



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, August 28, 2014 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 Items
 - A. Claims Audits
 - B. Biennial review of the YCPARMIA Conflicts of Interest Code
 - C. Arden Psychological Services – Semi-Annual 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' Compensation Loss Run Summary – June 30, 2014
- F. Quarterly Statement of Revenues, Expenses and Retained Earnings
- G. Certificates Issued
- H. End of the Year Budget Variance
- I. Strategic Planning



Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4B

DATE: August 28, 2014

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The CEO/Risk Manager will be reporting on the following items:

1. CAJPA is scheduled for September 16-19 in South Lake Tahoe; next year's PARMA conference, scheduled for February 8 – 11 in Anaheim. PARMA's location will require early booking as it is anticipated that it will be well attended; please let us know ASAP on who will be attending from your agency.
2. The full-day Board retreat has been scheduled for Friday October 24th at YCPARMIA. Each of the 14 sessions will be limited to a half an hour with eleven speakers, and various staff. Lunch and snacks will be served. Both the Board member and alternate are encouraged to attend, along with anyone else you wish us to invite.
3. The Financial Audit has concluded; presentation of the audit for Board approval will be at our October Board meeting.
4. We are planning a two-hour seminar on liability claims handling that will be designed to bring uniformity to processing claims.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: August 28, 2014

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The following are items we anticipate will be agendized for our next Board meeting:

DATE: October 24, 2014
Board Retreat

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: August 28, 2014

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of June 26, 2014 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for June 26, 2014 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>August 28, 2014</u>	
SUBJECT:	Claims Audits
RECOMMENDED ACTION:	That the Board modify its policy to conduct claims audits on a three year cycle rather than the current rotating two year cycle.

BACKGROUND INFORMATION:

By Board policy the Authority is to have an independent claims audit on an annual basis rotating between workers' compensation and liability. It is proposed that this policy be changed from each program audited every two years to every three years.

Our liability excess pool, CJPRMA, conducts an annual audit of larger losses and a broader primary level audit every three years. Our excess workers' compensation pool, CSAC-EIA conducts a claims audit every three years. The current workers' compensation audit is scheduled for this month, and will review about 50 open files – a sample consistent with our past audits. Detailed audit reports are provided to YCPARMIA and the Board for review, comment and action as needed.

By changing the Board Policy to comply with the excess audit cycle we will avoid the cost of paying for claims audits as the cost is paid by the excess pools. Under the current policy each program is audited once every two years; changing to a three year cycle does not increase our exposure. If significant problems are identified in either audit, YCPARMIA can schedule follow-up audit six to twelve months later to ensure that the identified problems have been addressed.

FISCAL IMPACT:

Adoption of the recommended action will decrease the annual budget by \$4,000 to \$5,000.

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>August 28, 2014</u>
SUBJECT:	Biennial review of the YCPARMIA Conflicts of Interest Code
RECOMMENDED ACTION:	That the Board review YCPARMIA's attached conflict of interest policy, and direct the CEO/Risk Manger to provide the biennial notice to the state indicating no changes/amendments

BACKGROUND INFORMATION:

Government Code Section 87305.6 requires a government agency to do a biennial review of the agency's Conflict of Interest Code and provide notice to the Fair Political Practices Commission of that review and any needed changes. This notice must be received by the FPPC no later than October 1, 2014.

Attached is our Conflict of Interest Code which limits reporting to the Board, Alternates, Treasurer, and the CEO/Risk Manager; the CEO/Risk Manager also reports under his capacity as a board member of CJPRMA and CSAC-EIA. Consultants are also required to report if they have the authority to spend YCPARMIA funds. Since all settlement authority comes from the CEO/Risk Manager they are not required to report. An additional consultant, our asset manager Chandler, does make purchases and does submit an annual report.

It should also be noted that settlement authority is limited to the CEO/Risk Manager; if authority was given to other YCPARMIA staff, or to staff at our TPA, they too would have to file with the FPPC.

There are no recommended changes for the board to consider.

FISCAL IMPACT

There is no anticipated cost 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>6C</u>
	DATE: <u>August 28, 2014</u>
SUBJECT:	Arden Psyche Semi-annual report
RECOMMENDED ACTION:	That the Board Review and Accept the Semi-Annual Report from Arden Psychological Services.

BACKGROUND INFORMATION:

Under contract with YCPARMIA, Arden Psychological Services provides a variety of services to member's safety personnel; on a semi-annual basis they provide a short report of activity under the contract. We are planning on having them present their next report in person to the Board to respond to any questions or concerns.

The attached report is consistent with previous offerings. It is noted that:

- the number of pre-employment psychological screenings has been increasing;
- The EAP utilization is also higher than our historical trend;
- Critical incident debriefings have also been increasing.

Feedback from the member agencies has been positive, and the process to obtain needed services has been running smoothly. There seems to be good awareness of the availability of services offered.

FISCAL IMPACT:

There is no anticipated fiscal impact from the adoption of the recommended action.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7A

DATE: August 28, 2014

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through June 30, 2014 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>August 28, 2014</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through June 30, 2013 for your review.

Investment Statement

For your information:

CHANDLER as of 6/30/2014 \$ 10,429,810.24

Outstanding Reserves

For your information:

Total as of 7/31/2013:	\$ n/a
Total as of 6/30/2014:	\$ 9,762,718.00
Total as of 7/31/2014:	\$ 9,474,957.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: August 28, 2014

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>August 28, 2014</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>August 28, 2014</u>
SUBJECT:	Workers' Compensation Loss Run Summary – End of the Year -- June 2014
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the June 30th WC loss run summary reflecting end of the year results.

Summary:

We had a very good year in 2013-2014. Claim frequency was down a bit, and benefit payments were significantly reduced. File inventory is dropping, and future reserves are up slightly when compared to last year.

Frequency:

Our monthly average of reported injuries were 25 a month; last year we averaged 28 claims a month, and the year before that it was 35. A reasonable goal for the future, with active loss prevention programs, would probably be about 15 injuries a month.

Severity:

Of the 300 new claims received this year, only 48, or 16%, have been coded "indemnity," meaning that they have TD and/or PD reserves. This is a good number when compared to last year where 21% of our files (93) were had indemnity exposures. At the same time, conversions of files opened as med-only to indemnity due to adverse claim development (net 16) are an equalizer. We therefore had 64 files coded for indemnity exposures compared to 93 last year, and 88 the year before that.

Benefits:

Our average monthly benefit payments this year are \$195,741. This compares very favorably to last year's \$255,738 and \$235,205 for the year before that. When compared to last year we spent \$719,959 less, or almost \$60K per month. While this is a significant amount, our numbers are small enough that one bad month could have absorbed much of the savings, but that bad month never came.

Temporary Disability: The year ended with about \$390K in TD payments (this does not include 4850 benefits paid directly by members). This figure represents

a 32% reduction over the previous year, and was probably driven by a combination of fewer indemnity claims, and improved modified work programs.

Permanent Disability: While this number is higher than last year's, it can be seen as a positive. It includes C&R settlements which end our future liability for injuries; PD increases because the PD is being paid as a lump sum in the C&R.

Medical Costs: This number is down significantly (almost \$455K), and probably reflects a reduction in surgeries, and the absence of any catastrophic injuries during this fiscal year. It also reflects the benefit of our MPN functioning smoothly.

Legal, Investigative, Subrosa: This is an interesting grouping. While legal costs have remained flat, we have seen a reduction in overall expense. This suggests a savings in med-legal expenses and utilization review tied directly to our MPN.

Future Reserves:

This is an important financial indicator of the coming year. We ended the year with almost the same future reserves as last year (\$52K more). Last year we had 272 open indemnity files, and this year we have only 243. This means that reserves have gone up on average, but are applied to fewer files.

These future reserves are an important component in our actuary study. With frequency down, and benefit payments down, if we can also reduce future reserves we will see lower program reserves and premium.

July Report:

Also attached is the July loss run summary reflecting the first month of the new contract year. Positive frequency trends are continuing, but we did see an increase in benefit payments. Fortunately these appear tied to the settlement of a couple of older claims, and not an erosion of recent trends. Most importantly, future file reserves are down to \$8.2M; lower future reserves, fewer new injuries, and lower benefit payments should all have a positive impact on next year's actuarially determined program reserves.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7F</u>
	DATE: <u>August 28, 2014</u>
SUBJECT:	Quarterly Statement of Revenues, Expenses and Retained Earnings
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

This report reflects year-end program results (except for unreported/minimal fourth quarter LAIF results). It also includes the actuarially determined program reserve adjustments/increases.

Liability

The year ended with fully funded program reserves and confidence margin; the catastrophic fund is at the 55%. The \$270K increase in program reserves was tied largely to a single police claim involving six women, while higher than anticipated claim costs were impacted by litigation costs in a brain injury case. We are optimistic that a return to a "normal year" will reestablish full funding in this program.

Workers' Compensation

The report reflects an unfunded Catastrophic Fund and Confidence Margin; program reserves are also in a deficit of about \$222K. These results are after a \$986,960 increase in program reserves. Total funds in the workers' compensation program are near an all-time high, but so are the program reserves. We have seen a positive trend over the last year with reduced claim payments, reduced future reserves, reduced new claims, and reduced new indemnity losses. If this trend continues we should see reductions in actuarially determined program reserves which will drop to the bottom line, and impact the net deficit.

Property

The property program, after an unusually active year of claims, ended the year fully funded, and with a \$91K surplus. Unfortunately we have a number of significant outstanding claims, so the decision was made to hold onto this surplus in anticipation of claim payment in the coming months.

Fidelity

The fidelity program, after a \$19,000 premium rebate, ended the year fully funded.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7G

DATE: August 28, 2014

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. 7H

DATE: August 28, 2014

SUBJECT: End of the Year Budget Variance

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached is the un-audited end-of-the-year Profit & Loss Budget vs. Actual report. This report is intended to analyze last year's performance against budget, and to address variances where we went over budgeted expense.

Taken as a whole, revenues came in a bit lower than expected, and expenses came in at 111% of budget, but this figure includes unbudgeted expenses for actuarially generated program reserves (the amount of money that our actuary annually determines that is needed to cover existing files with an IBNR factored in) increases of almost \$1.25M; removing that "expense" from the report reduces expenses, and brings us in at 95.6% of budgeted expense. The impact of the anticipated, but unbudgeted expense brings us in at a loss of about \$708K, or \$1M below budget.

It should be emphasized however, that operations and claims came in below budget; the deficit triggered by the actuarial reserve increases has no immediate effect, and would only be important if YCPARMIA was called on to immediately pay off all existing claims.

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 98.7% (about \$92K short) of budget with shortfalls in investment returns.

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 98% of budget; this result. This is the area of the budget over which we have the most control. Having said that, this was a year where we were hit with unanticipated expense.

Human Resources: came in at 101.99% (\$17,569 over) of budget. The variance was triggered by staff changes. We had a short overlap at the start of the year with our nurse's retirement, and an overlap at the end of the year with our investigator's retirement. We also brought in a temporary employee to cover for an administrative assistant on maternity leave.

Supplies and Services: came in at 70.8%% of budget. The only area over budget was "Advertising" where we incurred the unique expense during an employment search for our nurse position.

Contractual Services: came in at 105.83% of budget (\$2,471 over). Expense over-runs occurred in "Building Maintenance" (unanticipated work on an air conditioner), "Grounds Maintenance" (more work on the fences to keep the homeless out),"Equipment Maintenance" (increased costs associated with copier maintenance, and "Professional Contract Services" (one-time costs associated with the placement of our marine/hull coverages).

Loss Prevention: came in at 83.41% of budget. We anticipate significant cost increases in this category as more safety agencies take advantage of the Lexipol services that we pay for.

Staff Development: came in at 53.2% of budget. Minimal travel expense associated with conference locations artificially lowered our expense.

Capital Expenditures: came in at 23.04% of budget.

COVERAGE EXPENSE: came in at 134.35% of budget driven primarily by actuarially determined program reserve increases, and higher than anticipated liability claims payments.

Liability: came in at 111.89% of budget. This year saw an unbudgeted expense of a \$270,176 increase in actuarially determined program reserves (driven largely by a single police claim in West Sacramento). Claims payments were also much higher than usual (\$522,159 over budget) with litigation costs associated to a brain injury in Davis being the primary driver.

Workers' Compensation: came in at 104.37% of budget. While claims payments were lower than anticipated, we experienced an increase in excess premium costs. There was also an increase in claims administration, and the State Assessment. Most importantly, we were hit

with an unbudgeted \$987K reserve increase by our actuary; but for that increase workers' compensation would have come in at 79% of budget.

Property: came in at 77.12% of budget. This figure includes a disturbing trend of increased claim frequency and severity. We are also seeing industry pressure on excess premiums that could impact this category in the future.

Fidelity: came in at 8.48% of budget. This was the final year of a three year excess premium cost with the majority of the expense recognized in the first two years of the policy.

Total Expense came in at 111.7% of budget. As indicated above, without unbudgeted program reserve increases, we came in at 95.6% of budget.

Net Income: Actual revenue was \$8,014,561; total actual expense was \$7,465,515 (\$8,722,651 less program reserve adjustments of \$1,257,136) for a net gain of \$549,046. Our budgeted net ordinary income (retained earnings) was \$297,099, so, absent the actuarial adjustments, net ordinary income came in at 196.7% of budget.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 71

DATE: August 28, 2014

SUBJECT: Strategic Planning: the Board's opportunity to
discuss developing issues

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

This agenda item is included in all agendas to allow the Board to discuss trends and future risk management plans or concerns.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager