



C A L I F O R N I A
SELF-INSURERS'
SECURITY FUND

2026 Member Informational Meeting

June 8th, 2026

William Lyons, Chair

Daniel Sovocool, Outside General Counsel

Grant Heinitz, Director, Member Credit Risk

Jill Dulich, Director, Claims and Operations

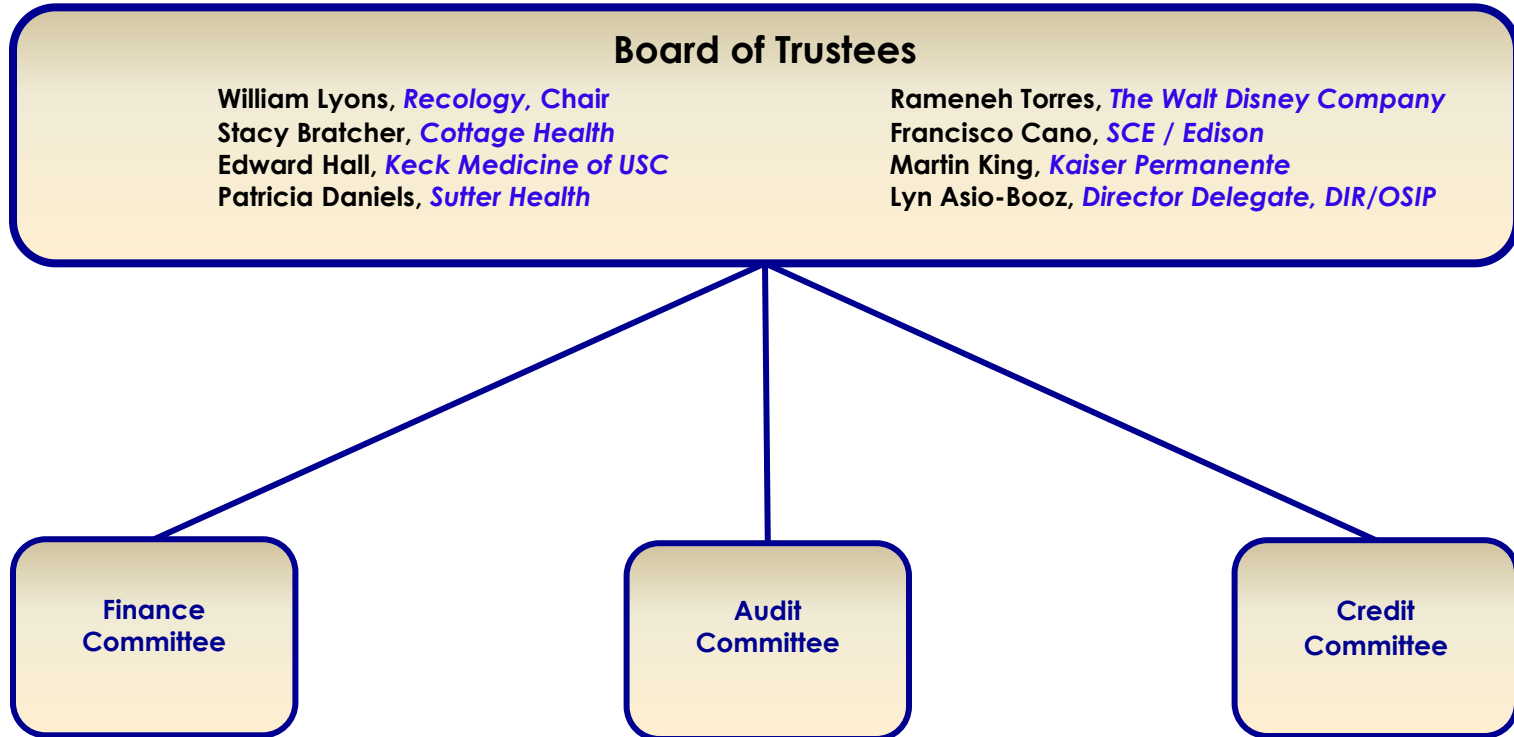


CALIFORNIA
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Mission Statement:

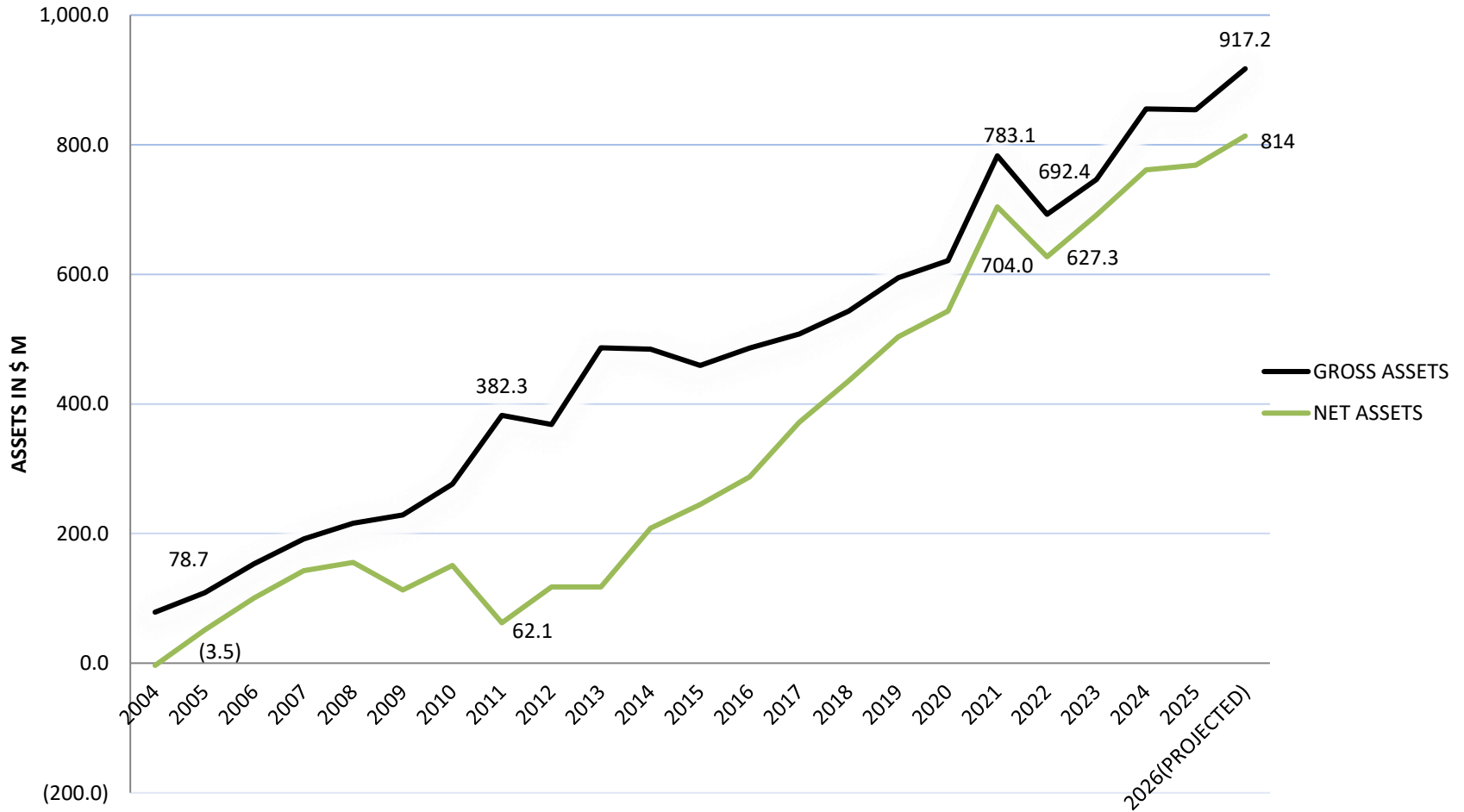
"To provide continuity of workers' compensation benefits to injured workers of insolvent, private self-insured companies at the lowest overall long-term cost, equitably distributed to the self-insurance community."

Board and Committees



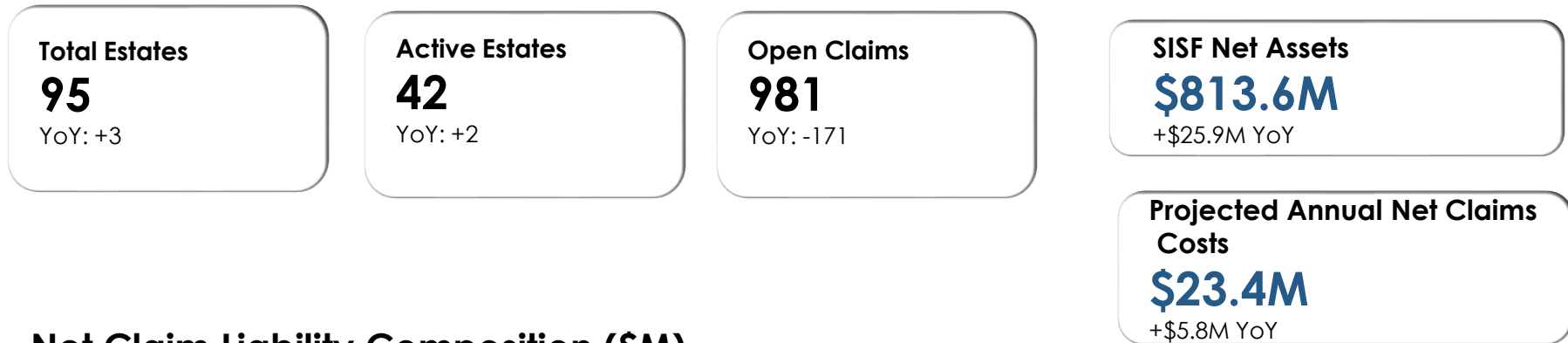
Gross and Net Assets (ASP inception)

Net assets increased from negative levels at ASP inception to approximately \$814M projected in 2026.

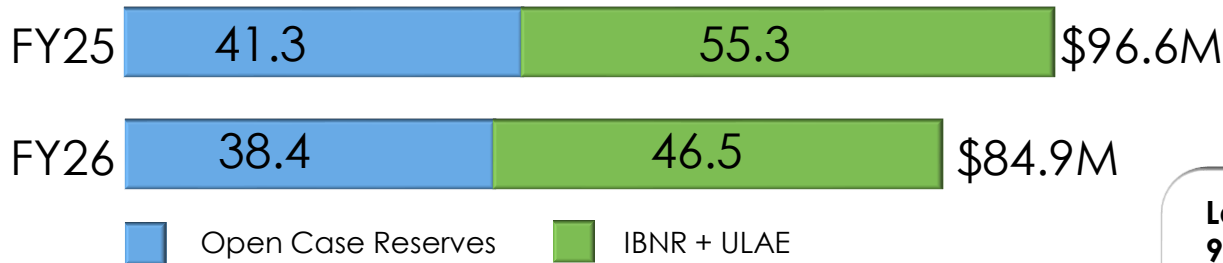


Estates and Workers' Compensation Claims

Net liabilities declined year-over-year while SISF net assets increased to approximately \$814M.



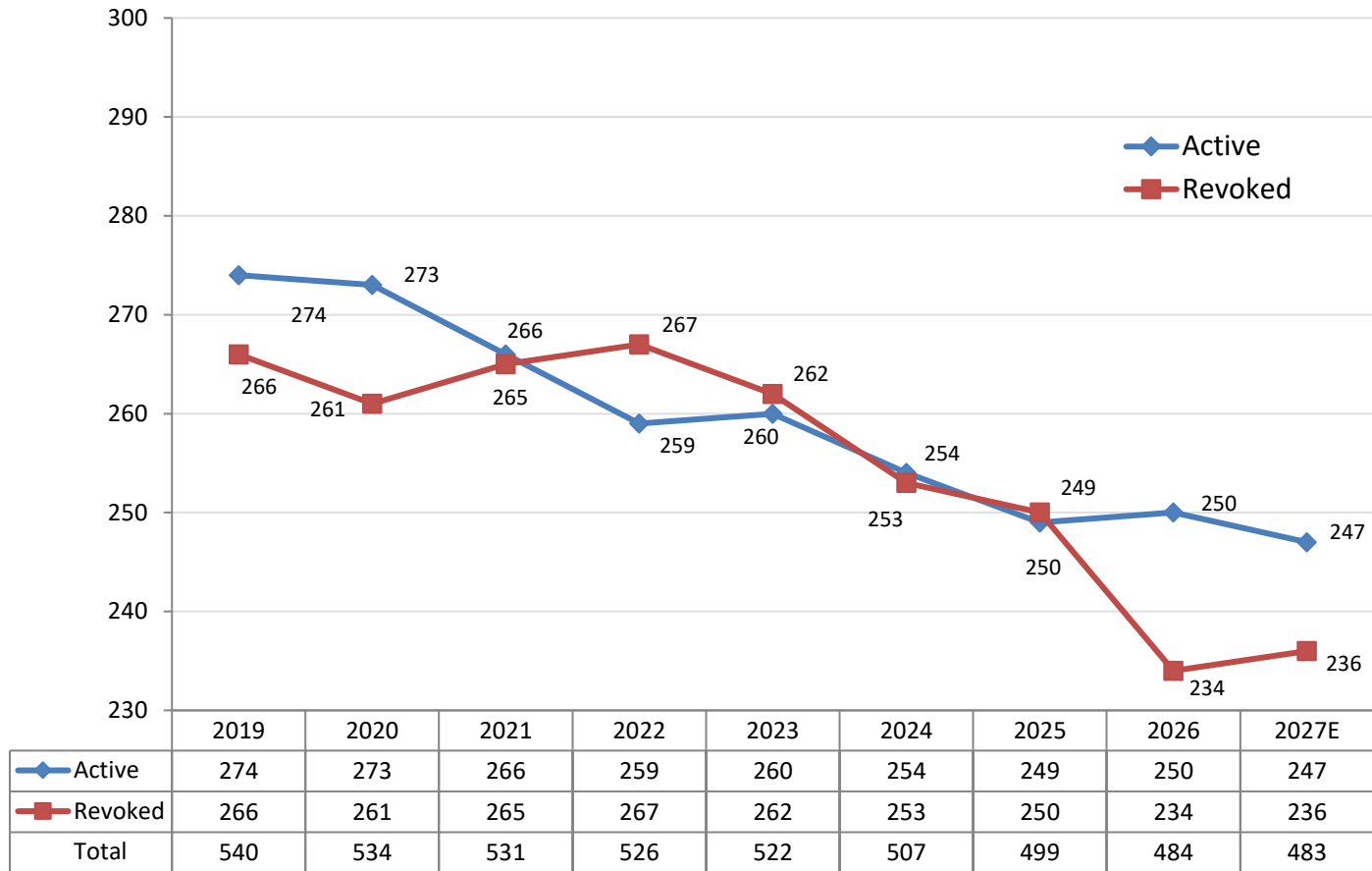
Net Claim Liability Composition (\$M)



Largest estate in the portfolio
99 Cents Stores
Deposit: \$43.0M
Paid: \$29.1M
Reserve: \$62.2M
Estimated Deficit: \$48.4M

FY2026 projected; FY2025 actual

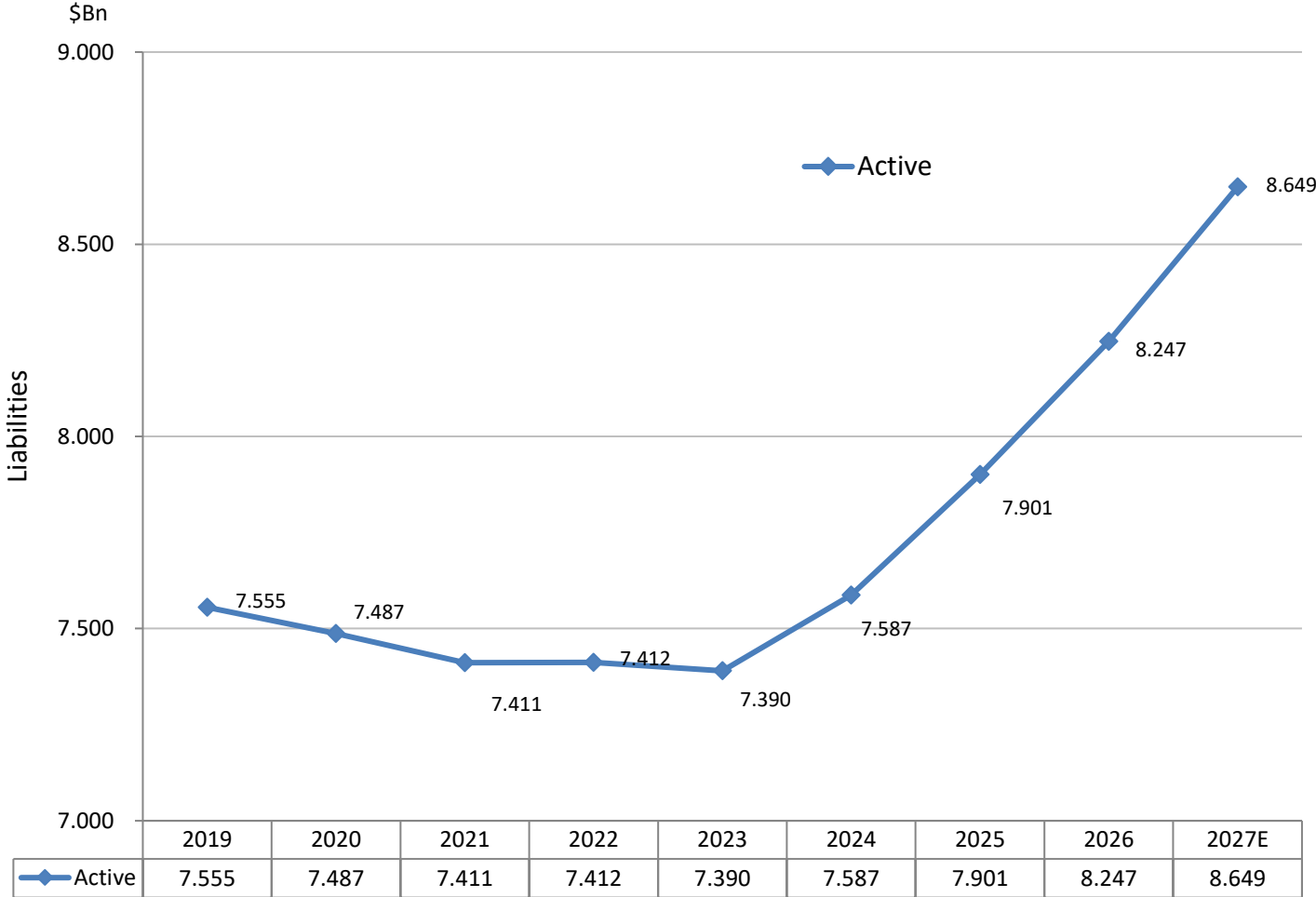
Members by Status



- 3 defaults
- 2 new self-insured members
- 14 members zeroed out

Last eight fiscal years and estimated 2026/27 ASP Plan

Active Member Exposure

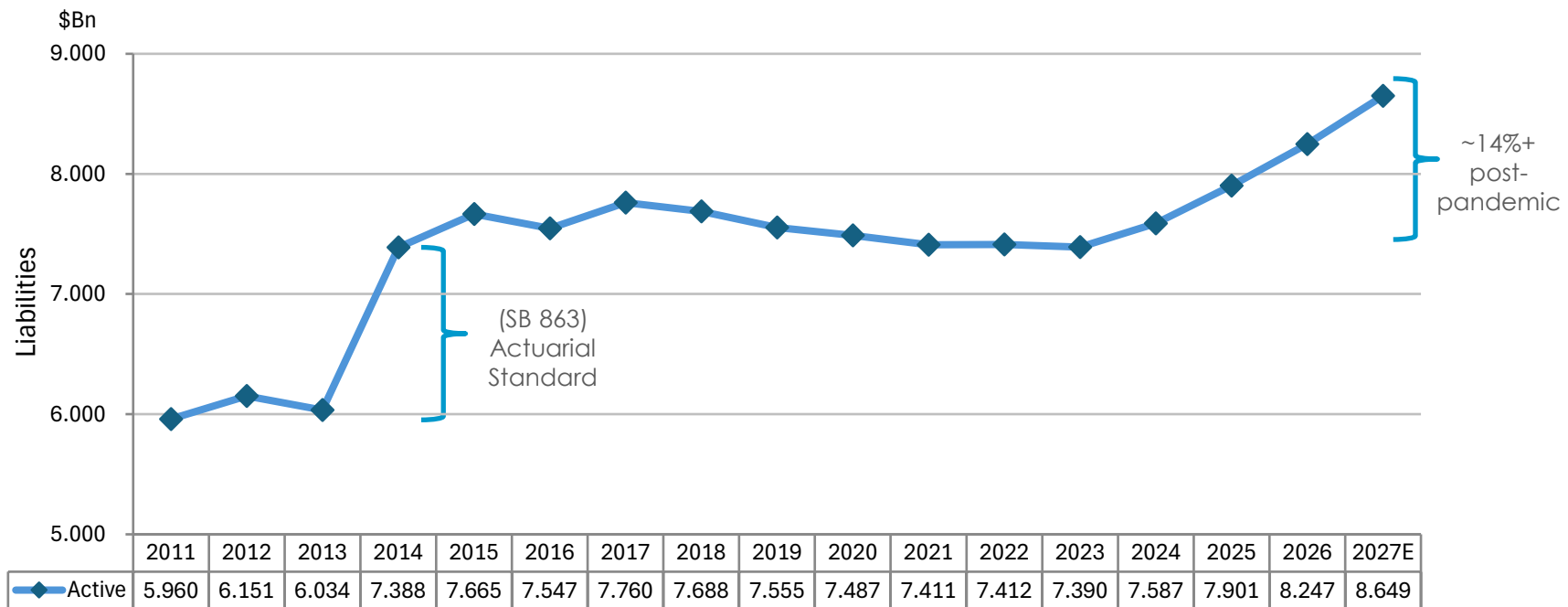


Last eight fiscal years and estimated 2026/27 ASP Plan. Includes collateralized exposure.

Active Member Exposure (cont'd)

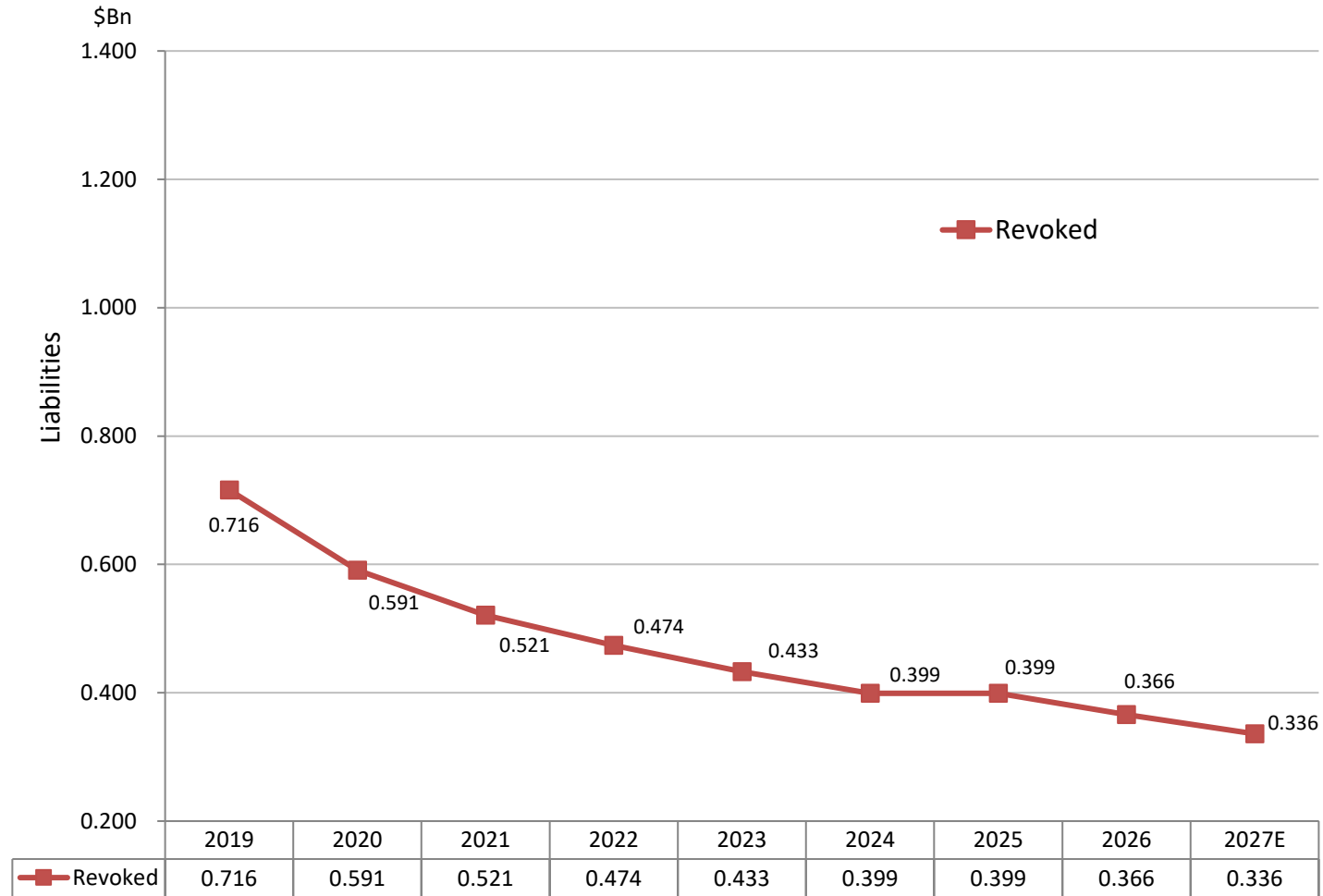
Main driver(s) of liability increase

- Payroll increase post-pandemic
- Inflation
- Excess insurance (employers increasing retention)
- Adverse loss development



69 members have experienced an actuarial-determined increase of 10%+ YoY.

Revoked Member Exposure



Last eight fiscal years and estimated 2026/27 ASP Plan. Includes collateralized exposure.

Self-Insured Groups

SISF currently has 26 self-insured groups (SIGs) that are excluded from the Alternative Security Program (ASP), and post combined collateral of \$408 million with OSIP.

- 23 Active / 3 Revoked
- \$10 billion total self-insured payroll
- 249,158 CA workers covered by group self-insurance
- 1,855 CA group members are active self-insurers
- \$222 million estimated claims reserves (EFL)
- 6,161 open workers' compensation cases

26 Self-Insured Groups

1,855 active self-insurers
\$408 million

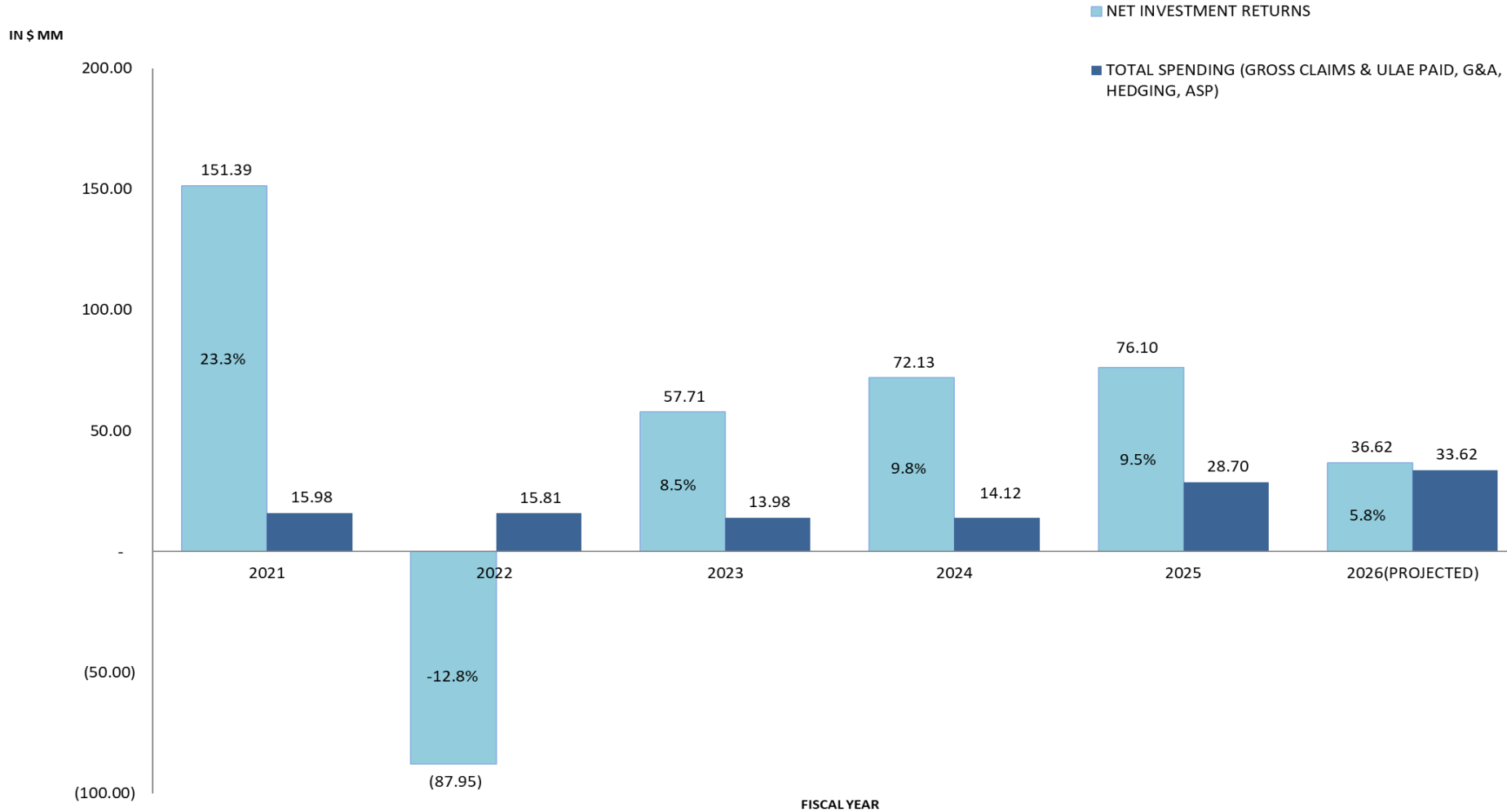
VS

ASP

458 individual self-insurers
\$8.205 billion

Total Spending and Investment Returns

6-year cumulative investment gains: \$306M
6-year spending: \$122M



Last six fiscal years

Investments

Reserve Portfolio

The Reserve Portfolio has a customized approach to optimize return given the duration of the aggregate liabilities which may be dynamic. Determining the reserve designated assets is a function of cash flow needs, economic capital study, assessment strategy, and funds reserved to cover unforeseen needs that may arise. This is determined on a semiannual basis.

Surplus Portfolio

The Surplus Portfolio represents the assets that are not designated reserve assets. The objective is to generate returns with a focus on growth of capital and maintaining purchasing power.

Investments - Strategic Long-Term Asset Allocations

Reserve Portfolio

Asset Class	Strategic Target	Upper Limit	Benchmark
Fixed Income	100%	100%	Custom Liability-based Benchmark
Total	100%		

Surplus Portfolio

Asset Class	Lower Limit	Strategic Target	Upper Limit	Benchmark
Public Equity	30%	40%	60%	MSCI ACWI Index
Fixed Income	15%	20%	25%	Citi World Government Bond Index
Hedge Funds	15%	20%	25%	HRFI FOF Composite Index
Private Equity	0%	10%	15%	Representative Private Equity Index
Real Assets	0%	10%	15%	Representative Real Assets Index
Total		100%		

Portfolio Overview

Period Ending: March 31, 2026

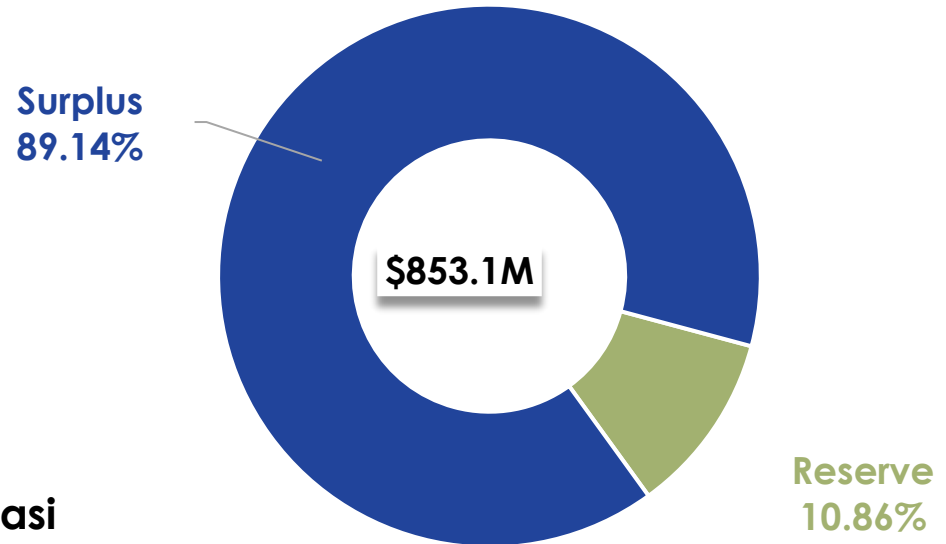
Total Value: \$853.1M

Two portfolios

- Reserve Portfolio \$95.4M
- Surplus Portfolio \$757.7M

Board Oversight

Graystone Consulting Managed with Quasi Discretion



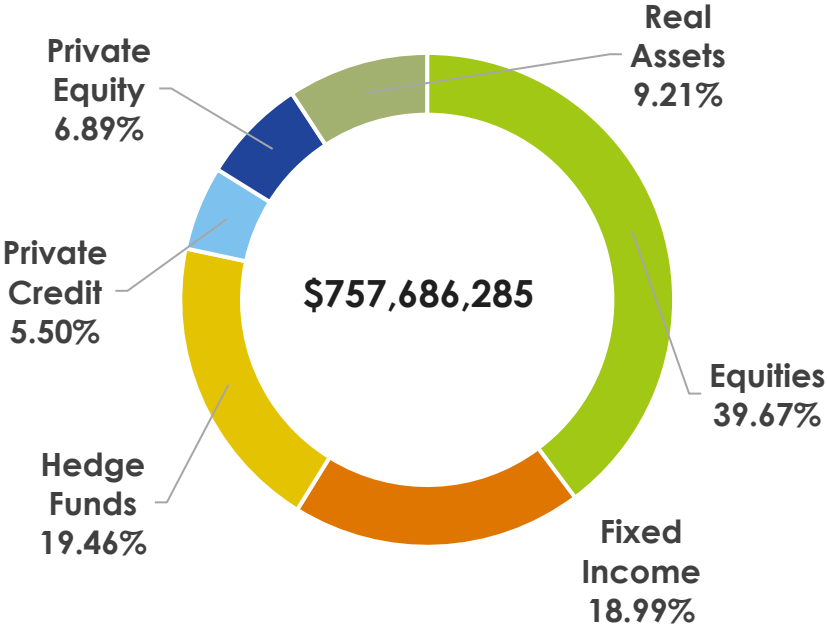
	1 Year	3 Year	5 Year	7 Year	10 Year
Reserve Portfolio	3.92	4.20	1.97	1.89	1.75
Surplus Portfolio	9.22	8.95	4.82	7.81	6.40

SISF Surplus Portfolio

Period Ending: March 31, 2026

Surplus Portfolio

- \$757.69 Million
 - Board Directed
 - Manager Selection
 - Graystone Consulting Oversight
 - Manager Recommendation, Asset Allocation within Investment Policy Guidelines
 - 6 asset classes, endowment style portfolio
 - Designed to achieve a real rate of return above 4%



	1 Year	3 Year	5 Year	7 Year	10 Year
Annualized TWR	9.22	8.95	4.82	7.65	7.81
Risk BM	7.64	7.51	8.87	8.05	7.51

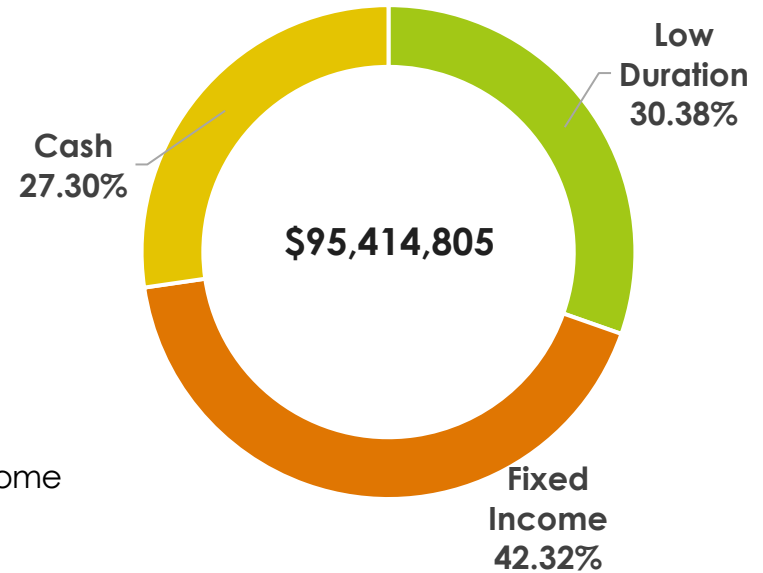
Source: PARis

SISF Reserve Portfolio

Period Ending: March 31, 2026

Reserve Portfolio

- \$95.41 Million
 - Board Directed
 - Manager Selection
 - Graystone Consulting Oversight
 - Manager Recommendation, Asset Allocation within Investment Policy Guidelines
 - Portfolio Consists of Low & Intermediate Duration Fixed Income and Cash
 - \$113,000,000 Target
 - Designed to generate long-term total return consistent with meeting liquidity requirements



	1 Year	3 Year	5 Year	7 Year	10 Year
Annualized TWR	3.92	4.20	1.97	1.89	1.75
Risk BM	4.12	4.39	2.04	1.35	2.08

SISF Performance Highlights

Positive results in the fiscal year 2026. The total portfolio gained 4.3%, driven primary by gains in public equities and alternatives.

For the trailing one-year period ending 3/31/26, the SISF portfolio generated a positive return of 8.68%.

The SISF Reserve portfolio gained 3.92% over the one-year period, compared to a benchmark of 4.12%.

The SISF Surplus portfolio gained 9.22% over the one-year period, compared to a benchmark of 7.64%.

One Year Performance Drivers:

- Hedge funds +5.86%
- Private Equity +10.72%
- Private Credit +6.39%
- Fixed Income +5.47%
- Public Equity + 14.57%

Mercer Independent Review

The Board engaged Mercer, an independent investment consultant, to review SISF's investment strategy, portfolio structure, fees, benchmarks, and Investment Policy Statement.

Mercer did not identify major issues; recommendations focus on refinements to strategy, liquidity, fees, and IPS clarity.

LIQUIDITY

Reserve Portfolio

- Appears well positioned to support liquidity and reserve needs.
- Primary role remains stability, capital preservation, and funding readiness.

GROWTH

Surplus Portfolio

- Generally diversified and structured to support for long-term return.

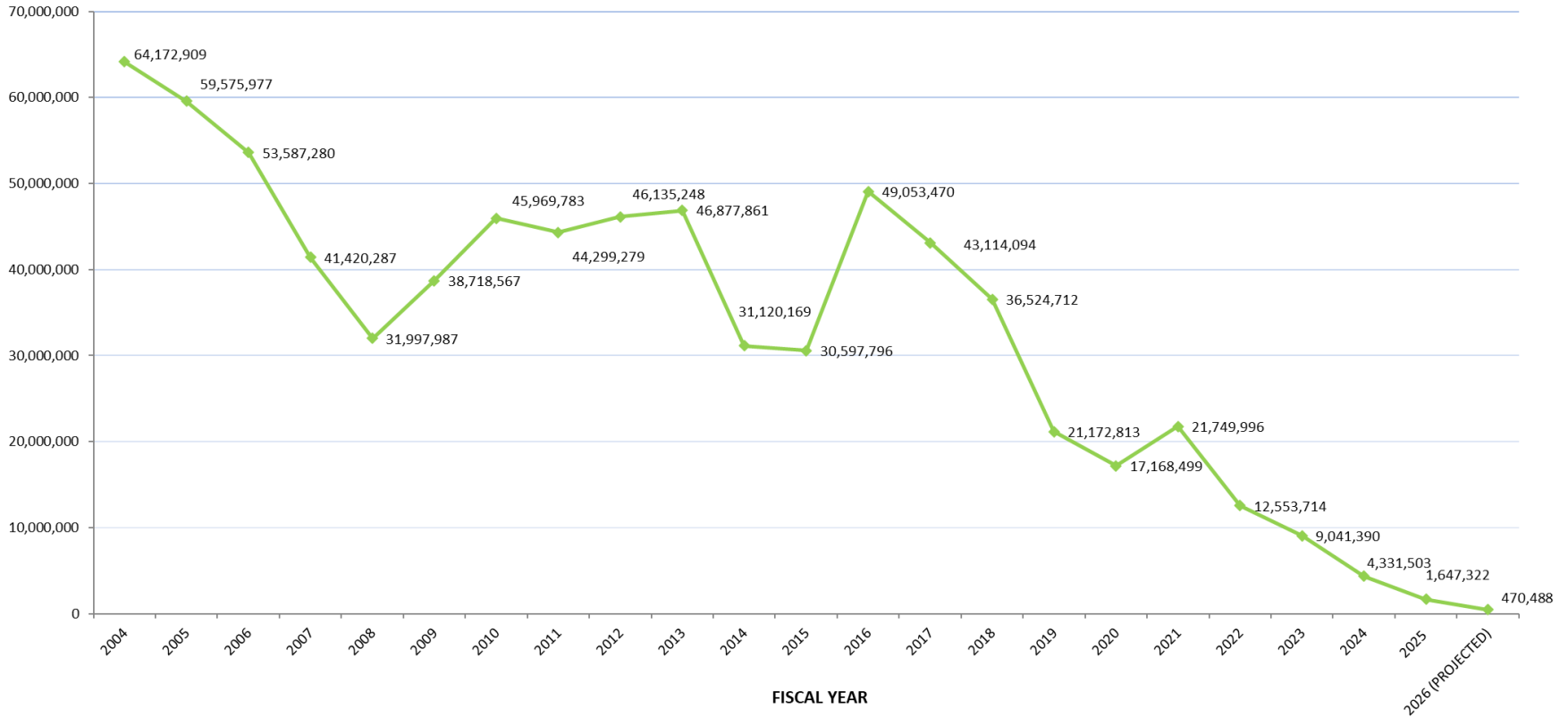
REFINEMENT

Alternatives & IPS

- Alternatives continue to provide diversification benefits.
- Mercer suggests optimizing size/structure, especially hedge funds.
- IPS is generally sound; recommended changes are clarifications and refinements.

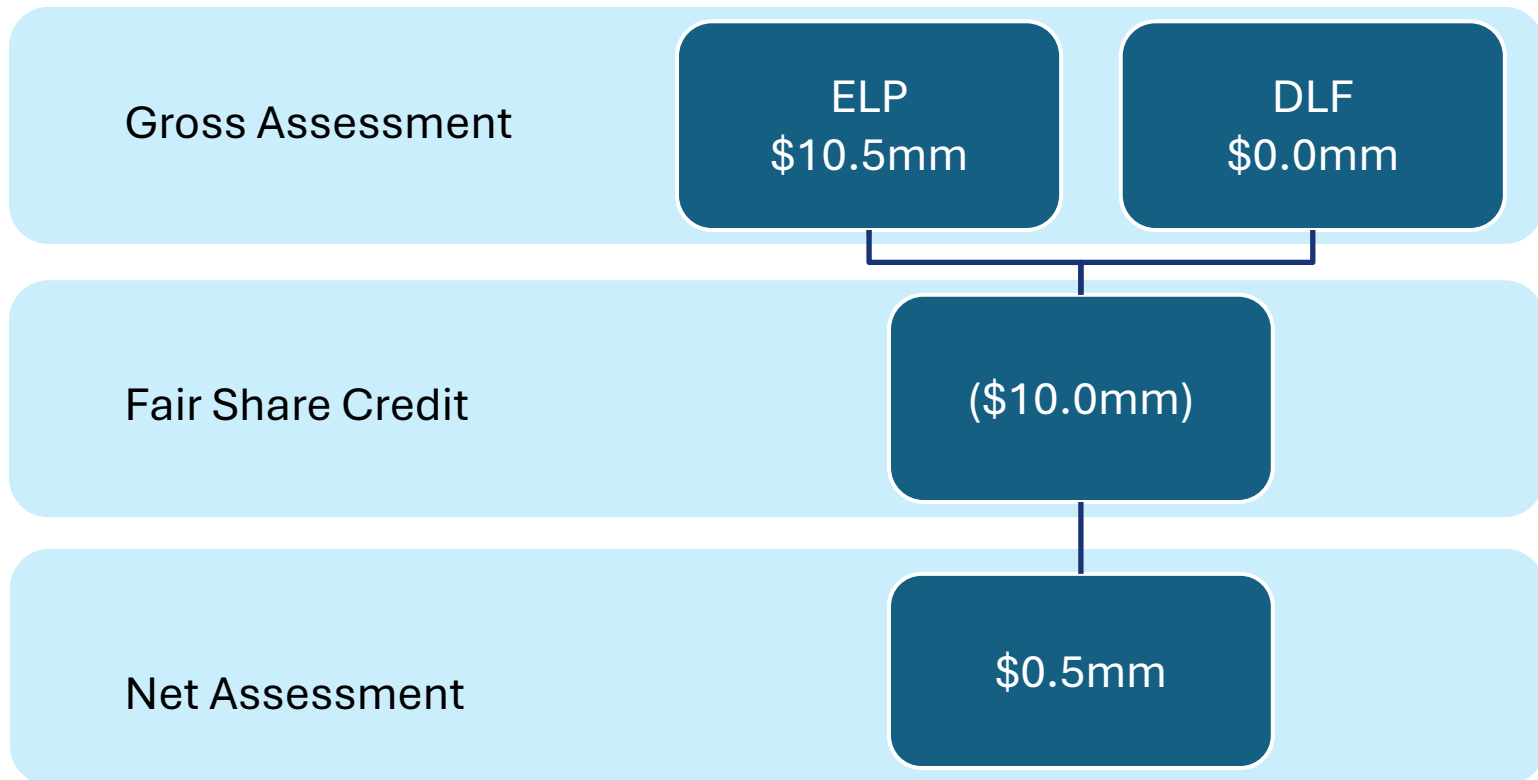
Assessments (ASP inception)

Assessments declined ~99% since ASP inception



Assessment 2026/27

Board approved assessment and Fair Share Credit for 2026/27.



- 80%+ of members will not receive an assessment in 2026/27¹.
- No Default Loss Fund (“DLF”) fee.
- Recent Bickmore study reports an average of 19% self-insurance savings versus traditional workers’ compensation insurance.

¹Assessment may change due to mid-year member adjustments

Grant Heinitz
Director, Member Credit Risk



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Economics and Credit

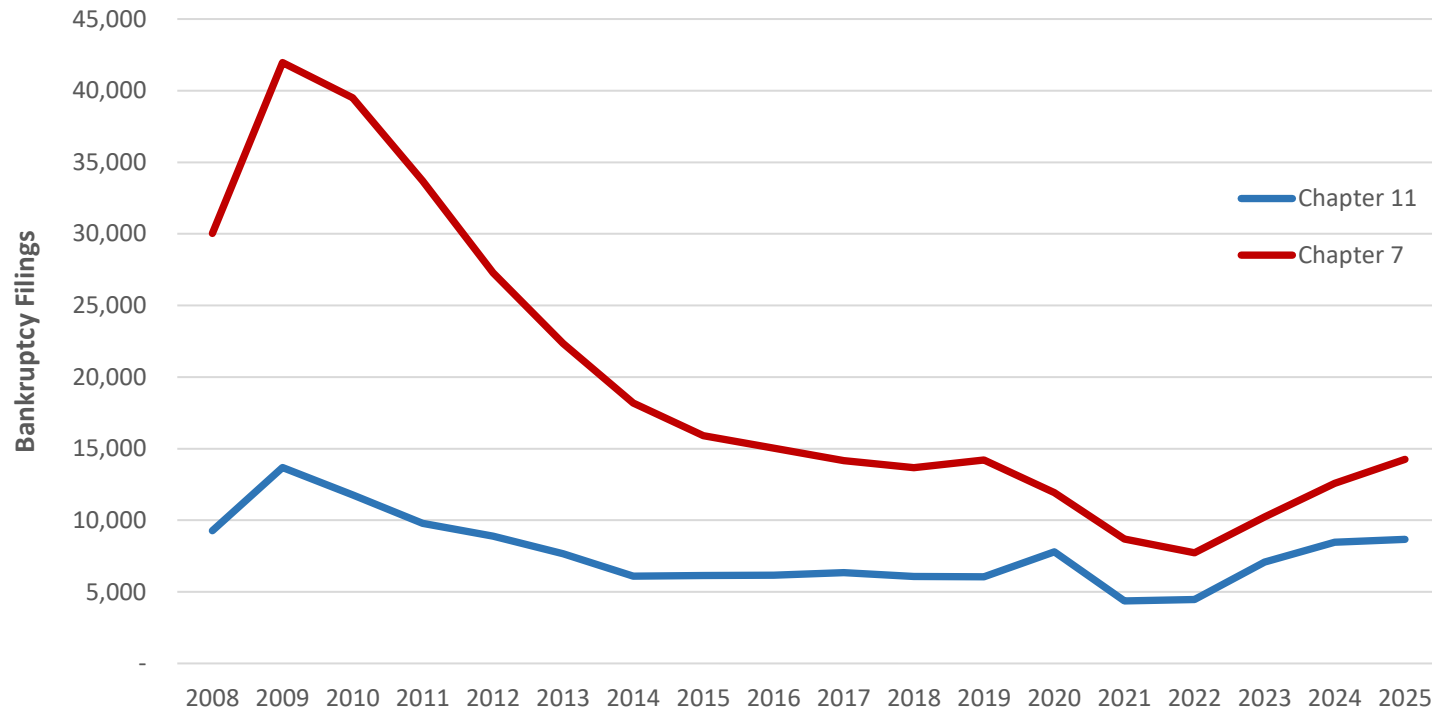
Credit spreads remain historically tight for both investment-grade and high yield, running well below 20-year averages. US growth is solid on paper (AI and business investment) but with real headwinds from tariffs, inflation, and an uneven consumer landscape.



Source: J.P. Morgan U.S. High-Yield Default Rate (includes Distressed Exchanges)

Economics and Credit (cont'd)

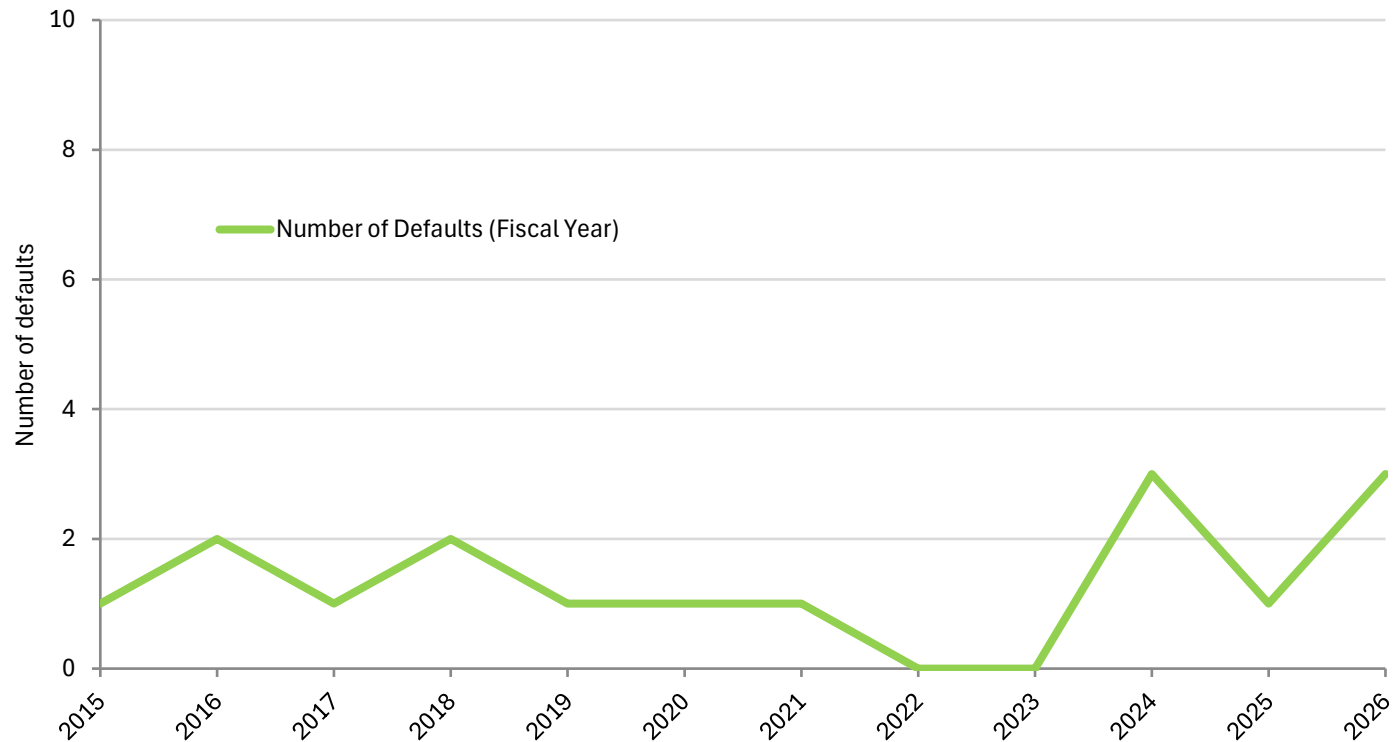
2025 Chapter 11 and 7 bankruptcy activity increased 2% and 37% respectively from multi-year lows in 2021 and 2022.



YTD March 2026 Chapter 11 and Chapter 7 filings are tracking at 30% and 26% vs. full-year 2025 filings with nine months of data remaining.

Default History

SISF has experienced very few defaults considering the profile of the portfolio and recent economic shocks.



Defaults as of 5/27/2026

SISF Resolutions

The below summarizes recent resolutions that have been approved by the Board of SISF.

Resolution No. 24-01 (Good Standing Policy)

Members that are considered in “good standing” may receive Fair Share Credits if the member meets the following requirements: (i) annual assessment has been paid, (ii) has posted the full amount of collateral (if any) demanded by OSIP, within the time limits imposed by OSIP, and (iii) has provided OSIP its annual actuarial report (if required) within the time limitations set forth in applicable regulations.

Resolution No. 25-01 (Mid-Year Rating Declines)

This resolution outlines the Security Fund’s policy for managing member participation levels in the Alternative Security Program (“ASP”) throughout the year.

If a published credit rating declines to a level where additional collateral is required under the Partial Participant tiering, or due to exclusion entirely from the ASP, the Security Fund, following Credit Committee review, ordinarily will request that the Office of Self-Insurance Plans obtain additional collateral consistent with that rating.

Fund policies may be found under the FAQ tab in the Knowledge Center tab on our website at

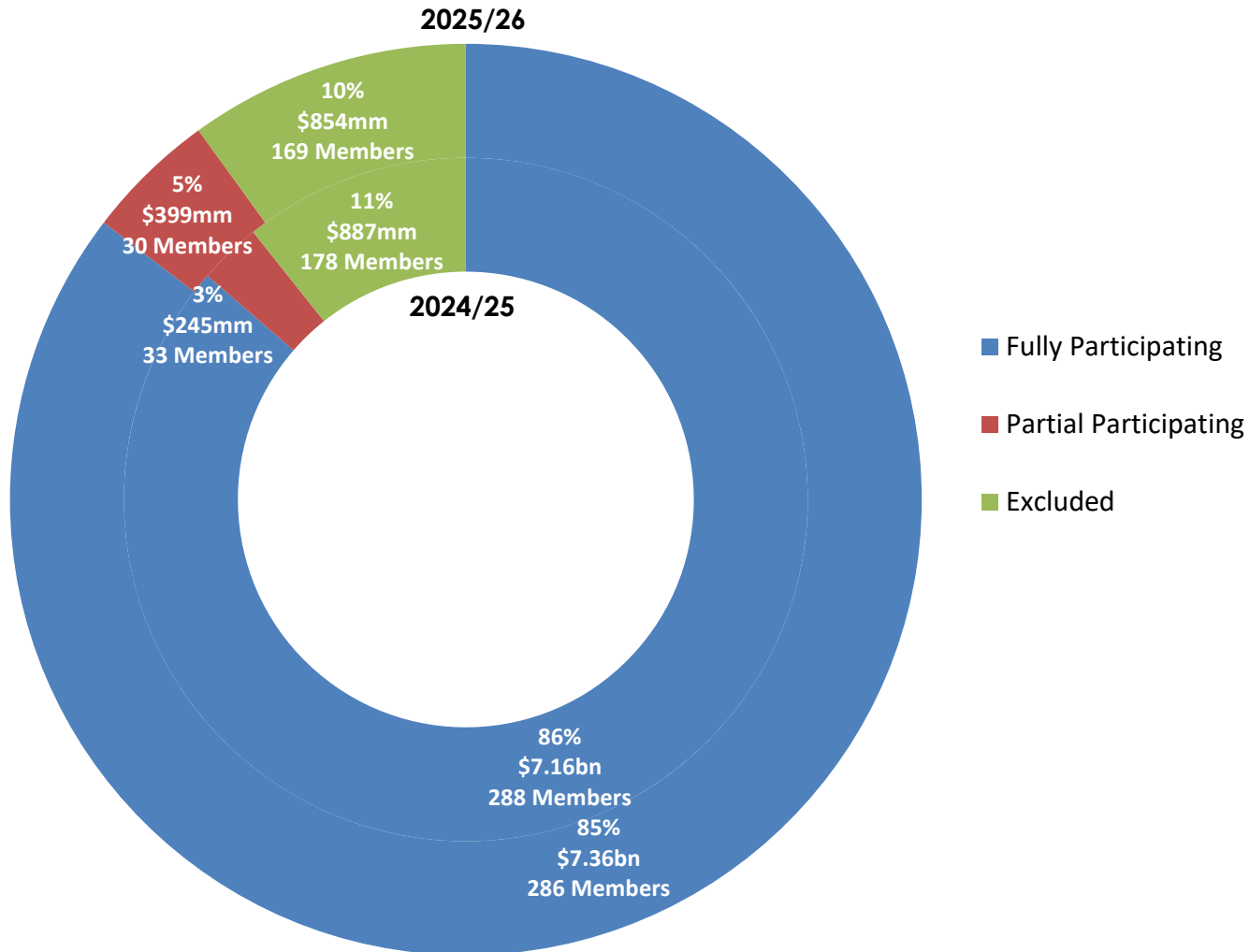
www.securityfund.org.

ASP – Overview

- Successful implementation of 2025/26 Alternative Security Program
 - 13th year post SB 863
 - ASP liabilities increased slightly (3.8%)
- Portfolio remains stable
 - 484 members – 250 active, 234 revoked certificates
 - \$8.61bn exposure (includes ~\$1bn in collateral), spread across 50+ industries
 - Publicly-traded cos: 204
 - Privately-held cos: 280
 - Portfolio credit rating at Baa1 (investment grade)
- Assessment decreased 12.5% (\$11.9mm vs. \$13.6mm) from the prior year
 - \$11.5mm in Fair Share Credit was returned to eligible members
 - Actual assessment of \$0.4mm (net of Fair Share Credit)

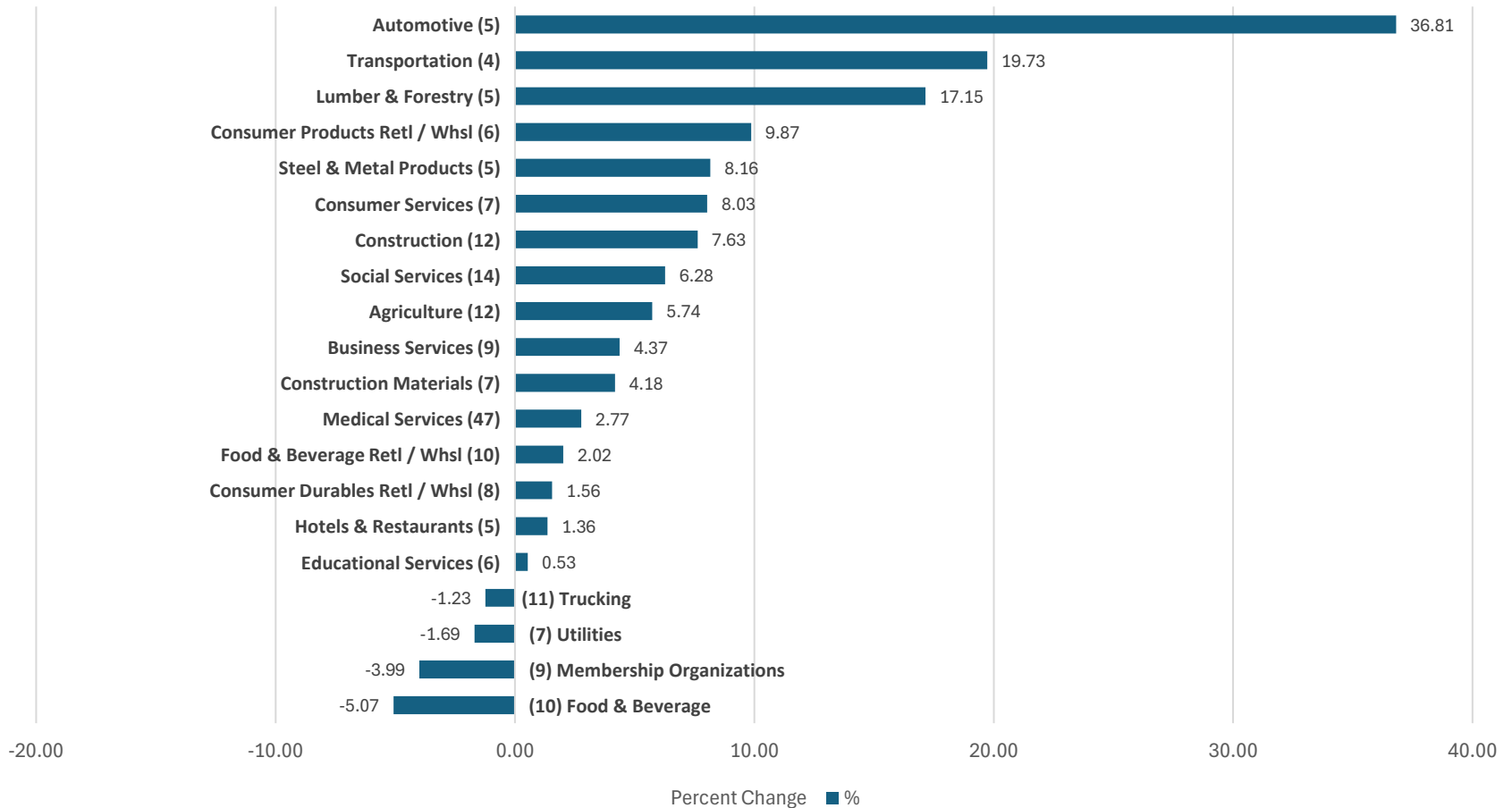
ASP – Participation Summary

ASP liabilities increased slightly by 3.8% (\$8.61bn vs. \$8.29bn).



ASP – YoY Liability Changes Per Industry

Active certificate holders operating in the automotive, transportation, and lumber & forestry industries experienced double-digit liability increases year-over-year.

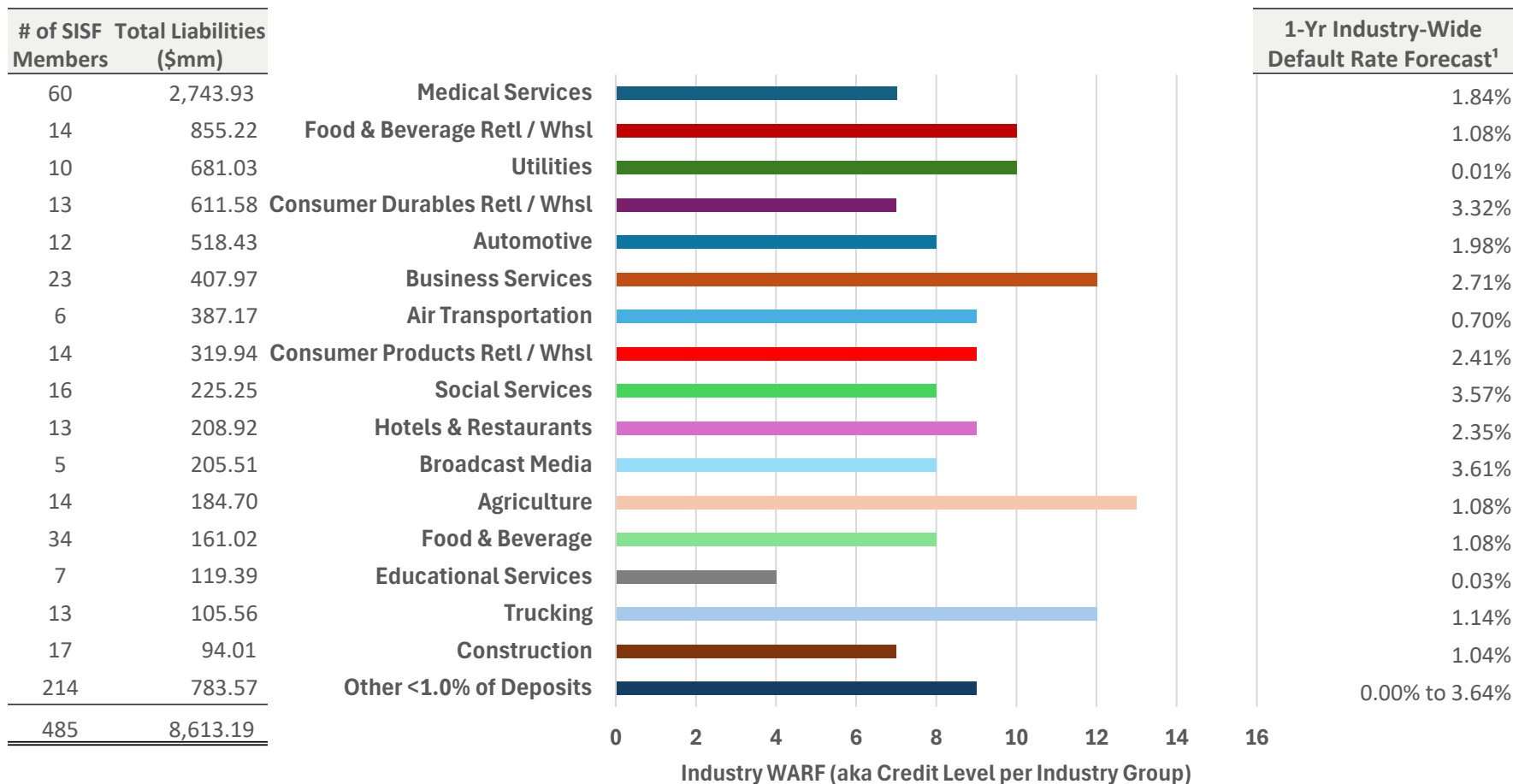


In the beginning of the pandemic (2020), liabilities and payroll decreased considerably for the following industries: Air Transportation, Hotels & Restaurants, Food & Beverage, and Consumer Products / Durables.

Source: Actuarial data 12-30-2024 for 2025-26 ASP plan year

ASP – Industry Rating Distribution

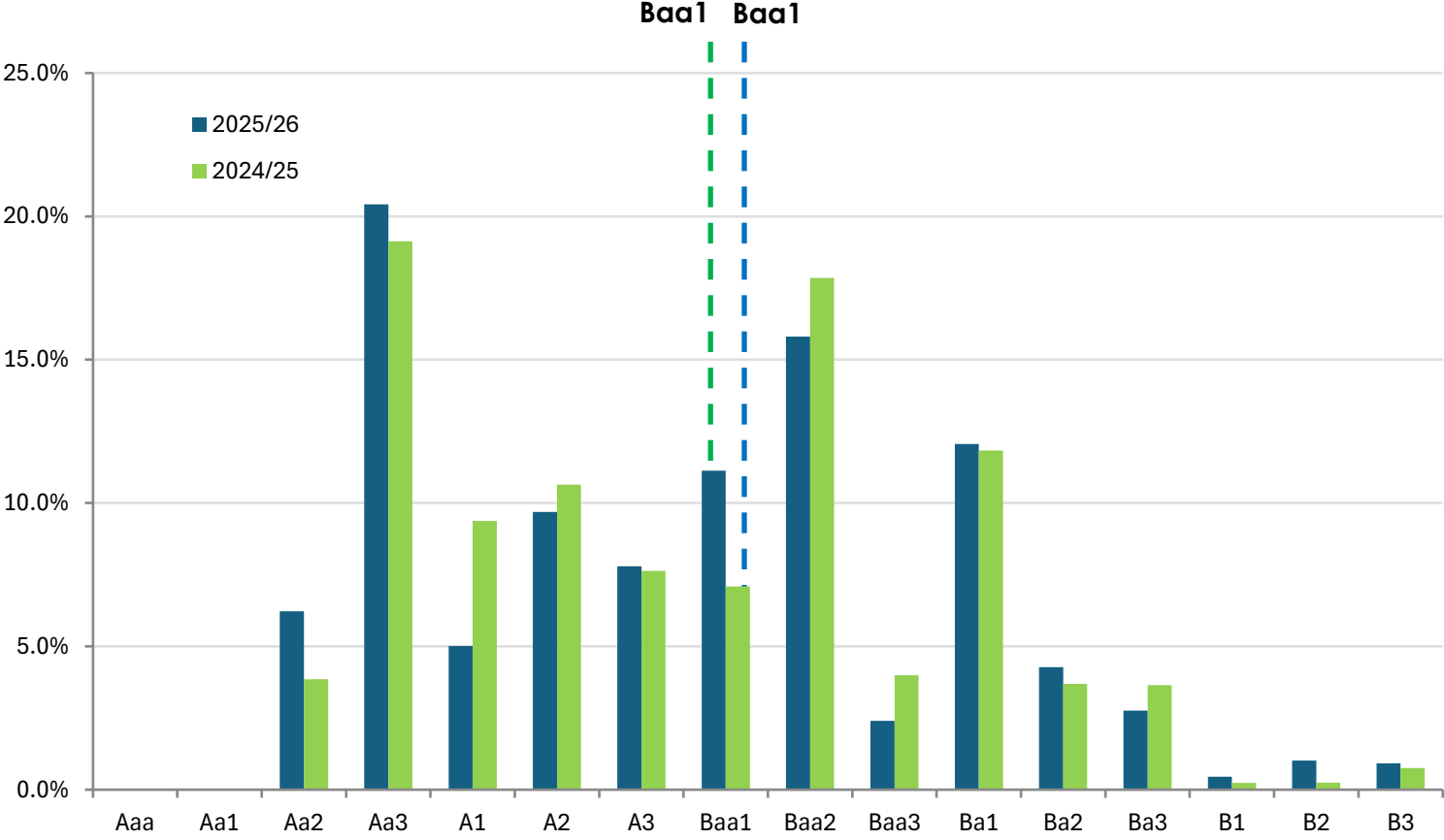
The WARF (Weighted Average Rating Factor) in the table below is a measure of the average rating of each industry within the ASP portfolio.



Source: Moody's Analytics Industry Groups, Moody's, S&P, Fitch Ratings, Moody's RiskCalc and CreditEdge
¹Moody's 1-yr Industry Default Rate Forecast as of April 2026

ASP – Portfolio Rating Distribution

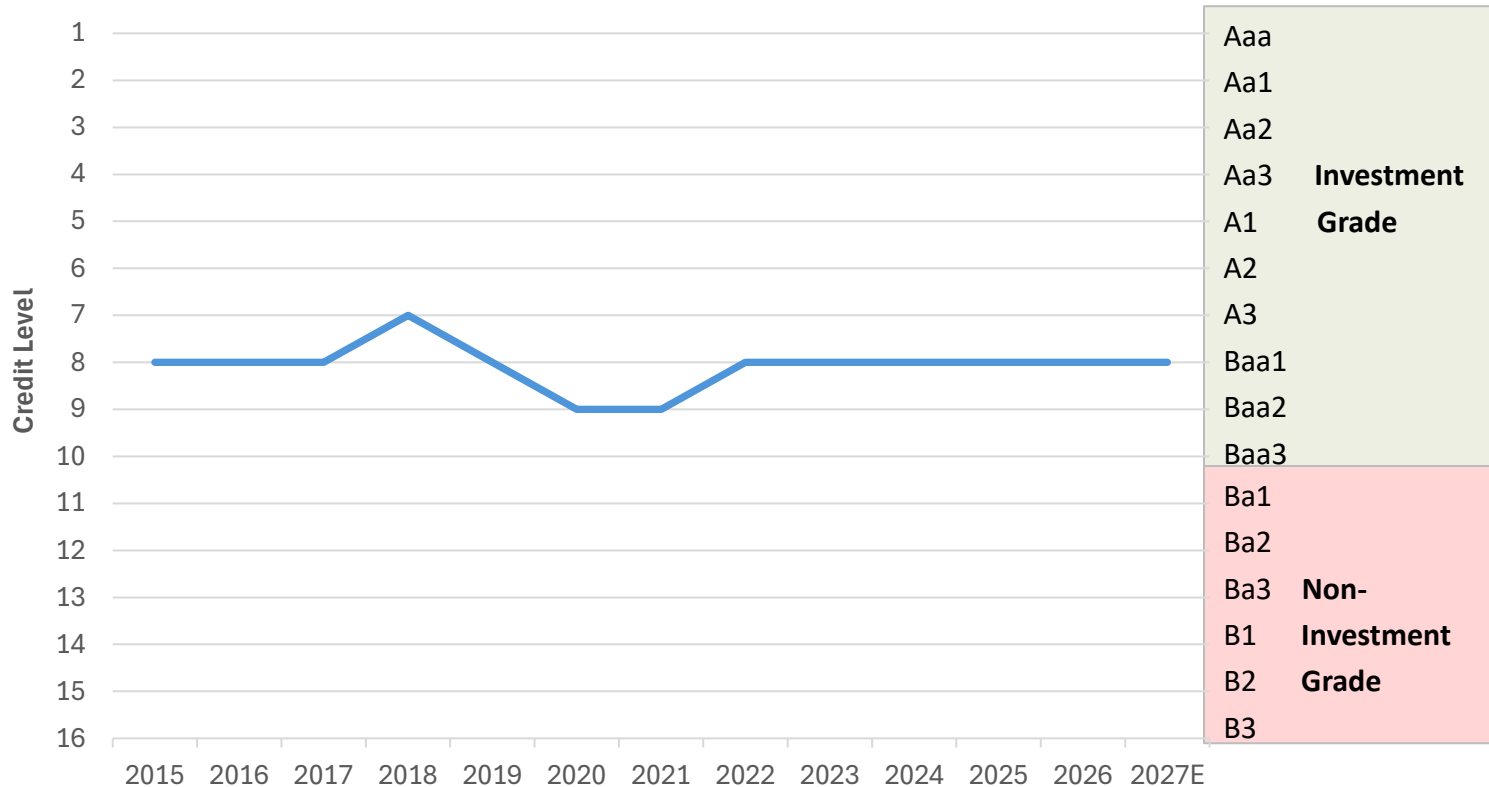
The overall portfolio credit rating remains at Baa1.



Source: Moody's, S&P, Fitch Ratings, Moody's RiskCalc and CreditEdge

ASP – Portfolio Rating History

The overall portfolio credit rating has remained relatively stable considering the number of economic events.



Source: Moody's, S&P, Fitch Ratings, Moody's RiskCalc and CreditEdge

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

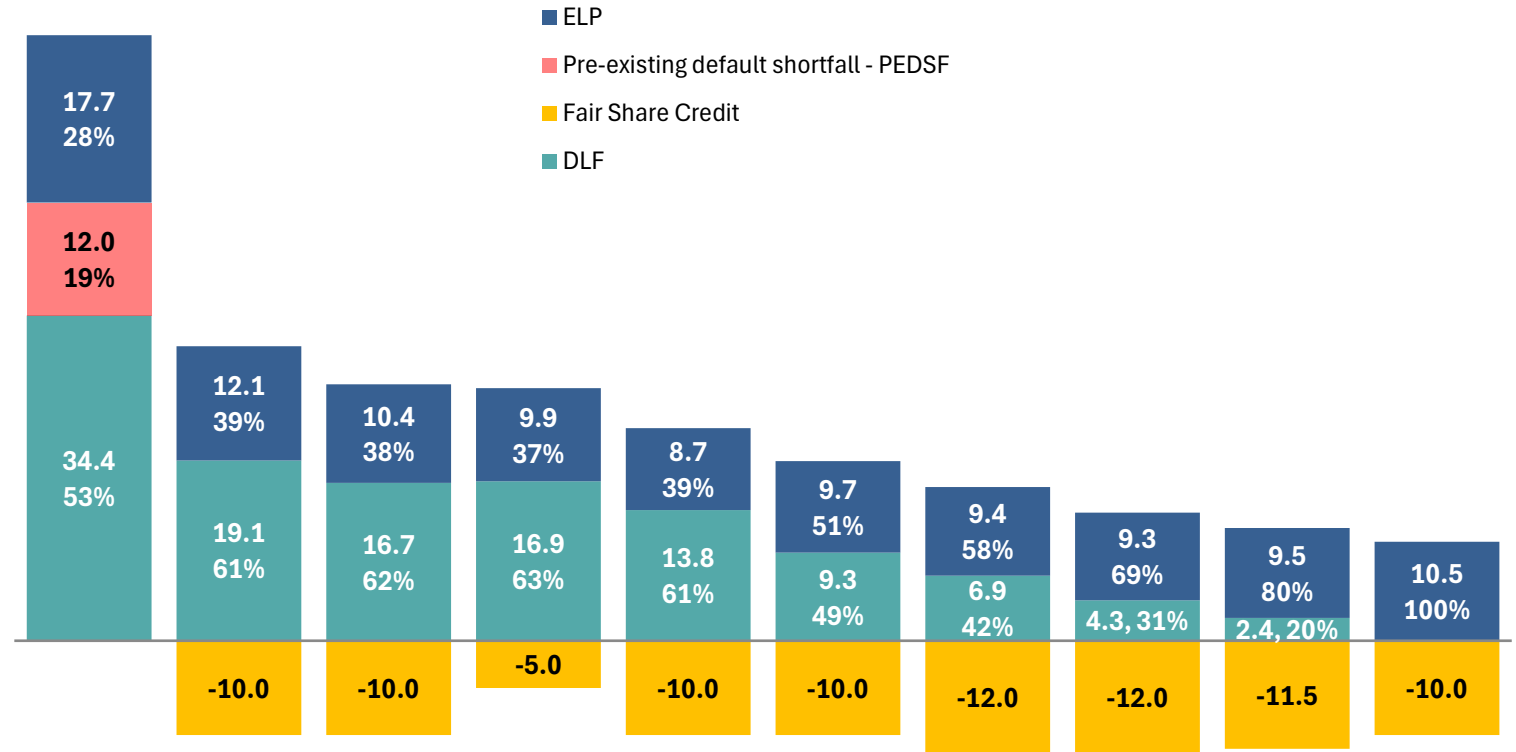
Capital

Claims

General administrative

ASP – Total Assessment

The total assessment has decreased gradually since the inception of the ASP in 2003/04.



	2003/04	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27E
Net fees	64.2	21.1	17.2	21.7	12.5	9.0	4.3	1.6	0.5	0.5
Liabilities	4,675.0	8,270.2	8,078.2	7,932.0	7,893.7	7,822.3	7,985.8	8,299.8	8,613.2	8,985.1
Net fees to Liabilities (bps)	137	26	21	27	16	20	5	2	<1	<1

The Fair Share Credit has been issued the last eight years to eligible members who contributed to the initial development of the Default Loss Fund ("DLF") covering the first ten years of the ASP.

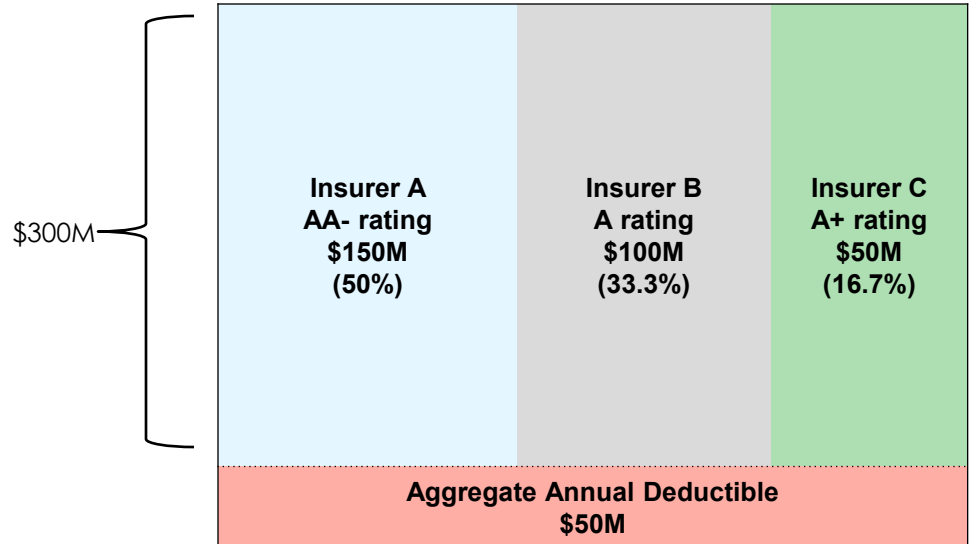
ASP Risk Transfer – Credit Insurance Overview

The below summarizes the current 3-year credit insurance program.

Summary Terms and Conditions

Tenor	3 years
Aggregate Limit	\$300,000,000
Deductible	\$50,000,000
Discretionary Credit Limit	\$30,000,000
No Claims Bonus	10% upfront
Covered Members	All Fully or Partially participating ASP members
<u>Other conditions</u>	
Additional Member Sub-limits:	15% “buffer”
Risk-Attachment Period:	12 months

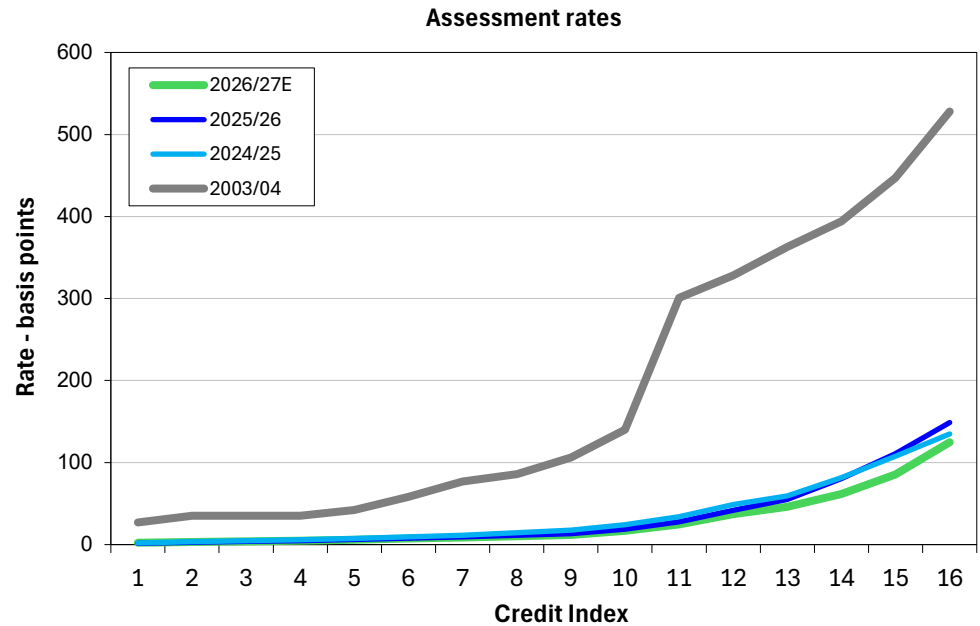
Insurers and Applicable Participation Levels



ASP – Assessment Rates

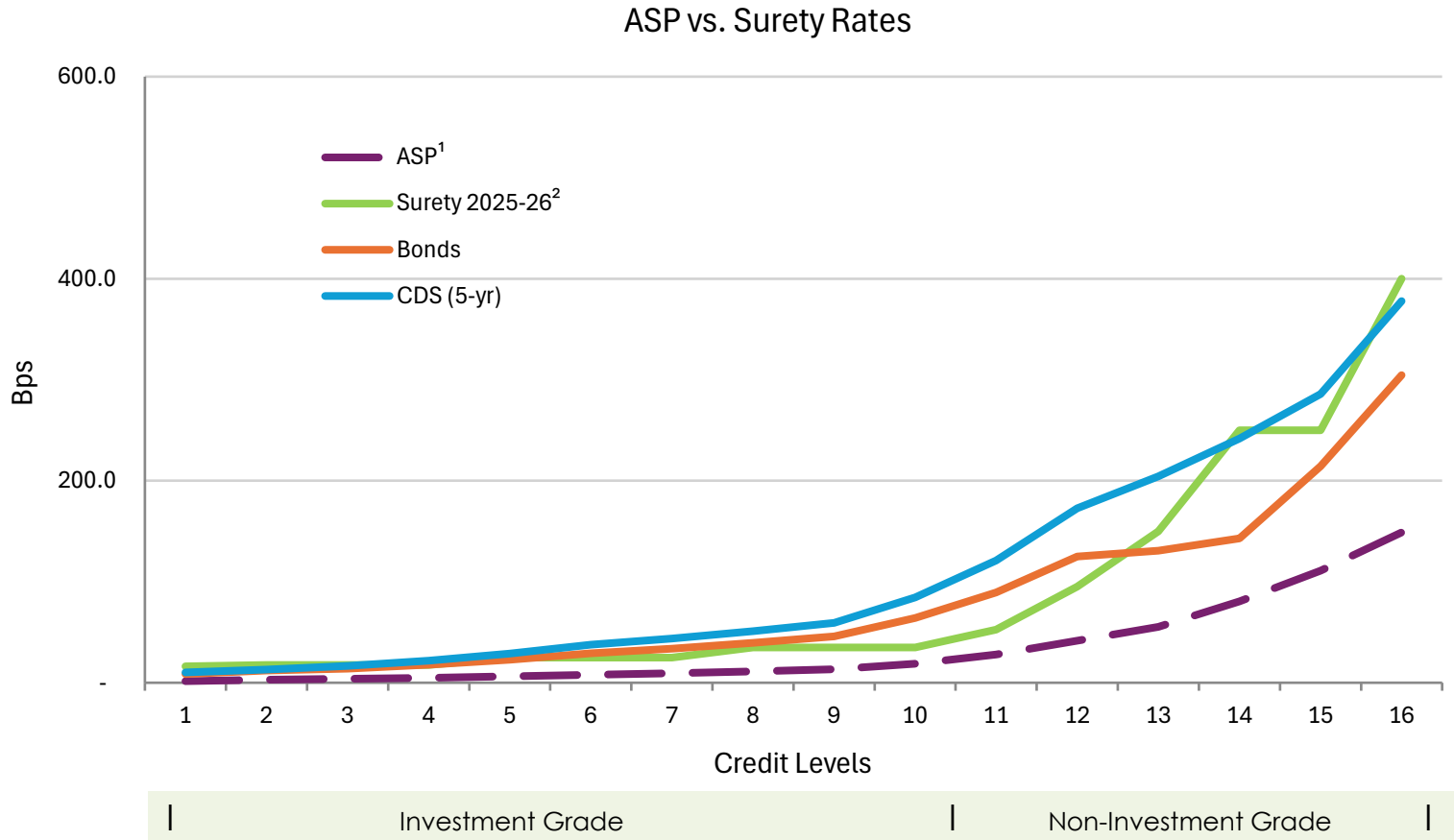
Considering the capital needs of the Fund and the current credit environment, assessment rates decreased across most levels.

