



### CFSA Risk Pool Reserves Help Stabilize 2003's Workers' Compensation and General Liability Pool Fees by Absorbing Some of the Increased Costs

It's no secret commercial insurance rates have skyrocketed and that the insurance industry is in turmoil. Any doubts anyone had were quickly erased when Insurance Commissioner John Garamendi, speaking at a recent California Farm Bureau Leadership Conference, said, "The entire insurance industry, every single part of it, is falling apart. ...although the insurance industry has historically suffered business cycles, those cycles were never as bad as what's going on in the industry today."

Even though the fairs' risk-sharing pools are somewhat insulated from the majority of the commercial market's woes, CFSA hasn't been able to dodge every bullet. When it came time to renew the pools' commercial excess insurance policies, CFSA was hit with an 83 percent increase for liability excess insurance and a 369 percent increase in workers' compensation excess insurance. Add to this the continually increasing medical, legal and related costs, along with changes in state legislation, and even pools as stable as CFSA's are faced with raising rates.

#### Workers' Compensation

A triple whammy of adverse insurance factors: 1) legislation that increases workers' comp benefits, 2) an increase in the cost of excess insurance for the pool, and 3) the increased self-insured retention level from \$300,000 per occurrence to \$500,000 per occurrence make it necessary for CFSA to institute a workers' compensation base fee increase for 2003. But there is some good news too: CFSA's goal of maintaining fee stability paired with a history of conservative reserving strategies make using pool reserves to cover a portion of the increase possible. As a result, CFSA is only raising the workers' compensation pool's base fee from 4.95 percent to 5.25 percent of payroll and volunteer wages. (This amounts to

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#### Have an Accident with a State Vehicle? Report it to the Office of Risk and Insurance Management ~ NOW!

With 2003 fair time upon us, Rich Beck, liability claims manager with the Office of Risk and Insurance Management (ORIM), reminds all fairs that when an accident involving a state-owned vehicle happens, on or off fairground property, it must be reported within 48 hours to ORIM. ("Vehicles" are defined as cars, trucks, electric golf carts, riding lawn mowers, trams, tractors, fork lifts and anything else that meets the definition of a "self-propelled land vehicle.")

ORIM's staff of in-house claims analysts (aka: adjusters) investigate, deny, or negotiate and settle claims resulting from these accidents for all state agencies; everything from a broken tail light lens to fatalities. The sooner ORIM learns of the accident, he emphasizes, the better the investigations and settlements we can reach on your behalf. But we can only do this if we know about the accidents immediately after they

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#### California Authority of Racing Fairs:

#### 2003 Northern California Fair Racing Schedule

Pony up and mark your calendar, the start of 2003's horse racing season is right around the corner. Once the season begins, keep your eye on *fyi* for up-to-the-minute racing news.

#### Race dates and locations

- San Joaquin Fair, Stockton: Wednesday, June 11 - Sunday, June 22 (dark: Monday - Tuesday, June 16 - 17\*)
- Alameda County Fair, Pleasanton: Wednesday, June 25 - Sunday, July 6 (dark: Tuesday, July 1\*)

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#### Let's Go to the Fair, 2003

It's interesting to note that last year's fair season ended with total paid attendance up 4.66 percent. This year, with two early fairs reporting in, total paid attendance is up 4.04 percent.

2003:	118,045 patrons
2002:	113,458 patrons
Total:	+ 4,587 patrons
Up:	+4.04

#### Oops, we goofed...

In the February *fyi* newsletter's "Meet CFSA's 2003 Board of Directors" article, Director Rebecca Weathers' e-mail address should have read: rebecca@sisqfair.com. This is also a good time to announce that the "Rebecca Desmond" who penned the "Letter from CFSA's Board Chair" in CFSA's 2002 annual report is Rebecca Weathers...only by the time the annual report is distributed in May, Rebecca will be married. Congratulations!

"The difference between 'involvement' and 'commitment' is like an eggs-and-ham breakfast: the chicken was involved, the pig was committed."

~ Unknown



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Let's hear from you!  
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"In theory, there's no difference between theory and practice. But, in practice, there is."  
~ Unknown

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### **2003 Workers' Compensation and Liability Rates...**

a modest 6 percent increase over last year's base fee). From what CFSA has seen, says Rick Wood, CFSA's assistant director, finance, this increase is considerably less than the rate increases being assessed by the commercial market. Increased costs have also motivated a revision of the workers' compensation loss modification ratio formula to account for high loss frequency and severity. The revised formula rewards fairs with loss ratios less than the industry average with a fee discount of up to 25 percent, while assessing fairs with loss ratios greater than the industry average up to a 25 percent increase in fees.

#### **General Liability**

The 2003 budget for general liability addresses some of the same adverse commercial insurance hurdles as those experienced by the workers' compensation pool. Based on existing factors, CFSA is looking at an 83 percent increase in the cost of reinsurance. If that entire increase were passed on to pool members, Rick explains, it would require a 22 percent increase in general liability fees for 2003.

But rather than pass the entire increase on to pool members, he continued, and in the interest of providing members with fee stability year to year, CFSA's 2003 budget allocates approximately 75 percent of the increase to be covered by existing pool reserves. This leaves members with only a 6 percent base fee increase to cover the difference.

*How will these increases affect your fair? Contact Rick Wood at 916/263-6147 or [rwood@cfsa.org](mailto:rwood@cfsa.org) for detailed information.*

#### **ORIM, continued...**

occur. The longer it takes for you to report an accident (however minor it may seem at the time) to ORIM, the more likely it will be that the other party will retain legal counsel. It's a "given" in our business that the longer a file remains open, the more expensive it becomes.

ORIM has attempted to make reporting as easy as possible, Rich continued. The "Vehicle Accident Report" (STD 270) is on ORIM's Web site at [www.orim.dgs.ca.gov](http://www.orim.dgs.ca.gov). The entire form can be completed on your computer except for the diagrams and signatures. An advance copy of it can be faxed to ORIM at 916/376-5277. On ORIM's Web site you'll also find the "Who's on first" version of what to do when an accident occurs: [www.documents.dgs.ca.gov/orim/mvasop.doc](http://www.documents.dgs.ca.gov/orim/mvasop.doc).

*If you have any questions, please feel free to contact Rich Beck by phone: 916/376-5295, by fax: 916/376-5277, or by e-mail: [rich.beck@dgs.ca.gov](mailto:rich.beck@dgs.ca.gov).*

#### **New Faces at CFSA**

Next time you call CFSA with a question, you might hear a new voice on the end of the line. In Accounting, Lisa Bramble, account clerk I, replaces Heidi Reed who has gone back to school. Lisa processes fair payrolls and provides full accounting services for several fairs. Her number is: 916/263-6157.

Cailee DeFoe, account clerk I, has also joined Finance. Cailee processes CFSA's accounts payable, prepares and records deposits, and tracks CFSA's fixed assets. Cailee is also a great resource for 1099 questions. Call her at (916) 263-6146.

#### **CARF Horse Racing Calendar, continued...**

- Solano County Fair, Vallejo: Wednesday, July 9 - Sunday, July 20 (dark: Monday - Tuesday, July 14 - 15\*)
- Sonoma County Fair, Santa Rosa: Wednesday, July 23 - Monday, August 4 (dark: Tuesday, July 29\*)
- San Mateo County Fair, San Mateo: Wednesday, August 6 - Monday, August 18 (dark: Tuesday, August 12\*)
- Humboldt County Fair, Ferndale: Thursday, August 7 - Sunday, August 17 (dark: Tuesday, August 12\*)
- California State Fair, Sacramento: Wednesday, August 20 - Monday, September 1 (dark: Tuesday, August 26\*)
- The Big Fresno Fair, Wednesday, October 1 - Monday, October 13 (dark: Monday - Tuesday, October 6 - 7\*)

\*Dark days are based on last year's calendar and are subject to change.

#### **New Faces, continued...**

Angie Grech, who comes to Risk Management after 15 years with Fireman's Fund Insurance, is now CFSA's workers' compensation assistant. Angie replaces Jenni Wilbur, a longtime employee, who resigned. To reach Angie: 916/263-6174.

Kris Palmer, an account rep for the past 10 years, joins Computer Services as an information systems specialist. One of her tasks will be to ensure FlexNet member fairs have smooth connectivity with CFSA's server and Compu-Share's accounting software. Reach her at 916/263-6173.

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