



CALIFORNIA
SELF-INSURERS'
SECURITY FUND

2018 Member Informational Meeting

March 19th 2018

Tim East, SISF Chair

Daniel Sovocool, Nixon Peabody

Grant Heinitz, SISF Credit Risk Manager

Jill Dulich, SISF Claims and Operations Manager



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Mission Statement:

"To provide continuity of workers' compensation benefits to injured workers of insolvent, private self-insured companies at the lowest overall long-term cost, equitably distributed to the self-insurance community."



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- Purpose:** Ensure the timely payment of workers compensation claims to injured workers in the event of default by a member
- Founded:** July 6, 1984 by the State of California
- Organization:** 501(c)(6) non-profit
- Authority:** CA Labor Code Sections 3740-3747
- Governance:** Board of Trustees
 7 elected by member companies
 1 ex-officio from CA Department of Industrial Relations (“DIR”)
- Membership:** All non-public entity CA employers self-insured for WC
 548 self-insured entities
 \$8.5 billion exposure

Board of Trustees



Tim East, *Chairperson, The Walt Disney Company*



Janice Murphy, *Kaiser Permanente*



Steve Tolan, *Nordstrom, Inc.*



Toni Allen, *Monterey Mushrooms, Inc.*



John Smolk, *Southern California Edison Company*



William Lyons, *Recology, Inc.*

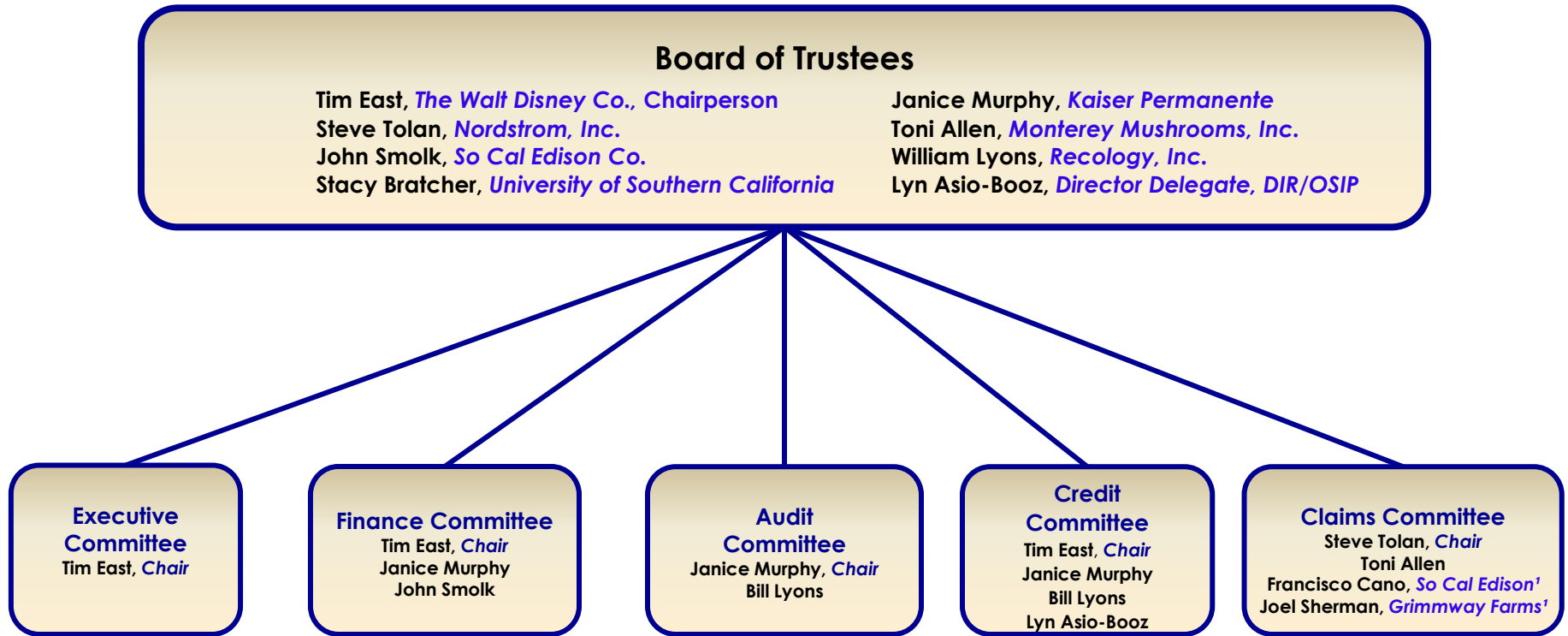


Stacy Bratcher, *University of Southern California*



Lyn Asio-Booz, *Chief, Self Insurance Plans (OSIP), DIR [ex officio]*

Board and Committees

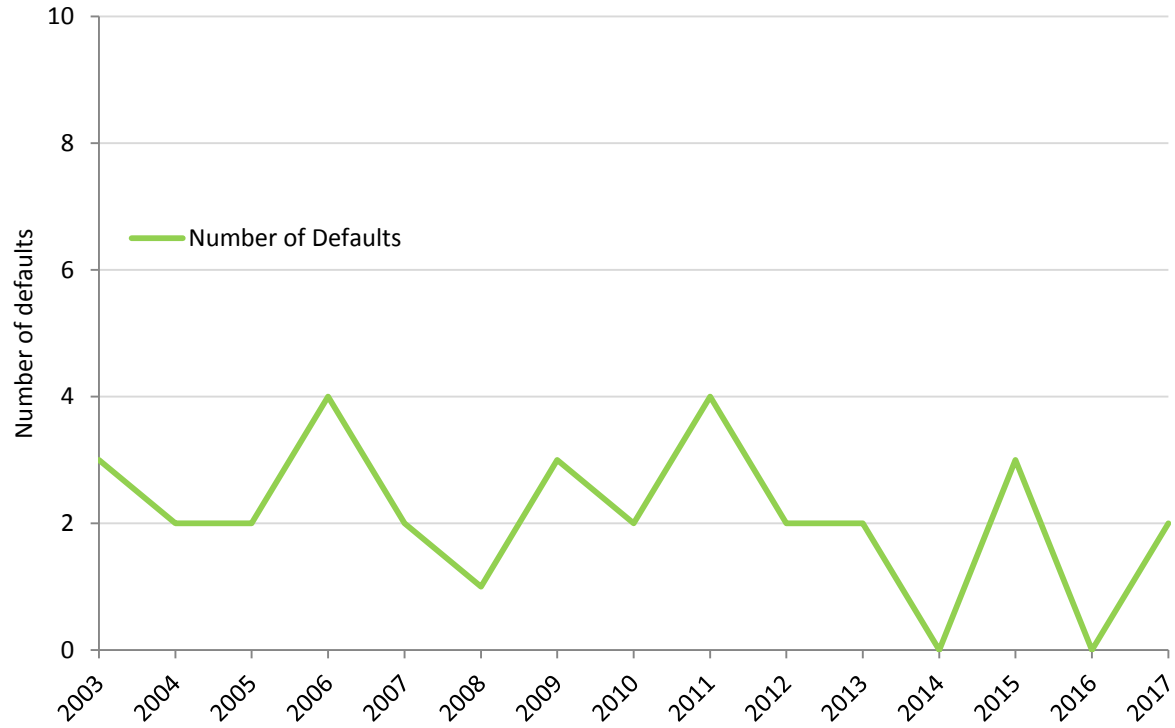


¹ Advisory only

CA Self-Insurance Overview

Entities	548 (including 25 SIG' s)
Payroll	\$95 billion
Employees	2.3 million (1 in 8 in state)

