

Wednesday, April 10, 2019

Mr. Mike Simmons
Authority for California Cities Excess Liability
c/o Alliant Insurance
100 Pine Street, 11th Floor
San Francisco, CA 94111

RE: Actuarial Services Engagement Letter

Dear Mr. Simmons:

Thank you for the opportunity to provide actuarial services to Authority for California Cities Excess Liability (ACCEL). We understand that ACCEL is seeking professional actuarial advice with regard to its self-insured liability program. The following is a brief outline of our understanding of the scope of work to be performed and our fees.

The objective of the study is to provide an estimate of outstanding liabilities, projection of loss costs, cash flow and investment income. The report will provide the following information for the liability program:

- Completed annually in March utilizing data from December 31 of the prior year.
- Estimates of required funding for the program's outstanding losses and loss adjustment expenses as of fiscal year end.
- All outstanding loss and loss adjustment expense estimates should be separated into case reserves and IBNR reserves.
- Outstanding loss and loss adjustment expense estimates should be classified on both short-term and long-term bases.
- Estimates of the program's losses and loss adjustment expenses for claims incurred during the coming fiscal year, as well as the indicated rates.
- All projected loss and loss adjustment expense estimates and rates are to be stated on both discounted and undiscounted bases, as well as at various confidence levels.
- Rates should be provided for each \$1 million layer from \$1 million to \$10 million.
- Provide a statement of compliance with GASB 10 and 30.
- Attendance at one meeting to present and discuss the results of the study.
- Provide an update of the program's outstanding losses and loss adjustment expenses as of fiscal year end, based upon data as of May 31.

We will agree to complete the scope of work discussed above for the following fees:

<u>Project Component</u>	<u>2018-19</u> ¹	<u>2019-20</u> ²	<u>2020-21</u> ³	<u>2021-22</u> ⁴
Liability Actuarial Study		\$9,100	\$9,200	\$9,300
Liability Actuarial 5/31 Update	3,500	3,550	3,600	3,650
Total	\$3,500	\$12,650	\$12,800	\$12,950

¹ 2018-19 Update Study will be done after May 31, 2019 and include outstanding liabilities as of June 30, 2019.

² 2019-20 Study will be done after December 31, 2019 and include outstanding liabilities as of June 30, 2020 and rates for 2020-21. 2019-20 Update Study will be done after May 31, 2020 and include outstanding liabilities as of June 30, 2020.

³ 2020-21 Study will be done after December 31, 2020 and include outstanding liabilities as of June 30, 2021 and rates for 2021-22. 2020-21 Update Study will be done after May 31, 2021 and include outstanding liabilities as of June 30, 2021.

⁴ 2021-22 Study will be done after December 31, 2021 and include outstanding liabilities as of June 30, 2022 and rates for 2022-23. 2021-22 Update Study will be done after May 31, 2022 and include outstanding liabilities as of June 30, 2022.

The fees above include one in-person meeting presentation. Additional personal visits will be billed at a rate of \$500 plus travel related expenses. Should other services beyond the scope of work outlined above be required, we will bill for our time and out of pocket expenses at the rates specified below.

<u>Consultant</u>	<u>Hourly Rate</u>
Fellow	\$300
Associate	225
Actuarial Staff	150
Administrative Staff	75

Upon delivery of a draft report, consultant shall be entitled to the entire fee. If this agreement is terminated prior to delivery of a draft report, client agrees to pay contractor for all hours incurred through the date notice of termination is given. Such amount shall be limited to the maximum fees stated in this agreement.

Our target delivery date for the draft reports will be within four weeks of receipt of complete data.

Please call me at (916) 244-1132 or Mike at (916) 244-1162 with any questions you may have with regard to our proposal.

Respectfully Submitted,



Renee Jack, Project Coordinator

Accepted By:
Bickmore



Mike Harrington, President and Principal
President, Actuarial Consulting

Accepted By:
ACCEL

