reasonable to use the combined physicians and hospitals data for the development of the confidence level factors. We also assumed that the confidence level factors for the prospective surcharges be based on the confidence levels derived for reserves, as the prospective period should have a comparable degree of volatility, especially for these more recent years.

As noted above, we relied upon combined physicians & surgeons and hospital loss development data in determining confidence level factors. While this approach may

underestimate or overestimate the actual volatility in each of the individual segments, we consider it a reasonable simplification given the limitations of historical hospital data.

The “wideness” of our confidence levels is larger than the prior actuarial analysis. We did not review the prior actuary’s derivation of his confidence levels. Our approach, briefly described above, fits better with both our understanding of the underlying variability and the PCF’s actual experience.

5. Hospital Surcharges – Our analysis of the needed hospital surcharges is structured in the same manner as our physician surcharge analysis. However, there are three issues specific to hospitals that we considered in projecting needed surcharge levels: the recent two additional large hospital groups, the 3/1/2020 change in rating plan and the lack of credible historical rate change information.

The additional hospital groups produce a situation where the older, historical experience reflects a single smaller hospital group that may or may not have the same risk exposure as the new larger groups. As such, we gave more credibility to the recent experience that includes the new hospital groups than we normally would, based on the stand-alone characteristics of the experience. The downside to this approach is that for excess occurrence policies, there is very little claim activity in the most recent years, and the recent experience is small.

The other factor is the change in rating plan that went into effect 3/1/2020. Based on a prior review of the proposed rating plan, we gave some credibility to the results of the prior actuary’s detailed analysis that produced a rating plan and recommended base rate. We understand that the PCF set the 3/1/2020 hospital base rate reflecting a 4.0% rate increase, with the intent of another 4.0% increase effective 3/1/2021, compared to the indicated - 4.5% at expected levels. Combined, these two rate changes reflect the 80<sup>th</sup> percentile confidence level rate change of 8.0% presented in the prior actuary’s report.

Our selections of indicated hospital surcharges at expected levels was based on the experience of accident years since 2012. We judgmentally reflected the stability and credibility of the loss experience, with a default assumption of a change in surcharge amount equal to the expected change in underlying costs.

Lastly, quantifying the change in rate level over time was difficult due to lack of detailed information and individual pricing of the hospital groups. As such, our Exhibit 14, Sheets 1 and 2 uses actual premium and no loss trend. The implicit assumption is that rate changes have kept up with loss trend. We think this is a reasonable assumption, given the individual rating analyses performed for the hospital groups.

6. Discount Rate – We have utilized an interest of 3.5% in our calculation of the indicated discounted reserves. The 3.5% interest rate was utilized at the request of the OSI. Based upon review of the PCF's financial data, we note that the 3.5% interest rate is not unreasonable. However, we express no opinion as to the appropriateness of the 3.5% interest rate. We note that the possibility of interest income adds an additional degree of variability to the reserves due to unanticipated adverse changes in investment yield rates.

We note that since the PCF is in a deficit position, the assumption that there are enough invested assets to support the investment income required for the loss reserve discounting may not be reasonable or feasible. We also note that there is a similar concern regarding the discounting of the proposed surcharges, but it has less of a direct impact. For the surcharges, the amount of discount will be affected if the invested assets in the future fall to a certain level and the PCF needs to use assets underlying the 2021 policies to pay prior losses.

7. Loss Trend Rate – For physicians, we calculated the average paid severity of claims closed with payment using an exponential linear trend. We noted that the calculated trend was sensitive to which accident years were selected. We selected a 4.0% trend factor to get an average severity to December 31, 2019 levels. We also reviewed average trends in a couple of publicly available New Mexico medical malpractice rate filings. The selected

4.0% severity trend factor is reasonable in our opinion, given that this is an excess of loss trend which is generally higher than 1st dollar trend. We also note that the trend factor impacts the projected on-level loss ratio.

8. Claim Frequencies – In our analysis, we estimated ultimate closed claims with payment (CWIP) using the development, B-F, and frequency methodologies. The CWIP development factors are selected in a manner analogous to that of paid losses, using combined physicians and hospitals data. Due to improvements in the database, we were able to project CWIP claims physicians and hospitals separately. We note that some occurrences have payments made on behalf of both physicians and hospitals, and thus the total amount of ultimate claims would reflect double counting of this set of claims. We also note the ultimate claims frequencies for physicians has remained relatively stable over the last eight accident years. For the hospitals segment, there appears to be a decrease in ultimate frequencies over the last four years, which may be due to the addition of the two large hospital groups, but that experience is still very immature.
  
9. Use of August 4, 2020 data – Our analysis utilizes paid claim data valued through August 4, 2020. The use of the later data had a material impact on our selections of ultimate losses, reserves, and prospective surcharges. Overall, we observed flat to somewhat favorable development using paid claim data valued through December 31, 2019. However, the observed claim development for the subsequent seven-month period was worse than expected, particularly for the hospital segment. Our selections of ultimate losses reflected the available loss experience during 2020, which had the general effect of increasing our selections versus those that may have been selected if we had relied only on data valued through December 31, 2019. The prospective surcharges, which are based on our selections of ultimate losses, contemplate this higher level of claims activity.
  
10. Batch Claim Reinsurance - Effective 9/1/2017, the PCF purchased batch claim reinsurance with limits of \$20.0 million excess of \$7.5 million aggregate. We have estimated the batch claim reinsurance load as a percentage of the combined physician and hospital participant



surcharges. Based on a review of the premiums charged and conversations with the OSI, we have estimated a 5.0% factor for the cost of batch claim reinsurance.

We have included the batch claims in the projection data and the analysis of ultimate loss ratios. We note that when the loss experience including batch claims are reflected in the selected projected loss ratio for prospective rating, there is slight double counting of some of these claims, as potential excess claims are accounted for in the proposed surcharges through inclusion of a reinsurance charge. This bias is not material, as the batch claims affect only the 2009 to 2010 years, the excess insurance attaches at \$7.5M, and our selected loss ratios are based on experience since accident year 2010.

11. Loss Adjustment Expenses (LAE) loading – The LAE loading is estimated as a percentage of loss. The LAE expenses are comprised of New Mexico Medical Society/Medical Panel expenses, and expenses for contracts and consultants. The analysis was performed using an incremental calendar year paid-to-paid methodology. The LAE expenses are compared to the total of physician and hospital paid losses. The overall selected LAE factor of 2.9% is based on the 4-year average.
12. Underwriting expenses – The underwriting expense load is estimated as a percentage of the combined physician and hospital (participant) surcharges. The underwriting expenses are comprised of IT services, PCF employee services, rent, and Intra-Agency transfers. The analysis was performed using an incremental calendar year paid-to-paid methodology. The estimated factor selections for each of the four underlying categories, and the resultant total underwriting expense load is estimated to be 2.5%. The largest category is related to intra-agency transfers, which comprises 2.2% out of the total 2.5% estimate. We do not have a conclusion as to the appropriateness of the actual intra-agency transfer expense dollars, but are assuming they are reasonable and won't materially change going forward.
13. On-going Medical Claim Payments – The on-going medical claim payments can occur on a regular basis after a claim's non-medical damages have been settled. These payments have not historically been included in the loss triangles, and as such, are not included in

our estimates of needed reserves or surcharges. Our analysis was performed using an incremental calendar year paid-to-paid methodology, where the on-going medical payments expenses are compared to the total of physician and hospital paid losses. The overall selected on-going medical claims factor of 4.0% is based on the average of the 2014 to 2018 years. We have applied the same factor for both reserves and surcharges.

14. **Actual versus Expected Loss Experience**— As an indication of how well the prior actuary's estimates held up over time, we calculated the expected losses to be paid through December 31, 2019 and through August 4, 2020 and compared them to the losses that were actually paid. This comparison uses the ultimate loss selections and loss development factors derived from the 2018 analysis. For the physicians' segment, the actual versus expected indications are slightly favorable through December 31, 2019, but are unfavorable through August 4, 2020. For the hospitals segment, the actual versus expected indications are unfavorable through December 31, 2019, and are even more unfavorable through August 4, 2020.
  
15. **Increase in Exposure Base** – Over the last three calendar year periods, there has been an increase in the exposure base, mainly due to the addition of two large hospital groups. This may distort our indications of ultimate losses for these most recent three years, as older experience may not be reflective of the potential experience of the current exposure base, and the loss development factors derived from the triangles may not apply to the exposures of the larger hospital groups. While this unavoidably adds uncertainty, we concluded that our approach is reasonable.

## Index to Exhibits

<u>Description</u>	<u>Exhibit Number</u>
Reserve Summary .....	Exhibit 1, Sheet 1
Calculation of Discount Factors.....	Exhibit 1, Sheet 2
One Year Comparison of Ultimate Losses and Reserves .....	Exhibit 1, Sheet 3
Actual vs. Expected Physicians Loss at 12/31/2019 Relative to Prior Estimates at 12/31/2018.....	Exhibit 1, Sheet 4
.....	Exhibit 1, Sheet 4
Actual vs. Expected Hospitals Loss at 12/31/2019 Relative to Prior Estimates at 12/31/2018.....	Exhibit 1, Sheet 5
.....	Exhibit 1, Sheet 5
Actual vs. Expected Physicians CWIP at 12/31/2019 Relative to Prior Estimates at 12/31/2018 ....	Exhibit 1, Sheet 6
.....	Exhibit 1, Sheet 6
 <i><u>Physicians</u></i>	
Selected Ultimate Losses .....	Exhibit 2
Bornhuetter-Ferguson Method.....	Exhibit 3, Sheet 1
Expected Loss Ratio Method .....	Exhibit 3, Sheet 2
Paid Loss Development .....	Exhibit 4
Frequency-Severity Method.....	Exhibit 5, Sheet 1
Severity Trend For Paid Loss Excess of Retention .....	Exhibit 5, Sheet 2
Selected Ultimate Closed Claims With Payments .....	Exhibit 5, Sheet 3
Closed Claims With Payment Based on Bornhuetter-Ferguson Method.....	Exhibit 6
Closed Claims With Payment Projection Based on Frequency Method.....	Exhibit 7
Closed Claims With Payment Development Method .....	Exhibit 8
Development of Physician Surcharge Estimates .....	Exhibit 9
Indicated Rate Change Effective 3/01/2021 through 3/01/2022 Using Expected Value Losses.....	Exhibit 10, Sheet 1
.....	Exhibit 10, Sheet 1
Indicated Rate Change Effective 3/01/2021 through 3/01/2022 Using Expected Value Losses at Various Confidence Levels.....	Exhibit 10, Sheet 2
 <i><u>Hospitals</u></i>	
Selected Ultimate Losses .....	Exhibit 11
Bornhuetter-Ferguson Method.....	Exhibit 12, Sheet 1
Expected Loss Ratio Method .....	Exhibit 12, Sheet 2
Paid Loss Development .....	Exhibit 13
Indicated Rate Change Effective 3/01/2021 through 3/01/2022 Using Expected Value Losses.....	Exhibit 14, Sheet 1
.....	Exhibit 14, Sheet 1
Indicated Rate Change Effective 3/01/2021 through 3/01/2022 Using Expected Value Losses at Various Confidence Levels.....	Exhibit 14, Sheet 2
Selected Ultimate Closed Claims With Payments .....	Exhibit 15, Sheet 1
Closed Claims With Payment Based on Bornhuetter-Ferguson Method.....	Exhibit 15, Sheet 2
Closed Claims With Payment Projection Based on Frequency Method.....	Exhibit 15, Sheet 3
Closed Claims With Payment Development Method .....	Exhibit 15, Sheet 4

Index to Exhibits (continued)

Paid Losses Hospital & Practitioner Combined (Excluding Batch Claims).....Exhibit 16  
Claims Closed With Payment - Hospital & Practitioner Combined (Excluding Batch Claims)  
.....Exhibit 17  
Expense Analysis - Loss Adjustment Expenses as Percentage of Loss Paid .....Exhibit 18, Sheet 1  
Expense Analysis - Office Expenses as a Percentage of Surcharges Collected .....  
.....Exhibit 18, Sheet 2  
Expense Analysis - Batch Claim Reinsurance as a Percentage of Surcharges Collected.....  
.....Exhibit 18, Sheet 3  
Expense Analysis - Medical Payments as Percentage of Loss Paid .....Exhibit 18, Sheet 4

