## 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 2016 Results ......................................................................................................... 10
  - Workers' Compensation ............................................................................................. 10
  - Liability .......................................................................................................................... 16
  - Loss Prevention ............................................................................................................. 27
  - Subrogation ..................................................................................................................... 31
- Fiscal Year 2016 Action Plan ................................................................................................. 32

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*On the Cover: Sacramento City Hall*
EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2016.

This report provides the City Council and management with an overview of Risk Management programs. This report is designed to provide City leadership and managers with information regarding departmental exposures and losses with the intent of implementing effective loss prevention activities to eliminate or reduce future losses. The report contains summaries of workers’ compensation, general liability, and automobile liability losses by fiscal year, as well as excess insurance limits and premiums. Significant Risk Management related activities are also summarized.

The Risk Management Internal Service Fund provides risk financing, risk transfer, loss prevention, and administrative support services for workers’ compensation, general liability, and automobile liability 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 FY2016 budget is $31,468,000, an increase of $1,973,000 from the prior year’s budget of $29,495,000.

Total insurance premium costs increased just one percent in FY2016, from $3,179,125 in FY2015 to $3,207,266 in FY2016. Excess liability insurance premiums increased six percent or $81,351, from $1,283,474 in FY2015 to $1,364,825 in FY2016. The increase is driven by rising City payroll, which is a major factor in the calculation of the City’s premium, and increasing claim reserves for older claims. Excess workers’ compensation insurance premiums increased seven percent or $33,291, from $484,946 in FY2015 to $518,237 in FY2016. The increase was driven by the higher City payroll, which is a major factor in the calculation of the city’s insurance premium, and increases in statutory temporary and permanent disability rates. Property insurance premiums decreased seven percent in FY2016 from $1,276,999 to $1,182,768. The decrease in premium costs were driven by a soft property insurance market which led to a property insurance rate decrease.

The number of Workers’ Compensation claims increased in FY2016 as the City added new employees and police and fire training academies. The average cost per claim continues to trend higher due to temporary and permanent disability rate increases and higher medical and prescription drug costs. Strains and sprains are still the most common types of injuries that result in claims against the City. To reduce the number and severity of these claims, sprains and strains prevention training and field ergonomics classes were presented to City staff in FY2016. Workout facilities are available at numerous City facilities and some departments have gone a step further and introduced stretching programs to address these issues.

The State of California Department of Industrial Relations, Division of Workers’ Compensation (DWC), conducts audits of workers’ compensation claim handling every five years to make certain injured workers receive accurate and prompt compensation to which they are entitled.
The DWC’s most recent audit score for the City of Sacramento was 0.66074, the lowest or best score received by a public self-insured entity for the audit year 2013. The DWC will be auditing the City again in 2017.

When compared with eight other medium to large sized cities in California with data compiled from the Public Self-Insurer’s Annual Reports for FY2016 the City of Sacramento’s loss rate per employee was 55 percent below the average and the incident rate per employee was 1.6 percent above the average. The City of Sacramento had a similar number of injuries but paid far less for the claims that did occur. Additional benchmarking information was received from the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of ten similar sized cities the City’s severity rate for workers’ compensation claims was 30 percent below the average and the loss rate was 35 percent below the average. The City’s frequency rate was 13 percent below the average.

The number of general liability claims has been consistent in recent years but increased seven percent in FY2016 primarily driven by tree damage claims. The general liability severity rate (average cost of claims) has increased in recent years due to the following types of claims: dangerous condition of public property, property damage from water main breaks, and police, fire, and parks and recreation liability. However, the rate decreased 28 percent in FY2015 and increased slightly in FY2016. Risk Management and the City’s third party claims administrator, York Risk Services Group (York), continue to improve communication with City departments to proactively manage open and potential claims to help minimize these costs.

The number of automobile liability claims has been steady in recent years and increased slightly in FY2016. The automobile liability severity rate (average cost of claims) dropped significantly in FY2015 from the prior two years but increased in FY2016. To continue to address our risk of vehicle accidents Risk Management will assist in the development of a long-term plan for the Sacramento Regional Driver Training Facility (SRDTF). All City personnel, including police and fire, complete most of their driver training requirements at the Mather facility.

Benchmarking information was provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of ten similar sized California cities the City of Sacramento’s average cost per claim or severity rate for general and auto liability claims was 33 percent below the average and the loss rate was 39 percent below the average. The City’s frequency rate was 11 percent lower than the average.

