



Bickmore Risk Services

Authority for California Cities Excess Liability

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

Outstanding Liabilities as of June 30, 2006

Forecast for Program Year 2006-07



February 2006

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February 3, 2006

Authority for California Cities Excess Liability
c/o Driver Alliant Insurance Services
Attn: Mike Simmons, Pool Administrator
600 Montgomery Street, 9th 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 \$9,089,000 as of June 30, 2006. We understand the Authority has chosen to record its liability with recognition of investment income at 3% per year. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$8,275,000 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 90% confidence level, the Authority's required funding as of June 30, 2006 is projected to be \$14,374,000.

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 table below shows our estimates of the program's claims liabilities as of December 31, 2005, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2005
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$8,623,000	\$7,973,000
70%	10,442,000	9,655,000
75%	11,262,000	10,413,000
80%	12,219,000	11,298,000
85%	13,409,000	12,398,000
90%	14,978,000	13,849,000
95%	17,574,000	16,249,000

We estimate the program's liability for outstanding loss and ALAE to be approximately \$9,089,000 as of June 30, 2006 before anticipated investment income. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$8,275,000 as of that date. Following table shows our estimates of the program's claims liabilities as of June 30, 2006, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of June 30, 2006
at Various Confidence Level
\$500K and \$1,000K pools combined**

Confidence Level	Undiscounted	Discounted
Expected	\$9,089,000	\$8,275,000
70%	11,007,000	10,021,000
75%	11,870,000	10,807,000
80%	12,879,000	11,726,000
85%	14,133,000	12,868,000
90%	15,788,000	14,374,000
95%	18,523,000	16,864,000

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.). We estimate the outstanding ULAE as of June 30, 2006 to be \$332,000 based on the Authority's historical claims administration costs (detailed in Appendix F).

We present funding recommendations for claims incurred during program year 2006-07 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 3% per year.

Funding Guidelines for Discounted Claims Incurred in 2006-2007

Layer	Expected	70%	80%	90%
\$1M-2M	\$0.178	\$0.217	\$0.255	\$0.315
\$1M-3M	0.279	0.340	0.400	0.494
\$1M-5M	0.341	0.416	0.489	0.604
\$5M-10M	0.124	0.151	0.178	0.220
\$1M-10M	0.465	0.567	0.667	0.824

As with the program's outstanding claims, the Authority should fund a margin for adverse experience in addition to the expected cost of claims. Given the funding surplus the program currently enjoys, it is reasonable to fund the 2006-07 program year at the 70% or 80% confidence level; however, 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 Driver Alliant Insurance Services (Driver) and its claims administrator Carl Warren & Co (CW). 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
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.

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 2006-07 fiscal year.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS AS OF DECEMBER 31, 2005 and June 30, 2006

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$9,089,000 as of June 30, 2006. We understand the Authority has chosen to record its liability with recognition of investment income at 3% per year. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$8,275,000 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 90% confidence level, the Authority's required funding as of June 30, 2006 is projected to be \$14,374,000.

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, 2005 - \$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, 2005 - \$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	5,893	5,893
1992-1993	22,400	22,400
1993-1994	3,701	3,557
1994-1995	7,505	6,878
1995-1996	4,978	4,545
1996-1997	1,030	953
1997-1998	1,017,992	956,912
2003-2004	2,123,000	1,991,374
2004-2005	3,943,000	3,637,418
2005-2006	1,493,500	1,342,657
All Years	\$8,622,998	\$7,972,587

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 has purchased complete reinsurance for its members during that time.

The following table shows our estimate of the program's December 31, 2005 outstanding liability at various confidence levels.

**Outstanding Liability as of December 31, 2005
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$8,623,000	\$7,973,000
70%	10,442,000	9,655,000
75%	11,262,000	10,413,000
80%	12,219,000	11,298,000
85%	13,409,000	12,398,000
90%	14,978,000	13,849,000
95%	17,574,000	16,249,000

We estimate the program's liability for outstanding loss and ALAE to be approximately \$9,089,000 as of June 30, 2006 before anticipated investment income. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$8,275,000 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, 2006 - \$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, 2006 - \$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	4,720	4,720
1992-1993	18,681	17,224
1993-1994	3,242	2,954
1994-1995	6,762	6,187
1995-1996	4,570	4,273
1996-1997	827	782
1997-1998	770,620	728,236
2003-2004	1,762,090	1,644,030
2004-2005	3,564,472	3,250,798
2005-2006	2,952,650	2,616,047
All Years	\$9,088,634	\$8,275,251

The table on the following page shows our estimates of the program's claims liabilities as of June 30, 2006, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of June 30, 2006
at Various Confidence Level
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$9,089,000	\$8,275,000
70%	11,007,000	10,021,000
75%	11,870,000	10,807,000
80%	12,879,000	11,726,000
85%	14,133,000	12,868,000
90%	15,788,000	14,374,000
95%	18,523,000	16,864,000

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.). We estimate the outstanding ULAE as of June 30, 2006 to be \$332,000 based on the Authority's historical claims administration costs (detailed in Appendix F).

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	Last Review 2004-05	This Review 2006-07	Percent Change
\$1M-2M	\$0.201	\$0.160	26%
\$1M-3M	\$0.315	\$0.260	21%
\$1M-5M	\$0.385	\$0.320	20%
\$5M-10M	\$0.140	\$0.120	17%
\$1M-10M	\$0.525	\$0.440	19%

Our projected funding rates per \$100 of payroll for all layers at the expected, undiscounted level have increased from those presented in our prior report.

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 June 22, 2004. At the time, we estimated the liability for outstanding claims as of June 30, 2004 to be \$2,359,000. The increase is almost entirely due to the fact that ACCEL has expanded coverage to the \$2 million excess \$1 million layer for 2004-05 and \$4 million excess \$1 million for 2005-06. In addition, our estimates of the 1997-98 year's ultimate losses are higher due to unexpected loss development.

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**

Program Period	Undiscounted Estimated Ultimate Losses -----		Change in Estimates
	Prior	Current	
1986-1987	\$0	\$0	\$0
1987-1988	1,214,269	1,214,269	0
1988-1989	0	0	0
1989-1990	0	0	0
1990-1991	0	0	0
1991-1992	2,563,000	2,560,000	(3,000)
1992-1993	7,597,000	7,585,000	(12,000)
1993-1994	883,000	881,000	(2,000)
1994-1995	1,456,000	1,448,000	(8,000)
1995-1996	931,000	915,000	(16,000)
1996-1997	66,000	64,000	(2,000)
1997-1998	1,080,000	2,561,000	1,481,000
2003-2004	2,246,000	2,123,000	(123,000)
All Years	\$18,036,269	\$19,351,269	\$1,315,000

B. FUNDING RATES FOR 2006-07 CLAIMS

Our funding guidelines are displayed as rates per \$100 of payroll for various layers. The funding guidelines include anticipated investment income at 3% per year.

Funding Rate Guidelines for Discounted Claims Incurred in 2006-2007

Confidence Level	Expected	70%	80%	90%
\$1M-2M	\$0.178	\$0.217	\$0.255	\$0.315
\$1M-3M	0.279	0.340	0.400	0.494
\$1M-5M	0.341	0.416	0.489	0.604
\$5M-10M	0.124	0.151	0.178	0.220
\$1M-10M	0.465	0.567	0.667	0.824

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program's 2006-07 claims by different layers:

Funding Amount Guidelines for Discounted Claims Incurred in 2006-2007

Layer	Expected	70%	80%	90%
\$1M-2M	\$1,562,000	\$1,904,000	\$2,237,000	\$2,764,000
\$1M-3M	2,448,000	2,983,000	3,510,000	4,335,000
\$1M-5M	2,992,000	3,650,000	4,291,000	5,300,000
\$5M-10M	1,088,000	1,325,000	1,562,000	1,930,000
\$1M-10M	4,080,000	4,975,000	5,853,000	7,230,000

C. ALLOCATION OF 2006-07 FUNDING

The following table displays the allocation of the program's 2006-07 funding at the 90% 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 2006-07 payroll. The funding allocation below does not include any experience or exposure modification factors.

Recommended Funding for Claims Incurred in 2006-2007 Discounted – 90% Confidence Level

Member	\$1M to \$2M	\$1M to \$3M	\$1M to \$5M	\$5M to \$10M	\$1M to \$10M
Anaheim	\$502,000	\$787,000	\$963,000	\$351,000	\$1,313,000
Bakersfield	229,000	359,000	439,000	160,000	599,000
Burbank	284,000	446,000	545,000	199,000	744,000
Modesto	223,000	350,000	428,000	156,000	584,000
Monterey	92,000	145,000	177,000	65,000	242,000
Mountain View	140,000	220,000	269,000	98,000	366,000
Ontario	216,000	339,000	414,000	151,000	565,000
Palo Alto	285,000	446,000	546,000	199,000	744,000
Santa Barbara	218,000	342,000	418,000	152,000	571,000
Santa Cruz	120,000	188,000	229,000	84,000	313,000
Santa Monica	373,000	584,000	714,000	260,000	975,000
Visalia	82,000	129,000	157,000	57,000	214,000
Total	\$2,764,000	\$4,335,000	\$5,299,000	\$1,932,000	\$7,230,000

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 90% 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 loss data summary and list of claims with incurred losses greater than \$25,000 as of December 31, 2005 from individual member cities. These files 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, 2005.
- We were provided with payrolls by City for the 1986-87 through 2006-07 program years.
- 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 3% 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. First, we estimated the ultimate loss cost for the first \$100,000 and \$1 million of each occurrence for all of the currently participating members since each one joined the program, and then estimated the relationship of these costs to the cost of the limits for which the Authority is responsible. Second, we estimated the cost of the \$100,000 to \$1 million layer directly. 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 2005-06 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 \$0 - \$100,000, \$0 - \$1,000,000 and \$100,000 - \$1,000,000 layers :

- ◆ 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 2006-07 Funding Guidelines - Discounted 90% Confidence Level

Member	Estimated 2006-07 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 \$5,000,000 Layer (B)	\$5,000,000 to \$10,000,000 Layer (B)	\$1,000,000 to \$10,000,000 Layer (B)
Anaheim	\$1,593,790	\$502,044	\$787,332	\$962,649	\$350,634	\$1,313,283
Bakersfield	726,410	228,819	358,847	438,752	159,810	598,562
Burbank	902,320	284,231	445,746	545,001	198,510	743,512
Modesto	708,890	223,300	350,192	428,170	155,956	584,125
Monterey	293,490	92,449	144,984	177,268	64,568	241,836
Mountain View	444,700	140,081	219,682	268,599	97,834	366,433
Ontario	686,090	216,118	338,928	414,398	150,940	565,338
Palo Alto	903,250	284,524	446,206	545,563	198,715	744,278
Santa Barbara	692,760	218,219	342,223	418,427	152,407	570,834
Santa Cruz	379,670	119,596	187,557	229,321	83,527	312,848
Santa Monica	1,182,850	372,598	584,328	714,441	260,227	974,668
Visalia	260,180	81,957	128,529	157,149	57,240	214,388
Totals	\$8,774,400	\$2,763,936	\$4,334,554	\$5,299,738	\$1,930,368	\$7,230,105

(A) Provided by ACCEL.

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

Authority for California Cities Excess Liability

Projected 2006-07 Funding Guidelines

Layer	Estimated 2006-07 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	\$8,774,400	\$1,763,654	88.6%	\$1,561,843	\$1,904,045	\$2,061,984	\$2,237,472	\$2,465,606	\$2,763,936	\$3,255,302
\$1M-3M	8,774,400	2,763,936	88.6%	2,448,058	2,983,296	3,228,979	3,509,760	3,869,510	4,334,554	5,106,701
\$1M-5M	8,774,400	3,378,144	88.6%	2,992,070	3,650,150	3,948,480	4,290,682	4,729,402	5,299,738	6,247,373
\$5M-10M	8,774,400	1,228,416	88.6%	1,088,026	1,324,934	1,439,002	1,561,843	1,719,782	1,930,368	2,272,570
\$1M-10M	8,774,400	4,606,560	88.6%	4,080,096	4,975,085	5,378,707	5,852,525	6,449,184	7,230,106	8,511,168

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 2006-07 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	\$0.201	88.6%	\$0.178	\$0.217	\$0.235	\$0.255	\$0.281	\$0.315	\$0.371
\$1M-3M	0.315	88.6%	0.279	0.340	0.368	0.400	0.441	0.494	0.582
\$1M-5M	0.385	88.6%	0.341	0.416	0.450	0.489	0.539	0.604	0.712
\$5M-10M	0.140	88.6%	0.124	0.151	0.164	0.178	0.196	0.220	0.259
\$1M-10M	0.525	88.6%	0.465	0.567	0.613	0.667	0.735	0.824	0.970

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	\$0.866
(B) Estimated based on \$100K - \$1M Analysis:	\$0.893
(C) Selected Base Loss Rate (\$100K - \$1M Layer):	\$0.875

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Funding Guidelines for Outstanding Losses
as of December 31, 2005 and June 30, 2006

	<u>December 31, 2005</u>	<u>June 30, 2006</u>
(A) Estimated Ultimate Losses Incurred as of:	\$24,787,769	\$26,281,269
(B) Estimated Paid Losses as of:	16,164,771	17,192,635
(C) Estimated Liability for Claims Outstanding as of:	\$8,622,998	\$9,088,634
(D) Outstanding Liability Discount Factor:	92.5%	91.1%
(E) Discounted Outstanding Liability for Claims as of:	\$7,973,000	\$8,275,000
(F) Risk Margin at 90% Confidence Level:	5,876,000	6,099,000
(G) Required Funding at the 90% confidence Level:	\$13,849,000	\$14,374,000

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	3.0% Discounted Reserve	Discounted Factor
		Paid Loss Development Factor	Payment Pattern			
1986-1987	20.0	1.001	0.0%	0.0%	0.0%	100.0%
1987-1988	19.0	1.001	0.0%	0.0%	0.1%	100.0%
1988-1989	18.0	1.002	0.1%	0.1%	0.2%	100.0%
1989-1990	17.0	1.003	0.1%	0.2%	0.2%	100.0%
1990-1991	16.0	1.004	0.1%	0.3%	0.3%	100.0%
1991-1992	15.0	1.005	0.1%	0.4%	0.4%	100.0%
1992-1993	14.0	1.006	0.1%	0.6%	0.6%	100.0%
1993-1994	13.0	1.007	0.2%	0.8%	0.7%	92.2%
1994-1995	12.0	1.009	0.2%	1.0%	0.9%	91.1%
1995-1996	11.0	1.011	0.5%	1.5%	1.4%	91.5%
1996-1997	10.0	1.016	1.3%	2.8%	2.6%	93.5%
1997-1998	9.0	1.030	2.6%	5.4%	5.1%	94.5%
1998-1999	8.0	1.059	3.6%	9.1%	8.6%	94.5%
1999-2000	7.0	1.101	6.0%	15.1%	14.2%	94.4%
2000-2001	6.0	1.179	10.6%	25.6%	24.2%	94.5%
2001-2002	5.0	1.347	16.8%	42.5%	40.1%	94.4%
2002-2003	4.0	1.741	25.7%	68.2%	64.3%	94.3%
2003-2004	3.0	3.156	23.3%	91.5%	85.4%	93.3%
2004-2005	2.0	11.892	7.6%	99.0%	90.3%	91.2%
2005-2006	1.0	117.218	0.9%	99.9%	88.5%	88.6%

Discount Factor for Future Funding: 0.899

Accident Year	Accident Year Paid Loss Development Factor	Full Value Reserve	3.0% Discounted Reserve	12/31/2005 Outstanding Loss	12/31/2005			6/30/2006	
					Discounted Factor	Discounted Outstanding Loss	Outstanding Loss	Discounted Factor	Discounted Outstanding Loss
1986-1987	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1987-1988	1.001	0.10%	0.10%	0	100.0%	0	0	100.0%	0
1988-1989	1.001	0.10%	0.10%	0	100.0%	0	0	100.0%	0
1989-1990	1.001	0.10%	0.09%	0	100.0%	0	0	100.0%	0
1986-1987	1.001	0.10%	0.10%	0	100.0%	0	0	100.0%	0
1987-1988	1.001	0.10%	0.10%	0	100.0%	0	0	100.0%	0
1988-1989	1.002	0.15%	0.14%	0	100.0%	0	0	100.0%	0
1989-1990	1.003	0.25%	0.24%	0	100.0%	0	0	100.0%	0
1990-1991	1.004	0.35%	0.33%	0	100.0%	0	0	100.0%	0
1991-1992	1.005	0.45%	0.42%	5,893	100.0%	5,893	4,720	100.0%	4,720
1992-1993	1.006	0.55%	0.50%	22,400	100.0%	22,400	18,681	92.2%	17,224
1993-1994	1.007	0.70%	0.63%	3,701	96.1%	3,557	3,242	91.1%	2,954
1994-1995	1.009	0.89%	0.81%	7,505	91.7%	6,878	6,762	91.5%	6,187
1995-1996	1.011	1.09%	0.98%	4,978	91.3%	4,545	4,570	93.5%	4,273
1996-1997	1.016	1.58%	1.43%	1,030	92.5%	953	827	94.5%	782
1997-1998	1.030	2.91%	2.71%	1,017,992	94.0%	956,912	770,620	94.5%	728,236
2003-2004	3.156	68.31%	67.06%	2,123,000	93.8%	1,991,374	1,762,090	93.3%	1,644,030
2004-2005	11.892	91.59%	88.04%	3,943,000	92.3%	3,637,418	3,564,472	91.2%	3,250,798
2005-2006	117.218	99.15%	92.92%	1,493,500	89.9%	1,342,657	2,952,650	88.6%	2,616,047

Total 8,622,998 7,972,587 9,088,634 8,275,251

Discount Factor for Outstanding: 92.5% 91.1%

Authority for California Cities Excess Liability
ACCEL Pooled Layer

Confidence Level Factors

Probability	Projected Funding Factor	Outstanding Liability Factor
95	2.087	2.038
90	1.771	1.737
85	1.580	1.555
80	1.435	1.417
75	1.319	1.306
70	1.220	1.211
65	1.132	1.128
60	1.052	1.051
55	0.979	0.981
50	0.909	0.914
45	0.843	0.851
40	0.777	0.788
35	0.712	0.726
30	0.647	0.664
25	0.580	0.598

Authority for California Cities Excess Liability
ACCEL Layer

Surplus / Deficit for 2003-04 to 2005-06

Accident Year	Contribution (A)	Interest Income at 6/30/06 (B)	Fund Available to Paid Claims at 6/30/06 (C)	Discounted Outstanding Loss at 6/30/06 (D)	Surplus (Deficit) (E)
2003-2004	\$1,918,000	\$178,000	\$2,096,000	\$1,644,000	\$452,000
2004-2005	2,510,000	153,000	2,663,000	3,251,000	(588,000)
2005-2006	3,335,000	100,000	3,435,000	2,616,000	819,000
Total	\$7,763,000	\$431,000	\$8,194,000	\$7,511,000	\$683,000

