Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, March 28, 2013 at 9:30 a.m.

YCPARMIA
77 W. LINCOLN AVE.
WOODLAND, CA 95695

1. Call to Order

2. Approval of Agenda

3. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON ANY MATTER WHETHER OR NOT IT IS ON THE AGENDA, BUT STATE LAW PROHIBITS ACTION BY THE BOARD ON NONAGENDA ITEMS

4. Communications
   A. Board Members
   B. CEO/Risk Manager
   C. Next Meeting

5. Consent Calendar
   A. Approval of Minutes

6. Action Items
   A. Workers' Compensation RFP
   B. Financial Auditor Contract
   C. Actuarial Services Contract
   D. Arden Psychological Semi-Annual Report
   E. Discussion and Acceptance of the 2012 Actuarial Report
   F. Preliminary Budget for Fiscal Year 2013-2014

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. Quarterly Statement of Revenues, Expenses and Retained Earnings
   H. Fiscal Year 2013/2014 Premiums
   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.

8. Closed Session
   A. Section 54956.95 – Liability Claim
      Rebecca Berry vs. Yolo
   B. Section 54956.95 – Liability Claim
      Nelson vs. Davis
   C. Section 54956.95 – Liability Claim
      Chandler vs. Woodland
   D. Conference With Labor Negotiator (CG54957.6)
      Unrepresented Employees: Miscellaneous Employees
   E. Public Employee Performance Evaluation (CG54957)
      CEO/Risk Manager

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 28, 2013

SUBJECT: CEO/Risk Manager's Report

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

A. CAJPA's fall conference is scheduled to start on September 10th in South Lake Tahoe.
B. Yolo has appointed Gary Engel to replace Hugo Martinez as YCPARMIA Board Alternate – we are awaiting the official letter.
C. Kim McKinney has taken Amy Buck's place as Woodland's designated director; they have not yet appointed an alternate.
D. Vicki Facciuto has announced that she will retire 7/14/13.
E. I will be on vacation from May 16th thru May 31st; staff will be able to reach me if needed.
F. Staff is currently working on file updates, computer hierarchies, account instructions, and transitional protocols for the movement of our workers' compensation claims administration. At the same time, the responsiveness of our current administrator continues to deteriorate.
G. We continue to work with CJPRMA to form a new excess workers' compensation pool, and should know whether it is an attractive option by mid-April.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: March 28, 2013

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:
The next Board meeting is scheduled for:

DATE: April 25, 2013

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR
AGENDA ITEM NO._____5A_______

DATE:___March 28, 2013

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of December 13, 2012 be Approved as Submitted

BACKGROUND INFORMATION:
Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for December 13, 2012 for your review.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. 6A
	DATE: March 28, 2013
SUBJECT:	Workers' Comp RFP
RECOMMENDED ACTION:	That the Board accept the recommendation of the Interview Panel, and direct the CEO/Risk Manager to enter into contract negotiations with LWP for a three-year claims administration contract.

BACKGROUND INFORMATION:
At the direction of the Board, for the past six months YCPARMIA has been conducting an ongoing selection process for a new workers' compensation claims administrator; the current contract concludes on June 30th. This is a somewhat unique action for YCPARMIA. In our 34 year history we have only moved twice; our relationship with York started with their 2009 purchase of our previous administrator, Bragg.

The process started with the identification of about 12 potential providers. An informal background check with other self-insureds along with discussions with our excess pool reduced the number to 8. YCPARMIA staff visited all eight, and found them to be potentially qualified to meet our claim needs. Those eight were sent an extensive and detailed Request for Proposal, and all eight responded with written proposals. Staff reviewed the proposals, and checked references; a recommendation of four finalists was made to the Board's interview committee, and accepted. The interview panel comprised:

Nanci Mills – Winters
Melissa Chaney – Davis
Mindi Nunes – Yolo
John Perry – West Sacramento
Marinda Hall – YCPARMIA, and
Jeff Tonks – YCPARMIA

Over two days, oral interviews were conducted in the claims offices of each of the four finalists; in addition to the normal questions and answers, office tours were conducted and there was a presentation on each company's computer system.

Going into the interviews it was generally acknowledged that all four had the reputation and potential to professionally handle our claims. All would service our files from local claims offices, and had strong management teams. Three were relatively close in price. All four computer systems were adequate with the only minor concern involving LWP's.

On the negative side, all four (in fact all eight of the firms receiving our RFP) would need to hire new examiners to work our files. It was felt that the successful bidder would be determined by who best connected with the panel, and who presented themselves as the best and most responsive potential partner. We also looked for flexibility with their interest in our needs rather than their practices.

It should be mentioned that our present claims administrator, York, did not make the final four. Continuing deterioration in communication, staffing, and responsiveness precluded their consideration. More disturbingly, the York references were universally poor, and reflected our recent experiences. Ultimately, with a few exceptions, they appeared disinterested. The final four interviewed were:

- Intercare – with their claims office in Rocklin;
- AIMS – with their claims office near Mather Field in Rancho Cordova;
- Athens – with their claims office near Arden Mall in Sacramento; and
- LWP – with their claims office near Arco Arena in Sacramento.

Intercare, the most expensive (more than 30% higher than the others) presented with upper management. They are more corporate than the others, and are in the process of doubling the size of their claims office to absorb a new San Francisco account. They could not identify a potential supervisor or examiner. They have strong corporate management that is located adjacent to their local claims office. Most of their WC work is located in Southern California.

AIMS, a local family owned TPA, is similar to the old Bragg model. Like Intercare, they have a strong expertise in their corporate office which is located up the street from their claims office. Most of their WC business is also in Southern California, and their local claims office is small and unimpressive. Fatally, the interview panel did not connect with their proposed claims supervisor.

LWP, a single office TPA, is owned by a single individual. They present themselves as a “boutique” provider that prides themselves on being responsive to the customer’s changing needs. They have the largest (and closest) local claims office of the four finalists, but are also the overall smallest of the four firms. Their lack of size could create a concern over the resources they can dedicate to our account. The panel did not connect with their proposed supervisor, but was very impressed by a different supervisor that participated in the interview – LWP has since changed their proposal to designate this supervisor.

Athens, a TPA headquartered in Concord, is also a family owned firm. Their Sacramento office is currently limited to a single customer, Raley’s, and they are unable to identify who would handle or supervise our account. Unlike the other three, their corporate office/technical expertise is not local. They probably have the strongest reputation of the four, but it is based on their work in the Bay Area. Significantly, they pride themselves on being recognized on an annual basis as one of the best places to work. It was felt that they might have the best potential long-term upside, but given their current staffing and limited presence in Sacramento that would have to be taken on faith.

The interview panel reached a consensus ranking the firms:

1. LWP
2. Athens
3. Intercare
4. AIMS

Staff concurs with this ranking though feels that LWP and Athens are close to interchangeable, while Intercare and AIMS are more problematic. It is therefore recommended that the Board follow the panel's recommendation and authorize negotiations with LWP. They have been invited to attend the Board meeting to make a short informal introduction following Board action.

FISCAL IMPACT:

Adoption of the recommended action will keep the current TPA costs flat. There is probable savings that will result in their flat rate bill review program, but that will depend on the fluctuating number of medical bills. There is a one-time $2,500 data conversion fee which is less than the $3,000 maintenance fee we currently pay York.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. 6B
	DATE: March 28, 2013
SUBJECT:	Financial Auditor Contract
RECOMMENDED ACTION:	That the Board authorizes the CEO/Risk Manager to negotiate a one year extension with our current audit firm, Crowe Horwath, to conduct our annual audit for the year ending June 30, 2013 at the same price, $16,850, as found in the expiring agreement.

BACKGROUND INFORMATION:

The YCPARMIA By-laws require that an annual financial audit be performed by an independent auditing firm. We had a long relationship with the Perry Smith firm, and that relationship has continued with the firm that they have merged with, Crowe Horwath. Over the years the accountants that have conducted the audit have continually changed, as have the partner/principals that oversee the process (currently Matt Nethaway), and complete the audit report. The quality of service, timeliness and accuracy has been above reproach. Throughout the fiscal year they provide added benefit by responding to questions, and providing education on financial issues.

On a related matter, YCPARMIA first contracted with Perry Smith in 1990. In December 2008 we went through a RFP process, and it was the Board's decision to stay with Perry Smith. In order to reinforce the independent nature of the audit, it might be appropriate for the Board to consider conducting a new RFP in the next year or two. The number of firms in this area that conduct financial audits for California risk pools is fairly small, so the process would be relatively simple. This issue is really defined by the Board's comfort level, so we will be asking for direction in what the Board wishes to do.

FISCAL IMPACT

Compared to the current cost, the proposed agreement is flat, and within the proposed budget.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6C

DATE: March 28, 2013

SUBJECT: Actuarial Service Contract

RECOMMENDED ACTION: That the Board authorizes the CEO/Risk Manager to negotiate a one year extension of the current contract with Aon Global Risk Consulting not to exceed $5,950 to perform the annual actuarial study in January of 2014.

BACKGROUND INFORMATION:

The YCPARMIA By-laws and Board policy call for an annual actuarial study to establish program reserves, at various confidence levels for both the Liability and Workers' Compensation programs, and to establish the anticipated claim costs, again at various confidence levels for both programs, for the coming fiscal year. The anticipated claims costs are used in the premium formulas that are laid out in our by-laws. The audit takes place during the first few months of the calendar year based on results found in our December 30th loss runs.

For a number of years we have contracted with Mujtaba Datoo, first at ArmTech and now at Aon to provide this service. The quality, responsiveness, and timeliness of service has been extraordinary; Mujtaba's well-deserved reputation is supported by the unerring accuracy of his projections. I believe that YCPARMIA is fortunate to have the benefit of his professional expertise.

The proposed contract is for $5,950, an increase of $150 over last year; there was a similar increase during the preceding year. These costs are well below the prevailing market.

FISCAL IMPACT

Acceptance of the recommended action will lead to a $150 increase over our current contract, but will be within our recommended budget.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6D

DATE: March 28, 2013

SUBJECT: Arden Psychological Semi-annual Report

RECOMMENDED ACTION: That the Board review and accept the attached six-month status report from Arden Psychological Services.

BACKGROUND INFORMATION:

YCPARMIA, through a contract with Arden Psychological Services, provides EAP, pre-employment psyche exams and related services for selected safety personnel. The contract calls for a semi-annual written report to keep the Board apprised of the ongoing service. Recent developments emphasize the importance of the services provided. One officer received treatment for post-traumatic stress following a horrific auto accident where he killed a pedestrian. A second officer is in jail for a series of alleged sexual assaults; the current provider would like to see the pre-employment psyche report to see if there was anything that could have led to a prediction of these actions.

Contact with the various agencies confirm the outreach efforts by Arden, and that there is awareness of the availability of services.

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

	ACTION ITEM
	AGENDA ITEM NO. 6E
	DATE: March 28, 2013
SUBJECT:	Discussion and Acceptance of the 2012 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 generating 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 6, and
- Anticipated Claims Cost (Annual Premium Component) found in Table III – 3B on page 8.

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. It is booked, as required by GASB, at "expected" (a 50/50 confidence level) on our balance sheet. By Board policy, and industry practice, 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 13-14). This number is found, booked at the Board approved 70% confidence level, on our premium worksheets, and is identified as "actuarial determined claim costs."

<u>We can describe the 2012 Actuary Study as mixed. There is little movement in the premium components of either program. The program reserves in the liability program are basically flat, but the workers' compensation program is taking a substantial hit generated almost entirely by our claims administrator spiking reserve increases on existing files.</u>

<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>2013 $3,015,422</u>
                - Previous studies:
                    - 2012 $3,000,432
                    - 2011 3,198,787
                    - 2010 3,437,350
                    - 2009 3,575,796
            - While this year's figure is $15K higher than last year's, it is over $230K lower than our five year average of $3,245,574.
        - <u>Confidence Margin</u> 80%+, and shown as a figure in excess of expected:
            - <u>2013 $784,010.</u>
                - Previous studies:
                    - 2012 $780,112
                    - 2011 831,689
                    - 2010 859,388
                    - 2009 920,949

- Again, while this year's number is about $4K more than last years, it is $51K lower than our five year average of $835,229.

- Premium Component (funding next year's claims). The attached actuary study establishes, at the Board policy's 70% confidence funding level:
    - 2013 $1,495,000.
        - Previous studies:
            - 2012 $1,446,000
            - 2011 1,489,000
            - 2010 1,793,000
            - 2009 1,837,260
        - The 2013 premium figure is $49K higher than last years, but $117K lower than our five year average of $1,612,054.

It should be noted that there is in inherent volatility to these figures as we are dealing with a relatively small number of claims. A single catastrophic claim, a trial, or a large settlement can cause significant movement in a year's study.

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:
            - 2013 $9,718,936
                - Previous studies:
                    - 2012 $8,237,691
                    - 2011 8,506,359
                    - 2010 8,043,958
                    - 2009 7,544,260
            - This year's figure is almost $1.5M higher than last year's, it is almost $1.3M higher than our five year average of $8,410,240

        - <u>Confidence Margin</u> 80%+, and shown as a figure in excess of expected:
            - <u>2013 $1,943,787.</u>
                - Previous studies:
                    - 2012 $1,647,538
                    - 2011 2,211,653
                    - 2010 1,447,912
                    - 2009 1,357,967
            - This year's number is about $300K more than last years, it is $200K higher than our five year average of $1,721,771
- <u>Premium Component</u> (funding next year's claims). The attached actuary study establishes, at the Board policy's 70% confidence funding level:
        - <u>2013 $2,462,000.</u>
            - Previous studies:
                - 2012 $2,490,000
                - 2011 2,705,000
                - 2010 2,809,450
                - 2009 2,868,100
            - The 2013 premium figure is $28K lower than last years, and $203K lower than our five year average of $2,665,620.

The workers' compensation portion of this actuary study represents an unusual situation. The actuary is essentially saying that next year's claims will cost less than this year's (despite benefit inflation and "reforms" that guarantee higher costs). At the same time he is hitting us with essentially catastrophic increases in program reserves which means that the collective cost of our existing files is much greater than previously estimated. The explanation for this inconsistency is that our current claims administrator, York, has been raising its file reserves to "worst case" levels, and has essentially stopped partnering with YCPARMIA in this crucial area. At the same time, they have downgraded the staffing on our files in anticipation of our pending movement to a new administrator.

<u>FISCAL IMPACT</u>
Approval of the recommended action, along with approval of the proposed budget, will allow the setting of premiums for the coming year. Board approval of the study will result in changes to:

- "actuarial determined claims costs" on the premium worksheet of:
    - A $49,000 increase in the liability program, and
    - A $28,000 decrease in the workers' compensation program.
- Program reserve adjustments resulting in a:
    - A $14,990 increase in the liability program, and
    - A $1,481,245 increase in the workers' compensation program.

- Confidence margin adjustments resulting in a :
    - A $3,898 increase in the liability program, and
    - A $296,249 increase in the workers' compensation program.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM

AGENDA ITEM NO. 6F

DATE: March 28, 2013

SUBJECT:	Preliminary Budget for Fiscal Year 2013-2014
RECOMMENDED ACTION:	That the Board review, discuss and take appropriate action on the preliminary budget for FY 13/14, or in the alternative, to adopt the proposal as the final budget.

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 traditionally 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 budget will include:

- An introductory summary;
- A Variance report explaining any proposed changes of+/- 5%; and
- An exhibit that breaks down the premium allocation.

Attached is the proposed budget for FY 13/14. There has been very little change in YCPARMIA's budget over the last five years, and the proposed changes in this year's budget are again minimal. Most items remain unchanged, and where possible cuts have been made to balance out increases.

The bottom line is a budget that proposes a 2% increase, or $136,281 in total expenses. Significantly there is a $233,000 increase in the workers' compensation expense ($123K for excess costs, and $100K for claims benefit costs). Virtually all other increases are offset by reductions in other areas. Similarilly, the budget calls for a 1%, or $112,432 in revenues (in this case premiums, as investments and refunds are flat). The increase in premiums cost goes entirely to covering the increased workers' compensation excess costs.

Concentrating on the proposed changes:
Revenue

- Investment & Other Income: No changes proposed.
- Coverage Revenue: A 2%, or $112,432 increase. The increase in revenue is tied directly to the effect of higher excess workers' compensation costs on the workers' compensation premium formula.
- Total Revenue increases 1%, or the same $112,432 that was the coverage revenue increase (again an increased premium component to cover excess workers' compensation costs).

Expenses

- Administrative and Services
    - Human Resources: A net increase of 6%,, or $47,579. There is a proposed $76,878 (15%) increase in full time work pay over last year's budget. This increase will be offset, in part, by a $50,000 decrease in part time work pay as we move the nurse into a full time (from 4 days to 5 days a week) position. There are also funds for three step increases (two of the three last got an increase in 2009). Retirement contribution increases are triggered by the proposed salary increases. Medical insurance and vision insurance are also being increased.

    - Supplies and Services: A net decrease of 6%, or $2,100. The movement of part of our telephone service has allowed a 40% reduction in costs. We have also canceled additional subscriptions. This more than offsets an increase in our internet service cost.

    - Contractual Services: A net increase of 0%, or $150. The increase is to pay for a negotiated annual increase in our actuarial study contract.

    - Staff Development: A net increase of 29%, or $10,000. The increase is tied to expressed Board interest in increasing attendance at PARMA and CAJPA. The significant turn over in our member's risk staff calls for this return to the written Board policy.

    - Capital Expenditures: No proposed changes.

    - Loss Prevention: No proposed changes.

  - Total Administrative and Service Expenses: a 6%, or $55,629 increase.

- Insurance Coverage Expense

  - <u>Liability Coverage:</u> A 6%, or $152,348 reduction. The reduction is tied entirely to lower excess costs.

  - <u>Workers Compensation Coverage:</u> A 6%, or $233,000 increase. We saw a substantial increase, 21%, in our excess coverage costs, and with the last round of reforms we are also increasing of claims payment fund by 4%. The State Assessment – a funding mechanism that the State uses to fund its oversight of self-insureds – has also been increasing rapidly, so we are recommending an additional 13% to cover the anticipated cost.

  - <u>Fidelity Coverage:</u> No proposed changes.

  - <u>Property Coverage:</u> No proposed changes.

  - <u>Boiler and Machinery:</u> Absorbed into the Property program.

  - Total Insurance Coverage Expenses: A 1%, or $80,652 increase.

- Total Expenditures: A 2%, or $136,281 increase.

<u>It is important to remember:</u>

- This is essentially a flat budget, and reflects little change over the past six years.
- YCPARMIA is not a typical public entity; our financial position is driven largely by our member's claims.
- YCPARMIA's revenue, in turn, is determined by an independent actuarial study that makes projections off of our claims history.
- Potentially the biggest impact on our financial position is the unanticipated, but seemingly inevitable swings in our actuarially determined program reserves. <u>These reserve changes are outside our budget (as are any rebates or assessments).</u>
- Claims payments represent our biggest annual costs, and are volatile due to the small number of claims. One or two catastrophic losses, or their absence, has a profound effect on our 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% 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% of the overall budget) is actually reflected in the premium worksheets. The remainder of the premium costs come from excess costs and actuarially determined claims costs.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7A

DATE: March 28, 2013

SUBJECT: YCPARMIA Financial Report

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA's Financial Report through February 28, 2013 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 28, 2013

SUBJECT: YCPARMIA Investment Statement

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
Attached are the YCPARMIA Investment Statements through February 28, 2013 for your review.

For your information:

	Investment Statement	
Total as of 1/31/2012:	*$ 8,239,893.00*	*(no county reports)*
	$	
LAIF as of 1/31/2013:	$ 3,410,823.00	
County Pool as of 1/31/2013:	$ 2,942,498.00	
Chandler as of 1/31/2013:	$ 10,330,616.00	
Total as of 2/29/2012*:*	*$ 8,240,677.00*	*(no County reports)*
LAIF as of 2/28/2013:	$ 3,410,823.00	
County Pool as of 2/28/2013:	$ 2,703,453.00	
Chandler as of 2/28/2013:	$ 10,339,957.00	

For your information:

	Outstanding Reserves
Total as of 1/31/2012:	$ 7,777,069.00
Total as of 12/31/2012:	$ 9,612,221.00
Total as of 1/31/2013:	**$ 9,512,714.00**
Total as of 2/29/2012:	$ 8,010,773.00
Total as of 1/31/2013:	$ 9,512,714.00
Total as of 2/29/2013:	**$ 9,563,817.00**

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO. 7C

DATE: March 28, 2013

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 28, 2013

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 28, 2013

SUBJECT: Workers' Comp Loss Run Summary

RECOMMENDED ACTION: Information Only; no action required.

BACKGROUND INFORMATION:
Attached is the 2/28/13 loss run summary provided by our TPA, York. This report represents program performance for the first two-thirds of the fiscal year.

Summary: Result continue to be marginal; frequency is flat while severity and benefit costs are rising, and with the new WC reforms kicking in we can expect worse things to come.

Frequency:

- 25 WC claims were reported to YCPARMIA during February.
- Year-to-date there have been 225 claims reported; last year there were 279.
- We can project out annually to 338 claims which is much better than our recent annual average of 393. Note that over the last five years employee head count is down, so we would expect to see a corresponding reduction in injuries.

Severity:

- Indemnity claims are more expensive the medical-only claims. During the first eight months of the year we have had 52 claims coded as indemnity, and an additional 24 converted from medical only for a total of 76 indemnity claims (56at the same point last year).

Benefits:

- Our average monthly total for total benefits paid is $242,662; an increase over the previous year's average of $235,205 and again higher than the $241,643 average in FY 10-11.
    - Temporary Disability: This benefit is running higher with last year, but about the same as the year before that.
    - Permanent Disability: This cost factor is substantially below last year.
    - Medical Costs: Medical costs, the cost driver in benefits, are running on par with last year.
    - Vocational Rehabilitation: This benefit, after the 2004 reforms, has all but disappeared, but will probably make a comeback under the 2012 reforms.
    - Legal, Investigative, Sub-rosa, etc.: This category has seen significant increases as State law now requires adjusting costs like bill review and

- utilization review be included in this expense rather than under medical. At the first of the year we will be breaking out the bill review and UR expenses as a separate line item.

Future Reserves:

- Future reserves have continued to rise sharply, and are the biggest item of concern. Partially due to adverse claim development, and partially due to files not closing, we have seen a steady trend upwards. The new reforms should drive the reserves higher still. When compared to a year ago future reserves have increased $1,426,416. With frequency flat and severity increasing we can expect to see the reserves continue to rise due to benefit inflation driven by recent reforms.

The overall picture remains mixed. There is a fear that our current TPA will gear down on their claims handling efforts while YCPARMIA staff pushes to clean out the backlog of files. We are cautiously optimistic that we will see a reduction in future reserves when our new claims administrator comes on board.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM
AGENDA ITEM NO._____7F________

DATE:___March 28, 2013

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 28, 2013

SUBJECT: Quarterly Statement of Revenues, Expenses and Retained Earnings

RECOMMENDED ACTION: Information only, no action required

BACKGROUND INFORMATION:
This report reflects quarterly results for our self-insured programs through December 31st, and allows us to project trends towards year-end results.

Liability
The report indicates that we have fully funded program reserves and confidence margin. Our catastrophic fund is at 60% of its approved level. This year has seen much higher than anticipated claims costs driven by the large settlement in the Galvan-Magana vs West Sacramento case, and the litigation costs in the successful Gutierrez v Yolo litigation. It should be noted that shortly after this report was prepared we received our annual rebate from CJPRMA; if applied, it would have reduced our deficit by $456K, so the bottom line would be a negative $75K. At this point we are projecting a year-end surplus in this program.

Workers' Compensation
The report indicates fully funded program reserves and confidence margin, and essentially no catastrophic fund. Unfortunately, based on the annual actuary study, we will see the loss of our confidence margin by the end of the year to significantly higher program reserves. Claims costs continue higher than budget, and reflect benefit inflation caused by both rising medical costs, and recent reforms.

Property
The property program is building a surplus that should be available for rebate at the end of the year.

Fidelity
The fidelity program is building a surplus that should be available for rebate at the end of the year.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO.____7H________

DATE:___March 28, 2013

SUBJECT: FY 2013/2014 Premiums

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:
The Board's review and acceptance of next year's premiums is not done until its June meeting. All items needed for the premium calculations found in the YCPARMIA Bylaws are available, but we need to be closer to year-end to determine if there will be funds available for rebate/credits.

Based on the anticipated approval of the actuary study and proposed budget, attached are estimated premium worksheets for the four programs. Please note that while the bottom total might be similar to last year's premium, in liability and workers' compensation the individual member's share can shift based on their share of the applicable claim history.

Comparing total premiums:

- Fidelity – no change from last year.
- Property – no change from last year.
- Liability – a decrease of $89,755 when compared to last year.
- Workers' Compensation – an increase of $86,628 when compared to last year.

Bottom line, the total premium is $3,127 less than last year.

The biggest threat to continuing this flat trend is the significant deficit in our workers' compensation program. We have undertaken a number of interrelated steps to address the issue, but if unsuccessful Board action may become necessary.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7I

DATE: March 28, 2013

SUBJECT: Strategic Planning

RECOMMENDED ACTION: Information Only; No Action Required

BACKGROUND INFORMATION:
This agenda item is intended to allow the Board to discuss trends and future risk management plans.

On a positive note, we are seeing improved and increased activity in loss prevention/safety. With the last WC reforms mandating higher benefit costs, the only way to avoid higher premiums is to reduce losses. It is hoped that YCPARMIA's supervisor training bulletins which are currently covering safety issues will provide a framework for structuring our member's programs.

Succession plans for both the YCPARMIA nurse and our staff investigator are continuing. We anticipate starting recruitment for the nurse position in mid-May with a new hire in place by July 1st – the start date for our new WC TPA.

The next three months will see a continuing readjustment of our WC program to position us for a strong start with our new TPA on 7/1. Currently, in addition to an in-house file review, we are planning formal file reviews at our member's locations in May and June. We are also tightening the computer reporting hierarchy.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

Closed Session

A. Section 54956.95 – Liability Claim
Rebecca Berry vs. Yolo

B. Section 54956.95 – Liability Claim
Nelson vs. Davis

C. Section 54956.95 – Liability Claim
Chandler vs. Woodland

D. Conference With Labor Negotiator (CG54957.6)
Unrepresented Employees: Miscellaneous Employees

E. Public Employee Performance Evaluation (CG54957)
CEO/Risk Manager