



San Mateo County Schools Insurance Group EXECUTIVE COMMITTEE MEETING MEETING SUMMARY

San Mateo County Schools Insurance Group
Web Conference/Telephonic Meeting

Thursday, May 2, 2024
9:30 a.m.
Sixth Meeting – 2023-2024

Members Present

Patrick Gaffney – President
Josie Peterson – Vice President
Valerie Miller
Amy Wooliever
Mei Chan
Marites Fermin
Roberta Zarea

Members Absent

Kevin Bultema

B. Adoption of Agenda

A motion was made to move item I. Salary Chart to closed session.

E. Meeting Minutes

The April 18, 2024 meeting minutes were approved unanimously.

F. Consent Agenda

Consent Agenda items were approved. Items included Ratification of P/L Check Register, Ratification of Accounts Payable, Deposit Permit Summary.

G1. Executive Director's Report

SELF will be invoicing the SMCSIG members around May 2024, payable in 2024/25 fiscal year with no payment installment. There are no options for paying over time and barring help at the California Supreme Court or the Legislature, future assessments are possible.

SMCSIG is recommending that we use our strong equity position to help members offset these changes. SMCSIG Members are facing certain circumstances.

- AB 218 SELF 3rd round of Assessment of \$4M due next in 24-25
- Member districts concerns about dental providers no longer working with our Delta Dental
- Pressures as school districts to keep premiums low

Actions for accessing Equity in our programs will be discussed. Options include

- Lower Rates in the Short Term
- Rate Holiday
- Pay Dividend.

Staff will provide suggestions for the upcoming 24-25 year and ask for Executive Committee's recommendation for the Full Board meeting:

- Funding WC's premium below 80%
- Reviewing the Dental program carriers with projected savings of about \$1M.
- Provide premium reduction on dental and vision programs

H1. Workers Compensation Actuarial Report

SMCSIG's actuarial studies are prepared and presented to the Executive Committee each spring. The objective of the actuarial study is to provide a review and update of projected losses liability for outstanding claims as of June 30, 2024. The actuary also provides loss rate funding information for the 2024/2024 fiscal year.

The actuary reports –

- Claims liabilities are estimated to increase \$4.78M, (23.7%) over prior year report due to the addition of another policy year.
- Prior year claims have developed more favorably; developing \$2.4M less than expected.
- Our projected funding rate for 2024-25 loss and ALAE at the discounted, expected level is \$1.305 per \$100 of payroll, assuming an SIR of \$250,000 as compared to the actuary base rate of \$1.375 in the prior year. The rate decreased by 5%. Below is a chart of funding rates over the prior five years. These rates are from self-insured years.

Stefan Zepernick from Bickmore Actuarial Presented both the workers compensation actuarial report and property/liability actuarial report.

H2. Options for Workers Compensation Program

They also reviewed insurance coverage options for the years 2024 and 2025, considering three different funding levels with varying potential savings. Executive Committee approved the recommendation that SMCSIG stay at the \$250,000 SIR.

H3. 24/25 Recommended Workers Compensation Rates.

Our rates are based on the build-up of our projected workers compensation costs based on:

1. Payroll exposure projected by members.
2. Actuarially projected loss costs and applicable risk margin
3. Excess insurance coverages
4. Program operational costs.

Rate Indications

1. Payroll is estimated to increase by 8.15%
2. Loss cost at 80% confidence level is \$16,303,000 (including ULAE) increases increased .08%
3. Excess insurance estimated increase of 18.15%
4. Estimated operational costs is \$2,203,00, which is 12% of our WC budget; it increased 2% from WC budget in prior year. This includes cost to administer claims (InterCare), Department of Industrial Relations (DIR) fraud assessment, Loss Control program and other operational cost. As we have brought on WC program inhouse, we have added programs such return to work program and additional loss control staff.
5. Rate per \$100 of payroll is projected to decrease 3.78%; overall projected contribution increases \$1,578,477 or 8% largely due to payroll increase.

The Executive Committee approved the recommended 24/25 rates.

H4. Property/Liability Actuarial Report

The Executive Committee approved the actuarial reports.

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Claims Liabilities

- Claims liabilities has increased by \$555K from prior year.
- Liability program has development in the older policy years due to SAM claims. Property claims have developed unfavorably due to the water & flood claims in 22-23 year.

Funding for 24-25 year

- Based on updated member exposures and loss experience, the projected funding for property and liability claims at our retained \$250,000 layer increased by 2% over the prior year. Below, you can see a five-year comparison of the projected funding for both programs, undiscounted.

H5. Recommended 24/25 Property/Liability Rates

The Executive Committee approved the recommended 24/25 Property/Liability rates.

We are in a hard insurance market. The drivers of the market are:

- a. Higher litigation costs
- b. Higher experience for our pool (property)
- c. Stresses on the industry and the uncertainty of the economy and financial markets
- d. Property has been particularly difficult with large increases across the industry in the past three years.

Preliminary Rate Indications – overall increase of 16% year over year
Retained losses increased 1.46% (great performance within our retained layer)

1. Preliminary estimates for excess and other insurance has increased \$2,808,262 or 15.74%. This represents an:

- a. 80.37% or \$1.05M increase from PRISM for the \$250,000 to \$5,000,000 excess layer
- b. 18.57% or \$317K increase from SELF for the \$5,000,000 to \$55,000,000 layer of coverage.
- c. \$36K increase for SELF AB 218 SAM assessment. This is paying back to SMCSIG for paying the first and second assessment.
- d. 13.73% or \$1.2M estimated increase in property premiums (3.3% driven by increased TIV)
- e. 16.67% or \$100K decrease in cyber coverage
- f. \$1,700 increase in bond/crime coverage
- g. \$16,000 increase in boiler and machinery
- h. \$6,700 increase in active assailant coverage

2. Operational costs increased 21% or \$180K due property site inspection project with ESM.

H6. 2025 Dental Rates

The Executive Committee approved to charge a lower rate for the 2025. Equity will be utilized to lower the monthly contributions.

H7. Dental Market RFI

Our current broker contract combines the services for Dental and Vision and the Health Care Consortium. General Counsel has advised us that we should do a sperate RFP for both programs as the HCC is now its own program within SMCSIG and financially distinct from the Dental and Vision programs. There are multiple brokers interested in providing these services and we should allow them to present their information.

The RFP's will be conducted this summer for the September meeting for the 2026 Benefit year. We will also develop the Dental Indemnity Program to be approved at the November meeting for implementation in the 2026 Benefits year.

The goal is to complete the RFP by the end of the summer. A timeline was requested that outlines target dates and meeting dates it will be brought to the Executive Committee.

H8. 2025 Vision Rates

The Executive Committee approved to charge a lower rate for the 2025 to help supplement the cost of 218. The vision program has available equity of \$1.3M above the target equity.

H9. Recommended 24/25 SMCSIG Budget

The Executive Committee approved the preliminary 24/25 SMCSIG Budget and will be recommended at the May 16 meeting. A question was asked if the budget includes items H10 (James Marta) and H11 (Salary Chart). Ritesh confirmed these are included in the budget.

It was requested that in the May 16 board meeting, the healthcare consortium's revenues and expenditures be isolated to provide clarity.

Overall, the contributions increased 61% over the prior year, while expenditures increased 66% from the prior year; this increase is mostly due to adding Health consortium revenues

and expenses.

- **Workers Compensation Program:** This will be the fifth year of self-insuring up to \$250k SIR. Overall funding rate are decreasing 2.2%, while total contributions are expected to increase \$836,000 based on increased payrolls.

- **Property / Liability Program:** Increase loss costs for the JPA and the industry overall has continued to press costs up with an overall increase of 16% largely driven by increases in excess coverage costs.

- **Dental and Vision:** These program costs are based on our adjust rates and the pass-through consortium costs, we are expecting minimal changes in these costs.

- **Health Consortium:** This was a new program effective 7/1/23. The budgeted revenues and expenses are based upon projected current year actuals.

- **Unemployment:** we are expecting minimal changes to this program.

- **Operational costs:** While prior operational costs are only 2.8% of the overall expenditures, it increased 24.7%, \$482K, from prior year.

H10. James Marta & Company Contract Renewal

James Marta and Company's contract expires on June 30, 2024. In the board packet are their proposed fees for the next three (3) years (highlighted in blue). There is a proposed \$33,525 increase for the 24-25 year which are related CPI and increased scope of work and costs. This item was tabled and will be discussed at the May 16, 2024 meeting.

H11. Salary Chart

At the April 18, 2024 Executive Committee meeting, the committee requested salary comparison with Bay Area JPA's. An attachment in the board packet shows the requested payroll comparison for Bay Area JPA's.

This item was tabled and was tabled and will be brought back to the May 16, 2024 meeting.

A subcommittee of the Executive Committee will be doing a full study of the salary chart and will bring a recommendation at the May 16 meeting.

Meeting Calendar

The next meeting will be May 16, 2024.