



Actuarial Review of the Self-Insured Liability & Property Program

Outstanding Liabilities as of June 30, 2018

Forecast for Program Year 2018-19

Presented to

Santa Clara County Schools Insurance Group

March 13, 2018



Tuesday, March 13, 2018

Ms. Corinne Kelsch
Executive Director
Santa Clara County Schools Insurance Group
645 Wool Creek Drive
San Jose, CA 95112

Re: Actuarial Review of the Self-Insured Liability & Property Program

Dear Ms. Kelsch:

As you requested, we have completed our review of Santa Clara County Schools Insurance Group's (the Group's) self-insured liability & property program. Assuming an SIR of \$100,000 per occurrence for liability and \$100,000 per occurrence for property, we estimate the ultimate cost of claims and expenses for claims incurred during the 2018-19 program year to be \$747,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income, but excludes unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the Group's claims, assuming a 2.0% return on investments per year.

In addition, we estimate the program's liability for outstanding claims to be \$1,257,000 as of June 30, 2018, again including ALAE and discounted for anticipated investment income, but excluding ULAE. Given estimated program assets of \$5,371,000 as of June 30, 2018, the program is expected to be funded above the 90% confidence level.

The \$1,257,000 estimate is the minimum liability to be booked by the Group at June 30, 2018 for its liability program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the Group to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Our conclusions regarding the Group's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2018 are summarized in the table below.

Santa Clara County Schools Insurance Group
Self-Insured Liability & Property Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2018

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,287,000					
Investment Income Offset	<u>(30,000)</u>					
Discounted Loss and ALAE	\$1,257,000	\$1,437,000	\$1,516,000	\$1,611,000	\$1,728,000	\$1,883,000
Assets	<u>5,371,000</u>					
Surplus or (Deficit)	\$4,114,000	\$3,934,000	\$3,855,000	\$3,760,000	\$3,643,000	\$3,488,000

GASB #10 does not address an actual asset requirement for the program, but only speaks to the liability to be recorded on the Group's financial statements.

Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a risk margin for contingencies. Generally, the amount should be sufficient to fund assets to the 75% to 85% confidence level for primary programs. We consider funding assets to the 70% confidence level to be marginally acceptable and funding assets to the 90% confidence level to be conservative.

The table below shows our funding recommendations for Santa Clara County Schools Insurance Group for the 2018-19 fiscal year assuming the program’s SIR for liability and property remains at \$100,000.

Santa Clara County Schools Insurance Group
 Self-Insured Liability & Property Program
 Loss and ALAE Funding Guidelines for 2018-19
 Self-Insured Retention (SIR) of \$100,000

	Property	Liability	Total
Loss and ALAE	\$263,000	\$504,000	\$767,000
Investment Income Offset	<u>(3,000)</u>	<u>(17,000)</u>	<u>(20,000)</u>
Discounted Loss and ALAE	\$260,000	\$487,000	\$747,000
Margin at 80% Confidence	118,000	188,000	306,000
Discounted Loss and ALAE at 80% Confidence Level	\$378,000	\$675,000	\$1,053,000

The funding recommendations shown in the table above do not include any recognition of the existing funding margin (surplus or deficit) at June 30, 2018. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for Santa Clara County Schools Insurance Group for the 2018-19 fiscal year assuming the program's SIR for liability and property increases to \$250,000.

Santa Clara County Schools Insurance Group
 Self-Insured Liability & Property Program
 Loss and ALAE Funding Guidelines for 2018-19
 Self-Insured Retention (SIR) of \$250,000

	Property	Liability	Total
Loss and ALAE	\$348,000	\$662,000	\$1,010,000
Investment Income Offset	<u>(4,000)</u>	<u>(22,000)</u>	<u>(26,000)</u>
Discounted Loss and ALAE	\$344,000	\$640,000	\$984,000
Margin at 80% Confidence	156,000	247,000	403,000
Discounted Loss and ALAE at 80% Confidence Level	\$500,000	\$887,000	\$1,387,000

The funding recommendations shown in the table above do not include any recognition of the existing funding margin (surplus or deficit) at June 30, 2018. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for Santa Clara County Schools Insurance Group for the 2018-19 fiscal year assuming the program's SIR for liability and property increases to \$500,000.

Santa Clara County Schools Insurance Group
 Self-Insured Liability & Property Program
 Loss and ALAE Funding Guidelines for 2018-19
 Self-Insured Retention (SIR) of \$500,000

	Property	Liability	Total
Loss and ALAE	\$401,000	\$766,000	\$1,167,000
Investment Income Offset	<u>(5,000)</u>	<u>(26,000)</u>	<u>(31,000)</u>
Discounted Loss and ALAE	\$396,000	\$740,000	\$1,136,000
Margin at 80% Confidence	179,000	286,000	465,000
Discounted Loss and ALAE at 80% Confidence Level	\$575,000	\$1,026,000	\$1,601,000

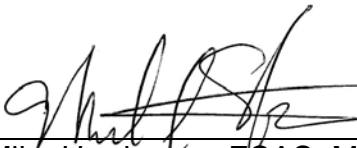
The funding recommendations shown in the table above do not include any recognition of the existing funding margin (surplus or deficit) at June 30, 2018. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the Group's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to Santa Clara County Schools Insurance Group in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162, Derek Burkhalter at (916) 244-1167 or York Lee at (916) 244-1159 with any questions you may have concerning this report.

Sincerely,

Bickmore



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President, Actuarial Consulting, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries



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Manager, Property and Casualty Actuarial Services, Bickmore
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I. BACKGROUND

Santa Clara County Schools Insurance Group's liability and property program began July 1, 1980. Its current self-insured retention is \$100,000, with the exception of the following coverages: For auto comprehensive and collision, comprehensive crime, and electronic DP, the self-insured retentions are \$1,500, \$500, and \$5,000, respectively. Claims administration services are provided by ASCIP. Additional background on the program is given in Appendix J.

As of June 30, 2018, the Group is expected to have assets of \$5,371,000 for the program.

The purpose of this review is to provide a guide to the Group to determine reasonable funding levels for its self-insurance program according to the funding policy the Group has adopted and to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate the Group's liability for outstanding claims as of June 30, 2018, project ultimate loss costs for 2018-19, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS

Graph 1 on the following page summarizes our assessment of the Group's funding position as of June 30, 2018. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due. The horizontal line across the graph indicates the Group's available assets at June 30, 2018.

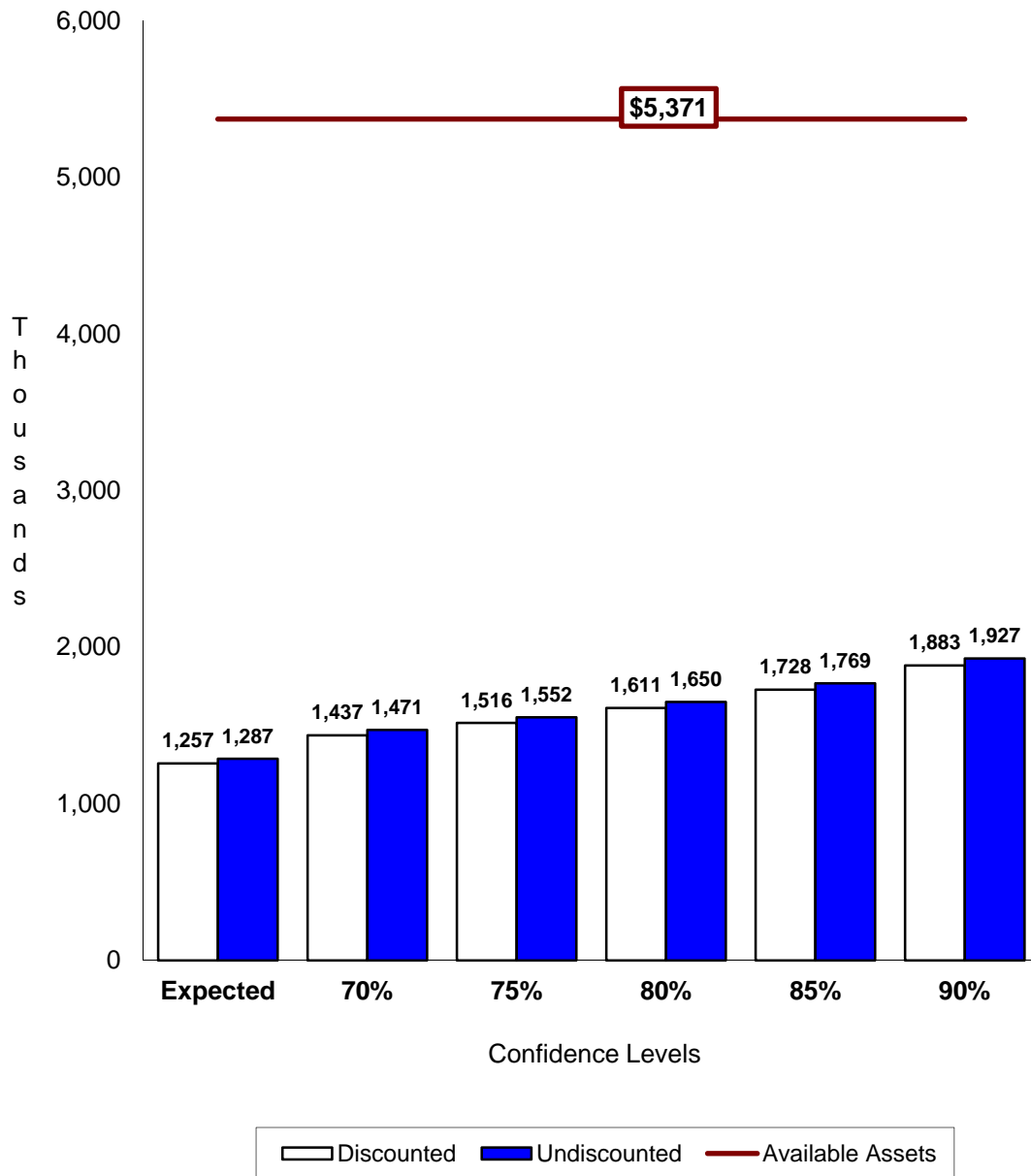
Our best estimate of the full value of the Group's liability for outstanding claims within its self-insured retention (SIR) is \$1,287,000 as of June 30, 2018. This amount includes losses, allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs will be greater than the best estimate. We generally measure the amount of this margin by thinking in terms of the probability distribution of actual possible results around our best estimate. As the margin grows, the probability that the corresponding funding amount will be sufficient to meet actual claim liabilities increases. We typically refer to this probability as the "confidence level" of funding. Graph 1 shows the liabilities for outstanding claims at several confidence levels that are typically of interest to risk managers in formulating funding policies for self-insurance programs.

The Group can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 2.0%, we estimate the impact of investment income earnings to be about 2.3% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims of \$1,257,000 as of June 30, 2018.

Investment income earnings will be less than this when the program does not maintain sufficient funding, and more when there is excess funding. Thus, thinking in terms of liabilities discounted for investment income can actually mask funding deficiencies and redundancies that might otherwise be obvious. However, the discounted liabilities do represent legitimate funding targets. The light-colored bars on Graph 1 show our estimates of the Group's discounted liability for outstanding claims.

Santa Clara County Schools Insurance Group
 Liability & Property
 Available Assets vs Outstanding Liability (\$000's)
 at June 30, 2018



The table below displays a breakdown of the program's outstanding loss and LAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2018, before recognition of investment income.

Santa Clara County Schools Insurance Group
 Self-Insured Liability & Property Program
 Estimated Liability for Unpaid Loss and ALAE at June 30, 2018

Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$0	\$0	\$0
2013-14	19,785	1,069	20,854
2014-15	104,093	5,867	109,960
2015-16	261,945	15,645	277,590
2016-17	240,985	53,760	294,745
2017-18	310,446	272,750	583,196
Loss and ALAE	\$937,254	\$349,091	\$1,286,345

B. PROGRAM FUNDING: GOALS AND OBJECTIVES

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30. These regulations are required to be applied by the Group.

GASB #10 and #30 do not address asset requirements. They do, however, allow a range of amounts to be recognized for accounting purposes; specifically, GASB #10 and #30 allow recognition of a risk margin for unexpectedly adverse loss experience. Thus, for accounting purposes, it is possible to formulate a funding policy from a range of alternatives. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some risk margin for unexpected adverse loss experience.

The amount of the risk margin should be a question of long-term funding policy. We recommend that the risk margin be determined by thinking in terms of the probability that a given level of assets will prove to be adequate. For example, a reasonable goal might be to maintain assets at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to maintain assets at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for old claims. The additional contributions for old claims may be required at the same time that costs are increasing dramatically on new claims. The burden of funding for increases on past years as well as on current years, may well be prohibitive.

We generally recommend maintaining program assets at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. We recommend the 75% to 85% confidence level range because the probabilities are reasonably high that resulting assets will be sufficient to meet claim liabilities, yet the required risk margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally offsets the required risk margin for the most part, which means that assets are likely sufficient on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, the Group's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short and long-term funding goals, which may be the same in some years, but different in others.

In general, we recommend funding each year's claims costs in that year. When surpluses or deficits have developed on outstanding liabilities and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce a surplus more slowly than you would accumulate funding to reduce a deficit.

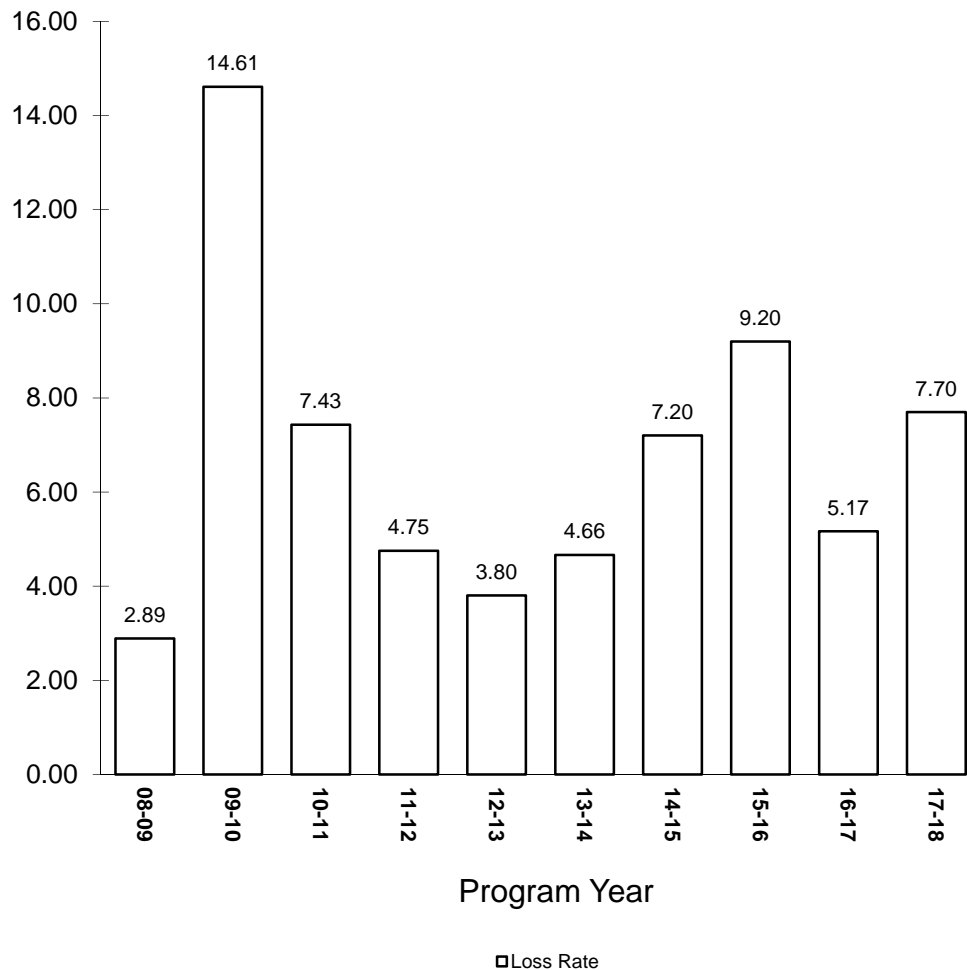
C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

Loss Rate - Liability

The liability program's dollars of loss per average daily attendance (ADA) (based on losses limited to \$100,000 per occurrence), or loss rate, has ranged from a low of \$2.89 in 2008-09 to a high of \$14.61 in 2009-10. The projected 2017-18 loss rate of \$7.70 is based on the average of the most recent three years. See Graph 2 below.

Graph 2

Santa Clara County Schools Insurance Group
Liability
Dollars of Loss per
ADA

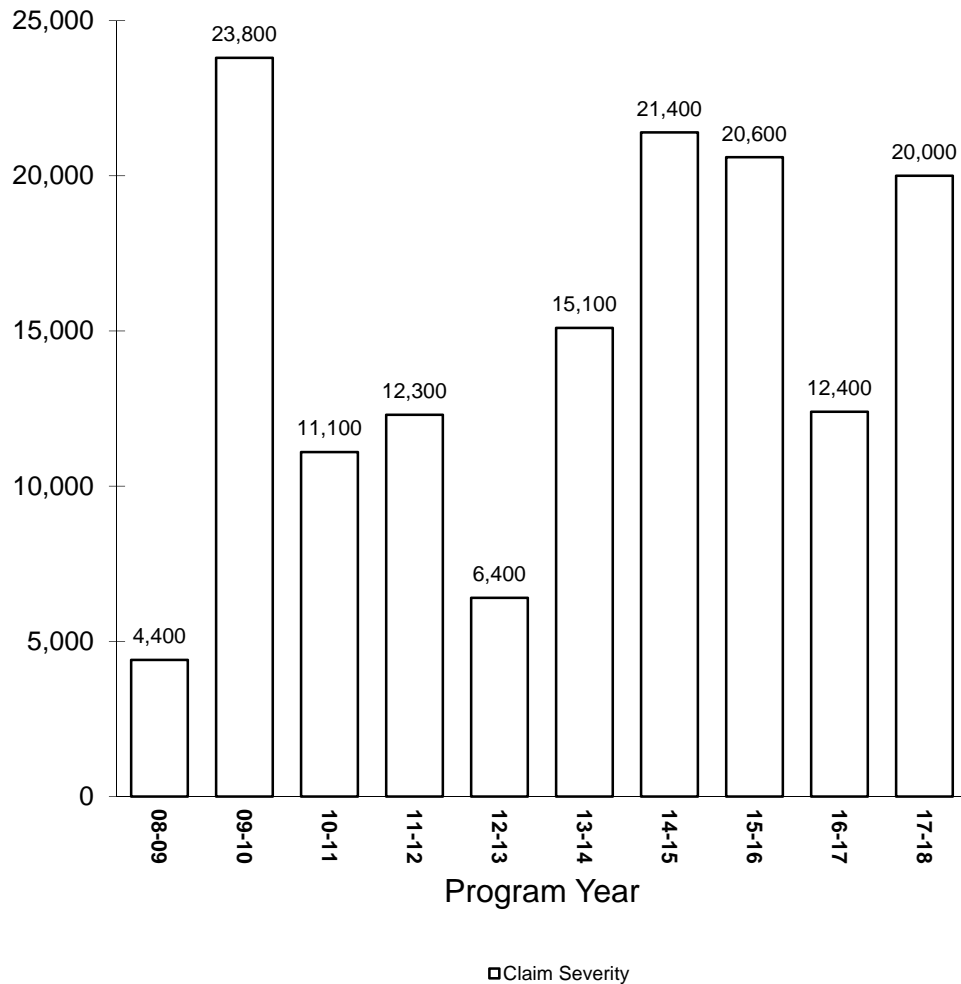


Severity - Liability

The liability program's average dollars of loss per claim (based on losses limited to \$100,000 per occurrence), or severity, has ranged from a low of \$4,400 in 2008-09 to a high of \$23,800 in 2009-10. The projected 2017-18 severity of \$20,000 is based on the average of the most recent three years. See Graph 3 below.

Graph 3

Santa Clara County Schools Insurance Group
Liability
Dollars of Loss per Claim

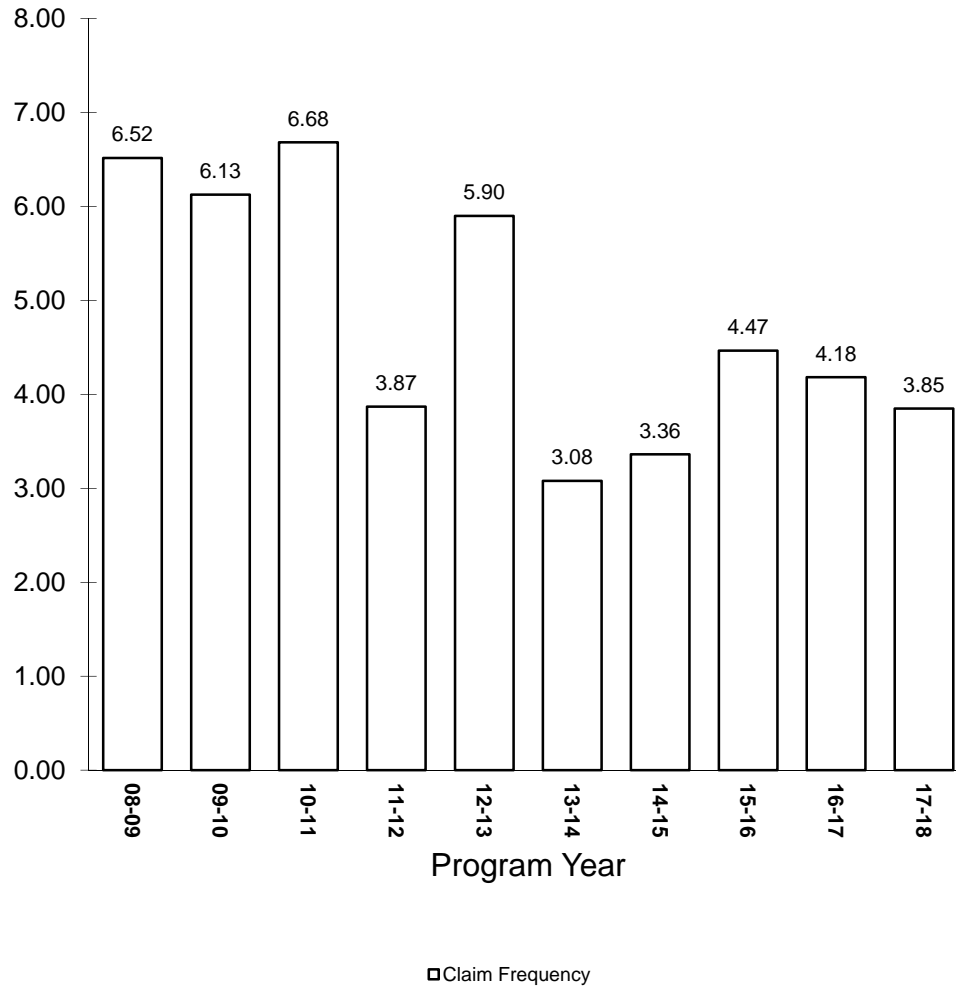


Frequency - Liability

The liability program's number of claims per 10,000 ADA, or frequency, has appeared to have decreased from a high of 6.68 in 2010-11. The projected 2017-18 frequency of 3.85 reflects this decreasing trend. See Graph 4 below.

Graph 4

Santa Clara County Schools Insurance Group
Liability
Number of Claims per
10,000 ADA

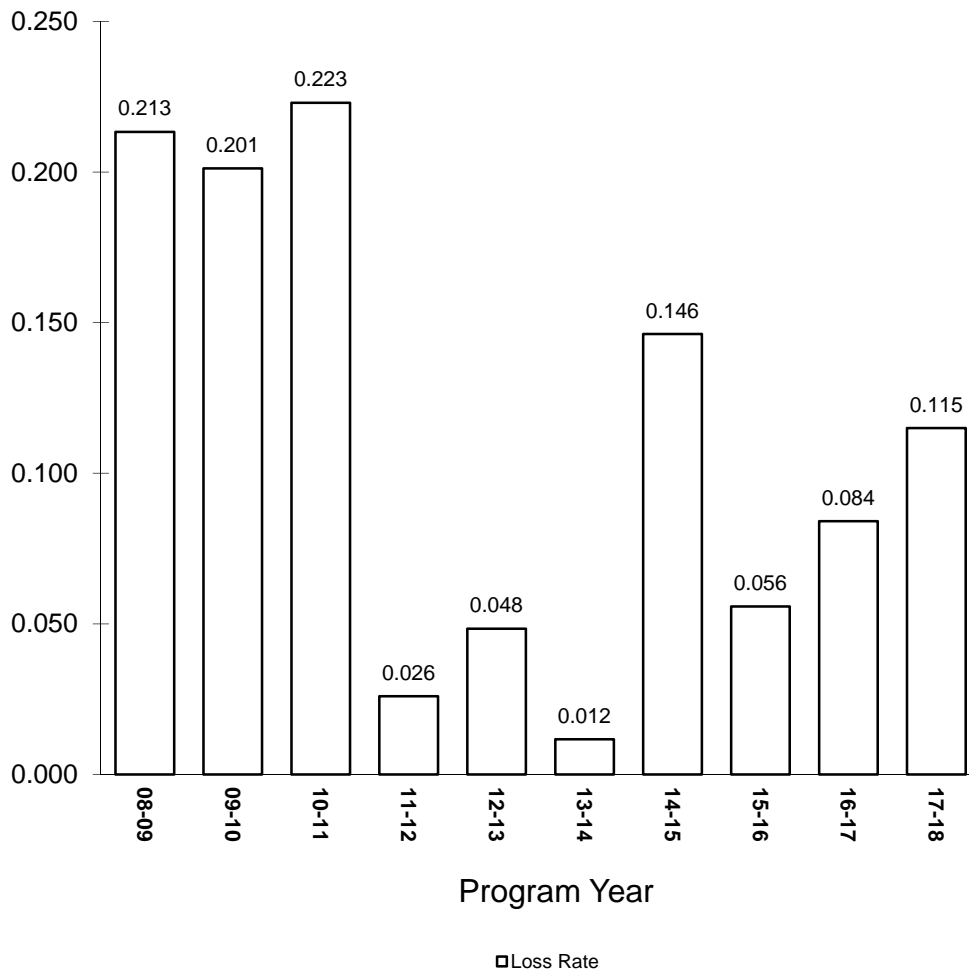


Loss Rate - Property

The property program's dollars of loss per \$1,000 of total insured value (TIV) (based on losses limited to \$100,000 per occurrence), or loss rate, has ranged from a high of \$0.223 in 2010-11 to a low of \$0.012 in 2013-14. The projected 2017-18 loss rate of \$0.115 is based on the average of the most recent three years. See Graph 5 below.

Graph 5

Santa Clara County Schools Insurance Group
Property
Dollars of Loss per
\$1,000 of TIV

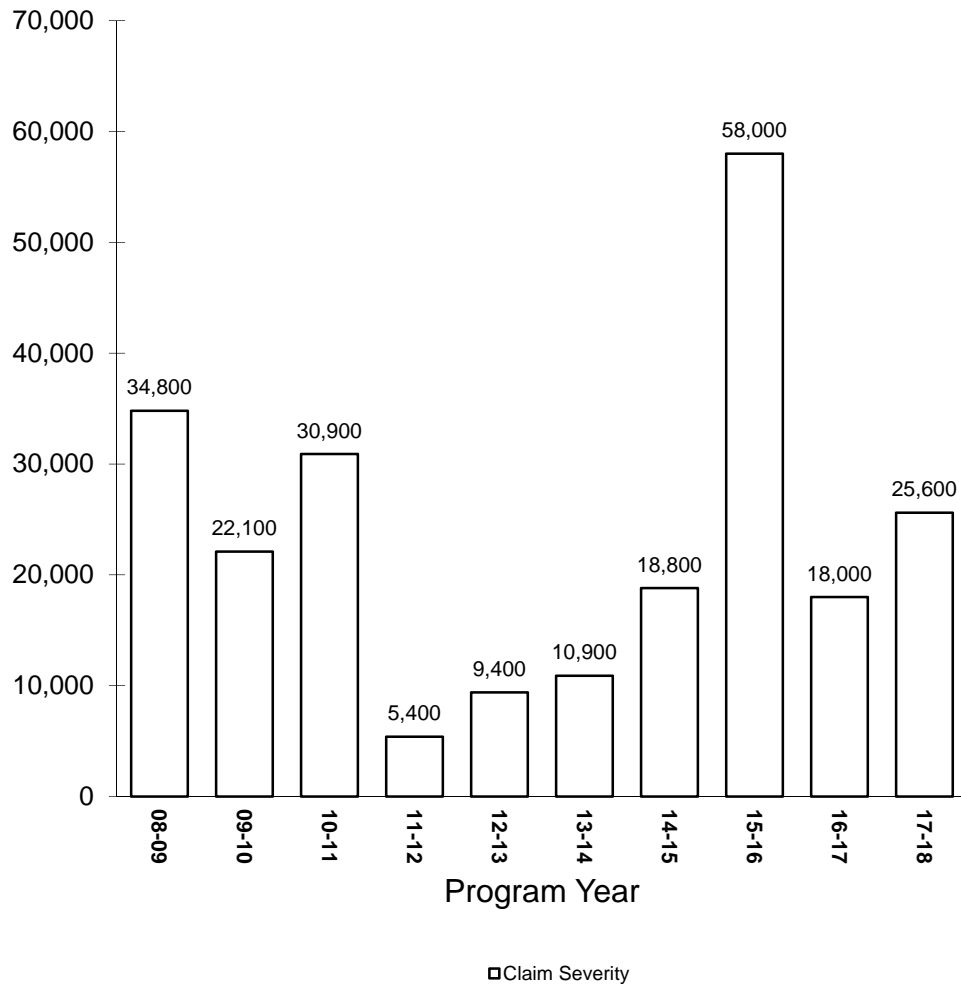


Severity - Property

The property program's average dollars of loss per claim (based on losses limited to \$100,000 per occurrence), or severity, has ranged from a low of \$5,400 in 2011-12 to a high of \$58,000 in 2015-16. The projected 2017-18 severity of \$25,600 is based on the average of the most recent three years. See Graph 6 below.

Graph 6

Santa Clara County Schools Insurance Group
Property
Dollars of Loss per Claim

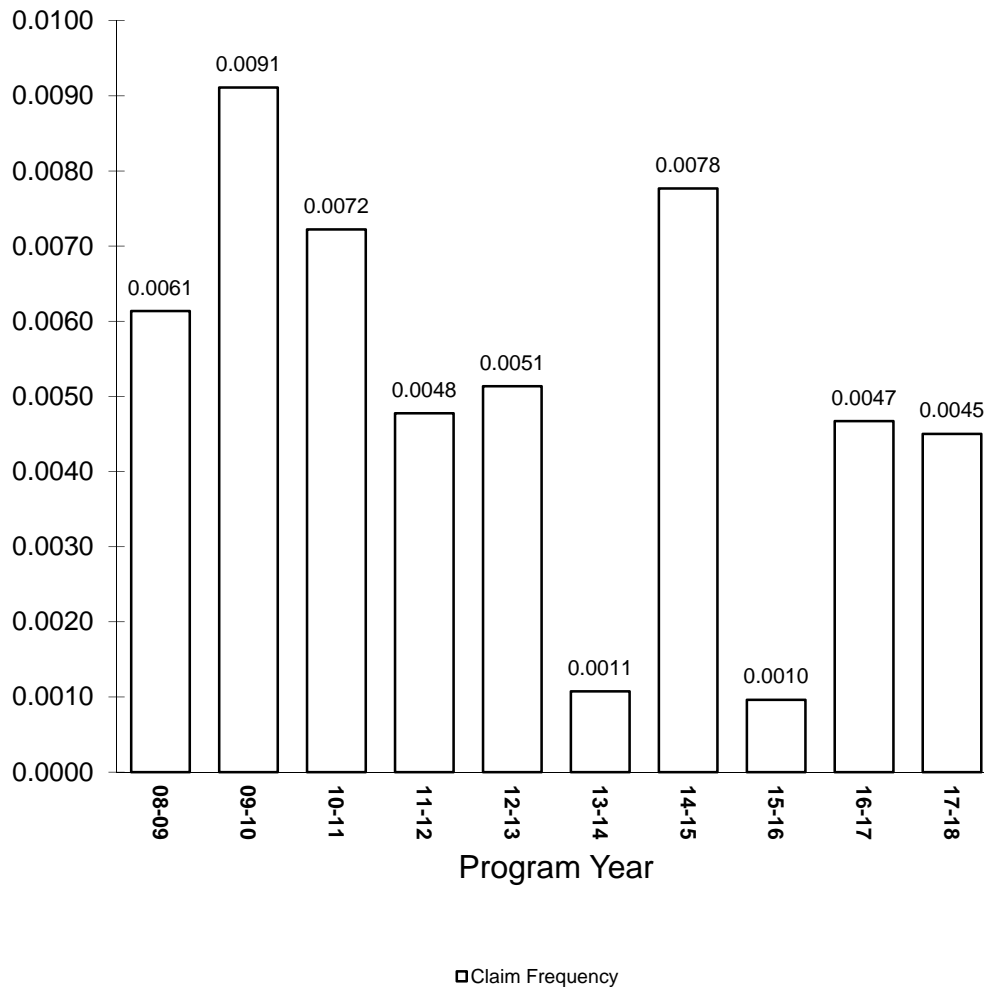


Frequency - Property

The property program's number of claims per \$1 million of TIV, or frequency, has decreased from a high of 0.0091 in 2009-10. The projected 2017-18 frequency of 0.0045 is based on the average of the most recent three years. See Graph 7 below.

Graph 7

Santa Clara County Schools Insurance Group
Property
Number of Claims per
\$1 Million of TIV



D. COMPARISON WITH PREVIOUS RESULTS

The prior report for Santa Clara County Schools Insurance Group was dated March 3, 2017. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the December 31, 2016 evaluation date of the prior report and the December 31, 2017 evaluation date of the current report.

Actual Versus Expected Incurred Loss and ALAE Development

Liability

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
2008-09	\$0	\$0	\$0
2009-10	0	0	0
2010-11	0	0	0
2011-12	0	0	0
2012-13	0	(1,000)	(1,000)
2013-14	3,000	(8,000)	(11,000)
2014-15	13,000	(71,000)	(84,000)
2015-16	50,000	18,000	(32,000)
2016-17	338,000	166,000	(172,000)
Total	\$404,000	\$104,000	(\$300,000)

Property

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
2008-09	\$0	(\$2,000)	(\$2,000)
2009-10	0	0	0
2010-11	0	0	0
2011-12	0	0	0
2012-13	0	0	0
2013-14	0	0	0
2014-15	0	0	0
2015-16	6,000	0	(6,000)
2016-17	179,000	147,000	(32,000)
Total	\$185,000	\$145,000	(\$40,000)

As shown, actual incurred development for the liability program was less than anticipated since the prior report, while actual incurred development for the property program was also less than anticipated since the prior report.

In the table below we display actual versus expected development of paid losses and ALAE by accident year between the December 31, 2016 evaluation date of the prior report and the December 31, 2017 evaluation date of the current report.

Actual Versus Expected Paid Loss and ALAE Development

Liability

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
2008-09	\$0	\$0	\$0
2009-10	0	0	0
2010-11	0	0	0
2011-12	0	0	0
2012-13	0	(1,000)	(1,000)
2013-14	31,000	6,000	(25,000)
2014-15	205,000	117,000	(88,000)
2015-16	312,000	127,000	(185,000)
2016-17	113,000	41,000	(72,000)
Total	\$661,000	\$290,000	(\$371,000)

Property

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
2008-09	\$0	(\$2,000)	(\$2,000)
2009-10	0	0	0
2010-11	0	0	0
2011-12	0	0	0
2012-13	0	0	0
2013-14	0	0	0
2014-15	0	0	0
2015-16	18,000	0	(18,000)
2016-17	183,000	30,000	(153,000)
Total	\$201,000	\$28,000	(\$173,000)

As shown, actual paid development for the liability program was less than anticipated since the prior report, while actual paid development for the property program was also less than anticipated since the prior report.

In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

Change in Ultimate Loss and ALAE

Liability

Accident Year	Prior Report	Current Report	Change In Ultimate
2008-09	\$191,000	\$191,000	\$0
2009-10	978,000	978,000	0
2010-11	500,000	500,000	0
2011-12	319,000	319,000	0
2012-13	259,000	258,000	(1,000)
2013-14	330,000	318,000	(12,000)
2014-15	577,000	493,000	(84,000)
2015-16	647,000	618,000	(29,000)
2016-17	515,000	346,000	(169,000)
Total	\$4,316,000	\$4,021,000	(\$295,000)

Property

Accident Year	Prior Report	Current Report	Change In Ultimate
2008-09	\$349,000	\$348,000	(\$1,000)
2009-10	331,000	331,000	0
2010-11	371,000	371,000	0
2011-12	44,000	44,000	0
2012-13	85,000	85,000	0
2013-14	22,000	22,000	0
2014-15	282,000	282,000	0
2015-16	123,000	116,000	(7,000)
2016-17	214,000	180,000	(34,000)
Total	\$1,821,000	\$1,779,000	(\$42,000)

As shown, overall we have decreased our estimated ultimate losses for the liability program by \$295,000, and decreased our estimated ultimate losses for the property program by \$42,000 since our prior report. The changes in our estimates of ultimate losses reflect a certain amount of weight applied to both the incurred and paid development listed on the previous two pages.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2017 to be \$1,077,000 for the liability program at the discounted, expected level. Our current estimate as of June 30, 2018 is \$1,012,000, a decrease in our assessment of the Group's outstanding liabilities, as shown below:

Outstanding Claim Liabilities for Loss and ALAE

	Liability		
	Prior Report at June 30, 2017	Current Report at June 30, 2018	Change
(A) Case Reserves:	\$797,000	\$762,000	(\$35,000)
(B) IBNR Reserves:	309,000	277,000	(32,000)
(C) Total Reserves:	\$1,106,000	\$1,039,000	(\$67,000)
(D) Offset for Investment Income:	(29,000)	(27,000)	2,000
(E) Total Outstanding Claim Liabilities:	\$1,077,000	\$1,012,000	(\$65,000)

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2017 to be \$135,000 for the property program at the discounted, expected level. Our current estimate as of June 30, 2018 is \$245,000, an increase in our assessment of the Group's outstanding liabilities, as shown below:

Outstanding Claim Liabilities for Loss and ALAE

	Property		
	Prior Report at June 30, 2017	Current Report at June 30, 2018	Change
(A) Case Reserves:	\$36,000	\$176,000	\$140,000
(B) IBNR Reserves:	101,000	72,000	(29,000)
(C) Total Reserves:	\$137,000	\$248,000	\$111,000
(D) Offset for Investment Income:	(2,000)	(3,000)	(1,000)
(E) Total Outstanding Claim Liabilities:	\$135,000	\$245,000	\$110,000

At the time of the prior report, our funding estimate for the 2017-18 year was \$488,000 for the liability program at the discounted, expected level. That amount included allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. Our current estimate for the 2018-19 year is \$487,000 at the discounted, expected level, a slight decrease in the program's expected loss costs, as shown in the table below:

Comparison of Funding for Loss and ALAE

Liability

	Prior Report 2017-18 SIR = \$100,000	Current Report 2018-19 SIR = \$100,000	Change
(A) Ultimate Loss and ALAE:	\$505,000	\$504,000	(\$1,000)
(B) Offset for Investment Income:	(17,000)	(17,000)	0
(C) Total Recommended Funding:	\$488,000	\$487,000	(\$1,000)
(D) Funding per ADA:	\$7.47	\$7.47	\$0.00

At the time of the prior report, our funding estimate for the 2017-18 year was \$218,000 for the property program at the discounted, expected level. That amount included allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. Our current estimate for the 2018-19 year is \$260,000 at the discounted, expected level, an increase in the program's expected loss costs, as shown in the table below:

Comparison of Funding for Loss and ALAE

Property

	Prior Report 2017-18 SIR = \$100,000	Current Report 2018-19 SIR = \$100,000	Change
(A) Ultimate Loss and ALAE:	\$221,000	\$263,000	\$42,000
(B) Offset for Investment Income:	(3,000)	(3,000)	0
(C) Total Recommended Funding:	\$218,000	\$260,000	\$42,000
(D) Funding per \$1,000 of TIV:	\$0.098	\$0.114	\$0.016

E. DATA PROVIDED FOR THE ANALYSIS

Overall, the data utilized in preparing this report appears to be accurate.

Comments and issues regarding the data are as follows:

- We have assumed that the program's self-insured retention will remain at \$100,000 per occurrence for 2018-19 for liability and property claims (See Appendix J).
- We were provided with the estimated June 30, 2018 assets of \$5,371,000.
- We received loss data evaluated as of December 31, 2017 (See Appendix K). We also utilized the data from the Group's most recent actuarial study for our assessment of loss development.
- We have assumed that the Group's ADA will be 65,203 and that TIV for 2018-19 will be \$2,288,976,794, based upon information provided by the Group (See Appendix L).

The data provided for the analysis appears to be reasonable for use in this actuarial valuation of liabilities and projection of loss costs.

III. 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 a self-insurance 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 provided to us by the Group. We have accepted all of this information without audit.
- We have also made use of loss statistics that have been developed from the information gathered and compiled from a large group of California public entities with self-insured liability & property programs.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of 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 self-insured liability & property programs in the aggregate form a reasonable basis of comparison to the patterns from Santa Clara County Schools Insurance Group's data.
- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of a large group of California public entities with self-insured liability & property programs.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the costs of liability claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.
- For liability, we have assumed that the loss rate trend associated with claim costs increases at 0.4% per year. We have assumed that claim severity increases at 3.0% per year, and that claim frequency decreases at 2.5% per year.
- For property, we have assumed that the loss rate trend associated with claim costs increases at 0.4% per year. We have assumed that claim severity increases at 3.0% per year, and that claim frequency decreases at 2.5% per year.

- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- We have assumed that assets held for investment will generate an average annual return of 2.0% over the duration of payment of the loss liabilities. It should be noted that actual future investment returns may vary significantly from this assumption, depending upon the prevailing investment market conditions.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not included estimates for excess insurance contributions and other expenses associated with the program based upon information provided by the Group.
- Our funding recommendations do not include provisions for catastrophic events not in the Group's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.
- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than the Group's excess coverage.
- The Group's assets available for the program are estimated to be \$5,371,000 as of June 30, 2018 for use in this report.

IV. GLOSSARY OF ACTUARIAL TERMS

Accident Year - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

Allocated Loss Adjustment Expenses (ALAE) - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, etc.)

Benefit Level Factor - Factor used to adjust historical losses to the current level of liability benefits.

Case Reserve - The amount left to be paid on a claim, as estimated by the claims administrator.

Claim Count Development Factor - A factor that is applied to the number of claims reported in a particular accident period in order to estimate the number of claims that will ultimately be reported.

Claim Frequency - Number of claims per 10,000 ADA for liability and per \$1 million of TIV for property.

Confidence Level - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

Discount Factor - A factor to adjust estimated loss costs to reflect anticipated investment income from assets held prior to actual claim payout.

Expected Losses - The best estimate of the full, ultimate value of loss costs.

Incurred but not Reported (IBNR) Losses - Losses for which the accident has occurred but the claim has not yet been reported. This is the ultimate value of losses, less any amount that has been set up as reported losses by the claims adjuster. It includes both amounts for claims incurred but not yet received by the administrator and loss development on already reported claims.

Loss Development Factor - A factor applied to losses for a particular accident period to reflect the fact that reported and paid losses do not reflect final values until all claims are settled (see Section IV).

Loss Rate - Ultimate losses per ADA for liability and per \$1,000 of TIV for property.

Non-Claims Related Expenses – Program expenses not directly associated with claims settlement and administration, such as excess insurance, safety program expenses, and general overhead. These exclude expenses associated with loss settlements (Indemnity/Medical, BI/PD), legal expenses associated with individual claims (ALAE), and claims administration (ULAE).

Outstanding Losses - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

Paid Losses - Losses actually paid on all reported claims.

Program Losses - Losses, including ALAE, limited to the SIR for each occurrence.

Reported Losses - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

Self-Insured Retention (SIR) - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

Severity - Average claim cost.

Total Insured Value (TIV) - Replacement cost or actual cash value of a building for which standard insurance policies provide indemnity coverage, and the basis on which insurance premium is computed.

Ultimate Losses - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

Unallocated Loss Adjustment Expenses (ULAE) – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Guidelines for Outstanding Liabilities at
December 31, 2017

(A) Estimated Ultimate Losses Incurred through 12/31/17: (Sum of Liability and Property)	\$6,179,000
(B) Estimated Paid Losses through 12/31/17: (Sum of Liability and Property)	4,792,000
(C) Estimated Liability for Claims Outstanding at 12/31/17: (Sum of Liability and Property)	<u>\$1,387,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/17: (Sum of Liability and Property)	0
(E) Total Outstanding Liability for Claims at 12/31/17: ((C) + (D))	<u>\$1,387,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): ((G) / (E))	0.975
(G) Discounted Outstanding Liability for Claims at 12/31/17: (Sum of Liability and Property)	<u>\$1,352,000</u>

	Marginally Acceptable	75%	Recommended 80%	85%	Conservative 90%
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: ((J) / (G))	1.144	1.208	1.285	1.379	1.503
(I) Margin for Adverse Experience: (Sum of Liability and Property)	195,000	281,000	385,000	512,000	680,000
(J) Total Required Assets at 12/31/17: ((G) + (I))	<u>\$1,547,000</u>	<u>\$1,633,000</u>	<u>\$1,737,000</u>	<u>\$1,864,000</u>	<u>\$2,032,000</u>

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Guidelines for Outstanding Liabilities at
June 30, 2018

(A) Estimated Ultimate Losses Incurred through 6/30/18: (Sum of Liability and Property)	\$6,557,000
(B) Estimated Paid Losses through 6/30/18: (Sum of Liability and Property)	5,270,000
(C) Estimated Liability for Claims Outstanding at 6/30/18: (Sum of Liability and Property)	<u>\$1,287,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/18: (Sum of Liability and Property)	0
(E) Total Outstanding Liability for Claims at 6/30/18: ((C) + (D))	<u>\$1,287,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): ((G) / (E))	0.977
(G) Discounted Outstanding Liability for Claims at 6/30/18: (Sum of Liability and Property)	<u>\$1,257,000</u>

	Marginally Acceptable	75%	Recommended 80%	85%	Conservative 90%
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: ((J) / (G))	1.143	1.206	1.282	1.375	1.498
(I) Margin for Adverse Experience: (Sum of Liability and Property)	180,000	259,000	354,000	471,000	626,000
(J) Total Required Assets at 6/30/18: ((G) + (I))	<u>\$1,437,000</u>	<u>\$1,516,000</u>	<u>\$1,611,000</u>	<u>\$1,728,000</u>	<u>\$1,883,000</u>
(K) Estimated Total Assets at 6/30/18: (Provided by the Group)	\$5,371,000	\$5,371,000	\$5,371,000	\$5,371,000	\$5,371,000
(L) Indicated Funding Redundancy/ (Deficiency): ((K) - (J))	<u>\$3,934,000</u>	<u>\$3,855,000</u>	<u>\$3,760,000</u>	<u>\$3,643,000</u>	<u>\$3,488,000</u>

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Options for Program Year 2018-2019 (Liability SIR = \$100,000, Property SIR = \$100,000)

	<u>Dollar Amount</u>
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	\$767,000
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	0
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$767,000</u>
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): ((E) / (C))	0.974
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	<u>\$747,000</u>
	<u>Recommended</u>
(F) Confidence Level Factor: ((H) / (E))	80%
(G) Margin for Adverse Experience: (Sum of Liability and Property)	1.410
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	306,000
	<u>\$1,053,000</u>

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Options for Program Year 2018-2019 (Liability SIR = \$250,000, Property SIR = \$250,000)

	<u>Dollar Amount</u>
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	\$1,010,000
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	0
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$1,010,000</u>
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): ((E) / (C))	0.974
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	<u>\$984,000</u>
	<u>Recommended</u>
(F) Confidence Level Factor: ((H) / (E))	80%
(G) Margin for Adverse Experience: (Sum of Liability and Property)	1.410
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	403,000
	<u>\$1,387,000</u>

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Options for Program Year 2018-2019 (Liability SIR = \$500,000, Property SIR = \$500,000)

	<u>Dollar Amount</u>
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	\$1,167,000
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	0
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$1,167,000</u>
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): ((E) / (C))	0.973
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: (Sum of Liability and Property)	<u>\$1,136,000</u>
	<u>Recommended</u>
(F) Confidence Level Factor: ((H) / (E))	80%
(G) Margin for Adverse Experience: (Sum of Liability and Property)	1.409
	465,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$1,601,000</u>

Santa Clara County Schools Insurance Group - Liability

Funding Guidelines for Outstanding Liabilities at
December 31, 2017

(A) Estimated Ultimate Losses Incurred through 12/31/17: (From Appendix F - GL)	\$4,273,000
(B) Estimated Paid Losses through 12/31/17: (From Appendix F - GL)	3,177,000
(C) Estimated Liability for Claims Outstanding at 12/31/17: (From Appendix F - GL)	<u>\$1,096,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/17: (Not Applicable)	0
(E) Total Outstanding Liability for Claims at 12/31/17: ((C) + (D))	<u>\$1,096,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 1, (G))	0.973
(G) Discounted Outstanding Liability for Claims at 12/31/17: ((E) x (F))	<u>\$1,066,000</u>

	Marginally Acceptable	75%	Recommended	85%	Conservative
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - GL)	1.129	1.185	1.252	1.334	1.443
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	138,000	197,000	269,000	356,000	472,000
(J) Total Required Assets at 12/31/17: ((G) + (I))	<u>\$1,204,000</u>	<u>\$1,263,000</u>	<u>\$1,335,000</u>	<u>\$1,422,000</u>	<u>\$1,538,000</u>

Santa Clara County Schools Insurance Group - Liability

Funding Guidelines for Outstanding Liabilities at
June 30, 2018

(A) Estimated Ultimate Losses Incurred through 6/30/18: (From Appendix F - GL)	\$4,524,000
(B) Estimated Paid Losses through 6/30/18: (From Appendix F - GL)	3,485,000
(C) Estimated Liability for Claims Outstanding at 6/30/18: (From Appendix F - GL)	<u>\$1,039,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/18: (Not Applicable)	0
(E) Total Outstanding Liability for Claims at 6/30/18: ((C) + (D))	<u>\$1,039,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 1, (H))	0.974
(G) Discounted Outstanding Liability for Claims at 6/30/18: ((E) x (F))	<u>\$1,012,000</u>

	Marginally Acceptable	75%	Recommended 80%	85%	Conservative 90%
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - GL)	1.129	1.185	1.252	1.334	1.443
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	131,000	187,000	255,000	338,000	448,000
(J) Total Required Assets at 6/30/18: ((G) + (I))	<u>\$1,143,000</u>	<u>\$1,199,000</u>	<u>\$1,267,000</u>	<u>\$1,350,000</u>	<u>\$1,460,000</u>

Santa Clara County Schools Insurance Group - Liability
Funding Options for Program Year 2018-2019 (SIR = \$100,000)

	Dollar Amount	ADA Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Appendix F - GL)	\$504,000	\$7.730			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Not Applicable)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$504,000</u>	<u>\$7.730</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 2, (G))	0.966				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	<u>\$487,000</u>	<u>\$7.469</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I - GL)	1.189	1.279	1.386	1.520	1.699
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	92,000	136,000	188,000	253,000	340,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$579,000</u>	<u>\$623,000</u>	<u>\$675,000</u>	<u>\$740,000</u>	<u>\$827,000</u>
(I) Rate per ADA: ((H) / 65,203)	\$8.880	\$9.555	\$10.352	\$11.349	\$12.683

ADA rates are per 2018-2019 ADA of 65,203.

Santa Clara County Schools Insurance Group - Liability
Funding Options for Program Year 2018-2019 (SIR = \$250,000)

	Dollar Amount	ADA Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Exhibit 5 - GL, Page 1)	\$662,000	\$10.153			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Not Applicable)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$662,000</u>	<u>\$10.153</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 2, (G))	0.966				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	<u>\$640,000</u>	<u>\$9.815</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I - GL)	1.189	1.279	1.386	1.520	1.699
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	121,000	179,000	247,000	333,000	447,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$761,000</u>	<u>\$819,000</u>	<u>\$887,000</u>	<u>\$973,000</u>	<u>\$1,087,000</u>
(I) Rate per ADA: ((H) / 65,203)	\$11.671	\$12.561	\$13.604	\$14.923	\$16.671

ADA rates are per 2018-2019 ADA of 65,203.

Santa Clara County Schools Insurance Group - Liability
Funding Options for Program Year 2018-2019 (SIR = \$500,000)

	Dollar Amount	ADA Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Exhibit 5 - GL, Page 1)	\$766,000	\$11.748			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Not Applicable)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	\$766,000	\$11.748			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 2, (G))	0.966				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	\$740,000	\$11.349			
	<u>Marginally Acceptable</u>	<u>75%</u>	<u>Recommended</u>	<u>85%</u>	<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I - GL)	1.189	1.279	1.386	1.520	1.699
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	140,000	206,000	286,000	385,000	517,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	\$880,000	\$946,000	\$1,026,000	\$1,125,000	\$1,257,000
(I) Rate per ADA: ((H) / 65,203)	\$13.496	\$14.509	\$15.735	\$17.254	\$19.278

ADA rates are per 2018-2019 ADA of 65,203.

Santa Clara County Schools Insurance Group - Liability

IBNR as of 6/30/18 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/17 (B)	Estimated IBNR as of 12/31/17 (C)	Estimated Percent of IBNR Reported Between 1/1/18 and 6/30/18 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/18 (F)
2008-2009	190,591	190,591	0	100.0%	0	0
2009-2010	977,633	977,633	0	100.0%	0	0
2010-2011	500,472	500,472	0	100.0%	0	0
2011-2012	319,340	319,340	0	100.0%	0	0
2012-2013	257,795	257,795	0	100.0%	0	0
2013-2014	318,000	315,931	2,069	42.7%	1,000	1,069
2014-2015	493,000	484,133	8,867	29.1%	3,000	5,867
2015-2016	618,000	595,355	22,645	30.1%	7,000	15,645
2016-2017	346,000	266,121	79,879	36.4%	29,000	50,879
2017-2018	503,000	159,160	92,840	40.7%	140,000	203,840
Totals	\$4,523,831	\$4,066,531	\$206,300		\$180,000	\$277,300

Notes:

- (A) From Exhibit 4 - GL, Page 1.
- (B) Provided by the Group. These losses exclude amounts incurred above the Group's SIR for each year.
- (C) (A) - (B).
- (D) Percentage of incurred but not reported (IBNR) expected to be reported between 1/1/18 and 6/30/18. The percentage is based on the development pattern selected in Appendix A - GL.
- (E) ((A) - (B)) x (D).
- (F) (A) - (B) - (E).

This exhibit shows the calculation of the amount of incurred but not reported losses we expect as of 6/30/18. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

Santa Clara County Schools Insurance Group - Liability

Estimated Ultimate Program Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Estimate of Ultimate Losses (F)
2008-2009	190,591	190,782	190,591	190,782	190,576	190,591
2009-2010	977,633	979,588	977,633	979,588	977,645	977,633
2010-2011	500,472	501,973	500,472	501,974	500,490	500,472
2011-2012	319,340	321,895	319,340	321,895	319,332	319,340
2012-2013	258,311	262,435	258,805	266,887	689,640	257,795
2013-2014	318,143	301,599	319,501	311,484	373,002	318,000
2014-2015	492,363	380,932	492,869	398,442	420,854	493,000
2015-2016	620,360	354,782	615,616	401,369	565,500	618,000
2016-2017	311,894	236,576	340,613	438,671	543,676	346,000
2017-2018	746,142	243,857	549,870	488,250	500,000	503,000
Totals						\$4,523,831
						Projected Losses for the Year 2017-2018 (G) \$503,000
						Projected Losses for the Year 2018-2019 (H) \$504,000

Notes:

- (A) From Appendix A - GL, Page 1, Column (G).
- (B) From Appendix B - GL, Page 1, Column (G).
- (C) From Appendix C - GL, Page 1, Column (G).
- (D) From Appendix C - GL, Page 2, Column (G).
- (E) From Appendix D - GL, Page 1, Column (C).
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 5 - GL, Page 1, Line (K).
- (H) From Exhibit 5 - GL, Page 1, Line (K).

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

Santa Clara County Schools Insurance Group - Liability

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

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Ultimate Limited Losses (F)
2008-2009	190,591	190,782	190,591	190,782	190,576	190,591
2009-2010	977,633	979,588	977,633	979,588	977,645	977,633
2010-2011	500,472	501,973	500,472	501,974	500,490	500,472
2011-2012	319,340	321,895	319,340	321,895	319,332	319,340
2012-2013	258,311	262,435	258,805	266,887	689,640	257,795
2013-2014	318,143	301,599	319,501	311,484	373,002	318,000
2014-2015	492,363	380,932	492,869	398,442	420,854	493,000
2015-2016	620,360	354,782	615,616	401,369	565,500	618,000
2016-2017	311,894	236,576	340,613	438,671	543,676	346,000
2017-2018	746,142	243,857	549,870	488,250	500,000	503,000
Totals						\$4,523,831
						Projected Losses for the Year 2017-2018 (G) \$503,000
						Projected Losses for the Year 2018-2019 (H) \$504,000

Notes:

- (A) From Appendix A - GL, Page 1, Column (D).
- (B) From Appendix B - GL, Page 1, Column (D).
- (C) Based on results in Appendix C - GL, Page 1.
- (D) Based on results in Appendix C - GL, Page 2.
- (E) Based on results in Appendix D - GL, Page 1.
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 5 - GL, Page 1, Line (K) / Line (G).
- (H) From Exhibit 5 - GL, Page 1, Line (K) / Line (G).

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.

Santa Clara County Schools Insurance Group - Liability

Selection of Projected Limited Loss Rate
and Projection of Program Losses and ALAE

Accident Year	Ultimate Limited Losses (A)	Trend Factor (B)	Trended Limited Losses (C)	ADA (D)	Trended Limited Loss Rate (E)
2008-2009	190,591	1.036	197,452	65,974	2.993
2009-2010	977,633	1.032	1,008,917	66,915	15.078
2010-2011	500,472	1.028	514,485	67,335	7.641
2011-2012	319,340	1.024	327,004	67,177	4.868
2012-2013	257,795	1.020	262,951	67,793	3.879
2013-2014	318,000	1.016	323,088	68,189	4.738
2014-2015	493,000	1.012	498,916	68,425	7.291
2015-2016	618,000	1.008	622,944	67,179	9.273
2016-2017	346,000	1.004	347,384	66,942	5.189
2017-2018	503,000	1.000	503,000	65,323	7.700
Totals	\$4,523,831		\$4,606,141	671,252	\$6.862
11/12-15/16	2,006,135		2,034,903	338,763	6.007
14/15-16/17	1,457,000		1,469,244	202,546	7.254
				(F) Selected Limited Rate:	\$7.700
				Prior:	\$7.700
Program Year:		2017-2018	\$100,000 SIR 2018-2019	\$250,000 SIR 2018-2019	\$500,000 SIR 2018-2019
(G) Factor to SIR:		1.000	1.000	1.313	1.519
(H) Trend Factor:		1.000	1.004	1.004	1.004
(I) Program Rate:		\$7.700	\$7.731	\$10.151	\$11.743
(J) ADA:		65,323	65,203	65,203	65,203
(K) Projected Program Losses:		503,000	504,000	662,000	766,000

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Liability

Selection of Projected Limited Loss Rate
and Projection of Program Losses and ALAE

Notes:

- (A) From Exhibit 4 - GL, Page 2, Column (F).
For purposes of projecting future losses, losses are capped at \$100,000 per occurrence.
- (B) From Appendix E - GL, Page 1, Column (B).
- (C) $(A) \times (B)$.
- (D) From Appendix L - GL, Column (C).
- (E) $(C) / (D)$.
- (F) Selected based on (E).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) From Appendix E - GL.
 - (I) $(F) \times (G) \times (H)$.
- (J) From Appendix L - GL, Column (C).
- (K) $(I) \times (J)$.

This exhibit shows the calculation of future loss costs based on the past loss rates. The projections will be accurate only to the extent that what has happened in the past is representative of what will happen in the future.

