

# Shared Agency Risk Pool (SHARP)

1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833  
(800) 541-4591 Fax (916) 244-1199  
<https://www.planjpa.org/>

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## BOARD OF DIRECTORS MEETING AGENDA

**Monday, June 24, 2019  
1:00 p.m.**

**Via Teleconference**

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In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation to participate in this meeting, please contact Katie Sullivan at (916) 244-1164 or (916) 244-1199 (fax). Requests must be made as early as possible, and at least one full business day before the start of the meeting. All or portions of this meeting will be conducted in person and by teleconferencing in accordance with Government Code Section 54953(b). Teleconference locations are as follows: York Office, 1750 Creekside Oaks Dr. Suite 200, Sacramento, CA 95833; City of American Canyon, 4831 Broadway St. Suite 201, American Canyon, CA 94503; Town of Los Altos Hills, 26379 Fremont Rd, Los Altos Hills, CA 94022; Town of Ross, 31 Sir Frances Drake Blvd., Ross, CA 94957; and City of Saratoga, 13777 Fruitvale Ave., Saratoga, CA 95070.

Documents and materials relating to an open session agenda item that are provided to the Shared Agency Risk Pool (SHARP) Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection at 1750 Creekside Oaks Dr., Suite 200, Sacramento, CA 95833.

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<b><u>Page</u></b>	<b>1. CALL TO ORDER</b>
	<b>2. INTRODUCTIONS</b>
	<b>3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)</b>
	<b>4. PUBLIC COMMENTS</b> - This time is reserved for members of the public to address the Board relative to matters of the Shared Agency Risk Pool (SHARP) not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total.
	<b>5. CONSENT CALENDAR</b>
	If a Board member would like to discuss any item listed, it may be pulled from the Consent Calendar.
<b>4</b>	*A. Minutes from the December 5, 2018, Board of Directors Meeting
<b>11</b>	*B. Warrant List November 15, 2018, through May 31, 2019
<b>12</b>	*C. Treasurer's Report as of December 31, 2018
<b>27</b>	*D. Treasurer's Report as of March 31, 2019
<b>42</b>	*E. SHARP 2019/20 Calendar of Meeting Dates

\* Reference materials attached with staff report.

- 43            \*F. Legislative Update
- 46            \*G. Resolution No. 2019-01 Name Change to SHARP
- 48            \*H. York Contract Amendment: Changing Name from Bickmore to York
- 50            \*I. Draft LAWCX Board of Directors Minutes – June 4, 2019  
*Recommendation: Staff recommends the Board of Directors approve the Consent Calendar.*

**6. GENERAL MANAGER’S REPORT**

- 61            A. Report from SHARP’s General Manager  
*Recommendation: None.*

**7. FINANCIAL MATTERS**

- 62            \*A. Presentation and Consideration of the 2017/18 Financial Audit Report  
*Recommendation: Staff recommends the Board accept and file the 2017/18 Financial Audit Report for the Fiscal Year Ended June 30, 2018.*
- 101           \*B. Review of the Draft Operating Budget for Program Year 2019/20, including the Actuarial Study  
*Recommendation: Staff recommends the Board approve the Draft Operating Budget for 2019/20.*
- 208           \*C. Consideration of Actuarial Services  
*Recommendation: Staff recommends the Board approve the actuarial services contract as presented.*
- 218           D. Discussion Regarding Financial Auditor Request for Proposal  
*Recommendation: Staff recommends the Board provide direction.*

**8. ADMINISTRATIVE MATTERS**

- 219           \*A. Consideration of Draft Bylaws  
*Recommendation: Staff recommends the Board of Directors approve the Draft Bylaws, as presented.*

**9. ELECTIONS**

- 243           A. Elections of Officers for 2019/20 Program Year  
*Recommendation: Staff recommends the Board of Directors elect members to fill the Officer positions of Chair, Vice-Chair, and Secretary for SHARP’s 2019/20 Program Year.*

**10. CLOSING COMMENTS**

This time is reserved for comments by SHARP Board members and/or staff and to identify matters for future SHARP Board business.

- A. SHARP Board of Directors
- B. Staff

**11. ADJOURNMENT**

\* Reference materials attached with staff report.

**June 24, 2019**

**Agenda Item 5.A.-5.I.**

**CONSENT CALENDAR**

**SUBJECT:   Consent Calendar**

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**BACKGROUND AND HISTORY:**

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and require no discussion. If a Board member would like to discuss any item listed, it may be pulled from the Consent Calendar.

**RECOMMENDATION:**

*Staff recommends the Board of Directors approve the Consent Calendar.*

**REFERENCE MATERIALS ATTACHED:**

- A. Minutes from the December 5, 2018, Board of Directors Meeting
- B. Warrant List November 15, 2018 through May 31, 2019
- C. Treasurer's Report as of December 31, 2018
- D. Treasurer's Report as of March 31, 2019
- E. SHARP 2019/20 Calendar of Meeting Dates
- F. Legislative Update
- G. Resolution No.: 2019-01 Name Change to SHARP
- H. York Contract Amendment: Changing Name from Bickmore to York
- I. Draft LAWCX Board of Directors Minutes – June 4, 2019

**SHARED AGENCY RISK POOL  
(SHARP)**

**MINUTES OF THE BOARD OF DIRECTORS  
MEETING OF DECEMBER 5, 2018**

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A regular meeting of the Board of Directors was held on December 5, 2018, at Hilton Garden Inn San Francisco Airport North, 670 Gateway Boulevard, South San Francisco, CA 94080.

**MEMBERS PRESENT:** Joe Chinn, Chairman, Ross  
Frances Reed, Los Altos Hills  
Jason Holley, American Canyon (*via teleconference*)

**MEMBERS ABSENT:** Monica Labossiere, Saratoga  
Mary Furey, Alternate, Saratoga

**OTHERS PRESENT:** Jon Paulsen, Acting General Manager  
Yahaira Martinez, Assistant General Manager  
Rob Kramer, General Manager  
Katie Sullivan, Analyst  
Jackie Miller, Workers' Compensation Program Manager  
Ritesh Sharma, Finance Manager

**1. CALL TO ORDER**

The December 5, 2018, Board of Directors meeting was called to order at 1:32 p.m. by Chairman, Joe Chinn.

**2. INTRODUCTIONS**

A roll call was taken and it was determined a quorum was present.

**3. PUBLIC COMMENTS**

None

**4. APPROVAL OF AGENDA AS POSTED (OR AMENDED)**

*Frances Reed moved to approve the agenda as posted. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

**5. CONSENT CALENDAR**

*Frances Reed moved to approve the following items: A) Minutes from the June 20, 2018, Board of Directors Meeting; B) Warrant List June 1, 2018, through November 15, 2018; C) SHARP Loss Prevention Grant Balances as of November 26, 2018; and D) Treasurer's Report as of June 30, 2018, and September 20, 2018. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

**6. APPOINTMENTS**

**A. Appointment of SHARP General Manager**

Mr. Rob Kramer served as General Manager of SHARP since January 2018. He announced his retirement and staff recommended Mr. Jon Paulsen, Senior Consultant, transition to the role of General Manager, effective immediately. Mr. Paulsen has been working with SHARP since the beginning of the contract with Bickmore.

*Frances Reed moved to appoint Jon Paulsen as SHARP's General Manager, effective December 5, 2018. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

**7. ADMINISTRATIVE MATTERS**

**A. Consideration of Resolution No. 2018-06: To Change ABAG SHARP Name to SHARP**

Mr. Paulsen reported since SHARP is no longer affiliated with the Association of Bay Area Governments Corporation (ABAG), a resolution changing the JPA's name is required in order to update financial institutions and excess coverage providers of the change in the organization's name.

*Frances Reed moved to approve Resolution No. 2018-06: To Change ABAG SHARP Name to SHARP. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

## **8. GENERAL MANAGER'S REPORT**

### **A. Report from SHARP's General Manager**

Mr. Paulsen provided the following updates to the Board:

- **PLAN JPA/SHARP Consolidation Discussion:** At the SHARP Board meeting in June 2018, staff recommended SHARP consider consolidating with PLAN JPA as another program offering of PLAN JPA. On October 16, 2018, the PLAN JPA President and Vice President and the SHARP President and Vice President, along with staff, discussed the potential consolidation of SHARP into PLAN JPA. It was ultimately decided by the SHARP President and Vice President to have SHARP grow their membership prior to considering a consolidation. Mr. Joe Chinn, SHARP President, directed staff to draft a membership application and an underwriting policy for future consideration and approval.
- **Special Board of Directors Meeting:** Staff recommended the Board hold a Special Board of Directors meeting to review membership requirements and application guidelines. Staff was directed to survey Board members to obtain availability, as well as any additional topics for discussion.
- **Bickmore Branding:** On December 1, 2018, Bickmore's JPA Administration and Risk Control services will be updated to the York Brand. Some branding changes included name and logo, staff email addresses, building names and signage, and websites and portals. Items not changing are the mailing address and phone numbers, existing contracts, and staff.

## **9. FINANCIAL MATTERS**

### **A. Update from SHARP's Finance Manager**

Mr. Ritesh Sharma, SHARP's Finance Manager, was present and discussed the following items:

- Investments: PFM Asset Management (PFM) was selected as the Investment Advisor to SHARP. PFM's strategy to maximize SHARP's return on investments

was to move the remaining two certificate of deposits (CD's), totaling \$497,000, to the California Asset Management Program (CAMP) liquidity account when the CD's mature. A majority of funds that are not needed to pay expenses are kept in the CAMP account earning interest.

- Unaudited Financial Statements as of June 30, 2018: The following highlights were provided to the Board:
  - Total Assets as of June 30, 2018, were \$5,018,815;
  - Total Liabilities as of June 30, 2018, were \$1,069,843;
  - Net Position as of June 30, 2018, was \$3,948,972;
  - Total Liabilities and Net Position as of June 30, 2018, were \$5,018,815.

Mr. Sharma advised the Local Agency Workers' Compensation Excess JPA (LAWCX), the entity through which SHARP obtains excess workers' compensation coverage, approved a deficit curing and assessment plan due to program years 1994/95 through 2003/04 being in a deficit position. Additional funding is required from members in order to bring the assets in these program years to a level sufficient to cover the unpaid liabilities. SHARP's total assessment amount is \$42,418, and LAW CX is providing members with a 10% discount if the total assessment is paid in full by August 15, 2019.

Mr. Sharma noted it would be prudent for SHARP to pay the LAW CX assessment as one lump sum in order to save the 10%. This assessment was included in the Statement of Net Position for year ended June 30, 2018.

***Frances Reed moved to approve the unaudited financials as of June 30, 2018, and to pay the LAW CX assessment as one lump sum, at a 10% discount. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.***

#### **B. Discussion Regarding Payroll Collection**

Historically, SHARP has collected payroll data from member cities on an annual basis and is used to compile budgets, and for reporting requirements to LAW CX and the Department of Industrial Relations (DIR).

To ensure staff has payroll information available and timely submissions from members, staff proposed collecting payroll, along with the corresponding DE-9s, on a quarterly basis going forward. Included in the agenda was a template of the payroll form that

would be distributed to members every quarter. Upon review, the Board requested that staff only collect full time equivalent (FTE) employee numbers during the 4<sup>th</sup> Quarter.

*Frances Reed moved to approve of staff collecting payroll from members on a quarterly basis. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

## **10. WORKERS' COMPENSATION MATTERS**

### **A. Update on Workers' Compensation Program**

Jackie Miller, Workers' Compensation Program Manager, was present telephonically to provide an update to the Board on the Workers' Compensation Program and industry updates. She provided an overview of open and closed claims, settlements and reserves. A "Who Does What" quick reference guide was provided to the Board which detailed a list of contacts and claim payments information.

Ms. Miller also provided an update on the legislative activity for the following key bills that may impact the workers' compensation program:

- AB 479 Permanent Disability Apportionment (Gonzalez-Fletcher)
- AB 2334 OSHA Reporting (Gonzalez-Fletcher, Thurmond)
- SB 880 Workers' Compensation – Prepaid Cards (Pan)
- SB 899 Permanent Disability Relating to Injury/Illness (Pan)

### **B. Review of Workers' Compensation Claims Audit**

Ms. Miller reported the SHARP Workers' Compensation Program undergoes a technical audit of the third party claims administrator's work product every two years. The program was audited in September 2018 by Aon Risk Services for compliance with contract and industry standards. Ms. Miller provided the following findings:

- York effectively executed aggressive Plans of Action (POA's), file activities were properly documented, CMR's were done timely and included updated POA's based on current information in the file.
- There was appropriate and prompt supervisory oversight. Files were referred to designated counsel at an appropriate time and there was a claims and legal partnership to aggressively move files to conclusion. Settlement values were properly evaluated, discussed with client and pursued aggressively.



Ms. Miller noted there has been a duplication of efforts when the program undergoes the audit, as an in-depth audit is also conducted every two years by LAWCX. The LAWCX audit is provided at no additional cost to SHARP, while the Aon audit has a projected cost of \$2,000. The next LAWCX audit will occur in March 2019 and staff recommended the Board not renew the SHARP contract with Aon for audits to remove the duplication of efforts

*Frances Reed moved to receive and file the Aon Risk Services 2018 Audit Report. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

*Frances Reed moved to remove completing duplicate audits in the future and rely upon the LAWCX audits going forward. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Frances Reed, Joe Chinn, and Jason Holley.*

## **11. CLOSED SESSION**

A. Pursuant to Government Code Section 54956.95(a), the Board went into closed session at 2:22 p.m. to discuss the following items:

- Watch Report

B. Pursuant to Government Code Section 54957.1, the Board reconvened to open session at 2:23 p.m. There was no reportable action taken in closed session.

## **12. CLOSING COMMENTS**

### **A. Board of Directors**

Frances Reed, Los Altos Hills, provided an update from the LAWCX Board of Directors meeting in November. It was requested for LAWCX Board of Directors meeting minutes be included in SHARP's agendas going forward.

### **B. Staff**

None

**13. ADJOURNMENT**

The Regular Meeting of the SHARP Board of Directors was adjourned at 2:31 p.m.

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Katie Sullivan, Assistant Board Secretary

SHARP JPA  
Warrant List  
11/15/18 - 05/31/19


Document Number	Vendor ID	Vendor Name	Document Date	Checkbook ID	Document Amount	Voided	TRX Source	Transaction Description
8002	LOS100	Town of Los Altos Hills	12/4/2018	CBT	\$10,065.29	No	PMCHK00000016	Wellness Program Reimb 2017-2018
8015	MAZ100	Maze & Associates	12/21/2018	CBT	\$3,000.00	No	PMCHK00000024	Financial Audit 2018
EFT00018	AON100	Aon Risk Services	12/4/2018	CBT	\$2,000.00	No	PMCHK00000017	WC Claims Audit
EFT00019	BIC100	Bickmore	12/4/2018	CBT	\$500.00	No	PMCHK00000017	Ergo Eval C/O American Canyon
EFT00020	ROSS100	Town of Ross	12/4/2018	CBT	\$3,066.02	No	PMCHK00000017	Wellness Program Reimbursement, WC Loss Prevention Train Reimb
EFT00021	SAR100	City of Saratoga	12/4/2018	CBT	\$1,120.00	No	PMCHK00000017	Wellness Program Reimbursement
EFT00022	YOR100	York Risk Services Group	12/4/2018	CBT	\$1,226.67	No	PMCHK00000017	WC Claims Admin 11/1-11/30/18
EFT00024	BIC100	Bickmore	12/21/2018	CBT	\$12,875.00	No	PMCHK00000025	Program Admin Jan-Mar 2019
EFT00025	HIL100	Hilton Garden Inn	12/21/2018	CBT	\$196.77	No	PMCHK00000025	B.O.D Meeting 2018
EFT00026	ROSS100	Town of Ross	12/21/2018	CBT	\$891.21	No	PMCHK00000025	Workers Comp Prevention Reimb
EFT00027	YOR100	York Risk Services Group	12/21/2018	CBT	\$1,226.67	No	PMCHK00000025	WC Claims Admin 12/1-12/31/18
EFT00029	AMC100	City of American Canyon	1/22/2019	CBT	\$4,766.62	No	PMCHK00000026	Wellness Program Reim 18/19
EFT00030	MAZ100	Maze & Associates	1/22/2019	CBT	\$2,850.00	No	PMCHK00000026	Financial Audit 2018
EFT00031	YOR100	York Risk Services Group	1/22/2019	CBT	\$1,226.67	No	PMCHK00000026	WC Claims Admin 1/1-1/31/19
EFT00033	PLAN100	Pooled Liability Assurance Network JPA	2/25/2019	CBT	\$199.93	No	PMCHK00000027	Sharp BOD Meeting June 2018
EFT00034	SAR100	City of Saratoga	2/25/2019	CBT	\$2,623.00	No	PMCHK00000027	Oct-Dec Wellness Grant
EFT00035	YOR100	York Risk Services Group	2/25/2019	CBT	\$1,226.67	No	PMCHK00000027	WC Claims Admin 2/1-2/28/19
EFT00037	BIC100	Bickmore	3/26/2019	CBT	\$12,875.00	No	PMCHK00000028	Program Admin April-June 2019
EFT00038	YOR100	York Risk Services Group	3/26/2019	CBT	\$1,226.67	No	PMCHK00000028	WC Claims Admin 3/1-3/31/19
EFT00040	YOR100	York Risk Services Group	4/22/2019	CBT	\$1,226.67	No	PMCHK00000029	WC Claims Admin 4/1-4/30/19
EFT00042	ROSS100	Town of Ross	5/20/2019	CBT	\$770.00	No	PMCHK00000030	CPR/ First Aid
EFT00043	SAR100	City of Saratoga	5/20/2019	CBT	\$2,126.41	No	PMCHK00000030	Jan-Mar Wellness Grant
EFT00044	YOR100	York Risk Services Group	5/20/2019	CBT	\$1,226.67	No	PMCHK00000030	WC Claims Admin 5/1-5/31/19


**Shared Agency Risk Pool**  
**Treasurer's Report**  
As of December 31, 2018

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust - General Operating	257,374	257,374	5.22%	0.00%
Bank of West - General Operating	26,625	26,625	0.54%	0.06%
State of California - Local Agency Investment Fund	31,395	31,365	0.64%	2.40%
CA Asset Mgmt. Program - Liquidity Account	4,048,638	4,048,638	82.10%	2.46%
Bank of West - Capital Markets	497,000	496,500	10.07%	0.00%
Umpqua Bank - York Trust Account	70,672	70,672	1.43%	0.00%
<b>Total Cash and Investments</b>	<b>\$ 4,931,704</b>	<b>\$ 4,931,175</b>	<b>100.00%</b>	<b>2.44%</b>

Attached are the Local Agency Investment Fund (LAIF), PFM Asset Management, and Bank of the West Capital Market statements detailing all investment holdings and transactions for the quarter ended. Market prices are derived from closing bid prices as of the last business day of the month from either Interactive Data Corporation, Bloomberg, TRACE, and other widely-used third-party pricing vendors.

We certify that this report reflects all cash and investments and is in conformance with the Pool's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Pool's expenditures for the next six months.

  
Ritesh Sharma  
Finance Manager

  
Monica Labossiere  
Treasurer



**CALIFORNIA BANK**  
TRUST

P.O. Box 489, Lawndale, CA 90260-0489

## Statement of Accounts

Page 1 of 5

This Statement: December 31, 2018

Last Statement: November 30, 2018

Account 5795358620

### DIRECT INQUIRIES TO:

Customer Service 1 (800) 400-6080

0050706

4001-06-0000-CBT-PG0023-00001

SHARED AGENCY RISK POOL  
BICKMORE, ADMINISTRATOR  
1750 CREEKSIDE OAKS DR STE 200  
SACRAMENTO CA 95833-3648

Sacramento Main  
520 Capitol Mall Suite 100  
Sacramento, CA 95814-4714  
(916) 341-4800

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## SUMMARY OF ACCOUNT BALANCE

Account Type	Account Number	Checking/Savings Ending Balance	Outstanding Balances Owed
PF Business Analyzed Account	5795358620	\$257,374.24	

## PF BUSINESS ANALYZED ACCOUNT 5795358620

129 1

Previous Balance	Deposits/Credits	Charges/Debits	Checks Processed	Ending Balance
340,892.42	0.00	73,452.89	10,065.29	257,374.24

### 0 DEPOSITS/CREDITS

There were no transactions this period.

### 6 CHARGES/DEBITS

Date	Amount	Description
12/03	8,677.33	ACH OFFSET SHARP Funding 181203 REF # 018337009872865 1109890200
12/10	7,912.69	ACH OFFSET SHARP PAYABLES 181210 REF # 018344005052871 1109265313
12/20	35,528.48	ACH OFFSET SHARP Prefundi 181220 REF # 018354001964993 1107937466
12/21	86.17	ANALYSIS SERVICE FEE
12/28	15,189.65	ACH OFFSET SHARP PAYABLES 181228 REF # 018362006681399 1107943981
12/31	6,058.57	CALIFORNIA DIR DIR PAYM 65752 REF # 018365007081617 1109554726

### 1 CHECK PROCESSED

Number.....	Date.....	Amount
8002	12/19	10,065.29

### AGGREGATE OVERDRAFT AND RETURNED ITEM FEES

	Total for This Period	Total Year-to-Date
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00

To learn more about our other products and services that may lower the cost of managing account overdrafts or to discuss removing overdraft coverage from your account, please contact Customer Service or visit your local branch.





**BANK OF THE WEST**  
**BNP PARIBAS**

P.O. Box 2830, Omaha, NE 68103-2830

## Account Statement

December 1, 2018 - December 31, 2018

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>001027 2525235 0001 008230 10Z  
COMP SHARED RISK POOL  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO CA 95833-3648



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Remember to confirm your email during your next branch visit or call our Contact Center at 800-488-2265. Our emails keep you educated about our services, products and more.

## MONEY MARKET PLUS - BUS 101-003895

COMP SHARED RISK POOL

### ACCOUNT SUMMARY

<b>Beginning Balance</b>	<b>\$23,986.09</b>
2 Credits	2,663.71
0 Deposits	0.00
1 Withdrawals	-25.00
0 Checks	0.00
<b>Ending Balance</b>	<b>\$26,624.80</b>

### EARNINGS SUMMARY

Interest this statement period	\$1.19
Interest credited year-to-date	\$493.38
Annual percentage yield earned	0.06%
Average monthly balance	\$25,264.72

### For your protection:

Examine this statement promptly. Any discrepancy must be reported within 30 days. Consumer customers: A discrepancy regarding an electronic payment or line of credit must be reported within 60 days.

In South Dakota, Bank of the West operates under the name of Bank of the West California.





**BANK OF THE WEST**  
**BNP PARIBAS**

## Account Statement

December 1, 2018 - December 31, 2018

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### MONEY MARKET PLUS - BUS xxx-xx3895 (continued)

#### ACCOUNT DETAIL

##### Credits

Date	Amount	Description
12/17	\$2,662.52	SECURITY TRANS SECURITY TRAN GE CAPITAL RETAIL BANK 36157PFR5 06/17/19 INTEREST
12/31	1.19	INTEREST PAID
2 credits for a total of \$2,663.71		

##### Withdrawals

Date	Amount	Description
12/20	\$25.00	CASH MANAGEMENT CHG -NON-ANALYZED CHARGES
1 withdrawal for a total of \$25.00		



bankofthewest.com



1-800-488-2265



1-800-659-5495 TTY/TDD

025502 1148754 0000000 071218 142346 011012



# **CALIFORNIA STATE TREASURER FIONA MA, CPA**



## **PMIA Performance Report**

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/17/18	2.30	2.20	203
12/18/18	2.30	2.20	201
12/19/18	2.30	2.20	199
12/20/18	2.31	2.20	197
12/21/18	2.31	2.20	198
12/22/18	2.31	2.20	198
12/23/18	2.31	2.20	198
12/24/18	2.31	2.20	195
12/25/18	2.31	2.21	195
12/26/18	2.31	2.21	192
12/27/18	2.32	2.21	193
12/28/18	2.32	2.21	192
12/29/18	2.32	2.21	192
12/30/18	2.32	2.21	192
12/31/18	2.32	2.21	192
01/01/19	2.32	2.32	192
01/02/19	2.32	2.32	196
01/03/19	2.33	2.33	195
01/04/19	2.34	2.33	194
01/05/19	2.34	2.33	194
01/06/19	2.34	2.33	194
01/07/19	2.34	2.33	192
01/08/19	2.34	2.33	190
01/09/19	2.34	2.33	191
01/10/19	2.34	2.34	189
01/11/19	2.34	2.34	188
01/12/19	2.34	2.34	188
01/13/19	2.34	2.34	188
01/14/19	2.35	2.34	185
01/15/19	2.36	2.34	187
01/16/19	2.36	2.34	188

\*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

## **LAIF Performance Report**

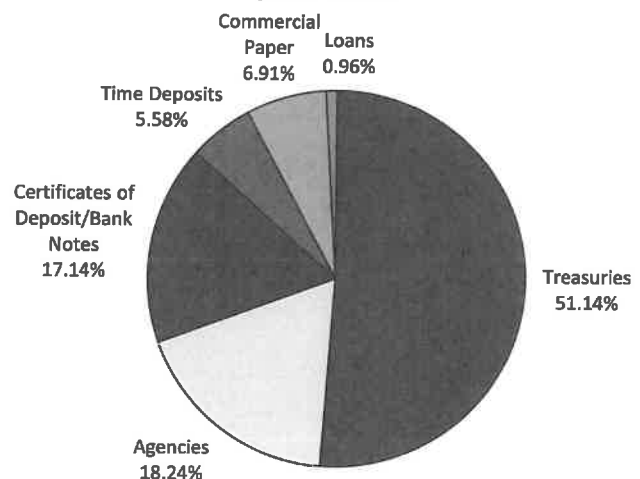
**Quarter Ending 12/31/18**

Apportionment Rate: 2.40  
 Earnings Ratio: 0.00006573663340150  
 Fair Value Factor: 0.999051127  
 Daily: 2.32%  
 Quarter to Date: 2.21%  
 Average Life: 192

### **PMIA Average Monthly Effective Yields**

Dec 2018 2.291  
 Nov 2018 2.208  
 Oct 2018 2.144

## **Pooled Money Investment Account Portfolio Composition 12/31/18 \$83.3 billion**



Percentages may not total 100%, due to rounding.

Based on data available as of 1/16/2019



Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia-  
laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
January 18, 2019

ABAG COMP SHARED RISK POOL

FINANCE MANAGER  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

**Account Number:**  
35-01-002

Tran Type Definitions

December 2018 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	31,394.83
Total Withdrawal:	0.00	Ending Balance:	31,394.83

Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
December 06,  
2018

ABAG COMP SHARED RISK POOL

FINANCE MANAGER  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number:  
35-01-002

Tran Type Definitions

November 2018 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	31,394.83
Total Withdrawal:	0.00	Ending Balance:	31,394.83

Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
November 05,  
2018

ABAG COMP SHARED RISK POOL

FINANCE MANAGER  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

**Account Number:**  
35-01-002

Tran Type Definitions

October 2018 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
10/15/2018	10/12/2018	QRD	1587239	SYSTEM	4,565.77

Account Summary

Total Deposit:	4,565.77	Beginning Balance:	26,829.06
Total Withdrawal:	0.00	Ending Balance:	31,394.83



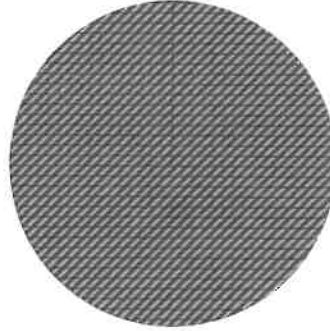
## Account Statement - Transaction Summary

For the Month Ending December 31, 2018

Shared Agency Risk Pool - SHARP - 4010-001

CAMP Pool	
Opening Market Value	4,040,183.47
Purchases	8,454.32
Redemptions	0.00
Unsettled Trades	0.00
Change In Value	0.00
<b>Closing Market Value</b>	<b>\$4,048,637.79</b>
Cash Dividends and Income	8,454.32

Asset Summary	
	December 31, 2018
<b>CAMP Pool</b>	<b>4,048,637.79</b>
<b>Total</b>	<b>\$4,048,637.79</b>
Asset Allocation	
	<b>November 30, 2018</b>
<b>CAMP Pool</b>	<b>4,040,183.47</b>
<b>Total</b>	<b>\$4,040,183.47</b>



CAMP Pool  
100.00%



## Account Statement

For the Month Ending December 31, 2018

Shared Agency Risk Pool - SHARP - 4010-001				
Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction
CAMP Pool				
Opening Balance				
12/31/18	01/02/19	Accrual Income Div Reinvestment - Distributions	1.00	8,454.32
Closing Balance				4,048,637.79

4,040,183.47

4,048,637.79

4,048,637.79

Opening Balance	Month of December	Fiscal YTD July-December	Closing Balance
Purchases	4,040,183.47	0.00	4,048,637.79
Redemptions (Excl. Checks)	8,454.32	4,048,637.79	4,040,456.19
Check Disbursements	0.00	0.00	2.46%

Closing Balance	4,048,637.79	4,048,637.79
Cash Dividends and Income	8,454.32	38,637.79



## Account Statement

For the Month Ending **November 30, 2018**

Shared Agency Risk Pool - SHARP - 4010-001

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>CAMP Pool</b>					
<b>Opening Balance</b>					
11/30/18	12/03/18	Accrual Income Div Reinvestment - Distributions	1.00	7,816.34	4,032,367.13
<b>Closing Balance</b>					
					4,040,183.47

<b>Opening Balance</b>			<b>Closing Balance</b>
<b>Purchases</b>	4,032,367.13	0.00	4,040,183.47
<b>Redemptions (Excl. Checks)</b>	7,816.34	4,040,183.47	4,032,627.67
<b>Check Disbursements</b>	0.00	0.00	2.36%
<b>Closing Balance</b>	<b>4,040,183.47</b>	<b>4,040,183.47</b>	
<b>Cash Dividends and Income</b>	7,816.34	30,183.47	



For the Month Ending October 31, 2018

**4,032,367.13**

<b>Closing Balance</b>	4,032,367.13
<b>Average Monthly Balance</b>	4,024,847.78
<b>Monthly Distribution Yield</b>	2.27%



**BANK OF THE WEST**  
BNP PARIBAS

ACCOUNT NO. ABA00077

COMP SHARED RISK POOL ASSN OF  
BAY AREA GOVT.  
1750 CREEKSIDE OAKS DR.  
SUITE 200  
SACRAMENTO CA 95833

DDA: 101003895  
PAGE 1

SAFEKEEPING INVENTORY  
12/31/18

CUSIP SETTLE	RATE MATURITY	CALL/PUT INFORMATION SECURITY DESCRIPTION	RECPT#	ORIGINAL COST UNIT/PAR VALUE	INFLATED PAR/ ORIGINAL FACE	MARKET PRICE MARKET VALUE
CLASS: CERT. OF DEPOSIT						
36157PFR5	2.150	GE CAPITAL RETAIL BANK GE 2.15 06/17/2019		247,000.00		99.819000000
06/15/12	06/17/19	MEDIUM-TERM CD	019041	247,000.00		246,550.46
40434AC72	3.100	HSBC BANK USA NA CTF DEP		250,000.00		99.980000000
11/17/15	11/17/20	ACT/365	028444	250,000.00		249,950.00
				ORIGINAL COST		
				497,000.00		
CLASS TOTAL: UNITS/CURRENT FACE				497,000.00	MARKET VALUE	496,500.46
GRAND TOTAL: ORIGINAL COST				497,000.00		
GRAND TOTAL: UNITS/CURRENT FACE				497,000.00	MARKET VALUE	496,500.46



UNITS 4 36330/4 66663/0 0003/0 0002/0003



Member  
**FDIC**





# UMPQUA BANK

December 31, 2018 Page: 1 of 2

Customer Service:  
1-866-486-7782

YORK RISK SERVICES GROUP INC  
CLIENT ESCROW ACCOUNT ON BEHALF OF  
ABAG SHARED RISK POOL  
PO BOX 820  
ROSEVILLE CA 95661-0820

Last statement: November 30, 2018  
This statement: December 31, 2018

Get paid faster with next day funding and improve your cash flow with Umpqua Merchant Services. We have a full range of hardware and software available to fit your business needs. Visit our website to learn more about merchant services available through Umpqua Bank.

## ANALYZED BUSINESS CHECKING

Account number	992412908	Beginning balance	\$34,401.91
Low balance	\$31,545.30	Deposits/Additions	\$44,205.81
Average balance	\$49,852.32	Withdrawals/Subtractions	\$7,935.50
Interest earned	\$0.00	Ending balance	\$70,672.22

## ACH and Electronic Payments/Subtractions

<u>Date</u>	<u>Description</u>	<u>Subtractions</u>
12-18	ACH Debit Vpay D001764388 Yrkpf01222 752405220760634 20181218	258.39
12-31	ACH Debit Vpay D001787758 Yrkpf01222 752405220782811 20181230	64.89
<b>Total ACH and Electronic Payments/Subtractions</b>		<b>\$323.28</b>

## ACH and Electronic Deposits/Additions

<u>Date</u>	<u>Description</u>	<u>Additions</u>
12-04	ACH Credit Sharp Funding 20181204	8,677.33
12-21	ACH Credit Sharp Prefunding 20181221	35,528.48
<b>Total ACH and Electronic Deposits/Additions</b>		<b>\$44,205.81</b>

**Other Withdrawals/Subtractions**

<u>Date</u>	<u>Description</u>	<u>Subtractions</u>
12-20	Maintenance Fee Analysis Activity For 11/18	43.39
<b>Total Other Withdrawals/Subtractions</b>		<b>\$43.39</b>

**Daily Balances**

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
11-30	34,401.91	12-11	39,609.65	12-19	36,007.58
12-03	31,545.30	12-13	39,510.26	12-20	35,984.17
12-04	<b>40,222.63</b>	12-14	38,074.76	12-21	<b>71,492.65</b>
12-07	40,088.23	12-17	37,736.23	12-24	71,317.11
12-10	39,630.55	12-18	37,477.84	12-31	70,672.22

**Overdraft Fee Summary**

	<b>Total For This Period</b>	<b>Total Year-to-Date</b>
<b>Total Overdraft Fees</b>	\$0.00	\$0.00
<b>Total Returned Item Fees</b>	\$0.00	\$0.00

**Checks**

<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>
55019	\$1,535.50	12-03	55034	\$20.90	12-11
*55023	\$580.00	12-03	55035	\$104.53	12-10
*55026	\$580.00	12-03	55036	\$99.39	12-13
55027	\$134.40	12-07	55037	\$310.28	12-19
55028	\$113.86	12-03	55038	\$580.00	12-19
55029	\$36.00	12-03	55039	\$51.53	12-17
55030	\$11.25	12-03	55040	\$134.00	12-17
55031	\$1,435.50	12-14	55041	\$153.00	12-17
55032	\$580.00	12-19	*55043	\$580.00	12-31
55033	\$353.15	12-10	55044	\$175.54	12-24

(\* Skip in check sequence, R-Check has been returned, + Electronified check))

Total Checks paid: 20 for **-\$7,568.83**

**Shared Agency Risk Pool**  
**Treasurer's Report**  
As of March 31, 2019

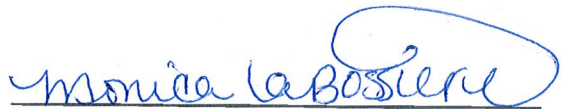
	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust - General Operating	417,422	417,422	8.21%	0.00%
Bank of West - General Operating	26,555	26,555	0.52%	0.08%
State of California - Local Agency Investment Fund	31,581	31,585	0.62%	2.55%
CA Asset Mgmt. Program - Liquidity Account	4,074,869	4,074,869	80.16%	2.61%
Bank of West - Capital Markets	497,000	499,074	9.82%	0.00%
Umpqua Bank - York Trust Account	34,112	34,112	0.67%	0.00%
<b>Total Cash and Investments</b>	<b>\$ 5,081,538</b>	<b>\$ 5,083,616</b>	<b>100.00%</b>	<b>2.59%</b>

Attached are the Local Agency Investment Fund (LAIF), PFM Asset Management, and Bank of the West Capital Market statements detailing all investment holdings and transactions for the quarter ended. Market prices are derived from closing bid prices as of the last business day of the month from either Interactive Data Corporation, Bloomberg, TRACE, and other widely-used third-party pricing vendors.

We certify that this report reflects all cash and investments and is in conformance with the Pool's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Pool's expenditures for the next six months.



Ritesh Sharma  
Finance Manager



Monica Labossiere  
Treasurer



P.O. Box 489, Lawndale, CA 90260-0489

## Statement of Accounts

Page 1 of 2

This Statement: March 29, 2019

Last Statement: February 28, 2019

Account 5795358620

### DIRECT INQUIRIES TO:

Customer Service 1 (800) 400-6080

0048712

4089-06-0000-CBT-PG0023-00000

SHARED AGENCY RISK POOL  
BICKMORE, ADMINISTRATOR  
1750 CREEKSIDE OAKS DR STE 200  
SACRAMENTO CA 95833-3648

Sacramento Main  
520 Capitol Mall Suite 100  
Sacramento, CA 95814-4714  
(916) 341-4800

## SUMMARY OF ACCOUNT BALANCE

<i>Account Type</i>	<i>Account Number</i>	<i>Checking/Savings Ending Balance</i>	<i>Outstanding Balances Owed</i>
PF Business Analyzed Account	5795358620	\$417,421.65	

## PF BUSINESS ANALYZED ACCOUNT 5795358620

129 0

<i>Previous Balance</i>	<i>Deposits/Credits</i>	<i>Charges/Debits</i>	<i>Checks Processed</i>	<i>Ending Balance</i>
440,939.89	0.00	23,518.24	0.00	417,421.65

### 0 DEPOSITS/CREDITS

There were no transactions this period.

### 3 CHARGES/DEBITS

<i>Date</i>	<i>Amount</i>	<i>Description</i>
03/01	9,329.67	ACH OFFSET SHARP Pre Fund 190301 REF # 019060006950602 1108283337
03/21	86.90	ANALYSIS SERVICE FEE
03/28	14,101.67	ACH OFFSET SHARP PAYABLES 190328 REF # 019087004038557 1107336777

### 0 CHECKS PROCESSED

There were no transactions this period.

### AGGREGATE OVERDRAFT AND RETURNED ITEM FEES

	<i>Total for This Period</i>	<i>Total Year-to-Date</i>
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00

To learn more about our other products and services that may lower the cost of managing account overdrafts or to discuss removing overdraft coverage from your account, please contact Customer Service or visit your local branch.

### DAILY BALANCES

<i>Date</i>	<i>Balance</i>	<i>Date</i>	<i>Balance</i>	<i>Date</i>	<i>Balance</i>
03/01	431,610.22	03/21	431,523.32	03/28	417,421.65





**BANK OF THE WEST**  
**BNP PARIBAS**

P.O. Box 2830, Omaha, NE 68103-2830

## Account Statement

March 1, 2019 - March 31, 2019

Page 1 of 4



>001056 2821849 0001 008230 10Z  
COMP SHARED RISK POOL  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO CA 95833-3648

### At your service



bankofthewest.com



1-800-488-2265



1-800-659-5495 TTY/TDD

### New online and mobile services!

Enjoy these new online card services: Online statements - Online and recurring payments - Dispute transactions - Travel notices - PIN change - Account alerts - Replacement cards - Card activation - Lock/unlock your card.

Simply log into your account at [www.bankofthewest.com](http://www.bankofthewest.com) and go to the Services and Support page or on your mobile device on the More screen.

Remember to confirm your email during your next branch visit or call our Contact Center at 800-488-2265. Our emails keep you educated about our services, products and more.

## MONEY MARKET PLUS - BUS 101-003895

COMP SHARED RISK POOL

### ACCOUNT SUMMARY

<b>Beginning Balance</b>	<b>\$26,578.24</b>
1 Credits	1.81
0 Deposits	0.00
1 Withdrawals	-25.00
0 Checks	0.00
<b>Ending Balance</b>	<b>\$26,555.05</b>

### EARNINGS SUMMARY

Interest this statement period	\$1.81
Interest credited year-to-date	\$5.25
Interest credited prior year	\$493.38
Annual percentage yield earned	0.08%
Average monthly balance	\$26,568.56

### For your protection:

Examine this statement promptly. Any discrepancy must be reported within 30 days. Consumer customers: A discrepancy regarding an electronic payment or line of credit must be reported within 60 days.

In South Dakota, Bank of the West operates under the name of Bank of the West California.





**BANK OF THE WEST**  
**BNP PARIBAS**

## Account Statement

March 1, 2019 - March 31, 2019

Page 2 of 4

### MONEY MARKET PLUS - BUS xxx-xx3895 (continued)

#### ACCOUNT DETAIL

##### Credits

<i>Date</i>	<i>Amount</i>	<i>Description</i>
03/29	\$1.81	INTEREST PAID
1 credit for a total of \$1.81		

##### Withdrawals

<i>Date</i>	<i>Amount</i>	<i>Description</i>
03/20	\$25.00	CASH MANAGEMENT CHG -NON-ANALYZED CHARGES
1 withdrawal for a total of \$25.00		



bankofthewest.com



1-800-488-2265



1-800-659-5495 TTY/TDD



# CALIFORNIA STATE TREASURER FIONA MA, CPA



## PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
03/18/19	2.44	2.39	179
03/19/19	2.44	2.39	178
03/20/19	2.44	2.39	177
03/21/19	2.44	2.39	178
03/22/19	2.44	2.39	177
03/23/19	2.44	2.39	177
03/24/19	2.44	2.39	177
03/25/19	2.44	2.39	175
03/26/19	2.44	2.39	174
03/27/19	2.44	2.39	175
03/28/19	2.44	2.39	176
03/29/19	2.44	2.39	181
03/30/19	2.44	2.39	181
03/31/19	2.44	2.39	179
04/01/19	2.44	2.44	179
04/02/19	2.44	2.44	184
04/03/19	2.44	2.44	182
04/04/19	2.44	2.44	179
04/05/19	2.44	2.44	179
04/06/19	2.44	2.44	179
04/07/19	2.44	2.44	179
04/08/19	2.44	2.44	181
04/09/19	2.45	2.43	182
04/10/19	2.45	2.43	181
04/11/19	2.45	2.43	181
04/12/19	2.45	2.43	182
04/13/19	2.45	2.44	182
04/14/19	2.45	2.44	182
04/15/19	2.45	2.44	182
04/16/19	2.45	2.44	182
04/17/19	2.45	2.44	181

\*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

## LAIF Performance Report

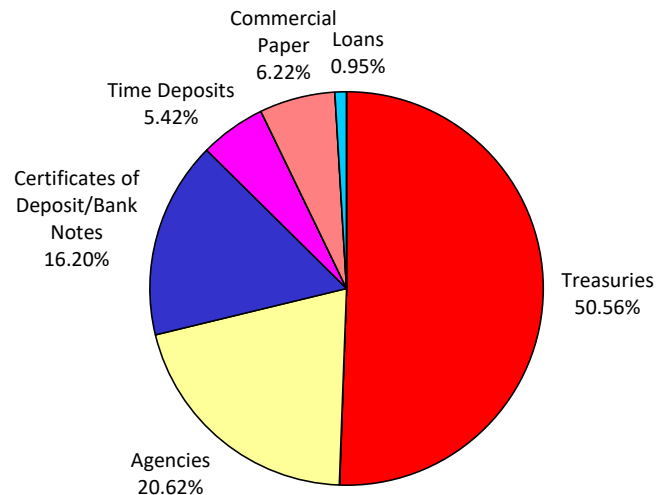
### Quarter Ending 03/31/19

Apportionment Rate: 2.55  
 Earnings Ratio: 0.00006976322349099  
 Fair Value Factor: 1.000146954  
 Daily: 2.44%  
 Quarter to Date: 2.39%  
 Average Life: 179

### PMIA Average Monthly Effective Yields

**Mar 2019 2.436**  
 Feb 2019 2.392  
 Jan 2019 2.355

## Pooled Money Investment Account Portfolio Composition 03/31/19 \$86.9 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1)

Based on data available as of 04/17/2019

Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
April 02, 2019

ABAG COMP SHARED RISK POOL

FINANCE MANAGER  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number:  
35-01-002

Tran Type Definitions

March 2019 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	31,580.50
Total Withdrawal:	0.00	Ending Balance:	31,580.50



Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
March 01, 2019

ABAG COMP SHARED RISK POOL

FINANCE MANAGER  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number:  
35-01-002

Tran Type Definitions

February 2019 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	31,580.50
Total Withdrawal:	0.00	Ending Balance:	31,580.50

**Local Agency Investment Fund**  
**P.O. Box 942809**  
**Sacramento, CA 94209-0001**  
**(916) 653-3001**

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
 February 21,  
 2019

ABAG COMP SHARED RISK POOL

FINANCE MANAGER  
 1750 CREEKSIDE OAKS DRIVE, SUITE 200  
 SACRAMENTO, CA 95833

PMIA Average Monthly Yields

**Account Number:**

35-01-002

// [Tran Type Definitions](#)

January 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/15/2019	1/14/2019	QRD	1595297	SYSTEM	185.67

Account Summary

Total Deposit:	185.67	Beginning Balance:	31,394.83
Total Withdrawal:	0.00	Ending Balance:	31,580.50



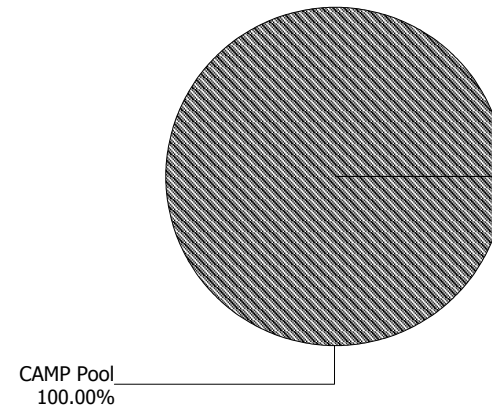
## Account Statement - Transaction Summary

For the Month Ending **March 31, 2019**

### Shared Agency Risk Pool - SHARP - 4010-001

CAMP Pool	
Opening Market Value	4,065,862.13
Purchases	9,006.82
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$4,074,868.95</b>
Cash Dividends and Income	9,006.82

Asset Summary		
	March 31, 2019	February 28, 2019
<b>CAMP Pool</b>	4,074,868.95	4,065,862.13
<b>Total</b>	<b>\$4,074,868.95</b>	<b>\$4,065,862.13</b>
Asset Allocation		





## Account Statement

For the Month Ending **March 31, 2019**

Shared Agency Risk Pool - SHARP - 4010-001

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>CAMP Pool</b>					
<b>Opening Balance</b>					<b>4,065,862.13</b>
03/29/19	04/01/19	Accrual Income Div Reinvestment - Distributions	1.00	9,006.82	4,074,868.95
<b>Closing Balance</b>					<b>4,074,868.95</b>

	Month of March	Fiscal YTD July-March		
<b>Opening Balance</b>	4,065,862.13	0.00	<b>Closing Balance</b>	4,074,868.95
<b>Purchases</b>	9,006.82	4,074,868.95	<b>Average Monthly Balance</b>	4,066,733.76
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	2.61%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>4,074,868.95</b>	<b>4,074,868.95</b>		
<b>Cash Dividends and Income</b>	9,006.82	64,868.95		



## Account Statement

For the Month Ending **February 28, 2019**

Shared Agency Risk Pool - SHARP - 4010-001

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>CAMP Pool</b>					
<b>Opening Balance</b>					<b>4,057,654.85</b>
02/28/19	03/01/19	Accrual Income Div Reinvestment - Distributions	1.00	8,207.28	4,065,862.13
<b>Closing Balance</b>					<b>4,065,862.13</b>

	Month of February	Fiscal YTD July-February		
<b>Opening Balance</b>	4,057,654.85	0.00	<b>Closing Balance</b>	4,065,862.13
<b>Purchases</b>	8,207.28	4,065,862.13	<b>Average Monthly Balance</b>	4,057,947.97
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	2.64%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>4,065,862.13</b>	<b>4,065,862.13</b>		
<b>Cash Dividends and Income</b>	8,207.28	55,862.13		



## Account Statement

For the Month Ending **January 31, 2019**

Shared Agency Risk Pool - SHARP - 4010-001

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>CAMP Pool</b>					
<b>Opening Balance</b>					<b>4,048,637.79</b>
01/31/19	02/01/19	Accrual Income Div Reinvestment - Distributions	1.00	9,017.06	4,057,654.85
<b>Closing Balance</b>					<b>4,057,654.85</b>

	Month of January	Fiscal YTD July-January		
<b>Opening Balance</b>	4,048,637.79	0.00	<b>Closing Balance</b>	4,057,654.85
<b>Purchases</b>	9,017.06	4,057,654.85	<b>Average Monthly Balance</b>	4,048,928.66
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	2.62%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>4,057,654.85</b>	<b>4,057,654.85</b>		
<b>Cash Dividends and Income</b>	9,017.06	47,654.85		



ACCOUNT NO. ABA00077

COMP SHARED RISK POOL ASSN OF  
BAY AREA GOVT.  
1750 CREEKSIDE OAKS DR.  
SUITE 200  
SACRAMENTO CA 95833

DDA: 101003895  
PAGE 1

SAFEKEEPING INVENTORY  
03/31/19

CUSIP SETTLE	RATE MATURITY	CALL/PUT INFORMATION SECURITY DESCRIPTION	RECEIPT#	ORIGINAL COST UNIT/PAR VALUE	INFLATED PAR/ ORIGINAL FACE	MARKET PRICE MARKET VALUE
CLASS: CERT. OF DEPOSIT						
36157PFR5	2.150	GE CAPITAL RETAIL BANK GE 2.15 06/17/2019		247,000.00		99.958000000
06/15/12	06/17/19	MEDIUM-TERM CD	019041	247,000.00		246,896.26
40434AC72	3.100	HSBC BANK USA NA CTF DEP		250,000.00		100.871000000
11/17/15	11/17/20	ACT/365	028444	250,000.00		252,177.50
CLASS TOTAL: ORIGINAL COST				497,000.00		
CLASS TOTAL: UNITS/CURRENT FACE				497,000.00	MARKET VALUE	499,073.76
GRAND TOTAL: ORIGINAL COST				497,000.00		
GRAND TOTAL: UNITS/CURRENT FACE				497,000.00	MARKET VALUE	499,073.76





Customer Service:  
1-866-486-7782

YORK RISK SERVICES GROUP INC  
CLIENT ESCROW ACCOUNT ON BEHALF OF  
ABAG SHARED RISK POOL  
PO BOX 820  
ROSEVILLE CA 95661-0820

Last statement: February 28, 2019  
This statement: March 31, 2019

Improve cash flow, streamline accounts payable and simplify bookkeeping with Umpqua card solutions for businesses. Features include company spending reports and online reporting tools to easily track and monitor employee spending. Contact your Umpqua Bank Relationship Manager for details.

## ANALYZED BUSINESS CHECKING

Account number	992412908	Beginning balance	\$34,635.58
Low balance	\$34,111.78	Deposits/Additions	\$9,329.67
Average balance	\$37,500.01	Withdrawals/Subtractions	\$9,853.47
Interest earned	\$0.00	Ending balance	\$34,111.78

## ACH and Electronic Deposits/Additions

<u>Date</u>	<u>Description</u>	<u>Additions</u>
03-04	ACH Credit Sharp Pre Fund 20190304	9,329.67
<b>Total ACH and Electronic Deposits/Additions</b>		<b>\$9,329.67</b>

## Other Withdrawals/Subtractions

<u>Date</u>	<u>Description</u>	<u>Subtractions</u>
03-20	Maintenance Fee Analysis Activity For 02/19	43.21
<b>Total Other Withdrawals/Subtractions</b>		<b>\$43.21</b>

## Daily Balances

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
02-28	34,635.58	03-12	40,917.94	03-18	37,281.47
03-04	43,366.41	03-13	40,337.94	03-20	34,495.99
03-05	41,538.59	03-14	40,149.89	03-25	34,228.77
03-11	41,319.64	03-15	39,109.29	03-26	34,111.78
				03-31	34,111.78



**Overdraft Fee Summary**

	<b>Total For This Period</b>	<b>Total Year-to-Date</b>
<b>Total Overdraft Fees</b>	\$0.00	\$0.00
<b>Total Returned Item Fees</b>	\$0.00	\$0.00

**Checks**

<u>Check #</u>	<u>Amount</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Date</u>
55047	\$1,040.60	03-15	55083	\$32.70	03-12
*55072	\$188.05	03-14	55084	\$153.00	03-12
*55075	\$580.00	03-04	55085	\$1,940.56	03-20
55076	\$1,827.82	03-05	55086	\$580.00	03-20
55077	\$221.71	03-20	55087	\$1,827.82	03-18
55078	\$18.84	03-04	*55089	\$18.46	03-25
55079	\$580.00	03-13	55090	\$116.99	03-26
*55081	\$218.95	03-11	55091	\$248.76	03-25
55082	\$216.00	03-12			

(\* Skip in check sequence, R-Check has been returned, + Electronified check))

Total Checks paid: 17 for **-\$9,810.26**



1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833  
 (800) 541-4591 Fax (916) 244-1199  
<https://www.planjpa.org/>

## Board & Committee Meeting Schedule Program Year 2019/2020

<b><u>Committee</u></b>	<b><u>Date</u></b>	<b><u>Time</u></b>	<b><u>Location</u></b>
<b>Board of Directors</b>	12/5/2019	9:30 a.m.	TBD
	6/11/2020	9:30 a.m.	TBD
<b>Executive Committee</b>	10/24/2019	10:00 a.m.	San Bruno City Hall
	5/14/2020	10:00 a.m.	San Bruno City Hall
<b>Risk Management Committee</b>	10/10/2019	10:30 a.m.	Teleconference
	4/2/2020	10:30 a.m.	Teleconference
<b>Actuarial/Finance Committee</b>	4/16/2020	10:30 a.m.	Teleconference
<b>Claims Committee</b>	7/25/2019*	1:30 p.m.	Teleconference
	<i>*Standing Schedule - 4<sup>th</sup> Thursday of each month, as needed/required</i>		
<b>Strategic Planning Session</b>	2/20/2020-	1:00pm – 4:00pm	TBD
	2/21/2020	9:00am – 12:00pm	

### **SHARP**

<b>Board of Directors</b>	12/4/2019	10:00 a.m.	TBD
	6/9/2020	10:00 a.m.	TBD

# Shared Agency Risk Pool

1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833  
(800) 541-4591 Fax (916) 244-1199  
<https://www.planjpa.org/about/sharpwc/>

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## **Legislative and Industry Updates – June 4, 2019**

Workers' Compensation activity has continued in Sacramento in the Legislature, with May 31, 2019 the last day for bills to pass out of their House of Origin, with Summer Recess beginning on July 13, 2019. A review of active bills provides that several may have a significant impact for the SHARP program. An update on those which may impact the Workers' Compensation program is provided.

### **LEGISLATIVE ACTIVITY**

#### **AB 5 Independent Contractor Status (Gonzalez)**

A recent California Supreme Court unanimous decision (Dynamex Operations West, Inc. v. Superior Court of Los Angeles, (2018) 4 Cal.5th 903) regarding misclassified workers, established an "ABC test" to determine if the workers were actual employees or independent contractors. The ABC test states an employer must meet all 3 of the following to prove that a worker is NOT an employee:

- a) The worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact;
- b) That the worker performs work that is outside of the usual course of the hiring entity's business; and
- c) That the worker is customarily engaged in an independently established trade, occupation or business of the same nature as the work performed.

While AB 5 proposes to exempt certain professions from classification as employees, it will define its application to additional employment benefits, including workers' compensation which will in turn have a fiscal and resource impact on the Department of Industrial Relations and Employment Development Department.

#### **STATUS – Passed to Senate.**

#### **AB 749 Settlements (Stone, Gonzalez and Reyes)**

This bill proposes to prohibit employment settlements entered in to on or after January 1, 2020 from including a provision the employee is restricted from returning to work for the employer. Employment status may be important to the resolution of a Workers' Compensation claim and can determine when benefits are payable. There can be instances where the specifics of a Workers' Compensation settlement depend upon employment status.

# Shared Agency Risk Pool

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<https://www.planjpa.org/about/sharpwc/>

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While the settlement of Workers' Compensation claims does not directly involve termination of employment agreements, there is concern that underlying personnel issues resolved by agreement may complicate and/or delay Workers' Compensation case resolution.

Staff will continue to monitor this proposal for impact to the Workers' Compensation program.

## **STATUS – Passed to Senate.**

### **AB 932 Firefighter Injuries Out of State (Low and Petrie-Norris)**

Similar to AB 1749 from the last session which expanded out of state coverage for Peace Officers **IF** the employer had passed a resolution agreeing to provide coverage, this proposal expands out of state coverage for Firefighters, including those which may have been injured during the Las Vegas shooting 10/01/17. At this time, one of the primary differences in the bill as proposed is that it DOES NOT require a resolution from the employer to provide coverage.

The Legislative Analysis provided April 26, 2019 states: *"In order to obtain workers' compensation benefits under the bill, injured firefighters would have to prove that they were engaging in rescue and protective actions, as opposed to merely being one of the many innocent bystanders shot by the sniper. This is true of virtually all workers' compensation claims – the burden is on the employee to show that the injuries grew out of activities that are job/duty related."*

## **STATUS – Passed to Senate.**

### **AB 1107 Medical Treatment (Chu and Reyes)**

All employers are required to have an approved Utilization Review (UR) process in place to review, approve, modify or deny medical care. This review relies upon the medical expertise of UR and application of the Medical Treatment Utilization Standards. UR disputes can be escalated by the physician or employee to the Independent Medical Review (IMR) process as established in SB 863. Analyses of the IMR process shows over 90% of the IMR reviews uphold the original UR findings.

As amended, this bill proposes to allow to allow the Workers' Compensation Appeals Board (WCAB), to determine if application of the UR and IMR processes has "unreasonably delayed" provision of medical care (regardless of if the IMR process has upheld the UR decision on appropriate medical treatment when applying the Medical Treatment Utilization Standards (MTUS)).

# Shared Agency Risk Pool

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The penalty imposed by a determination of “unreasonable delay” of medical care is the financial amount of the delayed care increased by 25% or \$10,000, whichever is less. Returning the decision of medical care to a legal, rather than medical opinion, will result in increased claims costs to employers and delayed medical care to injured workers as they wait for litigation to resolve.

## **STATUS – Passed to Senate.**

### **SB 542 PTSD Presumption (Stern)**

This bill will add to the 10 current presumptive injuries for Safety Officers, coverage for “mental health condition or mental disability that results in a diagnosis of post-traumatic stress or mental health disorder”, and further states this provision would apply to claims filed or pending on or after 01/01/17, even if previously denied. Effectively, applying a presumption to a claim 2 years after it was filed.

Appropriate medical and psychiatric care is to be provided to all injured workers as it relates to their employment. While this bill does reference the care provided, it first addresses determination of compensability through the presumptive injury. Combining post-traumatic stress (PTSD) and a general mental health disorder as one presumptive injury opens up the psychiatric injury to wide interpretation, leading to increased costs to Public Entities which may not relate to actual employment injury.

The Senate Appropriations Committee has stated: “extending coverage of presumptive injuries to specified mental health conditions would likely result in increases to workers compensation premiums. Thus, the bill will result in higher workers compensation premium costs for state departments, as the State is a direct employer. The magnitude is unknown, but potentially in the millions of dollars annually across all state departments.” As with the State expectations of potential financial impact, SHARP members can expect to follow suit.

## **STATUS – Passed to Assembly.**

**Association of Bay Area Governments – Certificate  
#5809**

Resolution No. 2019-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE ASSOCIATION OF BAY AREA  
GOVERNMENTS TO CHANGE ITS NAME TO  
SHARED AGENCY RISK POOL (SHARP)**

**WHEREAS**, the Board of the Association of Bay Area Governments Certificate #5809 desires to change its name to Shared Agency Risk Pool (SHARP);

**WHEREAS**, as of January 1, 2018 the Association of Bay Area Governments Certificate #5809 is no longer associated with the Association of Bay Area Governments (ABAG);

**NOW, THEREFORE, BE IT RESOLVED:** by the Board of Directors of the Association of Bay Area Governments that the name change to Shared Agency Risk Pool (SHARP) is hereby approved.

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_, to adopt the Resolution, as presented.

PASSED AND ADOPTED by the Board of Directors of the SHARP on \_\_\_\_\_, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

---

President of Association of Bay Area Governments

---

Secretary of Association of Bay Area Governments

## **AMENDMENT ONE TO THE AGREEMENT FOR PROGRAM ADMINISTRATION SERVICES**

This Amendment One to that certain Agreement for Program Administration Services dated as of November 2, 2017 (the “Agreement”) by and between ABAG Comp Shared Risk Pool (“SHARP”) and York Risk Services Group, Inc. (“York”), as successor in interest to Bickmore.

### **WITNESSETH**

WHEREAS, Bickmore’s 100% parent is York; and

WHEREAS, Bickmore desires to assign its business applicable to the Agreement to York, and York is prepared to assume all of Bickmore’s rights and obligations under the Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Effective as of the date hereof, Bickmore’s rights and obligations under the Agreement are assigned to York and York assumes all of such rights and obligations.
2. All other terms of the Agreement shall remain in force and unchanged. Any conflicts between this amendment and the original Agreement, including any prior executed amendments, shall be superseded by the terms provided herein.

{Remainder of the page is intentionally left blank}



In Witness Whereof, the parties have executed this amendment to be effective as of January 1, 2019.

ABAG COMP SHARED  
RISK POOL

YORK RISK SERVICES GROUP, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

BICKMORE

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

LOCAL AGENCY WORKERS' COMPENSATION EXCESS  
JOINT POWERS AUTHORITY  
1750 CREEKSIDE OAKS DRIVE, SUITE 200  
SACRAMENTO, CA 95833

BOARD OF DIRECTORS MEETING  
June 4, 2019

A meeting of the Board of Directors of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) was held at the Double Tree by Hilton, 2100 Point West Way Sacramento, California.

BOARD MEMBERS

PRESENT:

Rosa Kindred-Winzer, President, City of Merced  
Janet Hamilton, Vice President, City of Livermore  
Scott Ellerbrock, Treasurer/Past-President, PERMA  
Lucretia Akil, City of Alameda  
Garrett Toy, BCJPIA (arrived at 10:38 a.m.)  
Erick Cheung, CCCTA  
Wendy Silva, CSJVRMA  
Lori Shively, City of Clovis  
Kevin Powell, City of Coronado  
Jace Schwarm, City of Encinitas  
Glen Weeks, FASIS  
Beverly Jensen, City of Lodi  
Lisa Velasco, Town of Los Gatos  
Michael Urquides, MCLAIA  
David Rawe, City of Roseville  
Mellissa Guerrero, City of Santa Maria  
Jessie Bishop, City of Santee  
Scott Corey, City of Suisun City  
Jessica Bowes, City of Vacaville  
Andy Cox, VCJPA

ALTERNATES PRESENT:

Ruth Jensen, CHWCA  
Shirley Kim, City of Gilroy  
Michelle Katsuyoshi, City of Morgan Hill  
James Peavey, City of Pleasanton  
Erike Young, PARSAC  
Marcus Beverly, SCORE  
Kristen Vaughan, City of Vacaville  
Maili Madsen, City of Vallejo

BOARD MEMBERS

ABSENT:

Tran Nguyen, SHARP  
Kim Imboden, City of Benicia  
Janis Holt, CHWCA  
LeeAnn McPhillips, City of Gilroy  
Deneen Proctor, City of Merced  
Dat Nguyen, City of Morgan Hill  
Sandy Abe, City of Newark  
Rosanna Ramirez, City of Placentia  
Debra Gill, City of Pleasanton  
Kin Ong, PARSAC, City of Placentia  
Emily Hung, City of San Leandro  
Steve Baker, SCORE  
Ember E. Buckman, City of South Lake Tahoe  
Erika Leahy, City of Vallejo  
Dolores Gascon, City of Vista

ALTERNATES ABSENT:

Michael Roush, City of Alameda  
Lori Elefant, BCJPIA  
Lisa Rettig, CCCTA  
Paul Melikian, CSJVRMA  
Shonna Haltermann, City of Clovis  
Emad Gewaily, City of Coronado  
Howard Wood, FASIS  
Jas Sidhu, City of Livermore  
John Fukasawa, City of Lodi  
Laurel Prevetti, Town of Los Gatos  
Michael Caton, PERMA  
Hedy Dehghan, City of San Leandro  
Katrina Garcia, City of Santa Maria  
Erica Hardy, City of Santee  
Wes Maffei, VCJPA  
Isabel Casteran, City of Vista

OTHERS PRESENT:

Jim Elledge, Executive Director/Finance Manager  
Terrie Norris, Risk Control Manager  
Tammy Vitali, Claims Manager  
Kim Sackett, Recording Secretary  
Richard Shanahan, Legal Counsel, Bartkiewicz, Kronick & Shanahan  
Jeff Johnston, York Risk Services Group, Inc.  
Ric Burwell, BCJPIA/CHWCA  
Jaesa McCulligan, BCJPIA  
Mike Harrington, Bickmore Actuarial (*left after Item 6.C.*)  
Jennifer Jobe, FASIS  
Chrissy Mack, VCJPA  
Jeanette Workman, CSJVRMA  
Chee Xiong, Senior Accountant

Mike Simmons, Alliant Insurance Services

1. **CALL TO ORDER**

The meeting was called to order at 10:33 a.m. by President Rosa Kindred-Winzer.

2. **INTRODUCTIONS**

Introductions took place of those present. A majority of the members were present, constituting a quorum. President Kindred-Winzer reported that Ms. Lucretia Akil, Board Representative from the City of Alameda, was leaving the City on July 5, 2019, for an opportunity at the County of Alameda, and thanked her for her many years serving on the LAWCX Board of Directors.

3. **APPROVAL OF AGENDA AS POSTED (OR AMENDED)**

President Kindred-Winzer presented the Agenda for the June 4, 2019, LAWCX Board of Directors Meeting.

*Jace Schwarm, City of Encinitas, moved to approve the agenda as posted, which was seconded by Scott Ellerbrock, PERMA, and the motion passed unanimously.*

4. **PUBLIC COMMENTS**

None.

5. **CONSENT CALENDAR**

President Kindred-Winzer presented the Consent Calendar for review. There being no amendments, a motion was requested.

*Lucretia Akil, City of Alameda, moved to approve Consent Calendar items 5.A.-H., which was seconded by Lori Shively, City of Clovis, and the motion passed unanimously.*

The Consent Calendar consisted of the following:

- A. Minutes from the November 6, 2018, Board of Directors Meeting
- B. Board of Directors Meeting Schedule for Fiscal Year 2019/20
- C. Treasurer's Report dated March 31, 2019
- D. Warrant Listing: April – May 2019
- E. Report Regarding Claims Audits Conducted in Program Year 2018/19
- F. Schedule of Claims Audit To Be Conducted in Program Year 2019/20
- G. Risk Control Services Update Fiscal Year 2018/19
- H. Report on Member Withdrawal Notices

6. **ACTION/DISCUSSION ITEMS**

A. Pool Administration and Risk Control Contract Renewal with York Risk Services Group, Inc.

Mr. Jim Elledge, Executive Director/Finance Manager, stated LAWCX's contract with Bickmore for Pool Administration and Risk Control Services expires on July 1, 2019. Mr. Elledge noted on May 1, 2014, Bickmore was acquired by York Risk Services Group, Inc. (York), and on December 1, 2018, as part of a company-wide rebranding initiative, Bickmore was rebranded to York. Mr. Elledge further stated on December 21, 2018, York submitted a proposal for a five-year contract renewal to the LAWCX President and Vice President, which included pricing and terms. This proposal was reviewed and approved by the Executive Committee at the February 5, 2019, meeting. The Committee also reviewed the proposed five-year contract renewal that staff and LAWCX's General Counsel developed and recommended approval to the Board of Directors. Mr. Elledge reviewed the substantive changes from the expiring contract.

*A motion was made by Jace Schwarm, City of Encinitas, to approve the proposed five-year contract renewal with York Risk Services Group, Inc. for Pool Administration and Risk Control Services with a term of July 1, 2019, to June 30, 2024, which was seconded by Scott Ellerbrock, PERMA, and the motion passed unanimously.*

B. Actuarial Services Contract Renewal with Prime Actuarial LLC (dba Bickmore Actuarial)

Mr. Elledge stated LAWCX's contract with Bickmore for Actuarial Services expires on July 1, 2019. Mr. Elledge further stated on December 21, 2018, Bickmore Actuarial submitted a proposal for a five-year contract renewal to the LAWCX President and Vice President. The proposal was reviewed by the Executive Committee at the February 5, 2019, meeting. Mr. Mike Harrington, who at the time of the meeting was President of Actuarial Consulting with York Risk Services Group, Inc., informed the Committee the Bickmore Actuarial unit would become a stand-alone company effective April 1, 2019. Mr. Elledge stated the new firm is named Prime Actuarial LLC (dba Bickmore Actuarial). The Committee approved the proposed pricing for Actuarial Services and directed staff and LAWCX's General Counsel to develop a contract for approval to the Board of Directors. Mr. Elledge stated there would be no changes to the service levels or staff responsible for service the LAWCX account, and the terms contained in the December 21, 2018, letter proposal would not change.

*A motion was made by Janet Hamilton, City of Livermore, to approve the proposed five-year contract renewal with Prime Actuarial LLC (dba Bickmore Actuarial) for Actuarial Services with a term of July 1, 2019, to June 30, 2024, which was seconded by Beverly Jensen, City of Lodi, and the motion passed unanimously.*

C. Actuarial Study – Benefits of Compromise and Release

Ms. Tammy Vitali, Claims Manager, stated in November 2018, the Board of Directors approved hiring Bickmore actuaries to conduct a special study to analyze LAWCX member loss data to determine whether there were cost benefits associated with settling claims via Compromise and Release (C&R). Ms. Vitali noted of the 263 claims currently being monitored, 95% have LAWCX reserves and 73% remain open for future medical care.

Mr. Mike Harrington, Bickmore Actuarial, stated his team compared claims costs associated with C&R settlements, Stipulated Awards, and leaving the claim open in order to evaluate the cost differences of using C&R versus the other options. Their analysis included approximately 40,000 primary claims of the current LAWCX membership. Mr. Harrington stated in general, claims closed via C&R were significantly less expensive than those that closed by Stipulated Awards or those that were left open to monitor future medical care. They found this to be true for different disability ratings, claim sizes, cost types, departments, injury types, and time periods. Mr. Harrington stated claims settled via C&R were 24% to 47% less expensive than comparable claims settled via Stipulated Award, and 55% to 79% less expensive than comparable claims that remain open. Discussion ensued about the usefulness of the C&R study, along with the Board's desire to share the study with agencies and individuals in the workers' compensation arena. Mr. Harrington stated he is comfortable sharing the study for educational purposes, subject to the approval of the LAWCX Executive Director as far as the venue of where the study would be shared.

*No action was taken as this item was for information only.*

D. Memorandum of Coverage (MOC) for the 2019/20 Program Year

Ms. Tammy Vitali stated staff reviewed the Memorandum of Coverage (MOC) and confirmed with the excess carrier, CSAC EIA, that in addition to the appropriate date changes and membership updates, an endorsement was adopted pertaining to injuries or occupational diseases sustained by off-duty, out of state peace officers. The endorsement was included in response to Assembly Bill 1749 that addressed concerns of some legislators that claims filed by California peace officers injured in the October 2017, Las Vegas Route 91 Harvest Festival were being denied. Ms. Vitali stated under the new law an employer can choose to accept compensability and provide benefits at its discretion or in accordance with a resolution; as long as the employer decides that providing compensation serves the public purposes of the employer. CSAC EIA's endorsement that will be included in their 2019/20 MOC allows for coverage of such claims, but only if the employer has adopted a resolution pursuant to Labor Code Section 3600.2 accepting liability for the injury under the Workers' Compensation Act. Staff recommended the same provision in the LAWCX MOC. Ms. Vitali noted an employer would need to adopt and pass a resolution in order to receive coverage from LAWCX.

Ms. Vitali also noted the proposed redline version of the 2019/20 MOC contains pertinent member agency name changes, date changes, and the exclusion language to Part Five, paragraph F, on page 6, which mirrors language from CSAC EIA's endorsement.

Ms. Vitali stated the MOC was reviewed by the Executive Committee in April 2019. It was recommended the membership be advised of the change to the MOC along with a sample resolution for coverage of off-duty, out of state peace officers that can be adopted by employers prior to July 1, 2019, effective on or after July 1, 2019. The information was electronically provided to the members on May 13, 2019.

***A motion was made by Beverly Jensen, City of Lodi, to approve the Proposed Memorandum of Coverage for the 2019/20 Program Year; which was seconded by Janet Hamilton, City of Livermore, and the motion passed unanimously.***

**E. Resolution Establishing Local Claims Procedure Regulations for the Authority pursuant to Government Code Section 935**

Ms. Tammy Vitali reminded the Board draft Resolution 1-2019 was presented to the Board at the November 2018, meeting but was deferred to allow members additional time to review more in-depth information on the matter prior to the June 2019, meeting. The proposed resolution resulted from a LAWCX claim discussed in closed session involving a dispute for reimbursement on a claim denied in 2011. In lieu of litigation against LAWCX for reimbursement of \$83,945, the parties agreed to resolve the issue for \$20,000. Had the matter been litigated, the absence of a local claims procedure regulation would have precluded LAWCX from using lack of claim timeliness under the Government Claims Act as a defense. The Government Claims Act addresses claims against local government agencies, including filing requirements and deadlines. The Act applies broadly to most types of money claims, including personal injury and property damage claims and claims based on a contract. Under the Act, most claims for money or damages against the Authority require the claimant to timely file a claim before proceeding to court. If the claimant misses the claim filing deadline, then it may be precluded from filing a lawsuit in court against the Authority.

Staff reviewed a proposed resolution that would adopt local claims procedures under Government Code Section 935 and apply to Government Claims Act-exempt claims, requiring member agencies to file written claims with LAWCX within the Act's claim filing deadlines (i.e., six months for personal injury, wrongful death, or personal property damage claims and one year for breach of contract and real property damage claims). Ms. Vitali noted that if LAWCX were to adopt the local claims resolution and a coverage dispute later arose with one of the member agencies, the member agency/claimant would be required to file a written claim with LAWCX within one year after the accrual of the cause of action.

***A motion was made by Scott Ellerbrock, PERMA, to approve proposed Resolution 1-2019 establishing local claims procedure regulations for the Authority; which was seconded by Andy Cox, VCJPA, with a no vote by Jace Schwarm, City of Encinitas, and the motion passed.***

F. Proposed Strategic Plan for 2019 to 2022

Mr. Elledge reviewed the draft 2019 to 2022 Strategic Plan developed by staff and the Executive Committee. Mr. Elledge informed the Board of the process used to develop the plan which included a strategic planning session held in conjunction with the February 5, 2019, Executive Committee meeting. Mr. Elledge noted at the Board's direction other Board and Alternate Representatives were invited to participate in the planning session which resulted in an additional three member participants. A survey was also deployed in advance of the meeting to seek input from the members. During the planning session the participants affirmed LAWCX's purpose, conducted a brainstorming session, and developed the following three guiding principles:

1. Stability: "To effectively and responsibly manage resources."
2. Service: "To be member focused and provide innovative solutions to promote effective and efficient workers' compensation programs."
3. Collaboration: "To be a sharing organization that fosters participation, transparency, and openness."

Mr. Elledge also reviewed the following three primary initiatives that were the basis for the plan:

1. Ensure stability in LAWCX's financial position, pricing, and membership; streamline and improve the members' experience when submitting renewal data; and compliance surveys.
2. Develop programs to expand "internal marketing" efforts; increase members' understanding of LAWCX and awareness of services and resources; and strengthen member engagement.
3. Develop risk control programs and services to prevent and mitigate the probability of recurring injuries and illnesses.

Mr. Elledge noted the status of the Strategic Plan would be included in each Board and Executive Committee Meeting.

***A motion was made by Jace Schwarm, City of Encinitas, to approve the proposed strategic plan for 2019 to 2022; which was seconded by Beverly Jensen, the City of Lodi, and the motion passed unanimously.***

G. Risk Control Service Plan for 2019/20

Ms. Terrie Norris, Risk Control Manager, reviewed staff's recommended 2019/20 Risk Control Plan which included the following services:



- Root Cause Investigation Training for a Focused Group of Members
- Root Cause Investigation Online Training Series
- New Representative Risk Control Orientation
- LAWCX Membership Benefit Presentations
- York Risk Control Web-based Resources
- Unlimited Telephone and Email Consultation
- Management of the LAWCX Safety and Risk Control Reimbursement Program
- Additional Consultation Services for Purchase

Ms. Norris noted for those LAWCX members with an experience modification (ex mod) factor equal to or greater than 1.02, Risk Control staff will provide an on-site Root Cause Injury and Illness Investigation training. JPA members in the Focus Group will receive two days of regional training and Direct members will receive one day of training presented at their city. Staff recommends this training to assist members in lowering their ex mod and to prevent and mitigate the probability of the recurrence of injuries or illnesses, which can translate into savings for LAWCX and its members.

Ms. Norris noted there is unlimited access to telephone and email risk control consultation, and \$40,000 available in the Risk Management Grant Fund, which can be used by members for up to \$2,000 in reimbursement for any service provider or product that is designed to reduce workers' compensation losses. Members have until July 31<sup>st</sup> to submit documentation for reimbursement for any services that were purchased prior to June 30<sup>th</sup>. Ms. Norris noted there is still an available balance of \$23,192.17 available to members who have not yet used their allocation.

***A motion was made by Erike Young, PARSAC, to approve the 2019/20 LAWCX Risk Control Plan; which was seconded by Scott Ellerbrock, PERMA, and the motion passed unanimously.***

*The meeting recessed for lunch at 12:05 p.m., and reconvened at 12:48 p.m. for a working lunch.*

#### **H. Proposed Operating Budget for the 2019/20 Program Year**

Mr. Elledge reviewed the proposed operating budget with the Board, noting the changes in the major budget line items. Mr. Elledge reminded the Board that funding rates were set at the November 2018, using the 80% confidence level and discounted using a 2.5% interest rate assumption. These assumptions were the same as the prior year. Mr. Elledge noted the final contribution to LAWCX's excess insurance purchased through CSAC EIA will not be known until EIA's Board of Directors approves their budget on June 7, 2019. Mr. Elledge noted a 4% increase in total administrative costs and an 8% increase in total program costs.

***A motion was made by Jace Schwarm, City of Encinitas, to approve the Proposed 2019/20 Program year Operating Budget; which was seconded by Garrett Toy, BCJPIA, and the motion passed unanimously.***

**I. Financial Statement as of March 31, 2019**

Mr. Elledge reviewed the financial statement as of March 31, 2019, noting assets of increased approximately \$18.4 million from the prior year; liabilities increased by \$6.2 million; and net position increased by \$12.1 million. The investment portfolio saw growth in market value since July 1, 2018, with unrealized gain improving from \$1.3 million unrealized loss at June 30, 2018, to a \$268,000 gain as of March 31, 2019. Claims expense increased compared to the budget due to the actuary's estimated increase on prior year claims.

Mr. Elledge reviewed the three key surplus ratios which had improved as a result of the Board approved assessment.

***No action was taken as this item was for information only.***

**J. Deficit Curing and Assessment Plan Update as it Pertains to Central Coast Cities Self Insurance Fund (CCCSIF)**

Mr. Elledge reported on the status of CCCSIF as it related to the Deficit Curing and Assessment Plan (Plan). Mr. Elledge noted that CCCSIF participated in LAW CX from July 1, 2002, through July 1, 2004, and dissolved on July 1, 2004. Upon dissolution of CCCSIF, all of its primary workers' compensation claims were transferred to the California Joint Powers Insurance Authority (CJPIA) where they have been administered ever since. CJPIA assisted LAW CX staff in obtaining contact information for the nine cities, and Mr. Elledge made contact in December 2018 to inform the underlying nine members of the assessment levied by LAW CX against the former CCCSIF. CCCSIF was assessed \$524,756 as part of the Plan.

Mr. Elledge reported that on February 27, 2019, a webinar was conducted with representatives from the member cities to: 1) review CCCSIF's participation in LAW CX; 2) remind members of the obligations to LAW CX; and 3) discuss the Plan. During the webinar, a request was made to allow CCCSIF to defer their first assessment payment to August 15, 2020, to allow time for the discovery of historical records and dissolution documents and for the nine cities to collectively develop a method for allocating the LAW CX assessment.

Mr. Elledge noted the Executive Committee had reviewed the matter and was supportive of such a deferral. The Executive Committee directed staff to contact the representative from CJPIA to offer the one time postponement of the first assessment installment payment, and negotiate the structure of repayment such that the total assessment was collected by the due date of August 15, 2029. Staff communicated the proposed payment terms, and subsequently received an inquiry from the Chief Financial Officer of CJPIA acknowledging the offer for deferral and

made further inquiries related to the Plan. Mr. Elledge reported that staff would continue to work with CCCSIF with regards to the Plan.

*A motion was made by Jace Schwarm, City of Encinitas, to approve a one-time extension of time to pay the first assessment installment from August 15, 2019, to August 19, 2020, with the remaining nine installments to be paid by August 15, 2029, for the Central Coast Cities Self Insurance Fund; which was seconded by Scott Ellerbrock, PERMA, and the motion passed unanimously.*

K. Election of Executive Committee Officer and Members

President Rosa Kindred-Winzer noted terms were expiring for the position of President, and one At-Large member on the Executive Committee effective July 1, 2019. President Winzer noted members were informed of the vacancies on March 25, 2019. President Winzer reported a Nominating Committee was appointed, and after several meetings submitted the following slate of candidates to the LAWCX membership on May 7, 2019.

<u>Position</u>	<u>Term</u>	<u>Candidate</u>
President	2019 – 2021	Garrett Toy, BCJPIA
Member	2019 – 2021	Erike Young, PARSAC
Member	2019 – 2020	Beverly Jensen, City of Lodi

It was noted that Garret Toy's recommendation for President required an additional position to fill the final year of his two-year term.

*A motion was made by Marcus Beverly, SCORE, to elect Garrett Toy, BCJPIA, to serve in the office of President, to elect Erike Young, PARSAC, to serve as an At-Large Member of the Executive Committee, and to elect Beverly Jensen, City of Lodi, to serve the remaining year of Garrett Toy's term as an At-Large Member of the Executive Committee; which was seconded by Lori Shively, City of Clovis, and the motion passed unanimously.*

L. Proposed Resolution No. 2-2019 Honoring Ms. Rosa Kindred-Winzer

Mr. Elledge stated Ms. Rosa Kindred-Winzer will conclude her second consecutive term as President of LAWCX on June 30, 2019. Mr. Elledge stated the Board would like to formally recognize Ms. Kindred-Winzer's exceptional leadership as President during her service to the LAWCX Executive Committee and Board of Directors, and for her professionalism and emphasis on collaboration amongst the LAWCX member entities.

*A motion was made by Janet Hamilton, City of Livermore, to adopt Resolution 2-2019 to honor Ms. Rosa Kindred-Winzer's Service to LAWCX.*

7. CLOSING COMMENTS

None.

8. **ADJOURNMENT**

At 1:24 p.m., the meeting was adjourned by general consensus.

*Kim Sackett*

Kim Sackett, Recording Secretary

**June 24, 2019**

**Agenda Item 6.A.**

**GENERAL MANAGER'S REPORT**

**SUBJECT: Report from SHARP's General Manager**

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**BACKGROUND AND HISTORY:**

**Membership Update**

Jon Paulsen, General Manager, has solicited several PLAN JPA members for participation in SHARP JPA as directed at the December 5, 2018 Board of Directors meeting. Three members expressed potential interest in participation.

The City of East Palo Alto and the City of Millbrae are interested in future participation, but unable to review SHARP as an alternative for this coming program year. They have both requested that staff reapproach them in January 2020.

The Town of Woodside is currently performing an initial rate review with staff. Jon Paulsen and Ritesh Sharma, both staff, will be in attendance to provide a status update for the Board.

**Staffing Update**

Yahaira Martinez, Assistant Pool Administrator, resigned from York effective May 3, 2019. Katie Sullivan is replacing Ms. Martinez and will assist Jon Paulsen, General Manager, with the Administration of the JPA. York currently staffs several Administrative Assistants in the Sacramento office who are also available to assist SHARP JPA staff as needed.

**RECOMMENDATION:**

*None*

**REFERENCE MATERIALS ATTACHED:**

None

**June 24, 2019**

**Agenda Item 7.A.**

**FINANCIAL MATTERS**

**SUBJECT: Presentation and Consideration of the 2017/18 Financial Audit Report**

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**BACKGROUND AND HISTORY:**

The financial audit for the year ending June 30, 2018, prepared by Maze & Associates, is attached for the Board's review. There are three sections contained within the audit report:

Section One contains the independent auditor's report which states the auditor's opinion. The opinion on the financial audit report is unqualified, which means the financial statements are presented fairly. This represents a "clean" audit opinion.

Section Two contains the Management Discussion and Analysis (MD&A) prepared by the Finance team. The MD&A is informative as it provides an analysis and discussions regarding significant events which occurred during the year.

Section Three contains the Basic Financial Statements comprised of the Statement of Net Position, Statement of Activities, Statement of Cash Flows and Notes to the Basic Financial Statements.

In addition, the Memorandum On Internal Control and Required Communications is included for the Board's review.

Ms. Vikki Rodriguez of Maze & Associates will be available via phone to discuss the audit and answer any questions from the Board.

**RECOMMENDATION:**

*Staff recommends the Board accept and file the 2017/18 Financial Audit Report for the Fiscal Year Ended June 30, 2018.*

**REFERENCE MATERIALS ATTACHED:**

- SHARP Audit Report June 30, 2018
- SHARP MOIC June 30, 2018
- SHARP RC June 30, 2018

**SHARED AGENCY RISK POOL (SHARP)**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**SHARED AGENCY RISK POOL (SHARP)  
BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Shared Agency Risk Pool (SHARP)  
Sacramento, California

We have audited the accompanying financial statements of the Shared Agency Risk Pool (SHARP), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SHARP's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SHARP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SHARP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of SHARP as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California  
May 29, 2019

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Shared Risk Agency Pool (SHARP) has issued the financial reports for fiscal year ending June 30, 2018 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). This discussion and analysis provides an overview of financial activities for the fiscal year and 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 Position—provides information about the financial position of SHARP, including assets, liabilities and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is shown as the difference between total assets and total liabilities.
- (2) Statement of Revenues, Expenses and Change in Net Position —presents revenues, expenses and changes in net position for the fiscal year.
- (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 2017/2018 FINANCIAL HIGHLIGHTS**

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

- Total assets at June 30, 2018 were \$5.0 million. At June 30, 2017, total assets were \$4.9 million. The increase in assets is largely due to timing of payments related to Accounts Payable, combined with the positive change in net position. The Accounts Payable balance at June 30, 2018 was \$134 thousand, an \$83 thousand increase over the June 30, 2017 balance of \$51 thousand.
- Total revenues, including program and general revenues, were \$737 thousand in FY 2017/18; total expenses were \$721 thousand. FY 2016/17 revenues were \$693 thousand and expenses were \$837 thousand.
- Claims and Unallocated Loss Adjustment expenses recognized in FY 2017/18 were \$225 thousand, a \$234 thousand decrease from FY 2016/17’s total of \$459 thousand.
- Excess Insurance Coverage expense increased \$203 thousand from the FY 2016/17 total of \$236 thousand, to \$439 thousand in FY 2017/18.

- The net result of operations for FY 2017/18 was an increase in net position of \$17 thousand. The net result of operations for FY 2016/17 was a decrease in net position of \$143 thousand. The operating gain in FY 2017/18 is not necessarily a favorable outcome, as it follows a substantial loss in FY 2016/17, and the long term financial objective for SHARP is to balance revenue and expenses.
- Total net position at June 30, 2018 was \$3.9 million, and at June 30, 2017 the net position was \$3.9 million.

Condensed financial statements for the 2017/18 and 2016/17 fiscal years appear below:

#### STATEMENT OF NET POSITION

	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>Change</b>	<b>% Change</b>
Cash and Investments	\$ 4,961,271	\$ 4,857,870	\$ 103,401	2%
Deposit with Claims Administrator	29,146	40,000	(10,854)	-27%
Receivables and Prepaid Expenses	28,398	13,994	14,404	103%
<b>Total Assets</b>	<b>5,018,815</b>	<b>4,911,864</b>	<b>106,951</b>	<b>2%</b>
Accounts Payable	133,810	50,671	83,139	164%
Claims Reserves	936,033	929,000	7,033	1%
<b>Total Liabilities</b>	<b>1,069,843</b>	<b>979,671</b>	<b>90,172</b>	<b>9%</b>
<b>Net Position - Unrestricted</b>	<b>\$ 3,948,972</b>	<b>\$ 3,932,193</b>	<b>\$ 16,779</b>	<b>0%</b>

#### STATEMENT OF CHANGES IN NET POSITION

	<b>FY 2017/18</b>	<b>FY 2016/17</b>	<b>Change</b>	<b>% Change</b>
Premiums from Members	\$ 684,371	\$ 665,802	\$ 18,569	3%
Other Income	-	17	(17)	-100%
<b>Total Program Revenues</b>	<b>684,371</b>	<b>665,819</b>	<b>18,552</b>	<b>3%</b>
Claims, Actuary and Unallocated				
Loss Adjustment Expenses	234,793	485,025	(250,232)	-52%
Excess Insurance Coverage	438,841	235,933	202,908	86%
Management and Administration	47,013	115,809	(68,796)	-59%
<b>Total Program Expenses</b>	<b>720,647</b>	<b>836,767</b>	<b>(116,120)</b>	<b>-14%</b>
<b>Net Program Operating Income (Loss)</b>	<b>(36,276)</b>	<b>(170,948)</b>	<b>134,672</b>	<b>-79%</b>
Investment Income	53,055	27,600	25,455	92%
<b>Change in Net Position</b>	<b>16,779</b>	<b>(143,348)</b>	<b>160,127</b>	<b>-112%</b>
<b>Net Position - Beginning</b>	<b>3,932,193</b>	<b>4,075,541</b>	<b>(143,348)</b>	<b>-4%</b>
<b>Net Position - Ending</b>	<b>\$ 3,948,972</b>	<b>\$ 3,932,193</b>	<b>\$ 16,779</b>	<b>0%</b>

## **CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS**

Claims and Unallocated Loss Adjustment expenses totaled \$225 thousand during the year, compared to \$459 thousand in the prior year. This 51% decrease is largely due to settlement of a 2016 death claim of \$400,000 in the prior year. The claim reserves, including Unallocated Loss Adjustment reserves, were \$936 thousand as of June 30, 2018, an increase of \$7 thousand over the prior year. Claim reserves are relatively stable, and claim frequency continues to be low for participating members.

## **INVESTMENT ACTIVITIES**

As of June 30, 2018, both total book value and fair market value of cash and investments was nearly \$5.0 million. The cash and investments balance is comprised of cash in banks (24%), investments in LAIF (66%), and bank certificates of deposit (10%). The investment income was \$53 thousand in FY 2017/18. During the year, SHARP contracted Public Financial Management (PFM) as an investment advisor to manage their investment portfolio within the investment policy.

## **MAJOR PROGRAM INITIATIVES AND ECONOMIC OUTLOOK**

SHARP continues to promote Workplace Injury Prevention and Wellness as an integral part of its Workers' Compensation program. We continue to encourage the use of Best Practices (IIPP) and offer continuous training in Safety and Loss prevention to our members. Members also favor Wellness Programs to be offered to their employees.

The outlook for FY 2018/19 continues to be bright. SHARP's financial performance continues to reflect ongoing efforts to reduce claim frequency and manage claim severity. In addition to maintaining focus on core competencies, SHARP is also focused on further cost savings.

Further, Statewide California commercial insurance experience indicates that costs started to decrease in 2014 and have continued to decrease through 2018. The WCIRB has filed for rate decreases almost continuously between 7/1/15 and 7/1/18. Early indications show there will be another decrease for the 1/1/19 filing. The recent decreases are due almost entirely to lower medical costs, which have been affected by a variety of changes associated with SB 863 including the implementation of Resource-Based Relative Value Scale (RBRVS) and Independent Medical Review (IMR). Pharmaceutical costs in particular have decreased significantly over the past few years, partly due to a fee schedule change. SB 863 also substantially increased permanent disability benefits, and those increases have been implemented as expected. Areas that are putting upward pressure on costs are the frequency of cumulative injury claims (particularly in Southern California) and legal costs.

## **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 SHARP, c/o York Risk Services Group, 1750 Creekside Oaks, Suite 200, Sacramento, CA 95833.

**SHARED AGENCY RISK POOL (SHARP)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**ASSETS**

Cash and Cash Equivalents	\$4,464,072
Investments, at Fair Value	<u>497,199</u>
Total Cash and Investments (Note 2)	<u>4,961,271</u>
Deposit with Claims Administrator	29,146
Interest Receivable	15,523
Prepaid Expenses	<u>12,875</u>
Total Assets	<u>5,018,815</u>

**LIABILITIES**

**Current Liabilities:**

Accounts Payable (Note 3)	133,810
Reserves for Claims and Claim Settlement Expenses (Note 4)	<u>112,000</u>
Total Current Liabilities	<u>245,810</u>

**Noncurrent Liabilities (Note 4):**

Reserves for Claims and Claim Settlement Expenses	794,033
Reserves for Unallocated Loss Adjustment Expenses	<u>30,000</u>
Total Noncurrent Liabilities	<u>824,033</u>
Total Liabilities	<u>1,069,843</u>

**NET POSITION (Note 5)**

Unrestricted	<u>3,948,972</u>
Total Net Position	<u><u>\$3,948,972</u></u>

See accompanying notes to basic financial statements



**SHARED AGENCY RISK POOL (SHARP)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

PROGRAM REVENUES

Premiums from Members:

Risk	<u>\$684,371</u>
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Total Program Revenues	<u>684,371</u>
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PROGRAM EXPENSES

Provision for Claims and Claim Settlement Expenses (Note 4)	212,153
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Provision for Unallocated Loss Adjustment Expenses	12,969
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Excess Insurance Coverage	344,776
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Risk Management Grant	94,065
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Management and Administration	47,013
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Actuary Expenses	<u>9,671</u>
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Total Program Expenses	<u>720,647</u>
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Net Program Operating Income (Loss)	(36,276)
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GENERAL REVENUE

Investment Income	<u>53,055</u>
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CHANGE IN NET POSITION	16,779
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NET POSITION - BEGINNING	<u>3,932,193</u>
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NET POSITION - ENDING	<u><u>\$3,948,972</u></u>
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See accompanying notes to basic financial statements

**SHARED AGENCY RISK POOL (SHARP)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Members	\$689,742
Payments for Actuary and Claims Services	(284,183)
Claims and Claims related Expenses Paid	<u>(348,313)</u>
Net Cash Flows from Operating Activities	<u>57,246</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of Investments	247,801
Investment Income Collections	<u>46,155</u>
Net Cash Flows from Investing Activities	<u>293,956</u>
Net Cash Flows	351,202

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,112,870</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$4,464,072</u></u>
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**RECONCILIATION OF NET PROGRAM OPERATING INCOME (LOSS) TO  
NET CASH FLOWS FROM OPERATING ACTIVITIES**

Net program operating loss	(\$36,276)
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Adjustments to reconcile operating income (loss) to  
cash flows from operating activities:

Change in assets and liabilities:

Deposit with Claims Administrator	10,854
Due from Members	5,371
Prepaid Expenses	(12,875)
Accounts Payable	83,139
Reserves for Losses	<u>7,033</u>

Net Cash Flows from Operating Activities	<u><u>\$57,246</u></u>
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See accompanying notes to financial statements

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description**

The Shared Agency 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.

**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 United States of America.

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

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position display overall financial activities of SHARP. 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 Revenues, Expenses and Change in Net Position presents a comparison between program expenses and program revenues for each function of SHARP's business-type activities. Program 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 may be received and are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that may be received and are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

**C. Major Funds**

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

As of July 1, 2017, SHARP combined its two funds previously reported as the Administration Fund and the Trust Fund into one enterprise fund.

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting***

SHARP accounts for all transactions in one fund, which is comprised of all its assets, liabilities, deferred inflows/outflows of resources, net position, 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.

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 in the year they are assessed.

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

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 current year claims' expense.

SHARP purchases 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.

Risk Sharing – SHARP is set up as a risk sharing pool. SHARP provides its members first dollar coverage up to \$250,000. Losses between \$250,000 and \$5,000,000 are covered by SHARP's excess insurance with Local Agency Workers Compensation Excess JPA (LAWCX).

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.

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SHARP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

***F. Estimates***

SHARP's management has made a number of estimates and assumptions relating to the reporting of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

***G. Statement of Cash Flows***

For purposes of the statement of cash flows, SHARP considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments consist of the following as of June 30, 2018:

	Cash and Cash Equivalents	Investments	Total
Cash in Banks	\$1,198,894		\$1,198,894
Local Agency Investment Fund	3,265,178		3,265,178
Certificates of Deposit		\$497,199	497,199
Total Cash and Investments	<u>\$4,464,072</u>	<u>\$497,199</u>	<u>\$4,961,271</u>

**A. Investments Authorized 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 (E)	N/A	None	None
U.S. Agency Securities (A)	7 years (E)	N/A	None, (A)	None
Bankers Acceptances	180 days	A1/P1	25%	10%
Commercial Paper	270 days	A1/P1/F1	10%	10%
Medium Term/Corporate Notes	5 years	AA	10%	10%
Certificates of Deposit - Insured by Federal Agency	7 years (E)	AA+	30%	10%
Time Certificates of Deposit	1 year	(D)	10%	10%
Money Market Mutual Funds	N/A	AAA (B)	10%	10%
California Local Agency Investment Fund	N/A	N/A	None, (C)	None

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

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

(C) LAIF's limit is \$65 million per account.

(D) Issuer with an AA-long term debt rating and/or A-1 short-term debt rating.

Must have satisfactory CRA rating.

(E) The Board approved investment policy allows maximum maturity of 7 years, which is longer than the 5 years as specified in the Government code.

**B. Fair Value Hierarchy**

SHARP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The following is a summary of the fair value hierarchy of the fair value of investments of SHARP as of June 30, 2018:

Investment Type	Level 2	Exempt	Total
California Local Agency Investment Fund		\$3,265,178	\$3,265,178
Certificates of Deposit - Negotiable	\$497,199		497,199
Total Investments	<u>\$497,199</u>	<u>\$3,265,178</u>	<u>3,762,377</u>
Cash in banks and on hand			1,198,894
Total Cash and investments			<u>\$4,961,271</u>

Negotiable certificates of deposit classified in Level 2 of the fair value hierarchy, are valued using quoted prices for similar assets in markets that are either active or not active and through model-based techniques in which all significant inputs are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument.

**C. 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.

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 which has been prepared using the earlier of stated maturity date or callable dates, if applicable:

Cash and Investments	25-60 Months	Total
Certificates of Deposit	\$497,199	\$497,199
Subtotal Investments	<u>\$497,199</u>	<u>497,199</u>
Cash and Cash Equivalents:		
Cash in Banks		1,198,894
Local Agency Investment Fund		3,265,178
Subtotal Cash and Cash Equivalents		<u>4,464,072</u>
Total Cash and Investments		<u>\$4,961,271</u>

As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 193 days.

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

***D. 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. As of June 30, 2018, SHARP had investments in Certificates of Deposit amounting to \$497,199 which are not rated.

***E. Concentration of Credit Risk***

SHARP's investment policy contains limitations on the amount that can be invested in any one issuer as listed in Section A of this note. No investments exceeded these limits as of June 30, 2018. Included in D above are the investments held by the Trust Fund.

***F. 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 110% 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.

***G. Local Agency Investment Fund***

SHARP is a 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.



**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 3 – ACCOUNTS PAYABLE**

Accounts payable consist of the following as of June 30, 2018:

Accounts payable	\$16,336
Risk management grant payable	75,056
LAWCX assessment payable	42,418
Total	<u>\$133,810</u>

**NOTE 4 – RESERVES FOR CLAIM AND CLAIMS SETTLEMENT EXPENSES**

SHARP utilizes an independent actuary in establishing its liability for claims and claim settlement expenses, as described in Note 1. Reserves for claims and claim settlement expenses changed as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Reserves for claims and claim settlement expenses, beginning of year	<u>\$929,000</u>	<u>\$922,000</u>
Provision for claims and claim settlement expenses attributable to insured events of:		
Current year	213,000	307,902
Prior years	<u>(847)</u>	<u>152,033</u>
Total incurred claims and claim settlement expenses	<u>212,153</u>	<u>459,935</u>
Less settlement of claims and claim settlement expenses attributable to insured events of current and prior fiscal years:		
Claims paid -- current year	(4,593)	(38,902)
Claims paid -- prior years	<u>(200,527)</u>	<u>(414,033)</u>
Total payments	<u>(205,120)</u>	<u>(452,935)</u>
Reserves for claims and claim settlement expenses, end of year **	<u>\$936,033</u>	<u>\$929,000</u>
Components of reserves for claims and claim settlement expenses:		
Reserves for claims and claim settlement expenses	\$906,033	\$896,000
Reserves for unallocated loss adjustment expenses	<u>30,000</u>	<u>33,000</u>
Totals	<u>\$936,033</u>	<u>\$929,000</u>
Current portion	<u>\$112,000</u>	<u>\$107,000</u>

\*\*The liability is recorded at present value using a discount rate of 3%. Undiscounted claims totaled \$1,096,744 at June 30, 2018.

**SHARED AGENCY RISK POOL (SHARP)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – NET POSITION**

Net Position is the excess of a fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. All of SHARP's net position is classified as unrestricted, describing the portion of net position which may be used for any purpose.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

On July 1, 2017, certain members of the ABAG staff, including all members providing services to SHARP, were merged into the staff of the Metropolitan Transportation Commission (MTC) and the responsibility for services performed for SHARP by ABAG staff became the responsibility of MTC management and staff. SHARP entered into an agreement with Bickmore Services for administrative services effective January 1, 2018. Following the transition to Bickmore, ABAG/MTC no longer provides administrative or financial services to SHARP.

SHARP is subject to litigation arising in the normal course of business. In the opinion of SHARP's legal counsel there is no pending litigation which is likely to have a material adverse effect on the financial position of SHARP.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SHARED AGENCY RISK POOL (SHARP)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**TEN-YEAR CLAIMS DEVELOPMENT INFORMATION**  
**YEARS ENDED JUNE 30,**  
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(1) Earned premiums	\$529	\$490	\$540	\$506	\$647	\$739	\$718	\$719	\$666	\$684
Excess insurance premiums	107	97	114	118	172	176	192	224	236	345
Net Earned	422	393	426	388	475	563	526	495	430	339
(2) Investment income allocation:	12	1	10	5	6	7	5	3	1	53
(3) Net earned premiums and and investment revenues	434	394	436	393	481	570	531	498	431	392
(4) Unallocated expenses	95	132	98	102	131	154	131	123	141	151
(5) Funds available for claims	339	262	338	291	350	416	400	375	290	241
(6) Paid (cumulative) as of:										
End of program year	52	38	9	41	32	4	31	17	39	5
One year later	88	86	23	76	64	34	66	21	147	
Two years later	103	135	32	90	162	62	120	37		
Three years later	104	354	56	98	168	188	154			
Four years later	116	374	57	114	168	216				
Five years later	116	389	56	342	168					
Six years later	116	392	56	342						
Seven years later	116	394	54							
Eight years later	116	396								
Nine years later	116									
(7) Estimated reserves for claims and claims adjustment expenses										
End of policy year	193	274	183	165	300	191	259	225	269	213
One year later	76	254	150	134	191	156	237	169	279	
Two years later	60	313	107	322	99	134	191	71		
Three years later	46	90	37	271	42	164	137			
Four years later	44	84	37	185	34	127				
Five years later		53	29	31	27					
Six years later		70	10	30						
Seven years later		61	6							
Eight years later		29								
Nine years later										
(8) Re-estimated incurred claims and claims adjustment expenses:										
End of policy year	245	312	192	206	332	195	290	242	308	218
One year later	164	340	173	210	255	190	303	190	426	
Two years later	163	448	139	412	261	196	311	108		
Three years later	150	444	93	369	210	352	291			
Four years later	160	458	94	299	202	343				
Five years later	116	442	85	373	195					
Six years later	116	462	66	372						
Seven years later	116	455	60							
Eight years later	116	425								
Nine years later	116									
(9) Change in estimated net incurred claims from end of policy year	(129)	143	(126)	167	(130)	157	21	(52)	118	0

<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>
--

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 fiscal year 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.

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**ABAG COMP SHARED RISK POOL  
MEMORANDUM ON INTERNAL CONTROL  
FOR THE YEAR ENDED JUNE 30, 2018**

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**ABAG COMP SHARED RISK POOL**  
**MEMORANDUM ON INTERNAL CONTROL**  
**For The Year Ended June 30, 2018**

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## MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of the  
ABAG Comp Shared Risk Pool  
Sacramento, California

In planning and performing our audit of the basic financial statements of the ABAG Comp Shared Risk Pool (SHARP) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the SHARP's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SHARP's internal control. Accordingly, we do not express an opinion on the effectiveness of the SHARP's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the SHARP's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California  
May 29, 2019

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**ABAG COMP SHARED RISK POOL  
REQUIRED COMMUNICATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**ABAG COMP SHARED RISK POOL**

**REQUIRED COMMUNICATIONS**

**For The Year Ended June 30, 2018**

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## REQUIRED COMMUNICATIONS

To the Board of Directors of the  
ABAG Comp Shared Risk Pool  
Sacramento, California

We have audited the basic financial statements of the ABAG Comp Shared Risk Pool (SHARP) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

### **Significant Audit Findings**

#### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SHARP are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

#### ***Unusual Transactions, Controversial or Emerging Areas***

We noted no transactions entered into by the SHARP during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### ***Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the SHARP's financial statements were:

*Estimated Fair Value of Investments:* As of June 30, 2018, SHARP held approximately \$3.8 million of cash and investments as measured by fair value as disclosed in Note 2B to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

*Estimated Reserve for Claims:* Management's estimate of the reserve for claims and claims adjusted expenses is disclosed in Note 4 to the financial statements and is based on an actuarial study determined by a consultant, which is based on the claims experience of SHARP.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### ***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected 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 Board of Directors.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter May 29, 2019.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the SHARP's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the SHARP's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information

\*\*\*\*\*

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

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California  
May 29, 2019

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**June 24, 2019**

**Agenda Item 7.B.**

**FINANCIAL MATTERS**

**SUBJECT: Review of the Draft Operating Budget for Program Year 2019/20, including the Actuarial Study**

**BACKGROUND AND HISTORY:**

Enclosed is the Draft Operating Annual Budget (Budget) for Shared Agency Risk Pool (SHARP) for the 2019/20 fiscal year. Member contributions are presented at the 65% confidence level (CL), discounted (3.0%); similar factors to 2018/19 budget. The Budget shows operations at the pooled SIR of \$250,000, and attachment to LAW CX at \$250,000. The Budget show total Member Contributions at \$684,000, an 8% decrease from 2018/19 approved budget.

The major components of the budget are outlined below:

**1. Overall Rates for Coverage**

The 2019/20 funding rates were developed by the actuary using December 31, 2018, loss run and financial statements. The actuary also trended payroll for all the members based upon the recent payroll submissions. See attached actuarial study. Below is a comparisons of funding between years:

<u>Program Year Funding</u>	<u>Expected</u>	<u>65%</u>	<u>70%</u>	<u>75%</u>
2019/2020	\$ 644,000	\$ 684,000	\$ 719,000	\$ 760,000
2018/2019	707,000	748,000	784,000	825,000
Change	\$ (63,000)	\$ (64,000)	\$ (65,000)	\$ (65,000)
% Change	-8.9%	-8.6%	-8.3%	-7.9%

An 8.6% decrease in contributions is a result of decrease in primary layer funding rates as well as decrease in excess insurance cost.

**2. Excess Insurance Rate**

The LAW CX premium has been budgeted at \$235,000, which reflects a decrease of 19% over the prior year. The decrease is a result of ABAG leaving the SHARP program. The attachment point for LAW CX is \$250,000 for excess coverage.

**3. Claims Administration**

Claims administration is budgeted for a 3% contractual increase. The budgeted amount is \$15,160.

#### 4. Self-Insurance Assessment

Self-insurance assessment is expected to increase by 27% over prior year. This a fee paid to Department of Industrial Relations for maintaining self-insured plans.

#### 5. Risk Management Grant

Risk Management Grant is funded out of equity.

#### 6. Administrative Expenses

Administrative expenses are expected to increase by 4% over the prior year. The 2019/20 proposed budget includes the following line item variances from the prior year:

- Program Administration: \$53,045 – a contractual 3% increase from prior year.
- Bank Fees: \$2,000 – new line item on the budget for using banking services

#### **Additional Confidence Level Funding:**

As mentioned above, the Budget is compiled using funding at 65% confidence level, which is relatively low. Due to decrease in overall contributions, staff recommends that the Board review different confidence level funding rates. Below is a schedule showing funding at 70% and 75% confidence level.

Member	65% Confidence Level	70%			75%		
		Confidence Level	Increase/ (Decrease)	% Change	Confidence Level	Increase/ (Decrease)	% Change
American Canyon	\$ 351,278	\$ 371,059	\$ 19,781	6%	\$ 394,231	\$ 42,953	12%
Los Altos Hills	72,779	75,519	2,740	4%	78,729	5,950	8%
Ross	104,498	109,179	4,681	4%	114,662	10,164	10%
Saratoga	155,444	163,242	7,798	5%	172,377	16,933	11%
Total	<b>\$ 684,000</b>	<b>\$ 718,999</b>	<b>\$ 34,999</b>	<b>5%</b>	<b>\$ 759,999</b>	<b>\$ 75,999</b>	<b>11%</b>

#### **RECOMMENDATION:**

*Staff recommends the Board approve the Draft Operating Budget for 2019/20.*

#### **REFERENCE MATERIALS ATTACHED:**

- WC Actuarial Report 2019-06-18
- Draft 2019/2020 Operating Budget



# Actuarial Review of the Self-Insured Workers' Compensation Program

*Funding guidelines for fiscal year 2019-20*  
*Outstanding Liabilities as of June 30, 2019*

*Presented to*  
**SHARP JPA**

June 2019

DRAFT



Tuesday, June 18, 2019

Mr. Jon Paulsen  
Pool Administrator  
SHARP JPA  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

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

Dear Mr. Paulsen:

As you requested, we have completed our review of SHARP JPA'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 2019-20 program year to be \$297,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income, but excludes unallocated loss adjustment expenses (ULAE). ULAE costs are included in the other program expenses. 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 3% return on investments per year. For budgeting purposes, the expected cost of 2019-20 claims translates to a rate of \$1.50 per \$100 payroll.

In addition, we estimate the program's liability for outstanding claims to be \$852,000 as of June 30, 2019, including ALAE and ULAE, and discounted for anticipated investment income. Given estimated program assets of \$4,931,000 as of June 30, 2019, the program is funded well above the 85% confidence level (see Graph on Page 9.)

The \$852,000 estimate is the minimum liability to be booked by SHARP at June 30, 2019 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.



## DRAFT

Our conclusions regarding SHARP's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2019 are summarized in the table below.

SHARP  
Self-Insured Workers' Compensation Program  
Estimated Liability for Unpaid Loss and LAE  
at June 30, 2019  
3% Discount Rate

	Expected	65% CL	Marginally Acceptable 70% CL	Recommended Range		
				Low 75% CL	Target 80% CL	High 85% CL
Loss and ALAE	\$968,000					
ULAE	40,000					
Investment Income Offset	(156,000)					
Discounted Loss and LAE	\$852,000	\$950,000	\$1,012,000	\$1,083,000	\$1,166,000	\$1,269,000
Available Funding	4,931,000					
Surplus	\$4,079,000	\$3,981,000	\$3,919,000	\$3,848,000	\$3,765,000	\$3,662,000

The following table shows estimated liability for unpaid loss and LAE at various discount rate assumptions at the expected confidence level.

SHARP  
Self-Insured Workers' Compensation Program  
Estimated Liability for Unpaid Loss and LAE  
at June 30, 2019

Discount Rate	Outstanding Liability
2.0%	\$898,000
3.0%	\$852,000
4.0%	\$811,000

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.

## DRAFT

The table below shows funding recommendations for SHARP for the 2019-20 fiscal year assuming a \$250,000 self-insured retention. We recommend that SHARP contribute between \$760,000 and \$868,000 during 2019-20.

SHARP Self-Insured Workers' Compensation Program Funding Guidelines for 2019-20 Self-Insured Retention (SIR) of \$250,000 3% Discount Rate						
	Expected	65% CL	Marginally Acceptable 70% CL	Recommended Range		
				Low 75% CL	Target 80% CL	High 85% CL
Loss and ALAE	\$335,000					
Investment Income Offset	(38,000)					
Discounted Loss and ALAE	\$297,000	\$337,000	\$372,000	\$413,000	\$461,000	\$521,000
Other Program Expenses	112,000	112,000	112,000	112,000	112,000	112,000
Excess Insurance	235,000	235,000	235,000	235,000	235,000	235,000
Indicated Funding	\$644,000	\$684,000	\$719,000	\$760,000	\$808,000	\$868,000
Rate per \$100 of 2019-20 Payroll	\$3.24	\$3.44	\$3.62	\$3.83	\$4.07	\$4.37

The following table shows projected ultimate costs for loss and ALAE for SHARP for the 2019-20 fiscal year assuming a \$250,000 self-insured retention at various discount rate assumptions at the expected confidence level.

SHARP Self-Insured Workers' Compensation Program Loss & ALAE for 2019-20 Self-Insured Retention (SIR) of \$250,000	
Discount Rate	Loss & ALAE
2.0%	\$308,000
3.0%	297,000
4.0%	286,000

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2019. They are for losses, loss adjustment expenses, excess insurance premiums, and other expenses associated with the program.

## DRAFT

We provide the following allocation of deposit premiums, which include ultimate loss and ALAE, non-claims related expenses and excess insurance costs at the 60%, 65%, 70% and 75% confidence levels on a discounted basis assuming a 3% discount rate. This is shown in further detail on Rate Appendix O.

### 2019-20 Deposit Premiums to Members

	60% Confidence Level	65% Confidence Level	70% Confidence Level	75% Confidence Level
Saratoga	\$148,537	\$155,444	\$163,242	\$172,377
Town of LAH	70,353	72,779	75,519	78,729
Town of Ross	100,353	104,499	109,180	114,663
American Canyon	333,758	351,278	371,059	394,231
Total	\$653,000	\$684,000	\$719,000	\$760,000

The following table displays a comparison of the deposit premium allocations from the prior report to the current report at 65% confidence level.

	Prior Report 2018-19 65% CL	Current Report 2019-20 65% CL	Change	Percent Change
Saratoga	\$157,886	\$155,444	(\$2,443)	-1.5%
Town of LAH	65,798	72,779	6,981	10.6%
Town of Ross	112,061	104,499	(7,562)	-6.7%
American Canyon	409,254	351,278	(57,976)	-14.2%
Total	\$745,000	\$684,000	(\$61,000)	-8.2%

The following table displays a comparison of premium rate per \$100 of payroll from the prior report to the current report at 65% confidence level.

	Prior Report 2018-19 65% CL	Current Report 2019-20 65% CL	Change	Percent Change
Saratoga	\$2.248	\$2.122	(\$0.126)	-5.6%
Town of LAH	3.176	3.022	(0.153)	-4.8%
Town of Ross	5.021	4.508	(0.513)	-10.2%
American Canyon	4.841	4.494	(0.347)	-7.2%
Total	\$3.767	\$3.443	(\$0.323)	-8.6%

## **DRAFT**

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, SB863 and recent WCAB court decisions based upon information provided by the WCIRB.

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

## **DRAFT**

We appreciate the opportunity to be of service to SHARP in preparing this report. Please feel free to call Becky Richard at (916) 244-1183, Mike Harrington at (916) 244-1162 or David Kim at (916) 244-1166 with any questions you may have concerning this report.

Sincerely,

Bickmore

## **DRAFT**

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

## **DRAFT**

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Mike Harrington, FCAS, MAAA  
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Member, American Academy of Actuaries

## **DRAFT**

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David Kim, MA  
Senior Actuarial Analyst, Property and Casualty Actuarial Services, Bickmore

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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 York Insurance Services Group. Additional background on the program is given in Reserves Appendix K.

As of June 30, 2019, SHARP is expected to have available assets of \$4,931,000 for the program. Additional background on program funding is given in Reserves Appendix L.

Current SHARP membership includes the following:

- City of Saratoga
- Town of Loss Altos Hills
- Town of Ross
- City of American Canyon

Membership History:

- Town of Ross Fire Department left the pool effective July 1, 2012.
- American Canyon joined the pool effective July 1, 2012.

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, 2019, project ultimate loss costs for 2019-20, and provide funding guidelines to meet these liabilities and future costs.

## **II. CONCLUSIONS AND RECOMMENDATIONS**

### **A. LIABILITY FOR OUTSTANDING CLAIMS AS OF JUNE 30, 2019**

Graph 1 on the following page summarizes our assessment of SHARP's funding position as of June 30, 2019. 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 30<sup>th</sup>.

Our best estimate of the full value of the SHARP's liability for outstanding claims within its self-insured retention (SIR) is \$1,008,000 as of June 30, 2019. 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).

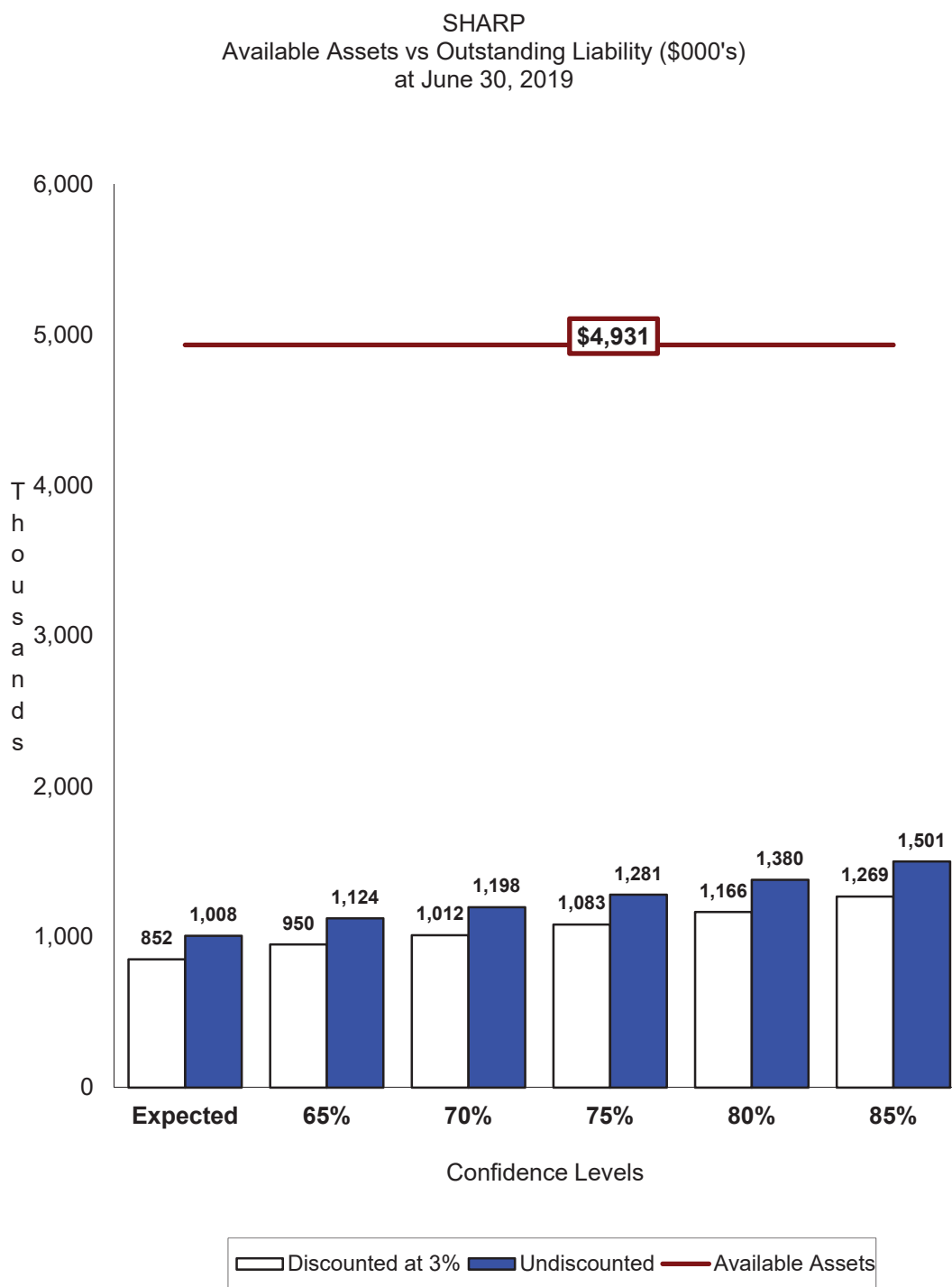
There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs 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 3%, we estimate the impact of investment income earnings to be about 15.5% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims of \$852,000 as of June 30, 2019.

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.



Graph 1



**DRAFT**

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, 2019, before recognition of investment income.

**SHARP**  
**Self-Insured Workers' Compensation Program**  
**Estimated Liability for Unpaid Loss and LAE at June 30, 2019**

Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$0	\$0	\$0
2002-03	12,580	1,136	13,716
2003-04	0	0	0
2004-05	0	0	0
2005-06	0	0	0
2006-07	0	0	0
2007-08	0	0	0
2008-09	0	0	0
2009-10	17,926	30,622	48,548
2010-11	476	8,519	8,995
2011-12	702	33,475	34,177
2012-13	895	32,671	33,566
2013-14	19,454	46,079	65,533
2014-15	116,375	31,883	148,258
2015-16	220	52,476	52,696
2016-17	84,029	68,670	152,699
2017-18	53,604	111,775	165,379
2018-19	13,910	230,386	244,296
Loss and ALAE	\$320,171	\$647,692	\$967,863
ULAE		40,064	40,064
Total	\$320,171	\$687,756	\$1,007,927

## **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.

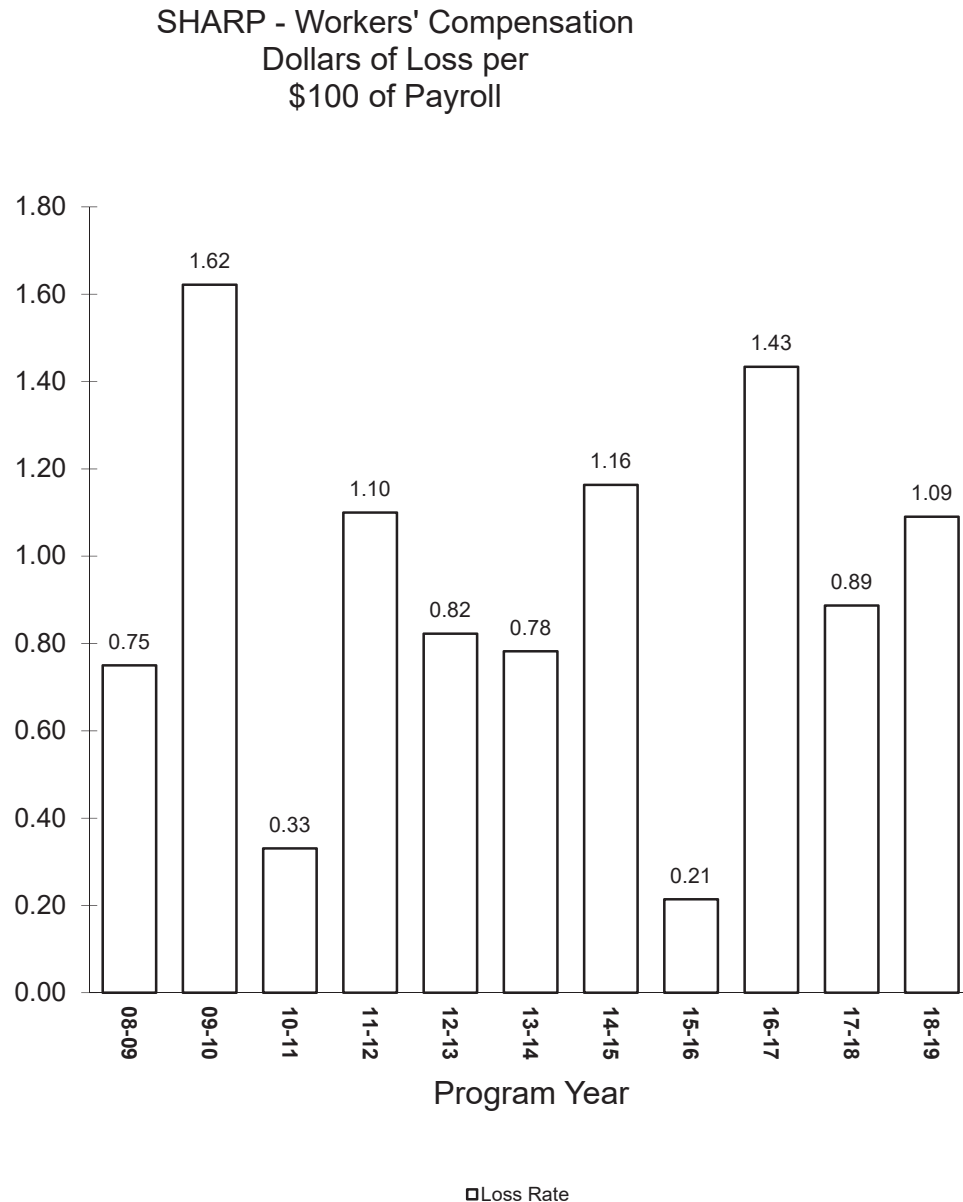
We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, the SHARP's other budgetary constraints, and the relative level of risk it is believed appropriate 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.

### C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

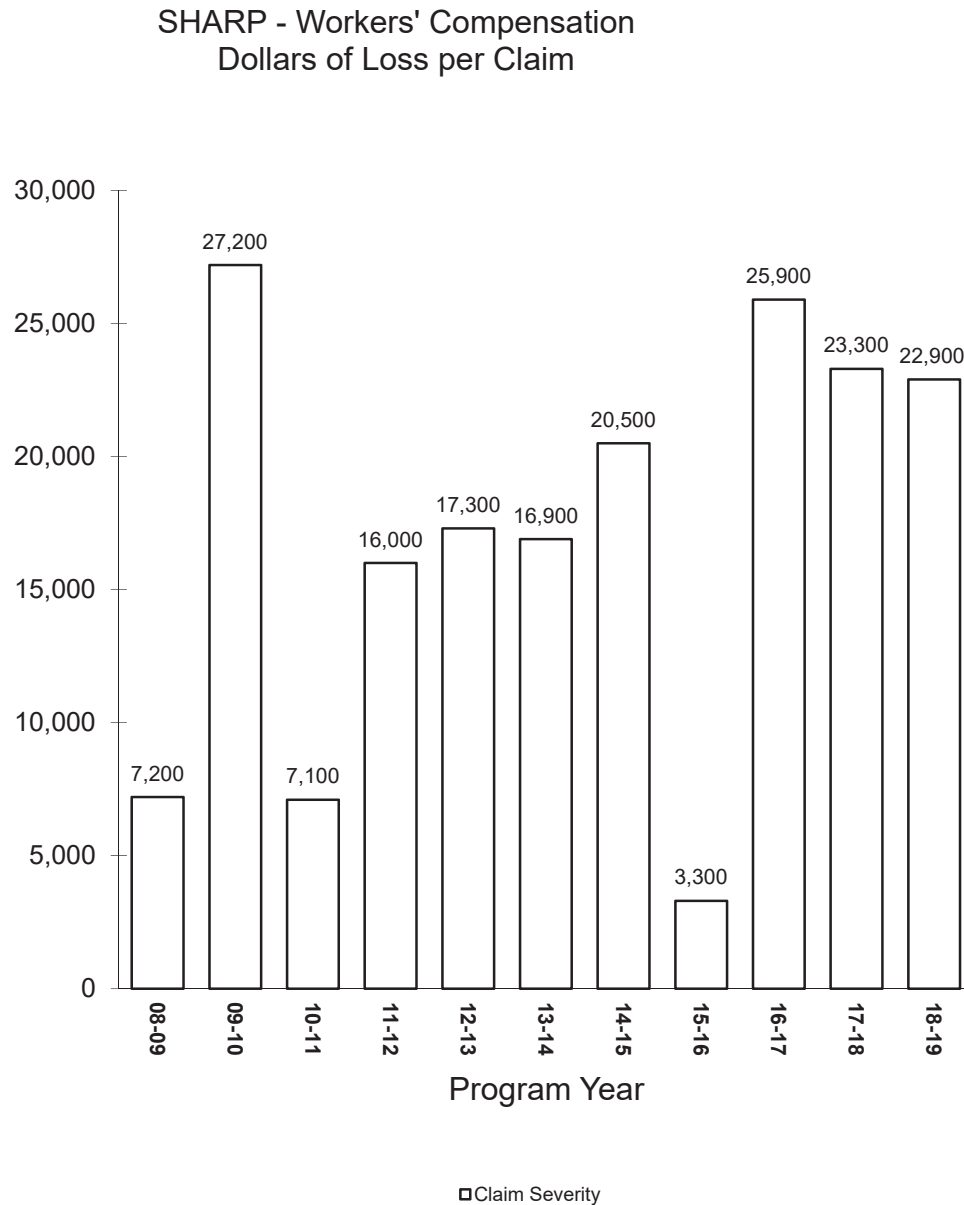
SHARP's losses per \$100 of payroll (based on losses limited to \$100,000 per occurrence), or loss rate, has varied from a high of \$1.62 per \$100 of payroll in 2009-10 to a low of \$0.21 in 2015-16. Our current selection of \$1.09 for the 2018-19 year is based on an average of the recent two years.

Graph 2



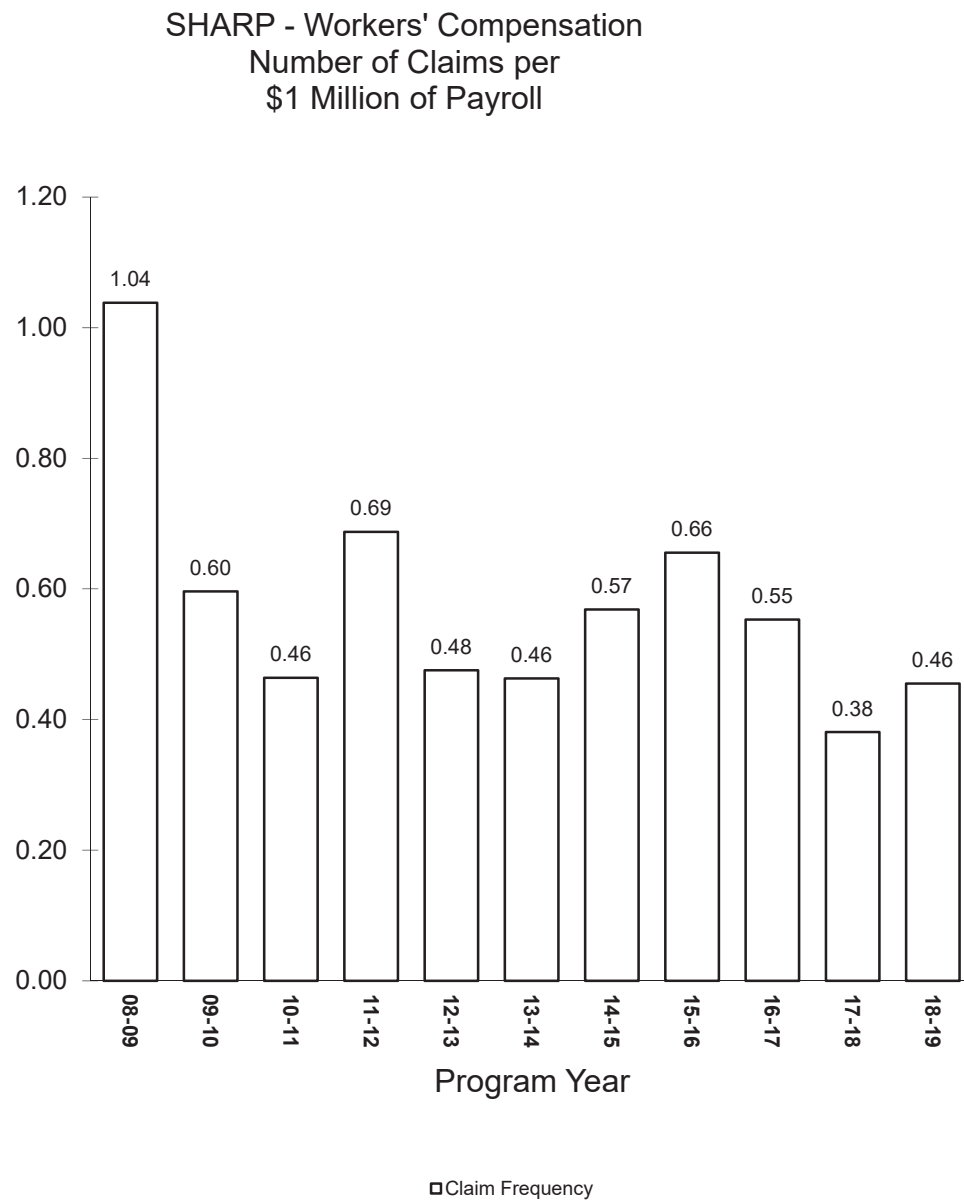
Similar to the loss rate, SHARP's average cost per claim (based on losses limited to \$100,000 per occurrence), or severity, has varied substantially over the past ten years. The severity ranged between a low of \$3,300 in 2015-16 and a high of \$27,200 in 2009-10. Our selection for the 2018-19 year is \$20,900 based on a long-term average.

Graph 3



SHARP's number of claims per \$1 million of payroll, or frequency, has generally followed a decreasing trend. We selected a frequency of 0.46 per \$1 million of payroll for 2018-19 based on the average of recent six program years.

Graph 4



**D. COMPARISON WITH OUR PREVIOUS RESULTS**

The most recent report for SHARP was dated June 19, 2018. 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
Prior	\$0	\$0	\$0
2003-04	0	0	0
2004-05	0	0	0
2005-06	0	0	0
2006-07	0	0	0
2007-08	0	0	0
2008-09	0	0	0
2009-10	2,000	(3,000)	(5,000)
2010-11	1,000	0	(1,000)
2011-12	6,000	0	(6,000)
2012-13	7,000	0	(7,000)
2013-14	6,000	(12,000)	(18,000)
2014-15	7,000	(2,000)	(9,000)
2015-16	30,000	0	(30,000)
2016-17	53,000	(5,000)	(58,000)
2017-18	76,000	73,000	(3,000)
Total	\$188,000	\$51,000	(\$137,000)

As shown, actual incurred development was less than anticipated since the prior report. Based on the assumptions in the prior report, it was expected that incurred losses would increase by \$188,000 between the two evaluation dates. However, actual development was \$51,000; or \$137,000 less than expected. All years show favorable development.



## DRAFT

In the table below we display actual versus expected development of paid losses and ALAE by accident year since our prior report.

### Actual Versus Expected Paid Loss and ALAE Development

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
Prior	\$2,000	\$7,000	\$5,000
2003-04	0	0	0
2004-05	0	0	0
2005-06	0	0	0
2006-07	0	0	0
2007-08	0	0	0
2008-09	0	0	0
2009-10	4,000	1,000	(3,000)
2010-11	1,000	0	(1,000)
2011-12	5,000	0	(5,000)
2012-13	5,000	0	(5,000)
2013-14	26,000	97,000	71,000
2014-15	42,000	20,000	(22,000)
2015-16	39,000	0	(39,000)
2016-17	80,000	103,000	23,000
2017-18	56,000	37,000	(19,000)
Total	\$260,000	\$265,000	\$5,000

As shown, actual paid development was greater than anticipated since the prior report. Based on the assumptions in the prior report, it was expected that paid losses would increase by \$260,000 between the two evaluation dates. However, actual development was \$265,000; or \$5,000 greater than expected.

## DRAFT

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
1996-98	\$269,000	\$269,000	\$0
1998-99	158,000	158,000	0
1999-00	151,000	151,000	0
2000-01	1,000	1,000	0
2001-02	72,000	72,000	0
2002-03	53,000	53,000	0
2003-04	43,000	43,000	0
2004-05	60,000	60,000	0
2005-06	62,000	62,000	0
2006-07	5,000	5,000	0
2007-08	364,000	364,000	0
2008-09	116,000	116,000	0
2009-10	433,000	448,000	15,000
2010-11	65,000	66,000	1,000
2011-12	379,000	376,000	(3,000)
2012-13	204,000	204,000	0
2013-14	360,000	363,000	3,000
2014-15	320,000	317,000	(3,000)
2015-16	135,000	96,000	(39,000)
2016-17	419,000	380,000	(39,000)
2017-18	271,000	227,000	(44,000)
Total	\$3,940,000	\$3,831,000	(\$109,000)

As shown, overall we have decreased our estimated ultimates by \$109,000 since our prior report. The changes in ultimate losses track reasonably with the actual versus expected loss development mentioned previously.

## DRAFT

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2018 to be \$925,000 at the discounted expected level. Our current estimate as of June 30, 2019 is \$852,000, a decrease in our assessment of SHARP's outstanding liabilities, as shown below:

### Outstanding Claim Liabilities

	Prior Report at June 30, 2018	Current Report at June 30, 2019	Change
(A) Case Reserves:	\$507,000	\$320,000	(\$187,000)
(B) IBNR Reserves:	553,000	648,000	95,000
(C) Claims Administration Reserves:	30,000	40,000	10,000
(D) Total Reserves:	\$1,090,000	\$1,008,000	(\$82,000)
(E) Offset for Investment Income:	(165,000)	(156,000)	9,000
(F) Total Outstanding Claim Liabilities:	\$925,000	\$852,000	(\$73,000)

As shown, our estimate of outstanding claims liabilities at the discounted expected level has decreased between June 30, 2018 and June 30, 2019, as reflected in our prior and current reports respectively.

Case reserves have decreased since the prior evaluation, this amount has been offset by an increase in our estimate of IBNR reserves. Reserves for future claims administration expenses are expected to be more, resulting in a \$82,000 decrease in total claim reserves. The Investment income is expected to be smaller. The net change due to the above factors is an overall decrease of \$73,000 in our estimate of outstanding claim liabilities for loss and LAE.

## DRAFT

At the time of the prior report, available assets were estimated to be \$5,166,000 as of June 30, 2018, which corresponded to the then-estimated discounted liability for outstanding claims well above the 85% confidence level. Available assets are currently estimated to be \$4,931,000 as of June 30, 2019, which again corresponds to the currently estimated liability for outstanding claims well above the 85% confidence level. It can be summarized as follows:

### Funding Margin

	Prior Report at June 30, 2018	Current Report at June 30, 2019	Change
(A) Outstanding Liability at the Discounted Expected Level:	\$925,000	\$852,000	(\$73,000)
(B) Estimated Assets At June 30:	5,166,000	4,931,000	(235,000)
(C) Surplus:	\$4,241,000	\$4,079,000	(\$162,000)

As you can see, our estimate of the program's funding margin at the discounted expected confidence level has decreased by \$162,000 between June 30, 2018 (as previously estimated) and June 30, 2019 (as currently estimated) at the discounted expected level. This is driven by a decrease in the estimated fund assets between the two points, offset by a decrease in the estimated outstanding liability.

## DRAFT

At the time of the prior report, our funding estimate for the 2018-19 year was \$745,000 at the discounted 65% confidence level. That amount included allocated loss adjustment expenses (ALAE), a discount for anticipated investment income, other program expenses, and excess costs. Our current estimate for the 2019-20 year is \$681,000 at the discounted 65% confidence level, a decrease in the program's funding, as shown in the table below:

### Comparison of Funding

	Prior Report 2018-19 SIR = \$250,000	Current Report 2019-20 SIR = \$250,000	Change
(A) Ultimate Loss and ALAE:	\$349,000	\$335,000	(\$14,000)
(B) Offset for Investment Income:	(41,000)	(38,000)	3,000
(C) 65% Confidence Level Margin:	41,000	40,000	(1,000)
(D) Other Program Expenses:	106,000	112,000	6,000
(E) Total Loss & ALAE at 65% CL:	455,000	449,000	(6,000)
(F) Excess Insurance:	290,000	235,000	(55,000)
(G) Total Funding at 65% CL:	\$745,000	\$684,000	(\$61,000)
(H) Premium Rate at 65% CL:	\$3.767	\$3.443	(\$0.323)
(I) Loss Rate at 65% CL:	\$1.764	\$1.696	(\$0.068)

As you can see, our funding recommendations at the discounted 65% confidence level have decreased between 2018-19 and 2019-20, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have decreased by \$14,000 due to the aforementioned favorable loss experience in the most recent five years. The offset for investment income is expected to be smaller. The margin at the 65% confidence level has decrease by \$1,000, other program expenses have increased by \$6,000 and excess costs have decreased by \$55,000, resulting in an overall decrease in total claim costs at the 65% confidence level of \$61,000. As shown, the resulting funding rate per \$100 of payroll at the 65% confidence level has decreased to \$3.443 per \$100 of payroll, a 8.6% decrease.

## **E. DATA ISSUES**

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

Comments and issues regarding the data are as follows:

- We have assumed that the program's self-insured retention will remain at \$250,000 per occurrence for 2019-20 (See Reserves Appendix K).
- We estimated the 6/30/2019 asset balance starting with the 6/30/2018 estimated asset balance, and adjusting for anticipated revenue and expense for the 2018-19 fiscal year (see Reserves Appendix L).
- We received loss data evaluated as of 12/31/2018 (See Reserves Appendix M). We also utilized the data from SHARP's most recent actuarial study for our assessment of loss development.
- We have assumed payroll for 2019-20 will be \$19,866,000 based upon information provided by SHARP (See Reserves Appendix N).

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

### **III. ASSUMPTIONS AND LIMITATIONS**

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

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by 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 Reserves Appendix E for a display of the benefit level cost indices by fiscal year.
- We have assumed that the loss rate trend associated with claim costs increases at 2.9% per year. We have assumed that claim severity increases 10% per year, and that claim frequency decreases at 6.5% 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 average annual return of 3% over the duration of payment of the loss liabilities. It should be noted that actual future investment returns may vary significantly from this assumption, depending upon prevailing investment market conditions.
- 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 \$4,931,000 as of June 30, 2019 for use in this report. This is shown in further detail in Reserves 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).

## DRAFT

**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.)

## SHARP JPA - Workers' Compensation

Funding Guidelines for Outstanding Liabilities at  
June 30, 2019

(A) Estimated Ultimate Losses Incurred through 6/30/19: (From Reserves Appendix G)	\$4,105,000
(B) Estimated Paid Losses through 6/30/19: (From Reserves Appendix G)	3,137,000
(C) Estimated Liability for Claims Outstanding at 6/30/19: (From Reserves Appendix G)	<u>\$968,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/19: (From Reserves Appendix F)	40,000
(E) Total Outstanding Liability for Claims at 6/30/19: ((C) + (D))	<u>\$1,008,000</u>
(F) Reserve Discount Factor (Reserves Appendix I, , (H))	0.845
(G) Discounted Outstanding Liability for Claims at 6/30/19: ((E) x (F))	<u>\$852,000</u>

		Marginally Acceptable		Recommended	
Confidence Level of Adequacy:	65%	70%	75%	80%	85%
(H) Confidence Level Factor: (From Reserves Appendix J)	1.115	1.188	1.271	1.369	1.489
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	98,000	160,000	231,000	314,000	417,000
(J) Total Required Available Funding at 6/30/19: ((G) + (I))	<u>\$950,000</u>	<u>\$1,012,000</u>	<u>\$1,083,000</u>	<u>\$1,166,000</u>	<u>\$1,269,000</u>
(K) Estimated Actual Funding at 6/30/19: (From Reserves Appendix L)	\$4,931,000	\$4,931,000	\$4,931,000	\$4,931,000	\$4,931,000
(L) Indicated Funding Redundancy/ (Deficiency): ((K)-(J))	<u>\$3,981,000</u>	<u>\$3,919,000</u>	<u>\$3,848,000</u>	<u>\$3,765,000</u>	<u>\$3,662,000</u>

## SHARP JPA - Workers' Compensation

Funding Options for Program Year 2019-2020 (SIR = \$250,000)  
One-Year Funding Plan

			Dollar Amount	Payroll Rate	
(A) Estimated Ultimate Losses Incurred in Accident Year 2019-2020: (From Appendix G)			\$335,000	\$1.686	
(B) Estimated Claims Administration Fees Incurred in Accident Year 2019-2020: Included in Non-Claim Expenses Below			0	0.000	
(C) Total Claims Costs Incurred in Accident Year 2019-2020: ((A) + (B))			\$335,000	\$1.686	
(D) Loss Discount Factor: (Rate Appendix I, , (F))			0.885		
(E) Discounted Total Claims Costs Incurred in Accident Year 2019-2020: ((C) x (D))			\$297,000	\$1.495	
		Marginally Acceptable		Recommended	
	65%	70%	75%	80%	85%
(F) Confidence Level Factor: (From Rate Appendix J)	1.135	1.254	1.390	1.552	1.755
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	40,000	75,000	116,000	164,000	224,000
(H) Recommended Funding in 2019-2020 for Claims Costs and Other Expenses ((E) + (G))	\$337,000	\$372,000	\$413,000	\$461,000	\$521,000
(I) Budgeted Non Claims Related Expenses (Provided by SHARP JPA)	112,000	112,000	112,000	112,000	112,000
(J) Budgeted Excess Insurance (Provided by SHARP JPA)	235,000	235,000	235,000	235,000	235,000
(K) Recommended Funding Including Recognition of the June 30, 2019 Redundancy/(Deficiency): ((H) + (I) + (J))	\$684,000	\$719,000	\$760,000	\$808,000	\$868,000
(L) Rate per \$100 of payroll: ((K) / \$198,660)	\$3.443	\$3.619	\$3.826	\$4.067	\$4.369

Payroll rates are per hundred dollars of 2019-2020 payroll of \$19,866,000.

## SHARP JPA - Workers' Compensation

IBNR as of 6/30/19 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/18 (B)	Estimated IBNR as of 12/31/2018 (C)	Estimated Percent of IBNR Reported Between 1/1/19 and 6/30/2019 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/2019 (F)
1997-1998	\$268,753	\$268,753	\$0	0.0%	\$0	\$0
1998-1999	157,580	157,580	0	9.9%	0	0
1999-2000	151,151	151,151	0	14.1%	0	0
2000-2001	1,156	1,156	0	11.6%	0	0
2001-2002	71,958	71,958	0	9.0%	0	0
2002-2003	53,000	51,864	1,136	14.1%	0	1,136
2003-2004	43,015	43,015	0	11.6%	0	0
2004-2005	59,858	59,858	0	9.8%	0	0
2005-2006	61,573	61,573	0	8.5%	0	0
2006-2007	4,599	4,599	0	7.5%	0	0
2007-2008	364,460	364,460	0	9.4%	0	0
2008-2009	115,576	115,576	0	8.5%	0	0
2009-2010	448,000	414,378	33,622	7.5%	3,000	30,622
2010-2011	66,000	56,481	9,519	7.2%	1,000	8,519
2011-2012	376,000	339,525	36,475	7.4%	3,000	33,475
2012-2013	204,000	168,329	35,671	8.3%	3,000	32,671
2013-2014	363,000	311,921	51,079	9.5%	5,000	46,079
2014-2015	317,000	282,117	34,883	8.9%	3,000	31,883
2015-2016	96,000	36,524	59,476	12.0%	7,000	52,476
2016-2017	380,000	298,330	81,670	15.6%	13,000	68,670
2017-2018	227,000	81,225	145,775	23.2%	34,000	111,775
2018-2019	275,000	3,614	134,000	15.2%	41,000	230,386
Totals	\$4,104,679	\$3,343,987	\$623,306		\$113,000	\$647,692

## Notes:

- (A) From Reserves Exhibit 4, Page 1.
- (B) Provided by SHARP JPA. 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 1/1/19 and 6/30/19. The percentage is based on the development pattern selected in Reserves 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 6/30/19. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

## SHARP JPA - Workers' Compensation

## Ultimate Program Losses Adjusted For Expected Impact of Legislation

Accident Year	Pre-Ruling Selected Ultimate (A)	Paid Losses as of 12/31/18 (B)	Outstanding Losses as of 12/31/2018 (C)	Percentage Impact From Legislation (D)	Post-Ruling Adjusted Ultimate (E)
1997-1998	268,753	268,753		0.00%	\$268,753
1998-1999	157,580	157,580		0.00%	157,580
1999-2000	151,151	151,151		0.00%	151,151
2000-2001	1,156	1,156		0.00%	1,156
2001-2002	71,958	71,958		0.00%	71,958
2002-2003	53,000	38,562	14,438	0.00%	53,000
2003-2004	43,015	43,015		0.00%	43,015
2004-2005	59,858	59,858		0.00%	59,858
2005-2006	61,573	61,573		0.00%	61,573
2006-2007	4,599	4,599		0.00%	4,599
2007-2008	364,460	364,460		0.00%	364,460
2008-2009	115,576	115,576		0.00%	115,576
2009-2010	448,000	396,789	51,211	0.00%	448,000
2010-2011	66,000	56,481	9,519	0.00%	66,000
2011-2012	376,000	339,525	36,475	0.00%	376,000
2012-2013	204,000	168,329	35,671	0.00%	204,000
2013-2014	363,000	292,230	70,770	0.00%	363,000
2014-2015	317,000	155,499	161,501	0.00%	317,000
2015-2016	96,000	36,524	59,476	0.00%	96,000
2016-2017	380,000	190,312	189,688	0.00%	380,000
2017-2018	227,000	37,562	189,438	0.00%	227,000
Totals	\$3,829,679	\$3,011,492	\$818,187		\$3,829,679
2018-2019	\$275,000	\$1,125	\$273,875	0.00%	\$275,000
2019-2020	335,000	0	335,000	0.00%	335,000

## Notes:

- (A) From Reserves Exhibit 4, Page 2.
- (B) Provided by SHARP JPA.
- (C) (A) - (B).
- (D) Based on WCIRB Estimated Impact of SB863.  
Trending includes the estimated impact of these rulings for forecast years.
- (E) (B) + (C) \* [1 + (D)].

## SHARP JPA - 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)
1997-1998	\$271,172	280,309	\$270,569	\$277,025	\$201,768	\$268,753
1998-1999	159,156	164,829	159,472	165,903	189,202	157,580
1999-2000	153,267	158,860	153,706	160,094	182,442	151,151
2000-2001	1,166	1,188	1,168	1,191	1,269	1,156
2001-2002	72,750	74,189	72,831	74,338	79,296	71,958
2002-2003	52,590	39,873	52,668	40,456	57,440	53,000
2003-2004	43,746	44,650	43,823	44,775	47,628	43,015
2004-2005	61,055	62,372	61,189	62,520	66,420	59,858
2005-2006	62,989	64,467	63,076	64,648	68,448	61,573
2006-2007	4,719	4,843	4,726	4,853	5,124	4,599
2007-2008	375,758	386,328	374,164	382,898	323,610	364,460
2008-2009	124,013	130,948	125,517	132,681	146,224	115,576
2009-2010	450,015	456,704	441,701	442,097	346,040	448,000
2010-2011	62,242	66,196	63,264	67,202	72,880	66,000
2011-2012	380,947	408,109	366,428	380,990	246,732	376,000
2012-2013	193,410	207,886	197,384	210,794	223,550	204,000
2013-2014	371,186	376,392	353,946	351,065	211,730	363,000
2014-2015	349,825	212,412	337,355	231,807	309,036	317,000
2015-2016	47,919	55,991	104,639	136,121	392,790	96,000
2016-2017	455,848	443,237	400,807	359,428	375,869	380,000
2017-2018	227,999	159,451	234,424	219,307	227,780	227,000
Totals						\$3,829,679
Projected Losses for the Year 2018-2019 (G)						\$275,000
Projected Losses for the Year 2019-2020 (H)						\$335,000

## Notes:

- (A) From Reserves Appendix A, Page 1, Column (G).
- (B) From Reserves Appendix B, Page 1, Column (G).
- (C) From Reserves Appendix C, Page 1, Column (G).
- (D) From Reserves Appendix C, Page 2, Column (G).
- (E) From Reserves Appendix D, Page 1, Column (C).
- (F) Selected averages of (A), (B), (C), (D), and (E).
- (G) From Rate Exhibit 3, Page 1, Line (K).
- (H) From Rate Exhibit 3, 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.

## SHARP JPA - 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)
1997-1998	\$168,856	\$168,856	\$168,856	\$168,856	\$168,864	\$168,856
1998-1999	157,580	157,580	157,580	157,580	157,586	157,580
1999-2000	151,151	151,151	151,151	151,151	151,151	151,151
2000-2001	1,156	1,156	1,156	1,156	1,155	1,156
2001-2002	71,958	71,958	71,958	71,958	71,960	71,958
2002-2003	51,864	38,562	51,864	38,562	52,000	52,000
2003-2004	43,015	43,015	43,015	43,015	43,020	43,015
2004-2005	59,858	59,858	59,858	59,858	59,850	59,858
2005-2006	61,573	61,635	61,573	61,635	61,572	61,573
2006-2007	4,599	4,613	4,599	4,613	4,596	4,599
2007-2008	290,072	291,231	290,072	291,231	289,785	289,782
2008-2009	115,923	116,501	115,923	116,501	115,584	115,576
2009-2010	271,794	255,615	271,804	255,847	272,000	272,000
2010-2011	57,046	57,441	57,051	57,449	57,000	57,000
2011-2012	192,368	194,642	192,405	194,517	192,000	192,000
2012-2013	172,537	174,557	172,481	174,557	173,000	173,000
2013-2014	169,369	151,190	170,820	154,163	163,040	169,000
2014-2015	276,924	171,982	272,937	176,436	236,678	266,000
2015-2016	40,542	44,413	58,122	75,357	299,340	49,000
2016-2017	375,001	346,368	344,136	291,580	284,908	337,000
2017-2018	185,518	122,490	182,103	161,954	171,815	163,000
Totals						\$2,855,104

## Notes:

- (A) From Reserves Appendix A, Page 1, Column (D).
- (B) From Reserves Appendix B, Page 1, Column (D).
- (C) Based on results in Reserves Appendix C, Page 1.
- (D) Based on results in Reserves Appendix C, Page 2.
- (E) Based on results in Reserves Appendix D, Page 1.
- (F) Selected averages of (A), (B), (C), (D), and (E).

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.



## SHARP JPA - Workers' Compensation

## Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/18 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/18 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1997-1998	\$168,856	1.000	\$168,856	\$268,753	1.009	\$271,172
1998-1999	157,580	1.000	157,580	157,580	1.010	159,156
1999-2000	151,151	1.000	151,151	151,151	1.014	153,267
2000-2001	1,156	1.000	1,156	1,156	1.009	1,166
2001-2002	71,958	1.000	71,958	71,958	1.011	72,750
2002-2003	51,864	1.000	51,864	51,864	1.014	52,590
2003-2004	43,015	1.000	43,015	43,015	1.017	43,746
2004-2005	59,858	1.000	59,858	59,858	1.020	61,055
2005-2006	61,573	1.000	61,573	61,573	1.023	62,989
2006-2007	4,599	1.000	4,599	4,599	1.026	4,719
2007-2008	289,782	1.001	290,072	364,460	1.031	375,758
2008-2009	115,576	1.003	115,923	115,576	1.073	124,013
2009-2010	270,173	1.006	271,794	414,378	1.086	450,015
2010-2011	56,481	1.010	57,046	56,481	1.102	62,242
2011-2012	189,525	1.015	192,368	339,525	1.122	380,947
2012-2013	168,329	1.025	172,537	168,329	1.149	193,410
2013-2014	161,921	1.046	169,369	311,921	1.190	371,186
2014-2015	258,325	1.072	276,924	282,117	1.240	349,825
2015-2016	36,524	1.110	40,542	36,524	1.312	47,919
2016-2017	298,330	1.257	375,001	298,330	1.528	455,848
2017-2018	81,225	2.284	185,518	81,225	2.807	227,999
Totals	\$2,697,801		\$2,918,704	\$3,340,373		\$3,921,772

## Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by SHARP JPA. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Reserves 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 SHARP JPA.
- (F) Derived from factors on Reserves 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.

SHARP JPA - Workers' Compensation  
Reported Loss Development

Accident Year	<u>Limited Losses Reported as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
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	169,094
2000-2001	7,008	7,526	1,156	1,156	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	71,958	71,958	71,958
2002-2003	60,703	37,505	58,423	40,447	31,362	31,362	31,362	31,362	31,362	31,362	31,362
2003-2004	9,288	62,237	61,946	43,015	43,015	43,015	43,015	43,015	43,015	43,015	43,015
2004-2005	40,746	66,443	77,832	86,799	67,911	67,911	67,911	67,911	121,845	58,395	59,858
2005-2006	652	8,131	9,327	9,633	9,633	17,133	76,025	77,263	77,263	61,573	61,573
2006-2007	1,275	4,158	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599
2007-2008	48,542	142,627	303,952	297,751	289,654	289,654	289,782	289,782	289,782	289,782	289,782
2008-2009	25,267	105,061	115,373	130,560	150,116	115,576	115,576	115,576	115,576	115,576	115,576
2009-2010	33,372	241,819	265,864	298,131	266,057	315,545	281,228	281,228	273,053	270,173	
2010-2011	2,992	20,124	87,062	101,528	66,414	56,481	56,481	56,481	56,481		
2011-2012	56,920	103,910	202,358	226,741	232,454	189,525	189,525	189,525			
2012-2013	74,101	94,857	189,657	221,117	168,364	168,329	168,329				
2013-2014	1,500	62,107	155,761	205,397	186,893	161,921					
2014-2015	47,420	174,495	284,278	266,430	258,325						
2015-2016	21,825	20,632	36,524	36,524							
2016-2017	46,539	296,547	298,330								
2017-2018	8,412	81,225									
2018-2019	3,614										

	<u>Reported Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
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	1.000
1999-2000		3.694	1.222	1.352	0.671	0.903	1.291	1.000	1.000	0.958	0.894
2000-2001	1.074	0.154	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000
2002-2003	0.618	1.558	0.692	0.775	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2003-2004	6.701	0.995	0.694	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2004-2005	1.631	1.171	1.115	0.782	1.000	1.000	1.000	1.794	0.479	1.025	1.000
2005-2006	12.471	1.147	1.033	1.000	1.779	4.437	1.016	1.000	0.797	1.000	1.000
2006-2007	3.261	1.106	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2007-2008	2.938	2.131	0.980	0.973	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2008-2009	4.158	1.098	1.132	1.150	0.770	1.000	1.000	1.000	1.000	1.000	
2009-2010	7.246	1.099	1.121	0.892	1.186	0.891	1.000	0.971	0.989		
2010-2011	6.726	4.326	1.166	0.654	0.850	1.000	1.000	1.000			
2011-2012	1.826	1.947	1.120	1.025	0.815	1.000	1.000				
2012-2013	1.280	1.999	1.166	0.761	1.000	1.000					
2013-2014	41.405	2.508	1.319	0.910	0.866						
2014-2015	3.680	1.629	0.937	0.970							
2015-2016	0.945	1.770	1.000								
2016-2017	6.372	1.006									
2017-2018	9.656										

	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	6.702	1.718	1.124	0.970	0.980	1.219	1.013	1.055	0.943	0.997	0.972
Dollar-weighted											
Averages											
3-yr	5.189	1.259	1.067	0.885	0.884	1.000	1.000	0.982	0.996	1.000	1.000
4-yr	4.613	1.399	1.095	0.920	0.881	0.953	1.000	0.989	0.996	1.000	1.000
Comparative											
Factors	2.756	1.238	1.053	1.012	1.007	1.007	1.007	1.007	1.007	1.006	1.006
Prior	4.250	1.850	1.135	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Selected	4.863	1.817	1.132	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Cumulated	11.107	2.284	1.257	1.110	1.072	1.046	1.025	1.015	1.010	1.006	1.003

SHARP JPA - Workers' Compensation  
Reported Loss DevelopmentLimited Losses Reported as of:

Accident Year	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
1997-1998	166,873	167,718	177,718	168,856	168,856	168,856	168,856	168,856	168,856	168,856	168,856
1998-1999	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580
1999-2000	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	
2000-2001	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156			
2001-2002	71,958	71,958	71,958	71,958	71,958	71,958	71,958				
2002-2003	31,362	31,362	31,362	31,362	51,864	51,864					
2003-2004	43,015	43,015	43,015	43,015	43,015						
2004-2005	59,858	59,858	59,858	59,858							
2005-2006	61,573	61,573	61,573								
2006-2007	4,599	4,599									
2007-2008	289,782										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
1997-1998	1.005	1.060	0.950	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	1.000		
1999-2000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2000-2001	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2001-2002	1.000	1.000	1.000	1.000	1.000	1.000					
2002-2003	1.000	1.000	1.000	1.654	1.000						
2003-2004	1.000	1.000	1.000	1.000							
2004-2005	1.000	1.000	1.000								
2005-2006	1.000	1.000									
2006-2007	1.000										
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average	1.001	1.007	0.994	1.093	1.000	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted											
Averages											
3-yr	1.000	1.000	1.000	1.140	1.000	1.000	1.000	1.000			
4-yr	1.000	1.000	1.000	1.139	1.000	1.000	1.000				
Comparative											
Factors	1.004	1.004	1.002	1.002	1.002	1.002	1.002	1.002	1.001	1.000	1.009
Prior	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

SHARP JPA - Workers' Compensation  
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			166,735	232,304	248,877	262,862	136,643	136,578	136,803	136,803	136,803
2008-2009			5,512	5,419	40,360						
2009-2010		9,367	10,000	162,185	144,205	156,779	154,655	154,424	144,205	144,205	
2010-2011											
2011-2012			163,501	174,416	58,665	152,319	152,319	152,319			
2012-2013											
2013-2014				106,190	137,484	303,538					
2014-2015				17,438	23,792						
2015-2016											
2016-2017		6,631									
2017-2018											
2018-2019											
	<u>Reported Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			1.393	1.071	1.056	0.520	1.000	1.002	1.000	1.000	1.000
2008-2009			0.983	7.448							
2009-2010		1.068	16.219	0.889	1.087	0.986	0.999	0.934	1.000		
2010-2011											
2011-2012			1.067	0.336	2.596	1.000	1.000				
2012-2013											
2013-2014				1.295	2.208						
2014-2015				1.364							
2015-2016											
2016-2017											
2017-2018											
	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		1.068	4.916	2.326	1.877	0.877	0.986	0.824	0.889	1.000	1.000
Dollar-weighted											
Averages											
3-yr											
4-yr											
Comparative											
Factors	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Prior	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Selected	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Cumulated	36.944	9.468	4.694	3.157	2.540	2.205	1.958	1.777	1.639	1.533	1.454

SHARP JPA - Workers' Compensation  
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>										
	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008	136,812										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average Dollar-weighted Averages 3-yr 4-yr	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Comparative Factors Prior	1.043 1.043	1.037 1.037	1.034 1.034	1.032 1.032	1.031 1.031	1.027 1.027	1.023 1.023	1.020 1.020	1.021 1.021	1.009 1.066	1.056
Selected	1.043	1.037	1.034	1.032	1.031	1.027	1.023	1.020	1.021	1.066	
Cumulated	1.387	1.330	1.283	1.241	1.203	1.167	1.136	1.110	1.088	1.066	

## SHARP JPA - Workers' Compensation

## Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/18 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/18 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1997-1998	\$168,856	1.000	\$168,856	\$268,753	1.043	\$280,309
1998-1999	157,580	1.000	157,580	157,580	1.046	164,829
1999-2000	151,151	1.000	151,151	151,151	1.051	158,860
2000-2001	1,156	1.000	1,156	1,156	1.028	1,188
2001-2002	71,958	1.000	71,958	71,958	1.031	74,189
2002-2003	38,562	1.000	38,562	38,562	1.034	39,873
2003-2004	43,015	1.000	43,015	43,015	1.038	44,650
2004-2005	59,858	1.000	59,858	59,858	1.042	62,372
2005-2006	61,573	1.001	61,635	61,573	1.047	64,467
2006-2007	4,599	1.003	4,613	4,599	1.053	4,843
2007-2008	289,782	1.005	291,231	364,460	1.060	386,328
2008-2009	115,576	1.008	116,501	115,576	1.133	130,948
2009-2010	252,584	1.012	255,615	396,789	1.151	456,704
2010-2011	56,481	1.017	57,441	56,481	1.172	66,196
2011-2012	189,525	1.027	194,642	339,525	1.202	408,109
2012-2013	168,329	1.037	174,557	168,329	1.235	207,886
2013-2014	142,230	1.063	151,190	292,230	1.288	376,392
2014-2015	155,499	1.106	171,982	155,499	1.366	212,412
2015-2016	36,524	1.216	44,413	36,524	1.533	55,991
2016-2017	190,312	1.820	346,368	190,312	2.329	443,237
2017-2018	37,562	3.261	122,490	37,562	4.245	159,451
Totals	\$2,392,712		\$2,684,814	\$3,011,492		\$3,799,234

## Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by SHARP JPA. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Reserves 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 SHARP JPA.
- (F) Derived from factors on Reserves 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.

SHARP JPA - Workers' Compensation  
Paid Loss Development

Accident Year	<u>Limited Losses Paid as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
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	151,151
2000-2001	7,023	7,526	1,156	1,156	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	71,958	71,958	71,958
2002-2003	3,746	19,404	27,715	30,275	31,362	31,362	31,362	31,362	31,362	31,362	31,362
2003-2004	2,447	33,483	42,946	43,015	43,015	43,015	43,015	43,015	43,015	43,015	43,015
2004-2005	14,656	32,711	45,871	46,987	47,612	47,852	47,855	50,938	56,191	58,395	59,858
2005-2006	652	8,131	9,327	9,633	9,633	9,633	54,718	61,573	61,573	61,573	61,573
2006-2007	1,275	4,158	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599
2007-2008	2,392	63,598	261,957	289,654	289,654	289,654	289,782	289,782	289,782	289,782	289,782
2008-2009	2,772	87,203	91,399	102,811	115,576	115,576	115,576	115,576	115,576	115,576	115,576
2009-2010	9,490	73,649	93,054	182,921	222,144	238,149	247,637	249,058	251,225	252,584	
2010-2011	2,992	14,792	26,633	35,920	56,481	56,481	56,481	56,481	56,481		
2011-2012	35,690	57,935	81,050	94,297	104,267	189,525	189,525	189,525			
2012-2013	11,780	55,935	72,665	167,167	168,364	168,329	168,329				
2013-2014		20,411	56,059	127,493	142,206	142,230					
2014-2015	7,219	47,371	87,262	135,365	155,499						
2015-2016	8,643	19,816	36,524	36,524							
2016-2017	5,793	87,512	190,312								
2017-2018	112	37,562									
2018-2019	1,125										

	<u>Paid Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
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	1.000
1999-2000		3.973	1.154	1.054	1.012	1.000	1.124	1.013	1.006	1.000	1.000
2000-2001	1.072	0.154	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000
2002-2003	5.180	1.428	1.092	1.036	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2003-2004	13.683	1.283	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2004-2005	2.232	1.402	1.024	1.013	1.005	1.000	1.064	1.103	1.039	1.025	1.000
2005-2006	12.471	1.147	1.033	1.000	1.000	5.680	1.125	1.000	1.000	1.000	1.000
2006-2007	3.261	1.106	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2007-2008	26.588	4.119	1.106	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2008-2009	31.459	1.048	1.125	1.124	1.000	1.000	1.000	1.000	1.000	1.000	
2009-2010	7.761	1.263	1.966	1.214	1.072	1.040	1.006	1.009	1.005		
2010-2011	4.944	1.801	1.349	1.572	1.000	1.000	1.000	1.000			
2011-2012	1.623	1.399	1.163	1.106	1.818	1.000	1.000				
2012-2013	4.748	1.299	2.301	1.007	1.000	1.000					
2013-2014		2.747	2.274	1.115	1.000						
2014-2015	6.562	1.842	1.551	1.149							
2015-2016	2.293	1.843	1.000								
2016-2017	15.107	2.175									
2017-2018	335.375										

	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	32.697	1.767	1.337	1.098	1.080	1.298	1.027	1.009	1.006	1.002	1.000
Dollar-weighted Averages											
3-yr	9.959	2.030	1.665	1.084	1.205	1.000	1.003	1.005	1.002	1.000	1.000
4-yr	8.833	2.114	1.848	1.088	1.181	1.015	1.002	1.003	1.002	1.000	1.000
Comparative Factors	3.634	1.662	1.226	1.110	1.064	1.043	1.030	1.024	1.019	1.015	1.012
Prior	10.000	1.800	1.550	1.100	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Selected	10.000	1.792	1.497	1.100	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Cumulated	32.610	3.261	1.820	1.216	1.106	1.063	1.037	1.027	1.017	1.012	1.008

SHARP JPA - Workers' Compensation  
Paid Loss Development

<u>Limited Losses Paid as of:</u>											
Accident Year	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
1997-1998	166,873	167,718	168,611	168,856	168,856	168,856	168,856	168,856	168,856	168,856	168,856
1998-1999	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580
1999-2000	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	
2000-2001	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156			
2001-2002	71,958	71,958	71,958	71,958	71,958	71,958	71,958				
2002-2003	31,362	31,362	31,362	31,362	31,362	38,562					
2003-2004	43,015	43,015	43,015	43,015	43,015						
2004-2005	59,858	59,858	59,858	59,858							
2005-2006	61,573	61,573	61,573								
2006-2007	4,599	4,599									
2007-2008	289,782										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
1997-1998	1.005	1.005	1.001	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	1.000		
1999-2000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2000-2001	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2001-2002	1.000	1.000	1.000	1.000	1.000	1.000					
2002-2003	1.000	1.000	1.000	1.000	1.230						
2003-2004	1.000	1.000	1.000	1.000							
2004-2005	1.000	1.000	1.000								
2005-2006	1.000	1.000									
2006-2007	1.000										
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average	1.001	1.001	1.000	1.000	1.038	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted Averages											
3-yr	1.000	1.000	1.000	1.000	1.069	1.000	1.000	1.000			
4-yr	1.000	1.000	1.000	1.000	1.028	1.000	1.000				
Comparative Factors											
Prior	1.009	1.008	1.008	1.008	1.006	1.006	1.004	1.004	1.002	1.001	1.022
Selected	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000



SHARP JPA - Workers' Compensation  
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			23,565	126,631	113,197	128,886	136,643	136,578	136,803	136,803	136,803
2008-2009				144,205	144,205	144,205	144,205	144,205	144,205	144,205	
2009-2010											
2010-2011											
2011-2012						152,319	152,319	152,319			
2012-2013											
2013-2014				9,798	53,238	170,376					
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	<u>Paid Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			5.374	0.894	1.139	1.060	1.000	1.002	1.000	1.000	1.000
2008-2009				1.000	1.000	1.000	1.000	1.000	1.000		
2009-2010											
2010-2011											
2011-2012						1.000	1.000				
2012-2013											
2013-2014				5.434	3.200						
2014-2015											
2015-2016											
2016-2017											
2017-2018											
Average Dollar-weighted Averages 3-yr 4-yr	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
			5.374	2.122	1.625	1.030	1.014	1.006	0.992	1.000	1.000
Comparative											
Factors	6.009	3.083	2.025	1.554	1.342	1.246	1.193	1.146	1.117	1.093	1.073
Prior	6.009	3.083	2.025	1.554	1.342	1.246	1.193	1.146	1.117	1.093	1.073
Selected	6.009	3.083	2.025	1.554	1.342	1.246	1.193	1.146	1.117	1.093	1.073
Cumulated	345.932	57.569	18.673	9.221	5.934	4.422	3.549	2.975	2.596	2.324	2.126

SHARP JPA - Workers' Compensation  
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>										
	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008	136,812										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average Dollar-weighted Averages 3-yr 4-yr	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Comparative Factors Prior	1.062	1.055	1.052	1.047	1.040	1.035	1.035	1.033	1.030	1.015	1.335
Selected	1.062	1.055	1.052	1.047	1.040	1.035	1.035	1.033	1.030	1.355	
Cumulated	1.981	1.865	1.768	1.681	1.606	1.544	1.492	1.442	1.396	1.355	

## SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Reported Losses

Accident Year	Trended Payroll (\$00) (A)	Reported Losses as of 12/31/18 (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)
1997-1998	\$108,473	\$268,753	1.009	0.009	\$1.860	\$1,816	\$270,569
1998-1999	112,057	157,580	1.010	0.010	1.688	1,892	159,472
1999-2000	125,870	151,151	1.014	0.014	1.450	2,555	153,706
2000-2001	130,175	1,156	1.009	0.009	0.010	12	1,168
2001-2002	147,998	71,958	1.011	0.011	0.536	873	72,831
2002-2003	163,544	51,864	1.014	0.014	0.351	804	52,668
2003-2004	180,832	43,015	1.017	0.017	0.263	808	43,823
2004-2005	174,206	59,858	1.020	0.020	0.382	1,331	61,189
2005-2006	169,970	61,573	1.023	0.022	0.402	1,503	63,076
2006-2007	181,204	4,599	1.026	0.025	0.028	127	4,726
2007-2008	197,484	364,460	1.031	0.030	1.638	9,704	374,164
2008-2009	197,292	115,576	1.073	0.068	0.741	9,941	125,517
2009-2010	209,486	414,378	1.086	0.079	1.651	27,323	441,701
2010-2011	210,175	56,481	1.102	0.093	0.347	6,783	63,264
2011-2012	207,582	339,525	1.122	0.109	1.189	26,903	366,428
2012-2013	243,998	168,329	1.149	0.130	0.916	29,055	197,384
2013-2014	244,558	311,921	1.190	0.160	1.074	42,025	353,946
2014-2015	252,420	282,117	1.240	0.194	1.128	55,238	337,355
2015-2016	246,510	36,524	1.312	0.238	1.161	68,115	104,639
2016-2017	247,019	298,330	1.528	0.346	1.199	102,477	400,807
2017-2018	188,350	81,225	2.807	0.644	1.263	153,199	234,424
Totals	\$3,939,203	\$3,340,373				\$542,484	\$3,882,857

## Notes:

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

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and 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.

## SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Paid Losses

Accident Year	Trended Payroll (\$00) (A)	Paid Losses as of 12/31/18 (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)
1997-1998	\$108,473	\$268,753	1.043	0.041	\$1.860	\$8,272	\$277,025
1998-1999	112,057	157,580	1.046	0.044	1.688	8,323	165,903
1999-2000	125,870	151,151	1.051	0.049	1.450	8,943	160,094
2000-2001	130,175	1,156	1.028	0.027	0.010	35	1,191
2001-2002	147,998	71,958	1.031	0.030	0.536	2,380	74,338
2002-2003	163,544	38,562	1.034	0.033	0.351	1,894	40,456
2003-2004	180,832	43,015	1.038	0.037	0.263	1,760	44,775
2004-2005	174,206	59,858	1.042	0.040	0.382	2,662	62,520
2005-2006	169,970	61,573	1.047	0.045	0.402	3,075	64,648
2006-2007	181,204	4,599	1.053	0.050	0.028	254	4,853
2007-2008	197,484	364,460	1.060	0.057	1.638	18,438	382,898
2008-2009	197,292	115,576	1.133	0.117	0.741	17,105	132,681
2009-2010	209,486	396,789	1.151	0.131	1.651	45,308	442,097
2010-2011	210,175	56,481	1.172	0.147	0.347	10,721	67,202
2011-2012	207,582	339,525	1.202	0.168	1.189	41,465	380,990
2012-2013	243,998	168,329	1.235	0.190	0.916	42,465	210,794
2013-2014	244,558	292,230	1.288	0.224	1.074	58,835	351,065
2014-2015	252,420	155,499	1.366	0.268	1.128	76,308	231,807
2015-2016	246,510	36,524	1.533	0.348	1.161	99,597	136,121
2016-2017	247,019	190,312	2.329	0.571	1.199	169,116	359,428
2017-2018	188,350	37,562	4.245	0.764	1.263	181,745	219,307
Totals	\$3,939,203	\$3,011,492				\$798,701	\$3,810,193

## Notes:

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

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and 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.

## SHARP JPA - 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)
1997-1998	\$108,473	\$168,856	1.807	\$305,123	\$2.813	\$1.557	1.195	\$1.860
1998-1999	112,057	157,580	1.561	245,982	2.195	1.406	1.201	1.688
1999-2000	125,870	151,151	1.358	205,263	1.631	1.201	1.207	1.450
2000-2001	130,175	1,156	1.246	1,440	0.011	0.009	1.099	0.010
2001-2002	147,998	71,958	1.218	87,645	0.592	0.486	1.102	0.536
2002-2003	163,544	52,000	1.247	64,844	0.396	0.318	1.104	0.351
2003-2004	180,832	43,015	1.500	64,523	0.357	0.238	1.107	0.263
2004-2005	174,206	59,858	1.881	112,593	0.646	0.344	1.110	0.382
2005-2006	169,970	61,573	1.985	122,222	0.719	0.362	1.112	0.402
2006-2007	181,204	4,599	1.833	8,430	0.047	0.025	1.114	0.028
2007-2008	197,484	289,782	1.660	481,038	2.436	1.467	1.117	1.638
2008-2009	197,292	115,576	1.510	174,520	0.885	0.586	1.265	0.741
2009-2010	209,486	272,000	1.349	366,928	1.752	1.298	1.272	1.651
2010-2011	210,175	57,000	1.255	71,535	0.340	0.271	1.279	0.347
2011-2012	207,582	192,000	1.220	234,240	1.128	0.925	1.285	1.189
2012-2013	243,998	173,000	1.206	208,638	0.855	0.709	1.292	0.916
2013-2014	244,558	169,000	1.185	200,265	0.819	0.827	1.299	1.074
2014-2015	252,420	266,000	1.134	301,644	1.195	0.864	1.306	1.128
2015-2016	246,510	41,000	1.107	45,387	0.184	0.885	1.312	1.161
2016-2017	247,019	356,000	1.078	383,768	1.554	0.909	1.319	1.199
2017-2018	188,350	138,000	1.028	141,864	0.753	0.953	1.326	1.263
Total/Avg	\$3,939,203	\$2,841,104		\$3,827,892	\$0.972			
11/12-16/17	1,442,087	1,197,000		1,373,942	\$0.953			
14/14-17/18	934,299	801,000		872,663	\$0.934			
Selected Limited Rate:					\$0.980			
Prior:					\$1.050			

## Notes:

- (A) From Reserves Appendix N, Column (C).
- (B) Selected average of results from Appendices A and B.
- (C) From Reserves Appendix E, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2012-2013 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.

## SHARP JPA - Workers' Compensation

## Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
1997-1998	\$8,407	24	\$201,768
1998-1999	9,958	19	189,202
1999-2000	14,034	13	182,442
2000-2001	423	3	1,269
2001-2002	5,664	14	79,296
2002-2003	3,590	16	57,440
2003-2004	3,969	12	47,628
2004-2005	3,690	18	66,420
2005-2006	5,704	12	68,448
2006-2007	427	12	5,124
2007-2008	21,574	15	323,610
2008-2009	9,139	16	146,224
2009-2010	34,604	10	346,040
2010-2011	9,110	8	72,880
2011-2012	20,561	12	246,732
2012-2013	22,355	10	223,550
2013-2014	21,173	10	211,730
2014-2015	23,772	13	309,036
2015-2016	26,186	15	392,790
2016-2017	28,913	13	375,869
2017-2018	32,540	7	227,780
Total		272	\$3,775,278

## Notes:

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

## SHARP JPA - 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)
1997-1998	\$168,856	24	\$7,036	7.408	\$52,123	\$7,036	1.195	\$8,407
1998-1999	157,580	19	8,294	5.981	49,606	8,294	1.201	9,958
1999-2000	151,151	13	11,627	4.863	56,542	11,627	1.207	14,034
2000-2001	1,156	3	385	4.171	1,606	385	1.099	423
2001-2002	71,958	14	5,140	3.814	19,604	5,140	1.102	5,664
2002-2003	52,000	16	3,250	3.650	11,863	3,250	1.104	3,590
2003-2004	43,015	12	3,585	4.105	14,716	3,585	1.107	3,969
2004-2005	59,858	18	3,325	4.813	16,003	3,325	1.110	3,690
2005-2006	61,573	12	5,131	4.751	24,377	5,131	1.112	5,704
2006-2007	4,599	12	383	4.099	1,570	383	1.114	427
2007-2008	289,782	15	19,319	3.471	67,056	19,319	1.117	21,574
2008-2009	115,576	16	7,224	2.951	21,318	7,224	1.265	9,139
2009-2010	272,000	10	27,200	2.465	67,048	27,200	1.272	34,604
2010-2011	57,000	8	7,125	2.145	15,283	7,125	1.279	9,110
2011-2012	192,000	12	16,000	1.950	31,200	16,000	1.285	20,561
2012-2013	173,000	10	17,300	1.803	31,192	17,300	1.292	22,355
2013-2014	169,000	10	16,900	1.656	27,986	16,304	1.299	21,173
2014-2015	266,000	13	20,462	1.483	30,345	18,206	1.306	23,772
2015-2016	49,000	15	3,267	1.353	4,420	19,956	1.312	26,186
2016-2017	337,000	13	25,923	1.232	31,937	21,916	1.319	28,913
2017-2018	163,000	7	23,286	1.100	25,615	24,545	1.326	32,540

Average Limited Severity: \$28,639

Selected Limited Severity: \$27,000  
Prior: \$25,400

## Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Reserves Appendix D, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Reserves 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.

## SHARP JPA - 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)
1997-1998	24	24	24	11	2.213	0.245	0.542
1998-1999	19	19	19	11	1.696	0.262	0.444
1999-2000	13	13	13	13	1.033	0.280	0.289
2000-2001	3	3	3	13	0.230	0.300	0.069
2001-2002	14	14	14	15	0.946	0.321	0.304
2002-2003	16	15	16	16	0.978	0.343	0.335
2003-2004	12	12	12	18	0.664	0.366	0.243
2004-2005	18	18	18	17	1.033	0.392	0.405
2005-2006	12	12	12	17	0.706	0.419	0.296
2006-2007	12	12	12	18	0.662	0.448	0.297
2007-2008	15	15	15	20	0.760	0.479	0.364
2008-2009	16	16	16	20	0.811	0.512	0.415
2009-2010	10	9	10	21	0.477	0.547	0.261
2010-2011	8	8	8	21	0.381	0.585	0.223
2011-2012	12	12	12	21	0.578	0.625	0.361
2012-2013	10	10	10	24	0.410	0.668	0.274
2013-2014	10	8	10	24	0.409	0.715	0.292
2014-2015	13	11	13	25	0.515	0.765	0.394
2015-2016	15	18	15	25	0.608	0.818	0.497
2016-2017	13	14	13	25	0.526	0.874	0.460
2017-2018	7	9	7	19	0.372	0.935	0.348
Total	272	272	272	393.920			0.341

(H) Selected 2018-2019 Frequency: 0.490  
Prior: 0.560

Program Year:	2018-2019	2019-2020
(I) Trend Factor:	1.000	0.935
(J) Selected Frequency:	0.490	0.458
(K) Estimated Payroll (\$000,000)	\$19	\$20
(L) Ultimate Claims:	9	9

## Notes:

- (A) From Reserves Appendix D, Page 4, (C).  
 (B) From Reserves Appendix D, Page 5, (C).  
 (C) Selected from (A) and (B).  
 (D) From Reserves Appendix N, Column (C) divided by 10  
 (E) (C) / (D).  
 (F) From Reserves Appendix E.  
 (G) (E) x (F).  
 (H) The selected frequency of .490 is based on (G).  
 (I) From Reserves Appendix E.  
 (J) (H) x (I).  
 (K) From Reserves Appendix N, Column (C) divided by  
 (L) (J) x (K).

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



## SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2018 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1997-1998	24	1.000	24	0.542
1998-1999	19	1.000	19	0.444
1999-2000	13	1.000	13	0.289
2000-2001	3	1.000	3	0.069
2001-2002	14	1.000	14	0.304
2002-2003	16	1.000	16	0.336
2003-2004	12	1.000	12	0.243
2004-2005	18	1.000	18	0.405
2005-2006	12	1.000	12	0.296
2006-2007	12	1.000	12	0.297
2007-2008	15	1.000	15	0.364
2008-2009	16	1.000	16	0.415
2009-2010	10	1.000	10	0.261
2010-2011	8	1.000	8	0.223
2011-2012	12	1.000	12	0.361
2012-2013	10	1.000	10	0.274
2013-2014	10	1.000	10	0.292
2014-2015	13	1.000	13	0.394
2015-2016	15	1.000	15	0.498
2016-2017	13	1.000	13	0.460
2017-2018	7	1.030	7	0.347
Total	272		272	0.341

## Notes:

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

This exhibit shows the calculation of estimated ultimate claims for each year based on reported claims as provided by SHARP JPA. 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.

## SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2018 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1997-1998	24	1.000	24	0.542
1998-1999	19	1.000	19	0.444
1999-2000	13	1.000	13	0.289
2000-2001	3	1.000	3	0.069
2001-2002	14	1.000	14	0.304
2002-2003	15	1.000	15	0.315
2003-2004	12	1.000	12	0.243
2004-2005	18	1.001	18	0.405
2005-2006	12	1.002	12	0.296
2006-2007	12	1.003	12	0.297
2007-2008	15	1.004	15	0.364
2008-2009	16	1.006	16	0.415
2009-2010	9	1.009	9	0.235
2010-2011	8	1.013	8	0.223
2011-2012	12	1.018	12	0.361
2012-2013	10	1.028	10	0.274
2013-2014	8	1.059	8	0.234
2014-2015	10	1.112	11	0.333
2015-2016	15	1.184	18	0.597
2016-2017	11	1.273	14	0.495
2017-2018	6	1.483	9	0.447
Total	262		272	0.344

## Notes:

(A) Provided by SHARP JPA.

(B) From Reserves Appendix D, Page 7.

(C) (A) x (B).

(D) (C) / [Reserves Appendix D, Page 3, (D)] x [Reserves Appendix D, Page 3, (F)].

This exhibit shows the calculation of estimated ultimate claims for each year based on closed claims as provided by SHARP JPA. 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.

SHARP JPA - Workers' Compensation  
Reported Claim Count Development

Accident Year	Number of Claims Reported as of:													
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1997-1998				24	24	24	24	24	24	24	24	24	24	24
1998-1999			19	19	19	19	19	19	19	19	19	19	19	19
1999-2000		13	13	13	13	13	13	13	13	13	13	13	13	13
2000-2001	2	3	3	3	3	3	3	3	3	3	3	3	3	3
2001-2002	3	14	14	14	14	14	14	14	14	14	14	14	14	14
2002-2003	9	16	16	16	16	16	16	16	16	16	16	16	16	16
2003-2004	4	12	12	12	12	12	12	12	12	12	12	12	12	12
2004-2005	8	18	18	18	18	18	18	18	18	18	18	18	18	18
2005-2006	4	12	12	12	12	12	12	12	12	12	12	12	12	12
2006-2007	4	12	12	12	12	12	12	12	12	12	12	12	12	
2007-2008	3	15	15	15	15	15	15	15	15	15	15	15		
2008-2009	4	15	16	16	16	16	16	16	16	16	16			
2009-2010	3	9	10	10	10	10	10	10	10	10				
2010-2011	4	8	8	8	8	8	8	8	8					
2011-2012	7	11	12	12	12	12	12	12						
2012-2013	7	10	10	10	10	10	10							
2013-2014	1	10	10	10	10	10								
2014-2015	6	13	13	13	13									
2015-2016	8	15	15	15										
2016-2017	7	14	13											
2017-2018	3	7												
2018-2019	3													

## 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
1997-1998				1.000	1.000	1.000	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	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	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	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	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2003-2004	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
2004-2005	2.250	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
2005-2006	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	
2006-2007	3.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2007-2008	5.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2008-2009	3.750	1.067	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2009-2010	3.000	1.111	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
2010-2011	2.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000						
2011-2012	1.571	1.091	1.000	1.000	1.000	1.000	1.000							
2012-2013	1.429	1.000	1.000	1.000	1.000	1.000								
2013-2014	10.000	1.000	1.000	1.000	1.000									
2014-2015	2.167	1.000	1.000	1.000										
2015-2016	1.875	1.000	1.000											
2016-2017	2.000	0.929												
2017-2018	2.333													

	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	3.018	1.011	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	2.000	0.976	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	2.042	0.981	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	2.448	1.038	1.010	1.010	1.007	1.004	1.004	1.004	1.003	1.003	1.002	1.002	1.002	1.002
Prior	3.000	1.030	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	1.030	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	2.987	1.030	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

SHARP JPA - Workers' Compensation  
Closed Claim Development

Accident Year	Claims Closed as of:													
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1997-1998				20	22	22	22	22	22	23	23	24	24	23
1998-1999			13	15	17	18	18	19	19	19	19	19	19	19
1999-2000		5	9	10	10	12	12	12	12	12	12	13	13	13
2000-2001		1	2	3	3	3	3	3	3	3	3	3	3	3
2001-2002	1	12	12	13	13	14	14	14	14	14	14	14	14	14
2002-2003	3	14	14	15	16	16	16	16	16	16	16	16	15	15
2003-2004	1	10	12	12	12	12	12	12	12	12	12	11	11	11
2004-2005	3	15	16	16	17	17	17	17	17	18	16	16	16	16
2005-2006	4	12	12	12	12	11	11	11	11	11	11	11	11	12
2006-2007	4	12	12	12	12	12	12	12	12	12	12	12	12	
2007-2008	1	10	11	12	13	13	15	15	15	15	15	15		
2008-2009	1	14	14	14	14	16	16	16	16	16	16			
2009-2010	1	6	6	7	8	8	9	9	9	9				
2010-2011	4	7	7	7	7	8	8	8	8					
2011-2012	5	7	9	8	9	11	11	12						
2012-2013		8	8	9	10	10	10							
2013-2014		7	8	8	8	8								
2014-2015	2	9	9	10	10									
2015-2016	6	14	15	15										
2016-2017	3	7	11											
2017-2018	1	6												
2018-2019	2													

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
1997-1998				1.100	1.000	1.000	1.000	1.000	1.045	1.000	1.043	1.000	0.958	1.043
1998-1999			1.154	1.133	1.059	1.000	1.056	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1999-2000		1.800	1.111	1.000	1.200	1.000	1.000	1.000	1.000	1.000	1.083	1.000	1.000	1.000
2000-2001		2.000	1.500	1.000	1.000	1.000	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2002-2003	4.667	1.000	1.071	1.067	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.938	1.000	1.000
2003-2004	10.000	1.200	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.917	1.000	1.000	1.000
2004-2005	5.000	1.067	1.000	1.063	1.000	1.000	1.000	1.000	1.059	0.889	1.000	1.000	1.000	1.125
2005-2006	3.000	1.000	1.000	1.000	0.917	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.091	
2006-2007	3.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2007-2008	10.000	1.100	1.091	1.083	1.000	1.154	1.000	1.000	1.000	1.000	1.000			
2008-2009	14.000	1.000	1.000	1.000	1.143	1.000	1.000	1.000	1.000	1.000				
2009-2010	6.000	1.000	1.167	1.143	1.000	1.125	1.000	1.000	1.000					
2010-2011	1.750	1.000	1.000	1.000	1.143	1.000	1.000	1.000						
2011-2012	1.400	1.286	0.889	1.125	1.222	1.000	1.091							
2012-2013		1.000	1.125	1.111	1.000	1.000								
2013-2014		1.143	1.000	1.000	1.000									
2014-2015	4.500	1.000	1.111	1.000										
2015-2016	2.333	1.071	1.000											
2016-2017	2.333	1.571												
2017-2018	6.000													

	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	5.732	1.180	1.072	1.046	1.045	1.017	1.010	1.000	1.008	0.991	1.004	0.994	1.005	1.021
Claim-weighted Averages														
3-yr	2.700	1.167	1.031	1.037	1.074	1.000	1.036	1.000	1.000	1.000	1.000	1.000	1.026	1.048
4-yr	3.000	1.162	1.050	1.057	1.088	1.027	1.023	1.000	1.000	1.000	1.000	1.000	1.019	1.036
Comparative														
Factors	2.779	1.256	1.078	1.061	1.039	1.027	1.018	1.014	1.012	1.008	1.008	1.005	1.004	1.004
Prior	4.550	1.150	1.075	1.065	1.050	1.030	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Selected	5.000	1.165	1.075	1.065	1.050	1.030	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Cumulated	7.415	1.483	1.273	1.184	1.112	1.059	1.028	1.018	1.013	1.009	1.006	1.004	1.003	1.002

## SHARP JPA - Workers' Compensation

## Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2018-2019 Loss Rate Level (B)	Factor to 2019-2020 Loss Rate Level (C)	Factor to 2020-2021 Loss Rate Level (D)	Factor to 2021-2022 Loss Rate Level (E)	Factor to 2018-2019 Frequency Level (F)	Factor to 2019-2020 Frequency Level (G)	Factor to 2020-2021 Frequency Level (H)	Factor to 2021-2022 Frequency Level (I)	Factor to 2018-2019 Severity Level (J)
1997-1998	1.001	1.807	1.859	1.911	1.967	0.245	0.229	0.214	0.200	7.408
1998-1999	0.889	1.561	1.605	1.651	1.698	0.262	0.245	0.229	0.214	5.981
1999-2000	0.795	1.358	1.396	1.435	1.477	0.280	0.262	0.245	0.229	4.863
2000-2001	0.750	1.246	1.281	1.317	1.355	0.300	0.280	0.262	0.245	4.171
2001-2002	0.755	1.218	1.253	1.288	1.326	0.321	0.300	0.280	0.262	3.814
2002-2003	0.795	1.247	1.282	1.318	1.356	0.343	0.320	0.299	0.280	3.650
2003-2004	0.983	1.500	1.542	1.586	1.632	0.366	0.342	0.320	0.299	4.105
2004-2005	1.268	1.881	1.934	1.988	2.046	0.392	0.366	0.342	0.320	4.813
2005-2006	1.377	1.985	2.041	2.099	2.160	0.419	0.391	0.366	0.342	4.751
2006-2007	1.307	1.833	1.885	1.938	1.994	0.448	0.419	0.391	0.366	4.099
2007-2008	1.217	1.660	1.707	1.755	1.806	0.479	0.447	0.418	0.391	3.471
2008-2009	1.138	1.510	1.552	1.596	1.642	0.512	0.478	0.447	0.418	2.951
2009-2010	1.046	1.349	1.387	1.426	1.467	0.547	0.511	0.478	0.447	2.465
2010-2011	1.001	1.255	1.290	1.327	1.365	0.585	0.547	0.511	0.478	2.145
2011-2012	1.001	1.220	1.255	1.290	1.327	0.625	0.585	0.547	0.511	1.950
2012-2013	1.018	1.206	1.240	1.275	1.312	0.668	0.625	0.584	0.546	1.803
2013-2014	1.029	1.185	1.218	1.253	1.289	0.715	0.668	0.625	0.584	1.656
2014-2015	1.013	1.134	1.166	1.199	1.234	0.765	0.715	0.668	0.625	1.483
2015-2016	1.017	1.107	1.138	1.170	1.204	0.818	0.764	0.714	0.668	1.353
2016-2017	1.019	1.078	1.108	1.140	1.173	0.874	0.817	0.764	0.714	1.232
2017-2018	1.000	1.028	1.058	1.087	1.119	0.935	0.874	0.817	0.764	1.100
2018-2019	1.000	1.000	1.028	1.057	1.088	1.000	0.935	0.874	0.817	1.000
2019-2020	1.000	--	1.000	1.028	1.058	--	1.000	0.935	0.874	--
2020-2021	1.000	--	--	1.000	1.029	--	--	1.000	0.935	--
2021-2022	1.000	--	--	--	1.000	--	--	--	1.000	--

## Notes:

- (A) Based on WCIRB.  
 (B) - (E) (A) adjusted for a 2.9% annual loss rate trend.  
 (F) - (I) (A) adjusted for a -6.5% annual frequency trend.  
 (J) (A) adjusted for a 10.0% annual severity trend.

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

## SHARP JPA - Workers' Compensation

Outstanding Liability for  
Unallocated Loss Adjustment Expenses  
as of 6/30/19

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)
2019-2020	10	\$855	1.050	\$898	\$8,980
2020-2021	6	855	1.103	943	5,658
2021-2022	5	855	1.158	990	4,950
2022-2023	5	855	1.216	1,040	5,200
2023-2024	4	855	1.277	1,092	4,368
2024-2025	3	855	1.341	1,147	3,441
2025-2026	3	855	1.408	1,204	3,612
2026-2027	2	855	1.478	1,264	2,528
2027-2028	1	855	1.552	1,327	1,327
2028-2029	0	855	1.630	1,394	0
2029-2030	0	855	1.712	1,464	0
2030-2031	0	855	1.798	1,537	0
2031-2032	0	855	1.888	1,614	0
2032-2033	0	855	1.982	1,695	0
2033-2034	0	855	2.081	1,779	0
2034-2035	0	855	2.185	1,868	0
2035-2036	0	855	2.294	1,961	0
2036-2037	0	855	2.409	2,060	0

(G) Total ULAE Outstanding as of 6/30/19: \$40,064

## 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 SHARP JPA.
- (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.

## SHARP JPA - Workers' Compensation

## Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2018</u>	<u>Calendar Period</u>	
		<u>1/1/2019</u> <u>to</u> <u>6/30/2019</u>	<u>7/1/2019</u> <u>to</u> <u>6/30/2020</u>
Prior			
Ultimate Loss	\$650,598	\$650,598	\$650,598
Paid in Calendar Period	-		
Paid to Date	650,598	650,598	650,598
Outstanding Liability			
2002-2003			
Ultimate Loss	\$53,000	\$53,000	\$53,000
Paid in Calendar Period	-	722	1,372
Paid to Date	38,562	39,284	40,656
Outstanding Liability	14,438	13,716	12,344
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	\$59,858	\$59,858	\$59,858
Paid in Calendar Period	-		
Paid to Date	59,858	59,858	59,858
Outstanding Liability			
2005-2006			
Ultimate Loss	\$61,573	\$61,573	\$61,573
Paid in Calendar Period	-		
Paid to Date	61,573	61,573	61,573
Outstanding Liability			
2006-2007			
Ultimate Loss	\$4,599	\$4,599	\$4,599
Paid in Calendar Period	-		
Paid to Date	4,599	4,599	4,599
Outstanding Liability			
2007-2008			
Ultimate Loss	\$364,460	\$364,460	\$364,460
Paid in Calendar Period	-		
Paid to Date	364,460	364,460	364,460
Outstanding Liability			

## SHARP JPA - Workers' Compensation

## Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2018</u>	<u>Calendar Period</u>	
		<u>1/1/2019</u> <u>to</u> <u>6/30/2019</u>	<u>7/1/2019</u> <u>to</u> <u>6/30/2020</u>
2008-2009			
Ultimate Loss	\$115,576	\$115,576	\$115,576
Paid in Calendar Period	-		
Paid to Date	115,576	115,576	115,576
Outstanding Liability			
2009-2010			
Ultimate Loss	\$448,000	\$448,000	\$448,000
Paid in Calendar Period	-	2,663	14,661
Paid to Date	396,789	399,452	414,113
Outstanding Liability	51,211	48,548	33,887
2010-2011			
Ultimate Loss	\$66,000	\$66,000	\$66,000
Paid in Calendar Period	-	524	926
Paid to Date	56,481	57,005	57,931
Outstanding Liability	9,519	8,995	8,069
2011-2012			
Ultimate Loss	\$376,000	\$376,000	\$376,000
Paid in Calendar Period	-	2,298	4,101
Paid to Date	339,525	341,823	345,924
Outstanding Liability	36,475	34,177	30,076
2012-2013			
Ultimate Loss	\$204,000	\$204,000	\$204,000
Paid in Calendar Period	-	2,105	4,028
Paid to Date	168,329	170,434	174,462
Outstanding Liability	35,671	33,566	29,538
2013-2014			
Ultimate Loss	\$363,000	\$363,000	\$363,000
Paid in Calendar Period	-	5,237	8,847
Paid to Date	292,230	297,467	306,314
Outstanding Liability	70,770	65,533	56,686
2014-2015			
Ultimate Loss	\$317,000	\$317,000	\$317,000
Paid in Calendar Period	-	13,243	23,425
Paid to Date	155,499	168,742	192,167
Outstanding Liability	161,501	148,258	124,833



## SHARP JPA - Workers' Compensation

## Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2018</u>	<u>Calendar Period</u>	
		<u>1/1/2019</u> <u>to</u> <u>6/30/2019</u>	<u>7/1/2019</u> <u>to</u> <u>6/30/2020</u>
2015-2016			
Ultimate Loss	\$96,000	\$96,000	\$96,000
Paid in Calendar Period	-	6,780	10,645
Paid to Date	36,524	43,304	53,949
Outstanding Liability	59,476	52,696	42,051
2016-2017			
Ultimate Loss	\$380,000	\$380,000	\$380,000
Paid in Calendar Period	-	36,989	50,238
Paid to Date	190,312	227,301	277,539
Outstanding Liability	189,688	152,699	102,461
2017-2018			
Ultimate Loss	\$227,000	\$227,000	\$227,000
Paid in Calendar Period	-	24,059	51,598
Paid to Date	37,562	61,621	113,219
Outstanding Liability	189,438	165,379	113,781
2018-2019			
Ultimate Loss	\$138,000	\$275,000	\$275,000
Paid in Calendar Period	-	29,579	56,921
Paid to Date	1,125	30,704	87,625
Outstanding Liability	136,875	244,296	187,375
2019-2020			
Ultimate Loss	-	-	\$335,000
Paid in Calendar Period	-	-	43,550
Paid to Date	-	-	43,550
Outstanding Liability	-	-	291,450
Totals			
Ultimate Loss	\$3,967,679	\$4,104,679	\$4,439,679
Paid in Calendar Period	-	124,199	270,312
Paid to Date	3,012,617	3,136,816	3,407,128
Outstanding Liability	955,062	967,863	1,032,551
Total Outstanding ULAE	38,000	40,064	46,247
Outstanding Liability plus ULAE	993,062	1,007,927	1,078,798

Notes appear on the next page.

## SHARP JPA - 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 2016-2017, \$36,989 is expected to be paid between 1/1/19 and 6/30/19, \$227,301 will have been paid by 6/30/19, and the reserve for remaining payments on these claims should be \$152,699.
- Ultimate Losses for each accident year are from Reserves 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,  $\$50,238 = \$152,699 \times 32.9\%$ .
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example,  $\$277,539 = \$50,238 + \$227,301$ .
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example,  $\$152,699 = \$380,000 - \$227,301$ .

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.

## SHARP JPA - Workers' Compensation

## Short- and Long-Term Liabilities

<u>Liabilities as of 12/31/18:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$94,620	\$93,232
	ULAE:	10,260	10,109
	Short-Term Loss and LAE:	<u>\$104,880</u>	<u>\$103,341</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$860,442	\$714,108
	ULAE:	27,740	21,698
	Long-Term Loss and LAE:	<u>\$888,182</u>	<u>\$735,806</u>
<u>Total Liability</u>	Loss and ALAE:	\$955,062	\$807,340
	ULAE:	38,000	31,807
	Total Loss and LAE:	<u>\$993,062</u>	<u>\$839,147</u>
<u>Liabilities as of 6/30/19:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$226,762	\$223,435
	ULAE:	8,980	8,848
	Short-Term Loss and LAE:	<u>\$235,742</u>	<u>\$232,283</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$741,101	\$594,663
	ULAE:	31,084	24,741
	Long-Term Loss and LAE:	<u>\$772,185</u>	<u>\$619,404</u>
<u>Total Liability</u>	Loss and ALAE:	\$967,863	\$818,098
	ULAE:	40,064	33,589
	Total Loss and LAE:	<u>\$1,007,927</u>	<u>\$851,687</u>

		<u>Discounted with a Margin for Contingencies</u>				
		<u>70%</u>	<u>75%</u>	<u>80%</u>	<u>85%</u>	<u>90%</u>
		<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>	<u>Confidence</u>
<u>Liabilities as of 12/31/18:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$110,760	\$118,498	\$127,635	\$138,822	\$153,740
	ULAE:	12,009	12,849	13,839	15,052	16,670
	Short-Term Loss and LAE:	<u>\$122,769</u>	<u>\$131,347</u>	<u>\$141,474</u>	<u>\$153,874</u>	<u>\$170,410</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$848,360	\$907,631	\$977,613	\$1,063,307	\$1,177,564
	ULAE:	25,778	27,578	29,705	32,309	35,779
	Long-Term Loss and LAE:	<u>\$874,138</u>	<u>\$935,209</u>	<u>\$1,007,318</u>	<u>\$1,095,616</u>	<u>\$1,213,343</u>
<u>Total Liability</u>	Loss and ALAE:	\$959,120	\$1,026,129	\$1,105,248	\$1,202,129	\$1,331,304
	ULAE:	37,787	40,427	43,544	47,361	52,449
	Total Loss and LAE:	<u>\$996,907</u>	<u>\$1,066,556</u>	<u>\$1,148,792</u>	<u>\$1,249,490</u>	<u>\$1,383,753</u>
<u>Liabilities as of 6/30/19:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$265,441	\$283,986	\$305,883	\$332,695	\$368,444
	ULAE:	10,511	11,246	12,113	13,175	14,590
	Short-Term Loss and LAE:	<u>\$275,952</u>	<u>\$295,232</u>	<u>\$317,996</u>	<u>\$345,870</u>	<u>\$383,034</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$706,459	\$755,817	\$814,093	\$885,453	\$980,600
	ULAE:	29,393	31,445	33,871	36,839	40,798
	Long-Term Loss and LAE:	<u>\$735,852</u>	<u>\$787,262</u>	<u>\$847,964</u>	<u>\$922,292</u>	<u>\$1,021,398</u>
<u>Total Liability</u>	Loss and ALAE:	\$971,900	\$1,039,803	\$1,119,976	\$1,218,148	\$1,349,044
	ULAE:	39,904	42,691	45,984	50,014	55,388
	Total Loss and LAE:	<u>\$1,011,804</u>	<u>\$1,082,494</u>	<u>\$1,165,960</u>	<u>\$1,268,162</u>	<u>\$1,404,432</u>

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

## SHARP JPA - Workers' Compensation

## Discount Factors to be Applied to Overall Reserves

Accident Year	Full Value of Reserve at 12/31/18 (A)	Discount Factor (B)	Discounted Reserve at 12/31/18 (C)	Full Value of Reserve at 6/30/19 (D)	Discount Factor (E)	Discounted Reserve at 6/30/19 (F)
2013-2014	\$70,770	0.800	\$56,615	\$65,533	0.796	\$52,194
2014-2015	161,501	0.811	130,963	148,258	0.804	119,128
2015-2016	59,476	0.837	49,759	52,696	0.818	43,122
2016-2017	189,688	0.866	164,311	152,699	0.855	130,547
2017-2018	189,438	0.880	166,725	165,379	0.878	145,120
2018-2019	136,875	0.878	120,194	244,296	0.883	215,641
Totals	\$955,062		\$807,340	\$967,863		\$818,098
(G) Discount Factor at 12/31/18 for Overall Reserve:					0.845	
(H) Discount Factor at 6/30/19 for Overall Reserve:					0.845	

## Notes:

- (A) From Reserves Appendix G.
- (B) From Appendix I, Page 2, Column (E).
- (C) (A) x (B).
- (D) From Reserves 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 evaluation and the end of the current fiscal year. For example, if the discount factor in item (G) is 0.845, the discounted liability for outstanding claims is 84.5% of the full value.

## SHARP JPA - Workers' Compensation

## Confidence Level Table

Probability	Outstanding Losses
95%	1.913
90	1.649
85	1.489
80	1.369
75	1.271
70	1.188
65	1.115
60	1.048
55	0.986
50	0.927
45	0.871
40	0.816
35	0.761
30	0.705
25	0.647

To read table: For the above retention, there is a 90% chance  
that final loss settlements will be less than  
1.649 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.

## SHARP JPA - Workers' Compensation

## Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
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)
7/1/2010	6/30/2011	2010-2011	250,000	(none)
7/1/2011	6/30/2012	2011-2012	250,000	(none)
7/1/2012	6/30/2013	2012-2013	250,000	(none)
7/1/2013	6/30/2014	2013-2014	250,000	(none)
7/1/2014	6/30/2015	2014-2015	250,000	(none)
7/1/2015	6/30/2016	2015-2016	250,000	(none)
7/1/2016	6/30/2017	2016-2017	250,000	(none)
7/1/2017	6/30/2018	2017-2018	250,000	(none)
7/1/2018	6/30/2019	2018-2019	250,000	(none)
7/1/2019	6/30/2020	2019-2020	250,000	(none)
Third Party Claims Administrator			Begin Date	End Date
York Insurance Services				Current

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

## SHARP JPA - Workers' Compensation

Estimated Fund Balance as of 6/30/19

(A) <u>Estimated Fund Balance as of 6/30/18:</u>	\$4,885,000
(B) <u>Total Income to Fund from 7/1/19 - 6/30/19:</u>	
Contributions:	\$745,000
Interest:	0
Other:	0
Total Income:	<u>\$745,000</u>
(C) <u>Total Payments from Fund from 7/1/18 - 6/30/19:</u>	
Loss and ALAE:	\$311,000
Additional Allocated Loss Adjustment Expense:	0
In-House Unallocated Loss Adjustment Expense:	0
Fees to Outside Administrator (TPA):	15,000
Excess Insurance:	290,000
Other:	83,000
Total Payments:	<u>\$699,000</u>
(D) <u>Estimated Fund Balance as of 6/30/19:</u>	\$4,931,000

## Notes:

- (A) Provided by SHARP JPA.
- (B) Provided by SHARP JPA.
- (C) Provided by SHARP JPA.
- (D) (A) + (B) - (C).

## SHARP JPA - Workers' Compensation

Reported Loss Data as of 12/31/18

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 to SIR Layer \$100,000 (I)	Incurred Capped at SIR (J)	Incurred Capped at SIR & Aggregate (K)
1997-1998	\$268,753	\$0	\$0	\$268,753	\$0	\$99,896	\$168,856	\$99,896	\$268,753	\$268,753
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	53,697	0	1,833	51,864	0	0	51,864	0	51,864	51,864
2003-2004	43,015	0	0	43,015	0	0	43,015	0	43,015	43,015
2004-2005	56,321	3,537	0	59,858	0	0	59,858	0	59,858	59,858
2005-2006	38,796	22,777	0	61,573	0	0	61,573	0	61,573	61,573
2006-2007	4,599	0	0	4,599	0	0	4,599	0	4,599	4,599
2007-2008	410,865	70,883	55,153	426,594	62,134	136,812	289,782	74,678	364,460	364,460
2008-2009	82,671	32,904	0	115,576	0	0	115,576	0	115,576	115,576
2009-2010	405,347	9,031	0	414,378	0	144,205	270,173	144,205	414,378	414,378
2010-2011	55,628	853	0	56,481	0	0	56,481	0	56,481	56,481
2011-2012	514,848	3,963	176,967	341,844	2,319	152,319	189,525	150,000	339,525	339,525
2012-2013	163,338	4,991	0	168,329	0	0	168,329	0	168,329	168,329
2013-2014	465,459	0	0	465,459	153,538	303,538	161,921	150,000	311,921	311,921
2014-2015	282,117	0	0	282,117	0	23,792	258,325	23,792	282,117	282,117
2015-2016	36,423	101	0	36,524	0	0	36,524	0	36,524	36,524
2016-2017	298,330	0	0	298,330	0	0	298,330	0	298,330	298,330
2017-2018	81,538	0	314	81,225	0	0	81,225	0	81,225	81,225
2018-2019	3,614	0	0	3,614	0	0	3,614	0	3,614	3,614
Total	\$3,655,204	\$149,040	\$242,267	\$3,561,977	\$217,991	\$860,563	\$2,701,414	\$642,572	\$3,343,986	\$3,343,986

## Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by SHARP JPA.
- (C) 4850
- (D) Subro 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 Reserves Appendix K.



## SHARP JPA - Workers' Compensation

## Paid Loss Data as of 12/31/18

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)
1997-1998	\$268,753	\$0	\$0	\$268,753	\$0	\$99,896	\$168,856	\$99,896	\$268,753	\$268,753
1990-1991	157,580	0	0	157,580	0	0	157,580	0	157,580	157,580
1990-1991	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	40,395	0	1,833	38,562	0	0	38,562	0	38,562	38,562
2003-2004	43,015	0	0	43,015	0	0	43,015	0	43,015	43,015
2004-2005	56,321	3,537	0	59,858	0	0	59,858	0	59,858	59,858
2005-2006	38,796	22,777	0	61,573	0	0	61,573	0	61,573	61,573
2006-2007	4,599	0	0	4,599	0	0	4,599	0	4,599	4,599
2007-2008	410,865	70,883	55,153	426,594	62,134	136,812	289,782	74,678	364,460	364,460
2008-2009	82,671	32,904	0	115,576	0	0	115,576	0	115,576	115,576
2009-2010	387,758	9,031	0	396,789	0	144,205	252,584	144,205	396,789	396,789
2010-2011	55,628	853	0	56,481	0	0	56,481	0	56,481	56,481
2011-2012	514,848	3,963	176,967	341,844	2,319	152,319	189,525	150,000	339,525	339,525
2012-2013	163,338	4,991	0	168,329	0	0	168,329	0	168,329	168,329
2013-2014	312,606	0	0	312,606	20,376	170,376	142,230	150,000	292,230	292,230
2014-2015	155,499	0	0	155,499	0	0	155,499	0	155,499	155,499
2015-2016	36,423	101	0	36,524	0	0	36,524	0	36,524	36,524
2016-2017	190,312	0	0	190,312	0	0	190,312	0	190,312	190,312
2017-2018	37,876	0	314	37,562	0	0	37,562	0	37,562	37,562
2018-2019	1,125	0	0	1,125	0	0	1,125	0	1,125	1,125
Total	\$3,190,673	\$149,040	\$242,267	\$3,097,446	\$84,829	\$703,609	\$2,393,837	\$618,779	\$3,012,617	\$3,012,617

## Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by SHARP JPA.
- (C) 4850
- (D) Subro 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 Reserves Appendix K.

## SHARP JPA - Workers' Compensation

## Claim Count Data as of 12/31/18

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)
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	13	0	0	13	0	0
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	15	0	0	15	1	1
2003-2004	12	0	0	12	12	0	0	12	0	0
2004-2005	18	0	0	18	18	0	0	18	0	0
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	15	0	0	15	0	0
2008-2009	16	0	0	16	16	0	0	16	0	0
2009-2010	10	0	0	10	9	0	0	9	1	1
2010-2011	8	0	0	8	8	0	0	8	0	0
2011-2012	12	0	0	12	12	0	0	12	0	0
2012-2013	10	0	0	10	10	0	0	10	0	0
2013-2014	10	0	0	10	8	0	0	8	2	2
2014-2015	13	0	0	13	10	0	0	10	3	3
2015-2016	15	0	0	15	15	0	0	15	0	0
2016-2017	13	0	0	13	11	0	0	11	2	2
2017-2018	7	0	0	7	6	0	0	6	1	1
2018-2019	3	0	0	3	2	0	0	2	1	1
Total	275	0	0	275	264	0	0	264	11	11

## Notes:

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

## SHARP JPA - Workers' Compensation

## Exposure Measures

Accident Year	Total Payroll (\$00) (B)	Inflation Trend Factor (B)	Trended Payroll (\$00) (C)
1997-1998	64,606	1.679	108,473
1998-1999	68,411	1.638	112,057
1999-2000	78,767	1.598	125,870
2000-2001	83,499	1.559	130,175
2001-2002	97,303	1.521	147,998
2002-2003	110,205	1.484	163,544
2003-2004	124,884	1.448	180,832
2004-2005	123,288	1.413	174,206
2005-2006	123,256	1.379	169,970
2006-2007	134,724	1.345	181,204
2007-2008	150,521	1.312	197,484
2008-2009	154,135	1.280	197,292
2009-2010	167,723	1.249	209,486
2010-2011	172,416	1.219	210,175
2011-2012	174,586	1.189	207,582
2012-2013	210,343	1.160	243,998
2013-2014	216,040	1.132	244,558
2014-2015	228,641	1.104	252,420
2015-2016	228,886	1.077	246,510
2016-2017	235,032	1.051	247,019
2017-2018	183,757	1.025	188,350
2018-2019	189,221	1.000	189,221
2019-2020	198,660	1.000	198,660

## Notes:

- (A) Provided by SHARP JPA.
- (B) Based on WCIRB.
- (C) (A) x (B).

## SHARP JPA - 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)
1997-1998	\$168,856	1.128	\$190,470	\$108,473	\$1.756
1998-1999	157,580	0.996	156,950	112,057	1.401
1999-2000	151,151	0.885	133,769	125,870	1.063
2000-2001	1,156	0.830	959	130,175	0.007
2001-2002	71,958	0.830	59,725	147,998	0.404
2002-2003	53,000	0.870	46,110	163,544	0.282
2003-2004	41,901	1.070	44,834	93,287	0.481
2004-2005	54,876	1.372	75,290	87,737	0.858
2005-2006	61,331	1.482	90,893	84,230	1.079
2006-2007	4,168	1.399	5,831	95,720	0.061
2007-2008	334,048	1.296	432,926	167,293	2.588
2008-2009	51,302	1.205	61,819	164,907	0.375
2009-2010	236,051	1.101	259,892	173,926	1.494
2010-2011	113,428	1.048	118,873	172,523	0.689
2011-2012	241,516	1.042	251,660	173,815	1.448
2012-2013	71,332	1.054	75,184	163,473	0.460
2013-2014	169,000	1.059	178,971	165,454	1.082
2014-2015	272,000	1.037	282,064	172,878	1.632
2015-2016	58,000	1.035	60,030	174,760	0.343
2016-2017	336,000	1.031	346,416	182,093	1.902
2017-2018	211,000	1.006	212,266	186,454	1.138
Totals	\$2,859,654		\$3,084,932	\$3,046,667	\$1.013
13/14-16/17	835,000		867,481	695,185	\$1.248
11/12-17/18	1,358,848		1,406,591	1,218,927	\$1.154
(F) Selected Limited Rate:					\$1.250
Prior:					\$1.270
Program Year:		2018-2019	2019-2020		
(G) Factor to SIR:		1.335	1.342		
(H) Trend Factor:		1.000	1.006		
(I) Program Rate:		\$1.669	\$1.687		
(J) Estimated Payroll (\$00):		\$189,221	\$198,660		
(K) Projected Program Losses:		316,000	335,000		
(L) Projected ULAE:		14,000	15,000		
(M) Projected Loss and ULAE:		\$330,000	\$350,000		

Notes appear on the next page.

## SHARP JPA - 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 Rate 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 Rate 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 SHARP JPA'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.

## SHARP JPA - Workers' Compensation

## Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/18 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/18 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1997-1998	\$168,856	1.000	\$168,856	\$268,753	1.009	\$271,172
1998-1999	157,580	1.000	157,580	157,580	1.011	159,313
1999-2000	151,151	1.000	151,151	151,151	1.014	153,267
2000-2001	1,156	1.000	1,156	1,156	1.009	1,166
2001-2002	71,958	1.000	71,958	71,958	1.011	72,750
2002-2003	51,864	1.000	51,864	51,864	1.014	52,590
2003-2004	41,901	1.000	41,901	41,901	1.017	42,613
2004-2005	54,876	1.000	54,876	54,876	1.020	55,974
2005-2006	61,331	1.000	61,331	61,331	1.023	62,742
2006-2007	4,168	1.000	4,168	4,168	1.026	4,276
2007-2008	334,048	1.001	334,382	408,685	1.031	421,354
2008-2009	51,302	1.003	51,456	51,302	1.073	55,047
2009-2010	236,051	1.006	237,467	380,256	1.086	412,958
2010-2011	113,428	1.010	114,562	113,428	1.103	125,111
2011-2012	241,516	1.015	245,139	391,516	1.122	439,281
2012-2013	71,332	1.025	73,115	71,332	1.150	82,032
2013-2014	161,921	1.046	169,369	311,921	1.191	371,498
2014-2015	258,325	1.072	276,924	282,117	1.241	350,107
2015-2016	36,524	1.110	40,542	36,524	1.314	47,993
2016-2017	298,330	1.257	375,001	298,330	1.530	456,445
2017-2018	81,225	2.284	185,518	81,225	2.811	228,323
Totals	\$2,648,843		\$2,868,316	\$3,291,374		\$3,866,012

## Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by SHARP JPA. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Rate 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 SHARP JPA.
- (F) Derived from factors on Rate 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.

SHARP JPA - 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
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	169,094
2000-2001	7,008	7,526	1,156	1,156	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	71,958	71,958	71,958
2002-2003	60,703	37,505	58,423	40,447	31,362	31,362	31,362	31,362	31,362	31,362	31,362
2003-2004	9,288	62,237	61,946	43,015	43,015	43,015	43,015	43,015	43,015	43,015	43,015
2004-2005	40,746	66,443	77,832	86,799	67,911	67,911	67,911	67,911	121,845	58,395	59,858
2005-2006	652	8,131	9,327	9,633	9,633	17,133	76,025	77,263	77,263	61,573	61,573
2006-2007	1,275	4,158	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599
2007-2008	48,542	142,627	303,952	297,751	289,654	289,654	289,782	289,782	289,782	163,899	218,899
2008-2009	25,267	105,061	115,373	130,560	150,116	115,576	115,576	115,576	82,671	82,671	82,671
2009-2010	33,372	241,819	265,864	298,131	266,057	315,545	281,228	272,197	264,022	261,142	
2010-2011	2,992	20,124	87,062	101,528	66,414	56,481	55,628	55,628	55,628		
2011-2012	56,920	103,910	202,358	226,741	232,454	8,595	185,562	185,562			
2012-2013	74,101	94,857	189,657	221,117	163,373	163,338					
2013-2014	1,500	62,107	155,761	205,397	186,893	161,921					
2014-2015	47,420	174,495	284,278	283,868	258,325						
2015-2016	21,825	20,530	36,423	36,423							
2016-2017	46,539	303,178	298,330								
2017-2018	8,412	81,225									
2018-2019	3,614										

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
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	1.000
1999-2000		3.694	1.222	1.352	0.671	0.903	1.291	1.000	1.000	0.958	0.894
2000-2001	1.074	0.154	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000
2002-2003	0.618	1.558	0.692	0.775	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2003-2004	6.701	0.995	0.694	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2004-2005	1.631	1.171	1.115	0.782	1.000	1.000	1.000	1.794	0.479	1.025	1.000
2005-2006	12.471	1.147	1.033	1.000	1.779	4.437	1.016	1.000	0.797	1.000	0.630
2006-2007	3.261	1.106	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2007-2008	2.938	2.131	0.980	0.973	1.000	1.000	1.000	1.000	0.566	1.336	1.512
2008-2009	4.158	1.098	1.132	1.150	0.770	1.000	1.000	0.715	1.000	1.000	
2009-2010	7.246	1.099	1.121	0.892	1.186	0.891	0.968	0.970	0.989		
2010-2011	6.726	4.326	1.166	0.654	0.850	0.985	1.000	1.000			
2011-2012	1.826	1.947	1.120	1.025	0.037	21.590	1.000				
2012-2013	1.280	1.999	1.166	0.739	1.000	1.000					
2013-2014	41.405	2.508	1.319	0.910	0.866						
2014-2015	3.680	1.629	0.999	0.910							
2015-2016	0.941	1.774	1.000								
2016-2017	6.514	0.984									
2017-2018	9.656										

	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 Dollar-weighted Averages	6.709	1.717	1.127	0.965	0.935	2.505	1.010	1.034	0.910	1.025	0.985
3-yr	5.274	1.243	1.103	0.857	0.573	1.771	0.983	0.907	0.798	1.219	1.313
4-yr	4.665	1.383	1.121	0.897	0.601	1.261	0.986	0.944	0.799	1.176	1.259
Comparative Factors	2.756	1.238	1.053	1.012	1.007	1.007	1.007	1.007	1.007	1.006	1.006
Prior	4.250	1.850	1.135	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Selected	4.863	1.817	1.132	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Cumulated	11.107	2.284	1.257	1.110	1.072	1.046	1.025	1.015	1.010	1.006	1.003

SHARP JPA - Workers' Compensation  
Reported Loss Development

Limited Losses Reported as of:

Accident Year	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
1997-1998	166,873	167,718	177,718	168,856	168,856	168,856	168,856	168,856	168,856	168,856	168,856
1998-1999	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580
1999-2000	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	
2000-2001	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156			
2001-2002	71,958	71,958	71,958	71,958	71,958	71,958	71,958				
2002-2003	31,362	31,362	31,362	31,362	51,864	51,864					
2003-2004	43,015	43,015	43,015	43,015	43,015						
2004-2005	59,858	56,321	56,321	56,321							
2005-2006	38,796	38,796	38,796								
2006-2007	4,599	4,599									
2007-2008	331,033										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
1997-1998	1.005	1.060	0.950	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	1.000		
1999-2000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2000-2001	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2001-2002	1.000	1.000	1.000	1.000	1.000	1.000					
2002-2003	1.000	1.000	1.000	1.654	1.000						
2003-2004	1.000	1.000	1.000	1.000							
2004-2005	0.941	1.000	1.000								
2005-2006	1.000	1.000									
2006-2007	1.000										
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											

	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average	0.995	1.007	0.994	1.093	1.000	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted											
Averages											
3-yr	0.966	1.000	1.000	1.140	1.000	1.000	1.000	1.000			
4-yr	0.976	1.000	1.000	1.139	1.000	1.000	1.000				
Comparative											
Factors	1.004	1.004	1.002	1.002	1.002	1.002	1.002	1.002	1.001	1.000	1.009
Prior	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000



SHARP JPA - Workers' Compensation  
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			166,735	232,304	248,877	262,862	136,643	136,578	136,803	191,803	136,803
2008-2009			5,512	5,419	40,360						
2009-2010		9,367	10,000	162,185	144,205	156,779	154,655	154,424	144,205	144,205	
2010-2011											
2011-2012			163,501	174,416	58,665	329,286	152,319	152,319			
2012-2013											
2013-2014				106,190	137,484	303,538					
2014-2015					23,792						
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	<u>Reported Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			1.393	1.071	1.056	0.520	1.000	1.002	1.402	0.713	0.180
2008-2009			0.983	7.448							
2009-2010		1.068	16.219	0.889	1.087	0.986	0.999	0.934	1.000		
2010-2011											
2011-2012			1.067	0.336	5.613	0.463	1.000				
2012-2013											
2013-2014				1.295	2.208						
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	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		1.068	4.916	2.487	2.480	0.742	0.986	0.824	1.023	0.857	0.590
Dollar-weighted											
Averages											
3-yr											
4-yr											
Comparative											
Factors	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Prior	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Selected	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Cumulated	36.944	9.468	4.694	3.157	2.540	2.205	1.958	1.777	1.639	1.533	1.454

SHARP JPA - Workers' Compensation  
Reported between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Reported as of:</u>										
	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008	24,678										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average Dollar-weighted Averages 3-yr 4-yr	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Comparative Factors Prior	1.043 1.043	1.037 1.037	1.034 1.034	1.032 1.032	1.031 1.031	1.027 1.027	1.023 1.023	1.020 1.020	1.021 1.021	1.009 1.066	1.056 0.000
Selected	1.043	1.037	1.034	1.032	1.031	1.027	1.023	1.020	1.021	1.066	0.000
Cumulated	1.387	1.330	1.283	1.241	1.203	1.167	1.136	1.110	1.088	1.066	

## SHARP JPA - Workers' Compensation

## Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/18 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/18 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1997-1998	\$168,856	1.000	\$168,856	\$268,753	1.043	\$280,309
1998-1999	157,580	1.000	157,580	157,580	1.046	164,829
1999-2000	151,151	1.000	151,151	151,151	1.051	158,860
2000-2001	1,156	1.000	1,156	1,156	1.029	1,190
2001-2002	71,958	1.000	71,958	71,958	1.032	74,261
2002-2003	38,562	1.000	38,562	38,562	1.035	39,912
2003-2004	41,901	1.000	41,901	41,901	1.038	43,493
2004-2005	54,876	1.000	54,876	54,876	1.042	57,181
2005-2006	61,331	1.001	61,392	61,331	1.047	64,214
2006-2007	4,168	1.003	4,181	4,168	1.053	4,389
2007-2008	334,048	1.005	335,718	408,685	1.060	433,206
2008-2009	51,302	1.008	51,712	51,302	1.134	58,176
2009-2010	236,051	1.012	238,884	380,256	1.152	438,055
2010-2011	113,428	1.017	115,356	113,428	1.173	133,051
2011-2012	241,516	1.027	248,037	391,516	1.203	470,994
2012-2013	71,332	1.037	73,971	71,332	1.236	88,166
2013-2014	142,230	1.063	151,190	292,230	1.290	376,977
2014-2015	155,499	1.106	171,982	155,499	1.368	212,723
2015-2016	36,524	1.216	44,413	36,524	1.535	56,064
2016-2017	190,312	1.820	346,368	190,312	2.332	443,808
2017-2018	37,562	3.261	122,490	37,562	4.252	159,714
Totals	\$2,361,343		\$2,651,734	\$2,980,082		\$3,759,572

## Notes:

- (A) Years are 7/1 to 6/30.
- (B) Provided by SHARP JPA. These losses exclude amounts over \$100,000 per occurrence.
- (C) From Rate 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 SHARP JPA.
- (F) Derived from factors on Rate 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.

SHARP JPA - Workers' Compensation  
Paid Loss Development

Accident Year	<u>Limited Losses Paid as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
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	151,151
2000-2001	7,023	7,526	1,156	1,156	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	71,958	71,958	71,958
2002-2003	3,746	19,404	27,715	30,275	31,362	31,362	31,362	31,362	31,362	31,362	31,362
2003-2004	2,447	33,483	42,946	43,015	43,015	43,015	43,015	43,015	43,015	43,015	43,015
2004-2005	14,656	32,711	45,871	46,987	47,612	47,852	47,855	50,938	56,191	58,395	59,858
2005-2006	652	8,131	9,327	9,633	9,633	9,633	54,718	61,573	61,573	61,573	61,573
2006-2007	1,275	4,158	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599	4,599
2007-2008	2,392	63,598	261,957	289,654	289,654	289,654	289,782	289,782	289,782	163,899	218,899
2008-2009	2,772	87,203	91,399	102,811	115,576	115,576	115,576	115,576	82,671	82,671	82,671
2009-2010	9,490	73,649	93,054	182,921	222,144	238,149	247,637	240,027	242,193	243,553	
2010-2011	2,992	14,792	26,633	35,920	56,481	56,481	55,628	55,628	55,628		
2011-2012	35,690	57,935	81,050	94,297	104,267	8,595	185,562	185,562			
2012-2013	11,780	55,935	72,665	167,167	163,373	163,338					
2013-2014		20,411	56,059	127,493	142,206	142,230					
2014-2015	7,219	47,371	87,262	135,365	155,499						
2015-2016	8,643	19,715	36,423	36,423							
2016-2017	5,793	87,512	190,312								
2017-2018	112	37,562									
2018-2019	1,125										

	<u>Paid Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
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	1.000
1999-2000		3.973	1.154	1.054	1.012	1.000	1.124	1.013	1.006	1.000	1.000
2000-2001	1.072	0.154	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000
2002-2003	5.180	1.428	1.092	1.036	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2003-2004	13.683	1.283	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2004-2005	2.232	1.402	1.024	1.013	1.005	1.000	1.064	1.103	1.039	1.025	1.000
2005-2006	12.471	1.147	1.033	1.000	1.000	5.680	1.125	1.000	1.000	1.000	0.630
2006-2007	3.261	1.106	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2007-2008	26.588	4.119	1.106	1.000	1.000	1.000	1.000	1.000	0.566	1.336	1.512
2008-2009	31.459	1.048	1.125	1.124	1.000	1.000	1.000	0.715	1.000	1.000	
2009-2010	7.761	1.263	1.966	1.214	1.072	1.040	0.969	1.009	1.006		
2010-2011	4.944	1.801	1.349	1.572	1.000	0.985	1.000	1.000			
2011-2012	1.623	1.399	1.163	1.106	0.082	21.590	1.000				
2012-2013	4.748	1.299	2.301	0.977	1.000	1.000					
2013-2014		2.747	2.274	1.115	1.000						
2014-2015	6.562	1.842	1.551	1.149							
2015-2016	2.281	1.847	1.000								
2016-2017	15.107	2.175									
2017-2018	335.375										

	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	32.696	1.767	1.337	1.097	0.978	2.584	1.025	0.989	0.972	1.030	1.013
Dollar-weighted Averages											
3-yr	9.953	2.031	1.665	1.072	0.767	1.771	0.984	0.925	0.797	1.219	1.313
4-yr	8.828	2.114	1.848	1.078	0.795	1.398	0.987	0.956	0.799	1.176	1.259
Comparative Factors	3.634	1.662	1.226	1.110	1.064	1.043	1.030	1.024	1.019	1.015	1.012
Prior	10.000	1.800	1.550	1.100	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Selected	10.000	1.792	1.497	1.100	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Cumulated	32.610	3.261	1.820	1.216	1.106	1.063	1.037	1.027	1.017	1.012	1.008

SHARP JPA - Workers' Compensation  
Paid Loss Development

<u>Limited Losses Paid as of:</u>											
Accident Year	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
1997-1998	166,873	167,718	168,611	168,856	168,856	168,856	168,856	168,856	168,856	168,856	168,856
1998-1999	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580	157,580
1999-2000	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	151,151	
2000-2001	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156			
2001-2002	71,958	71,958	71,958	71,958	71,958	71,958	71,958				
2002-2003	31,362	31,362	31,362	31,362	31,362	38,562					
2003-2004	43,015	43,015	43,015	43,015	43,015						
2004-2005	59,858	56,321	56,321								
2005-2006	38,796	38,796	38,796								
2006-2007	4,599	4,599									
2007-2008	331,033										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
1997-1998	1.005	1.005	1.001	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	1.000		
1999-2000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2000-2001	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2001-2002	1.000	1.000	1.000	1.000	1.000	1.000					
2002-2003	1.000	1.000	1.000	1.000	1.230						
2003-2004	1.000	1.000	1.000	1.000							
2004-2005	0.941	1.000	1.000								
2005-2006	1.000	1.000									
2006-2007	1.000										
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average	0.995	1.001	1.000	1.000	1.038	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted Averages											
3-yr	0.966	1.000	1.000	1.000	1.069	1.000	1.000	1.000			
4-yr	0.976	1.000	1.000	1.000	1.028	1.000	1.000				
Comparative Factors											
Prior	1.009	1.008	1.008	1.008	1.006	1.006	1.004	1.004	1.002	1.001	1.022
Selected	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulated	1.005	1.003	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

SHARP JPA - Workers' Compensation  
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>										
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			23,565	126,631	113,197	128,886	136,643	136,578	136,803	191,803	136,803
2008-2009				144,205	144,205	144,205	144,205	144,205	144,205	144,205	
2009-2010											
2010-2011											
2011-2012						329,286	152,319	152,319			
2012-2013											
2013-2014				9,798	53,238	170,376					
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	<u>Paid Loss Development Factors:</u>										
	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008			5.374	0.894	1.139	1.060	1.000	1.002	1.402	0.713	0.180
2008-2009				1.000	1.000	1.000	1.000	1.000	1.000		
2009-2010											
2010-2011											
2011-2012						0.463	1.000				
2012-2013											
2013-2014				5.434	3.200						
2014-2015											
2015-2016											
2016-2017											
2017-2018											
Average Dollar-weighted Averages 3-yr 4-yr	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
			5.374	2.122	1.625	0.896	1.014	1.006	1.126	0.857	0.590
Comparative											
Factors	6.009	3.083	2.025	1.554	1.342	1.246	1.193	1.146	1.117	1.093	1.073
Prior	6.009	3.083	2.025	1.554	1.342	1.246	1.193	1.146	1.117	1.093	1.073
Selected	6.009	3.083	2.025	1.554	1.342	1.246	1.193	1.146	1.117	1.093	1.073
Cumulated	345.932	57.569	18.673	9.221	5.934	4.422	3.549	2.975	2.596	2.324	2.126

SHARP JPA - Workers' Compensation  
Paid between \$100,000 and \$500,000 Loss Development

Accident Year	<u>Losses Paid as of:</u>										
	138 Months	150 Months	162 Months	174 Months	186 Months	198 Months	210 Months	222 Months	234 Months	246 Months	258 Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008	24,678										
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
2001-2002											
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008											
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
	138-150 Months	150-162 Months	162-174 Months	174-186 Months	186-198 Months	198-210 Months	210-222 Months	222-234 Months	234-246 Months	246-258 Months	258-Ult. Months
Average	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted											
Averages											
3-yr											
4-yr											
Comparative											
Factors	1.062	1.055	1.052	1.047	1.040	1.035	1.035	1.033	1.030	1.015	1.335
Prior	1.062	1.055	1.052	1.047	1.040	1.035	1.035	1.033	1.030	1.355	0.000
Selected	1.062	1.055	1.052	1.047	1.040	1.035	1.035	1.033	1.030	1.355	0.000
Cumulated	1.981	1.865	1.768	1.681	1.606	1.544	1.492	1.442	1.396	1.355	

## SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Reported Losses

Accident Year	Trended Payroll (\$00) (A)	Reported Losses as of 12/31/18 (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)
1997-1998	\$108,473	\$268,753	1.009	0.009	\$1.863	\$1,819	\$270,572
1998-1999	112,057	157,580	1.011	0.011	1.690	2,083	159,663
1999-2000	125,870	151,151	1.014	0.014	1.452	2,559	153,710
2000-2001	130,175	1,156	1.009	0.009	0.010	12	1,168
2001-2002	147,998	71,958	1.011	0.011	0.536	873	72,831
2002-2003	163,544	51,864	1.014	0.014	0.358	820	52,684
2003-2004	93,287	41,901	1.017	0.017	0.497	788	42,689
2004-2005	87,737	54,876	1.020	0.020	0.694	1,218	56,094
2005-2006	84,230	61,331	1.023	0.022	0.810	1,501	62,832
2006-2007	95,720	4,168	1.026	0.025	0.049	117	4,285
2007-2008	167,293	408,685	1.031	0.030	2.232	11,202	419,887
2008-2009	164,907	51,302	1.073	0.068	0.394	4,418	55,720
2009-2010	173,926	380,256	1.086	0.079	1.729	23,757	404,013
2010-2011	172,523	113,428	1.103	0.093	0.841	13,494	126,922
2011-2012	173,815	391,516	1.122	0.109	1.789	33,894	425,410
2012-2013	163,473	71,332	1.150	0.130	0.564	11,986	83,318
2013-2014	165,454	311,921	1.191	0.160	1.548	40,980	352,901
2014-2015	172,878	282,117	1.241	0.194	1.589	53,292	335,409
2015-2016	174,760	36,524	1.314	0.239	1.600	66,828	103,352
2016-2017	182,093	298,330	1.530	0.346	1.615	101,752	400,082
2017-2018	186,454	81,225	2.811	0.644	1.663	199,687	280,912
Totals	\$3,046,667	\$3,291,374				\$573,080	\$3,864,454

## Notes:

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

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and 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.



## SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Paid Losses

Accident Year	Trended Payroll (\$00) (A)	Paid Losses as of 12/31/18 (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)
1997-1998	\$108,473	\$268,753	1.043	0.041	\$1.863	\$8,285	\$277,038
1998-1999	112,057	157,580	1.046	0.044	1.690	8,333	165,913
1999-2000	125,870	151,151	1.051	0.049	1.452	8,955	160,106
2000-2001	130,175	1,156	1.029	0.028	0.010	36	1,192
2001-2002	147,998	71,958	1.032	0.031	0.536	2,459	74,417
2002-2003	163,544	38,562	1.035	0.034	0.358	1,991	40,553
2003-2004	93,287	41,901	1.038	0.037	0.497	1,715	43,616
2004-2005	87,737	54,876	1.042	0.040	0.694	2,436	57,312
2005-2006	84,230	61,331	1.047	0.045	0.810	3,070	64,401
2006-2007	95,720	4,168	1.053	0.050	0.049	235	4,403
2007-2008	167,293	408,685	1.060	0.057	2.232	21,284	429,969
2008-2009	164,907	51,302	1.134	0.118	0.394	7,667	58,969
2009-2010	173,926	380,256	1.152	0.132	1.729	39,695	419,951
2010-2011	172,523	113,428	1.173	0.147	0.841	21,329	134,757
2011-2012	173,815	391,516	1.203	0.169	1.789	52,551	444,067
2012-2013	163,473	71,332	1.236	0.191	0.564	17,610	88,942
2013-2014	165,454	292,230	1.290	0.225	1.548	57,628	349,858
2014-2015	172,878	155,499	1.368	0.269	1.589	73,895	229,394
2015-2016	174,760	36,524	1.535	0.349	1.600	97,586	134,110
2016-2017	182,093	190,312	2.332	0.571	1.615	167,920	358,232
2017-2018	186,454	37,562	4.252	0.765	1.663	237,206	274,768
Totals	\$3,046,667	\$2,980,082				\$831,886	\$3,811,968

## Notes:

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

This exhibit shows the calculation of ultimate losses based on the assumption that there is an underlying relationship between losses and 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.

## SHARP JPA - 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)
1997-1998	\$108,473	\$168,856	1.128	\$190,470	\$1.756	\$1.557	1.196	\$1.863
1998-1999	112,057	157,580	0.996	156,950	1.401	1.406	1.202	1.690
1999-2000	125,870	151,151	0.885	133,769	1.063	1.201	1.209	1.452
2000-2001	130,175	1,156	0.830	959	0.007	0.009	1.100	0.010
2001-2002	147,998	71,958	0.830	59,725	0.404	0.486	1.103	0.536
2002-2003	163,544	53,000	0.870	46,110	0.282	0.324	1.105	0.358
2003-2004	93,287	41,901	1.070	44,834	0.481	0.449	1.108	0.497
2004-2005	87,737	54,876	1.372	75,290	0.858	0.625	1.111	0.694
2005-2006	84,230	61,331	1.482	90,893	1.079	0.728	1.112	0.810
2006-2007	95,720	4,168	1.399	5,831	0.061	0.044	1.115	0.049
2007-2008	167,293	334,048	1.296	432,926	2.588	1.997	1.118	2.232
2008-2009	164,907	51,302	1.205	61,819	0.375	0.311	1.267	0.394
2009-2010	173,926	236,051	1.101	259,892	1.494	1.357	1.274	1.729
2010-2011	172,523	113,428	1.048	118,873	0.689	0.657	1.281	0.841
2011-2012	173,815	241,516	1.042	251,660	1.448	1.390	1.287	1.789
2012-2013	163,473	71,332	1.054	75,184	0.460	0.436	1.294	0.564
2013-2014	165,454	169,000	1.059	178,971	1.082	1.190	1.301	1.548
2014-2015	172,878	272,000	1.037	282,064	1.632	1.215	1.308	1.589
2015-2016	174,760	42,000	1.035	43,470	0.249	1.217	1.315	1.600
2016-2017	182,093	361,000	1.031	372,191	2.044	1.222	1.322	1.615
2017-2018	186,454	186,000	1.006	187,116	1.004	1.252	1.328	1.663
Total/Avg	\$3,046,667	\$2,843,654		\$3,068,997	\$1.007			
13/14-16/17	695,185	844,000		876,696	\$1.261			
11/12-17/18	1,218,927	1,342,848		1,390,656	\$1.141			
Selected Limited Rate:					\$1.260			
Prior:					\$1.280			

## Notes:

- (A) From Appendix N, Column (C).
- (B) Selected average of results from Appendices A and B.
- (C) From Rate Appendix E, Column (B).
- (D) (B) x (C).
- (E) (D) / (A).
- (F) Selected Limited Rate / (C). For 2012-2013 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.

## SHARP JPA - Workers' Compensation

## Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
1997-1998	\$8,417	24	\$202,008
1998-1999	9,971	19	189,449
1999-2000	14,053	13	182,689
2000-2001	424	3	1,272
2001-2002	5,668	14	79,352
2002-2003	3,662	16	58,592
2003-2004	4,642	10	46,420
2004-2005	4,062	15	60,930
2005-2006	6,203	11	68,233
2006-2007	516	9	4,644
2007-2008	16,233	23	373,359
2008-2009	2,500	26	65,000
2009-2010	14,324	21	300,804
2010-2011	8,545	17	145,265
2011-2012	15,545	20	310,900
2012-2013	10,260	9	92,340
2013-2014	18,031	10	180,310
2014-2015	19,700	13	256,100
2015-2016	21,101	15	316,515
2016-2017	22,652	13	294,476
2017-2018	24,828	9	223,452
Total		310	\$3,452,110

## Notes:

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

## SHARP JPA - 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)
1997-1998	\$168,856	24	\$7,036	4.147	\$29,178	\$7,036	1.196	\$8,417
1998-1999	157,580	19	8,294	3.442	28,548	8,294	1.202	9,971
1999-2000	151,151	13	11,627	2.878	33,463	11,627	1.209	14,053
2000-2001	1,156	3	385	2.537	977	385	1.100	424
2001-2002	71,958	14	5,140	2.385	12,259	5,140	1.103	5,668
2002-2003	53,000	16	3,313	2.347	7,776	3,313	1.105	3,662
2003-2004	41,901	10	4,190	2.713	11,367	4,190	1.108	4,642
2004-2005	54,876	15	3,658	3.270	11,962	3,658	1.111	4,062
2005-2006	61,331	11	5,576	3.318	18,501	5,576	1.112	6,203
2006-2007	4,168	9	463	2.944	1,363	463	1.115	516
2007-2008	334,048	23	14,524	2.562	37,210	14,524	1.118	16,233
2008-2009	51,302	26	1,973	2.239	4,418	1,973	1.267	2,500
2009-2010	236,051	21	11,241	1.923	21,616	11,241	1.274	14,324
2010-2011	113,428	17	6,672	1.720	11,476	6,672	1.281	8,545
2011-2012	241,516	20	12,076	1.607	19,406	12,076	1.287	15,545
2012-2013	71,332	9	7,926	1.528	12,111	7,926	1.294	10,260
2013-2014	169,000	10	16,900	1.443	24,387	13,860	1.301	18,031
2014-2015	272,000	13	20,923	1.328	27,786	15,060	1.308	19,700
2015-2016	58,000	15	3,867	1.246	4,818	16,051	1.315	21,101
2016-2017	336,000	13	25,846	1.167	30,162	17,138	1.322	22,652
2017-2018	211,000	9	23,444	1.070	25,085	18,692	1.328	24,828

Average Limited Severity: \$17,803  
 13/14-16/17 Average Limited Severity: \$19,778  
 14/15-17/18 Average Limited Severity: \$20,725

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

## Notes:

- (A) Selected average of results from Appendices A, B, and C.
- (B) Rate Appendix D, Page 3, Column (C).
- (C) (A) / (B).
- (D) From Rate 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.

## SHARP JPA - 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)
1997-1998	24	24	24	11	2.213	0.273	0.604
1998-1999	19	19	19	11	1.696	0.291	0.494
1999-2000	13	13	13	13	1.033	0.309	0.319
2000-2001	3	3	3	13	0.230	0.329	0.076
2001-2002	14	14	14	15	0.946	0.349	0.330
2002-2003	16	15	16	16	0.978	0.372	0.364
2003-2004	10	10	10	9	1.072	0.396	0.425
2004-2005	15	15	15	9	1.710	0.421	0.720
2005-2006	11	11	11	8	1.306	0.448	0.585
2006-2007	9	9	9	10	0.940	0.477	0.448
2007-2008	23	23	23	17	1.375	0.507	0.697
2008-2009	26	26	26	16	1.577	0.539	0.850
2009-2010	21	21	21	17	1.207	0.574	0.693
2010-2011	17	17	17	17	0.985	0.610	0.601
2011-2012	20	19	20	17	1.151	0.649	0.747
2012-2013	9	9	9	16	0.551	0.690	0.380
2013-2014	10	8	10	17	0.604	0.734	0.443
2014-2015	13	11	13	17	0.752	0.781	0.587
2015-2016	15	18	15	17	0.858	0.830	0.712
2016-2017	13	14	13	18	0.714	0.883	0.630
2017-2018	7	9	9	19	0.483	0.940	0.454
Total	308	308	310	304.667			0.540

(H) Selected 2018-2019 Frequency: 0.670  
Prior: 0.780

Program Year:	2018-2019	2019-2020
(I) Trend Factor:	1.000	0.940
(J) Selected Frequency:	0.670	0.630
(K) Estimated Payroll (\$000,000)	\$19	\$20
(L) Ultimate Claims:	13	13

## Notes:

- (A) From Rate Appendix D, Page 4, (C).  
 (B) From Rate 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 Rate Appendix E.

- (G) (E) x (F).  
 (H) The selected frequency of .670 is based on (G).  
 (I) From Rate 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.

## SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2018 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1997-1998	24	1.000	24	0.604
1998-1999	19	1.000	19	0.493
1999-2000	13	1.000	13	0.319
2000-2001	3	1.000	3	0.076
2001-2002	14	1.000	14	0.330
2002-2003	16	1.000	16	0.364
2003-2004	10	1.000	10	0.424
2004-2005	15	1.000	15	0.720
2005-2006	11	1.000	11	0.585
2006-2007	9	1.000	9	0.448
2007-2008	23	1.000	23	0.697
2008-2009	26	1.000	26	0.850
2009-2010	21	1.000	21	0.693
2010-2011	17	1.000	17	0.601
2011-2012	20	1.000	20	0.747
2012-2013	9	1.000	9	0.380
2013-2014	10	1.000	10	0.444
2014-2015	13	1.000	13	0.587
2015-2016	15	1.000	15	0.712
2016-2017	13	1.000	13	0.630
2017-2018	7	1.030	7	0.353
Total	308		308	0.534

## Notes:

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

This exhibit shows the calculation of estimated ultimate claims for each year based on reported claims as provided by SHARP JPA. 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.

## SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2018 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1997-1998	24	1.000	24	0.604
1998-1999	19	1.000	19	0.493
1999-2000	13	1.000	13	0.319
2000-2001	3	1.000	3	0.076
2001-2002	14	1.000	14	0.330
2002-2003	15	1.000	15	0.341
2003-2004	10	1.000	10	0.424
2004-2005	15	1.001	15	0.720
2005-2006	11	1.002	11	0.585
2006-2007	9	1.003	9	0.448
2007-2008	23	1.004	23	0.697
2008-2009	26	1.006	26	0.850
2009-2010	21	1.009	21	0.693
2010-2011	17	1.013	17	0.601
2011-2012	19	1.018	19	0.709
2012-2013	9	1.028	9	0.380
2013-2014	8	1.059	8	0.355
2014-2015	10	1.112	11	0.497
2015-2016	15	1.184	18	0.855
2016-2017	11	1.273	14	0.679
2017-2018	6	1.483	9	0.454
Total	298		308	0.538

## Notes:

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

This exhibit shows the calculation of estimated ultimate claims for each year based on closed claims as provided by SHARP JPA. 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.

SHARP JPA - Workers' Compensation  
Reported Claim Count Development

Accident Year	Number of Claims Reported as of:													
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1997-1998				24	24	24	24	24	24	24	24	24	24	24
1998-1999			19	19	19	19	19	19	19	19	19	19	19	19
1999-2000		13	13	13	13	13	13	13	13	13	13	13	13	13
2000-2001	2	3	3	3	3	3	3	3	3	3	3	3	3	3
2001-2002	3	14	14	14	14	14	14	14	14	14	14	14	14	14
2002-2003	9	16	16	16	16	16	16	16	16	16	16	16	16	16
2003-2004	4	12	12	12	12	12	12	12	12	12	12	12	12	12
2004-2005	8	18	18	18	18	18	18	18	18	18	18	18	18	18
2005-2006	4	12	12	12	12	12	12	12	12	12	12	12	12	12
2006-2007	4	12	12	12	12	12	12	12	12	12	12	12	12	
2007-2008	3	15	15	15	15	15	15	15	15	15	15	15		
2008-2009	4	15	16	16	16	16	16	16	16	16	16			
2009-2010	3	9	10	10	10	10	10	10	10	10				
2010-2011	4	8	8	8	8	8	8	8	8					
2011-2012	7	11	12	12	12	12	12	12						
2012-2013	7	10	10	10	10	10	10							
2013-2014	1	10	10	10	10	10								
2014-2015	6	13	13	13	13									
2015-2016	8	15	15	15										
2016-2017	7	14	13											
2017-2018	3	7												
2018-2019	3													

## 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
1997-1998				1.000	1.000	1.000	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	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	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	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	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2003-2004	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
2004-2005	2.250	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
2005-2006	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	
2006-2007	3.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2007-2008	5.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000			
2008-2009	3.750	1.067	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000				
2009-2010	3.000	1.111	1.000	1.000	1.000	1.000	1.000	1.000	1.000					
2010-2011	2.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000						
2011-2012	1.571	1.091	1.000	1.000	1.000	1.000	1.000							
2012-2013	1.429	1.000	1.000	1.000	1.000	1.000								
2013-2014	10.000	1.000	1.000	1.000	1.000									
2014-2015	2.167	1.000	1.000	1.000										
2015-2016	1.875	1.000	1.000											
2016-2017	2.000	0.929												
2017-2018	2.333													

	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	3.018	1.011	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	2.000	0.976	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	2.042	0.981	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	2.448	1.038	1.010	1.010	1.007	1.004	1.004	1.004	1.003	1.003	1.002	1.002	1.002	1.002
Prior	3.000	1.030	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	1.030	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	2.987	1.030	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000



SHARP JPA - Workers' Compensation  
Closed Claim Development

Accident Year	Claims Closed as of:													
	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
1997-1998				20	22	22	22	22	22	23	23	24	24	23
1998-1999			13	15	17	18	18	19	19	19	19	19	19	19
1999-2000		5	9	10	10	12	12	12	12	12	12	13	13	13
2000-2001		1	2	3	3	3	3	3	3	3	3	3	3	3
2001-2002	1	12	12	13	13	14	14	14	14	14	14	14	14	14
2002-2003	3	14	14	15	16	16	16	16	16	16	16	16	15	15
2003-2004	1	10	12	12	12	12	12	12	12	12	12	11	11	11
2004-2005	3	15	16	16	17	17	17	17	17	18	16	16	16	16
2005-2006	4	12	12	12	12	11	11	11	11	11	11	11	11	12
2006-2007	4	12	12	12	12	12	12	12	12	12	12	12	12	
2007-2008	1	10	11	12	13	13	15	15	15	15	15	15		
2008-2009	1	14	14	14	14	16	16	16	16	16	16			
2009-2010	1	6	6	7	8	8	9	9	9	9				
2010-2011	4	7	7	7	7	8	8	8	8					
2011-2012	5	7	9	8	9	11	11	12						
2012-2013		8	8	9	10	10	10							
2013-2014		7	8	8	8	8								
2014-2015	2	9	9	10	10									
2015-2016	6	14	15	15										
2016-2017	3	7	11											
2017-2018	1	6												
2018-2019	2													

## 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
1997-1998				1.100	1.000	1.000	1.000	1.000	1.045	1.000	1.043	1.000	0.958	1.043
1998-1999			1.154	1.133	1.059	1.000	1.056	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1999-2000		1.800	1.111	1.000	1.200	1.000	1.000	1.000	1.000	1.000	1.083	1.000	1.000	1.000
2000-2001		2.000	1.500	1.000	1.000	1.000	1.000	1.000	1.000	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2002-2003	4.667	1.000	1.071	1.067	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.938	1.000	1.000
2003-2004	10.000	1.200	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.917	1.000	1.000	1.000
2004-2005	5.000	1.067	1.000	1.063	1.000	1.000	1.000	1.000	1.059	0.889	1.000	1.000	1.000	1.125
2005-2006	3.000	1.000	1.000	1.000	0.917	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.091	
2006-2007	3.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2007-2008	10.000	1.100	1.091	1.083	1.000	1.154	1.000	1.000	1.000	1.000	1.000			
2008-2009	14.000	1.000	1.000	1.000	1.143	1.000	1.000	1.000	1.000	1.000				
2009-2010	6.000	1.000	1.167	1.143	1.000	1.125	1.000	1.000	1.000					
2010-2011	1.750	1.000	1.000	1.000	1.143	1.000	1.000	1.000						
2011-2012	1.400	1.286	0.889	1.125	1.222	1.000	1.091							
2012-2013		1.000	1.125	1.111	1.000	1.000								
2013-2014		1.143	1.000	1.000	1.000									
2014-2015	4.500	1.000	1.111	1.000										
2015-2016	2.333	1.071	1.000											
2016-2017	2.333	1.571												
2017-2018	6.000													

	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	5.732	1.180	1.072	1.046	1.045	1.017	1.010	1.000	1.008	0.991	1.004	0.994	1.005	1.021
Claim-weighted Averages														
3-yr	2.700	1.167	1.031	1.037	1.074	1.000	1.036	1.000	1.000	1.000	1.000	1.000	1.026	1.048
4-yr	3.000	1.162	1.050	1.057	1.088	1.027	1.023	1.000	1.000	1.000	1.000	1.000	1.019	1.036
Comparative														
Factors	2.779	1.256	1.078	1.061	1.039	1.027	1.018	1.014	1.012	1.008	1.008	1.005	1.004	1.004
Prior	4.550	1.150	1.075	1.065	1.050	1.030	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Selected	5.000	1.165	1.075	1.065	1.050	1.030	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Cumulated	7.415	1.483	1.273	1.184	1.112	1.059	1.028	1.018	1.013	1.009	1.006	1.004	1.003	1.002

## SHARP JPA - Workers' Compensation

## Loss Trend Factors

Accident Year	Benefit Level Factor (A)	Factor to 2018-2019 Loss Rate Level (B)	Factor to 2019-2020 Loss Rate Level (C)	Factor to 2020-2021 Loss Rate Level (D)	Factor to 2021-2022 Loss Rate Level (E)	Factor to 2018-2019 Frequency Level (F)	Factor to 2019-2020 Frequency Level (G)	Factor to 2020-2021 Frequency Level (H)	Factor to 2021-2022 Frequency Level (I)	Factor to 2018-2019 Severity Level (J)
1997-1998	1.001	1.128	1.135	1.142	1.148	0.273	0.257	0.241	0.227	4.147
1998-1999	0.889	0.996	1.002	1.008	1.014	0.291	0.274	0.257	0.242	3.442
1999-2000	0.795	0.885	0.890	0.896	0.901	0.309	0.291	0.273	0.257	2.878
2000-2001	0.750	0.830	0.835	0.840	0.845	0.329	0.309	0.290	0.273	2.537
2001-2002	0.755	0.830	0.835	0.840	0.845	0.349	0.328	0.309	0.290	2.385
2002-2003	0.795	0.870	0.875	0.880	0.885	0.372	0.350	0.329	0.309	2.347
2003-2004	0.983	1.070	1.076	1.083	1.089	0.396	0.372	0.350	0.329	2.713
2004-2005	1.268	1.372	1.380	1.389	1.397	0.421	0.396	0.372	0.350	3.270
2005-2006	1.377	1.482	1.491	1.500	1.509	0.448	0.421	0.396	0.372	3.318
2006-2007	1.307	1.399	1.407	1.416	1.424	0.477	0.448	0.421	0.396	2.944
2007-2008	1.217	1.296	1.304	1.311	1.319	0.507	0.476	0.448	0.421	2.562
2008-2009	1.138	1.205	1.212	1.220	1.227	0.539	0.507	0.477	0.448	2.239
2009-2010	1.046	1.101	1.108	1.115	1.121	0.574	0.540	0.507	0.477	1.923
2010-2011	1.001	1.048	1.054	1.061	1.067	0.610	0.574	0.539	0.507	1.720
2011-2012	1.001	1.042	1.049	1.055	1.061	0.649	0.610	0.573	0.539	1.607
2012-2013	1.018	1.054	1.060	1.067	1.073	0.690	0.648	0.610	0.573	1.528
2013-2014	1.029	1.059	1.065	1.072	1.078	0.734	0.690	0.649	0.610	1.443
2014-2015	1.013	1.037	1.043	1.049	1.055	0.781	0.734	0.690	0.649	1.328
2015-2016	1.017	1.035	1.041	1.047	1.054	0.830	0.781	0.734	0.690	1.246
2016-2017	1.019	1.031	1.037	1.043	1.049	0.883	0.830	0.781	0.734	1.167
2017-2018	1.000	1.006	1.012	1.018	1.024	0.940	0.883	0.831	0.781	1.070
2018-2019	1.000	1.000	1.006	1.012	1.018	1.000	0.940	0.884	0.831	1.000
2019-2020	1.000	--	1.000	1.006	1.012	--	1.000	0.940	0.884	--
2020-2021	1.000	--	--	1.000	1.006	--	--	1.000	0.940	--
2021-2022	1.000	--	--	--	1.000	--	--	--	1.000	--

## Notes:

- (A) Based on WCIRB.  
 (B) - (E) (A) adjusted for a 0.6% annual loss rate trend.  
 (F) - (I) (A) adjusted for a -6.0% annual frequency trend.  
 (J) (A) adjusted for a 7.0% annual severity trend.

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

## SHARP JPA - Workers' Compensation

## Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Discounted* Reserves (C)	Undiscounted Reserves (D)	Discount Factor (E)
22	6.5%	0.064	0.065	0.985
21	0.4%	0.067	0.070	0.958
20	0.5%	0.070	0.075	0.934
19	0.6%	0.074	0.081	0.913
18	0.6%	0.077	0.087	0.893
17	0.6%	0.081	0.093	0.874
16	0.7%	0.085	0.099	0.858
15	0.8%	0.090	0.107	0.844
14	0.9%	0.096	0.116	0.832
13	0.9%	0.103	0.125	0.821
12	1.0%	0.109	0.135	0.811
11	1.3%	0.119	0.147	0.804
10	1.4%	0.129	0.162	0.799
9	1.7%	0.142	0.179	0.796
8	2.0%	0.158	0.199	0.794
7	2.6%	0.179	0.225	0.796
6	3.7%	0.210	0.262	0.802
5	5.9%	0.262	0.321	0.817
4	14.7%	0.400	0.468	0.854
3	20.4%	0.589	0.672	0.876
2	20.0%	0.768	0.872	0.882
1	12.8%	0.872	1.000	0.872

(F) Discount Factor for Future Funding: 0.885

\* Assumed Investment Rate: 3.0%

## 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 Rate 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,  $76.8\% = [58.9\% / 1.030] + [20.0\% / (1.015)]$ .
- (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 0.89, on a discounted basis, \$0.89 must be budgeted for every \$1 that will actually be paid on claims that will be incurred in the next fiscal year.

## SHARP JPA - Workers' Compensation

## Confidence Level Table

Probability	Projected Losses
95%	2.491
90	2.031
85	1.755
80	1.552
75	1.390
70	1.254
65	1.135
60	1.029
55	0.931
50	0.840
45	0.751
40	0.664
35	0.577
30	0.491
25	0.408

To read table: For the above retention, there is a 90% chance that final loss settlements will be less than 2.031 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.

## SHARP JPA - Workers' Compensation

## Exposure Measures

Accident Year	Total Payroll (\$00) (B)	Inflation Trend Factor (B)	Trended Payroll (\$00) (C)
1997-1998	64,606	1.679	108,473
1998-1999	68,411	1.638	112,057
1999-2000	78,767	1.598	125,870
2000-2001	83,499	1.559	130,175
2001-2002	97,303	1.521	147,998
2002-2003	110,205	1.484	163,544
2003-2004	64,425	1.448	93,287
2004-2005	62,093	1.413	87,737
2005-2006	61,081	1.379	84,230
2006-2007	71,167	1.345	95,720
2007-2008	127,510	1.312	167,293
2008-2009	128,834	1.280	164,907
2009-2010	139,252	1.249	173,926
2010-2011	141,528	1.219	172,523
2011-2012	146,186	1.189	173,815
2012-2013	140,925	1.160	163,473
2013-2014	146,160	1.132	165,454
2014-2015	156,593	1.104	172,878
2015-2016	162,265	1.077	174,760
2016-2017	173,257	1.051	182,093
2017-2018	181,907	1.025	186,454
2018-2019	189,221	1.000	189,221
2019-2020	198,660	1.000	198,660

## Notes:

- (A) Provided by SHARP JPA.
- (B) Based on WCIRB.
- (C) (A) x (B).

## SHARP JPA - Workers' Compensation

Allocation of 2019-20 Costs to Members  
60% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

	Code	ABAG	City of Saratoga	Town of Los Altos Hills	Town of Ross	City of American Canyon	Total
(1) Estimated 2019-20 Payroll By Classification	8742	0	0	0	0	0	0
	8810	0	4,532,000	1,136,000	112,000	2,827,000	8,607,000
	9410	0	1,318,000	834,000	1,027,000	1,497,000	4,676,000
	9420	0	1,474,000	438,000	172,000	2,154,000	4,238,000
	7720	0	0	0	1,007,000	0	1,007,000
	7706	0	0	0	0	0	0
	7207	0	0	0	0	0	0
	7520	0	0	0	0	459,000	459,000
	7580	0	0	0	0	577,000	577,000
	9422	0	0	0	0	302,000	302,000
	7382	0	0	0	0	0	0
		0	7,324,000	2,408,000	2,318,000	7,816,000	19,866,000
		2019-20 Discounted Loss Rate					
(2) Expected 2019-20 Loss & ALAE - Discounted	8742	0.28	0	0	0	0	0
	8810	0.20	0	8,873	2,224	5,535	16,852
at 60% Confidence Level	9410	1.07	0	14,050	8,890	15,958	49,845
	9420	4.59	0	67,660	20,105	98,874	194,535
	7720	2.02	0	0	20,374	0	20,374
	7706	3.85	0	0	0	0	0
	7207	5.42	0	0	0	0	0
	7520	1.91	0	0	0	8,787	8,787
	7580	1.99	0	0	0	11,506	11,506
	9422	1.36	0	0	0	4,095	4,095
	7382	5.38	0	0	0	0	0
(3) Total Expected Loss & ALAE			0	90,583	31,220	144,756	305,995
(4) Experience Modification			96.2%	75.3%	76.7%	103.8%	119.5%
(5) Risk Premium Deposit - Loss & ALAE			0	68,177	23,955	40,923	172,941
(6) Administration			0	21,711	21,711	21,711	86,845
(7) Claims Administration			0	3,790	3,790	3,790	15,160
(8) Self-Insurance Assessment			0	2,500	2,500	2,500	10,000
(9) Excess Insurance Costs			0	52,359	18,397	31,428	132,816
(10) Funding Redundancy/(Deficiency)			0	0	0	0	0
(11) Total Premium Deposit			0	148,537	70,353	100,353	333,758

(1) Provided by SHARP JPA.

(2) = (1) / 100 X 2019/20 loss rate at 60% confidence level for each code from Rate Appendix P, Page 1.

(3) Sum (2) over all codes.

(4) Developed in Rate Appendix P, Page 2.

(5) = (3) x (4).

(6), (7) 2019/20 budgeted totals provided by SHARP JPA.

(8) Provided by SHARP JPA.

(9) Total provided by SHARP JPA, allocated based on (5).

(10) From Exhibit II, row (J).

(11) = (5) + (6) + (7) + (8) + (9) - (10).

## SHARP JPA - Workers' Compensation

Allocation of 2019-20 Costs to Members  
65% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

	Code	ABAG	City of Saratoga	Town of Los Altos Hills	Town of Ross	City of American Canyon	Total
(1) Estimated 2019-20 Payroll By Classification	8742	0	0	0	0	0	0
	8810	0	4,532,000	1,136,000	112,000	2,827,000	8,607,000
	9410	0	1,318,000	834,000	1,027,000	1,497,000	4,676,000
	9420	0	1,474,000	438,000	172,000	2,154,000	4,238,000
	7720	0	0	0	1,007,000	0	1,007,000
	7706	0	0	0	0	0	0
	7207	0	0	0	0	0	0
	7520	0	0	0	0	459,000	459,000
	7580	0	0	0	0	577,000	577,000
	9422	0	0	0	0	302,000	302,000
	7382	0	0	0	0	0	0
		0	7,324,000	2,408,000	2,318,000	7,816,000	19,866,000
		2019-20 Discounted Loss Rate					
(2) Expected 2019-20 Loss & ALAE - Discounted	8742	0.30	0	0	0	0	0
	8810	0.22	0	9,772	2,450	6,096	18,559
at 65% Confidence Level	9410	1.17	0	15,473	9,791	17,574	54,895
	9420	5.06	0	74,515	22,142	8,695	214,243
	7720	2.23	0	0	0	22,438	22,438
	7706	4.24	0	0	0	0	0
	7207	5.97	0	0	0	0	0
	7520	2.11	0	0	0	9,677	9,677
	7580	2.20	0	0	0	12,672	12,672
	9422	1.49	0	0	0	4,510	4,510
	7382	5.93	0	0	0	0	0
(3) Total Expected Loss & ALAE			0	99,760	34,383	43,431	159,421
(4) Experience Modification			96.2%	75.3%	76.7%	103.8%	119.5%
(5) Risk Premium Deposit - Loss & ALAE			0	75,084	26,381	45,069	190,461
(6) Administration			0	21,711	21,711	21,711	86,845
(7) Claims Administration			0	3,790	3,790	3,790	15,160
(8) Self-Insurance Assessment			0	2,500	2,500	2,500	10,000
(9) Excess Insurance Costs			0	52,359	18,397	31,428	132,816
(10) Funding Redundancy/(Deficiency)			0	0	0	0	0
(11) Total Premium Deposit			0	155,444	72,779	104,499	351,278

(1) Provided by SHARP JPA.

(2) = (1) / 100 X 2019/20 loss rate at 65% confidence level for each code from Rate Appendix P, Page 1.

(3) Sum (2) over all codes.

(4) Developed in Rate Appendix P, Page 2.

(5) = (3) x (4).

(6), (7) 2019/20 budgeted totals provided by SHARP JPA.

(8) Provided by SHARP JPA.

(9) Total provided by SHARP JPA, allocated based on (5).

(10) From Exhibit II, row (J).

(11) = (5) + (6) + (7) + (8) + (9) - (10).

## SHARP JPA - Workers' Compensation

Allocation of 2019-20 Costs to Members  
70% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

				Town of Los Altos Hills	Town of Ross	City of American Canyon	Total	
	Code	ABAG	City of Saratoga					
(1) Estimated 2019-20 Payroll By Classification	8742	0	0	0	0	0	0	
	8810	0	4,532,000	1,136,000	112,000	2,827,000	8,607,000	
	9410	0	1,318,000	834,000	1,027,000	1,497,000	4,676,000	
	9420	0	1,474,000	438,000	172,000	2,154,000	4,238,000	
	7720	0	0	0	1,007,000	0	1,007,000	
	7706	0	0	0	0	0	0	
	7207	0	0	0	0	0	0	
	7520	0	0	0	0	459,000	459,000	
	7580	0	0	0	0	577,000	577,000	
	9422	0	0	0	0	302,000	302,000	
	7382	0	0	0	0	0	0	
			0	7,324,000	2,408,000	2,318,000	7,816,000	19,866,000
		2019-20 Discounted Loss Rate						
(2) Expected 2019-20 Loss & ALAE - Discounted at 70% Confidence Level	8742	0.33	0	0	0	0	0	
	8810	0.24	0	10,787	2,704	6,729	20,487	
	9410	1.30	0	17,080	10,808	19,400	60,597	
	9420	5.58	0	82,254	24,442	9,598	236,494	
	7720	2.46	0	0	0	24,768	24,768	
	7706	4.68	0	0	0	0	0	
	7207	6.59	0	0	0	0	0	
	7520	2.33	0	0	0	10,682	10,682	
	7580	2.42	0	0	0	13,988	13,988	
	9422	1.65	0	0	0	4,979	4,979	
	7382	6.54	0	0	0	0	0	
(3) Total Expected Loss & ALAE		0	110,121	37,954	47,942	175,978	371,995	
(4) Experience Modification		96.2%	75.3%	76.7%	103.8%	119.5%	100.0%	
(5) Risk Premium Deposit - Loss & ALAE		0	82,882	29,121	49,750	210,242	371,995	
(6) Administration		0	21,711	21,711	21,711	21,711	86,845	
(7) Claims Administration		0	3,790	3,790	3,790	3,790	15,160	
(8) Self-Insurance Assessment		0	2,500	2,500	2,500	2,500	10,000	
(9) Excess Insurance Costs		0	52,359	18,397	31,428	132,816	235,000	
(10) Funding Redundancy/(Deficiency)		0	0	0	0	0	0	
(11) Total Premium Deposit		0	163,242	75,519	109,180	371,059	719,000	

(1) Provided by SHARP JPA.

(2) = (1) / 100 X 2019/20 loss rate at 70% confidence level for each code from Rate Appendix P, Page 1.

(3) Sum (2) over all codes.

(4) Developed in Rate Appendix P, Page 2.

(5) = (3) x (4).

(6), (7) 2019/20 budgeted totals provided by SHARP JPA.

(8) Provided by SHARP JPA.

(9) Total provided by SHARP JPA, allocated based on (5).

(10) From Exhibit II, row (J).

(11) = (5) + (6) + (7) + (8) + (9) - (10).



## SHARP JPA - Workers' Compensation

Allocation of 2019-20 Costs to Members  
75% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

				Town of Los Altos Hills	Town of Ross	City of American Canyon	
	Code	ABAG	City of Saratoga				Total
(1) Estimated 2019-20 Payroll By Classification	8742	0	0	0	0	0	0
	8810	0	4,532,000	1,136,000	112,000	2,827,000	8,607,000
	9410	0	1,318,000	834,000	1,027,000	1,497,000	4,676,000
	9420	0	1,474,000	438,000	172,000	2,154,000	4,238,000
	7720	0	0	0	1,007,000	0	1,007,000
	7706	0	0	0	0	0	0
	7207	0	0	0	0	0	0
	7520	0	0	0	0	459,000	459,000
	7580	0	0	0	0	577,000	577,000
	9422	0	0	0	0	302,000	302,000
	7382	0	0	0	0	0	0
			0	7,324,000	2,408,000	2,318,000	7,816,000
	2019-20 Discounted Loss Rate						
(2) Expected 2019-20 Loss & ALAE - Discounted at 75% Confidence Level	8742	0.37	0	0	0	0	0
	8810	0.26	0	11,976	3,002	7,471	22,745
	9410	1.44	0	18,963	11,999	21,538	67,275
	9420	6.20	0	91,320	27,136	133,448	262,560
	7720	2.73	0	0	0	27,498	27,498
	7706	5.20	0	0	0	0	0
	7207	7.32	0	0	0	0	0
	7520	2.58	0	0	0	11,860	11,860
	7580	2.69	0	0	0	15,530	15,530
	9422	1.83	0	0	0	5,527	5,527
	7382	7.26	0	0	0	0	0
	(3) Total Expected Loss & ALAE		0	122,259	42,137	53,226	195,374
(4) Experience Modification		96.2%	75.3%	76.7%	103.8%	119.5%	100.0%
(5) Risk Premium Deposit - Loss & ALAE		0	92,017	32,331	55,233	233,414	412,995
(6) Administration		0	21,711	21,711	21,711	21,711	86,845
(7) Claims Administration		0	3,790	3,790	3,790	3,790	15,160
(8) Self-Insurance Assessment		0	2,500	2,500	2,500	2,500	10,000
(9) Excess Insurance Costs		0	52,359	18,397	31,428	132,816	235,000
(10) Funding Redundancy/(Deficiency)		0	0	0	0	0	0
(11) Total Premium Deposit		0	172,377	78,729	114,663	394,231	760,000

(1) Provided by SHARP JPA.

(2) = (1) / 100 X 2019/20 loss rate at 75% confidence level for each code from Rate Appendix P, Page 1.

(3) Sum (2) over all codes.

(4) Developed in Rate Appendix P, Page 2.

(5) = (3) x (4).

(6), (7) 2019/20 budgeted totals provided by SHARP JPA.

(8) Provided by SHARP JPA.

(9) Total provided by SHARP JPA, allocated based on (5).

(10) From Exhibit II, row (J).

(11) = (5) + (6) + (7) + (8) + (9) - (10).

## SHARP JPA - Workers' Compensation

Allocation of 2019-20 Expected Loss Rate to Classification - Discounted Basis - \$250,000 SIR  
All Members

Classification Code (1)	Estimated 2019-20 Payroll (2)	WCIRB Pure Premium (3)	WCIRB Relativity (4)	Expected Level Undiscounted Pure Premium (5)	Expected Level Discounted Pure Premium (6)	60% Confidence Level Discounted Pure Premium (7)	65% Confidence Level Discounted Pure Premium (8)	70% Confidence Level Discounted Pure Premium (9)	75% Confidence Level Discounted Pure Premium (10)
8742	0	0.328	0.18	0.30	0.27	0.28	0.30	0.33	0.37
8810	8,607,000	0.233	0.13	0.21	0.19	0.20	0.22	0.24	0.26
9410	4,676,000	1.270	0.69	1.17	1.03	1.07	1.17	1.30	1.44
9420	4,238,000	5.469	2.98	5.03	4.45	4.59	5.06	5.58	6.20
7720	1,007,000	2.411	1.31	2.22	1.96	2.02	2.23	2.46	2.73
7706	0	4.588	2.50	4.22	3.73	3.85	4.24	4.68	5.20
7207	0	6.463	3.52	5.94	5.26	5.42	5.97	6.59	7.32
7520	459,000	2.281	1.24	2.10	1.86	1.91	2.11	2.33	2.58
7580	577,000	2.376	1.29	2.18	1.93	1.99	2.20	2.42	2.69
9422	302,000	1.616	0.88	1.49	1.32	1.36	1.49	1.65	1.83
7382	0	6.411	3.49	5.89	5.22	5.38	5.93	6.54	7.26
Total/Average	19,866,000	1.835		1.69	1.49	1.54	1.70	1.87	2.08

(2) Provided by SHARP JPA.

(3) From WCIRB, effective 1/1/2019 minus 13.6% for ULAE.

(4) (3) / (3) Average

(5) = (4) x selected 2019/20 loss rate of \$1.687 from Rate Exhibit 3, Page 1.

(6) = (5) x discount factor of 0.885 from Rate Appendix I, .

(7) = (6) x 1.254, 70% confidence factor from Rate Appendix J.

(8) = (6) x 1.390, 75% confidence factor from Rate Appendix J.

(9) = (6) x 1.552, 80% confidence factor from Rate Appendix J.

(10) = (6) x 1.755, 85% confidence factor from Rate Appendix J.

## SHARP JPA - Workers' Compensation

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

Members	2013-2014 to 2017-2018 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	0	0	0.0%	0.0%	1.000	5.0%	100.0%	96.2%
Saratoga	58,207	455,023	17.2%	31.6%	0.543	47.6%	78.2%	75.3%
Los Altos Hills	0	126,957	0.0%	8.8%	0.000	20.2%	79.8%	76.7%
Ross	59,372	197,247	17.5%	13.7%	1.278	28.3%	107.9%	103.8%
American Canyon	221,125	658,602	65.3%	45.8%	1.425	56.8%	124.2%	119.5%
Total/Average	338,704	1,437,828	100.0%	100.0%				

(1) Provided by SHARP JPA, 2013-2014 through 2017-2018, limited to \$25,000 per claim, evaluated as of 12/31/18.  
Losses exclude Ross Fire Department.

(2) Developed in Rate 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.

## SHARP JPA - Workers' Compensation

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

Members	Classification Codes											Total
	8,742	8,810	9,410	9,420	7,720	7,706	7207	7520	7580	9422	7382	
(1) Five Year Payrolls												
ABAG	0	0	0	0	0	0	0	0	0	0	0	0
Saratoga	0	18,455,399	5,750,492	6,197,234	0	0	0	0	0	0	0	30,403,126
Los Altos Hills	0	5,181,858	2,884,733	1,430,394	0	0	0	0	0	0	0	9,496,986
Ross	0	424,643	4,024,396	745,194	4,330,416	0	0	0	0	0	0	9,524,650
American Canyon	0	11,350,081	7,970,718	7,282,423	8,700	0	0	1,886,559	3,036,719	1,055,867	2,371	32,593,438
(2) WCIRB Loss Rates for Experience Rating												
	0.328	0.233	1.270	5.469	2.411	4.588	6.463	2.281	2.376	1.616	6.411	
(3) Expected Losses												
ABAG	0	0	0	0	0	0	0	0	0	0	0	0
Saratoga	0	43,053	73,036	338,934	0	0	0	0	0	0	0	455,023
Los Altos Hills	0	12,088	36,638	78,230	0	0	0	0	0	0	0	126,957
Ross	0	991	51,113	40,756	104,387	0	0	0	0	0	0	197,247
American Canyon	0	26,477	101,234	398,284	210	0	0	43,032	72,152	17,059	152	658,602

(1) Provided by SHARP JPA, 2013-2014 through 2017-2018.

(2) From WCIRB, effective 1/1/2019 minus 13.6% for ULAE.

(3) [(1) / 100] x (2)

**SHARED RISK POOL (SHARP)**  
**DRAFT 2019 / 2020 OPERATING BUDGET**  
**Workers' Compensation Program**  
**Pool Funding @65% Confidence Level, 3.0% Discount Factor**  
**Primary Pool SIR \$250,000 ~ LAWCX Excess from \$250,000**

<u>Member</u>	<b>2019/20 Total Contributions</b>	<b>Prior Year Budget</b>			<b>Payroll Comparison</b>				<b>Ex-mod Comparison</b>		
		<b>2018/19 Total Contributions</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>	<b>Estimated Payroll</b>		<b>Increase/ (Decrease)</b>	<b>% Change</b>	<b>2019/20</b>	<b>2018/19</b>	<b>% Change</b>
<b>American Canyon</b>	\$ 351,278	\$ 409,255	\$ (57,977)	-14%	7,816,000	8,453,324	(637,324)	-8%	119.5%	118.5%	1%
<b>Los Altos Hills</b>	72,779	65,799	6,980	11%	2,408,000	2,071,967	336,033	16%	76.7%	76.6%	0%
<b>Ross</b>	104,498	112,062	(7,564)	-7%	2,318,000	2,232,000	86,000	4%	103.8%	107.2%	-3%
<b>Saratoga</b>	155,444	157,877	(2,433)	-2%	7,324,000	7,022,000	302,000	4%	75.3%	71.1%	6%
<b>Total</b>	<b>\$ 684,000</b>	<b>\$ 744,994</b>	<b>\$ (60,994)</b>	<b>-8%</b>	<b>19,866,000</b>	<b>19,779,291</b>	<b>86,709</b>	<b>0%</b>			

**Note:**

Payroll comparison was obtained from the actuarial study, Appendix O, page 2.

The ex-mod comparisons were obtained from actuarial reports. See attached exhibit Rate Appendix P, page 2 for the calculation of ex-mods by member.

# SHARED RISK POOL (SHARP)

## DRAFT 2019 / 2020 OPERATING BUDGET

### Workers' Compensation Program

*Pool Funding @65% Confidence Level, 3.0% Discount Factor*  
*Primary Pool SIR \$250,000 ~ LAWCX Excess from \$250,000*

Member	Estimated Payroll 2019 Note 1	2019/20 Experience Modification Factor Note 2	Primary Pool Funding Note 3	Excess Coverage Note 4	Total Claims Admin Note 5	Self Insurance Assessment Note 6	Total Administration Note 7	Total Contributions Note 8
American Canyon	7,816,000	119.5%	\$ 190,461	\$ 132,816	\$ 3,790	\$ 2,500	\$ 21,711	\$ 351,278
Los Altos Hills	2,408,000	76.7%	26,381	18,397	3,790	2,500	21,711	72,779
Ross	2,318,000	103.8%	45,069	31,428	3,790	2,500	21,711	104,498
Saratoga	7,324,000	75.3%	75,084	52,359	3,790	2,500	21,711	155,444
<b>Total</b>	<b>19,866,000</b>	<b>1.00%</b>	<b>\$ 336,995</b>	<b>\$ 235,000</b>	<b>\$ 15,160</b>	<b>\$ 10,000</b>	<b>\$ 86,845</b>	<b>\$ 684,000</b>
Prior Year	19,779,291		349,210	290,001	14,720	7,875	83,196	745,003
Incr./(Decr.)	86,709		\$ (12,215)	\$ (55,001)	\$ 440	\$ 2,125	\$ 3,649	\$ (61,003)
% Change	0%		-3%	-19%	3%	27%	4%	-8%

NOTES:	
Note 1:	Estimated Payroll for the 2019 fiscal year, per Actuarial Study dated June 18, 2019.
Note 2:	Experience Modification Factor, per Actuarial Study dated June 30, 2019.
Note 3:	Funding needed for SIR to \$250,000 at the 65% confidence level, per Actuarial Study dated June 30, 2019
Note 4:	Excess Insurance expense allocated per June 30, 2019 Actuarial Study.
Note 5:	Claims Administration expense, per contract, as a fixed allocation distributed to members equally.
Note 6:	Workers Compensation Self Insurance assessment as a fixed allocation distributed to members equally.
Note 7:	General Administrative expense as a fixed allocation distributed to members equally. See Admin page 3.
Note 8:	Total 2019/20 contributions by member (Note 3 plus Note 4 plus Note 5 plus Note 6 plus Note 7).

# SHARED RISK POOL (SHARP)

## DRAFT 2019 / 2020 OPERATING BUDGET

### Pool Funding @65% Confidence Level, 3.0% Discount Factor

	2018/19 Operating Budget	2019/20 Operating Budget	Prior Year:	
			Increase/ (Decrease)	Percent Incr./(Decr.)
<b>Revenues:</b>				
Contributions	\$ 745,003	\$ 684,000	\$ (61,003)	-8.2%
Funding from Equity for Risk Management Grant	40,000	40,000	0	0.0%
<b>Total Revenues</b>	<b>785,003</b>	<b>724,000</b>	<b>(61,003)</b>	<b>-7.8%</b>
<b>Expenses:</b>				
Claims Expense	311,000	297,000	(14,000)	-4.5% a
Insurance Expense	290,000	235,000	(55,000)	-19.0% b
Claims Administration	14,720	15,160	440	3.0% c
DIR Self Insurance Assessment	7,875	10,000	2,125	27.0% d
Risk Management Grants				
Loss Control Prevention	40,000	40,000	-	0.0% e
Administration:				
Program Administration - York Risk	51,500	53,045	1,545	3.0% f
Financial Audit	7,500	7,500	-	0.0%
Actuarial Studies	10,000	10,000	-	0.0%
Claims Audit	2,500	2,500	-	0.0%
Legal Counsel	5,000	5,000	-	0.0%
Other Consultants	695	700	5	0.7%
Bank Fees	-	2,000	2,000	0.0% g
Meetings & Conferences:				
Meetings	500	600	100	20.0%
Membership & Conferences	500	500	-	0.0%
Allowance for Contingencies	5,000	5,000	-	0.0% h
<b>Total Administration Expenses:</b>	<b>83,195</b>	<b>86,845</b>	<b>3,650</b>	<b>4.4%</b>
<b>Total Expenses</b>	<b>746,790</b>	<b>684,005</b>	<b>(62,785)</b>	<b>-8.4%</b>
<b>Budget Net Income/(Loss)</b>	<b>\$ 38,213</b>	<b>\$ 39,995</b>	<b>\$ 1,782</b>	<b>4.7%</b>

**Notes:**

- a Claims expense are recorded at expected. The decrease in claims expense is due to favorable claims development, per the Actuarial study;
  - b Decrease in LAWGX estimate due ABAG payroll not included in the calculation of premium;
  - c Contractual increase;
  - d DIR Assessment estimated to increase by 27% in 19/20;
  - e No changes in Loss Control Prevention;
- Overall administration cost is projecting a 23% increase from 2017-2018 due to:
- f Program administration contract expected to increase 3% from prior year;
  - g Bank fees not budgeted in 2017-2018;
  - h Contingencies for future unknown expenses in 2018-19.

**June 24, 2019**

**Agenda Item 7.C.**

**FINANCIAL MATTERS**

**SUBJECT: Consideration of Actuarial Services**

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**BACKGROUND AND HISTORY:**

SHARP has received actuarial services from Bickmore. The current letter of engagement is dated June 1, 2018 for 2018 analysis. The fees for 2018 analysis are \$9,670.

Effective April 1, 2019, the actuarial team at Bickmore, which was owned by York, left York and formed a separate company, Prime Actuarial Consulting LLC dba Bickmore Actuarial. Attached is a proposed agreement between SHARP and Bickmore Actuarial that outlines the following terms:

Term of contract: April 1, 2019 to June 30, 2024

Fee:

- 2019-20 program year: \$9,670
- 2020-21 program year: \$9,670
- Subsequent year's fees: 0% increase

**RECOMMENDATION:**

*Staff recommends the Board approve the actuarial services contract as presented.*

**REFERENCE MATERIALS ATTACHED:**

- SHARP Actuarial Contract



**AGREEMENT BETWEEN THE  
SHARED AGENCY RISK POOL  
AND  
PRIME ACTUARIAL CONSULTING, LLC  
FOR ACTUARIAL SERVICES**

**This Agreement** is made and entered into the 1st day of July 2019, by and between the SHARED AGENCY RISK POOL, a California joint powers authority (hereinafter “SHARP”), and PRIME ACTUARIAL CONSULTING, LLC, a California limited liability company, dba Bickmore Actuarial (hereafter “Consultant”).

**RECITALS**

WHEREAS, SHARP desires to retain a consulting firm to perform actuarial services; and

WHEREAS, Consultant has the necessary professional expertise and skill to perform such services.

NOW, THEREFORE, the purpose of this Agreement is to retain Consultant to perform those services as specified in this Agreement.

THE PARTIES AGREE AS FOLLOWS:

**SECTION 1. SCOPE OF SERVICES**

A. Consultant shall perform those services described in the attached Exhibit A. All services shall be performed consistent with the Joint Exercise of Powers Law, the SHARP Joint Exercise of Powers Agreement, SHARP Bylaws, SHARP Master Plan Documents, and applicable SHARP memoranda of coverage, resolutions, and policies, as the same may be amended from time to time.

B. Consultant will also perform such additional services and tasks as may be described on a service-, project-, or task-specific Agreement addendum approved in writing from time to time by Consultant and SHARP. Approval of an addendum by SHARP requires approval by its Board of Directors. Each addendum must set forth the scope of services and work, duration of the work or expiration date, deliverables (if any), schedule (if applicable), and not-to-exceed price or other billing and fee arrangement. The additional services shall be compensated at the hourly rates set forth on Exhibit B or as otherwise agreed to by the parties. Services performed under an approved addendum will be considered work performed under this Agreement.

**SECTION 2. TERM OF AGREEMENT.** The term of this Agreement shall be from July 1, 2019, to June 30, 2024, subject to the provisions of section 9, Termination, of this Agreement.

**SECTION 3. COMPENSATION.** The compensation to be paid to Consultant, including payments for professional services and reimbursable expenses, are incorporated into the rate and schedule of payments set out in Exhibit B, which is attached hereto and incorporated herein.

**SECTION 4. INDEPENDENT CONTRACTOR.** It is understood and agreed that Consultant (including Consultant’s employees), in the performance of the work and services agreed to be performed by Consultant, shall act as and be an independent contractor and not an employee of

SHARP; and, as an independent contractor, neither Consultant nor Consultant's employees shall have any rights to benefits that could accrue to SHARP's employees, if any, and Consultant hereby expressly waives any claim it or its employees may have to any such benefits or rights. Neither SHARP nor any of its agents shall have control over the conduct of Consultant's employees or associates.

**SECTION 5. ASSIGNABILITY.** The parties agree that the expertise and experience of Consultant are material considerations for this Agreement. Consultant shall not assign or transfer any interest in this Agreement nor the performance of any of Consultant's obligations hereunder, without the prior written consent of SHARP. Any attempt by Consultant to so assign or transfer this Agreement or any rights, duties or obligations arising hereunder without prior consent from the SHARP Board of Directors shall be void and of no effect.

## **SECTION 6. INDEMNIFICATION**

A. Consultant shall indemnify, protect, defend, and hold harmless SHARP, its officers, officials, employees and volunteers from and against all liability, loss, damage, expense, cost (including without limitation attorneys' fees, expert and consultant fees, and other costs and fees of litigation) of every nature arising out of or in connection with Consultant's negligent performance of work hereunder or its negligent failure to comply with any of its obligations contained in this Agreement, provided, however, that Consultant shall not be liable to indemnify SHARP for any injury to persons or property which may result solely or primarily from the action or non-action of SHARP, or its directors, officers, agents, or employees (but not including Consultant or its employees). Consultant shall also hold SHARP harmless against any liability which SHARP may incur toward Consultant's employees, specifically including liability for the payment of workers' compensation benefits.

B. Acceptance of insurance certificates or endorsements required under Exhibit C of this Agreement does not relieve Consultant from liability under this section 6 and shall apply to all damages and claims of every kind suffered, or alleged to have been suffered, by reason of any of Consultant's negligence, misconduct, or other legal fault regardless of whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

**SECTION 7. INSURANCE REQUIREMENTS.** Consultant agrees to have and maintain the policies of insurance set forth in Exhibit C, entitled "INSURANCE", which is attached hereto and incorporated herein. All policies, endorsements, certificates and/or binders shall be subject to approval by SHARP's Executive Committee as to form and content. These requirements are subject to amendment or waiver only if so approved in writing by SHARP's Board of Directors. Consultant agrees to provide SHARP with a copy of said policies, endorsements, certificates and/or binders before work commences under this Agreement and annually thereafter.

**SECTION 8. NONDISCRIMINATION.** Consultant shall not discriminate in any way against any person on the basis of age, sex, race, color, creed, national origin, or any status or class as protected by federal or state laws in connection with or related to the performance of this Agreement. In compliance with the Americans with Disabilities Act, disability-related modifications or accommodations will be provided at meeting locations when requested. Requests must be made as early as possible and at least one full business day before the start of the meeting.

## SECTION 9. TERMINATION

A. Either party shall have the right to terminate this Agreement or an Agreement addendum, without cause, by giving not less than 180 days' prior written notice of termination to the other party. In the event of such termination, Consultant shall be fairly compensated for all work performed to the date of termination as calculated based on Section 3 and Exhibit B.

B. If Consultant fails to perform any of its material obligations under this Agreement, in addition to all other remedies provided by law, SHARP may terminate this Agreement upon written notice to Consultant. However, prior to terminating the Agreement, SHARP will provide written notice of default to Consultant and a reasonable period of time, not to exceed 60 days, for Consultant to cure the default.

C. This Agreement may also be terminated by mutual Agreement of both parties expressed in writing.

D. SHARP's Board of Directors is empowered to terminate this Agreement on behalf of SHARP.

E. Upon termination of this Agreement (whether by expiration of its term or earlier termination), Consultant shall cooperate in good faith and work with SHARP and its new actuary, as designated by SHARP, in transferring such documents and files as appropriate to implement the transition and transfer of the actuarial services functions from one actuary to another. For any services provided by Consultant under this paragraph after the date of termination of this Agreement, SHARP shall compensate Consultant based on the hourly rates set forth in Exhibit B.

**SECTION 10. OWNERSHIP OF DOCUMENTS.** All data, information, documents, books, records, reports, spreadsheets, photographs, computer disks, magnetic tapes, and any other document or thing prepared by Consultant pursuant to this Agreement and provided to SHARP ("Work Product") shall be the property of SHARP, and SHARP shall have the right to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product without further compensation to Consultant or any other party. A Work Product shall be considered "provided to SHARP" if it is provided to the SHARP Board, SHARP Executive Committee, a SHARP Board member, or SHARP contract staff. Consultant may retain a copy of any Work Product and use, reproduce, publish, display, broadcast and distribute any Work Product and prepare derivative and additional documents or works based on any Work Product. If any Work Product is copyrightable, Consultant may copyright the same, except that, as to any Work Product that is copyrighted by Consultant, SHARP reserves a royalty-free, nonexclusive and irrevocable license to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product. If SHARP reuses or modifies any Work Product for a use or purpose other than that intended by the scope of work under this Agreement, then SHARP shall hold Consultant harmless against all claims, damages, losses and expenses arising from such reuse or modification. For Work Product provided to SHARP in paper format, upon request by SHARP, Consultant agrees to provide the Work Product to SHARP in an appropriate and usable electronic format (e.g., Word document, Excel spreadsheet).

**SECTION 11. CONSULTANT'S BOOKS AND RECORDS.** Consultant shall maintain any and all electronic ledgers, accounts, invoices, vouchers, cancelled checks, and other records or documents evidencing or relating to charges for services, or expenditures and disbursements charged to SHARP

for a minimum period of three years, or for any longer period required by law, from the date of final payment to Consultant pursuant to this Agreement. SHARP may inspect and audit such books and records, including source documents, to verify all charges, payments and reimbursable costs under this Agreement. In accordance with California Government Code Section 8546.7, the parties acknowledge that this Agreement, and performance and payments under it, are subject to examination and audit by the State Auditor General for three years following final payment under the Agreement.

**SECTION 12. GOVERNING LAW.** SHARP and Consultant agree that the law governing this Agreement shall be that of the State of California.

**SECTION 13. COMPLIANCE WITH LAWS.** SHARP and Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local governments. Consultant also shall possess, maintain and comply with all federal, state and local permits, licenses and certificates that may be required for it to perform the services under this Agreement. In accordance with California Code of Regulations Title 13, Section 2022.1, Consultant shall comply with all federal, state and local air pollution control laws and regulations applicable to the Consultant and its services.

**SECTION 14. WAIVER.** Consultant agrees that waiver by SHARP of any breach or violation of any term or condition of this Agreement shall not be deemed to be a waiver of any other term or condition contained herein or a waiver of any subsequent breach or violation of the same or any other term or condition. The acceptance by SHARP of the performance of any work or services by Consultant shall not be deemed to be a waiver of any term or condition of this Agreement.

**SECTION 15. NOTICES.** All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be personally served or mailed, postage prepaid and addressed to the respective parties as follows:

<b>TO SHARP:</b>	President, SHARP Board of Directors c/o York Risk Services Group 1750 Creekside Oaks Drive, Suite 200 Sacramento, CA 95833
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<b>TO Consultant:</b>	President, Prime Actuarial Consulting LLC dba Bickmore Actuarial 180 Promenade Circle, Suite 300 Sacramento, CA 95834
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Notice shall be deemed effective on the date personally delivered or, if mailed, three (3) days after deposit in the U.S. mail.

## **SECTION 17. SETTLEMENT OF DISPUTES**

A. If any dispute, controversy, or claim arises out of or relates to the enforcement and/or interpretation of this Agreement or any part hereof, the parties hereby agree first to attempt to resolve the dispute informally through their selected representatives and/or by mediation. If such informal efforts do not resolve the dispute, the parties agree to submit the dispute, controversy, or claim to binding arbitration. Either party may request arbitration. The arbitration shall be conducted pursuant to the California Code of Civil Procedure part 3, title 9 (commencing with section 1280). Unless the parties mutually agree to arbitration by a single arbitrator and mutually select that arbitrator,

the arbitration shall be conducted by a three-person arbitration panel with Consultant and SHARP each selecting one arbitrator, and those two arbitrators selecting the third arbitrator. No arbitrator shall be employed by or affiliated with Consultant or SHARP. The third arbitrator shall be either a retired judge, a member of an arbitration and/or mediation association such as JAMS or the American Arbitration Association, or a lawyer with experience in contract interpretation.

B. The selection of arbitrator(s) shall take place within twenty (20) calendar days from the receipt of the request for arbitration. Unless mutually agreed otherwise, the arbitration hearing shall commence within forty-five (45) calendar days from the date of the selection of the arbitrator(s).

C. Each party shall pay the cost of its selected arbitrator and one-half the cost of the third selected arbitrator. If the arbitration proceeds before a single arbitrator, each party shall pay one-half the cost of that arbitrator. In addition, each party shall be responsible for its own costs, expenses and legal fees of arbitration. The arbitrator(s) may award fees and costs to the prevailing party. The decision of the arbitrator(s) shall be final and binding, and shall not be subject to appeal.

**SECTION 18. SIGNATOR'S WARRANTY.** Each party warrants the other party that he or she is fully authorized and competent to enter into this Agreement in the capacity indicated by his or her signature and agrees to be bound by this Agreement.

**SECTION 19. PRIOR AGREEMENTS AND AMENDMENTS.** This Agreement, including all exhibits attached hereto, represents the entire understanding of the parties as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may only be modified by a written amendment duly executed by the parties to this Agreement.

SHARP

Prime Actuarial Consulting

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Mike Harrington

President, SHARP Board of Directors

President, Principal

## EXHIBIT A

### SCOPE OF SERVICES

SHARP is seeking professional actuarial advice with regard to its self-insured workers' compensation program. The objectives of the study are to provide an estimate of outstanding liabilities and a projection of loss costs, cash flow and investment income. The reports must include the following information:

#### ***SHARP WORKERS' COMPENSATION PROGRAM***

##### Reserve and Funding Analysis

- Estimate outstanding loss and allocated loss adjustment expense (ALAE) liabilities as of June 30, based on losses evaluated as of December 31. Estimates should be provided on a discounted basis and at various confidence levels to be specified by the SHARP.
- Project funding amounts for losses and allocated loss adjustment expenses for the next fiscal year.
- Determine the confidence level of the program assets as of June 30 relative to the outstanding liabilities.

##### Deposit Schedule and Ex-Mods

- Develop a deposit schedule by Member Jurisdiction based on the actuarial report's projection of losses and ALAE, experience modification factors for each Member Jurisdiction, projected administrative and claims expenses, and projected payroll for each Member Jurisdiction. Provide the same calculation at three different confidence levels to be specified by the SHARP Pool.
- Produce experience modification factors for each Member Jurisdiction based on the SHARP's formula.

##### June 30 Update

- Update the estimated outstanding loss and ALAE liabilities as of June 30 using actual loss information evaluated as of June 30.

## EXHIBIT B

### COMPENSATION

SHARP agrees to pay Consultant the annual fees as shown in the following table. The annual fee shall be paid upon completion and delivery of the actuarial report for the year.

We will agree to complete the scope of work discussed above for the following fees:

<u>Project Component</u>	<u>2019-20<sup>1</sup></u>	<u>2020-21<sup>2</sup></u>
WC Study	\$6,080	\$6,080
WC X-Mods/Deposits	\$1,230	\$1,230
WC Update	\$2,360	\$2,360
<b>Total</b>	<b>\$9,670</b>	<b>\$9,670</b>

<sup>1</sup> 2019-20 Study will be done after December 31, 2018 and include outstanding liabilities as of June 30, 2019 and rates for 2019-20.

<sup>2</sup> 2020-21 Study will be done after December 31, 2019 and include outstanding liabilities as of June 30, 2020 and rates for 2020-21.

SHARP shall be entitled to one personal visit as part of these fees. Additional visits will be billed for time at the rates shown below, plus reasonable travel expenses.

Studies for future years can be added for no annual increase in fees.

Should other services beyond the scope of work outlined above be required, we will bill for our time and out of pocket expenses at the rates below.

<u>Consultant</u>	<u>Hourly Rate</u>
Fellow	\$250
Associate	200
Actuarial Staff	100
Administrative Staff	50

## **EXHIBIT C**

### **INSURANCE REQUIREMENTS**

Consultant shall procure and maintain for the duration of this Agreement the following insurance:

#### **Minimum Scope of Insurance:**

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (“occurrence” form CG 0001).
2. Insurance Services Office form number CA 0001 covering Automobile Liability, codes 8 and 9 (hired and non-owned automobiles);
3. Workers’ Compensation insurance as required by the State of California and Employer’s Liability insurance.
4. Errors & Omissions.

#### **Minimum Limits of Insurance:**

Consultant shall maintain limits no less than:

1. General Liability: \$2,000,000 per occurrence for bodily injury, personal injury and property damage and \$4,000,000 annual aggregate policy limit.
2. Automobile Liability on hired and non-owned vehicles: \$1,000,000 per accident for bodily injury and property damage, combined single limit.
3. Employer’s Liability: \$1,000,000 per accident for bodily injury or disease, and in the aggregate.
4. Errors & Omissions: \$1,000,000 per claim.

#### **Deductibles and Self-Insurance Retentions:**

Any deductibles or self-insured retentions exceeding \$50,000 must be declared to and approved by SHARP. At the option of SHARP, either: Consultant shall procure insurance with reduced or eliminated deductibles or self-insured retentions as respects SHARP, its officers, officials, employees, and volunteers.

#### **Other Insurance Provisions:**

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. SHARP, its officers, officials, employees, and volunteers are to be covered as insureds with respect to the liability arising out of automobiles owned, leased, hired, or borrowed by or on behalf of the Consultant, and with respect to liability arising out of work or operations by or on behalf of the Consultant including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be



provided in the form of an endorsement (CG 20 10 and CG 20 37 or equivalent) to the Consultant's insurance or as a separate owner's policy.

2. For any claims related to this Agreement, the Consultant's insurance coverage shall be primary insurance as respects SHARP, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by SHARP, its officers, officials, employees, and volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to SHARP. Continuation of coverage placed with a different carrier, provided there is no lapse in coverage, shall not apply.

**Acceptability of Insurers:**

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to SHARP.

**Verification of Coverage:**

Consultant shall furnish SHARP with original certificate and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by SHARP or on other than SHARP's forms, provided those endorsements or policies conform to the requirements stated in this clause. SHARP reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting coverage required by these specifications at any time. All insurance documents are to be sent to the SHARP Executive Director prior to July 1 of each fiscal year this contract is in force.

**June 24, 2019**

**Agenda Item 7.D.**

**FINANCIAL MATTERS**

**SUBJECT: Discussion Regarding Financial Auditor Request for Proposal**

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**BACKGROUND AND HISTORY:**

Maze & Associates (Maze) has provided independent financial auditing services to SHARP since 2009. ABAG PLAN went out for bid for audit services in 2015 and Maze won the contract. The current partner has been on the engagement since 2016. And, the current contract, dated May 2, 2018, is for June 30, 2018 audit services.

PLAN JPA issued a Request for Proposal (RFP) to firms qualified to audit insurance risk pools. Those firms were:

- 1) Crowe Horwath, LLP – did not respond.
- 2) Gilbert Accountancy Corporation – declined to respond due to staffing constraints.
- 3) James Marta & Company, LLP – submitted a proposal.
- 4) Sampson, Sampson and Patterson LLP – submitted a proposal.

At the June 12, 2019 PLAN JPA Board of Directors meeting, James Marta & Company, LLP was selected as the financial auditor.

SHARP historically has contracted with the ABAG PLAN auditor to provide audit services to SHARP. With that in mind, the audit firm of James Marta & Company can provide audit services to SHARP for a fee of \$8K, annually. Or, the Board can direct staff to go out for RFP for audit services.

**RECOMMENDATION:**

*Staff recommends the Board provide direction.*

**REFERENCE MATERIALS ATTACHED:**

None

**June 24, 2019**

**Agenda Item 8.A.**

**ADMINISTRATIVE MATTERS**

**SUBJECT: Consideration of Draft Bylaws**

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**BACKGROUND AND HISTORY:**

In preparation for the new program year, staff reviewed the current Bylaws. In preparing the enclosed, staff tried not to make material changes to the current SHARP model. The most relevant changes include the following:

- Changing name from ABAG Comp Shared Risk Pool to Shared Agency Risk Pool throughout the document;
- Removing references of ABAG Corporation; and
- Updating Officers section for clarification.

All updates are subject to review by Board Counsel.

**RECOMMENDATION:**

*Staff recommends the Board approve the Draft Bylaws, as presented.*

**REFERENCE MATERIALS ATTACHED:**

- Draft Bylaws - redline

# BYLAWS

## OF THE

### ~~ABAG COMP SHARED RISK~~ ~~POOL~~SHARED AGENCY RISK POOL (SHARP)

adopted  
January 1, 1989

amended  
June 5, 1991  
April 20, 1994  
November 9, 1994

July 1, 2019

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BYLAWS  
OF  
~~ABAG COMP SHARED RISK  
POOL~~SHARED AGENCY RISK  
POOL (SHARP)

ARTICLE I  
NAME

The name of this public entity is the Shared Agency Risk Pool, updated from the ABAG Comp Shared Risk Pool (the "Authority") on July 1, 2019.

ARTICLE II  
OFFICES

1. Principal Office. The principal office for the transaction of the business of the Authority is located at ~~401 Eighth Street, Oakland, County of Alameda, California~~ 1750 Creekside Oaks Drive, Suite 200, Sacramento, California. The directors may change the principal office from one location to another. Any change of this location shall be noted by the Secretary on these Bylaws opposite this section, or this section may be amended to state the new location.

2. Other Offices. The Board of Directors may at any time establish branch or subordinate offices at any place or places.

ARTICLE III LIMITATION ON  
AUTHORITY

The Authority's exercise of its power under the ABAG Comp Pool Insurance Authority Joint Powers Agreement (JPA) and these Bylaws shall be restricted to the extent required under California Government Code Section 6509. ~~The Association of Bay Area Governments is hereby designated pursuant to said Section 6509.~~

ARTICLE IV  
MEMBER ENTITIES

In addition to the original contracting parties to the JPA, any other public entity, as defined in California Government Code Section 6500, which becomes a contracting party pursuant to the JPA, is a Member Entity. Any contracting party who withdraws or is expelled pursuant to these Bylaws shall cease to be a Member Entity. Any contracting party whose participation in the Workers' Compensation Pool Program is cancelled shall cease to be a Member Entity during the period all such participation is cancelled.

ARTICLE V  
DEBTS AND LIABILITIES

The debts, liabilities and obligations of the Authority shall not be the debts, liabilities or obligations of any or all of the Member Entities.

ARTICLE VI  
DIRECTORS

1. Powers.

(a) General Powers. The business and affairs of the Authority shall be managed, and all powers shall be exercised, under the policy direction of the Board of Directors.

(b) Specific Powers. Without prejudice to these general powers, the directors shall also have the power to borrow money and incur indebtedness on behalf of the Authority and cause to be executed and delivered for the Authority's purposes, in the Authority's name, promissory notes, bonds, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities and certificates of participation.

2. Directors and Alternates. The chief administrative officer of each Member Entity and his/her designee(s) shall be the director and alternate director of the Board of Directors of the Authority. In the event a Member Entity does not have a permanent, acting or interim chief administrative officer, then the director from such Member Entity shall be the person designated by the Member Entity.

3. Alternates. Alternates may attend and participate in any meeting of the Board of Directors but may vote only if the director for whom the alternate serves is absent. Except as otherwise noted, all provisions of these Bylaws relating to directors shall also apply to alternates.

4. Vacancies.

(a) Events Causing Vacancy. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of the following: (i) the death of any director; (ii) the removal, dismissal or resignation of a director from the position he/she held with the Member Entity at the time he/she became a director; (iii) the declaration by resolution of the Board of Directors of a vacancy of the office of a director who has been declared of unsound mind by an order of court or convicted of a felony; (iv) the increase in the authorized number of directors; (v) in the case of alternates, written notice delivered to the Secretary from the appointing director stating that the designation of the alternate has been revoked effective upon receipt, unless the notice specifies a later time.

(b) Resignations. No director may resign while he/she is the chief administrative officer of the Member Entity. No director may resign when the Authority would then be left without a director or directors in charge of its affairs.

(c) Vacancies. Any vacancy or vacancies shall be filled pursuant to Article VIII of the JPA.

(d) Reduction or Increase in Number of Directors. The authorized number of directors shall be reduced by one (1) for each contracting party who ceases to be a Member Entity pursuant to Article IV of these Bylaws. The authorized number of directors shall be increased by one (1) for each addition or reinstatement of a Member Entity.

5. Regular Meetings. Regular meetings of the Board of Directors shall be held pursuant to the JPA.

6. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chair or Vice-Chair of the Board or by three (3) Directors requesting such meeting in writing. Seven (7) days written notice of a special meeting shall be given to all Directors and to such other persons who requested in writing receipt of such notices. Written notices may be dispensed with as to any Director who is actually present at the time the meeting convenes. The notice shall state the time and place of the meeting, and the business to be transacted; provided that, in the event of an emergency meeting, only the minimum notice requirements of the Ralph M. Brown Act must be met. Business transacted at a special meeting of the Board of Directors shall be limited to the items set forth in the notice of such meeting.

7. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, especially those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

8. Rules of Order. The Board of Directors may adopt rules of order to govern the conduct and procedure of Directors' meeting.

9. Open Meetings. Meetings of the Board of Directors shall be open to the public as required by the provisions of the Ralph M. Brown Act and applicable case law.

10. Minutes. The Board of Directors shall keep or cause to be kept written minutes of its proceedings, except executive sessions.

11. Fees and Compensation of Directors. Directors and members of committees may receive such reimbursement of expenses as may be determined by resolution of the Board of Directors to be just and reasonable.

12. Delegation of Powers. The Board of Directors may delegate any of its powers.



ARTICLE VII  
COMMITTEES

1. Committees of Directors. The Board of Directors shall have the following standing committee: Executive Committee. Upon written notice after-the-fact, the Chair may designate one (1) or more ad hoc advisory committees, each consisting of two (2) or more directors or alternates, and any other persons appointed by the Chair, to be ratified by and serve at the pleasure of the Board, and to exercise such powers as may be delegated to it by the Chair, except that no committee may:

- (a) take any final action on matters which, under the JPA, requires approval of a majority or more of all the directors;
- (b) amend or repeal Bylaws or adopt new Bylaws;
- (c) amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
- (d) appoint any other committees of the Board of Directors or the members of these committees; or
- (e) approve any transaction (1) to which the Authority is a party and one or more directors have a material financial interest as defined in the California Government Code; or (2) between the Authority and one or more of its directors or between the Authority or any person in which one or more of its directors have a material financial interest.

2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article VII of these Bylaws, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors or the committee seeking to meet. Notice of special meetings of committees shall also be given to any and all directors and alternates, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the Authority records.

3. Executive Committee. A standing committee comprised only of the Chair, Vice Chair and Secretary of the Authority shall be charged with exercising all powers of the Board of Directors, except as otherwise prescribed in these Bylaws and the JPA, during times when the Board of Directors does not meet or is unable to convene a meeting.

## ARTICLE VIII

### OFFICERS

1. Officers. The officers of the Authority shall be the Chair, Vice-Chair, ~~President, Chief Financial Officer~~ and Secretary. The Chair, Vice-Chair and Secretary shall be directors. ~~The Executive Director of ABAG shall be the President of the Authority and the Director of Finance for ABAG shall be the Chief Financial Officer of the Authority.~~ Any number of offices may be held by the same person, ~~except that neither the Secretary nor the Chief Financial Officer may serve concurrently as either the President or the Chair or Vice Chair of the Board.~~

2. Election of Officers. At the first meeting of the Board of Directors, and as necessary thereafter, nominations for the offices of Chair, Vice-Chair, and Secretary shall be made and seconded by a director. If more than two (2) names are received in nomination for any one office, balloting shall occur until a nominee receives a majority of the votes cast; provided that after the first ballot the nominee receiving the fewest votes shall be dropped from the balloting. Each officer shall serve a one (1) year term. Any officer may succeed himself/herself and may serve any number of consecutive or non-consecutive terms.

3. Removal of Officers. An officer may be removed, with or without cause, by a majority vote of the Board of Directors at a regular or special meeting.

4. Vacancies. Any vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board of Directors.

5. Resignation of Officers. In the absence of a contrary written agreement, any officer may resign at any time by giving written notice to the ~~President or~~ Secretary. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective.

6. Responsibilities of Officers.

(a) Chair of the Board. The Chair of the Board shall preside at meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him/her by the Board of Directors or prescribed by the Bylaws.

(b) Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence.

~~(c) President. Subject to such supervisory powers as may be given by the Board of Directors to the Chairman of the Board, the President shall, subject to the control of the Board of Directors, generally supervise, direct, and control the business and the employees of the~~

~~Authority. He or she shall have such other powers and duties as may be prescribed by the Board or the Bylaws.~~

(d) Secretary. The Secretary shall:

(i) Book of Minutes. Keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings and the proceedings of such meetings.

(ii) Notices and Other Duties. Give, or cause to be given, notice of all meetings of the Board of Directors and Committees of the Authority required by the Bylaws to be given. He or she shall have such other powers and perform such other duties as may be prescribed by the Board of Directors.

~~(e) Chief Financial Officer. The Chief Financial Officer shall attend to the following:~~

~~(i) Books of Account. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Authority, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any director at all reasonable times.~~

~~(ii) Deposit and disbursement of money and valuables. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Authority with such depositories as may be designated by the Board of Directors; shall disburse the funds of the Authority as may be ordered by the Board of Directors; shall render to the President and Directors, whenever they request it, an account of all of his/her transactions as Chief Financial Officer and of the financial condition of the Authority; and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.~~

~~(iii) Bond. If required by the Board of Directors, the Chief Financial Officer shall give the Authority a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his/her office and for restoration to the Authority of all its books, papers, vouchers, money, and other property of every kind in his/her possession or under his/her control on his/her death, resignation, retirement, or removal from office.~~

~~7. Fees and Compensation. The officers may receive such reimbursement of expenses as may be determined by resolution of the Board of Directors to be just and reasonable.~~

## ARTICLE IX

### PREMIUMS AND ASSESSMENTS

1. Administrative Premium. Each Member Entity shall pay as an Administrative Premium a pro rata share of all the costs and expenses of the Authority which do not include costs, expenses or loss reserves related to the Workers' Compensation Pool Program. The Board of Directors shall set the total Administrative Premium and allocation formula at the same time it adopts the annual budget. The Administrative Premium shall be due and payable at the same time as the Program Premium for the Worker's Compensation Pool Program.

2. Allocation. The ratio of each Member Entity's Administrative Premium to all Administrative Premiums charged in a Coverage Period shall be equal to the ratio of the aggregate amount of all Program Premiums charged to such Member Entity to all Program Premiums charged for the same Coverage Period.

3. Initial WC Program Premium. The schedule of Workers' Compensation Program Premiums for the original Member Entities for the Coverage Period ending June 30, 1989, is attached hereto, marked Exhibit A and incorporated herein.

4. Subsequent WC Program Premium. For new Member Entities admitted for the Coverage Period ending June 30, 1989, and for all Member Entities for all subsequent Coverage Periods, the Board shall adopt by a two-thirds (2/3) vote of its membership a schedule of the Program Premiums for each Member Entity by the June 20th preceding the Coverage Period to which they apply. The adoption date may be modified by a resolution of the Board.

5. Rate Setting. All subsequent Program Premiums as described in Section 4 of this Article shall:

(a) Generally be in conformity with the underlying principles and methodology, as set forth in Exhibit B, attached hereto and incorporated by reference.

(b) Specifically be based on findings and recommendations of the ~~Chief Financial Officer or the~~ Risk Manager of the Authority, or an insurance professional or actuarial consultant.

(c) Be based in part on the payroll estimate of each Member Entity and revised at the end of each fiscal year as set forth on Exhibit B hereto.

6. Selection of Insurance Professional and/or Actuarial Consultant. If an insurance professional and/or actuarial consultant is retained to assist in setting Program Premiums and Assessments, such consultant(s) shall be selected on the basis of competitive solicitation for proposals.

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## ARTICLE X

### WORKERS' COMPENSATION POOL PROGRAM ADMINISTRATION

1. Coverage Agreement. The Board shall issue, or cause to be issued, by a two-thirds (2/3) vote of its membership, a Coverage Agreement describing the Worker's Compensation Pool Program. Said Coverage Agreement shall automatically be re-issued from year to year without act of the Board of Directors unless the Authority is terminated as set forth in Article XIX hereof.

Should the Board desire changes to the Coverage Agreement, such changes to be effective must be adopted by a two-thirds (2/3) vote of its membership.

2. Claims Administration. The ~~Association of Bay Area Governments~~Board of Directors shall administer, or cause to be administered, all covered claims against a Member Entity.

(a) Self-Insured Retention Program. The Board shall adopt claims management procedures applicable to all Member Entities. At a minimum, such procedures shall provide for:

(i) Notification to the Board of all claims within specified classes;

(ii) Requirement that the claims administration and legal defense of a claim be assumed by the Board upon the occurrence of one of the following:

(1) agreement by any three (3) of the following that the claim is likely to exceed the Member Entity's self-insured retention: that Member Entity's designee,

defense counsel for the subject claim, the claims administrator, or the Authority's Risk Manager, or

(2) a vote of two-thirds (2/3) of the membership of the Board to have the Board assume claims management and legal defense of the subject claim.

(iii) An appeals process for proposed settlements exceeding the applicable SIR.

3. Risk Management. The Board shall adopt by a two-thirds (2/3) vote of its membership a Risk Management Program. The program shall provide for:

~~(a) The Member Entity appointing a risk manager (who may be a current Member Entity employee);~~

(b) Each Member Entity to maintain, and to provide the Board with access to, a separate loss log.

(c) Each Member Entity to comply with risk management policies and procedures as adopted by the Board.

4. Subrogation. The Board shall be subrogated to all rights of a Member Entity arising out of a claim paid in whole or in part by the Board, and such Member Entity shall

cooperate fully with the Board in the prosecution of subrogated claims. If a subrogated claim is against another Member Entity, all such claims arising out of the same occurrence which have not been reduced to a final judgment shall be submitted to arbitration, and such arbitration shall comply with and be governed by the provisions of the California Arbitration Act, Sections 1280 through 1294.2 of the California Code of Civil Procedure. All subrogated claims against a Member Entity shall not be collected but the entire amount of the incurred loss shall be used in calculating such Member Entity's Premiums.

~~5. Claims Audit. The Board of Directors shall cause an annual claims audit to be made on the Authority's covered claims by an independent claims auditor before the annual retrospective calculations for retrospective premium adjustments. A report of the claims audit shall be filed as a public record with each Member Entity. The Authority shall pay the cost of the claims audit.~~

## ARTICLE XI

### ADMISSION, WITHDRAWAL AND EXPULSION

1. Conditions for Admission of a New Member Entity. Each applicant for membership in the Authority shall meet the following minimum qualifications:

(a) such new Member Entity shall be a public entity in the State ~~and a member or cooperating member of ABAG of California;~~

(b) applied for and been approved by at least two-thirds (2/3) of the membership of the Board of Directors for admission to the Authority and to the Worker's Compensation Pool Program;

(c) not earlier than thirty (30) days preceding the effective date of the Coverage Agreement for Worker's Compensation, such applicant shall have (1) duly executed the JPA; (2) acknowledged these Bylaws; and (3) executed the Coverage Agreement for Worker's Compensation;

(d) the Member Entity shall have paid all applicable fees, and Premiums.

2. Conditions to Permitting Withdrawal of a Member Entity. A Member Entity may withdraw anytime after the initial term, three (3) years after its admission to the Authority or June 30, 1992, whichever occurs later, except for the initial Member Entities who may withdraw during the initial term as provided in the JPA, provided that the following conditions are satisfied:

(a) such Member Entity shall not be in default of any of its obligations to pay any Premium;

(b) not later than the April 30 immediately preceding the effective date of such withdrawal, such Member Entity shall have provided written notice to the Authority of its intent to withdraw;

(c) such withdrawal shall be effective on the first day of a Coverage Period;

(d) provided that a Member Entity shall automatically withdraw from the Authority upon withdrawal from the Worker's Compensation Pool Program.

Notice to withdraw shall be revocable only at the option of the Authority.

3. Conditions to Permitting Expulsion of a Member Entity. The Authority may expel a Member Entity from the Authority subject to the following conditions:

(a) the Member Entity is in default under the terms of the JPA, these Bylaws, the Coverage Agreement or the duly-adopted rules and regulations of the Board of Directors;

(b) not later than the thirty (30) days immediately preceding the effective date of such expulsion, two-thirds (2/3) of the membership of the Board of Directors shall have consented to such expulsion by written consent filed with the Authority and written notice of such expulsion shall have been given to the Member Entity to be expelled;

(c) such expulsion shall be effective on the first day of a Coverage Period;  
and

(d) provided that a Member Entity shall be automatically expelled from the Authority if the Member is expelled from coverage under the Worker's Compensation Pool Program.

## ARTICLE XII

### ABATEMENT

The obligation of a Member Entity to pay Administrative Premiums shall be abated only if the Member Entity withdraws from the Authority pursuant to Article XI of these Bylaws.

## ARTICLE XIII

### ADMINISTRATIVE AGENCY

The ~~Association of Bay Area Governments (ABAG) is designed in the JPA as the~~Board of Directors will designate an administrative agency for the Authority. ~~As such, ABAG~~Such administrative agency(s) will provide claims management and other necessary administrative services for the Workers' Compensation Pool Program pursuant to a service agreement.

## ARTICLE XIV

### CANCELLATION OF COVERAGE

1. Cancellation. If a Member Entity is in default with respect to its obligation to pay any Administrative or Program Premium, the Board may cancel all or a portion of the Member Entity's rights under the Coverage Agreement upon a two-thirds (2/3) vote of the membership of the Board, provided that the cancellation complies with all applicable requirements of these Bylaws.

2. Notice. No such cancellation shall be or become effective by operation of law or otherwise, unless and until the Board shall have given notice of such cancellation to the Member Entity; no such cancellation shall be effected by operation of law or acts of the parties hereto, except in the manner herein expressly provided; and no such cancellation shall terminate the obligation of the defaulting Member Entity to pay all Program Premiums for Coverage Periods prior to such cancellation or to pay Program Premiums for subsequent Coverage Periods for which Coverage is made available to such defaulting Member Entity.

3. Reinstatement.

(a) For any Member Entity whose participation in the Workers' Compensation Pool Program has been cancelled pursuant to Section 1 of this Article, participation in the Workers' Compensation Pool Program may be retroactively reinstated upon a two-thirds (2/3) vote of the Board and payment by the Member Entity of Program Premiums due and payable upon the date of reinstatement with interest thereon at the rate of the higher of (a) ten percent (10%) per annum or (b) five percent (5%) per annum plus the rate prevailing on the 25th day of the month preceding the due date established by the Federal Reserve Bank of San Francisco on advances to member banks under Section 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended, commencing on the thirty-first (31st) day after the due date for such Program Premium.

(b) For any Member Entity whose participation in the Workers' Compensation Pool Program has been cancelled pursuant to Section 1 of this Article, participation in said Program may be prospectively reinstated upon a two-thirds (2/3) vote of the Board and payment by the Member Entity of Program Premiums due and payable upon the date of reinstatement, except for the Program Premium applicable to the period of cancellation, with interest thereon at the rate of the higher of (a) ten percent (10%) per annum or (b) five percent (5%) per annum plus the rate prevailing on the twenty-fifth (25th) day of the month preceding the due date established by the Federal Reserve Bank of San Francisco on advances to member banks under Section 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended, commencing on the thirty-first (31st) day after the due date for such Program Premium.



ARTICLE XV  
DISTRIBUTION OF ASSETS

1. Closing Dividend Upon Termination. All non-operating funds held by the Board at the time of termination of the Authority less the closing dividends paid to withdrawn or expelled Member Entities determined pursuant to Section 2 below will be held by the Board in trust for the benefit of the Member Entities who are in good standing at that time as a claims payment fund to be applied to the payment of settlements of covered claims against such Member Entities pursuant to the terms of the JPA, the Bylaws, and the Coverage Agreement. Upon termination of all obligations to pay Program Premiums and settlement or final adjudication of all covered claims, the Board will, upon a two-thirds (2/3) vote of its membership, distribute all such funds remaining to each such Member Entity in the same ratio as the ratio of total Program Premiums paid by each such Member Entity to total Program Premiums paid by all such Member Entities.

2. Member Entity's Closing Dividend Upon Withdrawal or Expulsion. In connection with permitting withdrawal of a Member Entity from Coverage or expelling a Member, the Board shall determine the ratio of all Program Premiums less administrative costs paid by such Member Entity to all Program Premiums less administrative costs paid by all Member Entities during the period such Member Entity was in good standing. This ratio shall be applied to an amount equal to all Program Premiums less all operating costs and less all paid and reserved losses during such Member Entity's participation in the Workers' Compensation Pool Program (Member Entity's "portion"). The Board shall then determine the amount by which such Member Entity's portion exceeds all other obligations due from such Member Entity under the terms of the Coverage Agreement and these Bylaws, if any, as of the date of expulsion or withdrawal (Member Entity's "Closing Dividend"). The Board will hold such Member Entity's Closing Dividend, if any, in a segregated account for the benefit of such Member Entity, subject only to assessments for Program Premiums payable by, and settlements of covered claims against, such Member Entity. The Board will transfer to such Member Entity its Closing Dividend, less such assessments, on the earliest practicable date when such Member Entity is no longer subject to such assessments. All decisions and determinations to be made by the Board shall be made pursuant to a two-thirds (2/3) vote of its membership.

ARTICLE XVI  
OPERATIONS FUND

1. Deposit of Administrative Premiums. All payments by Member Entities attributable to Administrative Premium shall be deposited into an Operations Fund.

2. Limitations on Funds. None of the moneys in the Operations Funds may be used to pay any settlement or are liable for payment of any settlement.

#### ARTICLE XVII PURCHASE OF INSURANCE

1. Purchase of Insurance. In conformance with the procedures and criteria developed by it, the Board of Directors may cause the Authority to purchase commercial insurance or reinsurance or terminate commercial insurance or reinsurance up on a majority vote of the membership of the Board of Directors.

#### ARTICLE XVIII EVENTS OF DEFAULT AND REMEDIES

1. Events of Default Defined. The following shall be "events of default" under the JPA and these Bylaws, and the terms "events of default" and "default" shall mean, whenever they are used in the JPA and these Bylaws, with respect to a Member Entity, any one or more of the following events:

(a) failure by such Member Entity to observe and perform any covenant, condition or agreement on its part to be observed or performed under the JPA or to comply with these Bylaws, other than as referred to in clause (b) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to such Member Entity by the Authority or the Secretary; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority, or the Secretary, as the case may be, shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Member Entity within the applicable period and diligently pursued until the default is corrected;

(b) expulsion or withdrawal of such Member Entity from the Worker's Compensation Pool Program; or

(c) the filing by such Member Entity of a case in bankruptcy, or the subjection of any right or interest of such Member Entity under the JPA or these Bylaws to any execution, garnishment or attachment, or adjudication of such Member Entity as a bankrupt, or assignment by such Member Entity for the benefit of creditors, or the entry by such Member Entity into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Member Entity in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar act which may hereafter be enacted.

2. Remedies on Default.

(a) Whenever any event of default referred to in Section 1 of this Article shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the JPA and these Bylaws. Upon the occurrence of any event of default with respect to the obligation to pay Administrative Premiums, or any Program Premiums, the Authority may cancel all rights of the defaulting Member Entity in the Workers' Compensation Pool Program.

(b) In the event that the Authority elects to cancel the Coverage Agreement of a defaulting Member Entity, the Member Entity nonetheless agrees to pay to the Authority all costs, losses and damages howsoever arising or occurring as a result of such default and cancellation including, without limitation, interest on any delinquent Premiums at the rate of the higher of (a) ten percent (10%) per annum or (b) five percent (5%) per annum plus the rate prevailing on the twenty-fifth (25th) day of the month preceding the due date established by the Federal Reserve Bank of San Francisco on advances to member banks under Section 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended, commencing on the thirty-first (31st) day after notice of default, or on the first (1st) day after any extension of time, as provided in Section 1(a) of this Article; administrative and legal costs incurred in noticing the default and effecting the cancellation and fees of an actuarial consultant incurred to determine the reassessed Premium.

(c) In the event that the Authority elects to expel any defaulting Member Entity, subject to the conditions described and in the manner provided in Section 3 of Article X of these Bylaws, the Member Entity nevertheless agrees to pay the Authority all costs, losses or damages arising or occurring as a result of such default and termination including, without limitation, interest on any delinquent Premium at the rate of the higher of (a) ten percent (10%) per annum or (b) five percent (5%) per annum plus the rate prevailing on the twenty-fifth (25th) day of the month preceding the due date established by the Federal Reserve Bank of San Francisco on advances to member banks under Section 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended, commencing on the thirty-first (31st) day after notice of default, or on the first day after any extension of time, as provided in Section 1 (a) of this Article; administrative and legal costs incurred in noticing the default and effecting the expulsion; and the fees of an actuarial consultant or an insurance professional incurred to reassess Premiums. No such expulsion shall be or become effective by operation of law or otherwise, unless and until the Authority shall have given written notice of such expulsion to the Member Entity; no such expulsion shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided; and no such expulsion shall terminate the obligation of the expelled Member Entity to pay any additional Program Premiums relating to Coverage Periods prior to such expulsion.

3. No Remedy Exclusive. No remedy conferred herein upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the JPA, these Bylaws, or the Coverage Agreement, now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in these Bylaws, it shall not be necessary to give any notice, other than such notice as may be required in these Bylaws or by law.

4. Agreement to Pay Attorneys' Fees and Expenses. In the event either the Authority or a Member Entity should be in default under any of the provisions of these Bylaws and the non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in the JPA and these Bylaws should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## ARTICLE XIX

### TERMINATION

1. Time of Termination. During the initial term, the Workers' Compensation Pool Program may be terminated by written consent of the initial Member Entities on thirty (30) days written notice. Thereafter, on or prior to June 30, 1992, the Workers' Compensation Pool Program may be terminated effective July 1 of any year upon the written consent of all of the Member Entities if the effective termination date and such written consents are delivered to the Authority and the Secretary at least sixty (60) days prior to the effective termination date. After June 30, 1992, Coverage for the Workers' Compensation Pool Program may be terminated effective any July 1 upon the written consent of two-thirds (2/3) of all of the Member Entities if the effective termination date and such written consents are delivered to the Authority and the Secretary at least sixty (60) days prior to the effective termination date.

2. Continuing Obligations. After the termination date, the Authority shall continue to be obligated to pay, or cause to be paid, amounts due for all covered claims incurred by covered Member Entities prior to the effective termination date. After the effective termination

date, each Member Entity has a continuing obligation to pay Administrative Premiums and Program Premiums incurred prior to the effective termination date.

3. Distribution of Member Entities' Closing Dividends. After the effective termination date, the Authority shall determine each Member Entity's closing dividend, if any, as provided in these Bylaws. The Authority shall provide for payment of such sums to each Member Entity.

## ARTICLE XX AMENDMENTS

1. Amendment by Directors. Subject to the limitations set forth below, the Board of Directors may adopt, amend or repeal Bylaws. Such power is subject to the following limitations:

(a) The Board of Directors may not amend a bylaw provision fixing the authorized number of directors or the minimum and maximum number of directors.

(b) If any provision of these Bylaws requires the vote of a larger proportion of the directors than a simple majority, such provision may not be altered, amended or repealed except by vote of such larger number of directors.

(c) The Board of Directors may not delete or amend Bylaw provisions requiring compliance with the JPA.

## ARTICLE XXI RECORDS AND REPORTS

1. Maintenance of Authority Records. The Authority shall keep:

(a) Adequate and correct books and records of account;

(b) Minutes in written form of the proceedings of its Board, and committees of the Board.

All such records shall be kept at the Authority's principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state.

2. Inspection Rights.

(a) Any Member Entity may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.

(b) Any inspection and copying under this section may be made in person or by an agent or attorney or the entity entitled thereto and the right of inspection includes the right to copy and make extracts.

3. Maintenance and Inspection of JPA and Bylaws. The Authority shall keep at its principal executive office the original or copy of the JPA and these Bylaws as amended to date, which shall be open to inspection by the Authority or any Member Entity at all reasonable times during office hours.

4. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all non-confidential books, records, and documents of every kind and the physical properties of the Authority and each of its subsidiary Authorities. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

5. Annual Report.

(a) Not later than the January 1st after the close of the Authority's fiscal year, the Board shall cause an annual report prepared by a Certified Public Accountant to be sent to the governing body of each Member Entity.

(b) The report required by this section shall be accompanied by any report thereon of independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Authority that such statements were prepared without audit from the books and records of the Authority.

6. Fiscal Year. The Authority's fiscal year shall be from July 1 to June 30.

## ARTICLE XXII

### CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Civil Code shall govern the construction of these Bylaws. Without limiting the generality of the above, the term "person" includes both the Authority and a natural person and any capitalized term not defined in these Bylaws shall have the meaning ascribed to them in the JPA and/or Coverage Agreement.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the presently appointed and acting secretary of the ~~ABAG-Comp Shared Risk Pool~~Shared Agency Risk Pool and that these amended Bylaws consisting of 21 pages, including this page, were adopted by the Board of Directors of the ~~ABAG-Comp Shared Risk Pool~~Shared Agency Risk Pool at its meeting on ~~November 9, 1994~~June 24, 2019.

**DATE:** \_\_\_\_\_

\_\_\_\_\_

**Name of Secretary**

\_\_\_\_\_

**Signature of Secretary**

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EXHIBIT A

Workers' Compensation Program Premium  
(Coverage Period ending June 30, 1989)

Schedule of Premiums

(no longer applicable)



## EXHIBIT B

### Premium Calculation - Methodology

The original Program Premiums as set by the Commissioner of Insurance (Commissioner) are set forth in Exhibit A to the Bylaws. Thereafter, the Program Premiums for each coverage period shall be determined by the Board of Directors based on a formula which takes into account both the Pool's loss rates and each Member Entity's experience rating modification and is based on a predetermined "confidence level" for reserve funds, all as set forth in the report of an actuarial consultant.

The yearly Program Premiums shall also be based in part on payroll estimates broken down by job classification provided by each Member Entity. Within thirty (30) days after the close of each fiscal year, each Member Entity shall provide to the Authority, for use by its insurance professional consultant in determining the final Program Premium for that fiscal year, its actual payroll figures for that year broken down by job classification.

If the final Program Premium is greater than the estimated premium paid by the Member Entity, the Member Entity is responsible for payment of the additional premium. If the final Program Premium is less than the estimated premium paid by the Member Entity, the Member Entity is owed a refund from the Authority for the excess amount paid.

Any additional monies owed or any amounts overpaid in each fiscal year may be paid by or refunded to each Member Entity after the close of that fiscal year or may be an addition to or deduction from the next year's Program Premium to be paid by each Member Entity as determined by the Board of Directors.

Further, should the overall reserve funds of the Pool be deemed insufficient, the Board may then, according to the provisions of Article IX of the Bylaws, levy an assessment against each Member Entity regardless of its claims experience. Said Special Assessment shall be determined by a formula based on the percentage each Member Entity's Program Premium is to the total amount of Program Premiums remitted by all Member Entities over a pre-determined number of years, all of which shall be based on the recommendations of an actuarial or insurance professional consultant and adopted by a two-thirds (2/3) vote of the Board.

Should the overall reserve funds of the Pool be in excess of that determined sufficient to pay Program Claims, the Board may make a dividend distribution to each Member Entity according to a formula based on the percentage each Member Entity's Program Premium is to the total amount of Program Premiums remitted by all Member Entities over the period during the time period in which the excess funds were generated, all of which shall be based on the recommendations of an actuarial or insurance professional consultant. Any such dividend may be in the form of an actual cash dispersal or may be in the form of an off-set against the Member Entity's Program Premium for the subsequent coverage period as determined by the Board of Directors. All dividend distributions shall be determined by a two-thirds (2/3) vote of the Board.

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**June 24, 2019**

**Agenda Item 9.A.**

**ELECTIONS**

**SUBJECT: Elections of Officers for 2019/20 Program Year**

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**BACKGROUND AND HISTORY:**

In preparation for the new program year, the Board of Directors shall elect members of the Board to act as Chair, Vice-Chair, and Secretary. The following Officer positions are up for election:

- Chair
- Vice-Chair
- Secretary

Currently, Mr. Joe Chinn, Ross, holds the Officer position of Chair; and Ms. Monica Labossiere, Saratoga, holds the Vice Chair; and the Secretary position is vacant. At the June 24, 2019, Board of Directors meeting, nominations will be taken from the floor to fill the Officer positions.

**RECOMMENDATION:**

*Staff recommends the Board of Directors elect members to fill the Officer positions of Chair, Vice Chair, and Secretary for SHARP's 2019/20 Program Year.*

**REFERENCE MATERIALS ATTACHED:**

None