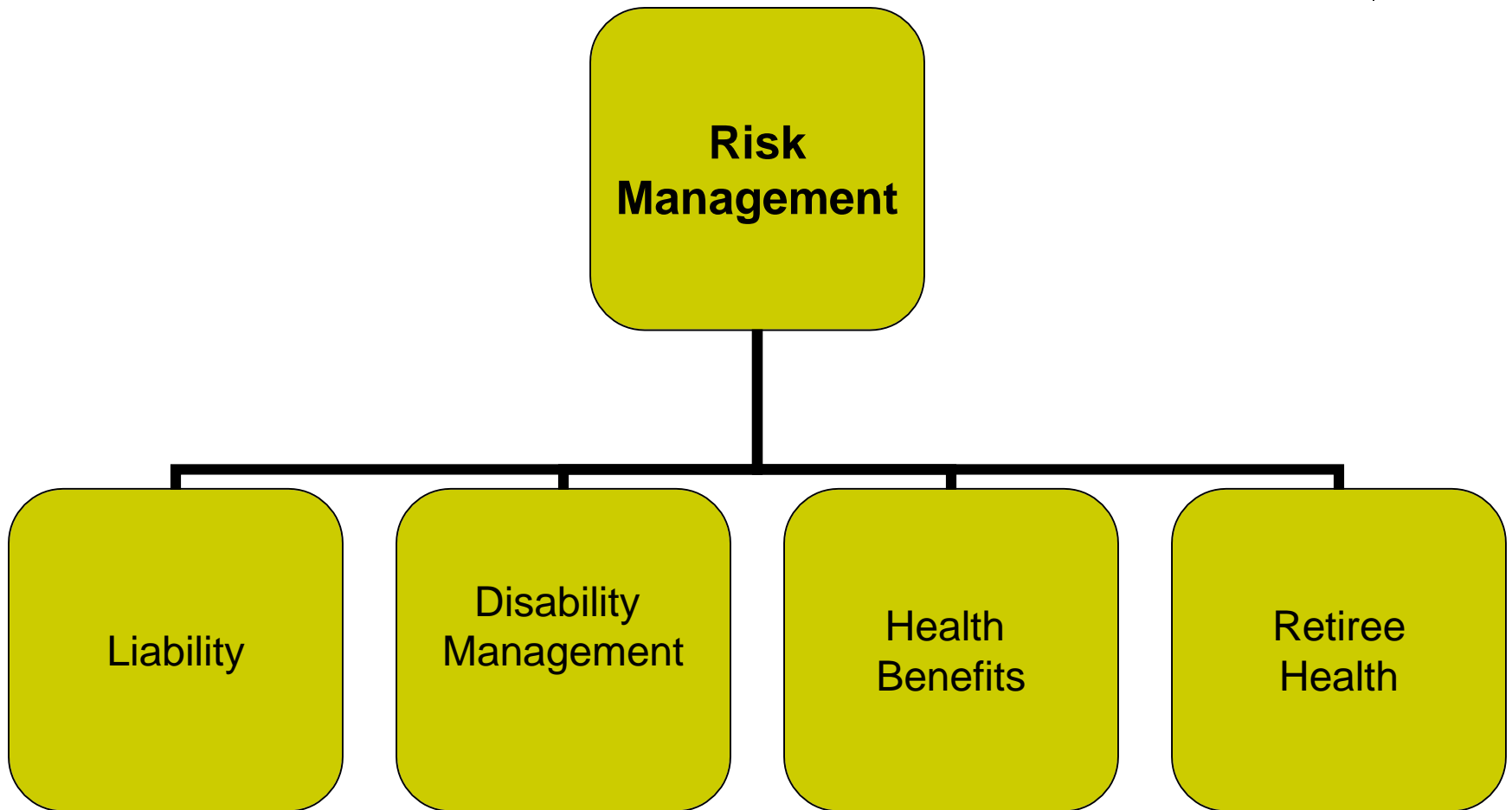


Risk Management

**Workers' Compensation and
General Liability
Funding Levels**



Risk Management Programs



Program Histories - WC and GL



Workers' Compensation (WC)

- **1978:** EDC begins its self-insured WC program, fully-funding all claims (no excess coverage).
- **1986:** EDC maintains self – insured WC program with excess insurance coverage secured on the open market.
- **2002-current:** EDC maintains self–insured WC program with a \$300,000 self–insured retention and joined California State Association of Counties Excess Insurance Authority (CSAC-EIA) to provide excess coverage.

General Liability (GL)

- **1980:** EDC begins its self-insured liability program. Excess coverage is secured on open insurance market
- **1985-1992:** Program is self-funded with no excess coverage.
- **1992-current:** EDC self–insured liability program maintains a \$1,000,000 self-insured retention and joined California State Association of Counties Excess Insurance Authority (CSAC-EIA) to provide excess coverage.



Process for Determining Funding Level

Workers' Compensation (WC) & General Liability (GL)

- Claims administrators provide up-to-date claims history and Risk Management provides non-claim administrative cost projections to actuary (Bickmore Risk Services).
- Actuary analyzes claims history as well as trends.
- Actuary provides funding recommendations at various confidence levels (CL).
- The Board of Supervisors adopts funding level.



Workers' Compensation 09/10 Funding

Assuming a one-year funding plan, the table below shows our actuary's funding recommendations for El Dorado County for the 2009-10 fiscal year. This plan would bring program assets back to the desired confidence level (CL) by June 30, 2010.

**El Dorado County
Self-Insured Workers' Compensation Program
Funding Guidelines for 2009-10
Amortized Over One Year**

	Expected	Marginally	Recommended Range			Conservative 90% CL
		Acceptable 70% CL	<u>Low</u> 75% CL	<u>Target</u> 80% CL	<u>High</u> 85% CL	
Loss and ALAE		\$2,685,000				
ULAE	288,000					
Investment Income Offset	(470,000)					
Discounted Loss and LAE	\$2,503,000	\$2,871,000	\$3,026,000	\$3,206,000	\$3,429,000	\$3,727,000
Non-claims Related Expenses	1,196,000	1,196,000	1,196,000	1,196,000	1,196,000	1,196,000
(Surplus)/Deficit at 6/30/09 Amortized Over 1 YR	(3,610,000)	(2,545,000)	(2,114,000)	(1,600,000)	(989,000)	(175,000)
Indicated Funding	\$89,000	\$1,522,000	\$2,108,000	\$2,802,000	\$3,636,000	\$4,748,000

Workers' Compensation Funding



To fund WC Program at minimum Actuarial-recommended 70% CL, projected surplus on June 30, 2009 of \$2,545,000 can be eliminated by:

- 1 YEAR BUYDOWN: Reduce funding by full projected surplus amount to eliminate surplus in its entirety in the upcoming fiscal year. Determine Funding at **\$1,522,000**
- 2 YEAR BUYDOWN: Reduce funding by one-half of surplus per year (\$1,297,000) to eliminate surplus over two year period. Determine Funding at **\$2,770,000**



General Liability – 09/10 Funding

To achieve funding at the 70% confidence level as of June 30, 2010 the County's fiscal year 2009-10 contribution should total \$4,369,000, including \$2,192,000 for claims and loss adjustment expenses, \$1,396,000 for non-claims related expenses, and \$781,000 towards the June 30, 2009 deficit at the targeted 70% confidence level.

EI Dorado County Self-Insured Liability Program Funding Guidelines for 2009-10

	Expected	Marginally	Recommended Range			Conservative
		Acceptable	Low	Target	High	
		70% CL	75% CL	80% CL	85% CL	90% CL
Loss and ALAE	\$1,876,000					
ULAE	171,000					
Investment						
Income Offset	(205,000)					
Discounted Loss and LAE	\$1,842,000	\$2,192,000	\$2,374,000	\$2,590,000	\$2,862,000	\$3,227,000
Non-claims Related Expenses	1,396,000	1,396,000	1,396,000	1,396,000	1,396,000	1,396,000
(Surplus)/Deficit at 6/30/09	160,000	781,000	1,068,000	1,403,000	1,820,000	2,373,000
Indicated Funding	\$3,398,000	\$4,369,000	\$4,838,000	\$5,389,000	\$6,078,000	\$6,996,000



General Liability Funding

To Fund Program at minimum Actuarial-recommended 70% CL, projected deficit on June 30, 2009 of (\$781,000) can be eliminated by:

- 1 YEAR FUNDING: Secure entire amount of funds to eliminate deficit in its entirety in the upcoming fiscal year. Determine Funding at **\$4,369,000**
- 2 YEAR FUNDING: Secure one-half of funds per year (\$390,500) to eliminate deficit over two year period. Determine Funding at **\$3,978,500**

El Dorado County Five-Year Budget Forecast



	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13
Shortfall	\$0	\$5,180,642	\$7,243,419	\$9,564,530	\$12,146,453

- Based on no growth in property tax revenues
- Includes funding for Aid to Fire
- Does not include \$2.5 million annual Casino revenue
- Assumes retiree health remains at pay-as-you-go levels
- FY 10/11 forward assumes 2.5% growth in salaries and benefits, 3% growth in other costs

Policy Decision for FY 09/10



- Should the Surplus or Deficits be realized over one year or should a smoothing methodology be used to stabilize rates over a two year period;
- Establish Workers Compensation and General Liability Funding levels for fiscal year 2009/2010.