



Bickmore Risk Services

Monday, February 11, 2012

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 \$13,236,000 as of June 30, 2012. 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 \$12,025,000 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 \$18,013,000.

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

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The tables below shows our estimates of the program's claims liabilities as of December 31, 2011 and June 30, 2012, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2011  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$12,230,000	\$11,248,000
70%	14,566,000	13,396,000
75%	15,605,000	14,352,000
80%	16,816,000	15,466,000
85%	18,321,000	16,850,000
90%	20,314,000	18,683,000
95%	23,604,000	21,709,000

**Outstanding Liability as of June 30, 2012  
at Various Confidence Level  
\$500K and \$1,000K pools combined**

Confidence Level	Undiscounted	Discounted
Expected	\$13,236,000	\$12,025,000
70%	15,764,000	14,322,000
75%	16,889,000	15,344,000
80%	18,200,000	16,534,000
85%	19,828,000	18,013,000
90%	21,985,000	19,974,000
95%	25,545,000	23,208,000

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 \$431,000 as of June 30, 2012. This estimate is 3.5% of IBNR and half of case reserves as of June 30, 2012.

We present funding recommendations for claims incurred during program year 2012-13 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 2012-2013**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$0.210	\$0.270	\$0.291	\$0.318	\$0.353
\$1M-3M	0.334	0.429	0.463	0.506	0.562
\$1M-4M	0.394	0.506	0.546	0.597	0.663
\$1M-5M	0.412	0.529	0.571	0.624	0.693
\$5M-10M	0.156	0.200	0.216	0.236	0.262
\$1M-10M	0.549	0.705	0.761	0.831	0.923

The following table details the calculation of our funding guidelines in dollars at various confidence levels for the program’s 2012-13 claims by different layers:

**Funding Amount Guidelines for Discounted Claims Incurred in 2012-2013**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$2,377,000	\$3,056,000	\$3,294,000	\$3,600,000	\$3,996,000
\$1M-3M	3,781,000	4,856,000	5,241,000	5,728,000	6,362,000
\$1M-4M	4,460,000	5,728,000	6,180,000	6,758,000	7,505,000
\$1M-5M	4,664,000	5,988,000	6,463,000	7,063,000	7,844,000
\$5M-10M	1,766,000	2,264,000	2,445,000	2,671,000	2,966,000
\$1M-10M	6,214,000	7,980,000	8,614,000	9,406,000	10,448,000

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

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

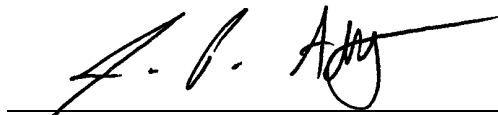
All actuarial estimates of general liability claims costs are subject to uncertainty because of the complexity of the process that determines the costs. This is especially true of excess general liability claims costs. For this reason, sound management practices suggest that actual funding should be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

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

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

Sincerely,

Bickmore Risk Services

A handwritten signature in black ink, appearing to read "J. Alltop", written over a horizontal line.

John Alltop  
Managing Director, Risk Financing Practice, BRS  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries

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## **I. BACKGROUND AND PURPOSE OF STUDY**

The Authority for California Cities Excess Liability (ACCEL, the Authority) began operations on April 1, 1986. Its purpose is to provide excess general liability coverage and to purchase commercial excess insurance on a group basis for California cities. The program currently includes eleven members.

The Authority provides coverage above each member's self-insured retention (SIR), subject to aggregate limit. 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 2011-12 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 2012-13 fiscal year.

## II. CONCLUSIONS AND RECOMMENDATIONS

### A. LIABILITY FOR OUTSTANDING CLAIMS AS OF DECEMBER 31, 2011 and June 30, 2012

At the undiscounted expected level, we estimate the program's liability for outstanding loss and allocated loss adjustment expenses (ALAE) to be approximately \$13,236,000 as of June 30, 2012. 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 \$12,025,000 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 \$18,013,000.

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, 2010 and June 30, 2011:

#### **Outstanding Liability at the Expected Level as of December 31, 2011 - \$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, 2011 - \$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	809	809
1992-1993	10,442	10,452
1993-1994	2,832	2,792
1994-1995	5,808	5,619
1995-1996	5,859	5,607
1996-1997	8,910	8,375
1997-1998	12,537	11,647
2003-2004	94,915	87,559
2004-2005	88,374	81,834
2005-2006	179,247	166,789
2006-2007	325,902	304,392
2007-2008	1,556,066	1,452,588
2008-2009	1,764,000	1,638,756
2009-2010	2,239,000	2,073,314
2010-2011	3,597,000	3,300,248
2011-2012	2,338,000	2,097,186
All Years	\$12,229,701	\$11,247,967

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	809	809
1992-1993	5,221	5,231
1993-1994	1,889	1,832
1994-1995	4,362	4,209
1995-1996	4,886	4,637
1996-1997	7,805	7,267
1997-1998	10,280	9,530
2003-2004	84,569	78,142
2004-2005	76,797	71,268
2005-2006	160,964	150,179
2006-2007	261,373	244,384
2007-2008	1,286,867	1,199,360
2008-2009	1,513,512	1,401,512
2009-2010	1,945,691	1,801,710
2010-2011	3,302,046	3,001,560
2011-2012	4,568,452	4,043,080
All Years	\$13,235,524	\$12,024,710

The tables below shows our estimates of the program's claims liabilities as of December 31, 2011 and June 30, 2012, on both undiscounted and discounted bases for various confidence levels:

**Outstanding Liability as of December 31, 2011  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$12,230,000	\$11,248,000
70%	14,566,000	13,396,000
75%	15,605,000	14,352,000
80%	16,816,000	15,466,000
85%	18,321,000	16,850,000
90%	20,314,000	18,683,000
95%	23,604,000	21,709,000

**Outstanding Liability as of June 30, 2012  
at Various Confidence Level  
\$500K and \$1,000K Pools Combined**

Confidence Level	Undiscounted	Discounted
Expected	\$13,236,000	\$12,025,000
70%	15,764,000	14,322,000
75%	16,889,000	15,344,000
80%	18,200,000	16,534,000
85%	19,828,000	18,013,000
90%	21,985,000	19,974,000
95%	25,545,000	23,208,000

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 \$431,000 as of June 30, 2012. This estimate is 3.5% of IBNR and half of outstanding reserves as of June 30, 2012.

