



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

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MEMORANDUM

DATE: February 16, 2012
TO: Board of Governors
FROM: Christine Wong, Finance Director
SUBJECT: Status of Claims Activities – Client Security Fund
For the Year Ended December 31, 2011

Attached for your review are a series of reports for the claims activity within the Client Security Fund for the year ended December 31, 2011. These reports include:

- Claims Activity for the year ended December 31, 2011
- Claims Aging Report
- Cumulative Claims Aging Report
- 24 Month Rolling Average of Claims Paid
- Analysis of New Claims Paid, Rejected or Withdrawn
- Ten Years Comparison from 2002 to 2011

In 2011, there was a decrease in the number of claims filed, but an increase in reimbursement amount requested. For the year ended December 31, 2011, a total of 3,411 new claims in the amount of \$26.1 million were filed. The number of claims filed is down by 12% compared to 3,875 claims filed last year, but the claim amount increased by \$2.9 million, or 12.5% compared to \$23.2 million last year. The increase in claim amount is due to the fact that some of the cases submitted involve potentially larger reimbursable amounts.

On a cash basis, total claims paid for the year ended December 31, 2011 are approximately \$7.8 million. For financial statement purposes, the Office of Finance accrues a liability based on a rolling average of 24 month historical claims payout ratio, currently 42.22%. Total claims outstanding as of December 31, 2011 are \$45.3 million, up by \$10.8 million or 31.3% compare to \$34.5 million last year. Applying the rolling average claims payout ratio to the outstanding claim amounts, the accrued claim liabilities as of December 31, 2011 are \$19.1 million, an increase of \$7.5 million or 64.6% compare to \$11.6 million last year.

As of December 31, 2011, cash and investments available for claims reimbursement are approximately \$11.9 million. Estimated claims liability for the reporting year is \$19.1 million,

exceeds the cash and investment available by \$7.2 million; however, the fund is expected to continue to cash flow through at least 2014. During 2012, staff will perform an in depth cash flow analysis of the fund to determine the need for and the timing of a possible fee increase.

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
STATUS ON CLAIMS ACTIVITIES
DECEMBER 31, 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	3,593,614.16	2859	9,845,599.22	615	4,377,396.57	270	4,396,702.18	93	3,181,931.63	144	7,259,656.95	21	2,052,809.80	6112	34,707,710.51
New Claims 2011	897	1,642,861.32	1561	5,905,419.07	511	3,565,175.64	247	3,796,767.62	71	2,445,789.82	68	3,550,000.00	56	5,180,564.29	3411	26,086,577.76
Paid Claims 2011	-654	-1,058,976.72	-537	-1,865,805.83	-219	-1,432,951.12	-62	-871,438.57	-16	-411,553.01	-39	-1,733,275.94	-7	-445,852.98	-1534	-7,819,854.17
Rejected Claims 2011	-9	-38,780.30	-5	-100,865.44	-7	-183,339.86	-8	-303,160.73	-8	-412,954.44	-17	-1,276,381.01	0	-270,406.40	-54	-2,585,888.18
Withdrawn Claims 2011	-196	-353,391.01	-207	-709,011.91	-74	-560,264.62	-59	-1,005,327.19	-25	-815,547.89	-24	-1,200,000.00	-5	-417,900.02	-590	-5,061,442.64
Claims Outstanding	2148	3,785,327.45	3671	13,075,335.11	826	5,766,016.61	388	6,013,543.31	115	3,987,666.11	132	6,600,000.00	65	6,099,214.69	7345	45,327,103.28
New Claims % to Total	26.30%	6.30%	45.76%	22.64%	14.98%	13.67%	7.24%	14.55%	2.08%	9.38%	1.99%	13.61%	1.64%	19.86%	100.00%	100.00%
Claims Paid % to Total	42.63%	13.54%	35.01%	23.86%	14.28%	18.32%	4.04%	11.14%	1.04%	5.26%	2.54%	22.17%	0.46%	5.70%	100.00%	100.00%
Claims Rejected or Withdrawn % to Total	31.83%	5.13%	32.92%	10.59%	12.58%	9.72%	10.40%	17.11%	5.12%	16.06%	6.37%	32.38%	0.78%	9.00%	100.00%	100.00%
Claims Outstanding % to Total	29.24%	8.35%	49.98%	28.85%	11.25%	12.72%	5.28%	13.27%	1.57%	8.80%	1.80%	14.56%	0.88%	13.46%	100.00%	100.00%

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CLAIMS AGING REPORT
AS OF DECEMBER 31, 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	-1	-23,689.97	-2	-114,962.57	1	18,178.75
2006	19	283,743.95			-4	-20,163.95	-14	-253,580.00	-18	-273,743.95	1	10,000.00
2007	58	1,086,698.23			-9	-54,017.69	-29	-706,991.54	-38	-761,009.23	20	325,689.00
2008	117	2,370,118.50			-29	-325,823.65	-25	-588,504.80	-54	-914,328.45	63	1,455,790.05
2009	2314	11,156,764.81			-772	-3,195,507.05	-111	-1,430,738.82	-883	-4,626,245.87	1431	6,530,518.94
2010	3601	19,677,243.70			-553	-2,857,442.38	-300	-2,717,180.44	-853	-5,574,622.82	2748	14,102,620.88
2011			3411	26,086,577.76	-166	-1,275,626.85	-164	-1,926,645.25	-330	-3,202,272.10	3081	22,884,305.66
TOTAL	6112	34,707,710.51	3411	26,086,577.76	-1534	-7,819,854.17	-644	-7,647,330.82	-2178	-15,467,184.99	7345	45,327,103.28
Average		\$5,679		\$7,648		\$5,098		\$11,875		\$7,102		\$6,171

Estimated Claim Payout Ratio: **42.22%**

Estimated Claim Liability: **\$19,137,103**

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE CLAIMS AGING REPORT
AS OF DECEMBER 31, 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	133,141.32			-1	-91,272.60	-1	-23,689.97	-2	-114,962.57	1	18,178.75
2005-2006	22	416,885.27			-5	-111,436.55	-14	-277,269.97	-19	-388,706.52	3	28,178.75
2005-2007	80	1,503,583.50			-14	-165,454.24	-43	-984,261.51	-57	-1,149,715.75	23	353,867.75
2005-2008	197	3,873,702.00			-43	-491,277.89	-68	-1,572,766.31	-111	-2,064,044.20	86	1,809,657.80
2005-2009	2511	15,030,466.81			-815	-3,686,784.94	-179	-3,003,505.13	-994	-6,690,290.07	1517	8,340,176.74
2005-2010	6112	34,707,710.51			-1368	-6,544,227.32	-479	-5,720,685.57	-1847	-12,264,912.89	4265	22,442,797.62
2005-2011			3,411	26,086,577.76	-1534	-7,819,854.17	-643	-7,647,330.82	-2177	-15,467,184.99	7346	45,327,103.28

Claims Pending on 12/31/2011 **7346**

Net Asset in Client Security Fund:

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

As of 12/31/2011 **(7,215,281)**

*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

JANUARY 2011 THROUGH DECEMBER 2011

PAID CLAIMS

Month Covered	Amount	Montly Average Payout Ratio	24 Month Rolling Average	Cumulative Paid Total
January 2010	2,500	1.42%		2,500
February 2010	106,392	15.62%		108,892
March 2010	162,881	31.55%		271,773
April 2010	158,270	43.87%		430,043
May 2010	334,727	33.60%		764,770
June 2010	308,843	52.70%		1,073,613
July 2010	177,043	28.57%		1,250,656
August 2010	186,118	19.50%		1,436,774
September 2010	368,292	40.82%		1,805,066
October 2010	31,045	2.21%		1,836,111
November 2010	491,751	60.38%		2,327,862
December 2010	1,003,262	34.22%		3,331,124
January 2011	11,260	7.23%		3,342,384
February 2011	50,467	23.46%		3,392,851
March 2011	310,935	42.42%		3,703,786
April 2011	798,640	78.60%		4,502,426
May 2011	505,144	66.70%		5,007,570
June 2011	847,837	28.48%		5,855,407
July 2011	757,074	50.70%		6,612,481
August 2011	429,060	63.17%		7,041,541
September 2011	946,705	69.72%		7,988,246
October 2011	837,409	37.90%		8,825,655
November 2011	1,217,305	60.88%		10,042,960
December 2011	1,108,017	59.13%		11,150,977
Totals	11,150,977		42.22%	

THE STATE BAR OF CALIFORNIA

CLIENT SECURITY FUND

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

DECEMBER 31, 2011

Fourth Quarter 2011 Analysis

Beginning Balance	7158
Add: Reinstated Claims / New Claims	1161
Less: Paid / Rejected or Withdrawn	974
TOTAL	7345
CLAIMS OUTSTANDING AMOUNT	45,327,103
# Of Active Attorneys	172,645
Cost Per Active Attorney	\$263
ESTIMATED CLAIMS LIAB.	
Claims Payout Ratio	42.22%
Estimated Claim Amount *	\$19,137,103
# of Active Attorneys	172,645
Cost per Active Attorney	\$111

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	6.30%	13.54%	5.13%	8.35%
2,501 - 5,000	22.64%	23.86%	10.59%	28.85%
5,001 - 10,000	13.67%	18.32%	9.72%	12.72%
10,001 - 25,000	14.55%	11.14%	17.11%	13.27%
25,001 - 49,999	9.38%	5.26%	16.06%	8.80%
50,000	13.61%	22.17%	32.38%	14.56%
50,001 - 100,000	19.86%	5.70%	9.00%	13.46%

NET ASSET, END OF PERIOD (\$7,215,281)

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

State Bar of California
Client Security Fund
Ten Years Comparison
2002-2011

	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	# of Claims	Amount																		
Claims outstanding, begin of year	751	9,517,404	770	10,157,007	759	8,548,576	858	9,956,622	787	10,396,199	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647
Prior year's outstanding claim adjustment	5	29,491	(2)	55,611	(13)	109,900	(3)	90,040	(2)	241,984	-	69,048	-	107,497	-	15,532	-	100,260	-	194,064
New claims	1,300	14,166,217	1,200	12,221,905	1,321	13,681,482	1,318	11,558,645	1,314	10,916,591	1,013	12,927,446	825	11,290,084	3,028	19,469,661	3,875	23,231,936	3,411	26,086,578
TOTAL CLAIMS	2,056	23,713,112	1,968	22,434,523	2,067	22,339,958	2,173	21,605,307	2,099	21,554,774	1,810	22,576,019	1,612	23,208,724	3,738	31,356,734	6,872	45,457,046	9,523	60,794,289
Less: Processed Claims:																				
Paid	782	\$6,597,057	701	\$5,859,620	746	\$6,681,455	982	\$4,648,584	943	\$5,299,061	607	\$4,352,110	479	\$4,638,272	378	\$3,461,950	267	\$3,331,124	1,534	\$7,819,854
Rejected	39	2,580,784	39	2,585,959	39	1,701,671	50	2,535,698	24	1,799,629	42	2,066,308	57	2,196,878	52	1,930,226	138	2,869,032	54	2,585,888
Withdrawn	465	4,378,264	469	5,440,368	424	5,000,210	354	4,024,826	335	4,876,559	374	4,346,458	366	4,502,033	311	3,839,708	355	4,743,243	590	5,061,443
TOTAL PROCESSED CLAIMS	1,286	13,556,105	1,209	13,885,947	1,209	12,383,336	1,386	11,209,108	1,302	11,975,249	1,023	10,764,876	902	11,337,183	741	9,231,884	760	10,943,399	2,178	15,467,185
Claims outstanding, end of year	770	10,157,007	759	8,548,576	858	9,956,622	787	10,396,199	797	9,579,525	787	11,811,143	710	11,871,541	2,997	22,124,850	6,112	34,513,647	7,345	45,327,104
Claims outstanding inc./(dec.) over beginning balance	19	639,603	(11)	(1,608,431)	99	1,408,046	(71)	439,577	10	(816,674)	(10)	2,231,618	(77)	60,398	2,287	10,253,309	3,115	12,388,797	1,233	10,813,457
Claims payout ratio		44.20%		45.26%		43.88%		43.79%		42.86%		42.45%		40.68%		39.38%		33.67%		42.22%
Est. claims liab. at payout ratio		\$4,489,397		\$3,869,086		\$4,368,966		\$4,552,496		\$4,105,784		\$5,013,830		\$4,829,343		\$8,712,766		\$11,620,745		\$19,137,103
Net Assets, end of year		\$5,656,285		\$4,303,609		\$2,229,455		\$1,479,897		\$2,325,593		\$2,990,889		\$4,304,519		\$2,678,965		\$2,322,315		(\$7,215,281)
Net Assets, end of year - cash basis		10,145,682		8,172,695		6,598,421		6,032,393		6,431,377		8,004,719		9,133,862		11,391,731		13,943,060		11,921,822
Estimated Decrease/(Increase) in Awards Payable Liability:		(1,277,273)		620,311		(499,880)		(183,530)		446,712		(908,046)		184,487		(3,883,423)		(2,907,979)		(7,516,358)