

Title 8. Industrial Relations
Division 1. Department of Industrial Relations
Chapter 8. Office of the Director
Subchapter 2. Administration of Self-Insurance Plans
Article 3. Security Deposit Requirements

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§15209. Actuarial Studies and Reports.

(a) Current and former self-insurers other than public self insured employers, shall cause a qualified actuary to submit on their behalf to the Office of Self Insurance Plans (OSIP) a complete actuarial study and regulatory actuarial summary report not later than May 1 of each calendar year with a valuation date of December 31 of the immediate prior calendar year. The regulatory actuarial summary report shall be prepared and submitted in a manner and form prescribed by the Director with the complete actuarial study attached.

(1) In the absence of an acceptable actuarial study or summary report for any private Self Insurer received by the deadline set forth in these regulations, the Chief of OSIP shall establish a security deposit amount as the Chief determines appropriate.

(2) The actuarial study and summary report shall be prepared by an independent actuary with current experience making California workers' compensation actuarial projections, and who shall have a designation of Fellow of the Casualty Actuarial Society (FCAS), or be a member of the American Academy of Actuaries (MAAA), or a member of the Society of Actuaries who is qualified to sign a statement of actuarial opinion on loss reserves.

(3) The qualified actuary or his/her employing actuarial firm shall maintain a minimum of \$1 million of professional liability and errors and omissions insurance coverage. Evidence of this coverage and limits must be submitted as a part of the actuarial study.

(b) The actuarial study shall identify the self insurer's losses at the undiscounted 'expected level' also commonly referred to as the undiscounted 'actuarial central estimate', including each of the following components; incurred but not reported (IBNR) liabilities, Allocated loss adjustment expense (ALAE), Unallocated loss adjusted expense (ULAE) and case reserves. The actuarial central estimate shall be reported at both the gross and net amounts of excess insurance values.

(c) The actuarial study shall identify the case reserve estimated future liabilities reported in the Private Self Insurer Annual Report filed by the self insurer's Third Party Administrator(s).

(d) The actuarial study and summary report shall clearly identify any excess coverage by carrier, policy year and self-insured retentions, by year.

(e) The actuary shall declare in the study and the summary report that the study and report may be used by the State of California and the Self-Insurers' Security Fund to set appropriate collateral and deposit amounts, and for any other regulatory purpose under these regulations.

(f) The actuarial study and summary report shall specify that it is prepared for use by the Department of Industrial Relations, Office of Self Insurance Plans and the Self Insurers' Security Fund. The Office of Self Insurance Plans and the Self Insurers' Security Fund may share the study and report with other parties for official purposes in accomplishing the purposes of these regulations.

(g) The actuarial study shall be prepared covering a one year calendar period from January 1 through December 31 of each year.

(h) The actuarial study must include all of and only the self insured employer's California self-insured liabilities for the master certificate holder and all affiliate or subsidiary certificate holders related to the master certificate.

(i) Failure of a self insurer to submit a timely annual actuarial study or annual summary report may result in civil penalties being assessed against the self insured certificate holder of an amount up to 5 percent of the incurred liabilities in the last report or one thousand five hundred dollars (\$1,500), whichever is less, for each 30 days or portion thereof during which there is a failure as authorized in Labor Code section 3702.9.

(j) Failure by a self insurer to submit a timely actuarial study and summary report shall constitute good cause grounds for revocation of the self insurer's self-insurance Certificate.

(k) The Chief may accept or reject any actuarial study or summary report and require a second study and report by another qualified actuary that is acceptable to the Chief be completed and submitted to the Office of Self Insurance Plans at the self-insurer's expense.

(l) The Chief may disclose the actuarial study and summary report to any actuarial disciplinary board or body, or law enforcement agency.

Note: Authority cited: Sections 54, 55, 3701, 3701.8 and 3702.10, Labor Code.

Reference: Sections 54, 55, 59, 3700, 3701, 3701.5, 3701.8, 3702, 3702.2, 3702.8, 3702.9 and 3702.10, Labor Code.