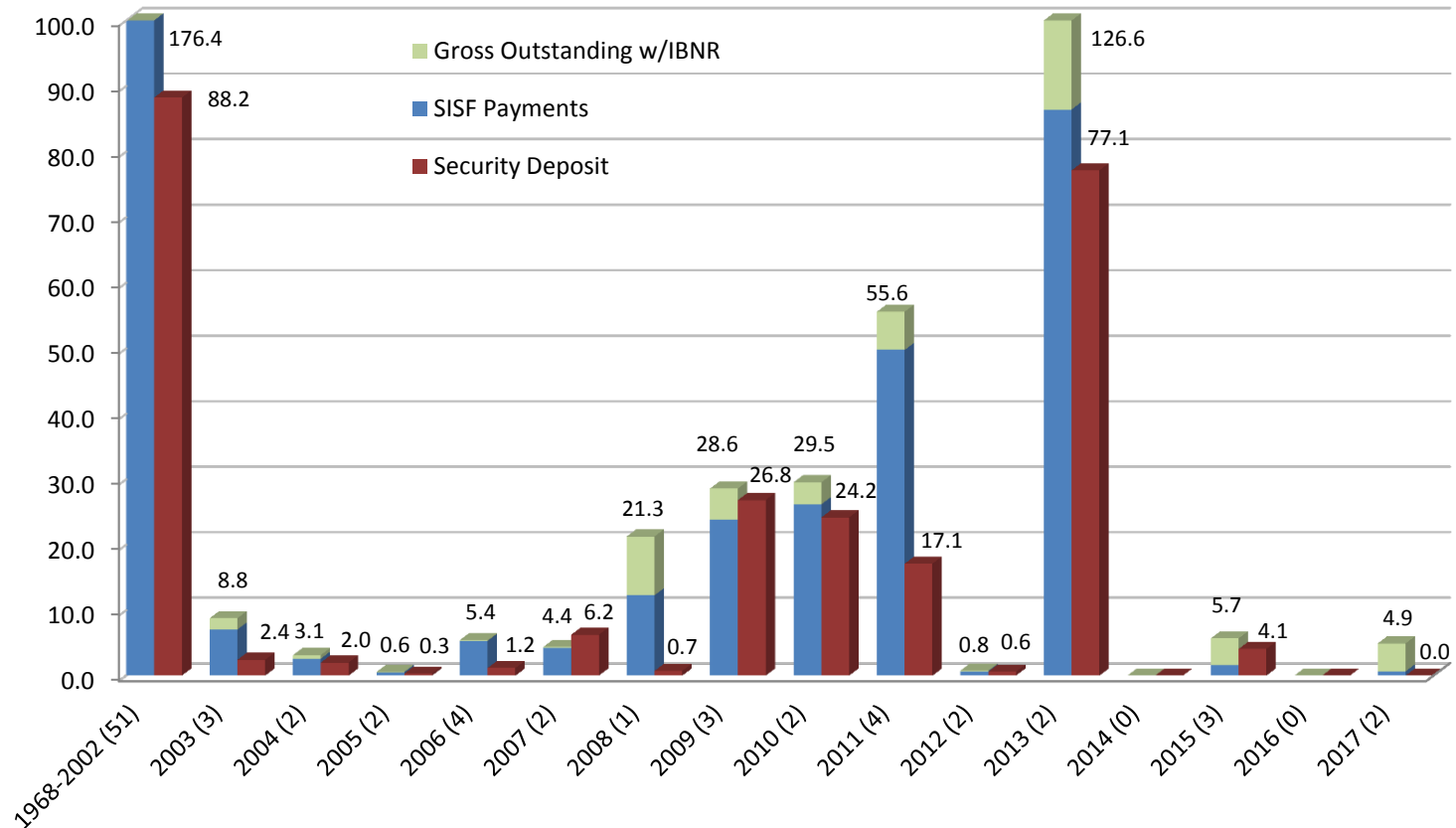
Default History



Fiscal year data as of 1/31/18 (example: 2015 = 2015/16 ASP plan year)

Default History (cont'd)

Defaults generally in line with economic cycles

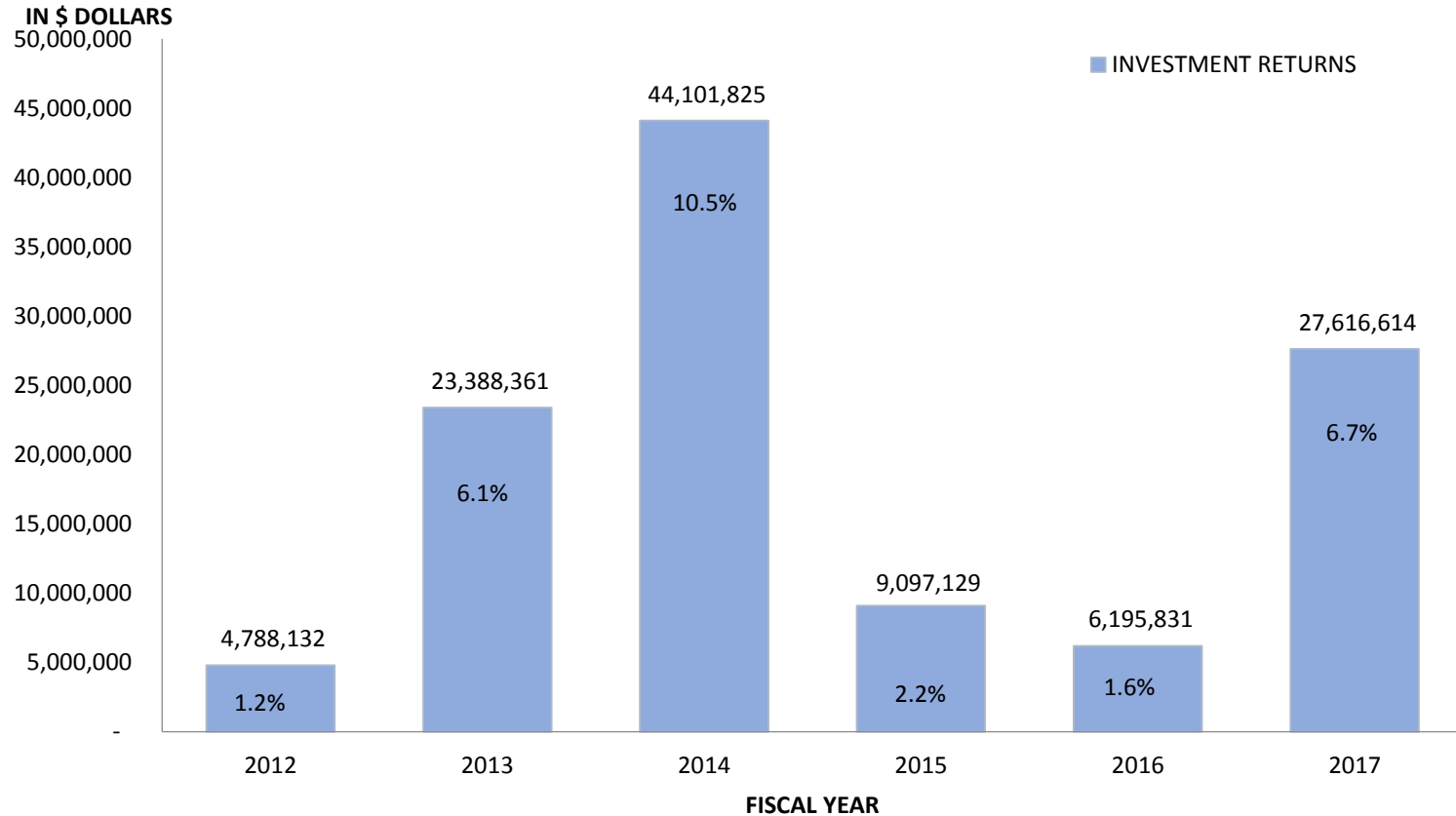


SISF Payments are from date of Default to 12/31/17 (net of recoveries)

Estates and Workers' Compensation Claims

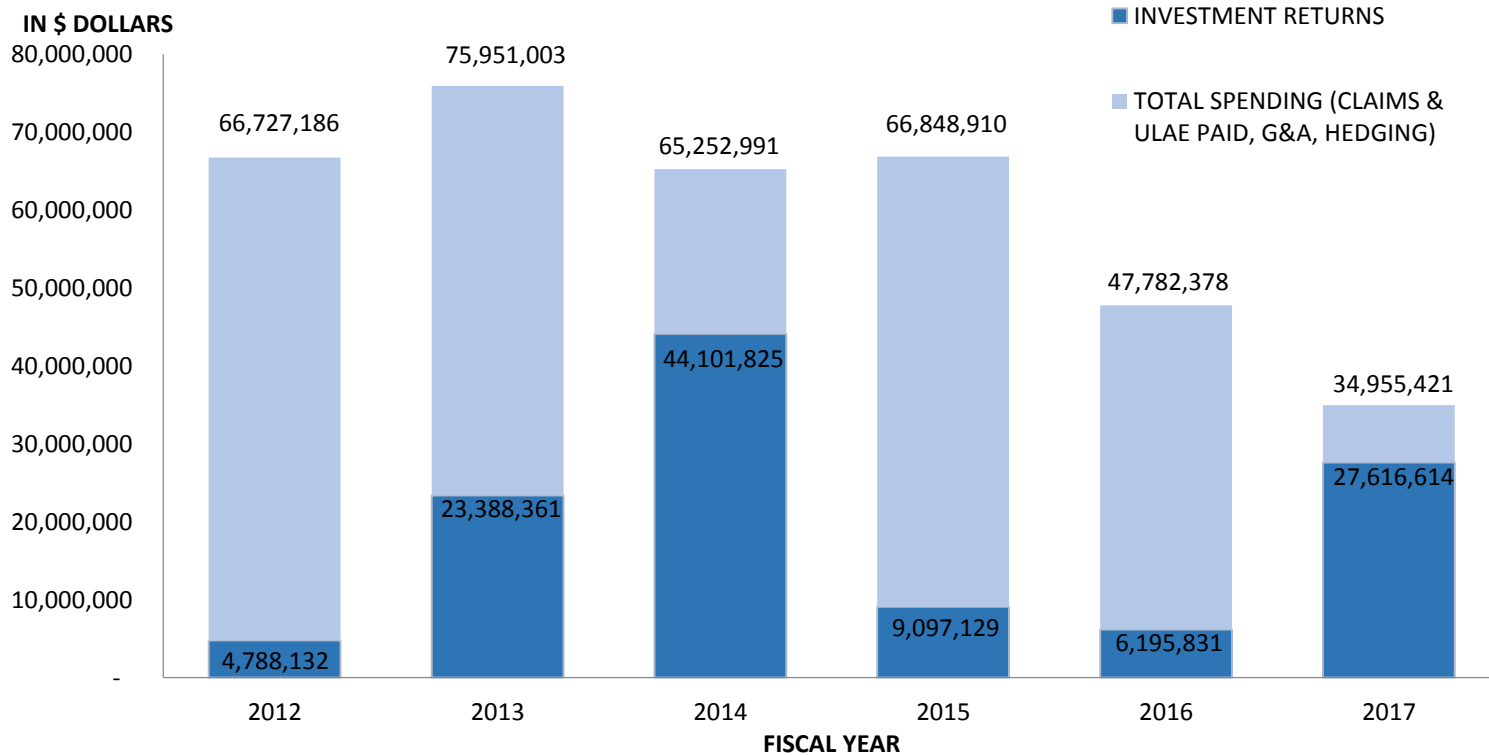
		<u>2018</u>	<u>2017</u>	<u>Δ</u>
Estates	Total (1968 to date)	84	82	2
	Active (1984 to present)	46	47	-1
Claims (as of 1/31)	Open	957	1,329	-372
Claim Liability (net)	Paid (1984-2017)	\$386,302,296	\$373,745,000	\$12,557,296
	Open Case Reserves (EFL)	\$45,111,000	\$58,998,000	-\$13,887,000
	IBNR + ULAE (actuarial estimate as of 12/31)	\$39,432,000	\$57,559,000	-\$18,127,000
		\$470,845,296	\$490,302,000	-\$19,456,704
OSIP Deposits turned over to Fund		<u>\$251,051,000</u>	<u>\$251,051,000</u>	<u>\$0</u>
SISF total net assets (as of 12/31)		\$428,668,257	\$342,772,345	\$85,895,912
Projected annual costs - claims (net of excess)		\$10,500,000	\$18,000,000	-\$7,500,000
	- claims admin	\$2,500,000	\$3,570,000	-\$1,070,000
	- Total	\$13,000,000	\$21,570,000	-\$8,570,000

