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Date: November 3, 2017

**TO: MEMBERS, BOARD OF DIRECTORS**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 3e – Consent Calendar: Authorization to Secure a Renewal Workers’ Compensation Program effective January 1, 2018
<b>II. NAME AND PROGRAM:</b>	Randy Hogan, Risk Management
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<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, 2017, with respect to workers’ compensation liability for its employees contains three elements: a funded self-insured retention of \$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. The retention and limits of this program have been evaluated and found to be appropriate for State Fund’s risk and risk appetite. Additionally, the TPA has met or exceeded the performance and compliance requirements set forth in their contract and Statement of Work. No change to the existing program is recommended for 2018.

**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 the first \$2 Million of liability for any occupational accident or illness.

**Excess Insurance:** Overlaying the \$2 Million self-insured retention, State Fund maintains an Excess Workers' Compensation policy with Safety National. The expiring policy has an estimated annual premium of \$422,257 and is anticipated to renew with little change in premium rate.

**Claim Service Agreement:** Since 2016, State Fund has contracted with Acclamation Insurance Management Services (AIMS) to provide TPA services for all newly-filed employee claims. Additionally, AIMS provides TPA services for claims incurred prior to 2012. Risk Management has been very satisfied with the service AIMS has provided and the level of employee (claimant) care and attention. AIMS has many state and municipal agency clients and is familiar with the needs of civil service, permissibly uninsured.

Claims incurred in 2012 through 2015 continue to be serviced by The Hartford, who was the excess insurer during that time period. Risk Management and our broker representatives have to date been unsuccessful in obtaining The Hartford's release of these claims, which would be required in order to unify claims administration services under a single TPA. Hartford is under no contractual obligation to release the claims, however, discussions to reach a mutually-agreeable solution will continue.

## **VII. RECOMMENDATION:**

Authorize staff to secure a renewal workers' compensation program effective January 1, 2018.