



# Yolo County Public Agency Risk Management Insurance Authority

## AGENDA

**YCPARMIA BOARD MEETING**  
Thursday, August 23, 2018 at 8:30 a.m.

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

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. Cordico Six-Month Update Report
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. Workers' Compensation Severity Report
  - H. End of Year Budget Variance
  - I. End of Year Quarterly Statement of Revenues, Expenses, and Retained Earnings
  - J. Strategic Planning
8. Closed Session

# Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS	
AGENDA ITEM NO.	4B
DATE: August 23, 2018	
<b>SUBJECT:</b>	CEO/Risk Manager's Report
<b>RECOMMENDED ACTION:</b>	Information Only

## **BACKGROUND INFORMATION:**

1. CAJPA is scheduled for September 11<sup>th</sup> thru the 14<sup>th</sup> in South Lake Tahoe; reservations have been made at the old Embassy Suites for those who have indicated that they are attending.
2. PARMA is scheduled for February 10-13<sup>th</sup> 2019 in Anaheim; we have booked a group of rooms based on past attendance. Please let Charlotte know if you will be attending.
3. The auditors from Crowe, LLP were onsite the week of July 30<sup>th</sup> for the annual financial audit of the organization. We anticipate receiving the findings of the audit some time in mid to late September.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	COMMUNICATIONS
	AGENDA ITEM NO. <u>4C</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	Next Meeting
<b>RECOMMENDED ACTION:</b>	Information Only

## **BACKGROUND INFORMATION:**

The next Board meeting is scheduled for:

DATE:           October 25, 2018

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR  
AGENDA ITEM NO. 5A

DATE: August 23, 2018

**SUBJECT:** Minutes

**RECOMMENDED ACTION:** That the Minutes of the Regular Board Meeting of June 28, 2018 be Approved as Submitted

## **BACKGROUND INFORMATION:**

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for June 28, 2018 for your review.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6A</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	Cordico Six-Month Update Report
<b>RECOMMENDED ACTION:</b>	That the Board review and accept the attached semi-annual report from Cordico.

## **BACKGROUND INFORMATION:**

Historically YCPARMIA has provided a wellness program specifically designed for public safety personnel. While a variety of services are included in the program, EAP services are from providers experienced in dealing with the unique exposures growing out of public safety. It is hoped that these services keep employees on the job, and mitigate our workers' compensation and liability exposures by addressing problems before they manifest themselves as claims. Additionally, Cordico provides EAP services for Esparto and YCPARMIA under the current contract.

To assist the Board in monitoring Cordico's performance, a semi-annual report is provided by the vendor; the current report is attached. Feedback from departments regarding Cordico's service and responsiveness remains good.

It is difficult to measure the value of the services provided under this contract. The required pre-employment psychological examinations are probably the most objective measurement, and one of the most important elements there is turn-around-time. A second area, EAP use continues to reflect acceptance and use by member staff—this has remained constant. A third area is post-incident crisis debriefing; Cordico has always been immediately available for these occurrences. An indirect measurement might be the number of workers' comp psyche claims – very few for the collective membership; treatment within the Cordico program saves us money on the WC side where we would normally pay for treatment.

## **FISCAL IMPACT:**

There is not anticipated cost associated with the recommended action.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7A</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	YCPARMIA Financial Report
<b>RECOMMENDED ACTION:</b>	Information only, no action required

## **BACKGROUND INFORMATION:**

Attached are the YCPARMIA's Financial Report through June 30, 2018 for your review.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7B</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	YCPARMIA Investment Statement
<b>RECOMMENDED ACTION:</b>	Information only, no action required

**BACKGROUND INFORMATION:**

Attached are the YCPARMIA Investment Statements through July 31, 2018 for your review.

For your information:

	<u>Investment Statement</u>
<i>LAIF</i>	\$ <i>no report</i>
Chandler as of 7/31/2018:	\$ 13,820,500

For your information:

	<u>Outstanding Reserves</u>
Total as of 6/30/2017:	\$ 6,900,401
<b>Total as of 6/30/2018:</b>	<b>\$ 6,767,771</b>

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7C</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	Notification of New Claims Received Since the Previous Board Meeting
<b>RECOMMENDED ACTION:</b>	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,



Dennis Monahan  
CEO/Risk Manager



# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7D</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	Closed Liability Files
<b>RECOMMENDED ACTION:</b>	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,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM  
AGENDA ITEM NO. 7E

DATE: August 23, 2018

**SUBJECT:** Workers' Compensation Month Summary

**RECOMMENDED ACTION:** Information only, no action required

## **BACKGROUND INFORMATION:**

Attached is the end-of-the-fiscal-year WC loss run summary. With one glaring exception, we had a very good year.

The program has very general goals based on our trends over the last few years:

- Frequency: under 30 injuries a month.
- Severity: indemnity kept under 20% of new injuries.
- Open files: 310 or less open claims.
- Monthly benefits: average less than the preceding year.
- Future Reserves: \$6M.

Frequency: 347 injuries were reported to LWP this year, or an average of 28.9 per month; this is an improvement over last year where we had 364 injuries reported for an average of 30.3 per month and up by about 3 per month from the year before.

Severity: Of the 347 injuries, 6 were set up as indemnity, and an additional 3 were later converted from medical only to indemnity, for a total of 9 injuries that had TD and/or PD reserves. This represents 1.7% of our claims; this is substantially better than the 17.3% last year, and the 21.3% the year before. Note, these are the number of claims, but do not measure the seriousness of each claim, so we are still talking about frequency by type more than severity.

Open inventory: We ended the year with 289 open claims (174 future med, 54 indemnity, and 61 med only). This is down from the 332 at the end of last year, and the 312 the year before. One of the areas that continues tracking upward is future medical files which is to be expected as each year produces new lifetime medical files.

Monthly benefits: We averaged \$278,702 this fiscal year. This includes the \$16,242 in 4850 differential, which is not paid out of the Pool money. It can be subtracted as this amount the employers cover themselves. If we take that figure out, the monthly average drops to \$262,460. That is still up from the \$225K and \$238K of the previous two years. A further breakdown of the payments for the year are as follows

- Temporary Disability: \$580,336;
- Permanent Disability: \$731,203;
- Medical Costs: \$1,532,852;
- Vocational Rehab: \$14,500; and
- File expense: \$235,203.( driven by sub rosa).

In the coming months YCPARMIA will continue to focus on temporary disability costs. As a practical matter, there is no other benefit class that the employer has more control over.

Future Reserves: \$5,723,633, or about \$281K less than last year (and well down from the \$8.5M that reserves were at in 2013). Future reserves represent the monies that we anticipate will be spent on existing claims going forward. Stability in future reserves should equate to stability in benefits paid, but we are talking small numbers of claims, so they are vulnerable to catastrophic claims causing significant spikes.

In Summary: With benefit payments down, and future reserves down, we have a program that has been trending in the best of directions. While this has a positive effect on our actuary study, it must be remembered that we are looking at legislatively mandated benefit inflation – other variables aside, future claims will cost more than current claims, and the actuary study will consider those factors. Regardless of how good the work of staff -- yours, LWP, and YCPARMIA's -- the only way to control and reduce YCPARMIA's workers' compensation costs is to reduce the number of new claims. Even then, with future medical files representing over half of our open inventory, the benefit of reduced claims will be tempered by continuing payments on past claims.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7F</u>
	DATE: <u>August 23, 2018</u>
<b>SUBJECT:</b>	Certificates Issued
<b>RECOMMENDED ACTION:</b>	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,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7G</u>	
DATE: <u>August 23, 2018</u>	
<b>SUBJECT:</b>	Workers' Compensation Severity Report
<b>RECOMMENDED ACTION:</b>	Information Only; No Action Required

## **BACKGROUND INFORMATION:**

Frequency and severity are two measurements of a claim's program's performance. While we regularly provide the Board with claims numbers for our workers' compensation program, the severity element is analyzed by claims numbers rather than dollars.

This report breaks down those claim numbers into dollar ranges. Significantly:

- 107 claims were closed with no treatment and no costs;
- 165 claims were closed with minimal treatment and cost totaling less than \$1,000.
- The last quarter, 29 claims that incur more than \$1,000 in benefits were set up, this is where the real exposure lies.

A word of caution: the last few years are still vulnerable to adverse claim development; there will be some bad surprises coming out of those years as the claims continue to mature. The bottom line shows the number of claims currently open for the program years. It is not uncommon for the remaining open files to be the more expensive files as we address lifetime medical benefits.

The difference between a "good" claims year, and a "bad" claims year is the number of claims in the top three categories – over \$50K. As a historical reference, FY 08/09 had ten claims with incurred over \$100K, while FY 14/15 had none. Total incurred in 08/09 was over \$3.1M while in 14/15 it was only \$1.5M. This suggests that the absence of a very few large claims has significant impact on program cost for any given year.

In summary, we can anticipate about 400 claims a year. Of those, we will average about 10 "bad" claims, but about 300 claims under \$1K. Our numbers are small enough that a few claims in any category can cause a significant shift, one way or the other, in our total exposure.

On the theory that frequency breeds severity, avoiding a few claims through loss prevention/safety efforts will potentially impact severity in all the categories. We are dealing with relatively small numbers, so removing a very few claims from our yearly average could have a significant impact on the overall exposure.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7H</u>	
DATE: <u>August 23, 2018</u>	
<b>SUBJECT:</b>	End of the Year Budget Variance
<b>RECOMMENDED ACTION:</b>	Information Only; No Action Required

## **BACKGROUND INFORMATION:**

The Board's oversight of YCPARMIA includes a mandated budget process with the Board adopting a budget for the Authority in the spring of each year. YCPARMIA's financial position is largely determined by two interrelated sets of numbers:

- Premium trends – what we are costing our members, and
- Program reserves – do we have enough money to meet our financial obligations.

YCPARMIA's budget is integrated into both. Our ability to operate within budget should lead to stable funding, and adequate reserves.

Attached is the unaudited end-of-the-year Profit & Loss Budget vs. Actual report. This report allows the Board to analyze last year's performance against budget, and to address variances where we went over budgeted expense. A final audited year-end report for FY 2017-2018 will be presented to the Board in the fall.

It is essential to note that there are significant elements in our financial operations that are not budgeted, but have a profound impact on our overall performance. Chief among these are the actuarially determined adjustments to our program reserves (\$150,102 this year), and dividend/premium rebate credits (\$657K this year) declared by the Board at their June meeting.

The YCPARMIA budget, generally approved by the Board at its March meeting, is made up of three sections:

- Revenues
- Administrative and Service Expense (12.9% of total expense), and
- Coverage Expense (87.1% of total expense).

Taken as a whole:

- Revenues came in at expected (99.3% of budget); and

- Expenses came in at 124.02% of budget (n.b. this figure does **not** include: rebates, fiscal year end audit adjustments and pass-thru account).
  - Additional unbudgeted expense:
    - Actuarially mandated program reserve adjustments: \$150,102;
    - Board approved member rebates: \$657,000
- The budget had a net ordinary income (surplus of revenue generated by our premium formulas over expenses established by the Board approved budget) built in to it of \$1,777,906. End-of-the-year results come in at -\$927,533 or -52.17% of budget.

In FY17/18, performance against budget resulted in YCPARMIA ending the fiscal year with Workers' Compensation and Fidelity programs fully funded to Board approved levels (program reserves, confidence margin, and catastrophic funds).

#### INCOME:

Income figures are not yet complete as we are still waiting for end-of-the-year LAIF figures, but we do not anticipate significant movement. At this point we are at 99.3% (about \$73K short) of budget due to no excess rebate. However, increases in investment earnings somewhat offset this.

#### EXPENSE:

Expense is made up of two budgeted areas: Administrative and Service Expense, and Coverage Expense. Staff is able to directly impact performance on Administrative and Service Expense, but control on Coverage Expense is more difficult and indirect – the variables of the frequency and severity of claims, timing in the claim process, and the costs imposed by our excess providers all impact Coverage results.

ADMINISTRATIVE AND SERVICE EXPENSE: came in at 100.2% of budget.

Human Resources: came in at 98.89% of budget. Accounts that were overrun were offset by others that came in under budget. This was due to recent staffing changes (new CEO), which also influenced tax accounts and retirement/benefits paid.

Supplies and Services: came in at 101.7%, or about \$572 over budget. Exceeded costs were due to higher than anticipated utility costs, information technology, blue binder updates (due to staff/Board changes) and general office supplies.



Contractual Services: came in at 86.35% of budget. There were two accounts where we saw budget exceeded. The first was Actuarial Services where we had an outstanding invoice from FY16/17 that was paid in FY17/18 and Grounds Maintenance due to a tree removal near the adjoining school's fence. Miscellaneous Services came in over budget due to recent Board changes (plaques for retiring members are charged to this account).

Loss Prevention: came in at 133.43% of budget due to the OccuMed contract (which we are not renewing for FY18/19) and City of Davis safety training.

Staff Development: came in at 98.57% of budget. Lower than budgeted attendance at conferences drove expenses down.

Capital Expenditures: came in at 8.05% of budget.

COVERAGE EXPENSE: came in at 127.72% of budget driven primarily by claims expenses and higher than anticipated excess coverage costs. Excess coverage costs for Liability and Workers' Compensation are based on rates applied to reported payroll— overall, actual payroll for YCPARMIA members was significantly higher than original/budget estimates.

Liability: came in at 136% of budget, or 149% if we include the unbudgeted loss reserve adjustment. Total claims paid increased by \$845K for FY17/18. Excess costs (driven by higher than estimated increases in member payroll as well as claims activity) came in higher than budgeted.

Workers' Compensation: came in at 111.74% of budget. Excess costs were again the cause of the cost overrun. In addition, claim payments, state assessment and the wellness program all exceeded budget. However, increase in the use of wellness program could be considered positive for the long view.

Property: came in at 138.77% of budget due to excess premium costs.

Fidelity: came in at 64.56% of budget. There were no reported fidelity claims this year

Total Expense came in 130.81% of budget primarily due to adverse claim costs, increase in excess premiums, approved rebate credits, and actuary reserves.

Net Income: Net income (revenue less expenses) was budgeted at \$1,777,906; our actual results came in at -52.17% or -\$927,533. However, things appear to be on track for current fiscal year. We anticipate that we will return to a fully funded status across all four (4) programs by the end of FY18/19.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 71

DATE: August 23, 2018

**SUBJECT:** End of the Year: Quarterly Statement of Revenues, Expenses and Retained Earnings

**RECOMMENDED ACTION:** Information Only; no action required.

## **BACKGROUND INFORMATION:**

YCPARMIA finished the year in a minor deficit but better than originally projected at the last Board meeting by approximately \$173K. This report reflects unaudited year-end program results (except for unreported/minimal fourth quarter LAIF results). It includes the actuarially determined program reserve adjustments from the Actuary Study accepted and approved by the Board at their March 2018 meeting. It also includes the Board approved rebate credits.

The bottom line of the report indicates that YCPARMIA ended the fiscal year fully funded in the Workers' Compensation and Fidelity programs with shortfalls in Liability (catastrophic fund) and Property (both confidence margin and catastrophic fund).

The goal for FY18/19 is to return all programs to fully funded status while keeping premiums generally flat.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7J</u>	
DATE: <u>August 23, 2018</u>	
<b>SUBJECT:</b>	Strategic Planning
<b>RECOMMENDED ACTION:</b>	Information Only; No Action Required

## **BACKGROUND INFORMATION:**

This agenda item is intended to allow the Board to discuss trends, actions, future risk management plans, and to direct YCPARMIA staff as needed.

At the request of the Board President, there will be a closed session in this agenda to discuss the evaluation process for the CEO/Risk Manager.

Respectfully submitted,



Dennis Monahan  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

## **Closed Session**

- A. Claims Approval (Yenne Workers Comp Matter)
- B. Personnel – COLA for YCPARMIA Staff
- C. Personnel- Tom McGuire Matter
- D. Personnel- CEO/Risk Manager Evaluation Process