POLICY NO. UW-01
UNDERWRITING POLICY

Effective October 11, 2016

The following guideline of Risk Management Practices has been developed and adopted by the Board of Directors of the Fresno County Self Insurance Group ("FCSIG") and is effective as of the date indicated above pursuant to Article VIII of the Bylaws of FCSIG. Each Member District has agreed to the implementation of all guidelines of Risk Management Practices developed by the Board of Directors. The following policy shall be referred to for all purposes as Policy No. UW-01.

Objective

Fresno County Self-Insurance Group (FCSIG) has established underwriting criteria for the purpose of marketing to prospective members. Underwriting information is also used for rate making/premium calculation, measuring member performance, and calculating dividends or assessments based upon equity levels. Underwriting standards and guidelines are outlined in various governing documents, including the JPA Agreement, By-Laws, and Policies. This Underwriting Policy provides a summary and highlights much of the criteria utilized to complete the underwriting process.

Underwriting Function/Mission

Establishing underwriting criteria ensures that all FCSIG coverage programs are analyzed for risk exposures, funding requirements, dividend and assessment calculations, risk retention levels, compatibility between members and serviceability by staff. Adherence to these Board approved standards and guidelines guarantees the continued financial viability and security of FCSIG.

New Members

The guidelines for admittance of new members to FCSIG are set forth in the Joint Powers Agreement and By-Laws. Approval by two-thirds of the Board is required. Applicants accepted for membership must participate in the Workers' Compensation pooled coverage programs. The applicant agrees to participate as a member for a minimum of three consecutive years.

Application Process

An applicant for membership must complete FCSIG's "risk questionnaire". It solicits specific information to assess the applicant's risk exposures including, but not limited to the following:

a. Underwriting data for the current year, including payroll, audited financial statements, budget and other financial data as might be requested;
b. Payrolls for the previous five years;
c. Loss history for the previous five years.

In addition, the applicant must submit to an actuarial study in the format required by FCSIG, costs associated with aforementioned study could be passed on to the applicant.

Underwriting Guidelines

Any prospective member must meet the following minimum underwriting guidelines:

a. Have a loss rate calculated for the past three years that does not exceed the average loss rate of the current members;
b. Demonstrate a commitment to support risk management and safety programs to control or prevent claims;

The JPA with concurrence of two-thirds of the Board, may waive any of these guidelines if circumstances so warrant.

Rate Setting/Funding Requirements

The Workers' Compensation program will be fully funded each year after completion of an independent actuarial study. Rates are established based upon multiple factors, including:

- Payroll exposure
- Loss rates
- Excess rates
- Administrative expense
- A margin for contingency as prescribed in the FCSIG Target Equity Policy (minimum 60% confidence level)

Although FCSIG coverage programs are based upon risk sharing among its members, to encourage accountability for losses, premiums are adjusted after the application of an experience modification factor calculated by the actuary. In addition, the Workers' Compensation program employs a retrospective premium formula that provides for the return of premium credits, or assessment of premium debits based upon the actual claim experience of both the individual members and the entire group.

Dividend/Assessment

The Joint Powers Agreement authorizes the distribution of dividends or collection of assessments based upon the financial position of each fund at the close of the fiscal year. The Board has adopted a Target Equity Policy that governs the minimum equity balances required before consideration of any dividend. The Policy also requires a program year be at least five years old before being considered for a dividend distribution.

Periodic Review

This Underwriting Policy is hereby established as set forth above, and will be periodically reviewed by the Board at least once every three years. Under this review the Board or Committee will consider:

a. Is the process adequately measuring the risks?
b. Is the process adequately allocating costs?

The Board may delegate the underwriting function as outlined in this Policy to an Underwriting Committee, or any other committee established for the sole purpose of addressing underwriting issues.