



THE STATE BAR OF CALIFORNIA

FINANCE

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MEMORANDUM

DATE: September 3, 2010
TO: Board of Governors
FROM: The Office of Finance
SUBJECT: Status of Claims Activities – Client Security Fund
Through the Quarter Ended June 30, 2010

Each quarter, the Office of Finance prepares a series of reports to evaluate the financial condition of the Client Security Fund. These reports include:

- Claims Activity for the quarter ended June 30, 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- Analysis of New Claims Paid, Rejected or Withdrawn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 June, 2,371 new claims in the amount of \$12.8 million were filed. By comparison, 609 claims in the amount of \$7 million were filed through the second quarter of 2009. Both the number of claims and claim amounts filed in the past twelve months has significantly increased - 289% and 83%, respectively - due in large part to new claims related to loan modification fraud.

On a cash basis, total claims paid through the second quarter of fiscal year 2010 are approximately \$1.1 million. Cash and investments available to pay future claims expenses are \$16.7 million as of June 30, 2010. An actuarial study performed by Milliman in July of this year estimates that this cash balance will be sufficient to fund claims through 2019.

For financial statement purposes, the Office of Finance accrues a liability based on a rolling 24 month historical claims payout ratio, currently 38.02%. As of June 30, 2010 total claims submitted and outstanding are \$31.7 million. Based on this payout ratio, Finance has recorded a claims liability of approximately \$12 million in the June financial statements.

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

June 30, 2010

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	995	\$1,596,259.99	1,235	\$4,303,778.48	347	\$2,573,533.46	188	\$3,140,215.64	73	\$2,477,378.61	157	\$7,889,400.00	2	\$200,000.00	2,997	\$22,180,566.18
New Claims '10	800	\$1,400,245.47	1,147	\$3,925,475.79	245	\$1,733,398.16	95	\$1,553,032.69	39	\$1,406,515.65	32	\$1,600,000.00	13	\$1,183,500.00	2,371	\$12,802,167.76
Paid Claims '10	(30)	(\$57,075.00)	(29)	(\$108,386.75)	(14)	(\$93,263.78)	(9)	(\$123,013.33)	(3)	(\$55,440.67)	(13)	(\$636,433.00)	0	\$0.00	(98)	(\$1,073,612.53)
Rejected Claims '10	(1)	(\$6,709.00)	(1)	(\$11,570.00)	(4)	(\$45,845.33)	(3)	(\$85,382.41)	(1)	(\$78,321.33)	(7)	(\$402,967.00)	(1)	(\$100,000.00)	(18)	(\$730,795.07)
Withdrawn Claims '10	(16)	(\$22,611.46)	(21)	(\$83,919.70)	(13)	(\$100,545.00)	(17)	(\$298,860.69)	(5)	(\$156,033.06)	(17)	(\$850,000.00)	0	\$0.00	(89)	(\$1,511,969.91)
Claims Outstanding	1,748	<u>\$2,910,110.00</u>	2,331	<u>\$8,025,377.82</u>	561	<u>\$4,067,277.51</u>	254	<u>\$4,185,991.90</u>	103	<u>\$3,594,099.20</u>	152	<u>\$7,600,000.00</u>	14	<u>\$1,283,500.00</u>	5,163	<u>\$31,666,356.43</u>
New claims % to total	33.74%	10.94%	48.38%	30.66%	10.33%	13.54%	4.01%	12.13%	1.64%	10.99%	0.00%	12.50%	0.55%	9.24%	98.65%	100.00%
Claims paid % to total	30.61%	5.32%	29.59%	10.10%	14.29%	8.69%	9.18%	11.46%	3.06%	5.16%	13.27%	59.28%	0.00%	0.00%	100.00%	100.00%
Claims rejected or withdrawn % to total	15.89%	1.31%	20.56%	4.26%	15.89%	6.53%	18.69%	17.13%	5.61%	10.45%	22.43%	55.87%	0.93%	4.46%	100.00%	100.00%
Claims outstanding % to total	33.86%	9.19%	45.15%	25.34%	10.87%	12.84%	4.92%	13.22%	1.99%	11.35%	2.94%	24.00%	0.27%	4.05%	100.00%	100.00%

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

As of June 30, 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			(2)	(44,000.00)	(1)	(75,000.00)	(3)	(119,000.00)	3	91,868.72
2006	34	593,294.90			(3)	(52,850.00)	(6)	(100,701.70)	(9)	(153,551.70)	25	439,743.20
2007	120	2,097,111.34			(11)	(173,336.11)	(12)	(238,752.00)	(23)	(412,088.11)	97	1,685,023.23
2008	217	3,890,142.89			(26)	(189,662.67)	(13)	(297,056.18)	(39)	(486,718.85)	178	3,403,424.04
2009	2619	15,339,148.33			(53)	(605,908.75)	(55)	(1,237,734.14)	(108)	(1,843,642.89)	2511	13,495,505.44
2010			2371	12,802,167.76	(3)	(7,855.00)	(20)	(293,520.96)	(23)	(301,375.96)	2348	12,500,791.80
TOTAL	2997	22,180,566.18	2371	12,802,167.76	(98)	(1,073,612.53)	(107)	(2,242,764.98)	(205)	(3,316,377.51)	5163	31,666,356.43
Average		\$7,401		\$5,399		\$10,955		\$20,960		\$16,177		\$6,133

Estimated Claim Payout Ratio: **38.02%**
Estimated Claim Liability: **\$12,039,549**

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

As of **June 30, 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	0.00	0	0.00	1	50,000.00
2004-2005	7	260,868.72			(2)	(44,000.00)	(1)	(75,000.00)	(3)	(119,000.00)	4	141,868.72
2004-2006	41	854,163.62			(5)	(96,850.00)	(7)	(175,701.70)	(12)	(272,551.70)	29	581,611.92
2004-2007	161	2,951,274.96			(16)	(270,186.11)	(19)	(414,453.70)	(35)	(684,639.81)	126	2,266,635.15
2004-2008	378	6,841,417.85			(42)	(459,848.78)	(32)	(711,509.88)	(74)	(1,171,358.66)	304	5,670,059.19
2004-2009	2,997	22,180,566.18			(95)	(1,065,757.53)	(87)	(1,949,244.02)	(182)	(3,015,001.55)	2,815	19,165,564.63
2004-2010			2,371	12,802,167.76	(98)	(1,073,612.53)	(107)	(2,242,764.98)	(205)	(3,316,377.51)	5,163	31,666,356.43
Claims Pending on June 30, 2010				5,163								
Net Asset in Client Security Fund :												
	As of	12/31/2009		2,678,821								
	As of	6/30/2010		4,542,768								

*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: JUL.08 through JUN.10

PAID CLAIMS

Month Covered	Amount	Mo. Ave. Payout Ratio	24 Mo. Rolling Average	Cumulative Paid Total
JUL.08	636,186	43.28%		636,186
AUG.08	299,932	28.67%		936,118
SEP.08	626,516	46.72%		1,562,634
OCT.08	380,744	50.26%		1,943,378
NOV.08	78,814	19.99%		2,022,192
DEC.08	945,674	43.44%		2,967,866
JAN.09	11,380	42.73%		2,979,246
FEB.09	7,410	1.74%		2,986,656
MAR.09	154,885	20.16%		3,141,541
APR.09	398,024	42.07%		3,539,565
MAY.09	287,574	40.71%		3,827,139
JUN.09	504,153	44.37%		4,331,292
JUL.09	349,652	26.92%		4,680,944
AUG.09	77,845	19.17%		4,758,789
SEPT.09	284,251	44.90%		5,043,040
OCT.09	671,289	62.88%		5,714,329
NOV.09	218,385	28.56%		5,932,714
DEC.09	497,104	47.27%		6,429,818
JAN.10	2,500	1.42%		6,432,318
FEB.10	106,392	15.62%		6,538,710
MAR.10	162,881	31.55%		6,701,591
APR.10	158,270	43.87%		6,859,861
MAY10	334,727	33.60%		7,194,588
JUN.10	308,843	52.70%		7,503,431

7,503,431

38.02%

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

June 30, 2010

	<u>1st Qtr</u>	<u>2nd Qtr.</u>
Beginning Balance	2997	4416
Add: Reinstated Claims		
New Claims	1514	857
Less: Paid / Rejected or Withdrawn	95	110
TOTAL	4416	5163
CLAIMS OUTSTANDING AMT.	28,017,614	31,666,356
# Of Active Attorneys	168,378	167,993
Cost Per Active Attorney	\$166	\$188
ESTIMATED CLAIMS LIAB.		
Claims Payout Ratio	38.07%	38.02%
Estimated Claim Amount *	\$10,666,306	\$12,039,549
# of Active Attorneys	168,378	167,993
Cost per Active Attorney	\$63	\$72
CLAIM ACTIVITIES IN %:		
NEW CLAIMS - YTD		
1 - 2,500	12.61%	10.94%
2,501 - 5,000	35.54%	30.66%
5,001 - 10,000	13.38%	13.54%
10,001 - 25,000	10.59%	12.13%
25,001 - 49,999	10.75%	10.99%
50,000	8.27%	12.50%
50,001 - 100,000	8.85%	9.24%
CLAIMS PAID - YTD		
1 - 2,500	10.05%	5.32%
2,501 - 5,000	18.43%	10.10%
5,001 - 10,000	18.09%	8.69%
10,001 - 25,000	14.63%	11.46%
25,001 - 49,999	20.40%	5.16%
50,000	18.40%	59.28%
50,001 - 100,000	0.00%	0.00%
REJ./WDRAWN - YTD		
1 - 2,500	1.25%	1.31%
2,501 - 5,000	3.34%	4.26%
5,001 - 10,000	8.33%	6.53%
10,001 - 25,000	24.04%	17.13%
25,001 - 49,999	17.64%	10.45%
50,000	45.39%	55.87%
50,001 - 100,000	0.00%	4.46%
CLAIMS O/S-CUM. - YTD		
1 - 2,500	8.81%	9.19%
2,501 - 5,000	24.24%	25.34%
5,001 - 10,000	12.15%	12.84%
10,001 - 25,000	12.86%	13.22%
25,001 - 49,999	10.73%	11.35%
50,000	28.20%	24.00%
50,001 - 100,000	3.00%	4.05%
NET ASSET, END OF PERIOD	\$6,564,564	\$4,542,768

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