ABAG Comp Shared Risk Pool
Board of Directors Meeting
Conference Room B
Metro Center, 101 8th St. (8th and Oak Street)
Oakland, CA 94607
Tuesday, May 5, 2009, 10:00 A.M.

Agenda

1. Call to Order

2. Introduction of Board Members

3. Public Comments

4. Adoption of Agenda

5. * Approval of Minutes, Board of Directors Meeting, April 25, 2008

6. Election of New Officers

7.* Response to September 23, 2008 Claims Audit, and Approval of Claims Audit -- Lynn Cavalcanti, Bragg & Assoc. & Marcus Beverly, ABAG

8. Semi-Annual Claim Review; Set Date for Fall 2009 Claim Review --Barbi Minton, Bragg & Associates

9. * Approval of FY 2007-08 Financial Audit and Management Letter; Memorandum on Internal Control and Required Communications --Herb Pike, ABAG

10. Estimated Excess Insurance Premium for FY 2009-10 --Dan Eeds, ABAG

11. * Actuarial Report and Deposit Premiums for 2009-10 –Mike Harrington, Bickmore Risk Services

12. Adoption of Deposit Premium & Actuarial Report --Dan Eeds, ABAG

13. Program Outlook for FY09-10 --Marcus Beverly, -ABAG

14. Loss Prevention Program --Marcus Beverly, ABAG

16. Review of Financial and Investment Reports --Herb Pike, ABAG
    * (a) Financial Reports – December 31, 2008
    * (b) Investment Report – December 31, 2008
    * (c) Investment Strategies for FY 2009-10

17. * Adoption of FY 2009-2010 Budget --Dan Eeds, ABAG

18. Adjournment

Board may take action on any item on this agenda *** Attachments**

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Bickmore Risk Services

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Friday, April 10, 2009

Mr. Joseph Chan
Finance Director
Association of Bay Area Governments
101 Eighth Street
Oakland, CA 94607

Re: Actuarial Review of the Self-Insured Workers' Compensation Program

Dear Mr. Chan:

As you requested, we have completed our review of ABAG's self-insured workers' compensation program (SHARP). Assuming an SIR of $250,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2009-10 program year to be $240,000. This amount includes allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of SHARP's claims, assuming a 4% return on investments per year. For budgeting purposes, the expected cost of 2009-10 claims translates to a rate of $1.43 per $100 payroll.

In addition, we estimate the program's liability for outstanding claims to be $347,000 as of June 30, 2009, again including ALAE and ULAE, and discounted for anticipated investment income. Given estimated program assets of $3,304,000 as of June 30, 2009, the program is funded above the 95% confidence level (see Graph on Page 9.)

The $347,000 estimate is the minimum liability to be booked by SHARP at June 30, 2009 in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires SHARP 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.

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Our conclusions regarding SHARP's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2009 are summarized in the table below.

SHARP
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2009

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$358,000					
ULAE	33,000					
Investment Income Offset	(44,000)					
Discounted Loss and LAE	$347,000	$424,000	$460,000	$502,000	$555,000	$624,000
Available Funding	3,304,000					
Surplus or (Deficit)	$2,957,000	$2,880,000	$2,844,000	$2,802,000	$2,749,000	$2,680,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the SHARP'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. We consider funding to the 70% confidence level to be marginally acceptable, and to the 90% confidence level to be conservative.

The table below shows funding recommendations for SHARP for the 2009-2010 fiscal year assuming a $250,000 self-insured retention. We recommend that SHARP contribute between $526,000 and $619,000 during 2009-10.

SHARP
Self-Insured Workers' Compensation Program
Funding Guidelines for 2009-10
Self-Insured Retention (SIR) of $250,000

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$240,000					
ULAE	27,000					
Investment Income Offset	(27,000)					
Discounted Loss and LAE	$240,000	$300,000	$335,000	$376,000	$428,000	$499,000
Non-claims Related Expenses	85,000	85,000	85,000	85,000	85,000	85,000
Excess Insurance	106,000	106,000	106,000	106,000	106,000	106,000
Indicated Funding	$431,000	$491,000	$526,000	$567,000	$619,000	$690,000
Rate per $100 of 2009-10 Payroll	$2.57	$2.93	$3.14	$3.38	$3.69	$4.11

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2009. They are for losses, loss adjustment expenses, excess insurance premiums, and other expenses associated with the program.

The loss projections in this report have been adjusted to reflect the increasing loss trends contained in the most recent WCIRB rate filing to become effective July 1, 2009, as well as an anticipated 5.8% increase steming from the WCAB rulings on the Guzman/Almaraz and Oglivie cases, both of which are expected to increase PD costs.

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

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and

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appendices. Our report has been developed for the SHARP's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to SHARP in preparing this report. Please feel free to call Mike Harrington at (916) 244-1162 or John Alltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services

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

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John Alltop
Executive Vice President, Consulting Practice, BRS
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I. BACKGROUND

SHARP began its self-insured workers' compensation program on January 1, 1986. Its current self-insured retention is $250,000. SHARP members jointly purchase excess coverage for workers compensation claims exceeding the SIR up to $5 million provided by the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) and up to $200 million provided by CSAC-EIA. The excess coverage for employer's liability claims are provided by LAWCX up to $5 million. Claims administration services are provided by Bragg & Associates. Additional background on the program is given in Appendix K.

As of June 30, 2009, SHARP expects to have available assets of $3,304,000 for the program. Additional background on program funding is given in Appendix L.

Current SHARP membership includes the following:

Association of Bay Area Governments
City of Saratoga
Town of Loss Altos Hills
Town of Ross

The purpose of this review is to provide a guide to SHARP to determine reasonable funding levels for its self-insurance program according to the funding policy SHARP has adopted and to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate SHARP's liability for outstanding claims as of June 30, 2009, project ultimate loss costs for 2009-10, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS AS OF JUNE 30, 2009

Graph 1 on the following page summarizes our assessment of SHARP's funding position as of June 30, 2009. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due. The horizontal line across the graph indicates SHARP 's available assets at June 30th.

Our best estimate of the full value of the SHARP's liability for outstanding claims within its self-insured retention (SIR) is $391,000 as of June 30, 2009. This amount includes losses, allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

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

SHARP can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 4%, we estimate the impact of investment income earnings to be about 11.3% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims of $347,000 as of June 30, 2009.

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

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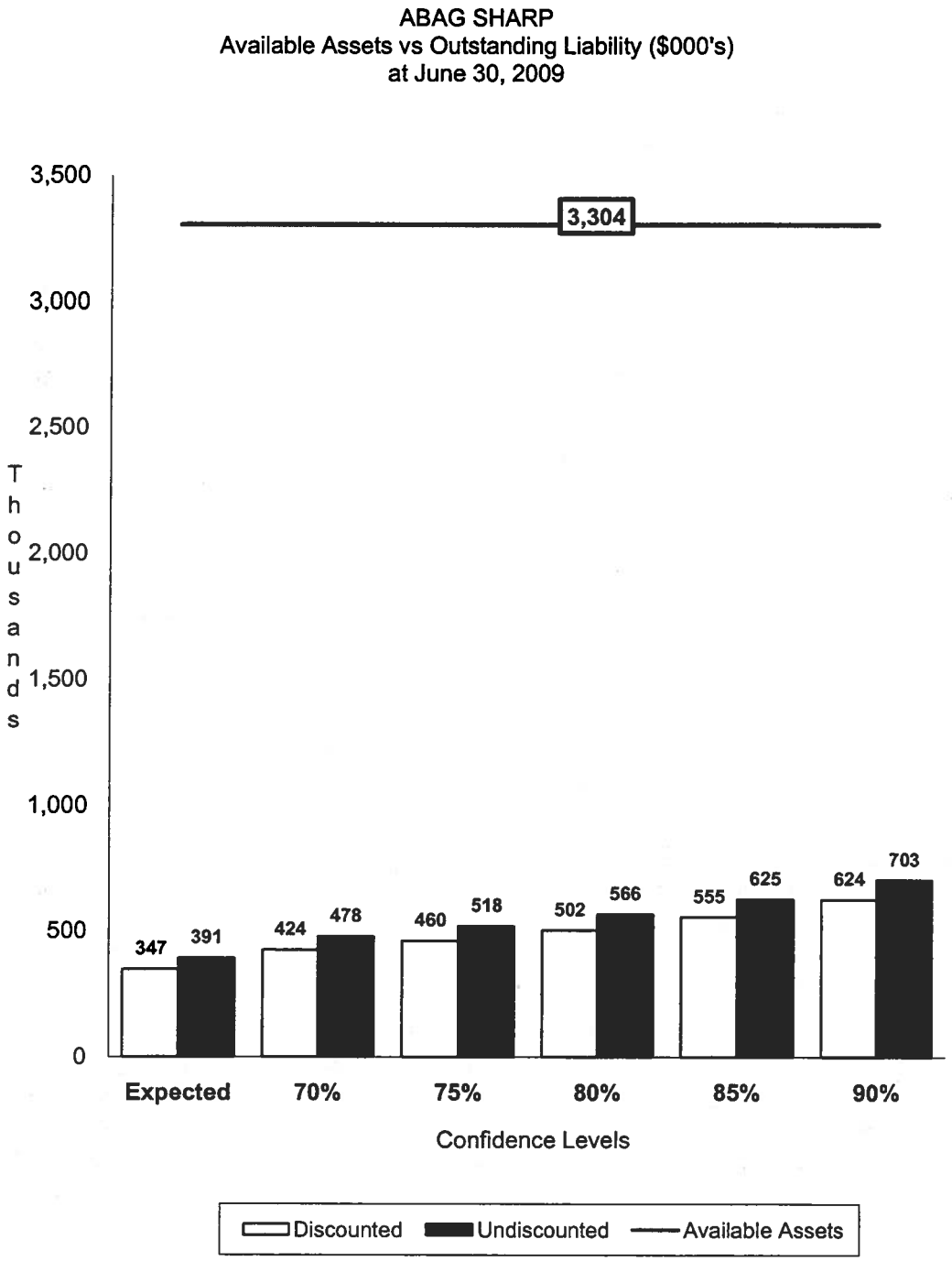
Graph 1



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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, 2009, before recognition of investment income.

SHARP
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE at June 30, 2009

Year	Case Reserves	IBNR Reserves	Total Outstanding
1990-91	$0	$0	$0
1991-92	0	0	0
1992-93	0	0	0
1993-94	0	0	0
1994-95	0	0	0
1995-96	0	0	0
1996-97	0	0	0
1997-98	0	0	0
1998-99	0	0	0
1999-00	21,284	3,461	24,745
2000-01	0	0	0
2001-02	0	0	0
2002-03	0	0	0
2003-04	0	0	0
2004-05	18,006	7,089	25,095
2005-06	1,198	20,367	21,565
2006-07	455	33,401	33,856
2007-08	59,818	33,373	93,191
2008-09	31,487	127,733	159,220
Loss and ALAE	$132,248	$225,424	$357,672
ULAE		32,647	32,647
Total	$132,248	$258,071	$390,319

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 SHARP.

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, it is possible to formulate a funding policy from a range of alternatives all acceptable for accounting purposes. 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 additional burden of funding increases on past years as well as 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 SHARP'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.

It is estimated that program assets will be $3,304,000 at June 30, 2009, resulting in the program being funded above the 95% confidence level.

The table below shows funding recommendations for SHARP for the 2009-2010 fiscal year assuming a $250,000 self-insured retention. We recommend that SHARP contribute between $526,000 and $619,000 during 2009-10 assuming a $250,000 self-insured retention.

SHARP
Self-Insured Workers' Compensation Program
Funding Guidelines for 2009-10
Self-Insured Retention (SIR) of $250,000

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Target 80% CL	High 85% CL	Conservative 90% CL
Loss and ALAE	$240,000					
ULAE	27,000					
Investment Income Offset	(27,000)					
Discounted Loss and LAE	$240,000	$300,000	$335,000	$376,000	$428,000	$499,000
Non-claims Related Expenses	85,000	85,000	85,000	85,000	85,000	85,000
Excess Insurance	106,000	106,000	106,000	106,000	106,000	106,000
Indicated Funding	$431,000	$491,000	$526,000	$567,000	$619,000	$690,000
Rate per $100 of 2009-10 Payroll	$2.57	$2.93	$3.14	$3.38	$3.69	$4.11

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2009. They are for losses, loss adjustment expenses, excess insurance premiums, and other expenses associated with the program.

We provide the following allocation of deposit premiums, which include ultimate loss and ALAE, non-claims related expenses and excess insurance costs at the 75%, 80% and 85% confidence levels on a discounted basis. This is shown in further detail on Appendix O.

2009-2010 Deposit Premiums to Members

	75% Confidence Level	80% Confidence Level	85% Confidence Level
ABAG	$76,133	$81,039	$87,262
Saratoga	187,282	202,916	222,743
Town of LAH	89,953	96,194	104,108
Town of Ross	172,632	186,852	204,886
Total	$526,000	$567,000	$619,000

The following table displays a comparison of the deposit premium allocations at the 75% confidence level from the prior report to the current report.

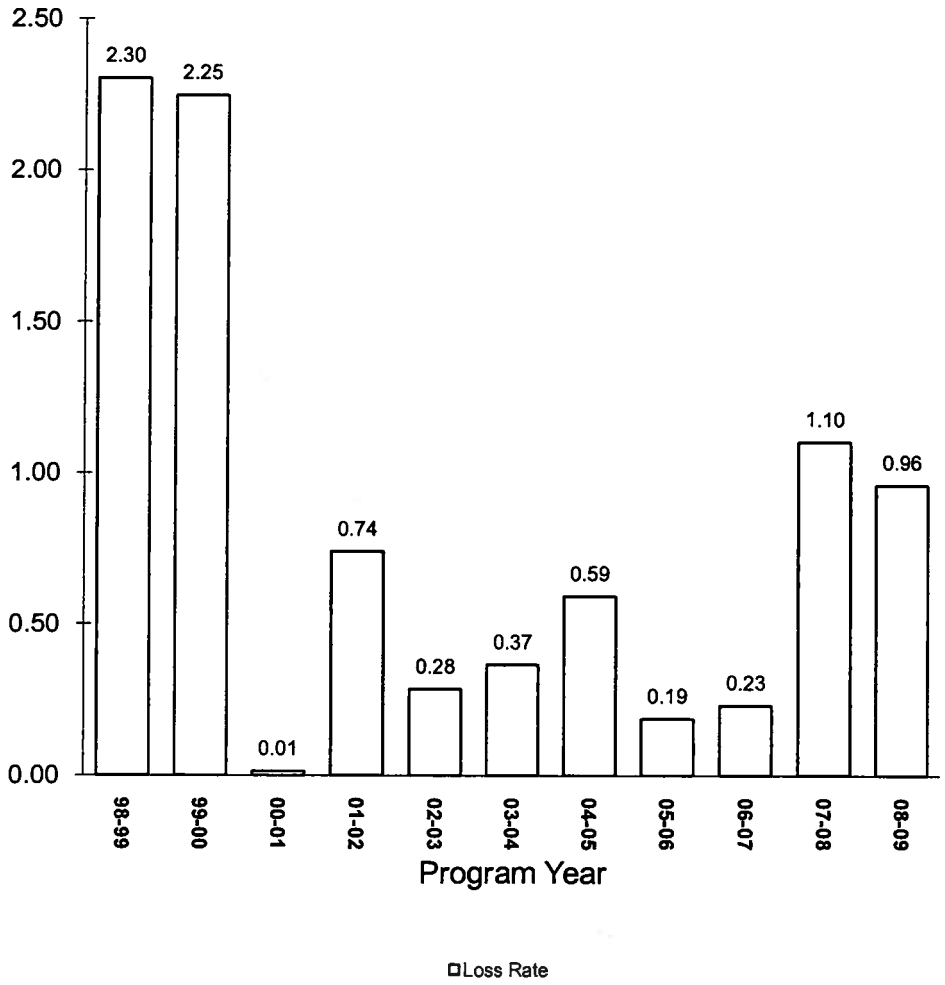
	Prior Report 2008-09	Current Report 2009-10	Change	Percent Change
ABAG	$80,220	$76,133	($4,087)	-5.1%
Saratoga	168,757	187,282	18,525	11.0%
Town of LAH	87,723	89,953	2,230	2.5%
Town of Ross	155,299	172,632	17,333	11.2%
Total	$492,000	$526,000	$34,000	6.9%

C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

SHARP's loss rate (limited to $100,000) has been very good since the late 1990s averaging $0.34 per $100 of payroll in the period between 2000-01 and 2006-07. However, it appears that the 2007-08 fiscal year is much worst that recent average. Our current selection of $0.96 for the 2008-09 year is based on the assumption that uptrend will continue.

Graph 2

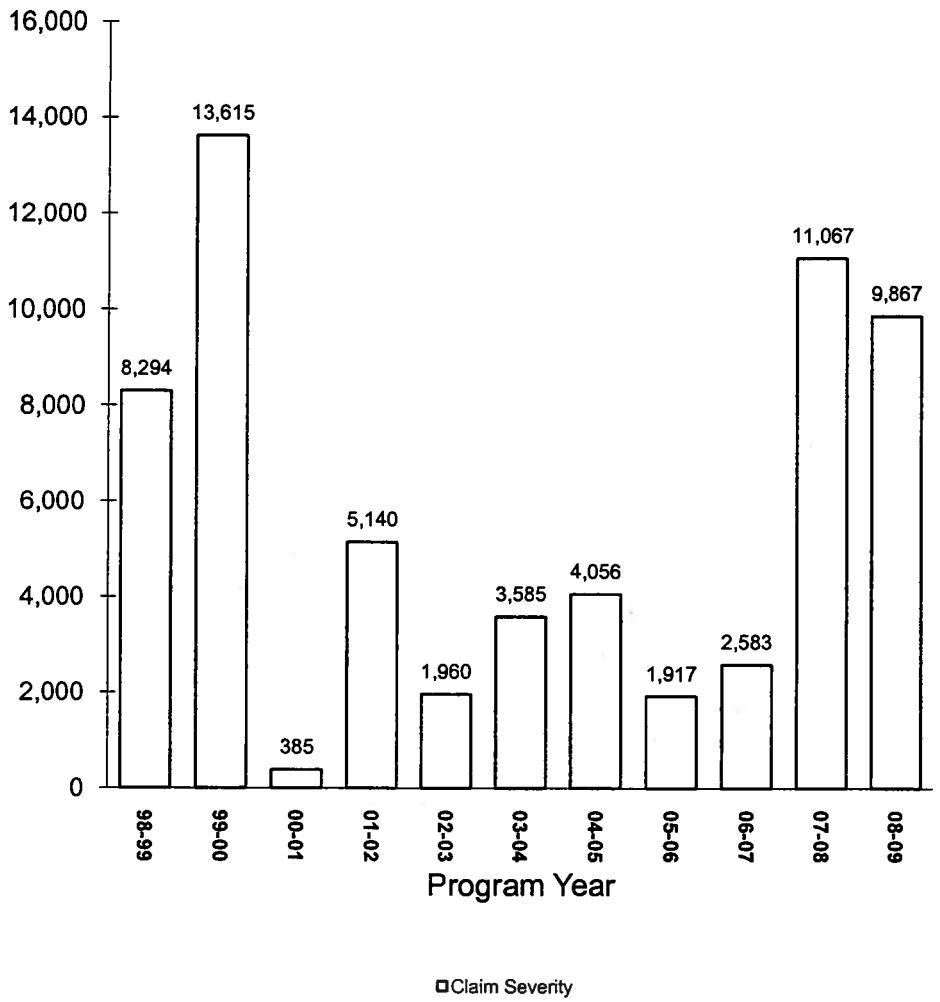
ABAG SHARP - Workers' Compensation
Dollars of Loss per
$100 of Payroll



Similar to loss rate, SHARP's average claims can be broken into a period of high severity prior to 2000-01 year, then a relatively low severity period between 2000-01 to 2006-07 fiscal years and higher average severity for the 2007-08 year. Our selection of $9,867 for the 2008-09 year is based on the assumption that recent uptrend will continue.

Graph 3

ABAG SHARP - Workers' Compensation
Dollars of Loss per Claim



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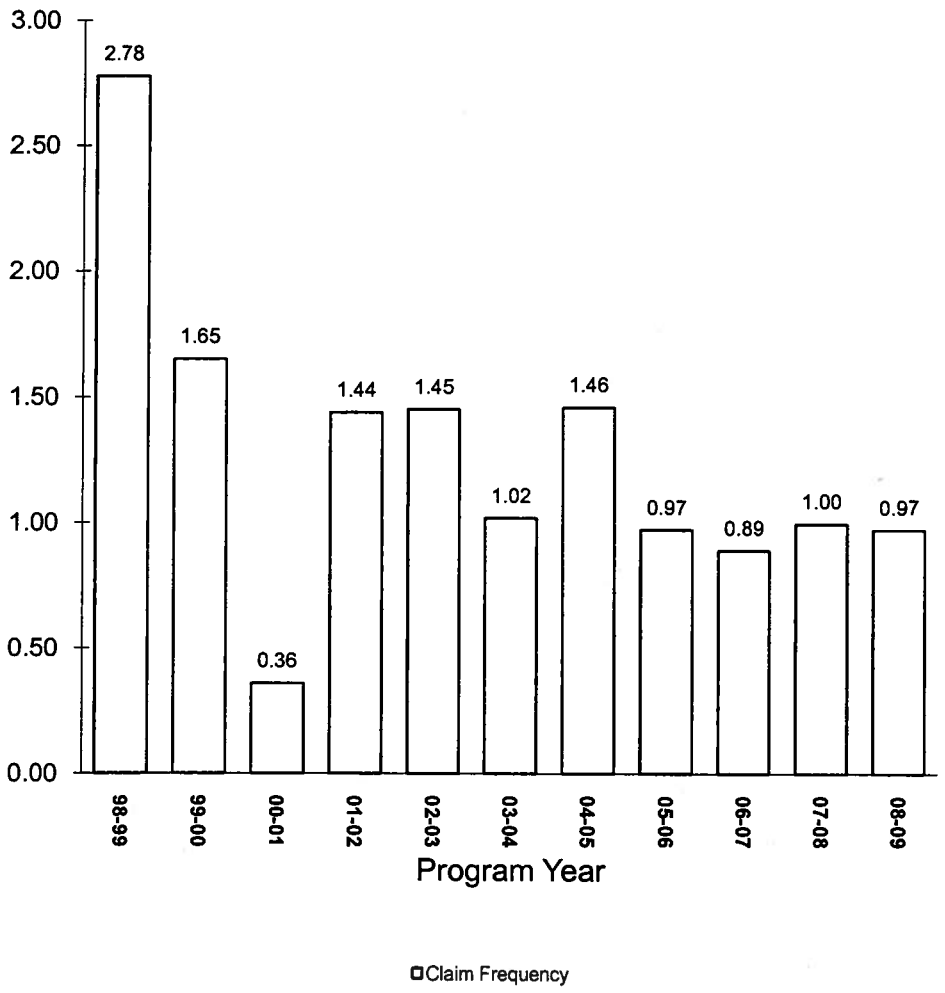
SHARP's claims per $1 million of payroll have been following a generally decreasing trend since the 1998-99 program year. The projection of 0.97 claims per $1 million of payroll for the 2008-09 year is based on this decreasing trend.

