Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, March 23, 2017 at 1:30 p.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 2017 Actuarial Report
   B. By-Law Corrections
   C. Preliminary Budget for Fiscal Year 2016-2017
   D. Esparto Fire Protection District
   E. Cordico (Arden Psyche) Six-Month Update Report
   F. YONET Risk Sharing Policy

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. Risk Management – Workers Compensation Premium
   H. Projected Fiscal Year 2017/2018 Premium
   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.

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4B

DATE: March 23, 2017

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

1. CAJPA is scheduled for September 12th thru the 15th in South Lake Tahoe; please let Charlotte know early if you are planning to attend.
2. Lisa Carpenter, after twenty years with the Authority, has left her position as Financial Analyst to take the retiring Carol Case's position at the Yolo/Solano AQMD.
3. After completing a recruitment and interview process, we have hired Holly Lyon to take Lisa's place; she will be at the Board's March meeting.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: March 23, 2017

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:
The next Board meeting is scheduled for:

DATE: May 25, 2017

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: March 23, 2017

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of January 26, 2017 be Approved as Submitted

BACKGROUND INFORMATION:
Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for January 26, 2017 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 23, 2017

SUBJECT:	Discussion and Acceptance of the 2017 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. Attached is the annual Actuarial Study prepared by Mujtaba Datoo at Aon. The results of the study are generated by applying YCPARMIA's claim history and industry data to a mathematical model. We will review the program reserves again during our annual financial audit process in July, and will make adjustments, if needed, to reflect the additional six months of loss development.

The annual actuarial study provides us with two basic numbers, at various confidence levels, for both the Liability and Workers' Compensation programs:

- Program Reserves (Estimated Outstanding Losses) found in Table III – 1B on page 5, and
- Anticipated Claims Cost (Annual Premium Component) found in Table III – 3B on page 7.

A copy of the first 28 pages (up to appendixes) of the 92 page Actuarial Study is attached; contact us if you would like a copy of the appendixes that make up the balance of the report. Since claims, especially the larger ones, are paid out over time, it is YCPARMIA's practice to use present value (a 2.5% discount this year) from the projected ultimate net loss.

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

The Program Reserves represent the actuary's number of what we will need to pay all of the existing claims at the end of the fiscal year (all claims open before 7/1/17). It is 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."

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.

This year's actuarial study was essentially "flat" which is not inconsistent with our program trends. The study results in:

- Liability Program:
  - Program reserves: $3K increase.
  - Confidence margin: $1K increase.
  - Premium component: $56K increase.
- Workers' Compensation:
  - Program reserves: $413 increase.
  - Confidence margin: $41K increase.
  - Premium component: $18K 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:
      - 2017 $3,214,981
        - Previous studies:
          - 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 2017 number is less than our eight-year average of $3,275,693.

  - Confidence Margin 80%+, and shown as a figure in excess of expected:

        - <u>2017 $642,996</u>
            - Previous studies:
                - 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 2016 number is significantly lower than our eight-year average of $818,014.

- <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>2017 $1,816,000.</u>
            - Previous studies:
                - 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 1,837,260
        - The 2017 premium figure is higher than our eight-year average of $1,643,626. Given the recent series of serious claims the number is not surprising, but should be trending back down.

<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>2017 $9,325,461</u>

        - Previous studies:
            - 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 eight-year average of about $8.9M, but under the $9.6M average since the 2013 workers' comp "reforms."
    - Confidence Margin 80%+, and shown as a figure in excess of expected:
      - 2017 $932,546.
        - Previous studies:
            - 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 eight-year average of $1,491,041, and probably reflects a more stable program, and reserving pattern by our TPA (who came onto the program in 2013).
- Premium Component (funding next year's claims).
  - The premium component is plugged into the YCPARMIA Premium Worksheet under "Variable Costs."
  - The attached actuary study establishes, at the Board policy's 70% confidence funding level:
    - 2017 $3,450,000.
      - Previous studies:
        - 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 eight-year average of $2,849,250, but seems to have stabilized when compared to last year. 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. Fortunately, the premium trend does not seem to reflect our recent frequency and severity trends, with the net result of excess

funds being available for rebates against next year's member premium costs.

Conclusions:

- Liability Program: This year's actuarial study has resulted in what can be described as "expected" numbers. Program reserves have trended down as we have closed out a number of significant exposures, but premium costs have trended up grounded on some significant new claims, and industry trends of increasing jury verdicts and litigation costs.
- 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.

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 23, 2017

SUBJECT: By-law corrections

RECOMMENDED ACTION: That the Board approve the recommended modifications to the premium formulas in our By-laws, changing DE "3" to "9".

BACKGROUND INFORMATION:
This is a simple housekeeping issue. The YCPARMIA By-laws include premium formulas for the Liability and Workers' compensation programs. The formulas use the member's percentage share of salary totals reported to the State to apportion fixed expenses in each program. The form is also used to provide the number of covered employees under our Fidelity program. Some time back the State form numbers were changed from "DE3" to "DE9." It is recommended that the Board update the form numbers found in the premium formulas on O-12, O-17 and O-26 to reflect the current form number.

This matter might have been placed under the Consent Calendar, but West Sacramento has requested a Board discussion indirectly related to this matter to ensure that all members are classifying "salary" the same on the forms submitted to the State.

Financial Impact
There is no anticipated fiscal impact from the recommended action.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO.____6C________

DATE:___March 23, 2017

SUBJECT: Preliminary Budget for Fiscal Year 2017-2018

RECOMMENDED ACTION: That the Board review, discuss and take appropriate action to adopt the YCPARMIA Budget for FY 17/18, recognizing that revisions or adjustments can be made by the Board prior to the end of the fiscal year..

BACKGROUND INFORMATION:

When the new financial analyst comes up to speed, YCPARMIA will be submitting next year's budget and process to the GFOA for its consideration of recognition under their Distinguished Budget Presentation Awards Program.

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 17/18. There has been very little change in YCPARMIA's budget over the last eight years (a comparative chart is included), and the proposed changes in this year's budget are again nominal. Most items remain unchanged, and historically, where possible, transfers have been made to balance out any increases generated elsewhere in the budget.

There is one program transfer that occurred last year that should be remembered for any historical comparisons. Over the previous five years' member police and fire agencies have increased their use of Lexipol which is now budgeted at $70,000. Last year we moved those services out of 6270, Other Professional and Contractual Services (part of administrative and service expense), and into 6530, Contractual Services, under the Liability Coverage (coverage expense). This move will have the Lexipol costs tied directly to the Liability Program, similar to the Wellness Program in Workers' Compensation, rather than under general administrative services.

The bottom line is a budget that proposes:

- Total Expense: A 0% increase, or $27, 274 in total expenses (essentially flat, with coverage expense reductions mostly offsetting a small administrative expense increase).
- Administrative and Services, the traditional expenses of a business, accounts for 13.4% of our total expenses.
- Coverage Expense: The remaining 86.6% falls under our Coverages Expense.
    - Excess coverage (above our SIR) costs us over $2.9M (34% of the entire budget, and 39% of the Coverage portion of the budget).
    - Funding claims within our SIR is budgeted at just over $3.8M (44.5% of the total budget, and 51.3% of the Coverage portion of the budget).
    - The remaining 9.7% of the Coverage portion pays for claims administration, state assessments, our public safety wellness program, and Lexipol.

Without considering offsets, the majority of recommended expense increases 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.

Against a $27,274 increase in total expenses, we are projecting a $237,573 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 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 17-18 costs.

Concentrating on the proposed changes:

Revenue – 2%, or $879K, increase:

- Investment & Other Income –
  - A $50,000, or 20% reduction is refund revenue; CJPRMA's recent trend has been to pay out more, and rebate less, so we are anticipating a lower excess premium rebate this year.

- Coverage Revenue: An 10%, or $237,573, increase. The increase in revenue is unique to each program:
  - Liability – 8%, or $252,579: An increase in excess costs, and actuarially determined claims costs, generate the increase.
  - Workers' Compensation – 1%, or $31,617 increase: An increase in actuarially determined claims costs and excess premium costs have generated higher premiums.
  - Property – unchanged.
  - Fidelity – a 12% increase, or $3,377: we are just completing a three year policy term, and are anticipating an increase in our excess coverage.

Expenses – 0%, or $27,274, increase:

- Administrative and Services – 4%, or $48,250, increase proposed:
  - Human Resources: A net increase of 6%, or $54,850 increase The increase is generated by Board approved salary adjustments, and anticipated retirement costs. We are also anticipating an increase in our PERS percentage following the lowering of their projected rate of return.

  - Supplies and Services – 0%, or $100, increase: Utility cost increases are being offset by reduced publication and subscription costs.

  - Contractual Services – 7%, or $4,000 decrease: we budgeted for new carpet and paint for the building last year, but that did not happen. This year we will be looking at carpet only.

  - Staff Development – 18%: or $8,000 reduction: Next year's PARMA conference will be in Monterey rather than Disneyland, and transportation costs will be reduced.

- Capital Expenditures – 67%, or $4,000 increase. Our nine-year-old copy machine is starting to have dependability issues, and needs to be replaced.

- Loss Prevention – unchanged:

- **Insurance Coverage Expense** – 0%, or $20,976 decrease proposed:

  - Liability Coverage: A 1%, or $39,500 increase. generated entirely by excess premium increases.

  - Workers Compensation Coverage: A 2%, or $61,476, decrease. Reductions in our claims payments and State assessment offset increases in our excess premium costs.

  - Fidelity Coverage: a 5%, or $1,000 increase to cover anticipated excess premium cost increases as we end a three year policy period.

  - Property Coverage: unchanged.

It is important to remember:

- On the expense side this is essentially a flat budget, 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, rather than by administrative and service costs which are in our direct control.
- YCPARMIA's revenue, in turn, is largely determined by an independent actuarial study that makes projections off of our claims history and industry developments. **In 2009 the Board temporarily suspended the use of the premium formulas found in the By-laws and funded at an artificially low rate. Within two years the Authority's reserves were depleted, and we were facing a $4M shortfall, and are now just returning to fully funded programs at industry and Board approved levels.**
- 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.
- One of our largest annual expenses is basically beyond our control: the cost of our excess coverage provided through CJPRMA and CSAC-EIA.
- The budgetary area under our direct control is Administrative and Service Expenses. These represent a bit over 13.4% of our total budgeted expense.

FISCAL IMPACT

Approval of the recommended action will allow us to prepare premium worksheets. Note, only the Administrative and Service Expense (13.4% of the overall budget) is actually reflected in the premium worksheets. The remainder of the premium costs come mostly from excess coverage costs and actuarially determined claims costs.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6D

DATE: March 23, 2017

SUBJECT:	Esparto Fire Protection District
RECOMMENDED ACTION:	That the Board consider and approve the application for membership by the Esparto Fire Protection District effective 7/1/17, with the proviso that their participation in our Liability Program be postponed until they are allowed to withdraw from their present program effective 7/1/18.

BACKGROUND INFORMATION:

YCPARMIA has received an application for membership from the Esparto Fire Protection District. They are located in Esparto, a few blocks from the Esparto High School.

In structure, it is very similar to our other fire district members, but a bit smaller in staffing:

- One paid firefighter and a part time clerical person.
- 18 volunteer firefighters and medics
- five fire engines (two pumpers and three other types)
- they have two buildings in Esparto on the same parcel
- Commissioners are appointed by the Board of Supervisors
- Property value for buildings, contents, and equipment: $4,090,000

Their loss history is clean with no losses or claims in the last five years:

Proposed premiums at a $1,000 deductible for all programs, and $20,000 for equipment::

- Liability: $5,000 (mandatory minimum)
- Workers' Compensation: $5,000 (mandatory minimum)
- Property: $3,800 estimate using current year's rates)
- Fidelity: under $40.

In size, location, function, and structure the exposure represented by the Esparto Protection District is no different than our current fire district members. There are no underwriting criteria that would argue against their membership. It should be noted that to avoid adverse selection, YCPARMIA requires that all members participate in the Liability Program. Because of late notice to their present carrier, they are stuck for another year, but will commit to participation in the Liability program starting 7/1/18; this would require a formal waiver by the YCPARMIA Board.

FISCAL IMPACT

Their membership would generate about $14,000 in premium revenue, and trigger small increases in our current excess premium costs. Obviously, any claim activity would adversely affect our balance sheet, and could easily exceed the collected premiums

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6E

DATE: March 23, 2017

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 (70 conducted during this six month period),
- EAP services (204 sessions during this reporting period);
- Critical Incident debriefings (one during this period), and
- Additional associated services as requested (during this period there was a 2-hour presentation entitled The Field Training Psychological Toolkit made to the Davis PD.

During the reporting period we have received no complaints from our member agencies.

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

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Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM AGENDA ITEM NO. 6F
	DATE: March 23, 2017
SUBJECT:	YONET Risk Sharing Policy
RECOMMENDED ACTION:	That the Board review and approve the proposed changes to the YONET Risk Sharing Policy (K-91)

BACKGROUND INFORMATION:

The Board developed a policy in 2000 to apportion claims costs on files involving YONET. By court decision YONET is not a separate entity for purposes of litigation, so actions are brought individually against its members. This resulted in claims being brought against entity's who were not involved in a specific incident, and other entities that were involved being left out at the whim of the claimant. The Memorandum of Understanding that YONET operates under has each agency bear the responsibility for their participating staff's actions.

It is proposed that we continue the current policy for situations where more than one agency is involved, or where a non-YCPARMIA member is involved in the incident giving rise to the claim, but modify the policy to charge the individual member where only one agency is involved in the incident. This approach would be consistent with the YONET MOU, and still address situations where multiple agencies were participating.

The proposed language would be inserting, "In those situations where multiple YONET agencies, or a non-YCPARMIA member, are involved in the incident giving rise to the claim…" at the start of the current policy. We would also add, after the apportionment between agencies an additional sentence, "In those situations where only one YONET agency is involved in the incident giving rise to the claim, all costs associated with the claim will be charged against the employing YCPARMIA member."

FISCAL IMPACT

There is no anticipated fiscal impact 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. 7A

DATE: March 23, 2017

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA's Financial Report through February 28, 2017 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 23, 2017

SUBJECT: YCPARMIA Investment Statement

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA Investment Statements through February 28, 2017 for your review.

	Investment Statement
For your information:	
Chandler as of 2/28/2017	$ 13,766,982.00
LAIF as of 12/31/2016:	$ 7,840,875.28

	Outstanding Reserves
For your information:	
Total as of 2/28/2016:	*$ 7,028,838.00*
Total as of 2/29/2017:	**$ 6,895,597.00**

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7C

DATE: March 23, 2017

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 23, 2017

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 23, 2017

SUBJECT: Workers' Comp Loss Run Summary

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:
Attached is the February 28, 2017 WC loss run summary reflecting first two-thirds of the year's results for the Workers' Compensation Program.

Summary:

- The first 8-month's frequency is trending closely to, but lower than, last year's numbers.
- Severity is down slightly measured by indemnity versus medical only claims.
- Benefit costs are a bit lower on average, but vulnerable to a bad month.
- Future reserves on open files are down when compared to last year's February numbers, and flat with the numbers for the start of this fiscal year.

Frequency:
We have received 223 new claims during the 8 months, or an average of 27.8 claims per month. 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.

Severity:
Of the 223 new claims, only thirteen were coded as indemnity, but an additional 27 claims were converted from medical only, meaning that 17.9% of new claims had exposures for temporary disability and/or permanent disability. This is slightly higher than the 17% that we had at this point last year, An additional consideration would how the indemnity claims are reserved – are they small, or large? That analysis is done every six months, and is attached. **The significant numbers on that chart are the relative absence of catastrophic high reserve claims over the last three years; this coincides with the improved financial position for this program.**

Benefits:
Our average monthly benefit payments this year are $209,526. This compares well to last year's average of $232,266. It is important to recognize how one bad month can affect this picture. Year to date we are only $18K better than last year at the same time, but on a pro rata basis we are $236K better.