New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019

Exhibit 1  
Sheet 1

Reserve Summary

Accident Year	Physicians & Surgeons				Hospitals		Combined Estimated Ultimate Reserves (7)=(3)+(6)	Discount Factor At 3.50% (8)	Estimated Discounted Reserves At 3.50% (9)=(7)x(8)	Indicated Confidence Level Factor @ 70% (10)	Estimated Discounted Reserves @ 70% CL (11)=(9)x(10)	Indicated Confidence Level Factor @ 80% (12)	Estimated Discounted Reserves @ 80% CL (13)=(9)x(12)	Indicated Confidence Level Factor @ 90% (14)	Estimated Discounted Reserves @ 90% CL (15)=(9)x(14)
	Selected Ultimate Loss (1)	Paid Loss (2)	Estimated Ultimate Reserves (3)=(1)-(2)	Selected Ultimate Loss (4)	Paid Loss (5)	Estimated Ultimate Reserves (6)=(4)-(5)									
2000	6,560,000	6,560,000	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2001	9,261,652	9,261,652	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2002	9,309,500	9,309,500	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2003	6,596,189	6,596,189	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2004	5,482,500	5,482,500	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2005	9,776,657	9,776,657	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2006	8,140,629	8,140,629	0			0	100.0%	0	1.150	0	0	1.250	0	1.400	0
2007	19,150,000	19,045,969	104,031			104,031	95.8%	99,689	1.150	114,642	124,611	1.250	124,611	1.400	139,565
2008	19,525,000	19,398,176	126,824			126,824	95.0%	120,516	1.150	138,594	150,646	1.250	150,646	1.400	168,723
2009	12,000,000	11,817,704	182,296			197,296	94.2%	185,775	1.150	213,641	232,218	1.250	232,218	1.400	260,084
2010	17,900,000	17,709,906	190,094			205,094	93.5%	191,850	1.150	220,627	239,812	1.250	239,812	1.400	268,590
2011	19,500,000	18,932,165	567,835			601,272	93.3%	560,869	1.150	644,999	701,086	1.250	701,086	1.400	785,217
2012	11,250,000	10,824,408	425,592			470,592	92.6%	435,772	1.150	501,137	544,715	1.250	544,715	1.400	610,080
2013	9,300,000	8,571,321	728,679			817,763	94.1%	769,239	1.150	884,625	961,549	1.250	961,549	1.400	1,076,935
2014	16,100,000	13,391,619	2,708,381			7,919,555	95.4%	7,558,511	1.150	8,692,288	9,448,139	1.250	9,448,139	1.400	10,581,916
2015	10,000,000	3,240,000	6,760,000			7,397,132	95.8%	7,086,716	1.150	8,149,723	8,858,395	1.250	8,858,395	1.400	9,921,402
2016	14,750,000	3,705,000	11,045,000			17,420,000	94.3%	16,420,723	1.150	18,883,832	20,525,904	1.250	20,525,904	1.400	22,989,012
2017	26,500,000	2,137,500	24,362,500			39,485,000	92.2%	36,421,790	1.150	41,885,059	45,527,238	1.250	45,527,238	1.400	50,990,507
2018	25,750,000	0	25,750,000			46,350,000	90.2%	41,789,259	1.150	48,057,647	52,236,573	1.250	52,236,573	1.400	58,504,962
2019	25,500,000	0	25,500,000			46,750,000	87.5%	40,883,802	1.150	47,016,373	51,104,753	1.250	51,104,753	1.400	57,237,323
Total	282,352,127	183,900,895	98,451,232			167,844,559		152,524,511		175,403,188	190,655,639		190,655,639		213,534,316
Excl. 2019	256,852,127	183,900,895	72,951,232			121,094,559		111,640,709		128,386,815	139,550,886		139,550,886		156,296,993
(16)	On-Going Medical Payments Percentage					4.0%									
(17)	On-Going Medical Payments Reserve Amounts					6,713,782		6,100,980		7,016,128	7,626,226		7,626,226		8,541,373
(18)	Total Reserves Including On-Going Medical Payments					174,558,342		158,625,492		182,419,316	198,281,865		198,281,865		222,075,689
(19)	Estimated 12/31/2019 Fund Balance					109,398,646									
(20)	Difference					-65,159,696		-49,226,846		-73,020,670	-88,883,219		-88,883,219		-112,677,043

Notes

- (1),(2) From Exhibit 2
- (4),(5) From Exhibit 11
- (8) From Exhibit 1, Sheet 2
- (10),(12),(14) Confidence level factors derived from simulation modeling
- (16) From Exhibit 18, Sheet 4
- (17) = (16) x Total row
- (18) = (17) + Total row
- (19) Data provided by NM OSI
- (20) = (19) - (18)

Calculation of Discount Factors

Accident Year	Accident Year Age	Paid Loss Development Factor (1)	Cumulative Portion Paid (2)	Incremental Portion Paid (3)	Nominal Amount Outstanding (4)	Discounted Amount Outstanding At 3.50% (5)	Discount Factor At 3.50% (6)=(5)/(4)	Discounted Amount Outstanding At 2.50% (7)	Discount Factor At 2.50% (8)=(7)/(4)	Discounted Amount Outstanding At 4.50% (9)	Discount Factor At 4.50% (10)=(9)/(4)
1999	252	1.000	1.000	0.000	0.000	0.000	0.983	0.000	0.988	0.000	0.978
2000	240	1.000	1.000	0.000	0.000	0.000	0.983	0.000	0.988	0.000	0.978
2001	228	1.000	1.000	0.000	0.000	0.000	0.983	0.000	0.988	0.000	0.978
2002	216	1.000	1.000	0.000	0.000	0.000	0.983	0.000	0.988	0.000	0.978
2003	204	1.000	1.000	0.000	0.000	0.000	0.983	0.000	0.988	0.000	0.978
2004	192	1.000	1.000	0.001	0.000	0.000	0.983	0.000	0.988	0.000	0.978
2005	180	1.001	0.999	0.001	0.001	0.001	0.983	0.001	0.988	0.001	0.978
2006	168	1.002	0.998	0.002	0.002	0.002	0.966	0.002	0.976	0.002	0.957
2007	156	1.004	0.996	0.003	0.004	0.004	0.958	0.004	0.970	0.004	0.947
2008	144	1.007	0.993	0.004	0.007	0.007	0.950	0.007	0.964	0.007	0.937
2009	132	1.011	0.989	0.006	0.011	0.010	0.942	0.010	0.958	0.010	0.926
2010	120	1.017	0.983	0.010	0.017	0.016	0.935	0.016	0.953	0.015	0.919
2011	108	1.027	0.973	0.012	0.027	0.025	0.933	0.025	0.951	0.024	0.915
2012	96	1.040	0.962	0.041	0.038	0.035	0.926	0.036	0.946	0.035	0.907
2013	84	1.086	0.920	0.127	0.080	0.075	0.941	0.076	0.957	0.074	0.925
2014	72	1.260	0.794	0.298	0.206	0.197	0.954	0.200	0.967	0.195	0.943
2015	60	2.016	0.496	0.213	0.504	0.483	0.958	0.489	0.969	0.477	0.947
2016	48	3.529	0.283	0.138	0.717	0.675	0.943	0.687	0.958	0.665	0.928
2017	36	6.881	0.145	0.109	0.855	0.788	0.922	0.806	0.943	0.771	0.902
2018	24	27.523	0.036	0.030	0.964	0.869	0.902	0.894	0.928	0.845	0.876
2019	12	165.139	0.006	0.006	0.994	0.869	0.875	0.902	0.908	0.838	0.843
					1.000	0.846	0.846	0.886	0.886	0.808	0.808
					167,844,559		152,524,511	156,637,678		148,602,260	
							0.909	0.933		0.885	

- (11) Estimated Nominal Reserves
- (12) Estimated Discounted Reserves
- (13) Overall Discount Factor

Notes:

- (1) From Exhibit 16
- (2) 1 / (1)
- (3)  $(2)^{\text{curr yr}} - (2)^{\text{prior yr}}$
- (4)  $(4)^{\text{prior yr}} - (3)^{\text{curr yr}}$
- (5) Discount rate selected by NM PCF
- (7),(9) Sensitivity testing of -1% to +1% around selected discount rate of 3.50%
- (11) From Exhibit 1, Sheet 1. Does not include reserve amounts for on-going medical payments
- (12),(14),(16) Sum of product of individual accident year reserves from Column (7) of Exhibit 1, Sheet 1 times accident year discount factors
- (13) Amounts from line (12) / column (11)

New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019

Exhibit 1  
Sheet 3

One Year Comparison of Ultimate Losses and Reserves

Accident Year	Valued As of 12/31/2019			Valued As of 12/31/2018			Change from 12/31/18 to 12/31/19								
	Selected Ultimate Loss	Estimated Nominal Reserves	Estimated Discounted Reserves	Selected Ultimate Loss	Estimated Nominal Reserves	Estimated Discounted Reserves	Selected Ultimate Loss	Estimated Nominal Reserves	Estimated Discounted Reserves	(7)=(1)-(4)	(8)=(7)/(4)	(9)=(2)-(5)	(10)=(8)/(5)	(11)=(3)-(6)	(12)=(11)/(6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
2000	6,560,000	0	0	6,560,000	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	
2001	9,261,652	0	0	9,261,652	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	
2002	9,309,500	0	0	9,309,500	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	
2003	6,596,189	0	0	6,602,760	6,571	6,460	6,460	6,571	-6,571	-0.1%	-6,571	-100.0%	-6,460	-100.0%	
2004	5,482,500	0	0	5,497,464	14,964	14,513	14,513	-14,964	-14,964	-0.3%	-14,964	-100.0%	-14,513	-100.0%	
2005	9,776,657	0	0	9,807,180	30,523	29,139	29,139	-30,523	-30,523	-0.3%	-30,523	-100.0%	-29,139	-100.0%	
2006	8,140,629	0	0	8,185,026	44,397	41,948	41,948	-44,397	-44,397	-0.5%	-44,397	-100.0%	-41,948	-100.0%	
2007	19,150,000	104,031	99,689	19,160,000	114,031	106,994	106,994	-10,000	-10,000	-0.1%	-10,000	-8.8%	-7,305	-6.8%	
2008	19,525,000	126,824	120,516	19,580,000	181,824	169,798	169,798	-55,000	-55,000	-0.3%	-55,000	-30.2%	-49,282	-29.0%	
2009	14,090,000	197,296	185,775	12,428,421	235,717	219,405	219,405	1,661,579	1,661,579	13.4%	1,661,579	16.3%	-33,630	-15.3%	
2010	19,450,000	205,094	191,850	19,002,277	457,371	424,726	424,726	447,723	447,723	2.4%	447,723	55.2%	-232,876	-54.8%	
2011	21,575,000	601,272	560,869	21,676,190	702,462	648,120	648,120	-101,190	-101,190	-0.5%	-101,190	-14.4%	-87,251	-13.5%	
2012	12,250,000	470,592	435,772	12,670,513	1,041,105	976,850	976,850	-420,513	-420,513	-3.3%	-420,513	-54.8%	-541,078	-55.4%	
2013	10,325,000	817,763	769,239	9,618,816	3,211,668	3,052,627	3,052,627	706,184	706,184	7.3%	706,184	-2,393,905	-2,283,388	-74.8%	
2014	22,200,000	7,919,555	7,558,511	15,093,652	7,520,392	7,208,299	7,208,299	7,106,348	7,106,348	47.1%	7,106,348	399,163	350,212	4.9%	
2015	11,800,000	7,397,132	7,086,716	13,254,649	11,276,781	10,631,150	10,631,150	-1,454,649	-1,454,649	-11.0%	-1,454,649	-3,879,649	-3,544,434	-33.3%	
2016	22,250,000	17,420,000	16,420,723	23,236,945	20,611,945	19,028,487	19,028,487	-986,945	-986,945	-4.2%	-986,945	-3,191,945	-2,607,764	-13.7%	
2017	43,500,000	39,485,000	36,421,790	40,948,026	40,273,026	36,320,907	36,320,907	2,551,974	2,551,974	6.2%	2,551,974	-788,026	100,883	0.3%	
2018	47,000,000	46,350,000	41,789,259	45,815,090	45,815,090	40,083,764	40,083,764	1,184,910	1,184,910	2.6%	1,184,910	534,910	1,705,495	4.3%	
S/T	318,242,127	121,094,559	111,640,709	307,708,161	131,537,867	118,963,187	118,963,187	10,533,966	10,533,966	3.4%	10,533,966	-10,443,307	-7,322,478	-6.2%	
2019	46,750,000	46,750,000	40,883,802												
Total	364,992,127	167,844,559	152,524,511												
On-Going Medical Payments															
2018 & Prior		4,843,782	4,465,628	N/A	N/A	N/A	N/A	4,843,782	4,843,782		4,843,782		4,465,628		
2019		1,870,000	1,635,352												
Total		6,713,782	6,100,980												
2018 & Prior Including On-Going Medical Payments								15,377,749	15,377,749		15,377,749		-5,599,525		
													-2,856,850		

Notes

(1),(2),(3) From Exhibit 1, Sheet 1

(4),(5),(6) From summary exhibits of prior reserve analysis

\* Reserve amounts for on-going medical payments were not estimated in prior actuarial analysis

Physicians & Surgeons  
Including Batch Claims

Actual vs. Expected Loss at 12/31/2019 Relative to Prior Estimates at 12/31/2018

Accident Year	Ultimate Loss at 12/31/18		Paid Loss/LAE at 12/31/18	(2)	Selected Paid Devel. Factor (3)	Cal. Yr. 2019		Cal. Yr. 2019 Actual Paid Calendar Year at 12/31/19	(4)	Cal. Yr. 2019		Cal. Yr. 2019 Actual Paid Loss at 08/04/20	(7)	Cal. Yr. 2020		Cal. Yr. 2020 Actual Paid Loss at 08/04/20	(8)	Cal. Yr. 2020		Expected vs. Actual Favorable / (Adverse) (9)=(7)-(8)	Selected Ultimate Loss/LAE at 12/31/19	(10)	Change In Ultimate at 12/31/19	(11)=(10)-(1)
	(1)	(1)				(5)	(6)=(4)-(5)			(6)	(6)			(9)	(9)			(11)						
2000	6,560,000	6,560,000	6,560,000	1.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,560,000	-	-	-
2001	9,261,652	9,261,652	9,261,652	1.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,261,652	-	-	-
2002	9,309,500	9,309,500	9,309,500	1.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,309,500	-	-	-
2003	6,602,760	6,596,189	6,596,189	1.001	6,571	6,571	-	-	6,571	-	-	-	-	-	-	-	-	-	-	-	6,596,189	(6,571)	(6,571)	(6,571)
2004	5,497,464	5,482,500	5,482,500	1.002	7,478	7,478	-	-	7,478	-	-	-	-	-	-	-	-	-	-	-	5,482,500	(14,964)	(14,964)	(14,964)
2005	9,807,180	9,776,657	9,776,657	1.003	10,164	10,164	-	-	10,164	-	-	-	-	-	-	-	-	-	-	-	9,776,657	(30,523)	(30,523)	(30,523)
2006	8,185,026	8,140,629	8,140,629	1.005	17,727	17,727	-	-	17,727	-	-	-	-	-	-	-	-	-	-	-	8,140,629	(44,397)	(44,397)	(44,397)
2007	19,160,000	19,045,969	19,045,969	1.008	42,634	42,634	-	-	42,634	-	-	-	-	-	-	-	-	-	-	-	19,150,000	(10,000)	(10,000)	(10,000)
2008	19,580,000	19,398,176	19,398,176	1.012	60,326	60,326	-	-	60,326	-	-	-	-	-	-	-	-	-	-	-	19,525,000	(55,000)	(55,000)	(55,000)
2009	12,040,000	11,817,704	11,817,704	1.018	73,574	73,574	-	-	73,574	-	-	-	-	-	-	-	-	-	-	-	12,000,000	(40,000)	(40,000)	(40,000)
2010	18,140,000	17,709,906	17,709,906	1.028	151,924	151,924	-	-	151,924	-	-	-	-	-	-	-	-	-	-	-	17,900,000	(240,000)	(240,000)	(240,000)
2011	19,570,000	18,932,165	18,932,165	1.041	188,293	188,293	-	-	188,293	-	-	-	-	-	-	-	-	-	-	-	19,500,000	(70,000)	(70,000)	(70,000)
2012	11,630,000	10,674,408	10,674,408	1.087	491,567	491,567	-	-	491,567	-	-	-	-	-	-	-	-	-	-	-	11,250,000	(380,000)	(380,000)	(380,000)
2013	8,760,000	5,781,250	5,781,250	1.234	1,716,395	1,716,395	-	-	1,716,395	-	-	-	-	-	-	-	-	-	-	-	9,300,000	540,000	540,000	540,000
2014	14,340,000	7,484,434	7,484,434	2.009	4,265,112	4,265,112	-	-	4,265,112	-	-	-	-	-	-	-	-	-	-	-	16,100,000	1,760,000	1,760,000	1,760,000
2015	11,140,000	1,240,000	1,240,000	3.456	2,902,038	2,902,038	-	-	2,902,038	-	-	-	-	-	-	-	-	-	-	-	10,000,000	(1,140,000)	(1,140,000)	(1,140,000)
2016	13,950,000	1,700,000	1,700,000	6.999	2,093,122	2,093,122	-	-	2,093,122	-	-	-	-	-	-	-	-	-	-	-	14,750,000	800,000	800,000	800,000
2017	22,676,596	500,000	500,000	26.246	2,415,698	2,415,698	-	-	2,415,698	-	-	-	-	-	-	-	-	-	-	-	26,500,000	3,823,404	3,823,404	3,823,404
2018	24,650,739	-	-	150.912	781,065	781,065	-	-	781,065	-	-	-	-	-	-	-	-	-	-	-	25,750,000	1,099,261	1,099,261	1,099,261
Total	250,860,917	169,411,139	169,411,139		15,223,688	15,223,688	-	-	15,223,688	-	-	-	-	-	-	-	-	-	-	-	256,852,127	5,991,210	5,991,210	5,991,210
Excl. 2018	226,210,178	169,411,139	169,411,139		14,442,623	14,442,623	-	-	14,442,623	-	-	-	-	-	-	-	-	-	-	-	231,102,127	4,891,949	4,891,949	4,891,949

Notes:

- (1),(2),(3) From prior reserve analysis valued as of 12/31/18
- (4) = [(1) - (2)] / [1 - 1/(3) {current year}] x [1/(3) {prior year} - 1/(3) {current year}]
- (5),(8) Data provided by NM OSI.
- (7) = [(1) - (2)] / [1 - 1/(3) {current year}] x [1/(3) {prior year matured 7 months} - 1/(3) {current year}] - (4).
- (10) From Exhibit 2.



Hospitals

Actual vs. Expected Loss at 12/31/2019 Relative to Prior Estimates at 12/31/2018

Accident Year	Ultimate Loss at 12/31/18		Paid Loss/LAE at 12/31/18	Selected Paid Devel. Factor (3)	Cal. Yr. 2019		Cal. Yr. 2019		Cal. Yr. 2019		Cal. Yr. 2020		Cal. Yr. 2020		Expected vs. Actual Favorable / (Adverse) (9)=(7)-(8)	Selected Ultimate Loss/LAE at 12/31/19 (10)	Change In Ultimate at 12/31/19 (11)=(10)-(1)
	(1)	(2)			Expected Paid Calendar Year at 12/31/19 (4)	Actual Paid Calendar Year at 12/31/19 (5)	Expected vs. Actual Favorable / (Adverse) (6)=(4)-(5)	Expected Paid Loss at 08/04/20 (7)	Actual Paid Loss at 08/04/20 (8)								
2009	388,421	375,000	1,018	4,442	1,700,000	(1,695,558)	-	-	-	-	-	2,090,000	1,701,579				
2010	862,277	835,000	1,028	9,635	700,000	(690,365)	3,406	3,406	3,406	3,406	3,406	1,550,000	687,723				
2011	2,106,190	2,041,563	1,041	19,078	-	19,078	9,385	9,385	9,385	9,385	9,385	2,075,000	(31,190)				
2012	1,040,513	955,000	1,087	43,989	-	43,989	7,151	7,151	7,151	7,151	7,151	1,000,000	(40,513)				
2013	858,816	625,898	1,234	134,210	310,018	(175,807)	29,619	-	29,619	29,619	29,619	1,025,000	166,184				
2014	753,652	88,826	2,009	413,614	800,000	(386,386)	84,438	5,000,000	84,438	84,438	84,438	6,100,000	5,346,348				
2015	2,114,649	737,868	3,456	403,583	425,000	(21,417)	353,187	-	353,187	353,187	353,187	1,800,000	(314,649)				
2016	9,286,945	925,000	6,999	1,428,781	200,000	1,228,781	1,185,540	675,000	1,185,540	1,185,540	510,540	7,500,000	(1,786,945)				
2017	18,271,430	175,000	26,246	1,971,245	1,702,500	268,745	1,607,237	-	1,607,237	1,607,237	1,607,237	17,000,000	(1,271,430)				
2018	21,164,351	-	150,912	670,598	650,000	20,598	1,302,225	1,297,500	1,302,225	1,302,225	4,725	21,250,000	85,649				
Total	56,847,244	6,759,155		5,099,176	6,487,518	(1,388,342)	4,582,189	6,972,500	4,582,189	4,582,189	(2,390,311)	61,390,000	4,542,756				
Excl. 2018	35,682,893	6,759,155		4,428,578	5,837,518	(1,408,940)	3,279,964	5,675,000	3,279,964	3,279,964	(2,395,036)	40,140,000	4,457,107				

Notes:

- (1),(2),(3) From prior reserve analysis valued as of 12/31/18
- (4) = [(1) - (2)] / [1 - 1/(3) {current year}] x [1/(3) {prior year}] - 1/(3) {current year} ].
- (5),(8) Data provided by NM OSI.
- (7) = [(1) - (2)] / [1 - 1/(3) {current year}] x [1/(3) {prior year matured 7 months}] - 1/(3) {current year} ] - (4).
- (10) From Exhibit 11.

Physicians & Surgeons  
Including Batch Claims

Actual vs. Expected Physicians Closed With Payment (CWIP) at 12/31/2019 Relative to Prior Estimates at 12/31/2018

Accident Year	Ultimate Physicians CWIP at 12/31/18		Selected CWIP Devel. Factor (3)	Cal. Yr. 2019		Cal. Yr. 2019		Cal. Yr. 2020		Cal. Yr. 2020		Expected vs. Actual Favorable / (Adverse) (9)=(7)-(8)	Selected Ultimate CWIP at 12/31/19 (10)	Change In Ultimate at 12/31/19 (11)=(10)-(1)
	(1)	(2)		Expected CWIP at 12/31/19 (4)	Actual CWIP at 12/31/19 (5)	Expected vs. Actual Favorable / (Adverse) (6)=(4)-(5)	Expected CWIP at 08/04/20 (7)	Actual CWIP at 08/04/20 (8)						
2000	19		1.000	-	-	-	-	-	-	-	-	-	19	-
2001	32		1.000	-	-	-	-	-	-	-	-	-	32	-
2002	26		1.000	-	-	-	-	-	-	-	-	-	26	-
2003	26		1.000	-	-	-	-	-	-	-	-	-	26	-
2004	23		1.000	-	-	-	-	-	-	-	-	-	23	-
2005	32		1.000	-	-	-	-	-	-	-	-	-	32	-
2006	23		1.000	-	-	-	-	-	-	-	-	-	23	-
2007	60		1.000	-	-	-	-	-	-	-	-	-	60	-
2008	74		1.003	-	-	-	-	-	-	-	-	-	74	-
2009	36		1.008	-	-	-	-	-	-	-	-	-	36	-
2010	44		1.018	1	-	1	-	1	-	1	(1)	(1)	44	-
2011	32		1.038	1	-	1	-	1	-	1	(1)	(1)	32	-
2012	22		1.097	1	1	-	-	-	-	-	(1)	(1)	22	-
2013	21		1.228	4	3	1	1	1	1	1	1	1	21	-
2014	30		1.781	7	6	1	1	2	1	1	1	1	28	(2)
2015	23		2.885	6	4	2	2	5	-	5	5	5	24	1
2016	29		6.059	5	6	(1)	(1)	4	5	5	(1)	(1)	32	3
2017	45		22.720	6	3	3	3	4	6	6	(2)	(2)	45	-
2018	45		90.879	2	-	2	2	3	6	6	(3)	(3)	48	3
Total	642	486		33	23	10	10	19	21	21	(2)	(2)	647	5
Excl. 2018	597	486		31	23	8	8	16	15	15	1	1	599	2

Notes:

- (1),(2),(3) From prior reserve analysis valued as of 12/31/18
- (4) = [(1) - (2)] / [1 - 1/(3) {current year}] x [1/(3) {prior year}] - 1/(3) {current year}].
- (5),(8) Data provided by NM OSI.
- (7) = [(1) - (2)] / [1 - 1/(3) {current year}] x [1/(3) {prior year matured 7 months}] - 1/(3) {current year}] - (4).
- (10) From Exhibit 5, Sheet 3.

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Selected Ultimate Losses**

Exhibit 2

Accident Year	Practitioner Surcharges	Cumulative Paid Loss Through 12/31/19	Incremental Paid Loss Through 8/04/20	Using Data Valued Through 12/31/19				Frequency Severity Method	Selected Ultimate Loss	Indicated Ultimate Loss Ratio	Selected Ultimate Claims Closed With Payment	Estimated Ultimate Claim Severity
				Paid B-F Method	Expected Loss Ratio Method	Development Method	Paid Method					
2000	8,238,309	6,560,000	0	6,560,000	7,732,357	6,560,000	4,840,679	6,560,000	79.6%	19	345,263	
2001	9,181,946	9,261,652	0	9,261,652	8,400,078	9,261,652	8,478,832	9,261,652	100.9%	32	289,427	
2002	9,421,675	9,309,500	0	9,309,500	8,668,405	9,309,500	7,164,613	9,309,500	98.8%	26	358,058	
2003	9,924,688	6,596,189	0	6,596,189	9,496,450	6,596,189	7,451,198	6,596,189	66.5%	26	253,700	
2004	9,283,270	5,482,500	0	5,482,500	9,238,017	5,482,500	6,855,102	5,482,500	59.1%	23	238,370	
2005	9,151,210	9,776,657	0	9,786,118	9,470,865	9,786,434	9,919,035	9,776,657	106.8%	32	305,521	
2006	9,067,465	8,140,629	0	8,160,119	9,759,562	8,156,918	7,414,478	8,140,629	89.8%	23	353,940	
2007	8,810,595	19,045,969	0	19,084,849	9,746,667	19,122,248	20,115,802	19,150,000	217.4%	60	319,167	
2008	9,696,249	19,398,176	0	19,470,795	10,421,645	19,534,293	25,801,869	19,525,000	201.4%	74	263,851	
2009	11,113,554	11,817,704	0	11,951,239	12,223,546	11,948,232	13,054,351	12,000,000	108.0%	36	333,333	
2010	11,293,496	17,709,906	125,000	17,913,352	12,092,963	18,012,946	16,593,530	17,900,000	158.5%	44	406,818	
2011	10,798,897	18,932,165	853,241	19,245,390	11,794,032	19,448,681	12,550,743	19,500,000	180.6%	32	609,375	
2012	10,498,870	10,824,408	30,000	11,278,759	11,925,011	11,253,161	8,973,781	11,250,000	107.2%	22	511,364	
2013	10,330,574	8,571,321	0	9,541,747	12,203,209	9,311,817	8,908,517	9,300,000	90.0%	21	442,857	
2014	10,838,627	13,391,619	1,024,250	16,141,063	13,315,491	16,876,320	12,353,144	16,100,000	148.5%	28	575,000	
2015	10,536,745	3,240,000	0	10,025,765	13,462,407	6,532,955	11,011,946	10,000,000	94.9%	24	416,667	
2016	11,706,286	3,705,000	1,885,000	14,821,483	15,512,779	13,073,471	15,269,898	14,750,000	126.0%	32	460,938	
2017	19,718,779	2,137,500	7,425,000	23,995,589	25,574,961	14,707,655	22,332,226	26,500,000	134.4%	45	588,889	
2018	21,435,425	0	2,321,023	25,704,197	26,673,322	0	24,773,882	25,750,000	120.1%	48	536,458	
2019	20,518,662	0	0	25,798,931	25,956,108	0	24,154,535	25,500,000	124.3%	45	566,667	
Total	231,565,322	183,900,895	13,663,514	280,129,238	263,667,875	214,974,973	268,018,162	282,352,127	121.9%	692	408,023	
Excl. 2019	211,046,660	183,900,895	13,663,514	254,330,307	237,711,766	214,974,973	243,863,627	256,852,127	121.7%	647	396,989	
2009-2019	148,789,915	90,329,623	13,663,514	186,417,515	180,733,829	121,165,239	169,976,554	188,550,000	126.7%	377	500,133	

**Notes**

- (1),(2),(3) Data provided by NM OSI
- (4) From Exhibit 3, Sheet 1
- (5) From Exhibit 3, Sheet 2
- (6) From Exhibit 4
- (7) From Exhibit 5, Sheet 1
- (9) (8)/(1)
- (10) From Exhibit 5, Sheet 3
- (11) (8)/(10)

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Bornhuetter-Ferguson Method**

**Exhibit 3**  
**Sheet 1**

<u>Accident Year</u>	<u>Practioner Surcharges</u> (1)	<u>Expected Loss Ratio</u> (2)	<u>Paid Loss</u> (3)	<u>Percentage of Ultimate Paid</u> (4)	<u>Indicated Ultimate Loss</u> (5)
2000	8,238,309	93.9%	6,560,000	100.0%	6,560,000
2001	9,181,946	91.5%	9,261,652	100.0%	9,261,652
2002	9,421,675	92.0%	9,309,500	100.0%	9,309,500
2003	9,924,688	95.7%	6,596,189	100.0%	6,596,189
2004	9,283,270	99.5%	5,482,500	100.0%	5,482,500
2005	9,151,210	103.5%	9,776,657	99.9%	9,786,118
2006	9,067,465	107.6%	8,140,629	99.8%	8,160,119
2007	8,810,595	110.6%	19,045,969	99.6%	19,084,849
2008	9,696,249	107.5%	19,398,176	99.3%	19,470,795
2009	11,113,554	110.0%	11,817,704	98.9%	11,951,239
2010	11,293,496	107.1%	17,709,906	98.3%	17,913,352
2011	10,798,897	109.2%	18,932,165	97.3%	19,245,390
2012	10,498,870	113.6%	10,824,408	96.2%	11,278,759
2013	10,330,574	118.1%	8,571,321	92.0%	9,541,747
2014	10,838,627	122.9%	13,391,619	79.4%	16,141,063
2015	10,536,745	127.8%	3,240,000	49.6%	10,025,765
2016	11,706,286	132.5%	3,705,000	28.3%	14,821,483
2017	19,718,779	129.7%	2,137,500	14.5%	23,995,589
2018	21,435,425	124.4%	0	3.6%	25,704,197
2019	20,518,662	126.5%	0	0.6%	25,798,931
Total	231,565,322		183,900,895		280,129,238
Excl. 2019	211,046,660		183,900,895		254,330,307
2010-2019	137,676,361		78,511,919		174,466,276

Notes

- (1),(3) Data provided by NM OSI
- (2) From Exhibit 3, Sheet 2
- (4) From Exhibit 16
- (5)  $\{ [1 - (4)] \times (1) \times (2) \} + (3)$

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Expected Loss Ratio Method**

**Exhibit 3**  
**Sheet 2**

Accident Year	On-Level Practioner Surcharges (1)	Indicated Ultimate Loss From Paid Development (2)	Trend Factor (3)	Indicated Trended Ultimate Loss (4)=(2)x(3)	Indicated Trended On-Level Loss Ratio (5)=(4)/(1)	Expected Loss Ratio (6)	De-trended Expected Loss Ratio (7)	Detrended Expected Ultimate Loss (8)
2000	14,166,008	6,560,000	2.107	13,820,931	97.6%		93.9%	7,732,357
2001	14,797,405	9,261,652	2.026	18,762,408	126.8%		91.5%	8,400,078
2002	14,682,775	9,309,500	1.948	18,133,980	123.5%		92.0%	8,668,405
2003	15,466,672	6,596,189	1.873	12,354,538	79.9%		95.7%	9,496,450
2004	14,467,084	5,482,500	1.801	9,873,673	68.2%		99.5%	9,238,017
2005	14,261,281	9,786,434	1.732	16,946,937	118.8%		103.5%	9,470,865
2006	14,130,772	8,156,918	1.665	13,581,869	96.1%		107.6%	9,759,562
2007	13,569,329	19,122,248	1.601	30,615,335	225.6%		110.6%	9,746,667
2008	13,950,995	19,534,293	1.539	30,072,147	215.6%		107.5%	10,421,645
2009	15,733,769	11,948,232	1.480	17,686,301	112.4%		110.0%	12,223,546
2010	14,967,006	18,012,946	1.423	25,638,040	171.3%		107.1%	12,092,963
2011	14,035,606	19,448,681	1.369	26,616,863	189.6%		109.2%	11,794,032
2012	13,645,653	11,253,161	1.316	14,808,393	108.5%		113.6%	11,925,011
2013	13,426,915	9,311,817	1.265	11,782,419	87.8%		118.1%	12,203,209
2014	14,087,244	16,876,320	1.217	20,532,624	145.8%		122.9%	13,315,491
2015	13,694,880	6,532,955	1.170	7,642,633	55.8%		127.8%	13,462,407
2016	15,173,710	13,073,471	1.125	14,705,877	96.9%		132.5%	15,512,779
2017	24,053,807	14,707,655	1.082	15,907,800	66.1%		129.7%	25,574,961
2018	24,121,961	0	1.040	0	0.0%		124.4%	26,673,322
2019	22,570,529	0	1.000	0	0.0%		126.5%	25,956,108
Total	315,003,401	214,974,973		319,482,766	101.4%	115.0%		263,667,875
Excl. 2019	292,432,872	214,974,973		319,482,766	109.2%			237,711,766
2009-2017	138,818,590	121,165,239		155,320,950	111.9%			128,104,399
2000-2013	201,301,270	163,784,572		260,693,833	129.5%			143,172,806

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 4
- (3) Accident year trend factors derived from selected trend in Exhibit 5, Sheet 2
- (7) Selected Expected Loss Ratio from Column (6) / Column (3)
- (8) Column (7) x practioner surcharges from Exhibit 3, Sheet 1 , Column (1)

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Paid Loss Development**

Exhibit 4

Accident Year	Paid Loss (1)	Months Of Development (2)	Cumulative Development Factor (3)	Indicated Ultimate Loss (4)
2000	6,560,000	240	1.000	6,560,000
2001	9,261,652	228	1.000	9,261,652
2002	9,309,500	216	1.000	9,309,500
2003	6,596,189	204	1.000	6,596,189
2004	5,482,500	192	1.000	5,482,500
2005	9,776,657	180	1.001	9,786,434
2006	8,140,629	168	1.002	8,156,918
2007	19,045,969	156	1.004	19,122,248
2008	19,398,176	144	1.007	19,534,293
2009	11,817,704	132	1.011	11,948,232
2010	17,709,906	120	1.017	18,012,946
2011	18,932,165	108	1.027	19,448,681
2012	10,824,408	96	1.040	11,253,161
2013	8,571,321	84	1.086	9,311,817
2014	13,391,619	72	1.260	16,876,320
2015	3,240,000	60	2.016	6,532,955
2016	3,705,000	48	3.529	13,073,471
2017	2,137,500	36	6.881	14,707,655
2018	0	24	27.523	0
2019	0	12	165.139	0
Total	183,900,895			214,974,973
Excl. 2019	183,900,895			214,974,973

Notes

- (1) Data provided by NM OSI
- (3) From Exhibit 16
- (4) (1) x (3)

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Frequency-Severity Method**

**Exhibit 5**  
**Sheet 1**

Accident Year	Selected Ultimate Claims Closed With Payment (1)	Selected Ultimate Severity (2)	Indicated Ultimate Loss (3)
2000	19	254,773	4,840,679
2001	32	264,964	8,478,832
2002	26	275,562	7,164,613
2003	26	286,585	7,451,198
2004	23	298,048	6,855,102
2005	32	309,970	9,919,035
2006	23	322,369	7,414,478
2007	60	335,263	20,115,802
2008	74	348,674	25,801,869
2009	36	362,621	13,054,351
2010	44	377,126	16,593,530
2011	32	392,211	12,550,743
2012	22	407,899	8,973,781
2013	21	424,215	8,908,517
2014	28	441,184	12,353,144
2015	24	458,831	11,011,946
2016	32	477,184	15,269,898
2017	45	496,272	22,332,226
2018	48	516,123	24,773,882
2019	45	536,767	24,154,535
Total	692	387,309	268,018,162
Excl. 2019	647	376,914	243,863,627

Notes

- (1) From Exhibit 5, Sheet 3
- (3) From Exhibit 5, Sheet 2
- (4) (1) x (3)

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Severity Trend For Paid Loss Excess of Retention**

Exhibit 5  
 Sheet 2

Accident Year	Paid Loss (1)	Claims Closed With Payment (2)	Paid Severity (3)=(1)/(2)	Indicated Trend (4)	Selected Trend (5)	Trended Severity To 2019 (6)	Selected Severity (7)	De-trended Ultimate Severity (8)
2000	6,560,000	19	345,263			699,440		254,773
2001	9,261,652	32	289,427			563,774		264,964
2002	9,309,500	26	358,058			670,635		275,562
2003	6,596,189	26	253,700			456,899		286,585
2004	5,482,500	23	238,370			412,779		298,048
2005	9,776,657	32	305,521			508,714		309,970
2006	8,140,629	23	353,940			566,670		322,369
2007	19,045,969	60	317,433			488,673		335,263
2008	19,398,176	74	262,138			388,028		348,674
2009	11,817,704	36	328,270			467,230		362,621
2010	17,709,906	43	411,858			563,656		377,126
2011	18,932,165	31	610,715			803,659		392,211
2012	10,824,408	21	515,448			652,206		407,899
2013	8,571,321	17	504,195			613,431		424,215
2014	13,391,619	23	582,244			681,143		441,184
2015	3,240,000	8	405,000			455,570		458,831
2016	3,705,000	11	336,818			364,303		477,184
2017	2,137,500	4	534,375			555,750		496,272
2018	0	0	0			0		516,123
2019	0	0	0			0		536,767
Total	183,900,895	509	361,298			536,588		
2000-2017	183,900,895	509	361,298	3.6%		536,588		
2006-2016	134,776,897	347	388,406	3.9%		537,126		
2005-2017	146,691,054	383	383,005	5.0%				
2006-2017	136,914,397	351	390,070	4.3%	4.0%		536,767	

Notes

- (1),(2) Data provided by NM OSI
- (4) Based on exponential trend fit of values from Column (3)
- (6) Column (3) trended forward with selected trend in Column (5)
- (8) Selected severity in Column (8) detrended with selected trend in Column (5)



**New Mexico Patients' Compensation Fund**

Reserves as of 12/31/2019

Physicians & Surgeons

Including Batch Claims

Selected Ultimate Closed Claims With Payment (CWIP)

Exhibit 5  
Sheet 3

Accident Year	Practioner Surcharges (1)	CWIP Through 12/31/19 (2)	Incremental CWIP Through 8/04/20	Indicated Ultimate Claims Closed With Payment (CWIP)			Selected Ultimate Claims Closed With Payment (7)	Indicated Ultimate Frequency (8)
				CWIP B-F Method (4)	Frequency Method (5)	Claim Development Method (6)		
2000	8,238,309	19	0	19	28	19	19	2.31
2001	9,181,946	32	0	32	29	32	32	3.49
2002	9,421,675	26	0	26	29	26	26	2.76
2003	9,924,688	26	0	26	30	26	26	2.62
2004	9,283,270	23	0	23	28	23	23	2.48
2005	9,151,210	32	0	32	28	32	32	3.50
2006	9,067,465	23	0	23	28	23	23	2.54
2007	8,810,595	60	0	60	27	60	60	6.81
2008	9,696,249	74	0	74	27	74	74	7.63
2009	11,113,554	36	0	36	31	36	36	3.24
2010	11,293,496	43	1	43	29	43	44	3.90
2011	10,798,897	31	1	31	28	32	32	2.96
2012	10,498,870	21	1	22	27	22	22	2.10
2013	10,330,574	17	0	19	26	19	21	2.03
2014	10,838,627	23	1	28	28	28	28	2.58
2015	10,536,745	8	0	20	27	15	24	2.28
2016	11,706,286	11	5	31	30	33	32	2.73
2017	19,718,779	4	6	44	47	25	45	2.28
2018	21,435,425	0	6	45	47	0	48	2.24
2019	20,518,662	0	0	44	44	0	45	2.19
Total	231,565,322	509	21	678	618	568	692	2.99
Excl. 2019	211,046,660	509	21	634	574	568	647	3.07

Notes

- (1),(2),(3) Data provided by NM OSI
- (4) From Exhibit 3, Sheet 1
- (5) From Exhibit 3, Sheet 2
- (6) From Exhibit 4
- (8) (7) / (1) x 1,000,000

**New Mexico Patients' Compensation Fund**

**Exhibit 6**

**Reserves as of 12/31/2019**

**Physicians & Surgeons**

**Including Batch Claims**

**Closed Claims With Payment Based on Bornhuetter-Ferguson Method**

Accident Year	Claims Closed With Payment (1)	Frequency Method Claims Closed With Payment (2)	Percentage of Ultimate Closed With Payment (3)	Indicated Ultimate Closed With Payment (4)
2000	19	28	100.0%	19
2001	32	29	100.0%	32
2002	26	29	100.0%	26
2003	26	30	100.0%	26
2004	23	28	100.0%	23
2005	32	28	100.0%	32
2006	23	28	100.0%	23
2007	60	27	100.0%	60
2008	74	27	100.0%	74
2009	36	31	99.7%	36
2010	43	29	99.2%	43
2011	31	28	98.2%	31
2012	21	27	96.3%	22
2013	17	26	90.8%	19
2014	23	28	81.1%	28
2015	8	27	55.0%	20
2016	11	30	33.3%	31
2017	4	47	15.9%	44
2018	0	47	4.0%	45
2019	0	44	0.9%	44
Total	509	618		678
Excl. 2019	509	574		634

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 7
- (3) From Exhibit 17
- (4)  $\{ [1 - (3)] \times (2) \} + (1)$

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**

**Closed Claims With Payment Projection Based on Frequency Method**

Accident Year	Claims Closed With Payment (1)	Indicated Ultimate Claims From CWIP Development (2)	Practioner Surcharges At Current Rate Level (3)	Indicated Ultimate Frequency per \$1M in Surcharges (4)	Selected Frequency (5)	Indicated Ultimate Claims Closed With Payment (6)
2000	19	19	14,166,008	1.34		28
2001	32	32	14,797,405	2.16		29
2002	26	26	14,682,775	1.77		29
2003	26	26	15,466,672	1.68		30
2004	23	23	14,467,084	1.59		28
2005	32	32	14,261,281	2.24		28
2006	23	23	14,130,772	1.63		28
2007	60	60	13,569,329	4.42		27
2008	74	74	13,950,995	5.30		27
2009	36	36	15,733,769	2.29		31
2010	43	43	14,967,006	2.87		29
2011	31	32	14,035,606	2.28		28
2012	21	22	13,645,653	1.61		27
2013	17	19	13,426,915	1.42		26
2014	23	28	14,087,244	1.99		28
2015	8	15	13,694,880	1.10		27
2016	11	33	15,173,710	2.17		30
2017	4	25	24,053,807	1.04		47
2018	0	0	24,121,961	0.00		47
2019	0	0	22,570,529	0.00		44
Total	509	568	315,003,401	1.80	1.96	618
Excl. 2019	509	568	292,432,872	1.94		571
2009-2016	190	228	114,764,783	1.99		450

**Notes**  
 (1),(3) Data provided by NM OSI  
 (2) From Exhibit 8  
 (4) (2) / (3) x 1000000  
 (6) (3) x (5) / 1000000

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Including Batch Claims**  
**Closed Claims With Payment Development Method**

Exhibit 8

Accident Year	Claims Closed With Payment (1)	Months Of Development (2)	Cumulative Development Factor (3)	Indicated Ultimate CWIP (4)
2000	19	240	1.000	19
2001	32	228	1.000	32
2002	26	216	1.000	26
2003	26	204	1.000	26
2004	23	192	1.000	23
2005	32	180	1.000	32
2006	23	168	1.000	23
2007	60	156	1.000	60
2008	74	144	1.000	74
2009	36	132	1.003	36
2010	43	120	1.008	43
2011	31	108	1.018	32
2012	21	96	1.038	22
2013	17	84	1.101	19
2014	23	72	1.233	28
2015	8	60	1.818	15
2016	11	48	3.000	33
2017	4	36	6.301	25
2018	0	24	25.204	0
2019	0	12	107.117	0
Total	509			568
Excl. 2019	509			568

Notes

- (1) Data provided by NM OSI
- (3) From Exhibit 17
- (4) (1) x (3)

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Development of Physician Surcharge Estimates**

Exhibit 9

NMPCF Indicated Surcharge - Physicians and Surgeons

Class	NMPCF Current Surcharge (1)	Discounted Estimated Surcharges			
		Expected Value (2)	3/1/2021-2022 Rate Level		
			70% Confidence Level Value (3)	80% Confidence Level Value (4)	90% Confidence Level Value (5)
1	3,208	3,768	4,333	4,710	5,275
2	4,278	5,025	5,778	6,281	7,034
3	5,133	6,029	6,933	7,536	8,441
4A	6,417	7,537	8,667	9,421	10,552
4	7,700	9,044	10,400	11,305	12,661
5A	7,272	8,541	9,822	10,677	11,957
5	9,411	11,054	12,711	13,817	15,475
6	11,123	13,065	15,024	16,331	18,290
7A	12,834	15,074	17,335	18,843	21,103
7	14,973	17,587	20,224	21,983	24,621
8	20,320	23,867	27,446	29,834	33,413
9	24,598	28,892	33,224	36,115	40,447
10	27,806	32,660	37,557	40,825	45,722
99	2,567	3,015	3,467	3,769	4,221
CRNA	1,069	1,255	1,444	1,569	1,758
PA-1	1,454	1,708	1,964	2,135	2,391
PA-2	1,925	2,261	2,600	2,826	3,166
PA-3	2,310	2,713	3,120	3,392	3,799
51 *	10%	10%	10%	10%	10%
52 *	10%	10%	10%	10%	10%
53 *	10%	10%	10%	10%	10%
(4) Class 1 Rate	3,208	3,768	4,333	4,710	5,275
(5) Indicated Percentage Change		17.4%	35.1%	46.8%	64.4%

Notes

- (1) Data provided by NM OSI
- (2) Column (1) x [ 1 + (5) expected value ]
- (3) Column (1) x [ 1 + (5) risk loaded value ]
- (5) Expected Value: From Exhibit 10, Sheet 1  
Confidence Level Values: From Exhibit 10, Sheet 2
- \* 10% of cumulative surcharge assessed to the individual QHPs that practice in the entity

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Physicians & Surgeons**  
**Indicated Rate Change Effective 3/01/2021 through 3/01/2022**  
**Using Expected Value Losses**

**Exhibit 10**  
**Sheet 1**

Accident <u>Year</u>	Practioner Surcharges At <u>Current Level</u> (1)	Estimated Ultimate <u>Losses</u> (2)	Trended Ultimate <u>Losses</u> (3)	Trended Ultimate <u>Loss Ratio</u> (4)
2009	15,733,769	12,000,000	19,338,385	122.9%
2010	14,967,006	17,900,000	27,736,947	185.3%
2011	14,035,606	19,500,000	29,054,064	207.0%
2012	13,645,653	11,250,000	16,117,269	118.1%
2013	13,426,915	9,300,000	12,811,163	95.4%
2014	14,087,244	16,100,000	21,325,447	151.4%
2015	13,694,880	10,000,000	12,736,172	93.0%
2016	15,173,710	14,750,000	18,063,321	119.0%
2017	24,053,807	26,500,000	31,204,564	129.7%
2018	24,121,961	25,750,000	29,155,208	120.9%
2019	22,570,529	25,500,000	27,761,680	123.0%
Total	185,511,080	188,550,000	245,304,221	132.2%
Excl. 2019	162,940,551	163,050,000	217,542,541	133.5%
2009-2016	114,764,783	110,800,000	157,182,769	137.0%
2012-2016	70,028,402	61,400,000	81,053,373	115.7%
2014-2016	42,955,834	40,850,000	52,124,940	121.3%
Total ex hi/lo	157,780,594	159,050,000	203,513,985	129.0%
(5)	Projected 2021-2022 Undiscounted Loss Ratio (Selected Based on Column (4))			120.0%
(6)	Projected 2021-2022 Assessments at Current Fee Level			22,570,529
(7)	Projected 2021-2022 Undiscounted Losses			27,084,635
(8)	Projected Loss Adjustment Expense as a Percentage of Loss Paid			2.9%
(9)	Projected Medical Payments as a Percentage of Loss Paid			4.0%
(10)	Discount Factor at 3.5% Yield			84.6%
(11)	Projected Office Expenses as a Percentage of Surcharges			2.5%
(12)	Projected Reinsurance Expense as a Percentage of Surcharges Collected			5.0%
(13)	Projected 2021-2022 Income Requirements			26,508,338
(14)	Indicated Assessment Level Change on March 1, 2021			17.4%

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 2
- (3) Column (2) times accident year trend factors derived from selected trend estimated in Exhibit 5, Sheet 2
- (4) = (3) / (1)
- (6) Most current assessment
- (7) = (5) x (6)
- (8) From Exhibit 18, Sheet 1
- (9) From Exhibit 18, Sheet 4
- (10) From Exhibit 1, Sheet 2
- (11) From Exhibit 18, Sheet 2
- (12) From Exhibit 18, Sheet 3
- (13) = [(7) x {1 + (8)} x {1 + (9)} x (10)] / [1 - (11) - (12)]
- (14) = (13) / (6) - 1

