

May 19, 2026

Mr. Daniel Sovocool
Outside General Counsel
California Self-Insurers' Security Fund
555 12th Street, Suite 680
Oakland, CA 94607

RE: Study Reviewing Self-Insured to Insured Costs

Dear Mr. Sovocool:

At your request, the following is an overview of the findings of the study we conducted comparing estimated workers' compensation self-insurance versus insurance costs for a variety of employers who are currently self-insured in California. Based on a sample of 13 self-insurers, we estimate self-insurance savings of 14% to 22% versus full insurance. The average savings are 19%.

The 13 self-insurers that we evaluated are in a variety of industries and retain over \$145,000,000 in annual workers' compensation loss and allocated loss adjustment expense (ALAE), as projected by their independent actuaries. The self-insured retentions (SIRs) of those included in our evaluation range from \$250,000 to statutory limit.

In order to estimate self-insurance savings we started with projected ultimate loss & ALAE detailed in each self-insurers' actuarial study, and then we added industry-wide loads for both insurance and self-insurance. The self-insurance savings are largely driven by the reduction in commissions, insurance company other acquisition costs, and insurance other/general expenses (including premium tax). For 2024 the California Workers' Compensation Insurance Rating Bureau (WCIRB) has estimated these costs to total 24% of premium¹.

The key difference between the low and high savings estimates is the assumed insurance company profit. Historically, California insurance company workers' compensation profit has been highly variable by year.

The high savings estimates assume insurance company profit is roughly -27% of premium, which the WCIRB has estimated insurance company profit to be for the 2024 year. The low savings estimates assume insurance company's profit of 5%.

In addition to the costs previously discussed, our study adjusts for the estimated cost of excess insurance purchased by the self-insurer, self-insurance assessments from the California Department of Industrial relations (DIR), and charges by the California Self-Insurers' Security Fund (SISF). The following chart summarizes our treatment of each cost component.

Chart 1
Cost Components

		Self-Insurance	Insurance
(1)	Ultimate Loss & ALAE Limited to SIR	Based on actuarial study provided by SISF	Same as for self-insurance.
(2)	Cost of Ultimate Loss & ALAE Above SIR	Estimated Excess Premium: Loss & ALAE above SIR based on (1) and WCIRB 2025 Loss and ALAE Elimination Ratios. Expense loads same as for insurance industry (4).	Loss & ALAE above SIR based on (1) and WCIRB 2025 Loss and ALAE Elimination Ratios.
(3)	Unallocated Loss Adjustment Expense (ULAE): Claims Administration	11.0% of Loss & ALAE ²	Same as for self-insurance
(4)	Other Insurance Costs	n/a	24% of Premium ¹
(5)	Insurance Company Underwriting Profit	n/a	Low Scenario -27% ¹ High Scenario: 5% Percentages of Premium. Middle based on average of high & low.
(6)	Self-Insurance Assessments	SISF cost provided by SISF. DIR assessments based on 2025/26, assuming indemnity is about 34.6% of loss & LAE ³	

¹ Based on 2024 results in WCIRB 2025 State of the System Report, Pages 62

² Based on 2024 results in WCIRB 2025 State of the System Report, Pages 46 & 53

³ WCIRB 2025 State of the System Report, Page 56

I appreciate the opportunity to work with SISF. Please feel free to contact Nina Gau at (916) 244-1193 (ngau@bickmoreactuarial.net) with any questions or concerns regarding this report.

Sincerely,

Bickmore Actuarial



Nina Gau, FCAS, MAAA
Bickmore Actuarial