Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, March 22, 2018 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. Discussion and Acceptance of the 2018 Actuarial Report
   B. Actuary Service Contract
   C. Preliminary Budget for Fiscal Year 2018/2019
   D. Cordico (Arden Psyche) Six-Month Update Report
   E. Excess Liability Premiums
   F. Networks by Design Contract
   G. Resolution of Appreciation to Jeffrey Tonks

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. Projected Fiscal Year 2018/2019 Premium
   H. Strategic Planning

The meeting room is wheelchair accessible and disabled parking is available. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact our office at (530) 666-4456 or Fax (530) 666-4491. Requests for such modifications or accommodations must be made at least 48 hours before the start of the meeting.

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4B

DATE: March 22, 2018

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

1. CAPJA is scheduled for September 11 thru September 14th in South Lake Tahoe; please let Charlotte know as soon as possible if you plan on attending.
2. Charlotte has provided CAJPA with the information requested to complete the re-accreditation process; YCPARMIA has held the Accreditation with Excellence designation since the program was first started.
3. YCPARMIA's MPN network has been re-accredited for the standard four-year term by the State. We have changed the process with Network by Design administering the network, but required notification letters now sent by LWP.
4. There is a reoccurring issue on testing employees for hearing loss. While each entity should follow their own policy, if they are grounded on what is "required by law" we are looking at very few employees – probably a couple of dozen out of the 4,000 YCPARMIA covered employees. The CalOSHA standard is triggered by an exposure to an 8-hour time weighted average of 85 dbs, or greater.
5. A coverage reminder: the property program, with replacement coverage, is structured so that each loss has a $1K member deductible, with the next $24K pooled by YCPARMIA, and amounts over that are covered through CSAC-EIA. An exception is that vehicle physical damage (valued under $250K) has a $10K deductible (down from the recent $20K), with nothing pooled by YCPARMIA.
6. A resource reminder: the YCPARMIA home page includes valuable information on risk, safety, and claims. Included in the materials is a supervisor risk training manual – about 200 one-page white papers on a variety of risk subjects. The information in those materials should allow you to address 99% of the risk issues that you encounter.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: March 22, 2018

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:
The next Board meeting is scheduled for:

DATE: May 24, 2018

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO._____ 5A _______

DATE: March 22, 2018

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of January 25, 2018 be Approved as Submitted

BACKGROUND INFORMATION:
Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for January 25, 2018 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO.____6A________
	DATE:___March 22, 2018
SUBJECT:	Discussion and Acceptance of the 2018 Actuarial Study
RECOMMENDED ACTION:	That the Board review and accept the attached Actuarial Study establishing Program Reserves and Cash Payments (premiums) for the Liability and Workers' Compensation Programs.

BACKGROUND INFORMATION:

YCPARMIA is required by Board Policy, and by the Cash Payment Addendums to the Bylaws, to have an annual Actuarial Audit using December 31st figures to project fiscal year-end totals for the Liability and Workers' Compensation Programs; the Property and Fidelity programs are not part of the study. 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 independent 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 94-page Actuarial Study prepared by Mujtaba Datoo at Aon is attached. 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 a variety of factors, including:

- claim frequency and severity,
- open inventory,
- performance against previous study's projections,
- claims payments,
- member payroll,

- 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 if we "closed the doors." They are booked, as required by GASB, at "expected" (essentially a 50/50 confidence level) on our balance sheet. By Board policy, and industry practice to avoid regular periods of being underfunded, 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." Note: Program Reserves are an important element in our accreditation by both CAJPA and AGRIP, and are also an area of central import in our annual independent financial audit, and CAFR.

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 17-18). 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, followed closely by the excess premium cost.

This year's actuarial study was essentially "flat" for program reserves, and reflects a slight increase in premium factors. The study results in:

- Liability Program:
  - Program reserves: $363K increase.
  - Confidence margin: $106K decrease.
  - Premium component: $117K increase.
- Workers' Compensation:
  - Program reserves: $213 decrease.
  - Confidence margin: $21K decrease.
  - Premium component: $81K increase.
- Combined:
  - Program reserves are increasing: $150K
  - Confidence margin is decreasing: $127K
    - Net program and confidence margin reserves are increasing $23K over last year's $14,115,984 numbers – a 0.16% increase.
  - Premium components are increasing: $198K (over last years $5,266,000 – a 3.75% increase.

