



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, March 22, 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. Board Policy Modifications
 - B. Workers' Compensation Claims Audit
 - C. Arden Psychological Services Six-Month Update
 - D. Discussion and Acceptance of the 2011 Actuarial Study
 - E. Redevelopment Oversight Board
 - F. Preliminary Budget for Fiscal Year 2012/2013
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. IT Upgrades
 - H. Auto Physical Damage
 - I. FY 2012/2013 Premiums
 - 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>March 22, 2012</u>
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

1. Room reservations for CAJPA, September 18 thru 21 in South Lake Tahoe, have been booked. Please let Charlotte know if you plan on attending.
2. YCPARMIA is still working with PDI to update our MPN. We had piggy-backed onto Interplan, but they have ceased to exist, so we will be looking for alternatives.
3. We have responded to CAJPA concerns and are still awaiting results of our CAJPA accreditation application; our three year "accreditation with excellence" period has expired, and there is a concern that the funding level of our workers' compensation program might cause problems.
4. There have been further changes at York. The unit supervisor, Joann Cheslar, has left for other employment. A temporary replacement, Jennifer Sanchez, has taken her place.

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>March 22, 2012</u>
SUBJECT:	Next Meeting
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

The next Board meeting is scheduled for:

DATE: April 26, 2013

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: March 22, 2012

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of January 26, 2012 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for January 26, 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>March 22, 2012</u>	
SUBJECT:	Board Policy Modifications
RECOMMENDED ACTION:	That the Board review and approve the minor changes to the YCPARMIA Records Retention Policy and the YCPARMIA Security Policy.

BACKGROUND INFORMATION:

YCPARMIA's recent change to digital recorders has necessitated modification of our Records Retention and Security policies. The new digital hand-held recorders can hold a significant number of statements (500 hours); the modified policy requires that the statements be downloaded to CD discs and kept in the claims file. The statements are to be removed from both the handheld recorder and the desktops hard drive within a week of the recording.

Additionally, the records retention policy is being modified to reflect our ongoing practice of converting our paper files to electronic records two years after closing. We then shred the paper files.

A copy of the revised policies are attached.

FISCAL IMPACT:

There is no fiscal impact 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>March 22, 2012</u>
SUBJECT:	Workers' Compensation Claims Audit
RECOMMENDED ACTION:	That the Board review and accept the WC claims audit provided by North Bay Associates.

BACKGROUND INFORMATION:

As part of our participation in the WC excess pool, a WC claims audit is conducted every three years on selected files. YCPARMIA Board policy requires a semi-annual claims audit; rather than incur that expense we chose to piggyback onto the excess audit, and use the budgeted audit sums to replace our broken network server.

It is important to understand that the audit is just a snapshot in time, while we monitor the TPA's service on an ongoing basis. The North Bay audit is unremarkable, and confirms our own observations. Per the attached audit, we are getting good technical service, and the York procedures work properly to deliver timely benefits to our injured workers. Unfortunately that merely confirms that the TPA is performing at the "expected" level. It is the service beyond the audited activity that is really important. Contact, responsiveness to HR and injured workers, pushing files to close, reviewing reserves with an eye towards reducing them, interaction with supervisors and YCPARMIA staff are all things that the audit does not measure, but are the real indicators of quality.

Recently York moved Rishna onto the med-only/future medical files, and we immediately saw an improvement in contact and closings. Additionally, York has received a number of complaints over the inability of staff and HR to contact Julia. We have had a number of discussions, and York is working with her to improve these skills. Lastly, the TPA claims unit replaced the unit supervisor; we will monitor the situation to see what affect this has on the quality of service.

It should also be noted that YCPARMIA has been active in reviewing the service provided by the TPA. On a monthly basis Vicki is in the York office reviewing files with the examiners. We have also held a number of meetings with upper management on a variety of matters, while Marinda has had ongoing interaction with the York IT department in an attempt to improve the accuracy of their reports.

FISCAL IMPACT

There is no anticipated fiscal impact 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>March 22, 2012</u>
SUBJECT:	Arden Psychological Services Six-Month Update
RECOMMENDED ACTION:	That the Board review and accept the attached report from Arden Psychological Service, and authorize the CEO/Risk Manager to enter into negotiations to extend the current service contract for three years.

BACKGROUND INFORMATION:

Attached is the semi-annual report from Arden Psychological Services. We have had no service problems, and feedback, especially involving the psychological counseling provided by a former Oakland officer has been very positive.

It is time to renew the contract. With service reported at about the same level as that received from the prior provider, we would recommend negotiating an extension of the existing contract. Current cost is at about 50% of what we formally paid, and Arden has forgone negotiated increases in recognition of our collective fiscal issues. At the same time, under the negotiated contract the number of individuals eligible for service tripled with the addition of classes beyond sworn law enforcement. There has been one significant change that needs to be noted; the number of pre-employment exams has dropped significantly over the last few years.

FISCAL IMPACT

There is no fiscal impact associated with the acceptance of the six-month report. Fiscal impact on negotiating an extension would hopefully be flat, but in no case would be anticipated to exceed a 10% (\$1,333) per month over the three year contract.

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>March 22, 2012</u>
SUBJECT:	Discussion and Acceptance of the 2011 Actuarial Study
RECOMMENDED ACTION:	That the Board review and accept the attached Actuarial Study establishing Program Reserves and Cash Payments (premiums) for the Liability and Workers' Compensation programs.

BACKGROUND INFORMATION:

YCPARMIA is required by Board policy, and in the Cash Payment Addendums to the Bylaws, to have an annual Actuarial Audit using December 31st figures to project fiscal year-end totals. Attached is the annual Actuarial Study prepared by Mujtaba Dato at Aon. The results of the study are generated by applying YCPARMIA's claim history and industry data to a mathematical model. Staff has reviewed the report, and finds the projections to be reasonable. We will review the program reserves again during our annual financial audit process in July, and will make adjustments, if needed, to reflect the additional six months of loss development.

The annual actuarial study provides us with two basic numbers at various confidence levels for both the Liability and Workers' Compensation programs.

- Program Reserves (Estimated Outstanding Losses) found in Table III – 1B on page 6; and
- Anticipated Claims Cost (Annual Premium Component) found in Table III – 3B on page 8.

The Program Reserves represent the actuary's number of what we will need to pay all existing claims at the end of the fiscal year. It is booked, as required by GASB, at "expected" (a 50/50 confidence level) on our balance sheet. By Board policy we set aside additional funds in retained earnings labeled as "Confidence Margin" to bring our funding up to an 80% confidence level. This number can be found on our "Quarterly Statement of Revenues, Expenses and Retained Earnings." The Anticipated Claims Cost is the actuary's projection of what costs will be for claims that occur in the coming fiscal year (FY12-13). This number is found, booked at the 70% confidence level, on our premium worksheet, and is identified as "actuarial determined claim cost."

We can describe the 2011 Actuary Study as "good." Program reserves and premium figures have been lowered for each program.

LIABILITY PROGRAM

- Program Reserves (funding for existing claims)
 - GASB requires us to book these at “expected” on our monthly balance sheet;
 - Board policy calls for a restricted fund (Confidence Margin) in retained earnings to bring program reserves up to a level in excess of 80% confidence.
 - This number can be found on the Quarterly Statement of Revenue, Expenses and Retained Earnings
 - The Program Reserve figures do not directly affect member costs, but movement does impact retained earnings surplus that might be used for premium rebate credits.
 - YCPARMIA uses present value figures for its program reserves.
 - The attached actuarial study establishes:
 - Program Reserves as “expected”
 - 2012 \$3,000,432
 - Previous studies:
 - 2011 \$3,198,787
 - 2010 3,437,350
 - 2009 3,575,796
 - 2008 2,746,490
 - 2007 2,298,356
 - The 2012 figure is \$198,355 lower than last year and almost \$576K lower than it was in 2009.
 - Confidence Margin 80%+, and shown as a figure in excess of expected
 - 2012 \$780,112
 - Previous studies:
 - 2011 \$831,689
 - 2010 859,388
 - 2009 920,949
 - 2008 713,987
 - 2007 497,473
 - This year’s number is \$51,577 lower than last year and over \$140K lower than it was in 2009.
- Premium Component (funding next year’s claims)
 - Board policy calls for funding at the 70% confidence level.
 - The premium component directly affects next year’s member costs, and can be found under “actuarial Determined Claims Cost” on our premium worksheet.
 - The attached actuarial study, at a 70% confidence level, establishes:

