



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, May 28, 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 Item
 - A. Underwriting Policy
 - B. Confidence Margin Policy
 - C. Catastrophic Fund Policy
 - D. Personnel Manual
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. Quarterly Statement of Revenues, Expenses and Retained Earnings
 - H. Workers' Compensation Hearing Claims
 - I. 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. Section 54956.95 – Liability Claim
Ballard et al VS City of West Sacramento
 - B. Conference with Labor Negotiator (CG54957.6)
Unrepresented Employees: Miscellaneous Employees
 - C. Public Employee Performance Evaluation (CG54957)
CEO/Risk Manger

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>May 28, 2015</u>
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

1. The next conference is CAJPA in South Lake Tahoe, September 15 – 18.
2. Next year's PARMA was to be in Monterey on February 16th thru the 19th. Due to renovations at the Convention Center it has been moved to the Renaissance Indian Wells Resort and Spa on February 23rd thru the 26th.
3. We have seen our excess workers' comp premiums trending up, while our frequency and severity has been flat or declining. This has triggered us to explore other options including forming our own excess pool under CJRPMA and Aon, working with our former broker, Marsh, in going to the insurance market, and talking directly with an excess carrier, Midwest Employers Casualty Company.
4. The cinder-block trash area in our parking lot continues to be a target for the area's homeless. After our wooden gate was kicked in, we have installed a new chain link gate. The unbudgeted cost of making YCPARMIA less inviting to the area's homeless has been a disturbing surprise.
5. We continue to see the occasional injured worker going to the emergency room for minor cuts, scrapes and bruises. The cost to the member can be up to three times higher than going to the MPN Occupational Medical Clinics. Service is faster and cheaper at the occupational clinics – follow-up appointments are generally there rather than at the ER, so there is also better continuity of care.
6. We have installed a few adaptors to make desks ergonomically friendly standing work stations. Cost of the units is reasonable, and installation only requires placing them on top of the desk
7. We are overdue for a few of the required Board Member and Alternate orientations. They take about two hours, and enough notice to make sure that YCPARMIA staff are all available during the planned event.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: May 28, 2015

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The next Board meeting is scheduled for:

DATE: June 25, 2015

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: May 28, 2015

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of March 26, 2015 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for March 26, 2015 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>May 28, 2015</u>
SUBJECT:	Underwriting Policy
RECOMMENDED ACTION:	That the Board review and adopt the proposed Underwriting Policy.

BACKGROUND INFORMATION:

Every three years YCPARMIA is audited by the California Association of Joint Powers Authorities for renewal of its accreditation. We have been advised that this year they have added a new requirement – an Underwriting Policy. Our accreditation audit should be completed by early summer, and adoption of this policy will keep us in compliance with the best industry standards.

The purpose of this policy is to set forth the evaluation process for prospective members, new to the Authority, or new to participation in its various offered programs. The policy sets forth the standards and policies that are followed to protect the assets of the pool, and its members during the process where the Board considers applications.

The underwriters in an insurance company evaluate the risk that potential insureds represent, and decide whether the company wants to accept that risk, and if so, at what price. YCPARMIA, as a mature pool serving a restricted geographical area with a finite number of perspective members, does not process many applications for new membership, or applications for existing members to join existing programs. Most of the elements of the proposed policy are already found in various YCPARMIA documents and policies. The offered Underwriting Policy has gathered that information and placed it in a single document.

FISCAL IMPACT

There is no direct fiscal impact resulting 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>May 28, 2015</u>
SUBJECT:	Confidence Margin Policy	
RECOMMENDED ACTION:	That the Board modify its existing policy to roll Boiler and Machinery into Property, and to increase the Property Confidence Margin to \$100,000.	

BACKGROUND INFORMATION:

The Board has a Confidence Margin Policy (K-89 in the Blue Binder) that supplements Loss Reserves which are required to be booked by GAAP at expected (50% confidence). The Liability and Workers' Compensation programs have their program reserves and confidence margins determined by our annual actuary study. The Property and Fidelity programs are not part of that study as both our claim frequency and severity would not generate meaningful numbers.

Historically Property and Boiler & Machinery coverages were written under separate insurance policies. When we moved our Property Program from CJPRMA to CSAC-EIA the Property and Boiler & Machinery programs were combined, and that is now reflected in our financial reports and premiums. Historically the Confidence Margin for Boiler & Machinery was three times our retention, or \$15,000.

We are recommending that the Board's Confidence Margin Policy be modified by:

- Dropping the Boiler & Machinery reference; and
- Increasing the Property Confidence Margin to four times our (\$25,000) retention, plus the existing \$15,000 Boiler & Machinery Confidence Margin, for a total of \$115,000.

The recommended increase in the Confidence Margin is triggered by three considerations:

- We have seen a dramatic increase in the frequency and severity of property claims, and the trend seems to be continuing;
- The cost of repair and replacement has been impacted by inflation; and
- Members continue to report occasional property claims long after the losses occur.

It would be our intention to allow the funding of the new recommended level float up when “good years” lead to the development of a surplus in this program. The increased Confidence Margin will also allow us to continue to tightly fund our Loss Payment Program which directly impacts premiums.

FISCAL IMPACT

There would be no immediate fiscal impact from the recommended action. There would be no premiums collected to increase this fund, but future surplus rebates would be affected until the new level is funded.

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>May 28, 2015</u>
SUBJECT:	Catastrophic Fund Policy
RECOMMENDED ACTION:	That the Board modify its existing Catastrophic Fund Policy to combine Property and Boiler & Machinery, and to increase the combined Catastrophic Fund for Property to \$100,000.

BACKGROUND INFORMATION:

This is a companion agenda item with the previous item addressing modifications to the Confidence Margin. As the Property and Boiler & Machinery programs were combined, it follows that their Catastrophic Funds should also be combined.

The increase from the combined \$65,000 to \$100,000 is supported by loss inflation since the amounts were originally set fourteen years ago. This modest increase in program funds will allow us to continue to tightly fund our loss payment reserve which comes from annual premiums.

Like the Confidence Margin, it would be our intent to let the funding float up to the new levels as surpluses are developed – hopefully over the next two years.

FISCAL IMPACT

There is no direct fiscal impact from the recommended action; premiums will not be increased to fund these changes. Excess surplus over the next few years could be impacted.

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>May 28, 2015</u>
SUBJECT:	YCPARMIA Personnel Manual
RECOMMENDED ACTION:	That the Board review and approve the attached updated Personnel Manual

BACKGROUND INFORMATION:

At the Board's direction, YCPARMIA contracted with Bryce Consulting last year to review our personnel manual, and make recommendations on updates and changes. Attached is their draft copy of the manual.

In addition to minor changes to language/words, removing redundancies, and making the sections compatible/consistent, the proposed major modifications are:

- Rearranging the manual into two parts: General Administration (on how the Authority conducts its business), and Personnel Administration (rules relating directly to employment).
- Reorganizing a third part for attachments – basically stand-alone policies.
- Adding Board Policies relating to employment found in the Blue Binder to the Attachment section of the Personnel Manual.
- Adding a Violence in the Workplace Policy.
- A revision of the Harassment Policy.
- Adding a Drug Free Workplace Policy.

At the time of writing this agenda item, there was still an outstanding issue on drug testing as part of YCPARMIA's proposed Drug Free Workplace Policy. It is anticipated that this will be developed and presented to the Board as part of this agenda item.

FISCAL IMPACT

There is no anticipated fiscal impact from approving the recommended action.

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>May 28, 2015</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through April 30, 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>May 28, 2015</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through April 30, 2015 for your review.

Investment
Statement

For your information:

<i>LAI</i> as of 4/30/2015	\$ 6,531,952.00
Chandler as of 4/30/2015:	\$ 10,568,359.00

Outstanding
Reserves

For your information:

Total as of 4/30/2014:	\$10,117,620.00
Total as of 3/31/2015:	\$ 8,185,600.00
Total as of 4/30/2015:	\$ 8,318,374.00

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>May 28, 2015</u>
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>May 28, 2015</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>May 28, 2015</u>
SUBJECT:	Workers' Comp Loss Run Summary
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the April WC loss run summary reflecting results for the first five-sixths of the fiscal year.

Summary:

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

Frequency:

Recognizing that we are dealing with small numbers, we have averaged 25.1 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. We have averaged over \$5K in benefits paid per file over recent years, so a reduction of 35 claims this year would suggest a future savings of over \$175K in benefits paid over the life of these files.

Severity:

Of the 251 new claims received this year, only 17, or 6.7%, 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 30 claims converted from medical only to indemnity due to adverse medical development. This would bring our number of indemnity claims up to 47, or 18.7% of our total claims – so severity is better than last year, and probably follows the decreased frequency trend.

Benefits:

Our average monthly benefit payments this year are \$234,382. 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: Permanent Disability payments are trending about the same as last year. With fewer new indemnity files we can anticipate an improving trend in this number that will be partially offset by built in benefit rate inflation.

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, but we are already over last year's total paid with two months to go..

Legal, Investigative, Subrosa: This is an interesting grouping. Payments are up, but some of that was extra legal work reducing open inventory prior to our annual actuary study. We have also been more aggressive in sub rosa assignments this year.

Future Reserves:

This remains the area of focus for staff and claims administrator, and is closely monitored. Future reserve are significantly lower than they were at the same time last year, and our goal is to push them lower as the fiscal year comes to an end.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: May 28, 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>7G</u>
	DATE: <u>May 28, 2015</u>
SUBJECT:	Quarterly Statement of Revenues, Expenses and Retained Earnings
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

This report reflects quarterly results for our self-insured programs through March 31st, and allows us to project trends towards year-end results. Year end results will be dramatically impacted by program reserve and confidence margin adjustments triggered by our actuary study.

Liability

The report indicates that we have fully funded program reserves and confidence margin, and our catastrophic fund is at about 34% of its Board approved level. This has been an expensive year of litigation and settlements for us. Two files have accounted for our program deficit.

Workers' Compensation

This year is continuing to develop well for us with a gradual decrease in our deficit. The end of the year report where we capture the reductions in program reserves and confidence margin dollars will generate a significant reduction in our bottom line deficit.

Property

The property program continues to suffer through its highest claims payment total in the history of YCPARMIA. While we hope to return to a more normal pattern of losses, we will have to monitor the coming year with an eye towards the possibility that the adverse trend will continue. Next year's goal will be to rebuild the catastrophic fund.

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>7H</u>	
DATE: <u>May 28, 2015</u>	
SUBJECT:	Worker's Compensation Hearing Claims
RECOMMENDED ACTION:	Information Only; No Action Required

BACKGROUND INFORMATION:

On a semi-regular basis, YCPARMIA receives questions about hearing tests. As a general overview, Cal/OSHA requires that an employer who has employees that are exposed to a 8-hour time weighted average of 85dB, or greater, have a Hearing Conservation Program. The members Hearing Conservation Program, which should be considered a supplement to their entity's IIPP, controls how the entity should respond to hearing issues (See topic #146 of YCPARMIA's Manager/Supervisor Manual for additional information).

When a worker feels that they have suffered a job related hearing loss, a 5020 should be submitted to start the workers' compensation process. The YCPARMIA Board Policy on Hearing Claims, located a K-125 in the Blue Binder, then comes into play.

The great majority of potential threshold shifts reported under the Board Policy never make it to an actual Workers' Compensation claim; cleaning ears, and providing a 24 hour period insulated from loud noise before re-testing usually negates the positive test results. Where hearing loss is established as industrial, hearing aids usually correct the problem without any permanent disability.

YCPARMIA currently has 22 open WC hearing claims:

- Davis has 9;
- West Sacramento has 7;
- Woodland has 4;
- Yolo has 1; and
- Winters has 1.

Of those 22 claimants, 18 currently have hearing aids. YCPARMIA has added Costco to our MPN as our hearing aid provider. After the Veterans Administration, they are the largest provider of hearing aids in the country.

As always, YCPARMIA is here to help the member with the creation or updating their Hearing Conservation Program.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 71

DATE: May 28, 2015

SUBJECT: Strategic Planning

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

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

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

Closed Session

- A. Section 54956.95 – Liability Claim
Ballard, et al VS. City of West Sacramento
- B. Conference With Labor Negotiator (CG54957.6)
Unrepresented Employees: Miscellaneous Employees
- C. Public Employee Performance Evaluation (CG54957)
CEO/Risk Manager