



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, December 13, 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. Cyber Liability Program
 - B. Excess Workers' Compensation
 - C. Winters Fire District
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. Property Values
 - H. Workers' Comp RFP
 - I. Miscellaneous Claims Graphs and Reports
 - J. Strategic Planning

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

Yolo County Public Agency Risk Management Insurance Authority

	COMMUNICATIONS
	AGENDA ITEM NO. <u>4B</u>
	DATE: <u>December 13, 2012</u>
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

1. PARMA is being held at the Westin Mission Hills in Rancho Mirage starting on Sunday, February 3rd and ending on Wednesday, February 6th. We need an indication of who will be going, and whether you will need airline tickets.
2. CAJPA has renewed YCPARMIA's Accreditation with Excellence for another three year period. Part of the renewal was based on our assurances that the Board's plan for funding the program shortfalls in Workers' Compensation was proceeding as planned.
3. Hugo Martinez will be retiring on 12/31/12; he advises that the county has not decided who will be his replacement as Yolo's appointed Board alternate.
4. Vicki Facciuto has announced that she will retire 6/30/12.
5. The recent series of storms have not generated any property claims.
6. The property-in-the-open appraisals have been completed.
7. December loss runs are used by our actuary for our annual study that generates program reserves and premiums; we are reviewing the accuracy of our liability reserves, but have had little interaction with York on our WC reserves.
8. YCPARMIA has a federal trial, Guitierrez v Yolo et al, that went to the jury on Monday, 10/22, and resulted in a unanimous defense verdict. The plaintiffs have filed a notice of appeal, but their attorneys have dropped out of the action.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS	
AGENDA ITEM NO. <u>4C</u>	
DATE: <u>December 13, 2012</u>	
SUBJECT:	Next Meeting
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

The next Board meeting is scheduled for:

DATE: January 24, 2013

2013 SCHEDULE FOR MEETINGS:

January 24, 2013

March 28, 2013

April 25, 2013

May 23, 2013

June 27, 2013

August 22, 2013

October 24, 2013

December 12, 2013

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: December 13, 2012

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of October 25, 2012 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for October 25, 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>December 13, 2012</u>
SUBJECT:	Cyber Liability Program
RECOMMENDED ACTION:	That the Board consider participation in the CSAC EIA Cyber Liability Program, which provides significant limits subject to a high retention for a very specific exposure – the invasion of privacy caused by a computer security breach. This is purely catastrophic coverage, with no retention by YCPARMIA.

BACKGROUND INFORMATION:

Various laws provide for damages and penalties resulting from the breach of a computer system's privacy protections. Per the attached summary, CSAC EIA offers a Cyber Liability Program that would pay a member's legal liability for:

- Theft, loss or unauthorized disclosure of personally identifiable non-public information;
- Act or incidents that directly result from the failure of computer security;
- Failure to provide required timely notice of a breach; and
- Failure to comply with a privacy policy.

The member faces strict liability in many cases, along with statutory fines for each individual whose privacy is violated. This coverage provides, due to the high \$100K retention, catastrophic coverage for this exposure. The cost of required notification and remediation makes even a small breach a potentially expensive prospect.

The Board's decision here is whether the potential catastrophic exposure justifies the small individual premium incurred. On the balance, the potential exposure probably justifies the expense. The Board might also consider an annual surcharge for the next 5-10 years to build up a designated YCPARMIA fund to offset the retention.

FISCAL IMPACT:

The annual cost, which would be included in our excess liability premium, would be \$4,815 for the member agencies apportioned by payroll, and \$1,033 for the Port under separate underwriting criteria. As an alternative we are also providing a division based on total insured values. Proposed premium breakdowns are attached.

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>December 13, 2012</u>
SUBJECT:	Excess Workers' Compensation
RECOMMENDED ACTION:	That the Board authorizes the CEO/Risk Manager to make a preliminary commitment to a movement from the CSAC-EIA excess workers' compensation program to a new program offered by CJPRMA; a final decision would not be made until April.

BACKGROUND INFORMATION:

In 2004 the workers' compensation industry hardened to the point that YCPARMIA was forced out of the commercial market for excess workers' compensation coverage. We were paying about \$350K in annual premium for statutory coverage with a \$300K retention. Our renewal quote was for a \$1M premium and a \$1M retention. We moved our coverage to the CSAC-EIA excess program where the annual premium was less than \$500K with a \$500 retention. Premium costs have remained relatively flat with the expected inflationary trend upward.

There are concerns over participation in this excess pool where we share the exposures with other members. The biggest concern is the participation of Southern California entities, and their much more litigious and confrontational WC venues. There are also concerns about potential assessments (ironically we were hit with an assessment six months after we moved to CSAC) generated by adverse development or inadequate funding. Lastly, there is a difference in reserving philosophy which adversely impacts our annual premium and reserve studies.

YCPARMIA, along with REMIF, has taken the lead in pushing our excess liability pool, CJPRMA, to reconstitute its excess WC program. With their broker, AON, a study has been conducted that will probably lead to a new excess program. Preliminarily the results suggest the same limits and conditions that we have with CSAC, slightly lower premiums, and more control. All potential members are located in Northern California,

and we are already sharing the risk with them in the Liability Program; it is believed that we have the critical mass necessary to start the program.

There is a need to make a verbal commitment so that pricing at CJPRMA can be firmed up. A withdrawal from the CSAC program would not be necessary until April 30, 2013, so our option to remain in that program will remain open.

FISCAL IMPACT

There is no direct fiscal impact from this action; any impact would result from the Board's authorization to move the coverage. We anticipate that such a move would be at least cost neutral.

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>December 13, 2012</u>
SUBJECT:	Winters Fire District
RECOMMENDED ACTION:	That the Board approve the request of the Winters Fire District to modify their annual premium from the \$5,000 minimum premium to the \$500 minimum premium.

BACKGROUND INFORMATION:

The Winters Fire Protection District has been a member of YCPARMIA since 2006. Historically they had three or four employees answering to a Board, and paid the appropriate minimum premium of \$5,000 each for Liability and Workers' Compensation. The District covers a geographic area that includes the City of Winters, and provided fire protection for the City which did not have its own department.

Last year there was a contracted change, and the City reconstituted its Fire Department. The District basically divested itself of daily operations, transferred staff and property to the City, and contracted with the City to provide all District operations – again covering the City and surrounding area. The only remaining function of the District is as a funding source. They do have outstanding liabilities for retirement benefits that were not transferred to the City for which a portion of their revenue is used; the balance is paid to the City for fire protection services. The District Board remains in place, but there are no employees or volunteers.

The YCPARMIA bylaws (O-13 and O-18) specify two minimum premiums:

- \$500 for an agency “whose sole function is an advisory board with no employees, who has neither operations nor budget...”
- \$5,000 for everyone else.

The District is currently billed \$5,000 for Liability, and \$5,000 for Workers' Comp; they have not paid their FY 12-13 premium.

There are currently seven other YCPARMIA members that are paying the \$500 minimum – their operations are not dissimilar to those of the Winters Fire Protection District; one the Law Library, has an employee, but for which the Board modified the premium after considering the potential exposure.

The District and City are asking that the District's premium be reduced to the \$500 level. Technically their continuing obligation for retirement benefits (which YCPARMIA does not cover) qualifies as "operations" and has a "budget;" looking at it from a practical standpoint this limited activity probably does not generate an exposure that justifies the higher minimum premium. The City of Winters premium has increased to cover the potential exposure taken on by their new fire operations.

FISCAL IMPACT

The recommended action will reduce YCPARMIA budgeted revenue by \$9,000 this year, and will increase other member's contribution by similar amounts in the future apportioned under the YCPARMIA cash payment formula. This potential increase is offset by a corresponding increase in the City's premium, so the fiscal impact on the individual members should be minimal.

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>December 13, 2012</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through November 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>December 13, 2012</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

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

	<u>Investment Statement</u>
For your information:	
<i>Chandler as of 11/30/2011:</i>	\$ 8,164,898
LAIF as of 10/31/2012:	\$ n/a
County Pool as of 10/31/2012:	\$ n/a
<i>Chandler as of 10/31/2012:</i>	\$ 10,326,043
LAIF as of 11/30/2012:	\$ n/a
County Pool as of 11/30/2012:	\$ n/a
Chandler as of 11/30/2012:	\$ 10,350,592

	<u>Outstanding Reserves</u>
For your information:	
Total as of 10/31/2011:	\$ 7,991,996
Total as of 9/30/2012:	\$ 9,536,363
Total as of 10/31/2012:	\$ 9,789,546

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: December 13, 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>December 13, 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>December 13, 2012</u>
SUBJECT:	Workers' Comp Loss Run Summary
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the 10/31/12 loss run summary provided by our TPA, York. This report represents program performance for the first third of the fiscal year.

Summary: Result continue to be marginal; frequency is flat while benefit costs are rising, and with the new WC reforms kicking in at the first of the year we can expect worse things to come.

Frequency:

- 31 WC claims were reported to YCPARMIA during October.
- Year-to-date there have been 121 claims reported; last year there were 146.
- We can project out annually to 363 claims which is much better than our recent annual average of 420. Note that over the last five years employee head count is down, so we would expect to see a corresponding reduction in injuries.

Severity:

- Indemnity claims are more expensive the medical-only claims. During the first four months of the year we have had 27 claims coded as indemnity, and an additional 13 converted from medical only for a total of 40 indemnity claims (38 at the same point last year).
- Benefits:
- Our average monthly total for total benefits paid is \$263,068; a substantial increase over the previous year's average of \$235,205 and again 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. At the first of the year we will be breaking out the bill review and UR expenses as a separate line item.

Future Reserves:

- Future reserves have continued to rise sharply, and are the biggest item of concern. 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 \$1,140,013. With frequency and severity flat we can expect to see the reserves continue to rise due to benefit inflation driven by recent reforms.

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. Pressure placed on our current TPA, including the RFP process, has not generated any positive results.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: December 13, 2012

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. _____	7G
DATE: _____	December 13, 2012
SUBJECT:	Property Values
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

YCPARMIA, with Board approval, conducted appraisals of property in the open. Along with the building appraisals conducted by our excess group, an agreed percentage for contents, this audit should result in an equitable apportionment of values and premiums.

Per the attached sheets, it is interesting to note that the property-in-the-open appraisals resulted in a \$7.1M increase in value. Some members saw an increase in values; the Port had an \$8.5M increase while the City of Woodland had a \$4.4M increase. These increases were offset by reductions in the values of other members.

The bottom line evidenced a total value increase of \$29M, but much of that was generated by new properties added to the list. The total is still lower than reported on 6/30/11.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: December 13, 2012

SUBJECT: Workers' Comp RFP

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

This is a follow-up to the last Board meeting's status on the RFP. Proposals are due at YCPARMIA on 12/20. We have oral interviews tentatively set for the week of 2/11. We are interested in having four or five Board members or alternates participate in the oral interview process. It is anticipated that it will take two days for the interviews. The proposals will be analyzed and given to the panel with appropriate summaries two or three weeks in advance. Ultimately, the panel will make a recommendation to the Board for action at its March meeting.

If you are interested in participating in the process please let me know.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 71

DATE: December 13, 2012

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. 7J

DATE: December 13, 2012

SUBJECT: Strategic Planning: the Board's Opportunity to
Discuss Developing Issues

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

Vicki Facciuto has advised that she will be retiring on June 30, 2013. We will be conducting a recruitment starting in late April for the position, with an intended overlap of a week or two. It should be remembered that we are currently in the RFP process for our WC TPA; a change, if any, would coincide with Vicki's departure.

YCPARMIA's nurse position was created in December of 1997 when a receptionist/typist position was eliminated. The nurse position was limited to 30 hours a week to maintain cost parity with the eliminated position. Over the last eight years the duties, in addition to the traditional injured worker contact/support, have expanded to include monthly claims audits at our WC TPA, and development and maintenance of our MPN. With ongoing turnover at our TPA in both supervisor and examiner positions, Vicki has been instrumental in providing continuity in our program.

With these expanded duties it is felt that it is time to convert the position to full time. The additional cost for salary and benefits is estimated at about \$1,250 a month; this increase would hopefully be offset by resulting savings on our workers' compensation claim's payments.

We are looking for Board direction in anticipation of the recruitment; Board action would follow with approval of the budget in the spring.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager