



# Yolo County Public Agency Risk Management Insurance Authority

## AGENDA

### YCPARMIA BOARD MEETING

Thursday, May 24, 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
  - No Action Items
7. Information Items
  - A. YCPARMIA Financial Report
  - B. YCPARMIA Investment Statement
  - C. Workers' Compensation Loss Run Summary
  - D. Notification of New Claims Received Since the Previous Board Meeting
  - E. Closed Liability Files
  - F. Certificates Issued
  - G. Property Program Changes
  - H. RFP for Workers' Compensation Claims Handling
  - I. Fiscal Update – Premiums, Budget and Reserves
  - J. Miscellaneous Claims Graphs and Reports
  - K. Strategic Planning

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

COMMUNICATIONS	
AGENDA ITEM NO. <u>4B</u>	
DATE: <u>May 24, 2012</u>	
<b>SUBJECT:</b>	CEO/Risk Manager's Report
<b>RECOMMENDED ACTION:</b>	Information Only

## **BACKGROUND INFORMATION:**

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

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. Action by the Board at the last meeting has limited attendance to one person from each member agency.
2. At the request of West Sacramento, YCPARMIA is exploring a two-tiered retirement system with new employees coming in a 2% @ 60. We are awaiting the results of a requested PERS audit.
3. YCPARMIA is offering a webinar on May 22<sup>nd</sup>, 10-11:30, dealing with confined space entry. Anyone wishing to send people to attend in our conference room should contact Tom. This topic concerns an acknowledged OSHA target area for increased enforcement, and follows a significant incident in a rice elevator in Dunnigan.
4. The Marine Insurance policy covering the river patrol boats of West Sacramento and Yolo renewed with a small increase; there was a concern over renewal and premium increases after litigation growing out of a collision between a patrol boat and a yacht.
5. Upgrading to our new server has been successfully completed; prior connection problems have disappeared, and the system, under Marinda's control, appears to be working quickly and efficiently.
6. Building maintenance is starting to become an expense issue. Both our carpet and refrigerator are almost 25 years-old, and are showing their age.
7. Tom is in the process of completing respirator fit testing for Woodland's safety personnel. Over 100 individuals, with up to four masks, have been through the process.
8. CJPRMA, under pressure from YCPARMIA and REMIF, is exploring the creation of a workers' compensation excess program.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	COMMUNICATIONS
	AGENDA ITEM NO. <u>4C</u>
	DATE: <u>May 24, 2012</u>
<b>SUBJECT:</b>	Next Meeting
<b>RECOMMENDED ACTION:</b>	Information Only

## **BACKGROUND INFORMATION:**

The following is the date of our next Board meeting:

DATE: June 28, 2012

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

CONSENT CALENDAR  
AGENDA ITEM NO. 5A

DATE: May 24, 2012

**SUBJECT:** Minutes

**RECOMMENDED ACTION:** That the Minutes of the Regular Board Meeting of March 22, 2012 be Approved as Submitted

**BACKGROUND INFORMATION:**

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for March 22, 2012 for your review.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7A</u>
	DATE: <u>May 24, 2012</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 March 31, 2012 for your review.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM AGENDA ITEM NO. <u>7B</u>
	DATE: <u>May 24, 2012</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 March 31, 2012 for your review.

	<u>Investment Statement</u>
For your information:	
Total as of 3/31/2011:	\$ 14,682,189.00
LAIF as of 3/31/2012:	\$ 7,867,761.00
CHANDLER as of 3/31/2012:	\$ 8,229,811.00
<b>TOTAL AS OF 3/31/2012:</b>	<b>\$ 16,097,572.00</b>

	<u>Outstanding Reserves</u>
For your information:	
Total as of 3/31/2011:	\$ 7,830,745.00
Total as of 2/29/2012:	\$ 8,010,774.00
<b>Total as of 3/31/2012:</b>	<b>\$ 8,542,820.00</b>

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: May 24, 2012

**SUBJECT:** Workers' Compensation Loss Run Summary

**RECOMMENDED ACTION:** Information only; no action required

## **BACKGROUND INFORMATION:**

Attached is the 4/30/12 loss run summary provided by our TPA, York. This report represents program performance for the first ten months of the fiscal year. Interestingly Marinda was told that the IT/Customer Service Department celebrated that they produced accurate reports two months in a row.

Summary: We are continuing to have a mixed year. New indemnity claims are down, monthly benefit costs are down, but future reserves are spiking up, and we are seeing increased reopenings and conversions by prior medical only to indemnity. Having said that, we are dealing with small numbers that are vulnerable to a few bad claims.

### Frequency:

- 349 claims were reported to YCPARMIA during the ten months of the fiscal year.
- This is an average of 34.9 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 349 claims, 39 (11.1%) were coded as indemnity due to reserved exposures for temporary disability and/or permanent disability. The average of 3.9 indemnity claims per month is down from our yearly average of 6 last year. BUT – we have had a net of 28 form med-only claims converted to indemnity which brings our total to 67, or 19.1% of our total, and 6.7 claims per month. This is cause for concern.

### Benefits:

- Our average monthly total for total benefits paid is \$222,014; 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, and members providing modified work.

- 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.
- 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 while investigation costs have risen.

The overall picture is mixed. Benefit costs are down on both an actual and pro-rata basis, but future reserves have sky-rocketed. These will inevitably lead to higher paid benefit totals and adverse trends in our actuarial studies. The only answer, given the built in benefit inflation in the workers' compensation system, is reducing claims through aggressive loss prevention.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager



# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7D</u>
	DATE: <u>May 24, 2012</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 by entity and by type of claim.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7E</u>
	DATE: <u>May 24, 2012</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,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM  
AGENDA ITEM NO. 7F

DATE: May 24, 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,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM AGENDA ITEM NO. <u>7G</u>
	DATE: <u>May 24, 2012</u>
<b>SUBJECT:</b>	Property Program Changes
<b>RECOMMENDED ACTION:</b>	Information Only; no action required.

After many years with CJPRMA, YCPARMIA moved its excess property and boiler & machinery coverage to CSAC-EIA in 1998. The main motivation for the move was having flood included as a covered peril along with some earthquake coverage. The cost of the two programs was comparable; if we had purchased the flood and earthquake separately the CJPRMA program's cost would have doubled.

There is a general consensus that we are going into a hardening market. As a result CSAC's broker, Alliant, apparently reduced coverage to maintain premium stability. There are some significant changes coming in the 2012-2013 policy year which started on April 1<sup>st</sup>:

- The programs average rate increased by 7%;
  - YCPARMIA's went up about 10% due to our experience and exposures;
- The shared limit all policy was reduced from \$602.5M to \$6M;
- The flood limit was reduced from \$602.5M to \$300M with an additional \$100M coverage shared among all members;
- Unscheduled infrastructure is no longer included;
  - This is defined as "unscheduled roads, bridges, tunnels, culverts, sidewalks and street lights for non-FEMA declared disasters;"
- Vehicle deductibles for replacement cost coverage has risen to \$20K on vehicles valued at less than \$250K and \$100K on vehicles valued over \$250K.

YCPARMIA is always monitoring other programs to ensure that we are getting the best coverage at the best price. The hardening market is adversely affecting all property programs, and the coverages and limits in the CSAC-EIA program remain our best choice. Having said that, the rate is only half the premium formula; the values declared are equally important. To that end:

- We had a cross section of buildings appraised a few years ago;
- We agreed that contents would be declared at 15% of the building value except in unique cases;

- We will be scheduling appraisals on a cross section of property in the open this summer.

It is also recommended that members re-examine their list of vehicles with the higher \$20K deductible.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM AGENDA ITEM NO. <u>7H</u>
	DATE: <u>May 24, 2012</u>
<b>SUBJECT:</b>	RFP for Workers' Compensation Claims Handling
<b>RECOMMENDED ACTION:</b>	Information Only; no action required.

## **BACKGROUND INFORMATION:**

In 2004 YCPARMIA moved their workers' compensation claims administration from CMI to Bragg; ironically Bragg subsequently took over CMI which had provided claims service for YCPARMIA for over twenty years. A few years back Bragg, a regional TPA, was purchased by York Insurance Services, a national claim administrator headquartered in New Jersey; York has continued to purchase local TPAs as part of an aggressive period of growth.

While the quality of claims handling on YCPARMIA files has remained good, there are some concerns:

- We have seen a recent exodus of claims supervisors to other TPAs;
- We experienced ongoing problems with the accuracy of our monthly loss runs/reports;
- We have been getting complaints from injured workers that they are having troubles contacting their examiners;
- We have identified a pattern of late initial contact by the claims examiner;
- YCPARMIA has received complaints from our member's HR departments regarding their interaction with some of our examiners;
- There does not seem to be a consistent effort to close files;
- There does not seem to be a consistent pattern of aggressiveness in the claims handling;
- The interaction between YCPARMIA staff and our examiners has been diminishing;
- Examiners still do not appreciate our financial need for closings, tight reserving, and cost containment;
- York has reportedly lost a number of customers recently, including Raley's;
- There are rumors of deteriorating morale as Bragg transitions to a national TPA; and

- Our ace in the hole, Tom McCampbell, is transitioning to senior status which will end his oversight on our account.

On the positive side we are not getting complaints from the medical providers, there are few if any penalties and the technical handling of our large claims remains excellent.

The YCPARMIA contract with York expires on June 30, 2013, or about 14 months from now. After reviewing the concerns with our members it was agreed that we would explore what the industry was offering by going through an RFP process prior to the 6/30/13 renewal date.

The plan that has been started is to:

- Prior to CAJPA:
  - Identify and conduct informal interviews with perspective providers;
  - Follow-up with a visit to their local offices (we will only consider TPA's with a Sacramento area claims office);
  - Survey other local public entity self-insureds and JPAs;
- In late October:
  - Prepare a detailed RFP (with member input) hitting our important issues;
- Prior to December:
  - Put out a formal written RFP to selected vendors;
- In January:
  - Conduct formal interviews of finalists;
- At the March Board meeting:
  - Award the contract to the successful bidder;
- 6/30/13:
  - Finish the transition process to the new TPA, if necessary.

To date we have interviewed two perspective regional TPAs, and have a third interview set for next month. I anticipate interviewing about four others.

There is real cost associated with the RFP process, however if the decision is made to move to a new TPA there will be a significant investment of staff time during the transition. Ultimately the relationship with York is certainly not bad enough to mandate a move to a new TPA. Hopefully if the decision is made to stay with York we can use what we learn in the RFP process to refocus their service.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM AGENDA ITEM NO. <u>71</u>
	DATE: <u>May 24, 2012</u>
<b>SUBJECT:</b>	Fiscal Update – Premium, Budget, and Reserves
<b>RECOMMENDED ACTION:</b>	Information Only; no action required.

## **BACKGROUND INFORMATION:**

Attached is the Statement of Revenues, Expenses and Retained Earnings as of March 31, 2012. Three of the four programs, Liability, Property, and Fidelity are all fully funded and building surpluses.

The Workers' Compensation program is making progress. It started the year in the red with a negative \$4,047,850, and ended the third quarter with a negative \$3,581,989. This meant that at the start of the year we had no WC Catastrophic Fund, no Confidence Margin, and had eaten into the Program Reserves to the tune of about \$300K.

The third quarter report is accurate in point of time, but does not represent the end of the year trends. Most importantly it does not reflect the reductions in program reserves that drop to the bottom line. It does not reflect the reduction in the Confidence Margin based on the actuarial study. It also does not reflect the proposed assessment for the Liability Program that will transfer excess surplus to the Workers' Compensation Program.

Attached also is the Statement of Revenues, Expenses and Retained Earnings projected to the end-of-the-year. The picture there is much more optimistic. The reduction in program reserves and the confidence margins result in significant bottom line movements in both the Liability and Workers' Compensation Programs. Assuming a Board approved movement of about \$1M from the Liability to the Workers' Compensation program we will end the year:

- Liability: fully funded program reserves, confidence margin and catastrophic funds with about a \$200K surplus to address two developing claims;
- Workers' Compensation: fully funded program reserves and confidence margin; no catastrophic fund.
- Property and Fidelity: fully funded.

This means that we will have started the year \$4M in the hole for WC, and will end it about \$1.5M down. All other programs will be fully funded. The end-of-the-year projection will still see a shortfall of \$1,282,005, but that is a huge improvement over the start-of-the-year deficit of \$4,043,731.



A word of caution: There are significant factors that have led to this remarkable improvement:

- We have had two good claim years in Liability allowing for a transfer of surplus through the assessment process;
- We have had better than anticipated rebates from the excess liability group;
- We have had two good actuary reports with costs trending lower;
- We have had a trend of reduced WC benefit costs – but this trend appears to be turning;
- We had a great actuary study that reduced program reserves and confidence margin;
  - But that was based on 12/31 Outstanding Reserves of \$6.4M; on 4/30 they had risen to \$7.8M. **This portends a terrible 2013 WC actuary study.**
  - Claim frequency and benefit costs are starting to trend back up – again a negative indicator.
- We have seen an improvement, with the creation of our investment account at Chandler Assets, in our investment returns.

At its June Meeting the Board will take several actions:

- It will confirm and approve the premium cash payments as determined at the last meeting; there is nothing that we foresee developing to warrant changing those numbers.
- It will consider an assessment against the Liability Program, like it did last year, which will transfer much of the surplus to the Workers' Compensation Program.
- It will consider premium rebate credits in the Property and Fidelity Programs.

We do not anticipate recommending any changes to the approved budget or program reserves.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

INFORMATION ITEM  
AGENDA ITEM NO. 7J

DATE: May 24, 2012

**SUBJECT:** Miscellaneous Claims Graphs and Reports

**RECOMMENDED ACTION:** Information Only; no action required.

## **BACKGROUND INFORMATION:**

Over the next year it is our intention to greatly increase the statistical data and reports that we provide the Board. Attached is the first offering.

WC Payment Total: This is a list that we have previously provided that shows the monthly totals paid on each claimant's claim. We have included both the March and April reports, and they offer an opportunity to recognize a significant fiscal factor. The April report has one file that had \$16K paid on it during the month. Two more files had more than \$5K paid on them. In March there were 8 claims with more than \$5K paid, and the top four files accounted for over \$107K in payments. That is the difference between a "good month" and a "bad month." Just a few expensive files make the difference. All of the other payments average out. Our ability to reduce costs is to prevent those few bad claims.

WC Payment Activity: This is a report that York generates for us that shows payment totals by both entity and type of benefit. The graph at the bottom tracks the monthly totals for a year. The fluctuations are difficult to follow, but if you hold a rule between the first month's total and the last month's total you will generally see little movement. The member's spikes in between are often generated by those few claims that are discussed in the paragraph above.

New WC Claims Donut Graph: This graph shows the actual number of new WC claims received in April, and how the total would be divided if it were based on a member's relative percentage of payroll. For instance West Sacramento had 12 claims in April when we would have expected them to have 8 based on the total number reported. Conversely, Yolo had 18 claims where we expect them to have 21.

Claimant's Receiving TD Benefits: This donut graph compares the number of injured workers receiving temporary disability benefits in April with what we would expect to see based on their relative payroll.

The TD benefit generates the most controllable number. A member's policy and

commitment to offering modified positions directly impacts their total. The attached graph suggests that West Sacramento is aggressive in controlling their TD exposure, while Woodland has many more people receiving benefits than what we would expect.

Outstanding WC Reserves: This donut graph compares the outstanding reserves (money put aside to make future payments) on open files. Again the outside circle shows the actual reserves, and the inner circle shows the same total factored by the individual member's percentage share of total payroll. For example Davis has \$1.9M up in reserves where their share of total payroll would have us expecting a total of only \$1.4M.

Respectfully Submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager

# YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7K</u>
	DATE: <u>May 24, 2012</u>
<b>SUBJECT:</b>	Strategic Planning: the Board's opportunity to discuss developing issues
<b>RECOMMENDED ACTION:</b>	Information Only; no action required.

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

A concern continues to be the uneven commitment to safety as we see our WC claim frequency edging up.

Respectfully submitted,

*Dictated but not Signed*

Jeffrey M. Tonks  
CEO/Risk Manager