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:
        - 2018 $3,578,358
            - Previous studies:
                - 2017 $3,214,981
                - 2016 3,211,900
                - 2015 3,482,861
                - 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 2018 number is $308,122 more than our nine-year average of $3,269,236 and represents a $363,377 increase over last year's study.

    - Confidence Margin 80%+, and shown as a figure in excess of expected:
        - 2018 $536,754
            - Previous studies:
                - 2017 $642,996
                - 2016 643,380
                - 2015 870,715
                - 2014 854,255
                - 2013 784,010
                - 2012 780,112
                - 2011 831,689

      - 2010 859,388
      - 2009 920,949
    - The 2018 number is significantly lower, $261,856, than our nine-year average of $798,610, and is $106,242 lower than last year's number.

- <u>Premium Component</u> (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:
    - <u>2018 $1,933,000</u>
      - Previous studies:
        - 2017 $1,816,000
        - 2016 1,760,000
        - 2015 1,607,000
        - 2014 1,666,000
        - 2013 1,495,000
        - 2012 1,446,000
        - 2011 1,489,000
        - 2010 1,793,000
        - 2009 1,837,000
    - The 2018 premium figure is higher than our nine-year average of $1,656,555. This year we are seeing an increase of $117,000, or 6.4%. This increase is driven largely by a few significant claims.

<u>WORKERS' COMPENSATION PROGRAM</u>

- 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:
  - <u>Program Reserves</u> as "expected" as of 6/30:
    - <u>2018 $9,112,186</u>
      - Previous studies:

        - 2017 $9,325,461
        - 2016 8,912,233
        - 2015 9,294,293
        - 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 above our nine-year average of about $8.9M, but under the $9.6M average since the 2013 workers' comp "reforms." It represents a $213,275 reduction over last year's program reserve figure.

  - <u>Confidence Margin</u> 80%+, and shown as a figure in excess of expected:
    - <u>2018 $911,219.</u>
      - Previous studies:
        - 2017 $932,546
        - 2016 891,223
        - 2015 929,429
        - 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 nine-year average of $1,417,876, and probably reflects a more stable program, and reserving pattern by our TPA (who came onto the program in 2013).

- <u>Premium Component</u> (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:
    - <u>2018 $3,531,000</u>
      - Previous studies:
        - 2017 $3,450,000
        - 2016 3,432,000
        - 2015 3,039,000
        - 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 2017 premium figure is higher than our nine-year average of $2,916,000, but at the same time, the numbers seem to have stabilized over the last two years. One of the driving factors has been the unexpected increase in member payroll over the last few years; payroll is a significant factor used in actuary studies at the primary, and more importantly, the excess levels. It should also be remembered that the 2013" reforms" legislated in annual benefit increases.

Conclusions:

- Liability Program: We had anticipated small increases for this program. While a number of larger exposure recently closed, we have seen some significant claims take their place. While the trend can be anticipated to improve, the actuary numbers will lag behind the trend.
- Workers' Compensation: The program reserves are in the area that we projected as reasonable; it has taken a few years of joint effort with our claims administrator to reduce the trends that had developed with our previous TPA. With trends flat, and reserves down, it would appear that we have only partially offset the legislated benefit and medical inflation that impacts the program. There is still a significant opportunity to reduce future premium factors with increased loss prevention efforts; as it currently stands, our numbers have remained fairly flat with minimum efforts by many members.

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. 6B

DATE: March 22, 2018

SUBJECT: Actuary Service Contract

RECOMMENDED ACTION: That the Board review and approve a three year extension at an annual cost of $6,950 of the current contract with Aon Global Risk Consulting for YCPARMIA's annual actuary study.

BACKGROUND INFORMATION:
. The YCPARMIA By-laws and Board Policy call for an annual independent actuarial study to establish program reserves at various confidence levels for both the Liability and Workers' Compensation Programs, and to establish the anticipated claim costs, again at various confidence margins for the coming fiscal year. The audit takes place during the first few months of the calendar year and is based on results found in our December 30th loss runs.

There are a limited number firms providing this type of service to California JPA's. For a number of years we have contracted with Mujtaba Datoo, first at Arm Tech, and now at Aon to provide this study. The quality, responsiveness, and timeliness of service has been extraordinary. Mujtaba's well-deserved reputation is supported by the unerring accuracy of his projections. I believe that YCPARMIA is fortunate to have the benefit of his professional expertise.

The proposed contract proposes an annual fee of $6,950, flat for three years. This is a $500 per year increase over the current cost that has been in place since 2012. These costs are well below the prevailing market, and reflect the long relationship and familiarity that they have with YCPARMIA's business practices.

Financial Impact
The recommended action would result in a $500 annual cost increase for actuarial services, and is within the current budget recommendations.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. 6C
	DATE: March 22, 2018
SUBJECT:	Preliminary Budget for Fiscal Year 2018-2019
RECOMMENDED ACTION:	That the Board review, discuss and take appropriate action to adopt the YCPARMIA Budget for FY 18/19, 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 1st 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 – normally provided to the Board as part of the agenda for its June meeting -- 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.

It is essential to remember possibly significant expenses that are not included in the budget:

- Any possible changes to actuarially determined program reserves which are booked at the end of the fiscal year, and
- Any premium rebate credits that the Board declares at their June meeting.

Attached is the proposed budget for FY 18/19. There has been very little change in YCPARMIA's budget over the last eight years (a comparative chart will be presented at the Board meeting), and the proposed changes in this year's budget are again nominal, with the exceptions of a few specific items (especially our excess premium costs).

There are two areas of special note:

- As reported last year, the YCPARMIA Board has approved payment of member police and fire departments participation in Lexipol. This provides policies, procedures and training for these unique departments, and helps to ensure that their practices are current with State-wide standards. This cost is budgeted under our Liability Program, and now represents a significant cost.
- The second area is one of concern. Our excess liability coverage costs, as reported frequently to the Board, have been spiking. Additionally, for the first time in CJPRMA's history, they will not be providing any rebates. So, we have significant increases in costs, and at the same time, a reduction in program revenues.

The bottom line is a budget that proposes:

- Total Expense: A 7% increase, or $582,566, in total expenses (almost entirely found in the Coverage Expense section of the budget
- Administrative and Services, the traditional expenses of a business, accounts for 12.7% of our total expenses.
- Coverage Expense: The remaining 87.3% falls under our Coverages Expense.
    - Excess coverage (above our SIR) costs us over $3.4 (36.8% of the entire budget, and 42% of the Coverage portion of the budget).
    - Funding claims within our SIR is budgeted at just under $3.8M (41% of the total budget, and 48% of the Coverage portion of the budget).
    - The remaining 10% of the Coverage portion pays for claims administration, state assessments, our public safety wellness program, and Lexipol services for law enforcement and fire.

Without considering offsets, the majority of recommended expense changes are largely generated by a very few line items which will be discussed in detail below:

Under YCPARMIA's By-laws budgeting revenue is essentially automatic. With the acceptance of the actuary study, adoption of the budget for administration and services, and confirmation of our excess premiums, the components of the different program's premium formulas are plugged in, and premiums are determined. The only revenue elements outside the premium formulas are investment returns and excess rebates, and these are fairly predictable. Also, the budgeted revenue does not take into consideration any offsetting premium/cash payment rebates that the Board might consider in its June meeting.

Against a $659,118 increase in total expenses, we are projecting a $582,566 increase in total revenues. Obviously, there is a gap between budgeted revenue and budgeted expenses. Our expenses are budgeted based on what YCPARMIA feels it will spend. Revenues are largely based on what the actuary, at a 70% confidence level, feels we will need. If we are able to stay within budget, as we almost always do, the gap should drop to the bottom line, and be available as a rebate to offset next year's member costs. This year we anticipate the availability of rebate funds in the fidelity, property, and workers' compensation programs; these rebates are not part of our budget but will serve to reduce member's FY 18-19 costs.

Concentrating on the proposed changes:

Revenue – 9%, or $659K, increase:

- Investment & Other Income –
  No budgeted change in investment earnings, but a significant reduction in refund revenue to $0. CJPRMA, while increasing premiums, has discontinued rebates to address their perceived funding shortfall.
- Coverage Revenue: An 9%, or $859,118, increase. The increase in revenue is unique to each program:
  - Liability – 14%, or $492,738: A 20% increase in excess costs, a 6% increase in actuarially determined claims costs, and the loss of the CJPRMA rebate generates the increase.
  - Workers' Compensation – 5%, or $301,479 increase: An increase in actuarially determined claims costs, excess premium costs, and the State assessment have generated higher premiums.
  - Property – a 12%, or $67,630 increase: a 3% increase in declared values, and a higher insurance rate generated by a hardening market have driven up the excess costs.
  - Fidelity – a 9% decrease, or $2,729 less: we are starting the first year of a three-year excess renewal at a lower cost.

Expenses – 6%, or $528,072, increase:

- **Administrative and Services** – 1%, or $10,950, increase proposed:
  - Human Resources: A net increase of 0%, or $3,000 increase The increase is generated by increased medical premium costs.

  - Supplies and Services – 3%, or $850, increase: Utility cost increases are being offset by reduced publication, postage, and subscription costs.

  - Contractual Services – -1.5%, or $900 decrease: a reduction in claims auditing expense as we partner with our excess groups.

- Staff Development – 8%: or $3,000 increase: Next year's PARMA conference will be in Disneyland, and transportation costs will be increased over this year's Monterey location.

- Capital Expenditures – 0%, or no change.
- Loss Prevention – 14%, or $5,000 increase: Target Solutions services for our smaller fire district members is an expanding cost/service.

- **Insurance Coverage Expense** – 7%, or $582,566 increase proposed:

  - Liability Coverage: A 12%, or $320,00 increase. generated entirely by excess premium increases, and expansion of the law enforcement and fire agencies using Lexipol services.

  - Workers Compensation Coverage: A 5%, or $219,776, increase: Expansion of safety EAP services to cover increased critical incidents, an increase in excess coverage costs triggered largely by increases in member payrolls, a significant increase in the State Assessment, and an increase in the TPA claims costs combine for this increase.

  - Fidelity Coverage: a 5%, or $1,000 reduction triggered by a decrease in excess coverage costs.

  - Property Coverage: an 6%, or $32,840 increase generated by higher excess coverage costs; these costs were generated by increased property values, and a hardening excess insurance market driven by last year's catastrophic incidents.

Listing the top six proposed expense increases:

- Excess liability premium: $275,000
- Excess workers comp premium: 78,776
- Excess property premium: 57,840 – excess costs combined :$411,616
- Expanded safety wellness program: 60,000
- Contractual Services (Safety-Lexipol) 45,000.-_safety services combined $105,000
- State WC assessment: 50,000
- Total: $566,616

Budgeted expense increases: $582,566. The balance of the increases, partially offset by recommended reductions, are spread across the remaining budget.

It is important to remember:

- The budgetary area under our direct control is Administrative and Service Expenses. These represent a bit over 12.7% of our total budgeted expense.

Administrative and Service expenses are essentially flat and reflects little change over the past eight years.

- YCPARMIA is not a typical public entity; our financial position is driven largely by our member's claims development at the primary and excess levels.
- YCPARMIA's revenue is generated by premium formulas found in our By-laws; these are heavily impacted by our annual actuary study, and excess premium costs.
- Historically, on the two occasions where the YCPARMIA Board strayed from the premium formulas, the Authority went into underfunded positions that led to premium assessments, and, each time, took over five years to return to a fully funded position.
- 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 relatively small number of claims. One or two catastrophic losses, or their absence, can have a profound effect on program funding and our financial results.
- Following closely behind the cost of claims in our primary layers, is the cost for our excess coverage provided through CJPRMA and CSAC-EIA which pool retained exposures with other California public entities, and purchase reinsurance as needed. This expense is largely beyond our control and is generated by applying actuarially determined excess rates to our collective payroll.

FISCAL IMPACT

Approval of the recommended action will allow us to prepare premium worksheets. Note, The Budget has a limited effect on member premiums; only the Administrative and Service Expense (12.6% of the overall budget) is actually reflected in the premium worksheets. Excess coverage costs, essentially a pass-thru from our excess pools, are also included as invoiced, rather than as a budgeted expense.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO.____6D________

DATE:____March 22, 2018

SUBJECT:	Cordico (Arden Psyche) Six-Month Update Report
RECOMMENDED ACTION:	That the Board review and accept the attached report from Cordico

BACKGROUND INFORMATION:

YCPARMIA contracts with Cordico (formerly Arden Psyche) to provide a variety of wellness services to public safety employees. Services include:

- Pre-employment psychological evaluations (43 conducted during this six month period, down from 70 during the preceding six-months),
- EAP services (221 sessions during this reporting period);
- Critical Incident debriefings (13 – an historical high -- during this period), and
- Additional associated services as requested. .

During the reporting period we have received no complaints from our member agencies. Feedback seems to be positive, and the relationships with our agencies have settled down to seamless process.

FISCAL IMPACT

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

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6E

DATE: March 22, 2018

SUBJECT: Excess Liability Premiums

RECOMMENDED ACTION: That the Board direct its President to send a letter of concern to CJPRMA, with an eye towards possible withdrawal if their adverse funding trend continue..

BACKGROUND INFORMATION:
. YCPARMIA, as a founding member (1986) of the California Joint Powers Risk Management Authority, obtains excess coverage for our Liability Program. The structure, on a per occurrence basis, is:
YCPARMIA: Primary level up to a $500K SIR.
CJPRMA: $500,001 up to $40M.
CJPRMA's excess layer is broken down further with:

- A self-insured pool B -- $500K to $1M
- A self-insured pool C -- $1M to $5M
- A reinsured pool D -- $5M to $40M

Most of CJPRMA's members participate in all three pools, but a few members attach at $1M. The reinsurance pool, D, is based on a purchased reinsurance policy underwritten by various commercial insurance companies. Premiums for each pool are determined by an actuary study and apportioned among the members (17 cities and 4 primary pools) based on share of total payroll (YCPARMIA currently represents 13% of that total).

CJPRMA has a long history of premium rebates that helped off set annual excess premiums; YCPARMIA budgeted those rebates as revenue to offset member premiums. YCPARMIA's excess premium for the last five years has been:

	Premium	rebate:	Net:
• 2013:	$ 996,799	$456,770	$540,029
• 2014:	1,111,821	325,557	786,264
• 2015:	1,118,678	138,821	979,857
• 2016:	1,209,678	196,382	1,013,296
• 2017:	1,444,881	0	1,444,881
FY 18/19 will be:			
• 2018:	1,666,000	0	1,666,000

An increase of over $1M in five years, with no sign of the trend abating, has to be a concern. This has been discussed with the YCPARMIA Board on a number of occasions over the last two years. CJPRMA largely blames the premium trend on the adverse claims history of one member, the City of Vallejo, with a loss ratio of 372%; in the face of their retention being unilaterally raised from $500K to $2.5M per occurrence, they have issued a notice of withdrawal. I am not optimistic that this will reverse the trend as I believe there are more basic causes.

It is recommended that the Board formally voice their concern to the CJPRMA Board and ask for a written response. YCPARMIA's other option is to issue an intent to withdraw; that would have to be given in writing by 12/31/18 to be effective 7/1/19. There are a number of other excess pools, but a quick survey does not suggest any substantial savings if we moved the program.

One last factor: CJPRMA's General Manager, David Clovis, is reportedly retiring in October. His claim manager left to manage a school's pool six months ago, and CJPRMA is currently recruiting for both positions.

FISCAL IMPACT

There is no fiscal impact anticipated 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. 6F

DATE: March 22, 2018

SUBJECT: Networks by Design Contract

RECOMMENDED ACTION: That the Board review and approve the proposed contract for MPN maintenance with Networks by Design.

BACKGROUND INFORMATION:

As previously reported, the YCPARMIA MPN was allowed to lapse by our prior administrator, PDI. They then failed to get State approval during the resubmission process. The State recommended two vendors who they felt were the best choices going forward, and at the direction of the Board we worked with Networks by Design to recertify our MPN, which was accomplished in December.

Going forward we need to enter into a formal contract for the MPN maintenance. Their proposal is attached with a monthly cost of $2,000. The $24K annual total compares favorably to our previous contract with PDI at $24,300. The quality of responsiveness, professionalism, and service more than justifies the move.

FISCAL IMPACT

There is no fiscal impact anticipated 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. 6G

DATE: March 22, 2018

SUBJECT: Resolution of Appreciation to Jeffrey Tonks

RECOMMENDED ACTION: That the Board review and adopt the attached Resolution of Appreciation for Jeffrey Tonks

BACKGROUND INFORMATION:
The YCPARMIA Board, in the past, has passed resolutions expressing its appreciation for the contributions of retiring employees. A plaque memorializing the resolution is then presented to the retiree.

FISCAL IMPACT
There is no fiscal impact anticipated from the recommended action.

Respectfully submitted,

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7A

DATE: March 22, 2018

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA's Financial Report through February 28, 2018 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. 7B
	DATE: March 22, 2018
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA Investment Statements through February 28, 2018 for your review.

	Investment Statement
For your information:	
Chandler as of 2/28/2018	$ 13,786,527 .00
LAIF as of 2/28/2018:	$ no report

	Outstanding Reserves
For your information:	
Total as of 2/28/2017:	*$ 6,895,597.00*
Total as of 2/28/2018:	**$ 6,975,262.00**

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7C

DATE: March 22, 2018

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: March 22, 2018

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: March 22, 2018

SUBJECT: Workers' Comp Loss Run Summary

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the February 28, 2018 WC loss run summary reflecting first two-thirds of the fiscal year results.

Summary:
The first half frequency and severity is trending closely to last year's results. Benefit costs are a bit higher on average. Future reserves on open files are quite a bit lower. When you balance the lower benefit payments against the higher future reserves, we are essentially flat when compared to last year, and well positioned to have another good year.

Frequency:
We received 226 new claims during the first two-thirds of the year, three more than at the same time last year. This works out to an average of 28.2 injuries per month, while we averaged 30.3 last year, and 25.5 the year before that. It is important to remember the adage that "frequency breeds severity"; more claims increase the odds of a serious injury/claim. Still the numbers are small, and any average is vulnerable to a good or bad month.

Severity:
Of the 226 new claims, 18 were coded as indemnity, but an additional net 9 claims were converted from medical only, meaning that 11.9% of new claims had exposures for temporary disability and/or permanent disability. This is trending much better than the 19.3% of claims that had indemnity exposures last year.

An additional consideration would how the indemnity claims are reserved – are they small, or large? That analysis for the first half of the year is attached and shows that the last two years have seen very few claims with high reserves. While we can anticipate that there will be adverse development on some of these existing claims, the absence of losses at the higher end over the last few years has to be seen as a positive going forward.

Benefits:
Our average monthly benefit payments this year are $246,221. This compares poorly to last year's average of $224,983, but again we are talking about small numbers, and should anticipate a rise to more historical norms Essentially benefit payments are tracking flat when compared to the last couple of years.

Temporary Disability: This number is holding its trend at an historical high, and remains a matter of concern.

Permanent Disability: Permanent Disability payments are trending higher, but this can be considered positive to the extent that we are settling out future exposures.

Medical Costs: Our biggest benefit exposure are also trending higher for the first time in two years..

Legal, Investigative, Subrosa: And, maintaining the pattern, this area is also trending flat.

Future Reserves:
Future reserves on existing open files are at $5,810,722, or $218,316 lower than the reserves a year ago, and remain consistent.

When you apply the reduced reserves to the higher payments, it appears that the program is running flat when compared to FY 16/17 – but -- we are dealing with small numbers that can be greatly impacted by a bad month, or a few bad claims.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: March 22, 2018

SUBJECT: Certificates Issued

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is a list of the certificates that have been issued since the last Board Meeting.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7G

DATE: March 22, 2018

SUBJECT: Projected Year-end Program Results and FY 18/19 premiums

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

With the anticipated adoption of the preliminary budget, and approval of the actuary study, YCPARMIA's FY 18/19 premiums are pretty firm. The premium formulas are found in the YCPARMIA By-laws, and have stood the test of time. The Liability and Workers' Compensation programs include an experience modifier, so a member's recent history can change their relative position, for better or worse, within the total premium amounts. Copies of the FY 18/19 preliminary premium worksheets are attached for all four programs.

At its June meeting the Board will decide whether premium rebates will be made to help offset the premiums. To assist our members in their budget process, we have done a rough analysis (attached) of the probable year-end position for the four major programs to determine whether surplus will be available for rebate offsets.

- Liability: We are projecting a year-end shortfall of $171K in catastrophic funds. This was triggered by the excess pool's cancellation of their premium rebate that we had budgeted for.
- Workers' Compensation: We are anticipating a bit less than a $1.4M surplus. Last year the Board declared a $618K rebate from this program.
- Property: While we are anticipating a small surplus, about $6K. Last year the Board declared a $44K rebate from this program.
- Fidelity: We are anticipating a $6K surplus in this program. Last year the Board declared a $9,700 rebate from this program.

These are soft projections and are vulnerable to unanticipated claim developments in the last third of the year. A year-end projection will be included with the June agenda that will more accurately reflect the availability of surplus for rebates.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: March 22, 2018

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, future risk management plans, and to direct YCPARMIA staff as needed.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager