



September 6, 2011

County of Santa Barbara
Andreas Pyper
1226 Anacapa Street Suite 1
Santa Barbara, CA 93101

Dear Andreas,

Alliant has reviewed the County of Santa Barbara's self-funded dental plan for the 2011 plan year. The below items summarize the dental renewal underwriting, reserve position and income/expenses.

Renewal Underwriting:

Paid claims reflect the most recent 12 month experience period from: July 1, 2010 through June 30, 2011. The data was obtained from Golden West and assumes accurate information.

The beginning and ending incurred but not reported (IBNR) reserve was calculated based on assumptions that the reserve is equal to one month of claims over the experience period.

The annual trend factor used is: 7.0%. Claims were trended over 18 months, to obtain the projected paid claims for the next renewal period.

Based on dental renewal underwriting, the required increase to current premium is: 14.30%.

The projected required increase to total annual premium is approximately: \$330,103 (given the current enrollment mix).

The County of Santa Barbara has been advised to hold three months of claims + IBNR in a contingency reserve. The current balance of this contingency reserve is approximately: \$2 million. The required level of reserve, based on this recommendation would be approximately: \$815,119.

If the County of Santa Barbara decides to use their excess reserve to offset any portion of the renewal increase, there are adequate funds available to do so.

Reserve Position:

Table 1: shows the estimated reserve position of the County of Santa Barbara's self-funded dental plan as of: June 30, 2011. The estimated contingency reserve balance for Actives as of June 30, 2011 is: \$1,191,930. The contingency reserve balance for Retirees as of June 30, 2011 is: \$584,983.

Income and Expenses:

Table 2: shows the income and expenses classified by Actives (including COBRA and Superior Court employees) and Retirees. For the period: July 1, 2010 through June 30, 2011 the Active group had an operating addition of: (\$104,572), and the Retiree group had an operating addition in the amount of: \$50,502.

Sincerely,

Darren Wong
Program Underwriter
Alliant Insurance Services, Inc.

COUNTY OF SANTA BARBARA

SELF FUNDED DENTAL PPO UNDERWRITING ANALYSIS

Renewal Date: January 1, 2012
 Most Recent Experience Through: July 1, 2011

Current Composite Funding PEPM¹

Paid Claims²

Beginning IBNR Reserve
 Ending IBNR Reserve
Adjusted Incurred Claims

Most Recent Month Enrollment³
Average Monthly Enrollment
Adjusted Incurred Claims PEPM

Trend Adjustment
 Annual Trend
 Applied Trend Factor
Trended Claims PEPM

Plan Change Adjustment Factor
Projected Claims PEPM

Margin Adjustment
Program Fixed Costs
 Administration
 Golden West Admin Fee

Program Fixed Costs

Net Required Premium
Annual Required Premium
Net Required Premium Change

Dental (Current)	
\$61.25	
\$2,272,997	
(\$177,025)	
\$189,416	
\$2,285,389	
3,141	
3,175	
\$59.99	
7.0%	
1.1068	
\$66.40	
0.0%	
\$66.40	
\$0.00	
\$3.61	
\$3.61	
\$70.01	
\$2,638,881	
14.30%	

¹ Current funding composite pepm is calculated based on census covering 7/1/2011 and 3-tier funding rates for actives, COBRA, and retirees

² Paid claims are based on Golden West report covering July 1, 2010 - June 30, 2011

³ Based on most recent census provided

*The projections above are estimates based on claim data and do not represent guaranteed savings.

COUNTY OF SANTA BARBARA

Table 1: Reserve Position of the Self-Funded Dental Plan

	<u>Active</u>	<u>Retiree</u>	<u>Combined</u>
Fund Reserves as of June 30, 2011 ¹	\$1,710,391	\$712,368	\$2,422,759
Operating Addition: July 1, 2010 through June 30, 2011 ²	(\$104,572)	\$50,502	(\$54,071)
Fund Reserves as of June 30, 2011	\$1,605,818	\$762,870	\$2,368,688
Liabilities ³	(\$51,011)	(\$21,246)	(\$72,256)
Pending/Unrevealed Claims Reserve ⁴	(\$133,722)	(\$55,694)	(\$189,416)
Estimated Contingency Reserve as of June 30, 2011	\$1,421,086	\$685,930	\$2,107,015
Estimated Renewal Subsidy (to offset 100% of renewal increase)	(\$229,156)	(\$100,947)	(\$330,103)
Estimated Contingency Reserve as of June 30, 2011 (reflects renewal subsidy)	\$1,191,930	\$584,983	\$1,776,913

¹Fund reserve balance as of June 30, 2011 was obtained from the Fund Balance - 6-30-2011 end of fiscal year.xlsx file provided by the County. This line item reflects Total Assets, which includes: Cash in Treasury, Treasury FMV Adjustment, Imprest Cash with Bank, Accounts Receivable, and Interest Receivable.

²Operating addition was obtained from Table 2: Income and Expenses of Self-Funded Dental Plan

³This category includes Warrants Payable, EFT Payable, Accounts Payable, and Unidentified Deposits.

⁴Pending claims reserve estimates are based on claims experience from July 1, 2010 through June 30, 2011

COUNTY OF SANTA BARBARA

Table 2: Income and Expenses of Self-Funded Dental Plan

	<u>Income</u>		
	<u>Active</u> 7/1/10 - 6/30/2011	<u>Retiree</u> 7/1/10 - 6/30/2011	<u>Combined</u> 7/1/10 - 6/30/2011
Income			
County Contributions	\$664,142		\$664,142
Employee/Retirement Contributions	\$891,763	\$764,694	\$1,656,457
COBRA Contributions	\$55,328		\$55,328
Superior Court Contributions	\$0		\$0
Miscellaneous Revenue ¹	\$0	\$0	\$0
Unrealized Gain/Loss on Investments ²	(\$5,624)	(\$2,669)	(\$8,294)
Total Income	\$1,605,608	\$762,025	\$2,367,634
Expenses			
Paid Claims ³	\$1,603,375	\$667,797	\$2,271,171
Golden West Administrative Fees ⁴	\$93,792	\$43,727	\$137,519
Miscellaneous Expenses ⁵	\$13,014	\$0	\$13,014
Total Expenses	\$1,710,181	\$711,523	\$2,421,704
Operating Addition	(\$104,572)	\$50,502	(\$54,071)

Note: Income and Expenses are obtained from Financial Status Report (by Dept, Fund) and Golden West Claims Report

¹Miscellaneous Revenue is allocated by the share of total contributions from each group

²Unrealized gain/loss on investments was obtained from Budget Financial Status, Use of Money and Property, #3381

³Paid Claims were obtained from Golden West dental paid claims report and reflect the period of July 1, 2010 through June 30, 2011

⁴Golden West Administrative Fees for actives were obtained from Budget Financial Status (7510- Contractual Services). Golden West fees for retirees were calculated using enrollment by month, assuming per employee per month fees of \$3.61.

⁵Miscellaneous Expenses include: Services and Supplies and Other Charges, (7450- Office Expense, 7669- Cost Allocations, 7730- Transportation and Travel, 7891- Reprographics Services Exp, 7897- Telephone Services and 7899- Telephone Toll Charges). Miscellaneous Expenses are allocated by the share of total contributions from each group.

COUNTY OF SANTA BARBARA

SELF-FUNDED DENTAL RATES

Effective Date: January 1, 2012

Enrollment (as of 7/1/2011)	<u>Actives</u>	<u>COBRA</u>	<u>Retirees</u>	<u>Total</u>
Single	1,173	76	734	1,983
2-Party	415	39	261	715
Family	434	6	3	443
Total	2,022	121	998	3,141

Current Dental Funding Rates				
Single	\$39.02	\$39.02	\$46.52	\$94,580
2-Party	\$74.97	\$74.97	\$93.05	\$699,869
Family	\$115.40	\$115.40	\$139.57	\$614,337
Total Annual Premium	\$1,523,599	\$78,981	\$706,205	\$2,308,786

Proposed Dental Rates				
Single	\$44.60	\$44.60	\$53.17	\$1,136,786
2-Party	\$85.69	\$85.69	\$106.35	\$799,927
Family	\$131.90	\$131.90	\$159.52	\$702,175
Total Annual Premium	\$1,741,461	\$90,275	\$807,152	\$2,638,888

14.30%