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February 11, 2008

Authority for California Cities Excess Liability  
c/o Driver Alliant Insurance Services  
Attn: Mike Simmons, Pool Administrator  
600 Montgomery Street, 9<sup>th</sup> 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 \$11,736,000 as of June 30, 2008. 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 \$10,745,000 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, 2008 is projected to be \$18,052,000.

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

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The table below shows our estimates of the program's claims liabilities as of December 31, 2007, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2007  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$11,144,000	\$10,344,000
70%	13,328,000	12,371,000
75%	14,298,000	13,271,000
80%	15,434,000	14,326,000
85%	16,850,000	15,640,000
90%	18,722,000	17,378,000
95%	21,798,000	20,233,000

We estimate the program's liability for outstanding loss and ALAE to be approximately \$11,736,000 as of June 30, 2008 before anticipated investment income. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$10,745,000 as of that date. Following table shows our estimates of the program's claims liabilities as of June 30, 2008, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of June 30, 2008  
at Various Confidence Level  
\$500K and \$1,000K pools combined**

Confidence Level	Undiscounted	Discounted
Expected	\$11,736,000	\$10,745,000
70%	14,036,000	12,851,000
75%	15,057,000	13,786,000
80%	16,254,000	14,882,000
85%	17,745,000	16,246,000
90%	19,716,000	18,052,000
95%	22,956,000	21,017,000

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.

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According to the accounting regulations of the Governmental Accounting Standards Board, unallocated loss adjustment expenses (ULAE) associated with the claims should be recognized as part of the program's claims liability. ULAE is the additional cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes, etc.). Our undiscounted expected estimate of unpaid ULAE is \$463,000 as of June 30, 2008. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2008.

We present funding recommendations for claims incurred during program year 2008-09 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 2008-2009

Layer	Expected	70%	80%	90%
\$1M-2M	\$0.193	\$0.232	\$0.269	\$0.328
\$1M-3M	0.303	0.364	0.423	0.515
\$1M-5M	0.371	0.446	0.518	0.630
\$5M-10M	0.135	0.162	0.188	0.229
\$1M-10M	0.505	0.607	0.705	0.858

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program's 2008-09 claims by different layers:

### Funding Amount Guidelines for Discounted Claims Incurred in 2008-2009

Layer	Expected	70%	80%	90%
\$1M-2M	\$2,110,000	\$2,537,000	\$2,941,000	\$3,586,000
\$1M-3M	3,313,000	3,980,000	4,625,000	5,631,000
\$1M-5M	4,056,000	4,876,000	5,664,000	6,888,000
\$5M-10M	1,476,000	1,771,000	2,056,000	2,504,000
\$1M-10M	5,521,000	6,637,000	7,708,000	9,381,000

As with the program's outstanding claims, the Authority should fund a margin for adverse experience in addition to the expected cost of claims. Given the funding surplus the program currently enjoys, it is reasonable to fund the 2008-09 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.

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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

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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 and 2007-08.

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 2008-09 fiscal year.

**II. CONCLUSIONS AND RECOMMENDATIONS**

**A. LIABILITY FOR OUTSTANDING CLAIMS AS OF DECEMBER 31, 2007 and June 30, 2008**

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$11,736,000 as of June 30, 2008. 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 \$10,745,000 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, 2008 is projected to be \$17,378,000.

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, 2007 - \$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, 2007 - \$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	2,809	2,809
1992-1993	15,442	15,442
1993-1994	1,951	1,932
1994-1995	4,808	4,661
1995-1996	3,859	3,676
1996-1997	456	428
1997-1998	12,537	11,659
2003-2004	304,635	287,728
2004-2005	2,579,936	2,431,590
2005-2006	2,926,000	2,740,199
2006-2007	3,289,000	3,035,747
2007-2008	2,003,000	1,807,708
All Years	\$11,144,433	\$10,343,579

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.

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The following table shows our estimate of the program's December 31, 2007 outstanding liability at various confidence levels.

**Outstanding Liability as of December 31, 2007  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$11,144,000	\$10,344,000
70%	13,328,000	12,371,000
75%	14,298,000	13,271,000
80%	15,434,000	14,326,000
85%	16,850,000	15,640,000
90%	18,722,000	17,378,000
95%	21,798,000	20,233,000

We estimate the program's liability for outstanding loss and ALAE to be approximately \$11,736,000 as of June 30, 2008 before anticipated investment income. Discounted for anticipated investment income, we estimate the program's liability for outstanding loss and ALAE will be \$10,745,000 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, 2008 - \$500K pool**

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

**Outstanding Liability at the Expected Level  
as of June 30, 2008 - \$1,000K pool**

Program Year	Undiscounted	Discounted
1986-1987	\$0	\$0
1987-1988	0	0
1988-1989	0	0
1989-1990	0	0
1990-1991	0	0
1991-1992	1,405	1,405
1992-1993	10,300	10,300
1993-1994	1,465	1,437
1994-1995	4,010	3,841
1995-1996	3,380	3,201
1996-1997	411	383
1997-1998	11,509	10,692
2003-2004	243,708	230,060
2004-2005	2,094,908	1,971,308
2005-2006	2,428,580	2,263,437
2006-2007	2,986,412	2,729,581
2007-2008	3,949,916	3,519,375
All Years	\$11,736,004	\$10,745,020

The table on the following page shows our estimates of the program's claims liabilities as of June 30, 2008, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of June 30, 2008  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$11,736,000	\$10,745,000
70%	14,036,000	12,851,000
75%	15,057,000	13,786,000
80%	16,254,000	14,882,000
85%	17,745,000	16,246,000
90%	19,716,000	18,052,000
95%	22,956,000	21,017,000

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Our funding guidelines for the program's outstanding liabilities do not include any provision for reinsurance premiums, claims administration fees, and other administrative costs associated with the ACCEL program.

According to the accounting regulations of the Governmental Accounting Standards Board, unallocated loss adjustment expenses (ULAE) associated with the claims should be recognized as part of the program's claims liability. ULAE is the additional cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes, etc.). Our undiscounted expected estimate of unpaid ULAE is \$463,000 as of June 30, 2008. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2008.

Our estimates of ultimate losses (and therefore our estimates of the program's outstanding liabilities) are lower than those presented in the Authority's previous actuarial review dated September 24, 2007. At the time, we estimated the liability for outstanding claims as of June 30, 2007 to be \$12,078,000. The majority of decrease is due to less than expected loss experience in the 1997-98 year.

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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	1,224,542	1,224,542	0
1988-1989	0	0	0
1989-1990	0	0	0
1990-1991	0	0	0
1991-1992	2,504,000	2,501,192	2,808
1992-1993	10,554,000	10,538,560	15,440
1993-1994	876,000	874,053	1,947
1994-1995	1,444,000	1,439,192	4,808
1995-1996	916,000	912,141	3,859
1996-1997	65,000	64,550	450
1997-1998	2,096,000	2,083,413	12,587
2003-2004	1,324,000	3,123,000	(1,799,000)
2004-2005	2,914,000	3,943,000	(1,029,000)
2005-2006	2,926,000	2,987,000	(61,000)
2006-2007	3,289,000	3,378,000	(89,000)
2007-2008	4,006,000	3,653,000	353,000
All Years	\$33,638,542	\$36,221,643	(\$2,583,101)

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In the table below we display actual versus expected development of incurred losses and ALAE by accident year since our prior report.

**Actual Versus Expected Incurred Loss and ALAE Development  
\$100,000 to \$1,000,000 Layer**

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1995-96	\$0	\$0	\$0
1996-97	8,000	2	(7,998)
1997-98	29,000	615,392	586,392
1998-99	284,000	1,820,429	1,536,429
1999-00	391,000	490,210	99,210
2000-01	1,023,000	643,850	(379,150)
2001-02	421,000	(822,681)	(1,243,681)
2002-03	1,552,000	(592,994)	(2,144,994)
2003-04	2,499,000	2,718,870	219,870
2004-05	3,970,000	5,467,320	1,497,320
2005-06	3,058,000	6,439,164	3,381,164
2006-07	1,583,000	806,832	(776,168)
Total	\$14,818,000	\$17,586,394	\$2,768,394
Total ex 06-07	13,235,000	16,779,562	3,544,562

As shown, actual incurred development was greater than anticipated since the prior report. The majority of the unfavorable loss experience was in the recent years. Specifically, actual incurred loss emergence was \$3,545,000 higher than anticipated for the latest three years excluding the 2006-07 year. Older years have alternating years of favorable and adverse development.

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

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

Layer	This Review 2008-09	Last Review 2006-07	Percent Change
\$1M-2M	\$0.217	\$0.201	8%
\$1M-3M	\$0.340	\$0.315	8%
\$1M-5M	\$0.416	\$0.385	8%
\$5M-10M	\$0.151	\$0.140	8%
\$1M-10M	\$0.567	\$0.525	8%

Our projected funding rates per \$100 of payroll for all layers at the expected, undiscounted level have increased 8% from those presented in our prior report due to above mentioned adverse development. We like to note that there has been a change in payroll definition since the prior report. Using the same payroll basis, the increase is approximately 18%.

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**B. FUNDING RATES FOR 2008-09 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 2008-2009**

Confidence Level	Expected	70%	80%	90%
\$1M-2M	\$0.193	\$0.232	\$0.269	\$0.328
\$1M-3M	0.303	0.364	0.423	0.515
\$1M-5M	0.371	0.446	0.518	0.630
\$5M-10M	0.135	0.162	0.188	0.229
\$1M-10M	0.505	0.607	0.705	0.858

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program's 2008-09 claims by different layers:

**Funding Amount Guidelines for Discounted Claims Incurred in 2008-2009**

Layer	Expected	70%	80%	90%
\$1M-2M	\$2,110,000	\$2,537,000	\$2,941,000	\$3,586,000
\$1M-3M	3,313,000	3,980,000	4,625,000	5,631,000
\$1M-5M	4,056,000	4,876,000	5,664,000	6,888,000
\$5M-10M	1,476,000	1,771,000	2,056,000	2,504,000
\$1M-10M	5,521,000	6,637,000	7,708,000	9,381,000

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**C. ALLOCATION OF 2008-09 FUNDING**

The following table displays the allocation of the program's 2008-09 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 2008-09 payroll. The funding allocation below does not include any experience or exposure modification factors.

**Recommended Funding for Claims Incurred in 2008-2009  
Discounted – 90% Confidence Level**

Member	\$1M to \$2M	\$1M to \$3M	\$1M to \$5M	\$5M to \$10M	\$1M to \$10M
Anaheim	\$673,000	\$1,056,000	\$1,292,000	\$470,000	\$1,760,000
Bakersfield	310,000	486,000	595,000	216,000	810,000
Burbank	376,000	590,000	722,000	263,000	984,000
Modesto	281,000	442,000	541,000	196,000	736,000
Monterey	106,000	166,000	203,000	74,000	277,000
Mountain View	194,000	305,000	373,000	136,000	509,000
Ontario	281,000	442,000	540,000	196,000	736,000
Palo Alto	320,000	503,000	615,000	224,000	838,000
Santa Barbara	267,000	419,000	513,000	186,000	698,000
Santa Cruz	172,000	270,000	330,000	120,000	450,000
Santa Monica	503,000	790,000	966,000	351,000	1,316,000
Visalia	103,000	162,000	198,000	72,000	269,000
Total	\$3,586,000	\$5,631,000	\$6,888,000	\$2,504,000	\$9,383,000

**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 a list of claims with incurred losses greater than \$25,000 as of December 31, 2007 from individual member cities. This file included ground up losses and allocated loss adjustment expenses reported separately for each claimant. We have aggregated the claimant data to an occurrence basis. We were also provided with pool loss runs as of December 31, 2007.
- We were provided with payrolls by City for the 1986-87 through 2008-09 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

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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.

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### F. OVERALL ANALYTICAL APPROACH

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

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

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

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

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

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

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

## Authority for California Cities Excess Liability

## Projected 2008-09 Funding Guidelines - Discounted 90% Confidence Level

Member	Estimated	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000	\$1,000,000
	2008-09 Payroll (00) (A)	to \$2,000,000 Layer (B)	to \$3,000,000 Layer (B)	to \$5,000,000 Layer (B)	to \$10,000,000 Layer (B)	to \$10,000,000 Layer (B)
Anaheim	\$2,050,780	\$672,656	\$1,056,152	\$1,291,991	\$469,629	\$1,759,569
Bakersfield	943,840	309,580	486,078	594,619	216,139	809,815
Burbank	1,146,400	376,019	590,396	722,232	262,526	983,611
Modesto	857,970	281,414	441,855	540,521	196,475	736,138
Monterey	322,490	105,777	166,082	203,169	73,850	276,696
Mountain View	592,790	194,435	305,287	373,458	135,749	508,614
Ontario	857,540	281,273	441,633	540,250	196,377	735,769
Palo Alto	976,320	320,233	502,805	615,082	223,577	837,683
Santa Barbara	813,960	266,979	419,189	512,795	186,397	698,378
Santa Cruz	524,300	171,970	270,015	330,309	120,065	449,849
Santa Monica	1,533,220	502,896	789,608	965,929	351,107	1,315,503
Visalia	313,920	102,966	161,669	197,770	71,888	269,343
Totals	\$10,933,530	\$3,586,198	\$5,630,769	\$6,888,125	\$2,503,779	\$9,380,968

(A) Provided by ACCEL.

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

Authority for California Cities Excess Liability

Projected 2008-09 Funding Guidelines

Layer	Estimated 2008-09 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	#####	\$2,372,576	89.1%	\$2,110,171	\$2,536,579	\$2,722,449	\$2,941,120	\$3,225,391	\$3,586,198	\$4,187,542
\$1M-3M	10,933,530	3,717,400	89.1%	3,312,860	3,979,805	4,275,010	4,624,883	5,051,291	5,630,768	6,571,052
\$1M-5M	10,933,530	4,548,348	89.1%	4,056,340	4,876,354	5,237,161	5,663,569	6,188,378	6,888,124	8,047,078
\$5M-10M	10,933,530	1,650,963	89.1%	1,476,027	1,771,232	1,902,434	2,055,504	2,252,307	2,503,778	2,930,186
\$1M-10M	10,933,530	6,199,312	89.1%	5,521,433	6,636,653	7,128,662	7,708,139	8,429,752	9,380,969	10,955,397

Notes:

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

## Authority for California Cities Excess Liability

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

Layer	Expected Loss Rate Per \$100 of Payroll (A)	Discount Factor (B)	Discounted Expected Loss Rate Per \$100 of Payroll (C)	70%	75%	80%	85%	90%	95%
				Confidence Level (D)	Confidence Level (D)	Confidence Level (D)	Confidence Level (D)	Confidence Level (D)	Confidence Level (D)
\$1M-2M	\$0.217	89.1%	\$0.193	\$0.232	\$0.249	\$0.269	\$0.295	\$0.328	\$0.383
\$1M-3M	0.340	89.1%	0.303	0.364	0.391	0.423	0.462	0.515	0.601
\$1M-5M	0.416	89.1%	0.371	0.446	0.479	0.518	0.566	0.630	0.736
\$5M-10M	0.151	89.1%	0.135	0.162	0.174	0.188	0.206	0.229	0.268
\$1M-10M	0.567	89.1%	0.505	0.607	0.652	0.705	0.771	0.858	1.002

## 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
  
- (B) Estimated based on \$100K - \$1M Analysis: \$0.945
  
  
- (C) Selected Base Loss Rate (\$100K - \$1M Layer): \$0.945

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

Funding Guidelines for Outstanding Losses  
as of December 31, 2007 and June 30, 2008

	<u>December 31, 2007</u>	<u>June 30, 2008</u>
(A) Estimated Ultimate Losses Incurred as of:	\$32,135,542	\$34,138,542
(B) Estimated Paid Losses as of:	20,991,109	22,402,538
(C) Estimated Liability for Claims Outstanding as of:	\$11,144,433	\$11,736,004
(D) Outstanding Liability Discount Factor:	92.8%	91.6%
(E) Discounted Outstanding Liability for Claims as of:	\$10,344,000	\$10,745,000
(F) Risk Margin at 90% Confidence Level:	7,034,000	7,307,000
(G) Required Funding at the 90% confidence Level:	\$17,378,000	\$18,052,000

## Notes:

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

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

Discount Factors

Accident Year	Age	Paid Loss		Full	3.0%	Discounted
		Development Factor	Payment Pattern	Value Reserve	Discounted Reserve	
1986-1987	22.0	1.001	0.0%	0.0%	0.0%	100.0%
1987-1988	21.0	1.001	0.0%	0.0%	0.0%	100.0%
1988-1989	20.0	1.001	0.0%	0.0%	0.0%	100.0%
1989-1990	19.0	1.001	0.0%	0.0%	0.0%	100.0%
1990-1991	18.0	1.001	0.0%	0.0%	0.0%	100.0%
1991-1992	17.0	1.001	0.1%	0.1%	0.1%	100.0%
1992-1993	16.0	1.002	0.1%	0.2%	0.2%	100.0%
1993-1994	15.0	1.003	0.2%	0.4%	0.4%	98.1%
1994-1995	14.0	1.005	0.2%	0.6%	0.6%	95.8%
1995-1996	13.0	1.007	0.2%	0.8%	0.8%	94.7%
1996-1997	12.0	1.009	0.2%	1.0%	0.9%	93.1%
1997-1998	11.0	1.011	0.5%	1.5%	1.4%	92.9%
1998-1999	10.0	1.016	1.3%	2.8%	2.7%	94.2%
1999-2000	9.0	1.030	2.6%	5.4%	5.1%	94.8%
2000-2001	8.0	1.058	3.6%	9.0%	8.5%	94.7%
2001-2002	7.0	1.100	5.9%	14.9%	14.1%	94.5%
2002-2003	6.0	1.177	10.2%	25.1%	23.7%	94.5%
2003-2004	5.0	1.337	15.8%	40.9%	38.6%	94.4%
2004-2005	4.0	1.696	22.6%	63.5%	59.8%	94.1%
2005-2006	3.0	2.748	21.7%	85.2%	79.4%	93.2%
2006-2007	2.0	6.802	11.4%	96.6%	88.3%	91.4%
2007-2008	1.0	29.890	3.3%	99.9%	89.0%	89.1%

Discount Factor for Future Funding: 0.904

Accident Year	Accident Year		3.0%	12/31/2007	12/31/2007		6/30/2008	6/30/2006	
	Paid Loss	Full			Discounted	Outstanding		Discounted	Outstanding
Accident Year	Development Factor	Value Reserve	Reserve	Loss	Factor	Loss	Loss	Factor	Loss
1986-1987	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1987-1988	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1988-1989	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1989-1990	1.000	0.00%	0.00%	0	100.0%	0	0	100.0%	0
1986-1987	1.001	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	1.001	0.10%	0.09%	0	100.0%	0	0	100.0%	0
1989-1990	1.001	0.10%	0.09%	0	100.0%	0	0	100.0%	0
1990-1991	1.001	0.10%	0.09%	0	100.0%	0	0	100.0%	0
1991-1992	1.001	0.10%	0.08%	2,809	100.0%	2,809	1,405	100.0%	1,405
1992-1993	1.002	0.20%	0.18%	15,442	100.0%	15,442	10,300	100.0%	10,300
1993-1994	1.003	0.30%	0.27%	1,951	99.1%	1,932	1,465	98.1%	1,437
1994-1995	1.005	0.50%	0.46%	4,808	97.0%	4,661	4,010	95.8%	3,841
1995-1996	1.007	0.70%	0.64%	3,859	95.3%	3,676	3,380	94.7%	3,201
1996-1997	1.009	0.89%	0.82%	456	93.9%	428	411	93.1%	383
1997-1998	1.011	1.09%	0.99%	12,537	93.0%	11,659	11,509	92.9%	10,692
2003-2004	1.337	25.21%	24.72%	304,635	94.5%	287,728	243,708	94.4%	230,060
2004-2005	1.696	41.04%	39.60%	2,579,936	94.3%	2,431,590	2,094,908	94.1%	1,971,308
2005-2006	2.748	63.61%	60.68%	2,926,000	93.7%	2,740,199	2,428,580	93.2%	2,263,437
2006-2007	6.802	85.30%	80.28%	3,289,000	92.3%	3,035,747	2,986,412	91.4%	2,729,581
2007-2008	29.890	96.65%	89.13%	2,003,000	90.3%	1,807,708	3,949,916	89.1%	3,519,375
Total				11,144,433		10,343,579	11,736,004		10,745,020

Discount Factor for Outstanding: 92.8% 91.6%

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

Confidence Level Factors

Probability	Projected Funding Factor	Outstanding Liability Factor
95	1.984	1.956
90	1.699	1.680
85	1.526	1.512
80	1.396	1.385
75	1.291	1.283
70	1.201	1.196
65	1.122	1.119
60	1.049	1.049
55	0.983	0.984
50	0.920	0.922
45	0.860	0.864
40	0.800	0.806
35	0.741	0.749
30	0.682	0.691
25	0.619	0.630

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

Large Losses

Member (A)	Date of Loss (B)	Fiscal Year (C)	Status (D)	Paid Losses (E)	Reported Incurred Losses (F)
City of Visalia	10/5/87	1987-88	Closed	1,124,875	1,124,875
City of Ontario	2/6/88	1987-88	Closed	1,714,312	1,714,312
City of Burbank	10/16/90	1990-91	Closed	1,500,000	1,500,000
City of Santa Monica	7/9/91	1991-92	Closed	1,600,000	1,600,000
City of Santa Monica	11/21/91	1991-92	Closed	1,500,000	1,500,000
City of Anaheim	1/1/92	1991-92	Closed	1,869,232	1,869,232
City of Santa Monica	3/24/92	1991-92	Closed	1,100,000	1,100,000
City of Ontario	12/4/92	1992-93	Closed	1,447,751	1,447,751
City of Anaheim	1/17/93	1992-93	Closed	23,177,973	23,177,973
City of Anaheim	5/27/93	1992-93	Closed	1,819,051	1,819,051
City of Bakersfield	7/1/94	1994-95	Closed	2,859,697	2,859,697
City of Anaheim	8/31/94	1994-95	Closed	2,439,192	2,439,192
City of Santa Monica	11/10/95	1995-96	Closed	1,001,500	1,001,500
City of Palo Alto	3/29/1997	1998-99	Open	31,847	1,046,847
City of Santa Cruz	4/7/97	1996-97	Closed	1,490,582	1,490,582
City of Anaheim	9/1/97	1997-98	Closed	1,529,986	1,529,986
City of Anaheim	9/28/98	1998-99	Open	50,000	1,100,000
City of Anaheim	3/26/99	1998-99	Open	93,425	3,000,000
City of Santa Monica	5/7/99	1998-99	Closed	2,100,000	2,100,000
City of Santa Barbara	6/29/00	1999-00	Closed	1,160,000	1,160,000
City of Burbank	10/12/00	2000-01	Closed	1,162,820	1,162,820
City of Santa Monica	1/26/01	2000-01	Closed	1,077,785	1,077,785
City of Mountain View	3/25/2002	2001-02	Open	2,438,270	4,356,596
City of Santa Monica	7/16/03	2003-04	Open	0	3,000,000
City of Santa Barbara	1/7/04	2003-04	Open	0	1,000,000
City of Santa Cruz	1/18/04	2003-04	Open	0	1,136,698
City of Santa Monica	5/5/04	2003-04	Closed	2,002,180	2,002,180
City of Visalia	10/28/04	2004-05	Closed	994,284	1,000,000
City of Santa Monica	4/29/05	2004-05	Open	0	1,000,247
City of Anaheim	6/14/05	2004-05	Open	193,215	3,000,000
City of Santa Monica	8/9/05	2005-06	Open	0	2,000,000

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Authority for California Cities Excess Liability  
ACCEL Layer

Outstanding Liability at December 31, 2007

Accident Year	Ultimate Losses (A)	12/31/07 Reported Loss (B)	12/31/07 IBNR (C)	12/31/07 Paid Loss (D)	12/31/07 Case Reserves (E)	12/31/07 Outstanding Loss (F)
1986-1987	0	0	0	0	0	0
1987-1988	500,000	500,000	0	500,000	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
Totals	\$500,000	\$500,000	\$0	\$500,000	\$0	\$0
1986-1987	0	0	0	0	0	0
1987-1988	724,542	724,542	0	724,542	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
1990-1991	0	0	0	0	0	0
1991-1992	2,504,000	2,501,191	2,809	2,501,191	0	2,809
1992-1993	10,554,000	10,538,558	15,442	10,538,558	0	15,442
1993-1994	876,000	874,049	1,951	874,049	0	1,951
1994-1995	1,444,000	1,439,192	4,808	1,439,192	0	4,808
1995-1996	916,000	912,141	3,859	912,141	0	3,859
1996-1997	65,000	64,544	456	64,544	0	456
1997-1998	2,096,000	2,083,463	12,537	2,083,463	0	12,537
2003-2004	1,324,000	1,019,365	304,635	1,019,365	0	304,635
2004-2005	2,914,000	2,140,849	773,151	334,064	1,806,785	2,579,936
2005-2006	2,926,000	1,000,000	1,926,000	0	1,000,000	2,926,000
2006-2007	3,289,000	246,826	3,042,174	0	246,826	3,289,000
2007-2008	2,003,000	0	2,003,000	0	0	2,003,000
Totals	\$31,635,542	\$23,544,720	\$8,090,822	\$20,491,109	\$3,053,611	\$11,144,433
Grand Totals	\$32,135,542	\$24,044,720	\$8,090,822	\$20,991,109	\$3,053,611	\$11,144,433

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)

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Authority for California Cities Excess Liability  
ACCEL Layer

Outstanding Liability at June 30, 2008

Accident Year	Ultimate Losses (A)	6/30/2008 Reported Loss (B)	6/30/2008 IBNR (C)	6/30/2008 Paid Loss (D)	6/30/2008 Case Reserves (E)	6/30/2008 Outstanding Loss (F)
1986-1987	0	0	0	0	0	0
1987-1988	500,000	500,000	0	500,000	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
Totals	\$500,000	\$500,000	\$0	\$500,000	\$0	\$0
1986-1987	0	0	0	0	0	0
1987-1988	724,542	724,542	0	724,542	0	0
1988-1989	0	0	0	0	0	0
1989-1990	0	0	0	0	0	0
1990-1991	0	0	0	0	0	0
1991-1992	2,504,000	2,504,000	0	2,502,596	1,405	1,405
1992-1993	10,554,000	10,554,000	0	10,543,700	10,300	10,300
1993-1994	876,000	876,000	0	874,535	1,465	1,465
1994-1995	1,444,000	1,444,000	0	1,439,990	4,010	4,010
1995-1996	916,000	916,000	0	912,620	3,380	3,380
1996-1997	65,000	65,000	0	64,589	411	411
1997-1998	2,096,000	2,096,000	0	2,084,491	11,509	11,509
2003-2004	1,324,000	1,323,885	115	1,080,292	243,593	243,708
2004-2005	2,914,000	2,956,769	(42,769)	819,092	2,137,677	2,094,908
2005-2006	2,926,000	1,719,796	1,206,204	497,420	1,222,376	2,428,580
2006-2007	3,289,000	746,754	2,542,246	302,588	444,166	2,986,412
2007-2008	4,006,000	356,534	3,649,466	56,084	300,450	3,949,916
Totals	\$33,638,542	\$26,283,280	\$7,355,262	\$21,902,538	\$4,380,742	\$11,736,004
Grand Totals	\$34,138,542	\$26,783,280	\$7,355,262	\$22,402,538	\$4,380,742	\$11,736,004

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)

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Authority for California Cities Excess Liability  
ACCEL Layer

Estimated Ultimate Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Expected Loss Method (C)	Selected Estimate of Ultimate Losses (D)
1986-1987	0	0		0
1987-1988	500,000	500,000		500,000
1988-1989	0	0		0
1989-1990	0	0		0
Totals	\$500,000	\$500,000		\$500,000
1986-1987	0	0		0
1987-1988	724,542	725,267		724,542
1988-1989	0	0		0
1989-1990	0	0		0
1990-1991	0	0		0
1991-1992	2,501,191	2,506,193		2,504,000
1992-1993	10,538,558	10,570,174		10,554,000
1993-1994	874,049	877,545		876,000
1994-1995	1,439,192	1,447,827		1,444,000
1995-1996	912,141	919,438		916,000
1996-1997	64,544	65,189		65,000
1997-1998	2,083,463	2,108,465		2,096,000
2003-2004	1,160,037	1,488,273	1,207,000	1,324,000
2004-2005	2,960,794	675,477	2,868,000	2,914,000
2005-2006	2,195,000	0	2,926,000	2,926,000
2006-2007	1,136,140	0	3,289,000	3,289,000
2007-2008	0	0	4,006,000	4,006,000
Totals	\$26,589,651	\$21,383,848	\$14,296,000	\$33,638,542
Grand Totals	\$27,089,651	\$21,883,848		\$34,138,542

Notes:

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

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Authority for California Cities Excess Liability  
ACCEL Layer

Reported Loss Development

Accident Year	Reported Losses as of 12/31/07 (A)	Reported Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.000	0
Totals	\$500,000		\$500,000
1986-1987	0	1.000	0
1987-1988	724,542	1.000	724,542
1988-1989	0	1.000	0
1989-1990	0	1.000	0
1990-1991	0	1.000	0
1991-1992	2,501,191	1.000	2,501,191
1992-1993	10,538,558	1.000	10,538,558
1993-1994	874,049	1.000	874,049
1994-1995	1,439,192	1.000	1,439,192
1995-1996	912,141	1.000	912,141
1996-1997	64,544	1.000	64,544
1997-1998	2,083,463	1.000	2,083,463
2003-2004	1,019,365	1.138	1,160,037
2004-2005	2,140,849	1.383	2,960,794
2005-2006	1,000,000	2.195	2,195,000
2006-2007	246,826	4.603	1,136,140
2007-2008	0	21.197	0
Totals	\$23,544,720		\$26,589,651
Grand Totals	\$24,044,720		\$27,089,651

Notes:

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

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Authority for California Cities Excess Liability  
ACCEL Layer

Paid Loss Development

Accident Year	Paid Losses as of 12/31/07 (A)	Paid Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.001	0
Totals	\$500,000		\$500,000
1986-1987	0	1.001	0
1987-1988	724,542	1.001	725,267
1988-1989	0	1.001	0
1989-1990	0	1.001	0
1990-1991	0	1.001	0
1991-1992	2,501,191	1.002	2,506,193
1992-1993	10,538,558	1.003	10,570,174
1993-1994	874,049	1.004	877,545
1994-1995	1,439,192	1.006	1,447,827
1995-1996	912,141	1.008	919,438
1996-1997	64,544	1.010	65,189
1997-1998	2,083,463	1.012	2,108,465
2003-2004	1,019,365	1.460	1,488,273
2004-2005	334,064	2.022	675,477
2005-2006	0	4.289	0
2006-2007	0	16.427	0
2007-2008	0	165.666	0
Totals	\$20,491,109		\$21,383,848
Grand Totals	\$20,991,109		\$21,883,848

Notes:

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

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Authority for California Cities Excess Liability  
ACCEL Layer

Expected Loss Methods

	2003-04	2004-05	2005-06	2006-2007	2007-2008
(A) Program Year 2008-09 \$100K-\$1M Base Rate:	\$0.945	\$0.945	\$0.945	\$0.945	\$0.945
(B) Trend Factor Program Year:	0.784	0.823	0.864	0.907	0.952
(C) Program Year \$100K-\$1M Base Rate:	\$0.740	\$0.777	\$0.816	\$0.857	\$0.900
(D) Factor to Self-Insured Layer	0.230	0.360	0.440	0.440	0.440
(E) Program Year Self-Insured Expected Rate;	\$0.170	\$0.280	\$0.359	\$0.377	\$0.396
(F) Program Year Payroll:	\$9,103,267	\$9,374,402	\$9,850,045	\$10,305,894	\$10,615,070
(G) Program Year Preliminary Ultimate Losses:	\$1,550,000	\$2,624,000	\$3,538,000	\$3,887,000	\$4,204,000
(H) Percent of Ultimate Losses Not Reported:	12.1%	27.7%	54.4%	78.3%	95.3%
(I) Estimated Program Year IBNR @ 12/31/07:	\$187,961	\$726,675	\$1,926,155	\$3,042,551	\$4,005,670
(J) Program Year Reported Losses @ 12/31/07:	\$1,019,365	\$2,140,849	\$1,000,000	\$246,826	\$0
(K) Program Year Estimated Ultimate Losses:	\$1,207,000	\$2,868,000	\$2,926,000	\$3,289,000	\$4,006,000

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Authority for California Cities Excess Liability  
ACCEL Layer

Loss Rate Trend

Accident Year	Exposure	Ultimate Loss	On-Level Losses	Loss Rate	Loss Rate Trend	Trended Loss Rate
1986-1987	1,008,086	0	0	0.000	2.292	0.000
1987-1988	998,109	500,000	500,000	0.501	2.183	1.094
1988-1989	1,146,083	0	0	0.000	2.079	0.000
1989-1990	1,208,157	0	0	0.000	1.980	0.000
Totals	\$4,360,436	\$500,000	\$500,000	0.115		0.274
1986-1987	3,105,940	0	0	0.000	3.072	0.000
1987-1988	3,670,691	724,542	724,542	0.197	2.926	0.576
1988-1989	4,030,134	0	0	0.000	2.787	0.000
1989-1990	4,399,059	0	0	0.000	2.654	0.000
1990-1991	4,875,491	0	0	0.000	2.528	0.000
1991-1992	5,277,443	2,504,000	2,504,000	0.474	2.408	1.141
1992-1993	5,310,299	10,554,000	10,554,000	1.987	2.293	4.556
1993-1994	5,635,666	876,000	876,000	0.155	2.184	0.339
1994-1995	6,004,411	1,444,000	1,444,000	0.240	2.080	0.499
1995-1996	6,102,690	916,000	916,000	0.150	1.981	0.297
1996-1997	6,502,472	65,000	65,000	0.010	1.887	0.019
1997-1998	6,972,985	2,096,000	2,096,000	0.301	1.797	0.541
2003-2004	9,103,267	1,324,000	1,324,000	0.145	1.277	0.185
2004-2005	9,374,402	2,914,000	2,914,000	0.311	1.216	0.378
2005-2006	9,850,045	2,926,000	2,926,000	0.297	1.158	0.344
2006-2007	10,305,894	3,289,000	3,289,000	0.319	1.103	0.352
2007-2008	10,615,070	4,006,000	4,006,000	0.377	1.050	0.396
Totals	\$111,135,958	\$33,638,542	\$33,638,542	0.303		0.566
86/87-97/98	61,887,280	19,179,542	19,179,542	0.310		0.664
				Selected Trend:	1.050	

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

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

Accident Year	Estimated Ultimate \$100K - \$1M Losses (C)	Payroll (\$00's) (D)	Loss Trend Factor (E)	Loss Rate at 2007-2008 Level (F)
1995-1996	3,106,000	8,208,118	1.796	0.680
1996-1997	3,696,000	8,531,243	1.710	0.741
1997-1998	3,531,000	8,925,421	1.629	0.644
1998-1999	5,986,000	9,070,829	1.551	1.024
1999-2000	5,170,000	9,300,743	1.477	0.821
2000-2001	4,643,000	9,559,034	1.407	0.683
2001-2002	4,025,000	9,985,975	1.340	0.540
2002-2003	4,245,000	10,170,798	1.276	0.533
2003-2004	7,644,000	10,050,007	1.216	0.925
2004-2005	8,196,000	10,096,231	1.158	0.940
2005-2006	9,646,000	10,352,397	1.103	1.028
2006-2007	7,895,000	10,563,541	1.050	0.785
Average 95/96 - 06/07 :				0.779
Average 95/96 - 05/06 :				0.778
Average 03/04 - 06/07 :				0.919
Prior 2005-2006 Rate :				0.850
Selected 2007-2008 Rate :				0.900
Trend Factor to 2008-2009 :				1.050
Selected 2008-2009 Rate :				<b>\$0.945</b>

## 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	\$3,117,892	\$3,093,147	\$3,117,968	\$3,106,002	\$3,106,000
1996-1997	3,677,499	3,714,274	3,677,499	3,714,439	3,696,000	3,696,000
1997-1998	3,509,943	3,552,062	3,509,943	3,552,357	3,531,003	3,531,000
1998-1999	5,886,044	3,181,681	5,886,268	3,239,030	5,986,002	5,986,000
1999-2000	5,069,501	4,844,384	5,070,459	4,854,568	5,170,000	5,170,000
2000-2001	4,597,849	4,869,108	4,599,969	4,850,836	4,642,990	4,643,000
2001-2002	4,025,182	3,634,038	4,025,893	3,676,959	4,025,008	4,025,000
2002-2003	4,121,816	3,965,090	4,321,815	4,571,015	3,722,575	4,245,000
2003-2004	7,658,037	4,856,258	7,629,260	5,668,861	5,345,392	7,644,000
2004-2005	9,922,553	6,231,489	9,347,661	7,043,454	5,397,225	8,196,000
2005-2006	15,011,965	5,912,833	11,434,634	7,857,879	7,026,305	9,646,000
2006-2007	3,713,848	0	7,895,295	0	2,857,140	7,895,000
Totals						\$67,783,000

## Notes:

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

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

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

## Reported Loss Development

Accident Year (A)	\$100K - \$1M Reported Losses as of 12/31/07 (B)	Reported Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Reported Losses of 12/31/07 (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	3,677,499	1.000	3,677,499	3,677,499	1.000	3,677,499
1997-1998	3,509,943	1.000	3,509,943	3,509,943	1.000	3,509,943
1998-1999	5,874,295	1.002	5,886,044	5,874,295	1.002	5,886,044
1999-2000	5,034,261	1.007	5,069,501	5,034,261	1.007	5,069,501
2000-2001	4,520,992	1.017	4,597,849	4,520,992	1.017	4,597,849
2001-2002	3,889,065	1.035	4,025,182	3,889,065	1.035	4,025,182
2002-2003	3,848,568	1.071	4,121,816	3,848,568	1.071	4,121,816
2003-2004	6,729,382	1.138	7,658,037	6,729,382	1.138	7,658,037
2004-2005	7,174,659	1.383	9,922,553	7,174,659	1.383	9,922,553
2005-2006	6,839,164	2.195	15,011,965	6,839,164	2.195	15,011,965
2006-2007	806,832	4.603	3,713,848	806,832	4.603	3,713,848
Totals	\$54,997,807		\$70,287,384	\$54,997,807		\$70,287,384

## Notes:

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

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

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

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

## Paid Loss Development

Accident Year (A)	\$100K - \$1M Paid Losses as of 12/31/07 (B)	Paid Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Paid Losses of 12/31/07 (E)	Paid Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
1995-1996	\$3,093,147	1.008	\$3,117,892	\$3,093,147	1.008	\$3,117,892
1996-1997	3,677,499	1.010	3,714,274	3,677,499	1.010	3,714,274
1997-1998	3,509,943	1.012	3,552,062	3,509,943	1.012	3,552,062
1998-1999	3,119,295	1.020	3,181,681	3,119,295	1.020	3,181,681
1999-2000	4,658,062	1.040	4,844,384	4,658,062	1.040	4,844,384
2000-2001	4,520,992	1.077	4,869,108	4,520,992	1.077	4,869,108
2001-2002	3,230,256	1.125	3,634,038	3,230,256	1.125	3,634,038
2002-2003	3,215,807	1.233	3,965,090	3,215,807	1.233	3,965,090
2003-2004	3,326,204	1.460	4,856,258	3,326,204	1.460	4,856,258
2004-2005	3,081,844	2.022	6,231,489	3,081,844	2.022	6,231,489
2005-2006	1,378,604	4.289	5,912,833	1,378,604	4.289	5,912,833
2006-2007	0	16.427	0	0	16.427	0
Totals	\$36,811,653		\$47,879,109	\$36,811,653		\$47,879,109

## Notes:

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

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

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

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

Exposure and Development Method  
Based on Reported Losses

Accident Year	Composite Exposure (A)	Reported Losses as of 12/31/07 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
1995-1996	8,208,118	\$3,093,147	1.000	0.000	\$0.378	\$0	\$3,093,147
1996-1997	8,531,243	3,677,499	1.000	0.000	0.433	0	3,677,499
1997-1998	8,925,421	3,509,943	1.000	0.000	0.396	0	3,509,943
1998-1999	9,070,829	5,874,295	1.002	0.002	0.660	11,973	5,886,268
1999-2000	9,300,743	5,034,261	1.007	0.007	0.556	36,198	5,070,459
2000-2001	9,559,034	4,520,992	1.017	0.017	0.486	78,977	4,599,969
2001-2002	9,985,975	3,889,065	1.035	0.034	0.403	136,828	4,025,893
2002-2003	10,170,798	3,848,568	1.071	0.066	0.705	473,247	4,321,815
2003-2004	10,050,007	6,729,382	1.138	0.121	0.740	899,878	7,629,260
2004-2005	10,096,231	7,174,659	1.383	0.277	0.777	2,173,002	9,347,661
2005-2006	10,352,397	6,839,164	2.195	0.544	0.816	4,595,470	11,434,634
2006-2007	10,563,541	806,832	4.603	0.783	0.857	7,088,463	7,895,295
Totals	\$114,814,337	\$54,997,807				\$15,494,036	\$70,491,843

## Notes:

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

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

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

Exposure and Development Method  
Based on Paid Losses

Accident Year	Composite Exposure (A)	Paid Losses as of 12/31/07 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
1995-1996	8,208,118	\$3,093,147	1.008	0.008	\$0.378	\$24,821	\$3,117,968
1996-1997	8,531,243	3,677,499	1.010	0.010	0.433	36,940	3,714,439
1997-1998	8,925,421	3,509,943	1.012	0.012	0.396	42,414	3,552,357
1998-1999	9,070,829	3,119,295	1.020	0.020	0.660	119,735	3,239,030
1999-2000	9,300,743	4,658,062	1.040	0.038	0.556	196,506	4,854,568
2000-2001	9,559,034	4,520,992	1.077	0.071	0.486	329,844	4,850,836
2001-2002	9,985,975	3,230,256	1.125	0.111	0.403	446,703	3,676,959
2002-2003	10,170,798	3,215,807	1.233	0.189	0.705	1,355,208	4,571,015
2003-2004	10,050,007	3,326,204	1.460	0.315	0.740	2,342,657	5,668,861
2004-2005	10,096,231	3,081,844	2.022	0.505	0.777	3,961,610	7,043,454
2005-2006	10,352,397	1,378,604	4.289	0.767	0.816	6,479,275	7,857,879
2006-2007	10,563,541		16.427	0.939	0.857	8,500,724	
Totals	\$114,814,337	\$36,811,653				\$23,836,437	\$52,147,366

## Notes:

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

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

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

## Exposure and Development Method

Accident Year	Composite Exposure (A)	Ultimate	Trend Factor (C)	Trended	Trended		Factor to SIR (G)	Program Loss Rate (H)
		\$100K - \$1M Losses (B)		\$100K - \$1M Losses (D)	\$100K - \$1M Loss Rate (E)	\$100K - \$1M Loss Rate (F)		
1995-1996	8,208,118	\$3,106,000	1.796	\$5,578,376	\$0.680	\$0.378	1.000	\$0.378
1996-1997	8,531,243	3,696,000	1.710	6,320,160	0.741	0.433	1.000	0.433
1997-1998	8,925,421	3,531,000	1.629	5,751,999	0.644	0.396	1.000	0.396
1998-1999	9,070,829	5,986,000	1.551	9,284,286	1.024	0.660	1.000	0.660
1999-2000	9,300,743	5,170,000	1.477	7,636,090	0.821	0.556	1.000	0.556
2000-2001	9,559,034	4,643,000	1.407	6,532,701	0.683	0.486	1.000	0.486
2001-2002	9,985,975	4,025,000	1.340	5,393,500	0.540	0.403	1.000	0.403
2002-2003	10,170,798	4,122,000	1.276	5,259,672	0.517	0.705	1.000	0.705
2003-2004	10,050,007	7,658,000	1.216	9,312,128	0.927	0.740	1.000	0.740
2004-2005	10,096,231	9,923,000	1.158	11,490,834	1.138	0.777	1.000	0.777
2005-2006	10,352,397	15,012,000	1.103	16,558,236	1.599	0.816	1.000	0.816
2006-2007	10,563,541	3,714,000	1.050	3,899,700	0.369	0.857	1.000	0.857
Total/Avg	\$114,814,337	\$70,586,000		\$93,017,682	\$0.810			
99/00-05/06	69,515,185	50,553,000		62,183,161	\$0.895			
00/01-05/06	60,214,442	45,383,000		54,547,071	\$0.906			
01/02-05/06	50,655,408	40,740,000		48,014,370	\$0.948			
				Selected \$100K - \$1M Rate:	\$0.900			
				Prior:	\$0.850			

## Notes:

- (A) Provided by the Authority.
- (B) Selected average of results from Appendices B and B.
- (C) From Appendix E, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected \$100K - \$1M Rate / (C). For 2001-2002 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	\$182,706	17	\$3,106,002
1996-1997	231,000	16	3,696,000
1997-1998	168,143	21	3,531,003
1998-1999	272,091	22	5,986,002
1999-2000	323,125	16	5,170,000
2000-2001	211,045	22	4,642,990
2001-2002	154,808	26	4,025,008
2002-2003	195,925	19	3,722,575
2003-2004	205,592	26	5,345,392
2004-2005	215,889	25	5,397,225
2005-2006	226,655	31	7,026,305
2006-2007	238,095	12	2,857,140
Total		253	\$54,505,642

## Notes:

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

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

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

Frequency and Severity Method

Accident Year	Ultimate \$100K - \$1M Losses (A)	Ultimate Claims (B)	Ultimate \$100K - \$1M Severity (C)	Trend Factor (D)	Trended \$100K - \$1M Severity (E)	Trended \$100K - \$1M Severity (F)	Factor to SIR (G)	Program Severity (H)
1995-1996	\$3,106,000	17	\$182,706	1.796	\$328,140	\$182,706	1.000	\$182,706
1996-1997	3,696,000	16	231,000	1.710	395,010	231,000	1.000	231,000
1997-1998	3,531,000	21	168,143	1.629	273,905	168,143	1.000	168,143
1998-1999	5,986,000	22	272,091	1.551	422,013	272,091	1.000	272,091
1999-2000	5,170,000	16	323,125	1.477	477,256	323,125	1.000	323,125
2000-2001	4,643,000	22	211,045	1.407	296,940	211,045	1.000	211,045
2001-2002	4,025,000	26	154,808	1.340	207,443	154,808	1.000	154,808
2002-2003	4,245,000	19	223,421	1.276	285,085	195,925	1.000	195,925
2003-2004	7,644,000	26	294,000	1.216	357,504	205,592	1.000	205,592
2004-2005	8,196,000	25	327,840	1.158	379,639	215,889	1.000	215,889
2005-2006	9,646,000	31	311,161	1.103	343,211	226,655	1.000	226,655
2006-2007	7,895,000	12	657,917	1.050	690,813	238,095	1.000	238,095

Average \$100K - \$1M Severity: \$371,413  
 Average 97/98-05/06 \$100K - \$1M Severity: \$335,297  
 Average 98/99-05/06 \$100K - \$1M Severity: \$311,637

Selected \$100K - \$1M Severity: \$250,000  
 Prior: \$375,000

Notes:

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

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

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

Frequency and Severity Method  
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Composite Exposure (10,000s) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)	
1995-1996	17	17	17	820.812	0.021	1.000	0.021	
1996-1997	16	16	16	853.124	0.019	1.000	0.019	
1997-1998	21	21	21	892.542	0.024	1.000	0.024	
1998-1999	22	19	22	907.083	0.024	1.000	0.024	
1999-2000	16	14	16	930.074	0.017	1.000	0.017	
2000-2001	22	22	22	955.903	0.023	1.000	0.023	
2001-2002	26	25	26	998.598	0.026	1.000	0.026	
2002-2003	19	16	19	1,017.080	0.019	1.000	0.019	
2003-2004	26	15	26	1,005.001	0.026	1.000	0.026	
2004-2005	25	8	25	1,009.623	0.025	1.000	0.025	
2005-2006	31	10	31	1,035.240	0.030	1.000	0.030	
2006-2007	12	0	12	1,056.354	0.011	1.000	0.011	
Total	253	183	253	11,481.434			0.022	
						(H) Selected 2007-2008 Frequency:	0.027	
						Program Year:		
						2007-2008	2008-2009	
						(I) Trend Factor:	1.000	1.000
						(J) Selected Frequency:	0.027	0.027
						(K) Composite Exposure:	1,061.507	1,093.353
						(L) Ultimate Claims:	29	30

Notes:

- (A) From Appendix B, Page 11, (C).
- (B) From Appendix B, Page 12, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix N, Page 2, (G).
- (E) (C) / (D).
- (F) From Appendix E.
- (G) (E) x (F).
- (H) The selected frequency of .027 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 12/31/2007 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	17	1.000	17	0.021
1996-1997	16	1.000	16	0.019
1997-1998	21	1.000	21	0.024
1998-1999	22	1.000	22	0.024
1999-2000	16	1.000	16	0.017
2000-2001	22	1.000	22	0.023
2001-2002	26	1.001	26	0.026
2002-2003	19	1.003	19	0.019
2003-2004	26	1.006	26	0.026
2004-2005	25	1.016	25	0.025
2005-2006	30	1.039	31	0.030
2006-2007	10	1.193	12	0.011
Total	250		253	0.022

## Notes:

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

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

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

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2007 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1995-1996	17	1.001	17	0.021
1996-1997	16	1.003	16	0.019
1997-1998	21	1.005	21	0.024
1998-1999	19	1.008	19	0.021
1999-2000	14	1.010	14	0.015
2000-2001	22	1.014	22	0.023
2001-2002	24	1.022	25	0.025
2002-2003	15	1.034	16	0.016
2003-2004	14	1.057	15	0.015
2004-2005	7	1.104	8	0.008
2005-2006	8	1.221	10	0.010
2006-2007	0	1.788	0	
Total	177		183	0.016

## Notes:

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

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

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

Loss Rate Trend

Accident Year	Payroll	Preliminary Ultimate Loss	Untrended Loss Rate	Trended Loss Rate
1997-1998	8,925,421	3,531,000	0.396	0.644
1998-1999	9,070,829	5,986,000	0.660	1.024
1999-2000	9,300,743	5,170,000	0.556	0.821
2000-2001	9,559,034	4,643,000	0.486	0.683
2001-2002	9,985,975	4,025,000	0.403	0.540
2002-2003	10,170,798	4,307,000	0.423	0.540
2003-2004	10,050,007	7,680,000	0.764	0.929
2004-2005	10,096,231	8,286,000	0.821	0.950
2005-2006	10,352,397	9,538,000	0.921	1.016
2006-2007	10,563,541	7,424,000	0.703	0.738

Exponential Trends

Years	R-square	Fitted Trend
00/01-05/06	0.754	0.987
01/02-06/07	0.620	1.160
97/98-06/07	0.409	1.068

Prior Trend: 1.050  
Selected Trend: 1.050

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## Authority for California Cities Excess Liability

## Historical Payroll by Member

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

Member	1998-99 Payroll (00)	1999-00 Payroll (00)	2000-01 Payroll (00)	2001-02 Payroll (00)	2002-03 Payroll (00)	2003-04 Payroll (00)	2004-05 Payroll (00)	2005-06 Payroll (00)	2006-07 Payroll (00)	Projected 2007-08 Payroll (00)	Projected 2008-09 Payroll (00)
Anaheim	1,221,632	1,347,535	1,393,423	1,497,038	1,571,861	1,686,921	1,702,110	1,874,760	1,933,055	1,991,050	2,050,780
Bakersfield	656,309	672,981	679,346	710,898	746,845	769,039	775,782	828,105	889,657	916,350	943,840
Burbank	685,160	705,720	726,890	748,690	771,160	794,290	963,640	961,084	1,080,588	1,113,010	1,146,400
Gardena	0	0	0	0	0	0	0	0	0	0	0
Modesto	599,204	621,472	656,651	711,909	761,554	745,169	757,072	777,859	808,720	832,980	857,970
Monterey	246,524	262,721	284,379	307,684	320,894	313,632	313,439	315,127	303,985	313,100	322,490
Mountain View	409,155	408,020	434,816	470,177	517,208	479,749	474,925	505,565	558,760	575,520	592,790
Ontario	589,308	605,886	637,469	683,592	692,474	710,686	732,721	783,778	808,309	832,560	857,540
Palo Alto	722,355	727,013	771,366	875,829	907,965	976,695	964,635	910,388	920,271	947,880	976,320
Santa Barbara	587,051	644,650	658,205	688,383	715,412	731,380	739,835	827,558	767,235	790,250	813,960
Santa Cruz	330,666	368,019	383,500	421,614	414,665	404,596	405,476	415,167	494,206	509,030	524,300
Santa Monica	997,024	1,028,662	1,156,953	1,234,923	1,274,089	1,221,506	1,263,241	1,350,510	1,445,204	1,488,560	1,533,220
Visalia	218,084	237,134	256,559	257,861	290,675	269,603	281,525	300,145	295,903	304,780	313,920
Total	7,262,473	7,629,814	8,039,558	8,608,599	8,984,804	9,103,267	9,374,402	9,850,045	10,305,894	10,615,070	10,933,530

Note: Data provided by ACCEL.

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## Authority for California Cities Excess Liability

ULAE as of June 30, 2008

(A) Selected ULAE Factor	3.5%
(B) Provision for Unpaid ULAE :	
IBNR at 6/30/08	\$7,355,000
Half of Outstanding Reserves at 6/30/08	5,868,000
Computation Base	\$13,223,000
Provision for Unpaid ULAE at 6/30/08	\$463,000