



Bickmore Risk Services

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Monday, September 24, 2007

Authority for California Cities Excess Liability
c/o Alliant Insurance Services, Inc;
Attn: Mike Simmons, Pool Administrator
600 Montgomery Street, 9th Floor
San Francisco, California 94111

RE: Actuarial Update of the for the Excess General Liability Program

Dear Mr. Simmons:

As requested, we have updated our review of ACCEL's excess general liability program using loss data as of June 30, 2007.

At the undiscounted expected level, we project the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$12,228,000 as of June 30, 2007. ACCEL has chosen to record its liability with recognition of investment income at 3% per year. Discounted for anticipated investment income, we project the program's liability for outstanding loss and ALAE will be \$11,210,000 as of that date. This estimate is higher than the \$9,154,000 estimate as of June 30, 2006 in our most recent actuarial update report.

The increase in the outstanding liability is primarily due to the inclusion of the 2006-07 program year in the June 30, 2007 estimate, although it has been offset to a certain extent by favorable loss development in the 1997-98 program year.

ACCEL's outstanding liability is comprised of two separately funded pools. The first pool is for the layer from \$500,000 to \$1,000,000 per occurrence (the \$500K pool) and is funded by those members with \$500,000 self-insured retentions. Prior to July 1, 1990, four members pooled losses this layer. The second pool is for the layer above \$1,000,000 per occurrence (the \$1,000K pool) and is funded by all members.

Our estimates of the program's undiscounted expected claims liabilities by program year are displayed in the following table:

**Undiscounted Outstanding Liability at the Expected Level
As of June 30, 2007**

Program Year	\$500K Pool	\$1,000K Pool	Total
1986-87	\$0	\$0	\$0
1987-88	0	0	0
1988-89	0	0	0
1989-90	0	0	0
1990-91	N/A	0	0
1991-92	N/A	0	0
1992-93	N/A	0	0
1993-94	N/A	0	0
1994-95	N/A	0	0
1995-96	N/A	0	0
1996-97	N/A	0	0
1997-98	N/A	0	0
1998-03 *	N/A	150,000	150,000
2003-04	N/A	2,104,000	2,104,000
2004-05	N/A	3,609,000	3,609,000
2005-06	N/A	2,987,000	2,987,000
2006-07	N/A	3,378,000	3,378,000
All Years	\$0	\$12,228,000	\$12,228,000

* Note: Commercially Insured from 1998-99 thru 2002-03. \$150,000 claim disputed.

These estimates shown above do not include any provision for reinsurance premiums, claims administration fees, and other administrative costs associated with the ACCEL program.

According to the accounting regulations of the Governmental Accounting Standards Board, unallocated loss adjustment expenses (ULAE) associated with the claims should be recognized as part of the program's claims liability. ULAE is the additional cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes, etc.) Our undiscounted expected estimate of unpaid ULAE is \$462,000 as of June 30, 2007. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2007.

The table below displays the comparison of program's projected outstanding losses as of June 30, 2006 and June 30, 2007 based on loss data as of June 30, 2006 and June 30, 2007, respectively.

Program Year	Outstanding Liability As of 6/30/06 Prior Report	Outstanding Liability As of 6/30/07 Current Report	Change
1986-87	\$0	\$0	\$0
1987-88	0	0	0
1988-89	0	0	0
1989-90	0	0	0
1990-91	0	0	0
1991-92	0	0	0
1992-93	0	0	0
1993-94	0	0	0
1994-95	0	0	0
1995-96	0	0	0
1996-97	0	0	0
1997-98	1,000,000	0	(1,000,000)
1998-03 *	0	150,000	150,000
2003-04	2,107,826	2,104,000	(3,826)
2004-05	3,943,000	3,609,000	(334,000)
2005-06	2,987,000	2,987,000	0
2006-07	0	3,378,000	3,378,000
All Years	\$10,037,826	\$12,228,000	\$2,190,174

* Note: Commercially Insured from 1998-99 thru 2002-03. \$150,000 claim disputed.

As you can see, the increase in the outstanding liability is primarily due to the inclusion of the 2006-07 program year in the June 30, 2007 estimate, although it is offset to a certain extent by favorable loss development in the 1997-98 program year.

The estimated projected losses and ALAE for 2002-03 and prior program years are set equal to incurred losses as of June 30, 2007. We expect no further loss development for these years. For 2003-04 through 2005-06 program years, projected losses and ALAE are from the IBNR update study dated September 26, 2006. For 2006-07, projected loss and ALAE are based on funding guidelines calculated in the actuarial study dated February 3, 2006.

This report should be viewed as a supplement to our recent actuarial reviews of ACCEL's excess general liability program (as documented in our February 3, 2006 and September 26, 2006 reports.) As such the limitations and conditions described in that report also apply to the estimates presented in this update.

We appreciate the opportunity to be of service to ACCEL in preparing this report. Please call John Alltop at (916) 244-1160, with any questions you might have.

Sincerely,

Bickmore Risk Services

A handwritten signature in black ink, appearing to read "J. Alltop", written over a horizontal line.

John Alltop
Executive Vice President, Principal, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

ACCEL

**Estimated Outstanding Liabilities for Unpaid Loss and ALAE
As of June 30, 2007**

Year	Paid Loss & ALAE as of 6/30/07 (1)	Case Reserves as of 6/30/07 (2)	Incurred Loss & ALAE as of 6/30/07 (3)	Selected Ultimate Loss & ALAE (4)	IBNR as of 6/30/07 (5)	Outstanding Liability as of 6/30/07 (6)	Discount Factor (7)	Discounted Outstanding Liability as of 6/30/07 (8)
1986-1987	\$0	\$0	\$0	\$0	\$0	\$0	1.000	0
1987-1988	500,000	0	500,000	500,000	0	0	1.000	0
1988-1989	0	0	0	0	0	0	1.000	0
1989-1990	0	0	0	0	0	0	1.000	0
Total	\$500,000	\$0	\$500,000	\$500,000	\$0	\$0		\$0
1986-1987	\$0	\$0	\$0	\$0	\$0	\$0	1.000	\$0
1987-1988	724,542	0	724,542	724,542	0	0	1.000	0
1988-1989	0	0	0	0	0	0	1.000	0
1989-1990	0	0	0	0	0	0	1.000	0
1990-1991	0	0	0	0	0	0	1.000	0
1991-1992	2,501,192	0	2,501,192	2,501,192	0	0	1.000	0
1992-1993	10,538,560	0	10,538,560	10,538,560	0	0	1.000	0
1993-1994	874,053	0	874,053	874,053	0	0	1.000	0
1994-1995	1,439,192	0	1,439,192	1,439,192	0	0	1.000	0
1995-1996	912,141	0	912,141	912,141	0	0	1.000	0
1996-1997	64,550	0	64,550	64,550	0	0	0.915	0
1997-1998	2,083,413	0	2,083,413	2,083,413	0	0	0.935	0
1998-1999	2,338	0	2,338	2,338	0	0	0.945	0 *
1999-2000	657	0	657	657	0	0	0.945	0 *
2000-2001	826,337	0	826,337	826,337	0	0	0.944	0
2001-2002	0	150,000	150,000	150,000	0	150,000	0.945	142,000 **
2002-2003	0	0	0	0	0	0	0.944	0
2003-2004	1,019,385	1,000,000	2,019,385	3,123,000	1,104,000	2,104,000	0.943	1,984,000
2004-2005	334,040	2,000,000	2,334,040	3,943,000	1,609,000	3,609,000	0.933	3,367,000
2005-2006	0	2,000,000	2,000,000	2,987,000	987,000	2,987,000	0.912	2,724,000
2006-2007	0	0	0	3,378,000	3,378,000	3,378,000	0.886	2,993,000
Total	\$21,320,400	\$5,150,000	\$26,470,400	\$33,547,975	\$7,078,000	\$12,228,000		\$11,210,000
Grand Total	\$21,820,400	\$5,150,000	\$26,970,400	\$34,047,975	\$7,078,000	\$12,228,000		\$11,210,000

(1) From Exhibit 2.

(2) = (3) - (1)

(3) From Exhibit 2.

(4) Based on September 26, 2006 Actuarial Update Review, updated ACCEL paid losses as of 6/30/07.

(5) = (6) - (2)

(6) = (4) - (1)

(7) based on February 3, 2005 Actuarial Review.

(8) = (6) X (7)

ACCEL

**Estimated Outstanding Liabilities for Unpaid Loss and ALAE
Loss Data as of June 30, 2007**

Year	Paid Loss & ALAE as of 6/30/06 (1)	Case Reserves as of 6/30/06 (2)	Incurred Loss & ALAE as of 6/30/06 (3)	Change in Paid Loss & ALAE (4)	Change in Case Reserves (5)	Change in Incurred Loss & ALAE (6)	Paid Loss & ALAE as of 6/30/07 (7)	Case Reserves as of 6/30/07 (8)	Incurred Loss & ALAE as of 6/30/07 (9)
1986-1987	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1987-1988	500,000	0	500,000	0	0	0	500,000	0	500,000
1988-1989	0	0	0	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0	0	0	0
Total	\$500,000	\$0	\$500,000	\$0	\$0	\$0	\$500,000	\$0	\$500,000
1986-1987	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1987-1988	724,542	0	724,542	0	0	0	724,542	0	724,542
1988-1989	0	0	0	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0	0	0	0
1990-1991	0	0	0	0	0	0	0	0	0
1991-1992	2,501,192	0	2,501,192	0	0	0	2,501,192	0	2,501,192
1992-1993	10,533,593	0	10,533,593	4,967	0	4,967	10,538,560	0	10,538,560
1993-1994	874,053	0	874,053	0	0	0	874,053	0	874,053
1994-1995	1,439,192	0	1,439,192	0	0	0	1,439,192	0	1,439,192
1995-1996	912,141	0	912,141	0	0	0	912,141	0	912,141
1996-1997	63,599	0	63,599	951	0	951	64,550	0	64,550
1997-1998	2,083,688	1,000,000	3,083,688	(275)	(1,000,000)	(1,000,275)	2,083,413	0	2,083,413
1998-1999	2,338	0	2,338	0	0	0	2,338	0	2,338
1999-2000	657	0	657	0	0	0	657	0	657
2000-2001	0	0	0	826,337	0	826,337	826,337	0	826,337
2001-2002	0	0	0	0	150,000	150,000	0	150,000	150,000
2002-2003	0	0	0	0	0	0	0	0	0
2003-2004	1,015,174	2,000,000	3,015,174	4,211	(1,000,000)	(995,789)	1,019,385	1,000,000	2,019,385
2004-2005	0	2,000,000	2,000,000	334,040	0	334,040	334,040	2,000,000	2,334,040
2005-2006	0	0	0	0	2,000,000	2,000,000	0	2,000,000	2,000,000
2006-2007	0	0	0	0	0	0	0	0	0
Total	\$20,150,170	\$5,000,000	\$25,150,170	\$1,170,230	\$150,000	\$1,320,230	\$21,320,400	\$5,150,000	\$26,470,400
Grand Total	\$20,650,170	\$5,000,000	\$25,650,170	\$1,170,230	\$150,000	\$1,320,230	\$21,820,400	\$5,150,000	\$26,970,400

(1), (2), (3) From BRS actuarial update dated September 26, 2006.

(4), (5), (6) provided by Alliant Insurance Services.

(7) = (1) + (4)

(8) = (2) + (5)

(9) = (3) + (6)

ACCEL**ULAE as of June 30, 2007**

(A) Selected ULAE Factor	3.5%
(B) Provision for Unpaid ULAE :	
IBNR at 6/30/07	\$7,078,000
Half of Outstanding Reserves at 6/30/07	6,114,000
Computation Base	\$13,192,000
Provision for Unpaid ULAE at 6/30/07	\$462,000