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	2,504,000	2,502,000	(2,000)
1992-1993	10,554,000	10,549,000	(5,000)
1993-1994	881,000	880,000	(1,000)
1994-1995	1,448,000	1,445,000	(3,000)
1995-1996	919,000	918,000	(1,000)
1996-1997	2,252,000	2,249,000	(3,000)
1997-1998	2,100,000	2,096,000	(4,000)
2003-2004	3,657,000	3,621,000	(36,000)
2004-2005	3,774,000	2,466,000	(1,308,000)
2005-2006	4,843,000	4,637,000	(206,000)
2006-2007	1,306,000	947,000	(359,000)
2007-2008	3,003,000	4,251,000	1,248,000
2008-2009	2,938,000	1,764,000	(1,174,000)
2009-2010	3,847,000	2,239,000	(1,608,000)
2010-2011	4,961,000	3,597,000	(1,364,000)
2011-2012	5,337,000	4,676,000	(661,000)
All Years	\$55,548,542	\$50,061,542	(\$5,487,000)

As shown, overall we have decreased our estimates of the program's ultimate losses by \$5,487,000 from those displayed in our prior actuarial report dated February 2011. The decrease is mainly due to favorable loss development in all program years except for the 2007-08 program year. In addition, our estimate of claims liabilities at the discounted expected level has decreased from \$13,372,000 as of June 30, 2011 to \$12,025,000 as of June 30, 2012.

## **B. FUNDING RATES FOR 2012-13 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 2012-2013**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$0.210	\$0.270	\$0.291	\$0.318	\$0.353
\$1M-3M	0.334	0.429	0.463	0.506	0.562
\$1M-4M	0.394	0.506	0.546	0.597	0.663
\$1M-5M	0.412	0.529	0.571	0.624	0.693
\$5M-10M	0.156	0.200	0.216	0.236	0.262
\$1M-10M	0.549	0.705	0.761	0.831	0.923

### **Funding Amount Guidelines for Discounted Claims Incurred in 2012-2013**

Layer	Expected	75%	80%	85%	90%
\$1M-2M	\$2,377,000	\$3,056,000	\$3,294,000	\$3,600,000	\$3,996,000
\$1M-3M	3,781,000	4,856,000	5,241,000	5,728,000	6,362,000
\$1M-4M	4,460,000	5,728,000	6,180,000	6,758,000	7,505,000
\$1M-5M	4,664,000	5,988,000	6,463,000	7,063,000	7,844,000
\$5M-10M	1,766,000	2,264,000	2,445,000	2,671,000	2,966,000
\$1M-10M	6,214,000	7,980,000	8,614,000	9,406,000	10,448,000

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 2012-13	Last Review 2011-12	Percent Change
\$1M-2M	\$0.227	\$0.239	-5.0%
\$1M-3M	\$0.361	\$0.380	-5.0%
\$1M-5M	\$0.445	\$0.468	-4.9%
\$5M-10M	\$0.168	\$0.177	-5.1%
\$1M-10M	\$0.593	\$0.624	-5.0%

As you can see, our projected funding rates for the 2012-13 program year have decreased about 5.0% from those projected for 2011-12 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 2012-13 FUNDING**

The following table displays the allocation of the program's 2012-13 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 2012-13 payroll. The funding allocation below does not include any experience or exposure modification factors.

#### **Recommended Funding for Claims Incurred in 2012-2013 Discounted – 85% Confidence Level**

Member	\$1M to \$2M	\$1M to \$3M	\$1M to \$4M	\$1M to \$5M	\$5M to \$10M	\$1M to \$10M
Anaheim	\$673,000	\$1,069,000	\$1,262,000	\$1,318,000	\$499,000	\$1,754,000
Bakersfield	289,000	460,000	543,000	567,000	214,000	755,000
Burbank	363,000	578,000	682,000	713,000	270,000	950,000
Modesto	243,000	387,000	456,000	477,000	180,000	635,000
Monterey	122,000	194,000	229,000	239,000	90,000	318,000
Mountain View	206,000	328,000	387,000	405,000	153,000	539,000
Ontario	269,000	428,000	505,000	528,000	200,000	703,000
Palo Alto	325,000	517,000	611,000	638,000	241,000	850,000
Santa Barbara	271,000	432,000	509,000	532,000	201,000	709,000
Santa Cruz	166,000	264,000	311,000	326,000	123,000	434,000
Santa Monica	562,000	894,000	1,054,000	1,102,000	417,000	1,468,000
Visalia	111,000	177,000	209,000	218,000	83,000	291,000
Total	\$3,600,000	\$5,728,000	\$6,758,000	\$7,063,000	\$2,671,000	\$9,406,000

#### **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, 2011 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, 2011.
- We were provided with payrolls by City for the 1986-87 through 2009-10 program years. The estimated payroll for 2011-12 and 2012-13 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 2011-12 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 2012-13 Funding Guidelines - Discounted 85% Confidence Level

Member	Estimated 2012-13 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	\$2,111,720	\$671,527	\$1,068,530	\$1,260,697	\$1,317,713	\$498,366	\$1,754,839
Bakersfield	908,840	289,011	459,873	542,577	567,116	214,486	755,246
Burbank	1,142,800	363,410	578,257	682,252	713,107	269,701	949,667
Modesto	764,360	243,066	386,766	456,323	476,961	180,389	635,183
Monterey	383,220	121,864	193,909	228,782	239,129	90,440	318,456
Mountain View	649,020	206,388	328,404	387,465	404,988	153,169	539,336
Ontario	846,110	269,063	428,132	505,128	527,973	199,682	703,117
Palo Alto	1,022,670	325,209	517,471	610,534	638,146	241,350	849,839
Santa Barbara	853,210	271,321	431,724	509,366	532,403	201,358	709,018
Santa Cruz	521,690	165,897	263,975	311,449	325,535	123,119	433,524
Santa Monica	1,766,030	561,598	893,611	1,054,320	1,102,003	416,783	1,467,571
Visalia	349,760	111,224	176,979	208,807	218,250	82,543	290,651
Totals	\$11,319,430	\$3,599,578	\$5,727,631	\$6,757,700	\$7,063,324	\$2,671,386	\$9,406,447

(A) Provided by ACCEL.

