



April 15, 2021

Ms. Joan Velasco  
Fullerton Joint Union High School District  
1051 West Bastanchury Road  
Fullerton, CA 92833

**RE: Fullerton Joint Union High School District  
Engagement Letter for Actuarial Services**

Dear Ms. Velasco:

Perr&Knight is pleased to submit this engagement letter for actuarial services in relation to the workers' compensation exposure for the Fullerton Joint Union High School District.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Bruce Fatz, FCAS, MAAA  
Consulting Actuary  
(310) 889-0943  
bfatz@perrknight.com

# **Fullerton Joint Union High School District**

Engagement Letter for  
Actuarial Services

Prepared by Perr&Knight  
April 15, 2021

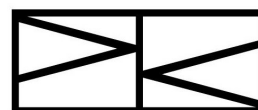
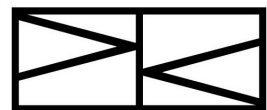


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## I. EXECUTIVE SUMMARY

### **I. Background**

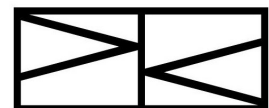
It is our understanding that the Fullerton Joint Union High School District (the “District”) has self-insured their workers’ compensation exposure for many years. The District currently retains the first \$500,000 of loss and allocated loss adjustment expense (“ALAE”) per claim and purchases excess insurance above the self-insured retention. The \$500,000 retention has been in place since the July 1, 2003 through June 30, 2004 policy period. Prior to that, the District had retentions of \$250,000 (from July 1, 1993 through June 30, 2003) and \$225,000 (prior to June 30, 1993).

GASB 10 requires that public entities determine their self-insured liabilities in accordance with actuarial principles which provide for the cost of claims incurred but not reported (“IBNR”).

### **II. Scope of Services**

To assist the District, Perr&Knight proposes to provide the following actuarial services:

- (1) Estimate the ultimate loss and ALAE for all historical policy periods at retentions of \$100,000, \$225,000, \$250,000 and \$500,000, as well as on an unlimited basis.
- (2) Provide an independent estimate of the District’s self-insured loss and loss adjustment expense (“LAE”) reserves as of June 30, 2021 in compliance with GASB 10, on both an undiscounted and a discounted basis.
- (3) Project the ultimate loss and LAE and funding rates for the July 1, 2021 to June 30, 2022 policy period, on both an undiscounted and a discounted basis.
- (4) Based on (2) and (3) above, estimate the District’s outstanding reserves as of the future accounting date of June 30, 2022, on both an undiscounted and a discounted basis.
- (5) Submit a draft report presenting items (1) through (4) above to the District. The draft report will present our conclusions and provide supporting documentation. The supporting documentation will include a full set of supporting exhibits and a report narrative. The report will outline where we relied on the District’s own data and industry data.



- (6) Initiate a discussion of the draft report with the District. The intent of the discussion will be to ask questions that arise as a result of performing the analysis and elicit feedback regarding the District to ensure we are fully informed of any changes that may have a bearing on the analysis.
- (7) Submit a final report to the District after it has approved the final draft version of the report.

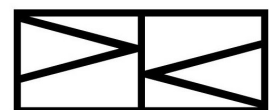
### **III. Methodologies**

In estimating ultimate losses by accident year, we will employ both paid and incurred loss development methods. We will also employ the Bornhuetter-Ferguson method and a frequency and severity method and loss rate method in the most recent years. We will apply these methods to loss and ALAE on a combined basis. Our methodologies will conform to all relevant Actuarial Standards of Practice promulgated by the American Academy of Actuaries.

### **IV. Firm Qualifications and Experience**

Perr&Knight is a leading provider of insurance support services, including Actuarial Consulting, Regulatory Compliance, Product Design, Competitive Intelligence and Insurance Operations & Technology. Perr&Knight is an independent consulting firm, completely unbiased in its analyses and recommendations. We were founded in 1994 and employ over 120 professionals. Perr&Knight maintains offices in Los Angeles, California, Boca Raton, Florida, the New York Metro Area, Ft. Worth, Texas and Cincinnati, Ohio.

With significant actuarial resources including 32 Fellows and Associates of the Casualty Actuarial Society ("CAS") and the Society of Actuaries ("SOA"), Perr&Knight is among the top 10 largest property & casualty actuarial consulting firms in the United States. Our actuaries have over 500 years of combined experience in the industry and come from diverse backgrounds including rating bureaus, primary insurance companies, reinsurance companies, insurance departments and other consulting firms. Our consultants' experience spans all lines of property casualty and supplemental health insurance in all U.S. jurisdictions. Perr&Knight's accredited consulting actuaries meet the requirements of the American Academy of Actuaries Code of Professional Conduct in that we annually fulfill the prescribed continuing education requirements and satisfy applicable qualification standards associated with the services we provide. Among our consulting actuaries are industry speakers and CAS/AAA committee participants. Perr&Knight is committed to the professional education and development of our actuaries, and as a result, boasts a team of knowledgeable, well-rounded actuaries familiar with cutting edge methods and technologies, who are guided by core actuarial standards and principles.



Our actuaries are effective communicators. Every day we work with professionals from various disciplines and experience levels including underwriters, claims adjusters, agents, regulators, actuaries, accountants, attorneys and company management. As a result, we have developed the ability to effectively explain our findings and recommendations to insurance professionals of all types.

## **V. Client Service Team**

As previously noted, Perr&Knight has 32 accredited actuaries, and several more who serve as actuarial consultants, and a number of risk management professionals. Our team of actuaries on this account will have the capacity to dedicate the requisite time to complete the scope of services outlined.

- *Charles Lenz, ACAS, MAAA*

Charles Lenz is a Principal & Consulting Actuary with Perr&Knight, with 29 years of experience in the property-casualty insurance industry. He will be responsible for all aspects of the client relationship and will provide general oversight of the Client Service Team and its work product.

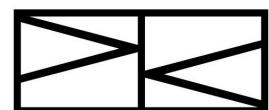
His responsibilities at Perr&Knight include overseeing reserves analyses for a wide range of insurer and self-insured clients as well as managing the firm's actuarial services for alternative risk financing clients, including captive insurance companies.

Prior joining Perr & Knight's Santa Monica, California office, his employment included KPMG, LLP and TIG Insurance Group.

Charlie graduated magna cum laude from the University of California at Los Angeles with a Bachelor of Science in Applied Mathematics in 1990. He is a member in good standing in both the Casualty Actuarial Society and the American Academy of Actuaries. He became an Associate of the Casualty Actuarial Society in 1995 and a Member in the American Academy of Actuaries in 1996.

- *Bruce Fatz, FCAS, MAAA*

Bruce Fatz is a Consulting Actuary with Perr&Knight, Inc and would assist in completing the analysis. He has 17 years of experience in the property-casualty insurance industry in the



areas of pricing and reserving. Prior to joining Perr&Knight, he was employed by Assurant Solutions in Miami, FL.

Bruce has provided a wide range of actuarial consulting services to self-insured private and public entities that include: loss reserving for captives and self-insurers; funding studies; and retention analysis. His experience covers workers compensation, general liability, products liability, professional liability and automobile liability.

Bruce graduated from the University of Miami with a Bachelor of Arts in Music and a Minor in Mathematics in 2001. He became an Associate of the Casualty Actuarial Society and a Member in the American Academy of Actuaries in 2004 and a Fellow of the Casualty Actuarial Society in 2005.

One or more additional actuarial consultants in Perr&Knight's Actuarial Consulting practice area will assist on the analysis in performing spreadsheet work, checking formulas, validating data and on any other tasks not requiring the experience of a credentialed actuary.

#### **VI. Engagement Timeline**

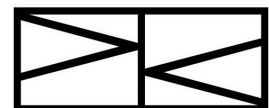
For the analysis outlined, we will review the data as soon as it is available from the District. We estimate being able to complete the draft actuarial report within 2-3 weeks of receiving all the needed data.

We will be available to discuss the draft report immediately upon your review, and any changes that are required as a result of those discussions can be made in one or two business days. We can issue a final report immediately upon completion of the final draft report.

#### **VII. Estimated Project Hours by Consultant and Cost**

We will bill the District for our actual time spent completing the scope of services outlined above at the billing rates listed in the table below.

<b>Consultant</b>	<b>Billing Rate</b>
Principal	\$435 per hour
Consulting Actuary	\$415 per hour
Senior Actuarial Consultant	\$320 per hour



We estimate our fees to be \$7,000 to \$8,000. The actual hours could vary from the estimates provided above and will be highly dependent on the data available from the District. We will bill you only for our actual time worked.

Any additional services beyond the scope of the analysis will be billed at the rates noted above; however, no additional work will be performed without first receiving permission from the District. Our fees are inclusive of all copying expense and shipping cost.

\* \* \* \*

Once again, we appreciate the opportunity to submit this engagement letter. We look forward to working with the Fullerton Joint Union High School District. To the extent that this letter does not reflect the services that you desire, please let me know and we can revise it accordingly.

Sincerely,



Bruce Fatz, FCAS, MAAA  
Consulting Actuary  
(310) 889-0943

THE DISTRICT ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT, UNDERSTANDS IT AND AGREES TO BE BOUND BY ITS TERMS, AND THE PERSON SIGNING ON BEHALF OF THE DISTRICT BELOW HAS BEEN AUTHORIZED TO DO SO.

ACCEPTED BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

