

N E W S R E L E A S E

News Release No.: 2014-56

Date: July 2, 2014

California's Alternative Security Program Frees \$7.5 Billion in Working Capital for Businesses

Sacramento— Department of Industrial Relations Director Christine Baker today approved the implementation of the 2014/15 Alternative Security Program (ASP), which frees \$7.54 billion in working capital and provides 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 (DIR). The program provides financial guarantees to replace security deposits required to collateralize self-insured workers' compensation liabilities. The participation fee for the guarantee program was also reduced 10% versus last year. These added savings make the program and costs even more competitive for California businesses.

"Self-insurance and the ASP are two innovative ways that California supports businesses and helps them reinvest their capital," said DIR Director Christine Baker. "With workers' compensation representing a significant expense to businesses, this program benefits both the businesses and the larger California economy."

All employers in California are required to have workers' compensation insurance to protect themselves and workers, and to 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 DIR's Office of Self Insurance Plans (OSIP) to self-insure the businesses' workers' compensation liabilities.

"Self-Insurance offers tremendous advantages and substantial cost savings to California employers," said OSIP Chief Jon Wroten. "With program improvements and streamlining efforts, it is now possible for a company wanting to enter self-insurance to move from initial application to fully insured in less than 2 weeks."

Self-insured employers are required to maintain a deposit to collateralize their risk in an amount equal to estimated liabilities as determined by an actuary. This deposit, which can be posted in cash, letters of credit, surety bonds or securities, limits the employer's ability to use the cash or credit line to expand their business. In contrast, ASP member's cash or line of credit is freed up allowing them to invest this capital back into their

businesses while the ASP assumes responsibility of their security deposit posting requirement.

California currently has more than 9,850 employers protecting more than 4 million workers representing a total payroll of \$177 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 mid-sized 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 at OSIP's [website](#).

For media inquiries, contact Erika Monterroza at (510) 286-1164 or Peter Melton at (510) 286-7046.

###