



# Yolo County Public Agency Risk Management Insurance Authority

## AGENDA

### YCPARMIA BOARD MEETING

Thursday, March 26, 2015 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. Investment Policy
  - B. Arden Psychological Semi-Annual Report
  - C. Discussion and Acceptance of the 2014 Actuarial Report
  - D. Preliminary Budget for Fiscal Year 2015-2016
7. Information Items
  - A. YCPARMIA Financial Report
  - B. Investment Report
  - C. YCPARMIA Investment Statement
  - D. Notification of New Claims Received Since the Previous Board Meeting
  - E. Closed Liability Files
  - F. Workers' Comp Monthly Summary
  - G. Certificates Issued
  - H. Quarterly Statement of Revenues, Expenses and Retained Earnings
  - I. Fiscal Year 2015/2016 Premium
  - 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.

8. Closed Session

- A. Conference With Labor Negotiator (CG54957.6)  
Unrepresented Employees: Miscellaneous Employees
- B. Public Employee Performance Evaluation (CG54957)  
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>4B</u>
	DATE: <u>March 26, 2015</u>
<b>SUBJECT:</b>	CEO/Risk Manager's Report
<b>RECOMMENDED ACTION:</b>	Information Only

## **BACKGROUND INFORMATION:**

1. The next conference is CAJPA in South Lake Tahoe, September 15 – 18. Next year's PARMA is in Monterey, February 16 -- 19.
2. Members incur substantially higher costs against their deductible when departments send injured employees to the Emergency Room rather than Occupational Med clinics. LWP reports that ER physicians bill separately and tend to be more cautious with their treatments while adding more diagnostic tests and drugs.
3. This spring YCPARMIA will be participating in the audit for the renewal of our three-year CAJPA accreditation
4. As discussed later in the Agenda, our investment policy failed to receive accreditation from the APTUS&C due to a missing section. While we had "sufficient points" to pass, the missing session was mandatory. We will be resubmitting the policy next month after updating our policy.
5. YCPARMIA will be gearing up our budget process to seek approval by the Government Finance Officers Association for a "Distinguished Budget Presentation."
6. LWP has advised that Stacey Bean will be promoted to a claims manager position that includes YCPARMIA; they are currently searching for an appropriate replacement to handle our open indemnity files under Stacey's direction.
7. Woodland Occupational Clinic reports that Doctor Ahlers will be leaving at the end of this month as his temporary contract is up. A permanent replacement has been hired, but will not start until the summer.
8. Paula Baker has left Professional Dynamics; the President, Betty Anders will be directly overseeing our MPN service.

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 26, 2015</u>
<b>SUBJECT:</b>	Next Meeting	
<b>RECOMMENDED ACTION:</b>	Information Only	

**BACKGROUND INFORMATION:**

The next Board meeting is scheduled for:

DATE: April 24, 2014

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR  
AGENDA ITEM NO. 5A

DATE: March 26, 2015

**SUBJECT:** Minutes

**RECOMMENDED ACTION:** That the Minutes of the Regular Board Meeting of December 11, 2014 be Approved as Submitted

**BACKGROUND INFORMATION:**

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for December 11, 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>March 26, 2015</u>
<b>SUBJECT:</b>	Investment Policy
<b>RECOMMENDED ACTION:</b>	That the Board review and adopt the proposed changes to the YCPARMIA investment policy.

## **BACKGROUND INFORMATION:**

YCPARMIA, like any other public entity, invests funds with the intent of obtaining returns that can be used to off-set ongoing expenses, and lower member costs. Investment options are limited by State law, and guided by the YCPARMIA Board's Investment Policy starting on page K-39 of our Blue Binder. Periodically staff reviews Board Policies, and makes recommendations, as needed, to keep them current. Both staff and our investment advisors, Chandler Asset Management, constantly review investments to ensure that they are compliant.

As part of staff's effort to provide a comfort level for our Board, YCPARMIA submitted the Investment Policy for accreditation. While the policy was found to have sufficient "points" for accreditation, it was determined that there were areas where it was incomplete. Working with Chandler, revisions have been proposed to bring it into compliance. With Board approval of the attached proposed changes, we will resubmit the policy for accreditation.

## **FINANCIAL IMPACT**

There is not anticipated financial 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 26, 2015</u>
<b>SUBJECT:</b>	Arden Psychological Semi-annual Report
<b>RECOMMENDED ACTION:</b>	That the Board review and accept the attached report from Arden Psyche.

## **BACKGROUND INFORMATION:**

Attached is the update of the services being delivered under YCPARMIA's EAP contract with Arden Psyche. Feedback from the departments remains positive, and there seems to be acceptance of the individuals providing the service.

We are seeing an increase in pre-employment screenings, and there seems to be consistent use of the EAP program.

## **FISCAL IMPACT**

The recommended action has no anticipated fiscal impact.

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 26, 2015</u>
<b>SUBJECT:</b>	Discussion and Acceptance of the 2015 Actuarial Study
<b>RECOMMENDED ACTION:</b>	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 by the Cash Payment Addendums to the Bylaws, to have an annual Actuarial Audit using December 31<sup>st</sup> 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. 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 5, and
- Anticipated Claims Cost (Annual Premium Component) found in Table III – 3B on page 7.

A copy of the first 25 pages of the 92 page Actuarial Study is attached; contact us if you would like a copy of the appendixes that make up the balance of the report.

Since claims, especially the larger ones, are paid out over time, it is YCPARMIA's practice to use present value (a 2.5% discount this year) from the projected ultimate net loss.

Actuary numbers in both programs are influenced by claim frequency and severity, open inventory, claims payments, legislation, and industry trends. It is not uncommon to see spikes and valleys in one or both programs; it is therefore important to compare results over time to recognize trends, and, hopefully, stability.



The Program Reserves represent the actuary's number of what we will need to pay all of the existing claims at the end of the fiscal year (all claims open before 7/1/14). It is booked, as required by GASB, at "expected" (a 50/50 confidence level) on our balance sheet. By Board policy, and industry practice, we set aside additional funds in retained earnings labeled as "Confidence Margin" to bring our funding up to an actuarially determined 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 will occur in the coming fiscal year (FY 15-16). This number is found, booked at the Board approved 70% confidence level, on our premium worksheets, and is identified as "actuarial determined claim costs." This is the biggest portion of the coming year's premium calculation.

This year's actuarial study results in an increase in Liability program reserves and a significant decrease for the Workers' Compensation Program. Interestingly, despite the movement in program reserves, the premium component sees a small increase in Workers' Compensation, and a decrease in Liability – essentially a wash:

- The Liability program has, after a couple of "good" years, returned to its five year average. It has been adversely impacted by a recent number of serious claims led by the suits against the City of West Sacramento involving a police officer's abuse of authority against six women, a brain injury auto accident suit against the City of Davis, two quadriplegic suits (Davis and Yolo), and a student death claim against Esparto.
- The Workers' Compensation program experienced dramatic improvement with our new claims administrator reducing open inventory and outstanding reserves through aggressive claims handling. This allowed our actuary to lower their projections of monies needed for existing claims. There is a small increase in premium cost, possibly to reflect the built in benefit inflation that recent reforms have put in place.

#### LIABILITY PROGRAM

- Program Reserves (funding for existing claims):
  - This number can be described as the amount of money that would be needed to pay off all of our existing claims debt should we close our doors. This number moves up and down each year as files open and close or as reserves increase or decrease on existing files.
  - GASB requires us to book these at "expected" on our monthly balance sheet; the actuary study gives us program reserves at various confidence levels.

- 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.
  - The Program Reserves 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” as of 6/30:
      - 2015      \$3,482,861
        - Previous studies:
          - 2014      \$3,285,598
          - 2013      3,015,422
          - 2012      3,000,432
          - 2011      3,198,787
          - 2010      3,437,350
          - 2009      3,575,796
        - The 2015 number is greater than our six five year average of \$3,252,320, and is tied directly to outstanding reserves on the sexual assault litigation against a former West Sacramento police officer.
  - Confidence Margin 80%+, and shown as a figure in excess of expected:
    - 2015      \$870,715.
      - Previous studies:
        - 2014      \$854,255
        - 2013      784,010
        - 2012      780,112
        - 2011      831,689
        - 2010      859,388
        - 2009      920,949
      - The 2015 number is a bit over our six year average of \$838,395.
- Premium Component (funding next year’s claims).
  - The premium component is plugged into the “Variable Cost” section of YCPARMIA’s premium worksheet.
  - The attached actuary study establishes, at the Board policy’s 70% confidence funding level:
    - 2015      \$1,607,000.

- Previous studies:
  - 2014      \$1,666,000
  - 2013      1,495,000
  - 2012      1,446,000
  - 2011      1,489,000
  - 2010      1,793,000
  - 2009      1,837,260
- The 2015 premium figure a bit lower than our six year average of \$1,621,043.

### WORKERS' COMPENSATION PROGRAM

- Program Reserves (funding existing claims)
  - This number can be described as the amount of money that would be needed to pay off all of our existing claims debt should we close our doors. This number moves up and down each year as files open and close or as reserves increase or decrease on existing files.
  - GASB requires us to book these at “expected” on our monthly balance sheet; the actuary study gives us program reserves at various confidence levels.
  - 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.
  - YCPARMIA uses present value figure for its program reserves.
  - The attached actuarial study establishes:
    - Program Reserves as “expected” as of 6/30:
      - 2015      \$9,294,293
        - Previous studies:
          - 2014      \$10,705,896
          - 2013      9,718,936
          - 2012      8,237,691
          - 2011      8,506,359
          - 2010      8,043,958
          - 2009      7,544,260
- This year’s figure is about \$500K higher than our six year average of \$8,792,850. This suggests room for continued improvement, but that should be tempered by the realization that the legislature has built in benefit inflation that will drive up program reserves over time. On the positive side, it shows a \$1.4M reduction over last year.

- Confidence Margin 80%+, and shown as a figure in excess of expected:
  - 2015      \$929,429.
    - Previous studies:
      - 2014      \$1,498,825
      - 2013      1,943,787
      - 2012      1,647,538
      - 2011      2,211,653
      - 2010      1,447,912
      - 2009      1,357,967
  - This year's number is significantly lower than our six year average of \$1,684,613, and seems counter-intuitive given the rise in program reserves and premiums.
- Premium Component (funding next year's claims).
  - The premium component is plugged into the YCPARMIA Premium Worksheet under "Variable Costs."
  - The attached actuary study establishes, at the Board policy's 70% confidence funding level:
    - 2015      \$3,039,000.
      - Previous studies:
        - 2014      \$2,989,000
        - 2013      2,462,000
        - 2012      2,490,000
        - 2011      2,705,000
        - 2010      2,809,450
        - 2009      2,868,100
      - The 2015 premium figure increased by \$50K when compared to last year, and is about \$300K higher than our six year average of \$2,720,591. The only way to counter the built in benefit inflation is to reduce the frequency of injuries.

Conclusions:

- Liability Program: This year's actuarial study has resulted in what can be described as "expected" numbers. We have seen some deterioration when compared to the last couple of "good" years, but given the recent run of serious claims against a variety of members, the results were not unexpected. We are also dealing with a smaller sampling of claims. One catastrophic claim (in this case the West Sacramento sexual assault case) greatly impacts results.

- Workers' Compensation: This actuary study has moved the program closer to where our projections suggest it should be. LWP and YCPARMIA staff worked very hard over the last year to address inventory and reserving concerns – drivers of actuary numbers. With the trend turning, at least for this year, in the program reserves, we now need to address the rising premium trend. That will fall, almost exclusively, on loss prevention.

### **FISCAL IMPACT**

Approval of the Actuary Study allows its inclusions in our premium worksheets. This year's study will result in higher premiums to our members, and will be discussed in the Premium Review found later in this agenda.

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 26, 2015</u>
<b>SUBJECT:</b>	Preliminary Budget for Fiscal Year 2015-2016
<b>RECOMMENDED ACTION:</b>	That the Board review, discuss and take appropriate action to adopt the YCPARMIA Budget for FY 15/16, recognizing that revisions or adjustments can be made by the Board prior to the end of the fiscal year.

## **BACKGROUND INFORMATION:**

YCPARMIA's JPA Agreement requires that the Board adopt a budget by July 1<sup>st</sup> of each year. The budget is divided into three parts:

1. Revenue (which is largely generated by the application of premium formulas found in the Bylaws)
2. Administrative and Service Expense (which is the result of management projections), and
3. Insurance Expenses (which is largely a combination of claims funds and excess coverage costs).

Additionally the final printed budget will include:

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

The Board's adoption of the Budget allows us to insert the Administrative Expense amounts into YCPARMIA's Premium Worksheets, and provide members with fairly firm premium projections for the coming fiscal year.

Attached is the proposed budget for FY 15/16. There has been very little change in YCPARMIA's budget over the last six years (a comparative chart is included), and the proposed changes in this year's budget are again nominal. Most items remain unchanged, and historically, where possible, cuts have been made where possible to balance out any increases generated elsewhere in the budget.

The bottom line is a budget that proposes a 6% increase, or \$512,186, in total expenses (a bit under \$61K in Admin and Services, and \$512K in Coverage). It is important to understand that Administrative and Services, the traditional expenses of a business,

continues to account for 13.5% of our total expenses. The remaining 86.5% falls under our Coverages Expense. Excess coverage costs us over \$2.5M (29% of the entire budget, and 34% of the Coverage portion of the budget). Funding claims within our SIR is budgeted at \$4,230,000 (49.7% of the total budget, and 57.5% of the Coverage portion of the budget). The remaining 8.5% of the Coverage portion pays for claims administration, state assessments, and our public safety wellness program.

Without considering offsets, the \$512K recommended expense increase are largely generated by a very few line items:

- A \$68K increase to cover Lexipol costs;
- A \$200K increase in liability claims payments for anticipated litigation;
- An \$85K increase in excess workers' compensation costs;
- A \$135K increase in workers' compensation claims costs;
- A \$40K increase in excess property premiums; and
- A \$50K increase in property claims costs.

Against this \$512K increase in total expenses, we are projecting a \$151K increase in total revenues.

Concentrating on the proposed changes:

Revenue – 2%, or \$139K, increase:

- Investment & Other Income – 33%, or \$200K reduction: A 50% reduction in refund revenue from our Liability excess pool due to diminishing investment returns, and the excess hits that we have taken in Davis and West Sacramento litigation.
- Coverage Revenue: A 4%, or \$339,255, increase. The increase in revenue is unique to each program:
  - Liability – 1%, or \$24,206, increase: The reduction in the budgeted rebate from the excess pool is only partially offset by an excess premium reduction.
  - Workers' Compensation – 4%, or \$223,963 increase: An increase in actuarially determined claims costs and excess premium costs have generated higher premiums.
  - Property – 18%, or a \$91,084 increase: Excess rates and values are up; we are also recommending a significant increase in our loss payment fund.
  - Fidelity – 0%: No proposed changes.

Expenses – 6%, or \$451,236, increase:

- Administrative and Services – 6%, or \$60,950, increase proposed:
  - Human Resources: A net decrease of 1%, or \$9,850. The driving force in savings comes from a reduction in medical insurance premium caused by the PERS territory adjustment. This more than offsets a small increase in retirement, vision and dental costs.
  - Supplies and Services – 7% reduction: The savings are generated by lower than anticipated garbage/water charges.
  - Contractual Services – 165% increase: There are three line items that have increases. The first minor category is a \$500 increase for actuary study costs. We are also recommending a \$6,000 increase to build a painting/carpet replacement fund for our 30 year old building. Most significantly, at member request, YCPARMIA has funded policy and training programs for public safety departments through contracts with Lexipol. Those costs, given expanded participation, now cost about \$70K per year.
  - Staff Development – 0%: No changes are recommended for these line items
  - Capital Expenditures – 0%: No proposed changes.
  - Loss Prevention – 0%: No proposed changes at this time. Next year we will probably need additional funds to cover increased interest in Lexipol services for Police and Fire procedures and policies.
  - Total Administrative and Service Expenses: a 6%, or \$60,950 increase; again, there is a \$70K increase to cover our Lexipol contracts that represents the lion's share of the recommended increases.
- Insurance Coverage Expense – 7%, or \$451,238, increase proposed:
  - Liability Coverage: A 6%, or \$148,000 increase. We are recommending an increase in the liability claims payment fund in anticipation of litigation costs tied to West Sacramento Police litigation. This was partially offset by savings in our excess coverage premium.
  - Workers Compensation Coverage: A 5%, or \$214,000, increase. There are recommended increases in every category except the State Assessment



(where reduced reserves should lower our costs). A contracted increase in our claim's administrator's fees generates a \$15K increase. Our excess carrier, suffering from an under-funded position, has increased excess premiums by \$85K. We are recommending a 5%, or \$135K, increase in our claims payment fund to cover recent benefit trends. Lastly, we have an annual increase to our safety wellness program

- Fidelity Coverage: No proposed changes.
  - Property Coverage: A 19%, or \$89,236 increase. Loss payments for the current fiscal year were the highest in our history. We are recommending a \$50K increase to our loss payment fund. We have also seen a 10% increase in our excess costs driven by higher reported values.
  - Total Insurance Coverage Expenses: A 7%, or \$451,236 increase driven largely by returns to our historic claims payment levels.
- Total Expenditures: A 6%, or \$512,186 increase.

It is important to remember:

- This is essentially a flat budget, and reflects little change over the past six years. YCPARMIA is not a typical public entity; our financial position is driven largely by our member's claims.
- YCPARMIA's revenue, in turn, is largely determined by an independent actuarial study that makes projections off of our claims history.
- Potentially the biggest impact on our financial position is the unanticipated, but seemingly inevitable swings in our actuarially determined program reserves. These reserve changes are outside our budget (as are any rebates or assessments).
- Claims payments represent our biggest annual costs, and are volatile due to the small number of claims. One or two catastrophic losses, or their absence, can have a profound effect on our financial results.
- One of our largest annual expenses is basically beyond our control: the cost of our excess coverage provided through CJPRMA and CSAC-EIA.
- The budgetary area under our direct control is Administrative and Service Expenses. These represent a bit over 13% of our total budgeted expense.

**FISCAL IMPACT**

Approval of the recommended action will allow us to prepare premium worksheets. Note, only the Administrative and Service Expense (13% of the overall budget) is actually reflected in the premium worksheets. The remainder of the premium costs come mostly from excess coverage costs and actuarially determined claims costs.

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 26, 2015</u>
<b>SUBJECT:</b>	YCPARMIA Financial Report
<b>RECOMMENDED ACTION:</b>	Information only, no action required

**BACKGROUND INFORMATION:**

Attached are the YCPARMIA's Financial Report through February 28, 2015 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 26, 2015</u>	
<b>SUBJECT:</b>	Investment Report
<b>RECOMMENDED ACTION:</b>	Information Only; No Action Required

## **BACKGROUND INFORMATION:**

On a quarterly basis, staff reviews the investment activity with our investment management company, Chandler Asset Management. We keep our monies in two broad funds: an investment fund through Chandler, and a liquid fund for payment activity with LAIF. Attached is Chandler's investment report for the period ending February 28, 2015 indicating that we have \$10,527,534 invested through Chandler, and about another \$4M with LAIF.

There are two things that the Board should take away from this report:

- All investment activity is in compliance with the Board's investment policy and State law (page 14); and
- Our return on investment (page 20) for the last year has been 1.33% (the current LAIF return is .25%).

Chandler is anticipating that the dollar, especially against the Euro, will continue to strengthen, and that we will probably see interest rate finally rise in the fall. To some extent this would impact the current investment model.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7C</u>
	DATE: <u>March 26, 2015</u>
<b>SUBJECT:</b>	YCPARMIA Investment Statement
<b>RECOMMENDED ACTION:</b>	Information only, no action required

**BACKGROUND INFORMATION:**

Attached are the YCPARMIA Investment Statements through February 28, 2015 for your review.

For your information:

	<u>Investment Statement</u>
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LAIF as of 2/28/2015:	\$ 6,531,952
Chandler as of 2/28/2015:	\$ 10,527,534

For your information:

	<u>Outstanding Reserves</u>
Total as of 2/28/2014:	\$ 10,296,318.00
Total as of 1/31/2015:	\$ 8,185,471.00
<b>Total as of 2/28/2015:</b>	<b>\$ 8,129,316.00</b>

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 26, 2015</u>
<b>SUBJECT:</b>	Notification of New Claims Received Since the Previous Board Meeting
<b>RECOMMENDED ACTION:</b>	Information only, no action required

**BACKGROUND INFORMATION:**

Attached is a list of new Liability claims that have been received by YCPARMIA since the last Board Meeting. For your convenience, we have also included a list of all open Liability claims.

Respectfully submitted,

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 26, 2015</u>
<b>SUBJECT:</b>	Closed Liability Files
<b>RECOMMENDED ACTION:</b>	Information only, no action required

**BACKGROUND INFORMATION:**

Attached is our report on closed liability files. Recognizing that this agenda is a public document, it should be emphasized that the information provided is general. It is probable during the course of the year, that some files that close with a denial will re-open for litigation.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7F</u>
	DATE: <u>March 26, 2015</u>
<b>SUBJECT:</b>	Workers' Comp Loss Run Summary
<b>RECOMMENDED ACTION:</b>	Information Only; no action required.

## **BACKGROUND INFORMATION:**

Attached is the February WC loss run summary reflecting results for the first two-thirds of the fiscal year.

### Summary:

Frequency, severity, and future reserves remain good; benefits paid are higher than last year, but better than the year before that. The future reserves are a huge benefit for us because they manifest positive trends in our actuary report.

### Frequency:

Recognizing that we are dealing with small numbers, we have averaged 24.1 claims a month since the start of the fiscal year; last year we averaged 28 claims a month. If this trend holds we should see a corresponding decrease in future exposures.

### Severity:

Of the 193 new claims received this year, only 14, or 7.2%, have been coded "indemnity," meaning that they have TD and/or PD reserves. This is a great number when compared to last year where 21% of our files were had indemnity exposures. At the same time, conversions of files opened as med-only to indemnity due to adverse claim development are an equalizer. There have been a net of 27 claims converted from medical only to indemnity due to adverse medical development. This would bring our number of indemnity claims up to 41, or 21.2% of our total claims – so severity is essentially flat.

### Benefits:

Our average monthly benefit payments this year are \$240,182. This compares poorly to last year's \$195,741, but is much better than the \$255,738 for the year prior to that. While this is a significant amount, our numbers are small enough that one bad, or one good month could drastically change our trends.

Temporary Disability: This number is trending lower which is consistent with the lower indemnity file assignments. It also might reflect a member commitment to providing modified work.

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. It also



was impacted by the late year push to close out old files to clean up our future exposures.

Medical Costs: This number, after a very good year, has returned to its historical range. It is a benefit class where we can experience significant increases generated by a small number of bad injuries.

Legal, Investigative, Subrosa: This is an interesting grouping. Payments are down which may be tied to the reforms, or the reduced number of new indemnity claims, or less penetration by applicant's attorneys.

Future Reserves:

This remains the area of focus for staff and claims administrator. Recognizing that legislative reform includes scheduled increases in PD and TD rates, the future reserves are expected to increase annually as a consequence of legislated benefit inflation. LWP has countered this pressure by closing out old inventory, and aggressively reviewing future reserves.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM  
AGENDA ITEM NO. 7G

DATE: March 26, 2015

**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. <u>7H</u>
	DATE: <u>March 26, 2015</u>
<b>SUBJECT:</b>	Quarterly Statement of Revenues, Expenses and Retained Earnings
<b>RECOMMENDED ACTION:</b>	Information only, no action required

## **BACKGROUND INFORMATION:**

This report reflects quarterly results for our self-insured programs through December 31st, and allows us to project trends towards year-end results. We have also attached a year-end projection.

### Liability

The report indicates that we have fully funded program reserves and confidence margin, and our catastrophic fund is at about 58% of its Board approved level. Since the preparation of this report we have received our anticipated premium rebate from our excess liability pool, CJPRMA, totaling \$138,821. We had anticipated that the Liability Program would have a rough year – there are an unusual number of “big” claims in our open inventory that should move by midsummer. Because of that we are anticipating higher than usual litigation and claims costs for the balance of the year.

### Workers' Compensation

This year is projecting as expected. I would recommend ignoring the December 31<sup>st</sup> report, and concentrate on the year-end projection report. Due to the lowered program reserves this program should end the year with fully funded program reserves, a fully funded confidence margin, and a catastrophic fund at about 55% of the Board approved level.

### Property

The property program is suffering through its highest claims payment total in the history of YCPARMIA. By year's end we are projecting total paid claims of about four times what would normally be expected. We will be looking to rebuild the catastrophic fund in the coming fiscal year.

### Fidelity

The fidelity program is building a surplus that should be available for rebate at the end of the year.

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 26, 2015</u>	
<b>SUBJECT:</b>	FY 2015/2016 Premiums
<b>RECOMMENDED ACTION:</b>	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 premium calculations found in the YCPARMIA Bylaws are now available, but we need to be closer to year-end to determine if there will be funds available for rebate/credits, whether there is significant claim development, changes in anticipated excess premiums, or whether there will be further budget adjustments.

Based on the anticipated approval of the actuary study and proposed budget at this meeting, attached are estimated premium worksheets for the four programs. Please note that while the bottom total has increased over last year's premium, in liability and workers' compensation the individual member's share can shift within that total based on their share of the applicable claim history, and the member's share of the property premium can be affected by fluctuations in declared values.

Comparing total premiums:

- Fidelity – a \$500 increase over last year;
- Property – a \$90,163 increase from last year;
- Liability – a \$24,205 increase over last year; and
- Workers' Compensation – an increase of \$223,053 when compared to last year.

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>March 26, 2015</u>	
<b>SUBJECT:</b>	Strategic Planning
<b>RECOMMENDED ACTION:</b>	Information Only; No Action Required

## **BACKGROUND INFORMATION:**

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

There are two training requests that should be discussed:

- The Sheriff's Department has requested that YCPARMIA help fund a "Compassion Fatigue Workshop" for Animal Control. The County of Sacramento has sessions planned, and Yolo would like to bring the trainer over here for the day. Over the years we have had a couple of depression claims out of Animal Control. My thought is to offer up to \$2,000 for the training.
- The West Sacramento Police and District Attorney have asked for funding to send staff to the Force Science Institute. Materials are attached for your review, but the essential goal is to train local staff to conduct post-incident investigations. My suggestion would be to provide tuition only for up to three attendees - \$4,500.

There are funds available in our loss prevention budget for both of these items.

A third item for discussion is the CJPRMA Alternate Director designation. Currently the President of the YCPARMIA Board is the designated alternate. My suggestion is to make the Staff Claims Investigator, Marinda Griese, the alternate. It will improve her bargaining position when dealing with CJPRMA staff on liability files in excess.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

## Closed Session

- A. Conference With Labor Negotiator (CG54957.6)  
Unrepresented Employees: Miscellaneous Employees
- B. Public Employee Performance Evaluation (CG54957)  
CEO/Risk Manager