Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Tuesday, April 2, 2019 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. Interim CEO/Risk Manager
   C. Next Meeting

5. Consent Calendar
   A. Approval of Minutes

6. Action Items
   A. Discussion and Acceptance of the 2019 Actuarial Report
   B. Board Representation for CJPRMA and CSAC-EIA
   C. Preliminary Budget for Fiscal Year 2019/2020
   D. Cordico (Arden Psyche) Six-Month Update Report
   E. Extension of the LWP Claims Administration Contract
   F. Sheriff Leadership Training
   G. YCPARMIA General Counsel
   H. ICMA Managed Account
   I. Financial Internal Controls 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. Excess Liability Premiums

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.

H. Vacant Entity Buildings
I Proposed Year-End Program Results and FY19/20 Premiums
J. Strategic Planning

8. Closed Session
   A. Personnel - CEO/Risk Manager Position

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: April 2, 2019

SUBJECT: Interim CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

1. The next conference for YCPARMIA Board members is CAJPA in South Lake Tahoe from September 10 – 13. Next year's PARMA conference will be in Monterey, February 25-28.
2. With pending turnover at the CEO/Risk Manager position, just a reminder that Charlotte is looking at retirement in early July. Also, Lorene has been approved for a two-week vacation to Italy in late May.
3. Eric Frye, our primary workers' compensation defense attorney for the last twenty-five years has now retired (he may have a very few files left to work off). His place has been gradually taken over the last two years by Karen Ponton.
4. It is anticipated that my latest last day is today, April 2nd.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: April 2, 2019

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:
The next Board meeting is scheduled for:

DATE: May 23, 2019

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: April 2, 2019

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of February 5, 2019 be Approved as Submitted

BACKGROUND INFORMATION:
Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for February 5, 2019 for your review.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. 6A
	DATE: April 2, 2019
SUBJECT:	Discussion and Acceptance of the 2019 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.

Note: with the increase in reported property claims, the Board might want to consider, at some later date, adding the Property Program to the Actuary Study, if for no other reason than to validate the numbers that we budget for claims payments and confidence margin. 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.

A note about the impact of member payroll: an actuary looks at member payroll as an exposure factor; the larger the organization, the greater the relative exposure. YCPARMIA obtains payroll information directly from our members. The last three years have reported:

- 16/17 $228,747,782 (actual)
- 17/18 $227,954,895 (actual)
- 18/19 $240,873,219 (projected—final numbers will come in July))
- 19/20 $246,604,120 (projected—used for this actuary study)

These numbers reflect over an **8% increase** in payroll since last year's actual figures, and should be recognized as having a corresponding impact on our actuarial results; simplistically (very simplistically) increased payroll will drive increased program reserves and premium figures unless offset by other factors like reduced claim frequency, severity, and/or open inventory.

Program Reserves

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 (6/30/19) 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.

Premium Costs

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 19-20). This number is found, calculated 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: $361K increase.
    - Confidence margin: $250K increase.
    - Premium component: $120K increase.
- Workers' Compensation:
    - Program reserves: $702 increase.
    - Confidence margin: $70K increase
    - Premium component: $31K increase.
- Combined:
    - Program reserves are increasing: $1.063M
    - Confidence margin is increasing: $320K
    - Premium components are increasing: $151K

Note: The premium component increases will directly impact total member premiums. The Program Reserve and Confidence Margin increases will impact YCPARMIA's surplus.

<u>LIABILITY PROGRAM</u>

- <u>Program Reserves</u> (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:
    - <u>Program Reserves</u> as "expected" as of 6/30:
        - <u>2019 $3,939,029</u>
            - Previous studies:
                - 2018 $3,578,358
                - 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 2019 number is $360,671 more than last year's study, and mirrors a similar increase from the year before.

    - Confidence Margin 80%+, and found as a figure in excess of expected:
        - 2019 $787,026
            - Previous studies:
                - 2018 $536,754
                - 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 2019 number is very close to our ten-year average of $772K

- Premium Component (funding next year's claims).
    - The premium component is plugged into the "Variable Cost" section of YCPARMIA's premium worksheet.
    - YCPARMIA uses present value for premium components.
    - The attached actuary study establishes, at the Board policy's 70% confidence funding level:
        - 2019 $2,053,000
            - Previous studies:
                - 2018 $1,933,000
                - 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 2019 premium figure is higher than our ten-year average of $1,684,199. This year we are seeing an increase of $120K

(6.2%), approximately the same increase as last year. This increase is driven largely by a few significant claims.

WORKERS' COMPENSATION PROGRAM

- 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:
    - Program Reserves as "expected" as of 6/30:
      - 2019 $9,814,279
        - Previous studies:
          - 2018 $9,112,186
          - 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 ten-year average of about $8.9M, and a bit over the $9.5M average since the 2013 workers' comp "reforms."

    - Confidence Margin 80%+, and shown as a figure in excess of expected:
      - 2019 $981,428.
        - Previous studies:
          - 2018 $911,219
          - 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 $1,4M, 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:
    - 2018 $3,562,000
      - Previous studies:
        - 2018 $3,531,000
        - 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
  - A major factor in increased premium is inflation in member payroll. It should also be remembered that the 2013" reforms" legislated in annual benefit increases, so we would expect to see annual increases unless offset by reduced claim frequency.

Conclusions:

- Liability Program: We had anticipated up to a 10% increase for this program. While a number of larger exposures recently closed, we have seen some significant new claims take their place. While the trend can be anticipated to improve, the actuary numbers will lag behind the trend.
- Workers' Compensation: This program had been enjoying flat or decreasing frequency and severity for the past several years. As discussed in recent Board meetings, there has been a significant change over the last year, and the actuary study seems to have captured this adverse development.

I refer you to the graphs on pages 9, 10, and 11 for Liability, and 12, 13, and 14 for Workers' Compensation. Both indicate that the Actuary is recognizing an adverse trend starting last year; historically the Authority was managed to minimize this type of development. The trend, combined with continuing increases in payroll are probably the simple explanation for the numbers in this year's report.

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; this will be discussed in the Premium Review found later in this agenda. It should be noted that the actuarial increases to YCPARMIA's premiums are much less than the hits that we are taking from excess premium increases.

Additionally, the increases to our Program Reserves and Confidence Funds will reduce surplus that might be returned as premium credits.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6B

DATE: April 2, 2019

SUBJECT: Board Representation for CJPRMA and CSAC-EIA

RECOMMENDED ACTION: That the Board appoint the new CEO/Risk Manager as its designated director to the CJPRMA Board, and its Staff Investigator, David Due, as Board Alternate. Additionally, that the Board appoint the new CEO/Risk Manager as the YCPARMIA Board Member for CSAC-EIA

BACKGROUND INFORMATION:

YCPARMIA is a founding member of the California Joint Powers Risk Management Authority and participates in its Liability Program to provide excess liability coverage. CJPRMA's By-laws require that its members have Board representation and attend a minimum number of Board meetings a year. We have been told that Dennis Monahan followed Marinda Griese onto the Board, but never attended a meeting. With their departure, YCPARMIA has therefore had no representation on the Board for almost a year. Currently there are a minimum of four Board meetings a year, including a two-day Board retreat in May.

The excess pool has been an object of concern for some time, and a more detailed discussion of its current issues will follow later in this agenda.

YCPARMIA is also a member of CSAC-EIA, and participates in a number of their programs including Excess Workers' Compensation, and Property. It appears that our YCPARMIA has not had Board representation since the departure of Marinda Griese in June of 2018. Appointment to the CSAC-EIA Board is done in conjunction with the Board of Supervisors who will move on the YCPARMIA Board's action.

FISCAL IMPACT

The recommended action will result in no cost to the Authority.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6C

DATE: April 2, 2019

SUBJECT: Preliminary Budget for Fiscal Year 2019-2020

RECOMMENDED ACTION: That the Board review, discuss and take appropriate action to adopt the YCPARMIA Budget for FY 19/20, 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 19/20. There has been very little change in YCPARMIA's budget over the last nine years, 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 is an area of special concern, which unfortunately is largely beyond our ability to impact/control. Our excess liability coverage costs, as reported frequently to the Board, have been spiking. There premium costs (consistent with all excess groups) generally apply an actuarially determined rate to member payroll. The rate is driven, in large part by claims and industry trends. Our members have been reporting higher payrolls, and when applied to trending rates, we are experiencing significant increases. These increases are not just with our excess groups, but appear to be industry wide.

The bottom line is a budget that proposes:

- Total Expense: A 2.87% increase, or $262,290, 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 12.4% of our total expenses.
- Coverage Expense: The remaining 87.6% falls under our Coverages Expense.
    - Budgeted Excess coverage (above our SIR) costs us over $3,583,480 (36% of the entire budget, and 44% 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 46% 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 recommended increase of $262,290 in total expenses, we are projecting a $538,927 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 (the Board decides on rebates at their June meeting). This year we anticipate the availability of rebate funds in the fidelity, and workers' compensation programs; these rebates are not part of our budget but will serve to reduce member's FY 19/20 costs.

Concentrating on the proposed changes:

Revenue – 5%, or $539K, increase:

- Investment & Other Income –
  We are recommending a $50K increase in investment earnings; this is a conservative estimate since we are doing much better this year.
- Coverage Revenue: An 5%, or $488,927, increase. The change in revenue is unique to each program, and are reflected by our premium worksheets:
  - Liability – 13%, or $506,188: A 13% increase in excess costs, a 6% increase in actuarially determined claims costs, and the loss of the CJPRMA rebate generates the increase.
  - Workers' Compensation – 1%, or $49,291, decrease: Flat excess and actuarial costs, and decreased claims fees, are largely offset by an increase in our State Assessment expense.
  - Property – a 5%, or $31,809 increase: a 5% increase in declared values drove up the excess premium costs by the same percent.
  - Fidelity – a 1% increase, or $221 more: we added an additional member to this program.

Expenses – 3%, or $262,290, increase:

- **Administrative and Services** – bottom line is unchanged ($5,650 increase) from last year:
  - Human Resources: A 2%, or $16,000, increase. The increase is generated by retirement costs or PERS catch-up and other post-employment benefits.

  - Supplies and Services – an 8%, or $2,850, decrease: Gas and Electric billing, along with reductions in IT and Publications and Subscriptions have led to the savings.

  - Contractual Services – -: an 18% increase: the major drivers are an increased budget for legal services to offset previous in-house work, and an increase in actuary costs to cover the required OPEB study.

  - Staff Development – 6%, or $2,500 decrease: Next year's PARMA conference will be in Monterey, and transportation costs will see a decrease.

  - Capital Expenditures – 0%, or no change.

  - Loss Prevention – 38% decrease from last year: We are curtailing outside training services.

- **Insurance Coverage Expense** –3%, or $256,640 increase proposed:

  - Liability Coverage: A 13%, or $225,000 increase. generated entirely by excess premium increases.

  - Workers Compensation Coverage: unchanged from last year with increases in excess premiums and the State Assessment offset by savings in claims administration.

  - Fidelity Coverage: unchanged from last year.

  - Property Coverage: a 3%, or $31,640, increase: generated by increased excess premium costs, which in turn were generated by a corresponding increase in declared values ($1.238B to $1.305B).

Listing the top six proposed expense increases:

- Excess liability premium: $225,000
- Excess workers comp premium: 10,000
- Excess property premium: 31,640 –
  - excess costs combined :$266,640 (following a $411,616 increase last year)
- Legal expense (general counsel): $6,500
- Retirement contribution for unfunded accrued: $10,500
- State WC assessment: 10,000 (following a $40K increase last year).

The balance of the remaining 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 12.4% of our total budgeted expense. Administrative and Service expenses are essentially flat and reflects little change over the past nine years.
- Coverage expense, made up largely of claims payments and excess premium costs, account for the other 87.6% of our budgeted expense.
- 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 found in our By-laws, 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. Conversely, following the premium formulas has led to premium rebates as a constant feature of our program.

- 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 (12.4% of the overall budget) is actually reflected in the premium worksheets, and is spread across the membership apportioned by payroll. Excess premium costs are essentially a pass thru.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6D

DATE: April 2, 2019

SUBJECT: Cordico (Arden Psyche) Six-Month Update Report

RECOMMENDED ACTION: That the Board review and accept the attached report from Cordico
Additionally,
That, the Board postpone consideration of expanding the program to include the "mobile wellness app for law enforcement and fire" until after a presentation to the Board by 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 (51 conducted during this six-month period, down from 43 during the preceding six-months),
- EAP services (332 sessions during this reporting period);
- Critical Incident debriefings (14 – an historical high -- during this period, and 27 for the year), and
- Additional associated services as requested.

Twice a year Cordico submits a formal report on their activity, and when invited, will attend the Board meeting to address issues and questions. Given the recent fatal shooting in Davis, it is recommended that the Board invite Dr. David Black to their June meeting to discuss Cordico's response to the incident, and make a presentation on the mobile wellness app proposal. It is additionally recommended that the Board check with their Departments to determine need and interest in the enhancement prior to making a commitment.
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.
Very recently we received a call from Cordico regarding their new mobile wellness app for law enforcement and fire; copies of the brochures are attached. They had been contacted by the Davis Firefighter's Association who were interested in obtaining the service. Since then, most of the other member associations have reportedly expressed a

similar interest. The cost of providing the service to our public safety membership would be substantial – over $100K – depending on which agencies participated. I am not sure that a corresponding savings in claim costs would be realized.
One last thought: there is proposed legislation to create a presumption of compensability for virtually all psyche injuries suffered by public safety employees pending in the State Legislature. This would create a substantial exposure for public entities, and will necessitate focusing additional risk management to hopefully mitigate the impact. As it stands, through its contracted services with Cordico, YCPARMIA does much more to address public safety psyche exposures than most other public entities currently do.

FISCAL IMPACT

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

If the Board chose to authorize the mobile app enhancement, we would have a currently unbudgeted expense of between $100,000 and $120,000.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO.____6E________

DATE:____April 2, 2019

SUBJECT: Extension of the LWP Claims Administration Contract

RECOMMENDED ACTION: That the Board accept the negotiated three-year extension of the LWP claims administration contract.

BACKGROUND INFORMATION:
YCPARMIA contracts with LWP Claims Solutions to administer our workers' compensation claims. LWP was chosen, after an extensive RFP process, from about ten participating firms six years ago, and has gone through the renewal/extension process three years ago.
They have consistently provided excellent and responsive service. Complaints from injured workers and member agencies are almost non-existent. Our open claims inventory is about 15% lower than it was when they took over, and our future reserves have been reduced by almost 30%--despite legislated benefit inflation. Our excess group and defense counsel speak highly of their service.
Importantly, they are good "partners." They interact with YCPARMIA staff, especially our WC nurse, take direction, and are creative in addressing new issues; Amber Davis is a superstar, and Stacey bean is consistent and dependable in her oversight of our program.
A previous concern was their proprietary IT system; two years ago they upgraded to a state-of-the-art system, and the transition was virtually flawless.
It should be remembered that the previous administrator was, in our opinion, adding unneeded services to generate additional revenues on top of our monthly claim's administration fees. LWP does not do that, and in fact, clears additional services with YCPARMIA on isolated claim files. It is also important to remember that their annual fees were among the lowest of the firms interviewed, and increases since have been minimal.
The current contract, which expires on 6/30/19 calls for an annual fee of $285,000. The negotiated extension calls for increases of:

- 7/1/19 $295,000 (a 3.5% increase)
- 7/1/20 $305,000 (a 3.4% increase), and
- 7/1/21 $315,000 (a 3.3% increase),

A final comment on administrative fees: the real cost of a workers' compensation program is monthly benefits. LWP aggressively controls those costs, and has been successful in keeping our annual averages relatively flat.

It is without hesitation, or reservation, that I strongly recommend that the Board approve the extension of this service contract.

FISCAL IMPACT

Approval of the recommended action will result in a 3.5%, or $10,000, increase in our claims administration, and is included in the proposed budget.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM
AGENDA ITEM NO. 6F

DATE: April 2, 2019

SUBJECT: Sheriff Leadership Training

RECOMMENDED ACTION: That the Board offer to pay a third ($11,960) of the proposed Leadership Training for the Sheriff's Department.

BACKGROUND INFORMATION:
Attached is a Leadership Development course that the new Sheriff wants to provide for his command staff; he is looking to YCPARMIA for funding. It is a 96-hour P.O.S.T. certified course that seems to concentrate on interpersonal skills associated for supervisors. The timing of the course, following the long tenure of the previous Sheriff, is probably fortuitous, and an opportunity to address cultural changes as the new Sheriff establishes his program.

There are two primary reasons that I am recommending only funding a third of the cost. The first relates to budget limitations at YCPARMIA, and the second is tied to past law enforcement training that we have offered. Attendance and interest in offered training over the years has been inconsistent; having the department pay the majority of cost would hopefully enhance their commitment.

Law enforcement represents our largest exposure for both liability and workers' compensation. Training that impacts their management and leadership skills should be considered a positive opportunity to mitigate our collective exposure. Additionally, if the program demonstrates good results, we can consider offering it to our other law enforcement agencies.

FISCAL IMPACT
Approval of the recommended action would cost $12,000. There is money currently budgeted for loss prevention training that would cover this expense.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM
AGENDA ITEM NO. 6G

DATE: April 2, 2019

SUBJECT: YCPARMIA General Counsel

RECOMMENDED ACTION: That the Board direct the CEO/Risk Manager to locate and review candidates to act as YCPARMIA's General Counsel, and return to the Board with a proposed contract consistent with the terms and limitations outlined below.

BACKGROUND INFORMATION:
The position of YCPARMIA's General Counsel has been handled in-house since the retirement of Bob Jarvis in January of 2012. Historically the need for legal services, other than claims, has been limited to coverage opinions, and the review of the occasional YCPARMIA contract – maybe a half dozen issues a year. Last year it was suggested that the Board take appropriate steps to obtain these services, and the recommendation is again made.

It should be noted that due to potential conflict, a City Attorney, County Counsel, or firm representing a YCPARMIA member would not be eligible would be eligible (or probably qualified) to provide the required services. Representation of risk sharing pools is a niche that has a very limited number of practitioners. Choice should be made of an attorney, not a firm, with emphasis on coverage law, reservations of rights, Brown Act requirements, and contracts. Claims defense would, again due the potential conflict, never be part of the General Counsel duties.

In anticipation of filling this slot, we have proposed a budget of $7,500. It would be recommended that a retainer to be billed against would be set at $3,600 ($300 a month), and additional hourly charges be allowed under the authority of the CEO/Risk Manager.

FISCAL IMPACT
Adoption of the recommended action would have a low cost of up to $3,250, and a ceiling of $7,500 depending on need and usage of services. The recommended budget includes funds to cover these amounts.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO.______6H_________
	DATE:____April 2, 2019
SUBJECT:	ICMA Managed Account
RECOMMENDED ACTION:	That the Board authorize the CEO/Risk to amend YCPARMIA's contract with ICMA-RC to add Managed Accounts Services.

BACKGROUND INFORMATION:
YCPARMIA contracts with ICMA-RC to administer its 457-retirement program. Currently five of the seven employees are participating, though seasonally that number seems to go up.

he proposed enhancement to our contract would allow employees and retirees to use ICMA's Financial Planning Services/Managed Account Services. Cost for the optional services would fall on the employee; there would be no cost to YCPARMIA. Brochures are attached that explain the services that would be offered to the employees along with a copy of the Service Agreement.

FISCAL IMPACT:
There is no anticipated cost associated with adoption of this recommendation.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM
AGENDA ITEM NO. 6I

DATE: April 2, 2019

SUBJECT: Financial Internal Controls Policy

RECOMMENDED ACTION: That the Board approve the proposed additions to its Financial Internal Controls Policy.

BACKGROUND INFORMATION:
The YCPARMIA Board has a variety of Board policies found in Section K of the Blue Binder, including a policy on Financial Internal Controls. This policy provides the guidelines for our financial operations, and is the standard that we are held to in our annual independent financial audit.

On a regular basis, all Board policies are brought to the Board for review, and when needed, updates. Those updates can be triggered by staff, our financial auditions, or in this case, by one of our accrediting organizations, AGRIP. As part of the reapplication for accreditation, AGRIP has recommended that the depreciation section of our policy be brought current.

There are no proposed changes to the previously approved policy, but Section XII is a proposed new addition. Section XII (in italics) addresses inventory and depreciation of Authority assets, and its adoption will bring us current with industry practices.

FISCAL IMPACT:
There is no anticipated cost associated with the recommended action.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7A

DATE: April 2, 2019

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA's Financial Report through February 28, 2019 for your review.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO._____ 7B ________
	DATE: April 2, 2019
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA Investment Statements through February 28, 2019 for your review.

For your information:

	Investment Statement
Chandler as of 2/28/2019	$ 14,131,004
LAIF as of 2/28/2019:	$ no report

For your information:

	Outstanding Reserves
Total as of 2/28/2018:	*$ 6,975,262.00*
Total as of 2/28/2019:	**$ 7,192,159.00**

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7C

DATE: April 2, 2019

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
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7D

DATE: April 2, 2019

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
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7E

DATE: April 2, 2019

SUBJECT: Workers' Comp Loss Run Summary

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:
Attached is the February 28, 2019 loss run summary reflecting results for the first two-thirds of the fiscal year. Note: the previous risk manager did not keep records which makes trending more difficult.

It should be remembered that the results are distorted by a large settlement in our excess layer. $414,165 was paid on a Medicare Set-aside to settle a former Yolo employee's future medical claim. When this money is reimbursed by our excess group, CSAC-EIA next month, we will see a corresponding reduction in the "Medical Costs" section of the report. It should also be noted that the fatal shooting in Davis generated a significant number of claims, including the obvious death claim.

For a number of years, the Board has been warned about increasing Workers' Compensation costs. Inflation has been legislated into the system, so the same number of claims will be generating more benefit expense. Over that time, we have not seen a reduction in our new claim frequency, so we are now seeing the resulting cost. It should be taken as a given that the only way to control or reduce our collective workers' compensation cost is to reduce the number of new claims.

Summary:

Frequency and severity continue to trend up when compared to the last few years. Benefit costs are, after reducing paid by the unreimbursed excess payment, trending flat. Future reserves on open files is significantly higher for the first time in many years. When you balance the higher benefit payments against the higher future reserves, we are unfortunately seeing significant negative shift in the program **which is being generated by a very few serious claims**.

Frequency:
We received 292 new claims during the first eight months. This works out to an average of 36.5 injuries per month, while we averaged about 28.2 last year, and 30.3 per month 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 292 new claims, 38 were coded as indemnity, but an additional net 11 claims were converted from medical only, meaning that 16.7% of new claims had exposures for temporary disability and/or permanent disability. This is up from about 11.9% at the same time last year for claims that had indemnity exposures. An additional consideration would how the indemnity claims are reserved – are they small, or large? That analysis will be provided at the Board meeting.

Benefits:
Our average monthly benefit payments this year are $298,394. At the same time last year, we were averaging $246,221. Fortunately, our current numbers are distorted by the yet-to-be-reimbursed excess payment. When that number is taken out of Benefits Paid, we see a monthly average of $245,894. or about the same as last year's average.

Temporary Disability: This number, while above our historical average, is comparable to last year's numbers.

Permanent Disability: PD payments are a reflection of the increased number of indemnity claims, and the legislated benefit increases. They are also volatile as they are generated on a small number of claims. We have seen significant increases in what can be considered serious claims.

Medical Costs: This is where the $414K Medicare set-aside is found, and will see a corresponding decrease following the excess reimbursement. As stated in the past, it is the largest benefit expense, and continues to trend somewhat flat over the last few years.

Legal, Investigative, Subrosa: These costs show a decrease when compared to last year.

Future Reserves
There is a correlation between benefit payments and future reserves. Payments effect the outstanding, or future, reserves by lowering the total. If both stay flat, as they have over the last few years, we have a stable program. Unfortunately, while benefits are remaining flat, we are seeing an increase in outstanding reserves -- $6.5M compared to $5.8M at the same time last year. Much of the increase can be tracked to a few larger files, but future reserves correlate to future payments, so there should be concern.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7F

DATE: April 2, 2019

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
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7G

DATE: April 2, 2019

SUBJECT: Excess Liability Premiums

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

This follows an action by the Board at last year's March meeting. By Board action, the President sent a letter to CJPRMA expressing concern over the rapid increases in our net premium. In response, the former CJPRMA General Manager came to the June Board meeting to address YCPARMIA's concerns. His efforts were subsequently described as a "sales pitch," and nothing came of it.

YCPARMIA, as a founding member (1986) of the California Joint Powers Risk Management Authority, obtains excess coverage for our Liability Program. The program 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, as the largest member, currently represents 13.3% of that total).

CJPRMA has a long history of premium rebates that helped offset annual excess premiums; YCPARMIA budgeted those rebates as revenue to offset member premiums. YCPARMIA's excess premium for the last six 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
• 18/19:	1,585,862	0	1,585,862
• 19/20	CJPRMA estimate: $1,892,212	0	$1,892,212

We are looking at a probable $306K increase from last year's premium, and no indication that the trend is being addressed. YCPARMIA's cost for excess coverage exceeds its cost for funding claims within our SIR.

Having hit CJPRMA on the West Sacramento sexual assault lawsuits (Alvarez), the West Sacramento police shooting (Hughey), and a couple of smaller files recently, it is difficult to take a principled position. HOWEVER…the trend predates those claims and YCPARMIA is aware of little or no efforts to mitigate the excess risk by CJPRMA. We have talked to other excess liability pools who are experiencing a similar trend, so the option of moving for a better price is not a great option.

It is strongly recommended that YCPARMIA take a much more aggressive role in pushing risk management at the excess level with a goal of addressing the risks that are driving premium costs.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: April 2, 2019

SUBJECT: Vacant Entity Buildings

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

Losses to vacant buildings owned by public entities has become a growing issue in California. Often, they are not adequately secured, and become a target of vagrants and trespassers. Their activity in the building can lead to significant damage. As an example, a few years ago one city had an old vacant hotel that was slated for demolition to make way for a parking lot burn down due to activity by the homeless, and put in an insurance claim for $10M – the declared replacement value of the structure.

Attached is an e-mail from our excess group, CSAC-EIA, that references their Vacant Building Policy. It includes a:

- Vacant Building Best Practices (mandatory for YCPARMIA Property Program participants);
- A Vacant Building Risk Assessment Survey, and
- Grant funding to offset costs in implementing the program.

It is recognized that each year YCPARMIA members wrestle with declaring property values. This excess requirement will add to that burden to the extent that members have vacant buildings. If YCPARMIA staff can be off assistance to members in complying with this additional reporting requirement, please contact us.

Respectfully submitted,

Jeffrey M. Tonks
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7I

DATE: April 2, 2019

SUBJECT: Projected Year-end Program Results and FY19/20 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 19/20 premiums are pretty firm. The premium formulas are found in the YCPARMIA By-laws, and have stood the test of time. (On the two occasions where the Board strayed from the premium formulas we entered a period of program assessments and a suspension of rebates.) 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. It is also possible to see significant last-minute adjustments to our excess premium costs. Copies of the FY 19/20 preliminary premium worksheets are attached for all four programs.

As discussed in both the Actuarial Study and Budget agenda items, the YCPARMIA premiums are a reflection of our member's collective loss development. The most effective way to control YCPARMIA premium costs if for members to have fewer and less severe losses.

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 $467K in catastrophic funds. There have been some big settlements in the last year, and we are being hit with actuarial reserve increases; there will be no rebates from this program.
- Workers' Compensation: We are anticipating a bit less than a $784K surplus. Last year the Board declared a $650K rebate; the year before there was $618K rebate from this program. It would not be unlikely to see a similar rebate this year.
- Property: We are anticipating a $247K shortfall in this program. It was determined that the Port has failed to reimburse its excess premium surcharge for the last several years. We will be working with them to catch up on these outstanding premiums. When paid, this program will again be in a surplus position.

- Fidelity: We are anticipating a $6K surplus in this program. Last year the Board declared a $7K rebate, and the year before a $9,700 rebate from this program. It is anticipated that about $7K will be available for rebate this year.

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
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7H

DATE: April 2, 2019

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
Interim CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

Closed Session

A. Personnel - CEO/Risk Manager (CG54957)