

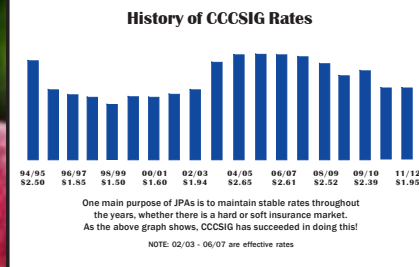
2010/11 MEMBER LETTER

One of CCCSIG's most significant accomplishments this year was reviewing the Group's financial strength relative to net assets and determining that a rate reduction could be achieved. Consequently, the Executive Committee took action to reduce the 2010/11 rate by 20%, and continue that rate reduction for fiscal year 2011/12. As a result, member districts were able to keep more resources in classrooms during these difficult financial times.

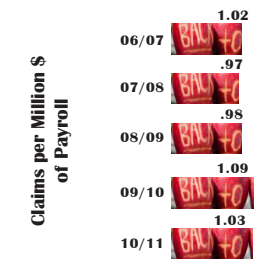
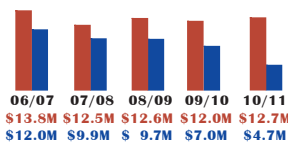
In this year's annual report, as in past years, there is a common trend: CCCSIG's primary focus continues to be member districts and their employees' best interests. CCCSIG's commitment to our Mission, *maximizing the human and financial resources of our members in order to contribute to and enhance public education*, has made a difference. Through CCCSIG and member districts' continued commitment to excellence, new heights of success can be reached!

Chris Learned, Board President
Associate Superintendent/Business Svcs., AUHSD

Bridget Moore
Executive Director



Ultimate Estimated Incurred Costs Total Incurred Costs (as of 6/30/11)



AUDITED 2010/11 FINANCIAL STATEMENTS INCLUDED AS INSERT IN THIS REPORT.

FINANCIAL UPDATE

Stable Assets: CCCSIG continues to hold a very stable asset base made up primarily of cash, investments and facilities that reached a high of \$97 million in 2009/10, and was at \$93M at the end of 2010/11 (after returning \$4M of equity to our members). These assets, and their continued earnings, are available to cover the future cost of workers' compensation claims.

Stable Member Rates: Despite the highly volatile state of workers' compensation in California over the past several years, CCCSIG has been very successful at controlling claims costs and providing its members stable rates.

History of Net Assets: The number of annual claims over the last 10 years has been very consistent, which can be attributed to many factors, one of which is CCCSIG's Health and Safety Services. However, due to dramatically rising medical costs and Indemnity benefit increases, the overall liability for outstanding claims went from \$22.8M in 2000 to \$63.0M in 2005, which, in addition to \$20 million in premium rebates over the years, gradually eroded Net Assets (members' equity) from a high of \$34 million in 1996 to a deficit of \$10 million in 2005.

The Board of Directors responded to this deficit by declaring a \$10M assessment, which was to be collected over a 10-year period. After collecting \$3.8M of this assessment, CCCSIG had good news in the 2008 Actuarial Study, which prompted the Board of Directors to suspend the Deficit Assessment! Even after removing the remaining \$6.3M Assessment Receivable from the books, CCCSIG ended the 2008 fiscal year with \$16.3M in Total Net Assets. CCCSIG had some more positive news in the 2009 fiscal year, adding an additional \$8.4M in surplus, bringing the Group's Net Assets to \$24.7M.

Due to this strong level of Net Assets, the Board of Directors decided to declare a \$3.5M rebate in the 2010 fiscal year! Even after providing this rebate to members, CCCSIG ended the year with \$24.6M in Net Assets, due to an operational surplus for 2009/10 of \$3.4M prior to the rebate. With the Net Assets remaining strong, the Executive Committee elected to reduce the 2010/11 rate to \$1.95, with the intent of returning an additional \$4M of equity to its members!

WHAT TO WATCH FOR IN 2011/12:

- *Two new walking programs (Fall & Spring)
- *New weight management program (Bus Drivers & M&O/Custodial)
- *3rd Annual Student Slip, Trip, Fall Prevention Poster Contest
- *Ergo Evaluation Program expanded to all Classified staff (countywide) with ergonomic-related injuries
- *Select CCCSIG services in Webinar format (Spring)
- *Online training program for 2nd year
- *New Conflict Resolution Workshop for all occupations

For all CCCSIG Health & Safety Services visit CCCSIG's website at www.ccsig.org.

PEP PROGRAM UPDATE

The Post-Offer Pre-Employment Program (PEP) was developed and validated to determine if new hires in certain occupational groups possess the minimum level of strength necessary to perform the essential physical tasks of the job. Tests have been validated for the following occupational groups: Custodians, Food Service Workers, Special Education Instructional Assistants, Building and Grounds Maintenance Workers, Equipment Mechanics and Special Education Bus Drivers. Each applicant must pass the strength test with a score sufficient to ensure they possess the necessary strength to perform the essential functions of the job. Passing scores are based on the strength demands of each occupation.

Highlights from 2010/11:

- * From 7/1/00 to 6/30/11, CCCSIG has tested a total of 5,378 applicants with fail and medical clearance rates of 8 and 1%, respectively.
- * Workers without sufficient strength to perform physical job tasks may incur injuries of overexertion, which account for a significant number of all work-related back injuries. The average back injury costs \$25,000. In fiscal year 2010/11, had the 62 applicants who failed the test been hired and injured, it could have potentially cost districts up to \$1.6 million!

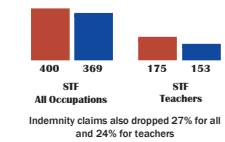
New in 2011/12:

- * A validation study will be conducted for two new occupational groups: Warehouse & Delivery Driver.
- * Previously validated occupations in three districts will be restudied to determine if it is necessary to redevelop the strength test for each.

OVERVIEW OF HEALTH & SAFETY SERVICES

The purpose of the CCCSIG Health and Safety Services Department is to provide member districts with a variety of health and safety services aimed at reducing the frequency and severity of injuries in the workplace and improving the overall health of the workforce. In fiscal year 2010/11, 1,569 services were delivered, up from 1,439 last fiscal year, reaching 8,482 participants! The three most frequently conducted services were strength tests (46%), ergonomic evaluations (10%) and health & safety trainings (7%). The top three occupations to receive CCCSIG health and safety services were Teachers (54%), Instructional Assistants (17%) and Custodial/Maintenance & Operations/Grounds (11%).

STF Prevention Campaign: All Reported STF Incidents 2009/10 & 2010/11



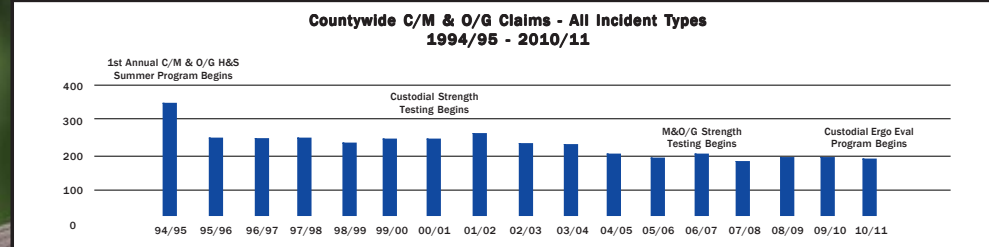
Highlights from 2010/11:

* The **Slip Trip Fall (STF) Prevention Campaign** was designed to reduce the number of STF incidents per year within all occupations, with specific emphasis on Teachers, by improving employee and administrator awareness through increased communications. In year one, the campaign, which is now in its third year, consisted of a student poster contest, STF site inspections, Crossroads STF articles, STF prevention emails from Cabinet members and administrator accident investigation training. Year two, online STF prevention teacher training was added to the campaign.

* The **Annual Health & Safety Summer Program**, a 3-hour program first conducted for custodians, maintenance and grounds employees in 1994/95, consists of three trainings that cover Cal OSHA mandated topics, job-specific injury prevention and wellness. Since implementation of this program in 1994/95, the total number of claims within the three groups has decreased by 41% (summer-program related incident types) and 37% (all incident types). Other programs that could potentially contribute to these decreases are new hire strength testing program, the custodial ergonomic evaluation program and health screenings. See graph below.

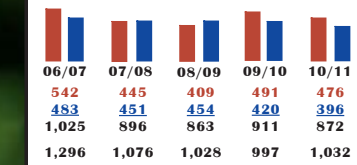
* 18 districts participated in the **District Health & Safety Incentive Program**, with 10 districts completing 100% of the requirements (Acalanes UHSD, Antioch USD, Brentwood USD, CCC Office of Education, Liberty UHSD, Martinez USD, Oakley UESD, Pittsburg USD, San Ramon Valley USD & West Contra Costa USD).

HEALTH & SAFETY SERVICES



WORKERS' COMPENSATION

Medical Only/Indemnity Claims Opened & Claims Closed During Fiscal Year



SUCCESS STORIES!!

* Outstanding claim liabilities were reduced by \$2.3M from FY 2009/10 to FY 2010/11, which was achieved through claim settlements and closures.

* 493 calls, which represent 37% of the total calls to Company Nurse, resulted in incident only claims where no medical treatment was required following telephonic medical triage.

* Indemnity costs are down! Wage replacement benefits (for all FY) decreased while benefit rates continue to increase, from \$1.6M in 2009/10 to \$1.4M in 2010/11. Additionally, permanent disability benefits decreased from \$2.8M to \$2.7M for the same period. These reductions are due to a decrease in a severity of claims, in addition to a strong early return-to-work program.

COUNTYWIDE WORKERS' COMPENSATION OUTCOMES

In a state where the average cost paid per claim is up by 48.9% and the average cost of pharmaceuticals and medical equipment is up by 106.5%*, CCCSIG continues to shine in the area of cost containment while maintaining focus on care for the injured employee.

CCCSIG took a stand to eliminate physician dispensed medications that fall outside of the California Official Medical Fee Schedule for medical payment. Through communication and coordination with our panel medical clinics and physicians CCCSIG was able to put an end to a large number of medications being dispensed at greater fees than usual. This change did not interrupt service or receipt of any medications or prescriptions for injured employees. It was a win-win for CCCSIG, districts and injured employees!

Cost containment also includes appropriate and proactive administration of workers' compensation claims. CCCSIG staff remains focused on this objective and successfully managed to once again close out more claims than the number received during the 2010/11 fiscal year. The department opened 862 claims while closing 1,032. This resulted in an overall reduction to outstanding liabilities on all open claims by \$2.3M over the course of the fiscal year, in comparison to 2009/10.

These and many other cost containment measures are made each day by CCCSIG's highly experienced and dedicated professionals, in an effort to combat rising medical costs and inflation with practical approaches to resolving claims matters.

ESTIMATED COUNTYWIDE SAVINGS IN 2010/11

- UTILIZATION REVIEW \$582,324
- EARLY RETURN TO WORK \$978,747
- BILL REVIEW \$326,612
- PHARMACY BENEFIT MANAGEMENT \$31,594
- FUTURE MEDICAL/COMPROMISE & RELEASE CLAIM SETTLEMENTS \$1,613,101
- COMBINED TOTAL \$3,532,378
- COMPANY NURSE 37% (Calls w/no Medical)

WORKERS' COMPENSATION 2010/11 OVERVIEW

Since 2004 there have been sweeping reforms and changes to the workers' compensation system. The 2004 reforms were looked at as one of the most significant times in California workers' compensation history with its restrictions, caps and changes to a multitude of industry processes. Time has dwindled away at these changes only to bring forth new legislative ideas and solutions. The Department of Industrial Relations has indicated that they are ready to increase Permanent Disability benefits, which saw a significant reduction in the 2004 reform act. However, this increase will not come until they can identify cuts to other areas of workers' compensation.

One of the first industry objectives towards cost savings is to remove the choke hold that medical liens have on the WC Judges. The objective is to achieve better outcomes by having judges focus attention on injuries and not the medical bills while at the same time finding solutions to prevent lien filing in the first place. Other thoughts for simplifying the workers' compensation process involve the reduction of paper in the form of notices and letters to injured employees.

The results of these thoughts and efforts remain to be seen in the upcoming months.

All CCCSIG Examiners have passed the California Self Insurance Administrator's examination which tests technical knowledge of Workers' Compensation Law and its Application.

HEALTH BENEFITS PROGRAM HIGHLIGHTS IN 2010/11

Reducing Healthcare Costs

The Health Benefits Committee, made up of one representative from each participating district, formed an ad hoc committee to develop initial recommendations for the direction of the JPA to proceed, the goal being to reduce healthcare costs for members.

The ad hoc committee identified two areas of focus - other Group's programs for evaluation and consideration, and streamlining the current JPA plan design offerings as a strategy to achieve the Committee's goal.

The Committee's evaluation of other Group's programs resulted in recognizing that the JPA's existing program provides members with choices that other groups would not provide and/or declined to quote. In addition, Anthem Blue Cross and Kaiser provided the JPA with "static plan" options for Plan Year 2013, which would provide rate reductions for most participating districts. Included in the overall program will be educational sessions for employees, emphasizing the benefits of "static plans" and how they will reduce their healthcare costs.

Plan Year 2012 Rates

The 2012 renewal with Anthem Blue Cross is a **rate pass** for the HMO and EPO plans, with a 13% increase for PPO. Kaiser renewal is a 1.7% increase for the HMO and DHMO plans.

Wellness & Prevention

Wellness and prevention continues to be a commitment of the Committee and Program. Members receive a monthly electronic link to "Harmony for Health" on the CCCSIG website, which highlights health education topics provided by Anthem Blue Cross and Kaiser Permanente.

Annual fall flu vaccinations will be offered during open enrollment for program participants through the Anthem Blue Cross Wellness Fund. Kaiser Healthworks will be offering a Fall Walking Program, "Thrive Across America" for all participating districts.



HEALTH BENEFITS PROGRAM

CCCSIG STRATEGIC PRIORITIES

CCCSIG's Board of Directors met in May 2011 to discuss CCCSIG's Strengths, Weaknesses, Opportunities & Threats (SWOT). The following long-term Strategic Priorities resulted from that session and were subsequently approved by the Executive Committee:

CONTINUED GROWTH:

Consider addition of new K-12 and Community College districts
Consider expansion into other areas of coverage: Property & Liability/Dental & Vision

CONTINUED EDUCATION ABOUT CCCSIG & JPAs

Provide additional education to Board Members regarding JPAs and the responsibility of a Board Member
Provide education to other stakeholders (Members, Potential Members and Key "Influencers" in CA Schools)

LEVERAGE CCCSIG'S ASSETS AND OVERALL ADMINISTRATIVE INFRASTRUCTURE

When considering growth, maximize the resources of CCCSIG's excellent management and staff, systems, strong financial foundation and reputation for transparency and integrity

EXPLORE NEED FOR LEGISLATIVE/REGULATORY STRATEGY

Consider using CCCSIG's reputation for excellence and being a leader among JPAs to become an advocate for legislation for JPAs

CCCSIG's management will continue to work closely with the Executive Committee to develop goals and objectives in order to meet these long term strategic priorities.

CCCSIG BOARD OF DIRECTORS

CCCSIG's Board of Directors includes one representative from each district to represent the needs of all members. Nine members of the Board serve as the Executive Committee (asterisks). CCCSIG's Board of Directors (as of 9/11):

BOARD OF DIRECTORS

- * Chris Learned, Board President
Acalanes Union High SD
- * Sheri Gamba, Vice President
West Contra Costa USD
- * Margaret Kruse, Secretary
Brentwood Union SD
- * Tim Forrester, Antioch USD
- * Eugene Huff, CCC College District
- * Bill Clark, CCC Office of Education
- * Lenee Cadotte, Lafayette SD
- * Kathy Bell, Moraga SD
- * Jessica Romeo, San Ramon Valley USD
- Gaby Hellier, Byron Union SD
- Gloria Faircloth, Canyon Elementary SD
- Mike McLaughlin, John Swett USD
- Teresa Sidrian, Knightsen Elementary SD
- Rick Miller, Liberty Union High SD
- Rami Muth, Martinez USD
- Greg Rolen, Mt. Diablo USD
- Debra Fogarty, Oakley Union Elementary SD
- Jerry Bucci, Orinda Union SD
- Dorothy Epps, Pittsburg USD
- Kevin Collins, Walnut Creek SD
- Bill McGuire, St. Helena USD
- Mike Bush, Castro Valley USD



THE MISSION OF CCCSIG IS TO ENHANCE THE HUMAN & FINANCIAL RESOURCES OF OUR MEMBERS IN ORDER TO CONTRIBUTE TO AND ENHANCE PUBLIC EDUCATION

CCCSIG STAFF

CCCSIG's staff is experienced and dedicated to providing excellent customer service to member districts and their employees. CCCSIG's staff (as of 9/11):

ADMINISTRATION

- ***Bridget Moore, Executive Director**
Denise Cifelli, Executive Asst.
Heidi Flanagan, Executive Asst.
- ***Joe Emmett, Chief Financial Officer**
Veeda Jafari, Accountant
Deborah Anderson, Accounting Spec.
Victor Ammay, IS Spec.
Donna Martinez, IS Spec.

*Erica Williamson, HR Mgr.

Maria Villar, Office Assistant II
Stephanie Tyler, Office Assistant

Enid Vazquez, P/T Office Assistant

HEALTH & SAFETY SERVICES

- ***Denise Schreiner, Health & Safety Svcs. Mgr.**
Steve Webber, Sr. Health & Safety Svcs. Spec.
Abbie O'Toole, Sr. Health & Safety Svcs. Spec.
Susan Patterson, Health & Safety Svcs. Spec.

WORKERS' COMPENSATION

- ***Michael Clark, Claims Mgr.**
Patty Harrer, Nurse Case Mgr.

Marilyn Verducci, Early Return to Work Spec.

Debra Mallett, Sr. Bill Review Spec.

Deberia Gold, Sr. Bill Review Spec.

Spivey Nugent, Sr. Bill Review Spec.

Tisha Davis, P/T Bill Review Spec./Claims Asst.

*Karen Hurd, Claims Supervisor

- Christopher Torres, Sr. Claims Examiner
- Jackie Bailey, Sr. Claims Examiner
- Kim Williams, Sr. Claims Examiner
- Melanie Marz, Sr. Claims Examiner
- Sarah Robinson, Sr. Claims Examiner
- Mary Phillips, Claims Examiner
- Michele Sibilla, Claims Examiner
- Cathy Bullert, Claims Assistant
- Cherry O'Mary, Claims Assistant
- Lisa Stewart, Claims Assistant

*CCCSIG Management Team

CONTRA COSTA COUNTY SCHOOLS INSURANCE GROUP 2010/11 ANNUAL REPORT



SERVING OUR SCHOOLS



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