



**THE STATE BAR
OF CALIFORNIA**

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: February 26, 2010
TO: Board of Governors
FROM: Peggy Van Horn, Chief Financial Officer
SUBJECT: Status of Claims Activities – Client Security Fund
Through the Year Ended December 31, 2009

Attached for your review are a series of reports for the claims activities within the Client Security Fund for the year ended December 31, 2009. These reports include:

- Ten Years Comparison from 2000 to 2009
- Claims Activity for the year ended December 31, 2009
- Claims Aging Report
- Cumulative Claims Aging Report
- 24 Month Rolling Average of Claims Paid
- Analysis of New Claims Paid, Rejected or Withdrawn

For the year ended 2009, a total of 3,028 claims in the amount of \$19.5 million were filed. Compared to the 825 claims for \$11.29 million filed in 2008, the number of claims and the claim amount filed in 2009 are up significantly by 267% and 72.7%, respectively. The increase is due primarily to the new claims filed in related to loan modifications.

Based on the current claims payout ratio of 39%, the estimated outstanding claims liability as of December 31, 2009 is approximately \$8.7 million, and compared to \$4.8 million in 2008, the claim liability was restated and increased by approximately 81.3% or \$3.9 million to reflect the increased number of claims in 2009. Total cash and investments available to address this liability at the end of December 2009 are \$11.5 million, compared to \$10.58 million in 2008.

State Bar of California
Client Security Fund
Ten Years Comparison
2000-2009

	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount	# of Claims	Amount
Claims outstanding, beg. of year	758	10,345,650	708	8,803,264	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
Prior year's outstdg. claim adj. inc.	(4)	(10,043)	(2)	110,553	5	29,491	(2)	55,611	(13)	109,900	(3)	90,040	(2)	241,984	-	69,048	-	107,497	-	15,532
New claims	1,049	10,929,128	1,114	11,900,739	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
TOTAL CLAIMS	1,803	21,264,735	1,820	20,814,556	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
Less: Processed Claims:																				
Paid	595	\$3,673,850	609	\$4,435,212	782	\$6,597,057	701	\$5,859,620	746	5,681,455	982	4,648,584	943	5,299,061	607	4,352,110	479	4,638,272	378	3,461,950
Rejected	132	4,061,716	68	2,903,338	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
Withdrawn	368	4,725,923	392	3,958,602	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
TOTAL PROCESSED CLAIMS	1,095	12,461,489	1,069	11,297,152	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
Claims outstanding, end of year	708	8,803,264	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
Claims outstanding inc./(dec.) over beginning balance	(50)	(1,542,386)	43	714,140	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
Claims payout ratio		30.20%		33.75%		44.20%		45.26%		43.88%		43.79%		42.86%		42.45%		40.68%		39.38%
Est. claims liab. at payout ratio		\$2,658,586		\$3,212,124		\$4,489,397		\$3,869,086		\$4,368,966		\$4,552,496		\$4,105,784		\$5,013,830		\$4,829,343		\$8,712,766
Estimated Decrease/(Increase) in Awards Payable Liability:		627,192		(553,538)		(1,277,273)		620,311		(499,880)		(183,530)		446,712		(908,046)		184,487		(3,883,423)

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
STATUS ON CLAIMS ACTIVITIES

December 31, 2009

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	160	\$252,048.33	136	\$539,453.49	115	\$920,120.33	118	\$2,060,435.92	63	\$2,215,015.07	118	\$5,900,000.00	0	\$0.00	710	\$11,887,073.14
New Claims '09	1,008	\$1,599,133.69	1,279	\$4,472,081.19	395	\$2,881,874.59	174	\$2,694,113.25	56	\$1,922,458.03	114	\$5,700,000.00	2	\$200,000.00	3,028	\$19,469,660.75
Paid Claims '09	(84)	(\$122,086.00)	(98)	(\$363,807.72)	(90)	(\$550,855.16)	(52)	(\$525,089.76)	(24)	(\$612,003.11)	(30)	(\$1,288,108.71)	0	\$0.00	(378)	(\$3,461,950.46)
Rejected Claims '09	(6)	(\$12,446.77)	(10)	(\$73,950.65)	(8)	(\$170,224.03)	(12)	(\$465,752.51)	(6)	(\$495,960.70)	(10)	(\$711,891.29)	0	\$0.00	(52)	(\$1,930,225.95)
Withdrawn Claims '09	(83)	<u>(\$130,389.26)</u>	(72)	<u>(\$272,497.83)</u>	(65)	<u>(\$511,199.38)</u>	(40)	<u>(\$623,491.26)</u>	(16)	<u>(\$552,130.68)</u>	(35)	<u>(\$1,750,000.00)</u>	0	<u>\$0.00</u>	(311)	<u>(\$3,839,708.41)</u>
Claims Outstanding	995	<u>\$1,586,259.99</u>	1,235	<u>\$4,301,278.48</u>	347	<u>\$2,569,716.35</u>	188	<u>\$3,140,215.64</u>	73	<u>\$2,477,378.61</u>	157	<u>\$7,850,000.00</u>	2	<u>\$200,000.00</u>	2,997	<u>\$22,124,849.07</u>
New claims % to total	33.29%	8.21%	42.24%	22.97%	13.04%	14.80%	5.75%	13.84%	1.85%	9.87%	3.76%	29.28%	0.07%	1.03%	100.00%	100.00%
Claims paid % to total	22.22%	3.53%	25.93%	10.51%	23.81%	15.91%	13.76%	15.17%	6.35%	17.68%	7.94%	37.21%	0.00%	0.00%	100.00%	100.00%
Claims rejected or withdrawn % to total	24.52%	2.48%	22.59%	6.00%	20.11%	11.81%	14.33%	18.88%	6.06%	18.16%	12.40%	42.67%	0.00%	0.00%	100.00%	100.00%
Claims outstanding % to total	33.20%	7.17%	41.21%	19.44%	11.58%	11.61%	6.27%	14.19%	2.44%	11.20%	5.24%	35.48%	0.07%	0.90%	100.00%	100.00%

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CLAIMS AGING REPORT**

As of December 31, 2009

(By Year)

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
1998	0	0.00			0	(6,800.00)	0	6,800.00	0	0.00	0	0.00
2002	1	50,000.00			0	0.00	(1)	(50,000.00)	(1)	(50,000.00)	0	0.00
2003	3	59,290.00			(2)	(53,190.00)	(1)	(6,100.00)	(3)	(59,290.00)	0	0.00
2004	8	341,170.00			(1)	(49,500.00)	(6)	(241,670.00)	(7)	(291,170.00)	1	50,000.00
2005	29	517,943.12			(8)	(10,276.17)	(15)	(296,798.23)	(23)	(307,074.40)	6	210,868.72
2006	67	1,046,574.79			(19)	(191,994.09)	(14)	(261,285.80)	(33)	(453,279.89)	34	593,294.90
2007	181	3,025,599.44			(28)	(400,721.38)	(33)	(527,873.83)	(61)	(928,595.21)	120	2,097,004.23
2008	421	6,846,495.79			(100)	(1,346,271.86)	(104)	(1,623,791.04)	(204)	(2,970,062.90)	217	3,876,432.89
2009			3028	19,469,660.75	(220)	(1,403,196.96)	(189)	(2,769,215.46)	(409)	(4,172,412.42)	2619	15,297,248.33
TOTAL	710	11,887,073.14	3028	19,469,660.75	(378)	(3,461,950.46)	(363)	(5,769,934.36)	(741)	(9,231,884.82)	2997	22,124,849.07
Average		\$16,742		\$6,430		\$9,159		\$15,895		\$12,459		\$7,382

Estimated Claim Payout Ratio: **39.38%**
Estimated Claim Liability: **\$8,712,766**

**THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
CUMULATIVE CLAIMS AGING REPORT**

As of December 31, 2009

(Cumulative)

YEAR TO DATE

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
1998 Only	0	0.00			0	(6,800.00)	0	6,800.00	0	0.00	0	0.00
1998-2002	1	50,000.00			0	(6,800.00)	(1)	(43,200.00)	(1)	(50,000.00)	0	0.00
1998-2003	3	109,290.00			(2)	(59,990.00)	(1)	(49,300.00)	(3)	(109,290.00)	-	0.00
1998-2004	11	450,460.00			(3)	(109,490.00)	(7)	(290,970.00)	(10)	(400,460.00)	1	50,000.00
1998-2005	40	968,403.12			(11)	(119,766.17)	(22)	(587,768.23)	(33)	(707,534.40)	7	260,868.72
1998-2006	107	2,014,977.91			(30)	(311,760.26)	(36)	(849,054.03)	(66)	(1,160,814.29)	41	854,163.62
1998-2007	288	5,040,577.35			(58)	(712,481.64)	(69)	(1,376,927.86)	(127)	(2,089,409.50)	161	2,951,167.85
1998-2008	709	11,887,073.14			(158)	(2,058,753.50)	(173)	(3,000,718.90)	(331)	(5,059,472.40)	378	6,827,600.74
1998-2009			3,028	19,469,660.75	(378)	(3,461,950.46)	(362)	(5,769,934.36)	(740)	(9,231,884.82)	2,997	22,124,849.07
Claims Pending on	December 31, 2009			2,997								

Net Asset in Client Security Fund :

As of	12/31/2008	4,304,519
As of	12/31/2009	2,678,821

*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**

Period of: JAN.08 through DEC.09

PAID CLAIMS

Month Covered	Amount	Mo. Ave. Payout Ratio	24 Mo. Rolling Average	Cumulative Paid Total
JAN.08	101,143	46.12%		101,143
FEB.08	26,499	30.51%		127,642
MAR.08	198,899	39.60%		326,541
APR.08	781,549	59.96%		1,108,090
MAY.08	184,594	13.48%		1,292,684
JUN.08	377,723	56.36%		1,670,407
JUL.08	636,186	43.28%		2,306,593
AUG.08	299,932	28.67%		2,606,525
SEP.08	626,516	46.72%		3,233,041
OCT.08	380,744	50.26%		3,613,785
NOV.08	78,814	19.99%		3,692,599
DEC.08	945,674	43.44%		4,638,273
JAN.09	11,380	42.73%		4,649,653
FEB.09	7,410	1.74%		4,657,063
MAR.09	154,885	20.16%		4,811,948
APR.09	398,024	42.07%		5,209,972
MAY.09	287,574	40.71%		5,497,546
JUN.09	504,153	44.37%		6,001,699
JUL.09	349,652	26.92%		6,351,351
AUG.09	77,845	19.17%		6,429,196
SEPT.09	284,251	44.90%		6,713,447
OCT.09	671,289	62.88%		7,384,736
NOV.09	218,385	28.56%		7,603,121
DEC.09	497,104	47.27%		8,100,225

8,100,225

39.38%

THE STATE BAR OF CALIFORNIA
 CLIENT SECURITY FUND
 ANALYSIS OF NEW CLAIMS PAID, REJECTED
 OR WITHDRAWN, ESTIMATED
 CLAIMS LIABILITY PER ACTIVE
 ATTORNEY

	<u>December 31, 2009</u>			
	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
Beginning Balance	710	879	1036	1601
Add: Reinstated Claims				
New Claims	256	353	751	1668
Less: Paid / Rejected or				
Withdrawn	87	196	186	272
TOTAL	879	1036	1601	2997
CLAIMS OUTSTANDING AMT.	13,927,635	14,906,512	17,739,927	22,124,849
# Of Active Attorneys	163,954	164,696	165,371	165,838
Cost Per Active Attorney	\$85	\$91	\$107	\$133
ESTIMATED CLAIMS LIAB.				
Claims Payout Ratio	39.98%	40.63%	38.94%	39.38%
Estimated Claim Amount *	\$5,568,268	\$6,056,516	\$6,907,928	\$8,712,766
# of Active Attorneys	163,954	164,696	165,371	165,838
Cost per Active Attorney	\$34	\$37	\$42	\$53
CLAIM ACTIVITIES IN %:				
NEW CLAIMS - YTD				
1 - 2,500	1.56%	2.86%	4.98%	8.21%
2,501 - 5,000	8.15%	9.03%	13.62%	22.97%
5,001 - 10,000	15.20%	15.71%	15.97%	14.80%
10,001 - 25,000	20.26%	17.88%	16.90%	13.84%
25,001 - 49,999	12.11%	12.60%	12.48%	9.87%
50,000	42.72%	41.94%	36.05%	29.28%
50,001 - 100,000	0.00%	0.00%	0.00%	1.03%
CLAIMS PAID - YTD				
1 - 2,500	13.45%	2.77%	3.17%	3.53%
2,501 - 5,000	17.58%	10.29%	9.44%	10.51%
5,001 - 10,000	1.56%	9.36%	11.31%	15.91%
10,001 - 25,000	22.35%	13.11%	14.69%	15.17%
25,001 - 49,999	45.06%	27.25%	21.76%	17.68%
50,000	0.00%	37.22%	39.62%	37.21%
50,001 - 100,000	0.00%	0.00%	0.00%	0.00%
REJ./WDRAWN - YTD				
1 - 2,500	1.25%	2.24%	2.29%	2.48%
2,501 - 5,000	4.74%	5.22%	5.40%	6.00%
5,001 - 10,000	9.96%	10.51%	10.86%	11.81%
10,001 - 25,000	12.75%	16.57%	19.10%	18.88%
25,001 - 49,999	14.03%	18.51%	17.23%	18.16%
50,000	57.27%	46.94%	45.12%	42.67%
50,001 - 100,000	0.00%	0.00%	0.00%	0.00%
CLAIMS O/S-CUM. - YTD				
1 - 2,500	1.91%	2.39%	3.92%	7.17%
2,501 - 5,000	5.21%	6.01%	10.01%	19.44%
5,001 - 10,000	9.41%	10.86%	12.23%	11.61%
10,001 - 25,000	18.32%	18.12%	16.92%	14.19%
25,001 - 49,999	17.04%	14.99%	14.35%	11.20%
50,000	48.11%	47.63%	42.56%	35.48%
50,001 - 100,000	0.00%	0.00%	0.00%	0.90%
NET ASSET, END OF PERIOD	\$9,702,111	\$8,023,543	\$6,291,202	\$2,678,821

*Based upon 24 month rolling weighted average of claims paid ratio (See page 5)