Santa Clara County Schools Insurance Group - Liability

Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/17 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/17 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	190,591	1.000	190,591	190,591	1.000	190,591
2009-2010	977,633	1.000	977,633	977,633	1.000	977,633
2010-2011	500,472	1.000	500,472	500,472	1.000	500,472
2011-2012	319,340	1.000	319,340	319,340	1.000	319,340
2012-2013	257,795	1.002	258,311	257,795	1.002	258,311
2013-2014	315,931	1.007	318,143	315,931	1.007	318,143
2014-2015	484,133	1.017	492,363	484,133	1.017	492,363
2015-2016	595,355	1.042	620,360	595,355	1.042	620,360
2016-2017	266,121	1.172	311,894	266,121	1.172	311,894
2017-2018	159,160	4.688	746,142	159,160	4.688	746,142
Totals	\$4,066,531		\$4,735,249	\$4,066,531		\$4,735,249

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix A - GL, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the Group's SIR. Amounts are provided by the Group.
- (F) Derived from factors on Appendix A - GL, Page 3.
- (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.

Santa Clara County Schools Insurance Group - Liability
Reported Loss Development

Limited Losses Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						190,591	190,591	190,591	190,591	190,591
2009-2010					1,035,064	977,633	977,633	977,633	977,633	977,633
2010-2011				594,729	500,472	500,472	500,472	500,472		
2011-2012			377,300	333,173	333,376	319,340	319,340			
2012-2013		309,397	349,089	254,010	258,531	257,795				
2013-2014	66,533	328,535	334,198	324,198	315,931					
2014-2015	118,947	411,487	554,987	484,133						
2015-2016	110,185	577,813	595,355							
2016-2017	99,763	266,121								
2017-2018	159,160									

Reported Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					0.945	1.000	1.000	1.000		
2010-2011				0.842	1.000	1.000	1.000			
2011-2012			0.883	1.001	0.958	1.000				
2012-2013		1.128	0.728	1.018	0.997					
2013-2014	4.938	1.017	0.970	0.975						
2014-2015	3.459	1.349	0.872							
2015-2016	5.244	1.030								
2016-2017	2.668									
Average Dollar-Weighted Averages	4.077	1.131	0.863	0.959	0.975	1.000	1.000	1.000	1.000	
3-yr	3.817	1.126	0.858	0.996	0.986	1.000	1.000			
4-yr	4.006	1.127	0.864	0.935	0.966	1.000				
Comparative Factors	2.945	1.254	1.006	0.965	0.972	1.000	1.000	1.000	1.000	1.000
Prior	4.000	1.125	1.025	1.010	1.005	1.002	1.000	1.000	1.000	
Selected	4.000	1.125	1.025	1.010	1.005	1.002	1.000	1.000	1.000	1.000
Cumulated	4.688	1.172	1.042	1.017	1.007	1.002	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Liability
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2009-2010					470,248	531,271	392,740	392,740	392,740
2010-2011				448,030	288,880	213,157	213,157	213,157	
2011-2012			210,000	180,000	160,349	150,349	150,349		
2012-2013				25,000	125,039	186,305			
2013-2014		25,000	80,000	135,000	85,000				
2014-2015		400,000	455,000	435,932					
2015-2016		475,000	283,966						
2016-2017									
2017-2018	170,000								
	<u>Reported Loss Development Factors:</u>								
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
2009-2010					1.130	0.739	1.000	1.000	
2010-2011				0.645	0.738	1.000	1.000		
2011-2012			0.857	0.891	0.938	1.000			
2012-2013				5.002	1.490				
2013-2014		3.200	1.688	0.630					
2014-2015		1.138	0.958						
2015-2016		0.598							
2016-2017									
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
Average Dollar-Weighted Averages		1.645	1.168	1.792	1.074	0.913	1.000	1.000	
3-yr Comparative Factors		0.910		1.089	0.957	0.845			
4-yr Comparative Factors				0.837	1.035				
Prior	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.004	1.002
Selected	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.004	1.002
Cumulated	13.792	2.991	1.607	1.238	1.091	1.044	1.019	1.006	1.002

Santa Clara County Schools Insurance Group - Liability

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/17 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/17 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	190,591	1.001	190,782	190,591	1.001	190,782
2009-2010	977,633	1.002	979,588	977,633	1.002	979,588
2010-2011	500,472	1.003	501,973	500,472	1.003	501,973
2011-2012	319,340	1.008	321,895	319,340	1.008	321,895
2012-2013	257,795	1.018	262,435	257,795	1.018	262,435
2013-2014	287,511	1.049	301,599	287,511	1.049	301,599
2014-2015	330,097	1.154	380,932	330,097	1.154	380,932
2015-2016	245,864	1.443	354,782	245,864	1.443	354,782
2016-2017	59,621	3.968	236,576	59,621	3.968	236,576
2017-2018	7,682	31.744	243,857	7,682	31.744	243,857
Totals	\$3,176,606		\$3,774,419	\$3,176,606		\$3,774,419

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix B - GL, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the Group's SIR. Amounts are provided by the Group.
- (F) Derived from factors on Appendix B - GL, Page 3.
- (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.

Santa Clara County Schools Insurance Group - Liability
Paid Loss Development

Limited Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						190,591	190,591	190,591	190,591	190,591
2009-2010					906,468	977,633	977,633	977,633	977,633	977,633
2010-2011				454,896	500,472	500,472	500,472	500,472		
2011-2012			201,420	234,380	314,318	319,340	319,340			
2012-2013		84,771	142,560	234,096	258,531	257,795				
2013-2014	1,485	54,155	234,680	281,544	287,511					
2014-2015	10,030	58,530	213,390	330,097						
2015-2016	4,375	118,489	245,864							
2016-2017	18,894	59,621								
2017-2018	7,682									

Paid Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.079	1.000	1.000	1.000		
2010-2011				1.100	1.000	1.000	1.000			
2011-2012			1.164	1.341	1.016	1.000				
2012-2013		1.682	1.642	1.104	0.997					
2013-2014	36.468	4.333	1.200	1.021						
2014-2015	5.835	3.646	1.547							
2015-2016	27.083	2.075								
2016-2017	3.156									
Average Dollar-Weighted Averages	18.136	2.934	1.388	1.142	1.023	1.000	1.000	1.000	1.000	
3-yr	7.107	3.002	1.432	1.147	1.004	1.000	1.000			
4-yr	8.360	2.648	1.364	1.129	1.038	1.000				
Comparative Factors	4.218	2.117	1.446	1.151	1.057	1.033	1.015	1.010	1.008	1.037
Prior	8.000	2.750	1.250	1.100	1.030	1.010	1.005	1.001	1.002	
Selected	8.000	2.750	1.250	1.100	1.030	1.010	1.005	1.001	1.001	1.001
Cumulated	31.744	3.968	1.443	1.154	1.049	1.018	1.008	1.003	1.002	1.001

Santa Clara County Schools Insurance Group - Liability
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2009-2010					325,751	371,380	392,740	392,740	392,740
2010-2011				197,860	212,259	213,157	213,157	213,157	
2011-2012					150,349	150,349	150,349		
2012-2013					125,039	186,305			
2013-2014				36,090	59,082				
2014-2015				430,932					
2015-2016			61,693						
2016-2017									
2017-2018									

	<u>Paid Loss Development Factors:</u>								
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
2009-2010					1.140	1.058	1.000	1.000	
2010-2011				1.073	1.004	1.000	1.000		
2011-2012					1.000	1.000			
2012-2013					1.490				
2013-2014				1.637					
2014-2015									
2015-2016									
2016-2017									

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-Ult. Months
Average Dollar-Weighted Averages				1.355	1.159	1.019	1.000	1.000	
3-yr Comparative					1.127	1.029			
4-yr Comparative					1.133				
Factors Prior	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.042	1.096
Selected	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.042	1.096
Cumulated	106.315	11.628	3.733	2.090	1.548	1.325	1.216	1.142	1.096

Santa Clara County Schools Insurance Group - Liability

Exposure and Development Method
Based on Reported Losses

Accident Year	ADA (A)	Reported Losses as of 12/31/17 (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)
2008-2009	65,974	190,591	1.000	0.000	2.889	0	190,591
2009-2010	66,915	977,633	1.000	0.000	14.610	0	977,633
2010-2011	67,335	500,472	1.000	0.000	7.433	0	500,472
2011-2012	67,177	319,340	1.000	0.000	4.754	0	319,340
2012-2013	67,793	257,795	1.002	0.002	7.451	1,010	258,805
2013-2014	68,189	315,931	1.007	0.007	7.480	3,570	319,501
2014-2015	68,425	484,133	1.017	0.017	7.510	8,736	492,869
2015-2016	67,179	595,355	1.042	0.040	7.540	20,261	615,616
2016-2017	66,942	266,121	1.172	0.147	7.570	74,492	340,613
2017-2018	65,323	159,160	4.688	0.787	7.600	390,710	549,870
Totals	671,252	\$4,066,531				\$498,779	\$4,565,310

Notes:

- (A) From Appendix L - GL, Column (C).
- (B) Provided by the Group. These losses exclude amounts incurred above the Group's SIR for each year.
- (C) From Appendix A - GL, Page 1, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C - GL, Page 3, 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.

Santa Clara County Schools Insurance Group - Liability

Exposure and Development Method
Based on Paid Losses

Accident Year	ADA (A)	Paid Losses as of 12/31/17 (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)
2008-2009	65,974	190,591	1.001	0.001	2.889	191	190,782
2009-2010	66,915	977,633	1.002	0.002	14.610	1,955	979,588
2010-2011	67,335	500,472	1.003	0.003	7.433	1,502	501,974
2011-2012	67,177	319,340	1.008	0.008	4.754	2,555	321,895
2012-2013	67,793	257,795	1.018	0.018	7.451	9,092	266,887
2013-2014	68,189	287,511	1.049	0.047	7.480	23,973	311,484
2014-2015	68,425	330,097	1.154	0.133	7.510	68,345	398,442
2015-2016	67,179	245,864	1.443	0.307	7.540	155,505	401,369
2016-2017	66,942	59,621	3.968	0.748	7.570	379,050	438,671
2017-2018	65,323	7,682	31.744	0.968	7.600	480,568	488,250
Totals	671,252	\$3,176,606				\$1,122,736	\$4,299,342

Notes:

- (A) From Appendix L - GL, Column (C).
- (B) Provided by the Group. These losses exclude amounts paid above the Group's SIR for each year.
- (C) From Appendix B - GL, Page 1, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C - GL, Page 3, 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 unpaid will cost what this relationship would suggest.

Santa Clara County Schools Insurance Group - Liability
Exposure and Development Method

Accident Year	ADA (A)	Ultimate Limited Losses (B)	Trend Factor (C)	Trended Limited Losses (D)	Trended Limited Loss Rate (E)	Limited Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
2008-2009	65,974	190,591	1.036	197,452	2.993	2.889	1.000	2.889
2009-2010	66,915	977,633	1.032	1,008,917	15.078	14.610	1.000	14.610
2010-2011	67,335	500,472	1.028	514,485	7.641	7.433	1.000	7.433
2011-2012	67,177	319,340	1.024	327,004	4.868	4.754	1.000	4.754
2012-2013	67,793	257,795	1.020	262,951	3.879	7.451	1.000	7.451
2013-2014	68,189	318,000	1.016	323,088	4.738	7.480	1.000	7.480
2014-2015	68,425	492,000	1.012	497,904	7.277	7.510	1.000	7.510
2015-2016	67,179	620,000	1.008	624,960	9.303	7.540	1.000	7.540
2016-2017	66,942	312,000	1.004	313,248	4.679	7.570	1.000	7.570
2017-2018	65,323	621,000	1.000	621,000	9.507	7.600	1.000	7.600
Total/Avg	671,252	\$4,608,831		\$4,691,009	\$6.988			
11/12-15/16	338,763	2,007,135		2,035,907	6.010			
14/15-17/18	267,869	2,045,000		2,057,112	7.680			
				Selected Limited Rate:	\$7.600			
				Prior:	\$7.600			

Notes:

- (A) From Appendix L - GL, Column (C).
- (B) Selected average of results from Appendices A and B.
- (C) From Appendix E - GL, Page 1, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2011-2012 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.

Santa Clara County Schools Insurance Group - Liability
Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
2008-2009	4,432	43	190,576
2009-2010	23,845	41	977,645
2010-2011	11,122	45	500,490
2011-2012	12,282	26	319,332
2012-2013	17,241	40	689,640
2013-2014	17,762	21	373,002
2014-2015	18,298	23	420,854
2015-2016	18,850	30	565,500
2016-2017	19,417	28	543,676
2017-2018	20,000	25	500,000
Total		322	\$5,080,715

Notes:

- (A) From Appendix D - GL, Page 2, Column (H).
- (B) From Appendix D - GL, Page 2, 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.

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method

Accident Year	Ultimate Limited Losses (A)	Adjusted Ultimate Claims (B)	Ultimate Limited Severity (C)	Trend Factor (D)	Trended Limited Severity (E)	Limited Severity (F)	Factor to SIR (G)	Program Severity (H)
2008-2009	190,591	43	4,432	1.306	5,788	4,432	1.000	4,432
2009-2010	977,633	41	23,845	1.267	30,212	23,845	1.000	23,845
2010-2011	500,472	45	11,122	1.231	13,691	11,122	1.000	11,122
2011-2012	319,340	26	12,282	1.195	14,677	12,282	1.000	12,282
2012-2013	257,795	40	6,445	1.160	7,476	17,241	1.000	17,241
2013-2014	318,000	21	15,143	1.126	17,051	17,762	1.000	17,762
2014-2015	493,000	23	21,435	1.093	23,428	18,298	1.000	18,298
2015-2016	618,000	30	20,600	1.061	21,857	18,850	1.000	18,850
2016-2017	326,000	28	11,643	1.030	11,992	19,417	1.000	19,417
2017-2018	648,000	25	25,920	1.000	25,920	20,000	1.000	20,000

Average Limited Severity: \$17,209
Average 11/12-15/16 Limited Severity: 16,898
Average 14/15-16/17 Limited Severity: 19,092

Selected Limited Severity: \$20,000
Prior: \$20,000

Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Appendix D - GL, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Appendix E - GL, Page 1, 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.

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	ADA (10,000) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)
2008-2009	43	43	43	6.597	6.518	0.797	5.195
2009-2010	41	41	41	6.692	6.127	0.818	5.012
2010-2011	45	46	45	6.734	6.683	0.838	5.600
2011-2012	26	27	26	6.718	3.870	0.860	3.328
2012-2013	40	42	40	6.779	5.900	0.881	5.198
2013-2014	21	19	21	6.819	3.080	0.904	2.784
2014-2015	23	22	23	6.843	3.361	0.927	3.116
2015-2016	30	23	30	6.718	4.466	0.950	4.243
2016-2017	28	30	28	6.694	4.183	0.975	4.078
2017-2018	43	13	25	6.532	3.827	1.000	3.827
Total	340	306	322	67.125			4.234
11/12-15/16	140	133	140	33.876			3.731

(H) Selected Frequency: 3.850
Prior: 3.750

Program Year:	2017-2018	2018-2019
(I) Trend Factor:	1.000	0.975
(J) Selected Frequency:	3.850	3.754
(K) Est. ADA (10,000):	6.532	6.520
(L) Ultimate Claims:	25	24

Notes:

- (A) From Appendix D - GL, Page 4, (C).
- (B) From Appendix D - GL, Page 5, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix L - GL, Column (C) / 10,000.
- (E) (C) / (D).
- (F) From Appendix E - GL, Page 1, Column (H).
- (G) (E) x (F).
- (H) The selected frequency of 3.850 is based on (G).
- (I) From Appendix E - GL, Page 1, Column (H).
- (J) (H) x (I).
- (K) From Appendix L - GL, Column (C) / 10,000.
- (L) (J) x (K).

This exhibit summarizes the estimated numbers of claims and shows the estimated frequencies per 10,000 ADA.

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2017 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	43	1.000	43	5.195
2009-2010	41	1.000	41	5.012
2010-2011	45	1.000	45	5.600
2011-2012	26	1.000	26	3.329
2012-2013	40	1.000	40	5.198
2013-2014	21	1.000	21	2.784
2014-2015	23	1.001	23	3.116
2015-2016	30	1.006	30	4.242
2016-2017	28	1.016	28	4.078
2017-2018	17	2.540	43	6.583
Total	314		340	4.502

Notes:

- (A) Provided by the Group.
- (B) From Appendix D - GL, Page 6.
- (C) (A) x (B).
- (D) (C) / [Appendix D - GL, Page 3, (D)] x [Appendix D - GL, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on reported claims as provided by the Group. 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.

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2017 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	43	1.010	43	5.195
2009-2010	41	1.012	41	5.012
2010-2011	45	1.015	46	5.725
2011-2012	26	1.020	27	3.457
2012-2013	40	1.046	42	5.458
2013-2014	18	1.083	19	2.519
2014-2015	19	1.137	22	2.980
2015-2016	18	1.251	23	3.253
2016-2017	17	1.751	30	4.369
2017-2018	1	13.133	13	1.990
Total	268		306	3.996

Notes:

- (A) Provided by the Group.
- (B) From Appendix D - GL, Page 7.
- (C) (A) x (B).
- (D) (C) / [Appendix D - GL, Page 3, (D)] x [Appendix D - GL, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on closed claims as provided by the Group. 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.

Santa Clara County Schools Insurance Group - Liability
Reported Claim Count Development

Claims Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						43	43	43	43	43
2009-2010					41	41	41	41	41	41
2010-2011				45	45	45	45	45		
2011-2012			26	26	26	26	26			
2012-2013		36	41	40	40	40				
2013-2014	7	23	20	20	21					
2014-2015	10	24	23	23						
2015-2016	12	27	30							
2016-2017	16	28								
2017-2018	17									

Reported Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000	1.000				
2012-2013		1.139	0.976	1.000	1.000					
2013-2014	3.286	0.870	1.000	1.050						
2014-2015	2.400	0.958	1.000							
2015-2016	2.250	1.111								
2016-2017	1.750									
Average Claim-Weighted Averages	2.422	1.020	0.994	1.013	1.000	1.000	1.000	1.000	1.000	
3-yr	2.079	0.986	0.988	1.012	1.000	1.000	1.000			
4-yr	2.267	1.036	0.991	1.008	1.000	1.000				
Comparative Factors	2.633	1.136	1.018	1.005	1.005	1.004	1.004	1.002	1.002	1.001
Prior	2.500	1.010	1.005	1.001	1.000	1.000	1.000	1.000	1.000	
Selected	2.500	1.010	1.005	1.001	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	2.540	1.016	1.006	1.001	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Liability
Closed Claim Development

Claims Closed as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						43	43	43	43	43
2009-2010					37	39	41	41	41	
2010-2011				43	44	45	45	45		
2011-2012			23	24	25	26	26			
2012-2013		29	34	37	40	40				
2013-2014		12	17	17	18					
2014-2015	2	15	17	19						
2015-2016	1	15	18							
2016-2017	2	17								
2017-2018	1									

Closed Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.054	1.051	1.000	1.000		
2010-2011				1.023	1.023	1.000	1.000			
2011-2012			1.043	1.042	1.040	1.000				
2012-2013		1.172	1.088	1.081	1.000					
2013-2014		1.417	1.000	1.059						
2014-2015	7.500	1.133	1.118							
2015-2016	15.000	1.200								
2016-2017	8.500									
Average Claim-Weighted Averages	10.333	1.231	1.062	1.051	1.029	1.013	1.000	1.000	1.000	
3-yr	9.400	1.238	1.074	1.064	1.018	1.018	1.000			
4-yr		1.211	1.066	1.050	1.027	1.013				
Comparative Factors	3.387	1.495	1.122	1.051	1.033	1.020	1.012	1.010	1.007	1.025
Prior	3.000	1.400	1.100	1.050	1.035	1.025	1.005	1.003	1.012	
Selected	7.500	1.400	1.100	1.050	1.035	1.025	1.005	1.003	1.002	1.010
Cumulated	13.133	1.751	1.251	1.137	1.083	1.046	1.020	1.015	1.012	1.010

Santa Clara County Schools Insurance Group - Liability

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2017-2018 Loss Rate Level (B)	Factor to 2018-2019 Loss Rate Level (C)	Factor to 2019-2020 Loss Rate Level (D)	Factor to 2020-2021 Loss Rate Level (E)	Factor to 2017-2018 Frequency Level (F)	Factor to 2018-2019 Frequency Level (G)	Factor to 2019-2020 Frequency Level (H)	Factor to 2020-2021 Frequency Level (I)	Factor to 2017-2018 Severity Level (J)
1996-1997	1.000	1.083	1.087	1.092	1.096	0.589	0.574	0.560	0.546	1.862
1997-1998	1.000	1.079	1.083	1.088	1.092	0.604	0.589	0.574	0.560	1.808
1998-1999	1.000	1.075	1.079	1.084	1.088	0.619	0.604	0.589	0.574	1.755
1999-2000	1.000	1.071	1.075	1.080	1.084	0.635	0.619	0.604	0.589	1.704
2000-2001	1.000	1.067	1.071	1.076	1.080	0.652	0.635	0.619	0.604	1.654
2001-2002	1.000	1.063	1.067	1.072	1.076	0.668	0.651	0.635	0.619	1.606
2002-2003	1.000	1.059	1.063	1.068	1.072	0.685	0.668	0.651	0.635	1.559
2003-2004	1.000	1.055	1.060	1.064	1.068	0.702	0.685	0.668	0.651	1.513
2004-2005	1.000	1.051	1.056	1.060	1.064	0.721	0.702	0.685	0.668	1.469
2005-2006	1.000	1.047	1.052	1.056	1.060	0.739	0.720	0.703	0.685	1.426
2006-2007	1.000	1.043	1.048	1.052	1.056	0.758	0.739	0.721	0.703	1.385
2007-2008	1.000	1.040	1.044	1.048	1.052	0.778	0.758	0.739	0.721	1.345
2008-2009	1.000	1.036	1.040	1.044	1.048	0.797	0.777	0.758	0.739	1.306
2009-2010	1.000	1.032	1.036	1.040	1.044	0.818	0.797	0.777	0.758	1.267
2010-2011	1.000	1.028	1.032	1.036	1.040	0.838	0.817	0.797	0.777	1.231
2011-2012	1.000	1.024	1.028	1.032	1.036	0.860	0.838	0.817	0.797	1.195
2012-2013	1.000	1.020	1.024	1.028	1.032	0.881	0.859	0.838	0.817	1.160
2013-2014	1.000	1.016	1.020	1.024	1.028	0.904	0.881	0.859	0.838	1.126
2014-2015	1.000	1.012	1.016	1.020	1.024	0.927	0.903	0.881	0.859	1.093
2015-2016	1.000	1.008	1.012	1.016	1.020	0.950	0.926	0.904	0.881	1.061
2016-2017	1.000	1.004	1.008	1.012	1.016	0.975	0.951	0.927	0.904	1.030
2017-2018	1.000	1.000	1.004	1.008	1.012	1.000	0.975	0.951	0.927	1.000
2018-2019	1.000	--	1.000	1.004	1.008	--	1.000	0.975	0.951	--
2019-2020	1.000	--	--	1.000	1.004	--	--	1.000	0.975	--
2020-2021	1.000	--	--	--	1.000	--	--	--	1.000	--

Notes:

- (A) No benefit level adjustment applied.
- (B) - (E) (A) adjusted for a 0.4% annual loss rate trend.
- (F) - (I) (A) adjusted for a -2.5% annual frequency trend.
- (J) (A) adjusted for a 3.0% annual severity trend.

