

OSIP FINALIZES REGULATIONS FOR PRIVATE SELF-INSURERS ANNUAL REPORT

Following the reform of SB863, the legislature has been busy drafting emergency regulations for changes effective January 1, 2013. Notice of Approval of Emergency Regulatory Action signed December 31, 2012 by the Office of Administrative Law requires that the calculation of the self-insurer's projected losses and expenses upon which the security deposit is based **“be reflected in a written actuarial report that projects ultimate liabilities that the self-insured employer at the expected actuarial confidence level, to ensure that all claims and associated costs are recognized. The written actuarial report shall be prepared by an actuary meeting the qualification prescribed by the Director in regulation.”**

Keenan has been monitoring development of the regulations and how they impact the operational and economic aspects of your workers' compensation programs. A summary of Office of Self-Insurance Plans (OSIP) annual report changes affecting private self-insurers includes:

CALIFORNIA CODE OF REGULATIONS SECTION 15209 ACTUARIAL STUDIES AND SUMMARIES

- Private self-insured annual reports ending December 31, 2012 are due March 1, 2013. Reports will now exclude the deposit calculation. OSIP will also be making the reports easier to submit online.
- For private self-insurers the annual report process now includes an actuarial report which will be due May 1st. It is the employer's responsibility to secure an actuarial firm to produce the actuarial report.
- The actuarial report must be based upon the self-insured's annual report for the preceding one year calendar period (January 1st through December 31st).
- The actuary preparing the report must have current experience in making California workers' compensation actuarial projections and (i) have a designation of Fellow of the Casualty Actuarial Society (FCAS); (ii) be a member of the American Academy of Actuaries (MAAA); or (iii) be a member of the Society of Actuaries who is qualified to sign a statement of actuarial opinion of loss reserves.
- The actuarial report must include losses at the undiscounted “expected level” to include Incurred But Not Reported (IBNR) reserves liabilities, Allocated Loss Adjustment Expenses (ALAE) and Unallocated Loss Adjusted Expenses (ULAE). Losses shall be reported both gross and net of excess insurance amounts.
- OSIP may reject actuarial reports that do not meet the reporting requirements.
- Failure to submit actuarial reports shall be grounds for revocation of the self-insurer's certificate.

KEENAN COMPLIANCE

If you need guidance on selecting a qualified actuary, please do not hesitate to contact Keenan.

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As a Keenan TPA client, you will be receiving the TPA pages of your private self-insured annual reports after February 15, 2013 along with revised instructions outlining these changes. If you have any questions regarding self-insured annual report requirements, please contact Tracy Gold at tgold@keenand.com or by phone at (310) 212-0363, ext. 3739.

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