



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: October 17th, 2011
TO: Board of Governors
FROM: Christine Wong, Finance Director
SUBJECT: Status of Claims Activities – Client Security Fund
Through the Quarter Ended September 30th, 2011

Attached for your review are a series of reports for the claims activity within the Client Security Fund for the third quarter ended September 30, 2011. These reports include:

- Claims Activity for the quarter ended September 30, 2011
- Claims Aging Report
- Cumulative Claims Aging Report
- 24 Month Rolling Average of Claims Paid
- Analysis of New Claims Paid, Rejected or Withdrawn

As of September 30, 2011, a total of 2,250 new claims in the amount of \$17.9 million were filed. Comparing to the 3,164 claims for \$18.9 million filed for the same period in 2010, the number of claims and claim amounts declined by 28.9% and 5.3%, respectively.

On a cash basis, total claims paid through the third quarter of 2011 are approximately \$4.7 million. For financial statement purposes, the Office of Finance accrues a liability based on a rolling 24 month historical claims payout ratio, currently 40.39%. Total claims outstanding through the end of the third quarter are \$43.1 million. This represents a 22.1% increase over the \$35.5 million outstanding at the of the same time period in 2010. Applying the historical claims payout ratio to the current outstanding claims, Finance has recorded a claims liability of approximately \$17.4 million.

As of the end of the third quarter, estimated claims liability exceeds available cash and investments by approximately \$2 million. However, an actuarial study performed by Milliman Inc., in July of 2010 estimated that the Client Security Fund will have sufficient net assets to cover claims on a pay-as-you-go basis through at least 2015. An update of the 2010 actuarial study will be performed in 2012 to re-evaluate the financial condition of the Client Security Fund.

THE STATE BAR OF CALIFORNIA

CLIENT SECURITY FUND

STATUS ON CLAIMS ACTIVITIES

SEPTEMBER 30, 2011

YEAR TO DATE ACTIVITIES

	\$1 - 2500		\$2,501 - 5,000		\$5,001 - 10,000		\$10,001 - 25,000		\$25,001 - 49,999		\$50,000		\$50,001 - 100,000		TOTAL	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
Prior Years' Claims	2110	3,587,423.83	2859	9,834,846.80	615	4,377,327.35	270	4,390,352.18	93	3,181,931.63	144	7,259,656.95	21	1,982,809.80	6112	34,614,348.54
New Claims 2011	658	1,188,580.16	944	3,413,630.42	318	2,264,052.56	181	2,781,853.57	53	1,827,374.20	57	2,850,000.00	39	3,550,697.12	2250	17,876,188.03
Paid Claims 2011	-337	-565,049.49	-283	-997,338.27	-150	-998,236.06	-42	-594,631.29	-9	-227,360.51	-26	-1,038,406.30	-5	-236,100.30	-852	-4,657,122.22
Rejected Claims 2011	-5	-25,781.30	-3	-71,258.26	-3	-113,541.06	-7	-228,097.43	-6	-286,453.78	-12	-921,250.65	0	-230,653.72	-36	-1,877,036.20
Withdrawn Claims 2011	-100	-172,294.61	-99	-337,384.29	-45	-346,653.95	-40	-642,534.49	-15	-484,445.77	-16	-800,000.00	-1	-66,754.02	-316	-2,850,067.13
Claims Outstanding	2326	4,012,878.59	3418	11,842,496.40	735	5,182,948.84	362	5,706,942.54	116	4,011,045.77	147	7,350,000.00	54	4,999,998.88	7158	43,106,311.02
New Claims % to Total	29.24%	6.65%	41.96%	19.10%	14.13%	12.67%	8.04%	15.56%	2.36%	10.22%	2.53%	15.94%	1.73%	19.86%	100.00%	100.00%
Claims Paid % to Total	39.55%	12.13%	33.22%	21.42%	17.61%	21.43%	4.93%	12.77%	1.06%	4.88%	3.05%	22.30%	0.59%	5.07%	100.00%	100.00%
Claims Rejected or Withdrawn % to Total	29.83%	4.19%	28.98%	8.64%	13.64%	9.74%	13.35%	18.42%	5.97%	16.31%	7.95%	36.41%	0.28%	6.29%	100.00%	100.00%
Claims Outstanding % to Total	32.50%	9.31%	47.75%	27.47%	10.27%	12.02%	5.06%	13.24%	1.62%	9.31%	2.05%	17.05%	0.75%	11.60%	100.00%	100.00%

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CLAIMS AGING REPORT
AS OF SEPTEMBER 30, 2011

Year Claim Filed	Gross Claims Prior Year		Current Year		Claims Paid		Claims Rejected or Withdrawn		Total Claims Processed		Claims Outstanding	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2005	3	133,141.32			-1	-91,272.60	0	0.00	-1	-91,272.60	2	41,868.72
2006	19	283,743.95			-2	-13,458.95	-14	-220,980.00	-16	-234,438.95	3	49,305.00
2007	58	1,086,698.23			-4	-11,652.24	-16	-432,877.25	-20	-444,529.49	38	642,168.74
2008	117	2,365,949.50			-15	-207,270.20	-14	-305,598.15	-29	-512,868.35	88	1,853,081.15
2009	2314	11,149,453.81			-461	-1,973,674.69	-68	-1,074,331.15	-529	-3,048,005.84	1785	8,101,447.97
2010	3601	19,595,361.73			-309	-1,692,577.58	-194	-2,029,357.85	-503	-3,721,935.43	3098	15,873,426.30
2011			2250	17,876,188.03	-60	-667,215.96	-46	-663,958.93	-106	-1,331,174.89	2144	16,545,013.14
TOTAL	6112	34,614,348.54	2250	17,876,188.03	-852	-4,657,122.22	-352	-4,727,103.33	-1204	-9,384,225.55	7158	43,106,311.02
Average		\$5,663		\$7,945		\$5,466		\$13,429		\$7,794		\$6,022

Estimated Claim Payout Ratio: **40.39%**

Estimated Claim Liability: **\$17,410,639**

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE CLAIMS AGING REPORT
AS OF SEPTEMBER 30, 2011

Year Claim Filed	Gross Claims Prior Years		Current Year		Claims Paid		Claims Rejected or Withdrawn		Total Claims Processed		Claims Outstanding	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2005 Only	3	133141.32			-1	-91,272.60	0	0.00	-1	-91,272.60	2	41,868.72
2005-2006	22	416885.27			-3	-104,731.55	-14	-220,980.00	-17	-325,711.55	5	91,173.72
2005-2007	80	1503583.50			-7	-116,383.79	-30	-653,857.25	-37	-770,241.04	43	733,342.46
2005-2008	197	3869533.00			-22	-323,653.99	-44	-959,455.40	-66	-1,283,109.39	131	2,586,423.61
2005-2009	2511	15018986.81			-483	-2,297,328.68	-112	-2,033,786.55	-595	-4,331,115.23	1916	10,687,871.58
2005-2010	6112	34614348.54			-792	-3,989,906.26	-306	-4,063,144.40	-1098	-8,053,050.66	5014	26,561,297.88
2005-2011			2,250	17,876,188.03	-852	-4,657,122.22	-352	-4,727,103.33	-1204	-9,384,225.55	7158	43,106,311.02

Claims Pending on 9/30/2011 **7158**

Net Asset in Client Security Fund:

As of 12/31/2010 **2,322,315**

As of 9/30/2011 **(1,985,575)**

*The number of rejected claims only reflects those claims
that were 100% rejected or withdrawn.

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND**

24 MONTH ROLLING AVERAGE OF CLAIMS PAID RATIO

OCTOBER 2009 THROUGH SEPTEMBER 2011

PAID CLAIMS

Month Covered	Amount	Monthly Average Payout Ratio	24 Month Rolling Average	Cumulative Paid Total
October 2009	671,289	62.88%		671,289
November 2009	218,385	28.56%		889,674
December 2009	497,104	47.27%		1,386,778
January 2010	2,500	1.42%		1,389,278
February 2010	106,392	15.62%		1,495,670
March 2010	162,881	31.55%		1,658,551
April 2010	158,270	43.87%		1,816,821
May 2010	334,727	33.60%		2,151,548
June 2010	308,843	52.70%		2,460,391
July 2010	177,043	28.57%		2,637,434
August 2010	186,118	19.50%		2,823,552
September 2010	368,292	40.82%		3,191,844
October 2010	31,045	2.21%		3,222,889
November 2010	491,751	60.38%		3,714,640
December 2010	1,003,262	34.22%		4,717,902
January 2011	11,260	7.23%		4,729,162
February 2011	50,467	23.46%		4,779,629
March 2011	310,935	42.42%		5,090,564
April 2011	798,640	78.60%		5,889,204
May 2011	505,144	66.70%		6,394,348
June 2011	847,837	28.48%		7,242,185
July 2011	757,074	50.70%		7,999,259
August 2011	429,060	63.17%		8,428,319
September 2011	946,705	69.72%		9,375,024
Totals	9,375,024		40.39%	

THE STATE BAR OF CALIFORNIA

CLIENT SECURITY FUND

ANALYSIS OF NEW CLAIMS PAID, REJECTED OR WITHDRAWN, ESTIMATED CLAIMS LIABILITY PER ACTIVE

SEPTEMBER 30, 2011

Third Quarter 2011 Analysis

Beginning Balance	6746
Add: Reinstated Claims / New Claims	943
Less: Paid / Rejected or Withdrawn	531
TOTAL	7158
CLAIMS OUTSTANDING AMOUNT	43,106,311
# Of Active Attorneys	172,164
Cost Per Active Attorney	\$250
ESTIMATED CLAIMS LIAB.	
Claims Payout Ratio	40.39%
Estimated Claim Amount *	\$17,410,639
# of Active Attorneys	172,164
Cost per Active Attorney	\$101

CLAIM ACTIVITIES IN %:

Claim Amount	New Claims - Year to Date	Claims Paid - Year to Date	Claims Rejected / Withdrawn - Year to Date	Claims O/S - Cumulative
1 - 2,500	6.65%	12.13%	4.19%	9.31%
2,501 - 5,000	19.10%	21.42%	8.64%	27.47%
5,001 - 10,000	12.67%	21.43%	9.74%	12.02%
10,001 - 25,000	15.56%	12.77%	18.42%	13.24%
25,001 - 49,999	10.22%	4.88%	16.31%	9.31%
50,000	15.94%	22.30%	36.41%	17.05%
50,001 - 100,000	19.86%	5.07%	6.29%	11.60%

NET ASSET, END OF PERIOD (\$1,985,575)

*Based upon 24 month rolling weighted average of claims paid ratio (See