



Bickmore Risk Services & Consulting

Thursday, March 18, 2010

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 \$15,153,000 as of June 30, 2010. 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 \$13,201,000 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, 2010 is projected to be \$19,617,000.

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.

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The tables below shows our estimates of the program's claims liabilities as of December 31, 2009 and June 30, 2010, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2009
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

| Confidence Level | Undiscounted | Discounted |
|------------------|--------------|--------------|
| Expected | \$13,336,000 | \$11,845,000 |
| 70% | 15,830,000 | 14,060,000 |
| 75% | 16,937,000 | 15,043,000 |
| 80% | 18,217,000 | 16,180,000 |
| 85% | 19,817,000 | 17,602,000 |
| 90% | 21,938,000 | 19,485,000 |
| 95% | 25,432,000 | 22,588,000 |

**Outstanding Liability as of June 30, 2010
at Various Confidence Level
\$500K and \$1,000K pools combined**

| Confidence Level | Undiscounted | Discounted |
|------------------|--------------|--------------|
| Expected | \$15,153,000 | \$13,201,000 |
| 70% | 17,987,000 | 15,670,000 |
| 75% | 19,244,000 | 16,765,000 |
| 80% | 20,699,000 | 18,033,000 |
| 85% | 22,517,000 | 19,617,000 |
| 90% | 24,927,000 | 21,716,000 |
| 95% | 28,897,000 | 25,174,000 |

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 \$490,000 as of June 30, 2010. This estimate is 3.5% of IBNR and half of case reserves as of June 30, 2010.

We present funding recommendations for claims incurred during program year 2010-11 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 2010-2011

| Layer | Expected | 80% | 85% | 90% |
|----------|----------|---------|---------|---------|
| \$1M-2M | \$0.211 | \$0.290 | \$0.316 | \$0.350 |
| \$1M-3M | 0.335 | 0.460 | 0.501 | 0.556 |
| \$1M-4M | 0.395 | 0.543 | 0.591 | 0.655 |
| \$1M-5M | 0.413 | 0.567 | 0.618 | 0.685 |
| \$5M-10M | 0.156 | 0.214 | 0.234 | 0.259 |
| \$1M-10M | 0.551 | 0.757 | 0.825 | 0.914 |

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program’s 2010-11 claims by different layers:

Funding Amount Guidelines for Discounted Claims Incurred in 2010-2011

| Layer | Expected | 80% | 85% | 90% |
|----------|-------------|-------------|-------------|-------------|
| \$1M-2M | \$2,510,000 | \$3,450,000 | \$3,759,000 | \$4,164,000 |
| \$1M-3M | 3,985,000 | 5,472,000 | 5,960,000 | 6,614,000 |
| \$1M-4M | 4,699,000 | 6,460,000 | 7,031,000 | 7,792,000 |
| \$1M-5M | 4,913,000 | 6,745,000 | 7,352,000 | 8,149,000 |
| \$5M-10M | 1,856,000 | 2,546,000 | 2,784,000 | 3,081,000 |
| \$1M-10M | 6,555,000 | 9,006,000 | 9,815,000 | 10,873,000 |

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.

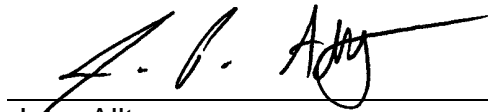
All actuarial estimates of general liability claims costs are subject to uncertainty because of the complexity of the process that determines the costs. This is especially true of excess general liability claims costs. For this reason, sound management practices suggest that actual funding should be 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", is 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, 2008-09 and 2009-10.

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 2010-11 fiscal year.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS AS OF DECEMBER 31, 2009 and June 30, 2010

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$15,153,000 as of June 30, 2010. 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 \$13,201,000 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, 2010 is projected to be \$19,617,000.

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, 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 December 31, 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 | 3,809 | 3,809 |
| 1992-1993 | 21,442 | 21,442 |
| 1993-1994 | 4,832 | 4,832 |
| 1994-1995 | 11,808 | 11,265 |
| 1995-1996 | 9,859 | 8,932 |
| 1996-1997 | 16,930 | 15,245 |
| 1997-1998 | 20,537 | 18,298 |
| 2003-2004 | 665,916 | 605,984 |
| 2004-2005 | 250,374 | 228,967 |
| 2005-2006 | 604,247 | 552,584 |
| 2006-2007 | 1,856,000 | 1,689,888 |
| 2007-2008 | 2,820,000 | 2,540,820 |
| 2008-2009 | 4,454,000 | 3,926,201 |
| 2009-2010 | 2,596,000 | 2,216,984 |
| All Years | \$13,335,754 | \$11,845,251 |

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, 2009 outstanding liability at various confidence levels.

**Outstanding Liability as of December 31, 2009
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

| Confidence Level | Undiscounted | Discounted |
|------------------|--------------|--------------|
| Expected | \$13,336,000 | \$11,845,000 |
| 70% | 15,830,000 | 14,060,000 |
| 75% | 16,937,000 | 15,043,000 |
| 80% | 18,217,000 | 16,180,000 |
| 85% | 19,817,000 | 17,602,000 |
| 90% | 21,938,000 | 19,485,000 |
| 95% | 25,432,000 | 22,588,000 |

We estimate the program's liability for outstanding loss and ALAE to be approximately \$15,153,000 as of June 30, 2010 before anticipated investment income. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$13,201,000 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, 2010 - \$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, 2010 - \$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 | 3,413 | 3,413 |
| 1992-1993 | 18,826 | 18,826 |
| 1993-1994 | 4,363 | 4,363 |
| 1994-1995 | 11,277 | 10,239 |
| 1995-1996 | 8,784 | 7,941 |
| 1996-1997 | 14,712 | 13,197 |
| 1997-1998 | 18,442 | 16,321 |
| 2003-2004 | 534,065 | 487,601 |
| 2004-2005 | 207,059 | 189,666 |
| 2005-2006 | 508,776 | 464,512 |
| 2006-2007 | 1,601,728 | 1,454,369 |
| 2007-2008 | 2,650,800 | 2,369,815 |
| 2008-2009 | 4,378,282 | 3,804,727 |
| 2009-2010 | 5,192,000 | 4,356,088 |
| All Years | \$15,152,528 | \$13,201,078 |

The table on the following page shows our estimates of the program's claims liabilities as of June 30, 2010, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of June 30, 2010
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

| Confidence Level | Undiscounted | Discounted |
|---------------------|--------------|--------------|
| Expected | \$15,153,000 | \$13,201,000 |
| 70% | 17,987,000 | 15,670,000 |
| 75% | 19,244,000 | 16,765,000 |
| 80% | 20,699,000 | 18,033,000 |
| 85% | 22,517,000 | 19,617,000 |
| 90% | 24,927,000 | 21,716,000 |
| 95% | 28,897,000 | 25,174,000 |

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 \$490,000 as of June 30, 2010. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2010.

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 | Current | Prior 3/4/09 | Change in Estimates Since 3/04/09 Report |
|----------------|--------------|--------------|--|
| 1987-1988 | \$0 | \$0 | \$0 |
| 1987-1988 | 1,224,542 | 1,224,542 | 0 |
| 1988-1989 | 0 | 0 | 0 |
| 1989-1990 | 0 | 0 | 0 |
| 1990-1991 | 0 | 0 | 0 |
| 1991-1992 | 2,505,000 | 2,560,000 | (55,000) |
| 1992-1993 | 10,560,000 | 10,855,000 | (295,000) |
| 1993-1994 | 882,000 | 940,000 | (58,000) |
| 1994-1995 | 1,451,000 | 1,560,000 | (109,000) |
| 1995-1996 | 922,000 | 1,009,000 | (87,000) |
| 1996-1997 | 2,245,000 | 2,632,000 | (387,000) |
| 1997-1998 | 2,104,000 | 2,520,000 | (416,000) |
| 2003-2004 | 3,692,000 | 3,623,000 | 69,000 |
| 2004-2005 | 2,628,000 | 2,841,000 | (213,000) |
| 2005-2006 | 5,062,000 | 5,605,000 | (543,000) |
| 2006-2007 | 1,856,000 | 3,272,000 | (1,416,000) |
| 2007-2008 | 2,820,000 | 3,439,000 | (619,000) |
| 2008-2009 | 4,454,000 | 4,481,000 | (27,000) |
| All Years | \$42,405,542 | \$46,561,542 | (\$4,156,000) |

Our estimates of ultimate losses are lower than those presented in the Authority's previous actuarial review dated March 4, 2009 for almost all years. This is due to favorable loss development in all but the 2003-04 year. However, we estimated the liability for outstanding claims as of June 30, 2009 to be \$13,640,000 at the undiscounted expected level. Our current estimate as of June 30, 2010 is \$15,153,000, an increase of \$1,513,000. This is due to inclusion of the new 2009-10 year and less than expected paid loss development.

B. FUNDING RATES FOR 2010-11 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 2010-2011

| Confidence Level | Expected | 80% | 85% | 90% |
|------------------|----------|---------|---------|---------|
| \$1M-2M | \$0.211 | \$0.290 | \$0.316 | \$0.350 |
| \$1M-3M | 0.335 | 0.460 | 0.501 | 0.556 |
| \$1M-4M | 0.395 | 0.543 | 0.591 | 0.655 |
| \$1M-5M | 0.413 | 0.567 | 0.618 | 0.685 |
| \$5M-10M | 0.156 | 0.214 | 0.234 | 0.259 |
| \$1M-10M | 0.551 | 0.757 | 0.825 | 0.914 |

:

Funding Amount Guidelines for Discounted Claims Incurred in 2010-2011

| Layer | Expected | 80% | 85% | 90% |
|----------|-------------|-------------|-------------|-------------|
| \$1M-2M | \$2,510,000 | \$3,450,000 | \$3,759,000 | \$4,164,000 |
| \$1M-3M | 3,985,000 | 5,472,000 | 5,960,000 | 6,614,000 |
| \$1M-4M | 4,699,000 | 6,460,000 | 7,031,000 | 7,792,000 |
| \$1M-5M | 4,913,000 | 6,745,000 | 7,352,000 | 8,149,000 |
| \$5M-10M | 1,856,000 | 2,546,000 | 2,784,000 | 3,081,000 |
| \$1M-10M | 6,555,000 | 9,006,000 | 9,815,000 | 10,873,000 |

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 2010-11 | Last Review 2009-10 | Percent Change |
|----------|---------------------------|---------------------------|-------------------|
| \$1M-2M | \$0.243 | \$0.236 | 3.0% |
| \$1M-3M | \$0.385 | \$0.369 | 4.3% |
| \$1M-5M | \$0.475 | \$0.451 | 5.3% |
| \$5M-10M | \$0.180 | \$0.164 | 9.8% |
| \$1M-10M | \$0.634 | \$0.614 | 3.3% |

As you can see, our projected funding rates for the 2010-11 program year are higher than those projected for 2009-10 in our prior report. In general, the higher the layer, the greater the increase in projected funding rate.

C. ALLOCATION OF 2010-11 FUNDING

The following table displays the allocation of the program's 2010-11 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 2010-11 payroll. The funding allocation below does not include any experience or exposure modification factors.

Recommended Funding for Claims Incurred in 2010-2011 Discounted – 85% Confidence Level

| Member | \$1M to \$2M | \$1M to \$3M | \$1M to \$4M | \$1M to \$5M | \$5M to \$10M | \$1M to \$10M |
|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Anaheim | \$714,000 | \$1,133,000 | \$1,336,000 | \$1,399,000 | \$529,000 | \$1,866,000 |
| Bakersfield | 307,000 | 487,000 | 574,000 | 601,000 | 227,000 | 802,000 |
| Burbank | 368,000 | 583,000 | 688,000 | 719,000 | 272,000 | 960,000 |
| Modesto | 272,000 | 431,000 | 509,000 | 532,000 | 201,000 | 710,000 |
| Monterey | 121,000 | 192,000 | 227,000 | 237,000 | 90,000 | 317,000 |
| Mountain View | 211,000 | 334,000 | 394,000 | 412,000 | 156,000 | 550,000 |
| Ontario | 287,000 | 455,000 | 537,000 | 561,000 | 213,000 | 749,000 |
| Palo Alto | 329,000 | 521,000 | 615,000 | 643,000 | 244,000 | 858,000 |
| Santa Barbara | 296,000 | 469,000 | 554,000 | 579,000 | 219,000 | 773,000 |
| Santa Cruz | 180,000 | 286,000 | 337,000 | 352,000 | 133,000 | 470,000 |
| Santa Monica | 557,000 | 884,000 | 1,042,000 | 1,090,000 | 413,000 | 1,454,000 |
| Visalia | 116,000 | 183,000 | 216,000 | 227,000 | 86,000 | 302,000 |
| Total | \$3,758,000 | \$5,958,000 | \$7,029,000 | \$7,352,000 | \$2,783,000 | \$9,811,000 |

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, 2009 from individual member cities. This file included ground up losses and allocated loss adjustment expenses reported separately for each claimant. We were also provided with pool loss runs as of December 31, 2009.
- We were provided with payrolls by City for the 1986-87 through 2007-08 program years. The estimated payroll for 2009-10 and 2010-11 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 2010-11 Funding Guidelines - Discounted 85% Confidence Level

| Member | Estimated 2010-11 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 | \$2,263,110 | \$715,143 | \$1,133,818 | \$1,337,498 | \$1,398,602 | \$529,568 | \$1,867,066 |
| Bakersfield | 971,810 | 307,092 | 486,877 | 574,340 | 600,579 | 227,404 | 801,743 |
| Burbank | 1,163,880 | 367,786 | 583,104 | 687,853 | 719,278 | 272,348 | 960,201 |
| Modesto | 860,860 | 272,032 | 431,291 | 508,768 | 532,011 | 201,441 | 710,210 |
| Monterey | 384,160 | 121,395 | 192,464 | 227,039 | 237,411 | 89,893 | 316,932 |
| Mountain View | 667,050 | 210,788 | 334,192 | 394,227 | 412,237 | 156,090 | 550,316 |
| Ontario | 908,120 | 286,966 | 454,968 | 536,699 | 561,218 | 212,500 | 749,199 |
| Palo Alto | 1,040,600 | 328,830 | 521,341 | 614,995 | 643,091 | 243,500 | 858,495 |
| Santa Barbara | 936,720 | 296,004 | 469,297 | 553,602 | 578,893 | 219,192 | 772,794 |
| Santa Cruz | 570,260 | 180,202 | 285,700 | 337,024 | 352,421 | 133,441 | 470,465 |
| Santa Monica | 1,763,630 | 557,307 | 883,579 | 1,042,305 | 1,089,923 | 412,689 | 1,454,995 |
| Visalia | 366,250 | 115,735 | 183,491 | 216,454 | 226,343 | 85,703 | 302,156 |
| Totals | \$11,896,450 | \$3,759,280 | \$5,960,122 | \$7,030,804 | \$7,352,007 | \$2,783,769 | \$9,814,572 |

(A) Provided by ACCEL.

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

Authority for California Cities Excess Liability

Projected 2010-11 Funding Guidelines

| Layer | Estimated 2010-11 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 | \$11,896,450 | \$2,890,837 | 86.9% | \$2,510,151 | \$2,986,009 | \$3,200,145 | \$3,449,971 | \$3,759,278 | \$4,163,758 | \$4,841,855 |
| \$1M-3M | 11,896,450 | 4,580,133 | 86.9% | 3,985,311 | 4,746,684 | 5,079,784 | 5,472,367 | 5,960,121 | 6,614,426 | 7,685,107 |
| \$1M-4M | 11,896,450 | 5,400,988 | 86.9% | 4,699,098 | 5,591,332 | 5,995,811 | 6,459,772 | 7,030,802 | 7,792,175 | 9,053,198 |
| \$1M-5M | 11,896,450 | 5,650,814 | 86.9% | 4,913,234 | 5,853,053 | 6,269,429 | 6,745,287 | 7,352,006 | 8,149,068 | 9,469,574 |
| \$5M-10M | 11,896,450 | 2,141,361 | 86.9% | 1,855,846 | 2,212,740 | 2,367,394 | 2,545,840 | 2,783,769 | 3,081,181 | 3,580,831 |
| \$1M-10M | 11,896,450 | 7,542,349 | 86.9% | 6,554,944 | 7,804,071 | 8,363,204 | 9,005,613 | 9,814,571 | 10,873,355 | 12,634,030 |

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 2010-11 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 | \$0.243 | 86.9% | \$0.211 | \$0.251 | \$0.269 | \$0.290 | \$0.316 | \$0.350 | \$0.407 |
| \$1M-3M | 0.385 | 86.9% | 0.335 | 0.399 | 0.427 | 0.460 | 0.501 | 0.556 | 0.646 |
| \$1M-4M | 0.454 | 86.9% | 0.395 | 0.470 | 0.504 | 0.543 | 0.591 | 0.655 | 0.761 |
| \$1M-5M | 0.475 | 86.9% | 0.413 | 0.492 | 0.527 | 0.567 | 0.618 | 0.685 | 0.796 |
| \$5M-10M | 0.180 | 86.9% | 0.156 | 0.186 | 0.199 | 0.214 | 0.234 | 0.259 | 0.301 |
| \$1M-10M | 0.634 | 86.9% | 0.551 | 0.656 | 0.703 | 0.757 | 0.825 | 0.914 | 1.062 |

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: | \$1.056 |
| (C) Selected Base Loss Rate (\$100K - \$1M Layer): | \$1.056 |

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Funding Guidelines for Outstanding Losses
as of December 31, 2009 and June 30, 2010

| | <u>December 31, 2009</u> | <u>June 30, 2010</u> |
|---|--------------------------|----------------------|
| (A) Estimated Ultimate Losses Incurred as of: | \$45,001,542 | \$47,597,542 |
| (B) Estimated Paid Losses as of: | 31,665,788 | 32,445,014 |
| (C) Estimated Liability for Claims Outstanding as of: | \$13,335,754 | \$15,152,528 |
| (D) Outstanding Liability Discount Factor: | 88.8% | 87.1% |
| (E) Discounted Outstanding Liability for Claims as of: | \$11,845,000 | \$13,201,000 |
| (F) Risk Margin at 90% Confidence Level: | 7,640,000 | 8,515,000 |
| (G) Required Funding at the 90% confidence Level: | \$19,485,000 | \$21,716,000 |

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

| | Accident Year | Paid Loss | Full | 4.0% | |
|-----------|---------------|-----------|---------|------------|------------|
| | Development | Payment | Value | Discounted | Discounted |
| Age | Factor | Pattern | Reserve | Reserve | Factor |
| 1987-1988 | 23.0 | 1.000 | 0.1% | 0.1% | 100.0% |
| 1988-1989 | 22.0 | 1.001 | 0.0% | 0.1% | 100.0% |
| 1989-1990 | 21.0 | 1.001 | 0.0% | 0.1% | 100.0% |
| 1990-1991 | 20.0 | 1.001 | 0.1% | 0.2% | 100.0% |
| 1991-1992 | 19.0 | 1.002 | 0.1% | 0.3% | 100.0% |
| 1992-1993 | 18.0 | 1.003 | 0.2% | 0.5% | 100.0% |
| 1993-1994 | 17.0 | 1.005 | 0.2% | 0.7% | 100.0% |
| 1994-1995 | 16.0 | 1.007 | 0.2% | 0.9% | 90.8% |
| 1995-1996 | 15.0 | 1.009 | 0.4% | 1.3% | 90.4% |
| 1996-1997 | 14.0 | 1.013 | 0.4% | 1.7% | 89.7% |
| 1997-1998 | 13.0 | 1.017 | 0.4% | 2.1% | 88.5% |
| 1998-1999 | 12.0 | 1.021 | 0.6% | 2.6% | 87.9% |
| 1999-2000 | 11.0 | 1.027 | 1.2% | 3.8% | 88.7% |
| 2000-2001 | 10.0 | 1.040 | 2.2% | 6.0% | 89.9% |
| 2001-2002 | 9.0 | 1.064 | 2.9% | 8.9% | 90.3% |
| 2002-2003 | 8.0 | 1.098 | 4.7% | 13.6% | 90.7% |
| 2003-2004 | 7.0 | 1.158 | 8.4% | 22.0% | 91.3% |
| 2004-2005 | 6.0 | 1.282 | 12.7% | 34.7% | 91.6% |
| 2005-2006 | 5.0 | 1.531 | 17.0% | 51.6% | 91.3% |
| 2006-2007 | 4.0 | 2.068 | 21.3% | 72.9% | 90.8% |
| 2007-2008 | 3.0 | 3.693 | 17.4% | 90.3% | 89.4% |
| 2008-2009 | 2.0 | 10.341 | 7.5% | 97.9% | 86.9% |
| 2009-2010 | 1.0 | 47.004 | 2.1% | 100.0% | 83.9% |

Discount Factor for Future Funding: 0.856

| Accident Year | Accident Year | Full | 4.0% | 12/31/2009 | 12/31/2009 | 6/30/2010 | 6/30/2010 | |
|---------------|---------------|---------|----------------------------------|-------------|------------|-------------|------------|------------|
| | Paid Loss | Value | Discounted | Outstanding | Discounted | Outstanding | Discounted | |
| | Development | Reserve | Reserve | Loss | Factor | Loss | Factor | |
| 1986-1987 | 1.000 | 0.00% | 0.00% | 0 | 100.0% | 0 | 100.0% | |
| 1987-1988 | 1.000 | 0.00% | 0.00% | 0 | 100.0% | 0 | 100.0% | |
| 1988-1989 | 1.000 | 0.00% | 0.00% | 0 | 100.0% | 0 | 100.0% | |
| 1989-1990 | 1.000 | 0.00% | 0.00% | 0 | 100.0% | 0 | 100.0% | |
| 1986-1987 | 1.000 | 0.00% | 0.00% | 0 | 100.0% | 0 | 100.0% | |
| 1987-1988 | 1.000 | 0.00% | 0.00% | 0 | 100.0% | 0 | 100.0% | |
| 1988-1989 | 1.001 | 0.10% | 0.10% | 0 | 100.0% | 0 | 100.0% | |
| 1989-1990 | 1.001 | 0.10% | 0.09% | 0 | 100.0% | 0 | 100.0% | |
| 1990-1991 | 1.001 | 0.10% | 0.09% | 0 | 100.0% | 0 | 100.0% | |
| 1991-1992 | 1.002 | 0.20% | 0.19% | 3,809 | 100.0% | 3,809 | 100.0% | |
| 1992-1993 | 1.003 | 0.30% | 0.28% | 21,442 | 100.0% | 21,442 | 100.0% | |
| 1993-1994 | 1.005 | 0.50% | 0.46% | 4,832 | 100.0% | 4,832 | 100.0% | |
| 1994-1995 | 1.007 | 0.70% | 0.64% | 11,808 | 95.4% | 11,265 | 90.8% | |
| 1995-1996 | 1.009 | 0.89% | 0.80% | 9,859 | 90.6% | 8,932 | 90.4% | |
| 1996-1997 | 1.013 | 1.28% | 1.16% | 16,930 | 90.1% | 15,245 | 89.7% | |
| 1997-1998 | 1.017 | 1.67% | 1.49% | 20,537 | 89.1% | 18,298 | 88.5% | |
| 2003-2004 | 1.158 | 13.64% | 13.17% | 665,916 | 91.0% | 605,984 | 91.3% | |
| 2004-2005 | 1.282 | 22.00% | 20.86% | 250,374 | 91.5% | 228,967 | 91.6% | |
| 2005-2006 | 1.531 | 34.68% | 32.49% | 604,247 | 91.5% | 552,584 | 91.3% | |
| 2006-2007 | 2.068 | 51.64% | 47.87% | 1,856,000 | 91.1% | 1,689,888 | 90.8% | |
| 2007-2008 | 3.693 | 72.92% | 66.89% | 2,820,000 | 90.1% | 2,540,820 | 89.4% | |
| 2008-2009 | 10.341 | 90.33% | 81.38% | 4,454,000 | 88.2% | 3,926,201 | 86.9% | |
| 2009-2010 | 47.004 | 97.87% | 85.65% | 2,596,000 | 85.4% | 2,216,984 | 83.9% | |
| | | | Total | 13,335,754 | | 11,845,251 | 15,152,528 | 13,201,078 |
| | | | Discount Factor for Outstanding: | 88.8% | | | 87.1% | |

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Confidence Level Factors

| Probability | Projected Funding Factor | Outstanding Liability Factor |
|-------------|--------------------------------|------------------------------------|
| 95 | 1.927 | 1.907 |
| 90 | 1.659 | 1.645 |
| 85 | 1.497 | 1.486 |
| 80 | 1.374 | 1.366 |
| 75 | 1.275 | 1.270 |
| 70 | 1.191 | 1.187 |
| 65 | 1.116 | 1.114 |
| 60 | 1.048 | 1.047 |
| 55 | 0.985 | 0.986 |
| 50 | 0.925 | 0.927 |
| 45 | 0.869 | 0.872 |
| 40 | 0.812 | 0.817 |
| 35 | 0.757 | 0.762 |
| 30 | 0.701 | 0.707 |
| 25 | 0.642 | 0.649 |

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) |
|---------------|------------------------|-----------------------|---------------|-----------------------|---------------------------------------|
| Anaheim | 6/14/05 | 2004-2005 | Closed | 3,329,184 | 3,329,184 |
| Anaheim | 10/28/08 | 2008-2009 | Open | 0 | 1,200,000 |
| Bakersfield | 3/20/04 | 2003-2004 | Closed | 1,812,469 | 1,812,469 |
| Burbank | 10/12/00 | 2000-2001 | Closed | 1,162,820 | 1,162,820 |
| Modesto | 9/13/00 | 2000-2001 | Closed | 2,793,000 | 2,793,000 |
| Modesto | 9/24/01 | 2001-2002 | Closed | 3,300,000 | 3,300,000 |
| Modesto | 6/3/04 | 2003-2004 | Closed | 3,000,018 | 3,000,018 |
| Modesto | 8/2/04 | 2004-2005 | Closed | 1,309,134 | 1,319,703 |
| Modesto | 8/2/04 | 2004-2005 | Closed | 1,083,333 | 1,083,333 |
| Modesto | 8/2/04 | 2004-2005 | Open | 1,540,841 | 1,619,284 |
| Mountain View | 3/25/2002 | 2001-2002 | Open | 2,438,270 | 4,356,596 |
| Ontario | 2/1/04 | 2003-2004 | Closed | 1,000,000 | 1,000,000 |
| Santa Barbara | 6/29/00 | 1999-2000 | Closed | 4,331,071 | 4,331,071 |
| Santa Barbara | 7/25/02 | 2002-2003 | Open | 2,400,000 | 2,400,000 |
| Santa Barbara | 1/7/04 | 2003-2004 | Open | 1,000,000 | 1,000,000 |
| Santa Monica | 01/26/2001 | 2000-2001 | Closed | 1,077,185 | 1,077,185 |
| Santa Monica | 07/16/2003 | 2003-2004 | Closed | 23,000,000 | 23,000,000 |
| Santa Monica | 05/05/2004 | 2003-2004 | Closed | 2,002,180 | 2,002,180 |
| Santa Monica | 03/23/2004 | 2003-2004 | Closed | 4,400,000 | 4,400,000 |
| Santa Monica | 04/29/2005 | 2004-2005 | Closed | 1,333,904 | 1,333,904 |
| Santa Monica | 08/09/2005 | 2005-2006 | Closed | 4,619,000 | 4,619,000 |
| Santa Monica | 09/05/2007 | 2007-2008 | Open | 1,000,000 | 1,000,000 |
| Visalia | 10/21/00 | 2000-2001 | Closed | 1,500,000 | 1,500,000 |
| Visalia | 10/28/04 | 2004-2005 | Closed | 1,000,000 | 1,000,000 |

Authority for California Cities Excess Liability
ACCEL Layer

Outstanding Liability at December 31, 2009

| Accident Year | Ultimate Losses (A) | 12/31/09 Reported Loss (B) | 12/31/09 IBNR (C) | 12/31/09 Paid Loss (D) | 12/31/09 Case Reserves (E) | 12/31/09 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 | 2,505,000 | 2,501,191 | 3,809 | 2,501,191 | 0 | 3,809 |
| 1992-1993 | 10,560,000 | 10,538,558 | 21,442 | 10,538,558 | 0 | 21,442 |
| 1993-1994 | 882,000 | 877,168 | 4,832 | 877,168 | 0 | 4,832 |
| 1994-1995 | 1,451,000 | 1,439,192 | 11,808 | 1,439,192 | 0 | 11,808 |
| 1995-1996 | 922,000 | 912,141 | 9,859 | 912,141 | 0 | 9,859 |
| 1996-1997 | 2,245,000 | 2,228,070 | 16,930 | 2,228,070 | 0 | 16,930 |
| 1997-1998 | 2,104,000 | 2,083,463 | 20,537 | 2,083,463 | 0 | 20,537 |
| 2003-2004 | 3,692,000 | 3,526,084 | 165,916 | 3,026,084 | 500,000 | 665,916 |
| 2004-2005 | 2,628,000 | 2,377,626 | 250,374 | 2,377,626 | 0 | 250,374 |
| 2005-2006 | 5,062,000 | 4,457,753 | 604,247 | 4,457,753 | 0 | 604,247 |
| 2006-2007 | 1,856,000 | 600,000 | 1,256,000 | 0 | 600,000 | 1,856,000 |
| 2007-2008 | 2,820,000 | 650,000 | 2,170,000 | 0 | 650,000 | 2,820,000 |
| 2008-2009 | 4,454,000 | 2 | 4,453,998 | 0 | 2 | 4,454,000 |
| 2009-2010 | 2,596,000 | 0 | 2,596,000 | 0 | 0 | 2,596,000 |
| Totals | \$44,501,542 | \$32,915,790 | \$11,585,752 | \$31,165,788 | \$1,750,002 | \$13,335,754 |
| Grand Totals | \$45,001,542 | \$33,415,790 | \$11,585,752 | \$31,665,788 | \$1,750,002 | \$13,335,754 |

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, 2010

| Accident Year | Ultimate Losses (A) | 6/30/2010 Reported Loss (B) | 6/30/2010 IBNR (C) | 6/30/2010 Paid Loss (D) | 6/30/2010 Case Reserves (E) | 6/30/2010 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 | 2,505,000 | 2,505,000 | 0 | 2,501,587 | 3,413 | 3,413 |
| 1992-1993 | 10,560,000 | 10,560,000 | 0 | 10,541,174 | 18,826 | 18,826 |
| 1993-1994 | 882,000 | 882,000 | 0 | 877,637 | 4,363 | 4,363 |
| 1994-1995 | 1,451,000 | 1,439,723 | 11,277 | 1,439,723 | 0 | 11,277 |
| 1995-1996 | 922,000 | 913,216 | 8,784 | 913,216 | 0 | 8,784 |
| 1996-1997 | 2,245,000 | 2,230,288 | 14,712 | 2,230,288 | 0 | 14,712 |
| 1997-1998 | 2,104,000 | 2,085,558 | 18,442 | 2,085,558 | 0 | 18,442 |
| 2003-2004 | 3,692,000 | 3,568,227 | 123,773 | 3,157,935 | 410,291 | 534,065 |
| 2004-2005 | 2,628,000 | 2,428,702 | 199,298 | 2,420,941 | 7,762 | 207,059 |
| 2005-2006 | 5,062,000 | 4,602,772 | 459,228 | 4,553,224 | 49,548 | 508,776 |
| 2006-2007 | 1,856,000 | 841,152 | 1,014,848 | 254,272 | 586,880 | 1,601,728 |
| 2007-2008 | 2,820,000 | 1,079,660 | 1,740,340 | 169,200 | 910,460 | 2,650,800 |
| 2008-2009 | 4,454,000 | 387,500 | 4,066,500 | 75,718 | 311,782 | 4,378,282 |
| 2009-2010 | 5,192,000 | 0 | 5,192,000 | 0 | 0 | 5,192,000 |
| Totals | \$47,097,542 | \$34,248,340 | \$12,849,202 | \$31,945,014 | \$2,303,325 | \$15,152,528 |
| Grand Totals | \$47,597,542 | \$34,748,340 | \$12,849,202 | \$32,445,014 | \$2,303,325 | \$15,152,528 |

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 | 724,542 | | 724,542 |
| 1988-1989 | 0 | 0 | | 0 |
| 1989-1990 | 0 | 0 | | 0 |
| 1990-1991 | 0 | 0 | | 0 |
| 1991-1992 | 2,501,191 | 2,508,695 | | 2,505,000 |
| 1992-1993 | 10,538,558 | 10,580,712 | | 10,560,000 |
| 1993-1994 | 877,168 | 882,431 | | 882,000 |
| 1994-1995 | 1,439,192 | 1,450,706 | | 1,451,000 |
| 1995-1996 | 912,141 | 922,175 | | 922,000 |
| 1996-1997 | 2,228,070 | 2,261,491 | | 2,245,000 |
| 1997-1998 | 2,083,463 | 2,123,049 | | 2,104,000 |
| 2003-2004 | 3,691,810 | 3,625,249 | 3,597,000 | 3,692,000 |
| 2004-2005 | 2,613,011 | 3,276,369 | 2,642,000 | 2,628,000 |
| 2005-2006 | 5,264,606 | 7,680,708 | 5,062,000 | 5,062,000 |
| 2006-2007 | 850,200 | 0 | 1,856,000 | 1,856,000 |
| 2007-2008 | 1,243,450 | 0 | 2,820,000 | 2,820,000 |
| 2008-2009 | 10 | 0 | 4,454,000 | 4,454,000 |
| 2009-2010 | 0 | 0 | 5,192,000 | 5,192,000 |
| Totals | \$34,967,412 | \$36,036,127 | \$25,623,000 | \$47,097,542 |
| Grand Totals | \$35,467,412 | \$36,536,127 | | \$47,597,542 |

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 12/31/09 (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 | 877,168 | 1.000 | 877,168 |
| 1994-1995 | 1,439,192 | 1.000 | 1,439,192 |
| 1995-1996 | 912,141 | 1.000 | 912,141 |
| 1996-1997 | 2,228,070 | 1.000 | 2,228,070 |
| 1997-1998 | 2,083,463 | 1.000 | 2,083,463 |
| 2003-2004 | 3,526,084 | 1.047 | 3,691,810 |
| 2004-2005 | 2,377,626 | 1.099 | 2,613,011 |
| 2005-2006 | 4,457,753 | 1.181 | 5,264,606 |
| 2006-2007 | 600,000 | 1.417 | 850,200 |
| 2007-2008 | 650,000 | 1.913 | 1,243,450 |
| 2008-2009 | 2 | 4.783 | 10 |
| 2009-2010 | 0 | 23.915 | 0 |
| Totals | \$32,915,790 | | \$34,967,412 |
| Grand Totals | \$33,415,790 | | \$35,467,412 |

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 12/31/09 (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 | 1.000 | 0 |
| 1987-1988 | 724,542 | 1.000 | 724,542 |
| 1988-1989 | 0 | 1.001 | 0 |
| 1989-1990 | 0 | 1.001 | 0 |
| 1990-1991 | 0 | 1.002 | 0 |
| 1991-1992 | 2,501,191 | 1.003 | 2,508,695 |
| 1992-1993 | 10,538,558 | 1.004 | 10,580,712 |
| 1993-1994 | 877,168 | 1.006 | 882,431 |
| 1994-1995 | 1,439,192 | 1.008 | 1,450,706 |
| 1995-1996 | 912,141 | 1.011 | 922,175 |
| 1996-1997 | 2,228,070 | 1.015 | 2,261,491 |
| 1997-1998 | 2,083,463 | 1.019 | 2,123,049 |
| 2003-2004 | 3,026,084 | 1.198 | 3,625,249 |
| 2004-2005 | 2,377,626 | 1.378 | 3,276,369 |
| 2005-2006 | 4,457,753 | 1.723 | 7,680,708 |
| 2006-2007 | 0 | 2.585 | 0 |
| 2007-2008 | 0 | 6.463 | 0 |
| 2008-2009 | 0 | 25.852 | 0 |
| 2009-2010 | 0 | 258.520 | 0 |
| Totals | \$31,165,788 | | \$36,036,127 |
| Grand Totals | \$31,665,788 | | \$36,536,127 |

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 | 2009-2010 |
|---|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| (A) Program Year 2009-10 \$100K-\$1M Base Rate: | \$1.056 | \$1.056 | \$1.056 | \$1.056 | \$1.056 | \$1.056 | \$1.056 |
| (B) Trend Factor Program Year: | 0.786 | 0.814 | 0.842 | 0.871 | 0.902 | 0.934 | 0.966 |
| (C) Program Year \$100K-\$1M Base Rate: | \$0.830 | \$0.859 | \$0.889 | \$0.920 | \$0.952 | \$0.986 | \$1.020 |
| (D) Factor to Self-Insured Layer | 0.230 | 0.365 | 0.450 | 0.450 | 0.450 | 0.450 | 0.450 |
| (E) Program Year Self-Insured Expected Rate; | \$0.191 | \$0.314 | \$0.400 | \$0.414 | \$0.429 | \$0.444 | \$0.459 |
| (F) Program Year Payroll: | \$8,308,977 | \$9,374,402 | \$9,850,045 | \$10,305,894 | \$10,609,082 | \$11,213,516 | \$11,549,940 |
| (G) Program Year Preliminary Ultimate Losses: | \$1,586,000 | \$2,939,000 | \$3,941,000 | \$4,268,000 | \$4,547,000 | \$4,974,000 | \$5,303,000 |
| (H) Percent of Ultimate Losses Not Reported: | 4.5% | 9.0% | 15.3% | 29.4% | 47.7% | 89.5% | 97.9% |
| (I) Estimated Program Year IBNR @ 12/31/09: | \$71,196 | \$264,751 | \$603,997 | \$1,256,003 | \$2,170,105 | \$4,454,033 | \$5,192,128 |
| (J) Program Year Reported Losses @ 12/31/09: | \$3,526,084 | \$2,377,626 | \$4,457,753 | \$600,000 | \$650,000 | \$2 | \$0 |
| (K) Program Year Estimated Ultimate Losses: | \$3,597,000 | \$2,642,000 | \$5,062,000 | \$1,856,000 | \$2,820,000 | \$4,454,000 | \$5,192,000 |

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 | 1.858 | 0.000 |
| 1987-1988 | 998,109 | 500,000 | 500,000 | 0.501 | 1.795 | 0.899 |
| 1988-1989 | 1,146,083 | 0 | 0 | 0.000 | 1.734 | 0.000 |
| 1989-1990 | 1,208,157 | 0 | 0 | 0.000 | 1.675 | 0.000 |
| Totals | \$4,360,436 | \$500,000 | \$500,000 | 0.115 | | 0.225 |
| 1986-1987 | 3,105,940 | 0 | 0 | 0.000 | 2.364 | 0.000 |
| 1987-1988 | 3,670,691 | 724,542 | 724,542 | 0.197 | 2.284 | 0.450 |
| 1988-1989 | 4,030,134 | 0 | 0 | 0.000 | 2.207 | 0.000 |
| 1989-1990 | 4,399,059 | 0 | 0 | 0.000 | 2.132 | 0.000 |
| 1990-1991 | 4,875,491 | 0 | 0 | 0.000 | 2.060 | 0.000 |
| 1991-1992 | 5,277,443 | 2,505,000 | 2,505,000 | 0.475 | 1.990 | 0.945 |
| 1992-1993 | 5,310,299 | 10,560,000 | 10,560,000 | 1.989 | 1.923 | 3.825 |
| 1993-1994 | 5,635,666 | 882,000 | 882,000 | 0.157 | 1.858 | 0.292 |
| 1994-1995 | 6,004,411 | 1,451,000 | 1,451,000 | 0.242 | 1.795 | 0.434 |
| 1995-1996 | 6,102,690 | 922,000 | 922,000 | 0.151 | 1.734 | 0.262 |
| 1996-1997 | 6,502,472 | 2,245,000 | 2,245,000 | 0.345 | 1.675 | 0.578 |
| 1997-1998 | 6,972,985 | 2,104,000 | 2,104,000 | 0.302 | 1.618 | 0.489 |
| 2003-2004 | 9,103,267 | 3,692,000 | 3,692,000 | 0.406 | 1.272 | 0.516 |
| 2004-2005 | 9,374,402 | 2,628,000 | 2,628,000 | 0.280 | 1.229 | 0.344 |
| 2005-2006 | 9,850,045 | 5,062,000 | 5,062,000 | 0.514 | 1.187 | 0.610 |
| 2006-2007 | 10,305,894 | 1,856,000 | 1,856,000 | 0.180 | 1.147 | 0.206 |
| 2007-2008 | 10,609,082 | 2,820,000 | 2,820,000 | 0.266 | 1.108 | 0.295 |
| 2008-2009 | 11,213,516 | 4,454,000 | 4,454,000 | 0.397 | 1.071 | 0.425 |
| 2009-2010 | 11,549,940 | 5,192,000 | 5,192,000 | 0.450 | 1.035 | 0.466 |
| Totals | \$133,893,426 | \$47,097,542 | \$47,097,542 | 0.352 | | 0.534 |
| 86/87-97/98 | 61,887,280 | 21,393,542 | 21,393,542 | 0.346 | | 0.606 |
| | | | | Selected Trend: | 1.035 | |

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 2009-2010 Level (F) |
|------------------|---|----------------------------|--------------------------------|--|
| 1996-1997 | 0 | 0 | 1.564 | |
| 1997-1998 | 0 | 0 | 1.511 | |
| 1998-1999 | 0 | 0 | 1.460 | |
| 1999-2000 | 4,253,000 | 9,766,162 | 1.411 | 0.614 |
| 2000-2001 | 5,974,000 | 10,041,408 | 1.363 | 0.811 |
| 2001-2002 | 4,248,000 | 10,493,882 | 1.317 | 0.533 |
| 2002-2003 | 4,063,000 | 10,682,932 | 1.272 | 0.484 |
| 2003-2004 | 11,163,000 | 10,559,790 | 1.229 | 1.299 |
| 2004-2005 | 10,848,000 | 10,611,823 | 1.188 | 1.214 |
| 2005-2006 | 6,986,000 | 10,874,450 | 1.148 | 0.738 |
| 2006-2007 | 9,164,000 | 11,099,448 | 1.109 | 0.916 |
| 2007-2008 | 11,949,000 | 11,150,145 | 1.071 | 1.148 |
| 2008-2009 | 11,306,000 | 11,493,854 | 1.035 | 1.018 |
| | | | Average 1999-00 - 2008-09: | 0.877 |
| | | | Average 2005-06 - 2008-09: | 0.955 |
| | | | Average 2004-05 - 2008-09: | 1.007 |
| | | | Prior 2008-2009 Rate : | 0.975 |
| | | | Selected 2009-2010 Rate : | 1.020 |
| | | | Trend Factor to 2010-2011 : | 1.035 |
| | | | Selected 2010-2011 Rate : | \$1.056 |

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) |
|---------------|--------------------------------------|----------------------------------|--|--|-------------------------------|--------------------------------------|
| 1999-2000 | \$4,253,038 | \$4,294,734 | \$4,254,611 | \$4,292,845 | \$4,252,996 | \$4,253,000 |
| 2000-2001 | 5,974,322 | 6,147,236 | 5,977,158 | 6,141,697 | 5,973,997 | 5,974,000 |
| 2001-2002 | 4,247,738 | 4,454,473 | 4,246,565 | 4,437,753 | 4,248,000 | 4,248,000 |
| 2002-2003 | 4,062,902 | 4,386,209 | 4,064,081 | 4,350,626 | 4,062,998 | 4,063,000 |
| 2003-2004 | 11,163,480 | 12,604,951 | 11,164,626 | 12,363,342 | 11,163,000 | 11,163,000 |
| 2004-2005 | 10,938,328 | 11,475,813 | 10,757,147 | 10,776,108 | 8,628,330 | 10,848,000 |
| 2005-2006 | 6,781,376 | 7,956,537 | 7,191,225 | 8,595,930 | 11,196,738 | 6,986,000 |
| 2006-2007 | 8,814,193 | 10,629,905 | 9,163,760 | 10,249,322 | 9,967,485 | 9,164,000 |
| 2007-2008 | 13,823,227 | 18,775,118 | 12,193,532 | 11,705,045 | 13,928,580 | 11,949,000 |
| 2008-2009 | 14,847,857 | 1,431,942 | 11,886,821 | 10,725,434 | 11,414,628 | 11,306,000 |
| Totals | | | | | | \$79,954,000 |

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 12/31/09 (B) | Reported Loss Development Factor (C) | Ultimate \$100K - \$1M Losses (D) | \$100K - \$1M Reported Losses of 12/31/09 (E) | Reported Loss Development Factor (F) | Ultimate \$100K - \$1M Losses (G) |
|----------------------|--|--|--|---|--|--|
| 1999-2000 | \$4,169,645 | 1.020 | \$4,253,038 | \$4,169,645 | 1.020 | \$4,253,038 |
| 2000-2001 | 5,845,716 | 1.022 | 5,974,322 | 5,845,716 | 1.022 | 5,974,322 |
| 2001-2002 | 4,136,064 | 1.027 | 4,247,738 | 4,136,064 | 1.027 | 4,247,738 |
| 2002-2003 | 3,917,938 | 1.037 | 4,062,902 | 3,917,938 | 1.037 | 4,062,902 |
| 2003-2004 | 10,662,350 | 1.047 | 11,163,480 | 10,662,350 | 1.047 | 11,163,480 |
| 2004-2005 | 9,952,983 | 1.099 | 10,938,328 | 9,952,983 | 1.099 | 10,938,328 |
| 2005-2006 | 5,742,063 | 1.181 | 6,781,376 | 5,742,063 | 1.181 | 6,781,376 |
| 2006-2007 | 6,220,320 | 1.417 | 8,814,193 | 6,220,320 | 1.417 | 8,814,193 |
| 2007-2008 | 7,225,942 | 1.913 | 13,823,227 | 7,225,942 | 1.913 | 13,823,227 |
| 2008-2009 | 3,104,298 | 4.783 | 14,847,857 | 3,104,298 | 4.783 | 14,847,857 |
| Totals | \$60,977,319 | | \$84,906,461 | \$60,977,319 | | \$84,906,461 |

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 12/31/09 (B) | Paid Loss Development Factor (C) | Ultimate \$100K - \$1M Losses (D) | \$100K - \$1M Paid Losses of 12/31/09 (E) | Paid Loss Development Factor (F) | Ultimate \$100K - \$1M Losses (G) |
|----------------------|--|---|--|---|---|--|
| 1999-2000 | \$4,169,645 | 1.030 | \$4,294,734 | \$4,169,645 | 1.030 | \$4,294,734 |
| 2000-2001 | 5,848,940 | 1.051 | 6,147,236 | 5,848,940 | 1.051 | 6,147,236 |
| 2001-2002 | 4,136,001 | 1.077 | 4,454,473 | 4,136,001 | 1.077 | 4,454,473 |
| 2002-2003 | 3,916,258 | 1.120 | 4,386,209 | 3,916,258 | 1.120 | 4,386,209 |
| 2003-2004 | 10,521,662 | 1.198 | 12,604,951 | 10,521,662 | 1.198 | 12,604,951 |
| 2004-2005 | 8,327,876 | 1.378 | 11,475,813 | 8,327,876 | 1.378 | 11,475,813 |
| 2005-2006 | 4,617,839 | 1.723 | 7,956,537 | 4,617,839 | 1.723 | 7,956,537 |
| 2006-2007 | 4,112,149 | 2.585 | 10,629,905 | 4,112,149 | 2.585 | 10,629,905 |
| 2007-2008 | 2,905,016 | 6.463 | 18,775,118 | 2,905,016 | 6.463 | 18,775,118 |
| 2008-2009 | 55,390 | 25.852 | 1,431,942 | 55,390 | 25.852 | 1,431,942 |
| Totals | \$48,610,776 | | \$82,156,918 | \$48,610,776 | | \$82,156,918 |

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 12/31/09 (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) |
|---------------|------------------------|------------------------------------|-----------------------------|---|------------------|--------------------------------------|-----------------------------|
| 1999-2000 | 9,766,162 | \$4,169,645 | 1.020 | 0.020 | \$0.435 | \$84,966 | \$4,254,611 |
| 2000-2001 | 10,041,408 | 5,845,716 | 1.022 | 0.022 | 0.595 | 131,442 | 5,977,158 |
| 2001-2002 | 10,493,882 | 4,136,064 | 1.027 | 0.026 | 0.405 | 110,501 | 4,246,565 |
| 2002-2003 | 10,682,932 | 3,917,938 | 1.037 | 0.036 | 0.380 | 146,143 | 4,064,081 |
| 2003-2004 | 10,559,790 | 10,662,350 | 1.047 | 0.045 | 1.057 | 502,276 | 11,164,626 |
| 2004-2005 | 10,611,823 | 9,952,983 | 1.099 | 0.090 | 0.842 | 804,164 | 10,757,147 |
| 2005-2006 | 10,874,450 | 5,742,063 | 1.181 | 0.153 | 0.871 | 1,449,162 | 7,191,225 |
| 2006-2007 | 11,099,448 | 6,220,320 | 1.417 | 0.294 | 0.902 | 2,943,440 | 9,163,760 |
| 2007-2008 | 11,150,145 | 7,225,942 | 1.913 | 0.477 | 0.934 | 4,967,590 | 12,193,532 |
| 2008-2009 | 11,493,854 | 3,104,298 | 4.783 | 0.791 | 0.966 | 8,782,523 | 11,886,821 |
| Totals | \$106,773,894 | \$60,977,319 | | | | \$19,922,207 | \$80,899,526 |

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 12/31/09 (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) |
|---------------|------------------------|--------------------------------|-----------------------------|---|------------------|---------------------------|-----------------------------|
| 1999-2000 | 9,766,162 | 4,169,645 | 1.030 | 0.029 | 0.435 | 123,200 | 4,292,845 |
| 2000-2001 | 10,041,408 | 5,848,940 | 1.051 | 0.049 | 0.595 | 292,757 | 6,141,697 |
| 2001-2002 | 10,493,882 | 4,136,001 | 1.077 | 0.071 | 0.405 | 301,752 | 4,437,753 |
| 2002-2003 | 10,682,932 | 3,916,258 | 1.120 | 0.107 | 0.380 | 434,368 | 4,350,626 |
| 2003-2004 | 10,559,790 | 10,521,662 | 1.198 | 0.165 | 1.057 | 1,841,680 | 12,363,342 |
| 2004-2005 | 10,611,823 | 8,327,876 | 1.378 | 0.274 | 0.842 | 2,448,232 | 10,776,108 |
| 2005-2006 | 10,874,450 | 4,617,839 | 1.723 | 0.420 | 0.871 | 3,978,091 | 8,595,930 |
| 2006-2007 | 11,099,448 | 4,112,149 | 2.585 | 0.613 | 0.902 | 6,137,173 | 10,249,322 |
| 2007-2008 | 11,150,145 | 2,905,016 | 6.463 | 0.845 | 0.934 | 8,800,029 | 11,705,045 |
| 2008-2009 | 11,493,854 | 55,390 | 25.852 | 0.961 | 0.966 | 10,670,044 | 10,725,434 |
| Totals | \$106,773,894 | \$48,610,776 | | | | \$35,027,326 | \$83,638,102 |

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) |
|---------------|------------------------|-----------------------------------|------------------|----------------------------------|-------------------------------------|-------------------------------------|-------------------|-----------------------|
| 1999-2000 | 9,766,162 | 4,253,000 | 1.411 | 6,000,983 | 0.614 | 0.435 | 1.000 | 0.435 |
| 2000-2001 | 10,041,408 | 5,974,000 | 1.363 | 8,142,562 | 0.811 | 0.595 | 1.000 | 0.595 |
| 2001-2002 | 10,493,882 | 4,248,000 | 1.317 | 5,594,616 | 0.533 | 0.405 | 1.000 | 0.405 |
| 2002-2003 | 10,682,932 | 4,063,000 | 1.272 | 5,168,136 | 0.484 | 0.380 | 1.000 | 0.380 |
| 2003-2004 | 10,559,790 | 11,163,000 | 1.229 | 13,719,327 | 1.299 | 1.057 | 1.000 | 1.057 |
| 2004-2005 | 10,611,823 | 10,938,000 | 1.188 | 12,994,344 | 1.225 | 0.842 | 1.000 | 0.842 |
| 2005-2006 | 10,874,450 | 6,781,000 | 1.148 | 7,784,588 | 0.716 | 0.871 | 1.000 | 0.871 |
| 2006-2007 | 11,099,448 | 8,814,000 | 1.109 | 9,774,726 | 0.881 | 0.902 | 1.000 | 0.902 |
| 2007-2008 | 11,150,145 | 13,823,000 | 1.071 | 14,804,433 | 1.328 | 0.934 | 1.000 | 0.934 |
| 2008-2009 | 11,493,854 | 10,089,000 | 1.035 | 10,442,115 | 0.908 | 0.966 | 1.000 | 0.966 |
| Total/Avg | \$106,773,894 | \$80,146,000 | | \$94,425,830 | \$0.884 | | | |
| 04/05-07/08 | 43,735,866 | 40,356,000 | | 45,358,091 | \$1.037 | | | |
| 99/00-08/09 | 106,773,894 | 80,146,000 | | 94,425,830 | \$0.884 | | | |

Selected \$100K - \$1M Rate: \$1.000
Prior: \$0.950

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 2003-2004 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) |
|------------------|--|---------------------------|--------------------------------------|
| 1999-2000 | \$386,636 | 11 | \$4,252,996 |
| 2000-2001 | 259,739 | 23 | 5,973,997 |
| 2001-2002 | 177,000 | 24 | 4,248,000 |
| 2002-2003 | 213,842 | 19 | 4,062,998 |
| 2003-2004 | 372,100 | 30 | 11,163,000 |
| 2004-2005 | 287,611 | 30 | 8,628,330 |
| 2005-2006 | 294,651 | 38 | 11,196,738 |
| 2006-2007 | 302,045 | 33 | 9,967,485 |
| 2007-2008 | 309,524 | 45 | 13,928,580 |
| 2008-2009 | 317,073 | 36 | 11,414,628 |
| Total | | 289 | \$84,836,752 |

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) | | |
| 1999-2000 | \$4,253,000 | 11 | \$386,636 | 1.277 | \$493,734 | \$386,636 | 1.000 | \$386,636 |
| 2000-2001 | 5,974,000 | 23 | 259,739 | 1.246 | 323,635 | 259,739 | 1.000 | 259,739 |
| 2001-2002 | 4,248,000 | 24 | 177,000 | 1.216 | 215,232 | 177,000 | 1.000 | 177,000 |
| 2002-2003 | 4,063,000 | 19 | 213,842 | 1.187 | 253,830 | 213,842 | 1.000 | 213,842 |
| 2003-2004 | 11,163,000 | 30 | 372,100 | 1.158 | 430,892 | 372,100 | 1.000 | 372,100 |
| 2004-2005 | 10,848,000 | 30 | 361,600 | 1.130 | 408,608 | 287,611 | 1.000 | 287,611 |
| 2005-2006 | 6,986,000 | 38 | 183,842 | 1.103 | 202,778 | 294,651 | 1.000 | 294,651 |
| 2006-2007 | 9,707,000 | 33 | 294,152 | 1.076 | 316,508 | 302,045 | 1.000 | 302,045 |
| 2007-2008 | 11,949,000 | 45 | 265,533 | 1.050 | 278,810 | 309,524 | 1.000 | 309,524 |
| 2008-2009 | 11,306,000 | 36 | 314,056 | 1.025 | 321,907 | 317,073 | 1.000 | 317,073 |

Average \$100K - \$1M Severity: \$324,593
Average 02/03-07/08 \$100K - \$1M Severity: \$315,238
Average 03/04-08/09 \$100K - \$1M Severity: \$326,584

Selected \$100K - \$1M Severity: \$325,000
Prior: \$400,000

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) | Claim Frequency (E) | Trend Factor (F) | Trended Claim Frequency (G) |
|---------------|--------------------------------|------------------------------|------------------------------|----------------------------------|---------------------|------------------|-----------------------------|
| 1999-2000 | 11 | 11 | 11 | 976.616 | 0.011 | 1.105 | 0.012 |
| 2000-2001 | 23 | 24 | 23 | 1,004.141 | 0.023 | 1.094 | 0.025 |
| 2001-2002 | 24 | 24 | 24 | 1,049.388 | 0.023 | 1.083 | 0.025 |
| 2002-2003 | 19 | 19 | 19 | 1,068.293 | 0.018 | 1.072 | 0.019 |
| 2003-2004 | 30 | 29 | 30 | 1,055.979 | 0.028 | 1.062 | 0.030 |
| 2004-2005 | 30 | 28 | 30 | 1,061.182 | 0.028 | 1.051 | 0.029 |
| 2005-2006 | 38 | 39 | 38 | 1,087.445 | 0.035 | 1.041 | 0.036 |
| 2006-2007 | 33 | 30 | 33 | 1,109.945 | 0.030 | 1.030 | 0.031 |
| 2007-2008 | 45 | 57 | 45 | 1,115.015 | 0.040 | 1.020 | 0.041 |
| 2008-2009 | 36 | 19 | 36 | 1,149.385 | 0.031 | 1.010 | 0.031 |
| Total | 289 | 280 | 289 | 10,677.389 | | | 0.028 |

(H) Selected 2009-2010 Frequency: 0.032

| Program Year: | 2009-2010 | 2010-2011 |
|-------------------------|-----------|-----------|
| (I) Trend Factor: | 1.000 | 1.010 |
| (J) Selected Frequency: | 0.032 | 0.032 |
| (K) Composite Exposure: | 1,154.994 | 1,189.645 |
| (L) Ultimate Claims: | 37 | 38 |

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 .032 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 12/31/2009 (A) | Reported Claim Development Factor (B) | Ultimate Claims (C) | Trended Claim Frequency (D) |
|---------------|--------------------------------------|---------------------------------------|---------------------|-----------------------------|
| 1999-2000 | 11 | 1.015 | 11 | 0.012 |
| 2000-2001 | 23 | 1.020 | 23 | 0.025 |
| 2001-2002 | 23 | 1.030 | 24 | 0.025 |
| 2002-2003 | 18 | 1.040 | 19 | 0.019 |
| 2003-2004 | 28 | 1.061 | 30 | 0.030 |
| 2004-2005 | 27 | 1.093 | 30 | 0.030 |
| 2005-2006 | 33 | 1.148 | 38 | 0.036 |
| 2006-2007 | 26 | 1.263 | 33 | 0.031 |
| 2007-2008 | 32 | 1.421 | 45 | 0.041 |
| 2008-2009 | 17 | 2.132 | 36 | 0.032 |
| Total | 238 | | 289 | 0.028 |

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 12/31/2009 (A) | Closed Claim Development Factor (B) | Ultimate Claims (C) | Trended Claim Frequency (D) |
|---------------|------------------------------------|-------------------------------------|---------------------|-----------------------------|
| 1999-2000 | 11 | 1.029 | 11 | 0.012 |
| 2000-2001 | 23 | 1.040 | 24 | 0.026 |
| 2001-2002 | 22 | 1.071 | 24 | 0.025 |
| 2002-2003 | 17 | 1.114 | 19 | 0.019 |
| 2003-2004 | 25 | 1.170 | 29 | 0.029 |
| 2004-2005 | 21 | 1.346 | 28 | 0.028 |
| 2005-2006 | 23 | 1.683 | 39 | 0.037 |
| 2006-2007 | 12 | 2.525 | 30 | 0.028 |
| 2007-2008 | 9 | 6.313 | 57 | 0.052 |
| 2008-2009 | 1 | 18.939 | 19 | 0.017 |
| Total | 164 | | 280 | 0.028 |

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 |
|---------------|------------|---------------------------|---------------------|-------------------|
| 1999-2000 | 9,766,162 | 4,274,000 | 0.438 | 0.617 |
| 2000-2001 | 10,041,408 | 6,004,000 | 0.598 | 0.815 |
| 2001-2002 | 10,493,882 | 4,268,000 | 0.407 | 0.536 |
| 2002-2003 | 10,682,932 | 4,082,000 | 0.382 | 0.486 |
| 2003-2004 | 10,559,790 | 11,217,000 | 1.062 | 1.306 |
| 2004-2005 | 10,611,823 | 10,904,000 | 1.028 | 1.220 |
| 2005-2006 | 10,874,450 | 7,012,000 | 0.645 | 0.740 |
| 2006-2007 | 11,099,448 | 9,305,000 | 0.838 | 0.929 |
| 2007-2008 | 11,150,145 | 11,543,000 | 1.035 | 1.109 |
| 2008-2009 | 11,493,854 | 10,226,000 | 0.890 | 0.921 |

Exponential Trends

| Years | R-square | Fitted Trend |
|-------------|-----------------|--------------|
| 06/07-08/09 | 0.075 | 1.030 |
| 03/04-08/09 | 0.029 | 0.983 |
| 02/03-08/09 | 0.228 | 1.085 |
| 99/00-08/09 | 0.487 | 1.098 |
| | Prior Trend: | 1.050 |
| | Selected Trend: | 1.035 |

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) | Projected 2010-11 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 | 2,133,195 | 2,197,190 | 2,263,110 |
| Bakersfield | 656,309 | 672,981 | 679,346 | 710,898 | 746,845 | 769,039 | 775,782 | 828,105 | 889,657 | 928,430 | 916,017 | 943,500 | 971,810 |
| Burbank | 0 | 0 | 0 | 0 | 0 | 0 | 963,640 | 961,084 | 1,080,588 | 1,021,641 | 1,097,069 | 1,129,980 | 1,163,880 |
| Gardena | 0 | 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 | 811,447 | 835,790 | 860,860 |
| Monterey | 246,524 | 262,721 | 284,379 | 307,684 | 320,894 | 313,632 | 313,439 | 315,127 | 303,985 | 340,838 | 362,102 | 372,970 | 384,160 |
| Mountain View | 409,155 | 408,020 | 434,816 | 470,177 | 517,208 | 479,749 | 474,925 | 505,565 | 558,760 | 579,550 | 628,761 | 647,620 | 667,050 |
| Ontario | 589,308 | 605,886 | 637,469 | 683,592 | 692,474 | 710,686 | 732,721 | 783,778 | 808,309 | 827,467 | 855,991 | 881,670 | 908,120 |
| Palo Alto | 722,355 | 727,013 | 771,366 | 875,829 | 907,965 | 976,695 | 964,635 | 910,388 | 920,271 | 964,648 | 980,859 | 1,010,290 | 1,040,600 |
| Santa Barbara | 587,051 | 644,650 | 658,205 | 688,383 | 715,412 | 731,380 | 739,835 | 827,558 | 767,235 | 826,778 | 882,947 | 909,440 | 936,720 |
| Santa Cruz | 330,666 | 368,019 | 383,500 | 421,614 | 414,665 | 404,596 | 405,476 | 415,167 | 494,206 | 483,045 | 537,520 | 553,650 | 570,260 |
| 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 | 1,662,386 | 1,712,260 | 1,763,630 |
| Visalia | 218,084 | 237,134 | 256,559 | 257,861 | 290,675 | 269,603 | 281,525 | 300,145 | 295,903 | 323,116 | 345,222 | 355,580 | 366,250 |
| 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 | 11,213,516 | 11,549,940 | 11,896,450 |

Note: Data provided by ACCEL.

Authority for California Cities Excess Liability

ULAE as of June 30, 2010

| | |
|--------------------------------------|--------------|
| (A) Selected ULAE Factor | 3.5% |
| (B) Provision for Unpaid ULAE : | |
| IBNR at 6/30/10 | \$12,849,000 |
| Half of Case Reserves at 6/30/10 | 1,152,000 |
| Computation Base | \$14,001,000 |
| Provision for Unpaid ULAE at 6/30/10 | \$490,000 |