



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, October 25, 2012 at 9:30 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. Management's Discussion and Analysis – Financial Audit
 - B. Annual Financial Audit
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. Certificates Issued
 - F. Workers' Comp RFP
 - G. Workers' Compensation Loss Run Summary as of Sept. 30, 2012
 - H. Miscellaneous Claims Graphs and Reports
 - I. Statement of Revenues, Expenses, and Retained Earnings as of Sept. 30, 2012
 - J. Reporting on Worker's Compensation Liability as Required by Section 30702.6 of the California Labor Code
 - K. Strategic Planning

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

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS

AGENDA ITEM NO. 4B

DATE: October 25, 2012

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

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

1. PARMA is being held at the Westin Mission Hills in Rancho Mirage starting on Tuesday, February 17th and ending on Friday, February 20th. We need an indication of who will be going, and whether you will need airline tickets.
2. YECA suffered a pollution leak while removing their underground storage tank. The policy requires immediate notice of claim; it was reported to YCPARMIA two months late, and after repairs had been completed. After a preliminary denial of coverage based on late reporting, a settlement was agreed to for \$44,575 (the balance after a \$25K deductible). Our only remaining underground tanks are the three in Davis.
3. The Dunnigan Fire District has a cash flow problem when paying YCPARMIA's premium invoices. The invoices go out in July, and they are wondering if they can pay half in July and half in January. The Board has a policy that allows payments to be spread over August, September and October.
4. The Board has given staff direction to explore a two tiered retirement with new hires coming in at 2% at 60. Lisa attended a recent PERS Conference that confirmed that our plan will automatically revert to a 2% at 62 standard effective 1/1/13.
5. We have had recent issues with our TPA's bill review that has resulted in significant staff time being invested tracking mistakes. York has also reversed their recent decision and will have Theresa handle future medical claims for existing employees at no additional charge. They have also advised that they have a temporary medical only examiner, Heather, covering Rishna's desk. We are told that Rishna resigned and went to work for Corvel.
6. There was a recent incident involving a psychologist from Arden during a ride-along where he demonstrated irrational, and profane behavior; Arden is investigating, and has promised to resolve any problems.
7. The property in the open appraisals should be completed, and the report into YCPARMIA prior to this Board meeting.

8. YCPARMIA has been working with Professional Dynamics to restructure and resubmit our medical provider network to the State for approval. The process is nearly complete, and PDI is expecting a response/approval from the State in the near future. Vicki has worked closely with PDI and York to tighten up on our provider list.
9. YCPARMIA continues to be a target for homeless campers; recently the police were called to escort a late sleeper from the premises.
10. YCPARMIA has a federal trial, Guitierrez v Yolo et al, that went to the jury on Monday, 10/22. This is a rare event for us. In thirty years we have probably only had 6-8 trials.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

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. <u>4C</u>
	DATE: <u>October 25, 2012</u>
SUBJECT:	Next Meeting
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

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

DATE: December 13, 2012

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: October 25, 2012

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of August 23, 2012 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for August 23, 2012 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>October 25, 2012</u>
SUBJECT:	Management's Discussion and Analysis – Financial Audit
RECOMMENDED ACTION:	That the Board Review and Approve the Attached Management's Discussion and Analysis for the annual Financial Audit

BACKGROUND INFORMATION:

Pursuant to GASB 34, YCPARMIA includes the required Management's Discussion and Analysis as part of our annual financial audit process. Attached is this year's submission, and when approved by the Board, will become part of the financial audit report, and of our CAFR application in December.

The report is intended to provide context for the financial audit results both for the authority as a whole, and by individual program. As part of the presentation we attempt to place the current audited year in an historical prospective by comparing selected results with a benchmark fiscal year of 1995-1996, and also with more recent fiscal years.

To summarize the MD&A, the Liability, Property, and Fidelity programs are fully funded, while the Workers' Compensation program has seen dramatic improvement when compared to last year. We ended the fiscal year with the workers' compensation program reserves and confidence margin fully funded, and a small amount in the catastrophic fund.

FISCAL IMPACT:

There is no anticipated cost associated with the approval of 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>October 25, 2012</u>
SUBJECT:	Annual Financial Audit
RECOMMENDED ACTION:	That the Board Review and Accept the Annual Financial Audit

BACKGROUND INFORMATION:

YCPARMIA, pursuant to requirements in its governing documents, has an independent annual financial audit performed after the end of our financial year on June 30th. This year's audit was performed by Crowe-Horwath, the successor in interest to our prior audit firm, Perry Smith; overseeing the audit process was Matt Nethaway, a partner in Crowe-Horwath. He will be present at the Board meeting to present and discuss the audit with the Board.

Once again we have a "clean audit" evidencing compliance "...in all material respects..." and "...in conformity with accounting principles generally accepted..."

An additional required part of the annual audit, Management's Discussion and Analysis, prepared by YCPARMIA staff, has been submitted separately for Board review and approval.

FISCAL IMPACT

There is no financial impact anticipate from the approval 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: October 25, 2012

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through September 30, 2012 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>October 25, 2012</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through September 30, 2012 for your review.

Investment Statement

For your information:

<i>Total as of 9/30/2011:</i>	\$ 17,823,145.22
LAIF as of 9/30/2012:	\$ 3,404,791.43
County Pool as of 9/30/2012:	\$ 5,427,862.94
Chandler as of 9/30/2012:	\$ 10,330,673.00
Total as of 9/30/2012:	\$ 19,163,327.37

Outstanding Reserves

For your information:

Total as of 9/30/2011:	\$ 8,328,985.00
Total as of 8/31/2012:	\$ 9,362,785.00
Total as of 9/30/2012:	\$ 9,536,363.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: October 25, 2012

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>October 25, 2012</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>October 25, 2012</u>
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. 7F

DATE: October 25, 2012

SUBJECT: Workers' Comp RFP

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

At the direction of the Board, staff is moving forward with the workers' compensation request for proposal process. A timetable has been developed:

- 11/1/12: RFP's mailed to prospective TPA's;
- 12/20/12: Proposals due at YCPARMIA;
- 2/11/13: Oral interview week;
- 3/28/13: Board action on panel's recommendations;
- 7/1/13: Inception of contract.

The time table reflects the extended lead time that we have available, and leaves sufficient time for the TPA to address staffing and contract compliance while recognizing the holiday, and PARMA interruptions.

We are sending the RFP to eight vendors identified as active TPA's in our region; they were chosen based on their reputations in the local public entity sector. Marinda and I have met with all eight, visited seven of the TPA locations, and determined that all are minimally qualified to provide WC claims service. They are, in no particular order:

- Intercare – a regional TPA
- LWP – a regional TPA
- AIMS – a regional TPA
- JT2 – a regional TPA
- Athens -- a regional TPA
- Sedgewick – a large national TPA
- York – a growing national TPA, and
- Corvell – a large national TPA

YCPARMIA's RFP will be available for review and discussion at the Board meeting. After establishing an interview panel, the process will be to review the eight anticipated proposals, and reduce the number to the four or five firms showing the best promise. We will hold 2-3 hour oral interviews at the TPA offices that would handle our files; the

interview will include a demonstration of their IT system, and a tour of their claim office. If a second round of interviews is needed, it will be held at the YCPARMIA office. The recommended firm will be invited to address the Board at its 3/28/13 meeting.

One important thing to note: none of the firms, with the exception of our current firm, have the examiners available on staff to handle our business. We are asking that their presentation team include the person who will be supervising our assigned examiners. All promise to work with us in the recruitment/selection process to make sure that the chosen examiners are a good match. This increases the importance of the designated supervisor as the possibly only current employee working our account.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7G

DATE: October 25, 2012

SUBJECT: Workers' Compensation Loss Run Summary – September 2012

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the 9/30/12 loss run summary provided by our TPA, York. This report represents program performance for the three months, or 25% of the fiscal year.

Summary: The first month results are not good; benefit costs and claims frequency are rising, and with the new WC reforms kicking in we can expect worse things to come.

Frequency:

- 24 WC claims were reported to YCPARMIA during September.
- Year-to-date there have been 90 claims reported; last year there were 113.

Severity:

- Indemnity claims are more expensive than the medical-only claims. During the first three months of the year we have had 16 claims coded as indemnity, and an additional twelve converted from medical only for a total of 28 indemnity claims (30 at the same point last year).

Benefits:

- Our average monthly total for total benefits paid is \$270,128; a substantial increase over the previous year's average of \$235,205 and substantially higher than the \$241,643 average in FY 10-11.
 - Temporary Disability: This benefit is running higher with last year, but about the same as the year before that.
 - Permanent Disability: This cost factor is substantially below last year.
 - Medical Costs: Medical costs, the cost driver in benefits, is running much higher than expected, and reflects an unusual number of recent surgeries.
 - Vocational Rehabilitation: This benefit, after the 2004 reforms, has all but disappeared, but will probably make a comeback under the 2012 reforms.
 - Legal, Investigative, Sub-rosa, etc.: This category has seen significant increases as State law now requires adjusting costs like bill review and utilization review be included in this expense rather than under medical.

Future Reserves:

- Future reserves have continued to rise sharply. Partially due to adverse claim development, and partially due to files not closing, we have seen a steady trend upwards. The new reforms should drive the reserves higher still. When compared to a year ago future reserves have increased \$765,566. With frequency and severity flat we can expect to see the reserves continue to rise due to benefit inflation.

The overall picture remains mixed. Benefit costs are much higher on both an actual and pro-rata basis, and future reserves have sky-rocketed. This will have an adverse effect on the actuary study, and that will create pressure to increase premiums.

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>October 25, 2012</u>
SUBJECT:	Miscellaneous Claims Graphs and Reports
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

At the Board meeting we will be handing out selected graphs that address trends in claims, finance and loss prevention.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 71

DATE: October 25, 2012

SUBJECT: Statement of Revenues, Expenses, and Retained Earnings as of September 30, 2012

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached is the first quarter Statement of Revenues, Expenses and Retained Earnings. The figures are firm with the exception of our investment numbers; while the Chandler numbers are in, we have estimated the LAIF component as we have not received the actual figures from the County. Consistent with recent reports, we are leaving the Workers' Compensation Program for last;

Liability:

The report reflects that the Liability program is fully funded in program reserves, confidence margin, and catastrophic fund. A surplus of \$103K has developed, but significant attorney fees for the Gutierrez v. Yolo trial will substantially diminish this amount prior to our next quarter reporting.

Property:

This program is also fully funded in program reserves, confidence margin, and catastrophic fund. The excess surplus of \$64K will be diminished in the next quarter's report by our payment of the property in the open appraisal fees

Fidelity:

Again, this program's reserves, confidence margin and catastrophic fund are all fully funded. An absence of claims has led to an excess surplus of \$2,810.

Workers' Compensation:

The bottom line looks bad, but the improvement in the overall numbers has been significant. We ended September with a negative \$1,397,480, or an improvement of \$103K during the first quarter. We have fully funded program reserves, a fully funded confidence margin, and \$102K in our catastrophic fund. Recent adverse frequency and severity trends cause concern, and will require close monitoring.

Overall we have a surplus shortfall of \$1,226,880; at the same point last year it was a negative \$3,780,035, so we have made up about \$2.5M in one year while keeping premiums relatively flat. The biggest factor is the improved program reserves generated by our actuary study, and those are the numbers that are threatened by our current WC trends.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7J</u>
	DATE: <u>October 22, 2009</u>
SUBJECT:	Reporting on Worker's Compensation Liability as Required by Section 30702.6 of the California Labor Code
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Section 30702.6 of the California Labor Code requires that within 90 days of the submission of the Self-Insurer Annual Report the governing body of the self-insurer be notified of the future liability and the fact that these liabilities are funded in compliance with the requirements of GASB 10. YCPARMIA's report, submitted 9/17/12, is attached.

- In simple terms GASB 10 requires that actuarial techniques be used to evaluate liabilities;
- The figures reported in the attached report are included in the data analyzed in our annual actuary study performed by AON;
- That actuarial study determines proper program reserves and funding at various confidence levels.
- Board policy sets funding and reserve levels that are supplied by the actuary study.

It should be noted that the State uses the Annual Report to generate revenue. The State makes an assessment against self-insureds to fund the applicable activities provided by the Department of Insurance. Applying a rate to the reported estimated Future Liability generates the amount of the assessment. Over the last five years we have seen the assessment double while our liability has remained relatively flat.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7K

DATE: October 25, 2012

SUBJECT: Strategic Planning: The Board's Opportunity To
Discuss Developing Issues

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

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

Absent items that the Board wishes to discuss, I would like to propose a subcommittee be formed to standardize basic loss prevention standards and activities.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager