

Riverside Community College District

Actuarial Loss Reserve Review

Workers' Compensation

And General / Employment Practices Liability

As of June 30, 2012



September 5, 2012



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September 5, 2012

Mr. Michael Simmons
Director, Risk Management
Riverside Community College District
4800 Magnolia Ave
Riverside, CA 92506


Dear Mr. Simmons:

Enclosed is our actuarial report for Riverside Community College District's retained loss reserves for Workers' Compensation and Liability. The unpaid claim estimates are for reporting purposes as of 6/30/2012. Also contained in the report is a loss forecast for the upcoming policy period for workers' compensation and liability.

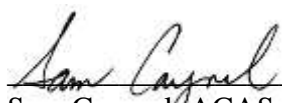
We have enjoyed working with you on this important project and look forward to providing you with actuarial services in the future. If you have any questions regarding this report, or need assistance with any other matter, feel free to contact Dustin Gary at (913) 317-8681.

Sincerely,

Centric Actuarial Solutions, LLC



Dustin Gary, FCAS, MAAA
Consulting Actuary



Sam Cargnel, ACAS
Consulting Actuary

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EXHIBITS

SECTION 1: BACKGROUND AND SCOPE

Company Background

Opening in September 1916, Riverside Community College District (“RCCD”) is the seventh oldest community college in California. RCCD is a three-college higher education system serving 1.4 million people living in Riverside County with enrollment exceeding 35,000 students. Colleges are located in the cities of Riverside, Moreno Valley, and Norco—three of the fastest growing areas in the county. Riverside Community College District is committed to excellence. Some 368 full-time faculty and 831 associated faculty, together with 703 professional and support staff, are involved in the continual development of programs to prepare a qualified workforce for the 21 century.

Insurance Program Overview

RCCD self-insures its workers’ compensation and general and employment practices liability exposures. The current SIR is \$500,000 for workers’ compensation and \$250,000 for liability. York serves as RCCD’s third party administrator for workers’ compensation claims and Corvel currently handles the liability claims.

Scope of Analysis

Riverside Community College District (“RCCD”) has engaged Centric Actuarial Solutions, LLC (“Centric”) to complete an independent actuarial analysis of its self-insured workers’ compensation and liability programs. In our analysis, we have performed the following:

- Estimated the ultimate loss and allocated loss adjustment expense (ALAE) reserves for workers’ compensation and liability as of 6/30/2012. The indicated loss and ALAE reserves are limited to RCCD’s historical self-insured retentions.
- Forecasted expected ultimate losses and ALAE for the 2012-13 policy period for workers’ compensation and liability.

A summary of our findings can be found in Section 5 of this report. The remainder of this document outlines important reliances and limitations associated with our work, rules for distributing the report, and a description of the methodology employed in our analysis.

Purpose

It is our understanding that the estimates contained in this analysis will be used by RCCD for financial reporting and budgeting purposes.

Acknowledgment of Qualifications

I, Dustin Gary, am a consulting actuary with Centric Actuarial Solutions. I am a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

SECTION 2: RELIANCES AND LIMITATIONS

Data

In preparing our analysis, we relied on data and other information supplied to us by RCCD. We have performed a general review of the reasonableness and consistency of the data, but have not audited or verified this information for accuracy. The results of our analysis are dependent upon the accuracy and completeness of the underlying data. Any discrepancies in the information provided to us should be reported immediately so that we can produce an amended report.

Excess Insurance

We have assumed that insurance above RCCD's stated retentions is valid and collectible. We have made no effort to evaluate the financial condition of RCCD's excess insurers or their ability to pay claims. Liabilities may exist in addition to those outlined in this report for any recoveries which are not collectible.

Assets

We have not examined nor have we attempted to place a value on the assets underlying RCCD's loss reserves.

Covered Claims

We have only provided estimates for the policy periods and lines of business identified in our analysis. Liabilities may exist in addition to those outlined in this report for prior policy periods or lines of business which we were not requested to review.

Inherent Uncertainty

Any estimate of loss liabilities and future loss events is subject to considerable uncertainty. Although we have employed generally accepted actuarial techniques and methodologies in our analysis, actual loss results will undoubtedly vary from our estimates, perhaps significantly. There can be no guarantee that actual losses will not exceed the level indicated by our estimates.

The calculations and estimates contained in this report rely on the assumption that future loss activity will resemble events of the past after adjustments for changes in historical claim costs. Factors that influence the future cost of claims include inflation, legislative changes, claim settlement practices, litigation rates, and emergence of large losses. Changes in any of these factors contribute to the variability of actual results from their expected value. In performing our analysis, we have not anticipated any major changes to the legal, social, or economic environment nor have we made provisions for new types or classes of losses not represented in RCCD's historical loss experience.

Industry Information

In certain cases, we have relied upon insurance industry benchmarks to supplement RCCD's own loss data. Assumptions regarding future loss development, payout patterns, loss rates, increased limits experience, frequency/severity trends and benefit level changes have been partially based on these industry benchmarks. An additional element of uncertainty is added due to the reliance on this information. We have made every effort to ensure that the benchmarks used in our analysis are based on the latest available industry data and provide a reasonable indication of RCCD's future loss experience.

California En Banc Decisions

On February 3, 2009, the Workers' Compensation Appeals Board ("WCAB") issued two en banc decisions related to the 2005 Permanent Disability Rating Schedule (PDRS).

These are referred to collectively as the Ogilvie and Almaraz/Guzman decisions. The WCIRB believes the decisions impact claims in the following areas:

- 1) The average permanent disability ratings of current permanent disability claims, 2) The proportion of lost-time claims that will receive a permanent disability rating, 3) The frequency of indemnity claims, and 4) The level of frictional costs.

The cost impact of these decisions has, to a large extent, been reflected in the experience that has emerged through the valuation date of our study. We have not made any additional adjustments to our estimates for the impact of the WCAB decisions. We will revise our estimates, if necessary, in future actuarial studies if the actual loss experience develops differently than we have projected.

Risk of Material Adverse Deviation

There are a variety of risk factors that may contribute to the variability of actual results from our estimates. First, workers' compensation and liability are long-tailed lines of insurance meaning that it may take several years, perhaps in excess of twenty, for all claims from a particular policy period to close. It is difficult, if not impossible, to predict the impact of medical inflation, legislative changes, and other factors that will influence the cost of claims this far into the future.

There has been a sudden spike in workers' compensation costs beginning with the 7/1/09 policy year. Prior to this time period, the losses as a rate to \$100 of payroll averaged well below \$1.00. The loss rates for each of the three most recent years have either already or are expected to develop past \$1.00 per \$100 of payroll. While frequency has remained relatively flat over the years, severity has seen a huge spike. In particular, there are several claims in excess of \$100,000 for the 7/1/09 policy year. The sudden increase in claim severity makes it difficult to predict the ultimate losses for the more recent years as well as the forecast for the upcoming policy year.

There is considerable uncertainty associated with our estimates for general and employment practices liability because of the small volume of claims each year. Over the last several years, RCCD has averaged less than five claims per year. Several of the claims that have been reported, particularly those related to Employment Practices Liability, are large claims generally in excess of \$250,000. Many of these claims have few if any payments at this point in time. Our estimates could be subject to significant adverse deviation given the low frequency/high severity nature of these claims.

SECTION 3: DISTRIBUTION AND USE

This report has been prepared for the use of RCCD management with the intended purpose of evaluating RCCD's liabilities and expected future losses. We understand that RCCD may wish to supply copies of the final report to management, auditors, and its excess insurers. We hereby grant permission for such distribution provided that the report is distributed in its entirety and RCCD makes the parties aware that we are available to answer any questions they may have. The report shall not be furnished in whole or in part to any other person without our prior written consent. Furthermore, Centric Actuarial Solutions, LLC does not intend to benefit any third party recipient of this report or create any legal duty to a third party.

SECTION 4: DISCLOSURES

Intended Measure of Estimates

The unpaid claim estimates contained in our analysis should be considered actuarial central estimates. An actuarial central estimate represents the expected value over the range of reasonably possible outcomes. In our report, the term “unpaid claim estimate” is defined as the amount necessary to settle 1) all remaining open claims, 2) claims that have occurred but not yet been reported, and 3) claims that may re-open in the future and require additional payments. Unless otherwise noted, our unpaid claim estimates do not contain a provision for items commonly found in retrospective rating insurance programs such as loss-based taxes, loss conversion charges, or contingent premiums.

Reasonableness

We have compiled and reviewed various diagnostic measures to evaluate the reasonableness of our estimates and believe them to be valid based on the results of these tests. This information is available upon request.

Terminology

By its strict definition, the term “reserve” refers to an amount booked in a financial statement, but as is common in the insurance industry, we often use this term as a substitute for “unpaid claim estimate”. We may also use the words “liability” and “accrual” to mean “unpaid claim estimate”. Incurred but Not Reported (“IBNR”) reserves in the context of this report contain both development on known claims and a provision for late reported claims (“True IBNR”).

Recoverables

The estimates contained in our analysis are limited to RCCD’s deductible or retention levels and are net of excess insurance and subrogation recoveries.

Discounting

The estimates contained in our analysis are presented on a nominal basis.

Loss Adjustment Expenses

Loss adjustment expenses (“LAE”) are generally split between allocated loss adjustment expenses (“ALAE”) and unallocated loss adjustment expenses (“ULAE”). ALAE includes expenses such as legal fees that can be assigned directly to a specific claim and usually are shown on the loss run along with medical and indemnity costs. We have grouped ALAE with losses in our analysis and our estimates contain a provision for unpaid ALAE amounts.

ULAE costs cannot readily be allocated to a specific claim file. These expenses include the salaries and overhead of a claims department, or in the case of a self insured organization, the amount paid to a TPA to administer claims. We have not estimated the liability for unpaid ULAE in our analysis.

SECTION 5: SUMMARY OF FINDINGS

Tables 1 and 2 summarize the estimated liability for unpaid claims by policy year.

Table 1

Workers' Compensation as of 6/30/2012			
Policy Year Inception	Ultimate Loss and ALAE	Paid Loss and ALAE	Loss and ALAE Liability
7/1/97	650,000	553,199	96,801
7/1/98	350,000	294,422	55,578
7/1/99	800,000	718,982	81,018
7/1/00	300,000	244,674	55,326
7/1/01	800,000	691,456	108,544
7/1/02	575,000	400,649	174,351
7/1/03	750,000	639,755	110,245
7/1/04	700,000	519,743	180,257
7/1/05	1,000,000	775,558	224,442
7/1/06	450,000	297,925	152,075
7/1/07	600,000	350,288	249,712
7/1/08	200,000	110,548	89,452
7/1/09	1,800,000	810,735	989,265
7/1/10	1,250,000	393,565	856,435
7/1/11	1,200,000	109,283	1,090,717
All Years	11,425,000	6,910,782	4,514,218

Table 2

General and Employment Practices Liability as of 6/30/2012			
Policy Year Inception	Ultimate Loss and ALAE	Paid Loss and ALAE	Loss and ALAE Liability
7/1/06	25,000	0	25,000
7/1/07	78,440	78,440	0
7/1/08	63,163	63,163	0
7/1/09	400,000	113,997	286,003
7/1/10	900,000	10,337	889,663
7/1/11	400,000	0	400,000
All Years	1,866,603	265,937	1,600,666

Table 3 displays forecasted ultimate losses and ALAE by line of business for the 2012 policy period. The results should be considered actuarial central estimates. We have estimated the exposures listed in the table for the upcoming policy year. Projected losses should be modified if the exposure estimates change.

Table 3

Expected Loss and ALAE for 7/1/2012 – 6/30/2013			
Line of Business	Loss Rate	Exposure	Losses
Workers' Compensation	\$1.20	103,000,000	1,240,000
GL / EPLI	\$0.50	103,000,000	500,000

Table 4 provides a range of reserve estimates as of 6/30/2012. The range below is meant to be a measure of the reasonable range around the actuarial central estimate and each value within the range should be considered a reasonable value on a stand-alone basis. It is important to note that the range is narrower, perhaps considerably, than the range of possible outcomes and does not represent any sort of confidence level around the mean of the underlying statistical distribution.

Table 4

Range for Unpaid Claim Liability as of 6/30/2012			
	Low Estimate	Central Estimate	High Estimate
Workers' Comp	4,062,796	4,514,218	4,965,640
GL & EPLI	1,440,599	1,600,666	1,760,733
Total	5,503,395	6,114,884	6,726,373

SECTION 6: ANALYSIS

Loss Data

RCCD provided us with historical claim detail loss runs by policy year and by line of business. The loss information was valued as of 6/30/2012.

Exposure Data

RCCD supplied historical and projected payroll which was used as the exposure base in our report.

Loss Development Factors

For workers' compensation, we supplemented RCCD's historical loss development data with Industry benchmark data obtained from the WCIRB to determine the loss development factors used in our analysis. For general liability, we used insurance industry development patterns obtained from Schedule P data obtained from the NAIC.

Methodology

An outline of the methodology used to estimate RCCD's retained loss reserves is found below. The section entitled *Actuarial Techniques* contains a detailed discussion of the actuarial procedures employed to estimate ultimate losses by policy year.

- Develop claim counts to an ultimate basis and review frequency by policy year.
- Develop a preliminary estimate of ultimate losses and calculate loss severities and loss rates by policy year.
- Review frequency, severity, and loss rates to determine annual trend percentages to apply to historical losses.
- Apply trend, benefit level, and other adjustment factors to losses to convert them into cost levels expected in the prospective policy term.
- Examine historical adjusted loss rates and select estimated loss rate for the prospective policy period.
- Apply Paid/Incurred Loss Development, Expected Loss, Paid/Incurred Bornhuetter-Ferguson and Frequency/Severity Methods to project estimates for ultimate retained losses in historical policy years.
- Review results of the various actuarial projection methods to select ultimate retained losses by policy year.
- Examine various diagnostic measures to evaluate reasonableness of selections.
- Subtract paid losses from the selected ultimate loss amounts to yield loss reserve estimates.

Actuarial Techniques

Several different actuarial procedures have been applied to estimate the ultimate value of losses for each policy year. Each actuarial technique provides a measure of loss development, or the expected change in value of losses from the evaluation date to the point in which all claims have closed. The following reasons contribute to the growth in losses as a policy period ages:

- It is difficult for claims adjusters to accurately estimate the settlement value of a particular claim when it is first reported. The case reserve is constantly being adjusted up or down as additional information is learned about a claim. Generally, an upward trend in the aggregate value of a group of claims is observed as a policy period matures.
- Some claims may take several years to be reported. A significant portion of claims for some long-tail lines of insurance, such as general liability, are not reported until well after the end of a policy period.
- Specific claims re-open after initially being closed and may require additional loss payments.

A description of the actuarial methods used in this analysis can be found below.

Incurred Loss Development Method

In this methodology, incurred losses for each policy period are multiplied by loss development factors (LDFs) to arrive at estimates for each period's ultimate loss value. The LDFs are ratios that measure the growth of a body of losses from an immature period to the point when all claims have closed. To calculate the LDFs used in this methodology, incurred losses are organized by policy year and displayed at multiple evaluation dates in the form of a loss triangle. The evaluation dates are usually in annual

increments and are used to determine the age of each policy period, or the length of time in months from the policy inception. Age-to-age LDFs are calculated for each period by dividing the incurred losses at a particular evaluation age by those from the evaluation age immediately preceding it. Cumulative LDFs are derived by multiplying successive age-to-age LDFs.

The Incurred Loss Development Method assumes that case reserve adequacy remains consistent over time. It also assumes that there have been no major changes in claim settlement rates.

Paid Loss Development Method

This methodology is similar to the Incurred Loss Development Method except that the LDFs are calculated based on and applied to paid losses instead of incurred losses. The Paid Loss Development assumes that the relative speed at which claims are settled remains consistent over time. A disadvantage of this method is that it ignores any information provided by the case reserves in determining the ultimate settlement value of claims. An advantage of this method is that it is not distorted by unusual changes in case reserves.

Expected Loss Method

This technique relies on historical loss experience to derive estimates for the ultimate loss value in a particular policy period. Unlike the methods above, this procedure does not rely on the loss experience for the policy period being estimated. The inherent assumption in this method is that the loss experience for the policy period being estimated will resemble the average experience of historical periods after adjustments are made for loss trends and exposure changes. This method works particularly well for immature policy periods with limited or sporadic loss activity.

Paid/Incurred Bornhuetter-Ferguson Methods

These techniques blend the results of the loss development and expected loss methods. To calculate ultimate loss values using the Bornhuetter-Ferguson method, a weighted average of the results using the methods above is calculated according to the formula: $B-F = (1/LDF) \times (\text{Loss Development Method}) + (1-1/LDF) \times (\text{Expected Loss Method})$. The Bornhuetter-Ferguson methodology can be applied to either paid or incurred losses.

Frequency/Severity Method

This method begins with an estimate of the ultimate value for the severity, or average cost per claim, of a particular policy period. Once this figure has been determined, the ultimate claim count is calculated and the numbers are multiplied together to arrive at a forecast of the period's ultimate losses. To estimate the severity for a particular policy period, historical severity figures are examined and adjusted for anticipated changes in claim costs. Factors influencing the cost of claims include medical inflation, retention, and mix of claims by state and type.

SECTION 7: GLOSSARY

Accident Date - The date at which an accident giving rise to a claim occurs.

Age - A measure of the relative maturity of a policy period. The age is determined by counting the number of months between the policy inception date and evaluation date.

Allocated Loss Adjustment Expense (ALAE) - Claim expenses, such as legal fees, that can be assigned to a specific claim.

Benefit Level Factor - A ratio applied to historical losses to adjust for legislative changes made to the workers' compensation system.

Case Reserve - The dollar amount, as estimated by the claims adjuster, necessary to settle an individual open claim.

Confidence Level - The probability that losses will not exceed stated estimates.

Discounted Value - The value of loss reserves or other loss estimates after reflection of the time value of money.

Evaluation Date - The "as-of" date, or date in which losses are valued on the loss run or other loss report.

Exposure - A relative measure of risk such as payroll, revenue, auto count, or bed count.

Frequency - The number of claims per some unit of exposure.

Incurred But Not Reported (IBNR) - Losses that have occurred, but have either not been reported or have not yet developed. IBNR can be used to describe claim counts or loss dollars.

Incurred Losses and ALAE - The sum of Paid Losses and ALAE plus Case Reserves for a group of claims. This number is a fixed amount as of a certain point in time.

Industry Data - Generic term used to describe miscellaneous insurance company statistics gathered and published by various organizations affiliated with the insurance industry.

Loss Development - The change in losses between two evaluation dates.

Loss Development Factor (LDF) - A ratio applied to paid or incurred losses as of a certain date to estimate their ultimate value.

Loss Rate - Ultimate loss dollars per some unit of exposure.

Paid Losses and ALAE - The dollar amount actually paid to claimants including partial payments on open claims and total payments on closed claims as of a particular date.

Pure Premium - See "Loss Rate".

Report Date - The date in which a claim is made.

Retroactive Date - For claims-made policies, the date at which a claim must have occurred on or after to be covered by the policy.

Severity - The average cost per claim.

Trend Factor - A ratio applied to historical losses to adjust for changes in claim cost levels between the historical and prospective periods.

Ultimate Losses and ALAE - The amount of dollars paid when all claims from a specific period have been settled. This value is the sum of paid losses, case reserves, and IBNR as of a particular date and could change over time.

Unallocated Loss Adjustment Expenses (ULAE) - Claim handling charges and other claim expenses not assigned to specific claims.

LIST OF EXHIBITS

Two sets of exhibits are included, one for each line of business.

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RCCD
 Summary of Program Provisions
Workers' Compensation

<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Excess Insurance</u>	<u>Claims Adjusting</u>	<u>ALAE</u>	<u>ULAE</u>
07/01/97	\$250,000		York	Included	N/A
07/01/98	\$250,000		York	Included	N/A
07/01/99	\$250,000		York	Included	N/A
07/01/00	\$250,000		York	Included	N/A
07/01/01	\$250,000		York	Included	N/A
07/01/02	\$250,000		York	Included	N/A
07/01/03	\$250,000		York	Included	N/A
07/01/04	\$350,000		York	Included	N/A
07/01/05	\$350,000		York	Included	N/A
07/01/06	\$350,000		York	Included	N/A
07/01/07	\$350,000		York	Included	N/A
07/01/08	\$350,000		York	Included	N/A
07/01/09	\$350,000		York	Included	N/A
07/01/10	\$350,000		York	Included	N/A

RCCD
 Summary of Historical Loss Data
Workers' Compensation

(1)	(2)	(3)	(4)	(6)	(7)	(8)	(9)
<u>Policy Inception</u>	<u>Evaluation Date</u>	<u>Open Claim Count</u>	<u>Closed Claim Count</u>	<u>Total Claim Count</u>	<u>Paid Losses & ALAE</u>	<u>Case Reserves</u>	<u>Incurred Losses & ALAE</u>
07/01/97	06/30/12	1	56	57	553,199	74,496	627,695
07/01/98	06/30/12	1	63	64	294,422	43,321	337,743
07/01/99	06/30/12	3	55	58	718,982	36,085	755,067
07/01/00	06/30/12	3	35	38	244,674	31,392	276,066
07/01/01	06/30/12	2	36	38	691,456	64,339	755,795
07/01/02	06/30/12	4	46	50	400,649	129,995	530,645
07/01/03	06/30/12	2	59	61	747,880	51,222	799,102
07/01/04	06/30/12	3	44	47	519,743	127,259	647,002
07/01/05	06/30/12	4	55	59	775,558	87,160	862,718
07/01/06	06/30/12	2	57	59	297,925	81,550	379,475
07/01/07	06/30/12	6	60	66	350,288	117,331	467,619
07/01/08	06/30/12	2	50	52	110,548	41,390	151,937
07/01/09	06/30/12	16	37	53	810,735	636,430	1,447,165
07/01/10	06/30/12	16	42	58	393,565	395,760	789,325
07/01/11	06/30/12	21	32	53	109,283	301,718	411,001

Data Source: Claim Summary Loss Runs Provided by RCCD. Incident only claims removed from claim count.

RCCD
 Claims > \$250,000 Incurred
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Claim Number</u>	<u>Name</u>	<u>Accident Date</u>	<u>Policy Year</u>	<u>Paid Loss & ALAE</u>	<u>Case Reserves</u>	<u>Incurred Loss & ALAE</u>
0433000034	RANGEL, SYLVIA	12/01/03	07/01/03	358,125	10,852	368,978
0633000042	Plascencia, Grace	04/14/06	07/01/05	246,227	54,903	301,129

RCCD

Summary of Limited Paid Losses by Policy Year
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)
<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Unlimited Paid</u>	<u>Excess Loss</u>	<u>Number of Excess Losses</u>	<u>Limited Paid</u>
07/01/97	250,000	553,199	0	0	553,199
07/01/98	250,000	294,422	0	0	294,422
07/01/99	250,000	718,982	0	0	718,982
07/01/00	250,000	244,674	0	0	244,674
07/01/01	250,000	691,456	0	0	691,456
07/01/02	250,000	400,649	0	0	400,649
07/01/03	250,000	747,880	108,125	1	639,755
07/01/04	350,000	519,743	0	0	519,743
07/01/05	350,000	775,558	0	0	775,558
07/01/06	350,000	297,925	0	0	297,925
07/01/07	350,000	350,288	0	0	350,288
07/01/08	350,000	110,548	0	0	110,548
07/01/09	350,000	810,735	0	0	810,735
07/01/10	350,000	393,565	0	0	393,565
07/01/11	500,000	109,283	0	0	109,283

RCCD

Summary of Limited Incurred Losses by Policy Year
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)
<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Unlimited Incurred</u>	<u>Excess Loss</u>	<u>Number of Excess Losses</u>	<u>Limited Incurred</u>
07/01/97	250,000	627,695	0	0	627,695
07/01/98	250,000	337,743	0	0	337,743
07/01/99	250,000	755,067	0	0	755,067
07/01/00	250,000	276,066	0	0	276,066
07/01/01	250,000	755,795	0	0	755,795
07/01/02	250,000	530,645	0	0	530,645
07/01/03	250,000	799,102	118,978	1	680,125
07/01/04	350,000	647,002	0	0	647,002
07/01/05	350,000	862,718	0	0	862,718
07/01/06	350,000	379,475	0	0	379,475
07/01/07	350,000	467,619	0	0	467,619
07/01/08	350,000	151,937	0	0	151,937
07/01/09	350,000	1,447,165	0	0	1,447,165
07/01/10	350,000	789,325	0	0	789,325
07/01/11	500,000	411,001	0	0	411,001

RCCD
 Development of Preliminary Ultimate Losses
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>Policy Inception</u>	<u>Paid Losses \$0 - \$500,000</u>	<u>Incurred Losses \$0 - \$500,000</u>	<u>Evaluation Date</u>	<u>Age in Months</u>	<u>Paid LDF</u>	<u>Incurred LDF</u>	<u>Paid Loss Development Method</u>	<u>Incurred Loss Development Method</u>	<u>Selected Ultimate Losses \$0 - \$500,000</u>
07/01/01	691,456	755,795	06/30/12	132	1.166	1.069	806,364	807,601	806,982
07/01/02	400,649	530,645	06/30/12	120	1.189	1.082	476,356	574,163	525,260
07/01/03	747,880	799,102	06/30/12	108	1.220	1.100	912,683	879,266	895,974
07/01/04	519,743	647,002	06/30/12	96	1.246	1.120	647,466	724,789	686,128
07/01/05	775,558	862,718	06/30/12	84	1.314	1.163	1,019,176	1,002,929	1,011,053
07/01/06	297,925	379,475	06/30/12	72	1.393	1.221	415,000	463,461	439,231
07/01/07	350,288	467,619	06/30/12	60	1.463	1.295	512,336	605,379	558,858
07/01/08	110,548	151,937	06/30/12	48	1.638	1.379	181,092	209,484	195,288
07/01/09	810,735	1,447,165	06/30/12	36	1.867	1.517	1,514,023	2,194,805	1,854,414
07/01/10	393,565	789,325	06/30/12	24	2.614	1.896	1,028,959	1,496,385	1,262,672
07/01/11	109,283	411,001	06/30/12	12	6.712	3.497	733,494	1,437,120	1,085,307

Notes:

(2) From Exhibits 2 and 3

(3) From Exhibits 2 and 3

(6) From Exhibit 19

(7) From Exhibit 20

(8) = (2) x (6)

(9) = (3) x (7)

(10) Selection based on judgment using results of Methods in Columns (8) and (9)

RCCD
 Development of Ultimate Claim Count
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)
<u>Policy Inception</u>	<u>Evaluation Date</u>	<u>Age In Months</u>	<u>Total Claim Count</u>	<u>Claim Count LDF</u>	<u>Ultimate Claim Count</u>
07/01/01	06/30/12	132	38	1.000	38
07/01/02	06/30/12	120	50	1.000	50
07/01/03	06/30/12	108	61	1.000	61
07/01/04	06/30/12	96	47	1.000	47
07/01/05	06/30/12	84	59	1.000	59
07/01/06	06/30/12	72	59	1.000	59
07/01/07	06/30/12	60	66	1.000	66
07/01/08	06/30/12	48	52	1.000	52
07/01/09	06/30/12	36	53	1.000	53
07/01/10	06/30/12	24	58	1.000	58
07/01/11	06/30/12	12	53	1.095	58

Notes:

- (4) From Exhibit 2
- (5) Based on Industry Information
- (6) = (4) x (5)

RCCD
 Development of Frequency Trend
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Policy Inception</u>	<u>Payroll</u>	<u>Payroll Trend Factor</u>	<u>Trended Payroll</u>	<u>Ultimate Claim Count</u>	<u>Frequency per \$1M Payroll</u>	<u>Percentage Change</u>
07/01/01	\$94,886,966	1.384	\$131,345,753	38	0.29	
07/01/02	\$97,733,575	1.344	\$131,345,753	50	0.38	31.6%
07/01/03	\$100,665,583	1.305	\$131,345,753	61	0.46	22.0%
07/01/04	\$103,685,550	1.267	\$131,345,753	47	0.36	-23.0%
07/01/05	\$106,796,117	1.230	\$131,345,753	59	0.45	25.5%
07/01/06	\$110,000,000	1.194	\$131,345,753	59	0.45	0.0%
07/01/07	\$109,395,773	1.159	\$126,819,683	66	0.52	15.9%
07/01/08	\$116,511,097	1.126	\$131,134,266	52	0.40	-23.8%
07/01/09	\$115,408,330	1.093	\$126,109,799	53	0.42	6.0%
07/01/10	\$113,836,468	1.061	\$120,769,108	58	0.48	14.3%
07/01/11	\$105,846,966	1.030	\$109,022,375	58	0.53	10.8%
Exponential Curve Fit to Historical Frequency--All:					3.7%	
WCIRB Industry Frequency Trend:					-2.5%	
Selected Frequency Trend:					0.0%	

Notes:

- (2) Payroll provided by RCCD
- (3) Payroll Trend of 3% per year based on Industry Information
- (4) = (2) x (3)
- (5) From Exhibit 7, Column 6
- (6) = (5) / (4) x 1M
- (7) Year over Year Percentage Change

RCCD

Development of Severity Trend Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Policy Inception	Selected Ultimate Losses \$0 - \$500,000	Benefit Level Factor	Adjusted Ultimate Losses \$0 - \$500,000	Ultimate Claim Count	Severity \$0 - \$500,000	Percentage Change
07/01/01	806,982	0.466	376,138	38	9,898	
07/01/02	525,260	0.454	238,675	50	4,774	-51.8%
07/01/03	895,974	0.561	502,922	61	8,245	72.7%
07/01/04	686,128	0.819	562,115	47	11,960	45.1%
07/01/05	1,011,053	0.978	988,355	59	16,752	40.1%
07/01/06	439,231	1.003	440,402	59	7,464	-55.4%
07/01/07	558,858	1.006	562,453	66	8,522	14.2%
07/01/08	195,288	1.002	195,678	52	3,763	-55.8%
07/01/09	1,854,414	1.001	1,855,341	53	35,006	830.3%
07/01/10	1,262,672	1.000	1,262,672	58	21,770	-37.8%
07/01/11	1,085,307	1.000	1,085,307	58	18,712	-14.0%
Exponential Curve Fit to Historical Severity:					8.9%	
WCIRB Industry Severity Trend:					6.5%	
Selected Severity Trend:					6.5%	

Notes:

- (2) From Exhibit 6, Column 10
- (3) Benefit Level Factors based on NCCI Adjustments for California
- (4) = (2) x (3)
- (5) = From Exhibit 7, Column 6
- (6) = (4) / (5)
- (7) Year over Year Percentage Change

RCCD

Development of Forecasted Losses for Upcoming Policy Year 2012-13
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Policy Inception	Payroll	Payroll Trend Factor	Trended Payroll	Selected Ultimate Losses \$0 - \$500,000	Benefit Level Factor	Frequency Trend Factor	Severity Trend Factor	Trended Ultimate Losses \$0 - \$500,000	Loss Rate per \$100 of Payroll
07/01/01	94,886,966	1.384	131,345,753	806,982	0.466	1.000	1.999	751,956	0.57
07/01/02	97,733,575	1.344	131,345,753	525,260	0.454	1.000	1.877	448,026	0.34
07/01/03	100,665,583	1.305	131,345,753	895,974	0.561	1.000	1.763	886,436	0.67
07/01/04	103,685,550	1.267	131,345,753	686,128	0.819	1.000	1.655	930,298	0.71
07/01/05	106,796,117	1.230	131,345,753	1,011,053	0.978	1.000	1.554	1,535,890	1.17
07/01/06	110,000,000	1.194	131,345,753	439,231	1.003	1.000	1.459	642,610	0.49
07/01/07	109,395,773	1.159	126,819,683	558,858	1.006	1.000	1.370	770,610	0.61
07/01/08	116,511,097	1.126	131,134,266	195,288	1.002	1.000	1.286	251,734	0.19
07/01/09	115,408,330	1.093	126,109,799	1,854,414	1.001	1.000	1.208	2,241,158	1.78
07/01/10	113,836,468	1.061	120,769,108	1,262,672	1.000	1.000	1.134	1,432,154	1.19
07/01/11	105,846,966	1.030	109,022,375	1,085,307	1.000	1.000	1.065	1,155,852	1.06

Notes:

- (2) From Exhibit 8, Column 2
- (3) Payroll Trend of 3% per year based on Industry Information
- (4) = (2) x (3)
- (5) From Exhibit 6, Column 10
- (6) From Exhibit 9, Column 3
- (7) 0.0% Trend per Year (from Exhibit 8)
- (8) 6.5% Trend per Year (from Exhibit 9)
- (9) = (5) x (6) x (7) x (8)
- (10) = (9) / (4) x 100
- (11) Forecast Loss Rate selected from Historical Averages
- (12) Provided by RCCD
- (13) = (11) x (12) / 100

7-Year Wtd Average:	0.92
5-Year Wtd Average:	0.95
3-Year Wtd Average:	1.36
Selected:	1.20
Forecasted Payroll 2012 - 13:	\$103,044,365
Forecasted Losses 2012 - 13:	1,240,000

RCCD

Calculation of Indicated Loss Reserves
Workers' Compensation
 as of 6/30/2012

(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Ultimate Losses at Historical Retentions</u>	<u>Incurred Losses at Historical Retentions</u>	<u>Paid Losses at Historical Retentions</u>	<u>Indicated Loss & ALAE Reserves</u>	<u>Limited Case Reserves</u>	<u>IBNR</u>
07/01/97	250,000	650,000	627,695	553,199	96,801	74,496	22,305
07/01/98	250,000	350,000	337,743	294,422	55,578	43,321	12,257
07/01/99	250,000	800,000	755,067	718,982	81,018	36,085	44,933
07/01/00	250,000	300,000	276,066	244,674	55,326	31,392	23,934
07/01/01	250,000	800,000	755,795	691,456	108,544	64,339	44,205
07/01/02	250,000	575,000	530,645	400,649	174,351	129,995	44,355
07/01/03	250,000	750,000	680,125	639,755	110,245	40,370	69,875
07/01/04	350,000	700,000	647,002	519,743	180,257	127,259	52,998
07/01/05	350,000	1,000,000	862,718	775,558	224,442	87,160	137,282
07/01/06	350,000	450,000	379,475	297,925	152,075	81,550	70,525
07/01/07	350,000	600,000	467,619	350,288	249,712	117,331	132,381
07/01/08	350,000	200,000	151,937	110,548	89,452	41,390	48,063
07/01/09	350,000	1,800,000	1,447,165	810,735	989,265	636,430	352,835
07/01/10	350,000	1,250,000	789,325	393,565	856,435	395,760	460,675
07/01/11	500,000	1,200,000	411,001	109,283	1,090,717	301,718	788,999
Total		11,425,000	9,119,378	6,910,781	4,514,219	2,208,597	2,305,622

Notes:

(4) From Exhibit 12, Column 9.

(5) From Exhibit 5, Column 6

(6) From Exhibit 4, Column 6

(7) = (4) - (6)

(8) = (5) - (6)

(9) = (4) - (5)

RCCD
Selection of Ultimate Losses & ALAE
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Policy Inception</u>	<u>Incurred Losses at Historical Retentions</u>	<u>Paid Loss Development Method</u>	<u>Incurred Loss Development Method</u>	<u>Expected Loss Method</u>	<u>Paid B-F Method</u>	<u>Incurred B-F Method</u>	<u>Frequency/Severity Method</u>	<u>Selected Ultimate Losses & ALAE</u>
07/01/97	627,695	591,339	651,944					650,000
07/01/98	337,743	320,958	352,776					350,000
07/01/99	755,067	807,688	793,295					800,000
07/01/00	276,066	280,693	292,401					300,000
07/01/01	755,795	806,364	807,601					800,000
07/01/02	530,645	476,356	574,163					575,000
07/01/03	680,125	780,731	748,353					750,000
07/01/04	647,002	647,466	724,789					700,000
07/01/05	862,718	1,019,176	1,002,929					1,000,000
07/01/06	379,475	415,000	463,461	1,077,315	601,845	574,700		450,000
07/01/07	467,619	512,336	605,379	1,103,658	699,368	718,768		600,000
07/01/08	151,937	181,092	209,484	1,220,762	586,093	487,286		200,000
07/01/09	1,447,165	1,514,023	2,194,805	1,252,173	1,392,389	1,873,706		1,800,000
07/01/10	789,325	1,028,959	1,496,385	1,277,726	1,182,576	1,393,066	699,311	1,250,000
07/01/11	411,001	733,494	1,437,120	1,228,421	1,154,682	1,288,107	744,766	1,200,000

Notes:

- (2) From Exhibit 5, Column 6
- (3) From Exhibit 13, Column 7
- (4) From Exhibit 14, Column 7
- (5) From Exhibit 15, Column 8
- (6) From Exhibit 16, Column 8
- (7) From Exhibit 17, Column 8
- (8) From Exhibit 18, Column 12
- (9) Selection based on judgment using results of Methods in Columns (3) through (8)

RCCD
Paid Loss Development Method
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Policy Inception</u>	<u>Retention</u>	<u>Evaluation Date</u>	<u>Age In Months</u>	<u>Paid Losses at Historical Retentions</u>	<u>Paid LDF</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/97	\$250,000	06/30/12	180	553,199	1.069	591,339
07/01/98	\$250,000	06/30/12	168	294,422	1.090	320,958
07/01/99	\$250,000	06/30/12	156	718,982	1.123	807,688
07/01/00	\$250,000	06/30/12	144	244,674	1.147	280,693
07/01/01	\$250,000	06/30/12	132	691,456	1.166	806,364
07/01/02	\$250,000	06/30/12	120	400,649	1.189	476,356
07/01/03	\$250,000	06/30/12	108	639,755	1.220	780,731
07/01/04	\$350,000	06/30/12	96	519,743	1.246	647,466
07/01/05	\$350,000	06/30/12	84	775,558	1.314	1,019,176
07/01/06	\$350,000	06/30/12	72	297,925	1.393	415,000
07/01/07	\$350,000	06/30/12	60	350,288	1.463	512,336
07/01/08	\$350,000	06/30/12	48	110,548	1.638	181,092
07/01/09	\$350,000	06/30/12	36	810,735	1.867	1,514,023
07/01/10	\$350,000	06/30/12	24	393,565	2.614	1,028,959
07/01/11	\$500,000	06/30/12	12	109,283	6.712	733,494

Notes:

(6) From Exhibit 19

(7) = (5) x (6).

RCCDIncurred Loss Development Method
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Policy Inception</u>	<u>Retention</u>	<u>Evaluation Date</u>	<u>Age In Months</u>	<u>Incurred Losses at Historical Retentions</u>	<u>Incurred LDF</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/97	\$250,000	06/30/12	180	627,695	1.039	651,944
07/01/98	\$250,000	06/30/12	168	337,743	1.045	352,776
07/01/99	\$250,000	06/30/12	156	755,067	1.051	793,295
07/01/00	\$250,000	06/30/12	144	276,066	1.059	292,401
07/01/01	\$250,000	06/30/12	132	755,795	1.069	807,601
07/01/02	\$250,000	06/30/12	120	530,645	1.082	574,163
07/01/03	\$250,000	06/30/12	108	680,125	1.100	748,353
07/01/04	\$350,000	06/30/12	96	647,002	1.120	724,789
07/01/05	\$350,000	06/30/12	84	862,718	1.163	1,002,929
07/01/06	\$350,000	06/30/12	72	379,475	1.221	463,461
07/01/07	\$350,000	06/30/12	60	467,619	1.295	605,379
07/01/08	\$350,000	06/30/12	48	151,937	1.379	209,484
07/01/09	\$350,000	06/30/12	36	1,447,165	1.517	2,194,805
07/01/10	\$350,000	06/30/12	24	789,325	1.896	1,496,385
07/01/11	\$500,000	06/30/12	12	411,001	3.497	1,437,120

Notes:

(6) From Exhibit 20

(7) = (5) x (6).

RCCD
Expected Loss Method
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Policy Inception</u>	<u>Retention</u>	<u>Initial Loss Rate</u>	<u>Limit Adjustment Factor</u>	<u>Detrend Factor</u>	<u>Expected Loss Rate</u>	<u>Payroll</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$350,000	1.20	1.000	0.816	0.98	\$110,000,000	1,077,315
07/01/07	\$350,000	1.20	1.000	0.841	1.01	\$109,395,773	1,103,658
07/01/08	\$350,000	1.20	1.000	0.873	1.05	\$116,511,097	1,220,762
07/01/09	\$350,000	1.20	1.000	0.904	1.08	\$115,408,330	1,252,173
07/01/10	\$350,000	1.20	1.000	0.935	1.12	\$113,836,468	1,277,726
07/01/11	\$500,000	1.20	1.000	0.967	1.16	\$105,846,966	1,228,421

Notes:

(3) From Exhibit 10

(4) Adjustment for Differences in Historical Retention vs. Forecast Retention

(5) Adjustment for Benefit Level, Frequency and Severity Trends

(6) = (3) x (4) x (5)

(8) = (6) x (7) / 100

RCCDPaid Bornhuetter-Ferguson Method
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Policy Inception</u>	<u>Retention</u>	<u>Expected Loss Method</u>	<u>Paid Loss Development Method</u>	<u>Paid LDF</u>	<u>Weight-Expected Loss Method</u>	<u>Weight-Paid Loss Development Method</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$350,000	1,077,315	415,000	1.393	28.2%	71.8%	601,845
07/01/07	\$350,000	1,103,658	512,336	1.463	31.6%	68.4%	699,368
07/01/08	\$350,000	1,220,762	181,092	1.638	39.0%	61.0%	586,093
07/01/09	\$350,000	1,252,173	1,514,023	1.867	46.5%	53.5%	1,392,389
07/01/10	\$350,000	1,277,726	1,028,959	2.614	61.8%	38.2%	1,182,576
07/01/11	\$500,000	1,228,421	733,494	6.712	85.1%	14.9%	1,154,682

Notes:

(3) From Exhibit 15, Column 8

(4) From Exhibit 13, Column 7

(6) = 1 - [1 / (5)]

(7) = 1 / (5)

(8) = [(3) x (6)] + [(4) x (7)]

RCCD

Incurred Bornhuetter-Ferguson Method
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Policy Inception</u>	<u>Retention</u>	<u>Expected Loss Method</u>	<u>Incurred Loss Development Method</u>	<u>Incurred LDF</u>	<u>Weight-Expected Loss Method</u>	<u>Weight-Incurred Loss Development Method</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$350,000	1,077,315	463,461	1.221	18.1%	81.9%	574,700
07/01/07	\$350,000	1,103,658	605,379	1.295	22.8%	77.2%	718,768
07/01/08	\$350,000	1,220,762	209,484	1.379	27.5%	72.5%	487,286
07/01/09	\$350,000	1,252,173	2,194,805	1.517	34.1%	65.9%	1,873,706
07/01/10	\$350,000	1,277,726	1,496,385	1.896	47.3%	52.7%	1,393,066
07/01/11	\$500,000	1,228,421	1,437,120	3.497	71.4%	28.6%	1,288,107

Notes:

(3) From Exhibit 15, Column 8

(4) From Exhibit 14, Column 7

(6) = 1 - [1 / (5)]

(7) = 1 / (5)

(8) = [(3) x (6)] + [(4) x (7)]

RCCD
 Frequency/Severity Method
Workers' Compensation

(1)	(2)	(3)	(4)	(5)	(6)
<u>Policy Inception</u>	<u>Retention</u>	Initial Severity <u>\$0 - \$250,000</u>	Severity Trend <u>Factor</u>	Severity-7/1/2010 <u>Dollars</u>	Severity-7/1/2011 <u>Dollars</u>
07/01/01	\$250,000	9,898	1.999	16,382	17,447
07/01/02	\$250,000	4,774	1.877	7,418	7,900
07/01/03	\$250,000	8,245	1.763	12,030	12,812
07/01/04	\$350,000	11,960	1.655	16,386	17,451
07/01/05	\$350,000	16,752	1.554	21,551	22,951
07/01/06	\$350,000	7,464	1.459	9,017	9,603
07/01/07	\$350,000	8,522	1.370	9,666	10,294
07/01/08	\$350,000	3,763	1.286	4,008	4,268
07/01/09	\$350,000	35,006	1.208	35,006	37,282
07/01/10	\$350,000	-----	1.134	-----	-----
07/01/11	\$500,000	-----	1.065	-----	-----
			All-year Average:	12,057	12,841
			5-year Average:	12,125	12,914
				<u>07/01/10</u>	<u>07/01/11</u>
	(7)		Selected Severity:	12,057	12,841
	(8)		Benefit Level Factor:	1.000	1.000
	(9)		Limit Adjustment Factor:	1.000	1.000
	(10)		Adjusted Severity:	12,057	12,841
	(11)		Ultimate Claim Count:	58	58
	(12)		Ultimate Losses at Historical Retentions:	699,311	744,766

Notes:

- | | |
|--|-------------------------------|
| (3) From Exhibit 9, Column 6 | (8) From Exhibit 10, Column 6 |
| (4) From Exhibit 10, Column 8 | (9) Adjustment for Limit |
| (5) = (3) x [(4) / (Severity Trend Factor for 2010)] | (10) = (7) / (8) x (9) |
| (6) = (3) x [(4) / (Severity Trend Factor for 2011)] | (11) From Exhibit 7, Column 6 |
| (7) Selected from Averages | (12) = (10) x (11) |

RCCD
 Paid Loss Development Triangle
 Workers' Compensation
 Limited to \$500,000

Months of Development															
Policy Inception	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180
07/01/97															
07/01/98													514,774	529,248	553,199
07/01/99											252,412	264,391	271,651	294,422	
07/01/00									232,584	238,145	701,342	703,903	706,687	718,982	
07/01/01								656,996	663,673	671,471	691,456	244,674	244,674		
07/01/02								380,173	382,124	400,649					
07/01/03						615,622		662,102	723,336	747,880					
07/01/04					455,247	473,906		367,620	490,315	519,743					
07/01/05				610,196	710,698	745,581		662,102	775,558						
07/01/06			230,278	263,096	283,273	297,925		380,173							
07/01/07		251,807	304,762	318,047	350,288										
07/01/08	61,023	92,290	107,178	110,548											
07/01/09	182,954	540,047	810,735												
07/01/10	121,566	393,565													
07/01/11	109,283														

Age-to-Age Loss Development Factors															
Policy Inception	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-Ult
07/01/97												1.028	1.015	1.030	
07/01/98											1.047	1.027	1.084		
07/01/99										1.004	1.004	1.017			
07/01/00									1.024	1.027	1.000				
07/01/01								1.010	1.012	1.030					
07/01/02							1.034	1.005	1.048						
07/01/03						1.076	1.092	1.034							
07/01/04					1.041	1.035	1.060								
07/01/05				1.165	1.049	1.040									
07/01/06			1.143	1.077	1.052										
07/01/07		1.210	1.044	1.101											
07/01/08	1.512	1.161	1.031												
07/01/09	2.952	1.501													
07/01/10	3.237														
Averages															
3-Year	2.567	1.291	1.073	1.114	1.047	1.050	1.062	1.016	1.028	1.020	1.017	1.024	1.049	1.030	
5-Year															
Industry	2.661	1.501	1.257	1.141	1.094	1.066	1.048	1.025	1.025	1.019	1.016	1.018	1.012	1.010	1.069
<u>Selected</u>															
Age-to-Age LDF	2.567	1.400	1.140	1.120	1.050	1.060	1.055	1.021	1.026	1.020	1.017	1.021	1.030	1.020	
Cumulative LDF	6.712	2.614	1.867	1.638	1.463	1.393	1.314	1.246	1.220	1.189	1.166	1.147	1.123	1.090	1.069

RCCD
 Incurred Loss Development Triangle
Workers' Compensation
 Limited to \$500,000

Months of Development																
Policy Inception	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	
07/01/97													589,550	594,550	594,557	627,695
07/01/98											317,319	342,577	346,279	337,743		
07/01/99										718,483	743,104	753,639	755,067			
07/01/00								307,156	307,156	286,272	276,066					
07/01/01								745,472	742,808	743,119	755,795					
07/01/02							424,737	403,295	404,162	530,645						
07/01/03						713,907	691,958	824,809	799,102							
07/01/04					578,956	614,740	586,302	647,002								
07/01/05				784,860	811,628	797,908	862,718									
07/01/06			331,237	337,935	339,201	379,475										
07/01/07		423,506	445,599	428,140	467,619											
07/01/08	96,650	170,213	167,981	151,937												
07/01/09	566,453	896,591	1,447,165													
07/01/10	360,528	789,325														
07/01/11	411,001															
Age-to-Age Loss Development Factors																
Policy Inception	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-Ult	
07/01/97												1.008	1.000	1.056		
07/01/98											1.080	1.011	0.975			
07/01/99										1.034	1.014	1.002				
07/01/00									1.000	0.932	0.964					
07/01/01								0.996	1.000	1.017						
07/01/02							0.950	1.002	1.313							
07/01/03						0.969	1.192	0.969								
07/01/04					1.062	0.954	1.104									
07/01/05				1.034	0.983	1.081										
07/01/06			1.020	1.004	1.119											
07/01/07		1.052	0.961	1.092												
07/01/08	1.761	0.987	0.904													
07/01/09	1.583	1.614														
07/01/10	2.189															
Averages																
3-Year	1.844	1.218	0.962	1.043	1.055	1.001	1.082	0.989	1.104	0.994	1.019	1.007	0.988	1.056		
5-Year																
Industry	1.730	1.274	1.132	1.086	1.065	1.051	1.038	1.018	1.017	1.013	1.009	1.008	1.006	1.006	1.039	
<u>Selected</u>																
Age-to-Age LDF	1.844	1.250	1.100	1.065	1.060	1.051	1.038	1.018	1.017	1.013	1.009	1.008	1.006	1.006		
Cumulative LDF	3.497	1.896	1.517	1.379	1.295	1.221	1.163	1.120	1.100	1.082	1.069	1.059	1.051	1.045	1.039	

RCCD
 Summary of Program Provisions
General and Employment Practices Liability

<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Excess Insurance</u>	<u>Claims Adjusting</u>	<u>ALAE</u>	<u>ULAE</u>
07/01/06	\$100,000		Corvel	Included	N/A
07/01/07	\$100,000		Corvel	Included	N/A
07/01/08	\$100,000		Corvel	Included	N/A
07/01/09	\$100,000		Corvel	Included	N/A
07/01/10	\$250,000		Corvel	Included	N/A
07/01/11	\$250,000		Corvel	Included	N/A

RCCD
 Summary of Historical Loss Data
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(6)	(7)	(8)	(9)
<u>Policy Inception</u>	<u>Evaluation Date</u>	<u>Open Claim Count</u>	<u>Closed Claim Count</u>	<u>Total Claim Count</u>	<u>Paid Losses & ALAE</u>	<u>Case Reserves</u>	<u>Incurred Losses & ALAE</u>
07/01/06	06/30/12	1	0	1	0	10,000	10,000
07/01/07	06/30/12	0	2	2	78,440	0	78,440
07/01/08	06/30/12	0	1	1	63,163	0	63,163
07/01/09	06/30/12	3	0	3	153,382	846,618	1,000,000
07/01/10	06/30/12	4	4	8	10,337	1,097,500	1,107,837
07/01/11	06/30/12	1	0	1	0	1,000	1,000

Data Source: Claim Summary Loss Runs Provided by RCCD. Incident only claims removed from claim count.

RCCD

Claims > \$100,000 Incurred
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Claim Number</u>	<u>Name</u>	<u>Accident Date</u>	<u>Policy Year</u>	<u>Paid Loss & ALAE</u>	<u>Case Reserves</u>	<u>Incurred Loss & ALAE</u>
'11-90330'	Radford, Tracie	07/01/09	07/01/09	139,385	160,615	300,000
'10-81421'	Corral, Sheri	09/01/09	07/01/09	13,997	436,003	450,000
'10-89556'	McClendon, Veronica	03/30/10	07/01/09	0	250,000	250,000
'11-90071'	Allahyari, Reza	10/22/10	07/01/10	0	125,000	125,000
'11-97123'	Hernandez, Richard	01/18/11	07/01/10	0	550,000	550,000
'11-94596'	Berber, Alicia	02/14/11	07/01/10	0	375,000	375,000

RCCD

Summary of Limited Paid Losses by Policy Year
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)
<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Unlimited Paid</u>	<u>Excess Loss</u>	<u>Number of Excess Losses</u>	<u>Limited Paid</u>
07/01/06	100,000	0	0	0	0
07/01/07	100,000	78,440	0	0	78,440
07/01/08	100,000	63,163	0	0	63,163
07/01/09	100,000	153,382	39,385	1	113,997
07/01/10	250,000	10,337	0	0	10,337
07/01/11	250,000	0	0	0	0

RCCD

Summary of Limited Incurred Losses by Policy Year
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)
<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Unlimited Incurred</u>	<u>Excess Loss</u>	<u>Number of Excess Losses</u>	<u>Limited Incurred</u>
07/01/06	100,000	10,000	0	0	10,000
07/01/07	100,000	78,440	0	0	78,440
07/01/08	100,000	63,163	0	0	63,163
07/01/09	100,000	1,000,000	700,000	3	300,000
07/01/10	250,000	1,107,837	425,000	2	682,837
07/01/11	250,000	1,000	0	0	1,000

RCCDDevelopment of Preliminary Ultimate Losses
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>Policy Inception</u>	<u>Paid Losses \$0 - \$250,000</u>	<u>Incurred Losses \$0 - \$250,000</u>	<u>Evaluation Date</u>	<u>Age in Months</u>	<u>Paid LDF</u>	<u>Incurred LDF</u>	<u>Paid Loss Development Method</u>	<u>Incurred Loss Development Method</u>	<u>Selected Ultimate Losses \$0 - \$250,000</u>
07/01/06	0	10,000	06/30/12	72	1.288	1.138	0	11,384	11,384
07/01/07	78,440	78,440	06/30/12	60	1.413	1.181	110,850	92,626	101,738
07/01/08	63,163	63,163	06/30/12	48	1.660	1.256	104,842	79,350	92,096
07/01/09	153,382	750,000	06/30/12	36	2.141	1.405	328,364	1,053,631	1,053,631
07/01/10	10,337	682,837	06/30/12	24	3.197	1.728	33,052	1,179,790	1,179,790
07/01/11	0	1,000	06/30/12	12	6.126	2.682	0	2,682	2,682

Notes:

(2) From Exhibits 2 and 3

(3) From Exhibits 2 and 3

(6) From Industry Information

(7) From Industry Information

(8) = (2) x (6)

(9) = (3) x (7)

(10) Selection based on judgment using results of Methods in Columns (8) and (9)

RCCD

Development of Forecasted Losses for Upcoming Policy Year 2012-13 General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Policy Inception	Payroll	Payroll Trend Factor	Trended Payroll	Selected Ultimate Losses \$0 - \$250,000	Frequency Trend Factor	Severity Trend Factor	Trended Ultimate Losses \$0 - \$250,000	Loss Rate per \$100 of Payroll
07/01/06	110,000,000	1.194	131,345,753	11,384	1.000	1.265	14,405	0.01
07/01/07	109,395,773	1.159	126,819,683	101,738	1.000	1.217	123,780	0.10
07/01/08	116,511,097	1.126	131,134,266	92,096	1.000	1.170	107,739	0.08
07/01/09	115,408,330	1.093	126,109,799	1,053,631	1.000	1.125	1,185,192	0.94
07/01/10	113,836,468	1.061	120,769,108	1,179,790	1.000	1.082	1,276,060	1.06
07/01/11	105,846,966	1.030	109,022,375	2,682	1.000	1.040	2,789	0.00

7-Year Wtd Average:	0.36
5-Year Wtd Average:	0.44
3-Year Wtd Average:	0.69
Selected:	0.50

Notes:

(2) From Exhibit 8, Column 2	(10)		
(3) Payroll Trend of 3% per year based on Industry Information			
(4) = (2) x (3)			
(5) From Exhibit 6, Column 10	(11)	Forecasted Payroll 2012 - 13:	\$103,044,365
(6) 0.0% Trend per Year (from Industry Information)	(12)	Forecasted Losses 2012 - 13:	500,000
(7) 4.0% Trend per Year (from Industry Information)			
(8) = (5) x (6) x (7)			
(9) = (8) / (4) x 100			
(10) Forecast Loss Rate selected from Historical Averages			
(11) Provided by RCCD			
(12) = (10) x (11) / 100			

RCCD

Calculation of Indicated Loss Reserves
General and Employment Practices Liability
 as of 6/30/2012

(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Policy Inception</u>	<u>Per Occurrence Retention</u>	<u>Ultimate Losses at Historical Retentions</u>	<u>Incurred Losses at Historical Retentions</u>	<u>Paid Losses at Historical Retentions</u>	<u>Indicated Loss & ALAE Reserves</u>	<u>Limited Case Reserves</u>	<u>IBNR</u>
07/01/06	100,000	25,000	10,000	0	25,000	10,000	15,000
07/01/07	100,000	78,440	78,440	78,440	0	0	0
07/01/08	100,000	63,163	63,163	63,163	0	0	0
07/01/09	100,000	400,000	300,000	113,997	286,003	186,003	100,000
07/01/10	250,000	900,000	682,837	10,337	889,663	672,500	217,163
07/01/11	250,000	400,000	1,000	0	400,000	1,000	399,000
Total		1,866,603	1,135,440	265,937	1,600,666	869,503	731,163

Notes:

(4) From Exhibit 12, Column 9.

(5) From Exhibit 5, Column 6

(6) From Exhibit 4, Column 6

(7) = (4) - (6)

(8) = (5) - (6)

(9) = (4) - (5)

RCCD
 Selection of Ultimate Losses & ALAE
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Policy Inception</u>	<u>Incurred Losses at Historical Retentions</u>	<u>Paid Loss Development Method</u>	<u>Incurred Loss Development Method</u>	<u>Expected Loss Method</u>	<u>Paid B-F Method</u>	<u>Incurred B-F Method</u>	<u>Frequency/Severity Method</u>	<u>Selected Ultimate Losses & ALAE</u>
07/01/06	10,000	0	11,186	467,120	95,184	59,542		25,000
07/01/07	78,440	107,249	90,600	469,064	204,439	141,394		78,440
07/01/08	63,163	100,211	77,038	504,424	249,647	154,010		63,163
07/01/09	300,000	229,597	404,102	504,500	368,009	429,966		400,000
07/01/10	682,837	33,052	1,179,790	558,289	394,021	918,000		900,000
07/01/11	1,000	0	2,682	524,146	438,579	329,713		400,000

Notes:

- (2) From Exhibit 5, Column 6
- (3) From Exhibit 13, Column 7
- (4) From Exhibit 14, Column 7
- (5) From Exhibit 15, Column 8
- (6) From Exhibit 16, Column 8
- (7) From Exhibit 17, Column 8
- (8) From Exhibit 18, Column 12
- (9) Selection based on judgment using results of Methods in Columns (3) through (8)

RCCD
 Paid Loss Development Method
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Policy Inception</u>	<u>Retention</u>	<u>Evaluation Date</u>	<u>Age In Months</u>	<u>Paid Losses at Historical Retentions</u>	<u>Paid LDF</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$100,000	06/30/12	72	0	1.256	0
07/01/07	\$100,000	06/30/12	60	78,440	1.367	107,249
07/01/08	\$100,000	06/30/12	48	63,163	1.587	100,211
07/01/09	\$100,000	06/30/12	36	113,997	2.014	229,597
07/01/10	\$250,000	06/30/12	24	10,337	3.197	33,052
07/01/11	\$250,000	06/30/12	12	0	6.126	0

Notes:

(6) From Industry Information
 (7) = (5) x (6).

RCCD
 Incurred Loss Development Method
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Policy Inception</u>	<u>Retention</u>	<u>Evaluation Date</u>	<u>Age In Months</u>	<u>Incurred Losses at Historical Retentions</u>	<u>Incurred LDF</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$100,000	06/30/12	72	10,000	1.119	11,186
07/01/07	\$100,000	06/30/12	60	78,440	1.155	90,600
07/01/08	\$100,000	06/30/12	48	63,163	1.220	77,038
07/01/09	\$100,000	06/30/12	36	300,000	1.347	404,102
07/01/10	\$250,000	06/30/12	24	682,837	1.728	1,179,790
07/01/11	\$250,000	06/30/12	12	1,000	2.682	2,682

Notes:

(6) From Industry Information
 (7) = (5) x (6).

RCCD
 Expected Loss Method
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Policy Inception</u>	<u>Retention</u>	<u>Initial Loss Rate</u>	<u>Limit Adjustment Factor</u>	<u>Detrend Factor</u>	<u>Expected Loss Rate</u>	<u>Payroll</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$100,000	0.50	0.900	0.944	0.42	\$110,000,000	467,120
07/01/07	\$100,000	0.50	0.900	0.953	0.43	\$109,395,773	469,064
07/01/08	\$100,000	0.50	0.900	0.962	0.43	\$116,511,097	504,424
07/01/09	\$100,000	0.50	0.900	0.971	0.44	\$115,408,330	504,500
07/01/10	\$250,000	0.50	1.000	0.981	0.49	\$113,836,468	558,289
07/01/11	\$250,000	0.50	1.000	0.990	0.50	\$105,846,966	524,146

Notes:

(3) From Exhibit 10

(4) Adjustment for Differences in Historical Retention vs. Forecast Retention

(5) Adjustment for Benefit Level, Frequency and Severity Trends

(6) = (3) x (4) x (5)

(8) = (6) x (7) / 100

RCCD

Paid Bornhuetter-Ferguson Method
General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Policy Inception</u>	<u>Retention</u>	<u>Expected Loss Method</u>	<u>Paid Loss Development Method</u>	<u>Paid LDF</u>	<u>Weight-Expected Loss Method</u>	<u>Weight-Paid Loss Development Method</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$100,000	467,120	0	1.256	20.4%	79.6%	95,184
07/01/07	\$100,000	469,064	107,249	1.367	26.9%	73.1%	204,439
07/01/08	\$100,000	504,424	100,211	1.587	37.0%	63.0%	249,647
07/01/09	\$100,000	504,500	229,597	2.014	50.3%	49.7%	368,009
07/01/10	\$250,000	558,289	33,052	3.197	68.7%	31.3%	394,021
07/01/11	\$250,000	524,146	0	6.126	83.7%	16.3%	438,579

Notes:

(3) From Exhibit 15, Column 8

(4) From Exhibit 13, Column 7

(6) = 1 - [1 / (5)]

(7) = 1 / (5)

(8) = [(3) x (6)] + [(4) x (7)]

RCCD
 Incurred Bornhuetter-Ferguson Method
 General and Employment Practices Liability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Policy Inception</u>	<u>Retention</u>	<u>Expected Loss Method</u>	<u>Incurred Loss Development Method</u>	<u>Incurred LDF</u>	<u>Weight-Expected Loss Method</u>	<u>Weight-Incurred Loss Development Method</u>	<u>Ultimate Losses at Historical Retentions</u>
07/01/06	\$100,000	467,120	11,186	1.119	10.6%	89.4%	59,542
07/01/07	\$100,000	469,064	90,600	1.155	13.4%	86.6%	141,394
07/01/08	\$100,000	504,424	77,038	1.220	18.0%	82.0%	154,010
07/01/09	\$100,000	504,500	404,102	1.347	25.8%	74.2%	429,966
07/01/10	\$250,000	558,289	1,179,790	1.728	42.1%	57.9%	918,000
07/01/11	\$250,000	524,146	2,682	2.682	62.7%	37.3%	329,713

Notes:

(3) From Exhibit 15, Column 8

(4) From Exhibit 14, Column 7

(6) = 1 - [1 / (5)]

(7) = 1 / (5)

(8) = [(3) x (6)] + [(4) x (7)]