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

Authority for California Cities Excess Liability

Projected 2012-13 Funding Guidelines

Layer	Estimated 2012-13 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	\$11,319,430	\$2,569,511	92.6%	\$2,377,080	\$2,841,177	\$3,056,246	\$3,293,954	\$3,599,579	\$3,995,759	\$4,652,286
\$1M-3M	11,319,430	4,086,314	92.6%	3,780,690	4,527,772	4,856,035	5,240,896	5,727,632	6,361,520	7,402,907
\$1M-4M	11,319,430	4,810,758	92.6%	4,459,855	5,342,771	5,727,632	6,180,409	6,757,700	7,504,782	8,738,600
\$1M-5M	11,319,430	5,037,146	92.6%	4,663,605	5,580,479	5,987,978	6,463,395	7,063,324	7,844,365	9,134,780
\$5M-10M	11,319,430	1,901,664	92.6%	1,765,831	2,116,733	2,263,886	2,444,997	2,671,385	2,965,691	3,463,746
\$1M-10M	11,319,430	6,712,422	92.6%	6,214,367	7,436,866	7,980,198	8,614,086	9,406,446	10,447,834	12,168,387

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 2012-13 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	\$0.227	92.6%	\$0.210	\$0.251	\$0.270	\$0.291	\$0.318	\$0.353	\$0.411
\$1M-3M	0.361	92.6%	0.334	0.400	0.429	0.463	0.506	0.562	0.654
\$1M-4M	0.425	92.6%	0.394	0.472	0.506	0.546	0.597	0.663	0.772
\$1M-5M	0.445	92.6%	0.412	0.493	0.529	0.571	0.624	0.693	0.807
\$5M-10M	0.168	92.6%	0.156	0.187	0.200	0.216	0.236	0.262	0.306
\$1M-10M	0.593	92.6%	0.549	0.657	0.705	0.761	0.831	0.923	1.075

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:	\$0.988
(C) Selected Base Loss Rate (\$100K - \$1M Layer):	\$0.988

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

Funding Guidelines for Outstanding Losses  
as of December 31, 2011 and June 30, 2012

	<u>December 31, 2011</u>	<u>June 30, 2012</u>
(A) Estimated Ultimate Losses Incurred as of:	\$47,723,542	\$50,061,542
(B) Estimated Paid Losses as of:	35,493,841	36,826,018
(C) Estimated Liability for Claims Outstanding as of:	\$12,229,701	\$13,235,524
(D) Outstanding Liability Discount Factor:	92.0%	90.9%
(E) Discounted Outstanding Liability for Claims as of:	\$11,248,000	\$12,025,000
(F) Risk Margin at 90% Confidence Level:	7,435,000	7,949,000
(G) Required Funding at the 90% confidence Level:	\$18,683,000	\$19,974,000

## 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	Discount Factors				
		Paid Loss Development Factor	Payment Pattern	Full Value Reserve	3.0% Discounted Reserve	Discounted Factor
1987-1988	25.0	1.000	0.0%	0.0%	0.0%	100.0%
1988-1989	24.0	1.000	0.0%	0.0%	0.0%	100.0%
1989-1990	23.0	1.000	0.1%	0.1%	0.1%	100.0%
1990-1991	22.0	1.001	0.0%	0.1%	0.1%	100.0%
1991-1992	21.0	1.001	0.0%	0.1%	0.1%	100.0%
1992-1993	20.0	1.001	0.1%	0.2%	0.2%	100.2%
1993-1994	19.0	1.002	0.1%	0.3%	0.3%	97.0%
1994-1995	18.0	1.003	0.2%	0.5%	0.5%	96.5%
1995-1996	17.0	1.005	0.2%	0.7%	0.7%	94.9%
1996-1997	16.0	1.007	0.2%	0.9%	0.8%	93.1%
1997-1998	15.0	1.009	0.4%	1.3%	1.2%	92.7%
1998-1999	14.0	1.013	0.4%	1.7%	1.5%	92.1%
1999-2000	13.0	1.017	0.4%	2.1%	1.9%	90.9%
2000-2001	12.0	1.021	0.6%	2.6%	2.4%	90.5%
2001-2002	11.0	1.027	1.2%	3.8%	3.5%	91.3%
2002-2003	10.0	1.040	2.2%	6.0%	5.5%	92.1%
2003-2004	9.0	1.064	2.9%	8.9%	8.3%	92.4%
2004-2005	8.0	1.098	4.7%	13.6%	12.7%	92.8%
2005-2006	7.0	1.158	8.4%	22.0%	20.5%	93.3%
2006-2007	6.0	1.282	12.7%	34.7%	32.4%	93.5%
2007-2008	5.0	1.531	15.6%	50.2%	46.8%	93.2%
2008-2009	4.0	2.010	18.7%	68.9%	63.8%	92.6%
2009-2010	3.0	3.216	31.1%	100.0%	92.6%	92.6%
2010-2011	2.0	7.718	13.0%	113.0%	102.7%	90.9%
2011-2012	1.0	35.084	2.9%	115.8%	102.5%	88.5%

Discount Factor for Future Funding: 0.898

Accident Year	Accident Year Paid Loss Development Factor	Full Value Reserve	3.0% Discounted Reserve	12/31/2011 Outstanding Loss	12/31/2011 Discounted Outstanding Loss	6/30/2012 Outstanding Loss	6/30/2012 Discounted Outstanding Loss	6/30/2012 Discounted Outstanding Loss	
									Factor
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	1.000	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
1990-1991	1.001	0.10%	0.10%	0	100.0%	0	0	100.0%	0
1991-1992	1.001	0.10%	0.10%	809	100.0%	809	809	100.0%	809
1992-1993	1.001	0.10%	0.09%	10,442	100.1%	10,452	5,221	100.2%	5,231
1993-1994	1.002	0.20%	0.19%	2,832	98.6%	2,792	1,889	97.0%	1,832
1994-1995	1.003	0.30%	0.28%	5,808	96.8%	5,619	4,362	96.5%	4,209
1995-1996	1.005	0.50%	0.47%	5,859	95.7%	5,607	4,886	94.9%	4,637
1996-1997	1.007	0.70%	0.65%	8,910	94.0%	8,375	7,805	93.1%	7,267
1997-1998	1.009	0.89%	0.82%	12,537	92.9%	11,647	10,280	92.7%	9,530
2003-2004	1.064	6.02%	5.85%	94,915	92.3%	87,559	84,569	92.4%	78,142
2004-2005	1.098	8.93%	8.54%	88,374	92.6%	81,834	76,797	92.8%	71,268
2005-2006	1.158	13.64%	12.94%	179,247	93.1%	166,789	160,964	93.3%	150,179
2006-2007	1.282	22.00%	20.80%	325,902	93.4%	304,392	261,373	93.5%	244,384
2007-2008	1.531	34.68%	32.69%	1,556,066	93.4%	1,452,588	1,286,867	93.2%	1,199,360
2008-2009	2.010	50.25%	47.07%	1,764,000	92.9%	1,638,756	1,513,512	92.6%	1,401,512
2009-2010	3.216	68.91%	64.08%	2,239,000	92.6%	2,073,314	1,945,691	92.6%	1,801,710
2010-2011	7.718	87.04%	80.09%	3,597,000	91.8%	3,300,248	3,302,046	90.9%	3,001,560
2011-2012	35.084	97.15%	87.71%	2,338,000	89.7%	2,097,186	4,568,452	88.5%	4,043,080
Total				12,229,701		11,247,967	13,235,524		12,024,710
Discount Factor for Outstanding:				92.0%			90.9%		

Authority for California Cities Excess Liability  
ACCEL Pooled Layer

## Confidence Level Factors

Probability	Projected Funding Factor	Outstanding Liability Factor
95	1.959	1.930
90	1.682	1.661
85	1.514	1.498
80	1.387	1.375
75	1.284	1.276
70	1.197	1.191
65	1.120	1.116
60	1.049	1.048
55	0.984	0.985
50	0.922	0.925
45	0.864	0.868
40	0.805	0.812
35	0.748	0.756
30	0.690	0.700
25	0.629	0.640

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 Monica	1/26/01	2000-2001	Closed	1,077,185	1,077,185
Modesto	9/24/01	2001-2002	Closed	3,300,000	3,300,000
Bakersfield	4/12/02	2001-2002	Closed	4,000,000	4,000,000
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	2,163,522	2,163,522
Bakersfield	3/20/04	2003-2004	Closed	1,812,469	1,000,000
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	3,700,000	3,700,000
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	4,283	1,005,000
Ontario	3/20/08	2007-2008	Closed	1,750,000	1,750,000
Burbank	4/26/08	2007-2008	Open	2,630,691	4,664,692
Mountain View	6/1/08	2007-2008	Open	1,045,269	2,045,269
Bakersfield	7/10/08	2008-2009	Open	4,282	1,005,000
Anaheim	10/28/08	2008-2009	Closed	1,832,712	1,832,712
Burbank	5/1/09	2008-2009	Open	809,253	1,515,000
Anaheim	12/11/09	2009-2010	Open	0	1,000,000
Santa Cruz	6/6/10	2009-2010	Open	2,440	1,100,798
Modesto	12/30/10	2010-2011	Open	9,049	1,001,000
Santa Cruz	3/25/11	2010-2011	Open	26,517	1,026,517

Authority for California Cities Excess Liability  
ACCEL Layer

Outstanding Liability at December 31, 2011

Accident Year	Ultimate Losses (A)	12/31/11 Reported Loss (B)	12/31/11 IBNR (C)	12/31/11 Paid Loss (D)	12/31/11 Case Reserves (E)	12/31/11 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	2,502,000	2,501,191	809	2,501,191	0	809
1992-1993	10,549,000	10,538,558	10,442	10,538,558	0	10,442
1993-1994	880,000	877,168	2,832	877,168	0	2,832
1994-1995	1,445,000	1,439,192	5,808	1,439,192	0	5,808
1995-1996	918,000	912,141	5,859	912,141	0	5,859
1996-1997	2,249,000	2,240,090	8,910	2,240,090	0	8,910
1997-1998	2,096,000	2,083,463	12,537	2,083,463	0	12,537
2003-2004	3,621,000	3,526,085	94,915	3,526,085	0	94,915
2004-2005	2,466,000	2,377,626	88,374	2,377,626	0	88,374
2005-2006	4,637,000	4,457,753	179,247	4,457,753	0	179,247
2006-2007	947,000	621,098	325,902	621,098	0	325,902
2007-2008	4,251,000	3,441,344	809,656	2,694,934	746,410	1,556,066
2008-2009	1,764,000	300,000	1,464,000	0	300,000	1,764,000
2009-2010	2,239,000	0	2,239,000	0	0	2,239,000
2010-2011	3,597,000	0	3,597,000	0	0	3,597,000
2011-2012	2,338,000	0	2,338,000	0	0	2,338,000
Totals	\$47,223,542	\$36,040,251	\$11,183,291	\$34,993,841	\$1,046,410	\$12,229,701
Grand Totals	\$47,723,542	\$36,540,251	\$11,183,291	\$35,493,841	\$1,046,410	\$12,229,701

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, 2012

Accident Year	Ultimate Losses (A)	6/30/2012 Reported Loss (B)	6/30/2012 IBNR (C)	6/30/2012 Paid Loss (D)	6/30/2012 Case Reserves (E)	6/30/2012 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	2,502,000	2,502,000	0	2,501,191	809	809
1992-1993	10,549,000	10,549,000	0	10,543,779	5,221	5,221
1993-1994	880,000	880,000	0	878,111	1,889	1,889
1994-1995	1,445,000	1,445,000	0	1,440,638	4,362	4,362
1995-1996	918,000	918,000	0	913,114	4,886	4,886
1996-1997	2,249,000	2,249,000	0	2,241,195	7,805	7,805
1997-1998	2,096,000	2,096,000	0	2,085,720	10,280	10,280
2003-2004	3,621,000	3,536,431	84,569	3,536,431	0	84,569
2004-2005	2,466,000	2,389,203	76,797	2,389,203	0	76,797
2005-2006	4,637,000	4,476,036	160,964	4,476,036	0	160,964
2006-2007	947,000	703,877	243,123	685,627	18,251	261,373
2007-2008	4,251,000	3,670,477	580,523	2,964,133	706,343	1,286,867
2008-2009	1,764,000	584,016	1,179,984	250,488	333,528	1,513,512
2009-2010	2,239,000	373,913	1,865,087	293,309	80,604	1,945,691
2010-2011	3,597,000	643,863	2,953,137	294,954	348,909	3,302,046
2011-2012	4,676,000	402,136	4,273,864	107,548	294,588	4,568,452
Totals	\$49,561,542	\$38,143,494	\$11,418,048	\$36,326,018	\$1,817,475	\$13,235,524
Grand Totals	\$50,061,542	\$38,643,494	\$11,418,048	\$36,826,018	\$1,817,475	\$13,235,524

