

2008 Gain and Loss Analysis For Rateable Classes (\$ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest \$1 million).

	2008	2007
Unappropriated balance (unfunded liability) - January 1	884,000	691,000
Current year's excess		
Current year's claim and operating costs ^a		
Estimated	1,236,000	1,191,000
Actual	<u>(1,254,000)</u>	<u>(1,162,000)</u>
	(18,000)	29,000
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	(5,000)	(7,000)
Amortization of balance	(164,000)	(91,000)
Capping of premium rate changes	24,000	44,000
Prior years' adjustments and miscellaneous	<u>(5,000)</u>	<u>(74,000)</u>
	(150,000)	(128,000)
Impact of Pre-June 30, 2002, permanent disability pensions adjustment	-	107,000
Impact of Mortality Improvement	-	(143,000)
Impact of Net Discount Rate Change from 3.5% to 3.0%	<u>(470,000)</u>	<u>-</u>
	(470,000)	(36,000)
Prior years' experience gain (loss)		
Short-term disability	13,000	24,000
Long-term disability	289,000	279,000
Survivor benefits	5,000	6,000
Health care	(53,000)	44,000
Rehabilitation	16,000	25,000
Claims Administration	(4,000)	19,000
Miscellaneous items	<u>159,000</u>	<u>107,000</u>
	425,000	504,000
Investment income in excess (deficiency) of Consumer Price Index plus underlying real interest assumption (2008: 3.5% discount rate; 2007: 3.5% discount rate)	(73,000)	414,000
Transfer from / (to) Capital Adequacy Reserve	21,000	(590,000)
Unappropriated balance - December 31 - on funding basis ^b	619,000	884,000
Smoothing difference ^c	392,000	738,000
Unappropriated balance - December 31 - on GAAP basis	<u>1,011,000</u>	<u>1,622,000</u>

a The current year's claim and operating costs line, shown as "estimated", represents the estimate for the cost of current year's injuries which was incorporated into the premium rates set for that year for rateable employers. The "actual" line represents the actual cost of the current year's injuries as estimated at the end of that year. The difference line thus provides a measure of the accuracy of the cost provision in the premium rate.

b This fund balance represents the amount that is incorporated into the rate-setting process, calculated in the year following the date of the financial results

c "Smoothing differences" represents the variance between the financial results on the fair value investment accounting or GAAP basis and on the smoothed investment accounting or funding basis. It represents the amount that will be factored into the rate-setting process in future years.