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April 19, 2017

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 - SUTTER COUNTY  
 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 as of December 31, 2016 for Sutter County.

**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	\$10,465,073	849	\$1,027.20
Prescription Drug	\$3,020,562	849	\$296.48
<b>Total</b>	<b>\$13,485,635</b>	<b>849</b>	<b>\$1,323.68</b>

**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 Sutter County:

Coverage	Number of Employees in December 2016	Reserves as of 12/31/2016
Medical	851	\$1,236,000
Prescription Drug	851	\$174,220
<b>Total</b>	<b>851</b>	<b>\$1,410,220</b>

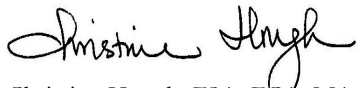
**ESTIMATED IBNR RESERVES AS OF DECEMBER 31, 2016**

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	\$1,236,000	1.15	\$1,421,400
Prescription Drug	\$174,220	1.15	\$200,350
<b>Total</b>	<b>\$1,410,220</b>	<b>1.15</b>	<b>\$1,621,750</b>

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