- (A) Provided by ACCEL.
- (B) Based on 3% investment rate.
- (C) (A) + (B)
- (D) From Exhibit 3.
- (E) (C) - (D)

Authority for California Cities Excess Liability
ACCEL Layer

Outstanding Liability at December 31, 2005

Accident Year	Ultimate Losses (A)	12/31/05 Reported Loss (B)	12/31/05 IBNR (C)	12/31/05 Paid Loss (D)	12/31/05 Case Reserves (E)	12/31/05 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	714,269	714,269	0	714,269	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	2,554,107	5,893	2,554,107	0	5,893
1992-1993	7,585,000	7,562,600	22,400	7,562,600	0	22,400
1993-1994	881,000	877,299	3,701	877,299	0	3,701
1994-1995	1,448,000	1,440,495	7,505	1,440,495	0	7,505
1995-1996	915,000	910,022	4,978	910,022	0	4,978
1996-1997	64,000	62,970	1,030	62,970	0	1,030
1997-1998	2,561,000	2,543,008	17,992	1,543,008	1,000,000	1,017,992
2003-2004	2,123,000	1,000,000	1,123,000	0	1,000,000	2,123,000
2004-2005	3,943,000	2,000,000	1,943,000	0	2,000,000	3,943,000
2005-2006	1,493,500	0	1,493,500	0	0	1,493,500
Totals	\$24,287,769	\$19,664,771	\$4,622,998	\$15,664,771	\$4,000,000	\$8,622,998
Grand Totals	\$24,787,769	\$20,164,771	\$4,622,998	\$16,164,771	\$4,000,000	\$8,622,998

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, 2006

Accident Year	Ultimate Losses (A)	6/30/2006 Reported Loss (B)	6/30/2006 IBNR (C)	6/30/2006 Paid Loss (D)	6/30/2006 Case Reserves (E)	6/30/2006 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	714,269	714,269	0	714,269	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	2,555,280	4,720	4,720
1992-1993	7,585,000	7,585,000	0	7,566,319	18,681	18,681
1993-1994	881,000	881,000	0	877,758	3,242	3,242
1994-1995	1,448,000	1,448,000	0	1,441,238	6,762	6,762
1995-1996	915,000	915,000	0	910,430	4,570	4,570
1996-1997	64,000	64,000	0	63,173	827	827
1997-1998	2,561,000	2,977,691	(416,691)	1,790,380	1,187,310	770,620
2003-2004	2,123,000	1,534,996	588,004	360,910	1,174,086	1,762,090
2004-2005	3,943,000	2,666,367	1,276,633	378,528	2,287,839	3,564,472
2005-2006	2,987,000	247,921	2,739,079	34,351	213,571	2,952,650
Totals	\$25,781,269	\$21,594,244	\$4,187,025	\$16,692,635	\$4,901,609	\$9,088,634
Grand Totals	\$26,281,269	\$22,094,244	\$4,187,025	\$17,192,635	\$4,901,609	\$9,088,634

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	500,500		500,000
1988-1989	0	0		0
1989-1990	0	0		0
Totals	\$500,000	\$500,500		\$500,000
1986-1987	0	0		0
1987-1988	714,269	714,983		714,269
1988-1989	0	0		0
1989-1990	0	0		0
1990-1991	0	0		0
1991-1992	2,554,107	2,566,878		2,560,000
1992-1993	7,562,600	7,607,976		7,585,000
1993-1994	877,299	884,317		881,000
1994-1995	1,440,495	1,454,900		1,448,000
1995-1996	910,022	920,942		915,000
1996-1997	63,096	64,229		64,000
1997-1998	2,560,810	1,604,729		2,561,000
2003-2004	2,123,000	0	1,764,000	2,123,000
2004-2005	9,906,000	0	3,943,000	3,943,000
2005-2006			2,987,000	2,987,000
Totals	\$28,711,698	\$15,818,954	\$8,694,000	\$25,781,269
Grand Totals	\$29,211,698	\$16,319,454		\$26,281,269

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 12/31/05 (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	714,269	1.000	714,269
1988-1989	0	1.000	0
1989-1990	0	1.000	0
1990-1991	0	1.000	0
1991-1992	2,554,107	1.000	2,554,107
1992-1993	7,562,600	1.000	7,562,600
1993-1994	877,299	1.000	877,299
1994-1995	1,440,495	1.000	1,440,495
1995-1996	910,022	1.000	910,022
1996-1997	62,970	1.002	63,096
1997-1998	2,543,008	1.007	2,560,810
2003-2004	1,000,000	2.123	2,123,000
2004-2005	2,000,000	4.953	9,906,000
2005-2006	0	22.779	0
Totals	\$17,664,771		\$28,711,698
Grand Totals	\$18,164,771		\$29,211,698

Notes:

- (A) Provided by ACCEL
- (B) (C) from Appendix B, Page 6.
- (C) (A) x (B).

Authority for California Cities Excess Liability
ACCEL Layer

Paid Loss Development

Accident Year	Paid Losses as of 12/31/05 (A)	Paid Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.001	500,500
1988-1989	0	1.001	0
1989-1990	0	1.001	0
Totals	\$500,000		\$500,500
1986-1987	0	1.001	0
1987-1988	714,269	1.001	714,983
1988-1989	0	1.002	0
1989-1990	0	1.003	0
1990-1991	0	1.004	0
1991-1992	2,554,107	1.005	2,566,878
1992-1993	7,562,600	1.006	7,607,976
1993-1994	877,299	1.008	884,317
1994-1995	1,440,495	1.010	1,454,900
1995-1996	910,022	1.012	920,942
1996-1997	62,970	1.020	64,229
1997-1998	1,543,008	1.040	1,604,729
2003-2004	0	4.289	0
2004-2005	0	19.494	0
2005-2006	0	214.941	0
Totals	\$15,664,771		\$15,818,954
Grand Totals	\$16,164,771		\$16,319,454

Notes:

- (A) Provided by ACCEL
- (B) (C) from Appendix B, Page 9.
- (C) (A) x (B).

Authority for California Cities Excess Liability
ACCEL Layer

Expected Loss Methods

	2003-04	2004-05	2005-06
(A) Program Year 2006-07 \$100K-\$1M Base Rate:	\$0.875	\$0.875	\$0.875
(B) Trend Factor Program Year:	0.864	0.907	0.952
(C) Program Year \$100K-\$1M Base Rate:	\$0.756	\$0.794	\$0.833
(D) Factor to Self-Insured Layer	0.230	0.360	0.440
(E) Program Year Self-Insured Expected Rate;	\$0.174	\$0.286	\$0.367
(F) Program Year Payroll:	\$8,303,488	\$8,522,184	\$8,518,849
(G) Program Year Preliminary Ultimate Losses:	\$1,444,000	\$2,435,000	\$3,124,000
(H) Percent of 2005-06 Ultimate Losses Not Reported:	52.9%	79.8%	95.6%
(I) Estimated Program Year IBNR @ 12/31/05:	\$763,830	\$1,943,379	\$2,986,856
(J) Program Year Reported Losses @ 12/31/05:	\$1,000,000	\$2,000,000	\$0
(K) Program Year Estimated Ultimate Losses:	\$1,764,000	\$3,943,000	\$2,987,000

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 Limited Losses (A)	Estimated Ultimate \$1M Limited Losses (B)	Estimated Ultimate \$100K - \$1M Losses (C)	Payroll (\$00's) (D)	Loss Trend Factor (E)	Loss Rate at 2005-2006 Level (F)
1995-1996	6,478,000	9,572,000	3,094,000	7,101,312	1.629	0.710
1996-1997	5,971,000	9,658,000	3,687,000	7,570,505	1.551	0.755
1997-1998	5,804,000	8,734,000	2,930,000	7,727,335	1.477	0.560
1998-1999	5,719,000	10,091,000	4,372,000	7,891,821	1.407	0.779
1999-2000	5,819,000	10,844,000	5,025,000	8,045,982	1.340	0.837
2000-2001	7,107,000	12,246,000	5,139,000	8,273,437	1.276	0.793
2001-2002	8,479,000	14,160,000	5,681,000	8,639,906	1.216	0.800
2002-2003	5,703,000	11,960,000	6,257,000	8,796,935	1.158	0.824
2003-2004	6,148,000	13,205,000	7,057,000	8,726,966	1.103	0.892
2004-2005	7,144,000	14,428,000	7,284,000	8,735,239	1.050	0.876
Average 95/96 - 03/04 :						0.772
Average 99/00 - 03/04 :						0.829
Prior 2004-2005 Rate :						0.800
Selected 2005-2006 Rate :						0.825
Trend Factor to 2006-2007 :						1.050
Selected 2006-2007 Rate :						\$0.866

Notes:

- (A) From Exhibit II, Page 2
- (B) From Exhibit II, Page 1
- (C) (B) - (A)
- (D) Provided by CSAC
- (E) From \$100K - \$1M Analysis, Appendix E
- (F) (C) / (D) x (E)

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

Estimated Ultimate Program Losses

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 Estimate of Ultimate Losses (F)
1995-1996	\$9,571,549	\$9,638,550	\$9,571,549	\$9,646,958	\$10,795,952	\$9,572,000
1996-1997	9,658,464	9,762,202	9,658,929	9,767,815	10,140,186	9,658,000
1997-1998	8,734,124	7,726,697	8,738,044	7,778,081	10,017,318	8,734,000
1998-1999	10,090,509	8,636,893	10,090,801	8,695,057	10,062,248	10,091,000
1999-2000	10,843,798	10,790,654	10,839,959	10,767,248	10,505,745	10,844,000
2000-2001	12,252,560	12,487,618	12,240,074	12,423,489	12,594,995	12,246,000
2001-2002	14,208,605	12,860,006	14,111,776	12,820,150	12,611,894	14,160,000
2002-2003	11,879,930	11,811,401	12,039,625	12,217,606	13,721,358	11,960,000
2003-2004	13,643,331	11,485,231	13,543,819	12,528,256	13,174,422	13,205,000
2004-2005	15,510,467	18,650,050	14,533,037	14,217,792	14,264,640	14,428,000
Totals						\$114,898,000

Notes:

- (A) From Appendix B, Page 4, Column (G).
- (B) From Appendix B, Page 7, Column (G).
- (C) From Appendix B, Page 10, Column (G).
- (D) From Appendix B, Page 11, Column (G).
- (E) From Appendix B, Page 13, Column (C).
- (F) Selected averages of (A), (B), (C), (D), and (E).

This exhibit summarizes the results of the actuarial methods we have applied to estimate ultimate losses for each year. It is important to apply a number of estimation methods because each one relies on specific assumptions about the claims process that tend to hold generally true, but that may be violated in specific situations. Thus, the more estimation methods that can be applied, the better.

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

Estimated Ultimate Limited Losses Capped at \$100,000 per Claim

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	\$6,478,403	\$6,504,317	\$6,478,403	\$6,504,309	\$6,491,008	\$6,478,000
1996-1997	5,971,317	6,004,761	5,971,317	6,004,786	5,988,927	5,971,000
1997-1998	5,804,479	5,749,257	5,804,479	5,750,054	5,803,341	5,804,000
1998-1999	5,718,628	5,477,964	5,718,628	5,481,667	5,720,134	5,719,000
1999-2000	5,819,178	5,903,855	5,819,178	5,904,438	5,862,875	5,819,000
2000-2001	7,107,009	7,014,021	7,107,009	6,997,650	6,894,970	7,107,000
2001-2002	8,482,798	8,397,005	8,474,507	8,300,830	6,770,404	8,479,000
2002-2003	5,694,481	5,365,364	5,711,176	5,580,166	7,225,295	5,703,000
2003-2004	5,861,586	6,525,260	5,889,529	6,663,840	6,806,541	6,148,000
2004-2005	6,966,603	10,010,338	6,942,669	7,546,265	7,228,416	7,144,000
Totals						\$64,372,000

Notes:

- (A) From Appendix B, Page 4, Column (D).
- (B) From Appendix B, Page 7, Column (D).
- (C) Based on results in Appendix B, Page 10.
- (D) Based on results in Appendix B, Page 11.
- (E) Based on results in Appendix B, Page 13.
- (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)	Limited Reported Losses as of 12/31/05 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/05 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1995-1996	\$6,478,403	1.000	\$6,478,403	\$9,571,549	1.000	\$9,571,549
1996-1997	5,971,317	1.000	5,971,317	9,648,815	1.001	9,658,464
1997-1998	5,804,479	1.000	5,804,479	8,708,000	1.003	8,734,124
1998-1999	5,718,628	1.000	5,718,628	10,020,366	1.007	10,090,509
1999-2000	5,819,178	1.000	5,819,178	10,683,545	1.015	10,843,798
2000-2001	7,107,009	1.000	7,107,009	11,884,151	1.031	12,252,560
2001-2002	8,440,595	1.005	8,482,798	13,366,515	1.063	14,208,605
2002-2003	5,621,403	1.013	5,694,481	10,321,399	1.151	11,879,930
2003-2004	5,690,860	1.030	5,861,586	9,951,372	1.371	13,643,331
2004-2005	5,564,379	1.252	6,966,603	7,821,718	1.983	15,510,467
Totals	\$62,216,251		\$63,904,482	\$101,977,430		\$116,393,337

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Authority. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix B, Page 5.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the Authority's SIR. Amounts are provided by the Authority.
- (F) Derived from factors on Appendix B, Page 6.
- (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)
Reported Loss Development

Accident Year	<u>Limited Losses Reported as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									5,098,495		6,161,041
1996-1997								5,678,244		5,679,657	
1997-1998							6,152,079		5,445,846		
1998-1999						6,483,854		5,354,218			
1999-2000					5,666,787		5,433,424				
2000-2001				6,856,996		6,503,519					
2001-2002			6,469,061		8,071,581						
2002-2003		5,282,561		5,101,569							
2003-2004	1,100,752		5,099,665								
2004-2005		4,842,497									
2005-2006	1,053,565										

	<u>Reported Loss Development Factors:</u>										
	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996											
1996-1997								1.000			
1997-1998							0.885				
1998-1999						0.826					
1999-2000					0.959						
2000-2001				0.948							
2001-2002			1.248								
2002-2003		0.966									
2003-2004	4.633										
2004-2005											

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Average	4.633	0.966	1.248	0.948	0.959	0.826	0.885	1.000	1.208		

Dollar-weighted
Averages

3-yr											
4-yr											
Industry											
Factors	2.890	1.232	1.010	0.980	0.980	1.000	1.000	1.000	1.000	1.000	1.000
Prior	2.851	1.216	1.017	1.008	1.005	1.000	1.000	1.000	1.000	1.000	1.000
Selected	2.851	1.216	1.017	1.008	1.005	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	3.569	1.252	1.030	1.013	1.005	1.000	1.000	1.000	1.000	1.000	1.000

Authority for California Cities Excess Liability - Liability (\$100K & \$1M Analysis)
Reported between \$100,000 and \$1,000,000 Loss Development

Losses Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									3,093,146		3,093,146
1996-1997								2,966,146		3,677,498	
1997-1998							1,865,241		2,894,550		
1998-1999						1,906,956		4,053,866			
1999-2000					4,024,442		4,544,052				
2000-2001				4,374,341		3,877,142					
2001-2002			3,321,579		4,711,745						
2002-2003		5,174,863		4,441,562							
2003-2004	1,268,000		4,010,513								
2004-2005		1,707,340									
2005-2006	400,000										

Reported Loss Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114- Months	126-Ult. Months
1995-1996											
1996-1997								1.240			
1997-1998							1.552				
1998-1999						2.126					
1999-2000					1.129						
2000-2001				0.886							
2001-2002			1.419								
2002-2003		0.858									
2003-2004	3.163										

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114- Months	126-Ult. Months
Average Dollar-weighted Averages	3.163	0.858	1.419	0.886	1.129	2.126	1.552	1.240	1.000		
3-yr											
4-yr											
Industry Factors	4.658	1.905	1.333	1.139	1.034	1.015	1.006	1.000	1.000	1.000	1.000
Prior	4.599	2.333	1.566	1.192	1.063	1.035	1.018	1.010	1.005	1.002	1.000
Selected	4.599	2.333	1.566	1.192	1.063	1.035	1.018	1.010	1.005	1.002	1.000
Cumulated	22.779	4.953	2.123	1.356	1.138	1.071	1.035	1.017	1.007	1.002	1.000

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

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/05 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/05 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1995-1996	\$6,478,403	1.004	\$6,504,317	\$9,571,549	1.007	\$9,638,550
1996-1997	5,968,947	1.006	6,004,761	9,646,445	1.012	9,762,202
1997-1998	5,703,628	1.008	5,749,257	7,567,774	1.021	7,726,697
1998-1999	5,413,008	1.012	5,477,964	8,312,698	1.039	8,636,893
1999-2000	5,788,093	1.020	5,903,855	10,141,592	1.064	10,790,654
2000-2001	6,776,832	1.035	7,014,021	11,189,622	1.116	12,487,618
2001-2002	7,914,237	1.061	8,397,005	10,584,367	1.215	12,860,006
2002-2003	4,613,383	1.163	5,365,364	8,112,226	1.456	11,811,401
2003-2004	3,752,306	1.739	6,525,260	4,707,062	2.440	11,485,231
2004-2005	2,177,107	4.598	10,010,338	2,527,107	7.380	18,650,050
Totals	\$54,585,944		\$66,952,142	\$82,360,442		\$113,849,302

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Authority. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix B, Page 8.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the Authority's SIR. Amounts are provided by the Authority.
- (F) Derived from factors on Appendix B, Page 9.
- (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)
Paid Loss Development

Accident Year	<u>Limited Losses Paid as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									5,056,999		6,161,041
1996-1997								5,673,886		5,677,287	
1997-1998							5,754,812		5,344,995		
1998-1999						6,283,840		5,206,116			
1999-2000					5,521,662		5,401,578				
2000-2001				5,467,275		6,188,917					
2001-2002			3,699,259		7,331,048						
2002-2003		1,769,216		4,365,436							
2003-2004	402,908		3,536,968								
2004-2005		1,941,086									
2005-2006	323,183										

	<u>Paid Loss Development Factors:</u>										
	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996											
1996-1997								1.001			
1997-1998							0.929				
1998-1999						0.828					
1999-2000					0.978						
2000-2001				1.132							
2001-2002			1.982								
2002-2003		2.467									
2003-2004	8.779										
2004-2005											

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Average	8.779	2.467	1.982	1.132	0.978	0.828	0.929	1.001	1.218		

Dollar-weighted
Averages
3-yr
4-yr

Industry Factors	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Prior	4.160	2.161	1.499	1.178	1.065	1.032	1.014	1.008	1.005	1.005	1.021
Selected	5.857	2.644	1.495	1.096	1.025	1.015	1.008	1.004	1.002	1.002	1.004
Cumulated	5.857	2.644	1.495	1.096	1.025	1.015	1.008	1.004	1.002	1.002	1.004
	26.930	4.598	1.739	1.163	1.061	1.035	1.020	1.012	1.008	1.006	1.004

Authority for California Cities Excess Liability - Liability (\$100K & \$1M Analysis)
Paid between \$100,000 and \$1,000,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									3,093,146		3,093,146
1996-1997								2,964,374		3,677,498	
1997-1998							1,380,241		1,855,175		
1998-1999						1,696,818		2,651,818			
1999-2000					3,251,583		4,033,183				
2000-2001				3,452,127		3,512,790					
2001-2002			1,014,263		2,670,130						
2002-2003		302,814		3,454,409							
2003-2004	4,267		954,756								
2004-2005											
2005-2006											

	<u>Paid Loss Development Factors:</u>										
	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114- Months	126-Ult. Months
1995-1996									1.000		
1996-1997								1.241			
1997-1998							1.344				
1998-1999						1.563					
1999-2000					1.240						
2000-2001				1.018							
2001-2002			2.633								
2002-2003		11.408									
2003-2004	223.753										
Average Dollar-weighted Averages	223.753	11.408	2.633	1.018	1.240	1.563	1.344	1.241	1.000		
3-yr Industry Factors	11.043	3.182	1.786	1.350	1.166	1.088	1.062	1.040	1.026	1.013	1.036
Prior	11.026	4.545	2.121	1.385	1.184	1.096	1.045	1.036	1.020	1.008	1.012
Selected	11.026	4.545	2.121	1.385	1.184	1.096	1.045	1.036	1.020	1.008	1.012
Cumulated	214.941	19.494	4.289	2.022	1.460	1.233	1.125	1.077	1.040	1.020	1.012

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 12/31/05 (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	7,101,312	\$9,571,549	1.000	0.000	\$1.517	\$0	\$9,571,549
1996-1997	7,570,505	9,648,815	1.001	0.001	1.336	10,114	9,658,929
1997-1998	7,727,335	8,708,000	1.003	0.003	1.296	30,044	8,738,044
1998-1999	7,891,821	10,020,366	1.007	0.007	1.275	70,435	10,090,801
1999-2000	8,045,982	10,683,545	1.015	0.015	1.296	156,414	10,839,959
2000-2001	8,273,437	11,884,151	1.031	0.030	1.434	355,923	12,240,074
2001-2002	8,639,906	13,366,515	1.063	0.059	1.462	745,261	14,111,776
2002-2003	8,796,935	10,321,399	1.151	0.131	1.491	1,718,226	12,039,625
2003-2004	8,726,966	9,951,372	1.371	0.271	1.519	3,592,447	13,543,819
2004-2005	8,735,239	7,821,718	1.983	0.496	1.549	6,711,319	14,533,037
Totals	\$81,509,438	\$101,977,430				\$13,390,183	\$115,367,613

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 4, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix B, Page 12, 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 12/31/05 (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	7,101,312	\$9,571,549	1.007	0.007	\$1.517	\$75,409	\$9,646,958
1996-1997	7,570,505	9,646,445	1.012	0.012	1.336	121,370	9,767,815
1997-1998	7,727,335	7,567,774	1.021	0.021	1.296	210,307	7,778,081
1998-1999	7,891,821	8,312,698	1.039	0.038	1.275	382,359	8,695,057
1999-2000	8,045,982	10,141,592	1.064	0.060	1.296	625,656	10,767,248
2000-2001	8,273,437	11,189,622	1.116	0.104	1.434	1,233,867	12,423,489
2001-2002	8,639,906	10,584,367	1.215	0.177	1.462	2,235,783	12,820,150
2002-2003	8,796,935	8,112,226	1.456	0.313	1.491	4,105,380	12,217,606
2003-2004	8,726,966	4,707,062	2.440	0.590	1.519	7,821,194	12,528,256
2004-2005	8,735,239	2,527,107	7.380	0.864	1.549	11,690,685	14,217,792
Totals	\$81,509,438	\$82,360,442				\$28,502,010	\$110,862,452

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 7, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix B, Page 12, 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 Limited Losses (B)	Trend Factor (C)	Trended Limited Losses (D)	Trended Limited Loss Rate (E)	Limited Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
1995-1996	7,101,312	\$6,478,000	1.000	\$6,478,000	\$0.912	\$0.912	1.663	\$1.517
1996-1997	7,570,505	5,971,000	1.000	5,971,000	0.789	0.789	1.693	1.336
1997-1998	7,727,335	5,804,000	1.000	5,804,000	0.751	0.751	1.726	1.296
1998-1999	7,891,821	5,719,000	1.000	5,719,000	0.725	0.725	1.759	1.275
1999-2000	8,045,982	5,819,000	1.000	5,819,000	0.723	0.723	1.792	1.296
2000-2001	8,273,437	7,107,000	1.000	7,107,000	0.859	0.785	1.827	1.434
2001-2002	8,639,906	8,483,000	1.000	8,483,000	0.982	0.785	1.863	1.462
2002-2003	8,796,935	5,694,000	1.000	5,694,000	0.647	0.785	1.899	1.491
2003-2004	8,726,966	6,193,000	1.000	6,193,000	0.710	0.785	1.936	1.519
2004-2005	8,735,239	6,967,000	1.000	6,967,000	0.798	0.785	1.974	1.549
Total/Avg	\$81,509,438	\$64,235,000		\$64,235,000	\$0.788			
99/00-03/04	42,483,226	33,296,000		33,296,000	\$0.784			
00/01-04/05	43,172,483	34,444,000		34,444,000	\$0.798			
Selected Limited Rate:					\$0.785			

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 Limited Rate / (C). For 1999-2000 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 Anal

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Ultimate Claims (B)	Ultimate Program Losses (C)
1995-1996	\$4,178	2,584	\$10,795,952
1996-1997	3,686	2,751	10,140,186
1997-1998	3,706	2,703	10,017,318
1998-1999	3,724	2,702	10,062,248
1999-2000	3,987	2,635	10,505,745
2000-2001	4,585	2,747	12,594,995
2001-2002	4,847	2,602	12,611,894
2002-2003	5,118	2,681	13,721,358
2003-2004	5,406	2,437	13,174,422
2004-2005	5,715	2,496	14,264,640
Total		26,338	\$117,888,758

Notes:

- (A) From Appendix B, Page 14, Column (H).
- (B) From Appendix B, Page 14, 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 Limited Losses (A)	Ultimate Claims (B)	Ultimate Limited Severity (C)	Trend Factor (D)	Trended Limited Severity (E)	Limited Severity (F)	Factor to SIR (G)	Program Severity (H)
1995-1996	\$6,491,000	2,584	\$2,512	1.428	\$3,587	\$2,512	1.663	\$4,178
1996-1997	5,988,000	2,751	2,177	1.378	3,000	2,177	1.693	3,686
1997-1998	5,804,000	2,703	2,147	1.330	2,856	2,147	1.726	3,706
1998-1999	5,719,000	2,702	2,117	1.283	2,716	2,117	1.759	3,724
1999-2000	5,862,000	2,635	2,225	1.238	2,755	2,225	1.792	3,987
2000-2001	7,056,000	2,747	2,569	1.195	3,070	2,510	1.827	4,585
2001-2002	8,483,000	2,602	3,260	1.153	3,759	2,602	1.863	4,847
2002-2003	5,694,000	2,681	2,124	1.113	2,364	2,695	1.899	5,118
2003-2004	6,277,000	2,437	2,576	1.074	2,767	2,793	1.936	5,406
2004-2005	7,244,000	2,496	2,902	1.036	3,006	2,896	1.974	5,715

Average Limited Severity: \$2,988
Average 99/00-03/04 Limited Severity: \$2,943
Average 00/01-04/05 Limited Severity: \$2,993

Selected Limited Severity: \$3,000

Notes:

- (A) Selected average of results from Appendices B, B, and B.
- (B) Appendix B, Page 15, 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)
1995-1996	2,584	2,584	2,584	710.131	3.639	0.700	2.547
1996-1997	2,751	2,752	2,751	757.051	3.634	0.726	2.638
1997-1998	2,703	2,704	2,703	772.734	3.498	0.752	2.630
1998-1999	2,702	2,617	2,702	789.182	3.424	0.779	2.667
1999-2000	2,635	2,645	2,635	804.598	3.275	0.808	2.646
2000-2001	2,747	2,754	2,747	827.344	3.320	0.837	2.779
2001-2002	2,602	2,612	2,602	863.991	3.012	0.867	2.611
2002-2003	2,681	2,715	2,681	879.694	3.048	0.899	2.740
2003-2004	2,437	2,385	2,437	872.697	2.792	0.931	2.599
2004-2005	2,496	2,423	2,496	873.524	2.857	0.965	2.757
Total	26,338	26,191	26,338	8,150.944			2.664

(H) Selected 2005-2006 Frequency: 2.750

Program Year:	2005-2006	2006-2007
(I) Trend Factor:	1.000	0.965
(J) Selected Frequency:	2.750	2.654
(K) Composite Exposure:	851.885	877.440
(L) Ultimate Claims:	2,343	2,329

Notes:

- (A) From Appendix B, Page 16, (C).
- (B) From Appendix B, Page 17, (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 2.750 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 12/31/2005 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	2,584	1.000	2,584	2.547
1996-1997	2,751	1.000	2,751	2.638
1997-1998	2,703	1.000	2,703	2.630
1998-1999	2,702	1.000	2,702	2.667
1999-2000	2,635	1.000	2,635	2.646
2000-2001	2,747	1.000	2,747	2.779
2001-2002	2,602	1.000	2,602	2.611
2002-2003	2,673	1.003	2,681	2.740
2003-2004	2,420	1.007	2,437	2.600
2004-2005	2,430	1.027	2,496	2.757
Total	26,247		26,338	2.664

