



THE STATE BAR OF CALIFORNIA

FINANCE

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MEMORANDUM

DATE: April 28, 2010
TO: Board of Governors
FROM: The Office of Finance
SUBJECT: Status of Claims Activities – Client Security Fund
Through the Quarter Ended March 31, 2010

A series of reports are generated to report claims activity within the Client Security Fund each quarter. These reports include:

- Claims Activity for the quarter ended March 31, 2010
- Claims Aging Report
- Cumulative Claims Aging Report
- 24 Month Rolling Average of Claims Paid
- Analysis of New Claims Paid, Rejected or Withdrawn

Through the end of March, 1,514 new claims in the amount of \$7.2 million were filed. Compared to the 256 claims in the amount of \$3.3 million filed through the first quarter of 2009, the number of claims and the claim amount filed in the past twelve months are up significantly by 491% and 118%, respectively. The increase is due in large measure to the new claims filed related to loan modification fraud.

Based on the current claims payout ratio of 38.07%, the estimated outstanding claims liability as of March 31, 2010 is approximately \$10.7 million as compared to \$5.5 million in March 2009. Total cash and investments available to address this liability at the end of March 2010 are \$17.2 million as compared to \$15.3 million in March 2009.

Because of the significant increase in claims filed, our actuary, Milliman Inc., is preparing an updated analysis of future expected claims liability to take into account the major changes that have occurred since the last actuarial analysis performed in 2009.

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

March 31, 2010

YEAR TO DATE ACTIVITIES

	<u>\$1 - 2500</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>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
Prior Years' Claims	995	\$1,596,259.99	1,235	\$4,301,278.48	347	\$2,573,533.46	188	\$3,140,215.64	73	\$2,477,378.61	157	\$7,850,000.00	2	\$200,000.00	2,997	\$22,138,666.18
New Claims '10	522	\$914,561.92	764	\$2,577,752.27	138	\$970,710.99	49	\$768,227.22	22	\$779,512.85	12	\$600,000.00	7	\$641,500.00	1,514	\$7,252,265.25
Paid Claims '10	(10)	(\$27,325.00)	(13)	(\$50,087.75)	(8)	(\$49,163.78)	(3)	(\$39,755.00)	(3)	(\$55,440.67)	(1)	(\$50,000.00)	0	\$0.00	(38)	(\$271,772.20)
Rejected Claims '10	0	(\$2,719.00)	0	(\$3,500.00)	(1)	(\$22,201.33)	(1)	(\$24,295.00)	(1)	(\$78,321.33)	(1)	(\$50,000.00)	0	\$0.00	(4)	(\$181,036.66)
Withdrawn Claims '10	(9)	(\$11,101.70)	(8)	(\$33,309.71)	(9)	(\$69,595.00)	(14)	(\$240,468.89)	(4)	(\$116,033.06)	(9)	(\$450,000.00)	0	\$0.00	(53)	(\$920,508.36)
Claims Outstanding	1,498	<u>\$2,469,676.21</u>	1,978	<u>\$6,792,133.29</u>	467	<u>\$3,403,284.34</u>	219	<u>\$3,603,923.97</u>	87	<u>\$3,007,096.40</u>	158	<u>\$7,900,000.00</u>	9	<u>\$841,500.00</u>	4,416	<u>\$28,017,614.21</u>
New claims % to total	34.48%	12.61%	50.46%	35.54%	9.11%	13.38%	3.24%	10.59%	1.45%	10.75%	0.00%	8.27%	0.46%	8.85%	99.21%	100.00%
Claims paid % to total	26.32%	10.05%	34.21%	18.43%	21.05%	18.09%	7.89%	14.63%	7.89%	20.40%	2.63%	18.40%	0.00%	0.00%	100.00%	100.00%
Claims rejected or withdrawn % to total	15.79%	1.25%	14.04%	3.34%	17.54%	8.33%	26.32%	24.04%	8.77%	17.64%	17.54%	45.39%	0.00%	0.00%	100.00%	100.00%
Claims outstanding % to total	33.92%	8.81%	44.79%	24.24%	10.58%	12.15%	4.96%	12.86%	1.97%	10.73%	3.58%	28.20%	0.20%	3.00%	100.00%	100.00%

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

As of March 31, 2010

(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
2004	1	50,000.00			0	0.00	0	0.00	0	0.00	1	50,000.00
2005	6	210,868.72			0	0.00	0	0.00	0	0.00	6	210,868.72
2006	34	593,294.90			0	0.00	(2)	(21,551.70)	(2)	(21,551.70)	32	571,743.20
2007	120	2,097,111.34			(3)	(22,611.11)	(9)	(137,592.00)	(12)	(160,203.11)	108	1,936,908.23
2008	217	3,890,142.89			(13)	(133,677.67)	(9)	(181,031.18)	(22)	(314,708.85)	195	3,575,434.04
2009	2619	15,297,248.33			(21)	(113,983.42)	(33)	(743,120.14)	(54)	(857,103.56)	2565	14,440,144.77
2010			1514	7,252,265.25	(1)	(1,500.00)	(4)	(18,250.00)	(5)	(19,750.00)	1509	7,232,515.25
TOTAL	<u>2997</u>	<u>22,138,666.18</u>	<u>1514</u>	<u>7,252,265.25</u>	<u>(38)</u>	<u>(271,772.20)</u>	<u>(57)</u>	<u>(1,101,545.02)</u>	<u>(95)</u>	<u>(1,373,317.22)</u>	<u>4416</u>	<u>28,017,614.21</u>
Average		\$7,387		\$4,790		\$7,152		\$19,325		\$14,456		\$6,345

Estimated Claim Payout Ratio: **38.07%**
Estimated Claim Liability: **\$10,666,306**

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

As of **March 31, 2010**

(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
2004 Only	1	50,000.00	0	-	0	-	0	0.00	0	0.00	1	50,000.00
2004-2005	7	260,868.72	0	-	0	-	0	0.00	0	0.00	7	260,868.72
2004-2006	41	854,163.62	0	-	(2)	(21,551.70)	(2)	(21,551.70)	(2)	(21,551.70)	39	832,611.92
2004-2007	161	2,951,274.96	(3)	(22,611.11)	(11)	(159,143.70)	(14)	(181,754.81)	(14)	(181,754.81)	147	2,769,520.15
2004-2008	378	6,841,417.85	(16)	(156,288.78)	(20)	(340,174.88)	(36)	(496,463.66)	(36)	(496,463.66)	342	6,344,954.19
2004-2009	2,997	22,138,666.18	(37)	(270,272.20)	(53)	(1,083,295.02)	(90)	(1,353,567.22)	(90)	(1,353,567.22)	2,907	20,785,098.96
2004-2010			1,514	7,252,265.25	(38)	(271,772.20)	(57)	(1,101,545.02)	(95)	(1,373,317.22)	4,416	28,017,614.21
Claims Pending on	March 31, 2010			4,416								
Net Asset in Client Security Fund :												
As of	12/31/2009	2,678,821										
As of	3/31/2010	6,487,077										

*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: APR.08 through MAR.10

PAID CLAIMS

Month Covered	Amount	Mo. Ave. Payout Ratio	24 Mo. Rolling Average	Cumulative Paid Total
APR.08	781,549	59.96%		781,549
MAY 08	184,594	13.48%		966,143
JUN.08	377,723	56.36%		1,343,866
JUL.08	636,186	43.28%		1,980,052
AUG.08	299,932	28.67%		2,279,984
SEP.08	626,516	46.72%		2,906,500
OCT.08	380,744	50.26%		3,287,244
NOV.08	78,814	19.99%		3,366,058
DEC.08	945,674	43.44%		4,311,732
JAN.09	11,380	42.73%		4,323,112
FEB.09	7,410	1.74%		4,330,522
MAR.09	154,885	20.16%		4,485,407
APR.09	398,024	42.07%		4,883,431
MAY.09	287,574	40.71%		5,171,005
JUN.09	504,153	44.37%		5,675,158
JUL.09	349,652	26.92%		6,024,810
AUG.09	77,845	19.17%		6,102,655
SEPT.09	284,251	44.90%		6,386,906
OCT.09	671,289	62.88%		7,058,195
NOV.09	218,385	28.56%		7,276,580
DEC.09	497,104	47.27%		7,773,684
JAN.10	2,500	1.42%		7,776,184
FEB.10	106,392	15.62%		7,882,576
MAR.10	162,881	31.55%		8,045,457

8,045,457

38.07%

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

March 31, 2010

	<u>1st Qtr</u>
Beginning Balance	2997
Add: Reinstated Claims	
New Claims	1514
Less: Paid / Rejected or Withdrawn	95
TOTAL	4416
CLAIMS OUTSTANDING AMT.	28,017,614
# Of Active Attorneys	168,378
Cost Per Active Attorney	\$166
 ESTIMATED CLAIMS LIAB.	
Claims Payout Ratio	38.07%
Estimated Claim Amount *	\$10,666,306
# of Active Attorneys	168,378
Cost per Active Attorney	\$63
 CLAIM ACTIVITIES IN %:	
 NEW CLAIMS - YTD	
1 - 2,500	12.61%
2,501 - 5,000	35.54%
5,001 - 10,000	13.38%
10,001 - 25,000	10.59%
25,001 - 49,999	10.75%
50,000	8.27%
50,001 - 100,000	8.85%
 CLAIMS PAID - YTD	
1 - 2,500	10.05%
2,501 - 5,000	18.43%
5,001 - 10,000	18.09%
10,001 - 25,000	14.63%
25,001 - 49,999	20.40%
50,000	18.40%
50,001 - 100,000	0.00%
 REJ./WDRAWN - YTD	
1 - 2,500	1.25%
2,501 - 5,000	3.34%
5,001 - 10,000	8.33%
10,001 - 25,000	24.04%
25,001 - 49,999	17.64%
50,000	45.39%
50,001 - 100,000	0.00%
 CLAIMS O/S-CUM. - YTD	
1 - 2,500	8.81%
2,501 - 5,000	24.24%
5,001 - 10,000	12.15%
10,001 - 25,000	12.86%
25,001 - 49,999	10.73%
50,000	28.20%
50,001 - 100,000	3.00%
 NET ASSET, END OF PERIOD	\$6,487,077

*Based upon 24 month rolling weighted average of claims paid ratio (See page 4)