



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, June 25, 2015 at 8:30 a.m.

**YCPARMIA
77 W. LINCOLN AVE.
WOODLAND, CA 95695**

THIS AGENDA INCLUDES ITEMS FROM THE MAY BOARD AGENDA – THAT MEETING WAS NOT HELD DUE TO A LACK OF QUORUM

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. Underwriting Policy
 - B. Confidence Margin Policy
 - C. Catastrophic Fund Policy
 - D. Personnel Manual
 - E. Modification of the Liability Coverage Memorandum
 - F. Reinsurance of the Esparto School Bus Fleet
 - G. Cash Payment for the General/Auto Liability Program for Fy15/16
 - H. Fidelity Cash Payment
 - I. Cash Payment for the Property/Boiler Machinery Program for FY 15/16
 - J. Cash Payment for the Workers' Compensation Program for FY 15/16
 - K. Cyber Liability Coverage
 - L. Election of Officers

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.

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. Quarterly Statement of Revenues, Expenses and Retained Earnings
 - H. Workers' Compensation Hearing Claims
 - I. Tree Claims
 - J. CJPRMA Excess Claim Audit
 - K. Year-End Projections
 - L. Strategic Planning

8. Closed Session
 - A. Section 54956.95 – Liability Claim
Ballard et al VS City of West Sacramento
 - B. Conference with Labor Negotiator (CG54957.6)
Unrepresented Employees: Miscellaneous Employees
 - C. Public Employee Performance Evaluation (CG54957)
CEO/Risk Manger

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: June 25, 2015
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

1. The next conference is CAJPA in South Lake Tahoe, September 15 – 18.
2. Next year's PARMA was to be in Monterey on February 16th thru the 19th. Due to renovations at the Convention Center it has been moved to the Renaissance Indian Wells Resort and Spa on February 23rd thru the 26th.
3. We have seen our excess workers' comp premiums trending up, while our frequency and severity has been flat or declining. This has triggered us to explore other options including forming our own excess pool under CJRPMA and Aon, working with our former broker, Marsh, in going to the insurance market, and talking directly with an excess carrier, Midwest Employers Casualty Company.
4. The cinder-block trash area in our parking lot continues to be a target for the area's homeless. After our wooden gate was kicked in, we have installed a new chain link gate. The unbudgeted cost of making YCPARMIA less inviting to the area's homeless has been a disturbing surprise.
5. We continue to see the occasional injured worker going to the emergency room for minor cuts, scrapes and bruises. The cost to the member can be up to three times higher than going to the MPN Occupational Medical Clinics. Service is faster and cheaper at the occupational clinics – follow-up appointments are generally there rather than at the ER, so there is also better continuity of care.
6. We have installed a few adaptors to make desks ergonomically friendly standing work stations. Cost of the units is reasonable, and installation only requires placing them on top of the desk
7. We are overdue for a few of the required Board Member and Alternate orientations. They take about two hours, and enough notice to make sure that YCPARMIA staff are all available during the planned event.
8. There was a recent meeting with the workers' comp fraud investigator from the District Attorney's Office, an investigator from the California Department of Insurance, the claims manager from LWP, defense council, and YCPARMIA staff to address a possible fraudulent workers' comp claim; law enforcement is continuing to investigate the claim.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: June 25, 2015

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The next Board meeting is scheduled for:

DATE: August 27, 2015

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: June 25, 2015

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of March 26, 2015 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for March 26, 2015 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>June 25, 2015</u>
SUBJECT:	Underwriting Policy
RECOMMENDED ACTION:	That the Board review and adopt the proposed Underwriting Policy.

BACKGROUND INFORMATION:

Every three years YCPARMIA is audited by the California Association of Joint Powers Authorities for renewal of its accreditation. We have been advised that this year they have added a new requirement – an Underwriting Policy. Our accreditation audit should be completed by early summer, and adoption of this policy will keep us in compliance with the best industry standards.

The purpose of this policy is to set forth the evaluation process for prospective members, new to the Authority, or new to participation in its various offered programs. The policy sets forth the standards and policies that are followed to protect the assets of the pool, and its members during the process where the Board considers applications.

The underwriters in an insurance company evaluate the risk that potential insureds represent, and decide whether the company wants to accept that risk, and if so, at what price. YCPARMIA, as a mature pool serving a restricted geographical area with a finite number of perspective members, does not process many applications for new membership, or applications for existing members to join existing programs. Most of the elements of the proposed policy are already found in various YCPARMIA documents and policies. The offered Underwriting Policy has gathered that information and placed it in a single document.

FISCAL IMPACT

There is no direct fiscal impact resulting from 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>6B</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Confidence Margin Policy
RECOMMENDED ACTION:	That the Board modify its existing policy to roll Boiler and Machinery into Property, and to increase the Property Confidence Margin to \$100,000.

BACKGROUND INFORMATION:

The Board has a Confidence Margin Policy (K-89 in the Blue Binder) that supplements Loss Reserves which are required to be booked by GAAP at expected (50% confidence). The Liability and Workers' Compensation programs have their program reserves and confidence margins determined by our annual actuary study. The Property and Fidelity programs are not part of that study as both our claim frequency and severity would not generate meaningful numbers.

Historically Property and Boiler & Machinery coverages were written under separate insurance policies. When we moved our Property Program from CJPRMA to CSAC-EIA the Property and Boiler & Machinery programs were combined, and that is now reflected in our financial reports and premiums. Historically the Confidence Margin for Boiler & Machinery was three times our retention, or \$15,000.

We are recommending that the Board's Confidence Margin Policy be modified by:

- Dropping the Boiler & Machinery reference; and
- Increasing the Property Confidence Margin to four times our (\$25,000) retention, plus the existing \$15,000 Boiler & Machinery Confidence Margin, for a total of \$115,000.

The recommended increase in the Confidence Margin is triggered by three considerations:

- We have seen a dramatic increase in the frequency and severity of property claims, and the trend seems to be continuing;
- The cost of repair and replacement has been impacted by inflation; and
- Members continue to report occasional property claims long after the losses occur.

It would be our intention to allow the funding of the new recommended level float up when “good years” lead to the development of a surplus in this program. The increased Confidence Margin will also allow us to continue to tightly fund our Loss Payment Program which directly impacts premiums.

FISCAL IMPACT

There would be no immediate fiscal impact from the recommended action. There would be no premiums collected to increase this fund, but future surplus rebates would be affected until the new level is funded.

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>June 25, 2015</u>
SUBJECT:	Catastrophic Fund Policy
RECOMMENDED ACTION:	That the Board modify its existing Catastrophic Fund Policy to combine Property and Boiler & Machinery, and to increase the combined Catastrophic Fund for Property to \$100,000.

BACKGROUND INFORMATION:

This is a companion agenda item with the previous item addressing modifications to the Confidence Margin. As the Property and Boiler & Machinery programs were combined, it follows that their Catastrophic Funds should also be combined.

The increase from the combined \$65,000 to \$100,000 is supported by loss inflation since the amounts were originally set fourteen years ago. This modest increase in program funds will allow us to continue to tightly fund our loss payment reserve which comes from annual premiums.

Like the Confidence Margin, it would be our intent to let the funding float up to the new levels as surpluses are developed – hopefully over the next two years.

FISCAL IMPACT

There is no direct fiscal impact from the recommended action; premiums will not be increased to fund these changes. Excess surplus over the next few years could be impacted.

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>June 25, 2015</u>
SUBJECT:	YCPARMIA Personnel Manual
RECOMMENDED ACTION:	That the Board review and approve the attached updated Personnel Manual

BACKGROUND INFORMATION:

At the Board's direction, YCPARMIA contracted with Bryce Consulting last year to review our personnel manual, and make recommendations on updates and changes. Attached is their draft copy of the manual.

In addition to minor changes to language/words, removing redundancies, and making the sections compatible/consistent, the proposed major modifications are:

- Rearranging the manual into two parts: General Administration (on how the Authority conducts its business), and Personnel Administration (rules relating directly to employment).
- Reorganizing a third part for attachments – basically stand-alone policies.
- Adding Board Policies relating to employment found in the Blue Binder to the Attachment section of the Personnel Manual.
- Adding a Violence in the Workplace Policy.
- A revision of the Harassment Policy.
- Adding a Drug Free Workplace Policy.

At the time of writing this agenda item, there was still an outstanding issue on drug testing as part of YCPARMIA's proposed Drug Free Workplace Policy. It is anticipated that this will be developed and presented to the Board as part of this agenda item.

FISCAL IMPACT

There is no anticipated fiscal impact from approving 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>6E</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Modification of the Liability Coverage Memorandum
RECOMMENDED ACTION:	That the Board review and adopt the proposed change to the Liability Coverage Memorandum

BACKGROUND INFORMATION:

In simple terms, we are recommending that the YCPARMIA Liability Memorandum of Coverage be clarified to indicate that the JPA's duty is to defend and indemnify its members for covered claims, and that any "resulting damages" beyond the cost of defense and indemnification would not be covered damages.

A Southern California JPA, the Independent Cities Risk Management Authority (ICRMA), was hit with a \$2.23 million arbitration award growing out of a suit by one of its members, the City of Upland. The JPA and its reinsurer had refused to defend the city in a lawsuit based on the County of San Bernardino's refusal to pay for flood-control improvements in a residential and commercial development in Upland. Ultimately the County settled for \$102 million, but had brought the City and others into the action for indemnity. The co-defendants, including Upland, entered into a "walk away" agreement, and went after the insurers instead.

The recommended language mirrors the coverage provided by our excess pool, CJPRMA, and would be added in Section VII (Conditions), Paragraph 2 (Action against Authority/Subrogation, after the paragraph labeled (a):

"Under no circumstances shall the Authority be liable for consequential damages, "bad faith" damages, or any sums beyond the amounts due under Section I – Coverages, plus interest at the same rate as the Authority earned on investments for the time period involved."

FISCAL IMPACT

There is no direct fiscal impact resulting from 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>6F</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Reinsurance of the Esparto School Bus Fleet
RECOMMENDED ACTION:	That the Board authorize the CEO/Risk Manager to bind coverage reinsuring the Esparto School Bus Fleet for an annual premium of not more than \$28,000

BACKGROUND INFORMATION:

The YCPARMIA Liability Memorandum of Coverage excludes coverage for multi-passenger vehicles with over twenty seats, but endorsement #2 exempts the Esparto School bus fleet from this exclusion. There is a similar endorsement on our excess coverage. In effect, this means that the buses are covered for the first \$500K by YCPARMIA and by the excess carrier for amounts above our retention.

In an effort to protect the risk sharing pools from a potentially catastrophic exposure for multiple injuries in a single accident, YCPARMIA has historically re-insured the bus exposure by purchasing separate commercial coverage for the risk. This coverage would be primary, and would satisfy our retention by paying the first \$5M of any covered occurrence, with the excess pool attaching above that.

The premium for this coverage is included (with our CJPRMA excess coverage costs) in the budget under Excess Liability Coverage. Last year's premium was \$26,209, a small increase from the previous year's \$26,191. This year's quote is currently overdue from our broker, but we are anticipating little, if any, increase – for budgetary purposes we were anticipating less than 5%.

The insurance policy also provides physical damage coverage for the buses; the cost of this coverage is passed back to the District. Subject to a \$1,000 deductible, the current premium was \$6,545 or the same as the previous year. The District approves the binding of this coverage prior to placement.

FISCAL IMPACT:

The cost of the reinsurance is already included in the approved budget under Liability Excess Coverage.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6G

DATE: June 25, 2015

SUBJECT: Cash Payment for the General/Auto Liability Program for FY 15/16

RECOMMENDED ACTION: That the Board:

- Approve the General/Auto Liability Program's cash payment of \$2,732,636 for FY 15-16;
- That no rebate credit be declared from this program;
- Direct the CEO/Risk Manager to bill these cash payments after July 1, 2015

BACKGROUND INFORMATION:

The General/Auto Liability payment is determined by using the Board approved formula found in the YCPARMIA bylaws based on known and projected costs, credits, 2014 calendar year payroll and a three-year incurred loss history ending December 31, 2014. The board has a policy of funding the actuarially determined confidence level of 70%. By applying the premium formula to program figures we generate a premium/cash payment total of \$2,732,636. Significantly, this figure represents a \$24,205 increase when compared to last year's premium.

It is important to remember that while the liability premium remains relatively flat, each member's individual share of the total premium will be affected by their three-year claims history, and how it relates to the performance of other members.

Of greater significance is the continuing trend of flat liability premiums. After six years of virtually identical or flat premiums, last year we saw a \$76K increase, and this year an additional \$24K. The driver of these increases is the excess premium cost for coverage above YCPARMIA's SIR. With this recommended billing the liability program will:

- Have fully funded program reserves;
- Have a fully funded confidence margin;
- And a catastrophic fund funded at 20% of the Board approved level.

The authority has experienced three recent claims that have exceeded our SIR, and as a result, have depleted our catastrophic fund. A return to a more normal claims history should see an improvement in that funding.

