



**SIGMA Actuarial Consulting Group, Inc.**  
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May 10, 2006

Ms. Katherine Maguire  
Black Hills Agency, Inc.  
820 St. Joe  
Rapid City, SD 57709

***Re: Actuarial Analysis***

Ms. Maguire:

Thank you for the opportunity to provide an actuarial analysis to the City of Rapid City (Rapid City). Our report will include a workers compensation loss projection, reserve analysis and cash-flow analysis.

**Loss Projection/Reserve Analysis**

SIGMA will calculate projected losses for the 1/1/06-07 period. In addition, a loss probability study will provide a range of confidence intervals around the projected losses. A reserve analysis will show the liabilities as of the evaluation date of the losses.

**Cash-Flow Analysis**

The cash-flow analysis will consist of two parts. A payout analysis will indicate probable amount of payments by period. A present value analysis will indicate the current value of expected future payments.

The fee to complete this actuarial analysis will be \$6,000. The final bound study will include an executive summary, an explanation of the methodology and all exhibits.

Regards,



Al J. Rhodes, ACAS, MAAA  
President & Senior Actuary  
SIGMA Actuarial Consulting Group, Inc.