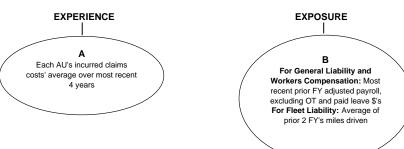
This allocation methodology was developed in 1989 in consultation with an independent insurance consulting firm, the Wyatt Company. It applies insurance industry standard techniques to smooth charges between years and to weigh experience against exposure. It was reviewed and adjusted in 2003, at the recommendation of another independent consultant (ARMTech). The eighteen year City experience with this overall methodology, which is consistent with current insurance industry practices, meets the goals of: maintaining the City's self-insurance funds as actuarially sound; rate stability, loss sensitivity and equitable allocation of risk costs among bureaus.

Risk Allocation of Self-Insurance Totals



C
Prior Year
Experience
Modification Factor
= Each AU's
numbers in column H
from the process
done the previous
year in determining
the current FY's
charges

D
Adjusted Exposure
= Mutiplication of
each AU's B (most
recent FY's adjusted
payroll or average of prior
2 FY's miles driven for
FLeet Liab) by C

This calculation is designed to help smooth rates for each AU over 2 FY's.

E
Share of Adjusted Exposure =
Each AU's D (adjusted exposure)
as a percentage of the total of
column D (adjusted exposure of

all AU's combined)

Share of Losses = Each AU's A (4-yr average of incurred claims costs) as a percentage of the whole city's 4-yr average of claims costs

credibility of Experience =
yr
Each AU's D (adjusted
exposure) as a precentage of
the adjusted exposure of the
AU with the largest prior yr.
r
adjusted payroll divided by
ss

(The larger the bureau the more weight, or credibility, is given to the bureau's experience.)

Weighting of Claims Experience by Exposure

