

WORKERS' COMPENSATION INSURANCE

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SELF INSURANCE GROUP



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FCSIG JOINT POWERS AUTHORITY (JPA) ORGANIZATION

The FCSIG Joint Powers Authority (JPA) organization was formed in 1982 by a group of Central Valley educators to reduce the costs of workers' compensation insurance.

PHILOSOPHY

The JPA was designed by its board to provide workers' compensation insurance coverage at the lowest cost. There are no buildings owned by the JPA and no staff employed. Broker, risk management, and claims administrator services are contracted out. If necessary, other experts may be retained on a short-term basis to provide assistance. This, along with great experience factors, has kept the rates extremely low.

By providing basic services, the JPA has not inundated the districts with a great number of requirements, which are a part of many larger organizations. The preference has been to have fewer guidelines and requirements and encourage district compliance with these policies.

Unique circumstances are going to exist in each district and it is the philosophy of the JPA board to do everything possible to accommodate those needs. The board has wrestled with some difficult issues but ways have been found to accommodate each district's concerns.

ACCREDITATION

As with educational institutions, accreditation by a recognized accrediting organization has been one way of ensuring standards are established and met. The JPA has received Accreditation with Excellence status by the California Association of Joint Powers

Authorities (CAJPA) and the accreditation is renewed on a regular basis. Only thirty-five out of the hundreds of JPAs in California have received this level of accreditation.

ESTABLISHMENT OF RATES

Rates for member contributions to FCSIG are established annually by the actuarial firm of Milliman, Inc. Upon completion of a detailed actuarial study, the base rate is adopted by the board and presented in the form of a rate per \$100 of payroll. Rates for individual members are calculated by the actuary applying either a credit or surcharge to the base rate depending on the member's claim activity.

OSS RATE COMPARISON

Ten (10) California school Workers' Compensation Joint Powers Authorities (JPA) were contacted to solicit information for rate comparison purposes. Through the process it was determined that there are many factors that come into play in determining a final base rate for any JPA. The two major factors are the Confidence Level, usually expressed as a percentage, and the Self Insured Retention (SIR). The Confidence Level reflects the probability that the rate will be adequate to address all claims for a determined number of years out of ten years. Example: 70% Confidence Level should be adequate to address all claims 7 out of 10 years. The SIR is the level of risk assumed by the JPA. The surveyed JPAs have Confidence Levels that ranged from 50% to 99% and SIRs that ranged from \$350,000 to \$1,000,000 per occurrence. Higher Confidence levels and lower SIRs tend to drive rates higher. FCSIG currently funds at a 75% Confidence Level and a \$500,000 SIR resulting in the lowest actuarially determined rate among those contacted.

FINANCIAL CONDITION

The FCSIG board of directors requires the completion of an independent financial audit annually. FCSIG has contracted with Borchardt, Corona, and Faeth Accountancy Corporation to perform the audits. The latest audit (2007) shows net assets (cash) to be in excess of \$8 Million. Because of this large surplus, FCSIG is able to return rebates to the members resulting in a significant reduction to the net cost to the members.

BROKER/ADMINISTRATIVE SERVICES

The service responsibilities of the Broker/Administrator for the most part are specified in the Servicing Agent Agreement between FCSIG and Tucker-Alexander Insurance Associates. Those services include, but are not limited to, computing estimated payrolls as part of the application process for the quotation or reinsurance to be carried in excess of the SIR. Other listed services include review of gross rate calculation and individual member experience factor calculations by the actuary and presentation of rate recommendations to the FCSIG Board and individual members, keep board advised of policy/coverage changes that may impact FCSIG, and assist in obtaining and maintaining accreditation from CAJPA. Responsibilities not included in agreement but performed by the broker include developing procedure policies, assisting in bylaw amendments/rewrites, utilization of outside service providers through the Request for Proposal (RFP) process, visiting members, and meeting with Third Party Administrator (TPA) to review claims, and other responsibilities as the board may see fit.

RISK MANAGEMENT SERVICES

The risk management services for FCSIG/OSS are provided by Brock's Loss Control Services. A full range of assistance is provided to the participating districts. These services include: meet with district staff, when invited, to discuss problems and assist in preparing an action plan; assist with preparation or review of Injury and Illness Prevention Plan (IIPP); assist members in evaluation of loss exposures; inform districts of 'best practices'; assist with hazardous materials storage and disposal; evaluate security of buildings and property; supply model policies on various topics when requested; conduct site inspections; evaluate specific hazard conditions; conduct employee training both online and in person; supply bulletins to member districts; supply an employee training matrix; supply videos when requested in English and Spanish and assist districts with CAL/OSHA compliance.

SUMMARY

FCSIG has served the member districts well for over twenty-five years. Districts are encouraged to participate in the decision-making process and because of the JPA's size, unique accommodations can be made when requested by member districts. The rates are very competitive. If you have any questions, please contact the broker, Bill Tucker or the risk manager, Henry Brock.

— Eric Cederquist, FCSIG President