



Yolo County Public Agency Risk Management Insurance Authority

AGENDA

YCPARMIA BOARD MEETING

Thursday, May 5, 2011 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. Workers' Compensation Hearing Claims
 - B. Premium Rebates/Credits
 - C. AGRIP Accreditation
 - D. Policy Review

7. Information Items

- A. YCPARMIA Financial Report
- B. YCPARMIA Investment Statement
- C. Workers' Compensation Loss Run Summary
- D. Notification of New Claims Received Since the Previous Board Meeting
- E. Closed Liability Files
- F. Certificates Issued
- G. Statement of Revenue, Expenses and Retained Earnings
- H. Preliminary Premium Calculations for FY11/12
- I. Program Reserves
- J. Strategic Planning

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

COMMUNICATIONS	
AGENDA ITEM NO. <u>4B</u>	
DATE: <u>May 5, 2011</u>	
SUBJECT:	CEO/Risk Manager's Report
RECOMMENDED ACTION:	Information Only

BACKGROUND INFORMATION:

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

1. CAJPA is scheduled for September 7th – 9th in South Lake Tahoe; rooms have been reserved.
2. The CJPRMA annual board retreat will be held in Livermore 5/11-5/13 at the CJPRMA building; the building was recently sold, and the Authority will be relocating.
3. The CJPRMA annual report will be passed out at the meeting.
4. We had our first quarterly review with Chandler Assets. Topics included economic conditions, compliance of our investments with the Board approved policy, duration/distribution, and a review of our holdings. The next quarterly review will be in July.
5. Vicki Facciuto's son is getting married on 5/21/11.
6. I will be on vacation from 5/23 – 6/3, but will be calling in.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

COMMUNICATIONS
AGENDA ITEM NO. 4C

DATE: May 5, 2011

SUBJECT: Next Meeting

RECOMMENDED ACTION: Information Only

BACKGROUND INFORMATION:

The following is the date of our next Board meeting:

DATE: June 23, 2011

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

CONSENT CALENDAR
AGENDA ITEM NO. 5A

DATE: May 5, 2011

SUBJECT: Minutes

RECOMMENDED ACTION: That the Minutes of the Regular Board Meeting of March 24, 2011 be Approved as Submitted

BACKGROUND INFORMATION:

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for March 24, 2011 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: May 5, 2011

SUBJECT: Workers' Compensation Hearing Claims

RECOMMENDED ACTION: That the Board adopts a policy that addresses hearing loss that is identified during annual required testing. The proposed policy would state: "When an individual is identified as suffering a potential threshold hearing shift on their annual OSHA mandated testing, a follow-up test is mandated to confirm the injury. If the second test confirms the threshold hearing shift the member is to submit an Employer's Report of Occupational Injury or Illness (5020), and provide their worker with a claim form (DWC1). As a matter of policy, the cost of the second test that confirms the threshold shift will be credited against the member's workers' compensation deductible."

BACKGROUND INFORMATION:

On an annual basis a limited number of member employees are subject to OSHA mandated hearing tests. During this test there are a number of individuals identified as suffering a threshold shift; this leads to a second test intended to confirm the shift. Annually the significant majority of the people subjected to the second test are determined not to have suffered a shift. Generally the second test is conducted after ears have been cleaned, and the worker is insulated from loud noise for 24 hours. Those that have a confirmed shift are referred to an ENT for further testing and treatment.

The initial hearing test is paid by the employer (under a discounted group rate through YCPARMIA), while subsequent tests, assuming a 5020 is filed, are paid under workers' compensation. The cost of the second test is currently, in effect, passed back to the member as part of their deductible billing.

In an effort to reduce the employer member's cost:

- YCPARMIA is refining the list of people that are required to be tested under OSHA's standards.
- YCPARMIA will be providing recommended pre-test procedures that if followed should reduce the number of false positives.

- We are also proposing that the member pay for the follow-up test and only file the Employer's Report of Occupational Injury or Illness (5020) form after the threshold shift is confirmed by the mandatory second test.
 - This will allow for a simpler (cheaper) second test, and avoid having that doctor duplicate the work of the ENT.
 - Members will be able to avoid unnecessary WC paperwork until injury is confirmed.
 - Workers will be kept out of the WC system except when injury is confirmed.
 - York will receive fewer claims with which to justify higher administration fees.

To avoid penalizing our members, it is proposed that if the second test confirms a threshold shift, the cost of the second test will be credited against the member's deductible for that claim.

FISCAL IMPACT

At worst the proposed policy will be fiscally neutral with no additional cost falling on our members. There will be undetermined cost savings for reduced WC paperwork, and simpler second testing.

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>May 5, 2011</u>
SUBJECT:	Premium Rebate/Credits
RECOMMENDED ACTION:	That the Board approve a partial assessment in the Workers' Compensation Program equal to the amount of surplus that it rebates in the other programs at its June meeting.

BACKGROUND INFORMATION:

The YCPARMIA JPA Agreement and By-Laws provide that excess surplus can only be applied as a credit against current or future cash payments; they are clear that no rebate of excess funds shall be made available to a member in the form of payment, and that there will be a separate accounting of each coverage program with no transfer of funds between the programs.

Currently there is an anticipated surplus in the Liability, Property and Fidelity programs, and a significant deficit in the Workers' Compensation program. While the Board lacks the authority to transfer funds between programs, it can assess. An assessment declared by the Board that equals the surplus rebate will enable members to use their rebate credits to satisfy the WC assessment.

NOTE: IT IS ANTICIPATED THAT STAFF WILL BE MAKING A STRONG RECOMMENDATION AT THE JUNE MEETING FOR AN ASSESSMENT IN THE WORKERS' COMPENSATION PROGRAM THAT WILL EXCEED THE TOTAL AVAILABLE PREMIUM CREDITS WITH THE GOAL OF BRINGING THE PROGRAM RESERVE FUNDING UP THE ACTUARIALY DETERMINED LEVEL OF "EXPECTED." The amount needed is still to be determined, but will be presented to the Board for consideration at their June meeting where next year's premiums are authorized.

To put the possible assessment into perspective, according to the premium formula found in the YCPARMIA By-laws, the Board reduced premium payments for the members in both FY 09/10, and FY 10/11 to amounts below those generated by the premium formula. The total "underfunding" for the past two fiscal years was \$2,090,356. We will not know what is needed to fund the Workers' Compensation program to expected until early June, but are currently projecting the amount at about \$900K. Of this we are anticipating getting about half of the total from the proposed assessment covered by the other programs' surplus, and the other half from an additional assessment. The bottom line will still see the members saving about \$1.5M in premium reductions over the

last two years. It should also be noted that the premium formula for FY 11/12 will be producing a figure a bit lower than the FY 10/11 figure.

FISICAL IMPACT: It is not anticipated that there will be any adverse financial impact from the recommended action, but there could be from the anticipated “uncovered” assessment that will be recommended at the June Board meeting.

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>May 5, 2011</u>
SUBJECT:	AGRIP Accreditation
RECOMMENDED ACTION:	That the Board review the attached application for the three-year renewal of our AGRIP Recognition/Accreditation, and direct the President to sign the application for submission.

BACKGROUND INFORMATION:

YCPARMIA is a member of AGRIP, which is in essence the national equivalent of CAJPA. Both groups offer an accreditation process that reviews policies, practices, documents and standards to ensure that their member pools are meeting the highest industry standards. YCPARMIA currently has CAJPA's Accreditation with Excellence, and AGRIP's Recognition; it is time to renew our AGRIP Recognition.

YCPARMIA benefits from the process as it forces us to self-evaluate our business practices in gathering and reviewing required documentation. The YCPARMIA Board benefits from the process by evidencing due diligence in its oversight of YCPARMIA operations as measured by an external industry groups.

FISCAL IMPACT

The cost for the process is \$400, and is included in our current budget.

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>May 5, 2011</u>
SUBJECT:	Policy Review: Settlement Authorization Liability/Property, Settlement Authorization Workers' Compensation, Self-Procured Expenses, Employee Use – Autos, and \$100,000 Deductible.
RECOMMENDED ACTION:	That the Board adopt the proposed change to the Settlement Authorization Liability/Property language.

BACKGROUND INFORMATION:

On a rotating basis staff reviews Board policies for need updates. For this meeting we reviewed the policies listed above, and have two proposed changes.

The policy regarding settlement authority on liability and property claims (K-3 in the Blue Binder) is inconsistent with actual practice. Property coverage has a \$25K SIR, and there is commercial coverage above that. Our ability to settle claims is limited to \$25K, so Board participation in the settlement process will never come into play unless we change our SIR. We are therefore proposing the addition of the following sentence to precede the final sentence on the page: "The Board will have no authority to approve or deny settlement of property losses in excess of YCPARMIA's self-insured retention when the loss is covered by commercial coverage."

The policy regarding the \$100,000 deductible has two minor changes to bring in into consistency with present practices. On page K-9, in the paragraph numbered "1" there is a requirement that YCPARMIA be notified of deletions or additions with 15 days of the triggering act. Practice among the members seems to be monthly, so we are proposing the change from "15 days" to "30 days." In the same paragraph there is an indication that changes be submitted on a list entitled "Insurable Drivers;" the current practice is to submit the names on a "DMV form 1103-Government EPN." We propose that the language be modified by substituting "DMV form 1103-Government EPN" for the current "Insurable Drivers."

FISCAL IMPACT

There is no anticipated fiscal impact from the adoption of the recommended action.

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>May 5, 2011</u>
SUBJECT:	YCPARMIA Financial Report
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA's Financial Report through March 31, 2011 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>May 5, 2011</u>
SUBJECT:	YCPARMIA Investment Statement
RECOMMENDED ACTION:	Information only, no action required

BACKGROUND INFORMATION:

Attached are the YCPARMIA Investment Statements through March 31, 2011 for your review.

	<u>Investment Statement</u>
For your information:	
Total as of 3/31/2010:	\$ no report
LAIF as of 2/28/2011:	\$ 7,161,457.82
CHANDLER as of 2/28/2011:	\$ 8,013,757.00
TOTAL AS OF 2/28/2011:	\$ 15,175,214.82
LAIF as of 3/31/2011:	\$ 6,666,759.25
CHANDLER as of 3/31/2011:	\$ 8,015,430.00
TOTAL AS OF 3/31/2011:	\$ 14,682,189.25

	<u>Outstanding Reserves</u>
For your information:	
Total as of 3/31/2010:	\$ 7,454,393.00
Total as of 2/28/2011:	\$ 8,007,829.00
Total as of 3/31/2011:	\$ 7,830,745.00

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: May 5, 2011

SUBJECT: Workers' Compensation Loss Run Summary

RECOMMENDED ACTION: Information only; no action required

BACKGROUND INFORMATION:

Attached is the loss run summary for the workers' compensation program through March 31, 2011. With three quarters of the fiscal year completed we are continuing to see a small, but positive shift in the program when compared to last year. Claim frequency remains flat, while severity continues to be good.

Frequency:

- 289 claims were reported to YCPARMIA during the first nine months of our fiscal year.
- This is an average of 32.1 claims per month. Last year we averaged 35.4 claims per month so our average is trending down; it is important to remember how volatile small numbers can be.

Severity:

- Of the 289 claims, 39 (13.4%) were coded as indemnity due to reserved exposures for temporary disability and/or permanent disability. **THIS REMAINS A VERY POSITIVE INDICATOR.**
- 4 indemnity claims per month compares favorably with the last year where we averaged 6 claims per month. Indemnity claims are our big cost drivers so reduced numbers should lead to lower actuarial projections.

Benefits: Our average monthly total for total benefits paid thru the second quarter is \$256,672; this is down from \$291,410 per month last year, and has remained constant throughout the year.

- Temporary Disability: This class of benefits has increased over last year; obviously the way to reduce this cost is to provide temporary accommodations to work restrictions.
- Permanent Disability: This class is also up when compared to last year.
- Compromise and Release Settlements: We have seen an increase in these costs which is a positive; a C&R means a closed file, and ends our future medical exposure.

- Medical Costs: This benefit cost has decreased when compared to last year, and has returned to its anticipated range based on previous “good” years. **THIS IS A VERY POSITIVE INDICATOR.**
- 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; increases are tied directly to greater use of subrosa investigations.

Inventory:

- Open indemnity claims ended the quarter at 194 which is better than our goal of 200. This number reflects the reduced number of new claims, while older claims have been closed out. **THIS IS A POSITIVE INDICATOR.**

Reserves:

- Future reserves on open files are at \$6,982,508 or about \$239K lower than they were as the beginning of the fiscal year; unfortunately total file reserves are \$447K higher than they were at the same time last year. Additionally the total is still much higher than our benchmark, and supports our actuary’s call for higher program reserves. **THIS IS A FACTOR THAT CAUSES CONCERN, AND WILL REQUIRE US TO REEVALUATE OUR BENCHMARKING.** An immediate response would be to set \$7M on 200 indemnity claims as our reserve benchmark; we will be refining these numbers over the summer.

Program Health:

Based on program funding, we would have to average less than \$229K in monthly benefit costs to maintain our start-of-the-year weak-fiscal-position.

- Last year benefit payments averaged \$291,410 per month,
- Through the first two-thirds of this fiscal year we are averaging \$256,673 (this has been consistent throughout the year).
 - This projects to a reduction of about \$416K over the fiscal year, but
 - Will still come in \$332K above our goal.

While the trend is positive, it is fragile given the small numbers that we are dealing with. Additionally, the numbers are still higher than where we projected them to be. The best tool for continuing the trend remains a stronger commitment to loss prevention by our members.

Another factor should be discussed. The total number of member employees are down, and given the retirement of many senior staff, we anticipate (but have not confirmed) that the average employee age is also down. This reduced exposure should, with everything else remaining equal, lead to a reduction in the number of injuries. Based on the first three quarters of the fiscal year, we are projecting a year-end claim total of 385, or about

a 10% reduction when compared to last year (but flat when compared to the year before that).

Board members will be given statistical reports on benefit payments, and loss history at the meeting.

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>May 5, 2011</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 by entity and by type of claim.

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>May 5, 2011</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. 7F

DATE: May 5, 2011

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. <u>7G</u>
	DATE: <u>May 5, 2011</u>
SUBJECT:	Statement of Revenues, Expenses and Retained Earnings
RECOMMENDED ACTION:	Information Only; no action required.

Attached is the third quarter's Statement of Revenues, Expenses and Retained Earnings. We can skip over the Liability, Property and Fidelity programs. In the simplest of terms all are fully funded, and are generating a surplus that should be available for premium rebate credits – or as recommended – to be applied to increase funding of the Workers' Compensation program reserves. The Workers' Compensation program will require greater discussion.

LIABILITY: Despite funding at a reduced level, we have experienced a dramatic improvement in the financial stability of this program. Through the first three quarters an excess surplus of almost \$250K has developed. In addition to any improvement in the last quarter, the program will also benefit from an actuarial reduction in our program reserves and confidence margin; this should drop up to an additional \$200K to the bottom line.

PROPERTY: The Property program's surplus is generated when we budget for more claims than are actually incurred. There has been recent claim development in this program that will eat into the surplus, but we are hoping to have about \$100K.

FIDELITY: As indicated above, this program is fully funded, and developing a small surplus. With the 6/30/11 expiration of our existing three year excess policy we are awaiting the renewal quote. Part of the anticipated surplus could be used to offset any premium increase.

WORKERS' COMPENSATION: While the Liability program will benefit from a reduction in actuarially determined program reserves, the Workers' Compensation program will be taking at least a \$500K hit in program reserves, and \$750K in the confidence margin. On top of this, the program has seen its retained earning deficit grow to over \$3.1M. This will allow us to project a year end program deficit of over \$4M; this means that we will end the year with no confidence margin, no catastrophic fund, and a deficit of at least \$400K in program reserves. It is significant to note that the deterioration of the program is tied almost exclusively to adverse actuarial projections on existing claims, and reduced funding over a two year period. The total program assets have remained relatively constant, but the actuarial projections of future liabilities based on adverse claim development have led to the conclusion that more funds are needed to cover existing

claim liabilities. This adverse development could have been mitigated by more successful loss prevention – fewer and cheaper new claims to offset the adverse development of older claims, but this benefit has yet to manifest itself in actuarial savings.

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>May 5, 2011</u>
SUBJECT:	Preliminary Premium Calculations for FY 11/12
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

The Board traditionally sets premiums at its June meeting. The adoption of the budget, and acceptance of the actuary study provide all of the elements required by the premium formulas found in our By-laws; we are therefore able to generate anticipated premium figures. In order to allow Board discussion in advance of the June meeting, we are providing a copy of our 3/28/11 e-mail that lays out our anticipated premium recommendations.

The 3/28/11 e-mail:

Per the request at the Board meeting we offer the following estimate of premium for FY 11-12. The premium figures are based on the premium formulas found in the by-laws with no rebate credits applied. We are still waiting for renewal quotes on our excess coverage in all programs, but feel that we have budgeted for reasonable adjustments. The Board traditionally approves cash payment/premium charges at its June meeting.

We are anticipating finishing the year with excess surplus in the fidelity, property and liability programs. I will be making a strong recommendation that these monies be rolled over into the program reserves for WC to partially offset additional funding needs.

We are projecting a \$900,923 deficit in program reserves for the WC program due to adverse claims developments, and restricted premium funding over the past two years. The confidence and catastrophic funds are gone, and we have been eating into the program reserves. I am optimistic that we will be able to make up about half of this amount through savings in the last half of the fiscal year, transfers of program surplus from the other programs, and adjustments to the actuary study. This leaves an anticipated shortfall of about \$450K, and I will be asking the Board to consider an assessment in that amount so that the program is at least funded to "expected" (a 50% confidence level).

Please remember that premiums are affected by the entity's share of incurred reserves in liability and payments in WC; shifts in these percentages, relative to other members, can drive costs either way. Premiums in fidelity are driven by comparative headcount and in property by declared values.

Davis

	Premium 10-11	Estimate 11-12 (no rebates)	Recommended WC assessment	Totals
Fidelity	5,837	6,420		6,420
Property	66,963	69,351		69,351
Liability	396,082	420,907		420,907
WC	<u>655,356</u>	<u>918,642</u>	<u>\$92,619</u>	<u>1,011,261</u>
Total	\$1,124,238	\$1,415,140		\$1,507,939

Cost drivers: the city's share of liability incurred increased from 11.74 to 13.37%, and in WC payments increased from 14.82% to 21.9%.

Net total premium increase, with assessment, is \$383,701. The City has a credit of \$333,616 from past deposited credits available for use to help offset this increase, which leaves a net increase of \$50,085.

Esparto

	Premium 10-11	Estimate 11-12 (no rebates)	Recommended WC assessment	Totals
Fidelity	1,070	1,177		1,177
Property	11,543	11,656		11,656
Liability	35,078	36,036		36,036
WC	<u>196,241</u>	<u>136,110</u>	<u>\$13,722</u>	<u>149,832</u>
Total	\$242,932	\$184,979		\$198,701

Cost drivers: the district's share of WC payments declined from 5.96% to 3.12%.

Net premium decrease, with assessment, is \$44,231.

Winters

	Premium 10-11	Estimate 11-12 (no rebates)	Recommended WC assessment	Totals
Fidelity	484	532		532
Property	5,452	10,039		10,039
Liability	32,335	48,503		48,503
WC	<u>27,685</u>	<u>25,070</u>	<u>\$2,527</u>	<u>27,597</u>
Total	\$65,956	\$84,144		\$86,671

Cost driver: the city's share of liability incurred increased from 1.84% to 3.70%.

Net premium increase, with assessment, is \$20,715.

West Sacramento

	Premium 10-11	Estimate 11-12 (no rebates)	Recommended WC assessment	Totals
Fidelity	4,297	5,000		4,726
Property	102,221	107,421		107,421

Liability	574,046	434,706		434,706
WC	<u>827,602</u>	<u>904,877</u>	<u>\$91,231</u>	<u>996,108</u>
Total	\$1,508,166	\$1,452,004		\$1,542,961

Cost drivers: the city's share of liability incurred decreased from 27.18% to 14.82%, and its share of WC payments also decreased from 22.95% to 21.76%. The city's share of payroll also increased.

Net increase, with assessment, is \$34,795.

Woodland

	Premium 10-11	Estimate 11-12 (no rebates)	Recommended WC assessment	Totals
Fidelity	3,305	3,635		3,635
Property	59,057	59,960		59,960
Liability	564,237	434,663		434,663
WC	<u>608,273</u>	<u>742,466</u>	<u>\$74,856</u>	<u>817,332</u>
Total	\$1,234,872	\$1,240,724		\$1,315,590

Cost drivers: The city's share of liability incurred decreased from 30.59% to 19.71%, while its share of WC payments increased 17.07% to 19.17%.

Net increase, with assessment, is \$80,718.

Yolo

	Premium 10-11	Estimate 11-12 (no rebates)	Recommended WC assessment	Totals
Fidelity	12,120	13,332		13,332
Property	114,798	116,946		116,946
Liability	942,865	1,258,209		1,258,209
WC	<u>1,638,478</u>	<u>1,644,908</u>	<u>\$165,843</u>	<u>1,810,751</u>
Total	\$2,708,261	\$3,021,395		\$3,199,238

Cost drivers: the county's share of liability incurred increased from 28.12% to 46.93%, and its share of WC payments decreased from 38.39% to 33.15%.

Net increase, with assessment, is \$490,977.

If you have any questions, or wish to discuss this further please contact me.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM AGENDA ITEM NO. <u>71</u>
	DATE: <u>May 5, 2011</u>
SUBJECT:	Program Reserves
RECOMMENDED ACTION:	Information Only; no action required.

BACKGROUND INFORMATION:

As discussed at the last Board meeting, the Actuary Study provides two figures at various confidence levels. The first is the anticipated cost of next year's claims (our premium cost), and the second is the cost of our existing claims (program reserves). Both include an IBNR factor (incurred but not reported) for adverse development. The program reserves require us to book funds as a liability, and dedicate a portion of our retained earnings as a confidence margin.

The program reserves create problems, or a windfall, depending on whether the actuary projects a rise or fall in the total; the volatility of the numbers can generate significant deficits or surplus. A number of factors go into the actuary's projection, but in simple terms we are most impacted by only a few. The first is the number of open files (if a file is closed it does not require future program reserves); the second is the outstanding or future reserves on the open files – the actuary applies his IBNR number to these figures. A third factor, which is beyond our control, is industry development (law changes, medical inflation, frequency and severity trends).

Recently we met separately with both our financial auditors and our actuary in an attempt to develop a way to "smooth" the peaks and valleys. We were hoping for an immediate solution that could be applied now to reduce our workers' compensation program deficit, but did not find one. One solution that was discussed was booking a 5 or 7 year average of the actuary's program reserve figure; this would allow the spikes and valleys to offset each other (see the attached graphs). The actuary was against the idea (and the financial auditors are against anything the actuary is against) because the state of the industry and our exposure changes constantly, and factoring in results from 5 or 7 years ago would ignore present developments.

The actuary had an interesting observation that confirmed something that we were already addressing. The difference between a "good" year and a "bad" year is just a couple of serious files. Year-in and year-out our claims frequency and costs have remained very constant on the 95% of our files that represent our "normal" claims. The volatility comes from what happens in the other 5%. If they are serious claims we see a rise in premium and program reserve figures; if they are minor claims we see a fall. We have recognized that pattern, and have concentrated our investigations, nurse involvement, litigation, and claims reviews on those files that make up the 5%. The actuary will be working with us during the summer months to identify what our "base" costs are for the 95%, and how we might fund the other 5% to meet our fiscal obligations without experiencing the volatility of spikes and valleys.

Lastly, we agreed that the most obvious way of reducing premium costs and program reserves is to implement a much more aggressive loss prevention program. The most significant program reserve costs are always found in the two most recent years. A reduction in new claims, and their associated reserves, would have an immediate positive effect.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

	INFORMATION ITEM AGENDA ITEM NO. <u>7J</u>
	DATE: <u>May 5, 2011</u>
SUBJECT:	Strategic Planning: the Board's opportunity to discuss developing issues
RECOMMENDED ACTION:	Information Only; no action required.

This agenda item is an opportunity for members to discuss future risk management plans and provide feedback on YCPARMIA's offered services.

An item of major concern for YCPARMIA staff is methods of enhancing the effectiveness of our member's loss prevention efforts.

We would like an indication from the Board on whether they are interested in a day-long summer retreat at YCPARMIA. We would invite our various service providers to make hour long presentations, including our asset manager, actuary, financial auditor, psyche wellness providers, WC TPA, and defense attorneys.

Respectfully submitted,

Jeffrey M. Tonks
CEO/Risk Manager