



2355 Crenshaw Blvd.
Suite 200
Torrance, CA 90501
P.O. Box 4328
Torrance, CA 90510

310 212-3344
310 212-0360 fax
www.keenan.com
License No. 0451271

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Mr. Lawrence Seymour, CFE
Accounting-Financial Division Chief
Auditor-Controller/Treasurer-Tax Collector
Financial Reporting & Audits
2281 Tulare St., Room 105
Fresno, CA 93721

**SJVIA – COUNTY OF TULARE
INCURRED BUT NOT REPORTED (IBNR) RESERVES AS OF DECEMBER 31, 2016**

Dear Larry:

We have estimated the “Incurred But Not Reported” (IBNR) claims reserves for the medical and prescription drug plans for County of Tulare as of December 31, 2016.

CLAIM EXPERIENCE – JANUARY 1, 2016 TO DECEMBER 31, 2016

We analyzed the experience in the past 12 months to determine the actual lag between the incurred and payment dates of the medical and drug claims.

Coverage	Paid Claims	Average Monthly Employees	Per Employee Per Month (PEPM)
Medical	\$13,725,278	2,803	\$408.05
Prescription Drug	\$6,565,449	2,803	\$195.19
Total	\$20,290,727	2,803	\$603.24

KEENAN’S IBNR ACTUARIAL RESERVE METHODOLOGY

In Keenan’s IBNR actuarial reserve calculation, the estimated outstanding claims at the end of the period (ending IBNR) is calculated based on the Bornheutter-Ferguson actuarial method. Under this method, the IBNR is determined based on completion factors and expected incurred claims. The completion factors are derived from actual claim lag data which takes into account the claim payment pattern. When the groups are small, the completion factors are blended with the industry norm completion factors. The IBNR claim reserve is estimated as the sum, for all prior months, of the expected incurred claim for the month multiplied by the proportion of claims expected to still be outstanding based on the completion factors.

Based on our analysis, we estimated the following unpaid claim liabilities for County of Tulare:

Coverage	Number of Employees in December 2016	Reserves as of 12/31/2016
Medical	2,820	\$1,716,700
Prescription Drug	2,820	\$378,800
Total	2,820	\$2,095,500

ESTIMATED IBNR RESERVES AS OF DECEMBER 31, 2016

Finally, the claims reserves are adjusted to reflect, among other things, claims fluctuation margins, retroactive claim adjustments and enrollment fluctuation. The final reserves are shown below:

Coverage	Reserves as of 12/31/2016	Adjustment Factor	IBNR on 12/31/2016
Medical	\$1,716,700	1.15	\$1,974,200
Prescription Drug	\$378,800	1.15	\$435,600
Total	\$2,095,500	1.15	\$2,409,800

Please let us know if you have any questions or if we can be of further assistance.

Sincerely,



Christine Hough, FSA, FCA, MAAA
Vice President & Actuary



Bordan Darm
Account Executive