



Bickmore Risk Services

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March 4, 2009

Authority for California Cities Excess Liability
c/o Alliant Insurance Services
Attn: Mike Simmons, Pool Administrator
100 Pine Street, 11th Floor
San Francisco, California 94111

Re: Actuarial Review of the Funding Requirements for the Excess General Liability Program

Dear Mr. Simmons:

As you requested, we have completed our actuarial review of the funding requirements for the Authority for California Cities Excess Liability's (ACCEL, the Authority) excess general liability program. Our conclusions are documented in the text and exhibits that follow.

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$13,640,000 as of June 30, 2009. We understand the Authority has chosen to record its liability with recognition of investment income at 4% per year. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$11,896,000 as of that date. Further, we recommend the Authority fund a risk margin for potential adverse experience. Including a margin for adverse experience at the 85% confidence level, the Authority's required funding as of June 30, 2009 is projected to be \$17,737,000.

ACCEL's outstanding liability is comprised of two separately funded pools. The first pool covers 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 within 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.

The tables below shows our estimates of the program's claims liabilities as of December 31, 2008 and June 30, 2009, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2008
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$12,871,000	\$11,390,000
70%	15,304,000	13,543,000
75%	16,372,000	14,488,000
80%	17,633,000	15,604,000
85%	19,191,000	16,982,000
90%	21,263,000	18,816,000
95%	24,661,000	21,823,000

**Outstanding Liability as of June 30, 2009
at Various Confidence Level
\$500K and \$1,000K pools combined**

Confidence Level	Undiscounted	Discounted
Expected	\$13,640,000	\$11,896,000
70%	16,218,000	14,144,000
75%	17,350,000	15,132,000
80%	18,687,000	16,298,000
85%	20,337,000	17,737,000
90%	22,533,000	19,652,000
95%	26,134,000	22,793,000

Our funding guidelines for the program's outstanding liabilities 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 \$433,000 as of June 30, 2009. This estimate is 3.5% of IBNR and half of case reserves as of June 30, 2009.

We present funding recommendations for claims incurred during program year 2009-10 at several confidence levels in the table below. Our recommendations are displayed as rates per \$100 of payroll for various layers. The recommended funding includes anticipated investment income at 4% per year.

Funding Guidelines for Discounted Claims Incurred in 2009-2010

Layer	Expected	80%	85%	90%
\$1M-2M	\$0.205	\$0.284	\$0.309	\$0.344
\$1M-3M	0.321	0.444	0.484	0.538
\$1M-4M	0.365	0.505	0.551	0.612
\$1M-5M	0.392	0.542	0.592	0.657
\$5M-10M	0.143	0.198	0.216	0.240
\$1M-10M	0.534	0.739	0.806	0.895

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program’s 2009-10 claims by different layers:

Funding Amount Guidelines for Discounted Claims Incurred in 2009-2010

Layer	Expected	80%	85%	90%
\$1M-2M	\$2,309,000	\$3,198,000	\$3,480,000	\$3,874,000
\$1M-3M	3,615,000	5,000,000	5,451,000	6,059,000
\$1M-4M	4,110,000	5,687,000	6,205,000	6,892,000
\$1M-5M	4,415,000	6,104,000	6,667,000	7,399,000
\$5M-10M	1,610,000	2,230,000	2,432,000	2,703,000
\$1M-10M	6,014,000	8,322,000	9,077,000	10,079,000

As with the program’s outstanding claims, the Authority should fund a margin for adverse experience in addition to the expected cost of claims. We would recommend funding excess liability programs at the 80% to 90% confidence level.

The analysis which made it possible for us to draw our conclusions is based on the data provided by the Authority’s program manager Alliant Insurance Services (Alliant). We have accepted all of this information without audit.

All actuarial estimates of general liability claims costs are subject to uncertainty because of the complexity of the process that determines the costs. This is especially true of excess general liability claims costs. For this reason, sound management practices suggest that actual funding should be in excess of expected claim activity. We generally recommend funding at the 80% to 90% confidence levels for excess general liability programs, after recognition of investment income.

The first section of the attached report outlines the scope of our study, its background, and our conclusions, recommendations, detailed funding recommendations, assumptions, and approach to the project. The entire report has been developed for the internal use of the ACCEL, its auditors, and the representatives of its members. It is not intended for general circulation.

We appreciate the opportunity to prepare this review for ACCEL. Please feel free to call John Alltop at (916) 244-1160 with any questions you may have.

Sincerely,

Bickmore Risk Services

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

John Alltop
Managing Director, Risk Financing Practice, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

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I. BACKGROUND AND PURPOSE OF STUDY

The Authority for California Cities Excess Liability (ACCEL, the Authority) began operations on April 1, 1986. Its purpose is to provide excess general liability coverage and to purchase commercial excess insurance on a group basis for California cities. The program currently includes eleven members.

The Authority provides coverage above each member's self-insured retention (SIR), subject to aggregate limit. Historically, nine members have \$500,000 SIRs and two members have \$1,000,000 SIRs.

ACCEL provided an optional coverage of \$500,000 excess of \$500,000 per occurrence through 1989-90. This coverage is no longer available.

Prior to July 1, 1990, the Authority pooled losses incurred by its members up to \$10,000,000. Effective July 1, 1990, ACCEL created a reinsurance pool within the \$9,000,000 excess of \$1,000,000 layer by purchasing \$5,000,000 excess of \$5,000,000 coverage. On July 1, 1997, ACCEL further reduced its exposure and purchased coverage of \$17,000,000 excess of \$3,000,000 coverage. Due to favorable market conditions, ACCEL purchased coverage of \$19,000,000 excess of \$1,000,000 effective July 1, 1998. Six members with SIR of \$500,000 purchased additional coverage of \$500,000 excess of \$500,000. As of July 1, 2000, nine members purchased insurance of \$19,500,000 excess of \$500,000 and two members have coverage of \$19,000,000 excess of \$1,000,000. ACCEL is fully insured through June 30, 2003.

As of July 1, 2003, the Authority purchased a reinsurance covering \$20,000,000 excess of \$2,000,000 and pooled losses in the layer \$1,000,000 excess of \$1,000,000. All members have SIR of \$1,000,000. ACCEL covers the layer \$2,000,000 excess of \$1,000,000 for the 2004-05 fiscal year and \$4,000,000 excess of \$1,000,000 for 2006-07, 2007-08 and 2008-09.

The purpose of this study is to provide a guide to ACCEL in evaluating the adequacy of its established funding for its outstanding claims liabilities and in determining its contribution level for the 2009-10 fiscal year.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS AS OF DECEMBER 31, 2008 and June 30, 2009

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$13,640,000 as of June 30, 2009. We understand the Authority has chosen to record its liability with recognition of investment income at 4% per year. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$11,896,000 as of that date. Further, we recommend the Authority fund a risk margin for potential adverse experience. Including a margin for adverse experience at the 85% confidence level, the Authority's required funding as of June 30, 2009 is projected to be \$17,737,000.

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 expected claims liabilities, on both undiscounted and discounted bases, by program year are displayed in the following table:

Outstanding Liability at the Expected Level as of December 31, 2008 - \$500K pool

Program Year	Undiscounted	Discounted
1986-1987	\$0	\$0
1987-1988	0	0
1988-1989	0	0
1989-1990	0	0
All Years	\$0	\$0

**Outstanding Liability at the Expected Level
as of December 31, 2008 - \$1,000K pool**

Program Year	Undiscounted	Discounted
1986-1987	\$0	\$0
1987-1988	0	0
1988-1989	0	0
1989-1990	0	0
1990-1991	0	0
1991-1992	58,809	58,809
1992-1993	316,442	316,442
1993-1994	65,951	62,818
1994-1995	120,808	108,848
1995-1996	96,859	86,447
1996-1997	467,456	413,231
1997-1998	436,537	382,625
2003-2004	697,139	610,345
2004-2005	505,586	448,455
2005-2006	1,154,125	1,032,365
2006-2007	3,272,000	2,925,168
2007-2008	3,439,000	3,028,040
2008-2009	2,240,500	1,916,748
All Years	\$12,871,212	\$11,390,341

Note that the \$1,000K pool has no outstanding liability associated with the 1998-99 through 2002-03 program years. Due to favorable market conditions, ACCEL purchased complete reinsurance for its members during that time.

The following table shows our estimate of the program's December 31, 2008 outstanding liability at various confidence levels.

**Outstanding Liability as of December 31, 2008
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$12,871,000	\$11,390,000
70%	15,304,000	13,543,000
75%	16,372,000	14,488,000
80%	17,633,000	15,604,000
85%	19,191,000	16,982,000
90%	21,263,000	18,816,000
95%	24,661,000	21,823,000

We estimate the program's liability for outstanding loss and ALAE to be approximately \$13,640,000 as of June 30, 2009 before anticipated investment income. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$11,896,000 as of that date. Our estimates of the program's expected claims liabilities, on both undiscounted and discounted bases, by program year are displayed in the following table:

**Outstanding Liability at the Expected Level
as of June 30, 2009 - \$500K pool**

Program Year	Undiscounted	Discounted
1986-1987	\$0	\$0
1987-1988	0	0
1988-1989	0	0
1989-1990	0	0
All Years	\$0	\$0

**Outstanding Liability at the Expected Level
as of June 30, 2009 - \$1,000K pool**

Program Year	Undiscounted	Discounted
1986-1987	\$0	\$0
1987-1988	0	0
1988-1989	0	0
1989-1990	0	0
1990-1991	0	0
1991-1992	52,810	52,810
1992-1993	281,317	281,317
1993-1994	59,356	53,717
1994-1995	118,633	106,414
1995-1996	92,016	81,710
1996-1997	410,426	361,175
1997-1998	385,899	336,890
2003-2004	590,477	520,800
2004-2005	421,659	376,120
2005-2006	961,386	862,363
2006-2007	2,758,296	2,457,642
2007-2008	3,143,246	2,734,624
2008-2009	4,364,494	3,670,539
All Years	\$13,640,015	\$11,896,121

The table on the following page shows our estimates of the program's claims liabilities as of June 30, 2009, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of June 30, 2009
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$13,640,000	\$11,896,000
70%	16,218,000	14,144,000
75%	17,350,000	15,132,000
80%	18,687,000	16,298,000
85%	20,337,000	17,737,000
90%	22,533,000	19,652,000
95%	26,134,000	22,793,000

Our funding guidelines for the program's outstanding liabilities 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 \$433,000 as of June 30, 2009. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2009.

Our estimates of ultimate losses (and therefore our estimates of the program's outstanding liabilities) are higher than those presented in the Authority's previous actuarial review dated February 12, 2008. At the time, we estimated the liability for outstanding claims as of June 30, 2008 to be \$11,736,000. The majority of increase is due to adverse loss experience in the 2003-04 and 2005-06 years.

The following table details the changes in the estimates of the Authority's ultimate losses by program year from those of the prior review:

**Comparison with Prior Review
\$500K and \$1,000 Pools Combined
Undiscounted Estimated Ultimate Losses**

Program Period	Prior 2/12/08	Prior Update 9/10/08	Current	Change in Estimates Since 2/12/08 Report
1987-1988	\$0	\$0	\$0	\$0
1987-1988	1,224,542	1,224,542	1,224,542	0
1988-1989	0	0	0	0
1989-1990	0	0	0	0
1990-1991	0	0	0	0
1991-1992	2,504,000	2,501,191	2,560,000	56,000
1992-1993	10,554,000	10,538,558	10,855,000	301,000
1993-1994	876,000	874,049	940,000	64,000
1994-1995	1,444,000	1,439,192	1,560,000	116,000
1995-1996	916,000	912,141	1,009,000	93,000
1996-1997	65,000	64,544	2,632,000	2,567,000
1997-1998	2,096,000	2,083,463	2,520,000	424,000
2003-2004	1,324,000	4,019,000	3,623,000	2,299,000
2004-2005	2,914,000	3,177,000	2,841,000	(73,000)
2005-2006	2,926,000	5,203,000	5,605,000	2,679,000
2006-2007	3,289,000	3,580,000	3,272,000	(17,000)
2007-2008	4,006,000	3,648,000	3,439,000	(567,000)
All Years	\$34,138,542	\$39,264,680	\$42,080,542	\$7,942,000

The majority of the unfavorable loss experience was in the 1996-97, 2003-04 and 2005-06 years, with almost \$8 million in incurred loss emergence since the February 12, 2008 report. Older years also have contributed, but to a lesser extent, to the adverse development.

B. FUNDING RATES FOR 2009-10 CLAIMS

Our funding guidelines are displayed as rates per \$100 of payroll and dollars for various layers. The funding guidelines include anticipated investment income at 4% per year.

Funding Rate Guidelines for Discounted Claims Incurred in 2009-2010

Confidence Level	Expected	80%	85%	90%
\$1M-2M	\$0.205	\$0.284	\$0.309	\$0.344
\$1M-3M	0.321	0.444	0.484	0.538
\$1M-4M	0.365	0.505	0.551	0.612
\$1M-5M	0.392	0.542	0.592	0.657
\$5M-10M	0.143	0.198	0.216	0.240
\$1M-10M	0.534	0.739	0.806	0.895

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Funding Amount Guidelines for Discounted Claims Incurred in 2009-2010

Layer	Expected	80%	85%	90%
\$1M-2M	\$2,309,000	\$3,198,000	\$3,480,000	\$3,874,000
\$1M-3M	3,615,000	5,000,000	5,451,000	6,059,000
\$1M-4M	4,110,000	5,687,000	6,205,000	6,892,000
\$1M-5M	4,415,000	6,104,000	6,667,000	7,399,000
\$5M-10M	1,610,000	2,230,000	2,432,000	2,703,000
\$1M-10M	6,014,000	8,322,000	9,077,000	10,079,000

The following table displays a comparison of the Authority's projected funding rates from current and prior studies by various layers.

**Comparison with Prior Review
Undiscounted Expected Funding Rates**

Layer	This Review 2009-10	Last Review 2008-09	Percent Change
\$1M-2M	\$0.236	\$0.217	8.8%
\$1M-3M	\$0.369	\$0.340	8.5%
\$1M-5M	\$0.451	\$0.416	8.4%
\$5M-10M	\$0.164	\$0.151	8.6%
\$1M-10M	\$0.614	\$0.567	8.3%

Our projected funding rates per \$100 of payroll for all layers at the expected, undiscounted level have increased approximately 8% to 9% from those presented in our prior report due to above mentioned adverse development.

C. ALLOCATION OF 2009-10 FUNDING

The following table displays the allocation of the program's 2009-10 funding at the 85% confidence level for various layers. These estimated funding amounts are based on the loss rates displayed in the table in Section B and the individual cities' estimated 2009-10 payroll. The funding allocation below does not include any experience or exposure modification factors.

Recommended Funding for Claims Incurred in 2009-2010 Discounted – 85% Confidence Level

Member	\$1M to \$2M	\$1M to \$3M	\$1M to \$4M	\$1M to \$5M	\$5M to \$10M	\$1M to \$10M
Anaheim	\$652,000	\$1,021,000	\$1,163,000	\$1,250,000	\$455,000	\$1,702,000
Bakersfield	300,000	471,000	536,000	576,000	210,000	784,000
Burbank	365,000	572,000	651,000	699,000	255,000	952,000
Modesto	273,000	428,000	487,000	523,000	191,000	712,000
Monterey	103,000	161,000	183,000	197,000	72,000	268,000
Mountain View	189,000	296,000	336,000	361,000	132,000	492,000
Ontario	273,000	428,000	487,000	523,000	191,000	712,000
Palo Alto	311,000	487,000	554,000	595,000	217,000	811,000
Santa Barbara	259,000	406,000	462,000	496,000	181,000	676,000
Santa Cruz	167,000	261,000	298,000	320,000	117,000	435,000
Santa Monica	488,000	764,000	870,000	935,000	341,000	1,272,000
Visalia	100,000	156,000	178,000	192,000	70,000	261,000
Total	\$3,480,000	\$5,451,000	\$6,205,000	\$6,667,000	\$2,432,000	\$9,077,000

D. FUNDING GUIDELINES

We generally recommend funding of excess general liability programs to the 85% confidence level, with a recommended range of the 80% to 90% confidence levels. We generally consider funding to the 75% confidence level to be marginally acceptable, and to the 95% confidence level to be conservative. However, these should only be considered general guidelines, as we also strongly believe that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the underlying assumptions, the other budgetary constraints of those contributing to the program, and the relative risk it is believed appropriate to assume at a particular point in time. This means formulating both short-term and long-term funding goals, which may be the same in some years and different in others.

In general, we recommend considerable conservatism in refunding excess contributions, especially in light of the hardship imposed upon the members when assessments are necessary. It is always possible to refund excess contributions later, but contributions that appear to be excess that are refunded too soon may prove to be very difficult to re-collect later. For years for which assessments have not yet been levied, we recommend a staggered schedule of returns that begins when a year reaches a certain level of maturity. For example, the Authority might develop a guideline returning excess contributions on a year five to six years old that is funded above the 90% confidence level, on a year seven to nine years old that is funded above the 85% confidence level, and on a year ten or more years old that is funded above the 80% confidence level. Refunds are made at the discretion of the Board.

We understand the program's outstanding loss and loss adjustment expense liabilities are funded at the 85% discounted confidence level. This target applies to the outstanding liabilities in total, not on an individual program year basis. Funding in excess of the 90% discounted confidence level is available for dividends at the Board's discretion.

E. ASSUMPTIONS AND LIMITATIONS

Any quantitative analysis is developed within a very specific framework of assumptions about conditions in the outside world, and actuarial analysis is no exception. We believe that it is important to review the assumptions we have made in developing the estimates presented in this report. By doing so, we hope you will gain additional perspective on the nature of the uncertainties involved in maintaining an excess pooling program. Our assumptions and some observations about them are as follows:

- Our analysis is based on loss experience, exposure data, and other general and specific information you have provided to us. We have accepted all of this information without audit and relied on its accuracy in preparing our estimates for this report. As always, the accuracy and relevance of our conclusions and recommendations are highly dependent on the accuracy and relevance of the underlying data.
- In ACCEL's case, we were provided a list of claims with incurred losses greater than \$25,000 as of December 31, 2008 from individual member cities. This file included ground up losses and allocated loss adjustment expenses reported separately for each claimant. We have aggregated the claimant data to an occurrence basis. We were also provided with pool loss runs as of December 31, 2008.
- We were provided with payrolls by City for the 1986-87 through 2007-08 program years. The estimated payroll for 2008-09 and 2009-10 was calculated using a 3% trend per year.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of the development of such losses in the recent past. We have also assumed that the historical development patterns for a large group of California public entities with a self-insured excess general liability program in the aggregate form a reasonable basis of comparison to the patterns from the Authority's data.
- We have assumed that there is a continuing relationship between past and future loss costs and between loss costs and payroll. These assumptions can be tenuous in a changing legal and social environment such as we face today.
- It is not possible to predict future claims costs precisely. Most of the cost of general liability claims arises from a small number of incidents involving serious injury. Thus, changes in the circumstances

surrounding these claims can have large effects on total costs. Therefore, the actual costs of the covered general liability claims could differ significantly from our estimates.

- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on general liability claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.
- At your instruction, we have assumed that funds held for investment will generate an annual return of 4% in the long run.
- We estimate that the costs associated with general liability claims in the \$0 to \$100,000 per occurrence layer are increasing 0% annually after changes in exposure.
- We estimate that the costs associated with general liability claims in the \$100,000 to \$1,000,000 per occurrence layer are increasing at 5% per year after changes in exposure.
- The claims costs we have estimated include indemnity payments and allocated loss adjustment expenses. We have not provided estimates for claims adjustment expenses not allocated to particular cases, reinsurance premiums, and Authority administrative expenses.
- We have assumed that all reinsurance coverage purchased by the Authority will prove to be valid and fully collectible.
- Our funding recommendations do not include provision for catastrophic events not in the program's history, such as earthquakes, flooding, fire or mass civil disorder.

F. OVERALL ANALYTICAL APPROACH

The approach we have taken in developing this analysis is firmly grounded in the Authority's loss and exposure data. Our approach to the problem of estimating the program's ultimate pooled loss costs is a multi-step process. We estimated the cost of the \$100,000 to \$1 million layer. We then constructed a mathematical equation for the distribution of the Authority's losses by size by trending and developing the Authority's individual claims from the 1995-96 through 2007-08 program years. Next, using the loss distribution, the \$100,000 – \$1,000,000 ultimate loss rate, and our selected loss development patterns, we then estimated the ultimate losses of the excess layers for which the Authority is responsible.

The following actuarial techniques were applied to ACCEL's loss data to estimate the ultimate cost of claims in the \$100,000 - \$1,000,000 layer :

- ◆ Incurred Loss Development
- ◆ Paid Loss Development
- ◆ Exposure Development Based on Incurred Losses
- ◆ Exposure Development Based on Paid Losses
- ◆ Frequency Times Severity

Actuarial judgment was used to select among the ultimate losses indicated by the above methods.

The following actuarial techniques were applied to ACCEL's loss data to estimate the ultimate losses in the program's actual pooled layers:

- ◆ Incurred Loss Development
- ◆ Paid Loss Development
- ◆ Expected Loss Development

Again, actuarial judgment was used to select among the ultimate losses indicated by the above methods, with heavy emphasis applied to the two methods based on incurred losses.

Authority for California Cities Excess Liability

Projected 2009-10 Funding Guidelines - Discounted 85% Confidence Level

Member	Estimated 2009-10 Payroll (00) (A)	\$1,000,000 to \$2,000,000 Layer (B)	\$1,000,000 to \$3,000,000 Layer (B)	\$1,000,000 to \$4,000,000 Layer (B)	\$1,000,000 to \$5,000,000 Layer (B)	\$5,000,000 to \$10,000,000 Layer (B)	\$1,000,000 to \$10,000,000 Layer (B)
Anaheim	\$2,112,300	\$652,701	\$1,022,353	\$1,163,877	\$1,250,482	\$456,257	\$1,702,514
Bakersfield	972,160	300,397	470,525	535,660	575,519	209,987	783,561
Burbank	1,180,790	364,864	571,502	650,615	699,028	255,051	951,717
Modesto	883,710	273,066	427,716	486,924	523,156	190,881	712,270
Monterey	332,160	102,637	160,765	183,020	196,639	71,747	267,721
Mountain View	610,570	188,666	295,516	336,424	361,457	131,883	492,119
Ontario	883,270	272,930	427,503	486,682	522,896	190,786	711,916
Palo Alto	1,005,610	310,733	486,715	554,091	595,321	217,212	810,522
Santa Barbara	838,380	259,059	405,776	461,947	496,321	181,090	675,734
Santa Cruz	540,030	166,869	261,375	297,557	319,698	116,646	435,264
Santa Monica	1,579,220	487,979	764,342	870,150	934,898	341,112	1,272,851
Visalia	323,340	99,912	156,497	178,160	191,417	69,841	260,612
Totals	\$11,261,540	\$3,479,813	\$5,450,585	\$6,205,107	\$6,666,832	\$2,432,493	\$9,076,801

(A) Provided by ACCEL.

(B) (A) times funding rates from Exhibit 1, Page 3, (D).

Authority for California Cities Excess Liability

Projected 2008-09 Funding Guidelines

Layer	Estimated 2009-10 Payroll (A)	Expected Ultimate Losses (B)	Discount Factor (C)	Discounted Expected Ultimate Losses (D)	70% Confidence Level (E)	75% Confidence Level (E)	80% Confidence Level (E)	85% Confidence Level (E)	90% Confidence Level (E)	95% Confidence Level (E)
\$1M-2M	\$11,261,540	\$2,657,723	87.0%	\$2,308,616	\$2,759,077	\$2,961,785	\$3,198,277	\$3,479,816	\$3,873,970	\$4,504,616
\$1M-3M	11,261,540	4,155,508	87.0%	3,614,954	4,324,431	4,639,754	5,000,124	5,450,585	6,058,709	7,049,724
\$1M-4M	11,261,540	4,729,847	87.0%	4,110,462	4,910,031	5,270,401	5,687,078	6,205,109	6,892,062	8,018,216
\$1M-5M	11,261,540	5,078,955	87.0%	4,414,524	5,270,401	5,664,555	6,103,755	6,666,832	7,398,832	8,615,078
\$5M-10M	11,261,540	1,846,893	87.0%	1,610,400	1,925,723	2,060,862	2,229,785	2,432,493	2,702,770	3,141,970
\$1M-10M	11,261,540	6,914,586	87.0%	6,013,662	7,184,863	7,714,155	8,322,278	9,076,801	10,079,078	11,734,525

Notes:

- (A) Provided by ACCEL.
- (B) (A) times funding rates from Exhibit 1, Page 3, (A).
- (C) From Exhibit 3.
- (D) (A) times funding rates from Exhibit 1, Page 3, (C).
- (E) (A) times funding rates from Exhibit 1, Page 3, (D).

Authority for California Cities Excess Liability

Projected 2008-09 Funding Guidelines
Loss Rates per \$100 of Payroll

Layer	Expected Loss Rate Per \$100 of Payroll (A)	Discount Factor (B)	Discounted Expected Loss Rate Per \$100 of Payroll (C)	70% Confidence Level (D)	75% Confidence Level (D)	80% Confidence Level (D)	85% Confidence Level (D)	90% Confidence Level (D)	95% Confidence Level (D)
\$1M-2M	\$0.236	87.0%	\$0.205	\$0.245	\$0.263	\$0.284	\$0.309	\$0.344	\$0.400
\$1M-3M	0.369	87.0%	0.321	0.384	0.412	0.444	0.484	0.538	0.626
\$1M-4M	0.420	87.0%	0.365	0.436	0.468	0.505	0.551	0.612	0.712
\$1M-5M	0.451	87.0%	0.392	0.468	0.503	0.542	0.592	0.657	0.765
\$5M-10M	0.164	87.0%	0.143	0.171	0.183	0.198	0.216	0.240	0.279
\$1M-10M	0.614	87.0%	0.534	0.638	0.685	0.739	0.806	0.895	1.042

Notes:

- (A) From Exhibit 1, Page 4 and members' loss distribution.
- (B) From Exhibit 3.
- (C) (A) * (B)
- (D) (C) times Confidence Level Factor from Exhibit 4.

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Selected Base Loss Rate (\$100K - \$1M Layer)

(A) Estimated based on \$1M Ultimate Less \$100K Ultimate	N/A
(B) Estimated based on \$100K - \$1M Analysis:	\$1.024
(C) Selected Base Loss Rate (\$100K - \$1M Layer):	\$1.024

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Funding Guidelines for Outstanding Losses
as of December 31, 2008 and June 30, 2009

	<u>December 31, 2008</u>	<u>June 30, 2009</u>
(A) Estimated Ultimate Losses Incurred as of:	\$44,321,042	\$46,561,542
(B) Estimated Paid Losses as of:	31,449,830	32,921,527
(C) Estimated Liability for Claims Outstanding as of:	\$12,871,212	\$13,640,015
(D) Outstanding Liability Discount Factor:	88.5%	87.2%
(E) Discounted Outstanding Liability for Claims as of:	\$11,390,000	\$11,896,000
(F) Risk Margin at 90% Confidence Level:	7,426,000	7,756,000
(G) Required Funding at the 90% confidence Level:	\$18,816,000	\$19,652,000

Notes:

- (A) From Appendix A, Page 1, Column (A).
- (B) Provided by ACCEL
- (C) (A) - (B)
- (D) From Exhibit 3
- (E) (C) * (D)
- (F) (E) * Confidence Level Factor from Exhibit 4
- (G) (E) + (F)

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Discount Factors

	Age	Accident Year		Full Value Reserve	4.0% Discounted Reserve	Discounted Factor
		Paid Loss Development Factor	Payment Pattern			
1986-1987	23.0	1.000	0.2%	0.2%	0.2%	100.0%
1987-1988	22.0	1.002	0.0%	0.2%	0.2%	100.0%
1988-1989	21.0	1.002	0.1%	0.3%	0.3%	100.0%
1989-1990	20.0	1.003	0.2%	0.5%	0.5%	100.0%
1990-1991	19.0	1.005	0.3%	0.8%	0.7%	100.0%
1991-1992	18.0	1.008	0.4%	1.2%	1.1%	100.0%
1992-1993	17.0	1.012	0.6%	1.8%	1.6%	100.0%
1993-1994	16.0	1.018	0.6%	2.3%	2.1%	90.5%
1994-1995	15.0	1.024	0.8%	3.1%	2.8%	89.7%
1995-1996	14.0	1.032	0.9%	4.0%	3.6%	88.8%
1996-1997	13.0	1.042	1.0%	5.0%	4.4%	88.0%
1997-1998	12.0	1.053	1.2%	6.3%	5.5%	87.3%
1998-1999	11.0	1.067	1.0%	7.3%	6.3%	85.9%
1999-2000	10.0	1.079	1.4%	8.7%	7.4%	85.1%
2000-2001	9.0	1.095	2.5%	11.2%	9.6%	85.4%
2001-2002	8.0	1.126	3.4%	14.6%	12.5%	85.9%
2002-2003	7.0	1.171	5.6%	20.2%	17.5%	86.9%
2003-2004	6.0	1.253	9.6%	29.8%	26.3%	88.2%
2004-2005	5.0	1.424	14.9%	44.6%	39.8%	89.2%
2005-2006	4.0	1.806	21.2%	65.8%	59.1%	89.7%
2006-2007	3.0	2.928	20.4%	86.2%	76.8%	89.1%
2007-2008	2.0	7.246	10.7%	96.9%	84.3%	87.0%
2008-2009	1.0	31.841	3.1%	100.0%	84.1%	84.1%

Discount Factor for Future Funding: 0.858

Accident Year	Accident Year Paid Loss Development Factor	Full Value Reserve	4.0% Discounted Reserve	12/31/2008		6/30/2009		6/30/2009	
				Outstanding Loss	Discounted Factor	Outstanding Loss	Outstanding Loss	Discounted Factor	Outstanding Loss
1986-1987	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1987-1988	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1988-1989	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1989-1990	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1986-1987	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1987-1988	1.002	0.20%	0.20%	0	100.0%	0	0	100.0%	0
1988-1989	1.002	0.20%	0.19%	0	100.0%	0	0	100.0%	0
1989-1990	1.003	0.30%	0.28%	0	100.0%	0	0	100.0%	0
1990-1991	1.005	0.50%	0.46%	0	100.0%	0	0	100.0%	0
1991-1992	1.008	0.79%	0.73%	58,809	100.0%	58,809	52,810	100.0%	52,810
1992-1993	1.012	1.19%	1.09%	316,442	100.0%	316,442	281,317	100.0%	281,317
1993-1994	1.018	1.77%	1.62%	65,951	95.3%	62,818	59,356	90.5%	53,717
1994-1995	1.024	2.34%	2.12%	120,808	90.1%	108,848	118,633	89.7%	106,414
1995-1996	1.032	3.10%	2.78%	96,859	89.3%	86,447	92,016	88.8%	81,710
1996-1997	1.042	4.03%	3.59%	467,456	88.4%	413,231	410,426	88.0%	361,175
1997-1998	1.053	5.03%	4.43%	436,537	87.7%	382,625	385,899	87.3%	336,890
2003-2004	1.253	20.19%	19.12%	697,139	87.6%	610,345	590,477	88.2%	520,800
2004-2005	1.424	29.78%	27.78%	505,586	88.7%	448,455	421,659	89.2%	376,120
2005-2006	1.806	44.63%	41.28%	1,154,125	89.5%	1,032,365	961,386	89.7%	862,363
2006-2007	2.928	65.85%	60.49%	3,272,000	89.4%	2,925,168	2,758,296	89.1%	2,457,642
2007-2008	7.246	86.20%	78.12%	3,439,000	88.1%	3,028,040	3,143,246	87.0%	2,734,624
2008-2009	31.841	96.86%	85.56%	2,240,500	85.6%	1,916,748	4,364,494	84.1%	3,670,539
Total				12,871,212		11,390,341	13,640,015		11,896,121
Discount Factor for Outstanding:				88.5%			87.2%		

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Confidence Level Factors

Probability	Projected Funding Factor	Outstanding Liability Factor
95	1.951	1.916
90	1.676	1.652
85	1.509	1.491
80	1.383	1.370
75	1.282	1.272
70	1.195	1.189
65	1.119	1.115
60	1.048	1.047
55	0.984	0.985
50	0.923	0.926
45	0.865	0.870
40	0.807	0.815
35	0.750	0.760
30	0.693	0.704
25	0.632	0.646

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Large Losses

Member (A)	Date of Loss (B)	Fiscal Year (C)	Status (D)	Paid Losses (E)	Reported Incurred Losses (F)
City of Anaheim	4/21/82	1981-1982	Closed	13,568,220	13,568,220
City of Anaheim	11/8/83	1983-1984	Closed	1,742,428	1,742,428
City of Palo Alto	7/1/85	1985-1986	Closed	1,153,463	1,153,463
City of Ontario	2/6/88	1987-1988	Closed	1,714,999	1,714,999
City of Santa Monica	7/9/91	1991-1992	Closed	1,617,000	1,617,000
City of Santa Monica	11/21/91	1991-1992	Closed	1,553,000	1,553,000
City of Anaheim	1/30/92	1991-1992	Closed	1,851,662	1,851,662
City of Santa Monica	3/24/92	1991-1992	Closed	1,650,000	1,650,000
City of Ontario	12/4/92	1992-1993	Closed	1,000,000	1,000,000
City of Anaheim	1/18/93	1992-1993	Closed	7,000,000	7,000,000
City of Anaheim	5/27/93	1992-1993	Closed	1,750,050	1,750,050
City of Bakersfield	7/1/94	1994-1995	Closed	2,859,697	2,859,697
City of Anaheim	4/13/95	1994-1995	Closed	2,431,007	2,431,007
City of Santa Monica	11/10/95	1995-1996	Closed	1,001,500	1,001,500
City of Santa Cruz	4/7/97	1996-1997	Closed	1,267,707	1,267,707
City of Anaheim	9/1/97	1997-1998	Closed	1,691,035	1,691,035
City of Anaheim	3/26/99	1998-1999	Open	93,425	3,000,000
City of Santa Monica	5/7/99	1998-1999	Closed	2,106,000	2,106,000
City of Santa Barbara	6/29/00	1999-2000	Closed	3,420,000	3,420,000
City of Modesto	9/13/00	2000-2001	Closed	2,793,000	2,793,000
City of Burbank	10/12/00	2000-2001	Closed	1,162,820	1,162,820
City of Santa Monica	1/26/01	2000-2001	Closed	1,077,185	1,077,185
City of Santa Monica	7/16/03	2003-2004	Closed	27,000,000	27,000,000
City of Santa Barbara	1/7/04	2003-2004	Open	1,000,000	1,000,000
City of Bakersfield	3/20/04	2003-2004	Re-Opened	1,812,469	1,812,470
City of Santa Monica	3/23/04	2003-2004	Closed	2,000,000	2,000,000
City of Santa Monica	5/5/04	2003-2004	Closed	2,002,180	2,002,180
City of Modesto	6/3/04	2003-2004	Open	2,350,018	2,350,118
City of Modesto	8/2/04	2004-2005	Closed	3,700,000	3,700,000
City of Visalia	10/28/04	2004-2005	Closed	994,284	1,000,000
City of Santa Monica	4/29/05	2004-2005	Closed	1,333,904	1,333,904
City of Anaheim	6/14/05	2004-2005	Closed	3,329,184	3,329,184
City of Santa Monica	8/9/05	2005-2006	Closed	4,619,000	4,619,000
City of Palo Alto	9/6/06	2006-2007	Open	36,537	1,062,500
City of Anaheim	10/28/08	2008-2009	Open	0	1,000,000

Authority for California Cities Excess Liability
ACCEL Layer

Outstanding Liability at December 31, 2008

Accident Year	Ultimate Losses (A)	12/31/08 Reported Loss (B)	12/31/08 IBNR (C)	12/31/08 Paid Loss (D)	12/31/08 Case Reserves (E)	12/31/08 Outstanding Loss (F)
1986-1987	0	0	0	0	0	0
1987-1988	500,000	500,000	0	500,000	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
Totals	\$500,000	\$500,000	\$0	\$500,000	\$0	\$0
1986-1987	0	0	0	0	0	0
1987-1988	724,542	724,542	0	724,542	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
1990-1991	0	0	0	0	0	0
1991-1992	2,560,000	2,501,191	58,809	2,501,191	0	58,809
1992-1993	10,855,000	10,538,558	316,442	10,538,558	0	316,442
1993-1994	940,000	874,049	65,951	874,049	0	65,951
1994-1995	1,560,000	1,439,192	120,808	1,439,192	0	120,808
1995-1996	1,009,000	912,141	96,859	912,141	0	96,859
1996-1997	2,632,000	2,464,545	167,455	2,164,544	300,001	467,456
1997-1998	2,520,000	2,339,877	180,123	2,083,463	256,414	436,537
2003-2004	3,623,000	3,025,864	597,136	2,925,861	100,003	697,139
2004-2005	2,841,000	2,385,417	455,583	2,335,414	50,003	505,586
2005-2006	5,605,000	4,467,074	1,137,926	4,450,875	16,199	1,154,125
2006-2007	3,272,000	1,000,025	2,271,975	0	1,000,025	3,272,000
2007-2008	3,439,000	31	3,438,969	0	31	3,439,000
2008-2009	2,240,500	2	2,240,498	0	2	2,240,500
Totals	\$43,821,042	\$32,672,508	\$11,148,534	\$30,949,830	\$1,722,678	\$12,871,212
Grand Totals	\$44,321,042	\$33,172,508	\$11,148,534	\$31,449,830	\$1,722,678	\$12,871,212

Notes:

- (A) From Appendix A, Page 3, Column (D).
- (B) Provided by ACCEL
- (C) (A) - (B)
- (D) Provided by ACCEL
- (F) (B) - (D)
- (F) (D) - (A)

Authority for California Cities Excess Liability
ACCEL Layer

Outstanding Liability at June 30, 2009

Accident Year	Ultimate Losses (A)	6/30/2009 Reported Loss (B)	6/30/2009 IBNR (C)	6/30/2009 Paid Loss (D)	6/30/2009 Case Reserves (E)	6/30/2009 Outstanding Loss (F)
1986-1987	0	0	0	0	0	0
1987-1988	500,000	500,000	0	500,000	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
Totals	\$500,000	\$500,000	\$0	\$500,000	\$0	\$0
1986-1987	0	0	0	0	0	0
1987-1988	724,542	724,542	0	724,542	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
1990-1991	0	0	0	0	0	0
1991-1992	2,560,000	2,560,000	0	2,507,190	52,810	52,810
1992-1993	10,855,000	10,855,000	0	10,573,683	281,317	281,317
1993-1994	940,000	940,000	0	880,644	59,356	59,356
1994-1995	1,560,000	1,441,367	118,633	1,441,367	0	118,633
1995-1996	1,009,000	916,984	92,016	916,984	0	92,016
1996-1997	2,632,000	2,478,444	153,556	2,221,574	256,870	410,426
1997-1998	2,520,000	2,359,150	160,850	2,134,101	225,049	385,899
2003-2004	3,623,000	3,107,672	515,328	3,032,523	75,148	590,477
2004-2005	2,841,000	2,459,677	381,323	2,419,341	40,336	421,659
2005-2006	5,605,000	4,736,762	868,238	4,643,614	93,149	961,386
2006-2007	3,272,000	1,511,219	1,760,781	513,704	997,515	2,758,296
2007-2008	3,439,000	491,804	2,947,196	295,754	196,050	3,143,246
2008-2009	4,481,000	380,887	4,100,113	116,506	264,381	4,364,494
Totals	\$46,061,542	\$34,963,507	\$11,098,035	\$32,421,527	\$2,541,981	\$13,640,015
Grand Totals	\$46,561,542	\$35,463,507	\$11,098,035	\$32,921,527	\$2,541,981	\$13,640,015

Notes:

- (A) From Appendix A, Page 3, Column (D).
- (B) Projected based on Appendix A, Page 4, Column (B).
- (C) (A) - (B)
- (D) Projected based on Appendix A, Page 5, Column (B).
- (F) (B) - (D)
- (F) (D) - (A)

Authority for California Cities Excess Liability
ACCEL Layer

Estimated Ultimate Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Expected Loss Method (C)	Selected Estimate of Ultimate Losses (D)
1986-1987	0	0		0
1987-1988	500,000	500,000		500,000
1988-1989	0	0		0
1989-1990	0	0		0
Totals	\$500,000	\$500,000		\$500,000
1986-1987	0	0		0
1987-1988	724,542	735,410		724,542
1988-1989	0	0		0
1989-1990	0	0		0
1990-1991	0	0		0
1991-1992	2,501,191	2,618,747		2,560,000
1992-1993	10,538,558	11,170,871		10,855,000
1993-1994	917,751	939,603		940,000
1994-1995	1,514,030	1,560,084		1,560,000
1995-1996	964,133	1,008,828		1,009,000
1996-1997	2,632,134	2,480,567		2,632,000
1997-1998	2,543,446	2,495,989		2,520,000
2003-2004	3,404,097	3,841,655	3,188,000	3,623,000
2004-2005	2,852,959	3,631,569	2,829,000	2,841,000
2005-2006	6,490,659	9,587,185	5,605,000	5,605,000
2006-2007	2,306,058	0	3,272,000	3,272,000
2007-2008	150	0	3,439,000	3,439,000
2008-2009	45	0	4,481,000	4,481,000
Totals	\$37,389,753	\$40,070,508	\$22,814,000	\$46,061,542
Grand Totals	\$37,889,753	\$40,570,508		\$46,561,542

Notes:

- (A) From Appendix A, Page 4, Column (C).
- (B) From Appendix A, Page 5, Column (C).
- (C) From Appendix A, Page 6, Row (K).
- (D) Selected based on (A) through (C).

Authority for California Cities Excess Liability
ACCEL Layer

Reported Loss Development

Accident Year	Reported Losses as of 12/31/08 (A)	Reported Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.000	0
Totals	\$500,000		\$500,000
1986-1987	0	1.000	0
1987-1988	724,542	1.000	724,542
1988-1989	0	1.000	0
1989-1990	0	1.000	0
1990-1991	0	1.000	0
1991-1992	2,501,191	1.000	2,501,191
1992-1993	10,538,558	1.000	10,538,558
1993-1994	874,049	1.050	917,751
1994-1995	1,439,192	1.052	1,514,030
1995-1996	912,141	1.057	964,133
1996-1997	2,464,545	1.068	2,632,134
1997-1998	2,339,877	1.087	2,543,446
2003-2004	3,025,864	1.125	3,404,097
2004-2005	2,385,417	1.196	2,852,959
2005-2006	4,467,074	1.453	6,490,659
2006-2007	1,000,025	2.306	2,306,058
2007-2008	31	4.836	150
2008-2009	2	22.270	45
Totals	\$32,672,508		\$37,389,753
Grand Totals	\$33,172,508		\$37,889,753

Notes:

- (A) Provided by ACCEL
- (B) (C) from Appendix B, Page 3.
- (C) (A) x (B).

Authority for California Cities Excess Liability
ACCEL Layer

Paid Loss Development

Accident Year	Paid Losses as of 12/31/08 (A)	Paid Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.000	0
Totals	\$500,000		\$500,000
1986-1987	0	1.010	0
1987-1988	724,542	1.015	735,410
1988-1989	0	1.021	0
1989-1990	0	1.027	0
1990-1991	0	1.037	0
1991-1992	2,501,191	1.047	2,618,747
1992-1993	10,538,558	1.060	11,170,871
1993-1994	874,049	1.075	939,603
1994-1995	1,439,192	1.084	1,560,084
1995-1996	912,141	1.106	1,008,828
1996-1997	2,164,544	1.146	2,480,567
1997-1998	2,083,463	1.198	2,495,989
2003-2004	2,925,861	1.313	3,841,655
2004-2005	2,335,414	1.555	3,631,569
2005-2006	4,450,875	2.154	9,587,185
2006-2007	0	4.569	0
2007-2008	0	17.499	0
2008-2009	0	176.477	0
Totals	\$30,949,830		\$40,070,508
Grand Totals	\$31,449,830		\$40,570,508

Notes:

- (A) Provided by ACCEL
- (B) (C) from Appendix B, Page 4.
- (C) (A) x (B).

Authority for California Cities Excess Liability
ACCEL Layer

Expected Loss Methods

	2003-04	2004-05	2005-06	2006-2007	2007-2008	2008-2009
(A) Program Year 2008-09 \$100K-\$1M Base Rate:	\$1.024	\$1.024	\$1.024	\$1.024	\$1.024	\$1.024
(B) Trend Factor Program Year:	0.746	0.784	0.823	0.864	0.907	0.952
(C) Program Year \$100K-\$1M Base Rate:	\$0.764	\$0.802	\$0.842	\$0.885	\$0.929	\$0.975
(D) Factor to Self-Insured Layer	0.230	0.360	0.440	0.440	0.440	0.440
(E) Program Year Self-Insured Expected Rate;	\$0.176	\$0.289	\$0.371	\$0.389	\$0.409	\$0.429
(F) Program Year Payroll:	\$8,308,977	\$9,374,402	\$9,850,045	\$10,305,894	\$10,609,082	\$10,933,530
(G) Program Year Preliminary Ultimate Losses:	\$1,460,000	\$2,708,000	\$3,651,000	\$4,011,000	\$4,336,000	\$4,692,000
(H) Percent of Ultimate Losses Not Reported:	11.1%	16.4%	31.2%	56.6%	79.3%	95.5%
(I) Estimated Program Year IBNR @ 12/31/08:	\$162,222	\$443,786	\$1,138,268	\$2,271,624	\$3,439,391	\$4,481,313
(J) Program Year Reported Losses @ 12/31/08:	\$3,025,864	\$2,385,417	\$4,467,074	\$1,000,025	\$31	\$2
(K) Program Year Estimated Ultimate Losses:	\$3,188,000	\$2,829,000	\$5,605,000	\$3,272,000	\$3,439,000	\$4,481,000

Authority for California Cities Excess Liability
ACCEL Layer

Loss Rate Trend

Accident Year	Exposure	Ultimate Loss	On-Level Losses	Loss Rate	Loss Rate Trend	Trended Loss Rate
1986-1987	1,008,086	0	0	0.000	2.407	0.000
1987-1988	998,109	500,000	500,000	0.501	2.292	1.148
1988-1989	1,146,083	0	0	0.000	2.183	0.000
1989-1990	1,208,157	0	0	0.000	2.079	0.000
Totals	\$4,360,436	\$500,000	\$500,000	0.115		0.287
1986-1987	3,105,940	0	0	0.000	3.226	0.000
1987-1988	3,670,691	724,542	724,542	0.197	3.072	0.605
1988-1989	4,030,134	0	0	0.000	2.926	0.000
1989-1990	4,399,059	0	0	0.000	2.787	0.000
1990-1991	4,875,491	0	0	0.000	2.654	0.000
1991-1992	5,277,443	2,560,000	2,560,000	0.485	2.528	1.226
1992-1993	5,310,299	10,855,000	10,855,000	2.044	2.408	4.922
1993-1994	5,635,666	940,000	940,000	0.167	2.293	0.383
1994-1995	6,004,411	1,560,000	1,560,000	0.260	2.184	0.568
1995-1996	6,102,690	1,009,000	1,009,000	0.165	2.080	0.343
1996-1997	6,502,472	2,632,000	2,632,000	0.405	1.981	0.802
1997-1998	6,972,985	2,520,000	2,520,000	0.361	1.887	0.681
2003-2004	9,103,267	3,623,000	3,623,000	0.398	1.341	0.534
2004-2005	9,374,402	2,841,000	2,841,000	0.303	1.277	0.387
2005-2006	9,850,045	5,605,000	5,605,000	0.569	1.216	0.692
2006-2007	10,305,894	3,272,000	3,272,000	0.317	1.158	0.367
2007-2008	10,609,082	3,439,000	3,439,000	0.324	1.103	0.357
2008-2009	10,933,530	4,481,000	4,481,000	0.410	1.050	0.431
Totals	\$122,063,500	\$46,061,542	\$46,061,542	0.377		0.683
86/87-97/98	61,887,280	22,800,542	22,800,542	0.368		0.794

Selected Trend: 1.050

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Estimated Loss Rates for the \$100,000 - \$1,000,000 Layer

Accident Year	Estimated Ultimate \$100K - \$1M Losses (C)	Payroll (\$00's) (D)	Loss Trend Factor (E)	Loss Rate at 2008-2009 Level (F)
1995-1996	3,043,000	8,415,610	1.886	0.682
1996-1997	3,959,000	8,745,825	1.796	0.813
1997-1998	3,041,000	9,148,556	1.710	0.568
1998-1999	4,711,000	9,295,965	1.629	0.826
1999-2000	4,896,000	9,529,638	1.551	0.797
2000-2001	5,159,000	9,800,221	1.477	0.778
2001-2002	3,464,000	10,235,624	1.407	0.476
2002-2003	4,227,000	10,422,373	1.340	0.543
2003-2004	9,725,000	10,304,898	1.276	1.204
2004-2005	10,075,000	10,349,340	1.216	1.184
2005-2006	7,476,000	10,608,498	1.158	0.816
2006-2007	8,888,000	10,831,495	1.103	0.905
2007-2008	9,819,000	10,874,309	1.050	0.948
Average 95/96 - 07/08 :				0.811
Average 04/05 - 07/08 :				0.963
Average 03/04 - 07/08 :				1.011
Prior 2007-2008 Rate :				0.900
Selected 2008-2009 Rate :				0.975
Trend Factor to 2009-2010 :				1.050
Selected 2009-2010 Rate :				\$1.024

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Estimated Ultimate Losses for the \$100,000 to \$1,000,000 Layer

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Ultimate Limited Losses (F)
1995-1996	\$2,992,718	\$3,103,449	\$2,992,718	\$3,104,208	\$3,093,008	\$3,043,000
1996-1997	3,909,341	3,189,799	3,909,341	3,226,859	4,009,005	3,959,000
1997-1998	2,868,752	3,040,877	2,868,752	3,038,229	2,968,992	3,041,000
1998-1999	4,660,770	2,836,741	4,667,287	2,971,996	4,761,001	4,711,000
1999-2000	4,751,290	4,895,816	4,754,114	4,889,930	4,851,000	4,896,000
2000-2001	5,042,169	5,275,912	5,048,100	5,264,195	5,141,997	5,159,000
2001-2002	3,341,824	3,585,817	3,349,156	3,565,760	3,441,996	3,464,000
2002-2003	4,186,050	4,268,184	4,189,531	4,260,953	4,227,006	4,227,000
2003-2004	9,080,535	10,369,152	8,923,751	9,724,459	7,837,000	9,725,000
2004-2005	10,194,333	9,956,317	9,849,275	9,288,348	8,881,569	10,075,000
2005-2006	6,332,776	6,927,762	7,072,492	7,878,878	10,017,267	7,476,000
2006-2007	8,983,752	6,021,558	9,174,285	8,601,457	8,340,881	8,888,000
2007-2008	12,204,739	510,026	10,327,837	9,309,444	8,761,896	9,819,000
Totals						\$78,483,000

Notes:

- (A) From Appendix B, Page 3, Column (D).
- (B) From Appendix B, Page 4, Column (D).
- (C) Based on results in Appendix B, Page 5.
- (D) Based on results in Appendix B, Page 6.
- (E) Based on results in Appendix B, Page 8.
- (F) Selected averages of (A), (B), (C), (D), and (E).

This exhibit summarizes the results of the actuarial methods we have applied to estimate limited losses for each year. These results are used to select a limited loss rate for future years.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Reported Loss Development

Accident Year (A)	\$100K - \$1M Reported Losses as of 12/31/08 (B)	Reported Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Reported Losses of 12/31/08 (E)	Reported Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
1995-1996	\$2,992,718	1.000	\$2,992,718	\$2,992,718	1.000	\$2,992,718
1996-1997	3,909,341	1.000	3,909,341	3,909,341	1.000	3,909,341
1997-1998	2,868,752	1.000	2,868,752	2,868,752	1.000	2,868,752
1998-1999	4,438,829	1.050	4,660,770	4,438,829	1.050	4,660,770
1999-2000	4,516,435	1.052	4,751,290	4,516,435	1.052	4,751,290
2000-2001	4,770,264	1.057	5,042,169	4,770,264	1.057	5,042,169
2001-2002	3,129,049	1.068	3,341,824	3,129,049	1.068	3,341,824
2002-2003	3,851,012	1.087	4,186,050	3,851,012	1.087	4,186,050
2003-2004	8,071,587	1.125	9,080,535	8,071,587	1.125	9,080,535
2004-2005	8,523,690	1.196	10,194,333	8,523,690	1.196	10,194,333
2005-2006	4,358,414	1.453	6,332,776	4,358,414	1.453	6,332,776
2006-2007	3,895,816	2.306	8,983,752	3,895,816	2.306	8,983,752
2007-2008	2,523,726	4.836	12,204,739	2,523,726	4.836	12,204,739
Totals	\$57,849,633		\$78,549,049	\$57,849,633		\$78,549,049

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Authority. These losses exclude amount over the SIR.
- (C) Based upon Industry Loss Development Factors.
- (D) (B) x (C). These estimated losses exclude amount over the SIR.
- (E) Losses capped at the Authority's SIR. Amounts are provided by the Authority.
- (F) Based upon Industry Loss Development Factors.
- (G) (E) x (F).

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses and case reserves as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Paid Loss Development

Accident Year (A)	\$100K - \$1M Paid Losses as of 12/31/08 (B)	Paid Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Paid Losses of 12/31/08 (E)	Paid Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
1995-1996	\$2,992,718	1.037	\$3,103,449	\$2,992,718	1.037	\$3,103,449
1996-1997	3,046,608	1.047	3,189,799	3,046,608	1.047	3,189,799
1997-1998	2,868,752	1.060	3,040,877	2,868,752	1.060	3,040,877
1998-1999	2,638,829	1.075	2,836,741	2,638,829	1.075	2,836,741
1999-2000	4,516,435	1.084	4,895,816	4,516,435	1.084	4,895,816
2000-2001	4,770,264	1.106	5,275,912	4,770,264	1.106	5,275,912
2001-2002	3,128,985	1.146	3,585,817	3,128,985	1.146	3,585,817
2002-2003	3,562,758	1.198	4,268,184	3,562,758	1.198	4,268,184
2003-2004	7,897,298	1.313	10,369,152	7,897,298	1.313	10,369,152
2004-2005	6,402,776	1.555	9,956,317	6,402,776	1.555	9,956,317
2005-2006	3,216,231	2.154	6,927,762	3,216,231	2.154	6,927,762
2006-2007	1,317,916	4.569	6,021,558	1,317,916	4.569	6,021,558
2007-2008	29,146	17.499	510,026	29,146	17.499	510,026
Totals	\$46,388,716		\$63,981,410	\$46,388,716		\$63,981,410

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Authority. These losses exclude amount over the SIR.
- (C) Based upon Industry Loss Development Factors.
- (D) (B) x (C). These estimated losses exclude amount over the SIR.
- (E) Losses capped at the Authority's SIR. Amounts are provided by the Authority.
- (F) Based upon Industry Loss Development Factors.
- (G) (E) x (F).

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Exposure and Development Method
Based on Reported Losses

Accident Year	Composite Exposure (A)	Reported Losses as of 12/31/08 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
1995-1996	8,415,610	\$2,992,718	1.000	0.000	\$0.368	\$0	\$2,992,718
1996-1997	8,745,825	3,909,341	1.000	0.000	0.458	0	3,909,341
1997-1998	9,148,556	2,868,752	1.000	0.000	0.325	0	2,868,752
1998-1999	9,295,965	4,438,829	1.050	0.048	0.512	228,458	4,667,287
1999-2000	9,529,638	4,516,435	1.052	0.049	0.509	237,679	4,754,114
2000-2001	9,800,221	4,770,264	1.057	0.054	0.525	277,836	5,048,100
2001-2002	10,235,624	3,129,049	1.068	0.064	0.336	220,107	3,349,156
2002-2003	10,422,373	3,851,012	1.087	0.080	0.406	338,519	4,189,531
2003-2004	10,304,898	8,071,587	1.125	0.111	0.745	852,164	8,923,751
2004-2005	10,349,340	8,523,690	1.196	0.164	0.781	1,325,585	9,849,275
2005-2006	10,608,498	4,358,414	1.453	0.312	0.820	2,714,078	7,072,492
2006-2007	10,831,495	3,895,816	2.306	0.566	0.861	5,278,469	9,174,285
2007-2008	10,874,309	2,523,726	4.836	0.793	0.905	7,804,111	10,327,837
Totals	\$128,562,352	\$57,849,633				\$19,277,006	\$77,126,639

Notes:

- (A) Provided by the Authority.
- (B) Provided by the Authority. These losses exclude amounts incurred above the Authority's SIR for each year.
- (C) From Appendix B, Page 3, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix B, Page 7, Column (H).
- (F) $(A) \times (D) \times (E)$.
- (G) $(B) + (F)$.

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and exposure that changes in regular ways over time. The method relies on the premise that the losses that are currently unreported will cost what this relationship would suggest.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Exposure and Development Method
Based on Paid Losses

Accident Year	Composite Exposure (A)	Paid Losses as of 12/31/08 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
1995-1996	8,415,610	\$2,992,718	1.037	0.036	\$0.368	\$111,490	\$3,104,208
1996-1997	8,745,825	3,046,608	1.047	0.045	0.458	180,251	3,226,859
1997-1998	9,148,556	2,868,752	1.060	0.057	0.325	169,477	3,038,229
1998-1999	9,295,965	2,638,829	1.075	0.070	0.512	333,167	2,971,996
1999-2000	9,529,638	4,516,435	1.084	0.077	0.509	373,495	4,889,930
2000-2001	9,800,221	4,770,264	1.106	0.096	0.525	493,931	5,264,195
2001-2002	10,235,624	3,128,985	1.146	0.127	0.336	436,775	3,565,760
2002-2003	10,422,373	3,562,758	1.198	0.165	0.406	698,195	4,260,953
2003-2004	10,304,898	7,897,298	1.313	0.238	0.745	1,827,161	9,724,459
2004-2005	10,349,340	6,402,776	1.555	0.357	0.781	2,885,572	9,288,348
2005-2006	10,608,498	3,216,231	2.154	0.536	0.820	4,662,647	7,878,878
2006-2007	10,831,495	1,317,916	4.569	0.781	0.861	7,283,541	8,601,457
2007-2008	10,874,309	29,146	17.499	0.943	0.905	9,280,298	9,309,444
Totals	\$128,562,352	\$46,388,716				\$28,736,000	\$75,124,716

Notes:

- (A) Provided by the Authority.
- (B) Provided by the Authority. These losses exclude amounts paid above the Authority's SIR for each year.
- (C) From Appendix B, Page 4, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix B, Page 7, Column (H).
- (F) $(A) \times (D) \times (E)$.
- (G) $(B) + (F)$.

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and exposure that changes in regular ways over time. The method relies on the premise that the losses that are currently unreported will cost what this relationship would suggest.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Exposure and Development Method

Accident Year	Composite Exposure (A)	Ultimate \$100K - \$1M Losses (B)	Trend Factor (C)	Trended \$100K - \$1M Losses (D)	Trended \$100K - \$1M Loss Rate (E)	Trended \$100K - \$1M Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
1995-1996	8,415,610	\$3,093,000	1.886	\$5,833,398	\$0.693	\$0.368	1.000	\$0.368
1996-1997	8,745,825	4,009,000	1.796	7,200,164	0.823	0.458	1.000	0.458
1997-1998	9,148,556	2,969,000	1.710	5,076,990	0.555	0.325	1.000	0.325
1998-1999	9,295,965	4,761,000	1.629	7,755,669	0.834	0.512	1.000	0.512
1999-2000	9,529,638	4,851,000	1.551	7,523,901	0.790	0.509	1.000	0.509
2000-2001	9,800,221	5,142,000	1.477	7,594,734	0.775	0.525	1.000	0.525
2001-2002	10,235,624	3,442,000	1.407	4,842,894	0.473	0.336	1.000	0.336
2002-2003	10,422,373	4,227,000	1.340	5,664,180	0.543	0.406	1.000	0.406
2003-2004	10,304,898	9,725,000	1.276	12,409,100	1.204	0.745	1.000	0.745
2004-2005	10,349,340	10,075,000	1.216	12,251,200	1.184	0.781	1.000	0.781
2005-2006	10,608,498	6,630,000	1.158	7,677,540	0.724	0.820	1.000	0.820
2006-2007	10,831,495	7,503,000	1.103	8,275,809	0.764	0.861	1.000	0.861
2007-2008	10,874,309	8,483,000	1.050	8,907,150	0.819	0.905	1.000	0.905
Total/Avg	\$128,562,352	\$74,910,000		\$101,012,729	\$0.786			
03/04-06/07	42,094,231	33,933,000		40,613,649	\$0.965			

Selected \$100K - \$1M Rate: \$0.950
Prior: \$0.900

Notes:

- (A) Provided by the Authority.
- (B) Selected average of results from Appendices B and B.
- (C) From Appendix E, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected \$100K - \$1M Rate / (C). For 2002-2003 and prior (B) / (A).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

This exhibit shows the calculation of the underlying historical relationship between losses and exposure that is needed to apply the estimation methods shown on pages 1 and 2 of this Appendix.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M An:
Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Ultimate Claims (B)	Ultimate Program Losses (C)
1995-1996	\$193,313	16	\$3,093,008
1996-1997	308,385	13	4,009,005
1997-1998	164,944	18	2,968,992
1998-1999	250,579	19	4,761,001
1999-2000	346,500	14	4,851,000
2000-2001	244,857	21	5,141,997
2001-2002	149,652	23	3,441,996
2002-2003	222,474	19	4,227,006
2003-2004	313,480	25	7,837,000
2004-2005	328,947	27	8,881,569
2005-2006	345,423	29	10,017,267
2006-2007	362,647	23	8,340,881
2007-2008	380,952	23	8,761,896
Total		270	\$76,332,618

Notes:

- (A) From Appendix B, Page 9, Column (H).
- (B) From Appendix B, Page 9, Column (B).
- (C) (A) x (B).

This exhibit shows the calculation of the estimated ultimate losses for each year based on the observed average frequency and severity of claims.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Frequency and Severity Method

Accident Year	Ultimate	Ultimate Claims (B)	Ultimate	Trend Factor (D)	Trended		Factor to SIR (G)	Program Severity (H)
	\$100K - \$1M Losses (A)		\$100K - \$1M Severity (C)		\$100K - \$1M Severity (E)	\$100K - \$1M Severity (F)		
1995-1996	\$3,093,000	16	\$193,313	1.886	\$364,588	\$193,313	1.000	\$193,313
1996-1997	4,009,000	13	308,385	1.796	553,859	308,385	1.000	308,385
1997-1998	2,969,000	18	164,944	1.710	282,054	164,944	1.000	164,944
1998-1999	4,761,000	19	250,579	1.629	408,193	250,579	1.000	250,579
1999-2000	4,851,000	14	346,500	1.551	537,422	346,500	1.000	346,500
2000-2001	5,142,000	21	244,857	1.477	361,654	244,857	1.000	244,857
2001-2002	3,442,000	23	149,652	1.407	210,560	149,652	1.000	149,652
2002-2003	4,227,000	19	222,474	1.340	298,115	222,474	1.000	222,474
2003-2004	9,524,000	25	380,960	1.276	486,105	313,480	1.000	313,480
2004-2005	9,822,000	27	363,778	1.216	442,354	328,947	1.000	328,947
2005-2006	7,476,000	29	257,793	1.158	298,524	345,423	1.000	345,423
2006-2007	8,888,000	23	386,435	1.103	426,238	362,647	1.000	362,647
2007-2008	9,819,000	23	426,913	1.050	448,259	380,952	1.000	380,952

Average \$100K - \$1M Severity: \$393,687
Average 01/02-06/07 \$100K - \$1M Severity: \$360,316
Average 02/03-07/08 \$100K - \$1M Severity: \$399,933

Selected \$100K - \$1M Severity: \$400,000
Prior: \$250,000

Notes:

- (A) Selected average of results from Appendices B, B, and B.
- (B) Appendix B, Page 10, Column (C).
- (C) (A) / (B).
- (D) From Appendix E, Column (J).
- (E) (C) x (D).
- (F) Selected Limited Severity / (D).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

This exhibit shows the calculation of the historical average cost per claim, or severity. The observed average severity is used in the method shown on page 1 of this Appendix.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Frequency and Severity Method
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Composite Exposure (10,000s) (D)	Trended Claim Frequency (E)	Trend Factor (F)	Claim Frequency (G)
1995-1996	16	16	16	841.561	0.019	1.000	0.019
1996-1997	13	12	13	874.583	0.015	1.000	0.015
1997-1998	18	18	18	914.856	0.020	1.000	0.020
1998-1999	19	17	19	929.597	0.020	1.000	0.020
1999-2000	14	14	14	952.964	0.015	1.000	0.015
2000-2001	21	21	21	980.022	0.021	1.000	0.021
2001-2002	23	22	23	1,023.562	0.022	1.000	0.022
2002-2003	19	16	19	1,042.237	0.018	1.000	0.018
2003-2004	25	19	25	1,030.490	0.024	1.000	0.024
2004-2005	27	18	27	1,034.934	0.026	1.000	0.026
2005-2006	29	24	29	1,060.850	0.027	1.000	0.027
2006-2007	23	6	23	1,083.150	0.021	1.000	0.021
2007-2008	23	2	23	1,087.431	0.021	1.000	0.021
Total	270	205	270	12,856.235			0.021
					(H) Selected 2008-2009 Frequency:		0.021
					Program Year:	2008-2009	2009-2010
					(I) Trend Factor:	1.000	1.000
					(J) Selected Frequency:	0.021	0.021
					(K) Composite Exposure:	1,093.353	1,126.154
					(L) Ultimate Claims:	23	24

Notes:

- (A) From Appendix B, Page 11, (C).
- (B) From Appendix B, Page 12, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix N, Page 2, (G).
- (E) (C) / (D).
- (F) From Appendix E.
- (G) (E) x (F).
- (H) The selected frequency of .021 is based on (G).
- (I) From Appendix E.
- (J) (H) x (I).
- (K) From Appendix N, Page 2, (G).
- (L) (J) x (K).

This exhibit summarizes the estimated numbers of claims and shows the estimated frequencies per 10,000 units of composite exposure, Appendix E, page2, Item (G).

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Frequency and Severity Method
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2008 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	16	1.000	16	0.019
1996-1997	13	1.000	13	0.015
1997-1998	18	1.000	18	0.020
1998-1999	19	1.000	19	0.020
1999-2000	14	1.000	14	0.015
2000-2001	21	1.000	21	0.021
2001-2002	23	1.000	23	0.022
2002-2003	19	1.001	19	0.018
2003-2004	25	1.003	25	0.024
2004-2005	27	1.006	27	0.026
2005-2006	29	1.016	29	0.027
2006-2007	22	1.039	23	0.021
2007-2008	19	1.193	23	0.021
Total	265		270	0.021

Notes:

- (A) Provided by the Authority.
- (B) From Appendix B, Page 15.
- (C) (A) x (B).
- (D) (C) / [Appendix B, Page 10, (D)] x [Appendix B, Page 10, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on reported claims as provided by the Authority. These numbers of claims tend to "develop" or change from period to period as more claims are filed. This development tends to follow quantifiable patterns over time.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Frequency and Severity Method
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2008 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	16	1.000	16	0.019
1996-1997	12	1.001	12	0.014
1997-1998	18	1.003	18	0.020
1998-1999	17	1.005	17	0.018
1999-2000	14	1.008	14	0.015
2000-2001	21	1.010	21	0.021
2001-2002	22	1.014	22	0.021
2002-2003	16	1.022	16	0.015
2003-2004	18	1.034	19	0.018
2004-2005	17	1.057	18	0.017
2005-2006	22	1.104	24	0.023
2006-2007	5	1.221	6	0.006
2007-2008	1	1.788	2	0.002
Total	199		205	0.016

Notes:

- (A) Provided by the Authority.
- (B) From Appendix B, Page 16.
- (C) (A) x (B).
- (D) (C) / [Appendix B, Page 10, (D)] x [Appendix B, Page 10, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on closed claims as provided by the Authority. These numbers of closed claims tend to "develop" or change from period to period as more claims are closed. This development tends to follow quantifiable patterns over time.

Authority for California Cities Excess Liability - Liability (\$100K - \$1M Analysis)

Loss Rate Trend

Accident Year	Payroll	Preliminary Ultimate Loss	Untrended Loss Rate	Trended Loss Rate
1998-1999	9,295,965	4,539,000	0.488	0.795
1999-2000	9,529,638	4,625,000	0.485	0.753
2000-2001	9,800,221	4,904,000	0.500	0.739
2001-2002	10,235,624	3,282,000	0.321	0.451
2002-2003	10,422,373	3,997,000	0.384	0.514
2003-2004	10,304,898	9,080,000	0.881	1.125
2004-2005	10,349,340	9,340,000	0.902	1.097
2005-2006	10,608,498	6,898,000	0.650	0.753
2006-2007	10,831,495	7,932,000	0.732	0.807
2007-2008	10,874,309	8,299,000	0.763	0.801

Exponential Trends

Years	R-square	Fitted Trend
01/02-06/07	0.493	0.962
02/03-07/08	0.189	1.076
98/99-07/08	0.400	1.076

Prior Trend: 1.050
Selected Trend: 1.050

Authority for California Cities Excess Liability

Historical Payroll by Member

Member	1986-87 Payroll (00)	1987-88 Payroll (00)	1988-89 Payroll (00)	1989-90 Payroll (00)	1990-91 Payroll (00)	1991-92 Payroll (00)	1992-93 Payroll (00)	1993-94 Payroll (00)	1994-95 Payroll (00)	1995-96 Payroll (00)	1996-97 Payroll (00)	1997-98 Payroll (00)
Anaheim	617,375	863,430	945,634	887,693	997,604	1,032,792	1,017,556	1,106,327	1,138,132	1,159,649	1,186,315	1,183,599
Bakersfield	337,571	363,542	385,888	427,532	456,470	479,556	490,078	463,172	544,562	558,232	592,428	626,800
Burbank	67,568	403,276	435,541	517,034	546,240	570,952	606,092	612,781	633,112	651,359	628,837	665,202
Gardena	85,553	126,061	150,116	155,950	167,690	183,626	0	0	0	0	0	0
Modesto	336,784	296,655	340,582	340,582	403,120	486,797	492,189	479,750	496,562	535,022	533,981	596,710
Monterey	0	0	0	150,186	167,555	177,538	176,550	181,500	206,054	212,611	225,039	235,554
Mountain View	0	0	0	0	0	0	310,326	292,142	307,338	325,808	341,322	360,295
Ontario	227,880	280,023	325,401	368,037	425,392	459,269	440,000	517,000	518,010	524,206	574,396	582,744
Palo Alto	380,529	385,839	409,895	441,571	469,616	500,629	526,146	552,171	606,885	575,477	607,900	677,305
Santa Barbara	310,619	300,236	342,392	355,513	393,889	438,230	421,442	464,065	494,001	496,728	525,742	562,649
Santa Cruz	0	0	0	0	0	0	0	0	0	0	164,906	327,837
Santa Monica	609,257	530,434	556,978	610,936	682,891	758,378	657,800	770,000	856,975	863,634	912,836	943,294
Visalia	132,804	121,195	137,709	144,025	165,025	189,676	172,119	196,757	202,780	199,965	208,770	210,996
Total	3,105,940	3,670,691	4,030,134	4,399,059	4,875,491	5,277,443	5,310,299	5,635,666	6,004,411	6,102,690	6,502,472	6,972,985

Member	1998-99 Payroll (00)	1999-00 Payroll (00)	2000-01 Payroll (00)	2001-02 Payroll (00)	2002-03 Payroll (00)	2003-04 Payroll (00)	2004-05 Payroll (00)	2005-06 Payroll (00)	2006-07 Payroll (00)	Projected 2007-08 Payroll (00)	Projected 2008-09 Payroll (00)	Projected 2009-10 Payroll (00)
Anaheim	1,221,632	1,347,535	1,393,423	1,497,038	1,571,861	1,686,921	1,702,110	1,874,760	1,933,055	1,936,850	2,050,780	2,112,300
Bakersfield	656,309	672,981	679,346	710,898	746,845	769,039	775,782	828,105	889,657	928,430	943,840	972,160
Burbank	0	0	0	0	0	0	963,640	961,084	1,080,588	1,021,641	1,146,400	1,180,790
Gardena	0	0	0	0	0	0	0	0	0	0	0	0
Modesto	599,204	621,472	656,651	711,909	761,554	745,169	757,072	777,859	808,720	836,950	857,970	883,710
Monterey	246,524	262,721	284,379	307,684	320,894	313,632	313,439	315,127	303,985	340,838	322,490	332,160
Mountain View	409,155	408,020	434,816	470,177	517,208	479,749	474,925	505,565	558,760	579,550	592,790	610,570
Ontario	589,308	605,886	637,469	683,592	692,474	710,686	732,721	783,778	808,309	827,467	857,540	883,270
Palo Alto	722,355	727,013	771,366	875,829	907,965	976,695	964,635	910,388	920,271	964,648	976,320	1,005,610
Santa Barbara	587,051	644,650	658,205	688,383	715,412	731,380	739,835	827,558	767,235	826,778	813,960	838,380
Santa Cruz	330,666	368,019	383,500	421,614	414,665	404,596	405,476	415,167	494,206	483,045	524,300	540,030
Santa Monica	997,024	1,028,662	1,156,953	1,234,923	1,274,089	1,221,506	1,263,241	1,350,510	1,445,204	1,539,768	1,533,220	1,579,220
Visalia	218,084	237,134	256,559	257,861	290,675	269,603	281,525	300,145	295,903	323,116	313,920	323,340
Total	6,577,313	6,924,094	7,312,668	7,859,909	8,213,644	8,308,977	9,374,402	9,850,045	10,305,894	10,609,082	10,933,530	11,261,540

Note: Data provided by ACCEL.

Authority for California Cities Excess Liability

ULAE as of June 30, 2009

(A) Selected ULAE Factor	3.5%
(B) Provision for Unpaid ULAE :	
IBNR at 6/30/09	\$11,098,000
Half of Case Reserves at 6/30/09	1,271,000
Computation Base	\$12,369,000
Provision for Unpaid ULAE at 6/30/09	\$433,000