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

Risk Management staff protect City employees and assets by providing exceptional customer service through effective loss prevention, claims administration, and risk financing. Our commitment enhances safety and livability for the citizens and employees of the City of Sacramento.

**RISK MANAGEMENT VISION STATEMENT**

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

**RISK MANAGEMENT DIVISION**

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

*Figure 1: Risk Management Organizational Chart*
RISK MANAGEMENT BUDGET

The Risk Management budget increased $1,973,000 from $29,495,000 in FY2015 to $31,468,000 in FY2016. The higher budget was primarily from increases in workers' compensation and liability claims costs.

INSURANCE PREMIUMS

The City of Sacramento has an agreement with Alliant Insurance Services (Alliant) to provide insurance brokerage services such as marketing and soliciting quotations for insurance policies. Alliant also places and services insurance policies for the City. Total insurance premium costs increased just one percent in FY2016, from $3,179,125 in FY2015 to $3,207,266 in FY2016.

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

LIABILITY

The City of Sacramento purchases excess liability insurance to protect the City in the case of catastrophic incidents. Excess liability insurance includes coverage for the following risks: bodily injury, property damage, public officials' errors and omissions, employment practices liability and personal injury. All coverage is on an occurrence basis. Excess liability limits remain at $30,000,000. The City's self-insured retention is $2,000,000 with a $1,000,000 corridor retention aggregate. The $1,000,000 corridor retention aggregate is in excess of our $2,000,000 self-insured retention. The $1,000,000 corridor retention aggregate increases the amount the City self-insures by $1,000,000 in aggregate for the policy year. Excess liability insurance premiums increased six percent, or $81,351, from $1,283,474 in FY2015 to $1,364,825 in FY2016. The increase is driven by rising City payroll, which is a major factor in the calculation of the City's premium, and increasing claim reserves for older claims. The City participated in the Alliant National Municipal Liability Program (ANML) for the purchase of excess liability insurance. ANML provides comprehensive excess liability coverage to public agencies across the nation. Participants in ANML do not share risk. Each participating member selects its own limits of liability insurance and self-insured retention. As a group purchase, the program provides greater stability as the insurance market fluctuates. Additionally, the combined size of the program ensures competitive pricing in hard and soft markets.
WORKERS’ COMPENSATION

The City purchases excess workers’ compensation insurance to protect against catastrophic injury to City employees and accidents involving multiple employees. Excess workers’ compensation limits remained at statutory coverage for FY2016 with a self-insured retention of $2,000,000. Statutory coverage provides payment for claims up to the amount required by law, without limits. Excess workers’ compensation insurance premiums increased seven percent or $33,291 from $484,946 in FY2015 to $518,237 in FY2016. The premium increase is primarily driven by a higher City payroll, which is a major factor in the calculation of the City’s insurance premium. Additionally, increases in statutory temporary and permanent disability rates in recent years led to increasing costs. Excess workers’ compensation insurance is purchased through the California State Association of Counties Excess Insurance Authority (CSAC), which uses pool purchasing power to achieve broad coverage for the lowest rates available. The CSAC program is the largest pool in the nation and their excess workers’ compensation program provides services to 93 percent of the counties and 60 percent of the cities in California. The program has a $5,000,000 pooled limit and statutory reinsurance coverage for each accident.

PROPERTY

Property insurance is purchased to protect City buildings and assets from damage or loss caused by covered perils such as fire, theft, wind, and flood. Cyber liability coverage was recently added to our property insurance program. Property insurance is currently purchased through the Alliant Property Insurance Program (APIP). APIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently the largest property insurance placement in the world. 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 $1,818,308,446.
Property insurance premiums decreased seven percent or $94,231 in FY2016 from $1,276,999 to $1,182,768. The decrease was driven by a soft property insurance market which led to a property insurance rate decrease. 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.

OTHER INSURANCE

The City purchased the following additional insurance in FY2016:

- 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, and The Center for Sacramento History. Coverage limits were increased $50,000,000 from the prior year to cover additional exposures from art at the new arena and the Crocker collection.
- Aircraft insurance with limits of $20,000,000 and airport liability insurance with limits of $5,000,000. Coverage is provided for the City's small plane and three helicopters.
- Crime insurance with limits of $10,000,000. Coverage is provided for employee theft, forgery, and other crime-related losses.
- Pollution legal liability insurance with limits of $10,000,000.
- Bounce house liability insurance with limits of $1,000,000. Coverage is provided for the two City-owned bounce houses utilized at special events.
Table 1, Schedule of Insurance, summarizes coverage, self-insured retentions, limits, premiums and carriers for three years and provides a total cost of insurance by year at the bottom of the table. Information for FY2017 is also included as these insurance policies have already been purchased. Detailed information on FY2017 insurance will be provided in next year’s annual report.

**Table 1: Schedule of Insurance**

<table>
<thead>
<tr>
<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></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>3,000,000</td>
<td>30,000,000</td>
<td>2,100,500</td>
<td>CSAC-EIA, Lloyds Brit Global, Great American</td>
</tr>
<tr>
<td>FY16</td>
<td>3,000,000</td>
<td>30,000,000</td>
<td>1,364,825</td>
<td>Security National, Lloyds Brit Syndicate, Ironshore Specialty</td>
</tr>
<tr>
<td>FY15</td>
<td>3,000,000</td>
<td>30,000,000</td>
<td>1,283,474</td>
<td>Security National, Star Indemnity, Ironshore Specialty</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>4,748,799</td>
<td></td>
</tr>
<tr>
<td><strong>Workers’ Compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>576,954</td>
<td>CSAC EIA</td>
</tr>
<tr>
<td>FY16</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>518,237</td>
<td>CSAC EIA</td>
</tr>
<tr>
<td>FY15</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>484,946</td>
<td>CSAC EIA</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>1,580,137</td>
<td></td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,202,985</td>
<td>APIP</td>
</tr>
<tr>
<td>FY16</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,182,768</td>
<td>APIP</td>
</tr>
<tr>
<td>FY15</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,276,999</td>
<td>PEPIP</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>3,662,752</td>
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</tr>
<tr>
<td><strong>Fine Arts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
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<tr>
<td>FY16</td>
<td>1,000</td>
<td>150,000,000</td>
<td>84,974</td>
<td>Ace American</td>
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<tr>
<td>FY15</td>
<td>10,000</td>
<td>100,000,000</td>
<td>64,677</td>
<td>Ace American</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>230,377</td>
<td></td>
</tr>
<tr>
<td><strong>Aircraft</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>Varies</td>
<td>20,000,000</td>
<td>28,831</td>
<td>Old Republic</td>
</tr>
<tr>
<td>FY16</td>
<td>Varies</td>
<td>20,000,000</td>
<td>28,831</td>
<td>Old Republic</td>
</tr>
<tr>
<td>FY15</td>
<td>Varies</td>
<td>20,000,000</td>
<td>35,936</td>
<td>Old Republic</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>93,598</td>
<td></td>
</tr>
<tr>
<td><strong>Other Insurance</strong> Includes pollution, crime, special events, airport, bounce house insurance and UST</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td></td>
<td></td>
<td>65,378</td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td></td>
<td></td>
<td>27,631</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td></td>
<td>33,093</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>126,102</td>
<td></td>
</tr>
<tr>
<td><strong>Total Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td></td>
<td></td>
<td>4,055,374</td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td></td>
<td></td>
<td>3,207,266</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td></td>
<td>3,179,125</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>10,441,765</td>
<td></td>
</tr>
</tbody>
</table>
Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2016 with a total cost of $3,207,266.

*Figure 2: FY16 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 $344,000 in FY2016 and the amount budgeted for general and automobile liability claims increased $574,000, resulting in a net increase of $918,000. The estimated outstanding liability for all claims increased 2 percent or $1,252,000 in FY2016 to $71,935,000. This increase occurred primarily from a shortened payout pattern and increased case reserves for workers’ compensation claims.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
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<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>$43,973,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$44,167,000</td>
<td>$194,000</td>
<td>Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$10,111,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$9,303,000</td>
<td>($808,000)</td>
<td>Estimated Ultimate Cost of Claims</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>$19,127,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$26,516,000</td>
<td>$7,389,000</td>
<td>Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$7,284,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$7,802,000</td>
<td>$518,000</td>
<td>Estimated Ultimate Cost of Claims</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>$63,100,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$70,683,000</td>
<td>$7,583,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$17,395,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$17,105,000</td>
<td>($290,000)</td>
<td>Total Estimated Ultimate Cost of Claims</td>
</tr>
</tbody>
</table>
FISCAL YEAR 2016 RESULTS