Under the premium formula found in the By-laws, the shares of the premium/cash payment will be as follows:

City of Davis	\$426,418.69
Esparto Unified School District	\$74,221.00
City of West Sacramento	\$762,760.20
City of Winters	\$41,414.37
City of Woodland	\$254,213.60
County of Yolo	\$1,088,094.79
YECA	\$18,223.67
Yolo-Solano AQMD	\$12,290.12
Capay Valley FPD	\$5,000.00
IHSS	\$5,000.00
Davis Cemetery District	\$5,000.00
Madison FPD	\$5,000.00
Winters Cemetery District	\$5,000.00
Cottonwood Cemetery Dist.	\$500.00
Clarksburg FPD	\$5,000.00
Winters FPD	\$500.00
Dunnigan FPD	\$5,000.00
Yolo Co Habitat JPA	\$2,500.00
Madison Service District	\$5,000.00
Law Library	\$500.00
LAFCO	\$500.00
No Man's Land FPD	\$500.00
East Davis FPD	\$500.00
Springlake FPD	\$500.00
Port	\$8,500.00
Woodland/Davis CWA	\$500.00
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	\$2,732,636.44

FISCAL IMPACT:

The recommended funding level is reflected in the approved fiscal year 15/16 budget.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6H</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Fidelity Cash Payment
RECOMMENDED ACTION:	That the Board: <ul style="list-style-type: none">- approve the Fidelity Cash Payment of \$28,932 for FY 15/16- approve a rebate credit of \$4,000 to be applied against next year's premium; and- direct the CEO/Risk Manger to bill these cash payments after July 1, 2015.

BACKGROUND INFORMATION:

The premium formula for this program is found in YCPARMIA's bylaws. The total premium cost is determined by adding the cost of excess coverage, administrative expenses (1% of the YCPARMIA total) and pooled claim costs; the individual member share of the total is based on the participating member's proportionate share of total employee headcount. Per the attached Premium Worksheet, this year's premium is \$28,932, or \$400 more than last year's approved figure.

There were no new claims reported for this program, and excess coverage costs came in lower than expected, so we have built up an excess surplus, and recommend of the Board declare a \$4,000 rebate credit for this program. After the rebate/credit the program will:

- Have a fully funded confidence margin;
- Have a fully funded catastrophic margin; and
- A small remaining surplus.

The recommended action will result in a net premium of \$24,932.

The premium/cash payment will be as follows:

	<u>Premium</u>	<u>Rebate</u>	<u>Less Rebate</u>
City of Davis	\$4,590.72	\$771.07	\$3,819.65
Esparto Unified School District	\$1,047.31	\$149.39	\$897.92
City of West Sacramento	\$4,616.90	\$630.34	\$3,986.56
City of Winters	\$497.47	\$77.01	\$420.46
City of Woodland	\$3,264.12	\$447.49	\$2,816.63
County of Yolo	\$13,396.87	\$1,700.07	\$11,696.80
YECA	\$314.19	\$48.75	\$265.44
Yolo-Solano AQMD	\$192.01	\$27.63	\$164.38
IHSS	\$34.91	\$4.89	\$30.02
Yolo Courts	\$890.22	\$133.16	\$757.06
Clarksburg FPD	\$17.46	\$2.85	\$14.61
Dunnigan FPD	\$43.64	\$4.50	\$39.14
Madison Service District	\$26.18	\$2.85	\$23.33
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	\$28,932.00	\$4,000.00	\$24,932.00

FISCAL IMPACT:

The recommended premium is consistent with the approved budget.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6I</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Cash Payment for the Property/Boiler & Machinery Program for FY 1516
RECOMMENDED ACTION:	That the Board: -Approve the Property/Boiler & Machinery cash Payment for FY 15/16 of \$604,679; -Direct the CEO/Risk Manager to bill these cash payments after July 1, 2015.

BACKGROUND INFORMATION:

The YCPARMIA Bylaws contain the premium formula for this combined program. The formula calls for adding excess coverage, pooled risk funds, and administrative expenses (3% of the YCPARMIA total) to determine the total premium. This amount is then apportioned among the participating members based on their percentage share of declared property values. The excess insurance group charges a higher rate for the Port, which in turn generates a surcharge over normal member costs that is passed through to them.

Declared values have remained relatively flat at \$1,056,991,128 (a \$32K increase over last year). The increased premium cost is directly related to a Board approved increase in our claims payment fund that was driven by a historically high year in both claim frequency and severity. The claims payments, coming in at over twice what we budgeted, has eroded the catastrophic fund.

We will end the fiscal year with:

- A fully funded confidence margin, and
- A catastrophic fund at 14% of the Board approved level.

The premium/cash payment, apportioned by declared values, will be as follows:

CITY OF DAVIS	\$87,090.32
ESPARTO SCHOOL DIST	\$17,196.84
CITY OF W SACRAMENTO	\$113,978.54
CITY OF WINTERS	\$15,872.74
CITY OF WOODLAND	\$87,996.63
COUNTY OF YOLO	\$193,284.83
YECA	\$4,176.44
YOLO-SOLANO AQMD	\$461.16
CAPAY VALLEY FPD	\$1,702.29
IHSS	\$53.30
DAVIS CEMETERY DIST	\$1,063.66
LAW LIBRARY	\$1,538.46
YOLO COURTS	\$3,413.72
CLARKSBURG FPD	\$1,039.17
MADISON FIRE DIST	\$1,222.20
WINTERS CEMETERY DIST	\$387.27
COTTONWOOD CEMETERY	\$30.66
DUNNIGAN FPD	\$1,000.33
PORT	\$73,109.63
MADISON SERVICE	\$61.20
Yolo County HCP/NCCP JPA	\$8.93
TOTAL	\$604,679.40

FISCAL IMPACT:

The recommended funding amount is reflected in the approved budget.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6J</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Cash Payment for the Workers' Compensation Program for FY 15/16
RECOMMENDED ACTION:	That the Board: -Approve the Workers' Compensation Program's cash payment for FY 15/16 in the amount of \$5,251,016 and -Direct the CEO/Risk Manager to bill the member cash payments after July 1, 2015

BACKGROUND INFORMATION:

The Workers' Compensation cash payments are determined by using the Board approved formula found in YCPARMIA's Bylaws. This formula uses known and projected costs, credits, 2013 calendar year payroll, and a three-year paid-to-date history ending December 31, 2013. Catastrophic claims are capped at \$75,000 and deductible payments are rolled into the calculations. The Board, as a matter policy, funds at the actuarially determined 70% confidence level.

This program has a series of interrelated inflationary pressures at play that combine to having an adverse impact on the rebuilding of program funds. In 2009 the Board made an informed decision to suspend the premium formula in the face of a public entity budget/funding crisis. Our Catastrophic Fund and Confidence Margin were essentially used to offset member premium costs, and since then we have been trying to replace those monies. We are projecting a significant improvement in the programs funding.

The workers' compensation program has legislated benefit inflation that can only be avoided by reducing the number of injuries. We have seen a reduction in claim frequency and severity, but not sufficient to offset the increase in benefit costs. We have also experienced a steady increase in excess premium costs. .

On the positive side, an excellent actuary study has resulted in a significant reduction in program reserves. As a result we are anticipating that the year will end with:

- Fully funded program reserves,
- A fully funded confidence margin, and
- The Catastrophic Fund at about 50% of the Board approved level.

The 15/16 cash payment, generated by the premium formula found in our By-laws, is, \$5,251,016, or about \$224K more than last year's. Significant increases in excess coverage costs, state assessment fees, medical inflation, and actuarial projections of costs for the coming year are driving the increase.

The premium/cash payment will be as follows:

City of Davis	\$1,038,933.45
Esparto Unified School District	\$88,771.08
City of West Sacramento	\$1,150,490.50
City of Winters	\$120,518.33
City of Woodland	\$886,302.17
County of Yolo	\$1,852,553.93
YECA	\$34,989.61
Yolo-Solano AQMD	\$16,402.55
Capay Valley FPD	\$5,000.00
IHSS	\$5,000.00
Davis Cemetery District	\$5,000.00
Madison FPD	\$5,000.00
Winters Cemetery District	\$5,000.00
Cottonwood Cemetery Dist.	\$500.00
Clarksburg FPD	\$5,000.00
Dunnigan FPD	\$18,555.05
Yolo Co Habitat JPA	\$2,500.00
Madison Service District	\$5,000.00
Port	\$5,000.00
LAFCO	\$500.00
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	\$5,251,016.67

FISCAL IMPACT:

The recommended funding amount is reflected in the approved budget.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6K</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Cyber Liability Coverage
RECOMMENDED ACTION:	That the Board Approve Binding Coverage with an Annual Premium of \$8,012.

BACKGROUND INFORMATION:

As part of YCPARMIA's liability program we purchase Cyber Liability Coverage for all YCPARMIA entities through our membership in CSAC-EIA. A summary of the coverage is attached, but in the most general terms it protects our members against the exposure for:

- the unauthorized release from the entity's data system of personal information.
- required notices to possible victims,
- regulatory defense and penalties,
- Website media content liability,
- Cyber extortion,
- First Party Data Protection, and
- First Party Network Business Interruption.

Subject to a \$100,000 self-insured retention (by the member, not YCPARMIA which does not cover the retention) there is a \$2,000,000 combined aggregate limit on all losses suffered by the member. This year's premium is \$8,012, a slight reduction from last year's \$8,171.

FISCAL IMPACT:

This amount is already included in the approved budget for excess liability coverage.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6L</u>
	DATE: <u>June 25, 2015</u>
SUBJECT:	Election of Officers
RECOMMENDED ACTION:	That the Board nominates and elects a President and a Vice-President for FY 15/16.

BACKGROUND INFORMATION:

YCPARMIA's bylaws require that the officers of the YCPARMIA Board of Directors be elected on an annual basis prior to the beginning to the new fiscal year. Traditionally the President and Vice-President, while elected annually, serve for two successive terms. President Chaney has finished her second year in office; in her new position as Board Alternate, Vice-President Richardson is no longer eligible to serve.

As a matter of information, the other two officer positions in YCPARMIA are:

- Board Secretary: by the By-laws, the position is held by the CEO/Risk Manager; and
- Treasurer: by appointment by the Board, the Yolo County Auditor-Controller, Howard Newens, is our Treasurer.

FISCAL IMPACT:

There is no anticipated cost associated with the recommended action.

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>June 25, 2015</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through May 31, 2015 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>June 25, 2015</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through April 30, 2015 for your review.

	<u>Investment Statement</u>
For your information:	
<i>LAIF as of 4/30/2015</i>	\$ 6,531,952.00
Chandler as of 4/30/2015:	\$ 10,568,359.00
Chandler as of 5/31/2015:	\$ 10,575,508.00

	<u>Outstanding Reserves</u>
For your information:	
Total as of 4/30/2014:	\$10,117,620.00
Total as of 3/31/2015:	\$ 8,185,600.00
Total as of 4/30/2015:	\$ 8,318,374.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7C</u>
	DATE: <u>June 25, 2015</u>
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>June 25, 2015</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>June 25, 2015</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 five-sixths of the fiscal year.

Summary:

Frequency, severity, and future reserves remain good; benefits paid are higher than last year, but less than the year before that. The future reserves are a huge benefit for us because they manifest positive trends projected in our actuary report.

Frequency:

Recognizing that we are dealing with small numbers, we have averaged 25.1 claims a month since the start of the fiscal year; last year we averaged 28 claims a month. If this trend holds we should see a corresponding decrease in future exposures. We have averaged over \$5K in benefits paid per file over recent years, so a reduction of 35 claims this year would suggest a future savings of over \$175K in benefits paid over the life of these files.

Severity:

Of the 251 new claims received this year, only 17, or 6.7%, have been coded "indemnity," meaning that they have TD and/or PD reserves. This is a great number when compared to last year where 21% of our files were had indemnity exposures. At the same time, conversions of files opened as med-only to indemnity due to adverse claim development are an equalizer. There have been a net of 30 claims converted from medical only to indemnity due to adverse medical development. This would bring our number of indemnity claims up to 47, or 18.7% of our total claims – so severity is better than last year, and probably follows the decreased frequency trend.

Benefits:

Our average monthly benefit payments this year are \$234,382. This compares poorly to last year's \$195,741, but is much better than the \$255,738 for the year prior to that. While this is a significant amount, our numbers are small enough that one bad, or one good month could drastically change our trends.

Temporary Disability: This number is trending lower which is consistent with the lower indemnity file assignments. It also might reflect a member commitment to providing modified work.

Permanent Disability: Permanent Disability payments are trending about the same as last year. With fewer new indemnity files we can anticipate an improving trend in this number that will be partially offset by built in benefit rate inflation.

Medical Costs: This number, after a very good year, has returned to its historical range. It is a benefit class where we can experience significant increases generated by a small number of bad injuries, but we are already over last year's total paid with two months to go..

Legal, Investigative, Subrosa: This is an interesting grouping. Payments are up, but some of that was extra legal work reducing open inventory prior to our annual actuary study. We have also been more aggressive in sub rosa assignments this year.

Future Reserves:

This remains the area of focus for staff and claims administrator, and is closely monitored. Future reserve are significantly lower than they were at the same time last year, and our goal is to push them lower as the fiscal year comes to an end.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: June 25, 2015

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>June 25, 2015</u>
SUBJECT:	Quarterly Statement of Revenues, Expenses and Retained Earnings
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

This report reflects quarterly results for our self-insured programs through March 31st, and allows us to project trends towards year-end results. Year end results will be dramatically impacted by program reserve and confidence margin adjustments triggered by our actuary study.

Liability

The report indicates that we have fully funded program reserves and confidence margin, and our catastrophic fund is at about 34% of its Board approved level. This has been an expensive year of litigation and settlements for us. Two files have accounted for our program deficit.

Workers' Compensation

This year is continuing to develop well for us with a gradual decrease in our deficit. The end of the year report where we capture the reductions in program reserves and confidence margin dollars will generate a significant reduction in our bottom line deficit.

Property

The property program continues to suffer through its highest claims payment total in the history of YCPARMIA. While we hope to return to a more normal pattern of losses, we will have to monitor the coming year with an eye towards the possibility that the adverse trend will continue. Next year's goal will be to rebuild the catastrophic fund.

Fidelity

The fidelity program is building a surplus that should be available for rebate at the end of the year.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7H</u>	
DATE: <u>June 25, 2015</u>	
SUBJECT:	Worker's Compensation Hearing Claims
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

On a semi-regular basis, YCPARMIA receives questions about hearing tests. As a general overview, Cal/OSHA requires that an employer who has employees that are exposed to a 8-hour time weighted average of 85dB, or greater, have a Hearing Conservation Program. The members Hearing Conservation Program, which should be considered a supplement to their entity's IIPP, controls how the entity should respond to hearing issues (See topic #146 of YCPARMIA's Manager/Supervisor Manual for additional information).

When a worker feels that they have suffered a job related hearing loss, a 5020 should be submitted to start the workers' compensation process. The YCPARMIA Board Policy on Hearing Claims, located a K-125 in the Blue Binder, then comes into play.

The great majority of potential threshold shifts reported under the Board Policy never make it to an actual Workers' Compensation claim; cleaning ears, and providing a 24 hour period insulated from loud noise before re-testing usually negates the positive test results. Where hearing loss is established as industrial, hearing aids usually correct the problem without any permanent disability.

YCPARMIA currently has 22 open WC hearing claims:

- Davis has 9;
- West Sacramento has 7;
- Woodland has 4;
- Yolo has 1; and
- Winters has 1.

Of those 22 claimants, 18 currently have hearing aids. YCPARMIA has added Costco to our MPN as our hearing aid provider. After the Veterans Administration, they are the largest provider of hearing aids in the country.

As always, YCPARMIA is here to help the member with the creation or updating their Hearing Conservation Program.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 71

DATE: June 25, 2015

SUBJECT: Tree Claims

RECOMMENDED ACTION: Information Only; No Action Required

Traditionally liability for damage caused by entity trees has been determined based on an analysis of a dangerous condition of public property found in GC 835. The elements are:

- The public property was in a dangerous condition at the time of the injury;
 - dangerous condition is defined as:
 - A condition of property;
 - That creates a substantial risk of injury;
 - As distinguished from a minor, trivial or insignificant risk;
 - When the property or adjacent property;
 - Is used with due care; and
 - In a manner that is reasonably foreseeable.
- The injury to the claimant was proximately caused by the dangerous condition;
- The kind of injury that occurred was reasonably foreseeable as a consequence of the dangerous condition; and
- Either:
 - The dangerous condition was created by a public employee's negligent or wrongful act or omission with the scope of his or her employments; or
 - The entity had actual or constructive notice of the condition a sufficient time before the injury occurred to have taken reasonable measures to protect against the injury.
 - Constructive notice arises when the condition has existed for such a period of time and was of such an obvious nature that the public entity, in the exercise of due care, should have discovered the condition and its dangerous character.

As a practical matter, once it is confirmed that the tree is owned by the entity, the only other issue of liability is whether the entity had actual or constructive notice of the condition that caused the tree to fail.

Actual Notice: This has been an issue where the entity recognizes a problem with a tree, but is slow in addressing it – usually backlog, staffing or budget are blamed, and it becomes a question of whether the resulting delay is objectively reasonable. A second

issue is more bureaucratic, where the entity's policy requires some sort of action by a review committee before remedial action is taken; this will never be seen as a reasonable justification for delay in addressing the dangerous condition.

Constructive Notice: This is generally the central issue. Should the entity have known about the problem?

Prior to the incident:

- Was there a formal inspection schedule, and if so was it followed?
- Was there an informal inspection?
- Are there documented complaints about the tree?

After the incident:

- Was it possible to determine why the tree failed?
- Were there any outward signs of disease, rot, or decay?

With an adequate inspection system, and timely maintenance, virtually all tree claims are denied because the entity did not have any reason, under the Government Code standard, to take action to prevent the unforeseeable failure of their tree.

A recent California Court of Appeal decision in the City of Pasadena v. Superior Court (2014) 228 C.A. 4th 1228, has potentially expanded the public entity's exposure for tree claims. In denying the City of Pasadena's Motion for Summary Judgement the Court held that an action in Inverse Condemnation may be used to award damages to the claimant.

