



Bickmore Risk Services

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February 20, 2009

Mr. Ron Grassi  
Assistant County Administrative Officer  
El Dorado County  
330 Fair Lane  
Placerville, CA 95667

Re: Actuarial Estimates of 2009-10 Projected Funding for the Self-Insured Workers' Compensation Program

Dear Mr. Grassi:

As you requested, we have estimated projected workers' compensation funding for the 2009-10 year with the assumptions of various funding plans. These plans as defined here refer to the extent to which the program's projected surplus as of June 30, 2009 is reflected in the recommended 2009-10 funding.

In the table below, we display estimates of the recommended funding for 2009-10 based on one-year, two-year and three-year plans. The number of years refers to the period of time for which the surplus is applied to the program funding. For example, the two-year plan would imply that approximately half of the surplus would offset the funding in 2009-10 and the other half would offset the funding in 2010-11. The three-year plan would apply approximately 1/3 of the surplus to each of the three upcoming funding years of 2009-10, 2010-11 and 2011-12. The one-year plan would apply the entire surplus to the 2009-10 year only.

El Dorado County  
2009-10 Projected Funding

Funding Plan	Expected	Confidence Level		
		70%	75%	80%
One-year	\$89,000	\$1,522,000	\$2,108,000	\$2,802,000
Two-year	1,859,000	2,770,000	3,145,000	3,587,000
Three-year	2,449,000	3,185,000	3,490,000	3,848,000

As you can see, the amounts for the one-year and two-year funding plans are lower than the three-year plan because more of the surplus is being applied to offset the estimated cost of claims and expenses in 2009-10.

Assuming a one-year funding plan, the table below shows our funding recommendations for El Dorado County for the 2009-10 fiscal year. This plan would bring program assets back to the desired confidence level by June 30, 2010. Under this plan, the County should fund the full value of each prospective year's claims costs; but in addition, may need to return an amortized portion of the projected surplus as of June 30, 2009. For example, to achieve funding at the 70% confidence level as of June 30, 2010, the County's fiscal year 2009-10 contribution should total \$1,522,000, including \$2,871,000 for claims and loss adjustment expenses, \$1,196,000 for non-claims related expenses, less \$2,545,000 towards the June 30, 2009 surplus.

El Dorado County  
 Self-Insured Workers' Compensation Program  
 Loss and LAE Funding Guidelines for 2009-10  
 Amortized Over One Year  
 Self-Insured Retention (SIR) of \$300,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,685,000					
ULAE	288,000					
Investment Income Offset	(470,000)					
Discounted Loss and LAE	\$2,503,000	\$2,871,000	\$3,026,000	\$3,206,000	\$3,429,000	\$3,727,000
Non-claims Related Expenses	1,196,000	1,196,000	1,196,000	1,196,000	1,196,000	1,196,000
(Surplus)/Deficit at 6/30/09 Amortized Over 1 Year	(3,610,000)	(2,545,000)	(2,114,000)	(1,600,000)	(989,000)	(175,000)
Indicated Funding	\$89,000	\$1,522,000	\$2,108,000	\$2,802,000	\$3,636,000	\$4,748,000
Rate per \$100 of 2009-10 Payroll	\$0.08	\$1.32	\$1.82	\$2.43	\$3.15	\$4.11

Assuming a two-year funding plan, the table below shows our funding recommendations for El Dorado County for the 2009-10 fiscal year. This plan would bring program assets back to the desired confidence level by June 30, 2011. Under this plan, the County should fund the full value of each prospective year's claims costs; but in addition, may need to return an amortized portion of the projected surplus as of June 30, 2009. For example, to achieve funding at the 70% confidence level as of June 30, 2011, the County's fiscal year 2009-10 contribution should total \$2,770,000, including \$2,871,000 for claims and loss adjustment expenses, \$1,196,000 for non-claims related expenses, less \$1,297,000 towards the June 30, 2009 surplus.

El Dorado County  
 Self-Insured Workers' Compensation Program  
 Loss and LAE Funding Guidelines for 2009-10  
 Amortized Over Two Years  
 Self-Insured Retention (SIR) of \$300,000

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$2,685,000					
ULAE	288,000					
Investment Income Offset	<u>(470,000)</u>					
Discounted Loss and LAE	\$2,503,000	\$2,871,000	\$3,026,000	\$3,206,000	\$3,429,000	\$3,727,000
Non-claims Related Expenses	1,196,000	1,196,000	1,196,000	1,196,000	1,196,000	1,196,000
(Surplus)/Deficit at 6/30/09 Amortized Over 2 Years	<u>(1,840,000)</u>	<u>(1,297,000)</u>	<u>(1,077,000)</u>	<u>(815,000)</u>	<u>(504,000)</u>	<u>(89,000)</u>
Indicated Funding	\$1,859,000	\$2,770,000	\$3,145,000	\$3,587,000	\$4,121,000	\$4,834,000
Rate per \$100 of 2009-10 Payroll	\$1.61	\$2.40	\$2.72	\$3.11	\$3.57	\$4.18

These estimates are based on the County's most recent actuarial study. The assumptions and limitations shown in that report are applicable to these estimates as well.

We appreciate the opportunity to be of service to El Dorado County in preparing these estimates. Please feel free to call Derek Burkhalter at (916) 244-1167 or John Alltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



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Derek Burkhalter  
Associate, Casualty Actuarial Society  
Member, American Academy of Actuaries



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John Alltop  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries