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Date: August 9, 2019

TO: MEMBERS, BOARD OF DIRECTORS

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 6d – Reports by the Chairs of Committee Activities: Ad Hoc Safety and Loss Prevention Committee - Update on Roofing Safety Incentive Program
II. NAME AND PROGRAM:	Lauren Mayfield, Senior Vice President of Safety & Health and Loss Prevention
III. ACTIVITY:	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input type="checkbox"/> Standard/Required Item <input checked="" type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

In order to pursue innovative ways to reduce the incidence of injuries in the workplace, State Fund developed a safety incentive pilot program aimed at the roofing industry. The intent was to see if monetary incentives, safety culture change and reinforcement by field loss prevention personnel could positively impact this segment of the construction sector and reduce the incidence of serious claims. An analysis of the first two years of the program has demonstrated that it did have a positive impact on reducing claims for the participating employers.

VI. ANALYSIS:

1. Safety Incentive Program Facts
 - Began January 1, 2016 sunsetting December 31, 2019
 - Every employer selected given the opportunity to participate for 2 years
 - Employers selected on the basis of Underwriting tier and premium level of \$10,000 or greater
 - Employers must agree to develop a safety program, all roofers take safety training prescribed by State Fund, have all roofers wear fall protection at all times while on a roof, submit to periodic job site inspections and have no preventable accidents
 - Employers can receive up to 10% of their roofing premium spread out over 3 incentive payments in first year of program and 2 payments in second year of program

2. Safety Incentive Program Statistics:

- 956 employers eligible since 1/1/2016, 15 currently in the program
- 43% of policyholders offered have accepted the program
- \$1,802,958 paid in incentive payments, representing \$39M in roofing premium
- Program to sunset 12/31/19, internal communications completed; brokers notified
- Actuarial Analysis performed July 2019 on 2016 and 2017 participants showing that program was successful in reducing indemnity claim frequency in population targeted by services

3. Incentive Program Outcomes

- Actuarial analysis of first two cohorts of participants shows positive results
- 2016 and 2017 year participants were studied
- 2016 year participants reduced indemnity frequency dramatically from 9.71 to 5.62 equating to a reduction of 26 claims
- 2017 year participants further reduced indemnity frequency to 2.45 which equates to a reduction of 33 claims
- 2017 participant indemnity frequency outperformed those employers not offered the program, 2.45 vs 4.94
- In terms of a long term run rate of savings, we estimate at least a 33% reduction in annual indemnity claim frequency for participating employers, or a reduction of at least 20 claims per year
- With an average indemnity claim cost of \$100,000 that equates to a \$2,000,000 savings per year for participating employers

**Open Agenda Item 6d – Reports by the Chairs of Committee Activities:
Ad Hoc Safety and Loss Prevention Committee - Update on Roofing Safety
Incentive Program
August 20, 2019**



Roofing Safety Incentive Program

- Innovative idea to help reduce injuries in California
- Focus on an industry that is high risk and can have catastrophic injuries: Roofers
- How can we influence safety culture in the roofing industry?
 - Combination of incentives, safety program development, training, reinforcement, job site inspections and best practices
- Program began January 2016 and is still active

Roofing Safety Incentive Program

- Offered to a population of roofers who met the criteria for the two year program
 - 956 roofers eligible
 - 413 agreed to join the program (43%)
 - 3 payments made in first year of participation totaling 10% of their roofing premium; 2 payments in year two totaling another 10%
 - Roofers must agree to create a safety program, attend training, have all employees wear fall protection at all times and have no 'at fault' accidents



Background

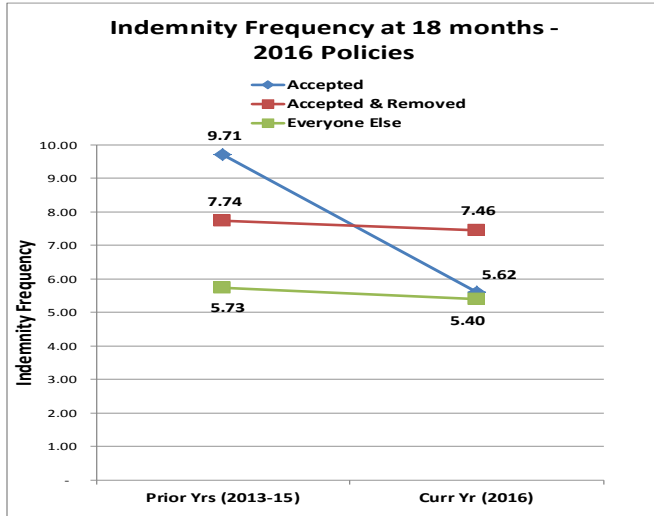
Roofing Safety Incentive Program

- To be eligible, a policy must have had at least \$10,000 in estimated annual premium AND a Tier Factor ≥ 1 (average performance or worse).
- This study analyzes the impact of the Roofing Safety Incentive Program by comparing participating employers ("Accepted") to two populations:
 - "Accepted & Removed": Employers that initially participated but either did not stay in the program or were removed due to lack of compliance with the safety guidelines, and
 - "Everyone Else": Employers with better than average experience (Tier Factor < 1) or otherwise not eligible (i.e., premium size too small).
- Conclusions are based on indemnity claim frequency for 2016 and 2017 policies at 18 months (data evaluated as of June 30, 2019).

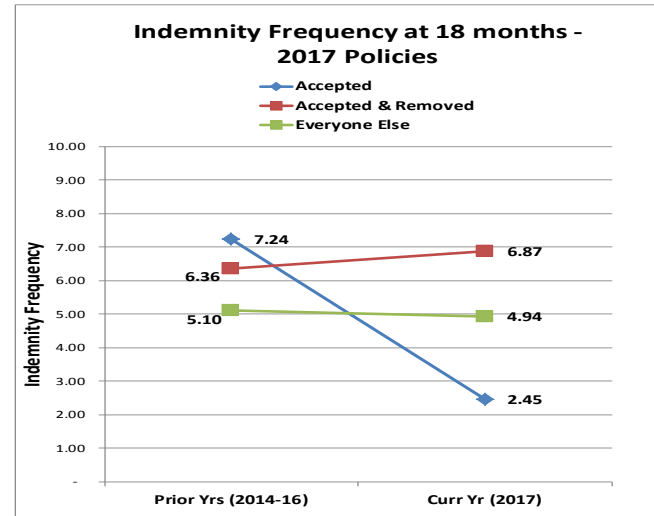
Roofing Safety Incentive Program

- Highlights:
 - Based on 2016 and 2017, where we saved 26 and 33 claims respectively, we expect similar ongoing reduction of approximately 20 claims per year on an ongoing basis
 - Indemnity frequency reduced from 9.71 to 2.45 over span of two years which outperformed those employers who were never offered the program due to their original better performance
 - With an average indemnity cost of \$100K/claim - 20 claims/year will net a potential \$2 million dollars claims savings/year

Indemnity Claim Frequency



Accepted	222
Accepted & Removed	75
Everyone Else	1,225



Accepted	139
Accepted & Removed	69
Everyone Else	1,405

- The 222 employers that were “Accepted” in 2016 brought their frequency down from a high of 9.71 in prior years, all the way down to the level of “Everyone Else” (employers who were excluded from the RSIP due to their above-average prior experience).
- Of the 222, 137 continued into 2017, and 2 new employers joined. With two years in the program, their frequency dropped even more significantly down to 2.45, far better than the “Everyone Else” category.

Estimated Reduction in Indemnity Claims

	Policy Yr	Accepted	Accepted & Removed	Everyone Else
Adjusted Pure Premium	2016	6,408,000	2,815,000	29,803,000
	2017	6,927,000	3,348,000	34,617,000
Prior Indem Clm Cnt	2016	62	22	171
	2017	50	21	177
Actual Indem Clm Cnt	2016	36	21	161
	2017	17	23	171
Actual Clm Count Reduction	2016	(26)	(1)	(10)
	2017	(33)	2	(6)

Estimate of Future Annual Savings of "Accepted" population:		
Count Reduction	Avg Indem Severity	\$ Avg Annual Savings
20	\$ 100,000	\$ 2,000,000

- This estimate is based on the assumption that the long-term performance of the "Accepted" category will not exactly replicate the past, and may over time converge to the same frequency as the "Everyone Else" category.

- The "Prior" counts reflect the prior three years of indemnity frequency annualized and applied to the current year adjusted pure premium.
- The "Actual" counts reflect the actual indemnity claim counts for 2016 and 2017 policy years.
- The "Actual Claim Count Reduction" is the first two items subtracted.

THANKS!

