

United States Postal Service
FY 2004 Workers' Compensation Expense
(dollars in millions)
Note: Excludes Post Office Department Claims

	Fiscal Year Computation
July 1 - June 30 Expense	1,180
Plus Current 4th Quarter	282
Less Prior 4th Quarter	(275)
Subtotal	1,187
2004 Expense before Administrative Charge	1,187
Plus FY 2004 DOL Administration Charge	44
Total FY 2004 Workers' Compensation Expense	1,231
Long Term Accrual at 9/30/2003	6,226
Plus 2004 Workers' Compensation Expense	1,187
Less Current Billing for Active Claims	(830)
Less Change to Portion Treated as Short Term	(17)
Long Term Accrual at 9/30/2004	6,566

Fourth Q

United States Postal Service		
FY 2004 Workers' Compensation Expense		
(dollars in millions)		
Note: Excludes Post Office Department Claims		
		Fourth Quarter
		Calculation
Total Cost of New Claims		856
Estimated Percentage of New Claims		
Arriving in Fourth Quarter		25%
New Claims Portion of Fourth Quarter Expense		214
One Quarter Inflation on Medical		
Liability @ 5.18% Annualized		25
One Quarter Inflation on Compensation		
Liability @ 3.27% Annualized		43
Total FY 2004 Fourth Quarter Expense		282

Workers' Compensation

Calculation of FY 2004 - 3.3% Comp/ -.8% Med

FY 2003 Year End Liability 7,113,740,999 -1/

FY 2004 Year End Liability from model

Base Medical Liability	1,928,175,301	<u>-2/</u>	
Base Compensation Liability	<u>5,260,791,664</u>	<u>-3/</u>	
Subtotal - Base Liability			7,188,966,965

Plus:		<u>-4/</u>	
Fourth Quarter Claims Costs - Medical	66,048,750	<u>-5/</u>	
Fourth Quarter Claims Costs - Compensation	148,113,250	<u>-6/</u>	
Medical Liability Inflation - @ 5.18%	24,969,870	<u>-7/</u>	
Compensation Liability Inflation - @ 3.27%	<u>43,006,972</u>	<u>-8/</u>	
Subtotal Fourth Quarter			282,138,842

FY 2004 Year End Liability estimated 7,471,105,807 -9/

Change in Liability	357,364,808	<u>-13/</u>	
Cash Outlays - per tape	830,088,798	<u>-14/</u>	
Credits Applied - MN - estimate	(1,361,549)	<u>-15/</u>	
DOL Administration Charge	<u>44,492,760</u>	<u>-16/</u>	
Total Expense estimated	<u><u>1,230,584,816</u></u>	<u>-17/</u>	

Footnotes to Workers' Compensation
FY 2004 Liability Expense

Footnote	Explanation
_1/	The Workers' Compensation liability is estimated using the workers' compensation estimation model. The model uses information regarding caseload, case cost, case duration, years since injury, severity of injury and claimant age at time of injury to estimate the future workers' compensation cash outlays that comprise the liability. Separate liability estimations are made for compensation and medical claims. Source data for actual year-end estimations are Department of Labor chargeback tapes for year ending June 30.
_2/	Projected FY 2004 year-end medical liability estimated by the workers' compensation model using Actual OWCP payment data.
_3/	Projected FY 2004 year-end compensation liability estimated by the workers' compensation model using Actual OWCP payment data.
_4/	The DOL Chargeback Year begins July 1 and ends June 30. The government fiscal year begins October 1 and ends on September 30. We perform a fourth quarter calculation to bridge the period of July 1 through September 30. The fourth quarter calculation encompasses liability adjustments to take into effect new claims and inflation on existing claims during this three month period.
_5/	Estimated cost of medical claims arriving on the workers' compensation rolls between July 1 and September 30 of indicated fiscal year. Derived by multiplying cost of new medical claims for the previous year by 25%.
_6/	Estimated cost of compensation claims arriving on the workers' compensation rolls between July 1 and September 30. Derived by multiplying cost of new compensation claims for the previous year by 25%.
_7/	Estimated inflation in costs of medical claims in period of July 1 through September 30 of indicated fiscal year. Derived by multiplying base medical liability by 25% of estimated medical care inflation. Source of inflation data is 2004 Medicare Trustees Report
_8/	Estimated inflation in costs of compensation claims in period of July 1 through September 30 of indicated fiscal year. Derived by multiplying base compensation liability by 25% of estimated CPI-U. Source of inflation data is Global Insight (formerly Standard & Poor's DRI) The U.S. Economy, Winter 2004
_9/	Estimated workers' compensation liability balance at end of FY 2004. Sum of estimated liability and fourth quarter adjustments.
_13/	Estimated increase in liability. Difference between estimated FY 2004 and estimated FY 2005 year-end liabilities.
_14/	Estimated chargeback year cash outlays made by DOL and reimbursable by the USPS. Source is Casualty Actuarial Services, Inc. projections for medical and compensation claims payments.
_15/	Model estimation input is based on claims with net non-credit balances. This amount represents estimated difference between net cash outlays and model cash outlays excluding credits.
_16/	Department of Labor administrative actual charge, paid every September.
_17/	Expense for the fiscal year equals sum of increase in liability, net cash payments to claimants and Department of Labor administrative charge.

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UNITED STATES POSTAL SERVICE
 WORKERS' COMPENSATION ESTIMATION MODEL

PAGE: 21
 MODEL: 2004ANC

ESTIMATING RUN FOR 2004ANC

22: EST. TOT. INCURRED (\$000)

AGE	CLASS						
	1	2	3	4	5	6	7
0	283,460		0 208,724	98,204		0	0 2,065
1	273,634		0 170,361	96,893		0	0 4,580
2	254,249		0 135,151	89,358		0	0 2,291
3	234,544		0 128,241	87,192		0	0 1,951
4	215,459		0 101,879	78,887		0	0 3,784
5	173,561		0 81,264	63,083		0	0 3,436
6	131,207		0 84,463	55,350		0	0 4,629
7	105,300		0 78,393	55,208		0	0 2,445
8	95,430		0 64,316	50,536		0	0 3,383
9	74,611		0 64,183	44,449		0	0 1,058
10	65,977		0 56,859	51,376		0	0 2,759
11	57,498		0 53,909	49,551		0	0 1,719
12	52,147		0 48,655	44,084		0	0 4,772
13	50,465		0 46,798	47,902		0	0 1,866
14	55,272		0 44,365	45,801		0	0 2,224
15	42,130		0 36,479	46,410		0	0 1,194
16	41,095		0 35,547	38,811		0	0 1,886
17	34,477		0 27,688	38,038		0	0 4,132
18	25,949		0 23,445	32,129		0	0 1,489
19	30,893		0 18,376	30,821		0	0 2,519
20	22,902		0 21,673	25,122		0	0 2,185
21	15,594		0 11,618	21,701		0	0 1,030
22	12,057		0 16,511	14,421		0	0 1,773
23	13,518		0 12,204	15,455		0	0 1,224
24	11,399		0 15,649	20,995		0	0 2,590
25+ USPS							
25+ DOL							530,597
TOTAL	%2,372,827		0 %1,586,752	%1,241,775		0	0 62,982 5

23: SUMMARY REPORT FROM ESTIMATING RUN FOR 2004ANC RUN ON 08-10-2004

PARAMETERS: SMOOTHING FACTOR = 10%, DISCOUNT RATE = 3.3%
 INFLATION RATE = 0%, LIFE ANNUITY = 2000ANC, YEARS DATA = 25

	2004ANC CURRENT COST	ESTIMATED TOTAL REMAINING LIABILITY	TOTAL COST INCURRED
CLASS 1	209,239,300	2,163,587,000	2,372,827,000
CLASS 2	0	0	0
CLASS 3	146,205,700	1,440,547,000	1,586,752,000
CLASS 4	116,036,400	1,125,738,000	1,241,775,000
CLASS 5	0	0	0
CLASS 6	0	0	0
CLASS 7	4,031,295	58,950,480	62,981,770
AGE 25+	58,627,820	471,969,100	530,596,900
TOTAL	534,140,415	5,260,791,664	5,794,932,232

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UNITED STATES POSTAL SERVICE
 WORKERS' COMPENSATION ESTIMATION MODEL

PAGE: 21
 MODEL: 2004ANT

ESTIMATING RUN FOR 2004ANM

22: EST. TOT. INCURRED (\$000)

AGE	CLASS						
	1	2	3	4	5	6	7
0	128,633		0 79,830	55,729			
1	146,406		0 77,183	56,676	0	0	3
2	124,316		0 55,340	46,478	0	0	6
3	119,224		0 48,838	44,689	0	0	0
4	107,282		0 40,898	41,159	0	0	1
5	89,798		0 34,493	31,416	0	0	0
6	67,727		0 31,775	28,030	0	0	41
7	54,617		0 27,690	25,787	0	0	0
8	41,551		0 24,995	26,113	0	0	0
9	35,438		0 21,730	21,239	0	0	0
10	26,540		0 19,128	22,443	0	0	0
11	22,009		0 16,854	19,226	0	0	0
12	21,885		0 14,122	18,005	0	0	0
13	18,748		0 13,309	17,395	0	0	0
14	17,464		0 11,694	13,908	0	0	0
15	13,890		0 10,227	14,488	0	0	0
16	12,179		0 8,111	10,547	0	0	0
17	10,800		0 6,785	9,723	0	0	0
18	7,485		0 4,409	8,823	0	0	0
19	6,104		0 3,184	6,825	0	0	0
20	5,081		0 3,608	5,438	0	0	0
21	3,018		0 2,163	4,081	0	0	0
22	2,708		0 2,617	2,062	0	0	0
23	3,059		0 2,362	2,031	0	0	0
24	1,865		0 2,092	2,962	0	0	0
25+ USPS					0	0	7
25+ DOL							49,673
TOTAL	%1,087,826		0 563,437	535,274	0	0	57 49,673

23: SUMMARY REPORT FROM ESTIMATING RUN FOR 2004ANM RUN ON 08-10-2004

PARAMETERS: SMOOTHING FACTOR = 10%, DISCOUNT RATE = -.8%
 INFLATION RATE = 0%, LIFE ANNUITY = 2000ANC, YEARS DATA = 25

	2004ANM CURRENT COST	ESTIMATED TOTAL REMAINING LIABILITY	TOTAL COST INCURRED
CLASS 1	155,977,700	931,848,400	1,087,826,000
CLASS 2	0	0	0
CLASS 3	81,082,540	482,354,200	563,436,800
CLASS 4	67,058,270	468,215,600	535,273,800
CLASS 5	0	0	0
CLASS 6	0	0	0
CLASS 7	48,769	8,481	57,250
AGE 25+	3,924,385	45,748,680	49,673,060
TOTAL	308,091,682	1,928,175,301	2,236,267,046