



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

*Outstanding Liabilities as of June 30, 2013*

*Presented to*  
**ACCEL**

April 11, 2013



Thursday, April 11, 2013

Authority for California Cities Excess Liability  
c/o Alliant Insurance Services  
Attn: Mike Simmons, Pool Administrator  
100 Pine Street, 11<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 \$13,684,000 as of June 30, 2013. 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 \$12,303,000 as of that date. Further, we recommend the Authority fund a risk margin for potential adverse experience. Including a margin for adverse experience at the 85% confidence level, the Authority's required funding as of June 30, 2012 is projected to be \$18,381,000.

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

The tables below shows our estimates of the program's claims liabilities as of December 31, 2012 and June 30, 2013, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2012  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$12,579,000	\$11,483,000
70%	14,969,000	13,665,000
75%	16,026,000	14,629,000
80%	17,258,000	15,755,000
85%	18,793,000	17,156,000
90%	20,831,000	19,016,000
95%	24,177,000	22,070,000

**Outstanding Liability as of June 30, 2013  
at Various Confidence Level  
\$500K and \$1,000K pools combined**

Confidence Level	Undiscounted	Discounted
Expected	\$13,684,000	\$12,303,000
70%	16,284,000	14,641,000
75%	17,433,000	15,674,000
80%	18,774,000	16,880,000
85%	20,444,000	18,381,000
90%	22,661,000	20,374,000
95%	26,301,000	23,646,000

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

According to the accounting regulations of the Governmental Accounting Standards Board, unallocated loss adjustment expenses (ULAE) associated with the claims should be recognized as part of the program's claims liability. ULAE is the additional cost to administer all claims to final settlement, which may be years

into the future (e.g. claims adjusters' salaries, taxes, etc.). Our undiscounted expected estimate of unpaid ULAE is \$439,000 as of June 30, 2013. This estimate is 3.5% of IBNR and half of case reserves as of June 30, 2013.

We present funding recommendations for claims incurred during program year 2013-14 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 2013-2014**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$0.196	\$0.252	\$0.272	\$0.297	\$0.330
\$1M-3M	0.312	0.401	0.433	0.473	0.526
\$1M-4M	0.368	0.473	0.511	0.558	0.620
\$1M-5M	0.385	0.495	0.534	0.584	0.649
\$5M-10M	0.145	0.186	0.201	0.220	0.244
\$1M-10M	0.513	0.659	0.712	0.778	0.864

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program's 2013-14 claims by different layers:

**Funding Amount Guidelines for Discounted Claims Incurred in 2013-2014**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$2,240,000	\$2,880,000	\$3,109,000	\$3,395,000	\$3,772,000
\$1M-3M	3,566,000	4,584,000	4,949,000	5,406,000	6,012,000
\$1M-4M	4,206,000	5,406,000	5,841,000	6,378,000	7,087,000
\$1M-5M	4,401,000	5,658,000	6,104,000	6,675,000	7,418,000
\$5M-10M	1,657,000	2,126,000	2,297,000	2,515,000	2,789,000
\$1M-10M	5,864,000	7,533,000	8,138,000	8,893,000	9,876,000

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

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


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

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

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

Sincerely,

Bickmore



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John Alltop, FCAS, MAAA  
President, Actuarial and Consulting Services, Bickmore  
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. Previously, nine members had \$500,000 SIRs and two members had \$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 and SIR of \$500,000 purchased additional coverage of \$500,000 excess of \$500,000. On July 1, 2000, nine members purchased insurance of \$19,500,000 excess of \$500,000 and two members had coverage of \$19,000,000 excess of \$1,000,000. ACCEL was fully insured with these limits through June 30, 2003.

On July 1, 2003, the Authority purchased 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 had an SIR of \$1,000,000. ACCEL covered the layer \$2,000,000 excess of \$1,000,000 for the 2004-05 program year and \$4,000,000 excess of \$1,000,000 for the 2006-07 through 2012-13 program years.

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 2013-14 fiscal year.

## II. CONCLUSIONS AND RECOMMENDATIONS

### A. LIABILITY FOR OUTSTANDING CLAIMS AS OF DECEMBER 31, 2012 and June 30, 2013

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$13,684,000 as of June 30, 2013. 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 \$12,303,000 as of that date. Further, we recommend the Authority fund a risk margin for potential adverse experience. Including a margin for adverse experience at the 85% confidence level, the Authority's required funding as of June 30, 2013 is projected to be \$18,381,000.

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 tables as of December 31, 2012 and June 30, 2013:

#### **Outstanding Liability at the Expected Level as of December 31, 2012 - \$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, 2012 - \$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	7,809	7,809
1992-1993	42,442	42,442
1993-1994	8,832	8,832
1994-1995	21,808	21,481
1995-1996	18,859	18,246
1996-1997	46,324	44,332
1997-1998	52,537	49,385
2003-2004	52,915	48,735
2004-2005	1,309,374	1,209,207
2005-2006	113,247	104,753
2006-2007	133,902	124,328
2007-2008	313,772	293,220
2008-2009	842,741	789,227
2009-2010	1,416,000	1,317,588
2010-2011	2,209,000	2,032,280
2011-2012	3,628,000	3,283,340
2012-2013	2,361,500	2,087,566
All Years	\$12,579,062	\$11,482,771

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

**Outstanding Liability at the Expected Level  
as of June 30, 2012 - \$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, 2012 - \$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	0	0
1992-1993	42,442	39,514
1993-1994	4,416	4,098
1994-1995	14,546	13,499
1995-1996	14,163	13,058
1996-1997	38,634	35,389
1997-1998	46,022	42,295
2003-2004	49,423	45,617
2004-2005	1,118,205	1,033,222
2005-2006	95,354	88,298
2006-2007	117,700	109,579
2007-2008	252,586	236,926
2008-2009	663,237	620,127
2009-2010	1,230,504	1,139,447
2010-2011	1,979,264	1,809,047
2011-2012	3,370,412	3,019,889
2012-2013	4,647,432	4,052,561
All Years	\$13,684,341	\$12,302,566

The tables below shows our estimates of the program's claims liabilities as of December 31, 2012 and June 30, 2013, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2012  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$12,579,000	\$11,483,000
70%	14,969,000	13,665,000
75%	16,026,000	14,629,000
80%	17,258,000	15,755,000
85%	18,793,000	17,156,000
90%	20,831,000	19,016,000
95%	24,177,000	22,070,000

**Outstanding Liability as of June 30, 2013  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$13,684,000	\$12,303,000
70%	16,284,000	14,641,000
75%	17,433,000	15,674,000
80%	18,774,000	16,880,000
85%	20,444,000	18,381,000
90%	22,661,000	20,374,000
95%	26,301,000	23,646,000

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

According to the accounting regulations of the Governmental Accounting Standards Board, unallocated loss adjustment expenses (ULAE) associated with the claims should be recognized as part of the program's claims liability. ULAE is the additional cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes, etc.). Our undiscounted expected estimate of unpaid ULAE is \$439,000 as of June 30, 2013. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2013.

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

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

Program Year	Current	Prior 12/31/10	Change in Estimates Since 12/31/10 Report
1987-1988	\$0	\$0	\$0
1987-1988	1,224,542	1,224,542	0
1988-1989	0	0	0
1989-1990	0	0	0
1990-1991	0	0	0
1991-1992	2,509,000	2,502,000	7,000
1992-1993	10,581,000	10,549,000	32,000
1993-1994	886,000	880,000	6,000
1994-1995	1,461,000	1,445,000	16,000
1995-1996	931,000	918,000	13,000
1996-1997	2,381,000	2,249,000	132,000
1997-1998	2,136,000	2,096,000	40,000
2003-2004	3,579,000	3,621,000	(42,000)
2004-2005	3,687,000	2,466,000	1,221,000
2005-2006	4,571,000	4,637,000	(66,000)
2006-2007	755,000	947,000	(192,000)
2007-2008	2,702,000	4,251,000	(1,549,000)
2008-2009	3,040,000	1,764,000	1,276,000
2009-2010	1,416,000	2,239,000	(823,000)
2010-2011	2,209,000	3,597,000	(1,388,000)
2011-2012	3,628,000	4,676,000	(1,048,000)
2012-2013	4,723,000	4,839,000	(116,000)
All Years	\$52,419,542	\$54,900,542	(\$2,481,000)

As shown, overall we have decreased our estimates of the program's ultimate losses by \$2,481,000 from those displayed in our prior actuarial report dated February 2012. The decrease is mainly due to favorable loss development in all program years except for the 2004-05 and 2008-09 program years.

## **B. FUNDING RATES FOR 2013-14 CLAIMS**

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

### **Funding Rate Guidelines for Discounted Claims Incurred in 2013-2014**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$0.196	\$0.252	\$0.272	\$0.297	\$0.330
\$1M-3M	0.312	0.401	0.433	0.473	0.526
\$1M-4M	0.368	0.473	0.511	0.558	0.620
\$1M-5M	0.385	0.495	0.534	0.584	0.649
\$5M-10M	0.145	0.186	0.201	0.220	0.244
\$1M-10M	0.513	0.659	0.712	0.778	0.864

### **Funding Amount Guidelines for Discounted Claims Incurred in 2013-2014**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$2,240,000	\$2,880,000	\$3,109,000	\$3,395,000	\$3,772,000
\$1M-3M	3,566,000	4,584,000	4,949,000	5,406,000	6,012,000
\$1M-4M	4,206,000	5,406,000	5,841,000	6,378,000	7,087,000
\$1M-5M	4,401,000	5,658,000	6,104,000	6,675,000	7,418,000
\$5M-10M	1,657,000	2,126,000	2,297,000	2,515,000	2,789,000
\$1M-10M	5,864,000	7,533,000	8,138,000	8,893,000	9,876,000

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

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

Layer	This Review 2013-14	Last Review 2012-13	Percent Change
\$1M-2M	\$0.222	\$0.227	-2.2%
\$1M-3M	\$0.353	\$0.361	-2.2%
\$1M-5M	\$0.435	\$0.445	-2.2%
\$5M-10M	\$0.164	\$0.168	-2.4%
\$1M-10M	\$0.580	\$0.593	-2.2%

As you can see, our projected funding rates for the 2013-14 program year have decreased about 2.2% from those projected for 2012-13 in our prior report. This is due to a decrease in the selected loss rate based on less than anticipated loss development in recent years.

### **C. ALLOCATION OF 2013-14 FUNDING**

The following table displays the allocation of the program's 2013-14 funding at the 85% confidence level for various layers. These estimated funding amounts are based on the loss rates displayed in the table in Section B and the individual cities' estimated 2013-14 payroll. The funding allocation below does not include any experience or exposure modification factors.

#### **Recommended Funding for Claims Incurred in 2013-2014 Discounted – 85% Confidence Level**

Member	\$1M to \$2M	\$1M to \$3M	\$1M to \$4M	\$1M to \$5M	\$5M to \$10M	\$1M to \$10M
Anaheim	\$602,000	\$955,000	\$1,129,000	\$1,181,000	\$446,000	\$1,574,000
Bakersfield	280,000	445,000	525,000	550,000	207,000	732,000
Burbank	335,000	534,000	630,000	659,000	248,000	878,000
Modesto	223,000	356,000	420,000	439,000	165,000	585,000
Monterey	111,000	177,000	208,000	218,000	82,000	291,000
Mountain View	189,000	302,000	356,000	372,000	140,000	496,000
Ontario	256,000	408,000	481,000	504,000	190,000	671,000
Palo Alto	319,000	508,000	599,000	627,000	236,000	835,000
Santa Barbara	252,000	402,000	474,000	496,000	187,000	661,000
Santa Cruz	157,000	249,000	294,000	308,000	116,000	410,000
Santa Monica	566,000	902,000	1,064,000	1,114,000	420,000	1,484,000
Visalia	105,000	168,000	198,000	207,000	78,000	276,000
Total	\$3,395,000	\$5,406,000	\$6,378,000	\$6,675,000	\$2,515,000	\$8,893,000

#### **D. FUNDING GUIDELINES**

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

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

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

## **E. ASSUMPTIONS AND LIMITATIONS**

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

- Our analysis is based on loss experience, exposure data, and other general and specific information you have provided to us. We have accepted all of this information without audit and relied on its accuracy in preparing our estimates for this report. As always, the accuracy and relevance of our conclusions and recommendations are highly dependent on the accuracy and relevance of the underlying data.
- In ACCEL's case, we were provided a list of claims with incurred losses greater than \$25,000 as of December 31, 2012 from individual member cities. This file included ground up losses and allocated loss adjustment expenses reported separately for each claimant. We were also provided with pool loss runs as of December 31, 2012.
- We were provided with payrolls by City for the 1986-87 through 2011-12 program years. The estimated payroll for 2012-13 and 2013-14 was calculated using a 1.5% trend per year.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of the development of such losses in the recent past. We have also assumed that the historical development patterns for a large group of California public entities with a self-insured excess general liability program in the aggregate form a reasonable basis of comparison to the patterns from the Authority's data.
- We have assumed that there is a continuing relationship between past and future loss costs and between loss costs and payroll. These assumptions can be tenuous in a changing legal and social environment such as we face today.
- It is not possible to predict future claims costs precisely. Most of the cost of general liability claims arises from a small number of incidents involving serious injury. Thus, changes in the circumstances surrounding these claims can have large effects on total costs.

Therefore, the actual costs of the covered general liability claims could differ significantly from our estimates.

- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on general liability claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.
- At your instruction, we have assumed that funds held for investment will generate an annual return of 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. 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 2000-01 through 2012-13 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 2013-14 Funding Guidelines - Discounted 85% Confidence Level

Member	Estimated 2013-14 Payroll (00) (A)	\$1,000,000 to \$2,000,000 Layer (B)	\$1,000,000 to \$3,000,000 Layer (B)	\$1,000,000 to \$4,000,000 Layer (B)	\$1,000,000 to \$5,000,000 Layer (B)	\$5,000,000 to \$10,000,000 Layer (B)	\$1,000,000 to \$10,000,000 Layer (B)
Anaheim	\$2,022,540	\$600,694	\$956,661	\$1,128,577	\$1,181,163	\$444,959	\$1,573,536
Bakersfield	941,230	279,545	445,202	525,206	549,678	207,071	732,277
Burbank	1,129,060	335,331	534,045	630,015	659,371	248,393	878,409
Modesto	752,140	223,386	355,762	419,694	439,250	165,471	585,165
Monterey	373,500	110,930	176,666	208,413	218,124	82,170	290,583
Mountain View	637,490	189,335	301,533	355,719	372,294	140,248	495,967
Ontario	862,470	256,154	407,948	481,258	503,682	189,743	671,002
Palo Alto	1,072,940	318,663	507,501	598,701	626,597	236,047	834,747
Santa Barbara	849,340	252,254	401,738	473,932	496,015	186,855	660,787
Santa Cruz	527,410	156,641	249,465	294,295	308,007	116,030	410,325
Santa Monica	1,906,990	566,376	902,006	1,064,100	1,113,682	419,538	1,483,638
Visalia	355,120	105,471	167,972	198,157	207,390	78,126	276,283
Totals	\$11,430,230	\$3,394,780	\$5,406,499	\$6,378,067	\$6,675,253	\$2,514,651	\$8,892,719

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

Authority for California Cities Excess Liability

Projected 2013-14 Funding Guidelines

Layer	Estimated 2013-14 Payroll (A)	Expected Ultimate Losses (B)	Discount Factor (C)	Discounted						
				Expected Ultimate Losses (D)	70% Confidence Level (E)	75% Confidence Level (E)	80% Confidence Level (E)	85% Confidence Level (E)	90% Confidence Level (E)	95% Confidence Level (E)
\$1M-2M	\$11,430,230	\$2,537,511	88.5%	\$2,240,325	\$2,686,104	\$2,880,418	\$3,109,023	\$3,394,778	\$3,771,976	\$4,400,639
\$1M-3M	11,430,230	4,034,871	88.5%	3,566,232	4,274,906	4,583,522	4,949,290	5,406,499	6,012,301	6,995,301
\$1M-4M	11,430,230	4,754,976	88.5%	4,206,325	5,040,731	5,406,499	5,840,848	6,378,068	7,086,743	8,252,626
\$1M-5M	11,430,230	4,972,150	88.5%	4,400,639	5,269,336	5,657,964	6,103,743	6,675,254	7,418,219	8,641,254
\$5M-10M	11,430,230	1,874,558	88.5%	1,657,383	1,988,860	2,126,023	2,297,476	2,514,651	2,788,976	3,257,616
\$1M-10M	11,430,230	6,629,533	88.5%	5,863,708	7,029,591	7,532,522	8,138,324	8,892,719	9,875,719	11,510,242

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 2013-14 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	\$0.222	88.5%	\$0.196	\$0.235	\$0.252	\$0.272	\$0.297	\$0.330	\$0.385
\$1M-3M	0.353	88.5%	0.312	0.374	0.401	0.433	0.473	0.526	0.612
\$1M-4M	0.416	88.5%	0.368	0.441	0.473	0.511	0.558	0.620	0.722
\$1M-5M	0.435	88.5%	0.385	0.461	0.495	0.534	0.584	0.649	0.756
\$5M-10M	0.164	88.5%	0.145	0.174	0.186	0.201	0.220	0.244	0.285
\$1M-10M	0.580	88.5%	0.513	0.615	0.659	0.712	0.778	0.864	1.007

Notes:

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

Authority for California Cities Excess Liability  
ACCEL Pooled Layer  
Selected Base Loss Rate (\$100K - \$1M Layer)

(A) Estimated based on \$1M Ultimate Less \$100K Ultimate	N/A
(B) Estimated based on \$100K - \$1M Analysis:	\$0.967
(C) Selected Base Loss Rate (\$100K - \$1M Layer):	\$0.967

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

Funding Guidelines for Outstanding Losses  
as of December 31, 2012 and June 30, 2013

	<u>December 31, 2012</u>	<u>June 30, 2013</u>
(A) Estimated Ultimate Losses Incurred as of:	\$50,058,042	\$52,419,542
(B) Estimated Paid Losses as of:	37,478,980	38,735,201
(C) Estimated Liability for Claims Outstanding as of:	\$12,579,062	\$13,684,341
(D) Outstanding Liability Discount Factor:	91.3%	89.9%
(E) Discounted Outstanding Liability for Claims as of:	\$11,483,000	\$12,303,000
(F) Risk Margin at 85% Confidence Level:	5,673,000	6,078,000
(G) Required Funding at the 85% confidence Level:	\$17,156,000	\$18,381,000

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 Development Factor	Payment Pattern	Full Value Reserve	3.0% Discounted Reserve	Discounted Factor
1988-1989	25.0	1.000	0.0%	0.0%	0.0%	100.0%
1989-1990	24.0	1.000	0.0%	0.0%	0.0%	100.0%
1990-1991	23.0	1.000	0.1%	0.1%	0.1%	100.0%
1991-1992	22.0	1.001	0.0%	0.1%	0.1%	100.0%
1992-1993	21.0	1.001	0.0%	0.1%	0.1%	100.0%
1993-1994	20.0	1.001	0.1%	0.2%	0.2%	100.0%
1994-1995	19.0	1.002	0.1%	0.3%	0.3%	97.0%
1995-1996	18.0	1.003	0.2%	0.5%	0.5%	96.5%
1996-1997	17.0	1.005	0.2%	0.7%	0.7%	94.9%
1997-1998	16.0	1.007	0.2%	0.9%	0.8%	93.1%
1998-1999	15.0	1.009	0.3%	1.2%	1.1%	92.8%
1999-2000	14.0	1.012	0.6%	1.8%	1.6%	92.8%
2000-2001	13.0	1.018	0.6%	2.3%	2.2%	92.2%
2001-2002	12.0	1.024	0.8%	3.1%	2.8%	91.6%
2002-2003	11.0	1.032	1.3%	4.4%	4.0%	91.9%
2003-2004	10.0	1.046	2.1%	6.5%	6.0%	92.3%
2004-2005	9.0	1.070	2.9%	9.4%	8.7%	92.4%
2005-2006	8.0	1.104	4.7%	14.1%	13.1%	92.6%
2006-2007	7.0	1.164	8.3%	22.4%	20.9%	93.1%
2007-2008	6.0	1.289	15.7%	38.2%	35.8%	93.8%
2008-2009	5.0	1.617	18.9%	57.0%	53.4%	93.5%
2009-2010	4.0	2.328	17.2%	74.2%	68.7%	92.6%
2010-2011	3.0	3.880	15.5%	89.7%	82.0%	91.4%
2011-2012	2.0	9.700	8.4%	98.1%	87.9%	89.6%
2012-2013	1.0	52.909	1.9%	100.0%	87.2%	87.2%

Discount Factor for Future Funding: 0.885

Accident Year	Accident Year Paid Loss Development Factor	Full Value Reserve	3.0% Discounted Reserve	12/31/2012 Outstanding Loss	3.0% Discounted Factor	12/31/2012 Discounted Outstanding Loss	6/30/2013 Outstanding Loss	3.0% Discounted Factor	6/30/2013 Discounted Outstanding Loss	
										1986-1987
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	97.0%	0	
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	1.002	0.20%	0.19%	0	100.0%	0	0	97.0%	0	
1990-1991	1.003	0.30%	0.28%	0	100.0%	0	0	96.5%	0	
1991-1992	1.005	0.50%	0.47%	7,809	100.0%	7,809	0	94.9%	0	
1992-1993	1.007	0.70%	0.65%	42,442	100.0%	42,442	42,442	93.1%	39,514	
1993-1994	1.009	0.89%	0.83%	8,832	100.0%	8,832	4,416	92.8%	4,098	
1994-1995	1.012	1.19%	1.09%	21,808	98.5%	21,481	14,546	92.8%	13,499	
1995-1996	1.018	1.77%	1.64%	18,859	96.8%	18,246	14,163	92.2%	13,058	
1996-1997	1.024	2.34%	2.16%	46,324	95.7%	44,332	38,634	91.6%	35,389	
1997-1998	1.032	3.10%	2.84%	52,537	94.0%	49,385	46,022	91.9%	42,295	
2003-2004	1.046	4.40%	4.03%	52,915	92.1%	48,735	49,423	92.3%	45,617	
2004-2005	1.070	6.54%	6.03%	1,309,374	92.4%	1,209,207	1,118,205	92.4%	1,033,222	
2005-2006	1.104	9.42%	8.69%	113,247	92.5%	104,753	95,354	92.6%	88,298	
2006-2007	1.164	14.09%	13.04%	133,902	92.9%	124,328	117,700	93.1%	109,579	
2007-2008	1.289	22.42%	20.86%	313,772	93.5%	293,220	252,586	93.8%	236,926	
2008-2009	1.617	38.16%	35.76%	842,741	93.7%	789,227	663,237	93.5%	620,127	
2009-2010	2.328	57.05%	53.33%	1,416,000	93.1%	1,317,588	1,230,504	92.6%	1,139,447	
2010-2011	3.880	74.23%	68.70%	2,209,000	92.0%	2,032,280	1,979,264	91.4%	1,809,047	
2011-2012	9.700	89.69%	81.94%	3,628,000	90.5%	3,283,340	3,370,412	89.6%	3,019,889	
2012-2013	52.909	98.11%	87.84%	2,361,500	88.4%	2,087,566	4,647,432	87.2%	4,052,561	
				Total		12,579,062		11,482,771	13,684,341	12,302,566
				Discount Factor for Outstanding:		91.3%		89.9%		

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

## Confidence Level Factors

Probability	Projected Funding Factor	Outstanding Liability Factor
95	1.963	1.922
90	1.685	1.656
85	1.516	1.494
80	1.388	1.372
75	1.285	1.274
70	1.198	1.190
65	1.120	1.115
60	1.049	1.047
55	0.984	0.985
50	0.922	0.926
45	0.863	0.869
40	0.805	0.813
35	0.747	0.758
30	0.689	0.702
25	0.627	0.643

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)
Santa Barbara	7/25/02	2002-2003	Closed	2,400,000	2,400,000
Santa Monica	7/16/03	2003-2004	Closed	27,000,000	27,000,000
Ontario	2/1/04	2003-2004	Closed	2,613,522	2,613,522
Santa Monica	3/23/04	2003-2004	Closed	4,418,506	4,418,506
Santa Monica	5/5/04	2003-2004	Closed	2,002,180	2,002,180
Modesto	6/3/04	2003-2004	Closed	3,000,018	3,000,018
Modesto	8/2/04	2004-2005	Closed	4,322,054	5,722,054
Santa Monica	4/29/05	2004-2005	Closed	1,333,904	1,333,904
Anaheim	6/14/05	2004-2005	Closed	3,329,184	3,329,184
Santa Monica	8/9/05	2005-2006	Closed	4,619,311	4,619,311
Anaheim	11/7/05	2005-2006	Closed	1,940,625	1,940,625
Palo Alto	9/6/06	2006-2007	Closed	1,600,000	1,600,000
Santa Monica	9/5/07	2007-2008	Closed	1,583,936	1,583,936
Bakersfield	11/24/07	2007-2008	Open	0	1,005,000
Ontario	3/20/08	2007-2008	Closed	1,750,000	1,750,000
Burbank	4/26/08	2007-2008	Open	3,802,418	6,164,692
Mountain View	6/1/08	2007-2008	Open	22,634	1,022,634
Bakersfield	7/10/08	2008-2009	Closed	2,100,000	2,104,604
Anaheim	10/28/08	2008-2009	Closed	1,832,712	1,832,712
Burbank	5/1/09	2008-2009	Open	1,459,232	2,790,000
Santa Cruz	6/6/10	2009-2010	Open	21,850	1,112,610
Modesto	12/30/10	2010-2011	Open	17,563	1,003,500
Santa Cruz	3/25/11	2010-2011	Open	46,332	1,046,332
Anaheim	7/21/12	2012-2013	Open	0	1,400,000

Authority for California Cities Excess Liability  
ACCEL Layer

Outstanding Liability at December 31, 2012

Accident Year	Ultimate Losses (A)	12/31/12 Reported Loss (B)	12/31/12 IBNR (C)	12/31/12 Paid Loss (D)	12/31/12 Case Reserves (E)	12/31/12 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	2,509,000	2,501,191	7,809	2,501,191	0	7,809
1992-1993	10,581,000	10,538,558	42,442	10,538,558	0	42,442
1993-1994	886,000	877,168	8,832	877,168	0	8,832
1994-1995	1,461,000	1,439,192	21,808	1,439,192	0	21,808
1995-1996	931,000	912,141	18,859	912,141	0	18,859
1996-1997	2,381,000	2,334,676	46,324	2,334,676	0	46,324
1997-1998	2,136,000	2,083,463	52,537	2,083,463	0	52,537
2003-2004	3,579,000	3,526,085	52,915	3,526,085	0	52,915
2004-2005	3,687,000	3,627,626	59,374	2,377,626	1,250,000	1,309,374
2005-2006	4,571,000	4,457,753	113,247	4,457,753	0	113,247
2006-2007	755,000	621,098	133,902	621,098	0	133,902
2007-2008	2,702,000	2,388,228	313,772	2,388,228	0	313,772
2008-2009	3,040,000	2,197,259	842,741	2,197,259	0	842,741
2009-2010	1,416,000	0	1,416,000	0	0	1,416,000
2010-2011	2,209,000	0	2,209,000	0	0	2,209,000
2011-2012	3,628,000	0	3,628,000	0	0	3,628,000
2012-2013	2,361,500	0	2,361,500	0	0	2,361,500
Totals	\$49,558,042	\$38,228,980	\$11,329,062	\$36,978,980	\$1,250,000	\$12,579,062
Grand Totals	\$50,058,042	\$38,728,980	\$11,329,062	\$37,478,980	\$1,250,000	\$12,579,062

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, 2013

Accident Year	Ultimate Losses (A)	6/30/2013 Reported Loss (B)	6/30/2013 IBNR (C)	6/30/2013 Paid Loss (D)	6/30/2013 Case Reserves (E)	6/30/2013 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	2,509,000	2,509,000	0	2,509,000	0	0
1992-1993	10,581,000	10,581,000	0	10,538,558	42,442	42,442
1993-1994	886,000	886,000	0	881,584	4,416	4,416
1994-1995	1,461,000	1,461,000	0	1,446,454	14,546	14,546
1995-1996	931,000	931,000	0	916,837	14,163	14,163
1996-1997	2,381,000	2,381,000	0	2,342,366	38,634	38,634
1997-1998	2,136,000	2,136,000	0	2,089,978	46,022	46,022
2003-2004	3,579,000	3,529,577	49,423	3,529,577	0	49,423
2004-2005	3,687,000	3,636,354	50,646	2,568,795	1,067,559	1,118,205
2005-2006	4,571,000	4,476,212	94,788	4,475,646	566	95,354
2006-2007	755,000	637,300	117,700	637,300	0	117,700
2007-2008	2,702,000	2,474,829	227,171	2,449,414	25,416	252,586
2008-2009	3,040,000	2,445,025	594,975	2,376,763	68,262	663,237
2009-2010	1,416,000	278,952	1,137,048	185,496	93,456	1,230,504
2010-2011	2,209,000	373,321	1,835,679	229,736	143,585	1,979,264
2011-2012	3,628,000	653,040	2,974,960	257,588	395,452	3,370,412
2012-2013	4,723,000	406,178	4,316,822	75,568	330,610	4,647,432
Totals	\$51,919,542	\$40,520,331	\$11,399,211	\$38,235,201	\$2,285,130	\$13,684,341
Grand Totals	\$52,419,542	\$41,020,331	\$11,399,211	\$38,735,201	\$2,285,130	\$13,684,341

Notes:

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

Authority for California Cities Excess Liability  
ACCEL Layer

Estimated Ultimate Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Expected Loss Method (C)	Selected Estimate of Ultimate Losses (D)
1986-1987	0	0		0
1987-1988	500,000	500,000		500,000
1988-1989	0	0		0
1989-1990	0	0		0
Totals	\$500,000	\$500,000		\$500,000
1986-1987	0	0		0
1987-1988	724,542	725,267		724,542
1988-1989	0	0		0
1989-1990	0	0		0
1990-1991	0	0		0
1991-1992	2,501,191	2,516,198		2,509,000
1992-1993	10,538,558	10,622,866		10,581,000
1993-1994	877,168	885,940		886,000
1994-1995	1,439,192	1,460,780		1,461,000
1995-1996	912,141	931,296		931,000
1996-1997	2,362,692	2,400,047		2,381,000
1997-1998	2,110,548	2,158,468		2,136,000
2003-2004	3,578,976	3,727,072	3,546,000	3,579,000
2004-2005	3,700,179	2,574,969	3,674,000	3,687,000
2005-2006	4,591,486	5,019,430	4,551,000	4,571,000
2006-2007	645,942	748,423	755,000	755,000
2007-2008	2,607,945	3,310,084	2,702,000	2,702,000
2008-2009	2,759,757	4,262,682	3,040,000	3,040,000
2009-2010	0	0	1,416,000	1,416,000
2010-2011	0	0	2,209,000	2,209,000
2011-2012	0	0	3,628,000	3,628,000
2012-2013	0	0	4,723,000	4,723,000
Totals	\$39,350,317	\$41,343,522	\$30,244,000	\$51,919,542
Grand Totals	\$39,850,317	\$41,843,522		\$52,419,542

Notes:

- (A) From Appendix A, Page 4, Column (C).
- (B) From Appendix A, Page 5, Column (C).
- (C) From Appendix A, Page 6, Column (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 12/31/12 (A)	Reported Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.000	0
Totals	\$500,000		\$500,000
1986-1987	0	1.000	0
1987-1988	724,542	1.000	724,542
1988-1989	0	1.000	0
1989-1990	0	1.000	0
1990-1991	0	1.000	0
1991-1992	2,501,191	1.000	2,501,191
1992-1993	10,538,558	1.000	10,538,558
1993-1994	877,168	1.000	877,168
1994-1995	1,439,192	1.000	1,439,192
1995-1996	912,141	1.000	912,141
1996-1997	2,334,676	1.012	2,362,692
1997-1998	2,083,463	1.013	2,110,548
2003-2004	3,526,085	1.015	3,578,976
2004-2005	3,627,626	1.020	3,700,179
2005-2006	4,457,753	1.030	4,591,486
2006-2007	621,098	1.040	645,942
2007-2008	2,388,228	1.092	2,607,945
2008-2009	2,197,259	1.256	2,759,757
2009-2010	0	1.507	0
2010-2011	0	2.034	0
2011-2012	0	4.882	0
2012-2013	0	25.631	0
Totals	\$38,228,980		\$39,350,317
Grand Totals	\$38,728,980		\$39,850,317

Notes:

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

Authority for California Cities Excess Liability  
ACCEL Layer

Paid Loss Development

Accident Year	Paid Losses as of 12/31/12 (A)	Paid Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.000	0
Totals	\$500,000		\$500,000
1986-1987	0	1.000	0
1987-1988	724,542	1.001	725,267
1988-1989	0	1.002	0
1989-1990	0	1.003	0
1990-1991	0	1.004	0
1991-1992	2,501,191	1.006	2,516,198
1992-1993	10,538,558	1.008	10,622,866
1993-1994	877,168	1.010	885,940
1994-1995	1,439,192	1.015	1,460,780
1995-1996	912,141	1.021	931,296
1996-1997	2,334,676	1.028	2,400,047
1997-1998	2,083,463	1.036	2,158,468
2003-2004	3,526,085	1.057	3,727,072
2004-2005	2,377,626	1.083	2,574,969
2005-2006	4,457,753	1.126	5,019,430
2006-2007	621,098	1.205	748,423
2007-2008	2,388,228	1.386	3,310,084
2008-2009	2,197,259	1.940	4,262,682
2009-2010	0	2.910	0
2010-2011	0	5.820	0
2011-2012	0	29.100	0
2012-2013	0	291.000	0
Totals	\$36,978,980		\$41,343,522
Grand Totals	\$37,478,980		\$41,843,522

Notes:

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

Authority for California Cities Excess Liability  
ACCEL Layer

Expected Loss Methods

Program Year	Program Year 2013-14 \$100K-\$1M Base Rate (A)	Trend Factor Program Year (B)	Program Year \$100K-\$1M Base Rate (C)	Factor to Self-Insured Layer (D)	Program Year Self-Insured Expected Rate (E)	Program Year Payroll (F)	Program Year Preliminary Ultimate Losses (G)	Percent of Ultimate Losses Not Reported (H)	Estimated Program Year IBNR at 12/31/12 (I)	Program Year Reported Losses at 12/31/12 (J)	Program Year Estimated Ultimate Losses (K)
2003-2004	\$0.967	0.676	0.653	0.245	0.160	\$8,308,977	\$1,330,000	1.5%	\$19,655	\$3,526,085	\$3,546,000
2004-2005	0.967	0.703	0.679	0.375	0.255	9,374,402	2,388,000	2.0%	46,824	3,627,626	3,674,000
2005-2006	0.967	0.731	0.707	0.460	0.325	9,850,045	3,202,000	2.9%	93,262	4,457,753	4,551,000
2006-2007	0.967	0.760	0.735	0.460	0.338	10,305,894	3,484,000	3.8%	134,000	621,098	755,000
2007-2008	0.967	0.790	0.764	0.460	0.352	10,609,082	3,730,000	8.4%	314,249	2,388,228	2,702,000
2008-2009	0.967	0.822	0.795	0.460	0.366	11,307,152	4,134,000	20.4%	842,599	2,197,259	3,040,000
2009-2010	0.967	0.855	0.827	0.460	0.380	11,069,646	4,209,000	33.6%	1,416,034	0	1,416,000
2010-2011	0.967	0.889	0.860	0.460	0.395	10,987,347	4,345,000	50.8%	2,208,815	0	2,209,000
2011-2012	0.967	0.925	0.894	0.460	0.411	11,094,868	4,563,000	79.5%	3,628,342	0	3,628,000
2012-2013	0.967	0.962	0.930	0.460	0.428	11,261,300	4,817,000	98.0%	4,723,032	0	4,723,000

Authority for California Cities Excess Liability  
ACCEL Layer

Loss Rate Trend

Accident Year	Exposure	Ultimate Loss	On-Level Losses	Loss Rate	Loss Rate Trend	Trended Loss Rate
1986-1987	1,008,086	0	0	0.000	2.191	0.000
1987-1988	998,109	500,000	500,000	0.501	2.107	1.056
1988-1989	1,146,083	0	0	0.000	2.026	0.000
1989-1990	1,208,157	0	0	0.000	1.948	0.000
Totals	\$4,360,436	\$500,000	\$500,000	0.115		0.264
1986-1987	3,105,940	0	0	0.000	3.247	0.000
1987-1988	3,670,691	724,542	724,542	0.197	3.122	0.615
1988-1989	4,030,134	0	0	0.000	3.002	0.000
1989-1990	4,399,059	0	0	0.000	2.887	0.000
1990-1991	4,875,491	0	0	0.000	2.776	0.000
1991-1992	5,277,443	2,509,000	2,509,000	0.475	2.669	1.268
1992-1993	5,310,299	10,581,000	10,581,000	1.993	2.566	5.114
1993-1994	5,635,666	886,000	886,000	0.157	2.467	0.387
1994-1995	6,004,411	1,461,000	1,461,000	0.243	2.372	0.576
1995-1996	6,102,690	931,000	931,000	0.153	2.281	0.349
1996-1997	6,502,472	2,381,000	2,381,000	0.366	2.193	0.803
1997-1998	6,972,985	2,136,000	2,136,000	0.306	2.109	0.645
2003-2004	9,103,267	3,579,000	3,579,000	0.393	1.482	0.582
2004-2005	9,374,402	3,687,000	3,687,000	0.393	1.425	0.560
2005-2006	9,850,045	4,571,000	4,571,000	0.464	1.370	0.636
2006-2007	10,305,894	755,000	755,000	0.073	1.317	0.096
2007-2008	10,609,082	2,702,000	2,702,000	0.255	1.266	0.323
2008-2009	11,307,152	3,040,000	3,040,000	0.269	1.217	0.327
2009-2010	11,069,646	1,416,000	1,416,000	0.128	1.170	0.150
2010-2011	10,987,347	2,209,000	2,209,000	0.201	1.125	0.226
2011-2012	11,094,868	3,628,000	3,628,000	0.327	1.082	0.354
2012-2013	11,261,300	4,723,000	4,723,000	0.419	1.040	0.436
Totals	\$166,850,284	\$51,919,542	\$51,919,542	0.311		0.611
86/87-97/98	61,887,280	21,609,542	21,609,542	0.349		0.813
				Selected Trend:	1.040	

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 2012-2013 Level (F)
2002-2003	3,935,000	11,500,549	1.480	0.506
2003-2004	9,327,000	11,369,980	1.423	1.167
2004-2005	7,592,000	11,427,396	1.369	0.910
2005-2006	6,859,000	11,711,704	1.316	0.771
2006-2007	6,398,000	11,954,837	1.265	0.677
2007-2008	11,735,000	12,009,481	1.217	1.189
2008-2009	7,693,000	12,483,096	1.170	0.721
2009-2010	8,862,000	11,922,009	1.125	0.836
2010-2011	9,554,000	11,547,702	1.082	0.895
2011-2012	11,092,000	11,372,240	1.040	1.014
Average 2002-03 - 2011-12:				0.869
Average 2003-04 - 2011-12:				0.909
Average 2007-08 - 2011-12:				0.931
Prior 2011-2012 Rate :				0.950
Selected 2012-2013 Rate :				0.930
Trend Factor to 2013-2014 :				1.040
Selected 2013-2014 Rate :				<b>\$0.967</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)
2002-2003	\$3,890,463	\$3,978,795	\$3,891,667	\$3,978,198	\$3,934,998	\$3,935,000
2003-2004	9,138,184	9,515,904	9,142,988	9,506,210	9,327,000	9,327,000
2004-2005	7,591,571	7,074,419	7,594,473	7,116,503	7,592,000	7,592,000
2005-2006	6,857,120	6,861,315	6,856,427	6,862,193	6,858,990	6,859,000
2006-2007	6,339,750	6,457,113	6,338,955	6,445,892	6,398,000	6,398,000
2007-2008	11,860,945	9,271,637	11,608,180	9,160,083	10,103,613	11,735,000
2008-2009	7,476,238	10,624,955	7,910,717	10,132,539	7,740,216	7,693,000
2009-2010	8,908,908	5,356,978	9,116,320	8,097,556	10,164,825	8,862,000
2010-2011	10,340,396	2,146,067	9,964,480	8,323,906	10,754,722	9,554,000
2011-2012	16,090,642	3,637,500	11,116,317	9,627,530	11,067,956	11,092,000
Totals						\$83,047,000

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 12/31/12 (B)	Reported Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Reported Losses of 12/31/12 (E)	Reported Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
2002-2003	\$3,840,536	1.013	\$3,890,463	\$3,840,536	1.013	\$3,890,463
2003-2004	9,003,137	1.015	9,138,184	9,003,137	1.015	9,138,184
2004-2005	7,442,717	1.020	7,591,571	7,442,717	1.020	7,591,571
2005-2006	6,657,398	1.030	6,857,120	6,657,398	1.030	6,857,120
2006-2007	6,095,913	1.040	6,339,750	6,095,913	1.040	6,339,750
2007-2008	10,861,671	1.092	11,860,945	10,861,671	1.092	11,860,945
2008-2009	5,952,419	1.256	7,476,238	5,952,419	1.256	7,476,238
2009-2010	5,911,684	1.507	8,908,908	5,911,684	1.507	8,908,908
2010-2011	5,083,774	2.034	10,340,396	5,083,774	2.034	10,340,396
2011-2012	3,295,912	4.882	16,090,642	3,295,912	4.882	16,090,642
Totals	\$64,145,161		\$88,494,217	\$64,145,161		\$88,494,217

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 12/31/12 (B)	Paid Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Paid Losses of 12/31/12 (E)	Paid Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
2002-2003	\$3,840,536	1.036	\$3,978,795	\$3,840,536	1.036	\$3,978,795
2003-2004	9,002,747	1.057	9,515,904	9,002,747	1.057	9,515,904
2004-2005	6,532,243	1.083	7,074,419	6,532,243	1.083	7,074,419
2005-2006	6,093,530	1.126	6,861,315	6,093,530	1.126	6,861,315
2006-2007	5,358,600	1.205	6,457,113	5,358,600	1.205	6,457,113
2007-2008	6,689,493	1.386	9,271,637	6,689,493	1.386	9,271,637
2008-2009	5,476,781	1.940	10,624,955	5,476,781	1.940	10,624,955
2009-2010	1,840,886	2.910	5,356,978	1,840,886	2.910	5,356,978
2010-2011	368,740	5.820	2,146,067	368,740	5.820	2,146,067
2011-2012	125,000	29.100	3,637,500	125,000	29.100	3,637,500
Totals	\$45,328,556		\$64,924,683	\$45,328,556		\$64,924,683

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 12/31/12 (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)
2002-2003	11,500,549	\$3,840,536	1.013	0.013	\$0.342	\$51,131	\$3,891,667
2003-2004	11,369,980	9,003,137	1.015	0.015	0.820	139,851	9,142,988
2004-2005	11,427,396	7,442,717	1.020	0.020	0.664	151,756	7,594,473
2005-2006	11,711,704	6,657,398	1.030	0.029	0.586	199,029	6,856,427
2006-2007	11,954,837	6,095,913	1.040	0.038	0.535	243,042	6,338,955
2007-2008	12,009,481	10,861,671	1.092	0.084	0.740	746,509	11,608,180
2008-2009	12,483,096	5,952,419	1.256	0.204	0.769	1,958,298	7,910,717
2009-2010	11,922,009	5,911,684	1.507	0.336	0.800	3,204,636	9,116,320
2010-2011	11,547,702	5,083,774	2.034	0.508	0.832	4,880,706	9,964,480
2011-2012	11,372,240	3,295,912	4.882	0.795	0.865	7,820,405	11,116,317
Totals	\$117,298,994	\$64,145,161				\$19,395,363	\$83,540,524

