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Ken Mackay  
Willis Management (Vermont) Ltd.  
1 Lawson Lane, Suite 540  
Burlington, VT 05401

June 16, 2006

**Re: Estimated Losses for Policy Year 2006 Related to D.C. Free Clinics for Professional Liability**

Dear Ken,

Attached is an exhibit calculating the expected losses for professional liability coverage on a mature claims-made basis, at a limit of \$1 million, for D.C. Free Clinics and related entities, based on the very limited information provided. This analysis should not be thought of as a complete actuarial analysis given that no loss history was provided.

The estimate is based on:

- The exposure information by category as provided by the D.C. Free Clinics
- NORCAL Mutual Insurance Company's 1997 Rates for the state of California
- The Medical Liability Monitor – October 2005 edition
- Annual loss trend of 10%

The calculations are fairly self explanatory, but the following provides detail on the calculation:

- In the top part the number of visits, by type of specialty, are multiplied by the rate per visit from NORCAL's 1997 rate filing. A premium is also determined based on the square footage. The premium related the number of visits and the square footage are added together to calculate an estimated premium at the 1997 for California given this exposure.
- The premium is converted to losses by multiplying by an estimated target loss ratio of 85.0%. This accounts for the expense ratio assumed in the rates.
- The estimated losses at the 1997 California level are then multiplied by a factor of 2.25 to adjust the losses to the District of Columbia loss levels. The factor of 2.25 was selected based on physician premiums by state as shown in The Medical Liability Monitor (October 2005)
- Finally the losses are adjusted for nine years of loss inflation based on an annual loss trend rate of 10%

Based on the calculation described above the estimated losses for the D.C Free Clinics at a limit of \$1 million on a mature claims-made basis is approximately \$695,000. It would be prudent for purposes of funding a captive for the losses to be funded at a level of at least \$1.3 million given the variability related to professional liability and the many assumptions made in calculating the projected losses.

### **Qualifying Statements**

The accuracy and reliability of the projected losses presented in this report depend on the following:

- The quality of the exposure data provided by the D.C. Free Clinics, because these data have been relied upon without detailed verification or audit as the basis for this analysis
- The appropriateness of the industry sources used in this calculation

Again, the attached calculation is based on many assumptions and should not be viewed as a comprehensive actuarial analysis given the lack of loss data available.

Changes in any of the information or assumptions upon which Willis' projection of ultimate losses are based will require a re-evaluation of the results of this report and possibly a revision of these projections. This report should be released only in its entirety.

If you have any questions on the calculation, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey R. Adcock".

Jeffrey R. Adcock, FCAS, MAAA  
Actuarial Consultant, Vice President  
Actuarial Practice  
Willis Captives, Actuarial, and Pooling Practice

**D.C. Free Clinics <sup>1</sup>**  
**Professional Liability**

Projected losses at \$1 million, mature claims made, based on Norcal 1997 Information for California and relativity of 2.250 for DC

<b>Est # Annual Visits for Policy Year <sup>2</sup></b>	<b>2006</b>	<b>Rate from Norcal 1997 Filing</b>	<b>Rating Base</b>	<b>1997 Premium based on Norcal Info</b>
Family Practice/General Visits	<b>56,086</b>	1.00	# Visits	56,086
Minor/Intermediate Surgery	<b>217</b>	1.92	# Visits	417
Major Surgery	<b>105</b>	94.36	# Visits	9,908
Pre-natal and Post-natal visits	<b>3,977</b>	2.55	# Visits	10,141
Deliveries including C-Sections	<b>153</b>	94.36	# Visits	14,437
Oral Surgery (cutting into bone or using general anesthesia)	<b>200</b>	1.82	# Visits	364
Dental visits	<b>10,179</b>	0.85	# Visits	8,652
Mental Health Counseling	<b>17,596</b>	0.43	# Visits	7,566
<u>Other Exposure</u>				
Square footage	<b>91,120</b>	0.51	per sq . Ft	46,471
Total Estimated 1997 Premium based on California Information				154,043
Estimated Target Loss Ratio				85.0%
Estimated 1997 Level Losses based on California Information (Rate/0.85) ( A )				130,936
State Relativity for DC <sup>3</sup> ( B )				2.250
Loss Trend for 9 years at 10% a year to adjust to 2006 loss level ( C )				2.358
Expected losses based on above rating method = ( A ) x ( B ) x ( C )				694,682

Exposures above include Family and Medical Counseling Services Inc., Washington Free Clinic, Community of Hope Health Services, So Others Might Eat (SOME), The DC Birth Center, Inc., Bread for the City, Spanish Catholic Center, La Clinica del Pueblo, and Whitman Walker Clinic

<sup>2</sup> Provided by DC Free Clinics

<sup>3</sup> Based on relationship between Physician Rates in DC for NCRIC, Inc relative to California Rates for NORCAL as shown in Medical Liability Monitor (October 2005).