Temporary Disability: This number is trending up significantly, and should be a concern. Claims with TD exposures often trigger Permanent Disability payments down the road. The developing numbers suggest a year that will threaten an historical high for this category.

Permanent Disability: Permanent Disability payments are trending flat.

Medical Costs: Our biggest benefit exposure is trending substantially lower, but again small number can be impacted by the presence or absence of a few extra surgeries. It is interesting that TD is up and medical is flat; we would expect to see more of a connection where injuries that lead to someone missing work would suggest more expensive medical treatment.

Vocational Rehabilitation: is inconsequential.

Legal, Investigative, Sub-rosa: This area is trending up slightly.

Future Reserves:
Future reserves on existing open files are at $6,029,038, or $193,019 less than the reserves a year ago, and remain consistent with the projections that our actuary made from 12/31 figures. It has been an internal goal to keep future reserves at about $6M with roughly 300 open files (we are currently at 308).

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: March 23, 2017

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 23, 2017

SUBJECT: Risk Management – Workers' Compensation Premiums

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:
The most expensive YCPARMIA program is Workers' Compensation. With the Actuary Study on this agenda, it is timely to review the factors that generate our costs, and what can be done to mitigate the financial impact.

The YCPARMIA cash payment/premium is determined by the formula found in our By-laws; it has withstood the test of time, and performed as designed. It has three basic sections, and can be impacted by Board assessments and rebates:

1. Fixed costs – essentially the cost of protection, and making up about a third of our premium cost. It contains our:
    a. Excess coverage costs – through our participation with CSAC-EIA sitting on top of our $500K SIR, and taking us to statutory limits. The premium is determined by our excess pool's premium formula which essentially multiplies an actuarially determined rate by our total payroll. YCPARMIA annually looks for better rates and risk sharing opportunities; currently we are working with CJPRMA and Aon to explore the creation of a new excess pool.
    b. The Wellness program- under contract with Cordico (Arden Psyche) providing a variety of psyche related services to our public safety departments and the school district. This program was formed decades ago after recognizing that psyche exposures for public safety employees create a unique and expensive exposure. Following an RFP process the Board moved the contract to our present provider and enjoyed a 50% cost reduction.
    c. Administrative and services expense – essentially 60% of YCPARMIA's administrative and services budget which has been essentially flat over the last decade. Interestingly, this is really the only significant part of the premium that YCPARMIA directly controls. We can influence claims costs and excess expenses, but have minimal control over them.

This expense is divided among all participating members based on their percentage share of our member's total payroll as reported to the State on their DE 9's; using the numbers generated in the mandated State report should provide consistency across our membership.

2. Variable costs – essentially the cost of claims rather than protection, making up about two-thirds of the premium. It consists of:
    a. Claims administration – the cost of our contracted TPA adjusting services provided by LWP. The Board approves the contract, and any increases, but it should be noted that the real cost of claims administration is found in the benefit costs rather than the service costs. Badly handled claims cost more.
    b. Actuarially determined claims costs – found in the actuary study, it is the actuary's projection of claims costs for the coming year, and by Board policy, funded at a 70% confidence level. This will be discussed in greater detail later.
    c. State assessment – the annual bill from the State based on our annual State report that funds part of the California Department of Insurance. The State applies a rate to selected benefit payments made in the previous year; we cannot impact the rate, so the only way to control costs is to reduce our benefit payments.

    This expense is allocated by an experience modifier (ex-mod) using each member's last three calendar years of claims payments with individual claims capped at $75K to minimize and spread the impact of catastrophic losses.

3. Flattening mechanisms – designed to flatten premium shifts among members,
    a. The formula caps individual member increases at 150% of the previous year's premium and decreases at 50% of the previous year's premium.
    b. All members are subject to a minimum premium found in our By-laws, generally $5K.
4. Board rebates and assessments – generally declared by the Board at their regularly scheduled June meeting, the By-laws allow premium credits paid out of what was traditionally called retained earnings surplus (the amount of retained earnings left after funding both the Board approved Confidence Margin, and the Board set Catastrophic Fund). A good way of looking at this is to recognize that surplus develops when we stay within budget, and beat the actuary's projection of our claims costs.

The take-away from this discussion is that the only significant opportunity to control premium costs is to impact the "Actuarially Determined Claim's Costs," and the only way to do that is to reduce the claims frequency and severity. A component of every Board agenda is a Workers' Compensation Loss Run analysis that discusses severity and frequency trends. It is essential to recognize that the State has legislated benefit inflation into the system. Permanent and temporary disability rates will automatically increase over time, and medical inflation, while controlled to some extent by State mandated billing rates and the quality of our MPN structure, will also see guaranteed increases. So, having the same number and same types of claims will cost more in the future.

In broad general terms, we are seeing an improvement in safety/loss prevention **activity** across our membership, but that activity is not necessarily producing significant reductions in claim frequency. It is an axiom that "frequency breeds severity" and therefore their needs to be defined goals of reducing the number of injuries to ultimately reduce the premium costs. A second missing element is the commitment/support of upper management in setting and meeting loss prevention goals. The third element that is missing is the acceptance by supervisors of work accidents and injuries. As discussed, many times, private industry's zero tolerance for work injuries has been, and remains, a foreign concept for our members.

In summary, the way to reduce member workers' comp premiums is set goals oriented to results for loss prevention, have upper management track progress and support those goals, and hold the supervisors accountable for meeting those goals. A reduction in claim frequency should lead to a reduction in benefits paid. That will immediately increase the potential for premium rebates, and in the longer term, reduce our actuary's cost projections.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: March 23, 2017

SUBJECT: Projected FY 2017-2018 premiums

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:
Attached are the premium work sheets that anticipate the FY 17/18 premium charges to YCPARMIA members.

The Board's review and acceptance of next year's premiums is not done until its June meeting. With Board action on the actuary study and preliminary budget, most items needed for the premium calculations found in the YCPARMIA Bylaws are now available. Between now and the end of the fiscal year there can be small changes, especially in the area of excess premium, but the numbers listed in the attachments should be considered pretty firm.

When the Board takes formal action on approving premium costs at its June meeting, it will also consider whether to declare premium rebates out of any programs retained earnings (Net Position) to offset member costs for FY 2017-2018.

Rebates are apportioned based on Board policy. With a bit over a quarter of the year remaining we are conservatively projecting available funds in three of our four programs:

- Fidelity: $7,000
- Property: 25,000
- Workers' Compensation 800,000.

There are no available funds in the Liability Program where we are projecting a $75K shortfall in our Catastrophic Fund (program reserves and confidence margin fully funded).

Again, these numbers are only projections, and can be impacted significantly by adverse claim development. We anticipate proposing in June:

- An assessment in the liability program to bring it up to fully funded.
- A rebate out of the workers' compensation program to, at a minimum:
    - Fund the proposed liability assessment; and
    - Bring total premium costs at least down to last year's number.
    - A rebate out of the property program with the goal of keeping total premiums flat

- A rebate out of the fidelity program

The anticipated plan will result in all YCPARMIA programs being fully funded going into FY 17/18, and premiums being at least flat when compared to last year.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7I

DATE: March 23, 2017

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.

As discussed at the last Board meeting, succession planning will be a significant issue in the coming year.

- President Perry will be retiring in December 2017
- Director Mills will be retiring in June 2018
- Director Howard will be retiring in June 2018, and
- CEO/Risk Manager Tonks plans to retire no later than March 2018.

With half the Board retiring, the CEO/risk Manager leaving, and a new financial analyst in place, it is essential that the Board develop a plan to maintain continuity.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager