

# Shared Agency Risk Pool (SHARP)

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## BOARD OF DIRECTORS MEETING AGENDA

**Tuesday, June 9, 2020  
10:00 a.m.**

**Cisco Webex**

**Please Contact Katie Sullivan for Videoconference Information**

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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 [katie.sullivan@sedgwick.com](mailto:katie.sullivan@sedgwick.com) (email).

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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<u>Page</u>	
	<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> - The Public may submit any questions in advance of the meeting by contacting Katie Sullivan at: <a href="mailto:katie.sullivan@sedgwick.com">katie.sullivan@sedgwick.com</a> . 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.
5	*A. Minutes from the December 4, 2019, Board of Directors Meeting
13	*B. Warrant List November 1, 2019, through May 31, 2020
14	*C. Financial Statements as of December 31, 2019
17	*D. Financial Statements as of March 31, 2020
22	*E. SHARP 2020/21 Calendar of Meeting Dates
23	*F. Draft LAW CX Board of Directors Minutes – November 5, 2019
31	*G. Treasurer’s Report as of December 31, 2019
44	*H. Treasurer’s Report as of March 31, 2020
57	*I. Investment Policy Review Memo from PFM Asset Management

\* Reference materials attached with staff report.

- 5. CONSENT CALENDAR (continued)**
- 60       \*J. Investment Policy Review by PFM Asset Management - Redline  
71       \*K. Investment Policy Review by PFM Asset Management - Clean  
          *Recommendation: Staff recommends the Board of Directors approve the  
          Consent Calendar.*
- 6. GENERAL MANAGER'S REPORT**
- 82       A. Report from SHARP's General Manager  
          *Recommendation: None.*
- 7. FINANCIAL MATTERS**
- 83       \*A. Presentation and Consideration of the 2018/19 Financial Audit Report  
          *Recommendation: Staff recommends the Board accept and file the  
          2018/19 Financial Audit Report for the Fiscal Year Ended June 30,  
          2019.*
- 128      \*B. Review of the Draft Operating Budget for Program Year 2020/21, including  
          the Actuarial Study  
          *Recommendation: Staff recommends the Board approve the Draft  
          Operating Budget for 2020/21.*
- 8. ADMINISTRATIVE MATTERS**
- 236      \*A. Consideration of Memorandum of Coverage for 2020/21  
          *Recommendation: Staff recommends the Board approved the 2020/21  
          Memorandum of Coverage.*
- 251      \*B. Consideration of Logo for SHARP  
          *Recommendation: Staff recommends the Board approve a logo for  
          SHARP.*
- 9. WORKERS' COMPENSATION PROGRAM MATTERS**
- 264      \*A. Update on SHARP's Workers' Compensation Program  
          *Recommendation: None.*
- 267      \*B. Legislative Updates  
          *Recommendation: None.*
- 10. CLOSED SESSION**
- A. Pursuant to Government Code Section 54956.95(a), the Board will hold a  
closed session to discuss the following claims:
- Watch Report
- B. Pursuant to Government Code Section 54957.1, the Board will report in open  
session any reportable action taken in closed session.

\* Reference materials attached with staff report.

**11. ELECTIONS**

**270**

A. Elections of Officers for 2020/21 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 2020/21 Program Year.*

**12. 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

**13. ADJOURNMENT**

\* Reference materials attached with staff report.

**June 9, 2020**

**Agenda Item 5.A.-5.K.**

**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 4, 2019, Board of Directors Meeting
- B. Warrant List November 1, 2019 through May 31, 2020
- C. Financial Statements as of December 31, 2019
- D. Financial Statements as of March 31, 2020
- E. SHARP 2020/21 Calendar of Meeting Dates
- F. Draft LAWCX Board of Directors Minutes – November 5, 2019
- G. Treasurer’s Report as of December 31, 2019
- H. Treasurer’s Report as of March 31, 2020
- I. Investment Policy Review Memo from PFM Asset Management
- J. Investment Policy Review by PFM Asset Management – Redline
- K. Investment Policy Review by PFM Asset Management - Clean



**SHARED AGENCY RISK POOL  
(SHARP)**

**MINUTES OF THE BOARD OF DIRECTORS  
MEETING OF DECEMBER 4, 2019**

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A regular meeting of the Board of Directors was held on December 4, 2019, via teleconference.

**MEMBERS PRESENT:** Joe Chinn, President, Town of Ross  
Monica Labossiere, City of Saratoga  
Maria Ojeda, City of American Canyon

**MEMBERS ABSENT:** Carl Cahill, Town of Los Altos Hills

**OTHERS PRESENT:** Jon Paulsen, General Manager  
Katie Sullivan, Assistant Board Secretary  
Ritesh Sharma, Finance Manager  
Jackie Miller, Workers' Compensation Program Manager  
Greg Rubens, Board Counsel  
Sulaimon Arsala, Sedgwick

**1. CALL TO ORDER**

The December 4, 2019, Board of Directors meeting was called to order at 10:02 a.m. by President, Joe Chinn.

**2. INTRODUCTIONS**

Introductions were made and it was determined there was a quorum present.

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

*Monica Labossiere moved to approve the agenda. Maria Ojeda seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

**4. PUBLIC COMMENTS**

None.

## 5. CONSENT CALENDAR

*Monica Labossiere moved to approve the following items: A) Minutes from the June 24, 2019, Board of Directors meeting; B) Warrant List June 1, 2019, through October 31, 2019; C) SHARP Loss Prevention Grant Balances as of October 31, 2019; D) Treasurer's Report as of June 30, 2019; E) Treasurer's Report as of September 30, 2019; F) Annual Self-Insurer's Report; G) LAWCX Audit Report; H) Aaronson, Dickerson, Cohn & Lanzone Agreement Letter. Maria Ojeda seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

## 6. GENERAL MANAGER'S REPORT

Jon Paulsen, General Manager was present and provided the following updates to the Board:

- **Sedgwick Acquisition of York Risk Services Group:** Bickmore was purchased by York Risk Services Group (York) in 2014 with the rebranding of Bickmore to the York name occurring in December 2018. It was announced in July 2019 that York was to be purchased by Sedgwick in September 2019. There have been no changes to the JPA Administration practice to date and little of substance is expected to change going forward.
- **SHARP Name Change Update:** The Board approved a resolution at the December 5, 2018, Board of Directors meeting updating the name of the JPA from ABAG SHARP to SHARP. The California Department of Industrial Relations requested additional language changes to the resolution and such changes were approved by the Board President and Secretary.
- **Membership & Growth Update:** Jon Paulsen, General Manager, solicited several PLAN JPA members for participation in SHARP during the prior 2018/19 program year. Of three members that expressed interest, only one engaged in prospective pricing exercise and discussion. That member did not pursue anything further. Staff will resume discussions with potential members in hopes of making further progress.
- **Appointments:** Yahaira Martinez, Assistant General Manager, resigned from York effective May 2, 2019. Katie Sullivan has been replacing Ms. Martinez and will serve as Assistant General Manager subject to Board approval. Sedgwick currently staffs several Administrative Assistants in

the Sacramento office who are also available to assist SHARP staff as needed.

*Maria Ojeda moved to appoint Katie Sullivan as Assistant General Manager. Monica Labossiere seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

## **7. ADMINISTRATIVE MATTERS**

### **A. Consideration of the Draft Memorandum of Coverage**

With the transition from ABAG Corporation, Jon Paulsen, General Manager, informed the Board staff has prepared suggested updates to the Memorandum of Coverage (MOC) for implementation beginning July 1, 2020. Suggested changes include updates to SHARP's name and removing any references to ABAG Corporation, plus recommendations for improving consistency throughout the document. Staff did not make material changes to the intent of the coverage and sent to Greg Rubens, Board Counsel, for review.

After a brief discussion, additional amendments were suggested such as additional language change from retained limit references and removing SHARP as a covered party under endorsements.

*Monica Labossiere moved to approve the Draft Memorandum of Coverage, as amended. Maria Ojeda seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

### **B. Consideration of Draft Resolution No. 2019-02: Establishing an Underwriting Policy for SHARP**

The growth of a joint powers authority is beneficial to the continued success of the pool. To ensure qualified members are accepted, an underwriting policy is crucial to determining if each applying member meets the requirements for addition into the pool. Establishing set guidelines to follow when considering prospective members helps clarify processes and procedures, while allowing staff to obtain necessary documentation for the potential member.

Mr. Paulsen presented the draft resolution to the Board and noted it was concurrently being reviewed by Board Counsel.

*Maria Ojeda moved to approve Resolution No. 2019-02: Establishing an Underwriting Policy for SHARP. Monica Labossiere seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

#### **C. Consideration of Draft Master Program Document**

The Master Program Document (MPD) is designed specifically relating to operations of the SHARP workers' compensation program and outlines processes and procedures for staff and service providers.

Jackie Miller, Workers' Compensation Program Manager, was present to discuss claim authority as it was not specified in SHARP's governing documents. Claim authority falls to the Workers' Compensation Program Manager up to \$250,000. Ms. Miller clarified the Board of Directors will have final say if there is a disagreement regarding authority.

*Maria Ojeda moved to approve the Master Plan Document for SHARP. Monica Labossiere seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

#### **D. Consideration of Draft Conflict of Interest Code**

The Conflict of Interest Code (COIC) requires amendment to reflect the name change from ABAG Comp Shared Risk Pool to Shared Agency Risk Pool (SHARP), including the Board of Directors and Alternates to the designated positions list. Additionally, staff requested the Fair Political Practices Commission (FPPC) become the filing officer in order to provide filers with the option to file their FPPC Form 700s electronically.

Anytime an amendment is made, the FPPC requires the COIC be submitted to FPPC for approval. Also, as required by the FPPC, a public Notice of Intent to Amend will be distributed to the entire membership, staff, and service providers as soon as the FPPC accepts the amendments. This notice requires a 45-day commenting period be provided for SHARP members and members of the public to provide feedback. The COIC was sent to the FPPC on November 11, 2019.

#### **E. Consideration of Strategic Planning Session**

Staff recognizes that in order to achieve success, all JPAs must plan for the future to provide valuable service to their members. Periodic reviews of operational and organizational goals and objectives are important; therefore, staff is recommending holding a Strategic Planning Session (SPS).

Mr. Paulsen explained holding an SPS consisting of the full Board of Directors would allow the membership to discuss the future the organization envisions and the necessary procedures and operations to achieve that future. He noted topics of discussion could be member needs, types of services and programs being used, and other services members would like to have.

After a brief discussion, it was agreed to hold the SPS after the June 2020 Board of Directors meeting, at a location in Alameda County. A survey will be distributed closer to the meeting to gauge interest in topics.

#### **F. Consideration of Contract Renewals**

ABAG Comp Shared Risk Pool contracted with York Services Group, Inc., formerly Bickmore, for program administration services beginning November 2, 2017. The initial term of the contract is through June 30, 2020, with up to three one-year extensions.

ABAG Comp Shared Risk Pool contracted with York Services Group, Inc., for workers' compensation claims administration services beginning December 4, 2001. Over the course of 20 years, the contract has continuously extended, most recently through July 31, 2020.

Mr. Paulsen reviewed the pricing for the program administration contract, indicating there would a 3% increase in cost. He informed that the contract for claims administration was still pending and Ms. Miller was working with the third-party administrator (TPA) on drafting an agreement.

Staff makes no recommendation regarding either contract as there is a financial interest in the outcome.

After a brief discussion, the Board of Directors agreed to a one-year contract extension for program administration and indicated they were interested in a three-year contract extension for claims administration. The Board also directed for Joe Chinn, President, to authorize the claims administration contract once received from the TPA as the Board would not meet again until June 2020.

***Maria Ojeda moved to approve a one-year contract extension with Sedgwick/York for program administration services and a potential three-year contract with Sedgwick/York for claims administration. Monica Labossiere seconded the motion. A roll call vote was taken, and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.***

### **G. Consideration of a Logo for SHARP**

Staff presented three options created for consideration for a logo for SHARP. After a brief discussion, the Board picked the Venn Gloves logo; however, requested to have SHARP's acronym spelled out in the logo somewhere.

Staff will redesign the logo and present to the Board at their next meeting in June 2020,

## **8. FINANCIAL MATTERS**

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

Ritesh Sharma, Finance Manager, was present to discuss the follow:

#### Financial Audit for June 30, 2019

During the year, the SHARP Board of Directors contracted with James Marta & Company to perform audit services on June 30, 2019, financials. The audit commenced in November 2019 and the draft audit report will be presented at the June 2020 Board of Directors meetings.

#### Financial Statements of June 30, 2019

Provided to the Board were the unaudited Statement of Net Position (Balance Sheet) and Statement of Revenues, Expenses, and Changes in Net Position (Income Statement) as of June 30, 2019 and 2018, and Budget versus Actual as of June 30, 2019.

There was a brief discussion around program administration expenses, which Mr. Sharma clarified.

*Monica Labossiere moved to approve the unaudited financials as of June 30, 2019. Maria Ojeda seconded the motion. A roll call vote was taken and motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

### **B. Consideration of Resolution No. 2019-03: Establishing All Bank Accounts and Authorized Signers**

Mr. Sharma presented Resolution No. 2019-03: Establishing All Bank Accounts and Authorized Signers and explained an update is being requested to include the Finance Manager of SHARP as an approved signer. He reminded the Board that the Finance

Manager is involved in the day-to-day management of the pool and aware of all financial activities for the pool.

He noted the current control environment for processing Accounts Payable (AP) ensures that the Finance Manager can not print checks.

*Maria Ojeda moved to approve Resolution No. 2019-03: Establishing All Bank Accounts and Authorized Signers. Monica Labossiere seconded the motion. A roll call vote was taken and the motion passed unanimously by Joe Chinn, Monica Labossiere, and Maria Ojeda.*

## **9. WORKERS' COMPENSATION MATTERS**

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

The SHARP Workers' Compensation Program has been in place since 1986, with the claims administered by York Risk Services Group, Inc. since 2006, and with Workers' Compensation Oversight services provided by Jackie Miller, Workers' Compensation Program Manager.

Ms. Miller provided an overview of the Workers' Compensation Program and discussed the Who Does What Reference Guide.

### **B. Legislative Updates**

Ms. Miller discussed the following proposed legislative changes within the workers' compensation industry:

1. AB 1107: Medical Treatment (Chu and Reyes) – a bill initially introduced regarding the Utilization Review (UR) process in place to review, approve, modify or deny medical care. However, it recently went through a significant 'gut and amend' which altered the focus to now apply only to perceived delays in providing medical care. The bill proposes to impose penalties if care that had been denied through the appropriate UR process was then overturned by Independent Medical Review (IMR).
2. SB 542: PTSD Presumption (Stern) – Originally presented, this bill would 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 stated this provision would apply to claims filed or pending on or after 01/01/2017. The bill was recently amended to refine the language to state the presumptive injury applies only to Post Traumatic Stress

Disorder develops or manifests itself when the injured worker is in the service of the department or unit and has performed services for at least six months (unless caused by a sudden and extraordinary employment condition).

3. AB 5: Independent Contractor Status (Gonzalez) – The California Supreme Court unanimous decision regarding misclassified workers, established an “ABC test” to determine if the workers were actual employees or independent contractors.

Additional legislative updates provided was AB 749: Settlements (Stone, Gonzales, and Reyes), AB 932: Firefighter Injuries Out of State (Low and Petrie-Norris), and AB 1400: Fire Service Personnel (Kamlager-Dove).

## **10. CLOSING COMMENTS**

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

None.

### **B. Staff**

Mr. Sharma agreed to distribute the Draft 2020/21 Operating Budget to SHARP members prior to the June 2020 meeting.

## **11. ADJOURNMENT**

The SHARP Board of Directors Meeting was adjourned at 11:59 a.m.



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Katie Sullivan, Assistant Board Secretary



**SHARP JPA**  
**Warrant List**  
**11/1/19 - 5/31/20**

Document Number	Vendor ID	Vendor Name	Document Date	Checkbook	Document Amount	Voided	TRX Source	Transaction Description
8020	DEP100	Department of Industrial Relations	12/18/2019	CBT	\$ 15,350.49	No	PMCHK00000039	19/20 Assesment
EFT00067	ROSS100	Town of Ross	11/22/2019	CBT	\$ 1,244.50	No	PMCHK00000038	Grant Reim Solar Chargers
EFT00068	SAR100	City of Saratoga	11/22/2019	CBT	\$ 1,938.00	No	PMCHK00000038	Wellness and Safety Grant Reim
EFT00069	YOR100	York Risk Services Group	11/22/2019	CBT	\$ 1,263.33	No	PMCHK00000038	WC Admin 11/1-11/30/19
EFT00071	ROSS100	Town of Ross	12/18/2019	CBT	\$ 539.26	No	PMCHK00000040	Safety Lanterns For Emergency
EFT00072	YOR200	York Risk Services	12/18/2019	CBT	\$ 13,261.25	No	PMCHK00000040	Program Admin Jan-Mar
EFT00074	SAR100	City of Saratoga	1/21/2020	CBT	\$ 2,621.68	No	PMCHK00000041	Oct-Dec 19 Wellness Grant
EFT00075	YOR100	York Risk Services Group	1/21/2020	CBT	\$ 1,263.33	No	PMCHK00000041	WC Admin 12/1-12/31/19
EFT00077	YOR100	York Risk Services Group	2/24/2020	CBT	\$ 1,263.33	No	PMCHK00000042	WC Admin 1/1-1/31/20
EFT00078	JAM100	James Marta & Company LLP	2/24/2020	CBT	\$ 2,500.00	No	PMCHK00000042	Financial Audit for 2019
EFT00080	JAM100	James Marta & Company LLP	3/13/2020	CBT	\$ 3,000.00	No	PMCHK00000043	Financial Audit for 2019
EFT00081	YOR100	York Risk Services Group	3/13/2020	CBT	\$ 1,263.33	No	PMCHK00000043	WC Admin 2/1-2/29/20
EFT00082	YOR200	York Risk Services	3/13/2020	CBT	\$ 13,261.25	No	PMCHK00000043	Program Admin April-June 2020
EFT00084	AAR100	Aaronson, Dickerson, Cohn & Lanzone	4/21/2020	CBT	\$ 1,644.50	No	PMCHK00000044	December Legal Fees
EFT00085	BIC200	Bickmore Actuarial	4/21/2020	CBT	\$ 7,310.00	No	PMCHK00000044	Actuarial Review O/S Liab
EFT00086	JAM100	James Marta & Company LLP	4/21/2020	CBT	\$ 1,750.00	No	PMCHK00000044	Billing for 6/30/19 Audit
EFT00087	YOR100	York Risk Services Group	4/21/2020	CBT	\$ 1,263.33	No	PMCHK00000044	WC Admin 3.1.-3.31.20
EFT00089	SAR100	City of Saratoga	5/26/2020	CBT	\$ 2,359.45	No	PMCHK00000045	Wellness Grant Jan-March 2020
EFT00090	YOR100	York Risk Services Group	5/26/2020	CBT	\$ 1,263.33	No	PMCHK00000045	WC Admin 4.1-4.30.20

**SHARP JPA**  
**Statement of Net Position**  
**As of December 31, 2019 and June 30, 2019**  
(Unaudited)

			<b>Change</b>	
	<b>December 31, 2019</b>	<b>June 30, 2019</b>	<b>\$</b>	<b>%</b>
<b>Assets</b>				
Cash - Operating Accounts	\$ 370,614	\$ 806,533	\$ (435,919)	-54%
Cash - LAIF (FMV)	4,540,202	31,833	4,508,369	14163%
Cash - Investments (FMV)	252,955	252,808	148	0%
Cash - Restricted (York Trust)	34,927	36,737	(1,810)	-5%
Cash - CAMP	43,444	4,100,486	(4,057,042)	0%
Accounts Receivable	5,679	2,000	3,679	0%
Prepaid Expenses	135,297	13,261	122,035	920%
Interest Receivable	3,841	203	3,638	1792%
<b>Total Assets</b>	<b>5,386,959</b>	<b>5,243,860</b>	<b>143,099</b>	<b>3%</b>
<b>Liabilities</b>				
Accounts Payable	-	-	-	#DIV/0!
Accrued Liabilities - Other	-	42,418	(42,418)	-100%
Accrued Liabilities - Risk Management Grant	93,320	76,402	16,918	22%
Reserve for Known Claims, IBNR & ULAE	941,334	842,000	99,334	12%
<b>Total Liabilities</b>	<b>1,034,654</b>	<b>960,820</b>	<b>73,834</b>	<b>8%</b>
<b>Net Position</b>	<b>\$ 4,352,304</b>	<b>\$ 4,283,040</b>	<b>69,265</b>	<b>2%</b>

*"Reserves for IBNR & ULAE" is stated at discounted, expected confidence level.*

**SHARP JPA**  
**Statement of Revenues, Expenses & Changes in Net Position**  
**For the Six Months Ended December 31, 2019 and Year Ended June 30, 2019**  
**(Unaudited)**

	<b>12/31/2019</b>	<b>6/30/2019</b>	<b>Change</b>	
			<b>\$</b>	<b>%</b>
<b>Revenues</b>				
Member Contributions-WC	\$ 342,000	\$ 745,003	\$ (403,004)	-54.1%
Misc. Income	5,679	2,000	3,679	184.0%
Interest Income	59,114	117,618	(58,504)	-49.7%
<b>Total Income</b>	<b>406,792</b>	<b>864,621</b>	<b>(457,829)</b>	<b>-53.0%</b>
<b>Expenses</b>				
Claims Expense:				
Claims Paid - Net	43,991	220,611	(176,620)	100.0%
Claims Management Fees	6,317	14,720	(8,403)	100.0%
Incr/(Decr) in Reserves, IBNR & ULAE	99,334	(94,033)	193,367	-205.6%
Sub-total Claims Expense	149,641	141,298	8,343	5.9%
Other Direct Expenses:				
Excess Insurance-WC	114,356	287,519	(173,163)	-60.2%
DIR Assessment	7,675	6,059	1,616	26.7%
LAWCX Assessment	(4,242)	-	(4,242)	0.0%
Loss Prevention Programs	40,000	28,024	11,976	42.7%
Sub-total Other Direct Expenses	157,789	321,602	(163,813)	-50.9%
<b>Total Direct Expenses</b>	<b>307,431</b>	<b>462,900</b>	<b>(155,469)</b>	<b>-33.6%</b>
<b>Administrative Expenses</b>				
Program Administration	26,523	51,500	(24,978)	-48.5%
Legal Services	-	-	-	0.0%
Actuarial Studies	2,360	7,310	(4,950)	-67.7%
Audit Fees	-	6,500	(6,500)	-100.0%
Claims Audit fee	-	-	-	100.0%
Board & Committee Meetings	-	397	(397)	-100.0%
Bank Fees	1,214	1,947	(733)	-37.6%
<b>Total Administrative Expenses</b>	<b>30,097</b>	<b>67,654</b>	<b>(37,557)</b>	<b>-55.5%</b>
<b>Change in Net Position</b>	<b>69,265</b>	<b>334,067</b>	<b>(264,802)</b>	<b>-79%</b>
<b>Beginning Net Position</b>	<b>4,283,040</b>	<b>3,948,973</b>	<b>334,067</b>	<b>8.5%</b>
<b>Ending Net Position</b>	<b>\$ 4,352,304</b>	<b>\$ 4,283,040</b>	<b>\$ 69,265</b>	<b>1.6%</b>

**SHARP JPA**  
**Budget vs Actual**  
**As of December 31, 2019**  
(Unaudited)

	<b>2019/20 Budget</b>	<b>Dec 31, 2019</b>	<b>Change \$</b>	<b>%</b>
<b>Revenues</b>				
Member Contributions-Workers' Comp	\$ 684,000	\$ 342,000	\$ (342,001)	50%
Funding from Equity for Risk Management	40,000	-	(40,000)	0%
Misc Income	-	5,679	5,679	
Interest Income	-	59,114	59,114	
<b>Total Revenues</b>	<b>724,000</b>	<b>406,792</b>	<b>(317,208)</b>	<b>56% a</b>
<b>Expenses</b>				
Claims Expense:				
Claims Paid	297,000	43,991	(253,009)	15%
Claims Management Fees	15,160	6,317	(8,843)	42%
Incr/(Decr) in Reserves, IBNR & ULAE	-	99,334	99,334	
Sub-total Claims Expense	312,160	149,641	(162,519)	48% b
Other Direct Expenses:				
Excess Insurance-Workers' Comp	235,000	110,114	(124,886)	47% c
DIR Assessment	10,000	7,675	(2,325)	77% d
Loss Prevention Programs	40,000	40,000	-	100% e
<b>Total Direct Expenses</b>	<b>597,160</b>	<b>307,431</b>	<b>(289,729)</b>	<b>51%</b>
Administrative Expenses				
Program Administration	53,045	26,523	(26,523)	50%
Legal Services	5,000	-	(5,000)	0%
Actuarial Studies	10,000	2,360	(7,640)	24%
Audit Fees	7,500	-	(7,500)	0%
Claims Audit Fees	2,500	-	(2,500)	0%
Other Consultants	700	-	(700)	0%
Board & Committee Meetings	600	-	(600)	0%
Conference & Seminars	500	-	(500)	0%
Bank Fees	2,000	1,214	(786)	61%
Miscellaneous Expense	5,000	-	(5,000)	0%
<b>Total Administrative Expenses</b>	<b>86,845</b>	<b>30,097</b>	<b>(56,748)</b>	<b>35% f</b>
<b>Total Expenses</b>	<b>684,005</b>	<b>337,528</b>	<b>(346,477)</b>	<b>49%</b>
<b>Change in Net Position</b>	<b>39,995</b>	<b>69,265</b>	<b>29,270</b>	<b>173%</b>
<b>Beginning Net Position</b>	<b>4,283,041</b>	<b>4,283,041</b>	<b>-</b>	
<b>Ending Net Position</b>	<b>\$ 4,323,036</b>	<b>\$ 4,352,306</b>	<b>29,270</b>	<b>101%</b>

**Notes:**

The budget is 50% completed through December 31, 2019.

- a** Increase in total revenues due to interest income and miscellaneous revenues, which were not budgeted for.
- b** Claims expense, as a whole, is within the budgeted expectation.
- c** Excess workers' compensation premium is within the budgeted expectation.
- d** Department of Industrial (DIR) fee of \$15,350 was paid for the entire year. The budgeted cost is below the actual payment.
- e** Loss control grant has been expensed for the entire year.
- f** Total expenditures is below budgeted cost.

**SHARP JPA**  
**Statement of Net Position**  
As of March 31, 2020 and December 31, 2019  
(Unaudited)

			<b>Change</b>	
	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>\$</b>	<b>%</b>
<b>Assets</b>				
Cash - Operating Accounts	\$ 500,933	\$ 370,614	\$ 130,319	35%
Cash - LAIF (FMV)	4,569,954	4,540,202	29,752	1%
Cash - Investments (FMV)	253,023	252,955	68	0%
Cash - Restricted (York Trust)	30,570	34,927	(4,357)	-12%
Cash - CAMP	43,625	43,444	181	0%
Accounts Receivable	5,372	5,679	(307)	0%
Prepaid Expenses	74,280	135,297	(61,017)	-45%
Interest Receivable	22,846	3,841	19,005	495%
<b>Total Assets</b>	<b>5,500,602</b>	<b>5,386,959</b>	<b>113,643</b>	<b>2%</b>
<b>Liabilities</b>				
Accounts Payable	-	-	-	
Accrued Liabilities - Other	-	-	-	
Accrued Liabilities - Risk Management Grant	90,697	93,320	(2,623)	-3%
Reserve for Known Claims, IBNR & ULAE	1,002,849	941,334	61,515	7%
<b>Total Liabilities</b>	<b>1,093,546</b>	<b>1,034,654</b>	<b>58,892</b>	<b>6%</b>
<b>Net Position</b>	<b>\$ 4,407,056</b>	<b>\$ 4,352,304</b>	<b>54,752</b>	<b>1%</b>

*"Reserves for IBNR & ULAE" is stated at discounted, expected confidence level.*

**SHARP JPA**  
**Statement of Revenues, Expenses & Changes in Net Position**  
**For the Nine Months Ended March 31, 2020 and Six Months Ended December 31, 2019**  
**(Unaudited)**

	<b>3/31/2020</b>	<b>12/31/2019</b>	<b>Change</b>	
			<b>\$</b>	<b>%</b>
<b>Revenues</b>				
Member Contributions-WC	\$ 512,999	\$ 342,000	\$ 171,000	50.0%
Misc. Income	5,372	5,679	(307)	-5.4%
Interest Income	108,119	59,114	49,005	82.9%
<b>Total Income</b>	<b>626,490</b>	<b>406,792</b>	<b>219,698</b>	<b>54.0%</b>
<b>Expenses</b>				
Claims Expense:				
Claims Paid - Net	63,309	43,991	19,319	100.0%
Claims Management Fees	10,107	6,317	3,790	100.0%
Incr/(Decr) in Reserves, IBNR & ULAE	160,849	99,334	61,515	61.9%
Sub-total Claims Expense	234,265	149,641	84,624	56.6%
Other Direct Expenses:				
Excess Insurance-WC	171,535	114,356	57,179	50.0%
DIR Assessment	11,513	7,675	3,838	50.0%
LAWCX Assessment	(4,242)	(4,242)	-	0.0%
Loss Prevention Programs	40,000	40,000	-	0.0%
Sub-total Other Direct Expenses	218,806	157,789	61,017	38.7%
<b>Total Direct Expenses</b>	<b>453,072</b>	<b>307,431</b>	<b>145,641</b>	<b>47.4%</b>
<b>Administrative Expenses</b>				
Program Administration	39,784	26,523	13,261	50.0%
Legal Services	-	-	-	0.0%
Actuarial Studies	2,360	2,360	-	0.0%
Audit Fees	5,500	-	5,500	#DIV/0!
Claims Audit fee	-	-	-	100.0%
Board & Committee Meetings	-	-	-	#DIV/0!
Bank Fees	1,761	1,214	546	45.0%
<b>Total Administrative Expenses</b>	<b>49,404</b>	<b>30,097</b>	<b>19,308</b>	<b>64.2%</b>
<b>Change in Net Position</b>	<b>124,014</b>	<b>69,265</b>	<b>54,750</b>	<b>79%</b>
<b>Beginning Net Position</b>	<b>4,283,040</b>	<b>4,283,040</b>	<b>-</b>	<b>0.0%</b>
<b>Ending Net Position</b>	<b>\$ 4,407,056</b>	<b>\$ 4,352,304</b>	<b>\$ 54,752</b>	<b>1.3%</b>

**SHARP JPA**  
**Budget vs Actual**  
**As of March 31, 2020**  
(Unaudited)

	<b>2019/20 Budget</b>	<b>Mar 31, 2020</b>	<b>Change \$</b>	<b>%</b>
<b>Revenues</b>				
Member Contributions-Workers' Comp	\$ 684,000	\$ 512,999	\$ (171,001)	75%
Funding from Equity for Risk Management	40,000	-	(40,000)	0%
Misc Income	-	5,372	5,372	
Interest Income	-	108,119	108,119	
<b>Total Revenues</b>	<b>724,000</b>	<b>626,490</b>	<b>(97,510)</b>	<b>87% a</b>
<b>Expenses</b>				
Claims Expense:				
Claims Paid	297,000	63,309	(233,691)	21%
Claims Management Fees	15,160	10,107	(5,053)	67%
Incr/(Decr) in Reserves, IBNR & ULAE	-	160,849	160,849	
Sub-total Claims Expense	312,160	234,265	(77,895)	75% b
Other Direct Expenses:				
Excess Insurance-Workers' Comp	235,000	167,293	(67,707)	71% c
DIR Assessment	10,000	11,513	1,513	115% d
Loss Prevention Programs	40,000	40,000	-	100% e
<b>Total Direct Expenses</b>	<b>597,160</b>	<b>453,072</b>	<b>(144,088)</b>	<b>76%</b>
Administrative Expenses				
Program Administration	53,045	39,784	(13,261)	75%
Legal Services	5,000	-	(5,000)	0%
Actuarial Studies	10,000	2,360	(7,640)	24%
Audit Fees	7,500	5,500	(2,000)	73%
Claims Audit Fees	2,500	-	(2,500)	0%
Other Consultants	700	-	(700)	0%
Board & Committee Meetings	600	-	(600)	0%
Conference & Seminars	500	-	(500)	0%
Bank Fees	2,000	1,761	(239)	88%
Miscellaneous Expense	5,000	-	(5,000)	0%
<b>Total Administrative Expenses</b>	<b>86,845</b>	<b>49,404</b>	<b>(37,441)</b>	<b>57% f</b>
<b>Total Expenses</b>	<b>684,005</b>	<b>502,476</b>	<b>(181,529)</b>	<b>73%</b>
<b>Change in Net Position</b>	<b>39,995</b>	<b>124,014</b>	<b>84,019</b>	<b>310%</b>
<b>Beginning Net Position</b>	<b>4,283,041</b>	<b>4,283,041</b>	<b>-</b>	
<b>Ending Net Position</b>	<b>\$ 4,323,036</b>	<b>\$ 4,407,056</b>	<b>84,019</b>	<b>102%</b>

**Notes:**

The budget is 75% completed through March 31, 2020.

- a** Increase in total revenues due to interest income and miscellaneous revenues, which were not budgeted for.
- b** Claims expense, as a whole, is within the budgeted expectation.
- c** Excess workers' compensation premium is within the budgeted expectation.
- d** Department of Industrial (DIR) fee of \$15,350 was paid for the entire year. The budgeted cost is below the actual payment.
- e** Loss control grant has been expensed for the entire year.
- f** Total expenditures is below budgeted cost.

**SHARP**

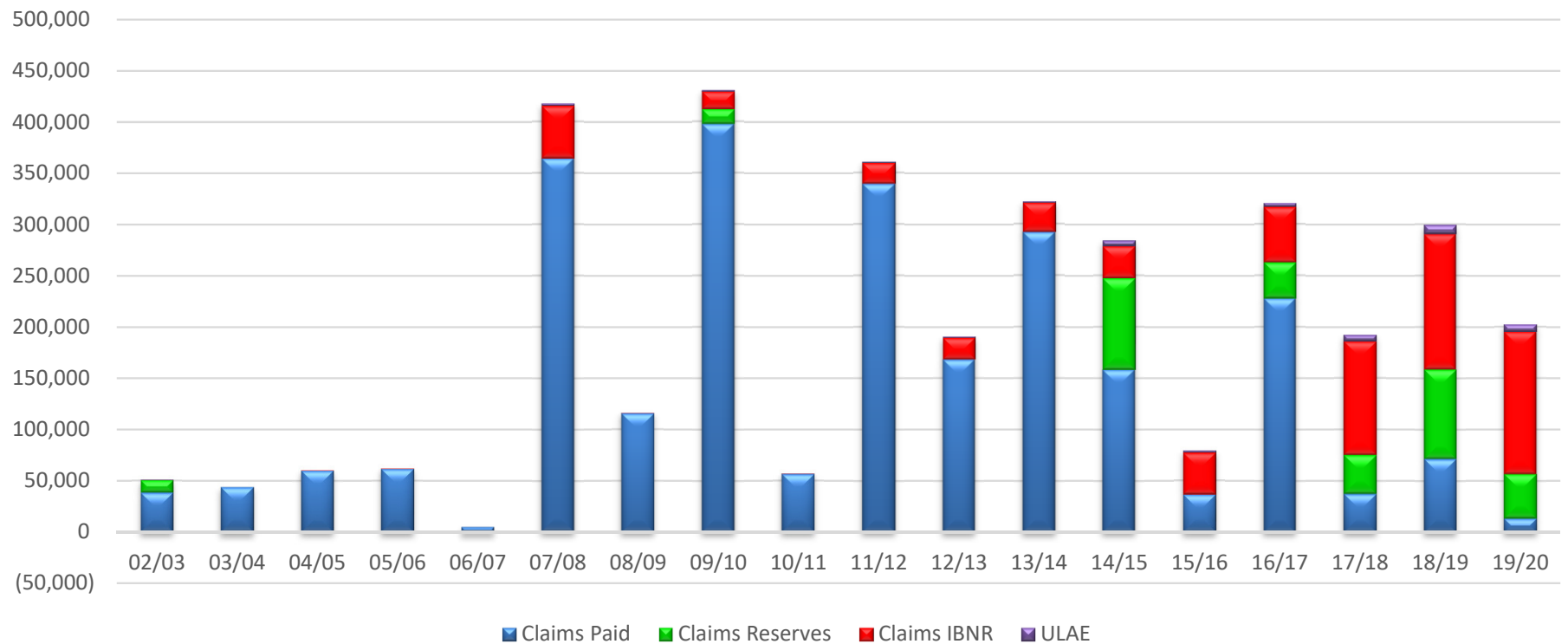
**RECONCILIATION OF CLAIMS LIABILITIES**

**March 31, 2020 AND June 30, 2019**

	<u>3/31/2020</u>	<u>6/30/2019</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 842,000	\$ 936,033
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	202,407	263,574
Increases (Decreases) in provision for insured events of prior fiscal years	<u>21,752</u>	<u>(142,320)</u>
Total incurred claims and claim adjustment expenses	<u>224,159</u>	<u>121,254</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(13,527)	(23,041)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(49,783)</u>	<u>(192,246)</u>
Total Payments	<u>(63,310)</u>	<u>(215,287)</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 1,002,849</u>	<u>\$ 842,000</u>
<u>Components of Claims Liabilities</u>		
Claim Reserves	317,606	\$ 239,355
Claims Incurred But Not Reported (IBNR)	645,243	563,274
Reserves for unallocated loss adjustment expense (ULAE)	40,000	39,371
Total Claims Liabilities	<u>\$ 1,002,849</u>	<u>\$ 842,000</u>



## SHARP Claim Reconciliation



# SHARED AGENCY RISK POOL

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Resolution No. 2020-01

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## ESTABLISHING THE BOARD OF DIRECTORS MEETING DATES FOR THE 2020/21 FISCAL YEAR

### **BE IT RESOLVED THAT:**

The following Board of Directors meeting dates are hereby established for the 2020/21 fiscal year:

### **BOARD OF DIRECTORS MEETING SCHEDULE Fiscal Year 2020/21**

Board of Directors Meetings:

- December 3, 2020, 10:00 a.m. – via videoconference
- June 16, 2020, 10:00 a.m. – via videoconference

**PASSED AND ADOPTED** by the Board of Directors of the SHARED AGENCY RISK POOL, County of Sacramento, State of California, on June 9, 2020, by the following vote:

AYES \_\_\_\_\_  
NOES \_\_\_\_\_  
ABSENT \_\_\_\_\_  
ABSTAIN \_\_\_\_\_

APPROVED:

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

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

BOARD OF DIRECTORS MEETING  
November 5, 2019

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

BOARD MEMBERS

PRESENT:

Garrett Toy, President, BCJPIA  
Janet Hamilton, Vice President, City of Livermore (*arrived during Item 6.D.*)  
Scott Ellerbrock, Treasurer, PERMA  
Kim Imboden, City of Benicia  
Erick Cheung, CCCTA  
Janis Holt, CHWCA  
Wendy Silva, CSJVRMA  
Lori Shively, City of Clovis  
Jace Schwarm, City of Encinitas  
Glen Weeks, FASIS  
LeeAnn McPhillips, City of Gilroy  
Beverly Jensen, City of Lodi  
Dat Nguyen, City of Morgan Hill  
David Rawe, City of Roseville  
Steve Baker, SCORE  
Jessica Bowes, City of Vacaville  
Andy Cox, VCJPA

ALTERNATES PRESENT: Rosa Kindred-Winzer, City of Merced  
James Peavey, City of Pleasanton  
Erike Young, PARSAC  
Yana Taran, City of San Leandro  
Kristen Vaughan, City of Vacaville  
Maili Madsen, City of Vallejo

**BOARD MEMBERS**

**ABSENT:**

Montague Hung, City of Alameda  
Jim Shields, CHWCA  
Emad Gewaily, City of Coronado  
Lisa Velasco, Town of Los Gatos  
Deneen Proctor, City of Merced  
Michael Urquides, MCLAIA  
Sandy Abe, City of Newark  
Rosanna Ramirez, City of Placentia  
Debra Gill, City of Pleasanton  
Kin Ong, PARSAC  
Emily Hung, City of San Leandro  
Mellissa Guerrero, City of Santa Maria  
Erica Hardy, City of Santee  
Tran Nguyen, SHARP  
Tom Stuart, City of South Lake Tahoe  
Scott Corey, City of Suisun City  
Erika Leahy, City of Vallejo  
Delores Gascon, City of Vista

**ALTERNATES ABSENT:**

Yibin Shen, City of Alameda  
Lori Elefant, BCJPIA  
Lisa Rettig, CCCTA  
Ruth Jensen, CHWCA  
Paul Melikian, CSJVRMA  
Shonna Haltermann, City of Clovis  
Howard Wood, FASIS  
Shirley Kim, City of Gilroy  
John Fukasawa, City of Lodi  
Laurel Prevetti, Town of Los Gatos  
Michael Horta, City of Morgan Hill  
Kin Ong, City of Placentia  
Michael Canton, PERMA  
Hedy Dehghan, City of Roseville  
Katrina Garcia, City of Santa Maria  
Marcus Beverly, SCORE  
Wes Maffei, VCJPA  
Analisa Holbrook, City of Vista

**OTHERS PRESENT:**

Jim Elledge, Executive Director/Finance Manager  
Terrie Norris, Risk Control Manager  
Tammy Vitali, Claims Manager  
Kim Sackett, Recording Secretary  
Andrew Ramos, Legal Counsel, Bartkiewicz, Kronick & Shanahan  
Mike Harrington, Bickmore Actuarial  
Seth Cole, Alliant Insurance Services  
Lesley Murphy, PFM

Allison Gregg, Sampson, Sampson & Partners, LLC (*left after Item 6.F.*)

Ric Burwell, BCJPIA/CHWCA

Jennifer Jobe, FASIS

Chrissy Mack, VCJPA

Jaesa McCulligan, BCJPIA

Jon Paulsen, SHARP

1. **CALL TO ORDER**

The meeting was called to order at 10:39 a.m. by President Garrett Toy.

2. **INTRODUCTIONS**

Introductions took place of those present. A majority of the members were present, constituting a quorum.

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

President Toy presented the Agenda for the November 5, 2019, LAWCX Board of Directors Meeting.

*LeeAnn McPhillips, City of Gilroy, moved to approve the agenda as posted, which was seconded by Kristen Vaughan, City of Vacaville, and the motion passed unanimously.*

4. **PUBLIC COMMENTS**

None.

5. **CONSENT CALENDAR**

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

*Jace Schwarm, City of Encinitas, moved to approve Consent Calendar items 5.A.-F., which was seconded by Rosa Kindred-Winzer, City of Merced, and the motion passed unanimously.*

The Consent Calendar consisted of the following:

- A. Minutes from the June 4, 2019, Board of Directors Meeting
- B. Treasurer's Report dated September 30, 2019
- C. Warrant Listing: June 1, 2019 – October 31, 2019
- D. Risk Control Update
- E. Strategic Plan Update
- F. CSAC EIA's 2019/20 Excess Workers' Compensation Program Premium and Fees

6. **ACTION/DISCUSSION ITEMS**

A. York Acquisition Report

Mr. Jim Elledge, Executive Director, announced York was acquired by Sedgwick, a large Third Party Claims Administrator, on September 4, 2019. Mr. Elledge reported no planned changes to service team and members should expect business as usual. Mr. Elledge also noted Board counsel reviewed the nature of the transaction and no amendments were required to the current contract between LAWCX and York Risk Services (York).

*As this item was informational only, there was no action taken.*

B. Annual Investment Policy Review

The investment policy was presented to the Board for review. Ms. Lesley Murphy, PFM, advised there have been no recent changes to the California Government Code or industry changes that would require LAWCX to update its Policy, and as a result staff and PFM were not recommending any changes to the Policy.

Ms. Murphy noted she presented the topic of an asset-liability matching study to the Executive Committee at their October 16, 2019 meeting, and the Committee directed her to work with staff to complete the study to better assess the duration of LAWCX's liabilities and the feasibility of longer-term investing. Ms. Murphy advised the results of the study would be presented to the Committee in early 2020 and should the Committee decide to pursue a longer-duration investment strategy, amendments to the Investment Policy would be required at that time.

*A motion was made by LeeAnn McPhillips, City of Gilroy, to approve the Investment Policy as presented, which was seconded by Lori Shively, City of Clovis, and the motion passed unanimously.*

C. Investment Report as of September 30, 2019

Ms. Murphy provided a report on LAWCX's investment portfolio, including a review of the economic and market conditions, the makeup and credit quality of the portfolio, and recent investment returns. Ms. Murphy noted the balance in the Local Agency Investment Fund (LAIF) of \$24 million and that she and staff would work together to determine if a portion of that balance could be transferred to the investment portfolio.

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

D. Draft Actuarial Report with 2020/21 Funding Rates and Discussion of Confidence Level and Discount Rate

Mr. Mike Harrington, Bickmore Actuarial, presented the draft actuarial report and summarized key points, including:

- Expected incurred loss development for all accident years was \$7,470,000 versus actual incurred loss development of \$4,555,000, which resulted in favorable development of \$2,915,000;
- The re-estimated ultimate losses remained stable for the \$150,000 Pool; decreased by \$1.7 million in the \$250,000 Pool; and was reduced by \$134,000 in the Mid-Layer Pool (MLP);
- Outstanding losses as of June 30, 2019 were \$109 million;
- The Executive Director, Actuary, and Investment Manager met prior to establishing the funding rates to determine whether a change in the discount rate should be considered for the 2020/21 funding rates and liabilities as of June 30, 2020. Based on that review it was noted the current return on the investment portfolio approximated the current discount rate of 2.5%, and therefore no change in the discount rate was recommended; and
- Rates were reviewed at the 80% confidence level and a 2.5% discount rate. The rates for the layer from member SIR to \$2 million increased between 2% and 6%; and the layer from \$2 million to \$5 million increased 9%.

Staff and the Executive Committee recommended the Board set funding rates for the 2020/21 program year at the 80% confidence level and discounted at 2.5%.

***A motion was made by Jace Schwarm, City of Encinitas, to approve establishing rates for the 2020/21 program year at the 80% confidence level and discounted at 2.5%; which was seconded by Janet Hamilton, City of Livermore, and the motion passed unanimously.***

**E. Review of Target Equity Policy, Dividends and Assessments, and Unaudited Financial Statements as of June 30, 2019**

Prior to the meeting, the Board received a written report on Target Equity Policy, Dividends, and Assessments, and Unaudited Financial Statements. Mr. Elledge reminded the Board the Target Equity Policy was adopted by the Board in November 2006 in order to monitor the financial condition of LAWCX and to determine whether to increase, decrease, or stabilize equity.

Mr. Elledge further reported on the equity position as of June 30, 2019, which included a review of the deficit curing plan results, the results of the three key equity ratios, and the unaudited financial results for the fiscal year ended June 30, 2019.

The following highlights were summarized:

- The Deficit Curing and Assessment Plan (Plan) was approved by the Board on June 5, 2018, and covered program years 1992/93 through 2007/08. The Plan included a \$9.5 million assessment of members participating in the subject

deficit program years. Mr. Elledge noted one member had not yet paid the assessment, but had received approval from the Board to postpone their initial payment to August 15, 2020. As a result of the Plan, the net position was increased by approximately \$9.0 million after discounts for pre-payment were applied of approximately \$500,000;

- The three key ratios called for in LAWCX's net assets policy were favorable as of June 30, 2019, as follows:
  - Net Contributions to Net Position: 0.6:1
  - Unpaid claims to Net Position: 3.3:1
  - Net Position to Self-Insured Retention: 5.5:1
- Total assets increased \$10.3 million since June 30, 2018, due to collection of contributions and favorable investment returns;
- Net position increased \$6.6 million since June 30, 2018;
- The investment portfolio produced income of approximately \$2.2 million, and saw market appreciation of \$2.6 million; and
- Net income as of June 30, 2019 was \$6.6 million.

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

F. Draft Audited Financial Statements for Fiscal Year Ended June 30, 2019

Ms. Allison Gregg of Sampson, Sampson, and Patterson LLP, presented the audited financial statements as of and for the fiscal year ended June 30, 2019, including a Report on Internal Controls and Letter to the Governing Board Dated November 5, 2019. Ms. Gregg reviewed the financial statements noting an unmodified or "clean" opinion had been issued on the statements. Ms. Gregg reviewed their other required reports and noted no reportable items.

***A motion was made by Jace Schwarm, City of Encinitas, to approve the audited financial statements, which was seconded by Kristen Vaughan, City of Vacaville, and the motion passed unanimously.***

*The meeting recessed for lunch at 12:03 p.m., and reconvened at 12:26 p.m. for a working lunch.*

G. Financial Auditor Contract with Sampson, Sampson & Patterson, LLP

Mr. Elledge stated the current contract with Sampson, Sampson, & Patterson, LLP (Sampson) for financial audit services expired upon completion of the most recent audit for the fiscal year ended June 30, 2019. At the October 16, 2019 Executive Committee meeting, staff presented the following options to proceed with a contract:

- Seek a renewal proposal from Sampson for an additional three years; or
- Seek a one year renewal proposal from Sampson for the audit of the June 30, 2020 financial statements and issue a request for proposal for financial audit services beginning with the audit of the June 30, 2021 financial statements.



Mr. Elledge also noted the one year continuation was needed in order to allow sufficient time for the request for proposal process and consideration by the Board at their November 2020 meeting.

Mr. Elledge stated the Committee discussed the options and recommended the Board continue with Sampson for another three years. The Board discussed the options and expressed support for renewing the contract with Sampson for another three years, but bringing the next renewal discussion to the Board a year prior to contract expiration to allow for consideration of a request for proposal.

***A motion was made by Jace Schwarm, City of Encinitas, to approve Sampson, Sampson, and Patterson LLP as financial auditor for audits of the years ending June 30, 2020, 2021, and 2022, and to consider issuing a request for proposal for financial audit services in 2021, which was seconded by Rosa Kindred-Winzer, City of Merced, and the motion passed unanimously.***

H. 2018/19 Compliance Survey and Reporting of Payroll

Ms. Tammy Vitali, Workers' Compensation Claims Manager, reminded the Board of the LAWCX Resolution Number 4-2012, establishing a Claims Management Policy for Members, to ensure high quality Risk Management and Third Party Administrator (TPA) practices. Ms. Vitali noted the City of Newark is listed as non-compliant as they only met with their TPA once throughout 2018/19 due to a staff member being on leave. The City of Newark acknowledged the instance of non-compliance, but shared that the interim human resources manager is in regular contact with their TPA. In addition, the City of Suisun City failed to submit their Renewal Survey, Compliance Survey and Reporting of Payroll for 2018/19, which is due by September 15 each year. Staff will be issuing an invoice in the amount of \$1,000 to the City of Suisun City and will be increasing their prior year actual payroll by 5% per Resolution Number 4-2012.

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

I. Resolution No. 3-2019 Establishing a Policy for Credit Card Usage in the Performance of Authority Business

Mr. Elledge advised the Board LAWCX maintains a credit card issued by California Bank and Trust. Mr. Elledge stated the authority to open a credit card is provided for in Resolution No. 2-2018 Regarding All Bank Accounts, Credit Cards, and Authorized Signatures; however a formal policy for credit card usage does not currently exist. Mr. Elledge reviewed proposed Resolution No. 3-2019 Establishing a Policy for Credit Card Usage in the Performance of Authority Business with the Board. The proposed resolution establishes: 1) whom the card may be assigned to; 2) allowable use of the card; 3) obligation in the event the card is lost or stolen, 4) procedure surrounding the surrender of the card, and 5) an acknowledgement to be signed by the cardholder. A suggestion was made to revise bullet number three on

the Acknowledgement Form to clarify that non-Authority related purchases are prohibited.

*A motion was made by Jace Schwarm, City of Encinitas, to adopt proposed Resolution No. 3-2019 Establishing a Policy for Credit Card Usage in the Performance of Authority Business, and to revise the wording under bullet point number three of the Use of Authority Credit Card Acknowledgement Form, which was seconded by Kristen Vaughan, City of Vacaville, and the motion passed unanimously.*

J. Activity Summary

Mr. Elledge advised the Strategic Plan was approved by the Board at the June 4, 2019 meeting. Part of this Plan was to develop a rolling activity summary to increase transparency and highlight staff and member activities throughout the year. Mr. Elledge noted several key points to the activity summary and advised this item will be brought to every Executive Committee and Board of Directors meeting so the Committee and Board have a greater awareness of the LAWCX operations and activities that may be of interest to their agencies.

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

7. **EXECUTIVE DIRECTOR'S REPORT**

Mr. Elledge noted the Board of Directors has held its last three meetings at the DoubleTree by Hilton and asked for feedback on the suitability of the location. The consensus was to direct staff to research alternate locations nearer to Interstate 5 for possible future Board meetings.

8. **CLOSING COMMENTS**

Ms. Vitali noted that if any direct member or underlying JPA member has passed a resolution pertaining to California Labor Code 3600.2, which provides coverage for out of state off-duty peace officers, to please provide a copy to staff to ensure LAWCX and CSAC EIA records are updated accordingly. Ms. Vitali also noted a sample resolution is available for reference.

9. **ADJOURNMENT**

At 12:43 p.m., the meeting was adjourned by general consensus.

Kim Sackett

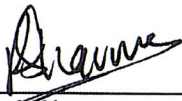
Kim Sackett, Recording Secretary

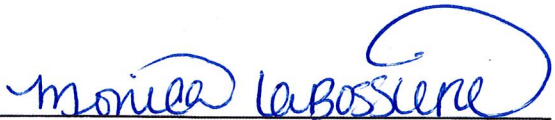
**Shared Agency Risk Pool**  
**Treasurer's Report**  
**As of December 31, 2019**

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust - General Operating	\$ 370,614	\$ 370,614	7.12%	0.00%
State of California - Local Agency Investment Fund	\$ 4,532,179	\$ 4,540,202	87.19%	2.04%
CA Asset Mgmt. Program - Liquidity Account	\$ 43,444	\$ 43,444	0.83%	1.80%
Bank of West - Capital Markets	\$ 250,000	\$ 252,955	4.86%	0.00%
<b>Total Cash and Investments</b>	<b>\$ 5,196,237</b>	<b>\$ 5,207,215</b>	<b>100.00%</b>	<b>2.04%</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

## Statement of Accounts

Page 1 of 5

This Statement: December 31, 2019

Last Statement: November 29, 2019

Account 5795358620

### DIRECT INQUIRIES TO:

Customer Service 1 (800) 400-6080

0041925

4001-06-0000-CBT-PG0023-00003

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

With limited-time fee waivers on Positive Pay\*, you can help protect your business and detect unauthorized payments and transactions. Get details at [calbt.com/pospay-offer](http://calbt.com/pospay-offer) and control which items post to your accounts.  
\*Terms and conditions apply.

## SUMMARY OF ACCOUNT BALANCE

Account Type	Account Number	Checking/Savings Ending Balance	Outstanding Balances Owed
PF Business Analyzed Account	5795358620	\$370,614.20	

## PF BUSINESS ANALYZED ACCOUNT 5795358620

129 3

Previous Balance	Deposits/Credits	Charges/Debits	Checks Processed	Ending Balance
241,232.19	4,683,889.46	4,539,156.96	15,350.49	370,614.20

### 2 DEPOSITS/CREDITS

Date	Amount	Description
12/09	283,889.46	REMOTE DEPOSIT 5353056076
12/18	4,400,000.00	CAMP ACH REDEMPTION 2990268 REF # 019352001737624 1108640247

### 4 CHARGES/DEBITS

Date	Amount	Description
12/03	25,218.63	ACH OFFSET SHARP Escrow R 191203 REF # 019337001709554 1108767159
12/19	4,500,000.00	DEBIT MEMO 5353054530
12/19	13,800.51	ACH OFFSET SHARP PAYABLES 191219 REF # 019353003127837 1107635833
12/23	137.82	ANALYSIS SERVICE FEE

### 1 CHECK PROCESSED

Number.....	Date.....	Amount
8020	12/26	15,350.49

### 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.



**SHARP**  
**LAIF Market Value and Interest**  
**December 31, 2019**  
**Account# 35-01-002**

LAIF Statement Balance 4,532,178.67

FAIR VALUE FACTOR 1.001770298  
12/31/2019

Market Value	\$4,540,201.98
--------------	----------------

Laif Mkt Value	12/31/2019	\$8,023.31
Laif Mkt Value	9/30/2019	\$52.54

LAIF Adjustment	<b>\$7,970.77</b>
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**POST QUARTERLY**

LAIF QUARTERLY Interest 3,841.16



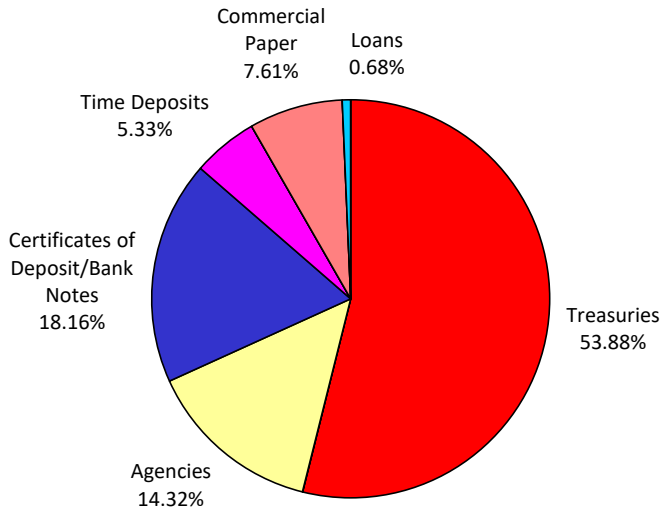
## PMIA/LAIF Performance Report as of 01/15/2020



### Pooled Money Investment Account Portfolio Composition <sup>(1)</sup>

**12/31/19**

**\$88.9 billion**



Percentages may not total 100% due to rounding

### PMIA Average Monthly Effective Yields<sup>(1)</sup>

<b>Dec 2019</b>	<b>2.043</b>
Nov 2019	2.103
Oct 2019	2.190

### LAIF Quarterly Performance Quarter Ended 12/31/19

Apportionment Rate <sup>(2)</sup> :	2.29
Earnings Ratio <sup>(2)</sup> :	0.0000625008577897
Fair Value Factor <sup>(1)</sup> :	1.001770298
Daily <sup>(1)</sup> :	2.02%
Quarter to Date <sup>(1)</sup> :	2.11%
Average Life <sup>(1)</sup> :	226

### PMIA Daily Rates<sup>(1)</sup>

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/16/19	2.04	2.13	226
12/17/19	2.04	2.13	226
12/18/19	2.04	2.13	227
12/19/19	2.04	2.13	226
12/20/19	2.03	2.12	224
12/21/19	2.03	2.12	224
12/22/19	2.03	2.12	224
12/23/19	2.03	2.12	222
12/24/19	2.03	2.12	225
12/25/19	2.03	2.12	225
12/26/19	2.03	2.12	224
12/27/19	2.03	2.12	227
12/28/19	2.03	2.12	227
12/29/19	2.03	2.12	227
12/30/19	2.03	2.11	224
12/31/19	2.02	2.11	226
01/01/20	2.03	2.03	224
01/02/20	2.00	2.02	231
01/03/20	2.00	2.01	229
01/04/20	2.00	2.01	229
01/05/20	2.00	2.01	229
01/06/20	2.00	2.00	226
01/07/20	1.99	2.00	224
01/08/20	1.99	2.00	224
01/09/20	1.99	2.00	224
01/10/20	1.98	2.00	223
01/11/20	1.98	2.00	223
01/12/20	1.98	2.00	223
01/13/20	1.98	1.99	220
01/14/20	1.97	1.99	221
01/15/20	1.96	1.99	228

\*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund pursuant to Public Utility Code 3288 (a).

Source:

(1) State of California, Office of the Treasurer

(2) State of California, Office of the Controller

# California State Treasurer

## *Fiona Ma, CPA*



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

January 17, 2020

[LAIF Home](#)  
[PMIA Average Monthly Yields](#)

### SHARED AGENCY RISK POOL (SHARP)

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

[Tran Type Definitions](#)

//

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

December 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
12/19/2019	12/18/2019	RD	1625865	RITESH SHARMA	4,500,000.00

### Account Summary

Total Deposit:	4,500,000.00	Beginning Balance:	32,178.67
Total Withdrawal:	0.00	Ending Balance:	4,532,178.67

California State Treasurer  
*Fiona Ma, CPA*



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

December 06, 2019

[LAIF Home](#)  
[PMIA Average Monthly Yields](#)

ABAG COMP SHARED RISK POOL

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

[Tran Type Definitions](#)

//

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

November 2019 Statement

**Account Summary**

Total Deposit:	0.00	Beginning Balance:	32,178.67
Total Withdrawal:	0.00	Ending Balance:	32,178.67



# California State Treasurer

## *Fiona Ma, CPA*



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

November 20, 2019

[LAIF Home](#)  
[PMIA Average Monthly Yields](#)

ABAG COMP SHARED RISK POOL

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

[Tran Type Definitions](#)

//

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

October 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
10/15/2019	10/15/2019	QRD	1620024	SYSTEM	197.00

### Account Summary

Total Deposit:	197.00	Beginning Balance:	31,981.67
Total Withdrawal:	0.00	Ending Balance:	32,178.67



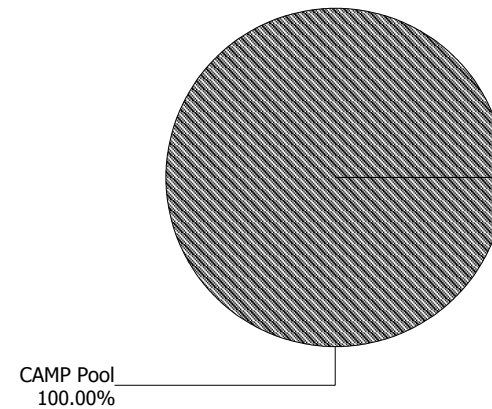
## Account Statement - Transaction Summary

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

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

CAMP Pool	
Opening Market Value	4,439,670.82
Purchases	3,773.10
Redemptions	(4,400,000.00)
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$43,443.92</b>
Cash Dividends and Income	3,773.10

Asset Summary		
	December 31, 2019	November 30, 2019
<b>CAMP Pool</b>	43,443.92	4,439,670.82
<b>Total</b>	<b>\$43,443.92</b>	<b>\$4,439,670.82</b>
Asset Allocation		





## Account Statement

For the Month Ending **December 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>4,439,670.82</b>
12/18/19	12/18/19	Redemption - ACH Redemption	1.00	(4,400,000.00)	39,670.82
12/31/19	01/02/20	Accrual Income Div Reinvestment - Distributions	1.00	3,773.10	43,443.92
<b>Closing Balance</b>					<b>43,443.92</b>

	Month of December	Fiscal YTD July-December		
<b>Opening Balance</b>	4,439,670.82	4,100,485.55	<b>Closing Balance</b>	43,443.92
<b>Purchases</b>	3,773.10	342,958.37	<b>Average Monthly Balance</b>	2,452,695.76
<b>Redemptions (Excl. Checks)</b>	(4,400,000.00)	(4,400,000.00)	<b>Monthly Distribution Yield</b>	1.80%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>43,443.92</b>	<b>43,443.92</b>		
<b>Cash Dividends and Income</b>	3,773.10	42,958.37		



## Account Statement

For the Month Ending **November 30, 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>4,432,809.41</b>
11/29/19	12/02/19	Accrual Income Div Reinvestment - Distributions	1.00	6,861.41	4,439,670.82
<b>Closing Balance</b>					<b>4,439,670.82</b>

	Month of November	Fiscal YTD July-November		
<b>Opening Balance</b>	4,432,809.41	4,100,485.55	<b>Closing Balance</b>	4,439,670.82
<b>Purchases</b>	6,861.41	339,185.27	<b>Average Monthly Balance</b>	4,433,266.84
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	1.88%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>4,439,670.82</b>	<b>4,439,670.82</b>		
<b>Cash Dividends and Income</b>	6,861.41	39,185.27		



## Account Statement

For the Month Ending **October 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>4,425,097.59</b>
10/31/19	11/01/19	Accrual Income Div Reinvestment - Distributions	1.00	7,711.82	4,432,809.41
<b>Closing Balance</b>					<b>4,432,809.41</b>

	Month of October	Fiscal YTD July-October		
<b>Opening Balance</b>	4,425,097.59	4,100,485.55	<b>Closing Balance</b>	4,432,809.41
<b>Purchases</b>	7,711.82	332,323.86	<b>Average Monthly Balance</b>	4,425,346.36
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	2.05%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>4,432,809.41</b>	<b>4,432,809.41</b>		
<b>Cash Dividends and Income</b>	7,711.82	32,323.86		



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

ACCOUNT NO. ABA00077

BANK OF THE WEST  
TREASURY OPERATIONS  
2527 CAMINO RAMON  
SAN RAMON, CA 94583

>000018 3768378 0001 008230 10Z NC-807-2FT  
COMP SHARED RISK POOL ASSN OF  
BAY AREA GOVT.  
1750 CREEKSIDE OAKS DR.  
SUITE 200  
SACRAMENTO CA 95833

SAFEKEEPING CONSOLIDATED STATEMENTS

PERIOD ENDING 12/31/2019

ACCOUNT NO ABA00077

CAPITAL MARKETS-FIXED INCOME INVESTMENT OFFICER

MONTAQUILA, PAUL

(866) 748-6862

THIS STATEMENT IS FOR PURPOSES OF DISCLOSING THE MARK-TO-MARKET VALUE OF THE TRANSACTION(S) YOU HAVE. IT IS PROVIDED FOR INFORMATION PURPOSES ONLY AND SUBJECT TO CHANGE WITHOUT NOTICE. THE MARKET VALUE IS DERIVED FROM SOURCES BELIEVED TO BE RELIABLE, AND IS A REASONABLE APPROXIMATION OF THE FAIR VALUE OF YOUR TRANSACTION. BANK OF THE WEST MAKES NO REPRESENTATION OR WARRANTY THAT SUCH INFORMATION IS ACCURATE OR COMPLETE. THESE VALUES ARE FOR GENERAL GUIDANCE ONLY, ARE NOT GUARANTEED BY BANK OF THE WEST, AND DO NOT REFLECT PRICES AT WHICH ANY TRANSACTION COULD BE CLOSED OUT OR ANY NEW TRANSACTION ENTERED INTO. TO OBTAIN CURRENT PRICING INFORMATION, PLEASE CONTACT YOUR TREASURY REPRESENTATIVE.



Member  
**FDIC**



DDA: 101003895  
PAGE 1

SAFEKEEPING INVENTORY  
12/31/19

CUSIP	RATE	CALL/PUT	INFORMATION		ORIGINAL COST	INFLATED PAR/	MARKET PRICE
SETTLE	MATURITY	SECURITY	DESCRIPTION	RCPT#	UNIT/PAR VALUE	ORIGINAL FACE	MARKET VALUE

CLASS: CERT. OF DEPOSIT

40434AC72	3.100				250,000.00	101.182000000
		HSBC BANK USA NA CTF DEP				
11/17/15	11/17/20	ACT/365	028444		250,000.00	252,955.00

GRAND TOTAL:	ORIGINAL COST	250,000.00	
GRAND TOTAL:	UNITS/CURRENT FACE	250,000.00	MARKET VALUE 252,955.00



**Shared Agency Risk Pool**  
**Treasurer's Report**  
As of March 31, 2020

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust - General Operating	\$ 500,933	\$ 500,933	9.33%	0.00%
State of California - Local Agency Investment Fund	\$ 4,536,020	\$ 4,569,954	85.14%	1.79%
CA Asset Mgmt. Program - Liquidity Account	\$ 43,625	\$ 43,625	0.81%	1.50%
Bank of West - Capital Markets	\$ 250,000	\$ 253,023	4.71%	0.00%
<b>Total Cash and Investments</b>	<b>\$ 5,330,578</b>	<b>\$ 5,367,534</b>	<b>100.00%</b>	<b>1.78%</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.




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Ritesh Sharma  
Finance Manager




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Monica Labossiere  
Treasurer



## Statement of Accounts

Page 1 of 4

This Statement: March 31, 2020

Last Statement: February 28, 2020

Account 5795358620

### DIRECT INQUIRIES TO:

Customer Service 1 (800) 400-6080

0041112

4092-06-1000-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

### Your health and safety are our top priorities

Were here for you. As we continue to respond to the Coronavirus (COVID-19) situation, visit [calbanktrust.com/coronavirus](http://calbanktrust.com/coronavirus) for all updates including branch hours and closures.

## SUMMARY OF ACCOUNT BALANCE

Account Type	Account Number	Checking/Savings Ending Balance	Outstanding Balances Owed
PF Business Analyzed Account	5795358620	\$500,933.14	

## PF BUSINESS ANALYZED ACCOUNT 5795358620

129 0

Previous Balance	Deposits/Credits	Charges/Debits	Checks Processed	Ending Balance
528,047.18	0.00	27,114.04	0.00	500,933.14

### 0 DEPOSITS/CREDITS

There were no transactions this period.

### 3 CHARGES/DEBITS

Date	Amount	Description
03/02	9,464.61	ACH OFFSET SHARP Escrow R 200302 REF # 020062003604422 1111481097
03/16	17,524.58	ACH OFFSET SHARP PAYABLES 200316 REF # 020076003200656 1109964020
03/23	124.85	ANALYSIS SERVICE FEE

### 0 CHECKS PROCESSED

There were no transactions this period.

## 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.



**SHARP**  
**LAIF Market Value and Interest**  
**March 31, 2020**  
**Account# 35-01-002**

LAIF Statement Balance 4,536,019.83

FAIR VALUE FACTOR 1.007481015  
3/31/2020

Market Value	<b>\$4,569,953.86</b>
--------------	-----------------------

Laif Mkt Value	3/31/2020	\$33,934.03
Laif Mkt Value	12/31/2019	\$8,023.31

LAIF Adjustment	<b>\$25,910.73</b>
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**POST QUARTERLY**

LAIF QUARTERLY Interest 22,846.18



# PMIA/LAIF Performance Report as of 04/15/20



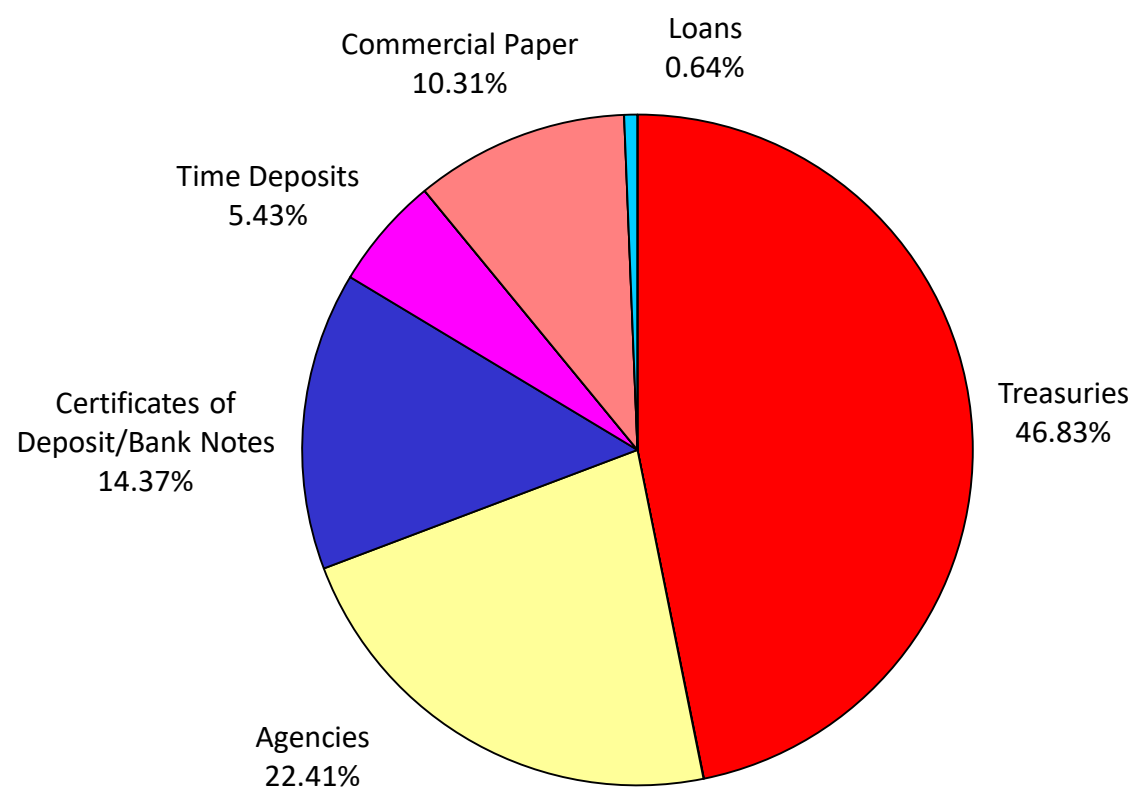
## PMIA Average Monthly Effective Yields<sup>(1)</sup>

Mar	1.787
Feb	1.912
Jan	1.967

## LAIF Quarterly Performance Quarter Ended 03/31/20

Apportionment Rate <sup>(2)</sup> :	2.03
Earnings Ratio <sup>(2)</sup> :	0.00005535460693046
Fair Value Factor <sup>(1)</sup> :	1.007481015
Daily <sup>(1)</sup> :	1.73%
Quarter to Date <sup>(1)</sup> :	1.89%
Average Life <sup>(1)</sup> :	208

## Pooled Money Investment Account Portfolio Composition <sup>(1)</sup> 03/31/20 \$98.1billion



Percentages may not total 100% due to rounding

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:

<sup>(1)</sup> State of California, Office of the Treasurer

<sup>(2)</sup> State of California, Office of the Controller

California State Treasurer  
**Fiona Ma, CPA**



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

April 01, 2020

[LAIF Home](#)  
[PMIA Average Monthly Yields](#)

SHARED AGENCY RISK POOL (SHARP)

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

[Tran Type Definitions](#)

//

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

March 2020 Statement

**Account Summary**

Total Deposit:	0.00	Beginning Balance:	4,536,019.83
Total Withdrawal:	0.00	Ending Balance:	4,536,019.83

California State Treasurer  
*Fiona Ma, CPA*



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

March 13, 2020

[LAIF Home](#)  
[PMIA Average Monthly Yields](#)

SHARED AGENCY RISK POOL (SHARP)

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

[Tran Type Definitions](#)

//

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

February 2020 Statement

**Account Summary**

Total Deposit:	0.00	Beginning Balance:	4,536,019.83
Total Withdrawal:	0.00	Ending Balance:	4,536,019.83

# California State Treasurer

## *Fiona Ma, CPA*



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

February 14, 2020

[LAIF Home](#)  
[PMIA Average Monthly Yields](#)

### SHARED AGENCY RISK POOL (SHARP)

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

[Tran Type Definitions](#)

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

January 2020 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/15/2020	1/14/2020	QRD	1628249	SYSTEM	3,841.16

### Account Summary

Total Deposit:	3,841.16	Beginning Balance:	4,532,178.67
Total Withdrawal:	0.00	Ending Balance:	4,536,019.83



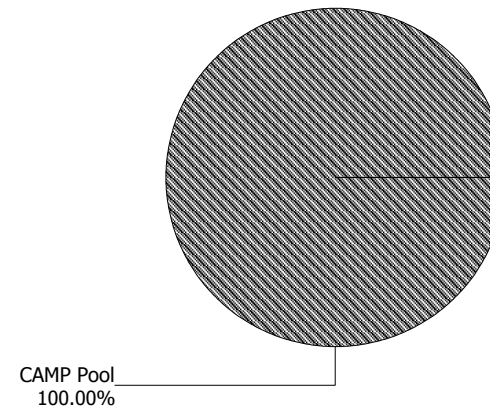
## Account Statement - Transaction Summary

For the Month Ending **March 31, 2020**

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

CAMP Pool	
Opening Market Value	43,569.54
Purchases	55.26
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$43,624.80</b>
Cash Dividends and Income	55.26

Asset Summary		
	March 31, 2020	February 29, 2020
<b>CAMP Pool</b>	43,624.80	43,569.54
<b>Total</b>	<b>\$43,624.80</b>	<b>\$43,569.54</b>
Asset Allocation		





## Account Statement

For the Month Ending **March 31, 2020**

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>43,569.54</b>
03/31/20	04/01/20	Accrual Income Div Reinvestment - Distributions	1.00	55.26	43,624.80
<b>Closing Balance</b>					<b>43,624.80</b>

	Month of March	Fiscal YTD July-March		
<b>Opening Balance</b>	43,569.54	4,100,485.55	<b>Closing Balance</b>	43,624.80
<b>Purchases</b>	55.26	343,139.25	<b>Average Monthly Balance</b>	43,571.32
<b>Redemptions (Excl. Checks)</b>	0.00	(4,400,000.00)	<b>Monthly Distribution Yield</b>	1.50%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>43,624.80</b>	<b>43,624.80</b>		
<b>Cash Dividends and Income</b>	55.26	43,139.25		





## Account Statement

For the Month Ending **February 29, 2020**

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>43,509.33</b>
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	60.21	43,569.54
<b>Closing Balance</b>					<b>43,569.54</b>

	Month of February	Fiscal YTD July-February		
<b>Opening Balance</b>	43,509.33	4,100,485.55	<b>Closing Balance</b>	43,569.54
<b>Purchases</b>	60.21	343,083.99	<b>Average Monthly Balance</b>	43,513.48
<b>Redemptions (Excl. Checks)</b>	0.00	(4,400,000.00)	<b>Monthly Distribution Yield</b>	1.75%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>43,569.54</b>	<b>43,569.54</b>		
<b>Cash Dividends and Income</b>	60.21	43,083.99		



## Account Statement

For the Month Ending **January 31, 2020**

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>43,443.92</b>
01/31/20	02/03/20	Accrual Income Div Reinvestment - Distributions	1.00	65.41	43,509.33
<b>Closing Balance</b>					<b>43,509.33</b>

	Month of January	Fiscal YTD July-January		
<b>Opening Balance</b>	43,443.92	4,100,485.55	<b>Closing Balance</b>	43,509.33
<b>Purchases</b>	65.41	343,023.78	<b>Average Monthly Balance</b>	43,446.03
<b>Redemptions (Excl. Checks)</b>	0.00	(4,400,000.00)	<b>Monthly Distribution Yield</b>	1.78%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>43,509.33</b>	<b>43,509.33</b>		
<b>Cash Dividends and Income</b>	65.41	43,023.78		



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

ACCOUNT NO. ABA00077

BANK OF THE WEST  
TREASURY OPERATIONS  
2527 CAMINO RAMON  
SAN RAMON, CA 94583

>000038 4109927 0001 008230 10Z NC-B07-2FT  
COMP SHARED RISK POOL ASSN OF  
BAY AREA GOVT.  
1750 CREEKSIDE OAKS DR.  
SUITE 200  
SACRAMENTO CA 95833

SAFEKEEPING CONSOLIDATED STATEMENTS

PERIOD ENDING 03/31/2020

ACCOUNT NO ABA00077

CAPITAL MARKETS-FIXED INCOME INVESTMENT OFFICER

MONTAQUILA, PAUL

(866) 748-6862

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Member  
**FDIC**



COMP SHARED RISK POOL ASSN OF  
BAY AREA GOV'T.  
1750 CREEKSIDE OAKS DR.  
SUITE 200  
SACRAMENTO CA 95833

SAFEKEEPING INVENTORY  
03/31/20

40434	AC72	3.100			250,000.00	101.209000000
			HSBC BANK USA NA CTF DEP			
11/17/15	11/17/20		ACT/365	028444	250,000.00	253,022.50

GRAND TOTAL:	ORIGINAL COST	250,000.00		
GRAND TOTAL:	UNITS/CURRENT FACE	250,000.00	MARKET VALUE	253,022.50

Member  
FDIC



May 5, 2020

## Memorandum

To: Ritesh Sharma, Finance Manager  
*Shared Agency Risk Pool*

From: Lesley Murphy, Senior Managing Consultant  
*PFM Asset Management LLC*

Re: Investment Policy Review

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We have completed our initial review of the Investment Policy (the “Policy”) for the Shared Agency Risk Pool (the “Pool”). The Policy remains in compliance with the sections of California Government Code (Code) that govern the investment of public funds. Our recommended changes this year are designed to bring additional clarity and accuracy to the Policy and to reflect recent amendments made to relevant sections of Code. Our recommended changes are detailed below, and we have also provided a redlined copy of the Policy for your review.

### **9.0 Authorized and Suitable Investments**

We recommend two minor grammatical changes to references to the Treasurer/Chief Financial Officer and/or the investment advisor.

#### Asset-backed securities (ABS)

We recommend that the Pool revise the language in this section to reflect a recent clarification to Code language. We also note that this clarification does not necessitate a change to the investment procedures already in place for the management of the Pool’s investment portfolio.

Background: Assembly Bill No. 1770 (AB 1770), effective January 1, 2019, revises California Government Code section 53601(o) to clarify requirements for the purchase of asset-backed securities (ABS) in two respects:

1. First, the maturity limit language was clarified to reflect how many investors already interpret this section: that they may purchase securities with a maximum *remaining* maturity of five years or less.
2. Second, the bill eliminates the requirement that the issuer of these securities be rated “A” (or its equivalent) or better, as provided by a nationally recognized statistical



rating organization (NRSRO). The Code still requires that the specific security be rated “AA” (or its equivalent) or better, as provided by an NRSRO.

Analysis: We see these revisions as a matter of clarification for ABS investors. We believe the removal of the *issuer* rating criteria is appropriate since this requirement generally has no relevance to the issuers of ABS, which are organized as trusts and do not have standalone ratings.

Further, we note that the Pool’s Policy is more restrictive than Code, as the Pool’s Policy requires an “AAA” rating for ABS, while Code requires an “AA” rating. We believe that the “AAA” rating requirement is a prudent one, and we recommend that the Pool continues to require an “AAA” rating for ABS holdings.

#### **11.0 Duration and Maximum Maturity**

We recommend adjusting the language to specify that assets in the Trust Fund “may” be invested to achieve an average duration coordinated with the duration of the claims liability as calculated by the Actuary. This change will more accurately reflect the current investment procedures of the Pool and will give the Pool more flexibility to select investment securities best suited to the needs and risk/return objectives of the Pool, subject to all other restrictions established in the Policy.

#### **14.0 Reporting**

We recommend adjusting the language related to the Treasurer’s responsibility to submit investment reports to the Pool’s governing body. California Government Code Section 53646 no longer requires that the Treasurer submit a quarterly investment report to the agency’s governing body. Thus, the 30 day deadline for submission is no longer a Code requirement. Therefore, we recommend adjusting this language to better reflect current industry standard practices and the Pool’s current procedures.

#### **Appendix A**

At the June 2018 Board of Directors meeting, it was determined that the Pool would require a rating of “A” or its equivalent or better by an NRSRO for all medium-term notes with remaining maturities of up to two years. For medium-term notes with remaining maturities in excess of two years but less than five years, the minimum rating requirement is “AA” or its equivalent or better by an NRSRO. At the time, this change was incorporated into the body of the Policy as



discussed. We are now suggesting that this change also be incorporated into the Appendix for consistency.

*Informational Item: Assembly Bill 857*

We also wanted to make the Pool aware of Assembly Bill No. 857, which took effect on January 1, 2020. Assembly Bill 857 provides for the establishment of public banks by local agencies, subject to approval by the Department of Business Oversight (DBO) and Federal Deposit Insurance Corporation (FDIC). As a part of this bill, subsection (r) was added to Code section 53601, which permits local agencies to invest in the commercial paper, debt securities, or other obligations of such public banks. At this time, we are not aware of any such public banks in existence, and we do not recommend that the Pool make any changes to the Policy in light of this legislation. We will continue to monitor any ongoing developments in this area, and if, at a later date, we feel it would be prudent for the Pool to add obligations of these public banks to its listing of authorized and suitable investments, we will make a formal recommendation at that time.

We look forward to discussing our recommendations with you further at or before the upcoming Board of Directors meeting. Please feel free to contact us at your convenience with any questions.

# Shared Agency Risk Pool

## Investment Policy

Adopted:	September 1987
Revised:	March 19, 1997
Revised:	May 18, 2005
Revised:	May 02, 2013
Revised:	May 15, 2014
Revised:	May 13, 2015
Revised:	June 20, 2018
<b>Revised:</b>	<b>June 12, 2020</b>



## 1.0 Policy

It is the policy of the Shared Agency Risk Pool (the Pool) to invest its financial assets in a manner which will provide the highest investment return consistent with maximum security while meeting the daily cash flow demands of the Pool and conforming to all applicable laws governing the investment of public funds.

## 2.0 Scope

This investment policy applies to activities of the Shared Agency Risk Pool with regard to investing the financial assets of the Administrative and Trust Funds.

## 3.0 Prudence

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the Pool are trustees and therefore fiduciaries subject to the prudent investor standard: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

## 4.0 Objectives

The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The primary objectives, in order of priority, of the Pool's investment activities shall be:

- 1) Safety.** Safety of principal is the foremost objective of the investment program. The Pool's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.
- 2) Liquidity.** The Pool's investment portfolio will remain sufficiently liquid to enable the Pool to meet its reasonably anticipated cash flow requirements.
- 3) Return on Investment.** The Pool seeks to attain the maximum possible yield on its investments, consistent with constraints imposed by its safety objectives and cash flow consideration.

## 5.0 Delegation of Authority

The investment authority will be vested in the Treasurer/Chief Financial Officer, as defined and established in the Pool's bylaws. Upon the approval of this Investment Policy on an annual basis, the Pool will be adhering to Government Code Section 53607 which states in pertinent part: "The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires."

The Treasurer/Chief Financial Officer and the delegated investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The Treasurer/Chief Financial Officer may delegate investment decision making and execution authority to an investment advisor. The advisor shall follow the Investment Policy and such other written instructions as are provided.

#### 6.0 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Chair any material financial interests in financial institutions that conduct business with the Pool, and they shall further disclose any material financial interest that could be related to the performance of the Pool, particularly with regard to the time of purchases and sales. For purposes of this section "material financial interests" means any interest described in Government Code Sections 87103 (a)-(e), as they may be amended from time to time.

#### 7.0 Internal Controls

The Treasurer/Chief Financial Officer shall maintain a system of written internal controls to regulate the Pool's investment activities, including the activities of any subordinate officials acting on behalf of the Pool. As part of the annual financial audit, the Pool's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

#### 8.0 Authorized Financial Dealers and Institutions

A competitive bid process shall be used to place all investment transactions; a minimum of three quotes shall be obtained on all purchase and sales of securities, when practical. It shall be the Pool's policy to purchase securities only from Board authorized institutions and firms. No deposit of public funds shall be made except in a qualified public depository as established by state laws.

The Treasurer/Chief Financial Officer shall maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. The purchase by the Pool of any investment other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, which is a member of the Financial Industry Regulatory Authority (FINRA), or a member of a federally regulated securities exchange, a national or state chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The Pool requires each firm that will be used for the purchase or sale of securities to be evaluated by the Treasurer/Chief Financial Officer prior to making any investments. The firms shall submit current financial statements, and annual audited financial statements each year thereafter, which are to be evaluated by the Treasurer/Chief Financial Officer. At a minimum, the firm must be financially sound and have been in business a minimum of three years. In addition, the firms must provide: proof of licensing or membership described above, trading resolutions, proof of state registration or exemption, and certificate of having read the Pool's

investment policy.

If the Pool has retained the services of an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the Pool.

#### 9.0 Authorized and Suitable Investments

The Pool is governed by Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, the Pool seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence. The maturity limits are applied at the time of purchase

Credit criteria listed in this section refers to the credit quality of the issuing organization at the time the security is purchased. In the event of a downgrade below the minimum credit rating requirements listed below, the Treasurer/Chief Financial Officer or the investment advisor, if so designated, must notify the Pool of such downgrade within 15 days of the downgrade and will use ~~his/her~~their best professional judgment to determine the appropriate course of action.

The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

Except as provided below, no more than five percent (5%) of the Pool's portfolio may be invested in any one institution, regardless of sector. The types of investments which are excluded from this limitation are:

- United States Treasury and federal agency obligations,
- Supranational obligations,
- Bank certificates of deposit,
- Other certificates of deposit, and
- Money market funds and local government investment pools, including LAIF and CAMP.

1. United States Treasury Issues. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. United States Treasury Issues cannot exceed a maturity of 7 years. There is no limitation as to the percentage of the portfolio that may be invested in this category.
2. Federal Agency Obligations. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Federal Agency Obligations cannot exceed a maturity of 7 years. There is no limitation as to the percentage of the portfolio that may be invested in this category. However, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 percent of the portfolio.
3. Medium-term notes. Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes with a maximum remaining maturity of two years or less shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical rating organization (NRSRO). Medium-term notes with a maximum remaining maturity in excess of two years but not to exceed five

years shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

4. Bankers’ Acceptances. Bankers’ acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank. Purchasers are limited to issuers whose short-term debt is rated A-1/P-1 or its equivalent or better by an NRSRO. Bankers’ acceptances cannot exceed a maturity of 180 days. A maximum of 25 percent of the portfolio may be invested in this category.
5. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by an NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (A) or paragraph (B):
  - (A) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars (\$500,000,000). (iii) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization.
  - (B) The entity meets the following criteria: (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category.

6. Bank Certificates of Deposit fully-insured by the FDIC. Certificates of Deposit fully- insured by the FDIC have an implicit rating of AA+. Fully-insured CDs may not exceed seven (7) years to maturity. A maximum of thirty (30) percent of the portfolio may be invested in this category. The amount invested in fully-insured CDs with any one financial institution in combination with any collateralized deposits with that same financial institution shall not exceed ten (10) percent of the portfolio.
7. Other Certificates of Deposits includes CDs that are purchased from in-state commercial banks and savings and loans that are not insured FDIC or exceed the maximum coverage limit of FDIC. Purchases are limited to institutions which have long term debt rated “AA” or higher with a nationally recognized rating service; and/or have short term debt rated at least “A-1” with a nationally recognized rating service. The FDIC limit applies to all active CDs purchased from the same institution. To be eligible for purchase, the financial institution must have received a minimum overall “satisfactory” rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. These CDs are required to be collateralized as specified under Government Code Section 53630 et. seq. The Treasurer/Chief Financial Officer, at his~~their~~ discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Corporation shall have a signed agreement with the depository per Government Code Section 53649. A maximum of 10 percent of the portfolio may be invested in this category. These “other” CDs may not exceed one (1) year to maturity. The amount invested in these “other” CDs from any one financial

institution in combination with any other insured or collateralized deposits with that financial institution shall not exceed ten (10) percent of the portfolio.

8. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank with a maximum remaining maturity of five years or less. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Purchases shall be limited to NCDs rated in a rating category of "A" or its equivalent or better for long-term obligations, and "A-1" or its equivalent or better for short-term obligations. A maximum of 30 percent of the portfolio may be invested in this category.
9. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). A maximum of 10 percent of the portfolio may be invested in this category.
10. State of California Local Agency Investment Fund (LAIF). There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the maximum allowed by LAIF. For due diligence, a copy of LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals shall be maintained on file.

Under the California Government Code, LAIF is allowed greater investment flexibility than the Pool is permitted. As such, LAIF's investment portfolio may contain investments not otherwise permitted under this policy. For funds invested with LAIF, LAIF's investment policy overrides the Pool's investment policy.

11. Municipal Obligations. Municipal obligations shall be permissible as described in either paragraph (A), (B), or (C) below:
  - A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
  - B. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

- C. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

A maximum of 30 percent of the portfolio may be invested in any combination of the municipal obligations as described in paragraphs (A), (B), or (C) above with a maximum remaining maturity of five years or less. Purchases are limited to municipal obligations rated in a rating category of "A" or its equivalent or better for long-term obligations or "A-1" or its equivalent or better for short-term obligations.

12. Asset Backed Securities (ABS). A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond ~~of a maximum of five years' maturity~~. Securities eligible for investment under this subdivision shall be ~~issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by an NRSRO and~~ rated in a rating category of "AAA" or its equivalent by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the portfolio.

13. Local government investment pools. Shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
- (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
- (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Further, the shares of beneficial interest shall be rated in a rating category of AAA or its equivalent by an NRSRO.

14. Supranational Obligations. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the portfolio.

Please see Appendix A for a summary of authorized and suitable investments.

#### 10.0 Prohibited Investment Practices and Instruments

Any investment in a security not specifically listed in Section 9.0 above, but otherwise permitted by the Government Code, is prohibited without the prior approval of the Board. Section 53601.6 of the Government Code specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code Section 53601.6, this Policy further restricts investments as follows: (1) the Pool shall not engage in leveraged investing, such as in margin accounts or any form of borrowing for the purpose of investment, (2) the Pool shall not invest in securities with floating coupon interest

rates, and (3) no investment will be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

#### 11.0 Duration and Maximum Maturity

It is the objective of this Policy to provide a system which will accurately monitor and forecast revenues and expenditures so that the Pool can invest funds to the fullest extent possible. Funds of the Pool will be invested in accordance with sound treasury management principles.

Assets in the Administration Fund (projected administration expenses for a fiscal year) will be invested in LAIF or other highly liquid securities. Assets in the Trust Fund (assets needed to fully fund the Pool's claims related liability as determined by the actuary) ~~will~~ may be invested to achieve an average duration coordinated with the duration of the claims liability as calculated by the actuary.

The maximum maturity of individual investments shall not exceed the limits set forth in Section 9.0. The Board has approved the investment in U.S. Treasury and Federal Agency obligations with a maximum maturity of up to seven years. No investment shall exceed a maturity of seven years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

#### 12.0 Safekeeping and Custody

All security transactions entered into by the Pool shall be conducted on a delivery-versus-payment (DVP) basis. All cash and securities in the Pool's portfolio shall be held in safekeeping in the Pool's name by a third party bank trust department, acting as agent for the Pool under the terms of a custody agreement executed by the bank and the Pool. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by the Pool.

#### 13.0 Performance Benchmark

The Pool seeks to attain market rates of return on its investments throughout economic cycles, consistent with constraints imposed by its safety objectives and cash flow consideration. The Treasurer/Chief Financial Officer shall continually monitor and evaluate the portfolio's performance. A comparison of the portfolio's performance against a performance benchmark shall be included in the Treasurer/Chief Financial Officer's quarterly report. The Treasurer/Chief Financial Officer shall recommend an appropriate, readily available market index to use as a performance benchmark.

#### 14.0 Reporting

The Treasurer/Chief Financial Officer shall submit a quarterly investment report to the ~~Pool members~~ Board in advance of each regularly scheduled meeting. The report shall include the following information for each individual investment: Description of investment instrument, issuer name, maturity date, credit rating, coupon rate, ~~effective~~-yield, purchase price, par value, book value, current market value and the source of the valuation. The quarterly report shall also state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance. The report shall also include a list of monthly investment transactions. ~~The~~

~~quarterly report shall be submitted within 30 days following the end of the quarter covered by the report.~~

On a ~~semi-annual~~quarterly basis, the Treasurer/Chief Financial Officer shall ~~submit~~include a statement denoting the ability ~~—~~of the Pool to meet its expenditure requirements,~~based upon the analysis prepared by the actuary.~~ If the ability of the Pool to meet its expenditure requirements is uncertain, the Treasurer/Chief Financial Officer shall provide an explanation as to why sufficient money may or may not be available.

#### 15.0 Policy Adoption

The Pool's investment policy shall be adopted ~~by annually by~~ the Board ~~of Directors~~. The policy shall be reviewed annually and any modification made thereto must be approved by the Board at a public meeting.



## Appendix A

### Summary of Authorized and Suitable Investments

This table is for general reference only. Please see the body of the Policy for a listing of all requirements.

Security Type	Maturity Limits	Maximum Portfolio Percentage Holdings	Rating Requirements
United State Treasury Securities	7 years maximum	100%	None
Federal Agency Obligations	7 years maximum	100% 20% limit on mortgage backed securities.	None
Medium-Term Corporate Notes	5 years	30% 5% limit per issuer (applies across security types)	A <u>(maximum maturity up to 2 years)</u> AA <u>(maximum maturity between 2 years and 5 years)</u>
Bankers' Acceptances	180 days	25% 5% limit per issuer (applies across security types)	Issuers with a short-term rating of A-1/P-1
Commercial Paper	270 days	25% 5% limit per issuer (applies across security types)	A-1/P-1/F-1
FDIC-Insured Certificates of Deposit (CDs)	7 years	30% 10% limit per issuer (applies across all deposits)	Being fully government-insured provides de facto AA+-rating.
Certificates of Deposit--Other	1 year	10% 10% limit per issuer (applies across all deposits)	Issuer with an AA long-term debt rating and/or an A-1 short-term debt rating. Must have "satisfactory" CRA rating.
Negotiable CDs	5 years	30% 5% limit per issuer (applies across security types)	A / A-1

Money Market Funds	N.A.	10%	AAA rated fund or manager with a minimum 5 years experience and \$500 million under management
State of California Local Agency Investment Fund	N.A.	100%	None (LAIF is unrated)
Municipal Obligations	5 years	30% 5% limit per issuer (applies across security types)	A / A-1
Asset-Backed Securities	5 years	20% 5% limit per issuer (applies across security types)	AAA
Local Government Investment Pools	N.A.	100%	AAA
Supranational Obligations	5 years	30%	AA

# **Shared Agency Risk Pool**

## **Investment Policy**

Adopted:	September 1987
Revised:	March 19, 1997
Revised:	May 18, 2005
Revised:	May 02, 2013
Revised:	May 15, 2014
Revised:	May 13, 2015
Revised:	June 20, 2018
Revised:	June 12, 2020

## 1.0 Policy

It is the policy of the Shared Agency Risk Pool (the Pool) to invest its financial assets in a manner which will provide the highest investment return consistent with maximum security while meeting the daily cash flow demands of the Pool and conforming to all applicable laws governing the investment of public funds.

## 2.0 Scope

This investment policy applies to activities of the Shared Agency Risk Pool with regard to investing the financial assets of the Administrative and Trust Funds.

## 3.0 Prudence

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the Pool are trustees and therefore fiduciaries subject to the prudent investor standard: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

## 4.0 Objectives

The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The primary objectives, in order of priority, of the Pool's investment activities shall be:

- 1) Safety.** Safety of principal is the foremost objective of the investment program. The Pool's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.
- 2) Liquidity.** The Pool's investment portfolio will remain sufficiently liquid to enable the Pool to meet its reasonably anticipated cash flow requirements.
- 3) Return on Investment.** The Pool seeks to attain the maximum possible yield on its investments, consistent with constraints imposed by its safety objectives and cash flow consideration.

## 5.0 Delegation of Authority

The investment authority will be vested in the Treasurer/Chief Financial Officer, as defined and established in the Pool's bylaws. Upon the approval of this Investment Policy on an annual basis, the Pool will be adhering to Government Code Section 53607 which states in pertinent part: "The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires."

The Treasurer/Chief Financial Officer and the delegated investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The Treasurer/Chief Financial Officer may delegate investment decision making and execution authority to an investment advisor. The advisor shall follow the Investment Policy and such other written instructions as are provided.

#### 6.0 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Chair any material financial interests in financial institutions that conduct business with the Pool, and they shall further disclose any material financial interest that could be related to the performance of the Pool, particularly with regard to the time of purchases and sales. For purposes of this section "material financial interests" means any interest described in Government Code Sections 87103 (a)-(e), as they may be amended from time to time.

#### 7.0 Internal Controls

The Treasurer/Chief Financial Officer shall maintain a system of written internal controls to regulate the Pool's investment activities, including the activities of any subordinate officials acting on behalf of the Pool. As part of the annual financial audit, the Pool's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

#### 8.0 Authorized Financial Dealers and Institutions

A competitive bid process shall be used to place all investment transactions; a minimum of three quotes shall be obtained on all purchase and sales of securities, when practical. It shall be the Pool's policy to purchase securities only from Board authorized institutions and firms. No deposit of public funds shall be made except in a qualified public depository as established by state laws.

The Treasurer/Chief Financial Officer shall maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. The purchase by the Pool of any investment other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, which is a member of the Financial Industry Regulatory Authority (FINRA), or a member of a federally regulated securities exchange, a national or state chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The Pool requires each firm that will be used for the purchase or sale of securities to be evaluated by the Treasurer/Chief Financial Officer prior to making any investments. The firms shall submit current financial statements, and annual audited financial statements each year thereafter, which are to be evaluated by the Treasurer/Chief Financial Officer. At a minimum, the firm must be financially sound and have been in business a minimum of three years. In addition, the firms must provide: proof of licensing or membership described above, trading resolutions, proof of state registration or exemption, and certificate of having read the Pool's

investment policy.

If the Pool has retained the services of an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the Pool.

#### 9.0 Authorized and Suitable Investments

The Pool is governed by Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, the Pool seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence. The maturity limits are applied at the time of purchase

Credit criteria listed in this section refers to the credit quality of the issuing organization at the time the security is purchased. In the event of a downgrade below the minimum credit rating requirements listed below, the Treasurer/Chief Financial Officer or the investment advisor, if so designated, must notify the Pool of such downgrade within 15 days of the downgrade and will use their best professional judgment to determine the appropriate course of action.

The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

Except as provided below, no more than five percent (5%) of the Pool's portfolio may be invested in any one institution, regardless of sector. The types of investments which are excluded from this limitation are:

- United States Treasury and federal agency obligations,
- Supranational obligations,
- Bank certificates of deposit,
- Other certificates of deposit, and
- Money market funds and local government investment pools, including LAIF and CAMP.

1. United States Treasury Issues. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. United States Treasury Issues cannot exceed a maturity of 7 years. There is no limitation as to the percentage of the portfolio that may be invested in this category.
2. Federal Agency Obligations. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Federal Agency Obligations cannot exceed a maturity of 7 years. There is no limitation as to the percentage of the portfolio that may be invested in this category. However, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 percent of the portfolio.
3. Medium-term notes. Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes with a maximum remaining maturity of two years or less shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical rating organization (NRSRO). Medium-term notes with a maximum remaining maturity in excess of two years but not to exceed five

years shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

4. Bankers’ Acceptances. Bankers’ acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank. Purchasers are limited to issuers whose short-term debt is rated A-1/P-1 or its equivalent or better by an NRSRO. Bankers’ acceptances cannot exceed a maturity of 180 days. A maximum of 25 percent of the portfolio may be invested in this category.
5. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by an NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (A) or paragraph (B):
  - (A) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars (\$500,000,000). (iii) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization.
  - (B) The entity meets the following criteria: (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category.

6. Bank Certificates of Deposit fully-insured by the FDIC. Certificates of Deposit fully- insured by the FDIC have an implicit rating of AA+. Fully-insured CDs may not exceed seven (7) years to maturity. A maximum of thirty (30) percent of the portfolio may be invested in this category. The amount invested in fully-insured CDs with any one financial institution in combination with any collateralized deposits with that same financial institution shall not exceed ten (10) percent of the portfolio.
7. Other Certificates of Deposits includes CDs that are purchased from in-state commercial banks and savings and loans that are not insured FDIC or exceed the maximum coverage limit of FDIC. Purchases are limited to institutions which have long term debt rated “AA” or higher with a nationally recognized rating service; and/or have short term debt rated at least “A-1” with a nationally recognized rating service. The FDIC limit applies to all active CDs purchased from the same institution. To be eligible for purchase, the financial institution must have received a minimum overall “satisfactory” rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. These CDs are required to be collateralized as specified under Government Code Section 53630 et. seq. The Treasurer/Chief Financial Officer, at their discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Corporation shall have a signed agreement with the depository per Government Code Section 53649. A maximum of 10 percent of the portfolio may be invested in this category. These “other” CDs may not exceed one (1) year to maturity. The amount invested in these “other” CDs from any one financial

institution in combination with any other insured or collateralized deposits with that financial institution shall not exceed ten (10) percent of the portfolio.

8. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank with a maximum remaining maturity of five years or less. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Purchases shall be limited to NCDs rated in a rating category of "A" or its equivalent or better for long-term obligations, and "A-1" or its equivalent or better for short-term obligations. A maximum of 30 percent of the portfolio may be invested in this category.
9. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). A maximum of 10 percent of the portfolio may be invested in this category.
10. State of California Local Agency Investment Fund (LAIF). There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the maximum allowed by LAIF. For due diligence, a copy of LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals shall be maintained on file.

Under the California Government Code, LAIF is allowed greater investment flexibility than the Pool is permitted. As such, LAIF's investment portfolio may contain investments not otherwise permitted under this policy. For funds invested with LAIF, LAIF's investment policy overrides the Pool's investment policy.

11. Municipal Obligations. Municipal obligations shall be permissible as described in either paragraph (A), (B), or (C) below:
  - A. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
  - B. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.



- C. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

A maximum of 30 percent of the portfolio may be invested in any combination of the municipal obligations as described in paragraphs (A), (B), or (C) above with a maximum remaining maturity of five years or less. Purchases are limited to municipal obligations rated in a rating category of "A" or its equivalent or better for long-term obligations or "A-1" or its equivalent or better for short-term obligations.

12. Asset Backed Securities (ABS). A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AAA" or its equivalent by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the portfolio.
13. Local government investment pools. Shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
  - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Further, the shares of beneficial interest shall be rated in a rating category of AAA or its equivalent by an NRSRO.

14. Supranational Obligations. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the portfolio.

Please see Appendix A for a summary of authorized and suitable investments.

#### 10.0 Prohibited Investment Practices and Instruments

Any investment in a security not specifically listed in Section 9.0 above, but otherwise permitted by the Government Code, is prohibited without the prior approval of the Board. Section 53601.6 of the Government Code specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code Section 53601.6, this Policy further restricts investments as follows: (1) the Pool shall not engage in leveraged investing, such as in margin accounts or any form of borrowing for the purpose of investment, (2) the Pool shall not invest in securities with floating coupon interest rates, and (3) no investment will be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded

option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

#### 11.0 Duration and Maximum Maturity

It is the objective of this Policy to provide a system which will accurately monitor and forecast revenues and expenditures so that the Pool can invest funds to the fullest extent possible. Funds of the Pool will be invested in accordance with sound treasury management principles.

Assets in the Administration Fund (projected administration expenses for a fiscal year) will be invested in LAIF or other highly liquid securities. Assets in the Trust Fund (assets needed to fully fund the Pool's claims related liability as determined by the actuary) may be invested to achieve an average duration coordinated with the duration of the claims liability as calculated by the actuary.

The maximum maturity of individual investments shall not exceed the limits set forth in Section 9.0. The Board has approved the investment in U.S. Treasury and Federal Agency obligations with a maximum maturity of up to seven years. No investment shall exceed a maturity of seven years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

#### 12.0 Safekeeping and Custody

All security transactions entered into by the Pool shall be conducted on a delivery-versus-payment (DVP) basis. All cash and securities in the Pool's portfolio shall be held in safekeeping in the Pool's name by a third party bank trust department, acting as agent for the Pool under the terms of a custody agreement executed by the bank and the Pool. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each these investments will be held by the Pool.

#### 13.0 Performance Benchmark

The Pool seeks to attain market rates of return on its investments throughout economic cycles, consistent with constraints imposed by its safety objectives and cash flow consideration. The Treasurer/Chief Financial Officer shall continually monitor and evaluate the portfolio's performance. A comparison of the portfolio's performance against a performance benchmark shall be included in the Treasurer/Chief Financial Officer's quarterly report. The Treasurer/Chief Financial Officer shall recommend an appropriate, readily available market index to use as a performance benchmark.

#### 14.0 Reporting

The Treasurer/Chief Financial Officer shall submit a quarterly investment report to the Board in advance of each regularly scheduled meeting. The report shall include the following information for each individual investment: Description of investment instrument, issuer name, maturity date, credit rating, coupon rate, yield, purchase price, par value, book value, current market value and the source of the valuation. The quarterly report shall also state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance. The report shall also include a list of monthly investment transactions.

On a quarterly basis, the Treasurer/Chief Financial Officer shall include a statement denoting the

ability of the Pool to meet its expenditure requirements. If the ability of the Pool to meet its expenditure requirements is uncertain, the Treasurer/Chief Financial Officer shall provide an explanation as to why sufficient money may or may not be available.

#### 15.0 Policy Adoption

The Pool's investment policy shall be adopted annually by the Board. The policy shall be reviewed annually and any modification made thereto must be approved by the Board at a public meeting.

## Appendix A

### Summary of Authorized and Suitable Investments

This table is for general reference only. Please see the body of the Policy for a listing of all requirements.

<b>Security Type</b>	<b>Maturity Limits</b>	<b>Maximum Portfolio Percentage Holdings</b>	<b>Rating Requirements</b>
United State Treasury Securities	7 years maximum	100%	None
Federal Agency Obligations	7 years maximum	100% 20% limit on mortgage backed securities.	None
Medium-Term Corporate Notes	5 years	30% 5% limit per issuer (applies across security types)	A (maximum maturity up to 2 years) AA (maximum maturity between 2 years and 5 years)
Bankers' Acceptances	180 days	25% 5% limit per issuer (applies across security types)	Issuers with a short-term rating of A-1/P-1
Commercial Paper	270 days	25% 5% limit per issuer (applies across security types)	A-1/P-1/F-1
FDIC-Insured Certificates of Deposit (CDs)	7 years	30% 10% limit per issuer (applies across all deposits)	Being fully government-insured provides de facto AA+-rating.
Certificates of Deposit--Other	1 year	10% 10% limit per issuer (applies across all deposits)	Issuer with an AA long-term debt rating and/or an A-1 short-term debt rating. Must have "satisfactory" CRA rating.
Negotiable CDs	5 years	30% 5% limit per issuer (applies across security types)	A / A-1

Money Market Funds	N.A.	10%	AAA rated fund or manager with a minimum 5 years experience and \$500 million under management
State of California Local Agency Investment Fund	N.A.	100%	None (LAIF is unrated)
Municipal Obligations	5 years	30% 5% limit per issuer (applies across security types)	A / A-1
Asset-Backed Securities	5 years	20% 5% limit per issuer (applies across security types)	AAA
Local Government Investment Pools	N.A.	100%	AAA
Supranational Obligations	5 years	30%	AA

**June 9, 2020**

**Agenda Item 6.A.**

**GENERAL MANAGER'S REPORT**

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

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**BACKGROUND AND HISTORY:**

**Membership Update**

SHARP staff have discussed membership with 8 prospective municipal members since the beginning of the calendar 2020 year. Jon Paulsen, General Manager, will be in attendance to provide the Board with an update on new member discussions.

**RECOMMENDATION:**

*None*

**REFERENCE MATERIALS ATTACHED:**

None

**June 9, 2020**

**Agenda Item 7.A.**

**FINANCIAL MATTERS**

**SUBJECT: Presentation and Consideration of the 2018/19 Financial Audit Report**

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**BACKGROUND AND HISTORY:**

The financial audit for the year ending June 30, 2019, prepared by James Marta & Company's, LLP, is attached for the Board's review. There are four sections 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 that the financial statements are presented fairly.
- Section Two: contains the Management Discussion and Analysis (MD&A) which is written by your management team. MD&A is a very informative section as it provides analysis and discussion about what transpired during the year.
- Section Three: contains the Basic Financial Statements comprised of Statement of Net Position, Statement of Activities, Statement of Cash Flows and Notes to the Financial Statements.
- Section Four: contains required supplementary information such as the ten-year claims development information.

In addition, the Communication With Those Charged With Governance Letter and Report on Internal Control Letter are included for review.

**RECOMMENDATION:**

*Staff recommends the Board accept and file the 2018/19 Financial Audit Report for the Fiscal Year Ended June 30, 2019.*

**REFERENCE MATERIALS ATTACHED:**

- SHARP 2018-19 Audit Report
- SHARP 2018-19 Internal Control Letter
- SHARP 2018-19 Governance Letter

**SHARED AGENCY RISK POOL  
(SHARP)**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2019 AND 2018**

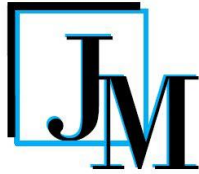


# SHARED AGENCY RISK POOL

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## James Marta & Company LLP

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Shared Agency Risk Pool  
Sacramento, California

#### **Report on the Financial Statements**

We have audited the accompanying Statements of Net Position of Shared Agency Risk Pool (SHARP) as of June 30, 2019 and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the fiscal year then ended, and the related notes to the financial statements.

#### **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 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 entity'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 entity'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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shared Agency Risk Pool as of June 30, 2019 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, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## **Other Matters**

The financial statements of Shared Agency Risk Pool for the year ended June 30, 2018, were audited by the predecessor auditor, Maze & Associates, who expressed an unmodified opinion on those statements on May 29, 2019.

### *Required Supplementary Information*

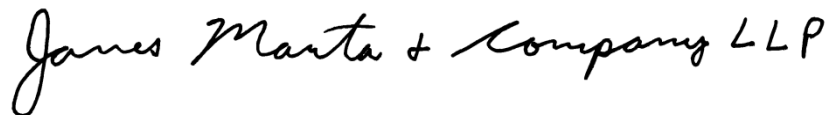
Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Claims Development Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of SHARP. The Graphical Summary of Claims is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Graphical Summary of Claims is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020 on our consideration of Shared Agency Risk Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shared Agency Risk Pool's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 25, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## SHARED AGENCY RISK POOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The management of the Shared Risk Agency Pool (SHARP) is pleased to present the following discussion and analysis of the operating results, financial condition, and liquidity of SHARP for the fiscal year ended June 30, 2019. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

#### Overall Program Highlights

##### General

SHARP is a public entity, joint powers authority (JPA), created in 1989 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 currently consists of four municipalities.

SHARP provides first dollar coverage for each member to SHARP self-insured retention (SIR) limit, which is \$250,000. Through a pooling arrangement, SHARP purchases excess workers' compensation coverage from Local Area Workers' Compensation Excess JPA (LAWCX), attaching at the \$250,000 SIR to the statutory limit per occurrence.

SHARP contracts with Sedgwick, a company specializing in the management of joint powers authorities, to handle the day-to-day operations of SHARP. The firm's employees provide general administrative, financial accounting, underwriting, loss prevention, claims management oversight, risk management, and other services as necessary for the operations of SHARP.

#### FISCAL YEAR 2018/2019 FINANCIAL HIGHLIGHTS

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

Revenues	\$865 thousand	Operating revenues increased by 9% over the prior year due increase in payroll of 9% and increase in excess cost. Non-operating revenues increased 122% over the prior year due rising market interest rates.
Expenses	\$531 thousand	Decreased 26% from the prior year due to a decrease in the claims expense, excess insurance and risk management grant.
Assets	\$5.2 million	Increased by 4%, over the prior year, due to an increase in cash and investments.
Liabilities	\$961 thousand	Decreased by 10% from the prior year due to claims liabilities.

#### Description of the Basic Financial Statements

SHARP's financial statements are prepared in conformity with generally accepted accounting principles and include certain amounts based upon reliable estimates and judgments. The financial statements include Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows along with accompanying Notes to the Financial Statements.

## SHARED AGENCY RISK POOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The **Statements of Net Position** present information on SHARP's assets and liabilities and the difference between the two, representing net position, or pool equity.

The **Statements of Revenues, Expenses and Changes in Net Position** present information regarding revenues versus expenses and how SHARP's net position changed during the year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future years (e.g., increase/decrease in claims liability).

The **Statements of Cash Flows** present the changes in SHARP's cash and cash equivalents during the fiscal year. The statements are prepared using both the direct and indirect method of cash flow. The statements detail the sources and uses of SHARP's cash and cash equivalents into two categories: operating activities and investing activities.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of SHARP's operations and significant accounting policies as well as clarify unique financial information.

SHARP's accounting system is organized so that each program year can be accounted for and evaluated independently. The assets, liabilities, revenues, and expenses are reported on a full-accrual basis. There were no significant accounting changes during the year.

James Marta & Company, Certified Public Accountants has performed an independent audit of the accompanying financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Independent Auditor's Report section of this report.

Bickmore Actuarial provided an independent actuarial review to value the amounts recorded as outstanding claims liabilities for each program year.

#### CONDENSED STATEMENTS OF NET POSITION

	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>% Change</b>	<b>6/30/2017</b>	<b>% Change</b>
Current Assets	\$ 4,991,053	\$ 4,521,616	10%	\$ 4,166,864	9%
Noncurrent Assets	252,808	497,199	-49%	745,000	-33%
Total Assets	5,243,861	5,018,815	4%	4,911,864	2%
Current Liabilities	328,820	245,810	34%	157,671	56%
Noncurrent Liabilities	632,000	824,033	-23%	822,000	0%
Total Liabilities	960,820	1,069,843	-10%	979,671	9%
Net Position	\$ 4,283,041	\$ 3,948,972	8%	\$ 3,932,193	0%

## SHARED AGENCY RISK POOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

#### Total Assets:

Overall Assets of SHARP increased 4% from June 30, 2018 which is primarily due to the member contributions received in the current year to pay claims in the future.

#### Total Liabilities:

Overall Liabilities of SHARP decreased 10% from June 30, 2018. The decrease is in relation to claims liabilities which decreased \$94 thousand from prior year. As of June 30, 2019, Outstanding Claims Reserves decreased \$206 thousand to \$239 thousand, Claims Incurred But Not Reported (IBNR) increased \$102 thousand to \$563 thousand and Unallocated Loss Adjustment Expense (ULAE) increased \$9 thousand to \$39 thousand. While Claims Reserves are estimates determined by the claims adjuster, claims IBNR is estimated by SHARP's actuary.

#### Net Position:

Net Position increased by \$334 thousand or 8% from June 30, 2018.

#### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	6/30/2019	6/30/2018	% Change	6/30/2017	% Change
Premiums from Members	\$ 745,003	\$ 684,371	9%	\$ 665,802	3%
Other Income	2,000	-	N/A	17	-100%
Total Program Revenues	747,003	684,371	9%	665,819	3%
Claims expense	126,578	210,831	-40%	459,935	-54%
Excess insurance	293,578	344,776	-15%	235,933	46%
Risk management	28,024	94,065	-70%	55,417	70%
Claims administration	14,720	14,291	3%	13,610	5%
Administrative expense	67,654	56,684	19%	71,872	-21%
Total Program Expenses	530,554	720,647	-26%	836,767	-14%
Net Operating Income (Loss)	216,449	(36,276)	-697%	(170,948)	-79%
Investment Income	117,620	53,055	122%	27,600	92%
Change in Net Position	334,069	16,779	1891%	(143,348)	-112%
Net Position - Beginning	3,948,972	3,932,193	0%	4,075,541	-4%
Net Position - Ending	<u>\$ 4,283,041</u>	<u>\$ 3,948,972</u>	<u>8%</u>	<u>\$ 3,932,193</u>	<u>0%</u>

Operating revenues consist of member contributions. Member contributions increased by 9% from prior year due to payroll increase of 9% and excess insurance cost increase of 10%.



## **SHARED AGENCY RISK POOL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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Total operating expenses decreased 26% from prior year. The decrease is related to claims expense, excess insurance and risk management grant.

- Claims expense decrease is a result of the actuary lowering prior year ultimate losses by \$142 thousand while increasing FY 2018/19 ultimate loss by \$51 thousand in comparison to FY 2017/18 ultimate loss.
- Excess insurance: while the FY 18/19 cost increased by 10% in comparison to FY 17/18, the overall decrease is due to assessment from LAWCX of \$42 thousand, which was recorded as an expense in FY 17/18 and Department of Industrial Relations (DIR) assessment fee which was \$32 thousand higher in FY 17/18.
- Risk management grant: In prior years, this grant was expensed when the reimbursements were received from the members. In the current year, a liability was recorded for the annual grant.

Nonoperating Revenues: As of June 30, 2019, both total book value and fair market value of cash and investments was nearly \$5.2 million. The cash and investments balance is comprised of cash in banks (16%), investments in LAIF (1%), and bank certificates of deposit (83%). The investment income was \$118 thousand in FY 2018/19. 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 2019/20 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.

Statewide California commercial insurance experience indicates that costs started to decrease in 2014 and have continued to decrease through 2019. The WCIRB has filed for rate decreases almost continuously between 7/1/15 and 1/1/20, representing a cumulative decrease of about 45% during that period. The recent decreases are primarily due 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 and decreases in the use of opioids. 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 Sedgwick, 1750 Creekside Oaks, Suite 200, Sacramento, CA 95833.

## **BASIC FINANCIAL STATEMENTS**

**SHARED AGENCY RISK POOL**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 4,938,852	\$ 4,464,072
Receivables	2,203	15,523
Deposits	36,737	29,146
Prepaid expenses	13,261	12,875
Total Current Assets	4,991,053	4,521,616
Noncurrent Assets		
Investments	252,808	497,199
Total Assets	5,243,861	5,018,815
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	118,820	133,810
Claim liabilities	210,000	112,000
Total Current Liabilities	328,820	245,810
Noncurrent Liabilities		
Claim liabilities	632,000	824,033
Total Liabilities	960,820	1,069,843
<b>NET POSITION</b>		
Unrestricted	\$ 4,283,041	\$ 3,948,972

# **SHARED AGENCY RISK POOL**

## **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>		
Premium contributions	\$ 745,003	\$ 684,371
Other income	2,000	-
Total Revenues	<u>747,003</u>	<u>684,371</u>
<b>OPERATING EXPENSES</b>		
Claims expense	126,578	210,831
Excess insurance	293,578	344,776
Risk management	28,024	94,065
Claims administration	14,720	14,291
Other operating expenses	<u>67,654</u>	<u>56,684</u>
Total Expenses	<u>530,554</u>	<u>720,647</u>
Operating Income (Loss)	<u>216,449</u>	<u>(36,276)</u>
<b>NONOPERATING INCOME</b>		
Investment income	<u>117,620</u>	<u>53,055</u>
<b>Change in net position</b>	334,069	16,779
Net Position		
Beginning of year	<u>3,948,972</u>	<u>3,932,193</u>
End of year	<u><u>\$ 4,283,041</u></u>	<u><u>\$ 3,948,972</u></u>

# **SHARED AGENCY RISK POOL**

## **STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from members	\$ 758,323	\$ 689,742
Cash paid for claims	(220,611)	(348,313)
Cash paid for insurance	(308,568)	(284,183)
Cash paid to others	(116,375)	-
<b>Net Cash Flows Provided (Used) by Operating Activities</b>	<b>112,769</b>	<b>57,246</b>
<b>Cash Flows From Investing Activities:</b>		
Sale/Maturity of investments	244,391	247,801
Cash received from investment income	117,620	46,155
<b>Net Cash Flows Provided (Used) by Investing Activities</b>	<b>362,011</b>	<b>293,956</b>
Net Increase in Cash	474,780	351,202
Beginning Cash and Cash Equivalents	4,464,072	4,112,870
Ending Cash and Cash Equivalents	<u>\$ 4,938,852</u>	<u>\$ 4,464,072</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 216,449	\$ (36,276)
(Increase) Decrease in:		
Accounts receivable	13,320	5,371
Deposits	(7,591)	10,854
Prepaid expenses	(386)	(12,875)
Increase (Decrease) in:		
Accounts payable	(14,990)	83,139
Claims liabilities	(94,033)	7,033
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>\$ 112,769</b></u>	<u><b>\$ 57,246</b></u>

**SHARED AGENCY RISK POOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

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.

Admission

Any California public entity may be admitted to SHARP upon submission of an approved application form no less than 30 days before the start of the next policy year and approval by a two-thirds vote of the Board of Directors.

Withdrawal

Any participating member may withdraw from SHARP upon giving written notice no later than April 30, provided the member has met the three (3) year minimum participation requirement. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums and debts or assessments levied against program years during which the member participated.

Coverage

The workers' compensation coverage includes employer liability coverage.

SHARP SIR Limit:	\$250,000 WC \$250,000 Employer Liability
Excess Carrier:	LAWCX
Excess Limit:	\$5,000,000 WC per occurrence \$5,000,000 Employer Liability per occurrence

## SHARED AGENCY RISK POOL

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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#### **B. REPORTING ENTITY**

SHARP has reviewed criteria to determine whether other entities with activities that benefit SHARP should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financing relationship.

SHARP has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements. In addition, SHARP is not aware of any entity that would exercise such oversight responsibility that would result in SHARP being considered a component unit of that entity. In determining its reporting entity, SHARP considered all governmental units that were members of SHARP since inception. The criteria did not require the inclusion of these entities in these financial statements principally because SHARP does not exercise oversight responsibility over any members.

#### **C. BASIS OF ACCOUNTING**

The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been received, except when a premium deficiency exists where unearned premiums are recognized currently in accordance with GASB pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, SHARP follows the accounting standard hierarchy established by the GASB.

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.

#### **D. CASH AND EQUIVALENTS**

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.

#### **E. RECEIVABLES**

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2019 and 2018, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

## SHARED AGENCY RISK POOL

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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#### **F. UNEARNED REVENUE/PREPAID EXPENSES**

The policy year-end for SHARP is June 30. As such, certain revenues are treated as unearned and certain expenses as prepaid. This is to reflect a proper matching of revenues and expenses for the fiscal year-end financial statements.

#### **G. INVESTMENTS**

Under provision of SHARP's investment policy, and in accordance with Section 53601 of the California Government Code, SHARP may deposit and invest in the following:

- United States Treasury Securities
- Federal Agency Obligations
- Medium-term Corporate Notes
- Bankers' Acceptances
- Commercial Paper
- FDIC-Insured Certificates of Deposits and other CDs
- Negotiable CDs
- Money Market Funds
- State of California Local Agency Investment Fund
- Municipal Obligations
- Asset-Backed Securities
- Local Government Investment Pools
- Supranational Obligations

SHARP records its investments in LAIF at fair market value. The effect of recording investments in LAIF at fair market value is reflected as a net increase/decrease in the fair value of investments on the Statement of Revenues, Expenses and Changes in Net Position. Fair market value of investments in LAIF has been determined by the sponsoring government based on quoted market prices. SHARP's investments in LAIF have been valued based on the relative fair value of the entire external pool to the external pool's respective amortized cost.

#### **H. OPERATING AND NONOPERATING REVENUES**

Proprietary fund operating revenues, which include program contributions, related fees and assessments, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Revenues classified as non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.



## SHARED AGENCY RISK POOL

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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#### **I. MEMBER CONTRIBUTIONS**

Each member is assessed a contribution which is intended to cover its share of SHARP's claims, operating costs and claim settlement expenses. Contributions 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 contributions 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. Contributions from members are assessed based on this evaluation.

#### **J. EXCESS INSURANCE**

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.

#### **K. UNPAID CLAIMS LIABILITIES: CLAIMS PENDING AND CLAIMS INCURRED BUT NOT REPORTED (IBNR)**

SHARP's pooling fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. Estimated amounts of subrogation and excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities is unlikely to result in an exact amount.

Claims liabilities are recomputed periodically to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

## **SHARED AGENCY RISK POOL**

### **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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#### **L. UNALLOCATED LOSS ADJUSTMENT EXPENSE (ULAE)**

The liability for ULAE includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim. Management has estimated the accrual based upon the current actuarial projection.

#### **M. RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### **N. INCOME TAXES**

SHARP's income is exempt from federal income taxes under Internal Revenue Code Section 115, which excludes income derived from the exercise of any essential governmental function and accrues to a state political subdivision.

#### **O. MANAGEMENT ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## SHARED AGENCY RISK POOL

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

## 2. CASH AND INVESTMENTS

### A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30:

	2019	2018
Cash in Bank	\$ 806,533	\$ 1,198,894
Cash in CAMP Pool	4,100,486	-
Local Agency Investment Fund	31,833	3,265,178
Total Cash and Cash Equivalents	<u>\$ 4,938,852</u>	<u>\$ 4,464,072</u>

The carrying amount of SHARP's cash in bank is covered by federal depository insurance up to \$250,000 for each account. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities. All funds held in banks are collateralized.

#### Local Agency Investment Fund

Shared Agency Risk Pool is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of SHARP's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon SHARP's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. As of June 30, 2019, this fund has an average life of 173 days. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer and is audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

# SHARED AGENCY RISK POOL

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

### 2. CASH AND INVESTMENTS (CONTINUED)

#### CAMP

Shared Agency Risk Pool is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (o), inclusive, of Section 53601 of the California Government Code. SHARP reports its investments in CAMP at amortized cost.

#### B. INVESTMENTS

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	Maturity Limits	Rating Requirements	Maximum Portfolio Percentage Holdings	Maximum Investment in One Issuer
US Treasury Securities	7 years	None	100%	None
Federal Agency Obligations	7 years	None	100% (A)	None
Medium-Term Corporate Notes	5 years	A	310%	5%
Bankers' Acceptances	180 days	A1/P1	25%	5%
Commercial Paper	270 days	A1/P1/F1	25%	5%
FDIC-Insured Certificates of Deposit	7 years (D)	AA+	30%	10%
Certificates of Deposit - Other	1 year	AA/A1 (C)	10%	1010%
Negotiable CDs	5 years	A/A1	30%	5%
Money Market Funds	N/A	AAA (B)	10%	None
Local Agency Investment Fund	N/A	None	100%	None
Municipal Obligations	5 years	A/A1	30%	5%
Asset-Backed Securities	5 years	AAA	20%	5%
Local Government Investment Pools	N/A	AAA	100%	None
Supranational Obligations	5 years	AA	30%	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) Issuer with an AA long-term debt rating and/or A-1 short-term debt rating; must have "satisfactory" CRA rating

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

# SHARED AGENCY RISK POOL

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

### 2. CASH AND INVESTMENTS (CONTINUED)

#### Investment 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:

Investment Type	Fair Value	Investment Maturities		
		< 1yr	1-3 yrs	> 3 yrs
Certificates of Deposit	\$ 252,808	\$ -	\$ 252,808	\$ -
Total	\$ 252,808	\$ -	\$ 252,808	\$ -

#### Investment 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, 2019, SHARP had investments in Certificates of Deposit amounting to \$252,808 which are not rated.

#### Concentration of Investment Credit Risk

SHARP's investment policy contains limitations on the amount that can be invested in any one issuer as listed in the previous page. No investments exceeded these limits as of June 30, 2019. Included in the investments are the investments held by the Trust Fund.

#### Fair Value Hierarchy

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2019 are as shown below:

Description	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 252,808	\$ -	\$ 252,808
Total	\$ -	\$ 252,808	\$ -	\$ 252,808

# **SHARED AGENCY RISK POOL**

## **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### **3. CLAIM LIABILITIES**

SHARP establishes a liability for both reported and unreported insured events. Claim liabilities are reflected on a discounted basis at 3.0% for 2019 and 2018, in accordance with actuarially determined discount formulas.

	<u><b>2019</b></u>	<u><b>2018</b></u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 936,033	\$ 929,000
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	263,574	213,000
Increases (decreases) in provision for insured events of prior fiscal years	<u>(136,996)</u>	<u>(2,169)</u>
Total incurred claims and claim adjustment expenses	<u>126,578</u>	<u>210,831</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(23,041)	(4,593)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(197,570)</u>	<u>(199,205)</u>
Total Payments	<u>(220,611)</u>	<u>(203,798)</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u><u>\$ 842,000</u></u>	<u><u>\$ 936,033</u></u>

The components of unpaid claims liability and claims adjustment expense as of June 30, 2019 and 2018 were as follows:

<u><b>Components of Claims Liabilities</b></u>		
Claim Reserves	\$ 239,355	\$ 444,889
Claims Incurred But Not Reported (IBNR)	563,274	461,144
Reserves for unallocated loss adjustment expense (ULAE)	<u>39,371</u>	<u>30,000</u>
Total Claims Liabilities	<u><u>\$ 842,000</u></u>	<u><u>\$ 936,033</u></u>
Claims liabilities - current portion	\$ 210,000	\$ 112,000
Claims liabilities - noncurrent portion	<u>632,000</u>	<u>824,033</u>
Total Claims Liabilities	<u><u>\$ 842,000</u></u>	<u><u>\$ 936,033</u></u>

As of June 30, 2019 and 2018, the undiscounted unpaid claims and claim adjustment expenses were \$946,200 and \$1,066,744, respectively.

## SHARED AGENCY RISK POOL

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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#### 4. JOINT VENTURE

SHARP participates in a joint venture under a joint powers agreement with Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX). The relationship between SHARP and LAWCX is such that LAWCX is not a component unit of SHARP for financial reporting purposes.

LAWCX arranges for and provide workers' compensation coverage for its members. A board consisting of a representative from each member agency governs LAWCX. The board controls the operations of LAWCX including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member's agency pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in LAWCX.

The most recent condensed audited financial information available is as follows:

	<u>June 30, 2019</u>
Total Assets	\$ 112,433,860
Total Liabilities	<u>86,248,503</u>
Net Position	<u>\$ 26,185,357</u>
Total Revenues	\$ 21,497,100
Total Expenditures	<u>14,871,395</u>
Net Increase (Decrease) in Net Position	<u>\$ 6,625,705</u>

#### 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.

#### 6. SUBSEQUENT EVENTS

Shared Agency Risk Pool's management evaluated its June 30, 2019 financial statements for subsequent events through March 25, 2020, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**SHARED AGENCY RISK POOL**

**CLAIMS DEVELOPMENT INFORMATION**

**AS OF JUNE 30, 2019**

		For the Policy Years Ended:																			
		(In thousands)																			
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019										
Total Required Contribution and Investment Revenue:																					
Earned		\$	491	\$	550	\$	511	\$	653	\$	746	\$	723	\$	722	\$	667	\$	737	\$	865
Ceded- Excess Ins.			97		114		118		172		176		192		224		236		345		294
(1) Net Earned Required Contribution and Investment Revenues			394		436		393		481		570		531		498		431		392		571
(2) Unallocated Expenses			132		98		102		131		154		131		123		141		151		110
(3) Estimated Incurred Claims and Expenses																					
End of Year			215		78		88		160		19		98		18		72		(127)		(558)
Ceded			(97)		(114)		(118)		(172)		(176)		(192)		(224)		(236)		(345)		(294)
Net Incurred			312		192		206		332		195		290		242		308		218		264
(4) Paid (Cumulative)																					
End of Year			38		9		41		32		4		31		17		39		5		23
One Year Later			86		23		76		64		34		66		21		147		38		
Two Years Later			135		32		90		162		62		120		37		230				
Three Years Later			354		56		98		168		188		154		37						
Four Years Later			374		57		114		168		216		156								
Five Years Later			389		56		342		168		292										
Six Years Later			392		56		342		168												
Seven Years Later			394		54		340														
Eight Years Later			396		56																
Nine Years Later			397																		
(5) Reestimated Ceded Claims and Expenses			-		-		-		-		-		-		-		-		-		-
(6) Reestimated Incurred Claims and Expenses																					
End of Year			312		192		206		332		195		290		242		308		218		264
One Year Later			340		173		210		255		190		303		190		426		181		
Two Years Later			448		139		412		261		196		311		108		347				
Three Years Later			444		93		369		210		352		291		82						
Four Years Later			458		94		299		202		343		288								
Five Years Later			442		85		373		195		347										
Six Years Later			462		66		372		196												
Seven Years Later			455		60		368														
Eight Years Later			425		64																
Nine Years Later			416																		
(7) Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year		\$	(104)	\$	128	\$	(162)	\$	136	\$	(152)	\$	2	\$	160	\$	(39)	\$	37	\$	-

## SHARED AGENCY RISK POOL

### NOTES TO CLAIMS DEVELOPMENT INFORMATION

#### CUMULATIVE FROM INCEPTION THROUGH JUNE 30, 2019

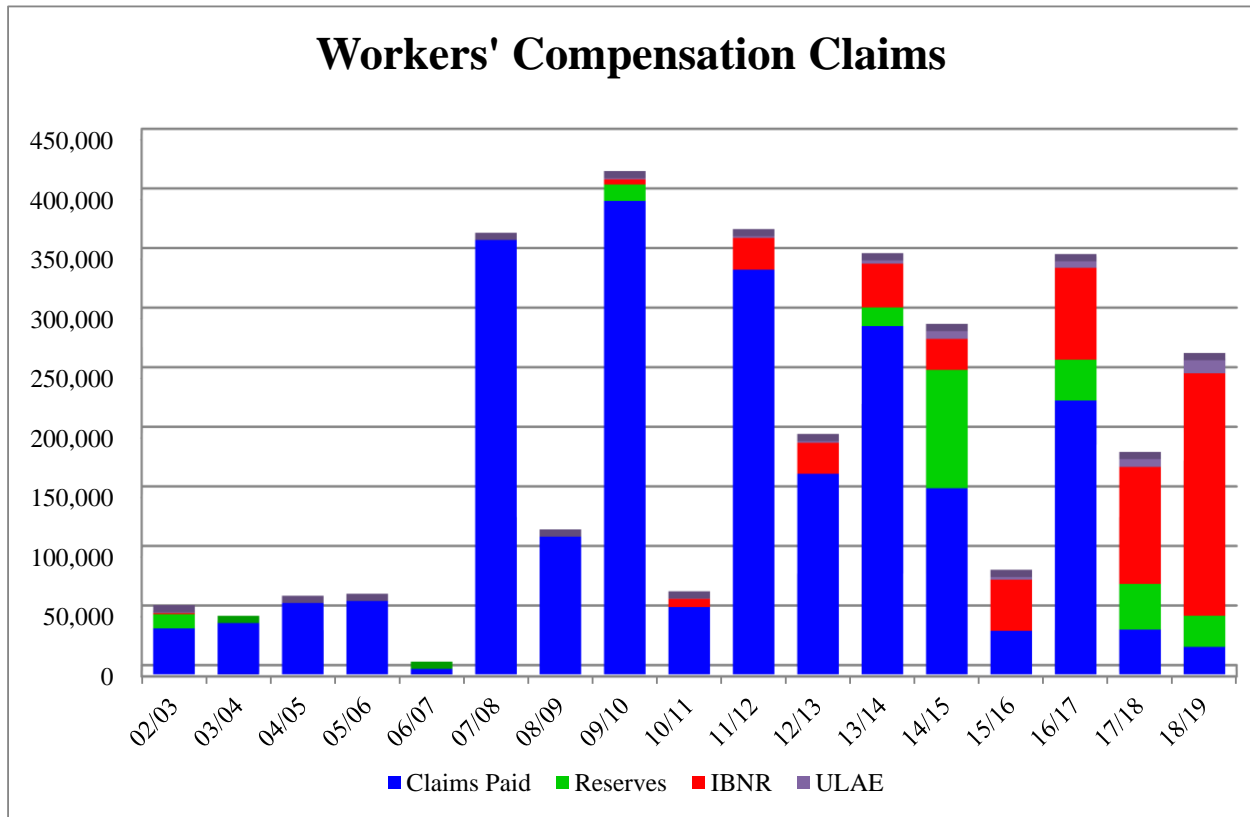
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The table on the previous page illustrates how SHARP earned revenues and investment income compare to related costs of loss and other expenses assumed by SHARP as of the end of each of the last ten years. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned contribution and investment income less ceded (excess insurance cost, assessments/dividends) contributions to arrive at net earned contribution and investment revenues.
2. Fiscal year's other operating costs of SHARP for each fiscal year including overhead and loss expenses not allocable to individual claims.
3. SHARP's gross incurred losses and allocated loss adjustment expenses, losses assumed by reinsurers and net incurred losses and allocated loss adjustment expenses as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred.
4. Cumulative amounts paid as of the end of successive years for each policy year.
5. The latest re-estimated amount of losses assumed by reinsurers as of the end of the current year for each policy year.
6. Shows how each policy year's net incurred losses increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known losses, reevaluation of existing information on known losses and emergence of new losses not previously known.
7. Compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally projected. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature policy years.

## **SUPPLEMENTARY INFORMATION**

**SHARED AGENCY RISK POOL**  
**GRAPHICAL SUMMARY OF CLAIMS**  
**AS OF JUNE 30, 2019**





**James Marta & Company LLP**

***Certified Public Accountants***

***Accounting, Auditing, Consulting, and Tax***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Shared Agency Risk Pool  
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shared Agency Risk Pool, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Shared Agency Risk Pool's basic financial statements, and the related notes to the financial statements, which collectively comprise Shared Agency Risk Pool's basic financial statements, and have issued our report thereon dated March 25, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Shared Agency Risk Pool's internal control over financial reporting (internal control) to determine the 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 Shared Agency Risk Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of Shared Agency Risk Pool'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

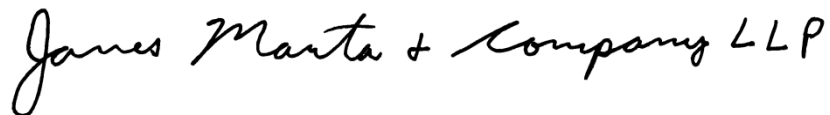
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Shared Agency Risk Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 25, 2020



**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Tax, and Consulting*

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**COMMUNICATION WITH THOSE CHARGED  
WITH GOVERNANCE**

Board of Directors  
Shared Agency Risk Pool  
Sacramento, California

We have audited the financial statements of Shared Agency Risk Pool as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated March 25, 2020. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated November 26, 2019 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Shared Agency Risk Pool solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal controls over financial reporting and compliance, and other matters noted during our audit in a separate letter to you dated March 25, 2020.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201C, in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### **Significant Accounting Policies**

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Shared Agency Risk Pool is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. However, there are upcoming Governmental Accounting Standards that we have listed in Attachment I.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are estimating outstanding claims liabilities.

Management's estimate of the outstanding claims liabilities is based on annual actuarial studies. We evaluated the key factors and assumptions used to develop the outstanding claims liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Shared Agency Risk Pool's financial statements relate to claim liabilities.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also



communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected immaterial misstatements identified as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. See Attachment II, "Journal Entries Report", for adjustments identified as a result of our audit procedures or provided by management.

### **Disagreements with Management**

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

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated March 25, 2020 (Attachment III).

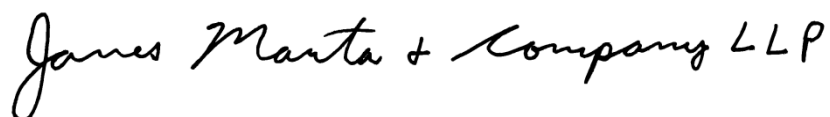
### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Shared Agency Risk Pool, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Shared Agency Risk Pool's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of Shared Agency Risk Pool 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 "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 25, 2020

The following pronouncement of the Governmental Accounting Standards Board (GASB) has been released recently and may be applicable to SHARP in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to SHARP. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

**GASB Statement No. 84, Fiduciary Activities**

*Effective for the fiscal year ending June 30, 2020*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government’s fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

We do not expect GASB 84 to have any significant impact on SHARP at this time.

**GASB Statement No. 87, Leases**

*Effective for the fiscal year ending June 30, 2021*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

We do not expect GASB 87 to have any significant impact on SHARP at this time.

**GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**

*Effective for the fiscal year ending June 30, 2020*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

We do not expect GASB 88 to have any significant impact on SHARP at this time.

**GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period**

*Effective for the fiscal year ending June 30, 2021*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

We do not expect GASB 89 to have any significant impact on SHARP at this time.

**GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61**

*Effective for the fiscal year ending June 30, 2020*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

We do not expect GASB 90 to have any significant impact on SHARP at this time.

**GASB Statement No. 91, Conduit Debt Obligations**

*Effective for the fiscal year ending June 30, 2022*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

We do not expect GASB 91 to have any significant impact on SHARP at this time.

**GASB Statement No. 92, Omnibus 2020**

*Effective dates vary*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports – *Effective for the fiscal year ending June 30, 2021*
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan – *Effective for the fiscal year ending June 30, 2021*
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits – *Effective for the fiscal year ending June 30, 2021*
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements – *Effective for the fiscal year ending June 30, 2021*
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition – *Effective for the government acquisitions occurring in reporting periods beginning after June 15, 2020*
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers – *Effective for the fiscal year ending June 30, 2021*
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature – *Effective for the fiscal year ending June 30, 2021*
- Terminology used to refer to derivative instruments. – *Effective for the fiscal year ending June 30, 2021*

Certain provisions of GASB 92 may have a financial statement impact on SHARP. SHARP is currently assessing the financial statement impact of GASB 92.

**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 1**

PBC To adjust the risk management grant liability to remove expenses coded in 2018-19 that were for 2017-18

300-2025-50	Other Liabilities - Risk Management Grant	11,976	
300-5650-19	Risk Management Grant - 2018/19		11,976
<b>Total</b>		<b>11,976</b>	<b>11,976</b>

**Reclassifying Journal Entries**

None.

**Proposed Journal Entries**

None.

## 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/>

---

### MANAGEMENT REPRESENTATION LETTER

March 25, 2020

James Marta & Company LLP  
Certified Public Accountants  
701 Howe Avenue, Suite E3  
Sacramento, California 95825

This representation letter is provided in connection with your audit of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows of Shared Agency Risk Pool as of June 30, 2019 and for the fiscal year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Shared Agency Risk Pool in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 25, 2020:

#### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 26, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.



- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There were no uncorrected misstatements during the current engagement to the applicable opinion units and to the financial statements as a whole.
- We have reviewed and approved the adjusting and reclassifying journal entries reflected in the audit statements and Attachment A.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes,<sup>7</sup> and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with



GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (FASB Accounting Standards Codification (ASC) 450, Contingencies), and we have not consulted a lawyer concerning litigation, claims, or assessments.

- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Shared Agency Risk Pool has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Shared Agency Risk Pool is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Shared Agency Risk Pool has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

#### **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with *Government Auditing Standards*.
- b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting standards generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the following significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances:

<i>Significant Assumption or Interpretation</i>	<i>Basis for Assumption or Interpretation</i>
Estimated claims liabilities	Actuarial review

**Supplementary Information in Relation to the Financial Statements as a Whole**

With respect to the supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with *Government Auditing Standards*.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting standards generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the following significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances:

<i>Significant Assumption or Interpretation</i>	<i>Basis for Assumption or Interpretation</i>
Estimated claims liabilities	Actuarial review

- e. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- f. We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- g. We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

**Use of a Specialist**

*The work of a specialist has been used by the entity.*

We agree with the findings of specialists in evaluating the claims liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.



Jonathan Paulsen, Executive Director



Ritesh Sharma, Finance Manager

ATTACHMENT A  
JOURNAL ENTRIES REPORT

Adjusting Journal Entries

**Adjusting Journal Entries JE # 1**

PBC To adjust the risk management grant liability to remove expenses coded in 2018-19 that were for 2017-18

300-2025-50	Other Liabilities - Risk Management Grant	11,976	
300-5650-19	Risk Management Grant - 2018/19		11,976
<b>Total</b>		<b>11,976</b>	<b>11,976</b>

Reclassifying Journal Entries

None.

Proposed Journal Entries

None.

**Agenda Item 7.B.**

**FINANCIAL MATTERS**

**SUBJECT: Review of the Draft Operating Budget for Program Year 2020/21, including the Actuarial Study**

**BACKGROUND AND HISTORY:**

Enclosed is the Draft Operating Annual Budget (Budget) for Shared Agency Risk Pool (SHARP) for the 2020/21 fiscal year. Member contributions are presented at the 65% confidence level (CL), discounted (2.0%); the 2019/20 Budget was approved at 65% confidence level, discounted at 3%. The Budget shows operations at the pooled SIR of \$250,000, and attachment to LAWCX at \$250,000. The Budget show total Member Contributions at \$709,000, an 4% increase from 2019/20 approved budget.

The major components of the budget are outlined below:

**1. Primary Pooling Rates**

The 2020/21 funding rates were developed by the actuary using December 31, 2019, 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 primary layer funding between the past two years:

<u>Primary Layer Funding</u>	<u>Expected</u>	<u>65%</u>	<u>70%</u>	<u>75%</u>
2020/2021	\$ 303,000	\$ 345,000	\$ 381,000	\$ 423,000
2019/2020	297,000	337,000	372,000	413,000
Change	\$ 6,000	\$ 8,000	\$ 9,000	\$ 10,000
% Change	2.0%	2.4%	2.4%	2.4%

A 2.4% increase in the primary layer due to lowering the discount factor from 3.0% to 2.0%.

**2. Excess Insurance Rate**

The LAWCX premium has been budgeted at \$245,000, which reflects an increase of 4% over the prior year. The payroll increased by 2% and rates increases of 3% in Safety and 4% for Non-Safety. The attachment point for LAWCX is \$250,000 for excess coverage.

**3. Claims Administration**

Claims administration is budgeted for a 3% contractual increase. The budgeted amount is \$15,615.

**4. Self-Insurance Assessment**

Self-insurance assessment is expected to increase by \$7,653 over prior year budget. The prior year budget was under budgeted by \$5,350. 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 2020/21 proposed budget includes the following line item variances from the prior year:

- Program Administration: \$54,636 – a contractual 3% increase from prior year.
- Financial Audit: \$8,000 – a new auditor was selected in the prior year.
- Actuarial Fees: \$11,000 – to allow for additional scope of work.
- Bank Fees: \$2,500 – increase in banking fees.

**RECOMMENDATION:**

*Staff recommends the Board approve the Draft Operating Budget for 2020/21.*

**REFERENCE MATERIALS ATTACHED:**

- WC Actuarial Report 2019-06-18
- Draft 2020/2021 Operating Budget



# Bickmore — Actuarial

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

*Outstanding Liabilities as of June 30, 2020*  
*Forecast for Program Year 2020-21*

*Presented to*  
**SHARP JPA**

May 28, 2020 - DRAFT



Thursday, May 28, 2020

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 2020-21 program year to be \$303,000. 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 2% return on investments per year. For budgeting purposes, the expected cost of 2020-21 claims translates to a rate of \$1.50 per \$100 payroll.

In addition, we estimate the program's liability for outstanding claims to be \$979,000 as of June 30, 2020, including ALAE and ULAE, and discounted for anticipated investment income. Given estimated program assets of \$4,963,000 as of June 30, 2020, the program is funded well above the 85% confidence level (see Graph on Page 9.)

The \$979,000 estimate is the minimum liability to be booked by SHARP at June 30, 2020 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, 2020 are summarized in the table below.

SHARP Self-Insured Workers' Compensation Program Estimated Liability for Unpaid Loss and LAE at June 30, 2020 2% Discount Rate						
	Expected	65% CL	Marginally Acceptable 70% CL	Recommended Range		
				Low 75% CL	Target 80% CL	High 85% CL
Loss and ALAE	\$1,053,000					
ULAE	38,000					
Investment Income Offset	(112,000)					
Discounted Loss and LAE	\$979,000	\$1,077,000	\$1,141,000	\$1,212,000	\$1,296,000	\$1,400,000
Available Funding	4,963,000					
Surplus	\$3,984,000	\$3,886,000	\$3,822,000	\$3,751,000	\$3,667,000	\$3,563,000

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, 2020	
Discount Rate	Outstanding Liability
2.0%	\$979,000
3.0%	\$932,000
4.0%	\$890,000

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 2020-21 fiscal year assuming a \$250,000 self-insured retention. We recommend that SHARP contribute between \$730,704 and \$819,704 during 2020-21.

SHARP Self-Insured Workers' Compensation Program Funding Guidelines for 2020-21 Self-Insured Retention (SIR) of \$250,000 2% Discount Rate						
	Expected	60% CL	Marginally Acceptable 65% CL	Recommended Range		
				Low 70% CL	Target 75% CL	High 80% CL
Loss and ALAE	\$329,000					
Investment Income Offset	(26,000)					
Discounted Loss and ALAE	\$303,000	\$312,000	\$345,000	\$381,000	\$423,000	\$473,000
Other Program Expenses	123,704	123,704	123,704	123,704	123,704	123,704
Excess Insurance	240,000	240,000	240,000	240,000	240,000	240,000
Indicated Funding	\$666,704	\$675,704	\$708,704	\$744,704	\$786,704	\$836,704
Rate per \$100 of 2020-21 Payroll	\$3.31	\$3.35	\$3.51	\$3.69	\$3.90	\$4.15

The following table shows projected ultimate costs for loss and ALAE for SHARP for the 2020-21 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 2020-21 Self-Insured Retention (SIR) of \$250,000	
Discount Rate	Loss & ALAE
2.0%	\$303,000
3.0%	292,000
4.0%	282,000

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2020. 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 2% discount rate. This is shown in further detail on Rate Appendix O.

### 2020-21 Deposit Premiums to Members

	60% Confidence Level	65% Confidence Level	70% Confidence Level	75% Confidence Level
Saratoga	\$168,047	\$175,912	\$184,960	\$194,726
Town of LAH	76,633	79,816	82,811	85,526
Town of Ross	92,455	94,989	99,025	104,246
American Canyon	338,569	357,987	377,908	402,206
Total	\$675,704	\$708,704	\$744,704	\$786,704

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 2019-20 65% CL	Current Report 2020-21 65% CL	Change	Percent Change
Saratoga	\$155,444	\$175,912	\$20,468	13.2%
Town of LAH	72,779	79,816	7,037	9.7%
Town of Ross	104,499	94,989	(9,509)	-9.1%
American Canyon	351,278	357,987	6,708	1.9%
Total	\$684,000	\$708,704	\$24,704	3.6%

Prior report assumed a 3% discount rate \*

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 2019-20 65% CL	Current Report 2020-21 65% CL	Change	Percent Change
Saratoga	\$2.122	\$2.410	\$0.288	13.6%
Town of LAH	3.022	2.963	(0.060)	-2.0%
Town of Ross	4.508	3.803	(0.706)	-15.7%
American Canyon	4.494	4.661	0.166	3.7%
Total	\$3.443	\$3.513	\$0.070	2.0%

Prior report assumed a 3% discount rate \*

## **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 Actuarial

## **DRAFT**

---

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

## **DRAFT**

---

Mike Harrington, FCAS, MAAA  
President and Principal, Bickmore Actuarial  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries

## **DRAFT**

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David Kim, MA  
Senior Actuarial Analyst, Bickmore Actuarial

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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, 2020, SHARP is expected to have available assets of \$4,963,000 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, 2020, project ultimate loss costs for 2020-21, and provide funding guidelines to meet these liabilities and future costs.

## **II. CONCLUSIONS AND RECOMMENDATIONS**

### **A. LIABILITY FOR OUTSTANDING CLAIMS AS OF JUNE 30, 2020**

Graph 1 on the following page summarizes our assessment of SHARP's funding position as of June 30, 2020. 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>.

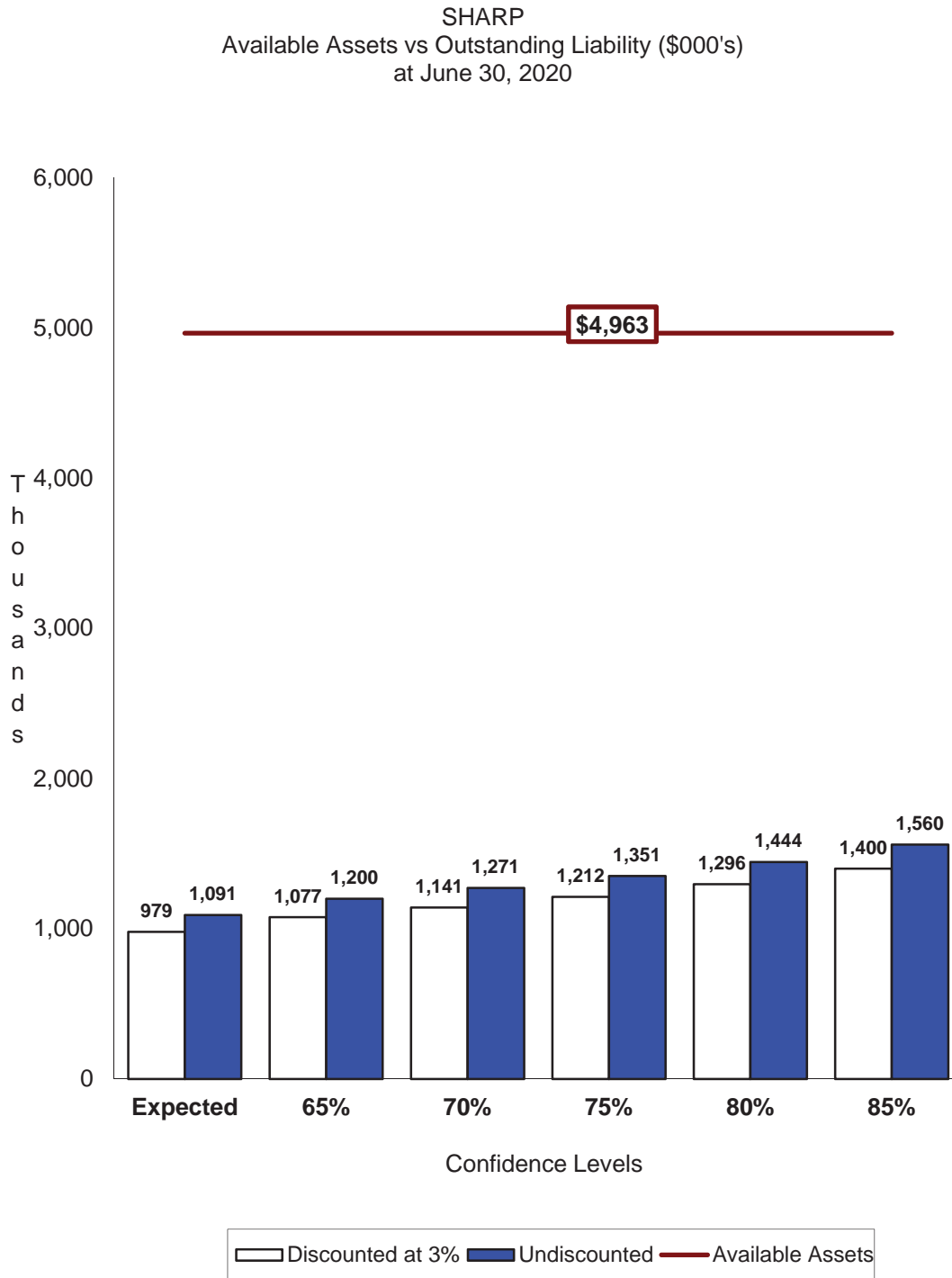
Our best estimate of the full value of the SHARP's liability for outstanding claims within its self-insured retention (SIR) is \$1,091,000 as of June 30, 2020. This amount includes losses, allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost 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 2%, we estimate the impact of investment income earnings to be about 10.3% if the program is funded within the range indicated in the graph, resulting in a discounted liability for outstanding claims of \$979,000 as of June 30, 2020.

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, 2020, before recognition of investment income.

**SHARP**  
**Self-Insured Workers' Compensation Program**  
**Estimated Liability for Unpaid Loss and LAE at June 30, 2020**

Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$12,436	\$102	\$12,538
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	19,526	17,447	36,973
2010-11	0	0	0
2011-12	370	23,475	23,845
2012-13	1,053	23,671	24,724
2013-14	1,639	31,770	33,409
2014-15	103,644	33,668	137,312
2015-16	1,646	43,476	45,122
2016-17	37,918	57,166	95,084
2017-18	32,782	107,669	140,451
2018-19	92,169	133,738	225,907
2019-20	35,100	242,384	277,484
Loss and ALAE	\$338,283	\$714,566	\$1,052,849
ULAE		37,614	37,614
Total	\$338,283	\$752,180	\$1,090,463

## **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.

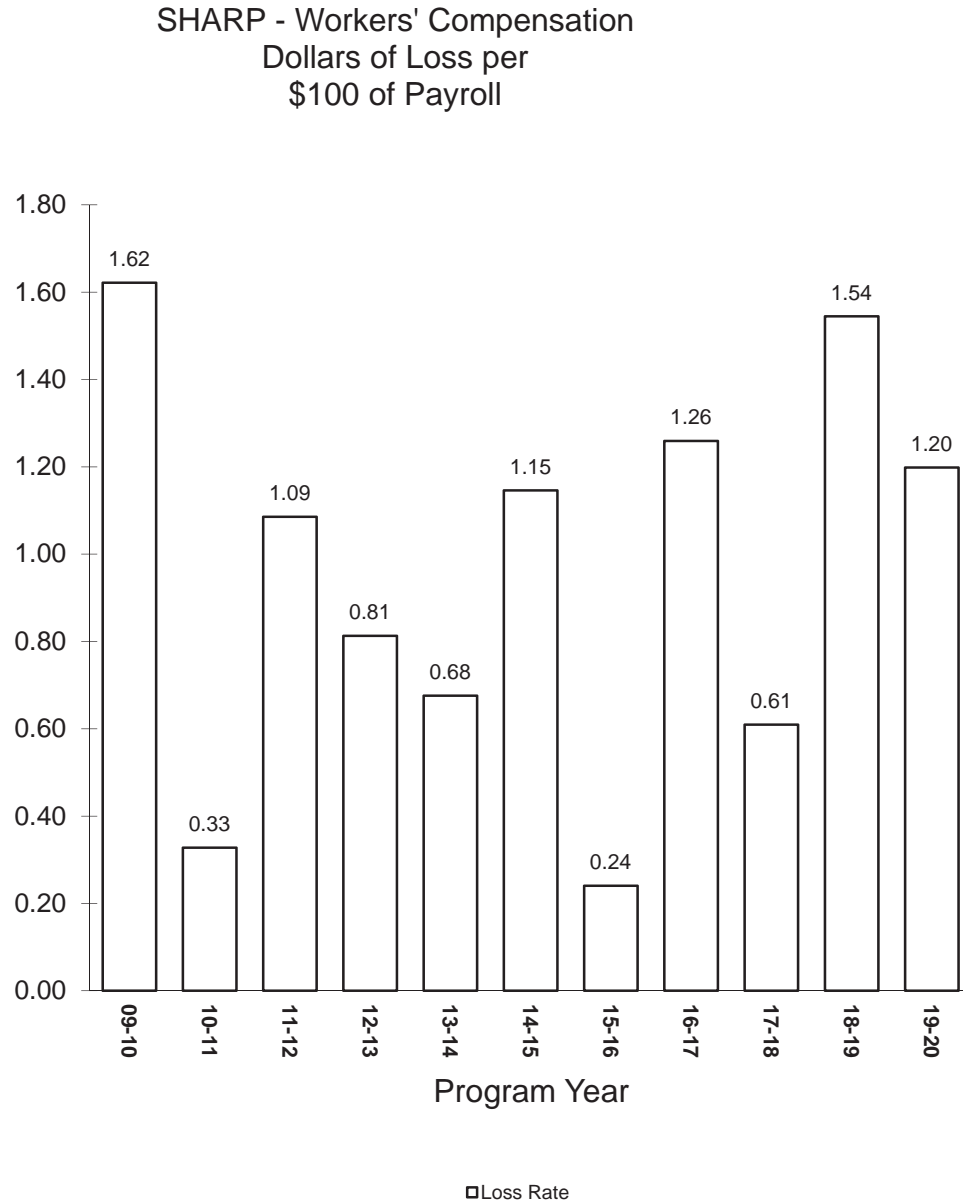
We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, the SHARP's other budgetary constraints, and the relative level of risk it is believed appropriate 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 \$0.24 in 2015-16. Our current selection of \$1.20 for the 2019-20 year is based on an average of the recent three years.

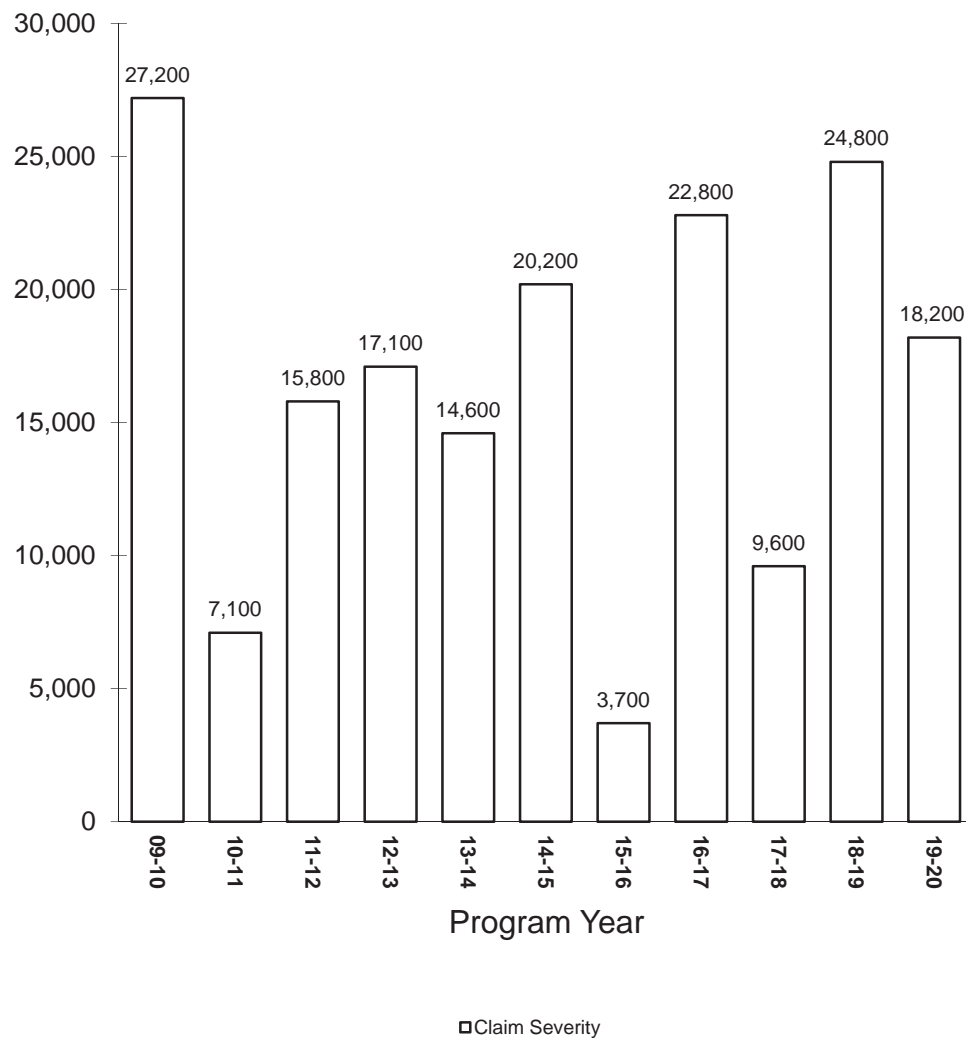
Graph 2



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 \$3,700 in 2015-16 and a high of \$27,200 in 2009-10. Our selection for the 2019-20 year is \$18,200 based on a long-term average.

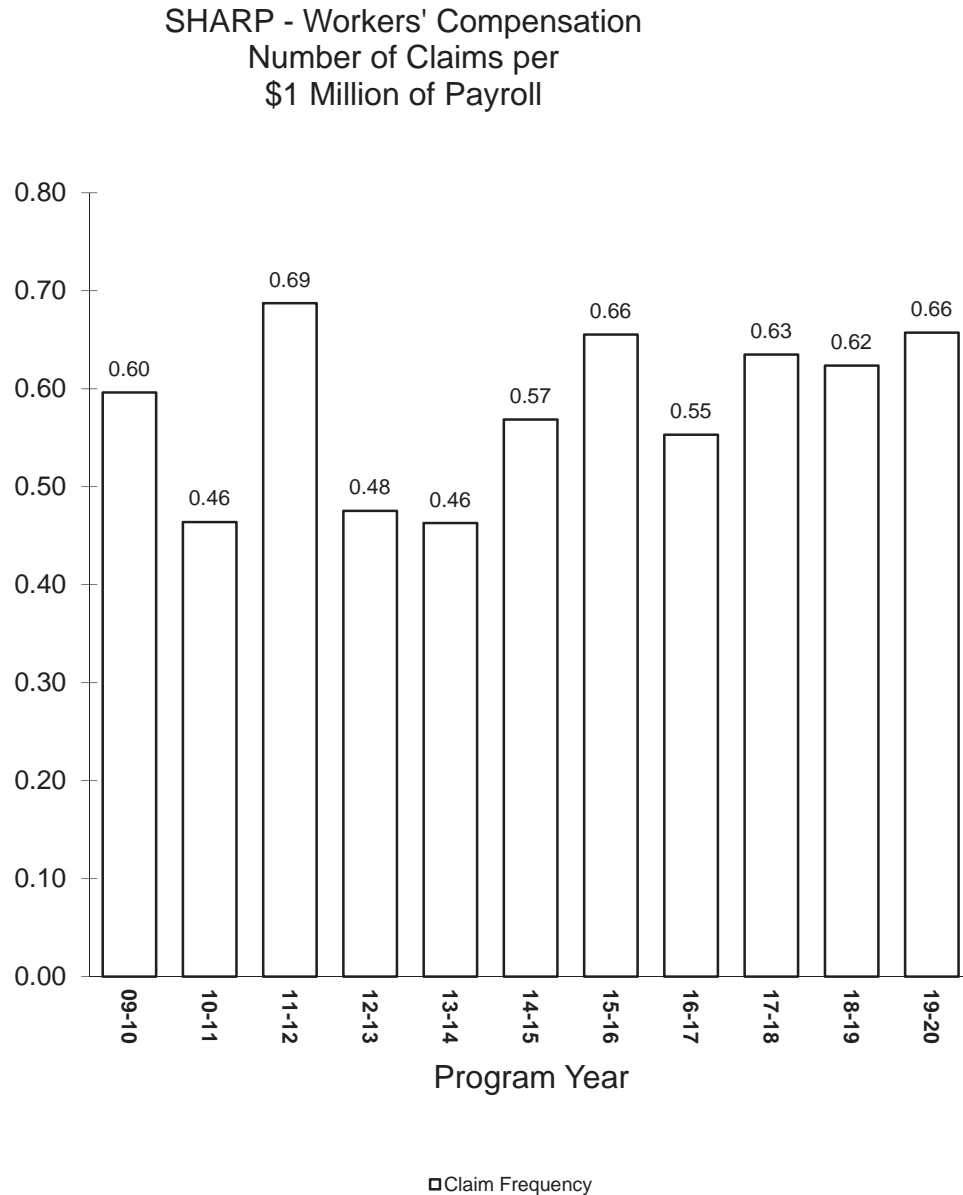
Graph 3

SHARP - Workers' Compensation  
Dollars of Loss per Claim



SHARP's number of claims per \$1 million of payroll, or frequency, ranged between a low of 0.46 in 2013-14 and a high of 0.69 in 2011-12. We selected a frequency of 0.66 per \$1 million of payroll for 2019-20 based on the average of recent four program years.

Graph 4



**D. COMPARISON WITH OUR PREVIOUS RESULTS**

The most recent report for SHARP was dated June 18, 2019. 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
2004-05	0	0	0
2005-06	0	0	0
2006-07	0	0	0
2007-08	0	62,000	62,000
2008-09	0	0	0
2009-10	5,000	1,000	(4,000)
2010-11	1,000	0	(1,000)
2011-12	5,000	0	(5,000)
2012-13	6,000	0	(6,000)
2013-14	10,000	(20,000)	(30,000)
2014-15	6,000	(14,000)	(20,000)
2015-16	7,000	0	(7,000)
2016-17	25,000	(28,000)	(53,000)
2017-18	67,000	0	(67,000)
2018-19	83,000	143,000	60,000
Total	\$215,000	\$144,000	(\$71,000)

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 \$215,000 between the two evaluation dates. However, actual development was \$144,000; or \$71,000 less than expected. All years except the 2007-08 and 2018-19 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	\$1,000	\$0	(\$1,000)
2004-05	0	0	0
2005-06	0	0	0
2006-07	0	0	0
2007-08	0	62,000	62,000
2008-09	0	0	0
2009-10	5,000	1,000	(4,000)
2010-11	1,000	0	(1,000)
2011-12	5,000	0	(5,000)
2012-13	4,000	0	(4,000)
2013-14	11,000	0	(11,000)
2014-15	27,000	2,000	(25,000)
2015-16	14,000	0	(14,000)
2016-17	74,000	38,000	(36,000)
2017-18	48,000	0	(48,000)
2018-19	59,000	61,000	2,000
Total	\$249,000	\$164,000	(\$85,000)

As shown, actual paid development was less than anticipated since the prior report. Based on the assumptions in the prior report, it was expected that paid losses would increase by \$249,000 between the two evaluation dates. However, actual development was \$164,000; or \$85,000 less 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
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	52,000	(1,000)
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	427,000	63,000
2008-09	116,000	116,000	0
2009-10	448,000	437,000	(11,000)
2010-11	66,000	56,000	(10,000)
2011-12	376,000	365,000	(11,000)
2012-13	204,000	195,000	(9,000)
2013-14	363,000	328,000	(35,000)
2014-15	317,000	307,000	(10,000)
2015-16	96,000	86,000	(10,000)
2016-17	380,000	335,000	(45,000)
2017-18	227,000	210,000	(17,000)
2018-19	275,000	321,000	46,000
Total	\$3,837,000	\$3,787,000	(\$50,000)

As shown, overall we have decreased our estimated ultimates by \$50,000 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, 2019 to be \$852,000 at the discounted expected level. Our current estimate as of June 30, 2020 is \$932,000, an increase in our assessment of SHARP's outstanding liabilities, as shown below:

### Outstanding Claim Liabilities

	Prior Report at June 30, 2019	Current Report at June 30, 2020	Change
(A) Case Reserves:	\$320,000	\$338,000	\$18,000
(B) IBNR Reserves:	648,000	715,000	67,000
(C) Claims Administration Reserves:	40,000	38,000	(2,000)
(D) Total Reserves:	\$1,008,000	\$1,091,000	\$83,000
(E) Offset for Investment Income:	(156,000)	(112,000)	44,000
(F) Total Outstanding Claim Liabilities:	\$852,000	\$979,000	\$127,000

As shown, our estimate of outstanding claims liabilities at the discounted expected level has increased between June 30, 2019 and June 30, 2020, as reflected in our prior and current reports respectively.

Estimated case and IBNR reserves have increased since the prior evaluation. Reserves for future claims administration expenses are expected to be less, resulting in a \$83,000 increase in total claim reserves. The Investment income is expected to be smaller due to a decrease in discount rate assumption. The net change due to the above factors is an overall increase of \$127,000 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 \$4,931,000 as of June 30, 2019, which corresponded to the then-estimated discounted liability for outstanding claims well above the 85% confidence level. Available assets are currently estimated to be \$4,963,000 as of June 30, 2020, 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, 2019	Current Report at June 30, 2020	Change
(A) Outstanding Liability at the Discounted Expected Level:	\$852,000	\$932,000	\$80,000
(B) Estimated Assets At June 30:	4,931,000	4,963,000	32,000
(C) Surplus:	\$4,241,000	\$4,031,000	(\$210,000)

As you can see, our estimate of the program's funding margin at the discounted expected confidence level has decreased by \$210,000 between June 30, 2019 (as previously estimated) and June 30, 2020 (as currently estimated) at the discounted expected level. This is driven by an increase in the estimated outstanding liability between the two points, offset by an increase in the estimated fund assets.

## DRAFT

At the time of the prior report, our funding estimate for the 2019-20 year was \$684,000 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 2020-21 year is \$708,704 at the discounted 65% confidence level, an increase in the program's funding, as shown in the table below:

### Comparison of Funding

	Prior Report 2019-20 SIR = \$250,000	Current Report 2020-21 SIR = \$250,000	Change
(A) Ultimate Loss and ALAE:	\$335,000	\$329,000	(\$6,000)
(B) Offset for Investment Income:	(38,000)	(26,000)	12,000
(C) 65% Confidence Level Margin:	40,000	42,000	2,000
(D) Other Program Expenses:	112,000	123,704	11,704
(E) Total Loss & ALAE at 65% CL:	449,000	468,704	19,704
(F) Excess Insurance:	235,000	240,000	5,000
(G) Total Funding at 65% CL:	\$684,000	\$708,704	\$24,704
(H) Premium Rate at 65% CL:	\$3.443	\$3.513	\$0.070
(I) Loss Rate at 65% CL:	\$1.696	\$1.710	\$0.014

As you can see, our funding recommendations at the discounted 65% confidence level have increased between 2019-20 and 2020-21, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have decreased by \$6,000. The offset for investment income is expected to be smaller due to a decrease in discount rate assumption. The margin at the 65% confidence level is \$2,000 greater than prior, other program expenses have increased by \$11,704 and excess costs have increased by \$5,000, resulting in an overall increase in total claim costs at the 65% confidence level of \$24,704. As shown, the resulting funding rate per \$100 of payroll at the 65% confidence level has increased to \$3.513 per \$100 of payroll, a 2.0% increase.

## **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 2020-21 (See Reserves Appendix K).
- We estimated the 6/30/2020 asset balance starting with the 6/30/2019 estimated asset balance, and adjusting for anticipated revenue and expense for the 2019-20 fiscal year (see Reserves Appendix L).
- We received loss data evaluated as of 12/31/2019 (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 2020-21 will be \$20,172,000 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 0.6% per year. We have assumed that claim severity increases 7% per year, and that claim frequency decreases at 6.0% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- At SHARP's instruction, we have assumed that assets held for investment will generate an 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 \$4,963,000 as of June 30, 2020 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.)

**DRAFT**

SHARP JPA - Workers' Compensation  
Funding Guidelines for Outstanding Liabilities at  
June 30, 2020

(A) Estimated Ultimate Losses Incurred through 6/30/20: (From Reserves Appendix G)	\$4,104,000
(B) Estimated Paid Losses through 6/30/20: (From Reserves Appendix G)	3,051,000
(C) Estimated Liability for Claims Outstanding at 6/30/20: (From Reserves Appendix G)	<u>\$1,053,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/20: (From Reserves Appendix F)	38,000
(E) Total Outstanding Liability for Claims at 6/30/20: ((C) + (D))	<u>\$1,091,000</u>
(F) Reserve Discount Factor (Reserves Appendix I, , (H))	0.897
(G) Discounted Outstanding Liability for Claims at 6/30/20: ((E) x (F))	<u>\$979,000</u>

		Marginally Acceptable		Recommended	
Confidence Level of Adequacy:	65%	70%	75%	80%	85%
(H) Confidence Level Factor: (From Reserves Appendix J)	1.100	1.165	1.238	1.324	1.430
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	98,000	162,000	233,000	317,000	421,000
(J) Total Required Available Funding at 6/30/20: ((G) + (I))	<u>\$1,077,000</u>	<u>\$1,141,000</u>	<u>\$1,212,000</u>	<u>\$1,296,000</u>	<u>\$1,400,000</u>
(K) Estimated Actual Funding at 6/30/20: (From Reserves Appendix L)	\$4,963,000	\$4,963,000	\$4,963,000	\$4,963,000	\$4,963,000
(L) Indicated Funding Redundancy/ (Deficiency): ((K)-(J))	<u>\$3,886,000</u>	<u>\$3,822,000</u>	<u>\$3,751,000</u>	<u>\$3,667,000</u>	<u>\$3,563,000</u>

Funding Options for Program Year 2020-2021 (SIR = \$250,000)  
One-Year Funding Plan

Payroll rates are per hundred dollars of 2020-2021 payroll of \$20,172,000.

## SHARP JPA - Workers' Compensation

Funding Guidelines for Outstanding Liabilities and  
Funding Options for Program Year 2020-2021 (SIR = \$250,000)

## At Various Discount Rates and Confidence Levels

## I. Funding Guidelines for Discounted Outstanding Liabilities at 6/30/20

Investment Rate	Expected Confidence Level	65% Confidence Level	70% Confidence Level	75% Confidence Level	80% Confidence Level	85% Confidence Level
1.0%	\$1,031,000	\$1,134,000	\$1,201,000	\$1,276,000	\$1,365,000	\$1,474,000
1.5%	1,004,000	1,104,000	1,170,000	1,243,000	1,329,000	1,436,000
2.0%	979,000	1,077,000	1,141,000	1,212,000	1,296,000	1,400,000
2.5%	955,000	1,051,000	1,113,000	1,182,000	1,264,000	1,366,000
3.0%	979,000	1,077,000	1,141,000	1,212,000	1,296,000	1,400,000
3.5%	910,000	1,001,000	1,060,000	1,127,000	1,205,000	1,301,000
4.0%	890,000	979,000	1,037,000	1,102,000	1,178,000	1,273,000

## II. Funding Options for Program Year 2020-2021 (SIR = \$250,000)

Investment Rate	Expected Confidence Level	60% Confidence Level	65% Confidence Level	70% Confidence Level	75% Confidence Level	80% Confidence Level
1.0%	\$315,000	\$324,000	\$358,000	\$396,000	\$440,000	\$492,000
1.5%	309,000	318,000	351,000	388,000	431,000	482,000
2.0%	303,000	312,000	345,000	381,000	423,000	473,000
2.5%	297,000	306,000	338,000	373,000	415,000	464,000
3.0%	303,000	312,000	345,000	381,000	423,000	473,000
3.5%	287,000	295,000	326,000	361,000	401,000	448,000
4.0%	282,000	290,000	321,000	354,000	394,000	440,000

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## SHARP JPA - Workers' Compensation

## IBNR as of 6/30/20 at Expected Claims Level

Accident Year	Estimated Ultimate (A)	Reported as of 12/31/19 (B)	Estimated IBNR as of 12/31/2019 (C)	Estimated Percent of IBNR Reported Between 1/1/20 and 6/30/2020 (D)	Estimated IBNR Reported (E)	Estimated IBNR as of 6/30/2020 (F)
1998-1999	\$157,580	\$157,580	\$0	0.0%	\$0	\$0
1999-2000	151,151	151,151	0	0.0%	0	0
2000-2001	1,156	1,156	0	0.0%	0	0
2001-2002	71,958	71,958	0	0.0%	0	0
2002-2003	52,000	51,864	136	24.9%	34	102
2003-2004	43,015	43,015	0	19.9%	0	0
2004-2005	59,858	59,858	0	14.2%	0	0
2005-2006	61,573	61,573	0	11.0%	0	0
2006-2007	4,599	4,599	0	9.0%	0	0
2007-2008	426,594	426,594	0	14.1%	0	0
2008-2009	115,576	115,576	0	28.7%	0	0
2009-2010	437,000	415,553	21,447	19.6%	4,000	17,447
2010-2011	56,481	56,481	0	10.4%	0	0
2011-2012	365,000	339,525	25,475	9.6%	2,000	23,475
2012-2013	195,000	168,329	26,671	9.7%	3,000	23,671
2013-2014	328,000	292,230	35,770	10.7%	4,000	31,770
2014-2015	307,000	268,332	38,668	11.8%	5,000	33,668
2015-2016	86,000	36,524	49,476	11.6%	6,000	43,476
2016-2017	335,000	269,834	65,166	11.8%	8,000	57,166
2017-2018	210,000	81,331	128,669	16.7%	21,000	107,669
2018-2019	321,000	146,262	174,738	23.6%	41,000	133,738
2019-2020	318,000	28,616	130,000	16.1%	47,000	242,384
Totals	\$4,103,541	\$3,247,941	\$696,216		\$141,034	\$714,566

## 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 1/1/20 and 6/30/20. 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 6/30/20. This amount is dependent on both the strength of the case reserves and the average frequency and severity of the losses incurred.

**DRAFT**

## SHARP JPA - Workers' Compensation

## Ultimate Program Losses Adjusted For Expected Impact of Legislation

Accident Year	Pre-Ruling Selected Ultimate (A)	Paid Losses as of 12/31/19 (B)	Outstanding Losses as of 12/31/2019 (C)	Percentage Impact From Legislation (D)	Post-Ruling Adjusted Ultimate (E)
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	52,000	38,562	13,438	0.00%	52,000
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	426,594	426,594		0.00%	426,594
2008-2009	115,576	115,576		0.00%	115,576
2009-2010	437,000	397,750	39,250	0.00%	437,000
2010-2011	56,481	56,481		0.00%	56,481
2011-2012	365,000	339,525	25,475	0.00%	365,000
2012-2013	195,000	168,329	26,671	0.00%	195,000
2013-2014	328,000	292,230	35,770	0.00%	328,000
2014-2015	307,000	157,259	149,741	0.00%	307,000
2015-2016	86,000	36,524	49,476	0.00%	86,000
2016-2017	335,000	227,923	107,077	0.00%	335,000
2017-2018	210,000	37,668	172,332	0.00%	210,000
2018-2019	321,000	61,635	259,365	0.00%	321,000
Totals	\$3,785,541	\$2,906,946	\$878,595		\$3,785,541
2019-2020	\$318,000	\$5,166	\$312,834	0.00%	\$318,000
2020-2021	329,000	0	329,000	0.00%	329,000

## 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)].

**DRAFT**

## 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)
1998-1999	\$158,053	163,726	\$158,147	\$164,760	\$188,955	\$157,580
1999-2000	151,756	157,499	151,880	158,443	182,208	151,151
2000-2001	1,158	1,184	1,159	1,187	1,269	1,156
2001-2002	72,174	73,829	72,196	73,938	79,240	71,958
2002-2003	52,071	39,680	52,093	40,167	57,392	52,000
2003-2004	43,230	44,391	43,253	44,492	47,592	43,015
2004-2005	60,277	61,893	60,322	62,044	66,366	59,858
2005-2006	62,127	63,851	62,189	64,037	68,388	61,573
2006-2007	4,650	4,792	4,656	4,807	5,112	4,599
2007-2008	432,566	447,071	432,872	447,222	448,470	426,594
2008-2009	119,506	128,058	120,394	129,739	145,984	115,576
2009-2010	433,837	446,673	430,061	435,747	345,460	437,000
2010-2011	59,587	64,445	60,221	65,400	72,096	56,481
2011-2012	362,952	395,207	355,336	373,824	243,144	365,000
2012-2013	182,805	201,658	185,755	204,726	220,580	195,000
2013-2014	324,668	360,904	311,176	328,227	189,260	328,000
2014-2015	308,582	203,650	306,790	224,709	323,102	307,000
2015-2016	44,011	50,476	86,483	117,634	399,435	86,000
2016-2017	347,276	354,192	336,160	333,807	367,809	335,000
2017-2018	122,322	86,599	162,074	173,846	379,584	210,000
2018-2019	399,295	258,436	308,187	256,251	426,540	321,000
Totals						\$3,785,541
Projected Losses for the Year 2019-2020 (G)						\$318,000
Projected Losses for the Year 2020-2021 (H)						\$329,000

## 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.

**DRAFT**

## 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)
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	61,573	61,573	61,573	61,572	61,573
2006-2007	4,599	4,604	4,599	4,604	4,596	4,599
2007-2008	401,916	403,122	401,916	403,122	401,910	401,916
2008-2009	115,692	116,154	115,692	116,154	115,584	115,576
2009-2010	272,162	255,573	272,164	255,721	272,000	272,000
2010-2011	56,820	57,159	56,820	57,158	56,480	56,481
2011-2012	191,420	192,747	191,421	192,749	189,528	189,525
2012-2013	170,854	172,874	170,895	172,777	171,000	171,000
2013-2014	145,786	147,493	145,736	147,490	146,000	146,000
2014-2015	262,435	167,166	260,881	170,651	247,897	262,000
2015-2016	39,154	40,396	51,558	58,065	304,965	55,000
2016-2017	299,516	276,926	292,187	267,888	279,318	296,000
2017-2018	101,745	66,597	117,937	116,708	286,872	112,000
2018-2019	326,311	196,123	252,210	193,302	320,652	289,000
Totals						\$2,969,388

## 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.



DRAFT

## SHARP JPA - Workers' Compensation

## Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/19 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/19 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1998-1999	\$157,580	1.000	\$157,580	\$157,580	1.003	\$158,053
1999-2000	151,151	1.000	151,151	151,151	1.004	151,756
2000-2001	1,156	1.000	1,156	1,156	1.002	1,158
2001-2002	71,958	1.000	71,958	71,958	1.003	72,174
2002-2003	51,864	1.000	51,864	51,864	1.004	52,071
2003-2004	43,015	1.000	43,015	43,015	1.005	43,230
2004-2005	59,858	1.000	59,858	59,858	1.007	60,277
2005-2006	61,573	1.000	61,573	61,573	1.009	62,127
2006-2007	4,599	1.000	4,599	4,599	1.011	4,650
2007-2008	401,916	1.000	401,916	426,594	1.014	432,566
2008-2009	115,576	1.001	115,692	115,576	1.034	119,506
2009-2010	271,348	1.003	272,162	415,553	1.044	433,837
2010-2011	56,481	1.006	56,820	56,481	1.055	59,587
2011-2012	189,525	1.010	191,420	339,525	1.069	362,952
2012-2013	168,329	1.015	170,854	168,329	1.086	182,805
2013-2014	142,230	1.025	145,786	292,230	1.111	324,668
2014-2015	250,894	1.046	262,435	268,332	1.150	308,582
2015-2016	36,524	1.072	39,154	36,524	1.205	44,011
2016-2017	269,834	1.110	299,516	269,834	1.287	347,276
2017-2018	81,331	1.251	101,745	81,331	1.504	122,322
2018-2019	146,262	2.231	326,311	146,262	2.730	399,295
Totals	\$2,733,004		\$2,986,565	\$3,219,325		\$3,742,903

## 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.

**DRAFT**SHARP JPA - Workers' Compensation  
Reported Loss DevelopmentLimited 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
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	271,348
2010-2011	2,992	20,124	87,062	101,528	66,414	56,481	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	189,525		
2012-2013	74,101	94,857	189,657	221,117	168,364	168,329	168,329	168,329			
2013-2014	1,500	62,107	155,761	205,397	186,893	161,921	142,230				
2014-2015	47,420	174,495	284,278	266,430	258,325	250,894					
2015-2016	21,825	20,632	36,524	36,524							
2016-2017	46,539	296,547	298,330	269,834							
2017-2018	8,412	81,225	81,331								
2018-2019	3,614	146,262									
2019-2020	28,616										

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
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	1.000
2009-2010	7.246	1.099	1.121	0.892	1.186	0.891	1.000	0.971	0.989	1.004	
2010-2011	6.726	4.326	1.166	0.654	0.850	1.000	1.000	1.000	1.000		
2011-2012	1.826	1.947	1.120	1.025	0.815	1.000	1.000	1.000			
2012-2013	1.280	1.999	1.166	0.761	1.000	1.000	1.000				
2013-2014	41.405	2.508	1.319	0.910	0.866	0.878					
2014-2015	3.680	1.629	0.937	0.970	0.971						
2015-2016	0.945	1.770	1.000	1.000							
2016-2017	6.372	1.006	0.904								
2017-2018	9.656	1.001									
2018-2019	40.471										
	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	8.479	1.681	1.112	0.961	0.979	1.198	1.013	1.055	0.943	0.999	0.990
3-yr	8.948	1.045	0.925	0.948	0.947	0.962	1.000	0.984	0.994	1.002	1.000
4-yr	6.775	1.223	1.004	0.891	0.911	0.966	1.000	0.987	0.996	1.002	1.000
Comparative Factors	2.747	1.247	1.065	1.016	1.008	1.008	1.007	1.007	1.005	1.005	1.004
Prior	4.863	1.817	1.132	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Selected	5.767	1.783	1.127	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Cumulated	12.866	2.231	1.251	1.110	1.072	1.046	1.025	1.015	1.010	1.006	1.003

**DRAFT**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
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	1,156		
2001-2002	71,958	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	51,864				
2003-2004	43,015	43,015	43,015	43,015	43,015	43,015					
2004-2005	59,858	59,858	59,858	59,858	59,858						
2005-2006	61,573	61,573	61,573	61,573							
2006-2007	4,599	4,599	4,599								
2007-2008	289,782	401,916									
2008-2009	115,576										
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											

	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
1998-1999	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		
2000-2001	1.000	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	1.000				
2002-2003	1.000	1.000	1.000	1.654	1.000	1.000					
2003-2004	1.000	1.000	1.000	1.000	1.000						
2004-2005	1.000	1.000	1.000	1.000							
2005-2006	1.000	1.000	1.000								
2006-2007	1.000	1.000									
2007-2008	1.387										
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
Average Dollar-weighted Averages	1.039	1.000	1.000	1.093	1.000	1.000	1.000	1.000	1.000	1.000	
3-yr	1.315	1.000	1.000	1.153	1.000	1.000	1.000	1.000			
4-yr	1.270	1.000	1.000	1.099	1.000	1.000	1.000				
Comparative Factors	1.003	1.004	1.002	1.003	1.002	1.002	1.002	1.002	1.002	1.001	1.004
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

**DRAFT**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
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	144,205
2010-2011											
2011-2012			163,501	174,416	58,665	152,319	152,319	152,319	152,319		
2012-2013											
2013-2014				106,190	137,484	303,538	303,538				
2014-2015				17,438	23,792	17,438					
2015-2016											
2016-2017		6,631									
2017-2018											
2018-2019											
2019-2020											
	<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
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	1.000	
2010-2011											
2011-2012			1.067	0.336	2.596	1.000	1.000	1.000			
2012-2013											
2013-2014				1.295	2.208	1.000					
2014-2015				1.364	0.733						
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	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	2.067	1.536	0.877	1.000	0.979	1.000	1.000	1.000
Dollar-weighted											
Averages											
3-yr											
4-yr											
Comparative											
Factors	3.855	2.109	1.544	1.296	1.175	1.103	1.078	1.064	1.053	1.044	1.036
Prior	3.902	2.017	1.487	1.243	1.152	1.126	1.102	1.084	1.069	1.054	1.048
Selected	3.855	2.109	1.544	1.296	1.175	1.103	1.078	1.064	1.053	1.044	1.036
Cumulated	32.609	8.459	4.011	2.598	2.005	1.706	1.547	1.435	1.349	1.281	1.227

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

Losses Reported as of:											
Accident Year	138 Months	150 Months									
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008	136,812	24,678									
2008-2009											
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											
	138-150 Months	150-Ult. Months									
2002-2003											
2003-2004											
2004-2005											
2005-2006											
2006-2007											
2007-2008	0.180										
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-Ult. Months									
Average	0.180										
Dollar-weighted											
Averages											
3-yr											
4-yr											
Comparative											
Factors	1.029	1.151									
Prior	1.043	1.037	1.034	1.032	1.031	1.027	1.023	1.020	1.021	1.066	
Selected	1.029	1.151									
Cumulated	1.184	1.151									

DRAFT

## SHARP JPA - Workers' Compensation

## Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/19 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/19 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1998-1999	\$157,580	1.000	\$157,580	\$157,580	1.039	\$163,726
1999-2000	151,151	1.000	151,151	151,151	1.042	157,499
2000-2001	1,156	1.000	1,156	1,156	1.024	1,184
2001-2002	71,958	1.000	71,958	71,958	1.026	73,829
2002-2003	38,562	1.000	38,562	38,562	1.029	39,680
2003-2004	43,015	1.000	43,015	43,015	1.032	44,391
2004-2005	59,858	1.000	59,858	59,858	1.034	61,893
2005-2006	61,573	1.000	61,573	61,573	1.037	63,851
2006-2007	4,599	1.001	4,604	4,599	1.042	4,792
2007-2008	401,916	1.003	403,122	426,594	1.048	447,071
2008-2009	115,576	1.005	116,154	115,576	1.108	128,058
2009-2010	253,545	1.008	255,573	397,750	1.123	446,673
2010-2011	56,481	1.012	57,159	56,481	1.141	64,445
2011-2012	189,525	1.017	192,747	339,525	1.164	395,207
2012-2013	168,329	1.027	172,874	168,329	1.198	201,658
2013-2014	142,230	1.037	147,493	292,230	1.235	360,904
2014-2015	157,259	1.063	167,166	157,259	1.295	203,650
2015-2016	36,524	1.106	40,396	36,524	1.382	50,476
2016-2017	227,923	1.215	276,926	227,923	1.554	354,192
2017-2018	37,668	1.768	66,597	37,668	2.299	86,599
2018-2019	61,635	3.182	196,123	61,635	4.193	258,436
Totals	\$2,438,063		\$2,681,787	\$2,906,946		\$3,608,214

## 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.

**DRAFT**

SHARP JPA - Workers' Compensation  
Paid Loss Development

Limited Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
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	253,545
2010-2011	2,992	14,792	26,633	35,920	56,481	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	189,525		
2012-2013	11,780	55,935	72,665	167,167	168,364	168,329	168,329	168,329			
2013-2014		20,411	56,059	127,493	142,206	142,230	142,230				
2014-2015	7,219	47,371	87,262	135,365	155,499	157,259					
2015-2016	8,643	19,816	36,524	36,524	36,524						
2016-2017	5,793	87,512	190,312	227,923							
2017-2018	112	37,562	37,668								
2018-2019	1,125	61,635									
2019-2020	5,166										

Paid Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
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	1.000
2009-2010	7.761	1.263	1.966	1.214	1.072	1.040	1.006	1.009	1.005	1.004	
2010-2011	4.944	1.801	1.349	1.572	1.000	1.000	1.000	1.000	1.000		
2011-2012	1.623	1.399	1.163	1.106	1.818	1.000	1.000	1.000			
2012-2013	4.748	1.299	2.301	1.007	1.000	1.000	1.000				
2013-2014		2.747	2.274	1.115	1.000	1.000					
2014-2015	6.562	1.842	1.551	1.149	1.011						
2015-2016	2.293	1.843	1.000	1.000							
2016-2017	15.107	2.175	1.198								
2017-2018	335.375	1.003									
2018-2019	54.787										
Average	33.924	1.727	1.330	1.097	1.079	1.297	1.026	1.009	1.004	1.002	1.000
Dollar-weighted Averages											
3-yr	26.559	1.826	1.273	1.116	1.004	1.000	1.000	1.004	1.003	1.001	1.000
4-yr	13.177	1.830	1.425	1.077	1.153	1.000	1.002	1.004	1.002	1.001	1.000
Comparative Factors	3.649	1.711	1.263	1.126	1.069	1.042	1.027	1.017	1.014	1.011	1.009
Prior	10.000	1.792	1.497	1.100	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Selected	15.000	1.800	1.455	1.099	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Cumulated	47.730	3.182	1.768	1.215	1.106	1.063	1.037	1.027	1.017	1.012	1.008

**DRAFT**

SHARP JPA - Workers' Compensation  
Paid Loss Development

Limited Losses Paid 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
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	151,151
2000-2001	1,156	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	71,958			
2002-2003	31,362	31,362	31,362	31,362	31,362	38,562	38,562				
2003-2004	43,015	43,015	43,015	43,015	43,015	43,015					
2004-2005	59,858	59,858	59,858	59,858	59,858						
2005-2006	61,573	61,573	61,573	61,573							
2006-2007	4,599	4,599	4,599								
2007-2008	289,782	401,916									
2008-2009	115,576										
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											
	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
1998-1999	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		
2000-2001	1.000	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	1.000				
2002-2003	1.000	1.000	1.000	1.000	1.230	1.000					
2003-2004	1.000	1.000	1.000	1.000	1.000						
2004-2005	1.000	1.000	1.000	1.000							
2005-2006	1.000	1.000	1.000								
2006-2007	1.000	1.000									
2007-2008	1.387										
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
Average	1.039	1.000	1.000	1.000	1.038	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted Averages											
3-yr	1.315	1.000	1.000	1.000	1.049	1.000	1.000	1.000			
4-yr	1.270	1.000	1.000	1.000	1.049	1.000	1.000				
Comparative Factors	1.009	1.007	1.006	1.005	1.004	1.004	1.003	1.003	1.004	1.001	1.018
Prior	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
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



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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
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											
2009-2010				144,205	144,205	144,205	144,205	144,205	144,205	144,205	144,205
2010-2011											
2011-2012						152,319	152,319	152,319	152,319		
2012-2013											
2013-2014				9,798	53,238	170,376	189,109				
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											
	<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
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											
2009-2010				1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2010-2011											
2011-2012						1.000	1.000	1.000			
2012-2013											
2013-2014				5.434	3.200	1.110					
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
Average Dollar-weighted Averages	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	2.443	1.780	1.043	1.000	1.001	1.000	1.000	1.000
3-yr											
4-yr											
Comparative											
Factors	5.667	3.362	2.470	1.858	1.531	1.338	1.234	1.179	1.124	1.088	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	5.667	3.362	2.470	1.858	1.531	1.338	1.234	1.179	1.124	1.088	1.073
Cumulated	619.681	109.349	32.525	13.168	7.087	4.629	3.460	2.804	2.378	2.116	1.945

**DRAFT**

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

<u>Losses Paid as of:</u>												
Accident Year	138 Months	150 Months										
2002-2003												
2003-2004												
2004-2005												
2005-2006												
2006-2007												
2007-2008	136,812	24,678										
2008-2009												
2009-2010												
2010-2011												
2011-2012												
2012-2013												
2013-2014												
2014-2015												
2015-2016												
2016-2017												
2017-2018												
2018-2019												
2019-2020												
	138-150 Months	150-Ult. Months										
2002-2003												
2003-2004												
2004-2005												
2005-2006												
2006-2007												
2007-2008	0.180											
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-Ult. Months										
Average	0.180											
Dollar-weighted												
Averages												
3-yr												
4-yr												
Comparative												
Factors	1.062	1.707										
Prior	1.062	1.055	1.052	1.047	1.040	1.035	1.035	1.033	1.030	1.355		
Selected	1.062	1.707										
Cumulated	1.813	1.707										

**DRAFT**

## SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Reported Losses

Accident Year	Trended Payroll (\$00) (A)	Reported Losses as of 12/31/19 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
1998-1999	\$114,862	\$157,580	1.003	0.003	\$1.645	\$567	\$158,147
1999-2000	129,021	151,151	1.004	0.004	1.413	729	151,880
2000-2001	133,431	1,156	1.002	0.002	0.010	3	1,159
2001-2002	151,696	71,958	1.003	0.003	0.522	238	72,196
2002-2003	167,621	51,864	1.004	0.004	0.342	229	52,093
2003-2004	185,328	43,015	1.005	0.005	0.257	238	43,253
2004-2005	178,521	59,858	1.007	0.007	0.371	464	60,322
2005-2006	174,160	61,573	1.009	0.009	0.393	616	62,189
2006-2007	185,785	4,599	1.011	0.011	0.028	57	4,656
2007-2008	202,451	426,594	1.014	0.014	2.215	6,278	432,872
2008-2009	202,225	115,576	1.034	0.033	0.722	4,818	120,394
2009-2010	214,686	415,553	1.044	0.042	1.609	14,508	430,061
2010-2011	215,348	56,481	1.055	0.052	0.334	3,740	60,221
2011-2012	212,820	339,525	1.069	0.065	1.143	15,811	355,336
2012-2013	250,097	168,329	1.086	0.079	0.882	17,426	185,755
2013-2014	250,607	292,230	1.111	0.100	0.756	18,946	311,176
2014-2015	258,822	268,332	1.150	0.130	1.143	38,458	306,790
2015-2016	252,690	36,524	1.205	0.170	1.163	49,959	86,483
2016-2017	253,130	269,834	1.287	0.223	1.175	66,326	336,160
2017-2018	193,128	81,331	1.504	0.335	1.248	80,743	162,074
2018-2019	191,743	146,262	2.730	0.634	1.332	161,925	308,187
Totals	\$4,118,172	\$3,219,325				\$482,079	\$3,701,404

## 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.

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## SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Paid Losses

Accident Year	Trended Payroll (\$00) (A)	Paid Losses as of 12/31/19 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
1998-1999	\$114,862	\$157,580	1.039	0.038	\$1.645	\$7,180	\$164,760
1999-2000	129,021	151,151	1.042	0.040	1.413	7,292	158,443
2000-2001	133,431	1,156	1.024	0.023	0.010	31	1,187
2001-2002	151,696	71,958	1.026	0.025	0.522	1,980	73,938
2002-2003	167,621	38,562	1.029	0.028	0.342	1,605	40,167
2003-2004	185,328	43,015	1.032	0.031	0.257	1,477	44,492
2004-2005	178,521	59,858	1.034	0.033	0.371	2,186	62,044
2005-2006	174,160	61,573	1.037	0.036	0.393	2,464	64,037
2006-2007	185,785	4,599	1.042	0.040	0.028	208	4,807
2007-2008	202,451	426,594	1.048	0.046	2.215	20,628	447,222
2008-2009	202,225	115,576	1.108	0.097	0.722	14,163	129,739
2009-2010	214,686	397,750	1.123	0.110	1.609	37,997	435,747
2010-2011	215,348	56,481	1.141	0.124	0.334	8,919	65,400
2011-2012	212,820	339,525	1.164	0.141	1.143	34,299	373,824
2012-2013	250,097	168,329	1.198	0.165	0.882	36,397	204,726
2013-2014	250,607	292,230	1.235	0.190	0.756	35,997	328,227
2014-2015	258,822	157,259	1.295	0.228	1.143	67,450	224,709
2015-2016	252,690	36,524	1.382	0.276	1.163	81,110	117,634
2016-2017	253,130	227,923	1.554	0.356	1.175	105,884	333,807
2017-2018	193,128	37,668	2.299	0.565	1.248	136,178	173,846
2018-2019	191,743	61,635	4.193	0.762	1.332	194,616	256,251
Totals	\$4,118,172	\$2,906,946				\$798,061	\$3,705,007

## 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.

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## 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)
1998-1999	\$114,862	\$157,580	2.088	\$329,027	\$2.865	\$1.372	1.199	\$1.645
1999-2000	129,021	151,151	1.826	276,002	2.139	1.172	1.205	1.413
2000-2001	133,431	1,156	1.646	1,903	0.014	0.009	1.099	0.010
2001-2002	151,696	71,958	1.577	113,478	0.748	0.474	1.101	0.522
2002-2003	167,621	52,000	1.585	82,420	0.492	0.310	1.104	0.342
2003-2004	185,328	43,015	1.875	80,653	0.435	0.232	1.106	0.257
2004-2005	178,521	59,858	2.317	138,691	0.777	0.335	1.109	0.371
2005-2006	174,160	61,573	2.410	148,391	0.852	0.354	1.111	0.393
2006-2007	185,785	4,599	2.205	10,141	0.055	0.025	1.113	0.028
2007-2008	202,451	401,916	1.976	794,186	3.923	1.985	1.116	2.215
2008-2009	202,225	115,576	1.726	199,484	0.986	0.572	1.263	0.722
2009-2010	214,686	272,000	1.508	410,176	1.911	1.267	1.270	1.609
2010-2011	215,348	56,481	1.391	78,565	0.365	0.262	1.276	0.334
2011-2012	212,820	189,525	1.318	249,794	1.174	0.891	1.283	1.143
2012-2013	250,097	171,000	1.286	219,906	0.879	0.684	1.290	0.882
2013-2014	250,607	146,000	1.255	183,230	0.731	0.583	1.296	0.756
2014-2015	258,822	262,000	1.197	313,614	1.212	0.877	1.303	1.143
2015-2016	252,690	39,000	1.182	46,098	0.182	0.888	1.310	1.163
2016-2017	253,130	300,000	1.177	353,100	1.395	0.892	1.317	1.175
2017-2018	193,128	102,000	1.114	113,628	0.588	0.943	1.323	1.248
2018-2019	191,743	229,000	1.049	240,221	1.253	1.001	1.330	1.332
Total/Avg	\$4,118,172	\$2,887,388		\$4,382,708	\$1.064			
14/15-18/19	1,149,513	932,000		1,066,661	\$0.928			

Selected Limited Rate: \$1.050  
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 2013-2014 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.

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SHARP JPA - Workers' Compensation

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
1998-1999	\$9,945	19	\$188,955
1999-2000	14,016	13	182,208
2000-2001	423	3	1,269
2001-2002	5,660	14	79,240
2002-2003	3,587	16	57,392
2003-2004	3,966	12	47,592
2004-2005	3,687	18	66,366
2005-2006	5,699	12	68,388
2006-2007	426	12	5,112
2007-2008	29,898	15	448,470
2008-2009	9,124	16	145,984
2009-2010	34,546	10	345,460
2010-2011	9,012	8	72,096
2011-2012	20,262	12	243,144
2012-2013	22,058	10	220,580
2013-2014	18,926	10	189,260
2014-2015	24,854	13	323,102
2015-2016	26,629	15	399,435
2016-2017	28,293	13	367,809
2017-2018	31,632	12	379,584
2018-2019	35,545	12	426,540
Total		265	\$4,257,986

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.

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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)
1998-1999	\$157,580	19	\$8,294	6.132	\$50,859	\$8,294	1.199	\$9,945
1999-2000	151,151	13	11,627	5.095	59,240	11,627	1.205	14,016
2000-2001	1,156	3	385	4.363	1,680	385	1.099	423
2001-2002	71,958	14	5,140	3.971	20,411	5,140	1.101	5,660
2002-2003	52,000	16	3,250	3.790	12,318	3,250	1.104	3,587
2003-2004	43,015	12	3,585	4.260	15,272	3,585	1.106	3,966
2004-2005	59,858	18	3,325	5.000	16,625	3,325	1.109	3,687
2005-2006	61,573	12	5,131	4.940	25,347	5,131	1.111	5,699
2006-2007	4,599	12	383	4.294	1,645	383	1.113	426
2007-2008	401,916	15	26,794	3.655	97,932	26,794	1.116	29,898
2008-2009	115,576	16	7,224	3.033	21,910	7,224	1.263	9,124
2009-2010	272,000	10	27,200	2.517	68,462	27,200	1.270	34,546
2010-2011	56,481	8	7,060	2.206	15,574	7,060	1.276	9,012
2011-2012	189,525	12	15,794	1.986	31,367	15,794	1.283	20,262
2012-2013	171,000	10	17,100	1.841	31,481	17,100	1.290	22,058
2013-2014	146,000	10	14,600	1.707	24,922	14,600	1.296	18,926
2014-2015	262,000	13	20,154	1.547	31,178	19,069	1.303	24,854
2015-2016	55,000	15	3,667	1.451	5,321	20,331	1.310	26,629
2016-2017	296,000	13	22,769	1.373	31,262	21,486	1.317	28,293
2017-2018	112,000	12	9,333	1.234	11,517	23,906	1.323	31,632
2018-2019	289,000	12	24,083	1.104	26,588	26,721	1.330	35,545

Average Limited Severity: \$28,615

Selected Limited Severity: \$29,500  
Prior: \$27,000

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.

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## 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)
1998-1999	19	19	19	11	1.654	0.341	0.564
1999-2000	13	13	13	13	1.008	0.359	0.362
2000-2001	3	3	3	13	0.225	0.378	0.085
2001-2002	14	14	14	15	0.923	0.397	0.366
2002-2003	16	15	16	17	0.955	0.418	0.399
2003-2004	12	12	12	19	0.648	0.441	0.286
2004-2005	18	18	18	18	1.008	0.464	0.468
2005-2006	12	12	12	17	0.689	0.488	0.336
2006-2007	12	12	12	19	0.646	0.514	0.332
2007-2008	15	15	15	20	0.741	0.541	0.401
2008-2009	16	16	16	20	0.791	0.569	0.450
2009-2010	10	9	10	21	0.466	0.599	0.279
2010-2011	8	8	8	22	0.371	0.631	0.234
2011-2012	12	12	12	21	0.564	0.663	0.374
2012-2013	10	10	10	25	0.400	0.698	0.279
2013-2014	10	9	10	25	0.399	0.734	0.293
2014-2015	13	12	13	26	0.502	0.773	0.388
2015-2016	15	17	15	25	0.594	0.814	0.484
2016-2017	13	14	13	25	0.514	0.857	0.440
2017-2018	7	8	12	19	0.604	0.902	0.545
2018-2019	8	7	12	19	0.608	0.950	0.578
Total	256	255	264	411.817			0.378
(H) Selected 2019-2020 Frequency:							0.650
Prior:							0.490
Program Year:				2019-2020	2020-2021		
(I) Trend Factor:				1.000	0.950		
(J) Selected Frequency:				0.650	0.618		
(K) Estimated Payroll (\$000,000)				\$20	\$20		
(L) Ultimate Claims:				13	12		

## Notes:

- |  |   |
|--|---|
| (A) From Reserves Appendix D, Page 4, (C).               | (G) (E) x (F).                                      |
| (B) From Reserves Appendix D, Page 5, (C).               | (H) The selected frequency of .650 is based on (G). |
| (C) Selected from (A) and (B).                           | (I) From Reserves Appendix E.                       |
| (D) From Reserves Appendix N, Column (C) divided by 10,0 | (J) (H) x (I).                                      |
| (E) (C) / (D).   | (K) From Reserves Appendix N, Column (C) divided by |
| (F) From Reserves Appendix E.                            | (L) (J) x (K).                                      |

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



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SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2019 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1998-1999	19	1.000	19	0.564
1999-2000	13	1.000	13	0.362
2000-2001	3	1.000	3	0.085
2001-2002	14	1.000	14	0.366
2002-2003	16	1.000	16	0.399
2003-2004	12	1.000	12	0.286
2004-2005	18	1.000	18	0.468
2005-2006	12	1.000	12	0.336
2006-2007	12	1.000	12	0.332
2007-2008	15	1.000	15	0.401
2008-2009	16	1.000	16	0.450
2009-2010	10	1.000	10	0.279
2010-2011	8	1.000	8	0.234
2011-2012	12	1.000	12	0.374
2012-2013	10	1.000	10	0.279
2013-2014	10	1.000	10	0.293
2014-2015	13	1.000	13	0.388
2015-2016	15	1.000	15	0.483
2016-2017	13	1.000	13	0.440
2017-2018	7	1.000	7	0.327
2018-2019	8	1.025	8	0.396
Total	256		256	0.359

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.

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SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2019 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1998-1999	19	1.000	19	0.564
1999-2000	13	1.000	13	0.362
2000-2001	3	1.000	3	0.085
2001-2002	14	1.000	14	0.366
2002-2003	15	1.000	15	0.374
2003-2004	12	1.000	12	0.286
2004-2005	18	1.000	18	0.468
2005-2006	12	1.001	12	0.336
2006-2007	12	1.002	12	0.332
2007-2008	15	1.003	15	0.401
2008-2009	16	1.004	16	0.450
2009-2010	9	1.006	9	0.251
2010-2011	8	1.009	8	0.234
2011-2012	12	1.013	12	0.374
2012-2013	10	1.018	10	0.279
2013-2014	9	1.028	9	0.264
2014-2015	11	1.059	12	0.358
2015-2016	15	1.101	17	0.548
2016-2017	12	1.162	14	0.474
2017-2018	6	1.255	8	0.374
2018-2019	5	1.456	7	0.347
Total	246		255	0.359

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.

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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
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	12
2007-2008	3	15	15	15	15	15	15	15	15	15	15	15	15	
2008-2009	4	15	16	16	16	16	16	16	16	16	16	16	16	
2009-2010	3	9	10	10	10	10	10	10	10	10	10	10	10	
2010-2011	4	8	8	8	8	8	8	8	8	8	8	8	8	
2011-2012	7	11	12	12	12	12	12	12	12	12	12	12	12	
2012-2013	7	10	10	10	10	10	10	10	10	10	10	10	10	
2013-2014	1	10	10	10	10	10	10	10	10	10	10	10	10	
2014-2015	6	13	13	13	13	13	13	13	13	13	13	13	13	
2015-2016	8	15	15	15	15	15	15	15	15	15	15	15	15	
2016-2017	7	14	13	13	13	13	13	13	13	13	13	13	13	
2017-2018	3	7	7	7	7	7	7	7	7	7	7	7	7	
2018-2019	3	8	8	8	8	8	8	8	8	8	8	8	8	
2019-2020	6	6	6	6	6	6	6	6	6	6	6	6	6	

## 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
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	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	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	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	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	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	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2012-2013	1.429	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
2013-2014	10.000	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
2014-2015	2.167	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
2015-2016	1.875	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
2016-2017	2.000	0.929	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2017-2018	2.333	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
2018-2019	2.667	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

	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	2.999	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Claim-weighted Averages														
3-yr	2.231	0.972	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	2.095	0.980	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	2.480	1.044	1.005	1.005	1.002	1.002	1.001	1.001	1.000	1.001	1.000	1.000	1.000	1.000
Prior	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
Selected	2.900	1.025	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	2.973	1.025	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

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**SHARP JPA - Workers' Compensation**  
**Closed Claim Development**

Accident Year	<u>Claims Closed 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	138 Months	150 Months	162 Months
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	12
2007-2008	1	10	11	12	13	13	15	15	15	15	15	15	15	
2008-2009	1	14	14	14	14	16	16	16	16	16	16	16		
2009-2010	1	6	6	7	8	8	9	9	9	9	9			
2010-2011	4	7	7	7	7	8	8	8	8	8				
2011-2012	5	7	9	8	9	11	11	12	12					
2012-2013		8	8	9	10	10	10	10						
2013-2014		7	8	8	8	8	9							
2014-2015	2	9	9	10	10	11								
2015-2016	6	14	15	15	15									
2016-2017	3	7	11	12										
2017-2018	1	6	6											
2018-2019	2	5												
2019-2020	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
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	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	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	1.000		
2008-2009	14.000	1.000	1.000	1.000	1.143	1.000	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	1.000				
2010-2011	1.750	1.000	1.000	1.000	1.143	1.000	1.000	1.000	1.000					
2011-2012	1.400	1.286	0.889	1.125	1.222	1.000	1.091	1.000						
2012-2013		1.000	1.125	1.111	1.000	1.000	1.000							
2013-2014		1.143	1.000	1.000	1.000	1.125								
2014-2015	4.500	1.000	1.111	1.000	1.100									
2015-2016	2.333	1.071	1.000	1.000										
2016-2017	2.333	1.571	1.091											
2017-2018	6.000	1.000												
2018-2019	2.500													

	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	5.530	1.170	1.073	1.040	1.051	1.025	1.010	1.000	1.005	0.991	1.000	0.994	1.010	1.016
Claim-weighted Averages														
3-yr	3.000	1.185	1.057	1.000	1.036	1.034	1.034	1.000	1.000	1.000	1.000	1.000	1.026	1.051
4-yr	2.667	1.139	1.047	1.024	1.081	1.027	1.026	1.000	1.000	1.000	1.000	1.000	1.020	1.037
Comparative														
Factors	2.866	1.271	1.064	1.044	1.030	1.022	1.013	1.010	1.006	1.004	1.004	1.003	1.002	1.002
Prior	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
Selected	6.000	1.160	1.080	1.055	1.040	1.030	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Cumulated	8.736	1.456	1.255	1.162	1.101	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 2019-2020 Loss Rate Level (B)	Factor to 2020-2021 Loss Rate Level (C)	Factor to 2021-2022 Loss Rate Level (D)	Factor to 2022-2023 Loss Rate Level (E)	Factor to 2019-2020 Frequency Level (F)	Factor to 2020-2021 Frequency Level (G)	Factor to 2021-2022 Frequency Level (H)	Factor to 2022-2023 Frequency Level (I)	Factor to 2019-2020 Severity Level (J)
1998-1999	0.829	2.088	2.182	2.280	2.382	0.341	0.324	0.308	0.293	6.132
1999-2000	0.757	1.826	1.908	1.993	2.083	0.359	0.341	0.324	0.308	5.095
2000-2001	0.714	1.646	1.720	1.797	1.878	0.378	0.359	0.341	0.324	4.363
2001-2002	0.714	1.577	1.648	1.722	1.800	0.397	0.378	0.359	0.341	3.971
2002-2003	0.750	1.585	1.656	1.731	1.809	0.418	0.398	0.378	0.359	3.790
2003-2004	0.927	1.875	1.959	2.048	2.140	0.441	0.419	0.398	0.378	4.260
2004-2005	1.197	2.317	2.421	2.530	2.644	0.464	0.441	0.419	0.398	5.000
2005-2006	1.301	2.410	2.518	2.631	2.750	0.488	0.464	0.441	0.419	4.940
2006-2007	1.244	2.205	2.304	2.407	2.516	0.514	0.488	0.464	0.441	4.294
2007-2008	1.165	1.976	2.064	2.157	2.254	0.541	0.514	0.488	0.464	3.655
2008-2009	1.063	1.726	1.803	1.884	1.969	0.569	0.540	0.514	0.488	3.033
2009-2010	0.971	1.508	1.575	1.646	1.720	0.599	0.569	0.541	0.514	2.517
2010-2011	0.936	1.391	1.453	1.519	1.587	0.631	0.599	0.569	0.541	2.206
2011-2012	0.927	1.318	1.378	1.440	1.504	0.663	0.630	0.599	0.569	1.986
2012-2013	0.945	1.286	1.344	1.404	1.468	0.698	0.663	0.631	0.599	1.841
2013-2014	0.964	1.255	1.312	1.371	1.432	0.734	0.698	0.663	0.630	1.707
2014-2015	0.961	1.197	1.251	1.307	1.366	0.773	0.734	0.698	0.663	1.547
2015-2016	0.991	1.182	1.235	1.291	1.349	0.814	0.773	0.735	0.698	1.451
2016-2017	1.032	1.177	1.230	1.285	1.343	0.857	0.814	0.774	0.735	1.373
2017-2018	1.020	1.114	1.164	1.217	1.271	0.902	0.857	0.815	0.774	1.234
2018-2019	1.004	1.049	1.096	1.145	1.197	0.950	0.903	0.858	0.815	1.104
2019-2020	1.000	1.000	1.045	1.092	1.141	1.000	0.950	0.903	0.858	1.000
2020-2021	1.000	--	1.000	1.045	1.092	--	1.000	0.951	0.903	--
2021-2022	1.000	--	--	1.000	1.045	--	--	1.000	0.950	--
2022-2023	1.000	--	--	--	1.000	--	--	--	1.000	--

## Notes:

- (A) Based on WCIRB.  
 (B) - (E) (A) adjusted for a 4.5% annual loss rate trend.  
 (F) - (I) (A) adjusted for a -5.0% 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.