Notes:

- (A) Provided by the Authority.
- (B) From Appendix B, Page 18.
- (C) (A) x (B).
- (D) (C) / [Appendix B, Page 15, (D)] x [Appendix B, Page 15, (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 12/31/2005 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	2,584	1.000	2,584	2.547
1996-1997	2,749	1.001	2,752	2.639
1997-1998	2,696	1.003	2,704	2.631
1998-1999	2,604	1.005	2,617	2.583
1999-2000	2,624	1.008	2,645	2.656
2000-2001	2,721	1.012	2,754	2.786
2001-2002	2,561	1.020	2,612	2.621
2002-2003	2,611	1.040	2,715	2.775
2003-2004	2,156	1.106	2,385	2.544
2004-2005	1,762	1.375	2,423	2.677
Total	25,068		26,191	2.648

Notes:

- (A) Provided by the Authority.
- (B) From Appendix B, Page 19.
- (C) (A) x (B).
- (D) (C) / [Appendix B, Page 15, (D)] x [Appendix B, Page 15, (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)

Reported Claim Count Development

Number of Claims Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									2,356		2,371
1996-1997								2,574		2,577	
1997-1998							2,518		2,535		
1998-1999						2,247		2,525			
1999-2000					2,386		2,416				
2000-2001				2,494		2,563					
2001-2002			2,420		2,427						
2002-2003		2,386		2,433							
2003-2004	727		2,213								
2004-2005		2,218									
2005-2006	703										

Reported Claim Count Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996									1.006		
1996-1997								1.001			
1997-1998							1.007				
1998-1999						1.124					
1999-2000					1.013						
2000-2001				1.028							
2001-2002			1.003								
2002-2003		1.020									
2003-2004	3.044										

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Average	3.044	1.020	1.003	1.028	1.013	1.124	1.007	1.001	1.006		
Claim-weighted Averages											
3-yr											
4-yr											

Industry	Factors	Prior	Selected	Cumulated
Factors	2.706	1.167	1.023	1.010
Prior	2.441	1.020	1.004	1.003
Selected	2.441	1.020	1.004	1.003
Cumulated	2.507	1.027	1.007	1.003

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

Closed Claim Development

Accident Year	Claims Closed as of:										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									2,354		2,371
1996-1997								2,570		2,575	
1997-1998							2,503		2,528		
1998-1999						2,214		2,428			
1999-2000					2,361		2,407				
2000-2001				2,388		2,543					
2001-2002			2,042		2,388						
2002-2003		1,605		2,384							
2003-2004	269		1,997								
2004-2005		1,632									
2005-2006	213										

Closed Claim Count Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996									1.007		
1996-1997								1.002			
1997-1998							1.010				
1998-1999						1.097					
1999-2000					1.019						
2000-2001				1.065							
2001-2002			1.169								
2002-2003		1.485									
2003-2004	7.424										

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Average	7.424	1.485	1.169	1.065	1.019	1.097	1.010	1.002	1.007		
Claim-weighted Averages											
3-yr											
4-yr											
Industry											
Factors	3.571	1.543	1.138	1.066	1.044	1.032	1.017	1.010	1.008	1.005	1.008
Prior	2.771	1.243	1.063	1.020	1.008	1.004	1.003	1.002	1.002	1.001	1.000
Selected	2.771	1.243	1.063	1.020	1.008	1.004	1.003	1.002	1.002	1.001	1.000
Cumulated	3.810	1.375	1.106	1.040	1.020	1.012	1.008	1.005	1.003	1.001	1.000

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
1995-1996	7,101,312	6,478,000	0.912	0.912
1996-1997	7,570,505	5,971,000	0.789	0.789
1997-1998	7,727,335	5,804,000	0.751	0.751
1998-1999	7,891,821	5,719,000	0.725	0.725
1999-2000	8,045,982	5,819,000	0.723	0.723
2000-2001	8,273,437	4,263,000	0.515	0.515
2001-2002	8,639,906	8,478,000	0.981	0.981
2002-2003	8,796,935	5,701,000	0.648	0.648
2003-2004	8,726,966	6,098,000	0.699	0.699
2004-2005	8,735,239	7,023,000	0.804	0.804

Exponential Trends		
Years	R-square	Fitted Trend
95/96-04/05	0.049	0.987
99/00-04/05	0.065	1.030
Industry		0.990
Selected Trend:		1.000

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 2005-2006 Level (F)
1995-1996	3,093,000	7,101,312	1.629	0.710
1996-1997	3,685,000	7,570,505	1.551	0.755
1997-1998	2,924,000	7,727,335	1.477	0.559
1998-1999	4,376,000	7,891,821	1.407	0.780
1999-2000	5,036,000	8,045,982	1.340	0.839
2000-2001	5,245,000	8,273,437	1.276	0.809
2001-2002	5,295,000	8,639,906	1.216	0.745
2002-2003	6,519,000	8,796,935	1.158	0.858
2003-2004	7,252,000	8,726,966	1.103	0.917
2004-2005	7,624,000	8,735,239	1.050	0.916
Average 95/96 - 03/04 :				0.775
Average 99/00 - 03/04 :				0.834
Prior 2004-2005 Rate :				0.800
Selected 2005-2006 Rate :				0.850
Trend Factor to 2006-2007 :				1.050
Selected 2006-2007 Rate :				\$0.893

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	\$3,093,147	\$3,130,265	\$3,093,147	\$3,130,471	\$3,112,002	\$3,093,000
1996-1997	3,684,852	3,751,047	3,684,931	3,751,839	3,718,002	3,685,000
1997-1998	2,923,846	1,938,712	2,923,968	1,975,141	2,923,998	2,924,000
1998-1999	4,374,868	3,122,966	4,376,063	3,210,107	4,374,991	4,376,000
1999-2000	5,034,620	4,447,686	5,035,618	4,512,582	5,035,008	5,036,000
2000-2001	5,116,319	5,440,970	5,140,809	5,454,201	7,347,175	5,245,000
2001-2002	5,605,696	3,898,390	5,656,674	4,572,508	7,401,312	5,295,000
2002-2003	6,373,195	7,074,661	6,398,174	6,759,603	6,476,680	6,519,000
2003-2004	9,045,067	4,094,944	7,819,884	6,115,507	6,799,640	7,252,000
2004-2005	11,180,600	6,822,900	7,903,623	7,064,691	4,285,716	7,624,000
Totals						\$51,049,000

Notes:

- (A) From Appendix C, Page 3, Column (D).
- (B) From Appendix C, Page 5, Column (D).
- (C) Based on results in Appendix C, Page 7.
- (D) Based on results in Appendix C, Page 8.
- (E) Based on results in Appendix C, Page 10.
- (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 12/31/05 (B)	Reported Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Reported Losses of 12/31/05 (E)	Reported Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
1995-1996	\$3,093,147	1.000	\$3,093,147	\$3,093,147	1.000	\$3,093,147
1996-1997	3,677,497	1.002	3,684,852	3,677,497	1.002	3,684,852
1997-1998	2,903,521	1.007	2,923,846	2,903,521	1.007	2,923,846
1998-1999	4,301,738	1.017	4,374,868	4,301,738	1.017	4,374,868
1999-2000	4,864,367	1.035	5,034,620	4,864,367	1.035	5,034,620
2000-2001	4,777,142	1.071	5,116,319	4,777,142	1.071	5,116,319
2001-2002	4,925,919	1.138	5,605,696	4,925,919	1.138	5,605,696
2002-2003	4,699,996	1.356	6,373,195	4,699,996	1.356	6,373,195
2003-2004	4,260,512	2.123	9,045,067	4,260,512	2.123	9,045,067
2004-2005	2,257,339	4.953	11,180,600	2,257,339	4.953	11,180,600
Totals	\$39,761,178		\$56,432,210	\$39,761,178		\$56,432,210

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Authority. These losses exclude amount over the SIR.
- (C) From Appendix C, Page 4.
- (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) Derived from factors on Appendix C, Page 4.
- (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)

Reported Loss Development

\$100K - \$1M Losses Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									3,093,146		3,093,147
1996-1997								2,966,146		3,677,497	
1997-1998							1,865,241		2,894,551		
1998-1999						1,906,956		4,053,866			
1999-2000					4,024,442		4,544,051				
2000-2001				4,374,341		3,877,142					
2001-2002			3,321,579		4,711,746						
2002-2003		5,174,863		4,441,562							
2003-2004	1,268,000		4,010,512								
2004-2005		1,707,339									
2005-2006	400,000										

Reported Loss Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996											
1996-1997								1.240			
1997-1998							1.552				
1998-1999						2.126					
1999-2000					1.129						
2000-2001				0.886							
2001-2002			1.419								
2002-2003		0.858									
2003-2004	3.163										
Average Dollar-weighted Averages	3.163	0.858	1.419	0.886	1.129	2.126	1.552	1.240	1.000		
3-yr Industry Factors	4.658	1.905	1.333	1.139	1.034	1.015	1.006	1.000	1.000	1.000	1.000
Prior	4.599	2.333	1.566	1.192	1.063	1.035	1.018	1.010	1.005	1.002	1.000
Selected	4.599	2.333	1.566	1.192	1.063	1.035	1.018	1.010	1.005	1.002	1.000
Cumulated	22.779	4.953	2.123	1.356	1.138	1.071	1.035	1.017	1.007	1.002	1.000

