



Santa Clara County  
Schools' Insurance Group  
645 Wool Creek Drive  
San Jose, California 95112-2617  
408-283-6230  
www.sccsig.org



**TO:** Executive Committee

**FROM:** Debra Fisher, Controller

**MEETING DATE:** December 6, 2013

**REGARDING:** Annual Reports filed with State of California

**INFORMATION:**

The Santa Clara County Schools' Insurance Group (SCCSIG) was established October 1, 1978 by a Joint Powers Agreement to provide mutual risk management and insurance programs for member districts. As a Joint Powers Authority, the SCCSIG operates as a special district of the County of Santa Clara and State of California. The State of California requires annual reporting of self-insurance activities, financial transactions, and compensation.

The following reports have been filed with the State of California, in compliance with government codes.

- State Controller's Office, Division of Accounting and Reporting, Local Government Reporting Section
  - Special Districts Financial Transaction Report
    - Filed electronically, October 17, 2013
    - Required by Government Code Section 53891
- State Controller's Office
  - 2012 Government Compensation in California Report
    - Filed September 30, 2013
    - Required by Government Code Section 53891
- State of California, Department of Industrial Relations, Office of Self-Insurance Plans
  - Public Self-Insurer's Annual Report 2012/2013
    - Filed September 9, 2013
    - Required by California Code of Regulations Section 15251
    - The attached letter was sent to all workers' compensation self-insured pool members advising them of their liability and responsibility in compliance with Labor Code section 3702.6(b), Education Code 42141, and GASB 10.

Additionally, the SCCSIG annual Audited Financial Statements are required to be filed with the State of California and the County of Santa Clara. This will be completed after the audit for 2012/2013 is completed and approved by the SCCSIG Executive Committee.

**FINANCIAL IMPACT:**

No fiscal impact.

**RECOMMENDATION:**

For informational purposes only, no action required.



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October 29, 2013

Santa Clara County Schools' Insurance Group  
Workers' Compensation Members

Regarding: Workers' Compensation Program:

- 2012/2013 Public Self-Insurer's Annual Report
- Compliance with Labor Code 3702.6(b) and Education Code Section 42141

The State of California requires all self-insured organizations to file an Annual Report with the Department of Industrial Relations. As a member of the Santa Clara County Schools' Insurance Group (SCCSIG) this report is filed annually on your behalf. The 2012/2013 Public Self-Insurer's Annual Report was filed on September 9, 2013 with the State of California Department of Industrial Relations.

Labor Code Section 3702.6(b) and Education Code 42141 requires your district Board to be advised regarding the current funding of estimated accrued but unfunded costs for Self-Insured Workers' Compensation Claims liabilities and compliance with Governmental Accounting Standards Board (GASB) Statement #10. GASB Statement #10 requires us to accrue a liability on our financial statements for the ultimate loss of claims and expenses, based on a reasonable estimate for all reported and unreported claims for all self-insured claim years. Liabilities are calculated based on a reconciliation of the Actuarial Report of Ultimate Losses and actual paid losses through June 30, 2013.

**In compliance with GASB #10, the SCCSIG accrued \$2,154,015 as of June 30, 2013 was for the total estimated liability for self-insured workers' compensation claims. As of June 30, 2013, the SCCSIG Workers' Compensation Fund is underfunded by \$272,632. As a member of the SCCSIG Workers' Compensation fund, there is no liability to be recorded in your long-term debt account (J249A).**

The SCCSIG is self-insured for claims with accident dates from October 1, 1978 through December 31, 1995 and from July 1, 2003 to present. The SCCSIG was fully insured between January 1, 1996 and June 30, 2003, and purchased excess insurance with zero retention since July 1, 2003 from the Protected Insurance Program for Schools (PIPS). The self-insured claims liability from July 1, 2003 through June 30, 2013 is recorded by PIPS. Therefore, the SCCSIG currently maintains no liability for claims with accident dates subsequent to calendar year 1995.

The 2012/2013 Public Self-Insurer's Annual Report, the actuarial report by AON Risk Solutions, and the latest annual independent auditor's report by Crowe Horwath are on file at the SCCSIG office at 645 Wool Creek Drive, Suite 62, San Jose, California 95112. Audited financial statements for fiscal year 2011/2012 and the October 10, 2013 actuary report are also available on our website at sccsig.org, under Financial Data. The independent auditor's report for fiscal year ending June 30, 2013 will be on file in the SCCSIG office and on our website, when available.

Sincerely,

Debra Fisher  
Controller

Enclosures: Labor Code 3702.6  
Education Code 42141



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- Regarding: Workers' Compensation Program:**
- **2012/2013 Public Self-Insurer's Annual Report**
  - **Compliance with Labor Code 3702.6(b) and Education Code Section 42141**

**California Codes:**

**Labor Code - Section 3702.6**

3702.6 (a) The director shall establish an audit program addressing the adequacy of estimates of future liability of claims for all private self-insured employers, and shall ensure that all private self-insured employers are audited within a three-year cycle by the Office of Self Insurance Plans.

(b) Each public self-insurer shall advise its governing board within 90 days after submission of the self-insurer's annual report of the total liabilities reported and whether current funding of those workers' compensation liabilities is in compliance with the requirements of Government Accounting Standards Board Publication Number 10.

(c) The director shall, upon a showing of good cause, order a special audit of any public self-insured employer to determine the adequacy of estimates of future liability of claims.

(d) For purposes of this section, "good cause" means that there exist circumstances sufficient to raise concerns regarding the adequacy of estimates of future liability of claims to justify a special audit.

**Education Code - Section 42141**

42141. (a) If a school district of county office of education, either individually or as a member of a joint powers agency, is self-insured for workers' compensation claims, the superintendent of the school district or county superintendent of schools, as appropriate, annually shall provide information to the governing board of the school district or the county board of education, as appropriate, regarding the estimated accrued but unfounded cost of those claims. The estimate of costs shall be based on an actuarial report that incorporates annual fiscal information and is obtained by the superintendent at least every three years. The actuarial report shall be performed by an actuary who is a member of the American Academy of Actuaries. If the school district or county office of education regularly contracts for an actuarial report for other fiscal matters, a separate actuarial report is not required, if the estimate of costs required by this subdivision is separately and clearly set forth in that report.

(b) The cost information required by subdivision (a) and a copy of the actuarial report on which the estimated costs are based shall be presented by the superintendent at a public meeting of the governing board. At that meeting, the governing board shall disclose, a separate agenda item, whether or not it will reserve a sufficient amount of money in its budget to fund the present value of the accrued but unpaid workers' compensation claims or if it is otherwise decreasing the amount in its workers' compensation reserve fund.

(c) The governing board annually shall certify to the county superintendent of schools the amount of money, if any, that it has decided to reserve in its budget for the cost of those claims, and shall submit to the county superintendent of schools any budget revisions that may be necessary to account for that budget reserve.

(d) The county board of education annually shall certify to the Superintendent of Public Instruction the amount of money, if any that has been reserved in the budget of the county office of education for the cost of those claims.

**Governmental Accounting Standards Board:**

**Excerpts from GASB Statement No. 10**

***Accounting and Financial Reporting for Risk Financing and Related Insurance***

This Statement establishes accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools. This Statement generally requires public entity risk pools to follow the current accounting and financial reporting standards for similar business enterprises, based primarily on FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*.