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Report Type: Consent

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Title: 2013 Risk Management Annual Report

Location: Citywide

Recommendation: Receive and file.

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

Presenter: None

Department: Human Resources

Division: Risk Management Admin

Dept ID: 08001311

Attachments:

1-Description/Analysis

2-Risk Management Annual Report

City Attorney Review

Approved as to Form

Sandra Talbott

3/27/2014 3:31:39 PM

Approvals/Acknowledgements

Department Director or Designee: Geri Hamby - 3/20/2014 3:04:28 PM

Description/Analysis

Issue Detail: The Risk Management Division is part of the Human Resources Department and is responsible for administering the City's risk management program. The 2013 Human Resources Department, Division of 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 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 automobile liability losses by fiscal year. Loss prevention activities and types of insurance purchased, including insurance limits and premiums, are also included. Significant risk management related activities are also summarized.

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

Sustainability: None

Commission/Committee Action: None

Rationale for Recommendation: The Department of Human Resources, Risk Management Division is responsible for administering and reporting risk management related activity.

Financial Considerations: None

Local Business Enterprise (LBE): None

City of
SACRAMENTO

Department of Human Resources

**Risk Management Division
Annual Report**

Fiscal Year Ending June 30, 2013



TABLE OF CONTENTS

Executive Summary.....	1
Risk Management Mission Statement.....	3
Risk Management Vision Statement.....	3
Risk Management Division.....	3
Risk Management Organizational Chart.....	3
Risk Management Budget.....	4
Insurance Premiums	4
Liability	4
Worker’s Compensation	5
Property.....	5
Other Insurance	6
Actuarial Report	10
Fiscal Year 2013 Results	11
Workers’ Compensation	11
Liability	18
Loss Prevention	27
Subrogation	32
Fiscal Year 2014 Action Plan	33

On the Cover: Sacramento Historic City Hall

EXECUTIVE SUMMARY

The Department of Human Resources Risk Management Division is pleased to present this Risk Management Annual Report for Fiscal Year 2013.

This report provides the City Council and management with an overview of Risk Management programs. This report is designed to provide City leadership and managers with information regarding departmental exposures and losses, with the intent of implementing effective loss prevention activities to eliminate or reduce 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 FY 2013 budget is \$25,939,000, an increase of 6.5 percent from the prior year. This increase is a result of growth in the city-wide cost plan and a \$1,000,000 loss prevention initiative to help reduce copper theft.

Total insurance premium costs increased 21 percent in FY 2013, primarily driven by increases in excess liability insurance. The City's self-insured retention for liability claims was increased from \$2,000,000 to \$2,000,000 with \$1,000,000 corridor retention aggregate. Excess liability insurance premiums increased 36 percent or \$313,174, from \$863,286 in FY 2012 to \$1,176,460 in FY 2013. The increase in retention level and premiums were driven by a variety of factors: large payouts by the City's excess liability carriers in recent years for two jury verdicts; the hardening insurance market resulting from underwriting losses due to recent natural disasters; and current low interest rates which reduce insurers' incomes and leads to higher premiums. Excess workers' compensation insurance premiums increased two percent or \$8,810, from \$424,048 in FY 2012 to \$432,858 in FY 2013. Property insurance premiums increased 15 percent in FY 2013 from \$909,590 to \$1,054,090. 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.

The number of workers' compensation claims has decreased the previous three years and the average cost of claims is projected to increase due to increases in temporary and permanent disability rates and increasing medical and prescription drug costs. 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 2013. Workout facilities are available at numerous City facilities and some departments have gone a step further and introduced stretching programs to address these issues.

The State of California Department of Industrial Relations, Division of Workers' Compensation (DWC), conducts audits of workers' compensation claim handling every five years to make certain injured workers receive accurate and prompt compensation to which they are entitled. The DWC's audit score for the City of Sacramento was 0.66074, the lowest or best score received by a public self-insured entity for the audit year.

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 2013 the City of Sacramento's loss rate was 51 percent below the average and the incident rate was 13 percent below the average. The City of Sacramento has fewer injuries than comparable cities and pays less for the claims that do occur. 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's severity rate for workers' compensation claims was 30 percent below the average and the loss rate was 33 percent below the average. The City's frequency rate was 11 percent below the average.

The number of general liability claims has decreased the previous three years, from 452 claims reported in FY 2010, to 328 claims in FY 2013. The general liability severity rate (average cost of claims) has increased in recent years due to the following types of claims: dangerous condition of public property, property damage from water main breaks, and police civil rights violations. Risk Management and the City's third party claims administrator, York Risk Services Group (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 91 claims in FY 2013, a decrease of 50 percent. The automobile liability severity rate (cost of claims) in FY 2013 was lower than last year, but this number fluctuates each year as one or two large accidents can skew the results. To continue to address our risk of vehicle accidents Risk Management will assist in the development of a long-term 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.

Benchmarking information was provided by 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's average cost per claim or severity rate for general and auto liability claims was 30 percent below the average and the loss rate was 43 percent below the average. The City's frequency rate was 17 percent lower than the average.

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.

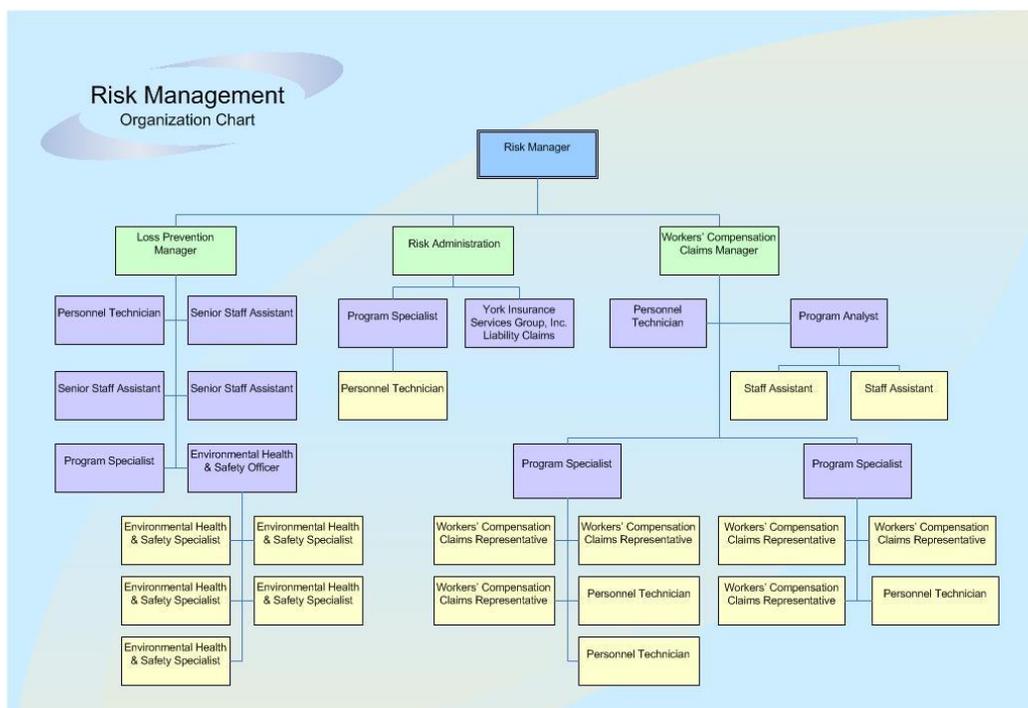
RISK MANAGEMENT VISION STATEMENT

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 increased \$1,589,000, or six percent in FY 2013, from \$24,350,000 in FY 2012 to \$25,939,000 in FY 2013. This increase is a result of growth in the city-wide cost plan and a \$1,000,000 loss prevention initiative to help reduce copper theft.

INSURANCE PREMIUMS

The City of Sacramento has entered into an agreement with Alliant Insurance Services (Alliant) to provide insurance brokerage services such as marketing and soliciting quotations for insurance policies. Alliant also places and services insurance policies for the City. Total insurance premium costs increased 21 percent in FY 2013, primarily driven by increases in excess liability insurance.

Claim settlement amounts within retention levels are paid by the Risk Fund and settlement amounts for covered losses in excess of retention levels are paid by the excess insurer(s) up to the coverage limits.

LIABILITY

The City of Sacramento purchases excess liability insurance to protect the City in the case of catastrophic incidents. Excess liability insurance includes coverage for the following risks: bodily injury and property damage, personal injury, public officials' errors and omissions liability, and employment practices liability. All coverage is on an occurrence basis. Excess liability limits remain at \$30,000,000. In FY 2013 the City's self-insured retention was increased from \$2,000,000 to \$2,000,000 with a \$1,000,000 corridor retention aggregate. The \$1,000,000 corridor retention aggregate is excess of our \$2,000,000 self-insured retention. The \$1,000,000 corridor retention aggregate increases the amount the City self-insures by \$1,000,000 in aggregate for the policy year. In FY 2013 there were no excess liability insurance carriers willing to insure the City at a \$2,000,000 self-insured retention and only one carrier offered a retention level of \$2,000,000 with a \$1,000,000 corridor retention aggregate. Many cities in California similar to Sacramento have self-insured retentions of \$3,000,000 or higher. Excess liability insurance premiums increased 36 percent or \$313,174, from \$863,286 in FY 2012 to \$1,176,460 in FY 2013. The increase in retention level and premiums were driven by a variety of factors. The first is large payouts by the City's excess liability carriers in recent years for two large jury verdicts against the City. The second factor is the hardening insurance market resulting from underwriting losses due to the following recent natural disasters; earthquakes in New Zealand, tsunami in Japan, floods in Australia and Thailand, and wind and hail storms in the United States. The third factor for rising excess liability premiums is the current low interest rates which reduce insurer's incomes and leads to higher premiums. The City is currently participating in the Alliant National Municipal Liability Program (ANML) for the purchase of excess liability insurance. ANML provides comprehensive excess 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.

WORKERS' COMPENSATION

The City purchases excess workers' compensation insurance to protect against catastrophic injury to City employees and accidents involving multiple employees. Excess workers' compensation limits remained at statutory coverage for FY 2013 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 two percent or \$8,810 from \$424,048 in FY 2012 to \$432,858 in FY 2013. 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.



Urban Forestry employees trim trees along one of Sacramento's many tree-lined streets.

PROPERTY

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. 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 \$1,636,255,716. Property insurance premiums increased 15 percent in FY 2013 from \$909,590 to \$1,054,090. 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, earthquakes 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 PEPiP 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

The City purchased the following additional insurance in FY 2013:

- 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 three 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 City owned bounce houses utilized at special events.



Sacramento Police Department helicopter

Risk Management Annual Report FY 2013

Table 1, Schedule of Insurance, below and continued on the following page, summarizes coverage, self-insured retentions, limits, premiums and carriers for the previous five years and provides a total cost of insurance by year at the bottom of the table. Information for FY 2014 is also included as these insurance policies have already been purchased. Detailed information on FY 2014 will be provided in next year's annual report.

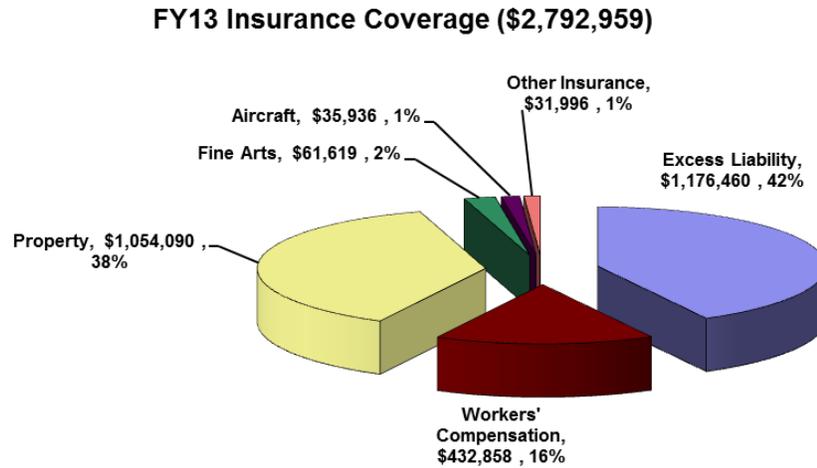
Table 1: Schedule of Insurance

SCHEDULE OF INSURANCE					
	<i>Fiscal Year</i>	<i>Self Insured Retention</i>	<i>Policy Limits</i>	<i>Premium</i>	<i>Carrier</i>
Excess Liability					
	FY14	3,000,000	30,000,000	1,254,580	Security National, Star Indemnity, Ironshore Specialty
	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			4,962,775	
Workers' Compensation					
	FY14	2,000,000	Statutory	424,035	CSAC EIA
	FY13	2,000,000	Statutory	432,858	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			2,109,934	
Property					
	FY14	100,000	1,000,000,000	1,204,796	PEPIP
	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			4,851,377	

SCHEDULE OF INSURANCE (Continued)					
	<i>Fiscal Year</i>	<i>Self Insured Retention</i>	<i>Policy Limits</i>	<i>Premium</i>	<i>Carrier</i>
Fine Arts					
	FY14	10,000	100,000,000	64,677	Ace American
	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	Ace American
					* Limits increased due to Crocker expansion.
	Total			303,910	
Aircraft					
	FY14	Varies	20,000,000	35,937	Old Republic
	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			153,598	
Other Insurance <i>Includes pollution, crime, airport and bounce house insurance</i>					
	FY14			32,705	
	FY13			31,996	
	FY12*			15,877	* Lower premiums due to prepaid
	FY11*			5,020	insurance policies in prior years.
	FY10			59,894	
	Total			145,492	
Total Insurance					
	FY14			3,016,730	
	FY13			2,792,959	
	FY12			2,299,908	
	FY11			2,199,521	
	FY10			2,217,968	
	Total			12,527,086	

Figure 2 shows the cost breakdown by the various types of insurance purchased in FY 2013 with a total cost of \$2,792, 959.

Figure 2: FY13 Insurance Coverage



Sacramento Convention Center at 13th & J

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 amount to budget for claim costs and expenses that will occur in the coming fiscal year, and 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 percent confidence level (an estimate for which there is an 80 percent chance that the budgeted amount will be sufficient to pay loss costs). The actuarial results for the last three years are provided in Table 2. The estimated outstanding liability for all claims increased seven percent or \$3,939,000 in FY 2013 to \$59,844,000. Increases occurred in both workers’ compensation and liability claims. The majority of the increases in workers’ compensation claims were from an increase in reserves in claims occurring in FY 2013 due to serious illnesses (cancer, heart) and orthopedic claims. Statutory Increases in temporary and permanent disability rates and medical costs have also led to increases in workers’ compensation costs in recent years. The increase in outstanding liabilities in liability claims was from adverse loss development in FY 2005 from a large payout regarding a class action law suit involving the civil rights of the homeless. There were additional adverse loss developments in FYs 2012 and 2013 from dangerous condition of public property claims.

Table 2: Comparison of Estimated Outstanding Losses

COMPARISON OF ESTIMATED OUTSTANDING LOSSES							
As of June 30, 2011		As of June 30, 2012		Difference Between FY 2011-12	As of June 30, 2013		Difference Between FY 2012-13
WORKERS' COMPENSATION							
Estimated Liability for Outstanding Claims	\$39,632,000	Estimated Liability for Outstanding Claims	\$42,367,000	\$2,735,000	Estimated Liability for Outstanding Claims	\$43,971,000	\$1,604,000
Estimated Ultimate Cost of Claims for FY 2011-12	\$8,654,000	Estimated Ultimate Cost of Claims for FY 2012-13	\$7,686,000	(\$968,000)	Estimated Ultimate Cost of Claims for FY 2013-14	\$8,692,000	\$1,006,000
GENERAL AND AUTO LIABILITY							
Estimated Ultimate Cost of Claims for FY 2011-12	\$12,830,000	Estimated Ultimate Cost of Claims for FY 2012-13	\$13,538,000	\$708,000	Estimated Ultimate Cost of Claims for FY 2013-14	\$15,873,000	\$2,335,000
Estimated Ultimate Cost of Claims for FY 2011-12	\$6,892,000	Estimated Ultimate Cost of Claims for FY 2012-13	\$7,206,000	\$314,000	Estimated Ultimate Cost of Claims for FY 2013-14	\$6,342,000	(\$864,000)
TOTALS							
Total Estimated Liability for Outstanding Claims	\$52,462,000	Total Estimated Liability for Outstanding Claims	\$55,905,000	\$3,443,000	Total Estimated Liability for Outstanding Claims	\$59,844,000	\$3,939,000
Total Estimated Ultimate Cost of Claims for FY 2011-12	\$15,546,000	Total Estimated Ultimate Cost of Claims for FY 2012-13	\$14,892,000	(\$654,000)	Total Estimated Ultimate Cost of Claims for FY 2013-14	\$15,034,000	\$142,000

FISCAL YEAR 2013 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 State of California Department of Industrial Relations, Division of Workers' Compensation (DWC), conducts audits of workers' compensation claim handling every five years to make certain injured workers receive accurate and prompt compensation to which they are entitled. The DWC's audit score for the City of Sacramento was 0.66074, the lowest or best score received by a public self-insured entity for the audit year. The City's Utilization Review program was audited at the same time resulting in a score of 100 percent.
- CSAC, The City's excess workers' compensation provider, also audited the City's workers' compensation program resulting in a score of 90 percent. The audit reviews seven claim handling and reserving practices and ensures members are providing claim services consistent with industry best practices and standards.
- A total of 543 new workers' compensation claims were opened during FY 2013.
- Bill review fees yielded 64 percent in savings with a return on investment of 45 percent. Total dollars saved were \$5,703,854 (*see Figure 10 on page 17*).
- The City's workers' compensation program continues to enjoy success with the Pharmacy Benefit Management Program (PBMP). This program manages drug formularies and achieves savings on pharmacy costs by providing oversight on the types of drugs and frequency of prescriptions to 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 PBMP resulted in direct savings of \$31,293 and conversion to generic drug use was 97 percent. The City's cost of prescription drugs is 33 percent lower than the PBMP's book of business.
- 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.

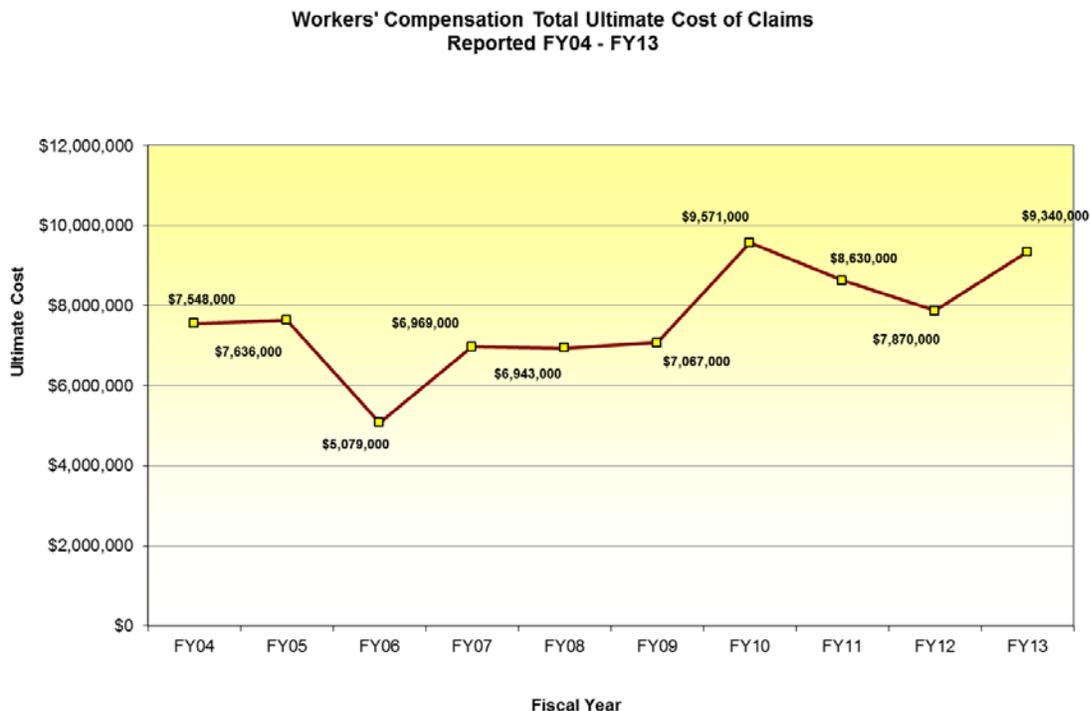
- A total of 32 interactive process meetings with injured workers and their departments were conducted to facilitate the injured workers’ return to work and identify reasonable accommodation opportunities.
- Recoveries from subrogation and excess insurance carrier programs totaled \$18,817.
- A total of 160 indemnity claims were settled.

Workers’ Compensation Results

The following data is derived from the most recent actuarial report which was completed in September of 2013. This information is based on data valued as of June 30, 2013.

Figure 3 shows the total estimated cost of workers’ compensation claims for the past ten years. Increases in temporary and permanent disability rates and medical costs have led to increases in costs in recent years.

Figure 3: Total Ultimate Cost of Claims FY04 – FY13



The loss rate per \$100 of payroll (losses/ (payroll/\$100)) for the last ten years is illustrated in Figure 4. The data in Figures 4 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 has been relatively steady the last four years.

Figure 4: Loss Rate per \$100 of Payroll FY04 – FY13

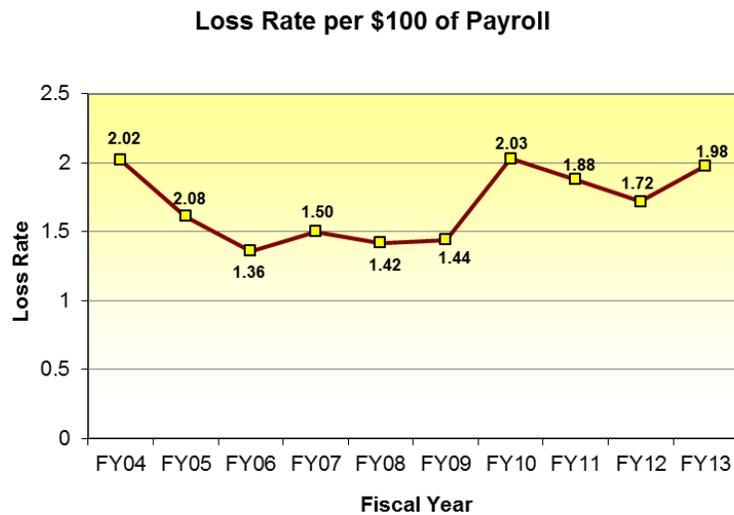
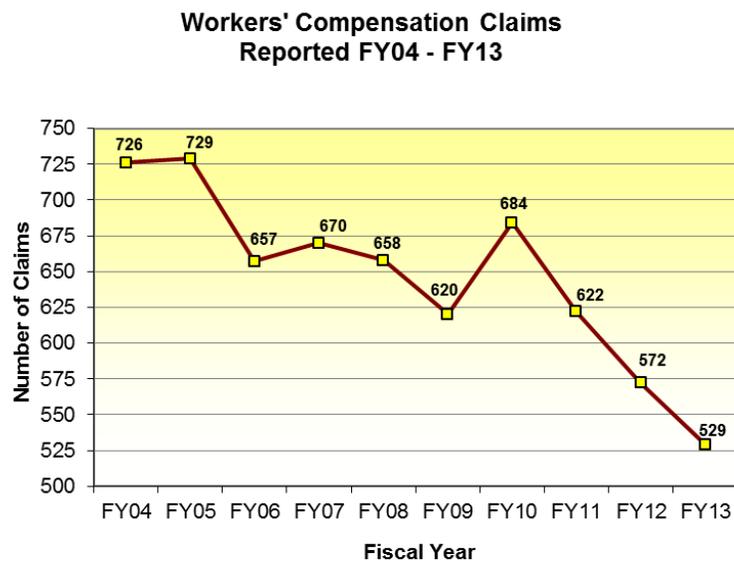


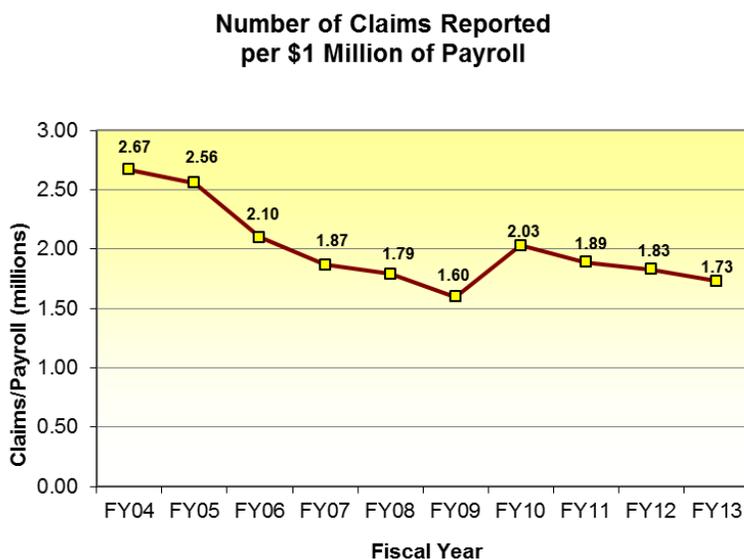
Figure 5 shows the number of workers’ compensation claims reported for the last ten years. Claims have been decreasing since FY 2010.

Figure 5: Workers’ Compensation Claims Reported FY04 – FY13



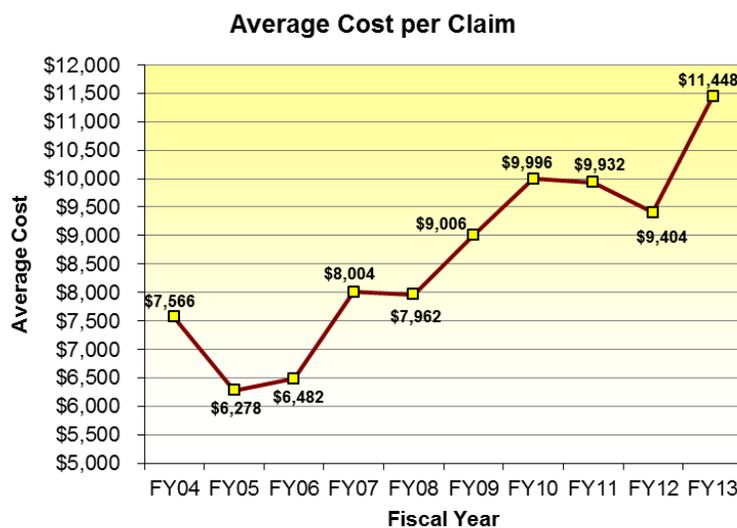
The number of claims reported per \$1 million of payroll (# claims/ (payroll/\$1,000,000)) for the last ten years is illustrated in Figure 6. The data in Figure 6 limits claim values to \$100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss. The rate has trended downward the last three years.

Figure 6: Number of Claims Reported per \$1 Million of Payroll FY04 – FY13



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. Increases in temporary and permanent disability rates have also contributed to the increase in costs in recent years.

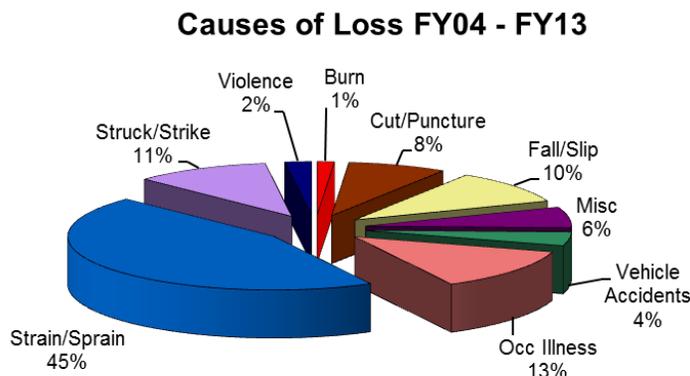
Figure 7: Average Cost per Claim FY04 – FY13



The causes of loss for workers’ compensation claims are depicted in Figure 8. Strain and sprain injuries continue to be the most common type of injury. Our Loss Prevention staff and the Fire

Coach provided department specific training on reducing these types of injuries. Additionally, voluntary stretching and walking programs and the utilization of workout facilities at numerous locations are designed to help reduce the number of strain and sprain injuries. The pool at the 24th Street Corporation Yard was also open to employees during the summer months to promote additional conditioning.

Figure 8: Causes of Loss FY04 – FY13



Injuries on duty (IOD) hours are illustrated in Figure 9. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. This number increased in FY 2013 due to an increase in the number of claims for serious illnesses (cancer, heart) and orthopedic claims that required substantial time off work.

Figure 9: Injury on Duty Hours

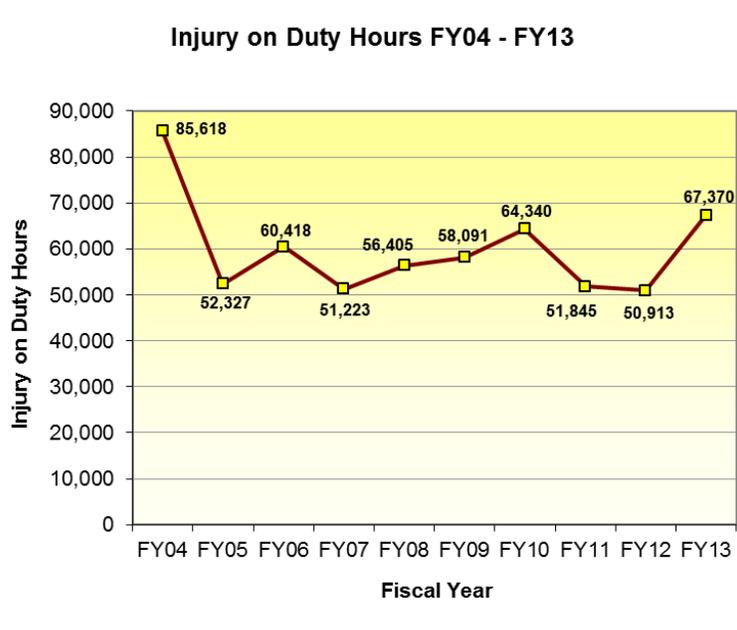


Figure 10 illustrates bill review savings from the City’s bill review provider and reflects the amount workers’ compensation medical bills were reduced to comply with the workers’ compensation fee schedule as well as Preferred Provider Organization (PPO) savings. Bill review savings can increase dramatically with high medical costs for large or catastrophic injuries, which was the case in FY 2005 when the City experienced two catastrophic claims. The City averaged a 64 percent reduction in costs for all workers’ compensation bills processed in FY 2013.

Figure 10: Bill Review Savings

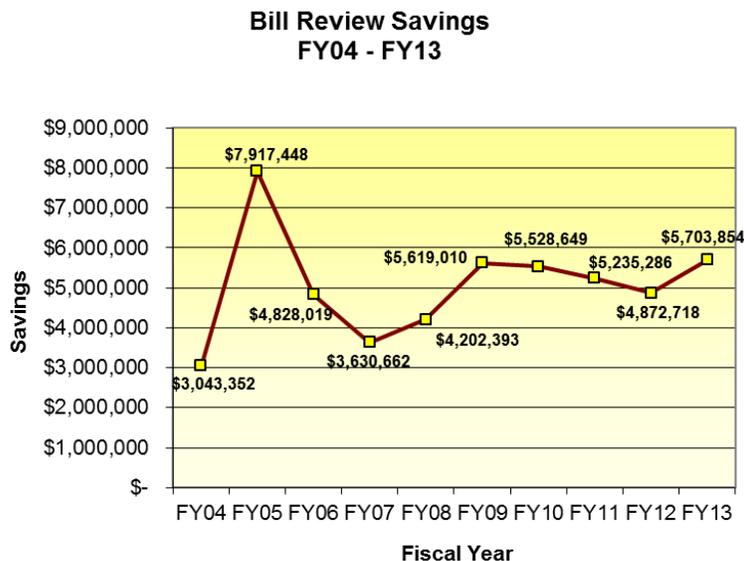


Figure 11 shows the percentage of workers’ compensation claims filed in the last ten years broken down by Police, Fire and all other City Departments.

Figure 11: Percentage of Workers’ Compensation Claims by Department

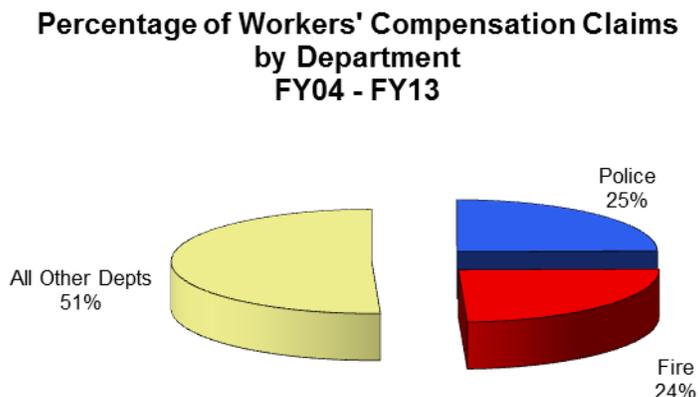
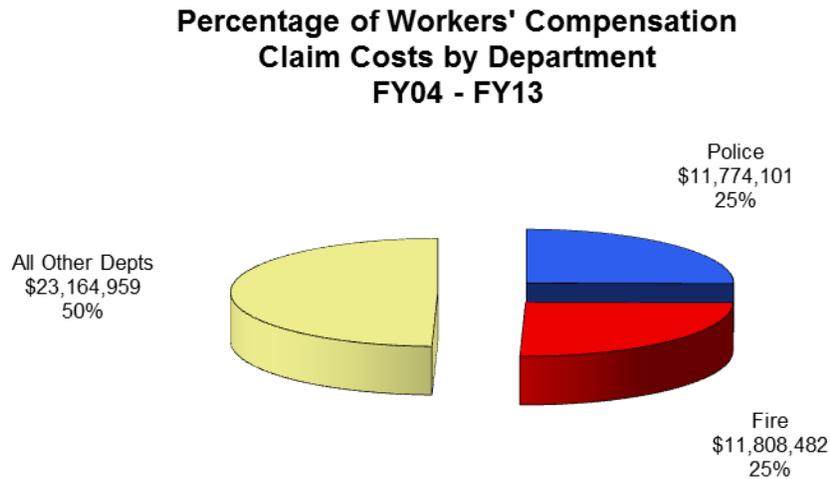


Figure 12 shows the percentage of costs paid for workers' compensation claims in the last ten years broken down by Police, Fire and all other City Departments. The number of claims filed per department and the costs per claim per department are similar, indicating that departments' claims costs are similar to their claim frequency.

Figure 12: 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 51 percent below the average and the incident rate was 13 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 FY13

	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	5.09	2.5	-51%
Incident Rate Per Payroll (Reported claim)/(Total payroll) x 1,000,000	2.51	2.18	-13%

* Cites 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 average cost per claim, or severity rate, and the second lowest loss rate. The City's severity rate for workers' compensation claims was 30 percent below the average and the loss rate was 33 percent below the average. The City's frequency rate was 11 percent below the average.



South Natomas Community Center

LIABILITY

The City of Sacramento utilizes York Risk Services Group (York), a third-party administrator, to handle liability claims filed against the City. Litigation is handled in-house by the Sacramento City Attorney's Office, which in FY 2013 resolved 71 percent of litigated cases without payment of money. 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 seven times winning each case and saving the City \$12,788.
- The number of open liability claims was reduced 15 percent.

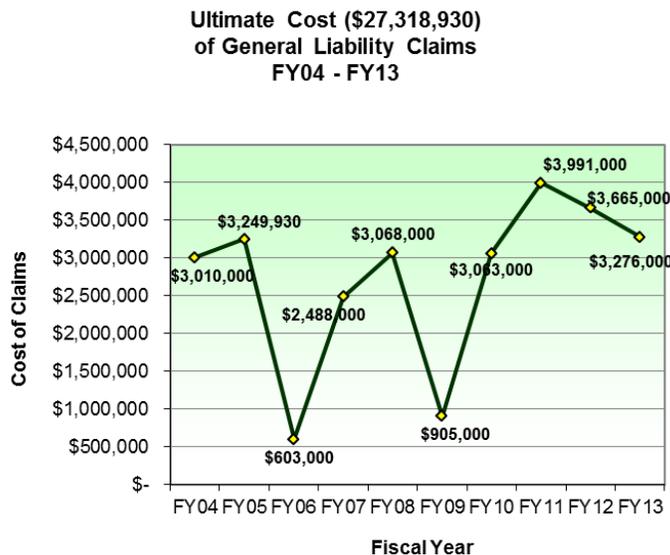
- A dedicated York adjuster is assigned to the Solid Waste Division due to their high claim frequency. Monthly meetings with the adjuster, loss prevention personnel, and solid waste management were held to discuss open and pending claims.
- A Liability Response Team with the Police Department, Risk Management, and York is assembled 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.
- York recovered \$30,917 in claim settlement contributions from outside third parties.
- 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 2013.

The ultimate cost of general liability claims for the last ten years is estimated in Figure 13. 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 13: Estimation of Ultimate Cost of General Liability Claims FY04 – FY13



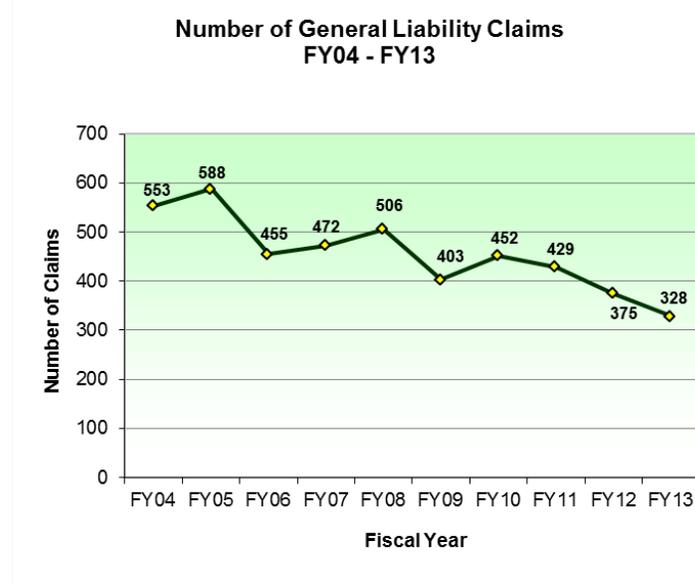
The general liability loss rate (ultimate losses/(composite exposure which consists of population, budget, payroll, police payroll, and FTEs/\$100)) is depicted in Figure 14. This loss rate has increased in recent years and spiked in FY 2011 for the reasons discussed in Figure 13.

Figure 14: General Liability Loss Rate



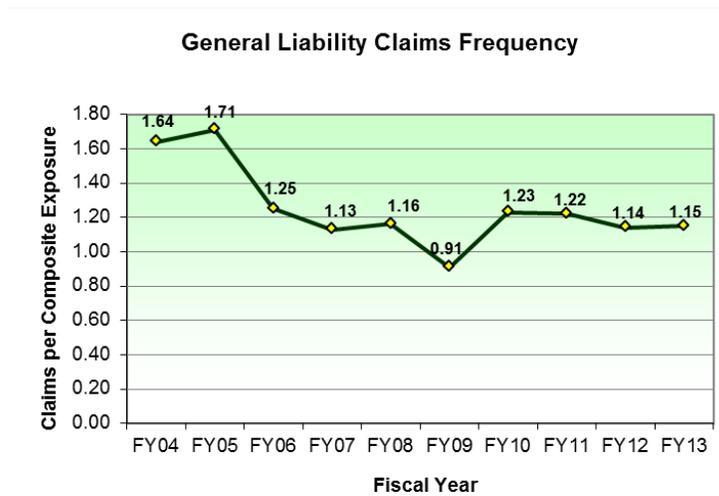
Figure 15 shows the number of liability claims reported for the last ten years. The number of claims reported has been decreasing over this time period.

Figure 15: Number of General Liability Claims Reported FY04 – FY13



The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/\$1,000,000) is illustrated in Figure 16. The rate has been steady the last three years.

Figure 16: General Liability Claims Frequency



The average cost per claim or claim severity rate (ultimate losses/# of claims) is depicted in Figure 17. FY 2011 showed a spike in severity primarily driven by a large water main break claim and dangerous condition of public property claims.

Figure 17: General Liability Claim Severity

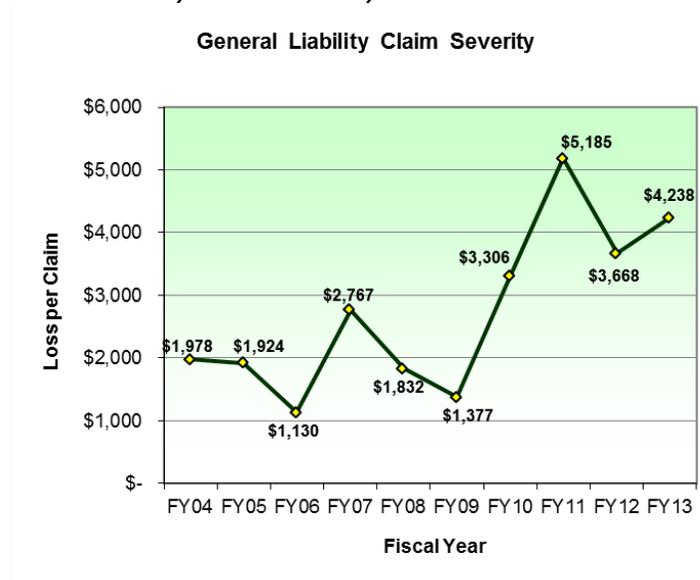


Figure 18 shows the percentage of general liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

Figure 18: Percentage of General Liability Claims by Department

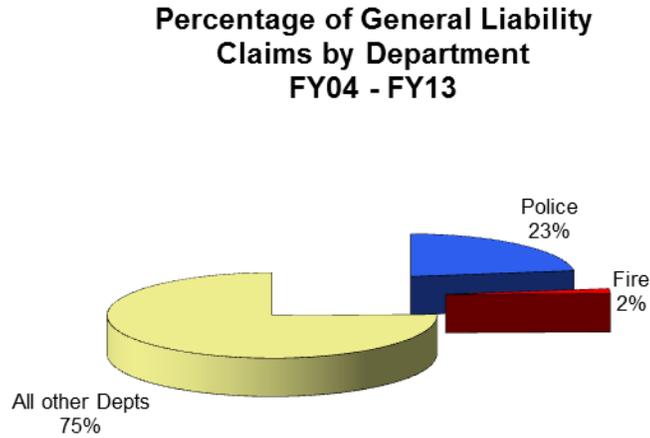
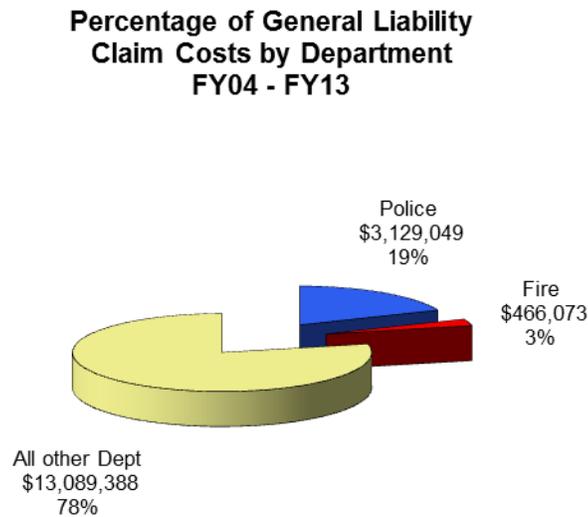


Figure 19 shows the percentage of costs paid for general liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

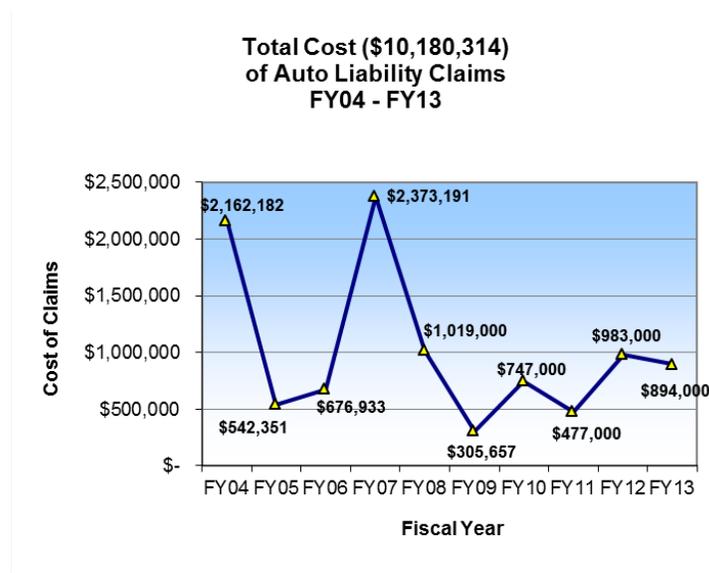
Figure 19: Percentage of General Liability Claim Costs by Department



Automobile Liability Results

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

Figure 20: Total Cost of Auto Liability Claims FY04 – FY13



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 21. The loss rate has been trending down since FY 2004.

Figure 21: Auto Liability Loss Rate

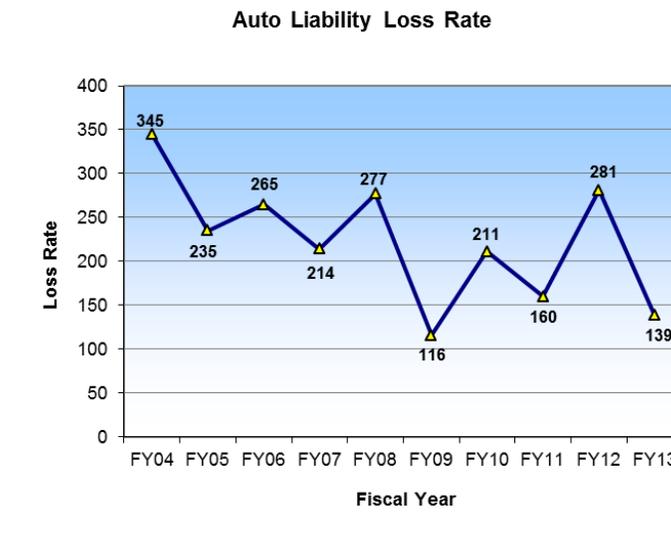


Figure 22 shows the number of auto liability claims filed against the City during the last ten years. The number of claims filed has trended downward since FY 2004.

Figure 22: Number of Auto Liability Claims Reported FY04 – FY13

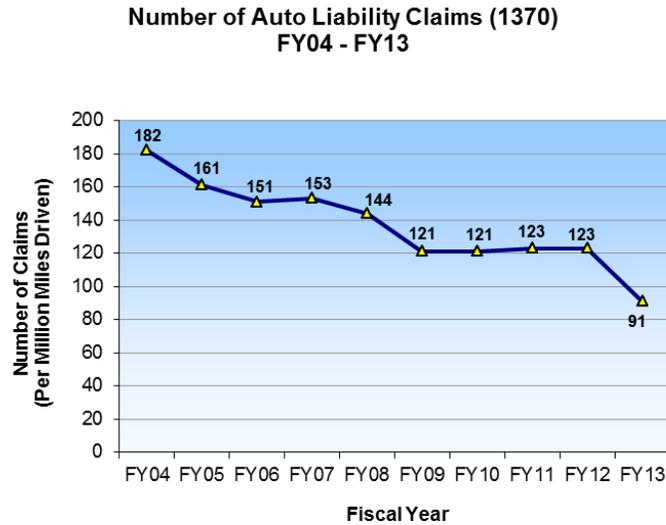
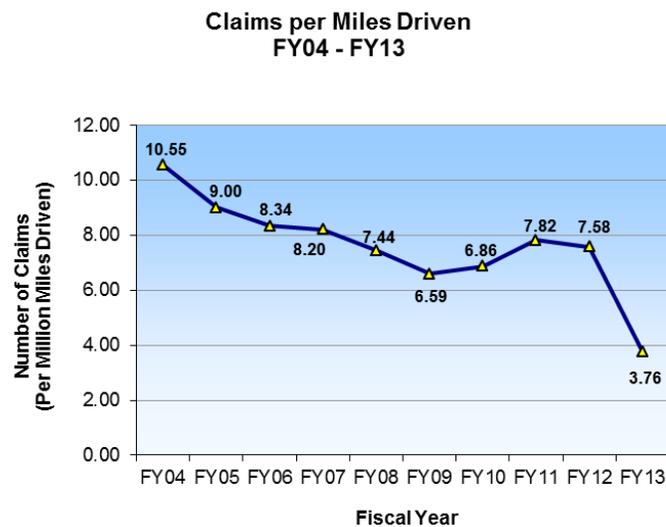


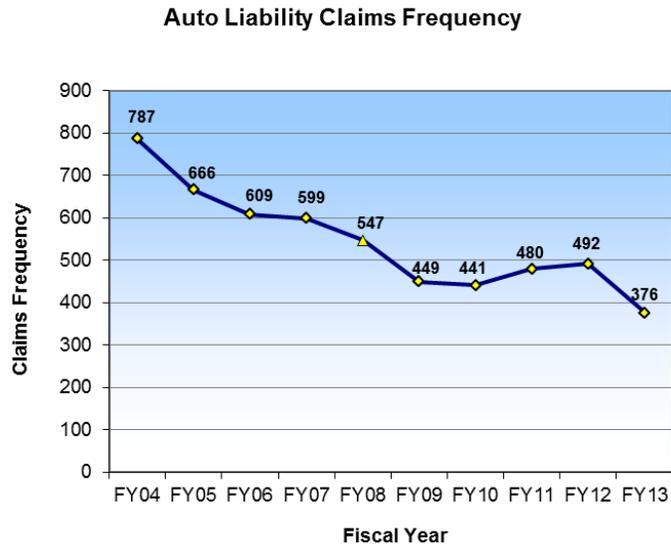
Figure 23 shows the number of auto liability claims per million miles driven (# of claims/(miles driven/1,000,000)). The number of miles driven in FY 2013 was 14,343,543. Claims have been trending lower since FY 2004. These favorable results are driven by the creation of the Vehicle Review Committee (discussed in greater detail in the Loss Prevention section of this report) and management’s commitment to reducing vehicle collisions.

Figure 23: Number of Auto Liability Claims per Million Miles Driven FY04 – FY13



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. The claims frequency rate continues to decrease.

Figure 24: Auto Liability Claims Frequency



The claim severity (ultimate losses/# of claims) is depicted in Figure 25. The rate varies each year as a few large accidents will influence the rate.

Figure 25: Auto Liability Claim Severity

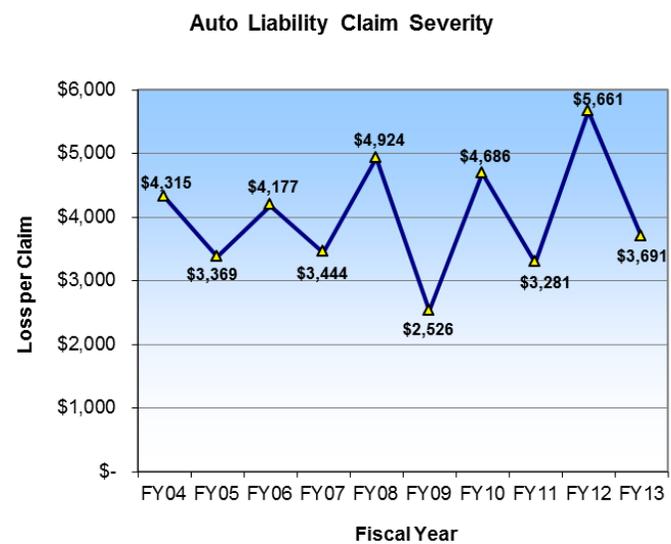


Figure 26 shows the percentage of auto liability claims filed against the City during the last nine years broken down by Police, Fire, and all other City Departments.

Figure 26: Percentage of Auto Liability Claims by Department

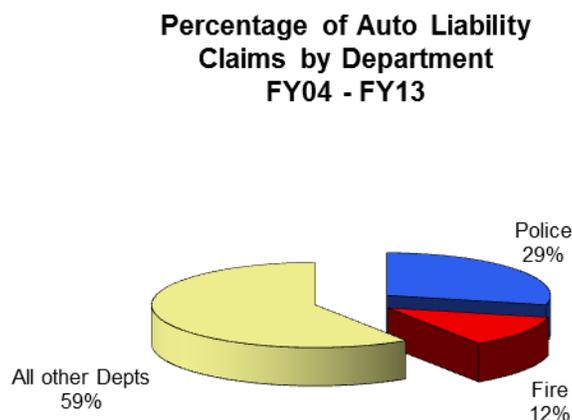
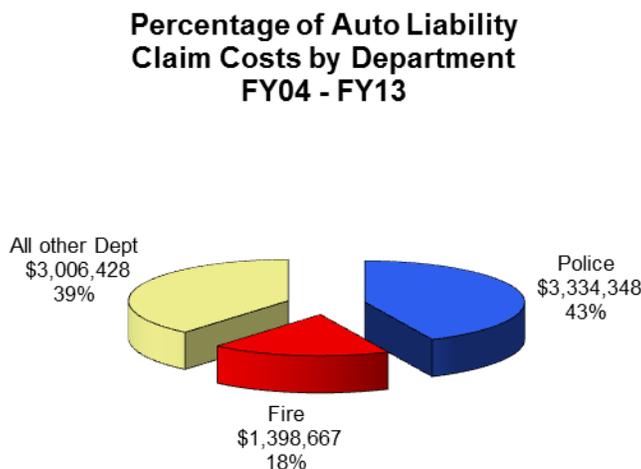


Figure 27 shows the percentage of costs paid for auto liability claims in the last nine years broken down by Police, Fire, and all other City Departments. A large loss involving a police ride along injury in FY 2007 resulted in the high percentage of claim costs attributed to the Police Department.

Figure 27: Percentage of Auto Liability Claim Costs by Department



Benchmarking

Benchmarking information was provided by 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's average cost per claim or severity rate for general and auto liability claims was 30 percent below the average and the loss rate was 43 percent below the average. The City's

frequency rate was 17 percent lower than the average. Additional benchmarking provided by our insurance broker showed similar favorable results. The City's commitment to quickly handle and address liability issues along with the success of the City Attorney's Office in defending the City in litigation has helped drive these positive results. Additional cost savings are achieved by the lower cost of defending litigation by handling the City's litigation in-house.

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 2013 loss prevention activities included the following.

Training

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

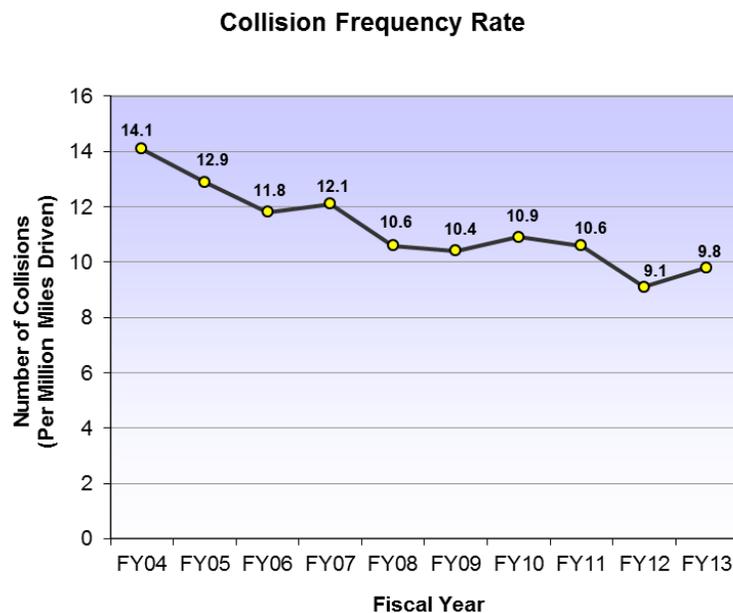
- Developed a request for proposal and facilitated processes to select a learning management system and identify regulatory training requirements citywide;
- Facilitated a Training and Wellness Steering Committee and established goals for the training and wellness programs;
- Revitalized the instructor lead training program into the new CityYOU;
- Delivered nine wellness presentations and a citywide Wellness Fair;
- Updated the automatic external defibrillator inventory for public safety departments and trained all responsible parties;
- Certified 255 City employees in CPR/First Aid;
- Certified 67 employees as forklift operators;
- Coordinated Bloodborne Pathogen, Aerosol Transmissible Disease and Heat Illness Prevention regulatory training for all Police managers, supervisors, and officers;
- Coordinated annual heat illness refresher training for employees citywide;
- Provided ergonomics training for all Police Communications Center staff;
- Assisted with workplace violence training, culture of security, active shooter, and emergency action plans for the Department of Utilities;
- Continued a citywide campaign to increase awareness of the hazards of distracted driving;
- Facilitated asbestos awareness training for the Department of Utilities;
- Provided health and safety training for fire recruit and fire captain academies;
- Delivered two classes on implementation of City insurance requirements;
- Sponsored workplace violence prevention training for community center staff;
- Delivered 25 other miscellaneous safety classes;

- Coordinated response to the AB 1825 sexual harassment prevention training internal audit; and
- Mentored two Cal State Sacramento students as part of their internship program and hosted one graduate student intern from Cal State Sonoma.

Vehicle Safety

City employees drove over 14.3 million miles in FY 2013. Loss Prevention staff track City vehicle collision statistics and provide administrative support for departmental collision review committees and the citywide Vehicle Review Committee. The City’s collision frequency rate, the number of chargeable collisions divided by million miles driven, has dropped substantially since FY 2004 as depicted in Figure 27 and remains stable in FY 2013. The primary reasons for this drop are continued commitment to high quality driver training and accountability due to creation of the Vehicle Review Board.

Figure 28: Vehicle Collision Frequency Rate



General Service’s employee navigates the Sacramento Regional Driver Training course.

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 citywide.

In FY 2013 SRDTF personnel trained 310 City police officers, 507 City firefighters, 247 non-sworn City employees, 313 students from external agencies, 314 law enforcement academy candidates, and 57 other miscellaneous participants. 392 firefighters, also participated in a vehicle operations multi-company drill. 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 89 ergonomic evaluations;
- Monitoring of over 900 commercial drivers' licenses;
- Coordination of 207 random drug tests and 16 random alcohol tests for commercial drivers;
- Coordination of 13 follow-up drug and 10 follow-up alcohol tests for employees on last-chance agreements;
- Coordination of lead exposure monitoring at the firing ranges and an operations review at the Mangan gun range;
- Identification of opportunities for modified duty to bring injured employees back to work;
- Participation in Fire Department serious accident review team;
- Development of recommendations for update of fire rehabilitation operational guidelines;
- Support of peer support programs and staffing of citywide threat assessment team;
- Coordination of seven Cal OSHA investigations of reportable or serious employee injuries and facilitation of one citation settlement;
- Participation in the CA Police Officers Standards and Training statewide Vehicle Operations Technical Advisory Committee;
- Assisted with development of the Police Department's bloodborne pathogen and aerosol transmissible disease exposure control policies

Environmental

Environmental regulatory compliance activities included:

- Support of environmental remediation projects at the Mangan Range, Memorial Auditorium, Amtrak Depot, and Coloma Community Center;
- Assistance to the Department of General Services for recycling 300 light fixtures associated with a relamping project at Memorial Center;
- Coordination of the selection process for the citywide hazardous waste disposal and emergency response contract;
- Preparation of the RFP and selection of the bio-hazardous waste disposal contractor;
- Participation in hazardous materials response operations for incidents occurring in the public right of way and minimization of the cost to the City by utilizing the Department of Toxic Substances Control's (DTSC) abandoned waste program;
- Arranged for the proper disposal of approximately 3,400 pounds of abandoned hazardous waste;
- 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;
- Completion of asbestos and lead sampling citywide as requested by the Facilities Division prior to remodeling; and
- Conversion of hazardous materials storage plans for all City fire stations and fleet maintenance facilities to Sacramento County's new electronic system.



Mock chlorine leak drill

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;
- Developing request for proposals and coordinating the selection process for medical and psychological service providers;
- Scheduling pre-employment, non-industrial return-to-work and specialty physical exams in accordance with City policy;
- Scheduled medical examinations in follow-up to the Assistance to Firefighters wellness grant;
- Coordinating 949 hearing tests and 1,286 respirator fit tests for employees in compliance with Cal OSHA requirements; and
- Coordinating annual flu vaccines and tuberculosis testing for public safety emergency responders.



Shannon Lichty, Safety Specialist, conducts respirator fit tests for firefighters.

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.

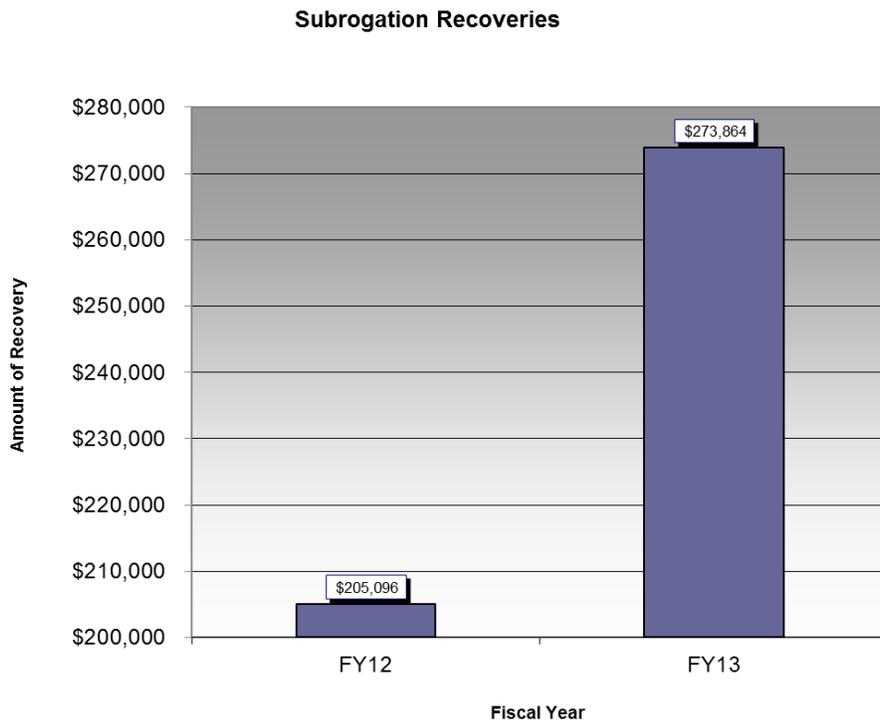
Forty-nine loss prevention initiatives were completed in FY 2013.

Training	17
Equipment or Process Improvement	15
Policy or Procedure Development	9
Non-Industrial Medical	1
Loss Analysis	4
Wellness	1
Ergonomics	2

SUBROGATION

Subrogation is the recovery of funds spent to repair or replace City assets damaged by negligent third parties. Examples are auto collision 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 Division.

Figure 29: 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 2014 ACTION PLAN

- Complete integration of the ECAPS training module with the Target Solutions learning management system (LMS) for tracking of employee training requirements.
- Provide support to department LMS administrators to continue expansion of online training and policy review as well as tracking of instructor classes.
- Expand CityYou course offerings to include a leadership development program.
- Continue with conversion to a paperless liability claims system.
- Improve interest and attendance in wellness activities.
- Continue conversion of risk management policies and procedures to new City format.
- Provide access and training to City personnel on the certificate of insurance monitoring software. This will allow all employees to review certificates of insurance online which will improve the monitoring of insurance for existing contracts and reduce the need to obtain new certificates of insurance for each project or contract.
- Assist in developing a long-term 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.
- Work with workers' compensation software vendor to upgrade our claims adjusting software.
- Continue to implement the wide-ranging changes to California's workers' compensation system resulting from the passage of Senate Bill 863.
- Implement a more aggressive drug management program with the assistance of our PBMP.

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.