



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

February 6, 2023

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

**SJVIA – COUNTY OF FRESNO
 INCURRED BUT NOT REPORTED (IBNR) RESERVES AS OF DECEMBER 31, 2022**

Dear Mario:

We have estimated the “Incurred But Not Reported” (IBNR) claims reserves for the self-funded medical, prescription drug and dental plans for County of Fresno as of December 31, 2022.

CLAIM EXPERIENCE – JANUARY 1, 2022 TO DECEMBER 31, 2022

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	\$37,477,813	3881	\$804.73
Prescription Drug	\$13,719,373	3881	\$294.58
Dental	\$2,638,106	4628	\$47.50
Total	\$53,835,292	N/A	\$1,146.81

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 Bornhuetter-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 Fresno:

Coverage	Number of Employees in December 2022	Reserves on 12/31/2022
Medical	3966	\$5,432,953
Prescription Drug	3966	\$823,162
Dental	4734	\$146,061
Total	N/A	\$6,402,176

ESTIMATED IBNR RESERVES AS OF DECEMBER 31, 2022

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 on 12/31/2022	Adjustment Factor	IBNR on 12/31/2022
Medical	\$5,432,953	1.15	\$6,247,900
Prescription Drug	\$823,162	1.15	\$946,640
Dental	\$146,061	1.15	\$167,970
Total	\$6,402,176	1.15	\$7,362,510

CERTIFICATION

The costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The IBNR reserve calculations reported herein are consistent with our understanding of the Bornhuetter-Ferguson actuarial method. The actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the plan.

The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Sincerely,



James Y. Takamatsu, ASA, MAAA
Vice President & Actuary



Arthur Ternersesian
Underwriting Director