City of SACRAMENTO
Department of Human Resources

Division of Risk Management
Annual Report

Fiscal Year Ending June 30, 2020
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td>Risk Management Mission Statement</td>
<td>3</td>
</tr>
<tr>
<td>Risk Management Vision Statement</td>
<td>3</td>
</tr>
<tr>
<td>Risk Management Division</td>
<td>3</td>
</tr>
<tr>
<td>Risk Management Organizational Chart</td>
<td>3</td>
</tr>
<tr>
<td>Risk Management Budget</td>
<td>4</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>4</td>
</tr>
<tr>
<td>Liability</td>
<td>4</td>
</tr>
<tr>
<td>Worker’s Compensation</td>
<td>5</td>
</tr>
<tr>
<td>Property</td>
<td>5</td>
</tr>
<tr>
<td>Other Insurance</td>
<td>6</td>
</tr>
<tr>
<td>Actuarial Report</td>
<td>9</td>
</tr>
<tr>
<td>Fiscal Year 2020 Results</td>
<td>10</td>
</tr>
<tr>
<td>Workers’ Compensation</td>
<td>11</td>
</tr>
<tr>
<td>Liability</td>
<td>15</td>
</tr>
<tr>
<td>Environmental Health and Safety (EH&amp;S)</td>
<td>23</td>
</tr>
<tr>
<td>Subrogation</td>
<td>29</td>
</tr>
<tr>
<td>Fiscal Year 2021 Action Plan</td>
<td>30</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2020.

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 FY2020 budget is $40,711,000, an increase of nine percent from the prior year’s budget of $37,236,000.

Total insurance premium costs increased 27 percent or $1,526,170 in FY2020, from $5,662,420 in FY2019 to $7,188,590 in FY2020. The primary increase in insurance premiums were the result of excess liability insurance premiums increasing 33 percent, or $1,155,541, from $3,443,359 in FY2019 to $4,598,900 in FY2020. This increase is driven by a hardening excess liability insurance market resulting from increases in plaintiff settlement demands, 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. There have also been numerous public entity claim outcomes that have exceeded $20 million dollars. Dangerous condition of public property, police liability and sexual molestation claims remain a concern with liability underwriters nationwide. Excess workers’ compensation insurance premiums increased 10 percent, or $72,166, from $734,553 in FY2019 to $806,719 in FY2020. The increase was driven by higher reinsurance rates in excess layers and a higher City payroll. Property insurance premiums increased 23 percent, or $296,272, from $1,258,914 in FY2019 to $1,555,186. The main reasons for the increase were recent wildfires in California and the increase in the City’s total insurable value of property. Unfortunately, California has experienced two record property loss years in a row.

The number of Workers’ Compensation claims continue to trend down, and costs are projected to be lower in 2020. 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 FY2020.
Workout facilities are available at numerous City facilities and some departments have gone a step further and introduced stretching programs to address these issues.

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 26 percent below the average and the City’s frequency rate was 16 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 number of claims in FY2020 dropped significantly from the prior year which hopefully signals a stabilizing of the number of reported claims. The ultimate cost of general liability claims is projected to decrease for the second year in a row. Dangerous condition of public property and police liability claims have been the most expensive claims in recent years. 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 in recent years but spiked in FY2019 to 142. The number of claims is projected to decrease in FY2020 to 111, which is similar to the number of claims reported in recent years. Collisions involving a building inspector and an 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 for non-safety personnel.

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 34 percent below the average and the the City’s frequency rate was 36 percent lower than the average.

The City’s EH&S activities are focused on preventing accidents before they occur and concentrate 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 $3,475,000 or nine percent, from $37,236,000 in FY2019 to $40,711,000 in FY2020. 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 27 percent in FY2020, from $5,662,420 in FY2019 to $7,188,590 in FY2020. 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 more than 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 remains at $2,000,000 with an additional $2,000,000 corridor retention aggregate. The $2,000,000 corridor retention aggregate is in excess of the $2,000,000 self-insured retention.

Excess liability insurance premiums increased 33 percent, or $1,155,541, from $3,443,359 in FY2019 to $4,598,900 in FY2020. 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. There have also been numerous public entity claim outcomes recently that have exceeded $20 million dollars. 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. Municipalities throughout California and the nation experienced large increases in excess liability premiums in FY2020.

**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 FY2020 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 10 percent, or $72,166, from $734,553 in FY2019 to $806,719 in FY2020. 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 CSAC EIA, 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 $2,021,703,699. Property insurance premiums increased 23 percent, or $296,272, from $1,258,914 in FY2019 to $1,555,186 in FY2020. 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 on the east coast. Unfortunately, California has experienced two record property loss years in a row. Additionally, the City’s total insured property values increased six percent, which contributed to the premium increase.

OTHER INSURANCE

The City purchased the following additional insurance in FY2020:

- 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>
<thead>
<tr>
<th>Table 1</th>
<th>Fiscal Year</th>
<th>Self Insured Retention</th>
<th>Policy Limits</th>
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<td>Excess Liability</td>
<td>FY20</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>4,598,900</td>
<td>CSAC-EIA</td>
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<td></td>
<td>FY19</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>3,443,359</td>
<td>CSAC-EIA</td>
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<td></td>
<td>FY18</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>2,612,257</td>
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<td></td>
<td>Total</td>
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<td>10,654,516</td>
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<td>Workers' Compensation</td>
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<td>2,000,000</td>
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<td></td>
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<td>FY18</td>
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<td>Statutory</td>
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<td></td>
<td>Total</td>
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<td>2,234,180</td>
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<td>Property</td>
<td>FY20</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,555,186</td>
<td>APIP</td>
</tr>
<tr>
<td></td>
<td>FY19</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,258,914</td>
<td>APIP</td>
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<td></td>
<td>FY18</td>
<td>100,000</td>
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<td>1,150,325</td>
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<td></td>
<td>Total</td>
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<td>3,964,425</td>
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<td>Fine Arts</td>
<td>FY20</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
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<tr>
<td></td>
<td>FY19</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
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<tr>
<td></td>
<td>FY18</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
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<td>Total</td>
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<td>242,178</td>
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<td>Aircraft</td>
<td>FY20</td>
<td>Varies</td>
<td>20,000,000</td>
<td>50,467</td>
<td>Star Indemnity</td>
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<td></td>
<td>FY19</td>
<td>Varies</td>
<td>20,000,000</td>
<td>58,196</td>
<td>Star Indemnity</td>
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<td></td>
<td>FY18</td>
<td>Varies</td>
<td>20,000,000</td>
<td>25,557</td>
<td>Old Republic</td>
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<td></td>
<td>Total</td>
<td></td>
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<td>134,220</td>
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<td>Other Insurance includes pollution, crime, special events, airport, bounce house insurance and UST</td>
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<td></td>
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<td>FY20</td>
<td>96,592</td>
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<td>FY19</td>
<td>86,672</td>
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<td>FY18</td>
<td>75,197</td>
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<tr>
<td>Total</td>
<td>258,461</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Insurance</td>
<td>FY20</td>
<td>7,188,590</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>5,662,420</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>4,636,970</td>
<td></td>
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<tr>
<td>Total</td>
<td>17,214,980</td>
<td></td>
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*Corridor Retention: FY20 2 million; FY19 2 million; FY18 2 million
Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2020 with a total cost of $7,188,590.
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 $528,000 in FY2020 and the amount budgeted for general and automobile liability claims increased $1,484,000, resulting in a net increase of $2,012,000. Adverse loss development in general liability claims contributed to this increase as well as the reasons mentioned in the liability section of this report. Workers’ compensation claim costs also increased because of rising medical costs. The estimated outstanding liability for all claims increased three percent or $2,394,000 in FY2020 to $87,885,000.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>As of June 30, 2018</th>
<th>As of June 30, 2019</th>
<th>Difference Between FY 2018-19</th>
<th>As of June 30, 2020</th>
<th>Difference Between FY 2019-20</th>
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<td><strong>WORKERS’ COMPENSATION</strong></td>
<td></td>
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<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$49,065,000</td>
<td>$50,694,000</td>
<td>$1,629,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$51,642,000</td>
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<td>Estimated Ultimate Cost of Claims</td>
<td>$10,804,000</td>
<td>$10,937,000</td>
<td>$133,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$11,465,000</td>
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<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>$29,678,000</td>
<td>$34,797,000</td>
<td>$5,119,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$36,243,000</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$10,815,000</td>
<td>$13,058,000</td>
<td>$2,243,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$14,542,000</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>$78,743,000</td>
<td>$85,491,000</td>
<td>$6,748,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$87,885,000</td>
</tr>
<tr>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$21,619,000</td>
<td>$23,995,000</td>
<td>$2,376,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$26,007,000</td>
</tr>
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FISCAL YEAR 2020 RESULTS

Workers’ Compensation

The City of Sacramento has self-insured and self-administered workers’ compensation claims since 1981. Utilizing City of Sacramento employees to adjust 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 557 new workers’ compensation claims were opened during FY2020. This is a slight increase from the 537 new claims in the prior year.
- Medical bill review yielded 62.2 percent in savings. Total dollars saved were $7,155,697.
- The City’s workers’ compensation program continues to experience success with the Pharmacy Benefit Management Program (PBMP) through the 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 to keep medical costs accurate by following the California State Medical Fee schedule. The use of utilization review of requested medical treatment resulted in savings of $222,800.
- Case management continues with assigned outside Nurse Case Managers on complex medical cases to manage the medical recovery and return to work process, thereby lowering medical and indemnity costs efficiently and effectively. These nurses help coordinate medical care involving serious injuries and assist with the City’s return to work program.
- 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 231 indemnity claims were settled, which is a large increase from the prior year.
- The City recovered $204,741.56 from subrogation efforts.
Workers’ Compensation Results

The following data is derived from the most recent actuarial report which was completed in September of 2020. This information is based on data valued as of June 30, 2020.

The data in Figure 3 shows the total estimated cost of workers’ compensation claims for the past ten years. Costs spiked in FY2019 due to a few costly workers’ compensation claims, but the number is expected to decrease in FY2020.

Figure 3

![Workers' Compensation Total Ultimate Cost Chart](chart)

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 in FY2020.

Figure 4

![Loss Rate per $100 of Payroll Chart](chart)
Figure 5 shows the estimated ultimate number of workers’ compensation claims for the last ten years. The number of claims has been steady the last three years.

*Figure 5*

![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 favorable as it has been decreasing the last 10 years.

*Figure 6*

![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 FY11 - FY20](image)

Injury on duty (IOD) hours are illustrated in Figure 8. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. The number of hours increased in FY2019 and FY2020 due to a few large workers’ compensation claims requiring significant time off work.

*Figure 8*

![Injury on Duty Hours](image)
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**

FY11 - FY20

- All Other Depts: 47%
- Police: 24%
- Fire: 29%

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 Claim Costs by Department**

FY11 - FY20

- All Other Depts: $17,606,707, 40%
- Police: $13,274,990, 31%
- Fire: $12,831,727, 29%
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 26 percent below the average. The City’s frequency rate was 16 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 FY2020 resolved 70 percent of the litigated damages cases without payment of money. Claims are broken down into two categories: automobile and general liability.

Accomplishments

- The number of open general and auto claims were reduced from 259 to 196 – a reduction of 24%.
- Sedgwick, the City’s third-party liability claims administrator, represented the City of Sacramento at Small Claims Court six times with four defense verdicts.
- Sedgwick has assigned a new claim handling team and supervisor to improve customer service and resolve claims faster.
- 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 September of 2020.

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 FY2018 were driven primarily by a large settlement for a dangerous condition of public property claim and a police liability claim. Costs are projected to decrease in FY2019 and FY2020.
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. Losses are capped at $100,000 to avoid the skewing of results from a few large claims. The general liability loss rate has decreased the last the three years.
Figure 13 shows the number of liability claims reported for the last ten years. The number of claims reported decreased to 398 in FY2020, down from 453 the prior year.

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 decreased in FY2020.
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**
**FY11 - FY20**

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.

*Figure 16*

**Percentage of General Liability Claim Costs by Department**
**FY11 - FY20**
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 an ambulance. High costs in FY2014 were from accidents involving Police and Solid Waste. Costs in recent years are projected to increase but are still well below FY2013 and FY2014 costs.
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. Claims are capped at $100,000 to avoid the skewing of losses from a few large claims. The rate decreased in FY2020.
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 increase in FY2019. However, the number is projected to decrease significantly in FY2020.

*Figure 19*

![Graph showing the number of auto liability claims from FY11 to FY20.](image)

The claims frequency rate (\(\frac{\# \text{ of claims}}{\text{(composite exposure consisting of the number of police vehicles, which have a higher loss rate, and number of other vehicles/1,000,000)}}\)) is illustrated in Figure 20. The claims frequency rate increased in FY2019 but showed a large decrease in FY2020.

*Figure 20*

![Graph showing the auto liability claims frequency from FY11 to FY20.](image)
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**

*FY11 - FY20*

- Police: 30%
- Fire: 9%
- All other Depts: 61%

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**

*FY11 - FY20*

- Police: $4,116,253, 30%
- Fire: $1,327,634, 10%
- All other Dept: $6,212,554, 60%
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 34 percent below the average. The City’s frequency rate was 36 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 (EH&S)

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. FY2020 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 FY2020:

- Certified 152 City employees in CPR/First Aid;
- Certified 93 employees as forklift operators;
- Certified 56 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 220 monthly safety trainings for CCS, CDD, DOU, PW, and YPCE;
- Provided several internal training sessions on Traffic Control & Flagging;
- Coordinated Gold Shovel Standard training for applicable departments;
- Coordinated compassion fatigue training;
- Provided illness and injury prevention, heat illness prevention, and Emergency Action Plan training for fire recruit academies;
- Delivered 34 Safety 101 classes for both administrative and field employees;
- Sponsored workplace violence prevention training for employees citywide;
- Conducted large-scale emergency evacuation drills at the City Hall Complex, South Area Corporation Yard, North Area Corporation Yard, 300 Richards Blvd, Animal Care facility and several community centers;
- Provided Smith Defensive Driving program to fortify driver safety efforts; and
- Coordinated citywide effort to provide training to all employees on the COVID-19 Prevention Plan.

Vehicle Safety

City employees drove approximately 15.9 million miles in FY2020. 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 continues to help contain the costs of collisions.

EH&S staff updated the delivery platform used to provide policy briefings to the Vehicle Review Committee. The presentation focused on employee accountability for chargeable collisions,
hands free driving requirements and use of GPS technology to monitor operation of City vehicles and evaluating accident types to identify potential contributing factors.

The Citywide 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 FY2020, SRDTF personnel provided driver training for: 323 City police officers; 508 City firefighters; 344 non-sworn City employees; 202 students from external agencies; 74 fire academy candidates; and 154 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 97 ergonomic evaluations;
- Coordinating 953 hearing tests;
- Conducting 665 respirator fit tests for employees in compliance with Cal/OSHA requirements;
- Developing and implementing a safety incentive program for the Recycling & Solid Waste Division;
- Supporting the Police Department in outfitting 30 Police Sergeant utility vehicles with collapsible ladders to help prevent leg injuries associated with jumping over fences;
- Assisting Police Department in acquiring safety glasses to protect against laser hazards involved in civil unrest situations;
- Conducting personal protective equipment assessments citywide to assure employees are protected from hazards;
- Conducting 177 facility inspections;
- Completing 83 inspections using the paperless inspection software;
- Developing a seasonal newsletter that shares information on health and safety topics that are current and relevant to employees;
• Supporting vehicle 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;
• Providing staffing for departmental labor/management safety committees;
• Facilitating a Cal/OSHA serious violation appeal for Public Works;
• 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 AEDs for City facilities including: The North Area Corporation Yard, 300 Richards, City Hall Complex, South Area Corporation Yard, and Meadowview City Service Complex;
• Supporting emergency preparedness for emergency operations center staff;
• Continuing promotion of Back Defense duty belt suspenders 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 and finalizing a citywide Fall Protection Program;
• Finalizing policy and training program for the Cal/OSHA Emergency Protection from Wildfire Smoke regulation;
• Further implementing comprehensive review of Lockout/Tagout program;
• Reviewing and providing recommendations for the update of the Confined Space Regulatory Compliance Program;
• Ensuring compliance with new Federal Motor Carrier Safety Administration (FMCSA) requirements on Clearinghouse that applies to all commercial drivers;
• Performing annual harness and lanyard inspections for over 287 harnesses and lanyards;
• Identifying and applying an effective solution to remove pigeons from Fleet shops that present biological hazards;
• Developing a Site Specific COVID-19 Prevention Plan used citywide;
• Conducting numerous COVID-19 facility assessments to identify opportunities for providing signage, allowing for physical distancing, enhancing cleaning measures, and encouraging the use of face coverings;
• Assisting in the development of the COVID-19 FAQ for Supervisors for citywide use;
• Conducting numerous COVID-19 Job Hazard Analysis’ (JHA) to protect employees from potential work-related exposures; and
• Performing COVID-19 contact tracing for City employees that may have had an exposure to a COVID-19 case.
Environmental regulatory compliance activities included:

- 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;
- Assigning a hazardous waste management contractor for the proper disposal of household hazardous waste;
- Coordinating proper disposal of 38,056 pounds of abandoned hazardous waste;
- 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 records citywide;
- 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;
- Establishing consolidation points for sharps waste collected from throughout the city;
- Developing a tire recycling program that complies with CalRecycle requirements for collection, storage, and documentation;
- Maintaining Hazardous Waste Transporter Registration with the DTSC for emergency response incident operations and small load operations; 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 1,569 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 responsible third parties;
• Scheduling 984 pre-employment, non-industrial return-to-work, and specialty physical exams in accordance with City policy;
• Monitoring validity of 1,042 commercial/non-commercial drivers’ licenses;
• Coordinating 205 random drug tests and 128 random alcohol tests for commercial drivers;
• Coordinating 178 drug and alcohol tests for pre-employment, return to duty, 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 51 initiatives in FY2020 in the following areas:

<table>
<thead>
<tr>
<th>Area</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>19</td>
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<tr>
<td>Policy or Procedure Development</td>
<td>2</td>
</tr>
<tr>
<td>Equipment or Process Improvement</td>
<td>8</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>8</td>
</tr>
<tr>
<td>Risk Analysis</td>
<td>3</td>
</tr>
<tr>
<td>Program Support</td>
<td>11</td>
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</tbody>
</table>
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 $8,503 was collected by Risk Management from Restitution orders from the County for situations where City property was damaged in the commission of a crime.

Figure 23

Money recovered from third parties for City vehicle and property damage is deposited directly into the appropriate fund per City policy.
FISCAL YEAR 2021 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.
- Provide first aid and CPR training to groups requiring such certifications.
- Provide Smith System Defensive Driving training to help reduce auto liability claims.
- Continue the Alvarez Associates Active Violence training to help mitigate potential violent situations.
- 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.
- Evaluate the hazardous materials management program to identify potential efficiencies.
- Continue to update Emergency Action Plans (EAP) citywide and provide necessary trainings.
- Continue and expand worksite evaluations to identify and control hazards.
- Support 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 citywide Driver Training Plan.
- Audit Hearing Conservation Program to identify employees who may need to be included in the program and others who can be removed.
- Develop and implement a COVID-19 Prevention Program that integrates the recent Cal/OSHA requirements.
- Coordinate efforts for facility improvements at the Sacramento Regional Driver Training Facility.
- Begin implementation of workers’ compensation claims adjuster software upgrade.
- Develop and enhance workers’ compensation reports to provide EH&S Specialists workers’ compensation injury data 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.