



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING
Thursday, May 26, 2016 at 8:30 a.m.

LOCATION:

City of West Sacramento
1110 Capitol Ave.
Room 323, Third Floor
West Sacramento, CA

1. Call to Order
2. Approval of Agenda
3. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON ANY MATTER WHETHER OR NOT IT IS ON THE AGENDA, BUT STATE LAW PROHIBITS ACTION BY THE BOARD ON NONAGENDA ITEMS
4. Communications
 - A. Board Members
 - B. CEO/Risk Manager
 - C. Next Meeting
5. Consent Calendar
 - A. Approval of Minutes
6. Action Item
 - A. Policy Prefunding Member's Uncovered Claims
 - B. Physical Damage Pool Layer
 - C. YCPARMIA Litigation Policy and Procedures
 - D. West Plainfield Fire Department
7. Information Items
 - A. YCPARMIA Financial Report
 - B. YCPARMIA Investment Statement
 - C. Notification of New Claims Received Since the Previous Board Meeting
 - D. Closed Liability Files
 - E. Workers' Comp Monthly Summary
 - F. Certificates Issued
 - G. Lexipol Update
 - H. Temporary Disability Graph
 - I. Willow Oak Fire Protection District
 - J. Strategic Planning

The meeting room is wheelchair accessible and disabled parking is available. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact our office at (530) 666-4456 or Fax (530) 666-4491. Requests for such modifications or accommodations must be made at least 48 hours before the start of the meeting.

Yolo County Public Agency Risk Management Insurance Authority

	COMMUNICATIONS
AGENDA ITEM NO.	4B
DATE:	May 26, 2016
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

1. PARMA is returning to the Disneyland Hotel complex in February of 2017; this is a popular destination, and your early indication of attendance will help us reserve rooms.
2. CAJPA is again being held in South Lake Tahoe between September 13th and 16th.
3. YCPARMIA has installed the Mosquito a high frequency deterrent system, to the front and rear of our building to stop repeated visits and damage from homeless campers.
4. As directed, and budgeted for, by the Board, YCPARMIA has been obtaining bids for new carpet and paint – the current carpet and paint dates back to the building's construction in 1985, thirty-one years ago.
5. Gina Rowland, HR Director for the County of Yolo, has been appointed to take the place of Assistant CAO Mindi Nunes on the YCPAMIA Board effective 6/6/16; Gary Engel will continue as Board Alternate.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: May 26, 2016

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The next Board meeting is scheduled for:

DATE: June 23, 2016

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: May 26, 2016

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of March 31, 2016 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for March 31, 2016 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6A</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	Policy Regarding Prefunding of Member's Uncovered Claims
RECOMMENDED ACTION:	That the Board modify its existing policy to add property losses to claims eligible for this policy.

BACKGROUND INFORMATION:

In 2004 the Board adopted a policy that allows members, subject to Board approval, to have YCPARMIA fund payment of their uncovered liability claims. The policy was in response to pollution litigation brought against the City of Woodland, for which, at the time, there was no coverage. Advanced funds are paid back over three years with interest accruing at the LAIF rate (currently 0.37% per year).

In 2008 the CSAC-EIA property program, in an effort to control premiums during the budgetary crisis, raised the deductible to \$100K (formerly \$20K) on losses to vehicles valued over \$250K. Premium rates remained flat, but members faced increased exposure on losses to large vehicles. Since that time there were no applicable losses, but recently the Capay Fire District suffered between \$78K and \$150K in damage to an engine that was driven into a ditch.

While it would not apply to Capay's loss, we have met with the CSAC-EIA broker to find out if we could buy down the deductible within the CSAC-EIA program (we can't), or purchase a separate policy on this type of equipment with a lower deductible (which they are exploring).

In the meantime, Capay is faced with a significant loss, and needs to pay for the repair to their fire engine. An option that could be offered would be to expand the current policy allowing members to prefund uncovered losses through YCPARMIA. This could be done by adding "and property" to the current policy language so that it reads, "...advance funding of settlements of liability **and property** claims that are not covered under any YCPARMIA program."

Property claims normally carry a \$1K deductible, so it would be extremely unlikely that any member would make use of this policy for anything other than vehicles, or for losses to property that were not included on the list of covered locations/values.

FISCAL IMPACT

There is no anticipated fiscal impact from the recommended action; funds are repaid with the same rate of return that the Authority would receive through its LAIF investments

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6B</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	Physical Damage Pool Layer
RECOMMENDED ACTION:	That the Board create a pooled layer of \$50,000 in excess of \$50,000 on any physical damage losses that trigger the program's \$100,000 deductible.

BACKGROUND INFORMATION:

A recent loss suffered by one of our members has revealed that many of our members are unaware of a coverage change in our Property Program that took place four years ago.

The normal member deductible on property losses is \$1,000 per loss. Auto physical damage has a \$20,000 deductible, and vehicle/equipment with a declared value over \$250,000 has a \$100,000 deductible. This higher deductible was triggered by our excess group in an effort to limit premium increases in a hardening market. YCPARMIA members have forty-eight fire engines (forty-eight with Willow Oak FD joining 7/1/16), and seven other vehicles that are valued over \$250K, with a total value of over \$23M on the fifty-five vehicles.

It has been made very clear to us that a number of our members cannot afford this exposure, and so staff is currently exploring options. These include:

- Expanding the YCPARMIA Board Policy to provide an option to pay the uncovered losses with a three-year repayment plan to this exposure.
- Creating a pooled layer in the deductible attaching at \$50K up to \$100K – note, YCPARMIA does not currently have a pooled layer in the auto/equipment physical damage program.
- Buying down the deductible within the current program (we are told that is not currently an option), or buying a standalone policy to cover losses up to \$100K (so far not a viable option).

Another agenda item is addressing the expansion of our uncovered loss funding policy to include the \$100K auto physical damage deductible.

The recommendation in this agenda item is to create a pooled layer of \$50K in excess of \$50K – essentially reducing our member's deductible to \$50K from \$100K – on losses

occurring to vehicles with values in excess of \$250,000. The proposed pooled layer would spread the risk across our membership, and reduce member's individual exposure by 50% to the first \$50K of any loss.

With the Confidence Margin and Catastrophic Fund in place for the Property Program, we are not anticipating the need for additional funding. If/when a loss does occur that triggers the pooled layer we would need to replenish the effected fund, hopefully out of retained surplus, possibly reducing funds available for premium rebates.

It is hoped that this proposed pool layer will ultimately prove unnecessary. If the property program's excess group lowers the deductible again, or we are able to purchase a group policy to cover the first \$100K (subject to some deductible) on these fifty-five vehicles, we would not need this pooled layer. Until that happens members, especially the smaller fire districts, need to mitigate this risk.

FISCAL IMPACT

The fiscal impact would depend on losses. We have had only one claim that would trigger the proposed pool layer. We are not anticipating the need to raise premiums at this time, but might consider recommending an increase in our confidence margin, possibly from the current \$115K to \$150K, on a gradual basis using surplus funds.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6C</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	YCPARMIA Litigation Policy and Procedures
RECOMMENDED ACTION:	That the Board review and accept the updated Litigation Policy and Procedures.

BACKGROUND INFORMATION:

In 2002 the YCPARMIA Board adopted a policy, found on K-95 in the Blue Binder, which addresses litigation management. It was essentially taken from our excess pool, CJPRMA (who have yet to actually adopted it), and rewritten to address our ongoing practices. Approximately every five years the policy is updated as our practices and expectations evolve. Attached is the proposed updated and rewritten policy.

The value of the policy and procedures is that it gives YCPARMIA a standard to enforce when managing defense counsel. It also lays out expectations for defense counsel services and billing while defining our ongoing relationship. The essential goal is maintain involvement and control over the litigation process, while obtaining high quality professional services. Arguably it might be more restrictive than most defense firms prefer, but is not inconsistent with requirements found in the insurance industry.

FISCAL IMPACT

There is no anticipated fiscal impact from adopting the recommended action.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6D</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	West Plainfield Fire Department
RECOMMENDED ACTION:	That the Board Review and Accept the Application for Associate Membership by the West Plainfield Fire Department

BACKGROUND INFORMATION:

YCPARMIA has received an application for membership from the West Plainfield Fire Department; if accepted, coverage would be effective 7/1/16. They are located in the rural area about five miles north-west of Davis adjacent to the Yolo County Airport. YCPARMIA has been providing limited loss prevention services to this non-member department for a number of years.

In structure and size it is very similar to our other fire district members:

Two and a half full time professional staff positions.

One clerical position.

Thirty volunteers and support reserves.

Five fire engines of various types.

One firehouse/hall.

Commissioners are appointed by the Board of Supervisors.

Property value for buildings, contents, and equipment total \$1,616,000.

Their loss history is pretty clean:

Liability: they have had a couple of small fender-benders in the last seven years.

Workers' Compensation: one claim in the last five years

Property: no losses indicated.

Proposed premiums at a \$1,000 deductible for all programs and a \$20,000/\$100,000 deductible for equipment:

Liability: \$5,000 (mandatory minimum)

Workers' Compensation: \$5,000 (mandatory minimum)

Property: \$883.

Fidelity: \$42..

In size, location and structure the exposure represented by the West Plainfield Fire Department is no different from most of our other member fire districts. We are aware of no underwriting criteria that would argue against their membership.

FISCAL IMPACT

West Plainfield's membership would generate about \$12,000 in annual premium revenue, and would trigger small increases in our excess coverage costs. Obviously, just like any other member, any claim activity would adversely affect our balance sheet.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7A</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through April 30, 2016 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7B</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through April 30, 2016 for your review.

	<u>Investment Statement</u>
For your information:	
<i>LAIF as of 3/31/2016</i>	\$ 5,654,168.00
Chandler as of 4/30/2015:	\$ 12,262,588.00

	<u>Outstanding Reserves</u>
For your information:	
Total as of 4/30/2015:	\$ 8,318,374.00
Total as of 4/30/2016:	\$ 6,855,846.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: May 26, 2016

SUBJECT: Notification of New Claims Received Since the
Previous Board Meeting

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached is a list of new Liability claims that have been received by YCPARMIA since the last Board Meeting. For your convenience, we have also included a list of all open Liability claims.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7D</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	Closed Liability Files
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached is our report on closed liability files. Recognizing that this agenda is a public document, it should be emphasized that the information provided is general. It is probable during the course of the year, that some files that close with a denial will re-open for litigation.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7E</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	Workers' Comp Loss Run Summary
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the April WC loss run summary reflecting results for the first ten months of the fiscal year.

Summary:

Claim frequency is up when compared to last year, but severity is flat. These trends should benefit us in the coming actuary study. Claims payments are trending slightly up, but within the distortion range triggered by a couple of large settlements in the past few months. Most importantly, future reserves are trending flat at a relatively low level.

Frequency:

Recognizing that we are dealing with small numbers, we have averaged 30.4 claims a month since the start of the fiscal year; last year we averaged 28 claims a month. Fortunately the increase appears to be small claims, and the numbers are small enough that a single month, either way, can have a big impact.

Severity:

Of the 304 new claims received this year, only 23, or 7.5%, have been coded "indemnity," meaning that they start with TD and/or PD reserves. This is essentially unchanged from last year. We have had a net 35 claims converted from medical only to indemnity, so our indemnity exposure is really 58 claims, or about 19% of our new injuries – virtually identical at the same point last year. Of course not all indemnity claims have the same value. It is not just the number of claims with PD and/or TD, it is how big the reserves are in total.

Benefits:

Our average monthly benefit payments this year are \$242,804. This compares well to last year's average of \$232,266. Essentially benefit payments are tracking flat when compared to last year, but could still see significant movement, either way, in the last two months of the fiscal year..

Temporary Disability: This number is trending flat when compared to last year, and reflects a continuing commitment to finding modified work for injured workers.

Permanent Disability: Permanent Disability payments are also trending higher, but reflect a recent series of Compromise and Release settlements that caused the PD component to be paid as lump sums, rather than over time.

Medical Costs: Our biggest benefit exposure is trending flat.

Legal, Investigative, Subrosa: And, maintaining the pattern, this area is also trending flat.

Future Reserves:

Future reserves on existing open files are at \$5,970,562, or \$1,168,198 lower than reserves a year ago, and is consistent with the projections that our actuary made using 12/31 figures.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: May 26, 2016

SUBJECT: Certificates Issued

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is a list of the certificates that have been issued since the last Board Meeting.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7G</u>
	DATE: <u>May 26, 2016</u>
SUBJECT:	Lexipol Update
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

YCPARMIA contracts with Lexipol to provide model policies and procedures along with training geared to those policies for our member's law enforcement agencies; they also provide model fire policies. The Lexipol policies are widely used throughout the State, and provide the standard that agencies must meet.

We recently met with staff from Lexipol, and their slide presentation is attached. They monitor their client's "performance" based on computer tracking of updates and daily training bulletins (DTB) assigning green-yellow-red ratings. Our one participating fire department, Davis, is coded red; our Yolo County agencies yellow, with additional use needed to comply, and our remaining agencies are all in the green.

YCPARMIA's investment in Lexipol services is substantial, about \$70K per year, but directly addresses our biggest reoccurring exposures. In law enforcement litigation there is almost always a cause of action for a "Monell" violation – failure to have or train to an acceptable policy. The use of Lexipol and their training component largely insulates us from that exposure

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: May 26, 2016

SUBJECT: Temporary Disability Graph

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

One of the benefits provided under the California Workers' Compensation system is wage continuation for injured workers who are either taken off work by the treating physician, or who have work restrictions from their treater that their employer cannot accommodate. The benefit continues for up to two years, or until the injured worker is released by their treater to return to work. The maximum TD benefit is currently \$1,128.43 per week.

Over the last five fiscal years we have averaged 390 workers' compensation injuries a year – a bit less than 10% of our covered work force, or about 32 injuries a month. About 18% of those injuries are coded “indemnity” meaning we are exposed to permanent disability benefits, temporary disability benefits, or both – an average of less than six claims a month.

Attached is a graph showing the number of workers who received temporary disability benefits during each month (with some exceptions for months where records were not available). The great majority of claimants are clustered in our four biggest members, Davis, West Sacramento, Woodland, and Yolo.

Over the five year period we averaged about \$38K a month in TD payments, but the last two years have seen a decrease to a bit over \$29K per month.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>71</u>	
DATE: <u>May 26, 2016</u>	
SUBJECT:	Willow Oak Fire Protection District
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

The YCPARMIA Board approved Willow Oak's application for membership at their March meeting. The District's Commission has taken the necessary steps to activate membership, and will be joining YCPARMIA as an Associate Member effective July 1, 2016. They will be participating in the Liability Program, the Workers' Compensation Program, and the Property Program. Premiums will be determined at the Board's June 23rd meeting.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7J</u>	
DATE: <u>May 26, 2016</u>	
SUBJECT:	Strategic Planning
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

This agenda item is intended to allow the Board to discuss trends, actions, and future risk management plans.

One item that should be discussed is the self-assessment audit spear-headed by the County at the direction of the City Managers and County CAO. We have been advised that YCPARMIA was the only agency to submit the study as requested. All other agencies have been given an extension through May 30th, but have yet to submit. No other feedback has been received.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager