



2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07

Policy:

It shall be the goal of Schools Excess Liability Fund (SELF) to retain funds in the Workers' Compensation Program sufficient to fund for expected discounted "outstanding liabilities" plus a reasonable contingency margin per program year. SELF shall annually review the Workers' Compensation financial position for each open program year based on SELF's actuarial study and evaluate the claims payment pattern to determine if the current assets and projected payments are sufficient to maintain the program liquidity. The review will evaluate the appropriateness for declaring either a refund or an assessment to Members, i.e., to the individual public entities providing educational programs or services to the community, that participate in the shared risk layer of the SELF Excess Workers' Compensation Program.

When determined to be fiscally responsible by the Board of Directors, the adjustments will be declared in accordance with the provisions outlined in this policy and procedure.

Procedure:

1. The evaluation shall be performed annually and presented to the Board of Directors no later than its September meeting
2. The "total assets" at June 30, "incurred claims liabilities" at June 30, "outstanding claims liabilities" at June 30, "incurred adjustment balance" and "outstanding adjustment balance" will be used for the purposes of calculating any adjustments.
 - a. "total assets" shall be that figure in the interim financial Report representing total assets at June 30.
 - b. "incurred claims liabilities" shall be that figure from the June 30 loss statistics which represents the yearly amount of incurred reserves.
 - c. "outstanding claims liabilities" shall be that figure in the Actuarial Review which represents the yearly total amount of reserves on open claims and Incurred But Not Reported (IBNR) claims and Unallocated Loss



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Adjustment Expenses (ULAE) stated at the selected confidence level, discounted at present value.

- d. "incurred adjustment balance" shall be the sum for each program year of the "total assets" minus the "incurred claims liabilities." (Assets less reserves before Incurred But Not Reported and Unallocated Loss Adjustment Expenses.)
- e. "outstanding adjustment balance" shall be the sum for each program year of the "incurred adjustment balance" minus the "outstanding liabilities." (Policy Year equity after Incurred But Not Reported and Unallocated Loss Adjustment Expenses also traditionally called retained earnings.)

3. Refunds

For the pooled layer, a Member shall be eligible for a refund by meeting the following conditions:

- a. Participation in the plan for three years;
- b. Applicable program year results in a positive outstanding adjustment balance;
- c. The amount to be refunded shall be a certain percentage of the "outstanding adjustment balance" as determined by the Board of Directors.

4. Assessments:

- a. For the pooled portion of the Program's coverage, a Member will be assessed if the "incurred adjustment balance" for the program year is negative. The amount of the assessment declared will be 100% of the



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deficit "incurred adjustment balance." The Member shall be required to pay its proportional share for each year in a deficit position. The proportional share shall be computed using the percentage of the member's contribution to the pooled portion of the Program's coverage, divided by the total contributions of all members to the pooled portion of the Program's coverage for the program year. Ceded insurance costs shall not be included in the computation.

- b. For pooled layer, a Member will be assessed if the "outstanding adjustment balance" for the program year is negative. The amount of the assessment declared will be 100 percent of the "outstanding adjustment balance." The amount to be collected annually will be determined as follows:
 1. If the program year is ten or more years past the expiration date, the amount of the assessment will be collected over a period of not less than seven (7) years.
 2. If the program year is less than ten years past the expiration date, the amount of the assessment will be annually declared, but not collected until the program year is more than ten years past the expiration date.
5. A Member failing to meet the payment schedule above shall be charged interest in the manner and amount earned on funds deposited in LAIF, at the time they are delinquent.
6. Refunds from positive years will first go to offset negative years before being refunded to Members.