City of
SACRAMENTO

Department of Human Resources

# Division of Risk Management Annual Report

Fiscal Year Ending June 30, 2017

# 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 ..... 4
- Property ..... 5
- Other Insurance ..... 6

Actuarial Report ..... 9
Fiscal Year 2017 Results ..... 10
- Workers' Compensation ..... 11
- Liability ..... 17
- Loss Prevention ..... 27
- Subrogation ..... 32

Fiscal Year 2017 Action Plan ..... 33

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

# EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2017.

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 FY2017 budget is $32,069,000, an increase of two percent from the prior year's budget of $31,468,000.

Total insurance premium costs increased 27 percent in FY2017, from $3,207,266 in FY2016 to $4,065,810 in FY2017. The primary increase in insurance premiums were the result of excess liability insurance premiums increasing 54 percent, from $1,364,825 in FY2016 to $2,100,500 in FY2017. This large increase is driven by a hardening excess liability insurance market for public entities resulting from highly publicized jury verdicts and police liability settlements as well as adverse loss development in the City's claims. Excess workers' compensation insurance premiums increased 11 percent, or $58,717, from $518,237 in FY2016 to $576,954 in FY2017. The increase was driven by 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 increased two percent in FY2017 from $1,182,768 to $1,202,985.

The number of Workers' Compensation claims increased in FY2017 as the City added new employees and conducted multiple police and fire training academies, which tend to have higher injury rates. The average cost per claim continues to trend higher due to temporary and permanent disability rate increases and higher medical costs, primarily from hospital cost increases. 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 FY2017. 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 2013 audit year. The DWC audited the City again in the fall of 2017 and those favorable results will be discussed in next year's annual report.

When compared with eight other medium to large sized cities in California, with data compiled from the Public Self-Insurer's Annual Reports for FY2017, the City of Sacramento's loss rate per employee was 52 percent below the average and the incident rate per employee was 3.1 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 nine similar sized cities, the City's severity rate for workers' compensation claims was 28 percent below the average and the loss rate was 31 percent below the average. The City's frequency rate was eight 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. The general liability severity rate (average cost of claims) has decreased in recent years but increased slightly in FY2017. The following types of claims continue to be the most expensive: dangerous condition of public property, property damage from water main breaks, and police, fire, and parks and recreation liability. Risk Management and the City's third-party claims administrator, York Risk Services Group (York), continue to improve communication with City departments to proactively manage open and potential claims to help minimize these costs.

The number of automobile liability claims has been decreasing over the last ten years with the lowest number of claims in FY2017. There has been a 29% decrease in automobile liability claims since 2008. The automobile liability severity rate (average cost of claims) has been steady the last three years after peaking in FY2013 and FY2014. Collisions involving a building inspector and ambulance drove the 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) to increase the frequency of non-sworn frequent driver training. 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 nine similar sized California cities, the City of Sacramento's average cost per claim or severity rate for general and auto liability claims was 35 percent below the average and the loss rate was 40 percent below the average. The City's frequency rate was nine 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.

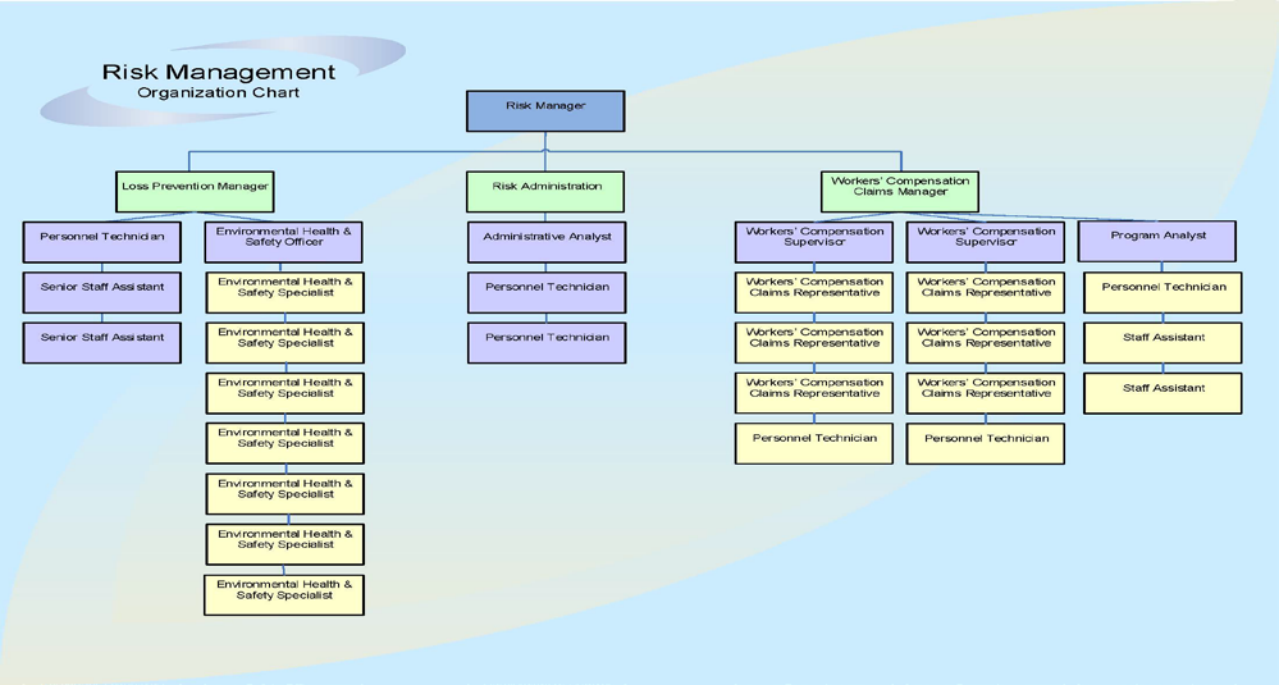
## RISK MANAGEMENT VISION STATEMENT

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, 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 $601,000, or two percent, from $31,468,000 in FY2016 to $32,069,000 in FY2017.

## 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 27 percent in FY2017, from $3,207,266 in FY2016 to $4,065,810 in FY2017. The increase in premiums was driven largely by increases in the excess liability 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 $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 the $2,000,000 self-insured retention. The $1,000,000 corridor retention aggregate increases the amount the City self-insures to $3,000,000 in aggregate for the policy year.

Excess liability insurance premiums increased 54 percent, or $735,675, from $1,364,825 in FY2016 to $2,100,500 in FY2017. The increase is driven by a hardening liability insurance market for public entities driven largely by recent highly publicized jury verdicts and police liability claims as well as recent adverse loss development in the City's liability claims. Additionally, the City has recently settled several large claims which included payouts by the excess liability carriers. Due to these adverse claim results, the City was unable to renew excess liability insurance in the same program as in recent years. The City was able to obtain excess liability insurance for a reasonable premium through the California State Association of Counties Excess Insurance Authority (CSAC EIA) GL2 program.

### 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 FY2017 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 11 percent, or $58,717, from $518,237 in FY2016 to $576,954 in FY2017. 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 and medical costs in recent years led to increasing premiums. 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 $1,922,653,706. Property insurance premiums increased two percent, or $20,217, in FY2017 from $1,182,768 to $1,202,985. 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 FY2017.

- 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 recently increased $50,000,000 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 $15,000,000. Coverage is provided for employee 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 carriers for three years and provides a total cost of insurance by year at the bottom of the

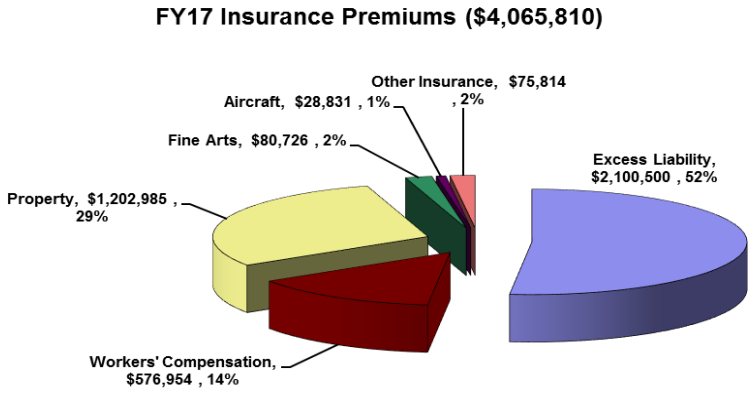
table. Information for FY2018 is also included as these insurance policies have already been purchased. Detailed information on FY2018 insurance will be provided in next year's annual report.