Notes:

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

Authority for California Cities Excess Liability  
ACCEL Layer

Estimated Ultimate Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Expected Loss Method (C)	Selected Estimate of Ultimate Losses (D)
1986-1987	0	0		0
1987-1988	500,000	500,000		500,000
1988-1989	0	0		0
1989-1990	0	0		0
Totals	\$500,000	\$500,000		\$500,000
1986-1987	0	0		0
1987-1988	724,542	724,542		724,542
1988-1989	0	0		0
1989-1990	0	0		0
1990-1991	0	0		0
1991-1992	2,501,191	2,503,692		2,502,000
1992-1993	10,538,558	10,559,635		10,549,000
1993-1994	877,168	879,800		880,000
1994-1995	1,439,192	1,444,949		1,445,000
1995-1996	912,141	917,614		918,000
1996-1997	2,240,090	2,258,011		2,249,000
1997-1998	2,083,463	2,106,381		2,096,000
2003-2004	3,621,289	3,797,594	3,561,000	3,621,000
2004-2005	2,465,598	2,662,941	2,466,000	2,466,000
2005-2006	4,667,267	5,340,388	4,607,000	4,637,000
2006-2007	682,587	855,873	947,000	947,000
2007-2008	4,349,859	4,643,371	4,251,000	4,251,000
2008-2009	455,100	0	1,764,000	1,764,000
2009-2010	0	0	2,239,000	2,239,000
2010-2011	0	0	3,597,000	3,597,000
2011-2012	0	0	4,676,000	4,676,000
Totals	\$37,558,045	\$38,694,791	\$28,108,000	\$49,561,542
Grand Totals	\$38,058,045	\$39,194,791		\$50,061,542

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 12/31/11 (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	2,240,090	1.000	2,240,090
1997-1998	2,083,463	1.000	2,083,463
2003-2004	3,526,085	1.027	3,621,289
2004-2005	2,377,626	1.037	2,465,598
2005-2006	4,457,753	1.047	4,667,267
2006-2007	621,098	1.099	682,587
2007-2008	3,441,344	1.264	4,349,859
2008-2009	300,000	1.517	455,100
2009-2010	0	2.048	0
2010-2011	0	4.915	0
2011-2012	0	25.804	0
Totals	\$36,040,251		\$37,558,045
Grand Totals	\$36,540,251		\$38,058,045

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 12/31/11 (A)	Paid Loss Development Factor (B)	Estimated Ultimate Losses (C)
1986-1987	0	1.000	0
1987-1988	500,000	1.000	500,000
1988-1989	0	1.000	0
1989-1990	0	1.000	0
Totals	\$500,000		\$500,000
1986-1987	0	1.000	0
1987-1988	724,542	1.000	724,542
1988-1989	0	1.000	0
1989-1990	0	1.000	0
1990-1991	0	1.001	0
1991-1992	2,501,191	1.001	2,503,692
1992-1993	10,538,558	1.002	10,559,635
1993-1994	877,168	1.003	879,800
1994-1995	1,439,192	1.004	1,444,949
1995-1996	912,141	1.006	917,614
1996-1997	2,240,090	1.008	2,258,011
1997-1998	2,083,463	1.011	2,106,381
2003-2004	3,526,085	1.077	3,797,594
2004-2005	2,377,626	1.120	2,662,941
2005-2006	4,457,753	1.198	5,340,388
2006-2007	621,098	1.378	855,873
2007-2008	2,694,934	1.723	4,643,371
2008-2009	0	2.412	0
2009-2010	0	4.824	0
2010-2011	0	19.296	0
2011-2012	0	192.960	0
Totals	\$34,993,841		\$38,694,791
Grand Totals	\$35,493,841		\$39,194,791

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 2012-13 \$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 12/31/11 (I)	Program Year Reported Losses at 12/31/11 (J)	Program Year Estimated Ultimate Losses (K)
2003-2004	\$0.988	0.703	0.694	0.230	0.160	\$8,308,977	\$1,327,000	2.6%	\$34,887	\$3,526,085	\$3,561,000
2004-2005	0.988	0.731	0.722	0.365	0.264	9,374,402	2,470,000	3.6%	88,129	2,377,626	2,466,000
2005-2006	0.988	0.760	0.751	0.450	0.338	9,850,045	3,328,000	4.5%	149,394	4,457,753	4,607,000
2006-2007	0.988	0.790	0.781	0.450	0.351	10,305,894	3,621,000	9.0%	326,187	621,098	947,000
2007-2008	0.988	0.822	0.812	0.450	0.365	10,609,082	3,877,000	20.9%	809,753	3,441,344	4,251,000
2008-2009	0.988	0.855	0.845	0.450	0.380	11,307,152	4,297,000	34.1%	1,464,436	300,000	1,764,000
2009-2010	0.988	0.889	0.878	0.450	0.395	11,069,646	4,375,000	51.2%	2,238,770	0	2,239,000
2010-2011	0.988	0.925	0.913	0.450	0.411	10,987,347	4,516,000	79.7%	3,597,180	0	3,597,000
2011-2012	0.988	0.962	0.950	0.450	0.428	11,152,150	4,768,000	98.1%	4,675,611	0	4,676,000

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	2.107	0.000
1987-1988	998,109	500,000	500,000	0.501	2.026	1.015
1988-1989	1,146,083	0	0	0.000	1.948	0.000
1989-1990	1,208,157	0	0	0.000	1.873	0.000
Totals	\$4,360,436	\$500,000	\$500,000	0.115		0.254
1986-1987	3,105,940	0	0	0.000	3.002	0.000
1987-1988	3,670,691	724,542	724,542	0.197	2.887	0.569
1988-1989	4,030,134	0	0	0.000	2.776	0.000
1989-1990	4,399,059	0	0	0.000	2.669	0.000
1990-1991	4,875,491	0	0	0.000	2.566	0.000
1991-1992	5,277,443	2,502,000	2,502,000	0.474	2.467	1.169
1992-1993	5,310,299	10,549,000	10,549,000	1.987	2.372	4.713
1993-1994	5,635,666	880,000	880,000	0.156	2.281	0.356
1994-1995	6,004,411	1,445,000	1,445,000	0.241	2.193	0.529
1995-1996	6,102,690	918,000	918,000	0.150	2.109	0.316
1996-1997	6,502,472	2,249,000	2,249,000	0.346	2.028	0.702
1997-1998	6,972,985	2,096,000	2,096,000	0.301	1.950	0.587
2003-2004	9,103,267	3,621,000	3,621,000	0.398	1.425	0.567
2004-2005	9,374,402	2,466,000	2,466,000	0.263	1.370	0.360
2005-2006	9,850,045	4,637,000	4,637,000	0.471	1.317	0.620
2006-2007	10,305,894	947,000	947,000	0.092	1.266	0.116
2007-2008	10,609,082	4,251,000	4,251,000	0.401	1.217	0.488
2008-2009	11,307,152	1,764,000	1,764,000	0.156	1.170	0.183
2009-2010	11,069,646	2,239,000	2,239,000	0.202	1.125	0.227
2010-2011	10,987,347	3,597,000	3,597,000	0.327	1.082	0.354
2011-2012	11,152,150	4,676,000	4,676,000	0.419	1.040	0.436
Totals	\$155,646,265	\$49,561,542	\$49,561,542	0.318		0.585
86/87-97/98	61,887,280	21,363,542	21,363,542	0.345		0.745
				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 2011-2012 Level (F)
2000-2001	2,298,135	10,547,900	1.539	0.335
2001-2002	3,795,000	11,019,007	1.480	0.510
2002-2003	4,251,534	11,222,020	1.423	0.539
2003-2004	10,563,000	11,096,882	1.369	1.303
2004-2005	8,113,000	11,146,164	1.316	0.958
2005-2006	6,939,000	11,426,052	1.265	0.768
2006-2007	6,710,000	11,666,272	1.217	0.700
2007-2008	12,876,000	11,712,427	1.170	1.286
2008-2009	8,812,000	12,177,803	1.125	0.814
2009-2010	8,828,000	11,634,198	1.082	0.821
2010-2011	11,374,000	11,262,031	1.040	1.050
Average 2000-01 - 2010-11:				0.826
Average 2004-05 - 2010-11:				0.914
Average 2007-08 - 2010-11:				0.993
Prior 2010-2011 Rate :				1.000
Selected 2011-2012 Rate :				0.950
Trend Factor to 2012-2013 :				1.040
Selected 2012-2013 Rate :				<b>\$0.988</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)
2000-2001	2,298,135	2,353,290	2,298,135	2,351,022	2,298,131	2,298,135
2001-2002	3,776,063	3,813,019	3,777,834	3,811,886	3,795,000	3,795,000
2002-2003	4,345,068	4,468,362	4,345,103	4,459,938	4,251,535	4,251,534
2003-2004	10,563,412	11,077,277	10,560,368	11,035,368	10,562,994	10,563,000
2004-2005	8,112,755	7,742,356	8,115,412	7,781,060	8,113,008	8,113,000
2005-2006	6,939,232	7,713,966	6,939,832	7,583,413	6,939,008	6,939,000
2006-2007	6,633,221	7,028,548	6,786,413	7,386,082	7,448,175	6,710,000
2007-2008	13,360,759	12,638,250	12,391,457	10,994,925	11,356,780	12,876,000
2008-2009	8,498,923	8,820,501	8,812,438	9,163,787	8,846,152	8,812,000
2009-2010	8,271,032	3,741,499	8,827,784	8,193,240	8,787,744	8,828,000
2010-2011	24,507,419	0	12,499,027	0	10,249,501	11,374,000
Totals						\$84,559,669

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 12/31/11 (B)	Reported Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Reported Losses of 12/31/11 (E)	Reported Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
2000-2001	2,298,135	1.000	2,298,135	2,298,135	1.000	2,298,135
2001-2002	3,702,023	1.020	3,776,063	3,702,023	1.020	3,776,063
2002-2003	4,251,534	1.022	4,345,068	4,251,534	1.022	4,345,068
2003-2004	10,285,698	1.027	10,563,412	10,285,698	1.027	10,563,412
2004-2005	7,823,293	1.037	8,112,755	7,823,293	1.037	8,112,755
2005-2006	6,627,729	1.047	6,939,232	6,627,729	1.047	6,939,232
2006-2007	6,035,688	1.099	6,633,221	6,035,688	1.099	6,633,221
2007-2008	10,570,221	1.264	13,360,759	10,570,221	1.264	13,360,759
2008-2009	5,602,454	1.517	8,498,923	5,602,454	1.517	8,498,923
2009-2010	4,038,590	2.048	8,271,032	4,038,590	2.048	8,271,032
2010-2011	4,986,250	4.915	24,507,419	4,986,250	4.915	24,507,419
Totals	\$66,221,615		\$97,306,019	\$66,221,615		\$97,306,019

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 12/31/11 (B)	Paid Loss Development Factor (C)	Ultimate \$100K - \$1M Losses (D)	\$100K - \$1M Paid Losses of 12/31/11 (E)	Paid Loss Development Factor (F)	Ultimate \$100K - \$1M Losses (G)
2000-2001	2,298,135	1.024	2,353,290	2,298,135	1.024	2,353,290
2001-2002	3,701,960	1.030	3,813,019	3,701,960	1.030	3,813,019
2002-2003	4,251,534	1.051	4,468,362	4,251,534	1.051	4,468,362
2003-2004	10,285,308	1.077	11,077,277	10,285,308	1.077	11,077,277
2004-2005	6,912,818	1.120	7,742,356	6,912,818	1.120	7,742,356
2005-2006	6,439,037	1.198	7,713,966	6,439,037	1.198	7,713,966
2006-2007	5,100,543	1.378	7,028,548	5,100,543	1.378	7,028,548
2007-2008	7,335,026	1.723	12,638,250	7,335,026	1.723	12,638,250
2008-2009	3,656,924	2.412	8,820,501	3,656,924	2.412	8,820,501
2009-2010	775,601	4.824	3,741,499	775,601	4.824	3,741,499
2010-2011	0	19.296	0	0	19.296	0
Totals	\$50,756,886		\$69,397,068	\$50,756,886		\$69,397,068

