



REPORT TO COUNCIL

City of Sacramento

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915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

CONSENT
April 21, 2009

**Honorable Mayor and
Members of the City Council**

Title: 2008 Risk Management Annual Report

Location/Council District: Citywide

Recommendation: Receive and file

Contacts: Patrick Flaherty, Risk Manager, 808-8587

Presenters: None

Department: Human Resources

Division: Risk Management

Organization No: 08001311

Description/Analysis

Issue: Rendering of the Risk Management Annual Report to the City Council.

Policy Considerations: The Risk Manager provides an annual report to keep the City Council advised of risk management activity.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: There are no sustainability considerations applicable to this action.

Commission/Committee Action: None

Rationale for Recommendation: The Risk Manager is responsible for administering and reporting on risk management related activity.

Financial Considerations: None

Emerging Small Business Development (ESBD): Because this transaction does not involve the purchase of goods or services for the City, ESBD efforts are not applicable.

Respectfully Submitted by: 
Patrick Flaherty
Risk Manager

Approved by: 
Geri Hamby
Human Resources Manager

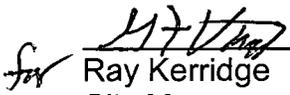

Ray Kerridge
City Manager

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Background Information:

The Risk Management Division is part of the Human Resources Department and is responsible for administering the City's risk management program. The 2008 Risk Management Annual Report is designed to provide the City Council and City management with an overview of Risk Management programs for the fiscal year. The intent of this report is to provide City leadership and managers with departmental exposure and loss information so effective loss prevention activities may be implemented to eliminate or reduce these losses. The report contains summaries of workers' compensation, general liability and auto liability losses by fiscal year, loss prevention activities, as well as excess insurance limits and premiums. Significant Risk Management related activities are also summarized.

Human Resources Department Division of Risk Management Annual Report

Fiscal Year Ending June 30, 2008



City of Sacramento

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Environmental clean-up at Miller Park

*On the Cover: Top left – Firefighters battle house fire; Top right – K-9 Training, Hutch with handler Officer Thompson;
Bottom left – Preplanning worker rescue at 500 Capitol Mall; Bottom right – Fort Natomas rebuild*

EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for fiscal year 2008 (FY 2008).

This report provides the City Council and management with an overview of Risk Management programs for the prior year. The intent of this report is to provide City leadership and managers with departmental exposure and loss information so effective loss prevention activities may be implemented to eliminate or reduce these losses. The report contains summaries of workers' compensation, general liability and auto liability losses by fiscal year, as well as excess insurance limits and premiums. Significant Risk Management related activities are also summarized.

The Risk Management Internal Service Fund provides risk financing and administrative support services for workers' compensation and general and auto liability claims. The fund also supports the City's loss prevention programs and division administration costs. The fund charges all fund participants for program costs based on actuarial estimates of the amounts needed to pay the ultimate cost of claims and operational costs for the Risk Management Division. The Risk Management budget was reduced \$108,434 in FY 2008, from a FY 2007 budget of \$27,923,784 to a FY 2008 budget of \$27,815,350.

Excess insurance costs were up \$80,974 or 4% in fiscal year 2008. However, the City purchased an additional \$5,000,000 in excess liability insurance, bringing the total amount to \$25,000,000, thereby providing additional protection to the City from catastrophic claims. Workers' compensation limits were increased from \$200,000,000 to \$300,000,000 providing additional coverage for catastrophic events. An extra \$15,000,000 in fine arts insurance was also purchased, bringing the total amount to \$50,000,000.

Workers' compensation claims per million dollars of payroll have decreased for the past five years, but appear to be stabilizing. Workers' compensation costs per hundred dollars of payroll have also decreased each of the last five years and also appear to be stabilizing. The average cost of workers' compensation claims decreased slightly last year, after increasing the prior three years. The increases in recent years were due in part to increases in indemnity and medical costs. This recent increase in costs is consistent with findings from the Workers' Compensation Insurance Rating Bureau, which also shows increases in the average cost of workers' compensation claims in recent years in California. Strain and sprains are the most common type of injury that occurs in the City. To reduce the number of these claims, a "Preventing Sprains and Strains" training program will be introduced in FY 2009.

The general liability claims frequency rate has been steady the past three years after a large decrease in FY 2005. The general liability severity rate (cost of claims) has increased the past three years after decreasing the prior two years. However, the rate is still below levels in the late 1990s. Risk Management and Bragg personnel (the City's third party claim administrator) continue to improve communication with City departments to proactively manage open and potential claims to help minimize the cost of claims.

The automobile liability claims frequency rate continued to decline as it has the past four years. The automobile loss rate was slightly higher last year after three years of decline. To continue to

address our risk of vehicle accidents, Risk Management will assist in the development of a long-range plan for the Sacramento Regional Driver Training Facility (SRDTF). All City personnel, including police and fire, complete the majority of their driver training requirements at this location at Mather Air Force Base.

The City's loss prevention activities are committed to eliminating accidents before they occur and are focused on the following areas: training, vehicle safety, consultation, employee recognition, environmental, support services and special projects.

Besides the action items listed previously, our action plan for fiscal year 2009 includes the development of a cost allocation model to encourage cost containment by implementing equitable cost allocation to City departments based on claims experience and exposures (payroll or number of employees). Additionally, the development of a long-term strategic plan will be developed to help guide the Risk Management Department in the years to come.

RISK MANAGEMENT MISSION STATEMENT

Risk Management staff protect City assets by providing exceptional customer service through effective loss prevention, claims administration, and risk financing. Our commitment enhances safety and livability for the citizens and employees of the City of Sacramento.

