



# Actuarial Review of the Self-Insured Liability & Property Program

*Outstanding Liabilities as of June 30, 2017  
Forecast for Program Year 2017-18*

***Presented to***

**Santa Clara County Schools Insurance Group**

March 3, 2017





Friday, March 3, 2017

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 self-insured liability 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 2017-18 program year to be \$706,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. 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 \$1,212,000 as of June 30, 2017 including ALAE and discounted for anticipated investment income. Given estimated program assets of \$5,558,000 as of June 30, 2017, the program will be funded well above the 90% confidence level.

The \$1,212,000 estimate is the minimum liability to be booked by the Group at June 30, 2017 for its liability and property 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. 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, 2017 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, 2017

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$1,243,000					
Investment Income Offset	(31,000)					
Discounted Loss and LAE	\$1,212,000	\$1,382,000	\$1,459,000	\$1,549,000	\$1,660,000	\$1,810,000
Assets	5,558,000					
Surplus or (Deficit)	\$4,346,000	\$4,176,000	\$4,099,000	\$4,009,000	\$3,898,000	\$3,748,000

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 2017-18 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 Fiscal Year 2017-18  
 Self-Insured Retention (SIR) of \$100,000

	<u>Property</u>	<u>Liability</u>	<u>Total</u>
Loss and ALAE	\$221,000	\$505,000	\$726,000
Investment Income	<u>(3,000)</u>	<u>(17,000)</u>	<u>(20,000)</u>
Discounted Loss and LAE	\$218,000	\$488,000	\$706,000
Margin @ 80% Confidence	104,000	188,000	292,000
Discounted Loss and LAE at 80% Confidence Level	\$322,000	\$676,000	\$998,000

The funding recommendations shown in the table above do not include any recognition of the existing funding margin (surplus or deficit) at June 30, 2017. They are for losses and allocated loss adjustment expenses only, and do not include a provision for 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 Derek Burkhalter at (916) 244-1167 or Robin Davis at (916) 244-1133 with any questions you may have concerning this report.

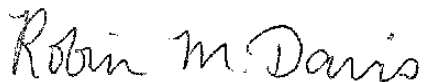
Sincerely,

Bickmore



---

Derek Burkhalter, ACAS, MAAA  
Manager, Property and Casualty Actuarial Services, Bickmore  
Associate, Casualty Actuarial Society  
Member, American Academy of Actuaries



---

Robin Davis, ACAS, MAAA  
Director, Property and Casualty Insurance Services, Bickmore  
Associate, Casualty Actuarial Society  
Member, American Academy of Actuaries



---

Mary Ann Case, PSM  
Actuarial Analyst, Property and Casualty Actuarial Services, Bickmore

## TABLE OF CONTENTS

I. BACKGROUND	6
II. CONCLUSIONS AND RECOMMENDATIONS	7
A. LIABILITY FOR OUTSTANDING CLAIMS	7
B. PROGRAM FUNDING: GOALS AND OBJECTIVES	10
C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM	12
D. COMPARISON WITH PREVIOUS RESULTS	18
E. DATA PROVIDED FOR THE ANALYSIS	22
III. ASSUMPTIONS AND LIMITATIONS	23
IV. GLOSSARY OF ACTUARIAL TERMS	25
V. COMBINED EXHIBITS	27
VI. GENERAL LIABILITY EXHIBITS	30
VII. GENERAL LIABILITY APPENDICES	38
VIII. PROPERTY EXHIBITS	69
IX. PROPERTY APPENDICES	77

## **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, 2017, the Group is projected to have assets of \$5,558,000 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, 2017, project ultimate loss costs for 2017-18, 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 June 30, 2017. 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, 2017.

Our best estimate of the full value of the Group's liability for outstanding claims within its self-insured retention (SIR) is \$1,243,000 as of June 30, 2017. 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.

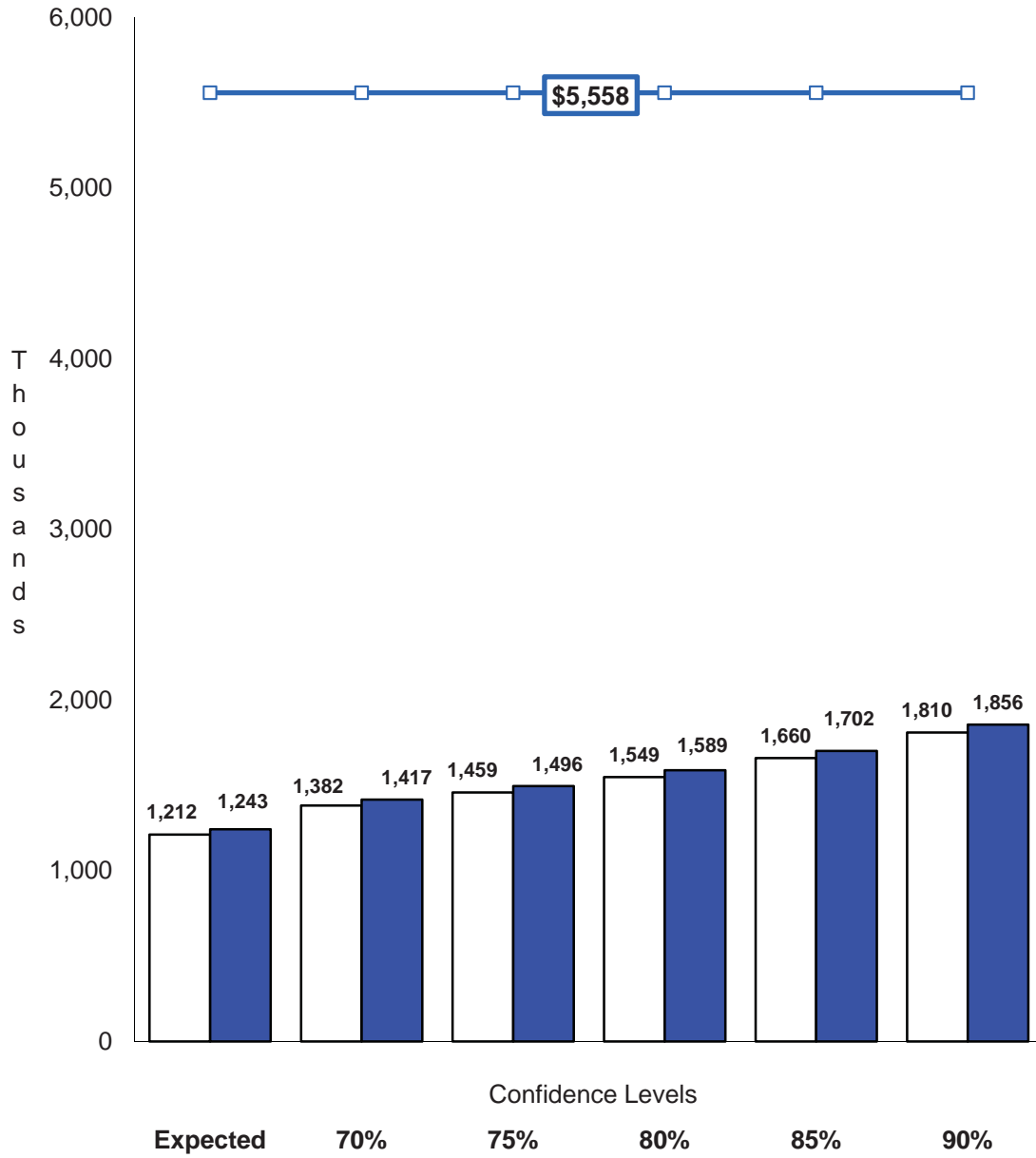
The Group can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 2.0%, we estimate the impact of investment income earnings to be about 2.5% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims at \$1,212,000 as of June 30, 2017.

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 shows our estimate of the Group's discounted liability for outstanding claims.



Graph 1

SCCSIG - Liability & Property  
Available Assets vs Outstanding Liability  
at June 30, 2017



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, 2017, before recognition of investment income.

Santa Clara County Schools Insurance Group  
 Self-Insured Liability and Property Program  
 Estimated Liability for Unpaid Loss and LAE at June 30, 2017

Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$0	\$0	\$0
2013-14	28,906	3,802	32,708
2014-15	245,695	15,013	260,708
2015-16	337,650	49,187	386,837
2016-17	219,441	342,721	562,162
Loss and ALAE	\$831,692	\$410,723	\$1,242,415

## **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 funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes; specifically, GASB #10 and #30 which allow recognition of a funding 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 margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund 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 fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The burden of funding increases on past years as well as on current years, may well be prohibitive.

We generally recommend maintaining program funding 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 funding will be sufficient to meet claim liabilities, yet the required 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 margin for the most part, which means that it is also reasonable to think of the liabilities as being stated 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.

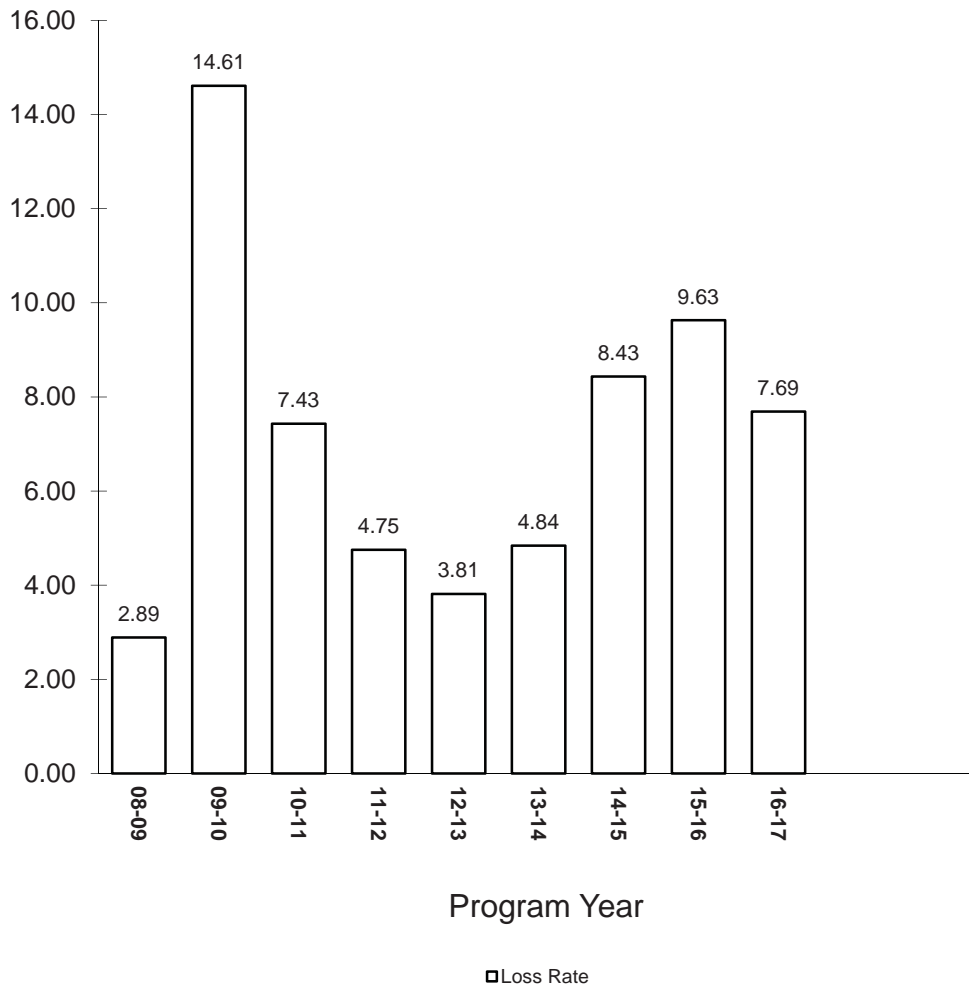
In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed on outstanding liabilities and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained.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

### C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

The liability program's average dollars of loss per average daily attendance (ADA), or loss rate, has varied between a low of \$2.89 per ADA in 2008-09 and a high of \$14.61 per ADA in 2009-10. Our 2016-17 projection of \$7.69 per ADA is similar to the most recent three-year average. See Graph 2 below.

Graph 2

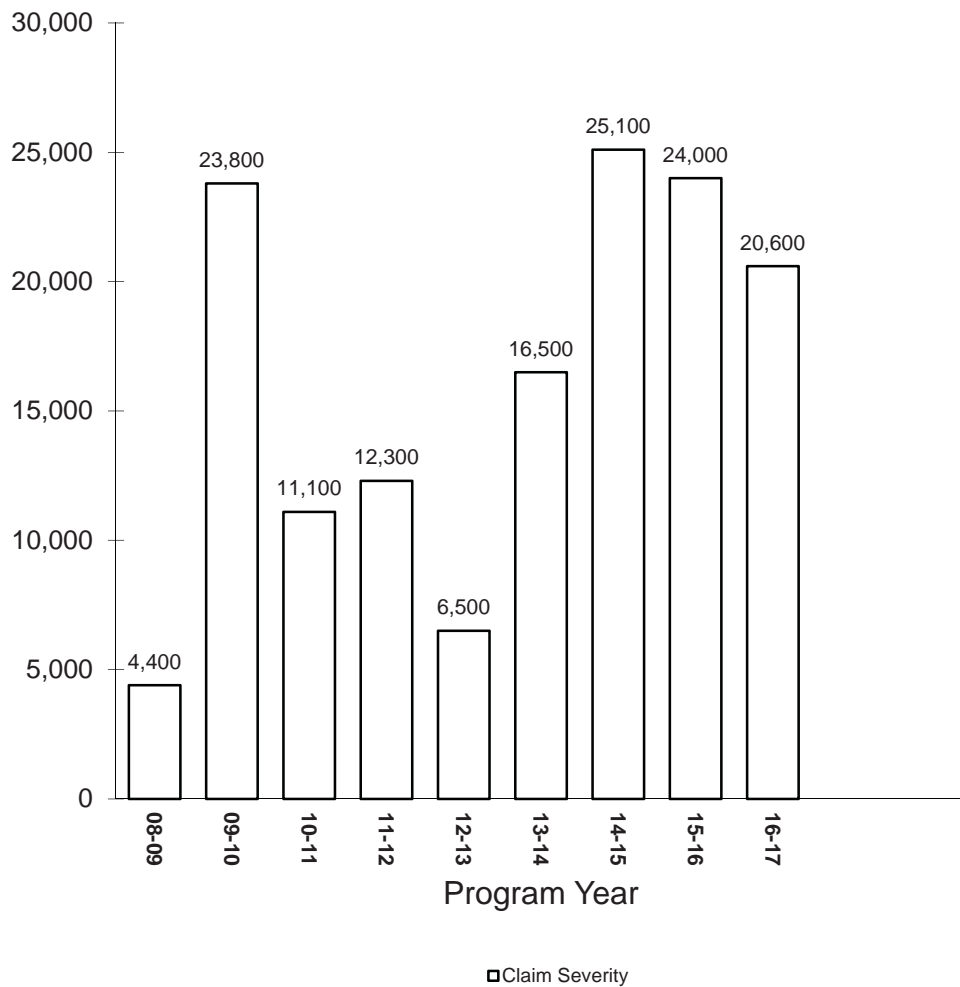
Santa Clara County Schools Insurance Group -  
Liability  
Ultimate Loss and ALAE per ADA  
(Limited to \$100,000 per Occurrence)



The liability program's average cost per claim, or claim severity, has varied over the period shown below, ranging from a low of \$4,400 per claim in 2008-09 to a high of \$23,800 per claim in 2009-10. Our projected claim severity for 2016-17 of \$20,600 per claim is similar to the most recent three-year average. See Graph 3 below.

Graph 3

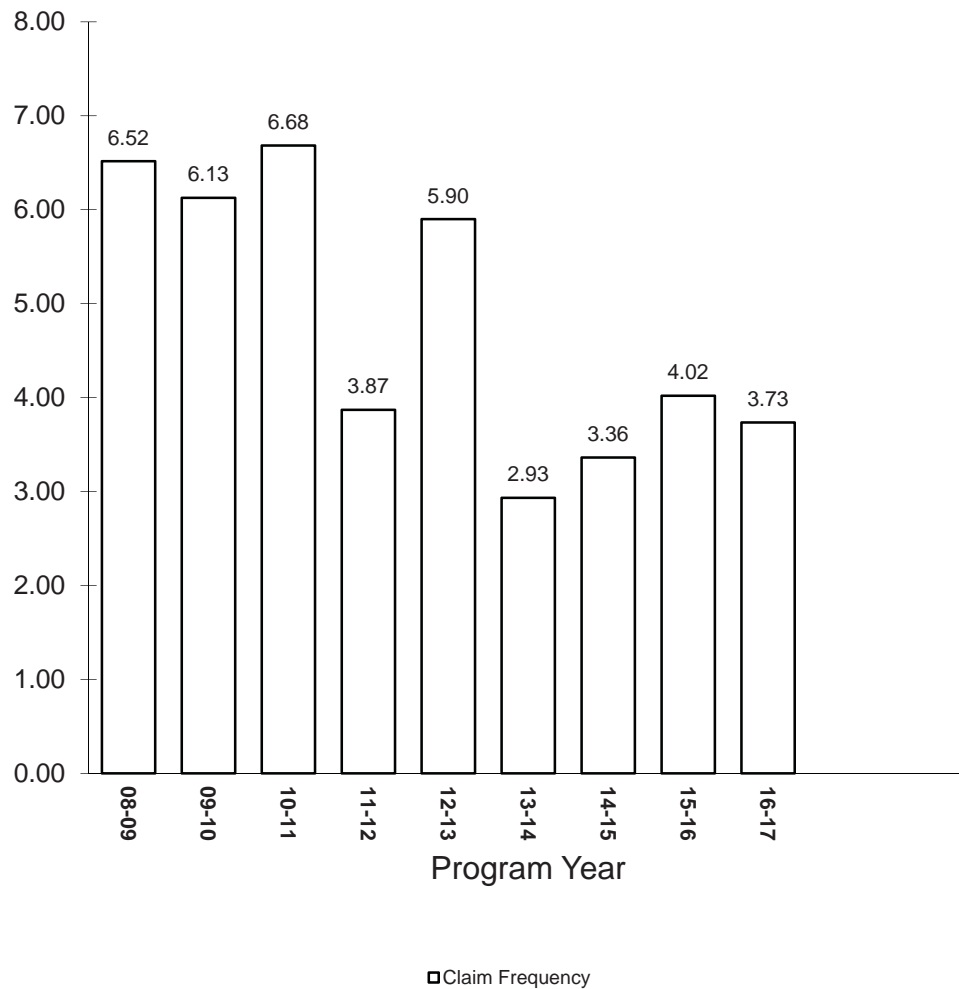
Santa Clara County Schools Insurance Group - Liability  
Ultimate Dollars of Loss & ALAE per Claim  
(Loss & ALAE Limited to \$100,000 per Occurrence)



The liability program's number of claims per 10,000 average daily attendance, or claim frequency, has varied over the period shown below, ranging from a high of 6.68 in 2010-11 to a low of 2.93 in 2013-14. Our projected claim frequency for 2016-17 of 3.73 claims per 10,000 ADA is similar to the most recent two-year average. See Graph 4 below.

Graph 4

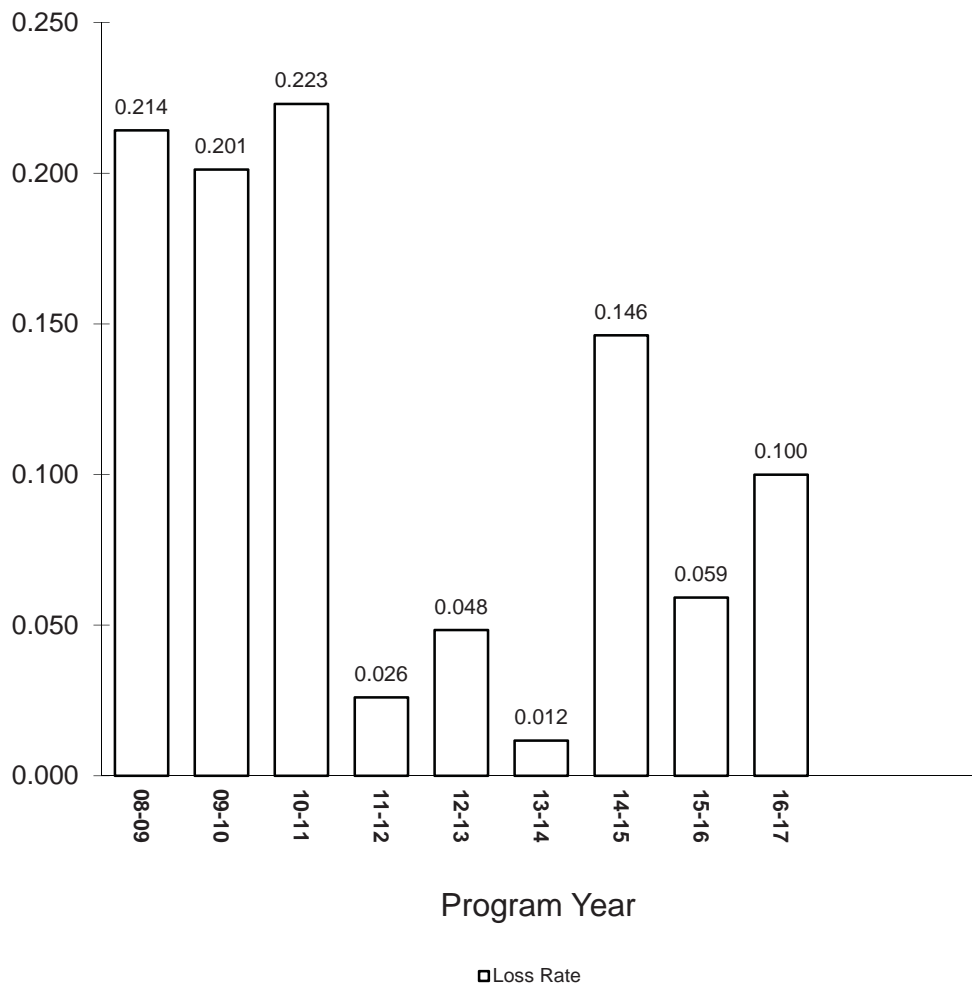
Santa Clara County Schools Insurance Group -  
Liability  
Number of Claims per  
10,000 ADA



The property program's average dollars of loss per \$1,000 total insured value (TIV), or loss rate, appears to have decreased from the high of \$0.223 per \$1,000 TIV in 2010-11. Our projected loss rate for 2016-17 is \$0.100 per \$1,000 TIV. See Graph 5 below.

Graph 5

Santa Clara County Schools Insurance Group - Property  
Ultimate Dollars of Loss & ALAE  
per \$1,000 TIV  
(Loss & ALAE Limited to \$100,000 per Occurrence)

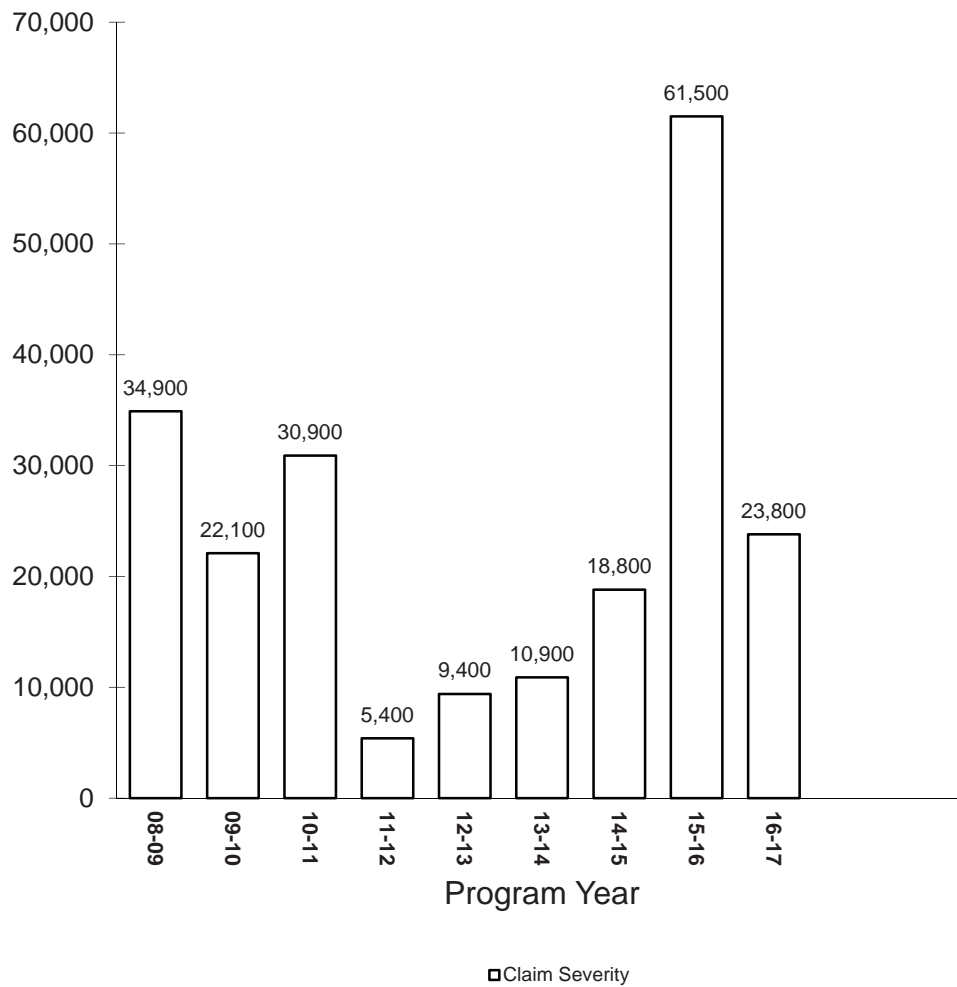




The property program's average cost per claim, or severity, has increased since a low of \$5,400 per claim in 2011-12. Our 2016-17 projection of \$23,800 reflects this recent upward trend. See Graph 6 below.

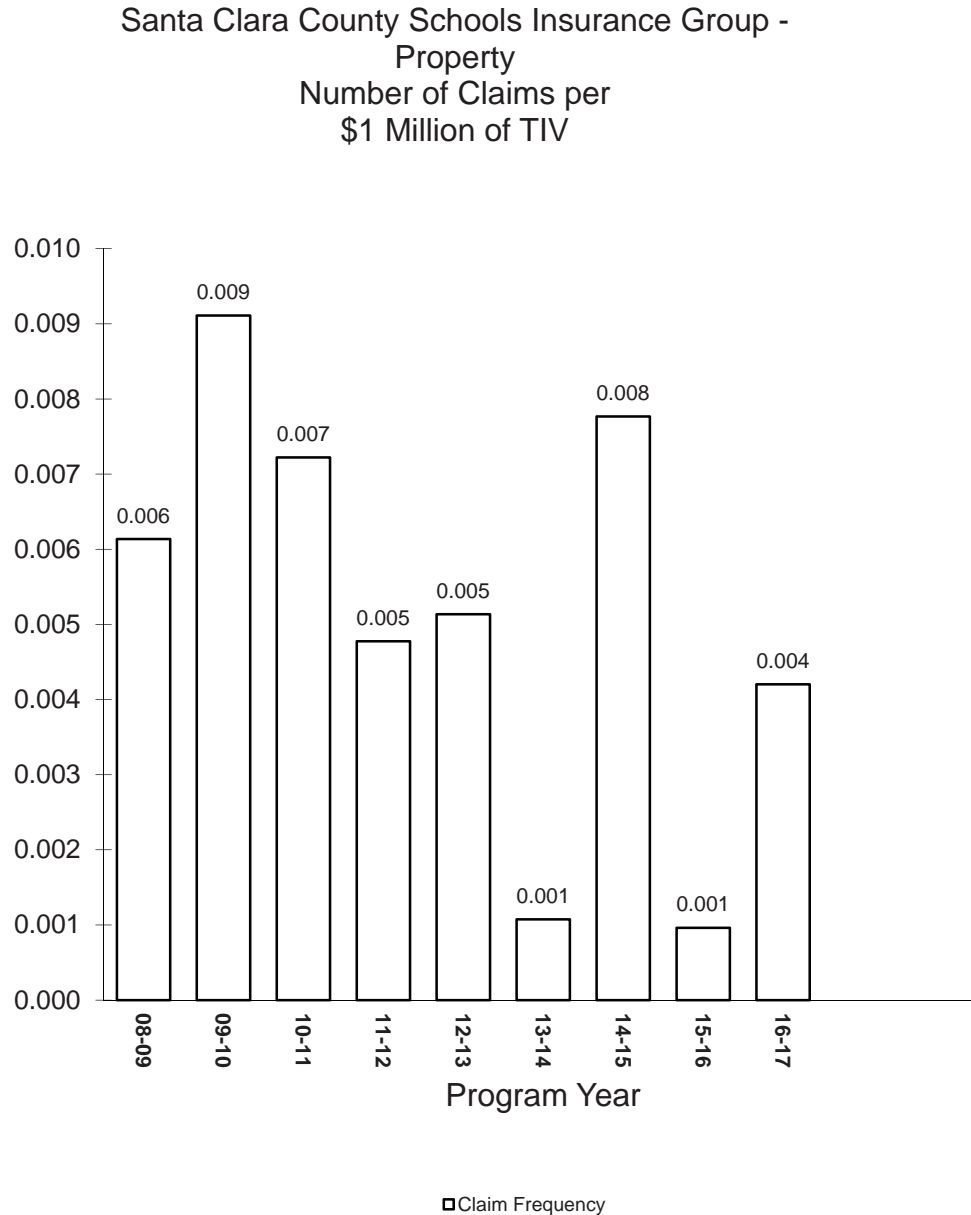
Graph 6

Santa Clara County Schools Insurance Group - Property  
Ultimate Dollars of Loss & ALAE  
per Claim  
(Loss & ALAE Limited to \$100,000 per Occurrence)



The property program's number of claims per \$1 million of total insured value (TIV), or claim frequency, has varied in recent years. Our projection for 2015-16 of 0.004 claims per \$1 million of TIV assumes that the frequency is similar to the average for the most recent six years. See Graph 7 below.

Graph 7



## D. COMPARISON WITH PREVIOUS RESULTS

The prior report for Santa Clara County Schools Insurance Group was dated March 4, 2016. In the table below we display actual versus expected development of incurred losses and ALAE for the accident years shown below between the 12/31/15 evaluation date of the prior report and the 12/31/16 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
Prior	\$0	\$0	\$0
2009-10	0	0	0
2010-11	0	0	0
2011-12	2,000	(14,000)	(16,000)
2012-13	13,000	5,000	(8,000)
2013-14	19,000	(10,000)	(29,000)
2014-15	43,000	144,000	101,000
2015-16	318,000	468,000	150,000
Total	\$395,000	\$593,000	\$198,000

#### Property

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
Prior	\$0	(\$1,000)	(\$1,000)
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	14,000	(3,000)	(17,000)
2015-16	153,000	13,000	(140,000)
Total	\$167,000	\$9,000	(\$158,000)

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

In the table below we display the change in the estimates of the program's ultimate losses and ALAE for the accident years shown below since the prior report.

### Change in Ultimate Loss and ALAE

<b>Liability</b>			
Accident Year	Prior Report	Current Report	Change In Ultimate
Prior	\$191,000	\$191,000	\$0
2009-10	978,000	978,000	0
2010-11	500,000	500,000	0
2011-12	336,000	319,000	(17,000)
2012-13	277,000	259,000	(18,000)
2013-14	367,000	330,000	(37,000)
2014-15	475,000	577,000	102,000
2015-16	494,000	647,000	153,000
Total	\$3,618,000	\$3,801,000	\$183,000

<b>Property</b>			
Accident Year	Prior Report	Current Report	Change In Ultimate
Prior	\$351,000	\$349,000	(\$2,000)
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	303,000	282,000	(21,000)
2015-16	260,000	123,000	(137,000)
Total	\$1,767,000	\$1,607,000	(\$160,000)

As shown, overall we have increased the estimated ultimates for liability by about \$183,000 and decreased the estimated ultimates for property by about \$160,000 from our prior report. This correlates with the actual versus expected incurred loss development as listed on the previous page.

At the time of the prior report, the outstanding claims liability as of June 30, 2016 was estimated to be \$840,000 for Liability at the discounted, expected level. Our current estimate as of June 30, 2017, is \$1,077,000, an increase in our assessment of the Group's outstanding liabilities, as shown below:

### **Outstanding Claim Liabilities for Loss and ALAE**

	<b>Liability</b>		
	Prior Report at June 30, 2016	Current Report at June 30, 2017	Change
(A) Case Reserves:	\$556,000	\$797,000	\$241,000
(B) IBNR Reserves:	307,000	309,000	2,000
(C) Total Reserves:	\$863,000	\$1,106,000	\$243,000
(D) Offset for Investment Income:	(23,000)	(29,000)	(6,000)
(E) Total Outstanding Claim Liabilities:	\$840,000	\$1,077,000	\$237,000

At the time of the prior report, the outstanding claims liability as of June 30, 2016 was estimated to be \$105,000 for Property at the discounted, expected level. Our current estimate as of June 30, 2017, is \$135,000, an increase in our assessment of the Group's outstanding liabilities, as shown below:

### **Outstanding Claim Liabilities for Loss and ALAE**

	<b>Property</b>		
	Prior Report at June 30, 2016	Current Report at June 30, 2017	Change
(A) Case Reserves:	\$13,000	\$36,000	\$23,000
(B) IBNR Reserves:	93,000	101,000	8,000
(C) Total Reserves:	\$106,000	\$137,000	\$31,000
(D) Offset for Investment Income:	(1,000)	(2,000)	(1,000)
(E) Total Outstanding Claim Liabilities:	\$105,000	\$135,000	\$30,000

At the time of the prior report, the total funding estimate of liability and property combined for the 2016-17 year was \$746,000 at the discounted, expected level (Liability=\$479,000; Property=\$267,000). That amount included allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. Our current estimate for the 2017-18 year is \$706,000 at the discounted, expected level (Liability=\$488,000; Property=\$218,000), a decrease in the program's total expected loss costs. The amounts for liability and property are shown separately in the table below:

### Comparison of Funding for Loss and ALAE

#### Liability

	Prior Report 2016-17 SIR= \$100,000	Current Report 2017-18 SIR = \$100,000	Change
(A) Ultimate Loss and ALAE:	\$495,000	\$505,000	\$10,000
(B) Offset for Investment Income:	(16,000)	(17,000)	(1,000)
(C) Total Recommended Funding:	\$479,000	\$488,000	\$9,000
(D) Funding Rate per ADA:	\$7.16	\$7.47	\$0.31

#### Property

	Prior Report 2016-17 SIR= \$100,000	Current Report 2017-18 SIR = \$100,000	Change
(A) Ultimate Loss and ALAE:	\$270,000	\$221,000	(\$49,000)
(B) Offset for Investment Income:	(3,000)	(3,000)	0
(C) Total Recommended Funding:	\$267,000	\$218,000	(\$49,000)
(D) Funding Rate per \$1,000 TIV:	\$0.13	\$0.10	(\$0.03)

## **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 liability and property claims. (See Appendix J).
- We received loss data evaluated as of 12/31/16 (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 TIV for 2017-18 will be \$2,213,752,000 and that ADA will be 65,323 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 programs. We have accepted all of this information without audit.
- 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 public entities with similar self-insured liability 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 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 cost of liability claims arises 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.
- 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.



- At the Group's instruction, 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 premiums 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.

#### **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.)

**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 \$1 million of payroll.

**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 \$100 of payroll.

**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.

**Trend Factor** - Factor used to adjust historical losses to the current level of liability costs.

**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 and Liability Combined

Funding Guidelines for Outstanding Liabilities at  
December 31, 2016

(A) Estimated Ultimate Losses Incurred through 12/31/16: (Sum of Liability and Property)	\$5,773,000
(B) Estimated Paid Losses through 12/31/16: (Sum of Liability and Property)	4,463,000
(C) Estimated Liability for Claims Outstanding at 12/31/16: (Sum of Liability and Property)	<u>\$1,310,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/16: (Sum of Liability and Property)	0
(E) Total Outstanding Liability for Claims at 12/31/16: ((C) + (D))	<u>\$1,310,000</u>
(F) Reserve Discount Factor ((G)/(E))	0.973
(G) Discounted Outstanding Liability for Claims at 12/31/16: (Sum of Liability and Property)	<u>\$1,275,000</u>

	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: ((J)/(G))	1.139	1.202	1.275	1.365	1.487
(I) Margin for Adverse Experience: (Sum of Liability and Property)	177,000	257,000	350,000	466,000	621,000
(J) Total Required Available Funding at 12/31/16: ((G) + (I))	<u>\$1,452,000</u>	<u>\$1,532,000</u>	<u>\$1,625,000</u>	<u>\$1,741,000</u>	<u>\$1,896,000</u>

Santa Clara County Schools Insurance Group - Property and Liability Combined

Funding Guidelines for Outstanding Liabilities at  
June 30, 2017

(A) Estimated Ultimate Losses Incurred through 6/30/17: (Sum of Liability and Property)	\$6,137,000
(B) Estimated Paid Losses through 6/30/17: (Sum of Liability and Property)	4,894,000
(C) Estimated Liability for Claims Outstanding at 6/30/17: (Sum of Liability and Property)	<u>\$1,243,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/17: (Sum of Liability and Property)	0
(E) Total Outstanding Liability for Claims at 6/30/17: ((C) + (D))	<u>\$1,243,000</u>
(F) Reserve Discount Factor ((G)/(E))	0.975
(G) Discounted Outstanding Liability for Claims at 6/30/17: (Sum of Liability and Property)	<u>\$1,212,000</u>

	Marginally Acceptable	75%	Recommended	85%	Conservative
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: ((J)/(G))	1.140	1.204	1.278	1.370	1.493
(I) Margin for Adverse Experience: (Sum of Liability and Property)	170,000	247,000	337,000	448,000	598,000
(J) Total Required Available Funding at 6/30/17: ((G) + (I))	<u>\$1,382,000</u>	<u>\$1,459,000</u>	<u>\$1,549,000</u>	<u>\$1,660,000</u>	<u>\$1,810,000</u>
(K) Estimated Actual Funding at 6/30/17:	\$5,558,000	\$5,558,000	\$5,558,000	\$5,558,000	\$5,558,000
(L) Indicated Funding Redundancy/ (Deficiency): ((K)-(J))	<u>\$4,176,000</u>	<u>\$4,099,000</u>	<u>\$4,009,000</u>	<u>\$3,898,000</u>	<u>\$3,748,000</u>

## Santa Clara County Schools Insurance Group - Property and Liability Combined

Funding Options for Program Year 2017-2018 (Liability SIR = \$100,000, Property SIR = \$100,000)  
One-Year Funding Plan

	<u>Dollar Amount</u>
(A) Estimated Ultimate Losses Incurred in Accident Year 2017-2018: (Sum of Liability and Property)	\$726,000
(B) Estimated Claims Administration Fees Incurred in Accident Year 2017-2018: (Sum of Liability and Property)	0
(C) Total Claims Costs Incurred in Accident Year 2017-2018: ((A) + (B))	<u>\$726,000</u>
(D) Loss Discount Factor: ((E)/(C))	0.972
(E) Discounted Total Claims Costs Incurred in Accident Year 2017-2018: (Sum of Liability and Property)	<u>\$706,000</u>
	<u>Recommended</u>
(F) Confidence Level Factor: ((H)/(E))	80%
(G) Margin for Adverse Experience: (Sum of Liability and Property)	1.414
(H) Recommended Funding in 2017-2018 for Claims Costs and Other Expenses ((E) + (G))	292,000
	<u>\$998,000</u>

Santa Clara County Schools Insurance Group - Liability

Funding Guidelines for Outstanding Liabilities at  
December 31, 2016

(A) Estimated Ultimate Losses Incurred through 12/31/16: (From Appendix F - GL)	\$4,059,000
(B) Estimated Paid Losses through 12/31/16: (From Appendix F - GL)	2,879,000
(C) Estimated Liability for Claims Outstanding at 12/31/16: (From Appendix F - GL)	<u>\$1,180,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/16: (Not Included)	0
(E) Total Outstanding Liability for Claims at 12/31/16: ((C) + (D))	<u>\$1,180,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 1, (G))	0.972
(G) Discounted Outstanding Liability for Claims at 12/31/16: ((E) x (F))	<u>\$1,147,000</u>

	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - GL)	1.127	1.183	1.248	1.329	1.436
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	146,000	210,000	284,000	377,000	500,000
(J) Total Required Assets at 12/31/16: ((G) + (I))	<u>\$1,293,000</u>	<u>\$1,357,000</u>	<u>\$1,431,000</u>	<u>\$1,524,000</u>	<u>\$1,647,000</u>

Santa Clara County Schools Insurance Group - Liability

Funding Guidelines for Outstanding Liabilities at  
June 30, 2017

(A) Estimated Ultimate Losses Incurred through 6/30/17: (From Appendix F - GL)	\$4,316,000
(B) Estimated Paid Losses through 6/30/17: (From Appendix F - GL)	3,210,000
(C) Estimated Liability for Claims Outstanding at 6/30/17: (From Appendix F - GL)	<u>\$1,106,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/17: (Not Included)	0
(E) Total Outstanding Liability for Claims at 6/30/17: ((C) + (D))	<u>\$1,106,000</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 6/30/17: ((E) x (F))	<u>\$1,077,000</u>

	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - GL)	1.127	1.183	1.248	1.329	1.436
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	137,000	197,000	267,000	354,000	470,000
(J) Total Required Assets at 6/30/17: ((G) + (I))	<u>\$1,214,000</u>	<u>\$1,274,000</u>	<u>\$1,344,000</u>	<u>\$1,431,000</u>	<u>\$1,547,000</u>



Santa Clara County Schools Insurance Group - Liability  
Funding Options for Program Year 2017-2018 (SIR = \$100,000)  
One-Year Funding Plan

	Dollar Amount	Rate (per ADA)			
(A) Estimated Ultimate Losses Incurred in Accident Year 2017-2018: (From Appendix F - GL)	\$505,000	\$7.731			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2017-2018: (Not Included)	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2017-2018: ((A) + (B))	\$505,000	\$7.731			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - GL, Page 2, (F))	0.966				
(E) Discounted Total Claims Costs Incurred in Accident Year 2017-2018: ((C) x (D))	\$488,000	\$7.471			
	Marginally Acceptable		Recommended		Conservative
	70%		75%	80%	85%
(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	254,000
				341,000	
(H) Recommended Funding in 2017-2018 for Claims Costs and Other Expenses: ((E) + (G))	\$580,000		\$624,000	\$676,000	\$742,000
				\$829,000	

Rates are per 2017-2018 ADA of 65,323.

## Santa Clara County Schools Insurance Group - Liability

## IBNR as of 6/30/17 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/16 (B)	Estimated IBNR as of 12/31/16 (C)	Estimated Percent of IBNR Reported Between 1/1/17 and 6/30/17 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/17 (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	258,531	258,531	0	42.7%	0	0
2013-2014	330,000	324,198	5,802	29.1%	2,000	3,802
2014-2015	577,000	554,987	22,013	30.1%	7,000	15,013
2015-2016	647,000	577,813	69,187	36.4%	25,000	44,187
2016-2017	515,000	99,763	158,000	40.7%	169,000	246,237
Totals	\$4,315,567	\$3,803,328	\$255,002		\$203,000	\$309,239

## 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 1/1/17 and 6/30/17. 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 6/30/17. 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	190,972	190,591	190,972	190,576	190,591
2009-2010	977,633	980,566	977,633	980,566	977,645	977,633
2010-2011	500,472	504,476	500,472	504,476	500,490	500,472
2011-2012	319,979	325,088	320,341	328,350	448,266	319,340
2012-2013	260,341	271,199	262,081	282,364	710,480	258,531
2013-2014	329,709	324,902	332,904	349,653	365,960	330,000
2014-2015	578,296	307,922	575,624	371,779	433,550	577,000
2015-2016	677,197	470,164	652,569	498,881	524,259	647,000
Totals						\$3,800,567
						Projected Losses for the Year 2016-2017 (G) \$515,000
						Projected Losses for the Year 2017-2018 (H) \$505,000

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	\$190,972	\$190,591	\$190,972	\$190,576	\$190,591
2009-2010	977,633	980,566	977,633	980,566	977,645	977,633
2010-2011	500,472	504,476	500,472	504,476	500,490	500,472
2011-2012	319,979	325,088	320,341	328,350	448,266	319,340
2012-2013	260,341	271,199	262,081	282,364	710,480	258,531
2013-2014	329,709	324,902	332,904	349,653	365,960	330,000
2014-2015	578,296	307,922	575,624	371,779	433,550	577,000
2015-2016	677,197	470,164	652,569	498,881	524,259	647,000
Totals						\$3,800,567
						Projected Losses for the Year 2016-2017 (G) \$515,000
						Projected Losses for the Year 2017-2018 (H) \$505,000

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	1.032	\$196,690	\$65,974	\$2.981
2009-2010	977,633	1.028	1,005,007	66,915	15.019
2010-2011	500,472	1.024	512,483	67,335	7.611
2011-2012	319,340	1.020	325,727	67,177	4.849
2012-2013	258,531	1.016	262,667	67,793	3.875
2013-2014	330,000	1.012	333,960	68,189	4.898
2014-2015	577,000	1.008	581,616	68,425	8.500
2015-2016	647,000	1.004	649,588	67,179	9.670
Totals	\$3,800,567		\$3,867,738	538,987	\$7.176
10/11-14/15	1,985,343		2,016,453	338,919	5.950
13/14-15/16	1,554,000		1,565,164	203,793	7.680
			(F) Selected Limited Rate:		\$7.700
			Prior:		\$7.350
Program Year:		2016-2017	2017-2018		
(G) Factor to SIR:		1.000	1.000		
(H) Trend Factor:		1.000	1.004		
(I) Program Rate:		\$7.700	\$7.731		
(J) ADA:		66,942	65,323		
(K) Projected Program Losses:		515,000	505,000		

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) x (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) x (G) x (H).
- (J) From Appendix L - GL, Column (C).
- (K) (I) x (J).

This exhibit shows the calculation of future loss costs based on the past loss rates per \$100 of payroll. 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 12/31/16 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/16 (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	1.002	319,979	319,340	1.002	319,979
2012-2013	258,531	1.007	260,341	258,531	1.007	260,341
2013-2014	324,198	1.017	329,709	324,198	1.017	329,709
2014-2015	554,987	1.042	578,296	554,987	1.042	578,296
2015-2016	577,813	1.172	677,197	577,813	1.172	677,197
Totals	\$3,703,565		\$3,834,218	\$3,703,565		\$3,834,218

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 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

Accident Year	<u>Limited Losses Reported as of:</u>								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2008-2009						190,591	190,591	190,591	190,591
2009-2010					1,035,064	977,633	977,633	977,633	
2010-2011				594,729	500,472	500,472	500,472		
2011-2012			377,300	333,173	333,376	319,340			
2012-2013		309,397	349,089	254,010	258,531				
2013-2014	66,533	328,535	334,198	324,198					
2014-2015	118,947	411,487	554,987						
2015-2016	110,185	577,813							
2016-2017	99,763								
	<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
2008-2009						1.000	1.000	1.000	
2009-2010					0.945	1.000	1.000		
2010-2011				0.842	1.000	1.000			
2011-2012			0.883	1.001	0.958				
2012-2013		1.128	0.728	1.018					
2013-2014	4.938	1.017	0.970						
2014-2015	3.459	1.349							
2015-2016	5.244								
Average Dollar-weighted Averages	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
	4.547	1.165	0.860	0.954	0.968	1.000	1.000	1.000	
3-yr	4.457	1.180	0.859	0.924	0.962	1.000			
4-yr									
Comparative Factors	Prior	Selected	Cumulated						
	2.945	1.254	1.006	0.965	0.972	1.000	1.000	1.000	1.000
	3.350	1.100	1.025	1.010	1.005	1.002	1.000	1.000	
	4.000	1.125	1.025	1.010	1.005	1.002	1.000	1.000	1.000
	4.688	1.172	1.042	1.017	1.007	1.002	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
2009-2010					470,248	531,271	392,740	392,740
2010-2011				448,030	288,880	213,157	213,157	
2011-2012			210,000	180,000	160,349	150,349		
2012-2013				25,000	125,039			
2013-2014		25,000	80,000	135,000				
2014-2015		400,000	455,000					
2015-2016		475,000						
2016-2017								
	<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-Ult. Months
2009-2010					1.130	0.739	1.000	
2010-2011				0.645	0.738	1.000		
2011-2012			0.857	0.891	0.938			
2012-2013				5.002				
2013-2014		3.200	1.688					
2014-2015		1.138						
2015-2016								
Average Dollar-weighted Averages	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-Ult. Months
3-yr		2.169	1.273	2.179	0.935	0.870	1.000	
4-yr				0.879	0.973			
Comparative Factors	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.006
Prior	4.611	1.861	1.298	1.135	1.045	1.025	1.019	
Selected	4.611	1.861	1.298	1.135	1.045	1.025	1.013	1.006
Cumulated	13.792	2.991	1.607	1.238	1.091	1.044	1.019	1.006

Santa Clara County Schools Insurance Group - Liability

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/16 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/16 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	\$190,591	1.002	\$190,972	\$190,591	1.002	\$190,972
2009-2010	977,633	1.003	980,566	977,633	1.003	980,566
2010-2011	500,472	1.008	504,476	500,472	1.008	504,476
2011-2012	319,340	1.018	325,088	319,340	1.018	325,088
2012-2013	258,531	1.049	271,199	258,531	1.049	271,199
2013-2014	281,544	1.154	324,902	281,544	1.154	324,902
2014-2015	213,390	1.443	307,922	213,390	1.443	307,922
2015-2016	118,489	3.968	470,164	118,489	3.968	470,164
Totals	\$2,859,990		\$3,375,289	\$2,859,990		\$3,375,289

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

Accident Year	<u>Limited Losses Paid as of:</u>									
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	102 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	
2010-2011				454,896	500,472	500,472	500,472			
2011-2012			201,420	234,380	314,318	319,340				
2012-2013		84,771	142,560	234,096	258,531					
2013-2014	1,485	54,155	234,680	281,544						
2014-2015	10,030	58,530	213,390							
2015-2016	4,375	118,489								
2016-2017	18,894									
	<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	102-Ult. Months
2008-2009						1.000	1.000	1.000		
2009-2010					1.079	1.000	1.000			
2010-2011				1.100	1.000	1.000				
2011-2012			1.164	1.341	1.016					
2012-2013		1.682	1.642	1.104						
2013-2014	36.468	4.333	1.200							
2014-2015	5.835	3.646								
2015-2016	27.083									
Average	23.129	3.220	1.335	1.182	1.032	1.000	1.000	1.000		
Dollar-weighted										
Averages										
3-yr	14.548	2.991	1.296	1.162	1.044	1.000				
4-yr										
Comparative										
Factors	4.218	2.117	1.446	1.151	1.057	1.033	1.015	1.010	1.045	
Prior	5.000	2.500	1.250	1.075	1.035	1.010	1.005	1.003		
Selected	8.000	2.750	1.250	1.100	1.030	1.010	1.005	1.001	1.002	
Cumulated	31.744	3.968	1.443	1.154	1.049	1.018	1.008	1.003	1.002	

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
2009-2010					325,751	371,380	392,740	392,740
2010-2011				197,860	212,259	213,157	213,157	
2011-2012					150,349	150,349		
2012-2013					125,039			
2013-2014				36,090				
2014-2015								
2015-2016								
2016-2017								
	<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-Ult. Months
2009-2010					1.140	1.058	1.000	
2010-2011				1.073	1.004	1.000		
2011-2012					1.000			
2012-2013								
2013-2014								
2014-2015								
2015-2016								
Average Dollar-weighted Averages	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-Ult. Months
3-yr				1.073	1.048	1.029	1.000	
4-yr								
Comparative Factors								
Prior	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.142
Selected	9.143	3.115	1.786	1.350	1.168	1.090	1.065	1.142
Cumulated	106.315	11.628	3.733	2.090	1.548	1.325	1.216	1.142

Santa Clara County Schools Insurance Group - Liability

Exposure and Development Method  
Based on Reported Losses

Accident Year	ADA (A)	Reported Losses as of 12/31/16 (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	1.002	0.002	7.451	1,001	320,341
2012-2013	67,793	258,531	1.007	0.007	7.480	3,550	262,081
2013-2014	68,189	324,198	1.017	0.017	7.510	8,706	332,904
2014-2015	68,425	554,987	1.042	0.040	7.540	20,637	575,624
2015-2016	67,179	577,813	1.172	0.147	7.570	74,756	652,569
Totals	538,987	\$3,703,565				\$108,650	\$3,812,215

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 payroll 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 12/31/16 (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	1.002	0.002	\$2.889	\$381	\$190,972
2009-2010	66,915	977,633	1.003	0.003	14.610	2,933	980,566
2010-2011	67,335	500,472	1.008	0.008	7.433	4,004	504,476
2011-2012	67,177	319,340	1.018	0.018	7.451	9,010	328,350
2012-2013	67,793	258,531	1.049	0.047	7.480	23,833	282,364
2013-2014	68,189	281,544	1.154	0.133	7.510	68,109	349,653
2014-2015	68,425	213,390	1.443	0.307	7.540	158,389	371,779
2015-2016	67,179	118,489	3.968	0.748	7.570	380,392	498,881
Totals	538,987	\$2,859,990				\$647,051	\$3,507,041

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 payroll 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	1.032	\$196,690	\$2.981	\$2.889	1.000	\$2.889
2009-2010	66,915	977,633	1.028	1,005,007	15.019	14.610	1.000	14.610
2010-2011	67,335	500,472	1.024	512,483	7.611	7.433	1.000	7.433
2011-2012	67,177	319,340	1.020	325,727	4.849	7.451	1.000	7.451
2012-2013	67,793	258,531	1.016	262,667	3.875	7.480	1.000	7.480
2013-2014	68,189	330,000	1.012	333,960	4.898	7.510	1.000	7.510
2014-2015	68,425	578,000	1.008	582,624	8.515	7.540	1.000	7.540
2015-2016	67,179	625,000	1.004	627,500	9.341	7.570	1.000	7.570
Total/Avg	538,987	\$3,779,567		\$3,846,658	\$7.137			
10/11-14/15	338,919	1,986,343		2,017,461	\$5.953			
13/14-15/16	203,793	1,533,000		1,544,084	\$7.577			
				Selected Limited Rate:	\$7.600			
				Prior:	\$7.350			

Notes:

- (A) From Appendix L - GL, Column (C).
- (B) Selected average of results from Appendices L and L.
- (C) From Appendix E - GL, Page 1, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2010-2011 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 payroll 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	17,241	26	448,266
2012-2013	17,762	40	710,480
2013-2014	18,298	20	365,960
2014-2015	18,850	23	433,550
2015-2016	19,417	27	524,259
Total		265	\$4,151,226

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	1.267	\$5,615	\$4,432	1.000	\$4,432
2009-2010	977,633	41	23,845	1.231	29,353	23,845	1.000	23,845
2010-2011	500,472	45	11,122	1.195	13,291	11,122	1.000	11,122
2011-2012	319,340	26	12,282	1.160	14,247	17,241	1.000	17,241
2012-2013	258,531	40	6,463	1.126	7,277	17,762	1.000	17,762
2013-2014	330,000	20	16,500	1.093	18,035	18,298	1.000	18,298
2014-2015	577,000	23	25,087	1.061	26,617	18,850	1.000	18,850
2015-2016	665,000	27	24,630	1.030	25,369	19,417	1.000	19,417

Average Limited Severity: \$17,476  
Average 10/11-14/15 Limited Severity: \$15,893  
Average 13/14-15/16 Limited Severity: \$23,340

Selected Limited Severity: \$20,000  
Prior: \$19,500

Notes:

- (A) Selected average of results from Appendices L, L, and L.
- (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	44	43	6.597	6.518	0.818	5.332
2009-2010	41	42	41	6.692	6.127	0.838	5.134
2010-2011	45	46	45	6.734	6.683	0.860	5.747
2011-2012	26	27	26	6.718	3.870	0.881	3.409
2012-2013	40	43	40	6.779	5.900	0.904	5.334
2013-2014	20	19	20	6.819	2.933	0.927	2.719
2014-2015	23	21	23	6.843	3.361	0.950	3.193
2015-2016	27	26	27	6.718	4.019	0.975	3.919
Total	265	268	265	53.9			4.342
10/11-14/15	154	156	154	33.9			4.076

(H) Selected 2016-2017 Frequency: 3.750  
Prior: 3.500

Program Year:	2016-2017	2017-2018
(I) Trend Factor:	1.000	0.975
(J) Selected Frequency:	3.750	3.656
(K) Estimated ADA (10,000):	6.7	6.5
(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) divided by 10,000.
- (E) (C) / (D).
- (F) From Appendix E - GL, Page 1, Column (H).
- (G) (E) x (F).
- (H) The selected frequency of 3.750 is based on (G).
- (I) From Appendix E - GL, Page 1, Column (H).
- (J) (H) x (I).
- (K) From Appendix L - GL, Column (C) divided by 10,000.
- (L) (J) x (K).

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

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method  
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2016 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	43	1.000	43	5.331
2009-2010	41	1.000	41	5.135
2010-2011	45	1.000	45	5.747
2011-2012	26	1.000	26	3.410
2012-2013	40	1.000	40	5.334
2013-2014	20	1.001	20	2.719
2014-2015	23	1.006	23	3.193
2015-2016	27	1.016	27	3.919
Total	265		265	4.342

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 12/31/2016 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	43	1.012	44	5.455
2009-2010	41	1.015	42	5.260
2010-2011	45	1.020	46	5.875
2011-2012	26	1.046	27	3.541
2012-2013	40	1.083	43	5.734
2013-2014	17	1.137	19	2.583
2014-2015	17	1.251	21	2.916
2015-2016	15	1.751	26	3.774
Total	244		268	4.385

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

Accident Year	Claims Reported as of:								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2008-2009						43	43	43	43
2009-2010					41	41	41	41	
2010-2011				45	45	45	45		
2011-2012			26	26	26	26			
2012-2013		36	41	40	40				
2013-2014	7	23	20	20					
2014-2015	10	24	23						
2015-2016	12	27							
2016-2017	16								

	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-Ult. Months
2008-2009						1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000				
2012-2013		1.139	0.976	1.000					
2013-2014	3.286	0.870	1.000						
2014-2015	2.400	0.958							
2015-2016	2.250								

	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	2.645	0.989	0.992	1.000	1.000	1.000	1.000	1.000	
Claim-weighted Averages									
3-yr	2.552	1.012	0.989	1.000	1.000	1.000			
4-yr									
Comparative Factors	2.633	1.136	1.018	1.005	1.005	1.004	1.004	1.002	1.003
Prior	2.500	1.010	1.005	1.001	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
Cumulated	2.540	1.016	1.006	1.001	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Liability  
Closed Claim Development

Accident Year	Claims Closed as of:								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2008-2009						43	43	43	43
2009-2010					37	39	41	41	
2010-2011				43	44	45	45		
2011-2012			23	24	25	26			
2012-2013		29	34	37	40				
2013-2014		12	17	17					
2014-2015	2	15	17						
2015-2016	1	15							
2016-2017	2								
	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-Ult. Months
2008-2009						1.000	1.000	1.000	
2009-2010					1.054	1.051	1.000		
2010-2011				1.023	1.023	1.000			
2011-2012			1.043	1.042	1.040				
2012-2013		1.172	1.088	1.081					
2013-2014		1.417	1.000						
2014-2015	7.500	1.133							
2015-2016	15.000								
Average	11.250	1.241	1.044	1.049	1.039	1.017	1.000	1.000	
Claim-weighted Averages									
3-yr		1.214	1.054	1.048	1.038	1.016			
4-yr									
Comparative Factors	3.387	1.495	1.122	1.051	1.033	1.020	1.012	1.010	1.032
Prior	3.000	1.400	1.100	1.050	1.035	1.025	1.005	1.015	
Selected	3.000	1.400	1.100	1.050	1.035	1.025	1.005	1.003	1.012
Cumulated	5.253	1.751	1.251	1.137	1.083	1.046	1.020	1.015	1.012

Santa Clara County Schools Insurance Group - Liability

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2016-2017 Loss Rate Level (B)	Factor to 2017-2018 Loss Rate Level (C)	Factor to 2018-2019 Loss Rate Level (D)	Factor to 2019-2020 Loss Rate Level (E)	Factor to 2016-2017 Frequency Level (F)	Factor to 2017-2018 Frequency Level (G)	Factor to 2018-2019 Frequency Level (H)	Factor to 2019-2020 Frequency Level (I)	Factor to 2016-2017 Severity Level (J)
1995-1996	1.000	1.083	1.087	1.092	1.096	0.589	0.574	0.560	0.546	1.862
1996-1997	1.000	1.079	1.083	1.088	1.092	0.604	0.589	0.574	0.560	1.808
1997-1998	1.000	1.075	1.079	1.084	1.088	0.619	0.604	0.589	0.574	1.755
1998-1999	1.000	1.071	1.075	1.080	1.084	0.635	0.619	0.604	0.589	1.704
1999-2000	1.000	1.067	1.071	1.076	1.080	0.652	0.635	0.619	0.604	1.654
2000-2001	1.000	1.063	1.067	1.072	1.076	0.668	0.651	0.635	0.619	1.606
2001-2002	1.000	1.059	1.063	1.068	1.072	0.685	0.668	0.651	0.635	1.559
2002-2003	1.000	1.055	1.060	1.064	1.068	0.702	0.685	0.668	0.651	1.513
2003-2004	1.000	1.051	1.056	1.060	1.064	0.721	0.702	0.685	0.668	1.469
2004-2005	1.000	1.047	1.052	1.056	1.060	0.739	0.720	0.703	0.685	1.426
2005-2006	1.000	1.043	1.048	1.052	1.056	0.758	0.739	0.721	0.703	1.385
2006-2007	1.000	1.040	1.044	1.048	1.052	0.778	0.758	0.739	0.721	1.345
2007-2008	1.000	1.036	1.040	1.044	1.048	0.797	0.777	0.758	0.739	1.306
2008-2009	1.000	1.032	1.036	1.040	1.044	0.818	0.797	0.777	0.758	1.267
2009-2010	1.000	1.028	1.032	1.036	1.040	0.838	0.817	0.797	0.777	1.231
2010-2011	1.000	1.024	1.028	1.032	1.036	0.860	0.838	0.817	0.797	1.195
2011-2012	1.000	1.020	1.024	1.028	1.032	0.881	0.859	0.838	0.817	1.160
2012-2013	1.000	1.016	1.020	1.024	1.028	0.904	0.881	0.859	0.838	1.126
2013-2014	1.000	1.012	1.016	1.020	1.024	0.927	0.903	0.881	0.859	1.093
2014-2015	1.000	1.008	1.012	1.016	1.020	0.950	0.926	0.904	0.881	1.061
2015-2016	1.000	1.004	1.008	1.012	1.016	0.975	0.951	0.927	0.904	1.030
2016-2017	1.000	1.000	1.004	1.008	1.012	1.000	0.975	0.951	0.927	1.000
2017-2018	1.000	--	1.000	1.004	1.008	--	1.000	0.975	0.951	--
2018-2019	1.000	--	--	1.000	1.004	--	--	1.000	0.975	--
2019-2020	1.000	--	--	--	1.000	--	--	--	1.000	--

Notes:

- (A) Based on WCIRB.
- (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	258,531	40	1.000	6,463	67,793	5.900
2013-2014	330,000	20	1.000	16,500	68,189	2.933
2014-2015	578,000	23	1.000	25,130	68,425	3.361
2015-2016	625,000	27	1.000	23,148	67,179	4.019

	<u>Severity Trend Factors</u>	<u>Frequency Trend Factors</u>
All x 2015-2016	1.151	0.880
Latest 5 x 2015-2016	1.212	0.848
Prior	1.030	0.975
Default	1.025	0.980
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) x (C) / (B).
- (E) From Appendix L - GL, Column (C).
- (F) (B) / (E) x 10,000.



Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2016</u>	<u>Calendar Period</u>	
		<u>1/1/2017</u> <u>to</u> <u>6/30/2017</u>	<u>7/1/2017</u> <u>to</u> <u>6/30/2018</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	\$258,531	\$258,531	\$258,531
Paid in Calendar Period	-		
Paid to Date	258,531	258,531	258,531
Outstanding Liability			
2013-2014			
Ultimate Loss	\$330,000	\$330,000	\$330,000
Paid in Calendar Period	-	15,748	21,097
Paid to Date	281,544	297,292	318,389
Outstanding Liability	48,456	32,708	11,611
2014-2015			
Ultimate Loss	\$577,000	\$577,000	\$577,000
Paid in Calendar Period	-	102,902	153,818
Paid to Date	213,390	316,292	470,110
Outstanding Liability	363,610	260,708	106,890

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2016</u>	<u>Calendar Period</u>	
		<u>1/1/2017</u> <u>to</u> <u>6/30/2017</u>	<u>7/1/2017</u> <u>to</u> <u>6/30/2018</u>
2015-2016			
Ultimate Loss	\$647,000	\$647,000	\$647,000
Paid in Calendar Period	-	155,911	217,226
Paid to Date	118,489	274,400	491,626
Outstanding Liability	528,511	372,600	155,374
2016-2017			
Ultimate Loss	\$258,000	\$515,000	\$515,000
Paid in Calendar Period	-	56,556	169,227
Paid to Date	18,894	75,450	244,677
Outstanding Liability	239,106	439,550	270,323
2017-2018			
Ultimate Loss	-	-	\$505,000
Paid in Calendar Period	-	-	71,710
Paid to Date	-	-	71,710
Outstanding Liability	-	-	433,290
Totals			
Ultimate Loss	\$4,058,567	\$4,315,567	\$4,820,567
Paid in Calendar Period	-	331,117	633,078
Paid to Date	2,878,884	3,210,001	3,843,079
Outstanding Liability	1,179,683	1,105,566	977,488

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 2014-2015, \$102,902 is expected to be paid between 1/1/17 and 6/30/17, \$316,292 will have been paid by 6/30/17, and the reserve for remaining payments on these claims should be \$260,708.
- 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, \$153,818 = \$260,708 x 59.0%.
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, \$470,110 = \$153,818 + \$316,292.
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, \$260,708 = \$577,000 - \$316,292.

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 12/31/16:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$274,561	\$271,856
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$274,561</u>	<u>\$271,856</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$905,122	\$875,283
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$905,122</u>	<u>\$875,283</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,179,683	\$1,147,139
	ULAE:	0	0
	Total Loss and LAE:	<u>\$1,179,683</u>	<u>\$1,147,139</u>
<u>Liabilities as of 6/30/17:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$561,368	\$555,837
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$561,368</u>	<u>\$555,837</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$544,198	\$520,956
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$544,198</u>	<u>\$520,956</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,105,566	\$1,076,793
	ULAE:	0	0
	Total Loss and LAE:	<u>\$1,105,566</u>	<u>\$1,076,793</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 12/31/16:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$306,382	\$321,606	\$339,276	\$361,297	\$390,385
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$306,382</u>	<u>\$321,606</u>	<u>\$339,276</u>	<u>\$361,297</u>	<u>\$390,385</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$986,444	\$1,035,459	\$1,092,353	\$1,163,251	\$1,256,907
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$986,444</u>	<u>\$1,035,459</u>	<u>\$1,092,353</u>	<u>\$1,163,251</u>	<u>\$1,256,907</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,292,826	\$1,357,065	\$1,431,629	\$1,524,548	\$1,647,292
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$1,292,826</u>	<u>\$1,357,065</u>	<u>\$1,431,629</u>	<u>\$1,524,548</u>	<u>\$1,647,292</u>
<u>Liabilities as of 6/30/17:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$626,428	\$657,555	\$693,685	\$738,707	\$798,182
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$626,428</u>	<u>\$657,555</u>	<u>\$693,685</u>	<u>\$738,707</u>	<u>\$798,182</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$587,118	\$616,291	\$650,153	\$692,351	\$748,093
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$587,118</u>	<u>\$616,291</u>	<u>\$650,153</u>	<u>\$692,351</u>	<u>\$748,093</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,213,546	\$1,273,846	\$1,343,838	\$1,431,058	\$1,546,275
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$1,213,546</u>	<u>\$1,273,846</u>	<u>\$1,343,838</u>	<u>\$1,431,058</u>	<u>\$1,546,275</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 12/31/16 (A)	Discount Factor (B)	Discounted Reserve at 12/31/16 (C)	Full Value of Reserve at 6/30/17 (D)	Discount Factor (E)	Discounted Reserve at 6/30/17 (F)
2013-2014	\$48,456	0.977	\$47,319	\$32,708	0.976	\$31,936
2014-2015	363,610	0.977	355,104	260,708	0.977	254,626
2015-2016	528,511	0.973	514,389	372,600	0.977	363,859
2016-2017	239,106	0.963	230,327	439,550	0.970	426,372
Totals	\$1,179,683		\$1,147,139	\$1,105,566		\$1,076,793

(G) Discount Factor at 12/31/16 for Overall Reserve: 0.972  
(H) Discount Factor at 6/30/17 for Overall Reserve: 0.974

Notes:

- (A) From Appendix F - GL, Outstanding Liability at 12/31/16.
- (B) Based on Appendix H - GL, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix F - GL, Outstanding Liability at 6/30/17.
- (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 0.972, the discounted liability for outstanding claims is 97.2% 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	0.1%	2.0%	0.002	0.002	0.909
11	0.0%	2.0%	0.002	0.002	0.891
10	0.0%	2.0%	0.002	0.002	0.874
9	0.0%	2.0%	0.002	0.002	0.857
8	0.3%	2.0%	0.005	0.005	0.930
7	0.8%	2.0%	0.012	0.013	0.960
6	1.9%	2.0%	0.031	0.032	0.970
5	5.8%	2.0%	0.088	0.090	0.976
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:					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	1.613
90%	1.699	1.436
85%	1.520	1.329
80%	1.386	1.248
75%	1.279	1.183
70%	1.189	1.127
65%	1.109	1.078
60%	1.037	1.033
55%	0.971	0.992
50%	0.908	0.952
45%	0.850	0.914
40%	0.792	0.877
35%	0.735	0.840
30%	0.678	0.803
25%	0.620	0.764

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)
	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 12/31/16

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	476,122	57,760	34,792	383,570	125,039	125,039	258,531	0	258,531	258,531
2013-2014	468,898	3,947	5,753	459,198	135,000	135,000	324,198	0	324,198	324,198
2014-2015	2,917,797	13,298	4,513	2,899,987	2,345,000	2,345,000	554,987	0	554,987	554,987
2015-2016	1,109,619	44,380	12,427	1,052,813	475,000	475,000	577,813	0	577,813	577,813
2016-2017	127,291	27,528	0	99,763	0	0	99,763	0	99,763	99,763
Total	\$8,167,102	\$223,159	\$304,331	\$7,639,612	\$3,836,285	\$3,836,285	\$3,803,327	\$0	\$3,803,327	\$3,803,327

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 12/31/16

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	476,122	57,760	34,792	383,570	125,039	125,039	258,531	0	258,531	258,531
2013-2014	327,334	3,947	5,753	317,634	36,090	36,090	281,544	0	281,544	281,544
2014-2015	231,201	13,298	4,513	213,390	0	0	213,390	0	213,390	213,390
2015-2016	170,098	39,183	12,427	118,489	0	0	118,489	0	118,489	118,489
2016-2017	36,887	17,994	0	18,894	0	0	18,894	0	18,894	18,894
Total	\$4,309,018	\$208,428	\$304,331	\$3,796,259	\$917,375	\$917,375	\$2,878,884	\$0	\$2,878,884	\$2,878,884

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 12/31/16

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	141,563	0	0	141,563	98,910	98,910	42,654	0	42,654	42,654
2014-2015	2,686,597	0	0	2,686,597	2,345,000	2,345,000	341,597	0	341,597	341,597
2015-2016	939,521	5,197	0	934,324	475,000	475,000	459,324	0	459,324	459,324
2016-2017	90,403	9,534	0	80,869	0	0	80,869	0	80,869	80,869
Total	\$3,858,084	\$14,731	\$0	\$3,843,353	\$2,918,910	\$2,918,910	\$924,443	\$0	\$924,443	\$924,443

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 12/31/16

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	20	0	0	20	17	0	0	17	3	3
2014-2015	23	0	0	23	17	0	0	17	6	6
2015-2016	27	0	0	27	15	0	0	15	12	12
2016-2017	16	0	0	16	2	0	0	2	14	14
Total	281	0	0	281	246	0	0	246	35	35

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)
1996-1997	85,073	1.000	85,073
1997-1998	78,474	1.000	78,474
1998-1999	73,908	1.000	73,908
1999-2000	73,159	1.000	73,159
2000-2001	73,900	1.000	73,900
2001-2002	75,400	1.000	75,400
2002-2003	73,939	1.000	73,939
2003-2004	72,648	1.000	72,648
2004-2005	72,828	1.000	72,828
2005-2006	72,708	1.000	72,708
2006-2007	73,038	1.000	73,038
2007-2008	69,285	1.000	69,285
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

## 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, 2016

(A) Estimated Ultimate Losses Incurred through 12/31/16: (From Appendix F - PR)	\$1,714,000
(B) Estimated Paid Losses through 12/31/16: (From Appendix F - PR)	1,584,000
(C) Estimated Liability for Claims Outstanding at 12/31/16: (From Appendix F - PR)	<u>\$130,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 12/31/16: (Not Included)	0
(E) Total Outstanding Liability for Claims at 12/31/16: ((C) + (D))	<u>\$130,000</u>
(F) Reserve Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 1, (G))	0.983
(G) Discounted Outstanding Liability for Claims at 12/31/16: ((E) x (F))	<u>\$128,000</u>

	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - PR)	1.244	1.368	1.516	1.699	1.945
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	31,000	47,000	66,000	89,000	121,000
(J) Total Required Assets at 12/31/16: ((G) + (I))	<u>\$159,000</u>	<u>\$175,000</u>	<u>\$194,000</u>	<u>\$217,000</u>	<u>\$249,000</u>

Santa Clara County Schools Insurance Group - Property

Funding Guidelines for Outstanding Liabilities at  
June 30, 2017

(A) Estimated Ultimate Losses Incurred through 6/30/17: (From Appendix F - PR)	\$1,821,000
(B) Estimated Paid Losses through 6/30/17: (From Appendix F - PR)	1,684,000
(C) Estimated Liability for Claims Outstanding at 6/30/17: (From Appendix F - PR)	<u>\$137,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/17: (Not Included)	0
(E) Total Outstanding Liability for Claims at 6/30/17: ((C) + (D))	<u>\$137,000</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 6/30/17: ((E) x (F))	<u>\$135,000</u>

	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix I - PR)	1.244	1.368	1.516	1.699	1.945
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	33,000	50,000	70,000	94,000	128,000
(J) Total Required Assets at 6/30/17: ((G) + (I))	<u>\$168,000</u>	<u>\$185,000</u>	<u>\$205,000</u>	<u>\$229,000</u>	<u>\$263,000</u>

Santa Clara County Schools Insurance Group - Property  
Funding Options for Program Year 2017-2018 (SIR = \$100,000)  
One-Year Funding Plan

	<u>Dollar Amount</u>					<u>Rate (per \$1,000 TIV)</u>
(A) Estimated Ultimate Losses Incurred in Accident Year 2017-2018: (From Appendix F - PR)	\$221,000					\$0.100
(B) Estimated Claims Administration Fees Incurred in Accident Year 2017-2018: (Not Included)	0					0.000
(C) Total Claims Costs Incurred in Accident Year 2017-2018: ((A) + (B))	<u>\$221,000</u>					<u>\$0.100</u>
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix H - PR, Page 2, (F))	0.989					
(E) Discounted Total Claims Costs Incurred in Accident Year 2017-2018: ((C) x (D))	<u>\$218,000</u>					<u>\$0.098</u>
		<u>Marginally Acceptable</u>	<u>Recommended</u>		<u>Conservative</u>	
		70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix I - PR)		1.226	1.341	1.477	1.648	1.876
(G) Margin for Adverse Experience: ((E) x [(F) - 1])		49,000	74,000	104,000	141,000	191,000
(H) Recommended Funding in 2017-2018 for Claims Costs and Other Expenses: ((E) + (G))		<u>\$267,000</u>	<u>\$292,000</u>	<u>\$322,000</u>	<u>\$359,000</u>	<u>\$409,000</u>

Rates are per \$1,000 of 2017-2018 TIV of \$2,213,752.



## Santa Clara County Schools Insurance Group - Property

## IBNR as of 6/30/17 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/16 (B)	Estimated IBNR as of 12/31/16 (C)	Estimated Percent of IBNR Reported Between 1/1/17 and 6/30/17 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/17 (F)
2008-2009	\$349,266	\$349,266	\$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	123,000	115,000	8,000	39.4%	3,000	5,000
2016-2017	214,000	28,516	78,000	48.2%	89,000	96,484
Totals	\$1,820,505	\$1,627,021	\$86,000		\$92,000	\$101,484

## 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 1/1/17 and 6/30/17. 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 6/30/17. 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	\$349,266	349,266	349,266	349,266	349,270	349,266
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	155,176	43,519
2012-2013	84,769	84,769	84,769	84,769	179,838	84,769
2013-2014	21,756	21,974	21,756	23,742	41,172	21,756
2014-2015	283,827	290,887	283,420	288,243	318,090	282,415
2015-2016	117,875	114,300	120,114	126,636	43,690	123,000
Totals						\$1,606,505
						Projected Losses for the Year 2016-2017 (G) \$214,000
						Projected Losses for the Year 2017-2018 (H) \$221,000

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	\$349,266	\$349,266	\$349,266	\$349,266	\$349,270	\$349,266
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	155,176	43,519
2012-2013	84,769	84,769	84,769	84,769	179,838	84,769
2013-2014	21,756	21,974	21,756	23,742	41,172	21,756
2014-2015	283,827	290,887	283,420	288,243	318,090	282,415
2015-2016	117,875	114,300	120,114	126,636	43,690	123,000
Totals						\$1,606,505
						Projected Losses for the Year 2016-2017 (G) \$214,000
						Projected Losses for the Year 2017-2018 (H) \$221,000

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	\$349,266	1.032	\$360,443	\$1,986,958	\$0.181
2009-2010	331,278	1.028	340,554	1,957,439	0.174
2010-2011	370,502	1.024	379,394	1,927,236	0.197
2011-2012	43,519	1.020	44,389	1,896,000	0.023
2012-2013	84,769	1.016	86,125	1,934,796	0.045
2013-2014	21,756	1.012	22,017	2,005,590	0.011
2014-2015	282,415	1.008	284,674	2,029,786	0.140
2015-2016	123,000	1.004	123,492	2,130,896	0.058
Totals	\$1,606,505		\$1,641,088	15,868,701	\$0.103
10/11-14/15	802,961		816,599	9,793,408	0.083
11/12-15/16	555,459		560,697	9,997,068	0.056
			(F) Selected Limited Rate:		\$0.100
			Prior:		\$0.125
Program Year:		2016-2017	2017-2018		
(G) Factor to SIR:		1.000	1.000		
(H) Trend Factor:		1.000	1.004		
(I) Program Rate:		\$0.100	\$0.100		
(J) Trended TIV (\$000):		2,141,000	2,213,752		
(K) Projected Program Losses:		214,000	221,000		

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 per \$100 of payroll. 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 12/31/16 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/16 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	\$349,266	1.000	\$349,266	\$349,266	1.000	\$349,266
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	1.005	283,827	282,415	1.005	283,827
2015-2016	115,000	1.025	117,875	115,000	1.025	117,875
Totals	\$1,598,505		\$1,602,792	\$1,598,505		\$1,602,792

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

Accident Year	<u>Limited Losses Reported as of:</u>								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2008-2009						353,880	352,302	350,508	349,266
2009-2010					331,279	331,278	331,278	331,278	
2010-2011				371,497	370,353	370,502	370,502		
2011-2012			43,519	43,519	43,519	43,519			
2012-2013		136,355	141,355	84,769	84,769				
2013-2014		21,756	21,756	21,756					
2014-2015	329,091	285,059	282,415						
2015-2016	102,000	115,000							
2016-2017	28,516								
	<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
2008-2009						0.996	0.995	0.996	
2009-2010					1.000	1.000	1.000		
2010-2011				0.997	1.000	1.000			
2011-2012			1.000	1.000	1.000				
2012-2013		1.037	0.600	1.000					
2013-2014		1.000	1.000						
2014-2015	0.866	0.991							
2015-2016	1.127								
Average Dollar-weighted Averages	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
	0.997	1.009	0.867	0.999	1.000	0.999	0.998	0.996	
3-yr		1.005	0.726	0.998	1.000	0.999			
4-yr									
Comparative Factors	Prior	Selected	Cumulated	Prior	Selected	Cumulated	Prior	Selected	Cumulated
	2.945	1.254	1.006	0.965	0.972	1.000	1.000	1.000	1.000
	3.500	1.020	1.005	1.000	1.000	1.000	1.000	1.000	1.000
	2.950	1.020	1.005	1.000	1.000	1.000	1.000	1.000	1.000
	3.024	1.025	1.005	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
2008-2009						422,334	422,334	422,334	422,334
2009-2010					150,631	150,631	150,631	150,631	
2010-2011				85,753	85,753	85,753	85,753		
2011-2012									
2012-2013									
2013-2014									
2014-2015	10,000	110,000	113,108						
2015-2016	400,000	400,000							
2016-2017									
	<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
2008-2009						1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000			
2011-2012									
2012-2013									
2013-2014									
2014-2015	11.000	1.028							
2015-2016	1.000								
Average Dollar-weighted Averages	6.000	1.028		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
Prior	4.611	1.861	1.298	1.135	1.045	1.025	1.013	0.000	
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 - Property

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/16 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/16 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
2008-2009	\$349,266	1.000	\$349,266	\$349,266	1.000	\$349,266
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	1.010	21,974	21,756	1.010	21,974
2014-2015	282,415	1.030	290,887	282,415	1.030	290,887
2015-2016	100,000	1.143	114,300	100,000	1.143	114,300
Totals	\$1,583,505		\$1,606,495	\$1,583,505		\$1,606,495

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

Accident Year	<u>Limited Losses Paid as of:</u>									
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	102 Months
2008-2009						353,880	352,302	350,508	349,266	
2009-2010					331,278	331,278	331,278	331,278		
2010-2011				369,710	370,353	370,502	370,502			
2011-2012			43,519	43,519	43,519	43,519				
2012-2013		61,355	72,155	84,769	84,769					
2013-2014		21,756	21,756	21,756						
2014-2015	99,453	278,059	282,415							
2015-2016	100,000	100,000								
2016-2017	18									
<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	102-Ult. Months
2008-2009						0.996	0.995	0.996		
2009-2010					1.000	1.000	1.000			
2010-2011				1.002	1.000	1.000				
2011-2012			1.000	1.000	1.000					
2012-2013		1.176	1.175	1.000						
2013-2014		1.000	1.000							
2014-2015	2.796	1.016								
2015-2016	1.000									
Average Dollar-weighted Averages	1.898	1.064	1.058	1.001	1.000	0.999	0.998	0.996		
3-yr		1.042	1.092	1.001	1.000	0.999				
4-yr										
Comparative Factors	4.218	2.117	1.446	1.151	1.057	1.033	1.015	1.010	1.045	
Prior	7.000	1.110	1.020	1.010	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	
Cumulated	6.858	1.143	1.030	1.010	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
2008-2009						422,334	422,334	422,334	422,334
2009-2010					150,631	150,631	150,631	150,631	
2010-2011				85,753	85,753	85,753	85,753		
2011-2012									
2012-2013									
2013-2014									
2014-2015		97,160	113,108						
2015-2016	400,000	400,000							
2016-2017									
	<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
2008-2009						1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000			
2011-2012									
2012-2013									
2013-2014									
2014-2015		1.164							
2015-2016	1.000								
Average Dollar-weighted Averages	1.000	1.164		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	1.096
Prior	9.143	3.115	1.786	1.350	1.168	1.090	1.065	0.000	
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 - Property

Exposure and Development Method  
Based on Reported Losses

Accident Year	Trended TIV (\$000) (A)	Reported Losses as of 12/31/16 (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	\$1,986,958	\$349,266	1.000	0.000	\$0.176	\$0	\$349,266
2009-2010	1,957,439	331,278	1.000	0.000	0.169	0	331,278
2010-2011	1,927,236	370,502	1.000	0.000	0.192	0	370,502
2011-2012	1,896,000	43,519	1.000	0.000	0.098	0	43,519
2012-2013	1,934,796	84,769	1.000	0.000	0.098	0	84,769
2013-2014	2,005,590	21,756	1.000	0.000	0.099	0	21,756
2014-2015	2,029,786	282,415	1.005	0.005	0.099	1,005	283,420
2015-2016	2,130,896	115,000	1.025	0.024	0.100	5,114	120,114
Totals	15,868,701	\$1,598,505				\$6,119	\$1,604,624

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 payroll 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 12/31/16 (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	\$1,986,958	\$349,266	1.000	0.000	\$0.176	\$0	\$349,266
2009-2010	1,957,439	331,278	1.000	0.000	0.169	0	331,278
2010-2011	1,927,236	370,502	1.000	0.000	0.192	0	370,502
2011-2012	1,896,000	43,519	1.000	0.000	0.098	0	43,519
2012-2013	1,934,796	84,769	1.000	0.000	0.098	0	84,769
2013-2014	2,005,590	21,756	1.010	0.010	0.099	1,986	23,742
2014-2015	2,029,786	282,415	1.030	0.029	0.099	5,828	288,243
2015-2016	2,130,896	100,000	1.143	0.125	0.100	26,636	126,636
Totals	15,868,701	\$1,583,505				\$34,450	\$1,617,955

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 payroll 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	\$1,986,958	\$349,266	1.032	\$360,443	\$0.181	\$0.176	1.000	\$0.176
2009-2010	1,957,439	331,278	1.028	340,554	0.174	0.169	1.000	0.169
2010-2011	1,927,236	370,502	1.024	379,394	0.197	0.192	1.000	0.192
2011-2012	1,896,000	43,519	1.020	44,389	0.023	0.098	1.000	0.098
2012-2013	1,934,796	84,769	1.016	86,125	0.045	0.098	1.000	0.098
2013-2014	2,005,590	21,756	1.012	22,017	0.011	0.099	1.000	0.099
2014-2015	2,029,786	282,415	1.008	284,674	0.140	0.099	1.000	0.099
2015-2016	2,130,896	118,000	1.004	118,472	0.056	0.100	1.000	0.100
Total/Avg	15,868,701	\$1,601,505		\$1,636,068	\$0.103			
10/11-14/15	9,793,408	802,961		816,599	\$0.083			
11/12-15/16	9,997,068	550,459		555,677	\$0.056			
				Selected Limited Rate:	\$0.100			
				Prior:	\$0.125			

Notes:

- (A) From Appendix L - PR, Column (C).
- (B) Selected average of results from Appendices R and R.
- (C) From Appendix E - PR, Page 1, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2010-2011 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 payroll 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	\$34,927	10	\$349,270
2009-2010	22,085	15	331,275
2010-2011	30,875	12	370,500
2011-2012	19,397	8	155,176
2012-2013	19,982	9	179,838
2013-2014	20,586	2	41,172
2014-2015	21,206	15	318,090
2015-2016	21,845	2	43,690
Total		73	\$1,789,011

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	\$349,266	10	\$34,927	1.267	\$44,253	\$34,927	1.000	\$34,927
2009-2010	331,278	15	22,085	1.231	27,187	22,085	1.000	22,085
2010-2011	370,502	12	30,875	1.195	36,896	30,875	1.000	30,875
2011-2012	43,519	8	5,440	1.160	6,310	19,397	1.000	19,397
2012-2013	84,769	9	9,419	1.126	10,606	19,982	1.000	19,982
2013-2014	21,756	2	10,878	1.093	11,890	20,586	1.000	20,586
2014-2015	282,415	15	18,828	1.061	19,977	21,206	1.000	21,206
2015-2016	123,000	2	61,500	1.030	63,345	21,845	1.000	21,845

Average Limited Severity: \$27,558  
Average 10/11-14/15 Limited Severity: \$17,136  
Average 11/12-15/16 Limited Severity: \$22,426

Selected Limited Severity: \$22,500  
Prior: \$20,000

Notes:

- (A) Selected average of results from Appendices R, R, and R.
- (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	1,987.0	0.005	0.818	0.004
2009-2010	15	15	15	1,957.4	0.008	0.838	0.007
2010-2011	12	12	12	1,927.2	0.006	0.860	0.005
2011-2012	8	8	8	1,896.0	0.004	0.881	0.004
2012-2013	9	9	9	1,934.8	0.005	0.904	0.005
2013-2014	2	2	2	2,005.6	0.001	0.927	0.001
2014-2015	15	16	15	2,029.8	0.007	0.950	0.007
2015-2016	2	0	2	2,130.9	0.001	0.975	0.001
Total	73	72	73	15,868.7			0.004
10/11-14/15	46	47	46	9,793.4			0.004

(H) Selected 2016-2017 Frequency: 0.004  
Prior: 0.005

Program Year:	2016-2017	2017-2018
(I) Trend Factor:	1.000	0.975
(J) Selected Frequency:	0.004	0.004
(K) Estimated TIV (\$000,000):	2,141.0	2,213.8
(L) Ultimate Claims:	9	9

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) divided by 1,000.
- (E) (C) / (D).
- (F) From Appendix E - PR, Page 1, Column (H).
- (G) (E) x (F).
- (H) The selected frequency of .004 is based on (G).
- (I) From Appendix E - PR, Page 1, Column (H).
- (J) (H) x (I).
- (K) From Appendix L - PR, Column (C) divided by 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 12/31/2016 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	10	1.000	10	0.004
2009-2010	15	1.000	15	0.006
2010-2011	12	1.000	12	0.005
2011-2012	8	1.000	8	0.004
2012-2013	9	1.000	9	0.004
2013-2014	2	1.000	2	0.001
2014-2015	15	1.000	15	0.007
2015-2016	2	1.010	2	0.001
Total	73		73	0.004

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 12/31/2016 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2008-2009	10	1.000	10	0.004
2009-2010	15	1.000	15	0.006
2010-2011	12	1.000	12	0.005
2011-2012	8	1.000	8	0.004
2012-2013	9	1.000	9	0.004
2013-2014	2	1.010	2	0.001
2014-2015	15	1.061	16	0.007
2015-2016	0	1.220	0	
Total	71		72	0.004

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

Accident Year	Claims Reported as of:								
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months
2008-2009						10	10	10	10
2009-2010					15	15	15	15	
2010-2011				12	12	12	12		
2011-2012			8	8	8	8			
2012-2013		8	9	9	9				
2013-2014		2	2	2					
2014-2015	7	15	15						
2015-2016	2	2							
2016-2017	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-Ult. Months
2008-2009						1.000	1.000	1.000	
2009-2010					1.000	1.000	1.000		
2010-2011				1.000	1.000	1.000			
2011-2012			1.000	1.000	1.000				
2012-2013		1.125	1.000	1.000					
2013-2014		1.000	1.000						
2014-2015	2.143	1.000							
2015-2016	1.000								
Average	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	1.572	1.042	1.000	1.000	1.000	1.000	1.000	1.000	
Claim-weighted Averages									
3-yr		1.040	1.000	1.000	1.000	1.000			
4-yr									
Comparative 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-Ult. Months
Prior	2.633	1.136	1.018	1.005	1.005	1.004	1.004	1.002	1.003
Selected	2.500	1.010	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

Santa Clara County Schools Insurance Group - Property  
Closed Claim Development

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

	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-Ult. Months
2008-2009						1.000	1.000	1.000	
2009-2010					1.071	1.000	1.000		
2010-2011				1.091	1.000	1.000			
2011-2012			1.000	1.000	1.000				
2012-2013		1.143	1.125	1.000					
2013-2014		1.000	1.000						
2014-2015	13.000	1.154							
2015-2016									

	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	13.000	1.099	1.042	1.030	1.024	1.000	1.000	1.000	
Claim-weighted Averages									
3-yr		1.136	1.056	1.036	1.029	1.000			
4-yr									
Comparative Factors	3.387	1.495	1.122	1.051	1.033	1.020	1.012	1.010	1.032
Prior	10.000	1.150	1.050	1.010	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
Cumulated	12.200	1.220	1.061	1.010	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 2016-2017 Loss Rate Level (B)	Factor to 2017-2018 Loss Rate Level (C)	Factor to 2018-2019 Loss Rate Level (D)	Factor to 2019-2020 Loss Rate Level (E)	Factor to 2016-2017 Frequency Level (F)	Factor to 2017-2018 Frequency Level (G)	Factor to 2018-2019 Frequency Level (H)	Factor to 2019-2020 Frequency Level (I)	Factor to 2016-2017 Severity Level (J)
1995-1996	1.000	1.083	1.087	1.092	1.096	0.589	0.574	0.560	0.546	1.862
1996-1997	1.000	1.079	1.083	1.088	1.092	0.604	0.589	0.574	0.560	1.808
1997-1998	1.000	1.075	1.079	1.084	1.088	0.619	0.604	0.589	0.574	1.755
1998-1999	1.000	1.071	1.075	1.080	1.084	0.635	0.619	0.604	0.589	1.704
1999-2000	1.000	1.067	1.071	1.076	1.080	0.652	0.635	0.619	0.604	1.654
2000-2001	1.000	1.063	1.067	1.072	1.076	0.668	0.651	0.635	0.619	1.606
2001-2002	1.000	1.059	1.063	1.068	1.072	0.685	0.668	0.651	0.635	1.559
2002-2003	1.000	1.055	1.060	1.064	1.068	0.702	0.685	0.668	0.651	1.513
2003-2004	1.000	1.051	1.056	1.060	1.064	0.721	0.702	0.685	0.668	1.469
2004-2005	1.000	1.047	1.052	1.056	1.060	0.739	0.720	0.703	0.685	1.426
2005-2006	1.000	1.043	1.048	1.052	1.056	0.758	0.739	0.721	0.703	1.385
2006-2007	1.000	1.040	1.044	1.048	1.052	0.778	0.758	0.739	0.721	1.345
2007-2008	1.000	1.036	1.040	1.044	1.048	0.797	0.777	0.758	0.739	1.306
2008-2009	1.000	1.032	1.036	1.040	1.044	0.818	0.797	0.777	0.758	1.267
2009-2010	1.000	1.028	1.032	1.036	1.040	0.838	0.817	0.797	0.777	1.231
2010-2011	1.000	1.024	1.028	1.032	1.036	0.860	0.838	0.817	0.797	1.195
2011-2012	1.000	1.020	1.024	1.028	1.032	0.881	0.859	0.838	0.817	1.160
2012-2013	1.000	1.016	1.020	1.024	1.028	0.904	0.881	0.859	0.838	1.126
2013-2014	1.000	1.012	1.016	1.020	1.024	0.927	0.903	0.881	0.859	1.093
2014-2015	1.000	1.008	1.012	1.016	1.020	0.950	0.926	0.904	0.881	1.061
2015-2016	1.000	1.004	1.008	1.012	1.016	0.975	0.951	0.927	0.904	1.030
2016-2017	1.000	1.000	1.004	1.008	1.012	1.000	0.975	0.951	0.927	1.000
2017-2018	1.000	--	1.000	1.004	1.008	--	1.000	0.975	0.951	--
2018-2019	1.000	--	--	1.000	1.004	--	--	1.000	0.975	--
2019-2020	1.000	--	--	--	1.000	--	--	--	1.000	--

Notes:

- (A) Based on WCIRB.
- (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	\$349,266	10	1.000	\$34,927	\$1,986,958	0.050
2009-2010	331,278	15	1.000	22,085	1,957,439	0.077
2010-2011	370,502	12	1.000	30,875	1,927,236	0.062
2011-2012	43,519	8	1.000	5,440	1,896,000	0.042
2012-2013	84,769	9	1.000	9,419	1,934,796	0.047
2013-2014	21,756	2	1.000	10,878	2,005,590	0.010
2014-2015	282,415	15	1.000	18,828	2,029,786	0.074
2015-2016	118,000	2	1.000	59,000	2,130,896	0.009

	<u>Severity Trend Factors</u>	<u>Frequency Trend Factors</u>
All x 2015-2016	0.853	0.891
Latest 5 x 2015-2016	0.971	0.896
Prior	1.030	0.975
Default	1.025	0.980
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) x (C) / (B).
- (E) From Appendix L - PR, Column (C).
- (F) (B) / (E) x 10,000.

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2016</u>	<u>Calendar Period</u>	
		<u>1/1/2017</u> <u>to</u> <u>6/30/2017</u>	<u>7/1/2017</u> <u>to</u> <u>6/30/2018</u>
2008-2009			
Ultimate Loss	\$349,266	\$349,266	\$349,266
Paid in Calendar Period	-		
Paid to Date	349,266	349,266	349,266
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			



Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2016</u>	<u>Calendar Period</u>	
		<u>1/1/2017</u> <u>to</u> <u>6/30/2017</u>	<u>7/1/2017</u> <u>to</u> <u>6/30/2018</u>
2015-2016			
Ultimate Loss	\$123,000	\$123,000	\$123,000
Paid in Calendar Period	-	8,763	10,635
Paid to Date	100,000	108,763	119,398
Outstanding Liability	23,000	14,237	3,602
2016-2017			
Ultimate Loss	\$107,000	\$214,000	\$214,000
Paid in Calendar Period	-	91,370	103,239
Paid to Date	18	91,388	194,627
Outstanding Liability	106,982	122,612	19,373
2017-2018			
Ultimate Loss	-	-	\$221,000
Paid in Calendar Period	-	-	112,710
Paid to Date	-	-	112,710
Outstanding Liability	-	-	108,290
Totals			
Ultimate Loss	\$1,713,505	\$1,820,505	\$2,041,505
Paid in Calendar Period	-	100,133	226,584
Paid to Date	1,583,523	1,683,656	1,910,240
Outstanding Liability	129,982	136,849	131,265

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 2014-2015, \$0 is expected to be paid between 1/1/17 and 6/30/17, \$282,415 will have been paid by 6/30/17, and the reserve for remaining payments on these claims should be \$0.
- 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, \$0 = \$0 x 100.0%.
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, \$282,415 = \$0 + \$282,415.
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, \$0 = \$282,415 - \$282,415.

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 12/31/16:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$8,763	\$8,677
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$8,763</u>	<u>\$8,677</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$121,219	\$119,112
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$121,219</u>	<u>\$119,112</u>
<u>Total Liability</u>	Loss and ALAE:	\$129,982	\$127,789
	ULAE:	0	0
	Total Loss and LAE:	<u>\$129,982</u>	<u>\$127,789</u>
<u>Liabilities as of 6/30/17:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$113,874	\$112,752
	ULAE:	0	0
	Short-Term Loss and LAE:	<u>\$113,874</u>	<u>\$112,752</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$22,975	\$22,209
	ULAE:	0	0
	Long-Term Loss and LAE:	<u>\$22,975</u>	<u>\$22,209</u>
<u>Total Liability</u>	Loss and ALAE:	\$136,849	\$134,961
	ULAE:	0	0
	Total Loss and LAE:	<u>\$136,849</u>	<u>\$134,961</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 12/31/16:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$10,794	\$11,870	\$13,154	\$14,742	\$16,877
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$10,794</u>	<u>\$11,870</u>	<u>\$13,154</u>	<u>\$14,742</u>	<u>\$16,877</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$148,176	\$162,945	\$180,574	\$202,372	\$231,673
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$148,176</u>	<u>\$162,945</u>	<u>\$180,574</u>	<u>\$202,372</u>	<u>\$231,673</u>
<u>Total Liability</u>	Loss and ALAE:	\$158,970	\$174,815	\$193,728	\$217,114	\$248,550
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$158,970</u>	<u>\$174,815</u>	<u>\$193,728</u>	<u>\$217,114</u>	<u>\$248,550</u>
<u>Liabilities as of 6/30/17:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$140,263	\$154,245	\$170,932	\$191,566	\$219,303
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	<u>\$140,263</u>	<u>\$154,245</u>	<u>\$170,932</u>	<u>\$191,566</u>	<u>\$219,303</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$27,628	\$30,382	\$33,669	\$37,733	\$43,196
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	<u>\$27,628</u>	<u>\$30,382</u>	<u>\$33,669</u>	<u>\$37,733</u>	<u>\$43,196</u>
<u>Total Liability</u>	Loss and ALAE:	\$167,891	\$184,627	\$204,601	\$229,299	\$262,499
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	<u>\$167,891</u>	<u>\$184,627</u>	<u>\$204,601</u>	<u>\$229,299</u>	<u>\$262,499</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 12/31/16 (A)	Discount Factor (B)	Discounted Reserve at 12/31/16 (C)	Full Value of Reserve at 6/30/17 (D)	Discount Factor (E)	Discounted Reserve at 6/30/17 (F)
2015-2016	\$23,000	0.986	\$22,673	\$14,237	0.985	\$14,027
2016-2017	106,982	0.983	105,116	122,612	0.986	120,934
Totals	\$129,982		\$127,789	\$136,849		\$134,961

(G) Discount Factor at 12/31/16 for Overall Reserve: 0.983  
 (H) Discount Factor at 6/30/17 for Overall Reserve: 0.986

Notes:

- (A) From Appendix F - PR, Outstanding Liability at 12/31/16.
- (B) Based on Appendix H - PR, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix F - PR, Outstanding Liability at 6/30/17.
- (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 0.983, the discounted liability for outstanding claims is 98.3% 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: 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%	2.258	2.354
90%	1.876	1.945
85%	1.648	1.699
80%	1.477	1.516
75%	1.341	1.368
70%	1.226	1.244
65%	1.124	1.134
60%	1.035	1.038
55%	0.951	0.947
50%	0.873	0.864
45%	0.799	0.782
40%	0.729	0.700
35%	0.659	0.619
30%	0.589	0.536
25%	0.517	0.456

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 1.876 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)
	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 12/31/16

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	\$15,559	\$942,587	\$593,321	\$593,321	\$349,266	\$0	\$349,266	\$349,266
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	4,915,000	0	0	4,915,000	4,800,000	4,800,000	115,000	0	115,000	115,000
2016-2017	43,018	14,502	0	28,516	0	0	28,516	0	28,516	28,516
Total	\$7,643,542	\$109,037	\$164,672	\$7,369,832	\$5,742,812	\$5,742,812	\$1,627,019	\$0	\$1,627,019	\$1,627,019

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 12/31/16

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	\$15,559	\$942,587	\$593,321	\$593,321	\$349,266	\$0	\$349,266	\$349,266
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	3,132,146	0	0	3,132,146	3,032,146	3,032,146	100,000	0	100,000	100,000
2016-2017	18	0	0	18	0	0	18	0	18	18
<b>Total</b>	<b>\$5,817,688</b>	<b>\$94,535</b>	<b>\$164,672</b>	<b>\$5,558,480</b>	<b>\$3,974,959</b>	<b>\$3,974,959</b>	<b>\$1,583,521</b>	<b>\$0</b>	<b>\$1,583,521</b>	<b>\$1,583,521</b>

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 12/31/16

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	1,782,854	0	0	1,782,854	1,767,854	1,767,854	15,000	0	15,000	15,000
2016-2017	43,000	14,502	0	28,498	0	0	28,498	0	28,498	28,498
Total	\$1,825,854	\$14,502	\$0	\$1,811,352	\$1,767,854	\$1,767,854	\$43,498	\$0	\$43,498	\$43,498

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 12/31/16

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	5	0	0	5	0	0	0	0	5	5
Total	78	0	0	78	71	0	0	71	7	7

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	TIV (\$000) (A)	Inflation Trend Factor (B)	Trended TIV (\$000) (C)
2008-2009	\$1,629,990	1.219	\$1,986,958
2009-2010	1,646,290	1.189	1,957,439
2010-2011	1,661,410	1.160	1,927,236
2011-2012	1,674,912	1.132	1,896,000
2012-2013	1,752,533	1.104	1,934,796
2013-2014	1,862,201	1.077	2,005,590
2014-2015	1,931,290	1.051	2,029,786
2015-2016	2,078,923	1.025	2,130,896
2016-2017	2,141,000	1.000	2,141,000
2017-2018	2,213,752	1.000	2,213,752

## Notes:

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