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 12/31/11 (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)
2000-2001	10,547,900	2,298,135	1.000	0.000	0.218	0	2,298,135
2001-2002	11,019,007	3,702,023	1.020	0.020	0.344	75,811	3,777,834
2002-2003	11,222,020	4,251,534	1.022	0.022	0.379	93,569	4,345,103
2003-2004	11,096,882	10,285,698	1.027	0.026	0.952	274,670	10,560,368
2004-2005	11,146,164	7,823,293	1.037	0.036	0.728	292,119	8,115,412
2005-2006	11,426,052	6,627,729	1.047	0.045	0.607	312,103	6,939,832
2006-2007	11,666,272	6,035,688	1.099	0.090	0.715	750,725	6,786,413
2007-2008	11,712,427	10,570,221	1.264	0.209	0.744	1,821,236	12,391,457
2008-2009	12,177,803	5,602,454	1.517	0.341	0.773	3,209,984	8,812,438
2009-2010	11,634,198	4,038,590	2.048	0.512	0.804	4,789,194	8,827,784
2010-2011	11,262,031	4,986,250	4.915	0.797	0.837	7,512,777	12,499,027
Totals	\$124,910,756	\$66,221,615				\$19,132,188	\$85,353,803

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 12/31/11 (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)
2000-2001	10,547,900	2,298,135	1.024	0.023	0.218	52,887	2,351,022
2001-2002	11,019,007	3,701,960	1.030	0.029	0.344	109,926	3,811,886
2002-2003	11,222,020	4,251,534	1.051	0.049	0.379	208,404	4,459,938
2003-2004	11,096,882	10,285,308	1.077	0.071	0.952	750,060	11,035,368
2004-2005	11,146,164	6,912,818	1.120	0.107	0.728	868,242	7,781,060
2005-2006	11,426,052	6,439,037	1.198	0.165	0.607	1,144,376	7,583,413
2006-2007	11,666,272	5,100,543	1.378	0.274	0.715	2,285,539	7,386,082
2007-2008	11,712,427	7,335,026	1.723	0.420	0.744	3,659,899	10,994,925
2008-2009	12,177,803	3,656,924	2.412	0.585	0.773	5,506,863	9,163,787
2009-2010	11,634,198	775,601	4.824	0.793	0.804	7,417,639	8,193,240
2010-2011	11,262,031		19.296	0.948	0.837	8,936,151	
Totals	\$124,910,756	\$50,756,886				\$30,939,986	\$72,760,721

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)
2000-2001	10,547,900	2,298,135	1.539	3,536,830	0.335	0.218	1.000	0.218
2001-2002	11,019,007	3,795,000	1.480	5,616,600	0.510	0.344	1.000	0.344
2002-2003	11,222,020	4,251,534	1.423	6,049,933	0.539	0.379	1.000	0.379
2003-2004	11,096,882	10,563,000	1.369	14,460,747	1.303	0.952	1.000	0.952
2004-2005	11,146,164	8,113,000	1.316	10,676,708	0.958	0.728	1.000	0.728
2005-2006	11,426,052	6,939,000	1.265	8,777,835	0.768	0.607	1.000	0.607
2006-2007	11,666,272	6,633,000	1.217	8,072,361	0.692	0.715	1.000	0.715
2007-2008	11,712,427	13,361,000	1.170	15,632,370	1.335	0.744	1.000	0.744
2008-2009	12,177,803	8,499,000	1.125	9,561,375	0.785	0.773	1.000	0.773
2009-2010	11,634,198	8,271,000	1.082	8,949,222	0.769	0.804	1.000	0.804
2010-2011	11,262,031	10,903,000	1.040	11,339,120	1.007	0.837	1.000	0.837
Total/Avg	\$124,910,756	\$83,626,669		\$102,673,101	\$0.822			
05/06-09/10	58,616,752	43,703,000		50,993,163	\$0.870			
06/07-10/11	58,452,731	47,667,000		53,554,448	\$0.916			
				Selected \$100K - \$1M Rate:	\$0.870			
				Prior:	\$1.000			

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 2005-2006 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)
2000-2001	208,921	11	2,298,131
2001-2002	189,750	20	3,795,000
2002-2003	223,765	19	4,251,535
2003-2004	406,269	26	10,562,994
2004-2005	338,042	24	8,113,008
2005-2006	216,844	32	6,939,008
2006-2007	297,927	25	7,448,175
2007-2008	306,940	37	11,356,780
2008-2009	315,934	28	8,846,152
2009-2010	325,472	27	8,787,744
2010-2011	334,951	31	10,249,501
Total		280	\$82,648,028

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)		
2000-2001	2,298,135	11	208,921	1.380	288,311	208,921	1.000	208,921
2001-2002	3,795,000	20	189,750	1.340	254,265	189,750	1.000	189,750
2002-2003	4,251,534	19	223,765	1.301	291,118	223,765	1.000	223,765
2003-2004	10,563,000	26	406,269	1.264	513,524	406,269	1.000	406,269
2004-2005	8,113,000	24	338,042	1.227	414,778	338,042	1.000	338,042
2005-2006	6,939,000	32	216,844	1.192	258,478	216,844	1.000	216,844
2006-2007	6,710,000	25	268,400	1.158	310,807	297,927	1.000	297,927
2007-2008	12,876,000	37	348,000	1.124	391,152	306,940	1.000	306,940
2008-2009	8,812,000	28	314,714	1.092	343,668	315,934	1.000	315,934
2009-2010	8,828,000	27	326,963	1.060	346,581	325,472	1.000	325,472
2010-2011	12,499,000	31	408,464	1.030	420,718	334,951	1.000	334,951

Average \$100K - \$1M Severity: \$348,491  
Average 04/05-09/10 \$100K - \$1M Severity: \$344,244  
Average 05/06-10/11 \$100K - \$1M Severity: \$345,234