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

Paid Loss Development

Accident Year (A)	\$100K - \$1M Paid Losses as of 12/31/05 (B)	Paid Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Paid Losses of 12/31/05 (E)	Paid Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
1995-1996	\$3,093,147	1.012	\$3,130,265	\$3,093,147	1.012	\$3,130,265
1996-1997	3,677,497	1.020	3,751,047	3,677,497	1.020	3,751,047
1997-1998	1,864,146	1.040	1,938,712	1,864,146	1.040	1,938,712
1998-1999	2,899,690	1.077	3,122,966	2,899,690	1.077	3,122,966
1999-2000	3,953,499	1.125	4,447,686	3,953,499	1.125	4,447,686
2000-2001	4,412,790	1.233	5,440,970	4,412,790	1.233	5,440,970
2001-2002	2,670,130	1.460	3,898,390	2,670,130	1.460	3,898,390
2002-2003	3,498,843	2.022	7,074,661	3,498,843	2.022	7,074,661
2003-2004	954,755	4.289	4,094,944	954,755	4.289	4,094,944
2004-2005	350,000	19.494	6,822,900	350,000	19.494	6,822,900
Totals	\$27,374,497		\$43,722,541	\$27,374,497		\$43,722,541

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Authority. These losses exclude amount over the SIR.
- (C) From Appendix C, Page 6.
- (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) Derived from factors on Appendix C, Page 4.
- (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)

Paid Loss Development

\$100K - \$1M Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									3,093,146		3,093,147
1996-1997								2,964,374		3,677,497	
1997-1998							1,380,241		1,855,176		
1998-1999						1,696,818		2,651,818			
1999-2000					3,251,584		3,633,183				
2000-2001				3,452,128		3,512,790					
2001-2002			1,014,263		2,670,130						
2002-2003		302,814		3,454,409							
2003-2004	4,267		954,755								
2004-2005											
2005-2006											

Paid Loss Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996											
1996-1997								1.241			
1997-1998							1.344				
1998-1999						1.563					
1999-2000					1.117						
2000-2001				1.018							
2001-2002			2.633								
2002-2003		11.408									
2003-2004	223.753										

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Average Dollar-weighted Averages	223.753	11.408	2.633	1.018	1.117	1.563	1.344	1.241	1.000		
3-yr											
4-yr											
Industry Factors	11.043	3.182	1.786	1.350	1.166	1.088	1.062	1.040	1.026	1.013	1.036
Prior	11.026	4.545	2.121	1.385	1.184	1.096	1.045	1.036	1.020	1.008	1.012
Selected	11.026	4.545	2.121	1.385	1.184	1.096	1.045	1.036	1.020	1.008	1.012
Cumulated	214.941	19.494	4.289	2.022	1.460	1.233	1.125	1.077	1.040	1.020	1.012

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 12/31/05 (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	7,101,312	\$3,093,147	1.000	0.000	\$0.438	\$0	\$3,093,147
1996-1997	7,570,505	3,677,497	1.002	0.002	0.491	7,434	3,684,931
1997-1998	7,727,335	2,903,521	1.007	0.007	0.378	20,447	2,923,968
1998-1999	7,891,821	4,301,738	1.017	0.017	0.554	74,325	4,376,063
1999-2000	8,045,982	4,864,367	1.035	0.034	0.626	171,251	5,035,618
2000-2001	8,273,437	4,777,142	1.071	0.066	0.666	363,667	5,140,809
2001-2002	8,639,906	4,925,919	1.138	0.121	0.699	730,755	5,656,674
2002-2003	8,796,935	4,699,996	1.356	0.263	0.734	1,698,178	6,398,174
2003-2004	8,726,966	4,260,512	2.123	0.529	0.771	3,559,372	7,819,884
2004-2005	8,735,239	2,257,339	4.953	0.798	0.810	5,646,284	7,903,623
Totals	\$81,509,438	\$39,761,178				\$12,271,713	\$52,032,891

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 C, Page 3, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C, Page 9, 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 12/31/05 (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	7,101,312	\$3,093,147	1.012	0.012	\$0.438	\$37,324	\$3,130,471
1996-1997	7,570,505	3,677,497	1.020	0.020	0.491	74,342	3,751,839
1997-1998	7,727,335	1,864,146	1.040	0.038	0.378	110,995	1,975,141
1998-1999	7,891,821	2,899,690	1.077	0.071	0.554	310,417	3,210,107
1999-2000	8,045,982	3,953,499	1.125	0.111	0.626	559,083	4,512,582
2000-2001	8,273,437	4,412,790	1.233	0.189	0.666	1,041,411	5,454,201
2001-2002	8,639,906	2,670,130	1.460	0.315	0.699	1,902,378	4,572,508
2002-2003	8,796,935	3,498,843	2.022	0.505	0.734	3,260,760	6,759,603
2003-2004	8,726,966	954,755	4.289	0.767	0.771	5,160,752	6,115,507
2004-2005	8,735,239	350,000	19.494	0.949	0.810	6,714,691	7,064,691
Totals	\$81,509,438	\$27,374,497				\$19,172,153	\$46,546,650

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 C, Page 5, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C, Page 9, 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; 100K - \$1M Loss Rate (E)	100K - \$1M Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
1995-1996	7,101,312	\$3,112,000	1.629	\$5,069,448	\$0.714	\$0.438	1.000	\$0.438
1996-1997	7,570,505	3,718,000	1.551	5,766,618	0.762	0.491	1.000	0.491
1997-1998	7,727,335	2,924,000	1.477	4,318,748	0.559	0.378	1.000	0.378
1998-1999	7,891,821	4,375,000	1.407	6,155,625	0.780	0.554	1.000	0.554
1999-2000	8,045,982	5,035,000	1.340	6,746,900	0.839	0.626	1.000	0.626
2000-2001	8,273,437	5,279,000	1.276	6,736,004	0.814	0.666	1.000	0.666
2001-2002	8,639,906	5,606,000	1.216	6,816,896	0.789	0.699	1.000	0.699
2002-2003	8,796,935	6,724,000	1.158	7,786,392	0.885	0.734	1.000	0.734
2003-2004	8,726,966	7,395,000	1.103	8,156,685	0.935	0.771	1.000	0.771
2004-2005	8,735,239	9,002,000	1.050	9,452,100	1.082	0.810	1.000	0.810
Total/Avg	\$81,509,438	\$53,170,000		\$67,005,416	\$0.822			
99/00-03/04	42,483,226	30,039,000		36,242,877	\$0.853			
00/01-04/05	43,172,483	34,006,000		38,948,077	\$0.902			
Selected \$100K - \$1M Rate:					\$0.850			

Notes:

- (A) Provided by the Authority.
- (B) Selected average of results from Appendices C and C.
- (C) From Appendix E, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected \$100K - \$1M Rate / (C). For 1999-2000 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 Anal
Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Ultimate Claims (B)	Ultimate Program Losses (C)
1995-1996	\$172,889	18	\$3,112,002
1996-1997	218,706	17	3,718,002
1997-1998	139,238	21	2,923,998
1998-1999	190,217	23	4,374,991
1999-2000	314,688	16	5,035,008
2000-2001	293,887	25	7,347,175
2001-2002	308,388	24	7,401,312
2002-2003	323,834	20	6,476,680
2003-2004	339,982	20	6,799,640
2004-2005	357,143	12	4,285,716
Total		196	\$51,474,524

Notes:

- (A) From Appendix C, Page 11, Column (H).
- (B) From Appendix C, Page 11, 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	\$3,112,000	18	\$172,889	1.629	\$281,636	\$172,889	1.000	\$172,889
1996-1997	3,718,000	17	218,706	1.551	339,213	218,706	1.000	218,706
1997-1998	2,924,000	21	139,238	1.477	205,655	139,238	1.000	139,238
1998-1999	4,375,000	23	190,217	1.407	267,635	190,217	1.000	190,217
1999-2000	5,035,000	16	314,688	1.340	421,682	314,688	1.000	314,688
2000-2001	5,288,000	25	211,520	1.276	269,900	293,887	1.000	293,887
2001-2002	5,631,000	24	234,625	1.216	285,304	308,388	1.000	308,388
2002-2003	6,579,000	20	328,950	1.158	380,924	323,834	1.000	323,834
2003-2004	6,968,000	20	348,400	1.103	384,285	339,982	1.000	339,982
2004-2005	7,484,000	12	623,667	1.050	654,850	357,143	1.000	357,143

Average \$100K - \$1M Severity: \$349,108
Average 99/00-03/04 \$100K - \$1M Severity: \$348,419
Average 00/01-04/05 \$100K - \$1M Severity: \$395,053

Selected \$100K - \$1M Severity: \$375,000

Notes:

- (A) Selected average of results from Appendices C, C, and C.
- (B) Appendix C, Page 12, 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)
1995-1996	18	18	18	710.131	0.025	1.000	0.025
1996-1997	17	17	17	757.051	0.022	1.000	0.022
1997-1998	21	19	21	772.734	0.027	1.000	0.027
1998-1999	23	18	23	789.182	0.029	1.000	0.029
1999-2000	16	12	16	804.598	0.020	1.000	0.020
2000-2001	25	17	25	827.344	0.030	1.000	0.030
2001-2002	24	13	24	863.991	0.028	1.000	0.028
2002-2003	20	11	20	879.694	0.023	1.000	0.023
2003-2004	20	6	20	872.697	0.023	1.000	0.023
2004-2005	12	2	12	873.524	0.014	1.000	0.014
Total	196	133	196	8,150.944			0.024

(H) Selected 2005-2006 Frequency: 0.020

Program Year:	2005-2006	2006-2007
(I) Trend Factor:	1.000	1.000
(J) Selected Frequency:	0.020	0.020
(K) Composite Exposure:	851.885	877.440
(L) Ultimate Claims:	17	18

Notes:

- (A) From Appendix C, Page 13, (C).
- (B) From Appendix C, Page 14, (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 .020 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 12/31/2005 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	18	1.000	18	0.025
1996-1997	17	1.000	17	0.022
1997-1998	21	1.000	21	0.027
1998-1999	23	1.000	23	0.029
1999-2000	16	1.001	16	0.020
2000-2001	25	1.003	25	0.030
2001-2002	24	1.006	24	0.028
2002-2003	20	1.016	20	0.023
2003-2004	19	1.039	20	0.023
2004-2005	10	1.193	12	0.014
Total	193		196	0.024

Notes:

- (A) Provided by the Authority.
- (B) From Appendix C, Page 15.
- (C) (A) x (B).
- (D) (C) / [Appendix C, Page 12, (D)] x [Appendix C, Page 12, (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 12/31/2005 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	18	1.005	18	0.025
1996-1997	17	1.008	17	0.022
1997-1998	19	1.010	19	0.025
1998-1999	18	1.014	18	0.023
1999-2000	12	1.022	12	0.015
2000-2001	16	1.034	17	0.021
2001-2002	12	1.057	13	0.015
2002-2003	10	1.104	11	0.013
2003-2004	5	1.221	6	0.007
2004-2005	1	1.788	2	0.002
Total	128		133	0.016

Notes:

- (A) Provided by the Authority.
- (B) From Appendix C, Page 16.
- (C) (A) x (B).
- (D) (C) / [Appendix C, Page 12, (D)] x [Appendix C, Page 12, (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)
Reported Claim Count Development

Accident Year	Number of Claims Reported as of:										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									18		18
1996-1997								16		17	
1997-1998							17		20		
1998-1999						18		22			
1999-2000					13		14				
2000-2001				21		24					
2001-2002			14		22						
2002-2003		14		17							
2003-2004	6		18								
2004-2005		8									
2005-2006	1										

Reported Claim Count Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996									1.000		
1996-1997								1.063			
1997-1998							1.176				
1998-1999						1.222					
1999-2000					1.077						
2000-2001				1.143							
2001-2002			1.571								
2002-2003		1.214									
2003-2004	3.000										
2004-2005											
Average	3.000	1.214	1.571	1.143	1.077	1.222	1.176	1.063	1.000		
Claim-weighted Averages											
3-yr											
4-yr											
Industry Factors	2.706	1.167	1.023	1.010	1.004	1.003	1.001	1.001	1.001	1.001	1.000
Prior	2.662	1.148	1.023	1.010	1.003	1.002	1.001	1.000	1.000	1.000	
Selected	2.662	1.148	1.023	1.010	1.003	1.002	1.001	1.000	1.000	1.000	
Cumulated	3.176	1.193	1.039	1.016	1.006	1.003	1.001	1.000	1.000	1.000	

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

Closed Claim Development

Claims Closed as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1995-1996									18		18
1996-1997								14		17	
1997-1998							16		18		
1998-1999						16		17			
1999-2000					9		10				
2000-2001				12		16					
2001-2002			8		12						
2002-2003		3		10							
2003-2004	3		5								
2004-2005											
2005-2006											

Closed Claim Count Development Factors:

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
1995-1996									1.000		
1996-1997								1.214			
1997-1998							1.125				
1998-1999						1.063					
1999-2000					1.111						
2000-2001				1.333							
2001-2002			1.500								
2002-2003		3.333									
2003-2004	1.667										
2004-2005											

	6-30 Months	18-30 Months	30-54 Months	42-54 Months	54-78 Months	66-78 Months	78-102 Months	90-102 Months	102-114 Months	114-126 Months	126-Ult. Months
Average	1.667	3.333	1.500	1.333	1.111	1.063	1.125	1.214	1.000		
Claim-weighted Averages											
3-yr											
4-yr											
Industry Factors	3.571	1.543	1.138	1.066	1.044	1.032	1.017	1.010	1.008	1.005	1.008
Prior	3.359	1.464	1.106	1.044	1.022	1.012	1.008	1.004	1.002	1.008	
Selected	3.359	1.464	1.106	1.044	1.022	1.012	1.008	1.004	1.002	1.008	
Cumulated	6.006	1.788	1.221	1.104	1.057	1.034	1.022	1.014	1.010	1.008	

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
1995-1996	7,101,312	3,093,000	0.436	0.709
1996-1997	7,570,505	3,685,000	0.487	0.755
1997-1998	7,727,335	2,924,000	0.378	0.559
1998-1999	7,891,821	4,376,000	0.554	0.780
1999-2000	8,045,982	5,036,000	0.626	0.839
2000-2001	8,273,437	5,342,000	0.646	0.824
2001-2002	8,639,906	5,417,000	0.627	0.762
2002-2003	8,796,935	6,643,000	0.755	0.874
2003-2004	8,726,966	7,273,000	0.833	0.919
2004-2005	8,735,239	7,365,000	0.843	0.885

Exponential Trends

Years	R-square	Fitted Trend
98/00-03/04	0.874	1.104
99/00-04/05	0.860	1.072
95/96-04/05	0.857	1.086

Prior Trend: 1.020
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)
Anaheim	561,250	784,936	859,667	806,994	906,913	938,902	925,051	1,005,751	1,034,665	1,054,226	1,078,468
Bakersfield	306,883	330,493	350,807	388,665	414,973	435,960	445,525	421,066	495,057	507,484	538,571
Burbank	61,426	366,614	395,946	470,031	496,581	519,047	550,993	557,073	575,557	592,145	571,670
Gardena	77,775	114,601	136,470	141,773	152,445	166,933	0	0	0	0	0
Modesto	306,167	269,686	309,620	309,620	366,473	442,543	447,445	436,137	451,420	486,383	485,437
Monterey	0	0	0	136,533	152,323	161,398	160,500	165,000	187,322	193,283	204,581
Mountain View	0	0	0	0	0	0	282,115	265,584	279,398	296,189	310,292
Ontario	207,163	254,566	295,819	334,579	386,720	417,517	400,000	470,000	470,918	476,551	522,178
Palo Alto	345,935	350,762	372,632	401,428	426,924	455,117	478,314	501,974	551,713	523,161	552,637
Santa Barbara	282,381	272,942	311,266	323,193	358,081	398,391	383,129	421,878	449,092	451,571	477,947
Santa Cruz	0	0	0	0	0	0	0	0	0	0	299,830
Santa Monica	553,870	482,213	506,343	555,396	620,810	689,435	598,000	700,000	779,068	785,122	829,851
Visalia	120,731	110,177	125,190	130,932	150,023	172,433	156,472	178,870	184,345	181,786	189,791
Total	2,823,581	3,336,992	3,663,758	3,999,144	4,432,265	4,797,676	4,827,544	5,123,333	5,458,555	5,547,900	6,061,253

Member	1997-98 Payroll (00)	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)	Projected 2005-06 Payroll (00)	Projected 2006-07 Payroll (00)
Anaheim	1,075,999	1,150,516	1,225,032	1,266,748	1,360,944	1,428,964	1,560,000	1,547,373	1,547,373	1,593,790
Bakersfield	569,818	590,809	611,801	617,588	646,271	678,950	735,601	705,257	705,257	726,410
Burbank	604,729	622,870	641,560	660,810	680,630	701,050	722,080	876,037	876,037	902,320
Gardena	0	0	0	0	0	0	0	0	0	0
Modesto	542,464	553,719	564,975	596,956	647,190	692,322	673,030	688,247	688,247	708,890
Monterey	214,140	226,489	238,838	258,526	279,713	291,722	307,174	284,944	284,944	293,490
Mountain View	327,541	349,234	370,927	395,287	427,433	470,189	454,793	431,750	431,750	444,700
Ontario	529,767	540,286	550,806	579,518	621,447	629,522	641,491	666,110	666,110	686,090
Palo Alto	615,732	638,327	660,921	701,242	796,208	825,423	762,248	876,941	876,941	903,250
Santa Barbara	511,499	548,772	586,045	598,368	625,803	650,374	690,656	672,578	672,578	692,760
Santa Cruz	298,033	316,298	334,563	348,636	383,286	376,969	440,000	368,615	368,615	379,670
Santa Monica	857,540	896,343	935,147	1,051,775	1,122,657	1,158,263	1,062,868	1,148,401	1,148,401	1,182,850
Visalia	191,814	203,695	215,577	233,236	234,419	264,250	253,548	255,932	252,597	260,180
Total	6,339,077	6,637,360	6,936,191	7,308,690	7,826,002	8,167,999	8,303,488	8,522,184	8,518,849	8,774,400

Note: Data provided by ACCEL.

Authority for California Cities Excess Liability

ULAE as of June 30, 2006

(A) Fiscal Year Paid ULAE :	\$2,000
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(B) Fiscal Year Loss & ALAE Paid :	
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Average Paid Losses:	
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1999-00	\$2,264,000
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2000-01	687,000
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2001-02	400,000
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2002-03	53,000
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2003-04	2,986,000
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2004-05	
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Five-Year Average Paid	\$1,278,000
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(C) ULAE Factor :	
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Fiscal Year ULAE Paid	\$2,000
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Fiscal Year Loss & ALAE Paid	1,278,000
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Indicated ULAE Factor	0.2%
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Prior ULAE Factor	7.0%
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Selected ULAE Factor	5.0%
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(D) Provision for Unpaid ULAE :	
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IBNR at 6/30/06	\$4,187,025
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Half of Outstanding Reserves at 6/30/06	2,450,804
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Computation Base	\$6,637,829
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Provision for Unpaid ULAE at 6/30/06	\$331,890
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