
The Alternative Security Program (“ASP”)

Q. What is the ASP?

A. The ASP secures the aggregate self-insured workers’ compensation obligations of private self-insured fund members and serves as a composite deposit that is funded through annual participant assessments that are in lieu of the costs associated with each entity otherwise having to post collateral with OSIP.

Q. What is the security deposit?

A. The security deposit is equal to the self-insurer’s losses at the undiscounted ‘expected level,’ also commonly referred to as the undiscounted ‘actuarial central estimate’. OSIP sets the required security deposit for members each ASP plan year.

Q. How can a member participate in the ASP?

A. Member participation in the ASP as it relates to the security deposit is based on the regulatory requirements for an organization entering self-insurance and having adequate financial health and status as determined by the Security Fund.

Q. What are the categories of ASP participation?

A. Security fund members will fall into one of three major categories with respect to the security deposit: (1) “Fully Participating”; (2) “Partial Participating” and posting a portion of required security deposit via collateral; or, (3) “Excluded”, which means a member does not participate in the ASP and must post the entire required security deposit via collateral with OSIP.

Q. How is participation in the ASP determined?

A. Participation in the ASP is based on the financial strength and credit level of individual members.

Q. What is the credit index?

A. The Security Fund utilizes an internal 16 level credit index and assigns a credit level to individual members for participation and assessment purposes.

Q. What are credit levels and how are they assigned?

A. Credit levels within the credit index coincide with rating scales of nationally recognized statistical rating organizations (NRSRO) such as Moody’s, Standard & Poor’s, and Fitch Ratings. Credit levels are assigned to members based on their equivalent formal or implied ratings.

Q. What forms of collateral are acceptable with the State of California?

A. Collateral shall be posted in the following forms: (1) a surety bond executed on State issued bond and rider forms; (2) an irrevocable letter of credit issued by a bank or savings institution or other financial institution; (3) approved securities in the form of government issued or corporate issued securities; (4) cash in trust deposited; (5) any combination of the above.