Workers’ Compensation

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

Accomplishments

- A total of 575 new Workers' Compensation claims were opened during FY2016, an increase of 3.4 percent.
- Medical bill review yielded 63 percent in savings with a return on investment of 65 percent. Total dollars saved were $5,720,048 (see Figure 10 on page 15). The City's workers' compensation program continues to experience success with the Pharmacy Benefit Management Program (PBMP). This program manages drug formularies and achieves savings on pharmacy costs by providing oversight on the types of drugs and frequency of prescriptions to injured workers to assure that they are appropriate to the industrial injury. Doctors are notified when prescribing patterns meet criteria that indicate excessive use of prescription drugs and/or duplicative therapies. The use of a PBMP resulted in direct savings of $2,005,879 and conversion to generic drug use was 96 percent.
- Internal and external utilization review practices continue to be applied including case management by assigned nurse case managers. These nurses help coordinate medical care involving serious injuries and assist with the City’s return to work program. The use of Utilization Review of requested medical treatment resulted in savings of $304,295.
- Claim staff and department supervisors attended regularly scheduled meetings to review open and potential workers’ compensation claims. The numbers of meetings were determined by the frequency and severity of the department’s claims.
- A total of 31 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 219 indemnity claims were settled, an 18 percent increase. This increase was due to a focused effort to settle older claims.
- The City recovered $130,607 from subrogation efforts and excess insurers.

Workers’ Compensation Results

The following data is derived from the most recent actuarial report which was completed in November of 2016. This information is based on data valued as of June 30, 2016.
Figure 3 shows the total estimated cost of workers’ compensation claims for the past ten years. Industry-wide increases in temporary and permanent disability rates and medical costs in recent years have contributed to a gradual rise in costs.

*Figure 3: Total Ultimate Cost of Claims*

![Workers' Compensation Total Ultimate Cost of Claims Reported](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 has increased in recent years for reasons stated in Figure 3.

*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 are beginning to increase.

*Figure 5: Ultimate Workers’ Compensation Claims*

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

*Figure 6: Number of Claims Reported per $1 Million of Payroll*
Claim costs fluctuate from year to year but the trend has been rising costs due to increases in medical (especially hospital costs) and pharmaceutical costs. Additionally, increases in temporary and permanent disability rates have also contributed to the increase in costs in recent years, as illustrated in Figure 7.

Figure 7: Average Cost per Claim

![Average Cost per Claim](image)

The causes of loss for workers’ compensation claims are depicted in Figure 8. Strain and sprain injuries continue to be the most common type of injury. Our Loss Prevention staff and contracted physical therapist provided department specific training on reducing these types of injuries. Additionally, voluntary stretching and walking programs and the utilization of workout facilities at numerous locations are designed to help reduce the number of strain and sprain injuries.

Figure 8: Causes of Loss

![Causes of Loss FY07 - FY16](image)
Injury on duty (IOD) hours is illustrated in Figure 9. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. The increase in FY2016 was driven by a higher number of workers off work due to serious injuries or illnesses.

Figure 9: Injury on Duty Hours

![Injury on Duty Hours Graph]

Figure 10 illustrates bill review savings from the City's bill review provider and reflects the amount workers' compensation medical bills were reduced to comply with the workers' compensation fee schedule as well as Preferred Provider Organization (PPO) savings. The City averaged a 63 percent reduction in costs for all workers' compensation bills processed in FY2016. The reduction in bill review savings in FY2016 resulted from fewer bills being reviewed as the number of open claims has decreased.

Figure 10: Bill Review Savings

![Bill Review Savings Graph]
Figure 11 shows the percentage of workers’ compensation claims filed in the last ten years broken down by Police, Fire and all other City Departments.

Figure 11: Percentage of Workers’ Compensation Claims by Department

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

Figure 12: Percentage of Workers’ Compensation Cost by Department
Benchmarking

The data in Table 3 is taken from the FY2016 Public Self-Insurers Annual Report that self-insured public entities are required to submit to the California Department of Industrial Relations. When compared with eight other medium to large sized cities in California the City of Sacramento’s workers’ compensation loss rate per employee was 55 percent below the average and the incident rate per employee was 1.6 percent above the average. This shows the City of Sacramento has an average number of injury claims but pays much less for the claims that do occur.

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

<table>
<thead>
<tr>
<th>Loss Rate Per Employee</th>
<th>Average of 8 Medium to Large Cities *</th>
<th>City of Sacramento</th>
<th>Percentage Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Total paid losses/Total)</td>
<td>$3,010</td>
<td>$1,363</td>
<td>-55%</td>
</tr>
</tbody>
</table>

* Cites included are as follows: Fresno, Oakland, Long Beach, Riverside, San Diego, San Jose, Santa Ana, Stockton

Additional benchmarking information was received from the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of ten similar sized California cities the City of Sacramento’s average cost per claim, or severity rate, for workers’ compensation claims was 30 percent below the average and the loss rate was 35 percent below the average. The City’s frequency rate was 13 percent below the average.

LIABILITY

The City of Sacramento utilizes York Risk Services Group (York), 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 FY2016 resolved 50 percent of litigated damages cases without payment of money. Claims are broken down into two categories: automobile and general liability.

Accomplishments

- York successfully represented the City of Sacramento at Small Claims Court ten times saving the City $36,609.
- The claims closing ratio increased from 93% in FY2015 to 105% in FY2016.
- A dedicated York adjuster is assigned to the Solid Waste Division due to their high claim frequency. Monthly meetings with the adjuster, loss prevention personnel, and solid waste management were held to discuss open and pending claims.
- York has assigned a dedicated adjuster to the Utilities Department to improve emergency response and settlement of Utilities claims.
- A Liability Response Team with the Police Department, Risk Management, and York is assembled to quickly respond to potential claims at incident scenes.
- Monthly meetings were conducted with the City Attorney’s Office, Risk Management, and York to review existing and potential litigation.
- Meetings between Department staff and Risk Management were conducted to review open and potential liability claims.
- The York claim system is now entirely paperless.

**General Liability Results**

The following data is presented from the most recent actuarial report which was completed in November of 2016.

The ultimate cost of general liability claims for the last ten years is estimated in Figure 13. General liability claims include all claims except automobile accidents, which are summarized later. General liability claim costs vary dramatically each 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. Costs dropped significantly in FY2015 and increased slightly in FY 2016.

*Figure 13: Estimation of Ultimate Cost of General Liability Claims*
The general liability loss rate (ultimate losses/ (composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$100)) is depicted in Figure 14. This loss rate spiked in FY2014 for the reasons discussed in Figure 13. The general liability loss rate decreased in FY2015 and increased slightly in FY2016.

Figure 14: General Liability Loss Rate

![General Liability Loss Rate](image)

Figure 15 shows the number of liability claims reported for the last ten years. The number of claims reported increased slightly in FY2016 primarily due to rise in the amount of tree claims filed.

Figure 15: 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 16. The rate has been decreasing but increased in FY2015 and FY2016 for the reasons discussed in Figure 15.

*Figure 16: General Liability Claims Frequency*

![General Liability Claims Frequency](image)

The average cost per claim or claim severity rate (ultimate limited losses/# of claims) is depicted in Figure 17. FY2011, FY2013, and FY2014 showed spikes in severity primarily driven by a large water main break claim, dangerous condition of public property claims, and Police, Fire, and Parks and Recreation liability claims. There was a large decrease in FY2015 and a slight increase in FY 2016.

*Figure 17: General Liability Claim Severity*

![General Liability Claim Severity](image)
Figure 18 shows the percentage of general liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

*Figure 18: Percentage of General Liability Claims by Department*

**Percentage of General Liability Claims by Department**

FY07 - FY16
Figure 19 shows the percentage of costs paid for general liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

*Figure 19: Percentage of General Liability Claim Costs by Department*

**Percentage of General Liability Claim Costs by Department**

FY07 - FY16

- **Police**: $1,647,564 (9%)
- **Fire**: $309,412 (2%)
- **All other Dept**: $16,325,781 (89%)
Automobile Liability Results

The ultimate cost of automobile liability claims for the last ten years is estimated in Figure 20. 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.

*Figure 20: 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 21. The loss rate may be influenced by one or two large claims.

*Figure 21: Auto Liability Loss Rate*
Figure 22 shows the number of auto liability claims filed against the City during the last ten years. The number of claims filed has trended downward with a 25 percent decrease in claims since FY2007.

Figure 22: Number of Auto Liability Claims Reported

![Number of Auto Liability Claims (1245)](image)

Figure 23 shows the number of auto liability claims per million miles driven (# of claims/miles driven/1,000,000). The number of miles driven in FY2016 were 15,295,989. Claims have been trending downward since before FY2007 and leveled off in recent years. These favorable results are driven by the creation of the Vehicle Review Committee (discussed in greater detail in the Loss Prevention section of this report) and management's commitment to reducing vehicle accidents.

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

![Claims per Miles Driven](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 24. The claims frequency rate experienced significant reductions since before FY2007 and continues to remain stable.

*Figure 24: Auto Liability Claims Frequency Rate*

**Auto Liability Claims Frequency**

![Graph showing auto liability claims frequency from FY2007 to FY2016. The graph displays a trend of decreasing claims frequency over time.](image-url)
The claim severity (ultimate limited losses/# of claims) is depicted in Figure 25. The rate varies each year as a few large accidents will influence the rate. The rate spiked in FY2013 and FY2014 for reasons discussed in Figure 20.

*Figure 25: Auto Liability Claim Severity*

![Auto Liability Claim Severity](image)

Figure 26 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 26: Percentage of Auto Liability Claims by Department*

![Percentage of Auto Liability Claims by Department](image)

Figure 27 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. A large loss involving a police ride along injury in FY2007 resulted in the high percentage of claim costs attributed to the Police Department.

![Percentage of Costs Paid for Auto Liability Claims](image)
Benchmarking

Benchmarking information was provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of ten similar sized cities the City of Sacramento’s average cost per claim or severity rate for general and automobile liability claims was 33 percent below the average and the loss rate was 39 percent below the average. The City's frequency rate was 11 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.
LOSS PREVENTION

The primary loss prevention goal is to reduce the number and severity of injuries and accidents to minimize employee injuries and claim costs. Each City of Sacramento department has an assigned Environmental Health and Safety Specialist to consult with on workplace health and environmental issues. FY2016 loss prevention activities included the following:

Training

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

- Certified 152 City employees in CPR/First Aid;
- Certified 103 employees as forklift operators;
- Certified 45 employees on aerial lifts;
- Coordinated training for 13 utilities employees in confined space entry and rescue training;
- Coordinated and sponsored NFPA 70 E Arc Flash Training for 23 City employees;
- Coordinated training for Department of Utilities employees in trenching and shoring;
- Coordinated classes with a physical fitness coach to prevent strains and sprains for 182 City employees;
- Conducted annual heat illness prevention refresher training for employees citywide;
- Provided illness and injury prevention training for fire recruit academies;
- Sponsored workplace violence prevention training for employees citywide; and
- Mentored five California State Sacramento students as part of their internship programs.
Vehicle Safety

City employees drove approximately 15.3 million miles in FY2016. Loss Prevention staff track City vehicle collision statistics and provide administrative support for departmental collision review committees and the citywide Vehicle Review Committee. The City’s collision frequency rate, the number of chargeable collisions divided by million miles driven, has decreased substantially since FY2006 as depicted in Figure 28. However, there was an increase in chargeable collisions in FY2016, driven by an increase in minor accidents. The City’s commitment to high quality driver training and accountability due to the creation of the Vehicle Review Board continue to help contain the costs of collisions. Loss Prevention staff also completed a comprehensive revision of the Ride Along Policy working with the City Attorney’s Office, operating departments and the Vehicle Review Committee.

Figure 28: Vehicle Collision Frequency Rate

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

In FY2016, SRDTF personnel provided driver training for: 370 City police officers; 537 City firefighters; 282 non-sworn City employees; 544 students from external agencies; 64 fire academy candidates; and 206 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 89 ergonomic evaluations;
- Monitoring 895 commercial drivers’ licenses;
- Coordination of 887 hearing tests;
- Conducting 1,003 respirator fit tests for employees in compliance with Cal OSHA requirements;
- Developing tracking and reporting systems for the Solid Waste Division’s safety performance metrics;
- Completing personal protective equipment assessments citywide to assure employees are protected from hazards;
- Coordination of a NIOSH Health Hazard Evaluation for firefighter exposure to diesel exhaust particulate;
- Conducting 36 facility inspections using the paperless inspection software;
- Assisting Public Works and Utilities in providing specialized hearing protection for Urban Forestry crews and plant operators;
- 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;
- Providing staffing for departmental labor/management safety committees;
- Coordinating one Cal OSHA appeal of citations for multiple violations resulting from a comprehensive process safety management inspection;
- Coordinating three Cal OSHA inspections due to employee complaints or serious injuries;
- Supporting Fire and Utilities Departments in addressing safety concerns relating to industrial waste discharge;
- Revision of Drug & Alcohol, Vehicle Review, Ride Along, Pepper Spray and Transportation Policies;
- Participating in the CA Police Officers Standards and Training statewide SAFE Vehicle Operations Committee;
- Participating in the Cal OSHA Advisory Committee for update of firefighter protective equipment regulations;
- Participating in the CSAC Excess Insurance Authority Loss Prevention Committee;
- Supporting emergency preparedness as emergency operations center staff; and
• Continuing promotion of Back Defense duty belt suspender systems to reduce back injuries for police officers.

Environmental

Environmental regulatory compliance activities included:

• Supporting 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 5,928 pounds of abandoned hazardous waste;
• Conducting hazardous waste generator and spill response training for all fleet personnel;
• Coordinating pick-up and disposal of e-waste and hazardous materials waste;
• Completing asbestos and lead sampling citywide as requested by the Facilities Division prior to remodeling;
• Converting hazardous materials storage plans for all City fire stations and fleet maintenance facilities to Sacramento County's new electronic system; and
• Participating in Sacramento County Environmental Management Division inspections at City facilities.

Support Services

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

• Monitoring compliance with City contract insurance requirements for over 1,000 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;
• Providing records management for Loss Prevention and Risk Administration with 60 boxes of old records approved for destruction;
• Tracking 146 restitution cases for reimbursement due to damaged City property;
• Scheduling 1,428 pre-employment, non-industrial return-to-work, and specialty physical exams in accordance with City policy;
• Coordinating 254 random drug tests and 134 random alcohol tests for commercial drivers;
Coordinating 26 follow-up drug tests for employees on last-chance agreements; Providing ten drug and alcohol awareness training sessions for supervisors; and Coordinating annual flu vaccines and tuberculosis testing for public safety emergency responders.

Special Projects

Risk Management staff meets with leadership teams from the operating departments annually to identify priority initiatives. Many of these risk initiatives are accomplished through the collaborative efforts of loss prevention and departmental staff.

Sixty-three loss prevention initiatives were completed in FY2016.

- Training: 23
- Equipment or Process Improvement: 20
- Policy or Procedure Development: 8
- Loss Analysis: 5
- Occupational Health: 11
SUBROGATION

Subrogation is the recovery of funds spent to repair or replace City assets damaged by negligent third parties. Examples are automobile collisions where third parties cause damage to City vehicles, traffic signals, or street signs. The graph below illustrates the amount collected during the last three years by the Risk Management Division. Recoveries in FY2016 were up 32 percent, from $293,765 in FY2015 to $388,984 in FY2016. The number of cases involving recoveries in FY2015 was 133 and the number of recoveries in FY2016 was 166, an increase of 25 percent. The increase in recoverable cases led to the increase in the amount of recoveries for FY2016.

Figure 29: Subrogation Recoveries

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

FISCAL YEAR 2017 ACTION PLAN

- Continue working on the integration of the learning management system with the City’s IT system to improve functionality and training compliance.
- Expand training for prevention of strains and sprains injuries.
- Continue conversion of risk management policies and procedures to new City format.
• Continue the transition to a new certificate of insurance monitoring vendor and provide continued access and training to City personnel on the certificate of insurance monitoring software. This will allow employees to review certificates of insurance online which will improve the monitoring of insurance for existing contracts and reduce the need to obtain new certificates of insurance for each project or contract.

• Support Fire and Police in their wellness and fitness programs.

• Complete Risk Management Initiatives developed at annual risk management meetings with departments.

• Participate in the CSAC workers’ compensation claims quality assurance audit. The City will also undergo an audit by the Division of State Workers’ Compensation Audit Enforcement Unit. The CSAC audit is conducted every two years and the State audit occurs every five years.

• Continue to manage an aggressive drug management program with the assistance of our PBMP. Additionally, in 2017 we expect to see the implementation of Assembly Bill 1124 by the Division of Workers’ Compensation which requires the adoption and implementation of a drug formulary for the Workers’ Compensation system.

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