

**Local Government Center
Property Liability Trust, LLC**

Executive Summary
Estimated Unpaid Loss and
LAE as of December 31, 2008

June 2009



June 4, 2009

Ms. Sandal Keeffe
Deputy Director/Chief Financial Officer
Local Government Center
25 Triangle Park Drive
Concord, NH 03301

Dear Sandal:

Enclosed are one bound copy and one unbound copy of our Executive Summary report regarding the estimated unpaid loss and loss adjustment expense (LAE) as of December 31, 2008 for the Local Government Center's Property Liability Trust, LLC (LGC-PLT). This analysis includes the estimated unpaid loss and LAE for LGC-PLT's property and liability coverages as well as workers compensation coverage.

Attention is called to the section of the report entitled *Distribution*, which sets out the limits on distribution of the report and, in particular, the conditions that permitted recipients must recognize and are deemed to have accepted by retaining a copy of the report.


This report contains workpapers, trade secrets, and confidential information of both LGC-PLT and Towers Perrin, and as such, it is not intended to be subject to disclosure requirements under any Freedom of Information Act or similar laws.

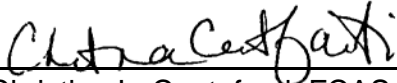
We, the authors, are members of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

We have enjoyed preparing this analysis for you. Please give us a call if you have any questions.

Sincerely,

TOWERS PERRIN

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PURPOSE AND SCOPE

The Tillinghast insurance consulting business of Towers Perrin (Towers Perrin) was retained by the Local Government Center Property-Liability Trust, LLC (LGC-PLT) to prepare actuarial analyses of LGC-PLT's loss and loss adjustment expenses (LAE) experience for its property, liability and workers compensation coverages. For property and liability lines, the analysis includes coverage years July 1, 1995 through December 31, 2008. For workers compensation, the analysis includes accident years January 1, 2000 through December 31, 2008. These analyses are used to develop estimates of unpaid loss and LAE as of December 31, 2008.

This report is an executive summary of the full reports regarding unpaid loss and LAE as of December 31, 2008 for property and liability coverages (dated June 4, 2009) and workers compensation (dated May 14, 2009).

This executive summary report was prepared for the use of LGC-PLT management solely for the purpose of summarizing our evaluation of the unpaid liabilities as of December 31, 2008. It is our understanding that LGC-PLT management will consider our findings for the purposes of establishing liability estimates for property, liability and workers compensation, for external financial reporting and internal management reporting.

Our report is not intended or necessarily suitable for any other purposes.

In this report, we develop an actuarial central estimate of LGC-PLT's unpaid loss and LAE as of December 31, 2008 for property, liability and workers compensation. The actuarial central estimate is intended to represent an expected value over a range of reasonably foreseeable outcomes. The actuarial central estimate was arrived at through the evaluation of the results of various actuarial methods and models applied to LGC-PLT's experience. As such, the derivation of this estimate does not reflect extreme events which are believed to have a remote possibility of occurring. We consider the actuarial central estimate suitable for use in financial reporting contexts.

Our analyses were based on data evaluated as of December 31, 2008 and additional property and liability information provided to us as of June 30, 2008.

The Scope does not include quantification of the uncertainty in our estimates. However, our report includes commentary on the uncertainty inherent in the loss and allocated loss adjustment expense (ALAE) component of our estimate of LGC's property, liability and workers compensation unpaid liabilities. This commentary is intended to assist in understanding the financial implications of our results.

Our analysis was performed net of excess insurance/ceded reinsurance and net of anticipated future salvage and subrogation. We have assumed that all of LGC-PLT's excess insurance/ceded reinsurance and future salvage and subrogation will be valid and collectible.

All amounts are stated on an undiscounted basis as regards future investment income.

The exhibits and appendices attached to the full reports in support of our conclusions are an integral part of this executive summary report. These sections have been prepared so that our actuarial assumptions and judgments are documented.

Judgments about the analysis and findings presented in this executive summary report should be made only after considering the full reports in their entirety. Our projections are predicated on a number of assumptions as to future conditions and events. These assumptions are documented in subsequent sections of this report, and in more detail in the full reports, and should be understood in order to place the actuarial estimates in their appropriate context. In addition, these projections are subject to a number of reliances and limitations, as described in subsequent sections of this report and further in the full reports.

We are available to answer any questions that may arise regarding this executive summary report as well as the full reports. We assume that the user of this report will seek such explanation on any matter in question.

Throughout this report, the use of the term loss without modification includes loss and ALAE, but does not include unallocated loss adjustment expenses (ULAE).

DISTRIBUTION

We have prepared this report solely for LGC-PLT's use as described in the preceding section.

We understand that the LGC-PLT may wish to provide copies of this report to the State of New Hampshire regulatory authorities, current or prospective reinsurers/excess insurers and LGC-PLT members (the "Recipients"). Permission is hereby granted for such distribution on the conditions that:

- Towers Perrin is provided a list of the Recipients to whom this report is provided;
- the report is distributed in its entirety;
- each Recipient recognizes that Towers Perrin is available, at the expense of LGC-PLT, to answer any questions concerning the report;
- each Recipient agrees not to reference or distribute the report to any other party;
- each Recipient recognizes that the furnishing of this report is not a substitute for its own due diligence and agrees to place no reliance on this report or the data contained herein that would result in the creation of any duty or liability by Towers Perrin to such party;
- in the event that the Recipient is required by order of a court of competent jurisdiction, administrative agency or governmental body, or by any law, rule, regulation, subpoena, or any other administrative or legal process to disclose this report, the Recipient may disclose this report without liability hereunder, provided that the Recipient gives Towers Perrin prompt notice of any such requirement and, at our discretion, either (1) cooperates with us, at our expense, to prohibit such disclosure, or (2) uses all reasonable efforts to obtain confidential treatment of this report under a protective order or other appropriate mechanism. Furthermore, the Recipient may reference or disclose this report without liability hereunder in the event that such reference or distribution is required by professional standards bodies; and
- each Recipient understands that such RECIPIENT IS DEEMED TO HAVE ACCEPTED THESE TERMS AND CONDITIONS by retaining a copy of this report.

No further distribution of this report or reference, either oral or written, to Towers Perrin, our analysis or findings related to this report may be made without our prior written consent.

FINDINGS

Based on our review of LGC-PLT's property, liability and workers compensation experience at December 31, 2008 and June 30, 2008 (property and liability coverages only), and subject to the considerations set forth in the *Reliances and Limitations* section, we have reached the following conclusions.

Property – Liability Unpaid Loss and ALAE as of December 31, 2008

The results of our analysis show the following unpaid loss and ALAE liability results:

- incurred but not enough reported (IBNER) liabilities for claims made coverage from July 1, 1995 through December 31, 2008;
- incurred but not reported (IBNR) liabilities for occurrence coverage from July 1, 2005 through December 31, 2008; and
- the nose liability for extended reporting endorsement coverage from July 1, 2005 through December 31, 2008.

The results by line of coverage are summarized on Exhibit 1 in the full report. General liability includes law enforcement liability, public officials' liability (POL) and school board legal liability (SBL) (the LGC-PLT initiated a retained POL program on July 1, 1993 and the SBL program exposure increased materially on July 1, 2006) through the policy period ending June 30, 2005. After this date, these coverages are analyzed on a stand-alone basis. Our nominal estimates of ultimate losses and the components of the outstanding liabilities, net of specific and aggregate reinsurance recoveries and recoverables and paid and case reserve deductibles, as of December 31, 2008, are as follows:

RETAINED ULTIMATE LOSSES AND IBNER/IBNR/NOSE LIABILITIES AS OF DECEMBER 31, 2008 (\$'000'S)

Coverage year	Ultimate Losses	Paid Losses	Case Reserves	IBNER/IBNR	Total Outstanding Losses
7/1995-99	\$13,513	\$13,513	\$0	\$0	\$0
7/1999-00	3,875	3,872	3	0	3
7/2000-01	6,133	6,127	6	0	6
7/2001-02	5,572	5,572	0	0	0
7/2002-03	4,401	4,336	65	0	65
7/2003-04	5,729	5,657	72	0	72
7/2004-05	6,056	5,716	338	2	340
7/2005-06	6,223	5,090	1,111	22	1,133
7/2006-07	7,138	4,940	1,832	366	2,198
7/2007-08	7,621	4,051	2,776	794	3,570
7/2008-09	4,543	1,077	2,135	1,331	3,466
Nose 05-06	535	483	31	20	51
Nose 06-07	125	88	14	24	38
Nose 07-08	241	43	160	38	198
Nose 08-09	65	0	0	65	65
Total	\$71,770	\$60,565	\$8,543	\$2,662	\$11,205

