



333 Bush Street
 San Francisco, CA 94104
 (415) 263-5400
 www.statefundca.com

Date: November 4, 2016

TO: MEMBERS, BOARD OF DIRECTORS

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 3c – Consent Calendar: Authorization to Secure a Renewal Workers’ Compensation Program effective January 1, 2017
II. NAME AND PROGRAM:	Randy Hogan, Risk Management
III. ACTIVITY:	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

State Fund’s current program, effective January 1, 2016, with respect to workers’ compensation liability for its employees contains three elements: a funded self-insured retention, currently \$2,000,000 (per accident or illness); a specific excess policy with statutory limits attaching at \$2,000,000; and a third party claim administration (TPA) agreement. Both the excess policy and claims service agreement expire on January 1, 2017 and Risk Management recommends that the President/CEO be authorized to secure a renewal package for 2017 at terms most favorable to State Fund.

VI. ANALYSIS:

Review and renewal of insurance policies fulfill a prime Risk Management responsibility. Unlike most other lines, workers’ compensation coverage for State Fund’s own employees cannot be evaluated solely on the basis of the effectiveness of defense or economic results. As the overall well-being of its employees is of high concern to State Fund, the level of care, respect, and treatment provided to employees is, at minimum, equally important as economic efficiency. The following details State Fund’s current workers’ compensation insurance program for its own employees:

Self-Insured Retention: As a permissibly uninsured public agency, State Fund retains discretion over the amount of liability it retains and at what level of loss it transfers its liability through purchased insurance. Currently, the first \$2 Million of liability for any occupational accident or illness is retained.

Excess Insurance: Overlaying the \$2 Million self-insured retention, State Fund maintains an Excess Workers' Compensation policy with The Hartford. Hartford has been the incumbent insurer since 2012 and continues to be a leader in the pricing of this account. However, beginning with 2016, the excess policy and claims services agreements were unbundled, and it would now be possible to seek coverage elsewhere with minimal disruption to our employees. Preliminary indications from the marketplace are that several carriers are interested in, and would be competitive on, the account. Additional services not currently provided, such as targeted loss prevention assistance, are being offered, as are options for alternative retention limits, e.g., \$1 Million. Risk Management is currently evaluating these markets to determine the option that presents the greatest value to State Fund.

Claims Service Agreement: For the current (2016) year, while the excess coverage remained with Hartford, State Fund contracted with Acclimation Insurance Management Services (AIMS) to provide TPA services for newly-reported employee claims. AIMS has also been the TPA for employee claims incurred prior to 2012. Hartford continues to be the adjusting firm for claims with dates of injury from 2012 through 2015. It is Risk Management's intention to retain AIMS as the TPA for 2017, irrespective of whether Hartford is replaced as the excess insurer.

VII. RECOMMENDATION:

To authorize staff to secure a renewal workers' compensation program effective January 1, 2017.