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Item # 275

SUMMARY OF MERCER REPORT

SFAS 112 TRANSITION LIABILITY
AS OF 12/31/92

(Thousands)

| A<br>Company/Benefit | B<br>Workers' Compensation<br>Undiscounted | C<br><br>Discounted | D<br>Short-Term Disability<br>(Undiscounted) | E<br>Long-Term Disability<br>(Discounted) | F<br>Totals |
|---|---|---|---|---|---|
| BST | $55,000 | $36,740 | | | $55,000 |
| 8 BMI | | | | | |
| 9 BAPCO | | | | | |
| 10 BSE (1) | | | | | |
| Sickness | | | $4,900 | | 4,900 |
| Accident | | | 2,800 | | 2,800 |
| Indemnity | | | | $ 8,400 | 8,400 |
| Medical | | | | 10,100 (3) | 10,100 |
| Totals | $59,180 | $37,498 | $7,700 | $18,500 | $85,380 |

NOTE: Unless otherwise noted, 7 percent discount rate used.

(1) Includes only those BSE companies on the Master Casualty Program
(2) Additional amount not reflected in BRB letter (7/92)
Includes only claims since Master Casualty Program began on 12/15/88
Losses were only developed to 66 months
(3) Discounted at 9 percent

F01B292 0000298

WILLIAM M.
MERCER
INCORPORATED

William J McDonnell, ASA
Principal

June 15, 1993

Ms. Mary Ann Tanner
BellSouth Corporation
1155 Peachtree Street, N.E.
Room 15 B 04
Atlanta, Georgia 30367-6000

Dear Mary Ann:

Enclosed please find five copies of our Preliminary Report on SFAS No. 112 and Its Implications to BellSouth Corporation.

The following chart is a summary we have made of the liabilities described in detail in the report.

Summary of Additional Accrued Liabilities
To Be Recognized Under SFAS 112
(000's)

| | |
|---|---|
| Workers' Compensation | |
| (Indemnity & Medical) | $40,539 |
| Long Term Disability | |
| Indemnity | $ 8,400 |
| Medical | 10,100 |
| Total | $18,500 |
| Sickness (Indemnity) | $ 4,900 |
| Accident (Indemnity) | 2,800 |
| TOTAL | $66,739 |

DISCOUNTED

This summary has been prepared to give you a convenient snapshot of the likely total impact of the Statement on BellSouth's financial statements. However, you should assess each element of that summary in the context of the full description of its development and limitations before relying on the summary.

3700 Georgia-Pacific Center
133 Peachtree Street NE
Atlanta GA 30303

404 521 2200

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F01A41Z 0009030

WILLIAM M. MERCER INCORPORATED



As we discussed throughout the study and noted in the report, there is considerable room for improvement in the data used to make these calculations. We look forward to working with you in accomplishing this worthwhile task.

Very truly yours,

Bill

William J. McDonnell
Principal

WJM:hcs
34841.ibs

Enclosures

cc: Greg S. Griffin
Mark Alhanti
Betsey Byrd
Chad Wischmeyer

WILLIAM M. MERCER INCORPORATED

# PRELIMINARY REPORT ON

# STATEMENT OF FINANCIAL ACCOUNTING STANDARDS

# NO. 112

# AND ITS IMPLICATIONS TO BELLSOUTH CORPORATION

Prepared by:

**William M. Mercer, Incorporated**
3700 Georgia-Pacific Center
133 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 521-2200

June, 1993

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## SECTION 1. GENERAL

In November, 1992, the Financial Accounting Standards Board published Statement No. 112, Employers' Accounting for Postemployment Benefits. This statement amends FASB Statements No. 5 and No. 43. It is effective for fiscal years beginning after December 15, 1993. Earlier compliance is encouraged.

This statement completes the FASB's project to define accounting standards for employer-provided benefits which are paid after employment ceases. Statement No. 87, published in December, 1985, governed the accounting for pension plans, and Statement No. 106, published in December, 1990 and first effective on a mandatory basis this year, set accounting standards for post-retirement benefits other than pensions (primarily medical and life insurance benefits). Statement No. 112 covers the accounting for those benefits paid after employment ceases and other than as a retirement benefit. Such benefits include:

- Non-pension disability benefits;
- Health and life insurance continuation (including COBRA);
- Self-insured workers' compensation;
- Severance benefits, including job training and counseling;
- Supplemental unemployment benefits.

In the vast majority of cases, SFAS 112 will require a "terminal accrual" accounting method, under which the cost of benefits is recognized (in full) generally at the time of termination from employment. This is the accounting treatment specified in SFAS 5.

Certain benefits may be required under SFAS 112 to be recognized as they are earned if they meet certain criteria, namely:

- they are attributed to past service;
- they vest or accumulate;
- payment is probable; and
- the expected cost can be estimated.

This is the accounting treatment specified in SFAS 43.

After a review of the BellSouth benefit plans and practices, Mercer has determined that only the following benefits have any likelihood of producing a liability that exceeds by any significant amount the liability customarily recognized by current accounting practice:

- Workers' compensation, indemnity and medical payments;
- Long Term Disability, indemnity and medical payments;
- Short Term Sickness and Accident, indemnity payments.

In the early stages of Mercer's analysis, certain disability retirement payments were considered as possibly covered by SFAS 112, but after further research by BellSouth Comptrollers area it was agreed that those payments were more properly accounted for under SFAS 87.

Sections 2 through 5 will discuss each of these benefits that have any likelihood of producing a significant effect on the company's liabilities. Section 6 contains certain caveats and limitations.

## SECTION 2. WORKERS' COMPENSATION

### Introduction

The Financial Accounting Standards Board Statement of Accounting Standard No. 112 (SFAS 112) requires companies to accrue for future workers' compensation benefits to workers who are injured as of the date of the corresponding financial statement. The liability under this statement can be a result of self-insured programs, deductible/self-insured retention (SIR) insurance policies, or retrospectively rated insurance policies. This section of the report deals only with the SFAS 112 implications of the law (i.e. statutory) portion of benefits provided to injured employees, the accident plan supplement is analyzed in another section.

BellSouth Corporation (BellSouth) has various workers' compensation insurance plans which are impacted by SFAS 112. BellSouth Telecommunications, Incorporated (BST) companies generally self-insure their workers' compensation exposure, with excess insurance purchased when required by the particular state. It is important to note that BST appears to have also assumed the liability for injuries occurring prior to divestiture. In fact, a significant portion of 1992 payments were associated with injuries which occurred prior to 1985. Under SFAS 112, BST is required to accrue for future payments to already injured workers up to the point at which the excess insurance (if applicable) assumes future payments for the claims.

In general, BellSouth Enterprises, Incorporated (BSE) companies have been insured under a master casualty program since December 15, 1988. This program has been comprised of both retrospectively rated insurance policies and deductible insurance policies. Under both of these plans, BSE is responsible for the costs of claims up to a maximum amount per occurrence. Under SFAS 112, BSE is required to accrue for future payments (or anticipated reimbursements to the insurance company) related to accidents that occur on or before the evaluation date of the corresponding financial statement. We are uncertain of the insurance program of these companies prior to December of 1988.

It should be noted that for specific states, BAPCO (AL, FL, GA, NC, and SC) and Mobility (GA) are self-insured. The treatment of SFAS 112 for these states is similar to the treatment of the BST companies.

### Conclusions

Based on the analysis presented on the following exhibits, we estimate that BST will pay $55 million after December 31, 1992 to workers who sustained work related injuries on or before December 31, 1992. These payments will be made over a number of years. As a result, a significant amount of investment income can be earned prior to the date payments are made to injured workers. The present value (at a 7% rate of return assumption) of the $55 million future payments is $37 million. This $37 million represents the required SFAS 112 workers' compensation accrual for BST as of December 31, 1992. While we have used a 7% discount rate in this study, we make no assertion as to BellSouth's ability to earn this rate of return, however, the 7% represents a common interest rate used in studies of this nature. 55

Our projected accrual figure of $37 million (as well as the $55 million figure) is based on BST specific data. While the DEARS claims management system should provide the information necessary to analyze BST's workers' compensation experience in the future, the 1992 indemnity payments from the DEARS system were not reliable. As a result, an absence "episodes" file (as well as other sources) was used to estimate 1992 indemnity payments. The 1992 medical payment data in the DEARS system does appear to be reliable as it is quite similar to information provided by Blue Cross/Blue Shield and has been used in this study. Additional detail on the data used in this study is provide in the "Data Gathering" section of this report.

The 1992 BST payments were adjusted for benefit level changes, wage/medical inflation and historical BST exposure levels. The adjusted payments were used to estimate future payments by calendar year for each accident year. Additional detail regarding the methodology used to arrive at our projections is presented in the "Methodology" section of this report. It should be noted (as can be seen on Exhibit WC-6), that the actual BST payments were considerably lower than expected based on industry experience, however, the average BST payment was made further from the accident date than would have been expected based on industry information.

For BAPCO and Mobility self-insured states, we have projected the discounted (present value) and undiscounted (nominal) value of future payments to currently injured workers based on BST, industry and available company information. The projected liability (discounted value) for Mobility and BAPCO are $109 thousand and $646 thousand, respectively.

For the BSE companies covered under the master casualty program, Marsh and McLennan, Incorporated used information from BSE's insurer (The Hartford Insurance Company) to estimate future workers' compensation payments (i.e. the SFAS 112 liability) as of April, 1992. In a letter from Mr. Billy R. Brewer, many of the subsidiaries were provided with the figures to allow these companies to accrue for these future payments. We are assuming that the companies did post these accrual figures. However, several companies (including the corporate layer between the individual companies and the overall corporate retention) were not included in this letter, despite having an accrual amount on the Marsh & McLennan, Inc. exhibit. We have assumed that these other items were not accrued. As of April, 1992, these "unfunded" accruals amounted to approximately $3 million (see Exhibit WC-9).

The master casualty program began December 15, 1988. We do not have any information on the insurance program prior to this master casualty program. Since the claims before this master casualty program are more than four years old, the liability associated with these accidents is likely to be relatively small, particularly if a retrospectively rated or guaranteed cost insurance policy was in place. However, we have not projected a liability figure for BST for claims prior to December 15, 1988. In addition, we do not have information on the liability associated with BSE companies not included in the master casualty program (eg. Los Angeles Cellular) and as a result have not estimated a SFAS 112 workers' compensation accrual for these companies.

BSE

## Data Gathering

As discussed earlier in this text, workers' compensation payments by accident year were not easily available. After several discussions with BellSouth, it was decided that reliable payment information was not available prior to 1992.

For 1992 medical payments, the information in the DEARS system was quite similar to other sources (namely the Blue Cross/Blue Shield records). Exhibit WC-17 presents an excerpt from the "Aggregates" file which was used as the source for medical payment information (i.e. medical payments associated with workers' compensation claims). As can be seen on Exhibit WC-3-2, payments were organized by the year in which the injury occurred (i.e. accident year).

Various sources were used in an attempt to obtain 1992 workers' compensation indemnity payment information. BST workers' compensation indemnity payments can be divided into three categories:

(1) Lost Time Payments to Employees on the Payroll system,
(2) Lost Time Payments and Lump Sum Payments to Off-Payroll People, and
(3) Other Lump Sum Payments.

Exhibit WC-18 presents an excerpt from the "Episodes" file used to estimate 1992 lost-time payments to employees on the payroll system. As can be seen on this exhibit, various information including accident date, authorization status, first and last day absent (for each absence), and the workers' compensation benefit rate was provided. Based on this information and the waiting period and retroactive date by state we estimated the 1992 indemnity payments. We have estimated the 1992 indemnity payments to employees on the payroll system to be approximately $1 million.

Information on lost time and lump sums payments to off-payroll people was not as easily available as the information for employees on the payroll system. Information on these claimants was provided by Lynn Duffy (see Exhibit WC-19 for an excerpt) in a diary format. We manually recorded the 1992 payments from this information. We have estimated these payments to be approximately $1.3 million.

The 1992 lump sum payment information was provided by the claims managers to Lynn Duffy. These payments were approximately $400 thousand. We have assumed that one-half of these payments were for anticipated lost-time (i.e. indemnity) benefits and one-half for anticipated medical payments.

BST workers' compensation claims are coded as alleged until they have been evaluated. These alleged claims have not been included in the above three categories. However, based on information from BellSouth, these payments are minor and have been excluded in this analysis.

## Methodology

### BellSouth Telecommunications, Incorporated

The general approach used in this analysis to estimate BST's workers' compensation liability was to adjust the 1992 payments for benefit changes, cost level changes, and historical BST exposure levels. These adjusted payments were used to project future payments for each accident year by calendar year of payment. For example, except for benefit changes, inflation and an increase in payroll, we would expect that 1993 payments associated with 1992 accidents would be close to 1992 payments associated with 1991 accidents.

Exhibit WC-3 (page 1 for indemnity and page 2 for medical) presents our projection of future payments. The actual payments (column 1) are divided by a relativity (column 2) to adjust these payments to an accident year 1992 cost and exposure level (column 3). Column 2 represents a measure of the relative workers' compensation costs by accident year, considering benefit and inflationary changes as well as BST's exposure (i.e. payroll by classification) by year. The accident year 1992 relativity is based on the industry expected losses presented on Exhibit WC-14 for indemnity benefits and Exhibit WC-11 for medical benefits. The industry expected ultimate losses are calculated based on BST's payroll by National Council on Compensation Insurance (NCCI) classification (outside - 7600 and inside - 8901), loss rates (i.e. ultimate losses per $100 of payroll) and trends as well as benefit change information. Exhibits WC-12, WC-13, WC-15, and WC-16 present the calculation of the industry expected loss figures for inside employee medical, outside employee medical, inside employee indemnity, and outside employee indemnity, respectively.

Exhibit WC-3, column 4 accumulates column 3 (offset by one year) to arrive projections of future payments at each age of development, at an accident year 1992 level. For example, for a typical accident year at the 5th year of development, based on BST data, we would expect $2.5 million in future payments (at a 1992 level). This figure is based on the accident year 1988 row which is at the 5th year of development.

Column 5 is the product of column 2 and column 4. This column adjust the projections of future payments in column 4 to the relative cost level of each corresponding accident year. These figures are discounted based on a 7% discount rate assumption and are presented in column 7.

It should be noted that while BST 1992 payments are considerably less than expected based on industry information, the average payment lag is longer. In other words, BST makes a proportionately larger amount of payments for older accidents than would be expected based on industry patterns. As a result, if industry payment patterns were applied to BST data, the projected reserve would be lower. However, since each company handles and settles claims differently, we feel that it is important to use company specific data to the maximum extent credible. As a result, we have relied on the 1992 BST data to development a payment pattern to be used in our projections. We suggest that this assumption be monitored closely and re-evaluated as more data becomes available.

<u>BellSouth Mobility, Incorporated</u>

Exhibit 7 presents our projection of the self-insured workers' compensation liability of BellSouth Mobility (Mobility). As can be seen on this exhibit, we estimate that Mobility will make future workers' compensation payments to workers injured on or before December 31, 1992 of $165 thousand (section II-D). The present value (at a 7% discount rate) of these payments is estimated to be $109 thousand (section II-E). Please note that Mobility is only self-insured in the state of Georgia. 110 in summary

BMI

The 1992 aggregate payroll was the only information readily available for Mobility. To estimate the SFAS 112 liability, we used the BST ratio of projected discounted and undiscounted reserves to accident year 1992 industry expected ultimate losses. These ratios are 1.06 and 1.60 for discounted and undiscounted values, respectively. Based on NCCI information, we estimated the industry expected accident year 1992 ultimate losses for BAPCO ($103 thousand - see section II-C). The $103 thousand ultimate loss figure is multiplied by ~~the~~ 1.06 and 1.60 to arrive at the discounted and undiscounted reserve projections of $109 thousand and $165 thousand, respectively.

Mobility



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F01A41Z 0009039

# BELLSOUTH®, INCORPORATED

## SUMMARY OF PROJECTED SFAS 112 WORKERS' COMPENSATION IMPACT AS OF DECEMBER 31, 1992 **
## (FIGURES IN THOUSANDS OF DOLLARS)

| | | A |
|---|---|---|
| | 1. BELLSOUTH TELECOMMUNICATIONS, INC. | 36,740 |
| 6 | 2. BELLSOUTH MOBILITY, INC. (BMI) (SELF-INSURED STATES ONLY) | |
| 7 | 3. BELLSOUTH ADVERTISING AND PUBLISHING COMPANY (BAPCO) (SELF INSURED STATES ONLY) | |
| 9 | 4. BELLSOUTH ENTERPRISES, INC. * | |

<u>NOTES BY ROW:</u>
1. EXHIBIT WC-2
2. EXHIBIT WC-7
3. EXHIBIT WC-8
4. EXHIBIT WC-9

* BSE, INC FIGURE BASED ON MARSH & MCLENNAN, INC. NET ACCRUAL FIGURES AS OF 4/1/92 NOT INCLUDED IN 7/17/92 BILLY R. BREWER ACCRUAL LETTER. THESE FIGURES EXCLUDE BAPCO AND BMI SELF-INSURED STATES AND INCLUDE ONLY COMPANIES INCLUDED IN THE MASTER CASUALTY PROGRAM FOR POLICY PERIODS 12/15/88-10/15/92.

** DISCOUNTED VALUES AT 7% DISCOUNT RATE ASSUMPTION.

# BELLSOUTH TELECOMMUNICATIONS, INC.

## SUMMARY OF PROJECTED RESERVE
## AS OF DECEMBER 31, 1992
## (FIGURES IN THOUSANDS OF DOLLARS)

| | PROJECTED UNDISCOUNTED RESERVE | | | PROJECTED DISCOUNTED RESERVE | | |
|---|---|---|---|---|---|---|
| ACCIDENT YEAR | (1) INDEMNITY | (2) MEDICAL | (3) TOTAL | (4) INDEMNITY | (5) MEDICAL | (6) TOTAL |
| 1959 | 0 | 1 | 1 | 0 | 1 | 1 |
| 1960 | 0 | 1 | 1 | 0 | 1 | 1 |
| 1961 | 0 | 1 | 1 | 0 | 1 | 1 |
| 1962 | 0 | 1 | 1 | 0 | 1 | 1 |
| 1963 | 0 | 21 | 21 | 0 | 19 | 19 |
| 1964 | 0 | 21 | 21 | 0 | 18 | 18 |
| 1965 | 0 | 22 | 22 | 0 | 17 | 17 |
| 1966 | 0 | 22 | 22 | 0 | 16 | 16 |
| 1967 | 0 | 23 | 23 | 0 | 16 | 16 |
| 1968 | 0 | 24 | 24 | 0 | 15 | 15 |
| 1969 | 0 | 24 | 24 | 0 | 19 | 19 |
| 1970 | 6 | 48 | 54 | 6 | 39 | 45 |
| 1971 | 8 | 78 | 86 | 7 | 62 | 70 |
| 1972 | 16 | 103 | 119 | 14 | 78 | 92 |
| 1973 | 23 | 111 | 134 | 20 | 80 | 100 |
| 1974 | 33 | 123 | 156 | 27 | 95 | 121 |
| 1975 | 42 | 186 | 228 | 34 | 145 | 180 |
| 1976 | 64 | 266 | 329 | 51 | 205 | 256 |
| 1977 | 89 | 333 | 422 | 70 | 245 | 315 |
| 1978 | 123 | 373 | 496 | 93 | 271 | 364 |
| 1979 | 145 | 457 | 602 | 108 | 314 | 422 |
| 1980 | 193 | 496 | 689 | 143 | 344 | 487 |
| 1981 | 265 | 634 | 899 | 193 | 475 | 668 |
| 1982 | 353 | 1,002 | 1,356 | 265 | 721 | 986 |
| 1983 | 520 | 1,185 | 1,705 | 385 | 823 | 1,208 |
| 1984 | 678 | 1,384 | 2,062 | 497 | 953 | 1,451 |
| 1985 | 929 | 1,719 | 2,648 | 644 | 1,160 | 1,804 |
| 1986 | 1,126 | 2,057 | 3,182 | 752 | 1,353 | 2,104 |
| 1987 | 1,314 | 2,337 | 3,650 | 864 | 1,489 | 2,353 |
| 1988 | 1,631 | 2,711 | 4,342 | 1,061 | 1,697 | 2,758 |
| 1989 | 2,258 | 3,553 | 5,811 | 1,487 | 2,186 | 3,673 |
| 1990 | 2,819 | 4,139 | 6,957 | 1,877 | 2,582 | 4,459 |
| 1991 | 3,198 | 4,644 | 7,842 | 2,093 | 3,072 | 5,165 |
| 1992 | 4,224 | 7,046 | 11,269 | 2,719 | 4,816 | 7,535 |
| TOTAL | 20,056 | 35,145 | 55,201 | 13,411 | 23,329 | 36,740 |

**NOTES BY COLUMN:**

1. EXHIBIT WC 3-1
2. EXHIBIT WC 3-2
3. (1)+(2)
4. EXHIBIT WC 3-1, 7% DISCOUNT RATE
5. EXHIBIT WC 3-2, 7% DISCOUNT RATE
6. (4)+(5)

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F01A41Z 0009041

# BELLSOUTH TELECOMMUNICATIONS, INC.

## PROJECTED RESERVE AS OF DECEMBER 31, 1992
## INDEMNITY PAYMENTS

| ACCIDENT YEAR | (1) 1992 INDEMNITY PAYMENTS | (2) AY 1992 COST AND BENEFIT LEVEL RELATIVITY | (3) AY 1992 COST AND BENEFIT LEVEL IND. PYMTS | (4) CUMULATIVE AY 1992 LEVEL IND. PYMTS | (5) PROJECTED UNDISCOUNTED RESERVE | (6) DISCOUNT FACTOR | (7) PROJECTED DISCOUNTED RESERVE |
|---|---|---|---|---|---|---|---|
| 1959 | 0.0 | 0.027 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1960 | 0.0 | 0.030 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1961 | 0.0 | 0.033 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1962 | 0.0 | 0.036 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1963 | 0.0 | 0.040 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1964 | 0.0 | 0.044 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1965 | 0.0 | 0.048 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1966 | 0.0 | 0.054 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1967 | 0.0 | 0.059 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1968 | 0.0 | 0.066 | 0.0 | 0 | 0 | 100.0% | 0 |
| 1969 | 5.5 | 0.073 | 75.5 | 0 | 0 | 96.7% | 0 |
| 1970 | 1.2 | 0.080 | 15.1 | 76 | 6 | 91.4% | 6 |
| 1971 | 6.6 | 0.089 | 73.9 | 91 | 8 | 90.5% | 7 |
| 1972 | 4.8 | 0.099 | 48.6 | 165 | 16 | 87.3% | 14 |
| 1973 | 6.2 | 0.110 | 56.3 | 213 | 23 | 84.8% | 20 |
| 1974 | 5.1 | 0.122 | 41.7 | 270 | 33 | 81.5% | 27 |
| 1975 | 15.0 | 0.135 | 110.9 | 311 | 42 | 81.6% | 34 |
| 1976 | 15.9 | 0.151 | 105.4 | 422 | 64 | 80.3% | 51 |
| 1977 | 21.7 | 0.168 | 129.0 | 526 | 89 | 79.3% | 70 |
| 1978 | 7.2 | 0.187 | 38.3 | 657 | 123 | 75.4% | 93 |
| 1979 | 27.9 | 0.209 | 133.6 | 695 | 145 | 74.7% | 108 |
| 1980 | 39.3 | 0.233 | 168.8 | 828 | 193 | 74.3% | 143 |
| 1981 | 37.7 | 0.266 | 141.9 | 997 | 265 | 72.9% | 193 |
| 1982 | 113.8 | 0.310 | 366.7 | 1,139 | 353 | 75.1% | 265 |
| 1983 | 90.9 | 0.345 | 263.2 | 1,506 | 520 | 74.1% | 385 |
| 1984 | 120.0 | 0.383 | 313.1 | 1,769 | 678 | 73.4% | 497 |
| 1985 | 27.5 | 0.446 | 61.7 | 2,082 | 929 | 69.4% | 644 |
| 1986 | 72.4 | 0.525 | 137.8 | 2,144 | 1,126 | 66.8% | 752 |
| 1987 | 143.0 | 0.576 | 248.4 | 2,282 | 1,314 | 65.8% | 864 |
| 1988 | 185.0 | 0.645 | 286.9 | 2,530 | 1,631 | 65.0% | 1,061 |
| 1989 | 369.3 | 0.802 | 460.6 | 2,817 | 2,258 | 65.8% | 1,487 |
| 1990 | 474.7 | 0.860 | 552.0 | 3,278 | 2,819 | 66.6% | 1,877 |
| 1991 | 329.1 | 0.835 | 394.2 | 3,830 | 3,198 | 65.4% | 2,093 |
| 1992 | 419.6 | 1.000 | 419.6 | 4,224 | 4,224 | 64.4% | 2,719 |
| TOTAL | 2,539.2 | | 4,643.3 | | 20,056 | 66.9% | 13,411 |

**NOTES BY COLUMN:**

1. FROM BELLSOUTH
2. BASED ON EXHIBIT WC-14
3. (1)/(2)
4. SUM (3), OFFSET BY 1 ROW
5. (4)*(2)
6. BASED ON (4) AND 7% DISCOUNT RATE
7. (5)*(6)

* FIGURES IN THOUSANDS OF DOLLARS

# BELLSOUTH TELECOMMUNICATIONS, INC.

## PROJECTED RESERVE AS OF DECEMBER 31, 1992
## MEDICAL PAYMENTS

| ACCIDENT YEAR | (1) 1992 MEDICAL PAYMENTS | (2) AY 1992 COST AND BENEFIT LEVEL RELATIVITY | (3) AY 1992 COST AND BENEFIT LEVEL MED. PYMTS | (4) CUMULATIVE AY 1992 LEVEL MED. PYMTS | (5) PROJECTED UNDISCOUNTED RESERVE | (6) DISCOUNT FACTOR | (7) PROJECTED DISCOUNTED RESERVE |
|---|---|---|---|---|---|---|---|
| 1959 | 0.7 | 0.174 | 4.3 | 4 | 1 | 96.7% | 1 |
| 1960 | 0.0 | 0.177 | 0.0 | 4 | 1 | 90.3% | 1 |
| 1961 | 0.2 | 0.181 | 1.3 | 4 | 1 | 87.3% | 1 |
| 1962 | 19.3 | 0.186 | 103.8 | 6 | 1 | 95.9% | 1 |
| 1963 | 0.0 | 0.190 | 0.0 | 109 | 21 | 89.6% | 19 |
| 1964 | 0.0 | 0.195 | 0.0 | 109 | 21 | 83.8% | 18 |
| 1965 | 0.0 | 0.200 | 0.0 | 109 | 22 | 78.3% | 17 |
| 1966 | 0.0 | 0.205 | 0.0 | 109 | 22 | 73.2% | 16 |
| 1967 | 0.0 | 0.211 | 0.0 | 109 | 23 | 68.4% | 16 |
| 1968 | 0.0 | 0.217 | 0.0 | 109 | 24 | 63.9% | 15 |
| 1969 | 22.3 | 0.224 | 99.7 | 109 | 24 | 77.3% | 19 |
| 1970 | 27.0 | 0.231 | 116.8 | 209 | 48 | 81.0% | 39 |
| 1971 | 21.9 | 0.239 | 91.9 | 326 | 78 | 80.3% | 62 |
| 1972 | 3.4 | 0.247 | 13.8 | 418 | 103 | 75.8% | 78 |
| 1973 | 8.1 | 0.256 | 31.5 | 432 | 111 | 72.6% | 80 |
| 1974 | 54.6 | 0.267 | 204.7 | 463 | 123 | 76.7% | 95 |
| 1975 | 68.8 | 0.278 | 247.6 | 668 | 186 | 78.4% | 145 |
| 1976 | 52.0 | 0.290 | 179.2 | 915 | 266 | 77.1% | 205 |
| 1977 | 21.8 | 0.304 | 71.7 | 1,095 | 333 | 73.6% | 245 |
| 1978 | 60.6 | 0.320 | 189.7 | 1,166 | 373 | 72.7% | 271 |
| 1979 | 11.6 | 0.337 | 34.5 | 1,356 | 457 | 68.6% | 314 |
| 1980 | 92.6 | 0.357 | 259.3 | 1,390 | 496 | 69.3% | 344 |
| 1981 | 296.1 | 0.384 | 770.8 | 1,650 | 634 | 74.9% | 475 |
| 1982 | 77.2 | 0.414 | 186.5 | 2,421 | 1,002 | 71.9% | 721 |
| 1983 | 97.2 | 0.455 | 213.8 | 2,607 | 1,185 | 69.4% | 823 |
| 1984 | 198.2 | 0.491 | 403.9 | 2,821 | 1,384 | 68.9% | 953 |
| 1985 | 182.4 | 0.533 | 342.1 | 3,225 | 1,719 | 67.5% | 1,160 |
| 1986 | 181.7 | 0.577 | 315.0 | 3,567 | 2,057 | 65.8% | 1,353 |
| 1987 | 160.2 | 0.602 | 266.1 | 3,882 | 2,337 | 63.7% | 1,489 |
| 1988 | 242.3 | 0.653 | 370.7 | 4,148 | 2,711 | 62.6% | 1,697 |
| 1989 | 306.0 | 0.786 | 389.2 | 4,519 | 3,553 | 61.5% | 2,186 |
| 1990 | 586.9 | 0.843 | 695.9 | 4,908 | 4,139 | 62.4% | 2,582 |
| 1991 | 1,195.1 | 0.829 | 1,441.9 | 5,604 | 4,644 | 66.2% | 3,072 |
| 1992 | 1,625.1 | 1.000 | 1,625.1 | 7,046 | 7,046 | 68.4% | 4,816 |
| TOTAL | 5,613.2 | | 8,670.8 | | 35,145 | 66.4% | 23,329 |

**NOTES BY COLUMN:**

1. FROM BELLSOUTH
2. EXHIBITS WC-11
3. (1)/(2)
4. SUM (3), OFFSET BY 1 ROW
5. (4)*(2)
6. BASED ON (4) AND 7% DISCOUNT RATE
7. (5)*(6)

* FIGURES IN THOUSANDS OF DOLLARS

F01B29Z 0000312

F01A41Z 0009043

# BELLSOUTH TELECOMMUNICATIONS, INC.

## PROJECTED PAYMENTS BY YEAR
## INDEMNITY PAYMENTS

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015+ | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PRIOR | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| 1971 | 1 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| 1972 | 3 | 1 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 |
| 1973 | 5 | 8 | 2 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23 |
| 1974 | 7 | 6 | 9 | 2 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33 |
| 1975 | 5 | 8 | 7 | 10 | 2 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42 |
| 1976 | 17 | 8 | 8 | 7 | 11 | 2 | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 64 |
| 1977 | 18 | 10 | 7 | 9 | 8 | 12 | 3 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 80 |
| 1978 | 24 | 20 | 21 | 6 | 11 | 9 | 14 | 3 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 123 |
| 1979 | 8 | 27 | 22 | 23 | 9 | 12 | 10 | 15 | 3 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 145 |
| 1980 | 31 | 8 | 30 | 25 | 26 | 10 | 13 | 11 | 17 | 4 | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 193 |
| 1981 | 45 | 36 | 10 | 34 | 28 | 29 | 11 | 15 | 13 | 20 | 4 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 265 |
| 1982 | 44 | 52 | 41 | 12 | 40 | 33 | 34 | 13 | 17 | 15 | 23 | 5 | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 353 |
| 1983 | 127 | 49 | 58 | 48 | 13 | 45 | 30 | 38 | 14 | 18 | 17 | 20 | 5 | 26 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 508 |
| 1984 | 101 | 141 | 54 | 65 | 61 | 15 | 49 | 40 | 43 | 16 | 22 | 16 | 26 | 6 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 678 |
| 1985 | 140 | 117 | 164 | 63 | 76 | 60 | 17 | 58 | 47 | 49 | 19 | 25 | 22 | 33 | 7 | 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 929 |
| 1986 | 32 | 164 | 138 | 193 | 76 | 89 | 70 | 20 | 68 | 55 | 58 | 22 | 30 | 26 | 39 | 8 | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 1,126 |
| 1987 | 79 | 35 | 160 | 152 | 211 | 82 | 97 | 77 | 22 | 74 | 61 | 64 | 24 | 32 | 28 | 43 | 9 | 43 | 0 | 0 | 0 | 0 | 0 | 1,314 |
| 1988 | 160 | 69 | 40 | 202 | 170 | 238 | 91 | 109 | 68 | 25 | 83 | 69 | 72 | 27 | 36 | 31 | 48 | 10 | 49 | 0 | 0 | 0 | 0 | 1,631 |
| 1989 | 230 | 199 | 110 | 48 | 251 | 211 | 294 | 114 | 135 | 107 | 31 | 103 | 64 | 89 | 33 | 45 | 39 | 59 | 12 | 61 | 0 | 0 | 0 | 2,258 |
| 1990 | 396 | 247 | 214 | 118 | 53 | 269 | 226 | 315 | 122 | 145 | 115 | 33 | 111 | 91 | 95 | 36 | 48 | 42 | 64 | 13 | 65 | 0 | 0 | 2,619 |
| 1991 | 461 | 385 | 240 | 207 | 115 | 51 | 261 | 220 | 308 | 118 | 141 | 112 | 32 | 108 | 88 | 93 | 35 | 47 | 41 | 62 | 13 | 63 | 0 | 3,198 |
| 1992 | 394 | 552 | 461 | 267 | 246 | 138 | 62 | 313 | 263 | 367 | 142 | 169 | 134 | 38 | 129 | 105 | 111 | 42 | 59 | 49 | 74 | 15 | 79 | 4,224 |
| | | | | | | | | | | | | | | | | | | | | | | | | 20,056 |

**NOTES:**

1. BASED ON EXHIBIT WC-3-1 COL(2) AND COL(3)
2. FIGURES IN THOUSANDS OF DOLLARS

Exhibit WC-4-1

F01B292 0000313

F01A412 0009044

# BELLSOUTH TELECOMMUNICATIONS, INC.

## PROJECTED PAYMENTS BY YEAR
## MEDICAL PAYMENTS

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015+ | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PRIOR | 44 | 21 | 22 | 22 | 23 | 24 | 24 | 25 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 208 |
| 1971 | 28 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 25 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 78 |
| 1972 | 23 | 28 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 103 |
| 1973 | 4 | 24 | 30 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 111 |
| 1974 | 8 | 4 | 25 | 31 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 28 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 123 |
| 1975 | 57 | 9 | 4 | 28 | 32 | 28 | 0 | 0 | 0 | 0 | 0 | 0 | 29 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 188 |
| 1976 | 72 | 59 | 8 | 4 | 27 | 34 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 266 |
| 1977 | 55 | 75 | 62 | 10 | 4 | 28 | 36 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 32 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 333 |
| 1978 | 23 | 57 | 79 | 68 | 10 | 4 | 29 | 37 | 32 | 0 | 0 | 0 | 0 | 0 | 0 | 33 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 373 |
| 1979 | 64 | 24 | 60 | 84 | 69 | 11 | 8 | 31 | 39 | 34 | 0 | 0 | 0 | 0 | 0 | 0 | 35 | 0 | 0 | 1 | 0 | 0 | 0 | 457 |
| 1980 | 12 | 88 | 26 | 64 | 86 | 73 | 11 | 6 | 33 | 42 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 37 | 0 | 0 | 2 | 0 | 0 | 496 |
| 1981 | 100 | 13 | 73 | 28 | 69 | 65 | 79 | 12 | 8 | 35 | 45 | 38 | 0 | 0 | 0 | 0 | 0 | 0 | 40 | 0 | 0 | 2 | 0 | 634 |
| 1982 | 319 | 107 | 14 | 79 | 30 | 74 | 103 | 85 | 13 | 6 | 38 | 46 | 41 | 0 | 0 | 0 | 0 | 0 | 0 | 43 | 1 | 0 | 2 | 1,002 |
| 1983 | 85 | 350 | 118 | 16 | 66 | 33 | 81 | 113 | 83 | 14 | 6 | 42 | 63 | 45 | 0 | 0 | 0 | 0 | 0 | 0 | 47 | 1 | 2 | 1,165 |
| 1984 | 105 | 92 | 376 | 127 | 17 | 93 | 35 | 88 | 122 | 100 | 15 | 7 | 45 | 57 | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 81 | 3 | 1,384 |
| 1985 | 215 | 114 | 99 | 411 | 138 | 18 | 101 | 38 | 96 | 132 | 109 | 17 | 7 | 49 | 62 | 53 | 0 | 0 | 0 | 0 | 0 | 0 | 58 | 1,719 |
| 1986 | 197 | 233 | 123 | 108 | 444 | 180 | 20 | 109 | 41 | 103 | 143 | 118 | 18 | 8 | 53 | 67 | 58 | 0 | 0 | 0 | 0 | 0 | 63 | 2,057 |
| 1987 | 190 | 206 | 243 | 129 | 112 | 464 | 158 | 21 | 114 | 43 | 108 | 149 | 123 | 19 | 8 | 55 | 70 | 60 | 0 | 0 | 0 | 0 | 66 | 2,337 |
| 1988 | 174 | 206 | 224 | 204 | 140 | 122 | 504 | 169 | 23 | 124 | 47 | 117 | 162 | 134 | 21 | 9 | 60 | 76 | 65 | 0 | 0 | 0 | 71 | 2,711 |
| 1989 | 291 | 209 | 248 | 269 | 318 | 168 | 147 | 606 | 204 | 27 | 149 | 56 | 141 | 195 | 161 | 25 | 11 | 72 | 92 | 78 | 0 | 0 | 89 | 3,553 |
| 1990 | 326 | 313 | 224 | 266 | 288 | 341 | 180 | 157 | 650 | 219 | 29 | 160 | 60 | 151 | 209 | 173 | 27 | 12 | 76 | 89 | 84 | 0 | 92 | 4,139 |
| 1991 | 577 | 323 | 307 | 221 | 261 | 284 | 335 | 177 | 155 | 639 | 215 | 29 | 157 | 59 | 149 | 205 | 170 | 26 | 11 | 78 | 87 | 83 | 91 | 4,644 |
| 1992 | 1,442 | 696 | 389 | 371 | 206 | 315 | 342 | 404 | 214 | 186 | 771 | 259 | 34 | 190 | 72 | 179 | 248 | 205 | 32 | 14 | 92 | 117 | 209 | 7,046 |
| | | | | | | | | | | | | | | | | | | | | | | | | 35,144 |

**NOTES:**

1. BASED ON EXHIBIT WC-3-2 COL(2) AND COL(3)
2. FIGURES IN THOUSANDS OF DOLLARS

Exhibit WC-4-2

F01A41Z 0009045

F01B29Z 0000314

# BELLSOUTH TELECOMMUNICATIONS, INC.

## PROJECTED RESERVE AS OF DECEMBER 31, 1993
## INDEMNITY PAYMENTS

| ACCIDENT YEAR | (1) AY 1992 COST AND BENEFIT LEVEL RELATIVITY | (2) CUMULATIVE AY 1992 LEVEL IND. PYMTS | (3) PROJECTED UNDISCOUNTED RESERVE | (4) DISCOUNT FACTOR | (5) PROJECTED DISCOUNTED RESERVE |
|---|---|---|---|---|---|
| 1959 | 0.027 | 0 | 0 | 100.0% | 0 |
| 1960 | 0.030 | 0 | 0 | 100.0% | 0 |
| 1961 | 0.033 | 0 | 0 | 100.0% | 0 |
| 1962 | 0.036 | 0 | 0 | 100.0% | 0 |
| 1963 | 0.040 | 0 | 0 | 100.0% | 0 |
| 1964 | 0.044 | 0 | 0 | 100.0% | 0 |
| 1965 | 0.048 | 0 | 0 | 100.0% | 0 |
| 1966 | 0.054 | 0 | 0 | 100.0% | 0 |
| 1967 | 0.059 | 0 | 0 | 100.0% | 0 |
| 1968 | 0.066 | 0 | 0 | 100.0% | 0 |
| 1969 | 0.073 | 0 | 0 | 100.0% | 0 |
| 1970 | 0.080 | 0 | 0 | 96.7% | 0 |
| 1971 | 0.089 | 76 | 7 | 91.4% | 6 |
| 1972 | 0.099 | 91 | 9 | 90.5% | 8 |
| 1973 | 0.110 | 165 | 18 | 87.3% | 16 |
| 1974 | 0.122 | 213 | 26 | 84.8% | 22 |
| 1975 | 0.135 | 270 | 37 | 81.5% | 30 |
| 1976 | 0.151 | 311 | 47 | 81.6% | 38 |
| 1977 | 0.168 | 422 | 71 | 80.3% | 57 |
| 1978 | 0.187 | 528 | 99 | 79.3% | 78 |
| 1979 | 0.209 | 657 | 137 | 75.4% | 103 |
| 1980 | 0.233 | 695 | 162 | 74.7% | 121 |
| 1981 | 0.266 | 828 | 220 | 74.3% | 164 |
| 1982 | 0.310 | 997 | 309 | 72.9% | 225 |
| 1983 | 0.345 | 1,139 | 393 | 75.1% | 295 |
| 1984 | 0.383 | 1,506 | 577 | 74.1% | 428 |
| 1985 | 0.446 | 1,769 | 789 | 73.4% | 579 |
| 1986 | 0.525 | 2,082 | 1,093 | 69.4% | 759 |
| 1987 | 0.576 | 2,144 | 1,234 | 66.8% | 824 |
| 1988 | 0.645 | 2,282 | 1,471 | 65.8% | 967 |
| 1989 | 0.802 | 2,530 | 2,028 | 65.0% | 1,319 |
| 1990 | 0.860 | 2,817 | 2,422 | 65.8% | 1,595 |
| 1991 | 0.835 | 3,278 | 2,737 | 66.6% | 1,823 |
| 1992 | 1.000 | 3,830 | 3,830 | 65.4% | 2,506 |
| 1993 | 1.093 | 4,224 | 4,615 | 64.4% | 2,971 |
| TOTAL | | | 22,331 | | 14,934 |

**NOTES BY COLUMN:**

1. BASED ON EXHIBIT WC-14
2. EXHIBIT WC-3-1
3. (2)*(1)
4. EXHIBIT WC-3-1, AND 7% DISCOUNT RATE
5. (4)*(3)

* FIGURES IN THOUSANDS OF DOLLARS

# BELLSOUTH TELECOMMUNICATIONS, INC.

## PROJECTED RESERVE AS OF DECEMBER 31, 1993
## MEDICAL PAYMENTS

| ACCIDENT YEAR | (1) AY 1992 COST AND BENEFIT LEVEL RELATIVITY | (2) CUMULATIVE AY 1992 LEVEL MED. PYMTS | (3) PROJECTED UNDISCOUNTED RESERVE | (4) DISCOUNT FACTOR | (5) PROJECTED DISCOUNTED RESERVE |
|---|---|---|---|---|---|
| 1959 | 0.174 | 0 | 0 | 100.0% | 0 |
| 1960 | 0.177 | 4 | 1 | 96.7% | 1 |
| 1961 | 0.181 | 4 | 1 | 90.3% | 1 |
| 1962 | 0.186 | 4 | 1 | 87.3% | 1 |
| 1963 | 0.190 | 6 | 1 | 95.9% | 1 |
| 1964 | 0.195 | 109 | 21 | 89.6% | 19 |
| 1965 | 0.200 | 109 | 22 | 83.8% | 18 |
| 1966 | 0.205 | 109 | 22 | 78.3% | 18 |
| 1967 | 0.211 | 109 | 23 | 73.2% | 17 |
| 1968 | 0.217 | 109 | 24 | 68.4% | 16 |
| 1969 | 0.224 | 109 | 24 | 63.9% | 16 |
| 1970 | 0.231 | 109 | 25 | 77.3% | 20 |
| 1971 | 0.239 | 209 | 50 | 81.0% | 40 |
| 1972 | 0.247 | 326 | 81 | 80.3% | 65 |
| 1973 | 0.256 | 418 | 107 | 75.8% | 81 |
| 1974 | 0.267 | 432 | 115 | 72.6% | 83 |
| 1975 | 0.278 | 463 | 129 | 76.7% | 99 |
| 1976 | 0.290 | 668 | 194 | 78.4% | 152 |
| 1977 | 0.304 | 915 | 278 | 77.1% | 215 |
| 1978 | 0.320 | 1,095 | 350 | 73.6% | 258 |
| 1979 | 0.337 | 1,166 | 393 | 72.7% | 286 |
| 1980 | 0.357 | 1,356 | 484 | 68.6% | 332 |
| 1981 | 0.384 | 1,390 | 534 | 69.3% | 370 |
| 1982 | 0.414 | 1,650 | 683 | 74.9% | 512 |
| 1983 | 0.455 | 2,421 | 1,100 | 71.9% | 791 |
| 1984 | 0.491 | 2,607 | 1,279 | 69.4% | 888 |
| 1985 | 0.533 | 2,821 | 1,504 | 68.9% | 1,036 |
| 1986 | 0.577 | 3,225 | 1,859 | 67.5% | 1,254 |
| 1987 | 0.602 | 3,567 | 2,147 | 65.8% | 1,413 |
| 1988 | 0.653 | 3,882 | 2,537 | 63.7% | 1,617 |
| 1989 | 0.786 | 4,148 | 3,261 | 62.6% | 2,042 |
| 1990 | 0.843 | 4,519 | 3,811 | 61.5% | 2,345 |
| 1991 | 0.829 | 4,908 | 4,068 | 62.4% | 2,537 |
| 1992 | 1.000 | 5,604 | 5,604 | 66.2% | 3,707 |
| 1993 | 1.106 | 7,046 | 7,790 | 68.4% | 5,325 |
| TOTAL | | | 38,524 | | 25,574 |

NOTES BY COLUMN:

1. EXHIBITS WC-11
2. EXHIBIT WC-3-2
3. (2)*(1)
4. EXHIBIT WC-3-2, AND 7% DISCOUNT RATE
5. (4)*(3)

* FIGURES IN THOUSANDS OF DOLLARS

F01B29Z 0000316

F01A41Z 0009047

Exhibit WC-6

# BELLSOUTH TELECOMMUNICATIONS, INC.

## COMPARISON OF EXPECTED AND ACTUAL 1992 PAYMENTS
## (FIGURES IN THOUSANDS OF DOLLARS)

| | INDEMNITY | MEDICAL | TOTAL |
|---|---|---|---|
| EXPECTED PAYMENTS * | 12,378 | 12,828 | 25,206 |
| ACTUAL PAYMENTS (ESTIMATED) | 2,539 | 5,613 | 8,152 |
| DOLLAR DIFFERENCE | (9,839) | (7,215) | (17,054) |
| PERCENTAGE DIFFERENCE | −79.5% | −56.2% | −67.7% |

* EXPECTED PAYMENTS BASED ON INDUSTRY LOSS RATES FOR ASSOCIATED PAYROLL CLASSIFICATION, INDUSTRY PAYMENT PATTERNS AND BST PAYROLL BY CLASSIFICATION.

F01B29Z 0000317

F01A41Z 0009048

Exhibit WC-7

# BELLSOUTH, INCORPORATED

## MOBILITY PROJECTED LIABILITY AS OF DECEMBER 31, 1992
## SELF–INSURED STATES ONLY *
## (FIGURES IN THOUSANDS OF DOLLARS)

B

I. CALCULATION OF BST RESERVE FACTORS

6 A. *EXPECTED ACCIDENT YEAR 1992 INDUSTRY EXPECTED LOSSES*

7 B. PROJECTED UNDISCOUNTED RESERVE (000's)

8 C. UNDISCOUNTED RESERVE FACTOR

9 D. PROJECTED DISCOUNTED RESERVE (000's)

10 E. DISCOUNTED RESERVE FACTOR

II. PROJECTION OF MOBILITY RESERVE (SELF–INSURED STATES ONLY) A

A. ESTIMATED 1992 PAYROLL BY CLASS
14 1. 7600
15 2. 8742
16 3. 8901
17 4. TOTAL

B. ESTIMATED 1992 LOSS RATE
19 1. 7600
20 2. 8742
21 3. 8901
22 4. TOTAL

C. EXPECTED 1992 INDUSTRY EXPECTED LOSSES
24 1. 7600
25 2. 8742
26 3. 8901
27 4. TOTAL

D. PROJECTED UNDISCOUNTED RESERVE
29 1. 7600
30 2. 8742
31 3. 8901
32 4. TOTAL

E. PROJECTED DISCOUNTED RESERVE
34 1. 7600
35 2. 8742
36 3. 8901
37 4. TOTAL

<u>NOTES BY SECTION:</u>

I–A EXHIBITS WC–11 AND WC–14
I–B EXHIBIT WC–2
I–C I–B DIVIDED BY I–A
I–D EXHIBIT WC–2
I–E I–D DIVIDED BY I–A
II–A TOTAL FROM BELLSOUTH
SPLIT BASED ON 90/91 PAYROLL

II–B BASED ON NCCI GA FILING
II–C II–A/100 * II–B
II–D II–C * I–C
II–E II–C * I–E

* MOBILITY IS SELF–INSURED IN GA ONLY.

F01B29Z 0000318

F01A41Z 0009049

# BELLSOUTH, INCORPORATED

## BAPCO PROJECTED LIABILITY AS OF DECEMBER 31, 1992
## (SELF–INSURED STATES ONLY) • A

I. CALCULATION OF BST RESERVE FACTORS

A. CY 1992 PAYMENTS (000's)
6 1. INDEMNITY
7 2. MEDICAL
8 3. TOTAL

B. PROJECTED UNDISCOUNTED RESERVE (000's)
10 1. INDEMNITY
11 2. MEDICAL
12 3. TOTAL

C. UNDISCOUNTED RESERVE FACTOR
14 1. INDEMNITY
15 2. MEDICAL
16 3. TOTAL

D. PROJECTED DISCOUNTED RESERVE (000's)
18 1. INDEMNITY
19 2. MEDICAL
20 3. TOTAL

E. DISCOUNTED RESERVE FACTOR
22 1. INDEMNITY
23 2. MEDICAL
24 3. TOTAL

II. PROJECTION OF BAPCO RESERVE

A. 1992 BAPCO WC PAYMENTS
27 1. INDEMNITY
28 2. MEDICAL
29 3. TOTAL

B. PROJECTED UNDISCOUNTED RESERVE (000's)
31 1. INDEMNITY
32 2. MEDICAL
33 3. TOTAL

C. PROJECTED DISCOUNTED RESERVE (000's)
35 1. INDEMNITY
36 2. MEDICAL
37 3. TOTAL

NOTES BY SECTION:

| | | | |
|---|---|---|---|
| I–A | EXHIBIT WC–3–1 & WC–3–2 | I–E | I–D DIVIDED BY I–A |
| I–B | EXHIBIT WC–2 | II–A | FROM BELLSOUTH |
| I–C | I–B DIVIDED BY I–A | II–B | I–C TIMES II–A |
| I–D | EXHIBIT WC–2 | II–C | I–E TIMES II–A |

• BAPCO IS SELF INSURED IN AL, FL, GA, NC, SC.
FIGURES IN THOUSANDS OF DOLLARS

Exhibit WC-9

# BELLSOUTH, INCORPORATED

## BELLSOUTH ENTERPISES, INCORPORATED
## PROJECTED LIABILITY AS OF APRIL, 1992

## POLICY PERIODS 12/15/88–10/15/92

| | | A | B | C | D | E |
|---|---|---|---|---|---|---|
| | **COMPANY** | **88/89** | **89/90** | **90/91** | **91/92** | **TOTAL** |
| 6 | BELLSOUTH COMMUNICATIONS SYSTEMS | | | | | |
| 7 | DATASERV | | | | | |
| 8 | B.D.C | | | | | |
| 9 | BELLSOUTH FINANCIAL SERVICES | | | | | |
| 10 | BELLSOUTH COMMUNICATION | | | | | |
| 11 | BELLSOUTH GOVERNMENT SYSTEMS | | | | | |
| 12 | BELLSOUTH CORP. (HQ) | | | | | |
| 13 | BELLSOUTH SERVICES | | | | | |
| 14 | SC BELL ADV SYS | | | | | |
| 15 | BSHRA | | | | | |
| 16 | UNKNOWN | | | | | |
| 17 | SURPLUS (CORPORATE) | | | | | |
| | TOTAL | | | | | |

NOTE: THESE FIGURES REPRESENT THE MARSH AND MCLENNAN, INC. NET ACCRUAL FIGURES NOT INCLUDED IN JULY 17, 1992 BILLY R. BREWER ACCRUAL LETTER.

FIGURES IN THOUSANDS OF DOLLARS

F01B29Z 0000320

F01A41Z 0009051

# BELLSOUTH TELECOMMUNICATIONS, INC.

## CALCULATION OF EXPECTED 1993 LOSS RATES

| | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA |
|---|---|---|---|---|---|
| 1. STATE | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA |
| 2. APPROVED/PENDING | NO | YES | NO | NO | YES |
| 3. EFFECTIVE DATE | 01-Nov-92 | 01-Jan-93 | 15-Jul-93 | 01-Jan-93 | 01-Feb-92 |
| 4. AVERAGE DATE OF LOSS | 02-Nov-93 | 01-Jan-94 | 15-Jul-94 | 01-Jan-94 | 31-Jan-93 |
| 5. RATES/LOSS COSTS | LOSS COST | RATES | LOSS COSTS | LOSS COSTS | LOSS COSTS |
| 8901 | 0.53 | 0.49 | 0.93 | 0.30 | 0.56 |
| 7600 | 4.12 | 4.40 | 3.95 | 4.39 | 2.83 |
| 6. TRENDS IN RATE FILING (NET OF PAYROLL TREND) | | | | | |
| MEDICAL TREND FACTOR | 1.085 | 1.091 | 1.471 | 1.488 | 1.379 |
| INDEMNITY TREND FACTOR | 1.100 | 1.050 | 1.216 | 1.228 | 1.164 |
| TREND PERIOD | 1.235 | 1.000 | 4.091 | 4.053 | 3.686 |
| ANNUAL MEDICAL TREND | 6.8% | 9.1% | 9.9% | 10.3% | 9.1% |
| ANNUAL INDEMNITY TREND | 8.0% | 5.0% | 4.9% | 5.2% | 4.2% |
| 7. MEDICAL VS. INDEMNITY SPLIT | | | | | |
| MEDICAL | 59.5% | 57.4% | 52.6% | 54.4% | 46.4% |
| INDEMNITY | 40.5% | 42.6% | 47.4% | 45.6% | 53.6% |
| 8. ALLOCATED LOSS ADJUST. EXP PCT | 5.6% | 5.6% | 5.1% | 0.0% | 0.0% |
| 9. UNALLOCATED LOSS ADJUST, EXP PCT | 6.9% | 6.8% | 6.2% | 0.0% | 0.0% |
| 10. TOTAL LOSS ADJUST. EXP PCT | 12.5% | 12.4% | 11.3% | 0.0% | 0.0% |
| 11. PERMISSABLE LOSS RATIO | NA | 76.73% | NA | NA | NA |
| 12. ADJUSTMENT TO CURRENT BENEFIT LEVEL | | | | | |
| MEDICAL | 1.015 | 1.000 | 1.000 | 1.000 | 1.000 |
| INDEMNITY | 1.000 | 1.000 | 1.000 | 1.000 | 1.009 |
| 13. PROJECTED 1993 LOSS AND ALAE RATES | | | | | |
| MEDICAL | | | | | |
| 8901 | 0.28 | 0.18 | 0.38 | 0.14 | 0.25 |
| 7600 | 2.14 | 1.60 | 1.62 | 2.06 | 1.25 |
| INDEMNITY | | | | | |
| 8901 | 0.18 | 0.14 | 0.38 | 0.13 | 0.30 |
| 7600 | 1.41 | 1.26 | 1.60 | 1.86 | 1.49 |

**NOTES BY ROW:**

| | |
|---|---|
| 1-11 | FROM LATEST NCCI FILING |
| 12 | FROM NCCI |
| 13 | [(5)*(7)]*[1+(6)]^[7/1/93-(4)]*[1+(8)]/[1+(8)+(9)]*(11)*(12) |

F01B29Z 0000321

F01A41Z 0009052

# BELLSOUTH TELECOMMUNICATIONS, INC.

## CALCULATION OF EXPECTED 1993 LOSS RATES

| | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|
| 1. STATE | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
| 2. APPROVED/PENDING | YES | YES | YES | NO |
| 3. EFFECTIVE DATE | 01-Sep-92 | 01-Jan-93 | 01-Jul-92 | 01-Jan-92 |
| 4. AVERAGE DATE OF LOSS | 01-Sep-93 | 01-Jan-94 | 01-Jul-93 | 31-Dec-92 |
| 5. RATES/LOSS COSTS | RATES | RATES | LOSS COSTS | RATES |
| 8901 | 0.73 | 0.97 | 0.30 | 0.58 |
| 7600 | 4.81 | 4.82 | 1.99 | 3.67 |
| 6. TRENDS IN RATE FILING (NET OF PAYROLL TREND) | | | | |
| MEDICAL TREND FACTOR | 1.367 | 1.310 | 1.154 | 1.333 |
| INDEMNITY TREND FACTOR | 1.127 | 1.323 | 1.108 | 1.182 |
| TREND PERIOD | 3.165 | 2.730 | 3.250 | 2.750 |
| ANNUAL MEDICAL TREND | 10.4% | 10.4% | 4.5% | 11.0% |
| ANNUAL INDEMNITY TREND | 3.8% | 10.8% | 3.2% | 6.3% |
| 7. MEDICAL VS. INDEMNITY SPLIT | | | | |
| MEDICAL | 58.2% | 49.6% | 41.3% | 46.1% |
| INDEMNITY | 41.8% | 50.4% | 58.7% | 53.9% |
| 8. ALLOCATED LOSS ADJUST. EXP PCT | 5.6% | 5.0% | 5.6% | 5.4% |
| 9. UNALLOCATED LOSS ADJUST. EXP PCT | 6.9% | 6.1% | 6.9% | 6.6% |
| 10. TOTAL LOSS ADJUST. EXP PCT | 12.5% | 11.1% | 12.5% | 12.0% |
| 11. PERMISSABLE LOSS RATIO | 72.00% | 74.73% | NA | 70.80% |
| 12. ADJUSTMENT TO CURRENT BENEFIT LEVEL | | | | |
| MEDICAL | 1.000 | 1.000 | 1.000 | 1.023 |
| INDEMNITY | 1.000 | 1.000 | 1.010 | 1.000 |
| 13. PROJECTED 1993 LOSS AND ALAE RATES | | | | |
| MEDICAL | | | | |
| 8901 | 0.28 | 0.29 | 0.11 | 0.17 |
| 7600 | 1.86 | 1.45 | 0.74 | 1.10 |
| INDEMNITY | | | | |
| 8901 | 0.20 | 0.30 | 0.16 | 0.20 |
| 7600 | 1.35 | 1.47 | 1.07 | 1.28 |

**NOTES BY ROW**

| | |
|---|---|
| 1-11 | FROM LATEST NCCI FILING |
| 12 | FROM NCCI |
| 13 | [(5)*(7)]*[1+(6)]^[7/1/93-(4)]*[1+(8)]/[1+(8)+(9)]*(11)*(12) |

F01B29Z 0000322

F01A41Z 0009053

# BELLSOUTH TELECOMMUNICATION, INC.

## MEDICAL
## EXPECTED LOSSES (ALL EMPLOYEES)
## BASED ON INDUSTRY DATA

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 11 | 27 | 1,938 | 212 | 642 | 197 | 3 | 6 | 76 | 3,111 |
| 1960 | 13 | 31 | 1,957 | 223 | 656 | 207 | 3 | 6 | 82 | 3,178 |
| 1961 | 15 | 36 | 1,978 | 234 | 671 | 217 | 3 | 7 | 89 | 3,249 |
| 1962 | 18 | 42 | 1,995 | 246 | 686 | 229 | 4 | 8 | 97 | 3,324 |
| 1963 | 21 | 48 | 2,015 | 259 | 701 | 240 | 5 | 9 | 105 | 3,403 |
| 1964 | 24 | 56 | 2,036 | 272 | 717 | 253 | 5 | 9 | 114 | 3,487 |
| 1965 | 29 | 65 | 2,057 | 286 | 733 | 266 | 6 | 11 | 124 | 3,576 |
| 1966 | 34 | 75 | 2,080 | 300 | 750 | 280 | 7 | 12 | 134 | 3,672 |
| 1967 | 39 | 86 | 2,103 | 316 | 768 | 295 | 8 | 13 | 145 | 3,774 |
| 1968 | 46 | 100 | 2,127 | 332 | 786 | 311 | 10 | 15 | 158 | 3,885 |
| 1969 | 54 | 116 | 2,153 | 349 | 805 | 327 | 11 | 17 | 172 | 4,003 |
| 1970 | 64 | 134 | 2,180 | 367 | 825 | 345 | 13 | 19 | 186 | 4,132 |
| 1971 | 75 | 155 | 2,208 | 386 | 846 | 363 | 15 | 22 | 202 | 4,272 |
| 1972 | 87 | 179 | 2,238 | 406 | 868 | 383 | 18 | 25 | 220 | 4,424 |
| 1973 | 102 | 207 | 2,271 | 427 | 890 | 404 | 21 | 29 | 239 | 4,591 |
| 1974 | 120 | 240 | 2,305 | 450 | 914 | 427 | 24 | 34 | 260 | 4,774 |
| 1975 | 141 | 278 | 2,342 | 473 | 939 | 450 | 28 | 40 | 283 | 4,975 |
| 1976 | 165 | 321 | 2,383 | 498 | 966 | 476 | 33 | 48 | 308 | 5,199 |
| 1977 | 194 | 372 | 2,427 | 525 | 995 | 503 | 39 | 58 | 336 | 5,447 |
| 1978 | 227 | 430 | 2,474 | 553 | 1,025 | 532 | 47 | 71 | 366 | 5,725 |
| 1979 | 267 | 498 | 2,527 | 582 | 1,057 | 563 | 57 | 89 | 399 | 6,038 |
| 1980 | 313 | 576 | 2,585 | 614 | 1,091 | 597 | 72 | 111 | 435 | 6,393 |
| 1981 | 367 | 740 | 2,648 | 647 | 1,128 | 633 | 97 | 143 | 475 | 6,878 |
| 1982 | 430 | 908 | 2,720 | 683 | 1,168 | 671 | 134 | 182 | 519 | 7,415 |
| 1983 | 504 | 1,215 | 2,792 | 720 | 1,211 | 713 | 194 | 223 | 567 | 8,139 |
| 1984 | 591 | 1,406 | 2,869 | 761 | 1,258 | 758 | 265 | 260 | 620 | 8,787 |
| 1985 | 693 | 1,636 | 2,956 | 804 | 1,309 | 807 | 361 | 303 | 679 | 9,548 |
| 1986 | 884 | 1,796 | 3,163 | 839 | 1,230 | 838 | 476 | 352 | 746 | 10,325 |
| 1987 | 1,033 | 1,878 | 3,171 | 866 | 1,177 | 880 | 581 | 368 | 826 | 10,781 |
| 1988 | 1,205 | 2,109 | 3,332 | 900 | 1,198 | 923 | 727 | 389 | 919 | 11,702 |
| 1989 | 1,703 | 2,548 | 3,922 | 993 | 1,290 | 1,047 | 1,030 | 468 | 1,079 | 14,080 |
| 1990 | 1,969 | 2,801 | 4,141 | 982 | 1,301 | 1,066 | 1,179 | 49[illegible] | 1,167 | 15,101 |
| 1991 | 2,107 | 2,814 | 3,758 | 973 | 1,309 | 1,078 | 1,140 | 478 | 1,187 | 14,841 |
| 1992 | 2,491 | 3,996 | 4,226 | 1,115 | 1,499 | 1,216 | 1,439 | 524 | 1,399 | 17,907 |
| 1993 | 2,748 | 4,626 | 4,546 | 1,163 | 1,612 | 1,306 | 1,700 | 556 | 1,523 | 19,800 |

NOTE: Exhibit WC-12-4 plus Exhibit WC-13-4

Exhibit WC-11

F01A41Z 0009054

F01B29Z 0000323

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## INSIDE PAYROLL (EXCLUDING SALARY GRADE 9 – EXECUTIVES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 44,528 | 121,224 | 88,957 | 22,901 | 50,961 | 25,628 | 45,094 | 29,661 | 42,114 | 471,068 |
| 1960 | 46,755 | 127,285 | 93,405 | 24,046 | 53,509 | 26,910 | 47,348 | 31,144 | 44,220 | 494,622 |
| 1961 | 49,093 | 133,649 | 98,075 | 25,249 | 56,184 | 28,255 | 49,716 | 32,702 | 46,431 | 519,353 |
| 1962 | 51,547 | 140,332 | 102,979 | 26,511 | 58,993 | 29,668 | 52,201 | 34,337 | 48,753 | 545,321 |
| 1963 | 54,125 | 147,349 | 108,128 | 27,837 | 61,943 | 31,151 | 54,811 | 36,054 | 51,190 | 572,587 |
| 1964 | 56,831 | 154,716 | 113,534 | 29,229 | 65,040 | 32,709 | 57,552 | 37,856 | 53,750 | 601,216 |
| 1965 | 59,672 | 162,452 | 119,211 | 30,690 | 68,292 | 34,344 | 60,430 | 39,749 | 56,437 | 631,277 |
| 1966 | 62,656 | 170,574 | 125,171 | 32,225 | 71,707 | 36,061 | 63,451 | 41,737 | 59,259 | 662,841 |
| 1967 | 65,789 | 179,103 | 131,430 | 33,836 | 75,292 | 37,864 | 66,624 | 43,823 | 62,222 | 695,983 |
| 1968 | 69,078 | 188,058 | 138,001 | 35,528 | 79,056 | 39,758 | 69,955 | 46,015 | 65,333 | 730,782 |
| 1969 | 72,532 | 197,461 | 144,901 | 37,304 | 83,009 | 41,745 | 73,453 | 48,315 | 68,600 | 767,321 |
| 1970 | 76,159 | 207,334 | 152,146 | 39,169 | 87,160 | 43,833 | 77,125 | 50,731 | 72,030 | 805,687 |
| 1971 | 79,967 | 217,701 | 159,754 | 41,128 | 91,518 | 46,024 | 80,982 | 53,268 | 75,631 | 845,971 |
| 1972 | 83,965 | 228,586 | 167,741 | 43,184 | 96,094 | 48,326 | 85,031 | 55,931 | 79,413 | 888,270 |
| 1973 | 88,163 | 240,015 | 176,128 | 45,343 | 100,898 | 50,742 | 89,282 | 58,727 | 83,383 | 932,683 |
| 1974 | 92,571 | 252,016 | 184,935 | 47,610 | 105,943 | 53,279 | 93,746 | 61,664 | 87,553 | 979,318 |
| 1975 | 97,200 | 264,617 | 194,182 | 49,991 | 111,240 | 55,943 | 98,434 | 64,747 | 91,930 | 1,028,283 |
| 1976 | 102,060 | 277,848 | 203,891 | 52,490 | 116,802 | 58,740 | 103,355 | 67,984 | 96,527 | 1,079,698 |
| 1977 | 107,163 | 291,740 | 214,085 | 55,115 | 122,643 | 61,677 | 108,523 | 71,384 | 101,353 | 1,133,682 |
| 1978 | 112,521 | 306,327 | 224,789 | 57,871 | 128,775 | 64,761 | 113,949 | 74,953 | 106,421 | 1,190,367 |
| 1979 | 118,147 | 321,643 | 236,029 | 60,764 | 135,213 | 67,999 | 119,647 | 78,700 | 111,742 | 1,249,885 |
| 1980 | 124,055 | 337,725 | 247,830 | 63,802 | 141,974 | 71,399 | 125,629 | 82,635 | 117,329 | 1,312,379 |
| 1981 | 130,257 | 354,612 | 260,222 | 66,993 | 149,073 | 74,969 | 131,910 | 86,767 | 123,195 | 1,377,998 |
| 1982 | 136,770 | 372,342 | 273,233 | 70,342 | 156,526 | 78,717 | 138,506 | 91,106 | 129,355 | 1,446,898 |
| 1983 | 143,609 | 390,959 | 286,895 | 73,859 | 164,353 | 82,653 | 145,431 | 95,661 | 135,823 | 1,519,243 |
| 1984 | 150,789 | 410,507 | 301,239 | 77,552 | 172,570 | 86,786 | 152,703 | 100,444 | 142,614 | 1,595,205 |
| 1985 | 158,329 | 431,033 | 316,301 | 81,430 | 181,199 | 91,125 | 160,338 | 105,466 | 149,745 | 1,674,965 |
| 1986 | 225,272 | 444,022 | 403,019 | 83,071 | 180,912 | 94,877 | 167,522 | 111,279 | 156,993 | 1,866,966 |
| 1987 | 232,632 | 433,237 | 405,286 | 82,103 | 171,002 | 92,306 | 163,221 | 106,877 | 157,600 | 1,844,264 |
| 1988 | 252,411 | 437,342 | 420,632 | 84,491 | 172,710 | 95,521 | 165,560 | 106,728 | 165,398 | 1,900,812 |
| 1989 | 368,654 | 501,784 | 518,512 | 101,544 | 190,773 | 111,786 | 197,933 | 126,896 | 209,860 | 2,327,761 |
| 1990 | 393,943 | 513,371 | 546,042 | 101,783 | 194,556 | 115,313 | 199,517 | 128,268 | 218,727 | 2,411,520 |
| 1991 | 357,379 | 443,702 | 480,283 | 88,469 | 168,814 | 99,943 | 166,879 | 112,431 | 192,902 | 2,110,822 |
| 1992 | 377,213 | 493,048 | 519,405 | 90,695 | 174,713 | 103,734 | 179,136 | 118,989 | 203,664 | 2,260,598 |
| 1993 | 396,074 | 517,700 | 545,376 | 95,229 | 183,448 | 108,921 | 188,093 | 124,939 | 213,847 | 2,373,628 |

**NOTES:**
1993 = 1992 *1.05
1989 to 1992 from Bellsouth
1985 to 1988 projected based on base pay for 1985–1988 and 1989 total payroll.
Prior to 1985 based on 1985 and a 5% payroll trend

FOIA41Z 0009055

Exhibit WC-12-1

01B29Z 0000324

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## INSIDE WORKERS' COMPENSATION RATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 0.007 | 0.005 | 0.016 | 0.005 | 0.013 | 0.010 | 0.006 | 0.019 | 0.005 |
| 1960 | 0.008 | 0.006 | 0.018 | 0.006 | 0.014 | 0.011 | 0.006 | 0.020 | 0.005 |
| 1961 | 0.009 | 0.006 | 0.019 | 0.006 | 0.016 | 0.012 | 0.007 | 0.021 | 0.006 |
| 1962 | 0.010 | 0.007 | 0.021 | 0.007 | 0.017 | 0.013 | 0.008 | 0.022 | 0.007 |
| 1963 | 0.011 | 0.008 | 0.023 | 0.007 | 0.019 | 0.015 | 0.008 | 0.023 | 0.007 |
| 1964 | 0.012 | 0.009 | 0.026 | 0.008 | 0.020 | 0.016 | 0.009 | 0.024 | 0.008 |
| 1965 | 0.014 | 0.009 | 0.028 | 0.009 | 0.022 | 0.018 | 0.010 | 0.025 | 0.009 |
| 1966 | 0.015 | 0.010 | 0.031 | 0.010 | 0.024 | 0.020 | 0.011 | 0.026 | 0.010 |
| 1967 | 0.017 | 0.011 | 0.034 | 0.011 | 0.026 | 0.022 | 0.013 | 0.027 | 0.011 |
| 1968 | 0.019 | 0.013 | 0.037 | 0.012 | 0.029 | 0.024 | 0.014 | 0.028 | 0.012 |
| 1969 | 0.021 | 0.014 | 0.041 | 0.013 | 0.031 | 0.026 | 0.015 | 0.030 | 0.014 |
| 1970 | 0.024 | 0.015 | 0.045 | 0.015 | 0.034 | 0.029 | 0.017 | 0.031 | 0.015 |
| 1971 | 0.027 | 0.017 | 0.050 | 0.016 | 0.037 | 0.032 | 0.019 | 0.032 | 0.017 |
| 1972 | 0.030 | 0.019 | 0.055 | 0.018 | 0.041 | 0.036 | 0.021 | 0.034 | 0.019 |
| 1973 | 0.033 | 0.020 | 0.060 | 0.020 | 0.044 | 0.039 | 0.023 | 0.035 | 0.021 |
| 1974 | 0.037 | 0.022 | 0.066 | 0.022 | 0.049 | 0.043 | 0.025 | 0.037 | 0.023 |
| 1975 | 0.042 | 0.025 | 0.073 | 0.024 | 0.053 | 0.048 | 0.028 | 0.039 | 0.026 |
| 1976 | 0.046 | 0.027 | 0.080 | 0.027 | 0.058 | 0.053 | 0.031 | 0.040 | 0.028 |
| 1977 | 0.052 | 0.030 | 0.088 | 0.029 | 0.063 | 0.058 | 0.034 | 0.042 | 0.032 |
| 1978 | 0.058 | 0.033 | 0.096 | 0.032 | 0.069 | 0.064 | 0.037 | 0.044 | 0.035 |
| 1979 | 0.065 | 0.037 | 0.106 | 0.036 | 0.075 | 0.071 | 0.041 | 0.046 | 0.039 |
| 1980 | 0.072 | 0.040 | 0.116 | 0.039 | 0.082 | 0.078 | 0.046 | 0.048 | 0.043 |
| 1981 | 0.081 | 0.049 | 0.128 | 0.043 | 0.089 | 0.086 | 0.052 | 0.052 | 0.048 |
| 1982 | 0.090 | 0.058 | 0.141 | 0.048 | 0.097 | 0.095 | 0.060 | 0.057 | 0.053 |
| 1983 | 0.101 | 0.073 | 0.155 | 0.053 | 0.106 | 0.105 | 0.073 | 0.063 | 0.059 |
| 1984 | 0.112 | 0.081 | 0.170 | 0.058 | 0.116 | 0.116 | 0.084 | 0.066 | 0.066 |
| 1985 | 0.126 | 0.090 | 0.187 | 0.064 | 0.127 | 0.128 | 0.098 | 0.070 | 0.073 |
| 1986 | 0.140 | 0.096 | 0.206 | 0.071 | 0.138 | 0.142 | 0.112 | 0.079 | 0.081 |
| 1987 | 0.157 | 0.101 | 0.226 | 0.078 | 0.151 | 0.156 | 0.129 | 0.082 | 0.090 |
| 1988 | 0.175 | 0.113 | 0.249 | 0.086 | 0.164 | 0.172 | 0.147 | 0.086 | 0.100 |
| 1989 | 0.195 | 0.125 | 0.273 | 0.095 | 0.179 | 0.190 | 0.169 | 0.090 | 0.111 |
| 1990 | 0.218 | 0.136 | 0.300 | 0.105 | 0.190 | 0.210 | 0.193 | 0.095 | 0.124 |
| 1991 | 0.244 | 0.146 | 0.330 | 0.116 | 0.208 | 0.232 | 0.220 | 0.102 | 0.137 |
| 1992 | 0.262 | 0.161 | 0.353 | 0.128 | 0.226 | 0.256 | 0.243 | 0.106 | 0.154 |
| 1993 | 0.275 | 0.178 | 0.381 | 0.141 | 0.247 | 0.283 | 0.293 | 0.111 | 0.173 |
| CURRENT | 0.275 | 0.178 | 0.381 | 0.141 | 0.247 | 0.283 | 0.293 | 0.111 | 0.173 |
| TREND FACTOR | | | | | | | | | |
| PRE REFORM | 1.117 | 1.102 | 1.099 | 1.103 | 1.091 | 1.104 | 1.104 | 1.045 | 1.110 |
| POST REFORM | 1.068 | 1.102 | NA | NA | NA | NA | NA | NA | NA |
| REFORM DATE | 19-Jul-92 | 01-Jul-90 | NA | NA | NA | NA | NA | NA | NA |

**NOTES:**

Based on Exhibit WC-10, listed trends, and Exhibit WC-12-3 for benefit changes

Rate = Current rate * (trend factor ^ no. of yrs since 1993) / benefit change

Exhibit WC-12-2

F01B29Z 0000325

F01A41Z 0009056

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## BENEFIT LEVEL CHANGES BY STATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1960 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1961 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1962 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1963 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1964 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1965 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1966 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1967 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1968 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1969 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1970 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1971 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1972 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1973 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1974 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1975 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1976 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1977 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1978 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1979 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1980 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1981 | 0.925 | 1.124 | 0.960 | 1.000 | 0.972 | 1.000 | 1.710 | 1.259 | 1.030 |
| 1982 | 0.925 | 1.061 | 0.957 | 1.000 | 0.972 | 1.000 | 1.637 | 1.196 | 1.030 |
| 1983 | 0.925 | 0.917 | 0.956 | 1.000 | 0.972 | 1.000 | 1.485 | 1.134 | 1.030 |
| 1984 | 0.925 | 0.917 | 0.956 | 1.000 | 0.972 | 1.000 | 1.425 | 1.128 | 1.030 |
| 1985 | 0.925 | 0.912 | 0.956 | 1.000 | 0.972 | 1.000 | 1.355 | 1.112 | 1.027 |
| 1986 | 0.925 | 0.943 | 0.956 | 1.000 | 0.972 | 1.000 | 1.303 | 1.038 | 1.023 |
| 1987 | 0.925 | 0.982 | 0.956 | 1.000 | 0.972 | 1.000 | 1.255 | 1.038 | 1.023 |
| 1988 | 0.925 | 0.967 | 0.956 | 1.000 | 0.972 | 1.000 | 1.211 | 1.038 | 1.023 |
| 1989 | 0.925 | 0.962 | 0.956 | 1.000 | 0.972 | 1.000 | 1.170 | 1.038 | 1.023 |
| 1990 | 0.925 | 0.981 | 0.956 | 1.000 | 1.000 | 1.000 | 1.129 | 1.028 | 1.023 |
| 1991 | 0.925 | 1.000 | 0.956 | 1.000 | 1.000 | 1.000 | 1.091 | 1.000 | 1.023 |
| 1992 | 0.963 | 1.000 | 0.982 | 1.000 | 1.000 | 1.000 | 1.091 | 1.000 | 1.011 |
| 1993 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

**NOTES:**

1980 to 1993 based on NCCI information

1979 and prior set equal to 1980

Exhibit WC-17-3

F01B417 000000

F01B29Z 0000326

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## EXPECTED LOSSES (INSIDE EMPLOYEES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 3 | 6 | 14 | 1 | 7 | 3 | 3 | 6 | 2 | 44 |
| 1960 | 4 | 7 | 16 | 1 | 8 | 3 | 3 | 6 | 2 | 51 |
| 1961 | 4 | 9 | 19 | 2 | 9 | 3 | 3 | 7 | 3 | 59 |
| 1962 | 5 | 10 | 22 | 2 | 10 | 4 | 4 | 7 | 3 | 67 |
| 1963 | 6 | 11 | 25 | 2 | 12 | 5 | 5 | 8 | 4 | 77 |
| 1964 | 7 | 13 | 29 | 2 | 13 | 5 | 5 | 9 | 4 | 89 |
| 1965 | 8 | 15 | 34 | 3 | 15 | 6 | 6 | 10 | 5 | 102 |
| 1966 | 10 | 18 | 39 | 3 | 17 | 7 | 7 | 11 | 6 | 118 |
| 1967 | 11 | 20 | 45 | 4 | 20 | 8 | 8 | 12 | 7 | 136 |
| 1968 | 13 | 24 | 52 | 4 | 23 | 10 | 10 | 13 | 8 | 156 |
| 1969 | 16 | 27 | 60 | 5 | 26 | 11 | 11 | 14 | 9 | 180 |
| 1970 | 18 | 32 | 69 | 6 | 30 | 13 | 13 | 16 | 11 | 207 |
| 1971 | 21 | 37 | 79 | 7 | 34 | 15 | 15 | 17 | 13 | 238 |
| 1972 | 25 | 42 | 92 | 8 | 39 | 17 | 18 | 19 | 15 | 275 |
| 1973 | 29 | 49 | 106 | 9 | 45 | 20 | 20 | 21 | 17 | 316 |
| 1974 | 34 | 57 | 122 | 10 | 51 | 23 | 24 | 23 | 20 | 365 |
| 1975 | 40 | 66 | 141 | 12 | 59 | 27 | 27 | 25 | 24 | 420 |
| 1976 | 47 | 76 | 163 | 14 | 67 | 31 | 32 | 27 | 27 | 485 |
| 1977 | 56 | 88 | 188 | 16 | 77 | 36 | 37 | 30 | 32 | 559 |
| 1978 | 65 | 102 | 216 | 19 | 89 | 42 | 43 | 33 | 37 | 645 |
| 1979 | 78 | 118 | 250 | 22 | 101 | 48 | 49 | 36 | 43 | 744 |
| 1980 | 90 | 136 | 288 | 25 | 116 | 56 | 57 | 40 | 51 | 859 |
| 1981 | 105 | 175 | 333 | 29 | 133 | 65 | 69 | 45 | 59 | 1,013 |
| 1982 | 123 | 214 | 385 | 34 | 153 | 75 | 83 | 52 | 69 | 1,169 |
| 1983 | 145 | 287 | 445 | 39 | 175 | 87 | 107 | 60 | 80 | 1,425 |
| 1984 | 170 | 332 | 514 | 45 | 200 | 101 | 129 | 67 | 94 | 1,650 |
| 1985 | 199 | 367 | 593 | 52 | 229 | 117 | 157 | 74 | 109 | 1,917 |
| 1986 | 316 | 424 | 830 | 59 | 250 | 134 | 188 | 80 | 128 | 2,417 |
| 1987 | 365 | 438 | 917 | 64 | 258 | 144 | 210 | 86 | 142 | 2,626 |
| 1988 | 442 | 495 | 1,046 | 73 | 284 | 165 | 244 | 92 | 168 | 3,006 |
| 1989 | 721 | 629 | 1,417 | 97 | 342 | 213 | 334 | 114 | 234 | 4,099 |
| 1990 | 860 | 696 | 1,640 | 107 | 370 | 242 | 365 | 122 | 270 | 4,691 |
| 1991 | 872 | 650 | 1,585 | 102 | 350 | 232 | 367 | 118 | 265 | 4,538 |
| 1992 | 986 | 798 | 1,832 | 116 | 396 | 266 | 435 | 127 | 314 | 5,267 |
| 1993 | 1,068 | 921 | 2,077 | 134 | 453 | 308 | 550 | 139 | 370 | 6,041 |

NOTE: Expected losses = Payroll (from Exhibit WC-12-1)/ 100 * Workers' Compensation Rate (from Exhibit WC-12-2)

Exhibit WC-12-4

F01A41Z 0009058

F01B29Z 0000327

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## OUTSIDE PAYROLL (EXCLUDING SALARY GRADE 9 – EXECUTIVES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 14,238 | 43,638 | 29,388 | 10,255 | 21,098 | 10,423 | 16,631 | 11,608 | 17,399 | 174,676 |
| 1960 | 14,950 | 45,820 | 30,857 | 10,768 | 22,153 | 10,944 | 17,463 | 12,188 | 18,269 | 183,410 |
| 1961 | 15,697 | 48,111 | 32,400 | 11,306 | 23,261 | 11,491 | 18,336 | 12,798 | 19,182 | 192,580 |
| 1962 | 16,482 | 50,517 | 34,020 | 11,872 | 24,424 | 12,065 | 19,253 | 13,435 | 20,142 | 202,209 |
| 1963 | 17,306 | 53,042 | 35,721 | 12,465 | 25,645 | 12,669 | 20,216 | 14,107 | 21,149 | 212,320 |
| 1964 | 18,171 | 55,695 | 37,507 | 13,089 | 26,927 | 13,302 | 21,226 | 14,812 | 22,206 | 222,936 |
| 1965 | 19,080 | 58,479 | 39,383 | 13,743 | 28,274 | 13,967 | 22,288 | 15,553 | 23,316 | 234,083 |
| 1966 | 20,034 | 61,403 | 41,352 | 14,430 | 29,687 | 14,666 | 23,402 | 16,331 | 24,482 | 245,787 |
| 1967 | 21,035 | 64,473 | 43,420 | 15,152 | 31,172 | 15,399 | 24,572 | 17,147 | 25,706 | 258,076 |
| 1968 | 22,087 | 67,697 | 45,590 | 15,909 | 32,730 | 16,169 | 25,801 | 18,005 | 26,992 | 270,980 |
| 1969 | 23,192 | 71,082 | 47,870 | 16,705 | 34,367 | 16,977 | 27,091 | 18,905 | 28,341 | 284,529 |
| 1970 | 24,351 | 74,636 | 50,264 | 17,540 | 36,085 | 17,826 | 28,445 | 19,850 | 29,758 | 298,755 |
| 1971 | 25,569 | 78,368 | 52,777 | 18,417 | 37,889 | 18,718 | 29,868 | 20,842 | 31,246 | 313,693 |
| 1972 | 26,847 | 82,286 | 55,416 | 19,338 | 39,784 | 19,653 | 31,361 | 21,885 | 32,808 | 329,378 |
| 1973 | 28,190 | 86,400 | 58,186 | 20,305 | 41,773 | 20,636 | 32,929 | 22,979 | 34,449 | 345,847 |
| 1974 | 29,599 | 90,721 | 61,096 | 21,320 | 43,862 | 21,668 | 34,576 | 24,128 | 36,171 | 363,139 |
| 1975 | 31,079 | 95,257 | 64,150 | 22,386 | 46,055 | 22,751 | 36,304 | 25,334 | 37,980 | 381,296 |
| 1976 | 32,633 | 100,019 | 67,358 | 23,505 | 48,357 | 23,889 | 38,119 | 26,601 | 39,879 | 400,361 |
| 1977 | 34,265 | 105,020 | 70,726 | 24,680 | 50,775 | 25,083 | 40,025 | 27,931 | 41,873 | 420,379 |
| 1978 | 35,978 | 110,271 | 74,262 | 25,914 | 53,314 | 26,337 | 42,027 | 29,327 | 43,966 | 441,398 |
| 1979 | 37,777 | 115,785 | 77,975 | 27,210 | 55,980 | 27,654 | 44,128 | 30,794 | 46,165 | 463,468 |
| 1980 | 39,666 | 121,574 | 81,874 | 28,571 | 58,779 | 29,037 | 46,334 | 32,334 | 48,473 | 486,641 |
| 1981 | 41,649 | 127,653 | 85,968 | 29,999 | 61,718 | 30,489 | 48,651 | 33,950 | 50,897 | 510,973 |
| 1982 | 43,731 | 134,036 | 90,266 | 31,499 | 64,803 | 32,013 | 51,084 | 35,648 | 53,441 | 536,522 |
| 1983 | 45,918 | 140,737 | 94,779 | 33,074 | 68,044 | 33,614 | 53,638 | 37,430 | 56,114 | 563,348 |
| 1984 | 48,214 | 147,774 | 99,518 | 34,728 | 71,446 | 35,295 | 56,320 | 39,302 | 58,919 | 591,515 |
| 1985 | 50,624 | 155,163 | 104,494 | 36,464 | 75,018 | 37,059 | 59,136 | 41,267 | 61,865 | 621,091 |
| 1986 | 52,044 | 159,863 | 107,975 | 37,866 | 70,093 | 37,762 | 61,543 | 42,737 | 65,463 | 635,387 |
| 1987 | 54,896 | 158,559 | 109,155 | 38,916 | 67,624 | 39,522 | 60,899 | 43,878 | 70,683 | 643,832 |
| 1988 | 56,126 | 158,765 | 115,836 | 40,130 | 69,186 | 40,723 | 63,128 | 44,567 | 76,125 | 664,586 |
| 1989 | 64,658 | 170,410 | 132,804 | 43,495 | 73,747 | 44,785 | 75,266 | 51,265 | 83,593 | 740,023 |
| 1990 | 65,312 | 172,951 | 138,789 | 42,509 | 74,500 | 44,203 | 73,413 | 52,149 | 86,600 | 750,426 |
| 1991 | 65,151 | 164,506 | 126,175 | 42,261 | 76,760 | 45,418 | 63,231 | 48,915 | 87,117 | 719,553 |
| 1992 | 74,038 | 220,904 | 145,380 | 48,487 | 88,373 | 51,041 | 75,278 | 53,831 | 100,215 | 857,546 |
| 1993 | 77,740 | 231,949 | 152,649 | 50,912 | 92,791 | 53,593 | 79,042 | 56,523 | 105,225 | 900,423 |

**NOTES:**

1993 = 1992 *1.05

1989 to 1992 from Bellsouth

1985 to 1988 projected based on base pay for 1985–1988 and 1988 total payroll.

Prior to 1985 based on 1985 and a 5% payroll trend

Exhibit WC-13-1

F01A41Z 0009059

F01B29Z 0000328

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## OUTSIDE WORKERS' COMPENSATION RATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 0.055 | 0.047 | 6.546 | 2.060 | 3.012 | 1.862 | 0.000 | 0.001 | 0.425 |
| 1960 | 0.062 | 0.052 | 6.287 | 2.060 | 2.928 | 1.862 | 0.000 | 0.001 | 0.438 |
| 1961 | 0.069 | 0.057 | 6.039 | 2.060 | 2.846 | 1.862 | 0.000 | 0.001 | 0.451 |
| 1962 | 0.077 | 0.063 | 5.800 | 2.060 | 2.766 | 1.862 | 0.000 | 0.002 | 0.465 |
| 1963 | 0.086 | 0.069 | 5.570 | 2.060 | 2.689 | 1.862 | 0.000 | 0.002 | 0.479 |
| 1964 | 0.096 | 0.076 | 5.350 | 2.060 | 2.613 | 1.862 | 0.000 | 0.003 | 0.493 |
| 1965 | 0.107 | 0.084 | 5.136 | 2.060 | 2.540 | 1.862 | 0.000 | 0.004 | 0.506 |
| 1966 | 0.120 | 0.093 | 4.935 | 2.060 | 2.469 | 1.862 | 0.000 | 0.005 | 0.523 |
| 1967 | 0.134 | 0.102 | 4.740 | 2.060 | 2.400 | 1.862 | 0.000 | 0.007 | 0.539 |
| 1968 | 0.149 | 0.113 | 4.552 | 2.060 | 2.333 | 1.862 | 0.000 | 0.009 | 0.555 |
| 1969 | 0.167 | 0.124 | 4.372 | 2.060 | 2.267 | 1.862 | 0.000 | 0.012 | 0.572 |
| 1970 | 0.186 | 0.137 | 4.199 | 2.060 | 2.204 | 1.862 | 0.000 | 0.016 | 0.589 |
| 1971 | 0.208 | 0.151 | 4.033 | 2.060 | 2.142 | 1.862 | 0.000 | 0.020 | 0.607 |
| 1972 | 0.232 | 0.166 | 3.874 | 2.060 | 2.082 | 1.862 | 0.000 | 0.027 | 0.625 |
| 1973 | 0.259 | 0.183 | 3.720 | 2.060 | 2.024 | 1.862 | 0.001 | 0.035 | 0.644 |
| 1974 | 0.289 | 0.202 | 3.573 | 2.060 | 1.967 | 1.862 | 0.001 | 0.045 | 0.664 |
| 1975 | 0.323 | 0.223 | 3.432 | 2.060 | 1.912 | 1.862 | 0.002 | 0.059 | 0.684 |
| 1976 | 0.361 | 0.245 | 3.298 | 2.060 | 1.859 | 1.862 | 0.003 | 0.077 | 0.704 |
| 1977 | 0.403 | 0.270 | 3.166 | 2.060 | 1.807 | 1.862 | 0.006 | 0.100 | 0.726 |
| 1978 | 0.450 | 0.298 | 3.040 | 2.060 | 1.756 | 1.862 | 0.010 | 0.130 | 0.748 |
| 1979 | 0.503 | 0.328 | 2.920 | 2.060 | 1.707 | 1.862 | 0.018 | 0.170 | 0.770 |
| 1980 | 0.562 | 0.362 | 2.805 | 2.060 | 1.659 | 1.862 | 0.033 | 0.221 | 0.793 |
| 1981 | 0.628 | 0.443 | 2.694 | 2.060 | 1.613 | 1.862 | 0.058 | 0.290 | 0.817 |
| 1982 | 0.701 | 0.517 | 2.587 | 2.060 | 1.567 | 1.862 | 0.099 | 0.363 | 0.842 |
| 1983 | 0.783 | 0.659 | 2.476 | 2.060 | 1.524 | 1.862 | 0.163 | 0.434 | 0.867 |
| 1984 | 0.874 | 0.726 | 2.366 | 2.060 | 1.481 | 1.862 | 0.242 | 0.493 | 0.893 |
| 1985 | 0.977 | 0.805 | 2.261 | 2.060 | 1.439 | 1.862 | 0.345 | 0.556 | 0.920 |
| 1986 | 1.091 | 0.858 | 2.161 | 2.060 | 1.399 | 1.862 | 0.467 | 0.618 | 0.945 |
| 1987 | 1.218 | 0.908 | 2.065 | 2.060 | 1.360 | 1.862 | 0.609 | 0.642 | 0.967 |
| 1988 | 1.361 | 1.016 | 1.974 | 2.060 | 1.322 | 1.862 | 0.764 | 0.666 | 0.989 |
| 1989 | 1.520 | 1.126 | 1.886 | 2.060 | 1.285 | 1.862 | 0.925 | 0.691 | 1.011 |
| 1990 | 1.697 | 1.217 | 1.803 | 2.060 | 1.249 | 1.862 | 1.082 | 0.718 | 1.035 |
| 1991 | 1.896 | 1.315 | 1.723 | 2.060 | 1.249 | 1.862 | 1.222 | 0.738 | 1.059 |
| 1992 | 2.033 | 1.449 | 1.646 | 2.060 | 1.249 | 1.862 | 1.333 | 0.738 | 1.083 |
| 1993 | 2.136 | 1.597 | 1.617 | 2.060 | 1.249 | 1.862 | 1.454 | 0.738 | 1.095 |
| CURRENT | 2.136 | 1.597 | 1.617 | 2.060 | 1.249 | 1.862 | 1.455 | 0.738 | 1.095 |
| TREND FACTOR | | | | | | | | | |
| PRE REFORM | 1.117 | 1.102 | 1.099 | 1.103 | 1.091 | 1.104 | 1.104 | 1.045 | 1.110 |
| POST REFORM | 1.068 | 1.102 | NA | NA | NA | NA | NA | NA | NA |
| REFORM DATE | 19-Jul-92 | 01-Jul-90 | NA | NA | NA | NA | NA | NA | NA |

**NOTES:**

Based on Exhibit WC-10, listed trends, and Exhibit WC-13-3 for benefit changes

Rate = Current rate * (trend factor ^ no. of yrs since 1993) / benefit change

F01B29Z 0000329

F01A41Z 0009060

Exhibit WC-13-4

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## BENEFIT LEVEL CHANGES BY STATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1960 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1961 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1962 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1963 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1964 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1965 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1966 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1967 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1968 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1969 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1970 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1971 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1972 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1973 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1974 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1975 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1976 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1977 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1978 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1979 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1980 | 0.925 | 1.250 | 0.960 | 1.000 | 0.972 | 1.000 | 1.777 | 1.303 | 1.030 |
| 1981 | 0.925 | 1.124 | 0.960 | 1.000 | 0.972 | 1.000 | 1.710 | 1.250 | 1.030 |
| 1982 | 0.925 | 1.061 | 0.957 | 1.000 | 0.972 | 1.000 | 1.637 | 1.196 | 1.030 |
| 1983 | 0.925 | 0.917 | 0.956 | 1.000 | 0.972 | 1.000 | 1.485 | 1.134 | 1.030 |
| 1984 | 0.925 | 0.917 | 0.956 | 1.000 | 0.972 | 1.000 | 1.425 | 1.128 | 1.030 |
| 1985 | 0.925 | 0.912 | 0.956 | 1.000 | 0.972 | 1.000 | 1.355 | 1.112 | 1.027 |
| 1986 | 0.925 | 0.943 | 0.956 | 1.000 | 0.972 | 1.000 | 1.303 | 1.098 | 1.023 |
| 1987 | 0.925 | 0.982 | 0.956 | 1.000 | 0.972 | 1.000 | 1.255 | 1.038 | 1.023 |
| 1988 | 0.925 | 0.967 | 0.956 | 1.000 | 0.972 | 1.000 | 1.211 | 1.038 | 1.023 |
| 1989 | 0.925 | 0.962 | 0.956 | 1.000 | 0.972 | 1.000 | 1.170 | 1.038 | 1.023 |
| 1990 | 0.925 | 0.981 | 0.956 | 1.000 | 1.000 | 1.000 | 1.129 | 1.028 | 1.023 |
| 1991 | 0.925 | 1.000 | 0.956 | 1.000 | 1.000 | 1.000 | 1.091 | 1.000 | 1.023 |
| 1992 | 0.963 | 1.000 | 0.982 | 1.000 | 1.000 | 1.000 | 1.091 | 1.000 | 1.011 |
| 1993 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

**NOTES:**

1980 to 1993:based on NCCI information

1979 and prior set equal to 1980

Exhibit WC-13-3

F01A41Z 0009061

F01B29Z 0000330

# BELLSOUTH TELECOMMUNICATIONS, INC.

## MEDICAL
## EXPECTED LOSSES (OUTSIDE EMPLOYEES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 8 | 21 | 1,924 | 211 | 635 | 194 | 0 | 0 | 74 | 3,067 |
| 1960 | 9 | 24 | 1,940 | 222 | 649 | 204 | 0 | 0 | 80 | 3,127 |
| 1961 | 11 | 27 | 1,957 | 233 | 662 | 214 | 0 | 0 | 87 | 3,190 |
| 1962 | 13 | 32 | 1,973 | 245 | 676 | 225 | 0 | 0 | 94 | 3,256 |
| 1963 | 15 | 37 | 1,990 | 257 | 689 | 236 | 0 | 0 | 101 | 3,325 |
| 1964 | 17 | 43 | 2,007 | 270 | 704 | 248 | 0 | 0 | 109 | 3,398 |
| 1965 | 20 | 49 | 2,024 | 283 | 718 | 260 | 0 | 1 | 118 | 3,474 |
| 1966 | 24 | 57 | 2,041 | 297 | 733 | 273 | 0 | 1 | 128 | 3,554 |
| 1967 | 28 | 66 | 2,058 | 312 | 748 | 287 | 0 | 1 | 139 | 3,639 |
| 1968 | 33 | 76 | 2,075 | 328 | 763 | 301 | 0 | 2 | 150 | 3,729 |
| 1969 | 39 | 88 | 2,093 | 344 | 779 | 316 | 0 | 2 | 162 | 3,824 |
| 1970 | 45 | 102 | 2,111 | 361 | 795 | 332 | 0 | 3 | 175 | 3,925 |
| 1971 | 53 | 118 | 2,129 | 379 | 812 | 349 | 0 | 4 | 190 | 4,034 |
| 1972 | 62 | 137 | 2,147 | 398 | 828 | 366 | 0 | 6 | 205 | 4,150 |
| 1973 | 73 | 158 | 2,165 | 418 | 845 | 384 | 0 | 8 | 222 | 4,274 |
| 1974 | 86 | 183 | 2,183 | 439 | 863 | 404 | 0 | 11 | 240 | 4,409 |
| 1975 | 100 | 212 | 2,202 | 461 | 881 | 424 | 1 | 15 | 260 | 4,555 |
| 1976 | 118 | 245 | 2,220 | 484 | 899 | 445 | 1 | 20 | 281 | 4,714 |
| 1977 | 138 | 284 | 2,239 | 508 | 917 | 467 | 2 | 28 | 304 | 4,888 |
| 1978 | 162 | 328 | 2,258 | 534 | 936 | 490 | 4 | 38 | 329 | 5,080 |
| 1979 | 190 | 380 | 2,277 | 561 | 955 | 515 | 8 | 52 | 355 | 5,294 |
| 1980 | 223 | 440 | 2,296 | 589 | 975 | 541 | 15 | 72 | 385 | 5,535 |
| 1981 | 261 | 565 | 2,316 | 618 | 995 | 568 | 28 | 98 | 416 | 5,866 |
| 1982 | 307 | 693 | 2,335 | 649 | 1,016 | 596 | 51 | 129 | 450 | 6,226 |
| 1983 | 359 | 928 | 2,347 | 681 | 1,037 | 626 | 87 | 163 | 487 | 6,715 |
| 1984 | 422 | 1,073 | 2,355 | 715 | 1,058 | 657 | 136 | 194 | 526 | 7,137 |
| 1985 | 494 | 1,250 | 2,363 | 751 | 1,080 | 690 | 204 | 229 | 569 | 7,631 |
| 1986 | 568 | 1,372 | 2,334 | 781 | 981 | 703 | 288 | 264 | 619 | 7,908 |
| 1987 | 669 | 1,440 | 2,254 | 802 | 920 | 736 | 371 | 280 | 683 | 8,154 |
| 1988 | 764 | 1,614 | 2,288 | 827 | 915 | 758 | 483 | 297 | 753 | 8,696 |
| 1989 | 983 | 1,919 | 2,505 | 896 | 948 | 834 | 697 | 354 | 846 | 9,980 |
| 1990 | 1,109 | 2,105 | 2,502 | 876 | 930 | 823 | 795 | 374 | 896 | 10,410 |
| 1991 | 1,235 | 2,164 | 2,174 | 871 | 959 | 846 | 773 | 361 | 922 | 10,303 |
| 1992 | 1,505 | 3,202 | 2,393 | 999 | 1,104 | 951 | 1,003 | 397 | 1,065 | 12,639 |
| 1993 | 1,660 | 3,705 | 2,469 | 1,049 | 1,159 | 998 | 1,149 | 417 | 1,152 | 13,759 |

NOTE: Expected losses = Payroll (from Exhibit WC-13-1)/ 100 * Workers' Compensation Rate (from Exhibit WC-13-2)

Exhibit WC-13-4

F01B29Z 0000331

F01A41Z 0009062

# BELLSOUTH TELECOMMUNICATION, INC.

## INDEMNITY
## EXPECTED LOSSES (ALL EMPLOYEES)
## BASED ON INDUSTRY DATA

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 17 | 14 | 115 | 41 | 138 | 36 | 9 | 52 | 25 | 446 |
| 1960 | 19 | 16 | 128 | 45 | 151 | 39 | 11 | 56 | 27 | 492 |
| 1961 | 22 | 19 | 139 | 50 | 165 | 43 | 13 | 61 | 31 | 543 |
| 1962 | 25 | 23 | 153 | 55 | 181 | 47 | 15 | 66 | 34 | 599 |
| 1963 | 28 | 27 | 169 | 61 | 198 | 51 | 17 | 72 | 38 | 661 |
| 1964 | 32 | 33 | 186 | 67 | 217 | 56 | 20 | 78 | 42 | 730 |
| 1965 | 36 | 39 | 205 | 74 | 237 | 61 | 23 | 84 | 47 | 807 |
| 1966 | 41 | 47 | 225 | 82 | 259 | 66 | 27 | 91 | 53 | 892 |
| 1967 | 46 | 56 | 248 | 91 | 284 | 72 | 32 | 99 | 59 | 987 |
| 1968 | 53 | 66 | 273 | 100 | 311 | 79 | 37 | 107 | 66 | 1,092 |
| 1969 | 60 | 79 | 301 | 111 | 340 | 86 | 43 | 116 | 73 | 1,209 |
| 1970 | 68 | 95 | 332 | 122 | 372 | 93 | 50 | 126 | 82 | 1,339 |
| 1971 | 77 | 113 | 365 | 135 | 407 | 102 | 58 | 136 | 91 | 1,485 |
| 1972 | 87 | 135 | 402 | 149 | 445 | 111 | 67 | 148 | 102 | 1,647 |
| 1973 | 99 | 161 | 443 | 165 | 487 | 121 | 78 | 160 | 114 | 1,828 |
| 1974 | 112 | 192 | 488 | 182 | 533 | 132 | 91 | 174 | 127 | 2,031 |
| 1975 | 127 | 229 | 537 | 201 | 583 | 144 | 106 | 188 | 142 | 2,258 |
| 1976 | 144 | 273 | 592 | 222 | 638 | 157 | 124 | 204 | 158 | 2,512 |
| 1977 | 163 | 326 | 652 | 246 | 698 | 171 | 144 | 221 | 177 | 2,797 |
| 1978 | 185 | 389 | 718 | 271 | 764 | 187 | 167 | 239 | 197 | 3,117 |
| 1979 | 210 | 464 | 791 | 300 | 836 | 204 | 195 | 259 | 220 | 3,478 |
| 1980 | 238 | 554 | 871 | 331 | 915 | 222 | 226 | 281 | 245 | 3,883 |
| 1981 | 278 | 737 | 973 | 287 | 1,041 | 251 | 266 | 307 | 288 | 4,428 |
| 1982 | 324 | 898 | 1,168 | 332 | 1,181 | 283 | 313 | 340 | 334 | 5,171 |
| 1983 | 376 | 1,067 | 1,326 | 385 | 1,136 | 306 | 361 | 373 | 381 | 5,754 |
| 1984 | 435 | 1,363 | 1,462 | 432 | 1,046 | 347 | 465 | 411 | 426 | 6,387 |
| 1985 | 536 | 1,705 | 1,665 | 481 | 1,149 | 397 | 548 | 448 | 500 | 7,432 |
| 1986 | 671 | 2,001 | 2,128 | 531 | 1,253 | 435 | 636 | 484 | 611 | 8,751 |
| 1987 | 762 | 2,253 | 2,340 | 573 | 1,256 | 469 | 707 | 506 | 730 | 9,594 |
| 1988 | 863 | 2,576 | 2,578 | 625 | 1,332 | 545 | 824 | 535 | 868 | 10,746 |
| 1989 | 1,183 | 3,200 | 3,208 | 730 | 1,509 | 698 | 1,096 | 647 | 1,092 | 13,362 |
| 1990 | 1,327 | 3,035 | 3,889 | 760 | 1,464 | 728 | 1,207 | 662 | 1,240 | 14,332 |
| 1991 | 1,378 | 2,412 | 3,986 | 787 | 1,492 | 750 | 1,145 | 654 | 1,314 | 13,917 |
| 1992 | 1,629 | 3,282 | 4,385 | 952 | 1,751 | 868 | 1,469 | 739 | 1,592 | 16,668 |
| 1993 | 1,818 | 3,636 | 4,506 | 1,068 | 1,928 | 946 | 1,721 | 809 | 1,776 | 18,209 |

NOTE: Exhibit WC-15-4 plus Exhibit WC-16-4

Exhibit WC-14

F01A41Z 0009063

F01B29Z 0000332

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## INSIDE PAYROLL (EXCLUDING SALARY GRADE 9 – EXECUTIVES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 44,528 | 121,224 | 88,957 | 22,901 | 50,961 | 25,628 | 45,094 | 29,661 | 42,114 | 471,068 |
| 1960 | 46,755 | 127,285 | 93,405 | 24,046 | 53,509 | 26,910 | 47,348 | 31,144 | 44,220 | 494,622 |
| 1961 | 49,093 | 133,649 | 98,075 | 25,249 | 56,184 | 28,255 | 49,716 | 32,702 | 46,431 | 519,353 |
| 1962 | 51,547 | 140,332 | 102,979 | 26,511 | 58,993 | 29,668 | 52,201 | 34,337 | 48,753 | 545,321 |
| 1963 | 54,125 | 147,349 | 108,128 | 27,837 | 61,943 | 31,151 | 54,811 | 36,054 | 51,190 | 572,587 |
| 1964 | 56,831 | 154,716 | 113,534 | 29,229 | 65,040 | 32,709 | 57,552 | 37,856 | 53,750 | 601,216 |
| 1965 | 59,672 | 162,452 | 119,211 | 30,690 | 68,292 | 34,344 | 60,430 | 39,749 | 56,437 | 631,277 |
| 1966 | 62,656 | 170,574 | 125,171 | 32,225 | 71,707 | 36,061 | 63,451 | 41,737 | 59,259 | 662,841 |
| 1967 | 65,789 | 179,103 | 131,430 | 33,836 | 75,292 | 37,864 | 66,624 | 43,823 | 62,222 | 695,983 |
| 1968 | 69,078 | 188,058 | 138,001 | 35,528 | 79,056 | 39,758 | 69,955 | 46,015 | 65,333 | 730,782 |
| 1969 | 72,532 | 197,461 | 144,901 | 37,304 | 83,009 | 41,745 | 73,453 | 48,315 | 68,600 | 767,321 |
| 1970 | 76,159 | 207,334 | 152,146 | 39,169 | 87,160 | 43,833 | 77,125 | 50,731 | 72,030 | 805,687 |
| 1971 | 79,967 | 217,701 | 159,754 | 41,128 | 91,518 | 46,024 | 80,982 | 53,268 | 75,631 | 845,971 |
| 1972 | 83,965 | 228,586 | 167,741 | 43,184 | 96,094 | 48,326 | 85,031 | 55,931 | 79,413 | 888,270 |
| 1973 | 88,163 | 240,015 | 176,128 | 45,343 | 100,898 | 50,742 | 89,282 | 58,727 | 83,383 | 932,683 |
| 1974 | 92,571 | 252,016 | 184,935 | 47,610 | 105,943 | 53,279 | 93,746 | 61,664 | 87,553 | 979,318 |
| 1975 | 97,200 | 264,617 | 194,182 | 49,991 | 111,240 | 55,943 | 98,434 | 64,747 | 91,930 | 1,028,283 |
| 1976 | 102,060 | 277,848 | 203,891 | 52,490 | 116,802 | 58,740 | 103,355 | 67,984 | 96,527 | 1,079,698 |
| 1977 | 107,163 | 291,740 | 214,085 | 55,115 | 122,643 | 61,677 | 108,523 | 71,384 | 101,353 | 1,133,682 |
| 1978 | 112,521 | 306,327 | 224,789 | 57,871 | 128,775 | 64,761 | 113,949 | 74,953 | 106,421 | 1,190,367 |
| 1979 | 118,147 | 321,643 | 236,029 | 60,764 | 135,213 | 67,999 | 119,647 | 78,700 | 111,742 | 1,249,885 |
| 1980 | 124,055 | 337,725 | 247,830 | 63,802 | 141,974 | 71,399 | 125,629 | 82,636 | 117,329 | 1,312,379 |
| 1981 | 130,257 | 354,612 | 260,222 | 66,993 | 149,073 | 74,969 | 131,910 | 86,767 | 123,195 | 1,377,998 |
| 1982 | 136,770 | 372,342 | 273,233 | 70,342 | 156,526 | 78,717 | 138,506 | 91,106 | 129,355 | 1,446,898 |
| 1983 | 143,609 | 390,959 | 286,895 | 73,859 | 164,353 | 82,653 | 145,431 | 95,661 | 135,823 | 1,519,243 |
| 1984 | 150,789 | 410,507 | 301,239 | 77,552 | 172,570 | 86,786 | 152,703 | 100,444 | 142,614 | 1,595,205 |
| 1985 | 158,329 | 431,033 | 316,301 | 81,430 | 181,199 | 91,125 | 160,338 | 105,466 | 149,745 | 1,674,965 |
| 1986 | 225,272 | 444,022 | 403,019 | 83,071 | 180,912 | 94,677 | 167,522 | 111,279 | 156,993 | 1,866,966 |
| 1987 | 232,632 | 433,237 | 405,288 | 82,103 | 171,002 | 92,306 | 163,221 | 108,877 | 157,600 | 1,844,264 |
| 1988 | 252,411 | 437,342 | 420,632 | 84,491 | 172,710 | 95,521 | 165,560 | 108,729 | 165,398 | 1,900,612 |
| 1989 | 368,654 | 501,784 | 518,512 | 101,544 | 190,773 | 111,786 | 197,933 | 126,896 | 209,880 | 2,327,761 |
| 1990 | 393,943 | 513,371 | 546,042 | 101,783 | 194,556 | 115,313 | 199,517 | 128,268 | 218,727 | 2,411,520 |
| 1991 | 357,379 | 443,702 | 480,283 | 88,469 | 168,614 | 99,943 | 168,879 | 112,431 | 192,902 | 2,110,822 |
| 1992 | 377,213 | 493,048 | 519,405 | 90,695 | 174,713 | 103,734 | 179,136 | 118,989 | 203,664 | 2,260,598 |
| 1993 | 396,074 | 517,700 | 545,376 | 95,229 | 183,448 | 108,921 | 188,093 | 124,939 | 213,847 | 2,373,628 |

**NOTES:**

1993 = 1992 *1.05
1989 to 1992 from Bellsouth
1985 to 1988 projected based on base pay for 1985–1988 and 1988 total payroll.
Prior to 1985 based on 1985 and a 5% payroll trend

Exhibit WC-15-1

F01A41Z 0009064

F01B29Z 0000333

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## INSIDE WORKERS' COMPENSATION RATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 0.011 | 0.003 | 0.054 | 0.024 | 0.088 | 0.038 | 0.007 | 0.049 | 0.016 |
| 1960 | 0.012 | 0.003 | 0.056 | 0.025 | 0.091 | 0.040 | 0.008 | 0.050 | 0.017 |
| 1961 | 0.013 | 0.003 | 0.059 | 0.026 | 0.095 | 0.041 | 0.009 | 0.052 | 0.018 |
| 1962 | 0.014 | 0.004 | 0.062 | 0.028 | 0.099 | 0.043 | 0.010 | 0.054 | 0.019 |
| 1963 | 0.015 | 0.004 | 0.065 | 0.029 | 0.103 | 0.044 | 0.011 | 0.055 | 0.021 |
| 1964 | 0.016 | 0.005 | 0.068 | 0.031 | 0.108 | 0.046 | 0.012 | 0.057 | 0.022 |
| 1965 | 0.017 | 0.006 | 0.071 | 0.032 | 0.112 | 0.048 | 0.014 | 0.059 | 0.023 |
| 1966 | 0.019 | 0.006 | 0.075 | 0.034 | 0.117 | 0.050 | 0.015 | 0.061 | 0.025 |
| 1967 | 0.020 | 0.007 | 0.079 | 0.036 | 0.122 | 0.052 | 0.017 | 0.063 | 0.026 |
| 1968 | 0.022 | 0.008 | 0.082 | 0.037 | 0.127 | 0.054 | 0.019 | 0.065 | 0.028 |
| 1969 | 0.024 | 0.009 | 0.086 | 0.039 | 0.132 | 0.056 | 0.021 | 0.067 | 0.030 |
| 1970 | 0.025 | 0.011 | 0.091 | 0.041 | 0.138 | 0.058 | 0.023 | 0.069 | 0.031 |
| 1971 | 0.028 | 0.012 | 0.095 | 0.044 | 0.144 | 0.060 | 0.025 | 0.071 | 0.033 |
| 1972 | 0.030 | 0.014 | 0.100 | 0.046 | 0.150 | 0.062 | 0.028 | 0.074 | 0.036 |
| 1973 | 0.032 | 0.016 | 0.105 | 0.048 | 0.156 | 0.065 | 0.031 | 0.076 | 0.038 |
| 1974 | 0.035 | 0.018 | 0.110 | 0.051 | 0.163 | 0.067 | 0.034 | 0.078 | 0.040 |
| 1975 | 0.037 | 0.020 | 0.115 | 0.053 | 0.170 | 0.070 | 0.038 | 0.081 | 0.043 |
| 1976 | 0.040 | 0.023 | 0.121 | 0.056 | 0.177 | 0.073 | 0.042 | 0.083 | 0.045 |
| 1977 | 0.044 | 0.026 | 0.127 | 0.059 | 0.184 | 0.075 | 0.047 | 0.086 | 0.048 |
| 1978 | 0.047 | 0.030 | 0.133 | 0.062 | 0.192 | 0.078 | 0.052 | 0.089 | 0.051 |
| 1979 | 0.051 | 0.034 | 0.139 | 0.065 | 0.200 | 0.081 | 0.057 | 0.092 | 0.054 |
| 1980 | 0.055 | 0.039 | 0.146 | 0.069 | 0.208 | 0.084 | 0.064 | 0.096 | 0.058 |
| 1981 | 0.061 | 0.049 | 0.156 | 0.057 | 0.226 | 0.091 | 0.071 | 0.099 | 0.065 |
| 1982 | 0.068 | 0.057 | 0.178 | 0.062 | 0.244 | 0.098 | 0.080 | 0.104 | 0.071 |
| 1983 | 0.075 | 0.066 | 0.192 | 0.069 | 0.224 | 0.101 | 0.093 | 0.108 | 0.078 |
| 1984 | 0.083 | 0.078 | 0.202 | 0.074 | 0.196 | 0.109 | 0.108 | 0.114 | 0.083 |
| 1985 | 0.097 | 0.093 | 0.219 | 0.078 | 0.205 | 0.118 | 0.121 | 0.118 | 0.092 |
| 1986 | 0.107 | 0.106 | 0.247 | 0.083 | 0.234 | 0.126 | 0.135 | 0.123 | 0.107 |
| 1987 | 0.116 | 0.121 | 0.269 | 0.088 | 0.245 | 0.133 | 0.152 | 0.128 | 0.121 |
| 1988 | 0.125 | 0.138 | 0.282 | 0.093 | 0.255 | 0.150 | 0.172 | 0.138 | 0.134 |
| 1989 | 0.136 | 0.157 | 0.296 | 0.099 | 0.268 | 0.172 | 0.192 | [illegible] | 0.148 |
| 1990 | 0.147 | 0.147 | 0.342 | 0.105 | 0.256 | 0.179 | 0.214 | 0.144 | 0.162 |
| 1991 | 0.159 | 0.126 | 0.392 | 0.111 | 0.268 | 0.188 | 0.238 | 0.150 | 0.177 |
| 1992 | 0.171 | 0.133 | 0.386 | 0.119 | 0.282 | 0.197 | 0.268 | 0.155 | 0.190 |
| 1993 | 0.182 | 0.140 | 0.378 | 0.127 | 0.296 | 0.205 | 0.296 | 0.162 | 0.202 |
| CURRENT | 0.182 | 0.140 | 0.378 | 0.127 | 0.296 | 0.205 | 0.296 | 0.162 | 0.202 |
| REND FACTOR | | | | | | | | | |
| PRE REFORM | 1.080 | 1.136 | 1.049 | 1.052 | 1.042 | 1.038 | 1.106 | 1.032 | 1.063 |
| POST REFORM | 1.060 | 1.050 | NA | NA | NA | NA | NA | NA | NA |
| REFORM DATE | 19-Jul-92 | 01-Jul-90 | NA | NA | NA | NA | NA | NA | NA |

**NOTES:**

Based on Exhibit WC-10, listed trends, and Exhibit WC-15-3 for benefit changes

Rate = Current rate * (trend factor ^ no. of yrs since 1993) / benefit change

Exhibit WC-15-2

F01B292 0000334

F01A412 0009065

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## BENEFIT LEVEL CHANGES BY STATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1960 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1961 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1962 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1963 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1964 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1965 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1966 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1967 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1968 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1969 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1970 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1971 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1972 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1973 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1974 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1975 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1976 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1977 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1978 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1979 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1980 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1981 | 1.177 | 0.748 | 1.367 | 1.217 | 0.796 | 1.432 | 1.217 | 1.126 | 1.507 |
| 1982 | 1.147 | 0.733 | 1.255 | 1.164 | 0.770 | 1.385 | 1.202 | 1.104 | 1.448 |
| 1983 | 1.120 | 0.722 | 1.217 | 1.108 | 0.876 | 1.385 | 1.146 | 1.089 | 1.415 |
| 1984 | 1.099 | 0.687 | 1.216 | 1.090 | 1.041 | 1.339 | 1.095 | 1.072 | 1.415 |
| 1985 | 1.007 | 0.655 | 1.176 | 1.081 | 1.036 | 1.278 | 1.061 | 1.065 | 1.343 |
| 1986 | 0.994 | 0.654 | 1.094 | 1.069 | 0.946 | 1.243 | 1.072 | 1.058 | 1.234 |
| 1987 | 0.990 | 0.652 | 1.053 | 1.065 | 0.942 | 1.227 | 1.056 | 1.049 | 1.162 |
| 1988 | 0.986 | 0.650 | 1.053 | 1.059 | 0.943 | 1.131 | 1.032 | 1.040 | 1.110 |
| 1989 | 0.983 | 0.649 | 1.053 | 1.047 | 0.936 | 1.026 | 1.026 | [illegible] | 1.071 |
| 1990 | 0.980 | 0.790 | 0.955 | 1.039 | 1.019 | 1.021 | 1.018 | 1.023 | 1.040 |
| 1991 | 0.977 | 1.010 | 0.875 | 1.030 | 1.016 | 1.011 | 1.014 | 1.015 | 1.013 |
| 1992 | 0.984 | 1.005 | 0.934 | 1.014 | 1.006 | 1.000 | 1.007 | 1.010 | 1.000 |
| 1993 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

**NOTES:**
1980 to 1993 based on NCCI information
1979 and prior set equal to 1980

Exhibit WC-15-3

F01B29Z 0000335

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## EXPECTED LOSSES (INSIDE EMPLOYEES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 5 | 3 | 48 | 5 | 45 | 10 | 3 | 14 | 7 | 140 |
| 1960 | 6 | 4 | 53 | 6 | 49 | 11 | 4 | 16 | 8 | 155 |
| 1961 | 6 | 5 | 58 | 7 | 54 | 12 | 5 | 17 | 8 | 170 |
| 1962 | 7 | 5 | 64 | 7 | 59 | 13 | 5 | 18 | 9 | 188 |
| 1963 | 8 | 6 | 70 | 8 | 64 | 14 | 6 | 20 | 11 | 207 |
| 1964 | 9 | 8 | 77 | 9 | 70 | 15 | 7 | 22 | 12 | 229 |
| 1965 | 10 | 9 | 85 | 10 | 77 | 16 | 8 | 23 | 13 | 253 |
| 1966 | 12 | 11 | 94 | 11 | 84 | 18 | 10 | 25 | 15 | 279 |
| 1967 | 13 | 13 | 103 | 12 | 92 | 20 | 11 | 28 | 16 | 308 |
| 1968 | 15 | 16 | 114 | 13 | 100 | 21 | 13 | 30 | 18 | 341 |
| 1969 | 17 | 19 | 125 | 15 | 110 | 23 | 15 | 32 | 20 | 377 |
| 1970 | 19 | 22 | 138 | 16 | 120 | 25 | 18 | 35 | 23 | 417 |
| 1971 | 22 | 27 | 152 | 18 | 132 | 28 | 20 | 38 | 25 | 462 |
| 1972 | 25 | 32 | 167 | 20 | 144 | 30 | 24 | 41 | 28 | 511 |
| 1973 | 28 | 38 | 184 | 22 | 158 | 33 | 28 | 45 | 32 | 567 |
| 1974 | 32 | 45 | 203 | 24 | 172 | 36 | 32 | 48 | 35 | 629 |
| 1975 | 36 | 54 | 224 | 27 | 189 | 39 | 37 | 52 | 39 | 696 |
| 1976 | 41 | 65 | 246 | 29 | 206 | 43 | 44 | 57 | 44 | 775 |
| 1977 | 47 | 77 | 271 | 33 | 226 | 47 | 51 | 61 | 49 | 861 |
| 1978 | 53 | 92 | 299 | 36 | 247 | 51 | 59 | 67 | 54 | 958 |
| 1979 | 60 | 110 | 329 | 40 | 270 | 55 | 69 | 72 | 61 | 1,066 |
| 1980 | 68 | 131 | 362 | 44 | 296 | 60 | 80 | 78 | 68 | 1,187 |
| 1981 | 80 | 174 | 405 | 38 | 337 | 68 | 94 | 85 | 80 | 1,361 |
| 1982 | 93 | 212 | 466 | 44 | 362 | 77 | 111 | 94 | 92 | 1,591 |
| 1983 | 108 | 257 | 552 | 51 | 367 | 84 | 135 | 104 | 106 | 1,763 |
| 1984 | 125 | 322 | 608 | 57 | 338 | 94 | 164 | 114 | 118 | 1,941 |
| 1985 | 154 | 403 | 693 | 64 | 372 | 108 | 194 | 125 | 138 | 2,250 |
| 1986 | 240 | 473 | 996 | 69 | 423 | 120 | 226 | 137 | 168 | 2,851 |
| 1987 | 269 | 526 | 1,091 | 72 | 419 | 123 | 246 | 138 | 190 | 3,074 |
| 1988 | 316 | 605 | 1,188 | 79 | 441 | 143 | 285 | 142 | 222 | 3,420 |
| 1989 | 501 | 790 | 1,536 | 100 | 511 | 192 | 379 | 176 | 310 | 4,495 |
| 1990 | 580 | 754 | 1,870 | 107 | 499 | 208 | 427 | 165 | 354 | 4,961 |
| 1991 | 570 | 557 | 1,884 | 98 | 452 | 188 | 397 | 168 | 341 | 4,656 |
| 1992 | 645 | 653 | 2,003 | 108 | 493 | 205 | 476 | 185 | 387 | 5,154 |
| 1993 | 720 | 724 | 2,060 | 121 | 542 | 223 | 557 | 202 | 432 | 5,581 |

NOTE: Expected losses = Payroll (from Exhibit WC-15-1)/ 100 * Workers' Compensation Rate (from Exhibit WC-15-2)

Exhibit WC-15-4

F01A41Z 0000

F01B29Z 0000336

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## OUTSIDE PAYROLL (EXCLUDING SALARY GRADE 9 – EXECUTIVES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 14,238 | 43,636 | 29,388 | 10,255 | 21,098 | 10,423 | 16,631 | 11,608 | 17,399 | 174,676 |
| 1960 | 14,950 | 45,820 | 30,857 | 10,768 | 22,153 | 10,944 | 17,463 | 12,188 | 18,269 | 183,410 |
| 1961 | 15,697 | 48,111 | 32,400 | 11,306 | 23,261 | 11,491 | 18,336 | 12,795 | 19,182 | 192,580 |
| 1962 | 16,482 | 50,517 | 34,020 | 11,872 | 24,424 | 12,065 | 19,253 | 13,435 | 20,142 | 202,209 |
| 1963 | 17,306 | 53,042 | 35,721 | 12,465 | 25,645 | 12,669 | 20,216 | 14,107 | 21,149 | 212,320 |
| 1964 | 18,171 | 55,695 | 37,507 | 13,089 | 26,927 | 13,302 | 21,226 | 14,812 | 22,206 | 222,936 |
| 1965 | 19,080 | 58,479 | 39,383 | 13,743 | 28,274 | 13,967 | 22,288 | 15,553 | 23,316 | 234,083 |
| 1966 | 20,034 | 61,403 | 41,352 | 14,430 | 29,687 | 14,666 | 23,402 | 16,331 | 24,482 | 245,787 |
| 1967 | 21,035 | 64,473 | 43,420 | 15,152 | 31,172 | 15,399 | 24,572 | 17,147 | 25,706 | 258,076 |
| 1968 | 22,087 | 67,697 | 45,590 | 15,909 | 32,730 | 16,169 | 25,801 | 18,005 | 26,992 | 270,980 |
| 1969 | 23,192 | 71,082 | 47,870 | 16,705 | 34,367 | 16,977 | 27,091 | 18,905 | 28,341 | 284,529 |
| 1970 | 24,351 | 74,636 | 50,264 | 17,540 | 36,085 | 17,826 | 28,445 | 19,850 | 29,758 | 298,755 |
| 1971 | 25,569 | 78,368 | 52,777 | 18,417 | 37,889 | 18,718 | 29,868 | 20,842 | 31,246 | 313,693 |
| 1972 | 26,847 | 82,286 | 55,416 | 19,338 | 39,784 | 19,653 | 31,361 | 21,885 | 32,808 | 329,378 |
| 1973 | 28,190 | 86,400 | 58,186 | 20,305 | 41,773 | 20,636 | 32,929 | 22,979 | 34,449 | 345,847 |
| 1974 | 29,599 | 90,721 | 61,096 | 21,320 | 43,862 | 21,668 | 34,576 | 24,128 | 36,171 | 363,139 |
| 1975 | 31,079 | 95,257 | 64,150 | 22,386 | 46,055 | 22,751 | 36,304 | 25,334 | 37,980 | 381,296 |
| 1976 | 32,633 | 100,019 | 67,358 | 23,505 | 48,357 | 23,889 | 38,119 | 26,601 | 39,879 | 400,361 |
| 1977 | 34,265 | 105,020 | 70,726 | 24,680 | 50,775 | 25,083 | 40,025 | 27,931 | 41,873 | 420,379 |
| 1978 | 35,978 | 110,271 | 74,262 | 25,914 | 53,314 | 26,337 | 42,027 | 29,327 | 43,966 | 441,398 |
| 1979 | 37,777 | 115,785 | 77,975 | 27,210 | 55,980 | 27,654 | 44,128 | 30,794 | 46,165 | 463,468 |
| 1980 | 39,666 | 121,574 | 81,874 | 28,571 | 58,779 | 29,037 | 46,334 | 32,334 | 48,473 | 486,641 |
| 1981 | 41,649 | 127,653 | 85,968 | 29,999 | 61,718 | 30,489 | 48,651 | 33,950 | 50,897 | 510,973 |
| 1982 | 43,731 | 134,036 | 90,266 | 31,499 | 64,803 | 32,013 | 51,084 | 35,648 | 53,441 | 536,522 |
| 1983 | 45,918 | 140,737 | 94,779 | 33,074 | 68,044 | 33,614 | 53,638 | 37,430 | 56,114 | 563,348 |
| 1984 | 48,214 | 147,774 | 99,518 | 34,728 | 71,446 | 35,295 | 56,320 | 39,302 | 58,919 | 591,515 |
| 1985 | 50,624 | 155,163 | 104,494 | 36,464 | 75,018 | 37,059 | 59,136 | 41,267 | 61,865 | 621,091 |
| 1986 | 52,044 | 159,863 | 107,975 | 37,868 | 70,093 | 37,762 | 61,543 | 42,737 | 65,483 | 635,367 |
| 1987 | 54,896 | 158,559 | 109,155 | 38,916 | 67,624 | 39,522 | 60,899 | 43,578 | 70,683 | 643,832 |
| 1988 | 56,126 | 158,765 | 115,836 | 40,130 | 69,186 | 40,723 | 63,128 | 44,567 | 76,125 | 664,586 |
| 1989 | 64,658 | 170,410 | 132,804 | 43,495 | 73,747 | 44,785 | 75,266 | 51,269 | 83,593 | 740,023 |
| 1990 | 65,312 | 172,951 | 138,789 | 42,509 | 74,500 | 44,203 | 73,413 | 52,149 | 86,600 | 750,426 |
| 1991 | 65,151 | 164,506 | 126,175 | 42,261 | 76,780 | 45,418 | 63,231 | 48,915 | 87,117 | 719,553 |
| 1992 | 74,038 | 220,904 | 145,360 | 48,487 | 88,373 | 51,041 | 75,278 | 53,831 | 100,215 | 857,546 |
| 1993 | 77,740 | 231,949 | 152,649 | 50,912 | 92,791 | 53,593 | 79,042 | 56,523 | 105,225 | 900,423 |

**NOTES:**

1993 = 1992 *1.05

1989 to 1992 from Bellsouth

1985 to 1988 projected based on base pay for 1985–1988 and 1988 total payroll.

Prior to 1985 based on 1985 and a 5% payroll trend

F01B29Z 0000337

F01A41Z 0000968

Exhibit WC-16-1

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## OUTSIDE WORKERS' COMPENSATION RATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 0.085 | 0.024 | 0.228 | 0.347 | 0.443 | 0.252 | 0.037 | 0.324 | 0.102 |
| 1960 | 0.092 | 0.027 | 0.239 | 0.365 | 0.462 | 0.261 | 0.041 | 0.334 | 0.108 |
| 1961 | 0.099 | 0.031 | 0.250 | 0.384 | 0.481 | 0.272 | 0.045 | 0.345 | 0.115 |
| 1962 | 0.107 | 0.035 | 0.263 | 0.404 | 0.502 | 0.282 | 0.050 | 0.356 | 0.122 |
| 1963 | 0.115 | 0.040 | 0.276 | 0.425 | 0.523 | 0.293 | 0.055 | 0.367 | 0.130 |
| 1964 | 0.125 | 0.045 | 0.289 | 0.447 | 0.545 | 0.304 | 0.061 | 0.379 | 0.138 |
| 1965 | 0.135 | 0.051 | 0.303 | 0.470 | 0.568 | 0.316 | 0.068 | 0.391 | 0.147 |
| 1966 | 0.145 | 0.058 | 0.318 | 0.494 | 0.591 | 0.328 | 0.075 | 0.404 | 0.156 |
| 1967 | 0.157 | 0.066 | 0.334 | 0.520 | 0.616 | 0.341 | 0.083 | 0.416 | 0.166 |
| 1968 | 0.170 | 0.075 | 0.350 | 0.547 | 0.642 | 0.354 | 0.092 | 0.430 | 0.176 |
| 1969 | 0.183 | 0.085 | 0.367 | 0.576 | 0.669 | 0.367 | 0.102 | 0.444 | 0.187 |
| 1970 | 0.198 | 0.097 | 0.385 | 0.606 | 0.697 | 0.381 | 0.113 | 0.458 | 0.199 |
| 1971 | 0.214 | 0.110 | 0.404 | 0.637 | 0.727 | 0.396 | 0.126 | 0.473 | 0.212 |
| 1972 | 0.231 | 0.125 | 0.424 | 0.670 | 0.757 | 0.411 | 0.139 | 0.488 | 0.225 |
| 1973 | 0.249 | 0.142 | 0.445 | 0.705 | 0.789 | 0.427 | 0.154 | 0.503 | 0.239 |
| 1974 | 0.269 | 0.162 | 0.466 | 0.742 | 0.822 | 0.444 | 0.171 | 0.519 | 0.254 |
| 1975 | 0.291 | 0.184 | 0.489 | 0.780 | 0.857 | 0.461 | 0.189 | 0.536 | 0.270 |
| 1976 | 0.314 | 0.209 | 0.513 | 0.821 | 0.893 | 0.479 | 0.210 | 0.553 | 0.287 |
| 1977 | 0.340 | 0.237 | 0.538 | 0.863 | 0.930 | 0.497 | 0.232 | 0.571 | 0.305 |
| 1978 | 0.367 | 0.269 | 0.565 | 0.908 | 0.970 | 0.516 | 0.257 | 0.589 | 0.324 |
| 1979 | 0.396 | 0.306 | 0.592 | 0.955 | 1.010 | 0.536 | 0.285 | 0.608 | 0.344 |
| 1980 | 0.426 | 0.348 | 0.621 | 1.005 | 1.053 | 0.557 | 0.316 | 0.626 | 0.366 |
| 1981 | 0.476 | 0.441 | 0.661 | 0.831 | 1.142 | 0.599 | 0.353 | 0.653 | 0.409 |
| 1982 | 0.528 | 0.512 | 0.756 | 0.913 | 1.233 | 0.643 | 0.397 | 0.688 | 0.452 |
| 1983 | 0.584 | 0.590 | 0.817 | 1.009 | 1.130 | 0.667 | 0.460 | 0.719 | 0.492 |
| 1984 | 0.643 | 0.705 | 0.858 | 1.060 | 0.990 | 0.717 | 0.534 | 0.754 | 0.523 |
| 1985 | 0.758 | 0.839 | 0.930 | 1.145 | 1.037 | 0.780 | 0.600 | 0.783 | 0.585 |
| 1986 | 0.828 | 0.956 | 1.049 | 1.218 | 1.183 | 0.833 | 0.670 | 0.814 | 0.677 |
| 1987 | 0.899 | 1.089 | 1.144 | 1.288 | 1.238 | 0.876 | 0.754 | 0.847 | 0.763 |
| 1988 | 0.974 | 1.242 | 1.200 | 1.361 | 1.289 | 0.987 | 0.854 | 0.882 | 0.849 |
| 1989 | 1.056 | 1.414 | 1.259 | 1.446 | 1.353 | 1.130 | 0.952 | 0.918 | 0.935 |
| 1990 | 1.144 | 1.319 | 1.455 | 1.536 | 1.295 | 1.180 | 1.063 | 0.955 | 1.024 |
| 1991 | 1.240 | 1.128 | 1.666 | 1.629 | 1.354 | 1.237 | 1.183 | 0.993 | 1.117 |
| 1992 | 1.329 | 1.190 | 1.638 | 1.741 | 1.425 | 1.299 | 1.319 | 1.030 | 1.202 |
| 1993 | 1.413 | 1.256 | 1.604 | 1.857 | 1.493 | 1.349 | 1.472 | 1.074 | 1.278 |
| CURRENT | 1.413 | 1.256 | 1.604 | 1.857 | 1.493 | 1.349 | 1.472 | 1.074 | 1.278 |
| TREND FACTOR | | | | | | | | | |
| PRE REFORM | 1.080 | 1.136 | 1.049 | 1.052 | 1.042 | 1.038 | *1.108 | 1.032 | 1.063 |
| POST REFORM | 1.080 | 1.050 | NA | NA | NA | NA | NA | NA | NA |
| REFORM DATE | 19-Jul-92 | 01-Jul-90 | NA | NA | NA | NA | NA | NA | NA |

**NOTES:**

Based on Exhibit WC-10, listed trends, and Exhibit WC-10-3 for benefit changes

Rate = Current rate * (trend factor ^ no. of yrs since 1993) / benefit change

F01A41Z 0009069

F01B29Z 0000338

Exhibit WC-10-2

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## BENEFIT LEVEL CHANGES BY STATE

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE |
|---|---|---|---|---|---|---|---|---|---|
| 1959 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1960 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1961 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1962 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1963 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1964 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1965 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1966 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1967 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1968 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1969 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1970 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1971 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1972 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1973 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1974 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1975 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1976 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1977 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1978 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1979 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1980 | 1.212 | 0.835 | 1.387 | 0.956 | 0.830 | 1.483 | 1.228 | 1.135 | 1.584 |
| 1981 | 1.177 | 0.748 | 1.367 | 1.217 | 0.798 | 1.432 | 1.217 | 1.126 | 1.507 |
| 1982 | 1.147 | 0.733 | 1.255 | 1.164 | 0.770 | 1.385 | 1.202 | 1.104 | 1.448 |
| 1983 | 1.120 | 0.722 | 1.217 | 1.108 | 0.876 | 1.385 | 1.148 | 1.089 | 1.415 |
| 1984 | 1.099 | 0.687 | 1.216 | 1.090 | 1.041 | 1.339 | 1.095 | 1.072 | 1.415 |
| 1985 | 1.007 | 0.655 | 1.176 | 1.081 | 1.036 | 1.278 | 1.081 | 1.065 | 1.343 |
| 1986 | 0.994 | 0.654 | 1.094 | 1.069 | 0.946 | 1.243 | 1.072 | 1.058 | 1.234 |
| 1987 | 0.990 | 0.652 | 1.053 | 1.065 | 0.942 | 1.227 | 1.056 | 1.049 | 1.162 |
| 1988 | 0.986 | 0.650 | 1.053 | 1.059 | 0.943 | 1.131 | 1.032 | 1.040 | 1.110 |
| 1989 | 0.983 | 0.649 | 1.053 | 1.047 | 0.936 | 1.026 | 1.026 | 1.030 | 1.071 |
| 1990 | 0.980 | 0.790 | 0.955 | 1.039 | 1.019 | 1.021 | 1.018 | 1.023 | 1.040 |
| 1991 | 0.977 | 1.010 | 0.875 | 1.030 | 1.016 | 1.011 | 1.014 | 1.015 | 1.013 |
| 1992 | 0.984 | 1.005 | 0.934 | 1.014 | 1.006 | 1.000 | 1.007 | 1.010 | 1.000 |
| 1993 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

**NOTES:**

1980 to 1993 based on NCCI information

1979 and prior set equal to 1980

Exhibit WC-16-3

# BELLSOUTH TELECOMMUNICATIONS, INC.

## INDEMNITY
## EXPECTED LOSSES (OUTSIDE EMPLOYEES)

| YEAR | ALABAMA | FLORIDA | GEORGIA | KENTUCKY | LOUISIANA | MISSISSIPPI | NORTH CAROLINA | SOUTH CAROLINA | TENNESSEE | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 1959 | 12 | 10 | 67 | 36 | 94 | 26 | 6 | 38 | 18 | 306 |
| 1960 | 14 | 12 | 74 | 39 | 102 | 29 | 7 | 41 | 20 | 338 |
| 1961 | 16 | 15 | 81 | 43 | 112 | 31 | 8 | 44 | 22 | 372 |
| 1962 | 18 | 18 | 89 | 48 | 122 | 34 | 10 | 48 | 25 | 411 |
| 1963 | 20 | 21 | 98 | 53 | 134 | 37 | 11 | 52 | 28 | 454 |
| 1964 | 23 | 25 | 108 | 58 | 147 | 40 | 13 | 56 | 31 | 502 |
| 1965 | 26 | 30 | 119 | 65 | 160 | 44 | 15 | 61 | 34 | 554 |
| 1966 | 29 | 36 | 132 | 71 | 176 | 48 | 18 | 66 | 38 | 613 |
| 1967 | 33 | 43 | 145 | 79 | 192 | 52 | 20 | 71 | 43 | 678 |
| 1968 | 37 | 51 | 160 | 87 | 210 | 57 | 24 | 77 | 48 | 751 |
| 1969 | 43 | 61 | 176 | 96 | 230 | 62 | 28 | 84 | 53 | 832 |
| 1970 | 48 | 72 | 194 | 106 | 252 | 68 | 32 | 91 | 59 | 922 |
| 1971 | 55 | 86 | 213 | 117 | 275 | 74 | 38 | 98 | 66 | 1,023 |
| 1972 | 62 | 103 | 235 | 130 | 301 | 81 | 44 | 107 | 74 | 1,136 |
| 1973 | 70 | 123 | 259 | 143 | 330 | 88 | 51 | 116 | 82 | 1,261 |
| 1974 | 80 | 147 | 285 | 158 | 361 | 96 | 59 | 125 | 92 | 1,402 |
| 1975 | 90 | 175 | 314 | 175 | 395 | 105 | 69 | 136 | 103 | 1,560 |
| 1976 | 103 | 209 | 346 | 193 | 432 | 114 | 80 | 147 | 114 | 1,737 |
| 1977 | 116 | 249 | 381 | 213 | 472 | 125 | 93 | 159 | 128 | 1,936 |
| 1978 | 132 | 297 | 419 | 235 | 517 | 136 | 108 | 173 | 142 | 2,160 |
| 1979 | 150 | 354 | 462 | 260 | 566 | 148 | 126 | 187 | 159 | 2,412 |
| 1980 | 170 | 423 | 509 | 287 | 619 | 162 | 146 | 203 | 177 | 2,696 |
| 1981 | 198 | 563 | 568 | 249 | 705 | 183 | 172 | 222 | 208 | 3,068 |
| 1982 | 231 | 686 | 682 | 288 | 799 | 206 | 203 | 245 | 242 | 3,580 |
| 1983 | 268 | 831 | 774 | 334 | 769 | 224 | 247 | 269 | 276 | 3,992 |
| 1984 | 310 | 1,041 | 853 | 375 | 708 | 253 | 301 | 296 | 308 | 4,446 |
| 1985 | 384 | 1,302 | 972 | 418 | 778 | 289 | 355 | 323 | 362 | 5,182 |
| 1986 | 431 | 1,528 | 1,133 | 461 | 829 | 315 | 412 | 348 | 443 | 5,900 |
| 1987 | 493 | 1,727 | 1,249 | 501 | 837 | 346 | 459 | 369 | 540 | 6,521 |
| 1988 | 547 | 1,971 | 1,390 | 546 | 892 | 402 | 539 | 393 | 646 | 7,326 |
| 1989 | 683 | 2,409 | 1,671 | 630 | 998 | 506 | 716 | 471 | 782 | 8,866 |
| 1990 | 747 | 2,281 | 2,019 | 653 | 965 | 521 | 780 | 498 | 886 | 9,351 |
| 1991 | 808 | 1,855 | 2,102 | 686 | 1,040 | 562 | 748 | 486 | 973 | 9,262 |
| 1992 | 984 | 2,629 | 2,381 | 844 | 1,259 | 663 | 993 | 554 | 1,205 | 11,512 |
| 1993 | 1,098 | 2,912 | 2,448 | 945 | 1,386 | 723 | 1,164 | 607 | 1,345 | 12,628 |

NOTE: Expected losses = Payroll (from Exhibit WC-16-1)/ 100 * Workers' Compensation Rate (from Exhibit WC-16-2)

F01A41Z 0009071

Exhibit WC-16-4

F01B29Z 0000340

Joel

MERCER AGGREGATES REPORT - 1992

5-Apr-1993
Page 1

State : Alabama

| SSN | Date Of Accident | Medical Amount | Rehab Amount | Other Amount | Law Indemn Amount | Plan Indemn Amount | Recoveries |
|---|---|---|---|---|---|---|---|
| | 05/21/1974 | 6298.87 | 244.10 | 96.60 | 0.00 | 0.00 | 0.00 |
| | 11/29/1980 | 7043.38 | 142.00 | 21.00 | 2684.00 | 2304.50 | 0.00 |
| | 02/10/1983 | 2130.00 | 0.00 | 0.00 | 3132.00 | 972.00 | 0.00 |
| | 08/29/1983 | 1880.58 | 0.00 | 20.00 | 0.00 | 0.00 | 0.00 |
| | 03/11/1984 | 53377.96 | 2800.00 | 8321.00 | 3312.00 | 0.00 | 0.00 |
| | 08/19/1985 | 0.00 | 0.00 | 0.00 | 4155.42 | 0.00 | 0.00 |
| | 07/19/1986 | 0.00 | 0.00 | 0.00 | 109.00 | 0.00 | 0.00 |
| | 11/10/1986 | 499.39 | 0.00 | 15.00 | 0.00 | 0.00 | 0.00 |
| | 08/25/1987 | 3172.59 | 0.00 | 0.00 | 3550.80 | 0.00 | 0.00 |
| | 01/03/1988 | 4339.87 | 0.00 | 722.87 | 1513.12 | 0.00 | 0.00 |
| | 02/04/1988 | 1990.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 04/12/1989 | 1844.80 | 30.20 | 14000.00 | 0.00 | 0.00 | 0.00 |
| | 04/18/1989 | 414.31 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 05/01/1989 | 114.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 05/08/1989 | 480.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 09/09/1989 | 331.29 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 09/13/1989 | 83.74 | 0.00 | 0.00 | 56630.47 | 0.00 | 0.00 |
| | 09/13/1989 | 0.00 | 0.00 | 0.00 | 974.29 | 0.00 | 0.00 |
| | 01/30/1990 | 1723.30 | 160.00 | 0.00 | 326.40 | 148.80 | 0.00 |
| | 02/08/1990 | 70.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 03/07/1990 | 257.50 | 0.00 | 60013.87 | 0.00 | 0.00 | 0.00 |
| | 03/08/1990 | 33.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 04/10/1990 | 4843.90 | 597.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 04/23/1990 | 0.00 | 0.00 | 0.00 | 30000.00 | 0.00 | 0.00 |
| | 06/19/1990 | 508.28 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 06/25/1990 | 316.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 08/15/1990 | 68.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 11/20/1990 | 29.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 11/29/1990 | 2776.55 | 1009.00 | 96.50 | 0.00 | 0.00 | 0.00 |
| | 12/03/1990 | 93.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 03/05/1991 | 276.40 | 0.00 | 630.00 | 0.00 | 0.00 | 0.00 |
| | 03/11/1991 | 75.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 04/02/1991 | 30.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 04/08/1991 | 58.00 | 534.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 05/12/1991 | 60.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 05/29/1991 | 62.00 | 568.80 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 06/30/1991 | 202.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 07/01/1991 | 75200.91 | 21578.18 | 34.22 | 0.00 | 0.00 | 0.00 |
| | 07/01/1991 | 27733.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 07/01/1991 | 17078.23 | 0.00 | 8.10 | 0.00 | 0.00 | 0.00 |
| | 07/22/1991 | 248.37 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 08/01/1991 | 92.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 08/05/1991 | 45.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 08/07/1991 | 119.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 08/21/1991 | 141.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 08/25/1991 | 48.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 09/03/1991 | 140.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 09/04/1991 | 37.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

F01A41Z 0009072

Exhibit WC-17

F01B29Z 0000341

Joel



State : Tennessee

| SSN | Date Of Accident | First Day of Absence | Earliest RTW | Authorized | Weekly Comp Rate | Rate of Pay |
|---|---|---|---|---|---|---|
| | 07-13-1992 | 07-14-1992 | 07-15-1992 | Y | 294.00 | 668.50 |
| | 07-13-1992 | 07-13-1992 | 07-17-1992 | N | 294.00 | 557.00 |
| | 07-24-1992 | 07-27-1992 | 07-30-1992 | Y | 294.00 | 684.50 |
| | 07-29-1992 | 07-30-1992 | 11-16-1992 | Y | 294.00 | 691.50 |
| | 08-03-1992 | 08-04-1992 | 08-10-1992 | N | 318.24 | 684.50 |
| | 08-08-1992 | 08-10-1992 | 08-18-1992 | Y | 318.24 | 715.00 |
| | 08-10-1992 | 08-13-1992 | 08-24-1992 | Y | 318.24 | 658.50 |
| | 08-19-1992 | 09-03-1992 | 09-08-1992 | N | 318.24 | 715.00 |
| | 08-20-1992 | - - | 08-20-1992 | N | 318.24 | 617.00 |
| | 08-20-1992 | 08-26-1992 | 09-10-1992 | Y | 318.24 | 691.50 |
| | 08-20-1992 | 09-16-1992 | 09-18-1992 | Y | 318.24 | 691.50 |
| | 08-20-1992 | 09-21-1992 | 09-28-1992 | Y | 318.24 | 691.50 |
| | 08-21-1992 | 08-24-1992 | 08-25-1992 | Y | 318.24 | 610.50 |
| | 08-27-1992 | 08-28-1992 | 10-06-1992 | Y | 305.02 | 478.00 |
| | 09-03-1992 | 09-04-1992 | 09-22-1992 | Y | 318.24 | 691.50 |
| | 09-14-1992 | 09-15-1992 | 10-02-1992 | Y | 318.24 | 658.50 |
| | 09-14-1992 | 12-09-1992 | 12-16-1992 | Y | 318.24 | 658.50 |
| | 09-14-1992 | 09-15-1992 | 09-28-1992 | Y | 318.24 | 691.50 |
| | 09-18-1992 | 09-21-1992 | 10-07-1992 | Y | 318.24 | 691.50 |
| | 09-19-1992 | 09-21-1992 | 09-22-1992 | Y | 318.24 | 668.50 |
| | 09-23-1992 | 09-24-1992 | 10-07-1992 | Y | 239.88 | 414.50 |
| | 09-24-1992 | 09-28-1992 | 10-28-1992 | Y | 318.24 | 524.50 |
| | 10-05-1992 | 10-06-1992 | 10-07-1992 | N | 318.24 | 691.50 |
| | 10-08-1992 | - - | 10-08-1992 | N | 318.24 | 658.50 |
| | 10-13-1992 | 10-14-1992 | 11-17-1992 | Y | 318.24 | 684.50 |
| | 10-14-1992 | 10-15-1992 | 11-03-1992 | Y | 318.24 | 684.50 |
| | 10-27-1992 | 10-27-1992 | 11-02-1992 | Y | 318.24 | 658.50 |
| | 11-04-1992 | 11-05-1992 | 11-09-1992 | Y | 318.24 | 697.00 |
| | 11-05-1992 | 11-08-1992 | 12-18-1992 | Y | 318.24 | 684.50 |
| | 11-24-1992 | 11-25-1992 | - - | Y | 318.24 | 691.50 |
| | 11-27-1992 | 11-30-1992 | 12-15-1992 | Y | 318.24 | 658.50 |
| | 12-02-1992 | 12-03-1992 | - - | Y | 318.24 | 658.50 |
| | 12-16-1992 | 12-17-1992 | 12-18-1992 | Y | 318.24 | 500.00 |

Total Episodes for Tennessee = 81

Joel

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  ******************************
1 ISK$USER1:[MITTON_N.WORK]AUWC_'          _WOP_900822_03__LT.R;18

     NCSD:  12/29/86                       Effective:  07/23/91
     4. Initial WC Effective Date: 07/09/91
     5. Comp Rate (WC Payable Amount) $   301.60/week
     6. Additional WC Amount $        .
     7. Weekly Emp (Company) Differentials $     .
     3. Return from ADL? No  If relapse, Last RTW: 06/28/91
     4. Full Pay From   /  /  to    /  /
        Half Pay From 07/09/91  to  07/22/91
     Authorized by: Fran Eilert                  Date : 07/23/91
     From  |   To    |    Amt   |  Paid || From    |  To     |    Amt   |  Paid

  ******************************
12 ISK$USER1:[MITTON_N.WORK]AUWC_          _WOP_900822_04__LT.R;1

     NCSD:  12/29/86                       Effective:  11/01/91
     4. Initial WC Effective Date: 09/19/91
     5. Comp Rate (WC Payable Amount) $
     6. Additional WC Amount $        .
     7. Weekly Emp (Company) Differentials $     .
     3. Return from ADL? No  If relapse, Last RTW: 07/23/91
     4. Full Pay From          to
        Half Pay From          to
     Authorized by: <PU1>Fran Eilert<PU2>              Date : <PU1>11/15/91<PU2>
     From  |   To    |    Amt   |  Paid || From    |  To     |    Amt   |  Paid

  ******************************
23 ISK$USER1:[MITTON_N.WORK]AUWC_          _WOP_900711_02__LT.R;1

     NCSD:  09/18/73                       Effective:  01/21/91
     4. Initial WC Effective Date: 11/28/90
        If disability, continues for 21 days, effective
     5. Comp Rate (WC Payable Amount) $   390.00/week
     6. Additional WC Amount $        .
     7. Weekly Emp (Company) Differentials $     .
     3. Return from ADL? No  Relapse? N  If so, Last RTW:   /  /
     4. Full Pay From <PU1>11/20/90<PU2>  to  <PU1>01/21/91<PU2>
        Half Pay From <PU1>  /  /<PU2>  to  <PU1>  /  /<PU2> or for remainder of
     Authorized by: <PU1>Mary McNeel<PU2>              Date : <PU1>01/23/91<PU2>
     From  |   To    |    Amt   |  Paid || From    |  To     |    Amt   |  Paid

  ******************************
35 ISK$USER1:[MITTON_N.WORK]AUWC           _WOP_900711_03__LT.R;1
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F01B292 0000343

Exhibit WC-19

## SECTION 3. SICKNESS AND ACCIDENT PLAN

### Benefits

The BellSouth Sickness and Accident Disability Plan provides continuation of income to employees who are temporarily absent from work due to illness or injury. The benefits described below, the data used and the liabilities calculated are as in effect on December 31, 1992, and do not reflect changes on January 1, 1993.

Sickness Disability Benefits are paid in the event of absence due to sickness or off-the-job injury. Eligibility for benefits requires six months of service and are payable from the eighth day of absence for up to 52 weeks according to the following schedule:

| Service | Full Pay | Half Pay |
|---|---|---|
| 6 months to 2 years | ------ | 52 weeks |
| 2-5 years | 4 weeks | 48 weeks |
| 5-15 years | 13 weeks | 39 weeks |
| 15-20 years | 26 weeks | 26 weeks |
| 20-25 years | 39 weeks | 13 weeks |
| 25 or more years | 52 weeks | ------ |

If disability lasts longer than a year, the employee is eligible for Long Term Disability benefits. If the employee has at least 15 years of service, he or she is usually eligible for Disability Retirement.

Accident Disability Benefits are paid in the event of absence due to on-the-job injury. There is no service required for eligibility and there is no waiting period before benefits begin. Benefits continue as long as the employee is not able to work, with full pay provided as follows:

| Service | Full Pay |
|---|---|
| Up to 15 years | 13 weeks |
| 15-20 years | 26 weeks |
| 20-25 years | 39 weeks |
| 25 or more years | 52 weeks |

Half pay continues after the full pay period designated above.

Workers' compensation payments are subtracted from Accident Disability Benefits.

Medical plan coverage continues as for an active employee during the period of sickness or disability. Medical benefits due to an on-the-job injury are usually paid under the Workers' Compensation program.

## Conclusions

The liability for sickness claims incurred but not paid as of December 31, 1992 is estimated to be $4.9 million. This is made up of $3.8 million for claims reported but not paid and $1.1 million for claims incurred but not reported.

The liability for accident claims incurred but not paid is estimated at $2.8 million. This is probably a very conservative estimate. These are primarily Workers' Compensation claims where benefits in excess of the WC amount is being paid from the accident plan. This amount does not include benefits for "off payroll" employees. Reliable data was not available for these claims as described below.

These benefits may meet the criteria for recognition as they are earned, in that benefits accumulate with service (although they do not vest). However, the incidence of this type of claim by age group is such that, for BellSouth's demographic composition, the front-loading of benefits would result in an accrual expense that would most likely be less than the cash outlay in a particular year. Therefore, it would appear that the liability for claims incurred but not paid is the only portion of the expense not accounted for under current practice.

Medical benefits for short-term sickness recipients are being accounted for along with active employees' medical benefits, including IBNR. Due to the short average duration of the claims (4½ weeks), there would not appear to be any significant liability omitted.

Medical benefits for accident plan recipients are provided for under Long Term Disability (Section 4) or Workers' Compensation (Section 2).

## Data Gathering

Information was provided from the DEARS system on an episode file similar to that provided for Workers' Compensation benefits, but limited to sickness benefits. This data is summarized in Exhibit SA-1.

Mercer was also able to obtain from a separate source in BellSouth Human Resources summaries of amounts paid from various benefit plans for 1991 and 1992 (Exhibit SA-2). Total payments under the sickness plan were approximately reconciled between the two sources. Since the DEARS file only contains information on BST and Corporate, a factor was developed for extrapolating to total coverage (including BSE and BBS) from the Human Resource summaries.

The episode file and the "off payroll" diary used for Workers' Compensation calculations was matched to the pension data file to combine items of information relevant to the accident benefits in excess of Workers' Compensation benefits. The resulting file was matched against the sickness benefits episode file and the Long Term Disability file to identify categories of claimants for accident benefits.

## Methodology

Sickness benefit data was summarized in a triangle chart by month incurred (vertical) and month paid (horizontal) as shown in Exhibit SA-3. The liability for reported-not-paid and incurred-not-reported payments was estimated from the chart using the Standard Method for Calculating Actuarial Reserve. Completion factors, based on actual experience of BellSouth's disabled population, were calculated by month. These factors determine the percentage of total Incurred Liability that has been "completed", or realized after so many months of a person's disability. The factors were then applied, by duration of disability, to each respective liability to determine the additional liability attributed to benefits paid after December 31, 1992 for claims reported but not paid. The same method was used to calculate claims incurred but not reported, assuming an average 1/2 month outstanding.

Accident payment data from the collated files was used to calculate for the on-payroll Episodes File the number of weeks of full-pay benefits due, and from the payment start and stop dates the total 1992 payments per individual was calculated. A reserve factor of 5.28 developed in the Workers' Compensation analysis was modified to reflect the eventual decreases from full pay to half pay and the fact that some claimants were being paid benefits without Workers' Compensation offset because the individual had not yet met the waiting period for WC benefits. We estimated a factor of 2.64 replacing the WC factor of 5.28 (a 50% decrease).

Widely conflicting data for the off-payroll portion of accident claims prevented any reasonable estimate of an outstanding liability for these payments.

2.0 A factor of         was used as a conservative measure of the liability omitted from these calculations for BSE and BBS companies.



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EXHIBIT SA-1

BELLSOUTH SFAS 112 – SICKNESS BENEFITS 1992 BST & CORP

| FULL WEEKS PAID | # EES | BENEFITS | AVE BEN / WK | EES X WKS |
|---|---|---|---|---|
| 0 | 1,729 | 390,735 | 452 | 865 |
| 1 | 1,613 | 1,298,877 | 537 | 2,420 |
| 2 | 878 | 1,299,369 | 592 | 2,195 |
| 3 | 1,029 | 2,132,645 | 592 | 3,602 |
| 4 | 1,061 | 2,821,825 | 591 | 4,775 |
| 5 | 777 | 2,497,878 | 585 | 4,274 |
| 6 | 291 | 1,147,362 | 607 | 1,892 |
| 7 | 250 | 1,145,519 | 611 | 1,875 |
| 8 | 153 | 781,103 | 601 | 1,301 |
| 9 | 110 | 624,056 | 597 | 1,045 |
| 10 | 76 | 475,974 | 596 | 798 |
| 11 | 53 | 360,072 | 591 | 610 |
| 12 | 61 | 453,593 | 595 | 763 |
| 13 | 58 | 461,846 | 590 | 783 |
| 14 | 40 | 353,450 | 609 | 580 |
| 15 | 44 | 416,100 | 610 | 682 |
| 16 | 26 | 252,740 | 589 | 429 |
| 17 | 23 | 252,169 | 627 | 403 |
| 18 | 25 | 300,030 | 649 | 463 |
| 19 | 21 | 257,558 | 629 | 410 |
| 20 | 14 | 172,856 | 602 | 287 |
| 21 | 25 | 321,363 | 598 | 538 |
| 22 | 14 | 197,051 | 626 | 315 |
| 23 | 13 | 177,731 | 582 | 306 |
| 24 | 15 | 242,099 | 659 | 368 |
| 25 | 12 | 170,889 | 558 | 306 |
| 26 | 12 | 184,199 | 579 | 318 |
| 27 | 8 | 133,002 | 605 | 220 |
| 28 | 10 | 161,537 | 567 | 285 |
| 29 | 13 | 240,495 | 627 | 384 |
| 30 | 6 | 95,719 | 523 | 183 |
| 31 | 18 | 321,270 | 567 | 567 |
| 32 | 6 | 116,667 | 598 | 195 |
| 33 | 7 | 143,833 | 613 | 235 |
| 34 | 8 | 178,466 | 647 | 276 |
| 35 | 9 | 207,024 | 648 | 320 |
| 36 | 2 | 58,671 | 804 | 73 |
| 37 | 10 | 225,505 | 601 | 375 |
| 38 | 6 | 146,436 | 634 | 231 |
| 39 | 6 | 138,474 | 584 | 237 |
| 40 | 9 | 207,417 | 569 | 365 |
| 41 | 3 | 57,539 | 462 | 125 |
| 42 | 8 | 217,353 | 639 | 340 |
| 43 | 3 | 72,604 | 556 | 131 |
| 44 | 11 | 305,436 | 624 | 490 |
| 45 | 4 | 81,021 | 445 | 182 |
| 46 | 7 | 202,485 | 622 | 326 |
| 47 | 3 | 82,087 | 576 | 143 |
| 48 | 6 | 178,947 | 615 | 291 |
| 49 | 0 | 0 | 0 | 0 |
| 50 | 2 | 69,067 | 684 | 101 |
| 51 | 1 | 25,882 | 503 | 52 |
| 52 | 4 | 105,669 | 503 | 210 |
| TOTAL | 8,593 | 22,961,695 | | 38,928 |

AVERAGE DURATION 4.53 WKS
AVERAGE WEEKLY BENEFIT 590

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F01A41Z 0009078

## Cost of Employee Benefits
## 1992 vs. 1991

| | | | | | | G | H | |
|---|---|---|---|---|---|---|---|---|
| | | SBT | SCB | BSS | Total BOC | BSC | BSE | | Total |
| | **1991 Data** | | | | | | | | |
| 5 | Service Awards | $2,134 | $1,720 | $459 | $4,313 | $70 | | | $4,400 |
| 6 | Sickness Disability | | | | $23,467 | $343.8 | | | $25,223 |
| 7 | Long Term Disability | $327 | $369 | $67 | $763 | $90 | | | $2,462 |
| 8 | Workers Compensation | | | | $8,949 | $0 | | | $11,031 |
| 9 | Unemployment Comp | $4,209 | $3,974 | $801 | $8,984 | $190 | | | $9,861 |
| 10 | FICA | $127,130 | $83,894 | $31,259 | $242,283 | $3,470 | | | $260,538 |
| | **1992 Data** | | | | BST | BSC | BSE | BBS | Total |
| 12 | Service Awards | | | | $2,826 | $154 | | | $3,534 |
| 13 | Sickness Disability | | | | $21,028 | $181 | | | $23,846 |
| 14 | Long Term Disability | | | | $1,881 | $0 | | | $1,913 |
| 15 | Workers Compensation | | | | $8,526 | $32 | | | $9,720 |
| 16 | Unemployment Comp | | | | $10,845 | $85 | | | $12,116 |
| 17 | FICA | | | | $227,490 | $2,700 | | | 262,510 |
| | **Diff 1992 vs. 1991** | | | | | | | | |
| 19 | Service Awards | | | | ($1,487) | $84 | | | ($865) |
| 20 | Sickness Disability | | | | ($2,439) | ($162) | | | ($1,378) |
| 21 | Long Term Disability | | | | $1,118 | ($90) | | | ($549) |
| 22 | Workers Compensation | | | | ($424) | $32 | | | ($1,311) |
| 23 | Unemployment Comp | | | | $1,861 | ($105) | | | $2,255 |
| 24 | FICA | | | | ($14,793) | ($770) | | | $1,972 |
| | **% Diff 1992 vs. 1991** | | | | | | | | |
| 26 | Service Awards | | | | -34.5% | 120.2% | | | -19.7% |
| 27 | Sickness Disability | | | | -10.4% | -47.2% | | | -5.5% |
| 28 | Long Term Disability | | | | 146.6% | -100.0% | | | -22.3% |
| | Workers Compensation | | | | -4.7% | | | | -11.9% |
| | Unemployment Comp | | | | | | | | 22.9% |
| | FICA | | | | | | | | |

EXHIBIT SA-2

F01A41Z 0009079

F01B29Z 0000348

BellSouth Sickness BST and Corp. Only

EEs:

| | Jan-92 | Feb-92 | Mar-92 | Apr-92 | May-92 | Jun-92 | Jul-92 | Aug-92 | Sep-92 | Oct-92 | Nov-92 | Dec-92 | 1992 Total | Jan-93 | Feb-93 | Mar-93 | Apr-93 | Still in Payment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pre 1/1/91 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 36 | 3 | 3 | 3 | 3 | 3 |
| Jan-91 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 |
| Feb-91 | 9 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 0 | 0 | 0 | 0 | 0 |
| Mar-91 | 5 | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 0 | 0 |
| Apr-91 | 16 | 16 | 12 | 7 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 59 | 1 | 1 | 1 | 1 | 1 |
| May-91 | 12 | 11 | 11 | 10 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 52 | 0 | 0 | 0 | 0 | 0 |
| Jun-91 | 13 | 11 | 11 | 10 | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 61 | 0 | 0 | 0 | 0 | 0 |
| Jul-91 | 23 | 20 | 17 | 14 | 13 | 12 | 8 | 0 | 0 | 0 | 0 | 0 | 107 | 0 | 0 | 0 | 0 | 0 |
| Aug-91 | 23 | 19 | 17 | 15 | 13 | 11 | 10 | 9 | 0 | 0 | 0 | 0 | 117 | 0 | 0 | 0 | 0 | 0 |
| Sep-91 | 37 | 26 | 21 | 17 | 16 | 13 | 12 | 9 | 9 | 0 | 0 | 0 | 160 | 0 | 0 | 0 | 0 | 0 |
| Oct-91 | 46 | 31 | 22 | 18 | 15 | 15 | 13 | 13 | 11 | 11 | 0 | 0 | 195 | 0 | 0 | 0 | 0 | 0 |
| Nov-91 | 127 | 58 | 34 | 25 | 22 | 18 | 14 | 11 | 10 | 10 | 8 | 0 | 335 | 0 | 0 | 0 | 0 | 0 |
| Dec-91 | 362 | 85 | 45 | 26 | 18 | 15 | 12 | 8 | 6 | 6 | 6 | 5 | 596 | 0 | 0 | 0 | 0 | 0 |
| 1991 Incurred | 661 | 285 | 194 | 144 | 114 | 93 | 70 | 51 | 37 | 28 | 15 | 6 | 1,718 | 1 | 1 | 1 | 1 | 1 |
| Jan-92 | 651 | 390 | 118 | 50 | 26 | 17 | 13 | 12 | 8 | 7 | 7 | 6 | 1,305 | 4 | 1 | 1 | 1 | 1 |
| Feb-92 | 0 | 610 | 418 | 114 | 49 | 29 | 22 | 20 | 19 | 18 | 16 | 13 | 1,328 | 11 | 10 | 0 | 0 | 0 |
| Mar-92 | 0 | 0 | 675 | 432 | 131 | 60 | 43 | 30 | 27 | 23 | 19 | 14 | 1,454 | 14 | 10 | 7 | 2 | 1 |
| Apr-92 | 0 | 0 | 0 | 655 | 415 | 121 | 51 | 34 | 21 | 17 | 14 | 13 | 1,341 | 9 | 9 | 7 | 6 | 3 |
| May-92 | 0 | 0 | 0 | 0 | 579 | 377 | 115 | 66 | 45 | 34 | 24 | 20 | 1,260 | 17 | 16 | 14 | 12 | 11 |
| Jun-92 | 0 | 0 | 0 | 0 | 0 | 671 | 414 | 107 | 51 | 32 | 22 | 17 | 1,314 | 13 | 11 | 10 | 9 | 9 |
| Jul-92 | 0 | 0 | 0 | 0 | 0 | 0 | 647 | 451 | 112 | 45 | 25 | 22 | 1,302 | 18 | 14 | 10 | 8 | 8 |
| Aug-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 748 | 471 | 116 | 49 | 29 | 1,413 | 24 | 19 | 15 | 12 | 11 |
| Sep-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 606 | 395 | 113 | 38 | 1,152 | 23 | 14 | 13 | 13 | 11 |
| Oct-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 576 | 400 | 98 | 1,074 | 44 | 28 | 20 | 15 | 12 |
| Nov-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 626 | 404 | 1,030 | 120 | 47 | 34 | 25 | 24 |
| Dec-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 509 | 509 | 345 | 87 | 50 | 26 | 23 |
| 1992 Incurred | 651 | 1,000 | 1,211 | 1,251 | 1,200 | 1,275 | 1,305 | 1,468 | 1,360 | 1,263 | 1,315 | 1,243 | 14,842 | 646 | 266 | 181 | 129 | 114 |
| Total | 1,335 | 1,288 | 1,408 | 1,398 | 1,317 | 1,371 | 1,378 | 1,522 | 1,400 | 1,294 | 1,333 | 1,252 | 16,596 | 652 | 270 | 185 | 133 | 118 |

CLAIMS:

| | Jan-92 | Feb-92 | Mar-92 | Apr-92 | May-92 | Jun-92 | Jul-92 | Aug-92 | Sep-92 | Oct-92 | Nov-92 | Dec-92 | 1992 Total | Jan-93 | Feb-93 | Mar-93 | Apr-93 | Still in Payment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pre 1/1/91 | 6,627 | 6,200 | 6,627 | 6,414 | 6,627 | 6,414 | 6,627 | 6,627 | 6,414 | 6,627 | 6,414 | 6,627 | 78,245 | 6,627 | 6,200 | 6,627 | 6,414 | 6,414 |
| Jan-91 | 7,603 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,603 | 0 | 0 | 0 | 0 | 0 |
| Feb-91 | 20,258 | 3,977 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,235 | 0 | 0 | 0 | 0 | 0 |
| Mar-91 | 11,048 | 9,230 | 4,275 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,553 | 0 | 0 | 0 | 0 | 0 |
| Apr-91 | 42,806 | 36,750 | 25,733 | 9,119 | 2,323 | 2,248 | 2,323 | 2,323 | 2,248 | 2,323 | 2,248 | 2,323 | 132,767 | 2,323 | 2,173 | 2,323 | 2,248 | 2,248 |
| May-91 | 29,968 | 27,594 | 29,210 | 23,961 | 8,211 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 118,944 | 0 | 0 | 0 | 0 | 0 |
| Jun-91 | 34,654 | 29,477 | 30,003 | 24,773 | 24,004 | 8,699 | 0 | 0 | 0 | 0 | 0 | 0 | 151,610 | 0 | 0 | 0 | 0 | 0 |
| Jul-91 | 55,316 | 41,165 | 39,199 | 31,406 | 31,930 | 24,069 | 5,696 | 0 | 0 | 0 | 0 | 0 | 228,781 | 0 | 0 | 0 | 0 | 0 |
| Aug-91 | 51,991 | 41,350 | 40,482 | 34,627 | 29,720 | 26,337 | 26,418 | 11,506 | 0 | 0 | 0 | 0 | 262,431 | 0 | 0 | 0 | 0 | 0 |
| Sep-91 | 80,448 | 61,653 | 53,493 | 46,837 | 40,996 | 34,582 | 29,812 | 27,037 | 14,856 | 0 | 0 | 0 | 389,516 | 0 | 0 | 0 | 0 | 0 |
| Oct-91 | 103,225 | 64,148 | 52,512 | 42,276 | 40,388 | 36,292 | 34,744 | 31,932 | 28,000 | 15,050 | 0 | 0 | 448,567 | 0 | 0 | 0 | 0 | 0 |
| Nov-91 | 220,916 | 111,367 | 78,652 | 59,710 | 55,139 | 43,427 | 35,600 | 26,893 | 27,603 | 24,427 | 6,580 | 0 | 692,334 | 0 | 0 | 0 | 0 | 0 |
| Dec-91 | 511,948 | 143,692 | 91,155 | 54,729 | 43,178 | 30,956 | 27,155 | 18,947 | 15,863 | 16,412 | 15,054 | 4,561 | 973,670 | 0 | 0 | 0 | 0 | 0 |
| 1991 Incurred | 1,170,181 | 570,423 | 444,714 | 327,438 | 275,891 | 206,610 | 161,548 | 120,638 | 88,589 | 58,212 | 23,882 | 6,884 | 3,455,010 | 2,323 | 2,173 | 2,323 | 2,248 | 2,248 |
| Jan-92 | 634,514 | 596,090 | 180,416 | 92,806 | 49,939 | 33,317 | 28,226 | 23,643 | 17,700 | 16,585 | 15,852 | 13,425 | 1,702,513 | 6,947 | 2,728 | 2,916 | 2,822 | 2,822 |
| Feb-92 | 0 | 605,926 | 627,873 | 189,369 | 98,230 | 65,865 | 53,629 | 50,128 | 46,684 | 45,767 | 34,550 | 31,969 | 1,850,010 | 26,616 | 6,111 | 0 | 0 | 0 |
| Mar-92 | 0 | 0 | 720,654 | 679,767 | 214,656 | 123,953 | 92,047 | 74,065 | 59,591 | 49,942 | 39,617 | 35,423 | 2,096,537 | 31,[illegible] | 20,541 | 11,095 | 3,000 | 2,505 |
| Apr-92 | 0 | 0 | 0 | 650,355 | 652,103 | 196,827 | 118,621 | 77,359 | 51,683 | 43,502 | 37,765 | 31,154 | 1,859,269 | 26,937 | 20,906 | 17,680 | 7,172 | 8,774 |
| May-92 | 0 | 0 | 0 | 0 | 636,631 | 570,913 | 217,728 | 150,859 | 103,056 | 71,865 | 52,035 | 48,655 | 1,851,942 | 42,400 | 36,507 | 36,165 | 28,579 | 28,289 |
| Jun-92 | 0 | 0 | 0 | 0 | 0 | 703,693 | 652,706 | 196,856 | 108,635 | 72,361 | 48,676 | 38,036 | 1,821,163 | 34,933 | 28,548 | 27,286 | 24,961 | 24,961 |
| Jul-92 | 0 | 0 | 0 | 0 | 0 | 0 | 626,372 | 662,802 | 166,039 | 90,395 | 60,487 | 66,354 | 1,684,449 | 44,690 | 31,857 | 24,690 | 23,057 | 23,057 |
| Aug-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 820,685 | 667,191 | 205,893 | 98,705 | 70,668 | 1,862,740 | 58,066 | 41,936 | 34,450 | 28,679 | 28,365 |
| Sep-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 607,658 | 627,078 | 163,634 | 73,274 | 1,471,844 | 45,601 | 34,364 | 35,543 | 30,443 | 29,920 |
| Oct-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 607,328 | 562,539 | 179,155 | 1,349,022 | 67,743 | 57,038 | 44,164 | 29,971 | 27,553 |
| Nov-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 650,151 | 669,054 | 1,319,205 | 191,573 | 87,964 | 67,111 | 57,928 | 57,595 |
| Dec-92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 628,720 | 628,720 | 489,736 | 139,539 | 95,438 | 90,196 | 89,298 |
| 1992 Incurred | 634,514 | 1,202,016 | 1,535,143 | 1,612,297 | 1,651,761 | 1,694,568 | 1,791,829 | 2,076,417 | 1,848,437 | 1,830,416 | 1,764,211 | 1,875,805 | 19,517,414 | 1,086,888 | 508,036 | 396,528 | 296,810 | 291,139 |
| Total | 1,811,322 | 1,778,639 | 1,986,484 | 1,946,149 | 1,934,279 | 1,907,592 | 1,960,004 | 2,203,682 | 1,943,440 | 1,895,255 | 1,794,507 | 1,889,316 | 23,050,669 | 1,095,838 | 516,411 | 405,478 | 305,472 | 299,801 |

EXHIBIT SA-3

F01A41Z 0009080

01B29Z 0000349

## SECTION 4. LONG TERM DISABILITY

### Benefits

Long Term Disability (LTD) benefits are paid to employees who, after 52 weeks of sickness benefits, are still too disabled to return to work. Benefits are paid until age 65, if disability continues that long, at 50% of base pay. If disability starts after age 60, benefits may extend beyond age 65.

LTD benefits are offset by Social Security benefits, Workers' Compensation, and Disability Retirement (or service retirement) benefits.

An employee on LTD is removed from the payroll. Group Life coverage continues for two years and medical coverage continues as long as LTD benefits are payable.

### Conclusions

There were 267 former employees receiving benefits as of January 1, 1993. The liability for remaining indemnity payments to such employees is calculated at $8.4 million using a 7% discount rate.

The liability for future medical coverage for the 145 former employees not already included in SFAS 106 liabilities is calculated to be $10.1 million using a 9% discount rate.

### Data Gathering

Mercer was furnished by BellSouth Financial Services with a file containing 896 employees who qualified for LTD benefits, most of whom were receiving zero benefits due to the offsets (267 receiving positive LTD benefits). These employees were matched to the pension data file to pick up additional data for the computations.

The 267 former employees receiving positive LTD benefits were included in the calculation for indemnity payment reserve. Of the total 896 former employees on the file, 145 employees with less than 15 years of service (120 of whom were receiving LTD benefits) were included in the calculation of the outstanding liability for medical benefits. Those with more than 15 years of service were found through the data match to be virtually all included in the SFAS 106 liability by virtue of being considered as retired employees.

### Methodology

The reserve for remaining LTD payments was calculated using Mercer's standard Disabled Life Reserve program with the 1987 Commissioners Group Disability Table with a 7% discount rate, reflecting rates of termination from death and recovery.

The reserve for future medical benefits for the 145 former employees with less than 15 years service was calculated using the program methodology and assumptions used in the SFAS 106 calculations, including a 9% discount rate. Assumptions were adjusted to reflect disabled life mortality and expected rates of recovery.

S The load factor, determined from the sickness data to incorporate BSE and BBS, was applied to these calculations for lack of other information.



F01B29Z 0000351

F01A41Z 0009082

EXHIBIT LTD-1

# BellSouth Corporation
## Employees on Long Term Disability

| Year Ltd Started | Number of EEs on LTD | Number of EEs on LTD with Benefit >0 | Net LTD Monthly Benefit | Average Monthly Benefit For EEs with Ben >0 |
|---|---|---|---|---|
| 1958 | 1 | 0 | 0 | N/A |
| 1976 | 1 | 1 | $328.37 | $328.37 |
| 1977 | 13 | 2 | $202.89 | $101.45 |
| 1978 | 27 | 5 | $704.63 | $140.93 |
| 1979 | 53 | 11 | $1,773.89 | $161.26 |
| 1980 | 50 | 8 | $969.07 | $121.13 |
| 1981 | 39 | 10 | $2,655.06 | $265.51 |
| 1982 | 58 | 17 | $4,847.85 | $285.17 |
| 1983 | 45 | 7 | $3,384.64 | $483.52 |
| 1984 | 37 | 15 | $3,949.00 | $263.27 |
| 1985 | 42 | 10 | $2,466.11 | $246.61 |
| 1986 | 61 | 24 | $6,553.42 | $273.06 |
| 1987 | 63 | 21 | $3,882.88 | $184.90 |
| 1988 | 80 | 27 | $7,464.04 | $276.45 |
| 1989 | 70 | 27 | $10,103.23 | $374.19 |
| 1990 | 61 | 14 | $7,209.01 | $514.93 |
| 1991 | 91 | 30 | $15,183.54 | $506.12 |
| 1992 | 84 | 30 | $13,765.58 | $458.85 |
| 1993 | 20 | 8 | $3,883.81 | $485.48 |
| TOTAL | 896 | 267 | $89,327.02 | $5,471.18 |

## SECTION 5. DISABILITY RETIREMENT

### Benefits

The BellSouth Management Pension Plan and the BellSouth Pension Plan provide for lifetime benefits to be paid to employees who qualify as permanently disabled after 15 years of service. Certain of these are being paid directly as an operating expense rather than being paid from the pension trust funds.

These benefits had previously not been included in the annual SFAS 87 calculations for disclosure and expense. The benefits in question are those paid to:

- Employees who qualified for disability retirement benefits before 1976, with respect to their lifetime benefits;
- Employees who qualified for disability retirement benefits in 1976 and later, with respect to their benefits payable before age 65.

### Conclusions

After further research by BellSouth Comptrollers area and discussions between BellSouth and Mercer, it was agreed to include these pension benefits under SFAS 87 accounting rather than SFAS 112. Although they were not included in the December 31, 1992 footnote for SFAS 87 obligations, they are being included in expense and obligation forecasts for 1993 and later, now being prepared to encompass (1) the amendment to the BellSouth Management Pension Plan effective July 1, 1993 changing to a Personal Retirement Account (PRA) plan, and (2) the force reduction program underway within BST and continuing into 1996.

Medical benefits for employees and dependent who are receiving or are expected to receive disability retirement benefits have been included in the liabilities and expense calculated under SFAS 106 for 1993 and in all recent forecasts.

## SECTION 6. CAVEATS AND LIMITATIONS

In addition to the those discussed in the text of the report, many assumptions underlie any actuarial report of this nature. This report's conclusions were based on an analysis of the available data and on the estimation of many contingent events. Future cost projections in the report were developed from the historical claim experience and covered exposure, with adjustment for anticipated changes. Since these conclusions are based on future contingent events, they are subject to uncertainty and actual cost may vary from the estimates.

In addition, we have relied on information regarding claims payments, payroll, and program structure from BellSouth. If any of this information is incorrect or incomplete, our projections may need to be revised. We have assumed that BellSouth's insurance is valid and that anticipated recoverables are fully collectible

The report was prepared for the sole use of BellSouth and its auditor, Coopers & Lybrand, distribution to others without our prior written consent is unauthorized. With our consent, the report may be distributed only in its entirety.

H:\DB\IBS\WP\FAS112

Coopers & Lybrand

certified public accountants

casualty actuarial &
risk management consulting

1100 Campanile Building
1155 Peachtree Street
Atlanta, Georgia 30309-3630

telephone (404) 870-1100

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123456789101112131415161718192021222324252627282930 31

JUL 1993

RECEIVED
Corporate
Accounting

July 7, 1993

Mr. Greg S. Griffin
Operations Manager
BellSouth
Room 15D04
1155 Peachtree Street, N.E.
Atlanta, Georgia 30367-6000

Dear Greg:

We have reviewed the William M. Mercer Incorporated (Mercer) actuarial study regarding BellSouth's SFAS 112 implementation. The remainder of this letter summarizes our observations and comments regarding the workers' compensation component of this liability.

Mercer's Conclusions

- The following table summarizes Mercer's results in millions:

| | Undiscounted | Discounted |
|---|---|---|
| BellSouth Telecommunications | $55.2 | $36.7 |
| BellSouth Mobility | 0.2 | 0.1 |
| BellSouth Advertising & Publishing | 1.0 | 0.6 |
| BellSouth Enterprises | 3.0 | 3.0 |
| Total | $59.4 | $40.4 |

C&L's Conclusions and Recommendations

The precision of the results of the Mercer report are significantly limited by the lack of historical data relative to payments and case reserves. The only BellSouth data available for Mercer's study was a single year of calendar year payments by accident year. Given the very limited volume of data Mercer had available to analyze, we believe their results are reasonable, but inherently uncertain. We believe that an extremely wide range of possible results exists around their undiscounted reserve estimates, perhaps as low as $25 million and as high as $100 million.

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This lack of data has potentially significant ramifications beyond the current questions of the appropriateness of the accrual for SFAS 112 and whether or not to discount the accrual. These ramifications concern the ability to manage the workers' compensation exposure/claims function in a cost effective manner.

The actuarial report contains several warning signals pointing toward the need for increased attention to claims management and control.

- Management information. Without good information, BellSouth will face increased difficulty in managing individual claims and therefore difficulty in controlling current costs. Information allows recognition of trends in types of claims and thus strengthens efforts to prevent future injuries.

- Payment pattern. BellSouth's one year of data exhibits a slower, more extended pattern than the insurance industry in states in which BellSouth operates. This indicates that the claims handling practices may prolong claims which otherwise may be settled sooner at lower cost.

- Lack of case reserves. If expected costs on a case by case basis are not articulated in the form of case reserves, claims may be paid for more than is necessary and overall handling may be ineffective.

Review of Assumptions

We have focused our review on the BellSouth Telecommunications, Inc. (BST) portion of the reserves because that is the largest piece of the reserves and also is the piece on which Mercer focuses most of its analysis. Insufficient information was included in the report for us to be able to comment on the other subsidiaries.

Due to data limitations, Mercer was required to make many assumptions that ordinarily would not be needed in an actuarial analysis of a program such as BST's. Critical items can be grouped into three categories: those likely to understate the estimates, those likely to overstate the estimates, and those with uncertain implications. The following is a description by category:

A. Items Likely To Cause An Understatement

1. Minimal data on open claims, particularly case reserves and open claim counts.

2. Lack of historical data. The only loss data available was 1992 calendar year payment information.

B. Items Likely To Cause An Overstatement

1. Trend assumptions. The use of trend in this analysis is to detrend current industry rates and to detrend payroll. The use of a low trend rate may overstate prior expected losses.

2. Calculation of benefit level changes. We have tested the calculations of the benefit level changes using the NCCI 1992 Annual Statistical Bulletin. We get slightly higher factors than those used by Mercer. The implication is a slight overstatement in the expected losses.

C. Items Which Could Cause Results To Go Either Direction

1. Use of industry loss rates.

2. No refinements in methodology for excess retention differences.

3. Split of industry loss rate into indemnity and medical components.

Discounting

Discounting of self-insurance reserves is generally allowed if the timing and payment of reserves is reasonably estimable (the payment pattern used for discounting must be based on the client's own data), the effects of inflation are recognized, the liability before discounting is reasonably objective and verifiable, and the rate of interest used for discounting is reasonable.

The payment pattern used by Mercer for discounting the reserves is based substantially on BST's own data. But this data represents only one year of payment history -- 1992 calendar year payments by accident year. Normally, a payment pattern would be based on a minimum of three calendar years of payment information.

The liability before discounting recognizes the effects of inflation and is reasonable based on available data, but inherently uncertain. As a result, this may not meet the criteria of being reasonably objective and verifiable.

The use of the 7% interest rate for discounting assumes that BST's investment portfolio is earning and will continue to earn at least 7%. We have not verified this assumption.

In addition to the items discussed above, other considerations exist with regard to the discounting issue. These considerations include, but are not limited to, the effect of Clinton health reform, the workers' compensation regulatory environment, and the volatility of loss reserve estimates. We would be happy to further discuss the implications of loss reserve discounting with you.

Claims Review

As noted earlier, Mercer's report raises concerns regarding BellSouth's claims handling operations. We recommend that BellSouth conduct a study to analyze the effectiveness of its claims department. This study should review BellSouth's claims handling manual and procedures, case reserving practices, and settlement practices. The study should enable BellSouth to better monitor its workers' compensation costs and produce recommendations for savings.

We understand that BellSouth believes its claims department is very good. One basis for this assessment is a comparison between Mercer's recommended reserve levels and reserves carried by other Bell companies in the U.S. While there may be some validity to this comparison, it is important to recognize that workers' compensation costs vary widely by state and that many states in the Southeast tend to be relatively low-cost states. With annual workers' compensation payments exceeding $8 million, we believe that an independent claim operations review would ensure that BellSouth is not paying more than necessary. Even if the review concludes that no potential for savings exists and that the claims department is doing an excellent job, we believe this objective, independent confirmation would be of value to BellSouth management.

C&L has a workers' compensation claims consultant in our Atlanta office, Gary Jennings. Gary spent four years with a major paper manufacturing company prior to joining C&L, where his responsibilities included:

- high exposure claim settlement reviews;
- case reserve audits;
- investigation direction;
- claim management audits; and
- claim database management.

Prior to this position, Gary spent 15 years in the insurance industry as a workers' compensation claims supervisor and adjustor. He was responsible for the claim management for national accounts such as North American Philips, TRW, Goodyear, and many other multi-state employers. Since joining C&L in 1992, Gary has completed claim reviews for U.S. Sugar Corporation, the City of Orlando, and other clients.

If you have any questions regarding this letter, please call.

Sincerely,

COOPERS & LYBRAND

Jeffrey R. Jordan

Jeffrey R. Jordan
Director
Fellow of the Casualty Actuarial Society
Member of the American Academy of Actuaries

JRJ/mcd

May 27, 1993

TO: Ron Dykes

FROM: Bill Brewer

SUBJECT: Status Report on SFAS 112 Project

A joint meeting was held on May 18 with the BST accounting and separations staffs to further discuss SFAS 112 implementation issues specific to the BST regulated environment. The adoption of the new standard is expected to result in a one-time transition charge of $150-$200 million. There were two key regulatory and external reporting issues to address: adoption approach (flash-cut vs. amortization) and year of adoption (1993 vs. 1994).

**Adoption Approach**

This issue was essentially resolved for federal regulatory purposes when the FCC recently denied US West's request to allow amortization of the transition amount. The possibility of using a flash-cut adoption approach for federal purposes, and requesting permission to amortize for state purposes was discussed. However, the consensus is that we should consistently follow GAAP in both the federal and state arenas. Therefore, SFAS 112 will be adopted on a flash-cut basis for regulatory purposes. Immediate recognition of the transition obligation is required for external reporting purposes.

**Year of Adoption**

While regulatory recovery of SFAS 112 transition amounts is not likely, the actual accounting recognition of these amounts will generate net income and cash flow impacts under the mechanics of the FCC price-cap and state incentive plans. The overall net income reduction generated by the transition expense will be offset to some extent by the sharing mechanisms in the various incentive plans. Given that recovery is not likely, the basic criteria for selection of an adoption year is to choose the year that maximizes the net income offset and related cash flow benefits under the incentive regulation plans.

With respect to 1993, BST Separations believes that approximately $30 million (based on an estimated $150 million combined transition liability) could be used to offset a BST sharing liability. This would result in a net income offset and positive cash flow of about $10 million. BST State Regulatory sees very little intrastate benefit under a 1993 scenario. Although not quantifiable, BST Separations also views a 1993 adoption as favorable with respect to renewal of the FCC price cap plan scheduled in 1994.

With respect to 1994, BST State Regulatory believes that approximately $50-$70 million (based on an estimated $150 million combined transition liability) could be used beneficially under the state incentive plans. This would result in a net income offset and positive cash flow of about $30-$45 million. A major portion of this amount is related to the development of new incentive plans in Georgia and Florida in 1994. BST Separations views interstate sharing in 1994 as uncertain.

**Update on Actuarial Estimate**

We expect to receive actuarially determined liabilities from Mercer relative to SFAS 112 on June 15th. Based on preliminary data gathering efforts, the liability may be somewhat less than the initial HR estimate of $150-$200 million. Quantification is not possible prior to a complete actuarial calculation.

**Future Plans and Activities**

It was agreed that the timing of adoption should be based solely on intrastate considerations if the liability amount provided by Mercer is less than $100 million. Such an amount would not significantly impact either the interstate sharing rate for 1993 or the potential strategy for the 1994 interstate price-cap plan. Accordingly, it was decided to finalize a recommendation for the year of adoption after Mercer provides us with an actuarial estimate of the SFAS 112 impact. A follow-up meeting will be scheduled for late June to finalize a decision.

Greg Bremer

cc: Charlie Lathram
Bob Scheye
Mike Hostinsky
Greg Griffin
Frances Dennis

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Printed by: GRIFFIN_G - Greg Griffin

I N T E R O F F I C E   M E M O R A N D U M

Date: 10-Jul-1993 10:24am GMT
From: Jim Byrd
YBRLJLK!UOS5@BRIDGE
Dept: Comptrollers
Tel No: 205-977-3213

TO: Terry Seaton ( BYYMFCZ!UOS1@BRIDGE )
TO: Charles Lathram ( YDPFGRG!UOS1@BRIDGE )

CC: Frances Dennis ( PNJHPSF!UOS1@BRIDGE )

Subject: FAS 112 # for NOI

FYI,
I talked with Greg Griffin about C&L's feedback on using the latest workers comp. number for the Notice of Intent to adopt, and they had indicated that they believed that there was a large range of uncertainty in the number ($25 - 100 M) since only one year's data was used. C&L also expressed concerns about our claims management and control over costs. Our processing results indicated that we are handling claims too slowly and ineffectively which raises risk management concerns as well as sheds doubt on the data used to calculate our FAS 112 number.

They suggested an independent review of the workers comp management process. We have just started an Internal Controls Review, but were not anticipating the concerns raised by C&L. Since this is an HR process instead of Comptrollers', addressing the issues is more sensitive.

FYI,
Jim

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BELLSOUTH TELECOMMUNICATIONS

-DRAFT-

FAS 112 TRANSITION AMOUNT EXPENSE IMPACT ANALYSIS (See Note Below)

FOR DISCUSSION PURPOSES ONLY

FLASHCUT

| | Factors for Analysis | APPROXIMATE EXPENSE IMPACT ($MILLIONS) YEAR 1 Pre-Tax | After-Tax* |
|---|---|---|---|
| Transition Amount | | 154 | 95 |
| Interstate | 0.2140 | 33 | 20 |
| Intrastate | 0.7860 | 121 | 75 |
| Total | 1.0000 | 154 | 95 |
| **States:** | | | |
| Alabama | 0.0840 | 10 | 6 |
| Kentucky | 0.0508 | 6 | 4 |
| Mississippi | 0.0575 | 7 | 4 |
| Tennessee | 0.1140 | 14 | 9 |
| Louisiana | 0.0982 | 12 | 7 |
| Florida | 0.2561 | 31 | 19 |
| Georgia | 0.1769 | 21 | 13 |
| S. Carolina | 0.0660 | 8 | 5 |
| N. Carolina | 0.0958 | 12 | 7 |
| State Total | 0.9993 | 121 | 75 |

*38% Composite Tax Rate

Note: Transition amount is an estimate based on assumptions.
Amounts allocated to states for purposes of anaysis only.
Amounts will change as further information is obtained.

BELLSOUTH TELECOMMUNICATIONS -DRAFT-

FAS 112 TRANSITION AMOUNT EXPENSE IMPACT ANALYSIS (See Note Below) FOR DISCUSSION PURPOSES ONLY

AMORTIZATION

| | Factors for Analysis | APPROXIMATE EXPENSE IMPACT ($MILLIONS) YEAR 1 Pre-Tax | YEAR 1 After-Tax* | YEAR 2 Pre-Tax | YEAR 2 After-Tax* | YEAR 3 Pre-Tax | YEAR 3 After-Tax* |
|---|---|---|---|---|---|---|---|
| Amortization of Transition Amount | | 51 | 32 | 51 | 32 | 51 | 32 |
| Interstate (21.4%) | 0.2140 | 11 | 7 | 11 | 7 | 11 | 7 |
| Intrastate (78.6%) | 0.7860 | 40 | 25 | 40 | 25 | 40 | 25 |
| Total | 1.0000 | 51 | 32 | 51 | 32 | 51 | 32 |
| States: | | | | | | | |
| Alabama | 0.0840 | 3 | 2 | 3 | 2 | 3 | 2 |
| Kentucky | 0.0508 | 2 | 1 | 2 | 1 | 2 | 1 |
| Mississippi | 0.0575 | 2 | 1 | 2 | 1 | 2 | 1 |
| Tennessee | 0.1140 | 5 | 3 | 5 | 3 | 5 | 3 |
| Louisiana | 0.0982 | 4 | 2 | 4 | 2 | 4 | 2 |
| Florida | 0.2561 | 10 | 6 | 10 | 6 | 10 | 6 |
| Georgia | 0.1769 | 7 | 4 | 7 | 4 | 7 | 4 |
| S. Carolina | 0.0660 | 3 | 2 | 3 | 2 | 3 | 2 |
| N. Carolina | 0.0958 | 4 | 2 | 4 | 2 | 4 | 2 |
| State Total | 0.9993 | 40 | 25 | 40 | 25 | 40 | 25 |

*38% Composite Tax Rate

Note: Transition amount is an estimate based on assumptions.
Amounts allocated to states for purposes of anaysis only.
Amounts will change as further information is obtained.

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FO1B292 0000364

United States Telephone Association
900 19th Street, N.W., Suite 800
Washington, D.C. 20006-2190
(202) 835-3100

## USTA SFAS 112 SURVEY VERSION 2

**Please fax to Anne Polaschik on 202-835-3248 by the close of business on Friday, January 22, 1992. If you have questions, call Walt Wagner on 312-750-5163 or Anne on 202-835-3130.**

Holding Company Name BellSouth Corporation

| | (Millions) Holding Company SFAS 112 Cumulative Effect |
|---|---|
| Workers' Comp Portion | 75 |
| Disability Portion | 70 |
| Disability Pension Portion | -0- |
| Other Portions [1] | 9 |
| PRE-TAX TOTAL H.C. CUM. EFFECT | 154 |
| times Interstate Factor | x 21.4% |
| PRE-TAX TOTAL INTERSTATE PORTION OF H.C. CUM. EFFECT | 33 |
| times Composite Tax Rate (38%) | (13) |
| POST-TAX TOTAL INTERSTATE PORTION OF H.C. CUM. EFFECT | 20 |

Prepared by Debra Nelson

Telephone Number (404) 249-3042

NOTE: These numbers are rough estimates based on preliminary data.

[1] If you can segregate these pieces, please provide plan name and dollar value.

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August 25, 1992

## PROJECTED LIABILITY

| | |
|---|---|
| Long Term Disability/Disability Pension (good data to make forecast) | $70 million |
| Sickness and Accident Disability Benefit Plan (generally the incurred carry-over to the next year) | $7.3 to 8.8 million (25% to 30% of 1991 paid claims) |
| Workers' Compensation (data incomplete and questionable) | $15 million based on BS paid claims. history X 2.5<br><br>$75 million based on standard insurance industry loss rates. Mercer estimates $50 to $75 million range. |
| TOTAL PROJECTED LIABILITY | $95 to $155 million with $130 million as best guess. |

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#15

# FLORIDA
# IMPLEMENTATION OF SFAS 112

Explanation: The accounting pronouncement SFAS 112, "Employers' Accounting for Post Employment Benefits" requires accrual accounting for certain postemployement benefits that are not covered under SFAS 106, Employers' Accounting for Postretirement Benefits other than Pensions". This adjustment reflects the Company proposal to expense the impact of initial adoption of SFAS 112 in 1994 business.

Compensation Liability for:

| | | | |
|---|---|---|---|
| Worker Compensation | | 65,000,000 | BST-Reg |
| S/T Disability | | 7,700,000 | BSC |
| L/T Disability | | 18,500,000 | BSC |
| | | 26,200,000 | |
| Portion of BST | 94% | 24,628,000 | |
| Portion BST-Reg | 96% | 23,642,880 | |
| Total BST-Reg | | 78,642,880 | |
| Florida Portion A/C 6728 | 25.5900% (1993 Gen.Alloc) | 20,124,713 | |
| Regulated Portion | 94.6794% (Budget 67xx) | 19,053,958 | X 78.0923% = 14,880,000 Intra |
| CWC Impact | | 9,526,979 | |

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**BELLSOUTH**
**TELECOMMUNICATIONS**

BST-Reg

Workers Comp # 55.0 M

S/T Disability (may not book?) 7.00 M

CORP TOTALS

L/T Disability 18.5 M

81.2 M

Excluded CTAP

H. A. Paisant
Operations Manager
17M61 Southern Bell Center
675 West Peachtree St.
Atlanta, Georgia 30375
404 529-2473

Analysis of Each
Rate Case Adjustment
(000)

FLORIDA PUBLIC SERVICE COMMISSION
Company Southern Bell Telephone & Telegraph Co.
Docket No. 920260-TL
Test Year 1993

Schedule A-6b
Page 16 of 44
Witness Responsible W. S. Reid

Check Whether Data is:
Historic [ ] or Projected [X]
Average [X] or Year End [ ]

Item # 15
Description Implementation of SFAS 112

| Line No. | Effect On (1) | (3 + 4) Total Company * (2) | Interstate Toll (3) | (5 + 8) Total Intrastate (4) | (6 + 7) Intrastate Toll (5) | Intrastate Toll InterLATA (6) | IntraLATA (7) | Local (8) |
|---|---|---|---|---|---|---|---|---|
| 1. | Local Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | Interstate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. | InterLATA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | IntraLATA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Miscellaneous Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Uncollectibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. | Operating Expenses | 19,054 | 4,174 | 14,880 | 0 | 0 | 0 | 14,880 |
| 8. | Other Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. | SIT (1) | (1,046) | (230) | (816) | 0 | 0 | 0 | (816) |
| 10. | FIT (2) | (6,122) | (1,341) | (4,781) | 0 | 0 | 0 | (4,781) |
| 11. | Subtotal - Net | | | | | | | |
| 12. | Operating Income | (11,884) | (2,603) | (9,281) | 0 | 0 | 0 | (9,281) |
| 13. | Plant-In-Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. | Depreciation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. | Plant Under Construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16. | Property for Future Use | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17. | Cash Working Capital (3) | (9,527) | (2,087) | (7,440) | 0 | 0 | 0 | (7,440) |
| 18. | Materials & Supplies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19. | Total Investment | (9,527) | (2,087) | (7,440) | 0 | 0 | 0 | (7,440) |
| 20. | Subtotal - Net | | | | | | | |
| 21. | Operating Income | N/A | N/A | 691 | N/A | N/A | N/A | N/A |
| 22. | Total Net Operating Income | N/A | N/A | (8,590) | 0 | 0 | 0 | (9,281) |
| 23. | Total Revenue Requirement | N/A | N/A | 14,202 | N/A | N/A | N/A | N/A |

* Total Company column is total regulated.

(1) Includes current expense and current deferred.
(2) Includes current expense and current deferred, net of ITC.
(3) Excludes Materials & Supplies.

Supporting Schedules: B-1b, B-2a, B-2b, C-2b

Recap Schedules: A-6a

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920260-TL Staff's 29th POD
Item # 277 P/N

Redacted

[redacted]

August 22, 1993

TO: Patricia Peacock

FR: Dale Bennett

SU: Citizen's 46th Request for Production Of Documents
Item 709

Attached are Financial Planning Assumptions dated March 24, 1993, which were used in the production of the 1993 "ASIS" view of 1994. The POD references the 1993 Pre-Commitment View of 1994-1996. There was no 1993 Pre-Commitment View of 1994 - 1996. As you and I discussed, the "ASIS" view appears to be the subject of this Production Of Documents.

**BELLSOUTH**

1155 Peachtree Street, N E
Atlanta, Georgia 30367-6000

PRIVATE

March 24, 1993

TO: P. H. Casey, Vice President & Comptroller, BST
W. H. Groce, Jr., Executive Assistant & Secretary, BST

FROM: Melody Withrow, Operations Manager Consolidated Operations, BSC

SUBJECT: BST Financial Planning Assumptions

Enclosed are the updated Financial Planning Assumptions to be used for the 1993 Pre-Commitment View of 1994 thru 1996. Changes from the July 15, 1992 issuance are noted in bold print.

If you have any questions, please call me at (404) 249-4543.

Melody Withrow

sn

FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

## 1.0 ECONOMIC ASSUMPTIONS

### 1.1 Base Case

The economic assumptions in this section correspond with the base case forecast, which represents the economy's most likely course over the planning horizon, with a two-thirds probability of occurrence.

### 1.2 Measures of Real National Economic Activity

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Real GDP | | | | | |
| (Bils. of 1987 $) | 4,923 | 5,085 | 5,235 | 5,373 | 5,506 |
| % Change | 2.1 | 3.3 | 3.0 | 2.6 | 2.5 |
| Personal Income | | | | | |
| (Bils. of 1987 $) | 4,093 | 4,217 | 4,345 | 4,459 | 4,566 |
| % Change | 1.7 | 3.0 | 3.0 | 2.6 | 2.4 |
| Indus. Prod. Index | | | | | |
| (1987=100) | 108 | 112 | 116 | 119 | 123 |
| % Change | 1.2 | 3.5 | 3.3 | 2.9 | 2.6 |
| Housing Starts (T) | 1,210 | 1,325 | 1,369 | 1,389 | 1,400 |
| % Change | 19.4 | 9.5 | 3.3 | 1.5 | 0.8 |
| Nonfarm Employ. (M) | 108 | 110 | 112 | 114 | 115 |
| % Change | 0.1 | 1.1 | 2.0 | 1.7 | 1.4 |
| Unemployment Rate | 7.4 | 6.7 | 6.1 | 5.7 | 5.5 |

### 1.3 Measures of Inflation - Consumer Price Indexes (CPI)

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Annual CPI % chg. (All Urban Consumers) | 3.0 | 3.2 | 3.5 | 4.0 | 4.2 |
| Annual CPI % chg. (Urban Wage Earners) | 2.9 | 3.1 | 3.5 | 4.0 | 4.2 |
| May/May CPI % chg. (Urban Wage Earners) (Basis for COLA) | 2.8 | 3.1 | 3.4 | 4.0 | 4.1 |
| Annual Med. Care Component of CPI % chg. | 7.4 | 5.7 | 5.4 | 5.4 | 5.2 |

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

## 1.4 Measures of Region Economic Activity

| BST Area | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Personal Income (Bils. of 1987 $) | 715 | 742 | 767 | 789 | 811 |
| % Change | 2.3 | 3.8 | 3.3 | 2.9 | 2.8 |
| Housing Starts (T) | 311 | 354 | 366 | 371 | 371 |
| % Change | 13.4 | 14.0 | 3.2 | 1.5 | 0.0 |
| Nonfarm Employ.(T) | 20,718 | 21,185 | 21,656 | 22,136 | 22,552 |
| % Change | 0.3 | 1.9 | 2.6 | 2.2 | 1.9 |
| Unemploy. Rate (%) | 7.1 | 6.3 | 5.6 | 5.1 | 5.0 |

## 1.5 Interest Rates

| | Prime Rate (%) | 3 Mo. T-Bills (%) | 30 Yr. T-Bonds (%) | 90 Day Comm. Paper Rate (%) | AAA 10 Yr. Corp. Bonds (%) | Implicit 3 Yr. AAA Bond Rate (%) | Implicit 5 Yr. AAA Bond Rate (%) | Implicit 30 Yr. AAA Bond Rate (%) |
|---|---|---|---|---|---|---|---|---|
| 1992 | 6.3 | 3.5 | 7.7 | 3.7 | 8.1 | 6.2 | 7.1 | 8.5 |
| 1993 | 6.1 | 3.2 | 7.2 | 3.4 | 7.6 | 5.8 | 6.6 | 8.0 |
| 1994 | 6.8 | 3.9 | 7.6 | 4.1 | 8.0 | 6.2 | 7.1 | 8.4 |
| 1995 | 7.4 | 4.7 | 8.1 | 4.9 | 8.5 | 6.8 | 7.7 | 8.9 |
| 1996 | 7.5 | 5.0 | 8.2 | 5.4 | 8.8 | 7.1 | 8.0 | 9.0 |

Interest rates on advances should be budgeted based on the 90 Day Commercial Paper rate.

## 1.6 Measures of International Economic Activity and Foreign Exchange Rates.

Forecasts of International Economic Activity and Foreign Exchange rates for selected countries will be provided upon request. Contact J. N. Young, BSC Chief Economist, (404) 249-3338 regarding specific requests.

## 1.7 Alternate Scenario - Optimistic

Economic assumptions for an optimistic scenario (with a one-in-six probability) will be provided upon request. Contact J. N. Young, BSC Chief Economist, (404) 249-3338 for this alternative.

## 1.8 Alternate Scenario - Pessimistic

Economic assumptions for a pessimistic scenario (with a one-in-six probability) will be provided upon request. Contact J. N. Young, BSC Chief Economist, (404) 249-3338 for this alternative.

FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

?.0 EMPLOYEE RELATED ASSUMPTIONS

2.1 Salaries

Salary estimates should include projections covering any changes in (1) base pay (annual merit increases and promotional treatment), (2) Team Excellence Award for Managers (TEAM), (3) Departmental Recognition Award in Science & Technologies only, (4) the Department Head Award Program/Tier 1 Award Program, and (5) Performance Bonus Funds **or significant Contribution Bonus Funds** in BBS. The change in salaries should assume a TEAM Award based on 100% achievement of projected service and financial results. Overall salary change projections will be provided by each entity's Assistant Vice President - Human Resources (or equivalent position having Human Resources responsibilities) in coordination with the Assistant Vice President - Executive Personnel Matters, BellSouth Headquarters.

2.2 Wages

**Projections for 1994 should be based on the current 1992 contract.** Projections **for 1995-98 represented entities** will be provided by BellSouth Financial Management in coordination with the Assistant Vice President-Employee Relations, BellSouth Headquarters for companies represented by the Communications Workers of America. These projections will be provided directly to the organization responsible for the completion of the corporate budget in each company. The projected changes in wages should assume a Team Incentive Award accrual based on 100% achievement of service and financial objectives. Until a labor contract agreement is reached, wage increases, in represented companies, should be budgeted at the corporate level only as an adjustment.

2.3 Fringe Benefits

**Projections for 1994 should be based upon changes negotiated during 1992 Bargaining for represented entities.** The impact of any changes in fringe benefits **for 1995-98 for represented entities** will be provided by BellSouth Financial Management in coordination with the Assistant Vice President-Employee Relations, BellSouth Headquarters, for inclusion in the view for companies covered by the BellSouth benefit plans. These projections will be provided directly to the organization responsible for the completion of the corporate budget in each company. These amounts should be budgeted at the corporate level the same as wages. See Section 2.4, "Service Pensions, Group Life Insurance, and Postretirement Benefits," for management and non-management accrual rates.

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## 2.4 Service Pensions, Group Life Insurance, and Postretirement Benefits

### Service Pensions

For all years included in this budget view, pension expense and amounts contributed to the pension trust will not equal. If pension expense on a cumulative basis exceeds the amount contributed to the trust, the excess should be recorded as a non-current liability. Conversely, if pension expense is less than the amount contributed to the trust on a cumulative basis, the excess is a non-current asset. As of December 31, 1992, both the BellSouth Management Pension Plan and the BellSouth Pension Plan (Non-Management) had cumulative liability balances.

**Expense accruals are allocated on a major subsidiary basis. The allocations were based on the relative management salary and non-management force statistics.**

Pension expense projections are actuarially determined based on management's assumptions. These assumptions are subject to changes in the facts and circumstances. Therefore, the expenses projected for the outer years are subject to this same volatility.

### Postretirement Benefits

**Accrual amounts for postretirement benefits are allocated on a major subsidiary basis, based on management and non-management headcount force statistics. The expense budget views for 1993-1996 reflect the change in expense as a result of the adoption of SFAS 106 effective January 1, 1993.**

Postretirement benefit expense projections are actuarially determined based on management's assumptions. These assumptions are subject to changes in the facts and circumstances. Therefore, the expenses projected for the outer years are subject to this same volatility.

BellSouth Management Pension Plan (BSMPP) **(Note 1)**

| | A | B | C | D |
|---|---|---|---|---|
| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
| BST - Telco Operations | 35.4 | 41.9 | 49.3 | 51.8 |
| BellSouth Business Systems | | | | |
| 33 **BellSouth Communications Inc.** | | | | |
| 34 **BellSouth Communications Systems** | | | | |
| 35 **Financial Services** | | | | |

2.4 Service Pensions, Group Life Insurance, and Postretirement Benefits (continued)

BellSouth Non-Management Pension Plan (BSPP) (Note 1)

| | A | B | C | D |
|---|---|---|---|---|
| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
| BST - Telco Operations | 78.3 | 72.5 | 86.6 | 92.4 |
| BellSouth Business Systems | | | | |
| 9 **BellSouth Communications Inc.** | | | | |
| 10 **BellSouth Communications Systems** | | | | |
| 11 **Financial Services** | | | | |

| | | | | |
|---|---|---|---|---|
| Group Life Insurance (Active Only) (% of Wages & Salaries) | .18 | .18 | .18 | .18 |

Postretirement Benefits - Representable Employees **(Note 1)**

| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST - Telco Operations | **152.8** | **144.2** | **137.5** | **131.8** |
| BellSouth Business Systems | | | | |
| 18 **BellSouth Communications Inc.** | | | | |
| 19 **BellSouth Communications Systems** | | | | |
| 20 **Financial Services** | | | | |

Postretirement Benefits - Non-representable Employees **(Note 1)**

| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST - Telco Operations | **79.7** | **80.4** | **76.3** | **73.6** |
| BellSouth Business Systems | | | | |
| 25 **BellSouth Communications Inc.** | | | | |
| 24 **BellSouth Communications Systems** | | | | |
| 27 **Financial Services** | | | | |

Note 1: **It is possible that there will be an intra-company reallocation of pension and postretirement benefit expense effective 1/1/94. This issue should be resolved by mid-year.**

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2.4 Service Pension, Group Life Insurance, and Postretirement Benefits (continued)

Funding: Monthly Accrual Rates

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Non-management Pension ($/Employee/Month) | 0.0 | 0.0 | 0.0 | 0.0 |
| Management Pension (% of Management Salary) | 0.0 | 0.0 | 0.0 | 0.0 |
| Group Life Insurance(Active Only) (% of Wages & Salaries) | 0.18 | 0.18 | 0.18 | 0.18 |

*Use funding rates provided below

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Representable Employees Post-Emp. Health Care ($/Employee/Month) | 254.92 | 245.48 | 238.88 | 229.16 |
| Non-Representable Employees Post-Emp. Health Care ($/Employee/Month) | 261.75 | 266.17 | 271.17 | 281.83 |

The Group Life Insurance expense and funding accrual rate for active only is unchanged at 0.18% of wages and salaries.

The budget views above apply to corporate entities that provide traditional BellSouth Corporation benefits. Estimates for subsidiaries that provide benefits through other plans should consider individual plan characteristics. For advice for developing those estimates, please contact the appropriate subject matter expert.

2.5 Health Care Benefits Trust

Responsibility for managing the annual budget for health claims and expenses will continue to be the responsibility of each budgeting entity. Budget level estimates, per employee monthly net rates, and growth assumptions for medical, dental and vision are available upon request from the BellSouth Human Resources Benefits organization.

Funding to the postretirement employment reserve is calculated using rates which are included in Section 2.4.

2.6 Savings Plan Accrual/Employee Stock Ownership Plans (ESOP)

Effective with implementation of the Leveraged ESOP program, compensation expense and funding amounts for the savings plans are no longer determined based upon the percentage of the employer matching contribution. Expense recognition is based upon a prescribed formula known as the Shares Allocated Method, and funding is based upon the actual cash requirements of the ESOP. The difference between the two amounts is a non-cash difference which will completely reverse during the thirteen year period of the Leveraged ESOP program. This non-cash difference will be recorded by the companies as an inter company payable to BSC Headquarters.

The amounts to be included in each company's commitment view are as follows:

Management Savings Plan (MSP)
$'s in millions

| | A | B | C | D |
|---|---|---|---|---|
| BST - Telco Operations: | 1993 | 1994 | 1995 | 1996 |
| Expense | 53.4 | 58.0 | 44.3 | 41.1 |
| Funding (cash) | 40.1 | 39.2 | 36.3 | 36.4 |
| Interco Payable HQ | 13.3 | 18.8 | 7.9 | 4.7 |

BellSouth Business Systems (BBS):

| BellSouth Communications Inc. | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 22 Expense | | | | |
| 23 Funding (cash) | | | | |
| 24 Interco Payable HQ | | | | |

| BellSouth Communications Systems | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 26 Expense | | | | |
| 27 Funding (cash) | | | | |
| 28 Interco Payable HQ | | | | |

| Financial Services | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 30 Expense | | | | |
| 31 Funding (cash) | | | | |
| 32 Interco Payable HQ | | | | |

2.6 Savings Plan Accrual/Employee Stock Ownership Plans (ESOP) (Cont'd)

Savings and Security Plan (SSP):
$'s in Millions

| | A | B | C | D |
|---|---|---|---|---|
| BST - Telco Operations: | 1993 | 1994 | 1995 | 1996 |
| Expense | 46.6 | 43.1 | 41.5 | 40.1 |
| Funding (cash) | 40.0 | 38.2 | 38.1 | 38.5 |
| Interco Payable HQ | 6.6 | 4.9 | 3.4 | 1.6 |

BellSouth Business Systems (BBS):

| BellSouth Communications Inc. | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 13 Expense | | | | |
| 14 Funding (cash) | | | | |
| 15 Interco Payable HQ | | | | |

| BellSouth Communications Systems | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 17 Expense | | | | |
| 18 Funding (cash) | | | | |
| 19 Interco Payable HQ | | | | |

| Financial Services | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 21 Expense | | | | |
| 22 Funding (cash) | | | | |
| 23 Interco Payable HQ | | | | |

## 2.7 Executive Compensation Plans

Estimates for Executive Compensation Plans will be issued by BSC Compensation and Benefits group by May 15, 1993. Contact Greg Griffin (404) 249-3037 for any specific details.

## 2.8 Postemployment Benefits (SFAS 112)

SFAS 112, which must be adopted by January 1994, requires employers to adopt accrual accounting for workers' compensation, disability, severance pay, COBRA and other benefits provided after employment but before retirement. In order to change to the accrual method, BellSouth subsidiaries will be required to record a one-time catch-up adjustment for the unrecorded future liabilities related to the benefits encompassed by this statement. BSC Compensation and Benefits group will have estimates of this catch-up adjustment by August 31, 1993. Contact Greg Griffin (404) 249-3037 for any specific details.

3.0 GENERAL ITEMS - BELLSOUTH

3.1 BellSouth Headquarters Corporate Functions Costs

A. Corporate Service Costs estimates will be furnished by Melody Withrow. **Due to reorganization of BSHQ and BSEHQ, it is not possible at this time to determine release dates of Corporate Service costs. Initial estimates for use in the 1993 Pre-Commitment View of 1994-1996 will be released as soon as they are available.** For regulated entities, Corporate Functions Costs should be classified to appropriate functional accounts. Amounts included in functional accounts should be identified using appropriate expenditure codes as outlined in the Guidelines for preparing Financial Views.

B. Corporate Service Cost estimates represent only non-discretionary allocable Headquarters costs. Amounts to be billed to subsidiaries for specific projects are not included in these Corporate Service costs and are shown separately. **Initial estimates for use in the 1993 Pre-Commitment View of 1994-1996 will be released as soon as they are available.** For regulated entities BellSouth Headquarters discretionary project costs should be included in subsidiary budgets as departmental expenses.

3.2 Official Communications Service

A. BellSouth Telecommunications (BST)

1. Official Communications expenses are identified in the following categories:

   a. Design and Consultation
   b. InterLATA Tolls
      Off-Network Toll Charges
      BellSouth Corporate Network (BSCN)
   c. Special Services Billed By Common Carrier
   d. Maintenance of Official CPE
   e. Airtime Associated with Cellular Telephones and Pagers
   f. Other Telephone Expenses

2. The following conventions should be used when budgeting Official Communications expenses in BST:

   a. Design and Consultation - estimates will be developed by Corporate Communications Budget Staff and budgeted in Final Account 6728.5.

   b. InterLATA Tolls

      Shared Network Facilities Agreement (SNFA) - SNFA was discontinued for official services message and special circuits in the former South Central Bell territory EOY 1991.

      Off-Network Toll (Full Tariff and WATS) Charges - estimates will be developed by Corporate Communications Budget Staff and budgeted as Final Account 6728.5. Included will be charges for Offnet Tolls, WATS, and T-1 WATS Access.

      Budget and Actuals are identified in FSUB 20K2, ETG CH1.

      BellSouth Corporate Network (BSCN) is owned by BST and supported by Network. BST departments do not budget BSCN expense.

   c. Special Services billed by Common Carrier - most tariffed billed Special Services circuits (private lines) billed by Common Carrier will be cut over to BSCN; however, deferred diversity projects on BSCN will affect private line costs from OCCs.

      Estimates will be developed by Corporate Communications Budget Staff and budgeted as Account 6728.5.

      Budget and Actuals are identified in FSUB 20K2, ETG CH3.

3.2 Official Communications Service (continued)

d. Maintenance of Official CPE - estimates for maintenance expense associated with Official CPE will be coordinated and developed by the BST-Network Budget Staffs, and the BST-Financial Management Budget Staff and Budgeted as Final Account 6123.2. PC repairs through GE should be trended by the user and charged to 630M.

BST Network is responsible for labor charges, installation, and repairs of Corporate Communications equipment, material purchases, rentals, salvage credits and corporate transactions authorized by Comptrollers.

Budget and Actuals are identified in FSUB 09C1, FRC 658M or FRC 630M.

Inventory adjustments are booked to Network as Final Account 6512 and are not budgeted.

e. Airtime associated with cellular telephones and pagers - airtime costs associated with cellular telephones and pagers will be charged back to the departmental users' functional expense account. The using department will be accountable for budgeting this expense beginning in 1992.

Budget and Actuals are identified in FSUBs, ETG CH4.

f. Other Telephone Expenses - Estimates will be developed by Corporate Communications Budget Staff for E911 Pass-on charges, as well as other miscellaneous charges and budgeted in Account 6728.5.

Budget and Actuals are identified in FSUB 20K2, ETG CH3.

B. BellSouth Business Systems subsidiaries should contact the Corporate Communications Budget Staff (Ms. Linda Fleming 205-977-0963) for estimates of communications expense billed by BST as affiliate billing.

3.3 Postal Rates

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 1st Class Rates | | | | |
| Regular 1st Class | 0.29 | 0.32 | 0.32 | 0.32 |
| Presort 1st Class | 0.248 | 0.275 | 0.275 | 0.275 |
| ZIP+4 Presorted | 0.242 | 0.268 | 0.268 | 0.268 |
| 3-Digit ZIP+4 Bar-coded | 0.239 | 0.265 | 0.265 | 0.265 |
| 5-Digit ZIP+4 Bar-coded | 0.233 | 0.258 | 0.258 | 0.258 |
| Carrier Route Sort | 0.230 | 0.255 | 0.255 | 0.255 |

- Assume increases effective 1/1/94 .

## 4.0 GENERAL ITEMS - REGULATED

### 4.1 BellSouth Region Telephone Plant Indexes (BSRTPI)

Capital budget requirements for BST should be based on cost and labor trends identified in the BellSouth Region Telephone Plant Indexes where appropriate as outlined in the "Construction Budget" Section 4.2. The BSRTPI, RL 92-07-028BT dated September 15, 1992, contains historical and forecast Telephone Plant Index figures by plant account. Specific questions should be referred to Mr. T. E. Harris at (205) 977-5514.

### 4.2 Construction Budget

The 1993 Pre-Commitment View of 1993-1996 for the construction budget should be collected and compiled on a USOAR Part 32 basis for 1992 actuals plus budget years 1993 through 1996. Requirements for reporting construction program data to BellSouth are described in the latest issue of the Construction Program Summary Reporting Guidelines and the latest issue of "Analysis Techniques for Analysis of Strategic Issues". In preparing this view, cost and labor trends identified in the BellSouth Region Telephone Indexes (BSRTPI) as described in Section 4.1 should be used where product specific costs are unavailable.

Capital expenditures should be linked to associated revenues and expenses. When demand changes occur, capital levels should be adjusted accordingly.

The reasonableness of the submitted views will be assessed using historical expenditures by various categories, future major program projections, and multiple regression econometric models developed by BellSouth headquarters.

Upon approval of the funding levels, the 1994 Commitment View of 1994-1996 should be collected and compiled on a USOAR Part 32 basis for 1993 actuals plus budget years 1994 through 1996.

The data requested for this view will be used to produce a macro check for compliance with negotiated commitment view budget levels. Major changes will be analyzed and checked for conformance with BellSouth Telecommunications Investment Programs (TIPS) and the BellSouth Network Strategic Plan.

## 4.3 Capital Recovery

A. The objective depreciation reserve ratios for the planning period are determined from studies prepared annually by the Capital Recovery organization in the BST. These studies calculate the yearly objectives ("Age/Life" ratios) appropriate to each state's current Network Planning assumptions. The current time-frame for reaching these objective ratios is the mid 1990s.

The regulatory organization of BST should therefore prepare a new reserve requirement study by state for 1993 through 1996. The Guidelines for Preparing Financial Views will identify what documentation is required for the study and depreciation reserve ratio calculations.

B. Triennial Represcription

Assume triennial prescription in 1995 for the Southern Bell states and 1993 for the South Central Bell states. Assume prescription of attainable lives. Separate depreciation rates should be assumed for intrastate purposes where state commissions may prescribe depreciation rates that are different from those required by the FCC. Groupings of states for represcription purposes are currently based on the prior company organizations.

## 4.4 Pre-Divestiture Contingent Liabilities

The following amounts should be included for Pre-Divestiture Contingent Liabilities:

| ($'s in Millions) | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST | 10.0 | 10.0 | 15.0 | 8.0 |

These amounts should be budgeted as FR adjustments.

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## 5.0 ACCOUNTING ASSUMPTIONS

### 5.1 Accrual of Compensated Absences

Compensated absence expense is calculated in accordance with FASB Statement No. 43, "Accounting for Compensated Absences." Compensated absences include vacations, paid excused work days, and optional holidays. In compliance with Statement 43, BellSouth and subsidiaries calculate the expected liability for compensated absences that will be paid in the following year as of the end of each year. Any increment or decrement from the previous year's liability will respectively increase or decrease the amount recognized as expense. Accordingly, compensated absence expense for a given year is equal to compensated absences paid during the year, plus the change in the compensated absence liability.

For budget purposes, the compensated absence liability should be increased at the same rate as projected salary and wage increases for management and non-management, respectively. An increase in compensated absence expense corresponding to the increase in the liability should also be reflected in the budgets at the department level through the year preceding the labor contract expiration. Thereafter, compensated absence expense increases should be budgeted at the corporate level only as an adjustment.

BST presently accounts for compensated absences consistent with the Statement 43 accounting (FCC Docket 84-469). Prior to 1988, the liability for BST employees was offset by a debit to deferred assets. The deferred asset balance as of January 1, 1988 is being amortized to expense over a 10 year period (1988 - 1997).

5.2 Joint Cost Allocations (Parts 32 and 64 of the FCC's Rules)

A. In its Joint Cost Order, the FCC promulgates rules for assignment of common costs between the regulated and non regulated operations engaged in by BST. The Joint Cost Order also prescribes rules for various transactions with affiliates.

Generally, the FCC Rules for transfers of assets are:

1. Prevailing market rate based on sales to unaffiliated entities.

2. If a prevailing market rate is not available, assets transferred:

    a. from non regulated to regulated affiliates are valued at cost or fair market value, whichever is lower.

    b. from regulated to non regulated affiliates are valued at cost or fair market value, whichever is higher.

The FCC Rules for valuing services performed by regulated and non regulated affiliates are:

1. Tariff or prevailing market rate.

2. If a prevailing market rate or tariff is not available, services will be valued at **fully distributed** cost, determined in accordance with the rules for apportioning common costs between regulated and non regulated activities.

3. The prevailing market rate must be based on sales of **similar** services by the providing affiliate to **similar situated** unaffiliated entities.

5.2 Joint Cost Allocations (Part 32 and 64 of the FCC's Rules) (continued)

B. Revenues and costs of non regulated activities which use common resources are budgeted by Part 32 accounts. Actuals are recorded in the same Part 32 account for each activity. Actual costs of common resources are apportioned between regulated and non regulated activities based on the costing principles, procedures and methodologies contained in the most recently revised BellSouth CAM filed at the FCC. Budget data should be based on the latest filed CAM which can be obtained by calling Frances Dennis, Operations Manager, BST Comptrollers, at (404) 249-3026. BST Comptrollers should be contacted for the impacts of these changes on Regulated Operations.

Also, when non regulated activities are performed and the use of common resources is de minimis, actual costs are recorded at the subsidiary account level under Account 1406, Non regulated Investment. Currently there are no non regulated activities being provided for which the use of common resources is de minimis. Therefore, costs of providing existing non regulated activities should be budgeted by the appropriate Part 32 account.

BellSouth Accounting Manual Volume III, Section 1, Chapters 1, 2, and 3, Joint Cost Allocation, Affiliated Transactions and Overhead Costs, respectively, provide guidance on the applicability of these rules to BellSouth's regulated and non regulated affiliates and its regulated carriers' non regulated activities. **Contact Greg Griffin at (404) 249-3037 for questions regarding BellSouth Headquarters cost allocation. Contact Blair Parrott at (404) 249-5042 for questions regarding unregulated subsidiaries.**

5.3 Corporate Insurance

Insurance coordinators have been designated for each subsidiary. These individuals are knowledgeable of all insurance matters and can provide expenditure estimates for inclusion in the view. The coordinators are listed below:

CORPORATE INSURANCE COORDINATORS

| Subsidiary | Coordinator | Telephone Number |
|---|---|---|
| BST | Billie Bridges | (205) 977-1680 |
| Dataserv, Inc. | **Mike Woodard** | **(612) 829-6379** |
| BellSouth Comm. Systems | **Elaine Copeland** | **(703) 983-6211** |
| BellSouth Comm., Inc/BBS | Loren McAnally | (205) 985-1801 |
| BellSouth Financial Svcs. | Dee Raya | (404) 329-4236 |

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## 5.4 Inter-Entity Contract Billing

A. The revenue and expense impact of Inter-Entity Contract Billing should be reflected in this budget view. The contract types are: (1) Network Plant and Services, (2) Billing services, excluding ATTIS CPE, (3) Centrally Developed Computer-based Systems, (4) Stocks and Bonds, (5) Employee Benefit Services, and (6) Independent Company Relationships. The amount of billing related to these contracts will have an impact on the financial position of each company. In determining the billing amounts, the full cost associated with performing work for others must be recovered, including: (1) direct costs, (2) indirect costs, and (3) ancillary costs, i.e., float costs.

B. Corporate budget groups should coordinate the amounts billed between BellSouth subsidiaries to insure that the billed subsidiary is fully aware of amounts to be billed.

C. The owner's applicable post tax incremental cost of capital should be utilized in estimating the return on investment component of contract charging. This method is valid for shared capacity between BST and AT&T, as well as others.

1. Shared capacity between BST and AT&T:

   Embedded plant under contract as of 1-1-84 and plant under construction at time of divestiture or for plant additions after 1-1-84:

   Owner's applicable cost of incremental capital

2. For contract charging for work performed (other than that defined as shared capacity between BST and AT&T by BST and charged to another entity:

   Owner's applicable cost of incremental capital

D. The Float Costs component of contract charging should be calculated using the appropriate incremental cost of capital or as stipulated in the applicable contract.

E. Volume III, Section 2, Chapter 1, of the BellSouth Accounting Manual Miscellaneous Billing applies to amounts billed to parties other than customers. Such billing includes practically all inter company transactions with other BellSouth entities.

5.5 Rate of Return Loadings on BSC Billings to Subsidiaries

Beginning January 1, 1992, BellSouth Headquarters will begin adding a rate of return component to the amounts billed to the subsidiaries for corporate services. The amounts charged will be consistent with the affiliated transactions rules contained in the FCC's Joint Cost Order. Estimates (in thousands of dollars) of total loadings for 1993-1996 are as follows:

| | |
|---|---|
| BellSouth Telecommunications, Inc. | $1,978 |

5.6 Accounting for the Costs of Equal Access and Network Reconfiguration

A major cost associated with divestiture is "Equal Access". A secondary cost is "Network Reconfiguration". The United States District Court of the District of Columbia has set conditions requiring AT&T to compensate the operating companies for certain of these costs if they are not recovered from access tariffs. BST has filed equal access cost recovery tariffs designed to recover the interstate costs of equal access.

An accounting order was issued by the FCC on December 9, 1985, requiring the BOC's to, among other things, defer and amortize over a period of eight years Equal Access (EA) expenses. The deferred EA expenses should be recorded in Account 1439, Deferred Charges, and amortized to account 6728, Other General and Administrative Expenses, over a fixed eight year period. Network Reconfiguration costs will be maintained in the usual accounts without special treatment, except that they are to remain identifiable, as required by the FCC. Paul Pence (205) 321-4019 and Brian Killingsworth (404) 529-2471 are the contact representatives for the accounting methods and procedures for South Central and Southern Bell Service Areas respectively. In addition, Ms. Frances Dennis (404) 249-3026 in BST Comptrollers has the region-wide regulated accounting responsibility. Amortization of deferred equal access costs should be completed by December 31, 1993.

5.7 Allowance for Funds Used During Construction

Regulated entities should determine Allowance for Funds Used During Construction (AFUDC) based upon regulatory requirements.

5.8 Federal Communications Commission Interstate Expense Limit

BellSouth's regulated subsidiaries adopted the FCC's $500 expense limit on a going-forward basis as of January 1, 1989. Effective January 1, 1990, BST began amortization of the embedded balance of those items costing less than $500 which had been previously capitalized. This amortization will be over a prescribed 8 year period.

5.9 Inside Wire Retirement

When inside wire is fully amortized, interstate and intrastate, it should no longer be classified as an asset (based on Statement of Financial Accounting Concepts Number 6). Therefore, both the investment and corresponding accumulated depreciation should be retired when the inside wire investment, both embedded and phased-in, is fully amortized. Due to various phase-in dates, the retirements will be done on a jurisdictional basis. Inside wire amortization should be completed in 1993.

5.10 Lobbying Costs

All lobbying costs should be documented in the budget. It is BellSouth's policy that these costs should not be recovered through the ratemaking process. Accordingly, these costs should be specifically and separately identified to ensure they are excluded from ratemaking; Grassroots MFJ lobbying costs should be segregated from other lobbying costs and separately tracked. Ms. Frances Dennis, Operations Manager, BST Comptrollers, has regional responsibility for corporate accounting policy matters. She should be contacted at (404) 249-3026 with any questions regarding the accounting for these costs.

5.11 Accounting for Funding of Medical and Other Benefits for Presently Retired Employees

The post-divestiture medical, dental, and certain ad hoc pension expenses of BST employees that were retired at the time of divestiture are being shared by AT&T and BST. AT&T's portion of those expenses is based upon the proportion of the total payroll (December 1983) that was transferred to AT&T as a part of divestiture. BST is continuing to fund the current cost of providing benefits to these employees and will be reimbursed by AT&T for those expenses on an annual basis. While these reimbursements are made annually, the effect will be accrued on a monthly basis. The following table summarizes the annual effects (in millions of dollars):

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Pre-1985 Retiree Benefits | 9.7 | 9.7 | 9.7 | 9.7 |
| Post-1984 Ad Hoc Pension Increases | 6.5 | 6.5 | 6.5 | 6.5 |
| Long-Term Disability Benefits | 0.6 | 0.6 | 0.6 | 0.6 |
| Total Reimbursement | 16.8 | 16.8 | 16.8 | 16.8 |

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## 6.0 BELL COMMUNICATIONS RESEARCH, INCORPORATED (BCRI)

### 6.1 BCRI Billing Estimates

Through 1991, essentially all billing from Bellcore to any BellSouth Company is first billed to BellSouth Services in order that BSSI serve as the central coordination point for all BellSouth Companies. These costs are then billed to the appropriate company, and the individual identity of these expenses and projects are maintained through the AC Billing process. With the creation of BellSouth Telecommunications, Inc., the process will remain basically the same with BST being the central point of contact for all Bellcore billing.

The following is a summary of the expenses each subsidiary should include for services provided by Bell Communications Researc' 'ncorporated (BCRI). Thes expenses exclude Usage Sensitive (e.g. Lisle, BCR Tec, etc.) 'nduit Billing, and 800 NA_C Contracts. Questions regarding these estimates ma directed to Ferrell Skinner, (205) 977-1550 or Nat Jones, (205) 977-1567.

BCRI Billing Estimates
($000)

| Entity | A<br>1993 | B<br>1994 | C<br>1995 | D<br>1996 |
|---|---|---|---|---|
| Services Group | 14,636 | 14,636 | 14,636 | 14,636 |
| Marketing Group | 7,343 | 7,343 | 7,343 | 7,343 |
| Regulatory Group | 2,682 | 2,682 | 2,682 | 2,682 |
| Network Group | 124,045 | 127,342 | 127,342 | 127,342 |
| Other BST | 320 | 320 | 320 | 320 |
| 25 BCI | | | | |

### 6.2 BCRI Ownership

A share in the ownership of BCRI will reside with BellSouth Telecommur ations, Inc. For this view, assume that no additional investment in BCRI will be required by BellSouth Telecommunications, Inc. BellSouth Telecommunications, Inc. will receive a quarterly dividend from BCRI. The BCRI dividend estimates are provided in **section 9.1**.

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## 6.3 BCRI Conduit Billing

BCRI will serve as the billing agency for several projects being performed by entities such as other RBOCs and AT&T. The expenses for these "Conduit Billing Projects" appear on the monthly BCRI bill. However, those expenses are not a part of the BCRI budget amounts detailed in the "BCRI Billing Estimates" section. "Conduit Billing" projects should be budgeted by the affected organizations of BellSouth Telecommunications, Inc.

The following is a projection of these costs by company and project.

BCRI "Conduit Billing" Estimates
($000)

| PROJECT | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| CMDS ZAA00 | 175 | 84 | 193 | 202 |
| IS-NET ZAC00 | 157 | 165 | 173 | 181 |
| T-TRAN ZAT00 | 45 | 47 | 49 | 51 |
| PCP ZAP00 | 85 | 89 | 93 | 96 |
| TOTAL BST | 462 | 485 | 508 | 530 |

## 6.4 BCRI Usage Sensitive Billing

BCRI also provides and bills costs for certain usage sensitive services such as Lisle, BCR Tec, Training, etc. These costs should be projected by the affected organizations of BellSouth Telecommunications, Inc.

The following is a projection of the total costs for these services.

BCRI Usage Sensitive Billing
($000)

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| TOTAL BST | 13,547 | 13,547 | 13,547 | 13,547 |

## 6.5 BCRI 800 NASC Contracts

BCRI 800 NASC Contracts Billing Estimates
($000)

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| TOTAL BST | 2,188 | 2,285 | 2,315 | 2,431 |

## 7.0 TAX ITEMS

General Comments

The 1993 Pre-Commitment View of 1994-1996 is to be prepared on the following revised assumptions in order to reflect **current** tax law.

**President Clinton proposed significant tax law changes that, if enacted into law, will impact many of these financial planning assumptions. These assumptions will be revised after the enactment of tax law changes.**

### 7.1 Federal Income Tax

A. Consolidated federal income tax return

A separate federal income tax return will be prepared for each company utilizing a federal income tax rate of 34%.

The R & D tax credit was extended through June 30, 1992 by H. R. 3909. Assume that the R & D tax credit will not be available after this date unless it is re-extended or made permanent by new legislation.

B. Payments

Assume 97% in 1993 **through 1996** of the estimated tax liability and benefit is payable in the current year in quarterly estimates on the following dates: April 15, June 15, September 15 and December 15. The remaining percent is payable on March 15 of the following year.

7.1 Federal Income Tax (continued)

C. Depreciation

The Modified Accelerated Cost Recovery System (MACRS) is to be used for property placed in service after 1986. The tax lives and methods are as follows:

| Category | Recovery Period | Method |
|---|---|---|
| Buildings - NonCOE NQ (80%) | 31.5 years | S/L |
| Q (20%) | 7 years | 200% db |
| Buildings - COE NQ (40%) | 31.5 years | S/L |
| Q (60%) | 20 years | 150% db |
| COE - Computer-based (digital, electronic radio and circuit) | 5 years | 200% db |
| COE - Non-Computer based (step x step, and crossbar) | 10 years | 200% db |
| Outside Plant | 15 years | 150% db |
| Official Telephones<br>Office Furniture<br>PBX<br>Public Telephone | 7 years | 200% db |
| Motor Vehicles-LT<br>Motor Vehicles-OT<br>Tools<br>Store Room Equipment | 5 years | 200% db |
| Computers<br>R & D Property<br>High Tech Telephone Equipment at a Customer's Premise<br>Office Equipment | 5 years | 200% db |

7.1 Federal Income Tax (continued)

D. Investment credit amortization - Regulated

The repeal of investment tax credit should be considered in calculating the amortization of investment tax credit for years after 1986. The 1986 Tax Reform Act requires the continued reporting of unamortized balances to income over the same period of time used in computing regulated depreciation expense. Reserve deficiency amortization should not be taken into account when developing ITC amortization.

E. Uniform capitalization rules for self constructed assets

Uniform capitalization rules are provided for determining costs on self constructed assets that must be capitalized as part of the tax basis of plant after December 31, 1986. Examples of these costs are payroll taxes, pension/profit sharing contributions, and sales and use taxes.

Construction period interest (CPI) must be capitalized as part of the tax basis of plant on real property, property with a guideline life of 20 years or greater, and property which requires an extended construction period to produce. Additionally, property taxes levied on property under construction must be capitalized as part of the tax basis of plant.

Regulated -

Part 32 requires that elements such as general overheads, engineering unclassified costs, data processing, and procurement costs be expensed for book purposes rather than capitalized as under Part 31. Under the uniform capitalization provisions of the Internal Revenue Code (IRC), a portion of book capital to expense shifts will not be allowable for tax purposes (i.e., a portion of the related amounts expensed for book purposes will be capitalized for tax purposes.)

F. Asset transfers

No gain, loss, depreciation recapture or ITC recapture is recognized as a result of the transfer of assets between BellSouth entities except for transactions involving WECO profit and pre-divestiture deferred gain through 1993. During the 1993 tax year, all remaining WECO gain will be restored to income. In transfers between a regulated company and an unregulated company, the affiliated transaction rules of Part 64 and whether the transaction is a cash sale or equity infusion affect the amount of the related deferred tax reserve and unamoritized ITC balance transferred.

For pre-1981 vintage assets, transferred tax depreciation will continue on the same ADR or CLS lives used by the transferor. Post-1980 plant transferred and new property will be depreciated under ACRS or MACRS rules.

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7.1 Federal Income Tax (continued)

G. Compensated Absences

Compensated absences will be deducted on an "as paid" basis.

H. Interest

The applicable interest rate for overpayments of federal income taxes is the federal short-term rate plus 2 percentage points. For underpayments, the normal interest rate is the federal short-term rate plus 3 percentage points. After 1990, however, interest on certain "large" tax deficiencies (those in excess of $100,000) may accrue at a rate which is 5 percentage points higher than the federal short-term rate.

These interest rates are adjusted quarterly with the rate which is determined during the first month of a calendar quarter becoming effective for the following quarter.

The federal short-term rate is based on the average market yield on outstanding marketable obligations of the United States with remaining period to maturity of three years or less.

I. Accounting Method

All companies must use the accrual basis for computing federal income taxes.

J. Temporary Differences - Deferred Tax Balances

Effective 1/1/93, BellSouth Corporation and Subsidiaries adopted SFAS 109, Accounting for Income Taxes. SFAS 109 shifts and focus from the income statement (deferred method) to the balance sheet (liability method). The methodology of SFAS 109 requires that deferred tax assets and liabilities reflect the tax effect of any difference between the book basis and the tax basis of an asset or liability that will result in future taxable income or deduction.

In addition, SFAS 109 requires a valuation allowance for deferred tax assets that are not realizable under a "more likely than not" standard. Unlike APB 11, SFAS 109's predecessor, deferred tax assets attributable to net operating losses are recognized when generated; however, a valuation allowance may be necessary.

7.1 Federal Income Tax (continued)

K. Bad Debts

The tax deduction for bad debts is limited to actual write-offs.

L. Business Meals

20% of business meal and entertainment costs must be added back to taxable income as a permanent tax difference.

M. Inventory Capitalization Rules

Effective January 1, 1987, the Tax Reform Act of 1986 requires the capitalization of an allocable portion of most indirect costs benefiting the production or acquisition of inventoriable assets. This provision of the new law is patterned after the tough, all inclusive rules applicable to extended period long-term contracts.

N. Superfund Tax

Since 1987, a superfund tax has been imposed on all corporations. The base for computing this tax is the alternative minimum taxable income as defined within the Tax Reform Act of 1986. The superfund tax is deductible for federal income tax purposes.

O. Accounting for Long-term Contracts

The completed contract method was repealed for contracts entered into after July 11, 1989. The completed contract method of accounting was limited to 60% of income from contracts entered into between 3/1/86 and 10/13/87; 30% of income from contracts entered into after 10/13/87 and before 6/21/88; and 10% for contracts entered into after 6/20/88 and before 7/12/89. The percentage of completion method must be followed, subject to the new inventory capitalization rules (see M above).

P. Deferred Intercompany Gains and Losses from Inventory Ownership and Consolidation (IOC)

Generally, the gain or loss on intercompany sales of depreciable assets is deferred and recognized over the life of the asset. Restoral of Profit (loss) on sales of assets which are nondepreciable in the purchaser's hands occurs during the year, and in the same amount as the increase (decrease) in the purchaser's deduction for such assets that results because of an intercompany transaction.

7.1 Federal Income Tax (continued)

Q Normalization of Excess Deferred Taxes - Regulated

The reduction in the corporate federal income tax rate from 46% to 39.95% in 1987 and to 34% for years thereafter, has resulted in an excess in the deferred tax account. The portion of the excess deferred tax reserve to be released to income will be determined by applying the average rate assumption method to reversing timing differences.

R. Part 64 - Regulated

Deferred tax balances and investment tax credit balances should be allocated between regulated and unregulated based on the provisions of the BellSouth Cost Allocation Manual (CAM).

S. Leases - Regulated

The criteria for classifying leases as capital or operating for tax purposes differs from that for book purposes. Leases entered into after 1987 will be analyzed to determine the proper tax treatment. Leases entered into prior to 1988 must continue to be reported as operating leases for tax purposes.

## 7.2 State Income Tax

A. Tax rates by state

| State | Tax Rate (%) | Taxable Income ($) |
|---|---|---|
| Alabama | 5.00 | |
| Florida | 5.50 | |
| Georgia | 6.00 | |
| Kentucky | 4.00 | 0 - 25,000 |
| | 5.00 | 25,000 - 50,000 |
| | 6.00 | 50,001 - 100,000 |
| | 7.00 | 100,001 - 250,000 |
| | 8.25 | 250,001 + |
| Louisiana | 4.00 | 0 - 25,000 |
| | 5.00 | 25,000 - 50,000 |
| | 6.00 | 50,001 - 100,000 |
| | 7.00 | 100,001 - 200,000 |
| | 8.00 | 200,001 + |
| Mississippi (1) | 3.00 | 0 - 5,000 |
| | 4.00 | 5,000 - 10,000 |
| | 5.00 | 10,001 + |
| North Carolina (2) | 7.905 for 1993<br>7.8275 for 1994<br>7.75 after 1994 | |
| South Carolina | 5.00 | |
| Tennessee | 6.00 | |
| District of Columbia | 10.25 | |

(1) Companies other than BST should apply a 5% tax rate to all income/losses.

(2) Includes surtax for 1993 through 1994.

For information regarding tax rates in states outside of the BellSouth region, contact Julia Amendola, (404) 249-2468.

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7.2 State Income Tax (continued)

B. Tax payments by state

All companies are to determine state income tax payments based on the methodology which minimizes taxes. However, the prior year exception is not to be utilized by companies which were not in existence during that period. Companies generating a loss should assume that no benefit will be realized unless the benefit is available through a combined tax return (e.g., MA, MS, SC, IN, and VA). Those entities should assume zero current tax and no deferred tax benefit.

1. Alabama

If the estimated tax liability for the year exceeds $5,000, assume the lesser of 90% of the estimated tax or 100% of the prior year's tax liability is paid in equal quarterly installments on April 15, June 15, September 15, and December 15. Any remaining liability is due on March 15 of the following year.

2. Florida

For 1986 and beyond, unitary tax does not apply. Each company will file a separate Florida tax return. A $5,000 exemption is allowed by Florida but should be ignored for budget purposes.

If the estimated tax liability for the year exceeds $2,500, assume 90% of the estimated current year tax (or,100% of the tax computed at the current year's tax rate, but otherwise based on the facts and law applicable to the preceding tax year) is payable in equal installments on May 1, July 1, October 1 and January 1. Any remaining liability is payable on April 1 of the following year.

3. Georgia

If net income for the year exceeds $25,000, assume equal installment payments on April 15, June 15, September 15 and December 15 based on the lesser of 100% of prior year tax or 70% of current year tax determined on an annualized basis. Any remaining liability is due on March 15 of the following year.

4. Kentucky

If the estimated tax liability for the year exceeds $5,000, assume estimated tax payments of 50% on June 15, and 25% on September 15 and December 15. Payments are to be based on 70% of the current year liability less $5,000. The lesser of 100% of the prior year's tax or 90% of the total tax due for the year must be paid by April 15 of the following year, and the remaining amount is due on October 15 of the following year.

7.2 State Income Tax (continued)

5. Louisiana

If the estimated tax liability exceeds $1,000, the lesser of 80% of the estimated current year tax liability or 100% of the prior year's liability is payable in equal installments on April 15, June 15, September 15 and December 15. The 80% criteria is based on annualized income. The remaining liability is due on April 15 of the following year.

6. Mississippi

If the estimated tax liability for the year exceeds $200, assume 90% of the tax is paid in equal installments on April 15, June 15, September 15 and December 15. The remaining liability is payable on March 15 of the following year.

7. North Carolina

If the estimated tax liability for the year exceeds $5,000, assume equal installment payments on April 15, June 15, September 15, and December 15. Payments are to be based on the lesser of 100% of the prior year's tax or 90% of the current year's tax, determined on an annualized basis. Note that companies that have had more than $1 million of taxable income in North Carolina in one of the three preceding tax years are not permitted to use the prior year's tax exceptions. Any remaining liability is due on March 15 of the following year.

8. South Carolina

If the estimated tax liability for the year exceeds $100, assume 97% of the estimated current year tax (or 100% of prior year's tax, if less) is payable in equal installments on March 15, June 15, September 15 and December 15. Any remaining liability is due on March 15 of the subsequent year.

9. Tennessee

If the estimated tax liability for the year exceeds $2,000, pay estimated taxes equal to the lesser of 80% of the current year's tax liability or 100% of prior year tax. Make the payments in four equal installments on April 15, July 15, October 15 and January 15. At the time of extension on April 1, make a payment sufficient to bring payments to 90% of the tax due for the current year or 100% of the prior year's liability, if less. Any remaining liability is due with the extended tax return on or before October 1.

7.2 State Income Tax (continued)

10. District of Columbia

If the estimated tax liability for the year exceeds $1000, assume 90% of the estimated current tax or 100% of the prior year's tax is payable in equal installments on April 15, June 15, September 15, and December 15. Any remaining liability is due on March 15.

11. Unitary Taxes

Companies conducting operations in the states listed below may be subject to unitary taxation. Since the ap  ication of unitary tax differs among these states, development of a tax schedule for u  by unregulated entities is not practical. Unregulated entities that are conducting or  nd to conduct business in a state that applies a unitary tax are advised to contact  rginia Chandler at (404) 249-3576 in the BellSouth Corporation Tax Department for further instructions.

| | |
|---|---|
| Alaska | Maine |
| Arizona | Minnesota |
| California | Montana |
| Colorado | Nebraska |
| Hawaii | New Hampshire |
| Idaho | New York |
| Illinois | North Dakota |
| Kansas | Oregon |
| | Utah |

7.2 State Income Tax (continued)

C. Depreciation

In all states except Florida, Georgia and Kentucky, for property placed in service after 1980 and before 1987, ACRS is to be used. ACRS is modified in South Carolina. South Carolina provides for depreciating public utility property over 25 years using straight line depreciation rates.

In Georgia ADR is to be utilized for pre-1987 property unless an election to use MACRS is made. Multi-state corporations operating in Florida (i.e. BAPCO and BellSouth Mobility, Inc.) should utilize ADR for Florida income tax purposes for pre-1987 property.

For Kentucky, effective August 1, 1985, the depreciation system is based on IRC Sec. 167 of the 1980 Internal Revenue Code. In 1986, 1981-1984 vintage recovery property (ACRS) was converted to a straight-line method of depreciation over the remaining useful life of the assets. The useful life was determined under the IRC and related regulations in effect in 1980. The CLADR table is an acceptable means for determining useful life. The depreciation which was disallowed (ACRS depreciation divided by 1.4) for taxable years beginning after June 30, 1984 will be recaptured in the depreciable basis of the property. ACRS depreciation not allowed for tax years beginning before July 1, 1984 cannot be recaptured. Effective 1/1/90, Kentucky has conformed to the IRC in effect on December 31, 1989. Therefore, any property placed in service after that date is depreciated using the Modified Accelerated Cost Recovery System (MACRS).

For property placed in service after 1986, MACRS is to be used in Washington D. C., Florida, Georgia, North Carolina, and South Carolina.

The Alabama, Louisiana, Mississippi and Tennessee state depreciation method after 1986 is MACRS. Additional depreciation is taken on the nine state returns having regulated operations with respect to Western Electric deferred gain (for pre-1985 vintages).

7.2 State Income Tax (continued)

D. Net operating losses

The benefit of state net operating loss (NOL) carry forwards is not to be reflected unless use of such losses is assured by 1996. If such use is demonstrated, NOL carry forwards are to be reflected as a deferred tax benefit in the period generated.

State NOL carry back/carry forward periods are as follows:

| State | Carry back | Carry forward |
|---|---|---|
| Alabama | 0 | 15 |
| Florida | 0 | 15 |
| Georgia | 3 | 15 |
| Kentucky | 3 | 15 |
| Louisiana | 3 | 15 |
| Mississippi | 0 | 5 |
| North Carolina | 0 | 5 |
| South Carolina | 0 | 15 |
| Tennessee | 0 | 7 |
| DC | 3 | 15** |

** Accruals for years after 12/31/87.
NOLs cannot be carried back to years before 1/1/88.

## 7.3 Taxes Other Than Income

### A. Federal Insurance Contributions Act (FICA) Tax

After 1990, the FICA tax is comprised of two components: (1) the Old-age, Survivor, and Disability Insurance (OASDI), and (2) the Medicare Hospital Insurance (HI).

The projected FICA tax rates and wage bases for 1993 through 1996 follow below:

Federal Insurance Contribution Act (FICA)

Tax Table

| Year | OASDI Tax Rate (%) | HI Tax Rate (%) | OASDI* Wage Base ($) | HI* Wage Base ($) |
|---|---|---|---|---|
| 1993 | 6.2 | 1.45 | 57,600 | 135,000 |
| 1994 | 6.2 | 1.45 | 60,000 | 140,700 |
| 1995 | 6.2 | 1.45 | 62,700 | 146,700 |
| 1996 | 6.2 | 1.45 | 65,700 | 153,000 |

* Automatic cost of living adjustments are based on the Consumer Price Index. Accordingly, amounts are not known until November of the preceding year.

### B. Federal Unemployment Tax (FUTA)

Federal wage bases and tax rates as follows should be utilized:

Federal Unemployment Tax Table

| Year | Wage Base | Tax Rate (%) |
|---|---|---|
| 1993 | 7,000 | 0.8 |
| 1994 | 7,000 | 0.8 |
| 1995 | 7,000 | 0.8 |
| 1996 | 7,000 | 0.8 |

7.3 Taxes Other Than Income (continued)

C. State Unemployment Tax

The projected wage base to be utilized for state unemployment taxes is as follows:

Unemployment Tax Wage Base Table

| State | 1993-96 Wage Base ($) |
|---|---|
| Alabama | 8,000 |
| District of Columbia | 9,000 |
| Florida | 7,000 |
| Georgia | 8,500 |
| Kentucky | 8,000 |
| *Louisiana | 8,500 |
| Mississippi | 7,000 |
| North Carolina | 12,500 |
| South Carolina | 7,000 |
| Tennessee | 7,000 |

Tax rates to be applied should reflect the experience factors of each company.

* Louisiana law requires a special assessment (in addition to the regular unemployment tax) of 1.4% of the first $15,000 of wages paid to each employee. The $15,000 cap may be increased if additional revenue is needed to service the state's debt.

7.3 Taxes other Than Income (continued)

D. Federal communications excise tax

The federal communications excise tax of 3.0% was made permanent by the 1990 Tax Act.

E. Public Utility Taxes

Public utilities taxes based on gross receipts, if applicable, should be computed using rates appropriate for each state or local jurisdiction imposing such a tax.

F. Ad valorem Taxes

The following ratios may be used for purposes of computing ad valorem taxes. Computations should reflect mileage rates (and equalization rates if applicable) appropriate for the jurisdiction(s) being computed.

Ad Valorem Tax Table

| State | Unregulated Assessment Ratio (%) | Regulated Assessment Ratio (%) |
|---|---|---|
| Alabama | 20.0 | 30.0 |
| Florida | 100.0 | 100.0 |
| Georgia | 40.0 | 40.0 |
| Kentucky | 100.0 | 100.0 |
| Louisiana | 15.0 | 25.0 |
| Land | 10.0 | 10.0 |
| Mississippi | 15.0 | 30.0 |
| North Carolina | 100.0 | 100.0 |
| South Carolina | | |
| Real Property | 6.0 | 10.5 |
| Personal Property | 10.5 | 10.5 |
| Tennessee | | |
| Real Property | 40.0 | 55.0 |
| Personal Property | 30.0 | 55.0 |

7.4 Other Tax Considerations

A. Bell Communications Research, Inc. (BCRI)/BST

1. Dividend distributions from BCRI are included in BST's taxable income. For federal income tax purposes, a 70% dividends received deduction is allowed. For state income tax purposes the dividend is allocated entirely to Alabama.

2. Gain or loss previously deferred by BellSouth Services on inter company sales will continue to be reported over the depreciable life of the assets for federal income tax purposes. Any remaining deferred gain or loss is recognized upon the sale of the asset outside of the BellSouth group.

B. Customer Premise Equipment (CPE)

Gain or loss from the sale of CPE is recognized in the year of sale using the First-In, First-Out (FIFO) inventory method, valued at the lower of cost or market. An exception applies to Customer Premise Equipment (CPE) and installations which are being accounted for under the completed contract method of accounting as Construction in Process (CIP).

Revenues and expenses must be computed using the percentage of completion method.

C. Nonrecurring or unusual transactions should be referred to BellSouth tax personnel for determination of proper tax treatment.

D. Tax Contingencies

Accruals for contingent tax liabilities should be budgeted quarterly in March, June, September, and December of each year. The Tax Department will provide contingent tax liability information.

Payments of previously contingent (now actual) tax liabilities should be budgeted in the month of anticipated payment.

Accruals of contingent tax liabilities related to prior periods should be booked on an FR basis for regulated entities.

## 8.0 FINANCIAL GUIDELINES

### 8.1 Advances and Equity Infusions

The amount and timing of any advances and/or equity infusions from BellSouth Corporate Headquarters must be coordinated with Mr. J. D. Grenfell, Corporate Manager, BellSouth Treasury - Global Financial Planning, prior to inclusion in the view.

### 8.2 Dividend Policy

Dividends for BST will be declared monthly, and payments will be made on a monthly basis to BellSouth Headquarters. The expected payment date is the first work day of each month and dividends will be based on the net income of the preceding month.

A. Dividends for **BellSouth Products**, BellSouth Business Systems and its subsidiaries **and any other BST unregulated units** will be declared quarterly, and payments will be made on a quarterly basis to BellSouth Headquarters. Dividends payout is administered on a company-by-company basis, and is set at 100% of net income, or 100% of valuation cashflow-available less interest and debt repayment, whichever is greater.

### 8.3 Financial Objectives

The financial objectives will be provided under separate cover. However, the current Commitment View numbers for **1994 and 1995** are to be considered the standard and, only incremental updates will be provided.

## 9.0 DIVIDEND ASSUMPTIONS

### 9.1 BellSouth Telecommunications, Inc.

A. BellSouth Telecommunications, Inc. receives a quarterly dividend from Bellcore Communications Research, Inc. (BCRI).

The following is a projection of the BCRI dividends to BST:

Bell Communications Research, Inc. Dividends
($M)

| Entity | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST | 4.4 | 4.4 | 4.4 | 4.4 |

## 10.0 REVENUE ASSUMPTIONS

### 10.1 Revenue Rate Base

All price changes resulting from rate cases anticipated to be effective after August 1, 1993 should be identified as expected rates as detailed in the Guidelines for Preparing Financial Views. Any price change that has been implemented prior to August 1, 1993 or for which accruals are being made should be included in the appropriate revenue category. Price changes which may have been ordered by the commissions prior to August 1, 1993 but which will not be actually implemented until after August 1, 1993 should be identified as expected rates. The revenue data provided via the Forecasting organizations data base should reflect a Rate Base Date of January 1, 1993. Differences between the final commitment tracking view, as transmitted via income statements, and the forecasting organizations 1-1-93 transfer base revenues should be reconciled as specified in the Guidelines for preparing Financial Views.

To the extent that new products/services are planned to be tariffed outside of a general rate case, they should be included in the August 1, 1993 rate base. The incremental impact of these new products should be identified as specified in the Guidelines for Preparing Financial Views.

### 10.2 Interstate Access Charges

Common Line (NTS) and Traffic Sensitive (TS) revenue forecasts shall be produced on a Billed/Earned revenue basis and on a revenue requirement basis as detailed below. Each of the two revenue categories (NTS) and (TS) shall be forecast separately by FSUB.

Interstate revenue and expense and resulting net income and rate of return should be budgeted consistent with latest available agreed upon estimates from BST Regulatory (Attn: Bob Scheye). Revenue transfer payments should be budgeted consistent with the regional rate of return as determined above.

Due to FCC monitoring on a calendar year basis and tariff filing schedule on July - June basis, it will be necessary for demand and revenue to be estimated in half year increments.

Part 36 of the FCC Rules and Regulations provided for a Universal Service Fund (USF) effective January 1, 1986. The USF is designed to provide expense relief for exchange carriers providing service in states that qualify for high cost assistance. This assistance is received monthly from NECA as an adjustment to revenues. These revenues should be budgeted in the appropriate FSUB and should be additions to or subtraction's from the rate of return derived forecast. The view should reflect the reimbursement estimates for the Company as a separately identified item as detailed in the Guidelines for Preparing Financial Views.

10.3 Revenue Impacts of Bypass/Competition

A. The lines of Business planning process shall be the source of product specific assumptions to assist BST in the projection of the impacts of competition on demand and revenue. The incremental revenue impacts, both positive and negative, due to competitive activity or response, should be identified and reflected throughout the forecast period. The impact on development and usage should also be quantified and reflected in demand forecasts.

B. For each competitive activity identified, the impact should be detailed by revenue category affected - Local, IntraLATA Toll, Intrastate InterLATA Access, Interstate InterLATA Access, and Miscellaneous.

C. Specific data requirements and submittal format are provided in the Guidelines for Preparing Financial Views.

10.4 Lines of Business

Revenue forecasts for BST should reflect the strategies and assumptions consistent with the BellSouth Services Strategic Framework for BellSouth's Regulated Entities. Revenues and associated demand quantities shall be provided by LOB product categories as shown in the Guidelines for Preparing Financial Views.

FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

Attachment 1

SUBJECT MATTER CONTACTS

| | | | |
|---|---|---|---|
| Economic Assumptions 1.0 - 1.8 | Tom Schaap | 249-3338 | |
| Salaries 2.1 | Linda Burke | 249-4152 | |
| Wages and Fringe Benefits 2.2 - 2.3 | Dennis Allen | 249-2343 | |
| Pensions, Group Life Insurance and Postretirement Benefits 2.4 | Kin Patterson<br>Greg Griffin | 249-3410<br>249-3037 | |
| Health Care Benefits Trust 2.5 | Reezin Swilley | 249-2310 | |
| Savings Plans Accrual/ESOP 2.6 | Greg Griffin | 249-3037 | |
| Executive Compensation Plans 2.7 | Greg Griffin | 249-3037 | |
| Postemployment Benefits (SFAS 112) 2.8 | Greg Griffin | 249-3037 | |
| BSHQ Corporate Functions Costs 3.1 | Melody Withrow | 249-4543 | |
| Official Communications 3.2 | Susan Ellison | 529-8188 | |
| Postal Rates 3.3 | David Zell | 249-3353 | |
| Telephone Plant Index 4.1 | Barry Patton | 977-5044 | (205) |
| Construction Budget 4.2 | Kathy Coletti | 249-3354 | |
| Capital Recovery 4.3 | Dave Cunningham | 977-1550 | (205) |
| Pre-Divestiture Contingent Liabilities 4.4 | Gail Barber | 977-3510 | (205) |
| Actng. Assumptions 5.1, 5.2, 5.4 - 5.10 | Frances Dennis | 249-3026 | |
| Funding for Presently Retired Employees 5.11 | Bill Schneider | 249-2983 | |
| Corporate Insurance 5.3 | Judy Hughes | 249-2952 | |
| Bell Comm Research, Inc. Billing 6.0 - 6.5 | Nat Jones | 977-1567 | (205) |
| Tax Items 7.0 - 7.4 | Karen Sibold | 249-3698 | |
| Financial Guidelines 8.0 - 8.3 | Jim Grenfell | 249-3504 | |
| Dividend Assumptions 9.1 | Nat Jones | 977-1567 | (205) |
| Revenue Assumptions 10.1, 10.3, 10.4<br>10.2 | Kathy Coletti<br>Bob Scheye | 249-3354<br>420-8327 | |
| Any Others | Kathy Coletti | 249-3354 | |

**BST FINANCIAL PLANNING ASUMPTIONS** Attachment 2

Distribution List

Revised 3/25/93

Mr. H. R. Holding
Vice Chairman
2010 Campanile

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Mr. B.T. Pederson
President - BSS
4510 - SBC

Mr. C. S. Boren
Vice President - Planning & Admin.
4507 - SBC

Mr. P. H. Casey
Vice President & Comptroller - BST
4503 - SBC

Ms. R. M. Dunn
Vice President - HR & Benefits Admin.
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Birmingham, AL 35243

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Vice President - Carrier Svcs.
E9A1 - 3535 Colonade Parkway
Birmingham, AL 35203

Mr. Dennis Allen
Vice President - Employee Relations
1926 Campanile

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AVP - Budget Admin.
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Birmingham, AL. 35203

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7F02 - 1100 Peachtree Street

Ms. Susan Cooper
AVP - Human Resources
Room 5B01 - 1100 Peachtree Street

Mr. F. J. Harmon, Jr.
AVP - Financial Management
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Mr. C. W. Shewbridge, III
AVP - Taxes
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Mr. Reezin Swilley
AVP - Benefits, Plng., Adm.
1927 Campanile

Mr. J. G. Butler
Assistant Comptroller - BST
4433 SBC

Mr. Mike Hostinsky
Assistant Comptroller
15K13 Campanile

Mr. J. N. Young
Chief Economist
12G06 Campanile

Ms. Linda Burke
Director - Compensation
Room 5A07 - 1100 Peachtree Street

Ms. Kathy Coletti
Director-Telco Operations
12F07 Campanile



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**BST FINANCIAL PLANNING ASUMPTIONS**
Distribution List
Revised 3/25/93

Attachment 2

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Atlanta, GA. 30308

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Director - Executive Asst. & Sec.
4518 - SBC

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Director-Exec. Comp. Design
13J08 Campanile

Mr. Butch Malone
Director of Reg Plng.
12K08 Campanile

Mr. R. L. McLaughlin
Director - Network Planning
25th Floor - 600 No. 19th Street
Birmingham, AL. 35203

Mr. Bill Pruett
Director - Corp. Planning
12K08 Campanile

Ms. Judy Reese
Director - Corporate Taxes
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Mr. John E. Roth
Director - Corporate Development
Room 11A03 - 1100 Peachtree St.

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Director - Regulatory
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Mr. Jim Grenfell
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12G06 Campanile

Mr. Bill Fitzsimmons
Senior Economist
12G06 Campanile

Mr. Ken Patterson
Managing Director/Trust Asset. Mgmt.
1901 Campanile

Mr. Therman W. Davis, Jr.
Corporate Manager
14F05 Campanile

✓Mr. Jack Beals
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20P83 SBC

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**BST FINANCIAL PLANNING ASUMPTIONS** Attachment 2

Distribution List

Revised 3/25/93

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Staff Manager
12E04 Campanile

Mr. Mark Brauckmann
Staf Manager
12E04 Campanile

Ms. Dawn Carlson
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Mr. Tom Ferrin
Staff Manager
12E04 Campanile

Mr. Joe Staron
Staff Manager
12E04 Campanile

Ms. Karen Sibold
Staff Manager - Taxes
16J05 Campanile

Mr. David Zell
Staff Manager
12F07 Campanile



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August 23, 1993

TO: Patricia Peacock

FR: Dale Bennett

SU: Citizen's 46th Request for Production Of Documents
Item 709

Attached are Financial Planning Assumptions dated July 16, 1993, which are being used to prepare the upcoming Commitment View of 1994.

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[redacted]

**BELLSOUTH**

1155 Peachtree Street, N.E.
Atlanta, Georgia 30367-6000

PRIVATE

July 16, 1993

TO: P. H. Casey, Vice President & Comptroller, BST
W. H. Groce, Jr., Executive Assistant & Secretary, BST

FROM: Melody Withrow, Operations Manager Consolidated Operations, BSC

SUBJECT: BST Financial Planning Assumptions

Enclosed are the updated Financial Planning Assumptions to be used for the 1993 Pre-Commitment View of 1994 thru 1996. Changes from the March 24, 1993 issuance are noted in bold print.

If you have any questions, please call me at (404) 249-4543.

Melody Withrow

FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

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# FINANCIAL PLANNING ASSUMPTIONS
# BELLSOUTH TELECOMMUNICATIONS, INC.
## 1993 Pre-Commitment View of 1994 - 1996

## 1.0 ECONOMIC ASSUMPTIONS

### 1.1 Base Case

The economic assumptions in this section correspond with the base case forecast, which represents the economy's most likely course over the planning horizon, with a two-thirds probability of occurrence.

### 1.2 Measures of Real National Economic Activity

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Real GDP | | | | | |
| (Bils. of 1987 $) | 4,923 | 5,060 | 5,226 | 5,370 | 5,517 |
| % Change | 2.1 | 2.8 | 3.3 | 2.8 | 2.7 |
| Personal Income | | | | | |
| (Bils. of 1987 $) | 4,093 | 4,216 | 4,349 | 4,467 | 4,578 |
| % Change | 1.7 | 3.0 | 3.2 | 2.7 | 2.5 |
| Indus. Prod. Index | | | | | |
| (1987=100) | 109 | 113 | 117 | 121 | 125 |
| % Change | 1.4 | 4.1 | 3.8 | 3.2 | 3.0 |
| Housing Starts (T) | 1,200 | 1,295 | 1,369 | 1,389 | 1,405 |
| % Change | 19.0 | 7.2 | 5.7 | 1.5 | 1.2 |
| Nonfarm Employ. (M) | 108 | 110 | 112 | 114 | 116 |
| % Change | 0.1 | 1.3 | 1.9 | 1.6 | 1.5 |
| Unemployment Rate | 7.4 | 6.8 | 6.2 | 5.7 | 5.5 |

### 1.3 Measures of Inflation - Consumer Price Indexes (CPI)

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Annual CPI % chg. (All Urban Consumers) | 3.0 | 3.1 | 3.0 | 3.2 | 3.5 |
| Annual CPI % chg. (Urban Wage Earners) | 2.9 | 3.0 | 3.0 | 3.2 | 3.5 |
| May/May CPI % chg. (Urban Wage Earners) (Basis for COLA) | 2.8 | 3.1 | 2.9 | 3.1 | 3.4 |
| Annual Med. Care Component of CPI % chg. | 7.4 | 6.3 | 5.5 | 5.5 | 5.2 |

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## FINANCIAL PLANNING ASSUMPTIONS
## BELLSOUTH TELECOMMUNICATIONS, INC.
## 1993 Pre-Commitment View of 1994 - 1996

1.4 Measures of Region Economic Activity

| BST Area | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| Personal Income (Bils. of 1987 $) | 715 | 740 | 765 | 788 | 811 |
| % Change | 2.3 | 3.5 | 3.5 | 3.0 | 2.9 |
| Housing Starts (T) | 313 | 349 | 366 | 371 | 372 |
| % Change | 13.0 | 11.5 | 4.9 | 1.4 | 0.3 |
| Nonfarm Employ.(T) | 20,983 | 21,523 | 22,056 | 22,525 | 22,998 |
| % Change | 1.5 | 2.6 | 2.5 | 2.1 | 2.1 |
| Unemploy. Rate (%) | 7.1 | 6.3 | 5.7 | 5.1 | 5.0 |

1.5 Interest Rates

| | Prime Rate (%) | 3 Mo. T-Bills (%) | 30 Yr. T-Bonds (%) | 90 Day Comm. Paper Rate (%) | AAA 10 Yr. Corp. Bonds (%) | Implicit 3 Yr. AAA Bond Rate (%) | Implicit 5 Yr. AAA Bond Rate (%) | Implicit 30 Yr. AAA Bond Rate (%) |
|---|---|---|---|---|---|---|---|---|
| 1992 | 6.3 | 3.5 | 7.7 | 3.7 | 8.1 | 6.2 | 7.1 | 8.5 |
| 1993 | 6.1 | 3.1 | 7.0 | 3.2 | 7.4 | 5.7 | 6.4 | 7.8 |
| 1994 | 6.4 | 3.9 | 7.2 | 4.1 | 7.6 | 6.0 | 6.8 | 8.0 |
| 1995 | 6.7 | 4.6 | 7.5 | 4.8 | 7.9 | 6.2 | 7.1 | 8.3 |
| 1996 | 7.0 | 4.8 | 7.6 | 5.1 | 8.2 | 6.5 | 7.4 | 8.4 |

Interest rates on advances should be budgeted based on the 90 Day Commercial Paper rate.

1.6 Measures of International Economic Activity and Foreign Exchange Rates.

Forecasts of International Economic Activity and Foreign Exchange rates for selected countries will be provided upon request. Contact J. N. Young, BSC Chief Economist, (404) 249-3338 regarding specific requests.

1.7 Alternate Scenario - Optimistic

Economic assumptions for an optimistic scenario (with a one-in-six probability) will be provided upon request. Contact J. N. Young, BSC Chief Economist, (404) 249-3338 for this alternative.

1.8 Alternate Scenario - Pessimistic

Economic assumptions for a pessimistic scenario (with a one-in-six probability) will be provided upon request. Contact J. N. Young, BSC Chief Economist, (404) 249-3338 for this alternative.

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## 2.0 EMPLOYEE RELATED ASSUMPTIONS

### 2.1 Salaries

Salary estimates should include projections covering any changes in (1) base pay (annual merit increases and promotional treatment), (2) Team Excellence Award for Managers (TEAM), (3) Departmental Recognition Award in Science & Technologies only, (4) the Department Head Award Program/Tier 1 Award Program, and (5) Performance Bonus Funds or significant Contribution Bonus Funds in BBS. The change in salaries should assume a TEAM Award based on 100% achievement of projected service and financial results. Overall salary change projections will be provided by each entity's Assistant Vice President - Human Resources (or equivalent position having Human Resources responsibilities) in coordination with the Assistant Vice President - Compensation, BellSouth Headquarters.

### 2.2 Wages

Projections for 1994 should be based on the current 1992 contract. Projections for 1995-98 represented entities will be provided by BellSouth Financial Management in coordination with the Assistant Vice President-Employee Relations, BellSouth Headquarters for companies represented by the Communications Workers of America. These projections will be provided directly to the organization responsible for the completion of the corporate budget in each company. The projected changes in wages should assume a Team Incentive Award accrual based on 100% achievement of service and financial objectives. Until a labor contract agreement is reached, wage increases, in represented companies, should be budgeted at the corporate level only as an adjustment.

### 2.3 Fringe Benefits

Projections for 1994 should be based upon changes negotiated during 1992 Bargaining for represented entities. The impact of any changes in fringe benefits for 1995-98 for represented entities will be provided by BellSouth Financial Management in coordination with the Assistant Vice President-Employee Relations, BellSouth Headquarters, for inclusion in the view for companies covered by the BellSouth benefit plans. These projections will be provided directly to the organization responsible for the completion of the corporate budget in each company. These amounts should be budgeted at the corporate level the same as wages. See Section 2.4, "Service Pensions, Group Life Insurance, and Postretirement Benefits," for management and non-management accrual rates.

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2.4 Service Pensions, Group Life Insurance, and Postretirement Benefits

Service Pensions

For all years included in this budget view, pension expense and amounts contributed to the pension trust will not equal. If pension expense on a cumulative basis exceeds the amount contributed to the trust, the excess should be recorded as a non-current liability. Conversely, if pension expense is less than the amount contributed to the trust on a cumulative basis, the excess is a non-current asset. As of December 31, 1992, both the BellSouth Management Pension Plan and the BellSouth Pension Plan (Non-Management) had cumulative liability balances.

Expense accruals are allocated on a subsidiary basis. The allocations were based on the relative management salary and non-management force statistics.

Pension expense projections are actuarially determined based on management's assumptions. These assumptions are subject to changes in the facts and circumstances. Therefore, the expenses projected for the outer years are subject to this same volatility.

Postretirement Benefits

Accrual amounts for postretirement benefits are allocated on a subsidiary basis, based on management and non-management headcount force statistics. The expense budget views for 1993-1996 reflect the change in expense as a result of the adoption of SFAS 106 effective January 1, 1993.

Postretirement benefit expense projections are actuarially determined based on management's assumptions. These assumptions are subject to changes in the facts and circumstances. Therefore, the expenses projected for the outer years are subject to this same volatility.

BellSouth Management Pension Plan (BSMPP) **(Note 1)**

| | A | B | C | D |
|---|---|---|---|---|
| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
| BST - Telco Operations | **35.4** | **41.7** | **49.1** | **58.7** |
| BellSouth Business Systems | | | | |
| 31 **BellSouth Communications Inc.** | | | | |
| 32 **BellSouth Communications Systems** | | | | |
| 33 **Financial Services** | | | | |

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

2.4 Service Pensions, Group Life Insurance, and Postretirement Benefits (continued)

BellSouth Non-Management Pension Plan (BSPP) (Note 1)

| | A | B | C | D |
|---|---|---|---|---|
| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
| BST - Telco Operations | 78.3 | 72.7 | 86.9 | 92.7 |
| BellSouth Business Systems | | | | |
| 9 BellSouth Communications Inc. | | | | |
| 10 BellSouth Communications Systems | | | | |
| 11 Financial Services | | | | |
| Group Life Insurance (Active Only) (% of Wages & Salaries) | .18 | .18 | .18 | .18 |

Postretirement Benefits - Representable Employees (Note 1)

| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST - Telco Operations | 152.8 | 144.7 | 138.8 | 131.5 |
| BellSouth Business Systems | | | | |
| 18 BellSouth Communications Inc. | | | | |
| 19 BellSouth Communications Systems | | | | |
| 20 Financial Services | | | | |

Postretirement Benefits - Non-representable Employees (Note 1)

| (Annual expense in millions) | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST - Telco Operations | 79.7 | 76.8 | 74.2 | 72.3 |
| BellSouth Business Systems | | | | |
| 25 BellSouth Communications Inc. | | | | |
| 26 BellSouth Communications Systems | | | | |
| 27 Financial Services | | | | |

Note 1: There will be an intra-company reallocation of pension and postretirement benefit expense effective 1/1/94. Details of this issue should be resolved by mid-September.

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2.4 Service Pension, Group Life Insurance, and Postretirement Benefits (continued)

Funding: Monthly Accrual Rates

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Non-management Pension ($/Employee/Month) | 0.0 | 0.0 | 0.0 | 0.0 |
| Management Pension (% of Management Salary) | 0.0 | 0.0 | 0.0 | 0.0 |
| Group Life Insurance(Active Only) (% of Wages & Salaries) | 0.18 | 0.18 | 0.18 | 0.18 |

*Use funding rates provided below

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Representable Employees Post-Emp. Health Care ($/Employee/Month) | 267.25 | 264.58 | 259.75 | 252.58 |
| Non-Representable Employees Post-Emp. Health Care ($/Employee/Month) | 286.92 | 216.75 | 233.17 | 261.17 |

The Group Life Insurance expense and funding accrual rate for active only is unchanged at 0.18% of wages and salaries.

The budget views above apply to corporate entities that provide traditional BellSouth Corporation benefits. Estimates for subsidiaries that provide benefits through other plans should consider individual plan characteristics. For advice for developing those estimates, please contact the appropriate subject matter expert.

2.5 Health Care Benefits Trust

Responsibility for managing the annual budget for health claims and expenses will continue to be the responsibility of each budgeting entity. Budget level estimates, per employee monthly net rates, and growth assumptions for medical, dental and vision are available upon request from the BellSouth Human Resources Benefits organization.

Funding to the postretirement employment reserve is calculated using rates which are included in Section 2.4.

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

2.6 Savings Plan Accrual/Employee Stock Ownership Plans (ESOP) •

Effective with implementation of the Leveraged ESOP program, compensation expense and funding amounts for the savings plans are no longer determined based upon the percentage of the employer matching contribution. Expense recognition is based upon a prescribed formula known as the Shares Allocated Method, and funding is based upon the actual cash requirements of the ESOP. The difference between the two amounts is a non-cash difference which will completely reverse during the thirteen year period of the Leveraged ESOP program. *This non-cash difference will be recorded by the companies as an inter-company payable to BSC Headquarters.*

The amounts to be included in each company's commitment view are as follows:

Management Savings Plan (MSP)
$'s in millions

| | A | B | C | D |
|---|---|---|---|---|
| BST - Telco Operations: | 1993 | 1994 | 1995 | 1996 |
| Expense | 53.4 | 58.8 | 44.3 | 41.1 |
| Funding (cash) | 40.1 | 39.2 | 36.3 | 36.4 |
| Interco Payable HQ | 13.3 | 18.8 | 7.9 | 4.7 |

BellSouth Business Systems (BBS):

| BellSouth Communications Inc. | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 22 Expense | | | | |
| 23 Funding (cash) | | | | |
| 24 Interco Payable HQ | | | | |

| BellSouth Communications Systems | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 26 Expense | | | | |
| 27 Funding (cash) | | | | |
| 28 Interco Payable HQ | | | | |

| Financial Services | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 30 Expense | | | | |
| 31 Funding (cash) | | | | |
| 32 Interco Payable HQ | | | | |

• Certain of the benefit and/or compensation plans are based on assumptions which may require updates based on actual results, interest rate changes, actuarial updates, etc. Updates to these projections may not be available until fourth quarter.

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

2.6 Savings Plan Accrual/Employee Stock Ownership Plans (ESOP) (Cont'd)

<u>Savings and Security Plan (SSP)</u>
<u>$'s in Millions</u>

| | A | B | C | D |
|---|---|---|---|---|
| <u>BST - Telco Operations:</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> |
| Expense | 46.6 | 43.1 | 41.5 | 40.1 |
| Funding (cash) | 40.0 | 38.2 | 38.1 | 38.5 |
| Interco Payable HQ | 6.6 | 4.9 | 3.4 | 1.6 |

<u>BellSouth Business Systems (BBS):</u>

| BellSouth Communications Inc. | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> |
|---|---|---|---|---|
| 13 Expense | | | | |
| 14 Funding (cash) | | | | |
| 15 Interco Payable HQ | | | | |

| BellSouth Communications Systems | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> |
|---|---|---|---|---|
| 17 Expense | | | | |
| 18 Funding (cash) | | | | |
| 19 Interco Payable HQ | | | | |

| Financial Services | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> |
|---|---|---|---|---|
| 21 Expense | | | | |
| 22 Funding (cash) | | | | |
| 23 Interco Payable HQ | | | | |

2.7 Executive Compensation Plans *

Estimates for Executive Compensation Plans were issued by BSC Financial & Business Planning **on June 18, 1993.** Contact Greg Griffin (404) 249-3037 for any specific details.

2.8 Postemployment Benefits (SFAS 112)

SFAS 112, which must be adopted by January 1994, requires employers to adopt accrual accounting for workers' compensation, disability, severance pay, COBRA and other benefits provided after employment but before retirement. In order to change to the accrual method, BellSouth subsidiaries will be required to record a one-time catch-up adjustment for the unrecorded future liabilities related to the benefits encompassed by this statement. BSC Compensation and Benefits group will have estimates of this catch-up adjustment by August 31, 1993. Contact Greg Griffin (404) 249-3037 for any specific details.

*** Certain of the benefit and/or compensation plans are based on assumptions which may require updates based on actual results, interest rate changes, actuarial updates, etc. Updates to these projections may not be available until fourth quarter.**

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

3.0 <u>GENERAL ITEMS - BELLSOUTH</u>

3.1 BellSouth Headquarters Corporate Functions Costs

A. Corporate Service Costs estimates will be furnished by Melody Withrow. Initial estimates for use in the 1993 Pre-Commitment View of 1994-1996 will be released **August 2nd.** For regulated entities, Corporate Functions Costs should be classified to appropriate functional accounts. Amounts included in functional accounts should be identified using appropriate expenditure codes as outlined in the Guidelines for preparing Financial Views.

B. Corporate Service Cost estimates represent only non-discretionary allocable Headquarters costs. Amounts to be billed to subsidiaries for specific projects are not included in these Corporate Service costs and are shown separately. Initial estimates for use in the 1993 Pre-Commitment View of 1994-1996 will be released **August 2nd.** For regulated entities BellSouth Headquarters discretionary project costs should be included in subsidiary budgets as departmental expenses.

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## 3.2 Official Communications Service

### A. BellSouth Telecommunications (BST)

1. Official Communications expenses are identified in the following categories:

    a. Design and Consultation
    b. InterLATA Tolls
       Off-Network Toll Charges
       BellSouth Corporate Network (BSCN)
    c. Special Services Billed By Common Carrier
    d. Maintenance of Official CPE
    e. Airtime Associated with Cellular Telephones and Pagers
    f. Other Telephone Expenses

2. The following conventions should be used when budgeting Official Communications expenses in BST:

    a. Design and Consultation - estimates will be developed by Corporate Communications Budget Staff and budgeted in Final Account 6728.5.

    b. InterLATA Tolls

       Shared Network Facilities Agreement (SNFA) - SNFA was discontinued for official services message and special circuits in the former South Central Bell territory EOY 1991.

       Off-Network Toll (Full Tariff and WATS) Charges - estimates will be developed by Corporate Communications Budget Staff and budgeted as Final Account 6728.5. Included will be charges for Offnet Tolls, WATS, and T-1 WATS Access.

       Budget and Actuals are identified in FSUB 20K2, ETG CH1.

       BellSouth Corporate Network (BSCN) is owned by BST and supported by Network. BST departments do not budget BSCN expense.

    c. Special Services billed by Common Carrier - most tariffed billed Special Services circuits (private lines) billed by Common Carrier will be cut over to BSCN; however, deferred diversity projects on BSCN will affect private line costs from OCCs.

       Estimates will be developed by Corporate Communications Budget Staff and budgeted as Account 6728.5.

       Budget and Actuals are identified in FSUB 20K2, ETG CH3.

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3.2 Official Communications Service (continued)

d. Maintenance of Official CPE - estimates for maintenance expense associated with Official CPE will be coordinated and developed by the BST-Network Budget Staffs, and the BST-Financial Management Budget Staff and Budgeted as Final Account 6123.2. PC repairs through GE should be trended by the user and charged to 630M.

BST Network is responsible for labor charges, installation, and repairs of Corporate Communications equipment, material purchases, rentals, salvage credits and corporate transactions authorized by Comptrollers.

Budget and Actuals are identified in FSUB 09C1, FRC 658M or FRC 630M.

Inventory adjustments are booked to Network as Final Account 6512 and are not budgeted.

e. Airtime associated with cellular telephones and pagers - airtime costs associated with cellular telephones and pagers will be charged back to the departmental users' functional expense account. The using department will be accountable for budgeting this expense beginning in 1992.

Budget and Actuals are identified in FSUBs, ETG CH4.

f. Other Telephone Expenses - Estimates will be developed by Corporate Communications Budget Staff for E911 Pass-on charges, as well as other miscellaneous charges and budgeted in Account 6728.5.

Budget and Actuals are identified in FSUB 20K2, ETG CH3.

B. BellSouth Business Systems subsidiaries should contact the Corporate Communications Budget Staff (Ms. Linda Fleming 205-977-0963) for estimates of communications expense billed by BST as affiliate billing.

3.3 Postal Rates

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| 1st Class Rates | | | | |
| Regular 1st Class | 0.29 | 0.29 | 0.32 | 0.32 |
| Presort 1st Class | 0.248 | 0.248 | 0.275 | 0.275 |
| ZIP+4 Presorted | 0.242 | 0.242 | 0.268 | 0.268 |
| 3-Digit ZIP+4 Bar-coded | 0.239 | 0.239 | 0.265 | 0.265 |
| 5-Digit ZIP+4 Bar-coded | 0.233 | 0.233 | 0.258 | 0.258 |
| Carrier Route Sort | 0.230 | 0.230 | 0.255 | 0.255 |

- Assume increases effective 1/1/95 .

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## 4.0 GENERAL ITEMS - REGULATED

### 4.1 BellSouth Region Telephone Plant Indexes (BSRTPI)

Capital budget requirements for BST should be based on cost and labor trends identified in the BellSouth Region Telephone Plant Indexes where appropriate as outlined in the "Construction Budget" Section 4.2. The BSRTPI, RL 92-07-028BT dated September 15, 1992, contains historical and forecast Telephone Plant Index figures by plant account. Specific questions should be referred to **Mr. W. H. Gehman at (404) 529-8349.**

### 4.2 Construction Budget

The 1993 Pre-Commitment View of 1993-1996 for the construction budget should be collected and compiled on a USOAR Part 32 basis for 1992 actuals plus budget years 1993 through 1996. Requirements for reporting construction program data to BellSouth are described in the latest issue of the Construction Program Summary Reporting Guidelines and the latest issue of "Analysis Techniques for Analysis of Strategic Issues". In preparing this view, cost and labor trends identified in the BellSouth Region Telephone Indexes (BSRTPI) as described in Section 4.1 should be used where product specific costs are unavailable.

Capital expenditures should be linked to associated revenues and expenses. When demand changes occur, capital levels should be adjusted accordingly.

The reasonableness of the submitted views will be assessed using historical expenditures by various categories, future major program projections, and multiple regression econometric models developed by BellSouth headquarters.

Upon approval of the funding levels, the 1994 Commitment View of 1994-1996 should be collected and compiled on a USOAR Part 32 basis for 1993 actuals plus budget years 1994 through 1996.

The data requested for this view will be used to produce a macro check for compliance with negotiated commitment view budget levels. Major changes will be analyzed and checked for conformance with BellSouth Telecommunications Investment Programs (TIPS).

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4.3 Capital Recovery

A. The objective depreciation reserve ratios for the planning period are determined from studies prepared annually by the Capital Recovery organization in the BST. These studies calculate the yearly objectives ("Age/Life" ratios) appropriate to each state's current Network Planning assumptions. The current time-frame for reaching these objective ratios is the mid 1990s.

The regulatory organization of BST **will provide upon request** a new reserve requirement study by state for 1993 through 1996. The Guidelines for Preparing Financial Views will identify what documentation is required for the study and depreciation reserve ratio calculations.

B. Triennial Represcription

Assume triennial prescription in 1995 for the Southern Bell states and **1996** for the South Central Bell states. Assume prescription of attainable lives. Separate depreciation rates should be assumed for intrastate purposes where state commissions may prescribe depreciation rates that are different from those required by the FCC. Groupings of states for represcription purposes are currently based on the prior company organizations.

4.4 Pre-Divestiture Contingent Liabilities

The following amounts should be included for Pre-Divestiture Contingent Liabilities:

| ($'s in Millions) | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST | 10.0 | **15.0** | **8.0** | **5.0** |

These amounts should be budgeted as FR adjustments.

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## 5.0 ACCOUNTING ASSUMPTIONS

### 5.1 Accrual of Compensated Absences

Compensated absence expense is calculated in accordance with FASB Statement No. 43, "Accounting for Compensated Absences." Compensated absences include vacations, paid excused work days, and optional holidays. In compliance with Statement 43, BellSouth and subsidiaries calculate the expected liability for compensated absences that will be paid in the following year as of the end of each year. Any increment or decrement from the previous year's liability will respectively increase or decrease the amount recognized as expense. Accordingly, compensated absence expense for a given year is equal to compensated absences paid during the year, plus the change in the compensated absence liability.

For budget purposes, the compensated absence liability should be increased at the same rate as projected salary and wage increases for management and non-management, respectively. An increase in compensated absence expense corresponding to the increase in the liability should also be reflected in the budgets at the department level through the year preceding the labor contract expiration. Thereafter, compensated absence expense increases should be budgeted at the corporate level only as an adjustment.

BST presently accounts for compensated absences consistent with the Statement 43 accounting (FCC Docket 84-469). Prior to 1988, the liability for BST employees was offset by a debit to deferred assets. The deferred asset balance as of January 1, 1988 is being amortized to expense over a 10 year period (1988 - 1997).

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5.2 Joint Cost Allocations (Parts 32 and 64 of the FCC's Rules)

A. In its Joint Cost Order, the FCC promulgates rules for assignment of common costs between the regulated and non regulated operations engaged in by BST. The Joint Cost Order also prescribes rules for various transactions with affiliates.

Generally, the FCC Rules for transfers of assets are:

1. Prevailing market rate based on sales to unaffiliated entities.

2. If a prevailing market rate is not available, assets transferred:

   a. from non regulated to regulated affiliates are valued at cost or fair market value, whichever is lower.

   b. from regulated to non regulated affiliates are valued at cost or fair market value, whichever is higher.

The FCC Rules for valuing services performed by regulated and non regulated affiliates are:

1. Tariff or prevailing market rate.

2. If a prevailing market rate or tariff is not available, services will be valued at fully distributed cost, determined in accordance with the rules for apportioning common costs between regulated and non regulated activities.

3. The prevailing market rate must be based on sales of similar services by the providing affiliate to similar situated unaffiliated entities.

5.2 Joint Cost Allocations (Part 32 and 64 of the FCC's Rules) (continued)

B.. Revenues and costs of non regulated activities which use common resources are budgeted by Part 32 accounts. Actuals are recorded in the same Part 32 account for each activity. Actual costs of common resources are apportioned between regulated and non regulated activities based on the costing principles, procedures and methodologies contained in the most recently revised BellSouth CAM filed at the FCC. Budget data should be based on the latest filed CAM which can be obtained by calling Frances Dennis, Operations Manager, BST Comptrollers, at (404) 249-3026. BST Comptrollers should be contacted for the impacts of these changes on Regulated Operations.

Also, when non regulated activities are performed and the use of common resources is de minimis, actual costs are recorded at the subsidiary account level under Account 1406, Non regulated Investment. Currently there are no non regulated activities being provided for which the use of common resources is de minimis. Therefore, costs of providing existing non regulated activities should be budgeted by the appropriate Part 32 account.

BellSouth Accounting Manual Volume III, Section 1, Chapters 1, 2, and 3, Joint Cost Allocation, Affiliated Transactions and Overhead Costs, respectively, provide guidance on the applicability of these rules to BellSouth's regulated and non regulated affiliates and its regulated carriers' non regulated activities. Contact Greg Griffin at (404) 249-3037 for questions regarding BellSouth Headquarters cost allocation. Contact Blair Parrott at (404) 249-5042 for questions regarding unregulated subsidiaries.

5.3 Corporate Insurance

Insurance coordinators have been designated for each subsidiary. These individuals are knowledgeable of all insurance matters and can provide expenditure estimates for inclusion in the view. The coordinators are listed below:

CORPORATE INSURANCE COORDINATORS

| Subsidiary | Coordinator | Telephone Number |
|---|---|---|
| BST | Billie Bridges | (205) 977-1680 |
| Dataserv, Inc. | Mike Woodard | (612) 829-6379 |
| BellSouth Comm. Systems | Sharon Peregoy | (703) 983-6249 |
| BellSouth Comm., Inc/BBS | Sue Kimbrell | (205) 985-1973 |
| BellSouth Financial Svcs. | Dee Raya | (404) 329-4236 |

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5.4 Inter-Entity Contract Billing

A. The revenue and expense impact of Inter-Entity Contract Billing should be reflected in this budget view. The contract types are: (1) Network Plant and Services, (2) Billing services, excluding ATTIS CPE, (3) Centrally Developed Computer-based Systems, (4) Stocks and Bonds, (5) Employee Benefit Services, and (6) Independent Company Relationships. The amount of billing related to these contracts will have an impact on the financial position of each company. In determining the billing amounts, the full cost associated with performing work for others must be recovered, including: (1) direct costs, (2) indirect costs, and (3) ancillary costs, i.e., float costs.

B. Corporate budget groups should coordinate the amounts billed between BellSouth subsidiaries to insure that the billed subsidiary is fully aware of amounts to be billed.

C. The owner's applicable post tax incremental cost of capital should be utilized in estimating the return on investment component of contract charging. This method is valid for shared capacity between BST and AT&T, as well as others.

1. Shared capacity between BST and AT&T:

   Embedded plant under contract as of 1-1-84 and plant under construction at time of divestiture or for plant additions after 1-1-84:

   Owner's applicable cost of incremental capital

2. For contract charging for work performed (other than that defined as shared capacity between BST and AT&T by BST and charged to another entity:

   Owner's applicable cost of incremental capital

D. The Float Costs component of contract charging should be calculated using the appropriate incremental cost of capital or as stipulated in the applicable contract.

E. Volume III, Section 2, Chapter 1, of the BellSouth Accounting Manual Miscellaneous Billing applies to amounts billed to parties other than customers. Such billing includes practically all inter company transactions with other BellSouth entities.

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5.5 Rate of Return Loadings on BSC Billings to Subsidiaries

Beginning January 1, 1992, BellSouth Headquarters will begin adding a rate of return component to the amounts billed to the subsidiaries for corporate services. The amounts charged will be consistent with the affiliated transactions rules contained in the FCC's Joint Cost Order. Estimates (in thousands of dollars) of total loadings for 1993-1996 are as follows:

| | |
|---|---|
| BellSouth Telecommunications, Inc. | $1,978 |

5.6 Accounting for the Costs of Equal Access and Network Reconfiguration

A major cost associated with divestiture is "Equal Access". A secondary cost is "Network Reconfiguration". The United States District Court of the District of Columbia has set conditions requiring AT&T to compensate the operating companies for certain of these costs if they are not recovered from access tariffs. BST has filed equal access cost recovery tariffs designed to recover the interstate costs of equal access.

An accounting order was issued by the FCC on December 9, 1985, requiring the BOC's to, among other things, defer and amortize over a period of eight years Equal Access (EA) expenses. The deferred EA expenses should be recorded in Account 1439, Deferred Charges, and amortized to account 6728, Other General and Administrative Expenses, over a fixed eight year period. Network Reconfiguration costs will be maintained in the usual accounts without special treatment, except that they are to remain identifiable, as required by the FCC. Paul Pence (205) 321-4019 and Brian Killingsworth (404) 529-2471 are the contact representatives for the accounting methods and procedures for South Central and Southern Bell Service Areas respectively. In addition, Ms. Frances Dennis (404) 249-3026 in BST Comptrollers has the region-wide regulated accounting responsibility. Amortization of deferred equal access costs should be completed by December 31, 1993.

5.7 Allowance for Funds Used During Construction

Regulated entities should determine Allowance for Funds Used During Construction (AFUDC) based upon regulatory requirements.

5.8 Federal Communications Commission Interstate Expense Limit

BellSouth's regulated subsidiaries adopted the FCC's $500 expense limit on a going-forward basis as of January 1, 1989. Effective January 1, 1990, BST began amortization of the embedded balance of those items costing less than $500 which had been previously capitalized. This amortization will be over a prescribed 8 year period.

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5.9 Inside Wire Retirement

When inside wire is fully amortized, interstate and intrastate, it should no longer be classified as an asset (based on Statement of Financial Accounting Concepts Number 6). Therefore, both the investment and corresponding accumulated depreciation should be retired when the inside wire investment, both embedded and phased-in, is fully amortized. Due to various phase-in dates, the retirements will be done on a jurisdictional basis. Inside wire amortization should be completed in 1993.

5.10 Lobbying Costs

All lobbying costs should be documented in the budget. It is BellSouth's policy that these costs should not be recovered through the ratemaking process. Accordingly, these costs should be specifically and separately identified to ensure they are excluded from ratemaking; Grassroots MFJ lobbying costs should be segregated from other lobbying costs and separately tracked. Ms. Frances Dennis, Operations Manager, BST Comptrollers, has regional responsibility for corporate accounting policy matters. She should be contacted at (404) 249-3026 with any questions regarding the accounting for these costs.

5.11 Accounting for Funding of Medical and Other Benefits for Presently Retired Employees

The post-divestiture medical, dental, and certain ad hoc pension expenses of BST employees that were retired at the time of divestiture are being shared by AT&T and BST. AT&T's portion of those expenses is based upon the proportion of the total payroll (December 1983) that was transferred to AT&T as a part of divestiture. BST is continuing to fund the current cost of providing benefits to these employees and will be reimbursed by AT&T for those expenses on an annual basis. While these reimbursements are made annually, the effect will be accrued on a monthly basis. The following table summarizes the annual effects (in millions of dollars):

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| Pre-1985 Retiree Medical Benefits | 9.7 | 9.7 | 9.7 | 9.7 |
| Post-1984 Ad Hoc Pension Increases | 6.5 | 6.5 | 6.5 | 6.5 |
| Long-Term Disability Benefits | 0.6 | 0.6 | 0.6 | 0.6 |
| Total Reimbursement | 16.8 | 16.8 | 16.8 | 16.8 |

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FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

## 6.0 BELL COMMUNICATIONS RESEARCH, INCORPORATED (BCRI)

### 6.1 BCRI Billing Estimates

The following is a summary of the expenses each subsidiary should include for services provided by Bell Communications Research, Incorporated (BCRI). These expenses exclude Usage Sensitive (e.g. Lisle, BCR Tec, etc.), Conduit Billing, and 800 NASC Contracts. Questions regarding these estimates may be directed to Ferrell Skinner, (205) 977-1550 or Nat Jones, (205) 977-1567.

BCRI Billing Estimates
($000)

| | | A | B | C | D |
|---|---|---|---|---|---|
| | Entity | 1993 | 1994 | 1995 | 1996 |
| | Services Group | 14,636 | 14,636 | 14,636 | 14,636 |
| | Marketing Group | 7,343 | 7,343 | 7,343 | 7,343 |
| | Regulatory Group | 2,682 | 2,682 | 2,682 | 2,682 |
| | Network Group | 124,045 | 127,188 | 127,188 | 127,188 |
| | Other BST | 320 | 320 | 320 | 320 |
| 19 | BCI | | | | |

### 6.2 BCRI Ownership

A share in the ownership of BCRI will reside with BellSouth Telecommunications, Inc. For this view, assume that no additional investment in BCRI will be required by BellSouth Telecommunications, Inc. BellSouth Telecommunications, Inc. will receive a quarterly dividend from BCRI. The BCRI dividend estimates are provided in section 9.1.

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## 6.3 BCRI Conduit Billing

BCRI will serve as the billing agency for several projects being performed by entities such as other RBOCs and AT&T. The expenses for these "Conduit Billing Projects" appear on the monthly BCRI bill. However, those expenses are not a part of the BCRI budget amounts detailed in the "BCRI Billing Estimates" section. "Conduit Billing" projects should be budgeted by the affected organizations of BellSouth Telecommunications, Inc. **T-TRAN will bill through March, 1994. Until a forecast is known for its replacement, DATA-MOVER, the budget forecast for T-TRAN will be continued. PCP terminates 12-31-93.**

The following is a projection of these costs by company and project.

BCRI "Conduit Billing" Estimates
($000)

| PROJECT | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| CMDS **ZAA10** | 175 | **184** | 193 | 202 |
| IS-NET **ZAC10** | 157 | 165 | 173 | 181 |
| T-TRAN **ZAT10** | 45 | 47 | 49 | 51 |
| PCP **ZAP01** | 85 | **0** | **0** | **0** |
| TOTAL BST | 462 | **396** | **415** | **434** |

## 6.4 BCRI Usage Sensitive Billing

BCRI also provides and bills costs for certain usage sensitive services such as Lisle, BCR Tec, Training, etc. These costs should be projected by the affected organizations of BellSouth Telecommunications, Inc.

The following is a projection of the total costs for these services.

BCRI Usage Sensitive Billing
($000)

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| TOTAL BST | 13,547 | 13,547 | 13,547 | 13,547 |

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## 6.5 BCRI 800 NASC Contracts

BCRI 800 NASC Contracts Billing Estimates
($000)

| | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| TOTAL BST | 2,100 | 3,221 | 3,446 | 3,688 |

Effective May 1, 1993, a project structure was implemented whereby BellCore will segregate and track costs and revenues associated with SMS/888 access. These owner related costs/revenues are expected to be netted by BellCore and any balance/change forwarded to BST. At this time, the net effect is expected to approach zero. Should this process change (netting out) revenues and costs will need to be budgeted.

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## 7.0 TAX ITEMS

General Comments

The 1993 Pre-Commitment View of 1994-1996 is to be prepared on the following revised assumptions in order to reflect current tax law.

President Clinton proposed significant tax law changes that, if enacted into law, will impact many of these financial planning assumptions. These assumptions will be revised after the enactment of tax law changes.

### 7.1 Federal Income Tax

A. Consolidated federal income tax return

A separate federal income tax return will be prepared for each company utilizing a federal income tax rate of 34%.

The R & D tax credit was extended through June 30, 1992 by H. R. 3909. Assume that the R & D tax credit will not be available after this date unless it is re-extended or made permanent by new legislation.

B. Payments

Assume 97% in 1993 through 1996 of the estimated tax liability and benefit is payable in the current year in quarterly estimates on the following dates: April 15, June 15, September 15 and December 15. The remaining percent is payable on March 15 of the following year.

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7.1 Federal Income Tax (continued)

C. Depreciation

The Modified Accelerated Cost Recovery System (MACRS) is to be used for property placed in service after 1986. The tax lives and methods are as follows:

| Category | | Recovery Period | Method |
|---|---|---|---|
| Buildings - NonCOE | NQ (80%) | 31.5 years | S/L |
| | Q (20%) | 7 years | 200% db |
| Buildings - COE | NQ (40%) | 31.5 years | S/L |
| | Q (60%) | 20 years | 150% db |
| COE - Computer-based (digital, electronic radio and circuit) | | 5 years | 200% db |
| COE - Non-Computer based (step x step, and crossbar) | | 10 years | 200% db |
| Outside Plant | | 15 years | 150% db |
| Official Telephones<br>Office Furniture<br>PBX<br>Public Telephone | | 7 years | 200% db |
| Motor Vehicles-LT<br>Motor Vehicles-OT<br>Tools<br>Store Room Equipment | | 5 years | 200% db |
| Computers<br>R & D Property<br>High Tech Telephone Equipment at a Customer's Premise<br>Office Equipment | | 5 years | 200% db |

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7.1 Federal Income Tax (continued)

D. Investment credit amortization - Regulated

The repeal of investment tax credit should be considered in calculating the amortization of investment tax credit for years after 1986. The 1986 Tax Reform Act requires the continued reporting of unamortized balances to income over the same period of time used in computing regulated depreciation expense. Reserve deficiency amortization should <u>not</u> be taken into account when developing ITC amortization.

E. Uniform capitalization rules for self constructed assets

Uniform capitalization rules are provided for determining costs on self constructed assets that must be capitalized as part of the tax basis of plant after December 31, 1986. Examples of these costs are payroll taxes, pension/profit sharing contributions, and sales and use taxes.

Construction period interest (CPI) must be capitalized as part of the tax basis of plant on real property, property with a guideline life of 20 years or greater, and property which requires an extended construction period to produce. Additionally, property taxes levied on property under construction must be capitalized as part of the tax basis of plant.

Regulated -

Part 32 requires that elements such as general overheads, engineering unclassified costs, data processing, and procurement costs be expensed for book purposes rather than capitalized as under Part 31. Under the uniform capitalization provisions of the Internal Revenue Code (IRC), a portion of book capital to expense shifts will not be allowable for tax purposes (i.e., a portion of the related amounts expensed for book purposes will be capitalized for tax purposes.)

F. Asset transfers

No gain, loss, depreciation recapture or ITC recapture is recognized as a result of the transfer of assets between BellSouth entities except for transactions involving WECO profit and pre-divestiture deferred gain through 1993. During the 1993 tax year, all remaining WECO gain will be restored to income. In transfers between a regulated company and an unregulated company, the affiliated transaction rules of Part 64 and whether the transaction is a cash sale or equity infusion affect the amount of the related deferred tax reserve and unamoritized ITC balance transferred.

For pre-1981 vintage assets, transferred tax depreciation will continue on the same ADR or CLS lives used by the transferor. Post-1980 plant transferred and new property will be depreciated under ACRS or MACRS rules.

7.1 Federal Income Tax (continued)

G. Compensated Absences

Compensated absences will be deducted on an "as paid" basis.

H. Interest

The applicable interest rate for overpayments of federal income taxes is the federal short-term rate plus 2 percentage points. For underpayments, the normal interest rate is the federal short-term rate plus 3 percentage points. After 1990, however, interest on certain "large" tax deficiencies (those in excess of $100,000) may accrue at a rate which is 5 percentage points higher than the federal short-term rate.

These interest rates are adjusted quarterly with the rate which is determined during the first month of a calendar quarter becoming effective for the following quarter.

The federal short-term rate is based on the average market yield on outstanding marketable obligations of the United States with remaining period to maturity of three years or less.

I. Accounting Method

All companies must use the accrual basis for computing federal income taxes.

J. Temporary Differences - Deferred Tax Balances

Effective 1/1/93, BellSouth Corporation and Subsidiaries adopted SFAS 109, Accounting for Income Taxes. SFAS 109 shifts and focus from the income statement (deferred method) to the balance sheet (liability method). The methodology of SFAS 109 requires that deferred tax assets and liabilities reflect the tax effect of any difference between the book basis and the tax basis of an asset or liability that will result in future taxable income or deduction.

In addition, SFAS 109 requires a valuation allowance for deferred tax assets that are not realizable under a "more likely than not" standard. Unlike APB 11, SFAS 109's predecessor, deferred tax assets attributable to net operating losses are recognized when generated; however, a valuation allowance may be necessary.

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7.1 Federal Income Tax (continued)

K. Bad Debts

The tax deduction for bad debts is limited to actual write-offs.

L. Business Meals

20% of business meal and entertainment costs must be added back to taxable income as a permanent tax difference.

M. Inventory Capitalization Rules

Effective January 1, 1987, the Tax Reform Act of 1986 requires the capitalization of an allocable portion of most indirect costs benefiting the production or acquisition of inventoriable assets. This provision of the new law is patterned after the tough, all inclusive rules applicable to extended period long-term contracts.

N. Superfund Tax

Since 1987, a superfund tax has been imposed on all corporations. The base for computing this tax is the alternative minimum taxable income as defined within the Tax Reform Act of 1986. The superfund tax is deductible for federal income tax purposes.

O. Accounting for Long-term Contracts

The completed contract method was repealed for contracts entered into after July 11, 1989. The completed contract method of accounting was limited to 60% of income from contracts entered into between 3/1/86 and 10/13/87; 30% of income from contracts entered into after 10/13/87 and before 6/21/88; and 10% for contracts entered into after 6/20/88 and before 7/12/89. The percentage of completion method must be followed, subject to the new inventory capitalization rules (see M above).

P. Deferred Intercompany Gains and Losses from Inventory Ownership and Consolidation (IOC)

Generally, the gain or loss on intercompany sales of depreciable assets is deferred and recognized over the life of the asset. Restoral of Profit (loss) on sales of assets which are nondepreciable in the purchaser's hands occurs during the year, and in the same amount as the increase (decrease) in the purchaser's deduction for such assets that results because of an intercompany transaction.

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7.1 Federal Income Tax (continued)

Q. Normalization of Excess Deferred Taxes - Regulated

The reduction in the corporate federal income tax rate from 46% to 39.95% in 1987 and to 34% for years thereafter, has resulted in an excess in the deferred tax account. The portion of the excess deferred tax reserve to be released to income will be determined by applying the average rate assumption method to reversing timing differences.

R. Part 64 - Regulated

Deferred tax balances and investment tax credit balances should be allocated between regulated and unregulated based on the provisions of the BellSouth Cost Allocation Manual (CAM).

S. Leases - Regulated

The criteria for classifying leases as capital or operating for tax purposes differs from that for book purposes. Leases entered into after 1987 will be analyzed to determine the proper tax treatment. Leases entered into prior to 1988 must continue to be reported as operating leases for tax purposes.

FINANCIAL PLANNING ASSUMPTIONS
BELLSOUTH TELECOMMUNICATIONS, INC.
1993 Pre-Commitment View of 1994 - 1996

7.2 State Income Tax

A. Tax rates by state

| State | Tax Rate (%) | Taxable Income ($) | |
|---|---|---|---|
| Alabama | 5.00 | | |
| Florida | 5.50 | | |
| Georgia | 6.00 | | |
| Kentucky | 4.00 | 0 - | 25,000 |
| | 5.00 | 25,000 - | 50,000 |
| | 6.00 | 50,001 - | 100,000 |
| | 7.00 | 100,001 - | 250,000 |
| | 8.25 | 250,001 + | |
| Louisiana | 4.00 | 0 - | 25,000 |
| | 5.00 | 25,000 - | 50,000 |
| | 6.00 | 50,001 - | 100,000 |
| | 7.00 | 100,001 - | 200,000 |
| | 8.00 | 200,001 + | |
| Mississippi (1) | 3.00 | 0 - | 5,000 |
| | 4.00 | 5,000 - | 10,000 |
| | 5.00 | 10,001 + | |
| North Carolina (2) | 7.905 for 1993<br>7.8275 for 1994<br>7.75 after 1994 | | |
| South Carolina | 5.00 | | |
| Tennessee | 6.00 | | |
| District of Columbia | 10.25 | | |

(1) Companies other than BST should apply a 5% tax rate to all income/losses.

(2) Includes surtax for 1993 through 1994.

For information regarding tax rates in states outside of the BellSouth region, contact Julia Amendola, (404) 249-2468.

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7.2 State Income Tax (continued)

B. Tax payments by state

All companies are to determine state income tax payments based on the methodology which minimizes taxes. However, the prior year exception is not to be utilized by companies which were not in existence during that period. Companies generating a loss should assume that no benefit will be realized unless the benefit is available through a combined tax return (e.g., MA, MS, SC, IN, and VA). Those entities should assume zero current tax and no deferred tax benefit.

1. Alabama

If the estimated tax liability for the year exceeds $5,000, assume the lesser of 90% of the estimated tax or 100% of the prior year's tax liability is paid in equal quarterly installments on April 15, June 15, September 15, and December 15. Any remaining liability is due on March 15 of the following year.

2. Florida

For 1986 and beyond, unitary tax does not apply. Each company will file a separate Florida tax return. A $5,000 exemption is allowed by Florida but should be ignored for budget purposes.

If the estimated tax liability for the year exceeds $2,500, assume 90% of the estimated current year tax (or,100% of the tax computed at the current year's tax rate, but otherwise based on the facts and law applicable to the preceding tax year) is payable in equal installments on May 1, July 1, October 1 and January 1. Any remaining liability is payable on April 1 of the following year.

3. Georgia

If net income for the year exceeds $25,000, assume equal installment payments on April 15, June 15, September 15 and December 15 based on the lesser of 100% of prior year tax or 70% of current year tax determined on an annualized basis. Any remaining liability is due on March 15 of the following year.

4. Kentucky

If the estimated tax liability for the year exceeds $5,000, assume estimated tax payments of 50% on June 15, and 25% on September 15 and December 15. Payments are to be based on 70% of the current year liability less $5,000. The lesser of 100% of the prior year's tax or 90% of the total tax due for the year must be paid by April 15 of the following year, and the remaining amount is due on October 15 of the following year.

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7.2 State Income Tax (continued)

5. Louisiana

If the estimated tax liability exceeds $1,000, the lesser of 80% of the estimated current year tax liability or 100% of the prior year's liability is payable in equal installments on April 15, June 15, September 15 and December 15. The 80% criteria is based on annualized income. The remaining liability is due on April 15 of the following year.

6. Mississippi

If the estimated tax liability for the year exceeds $200, assume 90% of the tax is paid in equal installments on April 15, June 15, September 15 and December 15. The remaining liability is payable on March 15 of the following year.

7. North Carolina

If the estimated tax liability for the year exceeds $5,000, assume equal installment payments on April 15, June 15, September 15, and December 15. Payments are to be based on the lesser of 100% of the prior year's tax or 90% of the current year's tax, determined on an annualized basis. Note that companies that have had more than $1 million of taxable income in North Carolina in one of the three preceding tax years are not permitted to use the prior year's tax exceptions. Any remaining liability is due on March 15 of the following year.

8. South Carolina

If the estimated tax liability for the year exceeds $100, assume 97% of the estimated current year tax (or 100% of prior year's tax, if less) is payable in equal installments on March 15, June 15, September 15 and December 15. Any remaining liability is due on March 15 of the subsequent year.

9. Tennessee

If the estimated tax liability for the year exceeds $2,000, pay estimated taxes equal to the lesser of 80% of the current year's tax liability or 100% of prior year tax. Make the payments in four equal installments on April 15, July 15, October 15 and January 15. At the time of extension on April 1, make a payment sufficient to bring payments to 90% of the tax due for the current year or 100% of the prior year's liability, if less. Any remaining liability is due with the extended tax return on or before October 1.

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7.2 State Income Tax (continued)

10. District of Columbia

If the estimated tax liability for the year exceeds $1000, assume 90% of the estimated current tax or 100% of the prior year's tax is payable in equal installments on April 15, June 15, September 15, and December 15. Any remaining liability is due on March 15.

11. Unitary Taxes

Companies conducting operations in the states listed below may be subject to unitary taxation. Since the application of unitary tax differs among these states, development of a tax schedule for use by unregulated entities is not practical. Unregulated entities that are conducting or intend to conduct business in a state that applies a unitary tax are advised to contact Virginia Chandler at (404) 249-3576 in the BellSouth Corporation Tax Department for further instructions.

| | |
|---|---|
| Alaska | Maine |
| Arizona | Minnesota |
| California | Montana |
| Colorado | Nebraska |
| Hawaii | New Hampshire |
| Idaho | New York |
| Illinois | North Dakota |
| Kansas | Oregon |
| | Utah |

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7.2 State Income Tax (continued)

C. Depreciation

In all states except Florida, Georgia and Kentucky, for property placed in service after 1980 and before 1987, ACRS is to be used. ACRS is modified in South Carolina. South Carolina provides for depreciating public utility property over 25 years using straight line depreciation rates.

In Georgia ADR is to be utilized for pre-1987 property unless an election to use MACRS is made. Multi-state corporations operating in Florida (i.e. BAPCO and BellSouth Mobility, Inc.) should utilize ADR for Florida income tax purposes for pre-1987 property.

For Kentucky, effective August 1, 1985, the depreciation system is based on IRC Sec. 167 of the 1980 Internal Revenue Code. In 1986, 1981-1984 vintage recovery property (ACRS) was converted to a straight-line method of depreciation over the remaining useful life of the assets. The useful life was determined under the IRC and related regulations in effect in 1980. The CLADR table is an acceptable means for determining useful life. The depreciation which was disallowed (ACRS depreciation divided by 1.4) for taxable years beginning after June 30, 1984 will be recaptured in the depreciable basis of the property. ACRS depreciation not allowed for tax years beginning before July 1, 1984 cannot be recaptured. Effective 1/1/90, Kentucky has conformed to the IRC in effect on December 31, 1989. Therefore, any property placed in service after that date is depreciated using the Modified Accelerated Cost Recovery System (MACRS).

For property placed in service after 1986, MACRS is to be used in Washington D. C., Florida, Georgia, North Carolina, and South Carolina.

The Alabama, Louisiana, Mississippi and Tennessee state depreciation method after 1986 is MACRS. Additional depreciation is taken on the nine state returns having regulated operations with respect to Western Electric deferred gain (for pre-1985 vintages).

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7.2 State Income Tax (continued)

D. Net operating losses

The benefit of state net operating loss (NOL) carry forwards is not to be reflected unless use of such losses is assured by 1996. If such use is demonstrated, NOL carry forwards are to be reflected as a deferred tax benefit in the period generated.

State NOL carry back/carry forward periods are as follows:

| State | Carry back | Carry forward |
|---|---|---|
| Alabama | 0 | 15 |
| Florida | 0 | 15 |
| Georgia | 3 | 15 |
| Kentucky | 3 | 15 |
| Louisiana | 3 | 15 |
| Mississippi | 0 | 5 |
| North Carolina | 0 | 5 |
| South Carolina | 0 | 15 |
| Tennessee | 0 | 7 |
| DC | 3 | 15** |

** Accruals for years after 12/31/87.
NOLs cannot be carried back to years before 1/1/88.

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## 7.3 Taxes Other Than Income

### A. Federal Insurance Contributions Act (FICA) Tax

After 1990, the FICA tax is comprised of two components: (1) the Old-age, Survivor, and Disability Insurance (OASDI), and (2) the Medicare Hospital Insurance (HI).

The projected FICA tax rates and wage bases for 1993 through 1996 follow below:

Federal Insurance Contribution Act (FICA)

Tax Table

| Year | OASDI Tax Rate (%) | HI Tax Rate (%) | OASDI* Wage Base ($) | HI* Wage Base ($) |
|---|---|---|---|---|
| 1993 | 6.2 | 1.45 | 57,600 | 135,000 |
| 1994 | 6.2 | 1.45 | 60,000 | 140,700 |
| 1995 | 6.2 | 1.45 | 62,700 | 146,700 |
| 1996 | 6.2 | 1.45 | 65,700 | 153,000 |

* Automatic cost of living adjustments are based on the Consumer Price Index. Accordingly, amounts are not known until November of the preceding year.

### B. Federal Unemployment Tax (FUTA)

Federal wage bases and tax rates as follows should be utilized:

Federal Unemployment Tax Table

| Year | Wage Base | Tax Rate (%) |
|---|---|---|
| 1993 | 7,000 | 0.8 |
| 1994 | 7,000 | 0.8 |
| 1995 | 7,000 | 0.8 |
| 1996 | 7,000 | 0.8 |

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7.3 Taxes other Than Income (continued)

D. Federal communications excise tax

The federal communications excise tax of 3.0% was made permanent by the 1990 Tax Act.

E. Public Utility Taxes

Public utilities taxes based on gross receipts, if applicable, should be computed using rates appropriate for each state or local jurisdiction imposing such a tax.

F. Ad valorem Taxes

The following ratios may be used for purposes of computing ad valorem taxes. Computations should reflect mileage rates (and equalization rates if applicable) appropriate for the jurisdiction(s) being computed.

Ad Valorem Tax Table

| State | Unregulated Assessment Ratio (%) | Regulated Assessment Ratio (%) |
|---|---|---|
| Alabama | 20.0 | 30.0 |
| Florida | 100.0 | 100.0 |
| Georgia | 40.0 | 40.0 |
| Kentucky | 100.0 | 100.0 |
| Louisiana | 15.0 | 25.0 |
| Land | 10.0 | 10.0 |
| Mississippi | 15.0 | 30.0 |
| North Carolina | 100.0 | 100.0 |
| South Carolina | | |
| Real Property | 6.0 | 10.5 |
| Personal Property | 10.5 | 10.5 |
| Tennessee | | |
| Real Property | 40.0 | 55.0 |
| Personal Property | 30.0 | 55.0 |

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7.4 Other Tax Considerations

A. Bell Communications Research, Inc. (BCRI)/BST

1. Dividend distributions from BCRI are included in BST's taxable income. For federal income tax purposes, a 70% dividends received deduction is allowed. For state income tax purposes the dividend is allocated entirely to Alabama.

2. Gain or loss previously deferred by BellSouth Services on inter company sales will continue to be reported over the depreciable life of the assets for federal income tax purposes. Any remaining deferred gain or loss is recognized upon the sale of the asset outside of the BellSouth group.

B. Customer Premise Equipment (CPE)

Gain or loss from the sale of CPE is recognized in the year of sale using the First-In, First-Out (FIFO) inventory method, valued at the lower of cost or market. An exception applies to Customer Premise Equipment (CPE) and installations which are being accounted for under the completed contract method of accounting as Construction in Process (CIP).

Revenues and expenses must be computed using the percentage of completion method.

C. Nonrecurring or unusual transactions should be referred to BellSouth tax personnel for determination of proper tax treatment.

D. Tax Contingencies

Accruals for contingent tax liabilities should be budgeted quarterly in March, June, September, and December of each year. The Tax Department will provide contingent tax liability information.

Payments of previously contingent (now actual) tax liabilities should be budgeted in the month of anticipated payment.

Accruals of contingent tax liabilities related to prior periods should be booked on an FR basis for regulated entities.

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## 8.0 FINANCIAL GUIDELINES

### 8.1 Advances and Equity Infusions

The amount and timing of any advances and/or equity infusions from BellSouth Corporate Headquarters must be coordinated with Mr. J. D. Grenfell, Corporate Manager, BellSouth Treasury - Global Financial Planning, prior to inclusion in the view.

### 8.2 Dividend Policy

Dividends for BST will be declared monthly, and payments will be made on a monthly basis to BellSouth Headquarters. The expected payment date is the first work day of each month and dividends will be based on the net income of the preceding month.

A. Dividends for BellSouth Products, BellSouth Business Systems and its subsidiaries and any other BST unregulated units will be declared quarterly, and payments will be made on a quarterly basis to BellSouth Headquarters. Dividends payout is administered on a company-by-company basis, and is set at 100% of net income, or 100% of valuation cashflow-available less interest and debt repayment, whichever is greater.

### 8.3 Financial Objectives

The financial objectives will be provided under separate cover. However, the current Commitment View numbers for 1994 and 1995 are to be considered the standard and, only incremental updates will be provided.

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## 9.0 DIVIDEND ASSUMPTIONS

### 9.1 BellSouth Telecommunications, Inc.

A. BellSouth Telecommunications, Inc. receives a quarterly dividend from Bellcore Communications Research, Inc. (BCRI).

The following is a projection of the BCRI dividends to BST:

Bell Communications Research, Inc. Dividends
($M)

| Entity | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|
| BST | 4.4 | 4.4 | 4.4 | 4.4 |

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## 10.0 REVENUE ASSUMPTIONS

### 10.1 Revenue Rate Base

All price changes resulting from rate cases anticipated to be effective after August 1, 1993 should be identified as expected rates as detailed in the Guidelines for Preparing Financial Views. Any price change that has been implemented prior to August 1, 1993 or for which accruals are being made should be included in the appropriate revenue category. Price changes which may have been ordered by the commissions prior to August 1, 1993 but which will not be actually implemented until after August 1, 1993 should be identified as expected rates. The revenue data provided via the Forecasting organizations data base should reflect a Rate Base Date of January 1, 1993. Differences between the final commitment tracking view, as transmitted via income statements, and the forecasting organizations 1-1-93 transfer base revenues should be reconciled as specified in the Guidelines for preparing Financial Views.

To the extent that new products/services are planned to be tariffed outside of a general rate case, they should be included in the August 1, 1993 rate base. The incremental impact of these new products should be identified as specified in the Guidelines for Preparing Financial Views.

### 10.2 Interstate Access Charges

Common Line (NTS) and Traffic Sensitive (TS) revenue forecasts shall be produced on a Billed/Earned revenue basis and on a revenue requirement basis as detailed below. Each of the two revenue categories (NTS) and (TS) shall be forecast separately by FSUB.

Interstate revenue and expense and resulting net income and rate of return should be budgeted consistent with latest available agreed upon estimates from BST Regulatory (Attn: Bob Scheye). Revenue transfer payments should be budgeted consistent with the regional rate of return as determined above.

Due to FCC monitoring on a calendar year basis and tariff filing schedule on July - June basis, it will be necessary for demand and revenue to be estimated in half year increments.

Part 36 of the FCC Rules and Regulations provided for a Universal Service Fund (USF) effective January 1, 1986. The USF is designed to provide expense relief for exchange carriers providing service in states that qualify for high cost assistance. This assistance is received monthly from NECA as an adjustment to revenues. These revenues should be budgeted in the appropriate FSUB and should be additions to or subtraction's from the rate of return derived forecast. The view should reflect the reimbursement estimates for the Company as a separately identified item as detailed in the Guidelines for Preparing Financial Views.

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10.3 Revenue Impacts of Bypass/Competition

A. The lines of Business planning process shall be the source of product specific assumptions to assist BST in the projection of the impacts of competition on demand and revenue. The incremental revenue impacts, both positive and negative, due to competitive activity or response, should be identified and reflected throughout the forecast period. The impact on development and usage should also be quantified and reflected in demand forecasts.

B. For each competitive activity identified, the impact should be detailed by revenue category affected - Local, IntraLATA Toll, Intrastate InterLATA Access, Interstate InterLATA Access, and Miscellaneous.

C. Specific data requirements and submittal format are provided in the Guidelines for Preparing Financial Views.

10.4 Lines of Business

Revenue forecasts for BST should reflect the strategies and assumptions consistent with the BellSouth Services Strategic Framework for BellSouth's Regulated Entities. Revenues and associated demand quantities shall be provided by LOB product categories as shown in the Guidelines for Preparing Financial Views.

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# FINANCIAL PLANNING ASSUMPTIONS
# BELLSOUTH TELECOMMUNICATIONS, INC.
## 1993 Pre-Commitment View of 1994 - 1996

Attachment 1

### SUBJECT MATTER CONTACTS

| | | | |
|---|---|---|---|
| Economic Assumptions 1.0 - 1.8 | Tom Schaap | 249-3330 | |
| Salaries 2.1 | Linda Burke | 249-4152 | |
| Wages and Fringe Benefits 2.2 - 2.3 | Dennis Allen | 249-2343 | |
| Pensions, Group Life Insurance and Postretirement Benefits 2.4 | Kin Patterson<br>Greg Griffin | 249-3410<br>249-3037 | |
| Health Care Benefits Trust 2.5 | Reezin Swilley | 249-2310 | |
| Savings Plans Accrual/ESOP 2.6 | Greg Griffin | 249-3037 | |
| Executive Compensation Plans 2.7 | Greg Griffin | 249-3037 | |
| Postemployment Benefits (SFAS 112) 2.8 | Greg Griffin | 249-3037 | |
| BSHQ Corporate Functions Costs 3.1 | Melody Withrow | 249-4543 | |
| Official Communications 3.2 | Susan Ellison | 529-8188 | |
| Postal Rates 3.3 | **Dawn Carlson** | **249-4885** | |
| Telephone Plant Index 4.1 | Barry Patton | 977-5044 | (205) |
| Construction Budget 4.2 | Kathy Coletti | 249-3354 | |
| Capital Recovery 4.3 | Dave Cunningham | 977-1550 | (205) |
| Pre-Divestiture Contingent Liabilities 4.4 | Gail Barber | 977-3510 | (205) |
| Acctng. Assumptions 5.1, 5.2, 5.4 - 5.10 | **Blair Parrott** | **249-5842** | |
| Funding for Presently Retired Employees 5.11 | Bill Schneider | 249-2983 | |
| Corporate Insurance 5.3 | Judy Hughes | 249-2952 | |
| Bell Comm Research, Inc. Billing 6.0 - 6.5 | Nat Jones | 977-1567 | (205) |
| Tax Items 7.0 - 7.4 | **Beverly Hall** | **249-3663** | |
| Financial Guidelines 8.0 - 8.3 | Jim Grenfell | 249-3504 | |
| Dividend Assumptions 9.1 | Nat Jones | 977-1567 | (205) |
| Revenue Assumptions 10.1, 10.3, 10.4<br>10.2 | Kathy Coletti<br>Bob Scheye | 249-3354<br>420-8327 | |
| Any Others | Kathy Coletti | 249-3354 | |

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**REGULATED ASSUMPTIONS**
Distribution List
Revised 7/16/93

Mr. H. R. Holding
Vice Chairman
2010 Campanile

Mr. J. A. Drummond
President - Marketing
4514 - SBC

Mr. Bill Rederson
President - BSS
4510 - SBC

Mr. P. H. Casey
Vice President & Comptroller - BST
4503 - SBC

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Vice President - HR & Benefits Admin.
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7F02 - 1100 Peachtree Street

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R00m 5B01 - 1100 Peachtree Street

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4433 SBC

Mr. Mike Hostinsky
Assistant Comptroller
15K13 Campanile

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Chief Economist
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Ms. Kathy Coletti
Director-Telco Operations
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Mr. Butch Malone
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Ms. Judy Reese
Director - Corporate Taxes
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Mr. Bob Scheye
Director - Regulatory
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14H07 Campanile

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Operations Manager
21G63 SBC

Mr. David Bowles
Senior Economist
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Mr. Bill Fitzsimmons
Senior Economist
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Mr. K. Patterson
Managing Director/Trust Asset. Mgmt.
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Mr. Mark Brauckmann
Staf Manager
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