*Table 1: Schedule of Insurance*

| SCHEDULE OF INSURANCE | | | | |
|---|---|---|---|---|
| *Fiscal Year* | *Self Insured Retention* | *Policy Limits* | *Premium* | *Carrier* |
| Excess Liability | | | | |
| FY18 | 3,000,000 | 35,000,000 | 2,612,257 | CSAC-EIA |
| FY17 | 3,000,000 | 30,000,000 | 2,100,500 | CSAC-EIA |
| FY16 | 3,000,000 | 30,000,000 | 1,364,825 | Security National, Lloyds Brit Syndicate, Ironshore Specialty |
| **Total** | | | **6,077,582** | |
| Workers' Compensation | | | | |
| FY18 | 2,000,000 | Statutory | 692,908 | CSAC EIA |
| FY17 | 2,000,000 | Statutory | 576,954 | CSAC EIA |
| FY16 | 2,000,000 | Statutory | 518,237 | CSAC EIA |
| **Total** | | | **1,788,099** | |
| Property | | | | |
| FY18 | 100,000 | 1,000,000,000 | 1,150,325 | APIP |
| FY17 | 100,000 | 1,000,000,000 | 1,202,985 | APIP |
| FY16 | 100,000 | 1,000,000,000 | 1,182,768 | APIP |
| **Total** | | | **3,662,752** | |
| Fine Arts | | | | |
| FY18 | 1,000 | 150,000,000 | 80,726 | Ironshore Indemnity |
| FY17 | 1,000 | 150,000,000 | 80,726 | Ace American |
| FY16 | 1,000 | 150,000,000 | 84,974 | Ace American |
| **Total** | | | **230,377** | |
| Aircraft | | | | |
| FY18 | Varies | 20,000,000 | 25,557 | Old Republic |
| FY17 | Varies | 20,000,000 | 28,831 | Old Republic |
| FY16 | Varies | 20,000,000 | 28,831 | Old Republic |
| **Total** | | | **83,219** | |
| Other Insurance includes *pollution, crime, special events, airport, bounce house insurance and UST* | | | | |
| FY18 | | | 75,197 | |
| FY17 | | | 75,814 | |
| FY16 | | | 27,631 | |
| **Total** | | | **178,642** | |
| Total Insurance | | | | |
| FY18 | | | 4,637,010 | |
| FY17 | | | 4,065,810 | |
| FY16 | | | 3,207,266 | |
| **Total** | | | **11,910,086** | |

Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2017 with a total cost of $4,065,810.

*Figure 2: FY17 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 $752,000 in FY2017 and the amount budgeted for general and automobile liability claims increased $910,000, resulting in a net increase of $1,662,000. The estimated outstanding liability for all claims increased 12 percent or $8,810,000 in FY2017 to $80,745,000. This increase occurred primarily from large increases in reserves for a few liability claims and an increase in frequency in workers' compensation claims as the City increases the number of personnel.

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

| COMPARISON OF ESTIMATED OUTSTANDING LOSSES | | | | | | | |
|---|---|---|---|---|---|---|---|
| As of June 30, 2015 | | As of June 30, 2016 | | Difference Between FY 2015-16 | As of June 30, 2017 | | Difference Between FY 2016-17 |
| **WORKERS' COMPENSATION** | | | | | | | |
| Estimated Liability for Outstanding Claims | $44,167,000 | Estimated Liability for Outstanding Claims | $45,261,000 | $1,094,000 | Estimated Liability for Outstanding Claims | $49,004,000 | $3,743,000 |
| Estimated Ultimate Cost of Claims | $9,303,000 | Estimated Ultimate Cost of Claims | $9,647,000 | $344,000 | Estimated Ultimate Cost of Claims | $10,399,000 | $752,000 |
| **GENERAL AND AUTO LIABILITY** | | | | | | | |
| Estimated Liability for Outstanding Claims | $26,516,000 | Estimated Liability for Outstanding Claims | $26,674,000 | $158,000 | Estimated Liability for Outstanding Claims | $31,741,000 | $5,067,000 |
| Estimated Ultimate Cost of Claims | $7,802,000 | Estimated Ultimate Cost of Claims | $8,376,000 | $574,000 | Estimated Ultimate Cost of Claims | $9,286,000 | $910,000 |
| **TOTALS** | | | | | | | |
| Total Estimated Liability for Outstanding Claims | $70,683,000 | Total Estimated Liability for Outstanding Claims | $71,935,000 | $1,252,000 | Total Estimated Liability for Outstanding Claims | $80,745,000 | $8,810,000 |
| Total Estimated Ultimate Cost of Claims | $17,105,000 | Total Estimated Ultimate Cost of Claims | $18,023,000 | $918,000 | Total Estimated Ultimate Cost of Claims | $19,685,000 | $1,662,000 |

# FISCAL YEAR 2017 RESULTS

## Workers' Compensation

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

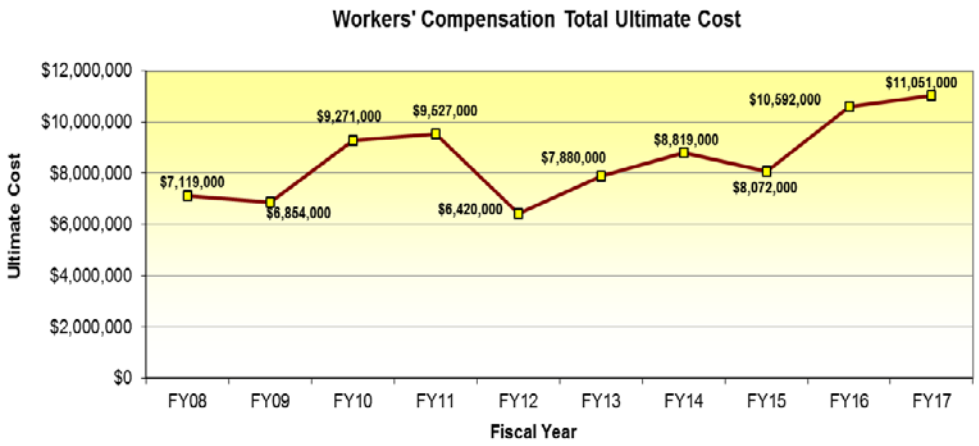
### Accomplishments

- A total of 600 new Workers' Compensation claims were opened during FY2017, an increase of 4.3 percent.
- Medical bill review yielded 62 percent in savings with a return on investment of 61 percent. Total dollars saved were $6,016,347 (*see Figure 10*). 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 total plan cost for the pharmacy benefit decreased in FY2017 by 26% from the prior year. Of note, there was a reduction of Opioid expenditures of 26%, for a savings of $20,300. Additionally, the rate of use of generic medications increased from 88% in FY2016 to 89% in FY2017. 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 $240,012.
- 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 41 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 120 indemnity claims were settled.
- The City recovered $324,838 from subrogation efforts and excess insurers.

**Workers' Compensation Results**

The following data is derived from the most recent actuarial report which was completed in October of 2017. This information is based on data valued as of June 30, 2017.
Figure 3 shows the total estimated cost of workers' compensation claims for the past ten years. Increases in temporary and permanent disability rates and medical costs in recent years have contributed to a gradual rise in costs.

*Figure 3: Total Ultimate Cost of claims*




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 the last two years for reasons stated in Figure 3.

*Figure 4: Loss Rate per $100 of Payroll*

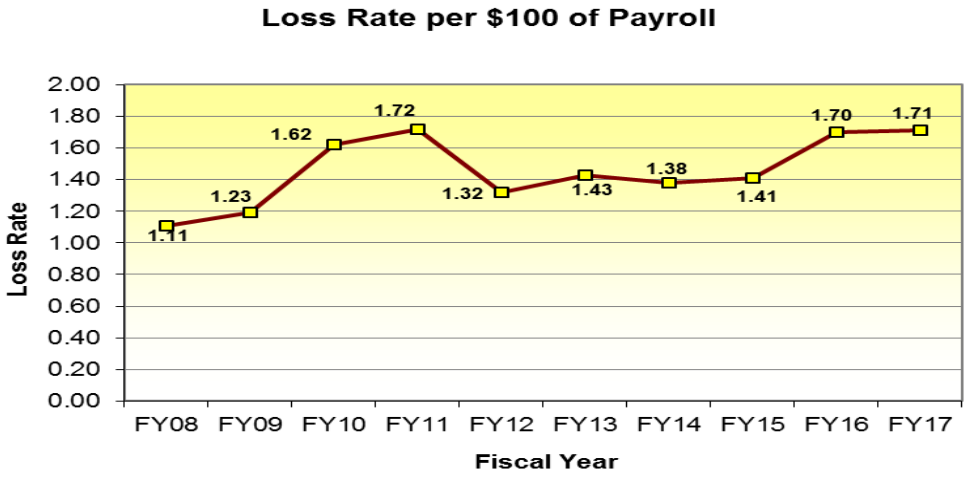
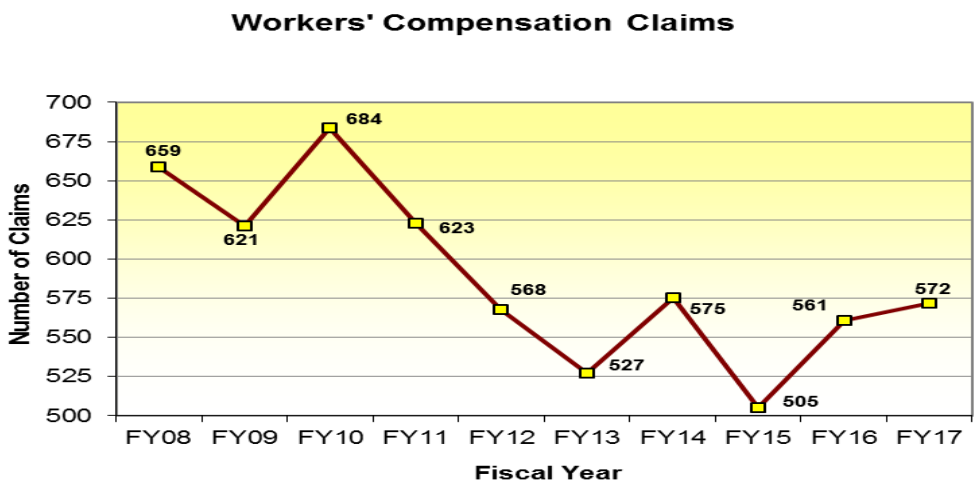


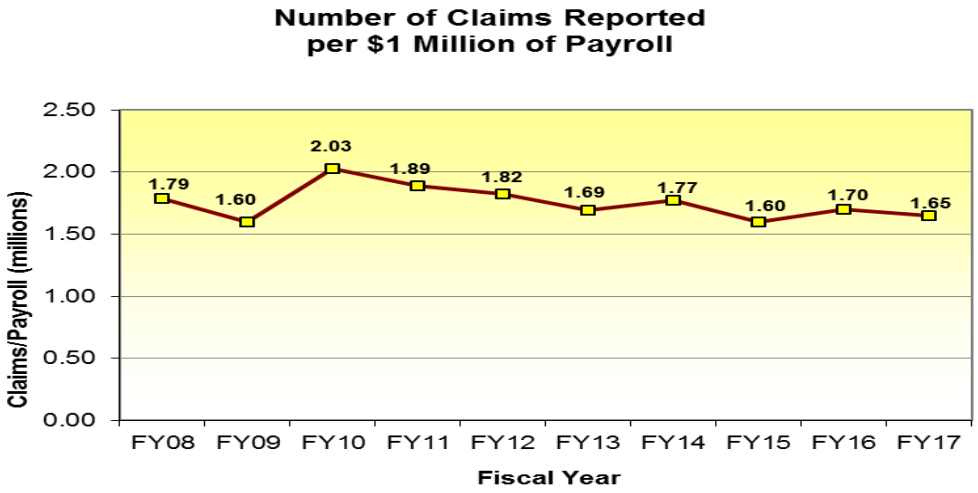
Figure 5 shows the ultimate number of workers' compensation claims for the last ten years. Claims have been decreasing since FY2010 but due to an influx of new employees and police and fire training academies the number of claims is beginning to increase.

*Figure 5: Ultimate Workers' Compensation Claims*



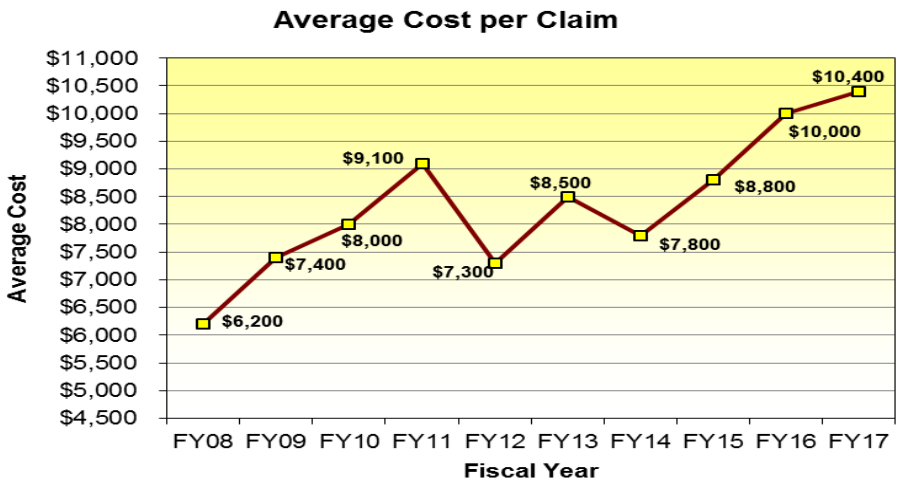

The number of claims reported per $1 million of payroll (# of claims/(payroll/$1,000,000)) for the last ten years is illustrated in Figure 6. The data in Figure 6 limits claim values to $100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss.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

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



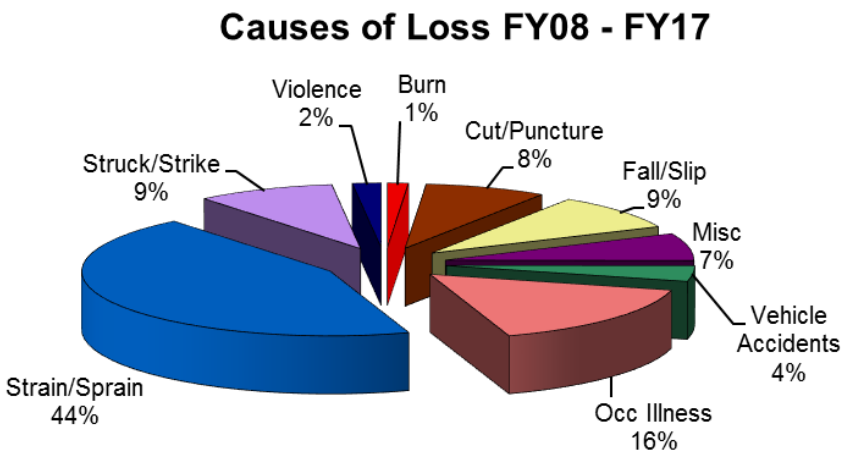
Claim costs fluctuate from year to year but the trend has been rising costs due to increases in hospital and medical expenses. Additionally, increases in temporary and permanent disability rates have also contributed to the increase in costs in recent years, as illustrated in Figure 7.

*Figure 7: Average Cost per Claim*




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. Loss Prevention 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 8: Causes of Loss*



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 number of hours was down nine percent in FY2017.

*Figure 9: Injury on Duty Hours*

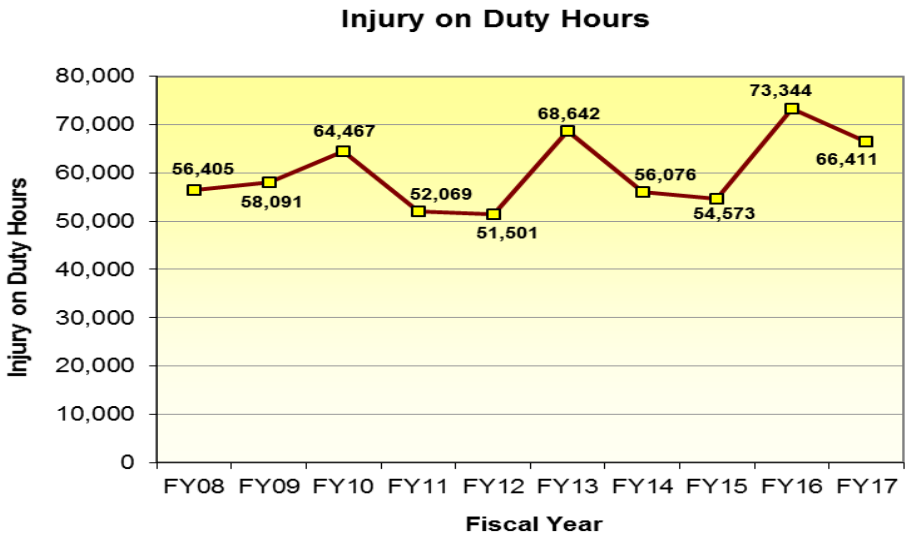



Figure 10 illustrates bill review savings from the City's bill review provider and reflects the amount workers' compensation medical bills were reduced to comply with the workers' compensation fee schedule as well as Preferred Provider Organization (PPO) savings. The City averaged a 62 percent reduction in costs for all workers' compensation bills processed in FY2017, an increase of five percent from the prior year.

*Figure 10: Bill Review Savings*

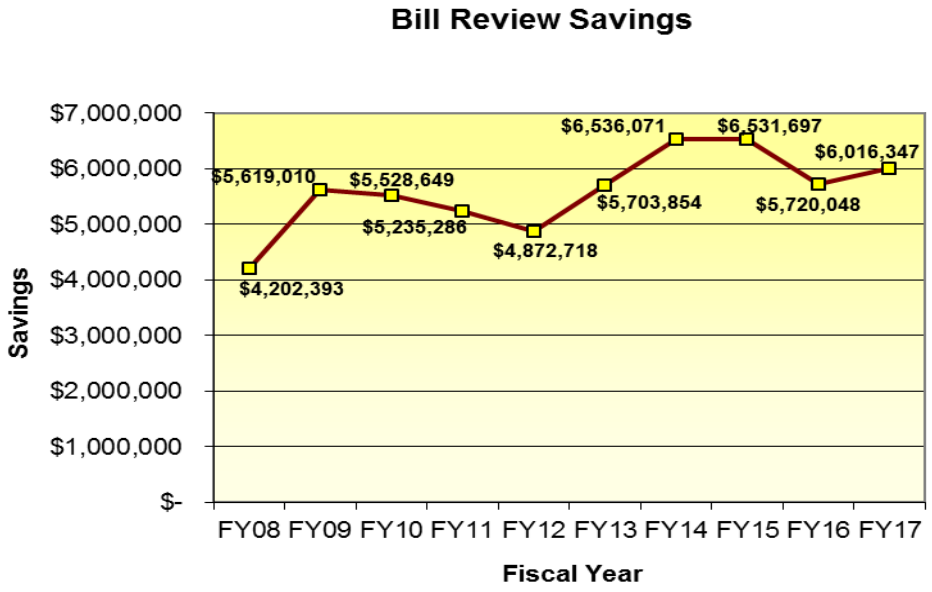


Figure 11 shows the percentage of workers' compensation claims filed in the last ten years broken down by Police, Fire and all other City Departments.

*Figure 11: Percentage of Workers' Compensation Claims by Department*

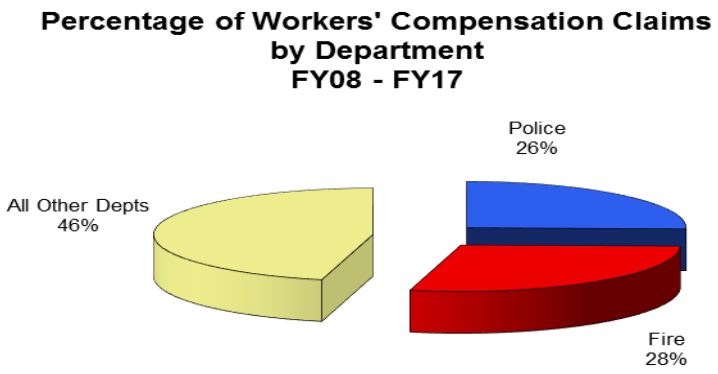
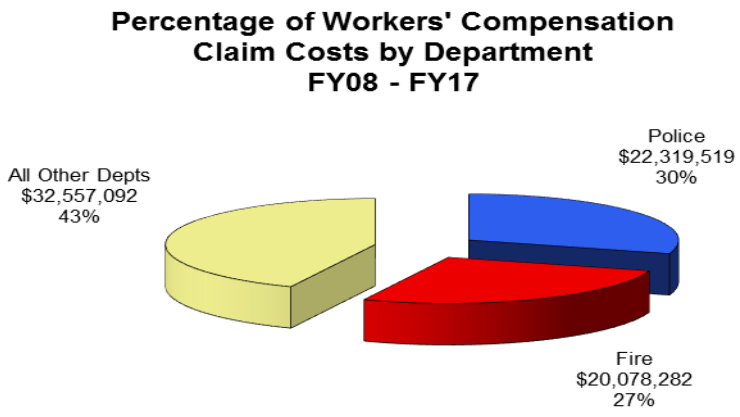



Figure 12 shows the percentage of costs paid for workers' compensation claims in the last ten years broken down by Police, Fire and all other City Departments. The number of claims filed by department and the costs per claim by department are similar, indicating that departments' claims costs are comparable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

*Figure 12: Percentage of Workers' Compensation Cost by Department*



**Benchmarking**

The data in Table 3 is taken from the FY2017 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 52 percent below the average and the incident rate per employee was 3.2 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*

**Workers' Compensation Benchmarking for FY2017**

| | Average of 8 Medium to Large Cities * | City of Sacramento | Percentage Difference |
|---|---|---|---|
| **Loss Rate Per Employee** (Total paid losses/Total employees) | $2,983 | $1,422 | -52% |
| **Incident Rate Per Employee** (Reported claim/Total employees x 100) | 12.7 | 13.1 | +3.1% |

* 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 nine similar sized California cities the City of Sacramento's average cost per claim, or severity rate, for workers' compensation claims was 28 percent below the average and the loss rate was 31 percent below the average. The City's frequency rate was eight 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 FY2017 resolved 37 percent of litigated damages cases without payment of money. Claims are broken down into two categories: automobile and general liability.

## Accomplishments

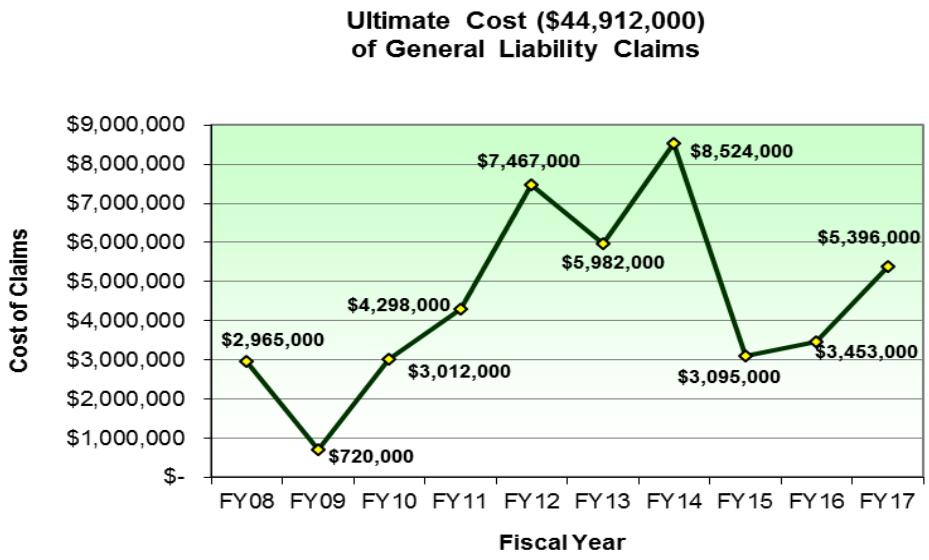
- York successfully represented the City of Sacramento at Small Claims Court three times saving the City $6,496. The number of Small Claims Court actions filed were reduced from ten actions in FY2016 to three actions in FY2017, indicating claims were resolved amicably without the need for further litigation.
- The claims closing ratio increased from 105% in FY2016 to 112% in FY2017, documenting more claims were closed than opened in the fiscal year. This occurred even when the number of claims in FY2017 were higher than the previous year.
- 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.
- 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 October of 2017.

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 claims costs vary dramatically from year to year as one or two large claims can skew the results. The spike in costs in FY2014 was driven primarily by a large settlement for a claim occurring at Camp Sacramento. Costs dropped significantly in FY2015 and increased the last two years.

*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 recent years but increased in FY2017.

*Figure 14: General Liability Loss Rate*

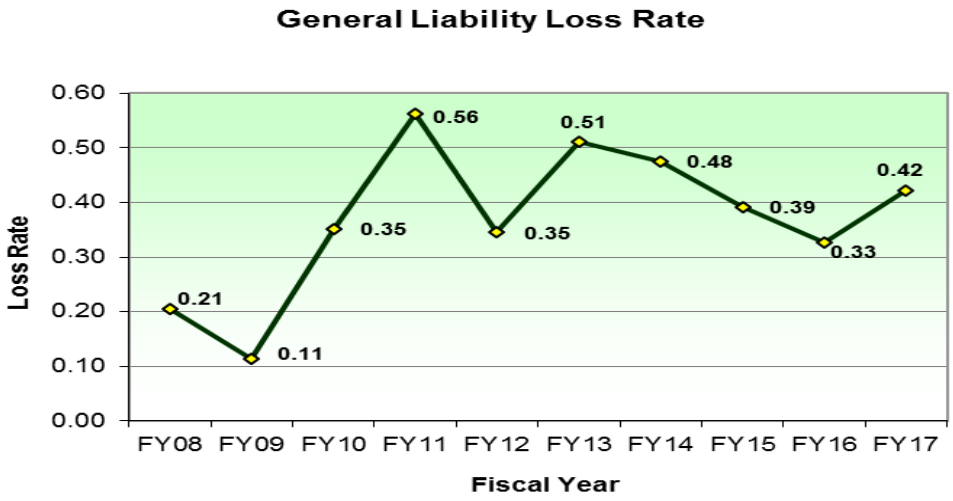
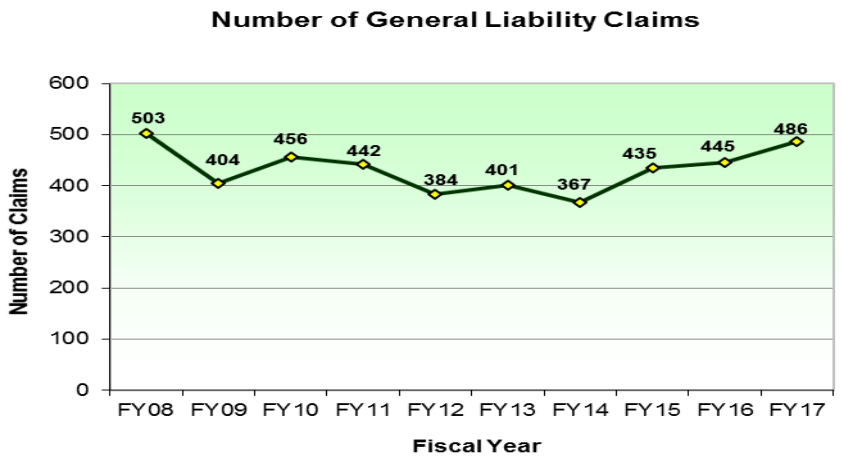


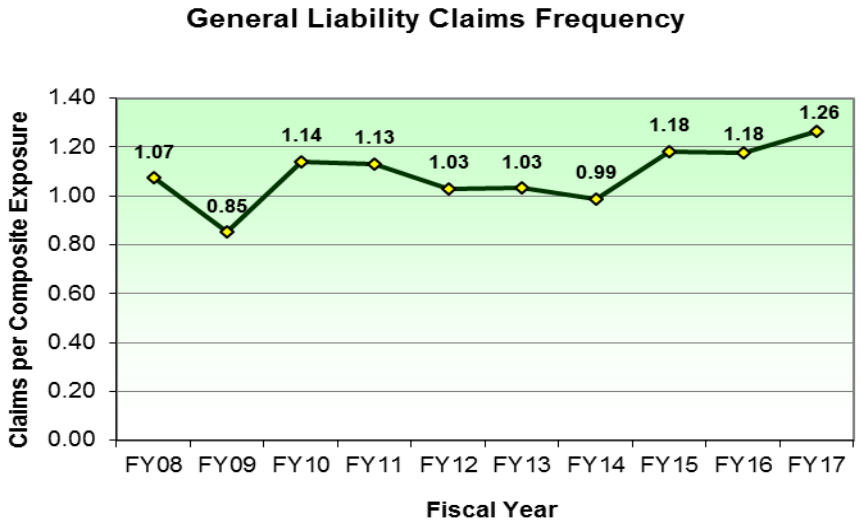
Figure 15 shows the number of liability claims reported for the last ten years. The number of claims reported increased in recent years as additional employees are hired and the economy rebounds.

*Figure 15: Number of General Liability Claims Reported*




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 increasing in recent years for the reasons discussed in Figure 15.

*Figure 16: General Liability Claims Frequency*




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 were decreases in the rate in FY2015 and FY2016 and an increase in FY2017.

*Figure 17: General Liability Claim Severity*

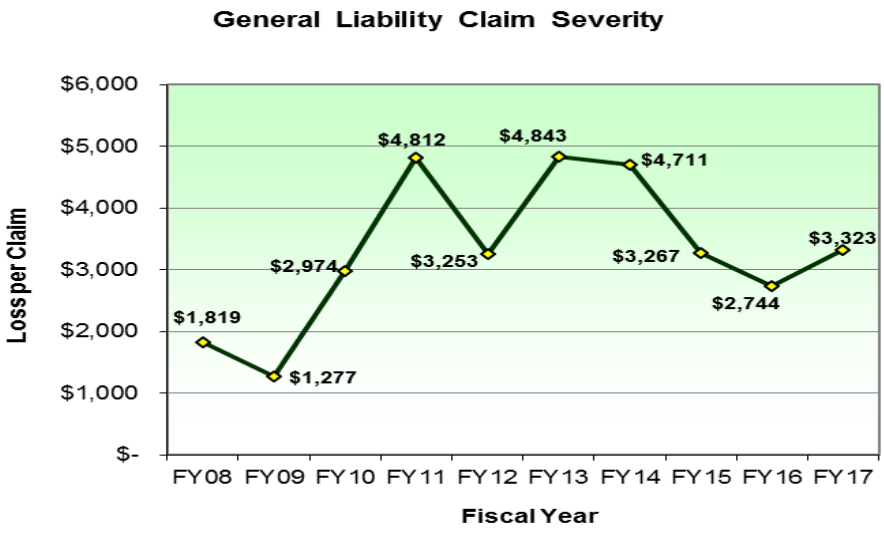



Figure 18 shows the percentage of general liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

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

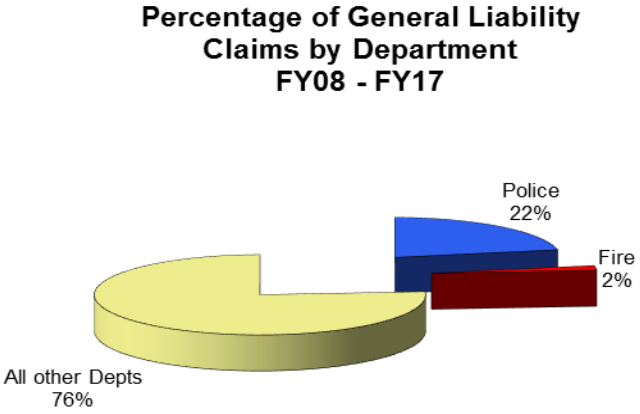
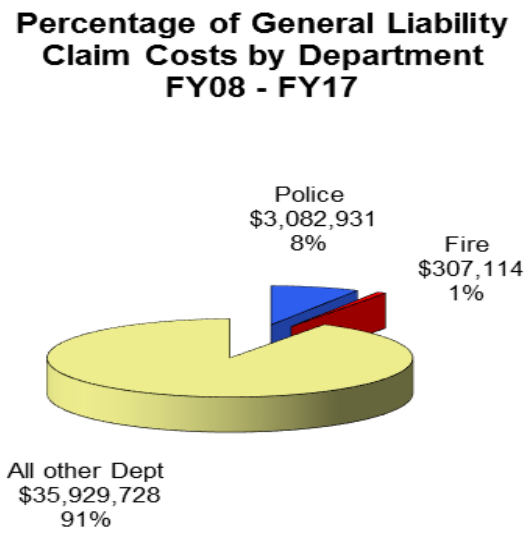



Figure 19 shows the percentage of costs paid for general liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

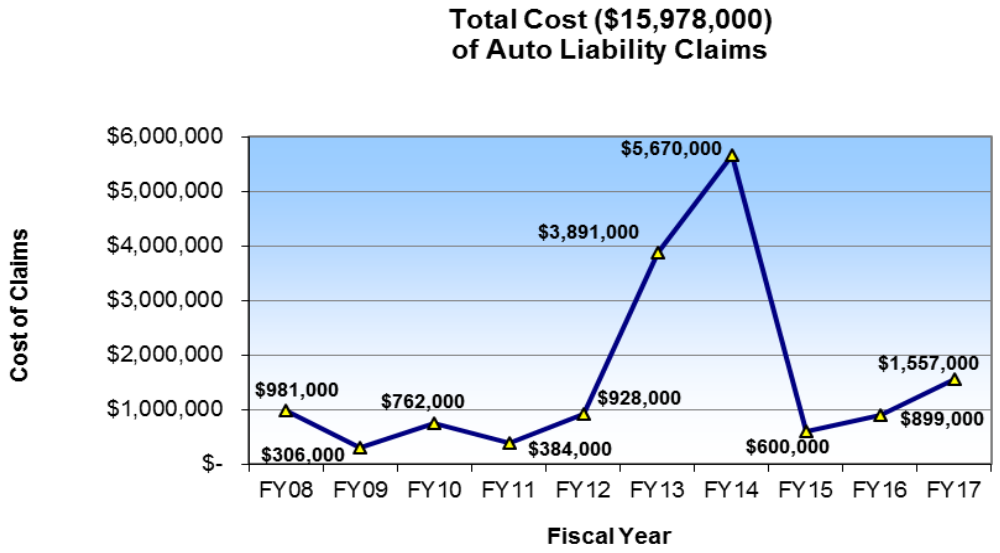
*Figure 19: Percentage of General Liability Claim Costs by Department*



**Automobile Liability Results**

The ultimate cost of 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. The rate has been stable the last two years.

*Figure 21: Auto Liability Loss Rate*

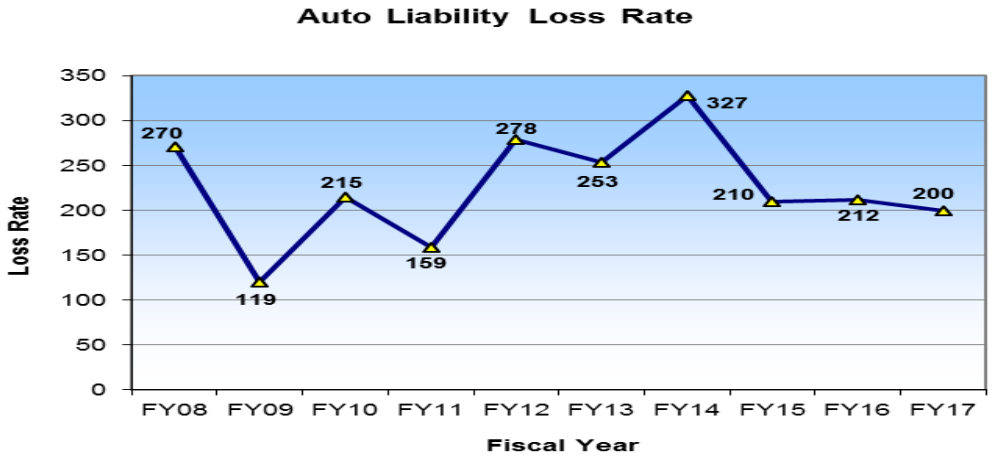


Figure 22 shows the number of auto liability claims filed against the City during the last ten years. The number of claims filed has trended downward with a 29 percent decrease in claims since FY2008.

*Figure 22: Number of Auto Liability Claims Reported*

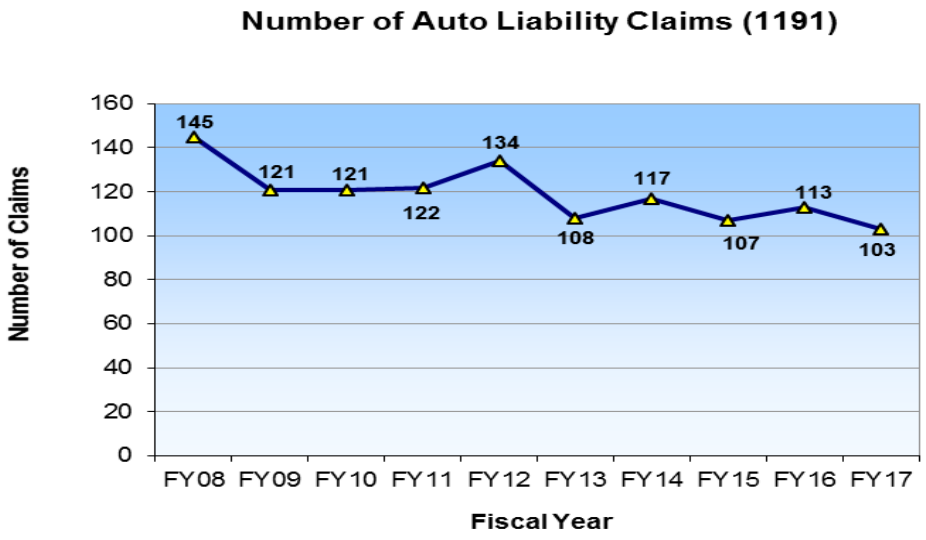
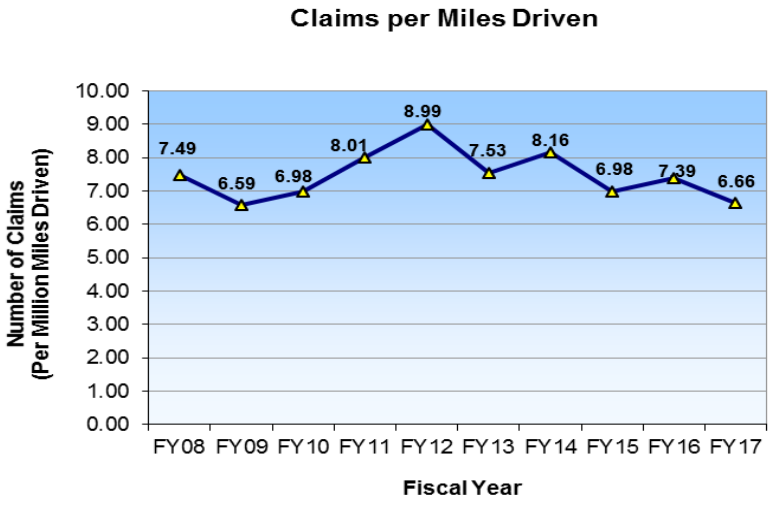


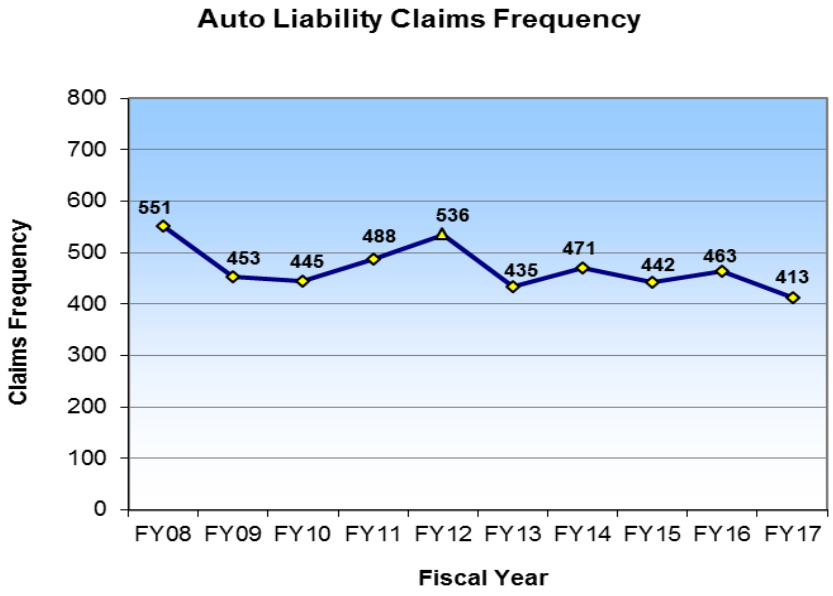

Figure 23 shows the number of auto liability claims per million miles driven (# of claims/miles driven/1,000,000). The number of miles driven in FY2017 were 15,475,539. Claims have been trending downward since before FY2008 and leveled off in recent years. These favorable results are driven by the creation 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*



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 FY2008 and continues to remain stable with FY2017 the lowest rate in the last ten years.

*Figure 24: Auto Liability Claims Frequency Rate*



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*

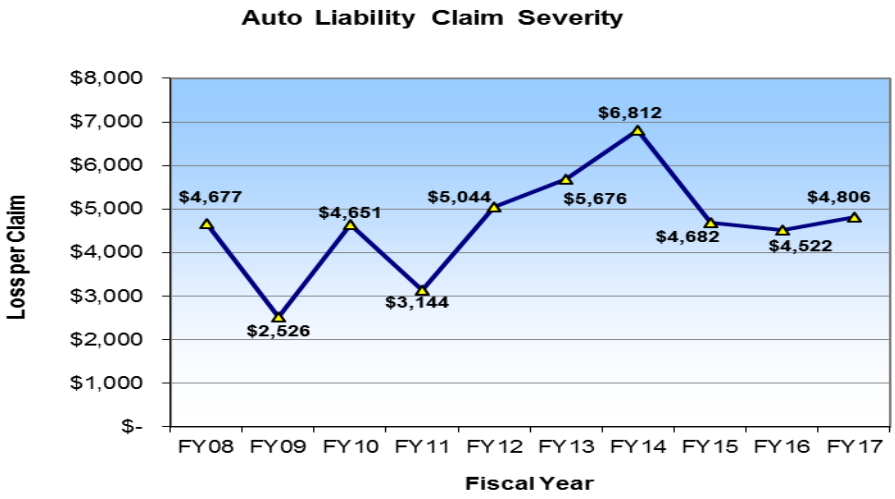



Figure 26 shows the percentage of auto liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

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

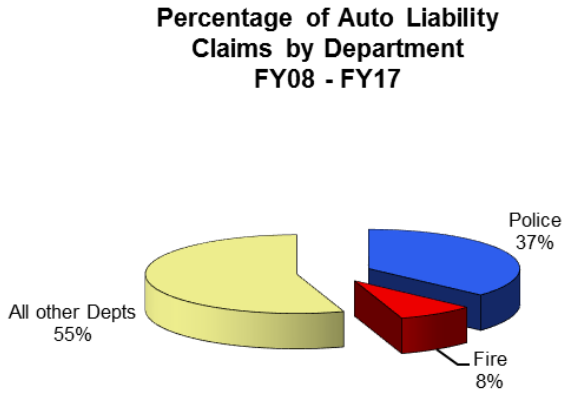
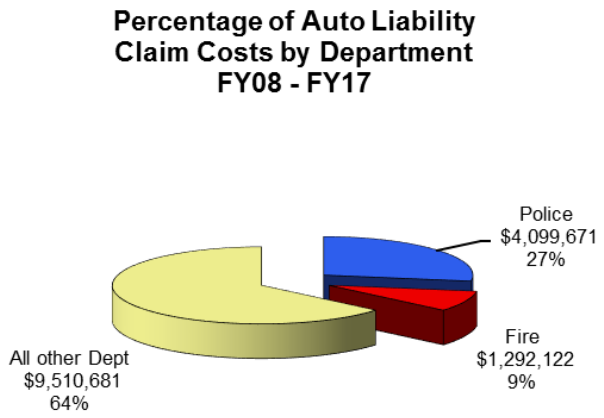



Figure 27 shows the percentage of costs paid for auto liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

*Figure 27: Percentage of Auto Liability Claim Costs by Department*




**Benchmarking**

Benchmarking information was provided by the firm that provides actuarial services for the City's Risk Management Division. In a comparison of nine similar sized cities the City of Sacramento's average cost per claim or severity rate for general and automobile liability claims was 35 percent below the average and the loss rate was 40 percent below the average. The City's frequency rate was nine 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 goals for loss prevention 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 an assigned Environmental Health and Safety Specialist to consult with on workplace health and environmental issues and to assist with monitoring regulatory compliance. FY2017 loss prevention activities included the following:

## Training

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

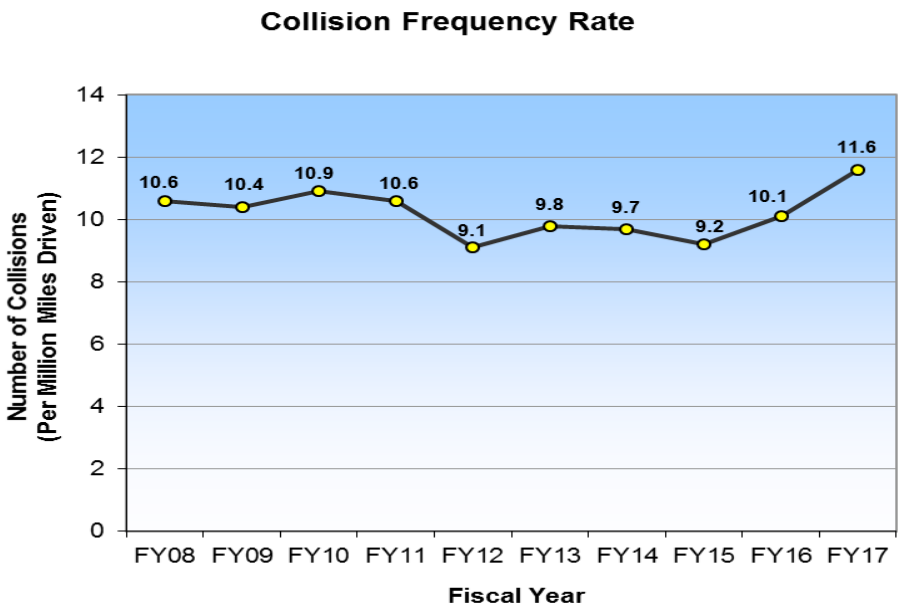
- Certified 138 City employees in CPR/First Aid;
- Certified 62 employees as forklift operators;
- Certified 25 employees on aerial lifts;
- Coordinated trainings for Department of Utilities employees in confined space entry and rescue training;
- Coordinated 10, 24-hour Hazmat Tech training classes 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 coach to prevent strains and sprains for employees citywide;
- Conducted monthly safety meetings for Utilities, Public Works and Parks and Recreation Departments;
- Conducted annual heat illness prevention refresher training for employees citywide;
- Presented 24 peer support and exposure mitigation sessions as part of a Fire Department multi-company drill;
- Provided illness and injury prevention training for fire recruit academies;
- Delivered risk management and safety orientations at two SMART academies;
- Delivered three Safety 101 Classes for both administrative and field employees;
- Coordinated four drug and alcohol awareness trainings for supervisors;
- Provided acupressure wellness training for police dispatchers;
- Sponsored workplace violence prevention training for employees citywide;
- Mentored four California State Sacramento students as part of their internship programs;
- Conducted a large-scale emergency evacuation drill at the South Area Corporation Yard and North Area Corporation Yard; and
- Coordinated CHP Pre-Trip inspection training for commercial drivers city-wide.

**Vehicle Safety**

City employees drove approximately 15.5 million miles in FY2017. Loss Prevention staff tracks City vehicle collision statistics and provides administrative support for departmental collision review committees and the citywide Vehicle Review Committee. Increases in chargeable collisions in FY2016 and FY2017 were driven by increases in collisions resulting in minor damage (Figure 28). 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 provided policy briefings to the Vehicle Review Committee on employee accountability for chargeable collisions, hands free driving requirements and use of GPS technology to monitor operation of City vehicles. The Committee adopted a standard for recognition of employees for outstanding performance in safe driving. To qualify, the entire division must have a collision frequency rate (CFR) that is 50% or less than the citywide average and no increase in their own CFR from the prior year. Drivers in Community Development and Utilities Departments were recognized for outstanding performance in FY2017. The Committee also approved a plan that will provide more hands-on driver training to non-sworn commercial drivers and frequent drivers of light vehicles.

*Figure 28: Vehicle Collision Frequency Rate*




Loss Prevention 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 FY2017, SRDTF personnel provided driver training for: 377 City police officers; 488 City firefighters; 334 non-sworn City employees; 308 students from external agencies; 128 fire academy candidates; and 232 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 101 ergonomic evaluations;
- Coordination of 891 hearing tests;
- Conducting 1,009 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;
- Conducting 183 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 two Cal OSHA appeals of citations for two general violations resulting from injury investigation inspections;
- Coordinating four Cal OSHA inspections due to employee complaints or serious injuries;
- Revision of Drug & Alcohol and Vehicle Review policies;
- Coordination of and participation in the City's Threat Assessment Team for workplace violence;
- Participating in the CSAC Excess Insurance Authority Loss Prevention Committee;
- Supporting emergency preparedness as emergency operations center staff;
- Continuing promotion of Back Defense duty belt suspender systems to reduce back injuries for police officers;
- Developing and implementing an Exposure Control Plan in compliance with the new Cal OSHA silica regulation;
- Performing annual harness and lanyard inspections for over 100 harness/ lanyards; and
- Implementing SAVVY Health Solutions citywide soft tissue injury prevention program.

**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;
- Participating in Sacramento County Environmental Management Division inspections at City facilities;
- Conducting indoor air quality investigations at facilities with unusual odor issues;
- Completing and submitting biennial reports for large quantity generators of hazardous waste; and
- Completing and submitting annual EPA ID verification to validate all EPA ID numbers.

**Support Services**

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

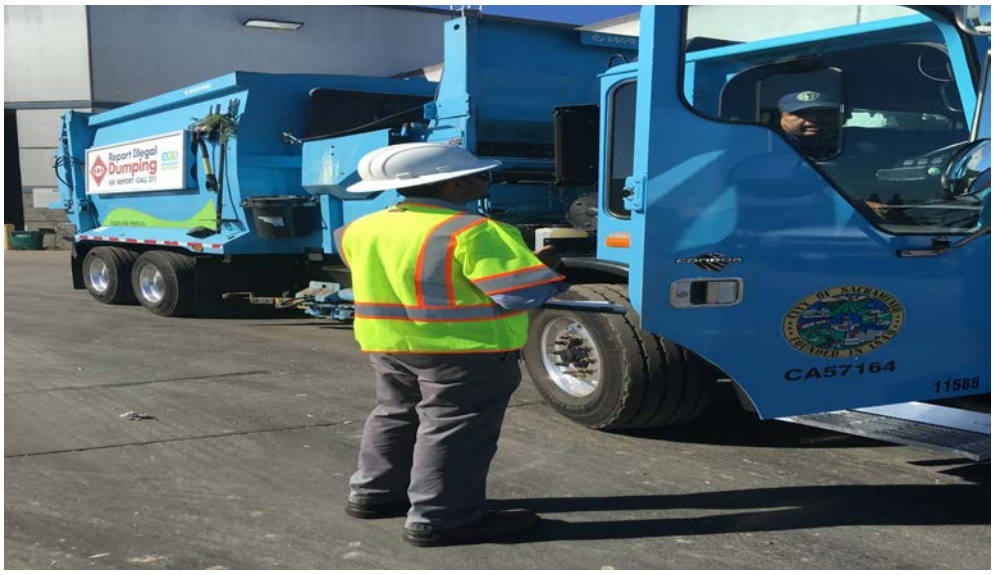
- Monitoring compliance with City contract insurance requirements for 1,100 active contractors and vendors;
- Providing departmental training sessions on insurance requirements for contracts;
- Providing support for the special events insurance program, insurance renewals, and liability claims administration;
- Participation in the CSAC Claims Committee which meets periodically to approve large workers' compensation and liability claims settlements for many California public entities;
- Providing records management for Loss Prevention and Risk Administration with 54 boxes of old records approved for destruction;
- Tracking 160 restitution cases for reimbursement due to damaged City property by third parties;
- Scheduling 1,785 pre-employment, non-industrial return-to-work, and specialty physical exams in accordance with City policy;
- Monitoring validity of 1,039 commercial drivers' licenses;
- Coordinating 290 random drug tests and 155 random alcohol tests for commercial drivers;
- Coordinating ten other drug tests for 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 loss prevention and departmental staff. Citywide risk initiatives included safety training gap analysis and regulatory compliance for food safety in all departments.

55 loss prevention initiatives were completed in FY2017 in the following areas:

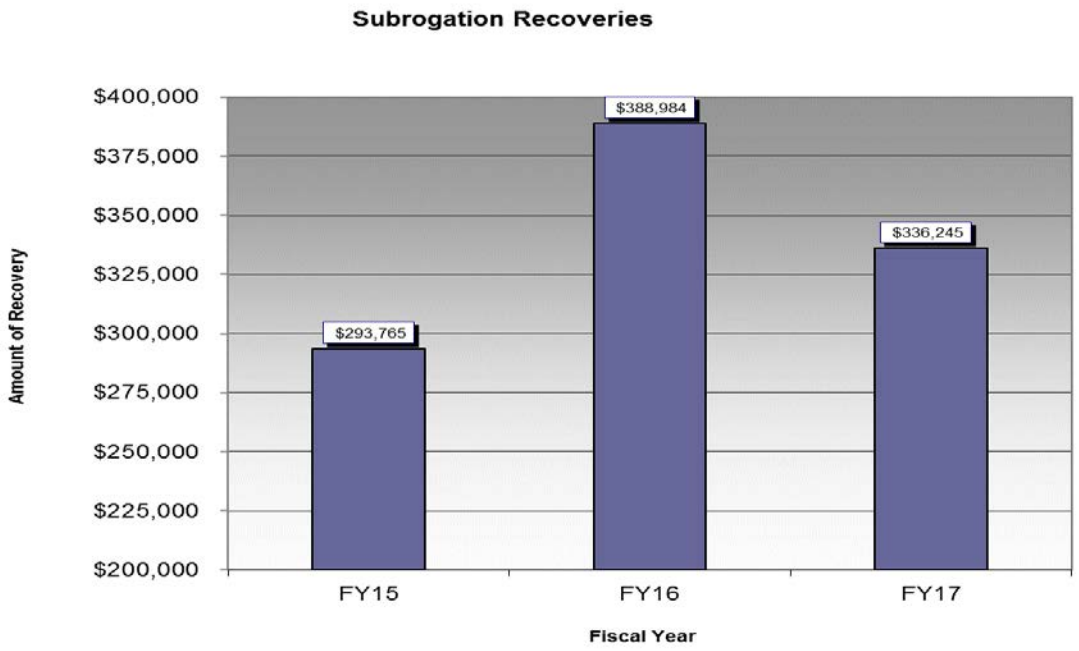
| | |
|---|---|
| Training | 24 |
| Policy or Procedure Development | 11 |
| Equipment or Process Improvement | 9 |
| Occupational Health | 8 |
| Loss Analysis | 3 |




## 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 City staff. Subrogation efforts have now been transitioned from our third-party claims administrator to the Revenue Division.

*Figure 29: Subrogation Recoveries*




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

## FISCAL YEAR 2018 ACTION PLAN

- Continue working on safety training verification and deliver training targeted to fill gaps.
- Expand the Savvy F.I.T. for Work training program for prevention of strains and sprains injuries.
- Continue conversion of risk management policies and procedures to new City format.
- Transition to the new ABCD contract system and integrate with our certificate of insurance tracking vendor.
- 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.
- 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.

- Monitor and manage the impact of the new workers' compensation mandatory drug formulary.
- Develop a Request for Proposal for several workers' compensation cost containment services.

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.