



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, October 28, 2010 at 8:30 a.m.

YCPARMIA

77 W. LINCOLN AVE.

WOODLAND, CA 95695

1. Call to Order
2. Approval of Agenda
3. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON ANY MATTER WHETHER OR NOT IT IS ON THE AGENDA, BUT STATE LAW PROHIBITS ACTION BY THE BOARD ON NONAGENDA ITEMS
4. Communications
 - A. Board Members
 - B. CEO/Risk Manager
 - C. Next Meeting
5. Consent Calendar
 - A. Approval of Minutes
6. Action Items
 - A. Prefunding Uninsured Woodland Pollution Settlement
 - B. Investment Services
 - C. Management's Discussion and Analysis – Financial Audit
 - D. Annual Financial Audit
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. Certificates Issued
 - F. Statement of Revenues, Expenses, and Retained Earnings
 - G. Workers' Compensation Loss Run Summary
 - H. First Quarter Benefit Payments
 - 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: October 28, 2010

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The CEO/Risk Manager will be reporting on the following items:

1. We have made hotel reservations at Disney's Grand Californian Hotel for the seven board approved slots for PARMA -- February 6-9. If your entity plans on sending any additional staff, and wish YCPARMIA to handle the reservations or travel, please advise at your earliest convenience; registration for the conference will be made in mid-December.
2. The Winters' Cemetery District had an employee suffer a possible cardiac event that led to a 5-day stay in the hospital; he returned to work and immediately was re-hospitalized. As a result of this illness OSHA became involved, and required the District to produce a number of their policies, and training records.
3. CJPRMA is in the process of switching, after twenty-five years, their broker of record from Marsh to Aon. This will have no immediate effect on YCPARMIA placements.
4. Former YCPARMIA Risk Manager Jeff Davis has retired from REMIF, and the former supervisor of YCPARMIA's workers' compensation claims administration, Mark Ferguson, has taken his place.
5. We have submitted our required annual self-insured report to the State, after confusion by our TPA over the relationship with the Port's WC claims.
6. We are administering the Port's three remaining open workers' compensation files; the Port has been, and remains self insured for its workers' compensation exposure.
7. Staff remains concerned with the uneven implementation of loss prevention by our members, and the inconsistent activity of safety committees, and their limited interaction with management.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	COMMUNICATIONS
	AGENDA ITEM NO. <u>4C</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	Next Meeting
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

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

DATE: December 9, 2010

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: October 28, 2010

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of August 26, 2010 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for August 26, 2010 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6A</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	Prefunding Uninsured Woodland Pollution Settlement
RECOMMENDED ACTION:	That the Board approve the City of Woodland's request to prefund the settlement of <u>Adobe Lumber v. City of Woodland</u> , and direct the CEO/Risk Manager to advance payment of the settlement in the amount of \$325,000.

BACKGROUND INFORMATION:

YCPARMIA has a policy allowing for the prefunding of member's uncovered claims (attached and on page K-87 in the Blue Binder), with repayment over a three year period. The City of Woodland has formally requested that pursuant to this policy the YCPARMIA Board authorize the advance funding of their proposed settlement in Adobe Lumber v. City of Woodland. The case has tentatively settled for \$375,000 with the city's share being \$325,000; the remaining \$50,000 is being paid by our excess pool, CJPRMA.

The City of Woodland was one of a number of defendants in a series of three Adobe Lumber lawsuits which sought the payment of damages to cleanup a pollution plume caused by a dry cleaning business located in the Woodland Shopping Center two blocks east of YCPARMIA. In 1974 dry cleaners started illegally dumping perchloroethylene (PCE) solvents down their drains that were connected to the city sewer. The claims against the city allege that pollutants escaped from the city's sewer line due to poor design and maintenance. The city countered those claims by asserting that any pollutants leaking from the system escaped through the business's sewer lateral before it attached to the city's system.

The city tendered the original suit to YCPARMIA, and in 2005 we denied coverage due to our "absolute" pollution exclusion (the denial was subsequently affirmed by the Board in closed session); at the same time we have continued to interact with the city, defense counsel and CJPRMA on this litigation. Ironically, prior to 1989, our excess pool, CJPRMA, had an exclusion that was not as broad as ours, and coverage was therefore triggered. They agreed to drop down and provide first dollar defense in return for the city agreeing to use a defense firm chosen by CJPRMA (rather than the city attorney); the city would remain responsible for the payment of any settlements under their \$500,000 retention. Over the course of the litigation all other defendants have settled out for a total of about \$1.7M. Cleanup costs have been estimated between \$3.2M and \$4.3M.

There is an indication that the current property owner has become disenchanted with the never-ending litigation, and recognizes that the continuing cost will significantly deplete any settlement funds that can be used for the required cleanup. The city wants to end the continuing exposure,

and get the cleanup started. The excess pool wants to end their exposure to continuing litigations costs, and agreed to contribute \$50,000 to the settlement. As a result, after three lawsuits, a number of motions, and significant expert expense, there has been agreement on the tentative settlement. Note the city's exposure to liability is "several," meaning it would only be responsible for its share of fault.

FISCAL IMPACT

There is no direct fiscal impact on YCPARMIA as the advanced funds will be earning interest at the same rate as our LAIF investments.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6B</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	Investment Services
RECOMMENDED ACTION:	That the Board give tentative approval to contracting with Chandler Asset Management subject to a presentation by them to the Board at our December meeting.

BACKGROUND INFORMATION:

At previous Board meetings we had discussed retaining an investment firm to manage part of our assets with the intention of getting a better return than we are currently receiving on our LAIF account (.56%). It is our plan to continue leaving a portion of our assets in LAIF to meet our ongoing/anticipated expenses while moving another portion into a longer term investment account.

It appears that we have two viable providers, PFM Asset Management, and Chandler Asset Management. So far we have:

- Met with Chandler Asset Management to discuss their services.
- We suspended discussion while the county went through a bid process for their investment services.
 - We have reviewed the bids and documentation submitted to the county.
 - Discussed why the county chose to stay with their current provider, PFM Asset Management, LLC.
 - The anticipated investment returns by both providers are very similar (about 1.5 to 2.0%).
 - Chandler came in second in the county process, with a significant factor being higher costs at upper levels.
 - The cost at our level of investment would be the same with either provider.
- We have met with our treasurer, Howard Newens, who advised that either provider would do a good job for us.
- Staff has attended presentations by both PFM and Chandler.
- Staff has interviewed selected clients.
- We have established an estimated cost of services at about \$7,200 a year to manage a fund of \$6,000,000.
- The YCPARMIA Board has modified its investment policy in accordance with Chandler recommendations.

- We have a comfort level that either provider would manage our assets in a manner consistent with our Board's approved investment policy.
- We are optimistic that we would receive timely investment reports.

It is our recommendation that YCPARMIA go with Chandler Assets for one overriding reason; their reputation for customer interaction is superior. With anticipated investment returns being equal, and our staff having limited investment expertise, customer service takes on greater importance. A second factor is that we are familiar with their staff, reports, and results due to their long relationship with our excess pool, CJPRMA.

It is proposed that the Board authorize the CEO/Risk Manager to enter into contract negotiations – it must be anticipated that the terms would be identical to those that Chandler has with CJPRMA, REMIF, and what they proposed to the county. Chandler would then be invited to make a formal presentation to the YCPARMIA Board at its December meeting, with the intention of finalizing the agreement, and initiating the contract on 1/1/11.

FISCAL IMPACT:

There is no immediate fiscal impact from the recommended action. In the future we would anticipate an annual cost of about \$7,200 which should be offset by additional investment returns.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6C</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	Management's Discussion and Analysis – Financial Audit
RECOMMENDED ACTION:	That the Board Review and Approve the Attached Management's Discussion and Analysis for the Financial Audit.

BACKGROUND INFORMATION:

Pursuant to GASB 34, YCPARMIA includes the required Management's Discussion and Analysis as part of our annual financial audit process. Attached is this year's submission, and when approved by the Board, will become part of the financial audit report, and of our CAFR application in December.

The report is intended to provide context for the financial audit results both for the authority as a whole, and by individual programs. As part of the presentation we attempt to place the current audited year in an historical prospective by comparing selected results with a benchmark fiscal year of 1995-1996, and also with more recent fiscal years.

To summarize the MD&A, the Property and Fidelity programs are fully funded, while the Liability program improved to a point of having fully funded program reserves and confidence margin; its catastrophic fund has seen substantial improvement. The workers' compensation program has deteriorated to a point of concern.

FISCAL IMPACT

There is no anticipated cost associated with the approval of the recommended action.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6D</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	Annual Financial Audit
RECOMMENDED ACTION:	That the Board Review and Accept the Annual Financial Audit

BACKGROUND INFORMATION:

YCPARMIA, pursuant to requirement in its governing documents, has an independent annual financial audit performed after the June 30th end of our fiscal year. Mat Nethaway, a partner with Perry-Smith, LLP, will be at the Board meeting to discuss the audit that his firm performed. A copy of pertinent parts of the draft audit is attached, a complete copy of the audit will be provided by Perry-Smith following the Board's approval.

Once again we have a "clean" audit. This year no new issues were identified that need to be addressed which suggests that our policies and practice are working. I believe this reflects the ongoing efforts of our accountant working with our auditors throughout the year to deal with issues as they arise.

As required, an unaudited, but reviewed portion of the financial audit is the Management Discussion and Analysis that is drafted by YCPARMIA staff. It is being presented to the Board for review and approval in another agenda item.

FISCAL IMPACT

There is no financial impact from the recommended action on this matter.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7A</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through September 30, 2010 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7B</u>	
DATE: <u>October 28, 2010</u>	
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through September 30, 2010 for your review.

	<u>Investment Statement</u>
For your information:	
Total as of 7/31/2009:	\$ n/a
Total as of 6/30/2010:	\$ 13,657,923.26
Total as of 7/31/2010:	\$ 13,180,465.32
Total as of 8/31/2009:	\$ 16,744,438.02
Total as of 7/31/2010:	\$ 13,180,465.32
Total as of 8/31/2010:	\$ 14,336,595.89
Total as of 9/30/2009:	\$ 17,473,375.29
Total as of 8/31/2010:	\$ 14,336,595.89
Total as of 9/30/2010:	\$ 14,628,123.97

	<u>Outstanding Reserves</u>
For your information:	
Total as of 7/31/2009:	\$ 7,916,519.00
Total as of 6/30/2010:	\$ 7,361,767.00
Total as of 7/31/2010:	\$ 8,232,413.00
Total as of 8/31/2009:	\$ 7,791,408.00
Total as of 7/31/2010:	\$ 8,232,413.00
Total as of 8/31/2010:	\$ 8,225,344.00
Total as of 9/30/2009:	\$ 7,635,926.00
Total as of 8/31/2010:	\$ 8,225,344.00
Total as of 9/30/2010:	\$ 8,021,478.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7C</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	Notification of New Claims Received Since the Previous Board Meeting
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached is a list of new Liability claims that have been received by YCPARMIA since the last Board Meeting. For your convenience, we have also included a list of all open Liability claims.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7D</u>	
DATE: <u>October 28, 2010</u>	
SUBJECT:	Closed Liability Files
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached is our report on closed liability files. Recognizing that this agenda is a public document, it should be emphasized that the information provided is general. It is probable during the course of the year, that some files that close with a denial will re-open for litigation.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM AGENDA ITEM NO. <u>7E</u>
	DATE: <u>October 28, 2010</u>
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. 7F

DATE: October 28, 2010

SUBJECT: Statement of Revenues, Expenses, and Retained
Earnings – First Quarter

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the Statement of Revenues, Expenses and Retained Earnings as of September 30, 2010. This report provides a financial summary of YCPARMIA's coverage programs. Fidelity and Property are doing very well. Liability has maintained a positive trend of improvement, and we are optimistic that we will end the fiscal year fully funded. Workers' Compensation, as expected, has continued to experience significant deterioration.

Fidelity: The program is fully funded, and since there has been no recent claim activity we have started to develop a program surplus.

Property: The program is also fully funded, and has developed a surplus. Claims activity has been lighter than anticipated

Liability: The program has fully funded program reserves, and confidence margin. The catastrophic fund is at 79% of its approved level, but, absent unusual claim activity, should improve substantially when we received our anticipated rebate from our excess group after the first of the year.

Workers' Compensation: As previously reported, this program had a bad year, and as a result we started the year in a very poor financial position. The confidence margin and catastrophic funds are unfunded, and we are about \$200K under-funded in our program reserves. The first quarter of the year has seen additional deterioration in the program. On a positive note we have seen a reduction in benefit payments when compared to the same period last year. We are also enjoying a continuing trend of reduced indemnity claims that should result in lower benefit payment in the near future, and have lowered our pending future medical inventory that should also result in lower benefit payments in the coming years.

Respectfully Submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM AGENDA ITEM NO. <u>7G</u>	
DATE: <u>October 28, 2010</u>	
SUBJECT:	Workers' Comp Loss Run Summary
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

Attached is the loss run summary for the workers' compensation program through September 30th. The first quarter benefit payments are marginally better than last year's, but still are higher than expected. Frequency remains flat.

Frequency: 114 claims were reported to YCPARMIA in during the first quarter of our fiscal year; this is an average of 38.0 claims per month. Last year we averaged 35.4 claims per month so our average is trending up. Fortunately this is only true in the cheaper medical only claims.

Severity: Of the 114 claims, only 9 (7.8%) were coded as indemnity due to reserved exposures for temporary disability and/or permanent disability. This compares favorably with the last year where we averaged 6 claims per month. Of course we are dealing with small numbers, and one bad month can reverse this trend.

Benefits: Our average monthly total for total benefits paid during the first quarter is \$267,655; this is down from \$291,410 per month last year, but is still significantly higher than the year before.

- Temporary Disability: This class of benefits remains consistent with last year's trend.
- Permanent Disability: This class is up a bit from last year, but is still tracking on a basically flat line.
- Compromise and Release Settlements: This category will be difficult to compare with last year. We are now breaking out the future medical component for reporting under medical costs. We therefore should see an increase in that category with a corresponding decrease in this one.
- Medical Costs: This benefit cost has actually decreased when compared to last year, but this positive trend will be challenged in the near future as we are anticipating a significant hospital bill on the Yolo/Sutopo claim in the near future.
- Vocational Rehabilitation: This benefit, following the 2004 reforms, has all but disappeared; to date there have been no payments made in this category.
- Legal, Investigative, Subrosa, etc: Our legal and sub rosa costs are trending flat.

Inventory: Open indemnity claims ended the quarter at 200 which is our goal. This number reflects the reduced number of new claims, while older claims have been closed out.

Reserves: Future reserves on open files are at \$7,063,969 or about \$415K higher than they were as the end of last September year. The total has been trending down over the last three months, and remains about the same as it was at the end of our last fiscal year.

Program Health: As you know, in response to the collective budget crisis facing our members, the Board has modified the application of our funding policy for the last two years. We started this fiscal year with no catastrophic fund or contribution margin, and as a result we need to keep our benefits payments under control to avoid further deterioration of program reserves. Attached is a short balance sheet that summarizes the first quarter results. Note that the program anticipates:

- total program revenues of \$4,425,448
- total program expenses (excluding benefit payments) of \$1,678,426
- Leaving monies available to pay benefits in the amount of \$2,747,022
 - Or \$228,919 per month
- We are averaging \$267,655 per month over the first quarter
 - Or a shortfall of \$38,736.
 - Which will total \$464,832 by the end of the fiscal year unless we reverse this trend
 - If we can reduce our monthly benefit payments by 15% we will stop the program deterioration.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7H</u>
	DATE: <u>October 28, 2010</u>
SUBJECT:	First Quarter Benefit Payments
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

As indicated in the previous agenda item, during the first three months of this fiscal year we have taken in 114 new claims, and have re-opened 5; we have also closed 119 claims. We have paid out \$802,965.41 in benefits during that period. Of that amount \$605,080, or over 75% of the payments, was made on only thirty-five files (see the attached list).

It should be noted that the files are spread out among all of our bigger members, and that most are at least three years old. The lesson from this is obvious: future medical expenses on older files create a significant exposure for us; we are paying a heavy cost today for what happened years ago. The only way to avoid this future exposure is to not have claims today. It also means that reducing injuries today will not start to benefit us until down the road. It is also significant to realize that it is a relatively few number of files that makes the difference between a "good year" and a "bad year."

The thirty-five files on the attached list are on Vicki's "watch list" and will be reviewed in her monthly meeting with our claims administrator.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 71

DATE: October 28, 2010

SUBJECT: Strategic Planning: The Board's Opportunity To
Discuss Developing Issues

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:

The purpose of the agenda item is to provide the Board with an opportunity to give strategic direction to YCPARMIA staff in areas that include, but are not limited to:

- Service
- Risk management needs
- Loss prevention
- Training
- Communication
- Coverage

We had an interesting situation develop when one of our smaller members had an employee suffer a dizzy spell that led to a five day hospital stay. While we denied any workers' compensation benefits, the employer was required to notify OSHA, who in turn ordered the employer to produce specific policies and training records. As a result YCPARMIA will be offering specific programs to our associate members that will assist them in complying with OSHA standards.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager