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 ....................................................................................................................... 9
Fiscal Year 2019 Results .......................................................................................................... 10
  Workers’ Compensation ..................................................................................................... 11
  Liability .............................................................................................................................. 16
Environmental Health and Safety (EH&S) ........................................................................... 23
  Subrogation ....................................................................................................................... 28
Fiscal Year 2020 Action Plan .................................................................................................. 29

Photo: Ben Sheriff Photography, yahoo web photos of the City of Sacramento
EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2019.

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, environmental health and safety (EH&S) services, and administrative support services for workers’ compensation, general liability, and automobile liability programs. 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 FY2019 budget is $37,236,000, an increase of 10 percent from the prior year’s budget of $33,930,000.

Total insurance premium costs increased 22 percent or $1,025,450 in FY2019, from $4,636,970 in FY2018 to $5,662,420 in FY2019. The primary increase in insurance premiums were the result of excess liability insurance premiums increasing 32 percent, or $831,102, from $2,612,257 in FY2018 to $3,443,359 in FY2019. This increase is driven by a hardening excess liability insurance market for public entities resulting from higher jury verdicts and settlements against public entities as well as adverse loss development in the City’s claims. According to information gathered on behalf of AIG, a global insurer, major jury awards have doubled between 2014 and 2018, which has resulted in increased costs. Additionally, recent large catastrophic losses such as the PG&E fires and Mandalay Bay incident are contributing to rising premiums. Dangerous condition of public property, police liability and sexual molestation claims remain a concern with liability underwriters nationwide.

Excess workers’ compensation insurance premiums increased six percent, or $41,645, from $692,908 in FY2018 to $734,553 in FY2019. The increase was driven by higher reinsurance rates in excess layers and a higher City payroll. Property insurance premiums increased nine percent, or $108,589, from $1,150,325 in FY2018 to $1,258,914.

The number of Workers’ Compensation claims and the loss rate per $100 of payroll were similar to the prior year. 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 FY2019. 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, from the audit conducted in the fall of 2017, for the City of Sacramento was 0.55123. The City ranked sixth out of the 41 entities audited.

Workers’ compensation benchmarking information was received from the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of nine similar sized California cities, the City’s severity rate for workers’ compensation claims was 22 percent below the average and the loss rate was 29 percent below the average. The City’s frequency rate was 14 percent below the average.

The number of general liability claims has been increasing in recent years as the City hires additional employees and the economy rebounds. However, the ultimate cost of general liability claims decreased for the second year in a row. The following types of claims continue to be the most expensive: dangerous condition of public property, Youth, Parks and Community Enrichment and Police liability. Risk Management and the City’s third-party claims administrator, Sedgwick, 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 been steady the last five years but increased in FY2019. Auto liability claims will be analyzed and monitored to see if this is an aberration or the start of an upward trend. Collisions involving a building inspector and ambulance resulted in the higher costs in FY2013, and collisions from Police and Solid Waste drove the costs in FY2014. To continue to address the risk of vehicle collisions, Risk Management will assist in the development of a long-term plan for the Sacramento Regional Driver Training Facility (SRDTF). All City personnel, including police and fire, complete most of their driver training requirements at the Mather facility. Additionally, driver training is provided through Target Solutions on-line modules and the Smith System defensive driver training program.

Liability benchmarking information was provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of nine similar sized California cities, the City of Sacramento’s average cost per claim, or severity rate, for general and auto liability claims was 27 percent below the average and the loss rate was 34 percent below the average. The City’s frequency rate was 14 percent lower than the average.

The City’s EH&S activities are committed to preventing accidents before they occur and are focused on the following areas: training, vehicle safety, consultation, environmental compliance, support services, employee recognition, and special projects.
RISK MANAGEMENT MISSION STATEMENT

Risk Management staff protect City employees and assets by providing exceptional customer service through effective EH&S efforts, 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: EH&S, 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 and 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 $3,306,000 or 10 percent, from $33,930,000 in FY2018 to $37,236,000 in FY2019. The primary reason for the increase is rising liability costs.

INSURANCE PREMIUMS

The City of Sacramento has an agreement with Alliant Insurance Services (Alliant) to provide insurance brokerage services such as marketing, soliciting quotations, and placing insurance policies. Total insurance premium costs increased 22 percent in FY2019, from $4,636,970 in FY2018 to $5,662,420 in FY2019. The increase in premiums was driven largely by increases in excess liability, workers’ compensation, and property premiums, which are discussed in detail below.

Claim settlement amounts within retention levels are paid by the Risk Fund. 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 from catastrophic incidents. Excess liability insurance includes coverage for the following risks: bodily injury and property damage, personal injury, public officials’ errors and omissions, and employment practices liability. All coverage is on an occurrence basis. Excess liability limits remain at $35,000,000. The City’s self-insured retention is $2,000,000 with an additional $2,000,000 corridor retention aggregate, up from a $1,000,000 corridor retention aggregate the prior year. The $2,000,000 corridor retention aggregate is in excess of the $2,000,000 self-insured retention.

Excess liability insurance premiums increased 32 percent, or $831,102, from $2,612,257 in FY2018 to $3,443,359 in FY2019. The increase is driven by a hardening liability insurance market for public entities driven largely by higher jury verdicts and settlements against public entities. According to information gathered on behalf of AIG, a global insurer, major jury awards doubled between 2014 and 2018. Additionally, large catastrophic losses such as the PG&E fires and shootings at Mandalay Bay are resulting in large settlements and premium increases. Dangerous condition of public property, police liability and sexual molestation claims remain a concern with liability underwriters nationwide. The City has also experienced adverse loss development in our general liability claims and recently settled several large claims which included payouts by the excess liability carriers. The City continues to obtain excess liability insurance for a reasonable premium through the California State Association of Counties Excess Insurance Authority (CSAC EIA) GL2 program. The CSAC EIA program is the largest pool in the nation, providing services to 95 percent of the counties and 70 percent of the cities in California. CSAC EIA members take advantage of their large size to obtain high quality insurance products at a reasonable cost.
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 FY2019 with a self-insured retention of $2,000,000. Statutory coverage provides payment of claims up to the amount required by law, without limits.

Excess workers’ compensation insurance premiums increased six percent, or $41,645, from $692,908 in FY2018 to $734,553 in FY2019. The premium increase is primarily driven by increases in reinsurer’s rates in excess layers and a higher City payroll. Excess workers’ compensation insurance is purchased through CSACEIA, which uses pool purchasing power to achieve broad coverage for the lowest rates available. 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 Alliant Property Insurance Program (APIP). APIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently one of the largest property insurance placements in the world. APIP is a joint purchase program, and there is no risk of assessments. Because of APIP’s large size, members receive low premiums with the best possible coverage terms. The total insurable property values for the City are $1,907,936,455. Property insurance premiums increased nine percent, or $108,589, from $1,150,325 in FY2018.
to $1,258,914 in FY2019. The property policy contains a $100,000 deductible with coverage limits of $1,000,000,000. Coverage limits are shared with other APIP 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. Property rates are increasing due to recent catastrophic property losses, such as the wildfires in California and recent hurricanes.

OTHER INSURANCE

The City purchased the following additional insurance in FY2019:

- Fine arts insurance with limits of $150,000,000. Coverage is provided for art throughout the City, including the Crocker Art Museum, Sacramento History Museum, Golden One Center 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. A new helicopter was added to the policy in late FY2018.
- Crime insurance with limits of $15,000,000. Coverage is provided for employee and third-party theft, forgery, and other crime-related losses.
- Pollution legal liability insurance with limits of $10,000,000 and storage tank liability insurance with limits of $1,000,000.
- Special events insurance for small events at community centers and council events with limits of $1,000,000.
- Bounce house liability insurance with limits of $1,000,000. Coverage is provided for the two City-owned bounce houses utilized at special events.
Table 1, Schedule of Insurance summarizes coverage, self-insured retentions, limits, premiums and insurance carriers for three years and provides a total cost of insurance by year at the bottom of the table.

Table 1: Schedule of Insurance

<table>
<thead>
<tr>
<th>SCHEDULE OF INSURANCE</th>
<th>Fiscal Year</th>
<th>Self Insured Retention</th>
<th>Policy Limits</th>
<th>Premium</th>
<th>Carrier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess Liability</strong></td>
<td>FY19</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>3,443,359</td>
<td>CSAC-EIA</td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>2,612,257</td>
<td>CSAC-EIA</td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td>2,000,000*</td>
<td>30,000,000</td>
<td>2,100,500</td>
<td>CSAC-EIA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>8,156,116</td>
<td></td>
</tr>
<tr>
<td><strong>Workers' Compensation</strong></td>
<td>FY19</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>734,553</td>
<td>CSAC EIA</td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>692,908</td>
<td>CSAC EIA</td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>576,954</td>
<td>CSAC EIA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>2,004,415</td>
<td></td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td>FY19</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,258,914</td>
<td>APIP</td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,150,325</td>
<td>APIP</td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,202,985</td>
<td>APIP</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>3,612,224</td>
<td></td>
</tr>
<tr>
<td><strong>Fine Arts</strong></td>
<td>FY19</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ace American</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>242,178</td>
<td></td>
</tr>
<tr>
<td><strong>Aircraft</strong></td>
<td>FY19</td>
<td>Varies</td>
<td>20,000,000</td>
<td>58,196</td>
<td>Star Indemnity</td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td>Varies</td>
<td>20,000,000</td>
<td>25,557</td>
<td>Old Republic</td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td>Varies</td>
<td>20,000,000</td>
<td>28,831</td>
<td>Old Republic</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>112,584</td>
<td></td>
</tr>
<tr>
<td><strong>Other Insurance</strong></td>
<td>FY19</td>
<td></td>
<td></td>
<td>86,672</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td></td>
<td></td>
<td>75,197</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td></td>
<td></td>
<td>75,814</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>237,683</td>
<td></td>
</tr>
<tr>
<td><strong>Total Insurance</strong></td>
<td>FY19</td>
<td></td>
<td></td>
<td>5,662,420</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FY18</td>
<td></td>
<td></td>
<td>4,636,970</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td></td>
<td></td>
<td>4,065,810</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>14,365,200</td>
<td></td>
</tr>
</tbody>
</table>

*Corridor Retention: FY19 2 million; FY18 1 million; FY17 1 million
Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2019 with a total cost of $5,662,420.

*Figure 2: FY2019 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 budgeted amount for workers’ compensation claims increased $133,000 in FY2019 and the amount budgeted for general and automobile liability claims increased $2,243,000, resulting in a net increase of $2,376,000. Adverse loss development in general liability claims contributed to this increase as well as the reasons mentioned in the liability section of this report. The estimated outstanding liability for all claims increased 9 percent or $6,748,000 in FY2019 to $85,491,000. This increase occurred primarily from increases in reserves for general liability claims.

Table 2: Comparison of Estimated Outstanding Losses and Ultimate Claim Costs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WORKERS’ COMPENSATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$49,004,000</td>
<td>$49,065,000</td>
<td>$61,000</td>
<td>$50,694,000</td>
<td>$1,629,000</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$10,399,000</td>
<td>$10,804,000</td>
<td>$405,000</td>
<td>$10,937,000</td>
<td>$133,000</td>
</tr>
<tr>
<td><strong>GENERAL AND AUTO LIABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$31,741,000</td>
<td>$29,678,000</td>
<td>$-2,063,000</td>
<td>$34,797,000</td>
<td>$5,119,000</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$9,286,000</td>
<td>$10,815,000</td>
<td>$1,529,000</td>
<td>$13,058,000</td>
<td>$2,243,000</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$80,745,000</td>
<td>$78,743,000</td>
<td>$-2,002,000</td>
<td>$85,491,000</td>
<td>$6,748,000</td>
</tr>
<tr>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$19,685,000</td>
<td>$21,619,000</td>
<td>$1,934,000</td>
<td>$23,995,000</td>
<td>$2,376,000</td>
</tr>
</tbody>
</table>
FISCAL YEAR 2019 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 structure benefits injured workers and reduces the costs of claims.

Accomplishments

- A total of 537 new Workers’ Compensation claims were opened during FY2019, a slight increase from the prior year.
- Medical bill review yielded 59.19 percent in savings. Total dollars saved were $4,734,875.
- The City’s workers’ compensation program continues to experience success with the Pharmacy Benefit Management Program (PBMP) through the new vendor, HealtheSystems. 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. California instituted a workers’ compensation drug formulary that is also helping to control costs. Doctors are notified when prescribing patterns meet criteria that indicate excessive use of prescription drugs and/or duplicative therapies.
- 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 $566,888.
- Claim staff and department supervisors attended regularly scheduled meetings to review open and potential workers’ compensation claims. The number of meetings were determined by the frequency and severity of the department’s claims.
- A total of 19 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.
- A total of 149 indemnity claims were settled.
- The City recovered $83,546 from subrogation efforts and excess insurers.
Workers’ Compensation Results

The following data is derived from the most recent actuarial report which was completed in October of 2019. This information is based on data valued as of June 30, 2019. The data in 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 related to a few significant injuries, contributed to a rise in costs last year. Additionally, incurred losses developed at a higher rate in FY2019 than expected.

Figure 3: Total Ultimate Cost of claims

![Workers’ Compensation Total Ultimate Cost](image)

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 increased last year after a significant drop the prior year.

Figure 4: Loss Rate per $100 of Payroll

![Loss Rate per $100 of Payroll](image)
Figure 5 shows the ultimate number of workers’ compensation claims for the last ten years. Claims have been decreasing since FY2010 but due to an influx of new employees and police and fire training academies the number of claims began increasing in FY2015. However, claims decreased nine percent in FY2018 and there was one less claim in FY2019.

**Figure 5: Ultimate Workers’ Compensation Claims**

![Ultimate Workers’ Compensation Claims](image)

The number of claims reported per $1 million of payroll (# of claims/(payroll/$1,000,000)) for the last ten years is illustrated in Figure 6. The rate has been stable in recent years but decreased 18% in FY2018 and was up slightly in FY2019.

**Figure 6: Number of Claims Reported per $1 Million of Payroll**

![Number of Claims Reported per $1 Million of Payroll](image)
The causes of loss for workers’ compensation claims are depicted in Figure 7. Strain and sprain injuries continue to be the most common type of injury. EH&S staff have implemented the Savvy F.I.T. 4 Work program to provide training specific to job functions designed to reduce 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.

**Figure 7: Causes of Loss**

**Causes of Loss FY09 - FY19**

Injury on duty (IOD) hours is illustrated in Figure 8. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. The number of hours increased in in FY2019 due to a few large claims requiring significant time off work.

**Figure 8: Injury on Duty Hours**
Figure 9 shows the percentage of workers’ compensation claims filed in the last ten years broken down by Police, Fire and all other City Departments.

*Figure 9: Percentage of Workers’ Compensation Claims by Department*

Figure 10 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, with Police having slightly higher costs.

*Figure 10: Percentage of Workers’ Compensation Cost 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 nine similar sized California cities the City of Sacramento’s average cost per claim, or severity rate, for workers’ compensation claims was 22 percent below the average and the loss rate was 29 percent below the average. The City’s frequency rate was 14 percent below the average. This shows the City has fewer workers’ compensation claims on average and pays less on the claims that do occur.

LIABILITY

The City of Sacramento utilizes Sedgwick, a third-party claims administrator, to handle liability claims filed against the City. Litigation is handled in-house by the Sacramento City Attorney’s Office, which in FY2019 resolved 57 percent of the litigated damages cases without payment of money. Claims are broken down into two categories: automobile and general liability.

Accomplishments

• CSAC EIA conducts a claim audit on its members every two years to ensure compliance with the CSAC EIA claims standards. Some of the audited items include claims investigation, reserving, reporting excess claims and periodic reporting on status, documentation, and litigation management. CSAC EIA audited the City in February and the average score per category was 99 percent.
• Sedgwick, the City’s third-party claims administrator, represented the City of Sacramento at Small Claims Court 13 times with 11 defense verdicts.
• Sedgwick has assigned a new claims handling team and supervisor to improve customer service
• Monthly meetings were conducted with the City Attorney’s Office, Risk Management, and Sedgwick to review existing and potential litigation.
• Meetings between Department staff and Risk Management were conducted to review open and potential liability claims.

General Liability Results

The following data is presented from the most recent actuarial report which was completed in October of 2019.

The ultimate cost of general liability claims for the last ten years is estimated in Figure 11. General liability claims include all claims except automobile accidents, which are summarized later. General liability claims costs vary dramatically from year to year as one or two large claims can skew the results. The spike in costs in FY2014 was driven primarily by a large settlement for a claim occurring at Camp Sacramento and the spike in FY2017 was due to a police liability claim. Costs have decreased the last two years.
The general liability loss rate (ultimate losses/(composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$100)) is depicted in Figure 12. The general liability loss rate has been steady the last three years.

Figure 12: General Liability Loss Rate
Figure 13 shows the number of liability claims reported for the last ten years. The number of claims reported has been slowly increasing, after a dip in claims last year, as the economy rebounds.

*Figure 13: Number of General Liability Claims Reported*

![Number of General Liability Claims](image)

The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$1,000,000) is illustrated in Figure 14. The rate increased 19 percent in FY2019 but was similar to the rate two years ago.

*Figure 14: General Liability Claims Frequency*

![General Liability Claims Frequency](image)
Figure 15 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 15: Percentage of General Liability Claims by Department*

![Pie chart showing percentage of general liability claims by department: Police 21%, Fire 2%, All other departments 77%]

Figure 16 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. Claim costs are similar to claims frequency.

*Figure 16: Percentage of General Liability Claim Costs by Department*

![Pie chart showing percentage of general liability claim costs by department: Police $7,915,784 (22%), Fire $622,835 (2%), All other departments $27,707,327 (76%)]

Automobile Liability Results

The ultimate cost of automobile liability claims for the last ten years is estimated in Figure 17. The increase in costs in FY2013 resulted from large settlements resulting from accidents involving a building inspector and ambulance. High costs in FY2014 are from accidents involving Police and Solid Waste. Costs in FY2019 were similar to the prior year.

*Figure 17: Total Cost of Auto Liability Claims*
The loss rate (ultimate limited 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 18. The loss rate may be influenced by one or two large claims. The rate decreased in FY2019 after increasing the three prior years.

Figure 18: Auto Liability Loss Rate

![Figure 18: Auto Liability Loss Rate](image)

Figure 19 shows the number of auto liability claims filed against the City during the last ten years. The number of claims has been steady in recent years but showed an increased in FY2019. We will monitor claims and analyze claims reported to determine if this is an aberration or if there is a start of an upward trend in auto liability claims.

Figure 19: Number of Auto Liability Claims

![Figure 19: Number of Auto Liability Claims](image)
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 20. The claims frequency rate increased in FY2019, as discussed in Figure 19.

Figure 20: Auto Liability Claims Frequency Rate

Figure 21 shows the percentage of auto liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

Figure 21: Percentage of Auto Liability Claims by Department
Figure 22 shows the percentage of costs paid for auto liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

*Figure 22: 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 nine similar sized cities the City of Sacramento’s average cost per claim or severity rate for general and automobile liability claims was 37 percent below the average and the loss rate was 51 percent below the average. The City’s frequency rate was 17 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 handling the City’s litigation in-house.
ENVIRONMENTAL HEALTH AND SAFETY

The primary goals for EH&S are to reduce the number and severity of injuries and illnesses to assure employee safety and minimize claim costs. Each City of Sacramento department has assigned Environmental Health and Safety Specialists to consult with on workplace health, safety and environmental issues and to assist with monitoring regulatory compliance. FY2019 EH&S activities included the following:

**Training**

Effective training programs are an important component in reducing losses. EH&S staff conducted the following training in FY2019:

- Certified 363 City employees in CPR/First Aid;
- Certified 102 employees as forklift operators;
- Certified 11 employees on aerial devices;
- Coordinated training session for Department of Utilities employees in confined space entry and rescue training;
- Coordinated 24-hour Hazmat Tech and five 8-hour refresher training classes for the Department of Utilities O&M Division;
- Coordinated training for Department of Utilities employees in trenching and shoring;
- Coordinated classes with a physical fitness consultant to prevent strains and sprains for employees citywide;
- Conducted over 404 monthly safety trainings for Utilities, Public Works and YPCE;
- Provided several internal training sessions on Traffic Control & Flagging;
- Coordinated Gold Shovel Standard training for applicable departments;
• Coordinated compassion fatigue training;
• Conducted annual heat illness prevention refresher training for employees citywide;
• Provided funding to Police Department for two SWAT officers to attend EMT training to render first aid/life saving measures to victims;
• Provided illness and injury prevention, heat illness prevention, and Emergency Action Plan training for fire recruit academies;
• Delivered three Safety 101 classes for both administrative and field employees;
• Sponsored workplace violence prevention training for employees Citywide;
• Conducted a large-scale emergency evacuation drill at the South Area Corporation Yard, North Area Corporation Yard, Animal Care facility and several community centers; and
• Incorporated Smith Defensive Driving program into driver safety efforts.

Vehicle Safety

City employees drove approximately 15.5 million miles in FY2019. EH&S staff tracks City vehicle collision statistics and provides administrative support for departmental collision review committees and the Citywide Vehicle Review Committee. The City’s commitment to high quality driver training and accountability due to the creation of the Vehicle Review Committee continue to help contain the costs of collisions.

EH&S staff provided policy briefings to the Vehicle Review Committee on employee accountability for chargeable collisions, hands free driving requirements and use of GPS technology to monitor operation of City vehicles. The Committee continues to implement a standard for the recognition of employees with outstanding performance in safe driving. To qualify, the entire division must have a collision frequency rate (CFR) that is 50% or less than the citywide average and no increase in their own CFR from the prior year. Drivers in the Department of Utilities were recognized for outstanding performance in FY2019.

The City-Wide Driver Training Plan was implemented in May of 2018. This plan identifies driver classifications for both sworn and non-sworn city personnel. Training requirements are outlined by each classification to ensure appropriate levels of driver training are assigned to minimize risk associated with vehicle exposures.

EH&S staff provides 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 as well as daily operations by commercial and frequent non-commercial drivers citywide.
In FY2019, SRDTF personnel provided driver training for: 355 City police officers; 251 City firefighters; 541 non-sworn City employees; 219 students from external agencies; 70 fire academy candidates; and 70 law enforcement academy candidates. The SRDTF program is highly regarded by City employees, external agency participants and staff at the California Commission on Police Officer Training.

Consultation

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

- Delivering 121 ergonomic evaluations;
- Coordinating 878 hearing tests;
- Conducting 948 respirator fit tests for employees in compliance with Cal/OSHA requirements;
- Developing a safety performance management dashboard for the Solid Waste Division;
- Supporting the Police Department in expanding drone program to reduce liability and workers’ compensation claims by assisting in evaluating various systems and equipment options;
- Assisting Police Department in outlining a plan to outfit squad vehicles with ballistic protection;
- Conducting personal protective equipment assessments Citywide to assure employees are protected from hazards;
- Conducting 222 facility inspections;
- Completing 273 inspections using the paperless inspection software;
- Developing a vehicle inspection program for the Youth, Park, and Community Enrichment (YPCE) department;
- Providing staffing for safety and collision review committees for all operational departments;
- Identifying opportunities for modified duty to bring injured employees back to work;
- Providing training for peer support programs and staffing of citywide threat assessment team;
- Developing a Job Hazard Assessment form that continues to be used in safety tailgates;
- Providing staffing for departmental labor/management safety committees;
- Facilitating a Cal/OSHA serious violation appeal for Police Department;
- Coordinating and participating in the City’s Threat Assessment Team for workplace violence;
- Providing support to the citywide Learning Management System (LMS) implementation team;
- Providing seven AEDs for city community centers;
- Participating in the CSAC Excess Insurance Authority Loss Prevention Committee;
• Supporting emergency preparedness as emergency operations center staff;
• Continuing promotion of Back Defense duty belt suspender systems to reduce back injuries for police officers;
• Reviewing and updating Illness and Injury Prevention Program (IIPP) to align with all Cal/OSHA regulations;
• Developing a policy and training program for the Cal/OSHA Emergency Protection from Wildfire Smoke regulation;
• Further implementing comprehensive review of Lockout/Tagout program;
• Identifying critical infrastructure that should have security vulnerability assessments conducted by Cal OES or security expert consultants;
• Reviewing and providing recommendations for the update of the Confined Space Regulatory Compliance Program;
• Performing annual harness and lanyard inspections for over 112 harnesses and lanyards; and
• Continuing utilization of SAVVY Health Solutions Citywide as part of the soft tissue injury prevention program.

Environmental

Environmental regulatory compliance activities included:

• Continuing to support environmental remediation projects at the South Area Corporation Yard;
• Administering citywide contracts for hazardous and bio-hazardous waste clean-up and disposal;
• Participating 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;
• Arranging for the proper disposal of approximately 5,025 pounds of household hazardous waste;
• Coordinating proper disposal of 71,975 pounds of abandoned hazardous waste;
• Developing and utilizing a Shipping Paper that is consistent with hazardous waste transporter requirements;
• Conducting hazardous waste generator and spill response training for applicable personnel;
• Coordinating pick-up and disposal of e-waste and hazardous materials waste;
• Maintaining asbestos and lead sampling Citywide records;
• Updating hazardous materials business plans for all applicable City facilities in the California Environmental Reporting System (CERS);
• Participating in Sacramento County Environmental Management Division inspections at City facilities;
• Reviewing and updating Spill Prevention, Control, and Countermeasure (SPCC) plans for facilities with large containers storing oil products;
• Conducting indoor air quality investigations at facilities with issues;
• Maintaining Hazardous Waste Transporter Registration with the DTSC for emergency response incident operations and small load operations;
• Completing and submitting biennial reports for large quantity generators of hazardous waste; and
• Completing and submitting annual EPA ID verification to validate all EPA ID numbers.

Support Services

Pre-employment and preventative medical programs and contractual risk transfer are also administered by the EH&S and risk administration staff. Activities included:

• Monitoring compliance with City contract insurance requirements for 1,100 active contractors and vendors;
• Providing departmental training sessions on insurance requirements for contracts;
• Providing support for the special events insurance program, insurance renewals, and liability claims administration;
• Participation in the CSAC Claims Committee which meets periodically to approve large workers’ compensation and liability claims settlements for many California public entities;
• Participation in the CSAC GL2 Committee which reviews funding, coverage, claims, program services and new member applications;
• Tracking 194 restitution cases for reimbursement due to damaged City property by third parties;
• Scheduling 1,818 pre-employment, non-industrial return-to-work, and specialty physical exams in accordance with City policy;
• Monitoring validity of 1,041 commercial/non-commercial drivers’ licenses;
• Coordinating 377 random drug tests and 208 random alcohol tests for commercial drivers;
• Coordinating 119 other drug tests for return to duty, three last-chance agreements and reasonable suspicion; 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 EH&S and departmental staff. Citywide risk initiatives included safety training gap analysis and regulatory compliance for occupational safety in all departments.
EH&S completed 54 initiatives in FY2019 in the following areas:

- Training 29
- Policy or Procedure Development 3
- Equipment or Process Improvement 4
- Occupational Health 2
- Risk Analysis 3
- Program Support 13

**SUBROGATION AND RESTITUTION**

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. Figure 23 illustrates the amount collected during the last three years by City staff. Recovery amounts vary by year based on the amount of City property that is damaged by responsible parties. Subrogation efforts have now been transitioned from our third-party claim’s administrator to the Revenue Division. Support is provided by Risk Management and City Departments that provide damage cost documentation. An additional $23,328 was collected by Risk Management from Restitution orders from the County for situations where City property was damaged in the commission of a crime.
Money recovered from third parties for City vehicle and property damage is deposited directly into the appropriate fund per City policy.

**FISCAL YEAR 2020 ACTION PLAN**

- Continue working on safety training verification and deliver training targeted to fill gaps. Periodic training reports are now delivered monthly to monitor safety training compliance.
- To reduce auto liability claims, consider additional training strategies such as expansion of the Smith System defensive driving program.
- Expand new employee safety training onboarding programs to include seasonal employees.
- Continue the Savvy F.I.T. for Work training program for prevention of strains and sprains injuries.
- Continue support to the Police Department to reduce liability claims through support of drone program.
- Evaluate hazardous materials management program to identify potential efficiencies.
- Update Emergency Action Plans City-wide and provide necessary trainings.
- Continue and expand worksite evaluations to identify and control hazards.
- Continue supporting Fire and Police in their wellness, fitness and peer support programs and expand peer support to include other departments.
- Complete Risk Management Initiatives developed at annual risk management meetings with departments.
• Oversee continued implementation of the City-wide Driver Training Plan.
• Develop Environmental Health and Safety dashboard to track metrics and communicate safety performance.
• Begin implementation of workers’ compensation claims adjuster software upgrade. Develop and enhance reports to provide EH&S Specialists workers’ compensation injury reports to identify safety issues to help reduce injuries.
• Achieve a 100% or greater closing ratio for workers’ compensation claims.
• Begin updating workers’ compensation policies and procedures.

In closing, the Risk Management Division 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.