Graph 4

ABAG SHARP - Workers' Compensation
Number of Claims per
$1 Million of Payroll



D. COMPARISON WITH OUR PREVIOUS RESULTS

The most recent report for SHARP was dated April 10, 2008. In the table below we display actual versus expected development of incurred losses and ALAE by accident year since our prior report.

Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1989-90	$0	$0	$0
1990-91	0	0	0
1991-92	0	0	0
1992-93	0	0	0
1993-94	0	0	0
1994-95	0	0	0
1995-96	0	0	0
1996-97	0	0	0
1997-98	2,000	(43,403)	(45,403)
1998-99	0	0	0
1999-00	2,000	0	(2,000)
2000-01	0	0	0
2001-02	0	0	0
2002-03	0	0	0
2003-04	0	0	0
2004-05	10,000	(18,888)	(28,888)
2005-06	24,000	306	(23,694)
2006-07	31,000	441	(30,559)
2007-08	51,000	94,085	43,085
Total	$120,000	$32,541	($87,459)

As shown, actual incurred development was less than anticipated for all except for the 2007-08 program year. Based on the assumptions in the prior report, it was expected that incurred losses would increase by $120,000 between the two evaluation dates. However, actual development was $33,000; or $87,000 less than expected.

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

Change in Ultimate Loss and ALAE

Accident Year	Prior Report	Current Report	Change In Ultimate
1989-1990	$313,982	$313,982	$0
1990-1991	20,622	20,622	0
1991-1992	20,256	20,256	0
1992-1993	141,507	141,507	0
1993-1994	29,418	29,418	0
1994-1995	125,740	125,740	0
1995-1996	174,159	174,159	0
1996-1997	22,093	22,093	0
1997-1998	316,000	266,770	(49,230)
1998-1999	157,580	157,580	0
1999-2000	183,000	181,000	(2,000)
2000-2001	1,156	1,156	0
2001-2002	71,958	71,958	0
2002-2003	31,362	31,362	0
2003-2004	43,015	43,015	0
2004-2005	115,000	76,000	(39,000)
2005-2006	70,000	34,000	(36,000)
2006-2007	98,000	45,000	(53,000)
2007-2008	183,000	184,000	1,000
Total	$2,117,848	$1,939,618	($178,230)

As shown, we have decreased our estimate of ultimate loss projections for all years except for the 2007-08 program year as a result of the favorable development discussed earlier.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2008 to be $404,000 at the discounted expected level. Our current estimate as of June 30, 2009 is $347,000, a decrease in our assessment of SHARP's outstanding liabilities, as shown below:

Outstanding Claim Liabilities

	Prior Report at June 30, 2008	Current Report at June 30, 2009	Change
(A) Case Reserves:	$136,000	$133,000	($3,000)
(B) IBNR Reserves:	269,000	225,000	(44,000)
(C) Claims Administration Reserves:	41,000	33,000	(8,000)
(D) Total Reserves:	$446,000	$391,000	($55,000)
(E) Offset for Investment Income:	(42,000)	(44,000)	(2,000)
(F) Total Outstanding Claim Liabilities:	$404,000	$347,000	($57,000)

As shown, our estimate of outstanding claims liabilities at the discounted expected level has decreased between June 30, 2008 and June 30, 2009, as reflected in our prior and current reports respectively.

The decrease in claim reserves (case and IBNR) is driven primarily by favorable loss experience since our prior report. Reserves for future claims administration expenses have decreased due to decrease in budgeted claims administration expenses, resulting in a $55,000 decrease in total claim reserves. The offset for investment income is expected to be about the same. The net change due to the above factors is an overall decrease of $57,000 in our estimate of outstanding claim liabilities for loss and LAE.

At the time of the prior report, available assets were estimated to be $2,914,000 as of June 30, 2008, which matched the then-estimated discounted liability for outstanding claims above the 90% confidence level. Available assets are currently estimated to be $3,304,000 as of June 30, 2009, which matches the currently estimated liability for outstanding claims above the 90% confidence level. It can be summarized as follows:

Funding Margin

	Prior Report at June 30, 2008	Current Report at June 30, 2009	Change
(A) Outstanding Liability at the Discounted Expected Level:	$404,000	$347,000	($57,000)
(B) Estimated Assets At June 30:	2,914,000	3,304,000	390,000
(C) Surplus/(Deficit):	$2,510,000	$2,957,000	$447,000

As you can see, our estimate of the program's funding margin at the discounted expected confidence level has increased by $447,000 between June 30, 2008 (as previously estimated) and June 30, 2009 (as currently estimated) at the discounted expected level. This is driven by an increase in estimated fund assets between the two points, coupled with a decrease in the estimated outstanding liability.

At the time of the prior report, our funding estimate for the 2008-09 year was $234,000 at the discounted expected level. That amount included allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. Our current estimate for the 2009-10 year is $240,000 at the discounted expected level, an increase in the program's expected loss costs, as shown in the table below:

Comparison of Funding for Loss and LAE

	Prior Report 2008-09 SIR = $250,000	Current Report 2009-10 SIR = $250,000	Change
(A) Ultimate Loss and ALAE:	$222,000	$240,000	$18,000
(B) Ultimate Claims Administration (ULAE):	35,000	27,000	(8,000)
(C) Total Claim Costs:	$257,000	$267,000	$10,000
(D) Offset for Investment Income:	(23,000)	(27,000)	(4,000)
(E) Total Recommended Funding:	$234,000	$240,000	$6,000
(F) Funding per $100 of Payroll:	$1.52	$1.43	($0.09)

As you can see, our funding recommendations at the discounted expected level have increased between 2008-09 and 2009-10, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have increased by $18,000, driven by a 9% increase in payrolls as well as an anticipated 5.8% increase steming from the WCAB rulings on the Guzman/Almaraz and Oglivie cases. In addition, claims administration costs are expected to be lower due to decrease in budgeted claims administration expenses, resulting in an overall increase in total claim costs of $10,000. Investment income is expected to be higher. The net change due to the above factors is an overall increase of $6,000 in our annual funding estimate for loss and LAE. As shown, the resulting funding rate per $100 of payroll has dropped from $1.52 to $1.43, an 6% decrease.

E. DATA ISSUES

We received detailed loss data evaluated as of December 31, 2008 for the analysis. Overall, the data utilized in preparing this report appears to be accurate as of the date of the current evaluation.

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 SHARP. 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 public entities with self-insured workers' compensation programs.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for other California public entities with self-insured workers' compensation programs in the aggregate form a reasonable basis of comparison to the patterns from SHARP's data.
- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial reviews of other California public entities with self-insured workers' compensation programs.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the cost of workers' compensation claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.

- The changes in cost levels associated with benefit increases and administrative changes typically take place over a period of several years following their enactment, and these changes are very difficult to forecast in advance. We have based our benefit level factors on those produced by the Workers' Compensation Insurance Rating Bureau of California. See Appendix E for a display of the benefit level cost indices by fiscal year.
- A two-step trending procedure was used in this study. For the years prior to 2007-2008 we assume that the loss rate trend associated with workers' compensation claim costs increases at 0.5% per year after the impact of benefit changes. For these years we set severity trend at 2.5% and frequency trend at -2.0% per year. For the years 2007-2008 and subsequent, we have assumed that the loss rate trend associated with workers' compensation claim costs increases at 3.0% per year after the impact of benefit changes. We have assumed that claim severity increases at 4.0% per year, and that claim frequency decreases at -1.0% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- At SHARP's instruction, we have assumed that assets held for investment will generate an annual return of 4%.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have included estimates for excess insurance contributions and other expenses associated with the program based upon information provided by SHARP.
- Our funding recommendations do not include provision for catastrophic events not in SHARP'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 SHARP's excess coverage.
- SHARP's assets available for the program are expected to be $3,304,000 as of June 30, 2009 for use in this report. This is shown in further detail in Appendix L.

IV. GLOSSARY OF ACTUARIAL TERMS

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

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

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

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

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

Claim Frequency - Number of claims per $1 million 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.)

ABAG SHARED RISK POOL - Workers' Compensation

Funding Guidelines for Outstanding Liabilities at
June 30, 2009

(A)	Estimated Ultimate Losses Incurred through 6/30/09: (From Appendix G)	$2,136,000
(B)	Estimated Paid Losses through 6/30/09: (From Appendix G)	1,778,000
(C)	Estimated Liability for Claims Outstanding at 6/30/09: (From Appendix G)	$358,000
(D)	Estimated Liability for Outstanding Claims Administration Fees at 6/30/09: (From Appendix F)	33,000
(E)	Total Outstanding Liability for Claims at 6/30/09: ((C) + (D))	$391,000
(F)	Reserve Discount Factor (Appendix I, Page 1, (H))	0.887
(G)	Discounted Outstanding Liability for Claims at 6/30/09: ((E) x (F))	$347,000

		Marginally Acceptable		Recommended		Conservative
	Confidence Level of Adequacy:	70%	75%	80%	85%	90%
(H)	Confidence Level Factor: (From Appendix J)	1.223	1.326	1.447	1.598	1.799
(I)	Margin for Adverse Experience: ((G) x [(H) - 1])	77,000	113,000	155,000	208,000	277,000
(J)	Total Required Available Funding at 6/30/09: ((G) + (I))	$424,000	$460,000	$502,000	$555,000	$624,000
(K)	Estimated Actual Funding at 6/30/09: (From Appendix L)	$3,304,000	$3,304,000	$3,304,000	$3,304,000	$3,304,000
(L)	Indicated Funding Redundancy/ (Deficiency): ((K)-(J))	$2,880,000	$2,844,000	$2,802,000	$2,749,000	$2,680,000

ABAG SHARED RISK POOL - Workers' Compensation

Funding Options for Program Year 2009-2010 (SIR = $250,000)
Five-Year Funding Plan

	Dollar Amount	Payroll Rate
(A) Estimated Ultimate Losses Incurred in Accident Year 2009-2010: (From Appendix G)	$240,000	$1.431
(B) Estimated Claims Administration Fees Incurred in Accident Year 2009-2010: (From Exhibit 5, Page 1, item (L))	27,000	0.161
(C) Total Claims Costs Incurred in Accident Year 2009-2010: ((A) + (B))	$267,000	$1.592
(D) Loss Discount Factor: (Appendix I, Page 2, (F))	0.897	
(E) Discounted Total Claims Costs Incurred in Accident Year 2009-2010: ((C) x (D))	$240,000	$1.431

	Marginally Acceptable		Recommended		Conservative
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix J)	1.251	1.396	1.567	1.783	2.080
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	60,000	95,000	136,000	188,000	259,000
(H) Recommended Funding in 2009-2010 for Claims Costs and Other Expenses ((E) + (G))	$300,000	$335,000	$376,000	$428,000	$499,000
(I) Budgeted Non Claims Related Expenses (Provided by ABAG)	85,000	85,000	85,000	85,000	85,000
(J) Budgeted Excess Insurance (Provided by ABAG)	106,000	106,000	106,000	106,000	106,000
(K) Recommended Funding Including Recognition of the June 30, 2009 Redundancy/(Deficiency): ((H) + (I) + (J))	$491,000	$526,000	$567,000	$619,000	$690,000
(L) Rate per $100 of payroll: ((K) / $167,723)	$2.927	$3.136	$3.381	$3.691	$4.114

ABAG SHARED RISK POOL - Workers' Compensation

IBNR as of 6/30/09 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/08 (B)	Estimated IBNR as of 12/31/2008 (C)	Estimated Percent of IBNR Reported Between 1/1/09 and 6/30/2009 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/2009 (F)
1989-1990	$313,982	$313,982	$0	100.0%	$0	$0
1990-1991	20,622	20,622	0	100.0%	0	0
1991-1992	20,256	20,256	0	100.0%	0	0
1992-1993	141,507	141,507	0	100.0%	0	0
1993-1994	29,418	29,418	0	100.0%	0	0
1994-1995	125,740	125,740	0	100.0%	0	0
1995-1996	174,159	174,159	0	33.3%	0	0
1996-1997	22,093	22,093	0	19.9%	0	0
1997-1998	266,770	266,770	0	22.1%	0	0
1998-1999	157,580	157,580	0	21.2%	0	0
1999-2000	181,000	176,539	4,461	20.4%	1,000	3,461
2000-2001	1,156	1,156	0	0.0%	0	0
2001-2002	71,958	71,958	0	17.2%	0	0
2002-2003	31,362	31,362	0	16.6%	0	0
2003-2004	43,015	43,015	0	17.1%	0	0
2004-2005	76,000	67,911	8,089	16.8%	1,000	7,089
2005-2006	34,000	9,633	24,367	16.6%	4,000	20,367
2006-2007	45,000	4,599	40,401	17.2%	7,000	33,401
2007-2008	184,000	142,627	41,373	19.1%	8,000	33,373
2008-2009	196,000	25,267	73,000	24.9%	43,000	127,733
Totals	$2,135,618	$1,846,194	$191,691		$64,000	$225,424

Notes:

(A) From Exhibit 4, Page 1.
(B) Provided by ABAG. These losses exclude amounts incurred above the Pool's SIR for each year.
(C) (A) - (B).
(D) Percentage of incurred but not reported (IBNR) expected to be reported between 1/1//09 and 6/30/09. 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 6/30/09. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

ABAG SHARED RISK POOL - Workers' Compensation

Ultimate Program Losses Adjusted For Expected Impact of WCAB Rulings

Accident Year	Pre-Ruling Selected Ultimate (A)	Paid Losses as of 12/31/08 (B)	Outstanding Losses as of 12/31/2008 (C)	Percentage Impact From WCAB Rulings (D)	Post-Ruling Adjusted Ultimate (E)
1989-1990	313,982	313,982		0.0%	$313,982
1990-1991	20,622	20,622		0.0%	20,622
1991-1992	20,256	20,256		0.0%	20,256
1992-1993	141,507	141,507		0.0%	141,507
1993-1994	29,418	29,418		0.0%	29,418
1994-1995	125,740	125,740		0.0%	125,740
1995-1996	174,159	174,159		0.0%	174,159
1996-1997	22,093	22,093		0.0%	22,093
1997-1998	266,770	266,770		0.0%	266,770
1998-1999	157,580	157,580		0.0%	157,580
1999-2000	181,000	151,151	29,849	0.0%	181,000
2000-2001	1,156	1,156		0.0%	1,156
2001-2002	71,958	71,958		0.0%	71,958
2002-2003	31,362	31,362		0.0%	31,362
2003-2004	43,015	43,015		0.0%	43,015
2004-2005	76,000	47,612	28,388	0.0%	76,000
2005-2006	34,000	9,633	24,367	0.0%	34,000
2006-2007	45,000	4,599	40,401	0.0%	45,000
2007-2008	184,000	63,598	120,402	0.0%	184,000
Totals	$1,939,618	$1,696,211	$243,407		$1,939,618
2008-2009	$196,000	$2,772	$193,228	0.0%	$196,000
2009-2010	227,000	0	227,000	5.8%	240,000

Notes:

(A) From Exhibit 4, Page 2.
(B) Provided by ABAG.
(C) (A) - (B).
(D) Based on WCIRB Estimated Impact of WCAB Rulings (Guzman/Almarez and Ogilvie) on Reserves.
(E) (B) + (C) * [1 + (D)].

ABAG SHARED RISK POOL - Workers' Compensation

Estimated Ultimate Program Losses

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Estimate of Ultimate Losses (F)
1989-1990	$313,982	313,982			335,200	313,982
1990-1991	20,622	20,622	20,622	20,622	24,120	20,622
1991-1992	20,256	20,256	20,256	20,256	23,820	20,256
1992-1993	141,507	141,507	141,507	141,507	167,486	141,507
1993-1994	29,418	29,418	29,418	29,418	35,028	29,418
1994-1995	125,866	125,991	125,891	126,041	150,744	125,740
1995-1996	174,681	175,378	174,786	175,621	208,912	174,159
1996-1997	22,203	22,402	22,227	22,468	26,819	22,093
1997-1998	269,171	272,906	268,605	271,255	203,808	266,770
1998-1999	159,786	163,253	160,293	164,362	193,743	157,580
1999-2000	180,776	159,615	181,580	162,768	219,206	181,000
2000-2001	1,183	1,221	1,183	1,221	1,293	1,156
2001-2002	74,405	77,787	74,623	78,015	80,766	71,958
2002-2003	32,993	34,906	33,091	34,961	35,280	31,362
2003-2004	46,542	49,682	53,868	62,151	91,872	43,015
2004-2005	76,672	57,658	82,683	70,158	124,848	76,000
2005-2006	11,627	12,455	30,426	37,235	81,612	34,000
2006-2007	6,232	6,912	40,436	50,421	87,696	45,000
2007-2008	247,030	163,701	208,999	159,468	117,690	184,000
Totals						$1,939,618

Projected Losses for the Year 2008-2009 (G)	$196,000
Projected Losses for the Year 2009-2010 (H)	$227,000

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.

ABAG SHARED RISK POOL - Workers' Compensation

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

Accident Year	Reported Loss Development Method (A)	Paid Loss Development Method (B)	Exposure Method Based on Reported Losses (C)	Exposure Method Based on Paid Losses (D)	Frequency-Severity Method (E)	Selected Ultimate Limited Losses (F)
1989-1990	$288,482	$288,482			$288,480	$288,482
1990-1991	20,622	20,622	20,622	20,622	20,628	20,622
1991-1992	20,256	20,256	20,256	20,256	20,250	20,256
1992-1993	141,507	141,507	141,507	141,507	141,504	141,507
1993-1994	29,418	29,418	29,418	29,418	29,421	29,418
1994-1995	125,740	125,740	125,740	125,740	125,730	125,740
1995-1996	173,204	173,550	173,204	173,550	173,206	173,204
1996-1997	22,093	22,181	22,093	22,181	22,087	22,093
1997-1998	166,873	168,041	166,873	168,041	166,872	166,873
1998-1999	157,738	159,156	157,738	159,156	157,586	157,580
1999-2000	177,245	153,418	177,247	153,806	176,995	177,000
2000-2001	1,165	1,183	1,165	1,181	1,155	1,156
2001-2002	72,893	74,333	72,894	74,261	71,960	71,958
2002-2003	32,083	32,867	32,051	32,803	31,360	31,362
2003-2004	44,865	45,983	48,204	51,241	81,396	43,015
2004-2005	72,936	52,421	75,809	58,143	110,268	73,000
2005-2006	10,866	11,136	21,723	24,077	71,844	23,000
2006-2007	5,707	6,112	27,893	34,377	77,016	31,000
2007-2008	221,214	143,668	191,318	139,995	102,870	166,000
Totals						$1,763,266

Projected Losses for the Year 2008-2009 (G)	$148,000
Projected Losses for the Year 2009-2010 (H)	$170,000

Notes:

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

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

ABAG SHARED RISK POOL - Workers' Compensation

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

Accident Year	Ultimate Limited Losses (A)	Trend Factor (B)	Trended Limited Losses (C)	Trended Payroll ($00) (D)	Trended Limited Loss Rate (E)
1990-1991	$20,622	1.484	$30,603	$74,518	$0.411
1991-1992	20,256	1.436	29,088	84,327	0.345
1992-1993	141,507	1.640	232,071	87,339	2.657
1993-1994	29,418	1.777	52,276	91,571	0.571
1994-1995	125,740	1.690	212,501	89,358	2.378
1995-1996	173,204	1.570	271,930	93,203	2.918
1996-1997	22,093	1.398	30,886	86,894	0.355
1997-1998	166,873	1.193	199,079	84,762	2.349
1998-1999	157,580	1.047	164,986	87,566	1.884
1999-2000	177,000	0.927	164,079	98,380	1.668
2000-2001	1,156	0.879	1,016	101,785	0.010
2001-2002	71,958	0.881	63,395	115,694	0.548
2002-2003	31,362	0.906	28,414	127,838	0.222
2003-2004	43,015	1.000	43,015	133,212	0.323
2004-2005	73,000	1.129	82,417	136,110	0.606
2005-2006	23,000	1.178	27,094	132,746	0.204
2006-2007	31,000	1.120	34,720	141,595	0.245
2007-2008	166,000	1.069	177,454	154,284	1.150
Totals	$1,474,784		$1,845,024	$1,921,182	$0.960

(F) Selected Limited Rate:	$0.960
Prior:	$1.050

Program Year:	2008-2009	2009-2010
(G) Factor to SIR:	1.324	1.338
(H) Trend Factor:	1.000	1.056
(I) Program Rate:	$1.271	$1.356
(J) Estimated Payroll ($00):	$154,135	$167,723
(K) Projected Program Losses:	196,000	227,000
(L) Projected ULAE:	25,000	27,000
(M) Projected Loss and ULAE:	$221,000	$254,000

Notes appear on the next page.

ABAG SHARED RISK POOL - Workers' Compensation

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

Notes:

(A) From Exhibit 4, Page 3, Column (F).
For purposes of projecting future losses, losses are capped at $100,000 per occurrence.
(B) From Appendix E, Column (B).
(C) (A) x (B).
(D) From Appendix N, Column (C).
(E) (C) / (D).
(F) Selected based on (E).
(G) Based on a Weibull distribution, a mathematical model of claim sizes.
(H) From Appendix E.
(I) (F) x (G) x (H).
(J) From Appendix N, Column (C).
(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 $100 of payroll. The projections will be accurate only to the extent that what has happened in the past is representative of what will happen in the future.

ABAG SHARED RISK POOL - Workers' Compensation

Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/08 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/08 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1989-1990	$288,482	1.000	$288,482	$313,982	1.000	$313,982
1990-1991	20,622	1.000	20,622	20,622	1.000	20,622
1991-1992	20,256	1.000	20,256	20,256	1.000	20,256
1992-1993	141,507	1.000	141,507	141,507	1.000	141,507
1993-1994	29,418	1.000	29,418	29,418	1.000	29,418
1994-1995	125,740	1.000	125,740	125,740	1.001	125,866
1995-1996	173,204	1.000	173,204	174,159	1.003	174,681
1996-1997	22,093	1.000	22,093	22,093	1.005	22,203
1997-1998	166,873	1.000	166,873	266,770	1.009	269,171
1998-1999	157,580	1.001	157,738	157,580	1.014	159,786
1999-2000	176,539	1.004	177,245	176,539	1.024	180,776
2000-2001	1,156	1.008	1,165	1,156	1.023	1,183
2001-2002	71,958	1.013	72,893	71,958	1.034	74,405
2002-2003	31,362	1.023	32,083	31,362	1.052	32,993
2003-2004	43,015	1.043	44,865	43,015	1.082	46,542
2004-2005	67,911	1.074	72,936	67,911	1.129	76,672
2005-2006	9,633	1.128	10,866	9,633	1.207	11,627
2006-2007	4,599	1.241	5,707	4,599	1.355	6,232
2007-2008	142,627	1.551	221,214	142,627	1.732	247,030
Totals	$1,694,575		$1,784,907	$1,820,927		$1,954,952

Notes:

(A) Years are 7/1 to 6/30.
(B) Provided by ABAG. These losses exclude amounts over $100,000 per occurrence.
(C) From Appendix A, Page 2.
(D) (B) x (C). These estimated losses exclude amounts over $100,000 per occurrence.
(E) Losses capped at the Pool's SIR. Amounts are provided by ABAG.
(F) Derived from factors on Appendix A, Page 4.
(G) (E) x (F).

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

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

ABAG SHARED RISK POOL - Workers' Compensation
Reported Loss Development

Limited Losses Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1987-1988											
1988-1989											
1989-1990											
1990-1991											20,622
1991-1992										20,256	20,256
1992-1993									141,507	141,507	141,507
1993-1994								29,418	29,418	29,418	29,418
1994-1995							125,740	125,740	125,740	125,740	125,740
1995-1996						112,215	173,204	173,204	173,204	173,204	173,204
1996-1997					22,093	22,093	22,093	22,093	22,093	22,093	22,093
1997-1998				151,570	176,261	176,261	213,461	213,461	213,758	213,758	210,276
1998-1999			93,745	184,228	170,247	167,614	178,754	157,580	157,580	157,580	157,580
1999-2000		36,996	136,671	166,960	225,795	151,511	136,825	176,624	176,539	176,539	
2000-2001	7,008	7,526	1,156	1,156	1,156	1,156	1,156	1,156	1,156		
2001-2002	4,000	34,571	54,988	85,865	96,528	71,958	71,958	71,958			
2002-2003	60,703	37,505	58,423	40,447	31,362	31,362	31,362				
2003-2004	9,288	62,237	61,946	43,015	43,015	43,015					
2004-2005	40,746	66,443	77,832	86,799	67,911						
2005-2006	652	8,131	9,327	9,633							
2006-2007	1,275	4,158	4,599								
2007-2008	48,542	142,627									
2008-2009	25,267										

Reported Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
1990-1991											1.000
1991-1992										1.000	1.000
1992-1993									1.000	1.000	1.000
1993-1994								1.000	1.000	1.000	1.000
1994-1995							1.000	1.000	1.000	1.000	1.000
1995-1996						1.544	1.000	1.000	1.000	1.000	1.000
1996-1997					1.000	1.000	1.000	1.000	1.000	1.000	1.000
1997-1998				1.163	1.000	1.211	1.000	1.001	1.000	0.984	0.794
1998-1999			1.965	0.924	0.985	1.066	0.882	1.000	1.000	1.000	
1999-2000		3.694	1.222	1.352	0.671	0.903	1.291	1.000	1.000		
2000-2001	1.074	0.154	1.000	1.000	1.000	1.000	1.000	1.000			
2001-2002	8.643	1.591	1.562	1.124	0.745	1.000	1.000				
2002-2003	0.618	1.558	0.692	0.775	1.000	1.000					
2003-2004	6.701	0.995	0.694	1.000	1.000						
2004-2005	1.631	1.171	1.115	0.782							
2005-2006	12.471	1.147	1.033								
2006-2007	3.261	1.106									
2007-2008	2.938										

	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
Average	4.667	1.427	1.160	1.015	0.925	1.091	1.022	1.000	1.000	0.998	0.974
Dollar-weighted Averages											
3-yr	3.070	1.165	0.935	0.836	0.856	1.000	1.190	1.000	1.000	0.991	0.893
4-yr	2.427	1.090	0.867	0.932	0.857	0.943	1.048	1.000	1.000	0.994	0.918
Comparative Factors	2.810	1.294	1.087	1.030	1.017	1.014	1.011	1.009	1.008	1.008	1.006
Prior	3.500	1.350	1.200	1.080	1.040	1.030	1.010	1.005	1.004	1.003	1.003
Selected	3.200	1.250	1.100	1.050	1.030	1.020	1.010	1.005	1.004	1.003	1.001
Cumulated	4.963	1.551	1.241	1.128	1.074	1.043	1.023	1.013	1.008	1.004	1.001

ABAG SHARED RISK POOL - Workers' Compensation
Reported Loss Development

Accident Year	Limited Losses Reported as of: 138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months
1987-1988									
1988-1989									
1989-1990	254,688	303,020	308,020	295,658	286,071	288,482	288,482	288,482	288,482
1990-1991	20,622	20,622	20,622	20,622	20,622	20,622	20,622	20,622	
1991-1992	20,256	20,256	20,256	20,256	20,256	20,256	20,256		
1992-1993	141,507	141,507	141,507	141,507	141,507	141,507			
1993-1994	29,418	29,418	29,418	29,418	29,418				
1994-1995	125,740	125,740	125,740	125,740					
1995-1996	173,204	173,204	173,204						
1996-1997	22,093	22,093							
1997-1998	166,873								
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									
2008-2009									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
1990-1991	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1991-1992	1.000	1.000	1.000	1.000	1.000	1.000			
1992-1993	1.000	1.000	1.000	1.000	1.000				
1993-1994	1.000	1.000	1.000	1.000					
1994-1995	1.000	1.000	1.000						
1995-1996	1.000	1.000							
1996-1997	1.000								
1997-1998									
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
Average	1.024	1.002	0.993	0.994	1.002	1.000	1.000	1.000	
Dollar-weighted Averages									
3-yr	1.000	1.000	1.000	1.000	1.000	1.000			
4-yr	1.000	1.000	1.000	1.000	1.005				
Comparative Factors	1.006	1.004	1.004	1.003	1.003	1.003	1.002	1.002	1.009
Prior	1.002	1.002	1.001	1.001	1.000	1.000	1.000		
Selected	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Cumulated	1.000	1.000	1.000	1.000	1.000	1.000	1.000		

ABAG SHARED RISK POOL - Workers' Compensation
Reported between $100,000 and $500,000 Loss Development

Losses Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1990-1991											
1991-1992											
1992-1993											
1993-1994											
1994-1995											
1995-1996							955	955	955	955	955
1996-1997											
1997-1998				31,231	121,231	295,312	295,312	279,463	149,508	99,896	99,896
1998-1999											
1999-2000											
2000-2001											
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											
2008-2009											

Reported Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
1990-1991											
1991-1992											
1992-1993											
1993-1994											
1994-1995											
1995-1996							1.000	1.000	1.000	1.000	1.000
1996-1997											
1997-1998				3.882	2.436	1.000	0.946	0.535	0.668	1.000	1.000
1998-1999											
1999-2000											
2000-2001											
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											

	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
Average				3.882	2.436	1.000	0.973	0.768	0.834	1.000	1.000
Dollar-weighted Averages											
3-yr											
4-yr											
Comparative Factors	3.895	2.295	1.626	1.342	1.210	1.118	1.090	1.074	1.062	1.053	1.040
Prior	3.895	2.295	1.626	1.342	1.210	1.118	1.090	1.074	1.045	1.035	1.025
Selected	3.895	2.295	1.626	1.342	1.210	1.118	1.090	1.074	1.045	1.035	1.025
Cumulated	35.990	9.240	4.026	2.476	1.845	1.525	1.364	1.251	1.165	1.115	1.077

ABAG SHARED RISK POOL - Workers' Compensation
Reported between $100,000 and $500,000 Loss Development

Accident Year	Losses Reported as of: 138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months
1990-1991									
1991-1992									
1992-1993									
1993-1994									
1994-1995									
1995-1996	955	955	955						
1996-1997									
1997-1998	99,896								
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									
2008-2009									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
1990-1991									
1991-1992									
1992-1993									
1993-1994									
1994-1995									
1995-1996	1.000	1.000							
1996-1997									
1997-1998									
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
Average	4.752	1.000	1.000	1.095	0.914	1.000	1.000	1.000	
Dollar-weighted Averages									
3-yr									
4-yr									
Comparative Factors	1.027	1.025	1.026	1.023	1.018	1.014	1.009	1.007	1.017
Prior	1.020	1.015	1.010	1.005	1.000	1.000	1.000	1.000	
Selected	1.020	1.015	1.010	1.005	1.000	1.000	1.000	1.000	
Cumulated	1.051	1.030	1.015	1.005	1.000	1.000	1.000	1.000	

ABAG SHARED RISK POOL - Workers' Compensation

Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/08 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/08 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1989-1990	$288,482	1.000	$288,482	$313,982	1.000	$313,982
1990-1991	20,622	1.000	20,622	20,622	1.000	20,622
1991-1992	20,256	1.000	20,256	20,256	1.000	20,256
1992-1993	141,507	1.000	141,507	141,507	1.000	141,507
1993-1994	29,418	1.000	29,418	29,418	1.000	29,418
1994-1995	125,740	1.000	125,740	125,740	1.002	125,991
1995-1996	173,204	1.002	173,550	174,159	1.007	175,378
1996-1997	22,093	1.004	22,181	22,093	1.014	22,402
1997-1998	166,873	1.007	168,041	266,770	1.023	272,906
1998-1999	157,580	1.010	159,156	157,580	1.036	163,253
1999-2000	151,151	1.015	153,418	151,151	1.056	159,615
2000-2001	1,156	1.023	1,183	1,156	1.056	1,221
2001-2002	71,958	1.033	74,333	71,958	1.081	77,787
2002-2003	31,362	1.048	32,867	31,362	1.113	34,906
2003-2004	43,015	1.069	45,983	43,015	1.155	49,682
2004-2005	47,612	1.101	52,421	47,612	1.211	57,658
2005-2006	9,633	1.156	11,136	9,633	1.293	12,455
2006-2007	4,599	1.329	6,112	4,599	1.503	6,912
2007-2008	63,598	2.259	143,668	63,598	2.574	163,701
Totals	$1,569,859		$1,670,074	$1,696,211		$1,849,652

Notes:

(A) Years are 7/1 to 6/30.
(B) Provided by ABAG. These losses exclude amounts over $100,000 per occurrence.
(C) From Appendix B, Page 2.
(D) (B) x (C). These estimated losses exclude amounts over $100,000 per occurrence.
(E) Losses capped at the Pool's SIR. Amounts are provided by ABAG.
(F) Derived from factors on Appendix B, Page 4.
(G) (E) x (F).

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

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

ABAG SHARED RISK POOL - Workers' Compensation
Paid Loss Development

Limited Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1990-1991											20,622
1991-1992										20,256	20,256
1992-1993									141,507	141,507	141,507
1993-1994								29,418	29,418	29,418	29,418
1994-1995							125,740	125,740	125,740	125,740	125,740
1995-1996						112,215	173,204	173,204	173,204	173,204	173,204
1996-1997					22,093	22,093	22,093	22,093	22,093	22,093	22,093
1997-1998				148,284	151,806	155,641	158,091	161,966	163,147	166,697	166,873
1998-1999			96,625	100,972	132,955	143,401	147,580	157,580	157,580	157,580	157,580
1999-2000		26,971	107,159	123,676	130,316	131,825	131,874	148,265	150,264	151,151	
2000-2001	7,023	7,526	1,156	1,156	1,156	1,156	1,156	1,156	1,156		
2001-2002	189	15,371	27,283	51,351	53,232	71,958	71,958	71,958			
2002-2003	3,746	19,404	27,715	30,275	31,362	31,362	31,362				
2003-2004	2,447	33,483	42,946	43,015	43,015	43,015					
2004-2005	14,656	32,711	45,871	46,987	47,612						
2005-2006	652	8,131	9,327	9,633							
2006-2007	1,275	4,158	4,599								
2007-2008	2,392	63,598									
2008-2009	2,772										

Paid Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
1990-1991											1.000
1991-1992										1.000	1.000
1992-1993									1.000	1.000	1.000
1993-1994								1.000	1.000	1.000	1.000
1994-1995							1.000	1.000	1.000	1.000	1.000
1995-1996						1.544	1.000	1.000	1.000	1.000	1.000
1996-1997					1.000	1.000	1.000	1.000	1.000	1.000	1.000
1997-1998				1.024	1.025	1.016	1.025	1.007	1.022	1.001	1.000
1998-1999			1.045	1.317	1.079	1.029	1.068	1.000	1.000	1.000	
1999-2000		3.973	1.154	1.054	1.012	1.000	1.124	1.013	1.006		
2000-2001	1.072	0.154	1.000	1.000	1.000	1.000	1.000	1.000			
2001-2002	81.492	1.775	1.882	1.037	1.352	1.000	1.000				
2002-2003	5.180	1.428	1.092	1.036	1.000	1.000					
2003-2004	13.683	1.283	1.002	1.000	1.000						
2004-2005	2.232	1.402	1.024	1.013							
2005-2006	12.471	1.147	1.033								
2006-2007	3.261	1.106									
2007-2008	26.588										

	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
Average	18.247	1.534	1.154	1.060	1.059	1.074	1.027	1.003	1.004	1.000	1.000
Dollar-weighted Averages											
3-yr	17.571	1.329	1.015	1.014	1.147	1.000	1.080	1.007	1.009	1.001	1.000
4-yr	5.723	1.309	1.032	1.021	1.145	1.000	1.075	1.007	1.009	1.000	1.000
Comparative Factors	3.738	1.763	1.298	1.146	1.079	1.050	1.033	1.023	1.017	1.013	1.009
Prior	6.000	1.900	1.200	1.050	1.030	1.020	1.015	1.010	1.008	1.005	1.003
Selected	6.000	1.700	1.150	1.050	1.030	1.020	1.015	1.010	1.008	1.005	1.003
Cumulated	13.554	2.259	1.329	1.156	1.101	1.069	1.048	1.033	1.023	1.015	1.010

ABAG SHARED RISK POOL - Workers' Compensation
Paid Loss Development

Accident Year	Limited Losses Paid as of: 138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months
1990-1991	20,622	20,622	20,622	20,622	20,622	20,622	20,622	20,622	
1991-1992	20,256	20,256	20,256	20,256	20,256	20,256	20,256		
1992-1993	141,507	141,507	141,507	141,507	141,507	141,507			
1993-1994	29,418	29,418	29,418	29,418	29,418				
1994-1995	125,740	125,740	125,740	125,740					
1995-1996	173,204	173,204	173,204						
1996-1997	22,093	22,093							
1997-1998	166,873								
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									
2008-2009									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
1990-1991	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1991-1992	1.000	1.000	1.000	1.000	1.000	1.000			
1992-1993	1.000	1.000	1.000	1.000	1.000				
1993-1994	1.000	1.000	1.000	1.000					
1994-1995	1.000	1.000	1.000						
1995-1996	1.000	1.000							
1996-1997	1.000								
1997-1998									
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
Average	1.000	1.002	1.004	0.998	1.002	1.000	1.000	1.000	
Dollar-weighted Averages									
3-yr	1.000	1.000	1.000	1.000	1.000	1.000			
4-yr	1.000	1.000	1.000	1.000	1.005				
Comparative Factors	1.009	1.008	1.006	1.006	1.005	1.004	1.004	1.004	1.019
Prior	1.003	1.002	1.002	1.000	1.000	1.000	1.000		
Selected	1.003	1.002	1.002	1.000	1.000	1.000	1.000		
Cumulated	1.007	1.004	1.002	1.000	1.000	1.000	1.000		

ABAG SHARED RISK POOL - Workers' Compensation
Paid between $100,000 and $500,000 Loss Development

Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
1990-1991											
1991-1992											
1992-1993											
1993-1994											
1994-1995											
1995-1996							955	955	955	955	955
1996-1997											
1997-1998				67,024	77,686	90,166	95,651	100,799	102,337	99,896	99,896
1998-1999											
1999-2000											
2000-2001											
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											
2008-2009											

Paid Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
1990-1991											
1991-1992											
1992-1993											
1993-1994											
1994-1995											
1995-1996							1.000	1.000	1.000	1.000	1.000
1996-1997											
1997-1998				1.159	1.161	1.061	1.054	1.015	0.976	1.000	1.000
1998-1999											
1999-2000											
2000-2001											
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											

	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
Average				1.159	1.161	1.061	1.027	1.008	0.988	1.000	1.000
Dollar-weighted Averages											
3-yr											
4-yr											
Comparative Factors	4.503	3.111	2.662	2.047	1.623	1.380	1.272	1.208	1.135	1.090	1.075
Prior	4.503	3.111	2.662	2.047	1.623	1.380	1.272	1.208	1.135	1.090	1.060
Selected	4.503	3.111	2.662	2.047	1.623	1.380	1.272	1.208	1.135	1.090	1.060
Cumulated	379.851	84.355	27.115	10.186	4.976	3.066	2.222	1.747	1.446	1.274	1.169

ABAG SHARED RISK POOL - Workers' Compensation
Paid between $100,000 and $500,000 Loss Development

Accident Year	Losses Paid as of: 138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months
1990-1991									
1991-1992									
1992-1993									
1993-1994									
1994-1995									
1995-1996	955	955	955						
1996-1997									
1997-1998	99,896								
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									
2008-2009									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
1990-1991									
1991-1992									
1992-1993									
1993-1994									
1994-1995									
1995-1996	1.000	1.000							
1996-1997									
1997-1998									
1998-1999									
1999-2000									
2000-2001									
2001-2002									
2002-2003									
2003-2004									
2004-2005									
2005-2006									
2006-2007									
2007-2008									

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-Ult. Months
Average	1.000	1.000	1.000	1.095	0.914	1.000	1.000	1.000	
Dollar-weighted Averages									
3-yr									
4-yr									
Comparative Factors	1.062	1.050	1.040	1.032	1.028	1.025	1.025	1.025	1.401
Prior	1.040	1.030	1.020	1.010	1.000	1.000	1.000	1.000	
Selected	1.040	1.030	1.020	1.010	1.000	1.000	1.000	1.000	
Cumulated	1.103	1.061	1.030	1.010	1.000	1.000	1.000	1.000	

ABAG SHARED RISK POOL - Workers' Compensation

Exposure and Development Method
Based on Reported Losses

Accident Year	Trended Payroll ($00) (A)	Reported Losses as of 12/31/08 (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)
1990-1991	$74,518	$20,622	1.000	0.000	$0.324	$0	$20,622
1991-1992	84,327	20,256	1.000	0.000	0.282	0	20,256
1992-1993	87,339	141,507	1.000	0.000	1.917	0	141,507
1993-1994	91,571	29,418	1.000	0.000	0.382	0	29,418
1994-1995	89,358	125,740	1.001	0.001	1.687	151	125,891
1995-1996	93,203	174,159	1.003	0.003	2.241	627	174,786
1996-1997	86,894	22,093	1.005	0.005	0.308	134	22,227
1997-1998	84,762	266,770	1.009	0.009	2.405	1,835	268,605
1998-1999	87,566	157,580	1.014	0.014	2.213	2,713	160,293
1999-2000	98,380	176,539	1.024	0.023	2.228	5,041	181,580
2000-2001	101,785	1,156	1.023	0.022	0.012	27	1,183
2001-2002	115,694	71,958	1.034	0.033	0.698	2,665	74,623
2002-2003	127,838	31,362	1.052	0.049	0.276	1,729	33,091
2003-2004	133,212	43,015	1.082	0.076	1.072	10,853	53,868
2004-2005	136,110	67,911	1.129	0.114	0.952	14,772	82,683
2005-2006	132,746	9,633	1.207	0.171	0.916	20,793	30,426
2006-2007	141,595	4,599	1.355	0.262	0.966	35,837	40,436
2007-2008	154,284	142,627	1.732	0.423	1.017	66,372	208,999
Totals	$1,921,182	$1,506,945				$163,549	$1,670,494

Notes:

(A) From Appendix N, Column (C).
(B) Provided by ABAG. These losses exclude amounts incurred above the Pool'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) x (D) x (E).
(G) (B) + (F).

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

ABAG SHARED RISK POOL - Workers' Compensation

Exposure and Development Method
Based on Paid Losses

Accident Year	Trended Payroll ($00) (A)	Paid Losses as of 12/31/08 (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)
1990-1991	$74,518	$20,622	1.000	0.000	$0.324	$0	$20,622
1991-1992	84,327	20,256	1.000	0.000	0.282	0	20,256
1992-1993	87,339	141,507	1.000	0.000	1.917	0	141,507
1993-1994	91,571	29,418	1.000	0.000	0.382	0	29,418
1994-1995	89,358	125,740	1.002	0.002	1.687	301	126,041
1995-1996	93,203	174,159	1.007	0.007	2.241	1,462	175,621
1996-1997	86,894	22,093	1.014	0.014	0.308	375	22,468
1997-1998	84,762	266,770	1.023	0.022	2.405	4,485	271,255
1998-1999	87,566	157,580	1.036	0.035	2.213	6,782	164,362
1999-2000	98,380	151,151	1.056	0.053	2.228	11,617	162,768
2000-2001	101,785	1,156	1.056	0.053	0.012	65	1,221
2001-2002	115,694	71,958	1.081	0.075	0.698	6,057	78,015
2002-2003	127,838	31,362	1.113	0.102	0.276	3,599	34,961
2003-2004	133,212	43,015	1.155	0.134	1.072	19,136	62,151
2004-2005	136,110	47,612	1.211	0.174	0.952	22,546	70,158
2005-2006	132,746	9,633	1.293	0.227	0.916	27,602	37,235
2006-2007	141,595	4,599	1.503	0.335	0.966	45,822	50,421
2007-2008	154,284	63,598	2.574	0.611	1.017	95,870	159,468
Totals	$1,921,182	$1,382,229				$245,719	$1,627,948

Notes:

(A) From Appendix N, Column (C).
(B) Provided by ABAG. These losses exclude amounts paid above the Pool'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) x (D) x (E).
(G) (B) + (F).

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

ABAG SHARED RISK POOL - Workers' Compensation

Exposure and Development Method

Accident Year	Trended Payroll ($00) (A)	Ultimate Limited Losses (B)	Trend Factor (C)	Trended Limited Losses (D)	Trended Limited Loss Rate (E)	Limited Loss Rate (F)	Factor to SIR (G)	Program Loss Rate (H)
1990-1991	$74,518	$20,622	1.484	$30,603	$0.411	$0.277	1.169	$0.324
1991-1992	84,327	20,256	1.436	29,088	0.345	0.240	1.176	0.282
1992-1993	87,339	141,507	1.640	232,071	2.657	1.620	1.184	1.917
1993-1994	91,571	29,418	1.777	52,276	0.571	0.321	1.191	0.382
1994-1995	89,358	125,740	1.690	212,501	2.378	1.407	1.199	1.687
1995-1996	93,203	173,204	1.570	271,930	2.918	1.858	1.206	2.241
1996-1997	86,894	22,093	1.398	30,886	0.355	0.254	1.214	0.308
1997-1998	84,762	166,873	1.193	199,079	2.349	1.969	1.221	2.405
1998-1999	87,566	157,580	1.047	164,986	1.884	1.800	1.230	2.213
1999-2000	98,380	177,000	0.927	164,079	1.668	1.799	1.239	2.228
2000-2001	101,785	1,156	0.879	1,016	0.010	0.011	1.119	0.012
2001-2002	115,694	71,958	0.881	63,395	0.548	0.622	1.122	0.698
2002-2003	127,838	31,362	0.906	28,414	0.222	0.245	1.125	0.276
2003-2004	133,212	43,015	1.000	43,015	0.323	0.950	1.129	1.072
2004-2005	136,110	73,000	1.129	82,417	0.606	0.841	1.132	0.952
2005-2006	132,746	11,000	1.178	12,958	0.098	0.806	1.136	0.916
2006-2007	141,595	6,000	1.120	6,720	0.047	0.848	1.139	0.966
2007-2008	154,284	182,000	1.069	194,558	1.261	0.889	1.144	1.017
Total/Avg	$1,921,182	$1,453,784		$1,819,992	$0.947			

Selected Limited Rate: $0.950
Prior: $1.000

Notes:

(A) From Appendix N, Column (C).
(B) Selected average of results from Appendices A and B.
(C) From Appendix E, Column (B).
(D) (B) x (C).
(E) (D) / (A).
(F) Selected Limited Rate / (C). For 2002-2003 and prior (B) / (A).
(G) Based on a Weibull distribution, a mathematical model of claim sizes.
(H) (F) x (G).

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

ABAG SHARED RISK POOL - Workers' Compensation

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
1989-1990	$10,475	32	$335,200
1990-1991	1,340	18	24,120
1991-1992	794	30	23,820
1992-1993	7,613	22	167,486
1993-1994	1,668	21	35,028
1994-1995	4,568	33	150,744
1995-1996	9,496	22	208,912
1996-1997	2,063	13	26,819
1997-1998	8,492	24	203,808
1998-1999	10,197	19	193,743
1999-2000	16,862	13	219,206
2000-2001	431	3	1,293
2001-2002	5,769	14	80,766
2002-2003	2,205	16	35,280
2003-2004	7,656	12	91,872
2004-2005	6,936	18	124,848
2005-2006	6,801	12	81,612
2006-2007	7,308	12	87,696
2007-2008	7,846	15	117,690
Total		349	$2,209,943

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.

ABAG SHARED RISK POOL - Workers' Compensation

Frequency and Severity Method

Accident Year	Ultimate Limited Losses (A)	Adjusted Ultimate Claims (B)	Ultimate Limited Severity (C)	Trend Factor (D)	Trended Limited Severity (E)	Limited Severity (F)	Factor to SIR (G)	Program Severity (H)
1989-1990	$288,482	32	$9,015	2.581	$23,268	$9,015	1.162	$10,475
1990-1991	20,622	18	1,146	2.089	2,394	1,146	1.169	1,340
1991-1992	20,256	30	675	1.982	1,338	675	1.176	794
1992-1993	141,507	22	6,432	2.220	14,279	6,432	1.184	7,613
1993-1994	29,418	21	1,401	2.359	3,305	1,401	1.191	1,668
1994-1995	125,740	33	3,810	2.199	8,378	3,810	1.199	4,568
1995-1996	173,204	22	7,873	2.004	15,777	7,873	1.206	9,496
1996-1997	22,093	13	1,699	1.751	2,975	1,699	1.214	2,063
1997-1998	166,873	24	6,953	1.465	10,186	6,953	1.221	8,492
1998-1999	157,580	19	8,294	1.260	10,450	8,294	1.230	10,197
1999-2000	177,000	13	13,615	1.094	14,895	13,615	1.239	16,862
2000-2001	1,156	3	385	1.017	392	385	1.119	431
2001-2002	71,958	14	5,140	1.000	5,140	5,140	1.122	5,769
2002-2003	31,362	16	1,960	1.008	1,976	1,960	1.125	2,205
2003-2004	43,015	12	3,585	1.091	3,911	6,783	1.129	7,656
2004-2005	73,000	18	4,056	1.208	4,900	6,126	1.132	6,936
2005-2006	23,000	12	1,917	1.236	2,369	5,987	1.136	6,801
2006-2007	31,000	12	2,583	1.153	2,978	6,418	1.139	7,308
2007-2008	166,000	15	11,067	1.079	11,941	6,858	1.144	7,846

Average Limited Severity: $7,413

Selected Limited Severity: $7,400
Prior: $7,000

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 Weibull distribution, a mathematical model of claim sizes.
(H) (F) x (G).

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

ABAG SHARED RISK POOL - Workers' Compensation

Frequency and Severity Method
Projection of Ultimate Claims

Accident Year	Reported Claim Development (A)	Closed Claim Development (B)	Selected Ultimate Claims (C)	Trended Payroll ($000,000) (D)	Claim Frequency (E)	Trend Factor (F)	Trended Claim Frequency (G)
1989-1990	32	32	32	0		0.689	
1990-1991	18	18	18	7	2.416	0.703	1.698
1991-1992	30	30	30	8	3.558	0.718	2.555
1992-1993	22	22	22	9	2.519	0.732	1.844
1993-1994	21	21	21	9	2.293	0.746	1.711
1994-1995	33	33	33	9	3.693	0.762	2.814
1995-1996	22	22	22	9	2.360	0.777	1.834
1996-1997	13	13	13	9	1.496	0.793	1.186
1997-1998	24	24	24	8	2.831	0.809	2.290
1998-1999	19	19	19	9	2.170	0.826	1.792
1999-2000	13	12	13	10	1.321	0.842	1.112
2000-2001	3	3	3	10	0.295	0.860	0.254
2001-2002	14	14	14	12	1.210	0.877	1.061
2002-2003	16	16	16	13	1.252	0.895	1.121
2003-2004	12	13	12	13	0.901	0.913	0.823
2004-2005	18	18	18	14	1.322	0.932	1.232
2005-2006	12	13	12	13	0.904	0.951	0.860
2006-2007	12	15	12	14	0.847	0.970	0.822
2007-2008	15	16	15	15	0.972	0.990	0.962
Total	349	354	349	192.118			1.350

(H) Selected 2008-2009 Frequency: 0.970
Prior: 1.050

	Program Year:	2008-2009	2009-2010
(I)	Trend Factor:	1.000	0.990
(J)	Selected Frequency:	0.970	0.960
(K)	Estimated Payroll ($000,000	$15	$17
(L)	Ultimate Claims:	15	16

Notes:

(A) From Appendix D, Page 4, (C).
(B) From Appendix D, Page 5, (C).
(C) Selected from (A) and (B).
(D) From Appendix N, Column (C) divided by 10,000.
(E) (C) / (D).
(F) From Appendix E.
(G) (E) x (F).
(H) The selected frequency of .970 is based on (G).
(I) From Appendix E.
(J) (H) x (I).
(K) From Appendix N, Column (C) divided by 10,000.
(L) (J) x (K).

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

ABAG SHARED RISK POOL - Workers' Compensation

Frequency and Severity Method
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2008 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1989-1990	32	1.000	32	
1990-1991	18	1.000	18	1.698
1991-1992	30	1.000	30	2.554
1992-1993	22	1.000	22	1.844
1993-1994	21	1.000	21	1.711
1994-1995	33	1.000	33	2.814
1995-1996	22	1.000	22	1.834
1996-1997	13	1.000	13	1.186
1997-1998	24	1.000	24	2.291
1998-1999	19	1.000	19	1.792
1999-2000	13	1.000	13	1.113
2000-2001	3	1.000	3	0.253
2001-2002	14	1.000	14	1.061
2002-2003	16	1.000	16	1.120
2003-2004	12	1.000	12	0.822
2004-2005	18	1.000	18	1.233
2005-2006	12	1.000	12	0.860
2006-2007	12	1.000	12	0.822
2007-2008	15	1.010	15	0.963
Total	349		349	1.350

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.

ABAG SHARED RISK POOL - Workers' Compensation

Frequency and Severity Method
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2008 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1989-1990	32	1.000	32	
1990-1991	18	1.000	18	1.698
1991-1992	30	1.000	30	2.554
1992-1993	22	1.000	22	1.844
1993-1994	21	1.000	21	1.711
1994-1995	33	1.001	33	2.814
1995-1996	22	1.002	22	1.834
1996-1997	13	1.003	13	1.186
1997-1998	24	1.004	24	2.291
1998-1999	19	1.006	19	1.792
1999-2000	12	1.009	12	1.027
2000-2001	3	1.013	3	0.253
2001-2002	14	1.018	14	1.061
2002-2003	16	1.028	16	1.120
2003-2004	12	1.043	13	0.891
2004-2005	17	1.064	18	1.233
2005-2006	12	1.107	13	0.931
2006-2007	12	1.240	15	1.028
2007-2008	10	1.550	16	1.027
Total	342		354	1.376

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.

ABAG SHARED RISK POOL - Workers' Compensation
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
1990-1991											18	18	18	18
1991-1992										30	30	30	30	30
1992-1993									22	22	22	22	22	22
1993-1994								21	21	21	21	21	21	21
1994-1995							33	33	33	33	33	33	33	33
1995-1996						22	22	22	22	22	22	22	22	22
1996-1997					13	13	13	13	13	13	13	13	13	
1997-1998				24	24	24	24	24	24	24	24	24		
1998-1999			19	19	19	19	19	19	19	19	19			
1999-2000		13	13	13	13	13	13	13	13	13				
2000-2001	2	3	3	3	3	3	3	3	3					
2001-2002	3	14	14	14	14	14	14	14						
2002-2003	9	16	16	16	16	16	16							
2003-2004	4	12	12	12	12	12								
2004-2005	8	18	18	18	18									
2005-2006	4	12	12	12										
2006-2007	4	12	12											
2007-2008	3	15												
2008-2009	4													

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
1990-1991											1.000	1.000	1.000	1.000
1991-1992										1.000	1.000	1.000	1.000	1.000
1992-1993									1.000	1.000	1.000	1.000	1.000	1.000
1993-1994								1.000	1.000	1.000	1.000	1.000	1.000	1.000
1994-1995							1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1995-1996						1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1996-1997					1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1997-1998				1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
1998-1999			1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
1999-2000		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
2000-2001	1.500	1.000	1.000	1.000	1.000	1.000	1.000	1.000						
2001-2002	4.667	1.000	1.000	1.000	1.000	1.000	1.000							
2002-2003	1.778	1.000	1.000	1.000	1.000	1.000								
2003-2004	3.000	1.000	1.000	1.000	1.000									
2004-2005	2.250	1.000	1.000	1.000										
2005-2006	3.000	1.000	1.000											
2006-2007	3.000	1.000												
2007-2008	5.000													

	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
Average	3.024	1.000	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	3.545	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
4-yr	3.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Comparative Factors	2.494	1.052	1.005	1.004	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Prior	2.600	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	2.900	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	2.929	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

ABAG SHARED RISK POOL - Workers' Compensation
Closed Claim Development

Claims Closed as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1990-1991											18	18	18	18
1991-1992										30	30	30	30	30
1992-1993									22	22	22	22	22	22
1993-1994								20	21	21	21	21	21	21
1994-1995							32	32	33	33	33	33	33	33
1995-1996						20	22	22	22	22	22	22	22	22
1996-1997					12	13	13	13	13	13	13	13	13	
1997-1998				20	22	22	22	22	22	23	23	24		
1998-1999			13	15	17	18	18	19	19	19	19			
1999-2000		5	9	10	10	12	12	12	12	12				
2000-2001		1	2	3	3	3	3	3	3					
2001-2002	1	12	12	13	13	14	14	14						
2002-2003	3	14	14	15	16	16	16							
2003-2004	1	10	12	12	12	12								
2004-2005	3	15	16	16	17									
2005-2006	4	12	12	12										
2006-2007	4	12	12											
2007-2008	1	10												
2008-2009	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
1990-1991											1.000	1.000	1.000	1.000
1991-1992										1.000	1.000	1.000	1.000	1.000
1992-1993									1.000	1.000	1.000	1.000	1.000	1.000
1993-1994								1.050	1.000	1.000	1.000	1.000	1.000	1.000
1994-1995							1.000	1.031	1.000	1.000	1.000	1.000	1.000	1.000
1995-1996						1.100	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1996-1997					1.083	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1997-1998				1.100	1.000	1.000	1.000	1.000	1.045	1.000	1.043			
1998-1999			1.154	1.133	1.059	1.000	1.056	1.000	1.000	1.000				
1999-2000		1.800	1.111	1.000	1.200	1.000	1.000	1.000	1.000					
2000-2001		2.000	1.500	1.000	1.000	1.000	1.000	1.000						
2001-2002	12.000	1.000	1.083	1.000	1.077	1.000	1.000							
2002-2003	4.667	1.000	1.071	1.067	1.000	1.000								
2003-2004	10.000	1.200	1.000	1.000	1.000									
2004-2005	5.000	1.067	1.000	1.063										
2005-2006	3.000	1.000	1.000											
2006-2007	3.000	1.000												
2007-2008	10.000													

	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
Average	6.810	1.258	1.115	1.045	1.052	1.013	1.007	1.010	1.006	1.000	1.005	1.000	1.005	1.000
Claim-weighted Averages														
3-yr	3.778	1.026	1.000	1.047	1.024	1.000	1.000	1.000	1.019	1.000	1.017	1.000	1.000	1.000
4-yr	4.083	1.061	1.019	1.036	1.023	1.000	1.021	1.000	1.015	1.000	1.011	1.000	1.000	1.000
Comparative Factors	2.892	1.280	1.062	1.035	1.022	1.017	1.013	1.009	1.006	1.005	1.003	1.003	1.001	1.001
Prior	5.000	1.250	1.120	1.040	1.020	1.015	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Selected	5.000	1.250	1.120	1.040	1.020	1.015	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Cumulated	7.750	1.550	1.240	1.107	1.064	1.043	1.028	1.018	1.013	1.009	1.006	1.004	1.003	1.002

ABAG SHARED RISK POOL - Workers' Compensation

Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2008-2009 Loss Rate Level (B)	Factor to 2009-2010 Loss Rate Level (C)	Factor to 2010-2011 Loss Rate Level (D)	Factor to 2011-2012 Loss Rate Level (E)	Factor to 2008-2009 Frequency Level (F)	Factor to 2009-2010 Frequency Level (G)	Factor to 2010-2011 Frequency Level (H)	Factor to 2011-2012 Frequency Level (I)	Factor to 2008-2009 Severity Level (J)
1987-1988	2.040	2.325	2.456	2.551	2.627	0.662	0.655	0.648	0.642	3.474
1988-1989	1.855	2.104	2.222	2.308	2.378	0.675	0.668	0.662	0.655	3.082
1989-1990	1.593	1.798	1.899	1.972	2.031	0.689	0.682	0.675	0.668	2.581
1990-1991	1.321	1.484	1.567	1.628	1.677	0.703	0.696	0.689	0.682	2.089
1991-1992	1.284	1.436	1.516	1.575	1.622	0.718	0.710	0.703	0.696	1.982
1992-1993	1.474	1.640	1.732	1.799	1.853	0.732	0.724	0.717	0.710	2.220
1993-1994	1.605	1.777	1.877	1.949	2.008	0.746	0.739	0.731	0.724	2.359
1994-1995	1.534	1.690	1.785	1.854	1.909	0.762	0.754	0.746	0.739	2.199
1995-1996	1.432	1.570	1.658	1.722	1.773	0.777	0.769	0.762	0.754	2.004
1996-1997	1.282	1.398	1.477	1.534	1.580	0.793	0.785	0.777	0.769	1.751
1997-1998	1.100	1.193	1.260	1.309	1.348	0.809	0.801	0.793	0.785	1.465
1998-1999	0.969	1.047	1.105	1.148	1.183	0.826	0.817	0.809	0.801	1.260
1999-2000	0.863	0.927	0.979	1.017	1.047	0.842	0.834	0.825	0.817	1.094
2000-2001	0.823	0.879	0.929	0.964	0.993	0.860	0.851	0.842	0.834	1.017
2001-2002	0.829	0.881	0.931	0.967	0.996	0.877	0.868	0.860	0.851	1.000
2002-2003	0.856	0.906	0.956	0.993	1.023	0.895	0.886	0.877	0.868	1.008
2003-2004	0.950	1.000	1.056	1.097	1.129	0.913	0.904	0.895	0.886	1.091
2004-2005	1.078	1.129	1.192	1.238	1.275	0.932	0.922	0.913	0.904	1.208
2005-2006	1.131	1.178	1.244	1.292	1.331	0.951	0.941	0.931	0.922	1.236
2006-2007	1.082	1.120	1.183	1.229	1.266	0.970	0.960	0.951	0.941	1.153
2007-2008	1.038	1.069	1.129	1.173	1.208	0.990	0.980	0.970	0.960	1.079
2008-2009	1.000	1.000	1.056	1.097	1.130	1.000	0.990	0.980	0.970	1.000
2009-2010	0.975	--	1.000	1.039	1.070	--	1.000	0.990	0.980	--
2010-2011	0.967	--	--	1.000	1.030	--	--	1.000	0.990	--
2011-2012	0.967	--	--	--	1.000	--	--	--	1.000	--

Notes:

(A) Based on WCIRB.

(B) - (E) (A) adjusted for a 3.0% annual loss rate trend. Trend is 0.5% for years 2006-2007 and prior.

(F) - (I) (A) adjusted for a -1.0% annual frequency trend. Trend is -2.0% for years 2006-2007 and prior.

(J) (A) adjusted for a 4.0% annual severity trend. Trend is 2.5% for years 2006-2007 and prior.

This exhibit shows the calculation of the ways in which we expect claims costs to have changed over the past twenty years due to changes in statutory workers' compensation benefit levels and changes in actual claims costs in excess of changes in payroll. Changes in the ways in which claims are filed as a result of greater awareness of workers' compensation benefits are not generally reflected in the statutory benefit level factors shown above, but may be part of the reason for changes in actual claims costs in excess of payroll changes.

ABAG SHARED RISK POOL - Workers' Compensation

Outstanding Liability for
Unallocated Loss Adjustment Expenses
as of 6/30/09

Fiscal Year (A)	Number of Claims Open During Fiscal Year (B)	Average ULAE Charge per Open Claim (C)	Inflation Trend Factor (D)	Trended ULAE Charge per Open Claim (E)	ULAE Paid During Year (F)
2009-2010	14	$733	1.050	$770	$10,780
2010-2011	7	733	1.103	808	5,656
2011-2012	4	733	1.158	849	3,396
2012-2013	3	733	1.216	891	2,673
2013-2014	3	733	1.277	936	2,808
2014-2015	2	733	1.341	983	1,966
2015-2016	2	733	1.408	1,032	2,064
2016-2017	2	733	1.478	1,083	2,166
2017-2018	1	733	1.552	1,138	1,138
2018-2019	0	733	1.630	1,195	0
2019-2020	0	733	1.712	1,255	0
2020-2021	0	733	1.798	1,318	0
2021-2022	0	733	1.888	1,384	0
2022-2023	0	733	1.982	1,453	0
2023-2024	0	733	2.081	1,525	0
2024-2025	0	733	2.185	1,602	0
2025-2026	0	733	2.294	1,682	0
2026-2027	0	733	2.409	1,766	0

(G) Total ULAE Outstanding as of 6/30/09: $32,647

Notes:

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

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

ABAG SHARED RISK POOL - Workers' Compensation

Payment and Reserve Forecast

Accident Year	As of 12/31/2008	Calendar Period 1/1/2009 to 6/30/2009	Calendar Period 7/1/2009 to 6/30/2010
Prior			
Ultimate Loss	$354,860	$354,860	$354,860
Paid in Calendar Period	-		
Paid to Date	354,860	354,860	354,860
Outstanding Liability			
1992-1993			
Ultimate Loss	$141,507	$141,507	$141,507
Paid in Calendar Period	-		
Paid to Date	141,507	141,507	141,507
Outstanding Liability			
1993-1994			
Ultimate Loss	$29,418	$29,418	$29,418
Paid in Calendar Period	-		
Paid to Date	29,418	29,418	29,418
Outstanding Liability			
1994-1995			
Ultimate Loss	$125,740	$125,740	$125,740
Paid in Calendar Period	-		
Paid to Date	125,740	125,740	125,740
Outstanding Liability			
1995-1996			
Ultimate Loss	$174,159	$174,159	$174,159
Paid in Calendar Period	-		
Paid to Date	174,159	174,159	174,159
Outstanding Liability			
1996-1997			
Ultimate Loss	$22,093	$22,093	$22,093
Paid in Calendar Period	-		
Paid to Date	22,093	22,093	22,093
Outstanding Liability			
1997-1998			
Ultimate Loss	$266,770	$266,770	$266,770
Paid in Calendar Period	-		
Paid to Date	266,770	266,770	266,770
Outstanding Liability			

ABAG SHARED RISK POOL - Workers' Compensation

Payment and Reserve Forecast

Accident Year	As of 12/31/2008	Calendar Period 1/1/2009 to 6/30/2009	Calendar Period 7/1/2009 to 6/30/2010
1998-1999			
Ultimate Loss	$157,580	$157,580	$157,580
Paid in Calendar Period	-		
Paid to Date	157,580	157,580	157,580
Outstanding Liability			
1999-2000			
Ultimate Loss	$181,000	$181,000	$181,000
Paid in Calendar Period	-	5,104	8,883
Paid to Date	151,151	156,255	165,138
Outstanding Liability	29,849	24,745	15,862
2000-2001			
Ultimate Loss	$1,156	$1,156	$1,156
Paid in Calendar Period	-		
Paid to Date	1,156	1,156	1,156
Outstanding Liability			
2001-2002			
Ultimate Loss	$71,958	$71,958	$71,958
Paid in Calendar Period	-		
Paid to Date	71,958	71,958	71,958
Outstanding Liability			
2002-2003			
Ultimate Loss	$31,362	$31,362	$31,362
Paid in Calendar Period	-		
Paid to Date	31,362	31,362	31,362
Outstanding Liability			
2003-2004			
Ultimate Loss	$43,015	$43,015	$43,015
Paid in Calendar Period	-		
Paid to Date	43,015	43,015	43,015
Outstanding Liability			
2004-2005			
Ultimate Loss	$76,000	$76,000	$76,000
Paid in Calendar Period	-	3,293	5,847
Paid to Date	47,612	50,905	56,752
Outstanding Liability	28,388	25,095	19,248

ABAG SHARED RISK POOL - Workers' Compensation

Payment and Reserve Forecast

Accident Year	As of 12/31/2008	Calendar Period 1/1/2009 to 6/30/2009	Calendar Period 7/1/2009 to 6/30/2010
2005-2006			
Ultimate Loss	$34,000	$34,000	$34,000
Paid in Calendar Period	-	2,802	5,025
Paid to Date	9,633	12,435	17,460
Outstanding Liability	24,367	21,565	16,540
2006-2007			
Ultimate Loss	$45,000	$45,000	$45,000
Paid in Calendar Period	-	6,545	9,649
Paid to Date	4,599	11,144	20,793
Outstanding Liability	40,401	33,856	24,207
2007-2008			
Ultimate Loss	$184,000	$184,000	$184,000
Paid in Calendar Period	-	27,211	37,929
Paid to Date	63,598	90,809	128,738
Outstanding Liability	120,402	93,191	55,262
2008-2009			
Ultimate Loss	$98,000	$196,000	$196,000
Paid in Calendar Period	-	34,008	62,414
Paid to Date	2,772	36,780	99,194
Outstanding Liability	95,228	159,220	96,806
2009-2010			
Ultimate Loss	-	-	$240,000
Paid in Calendar Period	-	-	53,280
Paid to Date	-	-	53,280
Outstanding Liability	-	-	186,720
Totals			
Ultimate Loss	$2,037,618	$2,135,618	$2,375,618
Paid in Calendar Period	-	78,963	183,027
Paid to Date	1,698,983	1,777,946	1,960,973
Outstanding Liability	338,635	357,672	414,645
Total Outstanding ULAE	28,000	32,647	40,684
Outstanding Liability plus ULAE	366,635	390,319	455,329

Notes appear on the next page.

ABAG SHARED RISK POOL - Workers' Compensation

Payment and Reserve Forecast

Notes to previous page:

- Accident Year is associated with date of loss. Calendar Period is associated with date of transaction. For example, for the losses which occurred during 2006-2007, $6,545 is expected to be paid between 1/1/09 and 6/30/09, $11,144 will have been paid by 6/30/09, and the reserve for remaining payments on these claims should be $33,856.

- Ultimate Losses for each accident year are from Exhibit 4, Page 2.

- 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, $9,649 = $33,856 x 28.5%.

- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example, $20,793 = $9,649 + $11,144.

- Outstanding Liability is Ultimate Loss minus Paid to Date. For example, $33,856 = $45,000 - $11,144.

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.

ABAG SHARED RISK POOL - Workers' Compensation

Short- and Long-Term Liabilities

		Expected	Discounted
Liabilities as of 12/31/08:			
Current (Short Term)	Loss and ALAE:	$44,955	$44,082
	ULAE:	8,063	7,906
	Short-Term Loss and LAE:	$53,018	$51,988
Non-current (Long Term)	Loss and ALAE:	$293,680	$255,859
	ULAE:	19,937	16,950
	Long-Term Loss and LAE:	$313,617	$272,809
Total Liability	Loss and ALAE:	$338,635	$299,941
	ULAE:	28,000	24,856
	Total Loss and LAE:	$366,635	$324,797
Liabilities as of 6/30/09:			
Current (Short Term)	Loss and ALAE:	$129,747	$127,227
	ULAE:	10,780	10,571
	Short-Term Loss and LAE:	$140,527	$137,798
Non-current (Long Term)	Loss and ALAE:	$227,925	$189,906
	ULAE:	21,867	18,545
	Long-Term Loss and LAE:	$249,792	$208,451
Total Liability	Loss and ALAE:	$357,672	$317,133
	ULAE:	32,647	29,116
	Total Loss and LAE:	$390,319	$346,249

		Discounted with a Margin for Contingencies				
		70% Confidence	75% Confidence	80% Confidence	85% Confidence	90% Confidence
Liabilities as of 12/31/08:						
Current (Short Term)	Loss and ALAE:	$53,912	$58,453	$63,787	$70,443	$79,304
	ULAE:	9,669	10,483	11,440	12,634	14,223
	Short-Term Loss and LAE:	$63,581	$68,936	$75,227	$83,077	$93,527
Non-current (Long Term)	Loss and ALAE:	$312,916	$339,269	$370,228	$408,863	$460,290
	ULAE:	20,730	22,476	24,526	27,086	30,493
	Long-Term Loss and LAE:	$333,646	$361,745	$394,754	$435,949	$490,783
Total Liability	Loss and ALAE:	$366,828	$397,722	$434,015	$479,306	$539,594
	ULAE:	30,399	32,959	35,966	39,720	44,716
	Total Loss and LAE:	$397,227	$430,681	$469,981	$519,026	$584,310
Liabilities as of 6/30/09:						
Current (Short Term)	Loss and ALAE:	$155,599	$168,703	$184,097	$203,309	$228,881
	ULAE:	12,928	14,017	15,296	16,892	19,017
	Short-Term Loss and LAE:	$168,527	$182,720	$199,393	$220,201	$247,898
Non-current (Long Term)	Loss and ALAE:	$232,255	$251,815	$274,794	$303,470	$341,641
	ULAE:	22,681	24,591	26,835	29,635	33,363
	Long-Term Loss and LAE:	$254,936	$276,406	$301,629	$333,105	$375,004
Total Liability	Loss and ALAE:	$387,854	$420,518	$458,891	$506,779	$570,522
	ULAE:	35,609	38,608	42,131	46,527	52,380
	Total Loss and LAE:	$423,463	$459,126	$501,022	$553,306	$622,902

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.

ABAG SHARED RISK POOL - Workers' Compensation

Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 12/31/08 (A)	Discount Factor (B)	Discounted Reserve at 12/31/08 (C)	Full Value of Reserve at 6/30/09 (D)	Discount Factor (E)	Discounted Reserve at 6/30/09 (F)
2005-2006	$24,367	0.872	$21,239	$21,565	0.874	$18,842
2006-2007	40,401	0.875	35,354	33,856	0.870	29,439
2007-2008	120,402	0.885	106,571	93,191	0.881	82,066
2008-2009	95,228	0.885	84,250	159,220	0.890	141,647
Totals	$338,635		$299,941	$357,672		$317,133

(G) Discount Factor at 12/31/08 for Overall Reserve: 0.886
(H) Discount Factor at 6/30/09 for Overall Reserve: 0.887

Notes:

(A) From Appendix G.
(B) From Appendix I, Page 2, Column (E).
(C) (A) x (B).
(D) From Appendix G.
(E) From 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 evalultion and the end of the current fiscal year. For example, if the discount factor in item (G) is 0.886, the discounted liability for outstanding claims is 88.6% of the full value.

ABAG SHARED RISK POOL - Workers' Compensation

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	0.6%	0.006	0.006	0.981
14	0.7%	0.012	0.013	0.963
13	1.1%	0.022	0.023	0.951
12	1.3%	0.034	0.037	0.938
11	1.8%	0.051	0.055	0.928
10	2.5%	0.074	0.080	0.920
9	3.3%	0.104	0.113	0.913
8	3.9%	0.138	0.153	0.904
7	4.3%	0.175	0.195	0.894
6	4.9%	0.216	0.244	0.884
5	5.5%	0.261	0.299	0.874
4	7.9%	0.329	0.378	0.870
3	16.9%	0.482	0.547	0.881
2	25.8%	0.716	0.805	0.890
1	19.5%	0.880	1.000	0.880

(F) Discount Factor for Future Funding: 0.897

* Assumed Investment Rate: 4.0%

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, 71.6% = [48.2% / 1.040] + [25.8% / (1.020)].

(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 0.90, on a discounted basis, $0.90 must be budgeted for every $1 that will actually be paid on claims that will be incurred in the next fiscal year.

ABAG SHARED RISK POOL - Workers' Compensation

Confidence Level Table

Probability	Projected Losses	Outstanding Losses
95%	2.576	2.131
90	2.080	1.799
85	1.783	1.598
80	1.567	1.447
75	1.396	1.326
70	1.251	1.223
65	1.122	1.132
60	1.005	1.049
55	0.898	0.973
50	0.797	0.900
45	0.704	0.832
40	0.618	0.765
35	0.538	0.698
30	0.462	0.632
25	0.390	0.564

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 2.080 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.

ABAG SHARED RISK POOL - Workers' Compensation

Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention Per Occurrence	Self-Insured Retention Aggregate
7/1/1989	6/30/1990	1989-1990	$250,000	(none)
7/1/1990	6/30/1991	1990-1991	250,000	(none)
7/1/1991	6/30/1992	1991-1992	250,000	(none)
7/1/1992	6/30/1993	1992-1993	250,000	(none)
7/1/1993	6/30/1994	1993-1994	250,000	(none)
7/1/1994	6/30/1995	1994-1995	250,000	(none)
7/1/1995	6/30/1996	1995-1996	250,000	(none)
7/1/1996	6/30/1997	1996-1997	250,000	(none)
7/1/1997	6/30/1998	1997-1998	250,000	(none)
7/1/1998	6/30/1999	1998-1999	250,000	(none)
7/1/1999	6/30/2000	1999-2000	250,000	(none)
7/1/2000	6/30/2001	2000-2001	150,000	(none)
7/1/2001	6/30/2002	2001-2002	150,000	(none)
7/1/2002	6/30/2003	2002-2003	150,000	(none)
7/1/2003	6/30/2004	2003-2004	150,000	(none)
7/1/2004	6/30/2005	2004-2005	150,000	(none)
7/1/2005	6/30/2006	2005-2006	150,000	(none)
7/1/2006	6/30/2007	2006-2007	150,000	(none)
7/1/2007	6/30/2008	2007-2008	150,000	(none)
7/1/2008	6/30/2009	2008-2009	250,000	(none)
7/1/2009	6/30/2010	2009-2010	250,000	(none)

Third Party Claims Administrator	Begin Date	End Date
Bragg and Associates		Current

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

ABAG SHARED RISK POOL - Workers' Compensation

Estimated Fund Balance as of 6/30/09

(A)	Estimated Fund Balance as of 12/31/08:	$3,209,000
(B)	Total Income to Fund from 1/1/09 - 6/30/09:	
	Contributions:	$255,000
	Interest:	31,000
	Other:	1,000
	Total Income:	$287,000
(C)	Total Payments from Fund from 1/1/09 - 6/30/09:	
	Loss and ALAE:	$89,000
	Additional Allocated Loss Adjustment Expense:	0
	In-House Unallocated Loss Adjustment Expense:	0
	Fees to Outside Administrator (TPA):	12,000
	Excess Insurance:	0
	Other:	91,000
	Total Payments:	$192,000
(D)	Estimated Fund Balance as of 6/30/09:	$3,304,000

Notes:

(A) Provided by ABAG.
(B) Provided by ABAG.
(C) Provided by ABAG.
(D) (A) + (B) - (C).

ABAG SHARED RISK POOL - Workers' Compensation

Reported Loss Data as of 12/31/08

Accident Year (A)	Unlimited Incurred (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Incurred (E)	Incurred Over SIR (F)	Incurred Over $100,000 (G)	Incurred Capped at $100,000 (H)	Incurred $100,000 to SIR Layer (I)	Incurred Capped at SIR (J)	Incurred Capped at SIR & Aggregate (K)
1989-1990	$316,393	$0	$2,411	$313,982	$0	$0	$313,982	$0	$313,982	$313,982
1990-1991	20,622	0	0	20,622	0	0	20,622	0	20,622	20,622
1991-1992	21,583	0	1,327	20,256	0	0	20,256	0	20,256	20,256
1992-1993	144,657	0	3,150	141,507	0	0	141,507	0	141,507	141,507
1993-1994	29,418	0	0	29,418	0	0	29,418	0	29,418	29,418
1994-1995	125,740	0	0	125,740	0	0	125,740	0	125,740	125,740
1995-1996	174,159	0	0	174,159	0	955	173,204	955	174,159	174,159
1996-1997	22,093	0	0	22,093	0	0	22,093	0	22,093	22,093
1997-1998	266,770	0	0	266,770	0	99,896	166,873	99,896	266,770	266,770
1998-1999	157,580	0	0	157,580	0	0	157,580	0	157,580	157,580
1999-2000	176,539	0	0	176,539	0	0	176,539	0	176,539	176,539
2000-2001	1,156	0	0	1,156	0	0	1,156	0	1,156	1,156
2001-2002	79,958	0	8,000	71,958	0	0	71,958	0	71,958	71,958
2002-2003	33,195	0	1,833	31,362	0	0	31,362	0	31,362	31,362
2003-2004	43,015	0	0	43,015	0	0	43,015	0	43,015	43,015
2004-2005	67,911	0	0	67,911	0	0	67,911	0	67,911	67,911
2005-2006	9,633	0	0	9,633	0	0	9,633	0	9,633	9,633
2006-2007	4,599	0	0	4,599	0	0	4,599	0	4,599	4,599
2007-2008	142,627	0	0	142,627	0	0	142,627	0	142,627	142,627
2008-2009	25,267	0	0	25,267	0	0	25,267	0	25,267	25,267
Total	$1,862,916	$0	$16,721	$1,846,196	$0	$100,851	$1,745,344	$100,851	$1,846,196	$1,846,196

Notes:

(A) Years are 7/1 to 6/30.
(B) Provided by ABAG.
(C) N/A
(D) Recoveries
(E) (B) + (C) - (D).
(F) Sum of incurred losses in excess of SIR.
(G) Sum of incurred losses in excess of $100,000.
(H) (E) - (G).
(I) (G) - (F).
(J) (E) - (F).
(K) Minimum of (J) and the aggregate stop loss. See Appendix K.

ABAG SHARED RISK POOL - Workers' Compensation

Paid Loss Data as of 12/31/08

Accident Year (A)	Unlimited Paid (B)	Additions to Losses (C)	Subtractions from Losses (D)	Adjusted Paid (E)	Paid Over SIR (F)	Paid Over $100,000 (G)	Paid Capped at $100,000 (H)	Paid $100,000 to SIR Layer (I)	Paid Capped at SIR (J)	Paid Capped at SIR & Aggregate (K)
1990-1991	$316,393	$0	$2,411	$313,982	$0	$0	$313,982	$0	$313,982	$313,982
1990-1991	20,622	0	0	20,622	0	0	20,622	0	20,622	20,622
1991-1992	21,583	0	1,327	20,256	0	0	20,256	0	20,256	20,256
1992-1993	144,657	0	3,150	141,507	0	0	141,507	0	141,507	141,507
1993-1994	29,418	0	0	29,418	0	0	29,418	0	29,418	29,418
1994-1995	125,740	0	0	125,740	0	0	125,740	0	125,740	125,740
1995-1996	174,159	0	0	174,159	0	955	173,204	955	174,159	174,159
1996-1997	22,093	0	0	22,093	0	0	22,093	0	22,093	22,093
1997-1998	266,770	0	0	266,770	0	99,896	166,873	99,896	266,770	266,770
1998-1999	157,580	0	0	157,580	0	0	157,580	0	157,580	157,580
1999-2000	151,151	0	0	151,151	0	0	151,151	0	151,151	151,151
2000-2001	1,156	0	0	1,156	0	0	1,156	0	1,156	1,156
2001-2002	79,958	0	8,000	71,958	0	0	71,958	0	71,958	71,958
2002-2003	33,195	0	1,833	31,362	0	0	31,362	0	31,362	31,362
2003-2004	43,015	0	0	43,015	0	0	43,015	0	43,015	43,015
2004-2005	47,612	0	0	47,612	0	0	47,612	0	47,612	47,612
2005-2006	9,633	0	0	9,633	0	0	9,633	0	9,633	9,633
2006-2007	4,599	0	0	4,599	0	0	4,599	0	4,599	4,599
2007-2008	63,598	0	0	63,598	0	0	63,598	0	63,598	63,598
2008-2009	2,772	0	0	2,772	0	0	2,772	0	2,772	2,772
Total	$1,715,705	$0	$16,721	$1,698,985	$0	$100,851	$1,598,133	$100,851	$1,698,985	$1,698,985

Notes:

(A) Years are 7/1 to 6/30.
(B) Provided by ABAG.
(C) N/A
(D) Recoveries
(E) (B) + (C) - (D).
(F) Sum of paid losses in excess of SIR.
(G) Sum of paid losses in excess of $100,000.
(H) (E) - (G).
(I) (G) - (F).
(J) (E) - (F).
(K) Minimum of (J) and the aggregate stop loss. See Appendix K.

ABAG SHARED RISK POOL - Workers' Compensation

Claim Count Data as of 12/31/08

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)
1990-1991	32	0	0	32	32	0	0	32	0	0
1990-1991	18	0	0	18	18	0	0	18	0	0
1991-1992	30	0	0	30	30	0	0	30	0	0
1992-1993	22	0	0	22	22	0	0	22	0	0
1993-1994	21	0	0	21	21	0	0	21	0	0
1994-1995	33	0	0	33	33	0	0	33	0	0
1995-1996	22	0	0	22	22	0	0	22	0	0
1996-1997	13	0	0	13	13	0	0	13	0	0
1997-1998	24	0	0	24	24	0	0	24	0	0
1998-1999	19	0	0	19	19	0	0	19	0	0
1999-2000	13	0	0	13	12	0	0	12	1	1
2000-2001	3	0	0	3	3	0	0	3	0	0
2001-2002	14	0	0	14	14	0	0	14	0	0
2002-2003	16	0	0	16	16	0	0	16	0	0
2003-2004	12	0	0	12	12	0	0	12	0	0
2004-2005	18	0	0	18	17	0	0	17	1	1
2005-2006	12	0	0	12	12	0	0	12	0	0
2006-2007	12	0	0	12	12	0	0	12	0	0
2007-2008	15	0	0	15	10	0	0	10	5	5
2008-2009	4	0	0	4	1	0	0	1	3	3
Total	353	0	0	353	343	0	0	343	10	10

Notes:

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

ABAG SHARED RISK POOL - Workers' Compensation

Exposure Measures

Accident Year	Total Payroll ($00) (B)	Inflation Trend Factor (B)	Trended Payroll ($00) (C)
1987-1988			
1988-1989			
1989-1990			
1990-1991	47,799	1.559	74,518
1991-1992	55,442	1.521	84,327
1992-1993	58,853	1.484	87,339
1993-1994	63,240	1.448	91,571
1994-1995	63,240	1.413	89,358
1995-1996	67,587	1.379	93,203
1996-1997	64,606	1.345	86,894
1997-1998	64,606	1.312	84,762
1998-1999	68,411	1.280	87,566
1999-2000	78,767	1.249	98,380
2000-2001	83,499	1.219	101,785
2001-2002	97,303	1.189	115,694
2002-2003	110,205	1.160	127,838
2003-2004	117,679	1.132	133,212
2004-2005	123,288	1.104	136,110
2005-2006	123,256	1.077	132,746
2006-2007	134,724	1.051	141,595
2007-2008	150,521	1.025	154,284
2008-2009	154,135	1.000	154,135
2009-2010	167,723	1.000	167,723

Notes:

(A) Provided by ABAG.
(B) Based on WCIRB.
(C) (A) x (B).

ABAG SHARED RISK POOL - Workers' Compensation

Allocation of 2009-10 Costs to Members
75% Confidence Level Funding - Discounted - $250,000 SIR

All Members

	Code		ABAG	Saratoga	Town of LAH	Town of Ross	Total
(1) Estimated 2009-10 Payroll By Classification	8742		1,050,000	0	0	0	1,050,000
	8810		5,820,000	3,418,477	942,670	192,636	10,373,783
	9410		0	1,065,747	709,236	283,402	2,058,385
	9420		0	1,145,342	234,498	136,530	1,516,370
	7720		0	0	0	688,667	688,667
	7706		0	0	0	1,085,108	1,085,108
			6,870,000	5,629,566	1,886,404	2,386,343	16,772,313
		2009-10 Discounted Loss Rate					
(2) Expected 2009-10 Loss & ALAE - Discounted at 75% Confidence Level	8742	0.70	7,371	0	0	0	7,371
	8810	0.58	33,901	19,913	5,491	1,122	60,427
	9410	2.40	0	25,593	17,032	6,806	49,430
	9420	6.96	0	79,713	16,320	9,502	105,535
	7720	5.56	0	0	0	38,270	38,270
	7706	5.34	0	0	0	57,970	57,970
(3) Total Expected Loss & ALAE			41,272	125,218	38,843	113,670	319,003
(4) Experience Modification			92.5%	97.1%	125.0%	97.3%	100.0%
(5) Risk Premium Deposit - Loss & ALAE			38,176	121,637	48,554	110,636	319,003
(6) Administration			20,891	20,891	20,891	20,891	83,565
(7) Claims Administration			4,100	4,100	4,100	4,100	16,400
(8) Self-Insurance Assessment			300	300	300	300	1,200
(9) Excess Insurance Costs			12,665	40,354	16,108	36,705	105,832
(10) Funding Redundancy/(Deficiency)			0	0	0	0	0
(11) Total Premium Deposit			76,133	187,282	89,953	172,632	526,000

(1) Provided by ABAG.
(2) = (1) / 100 X 2009/10 loss rate at 75% confidence level for each code from Appendix P, Page 1.
(3) Sum (2) over all codes.
(4) Developed in Appendix P, Page 2.
(5) = (3) x (4).
(6), (7) 2009/10 budgeted totals provided byABAG.
(8) Provided byABAG.
(9) Total provided by ABAG, allocated based on (5).
(10) From Exhibit II, row (J).
(11) = (5) + (6) + (7) + (8) + (9) - (10).

ABAG SHARED RISK POOL - Workers' Compensation

Allocation of 2009-10 Costs to Members
80% Confidence Level Funding - Discounted - $250,000 SIR

All Members

	Code		ABAG	Saratoga	Town of LAH	Town of Ross	Total
(1) Estimated 2009-10 Payroll	8742		1,050,000	0	0	0	1,050,000
By Classification	8810		5,820,000	3,418,477	942,670	192,636	10,373,783
	9410		0	1,065,747	709,236	283,402	2,058,385
	9420		0	1,145,342	234,498	136,530	1,516,370
	7720		0	0	0	688,667	688,667
	7706		0	0	0	1,085,108	1,085,108
			6,870,000	5,629,566	1,886,404	2,386,343	16,772,313
		2009-10 Discounted Loss Rate					
(2) Expected 2009-10 Loss &	8742	0.79	8,318	0	0	0	8,318
ALAE - Discounted	8810	0.66	38,259	22,472	6,197	1,266	68,194
at 80% Confidence Level	9410	2.71	0	28,882	19,221	7,680	55,783
	9420	7.85	0	89,958	18,418	10,723	119,099
	7720	6.27	0	0	0	43,189	43,189
	7706	6.03	0	0	0	65,420	65,420
(3) Total Expected Loss & ALAE			46,577	141,312	43,835	128,279	360,003
(4) Experience Modification			92.5%	97.1%	125.0%	97.3%	100.0%
(5) Risk Premium Deposit - Loss & ALAE			43,083	137,270	54,794	124,856	360,003
(6) Administration			20,891	20,891	20,891	20,891	83,565
(7) Claims Administration			4,100	4,100	4,100	4,100	16,400
(8) Self-Insurance Assessment			300	300	300	300	1,200
(9) Excess Insurance Costs			12,665	40,354	16,108	36,705	105,832
(10) Funding Redundancy/(Deficiency)			0	0	0	0	0
(11) Total Premium Deposit			81,039	202,916	96,194	186,852	567,000

(1) Provided by ABAG.
(2) = (1) / 100 X 2009/10 loss rate at 80% confidence level for each code from Appendix P, Page 1.
(3) Sum (2) over all codes.
(4) Developed in Appendix P, Page 2.
(5) = (3) x (4).
(6), (7) 2009/10 budgeted totals provided byABAG.
(8) Provided byABAG.
(9) Total provided byABAG, allocated based on (5).
(10) From Exhibit II, row (J).
(11) = (5) + (6) + (7) + (8) + (9) - (10).

ABAG SHARED RISK POOL - Workers' Compensation

Allocation of 2009-10 Costs to Members
85% Confidence Level Funding - Discounted - $250,000 SIR

All Members

	Code		ABAG	Saratoga	Town of LAH	Town of Ross	Total
(1) Estimated 2009-10 Payroll	8742		1,050,000	0	0	0	1,050,000
By Classification	8810		5,820,000	3,418,477	942,670	192,636	10,373,783
	9410		0	1,065,747	709,236	283,402	2,058,385
	9420		0	1,145,342	234,498	136,530	1,516,370
	7720		0	0	0	688,667	688,667
	7706		0	0	0	1,085,108	1,085,108
			6,870,000	5,629,566	1,886,404	2,386,343	16,772,313
		2009-10 Discounted Loss Rate					
(2) Expected 2009-10 Loss &	8742	0.91	9,520	0	0	0	9,520
ALAE - Discounted	8810	0.75	43,785	25,718	7,092	1,449	78,044
at 85% Confidence Level	9410	3.10	0	33,054	21,997	8,790	63,840
	9420	8.99	0	102,952	21,078	12,272	136,302
	7720	7.18	0	0	0	49,427	49,427
	7706	6.90	0	0	0	74,870	74,870
(3) Total Expected Loss & ALAE			53,305	161,723	50,167	146,808	412,003
(4) Experience Modification			92.5%	97.1%	125.0%	97.3%	100.0%
(5) Risk Premium Deposit - Loss & ALAE			49,306	157,098	62,709	142,891	412,003
(6) Administration			20,891	20,891	20,891	20,891	83,565
(7) Claims Administration			4,100	4,100	4,100	4,100	16,400
(8) Self-Insurance Assessment			300	300	300	300	1,200
(9) Excess Insurance Costs			12,665	40,354	16,108	36,705	105,832
(10) Funding Redundancy/(Deficiency)			0	0	0	0	0
(11) Total Premium Deposit			87,262	222,743	104,108	204,886	619,000

(1) Provided by ABAG.
(2) = (1) / 100 X 2009/10 loss rate at 85% confidence level for each code from Appendix P, Page 1.
(3) Sum (2) over all codes.
(4) Developed in Appendix P, Page 2.
(5) = (3) x (4).
(6), (7) 2009/10 budgeted totals provided byABAG.
(8) Provided byABAG.
(9) Total provided byABAG, allocated based on (5).
(10) From Exhibit II, row (J).
(11) = (5) + (6) + (7) + (8) + (9) - (10).

ABAG SHARED RISK POOL - Workers' Compensation

Allocation of 2009-10 Expected Loss Rate to Classification - Discounted Basis - $250,000 SIR
All Members

Classification Code (1)	Estimated 2009-10 Payroll (2)	WCIRB Pure Premium (3)	WCIRB Relativity (4)	Expected Level Undiscounted Pure Premium (5)	Expected Level Discounted Pure Premium (6)	70% Confidence Level Discounted Pure Premium (7)	75% Confidence Level Discounted Pure Premium (8)	80% Confidence Level Discounted Pure Premium (9)	85% Confidence Level Discounted Pure Premium (10)
8742	1,050,000	0.332	0.37	0.50	0.45	0.62	0.70	0.79	0.91
8810	10,373,783	0.276	0.31	0.42	0.37	0.52	0.58	0.66	0.75
9410	2,058,385	1.136	1.26	1.71	1.54	2.14	2.40	2.71	3.10
9420	1,516,370	3.292	3.66	4.96	4.45	6.20	6.96	7.85	8.99
7720	688,667	2.628	2.92	3.96	3.55	4.95	5.56	6.27	7.18
7706	1,085,108	2.527	2.81	3.81	3.42	4.76	5.34	6.03	6.90
Total/Average	16,772,313	0.900		1.36	1.22	1.69	1.90	2.15	2.46

(2) Provided byABAG.
(3) From WCIRB, effective 1/1/2009 minus 10% for ULAE.
(4) (3) / (3) Average
(5) = (4) x selected 2009/10 loss rate of $1.356 from Exhibit 5, Page 1.
(6) = (5) x dicount factor of 0.897 from Appendix I, Page 2.
(7) = (6) x 1.251, 70% confidence factor from Appendix J.
(8) = (6) x 1.396, 75% confidence factor from Appendix J.
(9) = (6) x 1.567, 80% confidence factor from Appendix J.
(10) = (6) x 1.783, 85% confidence factor from Appendix J.

ABAG SHARED RISK POOL - Workers' Compensation

Calculation of Experience Modifications - $250,000 SIR
All Members

Members	Limited Incurred Losses (1)	Expected Losses (2)	Percent of Limited Incurred Losses (3)	Percent of Expected Losses (4)	Indicated Differential (5)	Weights (6)	Indicated Experience Modification (7)	Adjusted Experience Modification (8)
ABAG	2,085	81,843	1.0%	14.6%	0.069	14.1%	86.9%	92.5%
Saratoga	59,135	223,184	28.6%	39.9%	0.717	30.9%	91.3%	97.1%
Town of LAH	103,173	82,254	49.9%	14.7%	3.394	14.1%	133.8%	125.0%
Town of Ross	42,516	172,585	20.5%	30.8%	0.667	25.7%	91.4%	97.3%
Total/Average	206,909	559,865	100.0%	100.0%				

(1) Provided byABAG, 2003/04 through 2007/08, limited to $25,000 per claim, evaluated as of 12/31/2008.
(2) Developed in Appendix P, Page 2.
(3) = (1) / (1) Total
(4) = (2) / (2) Total
(5) = (3) / (4)
(6) = (2) / [(2) + 500,000] with a minimum of 5.0%
(7) (6) x (5) + [1.0 - (6)]
(8) Limited to minimum of 75% and maximum of 125% then adjusted for off-balance.

ABAG SHARED RISK POOL - Workers' Compensation

Calculation of Expected Losses by Member - $250,000 SIR
All Members

Members	Classification Codes 8,742	8,810	9,410	9,420	7,720	7,706	Total
(1) Five Year Payrolls							
ABAG	4,415,389	24,384,035	0	0	0	0	28,799,424
Saratoga	0	13,350,518	3,463,231	4,467,490	0	0	21,281,239
Town of LAH	0	3,529,748	3,069,837	1,144,030	0	0	7,743,615
Town of Ross	0	281,388	1,605,452	361,145	2,753,713	2,742,747	7,744,445
(2) WCIRB Loss Rates for Experience Rating	0.332	0.276	1.136	3.292	2.628	2.527	
(3) Expected Losses							
ABAG	14,661	67,182	0	0	0	0	81,843
Saratoga	0	36,783	39,337	147,065	0	0	223,184
Town of LAH	0	9,725	34,868	37,660	0	0	82,254
Town of Ross	0	775	18,235	11,888	72,380	69,305	172,585

(1) Provided by ABAG, 2003/04 through 2007/08.
(2) From WCIRB, effective 1/1/2009 minus 10% for ULAE.
(3) [(1) / 100] x (2)

ABAG SHARED RISK POOL

Duration for Outstanding Loss and LAE Liabilities at June 30, 2009
and Projected Loss and LAE for 2009-2010

Accident Year	Outstanding as of 6/30/2009	Paid During 2009-2010	Paid During 2010-2011	Paid During 2011-2012	Paid During 2012-2013	Paid During 2013-2014	Paid During 2014-2015	Paid During 2015-2016	Paid During 2016-2017	Paid During 2017-2018	Paid During 2018-2019	Paid During 2019-2020	Paid During 2020-2021	Paid During 2021-2022	Paid During 2022-2023	Paid During 2023-2024	Paid During 2024-2025	Paid During 2025-2026	Paid During 2026-2027	Paid During 2027-2028	Paid During 2028-2029	Paid During 2029-2030	Paid During 2030-2031
1993-1994	0	0	0	0	0	0	0	0															
1994-1995	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	0												
1997-1998	0	0	0	0	0	0	0	0	0	0	0	0											
1998-1999	0	0	0	0	0	0	0	0	0	0	0	0	0										
1999-2000	27,004	9,894	6,214	4,139	3,061	2,330	1,566	0	0	0	0	0	0	0									
2000-2001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
2001-2002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
2002-2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
2003-2004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
2004-2005	27,386	8,361	5,293	4,399	1,889	1,611	2,804	1,888	1,381	1,051	707	0	0	0	0	0	0	0	0				
2005-2006	23,533	5,483	4,206	3,489	2,900	1,245	1,062	1,848	1,231	911	693	466	0	0	0	0	0	0	0	0			
2006-2007	36,948	10,530	6,155	4,721	3,916	3,255	1,398	1,192	2,075	1,382	1,022	778	523	0	0	0	0	0	0	0	0		
2007-2008	101,697	41,391	17,187	10,047	7,706	6,392	5,313	2,281	1,946	3,387	2,256	1,668	1,270	854	0	0	0	0	0	0	0	0	
2008-2009	173,753	68,111	42,996	17,854	10,436	8,005	6,640	5,519	2,370	2,021	3,518	2,343	1,733	1,319	887	0	0	0	0	0	0	0	0
Total	390,319	141,590	82,052	44,648	29,908	22,838	18,783	12,709	9,003	8,752	8,196	5,255	3,526	2,173	887	0	0	0	0	0	0	0	0
Reserve Payout % of Total	100.0%	36.3%	21.0%	11.4%	7.7%	5.9%	4.8%	3.3%	2.3%	2.2%	2.1%	1.3%	0.9%	0.6%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Years Since Reserved		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5
Reserve Payout PV at 4.0%	90.5%	35.6%	19.8%	10.4%	6.7%	4.9%	3.9%	2.5%	1.7%	1.6%	1.4%	0.9%	0.6%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Time Weighted	219.0%	17.8%	29.7%	25.9%	23.4%	22.1%	21.3%	16.4%	12.9%	13.7%	13.7%	9.4%	6.6%	4.3%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserve Duration	2.42																						

Accident Year	Ultimate as of 6/30/2009	Paid During 2009-2010	Paid During 2010-2011	Paid During 2011-2012	Paid During 2012-2013	Paid During 2013-2014	Paid During 2014-2015	Paid During 2015-2016	Paid During 2016-2017	Paid During 2017-2018	Paid During 2018-2019	Paid During 2019-2020	Paid During 2020-2021	Paid During 2021-2022	Paid During 2022-2023	Paid During 2023-2024	Paid During 2024-2025	Paid During 2025-2026	Paid During 2026-2027	Paid During 2027-2028	Paid During 2028-2029	Paid During 2029-2030	Paid During 2030-2031	Paid During 2031-2032
2009-2010	287,287	59,338	81,516	51,456	21,368	12,490	9,560	7,947	6,605	2,836	2,419	4,211	2,804	2,074	1,579	1,061	0	0	0	0	0	0	0	0
Annual Loss Payout % of Total	100.0%	22.2%	30.5%	19.3%	8.0%	4.7%	3.6%	3.0%	2.5%	1.1%	0.9%	1.6%	1.0%	0.8%	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Years Since Reserved		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5
Reserve Payout PV at 4.0%	90.0%	21.8%	28.8%	17.5%	7.0%	3.9%	2.9%	2.3%	1.8%	0.8%	0.6%	1.0%	0.7%	0.5%	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Time Weighted	229.3%	10.9%	43.1%	43.6%	24.4%	17.6%	15.9%	15.0%	13.8%	6.5%	5.9%	11.0%	7.7%	5.9%	4.7%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Loss Duration	2.55																							

SHARP_BUD-2010

ABAG COMP SHARED RISK POOL
LINE ITEM BUDGET
FISCAL YEAR 2009-2010

STAFF COSTS	POSITION	COST RATE	2009-10 HOURS	2009-10 AMOUNT	2008-09 HOURS	2008-09 AMOUNT
ADSIT, C	ADMIN. SUPPORT	58.30	30	1,749	30	1,684
BEVERLY, M	RISK MANAGER	126.27	40	5,051	40	4,639
EEDS, D	ACCOUNTING SUP'R	89.98	85	7,649	90	7,828
PIKE, H	FINANCE DIRECTOR	130.74	100	13,074	0	0
HSIEH, S	ASS'T FINANCE DIR.	99.58	60	5,975	60	6,171
HARRINGTON, C	ACCOUNTING SPEC.	65.32	30	1,960	30	1,900
WIRE, G	ACCOUNTING CLERK	55.16	10	552	10	518
MOY, K	LEGAL COUNSEL	157.61	10	1,576	10	1,465
NG, L	ACCOUNTING SPEC.	58.12	92	5,347	86	4,819
SAELEE, J	OFFICE SUPPORT	49.12	12	589	12	556
			469	43,521	368	29,580
CONSULTANT SERVICES						
TECHNICAL CONSULTANT				500		500
ACTUARIAL CONSULTANT				9,950		9,800
CLAIMS AUDIT				3,000		0
FINANCIAL AUDIT				6,860		6,600
CLAIMS ADMINISTRATOR				16,400 (a)		18,230
	TOTAL CONSULTANTS			36,710		35,130
OTHER DIRECT COSTS						
TRAVEL				120		125
PRINTING				100		100
CONFERENCE & MEETINGS				400		420
SELF INSURANCE ASSESSMENT				1,200 (b)		1,300
POSTAGE				100		100
LOSS PREVENTION PROGRAM				(c)		40,000 (d)
MISCELLANEOUS				322		300
	TOTAL INDIRECT			2,242		42,345
INDIRECT COSTS						
OVERHEAD	(42.95% STAFF COSTS)			18,692		18,597
	TOTAL BUDGET			101,165		125,652

	2009-10 BUDGET	2008-09 BUDGET
REVENUE:		
ADMINSITRATIVE PREMIUMS	**101,165**	**88,841**
EXPENSES:		
ADMINISTRATION	**83,565**	**79,311**
CLAIMS ADMINISTRATION	**16,400 (a)**	**18,230**
SELF-INSURANCE ASSESSMENT	**1,200 (b)**	**1,300**
LOSS PREVENTION PROGRAM	**(c)**	**40,000**
	101,165	**138,841**
Surplus/(Deficit)	**0**	**(50,000) (d)**

(a) Tentative, determined by number of open claims
(b) Tentative, fee based on prior year's claim volume
(c) To be determined by Board of Directors at May 5, 2009 board meeting
(d) Paid from Administrative Fund Surplus

HELLING & ASSOCIATES

MANAGEMENT CONSULTANTS

PERSONAL & CONFIDENTIAL

September 23, 2008

Jeannette Workman
Manager
LAWCX
1831 "K" Street
Sacramento, CA 95811

Re: ABAG Shared Risk Pool Excess Workers' Compensation Claims Audit

Dear Jeannette:

Please consider this the biannual Workers' Compensation Claims Audit conducted on behalf of LAWCX, which covered the claims of the ABAG Shared Risk Pool. As you know, the members of the Pool are: Association of the Bay Area Governments (ABAG), the Town of Los Altos Hills, the Town of Ross and the City of Saratoga.

This Audit was done on September 16, 2008 at the offices of the Authority's Claims Administrator, Gregory B. Bragg & Associates, Inc. (Bragg), in Walnut Creek, California.

CLAIMS ADMINISTRATION

The Pool became a member of LAWCX on July 1, 2001, and selected Bragg to handle their claims as of September 2001.

Lynn Cavalcanti continues as the Claims Manager for the Walnut Creek office and is responsible for the overall program. She joined Bragg on December 29, 2003, and has over fifteen years of Workers' Compensation claims.

4706 PASEO DE LAS TORTUGAS, TORRANCE, CA 90505 (310) 378-9797

She has a Bachelor of Arts degree in 1983 from Long Island University in New York, and also has a Master of Arts degree from the University of Phoenix in California which she received in 2001.

The supervisor on the account, who was previously the claims examiner, is Barbara Minton. She attended Diablo Valley Community College, and has also taken some of the Insurance Education Association courses in Workers' Compensation. She is certified by the State of California as a Workers' Compensation Claims Administrator.

The day-to-day claims handling is now done by Lorraine J. Maull, who joined Bragg on March 27, 2006. She has 14 years of claims assistance experience and 4 years of experience as a claims examiner. She actually handles the future medical claims for the Pool. She is not yet certified by the State as a Workers' Compensation Claims Administrator.

SCOPE OF AUDIT

As you know we are to review all of the open indemnity claims (lost time from work) with an incurred (paid plus reserves) in excess of $50,000. We also reviewed all of the closed indemnity files that were closed since our audit two years ago where the payments exceed that amount.

However, there were only two open indemnity files and none closed that fell within the criteria.

The Pool has a $150,000 self-insured retention, and the reporting requirements by LAWCX are that there has to be notification to the Authority regarding any claim, either paid or reserved, for 50% or more of the covered member's retention. In addition, the members have to give LAWCX immediate written notice of any injury involving the following types of accident.

1. A fatality;
2. An amputation of a major extremity;
3. Any serious head injury (including skull fracture or loss of sight of either or both eyes);
4. Any injury to the spinal cord;

5. Any second- or third-degree burns to 25 percent or more of the body;

6. Any accident that causes serious injury to two or more employees;

7. Any claim believed to be fraudulent and where $20,000 has been paid in out-care expenses;

8. Any disability of more than one year or when it appears reasonably likely that there will be a disability of more than one year.

FILE REVIEW

We reviewed the following open files:

1. Member: Town of Los Altos Hills
   Claim Number: 0000012
   Date of Loss: November 1, 1999
   Paid: $45,694 Reserves: $25,676 Incurred: $71,370

   This loss involves a 43-year-old (at the time of injury) maintenance worker who alleges that doing tree trimming, clearing paths and other job tasks caused pain in his left shoulder.

   The diagnosis was a left shoulder impingement syndrome and conservative treatment was originally rendered. Thereafter, the employee's condition became Permanent and Stationary and the Disability Evaluation Unit on August 23, 2001 rated the permanent disability at 13% or $5,915.

   However, the claimant continued to complain of pain; consequently, surgery was performed on March 8, 2002 consisting of a left shoulder decompression, debridement of a rotator cuff tear and an excision of the distal clavicle.

   The claimant subsequently returned to modified duties on May 1, 2002, and thereafter again became Permanent and Stationary.

   The claim was settled by a Stipulated Findings and Award of 13%, as well as future medical treatment to the left shoulder. The settlement was approved by the Worker's Compensation Appeals Board on June 3,

2002. The file remains open for the future medical treatment provision, which was used by the claimant on June 13, 2008.

2. Member: ABAG
Claim Number: 9800001
Date of Loss: January 12, 1998
Paid: $39,321 Reserves: $43,403 Incurred: $82,724

This 45-year-old administrative assistant slipped and fell on a liquid substance, sustaining an injury.

The diagnosis was a cervical and lumbar strain, as well as a right knee strain.

The claimant treated with a chiropractor who, after extensive treatment with no lost time from work, finally declared her Permanent and Stationary.

The file was settled directly with the employee by a Stipulated Findings and Award of 22%, or $12,880, as well as future medical treatment to the spine.

The settlement was approved by the Worker's Compensation Appeals Board on November 19, 2002.

The file remains open for the future medical treatment provision, with the claimant treating with a chiropractor. However, Utilization Review has denied any further chiropractor treatments, with the last one occurring on July 19, 2006. We note the total chiropractic treatments on this file have amounted to $17,187.80.

In view of no further treatment having occurred in the past two years, the administrator is about to close this file. The treatments are scrutinized by utilization review.

SUMMARY

The biannual Workers' Compensation claims audit was conducted on behalf of LAWCX on the ABAG Shared Pool claims, with this audit occurring on September 16, 2008.

The Workers' Compensation claims continue to be handled by Gregory B. Bragg & Associates, Inc. from their offices in Walnut Creek, California.

We are required to review all of the open indemnity (lost time from work) files with an incurred (paid plus reserves) in excess of $50,000. We are also required to audit those indemnity files that have been closed since our last audit two years ago, where the payments exceeded that amount.

However, as there currently are only two open indemnity files, we reviewed those two files and no closed files.

As always, if you have questions regarding the audit, please feel free to communicate with me at any time.

Yours sincerely,

Hans J. Helling

HJH:eda/gn

TO:	Board of Directors ABAG Comp Shared Risk Pool	DT:	March 27, 2009
FM:	Herbert Pike Chief Financial Officer	RE:	Financial & Investment Reports—December 31, 2008

We are happy to present the December 31 mid-year financial and investment reports.

Overview of Financial Reports—December 31, 2008

As of December 31, total assets were about $3.24 million and total fund equity was $2.81 million (page 3). Administrative expenses were roughly $37 thousand or 26.4% of budget (page 4). Administrative expenses were low at mid-year because members of the pool have not yet started to spend the $40 thousand budgeted loss prevention program (see description below). Claim payments were also very favorable for the first six months, amounting to approximately $31 thousand or 26.2% of budget (page 5).

The $103 thousand fund balance as of June 30, 2008 in the Administration Fund (page 3) is the result of surpluses accumulated over the past several years. The Board approved a plan to use $40,000 of this fund balance to pay for loss prevention training during FY 08-09 with a budget of $10,000 per member jurisdiction.

Summary of Investment Performance-December 31, 2008 ($'000)

Total book value (pages 6 & 8)	$2,660
Total market value (pages 6 & 8)	$2,689
Overall average yield (pages 6 & 8)	4.47%
Benchmark yield—12-month average yield of 2-year Treasury note	1.80%
Average maturity (page 7)	4.0 years
Average duration (page 7)	1.4 years
Target duration range	1.98 to 2.68 years **

Rating of securities in portfolio (page 8)
All federal agency securities were AAA rated
All corporate notes are AA rated

** Within 15 % of the duration of claims liability as of 6/30/08—2.33 years

Investment Activities in the Last Quarter

One $300,000 Federal Home Loan Bank note that had been in the pool's portfolio since 2007 was called in November. During the last quarter, market interest rates plummeted due to the economic downturn. In staff's opinion, LAIF appears to be an appropriate liquid investment option to wait out this period of low market yields.

Expected Investment Activities in the Next Quarter
For the reason stated above, we expect LAIF balance to increase somewhat. As securities mature, we will continue to look for the most prudent re-investments under prevailing market conditions and within the pool's investment policy.

Compliance with Investment Policy
The investment portfolio is in compliance with the pool's investment policy as of December 31, 2008.

The fact that we do not have scheduled maturities between 2 to 4 years does not reflect a concern in liquidity (page 7). As of December 31, the average portfolio duration of 1.4 is below the 1.98 lower position of the target duration range. Due to the low market yield curve as discussed above, recent maturities have been reinvested in LAIF. We do strive to stagger maturities while achieving the best overall yield for the portfolio, with some exceptions as in the current market, it is prudent to keep the portfolio liquid and wait for interest rates to increase. We will consistently maintain an adequate liquidity position by keeping our investment in LAIF at a safe level. With a $357 thousand balance in LAIF as of December 31, there should be sufficient liquidity for SHARP's foreseeable needs.

BALANCE SHEET

ABAG COMP SHARED RISK POOL
Period: DEC-08

	Total	*Administration Fund*	*Trust Fund*
ASSETS			
CASH IN BANK	473,854.66	35,286.88	438,567.78
LOCAL AGENCY INVEST. FUND	356,769.00	75,000.00	281,769.00
CASH DEPOSITED AT CLAIMS ADMINIST	20,000.00	0.00	20,000.00
INVESTMENTS IN SECURITIES	2,300,000.00	0.00	2,300,000.00
PREMIUM ON SECURITIES	4,169.43	0.00	4,169.43
NET INVESTMENTS IN SECURITIES	2,304,169.43	0.00	2,304,169.43
ACCT. REC. PREMIUMS	48,410.02	5,552.63	42,857.39
ACCR. INT. REC. LAIF	2,276.83	0.00	2,276.83
ACCR. INT. REC. SECURITIES	33,096.10	0.00	33,096.10
TOTAL ASSETS	3,238,576.04	115,839.51	3,122,736.53
LIABILITIES			
ACCOUNTS PAYABLE	34,077.44	5,249.10	28,828.34
CLAIMS RESERVE	401,000.00	0.00	401,000.00
CLAIMS RESERVE AT MONTH-END	401,000.00	0.00	401,000.00
UNEARNED PREMIUM REVENUES	(0.02)	(0.01)	(0.01)
TOTAL LIABILITIES	435,077.42	5,249.09	429,828.33
FUND EQUITY			
GENERAL EQUITY			
RETAINED EARNINGS	2,661,777.29	102,762.31	2,559,014.98
CURRENT YEAR SURPLUS/(DEFICIT)	141,721.33	7,828.11	133,893.22
TOTAL GENERAL EQUITY	2,803,498.62	110,590.42	2,692,908.20
TOTAL FUND EQUITY	2,803,498.62	110,590.42	2,692,908.20
TOTAL LIABILITIES AND FUND EQUITY	3,238,576.04	115,839.51	3,122,736.53

INCOME STATEMENT

ABAG Comp Shared Risk Pool - Administrative Fund
Period: DEC-08 Currency: USD

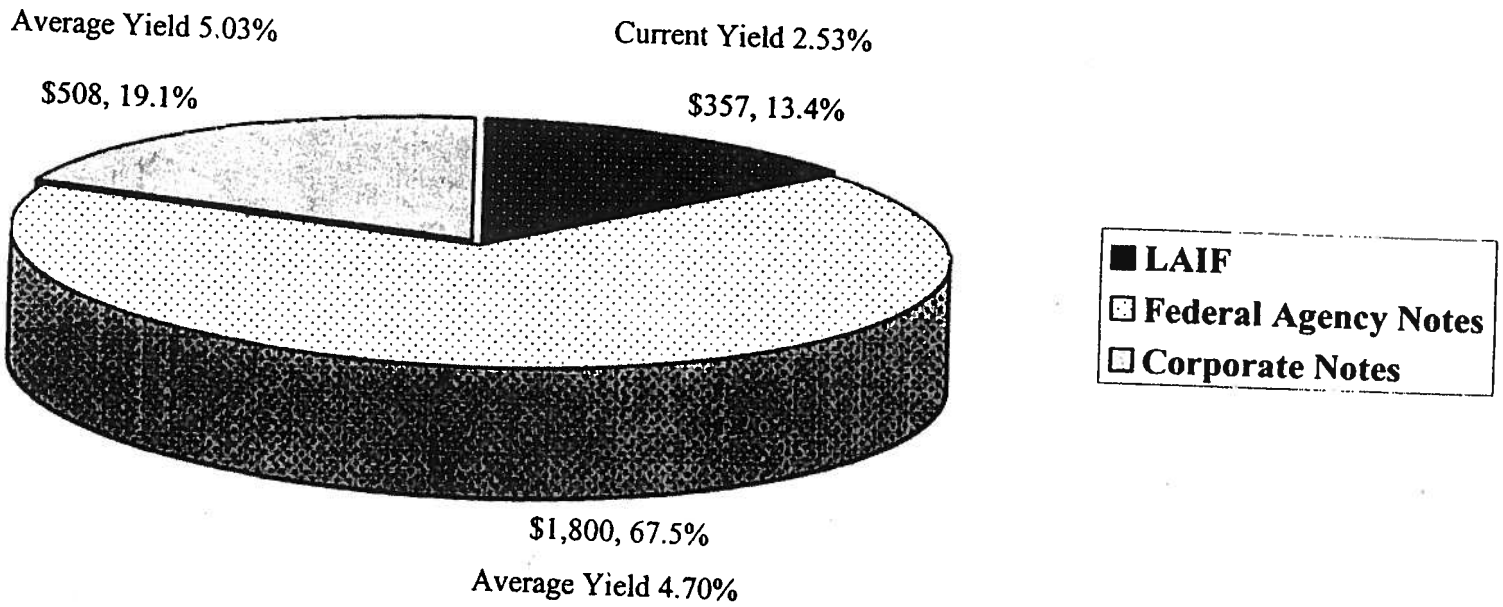
	FY Budget	*Actual Current Month*	*Actual Year-to-date*	*% of Budget*	*Budget Balance*
REVENUES					
EARNED PREMIUM	87,541.00	6,753.51	43,771.05	50.00%	43,769.95
OTHER REVENUES	1,300.00	650.00	650.00	50.00%	650.00
TOTAL REVENUES	88,841.00	7,403.51	44,421.05	50.00%	44,419.95
EXPENSES					
DIRECT LABOR					
PERSONNEL COSTS	61,366.00	5,249.10	27,752.21	45.22 %	33,613.79
TOTAL PERSONNEL COSTS	61,366.00	5,249.10	27,752.21	45.22 %	33,613.79
CONSULTANT SERVICES					
TECHNICAL CONSULTANT FEES	500.00	0.00	186.10	37.22 %	313.90
CLAIMS CONSULTANTS	18,230.00	0.00	6,499.98	35.66 %	11,730.02
ACTUARIAL CONSULTANTS	9,800.00	0.00	2,000.00	20.41 %	7,800.00
AUDIT FEES FINANCIAL	6,600.00	0.00	0.00	0.00 %	6,600.00
TOTAL CONSULTANT SERVICES	35,130.00	0.00	8,686.08	24.73 %	26,443.92
OTHER DIRECT CHARGES					
TRAVEL	125.00	0.00	0.00	0.00 %	125.00
PRINTING IN-HOUSE	100.00	0.00	0.00	0.00 %	100.00
CONFERENCES & SEMINARS	420.00	0.00	0.00	0.00 %	420.00
SUBSCRIPTIONS & MEMBERSHIPS	1,300.00	0.00	154.65	11.90 %	1,145.35
POSTAGE	100.00	0.00	0.00	0.00 %	100.00
STAFF TRAINING & DEVELOPMENT	40,000.00	0.00	0.00	0.00 %	40,000.00
MISCELLANEOUS	300.00	0.00	0.00	0.00 %	300.00
TOTAL OTHER DIRECT CHARGES	42,345.00	0.00	154.65	0.37 %	42,190.35
TOTAL EXPENSES	138,841.00	5,249.10	36,592.94	26.36 %	102,248.06
SURPLUS/(DEFICIT)	(50,000.00)	2,154.41	7,828.11	15.66 %	(57,828.11)

INCOME STATEMENT

ABAG Comp Shared Risk Pool - Trust Fund
Period: DEC-08 Currency: USD

	FY Budget	*Actual Current Month*	*Actual Year-to-date*	*% of Budget*	*Budget Balance*
REVENUES					
EARNED PREMIUM	412,053.00	34,337.75	206,026.49	50.00%	206,026.51
INVESTMENT INCOME (INCL. LAIF)	96,000.00	10,152.03	64,419.77	67.10%	31,580.23
INTEREST INCOME	1,500.00	649.22	1,747.16	116.48%	(247.16)
TOTAL REVENUES	509,553.00	45,139.00	272,193.42	53.42%	237,359.58
EXPENSES					
OPERATING EXPENSES					
CLAIMS BELOW DEDUCTIBLE	120,000.00	4,032.44	31,405.20	26.17 %	88,594.80
ADJ. TO CLAIMS RESERVE	100,000.00	0.00	0.00	0.00 %	100,000.00
OTHER DIRECT CHARGES					
EXCESS WORKERS' COMP INSUR.	106,895.00	0.00	106,895.00	100.00 %	0.00
TOTAL OTHER DIRECT CHARGE	106,895.00	0.00	106,895.00	100.00 %	0.00
TOTAL EXPENSES	326,895.00	4,032.44	138,300.20	42.31 %	188,594.80
SURPLUS/(DEFICIT)	182,658.00	41,106.56	133,893.22	73.30%	48,764.78

ABAG Comp Shared Risk Pool
Investment Portfolio Summary ($'000)
As of December 31, 2008



Total Book Value $2,660 (Market Value $2,689)

Overall Average Yield 4.47%

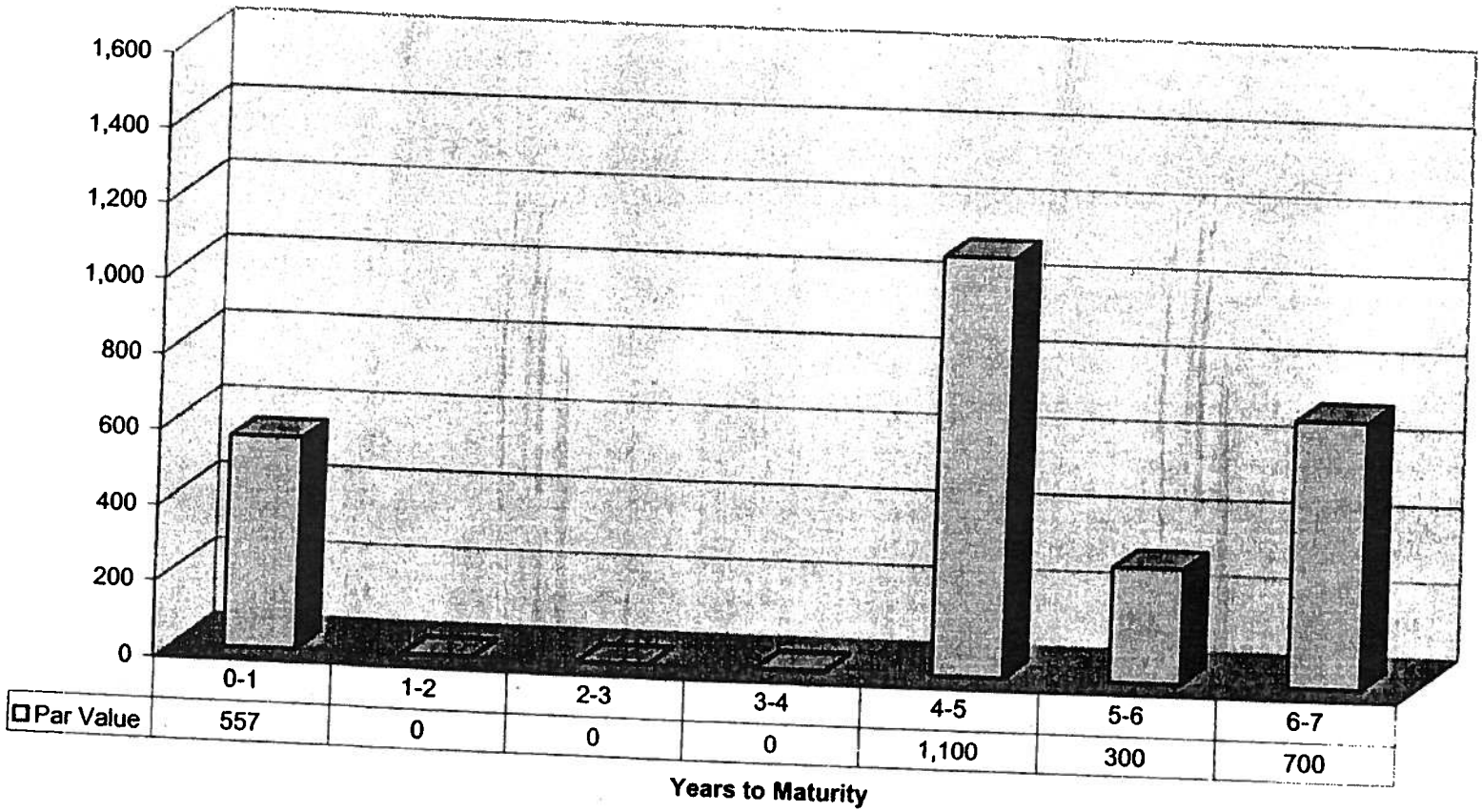
ABAG Comp Shared Risk Pool

Maturing Investments ($'000)

As of December 31, 2008

Average Maturity: 4.0 Years

Average Duration: 1.4 Years



ABAG COMP Shared Risk Pool
Portfolio Management
Portfolio Details - Investments
December 31, 2008

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 360	Days to Maturity	Maturity Date
Local Agency Investment Funds												
LAIF	LAIF	LAIF			356,769.00	356,769.00	356,769.00	2.353		2.321	1	
		Subtotal and Average	**356,769.00**		**356,769.00**	**356,769.00**	**356,769.00**			**2.321**	**1**	
Federal Agency Issues - Coupon												
3133XAQP5	FAC13	FEDERAL HOME LOAN BANK		02/23/2005	200,000.00	201,297.80	200,000.00	4.050	Aaa	3.995	53	02/23/2009
3133XRRN2	FAC27	FEDERAL HOME LOAN BANK		07/22/2008	200,000.00	203,672.80	200,000.00	4.900	Aaa	4.833	1,663	07/22/2013
31331Y7B0	FAC28	FEDERAL FARM CREDIT BANK		08/26/2008	400,000.00	418,246.40	400,000.00	4.500	Aaa	4.438	1,698	08/26/2013
3133XKAGO	FAC21	FEDERAL HOME LOAN BANK		03/27/2007	300,000.00	302,759.40	300,000.00	5.375	Aaa	5.301	1,911	03/27/2014
31331X6P2	FAC23	FEDERAL FARM CREDIT BANK		10/15/2007	300,000.00	316,693.20	300,000.00	5.230	Aaa	5.158	2,113	10/15/2014
3133XP-5F-7	FAC25	FEDERAL HOME LOAN BANK		02/06/2008	200,000.00	200,630.20	200,000.00	4.550	Aaa	4.488	2,227	02/06/2015
3133XPKW3	FAC26	FEDERAL HOME LOAN BANK		02/20/2008	200,000.00	200,826.40	200,175.28	4.500	Aaa	4.422	2,241	02/20/2015
		Subtotal and Average	**1,800,176.46**		**1,800,000.00**	**1,844,126.20**	**1,800,175.28**			**4.700**	**1,735**	
Corporate Note-Coupons												
949746NW7	CNC05	Well Fargo Corp		07/01/2008	250,000.00	252,180.00	252,099.75	5.250	Aa	4.927	1,391	10/23/2012
74254PYE6	CNC04	Principal Life Inc PFG		07/01/2008	250,000.00	235,487.50	250,924.43	5.300	Aa	5.125	1,574	04/24/2013
		Subtotal and Average	**503,055.63**		**500,000.00**	**487,667.50**	**503,024.18**			**5.026**	**1,482**	
		Total and Average	**2,660,001.09**		**2,656,769.00**	**2,688,562.70**	**2,659,968.46**			**4.443**	**1,455**	

ABAG COMP Shared Risk Pool
Investments by All Types
Active Investments
December 31, 2008

CUSIP	Investment #	Fund	Issuer	Par Value	Purchase Price	Book Value	Current Rate	Maturity Date	Call Date	Call Price
Local Agency Investment Funds										
LAIF	LAIF		LAIF	356,769.00	100.0000000	356,769.00	2.353			
			Subtotal	**356,769.00**		**356,769.00**				
Federal Agency Issues - Coupon										
3133XAQP5	FAC13		FEDERAL HOME LOAN BANK	200,000.00	100.0000000	200,000.00	4.050	02/23/2009		
3133XRRN2	FAC27		FEDERAL HOME LOAN BANK	200,000.00	100.0000000	200,000.00	4.900	07/22/2013	07/22/2009	100.0000000
31331Y7B0	FAC28		FEDERAL FARM CREDIT BANK	400,000.00	100.0000000	400,000.00	4.500	08/26/2013	08/26/2010	100.0000000
3133XKAGO	FAC21		FEDERAL HOME LOAN BANK	300,000.00	100.0000000	300,000.00	5.375	03/27/2014	03/27/2009	100.0000000
31331X6P2	FAC23		FEDERAL FARM CREDIT BANK	300,000.00	100.0000000	300,000.00	5.230	10/15/2014	10/15/2010	100.0000000
3133XP-5F-7	FAC25		FEDERAL HOME LOAN BANK	200,000.00	100.0000000	200,000.00	4.550	02/06/2015	02/06/2009	100.0000000
3133XPKW3	FAC26		FEDERAL HOME LOAN BANK	200,000.00	100.1000000	200,175.28	4.500	02/20/2015	02/20/2009	100.0000000
			Subtotal	**1,800,000.00**		**1,800,175.28**				
Corporate Note-Coupons										
949746NW7	CNC05		Well Fargo Corp	250,000.00	100.9510000	252,099.75	5.250	10/23/2012		
74254PYE6	CNC04		Principal Life Inc PFG	250,000.00	100.4130000	250,924.43	5.300	04/24/2013		
			Subtotal	**500,000.00**		**503,024.18**				
			Total	**2,656,769.00**		**2,659,968.46**				

ABAG
COMP SHARED RISK POOL

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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ABAG COMP SHARED RISK POOL
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
ABAG Comp Shared Risk Pool
Oakland, California

We have audited the basic financial statements of each major fund of the ABAG Comp Shared Risk Pool (SHARP) for the year ended June 30, 2008, which collectively comprise the SHARP's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the SHARP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the SHARP at June 30, 2008, and the respective results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis and the Required Supplemental Information are supplementary information required by the Government Accounting Standards Board, but are not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Maze + Associates

September 26, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The ABAG Comp Shared Risk Pool (SHAARP) has issued the financial reports for fiscal year ending June 30, 2008 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since SHARP has always been using this method of accounting, changes in its financial reports are primarily in the format of presentation.

GASB 34 requires SHARP to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

(1) Statement of Net Assets—provides information about the financial position of SHARP, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

(2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

(3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FISCAL YEAR 2008 FINANCIAL HIGHLIGHTS

SHARP's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2008 were $3.1 million. At June 30, 2007, total assets were $2.7 million.
- Total revenues, including program and general revenues, were $726 thousand in FY 2008, while total expenses were $221 thousand.
- Total net assets increased to $2.7 million at June 30, 2008 from $2.2 million at June 30, 2007.
- Trust Fund program operating revenues were $491 thousand in FY 2008, while Administration operating revenues were $103 thousand.
- Trust Fund program operating expenses were $149 thousand, while Administration operating expenses were $72 thousand.
- General revenues, comprising investment income, totaled $132 thousand for FY 2008.
- Trust Fund net assets were $2.6 million at June 30, 2008, while Administration net assets were $103 thousand at that date.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

Incurred claims continued to be very favorable in FY 2008. Claims paid totaled $38 thousand during the year, comparing to $17 thousand for FY 2007. The FY 2008 claims payments represent 31.4% of budget. With continued favorable losses, our actuary lowered claim reserves from roughly $468 thousand on June 30, 2007 to $401 thousand as of June 30, 2008.

INVESTMENT ACTIVITIES

As of June 30, 2008, total book value (include Local Agency Investment Fund) of the portfolio was $2.4 million, comprising investments in LAIF (31%), and federal agency (69%). Total market value of the investments was $2.5 million as of that date. The investment portfolio earned $129 thousand in interest, representing an average yield of 4.2% for FY 2008. In FY 2009, we will continue to manage SHARP's investments in accordance with approved investment policy and strategies.

MAJOR PROGRAM INITIATIVES AND ECONOMIC OUTLOOK

As a result of the workers' comp reforms in California, and the economic downturn over FY 2008, insurance premiums in the workers' comp market have continued to be relatively soft. Although buying an insurance policy is not the same as participation in a pool, the current workers' comp market might have reduced somewhat the competitive edge of SHARP. In contrast with an insurance policy, SHARP offers its members reliable coverage, stable premiums and ownership interest.

One piece of workers' comp reform legislation—Utilization Review (UR) has continued to help SHARP in controlling claim costs over during FY 2008. As discussed above, claims were lower than expected in FY 2008, enabling a reduction in claim reserves at year-end.

With claim costs under control, SHARP's equity position has been improving over the past several years. At its last meeting, the Board of Directors approved an increase in first dollar coverage from $150,000 to $250,000 for pool members effective July 1, 2008. In addition, an on-site loss prevention training program with a budget of $10,000 per member was approved for FY 2009. Management believes that SHARP is in the position to offer further coverage enhancements and loss prevention programs. We will present recommendations on new initiatives at the next Board of Directors meeting. Looking forward, SHARP will continue to be a viable option for local government entities to obtain workers' comp coverage that is reliable and economical over the long run. We will continue to look for opportunities to offer SHARP to Bay Area government jurisdictions.

CONTACTING SHARP'S FINANCIAL MANAGEMENT

The Basic Financial Statements are intended to provide SHARP members, citizens, creditors and other interested parties a general financial overview of the SHARP's operation. Questions about these statements should be directed to ABAG Comp Shared Risk Pool, 101 Eighth Street, Oakland, CA 94607.

ABAG COMP SHARED RISK POOL
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Administration Fund	Trust Fund	Total
ASSETS			
Cash and Cash Equivalents (Note 2)	$117,522	$1,233,438	$1,350,960
Investments, at Fair Value (Note 2)		1,704,578	1,704,578
Deposits with Claims Administrator		20,000	20,000
Receivables:			
Accounts		15,501	15,501
Interest		29,938	29,938
Total Assets	117,522	3,003,455	3,120,977
LIABILITIES			
Current liabilities:			
Accounts Payable	14,760	40,005	54,765
Noncurrent liabilities:			
Reserve for Claims and Claim Settlement Expenses (Note 3)		360,000	360,000
Reserves for Unallocated Loss Adjustment Expenses (Note 3)		41,000	41,000
Total Noncurrent Liabilities		401,000	401,000
Total Liabilities	14,760	441,005	455,765
NET ASSETS			
Unrestricted	102,762	2,562,450	2,665,212
Total Net Assets	$102,762	$2,562,450	$2,665,212

See accompanying notes to basic financial statements

ABAG COMP SHARED RISK POOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Administration Fund	Trust Fund	Total
PROGRAM OPERATING REVENUES			
Premiums from members:			
Administration	$102,245		$102,245
Risk		$490,545	490,545
Other Income	1,200		1,200
Total Program Operating Revenues	103,445	490,545	593,990
PROGRAM OPERATING EXPENSES			
Provision for Claims and Claim Settlement Expenses (Note 3)		37,653	37,653
Provision for Unallocated Loss Adjustment Expenses		(67,000)	(67,000)
Excess Insurance Coverage		178,347	178,347
Management and Administration	55,411		55,411
Reserves for Unallocated Loss Adjustment Expenses	16,800		16,800
Total Program Operating Expenses	72,211	149,000	221,211
Net Program Operating Income	31,234	341,545	372,779
GENERAL REVENUE			
Investment Income		132,128	132,128
CHANGE IN NET ASSETS	31,234	473,673	504,907
BEGINNING NET ASSETS	71,528	2,088,777	2,160,305
ENDING NET ASSETS	$102,762	$2,562,450	$2,665,212

See accompanying notes to basic financial statements

ABAG COMP SHARED RISK POOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Administration Fund	Trust Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members	$102,245	$510,621	$612,866
Payments for insurance and contract services	(18,192)	(178,347)	(196,539)
Payments to ABAG	(55,411)		(55,411)
Claims, and claims related expense paid		(58,346)	(58,346)
Other receipts	1,200		1,200
Net cash provided by operating activities	29,842	273,928	303,770
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Investments		496,109	496,109
Investment income		139,790	139,790
Cash Flows from Investing Activities		635,899	635,899
Net increase (decrease) in cash and cash equivalents	29,842	909,827	939,669
Cash and Cash Equivalents at Beginning of Year	87,680	323,611	411,291
Cash and Cash Equivalents at End of Year	$117,522	$1,233,438	$1,350,960
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	$31,234	$341,545	$372,779
Adjustments to reconcile operating income to cash flows from operating activities:			
Change in assets and liabilities:			
Accounts receivable		20,076	20,076
Accounts payable	(1,392)	(20,693)	(22,085)
Reserves for losses		(67,000)	(67,000)
Net cash provided by operating activities	$29,842	$273,928	$303,770

See accompanying notes to financial statements

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NOTE 1- DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description

The ABAG Comp Shared Risk Pool (SHARP) is a joint powers authority created by the Association of Bay Area Governments (ABAG) for certain San Francisco Bay Area public entities to provide a pooled approach for workers' compensation coverage, as allowed under the California Government Code. SHARP operates a joint program under which members share risks, develop risk management programs, jointly purchase excess insurance and share administrative costs. SHARP sets and collects premiums, pays claims and administrative expenses and invests excess cash. SHARP is governed by a Board of Directors comprising officials appointed by each member entity.

SHARP has contracted separately with ABAG, to act as its trustee, providing promotional, administrative, accounting and clerical support. SHARP paid ABAG $47,742 for these services and $24,469 for contract services in the fiscal year ended June 30, 2008.

The members of SHARP must be members of ABAG or local government entities in the Bay Area, but not all ABAG members are members of SHARP. For that reason, SHARP is not a component unit of ABAG.

B. Basis of Presentation

SHARP's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

The Statement of Net Assets and the Statement of Activities display overall financial activities of SHARP. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of SHARP that are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of SHARP's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

NOTE 1- DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Major Funds*

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to at least ten percent of their fund-type total and five percent of the grand total.

SHARP reported all its enterprise funds as major funds in the accompanying financial statements:

Administration Fund – this fund accounts for revenues and expenses for management and administration activities of SHARP.

Trust Fund – this fund accounts for revenues and expenses for workers' compensation for its participating members.

D. *Basis of Accounting*

SHARP accounts for all transactions in two enterprise funds, which are separate sets of self-balancing accounts that comprise assets, liabilities, net assets, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Since SHARP operates proprietary activities, applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply unless they conflict with or contradict GASB pronouncements. SHARP has elected not to apply FASB pronouncements issued after November 30, 1989.

Premiums from Members - Each member is assessed a premium which is intended to cover its share of SHARP's claims, operating costs and claim settlement expenses. Premiums are based on an actuarially determined estimate of the probable losses and expenses attributable to a policy year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be in excess of the desired confidence level. All premiums are recognized as revenues when earned, based on the period covered by the premium.

Losses and Claims - SHARP establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim settlement expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). Because actual claim costs can be affected by such complex factors as inflation, changes in legal costs and damage awards, claim liabilities are recommitted periodically using a variety of actuarial and statistical techniques to produce current estimates. The calculation of estimated future claim costs is based on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

SHARP uses excess insurance coverage to reduce its members' exposure to losses in excess of the pool's $250,000 limit. Excess insurance coverage permits recovery of a portion of losses from providers, although it does not discharge the primary liability of SHARP as direct insurer of the risks above this level. SHARP does not report excess insurance coverage risks as liabilities unless it is probable that those risks will not be covered by excess insurance.

NOTE 1- DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Sharing – SHARP is setup as a risk sharing pool. However, thus far in the history of SHARP, no member's losses have exceeded its total premiums. SHARP provides its members first dollar coverage up to $250,000. Losses between $250,000 and $5 million are covered by SHARP's excess insurance with Local Agency Workers Compensation Excess JPA (LAWCX). LAWCX has reinsurance for losses between $2 million and $250 million.

Each year, SHARP performs an actuarial study to evaluate its financial risk position, defined as contributions less expenses, losses paid, and claim reserves. Contributions from members are assessed based on this evaluation.

LAWCX is a separate risk pool governed by a board consisting of representatives from member municipalities. The board controls the operations of LAWCX, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

SHARP's contribution to LAWCX equals the ratio of SHARP's total payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. LAWCX's financial statements may be obtained from Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consist of the following as of June 30, 2008:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	$604,835		$604,835
Local Agency Investment Fund	746,125		746,125
U.S. Agency Obligations		$1,704,578	1,704,578
Total Cash and Investments	$1,350,960	$1,704,578	$3,055,538

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. Authorized Investments by SHARP

SHARP's Investment Policy and the California Government Code allow SHARP to invest in the following, provided the credit ratings of the issuers are acceptable to SHARP.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	7 years	N/A	None	None
U.S. Agency Securities (A)	7 years	N/A	None, (A)	None
Bankers Acceptances	180 days	A1/P1	25%	10%
Commercial Paper	270 days	A1/P1/F1	10%	10%
Medium Term Notes	5 years	AA	10%	10%
Negotiable Certificates of Deposit	2 years	AA/A-1	30%	10%
Time Certificates of Deposit	1 years	CRA - Satisfactory	10%	10%
Money Market Mutual Funds	N/A	AAA(B)	10%	None
California Local Agency Investment Fund	N/A	N/A	None	None

(A) Maximum limit on mortgage-backed securities is 20% of the investment portfolio.

(B) Minimum 5 year history and $500 million under management.

B. Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The sensitivity of the fair values of SHARP's investments to market interest rate fluctuations can be analyzed by the following distribution of SHARP's cash and investments by maturity:

Cash and Investments	12 Months or less	25 to 60 Months	More than 60 Months	Total
U.S. Agency Obligations:				
Federal Farm Credit Bank			$304,908	$304,908
Federal Home Loan Bank	$401,938	$301,744	695,988	1,399,670
Subtotal Investments	401,938	301,744	1,000,896	1,704,578
Cash and Cash Equivalents:				
Cash in Banks	604,835			604,835
Local Agency Investment Fund	746,125			746,125
Subtotal Cash and Cash Equivalents	1,350,960			1,350,960
Total Cash and Investments	$1,752,898	$301,744	$1,000,896	$3,055,538

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 212 days.

C. *Credit Risk*

Credit risk is the risk of failure of an issuer of an investment in fulfilling its obligation to the holder of the investment. U.S. Agency Obligation had a rating by Moody's as of June 30, 2008 of Aaa.

Concentration of Credit Risk

SHARP's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments are as follows at June 30, 2008:

Issuer	Investment Type	Amount
Bank	Federal Agency Securities	$304,908
Federal Home Loan	Federal Agency Securities	1,399,670

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SHARP may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the public agency's deposit. All of SHARP's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in SHARP's name.

In addition, the custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, SHARP may not be able to recover the value of its investment or collateral securities that are in the possession of another party. SHARP's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by SHARP, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

E. Local Agency Investment Fund

SHARP is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. SHARP reports its investments in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 - RESERVES FOR CLAIMS AND CLAIMS SETTLEMENT EXPENSES

SHARP utilizes an independent actuary in establishing its liability for claims and claims settlement expenses, as described in Note 1. Reserves for claims and claim settlement expenses changed as follows:

	2008	2007
Reserves for claims and claim settlement expenses, beginning of year	$468,000	$695,000
Provision for claims and claim settlement expenses attributable to insured events of:		
Current year	151,000	183,000
Prior years	(180,347)	(392,794)
Total incurred claims and claim settlement expenses	(29,347)	(209,794)
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:		
Claims paid -- current year	(34,064)	(3,383)
Claims paid -- prior years	(3,589)	(13,823)
Total payments	(37,653)	(17,206)
Reserves for claims and claim settlement expenses, end of year	$401,000	$468,000
Components of reserves for claims and claim settlement expenses:		
Reserves for claims and claim settlement expenses	$360,000	$418,000
Reserves for unallocated loss adjustment expenses	41,000	50,000
Totals	$401,000	$468,000

ABAG COMP SHARED RISK POOL
SUPPLEMENTARY INFORMATION (UNAUDITED)
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
YEARS ENDED JUNE 30

(dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
(1) Earned premiums	$927	$1,039	$1,746	$513	$579	$720	$658	$699	$587	$593
Excess insurance premiums	26	21	24	49	76	109	154	184	168	178
Net Earned	901	1,018	1,722	464	503	611	504	515	419	415
(2) Investment income allocation:										
FY 07-08										
FY 06-07	7	9	19	4	5	6	3	5	4	4
FY 05-06	6	8	17	4	5	6	2	5	4	
FY 04-05	4	6	12	3	3	4	2	3		
FY 03-04	2	3	6	2	2	2	1			
FY 02-03	1	2	3	1	1	1				
FY 01-02	2	2	4	1	1					
FY 00-01	1	8	18	6						
FY 99-00	7	37	73							
FY 98-99	22	49								
FY 97-98	42									
(3) Net earned premiums and investment revenues	995	1,142	1,874	485	520	630	512	528	427	419
(4) Unallocated expenses	169	142	163	47	60	73	238	89	87	72
(5) Funds available for claims	826	1,000	1,711	438	460	557	274	439	340	347
(6) Paid (cumulative) as of:										
End of program year	101	101	169	5	13	15	22	7	3	34
One year later	427	221	171	25	23	41	40	8	4	
Two years later	663	310	1	42	29	43	47	10		
Three years later	668	126	1	55	31	43	47			
Four years later	141	132	1	70	31	43				
Five years later	147	132	1	72	31					
Six years later	158	147	1	72						
Seven years later	158	150	1							
Eight years later	158	151								
Nine years later	158									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	574	730	829	378	284	255	234	197	183	151
One year later	458	471	432	145	177	177	157	106	76	
Two years later	425	112	56	89	117	111	95	48		
Three years later	189	110	27	71	78		50			
Four years later	68	125	17	49						
Five years later	40	45								
Six years later	35	41								
Seven years later		34								
Eight years later		30								
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	675	831	998	383	297	270	256	204	186	185
One year later	885	692	603	170	200	218	197	114	80	
Two years later	1,088	422	57	131	146	154	142	58		
Three years later	857	236	28	126	109	43	97			
Four years later	209	257	18	119	31	43				
Five years later	187	177	1	72	31					
Six years later	193	188	1	72						
Seven years later	158	184	1							
Eight years later	158	181								
Nine years later	158									
(9) Change in estimated net incurred claims from end of policy year	(517)	(647)	(997)	(311)	(266)	(227)	(114)	(90)		(185)
(10) Net Asset Distribution										
Paid 7/01	82	83	154							
Paid 7/99					1					
(11) Total Distributed	82	83	154		1					
(12) Departed Members Paid										
Paid Claims	210	431	884	44						
Claims Reserve	370	190	362	92						
(13) Funds available after claims and distributions	6	115	310	230	428	514	177	381	260	162

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The preceding table illustrates how SHARP's earned revenue (net of excess insurance) and investment income compare to related costs of loss and other expenses assumed by SHARP as of the end of each of the past ten years. The rows of the table are defined as follows:

1) This line shows the total of each fiscal year's gross earned premium revenue, premium revenue ceded to excess insurers and net earned premium revenue.

2) This line shows investment income allocation to policy years from investment income earned during each of the past ten fiscal years.

3) This line shows the total of net earned premiums and investment revenues.

4) This line shows each fiscal year's other operating costs of SHARP not allocable to individual claims.

5) This line shows the net funds available for claims, after payments for excess insurance and unallocated expenses.

6) This section of ten rows shows the cumulative net claims paid at the end of successive years for each policy year.

7) This section of ten rows shows the estimated outstanding reserves as of the end of the current year for each policy year. This annual reestimation results from new information received on reported claims, reevaluation of existing information – on reported claims, as well as estimates for new claims not previously reported.

8) This section of ten rows is the total of (6) and (7) and shows how each policy year's net incurred claims has changed as of the end of successive years.

9) This line compares the latest reestimated net incurred claims amount to the amount for each policy year originally established (first row of line 8) and shows the difference between the current and original amounts. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

10) This line shows the allocation of net asset distributions to policy years paid by the SHARP during each of the 10 most recent fiscal years.

11) This line shows the total of line 10 by policy year.

12) This line shows the adjustments for Paid Claims (Line 6) and Claims Reserves (Line 7) due to departed members as of their departure date.

13) This line shows the funds available after reestimated claims and distributions.

ABAG COMP SHARED RISK POOL (SHARP)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2008

ABAG COMP SHARED RISK POOL (SHARP)
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2008

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MEMORANDUM ON INTERNAL CONTROL STRUCTURE

September 26, 2008

To the Board of Directors of the
ABAG Comp Shared Risk Pool (SHARP)
Oakland, California

In planning and performing our audit of the financial statements of the ABAG Comp Shared Risk Pool (SHARP) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered SHARP's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SHARP's internal control. Accordingly, we do not express an opinion on the effectiveness of SHARP's internal control. As SHARP's administration and the majority of its internal controls are provided by the Association of Bay Area Government (the Association) staff we are repeating comments made to the Association's Executive Board as part of our audit of the Association in this Memorandum to inform you of relevant issues that pertain to internal controls provided by the Association.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no matters that we consider to be material weaknesses, however, we identified certain deficiencies in internal control that we consider to be significant deficiencies that are included on the Schedule of Significant Deficiencies

The written responses included in this report have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

ABAG COMP SHARED RISK POOL (SHARP)
MEMORANDUM ON INTERNAL CONTROL STRUCTURE

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2008-01 – Accounting Oversight & Review

The Association's former Assistant Finance Director left the Association's employment in fiscal 2007-08 and has not yet been replaced. This position was vacant during the period under audit and provides key oversight and controls over the accounting function. The absence of this position raises the potential that a significant error could occur and not be timely detected and corrected by existing staff.

The operations of ABAG and its affiliates are diversified, complex and very unusual which increases the need for a qualified Assistant Finance Director to oversee the accounting staff. Many of the oversight functions have been assumed by the incoming Finance Director on a temporary basis. However, both functions will be needed in the future to ensure that procedures are effective and efficient and controls do not deteriorate.

Management Response:

During FY 07-08, the former Finance Director announced his plan to retire after 25 years of service and the Association started recruiting for a new Finance Director. The recruitment was successful and a qualified and experienced successor took over the Finance Director position on July 2, 2008. The former Assistant Finance Director resigned from the Association in January 2008 and that position has not yet been filled to date. Recognizing the increased risk in internal control due to the departure of the Assistant Finance Director, the former Finance Director agreed to stay on to support his successor until the Assistant Finance Director position is filled. During that six-month period, the Association managed to maintain an adequate level of checking and balancing within the Finance Department, and as the results of the audit process for FY 07-08 have shown, there are no audit findings or material weaknesses to report.

ABAG COMP SHARED RISK POOL (SHARP)

REQUIRED COMMUNICATIONS

September 26, 2008

To the Board of Directors of the
ABAG Comp Shared Risk Pool (SHARP)
Oakland, California

We have audited the financial statements of the ABAG Comp Shared Risk Pool (SHARP) as of and for the year ended June 30, 2008 and have issued our report thereon dated September 26, 2008. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing SHARP's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SHARP is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2008.

ABAG COMP SHARED RISK POOL (SHARP)

REQUIRED COMMUNICATIONS

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2008.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are claims liabilities approximating $17.5 million. Actual losses and the ultimate payment may vary from this estimate.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to SHARP's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as SHARP's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the SHARP, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by SHARP that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

ABAG COMP SHARED RISK POOL (SHARP)

REQUIRED COMMUNICATIONS

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the audit committee.

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This report is intended solely for the information and use of the Board, its committees, and management and is not intended to be and should not be used by anyone other than these specified parties.

ABAG COMP SHARED RISK POOL

Board of Directors Meeting

Conference Room B
101 8th Street (8th and Oak Streets)
Oakland, California 94607

Attendees:
Barbara Powell, City of Saratoga
Nick Piros, Town of Los Altos Hills
Gary Broad, Town of Ross
Dan Eeds, ABAG

Consultants:
Mark Priven, Bickmore Risk Services
Anthony Cazem, Gregory B. Bragg & Assoc.

Staff:
Joseph Chan, Director, Finance
Kenneth K. Moy, Legal Counsel
Marcus Beverly, Director, ABAG PLAN Corporation
Cheryl Adsit, Administrative Assistant

Summary Minutes

- April 25, 2008 -

1. **Call to Order**

2. **Introduction of Board Members, ABAG Staff and Consultants**

3. **Public Comments** - None

4. **Adoption of Agenda** – A motion was made to adopt the agenda. DE/BP/CR

5. **Approval of Minutes, Board of Directors Meeting, April 25, 2007** – A motion was made to approve the minutes of the Board of Directors meeting of April 25, 2007. DE/BP/CR

6. **Election of New Officers** – A motion was made to approve the new officers: Gary Broad, Chair; Barbara Powell, Vice Chair; and Dan Eeds, Secretary. BP/DE/CR

7. **Response to March 7, 2008 Claims Audit and Approval of Claims Audit – Anthony Cazem, Bragg & Associates and Marcus Beverly, ABAG.** Anthony reported on the claims audit. There was only one exception found in the audit which needed to be corrected. Claims continue to be handled very well. The claims audit was done by Northbay Associates.

   In an effort to expedite the claims process, close claims quicker and lower costs, Bragg & Associates has asked the Board for permission to authorize certain procedures at the claims examiner level rather than having to go through their partner, Professional Dynamics. Anthony provided the Board with a list of the procedures. The Board discussed the issue and after due consideration agreed to Bragg's recommendation. No motion was required.

8. **Semi-annual Claims Review – Anthony Cazem, Bragg & Associates.** Anthony discussed each member's claim status report which he distributed to each Board member. In discussing the second claims review, Anthony suggested the review be done by appointment within the next 5 to 6 months at the members' offices.

   A Board member asked if Bragg offered any workers comp training. According to Anthony, Bragg & Associates has a comprehensive loss control training which includes ergonomics, safety training and prevention and also provides instruction on how to process claims, recognize red flags, etc. In answer to the question about cost, Anthony said training would be charged on a time and expense basis.

9. **Approval of FY 2006-07 Financial Audit and Management Letter – Joseph Chan, ABAG.** Joe reported that auditors expressed a clean opinion and found no internal control issues. Total assets as of June 30, 2007 were $2.71 million as opposed to $2.3 million a year ago. Claim payments were approximately $17,000 as opposed to $65,000 in 2006. Accordingly, the actuary has reduced the pool's claims reserve as of June 30, 2007 by $227,000 to $468,000.

   Investment activities as of June 30, 2007: The total book value was $2.6 million and total market value was very close to that number. The investment portfolio earned $109,000 in interest representing a 4.9% overall yield. At the end of year, 15% of the portfolio was in LAIF, 70% in federal agencies notes and 15% in corporate notes. Joe reported that the pool is in an excellent position to offer loss prevention programs. A motion was made to approve the financial audit and management letter. BP/DE /CR

10. **Estimated Excess Insurance Premium for FY 2008-09 – Dan Eeds, ABAG.** Dan discussed the excess premium which is estimated to be $192,000 this year.

    Nick Piros, Town of Los Altos Hills arrived at 10:25 a.m.

11. **Actuarial Report and Deposit Premiums for 2008-09 – Mark Priven, Bickmore Risk Services.** Mark Priven presented the actuarial report noting the pool had a very healthy surplus. He discussed in detail funding at $150,000 and $250,000 SIRs and the effects of raising or lowering the pool's confidence level. A motion was made to accept the actuarial report. DE/BP/CR

12. **Adoption of Deposit Premium and Actuarial Report – Dan Eeds, ABAG**
    A motion was made to retain the same confidence level of 75% for FY 2008-09 and raise the SIR to $250,000. BP/DE/CR

13. **Change Procedure for Collection of Annual Payroll Estimates – Dan Eeds, ABAG**
    Dan discussed the change in LAWCX's method of estimating premiums which would now add 5% to the previous year's payroll for each of its members to calculate its annual estimate.

14. **Program Outlook for FY 2008-09 – Marcus Beverly, ABAG.** Marcus discussed in detail the 3 benchmarks for measuring a healthy pool indicating that the pool's benchmarks were all very good. Given the solid financial foundation of the pool, Marcus recommended the possibility of raising the pool's retention to $250,000 going forward but suggested maintaining the confidence level at 75%.

The Board brought up for discussion the issue of LAWCX's increased exposure. Marcus agreed to look into other potential options for excess insurance. Marcus discussed with the Board the process of withdrawal from LAWCX if that becomes a reasonable option.

New Members: Marcus reported on the progress for new members.

15. **Budget for Employee Safety Training and Fitness – Marcus Beverly, ABAG** Marcus discussed with the Board the idea of setting aside some money for training. The Board had agreed to allocate $10,000 dollars per member for training from the admin reserve fund. A Board member asked if there were any criteria related to the training. Marcus said the workers compensation general criterion is any service that would decrease the frequency and severity of the jurisdiction's claims. Each jurisdiction can decide the kind of training under that general criterion. A motion was made to take $50,000 from the admin reserve and allow each member to use up to $10,000 of it for training and the remaining $10,000 would be an offset against administrative expenses. GB/BP/CR

16. **Review of Financial and Investment Reports – Joseph Chan, ABAG**
    a. Financial Reports – December 31, 2007
    b. Investment Report – December 31, 2007
    c. Investment Strategies for FY 2008-09

Joe presented the financial report. As of December 31, the total assets were about $2.81 million. The total book value of the pool's investment portfolio was $2,287 million and total market value $2.29 million. Overall yield 4.86%. Joe stated that the portfolio was adequately liquid to meet the expenditure requirements of the pool for the next 6 months. One corporate security note and a federal agency note were called in the last quarter of 2007 both will be reinvested. Two federal agency notes were purchased. The pool would continue to invest in corporate notes. The current investment policy was reaffirmed. A motion was made to accept the Financial and Investment Reports. DE/NP/CR

17. **Adoption of FY 2008-09 Budget – Dan Eeds, ABAG.** Dan announced a savings in the pool's claims administration with the renegotiation of its contract with Bragg. Also, based on the Board's decision to raise its SIR, the excess premium estimate would be lowered to $118,000. A motion was made to adopt the FY 2008-09 budget as amended: workers compensation excess insurance at $118,000; $50,000 taken out of admin reserve ($40,000 goes to the members for training - $10,000/member - and remaining $10,000 goes to premium offset). NP/DE/CR

18. **Adjournment**