



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, August 23, 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. Budget Adjustments
 - B. Arden Psychological Services - Semi-Annual Report
 - C. Property in the Open Appraisals
 - D. Biennial Review of the YCPARMIA Conflict of Interest Code

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.

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 Loss Run Summary - End of Year 6/30/2012
 - F. Workers' Comp Loss Run Summary – July 2012
 - G. Certificates Issued
 - H. Statement of Revenues, Expenses, and Retained Earnings as of June 30, 2012
 - I. Miscellaneous Claims Graphs and Reports
 - J. End-of-the-year Budget Variances
 - K. Strategic Planning



Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS	
AGENDA ITEM NO. <u>4B</u>	
DATE: <u>August 23, 2012</u>	
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	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. In order to get more continuity and control on future med files we asked York to explore having future med files with current employees stay with the indemnity examiners (future med files for former employees would stay with the medical-only examiner). They told us that our examiners were book up, and that we could bring another senior examiner onto the 25 files for an additional \$20,745 per year.
3. Progress continues in the WC RFP process. Staff has now met with six potential vendors and have two more visits planned before the written RFP is sent out in October.
4. We are continuing to explore the formation of a new WC excess pool through CJPRMA.
5. We should have the contract modifications from PERS for Board action at its October Board meeting on the employee payment of their share (which we have already implemented) and a two tier system for new employees.
6. YCPARMIA became a nature preserve when a young coyote was captured on our back patio. Two weeks later we became a homeless camp when it was discovered that we had a camper using our back area. We now have new locks on the gates.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: August 23, 2012

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The following are items we anticipate will be agendized for our next Board meeting:

DATE: October 25, 2012

- Annual Financial Audit

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: August 23, 2012

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of June 28, 2012 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for June 28, 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>August 23, 2012</u>
SUBJECT:	Budget Adjustments
RECOMMENDED ACTION:	That the Board approve the recommended adjustments to the previously approved budget for Human Resources and the Property Program for FY 2012-2013.

BACKGROUND INFORMATION:

At its last Board meeting the YCPARMIA Board directed the transfer of the employee's share of the PERS retirement contributions from the agency to the employees. Consistent with the actions of various members, this transfer of responsibility was offset by payroll adjustments. The net effect is a 27% decrease in the budget for retirement contributions, and a 5% increase in payroll expense. The bottom line for the Human Resource categories and expenses for the entire budget are unchanged by this action.

An additional adjustment is being recommended for the property program to cover the recommended value appraisal of property in the open. The proposed contract is for \$38,500, and we would put that on top of the \$400,000 excess coverage already approved by the Board. Note, this will have no premium impact because we will be using excess surplus to pay for the service.

FISCAL IMPACT:

The recommended action is neutral, and will have no effect on premiums or operations.

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>August 23, 2012</u>
SUBJECT:	Arden Psychological Services – Semi-Annual Report
RECOMMENDED ACTION:	That the Board review and accept the semi-annual report from Arden Psychological Services.

BACKGROUND INFORMATION:

Attached is the semi-annual report from Arden on activities in our safety wellness program. Services are being utilized, and Arden's efforts at outreach are consistent. An informal survey of safety officers shows that they are aware of the offered services.

Obviously the numbers of pre-employment evaluations are at an historical low. The lower turnover and tight job market should lead to an improving pool of candidates. They report that this is generally true, but not for YCPARMIA agencies. Obviously this is a concern that will be shared with the HR departments at our member agencies.

There were five critical incident responses during the reporting period. This is much higher than our historical average. EAP usage is trending up which we see as a positive; Arden now has two former law enforcement officers providing services.

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>August 23, 2012</u>
SUBJECT:	Property in the Open Appraisals
RECOMMENDED ACTION:	That the Board review the proposed \$38,500 contract from AssetWorks for valuation appraisals of property in the open, and direct the CEO/Risk Manager to sign the contract.

BACKGROUND INFORMATION:

Each year property valuation lists are sent to our members for adjustment and confirmation of replacement values; these figures are used by the excess carrier to generate premiums. There are four types of property involved in the process:

- Buildings – which are appraised every few years by the excess carrier and adjusted by inflation factors;
- Contents – which, absent extraordinary circumstances, are declared as a percentage of the building value;
- Vehicles/heavy equipment – which are easily valued based on their cost of replacement; and
- Property in the open – an area that has caused significant problems in the past.

Last year the Board discussed this issue in some detail, and it was agreed that appraisals on this type of property to create a baseline would be of great benefit, and make the process much easier for entity staffs. We contacted AssetWorks, a significant player in this area, and obtained a proposal from them to perform the audit. Their quoted cost is \$38,500; we would not anticipate needing a follow-up audit for the next 5-7 years.

FISCAL IMPACT

In anticipation of this expense excess surplus was allowed to build (rather than being returned as premium credits) in the program, and is available to pay for this service.

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>August 23, 2012</u>
SUBJECT:	Biennial review of the YCPARMIA Conflicts of Interest Code
RECOMMENDED ACTION:	That the Board review YCPARMIA's attached conflict of interest policy, and direct the CEO/Risk Manger to provide the biennial notice to the state indicating no changes/amendments.

BACKGROUND INFORMATION:

Government Code Section 87305.6 requires a government agency to do a biennial review of the agency's Conflict of Interest Code and provide notice to the Fair Political Practices Commission of that review and any needed changes. This notice must be received by the FPPC no later than October 1, 2012.

Attached is our Conflict of Interest Code which limits reporting to the Board, Alternates, Treasurer, and the CEO/Risk Manager; the CEO/Risk Manager also reports under his capacity as a board member of CJPRMA and CSAC-EIA. Consultants are also required to report if they have the authority to spend YCPARMIA funds. Since all settlement authority comes from the CEO/Risk Manager they are not required to report. An additional consultant, our asset manager Chandler, does make purchases and does submit an annual report.

There are no recommended changes for the board to consider.

FISCAL IMPACT

There is no anticipated cost resulting from 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>August 23, 2012</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through June 30, 2012 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7B</u>
	DATE: <u>August 23, 2012</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

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

Investment Statement

For your information:

Total as of 6/30/2011:	\$ 13,547,560
TOTAL AS OF 5/31/2012:	\$ 16,670,144
LAIF as of 6/30/2012:	\$ 6,555,405
CHANDLER as of 6/30/2012:	<u>\$ 8,275,536</u>
TOTAL AS OF 6/30/2012	\$14,830,941

Outstanding Reserves

For your information:

Total as of 6/30/2011:	\$ 7,701,659
Total as of 5/31/2012:	\$ 9,408,257
Total as of 6/30/2012:	\$9,079,881

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: August 23, 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. 7D

DATE: August 23, 2012

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. 7E

DATE: August 23, 2012

SUBJECT: Workers' Compensation Loss Run Summary
End of Year 6/30/12

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the 6/30/12 loss run summary provided by our TPA, York. This report represents year-end program performance for the fiscal year.

Summary: When compared to recent history, this was a flat year for both frequency and severity. It continued a very slight trend downward in total cost which is significant in a system that has built-in inflation factors.

Frequency:

- 417 WC claims were reported to YCPARMIA during 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 417 claims, 45 (10.8%) were initially 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. BUT –we have had a net of 43 med-only claims converted to indemnity which brings our total to 88, or 21.1% of our total, and 7.3 claims per month. This is cause for concern; SEVERITY IS INCREASING.

Benefits:

- Our average monthly total for total benefits paid was \$235,205; 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 saw a significant drop in year-end totals sufficient to offset increases in other benefit categories. This shows the financial impact of offering modified work.**



Yolo County Public Agency Risk Management Insurance Authority

- Permanent Disability: Recognizing that PD payments are made on older files, we have seen a disturbing increase in total PD payments.
- 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 have been trending higher over the last few months largely driven by a few claimants receiving surgery.
- 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.

Future Reserves:

- We are experiencing a \$777,661 increase in future reserves when compared to the start of the fiscal year. Unless reversed, this will necessarily have an adverse effect on our annual actuarial study.

The overall picture is mixed. Claim frequency is basically flat, and has remained so for years. Benefit costs are down overall, 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,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: August 23, 2012

SUBJECT: Workers' Compensation Loss Run Summary – July 2012

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the 7/31/12 loss run summary provided by our TPA, York. This report represents program performance for the first month, or 8.3% of the fiscal year.

Summary: The first month results are good; they are better than those of the last three years, but it is recognized that one bad claim would reverse this trend.

Frequency:

- 35 WC claims were reported to YCPARMIA during the July.
- This number is identical to the monthly average of claims reported during FY11-12.

Severity:

- Of the 35 claims, 2 (5.7%) were initially coded as indemnity due to reserved exposures for temporary disability and/or permanent disability. Last year's average was about 4 per month, and the year before that it was six. While the trend looks good deeper analysis shows that we have a problem. During July 3 claims were reopened and 5 were reclassified from MO to indemnity. This means that the number of indemnity files increased by 10.

Benefits:

- Our average monthly total for total benefits paid is \$198,793; a substantial reduction over the previous year's average of \$235,205 and substantially lower than the \$241,643 average in FY10-11.
 - Temporary Disability: We had a good first month with only 15 employees receiving TD benefits.
 - Permanent Disability: We should see PD payments remaining about flat; there is benefit inflation built into the system, but the number of new indemnity files is decreasing.
 - 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 have been trending flat, but there are a number of surgeries in the pipeline that will increase payments.
- Vocational Rehabilitation: This benefit, after the 2004 reforms, has all but disappeared.
- Legal, Investigative, Sub-rosa, etc.: Legal costs remained flat while investigation costs have risen.

Future Reserves:

- Future reserves have continued to rise. Partially due to adverse claim development, and partially due to files not closing, we have seen a steady trend upwards. When compared to a year ago future reserves have increased \$632,048. With frequency flat and severity increasing we can expect to see the reserves continue to rise.

The overall picture remains 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,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7G

DATE: August 23, 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. 7H

DATE: August 23, 2012

SUBJECT: Statement of Revenues, Expenses, and Retained Earnings as of June 30, 2012

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached is the end-of-the-year Statement of Revenues, Expenses and Retained Earnings. The figures are firm with the exception of our investment numbers; we have estimated the LAIF component as we have not received the actual figures from the County. Leaving the Workers' Compensation Program for last;

Liability:

The report reflects that the Liability program is fully funded in program reserves, confidence margin, and catastrophic fund. After providing a credit sufficient to stabilize premiums at last year's (flat for 4 years) level, and paying \$1M assessment for the workers' compensation program, there is still excess surplus of \$146,578. These funds were withheld in anticipation of settlement negotiations on a 2005 police case.

Property:

This program is also fully funded in program reserves, confidence margin, and catastrophic fund. The reflected excess surplus of \$68,113 is misleading. We have already paid out approximately . We are also recommending payment of \$38,500 for value appraisals on property in the open, so in reality there is no excess surplus.

Fidelity:

Again, this program's reserves, confidence margin and catastrophic fund are all fully funded. An absence of claims has led to an excess surplus of \$1,724.

Workers' Compensation:

The bottom line looks bad, but the improvement in the overall numbers has been significant. We started the year with no confidence margin, no catastrophic fund, and had eaten into program reserves. Overall the bottom line was a negative \$4,047,850.18.

We ended FY 11-12 with a negative \$1,470,016, or an improvement of \$2,577,834. Much of this came from a good actuarial study, but we also gained from a decrease in benefit payments. We have fully funded program reserves, a fully funded confidence margin, and \$30,000 in our catastrophic fund. This dramatic improvement is fragile.

What the actuarial report giveth (lower program reserves) it can taketh away, and the trend in future reserves threatens this year's study. Closing files and reducing reserves is essential, and one of the reasons that we are going through the RFP process for claims administration.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 71

DATE: August 23, 2012

SUBJECT: Miscellaneous Claims Graphs and Reports

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

At the Board meeting we will be handing out selected graphs that address trends in claims, finance and loss prevention.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7J

DATE: August 23, 2012

SUBJECT: End-of-the-year Budget Variance

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:

Attached is the un-audited end-of-the-year Profit & Loss Budget vs. Actual report; this report is intended to analyze last year's performance against budget and to address variances where we went over budgeted expense. **Taken as a whole, revenues came in as expected at 103.95% of budget, and expenses came in much lower than expected at 79.3% of budget.** The claims expenses are our cost drivers, and when we have a good year, like we did in 2011-2012, we get these types of results.

Income:

Income came in at 103.95% of budget. A higher than anticipated excess rebate, and the better than anticipated investment returns by Chandler Assets explain the overage.

Expense:

Human Resources: Total expense came in at 96.49% of budget. The only variance of note was found in part-time wages which includes our Nurse position, and temporary help. We had avoided the expense of scanning records for a couple of years, and were forced to resume the practice after running out of storage. The process is now complete, and the extra expense should end.

Supplies and Services: Total Supplies and Services came in at 83.93% of budget. We were over budget in two areas. Information Technology expenses are largely made up of internet costs; we switched providers to get more dependable service, and there was an unanticipated cost in the process. Publication and Subscriptions also came in slightly above budget due to price increases.

Contractual Services: This area came in at 105.8% of budget. The extra cost under the actuarial audit was for a PERS evaluation required to modify retirement benefits. Building maintenance was impacted by the failure of both bathroom fans, and repair of our water softener service. Equipment maintenance costs were impacted by the copy machine maintenance contract that is driven by the number of copies produced. That was offset by a reduction in printing and binding

expense with us doing the work in-house. Professional contracts came in far over budget (611%). This increased cost reflects the unbudgeted tri-annual expense of the CAJPA accreditation audit.

Loss Prevention: This category came in at 68.5% of budget. We were over on the contractual services line item; this increase was driven by the increased participation of our various police agencies in the Lexipol program covering policies, procedures, and safety. We hope to see that cost rise this year as more use is made of these services.

Staff Development: This area came in at 117.3% of budget. We have not yet received the reimbursement from our excess pool for conference expense that will move us under budget. We also experienced an increase in professional membership fees for our private investigator, safety loss professional, and nurse.

Capital Expenditures: This category came in at 166.39% of budget. The unanticipated failure of our server, and one of our desktop computers led to an acceleration of our replacement/upgrade process. While most of our members have a 5-year replacement cycle, we have been using a 7-year cycle.

Liability Coverage: Lower than anticipated claims payments, and an actuarial reduction in program reserves had this category come in at 74.4% of budget.

Workers' Compensation Coverage: While there was an increase in claims administration, and a substantial increase in the State self-insured assessment, this category came in at 78.1% of budget due to a combination of lower than expected claims costs, and an actuarial reduction in program reserves.

Property Coverage: This category came in at 79.7% of budget.

Fidelity Coverage: This category came in at 76.9% of budget.

Total Coverage Expense came in at 76.87 % of budget.

Total Expense came in at 79.3% of budget.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager



Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7K</u>	
DATE: <u>August 23, 2012</u>	
SUBJECT:	Strategic Planning: the Board's opportunity to discuss developing issues
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.

Topics of possible interest:

- The WC RFP process
- Inactive safety committees
- Training
- Programs for associate members.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager