

Regulatory Analysis Form

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INDEPENDENT REGULATORY REVIEW COMMISSION

(1) Agency

Insurance Department

(2) I.D. Number (Governor's Office Use)

11-219

IRRC Number: 2370

(3) Short Title

Fees and Collection Procedures

(4) PA Code Cite

25 Pa. Code, Chapter 977, §§ 977.12

(5) Agency Contacts & Telephone Numbers

Primary Contact: Peter J. Salvatore, Regulatory Coordinator,
1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429
Secondary Contact:

(6) Type of Rulemaking (check one)

- Proposed Rulemaking
 Final Order Adopting Regulation
 Final Order, Proposed Rulemaking Omitted

(7) Is a 120-Day Emergency Certification Attached?

- No
 Yes: By the Attorney General
 Yes: By the Governor

(8) Briefly explain the regulation in clear and nontechnical language.

The rulemaking will bring the regulation's fees to the appropriate levels as recommended by the Underground Storage Tank Indemnification Board (Board) following their extensive review and discussion of an actuarial report that was completed on September 25, 2003. After reviewing this report, the Board determined that this increase is necessary to maintain the solvency of the Fund for the public health and safety of this Commonwealth's citizens and their environment. The actuarial study, performed by Milliman USA, determined that an increase in the gallon and capacity fees was necessary to maintain the actuarial soundness of the Fund in the future.

(9) State the statutory authority for the regulation and any relevant state or federal court decisions. Sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411, and 412) provide the Insurance Commissioner with the authority to promulgate regulations governing the enforcement of the laws relating to insurance. Section 705 of the Storage Tank and Spill Prevention Act of 1989 (35 P.S. §6021.705) authorizes the Board to promulgate regulations concerning the establishment of fees for participants in the Fund.

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(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

No.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

The Insurance Department and the Board seek to amend Chapter 977, §977.12 to bring the regulation's fees to the appropriate levels as recommended by the Board after an extensive review and discussion of an actuarial report that was completed on September 25, 2003. This will allow the Fund to remain solvent and be there for future claims against the Fund.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

If the recommended fee increases are not promulgated as recommended by the Board, the Fund will not have sufficient monies within five years to pay ongoing clean up costs associated with existing underground storage tank releases and new releases that occur following the September 25, 2003 actuarial report. This could result in the releases from underground storage tanks not being cleaned up and creates a public health, safety and environmental risk.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

The public will benefit from the regulation to the extent that the Fund will be there to pay for the clean up of claims when necessary.

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(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

There will be no adverse effects on any party as a result of the amendment of this regulation.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

The regulation applies to all owners or operators of Underground Storage Tanks (USTs) and Heating Oil Tanks (HOTs) in the Commonwealth.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

Comments regarding the amendment of this regulation were not solicited from the various trade associations representing the insurance industry. However, the Underground Storage Tank Indemnification Board is comprised of members of the industry that are regulated under this rulemaking and voted at the September 25, 2003 Board meeting to increase the fees as proposed.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures, which may be required.

The amendment of the regulation will have an impact on costs associated with all owners or operators of USTs and HOTs in the Commonwealth. However, according to the Energy Information Administration, the average gasoline consumption per household in Pennsylvania is 973 gallons per year or 81 gallons per month. This increase will be \$0.011 per gallon or \$0.89 per month per household ($\$0.011 \times 81$ gallons = \$0.89). As this increase is not significant, it may still be transferred to the average gasoline consumer, as determined by competition in the market place. The local municipalities will see an increase of approximately \$465.58 per quarter or \$1,862.32 per year ($\$4,125,000$ divided by 2,215 municipalities, including school districts).

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(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures, which may be required.

There will be no legal or accounting costs associated with this rulemaking. However, the costs that the local governments are currently paying will increase by approximately \$44,597.75 per quarter. State-owned tanks are exempt from all Underground Storage Tank Indemnification Fund fees.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures, which may be required.

There are no costs or savings associated to state government associated with this rulemaking.

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(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
SAVINGS:	\$	\$	\$	\$	\$	\$
Regulated Community	\$0	\$0	\$0	\$0	\$0	\$0
Local Government	\$0	\$0	\$0	\$0	\$0	\$0
State Government	\$0	\$0	\$0	\$0	\$0	\$0
Total Savings	\$0	\$0	\$0	\$0	\$0	\$0
COSTS:						
Regulated Community	\$24,750,000	\$49,512,000	\$50,997,360	\$52,527,280	\$54,103,098	\$55,726,190
Local Government	\$2,245,000	\$4,125,000	\$4,248,750	\$4,376,212	\$4,507,498	\$4,642,722
State Government	\$0	\$0	\$0	\$0	\$0	\$0
Total Costs	\$26,995,000	\$53,637,000	\$55,246,110	\$56,903,492	\$58,610,596	\$60,368,912
REVENUE LOSSES:						
Regulated Community	\$0	\$0	\$0	\$0	\$0	\$0
Local Government	\$0	\$0	\$0	\$0	\$0	\$0
State Government	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue Losses	\$0	\$0	\$0	\$0	\$0	\$0

(20a) Explain how the cost estimates listed above were derived.

According to our actuarial study, without a rate increase, THE UNDERGROUND STORAGE TANK INDEMNIFICATION FUND (USTIF) would be unable to pay clean up costs for current and future underground storage tank releases within five (5) years. This increase will provide sufficient funding for the Fund to continue paying clean up costs for current and future claims through 2008 and provide a means for taking control of future unfunded liabilities. As we anticipate an inception date of January 1, 2004, the figures for the current fiscal year will only include six (6) months, whereas the subsequent fiscal years will include 12 months and an anticipated 3% increase in gasoline sales per year.

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(20b) Provide the past three-year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
USTIF	\$49,971,701	\$65,821,722	\$69,466,774	\$83,031,385

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

No adverse effects are anticipated as a result of this regulation, since the increase in costs are so minimal. The current fiscal year projection, as well as the prior three fiscal years, includes 12 months.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

Amending Chapter 977, §977.12 is the most efficient method to achieve consistency with the authorizing statute. No other alternatives were considered.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

No other regulatory schemes were considered. The amendment of the regulation is the most efficient method of updating the regulatory requirements.

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(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

No.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

The rulemaking will not put Pennsylvania at a competitive disadvantage with other states. It merely provides for consistency with the statute.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

No.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No public hearings or informational meetings are anticipated.

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(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports, which will be required as a result of implementation, if available.

The amendment of the regulation imposes no additional paperwork requirements on the Department, all owners or operators of USTs and HOTs in the Commonwealth, or the general public.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

The rulemaking will have no effect on special needs of affected parties.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

The rulemaking will take effect upon the approval of the final form regulation by the legislative standing committees, the Office of the Attorney General, and the Independent Regulatory Review Commission and upon publication in the *Pennsylvania Bulletin* with an effective date of January 1, 2004.

(31) Provide the schedule for continual review of the regulation.

The Department reviews each of its regulations for continued effectiveness on a triennial basis. Under the Storage Tank and Spill Prevention Act (act) (35 P. S. §§ 6021.101--6021.2104), the Board may also use an actuarial review to determine the soundness of the Fund and may promulgate regulations as necessary to maintain the Fund.



<p>CDL-1</p> <p style="text-align: center;">FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU</p> <p style="text-align: center;">(Pursuant to Commonwealth Documents Law)</p> <p style="text-align: right; font-size: 1.2em;"># 2370</p>	<p style="text-align: center; font-size: 1.5em;">RECEIVED</p> <p style="text-align: center;">2003 NOV 14 PM 2: 28</p> <p style="text-align: center;">INDEPENDENT AGENCY REVIEW COMMISSION</p> <p style="text-align: center;">DO NOT WRITE IN THIS SPACE</p>	
<p>Copy below is hereby approved as to form and legality. Attorney General</p> <p>By _____ (Deputy Attorney General)</p> <p>_____</p> <p style="text-align: center;">Date of Approval</p> <p>Check if applicable. Copy not approved. Objections attached.</p>	<p>Copy below is hereby certified to be a true and correct copy of a document issued, prescribed or promulgated by:</p> <p style="text-align: center;">Insurance Department and Underground Storage Tank Indemnification Board</p> <p style="text-align: center;">(AGENCY)</p> <p>DOCUMENT/FISCAL NOTE NO. <u>11-219</u></p> <p>DATE OF ADOPTION: _____</p> <p>BY: <u>M. Diane Koken</u></p> <p style="text-align: center;">M. Diane Koken Insurance Commissioner and E. Bruce Sheller Chair</p> <p>TITLE: _____ (EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)</p>	<p>Copy below is hereby approved as to form and legality. Executive or Independent Agencies</p> <p>BY: <u>Tanya C. Gault</u></p> <p style="text-align: center;"><u>11/6/03</u></p> <p style="text-align: center;">DATE OF APPROVAL</p> <p style="text-align: center;">(DEPUTY GENERAL COUNSEL) (CHIEF COUNSEL, INDEPENDENT AGENCY) (STRIKE INAPPLICABLE TITLE)</p> <p>Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>

NOTICE OF FINAL-OMITTED RULEMAKING

INSURANCE DEPARTMENT

**25 Pa. Code, Chapter 977, §§977.12
Fees and Collection Procedures**

PREAMBLE

By this notice the Insurance Department (Department), and the Underground Storage Tank Indemnification Board (Board), hereby amends 25 Pa. Code, Chapter 977, Subchapter B, Fees and Collection Procedures, §§ 977.12, to read as set forth in Annex A. Sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411, and 412) provide the Insurance Commissioner with the authority to promulgate regulations governing the enforcement of the laws relating to insurance. Section 705 of the Storage Tank and Spill Prevention Act of 1989 (35 P.S. §6021.705) provides the Board with the authority to promulgate regulations concerning the establishment of fees to be paid by participants in the Underground Storage Tank Indemnification Fund ("Fund"). Public notice of this amendment is impractical and unnecessary because the proposed changes are needed to ensure the solvency of the Fund and any input from the public would not decrease the necessity to increase the fees collected.

Notice of the proposed rulemaking is omitted in accordance with section 204(3) of the act of July 31, 1968 (P.L. 769, No. 240) known as the Commonwealth Documents Law (CDL) (45 P.S. §1204(3)). In accordance with section 204(3) of the CDL, notice of proposed rulemaking may be omitted when the agency for good cause finds that public notice of its intention to amend an administrative regulation is, under the circumstances, impracticable and unnecessary.

Purpose

The amendments will bring the regulation's fees to the appropriate levels as recommended by an actuarial report that was completed on September 25, 2003. After reviewing this report, the Board determined that this increase is necessary to maintain the solvency of the Fund for the public health and safety of this Commonwealth's citizens and their environment. The actuarial study, performed by Milliman USA, determined that an increase in the gallon and capacity fees was necessary to maintain the actuarial soundness of the Fund in the future.

Explanation of Regulatory Requirements

Section 977.12 is being changed to reflect the fees that the Board approved after extensive review and discussion of the report.

Fiscal Impact

An owner or operator transacting business in this Commonwealth will be affected by the amendment to this regulation. The fee increases approved by the Board are not significant, however, because despite these increases, the fees are only slightly higher than half as much of what they were when the program began in 1994.

The local municipalities will see an increase of approximately \$465.58 per quarter or \$1,862.32 per year (\$4,125,000 divided by 2,215 municipalities, including school districts).

State-owned tanks are exempt from all Underground Storage Tank Indemnification Fund fees.

General Public

Because the public is a consumer of goods and services provided by owners and operators of an Underground Storage Tank (UST) or a Heating Oil Tank (HOT), any increase to the fees could result in higher prices to consumers. However, it is expected that this increase in fees will result in an additional \$.08 per month to motorists, in accordance with a survey on vehicle fuel consumption and expenditures by United States' households, conducted by the Energy Information Administration, Office of Energy Markets and End Use.

This increase is proposed to keep the Fund solvent after an actuarial study completed in September 2003 indicated the need for additional revenue, to maintain the Fund's actuarial soundness.

Effectiveness/Sunset Date

This rulemaking will become effective January 1, 2004.

Paperwork

Adoption of these regulations should not require any significant paperwork for the owners or operators of USTs or HOTs. The paperwork necessary after the increase is expected to be the same as before the increase was implemented.

Persons Regulated

This regulation applies to all owners or operators of USTs and HOTs in the Commonwealth.

Contact Person

Questions regarding the final omitted rulemaking may be addressed to Peter J. Salvatore, Regulatory Coordinator, Pennsylvania Insurance Department, 1326 Strawberry Square, Harrisburg, Pennsylvania 17120, phone number (717) 787-4429. Questions may also be e-mailed to psalvatore@state.pa.us or faxed to (717) 772-1969.

Regulatory Review

Under section 5(a) of the Regulatory Review Act, Act 24 of 1997, the agency submitted a copy of the regulations with the proposed rulemaking omitted on November 14, 2003 to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the House Committee on Insurance and the Senate Committee on Banking and Insurance. On the same date, the regulations were submitted to the Office of Attorney General for review and approval under the Commonwealth Attorneys Act (71 P.S. §§ 732-101 - 732-506).

In accordance with section 5 (c) of the Regulatory Review Act, the regulations were (deemed) approved by the Senate Banking and Insurance Committee on _____, and (deemed) approved by the House Insurance Committee on _____. The Attorney General approved the regulation on _____. IRRC met on November _____ and approved the regulation.

Findings

The Insurance Commissioner finds that:

(1) There is good cause to amend Chapter 977, Subchapter B, effective upon publication with the proposed rulemaking omitted. Deferral of the effective date of these regulations would be impractical and not serve the public interest. Under section 204(3) (45 P.S. §1204(3)) of the CDL there is no purpose to be served by deferring the effective date. An effective date of January 1, 2004 will best serve the public interest by ensuring that fees have the full potential that the actuarial study predicted.

(2) There is good cause to forego public notice of the intention to amend Chapter 977, Subchapter B, because notice of the amendment under the circumstances is unnecessary and impractical because the changes proposed are necessary to ensure the solvency of the Fund and any input from the public would not decrease the necessity to increase the fees collected.

Order

The Insurance Commissioner, acting under the authority in sections 206, 506, 1501 and 1502 of the Administrative Code of 1929, orders that:

(1) The Regulations of the Department at 25 Pa.Code, Chapter 977, Subchapter B, §§ 977.12, are amended as set forth in Annex A, with ellipses referring to the existing text of the regulations.

(2) The Department shall submit this order and Annex A to the Office of Attorney General and the Office of General Counsel for approval as to form and legality as required by law.

(3) The Department shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(4) This order shall take effect January 1, 2004.

M. DIANE KOKEN, Insurance Commissioner

E. BRUCE SHELLER, Chair, Underground Storage Tank Indemnification Board

Annex A

TITLE 25. ENVIRONMENTAL PROTECTION. PART VIII. UNDERGROUND STORAGE TANK INDEMNIFICATION BOARD. CHAPTER 977. UNDERGROUND STORAGE TANK INDEMNIFICATION FUND

Subchapter B. FEES AND COLLECTION PROCEDURES

Sec.

977.12. Owner and operator fees.

§ 977.12. Owner and operator fees.

(a) * * * * *

(b) * * * * *

(2) *Gallon fee.* A gallon fee on all regulated substances entering a UST of [\$.01] \$.011 per gallon. (For example, 10,000 gallons at [\$.01] \$.011 per gallon equals [\$100] \$110).

(c) * * * * *

(d) *Capacity fee.* An owner or operator which stores regulated substances including diesel, heating oil, used motor oil, kerosene and unknown substances based on the tank registration information maintained by the DEP may be assessed a capacity fee of [\$.075] \$.0825 per gallon of capacity, which amount is established in accordance with section 705(d)(2) of the act (35 P.S. § 6021.705(D)(2)). (For example, 10,000 gallons at [\$.075] \$.0825 per gallon equals [\$750] \$825).

* * * * *

**Pennsylvania Insurance Department
Bureau of Special Funds**

Underground Storage Tank Indemnification Fund (USTIF)
Actuarial Analysis as of June 30, 2003

EXECUTIVE SUMMARY

September 25, 2003

Prepared For: Pennsylvania Insurance Department
Bureau of Special Funds
Harrisburg, PA

Prepared By: Milliman USA, Inc.
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Project Team: Christopher Tait, FCAS, MAAA
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Background

Pennsylvania's Underground Storage Tank Indemnification Fund ("USTIF") began operation in 1994. Its purpose is to ensure that underground storage tank ("UST") owners and operators are able to comply with Federal Environmental Protection Agency financial responsibility requirements in the event of a leak from an eligible UST.

USTIF covers corrective action and third party liability costs on valid claims up to \$1.5 million per tank per occurrence, above a \$5,000 deductible per tank, per occurrence (prior to 1/1/02, the limit was \$1.0 million; prior to 1/1/95, the deductible was \$10,000). There is also an annual aggregate limit of \$1.5 million if an owner or operator has 100 or fewer tanks, and an annual aggregate limit of \$3 million if an owner or operator has 101 or more tanks. Allocated loss adjustment expenses are covered outside the limits.

The Pennsylvania Insurance Department, Bureau of Special Funds ("Bureau") maintains the USTIF by means of fees paid by storage tank owners and operators. The fees are based on tank capacity and throughput with regard to regulated substances. The current fees are \$0.075 per gallon of capacity for heating oil tanks (including kerosene, used motor oil, and "unknown") and diesel fuel tanks, and \$0.01 per gallon of throughput for other tanks (primarily gasoline). These fees have varied over time. The USTIF fee-based revenue is supplemented by income generated from the investment of USTIF assets. Prior to 1996, a \$100 per tank fee also applied.

In conjunction with the USTIF, the Bureau manages the Tank Installers' Indemnification Program ("TIIP"). The TIIP provides the same coverage to storage tank installers that the USTIF provides to storage tank owners and operators. This report provides the actuarial analysis for USTIF. The TIIP analysis is provided under separate cover.

Scope of Analysis

The Bureau retained Milliman USA, Inc. ("Milliman") to assist in evaluating the current fee structure with respect to funding the coverage outlined above.

The scope of Milliman's analysis includes the following:

1. Evaluate the financial status of the USTIF by estimating the fund's outstanding liabilities as of June 30, 2003, and subtracting them from the fund's assets as of the same date.
2. Recommend fees for USTIF based on Board requirements.
3. Prepare a cash flow report, projecting USTIF payments and investment income through the subsequent twenty years, based on various interest rate assumptions.

Our results are based on data that is net with respect to USTIF's limits and deductibles, and any salvage or subrogation recoveries. All estimates are presented on an undiscounted basis unless otherwise noted.

Total loss and loss adjustment expense reserves consist of case reserves (claims administrator's estimates of future payments on individual claims) and incurred but not reported ("IBNR") reserves. USTIF has operated on a "claims made" basis rather than on an "occurrence" basis. That is, loss data is aggregated by the year in which a claim was first reported rather than the year(s) of occurrence. Under claims made coverages, an insurer is not liable for unreported claims. Therefore, in this report, the term "IBNR reserves" refers to the provision for changes in case reserves, reopened claims, and any claims that may have been reported but are not yet recorded in the data (referred to as "pipeline" claims). It does not include any provision for claims that will be reported after June 30, 2003.

Historically, loss adjustment expenses ("LAE") have been classified as allocated loss adjustment expenses ("ALAE") or unallocated loss adjustment expenses ("ULAE"). Generally, ALAE includes claims settlement costs directly assigned to specific claims, such as legal fees, and ULAE included other claims administration expenses.

In this report, we provide independent estimates for loss and ALAE reserves as of June 30, 2003, as well as projected losses and ALAE for the next twenty fiscal years (7/1/03-04 to 7/1/22-23). ULAE consists primarily of fees paid to USTIF's third party claim administrator. These expenses are presented on a "pay as you go" basis, similar to other general and administrative expenses. Our twenty-year cash flow projections include estimates of these expenses, as well as general expenses, investment income, loan repayments, and loss and ALAE payments.

Limitations

Data

In performing this analysis, we relied on data and other information provided by the Bureau. We have not audited, verified, or reviewed this data and other information for reasonableness and consistency. Such a review is beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Variability

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, economic conditions, etc. Actual future losses and loss adjustment expenses ("LAE") will not develop exactly as projected and may, in fact, vary significantly from our projections. Further, our projections make no provision for extraordinary future emergence of new classes of losses or types of losses, which are not sufficiently represented in USTIF's historical database or which are not yet quantifiable.

We supplemented USTIF's data with insurance industry data where deemed necessary. The use of external data is another source of uncertainty in our estimates.

Regarding the pro forma financial projections, we note that the projections are subject to a high degree of uncertainty, and the uncertainty increases with the length of the projection period. The operating results shown in the financial projections are based on certain assumptions, some of which have been provided by USTIF. Actual results may be substantially different from those projected. The consultants who performed the work on this assignment are casualty actuaries. As such, we are familiar with basic accounting concepts, but we are by no means experts in accounting. We cannot ensure that the pro forma financial statements developed in this report strictly adhere to accounting rules that apply to USTIF.

Our results are estimates based on long-term averages. Actual loss experience in any given year may differ from what is suggested by these averages.

Range of Values

Our results should be considered point estimates within a wide range of possible outcomes. Where our results are presented in ranges, it is possible that actual results will fall outside of these ranges.

Distribution

Milliman's work is prepared solely for the internal business use of the Bureau. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not

intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party. In the event such consent is provided, the report must be provided in its entirety. We recommend that any such party have its own actuary review this report to ensure that the party understands the assumptions and uncertainties inherent in our estimates. This report may not be filed with the SEC or other securities regulatory bodies.

Summary of Results

Loss and ALAE Reserves as of June 30, 2003

Table 1 summarizes our estimates of USTIF's loss and ALAE reserves as of June 30, 2003.

Table 1 Loss and ALAE Reserves as of 06/30/03			
Calendar/ Report Year	Estimated Ultimate Loss & ALAE	Paid Loss & ALAE	Total Reserves
1994	14,874,832	10,350,474	4,524,358
1995	40,251,971	26,721,495	13,530,476
1996	53,807,494	31,989,981	21,817,513
1997	77,697,274	39,359,520	38,337,754
1998	113,200,818	49,476,990	63,723,828
1999	146,825,035	49,200,662	97,624,373
2000	99,507,952	25,840,965	73,666,987
2001	119,229,634	18,477,303	100,752,331
2002	128,543,712	7,089,085	121,454,627
1/1/03-6/30/03	48,662,234	198,415	48,463,819
Total	842,600,957	258,704,890	583,896,067

Unfunded Liability as of June 30, 2003

Table 2 shows our estimate of USTIF's unfunded liability as of June 30, 2003, based on our reserve estimate from Table 1 and financial statement information provided by USTIF.

Table 2	
Unfunded Liability	
as of 06/30/03	
<i>Assets</i>	
Cash & Invested Assets	104,759,134
DCED Loan Receivable	4,909,173
General Fund Loan Receivable	100,000,000
<u>Total Assets</u>	<u>209,668,307</u>
<i>Liabilities</i>	
Loss Reserves	583,896,067
<u>Other Liabilities</u>	<u>5,096,545</u>
<u>Total Liabilities</u>	<u>588,992,612</u>
<i>Unfunded Liability</i>	<i>(379,324,305)</i>

As shown in Table 2, the unfunded liability is the difference between assets and liabilities (a positive difference is generally referred to as "surplus" in insurance contexts). We note that the previous actuarial report estimated an unfunded liability of \$103 million as of June 30, 2002. Approximately \$161 million of the \$276 million increase in unfunded liability is due to increases in estimated ultimate losses and ALAE for calendar/report years 2001 and prior, as detailed in the following table.

Table 2A				
Change in Estimated Ultimate Loss & ALAE from 6/30/02 to 06/30/03 (\$Millions)				
Calendar/ Report Year	Estimated Ultimate as of 6/30/2002*	Estimated Ultimate as of 6/30/2003**	Change in Ultimates	Percent Change
1994 to 1998	247	300	53	21.4%
1999	104	147	43	41.2%
2000	71	100	29	40.2%
2001	82	119	37	45.4%
Total	504	665	161	32.0%
	* From prior USTIF actuarial report.			
	** From Table 1			

The remaining increase in the unfunded liability since 6/30/02 results from increases in estimated ultimate losses and ALAE for calendar/report period 1/1/02-6/30/02, and the additional unfunded liability accrued from July 1, 2002 to June 30, 2003.

Cash Flow Analysis

Exhibit 1 presents pro forma financial statements (balance sheet, income statement, and cash flow statement) for USTIF over the next twenty fiscal years (7/1/03-04 to 7/1/22-23), based on the current fee structure. The pro formas indicate that, under the current fee structure, the unfunded liability will continue to grow and USTIF's cash and invested assets will be depleted in fiscal year 7/1/06-07.

The pro forma financial projections are subject to a high degree of uncertainty, and the uncertainty increases with the length of the projection period. The pro formas are sensitive to a number of key assumptions, as outlined below:

- Fee revenue is projected in Exhibit 2. USTIF provided us with historical fee revenue by calendar year and by fiscal year, and an estimate of fee revenue for 7/1/03-04. We assumed a 2% annual growth rate in the revenue basis (exclusive of changes in fee rates), based on Pennsylvania data compiled by the U.S. Energy Information Administration ("EIA"). The fee revenue estimates are sensitive to the 2% growth rate assumption, as well as the starting values for fiscal year 7/1/03-04 (see Exhibit 2).

The starting values for 7/1/03-04 are based primarily on the actual USTIF revenues for the 7/1/02-03 fiscal year, which are about 1/3 lower than we would have expected them to be based on prior fiscal year revenues adjusted to the current fee schedule. As the following table illustrates for throughput, there is quite a bit of variation in the historical revenues after adjusting them to the current fee schedule. Some of the variation may be explained by the timing of the revenue collections, but we cannot explain the drop from the \$50 million to \$60 million range for 2001 and prior to \$35 million for fiscal year 7/1/02-03, particularly since gasoline usage has been relatively flat over these time periods. Note that our projections are extremely sensitive to the initial revenue assumptions.

Table A			
Historical Throughput Revenues			
Calendar Period	Gallon Fee	Revenue (in millions)	
		Actual	Adjusted to Current Fee Schedule
1996	\$0.0100	\$52.1	\$52.1
1997	0.0100	45.7	45.7
1998	0.0050	24.0	48.0
1999	0.0010	7.2	72.5
2000	0.0005	2.7	54.5
2001	0.0005	2.5	50.3
1/1/02-3/31/02	0.0005	1.3	26.3
4/1/02-12/31/02	0.0010	3.6	35.8
		} 4.9	} 62.1
Fiscal Year			
7/1/02-03	\$0.001/\$0.010	\$19.2	\$34.9
7/1/03-04	0.0010	36.0	36.0

- Paid losses and ALAE are projected in Exhibit 3. The underlying payout pattern (shown in Exhibit 4) is based on our estimates of ultimate losses and the paid loss data “triangle” as of June 30, 2003. Ultimate losses and ALAE for future report years (7/1/03-04 to 7/1/22-23) are estimated in Exhibit 5 based on a claim frequency times claim severity approach. Frequency and severity are estimated based on historical values. The number of tanks is used as the exposure base. We note that claim frequency had been relatively stable from 2000 to 2002, but appears to have declined in 2003. Claim severity shows an upward trend, although the rate of increase has varied widely from year to year. While the average trend over the historical period has generally been in the range of 10% to

20%, we expect severity trends to temper in future years due to the effect of cost containment efforts and the coverage limit. We have not explicitly adjusted the severity analysis for the increase in coverage limit from \$1.0 million to \$1.5 million (effective January 1, 2002). The analysis is essentially on an "unlimited" basis, since the coverage limit has had little effect on historical losses.

- The DCED loan and General Fund loan balances and interest payments are based on information provided by USTIF. Other liabilities as of June 30, 2003 are assumed to be paid in 7/1/03-04 (cash flows are generally assumed to occur mid-year).
- Incurred losses and ALAE are based on the frequency/severity projections in Exhibit 5.
- USTIF provided estimated claim administration expenses for 7/1/03-04 to 7/1/06-07, based on the current contract provisions. We assumed these expenses would increase by 5% per year after 7/1/06-07. We also assumed that other general and administrative expenses would increase by 5% per year from the 7/1/02-03 level, which was provided by USTIF.
- The annual return on cash and invested assets was assumed to be 4%, based on discussions with USTIF. We also tested the sensitivity of pro forma financial results to changes in this assumption.

Recommendations Regarding Fees

We recommend that the Board consider increasing the current fees, based on the pro forma results noted above. Under the current fee structure, the unfunded liability will continue to grow and USTIF's cash and invested assets will be depleted in fiscal year 7/1/06-07. The results are summarized below in Table 3. We have focused on the ten-year period, 7/1/03-04 to 7/1/12-13, as projections beyond ten years are subject to an even higher degree of uncertainty.

Fiscal Year Beginning	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	45,000	(73,544)	3,450	(8,485)	(33,579)	71,180	(438,777)
07/01/04	71,180	45,900	(81,421)	2,252	5,781	(27,487)	43,693	(502,366)
07/01/05	43,693	46,818	(87,466)	1,081	7,328	(32,239)	11,454	(568,034)
07/01/06	11,454	47,754	(92,718)	(296)	7,248	(38,013)	(26,559)	(637,806)
07/01/07	(26,559)	48,709	(97,839)	(1,904)	7,053	(43,981)	(70,540)	(712,235)
07/01/08	(70,540)	49,684	(104,040)	(3,772)	6,854	(51,274)	(121,814)	(791,819)
07/01/09	(121,814)	50,677	(109,872)	(5,925)	6,558	(58,562)	(180,376)	(877,102)
07/01/10	(180,376)	51,691	(114,038)	(8,349)	5,624	(65,073)	(245,449)	(968,584)
07/01/11	(245,449)	52,725	(118,607)	(11,027)	5,405	(71,505)	(316,953)	(1,066,811)
07/01/12	(316,953)	53,779	(122,344)	(13,946)	5,175	(77,336)	(394,289)	(1,172,336)
All Years	104,759	492,737	(1,001,891)	(38,436)	48,542	(499,048)	(394,289)	(1,172,336)

Table 4 summarizes the results assuming a 10% increase in fees effective 1/1/04. In this scenario the unfunded liability will continue to grow and cash and invested assets will still be depleted in 7/1/06-07.

Fiscal Year Beginning	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	47,250	(73,544)	3,495	(8,485)	(31,284)	73,475	(436,482)
07/01/04	73,475	50,490	(81,421)	2,436	5,781	(22,713)	50,761	(495,298)
07/01/05	50,761	51,500	(87,466)	1,458	7,328	(27,181)	23,580	(555,907)
07/01/06	23,580	52,530	(92,718)	284	7,248	(32,657)	(9,076)	(620,323)
07/01/07	(9,076)	53,580	(97,839)	(1,107)	7,053	(38,313)	(47,390)	(689,084)
07/01/08	(47,390)	54,652	(104,040)	(2,746)	6,854	(45,280)	(92,669)	(762,674)
07/01/09	(92,669)	55,745	(109,872)	(4,658)	6,558	(52,227)	(144,897)	(841,623)
07/01/10	(144,897)	56,860	(114,038)	(6,827)	5,624	(58,381)	(203,278)	(926,414)
07/01/11	(203,278)	57,997	(118,607)	(9,235)	5,405	(64,440)	(267,718)	(1,017,575)
07/01/12	(267,718)	59,157	(122,344)	(11,869)	5,175	(69,881)	(337,599)	(1,115,645)
All Years	104,759	539,761	(1,001,891)	(28,770)	48,542	(442,358)	(337,599)	(1,115,645)

Table 5 summarizes the results assuming a 25% increase in fees effective 1/1/04. In this scenario the unfunded liability will continue to grow and cash and invested assets will be depleted in 7/1/07-08.

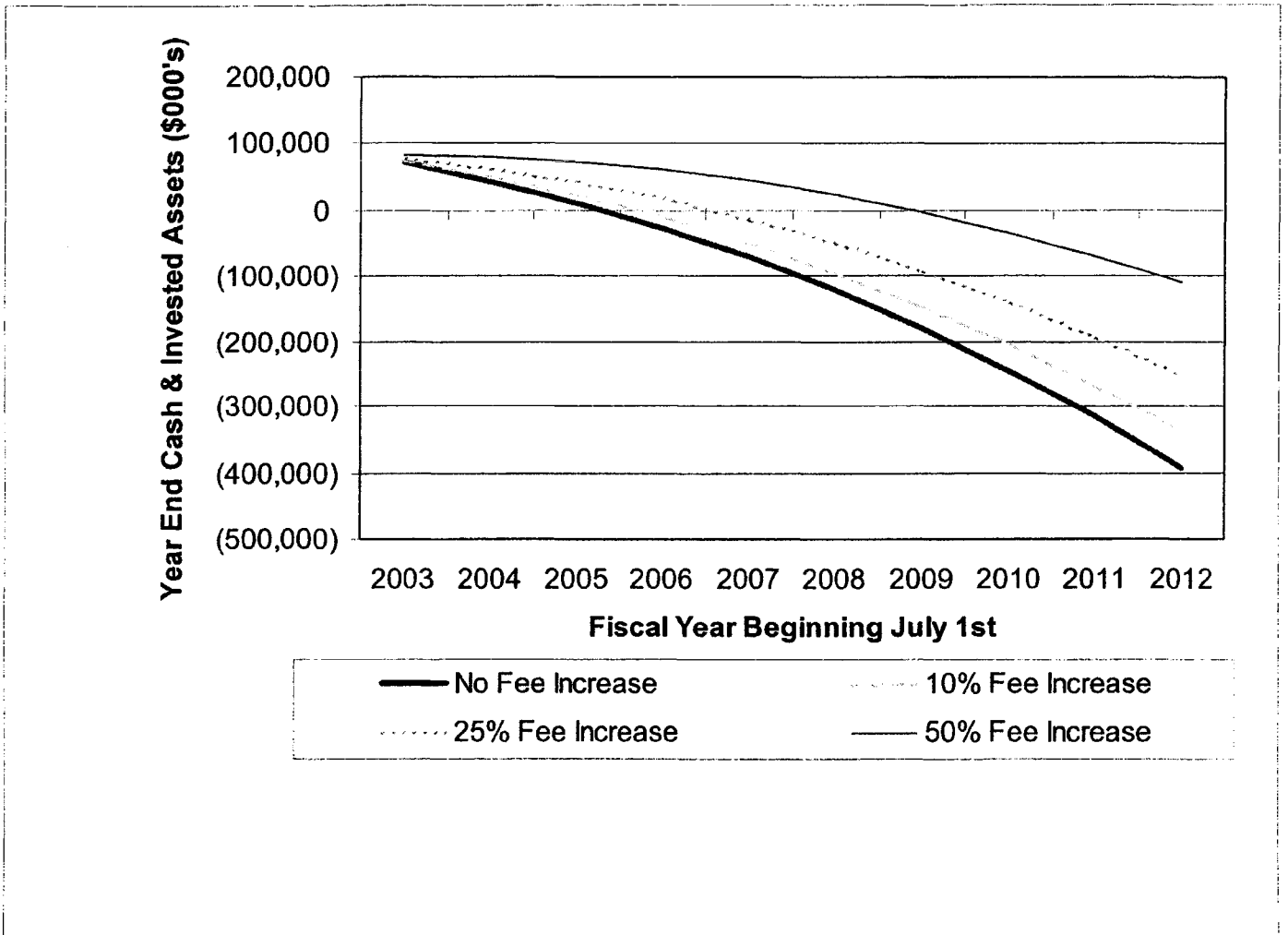
Table 5								
Cash Flow Summary (\$000's)								
Scenario C: 25% Increase in Fees Effective 1/1/04								
Fiscal Year	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	50,625	(73,544)	3,562	(8,485)	(27,842)	78,917	(433,040)
07/01/04	76,917	57,375	(81,421)	2,711	5,781	(15,553)	61,364	(484,695)
07/01/05	61,364	58,523	(87,466)	2,022	7,328	(19,594)	41,770	(537,717)
07/01/06	41,770	59,693	(92,718)	1,155	7,248	(24,622)	17,148	(594,099)
07/01/07	17,148	60,887	(97,839)	88	7,053	(29,812)	(12,664)	(654,358)
07/01/08	(12,664)	62,105	(104,040)	(1,208)	6,854	(36,289)	(48,953)	(718,958)
07/01/09	(48,953)	63,347	(109,872)	(2,757)	6,558	(42,725)	(91,678)	(788,405)
07/01/10	(91,678)	64,614	(114,038)	(4,543)	5,624	(48,344)	(140,022)	(863,158)
07/01/11	(140,022)	65,906	(118,607)	(6,547)	5,405	(53,843)	(193,865)	(943,722)
07/01/12	(193,865)	67,224	(122,344)	(8,753)	5,175	(58,698)	(252,563)	(1,030,610)
All Years	104,759	610,297	(1,001,891)	(14,270)	48,542	(357,322)	(252,563)	(1,030,610)

Table 6 summarizes the results assuming a 50% increase in fees effective 1/1/04. In this scenario the unfunded liability will continue to grow and cash and invested assets will be depleted in 7/1/09-10.

Table 6								
Cash Flow Summary (\$000's)								
Scenario D: 50% Increase in Fees Effective 1/1/04								
Fiscal Year	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	56,250	(73,544)	3,675	(8,485)	(22,104)	82,655	(427,302)
07/01/04	82,655	68,850	(81,421)	3,170	5,781	(3,619)	79,036	(467,023)
07/01/05	79,036	70,227	(87,466)	2,963	7,328	(6,948)	72,087	(507,400)
07/01/06	72,087	71,632	(92,718)	2,607	7,248	(11,232)	60,855	(550,392)
07/01/07	60,855	73,064	(97,839)	2,080	7,053	(15,643)	45,212	(596,482)
07/01/08	45,212	74,525	(104,040)	1,355	6,854	(21,305)	23,907	(646,098)
07/01/09	23,907	76,016	(109,872)	410	6,558	(26,888)	(2,980)	(699,707)
07/01/10	(2,980)	77,536	(114,038)	(737)	5,624	(31,615)	(34,595)	(757,731)
07/01/11	(34,595)	79,087	(118,607)	(2,066)	5,405	(36,181)	(70,776)	(820,633)
07/01/12	(70,776)	80,669	(122,344)	(3,561)	5,175	(40,061)	(110,837)	(888,884)
All Years	104,759	727,856	(1,001,891)	9,897	48,542	(215,596)	(110,837)	(888,884)

We note that the unfunded liability continues to grow in each scenario presented. We estimate that a fee increase of more than 100% would be required to keep the unfunded liability from growing over the ten-year period.

The following graph compares the year-ending cash and invested assets for each of the four scenarios presented above.



Sensitivity of Results to Interest Rate Changes

The results presented in Tables 3 to 6 (above) are based on the assumption that the annual return on cash and invested assets would be 4%. We tested the sensitivity of the pro forma results to a change in this assumption. Increasing the interest rate to 5% would increase investment income in fiscal year 7/1/03-04 by approximately \$862,000 (the effect would be smaller in subsequent years as the invested asset base is depleted). Similarly, decreasing the interest rate to 3% would decrease investment income in fiscal year 7/1/03-04 by approximately \$862,000, with smaller effects in subsequent years. In either case, assets will be depleted within the same time frames discussed above. In summary, relatively small changes in the interest rate assumption have little effect on the overall pro forma results.

Please note that interest payments related to the outstanding loans are included in "Other Cash Flows" – they are not included in "Investment Income." Therefore, in the results discussed above, interest payments related to the outstanding loans are assumed to be fixed and do not vary with changes in the interest rate assumption.

Please see our full report for further details regarding the data, methodology, and assumptions used in our analysis.

**Pennsylvania Insurance Department
Bureau of Special Funds**

**Underground Storage Tank Indemnification Fund (USTIF)
Actuarial Analysis as of June 30, 2003**

September 25, 2003

**Prepared For: Pennsylvania Insurance Department
Bureau of Special Funds
Harrisburg, PA**

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Background

Pennsylvania's Underground Storage Tank Indemnification Fund ("USTIF") began operation in 1994. Its purpose is to ensure that underground storage tank ("UST") owners and operators are able to comply with Federal Environmental Protection Agency financial responsibility requirements in the event of a leak from an eligible UST.

USTIF covers corrective action and third party liability costs on valid claims up to \$1.5 million per tank per occurrence, above a \$5,000 deductible per tank, per occurrence (prior to 1/1/02, the limit was \$1.0 million; prior to 1/1/95, the deductible was \$10,000). There is also an annual aggregate limit of \$1.5 million if an owner or operator has 100 or fewer tanks, and an annual aggregate limit of \$3 million if an owner or operator has 101 or more tanks. Allocated loss adjustment expenses are covered outside the limits.

The Pennsylvania Insurance Department, Bureau of Special Funds ("Bureau") maintains the USTIF by means of fees paid by storage tank owners and operators. The fees are based on tank capacity and throughput with regard to regulated substances. The current fees are \$0.075 per gallon of capacity for heating oil tanks (including kerosene, used motor oil, and "unknown") and diesel fuel tanks, and \$0.01 per gallon of throughput for other tanks (primarily gasoline). These fees have varied over time. The USTIF fee-based revenue is supplemented by income generated from the investment of USTIF assets. Prior to 1996, a \$100 per tank fee also applied.

In conjunction with the USTIF, the Bureau manages the Tank Installers' Indemnification Program ("TIIP"). The TIIP provides the same coverage to storage tank installers that the USTIF provides to storage tank owners and operators. This report provides the actuarial analysis for USTIF. The TIIP analysis is provided under separate cover.

Scope of Analysis

The Bureau retained Milliman USA, Inc. ("Milliman") to assist in evaluating the current fee structure with respect to funding the coverage outlined above.

The scope of Milliman's analysis includes the following:

1. Evaluate the financial status of the USTIF by estimating the fund's outstanding liabilities as of June 30, 2003, and subtracting them from the fund's assets as of the same date.
2. Recommend fees for USTIF based on Board requirements.
3. Prepare a cash flow report, projecting USTIF payments and investment income through the subsequent twenty years, based on various interest rate assumptions.

Our results are based on data that is net with respect to USTIF's limits and deductibles, and any salvage or subrogation recoveries. All estimates are presented on an undiscounted basis unless otherwise noted.

Total loss and loss adjustment expense reserves consist of case reserves (claims administrator's estimates of future payments on individual claims) and incurred but not reported ("IBNR") reserves. USTIF has operated on a "claims made" basis rather than on an "occurrence" basis. That is, loss data is aggregated by the year in which a claim was first reported rather than the year(s) of occurrence. Under claims made coverages, an insurer is not liable for unreported claims. Therefore, in this report, the term "IBNR reserves" refers to the provision for changes in case reserves, reopened claims, and any claims that may have been reported but are not yet recorded in the data (referred to as "pipeline" claims). It does not include any provision for claims that will be reported after June 30, 2003.

Historically, loss adjustment expenses ("LAE") have been classified as allocated loss adjustment expenses ("ALAE") or unallocated loss adjustment expenses ("ULAE"). Generally, ALAE includes claims settlement costs directly assigned to specific claims, such as legal fees, and ULAE included other claims administration expenses.

In this report, we provide independent estimates for loss and ALAE reserves as of June 30, 2003, as well as projected losses and ALAE for the next twenty fiscal years (7/1/03-04 to 7/1/22-23). ULAE consists primarily of fees paid to USTIF's third party claim administrator. These expenses are presented on a "pay as you go" basis, similar to other general and administrative expenses. Our twenty-year cash flow projections include estimates of these expenses, as well as general expenses, investment income, loan repayments, and loss and ALAE payments.

Limitations

Data

In performing this analysis, we relied on data and other information provided by the Bureau. We have not audited, verified, or reviewed this data and other information for reasonableness and consistency. Such a review is beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Variability

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, economic conditions, etc. Actual future losses and loss adjustment expenses ("LAE") will not develop exactly as projected and may, in fact, vary significantly from our projections. Further, our projections make no provision for extraordinary future emergence of new classes of losses or types of losses, which are not sufficiently represented in USTIF's historical database or which are not yet quantifiable.

We supplemented USTIF's data with insurance industry data where deemed necessary. The use of external data is another source of uncertainty in our estimates.

Regarding the pro forma financial projections, we note that the projections are subject to a high degree of uncertainty, and the uncertainty increases with the length of the projection period. The operating results shown in the financial projections are based on certain assumptions, some of which have been provided by USTIF. Actual results may be substantially different from those projected. The consultants who performed the work on this assignment are casualty actuaries. As such, we are familiar with basic accounting concepts, but we are by no means experts in accounting. We cannot ensure that the pro forma financial statements developed in this report strictly adhere to accounting rules that apply to USTIF.

Our results are estimates based on long-term averages. Actual loss experience in any given year may differ from what is suggested by these averages.

Range of Values

Our results should be considered point estimates within a wide range of possible outcomes. Where our results are presented in ranges, it is possible that actual results will fall outside of these ranges.

Distribution

Milliman's work is prepared solely for the internal business use of the Bureau. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not

intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party. In the event such consent is provided, the report must be provided in its entirety. We recommend that any such party have its own actuary review this report to ensure that the party understands the assumptions and uncertainties inherent in our estimates. This report may not be filed with the SEC or other securities regulatory bodies.

Summary of Results

Loss and ALAE Reserves as of June 30, 2003

Table 1 summarizes our estimates of USTIF's loss and ALAE reserves as of June 30, 2003.

Calendar/ Report Year	Estimated Ultimate Loss & ALAE	Paid Loss & ALAE	Total Reserves
1994	14,874,832	10,350,474	4,524,358
1995	40,251,971	26,721,495	13,530,476
1996	53,807,494	31,989,981	21,817,513
1997	77,697,274	39,359,520	38,337,754
1998	113,200,818	49,476,990	63,723,828
1999	146,825,035	49,200,662	97,624,373
2000	99,507,952	25,840,965	73,666,987
2001	119,229,634	18,477,303	100,752,331
2002	128,543,712	7,089,085	121,454,627
1/1/03-6/30/03	48,662,234	198,415	48,463,819
Total	842,600,957	258,704,890	583,896,067

Unfunded Liability as of June 30, 2003

Table 2 shows our estimate of USTIF's unfunded liability as of June 30, 2003, based on our reserve estimate from Table 1 and financial statement information provided by USTIF.

Table 2	
Unfunded Liability	
June 30, 2003	
<i>Assets</i>	
Cash & Invested Assets	104,759,134
DCED Loan Receivable	4,909,173
General Fund Loan Receivable	100,000,000
Total Assets	209,668,307
<i>Liabilities</i>	
Loss Reserves	583,896,067
Other Liabilities	5,096,545
Total Liabilities	588,992,612
Unfunded Liability	(379,324,305)

As shown in Table 2, the unfunded liability is the difference between assets and liabilities (a positive difference is generally referred to as "surplus" in insurance contexts). We note that the previous actuarial report estimated an unfunded liability of \$103 million as of June 30, 2002. Approximately \$161 million of the \$276 million increase in unfunded liability is due to increases in estimated ultimate losses and ALAE for calendar/report years 2001 and prior, as detailed in the following table.

Table 2A					
Change in Estimated Ultimate Losses and ALAE From 6/30/2002 to 6/30/2003 (Millions)					
Calendar/ Report Year	Estimated Ultimate as of 6/30/2002*	Estimated Ultimate as of 6/30/2003**	Change in Ultimates	Percent Change	
1994 to 1998	247	300	53	21.4%	
1999	104	147	43	41.2%	
2000	71	100	29	40.2%	
2001	82	119	37	45.4%	
Total	504	665	161	32.0%	
					* From prior USTIF actuarial report. ** From Table 1

The remaining increase in the unfunded liability since 6/30/02 results from increases in estimated ultimate losses and ALAE for calendar/report period 1/1/02-6/30/02, and the additional unfunded liability accrued from July 1, 2002 to June 30, 2003.

Cash Flow Analysis

Exhibit 1 presents pro forma financial statements (balance sheet, income statement, and cash flow statement) for USTIF over the next twenty fiscal years (7/1/03-04 to 7/1/22-23), based on the current fee structure. The pro formas indicate that, under the current fee structure, the unfunded liability will continue to grow and USTIF's cash and invested assets will be depleted in fiscal year 7/1/06-07.

The pro forma financial projections are subject to a high degree of uncertainty, and the uncertainty increases with the length of the projection period. The pro formas are sensitive to a number of key assumptions, as outlined below:

- Fee revenue is projected in Exhibit 2. USTIF provided us with historical fee revenue by calendar year and by fiscal year, and an estimate of fee revenue for 7/1/03-04. We assumed a 2% annual growth rate in the revenue basis (exclusive of changes in fee rates), based on Pennsylvania data compiled by the U.S. Energy Information Administration ("EIA"). The fee revenue estimates are sensitive to the 2% growth rate assumption, as well as the starting values for fiscal year 7/1/03-04 (see Exhibit 2).

The starting values for 7/1/03-04 are based primarily on the actual USTIF revenues for the 7/1/02-03 fiscal year, which are about 1/3 lower than we would have expected them to be based on prior fiscal year revenues adjusted to the current fee schedule. As the following table illustrates for throughput, there is quite a bit of variation in the historical revenues after adjusting them to the current fee schedule. Some of the variation may be explained by the timing of the revenue collections, but we cannot explain the drop from the \$50 million to \$60 million range for 2001 and prior to \$35 million for fiscal year 7/1/02-03, particularly since gasoline usage has been relatively flat over these time periods. Note that our projections are extremely sensitive to the initial revenue assumptions.

Calendar Period	Gallon Fee	Revenue (in millions)	
		Actual	Adjusted to Current Fee Schedule
1996	\$0.0100	\$52.1	\$52.1
1997	0.0100	45.7	45.7
1998	0.0050	24.0	48.0
1999	0.0010	7.2	72.5
2000	0.0005	2.7	54.5
2001	0.0005	2.5	50.3
1/1/02-3/31/02	0.0005	1.3	26.3
4/1/02-12/31/02	0.0010	3.6	35.8
		} 4.9	} 62.1
Fiscal Year			
7/1/02-03	\$0.001/\$0.010	\$19.2	\$34.9
7/1/03-04	0.0010	36.0	36.0

- Paid losses and ALAE are projected in Exhibit 3. The underlying payout pattern (shown in Exhibit 4) is based on our estimates of ultimate losses and the paid loss data "triangle" as of June 30, 2003. Ultimate losses and ALAE for future report years (7/1/03-04 to 7/1/22-23) are estimated in Exhibit 5 based on a claim frequency times claim severity approach. Frequency and severity are estimated based on historical values. The number of tanks is used as the exposure base. We note that claim frequency had been relatively stable from 2000 to 2002, but appears to have declined in 2003. Claim severity shows an upward trend, although the rate of increase has varied widely from year to year. While the average trend over the historical period has generally been in the range of 10% to

20%, we expect severity trends to temper in future years due to the effect of cost containment efforts and the coverage limit. We have not explicitly adjusted the severity analysis for the increase in coverage limit from \$1.0 million to \$1.5 million (effective January 1, 2002). The analysis is essentially on an "unlimited" basis, since the coverage limit has had little effect on historical losses.

- The DCED loan and General Fund loan balances and interest payments are based on information provided by USTIF. Other liabilities as of June 30, 2003 are assumed to be paid in 7/1/03-04 (cash flows are generally assumed to occur mid-year).
- Incurred losses and ALAE are based on the frequency/severity projections in Exhibit 5.
- USTIF provided estimated claim administration expenses for 7/1/03-04 to 7/1/06-07, based on the current contract provisions. We assumed these expenses would increase by 5% per year after 7/1/06-07. We also assumed that other general and administrative expenses would increase by 5% per year from the 7/1/02-03 level, which was provided by USTIF.
- The annual return on cash and invested assets was assumed to be 4%, based on discussions with USTIF. We also tested the sensitivity of pro forma financial results to changes in this assumption.

Recommendations Regarding Fees

We recommend that the Board consider increasing the current fees, based on the pro forma results noted above. Under the current fee structure, the unfunded liability will continue to grow and USTIF's cash and invested assets will be depleted in fiscal year 7/1/06-07. The results are summarized below in Table 3. We have focused on the ten-year period, 7/1/03-04 to 7/1/12-13, as projections beyond ten years are subject to an even higher degree of uncertainty.

Fiscal Year	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	45,000	(73,544)	3,450	(8,485)	(33,579)	71,180	(438,777)
07/01/04	71,180	45,900	(81,421)	2,252	5,781	(27,487)	43,693	(502,366)
07/01/05	43,693	46,818	(87,466)	1,081	7,328	(32,239)	11,454	(568,034)
07/01/06	11,454	47,754	(92,718)	(296)	7,248	(38,013)	(26,559)	(637,806)
07/01/07	(26,559)	48,709	(97,839)	(1,904)	7,053	(43,981)	(70,540)	(712,235)
07/01/08	(70,540)	49,684	(104,040)	(3,772)	6,854	(51,274)	(121,814)	(791,819)
07/01/09	(121,814)	50,677	(109,872)	(5,925)	6,558	(58,562)	(180,376)	(877,102)
07/01/10	(180,376)	51,691	(114,038)	(8,349)	5,624	(65,073)	(245,449)	(968,584)
07/01/11	(245,449)	52,725	(118,607)	(11,027)	5,405	(71,505)	(316,953)	(1,066,811)
07/01/12	(316,953)	53,779	(122,344)	(13,946)	5,175	(77,336)	(394,289)	(1,172,336)
All Years	104,759	492,737	(1,001,891)	(38,436)	48,542	(499,048)	(394,289)	(1,172,336)

Table 4 summarizes the results assuming a 10% increase in fees effective 1/1/04. In this scenario the unfunded liability will continue to grow and cash and invested assets will still be depleted in 7/1/06-07.

Fiscal Year	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	47,250	(73,544)	3,495	(8,485)	(31,284)	73,475	(436,482)
07/01/04	73,475	50,490	(81,421)	2,436	5,781	(22,713)	50,761	(495,298)
07/01/05	50,761	51,500	(87,466)	1,458	7,328	(27,181)	23,580	(555,907)
07/01/06	23,580	52,530	(92,718)	284	7,248	(32,657)	(9,076)	(620,323)
07/01/07	(9,076)	53,580	(97,839)	(1,107)	7,053	(38,313)	(47,390)	(689,084)
07/01/08	(47,390)	54,652	(104,040)	(2,746)	6,854	(45,280)	(92,669)	(762,674)
07/01/09	(92,669)	55,745	(109,872)	(4,658)	6,558	(52,227)	(144,897)	(841,623)
07/01/10	(144,897)	56,860	(114,038)	(6,827)	5,624	(58,381)	(203,278)	(926,414)
07/01/11	(203,278)	57,997	(118,607)	(9,235)	5,405	(64,440)	(267,718)	(1,017,575)
07/01/12	(267,718)	59,157	(122,344)	(11,869)	5,175	(69,881)	(337,599)	(1,115,645)
All Years	104,759	539,761	(1,001,891)	(28,770)	48,542	(442,358)	(337,599)	(1,115,645)

Table 5 summarizes the results assuming a 25% increase in fees effective 1/1/04. In this scenario the unfunded liability will continue to grow and cash and invested assets will be depleted in 7/1/07-08.

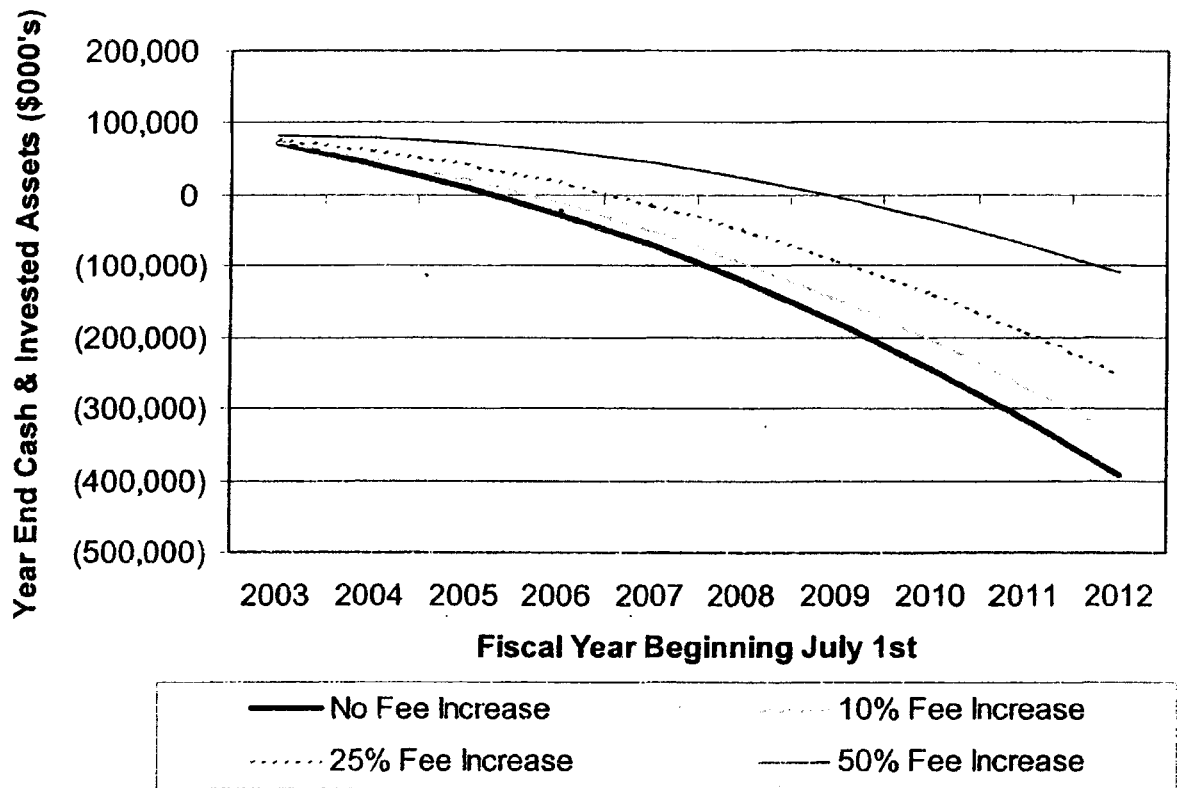
Fiscal Year Beginning	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	50,625	(73,544)	3,562	(8,485)	(27,842)	76,917	(433,040)
07/01/04	76,917	57,375	(81,421)	2,711	5,781	(15,553)	61,364	(484,695)
07/01/05	61,364	58,523	(87,466)	2,022	7,328	(19,594)	41,770	(537,717)
07/01/06	41,770	59,693	(92,718)	1,155	7,248	(24,622)	17,148	(594,099)
07/01/07	17,148	60,887	(97,839)	88	7,053	(29,812)	(12,664)	(654,358)
07/01/08	(12,664)	62,105	(104,040)	(1,208)	6,854	(36,289)	(48,953)	(718,958)
07/01/09	(48,953)	63,347	(109,872)	(2,757)	6,558	(42,725)	(91,678)	(788,405)
07/01/10	(91,678)	64,614	(114,038)	(4,543)	5,624	(48,344)	(140,022)	(863,158)
07/01/11	(140,022)	65,906	(118,607)	(6,547)	5,405	(53,843)	(193,865)	(943,722)
07/01/12	(193,865)	67,224	(122,344)	(8,753)	5,175	(58,698)	(252,563)	(1,030,610)
All Years	104,759	610,297	(1,001,891)	(14,270)	48,542	(357,322)	(252,563)	(1,030,610)

Table 6 summarizes the results assuming a 50% increase in fees effective 1/1/04. In this scenario the unfunded liability will continue to grow and cash and invested assets will be depleted in 7/1/09-10.

Fiscal Year Beginning	Initial Cash & Invested Assets	Fee Revenue	Loss & ALAE Payments	Investment Income	Other Cash Flows	Total Cash Flow	Ending Cash & Invested Assets	Year End Unfunded Liability
07/01/03	104,759	56,250	(73,544)	3,675	(8,485)	(22,104)	82,655	(427,302)
07/01/04	82,655	68,850	(81,421)	3,170	5,781	(3,619)	79,036	(467,023)
07/01/05	79,036	70,227	(87,466)	2,963	7,328	(8,948)	72,087	(507,400)
07/01/06	72,087	71,632	(92,718)	2,607	7,248	(11,232)	60,855	(550,392)
07/01/07	60,855	73,064	(97,839)	2,080	7,053	(15,643)	45,212	(596,482)
07/01/08	45,212	74,525	(104,040)	1,355	6,854	(21,305)	23,907	(646,098)
07/01/09	23,907	76,016	(109,872)	410	6,558	(26,888)	(2,980)	(699,707)
07/01/10	(2,980)	77,536	(114,038)	(737)	5,624	(31,615)	(34,595)	(757,731)
07/01/11	(34,595)	79,087	(118,607)	(2,066)	5,405	(38,181)	(70,776)	(820,633)
07/01/12	(70,776)	80,669	(122,344)	(3,561)	5,175	(40,061)	(110,837)	(888,884)
All Years	104,759	727,856	(1,001,891)	9,897	48,542	(215,596)	(110,837)	(888,884)

We note that the unfunded liability continues to grow in each scenario presented. We estimate that a fee increase of more than 100% would be required to keep the unfunded liability from growing over the ten-year period.

The following graph compares the year-ending cash and invested assets for each of the four scenarios presented above.



Sensitivity of Results to Interest Rate Changes

The results presented in Tables 3 to 6 (above) are based on the assumption that the annual return on cash and invested assets would be 4%. We tested the sensitivity of the pro forma results to a change in this assumption. Increasing the interest rate to 5% would increase investment income in fiscal year 7/1/03-04 by approximately \$862,000 (the effect would be smaller in subsequent years as the invested asset base is depleted). Similarly, decreasing the interest rate to 3% would decrease investment income in fiscal year 7/1/03-04 by approximately \$862,000, with smaller effects in subsequent years. In either case, assets will be depleted within the same time frames discussed above. In summary, relatively small changes in the interest rate assumption have little effect on the overall pro forma results.

Please note that interest payments related to the outstanding loans are included in "Other Cash Flows" – they are not included in "Investment Income." Therefore, in the results discussed above, interest payments related to the outstanding loans are assumed to be fixed and do not vary with changes in the interest rate assumption.

Analysis

Data and Information

The data we used in our analysis included the following:

1. USTIF claim reports provided by ICF Consulting. The data included individual claim data and triangle data of paid losses, incurred losses, open and closed claim counts, and paid ALAE. The data was provided for the 1994 to 2003 report years and was evaluated as of June 30, 2003. All triangle data provided was net of deductibles.
2. The USTIF financial statements as of 6/30/02, 12/31/02, 3/31/03, and 6/30/03.
3. The ICF consulting contract and an ICF consulting cost projection to fiscal year 2006.
4. USTIF fee history and revenue totals from 1994 to 2002.
5. A copy of the loan agreement between USTIF and the General Fund.
6. The repayment schedule for the loan to the DCED.
7. The expected rate of return and expense growth rate assumptions.
8. Exposure data including total number of tanks from 1995 to 2003.
9. Prior USTIF actuarial studies.

We analyzed data for first party (clean up) claims and third party liability claims on a combined basis. Third party claims have consistently been a relatively small percentage of total incurred losses. The data also includes 5 TIIP claims in 2003.

Methodology

Exhibits supporting our estimated reserves as of June 30, 2003 are in the Appendix. Our methodology consists of the following subsections:

1. Estimated Ultimate Losses
2. Estimated Ultimate ALAE
3. Estimated Reserves

Estimated Ultimate Losses

Our approach to estimating ultimate losses was to use a variety of estimation methods and then judgmentally assign weight to each method. The following is a brief description of each method used for losses.

Incurring Loss Development

In the incurred loss development method, losses incurred (the sum of payments and case reserves) as of the latest evaluation date are "developed" to an ultimate basis by applying an appropriate factor. This loss development factor ("LDF") accounts for any "pipeline" claims, any changes in case reserves, and any reopened claims. We selected loss development factors based on the historical data triangle (see Appendix). Our selected "tail" factor (used to develop losses beyond the development periods included in the triangle) is based on curve fits to the selected incurred age-to-age factors. Consideration was also given to tail factors for other state underground storage tank funds we have reviewed.

Paid Loss Development

In the paid loss development method, losses paid as of the latest evaluation date are "developed" to an ultimate basis by applying an appropriate factor. This LDF accounts for any unpaid losses. Our selected paid tail factor is based on our selected incurred tail factor, and the paid-to-incurred relationship in the older years. Consideration was also given to curve fits on the selected paid age-to-age factors.

Cape Cod

We applied the Cape Cod method on both a paid and incurred basis. The procedure for both bases is similar. On an incurred basis, actual case incurred losses are added to expected IBNR losses. Expected IBNR losses are derived from an expected ultimate loss rate (in this case, we used reported counts as the exposure base and so the expected loss rate is akin to an expected ultimate severity; reported counts for 2003 were estimated on a full-year basis). The expected ultimate loss rate is based on the ratio of trended incurred losses to "reported exposures". We used a 15% annual trend, based on diagnostic statistics derived from the data triangles. We also used a "decay factor" of 0.75. The decay factor is used to weight years together in determining the expected loss rate for each report year.

Adjusted Incurred Loss Development

We also applied an adjusted incurred loss development method (referred to as the Berquist-Sherman method). In this method, historical average case reserves are adjusted to the current adequacy level. In discussions with USTIF, we were made aware of changes in the way case reserves have been set, which could distort historical loss development patterns. For example, an initial reserve value of \$125,000 is currently set on each claim reported (this value is then adjusted as information about the claim is developed). This initial case reserve has increased over time from a value of \$25,000, which was originally used in 1994. Also, USTIF's claim administrator has made efforts to reserve more adequately over the past two years.

While we did observe an increase in average case reserves in our review of diagnostic statistics, we also observed a corresponding increase in average closed claims. We selected a 15% annual trend based on these diagnostics. Using this trend, the results of the adjusted incurred development method did not indicate a distortion of development patterns caused by case reserve strengthening. Our tentative conclusion is that the increase in average case reserves is in line with severity trends, and has not produced relatively stronger case reserves than in the past.

Summary

After reviewing the results of each method and assigning weights to each, the result is a selected ultimate loss amount.

Estimated Ultimate ALAE

Our approach to estimating ultimate ALAE was to use a variety of estimation methods and then judgmentally assign weight to each method. The following is a brief description of each technique used for estimating ALAE.

Paid ALAE Development

In the paid ALAE development method, paid ALAE as of the latest evaluation date are "developed" to an ultimate basis by applying an appropriate factor. This ALAE development factor accounts for any unpaid ALAE.

Paid ALAE/Paid Loss Development

The paid ALAE/paid loss development method is similar to the paid ALAE development method as described above, except that the ratios of paid ALAE to paid losses are substituted for paid ALAE. The result of this calculation is an ultimate "paid-to-paid" factor. Multiplying this factor by the estimated ultimate losses produced by the methodology described in the prior section yields the ultimate ALAE.

For recent report years, particularly 2002 and 2003, the paid ALAE (and the ratio of paid ALAE to paid loss) is relatively high in comparison to prior years at the same stage of development. Based on discussions with USTIF, certain ALAE payments have been accelerated, but the ultimate ratio of ALAE to loss for these years is not expected to be different than prior years. We judgmentally selected an ultimate ratio of ALAE to loss for 2002 and 2003, based on the ultimate ratios for prior years.

Estimated Reserves

We estimated reserves by subtracting amounts paid to date from our estimated ultimate loss and ALAE amounts. For 2003, we pro rated the full-year ultimate to reflect the 50% portion of the year accrued as of June 30, 2003.

Tests of Reasonableness

After making our various judgmental selections, we reviewed our results for reasonableness. To examine the reasonableness of our selected ultimate amounts, we reviewed a variety of statistics (where available), including, but not limited to, the following:

Calendar/ Report Year	Ultimate Loss & ALAE	Paid Loss & ALAE	Incurred Loss & ALAE	Case Reserves	IBNR Reserves	Total Reserves
1994	14,875	10,350	13,933	3,583	942	4,524
1995	40,252	26,721	35,915	9,194	4,337	13,530
1996	53,807	31,990	44,399	12,409	9,409	21,818
1997	77,697	39,360	58,716	19,356	18,982	38,338
1998	113,201	49,477	70,460	20,983	42,741	63,724
1999	146,825	49,201	84,459	35,258	62,366	97,624
2000	99,508	25,841	46,452	20,611	53,056	73,667
2001	119,230	18,477	50,384	31,907	68,845	100,752
2002	128,544	7,089	42,049	34,960	86,494	121,455
1/1/03-6/30/03	48,662	198	11,791	11,593	36,871	48,464
Total	842,601	258,705	458,559	199,854	384,042	583,896

Calendar/ Report Year	Reported Claim Counts	Closed Claim Counts	Open Claim Counts	Exposures (Tanks)	Reported Counts per Tank
1994	170	152	18	#N/A	#N/A
1995	388	281	107	56,306	0.0069
1996	383	265	118	46,097	0.0083
1997	432	275	157	44,760	0.0097
1998	529	332	197	40,156	0.0132
1999	573	280	293	33,357	0.0172
2000	356	163	193	30,813	0.0116
2001	333	66	267	29,692	0.0112
2002	349	70	279	29,241	0.0119
1/1/03-6/30/03	125	35	90	14,243	0.0088
Total	3,638	1,919	1,719	#N/A	#N/A

Calendar/ Report Year	Ultimate Loss & ALAE per Reported Count	Case Reserve per Open Count	IBNR Reserve per Open Count	Total Reserve per Open Count	Ultimate Loss & ALAE per Tank
1994	87	199	52	251	#N/A
1995	104	86	41	126	0.715
1996	140	105	80	185	1.167
1997	180	123	121	244	1.736
1998	214	107	217	323	2.819
1999	256	120	213	333	4.402
2000	280	107	275	382	3.229
2001	358	120	258	377	4.016
2002	368	125	310	435	4.396
1/1/03-6/30/03	389	129	410	538	3.417
Average	232	116	223	340	#N/A

Exhibits

To facilitate review of the calculations, the numbers in the exhibits are generally displayed with more significant digits than are inherent in their accuracy. Amounts may appear not to add or multiply due to the rounded figures shown in the exhibits.

1. Pro Forma Financial Statements Based on Current Fee Structure
2. Fee Revenue Based on Current Fee Structure
3. Paid Losses and ALAE
4. Payout Pattern
5. Projected Incurred Losses and ALAE Based on Frequency and Severity

USTIF
Pro Forma Financial Statements
Based on Current Fee Structure

Exhibit 1
Sheet 1

	as of										
	06/30/03	06/30/04	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13
Balance Sheet											
Cash & Invested Assets	104,759,134	71,179,866	43,692,796	11,453,515	(26,559,023)	(70,540,136)	(121,813,663)	(180,375,626)	(245,448,509)	(316,953,283)	(394,288,999)
DCED Loan Receivable	4,909,173	4,139,116	3,488,255	2,798,160	2,675,755	1,328,509	549,892	(176,148)	(176,148)	(176,148)	(176,148)
General Fund Loan Receivable	100,000,000	100,000,000	90,000,000	80,000,000	70,000,000	60,000,000	50,000,000	40,000,000	30,000,000	20,000,000	10,000,000
Total Assets	209,668,307	175,318,982	137,181,051	94,251,675	45,516,732	(9,211,627)	(71,263,771)	(140,551,774)	(215,624,657)	(297,129,431)	(384,465,147)
Loss Reserves	583,896,067	614,096,189	639,547,235	662,285,343	683,322,621	703,022,990	720,554,856	736,550,524	752,959,629	769,681,290	787,870,510
Other Liabilities	5,096,545	0	0	0	0	0	0	0	0	0	0
Total Liabilities	588,992,612	614,096,189	639,547,235	662,285,343	683,322,621	703,022,990	720,554,856	736,550,524	752,959,629	769,681,290	787,870,510
Surplus (Unfunded Liability)	(379,324,305)	(438,777,207)	(502,366,183)	(568,033,668)	(637,805,889)	(712,234,617)	(791,818,627)	(877,102,298)	(968,584,286)	(1,066,810,721)	(1,172,335,658)
Total Liabilities & Surplus	209,668,307	175,318,982	137,181,051	94,251,675	45,516,732	(9,211,627)	(71,263,771)	(140,551,774)	(215,624,657)	(297,129,431)	(384,465,147)

	Fiscal Year Beginning:										
	07/01/03	07/01/04	07/01/05	07/01/06	07/01/07	07/01/08	07/01/09	07/01/10	07/01/11	07/01/12	
Income Statement											
Capacity Fee Revenue	9,000,000	9,180,000	9,363,600	9,550,872	9,741,889	9,936,727	10,135,462	10,338,171	10,544,934	10,755,833	
Throughput Fee Revenue	36,000,000	36,720,000	37,454,400	38,203,488	38,967,558	39,746,909	40,541,847	41,352,684	42,179,738	43,023,332	
Subtotal	45,000,000	45,900,000	46,818,000	47,754,360	48,709,447	49,683,636	50,677,309	51,690,855	52,724,672	53,779,166	
Incurred Losses & ALAE	(103,744,542)	(106,871,870)	(110,204,562)	(113,755,739)	(117,539,596)	(121,571,498)	(125,868,078)	(130,447,347)	(135,328,817)	(140,533,631)	
Claim Administration	(1,320,345)	(1,180,420)	(1,119,145)	(979,130)	(826,035)	(972,337)	(1,020,954)	(1,072,001)	(1,125,601)	(1,181,881)	
Other Expenses	(2,200,000)	(2,310,000)	(2,425,500)	(2,546,775)	(2,674,114)	(2,807,819)	(2,948,210)	(3,095,621)	(3,250,402)	(3,412,922)	
Subtotal	(107,234,962)	(110,416,515)	(113,730,467)	(117,355,887)	(121,319,752)	(125,540,662)	(130,035,700)	(134,823,350)	(139,923,621)	(145,358,175)	
Underwriting Income	(62,234,962)	(64,516,515)	(66,912,467)	(69,601,527)	(72,610,305)	(75,857,026)	(79,358,391)	(83,132,495)	(87,198,949)	(91,579,009)	
DCED Loan Interest Payments	232,276	200,133	163,682	125,493	85,482	44,659	0	0	0	0	
GF Loan Interest Payments	0	0	0	0	0	0	0	0	0	0	
DEP Assistance	(900,000)	(1,525,000)	0	0	0	0	0	0	0	0	
Investment Income	3,449,784	2,252,405	1,081,300	(296,186)	(1,903,905)	(3,771,643)	(5,925,280)	(8,349,493)	(11,027,486)	(13,945,927)	
Total Income	(59,452,902)	(63,588,976)	(65,667,485)	(69,772,221)	(74,428,728)	(79,584,010)	(85,283,671)	(91,481,988)	(98,226,435)	(105,524,936)	

	Fiscal Year Beginning:										
	07/01/03	07/01/04	07/01/05	07/01/06	07/01/07	07/01/08	07/01/09	07/01/10	07/01/11	07/01/12	
Cash Flow											
Initial Cash & Invested Assets	104,759,134	71,179,866	43,692,796	11,453,515	(26,559,023)	(70,540,136)	(121,813,663)	(180,375,626)	(245,448,509)	(316,953,283)	
Capacity Fee Revenue	9,000,000	9,180,000	9,363,600	9,550,872	9,741,889	9,936,727	10,135,462	10,338,171	10,544,934	10,755,833	
Throughput Fee Revenue	36,000,000	36,720,000	37,454,400	38,203,488	38,967,558	39,746,909	40,541,847	41,352,684	42,179,738	43,023,332	
Paid Losses & ALAE	(73,544,420)	(81,420,824)	(87,486,454)	(92,718,461)	(97,839,227)	(104,039,832)	(109,872,409)	(114,038,242)	(118,607,156)	(122,344,411)	
Paid Expenses	(3,490,420)	(3,544,645)	(3,525,905)	(3,600,149)	(3,780,156)	(3,969,164)	(4,167,622)	(4,376,003)	(4,594,803)	(4,824,544)	
DCED Loan Interest Payments	232,276	200,133	163,682	125,493	85,482	44,659	0	0	0	0	
GF Loan Interest Payments	0	0	0	0	0	0	0	0	0	0	
GF Loan Principal Payments	0	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
DCED Loan Principal Payments	770,057	650,861	690,065	722,405	747,246	778,617	726,040	0	0	0	
DEP Assistance	(900,000)	(1,525,000)	0	0	0	0	0	0	0	0	
Other Cash	(5,096,545)	0	0	0	0	0	0	0	0	0	
Investment Income	3,449,784	2,252,405	1,081,300	(296,186)	(1,903,905)	(3,771,643)	(5,925,280)	(8,349,493)	(11,027,486)	(13,945,927)	
Total Cash Flow	(33,579,288)	(27,487,070)	(32,239,281)	(38,012,538)	(43,981,113)	(51,273,527)	(58,561,963)	(65,072,884)	(71,504,773)	(77,335,716)	
Ending Cash & Invested Assets	71,179,866	43,692,796	11,453,515	(26,559,023)	(70,540,136)	(121,813,663)	(180,375,626)	(245,448,509)	(316,953,283)	(394,288,999)	

Expense Inflation: 5.0%
Return on Cash & Invested Assets: 4.0%

	06/30/14	06/30/15	06/30/16	06/30/17	06/30/18	06/30/19	06/30/20	06/30/21	06/30/22	06/30/23
Balance Sheet										
Cash & Invested Assets	(465,235,542)	(560,641,059)	(662,781,712)	(771,453,479)	(887,076,280)	(1,011,646,657)	(1,145,754,607)	(1,290,039,523)	(1,445,169,847)	(1,611,845,718)
DCED Loan Receivable	(176,148)	(176,148)	(176,148)	(176,148)	(176,148)	(176,148)	(176,148)	(176,148)	(176,148)	(176,148)
General Fund Loan Receivable	0	0	0	0	0	0	0	0	0	0
Total Assets	(465,411,690)	(560,817,207)	(662,957,860)	(771,629,627)	(887,252,428)	(1,011,822,805)	(1,145,930,755)	(1,290,215,671)	(1,445,345,995)	(1,612,021,866)
Loss Reserves	809,348,983	835,280,964	863,496,456	894,687,449	928,935,805	964,804,115	1,002,322,610	1,041,507,039	1,082,380,996	1,124,974,926
Other Liabilities	0	0	0	0	0	0	0	0	0	0
Total Liabilities	809,348,983	835,280,964	863,496,456	894,687,449	928,935,805	964,804,115	1,002,322,610	1,041,507,039	1,082,380,996	1,124,974,926
Surplus (Unfunded Liability)	(1,274,760,672)	(1,396,098,171)	(1,526,454,315)	(1,666,317,075)	(1,816,188,233)	(1,976,626,920)	(2,148,253,365)	(2,331,722,710)	(2,527,726,991)	(2,736,996,792)
Total Liabilities & Surplus	(465,411,690)	(560,817,207)	(662,957,860)	(771,629,627)	(887,252,428)	(1,011,822,805)	(1,145,930,755)	(1,290,215,671)	(1,445,345,995)	(1,612,021,866)

Income Statement	Fiscal Year Beginning:										Total
	07/01/13	07/01/14	07/01/15	07/01/16	07/01/17	07/01/18	07/01/19	07/01/20	07/01/21	07/01/22	
Capacity Fee Revenue	10,970,950	11,190,369	11,414,176	11,642,460	11,875,309	12,112,815	12,355,071	12,602,173	12,854,216	13,111,301	218,676,328
Throughput Fee Revenue	43,883,799	44,781,475	45,656,705	46,569,839	47,501,235	48,451,260	49,420,285	50,408,691	51,416,865	52,445,202	874,705,313
Subtotal	54,854,749	55,951,844	57,070,881	58,212,298	59,376,544	60,564,075	61,775,357	63,010,864	64,271,081	65,556,503	1,093,381,641
Incurred Losses & ALAE	(146,084,710)	(151,855,056)	(157,853,331)	(164,088,537)	(170,570,034)	(177,307,551)	(184,311,199)	(191,591,491)	(199,159,355)	(207,026,150)	(2,955,713,093)
Claim Administration	(1,303,024)	(1,368,175)	(1,436,584)	(1,508,413)	(1,583,834)	(1,663,026)	(1,746,177)	(1,833,486)	(1,925,160)	(2,021,418)	(27,207,779)
Other Expenses	(3,782,747)	(3,950,884)	(4,148,428)	(4,355,850)	(4,573,642)	(4,802,324)	(5,042,440)	(5,294,562)	(5,559,290)	(5,837,255)	(76,382,354)
Subtotal	(151,150,481)	(157,174,115)	(163,438,343)	(169,952,800)	(176,727,510)	(183,772,901)	(191,099,816)	(198,719,540)	(206,643,806)	(214,884,823)	(3,059,303,226)
Underwriting Income	(96,295,732)	(101,222,271)	(106,367,462)	(111,740,502)	(117,350,966)	(123,208,825)	(129,324,460)	(135,708,676)	(142,372,725)	(149,328,320)	(1,965,921,585)
DCED Loan Interest Payments	0	0	0	0	0	0	0	0	0	0	851,725
GF Loan Interest Payments	10,724,139	0	0	0	0	0	0	0	0	0	10,724,139
DEP Assistance	0	0	0	0	0	0	0	0	0	0	(2,425,000)
Investment Income	(16,853,422)	(20,115,227)	(23,988,682)	(28,122,259)	(32,520,191)	(37,229,862)	(42,301,986)	(47,760,669)	(53,631,556)	(59,941,482)	(400,901,767)
Total Income	(102,425,015)	(121,337,499)	(130,356,144)	(139,862,760)	(149,871,157)	(160,438,687)	(171,626,445)	(183,469,345)	(196,004,281)	(209,269,802)	(2,357,672,487)

Cash Flow	Fiscal Year Beginning:										Total
	07/01/13	07/01/14	07/01/15	07/01/16	07/01/17	07/01/18	07/01/19	07/01/20	07/01/21	07/01/22	
Initial Cash & Invested Assets	(394,288,999)	(465,235,542)	(560,641,059)	(662,781,712)	(771,453,479)	(887,076,280)	(1,011,646,657)	(1,145,754,607)	(1,290,039,523)	(1,445,169,847)	104,759,134
Capacity Fee Revenue	10,970,950	11,190,369	11,414,176	11,642,460	11,875,309	12,112,815	12,355,071	12,602,173	12,854,216	13,111,301	218,676,328
Throughput Fee Revenue	43,883,799	44,781,475	45,656,705	46,569,839	47,501,235	48,451,260	49,420,285	50,408,691	51,416,865	52,445,202	874,705,313
Paid Losses & ALAE	(124,606,237)	(125,923,075)	(129,637,839)	(132,897,544)	(136,321,678)	(141,439,241)	(146,792,704)	(152,407,063)	(158,285,398)	(164,432,219)	(2,414,634,234)
Paid Expenses	(5,065,771)	(5,319,059)	(5,585,012)	(5,864,263)	(6,157,476)	(6,465,350)	(6,798,617)	(7,128,048)	(7,484,451)	(7,858,673)	(103,590,133)
DCED Loan Interest Payments	0	0	0	0	0	0	0	0	0	0	851,725
GF Loan Interest Payments	10,724,139	0	0	0	0	0	0	0	0	0	10,724,139
GF Loan Principal Payments	10,000,000	0	0	0	0	0	0	0	0	0	100,000,000
DCED Loan Principal Payments	0	0	0	0	0	0	0	0	0	0	5,085,321
DEP Assistance	0	0	0	0	0	0	0	0	0	0	(2,425,000)
Other Cash	0	0	0	0	0	0	0	0	0	0	(5,096,545)
Investment Income	(16,853,422)	(20,115,227)	(23,988,682)	(28,122,259)	(32,520,191)	(37,229,862)	(42,301,986)	(47,760,669)	(53,631,556)	(59,941,482)	(400,901,767)
Total Cash Flow	(70,946,542)	(95,405,517)	(102,140,652)	(108,671,767)	(115,622,801)	(124,570,377)	(134,107,950)	(144,284,918)	(155,130,324)	(166,675,871)	(1,716,604,852)
Ending Cash & Invested Assets	(465,235,542)	(560,641,059)	(662,781,712)	(771,453,479)	(887,076,280)	(1,011,646,657)	(1,145,754,607)	(1,290,039,523)	(1,445,169,847)	(1,611,845,718)	(1,611,845,718)

**USTIF
Fee Revenue
Based on Current Fee Structure**

Exhibit 2

MILLIMAN USA

Index	Fiscal Year Beginning	Capacity Fee Revenue	Capacity Fee	Estimated Capacity (Gallons)	Percent Change	Throughput Revenue	Throughput Fee	Estimated Throughput (Gallons)	Percent Change
1	07/01/93	17,647,548				21,627,274			
2	07/01/94	22,185,931				89,604,676			
3	07/02/95	10,775,669				73,085,329			
4	07/01/96	15,521,447				50,904,408			
5	07/01/97	10,720,275				37,920,803			
6	07/01/98	4,982,315				15,090,863			
7	07/02/99	1,012,261				4,267,915			
8	07/01/00	793,458				2,446,014			
9	07/01/01	1,563,866				2,694,088			
10	07/01/02	5,230,259				19,238,862			
		Current:	0.075			Current:	0.010		
Projection Periods:									
1	07/01/03	9,000,000	0.075	120,000,000		36,000,000	0.0100	3,600,000,000	
2	07/01/04	9,180,000	0.075	122,400,000	2.0%	36,720,000	0.0100	3,672,000,000	2.0%
3	07/01/05	9,363,600	0.075	124,848,000	2.0%	37,454,400	0.0100	3,745,440,000	2.0%
4	07/01/06	9,550,872	0.075	127,344,960	2.0%	38,203,488	0.0100	3,820,348,800	2.0%
5	07/01/07	9,741,889	0.075	129,891,859	2.0%	38,967,558	0.0100	3,896,755,776	2.0%
6	07/01/08	9,936,727	0.075	132,489,696	2.0%	39,746,909	0.0100	3,974,690,892	2.0%
7	07/01/09	10,135,462	0.075	135,139,490	2.0%	40,541,847	0.0100	4,054,184,709	2.0%
8	07/01/10	10,338,171	0.075	137,842,280	2.0%	41,352,684	0.0100	4,135,268,404	2.0%
9	07/01/11	10,544,934	0.075	140,599,126	2.0%	42,179,738	0.0100	4,217,973,772	2.0%
10	07/01/12	10,755,833	0.075	143,411,108	2.0%	43,023,332	0.0100	4,302,333,247	2.0%
11	07/01/13	10,970,950	0.075	146,279,330	2.0%	43,883,799	0.0100	4,388,379,912	2.0%
12	07/01/14	11,190,369	0.075	149,204,917	2.0%	44,761,475	0.0100	4,476,147,510	2.0%
13	07/01/15	11,414,176	0.075	152,189,015	2.0%	45,656,705	0.0100	4,565,670,460	2.0%
14	07/01/16	11,642,460	0.075	155,232,796	2.0%	46,569,839	0.0100	4,656,983,870	2.0%
15	07/01/17	11,875,309	0.075	158,337,452	2.0%	47,501,235	0.0100	4,750,123,547	2.0%
16	07/01/18	12,112,815	0.075	161,504,201	2.0%	48,451,260	0.0100	4,845,126,018	2.0%
17	07/01/19	12,355,071	0.075	164,734,285	2.0%	49,420,285	0.0100	4,942,028,538	2.0%
18	07/01/20	12,602,173	0.075	168,028,970	2.0%	50,408,691	0.0100	5,040,869,109	2.0%
19	07/01/21	12,854,216	0.075	171,389,550	2.0%	51,416,865	0.0100	5,141,686,491	2.0%
20	07/01/22	13,111,301	0.075	174,817,341	2.0%	52,445,202	0.0100	5,244,520,221	2.0%

**USTIF
Payout Pattern**

Exhibit 4

Months	Report Year Incremental Loss Payout	Report Year Cumulative Loss Payout	Months	Report Year Cumulative Loss Payout	Report Year Incremental Loss Payout
6	0.008	0.008	12	0.029	0.029
18	0.089	0.098	24	0.149	0.121
30	0.104	0.201	36	0.245	0.096
42	0.086	0.287	48	0.328	0.083
54	0.081	0.368	60	0.408	0.080
66	0.078	0.447	72	0.484	0.076
78	0.074	0.521	84	0.559	0.074
90	0.075	0.596	96	0.630	0.071
102	0.068	0.664	108	0.690	0.060
114	0.050	0.714	120	0.736	0.047
126	0.044	0.758	132	0.786	0.049
138	0.055	0.813	144	0.839	0.053
150	0.052	0.865	156	0.890	0.052
162	0.050	0.915	168	0.938	0.048
174	0.045	0.960	180	0.980	0.042
186	0.040	1.000	192	1.000	0.020
	1.000				1.000

MILLIMAN USA

USTIF

Projected Incurred Losses and ALAE Based on Frequency and Severity

Exhibit 5

Index	Report Year	Number of Tanks	Percent Change	Reported Counts	Claim Frequency	Percent Change	Ultimate Losses & ALAE	Ultimate Severity	Percent Change
1	1994			170			14,874,832	87,499	
2	1995	56,306		388	0.00689		40,251,971	103,742	18.6%
3	1996	46,097	(18.1%)	383	0.00831	20.6%	53,807,494	140,490	35.4%
4	1997	44,760	(2.9%)	432	0.00965	16.2%	77,697,274	179,855	28.0%
5	1998	40,156	(10.3%)	529	0.01317	36.5%	113,200,818	213,990	19.0%
6	1999	33,357	(16.9%)	573	0.01718	30.4%	146,825,035	256,239	19.7%
7	2000	30,813	(7.6%)	356	0.01155	(32.7%)	99,507,952	279,517	9.1%
8	2001	29,692	(3.6%)	333	0.01122	(2.9%)	119,229,634	358,047	28.1%
9	2002	29,241	(1.5%)	349	0.01194	6.4%	128,543,712	368,320	2.9%
10	1/1/03-6/30/03	14,243		125	0.00878	(26.5%)	48,662,234	389,298	5.7%

Projection Periods:

1	07/01/03	28,200	(1.0%)	254	0.00900		103,744,542	408,763	5.0%
2	07/01/04	27,946	(0.9%)	249	0.00891	(1.0%)	106,871,870	429,201	5.0%
3	07/01/05	27,723	(0.8%)	245	0.00882	(1.0%)	110,204,562	450,661	5.0%
4	07/01/06	27,529	(0.7%)	240	0.00873	(1.0%)	113,755,739	473,194	5.0%
5	07/01/07	27,364	(0.6%)	237	0.00865	(1.0%)	117,539,596	496,854	5.0%
6	07/01/08	27,227	(0.5%)	233	0.00856	(1.0%)	121,571,498	521,696	5.0%
7	07/01/09	27,118	(0.4%)	230	0.00847	(1.0%)	125,868,078	547,781	5.0%
8	07/01/10	27,036	(0.3%)	227	0.00839	(1.0%)	130,447,347	575,170	5.0%
9	07/01/11	26,982	(0.2%)	224	0.00830	(1.0%)	135,328,817	603,929	5.0%
10	07/01/12	26,955	(0.1%)	222	0.00822	(1.0%)	140,533,631	634,125	5.0%
11	07/01/13	26,955	0.0%	219	0.00814	(1.0%)	146,084,710	665,831	5.0%
12	07/01/14	26,955	0.0%	217	0.00806	(1.0%)	151,855,056	699,123	5.0%
13	07/01/15	26,955	0.0%	215	0.00798	(1.0%)	157,853,331	734,079	5.0%
14	07/01/16	26,955	0.0%	213	0.00790	(1.0%)	164,088,537	770,783	5.0%
15	07/01/17	26,955	0.0%	211	0.00782	(1.0%)	170,570,034	809,322	5.0%
16	07/01/18	26,955	0.0%	209	0.00774	(1.0%)	177,307,551	849,788	5.0%
17	07/01/19	26,955	0.0%	207	0.00766	(1.0%)	184,311,199	892,278	5.0%
18	07/01/20	26,955	0.0%	204	0.00759	(1.0%)	191,591,491	936,892	5.0%
19	07/01/21	26,955	0.0%	202	0.00751	(1.0%)	199,159,355	983,736	5.0%
20	07/01/22	26,955	0.0%	200	0.00744	(1.0%)	207,026,150	1,032,923	5.0%

APPENDIX

Loss and ALAE Reserves as of June 30, 2003

Summary of Estimated Ultimates as of 7/2003
USTIF
Loss Fund
Loss and ALAE

Weights for Ultimates		
1994	1.00	1.00
1995	1.00	1.00
1996	1.00	1.00
1997	1.00	1.00
1998	1.00	1.00
1999	1.00	1.00
2000	1.00	1.00
2001	1.00	1.00
2002	1.00	1.00
2003	1.00	1.00

Estimate of Ultimates		
Method ->	Ultimate ALAE	Ultimate Loss
1994	763,000	14,111,832
1995	636,185	39,615,786
1996	515,852	53,291,642
1997	3,317,829	74,379,446
1998	5,932,650	107,268,168
1999	3,537,602	143,287,433
2000	2,569,531	96,908,421
2001	6,439,929	112,789,705
2002	6,121,129	122,422,583
2003	4,634,499	92,689,970
Total	34,498,207	856,764,985

Selected Estimated Ultimates			
Report Yr	Sum	Selected Estimate of Ultimates	Calculated Estimate of Ultimates
1994	14,874,832		14,874,832
1995	40,251,971		40,251,971
1996	53,807,494		53,807,494
1997	77,697,274		77,697,274
1998	113,200,818		113,200,818
1999	146,825,035		146,825,035
2000	99,507,952		99,507,952
2001	119,229,634		119,229,634
2002	128,543,712		128,543,712
2003	97,324,469		97,324,469
Total	891,263,191		891,263,191

Estimated Ultimates Reconciliation			
Report Yr	Paid Loss & ALAE	Estimate of Total Reserve	Estimate of Ultimate
1994	10,350,474	4,524,358	14,874,832
1995	26,721,495	13,530,476	40,251,971
1996	31,989,981	21,817,513	53,807,494
1997	39,359,520	38,337,754	77,697,274
1998	49,476,990	63,723,828	113,200,818
1999	49,200,662	97,624,373	146,825,035
2000	25,840,965	73,666,987	99,507,952
2001	18,477,303	100,752,331	119,229,634
2002	7,089,085	121,454,627	128,543,712
2003	198,415	48,463,819	48,662,234
Total	258,704,890	583,896,067	842,600,957

* Prorated 1/2 year

Summary of Estimated Ultimates as of 7/2003
USTIF
Loss Fund
Loss Only

Weights for Ultimates					
1994	0.50	0.50	0.00	0.00	0.00
1995	0.50	0.50	0.00	0.00	0.00
1996	0.50	0.50	0.00	0.00	0.00
1997	0.50	0.50	0.00	0.00	0.00
1998	0.50	0.50	0.00	0.00	0.00
1999	0.00	0.00	0.00	1.00	0.00
2000	0.00	0.00	0.00	1.00	0.00
2001	0.00	0.00	0.00	1.00	0.00
2002	0.00	0.00	0.00	1.00	0.00
2003	0.00	0.00	0.00	1.00	0.00

Estimate of Ultimates					
Method ->	LDM Paid Analysis	LDM Reported Analysis	Modified Cape Cod Paid Analysis	Modified Cape Cod Reported Analysis	Berquist Sherman
1994	13,786,363	14,437,301	14,675,978	14,690,351	14,437,301
1995	39,702,250	39,529,321	41,417,154	40,340,188	39,529,321
1996	53,310,823	53,272,461	52,731,314	53,713,391	53,272,461
1997	72,861,096	75,897,795	70,660,819	75,547,404	75,897,795
1998	106,806,338	107,729,997	101,049,807	107,359,631	107,729,997
1999	131,586,593	149,602,539	123,522,993	143,287,433	149,602,539
2000	89,004,120	97,019,214	84,205,304	96,908,421	97,019,214
2001	90,268,566	125,499,713	85,601,967	112,789,705	125,752,730
2002	70,066,494	121,077,771	92,272,902	122,422,583	128,319,651
2003	16,424,848	65,839,229	72,590,849	92,689,970	71,689,049
Total	683,817,492	849,905,341	738,729,087	859,749,077	863,250,058

Selected Estimated Ultimates			
Report Yr	Weighted Average	Selected Estimate of Ultimates	Calculated Estimate of Ultimates
1994	14,111,832		14,111,832
1995	39,615,786		39,615,786
1996	53,291,642		53,291,642
1997	74,379,446		74,379,446
1998	107,268,168		107,268,168
1999	143,287,433		143,287,433
2000	96,908,421		96,908,421
2001	112,789,705		112,789,705
2002	122,422,583		122,422,583
2003	92,689,970		92,689,970
Total	856,764,985		856,764,985

Estimated Ultimates Reconciliation						
Report Yr	Paid Loss	Reported Loss	Case Reserves	IBNR	Estimate of Total Reserve	Estimate of Ultimate
1994	9,847,402	13,430,047	3,582,645	681,785	4,264,430	14,111,832
1995	26,364,944	35,558,689	9,193,745	4,057,097	13,250,842	39,615,786
1996	31,758,264	44,167,184	12,408,920	9,124,458	21,533,378	53,291,642
1997	37,976,006	57,332,235	19,356,229	17,047,211	36,403,440	74,379,446
1998	47,712,386	68,694,985	20,982,599	38,573,183	59,555,782	107,268,168
1999	48,472,278	83,730,530	35,258,252	59,556,903	94,815,155	143,287,433
2000	25,542,014	46,152,780	20,610,766	50,755,641	71,366,407	96,908,421
2001	18,164,366	50,071,528	31,907,162	62,718,177	94,625,339	112,789,705
2002	6,839,032	41,799,436	34,960,404	80,623,147	115,583,551	122,422,583
2003	136,967	11,730,000	11,593,033	80,959,970	92,553,003	92,689,970
Total	252,813,659	452,667,414	199,853,755	404,097,571	603,951,326	856,764,985

Summary of Estimated Ultimates as of 7/2003
USTIF
Loss Fund
ALAE Only

Weights for Ultimates		
1994	0.50	0.50
1995	0.50	0.50
1996	0.50	0.50
1997	0.50	0.50
1998	0.50	0.50
1999	0.50	0.50
2000	0.50	0.50
2001	0.50	0.50
2002	0.00	1.00
2003	0.00	1.00

Estimate of Ultimates		
Method ->	Paid ALAE Analysis	Paid ALAE to Paid Loss Analysis
1994	754,608	771,393
1995	641,792	630,579
1996	510,911	520,792
1997	3,283,194	3,352,464
1998	6,407,849	5,457,452
1999	3,810,768	3,264,436
2000	2,856,310	2,342,753
2001	7,304,099	5,575,758
2002	15,912,084	6,121,129
2003	121,492,154	4,634,499
Total	162,973,769	32,671,255

Selected Estimated Ultimates			
Report Yr	Weighted Average	Selected Estimate of Ultimates	Calculated Estimate of Ultimates
1994	763,000		763,000
1995	636,185		636,185
1996	515,852		515,852
1997	3,317,829		3,317,829
1998	5,932,650		5,932,650
1999	3,537,602		3,537,602
2000	2,599,531		2,599,531
2001	6,439,929		6,439,929
2002	6,121,129		6,121,129
2003	4,634,499		4,634,499
Total	34,498,207		34,498,207

**USTIF
Loss Fund
Loss Development as of 7/2003
LDM Paid Analysis**

Paid Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	26,549	1,065,543	2,641,954	4,124,329	5,084,843	5,722,553	7,242,469	8,316,696	9,155,065	9,847,402
1995	80,363	4,047,281	8,939,346	12,050,785	14,578,528	17,689,273	20,512,153	23,547,481	26,364,944	
1996	378,046	5,771,167	11,223,864	16,143,606	19,774,295	24,111,356	27,910,421	31,758,264		
1997	815,371	7,821,377	14,581,583	20,802,017	27,013,280	32,740,533	37,976,006			
1998	669,532	12,538,723	21,892,260	30,296,310	39,074,256	47,712,386				
1999	995,206	10,793,374	24,642,537	36,754,101	48,472,278					
2000	1,575,064	8,018,881	18,111,533	25,542,014						
2001	808,910	8,227,308	18,184,366							
2002	216,354	6,839,032								
2003	136,967									

Reported Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	2,293,319	9,563,332	8,899,568	8,736,580	8,080,073	8,314,481	10,736,650	11,535,278	12,987,106	13,430,047
1995	8,613,250	16,054,915	18,254,671	19,905,659	21,046,653	24,236,053	30,169,742	33,207,421	35,558,688	
1996	8,936,404	23,223,929	25,768,942	27,494,229	30,365,919	36,418,786	40,100,655	44,167,184		
1997	12,184,215	27,836,716	28,234,518	36,152,302	42,676,638	47,809,529	57,332,235			
1998	19,968,710	35,983,916	41,838,789	51,702,157	60,624,997	68,694,985				
1999	26,009,771	42,278,965	52,206,186	65,543,733	83,730,530					
2000	18,092,663	31,208,525	39,242,851	46,152,780						
2001	16,125,130	42,731,836	50,071,528							
2002	27,466,744	41,799,436								
2003	11,730,000									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994	40.888	2.434	1.561	1.233	1.125	1.266	1.148	1.101	1.076	
1995	50.352	2.209	1.348	1.210	1.213	1.160	1.148	1.120		
1996	15.266	1.945	1.438	1.225	1.219	1.158	1.138			
1997	9.592	1.864	1.413	1.311	1.212	1.160				
1998	18.728	1.746	1.384	1.290	1.221					
1999	10.845	2.283	1.491	1.319						
2000	5.091	2.259	1.410							
2001	10.171	2.208								
2002	31.610									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	21.395	2.118	1.435	1.265	1.198	1.186	1.145	1.110	1.076	
Latest 3	15.624	2.250	1.429	1.307	1.217	1.159	1.145	1.110	1.076	
Latest 5	15.289	2.072	1.427	1.271	1.198	1.186	1.145	1.110	1.076	
Medial Avg										
Latest 5x1	13.248	2.110	1.420	1.275	1.215	1.160	1.148	1.110	1.076	
Volume Wtd										
All Yrs	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	
Latest 2	14.695	2.233	1.457	1.308	1.217	1.159	1.142	1.115	1.076	
Latest 3	8.878	2.253	1.432	1.307	1.218	1.159	1.143	1.115	1.076	
Latest 5	10.883	2.055	1.430	1.285	1.213	1.167	1.143	1.115	1.076	

Development Factor Selection										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Industry										
Defaults	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	2.085
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected										1.400
Selected Result	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	1.400
FactoUlt	119.918	10.245	4.970	3.485	2.715	2.239	1.919	1.679	1.506	1.400
Percent of Ult	0.008	0.098	0.201	0.287	0.368	0.447	0.521	0.596	0.664	0.714

Estimated Ultimate			
Report Yr	Paid Amounts	Factor to Ultimate	Estimate of Ultimate
1994	9,847,402	1.400	13,786,363
1995	26,364,944	1.506	39,702,250
1996	31,758,264	1.679	53,310,823
1997	37,976,006	1.919	72,861,096
1998	47,712,386	2.239	106,806,338
1999	48,472,278	2.715	131,586,593
2000	25,542,014	3.485	89,004,120
2001	18,184,366	4.970	90,268,566
2002	6,839,032	10.245	70,066,494
2003	136,967	119.918	16,424,848
Total	252,813,659		683,817,492

**USTIF
Loss Fund
Loss Development as of 7/2003
LDM Reported Analysis**

Reported Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	2,293,319	9,563,332	8,899,568	8,736,580	8,080,073	8,314,481	10,736,850	11,535,278	12,987,106	13,430,047
1995	8,613,250	16,054,915	18,254,871	19,805,659	21,046,853	24,236,053	30,169,742	33,207,421	35,558,689	
1996	8,936,404	23,223,929	25,768,942	27,494,229	30,365,919	36,418,786	40,100,655	44,167,184		
1997	12,184,215	27,836,716	28,234,518	36,152,302	42,676,638	47,809,529	57,332,235			
1998	19,968,710	35,983,916	41,838,789	51,702,157	60,624,997	68,694,985				
1999	26,009,771	42,278,965	52,206,186	65,543,733	83,730,530					
2000	18,092,663	31,208,525	39,242,851	46,152,780						
2001	16,125,130	42,731,836	50,071,528							
2002	27,466,744	41,799,436								
2003	11,730,000									

Paid Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	26,549	1,085,543	2,641,954	4,124,329	5,084,843	5,722,553	7,242,469	8,316,696	9,155,065	9,847,402
1995	80,363	4,047,281	8,939,346	12,050,795	14,578,528	17,683,273	20,512,153	23,547,481	26,364,944	
1996	378,046	5,771,167	11,223,864	16,143,606	19,774,295	24,111,356	27,910,421	31,758,264		
1997	815,371	7,821,377	14,581,583	20,602,017	27,013,280	32,740,533	37,976,006			
1998	669,532	12,538,723	21,892,260	30,296,310	39,074,256	47,712,386				
1999	995,206	10,793,374	24,642,537	36,754,101	48,472,276					
2000	1,575,064	8,018,881	18,111,533	25,542,014						
2001	808,910	8,227,308	18,164,366							
2002	216,354	6,839,032								
2003	136,967									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994	4.170	0.931	0.982	0.925	1.029	1.291	1.074	1.126	1.034	
1995	1.864	1.137	1.090	1.057	1.152	1.245	1.101	1.071		
1996	2.599	1.110	1.067	1.104	1.199	1.101	1.101			
1997	2.285	1.014	1.280	1.180	1.120	1.199				
1998	1.802	1.163	1.236	1.173	1.133					
1999	1.626	1.235	1.255	1.277						
2000	1.725	1.257	1.176							
2001	2.650	1.172								
2002	1.522									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	2.249	1.127	1.155	1.120	1.127	1.209	1.092	1.098	1.034	
Latest 3	1.965	1.221	1.222	1.210	1.151	1.182	1.092	1.098	1.034	
Latest 5	1.865	1.168	1.203	1.158	1.127	1.209	1.092	1.098	1.034	
Medial Avg										
Latest 5x1	1.717	1.190	1.222	1.152	1.135	1.222	1.101	1.098	1.034	
Volume Wtd										
All Yrs	1.938	1.156	1.192	1.177	1.139	1.185	1.098	1.085	1.034	
Latest 2	1.939	1.208	1.221	1.231	1.128	1.157	1.101	1.085	1.034	
Latest 3	1.876	1.218	1.226	1.219	1.144	1.176	1.098	1.085	1.034	
Latest 5	1.802	1.175	1.212	1.187	1.139	1.185	1.098	1.085	1.034	

Development Factor Selection										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Industry										
Defaults	1.938	1.156	1.192	1.177	1.139	1.185	1.098	1.085	1.034	1.105
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected										1.075
Selected Result	1.938	1.156	1.192	1.177	1.139	1.185	1.098	1.085	1.034	1.075
FacToUlt	5.613	2.897	2.506	2.102	1.787	1.568	1.324	1.206	1.112	1.075
Percent of Ult	0.178	0.345	0.399	0.476	0.560	0.638	0.755	0.829	0.900	0.930

Estimated Ultimate			
Report Yr	Reported Amounts	Factor to Ultimate	Estimate of Ultimate
1994	13,430,047	1.075	14,437,301
1995	35,558,689	1.112	39,529,321
1996	44,167,184	1.206	53,272,461
1997	57,332,235	1.324	75,897,795
1998	68,694,985	1.568	107,729,997
1999	83,730,530	1.787	149,602,539
2000	46,152,780	2.102	97,019,214
2001	50,071,528	2.506	125,499,713
2002	41,799,436	2.897	121,077,771
2003	11,730,000	5.613	65,839,229
Total	452,667,414		848,905,341

**USTIF
Loss Fund
Modified Cape Cod Method as of 7/2003
Modified Cape Cod Paid Analysis**

Paid Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	26,549	1,085,543	2,641,954	4,124,329	5,084,843	5,722,553	7,242,469	8,316,696	9,155,065	9,847,402
1995	80,363	4,047,281	8,939,346	12,050,795	14,578,528	17,683,273	20,512,153	23,547,481	26,364,944	
1996	378,046	5,771,167	11,223,864	16,143,606	19,774,295	24,111,356	27,910,421	31,758,264		
1997	815,371	7,821,377	14,581,583	20,602,017	27,013,280	32,740,533	37,976,006			
1998	669,532	12,538,723	21,892,260	30,296,310	39,074,256	47,712,386				
1999	995,206	10,793,374	24,642,537	36,754,101	48,472,278					
2000	1,575,064	8,018,881	18,111,533	25,542,014						
2001	808,910	8,227,308	18,164,366							
2002	216,354	6,839,032								
2003	136,967									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994	40.888	2.434	1.561	1.233	1.125	1.266	1.148	1.101	1.076	
1995	50.362	2.209	1.348	1.210	1.213	1.160	1.148	1.120		
1996	15.266	1.945	1.438	1.225	1.219	1.158	1.138			
1997	9.592	1.864	1.413	1.311	1.212	1.160				
1998	18.728	1.746	1.384	1.290	1.221					
1999	10.845	2.283	1.491	1.319						
2000	5.091	2.259	1.410							
2001	10.171	2.208								
2002	31.610									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	21.395	2.118	1.435	1.265	1.198	1.186	1.145	1.110	1.076	
Latest 3	15.624	2.250	1.429	1.307	1.217	1.159	1.145	1.110	1.076	
Latest 5	15.289	2.072	1.427	1.271	1.198	1.186	1.145	1.110	1.076	
Medial Avg										
Latest 5x1	13.248	2.110	1.420	1.275	1.215	1.160	1.148	1.110	1.076	
Volume Wtd										
All Yrs	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	
Latest 2	14.695	2.233	1.457	1.306	1.217	1.159	1.142	1.115	1.076	
Latest 3	8.878	2.253	1.432	1.307	1.218	1.159	1.143	1.115	1.076	
Latest 5	10.883	2.055	1.430	1.285	1.213	1.167	1.143	1.115	1.076	

Development Factor Selection										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Industry										
Defaults	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	2.085
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected										1.400
Selected Result	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	1.400
FacToUlt	119.918	10.245	4.970	3.485	2.715	2.239	1.919	1.679	1.506	1.400
Percent of Ult	0.008	0.098	0.201	0.287	0.368	0.447	0.521	0.596	0.664	0.714

Estimated Ultimate										
Report Yr	Actual Paid	Trend Factor	Trended Paid	Factor to Ultimate	Reported Claim Counts	Decay Factor	Initial Expected Loss Ratio	Detrended Expected Loss Ratio	Expected Loss	Estimated Unreported Loss
1994	9,847,402	3.518	34,641,942	1.400	170	0.750	349,382	99,313	16,883,133	4,828,576
1995	26,364,944	3.059	80,650,966	1.506	388		353,190	115,459	44,798,244	15,052,210
1996	31,758,264	2.660	84,477,614	1.679	383		360,548	135,544	51,913,491	20,973,050
1997	37,976,006	2.313	87,840,810	1.919	432		365,344	157,953	68,235,517	32,684,813
1998	47,712,386	2.011	95,966,651	2.239	529		366,660	192,327	96,451,032	53,337,421
1999	48,472,278	1.749	84,778,317	2.715	573		362,471	207,245	118,751,131	75,060,715
2000	25,542,014	1.521	38,846,211	3.485	356		351,525	231,114	82,276,704	58,663,290
2001	18,164,366	1.323	24,022,374	4.970	333		335,329	253,461	84,402,504	67,437,601
2002	6,839,032	1.150	7,864,887	10.245	349		312,102	271,393	94,716,042	85,433,870
2003	136,967	1.000	136,967	119.918	250		292,153	292,153	73,038,187	72,453,882
Total	252,813,659		539,226,738		3,763				731,465,985	485,915,428

**USTIF
Loss Fund
Modified Cape Cod Method as of 7/2003
Modified Cape Cod Reported Analysis**

Reported Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	2,293,319	9,563,332	8,899,568	8,736,580	8,080,073	8,314,481	10,736,650	11,535,278	12,987,106	13,430,047
1995	8,613,250	16,054,915	18,254,871	19,905,659	21,046,653	24,236,053	30,169,742	33,207,421	35,558,689	
1996	8,936,404	23,223,929	25,768,942	27,494,229	30,365,919	36,418,786	40,100,655	44,167,184		
1997	12,184,215	27,836,716	28,234,518	36,152,302	42,676,638	47,809,529	57,332,235			
1998	19,968,710	35,983,916	41,838,789	51,702,157	60,624,997	68,694,985				
1999	26,009,771	42,278,965	52,206,186	65,543,733	83,730,530					
2000	18,092,663	31,208,525	39,242,851	46,152,780						
2001	16,125,130	42,731,836	50,071,528							
2002	27,466,744	41,799,436								
2003	11,730,000									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994	4.170	0.931	0.982	0.925	1.029	1.291	1.074	1.126	1.034	
1995	1.864	1.137	1.090	1.057	1.152	1.245	1.101	1.071		
1996	2.599	1.110	1.067	1.104	1.199	1.101	1.101			
1997	2.285	1.014	1.280	1.180	1.120	1.199				
1998	1.802	1.163	1.236	1.173	1.133					
1999	1.626	1.235	1.255	1.277						
2000	1.725	1.257	1.176							
2001	2.650	1.172								
2002	1.522									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	2.249	1.127	1.155	1.120	1.127	1.209	1.092	1.098	1.034	
Latest 3	1.966	1.221	1.222	1.210	1.151	1.182	1.092	1.098	1.034	
Latest 5	1.865	1.168	1.203	1.158	1.127	1.209	1.092	1.098	1.034	
Medial Avg										
Latest 5x1	1.717	1.190	1.222	1.152	1.135	1.222	1.101	1.098	1.034	
Volume Wtd										
All Yrs	1.938	1.156	1.192	1.177	1.139	1.185	1.098	1.085	1.034	
Latest 2	1.939	1.208	1.221	1.231	1.128	1.157	1.101	1.085	1.034	
Latest 3	1.876	1.218	1.226	1.219	1.144	1.176	1.098	1.085	1.034	
Latest 5	1.802	1.175	1.212	1.187	1.139	1.185	1.098	1.085	1.034	

Development Factor Selection										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Industry										
Defaults	1.938	1.156	1.192	1.177	1.139	1.185	1.098	1.085	1.034	1.105
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected										1.075
Selected Result	1.938	1.156	1.192	1.177	1.139	1.185	1.098	1.085	1.034	1.075
FacToUlt	5.613	2.897	2.506	2.102	1.787	1.568	1.324	1.206	1.112	1.075
Percent of Ult	0.178	0.345	0.399	0.476	0.560	0.638	0.755	0.829	0.900	0.930

Estimated Ultimate										
Report Yr	Actual Reported	Trend Factor	Trended Reported	Factor to Ultimate	Reported Claim Counts	Decay Factor	Initial Expected Loss Ratio	Detrended Expected Loss Ratio	Expected Loss	Estimated Unreported Loss
1994	13,430,047	3.518	47,245,244	1.075	170	0.750	372,584	105,908	18,004,338	1,260,304
1995	35,558,689	3.059	108,774,843	1.112	388		376,974	123,235	47,814,993	4,781,499
1996	44,167,184	2.660	117,485,588	1.206	383		387,719	145,759	55,825,772	9,546,207
1997	57,332,235	2.313	132,612,943	1.324	432		398,070	172,101	74,347,627	18,215,169
1998	68,694,985	2.011	138,170,152	1.568	529		406,034	201,906	106,808,415	38,664,646
1999	83,730,530	1.749	146,445,220	1.787	573		413,157	236,224	135,356,598	59,556,903
2000	46,152,780	1.521	70,192,609	2.102	356		413,840	272,084	96,861,910	50,755,641
2001	50,071,528	1.323	66,219,596	2.506	333		414,605	313,382	104,356,368	62,718,177
2002	41,799,436	1.150	48,069,351	2.897	349		405,593	352,690	123,088,774	80,623,147
2003	11,730,000	1.000	11,730,000	5.613	250		393,966	393,966	98,491,448	80,959,970
Total	452,667,414		886,945,546		3,763				860,956,243	407,081,663

**USTIF
Loss Fund
Changes in Case Reserve Adequacy as of 7/2003
Change in Case Reserve Adequacy**

Report Yr	6	18	30	42	54	66	78	90	102	114
1994	2,268,770	8,477,789	6,257,814	4,812,251	2,995,230	2,591,928	3,484,181	3,218,582	3,832,041	3,582,643
1995	8,532,887	12,007,834	9,315,525	7,854,864	8,468,125	6,552,780	9,657,589	9,659,940	9,193,745	
1996	8,558,358	17,452,782	14,545,078	11,350,823	10,591,624	12,307,430	12,190,234	12,408,920		
1997	11,368,844	20,015,339	13,852,935	15,550,285	15,883,358	15,088,968	19,358,229			
1998	18,299,178	23,445,193	19,846,528	21,405,847	21,550,741	20,982,399				
1999	25,014,585	31,485,591	27,583,949	28,789,832	35,258,252					
2000	18,517,599	23,189,844	21,131,318	20,810,788						
2001	15,318,220	34,504,528	31,907,182							
2002	27,250,360	34,980,404								
2003	11,583,033									

Report Yr	6	18	30	42	54	66	78	90	102	114
1994	52,715,581	192,877,023	223,488,214	121,375,026	103,283,793	117,814,908	166,389,571	214,572,133	225,414,176	199,035,833
1995	87,188,087	88,815,051	53,846,985	59,980,794	55,758,688	57,889,204	84,715,893	88,823,303	85,922,850	
1996	80,897,574	89,532,918	80,358,547	78,893,399	75,854,457	100,060,407	100,745,738	105,160,339		
1997	82,486,178	73,585,865	70,015,051	84,512,419	87,898,988	93,598,248	123,288,063			
1998	73,981,016	75,874,411	81,083,451	100,498,934	104,109,880	108,510,855				
1999	72,718,759	75,868,894	98,040,589	95,015,287	120,335,331					
2000	81,387,483	112,027,288	104,095,183	108,781,534						
2001	123,517,903	117,782,894	119,502,479							
2002	124,431,005	125,308,108								
2003	128,811,478									

Report Yr	6	18	30	42	54	66	78	90	102	114
1994	2,212,417	8,615,421	18,605,310	31,244,917	38,082,718	38,685,899	48,607,174	53,856,103	59,837,026	54,785,539
1995	1,980,073	19,001,319	41,578,353	48,590,253	53,597,529	64,302,811	74,861,872	84,398,573	93,825,423	
1996	15,751,911	43,720,982	55,563,583	68,898,198	81,375,700	92,735,985	108,528,324	119,842,505		
1997	54,358,087	48,883,808	81,525,687	83,072,649	99,313,529	120,813,775	138,094,587			
1998	51,502,482	58,994,195	77,357,808	95,874,398	121,348,621	143,712,036				
1999	32,103,419	68,312,494	86,182,717	136,126,300	173,115,279					
2000	75,003,048	53,817,993	118,376,033	156,899,472						
2001	80,891,000	205,882,700	275,217,887							
2002	11,387,063	97,700,457								
2003	13,896,700									

Report Yr	6	18	30	42	54	66	78	90	102	114
1994	41,896,709	56,254,894	52,350,400	51,391,847	47,529,841	48,908,712	63,158,765	67,854,578	76,394,741	79,000,276
1995	51,269,345	41,378,647	47,048,837	51,303,245	54,243,951	62,484,054	77,757,067	85,586,137	91,646,108	
1996	54,180,024	80,636,890	67,281,833	71,786,459	78,294,384	95,088,214	104,701,449	115,319,018		
1997	81,348,907	64,436,943	83,357,681	83,885,884	98,788,514	110,810,206	132,713,507			
1998	74,788,178	68,022,528	79,090,338	97,735,647	114,603,019	129,858,195				
1999	89,359,389	73,785,279	91,110,272	114,386,889	146,126,579					
2000	80,770,817	87,864,396	110,232,728	129,642,640						
2001	120,338,791	128,323,832	150,384,949							
2002	115,408,487	119,789,158								
2003	117,300,000									

Severity Trends in	6	18	30	42	54	66	78	90	102	114
Case Amounts / Open Counts	0.106	0.015	-0.005	0.029	0.086	0.028	-0.070	-0.300	-0.619	
Paid Amounts / Closed Counts	0.254	0.341	0.357	0.298	0.350	0.385	0.417	0.494	0.568	
Reported Loss / Reported Claim Counts	0.127	0.129	0.164	0.182	0.280	0.287	0.287	0.304	0.200	
Selected Trends	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150	
Calculated Trends	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.150	0.000

Report Yr	6	18	30	42	54	66	78	90	102	114
1994	38,616,261	40,982,789	44,925,408	46,168,927	59,827,927	60,897,813	81,083,916	79,518,324	74,715,522	199,035,833
1995	42,108,701	47,107,207	51,884,220	53,084,286	68,802,116	70,032,484	93,223,503	91,443,773	85,922,850	
1996	48,425,008	54,173,288	59,413,853	61,058,408	79,122,434	80,537,357	107,207,029	105,160,339		
1997	55,888,757	62,239,291	68,325,536	70,217,187	80,880,799	92,817,951	123,288,083			
1998	64,042,070	71,884,174	78,574,820	80,789,742	104,839,418	106,510,655				
1999	73,848,380	82,390,800	90,361,043	97,882,203	120,335,331					
2000	84,895,638	94,749,420	103,915,199	108,781,534						
2001	97,389,883	108,961,833	119,502,479							
2002	112,009,981	125,308,108								
2003	128,811,478									

Report Yr	6	18	30	42	54	66	78	90	102	114
1994	1,801,048	2,887,908	3,899,865	5,878,748	8,819,853	7,082,305	8,944,811	9,508,441	10,425,229	13,430,047
1995	5,428,158	12,291,042	17,877,256	18,008,144	22,588,573	25,998,944	31,138,832	33,514,852	35,558,688	
1996	7,205,972	19,388,882	21,977,771	25,180,250	30,851,438	34,017,451	40,882,471	44,187,184		
1997	10,950,725	24,788,782	27,905,138	33,521,878	41,571,808	47,852,025	57,332,235			
1998	18,898,218	34,878,773	41,221,868	47,498,005	60,734,816	68,894,985				
1999	28,330,248	44,986,558	50,578,158	64,891,349	83,730,530					
2000	18,788,278	27,832,011	38,206,318	48,152,780						
2001	12,888,508	40,153,125	50,071,528							
2002	24,748,540	41,799,438								
2003	11,730,000									

**USTIF
Loss Fund
Berquist Sherman Method
Adjusted Reported Loss Development Method**

Adjusted Reported Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	1,601,048	2,887,906	3,899,865	5,878,748	6,819,853	7,062,305	8,944,811	9,509,441	10,425,229	13,430,047
1995	5,428,168	12,291,042	17,877,256	19,006,144	22,559,573	25,596,944	31,139,632	33,514,852	35,558,689	
1996	7,205,972	19,368,662	21,977,771	25,180,250	30,851,436	34,017,451	40,882,471	44,167,184		
1997	10,950,725	24,766,782	27,905,139	33,521,976	41,571,808	47,652,025	57,332,235			
1998	16,936,218	34,676,773	41,221,666	47,496,005	60,734,616	68,694,985				
1999	26,330,249	44,985,558	50,576,156	64,891,349	83,730,530					
2000	18,768,278	27,632,011	39,206,318	46,152,780						
2001	12,886,508	40,153,125	50,071,528							
2002	24,746,540	41,799,436								
2003	11,730,000									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994	1.804	1.350	1.507	1.160	1.036	1.267	1.063	1.096	1.288	
1995	2.264	1.454	1.063	1.187	1.135	1.217	1.076	1.061		
1996	2.688	1.135	1.146	1.225	1.103	1.202	1.080			
1997	2.262	1.127	1.201	1.240	1.146	1.203				
1998	2.047	1.189	1.152	1.279	1.131					
1999	1.709	1.124	1.283	1.290						
2000	1.472	1.419	1.177							
2001	3.116	1.247								
2002	1.689									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	2.117	1.256	1.219	1.230	1.110	1.222	1.073	1.079	1.288	
Latest 3	2.092	1.263	1.204	1.270	1.127	1.207	1.073	1.079	1.288	
Latest 5	2.007	1.221	1.192	1.244	1.110	1.222	1.073	1.079	1.288	
Medial Avg										
Latest 5x1	1.815	1.187	1.177	1.248	1.123	1.210	1.076	1.079	1.288	
Volume Wtd										
All Yrs	1.991	1.222	1.195	1.257	1.126	1.210	1.077	1.069	1.288	
Latest 2	2.178	1.317	1.237	1.285	1.137	1.203	1.079	1.069	1.288	
Latest 3	1.943	1.240	1.210	1.275	1.129	1.206	1.077	1.069	1.288	
Latest 5	1.899	1.213	1.201	1.260	1.126	1.210	1.077	1.069	1.288	

Development Factor Selection										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Industry Defaults	1.991	1.222	1.195	1.257	1.126	1.210	1.077	1.069	1.288	1.098
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected				1.177	1.139	1.185	1.098	1.085	1.034	1.075
Selected Result	1.991	1.222	1.195	1.177	1.139	1.185	1.098	1.085	1.034	1.075
FacToUlt	6.112	3.070	2.511	2.102	1.787	1.568	1.324	1.206	1.112	1.075
Percent of Ult	0.164	0.326	0.398	0.476	0.560	0.638	0.755	0.829	0.900	0.930

Estimated Ultimate			
Report Yr	Reported Amounts	Factor to Ultimate	Estimate of Ultimate
1994	13,430,047	1.075	14,437,301
1995	35,558,689	1.112	39,529,321
1996	44,167,184	1.206	53,272,461
1997	57,332,235	1.324	75,897,795
1998	68,694,985	1.568	107,729,997
1999	83,730,530	1.787	149,602,539
2000	46,152,780	2.102	97,019,214
2001	50,071,528	2.511	125,752,730
2002	41,799,436	3.070	128,319,651
2003	11,730,000	6.112	71,689,049
Total	452,667,414		863,250,058

**USTIF
Loss Fund
Loss Development as of 7/2003
Paid ALAE Analysis**

Paid ALAE Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	0	27,433	77,232	111,899	200,421	218,901	240,087	248,008	322,343	503,072
1995	0	40,577	85,315	132,824	168,000	222,769	274,664	306,218	356,551	
1996	0	11,995	39,430	162,844	200,467	210,652	215,489	231,717		
1997	0	54,403	178,761	315,195	451,958	731,024	1,383,514			
1998	0	104,336	193,899	470,205	1,162,712	1,764,604				
1999	0	10,417	85,365	401,551	728,384					
2000	150	937	117,091	298,951						
2001	993	148,978	312,937							
2002	11,730	250,053								
2003	61,448									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994		2.815	1.449	1.791	1.082	1.107	1.033	1.300	1.561	
1995		2.103	1.557	1.265	1.326	1.233	1.115	1.164		
1996		3.287	4.130	1.231	1.051	1.023	1.075			
1997		3.249	1.783	1.434	1.617	1.893				
1998		1.858	2.425	2.473	1.518					
1999		8.195	4.704	1.814						
2000	6.247	124.964	2.553							
2001	150.028	2.101								
2002	21.317									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	59.197	18.571	2.657	1.668	1.319	1.314	1.074	1.232	1.561	
Latest 3	59.197	45.086	3.227	1.907	1.395	1.383	1.074	1.232	1.561	
Latest 5	59.197	28.073	3.119	1.643	1.319	1.314	1.074	1.232	1.561	
Medial Avg										
Latest 5x1	21.317	4.515	3.036	1.504	1.309	1.170	1.075	1.232	1.561	
Volume Wtd										
All Yrs	31.070	2.726	2.443	1.826	1.441	1.530	1.076	1.225	1.561	
Latest 2	31.363	2.868	3.460	2.169	1.546	1.698	1.097	1.225	1.561	
Latest 3	31.070	3.215	2.954	1.974	1.491	1.609	1.076	1.225	1.561	
Latest 5	31.070	2.777	2.692	1.829	1.441	1.530	1.076	1.225	1.561	

Development Factor Selection										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Industry Defaults	31.070	2.726	2.443	1.826	1.441	1.530	1.076	1.225	1.561	1.000
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected										1.200
Selected Result	31.070	2.726	2.443	1.826	1.441	1.530	1.076	1.225	1.200	1.500
FacToUlt	1977.154	63.635	23.340	9.554	5.232	3.631	2.373	2.205	1.800	1.500
Percent of Ult	0.001	0.016	0.043	0.105	0.191	0.275	0.421	0.454	0.556	0.667

Estimated Ultimate			
Report Yr	Paid ALAE	Factor to Ultimate	Estimate of Ultimate
1994	503,072	1.500	754,608
1995	356,551	1.800	641,792
1996	231,717	2.205	510,911
1997	1,383,514	2.373	3,283,194
1998	1,764,604	3.631	6,407,849
1999	728,384	5.232	3,810,768
2000	298,951	9.554	2,856,310
2001	312,937	23.340	7,304,099
2002	250,053	63.635	15,912,084
2003	61,448	1977.154	121,492,154
Total	5,891,231		162,973,769

**USTIF
Loss Fund
ALAE Development as of 7/2003
Paid ALAE to Paid Loss Analysis**

Paid ALAE to Paid Loss Ratios										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	0.000	0.025	0.029	0.027	0.039	0.038	0.033	0.030	0.035	0.051
1995	0.000	0.010	0.010	0.011	0.012	0.013	0.013	0.013	0.014	
1996	0.000	0.002	0.004	0.010	0.010	0.009	0.008	0.007		
1997	0.000	0.007	0.012	0.015	0.017	0.022	0.036			
1998	0.000	0.008	0.009	0.016	0.030	0.037				
1999	0.000	0.001	0.003	0.011	0.015					
2000	0.000	0.000	0.006	0.012						
2001	0.001	0.018	0.017							
2002	0.054	0.037								
2003	0.449									

Age-to-Age Factors										
Report Yr	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
1994		1.157	0.928	1.453	0.962	0.875	0.900	1.181	1.451	
1995		0.952	1.155	1.046	1.093	1.063	0.971	1.040		
1996		1.690	2.871	1.005	0.862	0.884	0.945			
1997		1.743	1.262	1.094	1.335	1.632				
1998		1.064	1.752	1.917	1.243					
1999		3.589	3.154	1.375						
2000	1.227	55.328	1.810							
2001	14.751	0.951								
2002	0.674									
2003										

Averages										
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Simple Avg										
All Yrs	5.551	8.309	1.848	1.315	1.099	1.113	0.939	1.110	1.451	
Latest 3	5.551	19.956	2.239	1.462	1.146	1.193	0.939	1.110	1.451	
Latest 5	5.551	12.535	2.170	1.287	1.099	1.113	0.939	1.110	1.451	
Medial Avg										
Latest 5x1	1.227	2.132	2.145	1.172	1.099	0.973	0.945	1.110	1.451	
Volume Wtd										
All Yrs	0.986	1.259	1.389	1.362	1.102	1.112	0.924	1.138	1.451	
Latest 2	0.986	1.300	2.279	1.693	1.276	1.421	0.962	1.138	1.451	
Latest 3	0.986	1.415	2.031	1.474	1.202	1.318	0.924	1.138	1.451	
Latest 5	0.986	1.397	1.846	1.323	1.102	1.112	0.924	1.138	1.451	

Development Factor Selection										
Industry	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	To Ult
Defaults	0.986	1.259	1.389	1.362	1.102	1.112	0.924	1.138	1.451	1.000
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected									1.100	1.070
Selected Result	0.986	1.259	1.389	1.362	1.102	1.112	0.924	1.138	1.100	1.070
FacToUlt	3.563	3.612	2.869	2.065	1.516	1.376	1.237	1.339	1.177	1.070
Percent of Ult	0.281	0.277	0.348	0.484	0.660	0.727	0.808	0.747	0.850	0.935

Estimated Ultimate						
Report Yr	Paid ALAE to Paid Loss Ratio	Factor to Ultimate	Estimated Ultimate Ratio	Selected Ultimate Ratio	Selected Ultimate Loss	Estimated Ultimate ALAE
1994	0.051	1.070	0.055	0.055	14,111,832	771,393
1995	0.014	1.177	0.016	0.016	39,615,786	630,579
1996	0.007	1.339	0.010	0.010	53,291,642	520,792
1997	0.036	1.237	0.045	0.045	74,379,446	3,352,464
1998	0.037	1.376	0.051	0.051	107,268,168	5,457,452
1999	0.015	1.516	0.023	0.023	143,287,433	3,264,436
2000	0.012	2.065	0.024	0.024	96,908,421	2,342,753
2001	0.017	2.869	0.049	0.049	112,789,705	5,575,758
2002	0.037	3.612	0.132	0.050	122,422,583	6,121,129
2003	0.449	3.563	1.598	0.050	92,689,970	4,634,499
Total					856,764,985	32,671,255

**USTIF
Loss Fund
Duration Calculation as of 7/2003
Duration Calculation Paid Analysis**

Paid Amounts										
Report Yr	6	18	30	42	54	66	78	90	102	114
1994	26,549	1,085,543	2,641,954	4,124,329	5,084,843	5,722,563	7,242,469	8,316,696	9,155,065	9,847,402
1995	80,363	4,047,281	8,939,346	12,050,795	14,578,528	17,683,273	20,512,153	23,547,481	26,384,944	
1996	378,046	5,771,167	11,223,864	16,143,806	19,774,295	24,111,356	27,910,421	31,758,264		
1997	815,371	7,821,377	14,581,583	20,602,017	27,013,280	32,740,533	37,976,006			
1998	669,532	12,538,723	21,892,260	30,296,310	39,074,256	47,712,386				
1999	995,206	10,793,374	24,642,537	36,754,101	48,472,278					
2000	1,575,064	8,018,881	18,111,533	25,542,014						
2001	808,910	8,227,308	18,164,366							
2002	216,354	6,839,032								
2003	136,967									

Age-to-Age Factors										
Report Yr	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114	To Ult
1994	40.888	2.434	1.561	1.233	1.125	1.266	1.148	1.101	1.076	
1995	50.362	2.209	1.348	1.210	1.213	1.160	1.148	1.120		
1996	15.266	1.945	1.438	1.225	1.219	1.158	1.138			
1997	9.592	1.864	1.413	1.311	1.212	1.160				
1998	18.728	1.746	1.384	1.290	1.221					
1999	10.845	2.283	1.491	1.319						
2000	5.091	2.259	1.410							
2001	10.171	2.208								
2002	31.610									
2003										

Averages										
	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114	To Ult
Simple Avg										
All Yrs	21.395	2.118	1.435	1.265	1.198	1.186	1.145	1.110	1.076	
Latest 3	15.624	2.250	1.429	1.307	1.217	1.159	1.145	1.110	1.076	
Latest 5	15.289	2.072	1.427	1.271	1.198	1.186	1.145	1.110	1.076	
Medial Avg										
Latest 5x1	13.248	2.110	1.420	1.275	1.215	1.160	1.148	1.110	1.076	
Volume Wtd										
All Yrs	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	
Latest 2	14.695	2.233	1.457	1.306	1.217	1.159	1.142	1.115	1.076	
Latest 3	8.878	2.253	1.432	1.307	1.218	1.159	1.143	1.115	1.076	
Latest 5	10.883	2.055	1.430	1.285	1.213	1.167	1.143	1.115	1.076	

Development Factor Selection										
	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114	To Ult
Industry										
Defaults	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	2.085
Default Weight	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
User Selected										1.400
Calc Selected	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	1.400
FacToUlt	119.918	10.245	4.970	3.485	2.715	2.239	1.919	1.679	1.506	1.400
Perc Of Ult	0.008	0.098	0.201	0.287	0.368	0.447	0.521	0.596	0.664	0.714
Sel Perc Of Ult										
Calc Perc Of Ult	0.008	0.098	0.201	0.287	0.368	0.447	0.521	0.596	0.664	0.714

Estimated Ultimate					
Report Yr	Paid Loss	Factor to Ultimate	Estimate of Ultimate	Selected Estimate of Ultimate	Calculated Estimate of Ultimate
1994	9,847,402	1.400	13,786,363	14,111,832	14,111,832
1995	26,364,944	1.506	39,702,250	39,615,786	39,615,786
1996	31,758,264	1.679	53,310,823	53,291,642	53,291,642
1997	37,976,006	1.919	72,861,096	74,379,446	74,379,446
1998	47,712,386	2.239	106,806,338	107,268,168	107,268,168
1999	48,472,278	2.715	131,586,593	143,287,433	143,287,433
2000	25,542,014	3.485	89,004,120	96,908,421	96,908,421
2001	18,164,366	4.970	90,268,566	112,789,705	112,789,705
2002	6,839,032	10.245	70,066,494	122,422,583	122,422,583
2003	136,967	119.918	16,424,848	92,689,970	92,689,970
Total	252,813,659		683,617,492	856,764,985	856,764,985

Payment Pattern Selection												
	6	18	30	42	54	66	78	90	102	114	126	138
Extrapolated	11.705	2.062	1.426	1.284	1.213	1.167	1.143	1.115	1.076	1.061	1.051	1.256
Cum Perc to Ult	0.008	0.098	0.201	0.287	0.368	0.447	0.521	0.596	0.664	0.714	0.758	0.797
Incr Perc to Ult	0.008	0.089	0.104	0.086	0.081	0.078	0.074	0.075	0.068	0.050	0.044	0.242
Sel Incremental												
Calc Incremental	0.008	0.089	0.104	0.086	0.081	0.078	0.074	0.075	0.068	0.050	0.044	0.242



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

SPECIAL PROJECTS OFFICE

1326 Strawberry Square
Harrisburg, PA 17120

Phone: (717) 787-4429

Fax: (717) 772-1969

E-Mail: psalvatore@state.pa.us

November 14, 2003

Mr. Robert Nyce
Executive Director
Independent Regulatory Review Comm.
333 Market Street
Harrisburg, PA 17101

Re: Insurance Department Final- Omitted Regulation No. 11-XXX, TITLE

Dear Mr. Nyce:

Pursuant to Section 5a(c) of the Regulatory Review Act, enclosed for your information and review is final-omitted regulation 25 Pa. Code, Chapter 977, Fees and Collection Procedures.

The amendments will bring the regulation's fees to the appropriate levels as recommended by an actuarial report that was completed on June 30, 2003. After reviewing this report in September 2003, the Board determined that this increase is necessary to maintain the solvency of the Fund for the public health and safety of this Commonwealth's citizens and their environment. The actuarial study, performed by Milliman USA, Inc., determined that an increase in the gallon and capacity fees was necessary to maintain the actuarial soundness of the Fund in the future. A copy of the actuarial report is attached.

If you have any questions regarding this matter, please contact me at (717) 787-4429.

Sincerely yours,

A handwritten signature in cursive script that reads "Peter J. Salvatore".

Peter J. Salvatore
Regulatory Coordinator

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE
REGULATORY REVIEW ACT**

I.D. NUMBER: 11-219
 SUBJECT: Fees and Collection Procedures
 AGENCY: DEPARTMENT OF INSURANCE

TYPE OF REGULATION

- Proposed Regulation
- Final Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor
- Delivery of Tolled Regulation
 - a. With Revisions
 - b. Without Revisions

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 INDEPENDENT REGULATORY REVIEW COMMISSION

FILING OF REGULATION

DATE	SIGNATURE	DESIGNATION
11-14-03	<i>[Signature]</i>	HOUSE COMMITTEE ON INSURANCE
11/14/03	<i>[Signature]</i>	SENATE COMMITTEE ON BANKING & INSURANCE
11/14/03	<i>[Signature]</i>	INDEPENDENT REGULATORY REVIEW COMMISSION
11-14-03	<i>[Signature]</i>	ATTORNEY GENERAL (for Final Omitted only)
		LEGISLATIVE REFERENCE BUREAU (for Proposed only)