City of
SACRAMENTO

Department of Human Resources

Division of Risk Management Annual Report

Fiscal Year Ending June 30, 2014

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On the Cover: Sacramento Historic City Hall

EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2014.

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 automobile 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 automobile 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 2014 budget is $25,802,000, a slight decrease of $137,000 from the prior year's budget of $25,939,000.

Total insurance premium costs increased eight percent in FY 2014, from $2,792,959 in FY 2013 to $3,016,709 in FY 2014. The increases were primarily driven by increases in property and excess liability insurance. Excess liability insurance premiums increased seven percent or $78,120, from $1,176,460 in FY 2013 to $1,254,580 in FY 2014. The increase in premium is similar to increases experienced by other members of the excess insurance program where the City purchases its excess liability insurance. Excess workers' compensation insurance premiums decreased two percent or $8,823, from $432,858 in FY 2013 to $424,035 in FY 2014. Property insurance premiums increased 14 percent in FY 2014 from $1,054,090 to $1,204,796. Property insurance premium increases were the result of increases in the City's total insurable values and 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 increased in FY 2014 after declining the previous three years. The increase is primarily driven by recent additions to City staff. The average cost per claim dipped slightly even though temporary and permanent disability rates increased as did 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 2014. 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 most recent 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 2013.

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 2014 the City of Sacramento's loss rate was 51 percent below the average and the incident rate was one percent above the average. The City of Sacramento had a similar number of injuries with comparable cities but paid less for the claims that did occurred. 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 31 percent below the average and the loss rate was 36 percent below the average. The City's frequency rate was 14 percent below the average.

The number of general liability claims has been on a downward trend since 2005. 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 and fire liability. 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 161 claims in FY 2005 to 97 claims in FY 2014, a decrease of 40 percent. The automobile liability severity rate (average cost of claims) in FY 2014 was higher 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 California cities the City of Sacramento's average cost per claim or severity rate for general and auto liability claims was 23 percent below the average and the loss rate was 36 percent below the average. The City's frequency rate was 15 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.

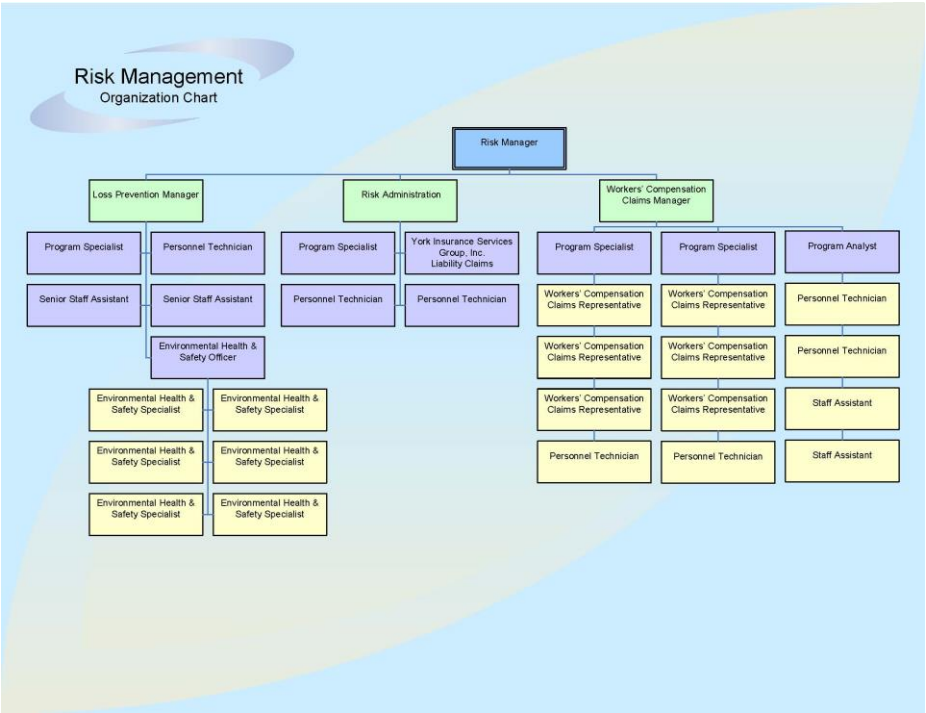
RISK MANAGEMENT VISION STATEMENT

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 below. 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 automobile 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 automobile 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 decreased $137,000 FY 2014 from $25,939,000 in FY 2013 to $25,802,000 in FY 2014.

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 eight percent in FY 2014, from $2,792,959 in FY 2013 to $3,016,709 in FY 2014, primarily driven by increases in property and 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. The City's self-insured retention is $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. Excess liability insurance premiums increased seven percent or $78,120, from $1,176,460 in FY 2013 to $1,254,580 in FY 2014. 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. The seven percent increase in the City's excess liability insurance premium was similar to increases for the other members of ANML in FY 2014. The slight increase in premium rates is largely driven by lackluster market returns for excess liability insurers.

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 2014 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 decreased two percent or $8,823 from $432,858 in FY 2013 to $424,035 in FY 2014. 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 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 $1,734,800,834. Property insurance premiums increased 14 percent in FY 2014 from $1,054,090 to $1,204,796. The increase was driven primarily by the increase in the City's total insurable values from $1,636,255,716 in FY 2013 to $1,734,800,834 in FY 2014, an increase of six percent. Property insurance premium rates also increased due to the 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 2014:

- Fine arts insurance with limits of $100,000,000. Coverage is provided for art throughout the City, including 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.

Crocker Art Museum

Table 1, Schedule of Insurance, summarizes coverage, self-insured retentions, limits, premiums and carriers for three years and provides a total cost of insurance by year at the bottom of the table. Information for FY 2015 is also included as these insurance policies have already been purchased. Detailed information on FY 2015 insurance will be provided in next year's annual report.

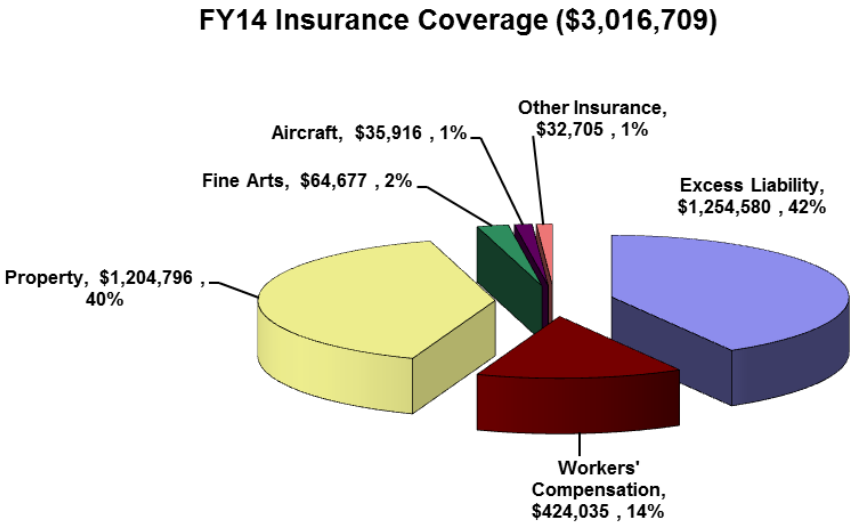
Table 1: Schedule of Insurance

SCHEDULE OF INSURANCE

Fiscal Year	*Self Insured Retention*	*Policy Limits*	*Premium*	*Carrier*
Excess Liability				
FY15	3,000,000	30,000,000	1,283,474	Security National, Star Indemnity, Ironshore Specialty
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
Total			**3,714,514**	
Workers' Compensation				
FY15	2,000,000	Statutory	484,946	CSAC EIA
FY14	2,000,000	Statutory	424,035	CSAC EIA
FY13	2,000,000	Statutory	432,858	CSAC EIA
Total			**1,341,839**	
Property				
FY15	100,000	1,000,000,000	1,276,999	PEPIP
FY14	100,000	1,000,000,000	1,204,796	PEPIP
FY13	100,000	1,000,000,000	1,054,090	PEPIP
Total			**3,535,885**	
Fine Arts				
FY15	10,000	100,000,000	64,677	Ace American
FY14	10,000	100,000,000	64,677	Ace American
FY13	10,000	100,000,000	61,619	Ace American
Total			**190,973**	
Aircraft				
FY15	Varies	20,000,000	35,936	Old Republic
FY14	Varies	20,000,000	35,916	Old Republic
FY13	Varies	20,000,000	35,936	Old Republic
Total			**107,788**	
Other Insurance *Includes pollution, crime, airport and bounce house insurance*				
FY15			33,093	
FY14			32,705	
FY13			31,996	
Total			**97,794**	
Total Insurance				
FY15			3,179,125	
FY14			3,016,709	
FY13			2,792,959	
Total			**8,988,793**	

Figure 2 shows the cost breakdown by the various types of insurance purchased in FY 2014 with a total cost of $3,016,709.

Figure 2: FY14 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 automobile 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 five percent or $3,256,000 in FY 2014 to $63,100,000. Increases occurred primarily in liability claims from adverse loss development in automobile liability claims. There were also increases in the amount budgeted for workers' compensation claims costs for the coming fiscal year based on statutory increases in temporary and permanent disability rates and increasing medical costs. Liability costs for the coming year also increased based on increases in both general liability and automobile liability costs.

Table 2: Comparison of Estimated Outstanding Losses

COMPARISON OF ESTIMATED OUTSTANDING LOSSES							
As of June 30, 2012		As of June 30, 2013		Difference Between FY 2012-13	As of June 30, 2014		Difference Between FY 2013-14
WORKERS' COMPENSATION							
Estimated Liability for Outstanding Claims	$42,367,000	Estimated Liability for Outstanding Claims	$43,971,000	$1,604,000	Estimated Liability for Outstanding Claims	$43,973,000	$2,000
Estimated Ultimate Cost of Claims	$7,686,000	Estimated Ultimate Cost of Claims	$8,692,000	$1,006,000	Estimated Ultimate Cost of Claims	$10,111,000	$1,419,000
GENERAL AND AUTO LIABILITY							
Estimated Liability for Outstanding Claims	$13,538,000	Estimated Liability for Outstanding Claims	$15,873,000	$2,335,000	Estimated Liability for Outstanding Claims	$19,127,000	$3,254,000
Estimated Ultimate Cost of Claims	$7,206,000	Estimated Ultimate Cost of Claims	$6,342,000	($864,000)	Estimated Ultimate Cost of Claims	$7,284,000	$942,000
TOTALS							
Total Estimated Liability for Outstanding Claims	$55,905,000	Total Estimated Liability for Outstanding Claims	$59,844,000	$3,939,000	Total Estimated Liability for Outstanding Claims	$63,100,000	$3,256,000
Total Estimated Ultimate Cost of Claims	$14,892,000	Total Estimated Ultimate Cost of Claims	$15,034,000	$142,000	Total Estimated Ultimate Cost of Claims	$17,395,000	$2,361,000

FISCAL YEAR 2014 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

- A total of 593 new workers' compensation claims were opened during FY 2014.
- Bill review fees yielded 63 percent in savings with a return on investment of 58 percent. Total dollars saved were $6,536,071 (*see Figure 10 on page 15*).
- The City's workers' compensation program continues to experience 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 $33,374 and conversion to generic drug use was 98 percent. The City's cost of prescription drugs is 49 percent lower than the PBMP's average 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. The use of Utilization Review of requested medical treatment resulted in savings of $594,344.

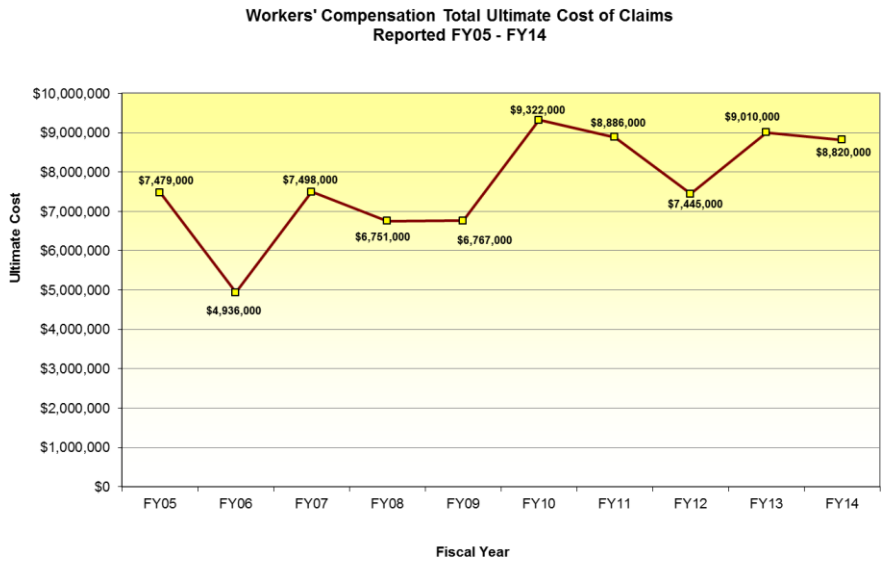
- Claim staff and department supervisors attend regularly scheduled meetings to review open and potential workers' compensation claims. The numbers of meetings were determined by the frequency and severity of the department's claims.
- A total of 45 interactive process meetings with injured workers and their departments were conducted to facilitate the injured workers' return to work and to identify reasonable accommodation opportunities.
- Recoveries from subrogation and excess insurance carrier programs totaled $180,054 . A total of 163 indemnity claims were settled.

Workers' Compensation Results

The following data is derived from the most recent actuarial report which was completed in November of 2014. This information is based on data valued as of June 30, 2014.

Figure 3 shows the total estimated cost of workers' compensation claims for the past ten years. Despite industry-wide increases in temporary and permanent disability rates and medical costs in recent years our costs have remained stable.

Figure 3: Total Ultimate Cost of Claims FY05 – FY14



The loss rate per $100 of payroll (losses/ (payroll/$100)) for the last ten years is illustrated in Figure 4. The data in Figure 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 decreased eight percent in FY 2014.

Figure 4: Loss Rate per $100 of Payroll FY05 – FY14

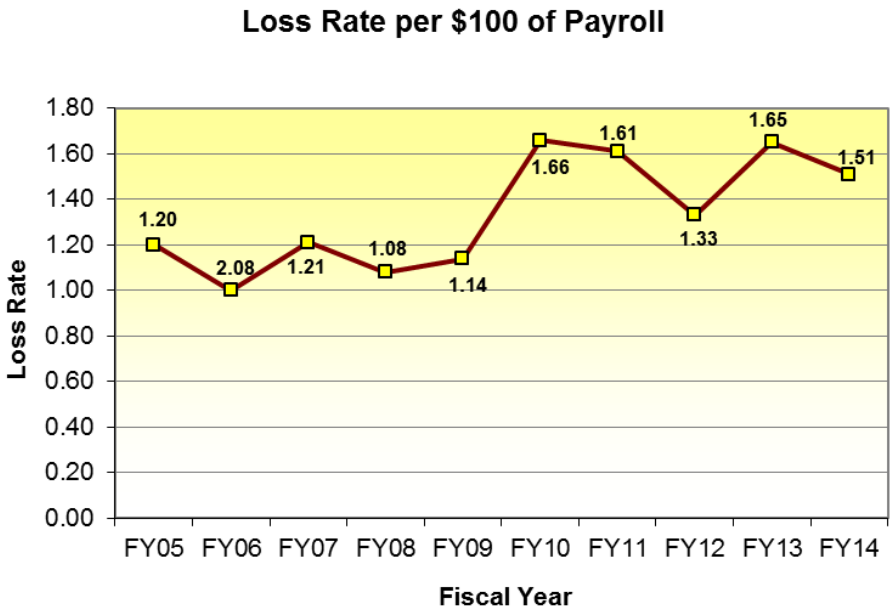
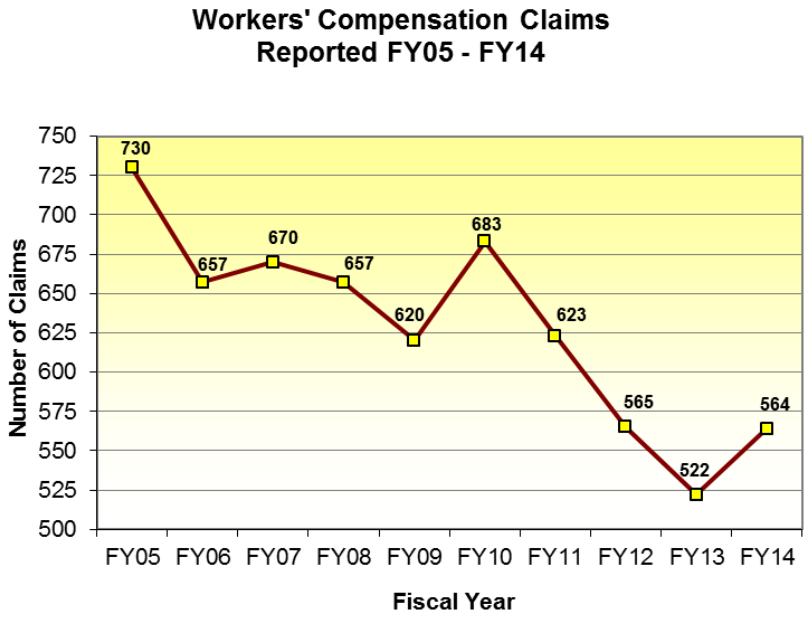


