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*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 2018.

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 FY2018 budget is $33,930,000, an increase of six percent from the prior year’s budget of $32,069,000.

Total insurance premium costs increased 14 percent or $571,160 in FY2018, from $4,065,810 in FY2017 to $4,636,970 in FY2018. The primary increase in insurance premiums were the result of excess liability insurance premiums increasing 24 percent, or $511,757, from $2,100,500 in FY2017 to $2,612,257 in FY2018. This increase is driven by a hardening excess liability insurance market for public entities resulting from highly publicized jury verdicts and settlements against public entities as well as adverse loss development in the City’s claims. Police liability claims remain a concern with liability underwriters nationwide. Excess workers’ compensation insurance premiums increased 20 percent, or $115,954, from $576,954 in FY2017 to $692,908 in FY2018. The increase was driven by higher reinsurance rates in excess layers and increased permanent disability costs. Property insurance premiums decreased four percent, or $52,660, from $1,202,985 in FY2017 to $1,150,325.

The number of Workers’ Compensation claims began increasing in FY2015 as the City added new employees and conducted multiple police and fire training academies, which tend to have higher injury rates. However, the number of new claims decreased nine percent in FY2018. The loss rate per $100 of payroll also began increasing in FY2015 but decreased 29% in FY2018. 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 FY2018. Workout facilities are available at numerous City facilities and some departments have gone a step further and introduced stretching programs to address these issues.

The State of California Department of Industrial Relations, Division of Workers’ Compensation (DWC), conducts audits of workers’ compensation claim handling every five years to make
certain injured workers receive accurate and prompt compensation to which they are entitled. The DWC’s most recent audit score, from the audit conducted in the fall of 2017, for the City of Sacramento was 0.55123. The City ranked 6th out of the 41 entities audited.

When compared with eight medium to large sized cities in California, with data compiled from the Public Self-Insurer’s Annual Reports for FY2018, the City of Sacramento’s loss rate per employee was 46 percent below the average and the incident rate per employee was 4.09 percent below the average. The City of Sacramento had fewer injuries and 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 27 percent below the average and the loss rate was 30 percent below the average. The City’s frequency rate was nine percent below the average.

The number of general liability claims has been increasing in recent years as the City hires additional employees and the economy rebounds. However, the rate decreased 11% in FY2018. The following types of claims continue to be the most expensive: dangerous condition of public property, Youth, Parks and Community Enrichment and police liability. Risk Management and the City’s third-party claims administrator, 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 the last five years after decreasing in FY2013. Collisions involving a building inspector and ambulance drove the costs in FY2013, and collisions from Police and Solid Waste drove the costs in FY2014. Cost decreased in FY2015 but have been increasing in the last few years. To continue to address the risk of vehicle collisions, Risk Management will assist in the development of a long-term plan for the Sacramento Regional Driver Training Facility (SRDTF). All City personnel, including police and fire, complete most of their driver training requirements at the Mather facility.

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 30 percent below the average and the loss rate was 38 percent below the average. The City’s frequency rate was 16 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*
The Risk Management budget increased $1,861,000, or six percent, from $32,069,000 in FY2017 to $33,930,000 in FY2018.

The City of Sacramento has an agreement with Alliant Insurance Services (Alliant) to provide insurance brokerage services such as marketing, soliciting quotations, and placing insurance policies. Total insurance premium costs increased 14 percent in FY2018, from $4,065,810 in FY2017 to $4,636,970 in FY2018. The increase in premiums was driven largely by increases in the excess liability and workers’ compensation 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.

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 increased from $30,000,000 to $35,000,000 as jury verdicts and settlements against California public agencies continue to rise. 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 24 percent, or $511,757, from $2,100,500 in FY2017 to $2,612,257 in FY2018. The increase is driven by a hardening liability insurance market for public entities driven largely by increasing jury verdicts and settlements against public entities. Police liability claims remain a concern with liability underwriters nationwide. The City has also experienced adverse loss development in our liability claims and recently settled several large claims which included payouts by the excess liability carriers. The City continues to obtain excess liability insurance for a reasonable premium through the California State Association of Counties Excess Insurance Authority (CSAC EIA) GL2 program. The CSAC EIA program is the largest pool in the nation, providing services to 95 percent of the counties and 67 percent of the cities in California.
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 FY2018 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 20 percent, or $115,954, from $576,954 in FY2017 to $692,908 in FY2018. The premium increase is primarily driven by increases in reinsurer’s rates in excess layers and higher permanent disability costs. Excess workers’ compensation insurance is purchased through CSACEIA, which uses pool purchasing power to achieve broad coverage for the lowest rates available. The program has a $5,000,000 pooled limit and statutory reinsurance coverage for each accident.

PROPERTY

Property insurance is purchased to protect City buildings and assets from damage or loss caused by covered perils such as fire, theft, wind, and flood. Cyber liability coverage was recently added to our property insurance program. Property insurance is currently purchased through the Alliant Property Insurance Program (APIP). APIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently one of the largest property insurance placements in the world. APIP is a joint purchase program, and there is no risk of assessments. Because of APIP’s large size, members receive low premiums with the best possible coverage terms. The total insurable property values for the City are $1,871,284,096. Property insurance premiums decreased four percent, or $52,660, from $1,202,985 in FY2017 to $1,150,325 in FY2018. 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 FY2018:

- Fine arts insurance with limits of $150,000,000. Coverage is provided for art throughout the City, including the Crocker Art Museum, Sacramento History Museum, Golden One Center and The Center for Sacramento History.
- Aircraft insurance with limits of $20,000,000 and airport liability insurance with limits of $5,000,000. Coverage is provided for the City’s small plane and three helicopters. A new helicopter was added to the policy in late FY2018.
- Crime insurance with limits of $15,000,000. Coverage is provided for employee theft, forgery, and other crime-related losses.
- Pollution legal liability insurance with limits of $10,000,000 and storage tank liability insurance with limits of $1,000,000.
- Special events insurance for small events at community centers and council events with limits of $1,000,000.
- Bounce house liability insurance with limits of $1,000,000. Coverage is provided for the two City-owned bounce houses utilized at special events.

Table 1, Schedule of Insurance summarizes coverage, self-insured retentions, limits, premiums and insurance carriers for three years and provides a total cost of insurance by year at the bottom of the table. Information for FY2019 is also included as these insurance policies have already been purchased and were discussed in detail in a prior council report. Detailed information on FY2019 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>FY19</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>3,443,359</td>
<td>CSAC-EIA</td>
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<tr>
<td>FY18</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>2,612,257</td>
<td>CSAC-EIA</td>
</tr>
<tr>
<td>FY17</td>
<td>2,000,000*</td>
<td>30,000,000</td>
<td>2,100,500</td>
<td>CSAC-EIA</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>8,156,116</td>
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<tr>
<td><strong>Workers’ Compensation</strong></td>
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<td></td>
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</tr>
<tr>
<td>FY19</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>734,553</td>
<td>CSAC EIA</td>
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<tr>
<td>FY18</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>692,908</td>
<td>CSAC EIA</td>
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<tr>
<td>FY17</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>576,954</td>
<td>CSAC EIA</td>
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<td><strong>Total</strong></td>
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<td>2,004,415</td>
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<td><strong>Property</strong></td>
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<tr>
<td>FY19</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,258,914</td>
<td>APIP</td>
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<tr>
<td>FY18</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,150,325</td>
<td>APIP</td>
</tr>
<tr>
<td>FY17</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,202,985</td>
<td>APIP</td>
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<tr>
<td><strong>Total</strong></td>
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<td></td>
<td>3,612,224</td>
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<tr>
<td><strong>Fine Arts</strong></td>
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</tr>
<tr>
<td>FY19</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
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<tr>
<td>FY18</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
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<tr>
<td>FY17</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ace American</td>
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<td><strong>Total</strong></td>
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<td>242,178</td>
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<tr>
<td><strong>Aircraft</strong></td>
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</tr>
<tr>
<td>FY19</td>
<td>Varies</td>
<td>20,000,000</td>
<td>58,196</td>
<td>Star Indemnity</td>
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<tr>
<td>FY18</td>
<td>Varies</td>
<td>20,000,000</td>
<td>25,557</td>
<td>Old Republic</td>
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<tr>
<td>FY17</td>
<td>Varies</td>
<td>20,000,000</td>
<td>28,831</td>
<td>Old Republic</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>112,584</td>
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<tr>
<td><strong>Other Insurance</strong></td>
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</tr>
<tr>
<td>FY19</td>
<td></td>
<td></td>
<td>86,672</td>
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<tr>
<td>FY18</td>
<td></td>
<td></td>
<td>75,197</td>
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<tr>
<td>FY17</td>
<td></td>
<td></td>
<td>75,814</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>237,683</td>
<td></td>
</tr>
<tr>
<td><strong>Total Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td></td>
<td></td>
<td>5,662,420</td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td></td>
<td></td>
<td>4,636,970</td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td></td>
<td></td>
<td>4,065,810</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>14,365,200</td>
<td></td>
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*Corridor Retention: FY19 2 million; FY18 1 million; FY17 1 million
Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2018 with a total cost of $5,662,420.

Figure 2: FY2018 Insurance Coverage
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 $405,000 in FY2018 and the amount budgeted for general and automobile liability claims increased $1,529,000, resulting in a net increase of $1,934,000. Adverse loss development in general liability claims contributed to this increase. The estimated outstanding liability for all claims decreased 2 percent or $2,002,000 in FY2018 to $78,743,000. This decrease occurred primarily from decreases in reserves as liability claims were settled and closed.

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

<table>
<thead>
<tr>
<th></th>
<th>As of June 30, 2016</th>
<th>As of June 30, 2017</th>
<th>Difference Between FY 2016-17</th>
<th>As of June 30, 2018</th>
<th>Difference Between FY 2017-18</th>
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<td><strong>WORKERS’ COMPENSATION</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$45,261,000</td>
<td>$49,004,000</td>
<td>$3,743,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$49,065,000</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$9,647,000</td>
<td>$10,399,000</td>
<td>$752,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$10,804,000</td>
</tr>
<tr>
<td><strong>GENERAL AND AUTO LIABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$26,674,000</td>
<td>$31,741,000</td>
<td>$5,067,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$29,678,000</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$8,376,000</td>
<td>$9,286,000</td>
<td>$910,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$10,815,000</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$71,935,000</td>
<td>$80,745,000</td>
<td>$8,810,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$78,743,000</td>
</tr>
<tr>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$18,023,000</td>
<td>$19,685,000</td>
<td>$1,662,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$21,619,000</td>
</tr>
</tbody>
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FISCAL YEAR 2018 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 532 new Workers’ Compensation claims were opened during FY2018, a decrease of 11.3 percent.
- The 2017 DWC Audit resulted in a 6th place ranking among the 41 entities audited.
- Medical bill review yielded 62.4 percent in savings with a return on investment of 61 percent. Total dollars saved were $6,256,755.28.
- 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 amount of savings from the program for FY2018 was $583,220.
- 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 $398,978.
- 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 18 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 152 indemnity claims were settled, 27% more than the prior year.
- The City recovered $488,250 from subrogation efforts and excess insurers, an increase of 50%.
Workers’ Compensation Results

The following data is derived from the most recent actuarial report which was completed in October of 2018. This information is based on data valued as of June 30, 2018. 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 with costs declining the last two years.

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 decreased last year after increasing the three prior years.

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 began increasing in FY2015. However, claims decreased nine percent in FY2018.

*Figure 5: Ultimate Workers’ Compensation Claims*

![Chart of Workers' Compensation Claims](chart)

The number of claims reported per $1 million of payroll (# of claims/(payroll/$1,000,000)) for the last ten years is illustrated in Figure 6. The rate has been stable in recent years but decreased 16% last year.

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

![Chart of Claims per $1 Million Payroll](chart)

The causes of loss for workers’ compensation claims are depicted in Figure 7. Strain and sprain injuries continue to be the most common type of injury. 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 7: Causes of Loss*

![Causes of Loss FY09 - FY18](image)

Injury on duty (IOD) hours is illustrated in Figure 8. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. The number of hours was down ten percent in FY2018.

*Figure 8: Injury on Duty Hours*

![Injury on Duty Hours](image)
Figure 9 shows the percentage of workers’ compensation claims filed in the last ten years broken down by Police, Fire and all other City Departments.

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

Figure 10 shows the percentage of costs paid for workers’ compensation claims in the last ten years broken down by Police, Fire and all other City Departments. The number of claims filed by department and the costs per claim by department are similar, with Police having slightly higher costs and all other departments having lower costs.

*Figure 10: Percentage of Workers’ Compensation Cost by Department*
Benchmarking

The data in Table 3 is taken from the FY2018 Public Self-Insurers Annual Report that self-insured public entities are required to submit to the California Department of Industrial Relations. When compared with seven medium to large sized cities in California the City of Sacramento’s workers’ compensation loss rate per employee was 46 percent below the average and the incident rate per employee was 4.09 percent below the average. This shows the City of Sacramento has fewer injury claims and 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>Workers’ Compensation Benchmarking for FY2018</th>
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</thead>
<tbody>
<tr>
<td><strong>Average of 7 Medium to Large Cities</strong>*</td>
</tr>
<tr>
<td>Loss Rate Per Employee</td>
</tr>
<tr>
<td>(Total paid losses/Total employees)</td>
</tr>
<tr>
<td>Incident Rate Per Employee</td>
</tr>
<tr>
<td>(Reported claim/Total employees x 100)</td>
</tr>
</tbody>
</table>

* Cites included are as follows:
Fresno, Oakland, Long Beach, Riverside, San Diego, San Jose, 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 27 percent below the average and the loss rate was 30 percent below the average. The City’s frequency rate was nine 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 FY2018 resolved 62 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 five times saving the City $33,589.
- 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.
- 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.

General Liability Results

The following data is presented from the most recent actuarial report which was completed in October of 2018.

The ultimate cost of general liability claims for the last ten years is estimated in Figure 11. General liability claims include all claims except automobile accidents, which are summarized later. General liability claims costs vary dramatically from year to year as one or two large claims can skew the results. The spike in costs in FY2014 was driven primarily by a large settlement for a claim occurring at Camp Sacramento. Costs dropped significantly in FY2015 and increased the last two years before declining in FY2018.
The general liability loss rate (ultimate losses/(composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$100)) is depicted in Figure 12. The general liability loss rate decreased in recent years but increased in FY2017 due to adverse loss development. The rate decreased in FY2018.

Figure 13 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. The number of claims decreased 11% in FY2018.
The claims frequency (\# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$1,000,000) is illustrated in Figure 14. The rate decreased 16 percent in FY2018.
Figure 15 shows the percentage of general liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

*Figure 15: Percentage of General Liability Claims by Department*

Figure 16 shows the percentage of costs paid for general liability claims in the last ten years broken down by Police, Fire, and all other City Departments.

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

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

Figure 17: Total Cost of Auto Liability Claims

The loss rate (ultimate limited losses (composite exposure consisting of the number of police vehicles, which have a higher loss rate, and number of other vehicles/$100)) is depicted in
Figure 18. The loss rate may be influenced by one or two large claims. The rate decreased in FY2018 after increasing the two prior years.

\textit{Figure 18: Auto Liability Loss Rate}

![Auto Liability Loss Rate Graph]

Figure 19 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 nine percent decrease in claims since FY2009.

\textit{Figure 19: Number of Auto Liability Claims Reported}

![Number of Auto Liability Claims Graph]
The claims frequency rate (# of claims/(composite exposure consisting of the number of police vehicles, which have a higher loss rate, and number of other vehicles/1,000,000) is illustrated in Figure 20. The claims frequency rate experienced significant reductions since before FY2009 and continues to remain stable.

*Figure 20: Auto Liability Claims Frequency Rate*
Figure 21 shows the percentage of auto liability claims filed against the City during the last ten years broken down by Police, Fire, and all other City Departments.

*Figure 21: Percentage of Auto Liability Claims by Department*

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

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

*Figure 22: Percentage of Auto Liability Claim Costs by Department*

![Percentage of Auto Liability Claim Costs by Department](image)
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 30 percent below the average and the loss rate was 38 percent below the average. The City’s frequency rate was 16 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 assigned Environmental Health and Safety Specialists to consult with on workplace health and environmental issues and to assist with monitoring regulatory compliance. FY2018 loss prevention activities included the following:

Training

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

- Certified 101 City employees in CPR/First Aid;
- Certified 75 employees as forklift operators;
- Certified 39 employees on aerial devices;
• Coordinated trainings for Department of Utilities employees in confined space entry and rescue training;
• Coordinated 24-hour Hazmat Tech and five 8-hour refresher training classes for the Department of Utilities O&M Division;
• Coordinated training for Department of Utilities employees in trenching and shoring;
• Coordinated classes with a physical fitness coach to prevent strains and sprains for employees citywide;
• Coordinated training for Department of Utilities on Temporary Traffic Control and Flagging and Arc Flash;
• Conducted over 425 monthly safety trainings for Utilities, Public Works and YPCE;
• Provided OSHA 10 trainings and issued cards to 20 employees;
• Developed four internal trained trainers for Traffic Control & Flagging;
• Coordinated Gold Shovel Standard training for applicable departments;
• Coordinated Compassion Fatigue training:
• Conducted annual heat illness prevention refresher training for employees citywide;
• Presented 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;
• Provided Heat Illness Injury Prevention training for fire recruit academies;
• Delivered three Safety 101 Classes for both administrative and field employees;
• Coordinated four drug and alcohol awareness trainings for supervisors;
• Sponsored workplace violence prevention training for employees citywide; and
• Conducted a large-scale emergency evacuation drill at the South Area Corporation Yard and North Area Corporation Yard.
Vehicle Safety

City employees drove approximately 15.5 million miles in FY2018. Loss Prevention staff tracks City vehicle collision statistics and provides administrative support for departmental collision review committees and the citywide Vehicle Review Committee. The City’s commitment to high quality driver training and accountability due to the creation of the Vehicle Review Committee continue to help contain the costs of collisions.

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 continues to implement a standard for the recognition of employees with outstanding performance in safe driving. To qualify, the entire division must have a collision frequency rate (CFR) that is 50% or less than the citywide average and no increase in their own CFR from the prior year. Drivers in the Fire Department were recognized for outstanding performance in FY2018.

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

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 FY2018, SRDTF personnel provided driver training for: 350 City police officers; 268 City firefighters; 349 non-sworn City employees; 247 students from external agencies; 21 fire academy candidates; and 174 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 105 ergonomic evaluations;
- Coordination of 904 hearing tests;
- Conducting 1,254 respirator fit tests for employees in compliance with Cal OSHA requirements;
- Developing a collision analysis program for the Solid Waste Division;
- Conducting personal protective equipment assessments citywide to assure employees are protected from hazards;
- Conducting 95 facility inspections;
- Completing 191 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;
- Developing a Job Hazard Assessment form that was used at DOU safety tailgates;
- Providing staffing for departmental labor/management safety committees;
- Coordinating one Cal OSHA inspections due to employee complaints or serious injuries;
- Coordinating and participating 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;
- Updating IIPP to align with all Cal/OSHA regulations;
- Initiating comprehensive review of Lockout/Tagout program;
- Facilitating security vulnerability assessments conducted by Cal OES at multiple sites:
• Reviewing and providing recommendations for the update of the Confined Space Regulatory Compliance Program;
• Performing annual harness and lanyard inspections for over 225 harness/lanyards; and
• Continuing utilization of SAVVY Health Solutions citywide as part of the soft tissue injury prevention program.

**Environmental**

Environmental regulatory compliance activities included:

• Continuing to support environmental remediation projects at the South Area Corporation Yard;
• Administering citywide contracts for hazardous and bio-hazardous waste clean-up and disposal;
• Participating in hazardous materials response operations for incidents occurring in the public right of way and minimization of the cost to the City by utilizing the Department of Toxic Substances Control's (DTSC) abandoned waste program;
• Arranging for the proper disposal of approximately 4,584 pounds of household hazardous waste;
• Coordinating proper disposal of 242,814 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;
• Updating 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 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 21 boxes of old records approved for destruction;
• Tracking 194 restitution cases for reimbursement due to damaged City property by third parties;
• Scheduling 2,401 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 265 random drug tests and 125 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 occupational safety in all departments.

Loss prevention completed 64 initiatives in FY2018 in the following areas:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>25</td>
</tr>
<tr>
<td>Policy or Procedure Development</td>
<td>8</td>
</tr>
<tr>
<td>Equipment or Process Improvement</td>
<td>10</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>6</td>
</tr>
<tr>
<td>Risk Analysis</td>
<td>10</td>
</tr>
<tr>
<td>Program Support</td>
<td>5</td>
</tr>
</tbody>
</table>
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. Recovery amounts vary by year based on the amount of City property that is damaged by responsible parties. Subrogation efforts have now been transitioned from our third-party claim’s administrator to the Revenue Division. Support is provided by Risk Management and City Departments that provide damage cost documentation. An additional $25,600 was collected by Risk Management from Restitution orders from the County for situations where City property was damaged in the commission of a crime.

*Figure 23: 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 2019 ACTION PLAN

- Continue working on safety training verification and deliver training targeted to fill gaps.
- Initiate new employee safety training onboarding programs.
- Continue the Savvy F.I.T. for Work training program for prevention of strains and sprains injuries.
- Provide support to the Police Department to reduce liability claims.
- Improve hazardous materials and hazardous waste management practices.
- Further develop a driver safety program to reduce collision rates and liability.
- Update Emergency Action Plans citywide and provide necessary trainings.
- Conduct worksite evaluations to identify and control hazards.
- Continue supporting Fire and Police in their wellness, fitness and peer support programs and expand peer support to include other departments.
- Complete Risk Management Initiatives developed at annual risk management meetings with departments.
- Oversee the implementation of the City-wide Driver Training Plan.
- Participate in the CSAC workers’ compensation claims quality assurance audit.
- Develop and enhance reports to comply with pending regulation changes proposed by the Office of Self-insurance Plans.
- Achieve a 100% or greater closing ratio for workers’ compensation claims.

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