Investment returns



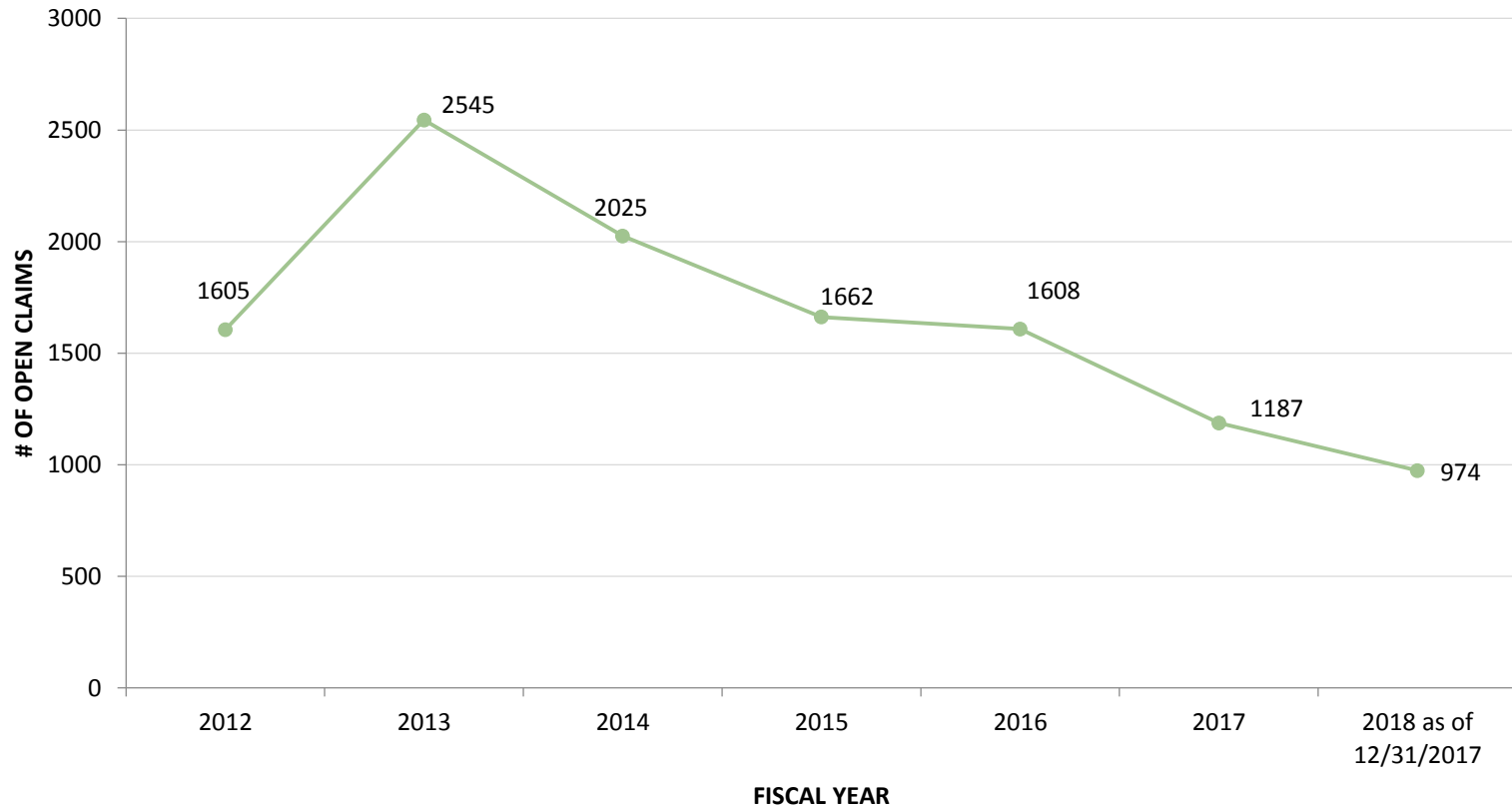
Last six fiscal years

Total Spending and investment returns



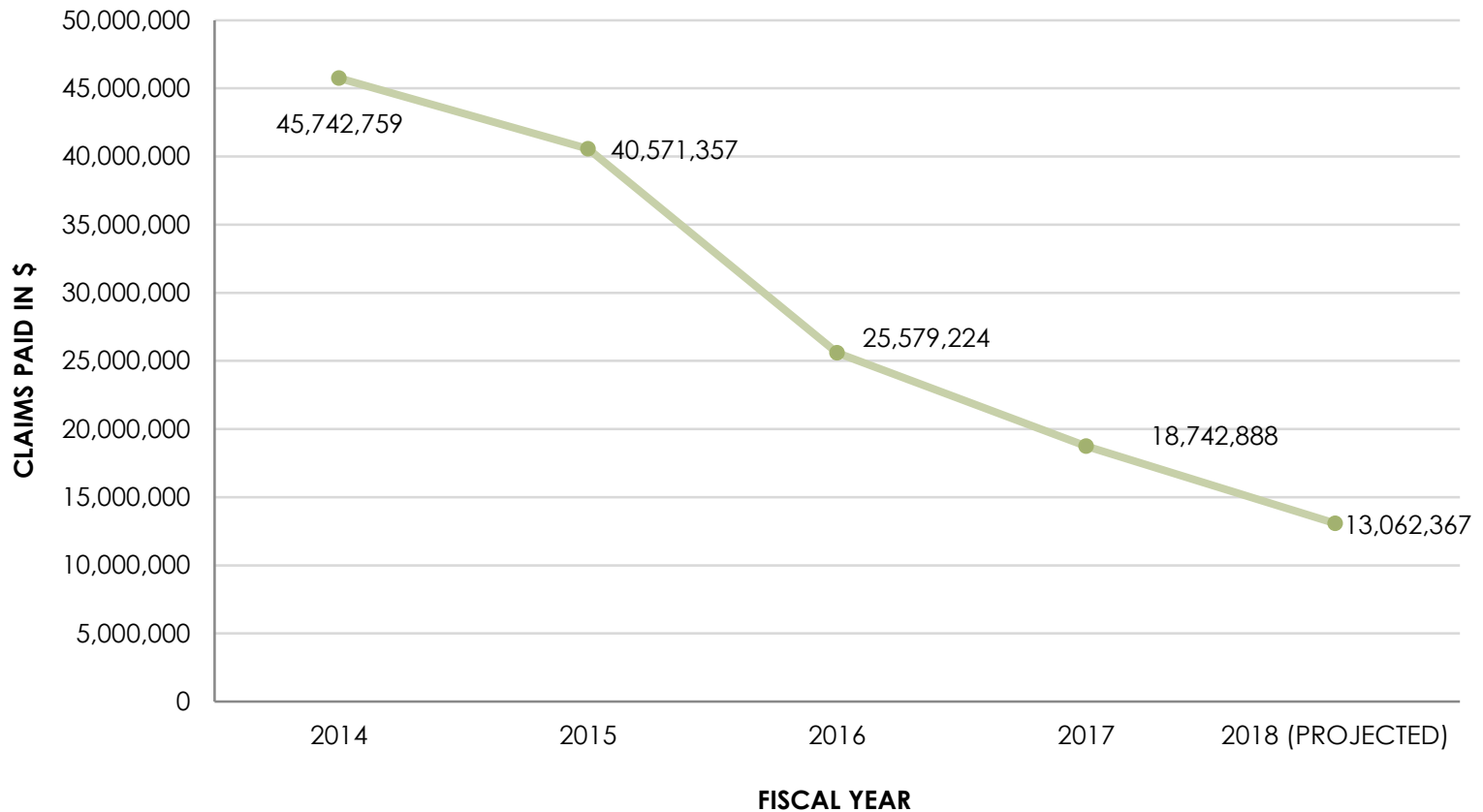
Last six fiscal years

Open claims count



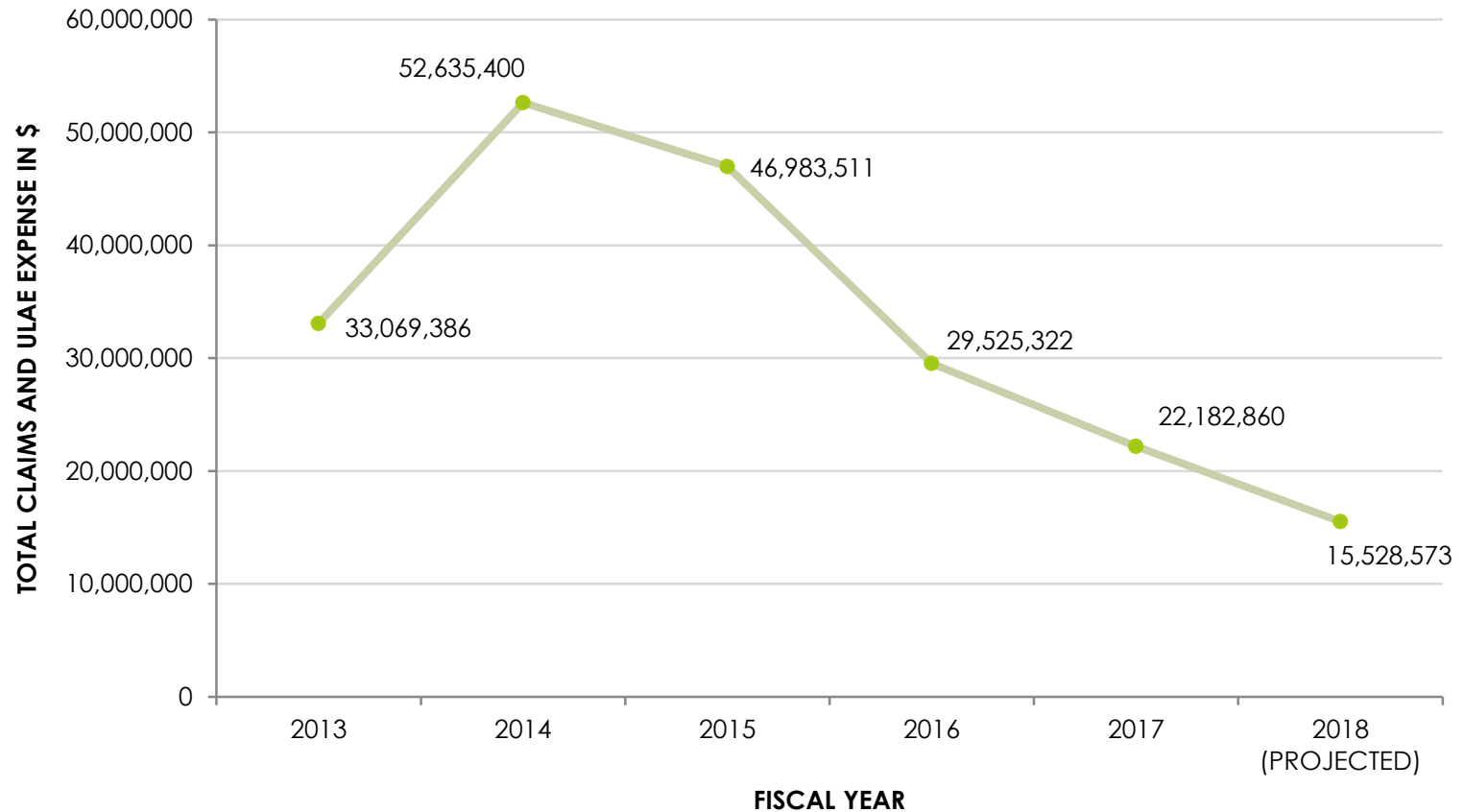
Last six fiscal years

Claims Paid



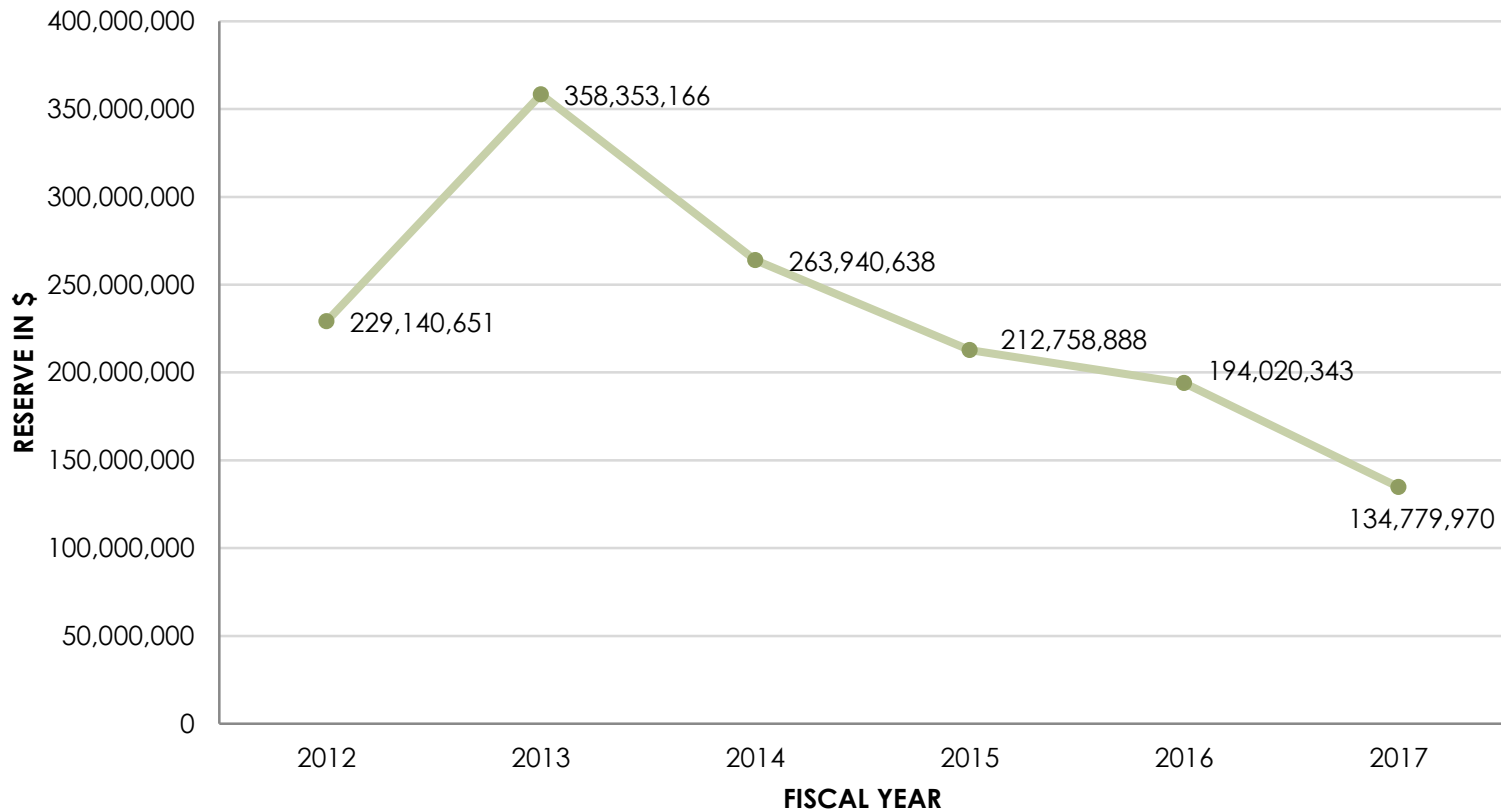
Last six fiscal years, gross of excess

Total Claims and ULAE Expense



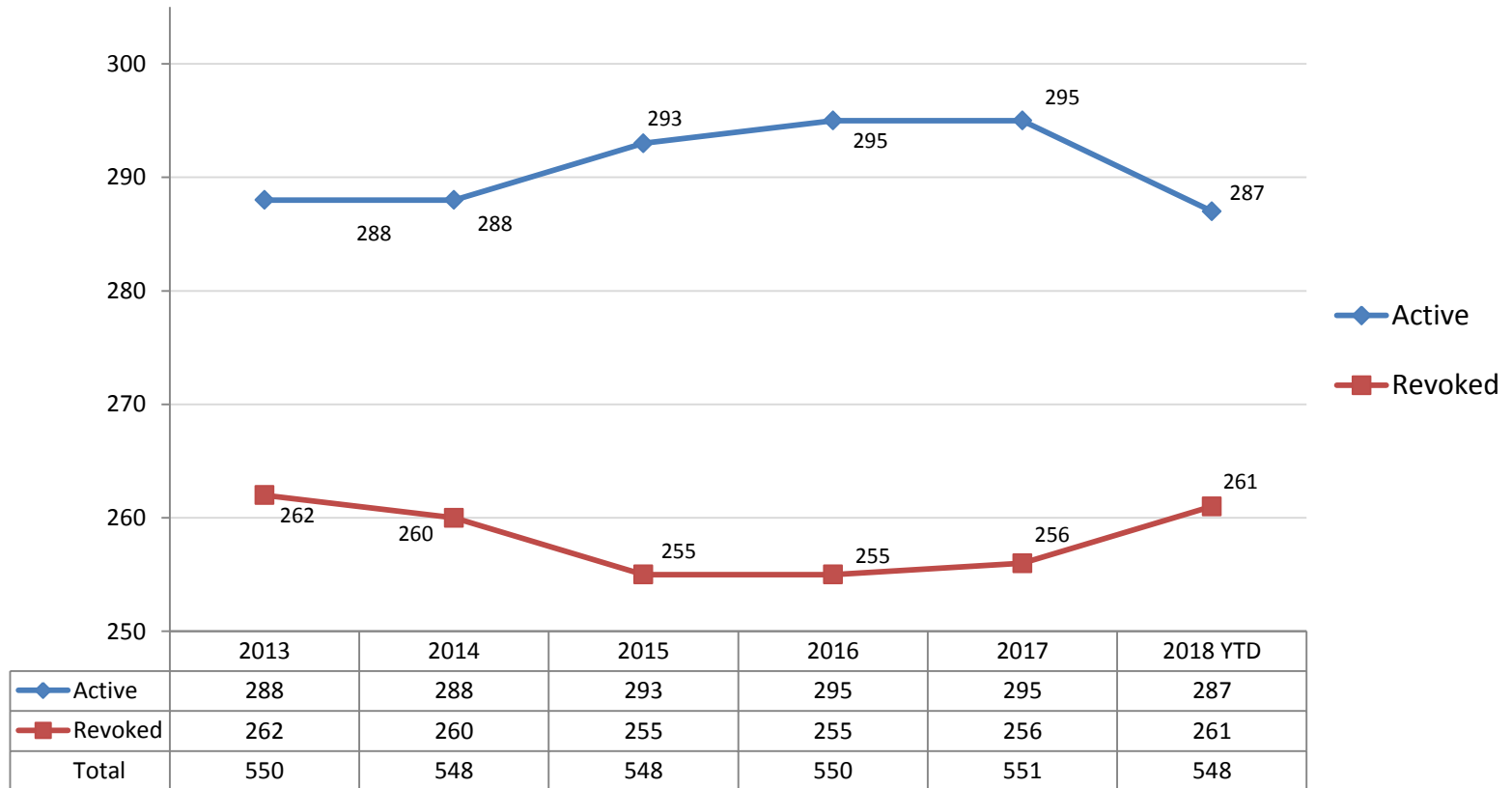
Last six fiscal years

Estimated Future Liabilities for Claims and ULAE



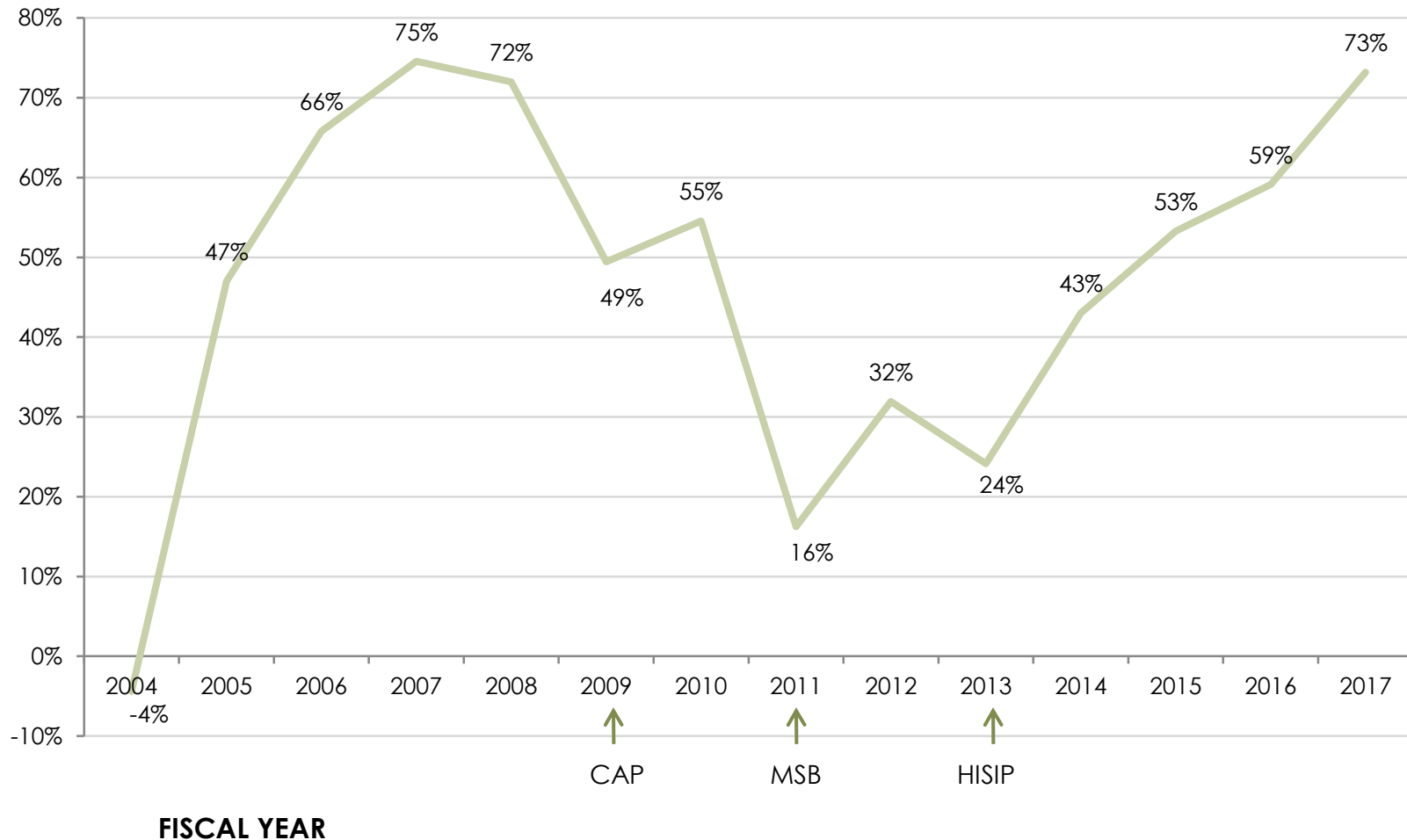