**New Mexico Patients' Compensation Fund**

Exhibit 10

Reserves as of 12/31/2019

Sheet 2

Physicians & Surgeons

Indicated Rate Change Effective 3/01/2021 through 3/01/2022

Using Expected Value Losses at Various Confidence Levels

Accident Year	Practioner Surcharges At Current Level (1)	Estimated Ultimate Losses (2)	Trended Ultimate Losses (3)	Trended Ultimate Loss Ratio (4)		
2009	15,733,769	12,000,000	19,338,385	122.9%		
2010	14,967,006	17,900,000	27,736,947	185.3%		
2011	14,035,606	19,500,000	29,054,064	207.0%		
2012	13,645,653	11,250,000	16,117,269	118.1%		
2013	13,426,915	9,300,000	12,811,163	95.4%		
2014	14,087,244	16,100,000	21,325,447	151.4%		
2015	13,694,880	10,000,000	12,736,172	93.0%		
2016	15,173,710	14,750,000	18,063,321	119.0%		
2017	24,053,807	26,500,000	31,204,564	129.7%		
2018	24,121,961	25,750,000	29,155,208	120.9%		
2019	22,570,529	25,500,000	27,761,680	123.0%		
Total	185,511,080	188,550,000	245,304,221	132.2%		
Excl. 2019	162,940,551	163,050,000	217,542,541	133.5%		
2009-2016	114,764,783	110,800,000	157,182,769	137.0%		
2012-2016	70,028,402	61,400,000	81,053,373	115.7%		
2014-2016	42,955,834	40,850,000	52,124,940	121.3%		
Total ex hi/lo	157,780,594	159,050,000	203,513,985	129.0%		
(5)	Projected 2021-2022 Undiscounted Loss Ratio (Selected Based on Column (4))			120.0%		
(6)	Projected 2021-2022 Assessments at Current Fee Level			22,570,529		
(7)	Projected 2021-2022 Undiscounted Losses			27,084,635		
(8)	Projected Loss Adjustment Expense as a Percentage of Loss Paid			2.9%		
(9)	Projected Medical Payments as a Percentage of Loss Paid			4.0%		
(10)	Discount Factor at 3.5% Yield			84.6%		
(11)	Projected Office Expenses as a Percentage of Surcharges			2.5%		
(12)	Projected Reinsurance Expense as a Percentage of Surcharges Collected			5.0%		
(13)	<u>Confidence Level</u>		<u>70% CL</u>	<u>80% CL</u>	<u>90% CL</u>	
(13)	Confidence Level Factor		1.150	1.250	1.400	
(14)	Projected 2021-2022 Income Requirements			30,484,589	33,135,423	37,111,673
(15)	Indicated Assessment Level Change on March 1, 2021			35.1%	46.8%	64.4%

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 2
- (3) Column (2) times accident year trend factors derived from selected trend estimated in Exhibit 5, Sheet 2
- (4) = (3) / (1)
- (6) Most current assessment
- (7) = (5) x (6)
- (8) From Exhibit 18, Sheet 1
- (9) From Exhibit 18, Sheet 4
- (10) From Exhibit 1, Sheet 2
- (11) From Exhibit 18, Sheet 2
- (12) From Exhibit 18, Sheet 3
- (13) Confidence level factors derived from simulation modeling
- (14) = [(7) x {1 + (8)} x {1 + (9)} x (10) x (13)] / [1 - (11) - (12)]
- (15) = (14+) / (6) - 1

**New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019  
Hospitals  
Selected Ultimate Losses**

Accident Year	Hospital Surcharges (1)	Cumulative Paid Loss Through 12/31/19 (2)	Incremental Paid Loss Through 8/04/20 (3)			Using Data Valued Through 12/31/19			Selected Ultimate Loss (7)	Indicated Ultimate Loss Ratio (8)	Selected Ultimate Claims With Payment (9)	Estimated Ultimate Claims Severity (10)
			Paid Through 8/04/20	Paid B-F Method (4)	Expected Loss Ratio Method (5)	Development Method (6)	Paid					
2009	1,130,000	2,075,000	0	2,086,110	1,017,000	2,097,919	2,090,000	185.0%	2	1,045,000		
2010	1,130,000	1,535,000	0	1,552,109	1,017,000	1,561,266	1,550,000	137.2%	5	310,000		
2011	1,175,200	2,041,563	0	2,069,653	1,057,680	2,097,262	2,075,000	176.6%	9	230,556		
2012	1,099,542	955,000	0	992,704	989,588	992,827	1,000,000	90.9%	3	333,333		
2013	1,250,000	935,916	0	1,025,378	1,125,000	1,016,772	1,025,000	82.0%	4	256,250		
2014	1,350,000	888,826	5,000,000	1,139,705	1,215,000	1,120,112	6,100,000	451.9%	3	2,033,333		
2015	1,350,000	1,162,868	0	1,775,292	1,215,000	2,344,742	1,800,000	133.3%	4	450,000		
2016	9,476,474	1,125,000	675,000	7,236,771	8,528,827	3,969,677	7,500,000	79.1%	16	468,750		
2017	18,644,316	1,877,500	0	16,218,722	16,779,884	12,918,654	17,000,000	91.2%	40	425,000		
2018	21,596,277	650,000	1,297,500	19,380,455	19,436,649	17,890,013	21,250,000	98.4%	45	472,222		
2019	21,523,811	0	550,000	19,254,126	19,371,430	0	21,250,000	98.7%	45	472,222		
Total	79,725,620	13,246,673	7,522,500	72,731,026	71,753,058	46,009,244	82,640,000	103.7%	176	469,545		
Excl. 2019	58,201,809	13,246,673	6,972,500	53,476,900	52,381,628	46,009,244	61,390,000	105.5%	131	468,626		

- Notes**  
 (1),(2),(3) Data provided by NM OSI  
 (4) From Exhibit 12, Sheet 1  
 (5) From Exhibit 12, Sheet 2  
 (6) From Exhibit 13  
 (8) (7) / (1)  
 (9) From Exhibit 15, Sheet 1  
 (10) (7) / (9)



**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Hospitals**  
**Bornhuetter-Ferguson Method**

**Exhibit 12**  
**Sheet 1**

<u>Accident Year</u>	<u>Hospital Surcharges</u> (1)	<u>Expected Loss Ratio</u> (2)	<u>Paid Loss</u> (3)	<u>Percentage of Ultimate Paid</u> (4)	<u>Indicated Ultimate Loss</u> (5)
2009	1,130,000	90.0%	2,075,000	98.9%	2,086,110
2010	1,130,000	90.0%	1,535,000	98.3%	1,552,109
2011	1,175,200	90.0%	2,041,563	97.3%	2,069,653
2012	1,099,542	90.0%	955,000	96.2%	992,704
2013	1,250,000	90.0%	935,916	92.0%	1,025,378
2014	1,350,000	90.0%	888,826	79.4%	1,139,705
2015	1,350,000	90.0%	1,162,868	49.6%	1,775,292
2016	9,476,474	90.0%	1,125,000	28.3%	7,236,771
2017	18,644,316	90.0%	1,877,500	14.5%	16,218,722
2018	21,596,277	90.0%	650,000	3.6%	19,380,455
2019	21,523,811	90.0%	0	0.6%	19,254,126
<b>Total</b>	<b>79,725,620</b>		<b>13,246,673</b>		<b>72,731,026</b>
<b>Excl. 2019</b>	<b>58,201,809</b>		<b>13,246,673</b>		<b>53,476,900</b>
<b>2011-2019</b>	<b>77,465,620</b>		<b>9,636,673</b>		<b>69,092,807</b>

Notes

- (1),(3) Data provided by NM OSI
- (2) From Exhibit 12, Sheet 2
- (4) From Exhibit 16
- (5)  $\{ [1 - (4)] \times (1) \times (2) \} + (3)$

**New Mexico Patients' Compensation Fund**

Reserves as of 12/31/2019

Hospitals

Expected Loss Ratio Method

Exhibit 12

Sheet 2

Accident Year	Hospital Surcharges (1)	Indicated Ultimate Loss From Paid Development (2)	Trend Factor (3)	Indicated Trended Ultimate Loss (4)	Indicated Loss Ratio (5)	Expected Loss Ratio (6)	De-trended Expected Loss Ratio (7)	Detrended Expected Ultimate Loss (8)
2009	1,130,000	2,097,919	1.000	2,097,919	185.7%		90.0%	1,017,000
2010	1,130,000	1,561,266	1.000	1,561,266	138.2%		90.0%	1,017,000
2011	1,175,200	2,097,262	1.000	2,097,262	178.5%		90.0%	1,057,680
2012	1,099,542	992,827	1.000	992,827	90.3%		90.0%	989,588
2013	1,250,000	1,016,772	1.000	1,016,772	81.3%		90.0%	1,125,000
2014	1,350,000	1,120,112	1.000	1,120,112	83.0%		90.0%	1,215,000
2015	1,350,000	2,344,742	1.000	2,344,742	173.7%		90.0%	1,215,000
2016	9,476,474	3,969,677	1.000	3,969,677	41.9%		90.0%	8,528,827
2017	18,644,316	12,918,654	1.000	12,918,654	69.3%		90.0%	16,779,884
2018	21,596,277	17,890,013	1.000	17,890,013	82.8%		90.0%	19,436,649
2019	21,523,811	0	1.000	0	0.0%		90.0%	19,371,430
Total	79,725,620	46,009,244		46,009,244	57.7%	90.0%		71,753,058
Excl. 2019	58,201,809	46,009,244		46,009,244	79.1%			52,381,628
2009-2015	8,484,742	11,230,899		11,230,899	132.4%			7,636,268
2009-2017	36,605,532	28,119,231		28,119,231	76.8%			32,944,979
2012-17, x hi/lo	22,343,858	16,048,365		16,048,365	71.8%			20,109,472

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 13
- (3) Accident year trend factors derived from selected trend of 0.0%
- (7) Selected Expected Loss Ratio from Column (6) / Column (3)
- (8) Column (7) x hospital surcharges from Exhibit 12, Sheet 1 , Column (1)

**New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019**

**Exhibit 13**

**Hospitals**

**Paid Loss Development**

<u>Accident Year</u>	<u>Paid Loss</u> (1)	<u>Months Of Development</u> (2)	<u>Cumulative Development Factor</u> (3)	<u>Indicated Ultimate Loss</u> (4)
2009	2,075,000	132	1.011	2,097,919
2010	1,535,000	120	1.017	1,561,266
2011	2,041,563	108	1.027	2,097,262
2012	955,000	96	1.040	992,827
2013	935,916	84	1.086	1,016,772
2014	888,826	72	1.260	1,120,112
2015	1,162,868	60	2.016	2,344,742
2016	1,125,000	48	3.529	3,969,677
2017	1,877,500	36	6.881	12,918,654
2018	650,000	24	27.523	17,890,013
2019	0	12	165.139	0
<b>Total</b>	<b>13,246,673</b>			<b>46,009,244</b>
<b>Excl. 2019</b>	<b>13,246,673</b>			<b>46,009,244</b>

Notes

- (1) Data provided by NM OSI
- (3) From Exhibit 16
- (4) (1) x (3)

**New Mexico Patients' Compensation Fund**

Exhibit 14

Reserves as of 12/31/2019

Sheet 1

**Hospitals**

Indicated Rate Change Effective 3/01/2021 through 3/01/2022

Using Expected Value Losses

Accident Year	Hospital Surcharges (1)	Estimated Ultimate Losses (2)	Trended Ultimate Losses (3)	Projected Ultimate Loss Ratio (4)
2009	1,130,000	2,090,000	2,090,000	185.0%
2010	1,130,000	1,550,000	1,550,000	137.2%
2011	1,175,200	2,075,000	2,075,000	176.6%
2012	1,099,542	1,000,000	1,000,000	90.9%
2013	1,250,000	1,025,000	1,025,000	82.0%
2014	1,350,000	6,100,000	6,100,000	451.9%
2015	1,350,000	1,800,000	1,800,000	133.3%
2016	9,476,474	7,500,000	7,500,000	79.1%
2017	18,644,316	17,000,000	17,000,000	91.2%
2018	21,596,277	21,250,000	21,250,000	98.4%
2019	21,523,811	21,250,000	21,250,000	98.7%
Total	79,725,620	82,640,000	82,640,000	103.7%
Excl. 2019	58,201,809	61,390,000	61,390,000	105.5%
2009-2017	36,605,532	40,140,000	40,140,000	109.7%
2012-2017	33,170,332	34,425,000	34,425,000	103.8%
2014-2017	30,820,790	32,400,000	32,400,000	105.1%
Total ex hi/lo	68,899,146	69,040,000	69,040,000	100.2%
(5)	Projected 2021-2022 Undiscounted Loss Ratio (Selected Based on Column (4))			100.0%
(6)	Projected 2021-2022 Assessments at Current Fee Level			21,523,811
(7)	Projected 2021-2022 Undiscounted Losses			21,523,811
(8)	=(2). Selected accident year trend assumed to be 0.0%			2.9%
(9)	Projected Medical Payments as a Percentage of Loss Paid			4.0%
(10)	Discount Factor at 3.5% Yield			84.6%
(11)	Projected Office Expenses as a Percentage of Surcharges			2.5%
(12)	Projected Reinsurance Expense as a Percentage of Surcharges Collected			5.0%
(13)	Projected 2021-2022 Income Requirements			21,065,835
(14)	Indicated Assessment Level Change on March 1, 2021			-2.1%

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 11
- (3) =(2). Selected accident year trend assumed to be 0.0%
- (4) = (3) / (1)
- (6) Most current assessment
- (7) = (5) x (6)
- (8) From Exhibit 18, Sheet 1
- (9) From Exhibit 18, Sheet 4
- (10) From Exhibit 1, Sheet 2
- (11) From Exhibit 18, Sheet 2
- (12) From Exhibit 18, Sheet 3
- (13) = [(7) x {1 + (8)} x {1 + (9)} x (10)] / [1 - (11) - (12)]
- (14) = (13) / (6) - 1

**New Mexico Patients' Compensation Fund**

Exhibit 14

Reserves as of 12/31/2019

Sheet 2

**Hospitals**

Indicated Rate Change Effective 3/01/2021 through 3/01/2022

Using Expected Value Losses at Various Confidence Levels

Accident Year	Hospital Surcharges (1)	Estimated Ultimate Losses (2)	Trended Ultimate Losses (3)	Projected Ultimate Loss Ratio (4)			
2009	1,130,000	2,090,000	2,090,000	185.0%			
2010	1,130,000	1,550,000	1,550,000	137.2%			
2011	1,175,200	2,075,000	2,075,000	176.6%			
2012	1,099,542	1,000,000	1,000,000	90.9%			
2013	1,250,000	1,025,000	1,025,000	82.0%			
2014	1,350,000	6,100,000	6,100,000	451.9%			
2015	1,350,000	1,800,000	1,800,000	133.3%			
2016	9,476,474	7,500,000	7,500,000	79.1%			
2017	18,644,316	17,000,000	17,000,000	91.2%			
2018	21,596,277	21,250,000	21,250,000	98.4%			
2019	21,523,811	21,250,000	21,250,000	98.7%			
Total	79,725,620	82,640,000	82,640,000	103.7%			
Excl. 2019	58,201,809	61,390,000	61,390,000	105.5%			
2009-2017	36,605,532	40,140,000	40,140,000	109.7%			
2012-2017	33,170,332	34,425,000	34,425,000	103.8%			
2014-2017	30,820,790	32,400,000	32,400,000	105.1%			
Total ex hi/lo	68,899,146	69,040,000	69,040,000	100.2%			
(5)	Projected 2021-2022 Undiscounted Loss Ratio (Selected Based on Column (4))			100.0%			
(6)	Projected 2021-2022 Assessments at Current Fee Level			21,523,811			
(7)	Projected 2021-2022 Undiscounted Losses			21,523,811			
(8)	Projected Loss Adjustment Expense as a Percentage of Loss Paid			2.9%			
(9)	Projected Medical Payments as a Percentage of Loss Paid			4.0%			
(10)	Discount Factor at 3.5% Yield			84.6%			
(11)	Projected Office Expenses as a Percentage of Surcharges			2.5%			
(12)	Projected Reinsurance Expense as a Percentage of Surcharges Collected			5.0%			
(13)	<u>Confidence Level</u> Confidence Level Factor			<u>70% CL</u> 1.150	<u>80% CL</u> 1.250	<u>90% CL</u> 1.400	
(14)	Projected 2021-2022 Income Requirements			24,225,711	26,332,294	29,492,170	
(15)	Indicated Assessment Level Change on March 1, 2021			12.6%	22.3%	37.0%	

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 11
- (3) =(2). Selected accident year trend assumed to be 0.0%
- (4) = (3) / (1)
- (6) Most current assessment
- (7) = (5) x (6)
- (8) From Exhibit 18, Sheet 1
- (9) From Exhibit 18, Sheet 4
- (10) From Exhibit 1, Sheet 2
- (11) From Exhibit 18, Sheet 2
- (12) From Exhibit 18, Sheet 3
- (13) Confidence level factors derived from simulation modeling
- (14) = [(7) x {1 + (8)} x {1 + (9)} x (10) x (13)] / [1 - (11) - (12)]
- (15) = (14) / (6) - 1

**New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019**

**Exhibit 15  
Sheet 1**

**Hospitals**

**Selected Ultimate Closed Claims With Payment (CWIP)**

Accident Year	Facility Surcharges (1)	CWIP Through 12/31/19 (2)	Incremental CWIP Through 8/04/20 (3)	Indicated Ultimate Claims Closed With Payment (CWIP)			Selected Ultimate Claims Closed With Payment (7)	Indicated Ultimate Frequency (8)
				CWIP B-F Method (4)	Frequency Method (5)	Claim Development Method (6)		
2009	1,130,000	2	0	2	2	2	2	1.77
2010	1,130,000	5	0	5	2	5	5	4.42
2011	1,175,200	9	0	9	2	9	9	7.66
2012	1,099,542	3	0	3	2	3	3	2.73
2013	1,250,000	4	0	4	3	4	4	3.20
2014	1,350,000	2	1	3	3	2	3	2.22
2015	1,350,000	3	0	4	3	5	4	2.96
2016	9,476,474	3	1	16	20	9	16	1.69
2017	18,644,316	7	0	40	39	44	40	2.15
2018	21,596,277	1	6	44	45	25	45	2.08
2019	21,523,811	0	1	45	45	0	45	2.09
Total	79,725,620	39	9	175	166	108	176	2.21
Excl. 2019	58,129,343	38	3	131	121	83	131	2.25

Notes

- (1),(2),(3) Data provided by NM OSI
- (4) From Exhibit 15, Sheet 2
- (5) From Exhibit 15, Sheet 3
- (6) From Exhibit 15, Sheet 4
- (8) (7) / (1) x 1,000,000

**New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019**

**Exhibit 15  
Sheet 2**

**Hospitals**

**Closed Claims With Payment Based on Bornhuetter-Ferguson Method**

Accident Year	Claims Closed With Payment (1)	Frequency Method Claims Closed With Payment (2)	Percentage of Ultimate Closed With Payment (3)	Indicated Ultimate Closed With Payment (4)
2009	2	2	99.7%	2
2010	5	2	99.2%	5
2011	9	2	98.2%	9
2012	3	2	96.3%	3
2013	4	3	90.8%	4
2014	2	3	81.1%	3
2015	3	3	55.0%	4
2016	3	20	33.3%	16
2017	7	39	15.9%	40
2018	1	45	4.0%	44
2019	0	45	0.9%	45
Total	39	166		175
Excl. 2019	39	121		131

Notes

- (1) Data provided by NM OSI
- (2) From Exhibit 15
- (4)  $\{ [1 - (3)] \times (2) \} + (1)$

New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019  
Hospitals

Closed Claims With Payment Projection Based on Frequency Method

Accident Year	Claims Closed With Payment (1)	Indicated Ultimate Claims From CWIP Development (2)	Hospital Surcharges \$1M in Surcharges (3)	Indicated Ultimate Frequency per \$1M in Surcharges (4)	Selected Frequency (5)	Indicated Ultimate Claims Closed With Payment (6)
2009	2	2	1,130,000	1.77		2
2010	5	5	1,130,000	4.42		2
2011	9	9	1,175,200	7.66		2
2012	3	3	1,099,542	2.73		2
2013	4	4	1,250,000	3.20		3
2014	2	2	1,350,000	1.48		3
2015	3	5	1,350,000	3.70		3
2016	3	9	9,476,474	0.95		20
2017	7	44	18,644,316	2.36		39
2018	1	25	21,596,277	1.16		45
2019	0	0	21,523,811	0.00		45
Total	39	108	79,725,620	1.35	2.10	166
Excl. 2019	39	108	58,201,809	1.86		121
2009-2017	38	83	36,605,532	2.27		76

Notes  
(1),(3) Data provided by NM OSI  
(2) From Exhibit 15  
(4) (2) / (3) x 1000000  
(6) (3) x (5) / 1000000



**New Mexico Patients' Compensation Fund  
Reserves as of 12/31/2019**

**Exhibit 15  
Sheet 4**

**Hospitals**

**Closed Claims With Payment Development Method**

<u>Accident Year</u>	<u>Claims Closed With Payment</u> (1)	<u>Months Of Development</u> (2)	<u>Cumulative Development Factor</u> (3)	<u>Indicated Ultimate CWIP</u> (4)
2009	2	132	1.003	2
2010	5	120	1.008	5
2011	9	108	1.018	9
2012	3	96	1.038	3
2013	4	84	1.101	4
2014	2	72	1.233	2
2015	3	60	1.818	5
2016	3	48	3.000	9
2017	7	36	6.301	44
2018	1	24	25.204	25
2019	0	12	107.117	0
<b>Total</b>	<b>39</b>			<b>108</b>
<b>Excl. 2019</b>	<b>39</b>			<b>83</b>

Notes

- (1) Data provided by NM OSI
- (3) From Exhibit 17
- (4) (1) x (3)

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Paid Losses Hospital Practitioner Combined (Excluding Batch Claims)**

Accident Year	Months of Development										
	12	24	36	48	60	72	84	96	108	120	132
1995	0	0	0	0	0	2,520,000	2,920,000	2,995,000	2,995,000	2,995,000	2,995,000
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
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
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
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
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
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
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
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
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
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
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
2007	0	0	1,250,000	4,937,000	7,887,000	12,067,000	12,717,000	13,164,500	13,164,500	13,164,500	13,164,500
2008	0	0	2,163,652	4,764,652	6,542,152	9,204,652	11,262,152	11,662,152	11,662,152	11,662,152	11,662,152
2009	0	495,000	2,868,567	3,368,567	4,203,567	8,242,342	8,242,342	8,367,342	8,367,342	8,367,342	10,067,342
2010	0	775,000	3,511,000	6,138,000	9,688,000	16,177,567	16,502,567	16,902,567	16,902,567	17,602,567	
2011	0	1,325,000	1,925,000	4,753,000	9,950,312	17,226,228	19,358,728	20,973,728	20,973,728		
2012	0	50,000	850,000	2,614,408	4,324,408	7,529,408	11,629,408	11,779,408			
2013	0	450,000	750,000	875,000	4,575,000	6,407,148	9,507,237				
2014	0	480,000	2,370,000	4,945,000	7,573,261	14,280,446					
2015	0	0	1,112,868	1,977,868	4,402,868						
2016	0	700,000	2,625,000	4,830,000							
2017	0	675,000	4,015,000								
2018	0	650,000									
2019	0										

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
1995						1.159	1.026	1.000	1.000	1.000	1.351
1996					1.719	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
1998			2.092	1.510	1.058	1.150	1.000	1.000	1.000	1.000	1.184
1999		7.944	1.541	1.592	1.421	1.412	1.061	1.000	1.018	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
2001	5.960	3.130	1.407	1.835	1.366	1.122	1.004	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
2003		7.091	1.537	1.380	1.216	1.134	1.086	1.065	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
2005	1.917	1.800	1.362	3.483	1.400	1.126	1.078	1.054	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
2007			3.950	1.598	1.530	1.054	1.035	1.000	1.000	1.000	1.000
2008			2.202	1.373	1.407	1.224	1.036	1.000	1.000	1.000	1.000
2009		5.795	1.174	1.248	1.961	1.000	1.015	1.000	1.000	1.203	
2010		4.530	1.748	1.578	1.670	1.020	1.024	1.000	1.041		
2011		1.453	2.469	2.093	1.731	1.124	1.083	1.000			
2012		17.000	3.076	1.654	1.741	1.545	1.013				
2013		1.667	1.167	5.229	1.400	1.484					
2014		4.938	2.086	1.531	1.886						
2015			1.777	2.226							
2016		3.750	1.840								
2017		5.948									
2018											

	Development Factors										
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144
Average	3.649	4.835	2.191	1.965	1.459	1.165	1.040	1.011	1.004	1.014	1.038
All Yr Wtd	13.406	3.848	1.944	1.742	1.489	1.152	1.042	1.009	1.007	1.016	1.016
5 Year Wtd		4.717	1.977	2.033	1.706	1.174	1.040	1.000	1.012	1.035	1.000
7 Year Wtd		3.709	1.988	1.812	1.687	1.161	1.040	1.010	1.010	1.028	1.000
All Yr Wtd x hi/lo	28.500	4.067	1.863	1.726	1.493	1.131	1.038	1.007	1.001	1.000	1.005
5 Year Wtd x hi/lo		5.176	1.924	1.999	1.708	1.140	1.026	1.000	1.000	1.000	1.000
7 Year Wtd x hi/lo		4.717	1.962	1.759	1.692	1.135	1.031	1.007	1.000	1.000	1.000
Prior Analysis	5.750	4.000	2.025	1.720	1.628	1.135	1.045	1.012	1.010	1.006	1.004
Selected	6.000	4.000	1.950	1.750	1.600	1.160	1.045	1.012	1.010	1.006	1.004
Cumulative	165.139	27.523	6.881	3.529	2.016	1.260	1.086	1.040	1.027	1.017	1.011
% of Ultimate	0.6%	3.6%	14.5%	28.3%	49.6%	79.4%	92.0%	96.2%	97.3%	98.3%	98.9%

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Paid Losses Hospital Practitioner Combined (Excluding Batch Claims)**

Accident Year	Months of Development									
	144	156	168	180	192	204	216	228	240	252
1995	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	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	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	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	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
2000	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	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	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500	9,309,500			
2003	6,596,189	6,596,189	6,596,189	6,596,189	6,596,189	6,596,189				
2004	5,482,500	5,482,500	5,482,500	5,482,500	5,482,500					
2005	8,791,254	8,791,254	8,791,254	8,791,254						
2006	6,328,725	6,328,725	6,328,725							
2007	13,164,500	13,164,500								
2008	11,662,152									
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
2018										
2019										

Accident Year	Development Factors									
	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-252	252-Ult
1995	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1996	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1997	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2002	1.000	1.000	1.000	1.000	1.000	1.000				
2003	1.000	1.000	1.000	1.000	1.000					
2004	1.000	1.000	1.000	1.000						
2005	1.000	1.000	1.000							
2006	1.000	1.000								
2007	1.000									
2008										
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
2018										

	Development Factors									
	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-252	252-Ult
Average	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
All Yr Wtd	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
5 Year Wtd	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
7 Year Wtd	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
All Yr Wtd x hi/lo	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
5 Year Wtd x hi/lo	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
7 Year Wtd x hi/lo	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
Prior Analysis Selected	1.003	1.002	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000
Cumulative	1.007	1.004	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000
% of Ultimate	99.3%	99.6%	99.8%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

New Mexico Patients' Compensation Fund

Reserves as of 12/31/2019

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

Accident Year	Months of Development										
	12	24	36	48	60	72	84	96	108	120	132
1995	0	0	0	0	0	3	4	5	5	5	5
1996	0	0	0	0	4	9	9	9	9	9	9
1997	0	0	0	6	10	13	14	14	14	14	14
1998	0	0	2	6	8	10	12	12	12	12	12
1999	0	1	3	6	11	15	18	19	19	20	20
2000	0	3	7	10	16	19	19	19	19	19	19
2001	1	5	10	14	22	28	31	32	32	32	32
2002	1	2	3	10	15	21	25	26	26	26	26
2003	0	1	7	12	18	20	22	25	26	26	26
2004	0	0	6	8	14	20	21	23	23	23	23
2005	1	2	4	7	16	23	26	27	29	29	29
2006	0	0	2	7	11	13	15	16	17	17	17
2007	0	0	2	13	20	26	28	30	30	30	30
2008	0	0	6	15	21	27	33	34	34	34	34
2009	0	2	7	9	13	20	20	21	21	21	22
2010	0	2	9	16	24	38	40	41	41	42	
2011	0	1	4	10	20	28	33	37	37		
2012	0	1	3	8	12	19	22	23			
2013	0	1	2	3	10	15	18				
2014	0	1	6	12	17	24					
2015	0	0	2	5	10						
2016	0	2	7	14							
2017	0	2	9								
2018	0	1									
2019	0										

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
1995						1.333	1.250	1.000	1.000	1.000	1.200
1996					2.250	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
1998			3.000	1.333	1.250	1.200	1.000	1.000	1.000	1.000	1.083
1999		3.000	2.000	1.833	1.364	1.200	1.056	1.000	1.053	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
2001	5.000	2.000	1.400	1.571	1.273	1.107	1.032	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
2003		7.000	1.714	1.500	1.111	1.100	1.136	1.040	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
2005	2.000	2.000	1.750	2.286	1.438	1.130	1.038	1.074	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
2007			6.500	1.538	1.300	1.077	1.071	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
2009		3.500	1.286	1.444	1.538	1.000	1.050	1.000	1.000	1.048	
2010		4.500	1.778	1.500	1.583	1.053	1.025	1.000	1.024		
2011		4.000	2.500	2.000	1.400	1.179	1.121	1.000			
2012		3.000	2.667	1.500	1.583	1.158	1.045				
2013		2.000	1.500	3.333	1.500	1.200					
2014		6.000	2.000	1.417	1.412						
2015			2.500	2.000							
2016		3.500	2.000								
2017		4.500									
2018											

	Development Factors										
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144
Average	3.000	3.488	2.352	1.723	1.410	1.128	1.059	1.010	1.005	1.003	1.020
All Yr Wtd	8.667	3.808	2.011	1.627	1.376	1.117	1.054	1.010	1.006	1.003	1.007
5 Year Wtd		4.333	2.100	1.816	1.494	1.108	1.054	1.000	1.007	1.008	1.000
7 Year Wtd		4.125	2.061	1.683	1.462	1.121	1.058	1.015	1.005	1.006	1.000
All Yr Wtd x hi/lo	19.000	3.870	1.964	1.607	1.381	1.118	1.053	1.006	1.003	1.000	1.004
5 Year Wtd x hi/lo		4.500	2.067	1.826	1.487	1.118	1.040	1.000	1.000	1.000	1.000
7 Year Wtd x hi/lo		4.167	2.036	1.646	1.472	1.119	1.051	1.007	1.000	1.000	1.000
Prior Analysis	4.000	3.750	2.100	1.620	1.450	1.120	1.056	1.020	1.010	1.005	1.003
Selected	4.250	4.000	2.100	1.650	1.475	1.120	1.060	1.020	1.010	1.005	1.003
Cumulative	107.117	25.204	6.301	3.000	1.818	1.233	1.101	1.038	1.018	1.008	1.003
% of Ultimate	0.9%	4.0%	15.9%	33.3%	55.0%	81.1%	90.8%	96.3%	98.2%	99.2%	99.7%

**New Mexico Patients' Compensation Fund**

Reserves as of 12/31/2019

Exhibit 17

Sheet 2

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

Accident Year	144	156	168	180	192	204	216	228	240	252
1995	6	6	6	6	6	6	6	6	6	6
1996	9	9	9	9	9	9	9	9	9	9
1997	14	14	14	14	14	14	14	14	14	14
1998	13	13	13	13	13	13	13	13	13	13
1999	20	20	20	20	20	20	20	20	20	20
2000	19	19	19	19	19	19	19	19	19	
2001	32	32	32	32	32	32	32	32		
2002	26	26	26	26	26	26	26			
2003	26	26	26	26	26	26				
2004	23	23	23	23	23					
2005	29	29	29	29						
2006	17	17	17							
2007	30	30								
2008	34									
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
2018										
2019										

Accident Year	Development Factors									
	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-252	252-Ult
1995	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1996	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1997	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2001	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2002	1.000	1.000	1.000	1.000	1.000	1.000				
2003	1.000	1.000	1.000	1.000	1.000					
2004	1.000	1.000	1.000	1.000						
2005	1.000	1.000	1.000							
2006	1.000	1.000								
2007	1.000									
2008										
2009										
2010										
2011										
2012										
2013										
2014										
2015										
2016										
2017										
2018										

	Development Factors									
	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-252	252-Ult
Average	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
All Yr Wtd	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
5 Year Wtd	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
7 Year Wtd	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
All Yr Wtd x hi/lo	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
5 Year Wtd x hi/lo	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
7 Year Wtd x hi/lo	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
Prior Analysis Selected	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
% of Ultimate	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 12/31/2019**  
**Expense Analysis**

**Exhibit 18**  
**Sheet 1**

**Loss Adjustment Expenses as Percentage of Loss Paid**

<u>Calendar Year</u>	<u>NM Med Soc/ Medical Panel Expenses</u> (1)	<u>Contracts/ Consultants</u> (2)	<u>Paid Losses</u> (3)
2014	217,379	122,628	18,123,993
2015	303,346	198,302	27,429,472
2016	228,983	203,449	11,851,645
2017	205,740	212,293	18,100,094
2018	287,476	299,274	15,469,183
2019	313,667	244,314	23,265,051
Total	1,556,591	1,280,260	114,239,440
Excl. 2018	1,269,115	980,986	98,770,257
2016-2019	1,035,866	959,330	68,685,974

**Loss Adjustment Expenses as Percentage of Loss Paid**

<u>Calendar Year</u>	<u>NM Med Soc/ Medical Panel Expenses</u> (4)=(1)/(3)	<u>Contracts/ Consultants</u> (5)=(2)/(3)	
2014	1.2%	0.7%	
2015	1.1%	0.7%	
2016	1.9%	1.7%	
2017	1.1%	1.2%	
2018	1.9%	1.9%	
2019	1.3%	1.1%	
Total	1.4%	1.1%	
Excl. 2018	1.3%	1.0%	
2016-2019	1.5%	1.4%	
(6) Selected	1.5%	1.4%	
(7) Total			2.9%

Notes

(1) - (3) Data provided by NM OSI

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Expense Analysis**

**Exhibit 18**  
**Sheet 2**

**Office Expenses as a Percentage of Surcharges Collected**

Calendar Year	IT Services (1)	PCF Employee Services (2)	Rent (3)	Intra-Agency Transfer (4)	Participant Surcharges (5)
2014			6,000		12,188,627
2015	30,816		6,000	665,100	11,886,745
2016	41,592	41,428	6,000	665,100	21,182,760
2017	44,191	73,653	6,000	665,100	38,363,095
2018	30,785	76,662	6,749	689,000	43,031,702
2019	-15,186	156,425	6,225	616,700	42,042,473
Total			36,974		168,695,402
2015-2019	132,198		30,974	3,301,000	156,506,775
2016-2019	101,382	348,168	24,974	2,635,900	144,620,030

**Office Expenses as a Percentage of Surcharges Collected**

Calendar Year	IT Services (6)=(1)/(5)	PCF Employee Services (7)=(2)/(5)	Rent (8)=(3)/(5)	Intra-Agency Transfer (9)=(4)/(5)	
2014			0.05%		
2015	0.26%		0.05%	5.60%	
2016	0.20%	0.20%	0.03%	3.14%	
2017	0.12%	0.19%	0.02%	1.73%	
2018	0.07%	0.18%	0.02%	1.60%	
2019	-0.04%	0.37%	0.01%	1.47%	
Total			0.02%		
2015-2019	0.08%		0.02%	2.11%	
2016-2019	0.07%	0.24%	0.02%	1.82%	
(10) Selected	0.10%	0.20%	0.02%	2.20%	
(11) Total					2.52%

Notes

(1) - (5) Data provided by NM OSI

**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Expense Analysis**

**Exhibit 18**  
**Sheet 3**

**Batch Claim Reinsurance as a Percentage of Surcharges Collected**

<u>Calendar Year</u>	<u>Batch Claim Reinsurance</u> (1)	<u>Participant Surcharges</u> (2)	<u>Reinsurace as % of Surcharges</u> (3)=(1)/(2)	<u>Selected Percentage</u> (4)
2014	0	12,188,627		
2015	0	11,886,745		
2016	0	21,182,760		
2017	1,399,296	38,363,095	3.65%	
2018	2,975,445	43,031,702	6.91%	
2019	1,868,175	42,042,473	4.44%	
Total	6,242,916	168,695,402		
2017-2019	6,242,916	123,437,270	5.06%	5.00%

Notes

(1),(2) Data provided by NM OSI



**New Mexico Patients' Compensation Fund**  
**Reserves as of 12/31/2019**  
**Expense Analysis**

**Exhibit 18**  
**Sheet 4**

**On-Going Medical Payments as Percentage of Loss Paid**

<u>Calendar Year</u>	<u>Medical Payments</u> (1)	<u>Paid Indemnity + Medical</u> (2)	<u>Medical As % of Paid Loss</u> (3)=(1)/(2)	<u>Selected Percentage</u> (4)
2014	808,822	18,123,993	4.46%	
2015	1,066,646	27,429,472	3.89%	
2016	477,039	11,851,645	4.03%	
2017	1,030,260	18,100,094	5.69%	
2018	472,660	15,469,183	3.06%	
2019	365,188	23,265,051	1.57%	
Total	4,220,615	114,239,440	3.69%	
Excluding 2019	3,855,427	90,974,388	4.24%	4.00%

Notes

(1),(2) Data provided by NM OSI