The ultimate retained (gross of deductible case reserve) losses of \$76.5 million are approximately 1% more than our estimate of \$75.7 million in our unpaid liability analysis as of December 31, 2007. This increase represents 8.3% of the outstanding losses as of December 31, 2007. The increase is attributed mainly to the following:

- In the property coverage, coverage years 7/2006-07 through 7/2008-2009 emerged unfavorably.
- Law enforcement liability claims made coverage experienced an increase in fiscal year 7/2007-2008, due to multiple claims arising from a single event.
- Public officials' liability/school board liability claims made coverage increased in fiscal year 7/2006-2007 due to greater than expected loss development for a relatively high number of wrongful acts claims, which now exceed \$100,000.

- The ultimate loss estimates for each of the remaining coverages (most notably general liability) decreased slightly overall compared to our prior selected ultimate losses.

The results of our analysis showing indicated retained IBNER and IBNR by line of coverage are summarized in the full report. We note that coverage years 7/1994-95 and prior do not have any open claims and do not contain any outstanding losses.

The indicated nominal ULAE liability for coverage years through December 31, 2008 is approximately \$593,000, as calculated in Appendix A of the full report regarding LGC-PLT's property-liability coverages.

The indications are undiscounted and therefore, do not take account of any future investment income on the assets underlying the loss and LAE liabilities. We also note that the indications contain no margin for adverse deviations in loss experience.

The above indications are based on available data pertaining to LGC-PLT experience for property-liability coverages. We utilized five actuarial methods in reviewing LGC-PLT's loss experience. A description of each of these methods is provided in the *Description of Loss and ALAE Projection Methods* section of the full report regarding property-liability coverages.

Retained Property – Liability Loss Ratios as of December 31, 2008

The following table presents undiscounted loss ratios (i.e., retained losses compared to gross contributions) after aggregate recoveries for coverage years 7/1995 and subsequent.

NOMINAL ULTIMATE RETAINED LOSS RATIOS AS OF DECEMBER 31, 2008

Coverage year	Gross Contributions	Ultimate Losses	Undiscounted Loss Ratio
7/1995-96	\$8,605	\$3,444	40%
7/1996-97	8,650	3,640	42%
7/1997-98	8,075	2,432	30%
7/1998-99	7,634	3,997	52%
7/1999-00	6,196	3,875	63%
7/2000-01	6,210	6,133	99%
7/2001-02	6,800	5,572	82%
7/2002-03	7,090	4,401	62%
7/2003-04	8,124	5,729	71%
7/2004-05	8,135	6,056	74%
7/2005-06*	8,367	6,223	81%
7/2006-07*	9,320	7,138	78%
7/2007-08*	10,518	7,621	75%
7/2008-09*#	6,175	4,543	75%
Nose 05-06	N/A	535	N/A
Nose 06-07	N/A	125	N/A
Nose 07-08	N/A	241	N/A
Nose 08-09	N/A	65	N/A
Total	\$109,900	\$71,770	65%

*includes nose liability

#Adjusted to half-year (or through 12/31/2008)

The results for coverage periods prior to 7/2005-06 are generally on a claims made basis, while the ultimate losses for coverage periods 7/2005-09 are on an occurrence basis, except for portions of law enforcement liability, public officials liability and school board legal liability, which remain on a claims made basis. The “nose” is the liability associated with the prior LGC-PLT claims made coverage for claims that incurred generally prior to June 30, 2005 and reported subsequently.

Workers Compensation Unpaid Loss and ALAE as of December 31, 2008

Indicated retained IBNR liabilities for loss and ALAE are summarized on Exhibit 2 of our full report regarding workers compensation. The indicated IBNR as of December 31, 2008 for the January 1, 2000 through December 31, 2008 period is approximately \$4.7 million. The indicated outstanding loss and ALAE on Exhibit 1 of the full report is approximately \$8.7 million on a nominal, or undiscounted, basis.

The components of our estimated retained ultimate loss and ALAE as of December 31, 2008 are as follows:

Retained Ultimate Losses and IBNR as of December 31, 2008 (000s)					
Accident Year	Ultimate Losses	Paid Losses	Case Reserves	Indicated IBNR	Total Unpaid Losses
1/1- 12/31/00	\$347	\$347	\$0	\$0	\$0
1/1-12/31/01	401	401	0	0	0
1/1-12/31/02	667	629	3	35	38
1/1-12/31/03	497	497	0	0	0
1/1-12/31/04	598	598	0	0	0
1/1-12/31/05	2,530	2,220	114	196	310
1/1-12/31/06	4,237	3,184	365	688	1,054
1/1-12/31/07	3,743	1,878	629	1,237	1,866
1/1-12/31/08	7,596	2,192	2,824	2,580	5,403
Total	\$20,616	\$11,946	\$3,935	\$4,735	\$8,670

We have calculated an indicated nominal ULAE liability for LGC-PLT's workers compensation coverage of \$609,000 (see Exhibit 8 of the full report). In addition, LGC-PLT should accrue a liability for future New Hampshire Department of Labor assessments for its workers compensation business. We understand that recent assessments have been running at approximately 5.5% of paid losses. Therefore, a reasonable assessment provision would be 5.5% of net unpaid (or outstanding) losses, or \$475,000 as of December 31, 2008.

The indications shown above are based on available data pertaining to LGC’s workers compensation experience, supplemented as appropriate by industry data. The indications are undiscounted and therefore, do not take account of any future investment income on the assets underlying the loss liabilities. We also note that the indications contain no margin for adverse deviations in loss experience.

We used six actuarial methods in reviewing the loss experience. Descriptions of these actuarial methods are provided in the *Description of Loss and ALAE Projection Methods* section of our full report.

Workers Compensation Accident Year Loss Ratios

The retained loss ratio for all accident years combined using subsidized contributions as a basis is projected to be 62%.

The estimated accident year retained loss ratios are as follows.

LGC PLT WC Retained Accident Year Loss Ratios (000’s)

Accident Year	Earned Subsidized Contributions	Selected Ultimate Loss & ALAE	Selected Ultimate Loss & ALAE Ratio Based on Subsidized Contributions
2000	\$308	\$347	113%
2001	601	401	67%
2002	753	667	89%
2003	834	497	60%
2004	884	598	68%
2005	3,757*	2,530	67%
2006	6,413**	4,237	66%
2007	9,392**	3,743	40%
2008	10,124**	7,596	75%
Total	\$33,066	\$20,616	62%

* Includes 35% adjustment funded by the Strategic Planning Allocation

** Manual contributions plus Strategic Planning Allocation transfer

Details of our analyses are found in the sections following the *Findings* section of the two full reports.

RELIANCES AND LIMITATIONS

Inherent Uncertainty

Projections of loss and LAE are subject to large potential errors of estimation, since the ultimate disposition of claims incurred prior to the financial statement date, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes, and social/economic conditions such as inflation. Any estimate of future costs is subject to the inherent limitation on one's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and LAE will vary, perhaps materially, from any estimate. Thus, no assurance can be given that LGC-PLT's actual loss and LAE will not ultimately exceed the estimates contained herein.

The inherent uncertainty associated with loss and LAE estimates is magnified in this case due to the following circumstances:

- LGC-PLT's property and liability retained losses are weighted toward coverages such as public entity liability for which the estimate of unpaid loss is more uncertain than short-tailed property/casualty lines of business.
- LGC-PLT's school board legal liability coverage has grown significantly in the past three years. Reliance on the limited historical school board legal liability and public officials' liability development information may not be predictive of future school board legal liability.
- The state tort cap on third party liability limits increased (retroactively) from \$150,000/\$500,000 (per person/per occurrence) to \$275,000/\$925,000 on July 17, 2007. Based on correspondence from LGC-PLT, we understand that LGC-PLT has adjusted case reserves reflecting the revised tort cap. This change, however, increases the uncertainty in our analysis.

- Changes in the coverage form for property and liability coverages from claims made to occurrence on July 1, 2005 increases the uncertainty in our analysis, since the historical experience is not on the same coverage form basis.
- LGC-PLT has retained losses with workers compensation coverage, for which the estimate of ultimate loss is more uncertain than short-tailed lines of business.
- LGC-PLT's workers compensation program is an immature program, with only nine years of historical experience as of December 31, 2008. Therefore, due to the lack of statistical credibility of the workers compensation loss development history of LGC-PLT, we have relied (without audit or verification) on information and data from New Hampshire workers compensation industry sources to supplement the historical experience.
- LGC-PLT's workers compensation business has grown rapidly with a changing distribution among payroll classes starting in 2005, from an estimated payroll of \$65 million in 2004, to payroll of \$600 million in 2008.
- LGC-PLT has a relatively high per occurrence retention of \$1 million for liability coverages and \$750,000 for workers compensation accident years 2006 through 2008 compared to contributions which increases the uncertainty associated with our unpaid liability estimates.

In our judgment, we have employed techniques and assumptions that are appropriate, and the estimates presented herein are reasonable, given the information currently available.

Note that a quantification of this uncertainty would likely reflect a range of reasonable favorable and adverse scenarios, but not necessarily a range of all possible outcomes. Further, the proper application of any range is dependent on the context. LGC-PLT's financial reports are governed by accounting standards, and such standards vary among jurisdictions. Under current accounting standards, the ends of a range that is illustrative of uncertainty would likely not be suitable for financial reporting purposes.

Data Reliance

Throughout this analysis, we have relied on historical data and other quantitative and qualitative information supplied by LGC-PLT. We have not independently audited or verified this information; however, we have reviewed it for reasonableness and internal consistency. We have assumed that the information is complete and accurate, and that we have been provided with all information relevant to the analysis of LGC-PLT's ultimate losses and LAE. The accuracy of our results is dependent upon the accuracy and completeness of the underlying data; therefore, any material discrepancies discovered in this data should be reported to us and this report amended accordingly, if warranted.

Extraordinary Future Emergence

We have not assumed any extraordinary changes to the legal, social, or economic environment that might affect the cost, frequency or future reporting of claims. In addition, our estimates make no provision for potential future claims arising from loss causes not represented in the historical data (e.g., new types of mass torts or latent injuries, terrorist acts, etc.), except insofar as claims of these types are included, but not identified in the reported claims and are implicitly analyzed.

Excess Insurance/Reinsurance Collectibility

Our estimates are presented net of excess insurance/reinsurance. An independent evaluation of the quality of security provided by the LGC-PLT's excess insurers/reinsurers is outside the scope of our engagement. We have assumed that all of LGC-PLT's excess insurance/reinsurance protection will be valid and collectible. Contingent liability may exist for any excess insurance/reinsurance recoveries that may prove to be uncollectible. Should such liabilities materialize, they would be in addition to the retained liability estimates contained herein.

Underlying Assets

We have not examined the assets underlying LGC-PLT's loss reserves and we have formed no opinion as to the validity or value of these assets. We have assumed throughout our analysis that LGC-PLT's loss reserves are backed by valid assets with suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

Self-Insurance Risk

When reviewing our findings, it is important to note certain implications of a group self-insurance plan. The entire retained risk remains with the self-insurer, which likely exposes this entity to greater potential fluctuations in financial experience than does a first dollar insurance program. LGC-PLT should have sufficient financial capacity to reserve for and withstand those fluctuations. Actual losses in excess of projected losses will have to be paid by LGC-PLT. It is not possible to estimate such fluctuations completely accurately; however, the effects of such fluctuations can be reduced by the funding of a provision for contingencies (a margin for the risk of adverse deviation from the expected loss levels).

An important factor bearing on a self-insurance group's financial capacity is the existence of an excess insurance/reinsurance program. Excess insurance/ceded reinsurance is generally considered an integral part of programs with the potential for catastrophic losses; municipal liability, property and workers compensation losses are characterized by this potential.

Nothing in this report should be construed as recommending that LGC-PLT should or should not self-insure these coverages. Many factors other than the unpaid loss and LAE should be considered in that decision.