

Actuarial Work-Products, Inc.

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Carlton Harker, FSA, MAAA
Principal
www.self-fundhealth.com
www.actuarialworkproducts.com
www.ifebp.org/1harker
www.awpse.com

TO: Addressee No. 1	Addressee No. 2	Addressee No. 3
ABC Brokers, Inc.	Self-Funding Actuarial Svcs	Test Health Plan
PO Box 123	8025 North Point, Ste 207W	123 South Main Street
Winston-Salem, NC 27103	Winston-Salem, NC 27116	Baltimore, MD 21211
Tel. (336)777-7777	Tel. 336-759-2035	Tel. (410)777-7777
Fax (336)77-7777	Fax 336-896-0392	Fax (410)777-7777

RE: Health Care Plan: Test Plan

Claim Reserve as of: 09/30/2007 (Valuation Date)

Benefits Include: Medical

Purpose of Computation: AICPA

Date: 09/25/2008

Engager is Addressee No. 1

Eligible User is Addressee No. 2

The scope and objective of this Actuarial Certification were to value the Claims Reserves of said Health Care Plan as of the Valuation Date and for Purpose above-shown.

The methodology consisted of a modified extension of the "claims triangle" (incurred and paid) as of the Valuation Date and estimated claims paid after such date that were incurred prior thereto. The basis of the estimate was the claims data furnished by the Claims Administrator.

This Certification consists of three parts:

- Statement of Actuarial Opinion
- Actuary's Statement of Due Diligence
- Submitted Data and Computation Parameters.

Sincerely,

Carlton Harker, FSA, MAAA
Actuarial Work-Products, Inc.

STATEMENT OF ACTUARIAL OPINION
OF THE CLAIM RESERVE COMPUTATION FOR
THE HEALTH CARE PLAN OF
THE PLAN SPONSOR
AS OF THE VALUATION DATE

I, Carlton Harker, am a principal of Actuarial Work-Products, Inc., am a Fellow of the Society of Actuaries and am a member of the American Academy of Actuaries. My firm has been retained by the Engager to provide calculations of certain actuarial items for the above-cited Health Care Plan.

I relied upon such Eligible User of the subject Health Care Plan as to the accuracy and completeness of underlying information used in the computation of such items.

In other aspects, my examination included such review of the actuarial assumptions and methods and such tests of actuarial calculations as I considered necessary under the circumstances.

Claim Reserves as of the Valuation Date \$113,562

Claim Reserve Includes

- Due and unpaid and reported and not processed
- Incurred and not reported

Such reserves are net of reinsurance or stop-loss recovery. No provision is made for additional claims due to ongoing lawsuits, if any. No provision is made for claim-related expenses. No margin of safety is included.

There is a statistically-supportable confidence in such Claim Reserves set forth above as follows:

**Desired Level of Confidence That
The Actual Paid Claims Run-Out
Will Be Within the Indicated Limits**

	<u>Indicated Limit</u>	
	<u>Low</u>	<u>High</u>
60%	\$94,683	\$132,441
75%	\$87,716	\$139,408
90%	\$76,479	\$150,645

Testing of prior and/or current Claim Reserves is as follows:

Prior Valuation Date	Computed Reserve	Claims Paid Through Sep 2007		
		Expected	Actual	Ratio A/E
12/31/2006	\$180,000	\$174,600	\$73,452	0.42
03/31/2007	\$150,000	\$135,000	\$110,176	0.82
06/30/2007	\$145,000	\$94,250	\$81,035	0.86

This computation is probabilistic (or stochastic) in nature in that the computed Claim Reserve is a "best estimate" using sampling techniques. The traditional computation is deterministic in nature.

In my opinion, the claim reserve(s) certified herein, meet three criteria:

- Are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles;
- Make a good and sufficient provision, in the aggregate, for all non-matured claim obligations of the plan.
- Are computed on the basis of actuarial assumptions and actuarial methods consistent in most but not necessarily all material respects with those used in computing the corresponding items in the certification of the preceding plan year-end.

09/25/2008

Date

Carlton Harker, FSA, MAAA
Actuarial Work Products, Inc.
AAA Number 5293

ACTUARY'S DUE DILLIGENCE STATEMENT

1. Claims paid dates for the lag study are understood by the actuary to be consistent with claims paid dates for the trust account, if any.
2. No audit of the accuracy of the submitted data was made.
3. With regards submitted claims lag data, the actuary was not provided with (a) reported, (b) processing, (c) check preparation or (d) check cleared dates. The date paid for purposes of the claim reserve is that date where the claim has been funded and the claim check effectively released into the "mail stream". That is, the actuary does not certify the amount of any liability for claims (a) in course of settlement or (b) due and unpaid.
4. Incurred date for a hospitalization may be the date of admission or the date of discharge; incurred date for maternity may be the date of birth or the date of conception.
5. No specific inquiry is made by the actuary as regards claims backlog.
6. The computation assumes a constancy of plan design.
7. No attempt to analyze larger claims is made.
8. The Certifying Actuary is qualified to provide this opinion in accordance with the rules of professional conduct promulgated by the American Academy of Actuaries.
9. With respect to this opinion, the actuary asserts:
 - a. That this Work-Product is an actuarial opinion as contemplated by the American Academy of Actuaries.
 - b. That he is qualified to offer such opinion by reason of his meeting the requisite examination, experience and continuing education requirements of the American Academy of Actuaries.
 - c. That this Actuarial Work-Product is the result of a mathematical computer program processing imputed data and documentation that are summarized herein.
 - d. That he is independent of and has no conflicted interest with any party with respects to this Work-Product.
 - e. That the Work-Product was prepared at the request of the Eligible User (approved as such by Actuarial Work-Products, Inc.), who is identified herein, and who may or may not be the ultimate user of such Work-Product.
 - f. That he has been engaged, as contemplated by the relevant American Academy of Actuaries, by the Engager identified herein.
10. The actuary intends to be a fiduciary with respect to this Work-Product and will act accordingly, striving to meet any and all standards of conduct necessary to meet this end.
11. The professional liability for this Work-Product is assumed by Self-Funding Actuarial Services, Inc. which has in place an appropriate professional liability insurance policy. A PDF of the summary page of this policy is available at: www.awpse.com/eando.pdf.

Plan Name: Test Plan

Valuation Date: 09/30/2007

Produced by: Actuarial-Work Products, Inc.

----- SAMPLE NO: 1 -----			----- SAMPLE NO: 2 -----			----- SAMPLE NO: 3 -----			----- SAMPLE NO: 4 -----		
PAID: Oct 2006			PAID: Nov 2006			PAID: Dec 2006			PAID: Jan 2007		
INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED
MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS
Oct06	\$44,538	\$0	Nov06	\$8,975	\$0	Dec06	\$35,594	\$0	Jan07	\$38,496	\$0
Sep06	\$64,272	\$64,272	Oct06	\$90,015	\$90,015	Nov06	\$65,110	\$65,110	Dec06	\$39,743	\$39,743
Aug06	\$3,843	\$7,686	Sep06	\$16,641	\$33,282	Oct06	\$7,091	\$14,182	Nov06	\$2,273	\$4,546
Jul06	\$456	\$1,368	Aug06	\$2,419	\$7,257	Sep06	\$4,144	\$12,432	Oct06	\$827	\$2,481
Jun06	\$8,082	\$32,328	Jul06	\$816	\$3,264	Aug06	\$805	\$3,220	Sep06	\$497	\$1,988
May06	\$800	\$4,000	Jun06	\$826	\$4,130	Jul06	\$510	\$2,550	Aug06	\$0	\$0
Apr06	\$50	\$300	May06	\$558	\$3,348	Jun06	\$29	\$174	Jul06	\$228	\$1,368
Mar06	\$10	\$70	Apr06	\$1,339	\$9,373	May06	\$169	\$1,183	Jun06	\$0	\$0
Feb06	\$0	\$0	Mar06	\$784	\$6,272	Apr06	\$0	\$0	May06	\$1,050	\$8,400
Jan06	\$0	\$0	Feb06	\$466	\$4,194	Mar06	\$0	\$0	Apr06	\$0	\$0
Dec05	\$0	\$0	Jan06	\$252	\$2,520	Feb06	\$4	\$40	Mar06	\$0	\$0
Nov05	\$0	\$0	Dec05	\$0	\$0	Jan06	\$38	\$418	Feb06	\$0	\$0
Oct05	\$0	\$0	Nov05	\$0	\$0	Dec05	\$0	\$0	Jan06	\$0	\$0
TOTAL	\$122,051	\$110,024	TOTAL	\$123,091	\$163,655	TOTAL	\$113,494	\$99,309	TOTAL	\$83,114	\$58,526
ANN/%	\$1,464,612	7.50%	ANN/%	\$1,477,092	11.10%	ANN/%	\$1,361,928	7.30%	ANN/%	\$997,368	5.90%

----- SAMPLE NO: 5 -----			----- SAMPLE NO: 6 -----			----- SAMPLE NO: 7 -----			----- SAMPLE NO: 8 -----		
PAID: Feb 2007			PAID: Mar 2007			PAID: Apr 2007			PAID: May 2007		
INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED
MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS
Feb07	\$17,341	\$0	Mar07	\$32,875	\$0	Apr07	\$31,678	\$0	May07	\$17,354	\$0
Jan07	\$52,288	\$52,288	Feb07	\$55,212	\$55,212	Mar07	\$82,354	\$82,354	Apr07	\$54,894	\$54,894
Dec06	\$3,593	\$7,186	Jan07	\$22,128	\$44,256	Feb07	\$5,827	\$11,654	Mar07	\$5,886	\$11,772
Nov06	\$704	\$2,112	Dec06	\$12,482	\$37,446	Jan07	\$4,514	\$13,542	Feb07	\$3,310	\$9,930
Oct06	\$304	\$1,216	Nov06	\$502	\$2,008	Dec06	\$41	\$164	Jan07	\$346	\$1,384
Sep06	\$659	\$3,295	Oct06	\$838	\$4,190	Nov06	\$66	\$330	Dec06	\$113	\$565
Aug06	\$5,074	\$30,444	Sep06	\$133	\$798	Oct06	\$1,001	\$6,006	Nov06	\$168	\$1,008
Jul06	\$9	\$63	Aug06	\$62	\$434	Sep06	\$0	\$0	Oct06	\$90	\$630
Jun06	\$356	\$2,848	Jul06	\$55	\$440	Aug06	\$0	\$0	Sep06	\$401	\$3,208
May06	\$78	\$702	Jun06	\$0	\$0	Jul06	\$0	\$0	Aug06	\$82	\$738
Apr06	\$336	\$3,360	May06	\$0	\$0	Jun06	\$0	\$0	Jul06	\$511	\$5,110
Mar06	\$0	\$0	Apr06	\$0	\$0	May06	\$0	\$0	Jun06	\$34	\$374
Feb06	\$0	\$0	Mar06	\$0	\$0	Apr06	\$0	\$0	May06	\$147	\$2,058
TOTAL	\$80,742	\$103,514	TOTAL	\$124,287	\$144,784	TOTAL	\$125,481	\$114,050	TOTAL	\$83,336	\$91,671
ANN/%	\$968,904	10.70%	ANN/%	\$1,491,444	9.70%	ANN/%	\$1,505,772	7.60%	ANN/%	\$1,000,032	9.20%

----- SAMPLE NO: 9 -----			----- SAMPLE NO:10 -----			----- SAMPLE NO:11 -----			----- SAMPLE NO:12 -----		
PAID: Jun 2007			PAID: Jul 2007			PAID: Aug 2007			PAID: Sep 2007		
INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED	INCURRED	\$CLAIMS	PROJECTED
MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS	MONTH	PAID	\$LAG CLMS
Jun07	\$37,655	\$0	Jul07	\$31,040	\$0	Aug07	\$43,360	\$0	Sep07	\$17,734	\$0
May07	\$101,046	\$101,046	Jun07	\$51,884	\$51,884	Jul07	\$92,518	\$92,518	Aug07	\$83,043	\$83,043
Apr07	\$6,301	\$12,602	May07	\$7,423	\$14,846	Jun07	\$7,709	\$15,418	Jul07	\$16,943	\$33,886
Mar07	\$1,218	\$3,654	Apr07	\$3,638	\$10,914	May07	\$2,273	\$6,819	Jun07	\$1,238	\$3,714
Feb07	\$50	\$200	Mar07	\$251	\$1,004	Apr07	\$1,911	\$7,644	May07	\$1,075	\$4,300
Jan07	\$6	\$30	Feb07	\$0	\$0	Mar07	\$179	\$895	Apr07	\$550	\$2,750
Dec06	\$150	\$900	Jan07	\$84	\$504	Feb07	\$14	\$84	Mar07	\$1,415	\$8,490
Nov06	\$411	\$2,877	Dec06	\$98	\$686	Jan07	\$1,008	\$7,056	Feb07	\$65	\$455
Oct06	\$0	\$0	Nov06	\$21	\$168	Dec06	\$0	\$0	Jan07	\$0	\$0
Sep06	\$29	\$261	Oct06	\$0	\$0	Nov06	\$0	\$0	Dec06	\$0	\$0
Aug06	\$0	\$0	Sep06	\$0	\$0	Oct06	\$0	\$0	Nov06	\$0	\$0
Jul06	\$87	\$957	Aug06	\$0	\$0	Sep06	\$0	\$0	Oct06	\$95	\$1,045
Jun06	\$0	\$0	Jul06	\$0	\$0	Aug06	\$104	\$1,456	Sep06	\$0	\$0
TOTAL	\$146,953	\$122,527	TOTAL	\$94,439	\$80,006	TOTAL	\$149,076	\$131,890	TOTAL	\$122,158	\$137,683
ANN/%	\$1,763,436	6.90%	ANN/%	\$1,133,268	7.10%	ANN/%	\$1,788,912	7.40%	ANN/%	\$1,465,896	9.40%

Plan Name: Test Plan

Valuation Date: 09/30/2007

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ADDRESSEES

ADDRESSEE 1 ID: B0001
 NAME: ABC Brokers, Inc.
 ADDR: PO Box 123
 CITY: Winston-Salem
 TEL: (336)777-7777

CONTACT: John Smith
 EMAIL: abc@xyz.com

ST: NC ZIP: 27103
 FAX: (336)77-7777

ADDRESSEE 2 ID: E0001
 NAME: Self-Funding Actuarial Svcs
 ADDR: 8025 North Point, Ste 207W
 CITY: Winston-Salem
 TEL: 336-759-2035

CONTACT: Carlton Harker
 EMAIL: pgc512@yahoo.com

ST: NC ZIP: 27116
 FAX: 336-896-0392

ADDRESSEE 3 ID: P0001
 NAME: Test Health Plan
 ADDR: 123 South Main Street
 CITY: Baltimore
 TEL: (410)777-7777

CONTACT: Mary Smith
 EMAIL: abc@xyz.com

ST: MD ZIP: 21211
 FAX: (410)777-7777

PLAN

PLAN ID: 001
 NAME OF PLAN: Test Plan
 PLAN DOL NUMBER:
 BENEFITS INCLUDED: M: Y
 CLAIMS OVER SPECIFIC: Included (Y/N): N
 INCURRED DATE ---
 CLAIM RESERVE PURPOSE:

OTHER DESIGNATION:

Rx:N D:N V:N STD:N
 INSTITUTIONAL CARE: (A)dmission or (D)ischarge: D

MATERNITY: (C)onception or (B)irth: B

AICPA:X Gov: 990: 1041: MEWA: DOL:

VALUATION

VAL NUMBER: 01
 VALUATION DATE MONTH & YEAR: Sep 2007
 CODE RANGE FOR SAMPLING PURPOSES: Oct 2006 TO Sep 2007
 BASIS OF ANNUALIZED CLAIMS: MOST RECENT 12 MONTHS x 1.00
 PRIOR RESERVE TESTING:

VAL CODE	COMPUTED RESERVE \$
Dec 2006	180000
Mar 2007	150000
Jun 2007	145000

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Valuation Date: 09/30/2007

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MISCELLANEOUS VALUES

USER CODE: 002 USER NAME: pcastevens COMPUTER: 648i main VERSION: v20080923a
 VAL CODE: 00101 REQUESTED: 09/25/2008 09:46:02 AM PRINTED: 09/25/2008 09:46:11 AM NUMBER: 61
 STATUS: CLAIMS COLLECTED REQUEST: REQUESTXX BROWSER: Mozilla/4.0 (compati IP ADDRESS: 75.183.28.226
 R: 0.083 F: 1.000 MRM: 12 CGT: 1368222.000 RGT: 0.998
 TEST METHOD: 113136.583 MRM2: 12 C: 1368222.000 SD: 22474.611

PAID MO	CLAIMS \$
Oct 2006	122051.000
Nov 2006	123091.000
Dec 2006	113494.000
Jan 2007	83114.000
Feb 2007	80742.000
Mar 2007	124287.000
Apr 2007	125481.000
May 2007	83336.000
Jun 2007	146953.000
Jul 2007	94439.000
Aug 2007	149076.000
Sep 2007	122158.000

TOTAL 1368222.000 x 1.000 = 1368222.000 = C
 C x R: 1368222.000 x 0.083 = 113562.426 = CLAIM RESERVES

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STANDARD DEVIATION

PAID MO	#	R	(R-M)	(R-M) x (R-M)	M = Mean = 0.083
-----	---	-----	-----	-----	
Oct 2006	1	0.075	-0.008	0.00006	
Nov 2006	1	0.111	0.028	0.00078	
Dec 2006	1	0.073	-0.010	0.00010	
Jan 2007	1	0.059	-0.024	0.00058	
Feb 2007	1	0.107	0.024	0.00058	
Mar 2007	1	0.097	0.014	0.00020	
Apr 2007	1	0.076	-0.007	0.00005	
May 2007	1	0.092	0.009	0.00008	
Jun 2007	1	0.069	-0.014	0.00020	
Jul 2007	1	0.071	-0.012	0.00014	
Aug 2007	1	0.074	-0.009	0.00008	
Sep 2007	1	0.094	0.011	0.00012	
	---			-----	
TOTALS	12 = MRM2	(number of samples)		0.00297 = XSUM	(sum of squares)

XSUM / (MRM2 - 1): 0.00297 / 11 = 0.00027 = XAVE (average of squares)
 SQRT(XAVE): 22474.61056 = SDEV (standard deviation)

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Jan07	Feb07	Mar07	Apr07	May07	Jun07	Jul07	Aug07	Sep07	Oct07	Nov07	Dec07
39743	3593	12482	41	113	150	98	0	0			
2273	704	502	66	168	411	21	0	0			
827	304	838	1001	90	0	0	0	95			
497	659	133	0	401	29	0	0	0			
0	5074	62	0	82	0	0	104				
228	9	55	0	511	87	0					
0	356	0	0	34	0						
1050	78	0	0	147							
0	336	0	0								
0	0	0									
0	0										
0											
44618T	11113T	14072T	1108T	1546T	677T	119T	104T	95T			

*** MONTHS = 9 *** PERCENT = 97% *** PRIOR RESERVE = 180000 *** ACTUAL / EXPECTED = 73452 / 174600 = 0.421

Apr07	May07	Jun07	Jul07	Aug07	Sep07	Oct07	Nov07	Dec07	Jan08	Feb08	Mar08
82354	5886	1218	251	179	1415						
5827	3310	50	0	14	65						
4514	346	6	84	1008	0						
41	113	150	98	0	0						
66	168	411	21	0	0						
1001	90	0	0	0	95						
0	401	29	0	0	0						
0	82	0	0	104							
0	511	87	0								
0	34	0									
0	147										
0											
93803T	11088T	1951T	454T	1305T	1575T						

*** MONTHS = 6 *** PERCENT = 90% *** PRIOR RESERVE = 150000 *** ACTUAL / EXPECTED = 110176 / 135000 = 0.816

Jul07	Aug07	Sep07	Oct07	Nov07	Dec07	Jan08	Feb08	Mar08	Apr08	May08	Jun08
51884	7709	1238									
7423	2273	1075									
3638	1911	550									
251	179	1415									
0	14	65									
84	1008	0									
98	0	0									
21	0	0									
0	0	95									
0	0	0									
0	104										
0											
63399T	13198T	4438T									

*** MONTHS = 3 *** PERCENT = 65% *** PRIOR RESERVE = 145000 *** ACTUAL / EXPECTED = 81035 / 94250 = 0.860