

## **EXHIBIT #1**

XYZ COMPANY INC

### **ENTITY/OWNERSHIP**

Corporation.

### **DESCRIPTION OF OPERATIONS**

#### **BUSINESS PERCENTAGES**

20% - fabrication of structural I-beams  
40% - fabrication and installation of handrails  
40% - fabricating metal stairs and door jambs.

#### **BASIC MATERIALS**

pipe - mostly 1 ¼ inches, some ¾ inch in 20 foot lengths (50% of raw materials)  
I-beams - 8 inches and 10 inches (10%)  
aluminum tubing (5%)  
channel  
angle (2 to 3%)  
plate  
pan stair treads  
office supplies

#### **PROCESSES**

The captioned risk operates a metal fabrication shop. The captioned risk estimates that 20% of their business is fabricating structural I-beams. The I-beams normally come in 20 and 30 foot lengths. They are either 8 feet or 10 feet wide. They moved the I-beams into the shop and cut to the desired length. They then fabricate pieces of flat plate which they cut and bend and drill holes. They weld the plate on to the I-beams and drill holes in the I-beams. They then grind the weldments and paint the I-beams.

They estimate that 40% of their business is fabricating handrails. They take 20 foot standard lengths of pipe and cut to size, then they weld the pieces together. In most cases the captioned risk installs them.

The remaining 40% of the business primarily involves the fabrication of stairs and doorjamb. 6 or 7 sets of stairs are produced a year. They will take 20 foot lengths of channel and cut to length. They purchase pan stair treads. They lay the treads and channel out on a table and weld clips to the channel. They then fabricate the handrails of pipe and weld to the channel. They then weld the tread to the channel. They then take them to the construction site and install them. They will also fabricate doorjamb. They take channel and cut to size, paint and ship.

The captioned risk stated they will do minimal welding and repairs.

They estimate that 90% of their work is in the shop doing fabrication work and 10% out installing the items they fabricate.

### **EMPLOYEES**

- 1 - President - Bidding of jobs off of blueprints and specifications, purchasing, 50% outside sales and marketing, 10% shop fabrication, he spends time at both locations.
- 6 - Shop - Cut, weld, bend,, paint, 4 will also go off premises to do installations.
- 1 - Drafting - Drafting of specifications.
- 2 - General Office - bookkeeping, secretarial, data entry.

### **EQUIPMENT**

- 1 - 17 foot flat bed truck  
Pickup trucks
- 2 - Utility trucks with welding units
- 1 - Circular saw
- 1 - Hydraulic press
- 1 - Drill press
- 1 - Iron worker
- 1 - Hobart welder
- 1 - Tow motor
- 1 - ½ ton overhead hoist  
Oxygen/acetylene torches
- 1 - Cut off saw
- 1 - Personal computer

## **EXHIBIT #2**

M & M MACHINING COMPANY INC

### **ENTITY/OWNERSHIP**

Corporation

### **DESCRIPTION OF OPERATIONS**

#### **BUSINESS PERCENTAGES**

100% - Operating a job shop

#### **BASIC MATERIALS**

Flat steel and aluminum bars 1/4 inch to 1 1/2 inches thick, average 3/8 inch thick, 12 feet long, round steel, stainless steel and aluminum bars, 1/2 inch to 2 1/2 inches in diameter average 1 inch in diameter 12 feet long, steel tubing 1 to 1 5/8 inch in diameter, average 1 1/2 inches in diameter, flat plastic bars 3/8 inch to 3 inches thick, average 1 1/4 inches thick, round plastic bars 3/4 inch to 4 inches in diameter, steel and aluminum sheets .075 inch to .125 inch thick, average .075 inch thick.

The flat steel bars represent 75% and the steel and aluminum sheets 5% of the basic materials with the remainder divided widely among the other materials. All of the sheet metal used by the risk is less than 1/4 inch thick.

#### **PROCESSES**

This corporation operates a job shop at this location. It makes products according to customer specifications. It does not have its own line of products. The products made in the shop are replacement parts for industrial equipment such as shafts, bushings tailstock ratchets, filter holder, couplings, pulleys, brackets and frames. The shafts represent at least 20% of the replacement parts with the remainder divided widely among the other parts. The metal and the plastic bar stock and the tubing are cut to size and machined on milling machines, computerized numerically controlled milling machines, a turret lathe, computerized numerically controlled turning center, engine lathe and a surface grinder to form the parts that are inspected and delivered by the risk. The average tolerance to which the materials are machined is plus or minus .005 inch. The steel and aluminum sheets are sheared to size, rolled, punched on an ironworker, bent on a manual brake and welded together to form covers and template plates for industrial equipment. The sheet metal products are inspected and delivered by the risk to the customers.

## **EMPLOYEES**

- 1 - President - Overseeing all of the operations, making major corporate decisions, doing administrative paperwork, making all of the products in the shop, and delivering the products to the customers.
- 8 - Making all of the products in the shop, 2 are part time, they interchange among all of the shop operations.

## **EQUIPMENT**

- 1 - Pickup truck
- 2 - Computerized numerically controlled milling machines
- 3 - Milling machines
- 1 - Turret lathe
- 1 - Engine lathe
- 1 - Computerized numerically controlled turning center
- 1 - Surface grinder
- 3 - Band saws
- 2 - Shears
- 1 - Manual brake
- 2 - Ironworkers
- 2 - Welding machines
- 1 - Pedestal grinder
- 1 - Disk grinder
- 1 - Set of rolls

**EXHIBIT #3**

**DESCRIPTION OF OPERATIONS QUESTIONNAIRE**

SMITH REMODELING

File # 2958456

1. Please provide us with a description of your operation.

***Home remodeling***

2. Provide us with your percentages for the various types of jobs you perform.

***Home Improvement - 100%***

3. Provide your percentages for residential *versus* commercial carpentry work.

***Residential - 100%***

4. Describe work recently completed or currently underway.

***Addition to house;***

***Remodeled kitchen;***

***Refinished garage***

5. List your employees by duty and number in each category.

***3- Framing, Carpentry***

***1- Hauling materials to and from job sites***

***1- Plumber***

## **EXHIBIT #4**

ABC GAS SERVICE INC

### **ENTITY/OWNERSHIP**

Corporation

### **DESCRIPTION OF OPERATIONS**

#### **BUSINESS PERCENTAGES** (based on sales dollars)

- 60% - Installing and servicing air-based heating systems.
- 25% - Installing and servicing water-based heating systems.
- 15% - Installing and servicing air conditioning systems.

#### **BASIC MATERIALS**

The risk's basic materials include air conditioners, furnaces, hot water heaters, repair parts for heaters, air conditioners, and furnaces, pipe and pipefittings, electrical wiring and fasteners.

#### **PROCESSES**

The risk is engaged in installing (50% of sales) and servicing (50% of sales) heating and air conditioning systems. All of the risk's projects completed with the last year involved installing or repairing heating and air conditioning systems in single family homes. To install equipment, the risk sets the heater, furnace or air conditioner into place, and uses hand tools to connect the nature gas, waterlines and electrical lines necessary to operate the equipment. The risk tests the equipment and turns it on to make sure that it operates properly. The risk subcontracts the installation of ductwork for air conditioning and air-based heating systems to unrelated concerns. The risk's employees will install waterlines for hot water-based heating systems with hand tools as needed. To repair the systems, the risk removes defective parts and replaces them with new parts with hand tools. The risk does not perform any electrical wiring except what is necessary to install or repair heating and air conditioning equipment.

## **EMPLOYEES**

- 1 - President - Visiting customers to sell the risk's services and attending meetings off the premises approximately 10%, and maintaining administrative records in the office 90% of his time.
- 1 - Vice President - Assigning work to employees and making sure they do their work properly at job sites approximately 50% of the time, and scheduling service and installation work and talking to customers about service and installation work over the telephone from the office approximately 50% of the time.
- 1 - Director of Finance - Maintaining financial records in the office.
- 2 - Maintaining bookkeeping records in the office.
- 3 - Dispatching service and installation employees and talking to customers about service and installation problems over the telephone in the office.
- 9 - Installing and servicing heating and air conditioning systems at job sites.

Employees interchange as noted.

## **EQUIPMENT**

- 1 - Sports utility
  - 1 - Van body truck
  - 10 - Mini vans
- Hand tools such as screwdrivers and wrenches

## **EXHIBIT #5**

ACME SUPPLY COMPANY INC

### **ENTITY/OWNERSHIP**

Corporation

### **DESCRIPTION OF OPERATIONS**

#### **BUSINESS PERCENTAGES** (based on gross revenue)

85% - Doing the selling of equipment as a franchise dealership

15% - Doing the rental of water spraying tank trucks to private and public business concerns

#### **BASIC MATERIALS**

New water spraying tank trucks used for road dust control, fuel and lubricating trucks, and mechanics road service trucks (see attached brochure) repair parts and supplies.

#### **PROCESSES**

The percentage for the selling of trucks is 85% and for the rental of trucks is 15% of gross revenues. The insured began performing street cleaning operations in July of 1997 when it received a three-year seasonal contract from the Pennsylvania Department of Transportation. The street cleaning services are currently performed by a mechanic who spends 80% of his time in the shop doing the servicing and repairing of equipment and 20% of the time operating the water spraying tank truck in doing the cleaning of roads for PENNDOT from March to November on a call-as-needed basis.

The insured is a franchise dealership doing the selling of water spraying tank trucks fuel and lubricating trucks and only lubricating trucks and mechanics road service trucks, has a franchise distributor with a territory anywhere east of the Mississippi River.

The insured receives new trucks, does the servicing, state inspecting when necessary and sells same to public and private business concerns. Customers pick up Seventy percent of the trucks that are sold and the insured delivers 30% of the trucks.

## **EMPLOYEES**

- 1 - President - Doing the quoting of costs of selling of equipment, supervising and managing the operations, 100% at his desk in the office.
- 1 - Vice President - 95% doing selling of equipment on premises and 5% soliciting sales by contacting customers off premises.
- 1 - Office personnel - Doing secretarial, clerical and data processing work in the office 100%.
- 1 - Controller - Processing accounts receivable and accounts payable.
- 1 - Shop Supervisor - Waiting on public customers, writing work orders supervising and scheduling mechanical repairs and assisting in doing mechanical repairs and state inspection when necessary using hand and power tools in disassembling, replacing parts, reassembling and doing the specified checking and testing for state inspection as required.
- 1 - Certified ASME Welder - Doing welding repairs on customers' trucks.
- 2 - Mechanics - Servicing and mechanical repairing of trucks consisting of disassembling, replacing parts and reassembling using hand power tools.
- 1 - Mechanic - 80% doing servicing and mechanical repairing of trucks in disassembling, replacing parts and reassembling and 20% on a seasonal basis from March to November operating a water spray tank truck in cleaning state highways by washing the dirt off of the road surface in a three-county area.
- 1 - Doing the purchasing and selling of trucks, 90% off premises by personal contacting of customers and 10% on premises.
- 1 - Doing the ordering, stocking and selling of truck repair parts over the counter on premises.

## **EQUIPMENT**

- 3 - Station wagons
- 2 - Pickup trucks
- 2 - Automobiles
- 1 - Air compressor
- 1 - Acetylene torch
- 3 - Welding machines
- 3 - Battery chargers
- 1 - Water pressure washer
- Hand and power tools, floor jacks, office equipment and computers

## **EXHIBIT #6**

PCRB MANAGEMENT INC

### **ENTITY/OWNERSHIP**

Corporation

### **DESCRIPTION OF OPERATIONS**

#### **BUSINESS PERCENTAGES** (based on sales)

80% - Sale of men's sportswear

20% - Sale of men's footwear

#### **BASIC MATERIALS**

Jeans, dress pants, shirts, jackets, shorts, shoes

#### **PROCESSES**

The risk operates three retail stores in Pennsylvania. Customers walk in, select the style shoes they want, try them on, pay the cashier, and leave, taking their purchase with them. Upstairs there is an office, where several employees perform administrative functions for the corporation and its related entities.

The risk operates a retail store, selling men's sportswear such as pants, shirts, shorts and jackets.

#### **EMPLOYEES**

(PA Only - All three locations combined)

- 1 - Secretary/Treasurer - Manages store operations.
- 1 - Vice President - Oversees store operations, also does purchasing for the corporation.
- 2 - Store Managers - Supervise operations in the stores and employees.
- 1 - Office Manager - Performs administrative functions in the office.
- 1 - Office Assistant Manager - Performs administrative functions in the office.
- 1 - Assistant Manager - Works in the stores waiting on customers and assisting managers.
- 9 - Sales Clerks - Wait on customers as they come in the stores.

#### **EQUIPMENT**

Cash registers

No vehicles

## **EXHIBIT #7**

### SPECIAL DATA GRAPHICS

#### **ENTITY/OWNERSHIP**

Corporation

#### **DESCRIPTION OF OPERATIONS**

##### **BUSINESS PERCENTAGES** (based on sales)

47% - Selling unprinted labels

26% - Printing and selling labels

19% - Selling business forms

8% - Selling label printing equipment and software for label printing equipment

##### **BASIC MATERIALS**

The risk's merchandise and materials include self-adhesive labels, received in 9 inch by 11 inch sheets, pre-printed business forms, computerized label printers and software for computerized label printers.

##### **PROCESSES**

The risk sells labels, label printers and software and business forms to manufacturing concerns primarily in the petroleum industry. Sales are generated through outside sales visits.

The labels are used by customers to list hazardous ingredients on chemical containers. Some of the labels are completely blank when the risk receives the. In other cases, the customer's logo has been pre-printed at the top of the label. Two-thirds of the labels received by the risk are shipped to customers without any further printing at the captioned location. The remaining one-third of the labels handled at the captioned location is printed by the risk. The risk enters this information into a computer system that automatically transfers the data to the computerized printers that print the information on the labels and stack the sheets of labels. The risk has laser printers, dot matrix printers and thermal printers, all of which are connected to the risk's computer system and are computer operated. The printers do not require any camera work or printing plates. The finished printed labels are packed in boxes and prepared for shipment to customers. The risk ships labels to customers via United Parcel Service or common carrier trucks.

The majority of business forms are shipped directly to customers. A small number of business forms are received at the captioned location on common carrier trucks and stored until customers need them.

The risk receives computer label printers and related software on common carrier trucks and unloads and stores them at the captioned location by hand. The risk maintains printers and software in inventory at the captioned location and sells from inventory. When customer orders are received, printers and software are picked and shipped to customers on United Parcel Service trucks. Customers are responsible for installation of the printers. The risk does not install or repair the printers.

### **EMPLOYEES**

- 1 - Maintaining account records in the office.
- 1 - Answering customers' and vendors' questions over the telephone from the office most of the time and visiting customers for sales calls once or twice a month.
- 1 - Making overall operations decisions in the office 80% of the time and checking on operations and talking to employees in the warehouse approximately 20% of the time.
- 1 - Visiting customers to sell the risk's merchandise. This individual works from his home in Pennsylvania and is out on sales calls most of the time.
- 1 - Maintaining the risk's own computer system and answering customers' technical questions over the telephone from the office.
- 1 - Entering label information into the risk's computer system in the office 90% of the time and checking on computer printers and packaging labels in the printing area 10% of the time.
- 1 - Unloading, loading and storing merchandise in the warehouse and packaging labels for shipment.

Employees interchange as noted.

### **EQUIPMENT**

- 1 - Pallet jack
- 3 - Lexmark desktop computer laser printers
- 2 - Printronix computer dot matrix printers
- 1 - Zebra computer thermal printer

## **“CLASS BOOK PAGE” OVERVIEW**

Whenever workers’ compensation loss cost rating values are revised in Pennsylvania, the Pennsylvania Compensation Rating Bureau performs an extensive statistical and actuarial analysis of the most recent available historical experience in each of over 300 risk classifications. This analysis, which is the basis for each classification’s rating value, is summarized in a document referred to as the “Class Book.” Each classification’s experience and related analysis is shown on a separate page in the Class Book. Periodically, additional studies are made of groups of employers in one or more classifications to determine whether changing those classification definitions would more equitably classify the employers involved. Results of these class studies normally include historical experience exhibits in the same format as the Class Book pages referenced above.

Class Book pages present a wealth of information which can be used to evaluate current rating values and to compare experience between classifications or employer groups without delving into the details of all supporting calculations. While a complete analysis of what is involved in preparing Class Book pages is very extensive and quite technical, the following general description of the format of a Class Book page can provide a basis for using these pages. Key terms used in the description are defined below:

**Manual Year** - A Manual Year simply identifies experience associated with the workers’ compensation policies having their inception dates during a specified time period. A Manual Year encompasses all policies having an inception date from January 1 through December 31 of a particular calendar year.

**P.T. Claim** - A Permanent Total Claim, injuries precluding a worker from ever returning to employment.

**Major and Minor Claims** - Claims that are permanent partial disabilities. Permanent partial disability claims are separated between major and minor status based on a dollar threshold which is dollar sensitive.

**Temporary Total** - Claims where the claimant is temporarily but totally disabled. The indemnity and medical benefits are the same as for a permanent total claim, but for a temporary total claim benefits are continued until the injured worker returns to work.

**Indemnity Benefits** - Payments made for wage replacement, permanent disability awards or other benefits not associated with medical treatment.

**Medical-Only Claim** - Is a claim with no indemnity benefits involved. While approximately 80% of all workers’ compensation claims in Pennsylvania are medical-only claims, they are relatively inexpensive and in total account for approximately 7% of total benefit costs.

The top half of each Class Book page contains three “blocks” of information, each separated into parts attributable to five consecutive manual years. The first of these “blocks” of data shows a summary of reported experience for the classification or group being analyzed. The amount of payroll (rounded to the nearest thousand dollars for each manual year) reported by insured employers, the total dollar amounts of claims reported for these employers and the counts of the reported claims by type are shown from left to right in this section of the Class Book page. Medical-only claims are included in the dollar amounts of reported claims, but are excluded from the claim counts.

The second “block” of data, entitled “Reported Losses,” shows more detail about the reported claims. In the left half of this block the dollar amounts of reported indemnity benefits are shown by type of claim; in the right half the dollar amounts of reported medical benefits are shown in the same fashion.

The third “block” of data, appearing in the middle of the Class Book page, is titled “Translated Losses.” These dollars of benefits are based on the reported losses above, but are adjusted to be reflective of current conditions. In part, these adjustments recognize the fact that the dollar amounts and types of reported losses will change substantially over time as additional information becomes available about individual cases. Additional adjustments are required to reflect changes in benefit schedules which have occurred since the older manual years.

The bottom portion of the Class Book page is devoted to the development of a new indicated loss cost rating value. Approximately halfway down this section a series of “Pure Premiums” begin, shown separately for Serious Losses (Death, P.T. and Major), Non-Serious Losses (Minor and Temporary Total) and Medical-Only losses. The “Indicated (Post-Test)” Pure Premiums are a measure of the actual experience for the classification or group of employers, while “Present on Rate Level” Pure Premiums are a measure of the amounts which will be available to pay losses if the current rating value is adjusted by the average rating value increase indicated for all classifications in the applicable Industry Group. Thus, if the Indicated (Post-Test) Pure Premium is greater than the Present on Rate Level Pure Premium, the classification requires a relatively adverse rating value adjustment. If the Indicated (Post-Test) Pure Premium is lower than the Present on Rate Level Pure Premium, then the classification can have a relatively favorable rating value adjustment. Indicated (Post-Test) Pure Premiums can be compared for different Class Book pages to see which classifications or groups of employers have had higher or lower loss experience.

The bottom of each Class Book page shows a history of previous indicated loss cost values and the new indicated loss cost value for the classification. Neither the previous nor the new indicated loss cost value(s) have been loaded for the revenue neutral plans (i.e., the merit rating plan and the certified safety committee credit program) that are a part of the Bureau loss cost values that have been approved by the Insurance Commissioner and which are displayed in Section 2 of the Bureau’s Manual.