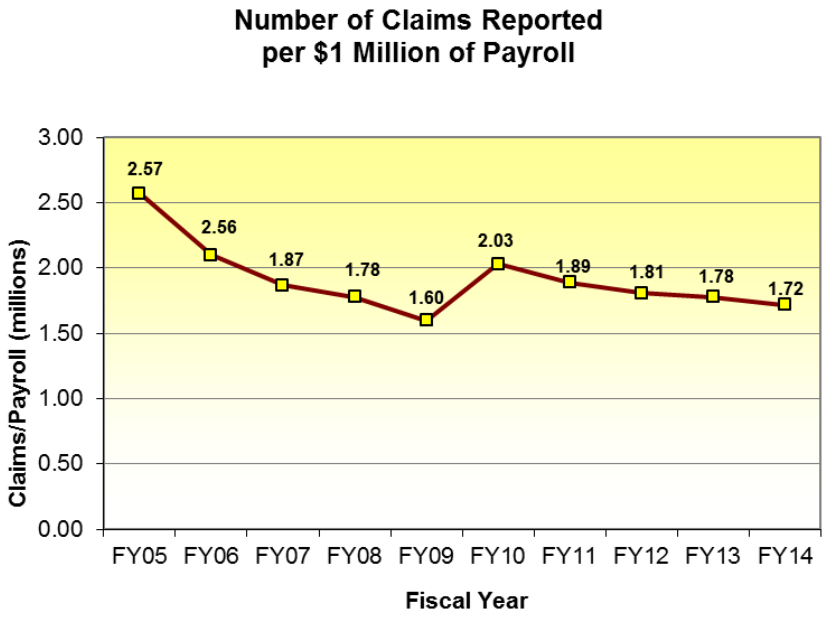
Figure 5 shows the number of workers' compensation claims reported for the last ten years. Claims have been decreasing since FY 2010 but showed an increase in FY 2014 due to the recent additions to City staff.

Figure 5: Workers' Compensation Claims Reported FY05 – FY14



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 four years.

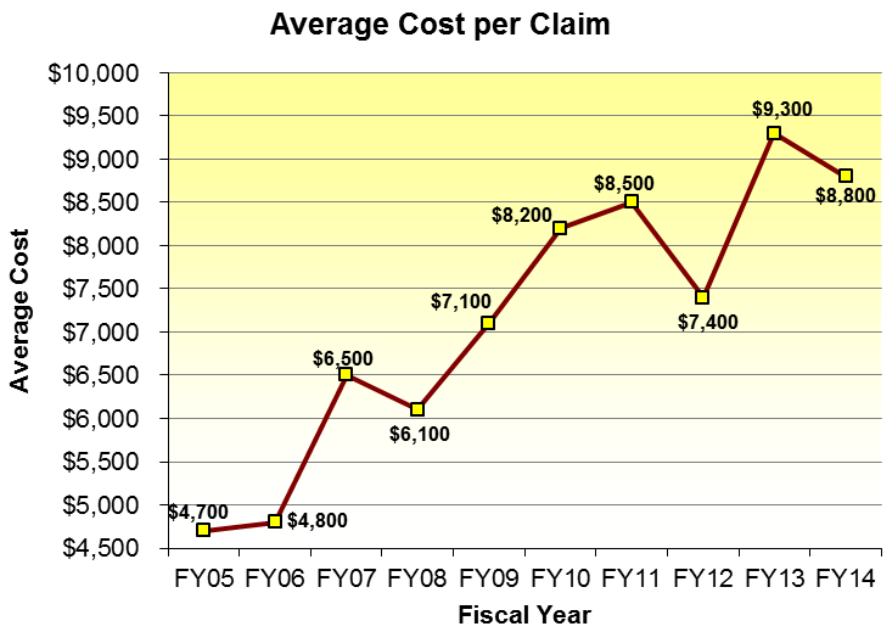
Figure 6: Number of Claims Reported per $1 Million of Payroll FY05 – FY14



Department of Utilities employees participate in Confined Space Training exercise.

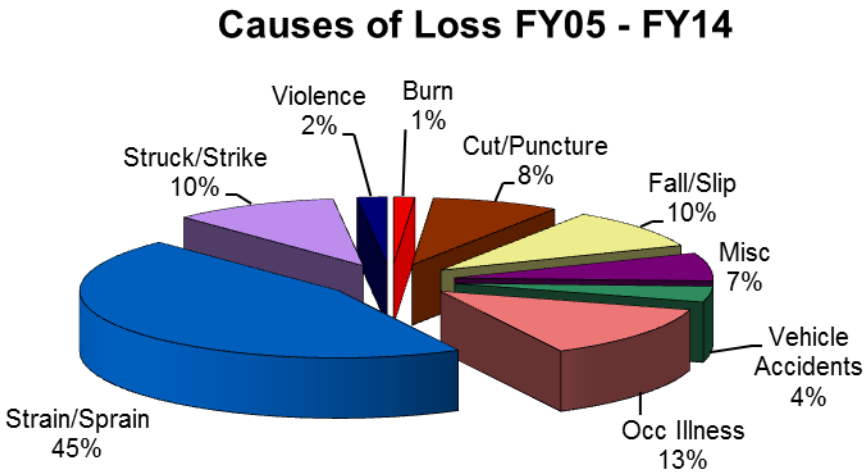
Workers' compensation reforms contributed to the decrease in average cost per claim (estimated ultimate cost of claims/# of claims) prior to FY 2005. Claim costs began increasing in FY 2006 as the cost savings from the workers' compensation reforms had been realized and medical (especially hospital costs) and pharmaceutical costs began rising dramatically. Increases in temporary and permanent disability rates have also contributed to the increase in costs in recent years. However, the average cost per claim is estimated to decrease in FY 2014 as illustrated in Figure 7.

Figure 7: Average Cost per Claim FY05 – FY14



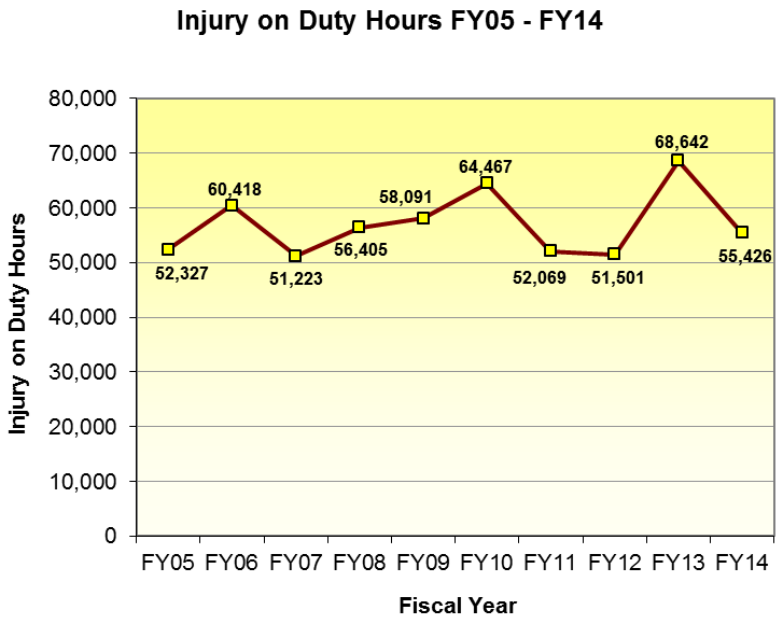
The causes of loss for workers' compensation claims are depicted in Figure 8. Strain and sprain injuries continue to be the most common type of injury. Our Loss Prevention staff and the Fire Coach provided department specific training on reducing these types of injuries. Additionally, voluntary stretching 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.

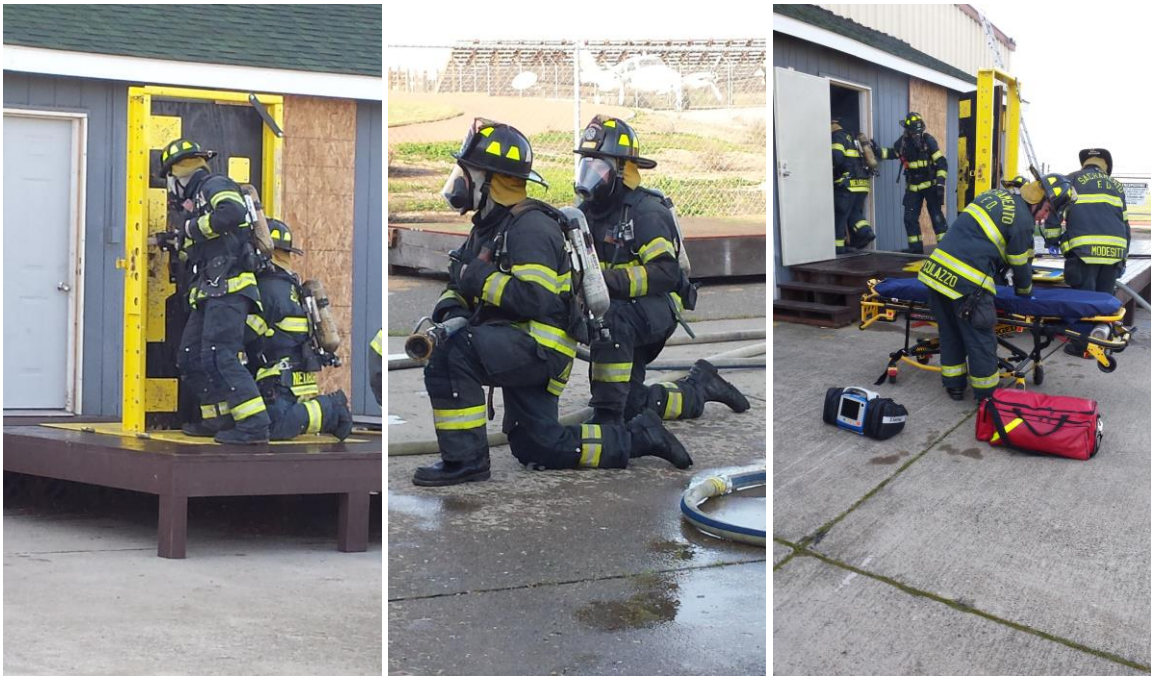
Figure 8: Causes of Loss FY05 – FY14



Injury on duty (IOD) hours is 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 spiked in FY 2013 because of claims for serious illnesses (cancer, heart) and orthopedic claims that required substantial time off work. However, the injury on duty hours decreased in FY 2014 to a level consistent with prior years.

Figure 9: Injury on Duty Hours





Fire Academy

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 increase in bill review savings for FY 2014 resulted from high in-patient hospitalization costs which generated increased bill review savings. The City averaged a 63 percent reduction in costs for all workers' compensation bills processed in FY 2014.

Figure 10: Bill Review Savings

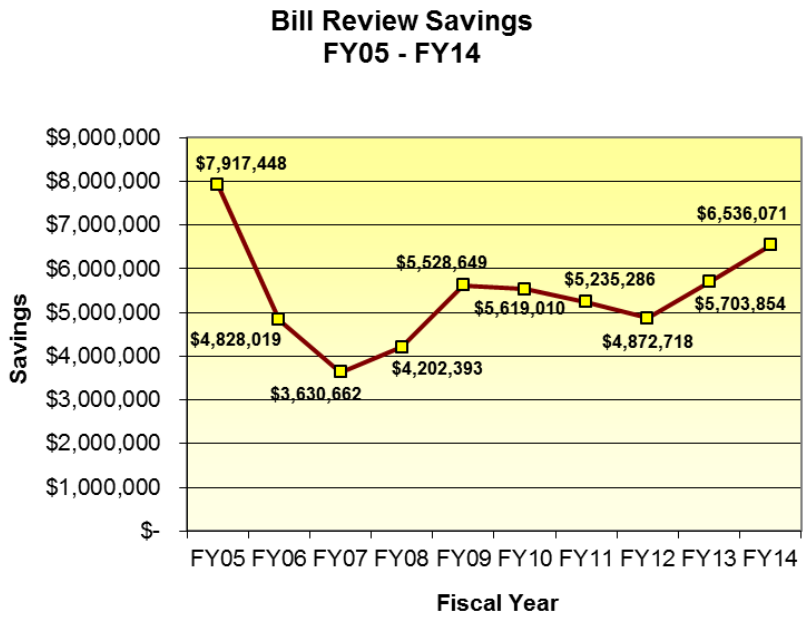


Figure 11 shows the percentage of workers' compensation claims filed in the last ten years broken down by Police, Fire and all other City Departments.

Figure 11: Percentage of Workers' Compensation Claims by Department

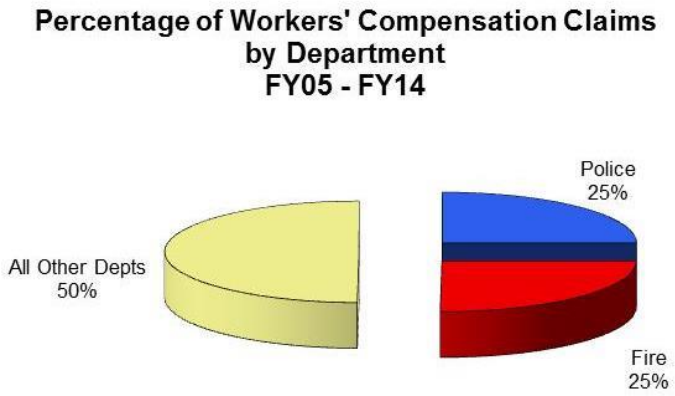
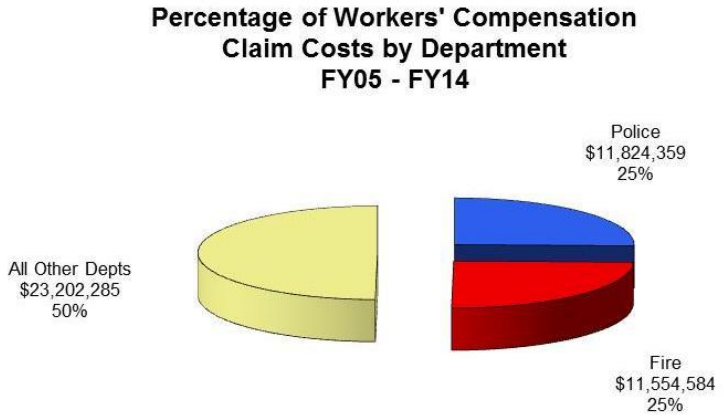


Figure 12 shows the percentage of costs paid for workers' compensation claims in the last ten years broken down by Police, Fire and all other City Departments. The number of claims filed by department and the costs per claim by department are similar, indicating that departments' claims costs are similar 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 workers' compensation loss rate was 51 percent below the average and the incident rate was 1 percent above the average. This shows the City of Sacramento has a similar number of claims with comparable cities but lower costs for the claims that do occur.

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

Workers' Compensation Benchmarking for FY14

	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	5.15	2.51	-51%
Incident Rate Per Payroll (Reported claim)/(Total payroll) x 1,000,000	2.29	2.32	1%

* 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 California cities the City of Sacramento's average cost per claim, or severity rate, for workers' compensation claims was 31 percent below the average and the loss rate was 36 percent below the average. The City's frequency rate was 14 percent below the average.

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 2014 resolved 65 percent of litigated cases without payment of money. Claims are broken down into two categories: automobile and general liability.

Accomplishments

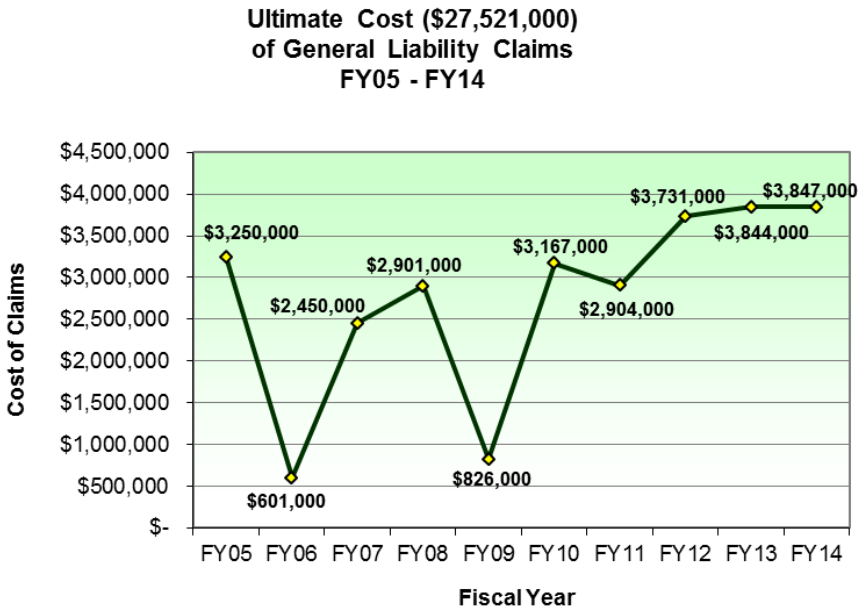
- York successfully represented the City of Sacramento at Small Claims Court 12 times saving the City $31,250.
- The number of open liability claims was reduced 18 percent.
- A dedicated York adjuster is assigned to the Solid Waste Division due to their high claim frequency. Monthly meetings with the adjuster, loss prevention personnel, and solid waste management were held to discuss open and pending claims.
- York has assigned a dedicated adjuster to the Utilities Department to increase emergency response and settlement of Utilities 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.
- Meetings between Department staff and Risk Management were conducted to review open and potential liability claims.
- The York claim system is now entirely paperless.

General Liability Results

The following data is presented from the most recent actuarial report which was completed in November of 2014.

The ultimate cost of general liability claims for the last ten years is estimated in Figure 13. General liability claims include all claims besides automobile accidents, which are summarized later. 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 liability from Police and Fire actions.

Figure 13: Estimation of Ultimate Cost of General Liability Claims FY05 – FY14



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 spiked in FY 2011 and FY 2013 for the reasons discussed in Figure 13. The general liability loss rate decreased in FY 2014.

Figure 14: General Liability Loss Rate

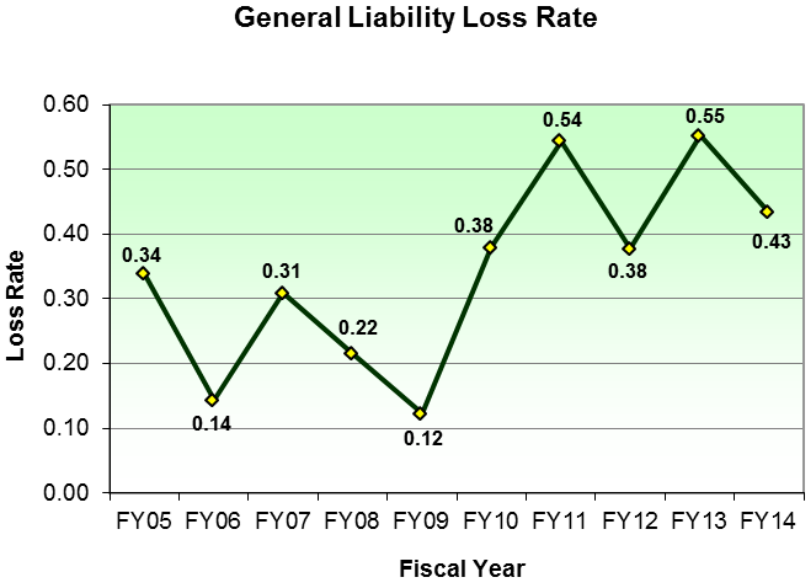
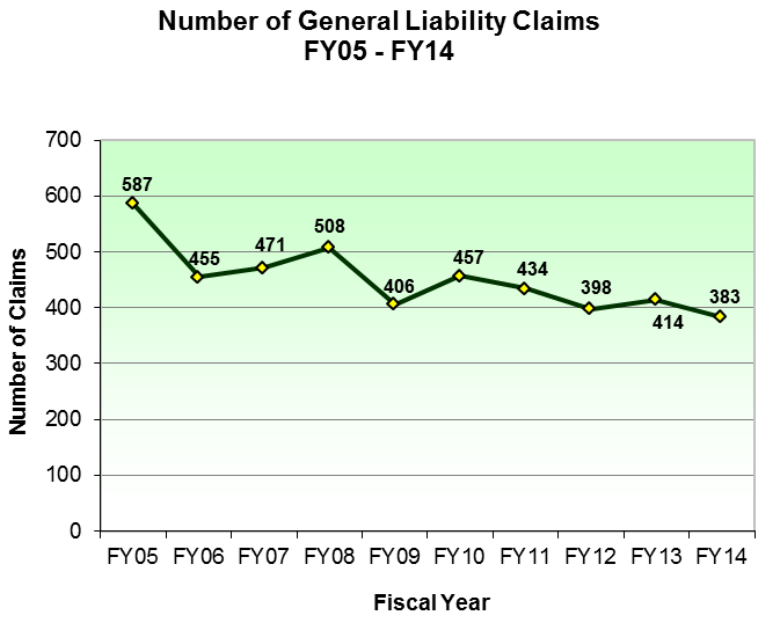


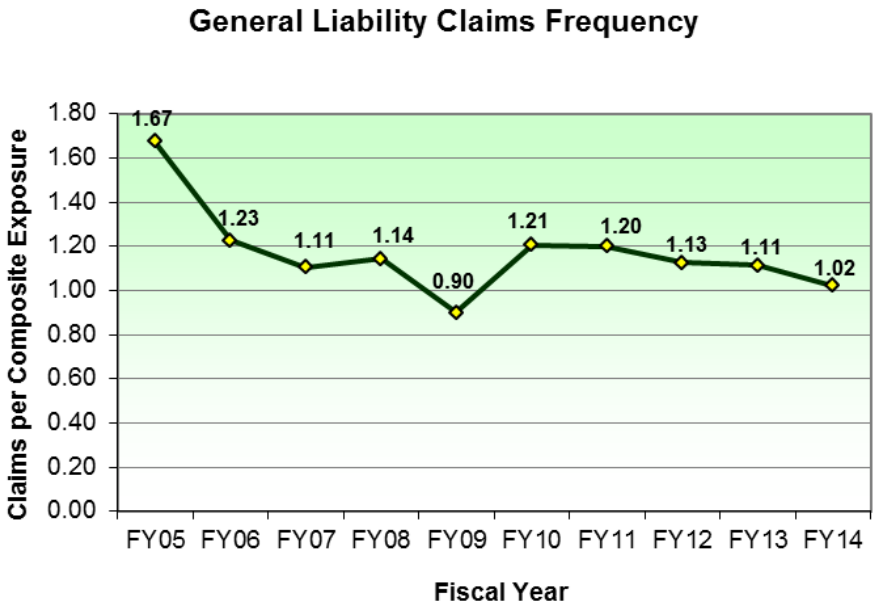
Figure 15 shows the number of liability claims reported for the last ten years. The number of claims reported has been decreasing over this time period.

Figure 15: Number of General Liability Claims Reported FY05 – FY14



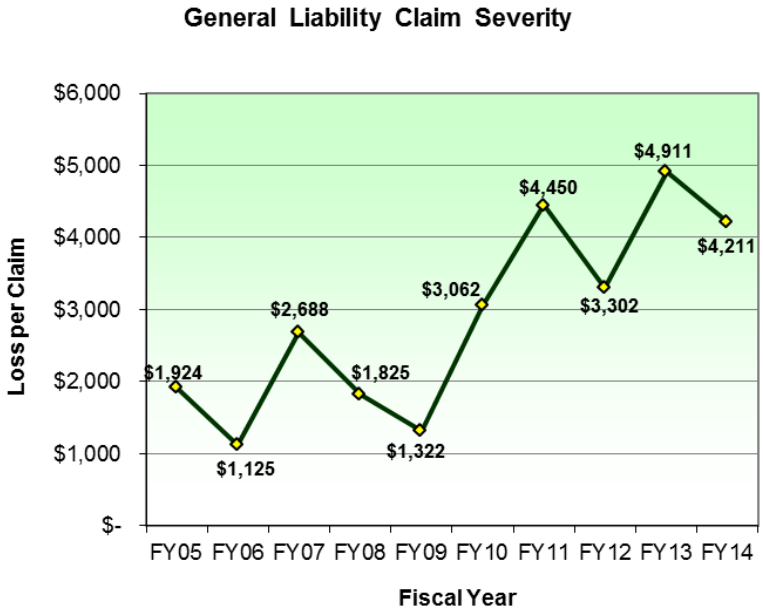
The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$1,000,000)) is illustrated in Figure 16. The rate has been decreasing the last four years.

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 and FY 2013 showed a spike in severity primarily driven by a large water main break claim, dangerous condition of public property claims, and Police liability claims.

Figure 17: General Liability Claim Severity



Repair of 36-inch water main.

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

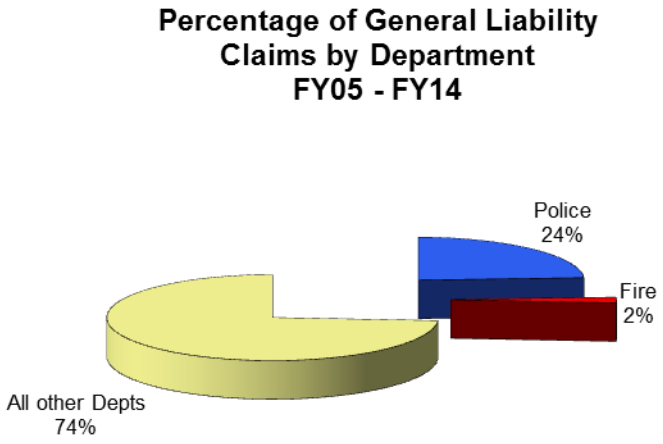
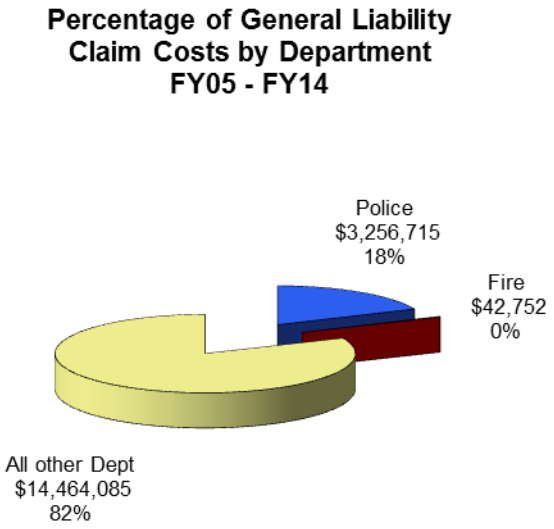


Figure 19 shows the percentage of costs paid for general liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

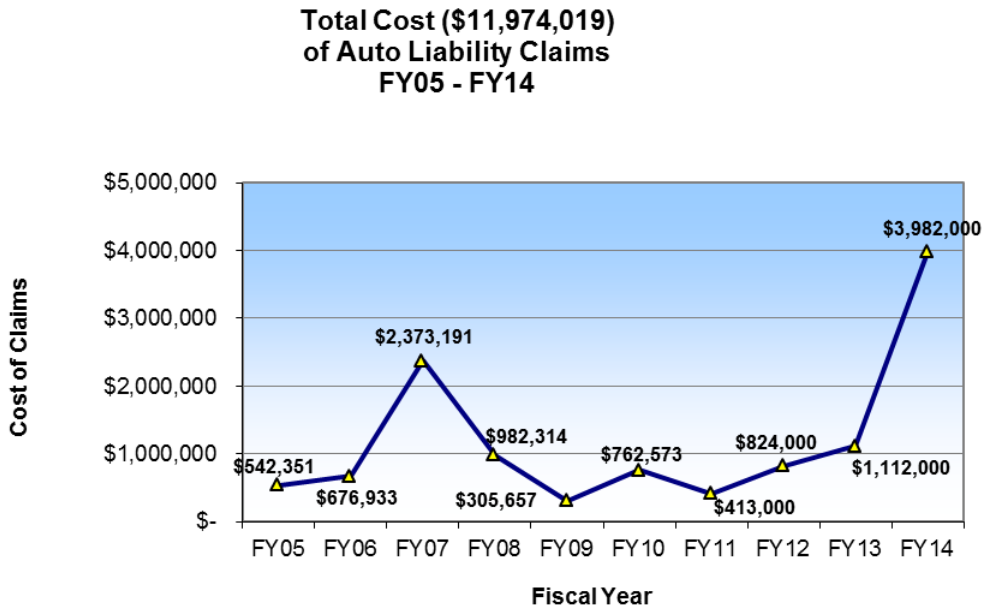
Figure 19: Percentage of General Liability Claim Costs by Department



Automobile Liability Results

The ultimate cost of automobile liability claims for the last ten years is estimated in Figure 20. The spike in FY 2007 was primarily caused by serious injuries caused by a collision involving a ride-along passenger in a police vehicle. The increase in FY 2014 is based on a few claims which will be discussed in subsequent reports due to pending litigation.

Figure 20: Total Cost of Auto Liability Claims FY05 – FY14



Practicing Controlled Swerve at Sacramento Regional Driver Training Facility.

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 may be influenced by one or two large claims.

Figure 21: Auto Liability Loss Rate

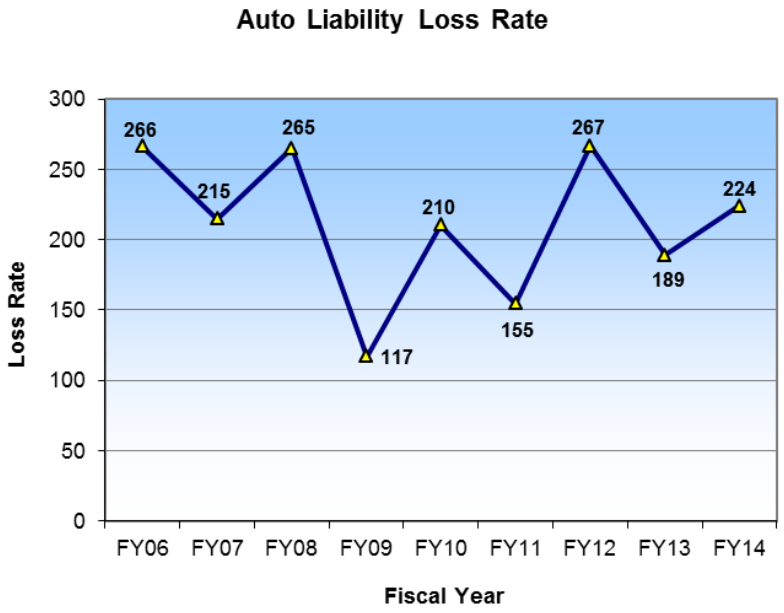


Figure 22 shows the number of auto liability claims filed against the City during the last ten years. The number of claims filed has trended downward since FY 2005.

Figure 22: Number of Auto Liability Claims Reported FY05 – FY14

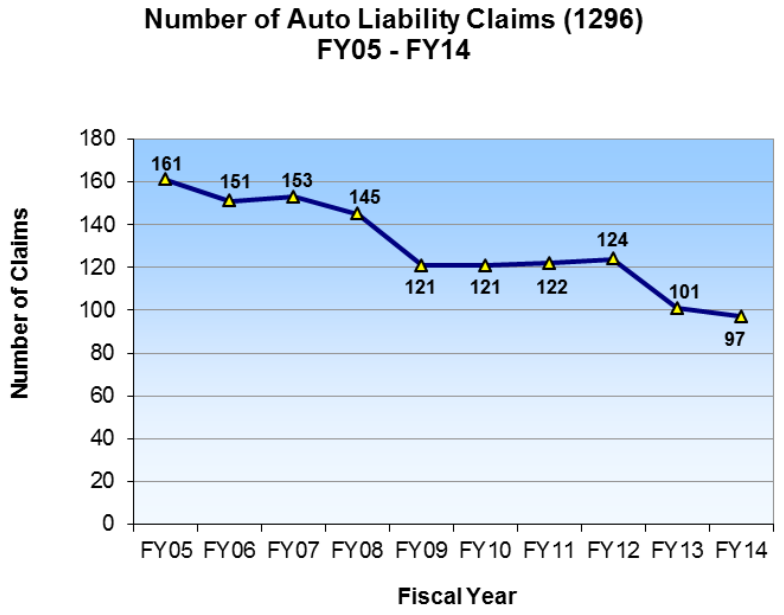
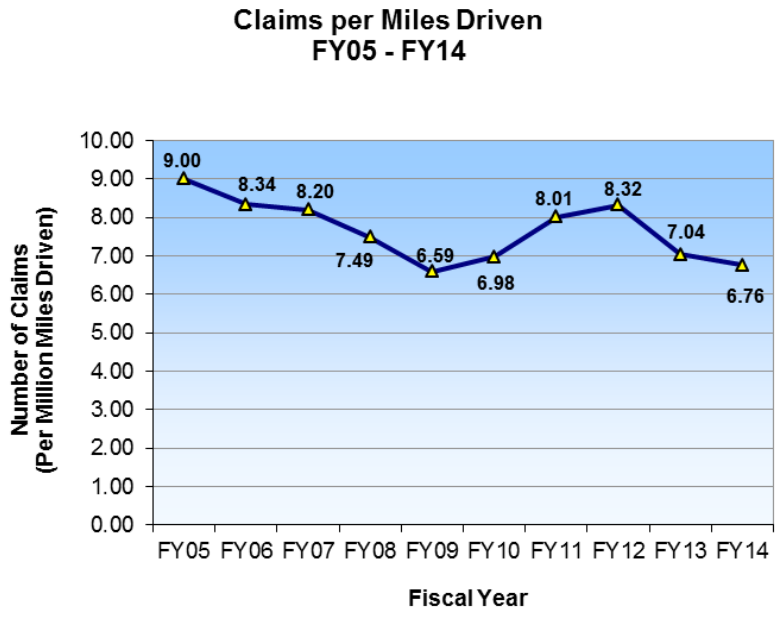


Figure 23 shows the number of auto liability claims per million miles driven (# of claims/(miles driven/1,000,000). The number of miles driven in FY 2014 was 14,055,170. Claims have been trending downward since FY 2005 and especially during the last two fiscal years. These favorable results are driven 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 accidents.

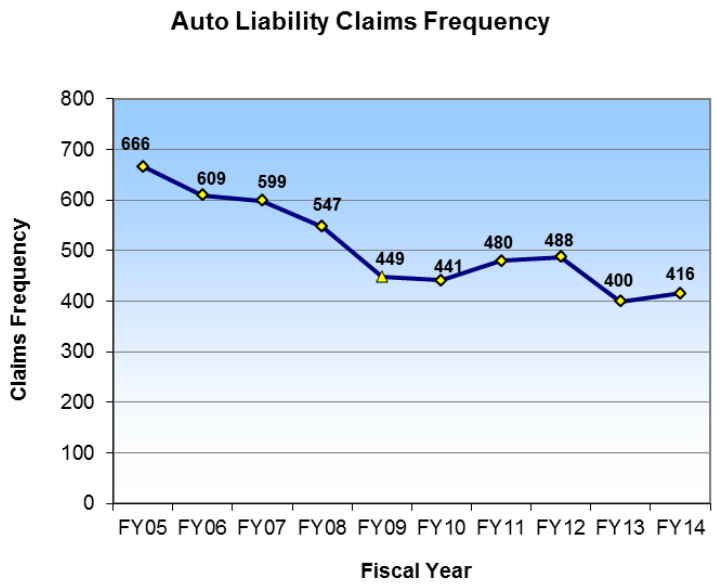
Figure 23: Number of Auto Liability Claims per Million Miles Driven FY05 – FY14



Department of Public Works vehicle

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 appears to be leveling off after significant reductions since before FY 2005.

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

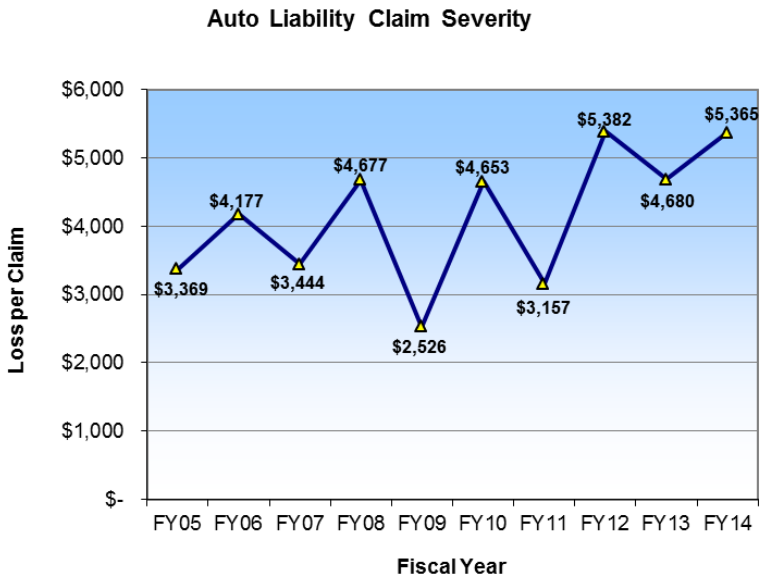


Figure 26 shows the percentage of auto liability claims filed against the City during the last nine years broken down by Police, Fire, and all other City Departments.

Figure 26: Percentage of Auto Liability Claims by Department

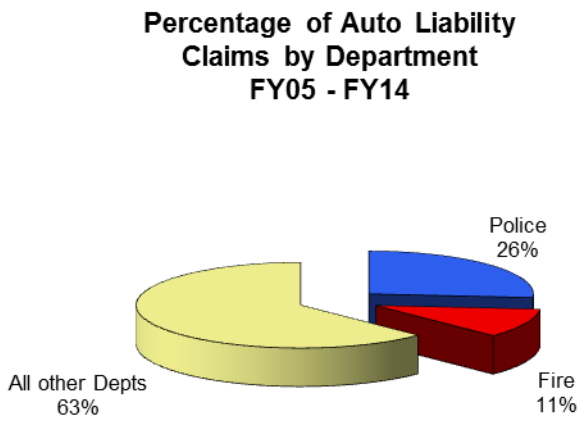
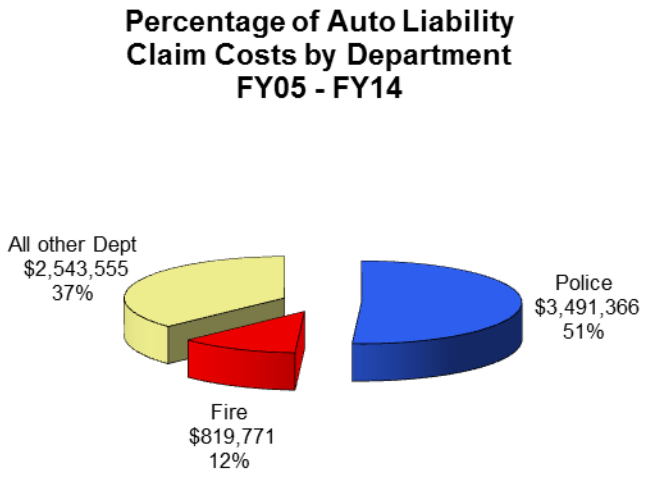


Figure 27 shows the percentage of costs paid for auto liability claims in the last nine years broken down by Police, Fire, and all other City Departments. A large loss involving a police ride along injury in FY 2007 resulted in the high percentage of claim costs attributed to the Police Department.

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 automobile liability claims was 23 percent below the average and the loss rate was 36 percent below the average. The City's frequency rate was 15 percent lower than the average. 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

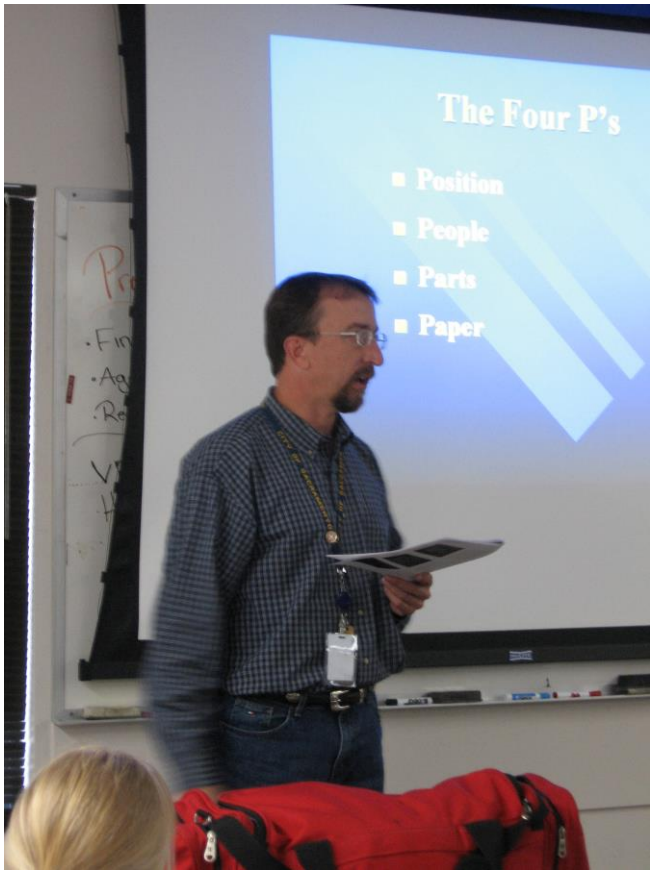
The primary loss prevention goal is to reduce the number and severity of injuries and accidents to minimize employee injuries and claim costs. Each City of Sacramento department has an assigned Environmental Health and Safety Specialist to consult with on workplace health and environmental issues. Reductions in workers' compensation and liability loss rates in recent years illustrate successes in loss prevention. FY 2014 loss prevention activities included the following:

Training

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

- Continued implementation of the Target Solutions Learning Management System (LMS) with 52,401 completions recorded in calendar year 2014 for online or instructor led training and policy review;
- Trained LMS administrators for departments citywide;
- Assisted in development of a multi-purpose training room and a computer lab in City Hall;
- Continued development of an instructor led training program and delivered 51 CityYOU classes to 500 employees;
- Collaborated with the Police Department in development and delivery of an Analyst Academy to provide Analysts with additional skills to assist in promotional opportunities;
- Coordinated sexual harassment prevention awareness training for non-supervisory employees city-wide with 1,672 online completions;
- Certified 178 City employees in CPR/First Aid;
- Certified 56 employees as forklift operators;
- Coordinated training for 142 utilities employees in confined space entry and 40 employees in trenching and shoring;
- Coordinated six classes with a physical fitness coach to prevent strains and sprains;

- Coordinated annual heat illness refresher training for employees citywide;
- Continued a citywide campaign to increase awareness of the hazards of distracted driving;
- Provided illness and injury prevention training for fire recruit academies;
- Delivered department specific training on implementation of City insurance requirements;
- Sponsored workplace violence prevention training for community center staff;
- Delivered 35 other miscellaneous safety classes; and
- Mentored three Cal State Sacramento students as part of their internship programs.



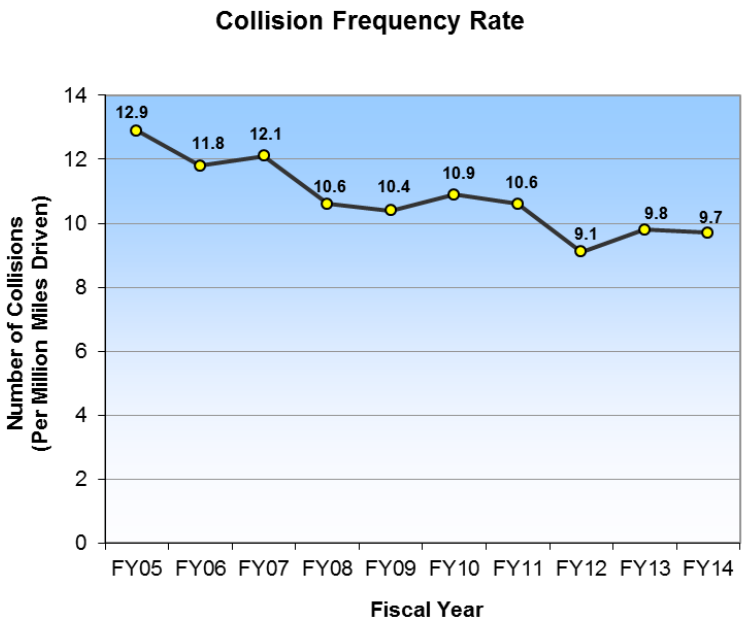
Safety Officer, Dan Driscoll conducts training on accident investigation.

Vehicle Safety

City employees drove approximately 14.1 million miles in FY 2014. 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 decreased substantially since FY 2004 as depicted in Figure 28 and remains stable in FY 2014. The primary reasons for this decrease are continued commitment to high quality driver training and

accountability due to the creation of the Vehicle Review Board. Loss Prevention staff coordinated a comprehensive revision of the Employee Transportation Policy working with Fleet Management and the Vehicle Review Board.

Figure 28: Vehicle Collision 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 citywide.

In FY 2014 SRDTF personnel trained 279 City police officers, 457 City firefighters, 231 non-sworn City employees, 465 students from external agencies, 86 fire academy candidates, 202 law enforcement academy candidates, and nine 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 92 ergonomic evaluations;
- Monitored over 900 commercial drivers' licenses;

- Coordinated 201 random drug tests and 40 random alcohol tests for commercial drivers;
- Coordinated six follow-up drug tests for employees on last-chance agreements;
- Developed tracking and reporting systems for the Solid Waste Division's safety performance metrics;
- Conducted personal protective equipment assessments citywide to assure employees are protected from hazards;
- Provided grant matching funds for the installation of sound reducing panels in kennels and implemented a hearing conservation program for General Services Animal Care personnel;
- Assisted Public Works in providing specialized hearing protection for Urban Forestry crews;
- Improved disability access for emergency exiting by increasing the number of evacuation chairs available in City Hall;
- Assisted the Fire Department and Fleet Management in assessing the source of exhaust odors inside medic units;
- Provided staffing for safety and collision review committees for all operational departments;
- Identified opportunities for modified duty to bring injured employees back to work;
- Provided training for peer support programs and staffing of citywide threat assessment team;
- Provided staffing for departmental labor / management safety committees;
- Coordinated three Cal OSHA investigations of reportable or serious employee injuries and facilitated one citation settlement;
- Participated in the CA Police Officers Standards and Training statewide Vehicle Operations Technical Advisory Committee; and
- Continued promotion of Back Defense duty belt suspender systems to reduce back injuries for police officers.

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;
- Administration of citywide contracts for hazardous and bio-hazardous waste clean-up and disposal;
- 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;
- 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.

Support Services

Pre-employment and preventative medical programs and contractual risk transfer are also administered by the loss prevention and risk administration 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;
- Updating the list of job classifications that require pre-employment physicals;
- Scheduling over 1,300 pre-employment, non-industrial return-to-work and specialty physical exams in accordance with City policy;
- Scheduling of medical examinations in follow-up to the Assistance to Firefighters wellness grant;
- Coordinating 937 hearing tests and 1,192 respirator fit tests for employees in compliance with Cal OSHA requirements; and
- Coordinating annual flu vaccines and tuberculosis testing for public safety emergency responders.

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.

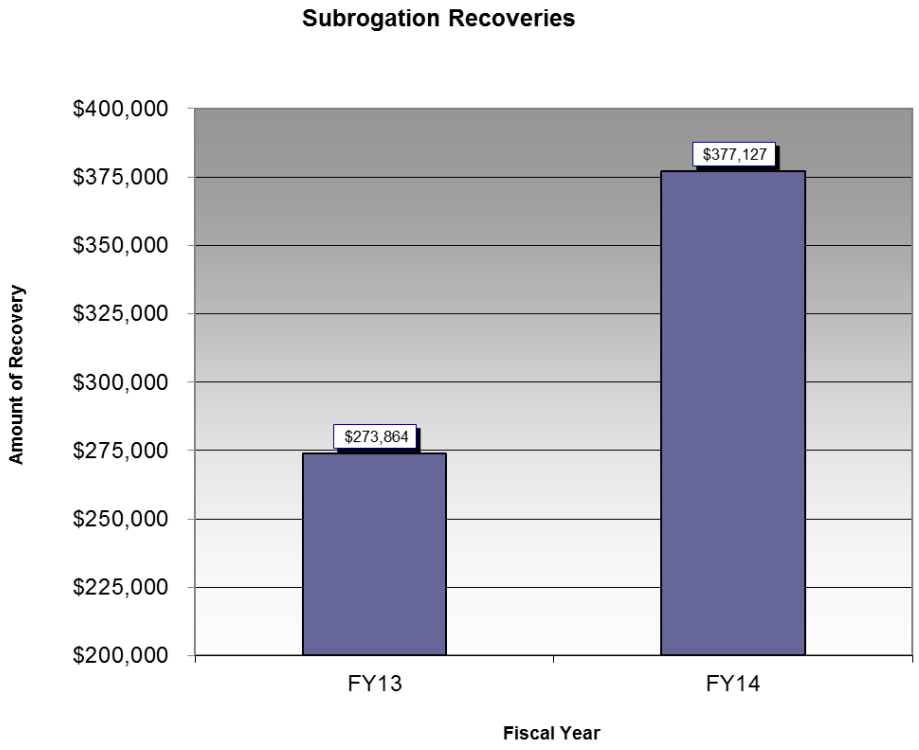
Fifty loss prevention initiatives were completed in FY 2014.

Training	18
Equipment or Process Improvement	15
Policy or Procedure Development	6
Non-Industrial Medical	1
Loss Analysis	5
Wellness	1
Ergonomics	4

SUBROGATION

Subrogation is the recovery of funds spent to repair or replace City assets damaged by negligent third parties. Examples are automobile collisions where third parties cause damage to City vehicles, traffic signals, or street signs. The graph below illustrates the amount collected the last two years by the Risk Management Division. Recoveries in FY 2014 were up 37%, from $273,864 in FY 2013 to $377,127 in FY 2014.

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 2015 ACTION PLAN

- Provide support to department LMS administrators to continue expansion of online training and policy review to increase employee usage of the system. In FY 2014, 43 percent of employees utilized the LMS.
- Expand training for prevention of strains and sprains injuries.
- Continue conversion of risk management policies and procedures to new City format.
- Provide continued access and training to City personnel on the certificate of insurance monitoring software. This will allow 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.
- Support Fire and Police in their wellness and fitness programs.
- Complete Risk Management Initiatives developed at annual risk management meetings with departments.
- Transition the Workers' Compensation claims adjusting program to a paperless software program by end of FY 2016.
- Continue to implement the wide-ranging changes to California's workers' compensation system resulting from the passage of Senate Bill 863.
- Continue to manage an 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.