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August 7, 2020

Ms. Megan Marks
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) RESERVE AS OF JUNE 30, 2020**

Dear Megan:

We have estimated the “Incurred But Not Reported” (IBNR) claim reserve for the self-funded medical, prescription drug and dental plans for County of Fresno as of June 30, 2020.

CLAIM EXPERIENCE – JULY 1, 2019 TO JUNE 30, 2020

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	\$34,380,590	3930	\$729.02
Prescription Drug	\$11,598,105	3930	\$245.93
Dental	\$2,457,633	4602	\$44.50
Total	\$48,436,327	N/A	\$1,019.45

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 Fresno:

Coverage	Number of Employees in June 2020	Reserve on 06/30/2020
Medical	3949	\$3,009,128
Prescription Drug	3949	\$695,886
Dental	4738	\$131,953
Total	N/A	\$3,836,967

ESTIMATED IBNR RESERVE AS OF JUNE 30, 2020

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

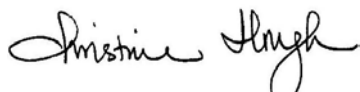
Coverage	Reserve on 06/30/2020	Adjustment Factor	IBNR on 06/30/2020
Medical	\$3,009,128	1.15	\$3,460,500
Prescription Drug	\$695,886	1.15	\$800,270
Dental	\$131,953	1.15	\$151,750
Total	\$3,836,967	1.15	\$4,412,520

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 Bornheutter-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,



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



Arthur Ternersesian
Underwriting Director