

Meeting Date: 4/9/2013

Report Type: Consent

Report ID: 2013-00292

Title: Risk Management 2012 Annual Report

Location: Citywide

Issue: The City's annual Risk Management report provides performance data on the City's loss prevention activities.

Recommendation: Receive and File

Contact: Geri Hamby, Director of Human Resources, (916) 808-7173, Patrick Flaherty, Risk Manager, (916) 808-8587, Human Resources Department

Presenter: None

Department: Human Resources

Division: Risk Management Admin

Dept ID: 08001311

Attachments:

1-Description/Analysis

2-FY2012RiskAnnualReport

City Attorney Review

Approved as to Form

Sandra Talbott

4/1/2013 7:44:00 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt

Janelle Gray

3/19/2013 3:05:57 PM

Approvals/Acknowledgements

Department Director or Designee: Geri Hamby - 3/26/2013 4:04:56 PM



Description/Analysis

Policy Considerations: Annual reporting of the City's Risk Management activities provides the City Council with performance data to evaluate the effectiveness of the City's investment in loss prevention activities.

Economic Impacts: None

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.

Other: None

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):

Human Resources Department Division of Risk Management Annual Report

Fiscal Year Ending June 30, 2012



City of Sacramento

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On the Cover: Sacramento skyline

EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2012.

This report provides the City Council and management with an overview of Risk Management programs. 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 potential future 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, risk transfer, loss prevention, and administrative support services for workers' compensation, general liability, and auto liability claims. 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 by \$2,265,000 or nine percent in FY 2012, from \$26,615,000 in FY 2011 to \$24,350,000 in FY 2012. The budget reduction was driven by the reduction in the amount set aside for workers' compensation and general and auto liability claims.

There were no changes in insurance coverage or limits from the prior year. Total insurance premium costs increased four percent in FY 2012, from \$2,199,521 in FY 2011 to \$2,299,908 in FY 2012. Excess liability insurance premiums increased four percent or \$31,838, from \$831,448 in FY 2011 to \$863,286 in FY 2012. Property insurance premiums increased seven percent in FY 2012 from \$847,601 in FY 2011 to \$909,590 in FY 2012. This increase was driven by catastrophic natural disasters throughout the world resulting in large payouts by property insurers which resulted in increased property insurance rates. Excess workers' compensation insurance premiums in FY 2012 were \$424,048, slightly higher than the FY 2011 premium of \$421,472.

There were thirty two fewer workers' compensation claims in FY 2012, a decrease of five percent. The average cost per claim also decreased by \$612, a decrease of six percent. This was the second year in a row that the number of workers' compensation claims and the average cost per claim have decreased. These results are encouraging considering the California Commission on Health and Safety and Workers' Compensation showed increases in workers' compensation costs of seven percent for public self-insured entities in FY 2011. The California Office of Self-Insurance Plans also showed similar increases for the cost of claims for public entities in FY 2011. FY 2012 data from either of these entities is not available at this time. Strains and sprains are still the most common types of injuries that result in claims against the City. To reduce the number and severity of these claims, sprains and strains prevention training and field ergonomics classes were presented to City staff in FY 2012. Some departments have gone a step further and introduced stretching programs to address these soft tissue issues. When compared with eight other medium to large sized cities in California with data compiled from the Public Self-Insurer's Annual Reports for FY 2012 the City of Sacramento's loss rate was 57% below the average and the incident rate was 15% below the average. The City of Sacramento has fewer injuries than comparable cities and pays less for the claims that do occur.

The number of general liability claims has decreased the last two years, with 451 claims reported in FY 2010, 400 in FY 2011 and 363 in FY 2012. The general liability severity rate (cost of claims) also decreased in FY 2012. Risk Management and the City's third party claims administrator, York Insurance Services Group – California (York), continue to improve communication with City departments to proactively manage open and potential claims to help minimize these costs.

The number of automobile liability claims has trended downward from 182 claims in FY 2004 to 118 claims in FY 2012, a 35% decrease. The automobile liability severity rate (cost of claims) in FY 2012 was average for the last nine years, but the rate tends to fluctuate each year. 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 Authority (SRDTA). All City personnel, including police and fire, complete the majority of their driver training requirements at the Mather facility.

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

RISK MANAGEMENT MISSION STATEMENT

Risk Management staff protect City employees and 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.

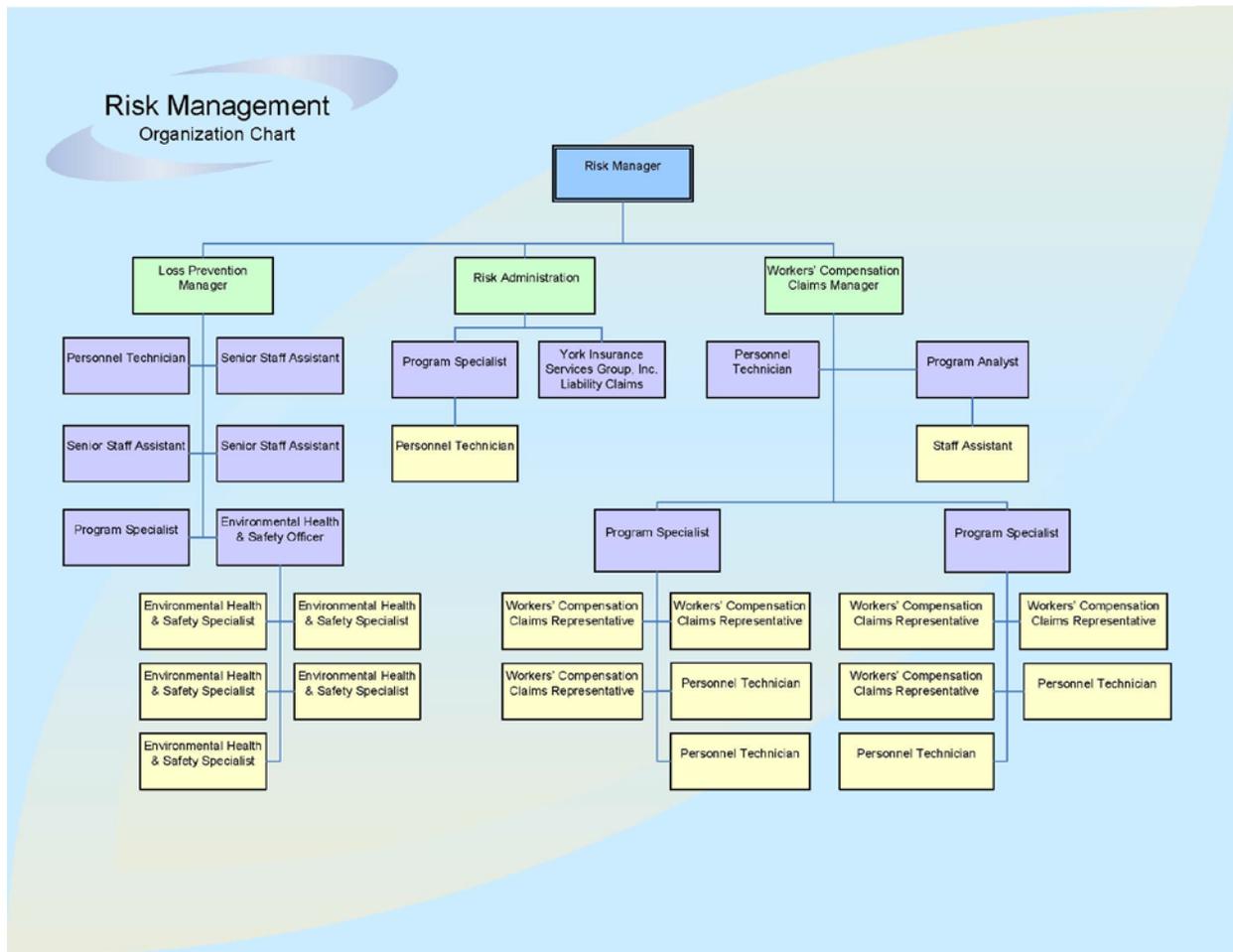
RISK MANAGEMENT VISION STATEMENT

The Risk Management Division will be integrated into the City's business practices and considered a valued and respected partner.

RISK MANAGEMENT DIVISION

The Risk Management Division consists of three operational units: Loss Prevention, Workers' Compensation, and Risk Administration. The units are detailed in the organizational chart on page three. Responsibility for the Risk Management Internal Service Fund (Risk Fund), which provides risk financing and support services related to the workers' compensation and general and auto liability programs, is an important function of the Risk Management Division. All City Departments are Risk Fund participants and are charged for program costs based on actuarial estimates of the amounts required to pay the ultimate cost of workers' compensation, general liability and auto liability claims that occur in that fiscal year as well as the operational costs of the Risk Management Division.

Figure 1: Risk Management Organizational Chart



RISK MANAGEMENT BUDGET

The Risk Management budget was reduced by \$2,265,000 in FY 2012, from \$26,615,000 in FY 2011 to \$24,350,000 in FY 2012. This is a reduction of 9% driven by decreases in the amount set aside for workers' compensation and general and auto liability claims.

INSURANCE PREMIUMS

The City of Sacramento has entered into an agreement with Alliant Insurance Services to design, market, solicit quotations, place, and service insurance policies for the City of Sacramento. Total insurance premium costs increased four percent in FY 2012.

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 for covered losses in excess of \$2,000,000 are paid by the excess insurer(s) up to the

coverage limits. Property insurance is purchased to protect City buildings and assets from damage or loss caused by covered perils such as fire, theft, wind, and flood. Cyber liability coverage was recently added to our property insurance program.

LIABILITY

Excess liability insurance includes coverage for the following risks: general liability, auto liability, public officials' errors and omissions liability, unfair employment practices liability, and employee benefits liability. All coverage is on an occurrence basis. Excess liability limits remain at \$30,000,000 with a self-insured retention of \$2,000,000. Excess liability insurance premiums increased four percent or \$31,838, from \$831,448 in FY 2011 to \$863,286 in FY 2012. 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.

Table 1, Schedule of Insurance, includes information for the FY 2013 year as this insurance was purchased at the end of FY 2012, so this information is now available. The self-insured retention was increased to \$3,000,000 in FY 2013 as no insurance carriers were offering excess insurance at the \$2,000,000 self-insurance retention level. Many cities in California similar to Sacramento have self-insured retentions of \$3,000,000 or higher.

WORKERS' COMPENSATION

Excess workers' compensation limits remained at statutory coverage for FY 2012 with a self-insured retention of \$2,000,000. Statutory coverage provides payment for claims up to the amount required by law, without limits. Excess workers' compensation insurance premiums increased less than one percent or \$2,576 from \$421,472 in FY 2011 to \$424,048 in FY 2012. Excess workers' compensation insurance is purchased through the 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 their excess workers' compensation program provides services to 93 percent of the counties and 60 percent of the cities in California. The program has a \$5,000,000 pooled limit and statutory reinsurance coverage for each accident.

PROPERTY

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 and 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 \$1,599,931,471. Property insurance premiums increased seven percent in FY 2012 from \$847,601 to \$909,590. Property insurance premium increases were the result of

recent catastrophic natural disasters throughout the world that have resulted in large payouts by property insurers, which has depleted their surpluses and led to rate increases. These disasters include tornadoes and flooding in the United States, earthquake and tsunami in Japan, earthquake in New Zealand, and floods in Australia and Thailand. The property policy contains a \$100,000 deductible with coverage limits of \$1,000,000,000. Coverage limits are shared with other PEPPI members in different geographical areas to reduce the risk of one large property loss affecting a high percentage of members. Earthquake insurance is not purchased due to the high cost and limited coverage.



OTHER INSURANCE

In addition to the insurance previously referenced, in FY 2012 the City purchased the following insurance:

- Fine arts insurance with limits of \$100,000,000. Coverage is provided for the Crocker Art Museum, Sacramento History Museum, and The Center for Sacramento History.
- Aircraft insurance with limits of \$20,000,000 and airport liability insurance with limits of \$5,000,000. 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.
- Pollution legal liability insurance with limits of \$10,000,000.
- 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.

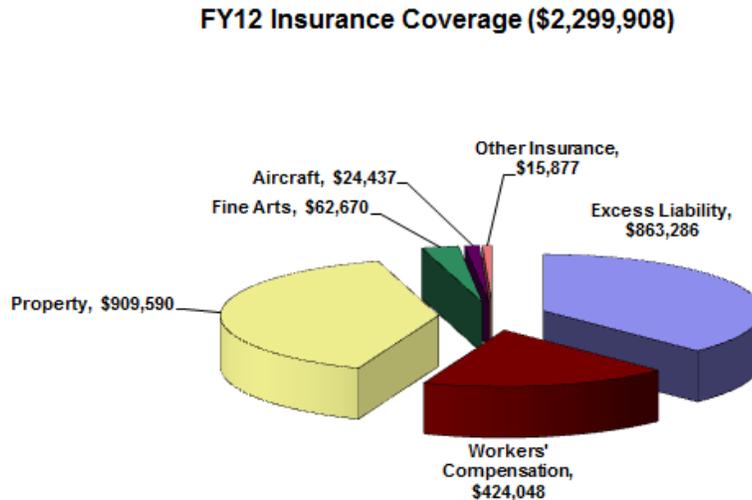
Table 1 on the following page is the Schedule of Insurance which summarizes coverage, self-insured retentions, limits, premiums and carriers for the last four years and provides a total cost of insurance by year at the bottom of the table. Total insurance premiums increased four percent or \$100,387 in FY 2012. Information for FY 2013 is also included as these insurance policies have already been purchased. Detailed information on FY 2013 will be provided in next year's annual report.

Table 1: Schedule of Insurance

SCHEDULE OF INSURANCE					
Fiscal Year	Self Insured Retention	Policy Limits	Premium	Carrier	
Excess Liability					
FY13	3,000,000	30,000,000	1,176,460	Security National, Star Indemnity	
FY12	2,000,000	30,000,000	863,286	Security National, Star Indemnity	
FY11	2,000,000	30,000,000	831,448	Everest, American Merchants	
FY10	2,000,000	30,000,000	837,001	Everest, American Merchants	
Total			3,708,195		
Workers' Compensation					
FY13	2,000,000	Statutory	432,857	CSAC EIA	
FY12	2,000,000	Statutory	424,048	CSAC EIA	
FY11	2,000,000	Statutory	421,472	CSAC EIA	
FY10	2,000,000	Statutory	407,521	CSAC EIA	
Total			1,685,898		
Property					
FY13	100,000	1,000,000,000	1,054,090	PEPIP	
FY12	100,000	1,000,000,000	909,590	PEPIP	
FY11	100,000	1,000,000,000	847,601	PEPIP	
FY10	100,000	1,000,000,000	835,300	PEPIP	
Total			3,646,581		
Fine Arts					
FY13	10,000	100,000,000	61,619	Ace American	
FY12	10,000	100,000,000	62,670	Ace American	
FY11	10,000	100,000,000*	66,843	Ace American	
FY10	1,000	50,000,000	48,101	* Limits increased due to Crocker expansion. Ace American	
Total			239,233		
Aircraft					
FY13	Varies	20,000,000	35,936	Old Republic	
FY12	Varies	20,000,000	24,437	Old Republic	
FY11	Varies	20,000,000	27,137	Old Republic	
FY10	Varies	20,000,000	30,151	Old Republic	
Total			117,661		
Other Insurance <i>Includes pollution, crime, airport and bounce house insurance</i>					
FY13			31,996		
FY12			15,877*	* Lower premiums due to prepaid	
FY11			5,020*	insurance policies in prior years.	
FY10			59,894		
Total			112,787		
Total Insurance					
FY13			2,792,958		
FY12			2,299,908		
FY11			2,199,521		
FY10			2,217,968		
Total			9,510,355		

Figure 2 shows the cost breakdown by the various types of insurance purchased in FY 2012 with a total cost of \$2,299,908.

Figure 2: FY12 Insurance Coverage



ACTUARIAL REPORT

An actuarial report is prepared each fiscal year for the City of Sacramento's self-insured workers' compensation and general and auto liability programs by a professional actuarial firm experienced in self-insured public entity program analysis. The actuarial report provides two key pieces of information. The first is the amount to budget for claim costs and expenses that will 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 budgeted amount will be sufficient to pay loss costs). The actuarial results for the last six years are provided in Table 2. The estimated outstanding liability for all claims was reduced \$4,729,000 in FY 2007 and \$8,027,000 in FY 2008. The majority of the reductions were associated with workers' compensation claims, although several high value liability claims were also settled. These significant reductions were important as they reduced the amount of funds the City set aside on the balance sheet for outstanding liabilities. After two years of dramatic decreases, in FY 2009 outstanding liabilities increased \$384,000 for workers' compensation claims and \$177,000 for liability claims for a total increase of \$561,000. The increases were primarily attributed to increases in medical and hospital costs. FY 2010 results showed a decrease in outstanding liabilities for workers' compensation claims of \$659,000. General and auto liability claims showed a decrease of \$2,515,000, primarily driven by claims closing at amounts less than reserved. The total decrease in outstanding liabilities for both the workers' compensation and general and automobile liabilities in FY 2010 was \$3,174,000. In FY 2011, outstanding liabilities for workers' compensation claims increased \$4,648,000. This increase was driven primarily by adverse development in older years' claims, primarily FYs 2002, 2004,

and 2005. Outstanding liability for general and auto liability claims increased \$750,000. This was primarily the result of an adverse jury verdict in a FY 2008 dangerous condition of public property claim regarding a pedestrian who was struck by a vehicle in a city crosswalk. FY 2012 outstanding liabilities increased \$2,735,000 for workers' compensation, primarily driven by adverse development in fiscal years 2004, 2007, and 2010, due to rising medical and pharmaceutical costs. The FY 2012 outstanding liability for liability claims increased by \$708,000. This increase was driven by adverse loss development in the last three years related to dangerous condition of public property claims. The increase in outstanding liabilities for general liability claims was offset by continuing decreases in the outstanding liability for automobile liability claims.

Table 2: Comparison of Estimated Outstanding Losses

COMPARISON OF ESTIMATED OUTSTANDING LOSSES																	
As of June 30, 2007	As of June 30, 2008	Difference Between FY 2007-08	As of June 30, 2009	Difference Between FY 2008-09	As of June 30, 2010	Difference Between FY 2009-10	As of June 30, 2011	Difference Between FY 2010-11	As of June 30, 2012	Difference Between FY 2011-12							
WORKERS' COMPENSATION																	
Estimated Liability for Outstanding Claims	\$41,063,000		Estimated Liability for Outstanding Claims	\$35,259,000	(\$5,804,000)	Estimated Liability for Outstanding Claims	\$35,643,000	\$384,000	Estimated Liability for Outstanding Claims	\$34,984,000	(\$659,000)	Estimated Liability for Outstanding Claims	\$39,632,000	\$4,648,000	Estimated Liability for Outstanding Claims	\$42,367,000	2,735,000
Estimated Ultimate Cost of Claims for FY 2007-08	\$8,913,000		Estimated Ultimate Cost of Claims for FY 2008-09	\$7,623,000	(\$1,290,000)	Estimated Ultimate Cost of Claims for FY 2009-10	\$8,372,000	\$749,000	Estimated Ultimate Cost of Claims for FY 2010-11	\$8,170,000	(\$202,000)	Estimated Ultimate Cost of Claims for FY 2011-12	\$8,654,000	\$484,000	Estimated Ultimate Cost of Claims for FY 2012-13	7,686,000	(968,000)
GENERAL AND AUTO LIABILITY																	
Estimated Outstanding Liability for Outstanding Claims	\$16,641,000		Estimated Outstanding Liability for Outstanding Claims	\$14,418,000	(\$2,223,000)	Estimated Outstanding Liability for Outstanding Claims	\$14,595,000	\$177,000	Estimated Outstanding Liability for Outstanding Claims	\$12,080,000	(\$2,515,000)	Estimated Outstanding Liability for Outstanding Claims	\$12,830,000	\$750,000	Estimated Outstanding Liability for Outstanding Claims	\$13,538,000	708,000
Estimated Ultimate Cost of Claims for FY 2007-08	\$6,374,000		Estimated Ultimate Cost of Claims for FY 2008-09	\$6,229,000	(\$145,000)	Estimated Ultimate Cost of Claims for FY 2009-10	\$5,747,000	(\$482,000)	Estimated Ultimate Cost of Claims for FY 2010-11	\$5,100,000	(\$647,000)	Estimated Ultimate Cost of Claims for FY 2011-12	\$6,892,000	\$1,792,000	Estimated Ultimate Cost of Claims for FY 2012-13	7,206,000	314,000
TOTALS																	
Total Estimated Liability for Outstanding Claims	\$57,704,000		Total Estimated Liability for Outstanding Claims	\$49,677,000	(\$8,027,000)	Total Estimated Liability for Outstanding Claims	\$50,238,000	\$561,000	Total Estimated Liability for Outstanding Claims	\$47,064,000	(\$3,174,000)	Total Estimated Liability for Outstanding Claims	\$52,462,000	\$5,398,000	Total Estimated Liability for Outstanding Claims	\$55,905,000	3,443,000
Total Estimated Ultimate Cost of Claims for FY 2007-08	\$15,287,000		Total Estimated Ultimate Cost of Claims for FY 2008-09	\$13,852,000	(\$1,435,000)	Total Estimated Ultimate Cost of Claims for FY 2009-10	\$14,119,000	\$267,000	Total Estimated Ultimate Cost of Claims for FY 2010-11	\$13,270,000	(\$849,000)	Total Estimated Ultimate Cost of Claims for FY 2011-12	\$15,546,000	\$2,276,000	Total Estimated Ultimate Cost of Claims for FY 2012-13	14,892,000	(654,000)

FISCAL YEAR 2012 RESULTS

Workers' Compensation

The City of Sacramento has self-insured and self-administered workers' compensation claims since 1981. Utilizing City of Sacramento employees to handle our injured workers' claims results in superior customer service and timely claim handling. This benefits injured workers and reduces the costs of claims.

Accomplishments

The number of workers' compensation claims filed and the average cost per claim have decreased for the second year in a row. These results are encouraging considering the California Commission on Health and Safety and Workers' Compensation showed increases in workers' compensation costs of seven percent for public self-insured entities in FY 2011. The California Office of Self-Insurance Plans also showed similar increases for the cost of claims for public entities in FY 2011. FY 2012 data from these organizations is not available at this time.

Other accomplishments include the following:

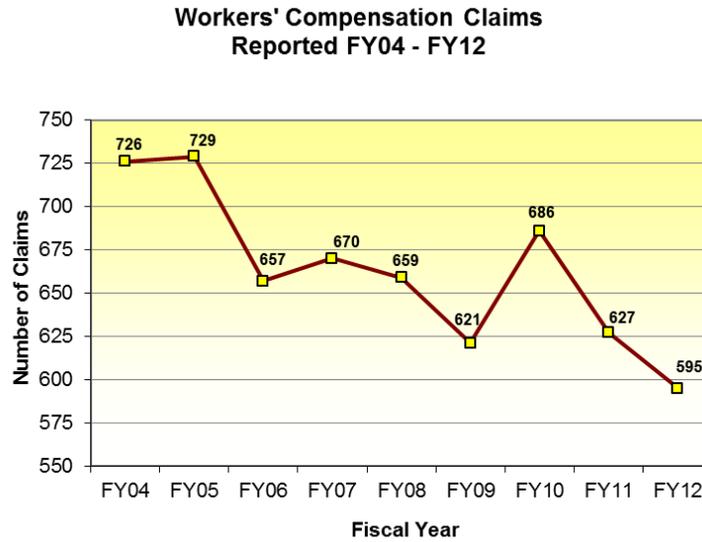
- A total of 625 new workers' compensation claims were opened during FY 2012. Sixty-three per cent of the claims were medical only while 37 percent of the claims were lost time or indemnity claims.
- Bill review fees yielded 60 percent in savings with a return in investment of 39 percent. Total dollars saved were \$4,872,718.
- The City's workers' compensation program continues to enjoy success with the Pharmacy Benefit Management (PBM) program. This program manages drug formularies and achieves savings on pharmacy costs by providing oversight on the types of drugs and frequency of prescriptions to the injured workers to assure that they are appropriate to the industrial injury. Doctors are notified when prescribing patterns meet criteria that indicate excessive use of prescription drugs and/or duplicative therapies. The use of a PBM resulted in direct savings of \$17,058 and conversion to generic drug use was 98 percent.
- Internal and external utilization review practices continue to be applied including case management by assigned nurse case managers. These nurses help coordinate medical care involving serious injuries and assist with the City's return to work program.
- Claim staff and department supervisors attend regularly scheduled meetings to review open and potential workers' compensation claims. The meeting frequencies were determined by the frequency and severity of the department's claims.
- A total of forty-four interactive process meetings with injured workers and their departments were conducted to facilitate the injured workers' return to work and identify reasonable accommodation opportunities.
- Job descriptions for departments with higher frequency of injuries were reviewed and updated. The updated job descriptions assisted the doctors in making a determination regarding an injured worker's ability to physically perform the essential functions of his/her job.
- The number of claims adjusters was reduced from seven to six adjusters.
- Recoveries from subrogation and excess insurance carrier programs totaled \$157,136.
- A total of 159 claims were finalized.

Workers' Compensation Results

The following data is derived from the most recent actuarial report which was completed in September of 2012.

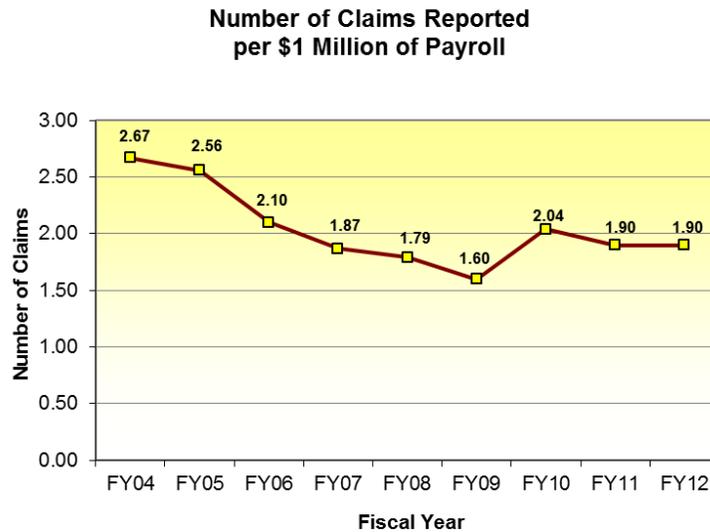
Figure 3 shows the number of workers' compensation claims reported for the last nine years. Claims decreased by 59 in FY 2011, or nine percent. Claims also decreased in FY 2012 by 32 or 5%.

Figure 3: Workers' Compensation Claims Reported FY04 – FY12



The number of claims reported per \$1 million of payroll (# claims/ (payroll/\$1,000,000)) for the last nine years is illustrated in Figure 4. This number is the same as last year.

Figure 4: Number of Claims Reported per \$1 Million of Payroll FY04 – FY12



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 nine years is illustrated in Figure 5. The loss rate has declined the last two years.

Figure 5: Loss Rate per \$100 of Payroll FY04 – FY12



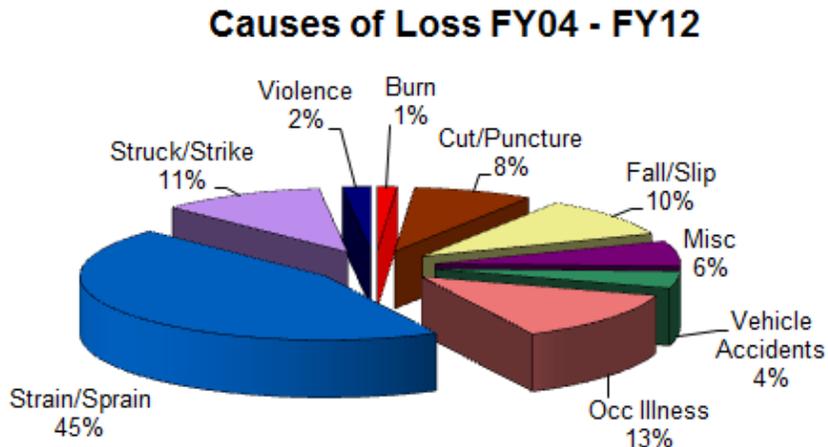
Workers’ compensation reforms contributed to the decrease in average cost per claim (estimated ultimate cost of claims/# of claims) prior to FY 2005. Claim costs began increasing in FY 2006 as the cost savings from the workers’ compensation reforms had been realized and medical (especially hospital costs) and pharmaceutical costs began rising dramatically. However, the average cost per claim decreased six percent in FY 2011 and another six percent in FY 2012, despite industry trends that showed increasing costs in this time period.

Figure 6: Average Cost per Claim FY04 – FY12



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 Loss Prevention staff provides department specific training on reducing these types of injuries. Additionally, a voluntary stretching and walking program and the utilization of a gym at the 24th Street Corporation Yard are designed to help reduce the number of strain and sprain injuries.

Figure 7: Causes of Loss FY04 – FY12



Injuries 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 decreased the last two years which is consistent with our reductions in number of claims and average cost per claim.

Figure 8: Injury on Duty Hours

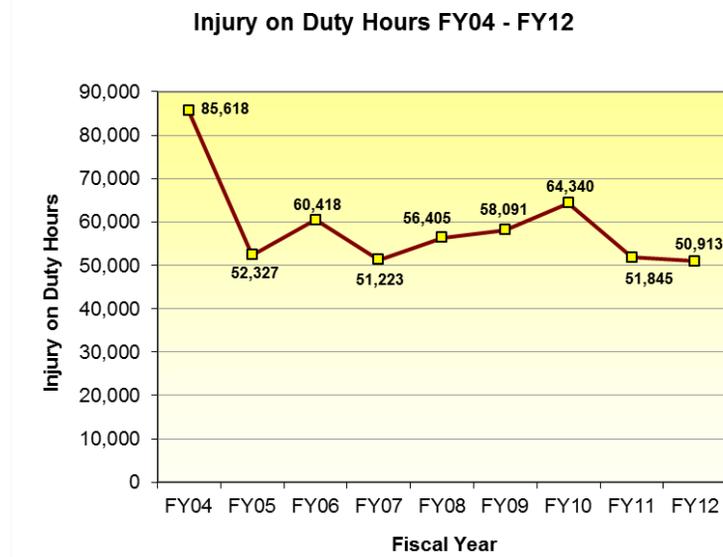


Figure 9 illustrates bill review savings from the City’s bill review provider and reflects the amount workers’ compensation medical bills were reduced to comply with the workers’ compensation fee schedule as well as Preferred Provider Organization (PPO) savings. Bill review savings can increase dramatically with high medical costs for large or catastrophic injuries, which was the case in FY 2005 when the City experienced two catastrophic claims. Bill review savings were lower the last few years as the number of new claims each year has

decreased. The City averages a 60 percent reduction in costs for all workers' compensation bills processed.

Figure 9: Bill Review Savings

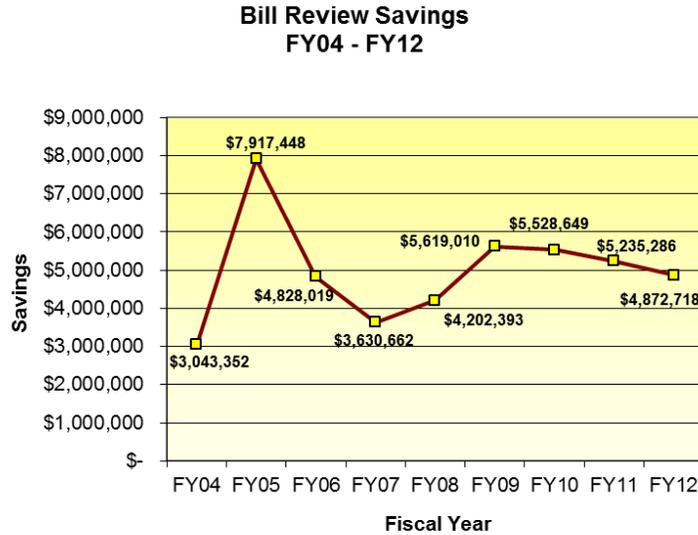


Figure 10 shows the percentage of workers' compensation claims filed in the last nine years broken down by Police, Fire and all other City Departments.

Figure 10: Percentage of Workers' Compensation Claims by Department

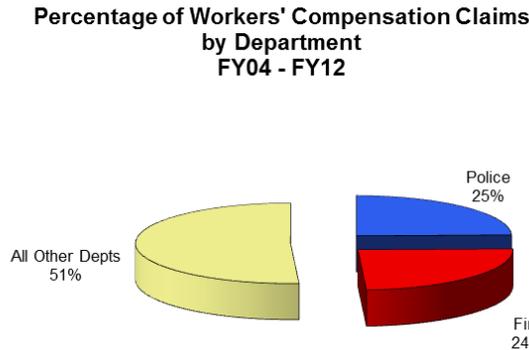
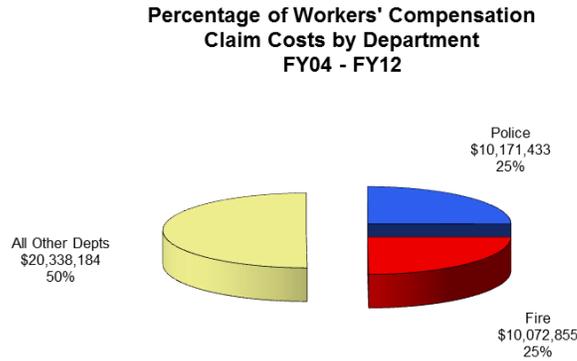


Figure 11 shows the percentage of costs paid for workers' compensation claims in the last nine years broken down by Police, Fire and all other City Departments. The number of claims filed per department and the costs per claim per department are similar, indicating that departments' claims costs are similar to their claim frequency.

Figure 11: Percentage of Workers' Compensation Cost by Department



Benchmarking

The data in Table 3 is taken from the Public Self Insurers Annual Report that self-insured public entities are required to submit to the California Department of Industrial Relations. When compared with eight other medium to large sized cities in California the City of Sacramento's loss rate was 57 percent below the average and incident rate was 15 percent below the average. This shows the City of Sacramento has fewer claims than comparable cities and lower costs for the claims that do occur.

Table 3: Benchmarking Data from the Public Self Insurer's Annual Report

Workers' Compensation Benchmarking for FY12

	Average of 9 Medium to Large Cities *	City of Sacramento	Percentage Difference
Loss Rate Per \$100 of Payroll (Total paid losses)/(Total payroll) x 100	5.48	2.34	-57%
Incident Rate Per Payroll (Reported claim)/(Total payroll) x 1,000,000	2.92	2.47	-15%
Average Cost Per Claim (Total paid losses)/(Total open indemnity claims)	\$10,000	\$6,264	-37%

* Cities included are as follows:

Fresno, Oakland, Long Beach, Riverside, Sacramento, San Diego, San Jose, Santa Ana, Stockton

Additional benchmarking information was received from the firm that provides actuarial services for the City's Risk Management Division. In a comparison of ten similar sized cities the City of Sacramento had the second lowest severity rate and the second lowest loss rate. The City's

severity rate for workers' compensation claims was 42 percent below the average and the loss rate was 37 percent below the average.

LIABILITY

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

Accomplishments

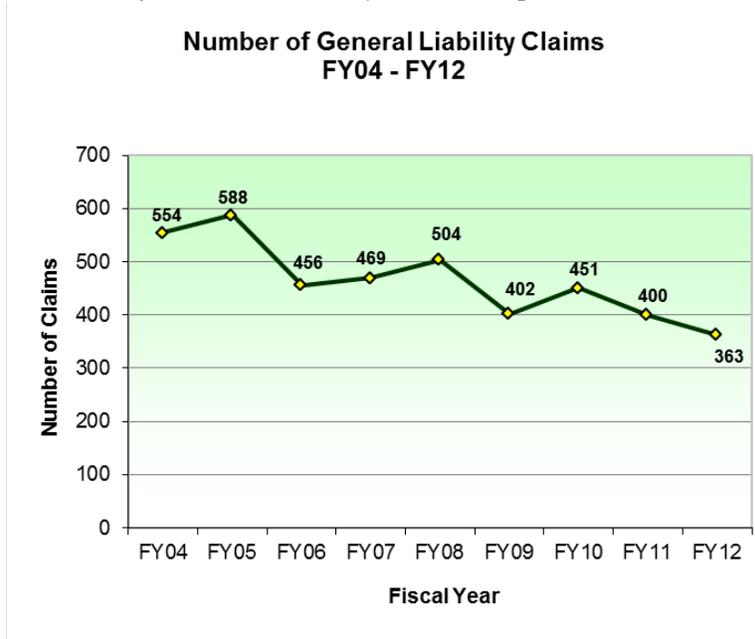
- The number of auto liability claims reported dropped to the lowest number in over 20 years.
- We continued to make advances towards going paperless on the York claim system.
- York successfully represented the City of Sacramento at Small Claims Court eight times winning each case and saving the City \$34,349. The number of open liability claims was reduced 15%.
- A dedicated York adjuster was assigned to the Solid Waste Division due to their high claim frequency. Monthly meetings with the adjuster, loss prevention personnel, and solid waste management were held to discuss open and pending claims.
- A Liability Response Team was implemented with the Police Department, Risk Management, and York to quickly respond to potential claims at incident scenes.
- Monthly meetings were conducted with the City Attorney's Office, Risk Management, and York to review existing and potential litigation.
- Meetings between Department staff and Risk Management were conducted to review open and potential liability claims.



General Liability Results

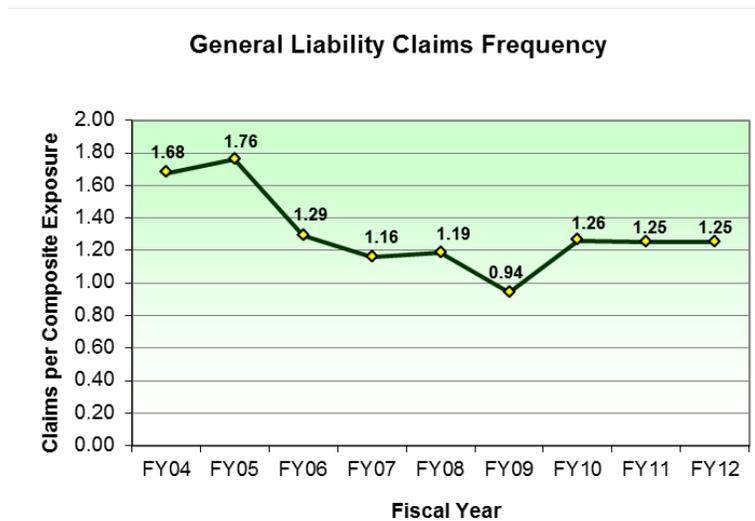
The following data is presented from the most recent actuarial report which was completed in September of 2012. Figure 12 shows the number of liability claims reported for the last nine years. The number of claims reported has been decreasing over this time period. There has been a significant decrease in general liability claims reported the last two years.

Figure 12: Number of General Liability Claims Reported FY04 – FY12



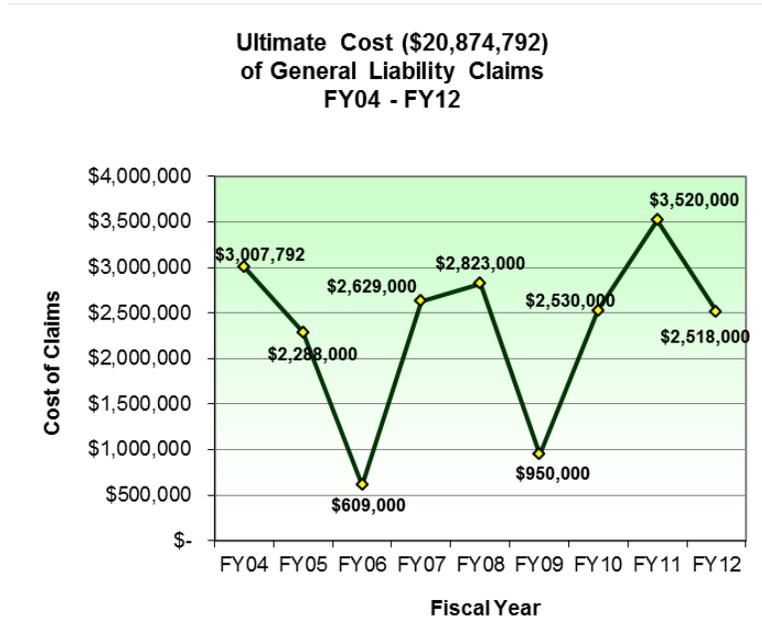
The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/(\$1,000,000)) is illustrated in Figure 13. The rate has been steady the last three years.

Figure 13: General Liability Claims Frequency



The ultimate cost of general liability claims for the last nine years is estimated in Figure 14. General liability claim costs vary dramatically each year as one or two large claims can skew the results. Some of the claims that are contributing to the costs the last three years include allegations of the following: dangerous condition of public property, property damage from water main breaks, and police civil rights violations.

Figure 14: Estimation of Ultimate Cost of General Liability Claims FY04 – FY12

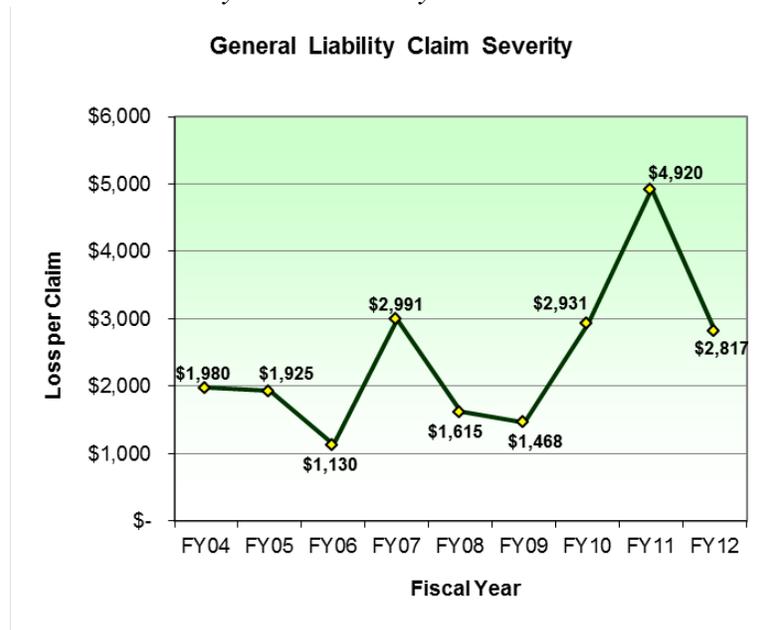


The data in the next three graphs limits claims to \$100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss.

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

FY 2011 showed a spike in severity primarily driven by a large water main break claim and dangerous condition of public property claims.

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. This loss rate has increased in recent years and spiked in FY 2011 for the reasons discussed in Figure 15. The rate dropped in FY 2012.

Figure 16: General Liability Loss Rate

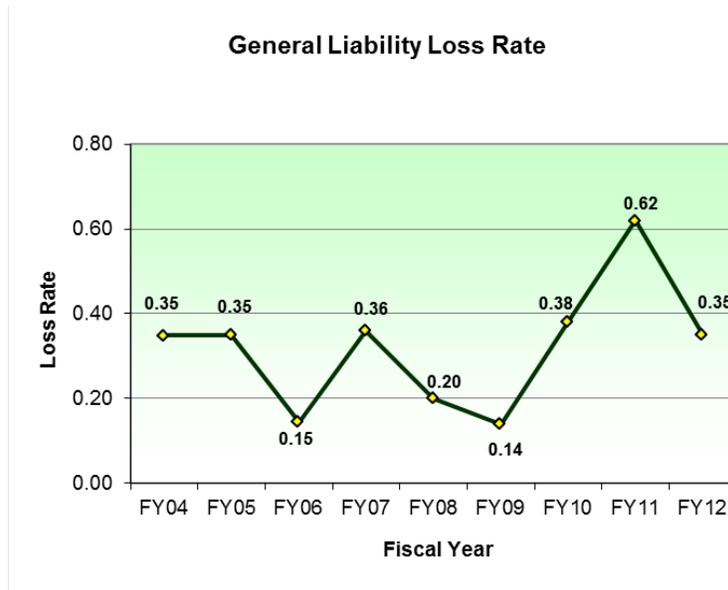


Figure 17 shows the percentage of general liability claims filed against the City during the last nine years broken down by Police, Fire, and all other City Departments.

Figure 17: Percentage of General Liability Claims by Department

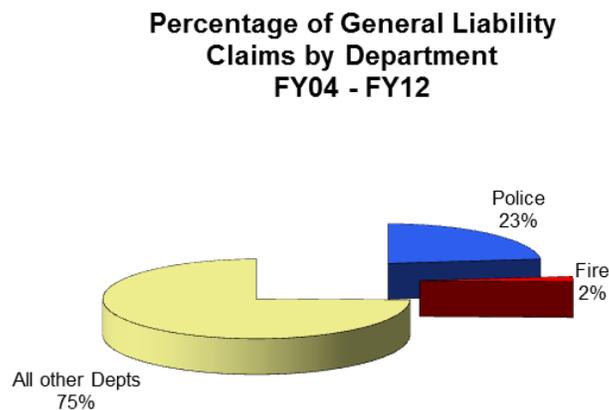
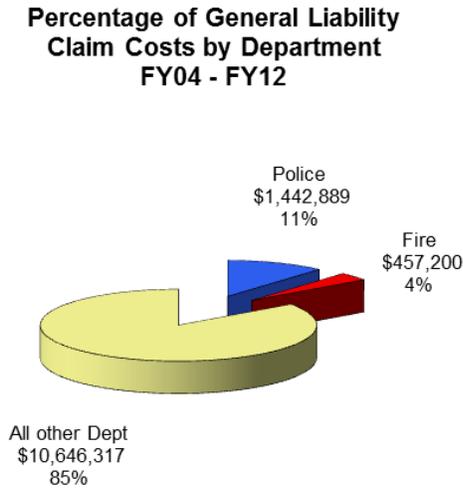


Figure 18 shows the percentage of costs paid for general liability claims in the last nine years broken down by Police, Fire, and all other City Departments.

Figure 18: Percentage of General Liability Claim Costs by Department



Automobile Liability Results

Figure 19 shows the number of auto liability claims filed against the City during the last nine years. The number of claims filed has trended downward since FY 2004.

Figure 19: Number of Auto Liability Claims Reported FY04 – FY12

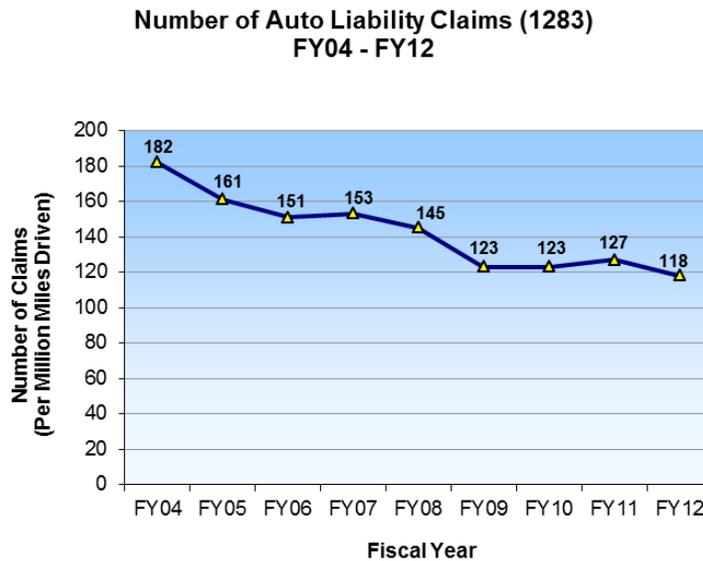
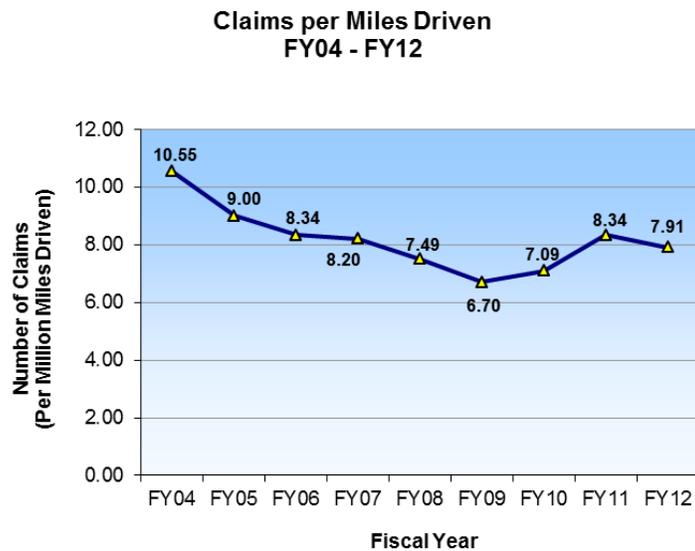


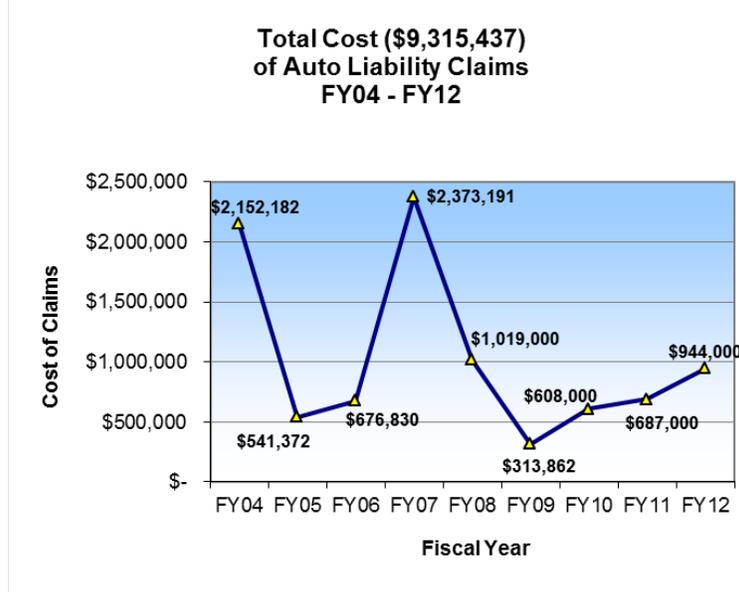
Figure 20 shows the number of auto liability claims per million miles driven (# of claims/(miles driven/1,000,000)). Claims have been trending lower since FY 2004. These favorable results are driven by the creation of the City Manager’s Vehicle Accident Accountability Review Board (discussed in greater detail in the Loss Prevention section of this report) and management’s commitment to reducing vehicle accidents. The number decreased slightly in FY 2012.

Figure 20: Number of Auto Liability Claims per Million Miles Driven FY04 – FY12



The ultimate cost of auto liability claims for the last nine years is estimated in Figure 21. The spike in FY 2007 is primarily caused by an accident involving serious injuries to a ride-along passenger in a police vehicle. Results in FY 2012 are higher than the prior year but actual results have been less than the actuarial projections in recent years.

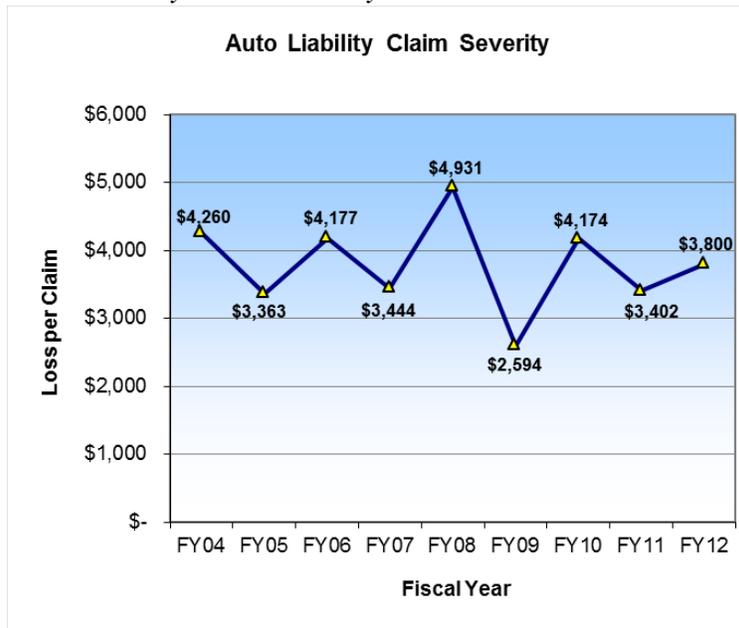
Figure 21: Total Cost of Auto Liability Claims FY04 – FY12



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.

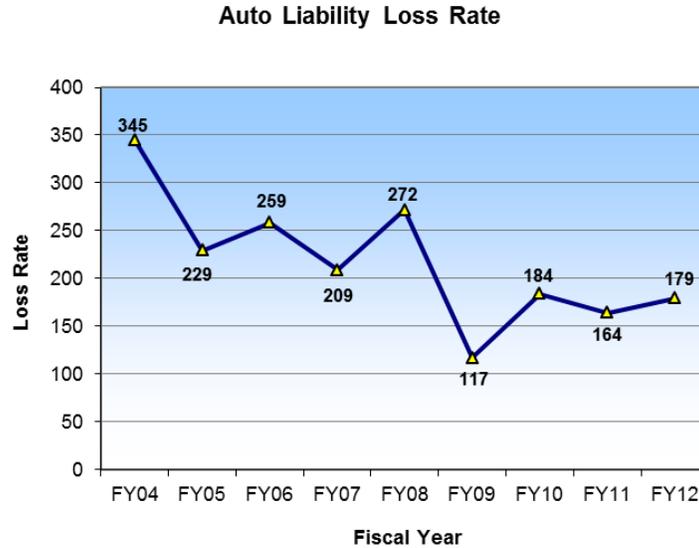
The claim severity (ultimate losses/# of claims) is depicted in Figure 22. FY 2012’s rate is about average for the last nine years.

Figure 22: 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 23

Figure 23: Auto Liability Loss Rate



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 24. This rate declined slightly last year.

Figure 24: Auto Liability Claims Frequency

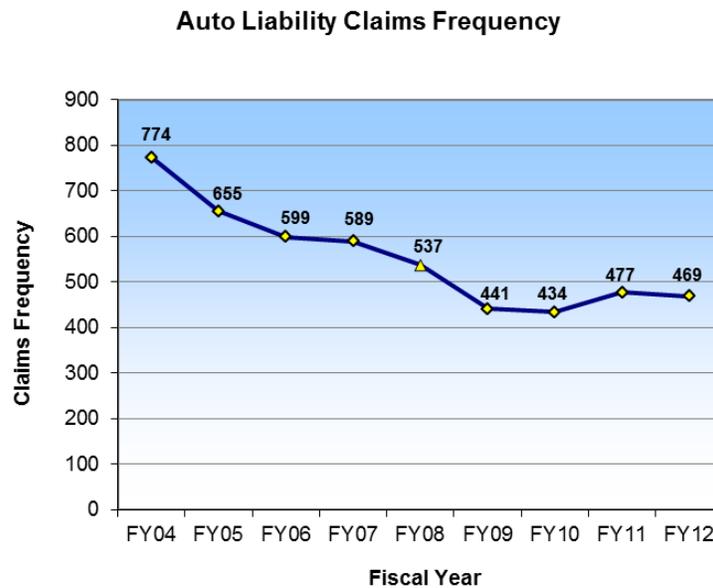


Figure 25 shows the percentage of auto liability claims filed against the City during the last nine years broken down by Police, Fire, and all other City Departments.

Figure 25: Percentage of Auto Liability Claims by Department

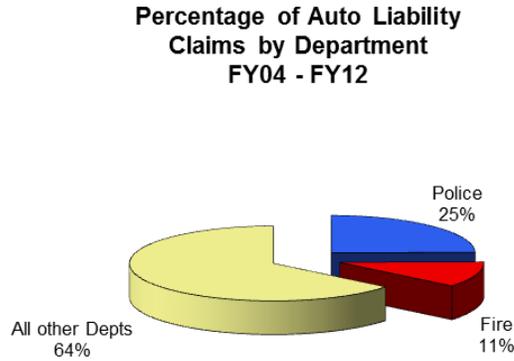
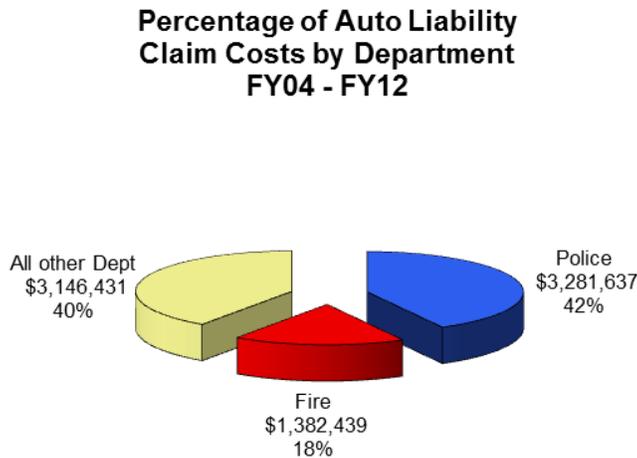


Figure 26 shows the percentage of costs paid for auto liability claims in the last nine years broken down by Police, Fire, and all other City Departments. A large loss involving a police ride along injury in FY 2007 resulted in the high percentage of claim costs attributed to the Police Department.

Figure 26: Percentage of Auto Liability Claim Costs by Department



Benchmarking

Benchmarking information was received from the firm that provides actuarial services for the City's Risk Management Division. In a comparison of ten similar sized cities the City of Sacramento has the second lowest severity rate and the lowest loss rate for general and automobile liability claims. The City's severity rate for general and auto liability claims was 40 percent below the average and the loss rate was 61 percent below the average.

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 environmental issues. Reductions in workers' compensation and liability loss rates in recent years illustrate successes in loss prevention. FY 2012 loss prevention activities include the following.

Training

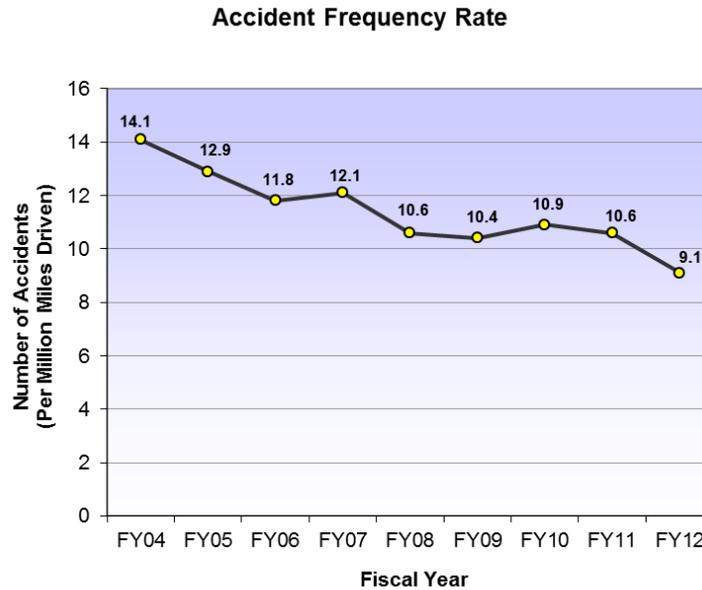
Effective training programs are an important component in reducing losses. To this end, Loss Prevention staff:

- Offered 14 safety classes and a supervisory academy;
- Conducted workplace violence training for the DOT Street Maintenance Division;
- Continued a city-wide campaign to increase awareness of the hazards of distracted driving;
- Provided health and safety training for two classes of fire academy recruits;
- Provided 20 transmissible disease and heat illness awareness training classes for police officers;
- Certified 125 employees as forklift operators;
- Mentored four Sacramento State students as part of their internship program; and
- Hosted two Summer at City Hall interns.

Vehicle Safety

City employees drove over 14.9 million miles in FY 2012. Loss Prevention staff track City vehicle accident statistics and provide administrative support for departmental accident review committees and the City Manager's Vehicle Accident Review Board. The City's accident frequency rate, the number of chargeable accidents divided by million miles driven, has dropped substantially since FY 2004 as depicted in Figure 27. The primary reasons for this drop are continued commitment to high quality driver training and accountability due to creation of the City Manager's Vehicle Accident Review Board.

Figure 27: Vehicle Accident Frequency Rate



Loss Prevention staff provide support for business operations and program cost recovery at the Sacramento Regional Driver Training Facility (SRDTF). Classes include initial, refresher, and remedial driver training for City employees, law enforcement academy recruits, external agency employees and members of the public. Driver training is required for compliance with California Police Officers Standards for Training and is critical to the safety of emergency operations for the Police and Fire Departments and daily operations by commercial and frequent non-commercial drivers city-wide.



In FY 2012 SRDTF personnel trained 457 City police officers, 331 City firefighters, 317 non-sworn City employees, 203 students from external agencies, 451 law enforcement academy candidates, and 205 other miscellaneous participants. The SRDTF program is highly regarded by City employees and external agency participants.

Consultation

Collaboration with City Departments is essential to maintain a safe and healthy work environment. Consulting activities included:

- Delivery of 125 ergonomic evaluations;
- Coordination of 275 random drug tests and 470 random alcohol tests for commercial drivers;
- Coordination of 33 follow-up drug and 23 follow-up alcohol tests for employees on last-chance agreements;
- Delivery of confined space training for the Department of Utilities Field Services Division;
- Utilization of online safety training for support of City training including Transportation's Title Six, AB 1825 and OSHA requirements;
- Update of facility inspection forms and initiation of safety inspections for City facilities;
- Coordination of employee lead exposure monitoring at the firing ranges and an operations review at the Mangun gun range;
- Coordination of the selection process for the Employee Assistance Program provider and assistance with implementation of departmental peer support programs.
- Support of the Fire Department accreditation process by development of health and safety goals and measures;
- Assistance in development of a fire overhaul operating guideline that reduces potential for firefighter exposure to toxins;
- Identification of opportunities for modified duty to bring injured employees back to work; and
- Coordination of six Cal OSHA investigations of reportable or serious employee injuries and facilitation of two citation settlements.

Environmental

Environmental regulatory compliance activities included:

- Delivery of hazardous waste emergency response training for Department of Transportation employees;
- Support of environmental remediation projects at the Memorial Auditorium, Amtrak Depot, Coloma Community Center, and North Area Corp Yard;
- Assistance to the Department of General Services for recycling 900 light fixtures associated with a relamping project at City Parking Garages;
- Participation in hazardous materials response operations for incidents throughout the City and minimization of the cost to the City by utilizing the Department of Toxic Substances Control's (DTSC) abandoned waste program to cover the costs of mitigation whenever possible;
- Arranged for the proper disposal of approximately 8,200 pounds of abandoned hazardous waste;

- Coordination of the Request for Proposal process for selection of a contractor for clean-up of bio hazardous substances and coordination of service delivery;
- Support of the Fire Department in the process to apply for a public benefit conveyance to establish a training site at the former McClellan Air Force Base; and
- Completion of asbestos and lead sampling as needed throughout the City as requested by the Facilities Division prior to remodeling.

Support Services

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

- Monitoring compliance with City contract insurance requirements for over 1,200 contractors and vendors;
- Providing support for the special events insurance program, insurance renewals, and liability claims administration;
- Scheduling pre-employment, non-industrial return-to-work and specialty physical exams in accordance with City policy;
- Scheduling medical examinations in follow-up to the Assistance to Firefighters wellness grant as well as vaccination and tuberculosis screenings for all sworn public safety personnel;
- Introducing “Back Defender” to police officers which improves distribution of duty belt weight and helps prevent back injury;
- Coordinating 943 hearing tests and 1,579 respirator fit tests for employees in compliance with Cal OSHA requirements; and
- Certifying 255 City employees in CPR/First Aid.

Special Projects

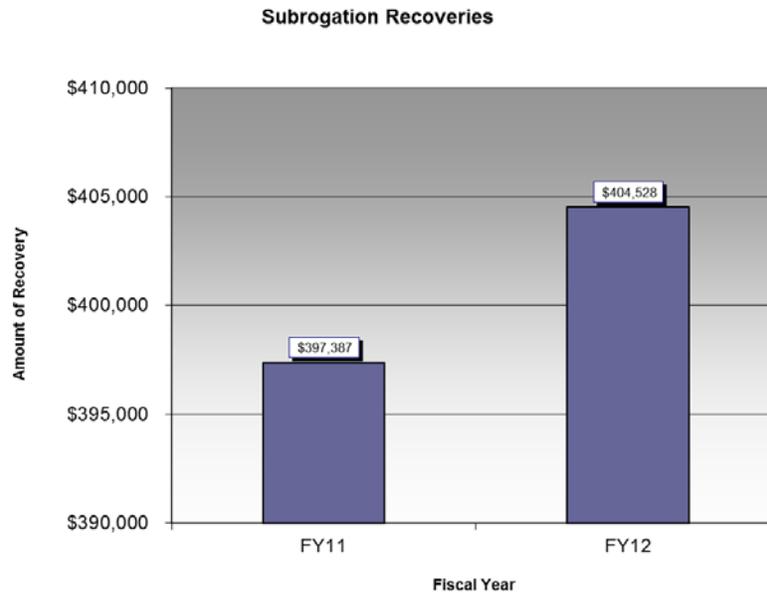
Risk Management staff meets with leadership teams from the operating departments annually to identify priority initiatives. Many of these risk initiatives are accomplished through the collaborative efforts of loss prevention and departmental staff. Thirty-six loss prevention initiatives were completed in FY 2012.

Training	12
Equipment or Process Improvement	11
Policy or Procedure Development	6
Non-Industrial Medical	1
Loss Analysis	1
Wellness	4
Ergonomics	1

SUBROGATION

Subrogation is the recovery of funds spent to repair or replace City assets damaged by negligent third parties. Examples are auto accidents where third parties cause damage to City vehicles, traffic signals, or street signs. The graph below illustrates the amount of money collected for the last two years by the Risk Management and Revenue Divisions.

Figure 28: Subrogation Recoveries



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

FISCAL YEAR 2013 ACTION PLAN

- Assist with the activation of the ECAPS training module and identify employee training requirements so training activity may be tracked.
- Release a Request for Proposal and assist in the selection of a Learning Management System vendor to provide web based training to City employees.
- Continue with conversion to a paperless liability claims system.
- Improve interest and attendance in wellness activities and begin a cost/benefit analysis of the wellness program.
- Continue conversion of risk management policies and procedures to new City format.
- 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. This will provide further incentive for departments to reduce losses and control claim-related costs.

- Provide access and training to the certificate of insurance monitoring system to interested City personnel. 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 reviewable in our system, reducing the need to obtain new certificates of insurance for each project or contract.
- Assist in developing a long-range plan for the Sacramento Regional Driver Training Authority.
- Support Fire and Police in their wellness and fitness programs.
- Complete Risk Management Initiatives developed at annual risk management meetings with departments.
- Implement the wide-ranging changes to California's workers' compensation system resulting from the passage of Senate Bill 863.

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