This exhibit shows the calculation of the ways in which we expect claims costs to have changed over the past twenty years due to changes in inflation.

Santa Clara County Schools Insurance Group - Liability

Residual Trend Factors

Accident Year	Initial Estimate of Ultimate Limited Losses (A)	Ultimate Reported Claims (B)	BLF (C)	Adjusted Limited Severity (D)	ADA (E)	Ultimate Frequency (F)
2008-2009	190,591	43	1.000	4,432	65,974	6.518
2009-2010	977,633	41	1.000	23,845	66,915	6.127
2010-2011	500,472	45	1.000	11,122	67,335	6.683
2011-2012	319,340	26	1.000	12,282	67,177	3.870
2012-2013	257,795	40	1.000	6,445	67,793	5.900
2013-2014	318,000	21	1.000	15,143	68,189	3.080
2014-2015	492,000	23	1.000	21,391	68,425	3.361
2015-2016	620,000	30	1.000	20,667	67,179	4.466
2016-2017	312,000	28	1.000	11,143	66,942	4.183

	<u>Severity Trend Factors</u>	<u>Frequency Trend Factors</u>
Latest 8 x 2016-2017	1.133	0.914
Latest 5 x 2016-2017	1.251	0.973
Prior	1.030	0.975
Default	1.030	0.975
Selected Residual Trend	1.030	0.975

Notes:

- (A) Selected average of results from Appendix A - GL and Appendix B - GL.
- (B) Appendix D - GL, Page 3, Column (C).
- (C) Appendix E - GL, Page 1, (A).
- (D) $(A) \times (C) / (B)$.
- (E) From Appendix L - GL, Column (C).
- (F) $(B) / (E) \times 10,000$.

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2017</u>	<u>Calendar Period</u>	
		<u>1/1/2018</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
2008-2009			
Ultimate Loss	\$190,591	\$190,591	\$190,591
Paid in Calendar Period	-		
Paid to Date	190,591	190,591	190,591
Outstanding Liability			
2009-2010			
Ultimate Loss	\$977,633	\$977,633	\$977,633
Paid in Calendar Period	-		
Paid to Date	977,633	977,633	977,633
Outstanding Liability			
2010-2011			
Ultimate Loss	\$500,472	\$500,472	\$500,472
Paid in Calendar Period	-		
Paid to Date	500,472	500,472	500,472
Outstanding Liability			
2011-2012			
Ultimate Loss	\$319,340	\$319,340	\$319,340
Paid in Calendar Period	-		
Paid to Date	319,340	319,340	319,340
Outstanding Liability			
2012-2013			
Ultimate Loss	\$257,795	\$257,795	\$257,795
Paid in Calendar Period	-		
Paid to Date	257,795	257,795	257,795
Outstanding Liability			
2013-2014			
Ultimate Loss	\$318,000	\$318,000	\$318,000
Paid in Calendar Period	-	9,635	12,471
Paid to Date	287,511	297,146	309,617
Outstanding Liability	30,489	20,854	8,383
2014-2015			
Ultimate Loss	\$493,000	\$493,000	\$493,000
Paid in Calendar Period	-	52,943	70,924
Paid to Date	330,097	383,040	453,964
Outstanding Liability	162,903	109,960	39,036
2015-2016			
Ultimate Loss	\$618,000	\$618,000	\$618,000
Paid in Calendar Period	-	105,314	157,425
Paid to Date	245,864	351,178	508,603
Outstanding Liability	372,136	266,822	109,397

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2017</u>	<u>Calendar Period</u>	
		<u>1/1/2018</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
2016-2017			
Ultimate Loss	\$346,000	\$346,000	\$346,000
Paid in Calendar Period	-	84,482	117,706
Paid to Date	59,621	144,103	261,809
Outstanding Liability	286,379	201,897	84,191
2017-2018			
Ultimate Loss	\$252,000	\$503,000	\$503,000
Paid in Calendar Period	-	56,466	168,958
Paid to Date	7,682	64,148	233,106
Outstanding Liability	244,318	438,852	269,894
2018-2019			
Ultimate Loss	-	-	\$504,000
Paid in Calendar Period	-	-	71,568
Paid to Date	-	-	71,568
Outstanding Liability	-	-	432,432
Totals			
Ultimate Loss	\$4,272,831	\$4,523,831	\$5,027,831
Paid in Calendar Period	-	308,840	599,052
Paid to Date	3,176,606	3,485,446	4,084,498
Outstanding Liability	1,096,225	1,038,385	943,333

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

Notes to previous page:

- Accident Year is associated with date of loss. Calendar Period is associated with date of transaction. For example, for the losses which occurred during 2015-2016, \$105,314 is expected to be paid between 1/1/18 and 6/30/18, \$351,178 will have been paid by 6/30/18, and the reserve for remaining payments on these claims should be \$266,822.
- Ultimate Losses for each accident year are from Exhibit 4 - GL, Page 1.
- Paid in Calendar Period is a proportion of the Outstanding Liability from the previous calendar period. These proportions are derived from the paid loss development pattern selected in Appendix B. For example, $\$157,425 = \$266,822 \times 59.0\%$.
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, $\$508,603 = \$157,425 + \$351,178$.
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, $\$266,822 = \$618,000 - \$351,178$.

This exhibit shows the calculation of the liability for outstanding claims as of the date of evaluation, the end of the current fiscal year, and the end of the coming fiscal year. It also shows the expected claims payout during the remainder of the current fiscal year and the coming fiscal year. Refer to the Totals at the end of the exhibit for the balance sheet information. The top parts of the exhibit show information for each program year.

Santa Clara County Schools Insurance Group - Liability

Short- and Long-Term Liabilities

<u>Liabilities as of 12/31/17:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$502,690	\$497,737
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$502,690</u>	<u>\$497,737</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$593,535	\$568,722
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$593,535</u>	<u>\$568,722</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,096,225	\$1,066,459
	ULAE:	0	0
	Total Loss and LAE:	<u>\$1,096,225</u>	<u>\$1,066,459</u>
<u>Liabilities as of 6/30/18:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$527,484	\$522,287
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$527,484</u>	<u>\$522,287</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$510,901	\$488,972
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$510,901</u>	<u>\$488,972</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,038,385	\$1,011,259
	ULAE:	0	0
	Total Loss and LAE:	<u>\$1,038,385</u>	<u>\$1,011,259</u>

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 12/31/17:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$561,945	\$589,818	\$623,167	\$663,981	\$718,234
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$561,945</u>	<u>\$589,818</u>	<u>\$623,167</u>	<u>\$663,981</u>	<u>\$718,234</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$642,087	\$673,936	\$712,040	\$758,675	\$820,666
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$642,087</u>	<u>\$673,936</u>	<u>\$712,040</u>	<u>\$758,675</u>	<u>\$820,666</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,204,032	\$1,263,754	\$1,335,207	\$1,422,656	\$1,538,900
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$1,204,032</u>	<u>\$1,263,754</u>	<u>\$1,335,207</u>	<u>\$1,422,656</u>	<u>\$1,538,900</u>
<u>Liabilities as of 6/30/18:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$589,662	\$618,910	\$653,903	\$696,731	\$753,660
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$589,662</u>	<u>\$618,910</u>	<u>\$653,903</u>	<u>\$696,731</u>	<u>\$753,660</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$552,049	\$579,432	\$612,193	\$652,289	\$705,587
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$552,049</u>	<u>\$579,432</u>	<u>\$612,193</u>	<u>\$652,289</u>	<u>\$705,587</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,141,711	\$1,198,342	\$1,266,096	\$1,349,020	\$1,459,247
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$1,141,711</u>	<u>\$1,198,342</u>	<u>\$1,266,096</u>	<u>\$1,349,020</u>	<u>\$1,459,247</u>

Note: Current (short term) liabilities are the portion of the total estimated liability shown on Appendix F - GL that is expected to be paid out within the coming year. Totals may vary from Exhibit 1 - GL, due to rounding.

Santa Clara County Schools Insurance Group - Liability

Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 12/31/17 (A)	Discount Factor (B)	Discounted Reserve at 12/31/17 (C)	Full Value of Reserve at 6/30/18 (D)	Discount Factor (E)	Discounted Reserve at 6/30/18 (F)
2008-2009	0	0.804	0	0	0.812	0
2009-2010	0	0.841	0	0	0.796	0
2010-2011	0	0.913	0	0	0.885	0
2011-2012	0	0.953	0	0	0.941	0
2012-2013	0	0.968	0	0	0.964	0
2013-2014	30,489	0.975	29,712	20,854	0.972	20,271
2014-2015	162,903	0.977	159,146	109,960	0.977	107,428
2015-2016	372,136	0.977	363,492	266,822	0.977	260,660
2016-2017	286,379	0.973	278,749	201,897	0.977	197,180
2017-2018	244,318	0.963	235,360	438,852	0.970	425,720
Totals	\$1,096,225		\$1,066,459	\$1,038,385		\$1,011,259

(G) Discount Factor at 12/31/17 for Overall Reserve: 0.973
(H) Discount Factor at 6/30/18 for Overall Reserve: 0.974

Notes:

- (A) From Appendix F - GL, Outstanding Liability at 12/31/17.
- (B) Based on Appendix H - GL, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix F - GL, Outstanding Liability at 6/30/18.
- (E) Based on Appendix H - GL, Page 2, Column (E).
- (F) (D) x (E).
- (G) Total of (C) / Total of (A).
- (H) Total of (F) / Total of (D).

This exhibit shows the expected impact of anticipated investment income on the liability for outstanding claims at the date of evaluation and the end of the current fiscal year. For example, if the discount factor in item (G) is 0.973, the discounted liability for outstanding claims is 97.3% of the full value.

Santa Clara County Schools Insurance Group - Liability

Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Return on Investment (C)	Discounted Reserves (D)	Undiscounted Reserves (E)	Discount Factor (F)	
22	0.0%	2.0%	0.000	0.000	1.000	
21	0.1%	2.0%	0.001	0.001	0.990	
20	0.0%	2.0%	0.001	0.001	0.971	
19	0.0%	2.0%	0.001	0.001	0.952	
18	0.0%	2.0%	0.001	0.001	0.933	
17	0.0%	2.0%	0.001	0.001	0.915	
16	0.0%	2.0%	0.001	0.001	0.897	
15	0.0%	2.0%	0.001	0.001	0.879	
14	0.0%	2.0%	0.001	0.001	0.862	
13	0.0%	2.0%	0.001	0.001	0.845	
12	0.0%	2.0%	0.001	0.001	0.829	
11	0.0%	2.0%	0.001	0.001	0.812	
10	0.0%	2.0%	0.001	0.001	0.796	
9	0.1%	2.0%	0.002	0.002	0.885	
8	0.3%	2.0%	0.005	0.005	0.941	
7	0.8%	2.0%	0.012	0.013	0.964	
6	1.9%	2.0%	0.031	0.032	0.972	
5	5.8%	2.0%	0.088	0.090	0.977	
4	13.0%	2.0%	0.215	0.220	0.977	
3	30.7%	2.0%	0.515	0.527	0.977	
2	33.1%	2.0%	0.833	0.858	0.970	
1	14.2%	2.0%	0.957	1.000	0.957	
(G) Discount Factor for Future Funding:						
					2017-2018	0.966
					2018-2019	0.966

Notes:

- (A) This is the year of payment relative to the accident year. For example, year 7 refers to payments made in the seventh year after the inception of the accident year. We assume that payments are made at midyear.
- (B) Percent of ultimate loss paid this year. This payment pattern is based on the paid loss development pattern selected in Appendix B - GL, Page 2.
- (C) Assumed Investment Income Rates.
- (D) Discounted Reserves at the beginning of this year is next year's Discounted Reserves discounted one year plus this year's payments discounted six months. For example, in year 2, 83.3% = $[51.5\% / 1.020] + [33.1\% / (1.010)]$.
- (E) Summation of future (B) values. This is the percent of ultimate loss unpaid at the beginning of the year.
- (F) (D) / (E).
- (G) (F) at year 1, with interest accumulated for six months. We assume that the required funding is deposited at the middle of the first year.

This exhibit shows the calculation of the effect of anticipated investment income on future claims costs. Thus, if the discount factor in item (F) is 0.97, on a discounted basis, \$0.97 must be budgeted for every \$1 that will actually be paid on claims that will be incurred in the next fiscal year.

Santa Clara County Schools Insurance Group - Liability

Confidence Level Table

Probability	Projected Losses	Outstanding Losses
95%	1.997	1.623
90%	1.699	1.443
85%	1.520	1.334
80%	1.386	1.252
75%	1.279	1.185
70%	1.189	1.129
65%	1.109	1.079
60%	1.037	1.033
55%	0.971	0.991
50%	0.908	0.951
45%	0.850	0.913
40%	0.792	0.875
35%	0.735	0.838
30%	0.678	0.800
25%	0.619	0.760

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 1.699 times the average expected amount of losses.

This exhibit shows the loads that must be applied to bring estimated losses at the expected level to the various indicated confidence levels.

Santa Clara County Schools Insurance Group - Liability

Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
7/1/2008	6/30/2009	2008-2009	100,000	(none)
7/1/2009	6/30/2010	2009-2010	100,000	(none)
7/1/2010	6/30/2011	2010-2011	100,000	(none)
7/1/2011	6/30/2012	2011-2012	100,000	(none)
7/1/2012	6/30/2013	2012-2013	100,000	(none)
7/1/2013	6/30/2014	2013-2014	100,000	(none)
7/1/2014	6/30/2015	2014-2015	100,000	(none)
7/1/2015	6/30/2016	2015-2016	100,000	(none)
7/1/2016	6/30/2017	2016-2017	100,000	(none)
7/1/2017	6/30/2018	2017-2018	100,000	(none)
7/1/2018	6/30/2019	2018-2019	100,000	(none)
Third Party Claims Administrator			Begin Date	End Date
ASCIP			7/1/2008	Current

This exhibit summarizes some of the key facts about the history of the program.

Santa Clara County Schools Insurance Group - Liability

Incurred Losses as of 12/31/17

Accident Year (A)	Unlimited Incurred (B)	Subtractions from Losses (C)	Subtractions from Losses (D)	Adjusted Incurred (E)	Incurred Over SIR (F)	Incurred Over \$100,000 (G)	Incurred Capped at \$100,000 (H)	Incurred \$100,000 to SIR Layer (I)	Incurred Capped at SIR (J)	Incurred Capped at SIR & Aggregate (K)
2008-2009	\$243,145	\$28,564	\$23,990	\$190,591	\$0	\$0	\$190,591	\$0	\$190,591	\$190,591
2009-2010	1,503,518	13,038	120,107	1,370,373	392,740	392,740	977,633	0	977,633	977,633
2010-2011	845,945	29,567	102,748	713,630	213,157	213,157	500,472	0	500,472	500,472
2011-2012	474,766	5,077	0	469,689	150,349	150,349	319,340	0	319,340	319,340
2012-2013	536,652	57,760	34,792	444,100	186,305	186,305	257,795	0	257,795	257,795
2013-2014	410,630	3,947	5,753	400,931	85,000	85,000	315,931	0	315,931	315,931
2014-2015	9,152,774	9,686	4,513	9,138,575	8,654,442	8,654,442	484,133	0	484,133	484,133
2015-2016	964,919	50,299	35,299	879,321	283,966	283,966	595,355	0	595,355	595,355
2016-2017	319,718	47,044	6,553	266,121	0	0	266,121	0	266,121	266,121
2017-2018	333,227	4,067	0	329,160	170,000	170,000	159,160	0	159,160	159,160
Total	\$14,785,296	\$249,049	\$333,756	\$14,202,490	\$10,135,959	\$10,135,959	\$4,066,531	\$0	\$4,066,531	\$4,066,531

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Amount over SIR for Claims with SIR < \$100,000.
- (D) Subrogation recoveries.
- (E) (B) - (C) - (D).
- (F) Sum of incurred losses in excess of SIR.
- (G) Sum of incurred losses in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J - GL.

Santa Clara County Schools Insurance Group - Liability

Paid Losses as of 12/31/17

Accident Year (A)	Unlimited Paid (B)	Subtractions from Losses (C)	Subtractions from Losses (D)	Adjusted Paid (E)	Paid Over SIR (F)	Paid Over \$100,000 (G)	Paid Capped at \$100,000 (H)	Paid \$100,000 to SIR Layer (I)	Paid Capped at SIR (J)	Paid Capped at SIR & Aggregate (K)
2008-2009	\$243,145	\$28,564	\$23,990	\$190,591	\$0	\$0	\$190,591	\$0	\$190,591	\$190,591
2009-2010	1,503,518	13,038	120,107	1,370,373	392,740	392,740	977,633	0	977,633	977,633
2010-2011	845,945	29,567	102,748	713,630	213,157	213,157	500,472	0	500,472	500,472
2011-2012	474,766	5,077	0	469,689	150,349	150,349	319,340	0	319,340	319,340
2012-2013	536,652	57,760	34,792	444,100	186,305	186,305	257,795	0	257,795	257,795
2013-2014	356,292	3,947	5,753	346,592	59,082	59,082	287,511	0	287,511	287,511
2014-2015	8,902,452	9,686	4,513	8,888,254	8,558,156	8,558,156	330,097	0	330,097	330,097
2015-2016	389,269	46,412	35,299	307,558	61,693	61,693	245,864	0	245,864	245,864
2016-2017	112,660	46,486	6,553	59,621	0	0	59,621	0	59,621	59,621
2017-2018	10,915	3,233	0	7,682	0	0	7,682	0	7,682	7,682
Total	\$13,375,615	\$243,770	\$333,756	\$12,798,089	\$9,621,482	\$9,621,482	\$3,176,607	\$0	\$3,176,607	\$3,176,607

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Amount over SIR for Claims with SIR < \$100,000.
- (D) Subrogation recoveries.
- (E) (B) - (C) - (D).
- (F) Sum of paid losses in excess of SIR.
- (G) Sum of paid losses in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J - GL.

Santa Clara County Schools Insurance Group - Liability

Case Reserves as of 12/31/17

Accident Year (A)	Unlimited Reserves (B)	Subtractions from Losses (C)	Subtractions from Losses (D)	Adjusted Reserves (E)	Reserves Over SIR (F)	Reserves Over \$100,000 (G)	Reserves Capped at \$100,000 (H)	Reserves \$100,000 to SIR Layer (I)	Reserves Capped at SIR (J)	Reserves Capped at SIR & Aggregate (K)
2008-2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2009-2010	0	0	0	0	0	0	0	0	0	0
2010-2011	0	0	0	0	0	0	0	0	0	0
2011-2012	0	0	0	0	0	0	0	0	0	0
2012-2013	0	0	0	0	0	0	0	0	0	0
2013-2014	54,338	0	0	54,338	25,918	25,918	28,420	0	28,420	28,420
2014-2015	250,322	0	0	250,322	96,285	96,285	154,036	0	154,036	154,036
2015-2016	575,651	3,887	0	571,764	222,273	222,273	349,491	0	349,491	349,491
2016-2017	207,058	558	0	206,500	0	0	206,500	0	206,500	206,500
2017-2018	322,312	834	0	321,478	170,000	170,000	151,478	0	151,478	151,478
Total	\$1,409,680	\$5,279	\$0	\$1,404,401	\$514,476	\$514,476	\$889,925	\$0	\$889,925	\$889,925

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Appendix K - GL, Page 1, Column (B) - Appendix K - GL, Page 2, Column (B).
- (C) Appendix K - GL, Page 1, Column (C) - Appendix K - GL, Page 2, Column (C).
- (D) Appendix K - GL, Page 1, Column (D) - Appendix K - GL, Page 2, Column (D).
- (E) (B) - (C) - (D).
- (F) Sum of case reserves in excess of SIR.
- (G) Sum of case reserves in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J - GL.

Santa Clara County Schools Insurance Group - Liability

Claim Counts as of 12/31/17

Accident Year (A)	Reported Claims (B)	Additions to Reported Claims (C)	Subtractions from Reported Claims (D)	Adjusted Reported Claims (E)	Closed Claims (F)	Additions to Closed Claims (G)	Subtractions from Closed Claims (H)	Adjusted Closed Claims (I)	Open Claims (J)	Adjusted Open Claims (K)
2008-2009	43	0	0	43	43	0	0	43	0	0
2009-2010	41	0	0	41	41	0	0	41	0	0
2010-2011	45	0	0	45	45	0	0	45	0	0
2011-2012	26	0	0	26	26	0	0	26	0	0
2012-2013	40	0	0	40	40	0	0	40	0	0
2013-2014	21	0	0	21	18	0	0	18	3	3
2014-2015	23	0	0	23	19	0	0	19	4	4
2015-2016	30	0	0	30	18	0	0	18	12	12
2016-2017	28	0	0	28	17	0	0	17	11	11
2017-2018	17	0	0	17	1	0	0	1	16	16
Total	314	0	0	314	268	0	0	268	46	46

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C)
- (D)
- (E) (B) + (C) - (D).
- (F) Provided by the Group.
- (G)
- (H)
- (I) (F) + (G) - (H).
- (J) (B) - (F).
- (K) (E) - (I).

Santa Clara County Schools Insurance Group - Liability

Exposure Measures

Accident Year	ADA (A)	Inflation Trend Factor (B)	ADA (C)
2008-2009	65,974	1.000	65,974
2009-2010	66,915	1.000	66,915
2010-2011	67,335	1.000	67,335
2011-2012	67,177	1.000	67,177
2012-2013	67,793	1.000	67,793
2013-2014	68,189	1.000	68,189
2014-2015	68,425	1.000	68,425
2015-2016	67,179	1.000	67,179
2016-2017	66,942	1.000	66,942
2017-2018	65,323	1.000	65,323
2018-2019	65,203	1.000	65,203

Notes:

- (A) Provided by the Group.
- (B) Based on WCIRB.
- (C) (A) x (B).

Santa Clara County Schools Insurance Group - Property

Funding Guidelines for Outstanding Liabilities at
December 31, 2017

(A) Estimated Ultimate Losses Incurred through 12/31/17: (From Appendix F - PR)	\$1,906,000
(B) Estimated Paid Losses through 12/31/17: (From Appendix F - PR)	1,615,000
(C) Estimated Liability for Claims Outstanding at 12/31/17: (From Appendix F - PR)	<u>\$291,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/17: (Not Applicable)	0
(E) Total Outstanding Liability for Claims at 12/31/17: ((C) + (D))	<u>\$291,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 1, (G))	0.985
(G) Discounted Outstanding Liability for Claims at 12/31/17: ((E) x (F))	<u>\$286,000</u>

	<u>Marginally Acceptable</u>	<u>75%</u>	<u>Recommended</u>	<u>85%</u>	<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - PR)	1.201	1.295	1.406	1.544	1.727
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	57,000	84,000	116,000	156,000	208,000
(J) Total Required Assets at 12/31/17: ((G) + (I))	<u>\$343,000</u>	<u>\$370,000</u>	<u>\$402,000</u>	<u>\$442,000</u>	<u>\$494,000</u>

Santa Clara County Schools Insurance Group - Property

Funding Guidelines for Outstanding Liabilities at
June 30, 2018

(A) Estimated Ultimate Losses Incurred through 6/30/18: (From Appendix F - PR)	\$2,033,000
(B) Estimated Paid Losses through 6/30/18: (From Appendix F - PR)	1,785,000
(C) Estimated Liability for Claims Outstanding at 6/30/18: (From Appendix F - PR)	<u>\$248,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/18: (Not Applicable)	0
(E) Total Outstanding Liability for Claims at 6/30/18: ((C) + (D))	<u>\$248,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 1, (H))	0.986
(G) Discounted Outstanding Liability for Claims at 6/30/18: ((E) x (F))	<u>\$245,000</u>

	Marginally Acceptable	75%	Recommended	85%	Conservative
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - PR)	1.201	1.295	1.406	1.544	1.727
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	49,000	72,000	99,000	133,000	178,000
(J) Total Required Assets at 6/30/18: ((G) + (I))	<u>\$294,000</u>	<u>\$317,000</u>	<u>\$344,000</u>	<u>\$378,000</u>	<u>\$423,000</u>

Santa Clara County Schools Insurance Group - Property
Funding Options for Program Year 2018-2019 (SIR = \$100,000)

	Dollar Amount	TIV Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Appendix F - PR)	\$263,000	\$0.115			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Not Applicable)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$263,000</u>	<u>\$0.115</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 2, (G))	0.989				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	<u>\$260,000</u>	<u>\$0.114</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%		75%	80%	85%
	90%				
(F) Confidence Level Factor: (From Appendix I - PR)	1.217		1.325	1.453	1.614
					1.829
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	56,000		85,000	118,000	160,000
					216,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$316,000</u>		<u>\$345,000</u>	<u>\$378,000</u>	<u>\$420,000</u>
					<u>\$476,000</u>
(I) Rate per \$1,000 of TIV: ((H) / \$2,288,977)	\$0.138		\$0.151	\$0.165	\$0.183
					\$0.208

TIV rates are per thousand dollars of 2018-2019 TIV of \$2,288,977,000.

Santa Clara County Schools Insurance Group - Property
Funding Options for Program Year 2018-2019 (SIR = \$250,000)

	Dollar Amount	TIV Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Exhibit 5 - PR, Page 1)	\$348,000	\$0.152			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Not Applicable)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$348,000</u>	<u>\$0.152</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 2, (G))	0.989				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	<u>\$344,000</u>	<u>\$0.150</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I - PR)	1.217	1.325	1.453	1.614	1.829
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	75,000	112,000	156,000	211,000	285,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$419,000</u>	<u>\$456,000</u>	<u>\$500,000</u>	<u>\$555,000</u>	<u>\$629,000</u>
(I) Rate per \$1,000 of TIV: ((H) / \$2,288,977)	\$0.183	\$0.199	\$0.218	\$0.242	\$0.275

TIV rates are per thousand dollars of 2018-2019 TIV of \$2,288,977,000.

Santa Clara County Schools Insurance Group - Property
Funding Options for Program Year 2018-2019 (SIR = \$500,000)

	Dollar Amount	TIV Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Exhibit 5 - PR, Page 1)	\$401,000	\$0.175			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (Not Applicable)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$401,000</u>	<u>\$0.175</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 2, (G))	0.989				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	<u>\$396,000</u>	<u>\$0.173</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I - PR)	1.217	1.325	1.453	1.614	1.829
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	86,000	129,000	179,000	243,000	328,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$482,000</u>	<u>\$525,000</u>	<u>\$575,000</u>	<u>\$639,000</u>	<u>\$724,000</u>
(I) Rate per \$1,000 of TIV: ((H) / \$2,288,977)	\$0.211	\$0.229	\$0.251	\$0.279	\$0.316

TIV rates are per thousand dollars of 2018-2019 TIV of \$2,288,977,000.

Santa Clara County Schools Insurance Group - Property

IBNR as of 6/30/18 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/17 (B)	Estimated IBNR as of 12/31/17 (C)	Estimated Percent of IBNR Reported Between 1/1/18 and 6/30/18 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/18 (F)
2008-2009	347,669	347,669	0	100.0%	0	0
2009-2010	331,278	331,278	0	100.0%	0	0
2010-2011	370,502	370,502	0	100.0%	0	0
2011-2012	43,519	43,519	0	100.0%	0	0
2012-2013	84,769	84,769	0	100.0%	0	0
2013-2014	21,756	21,756	0	100.0%	0	0
2014-2015	282,415	282,415	0	100.0%	0	0
2015-2016	116,000	115,000	1,000	100.0%	1,000	0
2016-2017	180,000	175,119	4,881	39.4%	2,000	2,881
2017-2018	255,000	122,090	5,910	48.2%	64,000	68,910
Totals	\$2,032,908	\$1,894,117	\$11,791		\$67,000	\$71,791

Notes:

- (A) From Exhibit 4 - PR, Page 1.
- (B) Provided by the Group. These losses exclude amounts incurred above the Group's SIR for each year.
- (C) (A) - (B).
- (D) Percentage of incurred but not reported (IBNR) expected to be reported between 1/1/18 and 6/30/18. The percentage is based on the development pattern selected in Appendix A - PR.
- (E) ((A) - (B)) x (D).
- (F) (A) - (B) - (E).

This exhibit shows the calculation of the amount of incurred but not reported losses we expect as of 6/30/18. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

Santa Clara County Schools Insurance Group - Property

Estimated Ultimate Program Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Estimate of Ultimate Losses (F)
2008-2009	347,669	347,669	347,669	347,669	347,670	347,669
2009-2010	331,278	331,278	331,278	331,278	331,275	331,278
2010-2011	370,502	370,502	370,502	370,502	370,500	370,502
2011-2012	43,519	43,519	43,519	43,519	43,520	43,519
2012-2013	84,769	84,769	84,769	84,769	182,331	84,769
2013-2014	21,756	21,756	21,756	21,756	41,740	21,756
2014-2015	282,415	285,239	282,415	284,578	322,500	282,415
2015-2016	115,575	103,000	116,136	106,590	44,298	116,000
2016-2017	179,497	34,295	180,649	58,807	228,160	180,000
2017-2018	369,200	21,191	277,595	201,597	235,000	255,000
Totals						\$2,032,908
						Projected Losses for the Year 2017-2018 (G) \$255,000
						Projected Losses for the Year 2018-2019 (H) \$263,000

Notes:

- (A) From Appendix A - PR, Page 1, Column (G).
- (B) From Appendix B - PR, Page 1, Column (G).
- (C) From Appendix C - PR, Page 1, Column (G).
- (D) From Appendix C - PR, Page 2, Column (G).
- (E) From Appendix D - PR, Page 1, Column (C).
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 5 - PR, Page 1, Line (K).
- (H) From Exhibit 5 - PR, Page 1, Line (K).

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

Santa Clara County Schools Insurance Group - Property
Estimated Ultimate Limited Losses Capped at \$100,000 per Claim

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Ultimate Limited Losses (F)
2008-2009	347,669	347,669	347,669	347,669	347,670	347,669
2009-2010	331,278	331,278	331,278	331,278	331,275	331,278
2010-2011	370,502	370,502	370,502	370,502	370,500	370,502
2011-2012	43,519	43,519	43,519	43,519	43,520	43,519
2012-2013	84,769	84,769	84,769	84,769	182,331	84,769
2013-2014	21,756	21,756	21,756	21,756	41,740	21,756
2014-2015	282,415	285,239	282,415	284,578	322,500	282,415
2015-2016	115,575	103,000	116,136	106,590	44,298	116,000
2016-2017	179,497	34,295	180,649	58,807	228,160	180,000
2017-2018	369,200	21,191	277,595	201,597	235,000	255,000
Totals						\$2,032,908
						Projected Losses for the Year 2017-2018 (G) \$255,000
						Projected Losses for the Year 2018-2019 (H) \$263,000

Notes:

- (A) From Appendix A - PR, Page 1, Column (D).
- (B) From Appendix B - PR, Page 1, Column (D).
- (C) Based on results in Appendix C - PR, Page 1.
- (D) Based on results in Appendix C - PR, Page 2.
- (E) Based on results in Appendix D - PR, Page 1.
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 5 - PR, Page 1, Line (K) / Line (G).
- (H) From Exhibit 5 - PR, Page 1, Line (K) / Line (G).

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.

Santa Clara County Schools Insurance Group - Property

Selection of Projected Limited Loss Rate
and Projection of Program Losses and ALAE

Accident Year	Ultimate Limited Losses (A)	Trend Factor (B)	Trended Limited Losses (C)	Trended TIV (\$000) (D)	Trended Limited Loss Rate (E)
2008-2009	347,669	1.036	360,185	2,035,858	0.177
2009-2010	331,278	1.032	341,879	2,006,828	0.170
2010-2011	370,502	1.028	380,876	1,975,416	0.193
2011-2012	43,519	1.024	44,563	1,942,898	0.023
2012-2013	84,769	1.020	86,464	1,983,867	0.044
2013-2014	21,756	1.016	22,104	2,055,870	0.011
2014-2015	282,415	1.012	285,804	2,079,999	0.137
2015-2016	116,000	1.008	116,928	2,184,948	0.054
2016-2017	180,000	1.004	180,720	2,194,525	0.082
2017-2018	255,000	1.000	255,000	2,213,752	0.115
Totals	\$2,032,908		\$2,074,523	20,673,961	\$0.100
11/12-15/16	548,459		555,863	10,247,582	0.054
14/15-16/17	578,415		583,452	6,459,472	0.090
			(F) Selected Limited Rate:		\$0.115
			Prior:		\$0.100
Program Year:		2017-2018	\$100,000 SIR 2018-2019	\$250,000 SIR 2018-2019	\$500,000 SIR 2018-2019
(G) Factor to SIR:		1.000	1.000	1.313	1.519
(H) Trend Factor:		1.000	1.004	1.004	1.004
(I) Program Rate:		\$0.115	\$0.115	\$0.152	\$0.175
(J) Trended TIV (\$000):		2,213,752	2,288,977	2,288,977	2,288,977
(K) Projected Program Losses:		255,000	263,000	348,000	401,000

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Property

Selection of Projected Limited Loss Rate
and Projection of Program Losses and ALAE

Notes:

- (A) From Exhibit 4 - PR, Page 2, Column (F).
For purposes of projecting future losses, losses are capped at \$100,000 per occurrence.
- (B) From Appendix E - PR, Page 1, Column (B).
- (C) $(A) \times (B)$.
- (D) From Appendix L - PR, Column (C).
- (E) $(C) / (D)$.
- (F) Selected based on (E).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) From Appendix E - PR.
 - (I) $(F) \times (G) \times (H)$.
- (J) From Appendix L - PR, Column (C).
- (K) $(I) \times (J)$.

This exhibit shows the calculation of future loss costs based on the past loss rates. The projections will be accurate only to the extent that what has happened in the past is representative of what will happen in the future.

Santa Clara County Schools Insurance Group - Property

Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/17 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/17 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	347,669	1.000	347,669	347,669	1.000	347,669
2009-2010	331,278	1.000	331,278	331,278	1.000	331,278
2010-2011	370,502	1.000	370,502	370,502	1.000	370,502
2011-2012	43,519	1.000	43,519	43,519	1.000	43,519
2012-2013	84,769	1.000	84,769	84,769	1.000	84,769
2013-2014	21,756	1.000	21,756	21,756	1.000	21,756
2014-2015	282,415	1.000	282,415	282,415	1.000	282,415
2015-2016	115,000	1.005	115,575	115,000	1.005	115,575
2016-2017	175,119	1.025	179,497	175,119	1.025	179,497
2017-2018	122,090	3.024	369,200	122,090	3.024	369,200
Totals	\$1,894,117		\$2,146,180	\$1,894,117		\$2,146,180

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix A - PR, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the Group's SIR. Amounts are provided by the Group.
- (F) Derived from factors on Appendix A - PR, Page 3.
- (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.

Santa Clara County Schools Insurance Group - Property
Reported Loss Development

Limited Losses Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						353,880	352,302	350,508	349,266	347,669
2009-2010					331,279	331,278	331,278	331,278	331,278	
2010-2011				371,497	370,353	370,502	370,502	370,502		
2011-2012			43,519	43,519	43,519	43,519	43,519			
2012-2013		136,355	141,355	84,769	84,769	84,769				
2013-2014		21,756	21,756	21,756	21,756					
2014-2015	329,091	285,059	282,415	282,415						
2015-2016	102,000	115,000	115,000							
2016-2017	28,516	175,119								
2017-2018	122,090									

Reported Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						0.996	0.995	0.996	0.995	
2009-2010					1.000	1.000	1.000	1.000		
2010-2011				0.997	1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000	1.000				
2012-2013		1.037	0.600	1.000	1.000					
2013-2014		1.000	1.000	1.000						
2014-2015	0.866	0.991	1.000							
2015-2016	1.127	1.000								
2016-2017	6.141									
Average Dollar-Weighted Averages	2.711	1.007	0.900	0.999	1.000	0.999	0.998	0.998	0.995	
3-yr	1.251	0.994	0.873	1.000	1.000	1.000	0.998			
4-yr		1.004	0.884	0.998	1.000	0.999				
Comparative Factors	2.945	1.254	1.006	0.965	0.972	1.000	1.000	1.000	1.000	1.000
Prior	2.950	1.020	1.005	1.000	1.000	1.000	1.000	1.000	1.000	
Selected	2.950	1.020	1.005	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	3.024	1.025	1.005	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Property
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>									
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						422,334	422,334	422,334	422,334	422,334
2009-2010					150,631	150,631	150,631	150,631	150,631	
2010-2011				85,753	85,753	85,753	85,753	85,753		
2011-2012										
2012-2013										
2013-2014										
2014-2015	10,000	110,000	113,108	113,108						
2015-2016	400,000	400,000	400,000							
2016-2017										
2017-2018	400,000									
	<u>Reported Loss Development Factors:</u>									
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000	1.000			
2011-2012										
2012-2013										
2013-2014										
2014-2015	11.000	1.028	1.000							
2015-2016	1.000	1.000								
2016-2017										
Average Dollar-Weighted Averages	6.000	1.014	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
3-yr							1.000			
4-yr										
Comparative Factors	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.004	1.002	1.000
Prior	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.004	1.002	
Selected	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.004	1.002	1.000
Cumulated	13.792	2.991	1.607	1.238	1.091	1.044	1.019	1.006	1.002	1.000

Santa Clara County Schools Insurance Group - Property

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/17 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/17 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	347,669	1.000	347,669	347,669	1.000	347,669
2009-2010	331,278	1.000	331,278	331,278	1.000	331,278
2010-2011	370,502	1.000	370,502	370,502	1.000	370,502
2011-2012	43,519	1.000	43,519	43,519	1.000	43,519
2012-2013	84,769	1.000	84,769	84,769	1.000	84,769
2013-2014	21,756	1.000	21,756	21,756	1.000	21,756
2014-2015	282,415	1.010	285,239	282,415	1.010	285,239
2015-2016	100,000	1.030	103,000	100,000	1.030	103,000
2016-2017	30,004	1.143	34,295	30,004	1.143	34,295
2017-2018	3,090	6.858	21,191	3,090	6.858	21,191
Totals	\$1,615,002		\$1,643,218	\$1,615,002		\$1,643,218

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Appendix B - PR, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over \$100,000 per occurrence.
- (E) Losses capped at the Group's SIR. Amounts are provided by the Group.
- (F) Derived from factors on Appendix B - PR, Page 3.
- (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.

Santa Clara County Schools Insurance Group - Property
Paid Loss Development

Limited Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						353,880	352,302	350,508	349,266	347,669
2009-2010					331,278	331,278	331,278	331,278	331,278	
2010-2011				369,710	370,353	370,502	370,502	370,502		
2011-2012			43,519	43,519	43,519	43,519	43,519			
2012-2013		61,355	72,155	84,769	84,769	84,769				
2013-2014		21,756	21,756	21,756	21,756					
2014-2015	99,453	278,059	282,415	282,415						
2015-2016	100,000	100,000	100,000							
2016-2017	18	30,004								
2017-2018	3,090									

Paid Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						0.996	0.995	0.996	0.995	
2009-2010					1.000	1.000	1.000	1.000		
2010-2011				1.002	1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000	1.000				
2012-2013		1.176	1.175	1.000	1.000					
2013-2014		1.000	1.000	1.000						
2014-2015	2.796	1.016	1.000							
2015-2016	1.000	1.000								
2016-2017	1,666.889									
Average Dollar-Weighted Averages	556.895	1.048	1.044	1.001	1.000	0.999	0.998	0.998	0.995	
3-yr	2.046	1.011	1.034	1.000	1.000	1.000	0.998			
4-yr		1.033	1.030	1.001	1.000	0.999				
Comparative Factors	4.218	2.117	1.446	1.151	1.057	1.033	1.015	1.010	1.008	1.037
Prior	6.000	1.110	1.020	1.010	1.000	1.000	1.000	1.000	1.000	
Selected	6.000	1.110	1.020	1.010	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	6.858	1.143	1.030	1.010	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Property
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>									
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						422,334	422,334	422,334	422,334	422,334
2009-2010					150,631	150,631	150,631	150,631	150,631	
2010-2011				85,753	85,753	85,753	85,753	85,753		
2011-2012										
2012-2013										
2013-2014										
2014-2015		97,160	113,108	113,108						
2015-2016	400,000	400,000	400,000							
2016-2017										
2017-2018										

	<u>Paid Loss Development Factors:</u>									
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000	1.000			
2011-2012										
2012-2013										
2013-2014										
2014-2015		1.164	1.000							
2015-2016	1.000	1.000								
2016-2017										

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
Average Dollar-Weighted Averages	1.000	1.082	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
3-yr							1.000			
4-yr										
Comparative Factors	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.042	1.030	1.064
Prior	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.042	1.096	
Selected	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.042	1.030	1.064
Cumulated	106.315	11.628	3.733	2.090	1.548	1.325	1.216	1.142	1.096	1.064

Santa Clara County Schools Insurance Group - Property

Exposure and Development Method
Based on Reported Losses

Accident Year	Trended TIV (\$000) (A)	Reported Losses as of 12/31/17 (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)
2008-2009	2,035,858	347,669	1.000	0.000	0.171	0	347,669
2009-2010	2,006,828	331,278	1.000	0.000	0.165	0	331,278
2010-2011	1,975,416	370,502	1.000	0.000	0.188	0	370,502
2011-2012	1,942,898	43,519	1.000	0.000	0.022	0	43,519
2012-2013	1,983,867	84,769	1.000	0.000	0.103	0	84,769
2013-2014	2,055,870	21,756	1.000	0.000	0.103	0	21,756
2014-2015	2,079,999	282,415	1.000	0.000	0.104	0	282,415
2015-2016	2,184,948	115,000	1.005	0.005	0.104	1,136	116,136
2016-2017	2,194,525	175,119	1.025	0.024	0.105	5,530	180,649
2017-2018	2,213,752	122,090	3.024	0.669	0.105	155,505	277,595
Totals	20,673,961	\$1,894,117				\$162,171	\$2,056,288

Notes:

- (A) From Appendix L - PR, Column (C).
- (B) Provided by the Group. These losses exclude amounts incurred above the Group's SIR for each year.
- (C) From Appendix A - PR, Page 1, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C - PR, Page 3, 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.

Santa Clara County Schools Insurance Group - Property

Exposure and Development Method
Based on Paid Losses

Accident Year	Trended TIV (\$000) (A)	Paid Losses as of 12/31/17 (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)
2008-2009	2,035,858	347,669	1.000	0.000	0.171	0	347,669
2009-2010	2,006,828	331,278	1.000	0.000	0.165	0	331,278
2010-2011	1,975,416	370,502	1.000	0.000	0.188	0	370,502
2011-2012	1,942,898	43,519	1.000	0.000	0.022	0	43,519
2012-2013	1,983,867	84,769	1.000	0.000	0.103	0	84,769
2013-2014	2,055,870	21,756	1.000	0.000	0.103	0	21,756
2014-2015	2,079,999	282,415	1.010	0.010	0.104	2,163	284,578
2015-2016	2,184,948	100,000	1.030	0.029	0.104	6,590	106,590
2016-2017	2,194,525	30,004	1.143	0.125	0.105	28,803	58,807
2017-2018	2,213,752	3,090	6.858	0.854	0.105	198,507	201,597
Totals	20,673,961	\$1,615,002				\$236,063	\$1,851,065

Notes:

- (A) From Appendix L - PR, Column (C).
- (B) Provided by the Group. These losses exclude amounts paid above the Group's SIR for each year.
- (C) From Appendix B - PR, Page 1, Column (F).
- (D) $1 - 1/(C)$.
- (E) From Appendix C - PR, Page 3, 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 unpaid will cost what this relationship would suggest.

Santa Clara County Schools Insurance Group - Property

Exposure and Development Method

Accident Year	Trended TIV (\$000) (A)	Ultimate Limited Losses (B)	Trend Factor (C)	Trended Limited Losses (D)	Trended Limited Loss Rate (E)	Limited Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
2008-2009	2,035,858	347,669	1.036	360,185	0.177	0.171	1.000	0.171
2009-2010	2,006,828	331,278	1.032	341,879	0.170	0.165	1.000	0.165
2010-2011	1,975,416	370,502	1.028	380,876	0.193	0.188	1.000	0.188
2011-2012	1,942,898	43,519	1.024	44,563	0.023	0.022	1.000	0.022
2012-2013	1,983,867	84,769	1.020	86,464	0.044	0.103	1.000	0.103
2013-2014	2,055,870	21,756	1.016	22,104	0.011	0.103	1.000	0.103
2014-2015	2,079,999	282,415	1.012	285,804	0.137	0.104	1.000	0.104
2015-2016	2,184,948	116,000	1.008	116,928	0.054	0.104	1.000	0.104
2016-2017	2,194,525	179,000	1.004	179,716	0.082	0.105	1.000	0.105
2017-2018	2,213,752	369,000	1.000	369,000	0.167	0.105	1.000	0.105
Total/Avg	20,673,961	\$2,145,908		\$2,187,519	\$0.106			
11/12-15/16	10,247,582	548,459		555,863	0.054			
14/15-16/17	6,459,472	577,415		582,448	0.090			
				Selected Limited Rate:	\$0.105			
				Prior:	\$0.100			

Notes:

- (A) From Appendix L - PR, Column (C).
- (B) Selected average of results from Appendices A and B.
- (C) From Appendix E - PR, Page 1, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2011-2012 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.

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
2008-2009	34,767	10	347,670
2009-2010	22,085	15	331,275
2010-2011	30,875	12	370,500
2011-2012	5,440	8	43,520
2012-2013	20,259	9	182,331
2013-2014	20,870	2	41,740
2014-2015	21,500	15	322,500
2015-2016	22,149	2	44,298
2016-2017	22,816	10	228,160
2017-2018	23,500	10	235,000
Total		93	\$2,146,994

Notes:

- (A) From Appendix D - PR, Page 2, Column (H).
- (B) From Appendix D - PR, Page 2, 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.

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method

Accident Year	Ultimate Limited Losses (A)	Adjusted Ultimate Claims (B)	Ultimate Limited Severity (C)	Trend Factor (D)	Trended Limited Severity (E)	Limited Severity (F)	Factor to SIR (G)	Program Severity (H)
2008-2009	347,669	10	34,767	1.306	45,406	34,767	1.000	34,767
2009-2010	331,278	15	22,085	1.267	27,982	22,085	1.000	22,085
2010-2011	370,502	12	30,875	1.231	38,007	30,875	1.000	30,875
2011-2012	43,519	8	5,440	1.195	6,501	5,440	1.000	5,440
2012-2013	84,769	9	9,419	1.160	10,926	20,259	1.000	20,259
2013-2014	21,756	2	10,878	1.126	12,249	20,870	1.000	20,870
2014-2015	282,415	15	18,828	1.093	20,579	21,500	1.000	21,500
2015-2016	116,000	2	58,000	1.061	61,538	22,149	1.000	22,149
2016-2017	180,000	10	18,000	1.030	18,540	22,816	1.000	22,816
2017-2018	240,000	10	24,000	1.000	24,000	23,500	1.000	23,500

Average Limited Severity: \$26,573
Average 11/12-15/16 Limited Severity: 22,359
Average 14/15-16/17 Limited Severity: 33,552

Selected Limited Severity: \$23,500
Prior: \$22,500

Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Appendix D - PR, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Appendix E - PR, Page 1, 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.

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Trended TIV (\$000,000) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)
2008-2009	10	10	10	2,035.9	0.0049	0.797	0.0039
2009-2010	15	15	15	2,006.8	0.0075	0.818	0.0061
2010-2011	12	12	12	1,975.4	0.0061	0.838	0.0051
2011-2012	8	8	8	1,942.9	0.0041	0.860	0.0035
2012-2013	9	9	9	1,983.9	0.0045	0.881	0.0040
2013-2014	2	2	2	2,055.9	0.0010	0.904	0.0009
2014-2015	15	15	15	2,080.0	0.0072	0.927	0.0067
2015-2016	2	0	2	2,184.9	0.0009	0.950	0.0009
2016-2017	10	4	10	2,194.5	0.0046	0.975	0.0045
2017-2018	13	12	10	2,213.8	0.0045	1.000	0.0045
Total	96	87	93	20,674.0			0.0040
13/14-16/17	29	21	29	8,515.3			0.0032

(H) Selected Frequency: 0.0045
Prior: 0.0040

Program Year:	2017-2018	2018-2019
(I) Trend Factor:	1.000	0.975
(J) Selected Frequency:	0.0045	0.0044
(K) Est. TIV (\$000,000):	2,213.8	2,289.0
(L) Ultimate Claims:	10	10

Notes:

- (A) From Appendix D - PR, Page 4, (C).
- (B) From Appendix D - PR, Page 5, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix L - PR, Column (C) / 1,000.
- (E) (C) / (D).
- (F) From Appendix E - PR, Page 1, Column (H).
- (G) (E) x (F).
- (H) The selected frequency of 0.0045 is based on (G).
- (I) From Appendix E - PR, Page 1, Column (H).
- (J) (H) x (I).
- (K) From Appendix L - PR, Column (C) / 1,000.
- (L) (J) x (K).

This exhibit summarizes the estimated numbers of claims and shows the estimated frequencies per \$1,000,000 of trended TIV.

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2017 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	10	1.000	10	0.0039
2009-2010	15	1.000	15	0.0061
2010-2011	12	1.000	12	0.0051
2011-2012	8	1.000	8	0.0035
2012-2013	9	1.000	9	0.0040
2013-2014	2	1.000	2	0.0009
2014-2015	15	1.000	15	0.0067
2015-2016	2	1.000	2	0.0009
2016-2017	10	1.010	10	0.0044
2017-2018	5	2.525	13	0.0059
Total	88		96	0.0041

Notes:

- (A) Provided by the Group.
- (B) From Appendix D - PR, Page 6.
- (C) (A) x (B).
- (D) (C) / [Appendix D - PR, Page 3, (D)] x [Appendix D - PR, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on reported claims as provided by the Group. 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.

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2017 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	10	1.000	10	0.0039
2009-2010	15	1.000	15	0.0061
2010-2011	12	1.000	12	0.0051
2011-2012	8	1.000	8	0.0035
2012-2013	9	1.000	9	0.0040
2013-2014	2	1.000	2	0.0009
2014-2015	15	1.010	15	0.0067
2015-2016	0	1.061	0	
2016-2017	3	1.220	4	0.0018
2017-2018	1	12.200	12	0.0054
Total	75		87	0.0037

Notes:

- (A) Provided by the Group.
- (B) From Appendix D - PR, Page 7.
- (C) (A) x (B).
- (D) (C) / [Appendix D - PR, Page 3, (D)] x [Appendix D - PR, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on closed claims as provided by the Group. 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.

Santa Clara County Schools Insurance Group - Property
Reported Claim Count Development

Claims Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						10	10	10	10	10
2009-2010					15	15	15	15	15	
2010-2011				12	12	12	12	12		
2011-2012			8	8	8	8	8			
2012-2013		8	9	9	9	9				
2013-2014		2	2	2	2					
2014-2015	7	15	15	15						
2015-2016	2	2	2							
2016-2017	5	10								
2017-2018	5									

Reported Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000	1.000				
2012-2013		1.125	1.000	1.000	1.000					
2013-2014		1.000	1.000	1.000						
2014-2015	2.143	1.000	1.000							
2015-2016	1.000	1.000								
2016-2017	2.000									
Average Claim-Weighted Averages	1.714	1.031	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
3-yr	1.929	1.000	1.000	1.000	1.000	1.000	1.000			
4-yr		1.037	1.000	1.000	1.000	1.000				
Comparative Factors	2.633	1.136	1.018	1.005	1.005	1.004	1.004	1.002	1.002	1.001
Prior	2.500	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Selected	2.500	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	2.525	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Property
Closed Claim Development

Claims Closed as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months
2008-2009						10	10	10	10	10
2009-2010					14	15	15	15	15	
2010-2011				11	12	12	12	12		
2011-2012			8	8	8	8	8			
2012-2013		7	8	9	9	9				
2013-2014		2	2	2	2					
2014-2015	1	13	15	15						
2015-2016										
2016-2017		3								
2017-2018	1									

Closed Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-Ult. Months
2008-2009						1.000	1.000	1.000	1.000	
2009-2010					1.071	1.000	1.000	1.000		
2010-2011				1.091	1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000	1.000				
2012-2013		1.143	1.125	1.000	1.000					
2013-2014		1.000	1.000	1.000						
2014-2015	13.000	1.154	1.000							
2015-2016										
2016-2017										
Average Claim-Weighted Averages	13.000	1.099	1.031	1.023	1.018	1.000	1.000	1.000	1.000	
3-yr			1.040	1.000	1.000	1.000	1.000			
4-yr			1.030	1.033	1.023	1.000				
Comparative Factors	3.387	1.495	1.122	1.051	1.033	1.020	1.012	1.010	1.007	1.025
Prior	10.000	1.150	1.050	1.010	1.000	1.000	1.000	1.000	1.000	
Selected	10.000	1.150	1.050	1.010	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	12.200	1.220	1.061	1.010	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Property

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2017-2018 Loss Rate Level (B)	Factor to 2018-2019 Loss Rate Level (C)	Factor to 2019-2020 Loss Rate Level (D)	Factor to 2020-2021 Loss Rate Level (E)	Factor to 2017-2018 Frequency Level (F)	Factor to 2018-2019 Frequency Level (G)	Factor to 2019-2020 Frequency Level (H)	Factor to 2020-2021 Frequency Level (I)	Factor to 2017-2018 Severity Level (J)
1996-1997	1.000	1.083	1.087	1.092	1.096	0.589	0.574	0.560	0.546	1.862
1997-1998	1.000	1.079	1.083	1.088	1.092	0.604	0.589	0.574	0.560	1.808
1998-1999	1.000	1.075	1.079	1.084	1.088	0.619	0.604	0.589	0.574	1.755
1999-2000	1.000	1.071	1.075	1.080	1.084	0.635	0.619	0.604	0.589	1.704
2000-2001	1.000	1.067	1.071	1.076	1.080	0.652	0.635	0.619	0.604	1.654
2001-2002	1.000	1.063	1.067	1.072	1.076	0.668	0.651	0.635	0.619	1.606
2002-2003	1.000	1.059	1.063	1.068	1.072	0.685	0.668	0.651	0.635	1.559
2003-2004	1.000	1.055	1.060	1.064	1.068	0.702	0.685	0.668	0.651	1.513
2004-2005	1.000	1.051	1.056	1.060	1.064	0.721	0.702	0.685	0.668	1.469
2005-2006	1.000	1.047	1.052	1.056	1.060	0.739	0.720	0.703	0.685	1.426
2006-2007	1.000	1.043	1.048	1.052	1.056	0.758	0.739	0.721	0.703	1.385
2007-2008	1.000	1.040	1.044	1.048	1.052	0.778	0.758	0.739	0.721	1.345
2008-2009	1.000	1.036	1.040	1.044	1.048	0.797	0.777	0.758	0.739	1.306
2009-2010	1.000	1.032	1.036	1.040	1.044	0.818	0.797	0.777	0.758	1.267
2010-2011	1.000	1.028	1.032	1.036	1.040	0.838	0.817	0.797	0.777	1.231
2011-2012	1.000	1.024	1.028	1.032	1.036	0.860	0.838	0.817	0.797	1.195
2012-2013	1.000	1.020	1.024	1.028	1.032	0.881	0.859	0.838	0.817	1.160
2013-2014	1.000	1.016	1.020	1.024	1.028	0.904	0.881	0.859	0.838	1.126
2014-2015	1.000	1.012	1.016	1.020	1.024	0.927	0.903	0.881	0.859	1.093
2015-2016	1.000	1.008	1.012	1.016	1.020	0.950	0.926	0.904	0.881	1.061
2016-2017	1.000	1.004	1.008	1.012	1.016	0.975	0.951	0.927	0.904	1.030
2017-2018	1.000	1.000	1.004	1.008	1.012	1.000	0.975	0.951	0.927	1.000
2018-2019	1.000	--	1.000	1.004	1.008	--	1.000	0.975	0.951	--
2019-2020	1.000	--	--	1.000	1.004	--	--	1.000	0.975	--
2020-2021	1.000	--	--	--	1.000	--	--	--	1.000	--

Notes:

- (A) No benefit level adjustment applied.
- (B) - (E) (A) adjusted for a 0.4% annual loss rate trend.
- (F) - (I) (A) adjusted for a -2.5% annual frequency trend.
- (J) (A) adjusted for a 3.0% annual severity trend.

This exhibit shows the calculation of the ways in which we expect claims costs to have changed over the past twenty years due to changes in inflation.

Santa Clara County Schools Insurance Group - Property

Residual Trend Factors

Accident Year	Initial Estimate of Ultimate Limited Losses (A)	Ultimate Reported Claims (B)	BLF (C)	Adjusted Limited Severity (D)	Trended TIV (\$000) (E)	Ultimate Frequency (F)
2008-2009	347,669	10	1.000	34,767	2,035,858	0.049
2009-2010	331,278	15	1.000	22,085	2,006,828	0.075
2010-2011	370,502	12	1.000	30,875	1,975,416	0.061
2011-2012	43,519	8	1.000	5,440	1,942,898	0.041
2012-2013	84,769	9	1.000	9,419	1,983,867	0.045
2013-2014	21,756	2	1.000	10,878	2,055,870	0.010
2014-2015	282,415	15	1.000	18,828	2,079,999	0.072
2015-2016	116,000	2	1.000	58,000	2,184,948	0.009
2016-2017	179,000	10	1.000	17,900	2,194,525	0.046

	<u>Severity Trend Factors</u>	<u>Frequency Trend Factors</u>
Latest 8 x 2016-2017	1.002	0.814
Latest 5 x 2016-2017	1.720	0.775
Prior	1.030	0.975
Default	1.030	0.975
Selected Residual Trend	1.030	0.975

Notes:

- (A) Selected average of results from Appendix A - PR and Appendix B - PR.
- (B) Appendix D - PR, Page 3, Column (C).
- (C) Appendix E - PR, Page 1, (A).
- (D) $(A) \times (C) / (B)$.
- (E) From Appendix L - PR, Column (C).
- (F) $(B) / (E) \times 10,000$.

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2017</u>	<u>Calendar Period</u>	
		<u>1/1/2018</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
2008-2009			
Ultimate Loss	\$347,669	\$347,669	\$347,669
Paid in Calendar Period	-		
Paid to Date	347,669	347,669	347,669
Outstanding Liability			
2009-2010			
Ultimate Loss	\$331,278	\$331,278	\$331,278
Paid in Calendar Period	-		
Paid to Date	331,278	331,278	331,278
Outstanding Liability			
2010-2011			
Ultimate Loss	\$370,502	\$370,502	\$370,502
Paid in Calendar Period	-		
Paid to Date	370,502	370,502	370,502
Outstanding Liability			
2011-2012			
Ultimate Loss	\$43,519	\$43,519	\$43,519
Paid in Calendar Period	-		
Paid to Date	43,519	43,519	43,519
Outstanding Liability			
2012-2013			
Ultimate Loss	\$84,769	\$84,769	\$84,769
Paid in Calendar Period	-		
Paid to Date	84,769	84,769	84,769
Outstanding Liability			
2013-2014			
Ultimate Loss	\$21,756	\$21,756	\$21,756
Paid in Calendar Period	-		
Paid to Date	21,756	21,756	21,756
Outstanding Liability			
2014-2015			
Ultimate Loss	\$282,415	\$282,415	\$282,415
Paid in Calendar Period	-		
Paid to Date	282,415	282,415	282,415
Outstanding Liability			
2015-2016			
Ultimate Loss	\$116,000	\$116,000	\$116,000
Paid in Calendar Period	-	5,232	10,768
Paid to Date	100,000	105,232	116,000
Outstanding Liability	16,000	10,768	

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2017</u>	<u>Calendar Period</u>	
		<u>1/1/2018</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
2016-2017			
Ultimate Loss	\$180,000	\$180,000	\$180,000
Paid in Calendar Period	-	57,148	69,357
Paid to Date	30,004	87,152	156,509
Outstanding Liability	149,996	92,848	23,491
2017-2018			
Ultimate Loss	\$128,000	\$255,000	\$255,000
Paid in Calendar Period	-	107,566	121,538
Paid to Date	3,090	110,656	232,194
Outstanding Liability	124,910	144,344	22,806
2018-2019			
Ultimate Loss	-	-	\$263,000
Paid in Calendar Period	-	-	134,130
Paid to Date	-	-	134,130
Outstanding Liability	-	-	128,870
Totals			
Ultimate Loss	\$1,905,908	\$2,032,908	\$2,295,908
Paid in Calendar Period	-	169,946	335,793
Paid to Date	1,615,002	1,784,948	2,120,741
Outstanding Liability	290,906	247,960	175,167

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

Notes to previous page:

- Accident Year is associated with date of loss. Calendar Period is associated with date of transaction. For example, for the losses which occurred during 2015-2016, \$5,232 is expected to be paid between 1/1/18 and 6/30/18, \$105,232 will have been paid by 6/30/18, and the reserve for remaining payments on these claims should be \$10,768.
- Ultimate Losses for each accident year are from Exhibit 4 - PR, Page 1.
- Paid in Calendar Period is a proportion of the Outstanding Liability from the previous calendar period. These proportions are derived from the paid loss development pattern selected in Appendix B. For example, $\$10,768 = \$10,768 \times 100.0\%$.
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, $\$116,000 = \$10,768 + \$105,232$.
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, $\$10,768 = \$116,000 - \$105,232$.

This exhibit shows the calculation of the liability for outstanding claims as of the date of evaluation, the end of the current fiscal year, and the end of the coming fiscal year. It also shows the expected claims payout during the remainder of the current fiscal year and the coming fiscal year. Refer to the Totals at the end of the exhibit for the balance sheet information. The top parts of the exhibit show information for each program year.

Santa Clara County Schools Insurance Group - Property

Short- and Long-Term Liabilities

<u>Liabilities as of 12/31/17:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$187,217	\$185,372
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$187,217</u>	<u>\$185,372</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$103,689	\$101,024
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$103,689</u>	<u>\$101,024</u>
<u>Total Liability</u>	Loss and ALAE:	\$290,906	\$286,396
	ULAE:	0	0
	Total Loss and LAE:	<u>\$290,906</u>	<u>\$286,396</u>
<u>Liabilities as of 6/30/18:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$201,663	\$199,676
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$201,663</u>	<u>\$199,676</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$46,297	\$44,831
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$46,297</u>	<u>\$44,831</u>
<u>Total Liability</u>	Loss and ALAE:	\$247,960	\$244,507
	ULAE:	0	0
	Total Loss and LAE:	<u>\$247,960</u>	<u>\$244,507</u>

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 12/31/17:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$222,632	\$240,057	\$260,633	\$286,214	\$320,137
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$222,632</u>	<u>\$240,057</u>	<u>\$260,633</u>	<u>\$286,214</u>	<u>\$320,137</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$121,330	\$130,826	\$142,040	\$155,981	\$174,469
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$121,330</u>	<u>\$130,826</u>	<u>\$142,040</u>	<u>\$155,981</u>	<u>\$174,469</u>
<u>Total Liability</u>	Loss and ALAE:	\$343,962	\$370,883	\$402,673	\$442,195	\$494,606
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$343,962</u>	<u>\$370,883</u>	<u>\$402,673</u>	<u>\$442,195</u>	<u>\$494,606</u>
<u>Liabilities as of 6/30/18:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$239,811	\$258,580	\$280,744	\$308,300	\$344,840
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$239,811</u>	<u>\$258,580</u>	<u>\$280,744</u>	<u>\$308,300</u>	<u>\$344,840</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$53,842	\$58,057	\$63,033	\$69,219	\$77,424
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$53,842</u>	<u>\$58,057</u>	<u>\$63,033</u>	<u>\$69,219</u>	<u>\$77,424</u>
<u>Total Liability</u>	Loss and ALAE:	\$293,653	\$316,637	\$343,777	\$377,519	\$422,264
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$293,653</u>	<u>\$316,637</u>	<u>\$343,777</u>	<u>\$377,519</u>	<u>\$422,264</u>

Note: Current (short term) liabilities are the portion of the total estimated liability shown on Appendix F - PR that is expected to be paid out within the coming year. Totals may vary from Exhibit 1 - PR, due to rounding.

Santa Clara County Schools Insurance Group - Property

Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 12/31/17 (A)	Discount Factor (B)	Discounted Reserve at 12/31/17 (C)	Full Value of Reserve at 6/30/18 (D)	Discount Factor (E)	Discounted Reserve at 6/30/18 (F)
2008-2009	0	1.000	0	0	1.000	0
2009-2010	0	1.000	0	0	1.000	0
2010-2011	0	1.000	0	0	1.000	0
2011-2012	0	1.000	0	0	1.000	0
2012-2013	0	1.000	0	0	1.000	0
2013-2014	0	1.000	0	0	1.000	0
2014-2015	0	0.995	0	0	1.000	0
2015-2016	16,000	0.988	15,803	10,768	0.990	10,662
2016-2017	149,996	0.986	147,862	92,848	0.985	91,477
2017-2018	124,910	0.983	122,731	144,344	0.986	142,368
Totals	\$290,906		\$286,396	\$247,960		\$244,507

(G) Discount Factor at 12/31/17 for Overall Reserve: 0.985
(H) Discount Factor at 6/30/18 for Overall Reserve: 0.986

Notes:

- (A) From Appendix F - PR, Outstanding Liability at 12/31/17.
- (B) Based on Appendix H - PR, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix F - PR, Outstanding Liability at 6/30/18.
- (E) Based on Appendix H - PR, Page 2, Column (E).
- (F) (D) x (E).
- (G) Total of (C) / Total of (A).
- (H) Total of (F) / Total of (D).

This exhibit shows the expected impact of anticipated investment income on the liability for outstanding claims at the date of evaluation and the end of the current fiscal year. For example, if the discount factor in item (G) is 0.985, the discounted liability for outstanding claims is 98.5% of the full value.

Santa Clara County Schools Insurance Group - Property

Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Return on Investment (C)	Discounted Reserves (D)	Undiscounted Reserves (E)	Discount Factor (F)
22	0.0%	2.0%	0.000	0.000	1.000
21	0.0%	2.0%	0.000	0.000	1.000
20	0.0%	2.0%	0.000	0.000	1.000
19	0.0%	2.0%	0.000	0.000	1.000
18	0.0%	2.0%	0.000	0.000	1.000
17	0.0%	2.0%	0.000	0.000	1.000
16	0.0%	2.0%	0.000	0.000	1.000
15	0.0%	2.0%	0.000	0.000	1.000
14	0.0%	2.0%	0.000	0.000	1.000
13	0.0%	2.0%	0.000	0.000	1.000
12	0.0%	2.0%	0.000	0.000	1.000
11	0.0%	2.0%	0.000	0.000	1.000
10	0.0%	2.0%	0.000	0.000	1.000
9	0.0%	2.0%	0.000	0.000	1.000
8	0.0%	2.0%	0.000	0.000	1.000
7	0.0%	2.0%	0.000	0.000	1.000
6	0.0%	2.0%	0.000	0.000	1.000
5	0.0%	2.0%	0.000	0.000	1.000
4	2.0%	2.0%	0.019	0.020	0.990
3	5.8%	2.0%	0.076	0.077	0.985
2	41.2%	2.0%	0.483	0.490	0.986
1	51.0%	2.0%	0.979	1.000	0.979
(G) Discount Factor for Future Funding:				2017-2018	0.989
				2018-2019	0.989

Notes:

- (A) This is the year of payment relative to the accident year. For example, year 7 refers to payments made in the seventh year after the inception of the accident year. We assume that payments are made at midyear.
- (B) Percent of ultimate loss paid this year. This payment pattern is based on the paid loss development pattern selected in Appendix B - PR, Page 2.
- (C) Assumed Investment Income Rates.
- (D) Discounted Reserves at the beginning of this year is next year's Discounted Reserves discounted one year plus this year's payments discounted six months. For example, in year 2, 48.3% = $[7.6\% / 1.020] + [41.2\% / (1.010)]$.
- (E) Summation of future (B) values. This is the percent of ultimate loss unpaid at the beginning of the year.
- (F) (D) / (E).
- (G) (F) at year 1, with interest accumulated for six months. We assume that the required funding is deposited at the middle of the first year.

This exhibit shows the calculation of the effect of anticipated investment income on future claims costs. Thus, if the discount factor in item (F) is 0.99, on a discounted basis, \$0.99 must be budgeted for every \$1 that will actually be paid on claims that will be incurred in the next fiscal year.

Santa Clara County Schools Insurance Group - Property

Confidence Level Table

Probability	Projected Losses	Outstanding Losses
95%	2.189	2.032
90%	1.829	1.727
85%	1.614	1.544
80%	1.453	1.406
75%	1.325	1.295
70%	1.217	1.201
65%	1.121	1.118
60%	1.036	1.042
55%	0.957	0.973
50%	0.883	0.907
45%	0.813	0.845
40%	0.746	0.784
35%	0.679	0.724
30%	0.613	0.664
25%	0.545	0.601

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 1.829 times the average expected amount of losses.

This exhibit shows the loads that must be applied to bring estimated losses at the expected level to the various indicated confidence levels.

Santa Clara County Schools Insurance Group - Property

Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
7/1/2008	6/30/2009	2008-2009	100,000	(none)
7/1/2009	6/30/2010	2009-2010	100,000	(none)
7/1/2010	6/30/2011	2010-2011	100,000	(none)
7/1/2011	6/30/2012	2011-2012	100,000	(none)
7/1/2012	6/30/2013	2012-2013	100,000	(none)
7/1/2013	6/30/2014	2013-2014	100,000	(none)
7/1/2014	6/30/2015	2014-2015	100,000	(none)
7/1/2015	6/30/2016	2015-2016	100,000	(none)
7/1/2016	6/30/2017	2016-2017	100,000	(none)
7/1/2017	6/30/2018	2017-2018	100,000	(none)
7/1/2018	6/30/2019	2018-2019	100,000	(none)

Third Party Claims Administrator	Begin Date	End Date
ASCIP	7/1/2008	Current

This exhibit summarizes some of the key facts about the history of the program.

Santa Clara County Schools Insurance Group - Property

Incurred Losses as of 12/31/17

Accident Year (A)	Unlimited Incurred (B)	Subtractions from Losses (C)	Subtractions from Losses (D)	Adjusted Incurred (E)	Incurred Over SIR (F)	Incurred Over \$100,000 (G)	Incurred Capped at \$100,000 (H)	Incurred \$100,000 to SIR Layer (I)	Incurred Capped at SIR (J)	Incurred Capped at SIR & Aggregate (K)
2008-2009	\$960,818	\$2,672	\$17,156	\$940,990	\$593,321	\$593,321	\$347,669	\$0	\$347,669	\$347,669
2009-2010	540,760	8,712	50,139	481,908	150,631	150,631	331,278	0	331,278	331,278
2010-2011	540,984	0	84,729	456,255	85,753	85,753	370,502	0	370,502	370,502
2011-2012	76,550	33,031	0	43,519	0	0	43,519	0	43,519	43,519
2012-2013	122,882	34,047	4,066	84,769	0	0	84,769	0	84,769	84,769
2013-2014	26,156	4,400	0	21,756	0	0	21,756	0	21,756	21,756
2014-2015	417,375	11,673	10,179	395,523	113,108	113,108	282,415	0	282,415	282,415
2015-2016	9,715,000	0	0	9,715,000	9,600,000	9,600,000	115,000	0	115,000	115,000
2016-2017	208,334	29,523	3,691	175,119	0	0	175,119	0	175,119	175,119
2017-2018	605,590	0	0	605,590	483,500	483,500	122,090	0	122,090	122,090
Total	\$13,214,447	\$124,059	\$169,961	\$12,920,428	\$11,026,312	\$11,026,312	\$1,894,115	\$0	\$1,894,115	\$1,894,115

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Amount over SIR for Claims with SIR < \$100,000.
- (D) Subrogation recoveries.
- (E) (B) - (C) - (D).
- (F) Sum of incurred losses in excess of SIR.
- (G) Sum of incurred losses in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J - PR.

Santa Clara County Schools Insurance Group - Property

Paid Losses as of 12/31/17

Accident Year (A)	Unlimited Paid (B)	Subtractions from Losses (C)	Subtractions from Losses (D)	Adjusted Paid (E)	Paid Over SIR (F)	Paid Over \$100,000 (G)	Paid Capped at \$100,000 (H)	Paid \$100,000 to SIR Layer (I)	Paid Capped at SIR (J)	Paid Capped at SIR & Aggregate (K)
2008-2009	\$960,818	\$2,672	\$17,156	\$940,990	\$593,321	\$593,321	\$347,669	\$0	\$347,669	\$347,669
2009-2010	540,760	8,712	50,139	481,908	150,631	150,631	331,278	0	331,278	331,278
2010-2011	540,984	0	84,729	456,255	85,753	85,753	370,502	0	370,502	370,502
2011-2012	76,550	33,031	0	43,519	0	0	43,519	0	43,519	43,519
2012-2013	122,882	34,047	4,066	84,769	0	0	84,769	0	84,769	84,769
2013-2014	26,156	4,400	0	21,756	0	0	21,756	0	21,756	21,756
2014-2015	417,375	11,673	10,179	395,523	113,108	113,108	282,415	0	282,415	282,415
2015-2016	3,871,968	0	0	3,871,968	3,771,968	3,771,968	100,000	0	100,000	100,000
2016-2017	43,218	9,523	3,691	30,004	0	0	30,004	0	30,004	30,004
2017-2018	3,090	0	0	3,090	0	0	3,090	0	3,090	3,090
Total	\$6,603,800	\$104,059	\$169,961	\$6,329,780	\$4,714,781	\$4,714,781	\$1,614,999	\$0	\$1,614,999	\$1,614,999

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Amount over SIR for Claims with SIR < \$100,000.
- (D) Subrogation recoveries.
- (E) (B) - (C) - (D).
- (F) Sum of paid losses in excess of SIR.
- (G) Sum of paid losses in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J - PR.

Santa Clara County Schools Insurance Group - Property

Case Reserves as of 12/31/17

Accident Year (A)	Unlimited Reserves (B)	Subtractions from Losses (C)	Subtractions from Losses (D)	Adjusted Reserves (E)	Reserves Over SIR (F)	Reserves Over \$100,000 (G)	Reserves Capped at \$100,000 (H)	Reserves \$100,000 to SIR Layer (I)	Reserves Capped at SIR (J)	Reserves Capped at SIR & Aggregate (K)
2008-2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2009-2010	0	0	0	0	0	0	0	0	0	0
2010-2011	0	0	0	0	0	0	0	0	0	0
2011-2012	0	0	0	0	0	0	0	0	0	0
2012-2013	0	0	0	0	0	0	0	0	0	0
2013-2014	0	0	0	0	0	0	0	0	0	0
2014-2015	0	0	0	0	0	0	0	0	0	0
2015-2016	5,843,032	0	0	5,843,032	5,828,032	5,828,032	15,000	0	15,000	15,000
2016-2017	165,116	20,000	0	145,116	0	0	145,116	0	145,116	145,116
2017-2018	602,500	0	0	602,500	483,500	483,500	119,000	0	119,000	119,000
Total	\$6,610,647	\$20,000	\$0	\$6,590,647	\$6,311,532	\$6,311,532	\$279,116	\$0	\$279,116	\$279,116

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Appendix K - PR, Page 1, Column (B) - Appendix K - PR, Page 2, Column (B).
- (C) Appendix K - PR, Page 1, Column (C) - Appendix K - PR, Page 2, Column (C).
- (D) Appendix K - PR, Page 1, Column (D) - Appendix K - PR, Page 2, Column (D).
- (E) (B) - (C) - (D).
- (F) Sum of case reserves in excess of SIR.
- (G) Sum of case reserves in excess of \$100,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix J - PR.

Santa Clara County Schools Insurance Group - Property

Claim Counts as of 12/31/17

Accident Year (A)	Reported Claims (B)	Additions to Reported Claims (C)	Subtractions from Reported Claims (D)	Adjusted Reported Claims (E)	Closed Claims (F)	Additions to Closed Claims (G)	Subtractions from Closed Claims (H)	Adjusted Closed Claims (I)	Open Claims (J)	Adjusted Open Claims (K)
2008-2009	10	0	0	10	10	0	0	10	0	0
2009-2010	15	0	0	15	15	0	0	15	0	0
2010-2011	12	0	0	12	12	0	0	12	0	0
2011-2012	8	0	0	8	8	0	0	8	0	0
2012-2013	9	0	0	9	9	0	0	9	0	0
2013-2014	2	0	0	2	2	0	0	2	0	0
2014-2015	15	0	0	15	15	0	0	15	0	0
2015-2016	2	0	0	2	0	0	0	0	2	2
2016-2017	10	0	0	10	3	0	0	3	7	7
2017-2018	5	0	0	5	1	0	0	1	4	4
Total	88	0	0	88	75	0	0	75	13	13

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C)
- (D)
- (E) (B) + (C) - (D).
- (F) Provided by the Group.
- (G)
- (H)
- (I) (F) + (G) - (H).
- (J) (B) - (F).
- (K) (E) - (I).

Santa Clara County Schools Insurance Group - Property

Exposure Measures

Accident Year	Total TIV (\$000) (A)	Inflation Trend Factor (B)	Trended TIV (\$000) (C)
2008-2009	1,629,990	1.249	2,035,858
2009-2010	1,646,290	1.219	2,006,828
2010-2011	1,661,410	1.189	1,975,416
2011-2012	1,674,912	1.160	1,942,898
2012-2013	1,752,533	1.132	1,983,867
2013-2014	1,862,201	1.104	2,055,870
2014-2015	1,931,290	1.077	2,079,999
2015-2016	2,078,923	1.051	2,184,948
2016-2017	2,141,000	1.025	2,194,525
2017-2018	2,213,752	1.000	2,213,752
2018-2019	2,288,977	1.000	2,288,977

Notes:

- (A) Provided by the Group.
- (B) Based on WCIRB.
- (C) (A) x (B).