



2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

Policy:

It shall be the goal of Schools Excess Liability Fund (SELF) to maintain funds in the SELF Excess Workers' Compensation Program EWCP sufficient to fund for the liability for unpaid loss and loss adjustment expenses, a reasonable contingency margin, and any other estimated future expenses deemed necessary by the Board. SELF shall annually review the EWCP's financial position for each open program year based on program year accounting, recent actuarial reports and other estimates of future income or expense. 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 (EWCP). The methods upon which dividends and assessments are based shall provide for consistency and predictability and be easily understood by the Members.

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. An evaluation of the financial position of the EWCP shall be performed and presented to the Board of Directors annually.
2. A "total required assessment" or "total available funding" shall be determined based on the total of all "deficit program years" and "surplus program years" and include "cumulative contributions from members", "cumulative investment income earned", "cumulative assessment proceeds collected", "board approved assessments receivable from members", "cumulative administrative expenses paid", cumulative claim payments made", "ultimate unpaid liability for loss and loss adjustment expenses", "approved risk margin" and "estimated future administration costs".
 - a. "cumulative contributions from members" shall be the total of loss fund contributions received from member for all program years.



2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT (CONT.)

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

- b. "cumulative investment income earned" shall be the total of all investment income allocated to the EWCP.
- c. "cumulative assessment proceeds collected" shall be the amount of all assessments collected from members on current and prior assessment programs"
- d. "board approved member assessments receivable" shall be the total amount receivable from members for board approved assessment plans.
- e. "cumulative administrative expenses paid" shall be the total of all administrative expenses allocated to the EWCP.
- f. "cumulative claims payments" shall be the total of all claims payments made from the EWCP for all program years.
- g. "ultimate unpaid liability for loss and loss adjustment expenses" shall be obtained from the most recently completed actuarial report on the EWCP; shall be inclusive of case based reserves, incurred but not reported (IBNR), allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE); shall be net of ceded liabilities; shall be stated at the expected confidence level, and discounted to net present value using an interest rate approved by the Board.
- h. "approved risk margin" shall be an amount added to the ultimate unpaid liability for loss and loss adjustment expenses as approved by the Board, and shall be based on the most recently completed actuarial report on the EWCP.
- i. "estimated future administration costs" shall be the estimated annually as of June 30, and include the total estimated future pool administration costs allocated to the EWCP.



2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT (CONT.)

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

- j. "total required assessment" shall exist if there is insufficient funding after taking into consideration items (a) through (i).
 - k. "total available funding" shall exist if there is surplus funding after taking into consideration items (a) through (i).
 - l. "deficit program year" shall exist if for any program year there is insufficient funding after taking into consideration items (a) through (i) that are attributable to that program year.
 - m. "surplus program year" shall exist if for any program year there is surplus funding after taking into consideration items (a) through (i) attributable to that program year.
3. Assessments:
- a. The "total required assessment" will be allocated to all deficit program years proportionately based on the deficit in each year as it relates to the sum of all deficit program years.

The "total required assessment" amount allocated to each deficit program year shall be allocated to all members who participated in the deficit program year proportionately based on the member's pooled contribution in that year.
 - b. The "total required assessment" will be billed to members in ten (10) annual installments.
 - c. The annual installments will remain fixed for the first five (5) years of the assessment.
 - d. The "total required assessment" will be recalculated annually based on the actual investment earnings, expenses, assessment collections, and updated actuarial analyses.



2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT (CONT.)

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

- e. If after the conclusion of any fiscal year the total estimated ultimate loss for all program years increases or decreases by more than 10%, the “total required assessment” will be recalculated and presented to the Board for consideration of an adjustment to the annual assessment amount.
 - f. If after the conclusion of any fiscal year there is a material change in the EWCP (e.g. member assumption of liabilities, change in the net present value interest rate assumptions), or other events that materially impact the net assets of the EWCP, the “total required assessment” will be recalculated and presented to the Board for consideration of an adjustment to the annual assessment amount.
 - g. After the fifth year of the assessment, the “total required assessment” will be recalculated and adjustments will be presented to the Board for consideration.
4. A Member failing to meet the payment schedule above shall be charged interest in the manner and amount earned on funds deposited in LAIF or the manner and amount earned on our current portfolio whichever is greater.
 5. Refunds
 - a. If Applicable refunds will be considered at the close of the program at the discretion of the Board.