- 2012 \$1,236,000
 - Previous studies
 - 2011 \$1,489,000
 - 2010 1,793,000
 - 2009 1,837,260
 - 2008 1,544,906
 - 2007 1,334,201
 - This year's study lowers the premium component by \$253,000.
- It is important to recognize the volatility of these numbers. Projections are made on a relatively small number of claims, and any catastrophic claim can have a significant impact. That is why we have a "Catastrophic Fund" to help us weather these swings.

WORKERS' COMPENSATION PROGRAM

- Program Reserves (funding existing claims)
 - GASB requires us to book these at "expected" on our monthly balance sheet
 - Board policy calls for a restricted fund (Confidence Margin) in retained earnings to bring program reserves up to a level in excess of 80% confidence.
 - This number can be found on the Quarterly Statement of Revenue, Expenses and Retained Earnings
 - The Program Reserve figures do not directly affect member costs, but movement does impact retained earnings surplus that might be used for premium rebate credits.
 - YCPARMIA uses present value figures for its program reserves.
 - The attached actuarial study establishes:
 - Program Reserves as "expected"
 - 2012 \$8,237,691
 - Previous studies:
 - 2011 \$8,506,359
 - 2010 8,043,958
 - 2009 7,544,260
 - 2008 6,228,293
 - 2007 6,050,768
 - The 2012 figure is \$268,688 lower than last year and is hopefully trending back down to the \$8M range.
 - Confidence Margin 80%+, and shown as a figure in excess of expected
 - 2012 \$1,647,538

- Previous studies:
 - 2011 \$2,211,653
 - 2010 1,447,912
 - 2009 1,357,967
 - 2008 1,245,659
 - 2007 1,476,258
 - This year's number is \$564,115 lower than last year and more in our historical range. Hopefully the 2011 number was an aberration.
- Premium Component (funding next year's claims)
 - Board policy calls for funding at the 70% confidence level.
 - The premium component directly affects next year's member costs, and can be found under "actuarial Determined Claims Cost" on our premium worksheet.
 - The attached actuarial study, at a 70% confidence level, establishes:
 - 2012 \$2,490,000
 - Previous studies
 - 2011 \$2,705,000
 - 2010 2,809,450
 - 2009 2,868,100
 - 2008 2,445,182
 - 2007 2,255,063
 - This year's study lowers the premium component by \$215,000.
- Again, it is important to recognize the volatility of these numbers. Projections are made on a relatively small number of claims, and any catastrophic claim can have a significant impact. That is why we have a "Catastrophic Fund" to help us weather these swings.

FISCAL IMPACT

Approval of the recommended action, along with approval of the proposed budget, will allow the setting of premiums for the coming fiscal year. Approval of the study will result in changes to:

- "actuarial determined claims costs" on the premium worksheet of:
 - A \$253,000 reduction in the liability program, and
 - A \$215,000 reduction in the workers' compensation program.
- Program Reserve adjustments resulting in a:
 - A \$198,355 decrease in liability program reserves
 - A \$268,688 decrease in workers' compensation program reserves

- Confidence margin adjustments resulting in a:
 - \$51,577 decrease in the liability confidence margin, and
 - \$564,155 decrease in the workers' compensation confidence margin.

The lower premium components should lead to lower premiums for each program, while the lower program reserves will generate excess surplus in the liability program, and reduce the deficit in the workers' compensation program.

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>March 22, 2012</u>
SUBJECT:	Redevelopment Oversight Board
RECOMMENDED ACTION:	That the Board confirm its intent to include the various member's Redevelopment Oversight Boards as covered parties under the YCPARMIA Liability Memorandum of Coverage.

BACKGROUND INFORMATION:

We are advised that as of 2/1/12 the redevelopment agencies have ceased to exist. At the same time the State is mandating that an oversight board be appointed to oversee the disposition of assets from the former redevelopment agencies to their successors in interest. Appointments have to be made by May 1st, and the requirement applies to all agencies throughout the State. In West Sacramento the Board will comprise of two mayoral appointments, and appointments by the Chancellor of the Community College, one from the largest taxing special district, one by the County Superintendent of Schools, and two by the Board of Supervisors.

Apparently all Yolo redevelopment agencies have declared the Successor Agency to be the local City Council. The former redevelopment agencies were covered under the YCPARMIA Memorandum, and the successor in interests will also be covered. What we are looking at here is coverage for the middle -- the Oversight Board that is charged to monitor the transfer. Normally coverage is limited to member's appointed or controlled boards. In this unique situation the Oversight Board is neither appointed nor controlled by any member agency.

David Clovis at CJPRMA advised that he feels the Oversight Board would be covered at the excess level if they were covered by us. I don't see any real increase in exposure since we had, and will have again the exposures connected to the former redevelopment agencies. What we are looking for today is confirmation by the Board that they see the Redevelopment Oversight Board as covered during the transfer process.

FISCAL IMPACT

Absent any claims there should be no cost associated with 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>March 22, 2012</u>	
SUBJECT:	Preliminary Budget for Fiscal Year 2012-2013
RECOMMENDED ACTION:	That the Board review, discuss and take appropriate action on the preliminary budget for FY 12/13; or in the alternative, to adopt the proposal as the final budget.

BACKGROUND INFORMATION:

YCPARMIA's JPA Agreement requires that the Board adopt a budget by July 1st of each year.

The budget is divided into three parts:

1. Revenue (which is traditionally generated by the application of our premium formulas;
2. Administrative and Service Expense (which is the result of management projections; and
3. Insurance Expense (which is largely a combination of excess coverage costs and claims costs.

Additionally the final budget will include:

- An introductory summary;
- A variance report explaining any proposed changes of +/- 5%; and
- An exhibit that breaks down the premium allocation.

There has been very little change in YCPARMIA's budget over the last five years, and the proposed changes in this year's budget are again minimal. Attached are two pages of graphs that provide recent historical trends, and, for trending purposes, include 2012/2013 recommended numbers.

- The first graph trends our non-HR General and Administrative Expenses. All have been flat or trending lower. The upturn in Staff Development is in response to the Board's interest in expanding conference attendance.
- The second graph charts our biggest administrative expense, Human Resources, which have been trending up despite salary freezes.
- The third graph charts the larger portion of our budget, coverage expenses. These include excess costs, claims costs, and claims administration expense. It shows that non-workers' compensation expenses have been flat, but the inflationary pressures on workers' compensation (medical inflation and statutory benefit increases) have caused costs to trend higher.
- The fourth graph tracks the program reserves for the liability and workers' compensation programs. The graph shows the correlation between the administrative/service expenses and the coverage exposures have been flat.
- There are two graphs on the second page that breakout the HR budget

- The first graph deals with the larger HR budget items with slight trending increases where you would expect to see them in medical and retirement.
- The second graph tracks the small HR budget items which are again flat with the exception of car allowances which were readjusted after the addition of our outside investigation position, and the increased use of our administrative assistant for outside work.

The proposed budget for FY 2012/2013 is attached for Board consideration. Most items are unchanged, and where possible cuts have been made to balance out small increases.

Revenue

As indicated above the program revenue is based on the premium formulas found in our By-laws. This year we are proposing a minor change. We are recommending that the budgeted revenue be tied to last year's actual paid revenue (premium formula less any rebates or Board action). We are also recommending an increase in budgeted income earnings due to the recent performance trends on our Chandler funds. The net result is a 2% decrease in total revenues.

The changes reflected in the recommended budget are:

- A 100% increase in investment income generated entirely by our non-LAIF accounts;
- A 3% decrease in our liability premium;
- A 5% decrease in our workers' compensation premium;
- An 11% increase in our property premium; we will be revisiting this account and may adjust it downward after reviewing the excess coverage renewal.

Again, we are budgeting this year for the amounts we actually intend to bill after rebates. The intent is to keep those premiums flat with last year.

Expenses

Very few changes are being made in the proposed budget expenses. The proposed changes are:

- A 2% increase (\$20,412) in Total Human Resource Expense driven by small increases in pay, retirement contributions, Medicare tax, and medical insurance.
- No budgeted increase in Total Supplies and Services.
- No budgeted increase in Contractual Services.
- A 62% increase (\$13,000) in Total Staff Development restoring funds for conferences following Board discussion at the last meeting.
- No budgeted increase in Capital Expenditures.
- A 9% decrease (\$5,000) in loss prevention due to reduced training expenses.
- No budgeted change in Liability Coverage.
- A 5% decrease (\$194,252) in Worker's Comp Coverage with reduced claims costs and excess premium offsetting increased claims administration costs and a rising State assessment.
- No budgeted change in Fidelity Coverage.

- A 2% increase (\$10,571) in Property Coverage to offset increases in declared values.

Total Administrative and Service Expense is budgeted to rise 3%, or \$28,412. The increases are tied to increasing HR expenses and conference expenses.

Total Converge Expense is budgeted to decrease 3%, or \$183,681. The decrease rests largely on decreased claims costs offsetting isolated increases in program expenses.

Total Expenditures are budgeted to decrease \$144,269, or 2%.

Total Revenues are also budgeted to decrease by 2%, or \$174,220.

It is important to understand:

In essence this is a flat budget showing little movement from recent years. It is important to remember that YCPARMIA is not a typical public entity. Our fiscal position is driven largely by claims, and most strongly affected by an annual actuary study that impacts program reserves. Movements in program reserves, which have a history of dramatic swings, have a profound effect on our "bottom line." As indicated in another agenda item, YCPARMIA's actuary study was very positive this year. It allowed us to greatly reduce program deficits in our Workers' Compensation Program without really any impact on, or from our budgeted expense. Similarly, our biggest costs are claims payments and excess coverage. The remaining expense, which is more under our control, represents 14% of our budgeted expense. It is a simple truth that reducing claims will reduce claims costs, and that will result in lower premiums and/or higher rebate credits. Conversely, a few catastrophic claims (especially with the current level of reserve funds in workers' compensation) could have a dramatic effect on next year's budget.

FISCAL IMPACT

Adoption of this recommended budget will allow us to prepare premium worksheets.

Recommended changes should have no impact on member premiums. Any increase in costs has been countered with decreases in other areas.

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>March 22, 2012</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through February 29, 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>March 22, 2012</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through February 29, 2012 for your review.

Investment
Statement

For your information:

<i>Total as of 1/31/2011:</i>	\$ 7,152,116.03
<i>Total as of 12/31/2011:</i>	\$ 8,192,526.00 (no county reports)
LAIF as of 1/31/2012:	\$ no county reports
County Pool as of 1/31/2012:	\$ no county reports
Chandler as of 1/31/2012:	\$ 8,239,893.00
<i>Total as of 2/29/2011:</i>	\$ 7,161,457.82
<i>Total as of 1/31/2012:</i>	\$ 8,239,893.00 (no county reports)
LAIF as of 2/29/2012:	\$ no county reports
County Pool as of 2/29/2012:	\$ no county reports
Chandler as of 2/29/2012:	\$ 8,240,677.00

Outstanding
Reserves

For your information:

Total as of 1/31/2011:	\$ 7,734,507.00
Total as of 12/31/2011:	\$ 7,472,244.00
Total as of 1/31/2012:	\$ 7,777,069.00
Total as of 2/29/2011:	\$ 8,007,829.00
Total as of 1/31/2012:	\$ 7,777,069.00
Total as of 2/29/2012:	\$ 8,010,773.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: March 22, 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>March 22, 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>March 22, 2012</u>
SUBJECT:	Workers' Comp Loss Run Summary
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the 2/29/12 loss run summary provided by our TPA, York. This report represents program performance for the first two-thirds of the fiscal year. There is a great improvement in the accuracy of the report; Marinda had a series of meetings with York that has apparently yielded results.

Summary: We are having a good year. New indemnity claims are down, monthly benefit costs are down, and pending litigation is down. Having said that, we are dealing with small numbers that are vulnerable to a few bad claims.

Frequency:

- 279 claims were reported to YCPARMIA during the eight months of the fiscal year.
- This is an average of 34.8 claims per month; last year we averaged 32.7 claims, so our trend is slightly higher, but the increase is in the cheaper medical-only claims.

Severity:

- Of the 279 claims, 30 (10.7%) were coded as indemnity due to reserved exposures for temporary disability and/or permanent disability. The average of 3.75 indemnity claims per month is down from our yearly average of 6 last year.

Benefits:

- Our average monthly total for total benefits paid is \$224,139; a substantial reduction over the previous year's average of \$241,643, and substantially lower than the \$291,416 average in FY 09-10.
 - Temporary Disability: This class of benefits is running lower than last year, and reflects the reduced number of new indemnity claims.
 - Permanent Disability: This class of benefits is trending up slightly when compared to last year. This benefit has a lag time built in to it. PD awards are coming out on cases are two or three years old. The reduced number of new indemnity cases should see this number reducing in the future.
 - Compromise and Release Settlements: This class of benefits is down when compared to last year, which is not necessarily a good thing; we like to buy out our future medical costs to end our exposure on the claim.

- Medical Costs: Medical costs are lower, but again the numbers are too small to establish a trend, and there has been a recent rash of surgeries that should drive this category higher.
- Vocational Rehabilitation: This benefit, after the 2004 reforms, has all but disappeared.
- Legal, Investigative, Sub-rosa, etc.: The increase in costs was tied directly to a policy of more aggressive use of sub-rosa. Legal costs remained flat.

Inventory:

- We ended the period with 216 open indemnity claims. In the past we used 200 open indemnity claims as our benchmark, but given the nature of future medical benefits we will have to anticipate a gradual trend upwards. After the end of this fiscal year we will be reevaluating our benchmark with a probable target of under 220.

Reserves:

- We are awaiting the February Reserve reports and will have them at the March Board meeting..

Board members will be given additional statistical reports at the 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: March 22, 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: March 22, 2012

SUBJECT: IT Upgrades

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

As part of our annual budget, YCPARMIA was in the process of replacing our office's computer system. A recent problem with our office network and workstations has forced us to accelerate our five-year plan for replacement of our computers. The continuing development of our IT system over the last ten years has allowed us to expand services while virtually eliminating the need for support staff.

After consultation with our members' IT departments we confirmed that most are purchasing Dell desktops on a five year replacement cycle. YCPARMIA has been using a seven year cycle (which given the problems we were starting to experience was probably a year to long), and was two years into the replacement/upgrade process with our server scheduled for replacement in FY 2012-2013. Unfortunately our server, which was ten years old, had reached its capacity, and was starting to require repeated maintenance. The network would literally freeze up on an irregular basis until data could be backed-up and purged. This became a time consuming process for our IT Department (Marinda), and was causing interruptions to our normal work flow.

Rather than continuing to put band aids of the existing server until the start of our new budgetary cycle in July, it was decided to replace the server now. Budgeted funds were taken from the annual claims audit (WC was the FY 2011-2012 scheduled audit) to cover the expense. These funds became available after we were notified that our excess group was conducting a WC claims audit in February; rather than duplicate the process, we used the money to address a more pressing need.

We also recently made another technical upgrade by moving from portable tape recorders for field statements to digital recorders. In the long run we will save money by not purchasing audio tapes, and should have a more dependable recorder (no broken tapes). The new machines will allow us to download statements into our computers, burn them to CD's, or electronically transfer them (reducing our postage cost) to our TPA and/or attorneys. The flat CD's will also store more effectively in our claims files. It is interesting to note that a few years back we converted to digital photos, and have since saved the cost of film and developing. We also purchased Dragon Speech which has done away with almost all transcription. Of course this makes us almost completely dependent on our computer network, and explains the need to keep it running.

FISCAL IMPACT

We see these changes as having, at the worst, a neutral fiscal impact. The cost of the server replacement and upgrade was covered by the funds reserved for our semi-annual WC claims audit. The cost of the new digital recorders will be recaptured in the near future by not having to purchase audio tapes, or pay for enhancement of defective tapes.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: March 22, 2012

SUBJECT: Auto Physical Damage

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

Included in YCPARMIA's property program is coverage for auto physical damage. Until this year it was subject to a \$10,000 per occurrence deductible with no retention at the YCPARMIA level. The excess carrier has changed coverage deductibles. ACV coverage on vehicles will continue at \$10K, while replacement coverage (RCV) increased to \$15K and will be going up to \$20K in 2012. A summary is attached.

Obviously the premium for our coverage is very low, but in the case of auto physical damage the cost of coverage might not warrant the protection. Members should carefully consider which vehicles that they wish to include on the covered list, but at the same time remember that RCV gets them a new vehicle when there is a total loss.

YCPARMIA is exploring other coverage options, but the CSAC program remains very attractive due to flood being included as a covered peril, and limited earthquake coverage being available. We will be looking at stand-alone auto physical damage programs to see if they are cost effective.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>71</u>
	DATE: <u>March 22, 2012</u>
SUBJECT:	FY 2012/2013 PREMIUMS
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

The Board's review and acceptance of next year's premiums is not done until its June meeting. All items needed for the calculations are now available, but we need to be closer to year-end to determine if there will be funds available for rebate/credits. Based on anticipated approval of the actuary program and proposed budget, attached are estimated premium worksheets for the four programs.

NOTE: We have strayed from the worksheets by applying credits sufficient to flatten the bottom lines of Liability and Workers' Compensation to the same amounts as billed in FY 2011/2012. The Board would have to approve rebate credits at its June meeting to confirm these figures.

While the recommended bottom line figures for workers' compensation and liability are the same as last year's numbers, the individual member's share of the total fluctuates with movement in their proportionate share of payroll, and three year claim history. The liability program, with its smaller number of claims, is the more volatile of the two programs. Attached are two line graphs for each program showing the recent share of claims history by percentage and dollar. For premium purposes the member's trend is important, but of equal importance is the relationship to trends of other members. A big drop by one member (usually caused by a catastrophic claim falling off the history) will impact the premium share of other members that are trending flat. Conversely, an individual member's bad year can cushion "not-so-bad" years by other members.

In looking towards the end of the year, we are not anticipating rebates/credits from any program other than liability. We will be recommending, like we did last year, that the Board approve an assessment on the workers' compensation program equal to any rebate in the liability program to increase the funding of the workers' compensation confidence margin. The net effect will be flat premiums and increased program reserves.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7J

DATE: March 22, 2012

SUBJECT: Strategic Planning

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.

The Board should be aware of a developing management issue. One YCPARMIA staff member recently turned 65, while a second turned 64. While a succession plan has been implemented for both positions, it is important that the Board have a comfort level throughout the process.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager