

SIGFA Survey of State Self-Insurance Guaranty Funds

Response for: **California**

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2 **What is the total future value of claims currently covered by self-insurance, including case reserves and IBNR if known?**

Answer
<input type="radio"/> Less Than \$10 million dollars
<input type="radio"/> \$10,000,000 to \$25,000,000
<input type="radio"/> \$25,000,001 to \$50,000,000
<input type="radio"/> \$50,000,001 to \$100,000,000
<input checked="" type="checkbox"/> Greater Than \$100,000,000

Comment: \$5.85 billion in the Alternative Security Program (no collateral posted) covering 350 entities + \$720 million posted for ASP "Excluded" entities Total = \$6.58 billion covering 238 entities

3 **Are self-insured employers/funds required to actuarially calculate their WC liabilities and report that figure to the state?**

Answer
<input type="radio"/> Yes
<input checked="" type="checkbox"/> No

Comment: Individual self-insureds = NO / SIG's (29) = YES

4 **If self-insured employers/funds are required to actuarially calculate their WC liabilities and report that figure to the state... How often are they required to report?**

Answer
<input checked="" type="checkbox"/> At Least Annually
<input type="checkbox"/> Every 2 Years
<input type="checkbox"/> Less Frequently Than Every 2 Years
<input type="checkbox"/> Other

Comment: SIG's only

5 **How many individually self-insured employers defaulted on their claims obligations since Jan 1, 2009?**

Answer
None
1
2
3
4
<input checked="" type="checkbox"/> 5 or more

Comment: 2008 = Mervyn's \$30.6 mil
2009 = Fleetwood \$27.3 mil
Circuit City \$18.3 mil
Fairchild \$1.5 mil
2010 = AAA Machine Shop \$198,000
Contractors' Access SIG \$25 mil

6 **Describe the structure of how your state regulates self-insurance and covers the administration of claims of defaulting employers (e.g. a single state entity that does both, combination of state agency and private fund, etc.)**

CA Self Insurance governed through Division of Industrial Relations - Office of Self Insurance Plans.
All 588 private self-insureds (including 29 SIG's) required to be a member of SISF, which assesses all annually. SISF is an independent non-profit with 6 voting Board of Trustees from membership and 1 DIR non-voting Board member.
DIR determines default and assigns to SISF for administration and payment of estate claims.
All claims-related monies come from SISF.

7 **Are individually self-insured employers required to carry specific excess insurance?**

Answer
Yes
<input checked="" type="checkbox"/> No

Comment: Only SIG's (up to \$500,000 SIR)

- 8 If individually self-insured employers are required to carry specific excess insurance, what is the maximum amount of loss permitted to be retained by the self-insured employer before the specific excess insurance carrier begins paying?

Answer
<input type="checkbox"/> \$250,000 or Less
<input type="checkbox"/> \$250,001 to \$500,000
<input type="checkbox"/> \$500,001 to \$1,000,000
<input type="checkbox"/> \$1,000,001 to \$2,500,000
<input type="checkbox"/> \$2,500,001 to \$5,000,000
<input type="checkbox"/> More Than \$5,000,000
<input type="checkbox"/> Other

Comment: Pressure to have SIG SIR limit increased to \$1 million SIR with Director approval

- 9 If specific excess insurance is required, is it required to provide full statutory coverage once the self-insured retention point has been breached?

Answer
<input type="checkbox"/> Specific Excess Insurance Is Not Required
<input checked="" type="checkbox"/> Specific Excess Is Required To Pay Full Statutory Coverage
<input type="checkbox"/> Specific Excess Is Not Required To Pay Full Statutory Coverage
<input type="checkbox"/> Other

Comment: SIG's only

- 10 How does the amount of loss permitted to be carried by the self-insured employer, through either a high or low self-insured retention, impact the amount of required security?

All security deposits are determined on a net basis with excess/aggregate credit where applicable. In CA the security deposits (notional in ASP) are 135% to 200% of open reserves, net of excess.

- 11 Are the carriers who provide the excess insurance required to be an admitted carrier?

Answer
<input checked="" type="checkbox"/> Yes
<input type="checkbox"/> No

12 Are carriers who provide excess insurance required to possess a minimum AM Best rating?

Answer
No
Yes, At Least A+ (Superior)
Yes, At Least A- (Excellent)
<input checked="" type="checkbox"/> Yes, At Least B+ (Good)
Yes, B, B- (Fair)
Other

13 Does the state have access to financial statements of the individual self-insured employer?

Answer
<input checked="" type="checkbox"/> Yes
No

Comment: All ASP members must submit their to SISF as well as the state.

14 Does the state monitor the credit strength of individual self-insured employers?

Answer
<input checked="" type="checkbox"/> Yes
No

Comment: Through SISF resources

15 If the state monitors the credit strength of the individual self-insured employer, for what purpose?

To determine deposit requirements and eligibility for self-insurance (possible revocation). It may also prompt a special claims audit by the state.

16 Is full statutory coverage provided by your state insurance guaranty association/fund in the event that the voluntary market excess carrier becomes insolvent? If not statutory, what is the maximum required payment?

Answer

No, Payment is Limited To Less Than Full Statutory Coverage

Yes, Full Statutory Coverage Is Provided

Other: \$500,000 per occurrence

Comment: Prior to 2005, it was statutory limit

17 In the event that the self-insured employer and the excess carrier both default on their payment obligations, what process is in place to guarantee payment of claims?

SISF assumes the entity claims. CA Insurance Guaranty Fund (CIGA) assumes insurance carrier claims.

18 In the event that the self-insured employer and the surety bond carrier both default on their payment obligations, what process is in place to guarantee payment of claims?

SISF assumes the entity claims. CA Insurance Guaranty Fund (CIGA) assumes insurance carrier (surety bond) claims.

19 If a domestic surety bond carrier defaults and is placed into rehabilitation / liquidation by your state insurance department, which creditor class will workers' comp surety bonds be considered?

Unknown

20 Does your state have a separate guaranty fund for individual self-insured employers?

Answer

Yes

No

Comment: Combined

21 Does your state have a separate guaranty fund for group self-insured funds?

Answer

Yes

No

Comment: Combined

22 If a self-insured employer guaranty fund exists in your state is it a governmental, quasi-governmental, or private entity?

Answer

Governmental

Quasi-Governmental

Private

No State Self-Insured Guaranty Fund Exists

Other: Non Profit Instrumentality

Comment: State laws provide that members cooperate and pay assessments.

23 Does your self-insured employer state guaranty fund levy assessments against individual self-insurers?

Answer

Yes, Assessments Are Levied Against Individual Self-Insurers

No, Assessments Are NOT Levied Against Individual Self-Insurers

We Have No Individual Self-Insured Employer Guaranty Funds

Other

Comment: \$43 million in 2010

24 If assessments are levied against individual self-insurers, how are they calculated?

Two assessments
Excess Liability Protection (ELP) =
SISF Operating Budget + Credit Default Swaps (hedging) for 350 ASP members only
Default Loss Fund (DLF) =
Trust Fund assessed to all self-insureds based upon member entity % of \$6.58 billion total

25 How are claim liabilities funded when a group self-insurer defaults?

1. Deposit with DIR-OSIP
2. Funds on hand
3. Member joint and several assessments
4. Potential litigation against egregious parties

26 **How many employers are currently individually self-insured in your state?**

Answer
None, Individual Self-Insurance Is Not Allowed
Less Than 20 Employers Are Self-Insured
From 20 to 75
From 76 to 125
From 126 to 175
From 176 to 225
Over 225
<input checked="" type="checkbox"/> Other: 588

Comment: 97 are "Partial" - former self-insureds with run-out portfolios

27 **What types of employers are eligible to individually self-insure their WC liabilities in your state (e.g. private [non-state] entities only, public and private, etc?)**

Answer
<input checked="" type="checkbox"/> Privately Held Companies
<input checked="" type="checkbox"/> Public Entities Governmental Agencies
School Boards
<input checked="" type="checkbox"/> Municipalities
Individual Self-Insurance Is Not Allowed
Other

Comment: Municipalities; school districts; etc, are all included in public entities

28 **What are the minimum financial requirements for participation in self-insurance (e.g. minimum net worth, earnings, etc.?)**

\$5 million / \$500,000 net profitability over 3 past years

29 **Are individually self-insured employers allowed to self-administer their claims?**

Answer
<input checked="" type="checkbox"/> Yes
No
Individual Self-Insurance Is Not Allowed
Other

Comment: State self-insurance administrator licensing of at least one adjuster

30 If individual self-insured employers are allowed to self-administer claims, are there conditions imposed that do not exist for those employers who utilize a TPA?

Answer
Yes
<input checked="" type="checkbox"/> No
Individual Self-Insurance Is Not Allowed
Other

Comment: All Regs apply to both self-administered and TPA's

31 Is group self-insurance permitted in your state?

Answer
<input checked="" type="checkbox"/> Yes
No

Comment: Since 1995, although first SIG's formed in 2003

32 How many group funds are operating in your state?

Answer
None
1-5
6-10
10-15
<input checked="" type="checkbox"/> More Than 15

Comment: 29 currently

33 Is group self-insurance permitted in your state for public entities (i.e. public schools)

Answer
<input checked="" type="checkbox"/> Yes
No
Other

Comment: They from as Joint Powers Authorities - joint and several, etc.

34 Are both heterogeneous and homogeneous group self-insurance funds permitted in your state?

Answer
Yes, Both Heterogeneous & Homogeneous Groups Are Permitted
<input checked="" type="checkbox"/> No, Only Homogeneous Groups Are Permitted
Other

35 How many employers are currently insured through self-insured group funds?

Answer
None, Group Self-Insurance Is Not Permitted
Less Than 500
From 501 to 1,000
<input checked="" type="checkbox"/> From 1,001 to 2,500
From 2,501 to 5,000
From 5,001 to 10,000
More Than 10,000

36 Are group self-insurers required to carry specific excess insurance

Answer
<input checked="" type="checkbox"/> Yes
No
Other

Comment: \$500,000 SIR limit

37 Are group self-insurers required to carry aggregate excess insurance?

Answer
Yes
<input checked="" type="checkbox"/> No
Other

38 Are individual self-insured employers required to collateralize their self-insured liabilities by posting a surety bond, letter of credit, or other security with the state governing agency?

Answer
<input checked="" type="checkbox"/> Yes
<input type="checkbox"/> No
<input type="checkbox"/> Other

39 What forms of collateral or security are allowed?

Answer
<input checked="" type="checkbox"/> Surety Bonds
<input checked="" type="checkbox"/> Letters of Credit
<input checked="" type="checkbox"/> Cash
<input checked="" type="checkbox"/> Securities
<input type="checkbox"/> Real Property
<input type="checkbox"/> Other

40 How is the collateral obligation calculated? (e.g. formula based on case reserves, actuarially developed, etc?)

135% minimum to 200% of open reserves - determined by OSIP
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41 How often is the collateral or security calculated and adjusted to reflect changes with the self-insured employer?

Answer
<input type="checkbox"/> Yearly, Once Calculated The Amount Remains Unchanged For A Year
<input checked="" type="checkbox"/> Periodically As Needed, Changes May Occure During A Year
<input type="checkbox"/> Other

Comment: OSIP claim audits (at least once every 3 years) may adjust required deposit mid-year.

42 How does the state insure that the collateral is sufficient to cover the liabilities in the event of a failure to pay benefits by the individually self-insured employer?

Periodic claim audits