Last six fiscal years

Members by Status



Last six fiscal years

% Net Assets / Gross Assets (ASP Inception)



Simplified Admission Requirements

- Expedited OSIP and SISF decision-making on entry into self-insurance
- Credit-based underwriting for new admission
- Credit-based, expedited decision-making for entry into ASP (no waiting period)

ASP – Overview

- Successful implementation of 2017/18 Alternative Security Program
 - 5th year post SB863
 - ASP and Composite Deposit decreased slightly (-2.41%) and (-2.02%)
- Financial strength of Fund at highest level since inception¹
 - net \$429 mill
 - gross \$550 mill
- Overall portfolio credit rating stable – Baa1
- Assessment decreased 15.0% (\$36.6mm vs. \$43.1mm) from the prior year

¹ SISF Monthly Financials 12/31/17 unaudited

ASP – 2017/18 vs. 2003/04

	2017	2003	Δ	%
ASP ²	8,478.16	4,699.02	3,779.13	80%
Assets ¹				
Gross	550.43	45.00	505.43	1123%
Net	428.67	(55.00)	483.67	
Assessments ²				
\$	36.63	66.50	(32.80)	-45%

¹ SISF Monthly Financial 12/31/17 unaudited

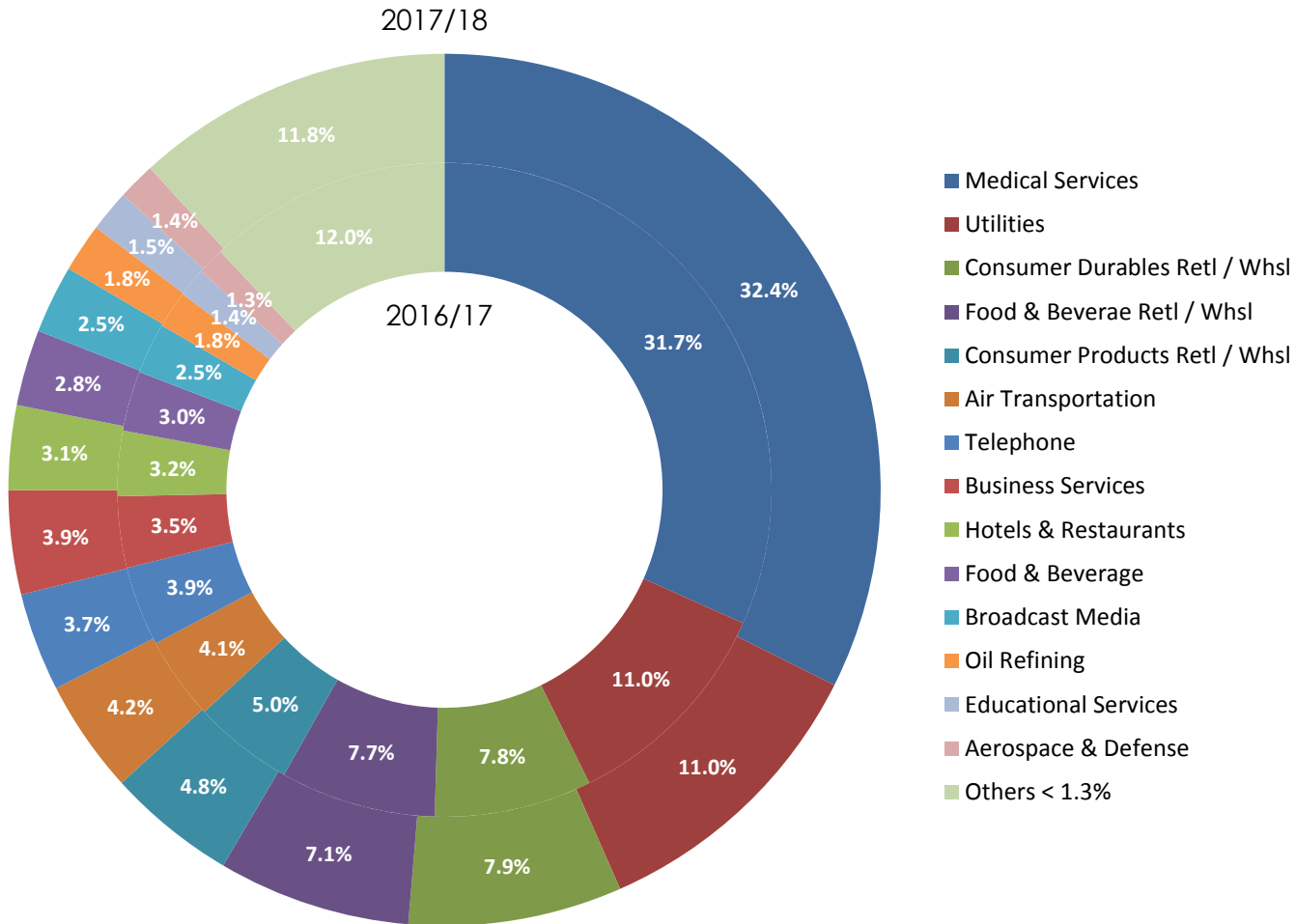
² ASP liabilities and idealized assessment as of 7/1/17

New Self-Insurers



ASP – Industry Distribution

Industry exposure is relatively unchanged across all groups



Source: Moody's Analytics Industry Groups, SEC, Company financial statements

ASP – Assessment Components

The total assessment comprised of two elements

ELP (Excess Liability Protection) fee

- covers risk transfer expenses and partial admin costs

DLF (Default Loss Fund) fee

- builds capital, covers partial admin costs, and pays current claims

ELP

Risk transfer

Placement

General administrative

DLF

Capital

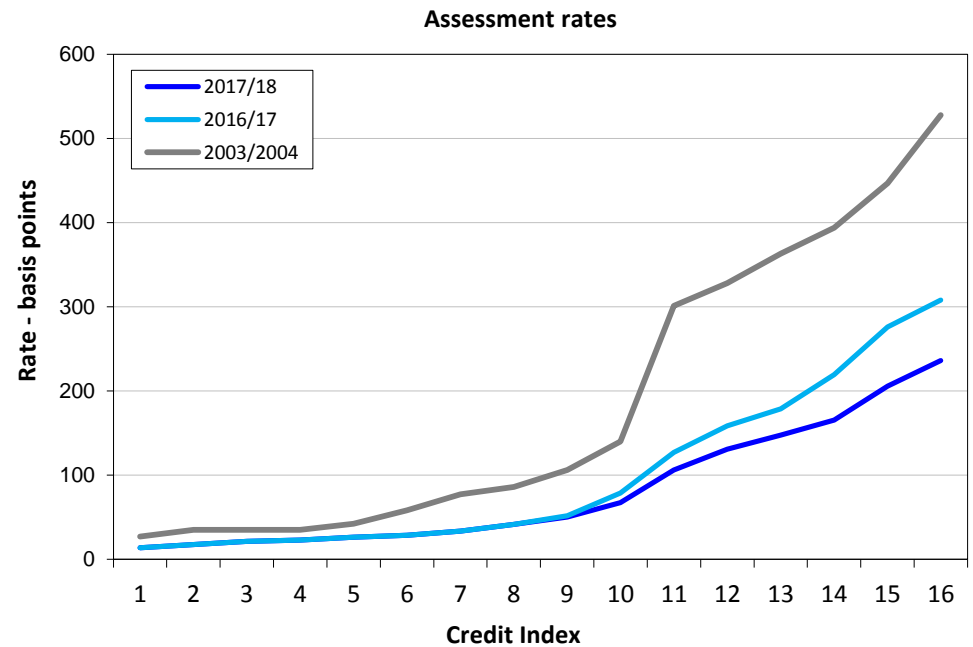
Claims

General administrative

ASP – Assessment Rates

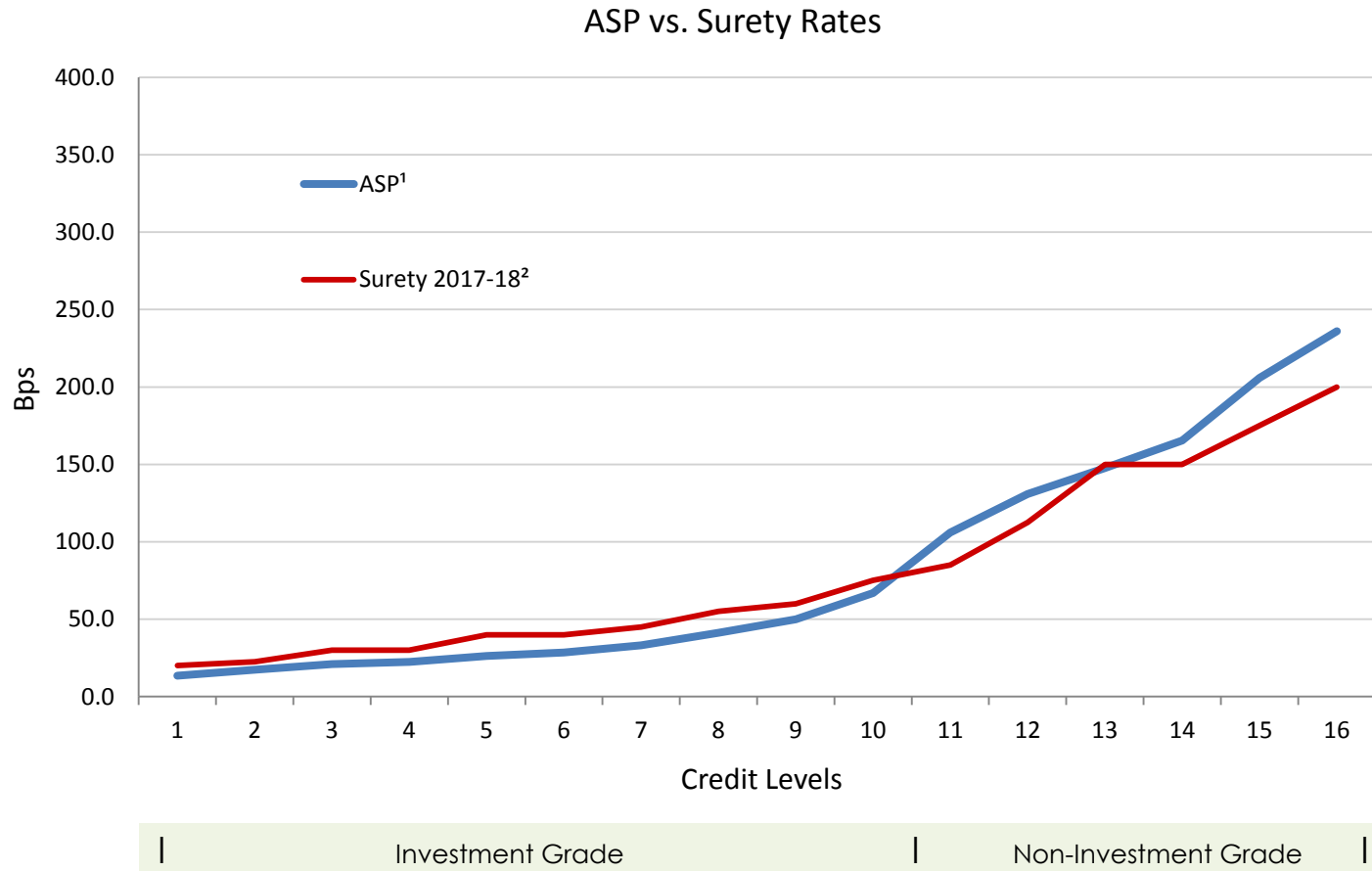
Considering the capital needs of the Fund and the current credit environment, assessment rates decreased for most levels

Index	Rating	2017/18	2016/17	% Δ
1	Aaa / AAA+	14	14	0%
2	Aa1 / AA+	17	17	0%
3	Aa2 / AA	21	21	0%
4	Aa3 / AA-	22	22	0%
5	A1 / A+	26	26	0%
6	A2 / A	28	28	0%
7	A3 / A-	33	33	0%
8	Baa1 / BBB+	41	41	0%
9	Baa2 / BBB	50	52	-3%
10	Baa3 / BBB-	67	79	-15%
11	Ba1 / BB+	106	127	-17%
12	Ba2 / BB	131	158	-17%
13	Ba3 / BB-	148	179	-17%
14	B1 / B+	165	219	-25%
15	B2 / B	206	276	-25%
16	B3 / B-	236	308	-23%



ASP – Assessment vs. Surety Rates

A comparison between surety and 2017/18 ASP assessment rates

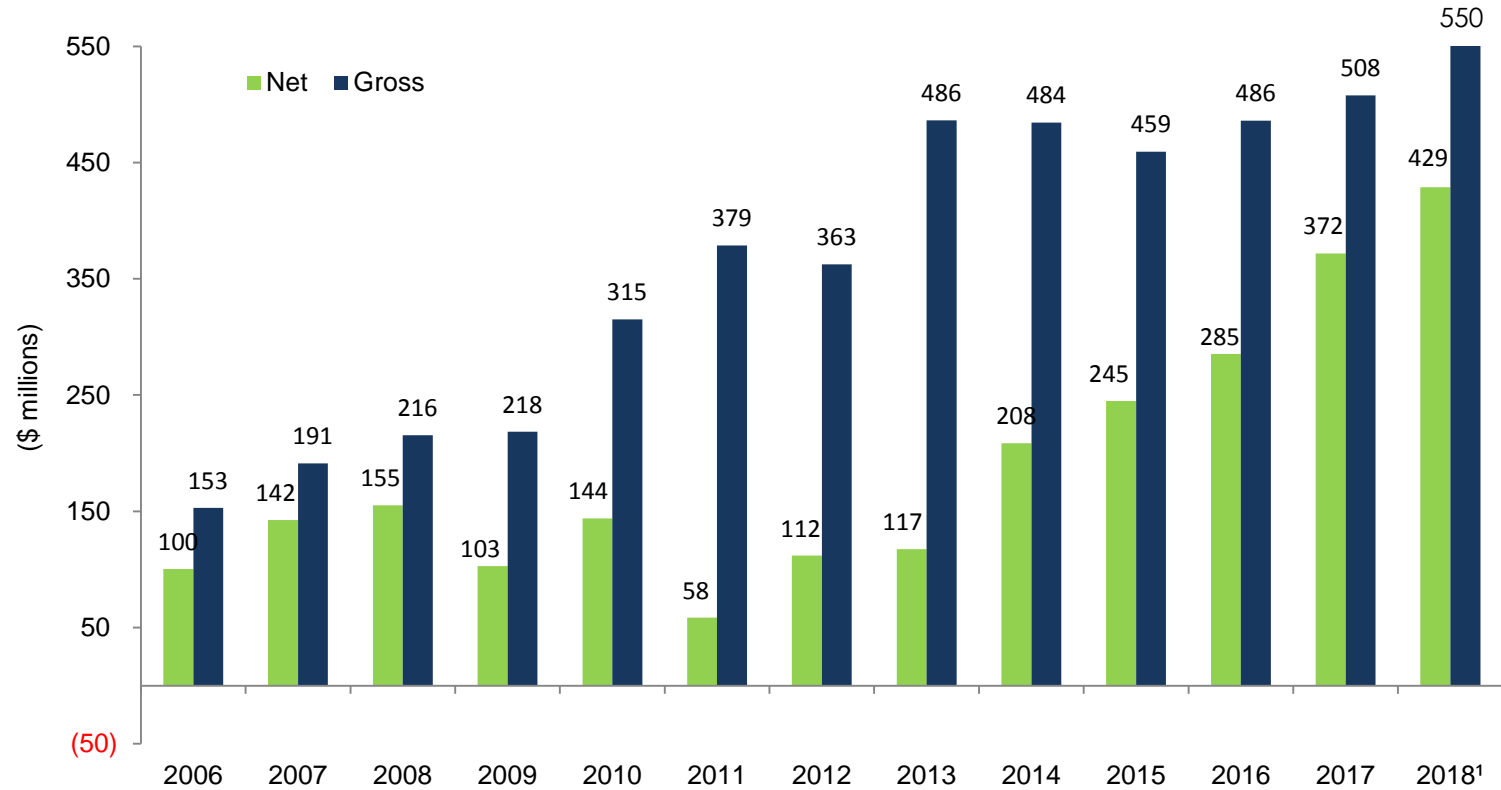


¹ Assessment rates 2017/18

² JLT Specialty – general market indications of available terms 2017-18

ASP – Financial Strength (Investments)

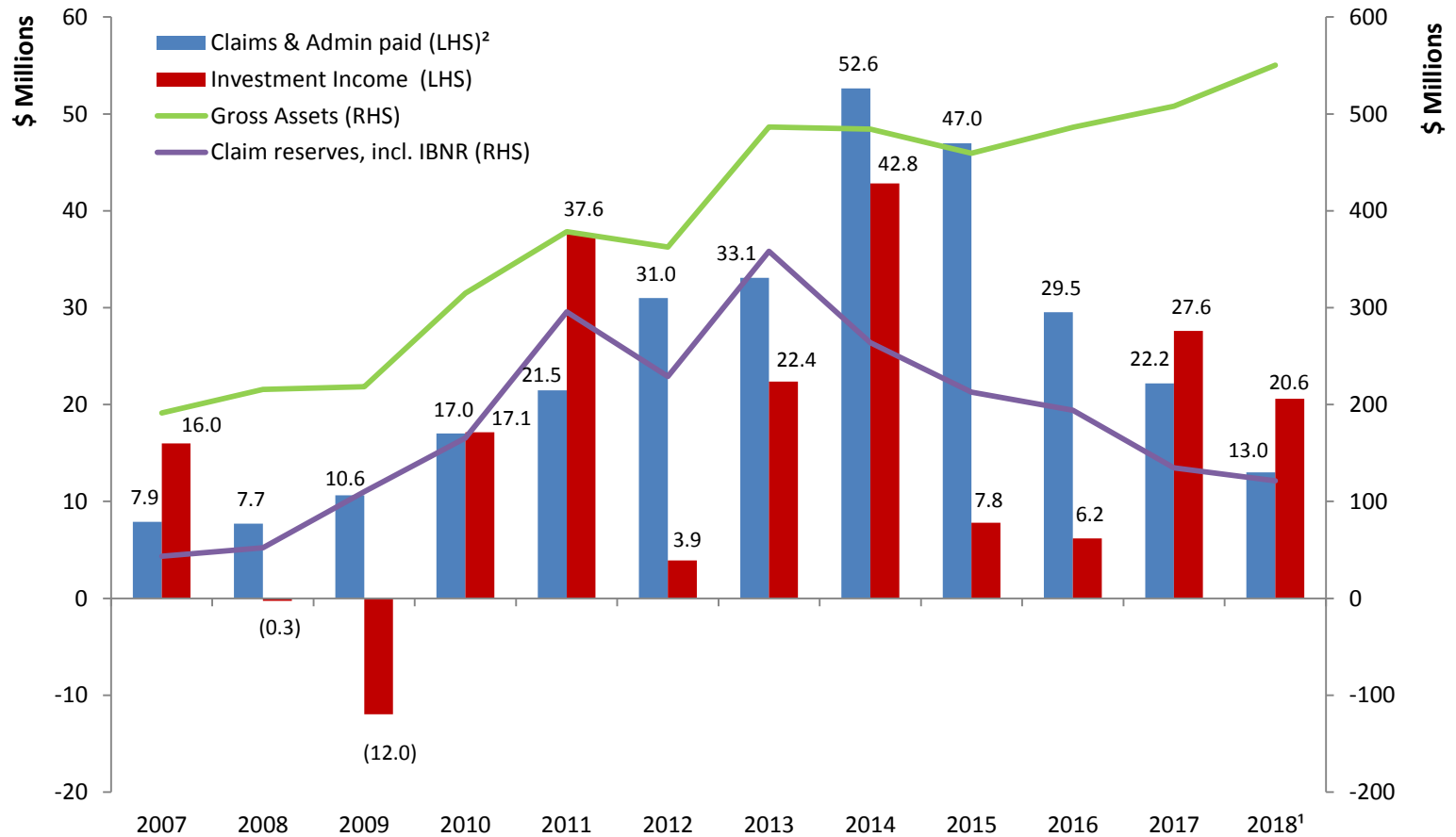
Both gross and net assets continue to grow



¹SISF Monthly Financials 12/31/17 unaudited
Source: Audited SISF Financial Statements Jun 30, 2006-2017

ASP – Financial Strength

Claim reserves and claim costs continue to decline



¹ SISF Monthly Financials 12/31/17 unaudited

² Per Claims & Admin YTD + full year projected (net of excess)

Source: Audited SISF Financial Statements Jun 30, 2006-2017



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