Index	Rating	2026/27E	2025/26	2024/25
1	Aaa / AAA+	2	2	2
2	Aa1 / AA+	3	3	4
3	Aa2 / AA	4	4	5
4	Aa3 / AA-	5	5	6
5	A1 / A+	6	6	8
6	A2 / A	7	8	10
7	A3 / A-	9	9	12
8	Baa1 / BBB+	10	11	14
9	Baa2 / BBB	12	13	18
10	Baa3 / BBB-	17	19	24
11	Ba1 / BB+	25	28	34
12	Ba2 / BB	37	42	49
13	Ba3 / BB-	46	55	60
14	B1 / B+	62	81	82
15	B2 / B	86	111	108
16	B3 / B-	125	149	135



ASP – Current rates vs. market

ASP rates are generally below that of credit pricing sources such as bonds, CDS, and surety rates.



¹ SISF Assessment rates 2025/26

² Marsh Surety estimates

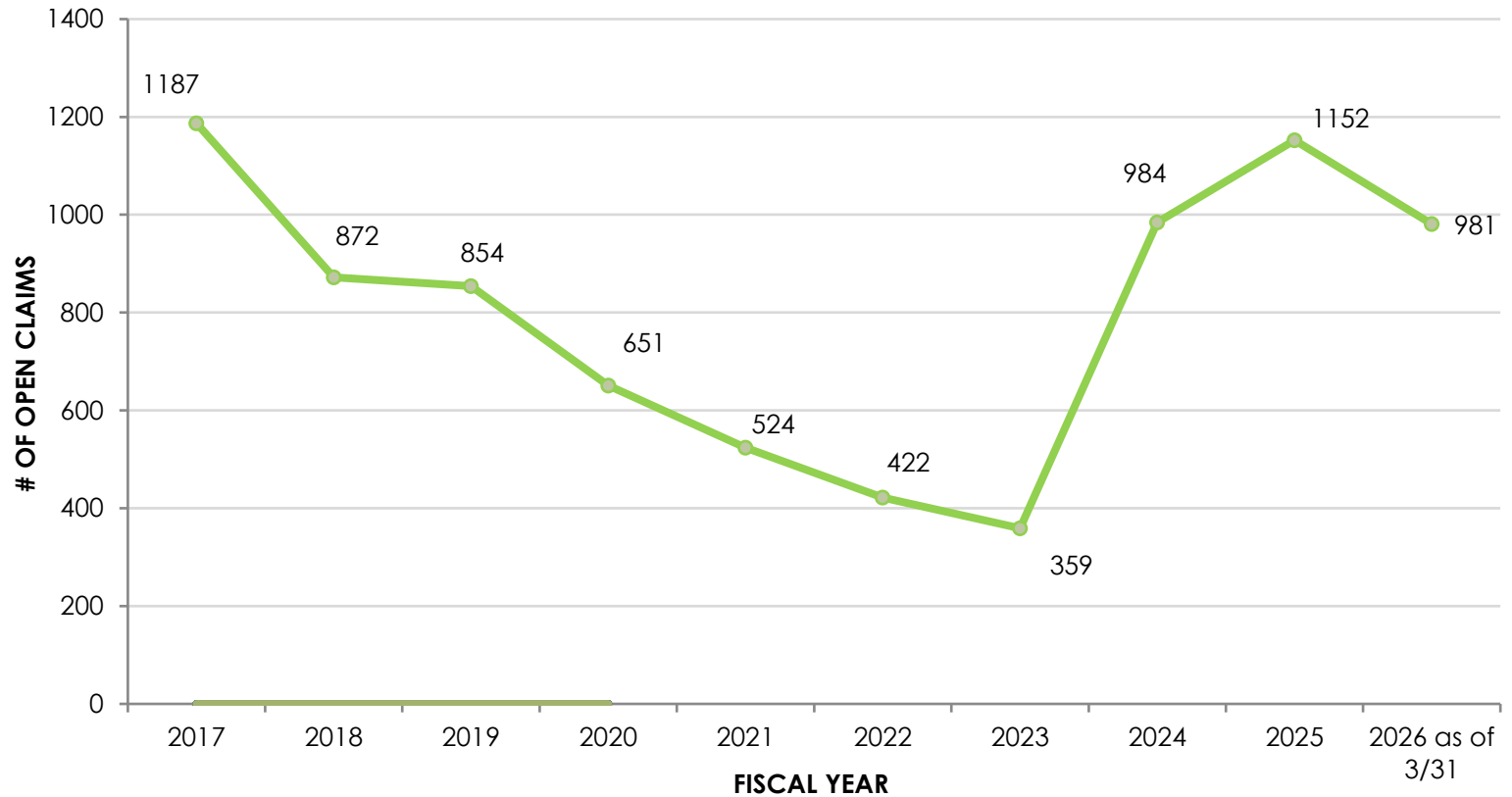
Moody's Market Implied Bond Spreads and CDS 4/29/2026

Jill Dulich
Director, Claims and Operations

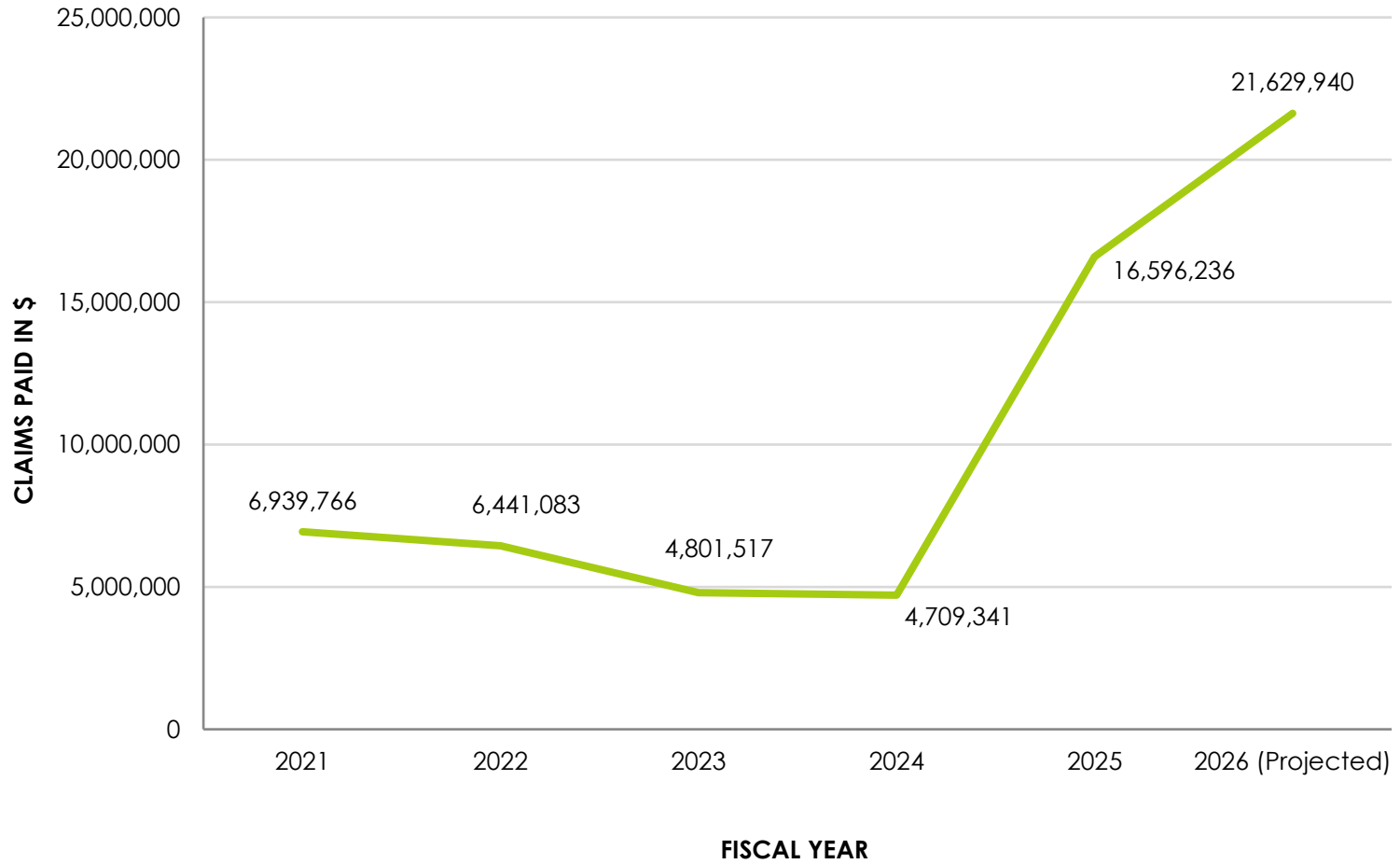


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Open Claims Count

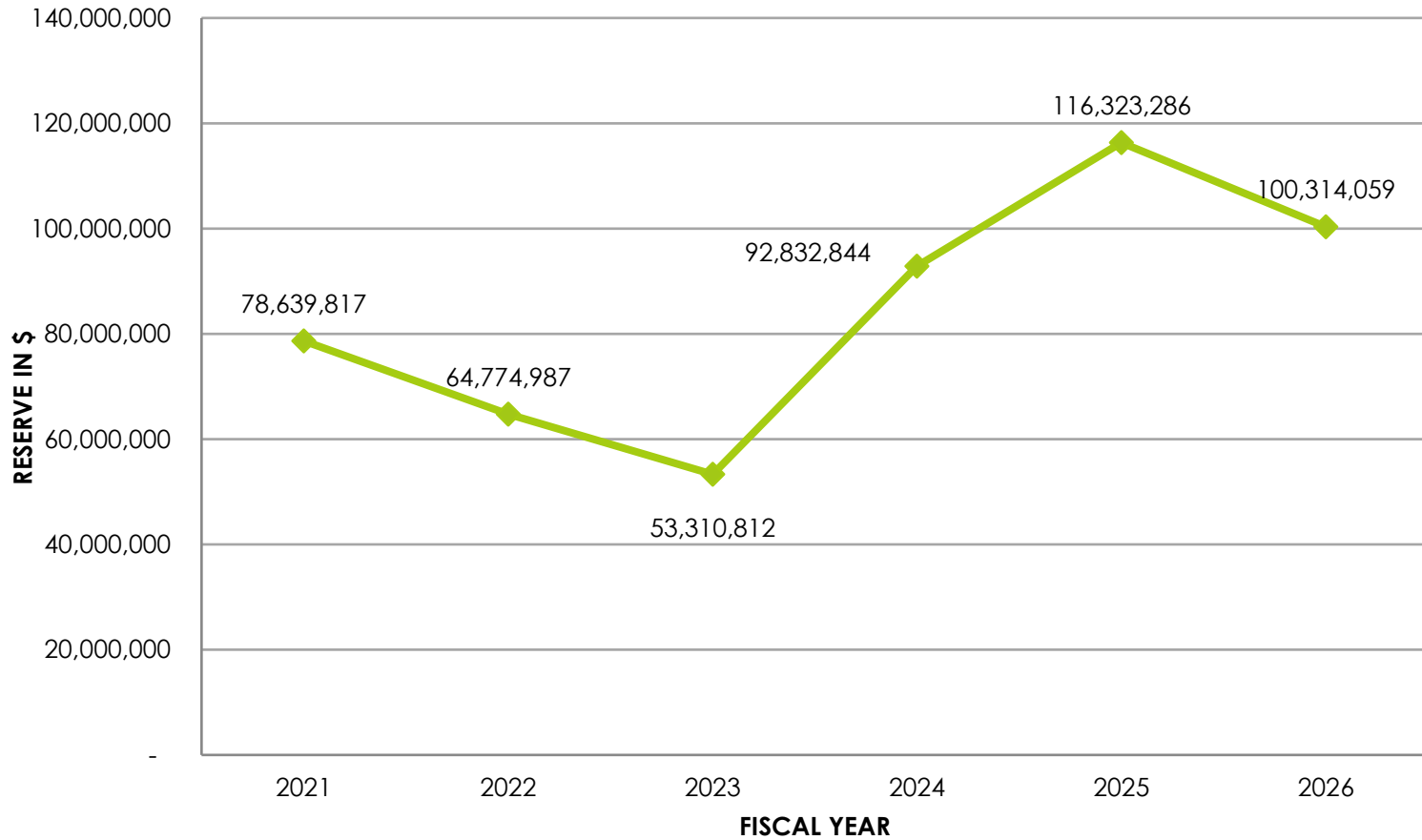


Gross Claims Paid



Last six fiscal years

Gross¹ Estimated Future Liabilities for Claims, IBNR and ULAE



¹Not net of excess, last six fiscal years



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