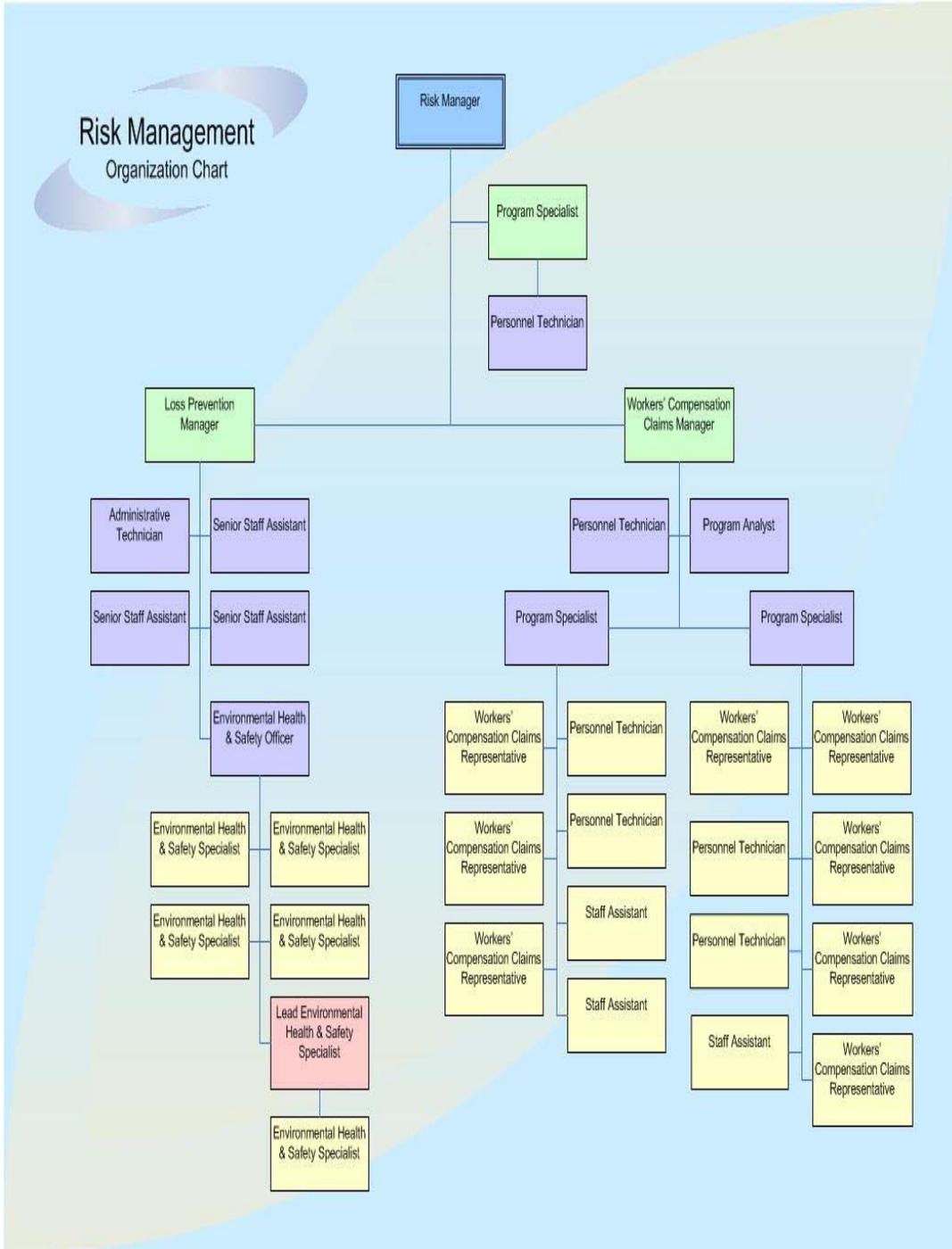
RISK MANAGEMENT DIVISION

The Risk Management Division consists of two operational units: Loss Prevention and Workers' Compensation. The units are detailed in the organization chart on the following page. Responsibility for the Risk Management Internal Service Fund, which provides risk financing and supports services related to the workers' compensation and general/auto liability programs, is an important function of the Risk Management Division. All City Departments are fund participants and are charged for program costs based on actuarial estimates of the amounts required to pay the ultimate cost of workers' compensation and general/auto liability claims that occur in that fiscal year as well as the operational costs of the Risk Management Division. The City self-insures the first \$2,000,000 of all workers' compensation and general/auto liability claims and purchases excess insurance for catastrophic losses. Property insurance is purchased to protect against damage to City buildings and assets with a \$100,000 deductible.

RISK MANAGEMENT BUDGET

The Risk Management Internal Service Fund (Risk Fund) provides risk financing and administrative support services for workers' compensation and general and auto liability claims as well as loss prevention and administrative costs. The Risk Fund charges City departments for its costs based on loss exposure and claim history. The Risk Management budget was reduced 9% in FY 2007, from \$30,652,752 in FY 2006 to \$27,923,784 in FY 2007. This was a reduction of \$2,728,968 which reduced costs to all City departments. This decrease was achieved by aligning our workers' compensation and liability claim costs with our actuarial report. The 2008 Risk Management budget is \$27,815,350, a slight decrease of \$108,434, from the 2007 budget.

Figure 1: Risk Management Organizational Chart



EXCESS INSURANCE PREMIUMS

The City of Sacramento has entered into an agreement with Alliant Insurance Services to design, market, obtain quotations, place, and service insurance policies for the City.

The City of Sacramento purchases excess liability and workers' compensation insurance to protect the City in the case of catastrophic incidents. The initial \$2,000,000 of each liability and workers' compensation claim is self insured and therefore paid by the Risk Fund. Settlement amounts in excess of \$2,000,000 are paid by the excess insurer up to the coverage limits.

Excess liability insurance includes coverage for the following: general liability, automobile liability, public official's errors and omissions liability, and unfair employment practices liability. All coverage is on an occurrence basis. Excess liability limits have been increased from \$20,000,000 in FY 2007 to \$25,000,000 in FY 2008. Excess liability insurance premiums increased 3% or \$22,291, from \$687,771 in FY 2007 to \$710,062 in FY 2008. The City is currently participating in the Alliant National Municipal Liability Program (ANML) for the purchase of excess liability insurance. ANML provides comprehensive liability coverage to public agencies across the nation. Participants in ANML do not share risk and each participating member selects its own limits of liability insurance and self-insured retention. As a group purchase, the program provides greater stability as the insurance market fluctuates. Additionally, the combined size of the program ensures competitive pricing in hard and soft markets.

Excess workers' compensation limits have been increased from \$200,000,000 in FY 2007 to \$300,000,000 in FY 2008. Excess workers' compensation insurance premiums increased \$13,098 from \$467,991 in FY 2007 to \$481,089 in FY 2008. Excess insurance is purchased through California State Association of Counties Excess Insurance Authority (CSAC), which uses pool purchasing power to achieve broad coverage for the lowest rates available. The CSAC program is the largest pool in the nation and provides services to 93% of the counties and 63% of the cities in California. The program has a \$5,000,000 pooled limit and reinsurance to \$300,000,000.

Property insurance is currently purchased through the Public Entity Property Insurance Program (PEPIP). PEPIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently the largest property insurance placement in the world. PEPIP is a joint purchase program that does not involve any risk sharing, so there is no risk of assessments. Because of PEPIP's large size, members receive low premiums with the best possible coverage terms. The total insurable property values for the City are \$1,479,960,737, an increase of \$183,116,824 over last year's values of \$1,296,843,913. Insurable values increased primarily due to trend increases in the property market. However, even with the increase in insured values, insurance premiums were flat in FY 2008. The property policy contains a \$100,000 deductible with coverage limits of \$1,000,000,000. Coverage limits are shared with other PEPIP members in different geographical areas to reduce the risk of one property loss affecting a large percentage of members. Earthquake insurance is not purchased at this time due to the high cost and limited coverage.

In addition to the insurance referenced previously, in FY 2008 the City purchased the following insurance:

Risk Management Annual Report FY 2008

- Fine arts insurance with limits of \$50,000,000 (an increase of \$15,000,000 from the prior year). This is important due to the Crocker Art Museum expansion which will result in an increase in our fine arts collection.
- Aircraft insurance with limits of \$20,000,000. Coverage is provided for the City's small plane and two helicopters.
- Crime insurance with limits of \$10,000,000. Coverage is provided for employee theft, forgery, and other crime-related losses.
- Bounce house liability insurance with limits of \$1,000,000. Coverage is provided for the two bounce houses the city owns and utilizes at special events.



Crocker Art Museum expansion project

Table 1 is the Schedule of Insurance which summarizes coverage, self-insured retentions, limits, premiums and carriers for the last three years and provides a total cost of insurance by year at the bottom of the table. Information for fiscal year 2009 is also included as these insurance policies have already been purchased.

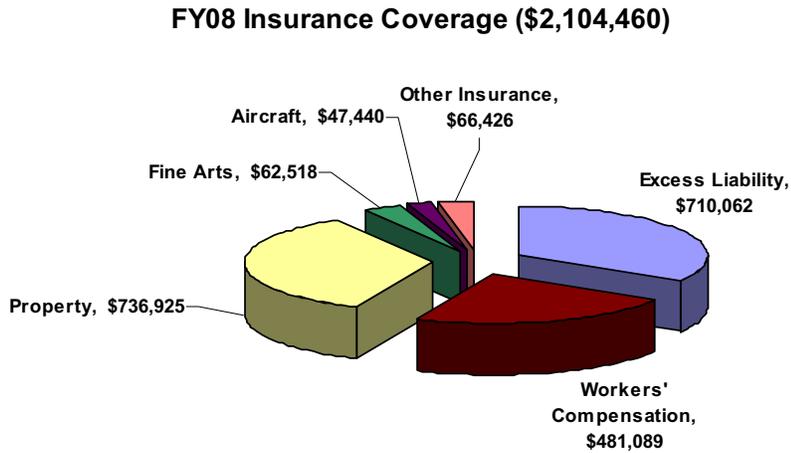
Risk Management Annual Report FY 2008

Table 1: Schedule of Insurance

SCHEDULE OF INSURANCE					
Fiscal Year	Self Insured Retention	Policy Limits	Premium	Carrier	
Excess Liability					
FY09	2,000,000	30,000,000	765,072	Everest, American Merchants	
FY08	2,000,000	25,000,000	710,062	Everest, North American Specialty	
FY 07	2,000,000	20,000,000	687,771	Everest, Traders and Pacific	
FY 06	2,000,000	10,000,000	510,411	Ins. Co. of the State of Penn.	
Total			2,673,316		
Workers' Compensation					
FY09	2,000,000	Statutory	445,165	CSAC EIA	
FY08	2,000,000	300,000,000	481,089	CSAC EIA	
FY 07	2,000,000	200,000,000	467,991	CSAC EIA	
FY 06	2,000,000	150,000,000	389,750	CSAC EIA	
Total			1,783,995		
Property					
FY09	100,000	1,000,000,000	703,057	PEPIP	
FY08	100,000	1,000,000,000	736,925	PEPIP	
FY 07	100,000	1,000,000,000	736,648	PEPIP	
FY 06	100,000	1,000,000,000	636,102	PEPIP	
Total			2,812,732		
Fine Arts					
FY09	1,000	50,000,000	55,998	Commerce and Industry	
FY08	1,000	50,000,000	62,518	Commerce and Industry	
FY 07	1,000	35,000,000	58,001	Commerce and Industry	
FY 06	1,000	25,000,000	39,518	Commerce and Industry	
Total			216,035		
Aircraft					
FY09	Varies	20,000,000	32,651	Old Republic	
FY08	Varies	20,000,000	47,440	Old Republic	
FY 07	Varies	20,000,000	55,272	Old Republic	
FY 06	Varies	20,000,000	64,416	Old Republic	
Total			199,779		
Other Insurance <i>Includes pollution (FY08), crime, aircraft and bounce house insurance</i>					
FY09			35,849		
FY08			66,426		
FY 07			17,803		
FY 06			27,329		
Total			147,407		
Total Insurance					
FY09			2,037,792		
FY08			2,104,460	(Includes pollution insurance)	
FY07			2,023,486		
FY06			1,667,526		
Total			7,833,264		

Figure 2 shows the cost breakdown of the various types of insurance purchased in FY 2008 with a total cost of \$2,104,460.

Figure 2: FY08 Insurance Coverage



Fort Natomas rebuild

ACTUARIAL REPORT

An actuarial report is prepared each fiscal year for the City of Sacramento's self-insured workers' compensation and general/auto liability programs by a professional actuarial firm experienced in public entity self-insured program analysis. The actuarial report provides two key pieces of information. The first is the amount that should be budgeted for claim costs and expenses for claims that occur in the coming fiscal year. The second is the program's liability for outstanding claims. Outstanding claims represent the ultimate value of losses, less any amounts already paid. The City utilizes an 80% confidence level (an estimate for which there is an 80% chance that the amount will be sufficient to pay loss costs). The actuarial results of the last two years' data are provided in Table 2. The estimated outstanding liability for all claims was reduced \$8,027,000 in FY 08 and the reduction in FY 2007 was \$4,729,000. The majority of the reductions are associated with workers' compensation claims, although several high value liability claims were also settled. These significant reductions are important as they reduce the amount of funds the City must set aside on the balance sheet for outstanding liabilities.

Table 2: Comparison of Estimated Outstanding Losses

COMPARISON OF ESTIMATED OUTSTANDING LOSSES							
As of June 30, 2006		As of June 30, 2007		Difference Between FY 2006-07	As of June 30, 2008		Difference Between FY 2007-08
WORKERS' COMPENSATION							
Estimated Liability for Outstanding Claims	\$47,860,000	Estimated Liability for Outstanding Claims	\$41,063,000	(\$6,797,000)	Estimated Liability for Outstanding Claims	\$35,259,000	(\$5,804,000)
Estimated Ultimate Cost of Claims for FY 2006-07	\$9,612,000	Estimated Ultimate Cost of Claims for FY 2007-08	\$8,913,000	(\$699,000)	Estimated Ultimate Cost of Claims for FY 2008-09	\$7,623,000	(\$1,290,000)
GENERAL AND AUTO LIABILITY							
Estimated Outstanding Liability for Outstanding Claims	\$14,573,000	Estimated Outstanding Liability for Outstanding Claims	\$16,641,000	\$2,068,000	Estimated Outstanding Liability for Outstanding Claims	\$14,418,000	(\$2,223,000)
Estimated Ultimate Cost of Claims for FY 2006-07	\$4,944,000	Estimated Ultimate Cost of Claims for FY 2007-08	\$6,374,000	\$1,430,000	Estimated Ultimate Cost of Claims for FY 2008-09	\$6,229,000	(\$145,000)
TOTALS							
Total Estimated Liability for Outstanding Claims	\$62,433,000	Total Estimated Liability for Outstanding Claims	\$57,704,000	(\$4,729,000)	Total Estimated Liability for Outstanding Claims	\$49,677,000	(\$8,027,000)
Total Estimated Ultimate Cost of Claims for FY 2006-07	\$14,556,000	Total Estimated Ultimate Cost of Claims for FY 2007-08	\$15,287,000	\$731,000	Total Estimated Ultimate Cost of Claims for FY 2008-09	\$13,852,000	(\$1,435,000)

FISCAL YEAR 2008 RESULTS

Workers' Compensation

The City of Sacramento has self administered workers' compensation claims since 1981. Utilizing City of Sacramento employees to handle the claims of injured workers, instead of outsourcing the claim handling function to a vendor, results in better customer service and superior claim handling, which benefits injured workers and reduces the costs of claims.

Accomplishments

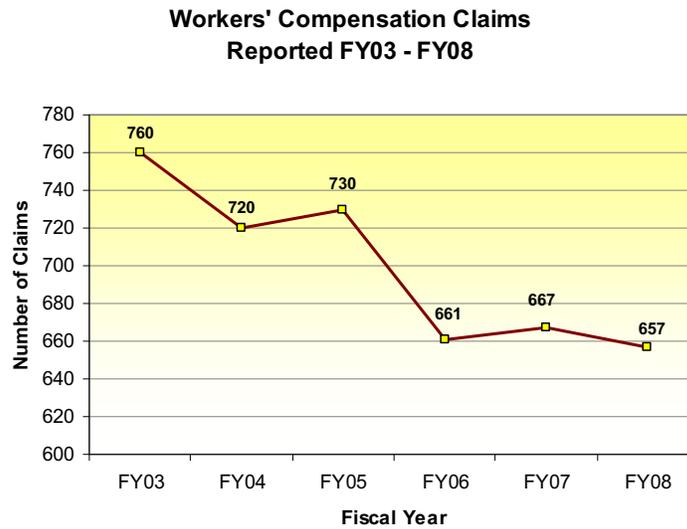
- The State of California Department of Industrial Relations, Division of Workers' Compensation (DWC), conducts audits of workers' compensation claim-handling operations every five years "to make certain that injured workers receive promptly and accurately the full measure of compensation to which they are entitled..." In January and February of 2007 the DWC conducted an audit of the City's workers' compensation program. Three auditors from the DWC spent three weeks in the Risk Management office reviewing both open and closed claims. When the audit was concluded, the City of Sacramento's audit performance score was .22059. **This is the third lowest, or best, score received by any entity in California. It should be noted the City of Sacramento had a significantly larger number of files audited than the entities with the two lowest scores.**
- A workers' compensation claims adjuster position was assigned to work out of the Police and Fire headquarters five days a week in the afternoons. This allows injured workers to personally meet with an adjuster to discuss their claim, ask questions, and complete the required paperwork. The adjuster also assists in the investigation of claims and scheduling doctors' appointments.
- Annual meetings with Department Heads were conducted to introduce Risk Management staff, review workers' compensation claim trends, and discuss loss prevention activity. At least two key risk management initiatives were developed with each department to work on in the subsequent year to reduce losses and costs.
- Quarterly meetings between Department staff and Risk Management were conducted to review open and potential workers' compensation claims.
- A Request for Proposal for workers' compensation cost containment services (bill review, utilization review, and nurse case management) was issued and new vendors were selected for FY 2009.
- Interactive process meetings with departments were conducted to facilitate injured workers' return to work.
- The litigation rate dropped 3% in FY 2008 from 10% to 7%.

Results

The following data is presented from our most recent actuarial report which was completed in October of 2008. Workers' compensation reforms in California that took effect in 2004 contributed to the reduction in the number of claims reported and workers' compensation costs in recent years.

Figure 3 shows the number of workers' compensation claims reported for the last five years. The number has been relatively constant the last three years after a large decrease in FY 2006.

Figure 3: Workers' Compensation Claims Reported FY03 – FY08

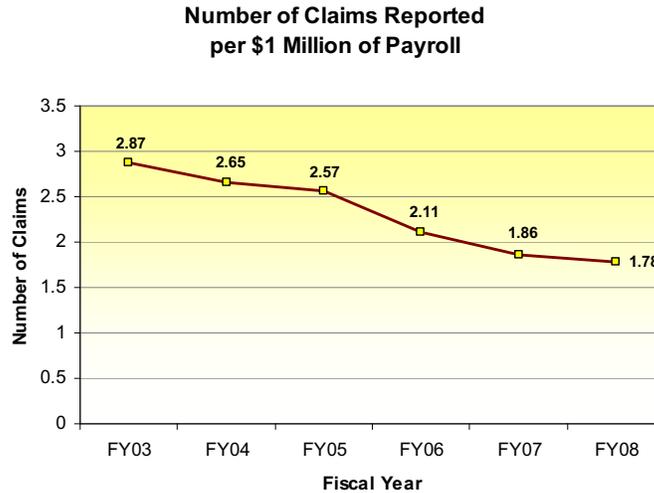


Bicycle officers during Grant High School parade

Risk Management Annual Report FY 2008

The number of claims reported per \$1 million of payroll (# claims/ (payroll/\$1,000,000)) for the last five years is illustrated in Figure 4. This number has decreased each of the previous five years.

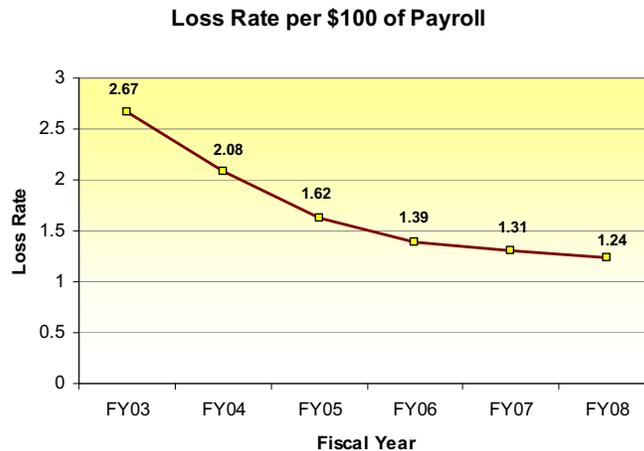
Figure 4: Number of Claims Reported per \$1 Million of Payroll FY03 – FY08



The data in Figures 5 and 6 limits claim values to \$100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss.

The loss rate per \$100 of payroll (losses/(payroll/\$100)) for the last five years is illustrated in Figure 5. The loss rate has decreased in each of the previous five years.

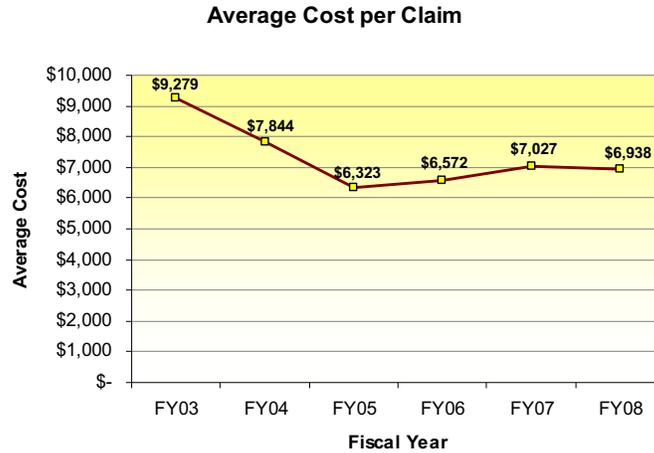
Figure 5: Loss Rate per \$100 of Payroll FY03 – FY08



Risk Management Annual Report FY 2008

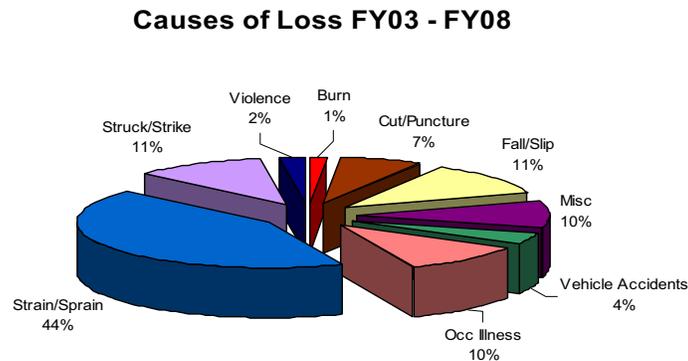
The average cost per claim (estimated ultimate cost of claims/# of claims) for the last five years is illustrated in Figure 6. The ultimate cost of claims means the total dollar amounts of losses that will be paid when all claims are closed and their exact value is known. The average cost per claim decreased in FY 2008 after three years of increasing costs.

Figure 6: Average Cost per Claim FY03 – FY08



The causes of loss for workers' compensation claims are depicted in Figure 7. Strain and sprain injuries continue to be the most common type of injury. Our 2009 risk management action plan includes development of a program to prevent these types of injuries.

Figure 7: Causes of Loss FY03 – FY08



Risk Management Annual Report FY 2008

Injury on duty (IOD) hours are illustrated in Figure 8. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. This number has remained relatively stable the past three years after a large decrease in FY 2005.

Figure 8: Injury on Duty Hours

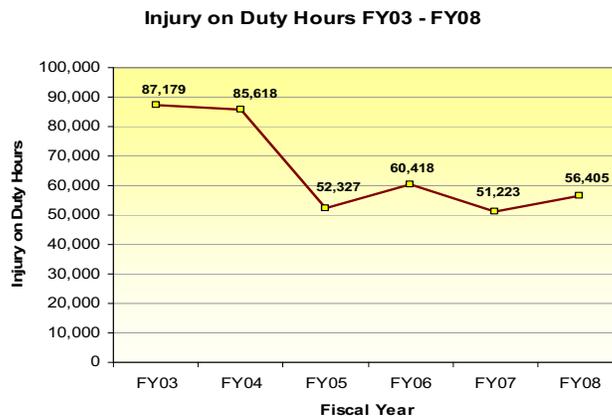


Figure 9 illustrates bill review savings from the City's bill review vendor and reflects the amount workers' compensation medical bills were reduced to comply with the workers' compensation fee schedule as well as Preferred Provider Networks (PPO) savings. Bill review savings can increase dramatically based on high medical costs for large or catastrophic injuries, which was the case in fiscal years 2005 and 2006 where the City experienced two catastrophic claims. The City averages a 60% reduction in costs for all workers' compensation bills processed.

Figure 9: Bill Review Savings

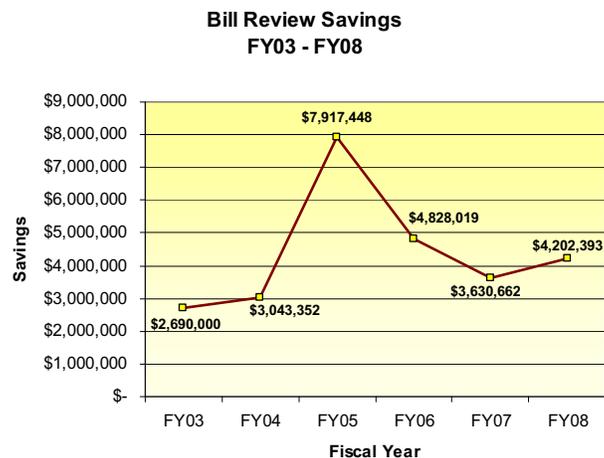


Figure 10 shows the percentage of workers' compensation claims filed in the last six years broken down by Police, Fire and all other City Departments.

Figure 10: *Percentage of Workers' Compensation Claims by Department*

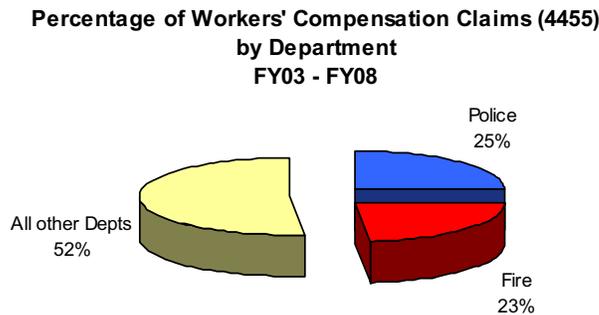
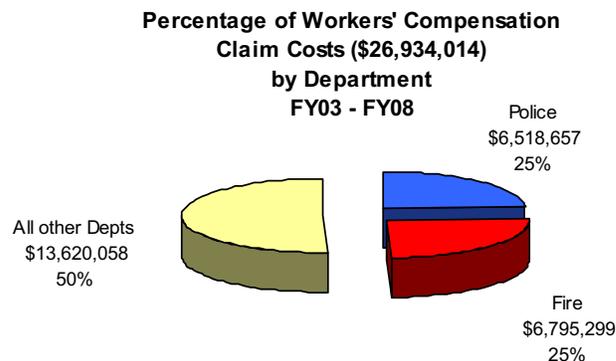


Figure 11 shows the percentage of costs paid for workers' compensation claims in the last six years broken down by Police, Fire and all other City Departments.

Figure 11: *Percentage of Workers' Compensation Cost by Department*



Benchmarking

The following data is taken from the California Institute for Public Analysis (CIPRA) website. CIPRA summarizes the annual report data self-insureds submit to the California Department of Industrial Relations. When compared with ten other medium to large sized cities in California and compiled from data from July, 2004 to June 2007, the City of Sacramento average cost of claim was 15% below the average. Our loss rate per employee was 8% lower and our incident rate was 7% higher than the average. The introduction of our sprains and strains prevention program should help reduce our number of workers' compensation claims in subsequent years.

LIABILITY

The City of Sacramento utilizes Bragg and Associates (Bragg), a third-party administrator, to handle liability claims filed against the City. Claims are broken down into two categories: auto and general liability.

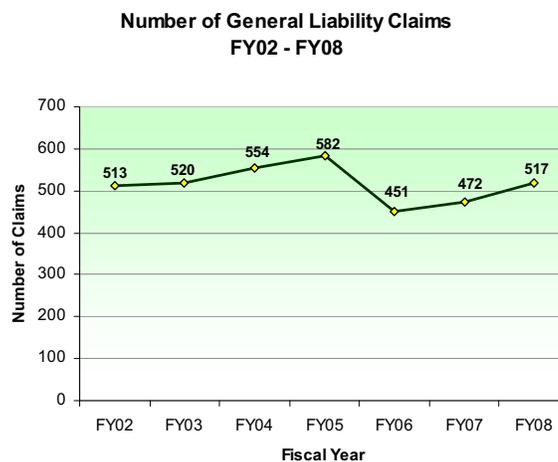
Accomplishments

- A third Bragg adjuster was added to the City’s account reducing adjuster caseloads to industry standards. This resulted in improved customer service and claim handling.
- A Liability Response Team was organized with the Police Department, Risk Management and Bragg to quickly respond to potential claims at incident scenes.
- Monthly meetings were conducted with the City Attorney’s Office, Risk Management and Bragg to review existing and potential litigation.
- Quarterly meetings between Department staff and Risk Management were instituted to review open and potential liability claims.
- Annual meetings with Department Heads were conducted to introduce Risk Management staff, review liability claim trends, and discuss loss prevention activity.
- Bragg successfully defended the City (no money was awarded to the claimant) in nine of the ten small claims actions brought against the City.

General Liability Results

The following data is presented from the most recent actuarial report which was completed in October of 2008. Figure 12 shows the number of liability claims reported for the last six years. The number of claims reported has been fairly steady over this time period, even as the City has grown.

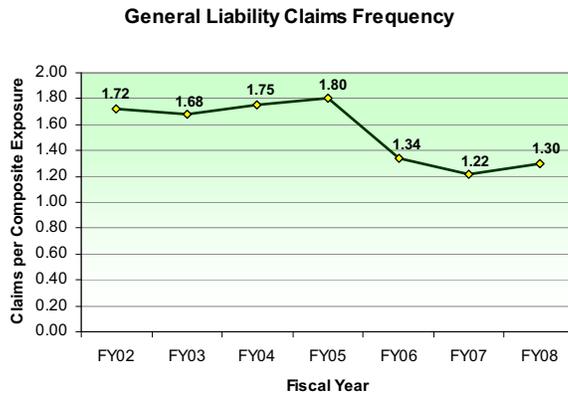
Figure 12: Number of General Liability Claims Reported FY02 – FY08



Risk Management Annual Report FY 2008

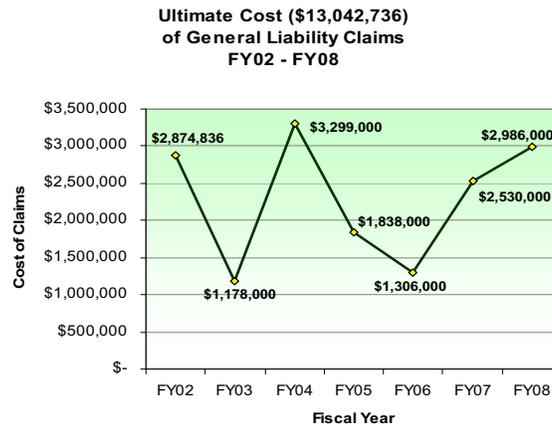
The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll and FTEs/\$1,000,000) is illustrated in Figure 13. The rate dropped significantly in FY 2005 and has remained stable the last three years.

Figure 13: General Liability Claims Frequency



The ultimate cost of general liability claims for the last five years is estimated in Figure 14. Over the previous ten years, the average cost of general liability claims has been \$2,600,000. General liability claim cost vary dramatically each year as one or two large claims can skew the results, while some years, such as FY 2003 and FY 2006, there are few large losses. In FY 2002 employment, harassment and dangerous condition claims were responsible for the high dollar losses that year. A wrongful death claim in FY 2004 regarding allegations of dangerous road conditions is the main cause of the spike in costs that year. Three dangerous condition claims are driving the higher costs in the last two years.

Figure 14: Estimation of Ultimate Cost of General Liability Claims FY02 – FY08

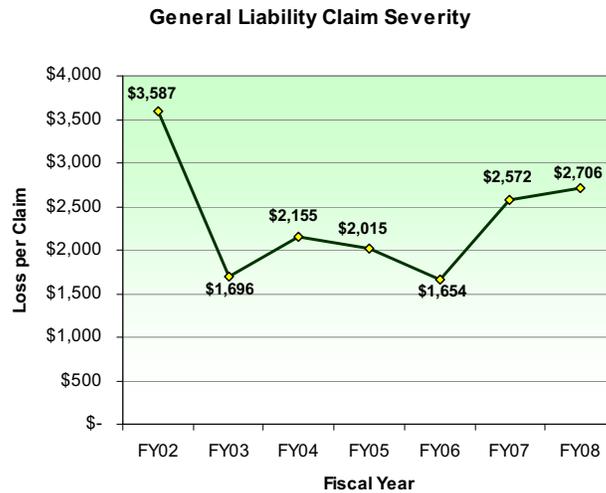


Risk Management Annual Report FY 2008

The data in the next three graphs limits claims to \$100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss.

The claim severity (ultimate losses/# of claims) is depicted in Figure 15.

Figure 15: General Liability Claim Severity



The general liability loss rate (ultimate losses/(composite exposure which consists of population, budget, payroll, police payroll and FTEs/\$100)) is depicted in Figure 16.

Figure 16: General Liability Loss Rate



Risk Management Annual Report FY 2008

Figure 17 shows the percentage of general liability claims filed against the City during the last six years broken down by Police, Fire and all other City Departments.

Figure 17: Percentage of General Liability Claims by Department

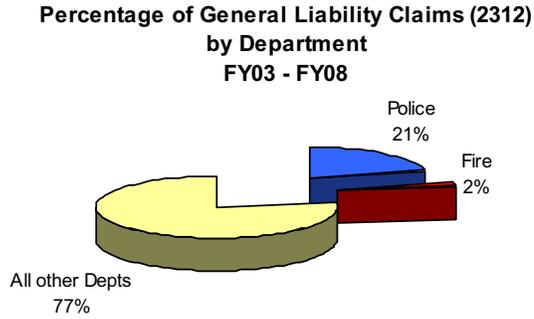
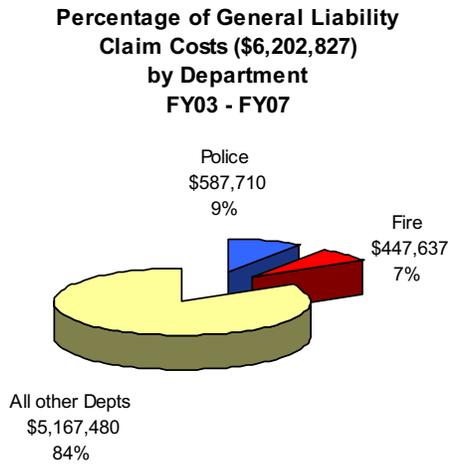


Figure 18 shows the percentage of costs paid for general liability claims in the last six years broken down by Police, Fire and all other City Departments.

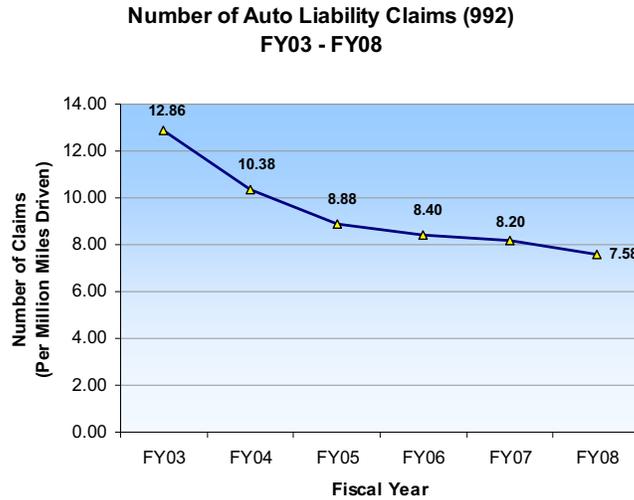
Figure 18: Percentage of General Liability Claim Costs by Department



Automobile Liability Results

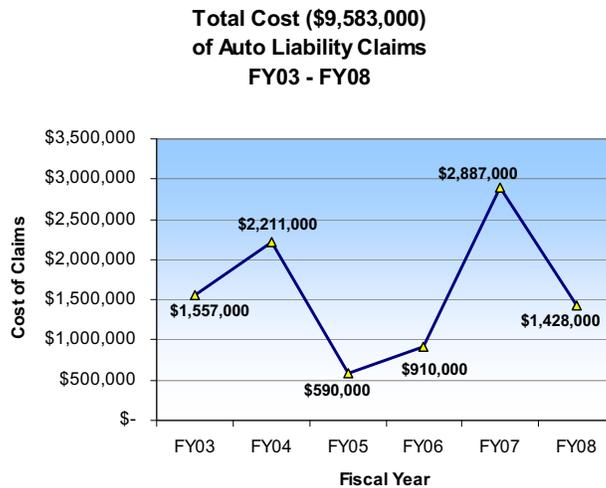
The total number of auto liability claims for the FY 2008 is 159. Figure 19 shows the number of auto liability claims per million miles driven (# of claims/(miles driven/1,000,000))

Figure 19: Number of Auto Liability Claims per Million Miles Driven FY03 – FY08



The ultimate cost of auto liability claims for the last five years is estimated in Figure 20. The spike in FY 2007 is primarily caused by an accident involving serious injuries to a ride-along passenger in a Police vehicle.

Figure 20: Total Cost of Auto Liability Claims FY03 – FY08

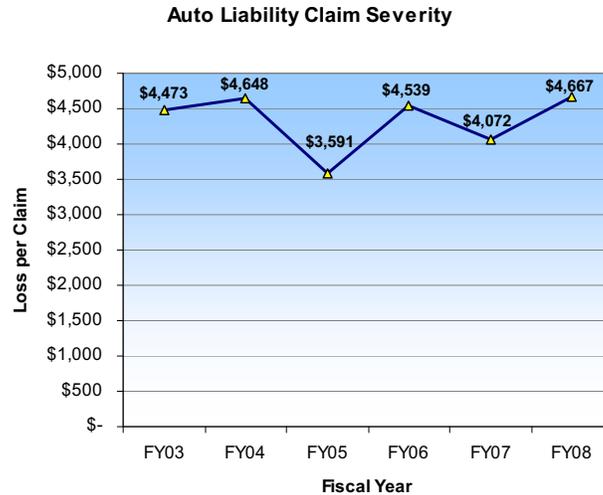


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The data in the next three graphs limits claims to \$100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss.

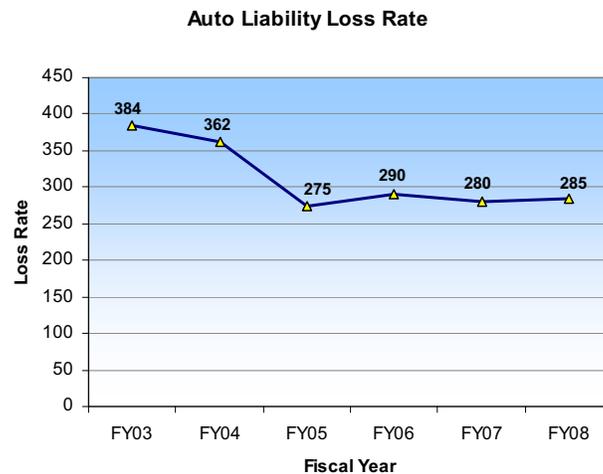
The claim severity (ultimate losses/# of claims) is depicted in Figure 21.

Figure 21: Auto Liability Claim Severity



The loss rate (ultimate losses/(composite exposure consisting of the number of police vehicles, which have a higher loss rate, and number of other vehicles/\$100)) is depicted in Figure 22. The rate has remained stable the last four years.

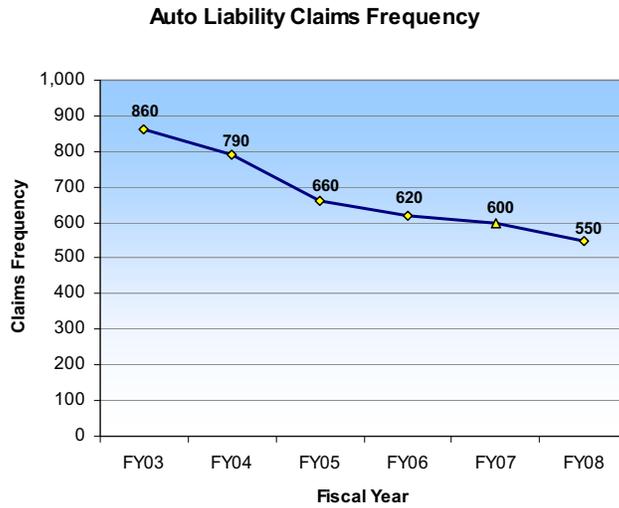
Figure 22: Auto Liability Loss Rate



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The claims frequency rate (# of claims/(composite exposure consisting of the number of police vehicles, which have a higher loss rate, and number of other vehicles/\$1,000,000) is illustrated in Figure 23. This rate has declined each of the last six years.

Figure 23: Auto Liability Claims Frequency



Fire Medic Unit

Figure 24 shows the percentage of auto liability claims filed against the City during the last six years broken down by Police, Fire and all other City Departments.

Figure 24: Percentage of Auto Liability Claims by Department

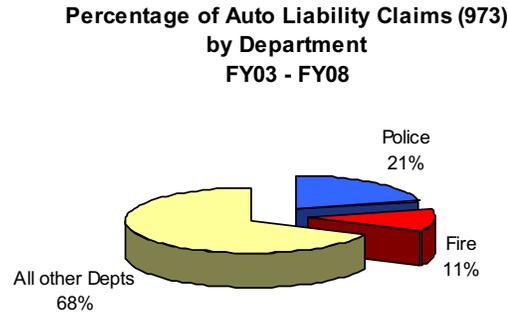
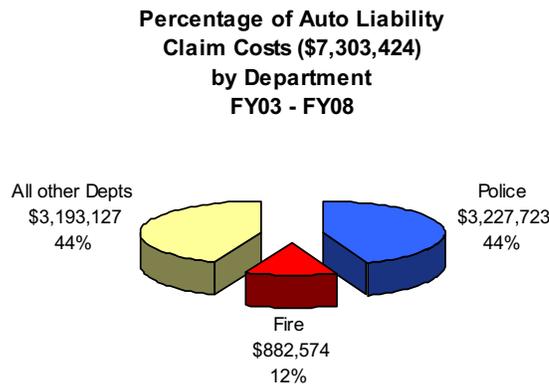


Figure 25 shows the percentage of costs paid for auto liability claims in the last six years broken down by Police, Fire and all other City Departments. A large loss involving a police ride along injury in FY 2007 resulted in 44% of claim costs attributed to the Police Department.

Figure 25: Percentage of Auto Liability Claim Costs by Department



Benchmarking

The following data was provided by the City's insurance broker from loss runs submitted by six similar sized cities for an eleven year period during our excess liability insurance renewal. When compared with the other cities, the City of Sacramento's average cost for general liability claims was 43% lower. The average cost of auto liability claims for the City of Sacramento was

dramatically higher due to a very expensive police case in 2007 and poor experience from 1997 to 2003. However, in recent years (from 2003 through 2007) our experience looks favorable except for 2007, mentioned previously. The creation of the Vehicle Accident Accountability Review Board in 2004 to address the high cost of vehicle accidents appears to have helped improve our vehicle accident loss history. Additionally, the Sacramento Regional Driver Training Facility, which became operational in 2000, has contributed to the reduction in number of auto accidents.

LOSS PREVENTION

The primary loss prevention goal is to reduce the number and severity of injuries and accidents to minimize claim costs. Each City of Sacramento department has an assigned Environmental Health and Safety Specialist to consult with on workplace health and safety as well as environmental issues. Reductions in workers' compensation and liability loss rates in recent years illustrate successes in loss prevention. Examples of FY 2008 loss prevention activities follow.

Training

Effective training programs are an important component in reducing losses.

- Offered 43 safety, wellness and SMART classes through City University
- Trained and recertified approximately 55 employees in forklift operations
- Trained 45 employees in excavation safety
- Trained the portable generator crews in arc flash safety
- Trained and recertified 25 employees and developed in-house backhoe safety training program
- Facilitated six leadership classes for City University
- Presented MRSA awareness training for Police dispatchers
- Trained 50 employees in proper use of man lifts
- Facilitated the upgrade of on-line training services for all City employees
- Expanded first aid and CPR classes to train more employees
- Trained 200 employees in defensive driving techniques

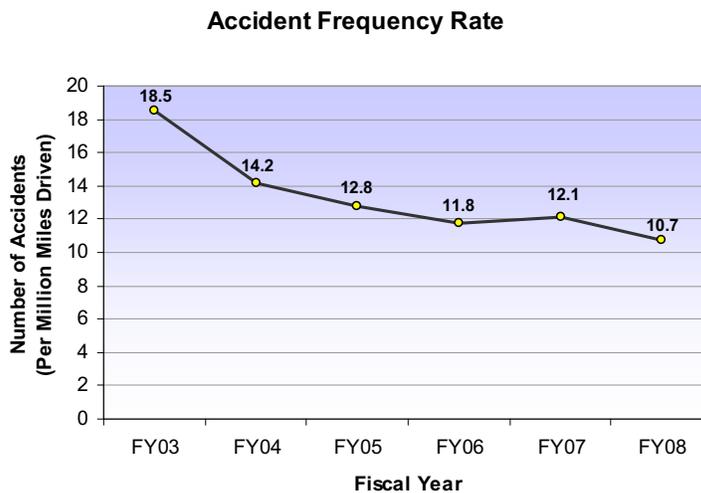


Environmental Health & Safety Specialist Patrick Sadorra conducts training session

Vehicle Safety

Loss Prevention staff track City vehicle accident statistics and provide administrative support for the City Manager’s Vehicle Accident Review Board. The City’s accident frequency rate (number of chargeable accidents divided by million miles driven) has dropped every year for the last four years with a slight increase in FY 2007, as depicted in Figure 26. The primary reasons for this drop are improved training and accountability and the creation of the City Manager’s Vehicle Accident Review Board.

Figure 26: Vehicle Accident Frequency Rate



Vehicle accident loss prevention efforts included the following projects:

- Provided staff support for the Sacramento Regional Driver Training strategic planning process
- Collaborated with Department of Transportation to obtain grant funding for emergency response traffic signal pre-emption
- Developed a City wide “ride along” procedure
- Revised API 45 - Vehicle Accident Review and developed vehicle accident disciplinary guidelines in coordination with the City Manager’s Vehicle Accident Review Board

Consultation

Consulting with City Departments is essential to maintain a safe and healthy work environment.

- Completed 120 ergonomic evaluations
- Conducted 264 random drug tests and 53 random alcohol tests for commercial drivers

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- Updated emergency action plans for some of the larger City facilities and added ADA compliant evacuation equipment
- Improved fall protection equipment inspection procedures
- Facilitated City's response to five Cal/OSHA investigations resulting from serious injury reporting
- Worked with departments to improve Safety Committee processes
- Worked with Workers' Compensation and departmental staff to increase availability of modified duty to reduce lost time for injured workers

Employee Recognition

To recognize the efforts of employees who help make the City a safer and healthier place to work, the Third Annual Champions of Safety Luncheon was held in October 2008. City employees who demonstrated an exceptional commitment to safety were honored at a luncheon at the Sacramento Zoo. Safety Staff also supported employee recognition efforts at the department level.

Environmental

Environmental regulatory compliance activities included the following:

- Supported environmental remediation projects at the Crocker Art Museum expansion, Amtrak Depot, Animal Care and Pannell Community Center
- Participated in over 30 hazardous materials response operations for incidents throughout the City
- Conducted asbestos and lead sampling as needed throughout the City as requested by Facilities prior to remodeling
- Improved hazardous waste management procedures for the Fire Department and the Fairbairn Water Treatment Plant
- Facilitated purchase of aqueous-solvent parts washers for fire stations
- Facilitated closure of an abandoned well in a City park



Environmental Health and Safety Specialist Dan Driscoll responds to hazmat clean-up.

Support Services

Pre-employment and preventative medical programs and contractual risk transfer are also administered by loss prevention staff.

- Reviewed contract insurance requirements as requested and tracked contract and permit insurance verifications
- Provided support for the special events insurance program, insurance renewals and liability claim administration
- Scheduled pre-employment, non-industrial return-to-work and specialty physical exams in accordance with City policy
- Completed C2M pilot project for conversion of medical files to electronic format

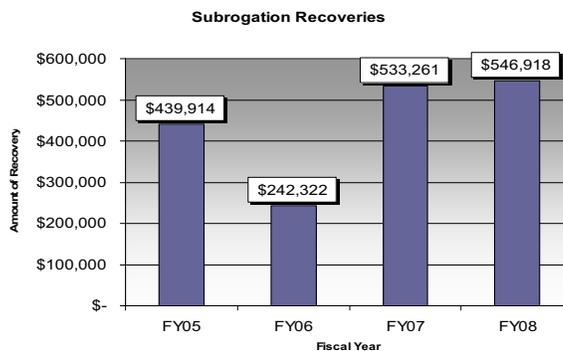
Special Projects

- Continued development of the Robla Training Facility with Utilities, Fire and DOT
- Coordinated with Organizational Development to expand wellness screenings for public safety personnel
- Provided rigging control equipment to improve safety in tree service operations
- Improved traffic flow at the 24th Street Corporation Yard to enhance pedestrian safety
- Collaborated with Fire Department Special Operations staff to standardize operating procedures for high angle rescues such as tower structures
- Evaluated the 48/96 work schedule change in the Fire Department and added window coverings and partitions in fire station dorms for fatigue mitigation

SUBROGATION

Subrogation refers to the recovery of funds spent to repair or replace City assets damaged by negligent third parties. Examples are auto accidents where third parties are liable for damages to City vehicles, traffic signals, or street signs. The graph below illustrates the amount of money collected for the prior four years by the Risk Management Department.

Figure 27: Subrogation Recoveries



Money recovered from third parties for City vehicle and property damage is deposited directly into the appropriate department fund per City policy.

In January of 2007, the Risk Management Division assigned one full-time position to handle all subrogation matters. This should continue to result in increased third party collection amounts in the future.

FISCAL YEAR 2009 ACTION PLAN

- Develop a cost allocation model to accurately assess departments for workers' compensation and liability costs based on exposure and loss experience with our actuary firm, Bickmore and Associates. This will provide further incentive for departments to reduce losses and control claim-related costs.
- Develop a long-term risk management strategic plan.
- Transfer certificate of insurance monitoring from current City developed program, which is only accessible to Risk Management employees, to outside vendor specializing in insurance certificate tracking. This will allow all employees access to certificates of insurance, which will improve the monitoring of insurance for existing contracts. Vendors and contractors currently doing business with the City will have their certificates of insurance visible in our system, reducing the need to obtain new certificates of insurance for each project or contract.
- Develop a "Preventing Sprains and Strains" training program to reduce these types of injuries.
- Assist in developing a long-range plan for the Sacramento Regional Driver Training Facility.

In closing, the Risk Management Department would like to thank City departments for the continued support in loss prevention activities to protect the citizens and employees of the City of Sacramento.