



# Actuarial Review of the Self-Insured Workers' Compensation Program

*Outstanding Liabilities as of June 30, 2017  
Forecast for Program Year 2017-18 and 2018-19*

***Presented to***

**Santa Clara County Schools Insurance Group**

October 6, 2017





Friday, October 6, 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 Workers' Compensation Program (SCCSIG)

Dear Ms. Kelsch:

As you requested, we have completed our review of Santa Clara County Schools Insurance Group's self-insured workers' compensation program. We estimate the program's liability for the outstanding tail claims to be \$1,686,000 as of June 30, 2017. This amount includes allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), 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. Given estimated program assets of \$2,417,000 as of June 30, 2017, the program is currently funded between the 85% and 90% confidence levels.

Although the program is currently fully insured, we have also analyzed the projected funding for the upcoming year, assuming an SIR of \$250,000 per occurrence. We estimate the ultimate cost of claims and expenses for claims incurred during the 2017-18 and 2018-19 program years to be \$12,429,000 and \$12,936,000, respectively. For budgeting purposes, the expected costs of 2017-18 and 2018-19 claims translate to rates of \$0.96 and \$0.97 per \$100 of payroll, respectively.

The \$1,686,000 estimate is the minimum liability to be booked by the Group at June 30, 2017 for its workers' compensation program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the Group to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

The liability estimate also includes \$486,000 of estimated non-recoverable amounts from claims that have exceeded the SIR. These claims are listed on Exhibit I - Tail, pages 2 and 3. This list is based on an excess claim run provided by Keenan & Associates which filters paid losses that exceed the SIR. The estimate of the total

unrecoverable is included on Exhibit I – Tail, page 4 and is based on an assumption of 25% of the outstanding reserves above the SIR.

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 Workers’ Compensation Program  
Estimated Liability for Unpaid Loss and LAE  
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	\$1,075,000					
ULAE	197,000					
Estimated Non- Recoverable	486,000					
Investment Income Offset	<u>(72,000)</u>					
Discounted Loss and LAE	\$1,686,000	\$1,907,000	\$2,005,000	\$2,121,000	\$2,264,000	\$2,455,000
Assets	<u>2,417,000</u>					
Surplus or (Deficit)	\$731,000	\$510,000	\$412,000	\$296,000	\$153,000	(\$38,000)

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

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

The table below shows our funding recommendations for Santa Clara County Schools Insurance Group for the 2017-18 fiscal year, assuming a self-insured retention (SIR) of \$250,000.

Santa Clara County Schools Insurance Group  
 Self-Insured Workers' Compensation Program  
 Loss and LAE Funding Guidelines for 2017-18  
 Self-Insured Retention (SIR) of \$250,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$12,642,000					
ULAE	948,000					
Investment Income Offset	<u>(1,161,000)</u>					
Discounted Loss and LAE	\$12,429,000	\$13,461,000	\$13,858,000	\$14,318,000	\$14,878,000	\$15,598,000
Rate per \$100 of 2017-18 Payroll	\$0.96	\$1.04	\$1.07	\$1.11	\$1.15	\$1.21

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 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 table below shows our funding recommendations for Santa Clara County Schools Insurance Group for the 2018-19 fiscal year, assuming a self-insured retention (SIR) of \$250,000.

Santa Clara County Schools Insurance Group  
 Self-Insured Workers' Compensation Program  
 Loss and LAE Funding Guidelines for 2018-19  
 Self-Insured Retention (SIR) of \$250,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$13,157,000					
ULAE	987,000					
Investment Income Offset	<u>(1,208,000)</u>					
Discounted Loss and LAE	\$12,936,000	\$14,010,000	\$14,424,000	\$14,902,000	\$15,484,000	\$16,235,000
Rate per \$100 of 2018-19 Payroll	\$0.97	\$1.05	\$1.08	\$1.12	\$1.16	\$1.22

The funding recommendations shown in the table above do not include any recognition of the existing funding margin (surplus or deficit) at June 30, 2018. They are for losses and 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 loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, SB863, and recent WCAB court decisions based upon information provided by the WCIRB.

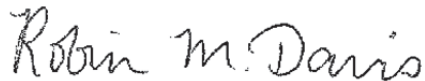
The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

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



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Director, Property and Casualty Actuarial Services, Bickmore  
Associate, Casualty Actuarial Society  
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Derek Burkhalter, ACAS, MAAA  
Manager, Property and Casualty Actuarial Services, Bickmore  
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Mary Ann Case, PSM  
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## **I. BACKGROUND**

Santa Clara County Schools Insurance Group was self-insured for its workers' compensation program October 1, 1978 to December 31, 1995. Effective January 1, 1996 SCCSIG became fully insured with Fremont Insurance. From July 1, 2000 through June 30, 2003, the Group was fully insured with ACE. Since July 1, 2003, SCCSIG has been self-insured with a zero-dollar insured retention through PIPS. Claims administration services are provided by Keenan & Associates for the pre-1996 self-insured claims. Additional background on the program prior to January 1, 1996 is given in Appendix I - Tail.

As of June 30, 2017, the Group had assets of \$2,417,000 for the program. The June 30, 2017 fund balance is net of non-claims-related liabilities as shown on Appendix J - Tail, page 2.

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 2018-19, and provide funding guidelines to meet these liabilities and future costs.



## **II. CONCLUSIONS AND RECOMMENDATIONS**

### **A. LIABILITY FOR OUTSTANDING CLAIMS**

Graph 1 on the following page summarizes our assessment of the Group's funding position as of June 30, 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<sup>th</sup>.

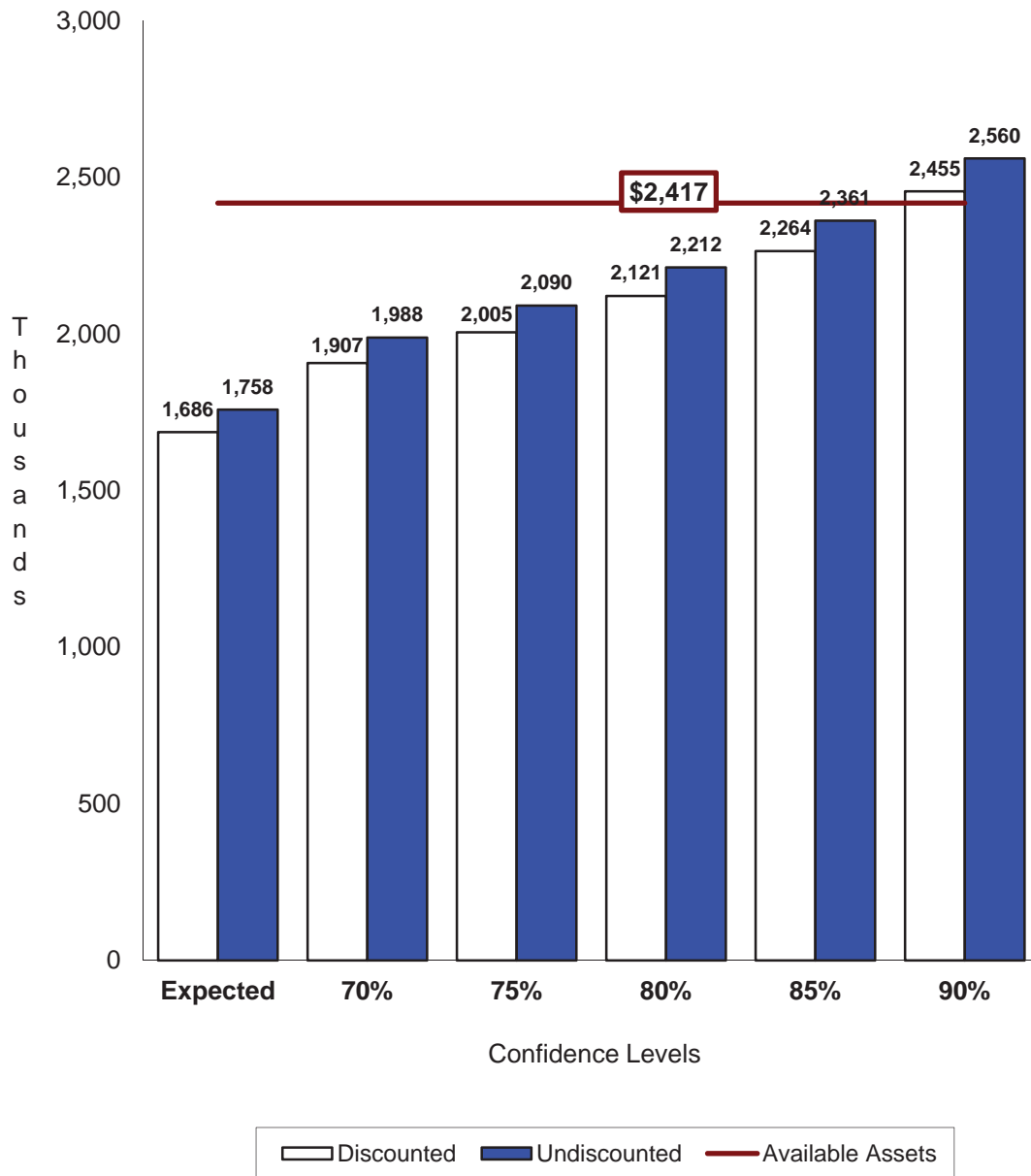
Our best estimate of the full value of the Group's liability for outstanding claims within its self-insured retention (SIR) is \$1,758,000 as of June 30, 2017. This amount includes losses, allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost 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 4.1% if the program is funded within the range indicated in the graphs, resulting in a discounted liability for outstanding claims of \$1,686,000 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 estimates of the Group's discounted liability for outstanding claims.

Santa Clara County Schools Insurance Group -  
Workers' Compensation  
Available Assets vs Outstanding Liability (\$000's)  
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 Workers' Compensation Program  
Estimated Liability for Unpaid Loss and LAE at June 30, 2017

Year	Case Reserves	IBNR Reserves	Total Outstanding
1977-78	\$0	\$0	\$0
1978-79	0	0	0
1979-80	14,041	2,106	16,147
1980-81	43,074	6,461	49,535
1981-82	0	0	0
1982-83	0	0	0
1983-84	0	0	0
1984-85	0	0	0
1985-86	30,546	4,582	35,128
1986-87	58,374	8,756	67,130
1987-88	58,659	8,799	67,458
1988-89	41,452	6,218	47,670
1989-90	94,582	14,187	108,769
1990-91	30,653	4,598	35,251
1991-92	116,449	17,678	134,127
1992-93	21,840	8,939	30,779
1993-94	144,713	25,075	169,788
1994-95	170,456	51,527	221,983
1995-96	76,462	14,581	91,043
Loss and ALAE	\$901,301	\$173,507	\$1,074,808
Non-Recoverable	\$486,000		486,000
ULAE		197,271	197,271
Total	\$1,387,301	\$370,778	\$1,758,079

## **B. PROGRAM FUNDING: GOALS AND OBJECTIVES**

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

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

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

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

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

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

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

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

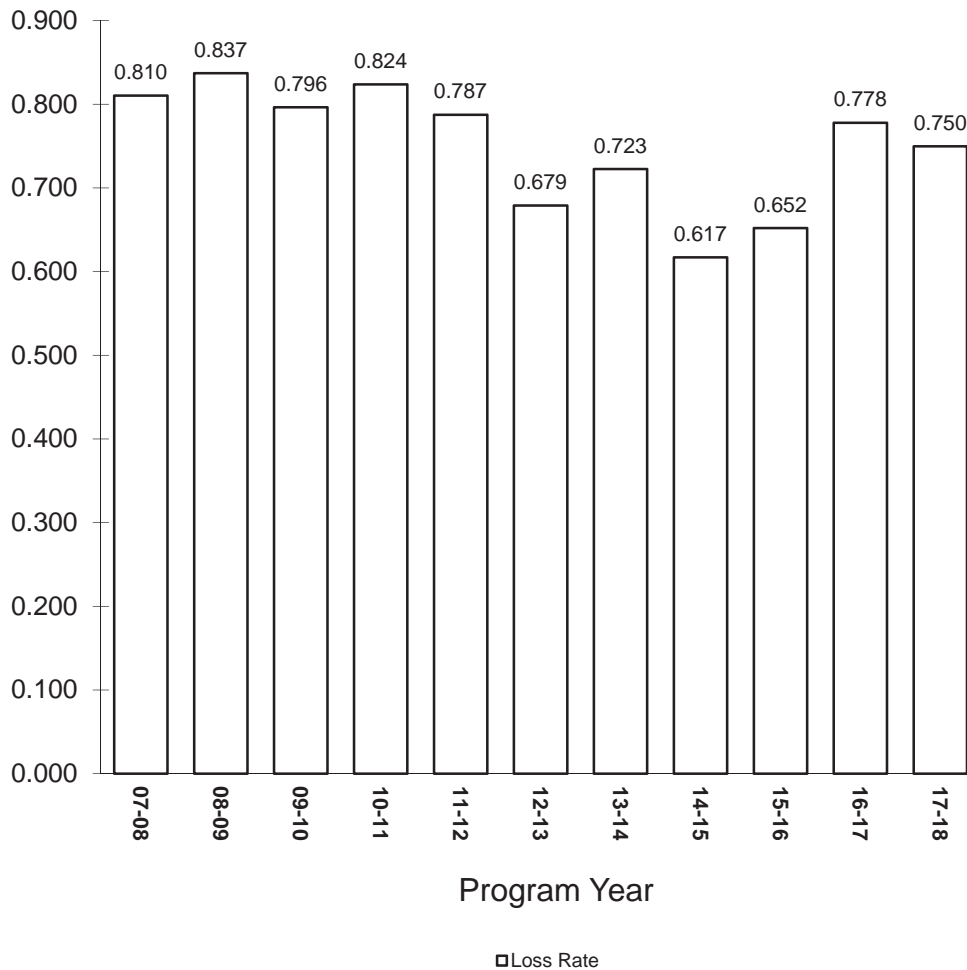
It is estimated that program assets were \$2,417,000 at June 30, 2017, resulting in the program being funded between the 85% and 90% confidence levels.

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

The program's average dollars of loss per \$100 of payroll (based on losses limited to \$100,000 per occurrence), or loss rate, has generally decreased over the period shown below. Our projected loss rate for 2017-18 is \$0.75 per \$100 of payroll. See Graph 2 below.

Graph 2

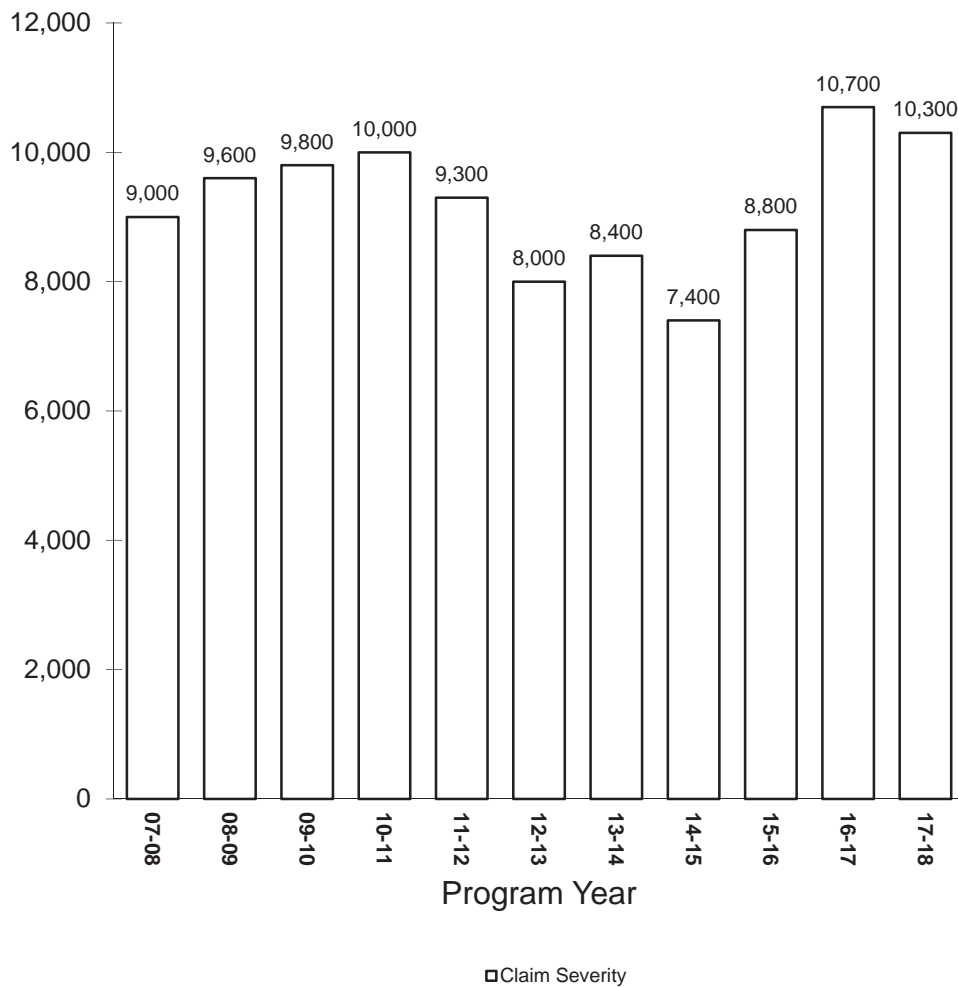
SCCSIG - Workers' Compensation  
Ultimate Dollars of Loss & ALAE  
per \$100 of Payroll  
(Loss & ALAE Limited to \$100,000 per Occurrence)



The program's average cost per claim (based on losses limited to \$100,000 per occurrence), or severity, has varied over the period shown below, ranging from a low of \$7,400 for 2014-15 to a high of \$10,700 for 2016-17. The projected severity for 2017-18 is \$10,300 per claim. See Graph 3 below.

Graph 3

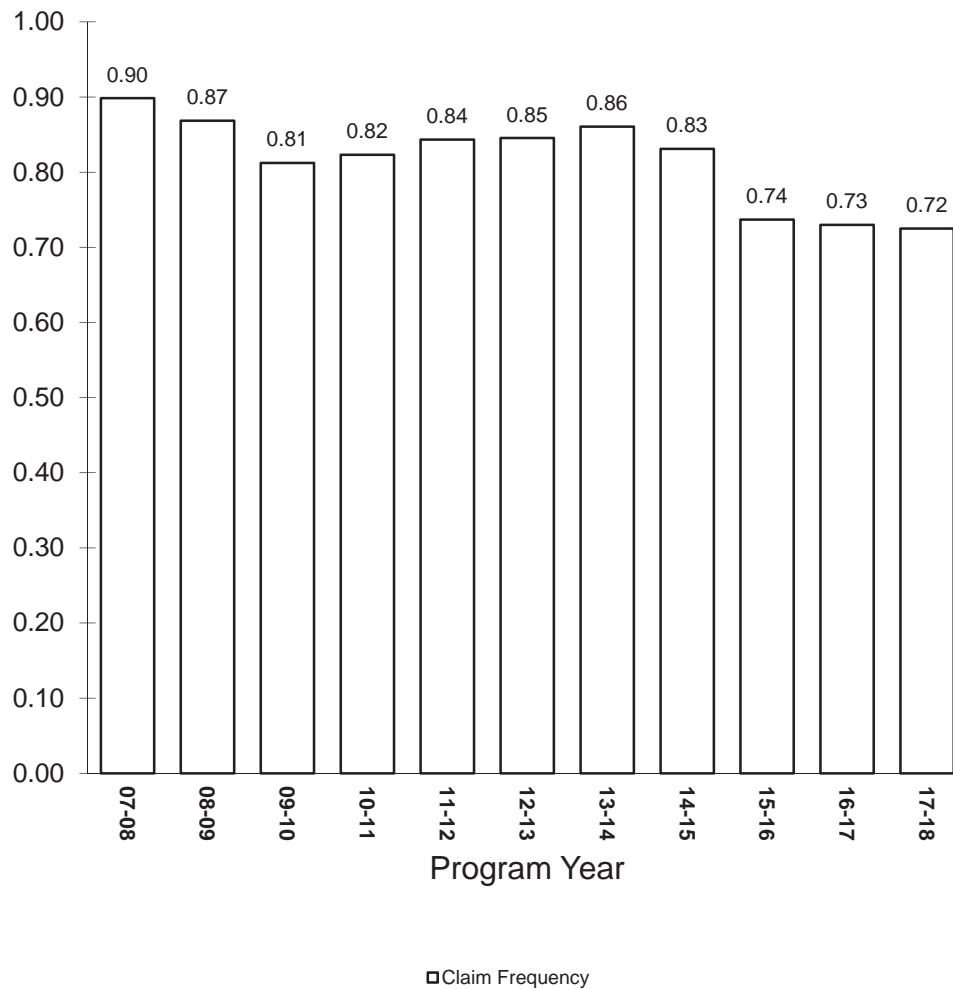
SCCSIG -Workers' Compensation  
Ultimate Dollars of Loss & ALAE  
per Claim  
(Loss & ALAE Limited to \$100,000 per Occurrence)



The program's number of claims per \$1 million of payroll, or claim frequency, increased slightly between 2009-10 and 2013-14, but appears to have since decreased. The projected frequency for 2017-18 of 0.72 claims per \$1 million of payroll reflects this most recent decreasing trend. See Graph 4 below.

Graph 4

SCCSIG -  
Workers' Compensation  
Number of Claims per  
\$1 Million of Payroll





#### D. COMPARISON WITH PREVIOUS RESULTS

The prior report for Santa Clara County Schools Insurance Group was dated October 7, 2016. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 6/30/16 evaluation date of the prior report and the 6/30/17 evaluation date of the current report.

##### Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1977-78	\$0	\$0	\$0
1978-79	0	0	0
1979-80	2,000	0	(2,000)
1980-81	6,000	24,000	18,000
1981-82	0	0	0
1982-83	0	0	0
1983-84	0	0	0
1984-85	0	2,000	2,000
1985-86	5,000	0	(5,000)
1986-87	14,000	(17,000)	(31,000)
1987-88	7,000	17,000	10,000
1988-89	6,000	5,000	(1,000)
1989-90	17,000	(11,000)	(28,000)
1990-91	10,000	(33,000)	(43,000)
1991-92	14,000	42,000	28,000
1992-93	16,000	(37,000)	(53,000)
1993-94	8,000	84,000	76,000
1994-95	26,000	(54,000)	(80,000)
1995-96	3,000	61,000	58,000
Total	\$134,000	\$83,000	(\$51,000)

As shown, actual incurred development was less than anticipated since the prior report. Based on the assumptions from the prior report, it was expected that incurred losses would increase by \$134,000 between the two evaluation dates. However, actual development was approximately \$83,000; or about \$51,000 less than expected.

In the table below we display actual versus expected development of paid losses and ALAE by accident year between the 6/30/16 evaluation date of the prior report and the 6/30/17 evaluation date of the current report.

### Actual Versus Expected Paid Loss and ALAE Development

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
1977-78	\$0	\$0	\$0
1978-79	0	0	0
1979-80	17,000	1,000	(16,000)
1980-81	47,000	21,000	(26,000)
1981-82	0	0	0
1982-83	0	0	0
1983-84	0	0	0
1984-85	0	2,000	2,000
1985-86	39,000	3,000	(36,000)
1986-87	110,000	20,000	(90,000)
1987-88	28,000	6,000	(22,000)
1988-89	16,000	4,000	(12,000)
1989-90	32,000	7,000	(25,000)
1990-91	15,000	3,000	(12,000)
1991-92	18,000	20,000	2,000
1992-93	31,000	50,000	19,000
1993-94	17,000	6,000	(11,000)
1994-95	51,000	6,000	(45,000)
1995-96	6,000	13,000	7,000
Total	\$427,000	\$162,000	(\$265,000)

As shown, actual paid development was less than anticipated since the prior report. Based on the assumptions from the prior report, it was expected that paid losses would increase by \$427,000 between the two evaluation dates. However, actual development was approximately \$162,000; or about \$265,000 less than expected.

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

### Change in Ultimate Loss and ALAE

Accident Year	Prior Report	Current Report	Change In Ultimate
1977-78	\$32,000	\$32,000	\$0
1978-79	1,329,000	1,329,000	0
1979-80	2,304,000	2,304,000	0
1980-81	2,327,000	2,351,000	24,000
1981-82	3,119,000	3,119,000	0
1982-83	3,552,000	3,552,000	0
1983-84	5,573,000	5,573,000	0
1984-85	3,485,000	3,487,000	2,000
1985-86	4,124,000	4,123,000	(1,000)
1986-87	6,523,000	6,500,000	(23,000)
1987-88	6,573,000	6,591,000	18,000
1988-89	6,978,000	6,982,000	4,000
1989-90	7,304,000	7,290,000	(14,000)
1990-91	10,147,000	10,109,000	(38,000)
1991-92	9,006,000	9,051,000	45,000
1992-93	9,046,000	9,002,000	(44,000)
1993-94	8,659,000	8,751,000	92,000
1994-95	7,649,000	7,569,000	(80,000)
1995-96	4,642,000	4,706,000	64,000
Total	\$102,372,000	\$102,421,000	\$49,000

As shown, overall we have increased our estimated ultimates by approximately \$49,000 since our prior report. In general, these changes correlate with the incurred actual minus expected comparison listed above.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2016 to be \$1,986,000 at the discounted, expected level. Our current estimate as of June 30, 2017, is \$1,686,000, a decrease in our assessment of the Group's outstanding liabilities, as shown below:

**Outstanding Claim Liabilities for Loss and LAE**

	Prior Report at June 30, 2016	Current Report at June 30, 2017	Change
(A) Case Reserves:	\$983,000	\$901,000	(\$82,000)
(B) IBNR Reserves:	204,000	174,000	(30,000)
(C) Claims Administration Reserves:	238,000	197,000	(41,000)
(D) Estimated Non-Recoverable:	645,000	486,000	(159,000)
(E) Total Reserves:	2,070,000	\$1,758,000	(\$312,000)
(F) Offset for Investment Income:	(84,000)	(72,000)	12,000
(G) Total Outstanding Claim Liabilities:	1,986,000	\$1,686,000	(\$300,000)

As shown, our estimate of outstanding claims liabilities at the discounted, expected level has decreased slightly between June 30, 2016 and June 30, 2017 as reflected in our prior and current reports respectively.

Claim reserves (case and IBNR) have decreased due to favorable incurred development. Reserves for future claims administration expenses have also decreased, reflecting the claims run-off. We also estimate a decrease in the amount of non-recoverable case reserves above the SIR than had been listed in the prior report. Total reserves are estimated to be \$312,000 less than the estimate from the prior report. Investment income is expected to be less. The net change due to the above factors is an overall decrease of \$300,000 in our estimate of outstanding claim liabilities for loss and LAE.

At the time of the prior report, available assets were estimated to be \$2,226,000 as of June 30, 2016, which corresponded to the then-estimated discounted liability for outstanding claims between the expected and 70% confidence levels. Available assets are currently estimated to be \$2,417,000 as of June 30, 2017, which corresponds to the currently estimated liability for outstanding claims between the 85% and 90% confidence levels. It can be summarized as follows:

	<b>Funding Margin</b>		
	Prior Report at June 30, 2016	Current Report at June 30, 2017	Change
(A) Outstanding Liability at the Discounted Expected Level:	\$1,986,000	\$1,686,000	(\$300,000)
(B) Estimated Assets At June 30:	2,226,000	2,417,000	191,000
(C) Surplus/(Deficit):	\$240,000	\$731,000	\$491,000

As you can see, our estimate of the program's funding margin at the discounted, expected level has increased by \$491,000 between June 30, 2016 (as previously estimated) and June 30, 2017 (as currently estimated). This is driven by a decrease in the estimated outstanding liability between the two points, coupled with an increase in the estimated fund assets.

At the time of the prior report, our funding estimate for the 2016-17 year was \$9,643,000 at the discounted, expected level, assuming an SIR of \$250,000. That amount included allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. Our current estimate for the 2017-18 year is \$12,429,000 at the discounted, expected level, an increase in the program's expected loss costs, as shown in the table below:

**Comparison of Funding for Loss and LAE**

	Prior Report 2016-17 SIR = \$250,000	Current Report 2017-18 SIR = \$250,000	Change
(A) Ultimate Loss and ALAE:	\$9,801,000	\$12,642,000	\$2,841,000
(B) Ultimate Claims Administration (ULAE):	735,000	948,000	213,000
(C) Total Claim Costs:	\$10,536,000	\$13,590,000	\$3,054,000
(D) Offset for Investment Income:	(893,000)	(1,161,000)	(268,000)
(E) Total Recommended Funding:	\$9,643,000	\$12,429,000	\$2,786,000
(F) Funding per \$100 of Payroll:	\$0.96	\$0.96	\$0.00

As you can see, our funding recommendations at the discounted, expected level have increased between 2016-17 and 2017-18, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE show an increase of \$2,841,000 but primarily because two new members which in fact joined the Group in 2016-17 were not considered in our projection from last year. In addition, claims administration costs are expected to be higher, resulting in an overall increase in total claim costs of \$3,054,000. Investment income is expected to be higher. The net change due to the above factors is an overall increase of \$2,786,000 in our annual funding estimate for loss and LAE as a result of the addition of two new members. However, the funding rate per \$100 of payroll has remained the same.

## **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 received loss data evaluated as of 6/30/17 (See Appendix K-Tail and Appendix H–Project Funding). We also utilized the data from the Group’s most recent actuarial study for our assessment of loss development.
- Data was not available for the 1996-97 through 2002-03 years. Since these years are fully insured, there is no impact on the estimated liability for outstanding claims.
- Our estimated outstanding claims administration cost for the self-insured period (which ended in 1995-96) is based on information provided by the claims administrator, namely that the average ULAE cost per claim in 2017-18 will be approximately \$945 and that about 7 claims are expected to close each year.
- We estimated the 6/30/18 asset balance by beginning with the 6/30/17 asset balance, and adjusting for anticipated revenue and expense for 2017-18 (see Appendix J-Tail).
- The program has a number of claims that have exceeded the SIR. It is our understanding that paid amounts in excess of SIR may not be recoverable by the Group. These claims are listed on Exhibit I - Tail, pages 2 and 3. This list is based on an excess claim run provided by Keenan & Associates which filters paid losses that exceed the SIR. The estimate of the total unrecoverable is included on Exhibit I - Tail, page 4 and is based on an assumption of 25% of the outstanding reserves above the SIR.
- For the purpose of projecting 2017-18 and 2018-19 costs, we have assumed that the program’s self-insured retention would be \$250,000 per occurrence.
- We have assumed that the Group’s payroll for 2017-18 and 2018-19 will be \$1,293,952,200 and \$1,333,000,000, respectively, based upon information provided by the Group (See Appendix I–Project Funding).
- Our estimate of claims administration for the 2017-18 and 2018-19 projected funding estimates is based on an assumption of ULAE costs being equivalent to 7.5% of total loss and ALAE.

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 public entities with similar self-insured workers' compensation programs.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for other California entities with self-insured workers' compensation 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 other California entities with self-insured workers' compensation programs.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the costs of workers' compensation claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.
- The changes in cost levels associated with benefit increases and administrative changes typically take place over a period of several years following their enactment, and these changes are very difficult to forecast in advance. We have based our benefit level factors on those produced by the Workers' Compensation Insurance Rating Bureau of California (WCIRB).



- We have assumed that the loss rate trend associated with claim costs increases at 0.5% per year. We have assumed that claim severity increases at 2.5% per year, and that claim frequency decreases at 2.0% 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.
- Unless otherwise specified, our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than the Group's excess coverage.
- The Group's assets available for the program are estimated to be \$2,417,000 as of June 30, 2017 for use in this report. This is shown in further detail in Appendix J - Tail.

#### **IV. GLOSSARY OF ACTUARIAL TERMS**

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

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

**Benefit Level Factor** - Factor used to adjust historical losses to the current level of workers' compensation benefits.

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

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

**Claim Frequency** - Number of claims per \$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.

**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 - Workers' Compensation  
July 1, 1977 through Decemter 31, 1995  
Funding Guidelines for Outstanding Liabilities at  
June 30, 2017

(A) Estimated Ultimate Losses Incurred through 6/30/17: (From Appendix E-Tail)	\$102,421,000
(B) Estimated Paid Losses through 6/30/17: (From Appendix E-Tail)	101,346,000
(C) Estimated Liability for Claims Outstanding at 6/30/17: (From Appendix E-Tail)	<u>\$1,075,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/17: (From Appendix D-Tail)	197,000
(E) Estimated Unrecoverable Amounts over the SIR Over the SIR as of 6/30/17: (From Exhibit I, Page 4, (C))	486,000
(F) Total Outstanding Liability for Claims at 6/30/17: ((C) + (D) + (E))	<u>\$1,758,000</u>
(G) Reserve Discount Factor (Based on a Discount Rate of 2.0%. (Appendix G-Tail, , (G))	0.959
(H) Discounted Outstanding Liability for Claims at 6/30/17: ((F) x (G))	<u>\$1,686,000</u>

	Marginally Acceptable		Recommended		Conservative
Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(I) Confidence Level Factor: (From Appendix H-Tail)	1.131	1.189	1.258	1.343	1.456
(J) Margin for Adverse Experience: ((H) x [(I) - 1])	221,000	319,000	435,000	578,000	769,000
(K) Total Required Assets at 6/30/17: ((H) + (J))	<u>\$1,907,000</u>	<u>\$2,005,000</u>	<u>\$2,121,000</u>	<u>\$2,264,000</u>	<u>\$2,455,000</u>
(L) Estimated Total Assets at 6/30/17: (From Appendix J-Tail)	\$2,417,000	\$2,417,000	\$2,417,000	\$2,417,000	\$2,417,000
(M) Indicated Funding Redundancy/ (Deficiency): ((L) - (K))	<u>\$510,000</u>	<u>\$412,000</u>	<u>\$296,000</u>	<u>\$153,000</u>	<u>(\$38,000)</u>

Santa Clara County Schools Insurance Group - Workers' Compensation  
Claims with Reserves Over the SIR and Outstanding Recoveries as of  
6/30/2017

DOL (A)	Claim No. (B)	SIR (C)	Paid Over SIR (D)	Incurred Over SIR (E)	Reserves Over SIR (F)
10/17/1979	5010-80-0009	250,000	5,429	5,429	-
2/9/1982	5018-82-0095	250,000	144,596	144,596	-
4/19/1983	5013-83-0069	250,000	125,913	125,913	-
7/26/1983	5011-84-0001	100,000	6,844	6,844	-
9/2/1983	5006-84-0024	100,000	44,741	44,741	-
9/2/1983	5014-84-0002	100,000	29,120	29,120	-
1/19/1984	5001-84-0098	100,000	39,884	39,884	-
1/31/1984	5001-84-0100	100,000	7,161	7,161	-
2/22/1984	5006-84-0134	100,000	14,810	14,810	-
5/9/1984	5001-84-0149	100,000	17,455	17,455	-
5/15/1984	5020-84-0053	100,000	112,873	112,873	-
6/13/1984	5007-84-0079	100,000	17,137	17,137	-
3/15/1985	5008-85-0070	100,000	4,044	4,044	-
5/1/1985	5005-85-0184	100,000	6,325	6,325	-
5/31/1985	5002-85-0039	100,000	14,483	14,483	-
10/11/1985	5015-86-0039	125,000	34,668	34,668	-
10/14/1985	5018-86-0020	125,000	227,762	250,357	22,595
11/19/1985	5006-86-0164	125,000	638	638	-
3/4/1986	5008-86-0048	125,000	21,861	21,861	-
3/11/1986	5018-86-0040	125,000	40,080	40,080	-
4/4/1986	5010-86-0010	125,000	-	9,424	9,424
5/30/1986	5011-86-0028	125,000	73,410	73,410	-
12/5/1986	5017-87-0016	200,000	221,088	348,886	127,798
2/19/1987	5005-87-0156	200,000	82,706	82,706	-
5/7/1987	5008-87-0083	200,000	144,073	182,594	38,522
9/29/1987	5002-88-0005	250,000	59,884	59,884	-
3/25/1988	5005-88-0258	250,000	70,353	70,353	-
10/7/1988	5015-89-0012	150,000	371,627	686,377	314,749
4/12/1989	5001-89-0160	150,000	340,533	340,533	-
5/19/1989	5016-89-0018	150,000	21,777	21,777	-
9/11/1989	5004-90-0005	150,000	129,353	129,353	-
9/12/1989	5006-90-0022	150,000	-	18,881	18,881
2/22/1990	5010-90-0007	150,000	53,208	53,208	-
2/27/1990	5001-90-0119	150,000	-	1,510	1,510
5/1/1990	5028-90-0095	150,000	387,938	387,938	-
6/21/1990	5001-90-0227	150,000	35	35	-
7/12/1990	5005-91-0026	150,000	1,312	1,312	-
9/10/1990	5006-91-0013	150,000	51,715	163,829	112,114
11/1/1990	5013-91-0033	150,000	79,955	79,955	-
11/20/1990	5008-91-0026	150,000	242,911	248,879	5,967
11/29/1990	5001-91-0098	150,000	599,480	599,480	-
12/6/1990	5013-91-0041	150,000	67,716	67,716	-
1/16/1991	5006-91-0093	150,000	302,857	302,857	-
1/28/1991	5005-91-0145	150,000	119,812	210,215	90,403
2/1/1991	5001-91-0132	150,000	9,550	9,550	-
3/25/1991	5007-91-0054	150,000	8,971	8,971	-
6/21/1991	5005-91-0261	150,000	28,822	28,822	-
8/1/1991	5010-92-0004	150,000	810,584	1,251,892	441,308
9/25/1991	5008-92-0022	150,000	558,965	558,965	-
1/6/1992	5002-92-0077	150,000	163,450	163,450	-

Notes: (A) - (D) Provided by the Group.  
(E) From data provided by the Group at 6-30-17.  
(F) (E) - (D).

Santa Clara County Schools Insurance Group - Workers' Compensation  
Claims with Reserves Over the SIR and Outstanding Recoveries as of  
6/30/2017

DOL (A)	Claim No. (B)	SIR (C)	Paid Over SIR (D)	Incurred Over SIR (E)	Reserves Over SIR (F)
2/13/1992	5005-92-0184	150,000	48,116	59,376	11,260
3/3/1992	5001-92-0134	150,000	-	14,390	14,390
3/17/1992	5003-92-0011	150,000	101,883	203,503	101,620
7/23/1992	5020-93-0003	150,000	11,874	11,874	-
10/19/1992	5013-93-0019	150,000	78,629	78,629	-
1/20/1993	5005-93-0149	150,000	16,379	16,379	-
2/5/1993	5017-93-0017	150,000	51,187	51,187	-
3/16/1993	5005-93-0214	150,000	116,286	116,286	-
3/31/1993	5015-93-0061	150,000	17,266	17,266	-
5/6/1993	5015-93-0084	150,000	8,437	8,437	-
5/21/1993	5018-93-0104	150,000	52,900	98,751	45,852
6/1/1993	5001-93-0166	150,000	2,132	2,132	-
7/2/1993	5001-94-0001	150,000	115,815	164,448	48,633
7/15/1993	5005-94-0012	150,000	28,568	28,568	-
8/2/1993	5001-94-0008	150,000	1,147	1,147	-
1/3/1994	5001-94-0099	150,000	59,018	78,732	19,713
1/20/1994	5005-94-0150	150,000	151,103	151,103	-
2/4/1994	5002-94-0035	150,000	303,099	303,099	-
2/4/1994	5007-94-0052	150,000	211,292	211,292	-
5/18/1994	5006-94-0165	150,000	69,940	193,825	123,886
3/21/1995	5014-95-0016	250,000	238,844	267,448	28,604
6/9/1995	5006-95-0158	250,000	16,879	284,169	267,290
7/28/1995	5004-96-0004	250,000	131,324	131,324	-
10/12/1995	5021-96-0010	250,000	10,011	10,011	-
10/17/1995	5005-96-0143	250,000	-	56,419	56,419
10/23/1995	5006-96-0045	250,000	6,662	6,662	-
11/6/1995	5027-96-0006	250,000	537,740	578,349	40,610
Total			\$8,304,437	\$10,245,985	\$1,941,548

Notes: (A) - (D) Provided by the Group.  
(E) From data provided by the Group at 6-30-17.  
(F) (E) - (D).

Santa Clara County Schools Insurance Group - Workers' Compensation  
Estimated Unrecoverable Amounts over the SIR

(A) Outstanding Reserves above the SIR: (From Exhibit I, Page 4, Item (F))	\$1,942,000
(B) Estimated Unrecoverable Portion:	25%
(C) Estimated Additional Outstanding: ((A) x (B))	\$486,000

Santa Clara County Schools Insurance Group - Workers' Compensation  
 July 1, 1977 through December 31, 1995  
 Outstanding Liabilities at Expected Level

Accident Year	Estimated Ultimate (A)	Reported as of 6/30/17 (B)	Estimated IBNR as of 6/30/17 (C)	Estimated Percent of IBNR Reported Between 7/1/17 and 6/30/18 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/18 (F)
1975-1976	\$0	\$0	\$0	100.0%	\$0	\$0
1976-1977			0	100.0%	0	0
1977-1978	32,176	32,176	0	100.0%	0	0
1978-1979	1,328,790	1,328,790	0	100.0%	0	0
1979-1980	2,303,981	2,301,875	2,106	100.0%	2,106	0
1980-1981	2,350,595	2,344,134	6,461	100.0%	6,461	0
1981-1982	3,119,161	3,119,161	0	100.0%	0	0
1982-1983	3,552,332	3,552,332	0	100.0%	0	0
1983-1984	5,572,588	5,572,588	0	100.0%	0	0
1984-1985	3,486,817	3,486,817	0	100.0%	0	0
1985-1986	4,123,227	4,118,645	4,582	100.0%	4,582	(0)
1986-1987	6,500,102	6,491,346	8,756	100.0%	8,756	0
1987-1988	6,591,344	6,582,545	8,799	100.0%	8,799	(0)
1988-1989	6,982,099	6,975,881	6,218	100.0%	6,218	(0)
1989-1990	7,290,020	7,275,833	14,187	100.0%	14,187	0
1990-1991	10,108,640	10,104,042	4,598	100.0%	4,598	(0)
1991-1992	9,051,000	9,033,322	17,678	100.0%	17,678	0
1992-1993	9,002,000	8,993,061	8,939	100.0%	8,939	0
1993-1994	8,751,000	8,725,925	25,075	50.0%	13,000	12,075
1994-1995	7,569,000	7,517,473	51,527	33.3%	17,000	34,527
1995-1996	4,706,000	4,691,419	14,581	24.9%	4,000	10,581
Totals	\$102,420,872	\$102,247,365	\$173,507		\$116,324	\$57,183

## Notes:

- (A) From Exhibit 3-Tail, .
- (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 7/1/17 and 6/30/18. The percentage is based on the development pattern selected in Appendix A-Tail.
- (E) ((A) - (B)) x (D).
- (F) (A) - (B) - (E).

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



## Santa Clara County Schools Insurance Group - Workers' Compensation

## Estimated Ultimate Program Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Selected Estimate of Ultimate Losses (D)
1975-1976	\$0	\$0	\$0	\$0
1976-1977				
1977-1978	32,176	32,176	32,176	32,176
1978-1979	1,328,790	1,328,790	1,328,790	1,328,790
1979-1980	2,301,875	2,287,834	2,301,875	2,303,981
1980-1981	2,344,134	2,301,060	2,344,134	2,350,595
1981-1982	3,119,161	3,119,161	3,119,161	3,119,161
1982-1983	3,552,332	3,552,332	3,552,332	3,552,332
1983-1984	5,572,588	5,572,588	5,572,588	5,572,588
1984-1985	3,486,817	3,486,817	3,486,817	3,486,817
1985-1986	4,118,645	4,088,099	4,118,645	4,123,227
1986-1987	6,491,346	6,439,405	6,491,346	6,500,102
1987-1988	6,582,545	6,536,934	6,582,545	6,591,344
1988-1989	6,975,881	6,955,232	6,975,880	6,982,099
1989-1990	7,275,833	7,209,976	7,275,834	7,290,020
1990-1991	10,104,042	10,123,756	10,104,043	10,108,640
1991-1992	9,033,322	8,979,291	9,033,322	9,050,789
1992-1993	9,002,054	9,051,962	8,995,813	9,002,000
1993-1994	8,743,377	8,675,605	8,758,485	8,751,000
1994-1995	7,540,025	7,442,528	7,569,292	7,569,000
1995-1996	4,710,185	4,684,181	4,719,633	4,706,000
Totals				\$102,420,662

## Notes:

- (A) From Appendix A-Tail, Page 1, Column (D).
- (B) From Appendix B-Tail, Page 1, Column (D).
- (C) From Appendix C-Tail, Page 1, Column (D).
- (D) Selected averages of (A), (B), and (C).

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 - Workers' Compensation

Reported Loss Development

Accident Year (A)	SIR Reported Losses as of 6/30/17 (B)	Reported Loss Development Factor (C)	Ultimate SIR Losses (D)
1975-1976	\$0	1.000	\$0
1976-1977	0	1.000	0
1977-1978	32,176	1.000	32,176
1978-1979	1,328,790	1.000	1,328,790
1979-1980	2,301,875	1.000	2,301,875
1980-1981	2,344,134	1.000	2,344,134
1981-1982	3,119,161	1.000	3,119,161
1982-1983	3,552,332	1.000	3,552,332
1983-1984	5,572,588	1.000	5,572,588
1984-1985	3,486,817	1.000	3,486,817
1985-1986	4,118,645	1.000	4,118,645
1986-1987	6,491,346	1.000	6,491,346
1987-1988	6,582,545	1.000	6,582,545
1988-1989	6,975,881	1.000	6,975,881
1989-1990	7,275,833	1.000	7,275,833
1990-1991	10,104,042	1.000	10,104,042
1991-1992	9,033,322	1.000	9,033,322
1992-1993	8,993,061	1.001	9,002,054
1993-1994	8,725,925	1.002	8,743,377
1994-1995	7,517,473	1.003	7,540,025
1995-1996	4,691,419	1.004	4,710,185
Totals	\$102,247,365		\$102,315,128

Notes:

- (A) Years are 7/1 to 6/30 except for 1995-1996: July 1, 1995 through December 31, 1995.
- (B) Provided by the Group. These losses exclude amounts over the SIR.
- (C) From Appendix A-Tail, Page 2.
- (D) (B) x (C). These estimated losses exclude amounts over the SIR.

Santa Clara County Schools Insurance Group - Workers' Compensation  
Reported Loss Development

SIR Losses Reported as of:

Accident Year	264 Months	276 Months	288 Months	300 Months	312 Months	324 Months	336 Months	348 Months	360 Months	372 Months
1975-1976										
1976-1977										
1977-1978										
1978-1979										1,328,790
1979-1980									2,245,020	2,274,948
1980-1981								2,255,219	2,271,532	2,248,245
1981-1982							3,117,134	3,117,134	3,117,134	3,117,135
1982-1983						3,528,589	3,538,376	3,533,814	3,533,814	3,547,062
1983-1984					5,582,541	5,572,185	5,572,185	5,572,588	5,572,588	5,572,588
1984-1985				3,485,462	3,509,657	3,509,657	3,509,457	3,484,509	3,484,509	3,484,719
1985-1986			4,147,884	4,147,943	4,148,660	4,126,372	4,126,372	4,126,629	4,118,633	4,118,633
1986-1987		6,292,281	6,284,805	6,329,297	6,373,932	6,368,592	6,373,930	6,404,298	6,508,449	6,491,346
1987-1988	6,579,462	6,610,799	6,613,536	6,625,489	6,593,840	6,565,452	6,565,752	6,565,752	6,582,545	
1988-1989	6,916,412	6,932,089	6,976,018	6,973,407	6,966,068	6,972,254	6,971,378	6,975,881		
1989-1990	7,190,189	7,223,242	7,245,210	7,245,210	7,263,364	7,287,146	7,275,833			
1990-1991	10,090,349	10,138,062	10,138,062	10,136,002	10,137,164	10,104,042				
1991-1992	8,935,374	8,955,524	8,984,927	8,991,701	9,033,322					
1992-1993	9,070,327	9,031,316	9,030,477	8,993,061						
1993-1994	8,617,069	8,642,336	8,725,925							
1994-1995	7,571,175	7,517,473								
1995-1996	4,691,419									

Reported Loss Development Factors:

	264-276 Months	276-288 Months	288-300 Months	300-312 Months	312-324 Months	324-336 Months	336-348 Months	348-360 Months	360-372 Months	372-384 Months
1975-1976										
1976-1977										
1977-1978										
1978-1979										1.000
1979-1980									1.013	1.047
1980-1981								1.007	0.990	1.009
1981-1982							1.000	1.000	1.000	1.003
1982-1983						1.003	0.999	1.000	1.004	1.012
1983-1984					0.998	1.000	1.000	1.000	1.000	1.000
1984-1985				1.007	1.000	1.000	0.993	1.000	1.000	1.000
1985-1986			1.000	1.000	0.995	1.000	1.000	0.998	1.000	1.000
1986-1987		0.999	1.007	1.007	0.999	1.001	1.005	1.016	0.997	
1987-1988	1.005	1.000	1.002	0.995	0.996	1.000	1.000	1.003		
1988-1989	1.002	1.006	1.000	0.999	1.001	1.000	1.001			
1989-1990	1.005	1.003	1.000	1.003	1.003	0.998				
1990-1991	1.005	1.000	1.000	1.000	0.997					
1991-1992	1.002	1.003	1.001	1.005						
1992-1993	0.996	1.000	0.996							
1993-1994	1.003	1.010								
1994-1995	0.993									
Average Dollar-weighted Averages	1.001	1.003	1.001	1.002	0.999	1.000	1.000	1.003	1.001	1.009
3-yr	0.997	1.004	0.999	1.002	1.000	0.999	1.002	1.007	0.999	1.000
4-yr	0.999	1.003	0.999	1.002	0.999	1.000	1.001	1.005	0.999	1.003
Prior	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.001	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.004	1.003	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Workers' Compensation  
Reported Loss Development

SIR Losses Reported as of:

Accident Year	384 Months	396 Months	408 Months	420 Months	432 Months	444 Months	456 Months	468 Months	480 Months
1975-1976									
1976-1977									
1977-1978	32,176	32,176	32,176	32,176	32,176	32,176	32,176	32,176	32,176
1978-1979	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790
1979-1980	2,382,961	2,351,765	2,390,674	2,312,733	2,301,875	2,301,875	2,301,875		
1980-1981	2,269,275	2,269,275	2,284,685	2,308,685	2,320,576	2,344,134			
1981-1982	3,125,230	3,125,230	3,119,161	3,119,161	3,119,161				
1982-1983	3,590,415	3,552,332	3,552,332	3,552,332					
1983-1984	5,572,588	5,572,588	5,572,588						
1984-1985	3,484,817	3,486,817							
1985-1986	4,118,645								
1986-1987									
1987-1988									
1988-1989									
1989-1990									
1990-1991									
1991-1992									
1992-1993									
1993-1994									
1994-1995									
1995-1996									

	384-396 Months	396-408 Months	408-420 Months	420-432 Months	432-444 Months	444-456 Months	456-468 Months	468-480 Months	480-Ult. Months
1975-1976									
1976-1977									
1977-1978	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1978-1979	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1979-1980	0.987	1.017	0.967	0.995	1.000	1.000			
1980-1981	1.000	1.007	1.011	1.005	1.010				
1981-1982	1.000	0.998	1.000	1.000					
1982-1983	0.989	1.000	1.000						
1983-1984	1.000	1.000							
1984-1985	1.001								
1985-1986									
1986-1987									
1987-1988									
1988-1989									
1989-1990									
1990-1991									
1991-1992									
1992-1993									
1993-1994									
1994-1995									

	384-396 Months	396-408 Months	408-420 Months	420-432 Months	432-444 Months	444-456 Months	456-468 Months	468-480 Months	480-Ult. Months
Average Dollar-weighted Averages	0.997	1.003	0.996	1.000	1.003	1.000	1.000	1.000	
3-yr	0.997	1.000	1.003	1.000	1.004	1.000			
4-yr	0.998	1.001	0.995	1.000	1.004				
Prior	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Selected	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Workers' Compensation

Paid Loss Development

Accident Year (A)	SIR Paid Losses as of 6/30/17 (B)	Paid Loss Development Factor (C)	Ultimate SIR Losses (D)
1975-1976	\$0	1.000	\$0
1976-1977	0	1.000	0
1977-1978	32,176	1.000	32,176
1978-1979	1,328,790	1.000	1,328,790
1979-1980	2,287,834	1.000	2,287,834
1980-1981	2,301,060	1.000	2,301,060
1981-1982	3,119,161	1.000	3,119,161
1982-1983	3,552,332	1.000	3,552,332
1983-1984	5,572,588	1.000	5,572,588
1984-1985	3,486,817	1.000	3,486,817
1985-1986	4,088,099	1.000	4,088,099
1986-1987	6,432,972	1.001	6,439,405
1987-1988	6,523,886	1.002	6,536,934
1988-1989	6,934,429	1.003	6,955,232
1989-1990	7,181,251	1.004	7,209,976
1990-1991	10,073,389	1.005	10,123,756
1991-1992	8,916,873	1.007	8,979,291
1992-1993	8,971,221	1.009	9,051,962
1993-1994	8,581,212	1.011	8,675,605
1994-1995	7,347,017	1.013	7,442,528
1995-1996	4,614,957	1.015	4,684,181
Totals	\$101,346,064		\$101,867,727

Notes:

- (A) Years are 7/1 to 6/30 except for 1995-1996: July 1, 1995 through December 31, 1995.
- (B) Provided by the Group. These losses exclude amounts over the SIR.
- (C) From Appendix B-Tail, Page 2.
- (D) (B) x (C). These estimated losses exclude

Santa Clara County Schools Insurance Group - Workers' Compensation  
Paid Loss Development

Accident Year	SIR Losses Paid as of:									
	264 Months	276 Months	288 Months	300 Months	312 Months	324 Months	336 Months	348 Months	360 Months	372 Months
1975-1976										
1976-1977										
1977-1978										
1978-1979										1,328,790
1979-1980									2,213,731	2,241,514
1980-1981								2,201,408	2,208,585	2,215,466
1981-1982							3,117,134	3,117,134	3,117,134	3,117,135
1982-1983						3,517,442	3,533,800	3,533,814	3,533,814	3,536,205
1983-1984					5,565,374	5,570,151	5,570,861	5,572,588	5,572,588	5,572,588
1984-1985				3,478,228	3,481,102	3,483,947	3,484,509	3,484,509	3,484,509	3,484,719
1985-1986			4,055,551	4,059,842	4,068,127	4,070,039	4,071,961	4,076,039	4,080,926	4,084,870
1986-1987		6,241,393	6,250,180	6,271,652	6,316,770	6,351,373	6,359,408	6,361,892	6,412,888	6,432,972
1987-1988	6,450,304	6,456,678	6,468,711	6,472,986	6,480,130	6,505,278	6,514,747	6,517,389	6,523,886	
1988-1989	6,832,002	6,856,889	6,878,056	6,891,824	6,902,742	6,912,972	6,930,516	6,934,429		
1989-1990	7,129,343	7,137,696	7,145,476	7,151,590	7,160,459	7,174,357	7,181,251			
1990-1991	10,059,881	10,062,062	10,067,258	10,068,577	10,070,593	10,073,389				
1991-1992	8,869,391	8,877,250	8,885,312	8,897,189	8,916,873					
1992-1993	8,897,216	8,913,496	8,921,531	8,971,221						
1993-1994	8,564,636	8,575,302	8,581,212							
1994-1995	7,340,836	7,347,017								
1995-1996	4,614,957									
	Paid Loss Development Factors:									
	264-276 Months	276-288 Months	288-300 Months	300-312 Months	312-324 Months	324-336 Months	336-348 Months	348-360 Months	360-372 Months	372-384 Months
1975-1976										
1976-1977										
1977-1978										
1978-1979										1.000
1979-1980									1.013	1.018
1980-1981								1.003	1.003	1.007
1981-1982							1.000	1.000	1.000	1.000
1982-1983						1.005	1.000	1.000	1.001	1.005
1983-1984					1.001	1.000	1.000	1.000	1.000	1.000
1984-1985				1.001	1.001	1.000	1.000	1.000	1.000	1.000
1985-1986			1.001	1.002	1.000	1.000	1.001	1.001	1.001	1.001
1986-1987		1.001	1.003	1.007	1.005	1.001	1.000	1.008	1.003	
1987-1988	1.001	1.002	1.001	1.001	1.004	1.001	1.000	1.001		
1988-1989	1.004	1.003	1.002	1.002	1.001	1.003	1.001			
1989-1990	1.001	1.001	1.001	1.001	1.002	1.001				
1990-1991	1.000	1.001	1.000	1.000	1.000					
1991-1992	1.001	1.001	1.001	1.002						
1992-1993	1.002	1.001	1.006							
1993-1994	1.001	1.001								
1994-1995	1.001									
	264-276 Months	276-288 Months	288-300 Months	300-312 Months	312-324 Months	324-336 Months	336-348 Months	348-360 Months	360-372 Months	372-384 Months
Average Dollar-weighted Averages	1.001	1.001	1.002	1.002	1.002	1.001	1.000	1.002	1.003	1.004
3-yr	1.001	1.001	1.002	1.001	1.001	1.002	1.000	1.004	1.002	1.000
4-yr	1.001	1.001	1.002	1.001	1.002	1.002	1.001	1.003	1.001	1.001
Prior	1.002	1.002	1.002	1.001	1.001	1.001	1.001	1.001	1.001	1.000
Selected	1.002	1.002	1.002	1.002	1.002	1.001	1.001	1.001	1.001	1.001
Cumulated	1.015	1.013	1.011	1.009	1.007	1.005	1.004	1.003	1.002	1.001

Santa Clara County Schools Insurance Group - Workers' Compensation  
Paid Loss Development

Accident Year	SIR Losses Paid as of:									
	384 Months	396 Months	408 Months	420 Months	432 Months	444 Months	456 Months	468 Months	480 Months	
1975-1976										
1976-1977										
1977-1978	32,176	32,176	32,176	32,176	32,176	32,176	32,176	32,176	32,176	32,176
1978-1979	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	1,328,790	
1979-1980	2,281,607	2,283,828	2,284,522	2,285,417	2,286,368	2,287,227	2,287,834			
1980-1981	2,230,623	2,242,901	2,256,933	2,271,753	2,279,904	2,301,060				
1981-1982	3,118,647	3,119,161	3,119,161	3,119,161	3,119,161					
1982-1983	3,552,332	3,552,332	3,552,332	3,552,332						
1983-1984	5,572,588	5,572,588	5,572,588							
1984-1985	3,484,817	3,486,817								
1985-1986	4,088,099									
1986-1987										
1987-1988										
1988-1989										
1989-1990										
1990-1991										
1991-1992										
1992-1993										
1993-1994										
1994-1995										
1995-1996										
	384-396 Months	396-408 Months	408-420 Months	420-432 Months	432-444 Months	444-456 Months	456-468 Months	468-480 Months	480-Ult. Months	
1975-1976										
1976-1977										
1977-1978	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1978-1979	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
1979-1980	1.001	1.000	1.000	1.000	1.000	1.000				
1980-1981	1.006	1.006	1.007	1.004	1.009					
1981-1982	1.000	1.000	1.000	1.000						
1982-1983	1.000	1.000	1.000							
1983-1984	1.000	1.000								
1984-1985	1.001									
1985-1986										
1986-1987										
1987-1988										
1988-1989										
1989-1990										
1990-1991										
1991-1992										
1992-1993										
1993-1994										
1994-1995										
	384-396 Months	396-408 Months	408-420 Months	420-432 Months	432-444 Months	444-456 Months	456-468 Months	468-480 Months	480-Ult. Months	
Average	1.001	1.001	1.001	1.001	1.002	1.000	1.000	1.000		
Dollar-weighted										
Averages										
3-yr	1.000	1.000	1.002	1.001	1.004	1.000				
4-yr	1.000	1.001	1.001	1.001	1.004					
Prior	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
Selected	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Cumulated	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		

## Santa Clara County Schools Insurance Group - Workers' Compensation

## Case Reserve Development

Accident Year (A)	SIR Case Reserves as of 6/30/17 (B)	Case Reserve Development Factor (C)	Ultimate SIR Losses (D)
1975-1976	\$0	1.000	\$0
1976-1977	0	1.000	0
1977-1978	0	1.000	32,176
1978-1979	0	1.000	1,328,790
1979-1980	14,041	1.000	2,301,875
1980-1981	43,074	1.000	2,344,134
1981-1982	0	1.000	3,119,161
1982-1983	0	1.000	3,552,332
1983-1984	0	1.000	5,572,588
1984-1985	0	1.000	3,486,817
1985-1986	30,546	1.000	4,118,645
1986-1987	58,374	1.000	6,491,346
1987-1988	58,659	1.000	6,582,545
1988-1989	41,451	1.000	6,975,880
1989-1990	94,583	1.000	7,275,834
1990-1991	30,654	1.000	10,104,043
1991-1992	116,449	1.000	9,033,322
1992-1993	21,840	1.126	8,995,813
1993-1994	144,713	1.225	8,758,485
1994-1995	170,456	1.304	7,569,292
1995-1996	76,461	1.369	4,719,633
Totals	\$901,302		\$102,362,711

## Notes:

- (A) Years are 7/1 to 6/30 except for 1995-1996: July 1, 1995 through December 31, 1995.  
 (B) Provided by the Group. These losses exclude amounts over the SIR.  
 (C) Based on the development factors from Appendix A-Tail and Appendix B-Tail, Page 2.  
 (D) (B) x (C)+ Appendix B-Tail ,Page 1,(B). These estimated losses exclude amounts over the SIR.



## Santa Clara County Schools Insurance Group - Workers' Compensation

Outstanding Liability for  
Unallocated Loss Adjustment Expenses  
as of 6/30/17

Fiscal Year (A)	Number of Claims Active During Fiscal Year (B)	Average ULAE Charge per Active Claim (C)	Inflation Trend Factor (D)	Trended ULAE Charge per Active Claim (E)	ULAE Paid During Year (F)
2017-2018	48.0	\$945	1.000	\$945	\$45,360
2018-2019	41.0	945	1.050	992	40,672
2019-2020	34.0	945	1.103	1,042	35,428
2020-2021	27.0	945	1.158	1,094	29,538
2021-2022	20.0	945	1.216	1,149	22,980
2022-2023	13.0	945	1.277	1,207	15,691
2023-2024	6.0	945	1.341	1,267	7,602
2024-2025	0.0	945	1.408	1,331	0
2025-2026	0.0	945	1.478	1,397	0
2026-2027	0.0	945	1.552	1,467	0
2027-2028	0.0	945	1.630	1,540	0
2028-2029	0.0	945	1.712	1,618	0
2029-2030	0.0	945	1.798	1,699	0
2030-2031	0.0	945	1.888	1,784	0
2031-2032	0.0	945	1.982	1,873	0
2032-2033	0.0	945	2.081	1,967	0
2033-2034	0.0	945	2.185	2,065	0
2034-2035	0.0	945	2.294	2,168	0

(G) Total ULAE Outstanding as of 6/30/17: \$197,271

## Notes:

- (A) We assume fiscal years will be 7/1 to 6/30.
- (B) Based on an estimated claim closing pattern.
- (C) Based on claims administration payment information provided by the Group.
- (D) We assume ULAE costs will increase at 5.0% per year.
- (E) (C) x (D).
- (F) (B) x (E).
- (G) Total of Column (F).

This exhibit shows the calculation of the outstanding ULAE based on the expected pattern of claims closings and assumptions about future claims administration costs per open claim.

Santa Clara County Schools Insurance Group - Workers' Compensation

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>6/30/2017</u>	<u>Calendar Period</u>	
		<u>7/1/2017</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
Prior			
Ultimate Loss	\$3,664,947	\$3,664,947	\$3,664,947
Paid in Calendar Period	-	4,037	3,028
Paid to Date	3,648,800	3,652,837	3,655,865
Outstanding Liability	16,147	12,110	9,082
1980-1981			
Ultimate Loss	\$2,350,595	\$2,350,595	\$2,350,595
Paid in Calendar Period	-	12,384	9,288
Paid to Date	2,301,060	2,313,444	2,322,732
Outstanding Liability	49,535	37,151	27,863
1981-1982			
Ultimate Loss	\$3,119,161	\$3,119,161	\$3,119,161
Paid in Calendar Period	-	-	-
Paid to Date	3,119,161	3,119,161	3,119,161
Outstanding Liability			
1982-1983			
Ultimate Loss	\$3,552,332	\$3,552,332	\$3,552,332
Paid in Calendar Period	-	-	-
Paid to Date	3,552,332	3,552,332	3,552,332
Outstanding Liability			
1983-1984			
Ultimate Loss	\$5,572,588	\$5,572,588	\$5,572,588
Paid in Calendar Period	-	-	-
Paid to Date	5,572,588	5,572,588	5,572,588
Outstanding Liability			
1984-1985			
Ultimate Loss	\$3,486,817	\$3,486,817	\$3,486,817
Paid in Calendar Period	-	-	-
Paid to Date	3,486,817	3,486,817	3,486,817
Outstanding Liability			
1985-1986			
Ultimate Loss	\$4,123,227	\$4,123,227	\$4,123,227
Paid in Calendar Period	-	8,782	6,586
Paid to Date	4,088,099	4,096,881	4,103,467
Outstanding Liability	35,128	26,346	19,760

Santa Clara County Schools Insurance Group - Workers' Compensation

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>6/30/2017</u>	<u>Calendar Period</u>	
		<u>7/1/2017</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
1986-1987			
Ultimate Loss	\$6,500,102	\$6,500,102	\$6,500,102
Paid in Calendar Period	-	16,783	12,587
Paid to Date	6,432,972	6,449,755	6,462,342
Outstanding Liability	67,130	50,347	37,760
1987-1988			
Ultimate Loss	\$6,591,344	\$6,591,344	\$6,591,344
Paid in Calendar Period	-	33,729	8,432
Paid to Date	6,523,886	6,557,615	6,566,047
Outstanding Liability	67,458	33,729	25,297
1988-1989			
Ultimate Loss	\$6,982,099	\$6,982,099	\$6,982,099
Paid in Calendar Period	-	15,874	15,898
Paid to Date	6,934,429	6,950,303	6,966,201
Outstanding Liability	47,670	31,796	15,898
1989-1990			
Ultimate Loss	\$7,290,020	\$7,290,020	\$7,290,020
Paid in Calendar Period	-	27,084	27,201
Paid to Date	7,181,251	7,208,335	7,235,536
Outstanding Liability	108,769	81,685	54,484
1990-1991			
Ultimate Loss	\$10,108,640	\$10,108,640	\$10,108,640
Paid in Calendar Period	-	7,015	7,031
Paid to Date	10,073,389	10,080,404	10,087,435
Outstanding Liability	35,251	28,236	21,205
1991-1992			
Ultimate Loss	\$9,051,000	\$9,051,000	\$9,051,000
Paid in Calendar Period	-	38,092	19,111
Paid to Date	8,916,873	8,954,965	8,974,076
Outstanding Liability	134,127	96,035	76,924
1992-1993			
Ultimate Loss	\$9,002,000	\$9,002,000	\$9,002,000
Paid in Calendar Period	-	6,802	6,809
Paid to Date	8,971,221	8,978,023	8,984,832
Outstanding Liability	30,779	23,977	17,168

Santa Clara County Schools Insurance Group - Workers' Compensation

Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>6/30/2017</u>	<u>Calendar Period</u>	
		<u>7/1/2017</u> <u>to</u> <u>6/30/2018</u>	<u>7/1/2018</u> <u>to</u> <u>6/30/2019</u>
1993-1994			
Ultimate Loss	\$8,751,000	\$8,751,000	\$8,751,000
Paid in Calendar Period	-	30,562	30,769
Paid to Date	8,581,212	8,611,774	8,642,543
Outstanding Liability	169,788	139,226	108,457
1994-1995			
Ultimate Loss	\$7,569,000	\$7,569,000	\$7,569,000
Paid in Calendar Period	-	33,741	33,884
Paid to Date	7,347,017	7,380,758	7,414,642
Outstanding Liability	221,983	188,242	154,358
1995-1996			
Ultimate Loss	\$4,706,000	\$4,706,000	\$4,706,000
Paid in Calendar Period	-	12,018	12,012
Paid to Date	4,614,957	4,626,975	4,638,987
Outstanding Liability	91,043	79,025	67,013
Totals			
Ultimate Loss	\$102,420,872	\$102,420,872	\$102,420,872
Paid in Calendar Period	-	246,903	192,636
Paid to Date	101,346,064	101,592,967	101,785,603
Outstanding Liability	1,074,808	827,905	635,269
Total Outstanding ULAE	197,271	151,911	111,239
Outstanding Liability plus ULAE	1,272,079	979,816	746,508

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Workers' Compensation

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 1994-1995, \$33,741 is expected to be paid between 7/1/17 and 6/30/18, \$7,380,758 will have been paid by 6/30/18, and the reserve for remaining payments on these claims should be \$188,242.
- Ultimate Losses for each accident year are from Exhibit 3-Tail.
- 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,  $\$33,884 = \$188,242 \times 18.0\%$ .
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example,  $\$7,414,642 = \$33,884 + \$7,380,758$ .
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example,  $\$188,242 = \$7,569,000 - \$7,380,758$ .

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 - Workers' Compensation

## Short- and Long-Term Liabilities

<u>Liabilities as of 6/30/17:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$246,903	\$244,470
	ULAE:	45,360	44,913
	Short-Term Loss and LAE:	<u>\$292,263</u>	<u>\$289,383</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$827,905	\$786,322
	ULAE:	151,911	144,279
	Long-Term Loss and LAE:	<u>\$979,816</u>	<u>\$930,601</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,074,808	\$1,030,792
	ULAE:	197,271	189,192
	Total Loss and LAE:	<u>\$1,272,079</u>	<u>\$1,219,984</u>
<u>Liabilities as of 6/30/18:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$192,636	\$190,738
	ULAE:	40,672	40,271
	Short-Term Loss and LAE:	<u>\$233,308</u>	<u>\$231,009</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$635,269	\$607,015
	ULAE:	111,239	106,107
	Long-Term Loss and LAE:	<u>\$746,508</u>	<u>\$713,122</u>
<u>Total Liability</u>	Loss and ALAE:	\$827,905	\$797,753
	ULAE:	151,911	146,378
	Total Loss and LAE:	<u>\$979,816</u>	<u>\$944,131</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 6/30/17:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$276,496	\$290,675	\$307,543	\$328,323	\$355,948
	ULAE:	50,797	53,402	56,501	60,318	65,393
	Short-Term Loss and LAE:	<u>\$327,293</u>	<u>\$344,077</u>	<u>\$364,044</u>	<u>\$388,641</u>	<u>\$421,341</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$889,330	\$934,937	\$989,193	\$1,056,031	\$1,144,885
	ULAE:	163,179	171,547	181,503	193,767	210,071
	Long-Term Loss and LAE:	<u>\$1,052,509</u>	<u>\$1,106,484</u>	<u>\$1,170,696</u>	<u>\$1,249,798</u>	<u>\$1,354,956</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,165,826	\$1,225,612	\$1,296,736	\$1,384,354	\$1,500,833
	ULAE:	213,976	224,949	238,004	254,085	275,464
	Total Loss and LAE:	<u>\$1,379,802</u>	<u>\$1,450,561</u>	<u>\$1,534,740</u>	<u>\$1,638,439</u>	<u>\$1,776,297</u>
<u>Liabilities as of 6/30/18:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$215,725	\$226,787	\$239,948	\$256,161	\$277,715
	ULAE:	45,547	47,882	50,661	54,084	58,635
	Short-Term Loss and LAE:	<u>\$261,272</u>	<u>\$274,669</u>	<u>\$290,609</u>	<u>\$310,245</u>	<u>\$336,350</u>
<u>Non-Current (Long Term)</u>	Loss and ALAE:	\$686,534	\$721,741	\$763,625	\$815,221	\$883,813
	ULAE:	120,006	126,162	133,483	142,502	154,492
	Long-Term Loss and LAE:	<u>\$806,540</u>	<u>\$847,903</u>	<u>\$897,108</u>	<u>\$957,723</u>	<u>\$1,038,305</u>
<u>Total Liability</u>	Loss and ALAE:	\$902,259	\$948,528	\$1,003,573	\$1,071,382	\$1,161,528
	ULAE:	165,553	174,044	184,144	196,586	213,127
	Total Loss and LAE:	<u>\$1,067,812</u>	<u>\$1,122,572</u>	<u>\$1,187,717</u>	<u>\$1,267,968</u>	<u>\$1,374,655</u>

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

## Santa Clara County Schools Insurance Group - Workers' Compensation

## Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 6/30/17 (A)	Discount Factor (B)	Discounted Reserve at 6/30/17 (C)	Full Value of Reserve at 6/30/18 (D)	Discount Factor (E)	Discounted Reserve at 6/30/18 (F)
1975-1976	\$0	1.000	\$0	\$0	1.000	\$0
1976-1977	0	1.000	0	0	1.000	0
1977-1978	0	1.000	0	0	1.000	0
1978-1979	0	1.000	0	0	1.000	0
1979-1980	16,147	1.000	16,147	12,110	1.000	12,110
1980-1981	49,535	1.000	49,535	37,151	1.000	37,151
1981-1982	0	1.000	0	0	1.000	0
1982-1983	0	1.000	0	0	1.000	0
1983-1984	0	1.000	0	0	1.000	0
1984-1985	0	1.000	0	0	1.000	0
1985-1986	35,128	1.000	35,128	26,346	1.000	26,346
1986-1987	67,130	1.000	67,130	50,347	1.000	50,347
1987-1988	67,458	0.990	66,793	33,729	1.000	33,729
1988-1989	47,670	0.980	46,737	31,796	0.990	31,483
1989-1990	108,769	0.971	105,597	81,685	0.980	80,087
1990-1991	35,251	0.961	33,889	28,236	0.971	27,412
1991-1992	134,127	0.952	127,688	96,035	0.961	92,324
1992-1993	30,779	0.949	29,224	23,977	0.952	22,826
1993-1994	169,788	0.944	160,271	139,226	0.949	132,193
1994-1995	221,983	0.937	208,020	188,242	0.944	177,691
1995-1996	91,043	0.930	84,633	79,025	0.937	74,054
Totals	\$1,074,808		\$1,030,792	\$827,905		\$797,753

(G) Discount Factor at 6/30/17 for Overall Reserve: 0.959  
(H) Discount Factor at 6/30/18 for Overall Reserve: 0.964

## Notes:

- (A) From Appendix E-Tail, Outstanding Liability at 6/30/17.
- (B) Based on Appendix G-Tail, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix E-Tail, Outstanding Liability at 6/30/18.
- (E) Based on Appendix G-Tail, 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 0.959, the discounted liability for outstanding claims is 95.9% of the full value.

## Santa Clara County Schools Insurance Group - Workers' Compensation

## Confidence Level Table

Probability	Outstanding Losses
95%	1.643
90	1.456
85	1.343
80	1.258
75	1.189
70	1.131
65	1.079
60	1.032
55	0.989
50	0.948
45	0.909
40	0.870
35	0.832
30	0.793
25	0.753

To read table:

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 - Workers' Compensation

## Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
1/1/1975	12/31/1975	1975-1975	150,000	(none)
1/1/1976	12/31/1976	1976-1976	150,000	(none)
1/1/1977	9/30/1978	1977-1978	150,000	(none)
10/1/1978	9/30/1979	1978-1979	150,000	(none)
10/1/1979	6/30/1980	1979-1980	250,000	(none)
7/1/1980	6/30/1981	1980-1981	250,000	(none)
7/1/1981	6/30/1982	1981-1982	250,000	(none)
7/1/1982	6/30/1983	1982-1983	250,000	(none)
7/1/1983	6/30/1984	1983-1984	100,000	(none)
7/1/1984	6/30/1985	1984-1985	100,000	(none)
7/1/1985	6/30/1986	1985-1986	125,000	(none)
7/1/1986	6/30/1987	1986-1987	200,000	(none)
7/1/1987	6/30/1988	1987-1988	250,000	(none)
7/1/1988	6/30/1989	1988-1989	150,000	(none)
7/1/1989	6/30/1990	1989-1990	150,000	(none)
7/1/1990	6/30/1991	1990-1991	150,000	(none)
7/1/1991	6/30/1992	1991-1992	150,000	(none)
7/1/1992	6/30/1993	1992-1993	150,000	(none)
7/1/1993	6/30/1994	1993-1994	150,000	(none)
7/1/1994	6/30/1995	1994-1995	250,000	(none)
7/1/1995	12/31/1995	1995-1996	250,000	(none)

Claims administration for the pre-1996 self-insured years are provided by Keenan and Associates.

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

## Santa Clara County Schools Insurance Group - Workers' Compensation

Estimated Total Assets as of 6/30/18

(A) <u>Estimated Total Assets as of 6/30/17:</u>	\$2,417,000
(B) <u>Total Income to Fund during 2017-2018</u>	
Contributions:	\$20,157,000
Interest:	189,000
Other:	18,000
Total Income:	<u>\$20,364,000</u>
(C) <u>Total Payments from Fund during 2017-2018</u>	
Loss and ALAE:	\$0
Additional Allocated Loss Adjustment Expense:	0
In-House Unallocated Loss Adjustment Expense:	60,000
Fees to Outside Administrator (TPA):	0
Excess Insurance:	18,877,000
Other:	<u>1,055,000</u>
Total Payments:	<u>\$19,992,000</u>
(D) <u>Estimated Total Assets as of 6/30/18:</u>	\$2,789,000

## Notes:

- (A) Provided by the Group.
- (B) Provided by the Group.
- (C) Provided by the Group.
- (D) (A) + (B) - (C).

Santa Clara County Schools Insurance Group - Workers' Compensation

Incurred Losses as of 6/30/17

Accident Year (A)	Unlimited Incurred (B)	Additions to 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)
1975-1976	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1976-1977	0	0	0	0	0	0	0	0	0	0
1977-1978	30,971	1,205	0	32,176	0	0	32,176	0	32,176	32,176
1978-1979	239,963	1,088,827	0	1,328,790	0	0	1,328,790	0	1,328,790	1,328,790
1979-1980	1,304,143	1,003,161	0	2,307,304	5,429	255,556	2,051,748	250,127	2,301,875	2,301,875
1980-1981	1,690,233	653,901	0	2,344,134	0	25,107	2,319,027	25,107	2,344,134	2,344,134
1981-1982	2,650,747	613,010	0	3,263,757	144,596	300,406	2,963,351	155,810	3,119,161	3,119,161
1982-1983	3,422,592	255,653	0	3,678,245	125,913	332,300	3,345,946	206,386	3,552,332	3,552,332
1983-1984	5,862,612	0	0	5,862,612	290,024	290,024	5,572,588	0	5,572,588	5,572,588
1984-1985	3,511,668	0	0	3,511,668	24,851	24,851	3,486,817	0	3,486,817	3,486,817
1985-1986	4,549,083	0	0	4,549,083	430,438	649,906	3,899,177	219,468	4,118,645	4,118,645
1986-1987	7,105,532	0	0	7,105,532	614,186	1,515,352	5,590,180	901,166	6,491,346	6,491,346
1987-1988	6,712,782	0	0	6,712,782	130,237	951,365	5,761,417	821,128	6,582,545	6,582,545
1988-1989	8,024,567	0	0	8,024,567	1,048,686	1,458,239	6,566,328	409,553	6,975,881	6,975,881
1989-1990	7,866,758	0	0	7,866,758	590,925	1,032,665	6,834,094	441,740	7,275,833	7,275,833
1990-1991	11,825,628	0	0	11,825,628	1,721,586	2,449,052	9,376,577	727,465	10,104,042	10,104,042
1991-1992	11,284,897	0	0	11,284,897	2,251,575	2,682,577	8,602,320	431,002	9,033,322	9,033,322
1992-1993	9,394,003	0	0	9,394,003	400,942	981,932	8,412,071	580,990	8,993,061	8,993,061
1993-1994	9,858,138	0	0	9,858,138	1,132,213	1,753,228	8,104,911	621,014	8,725,925	8,725,925
1994-1995	8,069,089	0	0	8,069,089	551,616	1,259,568	6,809,521	707,952	7,517,473	7,517,473
1995-1996	5,474,185	0	0	5,474,185	782,766	1,638,190	3,835,995	855,424	4,691,419	4,691,419
0	0	0	0	0	0	0	0	0	0	0
Total	\$108,877,593	\$3,615,757	\$0	\$112,493,350	\$10,245,985	\$17,600,317	\$94,893,032	\$7,354,332	\$102,247,364	\$102,247,364

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Closed claims no longer listed in the current loss data.
- (D)
- (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 I-Tail.

Santa Clara County Schools Insurance Group - Workers' Compensation

Paid Losses as of 6/30/17

Accident Year (A)	Unlimited Paid (B)	Additions to 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)
1975-1976	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1976-1977	0	0	0	0	0	0	0	0	0	0
1977-1978	30,971	1,205	0	32,176	0	0	32,176	0	32,176	32,176
1978-1979	239,963	1,088,827	0	1,328,790	0	0	1,328,790	0	1,328,790	1,328,790
1979-1980	1,290,102	1,003,161	0	2,293,263	5,429	241,515	2,051,748	236,085	2,287,834	2,287,834
1980-1981	1,647,159	653,901	0	2,301,060	0	8,531	2,292,529	8,531	2,301,060	2,301,060
1981-1982	2,650,747	613,010	0	3,263,757	144,596	300,406	2,963,351	155,810	3,119,161	3,119,161
1982-1983	3,422,592	255,653	0	3,678,245	125,913	332,300	3,345,946	206,386	3,552,332	3,552,332
1983-1984	5,862,612	0	0	5,862,612	290,024	290,024	5,572,588	0	5,572,588	5,572,588
1984-1985	3,511,668	0	0	3,511,668	24,851	24,851	3,486,817	0	3,486,817	3,486,817
1985-1986	4,486,518	0	0	4,486,518	398,419	592,887	3,893,631	194,468	4,088,099	4,088,099
1986-1987	6,880,839	0	0	6,880,839	447,867	1,300,691	5,580,148	852,824	6,432,972	6,432,972
1987-1988	6,654,123	0	0	6,654,123	130,237	892,706	5,761,417	762,469	6,523,886	6,523,886
1988-1989	7,668,366	0	0	7,668,366	733,937	1,122,253	6,546,113	388,316	6,934,429	6,934,429
1989-1990	7,751,784	0	0	7,751,784	570,534	938,331	6,813,454	367,797	7,181,251	7,181,251
1990-1991	11,586,490	0	0	11,586,490	1,513,101	2,223,689	9,362,801	710,587	10,073,389	10,073,389
1991-1992	10,599,870	0	0	10,599,870	1,682,997	2,074,663	8,525,207	391,666	8,916,873	8,916,873
1992-1993	9,326,311	0	0	9,326,311	355,090	936,080	8,390,231	580,990	8,971,221	8,971,221
1993-1994	9,521,193	0	0	9,521,193	939,981	1,504,814	8,016,380	564,832	8,581,212	8,581,212
1994-1995	7,602,739	0	0	7,602,739	255,723	943,726	6,659,013	688,004	7,347,017	7,347,017
1995-1996	5,300,694	0	0	5,300,694	685,737	1,537,685	3,763,010	851,948	4,614,957	4,614,957
0	0	0	0	0	0	0	0	0	0	0
Total	\$106,034,742	\$3,615,757	\$0	\$109,650,499	\$8,304,437	\$15,265,151	\$94,385,348	\$6,960,714	\$101,346,062	\$101,346,062

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Closed claims no longer listed in the current loss data.
- (D)
- (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 I-Tail.

Santa Clara County Schools Insurance Group - Workers' Compensation

Case Reserves as of 6/30/17

Accident Year (A)	Unlimited Reserves (B)	Additions to 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)
1975-1976	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1976-1977	0	0	0	0	0	0	0	0	0	0
1977-1978	0	0	0	0	0	0	0	0	0	0
1978-1979	0	0	0	0	0	0	0	0	0	0
1979-1980	14,041	0	0	14,041	0	14,041	0	14,041	14,041	14,041
1980-1981	43,074	0	0	43,074	0	16,576	26,498	16,576	43,074	43,074
1981-1982	0	0	0	0	0	0	0	0	0	0
1982-1983	0	0	0	0	0	0	0	0	0	0
1983-1984	0	0	0	0	0	0	0	0	0	0
1984-1985	0	0	0	0	0	0	0	0	0	0
1985-1986	62,565	0	0	62,565	32,019	57,019	5,546	25,000	30,546	30,546
1986-1987	224,693	0	0	224,693	166,319	214,661	10,032	48,341	58,374	58,374
1987-1988	58,659	0	0	58,659	0	58,659	0	58,659	58,659	58,659
1988-1989	356,201	0	0	356,201	314,749	335,986	20,215	21,237	41,451	41,451
1989-1990	114,974	0	0	114,974	20,391	94,334	20,640	73,943	94,583	94,583
1990-1991	239,138	0	0	239,138	208,485	225,363	13,776	16,878	30,654	30,654
1991-1992	685,027	0	0	685,027	568,577	607,914	77,113	39,336	116,449	116,449
1992-1993	67,692	0	0	67,692	45,852	45,852	21,840	0	21,840	21,840
1993-1994	336,945	0	0	336,945	192,232	248,414	88,531	56,182	144,713	144,713
1994-1995	466,350	0	0	466,350	295,894	315,842	150,508	19,948	170,456	170,456
1995-1996	173,490	0	0	173,490	97,029	100,505	72,985	3,476	76,461	76,461
0	0	0	0	0	0	0	0	0	0	0
Total	\$2,842,850	\$0	\$0	\$2,842,850	\$1,941,548	\$2,335,166	\$507,684	\$393,618	\$901,302	\$901,302

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Appendix K-Tail, Page 1, Column (B) - Appendix K-Tail, Page 2, Column (B).
- (C) Appendix K-Tail, Page 1, Column (C) - Appendix K-Tail, Page 2, Column (C).
- (D) Appendix K-Tail, Page 1, Column (D) - Appendix K-Tail, 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 I-Tail.

Santa Clara County Schools Insurance Group - Workers' Compensation

Claim Counts as of 6/30/17

Accident Year (A)	Reported Claims (B)	Additions to Reported Claims (C)	Subtractions from Reported Claims (D)	Adjusted Reported Claims (E)	Closed Claims (F)	Additions to Closed Claims (G)	Subtractions from Closed Claims (H)	Adjusted Closed Claims (I)	Open Claims (J)	Adjusted Open Claims (K)
1975-1976	0	0	0	0	0	0	0	0	0	0
1976-1977	0	0	0	0	0	0	0	0	0	0
1977-1978	1	8	0	9	1	8	0	9	0	0
1978-1979	17	1,238	0	1,255	17	1,238	0	1,255	0	0
1979-1980	46	1,315	0	1,361	45	1,315	0	1,360	1	1
1980-1981	73	1,408	0	1,481	71	1,408	0	1,479	2	2
1981-1982	132	1,326	0	1,458	132	1,326	0	1,458	0	0
1982-1983	308	1,122	0	1,430	308	1,122	0	1,430	0	0
1983-1984	1,509	0	0	1,509	1,509	0	0	1,509	0	0
1984-1985	1,457	0	0	1,457	1,457	0	0	1,457	0	0
1985-1986	1,556	0	0	1,556	1,554	0	0	1,554	2	2
1986-1987	1,715	0	0	1,715	1,710	0	0	1,710	5	5
1987-1988	1,731	0	0	1,731	1,730	0	0	1,730	1	1
1988-1989	1,655	0	0	1,655	1,652	0	0	1,652	3	3
1989-1990	1,739	0	0	1,739	1,736	0	0	1,736	3	3
1990-1991	1,845	0	0	1,845	1,841	0	0	1,841	4	4
1991-1992	1,859	0	0	1,859	1,852	0	0	1,852	7	7
1992-1993	1,763	0	0	1,763	1,761	0	0	1,761	2	2
1993-1994	1,707	0	0	1,707	1,700	0	0	1,700	7	7
1994-1995	1,656	0	0	1,656	1,649	0	0	1,649	7	7
1995-1996	832	0	0	832	828	0	0	828	4	4
0	0	0	0	0	0	0	0	0	0	0
Total	21,601	6,417	0	28,018	21,553	6,417	0	27,970	48	48

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C) Closed claims no longer listed in the current loss data.
- (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 - Workers' Compensation

Funding Options for Program Year 2017-2018 (SIR = \$250,000)

	Dollar Amount	Payroll Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2017-2018: (From Exhibit 3, Page 1)	\$12,642,000	\$0.977			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2017-2018: (From Exhibit 3-Projected Funding, Page 1, item (L))	948,000	0.073			
(C) Total Claims Costs Incurred in Accident Year 2017-2018: ((A) + (B))	<u>\$13,590,000</u>	<u>\$1.050</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix F-Projected Funding, (G))	0.915				
(E) Discounted Total Claims Costs Incurred in Accident Year 2017-2018: ((C) x (D))	<u>\$12,429,000</u>	<u>\$0.961</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix G-Projected Funding)	1.083	1.115	1.152	1.197	1.255
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	1,032,000	1,429,000	1,889,000	2,449,000	3,169,000
(H) Recommended Funding in 2017-2018 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$13,461,000</u>	<u>\$13,858,000</u>	<u>\$14,318,000</u>	<u>\$14,878,000</u>	<u>\$15,598,000</u>
(I) Rate per \$100 of Payroll: ((H) / \$12,939,522)	\$1.040	\$1.071	\$1.107	\$1.150	\$1.205

Payroll rates are per hundred dollars of 2017-2018 payroll of \$1,293,952,200.

Santa Clara County Schools Insurance Group - Workers' Compensation

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

	Dollar Amount	Payroll Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2018-2019: (From Exhibit 3, Page 1)	\$13,157,000	\$0.987			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2018-2019: (From Exhibit 3-Projected Funding, Page 1, item (L))	987,000	0.074			
(C) Total Claims Costs Incurred in Accident Year 2018-2019: ((A) + (B))	<u>\$14,144,000</u>	<u>\$1.061</u>			
(D) Loss Discount Factor (Based on a Discount Rate of 2.0%.): (Appendix F-Projected Funding, (G))	0.915				
(E) Discounted Total Claims Costs Incurred in Accident Year 2018-2019: ((C) x (D))	<u>\$12,936,000</u>	<u>\$0.970</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix G-Projected Funding)	1.083	1.115	1.152	1.197	1.255
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	1,074,000	1,488,000	1,966,000	2,548,000	3,299,000
(H) Recommended Funding in 2018-2019 for Claims Costs and Other Expenses: ((E) + (G))	<u>\$14,010,000</u>	<u>\$14,424,000</u>	<u>\$14,902,000</u>	<u>\$15,484,000</u>	<u>\$16,235,000</u>
(I) Rate per \$100 of Payroll: ((H) / \$13,330,000)	\$1.051	\$1.082	\$1.118	\$1.162	\$1.218

Payroll rates are per hundred dollars of 2018-2019 payroll of \$1,333,000,000.



Santa Clara County Schools Insurance Group - Workers' Compensation

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)	
2003-2004	\$13,868,973	14,416,328	13,824,183	14,262,930	12,862,960	14,093,000	
2004-2005	9,717,322	9,924,474	9,680,715	9,809,396	8,875,428	9,717,000	
2005-2006	8,266,390	7,924,439	8,218,565	7,855,578	7,373,047	8,170,000	
2006-2007	7,594,093	7,879,115	7,575,644	7,805,111	7,348,839	7,594,000	
2007-2008	11,021,791	10,866,142	10,904,936	10,658,933	9,577,784	10,782,000	
2008-2009	10,535,303	10,664,645	10,448,077	10,469,709	9,553,515	10,586,000	
2009-2010	8,839,087	9,030,438	8,790,614	8,897,899	8,381,098	8,935,000	
2010-2011	9,429,965	9,434,515	9,296,977	9,176,569	8,417,468	9,430,000	
2011-2012	8,687,982	8,308,832	8,590,998	8,237,221	7,962,636	8,279,000	
2012-2013	7,389,539	7,418,508	7,449,433	7,521,622	7,317,855	7,390,000	
2013-2014	8,835,946	7,598,246	8,698,195	7,805,940	8,202,870	8,451,000	
2014-2015	6,945,754	6,869,196	7,442,635	7,830,194	9,120,200	7,272,000	
2015-2016	8,519,724	6,448,976	8,965,585	8,400,691	9,255,120	8,683,000	
2016-2017	15,251,938	12,351,157	13,908,633	12,533,411	12,307,392	12,764,000	
Totals						\$132,146,000	
						Projected Losses for the Year 2017-2018 (G)	\$12,642,000
						Projected Losses for the Year 2018-2019 (H)	\$13,157,000

Notes:

- (A) From Appendix A-Projected Funding, Page 1, Column (G).
- (B) From Appendix B-Projected Funding, Page 1, Column (G).
- (C) From Appendix C-Projected Funding, Page 1, Column (G).
- (D) From Appendix C-Projected Funding, Page 2, Column (G).
- (E) From Appendix D-Projected Funding, Page 1, Column (C).
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 3-Projected Funding, Page 1, Line (K).
- (H) From Exhibit 3-Projected Funding, 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 - Workers' Compensation

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)
2003-2004	\$10,554,319	\$10,595,268	\$10,550,101	\$10,593,596	\$10,572,650	\$10,573,000
2004-2005	7,259,480	7,151,610	7,257,426	7,153,921	7,259,409	7,259,000
2005-2006	6,001,214	5,782,673	6,001,078	5,797,257	6,001,376	6,001,000
2006-2007	5,951,643	5,958,748	5,953,458	5,955,617	5,952,168	5,952,000
2007-2008	7,720,175	7,420,216	7,718,350	7,443,097	7,720,264	7,720,000
2008-2009	7,664,168	7,564,649	7,666,927	7,573,500	7,663,800	7,664,000
2009-2010	6,687,954	6,753,227	6,688,935	6,745,698	6,687,692	6,688,000
2010-2011	6,637,355	6,733,426	6,639,610	6,724,950	6,684,676	6,685,000
2011-2012	6,367,033	6,220,797	6,365,838	6,245,045	6,293,812	6,294,000
2012-2013	5,532,508	5,385,483	5,580,402	5,510,042	5,754,000	5,502,000
2013-2014	6,393,960	5,692,862	6,393,413	5,853,156	6,419,283	6,222,000
2014-2015	5,529,643	5,269,779	5,698,660	5,811,050	7,100,550	5,755,000
2015-2016	6,588,724	5,030,092	6,790,533	6,216,591	7,172,130	6,504,000
2016-2017	11,281,541	8,789,130	10,696,734	9,451,910	9,488,806	9,901,000
Totals						\$98,720,000
						Projected Losses for the Year 2017-2018 (G)
						\$9,702,000
						Projected Losses for the Year 2018-2019 (H)
						\$10,047,000

Notes:

- (A) From Appendix A-Projected Funding, Page 1, Column (D).
- (B) From Appendix B-Projected Funding, Page 1, Column (D).
- (C) Based on results in Appendix C-Projected Funding, Page 1.
- (D) Based on results in Appendix C-Projected Funding, Page 2.
- (E) Based on results in Appendix D-Projected Funding, Page 1.
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Exhibit 3-Projected Funding, Page 1, Line (K) / Line (G).
- (H) From Exhibit 3-Projected Funding, 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 - Workers' Compensation

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

Accident Year	Ultimate Limited Losses (A)	Trend Factor (B)	Trended Limited Losses (C)	Trended Payroll (\$00) (D)	Trended Limited Loss Rate (E)
2003-2004	\$10,573,000	1.174	\$12,412,702	\$10,989,304	\$1.130
2004-2005	7,259,000	1.504	10,917,536	10,710,169	1.019
2005-2006	6,001,000	1.621	9,727,621	10,886,271	0.894
2006-2007	5,952,000	1.523	9,064,896	10,680,684	0.849
2007-2008	7,720,000	1.404	10,838,880	12,193,412	0.889
2008-2009	7,664,000	1.299	9,955,536	11,434,047	0.871
2009-2010	6,688,000	1.180	7,891,840	10,235,747	0.771
2010-2011	6,685,000	1.133	7,574,105	9,648,849	0.785
2011-2012	6,294,000	1.134	7,137,396	9,271,457	0.770
2012-2013	5,502,000	1.131	6,222,762	9,171,646	0.678
2013-2014	6,222,000	1.120	6,968,640	9,506,848	0.733
2014-2015	5,755,000	1.080	6,215,400	10,042,887	0.619
2015-2016	6,504,000	1.033	6,718,632	10,482,742	0.641
2016-2017	9,901,000	1.008	9,980,208	13,047,507	0.765
Totals	\$98,720,000		\$121,626,154	148,301,570	\$0.820
11/12-15/16	30,277,000		33,262,830	48,475,580	0.686
12/13-16/17	33,884,000		36,105,642	52,251,630	0.691
			(F) Selected Limited Rate:		\$0.750
			Prior:		\$0.750

Program Year:	2017-2018	2018-2019
(G) Factor to SIR:	1.303	1.310
(H) Trend Factor:	1.000	1.005
(I) Program Rate:	\$0.977	\$0.987
(J) Trended Payroll (\$00):	12,939,522	13,330,000
(K) Projected Program Losses:	12,642,000	13,157,000
(L) Projected ULAE:	948,000	987,000
(M) Projected Loss and ULAE:	\$13,590,000	\$14,144,000

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Workers' Compensation

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

Notes:

- (A) From Exhibit 2-Projected Funding, Page 2, Column (F).  
For purposes of projecting future losses, losses are capped at \$100,000 per occurrence.
- (B) From Appendix E-Projected Funding, Page 1, Column (B).
- (C)  $(A) \times (B)$ .
- (D) From Appendix I-Projected Funding, Column (C).
- (E)  $(C) / (D)$ .
- (F) Selected based on (E).
- (G) Based on a Weibull distribution, a mathematical model of claim sizes.
- (H) From Appendix E-Projected Funding.
  - (I)  $(F) \times (G) \times (H)$ .
- (J) From Appendix I-Projected Funding, Column (C).
- (K)  $(I) \times (J)$ .
- (L) Based on an estimated claim closing pattern and the Group's historical claims administration expenses.
- (M)  $(K) + (L)$ .

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

## Santa Clara County Schools Insurance Group - Workers' Compensation

## Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 6/30/17 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 6/30/17 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
2003-2004	\$10,306,952	1.024	\$10,554,319	\$13,322,741	1.041	\$13,868,973
2004-2005	7,068,627	1.027	7,259,480	9,263,415	1.049	9,717,322
2005-2006	5,815,130	1.032	6,001,214	7,805,845	1.059	8,266,390
2006-2007	5,739,289	1.037	5,951,643	7,090,656	1.071	7,594,093
2007-2008	7,401,894	1.043	7,720,175	10,158,333	1.085	11,021,791
2008-2009	7,299,208	1.050	7,664,168	9,560,166	1.102	10,535,303
2009-2010	6,321,318	1.058	6,687,954	7,877,974	1.122	8,839,087
2010-2011	6,214,752	1.068	6,637,355	8,235,777	1.145	9,429,965
2011-2012	5,900,865	1.079	6,367,033	7,406,634	1.173	8,687,982
2012-2013	5,075,695	1.090	5,532,508	6,127,313	1.206	7,389,539
2013-2014	5,807,411	1.101	6,393,960	7,046,209	1.254	8,835,946
2014-2015	4,876,228	1.134	5,529,643	5,214,530	1.332	6,945,754
2015-2016	5,283,660	1.247	6,588,724	5,586,704	1.525	8,519,724
2016-2017	7,095,309	1.590	11,281,541	7,588,029	2.010	15,251,938
Totals	\$90,206,338		\$100,169,717	\$112,284,326		\$134,903,807

## 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-Projected Funding, 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-Projected Funding, Page 4.
- (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 - Workers' Compensation  
Reported Loss Development

Limited Losses Reported as of:

Accident Year	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months
2003-2004								10,171,126	10,174,297	10,157,920
2004-2005							7,281,949	7,168,404	7,035,128	6,963,509
2005-2006						5,321,738	5,353,545	5,390,749	5,510,792	5,837,426
2006-2007					5,663,946	5,700,712	5,708,082	5,756,499	5,789,254	5,739,943
2007-2008				7,016,158	6,949,534	6,965,545	6,998,969	7,110,548	7,269,606	7,401,894
2008-2009			7,053,957	7,699,037	7,630,764	7,281,262	7,375,249	7,214,069	7,299,208	
2009-2010		6,387,237	6,513,123	6,307,459	6,460,909	6,381,654	6,437,897	6,321,318		
2010-2011	4,414,580	6,303,384	6,289,246	6,091,817	6,144,422	6,310,911	6,214,752			
2011-2012	4,768,917	5,707,302	5,933,869	6,036,674	5,939,206	5,900,865				
2012-2013	4,905,883	5,324,561	4,951,569	5,172,924	5,075,695					
2013-2014	4,023,015	5,542,817	5,608,289	5,807,411						
2014-2015	4,787,300	4,905,091	4,876,228							
2015-2016	4,269,613	5,283,660								
2016-2017	7,095,309									

Reported Loss Development Factors:

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months
2003-2004								1.000	0.998	1.013
2004-2005							0.984	0.981	0.990	1.023
2005-2006						1.006	1.007	1.022	1.059	0.985
2006-2007					1.006	1.001	1.008	1.006	0.991	1.000
2007-2008				0.991	1.002	1.005	1.016	1.022	1.018	
2008-2009			1.091	0.991	0.954	1.013	0.978	1.012		
2009-2010		1.020	0.968	1.024	0.988	1.009	0.982			
2010-2011	1.428	0.998	0.969	1.009	1.027	0.985				
2011-2012	1.197	1.040	1.017	0.984	0.994					
2012-2013	1.085	0.930	1.045	0.981						
2013-2014	1.378	1.012	1.036							
2014-2015	1.025	0.994								
2015-2016	1.238									

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months
Average Dollar-Weighted Averages	1.225	0.999	1.021	0.997	0.995	1.003	0.996	1.007	1.011	1.005
3-yr	1.203	0.979	1.032	0.992	1.003	1.003	0.992	1.014	1.022	1.004
4-yr	1.171	0.995	1.014	1.000	0.989	1.003	0.996	1.016	1.013	1.007
Comparative Factors	1.470	1.120	1.025	1.015	1.010	1.010	1.009	1.008	1.007	1.006
Prior	1.275	1.120	1.015	1.012	1.010	1.010	1.009	1.008	1.007	1.006
Selected	1.275	1.100	1.030	1.010	1.010	1.010	1.009	1.008	1.007	1.006
Cumulated	1.590	1.247	1.134	1.101	1.090	1.079	1.068	1.058	1.050	1.043

Santa Clara County Schools Insurance Group - Workers' Compensation  
Reported Loss Development

Limited Losses Reported as of:

Accident Year	132 Months	144 Months	156 Months	168 Months
2003-2004	10,293,472	10,218,025	10,289,946	10,306,952
2004-2005	7,125,503	7,150,725	7,068,627	
2005-2006	5,750,615	5,815,130		
2006-2007	5,739,289			
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				
2016-2017				

Reported Loss Development Factors:

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
2003-2004	0.993	1.007	1.002	
2004-2005	1.004	0.989		
2005-2006	1.011			
2006-2007				
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
Average Dollar-Weighted Averages	1.003	0.998	1.002	
3-yr	1.001			
4-yr				
Comparative Factors	1.005	1.005	1.004	1.024
Prior	1.005	1.005	1.028	
Selected	1.005	1.005	1.003	1.024
Cumulated	1.037	1.032	1.027	1.024

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

Accident Year	<u>Losses Reported as of:</u>									
	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months
2003-2004								5,254,446	5,061,040	4,711,620
2004-2005							3,511,440	3,467,212	3,603,569	3,360,841
2005-2006						2,003,288	1,932,149	2,167,393	2,059,470	2,486,706
2006-2007					2,078,720	1,930,597	1,883,123	1,811,468	1,720,323	1,711,240
2007-2008				2,296,578	3,184,246	3,567,010	3,492,131	3,849,024	4,427,484	4,419,934
2008-2009			1,564,401	2,580,461	3,137,408	3,433,294	3,575,547	3,442,184	3,218,578	
2009-2010		600,367	1,073,513	1,299,327	1,839,178	1,844,043	1,691,729	1,982,920		
2010-2011	318,337	722,616	1,566,438	2,112,983	2,022,048	2,454,885	2,641,027			
2011-2012	195,174	483,799	899,395	1,313,131	1,693,019	1,751,181				
2012-2013	416,075	836,477	1,070,213	1,454,255	1,301,618					
2013-2014	22,513	345,198	1,153,973	1,409,529						
2014-2015	85,883	250,487	338,302							
2015-2016		303,045								
2016-2017	708,553									

Reported Loss Development Factors:

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months
2003-2004								0.963	0.931	0.971
2004-2005							0.987	1.039	0.933	1.105
2005-2006						0.964	1.122	0.950	1.207	1.099
2006-2007					0.929	0.975	0.962	0.950	0.995	0.961
2007-2008				1.387	1.120	0.979	1.102	1.150	0.998	
2008-2009			1.649	1.216	1.094	1.041	0.963	0.935		
2009-2010		1.788	1.210	1.415	1.003	0.917	1.172			
2010-2011	2.270	2.168	1.349	0.957	1.214	1.076				
2011-2012	2.479	1.859	1.460	1.289	1.034					
2012-2013	2.010	1.279	1.359	0.895						
2013-2014	15.334	3.343	1.221							
2014-2015	2.917	1.351								
2015-2016										

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months
Average Dollar-Weighted Averages	5.002	1.965	1.375	1.193	1.066	0.992	1.051	0.998	1.013	1.034
3-yr		1.789	1.337	1.028	1.089	1.023	1.059	1.029	1.050	1.070
4-yr		1.807	1.341	1.109	1.091	1.009	1.042	1.014	1.014	1.032
Comparative Factors	2.750	1.900	1.380	1.270	1.130	1.100	1.080	1.070	1.055	1.050
Prior	2.750	1.900	1.380	1.270	1.130	1.100	1.080	1.070	1.055	1.050
Selected	2.750	1.900	1.380	1.270	1.130	1.100	1.080	1.070	1.055	1.050
Cumulated	18.101	6.582	3.464	2.510	1.976	1.749	1.590	1.472	1.376	1.304



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

Losses Reported as of:

Accident Year	132 Months	144 Months	156 Months	168 Months
2003-2004	4,573,973	4,711,702	4,880,578	5,053,629
2004-2005	3,712,428	3,805,120	3,654,152	
2005-2006	2,732,758	2,957,206		
2006-2007	1,644,233			
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				
2016-2017				

Reported Loss Development Factors:

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
2003-2004	1.030	1.036	1.035	
2004-2005	1.025	0.960		
2005-2006	1.082			
2006-2007				
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
Average Dollar-Weighted Averages	1.046	0.998	1.035	
3-yr	1.041			
4-yr				
Comparative Factors	1.040	1.029	1.030	1.125
Prior	1.040	1.029	1.159	
Selected	1.040	1.030	1.030	1.125
Cumulated	1.242	1.194	1.159	1.125

## Santa Clara County Schools Insurance Group - Workers' Compensation

## Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 6/30/17 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 6/30/17 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
2003-2004	\$10,139,012	1.045	\$10,595,268	\$12,964,324	1.112	\$14,416,328
2004-2005	6,798,108	1.052	7,151,610	8,806,099	1.127	9,924,474
2005-2006	5,455,352	1.060	5,782,673	6,926,957	1.144	7,924,439
2006-2007	5,568,923	1.070	5,958,748	6,768,999	1.164	7,879,115
2007-2008	6,864,215	1.081	7,420,216	9,146,584	1.188	10,866,142
2008-2009	6,914,670	1.094	7,564,649	8,770,267	1.216	10,664,645
2009-2010	6,083,988	1.110	6,753,227	7,189,839	1.256	9,030,438
2010-2011	5,948,256	1.132	6,733,426	7,212,932	1.308	9,434,515
2011-2012	5,321,469	1.169	6,220,797	6,029,631	1.378	8,308,832
2012-2013	4,421,579	1.218	5,385,483	5,039,747	1.472	7,418,508
2013-2014	4,369,042	1.303	5,692,862	4,713,552	1.612	7,598,246
2014-2015	3,594,665	1.466	5,269,779	3,705,068	1.854	6,869,196
2015-2016	2,723,385	1.847	5,030,092	2,723,385	2.368	6,448,976
2016-2017	2,472,329	3.555	8,789,130	2,687,371	4.596	12,351,157
Totals	\$76,674,993		\$94,347,960	\$92,684,755		\$129,135,011

## 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-Projected Funding, 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-Projected Funding, Page 4.
- (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 - Workers' Compensation  
Paid Loss Development

Accident Year	Limited Losses Paid as of:									
	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months
2003-2004								9,383,333	9,514,317	9,623,831
2004-2005							6,370,329	6,571,591	6,646,168	6,683,708
2005-2006						4,631,761	4,794,900	5,026,211	5,094,708	5,356,177
2006-2007					4,745,443	5,066,453	5,274,981	5,378,543	5,415,722	5,463,191
2007-2008				5,523,674	5,796,133	6,042,586	6,283,023	6,462,177	6,799,299	6,864,215
2008-2009			5,101,263	5,789,634	6,230,257	6,422,096	6,781,217	6,860,253	6,914,670	
2009-2010		3,890,645	4,756,516	5,291,852	5,701,156	5,853,613	5,953,965	6,083,988		
2010-2011	1,747,661	3,677,697	4,850,151	5,267,867	5,651,246	5,827,723	5,948,256			
2011-2012	1,665,512	3,268,854	4,165,766	4,678,727	5,008,674	5,321,469				
2012-2013	1,728,542	3,090,199	3,758,576	4,231,193	4,421,579					
2013-2014	1,626,471	3,047,641	3,869,358	4,369,042						
2014-2015	1,588,591	2,885,051	3,594,665							
2015-2016	1,488,344	2,723,385								
2016-2017	2,472,329									

Paid Loss Development Factors:

	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132
	Months	Months	Months	Months	Months	Months	Months	Months	Months	Months
2003-2004								1.014	1.012	1.042
2004-2005							1.032	1.011	1.006	1.011
2005-2006						1.035	1.048	1.014	1.051	1.005
2006-2007					1.068	1.041	1.020	1.007	1.009	1.019
2007-2008				1.049	1.043	1.040	1.029	1.052	1.010	
2008-2009			1.135	1.076	1.031	1.056	1.012	1.008		
2009-2010		1.223	1.113	1.077	1.027	1.017	1.022			
2010-2011	2.104	1.319	1.086	1.073	1.031	1.021				
2011-2012	1.963	1.274	1.123	1.071	1.062					
2012-2013	1.788	1.216	1.126	1.045						
2013-2014	1.874	1.270	1.129							
2014-2015	1.816	1.246								
2015-2016	1.830									

	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132
	Months	Months	Months	Months	Months	Months	Months	Months	Months	Months
Average Dollar-Weighted Averages	1.896	1.258	1.119	1.065	1.044	1.035	1.027	1.018	1.018	1.019
3-yr	1.840	1.244	1.126	1.064	1.039	1.032	1.020	1.023	1.022	1.012
4-yr	1.826	1.252	1.114	1.067	1.037	1.034	1.020	1.021	1.017	1.023
Comparative Factors	2.500	1.400	1.170	1.090	1.050	1.033	1.020	1.015	1.012	1.010
Prior	1.950	1.260	1.115	1.070	1.042	1.033	1.020	1.015	1.012	1.010
Selected	1.925	1.260	1.125	1.070	1.042	1.033	1.020	1.015	1.012	1.010
Cumulated	3.555	1.847	1.466	1.303	1.218	1.169	1.132	1.110	1.094	1.081

Santa Clara County Schools Insurance Group - Workers' Compensation  
Paid Loss Development

Limited Losses Paid as of:

Accident Year	132 Months	144 Months	156 Months	168 Months
2003-2004	10,032,083	10,071,810	10,087,139	10,139,012
2004-2005	6,757,155	6,774,600	6,798,108	
2005-2006	5,384,787	5,455,352		
2006-2007	5,568,923			
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				
2016-2017				

Paid Loss Development Factors:

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
2003-2004	1.004	1.002	1.005	
2004-2005	1.003	1.003		
2005-2006	1.013			
2006-2007				
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
Average Dollar-Weighted Averages	1.007	1.003	1.005	
3-yr	1.006			
4-yr				
Comparative Factors	1.009	1.008	1.007	1.045
Prior	1.009	1.008	1.052	
Selected	1.009	1.008	1.007	1.045
Cumulated	1.070	1.060	1.052	1.045

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

Accident Year	Losses Paid as of:									
	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months
2003-2004								2,960,648	3,515,602	3,772,256
2004-2005							1,846,627	2,025,686	2,281,493	2,410,700
2005-2006						810,765	1,122,838	1,225,888	1,301,377	1,624,329
2006-2007					889,151	1,072,547	1,202,293	1,408,535	1,303,434	1,428,435
2007-2008				757,481	1,205,653	1,726,370	2,003,898	2,420,123	3,255,484	3,567,291
2008-2009			284,526	741,612	1,247,209	1,712,141	1,978,892	1,906,590	2,419,571	
2009-2010		31,795	305,655	423,059	765,017	870,830	945,854	1,219,632		
2010-2011		174,558	351,424	709,885	1,128,213	1,419,220	1,532,743			
2011-2012	52,906	145,119	289,508	404,275	610,637	881,307				
2012-2013	350,000	371,879	479,102	727,982	868,167					
2013-2014		6,180	240,700	344,511						
2014-2015		3,211	110,403							
2015-2016										
2016-2017	215,042									

Paid Loss Development Factors:

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months
2003-2004								1.187	1.073	1.083
2004-2005							1.097	1.126	1.057	1.100
2005-2006						1.385	1.092	1.062	1.248	1.021
2006-2007					1.206	1.121	1.172	0.925	1.096	1.045
2007-2008				1.592	1.432	1.161	1.208	1.345	1.096	
2008-2009			2.606	1.682	1.373	1.156	0.963	1.269		
2009-2010		9.613	1.384	1.808	1.138	1.086	1.289			
2010-2011		2.013	2.020	1.589	1.258	1.080				
2011-2012	2.743	1.995	1.396	1.510	1.443					
2012-2013	1.063	1.288	1.519	1.193						
2013-2014		38.948	1.431							
2014-2015		34.383								
2015-2016										

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months
Average Dollar-Weighted Averages	1.903	14.707	1.726	1.562	1.308	1.165	1.137	1.152	1.114	1.062
3-yr		2.177	1.463	1.415	1.267	1.114	1.125	1.217	1.130	1.062
4-yr		2.127	1.607	1.489	1.302	1.128	1.134	1.189	1.109	1.071
Comparative Factors	4.000	3.100	2.400	1.750	1.500	1.300	1.250	1.175	1.100	1.080
Prior	4.000	3.100	2.400	1.750	1.500	1.300	1.250	1.175	1.100	1.080
Selected	4.000	3.100	2.400	1.750	1.500	1.300	1.250	1.175	1.100	1.080
Cumulated	330.868	82.717	26.683	11.118	6.353	4.235	3.258	2.606	2.218	2.016

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

Accident Year	<u>Losses Paid as of:</u>			
	132 Months	144 Months	156 Months	168 Months
2003-2004	4,087,200	4,323,847	4,461,430	4,495,135
2004-2005	2,652,453	2,808,721	2,901,040	
2005-2006	1,659,020	2,014,747		
2006-2007	1,492,943			
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				
2016-2017				

	<u>Paid Loss Development Factors:</u>			
	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
2003-2004	1.058	1.032	1.008	
2004-2005	1.059	1.033		
2005-2006	1.214			
2006-2007				
2007-2008				
2008-2009				
2009-2010				
2010-2011				
2011-2012				
2012-2013				
2013-2014				
2014-2015				
2015-2016				

	132-144 Months	144-156 Months	156-168 Months	168-Ult. Months
Average Dollar-Weighted Averages	1.110	1.033	1.008	
3-yr	1.089			
4-yr				
Comparative Factors	1.070	1.055	1.045	1.583
Prior	1.070	1.055	1.655	
Selected	1.070	1.055	1.045	1.583
Cumulated	1.867	1.745	1.654	1.583

Santa Clara County Schools Insurance Group - Workers' Compensation

Exposure and Development Method  
Based on Reported Losses

Accident Year	Trended Payroll (\$00) (A)	Reported Losses as of 6/30/17 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
2003-2004	\$10,989,304	\$13,322,741	1.041	0.039	\$1.170	\$501,442	\$13,824,183
2004-2005	10,710,169	9,263,415	1.049	0.047	0.829	417,300	9,680,715
2005-2006	10,886,271	7,805,845	1.059	0.056	0.677	412,720	8,218,565
2006-2007	10,680,684	7,090,656	1.071	0.066	0.688	484,988	7,575,644
2007-2008	12,193,412	10,158,333	1.085	0.078	0.785	746,603	10,904,936
2008-2009	11,434,047	9,560,166	1.102	0.093	0.835	887,911	10,448,077
2009-2010	10,235,747	7,877,974	1.122	0.109	0.818	912,640	8,790,614
2010-2011	9,648,849	8,235,777	1.145	0.127	0.866	1,061,200	9,296,977
2011-2012	9,271,457	7,406,634	1.173	0.147	0.869	1,184,364	8,590,998
2012-2013	9,171,646	6,127,313	1.206	0.171	0.843	1,322,120	7,449,433
2013-2014	9,506,848	7,046,209	1.254	0.203	0.856	1,651,986	8,698,195
2014-2015	10,042,887	5,214,530	1.332	0.249	0.891	2,228,105	7,442,635
2015-2016	10,482,742	5,586,704	1.525	0.344	0.937	3,378,881	8,965,585
2016-2017	13,047,507	7,588,029	2.010	0.502	0.965	6,320,604	13,908,633
Totals	148,301,570	\$112,284,326				\$21,510,864	\$133,795,190

Notes:

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

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

Santa Clara County Schools Insurance Group - Workers' Compensation

Exposure and Development Method  
Based on Paid Losses

Accident Year	Trended Payroll (\$00) (A)	Paid Losses as of 6/30/17 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
2003-2004	\$10,989,304	\$12,964,324	1.112	0.101	\$1.170	\$1,298,606	\$14,262,930
2004-2005	10,710,169	8,806,099	1.127	0.113	0.829	1,003,297	9,809,396
2005-2006	10,886,271	6,926,957	1.144	0.126	0.677	928,621	7,855,578
2006-2007	10,680,684	6,768,999	1.164	0.141	0.688	1,036,112	7,805,111
2007-2008	12,193,412	9,146,584	1.188	0.158	0.785	1,512,349	10,658,933
2008-2009	11,434,047	8,770,267	1.216	0.178	0.835	1,699,442	10,469,709
2009-2010	10,235,747	7,189,839	1.256	0.204	0.818	1,708,060	8,897,899
2010-2011	9,648,849	7,212,932	1.308	0.235	0.866	1,963,637	9,176,569
2011-2012	9,271,457	6,029,631	1.378	0.274	0.869	2,207,590	8,237,221
2012-2013	9,171,646	5,039,747	1.472	0.321	0.843	2,481,875	7,521,622
2013-2014	9,506,848	4,713,552	1.612	0.380	0.856	3,092,388	7,805,940
2014-2015	10,042,887	3,705,068	1.854	0.461	0.891	4,125,126	7,830,194
2015-2016	10,482,742	2,723,385	2.368	0.578	0.937	5,677,306	8,400,691
2016-2017	13,047,507	2,687,371	4.596	0.782	0.965	9,846,040	12,533,411
Totals	148,301,570	\$92,684,755				\$38,580,449	\$131,265,204

Notes:

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

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



Santa Clara County Schools Insurance Group - Workers' Compensation

Exposure and Development Method

Accident Year	Trended Payroll (\$00) (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)
2003-2004	\$10,989,304	\$10,575,000	1.174	\$12,415,050	\$1.130	\$0.962	1.217	\$1.170
2004-2005	10,710,169	7,259,000	1.504	10,917,536	1.019	0.678	1.223	0.829
2005-2006	10,886,271	6,001,000	1.621	9,727,621	0.894	0.551	1.229	0.677
2006-2007	10,680,684	5,952,000	1.523	9,064,896	0.849	0.557	1.235	0.688
2007-2008	12,193,412	7,720,000	1.404	10,838,880	0.889	0.633	1.241	0.785
2008-2009	11,434,047	7,664,000	1.299	9,955,536	0.871	0.670	1.247	0.835
2009-2010	10,235,747	6,688,000	1.180	7,891,840	0.771	0.653	1.253	0.818
2010-2011	9,648,849	6,637,000	1.133	7,519,721	0.779	0.688	1.259	0.866
2011-2012	9,271,457	6,367,000	1.134	7,220,178	0.779	0.687	1.265	0.869
2012-2013	9,171,646	5,533,000	1.131	6,257,823	0.682	0.663	1.272	0.843
2013-2014	9,506,848	6,043,000	1.120	6,768,160	0.712	0.670	1.278	0.856
2014-2015	10,042,887	5,530,000	1.080	5,972,400	0.595	0.694	1.284	0.891
2015-2016	10,482,742	6,199,000	1.033	6,403,567	0.611	0.726	1.290	0.937
2016-2017	13,047,507	10,035,000	1.008	10,115,280	0.775	0.744	1.297	0.965
Total/Avg	148,301,570	\$98,203,000		\$121,068,488	\$0.816			
11/12-15/16	48,475,580	29,672,000		32,622,128	0.673			
12/13-16/17	52,251,630	33,340,000		35,517,230	0.680			
				Selected Limited Rate:	\$0.750			
				Prior:	\$0.750			

Notes:

- (A) From Appendix I-Projected Funding, Column (C).
- (B) Selected average of results from Appendices A and B.
- (C) From Appendix E-Projected Funding, Page 1, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2011-2012 and prior (B) / (A).
- (G) Based on a Weibull distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

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

Santa Clara County Schools Insurance Group - Workers' Compensation

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
2003-2004	\$12,440	1,034	\$12,862,960
2004-2005	9,452	939	8,875,428
2005-2006	8,767	841	7,373,047
2006-2007	10,697	687	7,348,839
2007-2008	11,189	856	9,577,784
2008-2009	12,017	795	9,553,515
2009-2010	12,289	682	8,381,098
2010-2011	12,601	668	8,417,468
2011-2012	11,814	674	7,962,636
2012-2013	10,683	685	7,317,855
2013-2014	11,070	741	8,202,870
2014-2015	11,768	775	9,120,200
2015-2016	12,592	735	9,255,120
2016-2017	13,248	929	12,307,392
Total		11,041	\$126,556,212

Notes:

- (A) From Appendix D-Projected Funding, Page 2, Column (H).
- (B) From Appendix D-Projected Funding, 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 - Workers' Compensation

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)
2003-2004	\$10,573,000	1,034	\$10,225	1.552	\$15,869	\$10,225	1.217	\$12,440
2004-2005	7,259,000	939	7,731	1.948	15,060	7,731	1.223	9,452
2005-2006	6,001,000	841	7,136	2.057	14,679	7,136	1.229	8,767
2006-2007	5,952,000	687	8,664	1.896	16,427	8,664	1.235	10,697
2007-2008	7,720,000	856	9,019	1.713	15,450	9,019	1.241	11,189
2008-2009	7,664,000	795	9,640	1.554	14,981	9,640	1.247	12,017
2009-2010	6,688,000	682	9,806	1.383	13,562	9,806	1.253	12,289
2010-2011	6,685,000	668	10,007	1.301	13,019	10,007	1.259	12,601
2011-2012	6,294,000	674	9,338	1.278	11,934	9,338	1.265	11,814
2012-2013	5,502,000	685	8,032	1.250	10,040	8,400	1.272	10,683
2013-2014	6,123,000	741	8,263	1.212	10,015	8,663	1.278	11,070
2014-2015	5,755,000	775	7,426	1.146	8,510	9,162	1.284	11,768
2015-2016	6,504,000	735	8,849	1.076	9,522	9,758	1.290	12,592
2016-2017	10,074,000	929	10,844	1.028	11,148	10,214	1.297	13,248

Average Limited Severity: \$12,873  
Average 11/12-15/16 Limited Severity: 10,004  
Average 12/13-16/17 Limited Severity: 9,847

Selected Limited Severity: \$10,500  
Prior: \$10,000

Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Appendix D-Projected Funding, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Appendix E-Projected Funding, Page 1, Column (J).
- (E) (C) x (D).
- (F) Selected Limited Severity / (D).
- (G) Based on a Weibull 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 - Workers' Compensation

Frequency and Severity Method  
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Trended Payroll (\$000,000) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)
2003-2004	1,034	1,031	1,034	1,098.9	0.941	0.755	0.710
2004-2005	939	934	939	1,071.0	0.877	0.769	0.674
2005-2006	841	834	841	1,088.6	0.773	0.785	0.607
2006-2007	687	690	687	1,068.1	0.643	0.801	0.515
2007-2008	856	851	856	1,219.3	0.702	0.817	0.574
2008-2009	795	800	795	1,143.4	0.695	0.834	0.580
2009-2010	682	690	682	1,023.6	0.666	0.851	0.567
2010-2011	668	686	668	964.9	0.692	0.868	0.601
2011-2012	674	687	674	927.1	0.727	0.886	0.644
2012-2013	685	713	685	917.2	0.747	0.904	0.675
2013-2014	741	771	741	950.7	0.779	0.922	0.718
2014-2015	775	842	775	1,004.3	0.772	0.942	0.727
2015-2016	735	805	735	1,048.3	0.701	0.961	0.674
2016-2017	929	1,073	929	1,304.8	0.712	0.980	0.698
Total	11,041	11,407	11,041	14,830.2			0.639
11/12-15/16	3,610	3,818	3,610	4,847.6			0.688
						(H) Selected Frequency:	0.725
						Prior:	0.750
Program Year:				2017-2018	2018-2019		
(I) Trend Factor:				1.000	0.980		
(J) Selected Frequency:				0.725	0.711		
(K) Est. Payroll (\$000,000):				1,294.0	1,333.0		
(L) Ultimate Claims:				938	948		

Notes:

- (A) From Appendix D-Projected Funding, Page 4, (C).
- (B) From Appendix D-Projected Funding, Page 5, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix I-Projected Funding, Column (C) / 10,000.
- (E) (C) / (D).
- (F) From Appendix E-Projected Funding, Page 1, Column (H).
- (G) (E) x (F).
- (H) The selected frequency of .725 is based on (G).
- (I) From Appendix E-Projected Funding, Page 1, Column (I).
- (J) (H) x (I).
- (K) From Appendix I-Projected Funding, Column (C) / 11.
- (L) (J) x (K).

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

Santa Clara County Schools Insurance Group - Workers' Compensation

Frequency and Severity Method  
Reported Claim Count Development

Accident Year	Claims Reported as of 6/30/2017 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2003-2004	1,034	1.000	1,034	0.710
2004-2005	939	1.000	939	0.674
2005-2006	841	1.000	841	0.606
2006-2007	687	1.000	687	0.515
2007-2008	856	1.000	856	0.574
2008-2009	795	1.000	795	0.580
2009-2010	682	1.000	682	0.567
2010-2011	668	1.000	668	0.601
2011-2012	674	1.000	674	0.644
2012-2013	684	1.001	685	0.675
2013-2014	738	1.004	741	0.719
2014-2015	769	1.008	775	0.727
2015-2016	722	1.018	735	0.674
2016-2017	877	1.059	929	0.698
Total	10,966		11,041	0.639

Notes:

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

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 - Workers' Compensation

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 6/30/2017 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
2003-2004	1,019	1.012	1,031	0.708
2004-2005	922	1.013	934	0.671
2005-2006	822	1.015	834	0.601
2006-2007	678	1.018	690	0.517
2007-2008	832	1.023	851	0.570
2008-2009	777	1.030	800	0.584
2009-2010	663	1.040	690	0.574
2010-2011	652	1.052	686	0.617
2011-2012	643	1.069	687	0.657
2012-2013	652	1.094	713	0.703
2013-2014	685	1.125	771	0.748
2014-2015	713	1.181	842	0.790
2015-2016	631	1.275	805	0.738
2016-2017	612	1.753	1,073	0.806
Total	10,301		11,407	0.663

Notes:

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

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 - Workers' Compensation  
Reported Claim Count Development

Claims Reported as of:

Accident Year	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months	132 Months	144 Months	156 Months
2003-2004								1,033	1,034	1,034	1,034	1,034	1,034
2004-2005							936	938	938	939	939	939	939
2005-2006						838	838	839	840	841	841	841	
2006-2007					684	683	683	687	687	687	687		
2007-2008				856	856	856	856	856	856	856	856		
2008-2009			789	793	793	793	793	793	795				
2009-2010		670	678	679	681	681	682	682					
2010-2011	627	660	663	666	666	667	668						
2011-2012	629	662	668	670	674	674							
2012-2013	650	671	679	683	684								
2013-2014	708	730	737	738									
2014-2015	730	761	769										
2015-2016	690	722											
2016-2017	877												

Reported Claim Count Development Factors:

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months	132-144 Months	144-156 Months	156-168 Months
2003-2004								1.001	1.000	1.000	1.000	1.000	1.000
2004-2005							1.002	1.000	1.001	1.000	1.000	1.000	
2005-2006						1.000	1.001	1.001	1.001	1.000	1.000		
2006-2007					0.999	1.000	1.006	1.000	1.000	1.000			
2007-2008				1.000	1.000	1.000	1.000	1.000	1.000				
2008-2009			1.005	1.000	1.000	1.000	1.000	1.003					
2009-2010		1.012	1.001	1.003	1.000	1.001	1.000						
2010-2011	1.053	1.005	1.005	1.000	1.002	1.001							
2011-2012	1.052	1.009	1.003	1.006	1.000								
2012-2013	1.032	1.012	1.006	1.001									
2013-2014	1.031	1.010	1.001										
2014-2015	1.042	1.011											
2015-2016	1.046												

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months	132-144 Months	144-156 Months	156-168 Months
Average Claim-Weighted Averages	1.043	1.010	1.004	1.002	1.000	1.000	1.002	1.001	1.000	1.000	1.000	1.000	1.000
3-yr	1.040	1.011	1.003	1.002	1.000	1.001	1.000	1.001	1.000	1.000	1.000		
4-yr	1.038	1.010	1.004	1.003	1.000	1.001	1.001	1.001	1.001	1.000			
Comparative Factors	1.100	1.007	1.004	1.003	1.002	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000
Prior	1.040	1.009	1.004	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.040	1.010	1.004	1.003	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.059	1.018	1.008	1.004	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Santa Clara County Schools Insurance Group - Workers' Compensation  
Closed Claim Development

Accident Year	Claims Closed as of:												
	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months	132 Months	144 Months	156 Months
2003-2004								978	986	993	1,010	1,017	1,019
2004-2005							881	896	907	915	912	916	922
2005-2006						789	799	807	813	816	821	822	
2006-2007					625	642	651	657	666	675	678		
2007-2008				753	779	796	811	819	827	832			
2008-2009			670	703	721	742	755	767	777				
2009-2010		532	580	612	632	642	652	663					
2010-2011	375	529	585	617	630	637	652						
2011-2012	387	542	587	613	631	643							
2012-2013	394	565	612	634	652								
2013-2014	485	631	668	685									
2014-2015	499	675	713										
2015-2016	485	631											
2016-2017	612												

Closed Claim Count Development Factors:

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months	132-144 Months	144-156 Months	156-168 Months
2003-2004								1.008	1.007	1.017	1.007	1.002	1.000
2004-2005							1.017	1.012	1.009	0.997	1.004	1.007	
2005-2006						1.013	1.010	1.007	1.004	1.006	1.001		
2006-2007					1.027	1.014	1.009	1.014	1.014	1.004			
2007-2008				1.035	1.022	1.019	1.010	1.010	1.006				
2008-2009			1.049	1.026	1.029	1.018	1.016	1.013					
2009-2010		1.090	1.055	1.033	1.016	1.016	1.017						
2010-2011	1.411	1.106	1.055	1.021	1.011	1.024							
2011-2012	1.401	1.083	1.044	1.029	1.019								
2012-2013	1.434	1.083	1.036	1.028									
2013-2014	1.301	1.059	1.025										
2014-2015	1.353	1.056											
2015-2016	1.301												

	12-24 Months	24-36 Months	36-48 Months	48-60 Months	60-72 Months	72-84 Months	84-96 Months	96-108 Months	108-120 Months	120-132 Months	132-144 Months	144-156 Months	156-168 Months
Average Claim-Weighted Averages	1.367	1.080	1.044	1.029	1.021	1.017	1.013	1.011	1.008	1.006	1.004	1.005	1.000
3-yr	1.319	1.065	1.035	1.026	1.015	1.019	1.014	1.012	1.007	1.002	1.004		
4-yr	1.343	1.069	1.040	1.028	1.019	1.019	1.013	1.011	1.008	1.006			
Comparative Factors	1.600	1.080	1.050	1.030	1.025	1.015	1.010	1.008	1.005	1.004	1.003	1.002	1.001
Prior	1.375	1.090	1.050	1.029	1.024	1.016	1.012	1.010	1.007	1.005	1.003	1.002	1.013
Selected	1.375	1.080	1.050	1.029	1.024	1.016	1.012	1.010	1.007	1.005	1.003	1.002	1.001
Cumulated	1.753	1.275	1.181	1.125	1.094	1.069	1.052	1.040	1.030	1.023	1.018	1.015	1.013



Santa Clara County Schools Insurance Group - Workers' Compensation

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to	Factor to	Factor to	Factor to	Factor to	Factor to	Factor to	Factor to	Factor to
		2017-2018 Loss Rate	2018-2019 Loss Rate	2019-2020 Loss Rate	2020-2021 Loss Rate	2017-2018 Frequency	2018-2019 Frequency	2019-2020 Frequency	2020-2021 Frequency	2017-2018 Severity
		Level (B)	Level (C)	Level (D)	Level (E)	Level (F)	Level (G)	Level (H)	Level (I)	Level (J)
1996-1997	1.284	1.421	1.429	1.436	1.443	0.655	0.642	0.629	0.616	2.155
1997-1998	1.114	1.228	1.234	1.240	1.246	0.668	0.655	0.642	0.629	1.825
1998-1999	0.995	1.090	1.095	1.101	1.106	0.682	0.669	0.655	0.642	1.590
1999-2000	0.892	0.972	0.977	0.982	0.987	0.696	0.682	0.668	0.655	1.391
2000-2001	0.839	0.909	0.913	0.918	0.923	0.710	0.696	0.682	0.668	1.276
2001-2002	0.841	0.908	0.912	0.917	0.921	0.725	0.710	0.696	0.682	1.249
2002-2003	0.887	0.953	0.958	0.962	0.967	0.740	0.725	0.710	0.696	1.284
2003-2004	1.099	1.174	1.180	1.186	1.192	0.755	0.740	0.724	0.710	1.552
2004-2005	1.414	1.504	1.512	1.519	1.527	0.769	0.754	0.739	0.724	1.948
2005-2006	1.530	1.621	1.629	1.637	1.645	0.785	0.770	0.754	0.739	2.057
2006-2007	1.445	1.523	1.531	1.539	1.546	0.801	0.785	0.769	0.754	1.896
2007-2008	1.338	1.404	1.411	1.418	1.425	0.817	0.801	0.785	0.769	1.713
2008-2009	1.244	1.299	1.306	1.312	1.319	0.834	0.818	0.801	0.785	1.554
2009-2010	1.135	1.180	1.186	1.192	1.198	0.851	0.834	0.817	0.801	1.383
2010-2011	1.095	1.133	1.138	1.144	1.150	0.868	0.851	0.834	0.817	1.301
2011-2012	1.102	1.134	1.140	1.146	1.151	0.886	0.869	0.851	0.834	1.278
2012-2013	1.104	1.131	1.137	1.143	1.148	0.904	0.886	0.868	0.851	1.250
2013-2014	1.098	1.120	1.125	1.131	1.136	0.922	0.904	0.886	0.868	1.212
2014-2015	1.064	1.080	1.085	1.090	1.096	0.942	0.923	0.904	0.886	1.146
2015-2016	1.023	1.033	1.039	1.044	1.049	0.961	0.942	0.922	0.904	1.076
2016-2017	1.003	1.008	1.012	1.018	1.023	0.980	0.960	0.941	0.922	1.028
2017-2018	1.000	1.000	1.005	1.010	1.015	1.000	0.980	0.960	0.941	1.000
2018-2019	1.000	--	1.000	1.005	1.010	--	1.000	0.980	0.960	--
2019-2020	1.000	--	--	1.000	1.005	--	--	1.000	0.980	--
2020-2021	1.000	--	--	--	1.000	--	--	--	1.000	--

Notes:

- (A) Based on WCIRB.
- (B) - (E) (A) adjusted for a 0.5% annual loss rate trend.
- (F) - (I) (A) adjusted for a -2.0% annual frequency trend.
- (J) (A) adjusted for a 2.5% 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 statutory workers' compensation benefit levels and changes in actual claims costs in excess of changes in payroll. Changes in the ways in which claims are filed as a result of greater awareness of workers' compensation benefits are not generally reflected in the statutory benefit level factors shown above, but may be part of the reason for changes in actual claims costs in excess of payroll changes.

Santa Clara County Schools Insurance Group - Workers' Compensation

Residual Trend Factors

Accident Year	Initial Estimate of Ultimate Limited Losses (A)	Ultimate Reported Claims (B)	BLF (C)	Adjusted Limited Severity (D)	Trended Payroll (\$00) (E)	Ultimate Frequency (F)
1996-1997		0	1.284			
1997-1998		0	1.114			
1998-1999		0	0.995			
1999-2000		0	0.892			
2000-2001		0	0.839			
2001-2002		0	0.841			
2002-2003		0	0.887			
2003-2004	10,575,000	1,034	1.099	11,236	10,989,304	0.941
2004-2005	7,259,000	939	1.414	10,930	10,710,169	0.877
2005-2006	6,001,000	841	1.530	10,920	10,886,271	0.773
2006-2007	5,952,000	687	1.445	12,520	10,680,684	0.643
2007-2008	7,720,000	856	1.338	12,065	12,193,412	0.702
2008-2009	7,664,000	795	1.244	11,994	11,434,047	0.695
2009-2010	6,688,000	682	1.135	11,134	10,235,747	0.666
2010-2011	6,637,000	668	1.095	10,880	9,648,849	0.692
2011-2012	6,367,000	674	1.102	10,407	9,271,457	0.727
2012-2013	5,533,000	685	1.104	8,920	9,171,646	0.747
2013-2014	6,043,000	741	1.098	8,954	9,506,848	0.779
2014-2015	5,530,000	775	1.064	7,591	10,042,887	0.772
2015-2016	6,199,000	735	1.023	8,631	10,482,742	0.701
2016-2017	10,035,000	929	1.003	10,830	13,047,507	0.712

	Severity Trend Factors	Frequency Trend Factors
Latest 10 x 2016-2017	0.948	1.015
Latest 5 x 2016-2017	0.948	0.996
Prior	1.025	0.980
Default	1.025	0.980
Selected Residual Trend	1.025	0.980

Notes:

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

## Santa Clara County Schools Insurance Group - Workers' Compensation

## Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Return on Investment (C)	Discounted Reserves (D)	Undiscounted Reserves (E)	Discount Factor (F)
22	6.1%	2.0%	0.060	0.061	0.990
21	0.8%	2.0%	0.067	0.069	0.973
20	0.9%	2.0%	0.074	0.077	0.958
19	0.8%	2.0%	0.080	0.085	0.944
18	0.8%	2.0%	0.087	0.093	0.931
17	0.8%	2.0%	0.093	0.102	0.919
16	0.9%	2.0%	0.100	0.110	0.908
15	0.9%	2.0%	0.108	0.120	0.898
14	1.1%	2.0%	0.117	0.131	0.890
13	1.3%	2.0%	0.127	0.144	0.883
12	1.6%	2.0%	0.140	0.160	0.878
11	1.7%	2.0%	0.154	0.176	0.873
10	1.9%	2.0%	0.170	0.195	0.869
9	2.6%	2.0%	0.192	0.221	0.868
8	3.1%	2.0%	0.219	0.253	0.868
7	3.8%	2.0%	0.253	0.291	0.870
6	4.5%	2.0%	0.293	0.336	0.871
5	5.7%	2.0%	0.343	0.393	0.874
4	7.8%	2.0%	0.413	0.470	0.879
3	11.3%	2.0%	0.517	0.584	0.886
2	20.1%	2.0%	0.706	0.784	0.900
1	21.6%	2.0%	0.906	1.000	0.906
(G) Discount Factor for Future Funding:				2017-2018	0.915
				2018-2019	0.915

## 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-Projected Funding, 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,  $70.6\% = [51.7\% / 1.020] + [20.1\% / (1.010)]$ .
- (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 0.91, on a discounted basis, \$0.91 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 - Workers' Compensation

## Confidence Level Table

Probability	Projected Losses
95%	1.346
90%	1.255
85%	1.197
80%	1.152
75%	1.115
70%	1.083
65%	1.054
60%	1.028
55%	1.003
50%	0.979
45%	0.955
40%	0.932
35%	0.908
30%	0.884
25%	0.859

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 1.255 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 - Workers' Compensation

Incurred Losses as of 6/30/17

Accident Year (A)	Unlimited Incurred (B)	Additions to 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)
2003-2004	\$16,850,964	\$0	\$0	\$16,850,964	\$3,528,223	\$6,544,012	\$10,306,952	\$3,015,790	\$13,322,741	\$13,322,741
2004-2005	11,912,522	0	0	11,912,522	2,649,107	4,843,895	7,068,627	2,194,788	9,263,415	9,263,415
2005-2006	9,551,955	0	0	9,551,955	1,746,110	3,736,825	5,815,130	1,990,715	7,805,845	7,805,845
2006-2007	7,521,654	0	0	7,521,654	430,999	1,782,365	5,739,289	1,351,366	7,090,656	7,090,656
2007-2008	12,435,368	0	0	12,435,368	2,277,036	5,033,475	7,401,894	2,756,439	10,158,333	10,158,333
2008-2009	10,677,172	0	0	10,677,172	1,117,006	3,377,964	7,299,208	2,260,958	9,560,166	9,560,166
2009-2010	8,311,586	0	0	8,311,586	433,612	1,990,268	6,321,318	1,556,656	7,877,974	7,877,974
2010-2011	9,031,610	0	0	9,031,610	795,833	2,816,858	6,214,752	2,021,025	8,235,777	8,235,777
2011-2012	7,652,045	0	0	7,652,045	245,412	1,751,181	5,900,865	1,505,769	7,406,634	7,406,634
2012-2013	11,304,141	0	0	11,304,141	5,176,828	6,228,446	5,075,695	1,051,618	6,127,313	6,127,313
2013-2014	7,216,940	0	0	7,216,940	170,731	1,409,529	5,807,411	1,238,799	7,046,209	7,046,209
2014-2015	5,214,530	0	0	5,214,530	0	338,302	4,876,228	338,302	5,214,530	5,214,530
2015-2016	5,586,704	0	0	5,586,704	0	303,045	5,283,660	303,045	5,586,704	5,586,704
2016-2017	7,803,862	0	0	7,803,862	215,834	708,553	7,095,309	492,719	7,588,029	7,588,029
2017-2018	0	0	0	0	0	0	0	0	0	0
Total	\$131,071,054	\$0	\$0	\$131,071,054	\$18,786,729	\$40,864,716	\$90,206,338	\$22,077,987	\$112,284,325	\$112,284,325

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C)
- (D)
- (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 Not Included-Projected Funding.

Santa Clara County Schools Insurance Group - Workers' Compensation

Paid Losses as of 6/30/17

Accident Year (A)	Unlimited Paid (B)	Additions to 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)
2003-2004	\$15,864,958	\$0	\$0	\$15,864,958	\$2,900,634	\$5,725,946	\$10,139,012	\$2,825,312	\$12,964,324	\$12,964,324
2004-2005	10,623,843	0	0	10,623,843	1,817,744	3,825,735	6,798,108	2,007,991	8,806,099	8,806,099
2005-2006	8,249,717	0	0	8,249,717	1,322,761	2,794,365	5,455,352	1,471,604	6,926,957	6,926,957
2006-2007	7,199,998	0	0	7,199,998	430,999	1,631,075	5,568,923	1,200,077	6,768,999	6,768,999
2007-2008	10,763,397	0	0	10,763,397	1,616,813	3,899,183	6,864,215	2,282,369	9,146,584	9,146,584
2008-2009	9,436,489	0	0	9,436,489	666,223	2,521,820	6,914,670	1,855,597	8,770,267	8,770,267
2009-2010	7,303,620	0	0	7,303,620	113,781	1,219,632	6,083,988	1,105,851	7,189,839	7,189,839
2010-2011	7,656,829	0	0	7,656,829	443,898	1,708,573	5,948,256	1,264,675	7,212,932	7,212,932
2011-2012	6,202,776	0	0	6,202,776	173,145	881,307	5,321,469	708,162	6,029,631	6,029,631
2012-2013	6,786,727	0	0	6,786,727	1,746,981	2,365,148	4,421,579	618,167	5,039,747	5,039,747
2013-2014	4,713,552	0	0	4,713,552	0	344,511	4,369,042	344,511	4,713,552	4,713,552
2014-2015	3,705,068	0	0	3,705,068	0	110,403	3,594,665	110,403	3,705,068	3,705,068
2015-2016	2,723,385	0	0	2,723,385	0	0	2,723,385	0	2,723,385	2,723,385
2016-2017	2,687,371	0	0	2,687,371	0	215,042	2,472,329	215,042	2,687,371	2,687,371
2017-2018	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$103,917,733</b>	<b>\$0</b>	<b>\$0</b>	<b>\$103,917,733</b>	<b>\$11,232,978</b>	<b>\$27,242,740</b>	<b>\$76,674,993</b>	<b>\$16,009,761</b>	<b>\$92,684,755</b>	<b>\$92,684,755</b>

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by the Group.
- (C)
- (D)
- (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 Not Included-Projected Funding.

Santa Clara County Schools Insurance Group - Workers' Compensation

Case Reserves as of 6/30/17

Accident Year (A)	Unlimited Reserves (B)	Additions to 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 to SIR Layer (I)	Reserves Capped at SIR (J)	Reserves Capped at SIR & Aggregate (K)
2003-2004	\$986,006	\$0	\$0	\$986,006	\$627,588	\$818,066	\$167,940	\$190,478	\$358,418	\$358,418
2004-2005	1,288,679	0	0	1,288,679	831,363	1,018,160	270,520	186,797	457,316	457,316
2005-2006	1,302,238	0	0	1,302,238	423,349	942,460	359,778	519,111	878,889	878,889
2006-2007	321,656	0	0	321,656	0	151,289	170,367	151,289	321,656	321,656
2007-2008	1,671,971	0	0	1,671,971	660,222	1,134,292	537,679	474,069	1,011,748	1,011,748
2008-2009	1,240,682	0	0	1,240,682	450,783	856,144	384,538	405,361	789,899	789,899
2009-2010	1,007,966	0	0	1,007,966	319,831	770,636	237,330	450,806	688,136	688,136
2010-2011	1,374,780	0	0	1,374,780	351,935	1,108,284	266,496	756,349	1,022,845	1,022,845
2011-2012	1,449,269	0	0	1,449,269	72,267	869,874	579,395	797,607	1,377,002	1,377,002
2012-2013	4,517,413	0	0	4,517,413	3,429,847	3,863,298	654,116	433,451	1,087,566	1,087,566
2013-2014	2,503,388	0	0	2,503,388	170,731	1,065,018	1,438,369	894,288	2,332,657	2,332,657
2014-2015	1,509,462	0	0	1,509,462	0	227,899	1,281,563	227,899	1,509,462	1,509,462
2015-2016	2,863,319	0	0	2,863,319	0	303,045	2,560,274	303,045	2,863,319	2,863,319
2016-2017	5,116,491	0	0	5,116,491	215,834	493,511	4,622,980	277,678	4,900,658	4,900,658
2017-2018	0	0	0	0	0	0	0	0	0	0
Total	\$27,153,321	\$0	\$0	\$27,153,321	\$7,553,750	\$13,621,976	\$13,531,344	\$6,068,226	\$19,599,570	\$19,599,570

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Appendix H-Projected Funding, Page 1, Column (B) - Appendix H-Projected Funding, Page 2, Column (B).
- (C) Appendix H-Projected Funding, Page 1, Column (C) - Appendix H-Projected Funding, Page 2, Column (C).
- (D) Appendix H-Projected Funding, Page 1, Column (D) - Appendix H-Projected Funding, 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 Not Included-Projected Funding.

Santa Clara County Schools Insurance Group - Workers' Compensation

Claim Counts as of 6/30/17

Accident Year (A)	Reported Claims (B)	Additions to Reported Claims (C)	Subtractions from Reported Claims (D)	Adjusted Reported Claims (E)	Closed Claims (F)	Additions to Closed Claims (G)	Subtractions from Closed Claims (H)	Adjusted Closed Claims (I)	Open Claims (J)	Adjusted Open Claims (K)
2003-2004	1,034	0	0	1,034	1,019	0	0	1,019	15	15
2004-2005	939	0	0	939	922	0	0	922	17	17
2005-2006	841	0	0	841	822	0	0	822	19	19
2006-2007	687	0	0	687	678	0	0	678	9	9
2007-2008	856	0	0	856	832	0	0	832	24	24
2008-2009	795	0	0	795	777	0	0	777	18	18
2009-2010	682	0	0	682	663	0	0	663	19	19
2010-2011	668	0	0	668	652	0	0	652	16	16
2011-2012	674	0	0	674	643	0	0	643	31	31
2012-2013	684	0	0	684	652	0	0	652	32	32
2013-2014	738	0	0	738	685	0	0	685	53	53
2014-2015	769	0	0	769	713	0	0	713	56	56
2015-2016	722	0	0	722	631	0	0	631	91	91
2016-2017	877	0	0	877	612	0	0	612	265	265
2017-2018	0	0	0	0	0	0	0	0	0	0
Total	10,966	0	0	10,966	10,301	0	0	10,301	665	665

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 - Workers' Compensation

## Exposure Measures

Accident Year	Total Payroll (\$00) (A)	Inflation Trend Factor (B)	Trended Payroll (\$00) (C)
1996-1997	8,567,400	1.679	14,384,665
1997-1998	6,254,979	1.638	10,245,656
1998-1999	6,442,489	1.598	10,295,097
1999-2000	6,473,227	1.559	10,091,761
2000-2001	7,065,309	1.521	10,746,335
2001-2002	7,466,188	1.484	11,079,823
2002-2003	7,461,413	1.448	10,804,126
2003-2004	7,777,285	1.413	10,989,304
2004-2005	7,766,620	1.379	10,710,169
2005-2006	8,093,882	1.345	10,886,271
2006-2007	8,140,765	1.312	10,680,684
2007-2008	9,526,103	1.280	12,193,412
2008-2009	9,154,561	1.249	11,434,047
2009-2010	8,396,839	1.219	10,235,747
2010-2011	8,115,096	1.189	9,648,849
2011-2012	7,992,635	1.160	9,271,457
2012-2013	8,102,161	1.132	9,171,646
2013-2014	8,611,275	1.104	9,506,848
2014-2015	9,324,872	1.077	10,042,887
2015-2016	9,974,065	1.051	10,482,742
2016-2017	12,729,275	1.025	13,047,507
2017-2018	12,939,522	1.000	12,939,522
2018-2019	13,330,000	1.000	13,330,000

## Notes:

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