Inverse Condemnation is a cause of action based on Article I, section 19 of the California Constitution, which provides that "private property may be taken or damaged for a public use and only when just compensation has first been paid to the owner." To state a cause of action for inverse condemnation, the plaintiff must allege the defendant substantially participated in the planning, approval, construction, or operation of a public project or improvement which proximately caused injury to plaintiff's property.

The only good news is that inverse condemnation is limited to property, and does not include bodily injury.

The sole issue in the Pasadena case is whether the City's public tree, as part of the City's forestry program, constitutes a public improvement such that it could provide the basis for an inverse condemnation claim. There is a distinction drawn between trees on "raw land" and a public improvement or to beautify public streets, provide shade. The Court found that there was evidence demonstrating that the City's forestry program, of which the subject tree was part, was the result of a deliberate governmental action and served a public purpose.

This is extremely important for three reasons:

- It suggests that damage caused by any tree that is part of the entity's "forestry program" falls on the entity. Adequate inspections, maintenance, and causation

- are no longer defenses; it is basically strict liability – the tree causes damage, and the entity pays.
- Damages under inverse, similar to 1983 police claims, can include the plaintiff’s attorney fees and costs – which can greatly exceed actual damages.
 - YCPARMIA members are not covered for inverse condemnation. No primary or excess public entity pools (with the exception of some specialty pools for unique organization like water districts) or insurance companies provide inverse coverage.
 - YCPARMIA would pay claims where an exposure under GC 835 is triggered, and deny claims where the entity did nothing wrong or had no notice. The entity would then be directly exposed to damages based solely on ownership of the failed tree.

There are really three options to mitigate this exposure:

- Transfer ownership of “street trees” to the fronting property owner;
- Greatly expand the entity’s inspection and maintenance programs; and/or
- Political action to remove trees from being categorized as a “public improvement.”

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7J

DATE: June 25, 2015

SUBJECT: CJPRMA Excess Claims Audit

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

On an annual basis our excess liability JPA, CJPRMA, conducts a claims audit of all of its members. While the audit concentrates on claims with potential excess exposure, every third year they conduct a more extensive audit by dropping down into the primary level. YCPARMIA pools the first \$500K of any covered occurrence, and CJPRMA pools the next \$4.5M; reinsurance purchased by the excess pool takes the per occurrence coverage up to \$40M.

Attached is a portion of the 2015 Claim Audit; this year was not a "primary level" year for YCPARMIA so the audit concentrates on our bigger exposures. As the specific file reviews involve active litigation we are not including them in this packet, but will provide them for Board review.

There is a statistical analysis of the excess pool's exposure, along with trending. On a proportionate basis, YCPARMIA represents a bit over 10% of the pools total payroll. While our numbers look good based on that proportion, it is important to understand that we are looking at a relatively small number of claims, and that some single claims have large reserves up on them. For instance, YCPARMIA's total incurred is driven largely by one file, the litigation brought by the six women alleging sexual assault against the West Sacramento Police Department.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7K</u>	
DATE: <u>June 25, 2015</u>	
SUBJECT:	Year-end Projections
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

Part of the annual premium process allows the Board to consider premium rebate/credits to offset member costs for the coming year. Attached are our year-end projections found in the Statement of Revenues, Expenses and Retained Earnings for the four applicable programs. The only program that has created a surplus is Fidelity, and we have recommended a rebate credit.

A quick overview of the year-end projections finds:

Liability: The year will end with fully funded reserves and confidence margin, but a Catastrophic Fund at only 21% of the Board approved level. We started the year in deficit at about 50% of the approved level, and saw deterioration due to a lower than budgeted excess rebate, and four unusually expensive litigated claims. A return to a “normal” claims year should bring us to a better funded position.

Workers’ Compensation: The year is projected to end with fully funded reserves and Confidence Margin, and the Catastrophic Fund at 41% of the Board approved level. This is a significant improvement over where we started the year with no Confidence Margin or Catastrophic Fund, and a small deficit in the program reserves. The positive movement was triggered by better frequency and severity, and an excellent actuary study.

Property: We should end the year with a significant deficit in this program created entirely by the worst claims year – both frequency and severity – that we have ever experienced. An increased claim payment budget, and a normal claim year should bring this program back into balance.

Fidelity: The program is fully funded with a small surplus that developed because of a claim-free year.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7L

DATE: June 25, 2015

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.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

Closed Session

- A. Section 54956.95 – Liability Claim
Ballard, et al VS. City of West Sacramento
- B. Conference With Labor Negotiator (CG54957.6)
Unrepresented Employees: Miscellaneous Employees
- C. Public Employee Performance Evaluation (CG54957)
CEO/Risk Manager