



 Association of Bay Area Governments

Date: June 24th, 2015
To: ABAG PLAN Board of Director's
From: ABAG PLAN Executive Committee
Subject: **Agenda #7c – Actuary Committee Report**

Action Required

7c. Approval of Draft Withdrawal Agreement – City of Gilroy

Attachments 7c:

1. Staff Report dated June 15th, 2015 - Gilroy Withdrawal from PLAN
2. Actuarial Review of Self-Insured Liability Program dated May 11th, 2015 – Presented to City of Gilroy



 Association of Bay Area Governments

Date: June 15, 2015

To: PLAN Board of Directors

From: Kevin Bryant; Chairman – Executive Committee
Jim Hill; PLAN Risk Management Officer

Subject: **Gilroy – Withdrawal from ABAG PLAN effective July 1, 2015**

Recommendation:

Staff and Executive Committee recommend approval of the withdrawal of the City of Gilroy from ABAG PLAN effective July 1, 2015. Withdrawal will be subject to a fully executed "Agreement Withdrawal of the City of Gilroy from ABAG PLAN Program". Draft agreement attached.

Summary

The City of Gilroy provided a provisional notice of withdrawal from ABAG PLAN on December 15, 2014. Gilroy has submitted a PNOWL on three prior occasions. The withdrawal request was acknowledged on December 24, 2015 and the selected actuary was identified as Bickmore, who had been approved on prior occasion(s). PLAN approved the use of Bickmore in the study given Bickmore's existing knowledge and history with both ABAG PLAN and this member. We received a formal acknowledgement of Gilroy's actual intent to withdraw on June 10, 2015. They have elected to join the Municipal Pooling Authority (MPA) in Walnut Creek. A copy of the notice(s), our response, the required actuary report and a certification letter from the actuary are attached to this report.

There were no adverse findings noted by the Actuary. The withdrawal of Gilroy from ABAG PLAN will have no adverse impact to the program. All outstanding liabilities for Gilroy will be determined in accordance with an agreed upon withdrawal formula and process. Gilroy will be required to execute a formal withdrawal agreement which acknowledges outstanding liabilities and the obligation to pay PLAN for all liabilities in accordance with the withdrawal agreement. The significant amount of outstanding liabilities does present some level of risk that has been acknowledged by both staff and the Executive committee.

Overview

The City of Gilroy has been a member of ABAG PLAN since July 1, 1986. They are an original charter member. Gilroy has actively participated in the governance of the PLAN program during their tenure with the pool. Gilroy representative(s) have participated on almost every committee. Gilroy has served on the Executive Committee, Claims Committee, Risk Management and the Actuary Committee. PLAN acknowledges and appreciates their outstanding level of participation and service to the program.

From a Risk Management perspective, Gilroy maintained a strong focus on both management and adherence to PLAN Best Practices. They have a good focus on risk identification and risk reduction techniques. PLAN considers Gilroy a leader in terms of best practices.

From a Claims perspective, this jurisdiction was a leader in both claim frequency and severity. Gilroy ranked in the top five contributors for both frequency and severity when analyzing PLAN claims over the past five years. Gilroy's claims characteristics (cause and type) were primarily Police (Law Enforcement Liability) and Sidewalk (Public Works) claims. PLAN should expect immediate improvement in these two claim statistical areas with the departure of Gilroy.

Bickmore actuaries have calculated the impact of the withdrawal of the City of Gilroy and have certified that there will be no adverse impact to the PLAN program with the withdrawal of this member agency. An addendum to the Premium Comparison report with revised PLAN member premium contribution requirements is included in the referenced actuary report. Total program and member loss funding will be adjusted commensurate with the change in loss projections due to the elimination of Gilroy. PLAN administrative costs have been reallocated amongst member agencies. A comparison of program costs with and without Gilroy is being provided for member review and analysis.

As noted earlier, there is an uncertainty regarding the credit risk undertaken by PLAN given the significant amount of unpaid liabilities owed by Gilroy. Based on the actuarial study (Allocation of Net Assets by Member) dated 9/19/14, Gilroy's unfunded liabilities are approximately \$4 million up from \$2 million the prior fiscal year. Gilroy's outstanding liabilities will be recalculated at the end of this fiscal year. Based on Gilroy's current actuarial report and coupled with the favorable trend in PLAN program performance, we expect Gilroy's outstanding liabilities to be reduced somewhat.

Gilroy is also carrying a receivable balance of \$96,000 for payment of an agreement between PLAN and Gilroy. The agreement called for total payments of \$130,000 which are to be paid in five equal installments of \$32,000 beginning October 1, 2013. Two installment payments have been received to date. The third installment payment is due in October 2015. We do not expect any disruption of these payments as Gilroy has remitted these amounts timely and according to schedule.

Gilroy will continue to be billed monthly for their deductible reimbursements on all claims handled by PLAN. Gilroy's payment record on deductibles is very good. All remittances have been timely and the staff at Gilroy works closely with our Claims and Financial staff on reconciliation issues or problem areas. There are no concerns noted.

Conclusion

We accept Gilroy's request for withdrawal and wish them the best of luck in the Municipal Pooling Authority (MPA). We will prepare and execute the withdrawal agreement upon final determination of outstanding liabilities as of June 31, 2015. We are targeting 90 days after the end of the fiscal year per program guidelines. The first payment for outstanding liabilities will be due 90 days from the date of execution of the agreement.



City of Gilroy

7351 Rosanna Street
GILROY, CALIFORNIA
95020

Telephone (408) 846-0202
FAX (408) 846-0500
<http://www.ci.gilroy.ca.us>

Thomas J. Haglund
City Administrator

December 15, 2014

RECEIVED
DEC 19 2014
ABAG PLANCORP.

Ezra Rapport, President
James Hill, Risk Management Officer
ABAG PLAN Corporation
101 Eighth Street
Oakland, CA 94607

Re: Notice of Intent to Withdraw

Dear Mr. Rapport and Mr. Hill:

Please accept this letter as notice of the city of Gilroy's intent to withdraw from participation in the ABAG PLAN Corporation effective July 1, 2015.

Please be advised that the city is taking this action per the provision of the PLAN's Revised Risk Coverage Agreement as part of a due diligence effort to assess competitiveness of the PLAN's coverage program.

The city requests a quote to continue to participate in the ABAG PLAN programs for the 2015-2016 fiscal year and, hereby, reserves the right to rescind this Notice of Withdrawal prior to June 1, 2015. Please confirm that this is agreeable with the PLAN.

Last year, the City of Gilroy obtained an actuarial report as required by ABAG PLAN relative to the withdrawal. The report was prepared by Bickmore Risk Services. The City of Gilroy will request an update to the actuarial report to include the status of claims since that report was prepared. Please confirm that this will meet the requirement of ABAG PLAN.

Please acknowledge receipt of this Notice and acceptance of the conditions herein.

If you have any questions or concerns please contact me. Thank you for your cooperation.

Sincerely,

Thomas J. Haglund
City Administrator

Cc: LeeAnn McPhillips, Human Resources Director/Risk Manager

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



FILE COPY

December 24, 2014

Thomas J. Haglund
City Administrator
City of Gilroy
7351 Rosanna Street
Gilroy, CA 95020

Re: Notice of Intent to Withdraw

Dear Tom, *Tom*

We acknowledge receipt of your Notice of Intent to Withdraw from participation in the ABAG PLAN Corporation effective July 1, 2015. The City of Gilroy has provided notice of intent to withdraw on prior occasion, thus we will refrain from citing specific provisions of the By Laws and Revised Risk Coverage Agreement in this letter. We will also affirm the following:

- Preliminary program pricing for FY 2015-16 will be provided to Gilroy as soon as the Actuary report is prepared and received by PLAN. We expect the report to be released in April 2015.
- Your request to work with Bickmore Risk Services on the Actuarial study and claims analysis is approved. This will help facilitate the exercise given their current knowledge of Gilroy's actuarial history and claim pattern. Please proceed as planned.

Tom, this due diligence exercise on your part could provide ABAG PLAN with some valuable information regarding the overall competitiveness of our program. I trust you would be willing to share some of the data (expense components of similarly situated JPAs) to help ABAG in its future planning.

Should you have any additional questions or concerns regarding the process, please don't hesitate to give me a call.

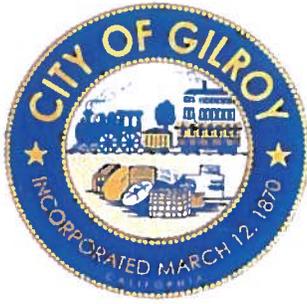
Sincerely,

A handwritten signature in blue ink, appearing to read "James Hill".

James Hill
PLAN Risk Management Officer

Cc: Ezra Rapport – PLAN Executive Director
Kenneth Moy – ABAG Counsel
LeeAnn McPhillips – Human Resources Director/Risk Manager





City of Gilroy

7351 Rosanna Street
Gilroy, California
95020-6197

Telephone (408) 846-0202
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<http://www.ci.gilroy.ca.us>

Thomas J. Haglund
CITY ADMINISTRATOR

June 10, 2015

Ezra Rapport, President
James Hill, Risk Management Officer
ABAG PLAN Corporation
101 Eighth Street
Oakland, CA 94607



Re: Notice of Withdrawal

Dear Mr. Rapport and Mr. Hill:

Please accept this letter as notice of the city of Gilroy's withdrawal from participation in the ABAG PLAN Corporation effective 12:00 a.m. July 1, 2015.

The city of Gilroy will join the Municipal Pooling Authority on that date, at that time.

Thank you for your cooperation and service to assist us in this matter and for your continued service to us as we complete the withdrawal process.

Please refer any questions to LeeAnn McPhillips at 408-846-0205 or by email at leeann.mcphillips@cityofgilroy.org.

Very truly yours,

Thomas J. Haglund
City Administrator

cc: LeeAnn McPhillips, Human Resources Director/Risk Manager

AGREEMENT
WITHDRAWAL OF THE CITY OF GILROY
FROM
ABAG PLAN PROGRAM

Effective July 1, 2015, the Association of Bay Area Governments (ABAG), a joint exercise of powers agency created by its members pursuant to California Government Code sections 6500, *et seq.* and the City of Gilroy, a California charter city and a member of ABAG enter into this Agreement.

Recitals

- A. ABAG created the ABAG PLAN Program as a self funded municipal liability pool for members of ABAG that chose to participate in said program by entering into the Liability Risk Coverage Agreement dated June 2, 1986, as it had been amended from time to time (LRCA) which is marked Attachment A and appended to this Agreement.
- B. Gilroy has been a member of the ABAG PLAN Program since July 1, 1986.
- C. Gilroy has elected to withdraw from the ABAG PLAN Program effective July 1, 2015.
- D. ABAG and Gilroy intend hereby to fully discharge any obligations either party has to the other arising out of Gilroy participation in the ABAG PLAN Program.

Now therefore, the parties agree as follows:

- 1. **Use of Loss Allocation Formula.** Article X of the LRCA requires the parties to determine Gilroy's 'retained equity' or 'withdrawal assessment'. The parties agree to use the Loss Allocation Formula to determine which of the two applies and the magnitude thereof.
- 2. **First Equity Determination.** Bickmore Risk Management Services (Bickmore), the actuary for the ABAG PLAN Program, applied the Loss Allocation Formula adopted by the ABAG PLAN Corporation Board of Directors to all of the claims tendered by Gilroy for coverage under the ABAG PLAN Program for Liability and accepted for partial or total coverage under said program (Covered Claims) as of June 30, 2015. Bickmore has determined that under the Loss Allocation Formula, Gilroy has an assessment liability in the amount of _____ Dollars (\$____) (First Equity Determination) as of June 30, 2015. The summary of Bickmore's calculations is marked Attachment B and appended to this Agreement.

-
3. **Subsequent Equity Determinations.** No later than October 1 of each of the years 2016, 2017, 2018, and 2019, [ABAG and/or Gilroy] will direct and pay Bickmore to apply the Loss Allocation Formula to all of Gilroy's Covered Claims as of June 30 of each of those years. For each of the years 2016, 2017, 2018 and 2019, Bickmore will determine Gilroy's retained equity as of June 30 of said year, which amounts will be denominated as the Second Equity Determination for retained equity as of June 30, 2016, as the Third Equity Determination for retained equity as of June 30, 2017 and so on. The summaries of Bickmore's calculations will be marked Attachment B, C, and so on, and appended to this Agreement when initialed by ABAG and Gilroy.
 4. **Withdrawal Assessment.** If the application of the Loss Allocation Formula in accordance with this Agreement results in a determination that Gilroy owes a withdrawal assessment for any of the years 2016, 2017, 2018 or 2019, Gilroy will, for each such year, pay to ABAG a pro-rata amount of the assessment based on the remaining years of this agreement. One fourth (1/4) in 2016, one third (1/3) in 2017, one half (1/2) in 2018 and the entire amount of the assessment in 2019. ABAG will deposit any funds received pursuant to this section in the Claims Fund.
 5. **Payments.** No later than Dec 31st, of each of the years 2016, 2017, 2018, and 2019, ABAG will pay to Gilroy a pro-rated amount of any equity in the Second, Third, Fourth and Fifth Equity Determinations based on the remaining years in the agreement. Such payments will be made only from funds held by ABAG in the 'Claims Fund' as described in Article IX of the LRCA. Gilroy hereby acknowledges that this Agreement does not create any legal right to any other funds or assets held by, or available to, ABAG.
 6. **Final Payment.** ABAG and Gilroy agree that upon the payment of all amounts determined under sections 4 and 5 of this Agreement, each party will have completely and finally discharged their respective obligations under Article X of the LCRA.
 7. **Acknowledgment and Release.** ABAG and Gilroy hereby acknowledge and affirm that they each understand that the steps described in sections 2 through 5 of this Agreement could be applied to years after 2019 and that such repeated applications would result in a more precise determination of Gilroy's net retained equity or withdrawal assessment. Each party has knowingly agreed that by ending the calculations of retained equity or withdrawal assessments in 2019, such parties relinquish any claim to any benefit or advantage that such additional applications might have conferred upon such party.
 8. **Tail Claims – Liability.** As a result of Gilroy's participation in the ABAG PLAN Program for Liability, ABAG has an obligation to defend and indemnify Gilroy for Covered Claims as determined under the Memorandum of Coverage – Liability in effect as of the date of loss, which are marked Attachment C-1 through C-4 and appended to this Agreement. ABAG and Gilroy acknowledge that there will likely be Covered Claims with dates of loss between July 1, 1986 and June 30, 2015 that will be made by claimants against Gilroy on or after July 1, 2015 (Tail Claims - Liability).

-
- (a) Administration. ABAG will administer Gilroy's Tail Claims – Liability, such administration includes, but is not limited to, (1) determinations of coverage, (2) reservations of rights, (3) settlements and settlement authority, (4) subrogation, (5) retention of defense counsel, (6) litigation management, and (7) standard loss runs and related reports. ABAG will provide such services in accordance with ABAG's then current claims administration practices, protocols and standards, including without limitation the then current PLAN General Liability Claim manual.
- (b) Rights of Gilroy. In connection with ABAG's administration of San Mateo's Tail Claims – Liability, Gilroy will be treated as though it were still a member of the ABAG PLAN Program, including the right to appeal coverage decisions under the then current Claims Policy,
- (c) Obligations of Gilroy. Gilroy will comply with the requirements of the applicable Memorandum of Coverage – Liability and ABAG's then current claims administration practices, protocols and standards, including without limitation, the then current PLAN General Liability Claim Manual. Further, ABAG will be incurring costs within Gilroy's deductible, which was Fifty Thousand Dollars (\$50,000) from July 1, 1986 to June 30, 2015. Gilroy will promptly pay ABAG for such costs upon receipt of an invoice from ABAG evidencing the costs incurred. ABAG may not submit invoices more frequently than once a month.
9. Property Claims. ABAG and Gilroy acknowledge that the ABAG PLAN Program for Property provides coverage on an occurrence basis. Gilroy warrants that as of June 30, 2015, it has presented all claims for known damage to property covered by the ABAG PLAN Program for Property. Gilroy acknowledges and agrees that it must promptly report any latent damage to Gilroy property which becomes manifest after July 1, 2015 if the damage is to be covered by the ABAG PLAN Program for Property.
10. Waiver. The waiver by either party of a breach by the other of any provision of this contract shall not constitute a continuing waiver or a waiver of any subsequent breach either of the same or of a different provision of this Agreement.
11. Amendment. This Agreement may only be amended by a writing signed by both parties.
12. Notices. Any notices or communications required or permitted under this Agreement will be in writing, and transmitted to the respective parties as follows:

Claims Administration:

Association of Bay Area Governments
P.O. Box 2050
Oakland, California 94604-2050
Attn: Jill Stallman
Email: jills@abag.ca.gov
Phone: (510) 464-7962
Fax: (510) 464-7989

City of Gilroy
330 West 20th Avenue
Gilroy, CA 95020
Attention: LeeAnn McPhillips
Email: leeann.mcphillips@cityofgilroy.org
Phone: (408) 846-0205
Fax: (408) 846-0200

Payments:

Association of Bay Area Governments
P.O. Box 2050
Oakland, California 94604-2050
Attn: James Hill
Email: jimh@abag.ca.gov
Phone: (510) 464-7969
Fax: (510) 464-7989

City of Gilroy
330th West 20th Avenue
Gilroy, CA 94403-1338
Attention:
Email:
Phone:
Fax

14. Governing Law. This Agreement will be construed and enforced in accordance with the laws of the State of California.



Monday, June 15, 2015

Mr. James Hill
Risk Manager
Association of Bay Area Governments
101 Eighth Street
Oakland, CA 94607

Re: Conditional Intent to Withdraw - Gilroy

Dear Mr. Hill:

We have completed the ABAG PLAN actuarial study based upon loss data valued as of December 31, 2014, and City of Gilroy's actuarial report satisfying the requirements of their conditional intent to withdraw from PLAN effective July 1, 2015. This letter briefly summarizes the impact of their withdrawal.

In my opinion, there will be no material adverse impact to PLAN with regard to solvency and pool stability as a result of the withdrawal of Gilroy from PLAN. Gilroy comprises roughly 7% of PLAN based on payroll and 10% on premium volume. For reference, San Mateo was roughly 13% of PLAN payroll and 8% of PLAN premium, so the withdrawal of Gilroy will have a smaller impact than the withdrawal of San Mateo. As such, I do not foresee any problems with PLAN solvency or stability. Regarding loss experience, Gilroy has an ex-mod which is greater than 1.00, indicating that their loss experience is worse than average for the pool, so their withdrawal should theoretically improve the pool's loss results. This gives additional support to the argument that their withdrawal will not have an adverse impact to PLAN.

Please feel free to call me at (916) 244-1162 with any questions you may have.

Sincerely,

Bickmore

A handwritten signature in black ink, appearing to read "Mike Harrington", written over a horizontal line.

Mike Harrington, FCAS, MAAA
Director, Property and Casualty Actuarial Services, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

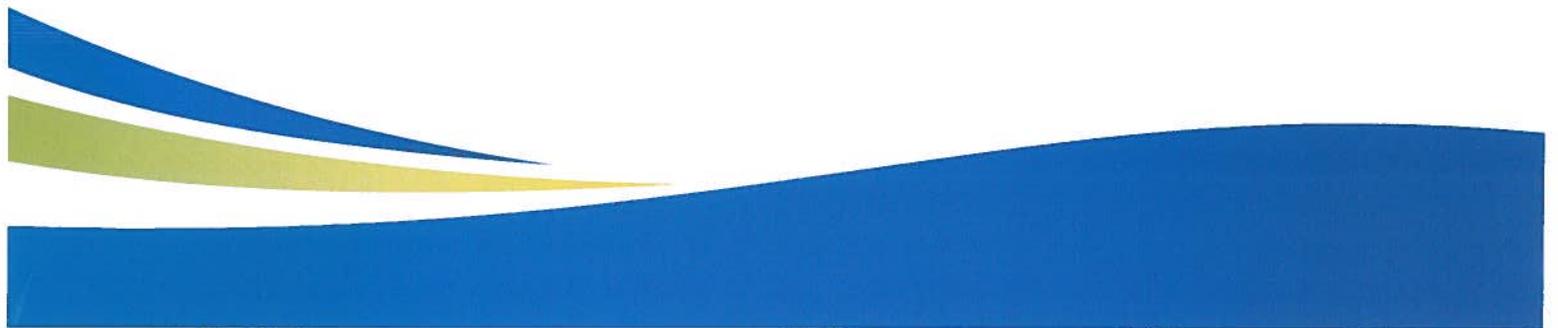


Actuarial Review of the Self-Insured Liability Program

*Outstanding Liabilities as of June 30, 2015
Forecast for Program Year 2015-16*

Presented to
City of Gilroy

May 11, 2015





Monday, May 11, 2015

Ms. LeeAnn McPhillips
Human Resources Director/Risk Manager
City of Gilroy
7351 Rosanna Street
Gilroy, CA 95020

Re: Actuarial Review of the Self-Insured Liability Program

Dear Ms. McPhillips:

As you requested, we have completed our review of City of Gilroy's self-insured Liability program. Assuming an SIR of \$50,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2015-16 program year to be \$201,000. These amounts include allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the City's claims, assuming a 2% return on investments per year. For budgeting purposes, the expected cost of 2015-16 claims translates to a rate of \$0.678 per \$100 payroll.

In addition, we estimate the program's liability for outstanding claims to be \$362,000 as of June 30, 2015, again including ALAE and ULAE, and discounted for anticipated investment income.

The \$362,000 estimate is the minimum liability to be booked by the City at June 30, 2015 for its liability program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the City to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Note that ULAE is assumed to be \$0 throughout this report, since all claims administration services are provided by ABAG PLAN, the City's excess insurer. Fees for claims administration are fully incorporated in the excess premium the City pays.

Our conclusions regarding the City's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2015 are summarized in the table below.

**City of Gilroy
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2015**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$373,000					
ULAE	0					
Investment Income Offset	(11,000)					
Discounted Loss and ALAE	\$362,000	\$425,000	\$454,000	\$488,000	\$530,000	\$586,000

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

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

The table below shows our funding recommendations for City of Gilroy for the 2015-16 fiscal year.

City of Gilroy
 Self-Insured Liability Program
 Loss and ALAE Funding Guidelines for 2015-16
 Self-Insured Retention (SIR) of \$50,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$208,000					
ULAE	0					
Investment Income Offset	(7,000)					
Discounted Loss and ALAE	\$201,000	\$247,000	\$271,000	\$299,000	\$334,000	\$381,000
Rate per \$100 of 2015-16 Payroll	\$0.678	\$0.833	\$0.914	\$1.009	\$1.127	\$1.285

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2015. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

We also estimate the outstanding excess losses in the ABAG pool layer to be \$2,313,000 as of June 30, 2015. This amount includes ALAE and is discounted for anticipated investment income. A more detailed discussion of methodology and related issues is shown on page 16, with the detailed calculations of excess losses shown on Exhibit 6.

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

We appreciate the opportunity to be of service to the City of Gilroy in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or Becky Richard at (916) 244-1183 with any questions you may have concerning this report.

Sincerely,

Bickmore



Mike Harrington, FCAS, MAAA
Director, Property and Casualty Actuarial Services, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries



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

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I. BACKGROUND

The City of Gilroy began its self-insured liability program in 1986. Its current self-insured retention is \$50,000, and excess coverage is provided by the Association of Bay Area Governments (ABAG) PLAN Corporation. Claims administration services are provided by ABAG. Additional background on the program is given in Appendix K.

Note that ULAE is assumed to be \$0 throughout this report, since all claims administration services are provided by ABAG PLAN, the City's excess insurer. Fees for claims administration are fully incorporated in the excess premium the City pays.

The purpose of this review is to provide a guide to the City to determine reasonable funding levels for its self-insurance program according to the funding policy the City has adopted and to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate the City's liability for outstanding claims as of June 30, 2015, project ultimate loss costs for 2015-16, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS

Graph 1 on the following page summarizes our assessment of the City's funding position as of June 30, 2015. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due. Our best estimate of the full value of the City's liability for outstanding claims within its self-insured retention (SIR) is \$373,000 as of June 30, 2015. These amounts include losses, allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

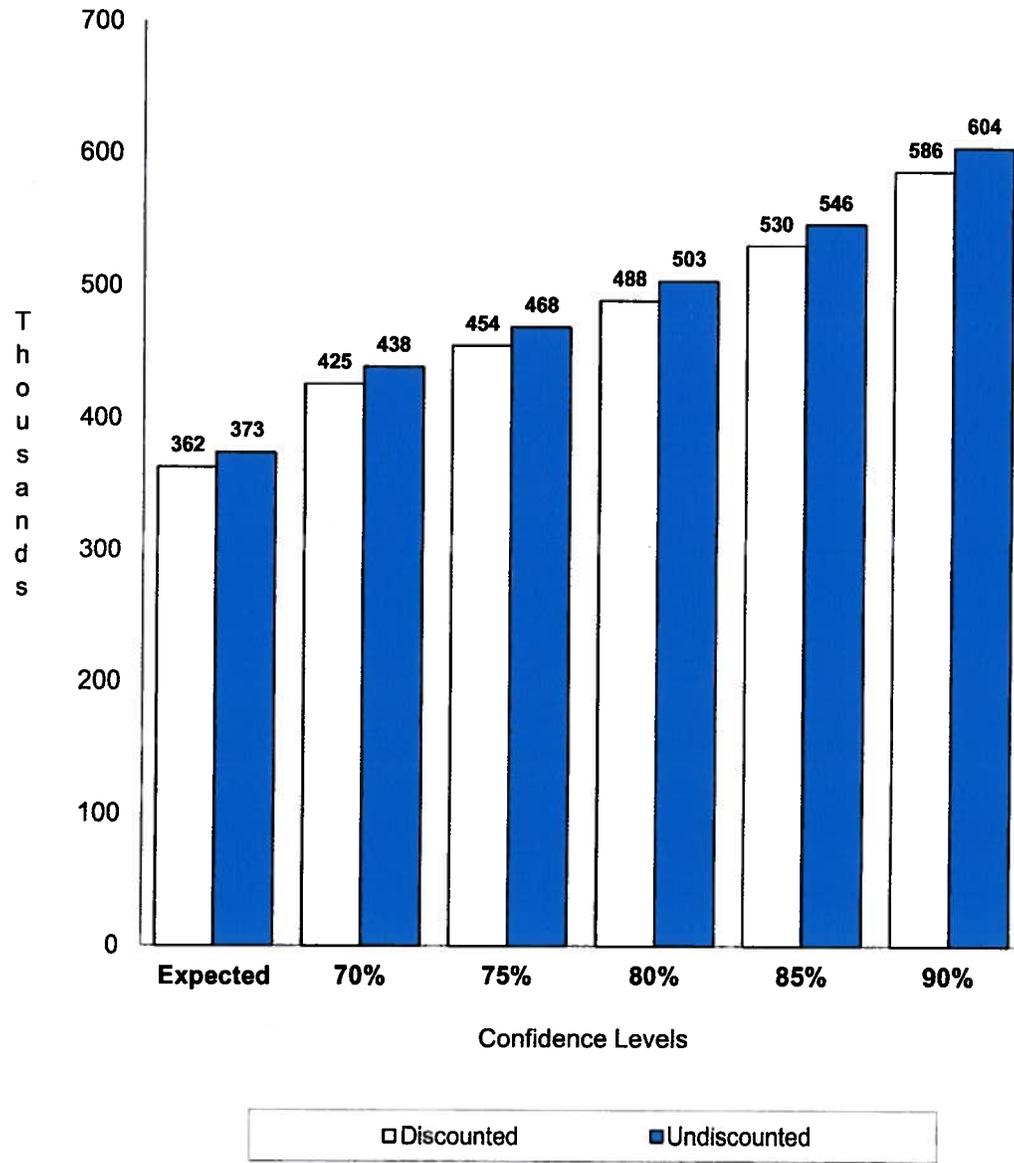
There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs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

The City can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 2%, we estimate the impact of investment income earnings to be about 3% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims of \$362,000 as of June 30, 2015.

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

Graph 1

City of Gilroy - Liability
Outstanding Liability (\$000's)
at June 30, 2015



The table below displays a breakdown of the program's outstanding loss and LAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2015, before recognition of investment income.

City of Gilroy
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and LAE at June 30, 2015

Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$0	\$0	\$0
2009-10	0	0	0
2010-11	0	0	0
2011-12	19,771	4,873	24,644
2012-13	61,362	10,566	71,928
2013-14	72,985	33,493	106,478
2014-15	81,669	88,539	170,208
Loss and ALAE	\$235,787	\$137,471	\$373,258
ULAE		0	0
Total	\$235,787	\$137,471	\$373,258

B. PROGRAM FUNDING: GOALS AND OBJECTIVES

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

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

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

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

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

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

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

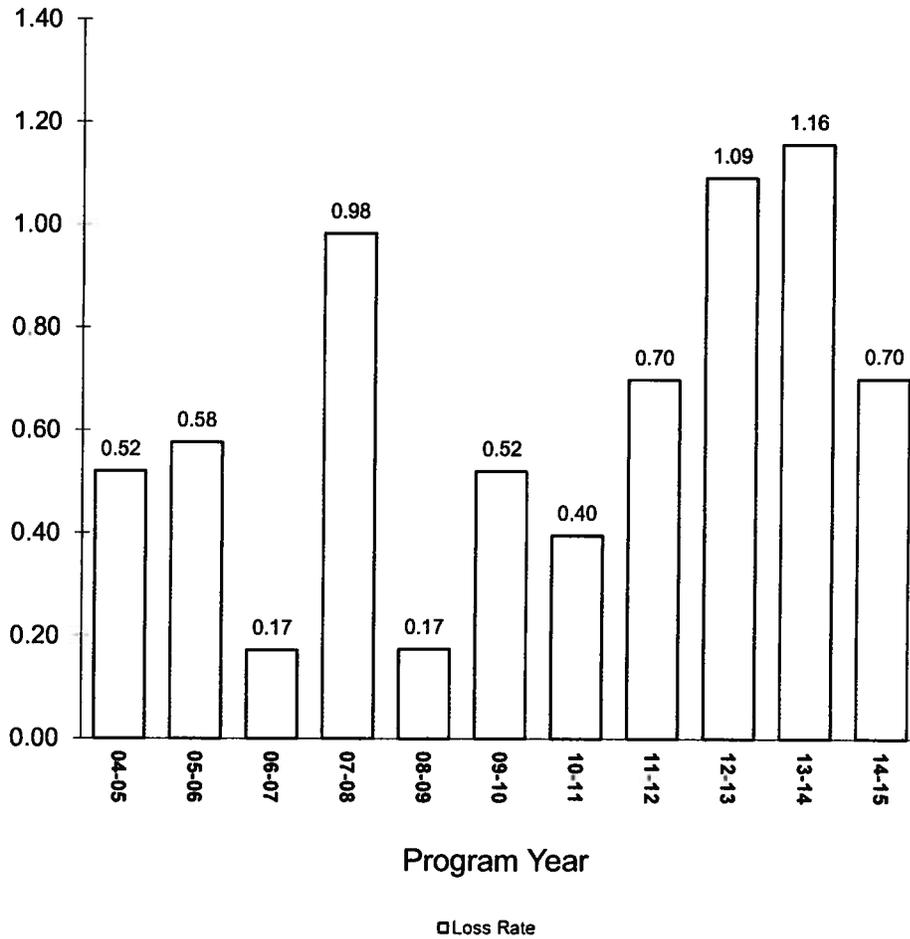
In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed on outstanding liabilities and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained.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

C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

The City's loss rate per \$100 of payroll (limited to \$100,000) has been quite volatile over the last ten years, ranging between a low of \$0.17 in 2006-07 and a high of \$1.16 in 2013-14. The projected loss rate for 2014-15 is \$0.70. See graph below.

Graph 2

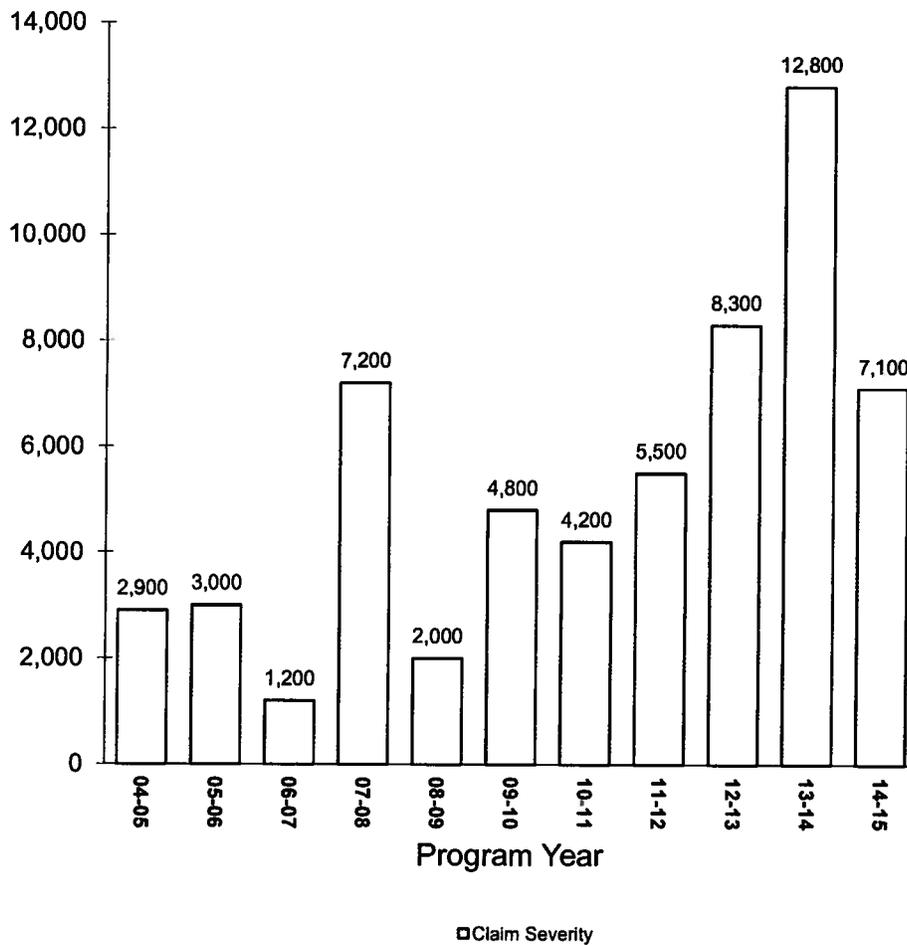
City of Gilroy - Liability
Dollars of Loss per
\$100 of Payroll



The program's average cost per claim (limited to \$100,000) has also been quite volatile over the last ten years, ranging between a low of \$1,200 in 2006-07 and a high of \$12,800 in 2013-14. We selected a severity of \$7,100 per claim for the 2014-15 program year. See graph below.

Graph 3

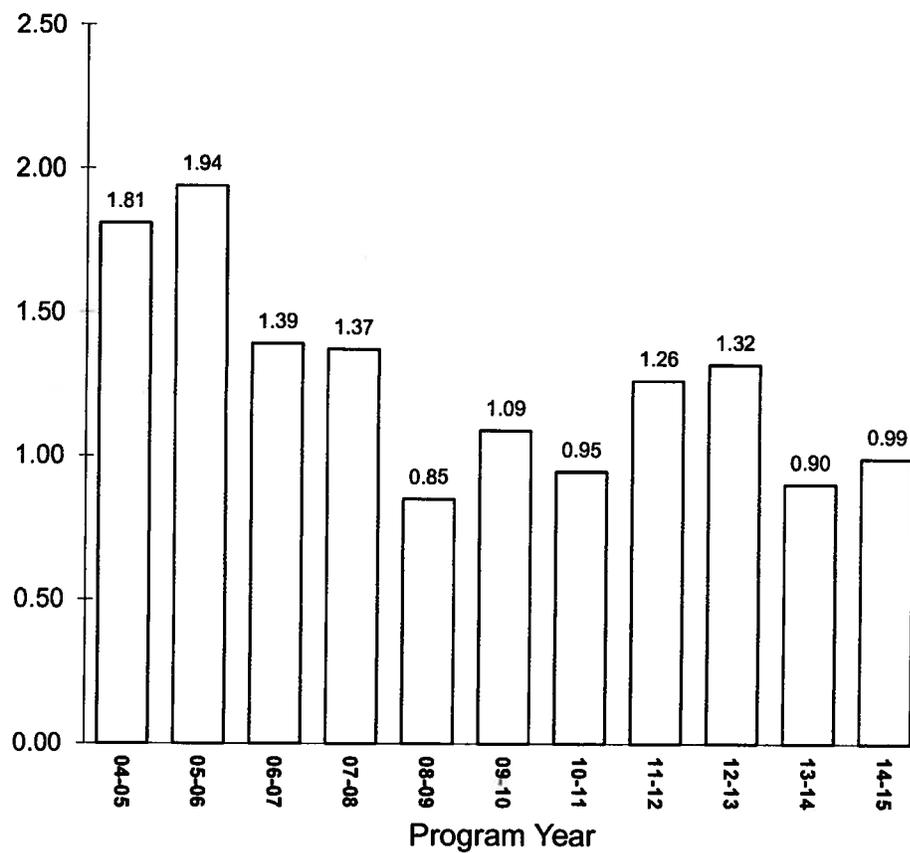
City of Gilroy - Liability
Dollars of Loss per Claim



The City's frequency of claims per \$1 million of payroll has shown a favorable trend decreasing from the high of 1.94 in the 2005-06 to 0.85 in the 2008-09. Since then claim frequency appears to be trending upward. Our projection of 0.99 claims per \$1 million of payroll for 2014-15 reflects a recent upward trend. See graph below

Graph 4

City of Gilroy - Liability
Number of Claims per
\$1 Million of Payroll



□ Claim Frequency

D. DATA PROVIDED FOR THE ANALYSIS

We were provided with the following information for the report:

- Detailed loss run with claims evaluated as of December 31, 2014 from ABAG. This data appeared to be accurate and internally consistent
- Historical and projected annual payrolls from ABAG.

ULAE is assumed to be \$0 throughout this report, since all claims administration services are provided by ABAG PLAN, the City's excess insurer. Fees for claims administration are fully incorporated in the excess premium the City pays.

Overall, the data utilized in preparing this report appears to be accurate and reasonable for use in this actuarial valuation.

E. METHODOLOGY AND RESULTS FOR EXCESS LOSSES

Excess outstanding losses in the ABAG layer are calculated by estimating expected excess losses first, based upon the 2015-16 premium calculation. The expected excess losses are equal to detrended ABAG loss rates multiplied by annual payrolls. These loss estimates are multiplied by SIR discount factors to reflect the City's historical SIR, resulting in expected ultimate excess losses for each historical year in the ABAG layer.

Using ABAG excess loss development factors, excess IBNR percentages for each year are estimated. Excess IBNR reserves are calculated by multiplying the City's expected excess losses by the excess IBNR percentages. Excess outstanding losses are equal to excess IBNR reserves plus the excess case reserves. The City currently has seven open excess claims as of December 31, 2014, with excess case reserves of \$1,207,000.

Discounted excess losses are calculated by multiplying by the reserve discount factor from the ABAG study.

The following table shows discounted excess outstanding losses as of June 30, 2015.

Outstanding Excess Claim Liabilities for Loss and ALAE

	Projected As of <u>6/30/2015</u>
Case	921,000
IBNR	1,464,000
Undiscounted	2,385,000
Discounted	2,313,000

It should be noted that historically the City had twenty-eight claims greater than \$50,000 in the past 20 years, so the excess loss estimates for the program are largely based upon loss rates for ABAG. The detailed calculation of excess outstanding losses is shown in Exhibit 6.

We understand that the City has provided ABAG with a provisional notice of withdrawal, and is considering alternatives for excess coverage. With respect to the potential withdrawal of the City from the ABAG PLAN excess pool, this action would have negligible impact on the continued solvency and viability of the pool.

We also understand that should the City withdraw from the ABAG PLAN excess pool, that an "equity" calculation may be needed to determine the City's surplus or deficit position in the pool. If this becomes necessary, we can calculate the City's surplus using a formula approved by ABAG PLAN.

Based upon the most recent two member equity studies, the City's estimated SIR fund balance was a deficit of (\$2,183,802) as of June 30, 2013 and (\$4,346,354) as of June 30, 2014. Preliminary indications point toward a reduction in the City's deficit as of June 30, 2015, but this will need to be confirmed by actual experience at that time.

III. ASSUMPTIONS AND LIMITATIONS

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

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by the City. We have accepted all of this information without audit.
- We have also made use of loss statistics that have been developed from the information gathered and compiled from other California counties participating in the ABAG's liability program.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for the participants of ABAG's liability program in the aggregate form a reasonable basis of comparison to the patterns from City of Gilroy's data.
- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of ABAG's liability program.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the cost of liability claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.
- We have assumed that the loss rate trend associated with claim costs increases at 0.5% per year. We have assumed that claim severity increases at 3.0% per year, and that claim frequency decreases at 2.5% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.

- We have assumed that assets held for investment will generate an average annual return of 2% over the duration of payment of the loss liabilities. It should be noted that actual future investment returns may vary significantly from this assumption, depending upon the prevailing investment market conditions.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not included estimates for excess insurance contributions to ABAG and other expenses associated with the program .
- Our funding recommendations do not include provisions for catastrophic events not in the City's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.
- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than the City's excess coverage.

IV. GLOSSARY OF ACTUARIAL TERMS

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

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

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

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

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

Claim Frequency - Number of claims per \$1 million payroll.

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

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

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

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

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

Loss Rate - Ultimate losses per \$100 payroll.

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

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

Paid Losses - Losses actually paid on all reported claims.

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

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

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

Severity - Average claim cost.

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

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

City of Gilroy - Liability

Funding Guidelines for Outstanding Liabilities at
June 30, 2015

(A) Estimated Ultimate Losses Incurred through 6/30/15: (From Appendix G)	\$2,923,000
(B) Estimated Paid Losses through 6/30/15: (From Appendix G)	2,550,000
(C) Estimated Liability for Claims Outstanding at 6/30/15: (From Appendix G)	<u>\$373,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/15: (From Appendix F)	0
(E) Total Outstanding Liability for Claims at 6/30/15: ((C) + (D))	<u>\$373,000</u>
(F) Reserve Discount Factor (Appendix I, Page 1, (H))	0.970
(G) Discounted Outstanding Liability for Claims at 6/30/15: ((E) x (F))	<u>\$362,000</u>

Confidence Level of Adequacy:	Marginally Acceptable	Recommended			Conservative
	70%	75%	80%	85%	90%
(H) Confidence Level Factor: (From Appendix J)	1.175	1.254	1.348	1.464	1.618
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	63,000	92,000	126,000	168,000	224,000
(J) Total Required Available Funding at 6/30/15: ((G) + (I))	<u>\$425,000</u>	<u>\$454,000</u>	<u>\$488,000</u>	<u>\$530,000</u>	<u>\$586,000</u>

City of Gilroy - Liability

Funding Options for Program Year 2015-2016 (SIR = \$50,000)
One-Year Funding Plan

	<u>Dollar Amount</u>	<u>Payroll Rate</u>			
(A) Estimated Ultimate Losses Incurred in Accident Year 2015-2016: (From Appendix G)	\$208,000	\$0.702			
(B) Estimated Claims Administration Fees Incurred in Accident Year 2015-2016: (From Exhibit 5, Page 1, item (L))	0	0.000			
(C) Total Claims Costs Incurred in Accident Year 2015-2016: ((A) + (B))	<u>\$208,000</u>	<u>\$0.702</u>			
(D) Loss Discount Factor: (Appendix I, Page 2, (F))	0.965				
(E) Discounted Total Claims Costs Incurred in Accident Year 2015-2016: ((C) x (D))	<u>\$201,000</u>	<u>\$0.678</u>			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix J)	1.230	1.347	1.486	1.660	1.894
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	46,000	70,000	98,000	133,000	180,000
(H) Recommended Funding in 2015-2016 for Claims Costs and Other Expenses ((E) + (G))	<u>\$247,000</u>	<u>\$271,000</u>	<u>\$299,000</u>	<u>\$334,000</u>	<u>\$381,000</u>
(I) Rate per \$100 of payroll: ((H) / \$296,448)	\$0.833	\$0.914	\$1.009	\$1.127	\$1.285

Payroll rates are per hundred dollars of 2015-2016 payroll of \$29,644,800.

City of Gilroy - Liability

IBNR as of 6/30/15 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/14 (B)	Estimated IBNR as of 12/31/14 (C)	Estimated Percent of IBNR Reported Between 1/1/15 and 6/30/15 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/15 (F)
1993-1994	162,890	162,890	0	100.0%	0	0
1994-1995	119,733	119,733	0	100.0%	0	0
1995-1996	71,117	71,117	0	100.0%	0	0
1996-1997	122,638	122,638	0	100.0%	0	0
1997-1998	90,928	90,928	0	100.0%	0	0
1998-1999	112,167	112,167	0	100.0%	0	0
1999-2000	57,151	57,151	0	100.0%	0	0
2000-2001	204,190	204,190	0	100.0%	0	0
2001-2002	73,916	73,916	0	100.0%	0	0
2002-2003	169,449	169,449	0	100.0%	0	0
2003-2004	8,962	8,962	0	100.0%	0	0
2004-2005	117,849	117,849	0	100.0%	0	0
2005-2006	136,689	136,689	0	100.0%	0	0
2006-2007	43,194	43,194	0	100.0%	0	0
2007-2008	265,291	265,291	0	100.0%	0	0
2008-2009	45,015	45,015	0	49.9%	0	0
2009-2010	109,936	109,936	0	33.1%	0	0
2010-2011	87,823	87,823	0	30.0%	0	0
2011-2012	166,000	159,127	6,873	30.0%	2,000	4,873
2012-2013	265,000	249,434	15,566	30.0%	5,000	10,566
2013-2014	295,000	246,507	48,493	31.9%	15,000	33,493
2014-2015	198,000	52,461	47,000	38.9%	57,000	88,539
Totals	\$2,922,938	\$2,706,467	\$117,932		\$79,000	\$137,471

Notes:

- (A) From Exhibit 4, Page 1.
- (B) Provided by ABAG. These losses exclude amounts incurred above the City's SIR for each year.
- (C) (A) - (B).
- (D) Percentage of incurred but not reported (IBNR) expected to be reported between 1/1/15 and 6/30/15. The percentage is based on the development pattern selected in Appendix A.
- (E) (C) x (D).
- (F) (A) - (B) - (E).

This exhibit shows the calculation of the amount of incurred but not reported losses we expect as of 6/30/15. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

City of Gilroy - Liability
Estimated Ultimate Program Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Estimate of Ultimate Losses (F)
1993-1994	\$162,890	\$162,890	\$162,890	\$162,890	\$162,890	\$162,890
1994-1995	119,733	119,733	119,733	119,733	119,725	119,733
1995-1996	71,117	71,117	71,117	71,117	71,128	71,117
1996-1997	122,638	122,638	122,638	122,638	122,640	122,638
1997-1998	90,928	90,928	90,928	90,928	90,909	90,928
1998-1999	112,167	112,167	112,167	112,167	112,175	112,167
1999-2000	57,151	57,151	57,151	57,151	57,156	57,151
2000-2001	204,190	204,190	204,190	204,190	204,190	204,190
2001-2002	73,916	73,916	73,916	73,916	73,925	73,916
2002-2003	169,449	169,449	169,449	169,449	169,440	169,449
2003-2004	8,962	8,971	8,962	8,971	8,970	8,962
2004-2005	117,849	118,203	117,849	118,202	117,834	117,849
2005-2006	136,689	137,509	136,689	137,509	136,712	136,689
2006-2007	43,194	43,626	43,194	43,626	43,190	43,194
2007-2008	265,556	269,270	265,556	269,271	265,290	265,291
2008-2009	45,195	46,140	45,195	46,095	45,012	45,015
2009-2010	110,925	114,333	111,624	117,063	151,823	109,936
2010-2011	89,492	94,498	91,488	101,518	142,674	87,823
2011-2012	165,333	155,325	166,818	162,042	209,970	166,000
2012-2013	266,894	248,322	262,597	232,749	230,720	265,000
2013-2014	300,739	526,546	283,983	299,363	170,821	295,000
Totals						\$2,724,938
						Projected Losses for the Year 2014-2015 (G) \$198,000
						Projected Losses for the Year 2015-2016 (H) \$208,000

Notes:

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

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

City of Gilroy - Liability

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

Accident Year	Ultimate Limited Losses (A)	Trend Factor (B)	Trended Limited Losses (C)	Composite Exposure (D)	Trended Limited Loss Rate (E)
1998-1999	112,167	1.066	119,570	201,508	0.593
1999-2000	57,151	1.062	60,694	212,494	0.286
2000-2001	204,190	1.057	215,829	224,031	0.963
2001-2002	73,916	1.053	77,834	243,298	0.320
2002-2003	169,449	1.049	177,752	259,007	0.686
2003-2004	8,962	1.045	9,365	274,762	0.034
2004-2005	117,849	1.041	122,681	290,085	0.423
2005-2006	136,689	1.037	141,746	296,406	0.478
2006-2007	43,194	1.032	44,576	306,655	0.145
2007-2008	265,291	1.028	272,719	320,849	0.850
2008-2009	45,015	1.024	46,095	300,113	0.154
2009-2010	109,936	1.020	112,135	239,222	0.469
2010-2011	87,823	1.016	89,228	245,096	0.364
2011-2012	166,000	1.012	167,992	255,888	0.657
2012-2013	265,000	1.008	267,120	255,049	1.047
2013-2014	295,000	1.004	296,180	261,230	1.134
Totals	\$2,724,938		\$2,834,112	5,075,178	\$0.558
09/10-13/14	923,759		932,655	1,256,485	0.742
10/11-13/14	813,823		820,520	1,017,263	0.807
			(F) Selected Limited Rate:		\$0.700
			Prior Limited Rate:		\$0.630
Program Year:		2014-2015	2015-2016		
(G) Factor to SIR:		1.000	1.000		
(H) Trend Factor:		1.000	1.004		
(I) Program Rate:		\$0.700	\$0.703		
(J) Composite Exposure:		\$282,331	\$296,448		
(K) Projected Program Losses:		198,000	208,000		
(L) Projected ULAE:		0	0		
(M) Projected Loss and ULAE:		\$198,000	\$208,000		

Notes appear on the next page.

City of Gilroy - Liability

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

Notes:

- (A) From Exhibit 4, Page 2, Column (F).
For purposes of projecting future losses, losses are capped at amounts over \$50,000 per occurrence.
- (B) From Appendix E, Column (B).
- (C) (A) x (B).
- (D) Provided by ABAG.
- (E) (C) / (D).
- (F) Selected based on (E).
- (G) Based on a Burr distribution, a mathematical model of claim sizes.
- (H) From Appendix E.
- (I) (F) x (G) x (H).
- (J) Appendix M, Page 2, Column (G) .
- (K) (I) x (J).
- (L) Based on an estimated claim closing pattern and ABAG's historical claims administration expenses.
- (M) (K) + (L).

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

City of Gilroy - Liability

Expected Excess Losses and Outstanding at 6/30/15

Accident Year (A)	Expected Excess Losses (B)	Percent IBNR (C)	Estimated Excess IBNR (D)	Estimated Excess Case Reserve (E)	Excess Outstanding Losses (F)
1993-1994	64,000	0.0%	0	0	0
1994-1995	77,000	0.0%	0	0	0
1995-1996	87,000	0.0%	0	0	0
1996-1997	100,000	0.0%	0	0	0
1997-1998	117,000	0.0%	0	0	0
1998-1999	141,000	0.0%	0	0	0
1999-2000	165,000	0.0%	0	0	0
2000-2001	193,000	0.0%	0	0	0
2001-2002	227,000	0.0%	0	0	0
2002-2003	269,000	1.0%	3,000	0	3,000
2003-2004	305,000	1.0%	3,000	0	3,000
2004-2005	345,000	2.0%	7,000	0	7,000
2005-2006	377,000	2.0%	8,000	0	8,000
2006-2007	417,000	3.0%	13,000	0	13,000
2007-2008	466,000	4.0%	19,000	0	19,000
2008-2009	466,000	6.0%	28,000	0	28,000
2009-2010	397,000	9.0%	36,000	0	36,000
2010-2011	434,000	14.0%	61,000	0	61,000
2011-2012	485,000	24.0%	116,000	206,000	322,000
2012-2013	516,000	40.0%	206,000	245,000	451,000
2013-2014	564,000	66.0%	372,000	433,000	805,000
2014-2015	651,000	91.0%	592,000	37,000	629,000
Total	6,863,000		1,464,000	921,000	2,385,000

(G) Discount Factor: 0.970

(H) Discounted Excess Outstanding Losses: 2,313,000

Notes:

- (A) Accident Years are 7/1 - 6/30
- (B) Based upon ABAG PLAN actuarial study dated 2015-03-23.
- (C) Based upon ABAG PLAN actuarial study dated 2015-03-23.
- (D) (B) x (C)
- (E) Estimated Case reserves as of 6/30/15.
- (F) (D) + (E)
- (G) Based upon ABAG PLAN actuarial study dated 2014-03-31.
- (H) Total (F) x (G)

City of Gilroy - Liability
Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/14 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/14 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1993-1994	162,890	1.000	162,890	162,890	1.000	162,890
1994-1995	119,733	1.000	119,733	119,733	1.000	119,733
1995-1996	71,117	1.000	71,117	71,117	1.000	71,117
1996-1997	122,638	1.000	122,638	122,638	1.000	122,638
1997-1998	90,928	1.000	90,928	90,928	1.000	90,928
1998-1999	112,167	1.000	112,167	112,167	1.000	112,167
1999-2000	57,151	1.000	57,151	57,151	1.000	57,151
2000-2001	204,190	1.000	204,190	204,190	1.000	204,190
2001-2002	73,916	1.000	73,916	73,916	1.000	73,916
2002-2003	169,449	1.000	169,449	169,449	1.000	169,449
2003-2004	8,962	1.000	8,962	8,962	1.000	8,962
2004-2005	117,849	1.000	117,849	117,849	1.000	117,849
2005-2006	136,689	1.000	136,689	136,689	1.000	136,689
2006-2007	43,194	1.000	43,194	43,194	1.000	43,194
2007-2008	265,291	1.001	265,556	265,291	1.001	265,556
2008-2009	45,015	1.004	45,195	45,015	1.004	45,195
2009-2010	109,936	1.009	110,925	109,936	1.009	110,925
2010-2011	87,823	1.019	89,492	87,823	1.019	89,492
2011-2012	159,127	1.039	165,333	159,127	1.039	165,333
2012-2013	249,434	1.070	266,894	249,434	1.070	266,894
2013-2014	246,507	1.220	300,739	246,507	1.220	300,739
Totals	\$2,654,006		\$2,735,007	\$2,654,006		\$2,735,007

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by ABAG. These losses exclude amounts over \$50,000 per occurrence.
- (C) Based upon ABAG Loss Development Factors.
- (D) (B) x (C). These estimated losses exclude amounts over \$50,000 per occurrence.
- (E) Losses capped at the City's SIR. Amounts are provided by ABAG.
- (F) Based upon ABAG Loss Development Factors.
- (G) (E) x (F).

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

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

City of Gilroy - Liability

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/14 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/14 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1993-1994	162,890	1.000	162,890	162,890	1.000	162,890
1994-1995	119,733	1.000	119,733	119,733	1.000	119,733
1995-1996	71,117	1.000	71,117	71,117	1.000	71,117
1996-1997	122,638	1.000	122,638	122,638	1.000	122,638
1997-1998	90,928	1.000	90,928	90,928	1.000	90,928
1998-1999	112,167	1.000	112,167	112,167	1.000	112,167
1999-2000	57,151	1.000	57,151	57,151	1.000	57,151
2000-2001	204,190	1.000	204,190	204,190	1.000	204,190
2001-2002	73,916	1.000	73,916	73,916	1.000	73,916
2002-2003	169,449	1.000	169,449	169,449	1.000	169,449
2003-2004	8,962	1.001	8,971	8,962	1.001	8,971
2004-2005	117,849	1.003	118,203	117,849	1.003	118,203
2005-2006	136,689	1.006	137,509	136,689	1.006	137,509
2006-2007	43,194	1.010	43,626	43,194	1.010	43,626
2007-2008	265,291	1.015	269,270	265,291	1.015	269,270
2008-2009	45,015	1.025	46,140	45,015	1.025	46,140
2009-2010	109,936	1.040	114,333	109,936	1.040	114,333
2010-2011	87,823	1.076	94,498	87,823	1.076	94,498
2011-2012	133,098	1.167	155,325	133,098	1.167	155,325
2012-2013	163,693	1.517	248,322	163,693	1.517	248,322
2013-2014	150,916	3.489	526,546	150,916	3.489	526,546
Totals	\$2,446,645		\$2,946,922	\$2,446,645		\$2,946,922

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by ABAG. These losses exclude amounts over \$50,000 per occurrence.
- (C) Based upon ABAG Loss Development Factors.
- (D) (B) x (C). These estimated losses exclude amounts over \$50,000 per occurrence.
- (E) Losses capped at the City's SIR. Amounts are provided by ABAG.
- (F) Based upon ABAG Loss Development Factors.
- (G) (E) x (F).

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

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

City of Gilroy - Liability
Exposure and Development Method
Based on Reported Losses

Accident Year	Composite Exposure (A)	Reported Losses as of 12/31/14 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
1998-1999	201,508	112,167	1.000	0.000	0.557	0	112,167
1999-2000	212,494	57,151	1.000	0.000	0.269	0	57,151
2000-2001	224,031	204,190	1.000	0.000	0.911	0	204,190
2001-2002	243,298	73,916	1.000	0.000	0.304	0	73,916
2002-2003	259,007	169,449	1.000	0.000	0.854	0	169,449
2003-2004	274,762	8,962	1.000	0.000	0.033	0	8,962
2004-2005	290,085	117,849	1.000	0.000	0.406	0	117,849
2005-2006	296,406	136,689	1.000	0.000	0.461	0	136,689
2006-2007	306,655	43,194	1.000	0.000	0.141	0	43,194
2007-2008	320,849	265,291	1.001	0.001	0.827	265	265,556
2008-2009	300,113	45,015	1.004	0.004	0.150	180	45,195
2009-2010	239,222	109,936	1.009	0.009	0.784	1,688	111,624
2010-2011	245,096	87,823	1.019	0.019	0.787	3,665	91,488
2011-2012	255,888	159,127	1.039	0.038	0.791	7,691	166,818
2012-2013	255,049	249,434	1.070	0.065	0.794	13,163	262,597
2013-2014	261,230	246,507	1.220	0.180	0.797	37,476	283,983
Totals	\$5,075,178	\$2,654,006				\$64,128	\$2,718,134

Notes:

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

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

City of Gilroy - Liability
Exposure and Development Method
Based on Paid Losses

Accident Year	Composite Exposure (A)	Paid Losses as of 12/31/14 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
1998-1999	201,508	112,167	1.000	0.000	0.557	0	112,167
1999-2000	212,494	57,151	1.000	0.000	0.269	0	57,151
2000-2001	224,031	204,190	1.000	0.000	0.911	0	204,190
2001-2002	243,298	73,916	1.000	0.000	0.304	0	73,916
2002-2003	259,007	169,449	1.000	0.000	0.654	0	169,449
2003-2004	274,762	8,962	1.001	0.001	0.033	9	8,971
2004-2005	290,085	117,849	1.003	0.003	0.406	353	118,202
2005-2006	296,406	136,689	1.006	0.006	0.461	820	137,509
2006-2007	306,655	43,194	1.010	0.010	0.141	432	43,626
2007-2008	320,849	265,291	1.015	0.015	0.827	3,980	269,271
2008-2009	300,113	45,015	1.025	0.024	0.150	1,080	46,095
2009-2010	239,222	109,936	1.040	0.038	0.784	7,127	117,063
2010-2011	245,096	87,823	1.076	0.071	0.787	13,695	101,518
2011-2012	255,888	133,098	1.167	0.143	0.791	28,944	162,042
2012-2013	255,049	163,693	1.517	0.341	0.794	69,056	232,749
2013-2014	261,230	150,916	3.489	0.713	0.797	148,447	299,363
Totals	\$5,075,178	\$2,446,645				\$273,943	\$2,720,588

Notes:

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

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

City of Gilroy - Liability
Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Ultimate Claims (B)	Ultimate Program Losses (C)
1993-1994	4,654	35	162,890
1994-1995	4,789	25	119,725
1995-1996	2,092	34	71,128
1996-1997	2,920	42	122,640
1997-1998	2,331	39	90,909
1998-1999	3,205	35	112,175
1999-2000	1,732	33	57,156
2000-2001	5,834	35	204,190
2001-2002	2,957	25	73,925
2002-2003	5,295	32	169,440
2003-2004	390	23	8,970
2004-2005	2,874	41	117,834
2005-2006	2,972	46	136,712
2006-2007	1,234	35	43,190
2007-2008	7,170	37	265,290
2008-2009	2,046	22	45,012
2009-2010	6,601	23	151,823
2010-2011	6,794	21	142,674
2011-2012	6,999	30	209,970
2012-2013	7,210	32	230,720
2013-2014	7,427	23	170,821
Total		668	\$2,707,194

Notes:

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

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

City of Gilroy - Liability
Frequency and Severity Method

Accident Year	Ultimate Limited Losses (A)	Ultimate Claims (B)	Ultimate Limited Severity (C)	Trend Factor (D)	Trended Limited Severity (E)	Limited Severity (F)	Factor to SIR (G)	Program Severity (H)
1993-1994	162,890	35	4,654	1.860	8,656	4,654	1.000	4,654
1994-1995	119,733	25	4,789	1.806	8,649	4,789	1.000	4,789
1995-1996	71,117	34	2,092	1.754	3,669	2,092	1.000	2,092
1996-1997	122,638	42	2,920	1.702	4,970	2,920	1.000	2,920
1997-1998	90,928	39	2,331	1.653	3,853	2,331	1.000	2,331
1998-1999	112,167	35	3,205	1.605	5,144	3,205	1.000	3,205
1999-2000	57,151	33	1,732	1.558	2,698	1,732	1.000	1,732
2000-2001	204,190	35	5,834	1.513	8,827	5,834	1.000	5,834
2001-2002	73,916	25	2,957	1.469	4,344	2,957	1.000	2,957
2002-2003	169,449	32	5,295	1.426	7,551	5,295	1.000	5,295
2003-2004	8,962	23	390	1.384	540	390	1.000	390
2004-2005	117,849	41	2,874	1.344	3,863	2,874	1.000	2,874
2005-2006	136,689	46	2,972	1.305	3,878	2,972	1.000	2,972
2006-2007	43,194	35	1,234	1.267	1,563	1,234	1.000	1,234
2007-2008	265,291	37	7,170	1.230	8,819	7,170	1.000	7,170
2008-2009	45,015	22	2,046	1.194	2,443	2,046	1.000	2,046
2009-2010	109,936	23	4,780	1.159	5,540	6,601	1.000	6,601
2010-2011	87,823	21	4,182	1.126	4,709	6,794	1.000	6,794
2011-2012	166,000	30	5,533	1.093	6,048	6,999	1.000	6,999
2012-2013	265,000	32	8,281	1.061	8,786	7,210	1.000	7,210
2013-2014	295,000	23	12,826	1.030	13,211	7,427	1.000	7,427

Average Limited Severity: \$5,608
Average 09/10-13/14 Limited Severity: \$7,659

Selected Limited Severity: \$7,650
Prior: \$6,900

Notes:

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

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

City of Gilroy - Liability
Frequency and Severity Method
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Composite Exposure (10,000s) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)
1993-1994	35	35	35	16.229	2.157	0.588	1.268
1994-1995	25	25	25	17.481	1.430	0.603	0.862
1995-1996	34	34	34	17.765	1.914	0.618	1.183
1996-1997	42	42	42	18.303	2.295	0.634	1.455
1997-1998	39	39	39	19.171	2.034	0.650	1.322
1998-1999	35	35	35	20.151	1.737	0.667	1.159
1999-2000	33	33	33	21.249	1.553	0.684	1.062
2000-2001	35	35	35	22.403	1.562	0.702	1.097
2001-2002	25	25	25	24.330	1.028	0.720	0.740
2002-2003	32	32	32	25.901	1.235	0.738	0.911
2003-2004	23	23	23	27.476	0.837	0.757	0.634
2004-2005	41	41	41	29.009	1.413	0.776	1.096
2005-2006	46	46	46	29.641	1.552	0.796	1.235
2006-2007	35	35	35	30.666	1.141	0.817	0.932
2007-2008	37	37	37	32.085	1.153	0.838	0.966
2008-2009	22	22	22	30.011	0.733	0.859	0.630
2009-2010	23	23	23	23.922	0.961	0.881	0.847
2010-2011	21	22	21	24.510	0.857	0.904	0.775
2011-2012	30	29	30	25.589	1.172	0.927	1.086
2012-2013	32	33	32	25.505	1.255	0.951	1.194
2013-2014	23	16	23	26.123	0.880	0.975	0.858
Total	668	662	668	507.518			0.995

(H) Selected 2014-2015 Frequency: 1.000
Prior: 1.065

Program Year:	2014-2015	2015-2016
(I) Trend Factor:	1.000	0.975
(J) Selected Frequency:	1.000	0.975
(K) Composite Exposure:	28.233	29.645
(L) Ultimate Claims:	28	29

Notes:

- (A) From Appendix D, Page 4, (C).
- (B) From Appendix D, Page 5, (C).
- (C) Selected from (A) and (B).
- (D) From Appendix M, Page 2, (G).
- (E) (C) / (D).
- (F) From Appendix E.
- (G) (E) x (F).
- (H) The selected frequency of 1.000 is based on (G).
- (I) From Appendix E.
- (J) (H) x (I).
- (K) From Appendix M, Page 2, (G).
- (L) (J) x (K).

This exhibit summarizes the estimated numbers of claims and shows the estimated frequencies per 10,000 units of Composite Exposure, Appendix M, Page 2, Item (G).

City of Gilroy - Liability
Frequency and Severity Method
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2014 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1993-1994	35	1.000	35	1.268
1994-1995	25	1.000	25	0.862
1995-1996	34	1.000	34	1.183
1996-1997	42	1.000	42	1.455
1997-1998	39	1.000	39	1.322
1998-1999	35	1.000	35	1.159
1999-2000	33	1.000	33	1.062
2000-2001	35	1.000	35	1.097
2001-2002	25	1.000	25	0.740
2002-2003	32	1.000	32	0.912
2003-2004	23	1.000	23	0.634
2004-2005	41	1.000	41	1.097
2005-2006	46	1.000	46	1.235
2006-2007	35	1.000	35	0.932
2007-2008	37	1.000	37	0.966
2008-2009	22	1.001	22	0.630
2009-2010	23	1.003	23	0.847
2010-2011	21	1.006	21	0.775
2011-2012	30	1.010	30	1.087
2012-2013	32	1.015	32	1.193
2013-2014	22	1.056	23	0.858
Total	667		668	0.995

Notes:

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

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

City of Gilroy - Liability

Frequency and Severity Method
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2014 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1993-1994	35	1.000	35	1.268
1994-1995	25	1.000	25	0.862
1995-1996	34	1.000	34	1.183
1996-1997	42	1.000	42	1.455
1997-1998	39	1.000	39	1.322
1998-1999	35	1.000	35	1.159
1999-2000	33	1.001	33	1.062
2000-2001	35	1.002	35	1.097
2001-2002	25	1.003	25	0.740
2002-2003	32	1.004	32	0.912
2003-2004	23	1.005	23	0.634
2004-2005	41	1.006	41	1.097
2005-2006	46	1.007	46	1.235
2006-2007	35	1.009	35	0.932
2007-2008	37	1.012	37	0.966
2008-2009	22	1.016	22	0.630
2009-2010	23	1.021	23	0.847
2010-2011	21	1.031	22	0.811
2011-2012	28	1.046	29	1.051
2012-2013	30	1.114	33	1.230
2013-2014	10	1.582	16	0.597
Total	651		662	0.983

Notes:

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

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

City of Gilroy - Liability
Reported Claim Count Development

Number of Claims Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1993-1994														
1994-1995														
1995-1996														
1996-1997														
1997-1998														
1998-1999														
1999-2000														
2000-2001														35
2001-2002													25	25
2002-2003												32	32	
2003-2004											23	23		
2004-2005										41	41			
2005-2006									46	46				
2006-2007								35	35					
2007-2008							37	37						
2008-2009						22	22							
2009-2010					23	23								
2010-2011				21	21									
2011-2012			30	30										
2012-2013		31	32											
2013-2014	7	22												
2014-2015	7													

Reported Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months	138-150 Months	150-162 Months	162-174 Months
1993-1994														
1994-1995														
1995-1996														
1996-1997														
1997-1998														
1998-1999														
1999-2000														
2000-2001														1.000
2001-2002													1.000	
2002-2003												1.000		
2003-2004											1.000			
2004-2005									1.000					
2005-2006								1.000						
2006-2007								1.000						
2007-2008							1.000							
2008-2009						1.000								
2009-2010					1.000									
2010-2011				1.000										
2011-2012			1.000											
2012-2013		1.032												
2013-2014	3.143													
Average	3.143	1.032	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Claim-weighted Averages

	3-yr	4-yr	ABAG	Factors	Prior	Selected	Cumulated
3-yr	3.100	1.040	1.005	1.004	1.003	1.002	1.001
4-yr	3.000	1.040	1.010	1.005	1.004	1.003	1.002
ABAG	3.100	1.040	1.005	1.004	1.003	1.002	1.001
Factors	3.100	1.040	1.005	1.004	1.003	1.002	1.001
Prior	3.000	1.040	1.010	1.005	1.004	1.003	1.002
Selected	3.100	1.040	1.005	1.004	1.003	1.002	1.001
Cumulated	3.274	1.056	1.015	1.010	1.006	1.003	1.001

City of Gilroy - Liability
Closed Claim Development

Accident Year	Claims Closed as of:													
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1993-1994														
1994-1995														
1995-1996														
1996-1997														
1997-1998														
1998-1999														
1999-2000														
2000-2001														
2001-2002													25	35
2002-2003												32	32	25
2003-2004											23	23		
2004-2005										41	41			
2005-2006									46	46				
2006-2007								35	35					
2007-2008							37	37						
2008-2009						22	22							
2009-2010					23	23								
2010-2011				21	21									
2011-2012			27	28										
2012-2013		22	30											
2013-2014	1	10												
2014-2015	1													

Closed Claim Count Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months	138-150 Months	150-162 Months	162-174 Months
1993-1994														
1994-1995														
1995-1996														
1996-1997														
1997-1998														
1998-1999														
1999-2000														
2000-2001														1.000
2001-2002													1.000	
2002-2003												1.000		
2003-2004											1.000			
2004-2005									1.000					
2005-2006								1.000						
2006-2007								1.000						
2007-2008							1.000							
2008-2009						1.000								
2009-2010					1.000									
2010-2011				1.000										
2011-2012			1.037											
2012-2013		1.364												
2013-2014	10.000													
Average	10.000	1.364	1.037	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Claim-weighted Averages

	3-yr	4-yr	ABAG	Factors	Prior	Selected	Cumulated
9.000	1.420	1.065	1.015	1.010	1.005	1.004	1.003
8.500	1.380	1.060	1.015	1.010	1.005	1.004	1.003
9.000	1.420	1.065	1.015	1.010	1.005	1.004	1.003
14.238	1.582	1.114	1.046	1.031	1.021	1.016	1.012

City of Gilroy - Liability

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2014-2015 Loss Rate Level (B)	Factor to 2015-2016 Loss Rate Level (C)	Factor to 2016-2017 Loss Rate Level (D)	Factor to 2017-2018 Loss Rate Level (E)	Factor to 2014-2015 Frequency Level (F)	Factor to 2015-2016 Frequency Level (G)	Factor to 2016-2017 Frequency Level (H)	Factor to 2017-2018 Frequency Level (I)	Factor to 2014-2015 Severity Level (J)
1993-1994	1.000	1.087	1.092	1.096	1.101	0.588	0.573	0.559	0.545	1.860
1994-1995	1.000	1.083	1.087	1.092	1.096	0.603	0.588	0.573	0.559	1.806
1995-1996	1.000	1.079	1.083	1.087	1.092	0.618	0.603	0.588	0.573	1.754
1996-1997	1.000	1.075	1.079	1.083	1.087	0.634	0.618	0.603	0.588	1.702
1997-1998	1.000	1.070	1.075	1.079	1.083	0.650	0.634	0.618	0.603	1.653
1998-1999	1.000	1.066	1.070	1.075	1.079	0.667	0.650	0.634	0.618	1.605
1999-2000	1.000	1.062	1.066	1.070	1.075	0.684	0.667	0.650	0.634	1.558
2000-2001	1.000	1.057	1.062	1.066	1.070	0.702	0.684	0.667	0.650	1.513
2001-2002	1.000	1.053	1.057	1.062	1.066	0.720	0.702	0.684	0.667	1.469
2002-2003	1.000	1.049	1.053	1.057	1.062	0.738	0.720	0.702	0.684	1.426
2003-2004	1.000	1.045	1.049	1.053	1.057	0.757	0.738	0.720	0.702	1.384
2004-2005	1.000	1.041	1.045	1.049	1.053	0.776	0.757	0.738	0.720	1.344
2005-2006	1.000	1.037	1.041	1.045	1.049	0.796	0.776	0.757	0.738	1.305
2006-2007	1.000	1.032	1.037	1.041	1.045	0.817	0.796	0.776	0.757	1.267
2007-2008	1.000	1.028	1.032	1.037	1.041	0.838	0.817	0.796	0.776	1.230
2008-2009	1.000	1.024	1.028	1.032	1.037	0.859	0.838	0.817	0.796	1.194
2009-2010	1.000	1.020	1.024	1.028	1.032	0.881	0.859	0.838	0.817	1.159
2010-2011	1.000	1.016	1.020	1.024	1.028	0.904	0.881	0.859	0.838	1.126
2011-2012	1.000	1.012	1.016	1.020	1.024	0.927	0.904	0.881	0.859	1.093
2012-2013	1.000	1.008	1.012	1.016	1.020	0.951	0.927	0.904	0.881	1.061
2013-2014	1.000	1.004	1.008	1.012	1.016	0.975	0.951	0.927	0.904	1.030
2014-2015	1.000	1.000	1.004	1.008	1.012	1.000	0.975	0.951	0.927	1.000
2015-2016	1.000	--	1.000	1.004	1.008	--	1.000	0.975	0.951	0.971
2016-2017	1.000	--	--	1.000	1.004	--	--	1.000	0.975	--
2017-2018	1.000	--	--	--	1.000	--	--	--	1.000	--

Notes:

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

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

City of Gilroy - Liability
Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2014</u>	<u>Calendar Period</u>	
		<u>1/1/2015</u> <u>to</u> <u>6/30/2015</u>	<u>7/1/2015</u> <u>to</u> <u>6/30/2016</u>
Prior			
Ultimate Loss	\$567,306	\$567,306	\$567,306
Paid in Calendar Period	-		
Paid to Date	567,306	567,306	567,306
Outstanding Liability			
1998-1999			
Ultimate Loss	\$112,167	\$112,167	\$112,167
Paid in Calendar Period	-		
Paid to Date	112,167	112,167	112,167
Outstanding Liability			
1999-2000			
Ultimate Loss	\$57,151	\$57,151	\$57,151
Paid in Calendar Period	-		
Paid to Date	57,151	57,151	57,151
Outstanding Liability			
2000-2001			
Ultimate Loss	\$204,190	\$204,190	\$204,190
Paid in Calendar Period	-		
Paid to Date	204,190	204,190	204,190
Outstanding Liability			
2001-2002			
Ultimate Loss	\$73,916	\$73,916	\$73,916
Paid in Calendar Period	-		
Paid to Date	73,916	73,916	73,916
Outstanding Liability			
2002-2003			
Ultimate Loss	\$169,449	\$169,449	\$169,449
Paid in Calendar Period	-		
Paid to Date	169,449	169,449	169,449
Outstanding Liability			
2003-2004			
Ultimate Loss	\$8,962	\$8,962	\$8,962
Paid in Calendar Period	-		
Paid to Date	8,962	8,962	8,962
Outstanding Liability			

City of Gilroy - Liability
Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2014</u>	<u>Calendar Period</u>	
		<u>1/1/2015</u> <u>to</u> <u>6/30/2015</u>	<u>7/1/2015</u> <u>to</u> <u>6/30/2016</u>
2004-2005			
Ultimate Loss	\$117,849	\$117,849	\$117,849
Paid in Calendar Period	-		
Paid to Date	117,849	117,849	117,849
Outstanding Liability			
2005-2006			
Ultimate Loss	\$136,689	\$136,689	\$136,689
Paid in Calendar Period	-		
Paid to Date	136,689	136,689	136,689
Outstanding Liability			
2006-2007			
Ultimate Loss	\$43,194	\$43,194	\$43,194
Paid in Calendar Period	-		
Paid to Date	43,194	43,194	43,194
Outstanding Liability			
2007-2008			
Ultimate Loss	\$265,291	\$265,291	\$265,291
Paid in Calendar Period	-		
Paid to Date	265,291	265,291	265,291
Outstanding Liability			
2008-2009			
Ultimate Loss	\$45,015	\$45,015	\$45,015
Paid in Calendar Period	-		
Paid to Date	45,015	45,015	45,015
Outstanding Liability			
2009-2010			
Ultimate Loss	\$109,936	\$109,936	\$109,936
Paid in Calendar Period	-		
Paid to Date	109,936	109,936	109,936
Outstanding Liability			
2010-2011			
Ultimate Loss	\$87,823	\$87,823	\$87,823
Paid in Calendar Period	-		
Paid to Date	87,823	87,823	87,823
Outstanding Liability			

City of Gilroy - Liability
Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2014</u>	<u>Calendar Period</u>	
		<u>1/1/2015</u> <u>to</u> <u>6/30/2015</u>	<u>7/1/2015</u> <u>to</u> <u>6/30/2016</u>
2011-2012			
Ultimate Loss	\$166,000	\$166,000	\$166,000
Paid in Calendar Period	-	8,258	12,026
Paid to Date	133,098	141,356	153,382
Outstanding Liability	32,902	24,644	12,618
2012-2013			
Ultimate Loss	\$265,000	\$265,000	\$265,000
Paid in Calendar Period	-	29,379	40,064
Paid to Date	163,693	193,072	233,136
Outstanding Liability	101,307	71,928	31,864
2013-2014			
Ultimate Loss	\$295,000	\$295,000	\$295,000
Paid in Calendar Period	-	37,606	57,605
Paid to Date	150,916	188,522	246,127
Outstanding Liability	144,084	106,478	48,873
2014-2015			
Ultimate Loss	\$99,000	\$198,000	\$198,000
Paid in Calendar Period	-	25,433	63,147
Paid to Date	2,359	27,792	90,939
Outstanding Liability	96,641	170,208	107,061
2015-2016			
Ultimate Loss	-	-	\$208,000
Paid in Calendar Period	-	-	33,696
Paid to Date	-	-	33,696
Outstanding Liability	-	-	174,304
Totals			
Ultimate Loss	\$2,823,938	\$2,922,938	\$3,130,938
Paid in Calendar Period	-	100,676	206,538
Paid to Date	2,449,004	2,549,680	2,756,218
Outstanding Liability	374,934	373,258	374,720
Total Outstanding ULAE	0	0	0
Outstanding Liability plus ULAE	374,934	373,258	374,720

Notes appear on the next page.

City of Gilroy - Liability
Payment and Reserve Forecast

Notes to previous page:

- Accident Year is associated with date of loss. Calendar Period is associated with date of transaction. For example, for the losses which occurred during 2012-2013, \$29,379 is expected to be paid between 1/1/15 and 6/30/15, \$193,072 will have been paid by 6/30/15, and the reserve for remaining payments on these claims should be \$71,928.
- Ultimate Losses for each accident year are from Exhibit 4, Page 1.
- Paid in Calendar Period is a proportion of the Outstanding Liability from the previous calendar period. These proportions are derived from the paid loss development pattern selected in Appendix B. For example, \$40,064 = \$71,928 x 55.7%.
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, \$233,136 = \$40,064 + \$193,072.
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, \$71,928 = \$265,000 - \$193,072.

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

City of Gilroy - Liability

Short- and Long-Term Liabilities

<u>Liabilities as of 12/31/14:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$75,243	\$74,502
	ULAE:	0	0
	Short-Term Loss and LAE:	\$75,243	\$74,502
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$299,691	\$288,531
	ULAE:	0	0
	Long-Term Loss and LAE:	\$299,691	\$288,531
<u>Total Liability</u>	Loss and ALAE:	\$374,934	\$363,033
	ULAE:	0	0
	Total Loss and LAE:	\$374,934	\$363,033

<u>Liabilities as of 6/30/15:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$172,842	\$171,139
	ULAE:	0	0
	Short-Term Loss and LAE:	\$172,842	\$171,139
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$200,416	\$190,789
	ULAE:	0	0
	Long-Term Loss and LAE:	\$200,416	\$190,789
<u>Total Liability</u>	Loss and ALAE:	\$373,258	\$361,928
	ULAE:	0	0
	Total Loss and LAE:	\$373,258	\$361,928

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 12/31/14:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$87,540	\$93,426	\$100,429	\$109,071	\$120,544
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	\$87,540	\$93,426	\$100,429	\$109,071	\$120,544
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$339,024	\$361,817	\$388,939	\$422,409	\$466,843
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	\$339,024	\$361,817	\$388,939	\$422,409	\$466,843
<u>Total Liability</u>	Loss and ALAE:	\$426,564	\$455,243	\$489,368	\$531,480	\$587,387
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	\$426,564	\$455,243	\$489,368	\$531,480	\$587,387
<u>Liabilities as of 6/30/15:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$201,088	\$214,608	\$230,695	\$250,547	\$276,903
	ULAE:	0	0	0	0	0
	Short-Term Loss and LAE:	\$201,088	\$214,608	\$230,695	\$250,547	\$276,903
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$224,177	\$239,250	\$257,184	\$279,316	\$308,697
	ULAE:	0	0	0	0	0
	Long-Term Loss and LAE:	\$224,177	\$239,250	\$257,184	\$279,316	\$308,697
<u>Total Liability</u>	Loss and ALAE:	\$425,265	\$453,858	\$487,879	\$529,863	\$585,600
	ULAE:	0	0	0	0	0
	Total Loss and LAE:	\$425,265	\$453,858	\$487,879	\$529,863	\$585,600

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

City of Gilroy - Liability

Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 12/31/14 (A)	Discount Factor (B)	Discounted Reserve at 12/31/14 (C)	Full Value of Reserve at 6/30/15 (D)	Discount Factor (E)	Discounted Reserve at 6/30/15 (F)
2009-2010	0	0.963	0	0	0.962	0
2010-2011	0	0.965	0	0	0.964	0
2011-2012	32,902	0.969	31,889	24,644	0.967	23,830
2012-2013	101,307	0.972	98,487	71,928	0.971	69,876
2013-2014	144,084	0.970	139,769	106,478	0.973	103,586
2014-2015	96,641	0.961	92,888	170,208	0.967	164,636
Totals	\$374,934		\$363,033	\$373,258		\$361,928

(G) Discount Factor at 12/31/14 for Overall Reserve: 0.968
(H) Discount Factor at 6/30/15 for Overall Reserve: 0.970

Notes:

- (A) From Appendix G, Outstanding Liability at 12/31/14.
- (B) Based on Appendix I, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Appendix G, Outstanding Liability at 6/30/15.
- (E) Based on Appendix I, Page 2, Column (E).
- (F) (D) x (E).
- (G) Total of (C) / Total of (A).
- (H) Total of (F) / Total of (D).

This exhibit shows the expected impact of anticipated investment income on the liability for outstanding claims at the date of evaluation and the end of the current fiscal year. For example, if the discount factor in item (G) is 0.968, the discounted liability for outstanding claims is 96.8% of the full value.

City of Gilroy - Liability
Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Discounted* Reserves (C)	Undiscounted Reserves (D)	Discount Factor (E)
22	0.0%	0.000	0.000	1.000
21	0.0%	0.000	0.000	1.000
20	0.0%	0.000	0.000	1.000
19	0.0%	0.000	0.000	1.000
18	0.0%	0.000	0.000	1.000
17	0.0%	0.000	0.000	1.000
16	0.0%	0.000	0.000	1.000
15	0.0%	0.000	0.000	1.000
14	0.0%	0.000	0.000	1.000
13	0.0%	0.000	0.000	1.000
12	0.2%	0.002	0.002	0.990
11	0.2%	0.004	0.004	0.980
10	0.4%	0.008	0.008	0.976
9	0.4%	0.011	0.012	0.968
8	0.8%	0.019	0.020	0.965
7	1.1%	0.030	0.031	0.962
6	2.4%	0.053	0.055	0.964
5	5.2%	0.104	0.107	0.967
4	13.5%	0.235	0.242	0.971
3	28.5%	0.513	0.527	0.973
2	31.1%	0.811	0.838	0.967
1	16.2%	0.955	1.000	0.955

(F) Discount Factor for Future Funding: 0.965

* Assumed Investment Rate: 2.0%

Notes:

- (A) This is the year of payment relative to the accident year. For example, year 7 refers to payments made in the seventh year after the inception of the accident year. We assume that payments are made at midyear.
- (B) Percent of ultimate loss paid this year. This payment pattern is based on the paid loss development pattern selected in Appendix B, Page 2.
- (C) Discounted Reserves at the beginning of this year is next year's Discounted Reserves discounted one year plus this year's payments discounted six months. For example, in year 2, 81.1% = [51.3% / 1.020] + [31.1% / (1.010)].
- (D) Summation of future (B) values. This is the percent of ultimate loss unpaid at the beginning of the year.
- (E) (C) / (D).
- (F) (E) at year 1, with interest accumulated for six months. We assume that the required funding is deposited at the middle of the first year.

This exhibit shows the calculation of the effect of anticipated investment income on future claims costs. Thus, if the discount factor in item (F) is 0.96, on a discounted basis, \$0.96 must be budgeted for every \$1 that will actually be paid on claims that will be incurred in the next fiscal year.

City of Gilroy - Liability

Confidence Level Table

Probability	Projected Losses	Outstanding Losses
95%	2.285	1.873
90	1.894	1.618
85	1.660	1.464
80	1.486	1.348
75	1.347	1.254
70	1.230	1.175
65	1.126	1.105
60	1.034	1.041
55	0.949	0.982
50	0.869	0.926
45	0.795	0.874
40	0.722	0.821
35	0.651	0.770
30	0.579	0.718
25	0.506	0.663

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 1.894 times the average expected amount of losses.

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

City of Gilroy - Liability

Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
7/1/1993	6/30/1994	1993-1994	50,000	(none)
7/1/1994	6/30/1995	1994-1995	50,000	(none)
7/1/1995	6/30/1996	1995-1996	50,000	(none)
7/1/1996	6/30/1997	1996-1997	50,000	(none)
7/1/1997	6/30/1998	1997-1998	50,000	(none)
7/1/1998	6/30/1999	1998-1999	50,000	(none)
7/1/1999	6/30/2000	1999-2000	50,000	(none)
7/1/2000	6/30/2001	2000-2001	50,000	(none)
7/1/2001	6/30/2002	2001-2002	50,000	(none)
7/1/2002	6/30/2003	2002-2003	50,000	(none)
7/1/2003	6/30/2004	2003-2004	50,000	(none)
7/1/2004	6/30/2005	2004-2005	50,000	(none)
7/1/2005	6/30/2006	2005-2006	50,000	(none)
7/1/2006	6/30/2007	2006-2007	50,000	(none)
7/1/2007	6/30/2008	2007-2008	50,000	(none)
7/1/2008	6/30/2009	2008-2009	50,000	(none)
7/1/2009	6/30/2010	2009-2010	50,000	(none)
7/1/2010	6/30/2011	2010-2011	50,000	(none)
7/1/2011	6/30/2012	2011-2012	50,000	(none)
7/1/2012	6/30/2013	2012-2013	50,000	(none)
7/1/2013	6/30/2014	2013-2014	50,000	(none)
7/1/2014	6/30/2015	2014-2015	50,000	(none)
7/1/2015	6/30/2016	2015-2016	50,000	(none)
	Third Party Claims Administrator		Begin Date	End Date
	ABAG			Current

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

City of Gilroy - Liability

Incurred Losses as of 12/31/14

Accident Year (A)	Unlimited Incurred (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Incurred (E)	Incurred Over SIR (F)	Incurred Over \$50,000 (G)	Incurred Capped at \$50,000 (H)	Incurred \$50,000 to SIR Layer (I)	Incurred Capped at SIR (J)	Incurred Capped at SIR & Aggregate (K)
1993-1994	\$162,890	\$0	\$0	\$162,890	\$0	\$0	\$162,890	\$0	\$162,890	\$162,890
1994-1995	158,812	0	0	158,812	39,080	39,080	119,733	0	119,733	119,733
1995-1996	75,977	0	0	75,977	4,860	4,860	71,117	0	71,117	71,117
1996-1997	148,651	0	0	148,651	26,013	26,013	122,638	0	122,638	122,638
1997-1998	179,361	0	50,946	128,415	37,487	37,487	90,928	0	90,928	90,928
1998-1999	112,167	0	0	112,167	0	0	112,167	0	112,167	112,167
1999-2000	130,185	0	0	130,185	73,034	73,034	57,151	0	57,151	57,151
2000-2001	303,118	0	0	303,118	98,928	98,928	204,190	0	204,190	204,190
2001-2002	74,066	0	150	73,916	0	0	73,916	0	73,916	73,916
2002-2003	191,233	0	0	191,233	21,784	21,784	169,449	0	169,449	169,449
2003-2004	8,962	0	0	8,962	0	0	8,962	0	8,962	8,962
2004-2005	130,553	0	0	130,553	12,704	12,704	117,849	0	117,849	117,849
2005-2006	211,006	0	0	211,006	74,317	74,317	136,689	0	136,689	136,689
2006-2007	49,453	0	6,259	43,194	0	0	43,194	0	43,194	43,194
2007-2008	3,292,051	0	0	3,292,051	3,026,760	3,026,760	265,291	0	265,291	265,291
2008-2009	45,015	0	0	45,015	0	0	45,015	0	45,015	45,015
2009-2010	754,496	0	541	753,955	644,019	644,019	109,936	0	109,936	109,936
2010-2011	238,871	0	0	238,871	151,048	151,048	87,823	0	87,823	87,823
2011-2012	483,002	0	0	483,002	323,875	323,875	159,127	0	159,127	159,127
2012-2013	686,223	0	0	686,223	436,789	436,789	249,434	0	249,434	249,434
2013-2014	931,508	0	0	931,508	685,001	685,001	246,507	0	246,507	246,507
2014-2015	52,461	0	0	52,461	0	0	52,461	0	52,461	52,461
Total	\$8,420,061	\$0	\$57,896	\$8,362,166	\$5,655,701	\$5,655,701	\$2,706,465	\$0	\$2,706,465	\$2,706,465

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by ABAG.
- (C)
- (D) Subrogation Recovery
- (E) (B) + (C) - (D).
- (F) Sum of incurred losses in excess of SIR.
- (G) Sum of incurred losses in excess of \$50,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix K.

City of Gilroy - Liability

Paid Losses as of 12/31/14

Accident Year (A)	Unlimited Paid (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Paid (E)	Paid Over SIR (F)	Paid Over \$50,000 (G)	Paid Capped at \$50,000 (H)	Paid \$50,000 to SIR Layer (I)	Paid Capped at SIR (J)	Paid Capped at SIR & Aggregate (K)
1993-1994	\$162,890	\$0	\$0	\$162,890	\$0	\$0	\$162,890	\$0	\$162,890	\$162,890
1994-1995	158,812	0	0	158,812	39,080	39,080	119,733	0	119,733	119,733
1995-1996	75,977	0	0	75,977	4,860	4,860	71,117	0	71,117	71,117
1996-1997	148,651	0	0	148,651	26,013	26,013	122,638	0	122,638	122,638
1997-1998	179,361	0	50,946	128,415	37,487	37,487	90,928	0	90,928	90,928
1998-1999	112,167	0	0	112,167	0	0	112,167	0	112,167	112,167
1999-2000	130,185	0	0	130,185	73,034	73,034	57,151	0	57,151	57,151
2000-2001	303,118	0	0	303,118	98,928	98,928	204,190	0	204,190	204,190
2001-2002	74,066	0	150	73,916	0	0	73,916	0	73,916	73,916
2002-2003	191,233	0	0	191,233	21,784	21,784	169,449	0	169,449	169,449
2003-2004	8,962	0	0	8,962	0	0	8,962	0	8,962	8,962
2004-2005	130,553	0	0	130,553	12,704	12,704	117,849	0	117,849	117,849
2005-2006	211,006	0	0	211,006	74,317	74,317	136,689	0	136,689	136,689
2006-2007	49,453	0	6,259	43,194	0	0	43,194	0	43,194	43,194
2007-2008	3,292,051	0	0	3,292,051	3,026,760	3,026,760	265,291	0	265,291	265,291
2008-2009	45,015	0	0	45,015	0	0	45,015	0	45,015	45,015
2009-2010	754,496	0	541	753,955	644,019	644,019	109,936	0	109,936	109,936
2010-2011	238,871	0	0	238,871	151,048	151,048	87,823	0	87,823	87,823
2011-2012	181,799	0	0	181,799	48,701	48,701	133,098	0	133,098	133,098
2012-2013	255,482	0	0	255,482	91,789	91,789	163,693	0	163,693	163,693
2013-2014	249,582	0	0	249,582	98,666	98,666	150,916	0	150,916	150,916
2014-2015	2,359	0	0	2,359	0	0	2,359	0	2,359	2,359
Total	\$6,956,089	\$0	\$57,896	\$6,898,194	\$4,449,192	\$4,449,192	\$2,449,002	\$0	\$2,449,002	\$2,449,002

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by ABAG.
- (C)
- (D) Recovery.
- (E) (B) + (C) - (D).
- (F) Sum of paid losses in excess of SIR.
- (G) Sum of paid losses in excess of \$50,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix K.

City of Gilroy - Liability

Case Reserves as of 12/31/14

Accident Year (A)	Unlimited Reserves (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Reserves (E)	Reserves Over SIR (F)	Reserves Over \$50,000 (G)	Reserves Capped at \$50,000 (H)	Reserves Capped at \$50,000 to SIR Layer (I)	Reserves Capped at SIR (J)	Reserves Capped at SIR & Aggregate (K)
1993-1994	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1994-1995	0	0	0	0	0	0	0	0	0	0
1995-1996	0	0	0	0	0	0	0	0	0	0
1996-1997	0	0	0	0	0	0	0	0	0	0
1997-1998	0	0	0	0	0	0	0	0	0	0
1998-1999	0	0	0	0	0	0	0	0	0	0
1999-2000	0	0	0	0	0	0	0	0	0	0
2000-2001	0	0	0	0	0	0	0	0	0	0
2001-2002	0	0	0	0	0	0	0	0	0	0
2002-2003	0	0	0	0	0	0	0	0	0	0
2003-2004	0	0	0	0	0	0	0	0	0	0
2004-2005	0	0	0	0	0	0	0	0	0	0
2005-2006	0	0	0	0	0	0	0	0	0	0
2006-2007	0	0	0	0	0	0	0	0	0	0
2007-2008	0	0	0	0	0	0	0	0	0	0
2008-2009	0	0	0	0	0	0	0	0	0	0
2009-2010	0	0	0	0	0	0	0	0	0	0
2010-2011	0	0	0	0	0	0	0	0	0	0
2011-2012	301,203	0	0	301,203	275,174	275,174	26,029	0	26,029	26,029
2012-2013	430,741	0	0	430,741	345,000	345,000	85,741	0	85,741	85,741
2013-2014	681,926	0	0	681,926	586,335	586,335	95,591	0	95,591	95,591
2014-2015	50,102	0	0	50,102	0	0	50,102	0	50,102	50,102
Total	\$1,463,972	\$0	\$0	\$1,463,972	\$1,206,509	\$1,206,509	\$257,463	\$0	\$257,463	\$257,463

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Appendix L, Page 1, Column (B) - Appendix L, Page 2, Column (B).
- (C) Appendix L, Page 1, Column (C) - Appendix L, Page 2, Column (C).
- (D) Appendix L, Page 1, Column (D) - Appendix L, Page 2, Column (D).
- (E) (B) + (C) - (D).
- (F) Sum of case reserves in excess of SIR.
- (G) Sum of case reserves in excess of \$50,000.
- (H) (E) - (G).
- (I) (G) - (F).
- (J) (E) - (F).
- (K) Minimum of (J) and the aggregate stop loss. See Appendix K.

City of Gilroy - Liability

Claim Counts as of 12/31/14

Accident Year (A)	Reported Claims (B)	Additions to Reported Claims (C)	Subtractions from Reported Claims (D)	Adjusted Reported Claims (E)	Closed Claims (F)	Additions to Closed Claims (G)	Subtractions from Closed Claims (H)	Adjusted Closed Claims (I)	Open Claims (J)	Adjusted Open Claims (K)
1993-1994	35	0	0	35	35	0	0	35	0	0
1994-1995	25	0	0	25	25	0	0	25	0	0
1995-1996	34	0	0	34	34	0	0	34	0	0
1996-1997	42	0	0	42	42	0	0	42	0	0
1997-1998	39	0	0	39	39	0	0	39	0	0
1998-1999	35	0	0	35	35	0	0	35	0	0
1999-2000	33	0	0	33	33	0	0	33	0	0
2000-2001	35	0	0	35	35	0	0	35	0	0
2001-2002	25	0	0	25	25	0	0	25	0	0
2002-2003	32	0	0	32	32	0	0	32	0	0
2003-2004	23	0	0	23	23	0	0	23	0	0
2004-2005	41	0	0	41	41	0	0	41	0	0
2005-2006	46	0	0	46	46	0	0	46	0	0
2006-2007	35	0	0	35	35	0	0	35	0	0
2007-2008	37	0	0	37	37	0	0	37	0	0
2008-2009	22	0	0	22	22	0	0	22	0	0
2009-2010	23	0	0	23	23	0	0	23	0	0
2010-2011	21	0	0	21	21	0	0	21	0	0
2011-2012	30	0	0	30	28	0	0	28	2	2
2012-2013	32	0	0	32	30	0	0	30	2	2
2013-2014	22	0	0	22	10	0	0	10	12	12
2014-2015	7	0	0	7	1	0	0	1	6	6
Total	674	0	0	674	652	0	0	652	22	22

Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by ABAG.
- (C)
- (D)
- (E) (B) + (C) - (D).
- (F) Provided by ABAG.
- (G) 0
- (H)
- (I) (F) + (G) - (H).
- (J) (B) - (F).
- (K) (E) - (I).

City of Gilroy - Liability

Exposure Measures

Accident Year	Population (A)	Gross Revenue (\$00) (B)	Total Payroll (\$00) (C)	Sheriff's Payroll (\$00) (D)	Number of Police Vehicles (E)	Number of Employees (FTE) (F)	Inflation Trend Factor (G)
1993-1994			96,659				1.679
1994-1995			106,719				1.638
1995-1996			111,172				1.598
1996-1997			117,403				1.559
1997-1998			126,039				1.521
1998-1999			135,787				1.484
1999-2000			146,750				1.448
2000-2001			158,550				1.413
2001-2002			176,431				1.379
2002-2003			192,570				1.345
2003-2004			209,422				1.312
2004-2005			226,629				1.280
2005-2006			237,315				1.249
2006-2007			251,563				1.219
2007-2008			269,848				1.189
2008-2009			258,718				1.160
2009-2010			211,327				1.132
2010-2011			222,007				1.104
2011-2012			237,593				1.077
2012-2013			242,673				1.051
2013-2014			254,859				1.025
2014-2015			282,331				1.000
2015-2016			296,448				1.000

Notes: All exposure data provided by ABAG.

City of Gilroy - Liability
Adjusted Exposure Measures

Accident Year	Population (A)	Gross Revenue (B)	Total Payroll (C)	Sheriff's Payroll (D)	Number of Police Vehicles (E)	Number of Employees (FTE) (F)	Composite Exposure (G)
1993-1994			162,290				162,290
1994-1995			174,806				174,806
1995-1996			177,653				177,653
1996-1997			183,031				183,031
1997-1998			191,705				191,705
1998-1999			201,508				201,508
1999-2000			212,494				212,494
2000-2001			224,031				224,031
2001-2002			243,298				243,298
2002-2003			259,007				259,007
2003-2004			274,762				274,762
2004-2005			290,085				290,085
2005-2006			296,406				296,406
2006-2007			306,655				306,655
2007-2008			320,849				320,849
2008-2009			300,113				300,113
2009-2010			239,222				239,222
2010-2011			245,096				245,096
2011-2012			255,888				255,888
2012-2013			255,049				255,049
2013-2014			261,230				261,230
2014-2015			282,331				282,331
2015-2016			296,448				296,448
Weight	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	

Notes: Monetary exposures have been adjusted for inflation before calculating the adjusted exposure measures. All exposures from page 1 have been adjusted to a common level.
 Composite Exposure = (0.0% x Population) + (0.0% x Revenue) + (100.0% x Total Payroll) + (0.0% x Sheriff's Payroll) + (0.0% x Police Vehicles) + (0.0% x (FTE)).