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 12/31/12 (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)
2001-2002	11,294,482		1.028	0.027	\$0.585	\$178,396	
2002-2003	11,500,549	3,840,536	1.036	0.035	0.342	137,662	3,978,198
2003-2004	11,369,980	9,002,747	1.057	0.054	0.820	503,463	9,506,210
2004-2005	11,427,396	6,532,243	1.083	0.077	0.664	584,260	7,116,503
2005-2006	11,711,704	6,093,530	1.126	0.112	0.586	768,663	6,862,193
2006-2007	11,954,837	5,358,600	1.205	0.170	0.535	1,087,292	6,445,892
2007-2008	12,009,481	6,689,493	1.386	0.278	0.740	2,470,590	9,160,083
2008-2009	12,483,096	5,476,781	1.940	0.485	0.769	4,655,758	10,132,539
2009-2010	11,922,009	1,840,886	2.910	0.656	0.800	6,256,670	8,097,556
2010-2011	11,547,702	368,740	5.820	0.828	0.832	7,955,166	8,323,906
2011-2012	11,372,240	125,000	29.100	0.966	0.865	9,502,530	9,627,530
Totals	\$128,593,476	\$45,328,556				\$34,100,450	\$79,250,610

Notes:

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

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

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

Exposure and Development Method

Accident Year	Composite Exposure (A)	Ultimate \$100K - \$1M Losses (B)	Trend Factor (C)	Trended \$100K - \$1M Losses (D)	Trended \$100K - \$1M Loss Rate (E)	Trended \$100K - \$1M Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
2001-2002	11,294,482		1.539			\$0.585	1.000	\$0.585
2002-2003	11,500,549	3,935,000	1.480	5,823,800	0.506	0.342	1.000	0.342
2003-2004	11,369,980	9,327,000	1.423	13,272,321	1.167	0.820	1.000	0.820
2004-2005	11,427,396	7,592,000	1.369	10,393,448	0.910	0.664	1.000	0.664
2005-2006	11,711,704	6,859,000	1.316	9,026,444	0.771	0.586	1.000	0.586
2006-2007	11,954,837	6,398,000	1.265	8,093,470	0.677	0.535	1.000	0.535
2007-2008	12,009,481	11,861,000	1.217	14,434,837	1.202	0.740	1.000	0.740
2008-2009	12,483,096	7,476,000	1.170	8,746,920	0.701	0.769	1.000	0.769
2009-2010	11,922,009	8,909,000	1.125	10,022,625	0.841	0.800	1.000	0.800
2010-2011	11,547,702	10,340,000	1.082	11,187,880	0.969	0.832	1.000	0.832
2011-2012	11,372,240	8,595,000	1.040	8,938,800	0.786	0.865	1.000	0.865
Total/Avg	\$128,593,476	\$81,292,000		\$99,940,545	\$0.852			
06/07-10/11	59,917,125	44,984,000		52,485,732	\$0.876			
07/08-11/12	59,334,528	47,181,000		53,331,062	\$0.899			
				Selected \$100K - \$1M Rate:	\$0.900			
				Prior:	\$0.870			

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 2006-2007 and prior (B) / (A).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

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

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

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Ultimate Claims (B)	Ultimate Program Losses (C)
2002-2003	\$218,611	18	\$3,934,998
2003-2004	388,625	24	9,327,000
2004-2005	303,680	25	7,592,000
2005-2006	228,633	30	6,858,990
2006-2007	255,920	25	6,398,000
2007-2008	259,067	39	10,103,613
2008-2009	266,904	29	7,740,216
2009-2010	274,725	37	10,164,825
2010-2011	283,019	38	10,754,722
2011-2012	291,262	38	11,067,956
Total		303	\$83,942,320

Notes:

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

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

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

Frequency and Severity Method

Accident Year	Ultimate	Ultimate Claims (B)	Ultimate	Trend Factor (D)	Trended		Factor to SIR (G)	Program Severity (H)
	\$100K - \$1M Losses (A)		\$100K - \$1M Severity (C)		\$100K - \$1M Severity (E)	\$100K - \$1M Severity (F)		
2002-2003	\$3,935,000	18	\$218,611	1.340	\$292,939	\$218,611	1.000	\$218,611
2003-2004	9,327,000	24	388,625	1.301	505,601	388,625	1.000	388,625
2004-2005	7,592,000	25	303,680	1.264	383,852	303,680	1.000	303,680
2005-2006	6,859,000	30	228,633	1.227	280,533	228,633	1.000	228,633
2006-2007	6,398,000	25	255,920	1.192	305,057	255,920	1.000	255,920
2007-2008	11,735,000	39	300,897	1.158	348,439	259,067	1.000	259,067
2008-2009	7,693,000	29	265,276	1.124	298,170	266,904	1.000	266,904
2009-2010	8,862,000	37	239,514	1.092	261,549	274,725	1.000	274,725
2010-2011	9,554,000	38	251,421	1.060	266,506	283,019	1.000	283,019
2011-2012	10,744,000	38	282,737	1.030	291,219	291,262	1.000	291,262

Average \$100K - \$1M Severity: \$323,387  
Average 05/06-10/11 \$100K - \$1M Severity: \$293,376  
Average 06/07-11/12 \$100K - \$1M Severity: \$295,157

Selected \$100K - \$1M Severity: \$300,000  
Prior: \$345,000

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)
2002-2003	18	19	18	1,150.055	0.016	1.105	0.018
2003-2004	24	25	24	1,136.998	0.021	1.094	0.023
2004-2005	25	23	25	1,142.740	0.022	1.083	0.024
2005-2006	30	30	30	1,171.170	0.026	1.072	0.028
2006-2007	25	26	25	1,195.484	0.021	1.062	0.022
2007-2008	39	34	39	1,200.948	0.032	1.051	0.034
2008-2009	29	39	29	1,248.310	0.023	1.041	0.024
2009-2010	37	33	37	1,192.201	0.031	1.030	0.032
2010-2011	38	19	38	1,154.770	0.033	1.020	0.034
2011-2012	47	0	38	1,137.224	0.033	1.010	0.033

Total 312 248 303 11,729.899 0.027

(H) Selected 2012-2013 Frequency: 0.033

Program Year:	2012-2013	2013-2014
(I) Trend Factor:	1.000	1.010
(J) Selected Frequency:	0.033	0.033
(K) Composite Exposure:	1,126.130	1,143.023
(L) Ultimate Claims:	37	38

Notes:

- (A) From Appendix B, Page 11, (C).
- (B) From Appendix B, Page 12, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix N, Page 2, (G).
- (E) (C) / (D).
- (F) From Appendix E.
- (G) (E) x (F).
- (H) The selected frequency of .033 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 12/31/2012 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2002-2003	18	1.017	18	0.017
2003-2004	23	1.022	24	0.023
2004-2005	24	1.032	25	0.024
2005-2006	29	1.042	30	0.027
2006-2007	24	1.052	25	0.022
2007-2008	37	1.063	39	0.034
2008-2009	27	1.074	29	0.024
2009-2010	33	1.128	37	0.032
2010-2011	31	1.241	38	0.034
2011-2012	19	2.482	47	0.042
Total	265		312	0.028

Notes:

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

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

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

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2012 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2002-2003	18	1.061	19	0.018
2003-2004	23	1.082	25	0.024
2004-2005	21	1.109	23	0.022
2005-2006	26	1.164	30	0.027
2006-2007	21	1.222	26	0.023
2007-2008	25	1.344	34	0.030
2008-2009	23	1.680	39	0.033
2009-2010	13	2.520	33	0.029
2010-2011	3	6.300	19	0.017
2011-2012	0	31.500	0	
<b>Total</b>	<b>173</b>		<b>248</b>	<b>0.022</b>

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
2002-2003	11,500,549	3,937,000	0.342	0.507
2003-2004	11,369,980	9,332,000	0.821	1.168
2004-2005	11,427,396	7,644,000	0.669	0.915
2005-2006	11,711,704	6,864,000	0.586	0.771
2006-2007	11,954,837	6,401,000	0.535	0.677
2007-2008	12,009,481	11,886,000	0.990	1.204
2008-2009	12,483,096	7,912,000	0.634	0.741
2009-2010	11,922,009	9,571,000	0.803	0.903
2010-2011	11,547,702	10,405,000	0.901	0.975
2011-2012	11,372,240	11,160,000	0.981	1.021

Exponential Trends

Years	R-square	Fitted Trend
09/10-11/12	0.993	1.106
07/08-11/12	0.082	1.034
05/06-11/12	0.518	1.089
03/04-11/12	0.235	1.041
	Prior Trend:	1.040
	Selected Trend:	1.040

Authority for California Cities Excess Liability

Historical Payroll by Member

Member	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)	1998-99 Payroll (00)	1999-00 Payroll (00)	2000-01 Payroll (00)
Anaheim	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	1,221,632	1,347,535	1,393,423
Bakersfield	363,542	385,888	427,532	456,470	479,556	490,078	463,172	544,562	558,232	592,428	626,800	656,309	672,981	679,346
Burbank	403,276	435,541	517,034	546,240	570,952	606,092	612,781	633,112	651,359	628,837	665,202	0	0	0
Gardena	126,061	150,116	155,950	167,690	183,626	0	0	0	0	0	0	0	0	0
Modesto	296,655	340,582	340,582	403,120	486,797	492,189	479,750	496,562	535,022	533,981	596,710	599,204	621,472	656,651
Monterey	0	0	150,186	167,555	177,538	176,550	181,500	206,054	212,611	225,039	235,554	246,524	262,721	284,379
Mountain View	0	0	0	0	0	310,326	292,142	307,338	325,808	341,322	360,295	409,155	408,020	434,816
Ontario	280,023	325,401	368,037	425,392	459,269	440,000	517,000	518,010	524,206	574,396	582,744	589,308	605,886	637,469
Palo Alto	385,839	409,895	441,571	469,616	500,629	526,146	552,171	606,885	575,477	607,900	677,305	722,355	727,013	771,366
Santa Barbara	300,236	342,392	355,513	393,889	438,230	421,442	464,065	494,001	496,728	525,742	562,649	587,051	644,650	658,205
Santa Cruz	0	0	0	0	0	0	0	0	0	164,906	327,837	330,666	368,019	383,500
Santa Monica	530,434	556,978	610,936	682,891	758,378	657,800	770,000	856,975	863,634	912,836	943,294	997,024	1,028,662	1,156,953
Visalia	121,195	137,709	144,025	165,025	189,676	172,119	196,757	202,780	199,965	208,770	210,996	218,084	237,134	256,559
<b>Total</b>	<b>3,670,691</b>	<b>4,030,134</b>	<b>4,399,059</b>	<b>4,875,491</b>	<b>5,277,443</b>	<b>5,310,299</b>	<b>5,635,666</b>	<b>6,004,411</b>	<b>6,102,690</b>	<b>6,502,472</b>	<b>6,972,985</b>	<b>6,577,313</b>	<b>6,924,094</b>	<b>7,312,668</b>

Member	2001-02 Payroll (00)	2002-03 Payroll (00)	2003-04 Payroll (00)	2004-05 Payroll (00)	2005-06 Payroll (00)	2006-07 Payroll (00)	2007-08 Payroll (00)	2008-09 Payroll (00)	2009-10 Payroll (00)	2010-11 Payroll (00)	2011-12 Payroll (00)	Projected 2012-13 Payroll (00)	Projected 2013-14 Payroll (00)
Anaheim	1,497,038	1,571,861	1,686,921	1,702,110	1,874,760	1,933,055	1,936,850	2,133,195	2,081,250	2,049,763	1,963,200	1,992,650	2,022,540
Bakersfield	710,898	746,845	769,039	775,782	828,105	889,657	928,430	916,017	882,235	882,175	913,612	927,320	941,230
Burbank	0	0	0	963,640	961,084	1,080,588	1,021,641	1,190,705	1,104,309	1,109,272	1,095,927	1,112,370	1,129,060
Gardena	0	0	0	0	0	0	0	0	0	0	0	0	0
Modesto	711,909	761,554	745,169	757,072	777,859	808,720	836,950	811,447	796,393	741,932	730,070	741,020	752,140
Monterey	307,684	320,894	313,632	313,439	315,127	303,985	340,838	362,102	375,986	371,980	362,541	367,980	373,500
Mountain View	470,177	517,208	479,749	474,925	505,565	558,760	579,550	628,761	632,482	629,984	618,793	628,070	637,490
Ontario	683,592	692,474	710,686	732,721	783,778	808,309	827,467	855,991	836,504	821,292	837,165	849,720	862,470
Palo Alto	875,829	907,965	976,695	964,635	910,388	920,271	964,648	980,859	1,000,933	992,673	1,041,460	1,057,080	1,072,940
Santa Barbara	688,383	715,412	731,380	739,835	827,558	767,235	826,778	882,947	844,604	828,178	824,422	836,790	849,340
Santa Cruz	421,614	414,665	404,596	405,476	415,167	494,206	483,045	537,520	506,288	506,381	511,940	519,620	527,410
Santa Monica	1,234,923	1,274,089	1,221,506	1,263,241	1,350,510	1,445,204	1,539,768	1,662,386	1,668,433	1,714,221	1,851,043	1,878,810	1,906,990
Visalia	257,861	290,675	269,603	281,525	300,145	295,903	323,116	345,222	340,230	339,496	344,696	349,870	355,120
<b>Total</b>	<b>7,859,909</b>	<b>8,213,644</b>	<b>8,308,977</b>	<b>9,374,402</b>	<b>9,850,045</b>	<b>10,305,894</b>	<b>10,609,082</b>	<b>11,307,152</b>	<b>11,069,646</b>	<b>10,987,347</b>	<b>11,094,868</b>	<b>11,261,300</b>	<b>11,430,230</b>

Note: Data provided by ACCEL.

## Authority for California Cities Excess Liability

## ULAE as of June 30, 2013

(A) Selected ULAE Factor	3.5%
(B) Provision for Unpaid ULAE :	
IBNR at 6/30/13	\$11,399,000
Half of Case Reserves at 6/30/13	1,143,000
Computation Base	\$12,542,000
Provision for Unpaid ULAE at 6/30/13	\$439,000