



# THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

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## MEMORANDUM

**DATE:** November 16, 2016

**TO:** Members, Planning and Budget Committee  
Members, Board of Trustees

**FROM:** Christine Wong, Chief Financial Officer

**SUBJECT:** Client Security Fund Report for the Quarter Ended  
September 30, 2016

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Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended September 30, 2016. These reports include:

- Applications Activity for the quarter ended September 30, 2016
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid
- Analysis of New Applications Paid, Rejected or Withdrawn

As of September 30, a total of 922 new applications in the amount of \$13.9 million were filed in 2016. The number of applications filed is up by 2.0% compared to 904 applications filed last year. The application amount increased by \$0.7 million, or 5.3% compared to \$13.2 million filed as of the same quarter in 2015.

For the third quarter ended September 30, 2016, total applications processed are 1,412 for approximately \$11.5 million. Total payouts for the reported quarter are \$5.6 million, increased by \$1.5 million compared to last year. Total applications pending for processing as of September 30, 2016 are 4,975 in the amount of \$52.5 million, and for the same period in 2015, there were 5,701 pending applications in the amount of \$49.7 million. Number of applications pending for processing as of September 30, 2016 is down by 726 or 12.7% compared to last year.

For this report, the Office of Finance estimated the application payout amount based on a rolling average of 24 month historical applications payout ratio, currently 44.78%. Total applications outstanding as of September 30, 2016 are 4,975 for \$52.5 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application

payout as of September 30, 2016 is \$23.5 million, an increase of \$6.4 million or 37.4 % compared to \$17.1 million last year. As of September 30, 2016, cash and investments available for applications reimbursement in the CSF are approximately \$5.5 million.

To mitigate the pending CSF application waiting time and be in compliance with the Bar's reserve policy to spend down the reserve balances in certain Funds that have balances in excess of the 30% reserve ceiling, in March, the Board of Trustees approved two inter-fund transfers from the Lawyer Assistance Program and Legislative Activity Fund for a total of \$2.02 million to the CSF Fund. As a result, the CSF payout has increased by \$1.4 million as of September 30, 2016.

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
STATUS ON APPLICATIONS ACTIVITIES  
SEPTEMBER 30, 2016  
YEAR TO DATE ACTIVITIES**

	<u>\$1 - 2,500</u>		<u>\$2,501 - 5,000</u>		<u>\$5,001 - 10,000</u>		<u>\$10,001 - 25,000</u>		<u>\$25,001 - 49,999</u>		<u>\$50,000</u>		<u>\$50,001 - 100,000</u>		<u>TOTAL</u>	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
<b>Prior Years' Applications</b>	1,217	\$ 2,250,203	2,644	\$ 10,043,891	866	\$ 6,004,089	365	\$ 5,852,139	119	\$ 4,240,424	28	\$ 3,050,000	226	\$ 18,628,832	5,465	\$ 50,069,578
<b>New Applications</b>	173	\$ 289,095	291	\$ 1,072,879	169	\$ 1,240,934	156	\$ 2,505,356	40	\$ 1,445,179	21	\$ 1,050,000	72	\$ 6,304,438	922	\$ 13,907,881
<b>Paid Applications</b>	(245)	\$ (445,654)	(606)	\$ (2,280,904)	(185)	\$ (1,128,346)	(39)	\$ (508,711)	(12)	\$ (330,451)	(6)	\$ (256,997)	(10)	\$ (660,723)	(1,103)	\$ (5,611,786)
<b>Rejected Applications</b>	(5)	\$ (35,101)	(7)	\$ (148,044)	(4)	\$ (150,234)	(5)	\$ (197,738)	(2)	\$ (184,967)	(7)	\$ (408,875)	(8)	\$ (1,064,333)	(38)	\$ (2,189,292)
<b>Withdrawn Applications</b>	(77)	\$ (128,804)	(102)	\$ (400,702)	(36)	\$ (242,946)	(21)	\$ (321,201)	(4)	\$ (177,321)	(11)	\$ (550,000)	(20)	\$ (1,868,875)	(271)	\$ (3,689,849)
<b>Applications Outstanding</b>	<b>1,063</b>	<b>\$ 1,929,739</b>	<b>2,220</b>	<b>\$ 8,287,120</b>	<b>810</b>	<b>\$ 5,723,497</b>	<b>456</b>	<b>\$ 7,329,845</b>	<b>141</b>	<b>\$ 4,992,864</b>	<b>25</b>	<b>\$ 2,884,128</b>	<b>260</b>	<b>\$ 21,339,339</b>	<b>4,975</b>	<b>\$ 52,486,532</b>
<b>New applications % to total</b>	18.76%	2.08%	31.56%	7.71%	18.33%	8.92%	16.92%	18.01%	4.34%	10.39%	2.28%	7.55%	7.81%	45.33%	100.00%	100.00%
<b>Applications paid % to total</b>	22.21%	7.94%	54.94%	40.64%	16.77%	20.11%	3.54%	9.07%	1.09%	5.89%	0.54%	4.58%	0.91%	11.77%	100.00%	100.00%
<b>Applications rejected or withdrawn % to total</b>	26.54%	2.79%	35.28%	9.33%	12.94%	6.69%	8.41%	8.83%	1.94%	6.16%	5.83%	16.31%	9.06%	49.89%	100.00%	100.00%
<b>Applications outstanding % to total</b>	21.37%	3.68%	44.62%	15.79%	16.28%	10.90%	9.17%	13.97%	2.83%	9.51%	0.50%	5.49%	5.23%	40.66%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**APPLICATIONS AGING REPORT**  
**AS OF SEPTEMBER 30, 2016**

<u>Year</u>		<u>Application Gross Applications Prior</u>		<u>Applications Rejected or</u>				<u>Total Applications</u>				
<u>Filed</u>	<u>Year</u>	<u>Current Year</u>		<u>Applications Paid</u>		<u>Withdrawn</u>		<u>Processed</u>		<u>Applications Outstanding</u>		
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2008	1	1,605			-	-	-	-	-	-	1	1,605
2009	429	1,335,666			(171)	(522,716)	(9)	(42,434)	(180)	(565,150.00)	249	770,516
2010	645	2,217,091			(4)	(10,770)	(17)	(50,079)	(21)	(60,849.00)	624	2,156,242
2011	779	4,129,417			(454)	(2,057,469)	(55)	(564,738)	(509)	(2,622,207)	270	1,507,210
2012	870	6,044,175			(129)	(1,043,968)	(24)	(599,364)	(153)	(1,643,332)	717	4,400,843
2013	661	7,551,148			(247)	(1,472,537)	(48)	(1,123,989)	(295)	(2,596,526)	366	4,954,622
2014	1069	13,972,576			(75)	(355,561)	(38)	(995,454)	(113)	(1,351,015)	956	12,621,560
2015	1011	14,817,810			(17)	(128,761)	(63)	(1,532,126)	(80)	(1,660,887)	931	13,156,923
2016		90	922	13,907,881	(6)	(20,004)	(55)	(970,956)	(61)	(990,960)	861	12,917,011
<b>TOTAL</b>	<b>5,465</b>	<b>50,069,578</b>	<b>922</b>	<b>13,907,881</b>	<b>(1103)</b>	<b>(5,611,786)</b>	<b>(309)</b>	<b>(5,879,140)</b>	<b>(1,412)</b>	<b>(11,490,926)</b>	<b>4,975</b>	<b>52,486,532</b>

Applications Outstanding	<b>\$52,486,532</b>
Estimated Application Payout Ratio	<b>44.78%</b>
Estimated Application Payouts	<b>\$23,503,469</b>

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**CUMULATIVE APPLICATIONS AGING REPORT**  
**AS OF SEPTEMBER 30, 2016**

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u> <u>Prior Years</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications</u> <u>Rejected and</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications</u> <u>Outstanding</u>	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
2007-2008	1	1,605			-	-	-	-	-	-	1	1,605
2007-2009	430	1,337,271			(171)	(522,716)	(9)	(42,434)	(180)	(565,150)	250	772,121
2007-2010	1,075	3,554,362			(175)	(533,486)	(26)	(92,513)	(201)	(625,999)	874	2,928,363
2007-2011	1,854	7,683,779			(629)	(2,590,955)	(81)	(657,251)	(710)	(3,248,206)	1,144	4,435,573
2007-2012	2,724	13,727,954			(758)	(3,634,923)	(105)	(1,256,615)	(863)	(4,891,538)	1,861	8,836,416
2007-2013	3,385	21,279,102			(1,005)	(5,107,460)	(153)	(2,380,604)	(1,158)	(7,488,064)	2,227	13,791,038
2007-2014	4,454	35,251,678			(1,080)	(5,463,021)	(191)	(3,376,058)	(1,271)	(8,839,079)	3,183	26,412,598
2007-2015	5,465	50,069,488			(1,097)	(5,591,782)	(254)	(4,908,184)	(1,351)	(10,499,966)	4,114	39,569,521
2007-2016	5,465	50,069,578			(1,103)	(5,611,786)	(309)	(5,879,140)	(1,412)	(11,490,926)	4,975	52,486,532
			<b>922</b>	<b>13,907,881</b>	<b>(1,103)</b>	<b>(5,611,786)</b>	<b>(309)</b>	<b>(5,879,140)</b>	<b>(1,412)</b>	<b>(11,490,926)</b>	<b>4,975</b>	<b>52,486,532</b>

Net Asset in Client Security Fund:

As of 9/30/2016 **\$ 5,513,056**

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**JULY 2014 THROUGH JUNE 2016**

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
Oct 14	813,687	37.73%	1,342,923	2,156,610
Nov 14	155,599	14.28%	933,993	1,089,592
Dec 14	1,428,927	65.09%	766,551	2,195,478
Jan 15	192,463	22.95%	646,123	838,586
Feb15	555,128	48.27%	594,992	1,150,120
Mar15	208,160	18.03%	946,337	1,154,497
Apr 15	162,537	14.20%	982,280	1,144,817
May15	243,019	55.01%	198,752	441,771
Jun15	439,778	35.28%	806,642	1,246,420
July15	136,556	44.92%	167,453	304,009
Aug15	603,625	30.26%	1,391,476	1,995,101
Sept15	1,507,143	71.86%	590,210	2,097,353
Oct 15	485,367	53.03%	429,944	915,311
Nov 15	1,138,956	83.32%	228,042	1,366,998
Dec 15	339,721	19.68%	1,386,523	1,726,244
Jan 16	585,226	49.06%	607,752	1,192,978
Feb16	886,832	67.24%	432,125	1,318,957
Mar16	828,661	56.07%	649,255	1,477,916
Apr16	710,863	28.12%	1,816,690	2,527,553
May16	529,062	60.57%	344,346	873,408
Jun16	608,801	49.98%	609,260	1,218,061
July16	290,255	47.71%	318,127	608,382
Aug16	659,281	57.19%	493,532	1,152,813
Sept16	512,805	45.75%	608,055	1,120,860
Total:	<u>14,022,452</u>		Total: <u>17,291,383</u>	<u>31,313,835</u>

24 Month Rolling Average PaidOut Ratio:

44.78%

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED  
OR WITHDRAWN, ESTIMATED  
APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY**

**SEPTEMBER 30, 2016**

	<u>1ST QTR</u>	<u>2ND QTR</u>	<u>3RD QTR</u>
Beginning Balance	5,465	5,245	5,068
Add: Reinstated Applications			
New Applications	296	259	367
Less: Paid / Rejected or			
Withdrawn	516	436	460
TOTAL	5,245	5,068	4,975
APPLICATIONS OUTSTANDING AMT.	\$50,453,486	\$ 51,028,918	\$ 52,486,532
# Of Active Attorneys	186,067	186,606	187,306
Cost Per Active Attorney	\$271	\$273	\$280
ESTIMATED APPLICATIONS LIAB.			
Applications Payout Ratio	42.36%	41.09%	44.78%
Estimated Application Amount *	\$21,372,097	\$20,967,783	\$23,503,469
# of Active Attorneys	186,076	186,606	187,306
Cost per Active Attorney	\$115	\$112	\$125
APPLICATION ACTIVITIES IN %:			
NEW APPLICATIONS - YTD			
1 - 2,500	2.50%	2.13%	2.08%
2,501 - 5,000	6.65%	5.42%	7.71%
5,001 - 10,000	9.18%	8.11%	8.92%
10,001 - 25,000	20.64%	16.27%	18.01%
25,001 - 49,999	10.07%	10.64%	10.39%
50,000	12.31%	7.31%	7.55%
50,001 - 100,000	38.65%	50.12%	45.33%
APPLICATIONS PAID - YTD			
1 - 2,500	7.48%	7.18%	7.94%
2,501 - 5,000	40.98%	38.97%	40.64%
5,001 - 10,000	22.22%	21.43%	20.11%
10,001 - 25,000	9.97%	8.91%	9.07%
25,001 - 49,999	5.90%	6.26%	5.89%
50,000	0.00%	4.61%	4.58%
50,001 - 100,000	13.44%	12.65%	11.77%
REJ./WDRAWN - YTD			
1 - 2,500	2.11%	2.00%	2.79%
2,501 - 5,000	7.22%	6.42%	9.33%
5,001 - 10,000	7.35%	5.64%	6.69%
10,001 - 25,000	9.34%	7.77%	8.83%
25,001 - 49,999	4.97%	5.78%	6.16%
50,000	8.88%	17.02%	16.31%
50,001 - 100,000	60.14%	55.37%	49.89%
APPLICATIONS O/S-CUM. - YTD			
1 - 2,500	4.26%	4.05%	3.68%
2,501 - 5,000	18.37%	16.97%	15.79%
5,001 - 10,000	11.41%	11.05%	10.90%
10,001 - 25,000	12.64%	13.11%	13.97%
25,001 - 49,999	8.86%	9.29%	9.51%
50,000	6.74%	5.49%	5.49%
50,001 - 100,000	37.72%	40.05%	40.66%
NET ASSET, END OF PERIOD	\$ 6,903,065	\$ 7,136,178	\$ 5,513,056

\*Based upon 24 month rolling weighted average of applications payout ratio (See page 4)