



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 14, 2012

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

ACTUARIAL STUDY OF THE LIABILITY TRUST FUND

On March 26, 2012, the Chief Executive Office (CEO) received correspondence from the California Contract Cities Association Liability Trust Fund Oversight Committee (See attached). The letter transmitted the June 30, 2011 actuarial study of the Liability Trust Fund, which is composed of two funds: 1) Sheriff; and 2) All Other Contracts. Contributions to the fund are a surcharge on the contracts paid by cities for services provided by the County of Los Angeles (County) for the purpose of addressing liabilities related to these services. On April 20, 2010, the Board approved an ongoing administrative surcharge review procedure to ensure that the Liability Trust Fund maintain funding at or above the 75-90 percent probability range. If the funding falls below the 75 percent level for two consecutive years, the surcharge rate will automatically increase by 0.5 percent; and if funding rises above the 90 percent level for two consecutive years, the surcharge rate will automatically decrease by 0.5 percent.

Based upon the current actuarial projections, it is possible under this procedure to reduce the surcharge in the "Sheriff" fund by 0.5 percent because the fund is projected to exceed the 90 percent probability level for the second year. However, the "All Other Contracts" fund has fallen below the 75 percent probability level and, should this trend continue, would be subject to a 0.5 percent increase next year. The actuary is recommending that the automatic decrease be waived for this year and that the contributions to both funds remain at the current rate of 4 percent each. The Liability Trust Fund Oversight Committee is advising the County that they wish to not exercise the automatic reduction to the Sheriff's surcharge rate allowed by the administrative process.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Each Supervisor
June 14, 2012
Page 2

The CEO Risk Management Branch has reviewed the actuarial study and discussed this matter with a representative from the Liability Trust Fund Oversight Committee. They have affirmed the validity of the analysis and concur with the request of the Committee. Accordingly, we are advising the Board that, at the request of the Liability Trust Fund Oversight Committee, there will be no adjustment to the surcharge for contract cities for contributions to the Liability Trust Fund. The rates for both the "Sheriff" and the "All Other Contracts" funds will remain at 4 percent for the period of July 1, 2012 through June 30, 2013.

For more information, your staff may contact Laurie Milhiser, County Risk Manager, at (213) 351-5346.

If you have any questions, please have your staff contact Ellen Sandt at (213) 974-1186 or esandt@ceo.lacounty.gov.

WTF:ES
LM:sg

Attachment

CALIFORNIA CONTRACT CITIES ASSOCIATION

LIABILITY TRUST FUND OVERSIGHT COMMITTEE

California Contract Cities Association
11027 Downey Avenue
Downey, CA 90241
(562) 622-5533

Liability Trust Fund Oversight Committee
8081 Moody Street
La Palma, CA 90623
(562) 467-8700

March 26, 2012

Mr. William T. Fujioka, Chief Executive Officer
County of Los Angeles
Room 713, Hall of Administration
Los Angeles, CA 90012

RE: Liability Trust Fund: 2012-2013 Surcharge on Sheriff and All Other Contracts

Dear Mr. Fujioka:

As you know, the County of Los Angeles provides services to cities and agencies throughout the region through contracts for service. Cities that contract with the County for services pay a surcharge as part of the contract to address the liability associated with the provision of the services by the County. The surcharge is deposited in the Liability Trust Fund (LTF), which is maintained by the County. The LTF is comprised of two funds: the Sheriff's Fund and the All Other Fund.

On April 20, 2010, the LA County Board of Supervisors (BOS) approved an ongoing administrative surcharge review procedure to ensure that the LTF maintains funding at or above the 75-90% probability range. The BOS concurred that funding levels are to be reviewed annually in conjunction with the actuarial study, and automatic adjustments to the surcharge will be triggered using the following methodology:

- If funding falls below the 75% probability level for two consecutive years, the surcharge rate will automatically increase by 0.5%
- If funding rises above the 90% probability level for two consecutive years, the surcharge rate will automatically decrease by 0.5%

At its January 12, 2012 meeting, the Oversight Committee (Committee) reviewed the June 30, 2011 actuarial study, which has been attached, and proposed surcharge rates for the LTF. The actuary once again found the LTF's overall actuarial status to be well in excess of the unpaid claim estimate at the 90% probability level. This is the first year, however, in which the actuarial status of the All Other Fund has fallen below the 75% probability level. If the All Other Fund is again below the 75% probability level in the June 30, 2012 study, an automatic 0.5% increase will be indicated and beginning July 1, 2013, the rate will increase to 4.5%.

RECEIVED
2012 MAR 27 PM 3:41
CHIEF EXECUTIVE OFFICE



The Committee discussed the Sheriff surcharge rates at its meetings in February and March, and reviewed additional analysis (see attached) from the actuary regarding the Sheriff's fund. The surcharge for Sheriff contracts is currently 4%. The actuary calculated the \$16.1 million surplus above the 90% probability level in the Sheriff's Fund would be almost completely eliminated by June 2012 due to the surcharge suspension in 2011-2012. Furthermore, to retain the fund at the 90% probability level, the actuary estimates approximately \$15.8 million needs to be collected in 2012-2013. If the surcharge rate remains at 4% for 2012-2013, approximately \$11 million will be collected.

Based upon the actuary's projections, if the rate automatically drops to 3.5% as allowed under the administrative review process, the fund could fall below the 75-90% probability level by 2014. In contrast, if the surcharge remains at 4%, the actuary's projections indicate the fund should remain within the 75-90% range by June 20, 2014.

In summary, and with support from the California Contract Cities Association, the Liability Trust Fund Oversight Committee is electing not to exercise the automatic reduction to the Sheriff's surcharge rate allowed by the administrative process. Instead, the Committee and cities ask that the Sheriff contract surcharge rate remain at 4% for the twelve-month period from July 1, 2012 through June 30, 2013. It further affirms that the surcharge rate on All Other contracts remain at 4%.

Please contact Jonathan Shull, California JPIA, at (562) 467-8717 if you have questions or need more information.

Sincerely,



Curtis Morris
Mayor, City of San Dimas
Chair, Liability Trust Fund Oversight Committee



Sam Olivito, Executive Director
California Contract Cities Association

Enclosures

cc: Jonathan Shull, California JPIA





Michael L. DeMattei
FCAS, MAAA
Principal & Consulting Actuary

michael.demattei@milliman.com
milliman.com

70 South Lake Avenue
Suite 1100
Pasadena, CA 91101-4705
USA

Tel +1 626 577 1144
Fax +1 626 793 2808

January 3, 2012

Liability Trust Fund Oversight Committee
c/o Jonathan R. Shull, Executive Director
California Joint Powers Insurance Authority
8081 Moody Street
La Palma, California 90623

Dear Committee Members:

We have completed our actuarial analysis of the County of Los Angeles (the County) Contract Cities self-insurance program (the Program), based on the claim experience reported through June 30, 2011. This letter and its attachments constitute our report.

It is our conclusion that approximately \$45.8 million was needed to cover the Program's unpaid claims as of June 30, 2011. This amount is intended to cover self-insured payments beyond the evaluation date, for claims incurred on or before that date, and is based on discounted cost estimates at the 90% probability level. The actuarial status of the Liability Trust Fund (Fund) was estimated to be \$14.5 million as of June 30, 2011. This amount is the difference between the Fund's assets of \$60.3 million and the estimated Program unpaid claims of \$45.8 million.

Given the uncertainty surrounding these estimates, we believe the Fund's consideration of funding above the expected level is prudent. Therefore, Exhibits 1 and 2 include estimates at expected, and the 75%, 80% and 90% probability levels.

The unpaid estimates include provisions for allocated and unallocated loss adjustment expenses, and anticipate future investment earnings based on a yield of 1.0% per year. The Program's excess insurance was assumed to continue in effect, and to remain valid and collectible until all covered claims have been settled.

For the 2011/2012 policy year, we estimate a 5.4% charge on Sheriff's contract revenue for these exposures and 4.2% of Public Works contract revenue for those exposures. For 2012/2013, the current charge estimates are 5.8% and 4.4%, respectively. Both the Sheriff's and Public Work's rates reflect an increase from the current charge of 4.0%. These rates are based on discounted cost estimates at the 90% probability level. We understand charged rates may be different from these estimates due to the current funding policy in place for the Program which also considers the overall actuarial status.

It should be understood that our conclusions are based on the available data and informed judgment. Liability claim costs, and hence our conclusions, are subject to many inherent uncertainties concerning future events. Moreover, unanticipated changes in factors including claim consciousness, claim management, judicial decisions, legislative actions, and economic conditions may significantly alter our conclusions. Actual results may therefore vary from our estimates.



Liability Trust Fund Oversight Committee

January 3, 2012

Page 2 of 2

We have enjoyed working with the Liability Trust Fund Oversight Committee and the County of Los Angeles on this actuarial analysis of the Contract Cities self-insurance program. The cooperation we received from the County and the California Joint Powers Insurance Authority is acknowledged with appreciation. We will be pleased to discuss our findings and conclusions, as you may direct.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. DeMattei".

Michael L. DeMattei
FCAS, MAAA



**AN ACTUARIAL ANALYSIS OF
COUNTY OF LOS ANGELES
CONTRACT CITIES
SELF-INSURANCE PROGRAM
AS OF JUNE 30, 2011**

Prepared for: Liability Trust Fund Oversight Committee

**Prepared by: Milliman, Inc.
Pasadena, California**

January 3, 2012

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**AN ACTUARIAL ANALYSIS OF
COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM
AS OF JUNE 30, 2011**

TABLE OF CONTENTS

INTRODUCTION	1
DISTRIBUTION.....	3
<i>Use of Milliman's Name</i>	<i>3</i>
SUMMARY OF RESULTS.....	3
<i>Program Claim Unpaid as of June 30, 2011.....</i>	<i>3</i>
<i>Fiscal Years Ending June 30, 2012 and June 30, 2013 Funding Estimates.....</i>	<i>4</i>
<i>Comparison to Prior Analysis.....</i>	<i>6</i>
<i>Definitions.....</i>	<i>6</i>
METHODOLOGY	7
<i>Overview.....</i>	<i>7</i>
<i>Loss Development</i>	<i>8</i>
<i>Cost Projections.....</i>	<i>9</i>
<i>Estimated Ultimate Amount.....</i>	<i>10</i>
<i>Program Unpaid.....</i>	<i>10</i>
<i>Fiscal Years Ending June 30, 2012 and June 30, 2013 Funding Projections.....</i>	<i>12</i>
<i>Service Revenue Charge</i>	<i>12</i>
<i>Hershey and Talamaivao Judgments</i>	<i>12</i>
<i>Special Indemnity Agreement Cases.....</i>	<i>13</i>
LIMITATIONS.....	13
<i>Inherent Variability.....</i>	<i>13</i>
<i>Sensitivity.....</i>	<i>13</i>
<i>Discounting</i>	<i>14</i>
<i>Excess Insurance</i>	<i>14</i>
<i>Data Sources</i>	<i>14</i>
CLOSING.....	15

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**AN ACTUARIAL ANALYSIS OF
COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM
AS OF JUNE 30, 2011**

INTRODUCTION

Milliman, Inc. (Milliman) has conducted an actuarial analysis of the County of Los Angeles (the County) Contract Cities self-insurance program (the Program), based on the claim experience reported through June 30, 2011. It was prepared for internal use by the Program's management with respect to booked liabilities in their financial statements. The analysis was completed in December 2011 based on claim data valued as of June 30, 2011, as well as other information through November 29, 2011. All data and estimates are net of salvage and subrogation recoveries.

The objectives of the actuarial analysis were to:

- Evaluate the Program unpaid claim amounts as of June 30, 2011 including interest-discounted and probability level indications;
- Estimate the actuarial status of the Liability Trust Fund (the Fund) as of June 30, 2011;
- Estimate the funding required for claims which are expected to occur during fiscal years ending June 30, 2012 and June 30, 2013;
- Project the fiscal year ending June 30, 2012 and June 30, 2013 loss and allocated loss adjustment expense (ALAE) payments;
- Separate the results of the actuarial analysis between the Sheriff's Department and Public Works/Other Departments;
- Analyze the claims administered by Carl Warren independently of those managed by the County Counsel; and
- Estimate the Service Revenue Charge levied on the Service Revenue paid to Sheriff's Department and Public Works/Other Departments.

The County's Contract Services program provides over 80 cities in the County with various municipal services, thereby allowing the cities to self-govern without the cost of establishing numerous city

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

departments. The County Board of Supervisors established the Program in 1977 to provide insurance coverage for automobile and general liability claims arising from services provided to contract cities. The Program is financed by a surcharge on contract city service fees, which is deposited in the Fund. The Fund operates on a current-cost financing basis.

The Liability Trust Fund Oversight Committee (the Committee) was established by the contract cities. The Committee, which is separate and distinct from the County, represents the cities in their review of the claims and litigation arising from both Sheriff and non-Sheriff services.

Carl Warren administers most of the Program's automobile liability and non-Sheriff general liability claims. Sheriff's Department general liability claims are primarily handled by the County Counsel. Table 1 below displays our understanding of the program's historical self-insured retentions and excess coverage. The Program's excess insurance was assumed to continue in effect, and to be valid and collectible until all claims included in unpaid and funding estimates have been settled. We have also not included any provisions for the possibility of retained losses above the excess coverage.

Period	Indemnity	ALAE	Excess Coverage
Prior to 3/15/1999	No Limit	All	None
3/16/1999 to 3/31/2003	\$2 Million	All	\$20 Million x/s \$2 Million
4/01/2003 to 6/14/2005	\$3 Million	All	\$20 Million x/s \$3 Million
6/15/2005 to 6/14/2006	\$2 Million	All	\$20 Million x/s \$2 Million
6/15/2006 to 6/14/2007	\$2 Million	All	\$25 Million x/s \$2 Million
6/15/2007 to 6/14/2008	\$2 Million	All	\$30 Million x/s \$2 Million
6/15/2008 to 6/14/2009	\$2 Million	All	\$30 Million x/s \$2 Million
6/15/2009 to Present*	\$2 Million	All	\$50 Million x/s \$2 Million

Note:
 1. (*) For claims reported on or after 7/1/09, the Program is responsible for 50% of amounts limited by the per-occurrence retention on incidents related to sexual assaults (per the County-City Special Indemnity Agreement).

Our projections are intended to be "actuarial central estimates," which represent the expected value over a range of reasonably possible outcomes.

In this report, accident years are defined to include all claims occurring during the twelve-month period ending June 30 of the indicated year.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

DISTRIBUTION

Milliman's work is prepared solely for the use and benefit of the Committee in accordance with its statutory and regulatory requirements. Milliman recognizes that materials it delivers to the Committee may be public records subject to disclosure to third parties, however, Milliman does not intend to benefit and assumes no duty or liability to any third parties who receive Milliman's work and may include disclaimer language on its work product so stating. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, the Committee agrees that it shall not disclose Milliman's work product to third parties without Milliman's prior written consent; provided, however, that the Committee may distribute Milliman's work to (i) its professional service providers who are subject to a duty of confidentiality and who agree to not use Milliman's work product for any purpose other than to provide services to the Committee, or (ii) any applicable regulatory or governmental agency, as required.

In the event Milliman consents to release its work product, it must be provided in its entirety. We recommend that any such party have its own actuary or other qualified professional review the work product to ensure that the party understands the assumptions and uncertainties inherent in our estimates. No third party recipient of Milliman's work product should rely upon Milliman's work product.

Use of Milliman's Name

Any reader of this report agrees that they shall not use Milliman's name, trademarks or service marks, or refer to Milliman directly or indirectly in any third party communication without Milliman's prior written consent for each such use or release, which consent shall be given in Milliman's sole discretion.

SUMMARY OF RESULTS

Program Claim Unpaid as of June 30, 2011

We estimate that, at a 90% probability level and discounted for investment income, approximately \$45.8 million was needed to cover the Program's unpaid claims as of June 30, 2011. This amount is intended to cover payments beyond the indicated date, for self-insured claims which occurred on or before that date. The actuarial status of the Fund was estimated to be \$14.5 million as of June 30, 2011. This amount is the difference between the Fund's assets and the Program's estimated unpaid claims as of that date.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

The unpaid and status estimates are detailed in Exhibit 1. The components of these amounts by department group are presented in Exhibit 1A, as are projections of the payments by fiscal year.

Table 2 summarizes the actuarial status of the Fund for the Sheriff's Department and all other departments.

Table 2: Estimated Fund Actuarial Status (\$ million) (As of June 30, 2011)	
Sheriff's Department	\$16.1
All Other Departments	(1.6)
Total	\$14.5
Note:	
1. Differences in total due to rounding.	

In Exhibit 1, we have also included margins for contingencies at the 75% and 80% probability levels. The total actuarial status at the 75% and 80% probability levels are \$20.0 million and \$18.6 million, respectively.

The foregoing estimates include provisions for allocated and unallocated loss adjustment expenses. The unpaid estimates anticipate future investment earnings on the Fund's assets as of the indicated date. They are discounted to present value based on an interest rate of 1.0% per annum which was provided to Milliman by the management of the Fund. Milliman has not reviewed the Fund's investment portfolio and is not expressing an opinion on the reasonableness of the interest rate assumption.

Fiscal Years Ending June 30, 2012 and June 30, 2013 Funding Estimates

Tables 3 and 4 present our estimates of the amounts required to pay for all claims-related costs and administrative costs associated with claims occurring during fiscal years ending June 30, 2012 and June 30, 2013, respectively. These estimates are presented on expected value, discounted expected value, and discounted 90% probability levels. The percentages below are based on the estimates developed on Exhibits 3 and 4, divided by the Service Revenue for the appropriate year/department.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

Table 3: Fiscal Year Ending June 30, 2012 Funding Estimates					
Department	Expected Value Loss + LAE	Excess Insurance	Expected Value Funding	Discounted Expected Value Funding	Discounted 90% Level Funding
Sheriff's	4.1%	0.4%	4.5%	4.3%	5.4%
All Other	3.0%	0.4%	3.4%	3.3%	4.2%
Total	4.0%	0.4%	4.4%	4.2%	5.3%

Notes:

1. Excess Insurance is assumed to be paid at the beginning of year and is not discounted or increased to reflect higher probability levels.
2. Fiscal year ending 6/30/12 Service Revenue estimated using a 3.58% annual trend.

Table 4: Fiscal Year Ending June 30, 2013 Funding Estimates					
Department	Expected Value Loss + LAE	Excess Insurance	Expected Value Funding	Discounted Expected Value Funding	Discounted 90% Level Funding
Sheriff's	4.4%	0.4%	4.8%	4.6%	5.8%
All Other	3.2%	0.4%	3.6%	3.5%	4.4%
Total	4.3%	0.4%	4.7%	4.5%	5.7%

Notes:

1. Excess Insurance is assumed to be paid at the beginning of year and is not discounted or increased to reflect higher probability levels.
2. Fiscal year ending 6/30/13 Service Revenue estimated using a 3.58% annual trend.

The above figures are based on service revenue projections shown in Exhibit 4. Any differences between actual contract amounts and revenue charges assumed by these projections would affect our estimates. Both the estimated Sheriff and Public Works/Other Department's revenue charges are above the current 4.0% charge for both funding years¹.

In setting the actual rates to be charged, we understand the Committee also considers the actuarial status of the Program. Therefore, charged rates may differ from the estimates presented in these tables.

¹ The 4.0% rates took effect as of January 1, 2010; however, the Sheriff's department surcharge was temporarily suspended from January 1, 2010 to June 30, 2010.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

Comparison to Prior Analysis

Our previous estimate of the Program unpaid claims was based on claim data valued as of June 30, 2010. Our ultimate loss & ALAE estimates for claims occurring through June 30, 2011 have increased slightly since our previous analysis, for both auto and general liability. In all three analysis segments, there were increases in the most recent years and decreases in the older years. For the auto and general liability claims handled by Carl Warren, the decreases partially offset the increases. For the liability claims handled by County Counsel, the decreases completely offset the increases and therefore, there was an overall decrease. Exhibit 8 for each segment shows the change in ultimates by year.

Definitions

The following terms are defined with respect to our report:

- *Expected value* refers to estimates that reflect average trends in claim frequency and severity, with no explicit provision for adverse fluctuation from year to year. Within this analysis, our expected value selections are intended to be actuarial central estimates.
- *Actuarial central estimate* is one that represents an expected value over the range of reasonably possible outcomes. We arrived at these estimates by making selections from the results of various actuarial methods that, although they do not explicitly calculate a distribution, nonetheless are expected to fairly quantify the actuarial central estimate as defined in the previous sentence.
- *Discounted* refers to estimates reduced for investment income that could be earned on investable assets held to support the claim liabilities.
- *Probability level* refers to the approximate probability that actual costs will not exceed the indicated amounts during the program year, due to variation resulting from the random nature of claims.

The process of discounting for investment income introduces additional uncertainties. In addition, discounting unpaid estimates diminishes the risk margin implicit in a full-value unpaid estimate. Therefore, a discounted unpaid estimate can be an inadequate estimate of economic value unless appropriate risk margins are considered.

The difference between the probability level and expected value estimates can be considered a provision for adverse claim development. Given the uncertainty and volatility of ultimate claim costs, such an unpaid estimate is an important element of a reasonably funded self-insurance plan. Variations from the expected value estimates are likely and stem from the following:

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

1. *Random nature of claims.* We attempted to provide for the effects of random claim variation through the use of probability level factors. The resulting probability level indications contain a provision for adverse development due to this source of variation.
2. *Assumption that the historical experience of the program is indicative of the true mean of future claims.* To the extent this value varies from our selections, additional uncertainty is created. The claim variation attributable to this latter source is unquantifiable.

The factors described above can impact claim frequency; however, they are more likely to affect claim severity. Therefore, the potential emergence of catastrophic or new types of claims becomes more significant when high loss retention levels are under review. As a result, we believe any evaluation of high retention levels for general liability self-insurance programs should include subjective consideration of contingent events that cannot be reasonably projected or quantified on an actuarial basis.

METHODOLOGY

Overview

The estimates contained in this report are based on our actuarial analysis of the Program's historical claim experience. The methods used include claim count development; paid and incurred loss development; frequency, severity and loss cost analyses; the Cape Cod method; and the Bornhuetter-Ferguson (B-F) method.

The analysis was conducted separately for claims administered by Carl Warren and the County Counsel. The Carl Warren claims were further segregated between automobile and general liability. The methods used in the analysis are consistent between the Carl Warren and County Counsel claims. The section below discusses estimates for the Carl Warren automobile liability claims, and are show in the "CW:AL" series of exhibits. Estimates for Carl Warren general liability and County Counsel claims (general and automobile liability combined) are shown in the "CW:GL" and "CC:GL" series of exhibits, respectively.

We performed the analysis on a fiscal accident year basis and projected ultimate loss and ALAE amounts for each year. These estimates were then allocated between the Sheriff's Department and all other departments. The indicated unpaid amounts were estimated by subtracting the payments made through the evaluation date from our ultimate loss and ALAE estimates. Adjustments were made to reflect the anticipated impact of the Program's excess insurance. A discount for future interest was then applied and

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

a margin for contingencies was estimated. The estimated unpaid ULAE was based on an analysis of historical administrative and third party administrator (TPA) fees.

The funding estimates were based on the projected exposure for fiscal years ending June 30, 2012 and June 30, 2013, together with the estimated claim costs and ULAE for each year. Exposures for fiscal years ending June 30, 2012 and June 30, 2013 were estimated using a 3.58% annual trend from the fiscal year ending June 30, 2011. To the extent that actual exposures differ from these projections, our estimates should be adjusted appropriately.

Loss Development

The reported claim count development and the selected reporting pattern are presented in Exhibit CW:AL-1. Closed claim count development is presented in CW:AL-2. Incurred and paid development patterns were selected from the loss and ALAE data shown in Exhibit CW:AL-3. The development factors displayed in the exhibits reflect the change between successive annual valuations. The cumulative factors are a multiplicative accumulation of the selected incremental factors (from right to left), representing anticipated development to ultimate.

An illustration of the development process is provided on the final page of Exhibits CW:AL-3. The incremental percentage columns represent the portion of the total amount for a FAY estimated to be reported (or paid) during the indicated twelve-month period. The cumulative lines portray the accumulation of the incremental percentages. For example, we estimate that approximately 27%² of the ultimate loss amount for a FAY is reported as of 12 months after the beginning of that year, and that an additional 48% is reported during the subsequent year. Thus, we estimate that about 76%³ (= 27% + 48%) of the total loss amount is reported as of 24 months.

We applied the cumulative factors to the reported experience to obtain the indicated ultimate amounts shown in Exhibit CW:AL-4. For claim amounts, a weighted average of the incurred and paid projections was selected.

² The inverse of the 12-to-ultimate factor of 3.665.

³ The inverse of the 24-to-ultimate factor of 1.322.

Milliman

Cost Projections

Two methodologies were used to project claim costs. In the first method, we analyzed the frequency (claims per exposure) and severity (average cost per claim) trends, while in the second method we reviewed the trends in loss costs (average cost per exposure). The results of these analyses are shown in Exhibits CW:AL-5 through CW:AL-7. The exposure measure used in the frequency and loss cost analyses was contract Service Revenue collected by the County.

Using the selected trends, the respective claim parameters (i.e. frequency, severity or loss cost) were adjusted to the 2011 level. These are noted in the Cost Projection exhibits as "Indicated" amounts [Column (5)]. We also used the "Cape Cod" method [Column (6)] to estimate the expected 2011-level claim parameters. This method blends the results of the development method and the cost projection analysis.

The application of the Cape Cod method in the frequency analysis is discussed as an illustration. The Cape Cod on-level frequency (Exhibit CW:AL-5, Column 6) for 2011 and prior years is a weighted average of the indicated on-level frequencies shown in Column 5. The weights used in this method vary in proportion to the exposure volume and maturity of the year, and are inversely proportional to the time between each year used in the method and the year for which an estimate is made. An exponential decay factor is used to account for the deterioration over time in the usefulness of information.

Based on the Indicated and Cape Cod figures, a 2011-level frequency selection was made. For prior years, this selection was de-trended to prior cost levels. These are titled "Fitted" amounts in the Cost Projection exhibits [Column (7)]. The projected claim count is equal to the product of the de-trended frequency and the exposure for the year.

For years in which we estimate that more than 80% of the total claim count was reported as of June 30, 2011, the selected claim count on Exhibit CW:AL-5, Column 10 is equal to the developed count. In less mature years, we applied the Bornhuetter-Ferguson (B-F) method to the reported and projected claim counts. The B-F method is described in the following section of this report.

Analogous computations were made in the severity and loss cost analyses, as shown in Exhibits CW:AL-6 and CW:AL-7. The fitted severity for each year was multiplied by the projected claim count (Exhibit CW:AL-5) to estimate the ultimate amounts. Additional estimates were formulated as the

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

product of the fitted loss costs and exposures. These amounts appear in the final columns of the respective exhibits.

Estimated Ultimate Amount

The development and projection method estimates are summarized in Exhibit CW:AL-8. The projection method selected ultimate amounts (Column 5) are weighted averages of the frequency-severity and loss cost indications. The weights were selected judgmentally, based on our assessment of the various projections.

The selected ultimate loss and ALAE amounts were allocated between the Sheriff's Department and all other departments, as shown in Exhibits CW:AL-9. For 2010 and prior years, the allocation is based on the reported experience for each department group. Based on the indicated allocations for 2010 and prior, we assumed that 91% of the reported claim amounts would be allocated to the Sheriff's department.

Program Unpaid

Calculation of the Program unpaid amount is set forth in Exhibit CW:AL-10 (as of June 30, 2011). The unpaid amounts were estimated separately for the Sheriff's Department and all other departments. The indicated unpaid is the selected ultimate amount less the payments made through the evaluation date.

The indicated unpaid amount was then reduced by: (i) excess recoverable, to reflect expected insurance recoveries above the self-insured retention (SIR); and (ii) discount for future interest, in consideration of the investment income expected to be earned on the unpaid amounts. A contingency margin corresponding to the 75%, 80% and 90% probability levels and a provision for ULAE were added to the unpaid estimate. The excess insurance recoverable, discount for future interest, margin for contingencies, and unpaid ULAE estimate are discussed below.

Excess Insurance Recoverables. For each year, the amount above the SIR was estimated from the assumed loss and ALAE occurrence size distribution. The occurrence size distribution was based on the incurred amounts evaluated as of June 30, 2011. The data was compiled on an occurrence basis, consistent with our understanding of the Program's excess insurance coverage. The indicated parameters of the assumed lognormal distribution were a 2011-level mean of significant occurrences (i.e., above

Milliman

\$2,500) of \$23,369 and a coefficient of variation equal to 4.12. The impact of any coverage aggregates on the policy limits were assumed to be negligible.

Discount for Future Interest. The discounted unpaid amounts shown in Exhibit CW:AL-10 are the product of the retained unpaid amounts and discount factors. The discount factors were based on the assumptions that: (i) investment income is earned on the Fund's assets at the rate of 1.0% per annum; (ii) that payments are made in the middle of each fiscal year on average; and (iii) the assumed claim payment pattern continues to apply.

Margin for Contingencies. The contingency margin was estimated statistically from an assumed aggregate loss distribution. The distribution compounds a Poisson frequency process with a lognormal severity distribution. The Poisson distribution was based on the 2011-level frequency selected on Exhibit CW:AL-5, and exposures for 2011, while the lognormal distribution was the one used to estimate excess insurance recoverables.

Unallocated Loss Adjustment Expenses (ULAE). The Program's ULAE liabilities were assumed to consist of administrative and TPA fees. The unpaid ULAE estimate does not include and provision for other Program expenses.

To produce an unpaid ULAE estimate, we first selected a ratio of administrative fees to retained losses + ALAE, and a ratio of TPA fees to retained losses + ALAE. The selected administrative "paid-to-paid" ratio was multiplied by estimated unpaid retained loss + ALAE as of June 30, 2011 to determine unpaid administrative fees associated with unpaid claims as of those respective dates.

The selected TPA "paid-to-paid" ratio was multiplied by half of the sum of unpaid retained loss + ALAE and retained loss + ALAE IBNR as of June 30, 2011 to determine unpaid TPA fees associated with unpaid claims as of those respective dates. This method accounts for the expectation that half of the TPA fees associated with a claim are paid when the claim is opened, and half when the claim is closed. These calculations are presented on Exhibit 5.

Excess Insurance Costs. To estimate annual excess insurance costs, we selected a ratio of historical annual premiums to total ultimate direct loss and ALAE by fiscal accident year. To estimate the cost for future funding years, we multiplied this selected ratio by the projected ultimate loss and ALAE. The

Milliman

allocation of future excess insurance costs between Sheriff's Department and Public Works/Other Departments is based on the current respective 90%/10% split between the two Departments. These calculations are shown on Exhibit 6.

Fiscal Years Ending June 30, 2012 and June 30, 2013 Funding Projections

Using the selected allocation percentage, as well as the ultimate losses implied by the frequency, severity and loss costs analyses, we projected the expected value of claims-related expenses for fiscal years ending June 30, 2012 and June 30, 2013. This is shown on exhibits CW:AL-8 and CW:AL-9. These estimates were then reduced by: (i) excess recoverable, to reflect expected insurance recoveries above the current SIR; and (ii) discount for future interest, in consideration of the investment income expected to be earned on the unpaid amounts. Contingency margins corresponding to the 75%, 80% and 90% probability levels and a provision for ULAE were added to the unpaid estimate. These adjustments are shown on exhibits CW:AL-11 and CW:AL-12.

Service Revenue Charge

The estimated Service Revenue Charges for fiscal years ending June 30, 2012 and June 30, 2013 were calculated based on projections of retained ultimate loss and ALAE, excess insurance and ULAE costs for both the Sheriff's Department and Public Works/Other Departments. This is detailed on Exhibit 6.

Hershey and Talamaivao Judgments

Due to the nature and magnitude of the Hershey and Talamaivao judgments, we excluded these claims from the analysis. We understand that as of August 2008 both claims have been fully paid by the County and have been fully reimbursed by the Fund.

While claims similar to Hershey and Talamaivao could occur, the manner in which the County makes decisions regarding claim handling has fundamentally changed. Therefore, claims of this magnitude are not likely and we believe it is appropriate to exclude these claims from the analysis.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

Special Indemnity Agreement Cases

The County identified two claims as of June 30, 2011 which fall under the previously mentioned County-City Special Indemnity Agreement. In our analysis, we have reduced the amounts on those claims by 50%, in order to reflect the terms of the Special Indemnity Agreement.

LIMITATIONS

Inherent Variability

The estimates presented in this report are based on the available data and information. It is important to realize that variation from these estimates, or any actuarial estimate of future costs, is not only possible but probable. The inherent variability may result in actual costs being either above or below the estimates set forth herein. The variability in the Program claim unpaid is greater than usual, due to the nature of California municipal liability, the relatively high self-insured retention, and the lack of comprehensive historical data.

We have based our conclusions largely on past developments in California experience. However, future claim costs could be affected by unanticipated changes in the legal system or economic environment, among other factors. Even if there are no unanticipated changes, there is an inherent fluctuation in the amount of actual claims around an expected amount. This variability arises from the random nature of the claims process.

The scope of liability coverage has been expanded over time in California. The estimates set forth in this report do not reflect the impact of any future coverage expansions. In particular, we assumed the Program's environmental liability exposure has been and will continue to be negligible. Our estimates make no provision for the expected future emergence of new classes of losses or types of losses not sufficiently represented in the historical database, or which are not yet quantifiable.

Sensitivity

The sensitivity of key variables in the analyses was considered. Key variables include loss development factors and the selected trends, frequencies, severities and loss costs used in the Cost Projections/B-F

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

Methods. The overall results are sensitive to any of these and reasonable alternative selections could change the results in either direction.

Discounting

In estimating the Program's actuarial status, we used an annual effective interest rate of 1.0%. The interest rate was provided to us by the County. The County selected the interest rate because the County has greater familiarity with its current investments, its investment policy, and the potential investment returns of its asset portfolio. We are not able to assess the reasonableness of the selected interest rate without performing a substantial amount of additional work beyond the scope of our assignment. As such, we express no opinion on the appropriateness of the interest rate.

Future rates of return are not guaranteed and may exceed or fall below the assumed rate. Also, the actual timing of loss payments is subject to variability. Further, our projections assume the existence of valid assets underlying the unpaid claim liabilities and that these assets have scheduled maturities that are appropriate to meet the cash flow needs of the County. We have not reviewed the held assets.

Excess Insurance

We did not review the actual excess insurance contracts of the Program, but relied on summaries of the terms of the contracts provided by the County. Our results, net of excess insurance, assume that all excess insurance is valid and collectible. We are not able to assess the potential for uncollectible excess insurance without performing a substantial amount of additional work beyond the scope of our assignment. An assessment of the potential for uncollectible excess insurance is outside the scope of our assignment. We have not anticipated any contingent liabilities that could arise if the insurers do not meet their obligations to the Program as reflected in the data and other information provided to us.

Data Sources

In performing our analysis, we have relied on the data and other information provided by the County. We also relied on information from an external Milliman analysis, as well as industry sources. We have not audited, verified, or reviewed this data and information for reasonableness and consistency. Such a review was beyond the scope of our assignment. If the underlying data or information is incomplete or

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

inaccurate, the results of the analysis may likewise be incomplete or inaccurate and adjustments to our findings and conclusions may be required.

We were provided updated revenue figures for fiscal years ending June 30, 2006 through June 30, 2011. These figures reflect an increased accuracy in the recorded timing of revenue payments. Assuming a constant lag of payments-to-recording, we have indexed revenue figures for prior years based on this data for the more recent years.

Additionally, Animal Control revenue was not available for fiscal years ending June 30, 2007 through 2010. Therefore, we have estimated those amounts based on revenue collected in other fiscal years. As this department represents a very small portion of the total exposure to liability, we do not feel this significantly impacted our estimate of the Program's actuarial status, or future funding projections.

CLOSING

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained herein.

Milliman appreciates the opportunity to once again be of service to Contract Cities Self-Insurance Program. We are available to answer questions concerning this analysis.



Michael L. DeMattei
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Milliman, Inc.
January 3, 2012

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROGRAM UNPAID AND ACTUARIAL STATUS
AS OF JUNE 30, 2011**

	\$Millions
Estimated Ultimate Loss and ALAE	\$104.5
Payments to June 30, 2011	(66.2)
Indicated Unpaid Loss and ALAE	\$38.3
Excess Insurance Recoverable	(2.8)
Unpaid ULAE	1.3
Retained Unpaid Loss and LAE	\$36.7
Estimated Investment Income (1.0% Interest)	(\$0.8)
Discounted Unpaid	\$35.9
Margin for Contingencies	
(75% Level)	\$4.5
(80% Level)	5.9
(90% Level)	9.9
Program Unpaid	
(75% Level)	\$40.4
(80% Level)	41.8
(90% Level)	45.8
Assets as of June 30, 2011	\$60.3
Actuarial Status	
(75% Level)	\$20.0
(80% Level)	18.6
(90% Level)	14.5

Note: 1. The amounts shown in this exhibit exclude the Talamaivao and Hershey judgments.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROGRAM UNPAID AND ACTUARIAL STATUS (\$000)
AS OF JUNE 30, 2011**

	Sheriff's Department	All Other Departments	Total
Estimated Ultimate Loss and ALAE	\$96,264	\$8,217	\$104,482
Payments to June 30, 2011	(62,428)	(3,792)	(66,220)
Excess Insurance Recoverable	(2,435)	(332)	(2,767)
Unpaid ULAE	1,109	144	1,254
Retained Unpaid Loss and LAE	\$32,511	\$4,238	\$36,749
Estimated Investment Income (1.0% Interest)	(\$743)	(\$102)	(\$845)
Discounted Unpaid	\$31,768	\$4,136	\$35,904
Margin for Contingencies			
(75% Level)	\$3,965	\$506	\$4,471
(80% Level)	5,217	663	5,880
(90% Level)	8,813	1,109	9,923
Program Unpaid			
(75% Level)	\$35,732	\$4,643	\$40,375
(80% Level)	36,985	4,800	41,784
(90% Level)	40,581	5,246	45,826
Assets as of June 30, 2011	\$56,663	\$3,686	\$60,349
Actuarial Status			
(75% Level)	\$20,930	(\$956)	\$19,974
(80% Level)	19,678	(1,114)	18,565
(90% Level)	16,082	(1,560)	14,522

Fiscal Year Ending June 30	Projected Payment of Retained Unpaid		
	Sheriff's Department	All Other Departments	Total
2012	\$9,869	\$1,090	\$10,960
2013	7,326	931	8,257
2014	5,281	827	6,108
2015	4,010	604	4,614
2016	2,850	359	3,209
2017 +	3,175	427	3,602
Total	\$32,511	\$4,238	\$36,749

Note: 1. The amounts shown in this exhibit exclude the Talamaivao and Hershey judgments.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**FUNDING ESTIMATE (\$MILLIONS)
FISCAL YEAR ENDING JUNE 30, 2012**

	Sheriff's Department	All Other Departments	Total
Estimated Ultimate Loss and ALAE	\$11.2	\$0.9	\$12.1
Excess Insurance Recoverable	(0.8)	(0.1)	(0.9)
Unallocated Loss Adjustment Expense	0.4	0.0	0.4
Retained Loss and LAE	\$10.7	\$0.9	\$11.6
Estimated Investment Income (1.0% Interest)	(\$0.4)	(\$0.0)	(\$0.5)
Discounted Loss and LAE	\$10.3	\$0.8	\$11.2
Margin for Contingencies			
(75% Level)	\$1.3	\$0.1	\$1.4
(80% Level)	1.7	0.1	1.9
(90% Level)	2.9	0.2	3.2
Claim Cost Funding Estimate			
(75% Level)	\$11.6	\$0.9	\$12.6
(80% Level)	12.0	1.0	13.0
(90% Level)	13.2	1.1	14.3
Excess Insurance Expense	\$1.0	\$0.1	\$1.1
Funding Estimate			
(75% Level)	\$12.6	\$1.1	\$13.7
(80% Level)	13.0	1.1	14.1
(90% Level)	14.2	1.2	15.4

Notes: 1. Unallocated loss adjustment expense consists of Administrative and TPA fees.

2. Excess Insurance Expense is allocated based on a 90%/10% split between Sheriff's Department and Public Works/Other Departments.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**FUNDING ESTIMATE (\$MILLIONS)
FISCAL YEAR ENDING JUNE 30, 2013**

	Sheriff's Department	All Other Departments	Total
Estimated Ultimate Loss and ALAE	\$12.4	\$1.0	\$13.4
Excess Insurance Recoverable	(0.9)	(0.1)	(1.0)
Unallocated Loss Adjustment Expense	0.4	0.0	0.5
Retained Loss and LAE	\$11.9	\$1.0	\$12.9
Estimated Investment Income (1.0% Interest)	(\$0.5)	(\$0.0)	(\$0.5)
Discounted Loss and LAE	\$11.4	\$0.9	\$12.4
Margin for Contingencies			
(75% Level)	\$1.4	\$0.1	\$1.6
(80% Level)	1.9	0.2	2.1
(90% Level)	3.2	0.3	3.5
Claim Cost Funding Estimate			
(75% Level)	\$12.9	\$1.0	\$13.9
(80% Level)	13.3	1.1	14.4
(90% Level)	14.7	1.2	15.8
Excess Insurance Expense	\$1.1	\$0.1	\$1.2
Funding Estimate			
(75% Level)	\$14.0	\$1.2	\$15.1
(80% Level)	14.4	1.2	15.6
(90% Level)	15.8	1.3	17.1

- Notes: 1. Unallocated loss adjustment expense consists of Administrative and TPA fees.
2. Excess Insurance Expense is allocated based on a 90%/10% split between Sheriff's Department and Public Works/Other Departments.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM

PROGRAM SERVICE REVENUE CHARGE

Accident Year Ending June 30	(1) Sheriff's Department Service Revenue (\$000)	(2) Ultimate Loss & ALAE (\$000)	(3) Excess Paid Loss & ALAE (\$000)	(4) Excess Recoverable Loss & ALAE (\$000)	(5) Ultimate Retained Loss & ALAE (\$000) (2) - (3) - (4)	(6) Excess Insurance Premium (\$000) (Exhibit 6)	(7) Indicated Service Revenue Charge (No ULAE) [(5) + (6)] / (1)	(8) ULAE Load (Note 4)	(9) Indicated Service Revenue Charge (7) + (8)
2005	\$175,357	\$5,851	\$0	\$0	\$5,851	\$1,210	4.0%		
2006	186,810	2,052	0	3	2,049	1,180	1.7%		
2007	197,208	3,237	0	23	3,213	1,173	2.2%		
2008	217,141	8,316	0	225	8,090	1,197	4.3%		
2009	228,739	13,089	24	549	12,516	962	5.9%		
2010	241,234	11,652	0	775	10,877	1,053	4.9%		
2011	258,693	10,061	0	727	9,334	986	4.0%	0.15%	4.5%
2012	262,656	11,175	0	830	10,345	992	4.3%	0.16%	4.8%
2013	272,059	12,398	0	936	11,462	1,085	4.6%		

Accident Year Ending June 30	(10) Public Works/ Other Departments Service Revenue (\$000)	(11) Ultimate Loss & ALAE (\$000)	(12) Excess Paid Loss & ALAE (\$000)	(13) Excess Recoverable Loss & ALAE (\$000)	(14) Ultimate Retained Loss & ALAE (\$000) (11) - (12) - (13)	(15) Excess Insurance Premium (\$000) (Exhibit 6)	(16) Indicated Service Revenue Charge (No ULAE) [(14) + (15)] / (10)	(17) ULAE Load (Note 5)	(18) Indicated Service Revenue Charge (16) + (17)
2005	\$19,614	\$660	\$0	\$4	\$657	\$134			
2006	19,795	93	0	1	92	131	1.1%		
2007	19,213	8	0	0	8	130	0.7%		
2008	22,949	339	0	10	329	133	2.0%		
2009	21,253	1,794	0	124	1,670	107	8.4%		
2010	26,874	1,773	0	132	1,641	117	6.5%		
2011	27,680	840	0	60	779	110	3.2%	0.11%	3.4%
2012	28,671	907	0	66	840	110	3.3%	0.12%	3.6%
2013	29,698	996	0	74	922	121	3.5%		

- Notes: 1. 2012 and 2013 revenue projected assuming a 3.58% annual trend.
 2. Columns (2) and (11) compiled from Exhibits CW/AL-9, CW/GL-9 and CC/GL-9.
 3. Columns (4) and (13) compiled from Exhibits CW/AL-10, CW/GL-10 and CC/GL-10 for 2005-2010, CW/AL-12, CW/GL-12 and CC/GL-12 for 2011, and CW/AL-13, CW/GL-13 and CC/GL-13 for 2012.
 4. Column (6) equals the sum of selected TPA and Administrative Fee ratios on Exhibit 5 times Column (5) divided by Column (1).
 5. Column (17) equals the sum of selected TPA and Administrative Fee ratios on Exhibit 5 times Column (14) divided by Column (10).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

UNALLOCATED LOSS ADJUSTMENT EXPENSES (ULAE)

Calendar Year Ending June 30	(1) Retained Paid Loss & ALAE (\$000)	(2) TPA Fees (\$000)	(3) TPA Fees Ratio (2) / (1)	(5) Administrative Fees (\$000)	(6) Administrative Fees Ratio (5) / (1)
2008	\$8,789	\$44	0.5%	\$325	3.7%
2009	6,758	59	0.9%	165	2.4%
2010	5,877	62	1.1%	254	4.3%
2011	10,915	61	0.6%	205	1.9%
		Average	0.7%	Average	3.1%
		(4) Selected	0.7%	(7) Selected	3.1%

Analysis Group	(8) Retained Case Reserves as of June 30, 2011 (\$000)	(9) Retained Unpaid as of June 30, 2011 (\$000)	(10) Unpaid TPA Fees as of June 30, 2011 (4) x (9) - (8) / 2	(11) Unpaid Administrative Fees as of June 30, 2011 (7) x (9)
Carl Warren - Auto Liability				
Sheriff's Department	\$1,692	\$2,517	\$12	\$78
Public Works/Other Departments	2	135	1	4
Carl Warren - General Liability				
Sheriff's Department	33	80	0	2
Public Works/Other Departments	2,290	2,795	12	87
County Counsel - General Liability				
Sheriff's Department	22,215	28,805	124	893
Public Works/Other Departments	876	1,164	5	36

- Notes: 1. Loss Payments do not include payments on the Talamaivao judgment.
2. Column (9) compiled from Exhibits CW:AL-10, CW:GL-10 and CC:GL-10.
3. Column (13) compiled from Exhibits CW:AL-11, CW:GL-11 and CC:GL-11.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

EXCESS INSURANCE EXPENSES

Accident Year Ending June 30	(1) Ultimate Loss & ALAE (\$000)	(2) Excess Insurance Premium (\$000)	(3) Ratio (2) / (1)
2005	\$6,512	\$1,345	21%
2006	2,145	1,311	61%
2007	3,244	1,303	40%
2008	8,655	1,330	15%
2009	14,884	1,069	7%
2010	13,425	1,170	9%
2011	10,901	1,095	10%
2012	12,082	1,103	9%

Average	22%
Weighted Average	14%
Weighted Average (2010 - 2012)	9%
(4) Selected	9%

Accident Year Ending June 30	(5) Ultimate Loss & ALAE (\$000)	(6) Sheriff's Dept Excess Insurance Premium (\$000) (4) x (5) x 90%	(7) Public Works/Other Excess Insurance Premium (\$000) (4) x (5) x 10%
2013	\$13,394	\$1,085	\$121

- Notes: 1. Allocation of excess insurance premium is 90%/10% between Sheriff's Department and Public Works/Other Departments, respectively.
2. Columns (1) and (5) compiled from Exhibits CW:AL-8, CW:GL-8 and CC:GL-8.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

REPORTED CLAIM COUNT DEVELOPMENT

Accident Year Ending June 30	Reported Claim Count by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					1,948	1,948	1,948	1,948	1,948	1,948	1,948	1,948
2001				73	73	73	73	73	73	73	73	
2002			78	78	78	78	78	78	78	78		
2003		58	59	57	57	57	57	57	57			
2004	36	66	68	68	66	66	66	66				
2005	24	37	37	37	37	37	37					
2006	34	71	72	74	74	74						
2007	20	59	61	61	61							
2008	90	129	130	130								
2009	98	138	136									
2010	69	109										
2011	77											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2001				1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2002			1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2003		1.017	0.966	1.000	1.000	1.000	1.000	1.000				
2004	1.833	1.030	1.000	0.971	1.000	1.000	1.000					
2005	1.542	1.000	1.000	1.000	1.000	1.000						
2006	2.088	1.014	1.028	1.000	1.000							
2007	2.950	1.034	1.000	1.000								
2008	1.433	1.008	1.000									
2009	1.408	0.986										
2010	1.580											
Wtd Avg All	1.642	1.009	1.000	0.996	1.000	1.000	1.000	1.000	1.000	1.000		
Wtd Avg Last 4	1.570	1.005	1.007	0.992	1.000	1.000	1.000					
Wtd Avg Last 3	1.463	1.003	1.008	1.000	1.000	1.000	1.000	1.000				
Prior (6/10)	1.656	1.017	1.008	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.463	1.009	1.007	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	1.486	1.016	1.007	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Note: Averages exclude development factors from Prior line.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

CLOSED CLAIM COUNT DEVELOPMENT

Accident Year Ending June 30	Closed Claim Count by Development Month												
	12	24	36	48	60	72	84	96	108	120	132	144	
Prior					1,944	1,944	1,946	1,948	1,948	1,948	1,948	1,948	1,948
2001				63	63	63	73	73	73	73	73	71	
2002			60	73	74	74	78	78	78	78			
2003		30	42	44	53	57	57	57	57				
2004	9	39	40	54	65	66	66	66					
2005	8	23	33	37	37	37	37						
2006	7	49	67	72	74	74							
2007	7	44	60	60	61								
2008	31	109	118	123									
2009	50	110	124										
2010	19	69											
2011	19												

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.000	1.001	1.001	1.000	1.000	1.000	1.000	1.000
2001				1.000	1.000	1.159	1.000	1.000	1.000	0.973		
2002			1.217	1.014	1.000	1.054	1.000	1.000	1.000			
2003		1.400	1.048	1.205	1.075	1.000	1.000	1.000				
2004	4.333	1.026	1.350	1.204	1.015	1.000	1.000					
2005	2.875	1.435	1.121	1.000	1.000	1.000						
2006	7.000	1.367	1.075	1.028	1.000							
2007	6.286	1.364	1.000	1.017								
2008	3.516	1.083	1.042									
2009	2.200	1.127										
2010	3.632											

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM

INCURRED LOSS AND ALAE DEVELOPMENT

Accident Year Ending June 30	Incurred Loss and ALAE (\$000) by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					\$18,452	\$18,743	\$18,723	\$18,720	\$18,720	\$18,720	\$18,720	\$18,720
2001				\$579	595	589	576	576	576	576	576	
2002			\$2,356	2,285	2,290	2,295	2,267	2,267	2,267	2,265		
2003		\$378	677	419	355	337	337	337	337			
2004	\$381	1,871	2,639	2,236	2,181	2,181	2,181	2,180				
2005	219	116	93	84	84	84	84					
2006	165	294	320	409	412	412						
2007	43	161	131	131	131							
2008	345	934	1,005	769								
2009	278	295	489									
2010	278	1,070										
2011	431											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.016	0.999	1.000	1.000	1.000	1.000	1.000	1.000
2001				1.028	0.989	0.979	1.000	1.000	1.000	1.000		
2002			0.970	1.002	1.002	0.988	1.000	1.000	0.999			
2003		1.790	0.620	0.847	0.948	1.000	1.000	1.000				
2004	4.905	1.410	0.847	0.975	1.000	1.000	1.000					
2005	0.530	0.805	0.898	1.000	1.000	1.000						
2006	1.776	1.089	1.280	1.006	1.000							
2007	3.725	0.812	1.000	1.000								
2008	2.706	1.076	0.766									
2009	1.060	1.658										
2010	3.847											
Wtd Avg All	2.772	1.322	0.877	0.984	0.997	0.993	1.000	1.000	0.999	1.000		
Wtd Avg Last 4	2.603	1.155	0.900	0.982	0.994	0.994	1.000					
Wtd Avg Last 3	2.550	1.169	0.900	1.004	1.000	1.000	1.000	1.000				
Prior (6/10)	2.563	1.296	1.021	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	2.772	1.322	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	3.665	1.322	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Note: Averages exclude development factors from Prior line.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM

PAID LOSS AND ALAE DEVELOPMENT

Accident Year Ending June 30	Paid Loss and ALAE (\$000) by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					\$18,002	\$18,178	\$18,719	\$18,720	\$18,720	\$18,720	\$18,720	\$18,720
2001				\$375	574	575	576	576	576	576	576	576
2002			\$2,212	2,245	2,258	2,267	2,267	2,267	2,267	2,265		
2003		\$166	323	333	336	337	337	337	337			
2004	\$56	996	2,119	2,176	2,181	2,181	2,181	2,180				
2005	27	70	84	84	84	84	84					
2006	41	239	304	402	412	412						
2007	8	121	131	131	131							
2008	109	336	436	518								
2009	97	190	276									
2010	49	191										
2011	82											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.010	1.030	1.000	1.000	1.000	1.000	1.000	1.000
2001				1.532	1.001	1.002	1.000	1.000	1.000	1.000	1.000	
2002			1.015	1.006	1.004	1.000	1.000	1.000	0.999			
2003		1.946	1.030	1.011	1.001	1.000	1.000	1.000				
2004	17.925	2.129	1.027	1.002	1.000	1.000	1.000					
2005	2.538	1.197	1.002	1.000	1.000	1.000						
2006	5.783	1.272	1.322	1.024	1.000							
2007	14.562	1.081	1.000	1.000								
2008	3.080	1.295	1.189									
2009	1.966	1.448										
2010	3.922											
Wtd Avg All	5.531	1.734	1.050	1.040	1.002	1.000	1.000	1.000	0.999	1.000		
Wtd Avg Last 4	3.188	1.293	1.189	1.005	1.000	1.000	1.000					
Wtd Avg Last 3	2.818	1.300	1.207	1.016	1.000	1.000	1.000	1.000				
Prior (6/10)	5.763	1.762	1.073	1.041	1.038	1.030	1.000	1.000	1.000	1.000	1.000	1.000
Selected	5.531	1.513	1.120	1.016	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	9.535	1.724	1.139	1.017	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000

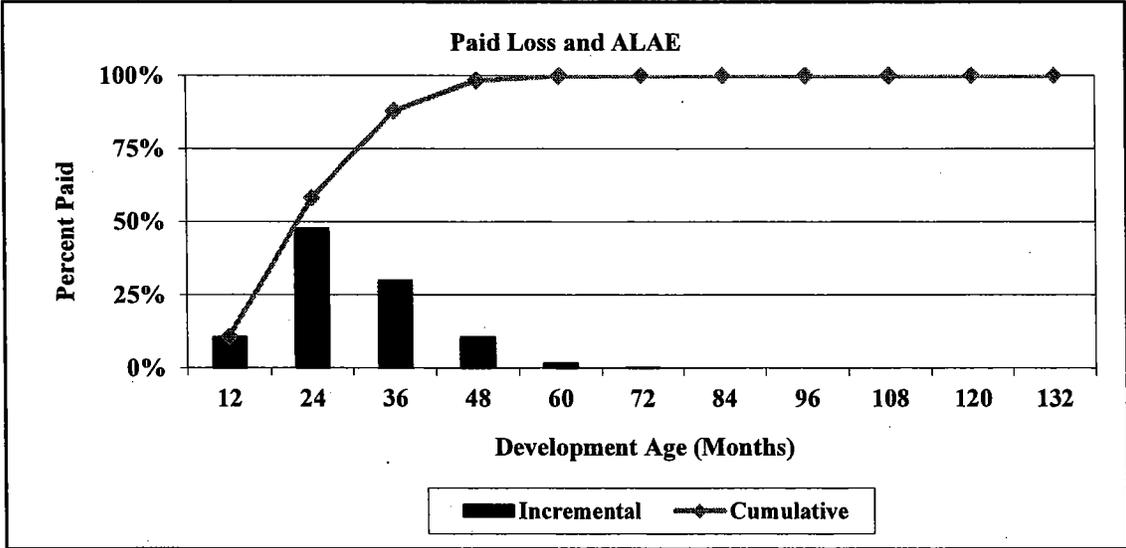
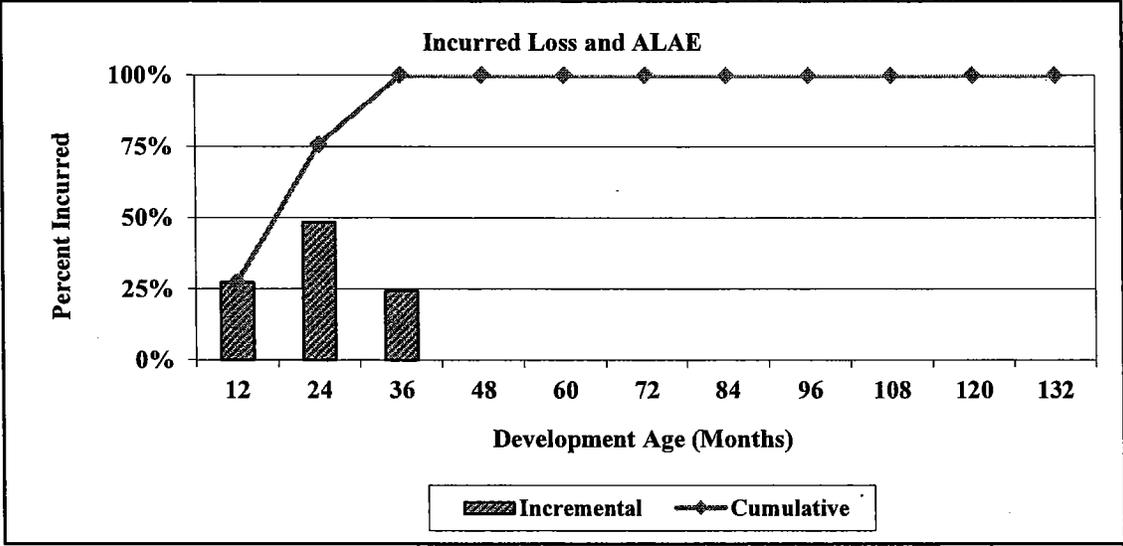
Note: Averages exclude development factors from Prior line.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
 CONTRACT CITIES SELF-INSURANCE PROGRAM

LOSS AND ALAE DEVELOPMENT PATTERNS



Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

DEVELOPED EXPERIENCE (\$000)

Accident Year Ending June 30	(1) Reported as of June 30, 2011	(2) Factor to Ultimate [CW:AL-1]	(3) Developed Ultimate [(1) x (2)]
------------------------------------	---	---	---

1. Reported Claim Count

Prior	1,948	1.000	1,948
2001	73	1.000	73
2002	78	1.000	78
2003	57	1.000	57
2004	66	1.000	66
2005	37	1.000	37
2006	74	1.000	74
2007	61	1.000	61
2008	130	1.000	130
2009	136	1.007	137
2010	109	1.016	111
2011	77	1.486	114
Total	2,846		2,886

Accident Year Ending June 30	(4) Incurred as of June 30, 2011	(5) Factor to Ultimate [CW:AL-3]	(6) Developed Ultimate [(4) x (5)]	(7) Paid as of June 30, 2011	(8) Factor to Ultimate [CW:AL-3]	(9) Developed Ultimate [(7) x (8)]	(10) Development Methods Selection
------------------------------------	---	---	---	---------------------------------------	---	---	---

2. Loss and ALAE

Prior	\$18,720	1.000	\$18,720	\$18,720	1.000	\$18,720	\$18,720
2001	576	1.000	576	576	1.000	576	576
2002	2,265	1.000	2,265	2,265	1.000	2,265	2,265
2003	337	1.000	337	337	1.000	337	337
2004	2,180	1.000	2,180	2,180	1.000	2,180	2,180
2005	84	1.000	84	84	1.000	84	84
2006	412	1.000	412	412	1.000	412	412
2007	131	1.000	131	131	1.002	131	131
2008	769	1.000	769	518	1.017	527	769
2009	489	1.000	489	276	1.139	314	489
2010	1,070	1.322	1,415	191	1.724	330	1,415
2011	431	3.665	1,580	82	9.535	777	1,580
Total	\$27,465		\$28,958	\$25,771		\$26,653	\$28,958

Note: Column (10) is a weighted average of Columns (4), (6) and (9).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

FREQUENCY ANALYSIS

Accident Year Ending June 30	(1)	(2)	(3)	(4)	(5) (6)		(7)	(8)	(9)	(10)
	Developed Ultimate Count [CW:AL-4]	Contract Service Revenue (\$Millions)	Indicated Frequency [(1) / (2)]	Factor to 2011-Level	2011-Level Frequency		Fitted Frequency [Selected / (4)]	Projected Claim Count [(2) x (7)]	Estimated % Reported	Selected Claim Count
					Indicated [(3) x (4)]	Cape Cod				

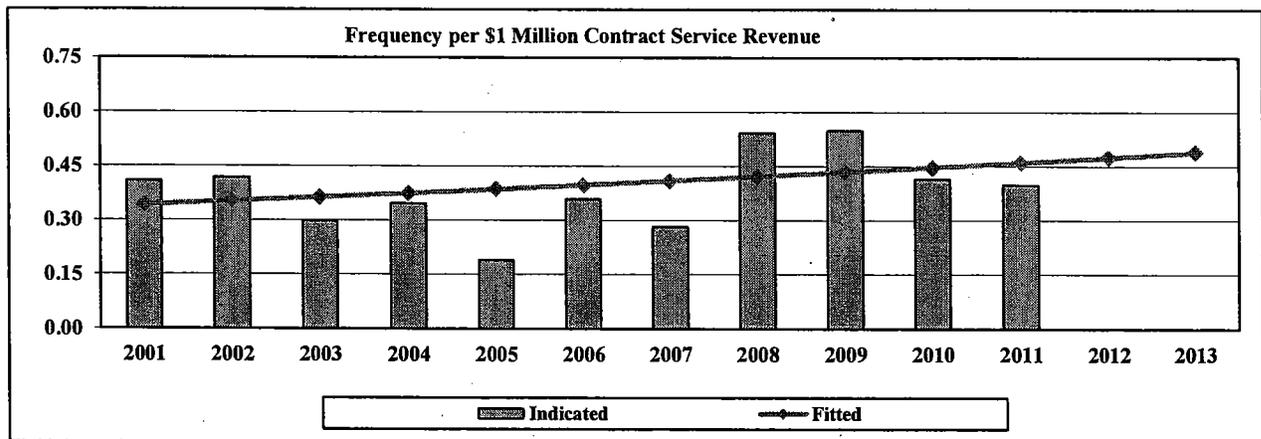
2001	73	\$179	0.408	1.344	0.548	0.459	0.342	61	100%	73
2002	78	187	0.416	1.305	0.543	0.449	0.353	66	100%	78
2003	57	191	0.298	1.267	0.377	0.431	0.363	70	100%	57
2004	66	191	0.345	1.230	0.425	0.421	0.374	72	100%	66
2005	37	195	0.190	1.194	0.227	0.413	0.385	75	100%	37
2006	74	207	0.358	1.159	0.415	0.423	0.397	82	100%	74
2007	61	216	0.282	1.126	0.317	0.433	0.409	88	100%	61
2008	130	240	0.541	1.093	0.592	0.456	0.421	101	100%	130
2009	137	250	0.548	1.061	0.581	0.464	0.434	108	99%	137
2010	111	268	0.414	1.030	0.426	0.455	0.447	120	98%	111
2011	114	286	0.398	1.000	0.398	0.450	0.460	132	67%	120
2012		291		0.971			0.474	138	0%	138
2013		302		0.943			0.488	147	0%	147

Average

2001-2010	0.449	0.442
2006-2010	0.471	0.448

Selected

0.460



- Notes: 1. Column (4) is based on an annual trend of 3.0% for 2001 through 2013.
 2. Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.
 3. For years with Column (9) < 80%. Column (10) = [(1) x (9)] + [(8) x (1.0 - (9))]. For other years, Column (10) = (1).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

SEVERITY ANALYSIS (\$000)

Accident Year Ending June 30	(1)	(2)	(3)	(4)	(5) (6)		(7)	(8)
	Development Methods Selection [CW:AL-4]	Selected Claim Count [CW:AL-5]	Indicated Severity [(1) / (2)]	Factor to 2011-Level	2011-Level Severity		Fitted Severity [Selected / (4)]	Projected Ultimate [(2) x (7)]
					Indicated [(3) x (4)]	Cape Cod		
2001	\$576	73	\$7.90	1.344	\$10.61	\$17.75		
2002	2,265	78	29.04	1.305	37.89	18.70		
2003	337	57	5.91	1.267	7.48	16.93		
2004	2,180	66	33.03	1.230	40.63	16.26		
2005	84	37	2.26	1.194	2.70	13.24		
2006	412	74	5.57	1.159	6.45	11.09		
2007	131	61	2.14	1.126	2.41	9.63		
2008	769	130	5.92	1.093	6.47	8.87		
2009	489	137	3.57	1.061	3.79	8.52	\$8.20	\$1,123
2010	1,415	111	12.75	1.030	13.13	9.10	8.45	938
2011	1,580	120	13.16	1.000	13.16	9.30	8.70	1,044
2012		138		0.971			8.96	1,237
2013		147		0.943			9.23	1,357

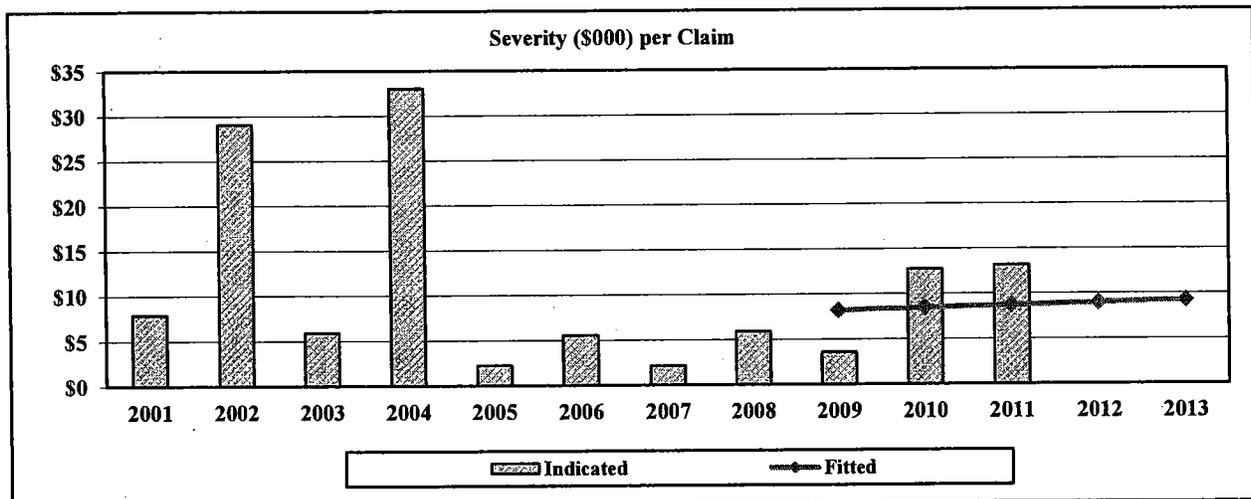
Average

2001-2010
2006-2010

\$12.60 \$12.16
6.71 9.24

Selected

\$8.70



- Notes: 1. Column (4) is based on an annual trend of 3.0%.
2. Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.

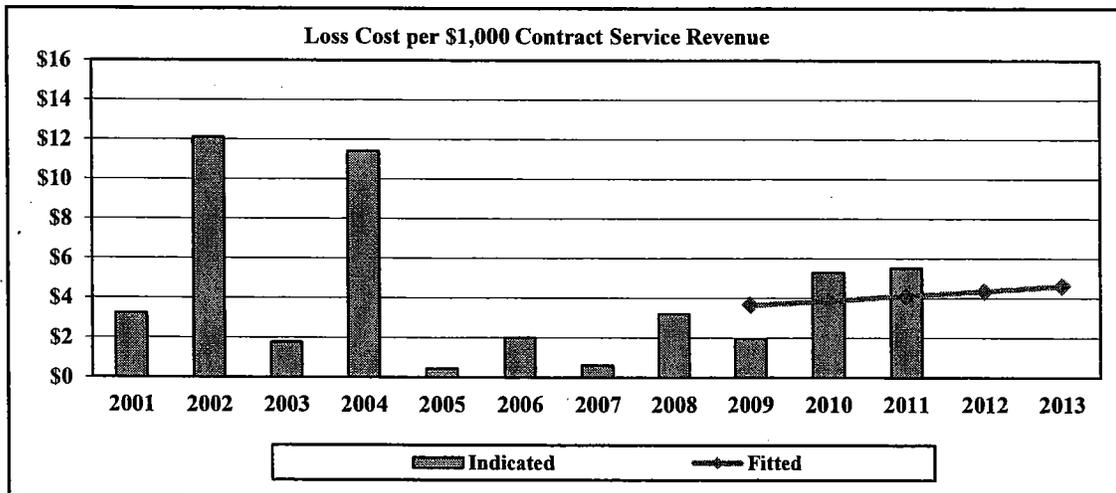
Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

LOSS COST ANALYSIS (\$000)

Accident Year Ending June 30	(1)	(2)	(3)	(4)	(5) (6)		(7)	(8)
	Development Methods Selection	Contract Service Revenue	Indicated Loss Cost	Factor to 2011-Level	2011-Level Loss Cost		Fitted Loss Cost	Projected Ultimate
	[CW:AL-4]	(\$Millions)	[(1) / (2)]		Indicated	Cape Cod	[Selected / (4)]	[(2) x (7)]
					[(3) x (4)]			
2001	\$576	\$179	\$3.22	1.808	\$5.82	\$8.34		
2002	2,265	187	12.09	1.704	20.61	8.64		
2003	337	191	1.76	1.606	2.82	7.53		
2004	2,180	191	11.40	1.514	17.26	7.10		
2005	84	195	0.43	1.427	0.61	5.70		
2006	412	207	1.99	1.345	2.68	4.90		
2007	131	216	0.60	1.267	0.76	4.36		
2008	769	240	3.20	1.194	3.83	4.22		
2009	489	250	1.96	1.126	2.20	4.12	\$3.64	\$910
2010	1,415	268	5.28	1.061	5.60	4.31	3.86	1,036
2011	1,580	286	5.52	1.000	5.52	4.37	4.10	1,174
2012		291		0.943			4.35	1,267
2013		302		0.888			4.62	1,393
Average								
2001-2010					\$5.91	\$5.73		
2006-2010					3.12	4.36		
Selected						\$4.10		



- Notes: 1. Loss costs are per \$1,000 contract service revenue.
 2. Column (4) is based on an annual trend of 6.1% for 2001 through 2013.
 3. Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

ESTIMATED ULTIMATE LOSS AND ALAE (\$000)

Accident Year Ending June 30	(1) Incurred as of June 30, 2011	(2) Development Methods Selection [CW:AL-4]	(4) Projected Ultimate			(6) Estimated % Reported	(7) Selected Ultimate Amount	(8) Prior Selected Ultimate Amount	(9) Change (7) - (8)
			(3) Frequency x Severity [CW:AL-6]	(4) Loss Cost [CW:AL-7]	(5) Selected Average				
			Prior	\$18,720	\$18,720				
2001	576	576				100.0%	576	576	0
2002	2,265	2,265				100.0%	2,265	2,267	-2
2003	337	337				100.0%	337	337	0
2004	2,180	2,180				100.0%	2,180	2,181	0
2005	84	84				100.0%	84	84	0
2006	412	412				100.0%	412	412	0
2007	131	131				100.0%	131	131	0
2008	769	769				100.0%	769	1,026	-257
2009	489	489	\$1,123	\$910	\$1,070	100.0%	489	533	-44
2010	1,070	1,415	938	1,036	962	75.6%	1,305	981	324
2011	431	1,580	1,044	1,174	1,077	27.3%	1,214	1,111	103
2012			1,237	1,267	1,244	0.0%	1,244	1,210	34
2013			1,357	1,393	1,366	0.0%	1,366		
Prior - 2011	\$27,465	\$28,958					\$28,482	\$28,358	\$124

Note: For years with more than 80% estimated reported, Column (7) = (2). Otherwise, Column (7) = [(2) x (6)] + [(5) x (1.0 - (6))].
For 2012 and 2013, Column (7) = (5).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**ALLOCATION OF ULTIMATE AMOUNT (\$000)
BY DEPARTMENT GROUP**

Accident Year Ending June 30	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)			(9)	(10)
	Sheriff's Department	All Other Departments	Total [(1) + (2)]	Sheriff's Department [(1) / (3)]	All Other Departments [(2) / (3)]	Incurred Experience Allocation of	Sheriff's Department [(1) / (3)]	All Other Departments [(2) / (3)]	Sheriff's Department	All Other Departments [(1.0 - (6))]	Selected Allocation	Sheriff's Department [(6) x (8)]	All Other Departments [(7) x (8)]	Total [CW:AL-8]	Sheriff's Department [(6) x (8)]	All Other Departments [(7) x (8)]	Estimated Ultimate Amount		
Prior	\$18,352	\$368	\$18,720	98%	2%	Incurred Experience	98%	2%	98%	2%	Selected Allocation	98%	2%	2%	2%	2%	\$18,720	\$18,352	\$368
2001	576	0	576	100%	0%	Allocation of	100%	0%	100%	0%	Sheriff's Department	100%	0%	0%	0%	0%	576	576	0
2002	2,217	48	2,265	98%	2%	Incurred Experience	98%	2%	98%	2%	Sheriff's Department	98%	2%	2%	2%	2%	2,265	2,217	48
2003	336	1	337	100%	0%	Allocation of	100%	0%	100%	0%	Sheriff's Department	100%	0%	0%	0%	0%	337	336	1
2004	1,543	637	2,180	71%	29%	Incurred Experience	71%	29%	71%	29%	Sheriff's Department	71%	29%	29%	29%	29%	2,180	1,543	637
2005	84	0	84	100%	0%	Allocation of	100%	0%	100%	0%	Sheriff's Department	100%	0%	0%	0%	0%	84	84	0
2006	370	42	412	90%	10%	Incurred Experience	90%	10%	90%	10%	Sheriff's Department	90%	10%	10%	10%	10%	412	370	42
2007	131	0	131	100%	0%	Allocation of	100%	0%	100%	0%	Sheriff's Department	100%	0%	0%	0%	0%	131	131	0
2008	759	10	769	99%	1%	Incurred Experience	99%	1%	99%	1%	Sheriff's Department	99%	1%	1%	1%	1%	769	759	10
2009	488	1	489	100%	0%	Allocation of	100%	0%	100%	0%	Sheriff's Department	100%	0%	0%	0%	0%	489	488	1
2010	1,063	7	1,070	99%	1%	Incurred Experience	99%	1%	99%	1%	Sheriff's Department	97%	3%	3%	3%	3%	1,305	1,266	39
2011	425	6	431	99%	1%	Allocation of	99%	1%	99%	1%	Sheriff's Department	91%	9%	9%	9%	9%	1,214	1,105	109
2012						Incurred Experience					Sheriff's Department	91%	9%	9%	9%	9%	1,244	1,132	112
2013						Allocation of					Sheriff's Department	91%	9%	9%	9%	9%	1,366	1,243	123
Prior - 2011 Selected	\$26,344	\$1,121	\$27,465	91%	9%	Incurred Experience	91%	9%	91%	9%	Sheriff's Department	91%	9%	9%	9%	9%	\$28,482	\$27,225	\$1,257

Note: For 2009 and prior years, Columns (6) and (7) are equal to Columns (4) and (5) respectively. For 2010, Columns (6) and (7) are equal to a weighted average of Columns (4) and (5) and the selected allocation. For 2011-2013, Columns (6) and (7) are equal to the selected allocation.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

PROGRAM UNPAID CLAIM AMOUNT (\$000) AS OF JUNE 30, 2011

Accident Year Ending June 30	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (9) (10)		
	Selected Ultimate Loss & ALAE [CW:AL-9]	Paid as of June 30, 2011	Indicated Unpaid [(1) - (2)]	Excess Insurance Recoverable	Retained Unpaid [(3) - (4)]	Discount Factor [1.0% Interest]	Discounted Unpaid [(5) x (6)]	Program Unpaid		
								75% Level [1.17 x (7)]	80% Level [1.24 x (7)]	90% Level [1.45 x (7)]
1. Sheriff's Department										
Prior	\$18,352	\$18,352	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0
2001	576	576	0	0	0	1.000	0	0	0	0
2002	2,217	2,217	0	0	0	1.000	0	0	0	0
2003	336	336	0	0	0	1.000	0	0	0	0
2004	1,543	1,543	0	0	0	1.000	0	0	0	0
2005	84	84	0	0	0	1.000	0	0	0	0
2006	370	370	0	0	0	1.000	0	0	0	0
2007	131	131	0	0	0	0.995	0	0	0	0
2008	759	508	252	5	246	0.994	245	287	303	356
2009	488	274	214	5	209	0.994	208	243	257	302
2010	1,266	184	1,081	24	1,058	0.992	1,049	1,228	1,298	1,525
2011	1,105	78	1,027	23	1,004	0.989	993	1,162	1,229	1,443
Subtotal	\$27,225	\$24,652	\$2,574	\$56	\$2,517	0.991	\$2,495	\$2,920	\$3,087	\$3,626
ULAE					90	0.991	89	104	110	129
Total					\$2,607		\$2,584	\$3,024	\$3,197	\$3,755
2. All Other Departments										
Prior	\$368	\$368	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0
2001	0	0	0	0	0	1.000	0	0	0	0
2002	48	48	0	0	0	1.000	0	0	0	0
2003	1	1	0	0	0	1.000	0	0	0	0
2004	637	637	0	0	0	1.000	0	0	0	0
2005	0	0	0	0	0	1.000	0	0	0	0
2006	42	42	0	0	0	1.000	0	0	0	0
2007	0	0	0	0	0	0.995	0	0	0	0
2008	10	10	0	0	0	0.994	0	0	0	0
2009	1	1	0	0	0	0.994	0	0	0	0
2010	39	7	32	1	31	0.992	31	37	39	45
2011	109	4	105	2	103	0.989	102	119	126	148
Subtotal	\$1,257	\$1,119	\$138	\$3	\$135	0.990	\$133	\$156	\$165	\$193
ULAE					5	0.990	5	6	6	7
Total					\$140		\$138	\$162	\$171	\$201
3. Total										
Prior	\$18,720	\$18,720	\$0	\$0	\$0		\$0	\$0	\$0	\$0
2001	576	576	0	0	0		0	0	0	0
2002	2,265	2,265	0	0	0		0	0	0	0
2003	337	337	0	0	0		0	0	0	0
2004	2,180	2,180	0	0	0		0	0	0	0
2005	84	84	0	0	0		0	0	0	0
2006	412	412	0	0	0		0	0	0	0
2007	131	131	0	0	0		0	0	0	0
2008	769	518	252	5	246		245	287	303	356
2009	489	276	214	5	209		208	243	257	302
2010	1,305	191	1,114	24	1,089		1,080	1,264	1,337	1,570
2011	1,214	82	1,132	25	1,107		1,095	1,282	1,355	1,591
Subtotal	\$28,482	\$25,771	\$2,711	\$59	\$2,652		\$2,628	\$3,075	\$3,252	\$3,819
ULAE					95		94	110	116	137
Total					\$2,747		\$2,722	\$3,185	\$3,368	\$3,956

Note: ULAE is a provision for Administrative and TPA Fees, and is calculated on Exhibit 5.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROJECTED CLAIM COST (\$000)
FISCAL YEAR ENDING JUNE 30, 2012**

	Sheriff's Department	All Other Departments	Total
A. Estimated Ultimate Loss and ALAE	\$1,132	\$112	\$1,244
B. Excess Insurance Recoverable	(25)	(2)	(28)
C. Unallocated Loss Adjustment Expense	42	4	46
D. Retained Loss and LAE	\$1,149	\$114	\$1,263
E. Anticipated Investment Income (1.0% Interest)	(\$22)	(\$2)	(\$24)
F. Discounted Loss and LAE	\$1,127	\$111	\$1,238
G. Contingency Margin			
(75% Level)	\$192	\$19	\$211
(80% Level)	268	26	294
(90% Level)	511	51	561
H. Projected Claim Cost			
(75% Level)	\$1,319	\$130	\$1,449
(80% Level)	1,395	138	1,533
(90% Level)	1,638	162	1,800

- Notes: 1. Line B is based on an estimated 2.2% of ultimate loss and ALAE excess of the self-insured retention of \$2 million.
2. Line C is based on an estimated 3.8% of retained ultimate loss and ALAE required to cover TPA and Administrative fees.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROJECTED CLAIM COST (\$000)
FISCAL YEAR ENDING JUNE 30, 2013**

	Sheriff's Department	All Other Departments	Total
A. Estimated Ultimate Loss and ALAE	\$1,243	\$123	\$1,366
B. Excess Insurance Recoverable	(28)	(3)	(30)
C. Unallocated Loss Adjustment Expense	46	5	51
D. Retained Loss and LAE	\$1,261	\$125	\$1,386
E. Anticipated Investment Income (1.0% Interest)	(\$24)	(\$2)	(\$27)
F. Discounted Loss and LAE	\$1,237	\$122	\$1,359
G. Contingency Margin			
(75% Level)	\$211	\$21	\$232
(80% Level)	294	29	323
(90% Level)	561	55	616
H. Projected Claim Cost			
(75% Level)	\$1,448	\$143	\$1,591
(80% Level)	1,531	151	1,682
(90% Level)	1,798	178	1,976

Notes: 1. Line B is based on an estimated 2.2% of ultimate loss and ALAE excess of the self-insured retention of \$2 million.

2. Line C is based on an estimated 3.8% of retained ultimate loss and ALAE required to cover TPA and Administrative fees.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

REPORTED CLAIM COUNT DEVELOPMENT

Accident Year Ending June 30	Reported Claim Count by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					267	268	268	268	268	268	268	268
2001				18	18	18	18	18	18	18	18	18
2002			20	24	24	24	24	24	24	24	24	
2003		17	19	19	19	18	18	18	18			
2004	6	12	12	12	12	12	12	12				
2005	8	14	15	15	15	15	15					
2006	2	1	2	2	2	2						
2007	0	4	6	6	6							
2008	3	12	16	19								
2009	4	25	35									
2010	10	21										
2011	9											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.004	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2001				1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2002			1.200	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2003		1.118	1.000	1.000	0.947	1.000	1.000	1.000				
2004	2.000	1.000	1.000	1.000	1.000	1.000	1.000					
2005	1.750	1.071	1.000	1.000	1.000	1.000						
2006	0.500	2.000	1.000	1.000	1.000							
2007		1.500	1.000	1.000								
2008	4.000	1.333	1.188									
2009	6.250	1.400										
2010	2.100											
Wtd Avg All	2.697	1.235	1.078	1.000	0.989	1.000	1.000	1.000	1.000	1.000		
Wtd Avg Last 4	3.647	1.405	1.077	1.000	0.979	1.000	1.000					
Wtd Avg Last 3	3.412	1.390	1.125	1.000	1.000	1.000	1.000	1.000				
Prior (6/10)	2.957	1.167	1.054	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	2.697	1.235	1.078	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	3.591	1.331	1.078	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Note: Averages exclude development factors from Prior line.

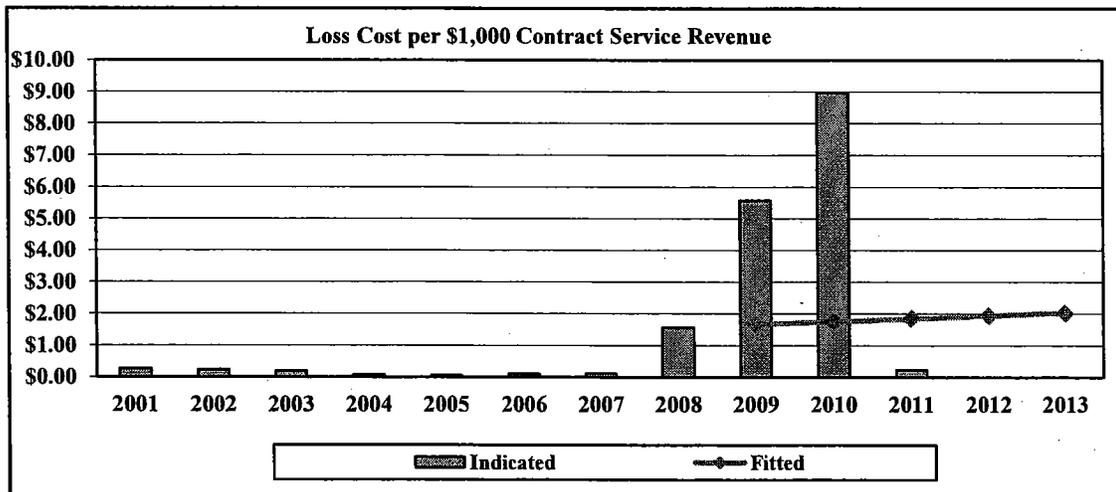
Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

LOSS COST ANALYSIS (\$000)

Accident Year Ending June 30	(1)	(2)	(3)	(4)	(5) (6)		(7)	(8)
	Development Methods Selection [CW:GL-4]	Contract Service Revenue (\$Millions)	Indicated Loss Cost [(1) / (2)]	Factor to 2011-Level	2011-Level Loss Cost		Fitted Loss Cost [Selected / (4)]	Projected Ultimate [(2) x (7)]
					Indicated [(3) x (4)]	Cape Cod		
2001	\$47	\$179	\$0.26	1.629	\$0.42	\$0.65		
2002	44	187	0.23	1.551	0.36	0.67		
2003	37	191	0.20	1.477	0.29	0.73		
2004	13	191	0.07	1.407	0.09	0.82		
2005	10	195	0.05	1.340	0.07	0.98		
2006	21	207	0.10	1.276	0.13	1.23		
2007	26	216	0.12	1.216	0.14	1.61		
2008	375	240	1.56	1.158	1.81	2.19		
2009	1,393	250	5.57	1.103	6.14	2.93	\$1.67	\$417
2010	2,405	268	8.97	1.050	9.42	3.31	1.75	470
2011	65	286	0.23	1.000	0.23	3.28	1.84	527
2012		291		0.952			1.93	563
2013		302		0.907			2.03	612
Average								
					2001-2009	\$1.22	\$1.40	
					2005-2009	1.84	1.85	
Selected						\$1.84		



- Notes: 1. Loss costs are per \$1,000 contract service revenue.
 2. Column (4) is based on an annual trend of 5.0% for 2001 through 2013.
 3. Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

ESTIMATED ULTIMATE LOSS AND ALAE (\$000)

Accident Year Ending June 30	(1) Incurred as of June 30, 2011	(2) Development Methods Selection [CW:GL-4]	(4) Projected Ultimate			(6) Estimated % Reported	(7) Selected Ultimate Amount	(8) Prior Selected Ultimate Amount	(9) Change (7) - (8)
			(3) Frequency x Severity [CW:GL-6]	(4) Loss Cost [CW:GL-7]	(5) Selected Average				
Prior	\$1,551	\$1,551				100.0%	\$1,551	\$1,551	\$0
2001	47	47				100.0%	47	47	0
2002	44	44				100.0%	44	44	0
2003	37	37				100.0%	37	37	0
2004	13	13				100.0%	13	13	0
2005	10	10				100.0%	10	10	0
2006	21	21				100.0%	21	21	0
2007	26	26				100.0%	26	26	0
2008	375	375				100.0%	375	390	-15
2009	1,393	1,393	\$689	\$417	\$553	100.0%	1,393	604	788
2010	935	2,405	495	470	483	38.9%	1,230	292	938
2011	3	65	520	527	524	5.2%	500	312	188
2012			504	563	534	0.0%	534	349	184
2013			551	612	582	0.0%	582		
Prior - 2011	\$4,453	\$5,984					\$5,244	\$3,345	\$1,899

Note: For years with more than 80% estimated reported, Column (7) = (2). Otherwise, Column (7) = [(2) x (6)] + [(5) x (1.0 - (6))].
For 2012 and 2013, Column (7) = (5).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**ALLOCATION OF ULTIMATE AMOUNT (\$000)
BY DEPARTMENT GROUP**

Accident Year Ending June 30	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)		(9)		(10)
	Sheriff's Department	All Other Departments	Total [(1) + (2)]	Sheriff's Department [(1) / (3)]	All Other Departments [(2) / (3)]	Sheriff's Department	All Other Departments [(1) - (6)]	Sheriff's Department [(1) / (3)]	All Other Departments [(2) / (3)]	Sheriff's Department	All Other Departments [(1) - (6)]	Sheriff's Department	All Other Departments [(6) x (8)]	Total [CW:GL-8]	Sheriff's Department [(6) x (8)]	All Other Departments [(7) x (8)]	Estimated Ultimate Amount		
Prior	\$73	\$1,478	\$1,551	5%	95%	5%	95%	5%	95%	5%	95%	5%	95%	\$1,551	\$73	\$1,478			
2001	26	21	47	56%	44%	56%	44%	56%	44%	56%	44%	56%	44%	47	26	21			
2002	2	42	44	5%	95%	5%	95%	5%	95%	5%	95%	5%	95%	44	2	42			
2003	8	30	37	20%	80%	20%	80%	20%	80%	20%	80%	20%	80%	37	8	30			
2004	2	11	13	15%	85%	15%	85%	15%	85%	15%	85%	15%	85%	13	2	11			
2005	9	1	10	93%	7%	93%	7%	93%	7%	93%	0%	100%	10	9	1				
2006	0	21	21	0%	100%	0%	100%	0%	100%	0%	100%	0%	100%	21	0	21			
2007	18	8	26	71%	29%	71%	29%	71%	29%	71%	71%	29%	26	18	8				
2008	142	233	375	38%	62%	38%	62%	38%	62%	38%	38%	62%	375	142	233				
2009	10	1,383	1,393	1%	99%	1%	99%	1%	99%	1%	99%	1%	99%	1,393	10	1,383			
2010	31	904	935	3%	97%	3%	97%	3%	97%	3%	97%	3%	97%	1,230	41	1,189			
2011	2	1	3	60%	40%	60%	40%	60%	40%	60%	9%	91%	500	45	455				
2012											9%	91%	534	48	486				
2013											9%	91%	582	52	529				
Prior - 2011 Selected	\$322	\$4,131	\$4,453	9%	91%									\$5,244	\$375	\$4,870			

Note: For 2010 and prior years, Columns (6) and (7) are equal to Columns (4) and (5) respectively. For 2011-2013, Columns (6) and (7) are equal to the selected allocation.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

PROGRAM UNPAID CLAIM AMOUNT (\$000) AS OF JUNE 30, 2011

Accident Year Ending June 30	(1) Selected Ultimate Loss & ALAE [CW:GL-9]	(2) Paid as of June 30, 2011	(3) Indicated Unpaid [(1) - (2)]	(4) Excess Insurance Recoverable	(5) Retained Unpaid [(3) - (4)]	(6) Discount Factor [1.0% Interest]	(7) Discounted Unpaid [(5) x (6)]	(8) (9) (10) Program Unpaid		
								75% Level [1.12 x (7)]	80% Level [1.16 x (7)]	90% Level [1.26 x (7)]
								1. Sheriff's Department		
Prior	\$73	\$73	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0
2001	26	26	0	0	0	1.000	0	0	0	0
2002	2	2	0	0	0	0.995	0	0	0	0
2003	8	8	0	0	0	0.994	0	0	0	0
2004	2	2	0	0	0	0.989	0	0	0	0
2005	9	9	0	0	0	0.986	0	0	0	0
2006	0	0	0	0	0	0.985	0	0	0	0
2007	18	18	0	0	0	0.985	0	0	0	0
2008	142	139	3	0	3	0.981	3	3	3	3
2009	10	10	0	0	0	0.977	0	0	0	0
2010	41	3	38	3	35	0.976	34	38	40	43
2011	45	0	45	3	42	0.968	40	45	47	51
Subtotal	\$375	\$289	\$86	\$6	\$80	0.972	\$77	\$87	\$90	\$98
ULAE					3	0.972	3	3	3	4
Total					\$83		\$80	\$90	\$93	\$101
2. All Other Departments										
Prior	\$1,478	\$1,478	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0
2001	21	21	0	0	0	1.000	0	0	0	0
2002	42	42	0	0	0	0.995	0	0	0	0
2003	30	30	0	0	0	0.994	0	0	0	0
2004	11	11	0	0	0	0.989	0	0	0	0
2005	1	1	0	0	0	0.986	0	0	0	0
2006	21	21	0	0	0	0.985	0	0	0	0
2007	8	8	0	0	0	0.985	0	0	0	0
2008	233	95	138	10	128	0.981	125	140	145	158
2009	1,383	100	1,283	98	1,185	0.977	1,158	1,298	1,341	1,462
2010	1,189	37	1,153	90	1,063	0.976	1,037	1,163	1,201	1,309
2011	455	0	455	36	419	0.968	405	454	469	512
Subtotal	\$4,870	\$1,841	\$3,029	\$233	\$2,795	0.976	\$2,727	\$3,056	\$3,157	\$3,441
ULAE					98	0.976	96	107	111	121
Total					\$2,893		\$2,823	\$3,163	\$3,268	\$3,562
3. Total										
Prior	\$1,551	\$1,550	\$0	\$0	\$0		\$0	\$0	\$0	\$0
2001	47	47	0	0	0		0	0	0	0
2002	44	44	0	0	0		0	0	0	0
2003	37	37	0	0	0		0	0	0	0
2004	13	13	0	0	0		0	0	0	0
2005	10	10	0	0	0		0	0	0	0
2006	21	21	0	0	0		0	0	0	0
2007	26	26	0	0	0		0	0	0	0
2008	375	234	141	10	131		128	144	148	162
2009	1,393	110	1,283	98	1,185		1,158	1,298	1,341	1,462
2010	1,230	40	1,191	93	1,098		1,072	1,201	1,241	1,352
2011	500	0	500	40	460		446	500	516	563
Subtotal	\$5,244	\$2,130	\$3,114	\$240	\$2,875		\$2,804	\$3,143	\$3,246	\$3,538
ULAE					101		99	111	114	124
Total					\$2,976		\$2,903	\$3,253	\$3,361	\$3,663

Note: ULAE is a provision for Administrative and TPA Fees, and is calculated on Exhibit 5.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROJECTED CLAIM COST (\$000)
FISCAL YEAR ENDING JUNE 30, 2012**

	Sheriff's Department	All Other Departments	Total
A. Estimated Ultimate Loss and ALAE	\$48	\$486	\$534
B. Excess Insurance Recoverable	(4)	(39)	(43)
C. Unallocated Loss Adjustment Expense	2	17	19
D. Retained Loss and LAE	\$46	\$464	\$509
E. Anticipated Investment Income (1.0% Interest)	(\$2)	(\$19)	(\$21)
F. Discounted Loss and LAE	\$44	\$444	\$488
G. Contingency Margin			
(75% Level)	\$5	\$54	\$59
(80% Level)	7	70	77
(90% Level)	12	116	128
H. Projected Claim Cost			
(75% Level)	\$49	\$498	\$547
(80% Level)	51	515	565
(90% Level)	55	561	616

Notes: 1. Line B is based on an estimated 8.0% of ultimate loss and ALAE excess of the self-insured retention of \$2 million.
2. Line C is based on an estimated 3.8% of retained ultimate loss and ALAE required to cover TPA and Administrative fees.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROJECTED CLAIM COST (\$000)
FISCAL YEAR ENDING JUNE 30, 2013**

	Sheriff's Department	All Other Departments	Total
A. Estimated Ultimate Loss and ALAE	\$52	\$529	\$582
B. Excess Insurance Recoverable	(4)	(43)	(47)
C. Unallocated Loss Adjustment Expense	2	18	20
D. Retained Loss and LAE	\$50	\$505	\$555
E. Anticipated Investment Income (1.0% Interest)	(\$2)	(\$21)	(\$23)
F. Discounted Loss and LAE	\$48	\$484	\$532
G. Contingency Margin			
(75% Level)	\$6	\$58	\$64
(80% Level)	8	76	84
(90% Level)	13	127	139
H. Projected Claim Cost			
(75% Level)	\$54	\$542	\$596
(80% Level)	55	560	616
(90% Level)	60	611	671

- Notes: 1. Line B is based on an estimated 8.1% of ultimate loss and ALAE excess of the self-insured retention of \$2 million.
2. Line C is based on an estimated 3.8% of retained ultimate loss and ALAE required to cover TPA and Administrative fees.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

REPORTED CLAIM COUNT DEVELOPMENT

Accident Year Ending June 30	Reported Claim Count by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					22	22	24	24	25	25	25	25
2001				23	23	22	22	23	23	23	23	
2002			21	21	21	21	27	27	27	27		
2003		44	50	51	52	59	59	59	59			
2004	35	77	80	80	82	83	83	82				
2005	20	41	53	56	55	55	55					
2006	14	60	71	74	74	74						
2007	28	101	109	110	110							
2008	78	146	158	159								
2009	111	199	202									
2010	80	140										
2011	65											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.000	1.091	1.000	1.042	1.000	1.000	1.000	
2001				1.000	0.957	1.000	1.045	1.000	1.000	1.000		
2002			1.000	1.000	1.000	1.286	1.000	1.000	1.000			
2003		1.136	1.020	1.020	1.135	1.000	1.000	1.000				
2004	2.200	1.039	1.000	1.025	1.012	1.000	0.988					
2005	2.050	1.293	1.057	0.982	1.000	1.000						
2006	4.286	1.183	1.042	1.000	1.000							
2007	3.607	1.079	1.009	1.000								
2008	1.872	1.082	1.006									
2009	1.793	1.015										
2010	1.750											
Wtd Avg All	2.087	1.082	1.017	1.005	1.023	1.025	1.000	1.000	1.000	1.000		
Wtd Avg Last 4	1.973	1.067	1.020	1.003	1.030	1.028	1.000					
Wtd Avg Last 3	1.803	1.052	1.015	0.996	1.005	1.000	0.994	1.000				
Prior (6/10)	2.182	1.111	1.031	1.029	1.021	1.017	1.008	1.007	1.000	1.000	1.000	1.000
Selected	1.945	1.067	1.016	1.014	1.013	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	2.164	1.113	1.043	1.027	1.013	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Note: Averages exclude development factors from Prior line.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

CLOSED CLAIM COUNT DEVELOPMENT

Accident Year Ending June 30	Closed Claim Count by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					7	18	20	23	24	25	25	25
2001				6	14	20	21	21	21	22	21	
2002			7	14	17	17	18	18	18	19		
2003		17	30	37	43	49	49	54	57			
2004	15	48	56	68	78	81	82	82				
2005	7	26	28	39	45	52	52					
2006	5	38	45	54	68	68						
2007	21	72	75	97	105							
2008	61	107	126	141								
2009	87	141	162									
2010	67	103										
2011	53											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					2.571	1.111	1.150	1.043	1.042	1.000	1.000	
2001				2.333	1.429	1.050	1.000	1.000	1.048	0.955		
2002			2.000	1.214	1.000	1.059	1.000	1.000	1.056			
2003		1.765	1.233	1.162	1.140	1.000	1.102	1.056				
2004	3.200	1.167	1.214	1.147	1.038	1.012	1.000					
2005	3.714	1.077	1.393	1.154	1.156	1.000						
2006	7.600	1.184	1.200	1.259	1.000							
2007	3.429	1.042	1.293	1.082								
2008	1.754	1.178	1.119									
2009	1.621	1.149										
2010	1.537											

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM

INCURRED LOSS AND ALAE DEVELOPMENT

Accident Year Ending June 30	Incurred Loss and ALAE (\$000) by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					\$6,207	\$4,268	\$5,010	\$4,794	\$4,283	\$4,224	\$4,224	\$4,224
2001				\$6,608	2,915	2,302	2,526	3,205	3,205	2,677	2,689	
2002			\$1,729	1,211	1,350	1,420	3,454	3,425	3,451	3,202		
2003		\$2,383	2,951	3,783	3,146	6,589	7,315	7,077	7,278			
2004	\$122	1,804	4,310	2,146	1,584	1,652	1,630	1,552				
2005	287	887	5,697	7,899	7,805	7,418	6,418					
2006	27	1,652	2,235	2,186	1,686	1,709						
2007	1,817	3,808	6,233	4,398	3,070							
2008	640	4,631	6,194	7,426								
2009	875	12,679	12,634									
2010	153	8,091										
2011	3,436											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					0.688	1.174	0.957	0.894	0.986	1.000	1.000	
2001				0.441	0.790	1.097	1.268	1.000	0.835	1.005		
2002			0.701	1.114	1.052	2.433	0.992	1.008	0.928			
2003		1.238	1.282	0.832	2.095	1.110	0.967	1.028				
2004	14.806	2.389	0.498	0.738	1.042	0.987	0.952					
2005	3.094	6.422	1.386	0.988	0.951	0.865						
2006	61.168	1.353	0.978	0.771	1.014							
2007	2.096	1.637	0.706	0.698								
2008	7.236	1.337	1.199									
2009	14.489	0.996										
2010	52.855											
Wtd Avg All	8.557	1.446	0.990	0.764	1.141	1.101	1.022	1.017	0.883	1.005		
Wtd Avg Last 4	8.380	1.199	1.076	0.851	1.221	1.102	1.022					
Wtd Avg Last 3	15.227	1.187	0.956	0.867	0.973	0.981	0.972	1.017				
CJP (6/10)	1.508	1.284	1.293	1.118	1.080	1.023	1.000	1.000	1.000	1.000	1.000	1.000
Prior (6/10)	6.758	1.821	1.035	1.011	1.007	1.004	1.000	1.000	1.000	1.000	1.000	1.000
Selected	8.557	1.446	1.018	1.006	1.004	1.002	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	12.730	1.488	1.029	1.011	1.006	1.002	1.000	1.000	1.000	1.000	1.000	1.000

Note: Averages exclude development factors from Prior line.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM

PAID LOSS AND ALAE DEVELOPMENT

Accident Year Ending June 30	Paid Loss and ALAE (\$000) by Development Month											
	12	24	36	48	60	72	84	96	108	120	132	144
Prior					\$3,785	\$3,853	\$4,040	\$4,181	\$4,222	\$4,224	\$4,224	\$4,224
2001				\$1,796	2,059	2,278	2,299	2,450	2,480	2,493	2,501	
2002			\$564	910	1,052	1,150	1,456	1,510	1,631	1,795		
2003		\$286	919	1,101	2,052	3,067	6,535	6,667	6,790			
2004	\$13	337	1,384	1,464	1,485	1,524	1,552	1,552				
2005	3	343	3,215	4,654	6,338	6,341	6,341					
2006	4	133	750	1,278	1,608	1,626						
2007	3	598	1,745	2,496	2,688							
2008	104	969	2,622	4,532								
2009	32	730	5,491									
2010	28	732										
2011	48											

Accident Year Ending June 30	Development Factors by Development Period											
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-Ult
Prior					1.018	1.049	1.035	1.010	1.000	1.000	1.000	
2001				1.147	1.106	1.009	1.066	1.012	1.005	1.004		
2002			1.613	1.156	1.093	1.266	1.037	1.080	1.101			
2003		3.209	1.198	1.865	1.494	2.131	1.020	1.018				
2004	25.131	4.108	1.058	1.015	1.026	1.018	1.000					
2005	103.507	9.383	1.448	1.362	1.001	1.000						
2006	32.813	5.656	1.704	1.259	1.011							
2007	214.355	2.916	1.431	1.077								
2008	9.278	2.706	1.729									
2009	22.854	7.526										
2010	25.727											
Wtd Avg All	20.392	4.749	1.468	1.262	1.095	1.266	1.028	1.026	1.043	1.004		
Wtd Avg Last 4	18.072	4.367	1.556	1.225	1.094	1.315	1.028					
Wtd Avg Last 3	14.747	4.292	1.623	1.262	1.006	1.320	1.019	1.026				
CJP (6/10)	4.324	2.771	1.917	1.217	1.127	1.057	1.013	1.004	1.003	1.001	1.000	
Prior (6/10)	19.443	3.989	1.441	1.388	1.303	1.104	1.039	1.031	1.004	1.000	1.000	1.000
Selected	20.392	4.749	1.468	1.266	1.262	1.095	1.043	1.028	1.026	1.004	1.000	1.000
Cumulative	274.617	13.467	2.835	1.932	1.526	1.209	1.104	1.059	1.029	1.004	1.000	1.000

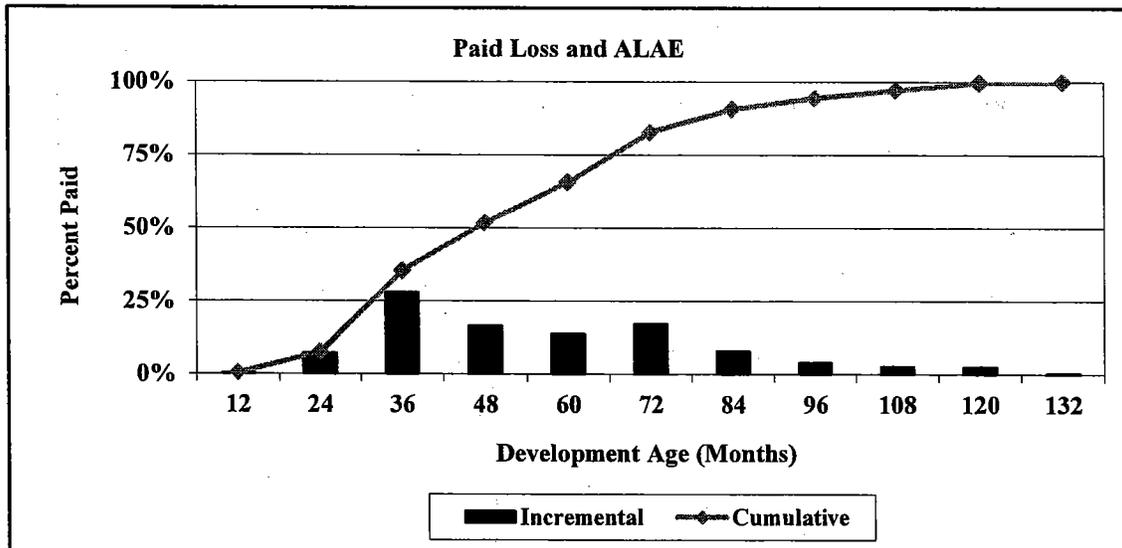
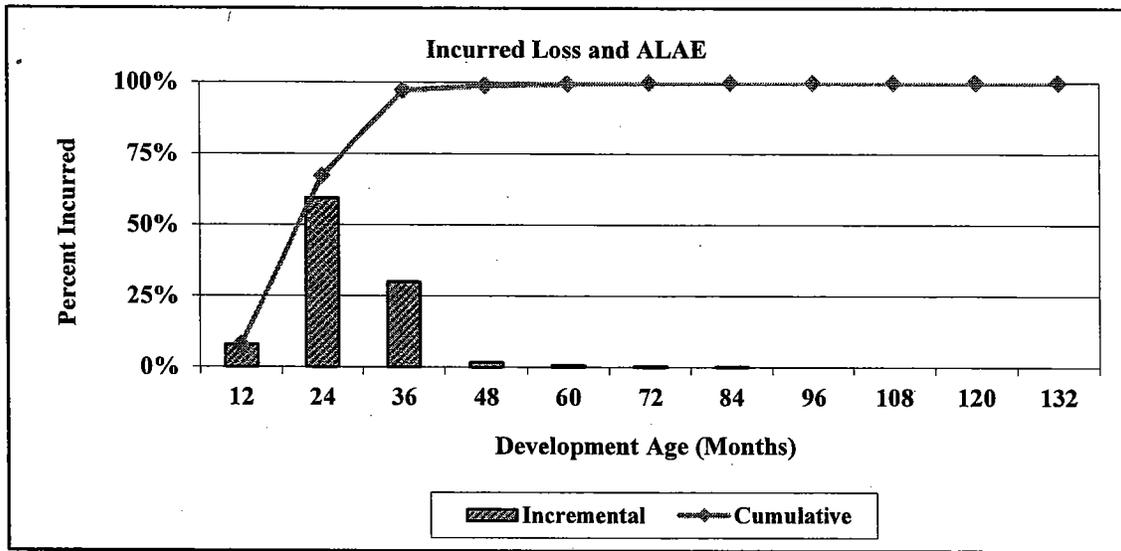
Note: Averages exclude development factors from Prior line.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM

LOSS AND ALAE DEVELOPMENT PATTERNS



Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

DEVELOPED EXPERIENCE (\$000)

Accident Year Ending June 30	(1) Reported as of June 30, 2011	(2) Factor to Ultimate [CC:GL-1]	(3) Developed Ultimate [(1) x (2)]
------------------------------------	---	---	---

1. Reported Claim Count

Prior	25	1.000	25
2001	23	1.000	23
2002	27	1.000	27
2003	59	1.000	59
2004	82	1.000	82
2005	55	1.000	55
2006	74	1.000	74
2007	110	1.013	111
2008	159	1.027	163
2009	202	1.043	211
2010	140	1.113	156
2011	65	2.164	141
Total	1,021		1,127

Accident Year Ending June 30	(4) Incurred as of June 30, 2011	(5) Factor to Ultimate [CC:GL-3]	(6) Developed Ultimate [(4) x (5)]	(7) Paid as of June 30, 2011	(8) Factor to Ultimate [CC:GL-3]	(9) Developed Ultimate [(7) x (8)]	(10) Development Methods Selection
------------------------------------	---	---	---	---------------------------------------	---	---	---

2. Loss and ALAE

Prior	\$4,224	1.000	\$4,224	\$4,224	1.000	\$4,224	\$4,224
2001	2,689	1.000	2,689	2,501	1.000	2,501	2,689
2002	3,202	1.000	3,202	1,795	1.004	1,802	3,202
2003	7,278	1.000	7,278	6,790	1.029	6,989	7,278
2004	1,552	1.000	1,552	1,552	1.059	1,643	1,552
2005	6,418	1.000	6,418	6,341	1.104	7,001	6,418
2006	1,709	1.002	1,713	1,626	1.209	1,966	1,713
2007	3,070	1.006	3,088	2,688	1.526	4,101	3,088
2008	7,426	1.011	7,511	4,532	1.932	8,756	7,511
2009	12,634	1.029	13,002	5,491	2.835	15,569	13,002
2010	8,091	1.488	12,036	732	13.467	9,855	12,036
2011	3,436	12.730	43,736	48	274.617	13,060	43,736
Total	\$61,730		\$106,450	\$38,319		\$77,468	\$106,450

Note: Column (10) is a weighted average of Columns (4), (6) and (9).

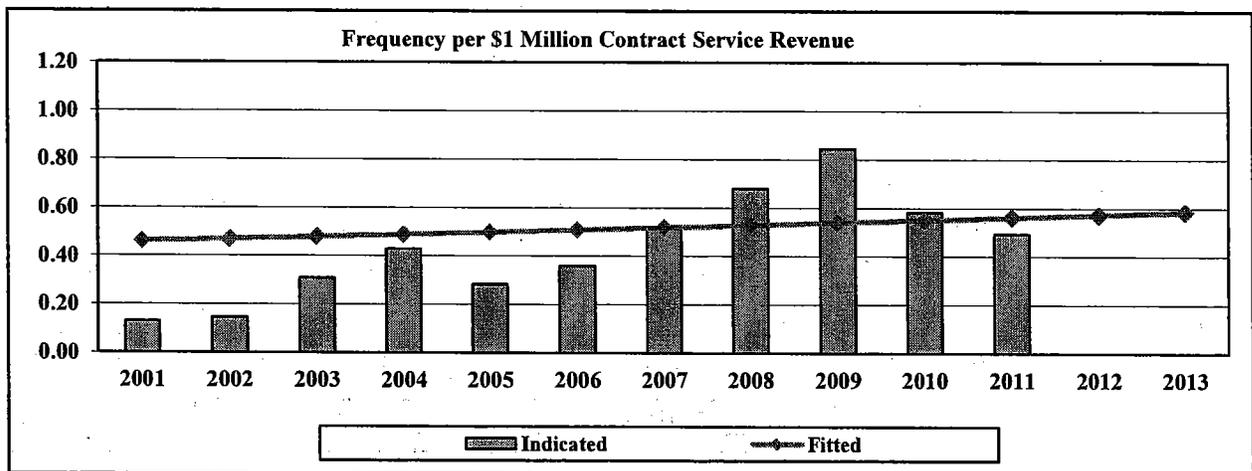
Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

FREQUENCY ANALYSIS

Accident Year Ending June 30	(1)	(2)	(3)	(4)	(6)		(7)	(8)	(9)	(10)
	Developed Ultimate Count [CC:GL-4]	Contract Service Revenue (\$Millions)	Indicated Frequency [(1) / (2)]	Factor to 2011-Level	2011-Level Frequency		Fitted Frequency [Selected / (4)]	Projected Claim Count [(2) x (7)]	Estimated % Reported	Selected Claim Count
					Indicated [(3) x (4)]	Cape Cod				
2001	23	\$179	0.129	1.219	0.157	0.338	0.459	82	100%	23
2002	27	187	0.144	1.195	0.172	0.359	0.469	88	100%	27
2003	59	191	0.308	1.172	0.361	0.396	0.478	92	100%	59
2004	82	191	0.429	1.149	0.493	0.430	0.488	93	100%	82
2005	55	195	0.282	1.126	0.318	0.454	0.497	97	100%	55
2006	74	207	0.358	1.104	0.395	0.490	0.507	105	100%	74
2007	111	216	0.513	1.082	0.555	0.535	0.517	112	99%	111
2008	163	240	0.679	1.061	0.720	0.578	0.528	127	97%	163
2009	211	250	0.844	1.040	0.878	0.606	0.538	135	96%	211
2010	156	268	0.582	1.020	0.593	0.599	0.549	147	90%	156
2011	141	286	0.492	1.000	0.492	0.591	0.560	160	46%	151
2012		291		0.980			0.571	166	0%	166
2013		302		0.961			0.583	176	0%	176
Average										
2001-2010						0.489	0.490			
2006-2010						0.638	0.565			
Selected						0.560				



- Notes: 1. Column (4) is based on an annual trend of 2.0% for 2001 through 2013.
 2. Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.
 3. For years for Column (9) < 80%. Column (10) = [(1) x (9)] + [(8) x (1.0 - (9))]. For other years, Column (10) = (1).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee; Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

SEVERITY ANALYSIS (\$000)

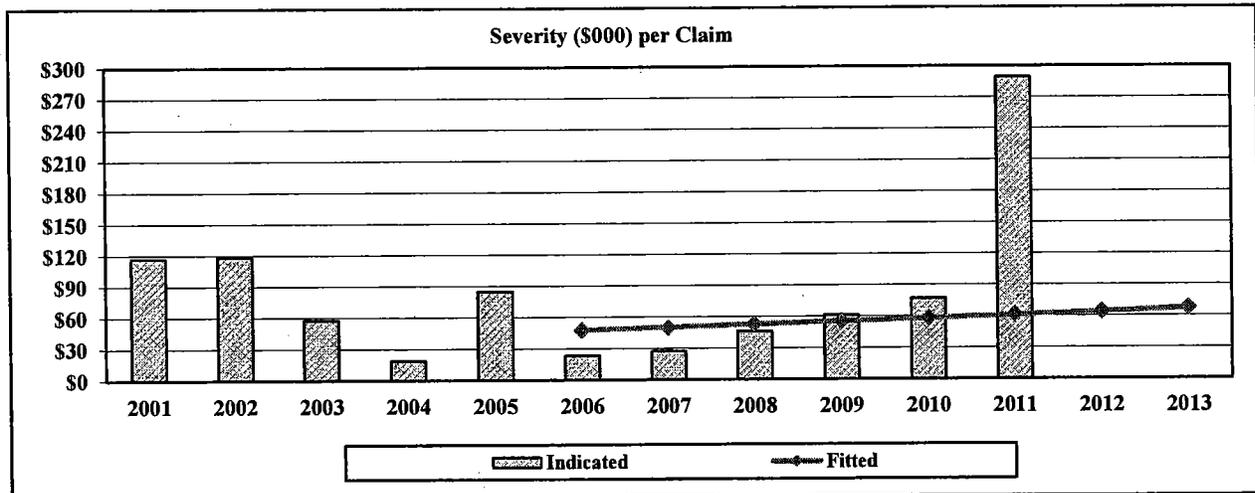
Accident Year Ending June 30	(1)	(2)	(3)	(4)	(5) (6)		(7)	(8)
	Development Methods Selection [CC:GL-4]	Selected Claim Count [CC:GL-5]	Indicated Severity [(1) / (2)]	Factor to 2011-Level	2011-Level Severity		Fitted Severity [Selected / (4)]	Projected Ultimate [(2) x (7)]
					Indicated [(3) x (4)]	Cape Cod		
2001	\$2,689	23	\$116.93	1.629	\$190.47	\$85.08		
2002	3,202	27	118.61	1.551	184.00	79.85		
2003	3,070 *	53 *	57.93	1.477	85.58	71.60		
2004	1,552	82	18.93	1.407	26.63	64.88		
2005	4,587 *	54 *	84.95	1.340	113.84	63.94		
2006	1,713	74	23.14	1.276	29.54	59.99	\$47.80	\$3,537
2007	3,088	111	27.82	1.216	33.81	59.19	50.18	5,571
2008	7,511	163	46.08	1.158	53.34	61.37	52.69	8,589
2009	13,002	211	61.62	1.103	67.94	64.84	55.33	11,674
2010	12,036	156	77.16	1.050	81.01	68.30	58.10	9,063
2011	43,736	151	289.64	1.000	289.64	71.53	61.00	9,211
2012		166		0.952			64.05	10,632
2013		176		0.907			67.25	11,836

Average

2001-2009	\$64.14	\$64.38
2005-2009	57.29	62.23

Selected

\$61.00



- Notes:
- Column (4) is based on an annual trend of 5.0%.
 - Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.
 - (*) Claims related to incident with incurred greater than retention are removed.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

LOSS COST ANALYSIS (\$000)

Accident Year Ending June 30	(1) Development Methods Selection [CC:GL-4]	(2) Contract Service Revenue (\$Millions)	(3) Indicated Loss Cost [(1) / (2)]	(4) Factor to 2011-Level	(5) 2011-Level Loss Cost		(6) Cape Cod	(7) Fitted Loss Cost [Selected / (4)]	(8) Projected Ultimate [(2) x (7)]																																																																																																											
					Indicated [(3) x (4)]	Cape Cod																																																																																																														
										2001	\$2,689	\$179	\$15.03	1.967	\$29.56	\$28.44			2002	3,202	187	17.10	1.838	31.43	28.31			2003	3,070 *	191	16.03	1.718	27.55	27.85			2004	1,552	191	8.12	1.606	13.03	27.51			2005	4,587 *	195	23.53	1.501	35.31	28.69			2006	1,713	207	8.29	1.403	11.63	29.12	\$22.82	\$1,831	2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24
2002	3,202	187	17.10	1.838	31.43	28.31			2003	3,070 *	191	16.03	1.718	27.55	27.85			2004	1,552	191	8.12	1.606	13.03	27.51			2005	4,587 *	195	23.53	1.501	35.31	28.69			2006	1,713	207	8.29	1.403	11.63	29.12	\$22.82	\$1,831	2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055									
2003	3,070 *	191	16.03	1.718	27.55	27.85			2004	1,552	191	8.12	1.606	13.03	27.51			2005	4,587 *	195	23.53	1.501	35.31	28.69			2006	1,713	207	8.29	1.403	11.63	29.12	\$22.82	\$1,831	2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																		
2004	1,552	191	8.12	1.606	13.03	27.51			2005	4,587 *	195	23.53	1.501	35.31	28.69			2006	1,713	207	8.29	1.403	11.63	29.12	\$22.82	\$1,831	2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																											
2005	4,587 *	195	23.53	1.501	35.31	28.69			2006	1,713	207	8.29	1.403	11.63	29.12	\$22.82	\$1,831	2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																				
2006	1,713	207	8.29	1.403	11.63	29.12	\$22.82	\$1,831	2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																													
2007	3,088	216	14.27	1.311	18.70	31.47	24.41	5,283	2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																																						
2008	7,511	240	31.28	1.225	38.32	35.44	26.12	6,272	2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																																															
2009	13,002	250	52.01	1.145	59.55	39.56	27.95	6,987	2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																																																								
2010	12,036	268	44.89	1.070	48.04	41.42	29.91	8,018	2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																																																																	
2011	43,736	286	152.72	1.000	152.72	43.20	32.00	9,164	2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																																																																										
2012		291		0.935			34.24	9,975	2013		302		0.873			36.64	11,055																																																																																																			
2013		302		0.873			36.64	11,055																																																																																																												

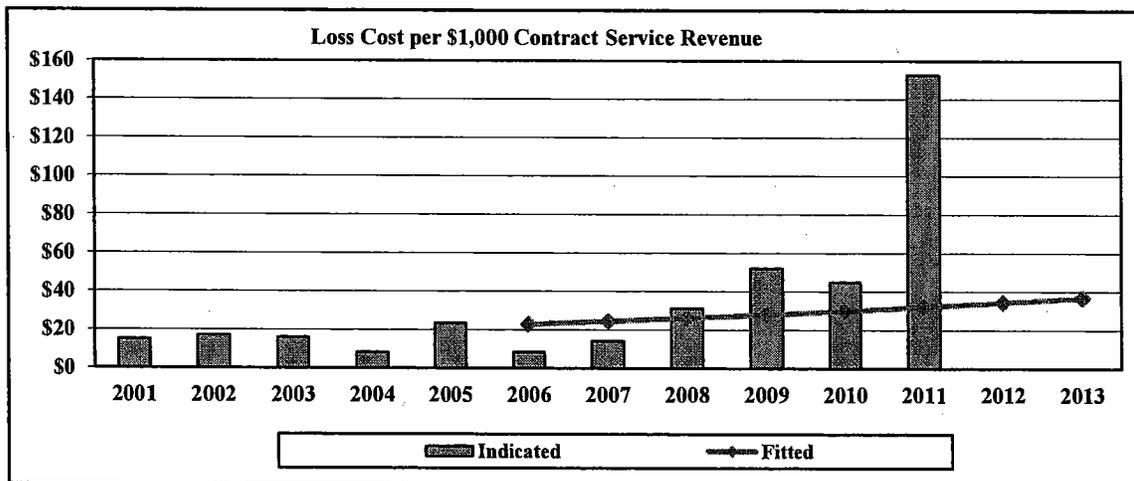
Average

2001-2009
2005-2009

\$30.35 \$31.13
33.77 33.23

Selected

\$32.00



- Notes: 1. Loss costs are per \$1,000 contract service revenue.
- 2. Column (4) is based on an annual trend of 7.0%.
- 3. Column (6) is a weighted average of Column (5), where the weights vary by the age of the year and its relative exposure.
- 4. (*) Claims related to incident with incurred greater than retention are removed.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

ESTIMATED ULTIMATE LOSS AND ALAE (\$000)

Accident Year Ending June 30	(1) Incurred as of June 30, 2011	(2) Development Methods Selection [CC:GL-4]	(4) Projected Ultimate			(6) Estimated % Reported	(7) Selected Ultimate Amount	(8) Prior Selected Ultimate Amount	(9) Change (7) - (8)
			(3) Frequency x Severity [CC:GL-6]	(4) Loss Cost [CC:GL-7]	(5) Selected Average				
			Prior	\$4,224	\$4,224				
2001	2,689	2,689				100.0%	2,689	2,677	12
2002	3,202	3,202				100.0%	3,202	3,451	-248
2003	7,278	7,278				100.0%	7,278	7,077	201
2004	1,552	1,552				100.0%	1,552	1,630	-78
2005	6,418	6,418				100.0%	6,418	7,448	-1,030
2006	1,709	1,713	\$3,537	\$1,831	\$2,684	99.8%	1,713	1,705	8
2007	3,070	3,088	5,571	5,283	5,427	99.4%	3,088	4,498	-1,410
2008	7,426	7,511	8,589	6,272	7,430	98.9%	7,511	6,557	954
2009	12,634	13,002	11,674	6,987	9,331	97.2%	13,002	16,271	-3,269
2010	8,091	12,036	9,063	8,018	8,541	67.2%	10,890	7,485	3,405
2011	3,436	43,736	9,211	9,164	9,187	7.9%	9,187	8,054	1,133
2012			10,632	9,975	10,304	0.0%	10,304	8,860	1,444
2013			11,836	11,055	11,446	0.0%	11,446		
Prior - 2011	\$61,730	\$106,450					\$70,755	\$71,078	-\$322

Note: For years with more than 80% estimated reported, Column (7) = (2). Otherwise, Column (7) = [(2) x (6)] + [(5) x (1.0 - (6))].
For 2011 through 2013, Column (7) = (5).

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**ALLOCATION OF ULTIMATE AMOUNT (\$000)
BY DEPARTMENT GROUP**

Accident Year Ending June 30	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)			(9)	(10)
	Sheriff's Department	All Other Departments	Sheriff's Department	All Other Departments	Total [(1) + (2)]	Sheriff's Department [(1)/(3)]	All Other Departments [(2)/(3)]	Sheriff's Department	All Other Departments	Sheriff's Department	All Other Departments	Sheriff's Department	All Other Departments	Total [CC:GL-8]	Sheriff's Department [(6) x (8)]	All Other Departments [(7) x (8)]	Total	Estimated Ultimate Amount	
Prior	\$4,224	\$0	\$4,224	0%	100%	100%	0%	100%	0%	0%	100%	0%	\$4,224	\$4,224	\$0	\$4,224	\$0		
2001	2,689	0	2,689	0%	100%	100%	0%	100%	0%	0%	100%	0%	2,689	2,689	0	2,689	0		
2002	3,202	0	3,202	0%	100%	100%	0%	100%	0%	0%	100%	0%	3,202	3,202	0	3,202	0		
2003	7,274	4	7,278	0%	100%	100%	0%	100%	0%	0%	100%	0%	7,278	7,274	4	7,278	4		
2004	1,481	71	1,552	5%	95%	95%	5%	95%	5%	5%	95%	5%	1,552	1,481	71	1,552	71		
2005	5,759	660	6,418	10%	90%	90%	10%	90%	10%	10%	90%	10%	6,418	5,759	660	6,418	660		
2006	1,679	30	1,709	2%	98%	98%	2%	98%	2%	2%	98%	2%	1,713	1,683	30	1,713	30		
2007	3,070	0	3,070	0%	100%	100%	0%	100%	0%	0%	100%	0%	3,088	3,088	0	3,088	0		
2008	7,331	95	7,426	1%	99%	99%	1%	99%	1%	1%	99%	1%	7,511	7,415	96	7,511	96		
2009	12,235	399	12,634	3%	97%	97%	3%	97%	3%	3%	97%	3%	13,002	12,592	410	13,002	410		
2010	7,641	450	8,091	6%	94%	94%	6%	95%	6%	6%	95%	6%	10,890	10,346	545	10,890	545		
2011	3,436	0	3,436	0%	100%	100%	0%	97%	0%	0%	97%	3%	9,187	8,912	276	9,187	276		
2012													10,304	9,995	309	10,304	309		
2013													11,446	11,103	343	11,446	343		
Prior - 2011 Selected	\$60,022	\$1,708	\$61,730	3%	97%	97%	3%						\$70,755	\$68,664	\$2,091	\$70,755	\$2,091		

Note: For 2009 and prior years, Columns (6) and (7) are equal to Columns (4) and (5) respectively. For 2010, Columns (6) and (7) are equal to a weighted average of Columns (4) and (5) and the selected allocation. For 2011-2013, Columns (6) and (7) are equal to the selected allocation.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

PROGRAM UNPAID CLAIM AMOUNT (\$000) AS OF JUNE 30, 2011

Accident Year Ending June 30	(1) Selected Ultimate Loss & ALAE [CC:GL-9]	(2) Paid as of June 30, 2011	(3) Indicated Unpaid [(1) - (2)]	(4) Excess Insurance Recoverable	(5) Retained Unpaid [(3) - (4)]	(6) Discount Factor [1.0% Interest]	(7) Discounted Unpaid [(5) x (6)]	(8) (9) (10) Program Unpaid		
								75% Level [1.12 x (7)]	80% Level [1.16 x (7)]	90% Level [1.26 x (7)]
1. Sheriff's Department										
Prior	\$4,224	\$4,224	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0
2001	2,689	2,501	188	12	176	1.000	176	198	204	223
2002	3,202	1,795	1,407	89	1,318	0.995	1,311	1,470	1,518	1,655
2003	7,274	6,786	489	31	457	0.994	455	510	526	574
2004	1,481	1,481	0	0	0	0.989	0	0	0	0
2005	5,759	5,749	9	0	9	0.986	9	10	10	11
2006	1,683	1,623	60	3	57	0.985	56	63	65	71
2007	3,088	2,688	400	23	377	0.985	371	416	430	468
2008	7,415	4,437	2,978	220	2,758	0.981	2,705	3,032	3,132	3,413
2009	12,592	5,432	7,160	544	6,615	0.977	6,465	7,245	7,484	8,158
2010	10,346	723	9,623	749	8,874	0.976	8,660	9,705	10,025	10,927
2011	8,912	48	8,864	701	8,163	0.968	7,904	8,858	9,150	9,973
Subtotal	\$68,664	\$37,487	\$31,178	\$2,373	\$28,805	0.976	\$28,111	\$31,506	\$32,545	\$35,472
ULAE					1,017	0.976	992	1,112	1,149	1,252
Total					\$29,821		\$29,104	\$32,619	\$33,694	\$36,725
2. All Other Departments										
Prior	\$0	\$0	\$0	\$0	\$0	1.000	\$0	\$0	\$0	\$0
2001	0	0	0	0	0	1.000	0	0	0	0
2002	0	0	0	0	0	0.995	0	0	0	0
2003	4	4	0	0	0	0.994	0	0	0	0
2004	71	71	0	0	0	0.989	0	0	0	0
2005	660	592	68	4	64	0.986	64	71	74	80
2006	30	3	27	1	26	0.985	26	29	30	32
2007	0	0	0	0	0	0.985	0	0	0	0
2008	96	95	1	0	1	0.981	1	1	1	1
2009	410	59	352	27	325	0.977	317	356	368	401
2010	545	9	536	42	494	0.976	482	540	558	608
2011	276	0	276	22	254	0.968	246	275	285	310
Subtotal	\$2,091	\$832	\$1,259	\$95	\$1,164	0.975	\$1,135	\$1,272	\$1,314	\$1,433
ULAE					41	0.975	40	45	46	51
Total					\$1,205		\$1,175	\$1,317	\$1,361	\$1,483
3. Total										
Prior	\$4,224	\$4,224	\$0	\$0	\$0		\$0	\$0	\$0	\$0
2001	2,689	2,501	188	12	176		176	198	204	223
2002	3,202	1,795	1,407	89	1,318		1,311	1,470	1,518	1,655
2003	7,278	6,790	489	31	457		455	510	526	574
2004	1,552	1,552	0	0	0		0	0	0	0
2005	6,418	6,341	77	4	73		72	81	84	91
2006	1,713	1,626	87	4	83		82	91	94	103
2007	3,088	2,688	400	23	377		371	416	430	468
2008	7,511	4,532	2,979	220	2,759		2,706	3,033	3,133	3,415
2009	13,002	5,491	7,511	571	6,940		6,782	7,601	7,852	8,558
2010	10,890	732	10,158	791	9,368		9,142	10,245	10,583	11,535
2011	9,187	48	9,140	723	8,417		8,149	9,134	9,435	10,283
Subtotal	\$70,755	\$38,319	\$32,437	\$2,468	\$29,969		\$29,247	\$32,779	\$33,860	\$36,905
ULAE					1,058		1,033	1,157	1,195	1,303
Total					\$31,027		\$30,279	\$33,936	\$35,055	\$38,208

Note: ULAE is a provision for Administrative and TPA Fees, and is calculated on Exhibit 5.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROJECTED CLAIM COST (\$000)
FISCAL YEAR ENDING JUNE 30, 2012**

	Sheriff's Department	All Other Departments	Total
A. Estimated Ultimate Loss and ALAE	\$9,995	\$309	\$10,304
B. Excess Insurance Recoverable	(801)	(25)	(826)
C. Unallocated Loss Adjustment Expense	349	11	360
D. Retained Loss and LAE	\$9,543	\$295	\$9,838
E. Anticipated Investment Income (1.0% Interest)	(\$394)	(\$12)	(\$406)
F. Discounted Loss and LAE	\$9,149	\$283	\$9,432
G. Contingency Margin			
(75% Level)	\$1,105	\$34	\$1,139
(80% Level)	1,443	45	1,488
(90% Level)	2,396	74	2,470
H. Projected Claim Cost			
(75% Level)	\$10,254	\$317	\$10,571
(80% Level)	10,593	328	10,920
(90% Level)	11,545	357	11,902

- Notes: 1. Line B is based on an estimated 8.0% of ultimate loss and ALAE excess of the self-insured retention of \$2 million.
2. Line C is based on an estimated 3.8% of retained ultimate loss and ALAE required to cover TPA and Administrative fees.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.

**COUNTY OF LOS ANGELES
CONTRACT CITIES SELF-INSURANCE PROGRAM**

**PROJECTED CLAIM COST (\$000)
FISCAL YEAR ENDING JUNE 30, 2013**

	Sheriff's Department	All Other Departments	Total
A. Estimated Ultimate Loss and ALAE	\$11,103	\$343	\$11,446
B. Excess Insurance Recoverable	(904)	(28)	(932)
C. Unallocated Loss Adjustment Expense	388	12	400
D. Retained Loss and LAE	\$10,586	\$327	\$10,913
E. Anticipated Investment Income (1.0% Interest)	(\$437)	(\$14)	(\$450)
F. Discounted Loss and LAE	\$10,149	\$314	\$10,463
G. Contingency Margin			
(75% Level)	\$1,226	\$38	\$1,264
(80% Level)	1,601	50	1,650
(90% Level)	2,658	82	2,740
H. Projected Claim Cost			
(75% Level)	\$11,375	\$352	\$11,727
(80% Level)	11,750	363	12,114
(90% Level)	12,807	396	13,203

- Notes: 1. Line B is based on an estimated 8.1% of ultimate loss and ALAE excess of the self-insured retention of \$2 million.
2. Line C is based on an estimated 3.8% of retained ultimate loss and ALAE required to cover TPA and Administrative fees.

Milliman

This report was prepared solely to provide assistance to Liability Trust Fund Oversight Committee, Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this report. Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman report.



Michael L. DeMattei
FCAS, MAAA
Principal & Consulting Actuary

70 South Lake Avenue
Suite 1100
Pasadena, CA 91101-4705
USA

michael.demattei@milliman.com
milliman.com

Tel +1 626 577 1144
Fax +1 626 793 2808

February 23, 2012

Jonathan R. Shull, Chief Executive Officer
California Joint Powers Insurance Authority
8081 Moody Street
La Palma, California 90623

Re: Contract Cities Liability Trust Fund – Rate Change Policy Projections

Dear Jon:

This letter provides future projections of the County of Los Angeles (the County) Contract Cities self-insurance program (the Program) based on the current rate change policy and the recent Milliman report¹. The letter consists of the following sections:

- Background
- Summary of Projections
- Limitations

BACKGROUND

Currently, Liability Trust Fund (the Fund) surcharges are 4.0% for Sheriffs and 4.0% for all other departments. These rates are applied to total contract amounts to provide funding for expected liability claims arising from the contracted services. The Liability Trust Fund Oversight Committee (the Committee) has asked Milliman to provide summarized projections of the Program's actuarial status (defined as Fund assets minus estimated outstanding liabilities) as of June 30, 2012 through 2015 under the current rate change policy.

The current rate change policy states if the actuarial status is above the 90% probability level for two consecutive years, the rate is to be dropped a half point (i.e., 0.5%). This new rate is then to stay in effect for two years. Similarly, if the actuarial status is below the 75% probability level for two consecutive years, the rate is to be increased a half point. This new rate would also stay in effect for two years.

¹ *An Actuarial Analysis of County of Los Angeles Contract Cities Self-Insurance Program as of June 30, 2011*, dated January 3, 2012.