Selected \$100K - \$1M Severity: \$345,000  
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)
2000-2001	11	11	11	1,054.790	0.010	1.116	0.011
2001-2002	20	19	20	1,101.901	0.018	1.105	0.020
2002-2003	19	19	19	1,122.202	0.017	1.094	0.019
2003-2004	26	27	26	1,109.688	0.023	1.083	0.025
2004-2005	24	23	24	1,114.616	0.022	1.072	0.024
2005-2006	32	32	32	1,142.605	0.028	1.062	0.030
2006-2007	25	25	25	1,166.627	0.021	1.051	0.022
2007-2008	37	32	37	1,171.243	0.032	1.041	0.033
2008-2009	28	36	28	1,217.780	0.023	1.030	0.024
2009-2010	27	20	27	1,163.420	0.023	1.020	0.023
2010-2011	36	0	31	1,126.203	0.027	1.010	0.027
Total	285	244	280	12,491.076			0.024

(H) Selected 2011-2012 Frequency: 0.025

Program Year:	2011-2012	2012-2013
(I) Trend Factor:	1.000	1.010
(J) Selected Frequency:	0.025	0.025
(K) Composite Exposure:	1,115.215	1,131.943
(L) Ultimate Claims:	28	28

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 .025 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 12/31/2011 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2000-2001	11	1.005	11	0.012
2001-2002	20	1.008	20	0.020
2002-2003	19	1.010	19	0.019
2003-2004	26	1.010	26	0.025
2004-2005	24	1.010	24	0.023
2005-2006	32	1.010	32	0.030
2006-2007	25	1.010	25	0.023
2007-2008	37	1.010	37	0.033
2008-2009	27	1.040	28	0.024
2009-2010	25	1.092	27	0.024
2010-2011	22	1.638	36	0.032
Total	268		285	0.024

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 12/31/2011 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2000-2001	11	1.010	11	0.012
2001-2002	19	1.014	19	0.019
2002-2003	19	1.020	19	0.019
2003-2004	26	1.046	27	0.026
2004-2005	21	1.098	23	0.022
2005-2006	28	1.153	32	0.030
2006-2007	20	1.268	25	0.023
2007-2008	21	1.522	32	0.028
2008-2009	18	1.979	36	0.030
2009-2010	4	4.948	20	0.018
2010-2011	0	24.740	0	
Total	187		244	0.021

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
2000-2001	10,547,900	2,298,135	0.218	0.335
2001-2002	11,019,007	3,795,000	0.344	0.510
2002-2003	11,222,020	4,251,534	0.379	0.539
2003-2004	11,096,882	10,563,000	0.952	1.303
2004-2005	11,146,164	8,113,000	0.728	0.958
2005-2006	11,426,052	6,939,000	0.607	0.768
2006-2007	11,666,272	6,741,000	0.578	0.703
2007-2008	11,712,427	12,914,000	1.103	1.290
2008-2009	12,177,803	8,821,000	0.724	0.815
2009-2010	11,634,198	8,655,000	0.744	0.805
2010-2011	11,262,031	11,943,000	1.060	1.103

Exponential Trends

Years	R-square	Fitted Trend
08/09-10/11	0.802	1.210
06/07-10/11	0.373	1.086
04/05-10/11	0.293	1.065
03/04-10/11	0.059	1.025
	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)
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
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
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
Gardena	126,061	150,116	155,950	167,690	183,626	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
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
Mountain View	0	0	0	0	0	310,326	292,142	307,338	325,808	341,322	360,295	409,155	408,020
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
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
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
Santa Cruz	0	0	0	0	0	0	0	0	0	164,906	327,837	330,666	368,019
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
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
Total	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	6,577,313	6,924,094

Member	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)	2007-08 Payroll (00)	2008-09 Payroll (00)	2009-10 Payroll (00)	Projected 2010-11 Payroll (00)	Projected 2011-12 Payroll (00)	Projected 2012-13 Payroll (00)
Anaheim	1,393,423	1,497,038	1,571,861	1,686,921	1,702,110	1,874,760	1,933,055	1,936,850	2,133,195	2,081,250	2,049,763	2,080,510	2,111,720
Bakersfield	679,346	710,898	746,845	769,039	775,782	828,105	889,657	928,430	916,017	882,235	882,175	895,410	908,840
Burbank	0	0	0	0	963,640	961,084	1,080,588	1,021,641	1,190,705	1,104,309	1,109,272	1,125,910	1,142,800
Gardena	0	0	0	0	0	0	0	0	0	0	0	0	0
Modesto	656,651	711,909	761,554	745,169	757,072	777,859	808,720	836,950	811,447	796,393	741,932	753,060	764,360
Monterey	284,379	307,684	320,894	313,632	313,439	315,127	303,985	340,838	362,102	375,986	371,980	377,560	383,220
Mountain View	434,816	470,177	517,208	479,749	474,925	505,565	558,760	579,550	628,761	632,482	629,984	639,430	649,020
Ontario	637,469	683,592	692,474	710,686	732,721	783,778	808,309	827,467	855,991	836,504	821,292	833,610	846,110
Palo Alto	771,366	875,829	907,965	976,695	964,635	910,388	920,271	964,648	980,859	1,000,933	992,673	1,007,560	1,022,670
Santa Barbara	658,205	688,383	715,412	731,380	739,835	827,558	767,235	826,778	882,947	844,604	828,178	840,600	853,210
Santa Cruz	383,500	421,614	414,665	404,596	405,476	415,167	494,206	483,045	537,520	506,288	506,381	513,980	521,690
Santa Monica	1,156,953	1,234,923	1,274,089	1,221,506	1,263,241	1,350,510	1,445,204	1,539,768	1,662,386	1,668,433	1,714,221	1,739,930	1,766,030
Visalia	256,559	257,861	290,675	269,603	281,525	300,145	295,903	323,116	345,222	340,230	339,496	344,590	349,760
Total	7,312,668	7,859,909	8,213,644	8,308,977	9,374,402	9,850,045	10,305,894	10,609,082	11,307,152	11,069,646	10,987,347	11,152,150	11,319,430

Note: Data provided by ACCEL.

Authority for California Cities Excess Liability

ULAE as of June 30, 2012

(A) Selected ULAE Factor	3.5%
(B) Provision for Unpaid ULAE :	
IBNR at 6/30/12	\$11,418,000
Half of Case Reserves at 6/30/12	909,000
Computation Base	\$12,327,000
Provision for Unpaid ULAE at 6/30/12	\$431,000