

FOR IMMEDIATE RELEASE

IR #2012-29 OSIP Newsline 6-12 Newsline No. 06-12 July 2, 2012 California's Alternative Security Program puts \$6.17 billion in capital back into businesses Sacramento—Christine Baker, director of the Department of Industrial Relations (DIR), today approved the implementation of the 2012/13 Alternative Security Program (ASP), freeing \$6.17 billion in capital, giving self-insured California businesses greater financial flexibility. The ASP is a first-in-the-nation, innovative program operated by the non-profit California Self Insurers' Security Fund with the California Department of Industrial Relations. The program provides guarantees to replace security deposits required to collateralize self-insured workers' compensation liabilities. "Self-insurance and the ASP are innovative ways that California can support businesses and help them reinvest capital back into growing their business," said DIR Director Christine Baker. "With workers' compensation representing a major expense to businesses, this program benefits both the businesses and the larger California economy in a meaningful and positive way." All employers in California are required to have workers' compensation insurance to protect themselves and workers and minimize the impact of work-related injuries and illnesses. Meeting this requirement can be accomplished either by buying an insurance policy, or through obtaining authority from the DIR Office of Self Insurance Plans (OSIP) to self-insure the businesses' workers' compensation liabilities. "I'm surprised that there are not more employers taking advantage of self-insurance," said OSIP Chief Jon Wroten. "While there are standards and requirements that must be met, for employers with sound risk management practices the benefits can be substantial to the firm's bottom line." Traditionally, self-insured employers are required to maintain a deposit to collateralize their risk in the amount equal to 135 percent of estimated future Liability. This deposit, which is cash, irrevocable letters of credit, securities or surety bonds, limits the employer's ability to use the cash or credit line to expand their business. In contrast, ASP members can apply that cash or line of credit back into their businesses while the ASP assumes responsibility of the security deposits. California currently has 7,952 employers protecting more than 4 million workers representing a total payroll of \$173 billion through self-insurance workers' compensation plans. One of every four California workers is protected by a self-insurance plan. Self-insured employers in California represent large and midsized private companies, industry groups, and public entities such as city, county, state and school districts. More information of California's workers' compensation self-insurance program is available on OSIP's website accessible at <http://www.dir.ca.gov/sip>.