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## SHARP JPA - Workers' Compensation

Outstanding Liability for  
Unallocated Loss Adjustment Expenses  
as of 6/30/20

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)
2020-2021	18	\$584	1.050	\$613	\$11,034
2021-2022	11	584	1.103	644	7,084
2022-2023	7	584	1.158	676	4,732
2023-2024	5	584	1.216	710	3,550
2024-2025	4	584	1.277	746	2,984
2025-2026	4	584	1.341	783	3,132
2026-2027	3	584	1.408	822	2,466
2027-2028	2	584	1.478	863	1,726
2028-2029	1	584	1.552	906	906
2029-2030	0	584	1.630	952	0
2030-2031	0	584	1.712	1,000	0
2031-2032	0	584	1.798	1,050	0
2032-2033	0	584	1.888	1,103	0
2033-2034	0	584	1.982	1,157	0
2034-2035	0	584	2.081	1,215	0
2035-2036	0	584	2.185	1,276	0
2036-2037	0	584	2.294	1,340	0
2037-2038	0	584	2.409	1,407	0

(G) Total ULAE Outstanding as of 6/30/20: \$37,614

## 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.

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## SHARP JPA - Workers' Compensation

## Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2019</u>	<u>Calendar Period</u>	
		<u>1/1/2020</u> <u>to</u> <u>6/30/2020</u>	<u>7/1/2020</u> <u>to</u> <u>6/30/2021</u>
Prior			
Ultimate Loss	\$433,845	\$433,845	\$433,845
Paid in Calendar Period	-	900	903
Paid to Date	420,407	421,307	422,210
Outstanding Liability	13,438	12,538	11,635
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	\$426,594	\$426,594	\$426,594
Paid in Calendar Period	-		
Paid to Date	426,594	426,594	426,594
Outstanding Liability			
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			

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## SHARP JPA - Workers' Compensation

## Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2019</u>	<u>Calendar Period</u>	
		<u>1/1/2020</u> <u>to</u> <u>6/30/2020</u>	<u>7/1/2020</u> <u>to</u> <u>6/30/2021</u>
2009-2010			
Ultimate Loss	\$437,000	\$437,000	\$437,000
Paid in Calendar Period	-	2,277	11,351
Paid to Date	397,750	400,027	411,378
Outstanding Liability	39,250	36,973	25,622
2010-2011			
Ultimate Loss	\$56,481	\$56,481	\$56,481
Paid in Calendar Period	-		
Paid to Date	56,481	56,481	56,481
Outstanding Liability			
2011-2012			
Ultimate Loss	\$365,000	\$365,000	\$365,000
Paid in Calendar Period	-	1,630	2,766
Paid to Date	339,525	341,155	343,921
Outstanding Liability	25,475	23,845	21,079
2012-2013			
Ultimate Loss	\$195,000	\$195,000	\$195,000
Paid in Calendar Period	-	1,947	3,437
Paid to Date	168,329	170,276	173,713
Outstanding Liability	26,671	24,724	21,287
2013-2014			
Ultimate Loss	\$328,000	\$328,000	\$328,000
Paid in Calendar Period	-	2,361	4,577
Paid to Date	292,230	294,591	299,168
Outstanding Liability	35,770	33,409	28,832
2014-2015			
Ultimate Loss	\$307,000	\$307,000	\$307,000
Paid in Calendar Period	-	12,429	20,597
Paid to Date	157,259	169,688	190,285
Outstanding Liability	149,741	137,312	116,715
2015-2016			
Ultimate Loss	\$86,000	\$86,000	\$86,000
Paid in Calendar Period	-	4,354	7,716
Paid to Date	36,524	40,878	48,594
Outstanding Liability	49,476	45,122	37,406



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## SHARP JPA - Workers' Compensation

## Payment and Reserve Forecast

<u>Accident Year</u>	<u>As of</u> <u>12/31/2019</u>	<u>Calendar Period</u>	
		<u>1/1/2020</u> <u>to</u> <u>6/30/2020</u>	<u>7/1/2020</u> <u>to</u> <u>6/30/2021</u>
2016-2017			
Ultimate Loss	\$335,000	\$335,000	\$335,000
Paid in Calendar Period	-	11,993	19,397
Paid to Date	227,923	239,916	259,313
Outstanding Liability	107,077	95,084	75,687
2017-2018			
Ultimate Loss	\$210,000	\$210,000	\$210,000
Paid in Calendar Period	-	31,881	43,961
Paid to Date	37,668	69,549	113,510
Outstanding Liability	172,332	140,451	96,490
2018-2019			
Ultimate Loss	\$321,000	\$321,000	\$321,000
Paid in Calendar Period	-	33,458	69,128
Paid to Date	61,635	95,093	164,221
Outstanding Liability	259,365	225,907	156,779
2019-2020			
Ultimate Loss	\$159,000	\$318,000	\$318,000
Paid in Calendar Period	-	35,350	66,596
Paid to Date	5,166	40,516	107,112
Outstanding Liability	153,834	277,484	210,888
2020-2021			
Ultimate Loss	-	-	\$329,000
Paid in Calendar Period	-	-	41,783
Paid to Date	-	-	41,783
Outstanding Liability	-	-	287,217
Totals			
Ultimate Loss	\$3,944,541	\$4,103,541	\$4,432,541
Paid in Calendar Period	-	138,580	292,212
Paid to Date	2,912,112	3,050,692	3,342,904
Outstanding Liability	1,032,429	1,052,849	1,089,637
Total Outstanding ULAE	37,000	37,614	39,608
Outstanding Liability plus ULAE	1,069,429	1,090,463	1,129,245

Notes appear on the next page.

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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 2017-2018, \$31,881 is expected to be paid between 1/1/20 and 6/30/20, \$69,549 will have been paid by 6/30/20, and the reserve for remaining payments on these claims should be \$140,451.
- 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,  $\$43,961 = \$140,451 \times 31.3\%$ .
- Paid to Date is Paid in Calendar Period plus Paid to Date from previous calendar period. For example,  $\$113,510 = \$43,961 + \$69,549$ .
- Outstanding Liability is Ultimate Loss minus Paid to Date. For example,  $\$140,451 = \$210,000 - \$69,549$ .

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.

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## SHARP JPA - Workers' Compensation

## Short- and Long-Term Liabilities

<u>Liabilities as of 12/31/19:</u>		<u>Expected</u>	<u>Discounted</u>
<u>Current (Short Term)</u>	Loss and ALAE:	\$103,230	\$102,213
	ULAE:	12,264	12,143
	Short-Term Loss and LAE:	<u>\$115,494</u>	<u>\$114,356</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$929,199	\$823,694
	ULAE:	24,736	21,272
	Long-Term Loss and LAE:	<u>\$953,935</u>	<u>\$844,966</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,032,429	\$925,907
	ULAE:	37,000	33,415
	Total Loss and LAE:	<u>\$1,069,429</u>	<u>\$959,322</u>
<u>Liabilities as of 6/30/20:</u>			
<u>Current (Short Term)</u>	Loss and ALAE:	\$250,429	\$247,962
	ULAE:	11,034	10,925
	Short-Term Loss and LAE:	<u>\$261,463</u>	<u>\$258,887</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$802,420	\$696,357
	ULAE:	26,580	22,949
	Long-Term Loss and LAE:	<u>\$829,000</u>	<u>\$719,306</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,052,849	\$944,319
	ULAE:	37,614	33,874
	Total Loss and LAE:	<u>\$1,090,463</u>	<u>\$978,193</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 12/31/19:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$119,078	\$126,540	\$135,330	\$146,165	\$160,577
	ULAE:	14,147	15,033	16,077	17,364	19,077
	Short-Term Loss and LAE:	<u>\$133,225</u>	<u>\$141,573</u>	<u>\$151,407</u>	<u>\$163,529</u>	<u>\$179,654</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$959,604	\$1,019,733	\$1,090,571	\$1,177,882	\$1,294,023
	ULAE:	24,781	26,335	28,164	30,419	33,418
	Long-Term Loss and LAE:	<u>\$984,385</u>	<u>\$1,046,068</u>	<u>\$1,118,735</u>	<u>\$1,208,301</u>	<u>\$1,327,441</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,078,682	\$1,146,273	\$1,225,901	\$1,324,047	\$1,454,600
	ULAE:	38,928	41,368	44,241	47,783	52,495
	Total Loss and LAE:	<u>\$1,117,610</u>	<u>\$1,187,641</u>	<u>\$1,270,142</u>	<u>\$1,371,830</u>	<u>\$1,507,095</u>
<u>Liabilities as of 6/30/20:</u>						
<u>Current (Short Term)</u>	Loss and ALAE:	\$288,876	\$306,977	\$328,302	\$354,586	\$389,548
	ULAE:	12,728	13,525	14,465	15,623	17,163
	Short-Term Loss and LAE:	<u>\$301,604</u>	<u>\$320,502</u>	<u>\$342,767</u>	<u>\$370,209</u>	<u>\$406,711</u>
<u>Non-current (Long Term)</u>	Loss and ALAE:	\$811,256	\$862,090	\$921,976	\$995,790	\$1,093,977
	ULAE:	26,735	28,411	30,385	32,817	36,053
	Long-Term Loss and LAE:	<u>\$837,991</u>	<u>\$890,501</u>	<u>\$952,361</u>	<u>\$1,028,607</u>	<u>\$1,130,030</u>
<u>Total Liability</u>	Loss and ALAE:	\$1,100,132	\$1,169,067	\$1,250,278	\$1,350,376	\$1,483,525
	ULAE:	39,463	41,936	44,850	48,440	53,216
	Total Loss and LAE:	<u>\$1,139,595</u>	<u>\$1,211,003</u>	<u>\$1,295,128</u>	<u>\$1,398,816</u>	<u>\$1,536,741</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.

**DRAFT****SHARP JPA - Workers' Compensation****Discount Factors to be Applied to Overall Reserves**

Accident Year	Full Value of Reserve at 12/31/19 (A)	Discount Factor (B)	Discounted Reserve at 12/31/19 (C)	Full Value of Reserve at 6/30/20 (D)	Discount Factor (E)	Discounted Reserve at 6/30/20 (F)
2014-2015	\$149,741	0.868	\$130,002	\$137,312	0.866	\$118,880
2015-2016	49,476	0.875	43,281	45,122	0.871	39,283
2016-2017	107,077	0.890	95,249	95,084	0.879	83,578
2017-2018	172,332	0.907	156,346	140,451	0.900	126,418
2018-2019	259,365	0.916	237,704	225,907	0.914	206,566
2019-2020	153,834	0.915	140,794	277,484	0.919	254,893
Totals	\$1,032,429		\$925,907	\$1,052,849		\$944,319
(G) Discount Factor at 12/31/19 for Overall Reserve:						0.897
(H) Discount Factor at 6/30/20 for Overall Reserve:						0.897

**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 0.897, the discounted liability for outstanding claims is 89.7% of the full value.

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## SHARP JPA - Workers' Compensation

## Confidence Level Table

Probability	Outstanding Losses
95%	1.804
90	1.571
85	1.430
80	1.324
75	1.238
70	1.165
65	1.100
60	1.041
55	0.987
50	0.935
45	0.886
40	0.838
35	0.789
30	0.741
25	0.690

To read table: For the above retention, there is a 90% chance  
that final loss settlements will be less than  
1.571 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.

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## SHARP JPA - Workers' Compensation

## Program History

Policy Year Start Date	Policy Year End Date	Policy Year	Self-Insured Retention	
			Per Occurrence	Aggregate
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)
7/1/2020	6/30/2021	2020-2021	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.

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## SHARP JPA - Workers' Compensation

Estimated Fund Balance as of 6/30/20

(A) <u>Estimated Fund Balance as of 6/30/19:</u>	\$4,931,000
(B) <u>Total Income to Fund from 7/1/19 - 6/30/20:</u>	
Contributions:	\$684,000
Interest:	0
Other:	0
Total Income:	<u>\$684,000</u>
(C) <u>Total Payments from Fund from 7/1/19 - 6/30/20:</u>	
Loss and ALAE:	\$327,000
Additional Allocated Loss Adjustment Expense:	0
In-House Unallocated Loss Adjustment Expense:	0
Fees to Outside Administrator (TPA):	15,000
Excess Insurance:	229,000
Other:	81,000
Total Payments:	<u>\$652,000</u>
(D) <u>Estimated Fund Balance as of 6/30/20:</u>	\$4,963,000

## Notes:

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

**DRAFT**

## SHARP JPA - Workers' Compensation

Reported Loss Data as of 12/31/19

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)
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	0	24,678	401,916	24,678	426,594	426,594
2008-2009	82,671	32,904	0	115,576	0	0	115,576	0	115,576	115,576
2009-2010	406,522	9,031	0	415,553	0	144,205	271,348	144,205	415,553	415,553
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	445,768	0	0	445,768	153,538	303,538	142,230	150,000	292,230	292,230
2014-2015	268,332	0	0	268,332	0	17,438	250,894	17,438	268,332	268,332
2015-2016	36,423	101	0	36,524	0	0	36,524	0	36,524	36,524
2016-2017	269,834	0	0	269,834	0	0	269,834	0	269,834	269,834
2017-2018	81,645	0	314	81,331	0	0	81,331	0	81,331	81,331
2018-2019	146,262	0	0	146,262	0	0	146,262	0	146,262	146,262
2019-2020	28,616	0	0	28,616	0	0	28,616	0	28,616	28,616
Total	\$3,497,026	\$149,040	\$242,267	\$3,403,799	\$155,857	\$642,178	\$2,761,621	\$486,321	\$3,247,942	\$3,247,942

## 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.



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## SHARP JPA - Workers' Compensation

## Paid Loss Data as of 12/31/19

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)
1998-1999	\$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
1990-1991	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	0	24,678	401,916	24,678	426,594	426,594
2008-2009	82,671	32,904	0	115,576	0	0	115,576	0	115,576	115,576
2009-2010	388,719	9,031	0	397,750	0	144,205	253,545	144,205	397,750	397,750
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	331,339	0	0	331,339	39,109	189,109	142,230	150,000	292,230	292,230
2014-2015	157,259	0	0	157,259	0	0	157,259	0	157,259	157,259
2015-2016	36,423	101	0	36,524	0	0	36,524	0	36,524	36,524
2016-2017	227,923	0	0	227,923	0	0	227,923	0	227,923	227,923
2017-2018	37,982	0	314	37,668	0	0	37,668	0	37,668	37,668
2018-2019	61,635	0	0	61,635	0	0	61,635	0	61,635	61,635
2019-2020	5,166	0	0	5,166	0	0	5,166	0	5,166	5,166
Total	\$3,046,768	\$149,040	\$242,267	\$2,953,540	\$41,427	\$510,310	\$2,443,230	\$468,883	\$2,912,113	\$2,912,113

## 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.

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## SHARP JPA - Workers' Compensation

## Claim Count Data as of 12/31/19

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)
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	9	0	0	9	1	1
2014-2015	13	0	0	13	11	0	0	11	2	2
2015-2016	15	0	0	15	15	0	0	15	0	0
2016-2017	13	0	0	13	12	0	0	12	1	1
2017-2018	7	0	0	7	6	0	0	6	1	1
2018-2019	8	0	0	8	5	0	0	5	3	3
2019-2020	6	0	0	6	2	0	0	2	4	4
Total	262	0	0	262	248	0	0	248	14	14

## 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).

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## SHARP JPA - Workers' Compensation

## Exposure Measures

Accident Year	Total Payroll (\$00) (B)	Inflation Trend Factor (B)	Trended Payroll (\$00) (C)
1998-1999	68,411	1.679	114,862
1999-2000	78,767	1.638	129,021
2000-2001	83,499	1.598	133,431
2001-2002	97,303	1.559	151,696
2002-2003	110,205	1.521	167,621
2003-2004	124,884	1.484	185,328
2004-2005	123,288	1.448	178,521
2005-2006	123,256	1.413	174,160
2006-2007	134,724	1.379	185,785
2007-2008	150,521	1.345	202,451
2008-2009	154,135	1.312	202,225
2009-2010	167,723	1.280	214,686
2010-2011	172,416	1.249	215,348
2011-2012	174,586	1.219	212,820
2012-2013	210,343	1.189	250,097
2013-2014	216,040	1.160	250,607
2014-2015	228,641	1.132	258,822
2015-2016	228,886	1.104	252,690
2016-2017	235,032	1.077	253,130
2017-2018	183,757	1.051	193,128
2018-2019	187,066	1.025	191,743
2019-2020	197,769	1.000	197,769
2020-2021	201,720	1.000	201,720

## Notes:

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

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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)
1998-1999	\$157,580	0.934	\$147,180	\$114,862	\$1.281
1999-2000	151,151	0.848	128,176	129,021	0.993
2000-2001	1,156	0.794	918	133,431	0.007
2001-2002	71,958	0.790	56,847	151,696	0.375
2002-2003	53,000	0.825	43,725	167,621	0.261
2003-2004	41,901	1.015	42,530	95,606	0.445
2004-2005	54,876	1.303	71,503	89,911	0.795
2005-2006	61,331	1.409	86,415	86,307	1.001
2006-2007	4,168	1.340	5,585	98,140	0.057
2007-2008	334,048	1.247	416,558	171,501	2.429
2008-2009	51,302	1.132	58,074	169,030	0.344
2009-2010	236,051	1.028	242,660	178,243	1.361
2010-2011	113,428	0.985	111,727	176,769	0.632
2011-2012	241,516	0.971	234,512	178,201	1.316
2012-2013	71,332	0.984	70,191	167,560	0.419
2013-2014	142,230	0.998	141,946	169,546	0.837
2014-2015	262,000	0.989	259,118	177,263	1.462
2015-2016	51,000	1.015	51,765	179,141	0.289
2016-2017	295,000	1.050	309,750	186,598	1.660
2017-2018	130,000	1.032	134,160	191,184	0.702
2018-2019	272,000	1.010	274,720	191,743	1.433
Totals	\$2,797,028		\$2,888,060	\$3,203,374	\$0.902
16/17-18/19	697,000		718,630	569,525	\$1.262
(F) Selected Limited Rate:					\$1.200
Prior:					\$1.200
Program Year:		2019-2020	2020-2021		
(G) Factor to SIR:		1.342	1.349		
(H) Trend Factor:		1.000	1.006		
(I) Program Rate:		\$1.610	\$1.629		
(J) Estimated Payroll (\$00):		\$197,769	\$201,720		
(K) Projected Program Losses:		318,000	329,000		
(L) Projected ULAE:		15,000	16,000		
(M) Projected Loss and ULAE:		\$333,000	\$345,000		

Notes appear on the next page.

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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.

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## SHARP JPA - Workers' Compensation

## Reported Loss Development

Accident Year (A)	Limited Reported Losses as of 12/31/19 (B)	Reported Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Reported Losses of 12/31/19 (E)	Reported Loss Development Factor (F)	Ultimate Program Losses (G)
1998-1999	\$157,580	1.000	\$157,580	\$157,580	1.004	\$158,210
1999-2000	151,151	1.000	151,151	151,151	1.005	151,907
2000-2001	1,156	1.000	1,156	1,156	1.004	1,161
2001-2002	71,958	1.000	71,958	71,958	1.005	72,318
2002-2003	51,864	1.000	51,864	51,864	1.006	52,175
2003-2004	41,901	1.000	41,901	41,901	1.007	42,194
2004-2005	54,876	1.000	54,876	54,876	1.008	55,315
2005-2006	61,331	1.000	61,331	61,331	1.010	61,944
2006-2007	4,168	1.000	4,168	4,168	1.012	4,218
2007-2008	334,048	1.000	334,048	408,685	1.014	414,407
2008-2009	51,302	1.001	51,353	51,302	1.035	53,098
2009-2010	236,051	1.003	236,759	380,256	1.044	396,987
2010-2011	113,428	1.006	114,109	113,428	1.056	119,780
2011-2012	241,516	1.010	243,931	391,516	1.070	418,922
2012-2013	71,332	1.015	72,402	71,332	1.087	77,538
2013-2014	142,230	1.025	145,786	292,230	1.112	324,960
2014-2015	250,894	1.046	262,435	268,332	1.151	308,850
2015-2016	36,524	1.072	39,154	36,524	1.206	44,048
2016-2017	269,834	1.110	299,516	269,834	1.290	348,086
2017-2018	81,331	1.251	101,745	81,331	1.507	122,566
2018-2019	146,262	2.231	326,311	146,262	2.737	400,319
Totals	\$2,570,737		\$2,823,534	\$3,107,017		\$3,629,003

## 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.

**DRAFT**SHARP JPA - Workers' Compensation  
Reported Loss DevelopmentLimited 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
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	271,348
2010-2011	2,992	20,124	87,062	101,528	66,414	56,481	55,628	55,628	55,628	56,481	
2011-2012	56,920	103,910	202,358	226,741	232,454	8,595	185,562	185,562	189,525		
2012-2013	74,101	94,857	189,657	221,117	163,373	163,338	163,338	168,329			
2013-2014	1,500	62,107	155,761	205,397	186,893	161,921	142,230				
2014-2015	47,420	174,495	284,278	283,868	258,325	250,894					
2015-2016	21,825	20,530	36,423	36,423	36,524						
2016-2017	46,539	303,178	298,330	269,834							
2017-2018	8,412	81,225	81,331								
2018-2019	3,614	146,262									
2019-2020	28,616										

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
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	1.398
2009-2010	7.246	1.099	1.121	0.892	1.186	0.891	0.968	0.970	0.989	1.039	
2010-2011	6.726	4.326	1.166	0.654	0.850	0.985	1.000	1.000	1.015		
2011-2012	1.826	1.947	1.120	1.025	0.037	21.590	1.000	1.021			
2012-2013	1.280	1.999	1.166	0.739	1.000	1.000	1.031				
2013-2014	41.405	2.508	1.319	0.910	0.866	0.878					
2014-2015	3.680	1.629	0.999	0.910	0.971						
2015-2016	0.941	1.774	1.000	1.003							
2016-2017	6.514	0.984	0.904								
2017-2018	9.656	1.001									
2018-2019	40.471										
	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	8.486	1.680	1.115	0.956	0.933	2.484	1.013	1.036	0.911	1.030	1.039
3-yr	9.061	1.028	0.953	0.916	0.947	1.471	1.012	0.992	0.995	1.128	1.474
4-yr	6.857	1.209	1.027	0.864	0.695	1.401	0.994	0.941	0.815	1.127	1.332
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	4.863	1.817	1.132	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Selected	5.767	1.783	1.127	1.035	1.025	1.020	1.010	1.005	1.004	1.003	1.002
Cumulated	12.866	2.231	1.251	1.110	1.072	1.046	1.025	1.015	1.010	1.006	1.003

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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
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	1,156		
2001-2002	71,958	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	51,864				
2003-2004	43,015	43,015	43,015	43,015	43,015						
2004-2005	59,858	56,321	56,321	56,321	59,858						
2005-2006	38,796	38,796	38,796	61,573							
2006-2007	4,599	4,599	4,599								
2007-2008	331,033	401,916									
2008-2009	115,576										
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											

	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
1998-1999	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		
2000-2001	1.000	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	1.000				
2002-2003	1.000	1.000	1.000	1.654	1.000	1.000					
2003-2004	1.000	1.000	1.000	1.000	1.000						
2004-2005	0.941	1.000	1.000	1.063							
2005-2006	1.000	1.000	1.587								
2006-2007	1.000	1.000									
2007-2008	1.214										
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
Average Dollar-weighted Averages	1.016	1.000	1.073	1.102	1.000	1.000	1.000	1.000	1.000	1.000	
3-yr	1.189	1.000	1.165	1.184	1.000	1.000	1.000	1.000			
4-yr	1.155	1.000	1.134	1.119	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



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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
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	144,205
2010-2011											
2011-2012			163,501	174,416	58,665	329,286	152,319	152,319	152,319		
2012-2013											
2013-2014				106,190	137,484	303,538	303,538				
2014-2015					23,792	17,438					
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											
	<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
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	1.000	
2010-2011											
2011-2012			1.067	0.336	5.613	0.463	1.000	1.000			
2012-2013											
2013-2014				1.295	2.208	1.000					
2014-2015					0.733						
2015-2016											
2016-2017											
2017-2018											
2018-2019											
	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	2.208	2.139	0.742	1.000	0.979	1.201	0.857	0.180
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	3.855	2.109	1.544	1.296	1.175	1.103	1.078	1.064	1.053	1.044	1.036
Cumulated	32.609	8.459	4.011	2.598	2.005	1.706	1.547	1.435	1.349	1.281	1.227

**DRAFT**

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

Accident Year	Losses Reported as of:											
	138 Months	150 Months										
2002-2003												
2003-2004												
2004-2005												
2005-2006												
2006-2007												
2007-2008	24,678	24,678										
2008-2009												
2009-2010												
2010-2011												
2011-2012												
2012-2013												
2013-2014												
2014-2015												
2015-2016												
2016-2017												
2017-2018												
2018-2019												
2019-2020												
	138-150 Months	150-Ult. Months										
2002-2003												
2003-2004												
2004-2005												
2005-2006												
2006-2007												
2007-2008	1.000											
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-Ult. Months										
Average	1.000											
Dollar-weighted												
Averages												
3-yr												
4-yr												
Comparative												
Factors	1.043	1.330										
Prior	1.043	1.037	1.034	1.032	1.031	1.027	1.023	1.020	1.021	1.066	0.000	
Selected	1.029	1.151	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Cumulated	1.184	1.151										

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## SHARP JPA - Workers' Compensation

## Paid Loss Development

Accident Year (A)	Limited Paid Losses as of 12/31/19 (B)	Paid Loss Development Factor (C)	Ultimate Limited Losses (D)	Program Paid Losses of 12/31/19 (E)	Paid Loss Development Factor (F)	Ultimate Program Losses (G)
1998-1999	\$157,580	1.000	\$157,580	\$157,580	1.037	\$163,410
1999-2000	151,151	1.000	151,151	151,151	1.040	157,197
2000-2001	1,156	1.000	1,156	1,156	1.023	1,183
2001-2002	71,958	1.000	71,958	71,958	1.025	73,757
2002-2003	38,562	1.000	38,562	38,562	1.028	39,642
2003-2004	41,901	1.000	41,901	41,901	1.031	43,200
2004-2005	54,876	1.000	54,876	54,876	1.034	56,742
2005-2006	61,331	1.000	61,331	61,331	1.037	63,600
2006-2007	4,168	1.001	4,172	4,168	1.042	4,343
2007-2008	334,048	1.003	335,050	408,685	1.049	428,711
2008-2009	51,302	1.005	51,559	51,302	1.109	56,894
2009-2010	236,051	1.008	237,939	380,256	1.125	427,788
2010-2011	113,428	1.012	114,789	113,428	1.143	129,648
2011-2012	241,516	1.017	245,622	391,516	1.166	456,508
2012-2013	71,332	1.027	73,258	71,332	1.200	85,598
2013-2014	142,230	1.037	147,493	292,230	1.237	361,489
2014-2015	157,259	1.063	167,166	157,259	1.299	204,279
2015-2016	36,524	1.106	40,396	36,524	1.386	50,622
2016-2017	227,923	1.215	276,926	227,923	1.560	355,560
2017-2018	37,668	1.768	66,597	37,668	2.307	86,900
2018-2019	61,635	3.182	196,123	61,635	4.208	259,360
Totals	\$2,293,599		\$2,535,605	\$2,812,441		\$3,506,431

## 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.

**DRAFT**

**SHARP JPA - Workers' Compensation  
Paid Loss Development**

Limited Losses Paid as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months
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	253,545
2010-2011	2,992	14,792	26,633	35,920	56,481	56,481	55,628	55,628	55,628	56,481	
2011-2012	35,690	57,935	81,050	94,297	104,267	8,595	185,562	185,562	189,525		
2012-2013	11,780	55,935	72,665	167,167	163,373	163,338	163,338	168,329			
2013-2014		20,411	56,059	127,493	142,206	142,230	142,230				
2014-2015	7,219	47,371	87,262	135,365	155,499	157,259					
2015-2016	8,643	19,715	36,423	36,423	36,524						
2016-2017	5,793	87,512	190,312	227,923							
2017-2018	112	37,562	37,668								
2018-2019	1,125	61,635									
2019-2020	5,166										

Paid Loss Development Factors:

	6-18 Months	18-30 Months	30-42 Months	42-54 Months	54-66 Months	66-78 Months	78-90 Months	90-102 Months	102-114 Months	114-126 Months	126-138 Months
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	1.398
2009-2010	7.761	1.263	1.966	1.214	1.072	1.040	0.969	1.009	1.006	1.041	
2010-2011	4.944	1.801	1.349	1.572	1.000	0.985	1.000	1.000	1.015		
2011-2012	1.623	1.399	1.163	1.106	0.082	21.590	1.000	1.021			
2012-2013	4.748	1.299	2.301	0.977	1.000	1.000	1.031				
2013-2014		2.747	2.274	1.115	1.000	1.000					
2014-2015	6.562	1.842	1.551	1.149	1.011						
2015-2016	2.281	1.847	1.000	1.003							
2016-2017	15.107	2.175	1.198								
2017-2018	335.375	1.003									
2018-2019	54.787										

	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	33.924	1.727	1.330	1.095	0.977	2.583	1.025	0.990	0.972	1.034	1.049
Dollar-weighted Averages											
3-yr	26.559	1.826	1.273	1.117	1.004	1.563	1.012	1.013	1.006	1.133	1.474
4-yr	13.171	1.830	1.425	1.067	0.834	1.475	0.996	0.955	0.815	1.131	1.332
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	1.792	1.497	1.100	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Selected	15.000	1.800	1.455	1.099	1.040	1.025	1.010	1.010	1.005	1.004	1.003
Cumulated	47.730	3.182	1.768	1.215	1.106	1.063	1.037	1.027	1.017	1.012	1.008

**DRAFT**

SHARP JPA - Workers' Compensation  
Paid Loss Development

Limited Losses Paid 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
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	151,151
2000-2001	1,156	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	71,958			
2002-2003	31,362	31,362	31,362	31,362	31,362	38,562	38,562				
2003-2004	43,015	43,015	43,015	43,015	43,015	43,015					
2004-2005	59,858	56,321	56,321	56,321	59,858						
2005-2006	38,796	38,796	38,796	61,573							
2006-2007	4,599	4,599	4,599								
2007-2008	331,033	401,916									
2008-2009	115,576										
2009-2010											
2010-2011											
2011-2012											
2012-2013											
2013-2014											
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											
	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
1998-1999	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		
2000-2001	1.000	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	1.000				
2002-2003	1.000	1.000	1.000	1.000	1.230	1.000					
2003-2004	1.000	1.000	1.000	1.000	1.000						
2004-2005	0.941	1.000	1.000	1.063							
2005-2006	1.000	1.000	1.587								
2006-2007	1.000	1.000									
2007-2008	1.214										
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
Average	1.016	1.000	1.073	1.009	1.038	1.000	1.000	1.000	1.000	1.000	
Dollar-weighted Averages											
3-yr	1.189	1.000	1.165	1.027	1.049	1.000	1.000	1.000			
4-yr	1.155	1.000	1.134	1.017	1.049	1.000	1.000				
Comparative Factors	1.009	1.008	1.008	1.008	1.006	1.006	1.004	1.004	1.002	1.001	1.022
Prior	1.002	1.002	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
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

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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
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											
2009-2010				144,205	144,205	144,205	144,205	144,205	144,205	144,205	144,205
2010-2011											
2011-2012						329,286	152,319	152,319	152,319		
2012-2013											
2013-2014				9,798	53,238	170,376	189,109				
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
2019-2020											
	<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
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											
2009-2010				1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2010-2011											
2011-2012						0.463	1.000	1.000			
2012-2013											
2013-2014				5.434	3.200	1.110					
2014-2015											
2015-2016											
2016-2017											
2017-2018											
2018-2019											
Average Dollar-weighted Averages	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	2.443	1.780	0.908	1.000	1.001	1.201	0.857	0.180
3-yr											
4-yr											
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	5.667	3.362	2.470	1.858	1.531	1.338	1.234	1.179	1.124	1.088	1.073
Cumulated	619.681	109.349	32.525	13.168	7.087	4.629	3.460	2.804	2.378	2.116	1.945

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

	<u>Losses Paid as of:</u>											
Accident Year	138 Months	150 Months										
2002-2003												
2003-2004												
2004-2005												
2005-2006												
2006-2007												
2007-2008	24,678	24,678										
2008-2009												
2009-2010												
2010-2011												
2011-2012												
2012-2013												
2013-2014												
2014-2015												
2015-2016												
2016-2017												
2017-2018												
2018-2019												
2019-2020												
	138-150 Months	150-Ult. Months										
2002-2003												
2003-2004												
2004-2005												
2005-2006												
2006-2007												
2007-2008	1.000											
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-Ult. Months										
Average	1.000											
Dollar-weighted												
Averages												
3-yr												
4-yr												
Comparative												
Factors	1.062	1.867										
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	1.707	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Cumulated	1.813	1.707										

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SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Reported Losses

Accident Year	Trended Payroll (\$00) (A)	Reported Losses as of 12/31/19 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Reported (D)	Program Rate (E)	Incurred but not Reported (IBNR) (F)	Ultimate Program Losses (G)
1998-1999	\$114,862	\$157,580	1.004	0.004	\$1.649	\$758	\$158,338
1999-2000	129,021	151,151	1.005	0.005	1.417	914	152,065
2000-2001	133,431	1,156	1.004	0.004	0.010	5	1,161
2001-2002	151,696	71,958	1.005	0.005	0.523	397	72,355
2002-2003	167,621	51,864	1.006	0.006	0.349	351	52,215
2003-2004	95,606	41,901	1.007	0.007	0.485	325	42,226
2004-2005	89,911	54,876	1.008	0.008	0.677	487	55,363
2005-2006	86,307	61,331	1.010	0.010	0.791	683	62,014
2006-2007	98,140	4,168	1.012	0.012	0.047	55	4,223
2007-2008	171,501	408,685	1.014	0.014	2.177	5,227	413,912
2008-2009	169,030	51,302	1.035	0.034	0.385	2,213	53,515
2009-2010	178,243	380,256	1.044	0.042	1.687	12,629	392,885
2010-2011	176,769	113,428	1.056	0.053	0.822	7,701	121,129
2011-2012	178,201	391,516	1.070	0.065	1.744	20,201	411,717
2012-2013	167,560	71,332	1.087	0.080	0.551	7,386	78,718
2013-2014	169,546	292,230	1.112	0.101	1.091	18,682	310,912
2014-2015	177,263	268,332	1.151	0.131	1.587	36,852	305,184
2015-2016	179,141	36,524	1.206	0.171	1.554	47,604	84,128
2016-2017	186,598	269,834	1.290	0.225	1.511	63,439	333,273
2017-2018	191,184	81,331	1.507	0.336	1.545	99,247	180,578
2018-2019	191,743	146,262	2.737	0.635	1.586	193,106	339,368
Totals	\$3,203,374	\$3,107,017				\$518,262	\$3,625,279

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.



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SHARP JPA - Workers' Compensation

Exposure and Development Method  
Based on Paid Losses

Accident Year	Trended Payroll (\$00) (A)	Paid Losses as of 12/31/19 (B)	Loss Development Factor (C)	Percentage of Losses Yet to Be Paid (D)	Program Rate (E)	Incurred but not Paid (F)	Ultimate Program Losses (G)
1998-1999	\$114,862	\$157,580	1.037	0.036	\$1.649	\$6,819	\$164,399
1999-2000	129,021	151,151	1.040	0.038	1.417	6,947	158,098
2000-2001	133,431	1,156	1.023	0.022	0.010	29	1,185
2001-2002	151,696	71,958	1.025	0.024	0.523	1,904	73,862
2002-2003	167,621	38,562	1.028	0.027	0.349	1,579	40,141
2003-2004	95,606	41,901	1.031	0.030	0.485	1,391	43,292
2004-2005	89,911	54,876	1.034	0.033	0.677	2,009	56,885
2005-2006	86,307	61,331	1.037	0.036	0.791	2,458	63,789
2006-2007	98,140	4,168	1.042	0.040	0.047	185	4,353
2007-2008	171,501	408,685	1.049	0.047	2.177	17,548	426,233
2008-2009	169,030	51,302	1.109	0.098	0.385	6,378	57,680
2009-2010	178,243	380,256	1.125	0.111	1.687	33,377	413,633
2010-2011	176,769	113,428	1.143	0.125	0.822	18,163	131,591
2011-2012	178,201	391,516	1.166	0.142	1.744	44,131	435,647
2012-2013	167,560	71,332	1.200	0.167	0.551	15,418	86,750
2013-2014	169,546	292,230	1.237	0.192	1.091	35,515	327,745
2014-2015	177,263	157,259	1.299	0.230	1.587	64,703	221,962
2015-2016	179,141	36,524	1.386	0.278	1.554	77,391	113,915
2016-2017	186,598	227,923	1.560	0.359	1.511	101,220	329,143
2017-2018	191,184	37,668	2.307	0.567	1.545	167,480	205,148
2018-2019	191,743	61,635	4.208	0.762	1.586	231,728	293,363
Totals	\$3,203,374	\$2,812,441				\$836,373	\$3,648,814

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.

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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)
1998-1999	\$114,862	\$157,580	0.934	\$147,180	\$1.281	\$1.372	1.202	\$1.649
1999-2000	129,021	151,151	0.848	128,176	0.993	1.172	1.209	1.417
2000-2001	133,431	1,156	0.794	918	0.007	0.009	1.100	0.010
2001-2002	151,696	71,958	0.790	56,847	0.375	0.474	1.103	0.523
2002-2003	167,621	53,000	0.825	43,725	0.261	0.316	1.105	0.349
2003-2004	95,606	41,901	1.015	42,530	0.445	0.438	1.108	0.485
2004-2005	89,911	54,876	1.303	71,503	0.795	0.610	1.111	0.677
2005-2006	86,307	61,331	1.409	86,415	1.001	0.711	1.112	0.791
2006-2007	98,140	4,168	1.340	5,585	0.057	0.042	1.115	0.047
2007-2008	171,501	334,048	1.247	416,558	2.429	1.948	1.118	2.177
2008-2009	169,030	51,302	1.132	58,074	0.344	0.304	1.267	0.385
2009-2010	178,243	236,051	1.028	242,660	1.361	1.324	1.274	1.687
2010-2011	176,769	113,428	0.985	111,727	0.632	0.642	1.281	0.822
2011-2012	178,201	241,516	0.971	234,512	1.316	1.355	1.287	1.744
2012-2013	167,560	71,332	0.984	70,191	0.419	0.426	1.294	0.551
2013-2014	169,546	142,230	0.998	141,946	0.837	0.839	1.301	1.091
2014-2015	177,263	262,000	0.989	259,118	1.462	1.213	1.308	1.587
2015-2016	179,141	39,000	1.015	39,585	0.221	1.182	1.315	1.554
2016-2017	186,598	300,000	1.050	315,000	1.688	1.143	1.322	1.511
2017-2018	191,184	102,000	1.032	105,264	0.551	1.163	1.328	1.545
2018-2019	191,743	326,000	1.010	329,260	1.717	1.188	1.335	1.586
Total/Avg	\$3,203,374	\$2,816,028		\$2,906,774	\$0.907			
16/17-18/19	569,525	728,000		749,524	\$1.316			

Selected Limited Rate: \$1.200  
Prior: \$1.200

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 2013-2014 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.

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SHARP JPA - Workers' Compensation

Frequency and Severity Method

Accident Year	Ultimate Program Severity (A)	Adjusted Ultimate Claims (B)	Ultimate Program Losses (C)
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	26,668	14	373,352
2008-2009	2,827	23	65,021
2009-2010	14,324	21	300,804
2010-2011	7,646	19	145,274
2011-2012	15,545	20	310,900
2012-2013	4,859	19	92,321
2013-2014	18,503	10	185,030
2014-2015	28,649	13	372,437
2015-2016	29,831	15	447,465
2016-2017	30,848	13	401,024
2017-2018	33,518	12	402,216
2018-2019	36,646	12	439,752
Total		301	\$4,227,177

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.

**DRAFT**

## 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)
1998-1999	\$157,580	19	\$8,294	3.433	\$28,473	\$8,294	1.202	\$9,971
1999-2000	151,151	13	11,627	2.932	34,090	11,627	1.209	14,053
2000-2001	1,156	3	385	2.582	994	385	1.100	424
2001-2002	71,958	14	5,140	2.416	12,418	5,140	1.103	5,668
2002-2003	53,000	16	3,313	2.371	7,855	3,313	1.105	3,662
2003-2004	41,901	10	4,190	2.739	11,476	4,190	1.108	4,642
2004-2005	54,876	15	3,658	3.305	12,090	3,658	1.111	4,062
2005-2006	61,331	11	5,576	3.357	18,719	5,576	1.112	6,203
2006-2007	4,168	9	463	2.999	1,389	463	1.115	516
2007-2008	334,048	14	23,861	2.625	62,635	23,861	1.118	26,668
2008-2009	51,302	23	2,231	2.239	4,995	2,231	1.267	2,827
2009-2010	236,051	21	11,241	1.910	21,470	11,241	1.274	14,324
2010-2011	113,428	19	5,970	1.720	10,268	5,970	1.281	7,646
2011-2012	241,516	20	12,076	1.593	19,237	12,076	1.287	15,545
2012-2013	71,332	19	3,754	1.517	5,695	3,754	1.294	4,859
2013-2014	142,230	10	14,223	1.446	20,566	14,223	1.301	18,503
2014-2015	262,000	13	20,154	1.347	27,147	21,901	1.308	28,649
2015-2016	51,000	15	3,400	1.300	4,420	22,692	1.315	29,831
2016-2017	295,000	13	22,692	1.264	28,683	23,339	1.322	30,848
2017-2018	130,000	12	10,833	1.169	12,664	25,235	1.328	33,518
2018-2019	272,000	12	22,667	1.075	24,367	27,442	1.335	36,646

Average Limited Severity: \$17,602  
 16/17-18/19 Average Limited Severity: \$21,905

Selected Limited Severity: \$29,500  
 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.

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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)
1998-1999	19	19	19	11	1.654	0.273	0.452
1999-2000	13	13	13	13	1.008	0.291	0.293
2000-2001	3	3	3	13	0.225	0.309	0.070
2001-2002	14	14	14	15	0.923	0.329	0.304
2002-2003	16	15	16	17	0.955	0.349	0.333
2003-2004	10	10	10	10	1.046	0.372	0.389
2004-2005	15	15	15	9	1.668	0.396	0.661
2005-2006	11	11	11	9	1.275	0.421	0.537
2006-2007	9	9	9	10	0.917	0.448	0.411
2007-2008	14	14	14	17	0.816	0.477	0.389
2008-2009	23	23	23	17	1.361	0.507	0.690
2009-2010	21	21	21	18	1.178	0.539	0.635
2010-2011	19	19	19	18	1.075	0.574	0.617
2011-2012	20	20	20	18	1.122	0.610	0.684
2012-2013	19	18	19	17	1.134	0.649	0.736
2013-2014	10	9	10	17	0.590	0.690	0.407
2014-2015	13	12	13	18	0.733	0.734	0.538
2015-2016	15	17	15	18	0.837	0.781	0.654
2016-2017	13	14	13	19	0.697	0.830	0.579
2017-2018	7	8	12	19	0.610	0.883	0.539
2018-2019	8	7	12	19	0.608	0.940	0.572
Total	292	291	300	320.337			0.511
(H) Selected 2019-2020 Frequency:							0.650
Prior:							0.670
Program Year:				2019-2020	2020-2021		
(I) Trend Factor:				1.000	0.940		
(J) Selected Frequency:				0.650	0.611		
(K) Estimated Payroll (\$000,000)				\$20	\$20		
(L) Ultimate Claims:				13	12		

Notes:

- |  |   |
|--|---|
| (A) From Rate Appendix D, Page 4, (C).             | (G) (E) x (F).                                      |
| (B) From Rate Appendix D, Page 5, (C).             | (H) The selected frequency of .650 is based on (G). |
| (C) Selected from (A) and (B).                     | (I) From Rate Appendix E.                           |
| (D) From Appendix N, Column (C) divided by 10,000. | (J) (H) x (I).                                      |
| (E) (C) / (D).                                     | (K) From Appendix N, Column (C) divided by 10,000.  |
| (F) From Rate Appendix E.                          | (L) (J) x (K).                                      |

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

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SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Reported Claim Count Development

Accident Year	Claims Reported as of 12/31/2019 (A)	Reported Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1998-1999	19	1.000	19	0.452
1999-2000	13	1.000	13	0.293
2000-2001	3	1.000	3	0.069
2001-2002	14	1.000	14	0.304
2002-2003	16	1.000	16	0.333
2003-2004	10	1.000	10	0.389
2004-2005	15	1.000	15	0.661
2005-2006	11	1.000	11	0.537
2006-2007	9	1.000	9	0.411
2007-2008	14	1.000	14	0.389
2008-2009	23	1.000	23	0.690
2009-2010	21	1.000	21	0.635
2010-2011	19	1.000	19	0.617
2011-2012	20	1.000	20	0.685
2012-2013	19	1.000	19	0.736
2013-2014	10	1.000	10	0.407
2014-2015	13	1.000	13	0.538
2015-2016	15	1.000	15	0.654
2016-2017	13	1.000	13	0.578
2017-2018	7	1.000	7	0.323
2018-2019	8	1.025	8	0.392
Total	292		292	0.487

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.

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SHARP JPA - Workers' Compensation

Frequency and Severity Method  
Closed Claim Count Development

Accident Year	Claims Closed as of 12/31/2019 (A)	Closed Claim Development Factor (B)	Ultimate Claims (C)	Trended Claim Frequency (D)
1998-1999	19	1.000	19	0.452
1999-2000	13	1.000	13	0.293
2000-2001	3	1.000	3	0.069
2001-2002	14	1.000	14	0.304
2002-2003	15	1.000	15	0.312
2003-2004	10	1.000	10	0.389
2004-2005	15	1.000	15	0.661
2005-2006	11	1.001	11	0.537
2006-2007	9	1.002	9	0.411
2007-2008	14	1.003	14	0.389
2008-2009	23	1.004	23	0.690
2009-2010	21	1.006	21	0.635
2010-2011	19	1.009	19	0.617
2011-2012	20	1.013	20	0.685
2012-2013	18	1.018	18	0.697
2013-2014	9	1.028	9	0.366
2014-2015	11	1.059	12	0.497
2015-2016	15	1.101	17	0.741
2016-2017	12	1.162	14	0.623
2017-2018	6	1.255	8	0.369
2018-2019	5	1.456	7	0.343
Total	282		291	0.487

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.

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SHARP JPA - Workers' Compensation  
Reported Claim Count Development

Number of Claims Reported as of:

Accident Year	6 Months	18 Months	30 Months	42 Months	54 Months	66 Months	78 Months	90 Months	102 Months	114 Months	126 Months	138 Months	150 Months	162 Months
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	12
2007-2008	3	15	15	15	15	15	15	15	15	15	15	15	15	
2008-2009	4	15	16	16	16	16	16	16	16	16	16	16	16	
2009-2010	3	9	10	10	10	10	10	10	10	10	10	10	10	
2010-2011	4	8	8	8	8	8	8	8	8	8	8	8	8	
2011-2012	7	11	12	12	12	12	12	12	12	12	12	12	12	
2012-2013	7	10	10	10	10	10	10	10	10	10	10	10	10	
2013-2014	1	10	10	10	10	10	10	10	10	10	10	10	10	
2014-2015	6	13	13	13	13	13	13	13	13	13	13	13	13	
2015-2016	8	15	15	15	15	15	15	15	15	15	15	15	15	
2016-2017	7	14	13	13	13	13	13	13	13	13	13	13	13	
2017-2018	3	7	7	7	7	7	7	7	7	7	7	7	7	
2018-2019	3	8	8	8	8	8	8	8	8	8	8	8	8	
2019-2020	6	6	6	6	6	6	6	6	6	6	6	6	6	

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
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	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	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	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	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	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	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	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2012-2013	1.429	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
2013-2014	10.000	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
2014-2015	2.167	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
2015-2016	1.875	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
2016-2017	2.000	0.929	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2017-2018	2.333	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
2018-2019	2.667	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

	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	2.999	1.010	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Claim-weighted Averages														
3-yr	2.231	0.972	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	2.095	0.980	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	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
Selected	2.900	1.025	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	2.973	1.025	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000



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## 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
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	12
2007-2008	1	10	11	12	13	13	15	15	15	15	15	15	15	
2008-2009	1	14	14	14	14	16	16	16	16	16	16	16		
2009-2010	1	6	6	7	8	8	9	9	9	9	9			
2010-2011	4	7	7	7	7	8	8	8	8	8				
2011-2012	5	7	9	8	9	11	11	12	12					
2012-2013		8	8	9	10	10	10	10						
2013-2014		7	8	8	8	8	9							
2014-2015	2	9	9	10	10	11								
2015-2016	6	14	15	15	15									
2016-2017	3	7	11	12										
2017-2018	1	6	6											
2018-2019	2	5												
2019-2020	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
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	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	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	1.000		
2008-2009	14.000	1.000	1.000	1.000	1.143	1.000	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	1.000				
2010-2011	1.750	1.000	1.000	1.000	1.143	1.000	1.000	1.000	1.000					
2011-2012	1.400	1.286	0.889	1.125	1.222	1.000	1.091	1.000						
2012-2013		1.000	1.125	1.111	1.000	1.000	1.000							
2013-2014		1.143	1.000	1.000	1.000	1.125								
2014-2015	4.500	1.000	1.111	1.000	1.100									
2015-2016	2.333	1.071	1.000	1.000										
2016-2017	2.333	1.571	1.091											
2017-2018	6.000	1.000												
2018-2019	2.500													

	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	5.530	1.170	1.073	1.040	1.051	1.025	1.010	1.000	1.005	0.991	1.000	0.994	1.010	1.016
Claim-weighted Averages														
3-yr	3.000	1.185	1.057	1.000	1.036	1.034	1.034	1.000	1.000	1.000	1.000	1.000	1.026	1.051
4-yr	2.667	1.139	1.047	1.024	1.081	1.027	1.026	1.000	1.000	1.000	1.000	1.000	1.020	1.037
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	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
Selected	6.000	1.160	1.080	1.055	1.040	1.030	1.010	1.005	1.004	1.003	1.002	1.001	1.001	1.001
Cumulated	8.736	1.456	1.255	1.162	1.101	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 2019-2020 Loss Rate Level (B)	Factor to 2020-2021 Loss Rate Level (C)	Factor to 2021-2022 Loss Rate Level (D)	Factor to 2022-2023 Loss Rate Level (E)	Factor to 2019-2020 Frequency Level (F)	Factor to 2020-2021 Frequency Level (G)	Factor to 2021-2022 Frequency Level (H)	Factor to 2022-2023 Frequency Level (I)	Factor to 2019-2020 Severity Level (J)
1998-1999	0.829	0.934	0.939	0.945	0.951	0.273	0.257	0.241	0.227	3.433
1999-2000	0.757	0.848	0.853	0.858	0.864	0.291	0.274	0.257	0.242	2.932
2000-2001	0.714	0.794	0.799	0.804	0.808	0.309	0.291	0.273	0.257	2.582
2001-2002	0.714	0.790	0.795	0.800	0.804	0.329	0.309	0.290	0.273	2.416
2002-2003	0.750	0.825	0.830	0.835	0.840	0.349	0.328	0.309	0.290	2.371
2003-2004	0.927	1.015	1.021	1.027	1.033	0.372	0.350	0.329	0.309	2.739
2004-2005	1.197	1.303	1.311	1.319	1.327	0.396	0.372	0.350	0.329	3.305
2005-2006	1.301	1.409	1.417	1.425	1.434	0.421	0.396	0.372	0.350	3.357
2006-2007	1.244	1.340	1.347	1.356	1.364	0.448	0.421	0.396	0.372	2.999
2007-2008	1.165	1.247	1.255	1.262	1.270	0.477	0.448	0.421	0.396	2.625
2008-2009	1.063	1.132	1.139	1.146	1.153	0.507	0.476	0.448	0.421	2.239
2009-2010	0.971	1.028	1.034	1.040	1.047	0.539	0.507	0.477	0.448	1.910
2010-2011	0.936	0.985	0.991	0.997	1.003	0.574	0.540	0.507	0.477	1.720
2011-2012	0.927	0.971	0.976	0.982	0.988	0.610	0.574	0.539	0.507	1.593
2012-2013	0.945	0.984	0.990	0.996	1.002	0.649	0.610	0.573	0.539	1.517
2013-2014	0.964	0.998	1.004	1.010	1.016	0.690	0.648	0.610	0.573	1.446
2014-2015	0.961	0.989	0.995	1.001	1.007	0.734	0.690	0.649	0.610	1.347
2015-2016	0.991	1.015	1.021	1.027	1.033	0.781	0.734	0.690	0.649	1.300
2016-2017	1.032	1.050	1.056	1.062	1.069	0.830	0.781	0.734	0.690	1.264
2017-2018	1.020	1.032	1.038	1.045	1.051	0.883	0.830	0.781	0.734	1.169
2018-2019	1.004	1.010	1.016	1.022	1.028	0.940	0.883	0.831	0.781	1.075
2019-2020	1.000	1.000	1.006	1.012	1.018	1.000	0.940	0.884	0.831	1.000
2020-2021	1.000	--	1.000	1.006	1.012	--	1.000	0.940	0.884	--
2021-2022	1.000	--	--	1.000	1.006	--	--	1.000	0.940	--
2022-2023	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.

**DRAFT**

## SHARP JPA - Workers' Compensation

## Calculation of Discount Factors

Payment Year (A)	Payment Pattern (B)	Discounted* Reserves (C)	Undiscounted Reserves (D)	Discount Factor (E)
22	5.7%	0.056	0.057	0.990
21	0.4%	0.058	0.060	0.972
20	0.5%	0.063	0.065	0.956
19	0.5%	0.066	0.071	0.941
18	0.6%	0.071	0.077	0.928
17	0.5%	0.075	0.082	0.915
16	0.7%	0.080	0.088	0.904
15	0.8%	0.087	0.097	0.895
14	0.8%	0.093	0.105	0.886
13	1.0%	0.100	0.114	0.879
12	1.2%	0.110	0.126	0.873
11	1.3%	0.120	0.139	0.869
10	1.5%	0.133	0.154	0.865
9	2.0%	0.151	0.174	0.865
8	2.4%	0.171	0.198	0.865
7	3.0%	0.198	0.228	0.867
6	4.2%	0.235	0.270	0.872
5	6.2%	0.292	0.332	0.880
4	13.9%	0.424	0.471	0.900
3	19.7%	0.611	0.669	0.914
2	20.6%	0.803	0.874	0.918
1	12.6%	0.912	1.000	0.912

(F) Discount Factor for Future Funding: 0.921

\* Assumed Investment Rate: 2.0%

## Notes:

- (A) This is the year of payment relative to the accident year. For example, year 7 refers to payments made in the seventh year after the inception of the accident year. We assume that payments are made at midyear.
- (B) Percent of ultimate loss paid this year. This payment pattern is based on the paid loss development pattern selected in 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, 80.3% =  $[61.1\% / 1.020] + [20.6\% / (1.010)]$ .
- (D) Summation of future (B) values. This is the percent of ultimate loss unpaid at the beginning of the year.
- (E) (C) / (D).
- (F) (E) at year 1, with interest accumulated for six months. We assume that the required funding is deposited at the middle of the first year.

This exhibit shows the calculation of the effect of anticipated investment income on future claims costs. Thus, if the discount factor in item (F) is 0.92, on a discounted basis, \$0.92 must be budgeted for every \$1 that will actually be paid on claims that will be incurred in the next fiscal year.

**DRAFT**

## SHARP JPA - Workers' Compensation

## Confidence Level Table

Probability	Projected Losses
95%	2.514
90	2.048
85	1.766
80	1.561
75	1.396
70	1.257
65	1.137
60	1.029
55	0.930
50	0.837
45	0.747
40	0.658
35	0.569
30	0.481
25	0.396

To read table: For the above retention, there is a 90% chance  
that final loss settlements will be less than  
2.048 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.

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## SHARP JPA - Workers' Compensation

## Exposure Measures

Accident Year	Total Payroll (\$00) (B)	Inflation Trend Factor (B)	Trended Payroll (\$00) (C)
1998-1999	68,411	1.679	114,862
1999-2000	78,767	1.638	129,021
2000-2001	83,499	1.598	133,431
2001-2002	97,303	1.559	151,696
2002-2003	110,205	1.521	167,621
2003-2004	64,425	1.484	95,606
2004-2005	62,093	1.448	89,911
2005-2006	61,081	1.413	86,307
2006-2007	71,167	1.379	98,140
2007-2008	127,510	1.345	171,501
2008-2009	128,834	1.312	169,030
2009-2010	139,252	1.280	178,243
2010-2011	141,528	1.249	176,769
2011-2012	146,186	1.219	178,201
2012-2013	140,925	1.189	167,560
2013-2014	146,160	1.160	169,546
2014-2015	156,593	1.132	177,263
2015-2016	162,265	1.104	179,141
2016-2017	173,257	1.077	186,598
2017-2018	181,907	1.051	191,184
2018-2019	187,066	1.025	191,743
2019-2020	197,769	1.000	197,769
2020-2021	201,720	1.000	201,720

## Notes:

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

## SHARP JPA - Workers' Compensation

Allocation of 2020-21 Costs to Members  
60% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

	Code		City of Saratoga	Town of Los Altos Hills	Town of Ross	City of American Canyon	Total
(1) Estimated 2020-21 Payroll By Classification	8742		0	0	0	0	0
	8810		4,398,000	1,391,000	126,000	2,404,000	8,319,000
	9410		1,412,000	799,000	1,170,000	1,981,000	5,362,000
	9420		1,489,000	504,000	180,000	2,087,000	4,260,000
	7720		0	0	1,022,000	0	1,022,000
	7706		0	0	0	0	0
	7207		0	0	0	0	0
	7520		0	0	0	433,000	433,000
	7580		0	0	0	467,000	467,000
	9422		0	0	0	309,000	309,000
	7382		0	0	0	0	0
			7,299,000	2,694,000	2,498,000	7,681,000	20,172,000
		2020-21 Discounted Loss Rate					
(2) Expected 2020-21 Loss & ALAE - Discounted	8742	0.25	0	0	0	0	0
	8810	0.18	7,774	2,459	223	4,249	14,705
at 60% Confidence Level	9410	1.00	14,107	7,983	11,690	19,792	53,572
	9420	4.70	69,920	23,667	8,452	98,001	200,040
	7720	2.00	0	0	20,422	0	20,422
	7706	3.77	0	0	0	0	0
	7207	5.41	0	0	0	0	0
	7520	2.26	0	0	0	9,784	9,784
	7580	2.08	0	0	0	9,726	9,726
	9422	1.21	0	0	0	3,752	3,752
	7382	5.15	0	0	0	0	0
(3) Total Expected Loss & ALAE			91,802	34,108	40,786	145,305	312,001
(4) Experience Modification			84.5%	76.2%	84.8%	120.7%	100.0%
(5) Risk Premium Deposit - Loss & ALAE			78,000	26,000	35,000	175,000	314,000
(6) Balanced Risk Premium			77,503	25,834	34,777	173,885	312,000
(7) Administration			22,609	22,609	22,609	22,609	90,436
(8) Claims Administration			3,904	3,904	3,904	3,904	15,615
(9) Self-Insurance Assessment			4,413	4,413	4,413	4,413	17,653
(10) Excess Insurance Costs			59,618	19,873	26,752	133,758	240,000
(11) Funding Redundancy/(Deficiency)			0	0	0	0	0
(12) Total Premium Deposit			168,047	76,633	92,455	338,569	675,704

(1) Provided by SHARP JPA.

(2) = (1) / 100 X 2020/21 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).

(7), (8) 2020/21 budgeted totals provided by SHARP JPA.

(9) Provided by SHARP JPA.

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

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

(12) = (5) + (6) + (7) + (8) + (9) - (10).

## SHARP JPA - Workers' Compensation

Allocation of 2020-21 Costs to Members  
65% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

	Code		City of Saratoga	Town of Los Altos Hills	Town of Ross	City of American Canyon	Total
(1) Estimated 2020-21 Payroll By Classification	8742		0	0	0	0	0
	8810		4,398,000	1,391,000	126,000	2,404,000	8,319,000
	9410		1,412,000	799,000	1,170,000	1,981,000	5,362,000
	9420		1,489,000	504,000	180,000	2,087,000	4,260,000
	7720		0	0	1,022,000	0	1,022,000
	7706		0	0	0	0	0
	7207		0	0	0	0	0
	7520		0	0	0	433,000	433,000
	7580		0	0	0	467,000	467,000
	9422		0	0	0	309,000	309,000
	7382		0	0	0	0	0
			7,299,000	2,694,000	2,498,000	7,681,000	20,172,000
		2020-21 Discounted Loss Rate					
(2) Expected 2020-21 Loss & ALAE - Discounted	8742	0.28	0	0	0	0	0
	8810	0.20	8,577	2,713	246	4,688	16,223
at 65% Confidence Level	9410	1.10	15,564	8,807	12,896	21,836	59,103
	9420	5.18	77,139	26,110	9,325	108,120	220,695
	7720	2.20	0	0	22,530	0	22,530
	7706	4.15	0	0	0	0	0
	7207	5.97	0	0	0	0	0
	7520	2.49	0	0	0	10,794	10,794
	7580	2.30	0	0	0	10,731	10,731
	9422	1.34	0	0	0	4,140	4,140
	7382	5.68	0	0	0	0	0
(3) Total Expected Loss & ALAE			101,280	37,630	44,997	160,308	344,215
(4) Experience Modification			84.5%	76.2%	84.8%	120.7%	100.0%
(5) Risk Premium Deposit - Loss & ALAE			86,000	29,000	38,000	194,000	347,000
(6) Balanced Risk Premium			85,504	28,833	37,781	192,882	345,000
(7) Administration			22,609	22,609	22,609	22,609	90,436
(8) Claims Administration			3,904	3,904	3,904	3,904	15,615
(9) Self-Insurance Assessment			4,413	4,413	4,413	4,413	17,653
(10) Excess Insurance Costs			59,481	20,058	26,282	134,179	240,000
(11) Funding Redundancy/(Deficiency)			0	0	0	0	0
(12) Total Premium Deposit			175,912	79,816	94,989	357,987	708,704

(1) Provided by SHARP JPA.

(2) = (1) / 100 X 2020/21 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).

(7), (8) 2020/21 budgeted totals provided by SHARP JPA.

(9) Provided by SHARP JPA.

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

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

(12) = (5) + (6) + (7) + (8) + (9) - (10).

## SHARP JPA - Workers' Compensation

Allocation of 2020-21 Costs to Members  
70% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

	Code	City of Saratoga	Town of Los Altos Hills	Town of Ross	City of American Canyon	Total
(1) Estimated 2020-21 Payroll By Classification	8742	0	0	0	0	0
	8810	4,398,000	1,391,000	126,000	2,404,000	8,319,000
	9410	1,412,000	799,000	1,170,000	1,981,000	5,362,000
	9420	1,489,000	504,000	180,000	2,087,000	4,260,000
	7720	0	0	1,022,000	0	1,022,000
	7706	0	0	0	0	0
	7207	0	0	0	0	0
	7520	0	0	0	433,000	433,000
	7580	0	0	0	467,000	467,000
	9422	0	0	0	309,000	309,000
	7382	0	0	0	0	0
		7,299,000	2,694,000	2,498,000	7,681,000	20,172,000
	2020-21 Discounted Loss Rate					
(2) Expected 2020-21 Loss & ALAE - Discounted at 70% Confidence Level	8742	0.31	0	0	0	0
	8810	0.22	9,474	2,996	5,178	17,920
	9410	1.22	17,191	9,728	24,119	65,283
	9420	5.72	85,205	28,840	119,424	243,769
	7720	2.44	0	24,886	0	24,886
	7706	4.59	0	0	0	0
	7207	6.59	0	0	0	0
	7520	2.75	0	0	11,922	11,922
	7580	2.54	0	0	11,853	11,853
	9422	1.48	0	0	4,572	4,572
	7382	6.27	0	0	0	0
(3) Total Expected Loss & ALAE		111,869	41,564	49,702	177,068	380,204
(4) Experience Modification		84.5%	76.2%	84.8%	120.7%	100.0%
(5) Risk Premium Deposit - Loss & ALAE		95,000	32,000	42,000	214,000	383,000
(6) Balanced Risk Premium		94,504	31,833	41,781	212,883	381,000
(7) Administration		22,609	22,609	22,609	22,609	90,436
(8) Claims Administration		3,904	3,904	3,904	3,904	15,615
(9) Self-Insurance Assessment		4,413	4,413	4,413	4,413	17,653
(10) Excess Insurance Costs		59,530	20,052	26,319	134,099	240,000
(11) Funding Redundancy/(Deficiency)		0	0	0	0	0
(12) Total Premium Deposit		184,960	82,811	99,025	377,908	744,704

(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).

(7), (8) 2020/21 budgeted totals provided by SHARP JPA.

(9) Provided by SHARP JPA.

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

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

(12) = (5) + (6) + (7) + (8) + (9) - (10).



## SHARP JPA - Workers' Compensation

Allocation of 2020-21 Costs to Members  
75% Confidence Level Funding - Discounted - \$250,000 SIR  
All Members

	Code	City of Saratoga	Town of Los Altos Hills	Town of Ross	City of American Canyon	Total
(1) Estimated 2020-21 Payroll By Classification	8742	0	0	0	0	0
	8810	4,398,000	1,391,000	126,000	2,404,000	8,319,000
	9410	1,412,000	799,000	1,170,000	1,981,000	5,362,000
	9420	1,489,000	504,000	180,000	2,087,000	4,260,000
	7720	0	0	1,022,000	0	1,022,000
	7706	0	0	0	0	0
	7207	0	0	0	0	0
	7520	0	0	0	433,000	433,000
	7580	0	0	0	467,000	467,000
	9422	0	0	0	309,000	309,000
	7382	0	0	0	0	0
		7,299,000	2,694,000	2,498,000	7,681,000	20,172,000
	2020-21 Discounted Loss Rate					
(2) Expected 2020-21 Loss & ALAE - Discounted	8742	0.34	0	0	0	0
	8810	0.24	10,538	3,333	5,760	19,933
at 75% Confidence Level	9410	1.35	19,123	10,821	26,828	72,617
	9420	6.37	94,777	32,080	11,457	271,156
	7720	2.71	0	0	27,682	27,682
	7706	5.10	0	0	0	0
	7207	7.33	0	0	0	0
	7520	3.06	0	0	13,262	13,262
	7580	2.82	0	0	13,184	13,184
	9422	1.65	0	0	5,086	5,086
	7382	6.98	0	0	0	0
(3) Total Expected Loss & ALAE		124,438	46,234	55,286	196,962	422,919
(4) Experience Modification		84.5%	76.2%	84.8%	120.7%	100.0%
(5) Risk Premium Deposit - Loss & ALAE		105,000	35,000	47,000	238,000	425,000
(6) Balanced Risk Premium		104,506	34,835	46,779	236,880	423,000
(7) Administration		22,609	22,609	22,609	22,609	90,436
(8) Claims Administration		3,904	3,904	3,904	3,904	15,615
(9) Self-Insurance Assessment		4,413	4,413	4,413	4,413	17,653
(10) Excess Insurance Costs		59,294	19,765	26,541	134,400	240,000
(11) Funding Redundancy/(Deficiency)		0	0	0	0	0
(12) Total Premium Deposit		194,726	85,526	104,246	402,206	786,704

(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).

(7), (8) 2020/21 budgeted totals provided by SHARP JPA.

(9) Provided by SHARP JPA.

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

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

(12) = (5) + (6) + (7) + (8) + (9) - (10).

## SHARP JPA - Workers' Compensation

Allocation of 2020-21 Expected Loss Rate to Classification - Discounted Basis - \$250,000 SIR  
All Members

Classification Code (1)	Estimated 2020-21 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	0.281	0.16	0.27	0.25	0.25	0.28	0.31	0.34
8810	8,319,000	0.196	0.11	0.19	0.17	0.18	0.20	0.22	0.24
9410	5,362,000	1.109	0.65	1.05	0.97	1.00	1.10	1.22	1.35
9420	4,260,000	5.212	3.04	4.95	4.55	4.70	5.18	5.72	6.37
7720	1,022,000	2.218	1.29	2.10	1.94	2.00	2.20	2.44	2.71
7706	0	4.180	2.43	3.97	3.65	3.77	4.15	4.59	5.10
7207	0	6.005	3.50	5.70	5.25	5.41	5.97	6.59	7.33
7520	433,000	2.508	1.46	2.38	2.19	2.26	2.49	2.75	3.06
7580	467,000	2.312	1.35	2.19	2.02	2.08	2.30	2.54	2.82
9422	309,000	1.348	0.79	1.28	1.18	1.21	1.34	1.48	1.65
7382	0	5.715	3.33	5.42	4.99	5.15	5.68	6.27	6.98
Total/Average	20,172,000	1.717		1.63	1.50	1.55	1.71	1.88	2.10

(2) Provided by SHARP JPA.

(3) From WCIRB, effective 1/1/2020 minus 14.7% for ULAE.

(4) (3) / (3) Average

(5) = (4) x selected 2020/21 loss rate of \$1.629 from Rate Exhibit 3, Page 1.

(6) = (5) x discount factor of 0.921 from Rate Appendix I, .

(7) = (6) x 1.257, 70% confidence factor from Rate Appendix J.

(8) = (6) x 1.396, 75% confidence factor from Rate Appendix J.

(9) = (6) x 1.561, 80% confidence factor from Rate Appendix J.

(10) = (6) x 1.766, 85% confidence factor from Rate Appendix J.

## SHARP JPA - Workers' Compensation

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

Members	2014-2015 to 2018-2019 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)
Saratoga	83,236	436,827	22.6%	30.8%	0.733	46.6%	87.5%	84.5%
Los Altos Hills	0	134,044	0.0%	9.4%	0.000	21.1%	78.9%	76.2%
Ross	28,021	192,301	7.6%	13.6%	0.560	27.8%	87.8%	84.8%
American Canyon	257,673	655,599	69.8%	46.2%	1.511	56.7%	129.0%	120.7%
Total/Average	368,930	1,418,771	100.0%	100.0%				

(1) Provided by SHARP JPA, 2014-2015 through 2018-2019, limited to \$25,000 per claim, evaluated as of 12/31/19.  
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												
Saratoga	0	19,324,503	5,897,862	6,399,151	0	0	0	0	0	0	0	31,621,516
Los Altos Hills	0	5,106,118	3,535,815	1,627,409	0	0	0	0	0	0	0	10,269,342
Ross	0	488,589	4,624,973	761,862	4,524,720	0	0	0	0	0	0	10,400,144
American Canyon	0	11,876,059	8,007,840	7,875,529	8,700	0	0	1,941,461	2,976,350	1,129,449	2,371	33,817,760
(2) WCIRB Loss Rates for Experience Rating												
	0.281	0.196	1.109	5.212	2.218	4.180	6.005	2.508	2.312	1.348	5.715	
(3) Expected Losses												
Saratoga	0	37,913	65,401	333,513	0	0	0	0	0	0	0	436,827
Los Altos Hills	0	10,018	39,209	84,818	0	0	0	0	0	0	0	134,044
Ross	0	959	51,286	39,707	100,349	0	0	0	0	0	0	192,301
American Canyon	0	23,300	88,799	410,459	193	0	0	48,688	68,802	15,222	136	655,599

(1) Provided by SHARP JPA, 2014-2015 through 2018-2019.

(2) From WCIRB, effective 1/1/2020 minus 14.7% for ULAE.

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

**SHARED RISK POOL (SHARP)**  
**2020/2021 DRAFT OPERATING BUDGET**  
**Workers' Compensation Program**  
**Pool Funding @65% Confidence Level, 2.0% Discount Factor**  
**Primary Pool SIR \$250,000 ~ LAWCX Excess from \$250,000**

<u>Member</u>	<b>2020/21 Total Contributions</b>	<b>Prior Year Budget</b>			<b>Payroll Comparison</b>				<b>Ex-mod Comparison</b>		
		<b>2019/20 Total Contributions</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>	<b>Estimated Payroll</b>		<b>Increase/ (Decrease)</b>	<b>% Change</b>	<b>2020/21</b>	<b>2019/20</b>	<b>% Change</b>
<b>American Canyon</b>	\$ 357,687	\$ 351,278	\$ 6,409	2%	7,681,000	7,816,000	(135,000)	-2%	120.7%	119.5%	1%
<b>Los Altos Hills</b>	79,820	72,779	7,041	10%	2,694,000	2,408,000	286,000	12%	76.2%	76.7%	-1%
<b>Ross</b>	95,313	104,498	(9,185)	-9%	2,498,000	2,318,000	180,000	8%	84.8%	103.8%	-18%
<b>Saratoga</b>	175,885	155,444	20,441	13%	7,299,000	7,324,000	(25,000)	0%	84.5%	75.3%	12%
<b>Total</b>	<b>\$ 708,704</b>	<b>\$ 684,000</b>	<b>\$ 24,704</b>	<b>4%</b>	<b>20,172,000</b>	<b>19,779,291</b>	<b>306,000</b>	<b>2%</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)**  
**2020/2021 DRAFT OPERATING BUDGET**  
**Workers' Compensation Program**  
*Pool Funding @65% Confidence Level, 2.0% Discount Factor*  
*Primary Pool SIR \$250,000 ~ LAWCX Excess from \$250,000*

Member	Estimated Payroll 2020 Note 1	2020/21 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	7,681,000	120.7%	\$ 192,582	\$ 134,179	\$ 3,904	\$ 4,413	\$ 22,609	\$ 357,687
Los Altos Hills	2,694,000	76.2%	28,836	20,058	3,904	4,413	22,609	79,820
Ross	2,498,000	84.8%	38,105	26,282	3,904	4,413	22,609	95,313
Saratoga	7,299,000	84.5%	85,478	59,481	3,904	4,413	22,609	175,885
<b>Total</b>	<b>20,172,000</b>		<b>\$ 345,001</b>	<b>\$ 240,000</b>	<b>\$ 15,615</b>	<b>\$ 17,653</b>	<b>\$ 90,436</b>	<b>\$ 708,704</b>
<b>Rates</b>			<i>0.0171</i>	<i>0.0119</i>	<i>0.0008</i>	<i>0.0009</i>	<i>0.0045</i>	<i>0.0351</i>
Prior Year	19,866,000		336,995	235,000	15,160	10,000	86,845	684,001
Incr./(Decr.)	306,000		\$ 8,006	\$ 5,000	\$ 455	\$ 7,653	\$ 3,591	\$ 24,703
% Change	2%		2%	2%	3%	77%	4%	4%

<b>NOTES:</b>
Note 1: Estimated Payroll for the 2020 fiscal year, per Actuarial Study dated May 28, 2020.
Note 2: Experience Modification Factor, per Actuarial Study dated May 28, 2020.
Note 3: Funding needed for SIR to \$250,000 at the 65% confidence level, per Actuarial Study dated May 28, 2020.
Note 4: Excess Insurance expense allocated per May 28, 2020. 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 2020/21 contributions by member (Note 3 plus Note 4 plus Note 5 plus Note 6 plus Note 7).

# SHARED RISK POOL (SHARP)

## 2020/2021 DRAFT OPERATING BUDGET

### Pool Funding @65% Confidence Level, 2.0% Discount Factor

	2019/20		2020/21 Operating Budget	Prior Year:	
	Approved Budget	Projected Actuals		Increase/ (Decrease)	Percent Incr./(Decr.)
<b>Revenues:</b>					
Contributions	\$ 684,000	\$ 684,000	\$ 708,704	\$ 24,704	3.6%
Equity Funding for Risk Management Grant	40,000	40,000	40,000	0	0.0%
<b>Total Revenues</b>	<b>724,000</b>	<b>724,000</b>	<b>748,704</b>	<b>24,704</b>	<b>3.4%</b>
<b>Expenses:</b>					
Claims Expense	297,000	318,000	303,000	6,000	2.0% a
Insurance Expense	235,000	228,712	240,000	5,000	2.1% b
Claims Administration	15,160	15,160	15,615	455	3.0% c
DIR Self Insurance Assessment	10,000	15,350	17,653	7,653	76.5% d
Risk Management Grants					
Loss Control Prevention	40,000	40,000	40,000	-	0.0% e
Administration:					
Program Administration	53,045	53,045	54,636	1,591	3.0% f
Financial Audit	7,500	8,000	8,000	500	6.7% g
Actuarial Studies	10,000	9,600	11,000	1,000	10.0% h
Claims Audit	2,500	-	2,500	-	0.0%
Legal Counsel	5,000	-	5,000	-	0.0%
Other Consultants	700	-	700	-	0.0%
Bank Fees	2,000	2,300	2,500	500	25.0% i
Meetings & Conferences:					
Meetings	600	-	600	-	0.0%
Membership & Conferences	500	-	500	-	0.0%
Allowance for Contingencies	5,000	-	5,000	-	0.0% j
Total Administration Expenses:	<b>86,845</b>	<b>72,945</b>	<b>90,436</b>	<b>3,591</b>	<b>4.1%</b>
<b>Total Expenses</b>	<b>684,005</b>	<b>690,167</b>	<b>706,703</b>	<b>22,698</b>	<b>3.3%</b>
<b>Budget Net Income/(Loss)</b>	<b>\$ 39,995</b>	<b>\$ 33,833</b>	<b>\$ 42,001</b>	<b>\$ 2,006</b>	<b>5.0%</b>

**Notes:**

- a Claims expense are recorded at expected with a slight increase from prior year, per the Actuarial study;
  - b Payroll to excess carrier (LAWCX) increased by 2%; LAWCX funding rates increased by 4% as well.
  - c Contractual increase;
  - d DIR Assessment estimated to increase by 15% in 20/21;
  - e No changes in Loss Control Prevention;
- Overall administration cost is projecting a 4.1% increase from 2019-2020 due to:
- f Program administration contract expected to increase 3% from prior year;
  - g Financial Audit fees increased due to a new auditor coming on board;
  - h Increased Actuarial fees to account for work above their scope of work;
  - i Increase in bank fees due to electronic processing of payment and receipts;
  - j Contingencies for future unknown expenses in 20/21.

**June 9, 2020**

**Agenda Item 8.A.**

**ADMINISTRATIVE MATTERS**

**SUBJECT:   Consideration of Memorandum of Coverage for 2020/21**

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**BACKGROUND AND HISTORY:**

Annually, staff reviews SHARP's Memorandum of Coverage for updates to language or to provide additional clarification. Staff presents these updates to the Board for approval prior to the new program year.

Updates for the 2020/21 Program Year include:

- Changing coverage program dates to reflect current program year

Staff is not recommending any substantial changes at this time. Further review will be completed throughout the 2020/21 program year.

**RECOMMENDATION:**

*Staff recommends the Board approve the 2020/21 Memorandum of Coverage.*

**REFERENCE MATERIALS ATTACHED:**

- Draft 2020/21 Memorandum of Coverage



**SHARED AGENCY RISK POOL JOINT POWERS  
AUTHORITY (SHARP)**

**POOLED WORKERS' COMPENSATION PROGRAM**

**MEMORANDUM OF COVERAGE**

**FOR THE 2020-2021 PROGRAM YEAR  
EFFECTIVE JULY 1, 2020**

**FORM NO. SHARP 2020-21 WC**

**SHARED AGENCY RISK POOL JOINT POWERS AUTHORITY**

**POOLED WORKERS' COMPENSATION COVERAGE**

**POLICY NUMBER SHARP 2020-21 WC**

**DECLARATIONS**

NAMED COVERED PARTY: Shared Agency Risk Pool Joint Powers  
Authority, et. al., as per Endorsement No. 1  
  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

POLICY PERIOD: From 7-1-2020 to 7-1-2021  
12:01 a.m. Pacific Time

LIMIT OF LIABILITY: \$250,000 Each Occurrence

FORM AND ENDORSEMENTS: Form No. SHARP 2020-21 WC,  
FORMING PART OF THE POLICY AT INCEPTION Endorsement No. 1

ON BEHALF OF SHARED AGENCY RISK POOL JOINT POWERS AUTHORITY

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Authorized Representative

**POOLED WORKERS' COMPENSATION PROGRAM**

## MEMORANDUM OF COVERAGE

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**SHARED AGENCY RISK POOL JOINT POWERS AUTHORITY (PSHARP JPA)**

## POOLED WORKERS' COMPENSATION PROGRAM (PWCP)

### MEMORANDUM OF COVERAGE

#### FORM NO. SHARP 2020-21 WC

2020-2021

This Memorandum of Coverage (MOC) sets forth the terms, conditions, and limitations of coverage provided under the Pooled Workers' Compensation Program (PWCP). The terms of this MOC may not be changed or waived except by amendment made a part of this MOC.

Throughout this MOC, words and phrases that appear in **bold** have special meaning. They are defined in General Section A, "Definitions" or in the Master Program Document.

### GENERAL SECTION

#### A. DEFINITIONS

The terms in bold print are defined as follows:

1. **Authority** shall mean the Shared Agency Risk Pool Joint Powers Authority.
2. **Bodily injury** shall mean bodily injury by accident or disease, including death resulting therefrom, but shall not include **occupational disease**.
3. **Covered Party** shall mean a participant in this PWCP which has sustained a loss which is covered under this MOC of Coverage.
4. **Cumulative Injury or Illness** means occupational disease or cumulative injury caused by repeated events or repeated exposures at work, limited to the last date on which the employee was employed in an occupation exposing him or her to the hazards of the occupational disease or cumulative injury, whichever occurs first. The liability period for occupational disease or cumulative injury shall be limited to one year per California Labor Code 5500.5(a).
5. **Employee** shall mean any person performing work which renders the **Covered Party** legally liable as an employer under the Workers' Compensation Act of the State of California, or under the common law of the State of California.
6. **Loss** shall mean only such amounts as are actually paid by the **Covered Party** in payment or benefits under the applicable Workers' Compensation Law, in settlement of claims, or in satisfaction of awards or judgments for liabilities imposed by the Workers' Compensation Act or other law for **bodily injury** or **occupational disease** to an **employee**.
7. **Occupational Disease** shall include (1) death resulting therefrom and (2) cumulative

injuries.

8. **Occurrence** means an injury or disease of an employee arising out of and in the course of employment. Bodily injury, illness, or disease sustained by one or more employees, as a result of a single accident, incident or exposure, shall be deemed to arise from a single occurrence. The occurrence shall be deemed to take place on the earlier of (a) the last day of the last exposure, in the employment of the **Covered Party**, to conditions causing or aggravating the disease, or (b) the date upon which the employee first suffered disability and either knew, or in the exercise of reasonable diligence should have known, that such disability was caused by employment with the **Covered Party**. All occupational disease sustained by one or more employees as a result of an outbreak of the same communicable disease shall be deemed to arise from a single occurrence. An outbreak of the same communicable disease that spans more than one coverage period shall be deemed to take place during the first such coverage period.
9. **Participant** shall mean a **Member Entity**, which shall mean a signatory to the **Agreement** establishing the Shared Agency Risk Pool Joint Powers Authority, who has elected to participate in the PWCP.
10. **Retained limit** shall mean the amount stated on the Declarations page and all endorsements listed on the Declarations page, which will be paid by the **Covered Party** before the **Authority** is obligated to make any payment from the pooled funds.

## **B. THE MEMORANDUM OF COVERAGE**

This MOC includes at its effective date the Declarations Page and all endorsements listed on the Declarations Page. This MOC is the coverage document between the **Covered Party** and the **Authority**. The terms of this MOC may not be changed or waived except by endorsement issued by the **Authority** to be part of this MOC.

## **C. COVERAGE PERIOD**

This MOC applies to **losses** occurring during the coverage period defined in the Declarations.

## **D. WHO IS COVERED**

The **Covered Party** is a **Participant** in the **Authority's** PWCP. If a **Covered Party** loses its status as a **Member Entity**, the coverage under this MOC shall terminate immediately upon such change in status.

Volunteer workers are also afforded workers' compensation benefits for performing duties for or on behalf of the **Covered Party** while acting within the scope of their duties on behalf of the **Covered Party** provided that the **Covered Party** has first adopted a resolution as provided in Division 4, Part 1, Chapter 2, Article 2 of the California Labor Code declaring such volunteer workers to be **employees** of the **Covered Party** for purposes of Workers' Compensation Law.

## **E. WORKERS' COMPENSATION LAW**

Workers' Compensation Law means the workers' or workmen's compensation law and **occupational disease** law of the State of California, or any similar law. It includes any amendments to that law that are in effect during the term of this MOC. It does not include any federal workers' or workmen's compensation law, any federal **occupational disease** law, or the provisions of any law that provide non-occupational disability benefits.

## **F. QUALIFIED SELF-INSURER**

The **Covered Party** represents that it is a duly qualified self-insurer under the Workers' Compensation Law of the State of California and will continue to maintain such qualifications during the term this MOC is in effect. If the **Covered Party** should fail to qualify or fail to maintain such qualifications, the coverage provided under this MOC shall automatically terminate at the first date of such failure.

### **PART I – WORKERS' COMPENSATION COVERAGE**

The **Authority** will provide coverage for workers' compensation **losses** up to the **Authority's** Limit of Liability stated in the Declarations Page.

This coverage applies to **bodily injury**.

1. **Bodily injury** by accident must occur during the coverage period.
2. **Bodily injury** by disease must be caused or aggravated by the conditions of employment by the **Covered Party**. The **employee's** last day of last exposure to the conditions causing or aggravating such **bodily injury** by disease must occur during the coverage period.

## **A. DEFENSE OF SERIOUS AND WILLFUL CLAIMS AND 132a ACTIONS:**

The **Authority** will provide a defense for serious and willful claims and Labor Code Section 132a actions, as set forth below, brought before the Workers' Compensation Appeals Board (WCAB), but in no event shall the **Authority** provide any indemnity for any such claim or action:

- 1) Serious and willful misconduct by the **Covered Party** against an **employee** involved in a claim for workers' compensation benefits. (Labor Code §4553.)
- 2) Discrimination by the **Covered Party** against an **employee** involved in a claim for workers' compensation benefits. (Labor Code §132a.)

Such defense will be provided only until such time as the underlying claim for workers' compensation has concluded. The **Authority** shall have the sole discretion to determine when and whether the underlying claim has "concluded." The **Authority** may, at any time, exercise its right to withdraw from the defense of these claims, and such decision shall be

final.

## **B. PAYMENTS THE COVERED PARTY MUST MAKE**

The **Authority** is not responsible for any payments in excess of benefits regularly provided by the Workers' Compensation Law including any payment based on the following conduct by the **Covered Party**:

1. Serious and willful misconduct;
2. Knowing employment of an **employee** in violation of law;
3. Knowing failure to comply with a health or safety law or regulation;
4. Discharge, coercion or otherwise discriminating against any **employee** in violation of the Workers' Compensation Law; or
5. Violation of or failure to comply with any Workers' Compensation Law.

If the **Authority** makes any payments in excess of the benefits regularly provided by the Workers' Compensation Law on the **Covered Party's** behalf, the **Covered Party** will reimburse the **Authority** promptly for such payment.

## **PART II – EMPLOYER'S LIABILITY COVERAGE**

The **Authority** will provide coverage for employer's liability **losses** up to the **Authority's** Limit of Liability stated in the Declarations Page.

This coverage applies to **bodily injury**. This coverage will apply to amounts awarded against the **Covered Party** in excess of the **Covered Party's Retained Limit** and subject to the Limit of Liability set forth herein, provided that those amounts awarded are the direct consequence of **bodily injury** that arises out of and in the course of the injured **employee's** employment by the **Covered Party**, and are claimed against the **Covered Party** in a capacity other than as employer.

1. The **bodily injury** must arise out of and in the course of the injured **employee's** employment by the **Covered Party**.
2. **Bodily injury** by accident must occur during the coverage period.
3. **Bodily injury** by disease must be caused or aggravated by the conditions of employment by the **Covered Party**. The **employee's** last day of last exposure to the conditions causing or aggravating such **bodily injury** by disease must occur during the coverage period.

## **PART III - POLICY EXCLUSIONS**

This MOC shall not apply to:

- A. Liability imposed by the Workers' Compensation Laws because of **bodily injury** to prisoners or inmates who receive compensation from an entity, other than the **Covered Party**, for the work performed except for liability imposed by the Workers' Compensation Laws because of **bodily injury** to participants of a work release program or other community service program established by a county of the State of California;
- B. Employer's Liability Coverage herein does not apply to any obligation imposed by a workers' compensation, **occupational disease**, unemployment compensation, or disability benefits law, or any similar law.
- C. **Bodily injury** intentionally caused or aggravated by the **Covered Party**.
- D. **Bodily injury** to an **employee** while employed in violation of law with the actual knowledge of the **Covered Party**.
- E. Liability for additional compensation imposed on the **Covered Party** under Labor Code Section 4557 by reason of injury to an **employee** under sixteen years of age and illegally employed at the time of the injury.
- F. Liability imposed by Labor Code Section 4856.

#### **PART IV - THE COVERED PARTY'S RETENTION AND AUTHORITY'S LIMIT OF LIABILITY**

##### **A. LIMIT OF COVERAGE BY AUTHORITY**

The **Authority** will indemnify the **Covered Party** for loss under Workers' Compensation Laws, but will not exceed the Limit of Liability stated in the Declarations Page on any one **loss**. Coverage will include all benefits required under Workers' Compensation Laws, including full salary benefits listed in Labor Code Section 4850. The **Authority** will pay on behalf of the **Covered Party** for Employer's Liability losses but will not exceed the Limits of Liability stated in the Declarations Page on any one loss.



## **B. HOW THE LIMIT OF COVERAGE APPLIES**

The **Authority's** Limit of Coverage stated in the Declarations Page applies to claims covered under the Workers Compensation Coverage or Employer's Liability Coverage as follows:

1. To one or more **employees** for **bodily injury** or death in any one accident;
2. To any one **employee** for **bodily injury** or death by disease; and

If, an employee of two or more **Covered Parties** incurs a cumulative injury or illness as defined in General Section A(10) then the Retained Limits of the involved **Covered Parties** will be adjusted by applying the pro-rata percentage of exposure for the Cumulative Trauma period to each Member's SIR.

Nothing contained herein shall operate to increase the **Authority's** Limit of Coverage under this MOC.

## **PART V - CONDITIONS**

### **A. NOTICE OF ACCIDENT OR CLAIM**

1. The Covered Party shall give written notice within five days of the Covered Party's knowledge to the **Authority** if a claim for a **bodily injury** or disease occurs which appears to involve coverage by the **Authority**.
2. Notice of accident given to the **Authority** shall contain complete details on the **bodily injury**, disease, or death. If a suit, claim, or other proceeding is commenced which appears to involve coverage by the **Authority**, the **Covered Party** shall give the **Authority**:
  - a) All notices and legal papers related to the claim, proceeding, or suit, or copies of these notices and legal papers; and
  - b) Copies of reports on investigations made by the **Covered Party** on such claims, proceedings, or suits.
3. If written notice is not provided by the **Covered Party** to the **Authority** within thirty (30) days of knowledge of such claim, coverage may not be provided under this MOC. This requirement is a condition precedent to coverage under this MOC.

### **B. SUBROGATION - RECOVERY FROM OTHERS**

The **Authority** has the **Covered Party's** rights, and the rights of persons entitled to compensation benefits from the **Covered Party**, to recover the **Authority's loss** from any third party liable for the **bodily injury**. The **Covered Party** will do everything necessary to protect those rights for the **Authority** and to assist in enforcing them. Any recovery, after

deducting the **Authority's** recovery expenses, will first be used to reduce the **Authority's loss**. The balance, if any, will be returned to the **Covered Party**.

If the **Covered Party** waives its rights to subrogation on a claim covered under, or that may be covered under, this MOC, and if the amount of the claim exceeds the **Covered Party's Retained Limit** (and therefore comes within the **Authority's** layer), then the **Authority's** coverage shall not apply to the claim and the **Authority** shall not be liable for any indemnity, reimbursement, payment, or costs on the claim exceeding the **Covered Party's Retained Limit**, unless the **Authority's** Workers' Compensation Program Manager approves the waiver of subrogation in writing.

The exclusion of coverage for waiver of subrogation shall apply only to a waiver of subrogation made or approved by a **Covered Party** after the date of the injury or illness that resulted in the claim. This exclusion shall not apply to a waiver of subrogation contained in an agreement or contract that was approved by the **Covered Party** prior to the date of the injury or illness that resulted in the claim.

#### **C. MEMORANDUM CONFORMS TO LAW**

If any provision of this MOC is in conflict with Workers' Compensation Laws applicable to this MOC, the **Authority's Agreement**, the **Authority's** Bylaws, or the **Authority's** PWCP Master Program Document, this statement amends this MOC to conform to such law or document.

#### **D. ALTERNATIVE DISPUTE RESOLUTION**

THE PARTIES TO THIS MEMORANDUM UNDERSTAND THAT BY AGREEING TO THIS MEMORANDUM OF COVERAGE THEY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY AND TO CERTAIN TYPES OF DAMAGES FOR THE PURPOSE OF ADJUDICATING ANY DISPUTE OR DISAGREEMENT AS TO COVERAGE UNDER THIS MEMORANDUM.

Decisions by the **Authority** whether to assume control of the negotiation, investigation, defense, appeal, or settlement of a claim, or whether or not coverage exists for a particular claim or part of a claim shall be made by the **Board**. An appeal to the **Board** from a coverage decision or opinion by general counsel must be made in writing to the **Authority** by the **covered party** within one hundred and twenty (120) days of receipt of such opinion or decision.

The **Board** will take action on any appeal within sixty (60) days or the next scheduled **Board** of Directors meeting, whichever is later, unless an extension is agreed to by the parties. The action taken by the **Board** will include written notice to the **covered party** **Board's** final decision.

The **covered party** must exhaust the right to appeal, as set forth above, before pursuing either Option A - Arbitration or Option B - Declaratory Relief, as set forth below.

The **covered party** must submit to the Administrator of the **Authority** a written request for

Arbitration to pursue Option A - Arbitration, or a written notice of intent to file an action for Declaratory Relief to pursue Option B – Declaratory Relief, within ninety (90) days of receipt of the **Board's** final written decision. If no such written request or notice is submitted to the Administrator of the **Authority**, the **covered party** shall be deemed to have waived any and all other forms of relief or appeal as to the coverage dispute.

Option A - Arbitration:

If both the **Board** and the **covered party** agree in writing, then the coverage dispute may be resolved by binding arbitration or by any other means mutually agreed between the **Authority** and the **covered party**.

Once the **covered party** submits to the Administrator of the **Authority** a written request for Arbitration, the **Authority** shall have 20 (twenty) days from the date of receipt of the written request to respond. If the **Authority** does not agree in writing to Arbitration by the expiration of that time period, it will be deemed to have denied the request. In the event the written request for Arbitration is denied, the **covered party** shall have 10 (ten) days from the date the request is denied or deemed to have been denied to submit to the Administrator of the **Authority** a written notice of intent to file an action for Declaratory Relief. If no such written notice is submitted to the Administrator of the **Authority**, the **covered party** shall be deemed to have waived any and all other forms of relief or appeal as to the coverage dispute.

In the event both the **Board** and the **covered party** agree to arbitrate, they shall be deemed to waive any rights to pursue any adjudication or relief as to the coverage dispute in any other forum or court, including any rights to appeal.

Arbitration shall be conducted pursuant to the California Code of Civil Procedure. Arbitration shall be conducted by a single arbitrator. The arbitrator shall not be employed by or affiliated with the **Authority** or the **covered party** or any **covered parties**.

The parties shall select the arbitrator within twenty (20) calendar days from the date of the mutual agreement to arbitrate. If the parties are unable to agree upon an arbitrator within that time period, they may mutually agree to a reasonable extension of time not to exceed thirty (30) days. If the parties are unable to agree upon an arbitrator within that extended time period, the **Authority** shall file a petition with the Sacramento County Superior Court requesting appointment of a neutral arbitrator, and the procedures set forth in the California Code of Civil Procedure Sections 1281.6 shall be followed. Unless mutually agreed otherwise, the arbitration hearing shall commence within forty-five (45) calendar days from the date of the selection of the arbitrator.

Each party shall pay one half the cost of the selected arbitrator. In addition, each party shall be responsible for its own attorneys' fees, costs and expenses of arbitration.

Except for notification of appointment and as provided in the California Code of Civil Procedure Sections 1282 et seq. for the scheduling of hearing(s) and matters relating to the hearing, there shall be no communication between the parties and the arbitrator relating to the subject of the arbitration other than at oral hearings. The procedures set forth in

California Code of Civil Procedure Section 1283.05 relating to depositions and discovery shall apply to any arbitration pursuant to this paragraph 9. Except as provided otherwise above, arbitration shall be conducted as provided in Title 9 of the Code of Civil Procedure (commencing with Section 1280). The decision of the arbitrator shall be final and binding, and shall not be subject to appeal.

Option B – Declaratory Relief:

If the **covered party** chooses Declaratory Relief or if the parties are unable to agree to Arbitration an action for Declaratory Relief seeking to resolve the coverage dispute must be filed within 90 days of submittal of the written notice of intent to file an action for Declaratory Relief, and any unexpired statute of limitations shall be tolled until expiration of that 90 day period. If an action for Declaratory Relief is not filed in the Superior Court within the time limitations of this paragraph, then notwithstanding any statute of limitations provided in the California Code of Civil Procedure or otherwise, the **covered party** shall be deemed to have waived and be barred from pursuing any further relief, adjudication, action, arbitration or appeal regarding the coverage dispute.

The scope of the action for Declaratory Relief shall be limited to seeking a judicial interpretation of this Memorandum, and, as appropriate, determination and declaration of the amount, if any, to be paid by the **Authority** for indemnity or defense owed under this Memorandum, plus interest as provided herein. No other legal theories or causes of action relating to or arising out of a coverage disagreement under this Memorandum shall be allowed, and such are expressly waived, including but not limited to causes of action for breach of contract or breach of the covenant of good faith and fair dealing. Neither the **Authority** nor the **covered party** shall be entitled to a trial by jury. Neither the **Authority** nor the **covered party** shall be entitled to any damages or relief other than as provided in this paragraph, plus simple interest at the rate of 1% per year on any amounts adjudicated to be owed. Interest on any amounts adjudicated to be owed shall run from the time any invoices for defense fees and costs are actually submitted to the **Authority** (in the event it is adjudicated that the **Authority** had a duty to defend the **covered party** and did not defend the **covered party**), and/or from the time the **Authority** is provided written confirmation of the amount of actual payment by the **covered party** of any judgment or settlement (in the event it is adjudicated that the **Authority** had a duty to pay for any settlement or judgment on behalf of the **covered party** and did not pay for any settlement or judgment on behalf of the **covered party**). Notwithstanding anything in this paragraph, any party to the Declaratory Relief action preserves the right to appeal any judicial decision to the appropriate appellate court, as provided by California law.

Provisions Applicable to Both Option A – Arbitration and Option B – Declaratory Relief:

Regardless of the existence or outcome of a coverage dispute, a Declaratory Relief action or any arbitration proceeding, the maximum amount or limit of coverage owed under this Memorandum by the **Authority** shall remain unchanged. Further, the **Authority** shall owe

defense costs only to the extent they are incurred in compliance with all guidelines for billing and case handling applicable to any defense counsel retained to defend covered claims.

If any coverage dispute results in a settlement, or in a judgment or arbitration award, the amount paid by the **Authority** shall be deemed to be **ultimate net loss** under this Memorandum, and shall be considered and treated as any other payment of **ultimate net loss** by the **Authority** as if there had been no coverage dispute.

**SHARED AGENCY RISK POOL JOINT POWERS AUTHORITY**

**MEMORANDUM OF COVERAGE**

**WORKERS' COMPENSATION COVERAGE**

**ENDORSEMENT NO. 1**

It is understood that the named Covered Party of the Declarations is completed as follows:

Shared Agency Risk Pool Joint Powers Authority (SHARP),  
American Canyon, City of  
Los Altos Hills, Town of  
Ross, Town of  
Saratoga, City of

Attached to and forming part of Policy No. SHARP 2020-21 WC

Effective Date: July 1, 2020

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AUTHORIZED REPRESENTATIVE

**June 9, 2020**

**Agenda Item 8.B.**

**ADMINISTRATIVE MATTERS**

**SUBJECT:   Consideration of Logo for SHARP**

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**BACKGROUND AND HISTORY:**

At the December 2019 Board of Directors meeting, staff presented three options to the Board for a logo for SHARP. A logo helps define the brand of the pool and will be used on the pool's website, correspondence, agendas and more.

After a brief discussion, the Board agreed on the Venn Gloves option for a logo; however, they wanted to see additional options with SHARP's name spelled out in the logo. Staff reached out to Paul Cross, Bickmore, who designed the first three options, to rework the Venn Gloves logo to meet the Board's request.

Attached are updated logo options for the Board's consideration.

**RECOMMENDATION:**

*Staff recommends the Board approve a logo for SHARP.*

**REFERENCE MATERIALS ATTACHED:**

- SHARP Logo Options: Venn Gloves

# Description

Design a logo for SHARP (Shared Agency Risk Pool), a workers compensation insurance and service provider since 1986 with four members in the bay area. Formally an arm of ABAG PLAN but now independent.





# Objectives

Based on knowledge of the risk management, JPA/insurance space and creative questionnaire (right) reviewed by SHARP assistant GM, logo objectives are:

- Be **appropriate** (ie this is not a startup or social platform)
- Be **distinct** from others in space (next page)
- Work where needed (website, letterhead, etc)
- Work in color, B&W, on dark or white backgrounds
- Don't need to relate design to a sister JPA
- Promote a traditional business committed to safety, protection, cooperation, customized services, stability, education and serving not for profits
- Not accompanied by tagline

## Logo Design Questionnaire

The purpose of this questionnaire is to collect information that will help me come up with a list of objectives for the logo design.

**Client Name:** Shared Agency Risk Pool

**Description:** SHARP is a JPA providing workers' compensation coverage and related services to its members – 4 small to medium municipalities in the Bay Area.

**Why do you need a logo?** SHARP previously fit under a parent company ABAG PLAN and did not have its own logo. Going forward SHARP will be an independent entity and needs a new logo.

**Does logo need to relate to another entity, like PLAN, or a sister JPA?** No. SHARP is now an independent JPA needing its own visual identity and does not have a sister JPA it needs to share any visual connection with.

**Why is SHARP breaking off? Marketing strategy? Forced?** <help>

**Who are competitors?** Any JPA with municipal members and appropriate geography and commercial carriers writing work comp for public entities. Some pools would be MPA, EIA, BCPIA, CIPIA, NCCSIF, PARSAC, PERMA, MBASIA, CIPRMA.

**Is there a tagline or slogan that could be used as part of logo?** <help>

**Any inspiring or beloved visuals being used now?** <help>

**Is there a unique origin story?** <help> I'm guessing original PLAN JPA grew out of insurance crisis in the 1980s like all the others. Bickmore had an original origin story with the Husband/Wife team working out of the house ...

**What distinguishes SHARP from competitors?** <help> Geography (Bay Area),

**How would you describe the personality of SHARP?** <help>

**Any unique ways this logo will be used, like on a Van or something?** Or just business cards, letterhead, website, social sites, maybe some promotional materials like cups or pens, etc., the usual?

**Who is your audience?** SHARP's audience, the people they want to impress and attract are professionals, middle to older side, decision makers likely insurance industry veterans with public entity backgrounds. Board members maybe come from public entity service backgrounds not necessarily insurance.

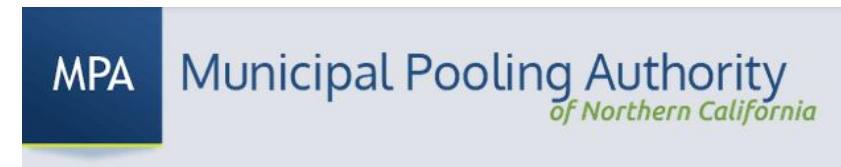
**What does audience want? What do they care about?** Stability, protection, predictability, customized services that large entities need, want to sleep at night, check off boxes, prove due diligence, help and guidance. In it for long term. Not for profits, so they want to protect assets and existence more than grow them.

**Why would audience choose you over competition?(if the "best", why the "best"?)** Location, Cities in Bay Area face similar threats so they would choose us over, say, a JPA that caters to all kinds of different geographical environments. Four members is small. Any advantage there? Quick responses?

**What words would you want associated with SHARP?** <help> Sharing, cooperating, workers' compensation, new, traditional (?) etc.

# Logo Space

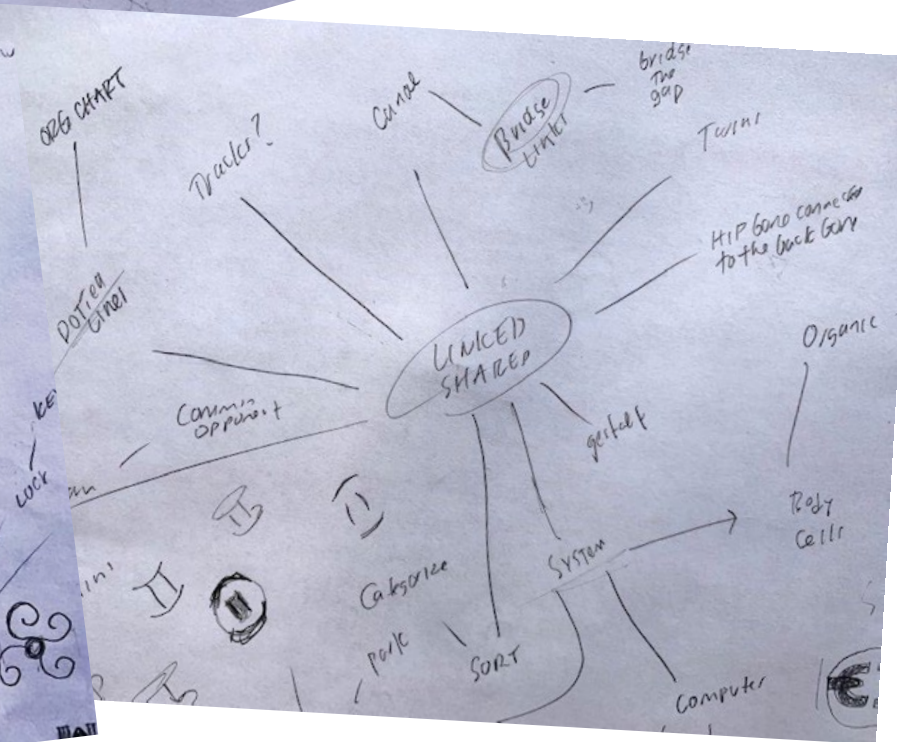
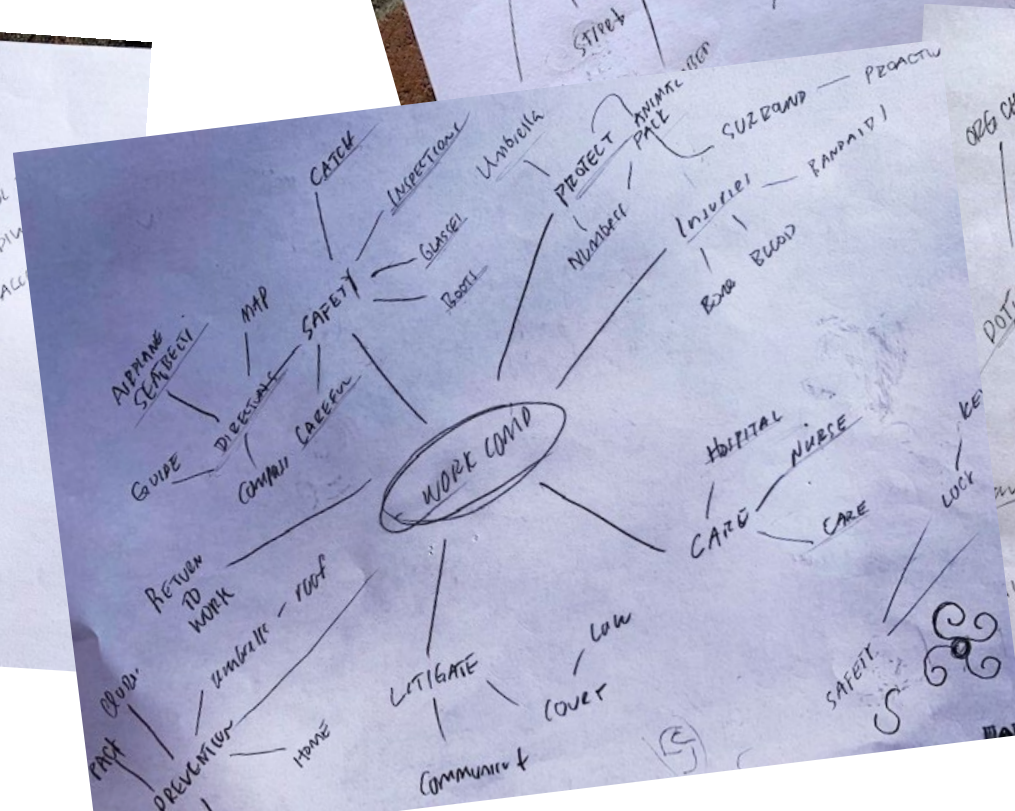
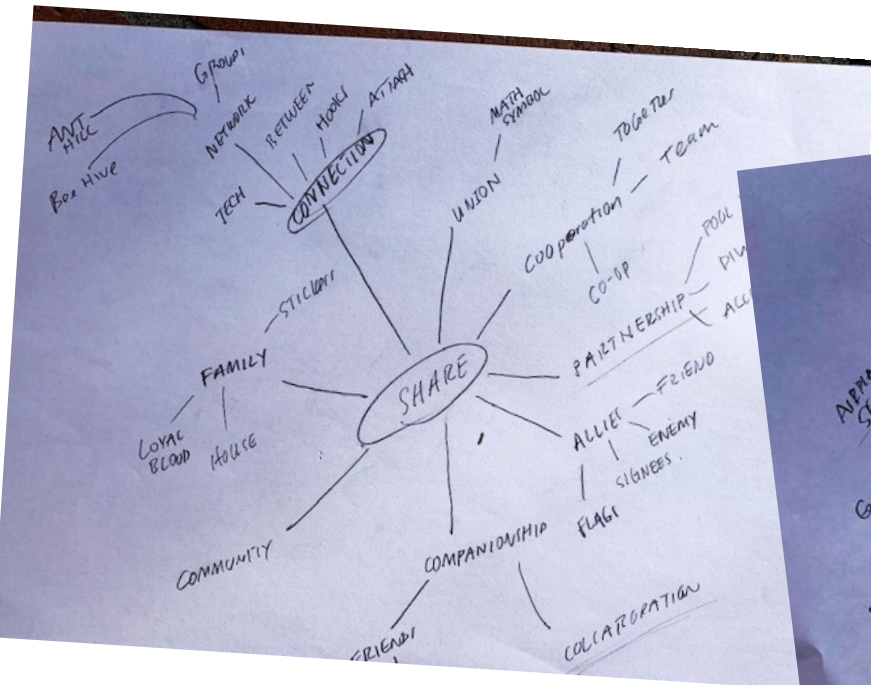
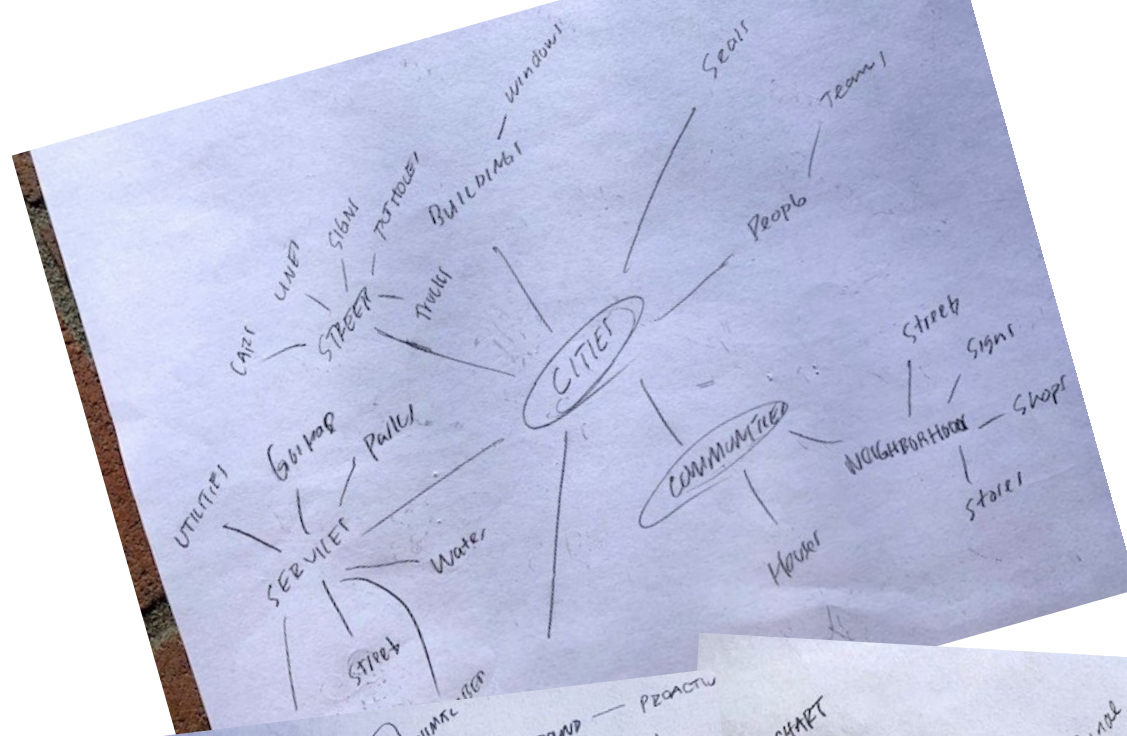
Collection of logos from similar space  
– Yikes, some not really logos (e.g. unaltered text or clipart). Three carriers are on upper right, others are JPAs serving municipalities. Swooshes!





# Brainstorm

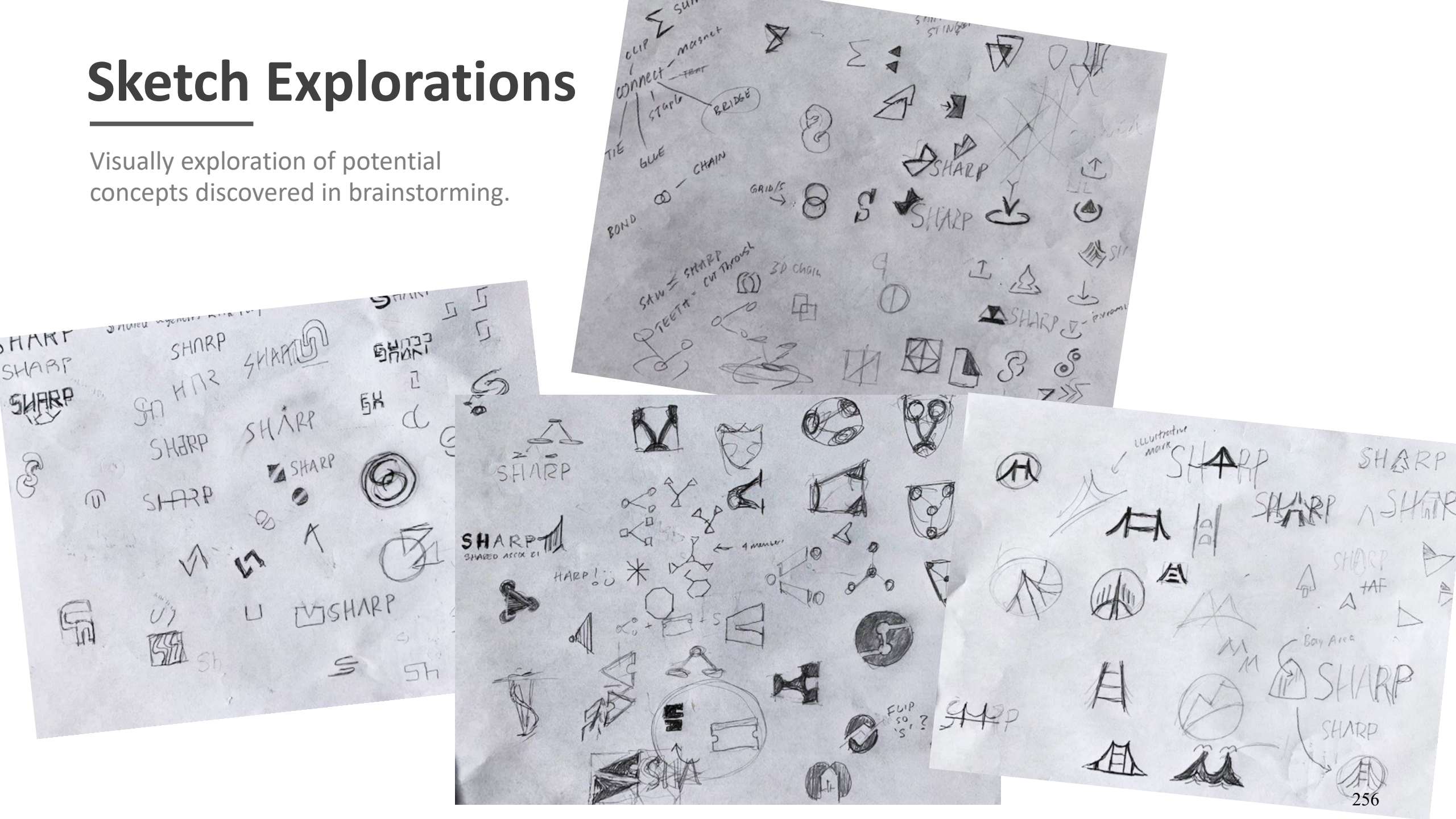
Exploring concepts connected to workers compensatin, safety, sharing, protecting, providing confort, bay area, cities, community, etc. looking for something that might lend itself to a visual repretation





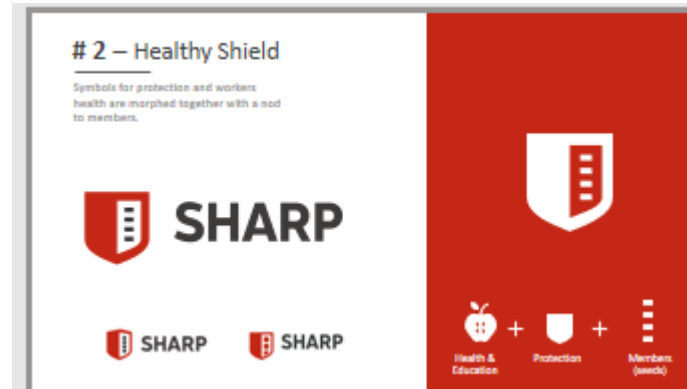
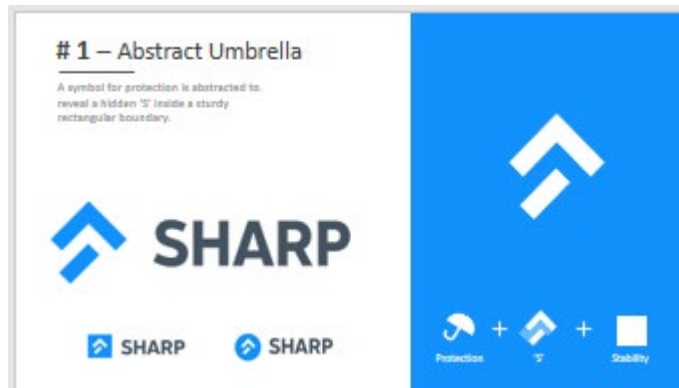
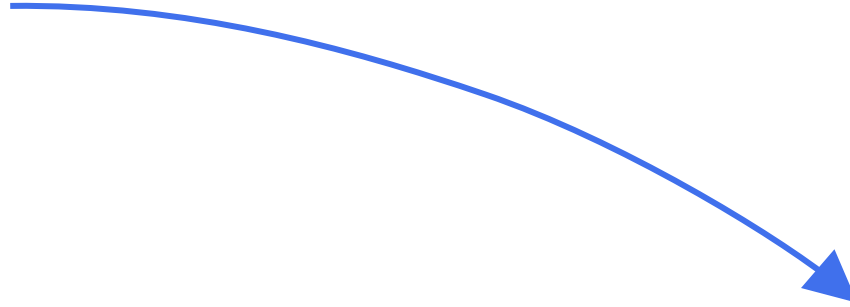
# Sketch Explorations

Visually exploration of potential concepts discovered in brainstorming.



# Concepts

Three concepts originally presented and one chosen for further exploration.



## # 3 – Venn Gloves

This resulted from exploring the intersection of two circles (representing common goals) and revealing an 'S' in negative space and morphing into abstract joining hands.



# Further Exploration

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Here are some other variations on selected concept. Colors, more rounded typeface to match the graphic, closer look at gradients, inclusion of full name, etc. NOTE – final logo files will include at least 2 versions, one for horizontal and one vertical











**SHARP**  
SHARED AGENCY RISK POOL





*Stable, cost-effective  
workers' compensation  
risk management solutions  
for smaller municipalities*

Our Membership Services

Agendas &  
Minutes

Financial  
Reports

Programs

Certificates

PLAN  
Staff

Risk  
Reso

Shared Agency Risk Pool

Administrative Documents





**June 9, 2020**

**Agenda Item 9.A.**

**WORKERS' COMPENSATION PROGRAM MATTERS**

**SUBJECT: Update on SHARP's Workers' Compensation Program**

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**BACKGROUND AND HISTORY:**

The SHARP Workers' Compensation Program has recently renewed the Third-Party Administrator agreement to administer Workers' Compensation benefits with Sedgwick for another 3-year period. Sedgwick has been administering benefits for the SHARP program since 1986. Workers' Compensation Oversight services are provided by Sedgwick as part of the Administration agreement and managed by Jacquelyn Miller as the Workers' Compensation Program Manager.

An overview of the Workers' Compensation Program will be provided by Ms. Miller. A Watch Report of the open, active and unresolved claims has been provided to the members prior to this meeting.

**RECOMMENDATION:**

*None*

**REFERENCE MATERIALS ATTACHED:**

- SHARP Reference Guide - Updated

# SHARP (Shared Agency Risk Pool) Workers' Compensation Program

		WHO DOES WHAT?		
<b>SHARP</b>	<b>Pool WC program</b>	<b>Provides WC coverage for Pool members</b>	<b>Jon Paulsen - Administrator</b>	<b>Ph 800 541-4591 Ext 19154</b> <a href="mailto:Jonathan.Paulsen@sedgwick.com">Jonathan.Paulsen@sedgwick.com</a>
<b>SEDGWICK PROGRAM ADMIN</b>	<b>Pool program administrator</b>	<b>Acts as staff for the administration of the Pool Settlement Authority up to Excess Level</b>	<b>Jackie Miller – WC Program Mgr</b>	<b>Ph 800 541-4591 Ext 19015</b> <a href="mailto:Jacquelyn.Miller@sedgwick.com">Jacquelyn.Miller@sedgwick.com</a>
<b>SEDWICK/TPA</b>	<b>Benefit administrator/TPA</b>	<b>Determines and provides WC benefits from Pool funds</b>	<b>Julie Long – Supervisor Jennifer Gorgen – Sr Examiner</b>	<b>Julie - Ph 800 922-5020 Ext 15261</b> <a href="mailto:Julie.Long@Sedgwick.com">Julie.Long@Sedgwick.com</a> <b>Jennifer – Ph 800.922.5020 Ext 15056</b> <a href="mailto:Jennifer.Gorgen@Sedgwick.com">Jennifer.Gorgen@Sedgwick.com</a>
<b>LAWCX</b>	<b>Excess Coverage – 1<sup>st</sup> Layer</b>	<b>Determines excess reimbursement above \$150,000 07/01/01 – 06/30/08 \$250,000 07/01/08 - Current</b>	<b>Reimbursements requested by Sedgwick</b>	<b>No action required from Pool members</b>
<b>CSAC-EIA</b>	<b>Excess Coverage – 2<sup>nd</sup> Layer</b>	<b>Determines excess reimbursement above \$5M</b>	<b>Reimbursements requested by LAW CX</b>	<b>No action required from Pool members</b>

<b>ESTABLISHED</b>	<b>MEMBER RESPONSIBILITY FOR CLAIM PAYMENTS</b>	<b>SHARP RESPONSIBILITY FOR CLAIM PAYMENTS</b>	<b>EXCESS COVERAGE – LARGE CLAIMS (1<sup>ST</sup> LAYER)</b>	<b>EXCESS COVERAGE – LARGE CLAIMS (2<sup>ND</sup> LAYER)</b>
<b>1986</b>	<b>\$0</b> <b>“First Dollar” Pool.</b> <b>Member pays premiums to pool which cover benefits.</b>	<b>\$0 to \$150,000 07/01/01 – 06/30/08 \$0 - \$250,000 07/07/08 - Current</b> <b>Per Claim</b> <b>Pool issues benefit payments utilizing Sedgwick as Claims Administrator</b>	<b>\$150,001+ 07/01/01 – Current \$250,001 to \$5M</b> <b>LAWCX</b> <b>Payments issued in this layer are made by the Pool and reimbursement is received from LAW CX</b>	<b>\$5M+ to \$200M</b> <b>CSAC-EIA</b> <b>Payments issued in this layer have been reimbursed to the Pool by LAW CX and LAW CX is responsible for seeking reimbursement from CSAC-EIA</b>

**June 9, 2020**

**Agenda Item 9.B.**

**WORKERS' COMPENSATION PROGRAM MATTERS**

**SUBJECT: Legislative Updates**

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**BACKGROUND AND HISTORY:**

Jacquelyn Miller, SHARP's Workers' Compensation Program Manager, will be present to provide an update on recent legislation regarding workers' compensation.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

- Legislative Update

# Shared Agency Risk Pool

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

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## **Legislative and Industry Updates – April 13, 2020**

Both the Senate and Assembly have now returned (at least telephonically/electronically) from their Spring Break and resumed legislative sessions. Due to the impact of COVID-19 for everyone, it is expected most legislative activity will be focused on dealing with that impact. Updates regarding pending bills which impact the SHARP Workers' Compensation Program is provided.

### **LEGISLATIVE ACTIVITY**

#### **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. Currently, one of the primary differences in the bill as proposed is that it **DOES NOT** require a resolution from the employer to provide coverage, but rather mandates the 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." CAJPA staff has been trying to work with the Author to amend the bill and follow the language in AB 1749, without much success. This is tagged a "Key Bill" for the California Association of Joint Powers Authorities (CAJPA) and continued efforts are underway to amend the language as requested.

#### **STATUS – Passed out of the Assembly and now in the Senate.**

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

This bill was initially introduced regarding the Utilization Review (UR) process in place to review, approve, modify or deny medical care. However, it recently underwent a significant "gut and amend" which altered the focus to now apply only to perceived delays in providing medical care.

A second "gut and amend" was performed April 22, 2020 which changed the focus of this bill to Unemployment Benefits, removing it from Workers' Compensation.

#### **STATUS – Amended and no longer applies to Workers' Compensation.**



# Shared Agency Risk Pool

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## **SB 731 Permanent Disability Apportionment (Bradford)**

SB 731 proposes to remove the ability to apportion PD to race, religious creed, color, national origin, age, gender, marital status, sex, sexual identity, sexual orientation, or genetic characteristics. This bill is similar to SB 899 proposed last year which was vetoed by the Governor with the statement “This bill is unnecessary as it would not change existing law and may disturb settled court decisions, which already provide protection from the inappropriate application of the apportionment statutes. Additionally, the proposed wording of the amended statute may create ambiguities in the law, resulting in increased litigation, costs for employers and confusion for injured workers and their representatives.”

Existing law on appropriate apportionment requires *causation* of PD include diagnosable pathology or factors the injured worker has, as opposed to those for which they may be at risk. As with SB 899, amended language has been proposed by coalition to better clarify apportionment. “We believe the language previously included in SB 899 is more appropriate language to further clarify existing law, which prohibits discrimination in providing workers’ compensation benefits. The language would ensure that any apportionment that involves race, religious creed, color, national origin, age, gender, marital status, sex, sexual identity, sexual orientation, or genetic characteristics is not done on those bases, considering what someone may have, but rather on specific diagnosable pathology or factors they actually have.”

## **STATUS – This bill made it through the Senate to the Assembly**

### **INDUSTRY UPDATES:**

### **COVID-19 AND WORKERS’ COMPENSATION:**

The Governor issued an Executive Order May 6, 2020 establishing COVID-19 as a rebuttably presumptive injury for all employees who worked on-site at the employer’s direction from March 19, 2020 through July 5, 2020. While the impact of this Order has yet to be realized, guidance to SHARP members has been provided on the employer’s responsibilities and how these claims will be handled by your Claims Administrator.

Currently, the following bills have been introduced regarding Workers’ Compensation and COVID-19:

- AB 196 – COVID-19 and Essential Workers;
- AB 664 – COVID-19 and Safety Officers/Health Care Workers;
- SB 893 – Presumptive Injuries for Health Care Workers – includes COVID-19; and
- SB 1159 – COVID-19 and Safety Officers/Health Care Workers.



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**STATUS – There is concern and opposition to these bills as they extend presumptive injuries, propose expansion to non-safety personnel and in the case of AB 196 and AB 664 would implement “conclusive” presumptions which remove any defense and extend benefits beyond traditional Workers’ Compensation benefits.**

As indicated above, the progress of many bills that DO NOT involve COVID-19 is not expected. The first major revised Policy Committee does not meet until May 22, 2020, with the Appropriations Suspense Hearing set for June 3, 2020.

**Agenda Item 11.A.**

**ELECTIONS**

**SUBJECT: Elections of Officers for 2020/21 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; Ms. Monica Labossiere, Saratoga, holds the Vice Chair position; and Mr. Jon Paulsen holds the Secretary position. At the June 9, 2020, 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 2020/21 Program Year.*

**REFERENCE MATERIALS ATTACHED:**

None