



Actuarial Review of the Self-Insured Liability & Property Program

Outstanding Liabilities as of June 30, 2018

Forecast for Program Year 2018-19

Presented to

Santa Clara County Schools Insurance Group

March 13, 2018



Tuesday, March 13, 2018

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

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

Dear Ms. Kelsch:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

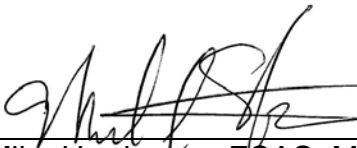
The funding recommendations shown in the table above do not include any recognition of the existing funding margin (surplus or deficit) at June 30, 2018. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead,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

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

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

Sincerely,

Bickmore



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



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I. BACKGROUND

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

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

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

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS

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

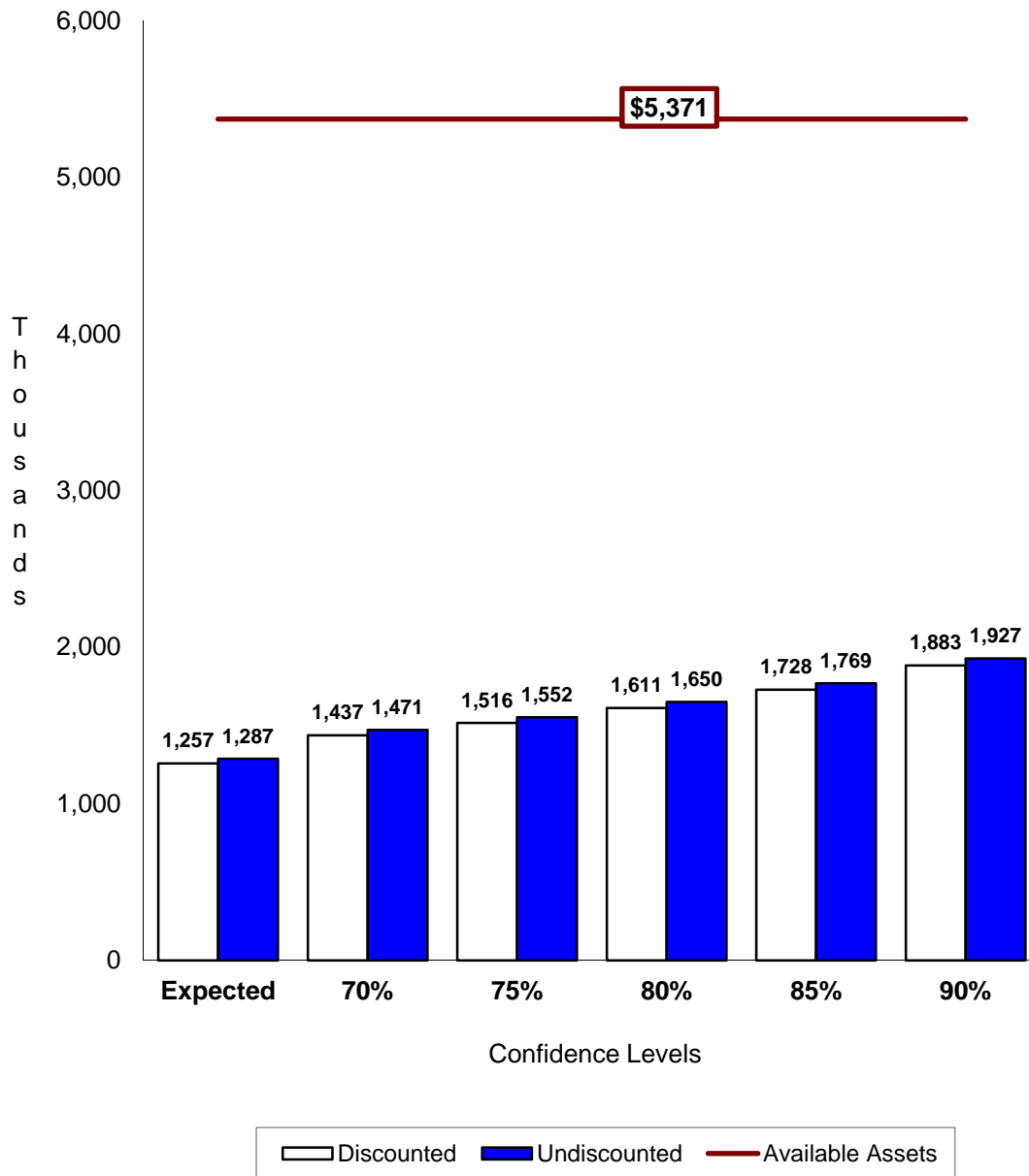
Our best estimate of the full value of the Group's liability for outstanding claims within its self-insured retention (SIR) is \$1,287,000 as of June 30, 2018. This amount includes losses, allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost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

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

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

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

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



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

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

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

B. PROGRAM FUNDING: GOALS AND OBJECTIVES

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

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

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

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

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

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

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

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

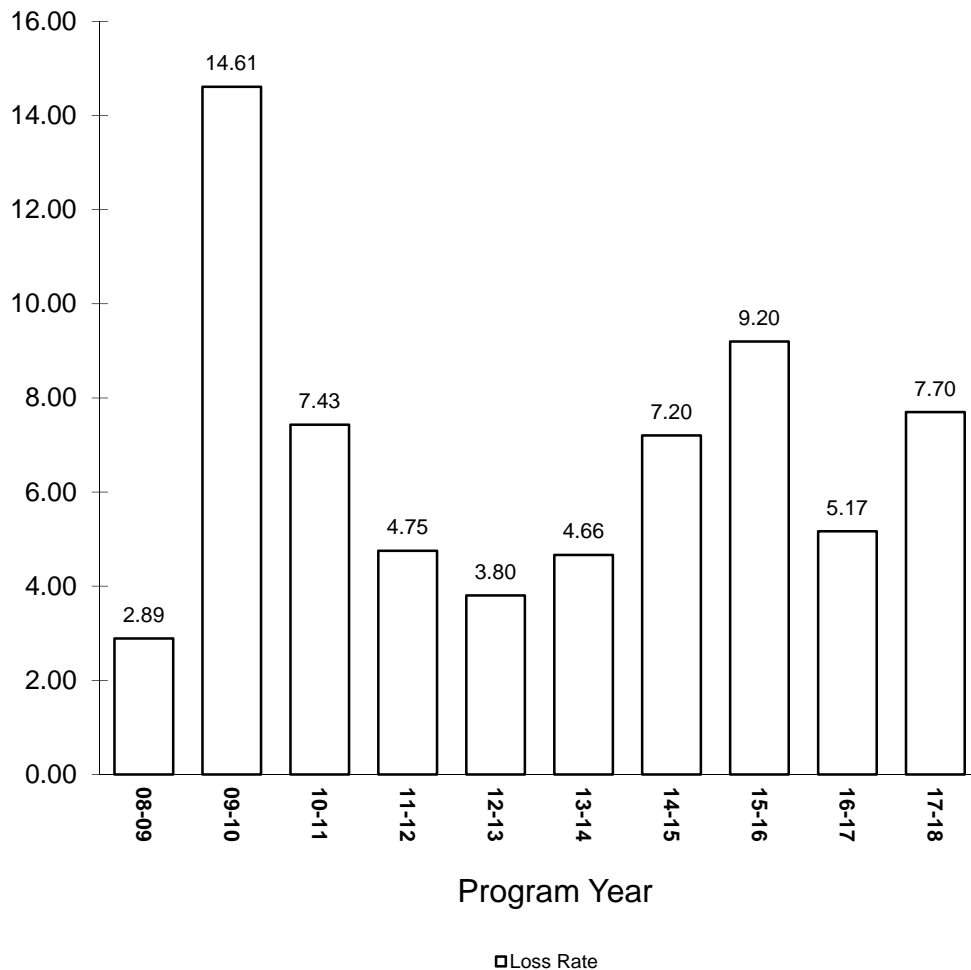
C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

Loss Rate - Liability

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

Graph 2

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

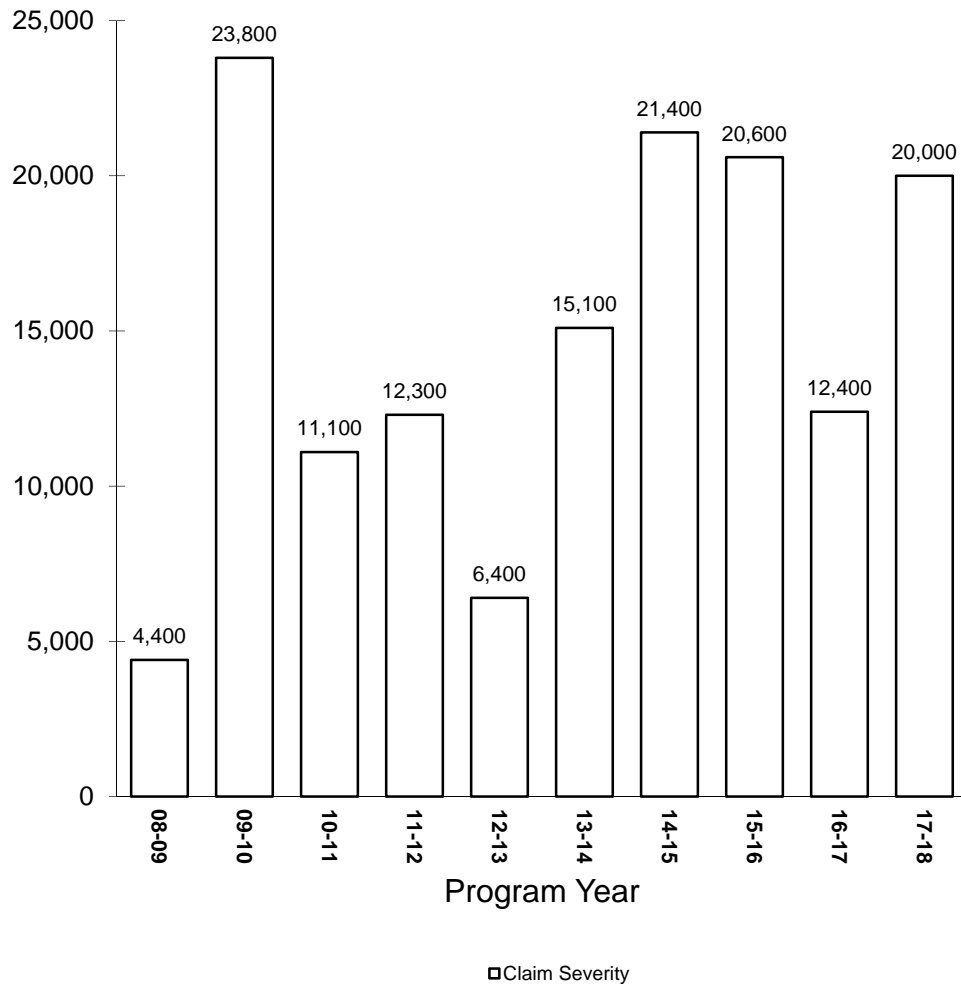


Severity - Liability

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

Graph 3

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

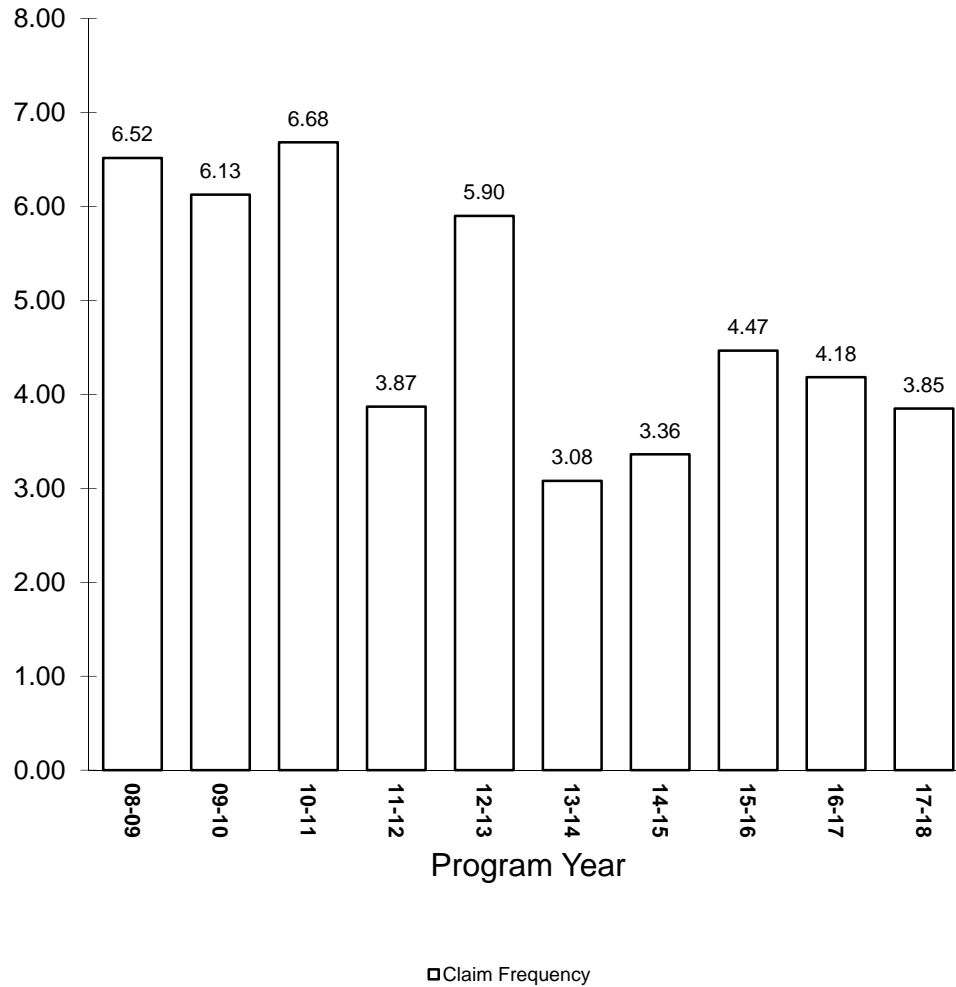


Frequency - Liability

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

Graph 4

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

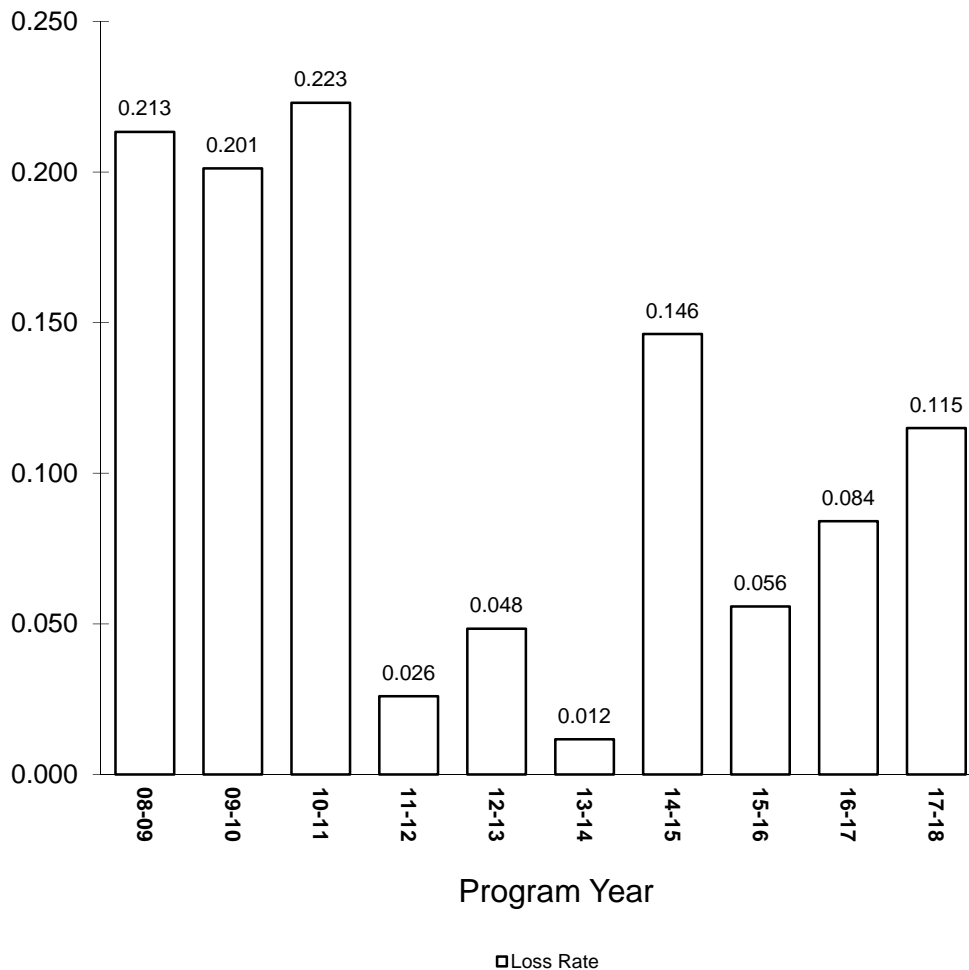


Loss Rate - Property

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

Graph 5

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

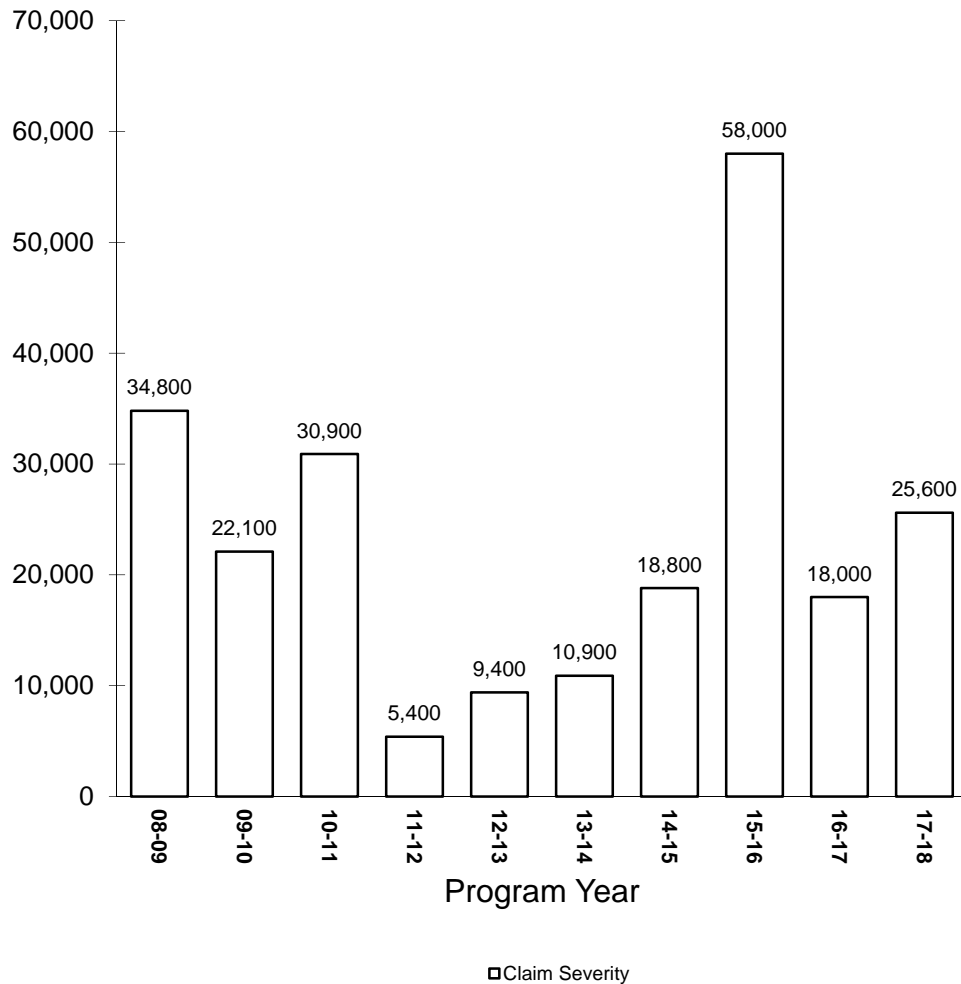


Severity - Property

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

Graph 6

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

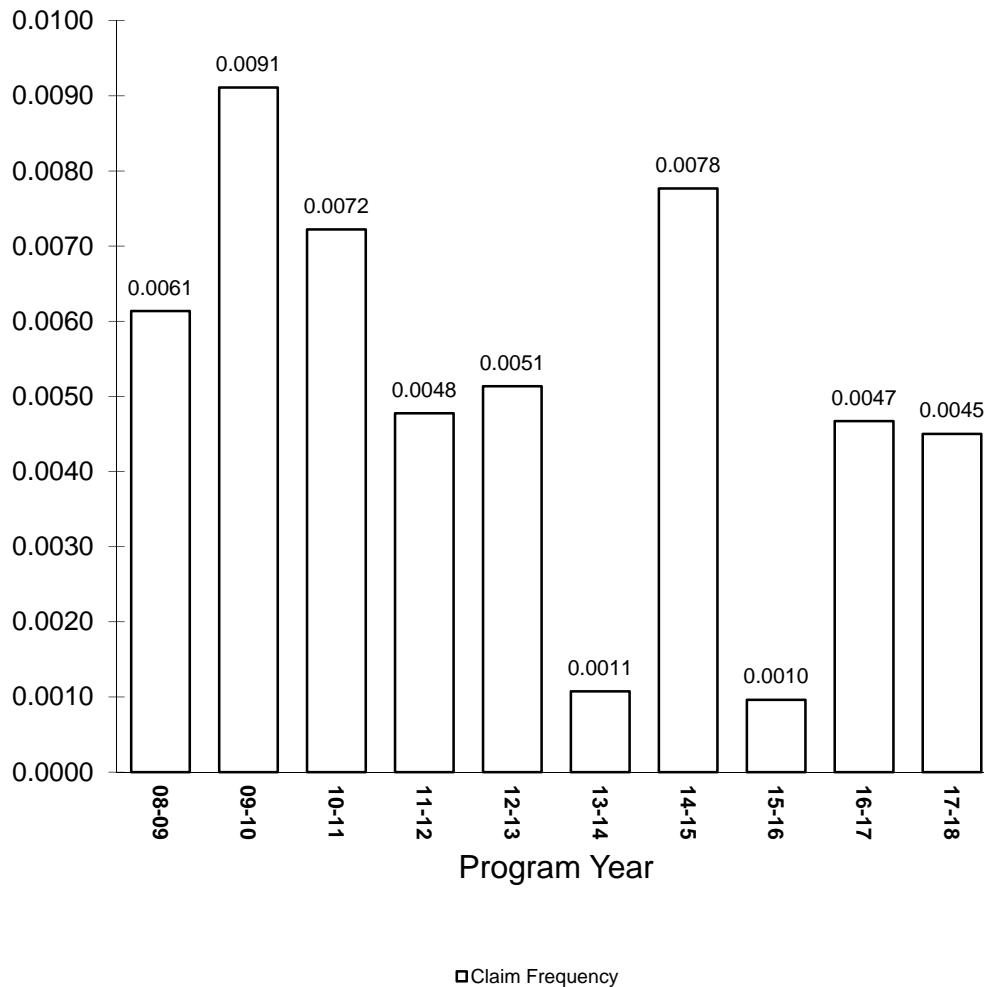


Frequency - Property

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

Graph 7

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



D. COMPARISON WITH PREVIOUS RESULTS

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

Actual Versus Expected Incurred Loss and ALAE Development

Liability

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

Property

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

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

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

Actual Versus Expected Paid Loss and ALAE Development

Liability

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

Property

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

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

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

Change in Ultimate Loss and ALAE

Liability

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

Property

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

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

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

Outstanding Claim Liabilities for Loss and ALAE

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

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

Outstanding Claim Liabilities for Loss and ALAE

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

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

Comparison of Funding for Loss and ALAE

Liability

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

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

Comparison of Funding for Loss and ALAE

Property

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

E. DATA PROVIDED FOR THE ANALYSIS

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

Comments and issues regarding the data are as follows:

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

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

III. ASSUMPTIONS AND LIMITATIONS

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

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

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

IV. GLOSSARY OF ACTUARIAL TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Paid Losses - Losses actually paid on all reported claims.

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

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

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

Severity - Average claim cost.

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

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

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

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Guidelines for Outstanding Liabilities at
December 31, 2017

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

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

Santa Clara County Schools Insurance Group - Property & Liability Combined

Funding Guidelines for Outstanding Liabilities at
June 30, 2018

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

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

Santa Clara County Schools Insurance Group - Property & Liability Combined

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

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

Santa Clara County Schools Insurance Group - Property & Liability Combined

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

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

Santa Clara County Schools Insurance Group - Property & Liability Combined

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

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

Santa Clara County Schools Insurance Group - Liability

Funding Guidelines for Outstanding Liabilities at
December 31, 2017

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

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

Santa Clara County Schools Insurance Group - Liability

Funding Guidelines for Outstanding Liabilities at
June 30, 2018

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

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

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

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

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

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

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

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

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

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

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

Santa Clara County Schools Insurance Group - Liability

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

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Estimated Ultimate Program Losses

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

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

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

Notes:

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

This exhibit summarizes the results of the actuarial methods we have applied to estimate limited losses for each year. These results are used to select a limited loss rate for future years.

Santa Clara County Schools Insurance Group - Liability

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

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

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Liability

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Reported Loss Development

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

Notes:

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

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses and case reserves as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

Santa Clara County Schools Insurance Group - Liability
Reported Loss Development

Limited Losses Reported as of:

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

Reported Loss Development Factors:

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

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

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

Santa Clara County Schools Insurance Group - Liability

Paid Loss Development

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

Notes:

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

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

Santa Clara County Schools Insurance Group - Liability
Paid Loss Development

Limited Losses Paid as of:

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

Paid Loss Development Factors:

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

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

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

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

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

Santa Clara County Schools Insurance Group - Liability

Exposure and Development Method
Based on Reported Losses

| Accident Year | ADA (A) | Reported Losses as of 12/31/17 (B) | Loss Development Factor (C) | Percentage of Losses Yet to Be Reported (D) | Program Rate (E) | Incurred but not Reported (IBNR) (F) | Ultimate Program Losses (G) |
|---------------|---------|------------------------------------|-----------------------------|---|------------------|--------------------------------------|-----------------------------|
| 2008-2009 | 65,974 | 190,591 | 1.000 | 0.000 | 2.889 | 0 | 190,591 |
| 2009-2010 | 66,915 | 977,633 | 1.000 | 0.000 | 14.610 | 0 | 977,633 |
| 2010-2011 | 67,335 | 500,472 | 1.000 | 0.000 | 7.433 | 0 | 500,472 |
| 2011-2012 | 67,177 | 319,340 | 1.000 | 0.000 | 4.754 | 0 | 319,340 |
| 2012-2013 | 67,793 | 257,795 | 1.002 | 0.002 | 7.451 | 1,010 | 258,805 |
| 2013-2014 | 68,189 | 315,931 | 1.007 | 0.007 | 7.480 | 3,570 | 319,501 |
| 2014-2015 | 68,425 | 484,133 | 1.017 | 0.017 | 7.510 | 8,736 | 492,869 |
| 2015-2016 | 67,179 | 595,355 | 1.042 | 0.040 | 7.540 | 20,261 | 615,616 |
| 2016-2017 | 66,942 | 266,121 | 1.172 | 0.147 | 7.570 | 74,492 | 340,613 |
| 2017-2018 | 65,323 | 159,160 | 4.688 | 0.787 | 7.600 | 390,710 | 549,870 |
| Totals | 671,252 | \$4,066,531 | | | | \$498,779 | \$4,565,310 |

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Exposure and Development Method
Based on Paid Losses

| Accident Year | ADA (A) | Paid Losses as of 12/31/17 (B) | Loss Development Factor (C) | Percentage of Losses Yet to Be Paid (D) | Program Rate (E) | Incurred but not Paid (F) | Ultimate Program Losses (G) |
|---------------|---------|--------------------------------|-----------------------------|---|------------------|---------------------------|-----------------------------|
| 2008-2009 | 65,974 | 190,591 | 1.001 | 0.001 | 2.889 | 191 | 190,782 |
| 2009-2010 | 66,915 | 977,633 | 1.002 | 0.002 | 14.610 | 1,955 | 979,588 |
| 2010-2011 | 67,335 | 500,472 | 1.003 | 0.003 | 7.433 | 1,502 | 501,974 |
| 2011-2012 | 67,177 | 319,340 | 1.008 | 0.008 | 4.754 | 2,555 | 321,895 |
| 2012-2013 | 67,793 | 257,795 | 1.018 | 0.018 | 7.451 | 9,092 | 266,887 |
| 2013-2014 | 68,189 | 287,511 | 1.049 | 0.047 | 7.480 | 23,973 | 311,484 |
| 2014-2015 | 68,425 | 330,097 | 1.154 | 0.133 | 7.510 | 68,345 | 398,442 |
| 2015-2016 | 67,179 | 245,864 | 1.443 | 0.307 | 7.540 | 155,505 | 401,369 |
| 2016-2017 | 66,942 | 59,621 | 3.968 | 0.748 | 7.570 | 379,050 | 438,671 |
| 2017-2018 | 65,323 | 7,682 | 31.744 | 0.968 | 7.600 | 480,568 | 488,250 |
| Totals | 671,252 | \$3,176,606 | | | | \$1,122,736 | \$4,299,342 |

Notes:

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

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

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

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

Notes:

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

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

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

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method

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

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

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

Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Appendix D - GL, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Appendix E - GL, Page 1, Column (J).
- (E) (C) x (D).
- (F) Selected Limited Severity / (D).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

This exhibit shows the calculation of the historical average cost per claim, or severity. The observed average severity is used in the method shown on page 1 of this Appendix.

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method
Projection of Ultimate Claims

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

(H) Selected Frequency: 3.850
Prior: 3.750

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method
Reported Claim Count Development

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Frequency and Severity Method
Closed Claim Count Development

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

Notes:

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

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

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

Claims Reported as of:

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

Reported Claim Count Development Factors:

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

Santa Clara County Schools Insurance Group - Liability
Closed Claim Development

Claims Closed as of:

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

Closed Claim Count Development Factors:

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

Santa Clara County Schools Insurance Group - Liability

Loss Trend Factors

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Residual Trend Factors

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

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

Notes:

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

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

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

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

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

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Liability

Payment and Reserve Forecast

Notes to previous page:

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

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

Santa Clara County Schools Insurance Group - Liability

Short- and Long-Term Liabilities

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

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

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

Santa Clara County Schools Insurance Group - Liability

Discount Factors to be Applied to Overall Reserves

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

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Calculation of Discount Factors

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Liability

Confidence Level Table

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

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

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

Santa Clara County Schools Insurance Group - Liability

Program History

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

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

Santa Clara County Schools Insurance Group - Liability

Incurred Losses as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Liability

Paid Losses as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Liability

Case Reserves as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Liability

Claim Counts as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Liability

Exposure Measures

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

Notes:

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

Santa Clara County Schools Insurance Group - Property

Funding Guidelines for Outstanding Liabilities at
December 31, 2017

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

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

Santa Clara County Schools Insurance Group - Property

Funding Guidelines for Outstanding Liabilities at
June 30, 2018

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

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

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

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

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

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

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

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

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

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

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

Santa Clara County Schools Insurance Group - Property

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

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Estimated Ultimate Program Losses

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

Notes:

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

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

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

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

Notes:

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

This exhibit summarizes the results of the actuarial methods we have applied to estimate limited losses for each year. These results are used to select a limited loss rate for future years.

Santa Clara County Schools Insurance Group - Property

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

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

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Property

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Reported Loss Development

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

Notes:

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

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses and case reserves as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

Santa Clara County Schools Insurance Group - Property
Reported Loss Development

Limited Losses Reported as of:

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

Reported Loss Development Factors:

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

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

| Accident Year | <u>Losses Reported as of:</u> | | | | | | | | | |
|---------------|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | 6 Months | 18 Months | 30 Months | 42 Months | 54 Months | 66 Months | 78 Months | 90 Months | 102 Months | 114 Months |
| 2008-2009 | | | | | | 422,334 | 422,334 | 422,334 | 422,334 | 422,334 |
| 2009-2010 | | | | | 150,631 | 150,631 | 150,631 | 150,631 | 150,631 | |
| 2010-2011 | | | | 85,753 | 85,753 | 85,753 | 85,753 | 85,753 | | |
| 2011-2012 | | | | | | | | | | |
| 2012-2013 | | | | | | | | | | |
| 2013-2014 | | | | | | | | | | |
| 2014-2015 | 10,000 | 110,000 | 113,108 | 113,108 | | | | | | |
| 2015-2016 | 400,000 | 400,000 | 400,000 | | | | | | | |
| 2016-2017 | | | | | | | | | | |
| 2017-2018 | 400,000 | | | | | | | | | |

| | <u>Reported Loss Development Factors:</u> | | | | | | | | | |
|-----------|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|-----------------|
| | 6-18 Months | 18-30 Months | 30-42 Months | 42-54 Months | 54-66 Months | 66-78 Months | 78-90 Months | 90-102 Months | 102-114 Months | 114-Ult. Months |
| 2008-2009 | | | | | | 1.000 | 1.000 | 1.000 | 1.000 | |
| 2009-2010 | | | | | 1.000 | 1.000 | 1.000 | 1.000 | | |
| 2010-2011 | | | | 1.000 | 1.000 | 1.000 | 1.000 | | | |
| 2011-2012 | | | | | | | | | | |
| 2012-2013 | | | | | | | | | | |
| 2013-2014 | | | | | | | | | | |
| 2014-2015 | 11.000 | 1.028 | 1.000 | | | | | | | |
| 2015-2016 | 1.000 | 1.000 | | | | | | | | |
| 2016-2017 | | | | | | | | | | |

| | 6-18 Months | 18-30 Months | 30-42 Months | 42-54 Months | 54-66 Months | 66-78 Months | 78-90 Months | 90-102 Months | 102-114 Months | 114-Ult. Months |
|----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|-----------------|
| Average Dollar-Weighted Averages | 6.000 | 1.014 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| 3-yr | | | | | | | 1.000 | | | |
| 4-yr | | | | | | | | | | |
| Comparative Factors | 4.611 | 1.861 | 1.298 | 1.135 | 1.045 | 1.025 | 1.013 | 1.004 | 1.002 | 1.000 |
| Prior | 4.611 | 1.861 | 1.298 | 1.135 | 1.045 | 1.025 | 1.013 | 1.004 | 1.002 | |
| Selected | 4.611 | 1.861 | 1.298 | 1.135 | 1.045 | 1.025 | 1.013 | 1.004 | 1.002 | 1.000 |
| Cumulated | 13.792 | 2.991 | 1.607 | 1.238 | 1.091 | 1.044 | 1.019 | 1.006 | 1.002 | 1.000 |

Santa Clara County Schools Insurance Group - Property

Paid Loss Development

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

Notes:

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

This method tends to understate ultimate losses for the most recent several years because the large losses for those years generally have not yet emerged at the time of our review.

This exhibit shows the calculation of estimated ultimate losses for each year based on paid losses as reported by the claims administrator. These losses tend to "develop" or change from period to period as more information becomes available about the cases. This development tends to follow quantifiable patterns over time.

Santa Clara County Schools Insurance Group - Property
Paid Loss Development

Limited Losses Paid as of:

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

Paid Loss Development Factors:

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

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

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

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

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

Santa Clara County Schools Insurance Group - Property

Exposure and Development Method
Based on Reported Losses

| Accident Year | Trended TIV (\$000) (A) | Reported Losses as of 12/31/17 (B) | Loss Development Factor (C) | Percentage of Losses Yet to Be Reported (D) | Program Rate (E) | Incurred but not Reported (IBNR) (F) | Ultimate Program Losses (G) |
|---------------|-------------------------|------------------------------------|-----------------------------|---|------------------|--------------------------------------|-----------------------------|
| 2008-2009 | 2,035,858 | 347,669 | 1.000 | 0.000 | 0.171 | 0 | 347,669 |
| 2009-2010 | 2,006,828 | 331,278 | 1.000 | 0.000 | 0.165 | 0 | 331,278 |
| 2010-2011 | 1,975,416 | 370,502 | 1.000 | 0.000 | 0.188 | 0 | 370,502 |
| 2011-2012 | 1,942,898 | 43,519 | 1.000 | 0.000 | 0.022 | 0 | 43,519 |
| 2012-2013 | 1,983,867 | 84,769 | 1.000 | 0.000 | 0.103 | 0 | 84,769 |
| 2013-2014 | 2,055,870 | 21,756 | 1.000 | 0.000 | 0.103 | 0 | 21,756 |
| 2014-2015 | 2,079,999 | 282,415 | 1.000 | 0.000 | 0.104 | 0 | 282,415 |
| 2015-2016 | 2,184,948 | 115,000 | 1.005 | 0.005 | 0.104 | 1,136 | 116,136 |
| 2016-2017 | 2,194,525 | 175,119 | 1.025 | 0.024 | 0.105 | 5,530 | 180,649 |
| 2017-2018 | 2,213,752 | 122,090 | 3.024 | 0.669 | 0.105 | 155,505 | 277,595 |
| Totals | 20,673,961 | \$1,894,117 | | | | \$162,171 | \$2,056,288 |

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Exposure and Development Method
Based on Paid Losses

| Accident Year | Trended TIV (\$000) (A) | Paid Losses as of 12/31/17 (B) | Loss Development Factor (C) | Percentage of Losses Yet to Be Paid (D) | Program Rate (E) | Incurred but not Paid (F) | Ultimate Program Losses (G) |
|---------------|-------------------------|--------------------------------|-----------------------------|---|------------------|---------------------------|-----------------------------|
| 2008-2009 | 2,035,858 | 347,669 | 1.000 | 0.000 | 0.171 | 0 | 347,669 |
| 2009-2010 | 2,006,828 | 331,278 | 1.000 | 0.000 | 0.165 | 0 | 331,278 |
| 2010-2011 | 1,975,416 | 370,502 | 1.000 | 0.000 | 0.188 | 0 | 370,502 |
| 2011-2012 | 1,942,898 | 43,519 | 1.000 | 0.000 | 0.022 | 0 | 43,519 |
| 2012-2013 | 1,983,867 | 84,769 | 1.000 | 0.000 | 0.103 | 0 | 84,769 |
| 2013-2014 | 2,055,870 | 21,756 | 1.000 | 0.000 | 0.103 | 0 | 21,756 |
| 2014-2015 | 2,079,999 | 282,415 | 1.010 | 0.010 | 0.104 | 2,163 | 284,578 |
| 2015-2016 | 2,184,948 | 100,000 | 1.030 | 0.029 | 0.104 | 6,590 | 106,590 |
| 2016-2017 | 2,194,525 | 30,004 | 1.143 | 0.125 | 0.105 | 28,803 | 58,807 |
| 2017-2018 | 2,213,752 | 3,090 | 6.858 | 0.854 | 0.105 | 198,507 | 201,597 |
| Totals | 20,673,961 | \$1,615,002 | | | | \$236,063 | \$1,851,065 |

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Exposure and Development Method

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method

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

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

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

Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Appendix D - PR, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Appendix E - PR, Page 1, Column (J).
- (E) (C) x (D).
- (F) Selected Limited Severity / (D).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) (F) x (G).

This exhibit shows the calculation of the historical average cost per claim, or severity. The observed average severity is used in the method shown on page 1 of this Appendix.

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method
Projection of Ultimate Claims

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

(H) Selected Frequency: 0.0045
Prior: 0.0040

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method
Reported Claim Count Development

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Frequency and Severity Method
Closed Claim Count Development

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

Notes:

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

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

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

Claims Reported as of:

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

Reported Claim Count Development Factors:

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

Santa Clara County Schools Insurance Group - Property
Closed Claim Development

Claims Closed as of:

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

Closed Claim Count Development Factors:

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

Santa Clara County Schools Insurance Group - Property

Loss Trend Factors

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Residual Trend Factors

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

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

Notes:

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

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

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

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

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

Notes appear on the next page.

Santa Clara County Schools Insurance Group - Property

Payment and Reserve Forecast

Notes to previous page:

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

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

Santa Clara County Schools Insurance Group - Property

Short- and Long-Term Liabilities

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

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

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

Santa Clara County Schools Insurance Group - Property

Discount Factors to be Applied to Overall Reserves

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

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Calculation of Discount Factors

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

Notes:

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

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

Santa Clara County Schools Insurance Group - Property

Confidence Level Table

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

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

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

Santa Clara County Schools Insurance Group - Property

Program History

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

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

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

Santa Clara County Schools Insurance Group - Property

Incurred Losses as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Property

Paid Losses as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Property

Case Reserves as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Property

Claim Counts as of 12/31/17

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

Notes:

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

Santa Clara County Schools Insurance Group - Property

Exposure Measures

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

Notes:

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