



August 23, 2011

Mr. Paul Nerland
County of Fresno
2200 Tulare Street, Suite 1400
Fresno, CA 93721

Mr. Jeff Cardell
County of Tulare
2900 W Burrel
Visalia, CA 93291

Re: Actuarial Review of San Joaquin Valley Insurance Authority Pricing for 2012

Gentlemen:

I have reviewed the initial pricing and proposed renewal rating strategy for the San Joaquin Valley Insurance Authority (SJVIA) as prepared by the Gallagher Benefit Services (GBS) Fresno office. In particular, I reviewed the following items.

- I reviewed the claim projections for the Counties of both Fresno and Tulare. My review included an analysis of the data, assumptions, and methods used in the projections. Based on the plan's history and on trend data we are seeing from that area, I think the 8.25% medical trend assumption is reasonable.
- I reviewed the development of the premium rates based on the claim projections and fixed costs.
- I reviewed the projected mix of paid claims and claim reserves. While I did not review lag data in analyzing the reserve targets, I believe that the target of 12.5% of annual claims (which is equivalent to 1.5 months of claims) is a reasonably conservative estimate when claims are paid by a Blue Cross/Blue Shield organization.

Based on my review, it is my opinion that:

- The assumptions and methods used in the pricing are reasonable and consistent with sound actuarial and underwriting practices.
- The resulting premium rates can reasonably be expected to make good and sufficient provision for the risk to which they relate.
- The renewal strategy is consistent with my experience with other successful pools and consortiums that operate in a similar fashion to SJVIA and is an appropriate strategy for this program.

I would be happy to address any questions about the actuarial review of the SJVIA pricing review.

Sincerely,

Glen R. Volk, FSA, MAAA
Consulting Actuary

cc: Leroy Tucker, Area President, Gallagher Benefit Services