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EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2021.

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 insurance and excess insurance limits and premiums. Significant Risk Management related activities are also summarized.

The Risk Management Internal Service Fund provides risk financing, risk transfer, environmental health, and safety (EH&S) services, and administrative support services for workers’ compensation, general liability, and automobile liability programs. The fund charges all fund participants for program costs based on actuarial estimates of the amounts needed to pay the ultimate cost of claims and operational costs for the Risk Management Division. The FY2021 budget is $45,558,000, an increase of 12 percent from the prior year’s budget of $40,711,000.

Total insurance premium costs increased 26 percent or $1,856,027 in FY2021, from $7,188,590 in FY2020 to $9,044,617 in FY2021. The primary increase in insurance premiums were the result of excess liability insurance premiums increasing 33 percent, or $1,533,690, from $4,598,900 in FY2020 to $6,132,590 in FY2021. The increase is driven by a hardening liability insurance market for public entities resulting from a dramatic increase in plaintiff settlement demands, jury verdicts and high dollar liability claims, as well as adverse loss development in the City’s claims. According to information gathered on behalf of AIG, a global insurer, major jury awards have doubled between 2014 and 2018, which has resulted in increased costs. Additionally, recent large catastrophic losses such as the PG&E fires and Mandalay Bay incident are contributing to rising premiums. There have also been numerous public entity claim outcomes that have exceeded $30 million dollars. Dangerous condition of public property, police liability and sexual molestation claims remain a concern with liability underwriters nationwide. Excess workers’ compensation insurance premiums decreased eight percent, or $62,113, from $806,719 in FY2020 to $744,606 in FY2021. The decrease was driven by an expected lower City payroll, which is the primary factor in excess insurance premiums, due to COVID-19. Property insurance premiums increased 27 percent, or $415,311, from $1,555,186 in FY2020 to $1,970,479 in FY2021. The increase in premiums was driven by industry wide property losses in calendar year 2017 (the worst in history) and 2018 (the 4th largest in history). Uncertainty over potential COVID-19 claims also resulted in increased premiums.

The number of Workers’ Compensation claims increased during FY2021, due in part to an increase in COVID-19 related claims. However, strains remain the most common type of injuries that result in claims against the City. The City continues with its training program to reduce the number of these types of injuries.
Workers’ compensation 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’s severity rate for workers’ compensation claims was 16 percent below the average and the City’s frequency rate was 13 percent below the average.

The number of general liability claims has trended down the last four years with an increase in claims in FY2019. The ultimate cost of general liability claims is projected to increase for the second year in a row as claim reserves continue to increase at a level greater than expected. Dangerous condition of public property and police liability claims have been the most expensive claims in recent years. Risk Management and the City’s third-party claims administrator, Sedgwick, continue to improve communication with City departments to proactively manage open and potential claims to help minimize these costs.

The number of automobile liability claims has been steady in recent years but spiked in FY2019 to 145 and dropped to 109 claims in FY2020. The number of claims increased in FY2021 to 128, which is similar to the number of claims reported in recent years. Vehicle claims involving a building inspector and an ambulance resulted in the higher costs in FY2013, and collisions from Police and Solid Waste drove the costs in FY2014. To continue to address the risk of vehicle collisions, Risk Management will assist in the development of a long-term plan for the Sacramento Regional Driver Training Facility (SRDTF). All City personnel, including police and fire, complete most of their driver training requirements at the Mather facility. Additionally, driver training is provided through Target Solutions on-line modules and the Smith System defensive driver training program for non-safety personnel.

Liability benchmarking information was provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of nine similar sized California cities, the City of Sacramento’s average cost per claim, or severity rate, for general and auto liability claims was 25 percent below the average and the City’s frequency rate was 20 percent lower than the average.

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

**RISK MANAGEMENT MISSION STATEMENT**

Risk Management staff protect City employees and assets by providing exceptional customer service through effective EH&S efforts, claims administration, and risk financing. Our commitment enhances safety and livability for the citizens and employees of the City of Sacramento.
RISK MANAGEMENT VISION STATEMENT

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

RISK MANAGEMENT DIVISION

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

Figure 1: Risk Management Organizational Chart

RISK MANAGEMENT BUDGET

The Risk Management budget increased $4,847,000 or 12 percent, from $40,711,000 in FY2020 to $45,558,000 in FY2021. The primary reason for the increase is rising liability costs.
INSURANCE PREMIUMS

The City of Sacramento has an agreement with Alliant Insurance Services (Alliant) to provide insurance brokerage services such as marketing, soliciting quotations, and placing insurance policies. Total insurance premium costs increased 26 percent in FY2021, from $7,188,590 in FY2020 to $9,044,617 in FY2021. The increase in premiums was driven largely by increases in excess liability, and property premiums, which are discussed in detail below.

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

LIABILITY

The City of Sacramento purchases excess liability insurance to protect the City from catastrophic incidents. Excess liability insurance includes coverage for the following risks: bodily injury and property damage, personal injury, public officials’ errors and omissions, and employment practices liability. All coverage is on an occurrence basis. Excess liability limits remain at $35,000,000. The City’s self-insured retention remains at $2,000,000 with an additional $2,000,000 corridor retention aggregate. The $2,000,000 corridor retention aggregate is in excess of the $2,000,000 self-insured retention.

Excess liability insurance premiums increased 33 percent, or $1,533,690, from $4,598,900 in FY2020 to $6,132,590 in FY2021. The increase is driven by a hardening liability insurance market for public entities resulting from a dramatic increase in plaintiff settlement demands, jury verdicts and high dollar liability claims. According to information gathered on behalf of AIG, a global insurer, major jury awards doubled between 2014 and 2018. Additionally, large catastrophic losses such as the PG&E fires and shootings at Mandalay Bay are resulting in large
settlements and premium increases. There has also been numerous public entity claim outcomes recently that have exceeded $30 million dollars. Dangerous condition of public property, police liability and sexual molestation claims remain a concern with liability underwriters nationwide. The City has also experienced adverse loss development in our general liability claims and recently settled several large claims which included payouts by the excess liability carriers. The City continues to obtain excess liability insurance for a reasonable premium through the California State Association of Counties Excess Insurance Authority (CSAC EIA) GL2 program. The CSAC EIA program is the largest pool in the nation, providing services to 95 percent of the counties and 70 percent of the cities in California. CSAC EIA members take advantage of their large size to obtain high quality insurance products at a reasonable cost. Municipalities throughout California and the nation experienced large increases in excess liability premiums in FY2021.

**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 FY2021 with a self-insured retention of $2,000,000. Statutory coverage provides payment of claims up to the amount required by law, without limits.

Excess workers’ compensation insurance premiums decreased eight percent, or $62,113, from $806,719 in FY2020 to $744,606 in FY2021. The premium decrease is primarily driven by an expected lower City payroll due to COVID-19. Excess workers’ compensation insurance is purchased through CSAC EIA, which uses pool purchasing power to achieve broad coverage for the lowest rates available. The program has a $5,000,000 pooled limit and statutory reinsurance coverage for each accident.

**PROPERTY**

Property insurance is purchased to protect City buildings and assets from damage or loss caused by covered perils such as fire, theft, wind, and flood. Cyber liability coverage was recently added to our property insurance program. Property insurance is currently purchased through the Alliant Property Insurance Program (APIP). APIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently one of the largest property insurance placements in the world. APIP is a joint purchase program, and there is no risk of assessments. Because of APIP’s large size, members receive low premiums with the best possible coverage terms. The total insurable property values for the City are $2,068,044,038. Property insurance premiums increased 27 percent, or $415,311, from $1,555,186 in FY2020 to $1,970,497 in FY2021. The property policy deductible is $100,000 with coverage limits of $1,000,000,000. Coverage limits are shared with other APIP members in different geographical areas to reduce the risk of one large property loss affecting a high percentage of members. Earthquake insurance is not purchased due to the high cost and limited coverage. Property rates are increasing due to industry wide property losses in calendar year 2017 (the worst in
history) and 2018 (the 4\textsuperscript{th} largest in history). Uncertainty over potential COVID-19 claims also resulted in increased premiums.

\textbf{OTHER INSURANCE}

The City purchased the following additional insurance in FY2021:

- 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.
- Crime insurance with limits of $15,000,000. Coverage is provided for employee and third-party theft, forgery, and other crime-related losses.
- Pollution legal liability insurance with limits of $10,000,000 and storage tank liability insurance with limits of $1,000,000.
- Special events insurance for small events at community centers with limits of $1,000,000.

Table 1, Schedule of Insurance summarizes coverage, self-insured retentions, limits, premiums, and insurance carriers for three years and provides a total cost of insurance by year at the bottom of the table.
### Table 1

**SCHEDULE OF INSURANCE**

<table>
<thead>
<tr>
<th>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>FY21</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>6,132,590</td>
<td>PRISM</td>
</tr>
<tr>
<td>FY20</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>4,598,900</td>
<td>PRISM</td>
</tr>
<tr>
<td>FY19</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>3,443,359</td>
<td>PRISM</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>14,174,849</td>
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<td><strong>Workers’ Compensation</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>744,606</td>
<td>PRISM</td>
</tr>
<tr>
<td>FY20</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>806,719</td>
<td>PRISM</td>
</tr>
<tr>
<td>FY19</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>734,553</td>
<td>PRISM</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>2,285,878</td>
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<tr>
<td><strong>Property</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,970,497</td>
<td>APIP</td>
</tr>
<tr>
<td>FY20</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,555,186</td>
<td>APIP</td>
</tr>
<tr>
<td>FY19</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>1,258,914</td>
<td>APIP</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>4,786,597</td>
<td></td>
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<tr>
<td><strong>Fine Arts</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,424</td>
<td>Ironshore Indemnity</td>
</tr>
<tr>
<td>FY20</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
</tr>
<tr>
<td>FY19</td>
<td>1,000</td>
<td>150,000,000</td>
<td>80,726</td>
<td>Ironshore Indemnity</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>241,876</td>
<td></td>
</tr>
<tr>
<td><strong>Aircraft</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td>Varies</td>
<td>20,000,000</td>
<td>58,037</td>
<td>Star Indemnity</td>
</tr>
<tr>
<td>FY20</td>
<td>Varies</td>
<td>20,000,000</td>
<td>50,467</td>
<td>Star Indemnity</td>
</tr>
<tr>
<td>FY19</td>
<td>Varies</td>
<td>20,000,000</td>
<td>58,196</td>
<td>Old Republic</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>166,700</td>
<td></td>
</tr>
<tr>
<td><strong>Other Insurance</strong></td>
<td>includes pollution, crime, special events, airport, and UST</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td></td>
<td></td>
<td>58,463</td>
<td></td>
</tr>
<tr>
<td>FY20</td>
<td></td>
<td></td>
<td>96,592</td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td></td>
<td></td>
<td>86,672</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>241,727</td>
<td></td>
</tr>
<tr>
<td><strong>Total Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td></td>
<td></td>
<td>9,044,617</td>
<td></td>
</tr>
<tr>
<td>FY20</td>
<td></td>
<td></td>
<td>7,188,590</td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td></td>
<td></td>
<td>5,662,420</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>21,895,627</td>
<td></td>
</tr>
</tbody>
</table>

*Corridor Retention: FY21 - 2 million; FY20 - 2 million; FY19 - 2 million

Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2021 with a total cost of $9,044,617.

Figure 2

![FY21 InsurancePremiums ($9,044,617)]
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 decreased $122,000 in FY2021 and the amount budgeted for general and automobile liability claims increased $479,000, resulting in a net increase of $357,000 – substantially less than the $2,012,000 increase the prior year. The estimated outstanding liability for all claims increased 11 percent or $10,074,000 in FY2021 to $97,959,000. The increase was primarily driven by rising general liability costs.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>As of June 30, 2019</th>
<th>As of June 30, 2020</th>
<th>Difference Between FY 2019-20</th>
<th>As of June 30, 2021</th>
<th>Difference Between FY 2020-21</th>
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<tbody>
<tr>
<td><strong>WORKERS’ COMPENSATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$50,694,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$51,642,000</td>
<td>$948,000</td>
<td>Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$10,937,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$11,465,000</td>
<td>$528,000</td>
<td>Estimated Ultimate Cost of Claims</td>
</tr>
<tr>
<td><strong>GENERAL AND AUTO LIABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$34,797,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$36,243,000</td>
<td>$1,446,000</td>
<td>Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$13,058,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$14,542,000</td>
<td>$1,484,000</td>
<td>Estimated Ultimate Cost of Claims</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$85,491,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$87,885,000</td>
<td>$2,394,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$23,995,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$26,007,000</td>
<td>$2,012,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
</tr>
</tbody>
</table>
FISCAL YEAR 2021 RESULTS

Workers’ Compensation

The City of Sacramento has been self-insured for workers' compensation claims for City employees and volunteers injured on the job, since 1981. The City also self-administers our workers' compensation claims which means that Workers' Compensation staff manages our claims internally and thus provides a higher level of service than would be achieved by hiring an outside contractor to handle our claims. There is more streamlined communication between various departments, creating a more interactive process to get injured employees back to work as quickly as possible and reducing the cost of claims.

Accomplishments

• A total of 692 new workers’ compensation claims were opened during FY2021. This is an increase from the 557 new claims in the prior year.
• The City heavily utilizes medical bill review with customized, leading-edge software coupled with a comprehensive approach to yield a high percentage of medical savings. In FY2021, the City saw 68.39 percent in savings. Total net savings were $7,969,533.
• The City’s workers’ compensation program continues to experience success with the Pharmacy Benefit Management Program (PBMP) through the vendor, Healthesystems. This program manages drug formularies and achieves savings on pharmacy costs by providing oversight on the types of drugs and frequency of prescriptions to injured workers to assure that they are appropriate to the industrial injury. California instituted a workers’ compensation drug formulary that is also helping to control costs. Doctors are notified when prescribing patterns meet criteria that indicate excessive use of prescription drugs and/or duplicative therapies.
• Utilization review continues to be applied to evaluate the appropriateness and medical necessities of medical services, procedures, and facilities according to evidence-based criteria and guidelines ensuring treatment recommendations under the California Medical Treatment Utilization Schedule (MTUS). The application of utilization review has resulted in savings of $297,820.
• Case management continues to deploy Nurse Case Managers on catastrophic, complex medical cases to create seamless, efficient communication for the provider, the injured employee, and the claims adjuster. This added service provides triage immediately after an injury, expedites medical treatment, and manages medical costs.
• 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 119 indemnity claims were settled, which is a large increase from the prior year.
- The City recovered $124,967 from subrogation efforts when responsible third parties were identified.
- Workers’ Compensation Unit launched a new paperless initiative to improve efficiencies, cut down on the cost of postage and paper and strive for improved environmental sustainability. The initiative consists of three main components: 1) The Workers’ Compensation Unit is now registered and trained on e-Filing with the Department of Industrial Relations Electronic Adjudication Management System (EAMS) to submit court documents electronically; 2) The City is now setup with California’s Division of Workers' Compensation Independent Medical Review Document Exchange Portal (MAXIMUS) for electronic submission of records; 3) We are working with our paneled defense attorney firms and other vendors to setup secure, electronic file exchanges.

**Workers’ Compensation Results**

The following data is derived from the most recent actuarial report which was completed in September of 2021. This information is based on data valued as of June 30, 2021.

The data in Figure 3 shows the total estimated cost of workers’ compensation claims, not including injury on duty time, for the past ten years.

**Figure 3**

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

The loss rate per $100 of payroll (losses/(payroll/$100)) for the last ten years is illustrated in Figure 4. The data in Figure 4 limits claim values to $100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss. The loss rate decreased in FY2020 and increased slightly in FY2021.
Figure 4

![Loss Rate per $100 of Payroll](image)

Figure 5 shows the estimated ultimate number of workers’ compensation claims for the last ten years. The number of claims increased in FY2021, partially due to COVID-19.

Figure 5

![Ultimate Workers’ Compensation Claims](image)

The number of claims reported per $1 million of payroll (# of claims/(payroll/$1,000,000)) for the last ten years is illustrated in Figure 6. The rate remains favorable and has been decreasing the last 10 years.
The causes of loss for workers’ compensation claims are depicted in Figure 7. Strain and sprain injuries continue to be the most common type of injury. EH&S staff have implemented the Savvy F.I.T. 4 Work program to provide training specific to job functions designed to reduce these types of injuries.

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

Injury on Duty Hours

Figure 9 shows the percentage of workers’ compensation claims filed in the last ten years broken down by Police, Fire, and all other City Departments.

Figure 9

Percentage of Workers' Compensation Claims by Department
FY12 - FY21

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. Fire and Police have higher cost per claim than the other City departments.
Benchmarking

Benchmarking information provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of nine similar sized California cities the City of Sacramento’s average cost per claim, or severity rate, for workers’ compensation claims was 16 percent below the average. The City’s frequency rate was 13 percent below the average. This shows the City has fewer workers’ compensation claims on average and pays less on the claims that do occur.

LIABILITY

The City of Sacramento utilizes Sedgwick, a third-party claims administrator, to handle liability claims filed against the City. Litigation is handled primarily in-house by the Sacramento City Attorney’s Office, which in FY2021 resolved 132 cases. Claims are broken down into two categories: automobile and general liability.

Accomplishments

- Sedgwick, the City’s third-party liability claims administrator, opened 529 claims and closed 576 claims, a closing ratio of 109 percent.
- Sedgwick represented the City of Sacramento at Small Claims Court seven times with only one adverse verdict.
- Monthly meetings were conducted with the City Attorney’s Office, Risk Management, and Sedgwick to review existing and potential litigation.
- Meetings between Department staff and Risk Management were conducted to review open and potential liability claims.
General Liability Results

The following data is presented from the most recent actuarial report which was completed in September of 2021.

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 in this report. General liability claims costs vary dramatically from year to year as one or two large claims can skew the results. The spike in costs in FY2018 were driven primarily by a large settlement for a dangerous condition of public property claim and a police liability claim. Costs are projected to increase in FY2020 and FY2021 as claim reserves in these years increase more than expected.

Figure 11

The general liability loss rate (ultimate losses/(composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$100)) is depicted in Figure 12. Losses are capped at $100,000 to avoid the skewing of results from a few large claims. The general liability loss rate decreased slightly in FY2021.

Figure 12
Figure 13 shows the number of liability claims reported for the last ten years. The number of claims reported decreased significantly in FY2020, and decreased slightly in FY2021.

*Figure 13*

![Number of General Liability Claims](image)

The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$1,000,000) is illustrated in Figure 14. The rate decreased in FY2020 and in FY2021.

*Figure 14*
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 FY12 - FY21]

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 FY12 - FY21]
Automobile Liability Results

The ultimate cost of automobile liability claims for the last ten years is estimated in Figure 17. The high in costs in FY2013 resulted from large settlements resulting from accidents involving a building inspector and an ambulance. High costs in FY2014 were from accidents involving Police and Solid Waste. Costs in FY2021 are projected to increase but are still well below FY2013 and FY2014 costs.

Figure 17

The loss rate (ultimate limited losses (composite exposure consisting of the number of police vehicles, which have a higher loss rate, and number of other vehicles/$100)) is depicted in
Figure 18. Claims are capped at $100,000 to avoid the skewing of losses from a few large claims. The rate decreased significantly in FY2020 and increased slightly in FY2021.

Figure 18

Auto Liability Loss Rate

Figure 19 shows the number of auto liability claims filed against the City during the last ten years. The number of claims has been steady in recent years but showed a significant increase in FY2019 and a decrease in FY2020. The number increased in FY2021 to 128, which is similar to the number of claims in the years before FY2019.

Figure 19

Number of Auto Liability Claims (1235)
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 is similar to the chart above.

Figure 20

![Auto Liability Claims Frequency](image)

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

Figure 21

![Percentage of Auto Liability Claims by Department](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.
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 25 percent below the average. The City’s frequency rate was 20 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 most of the City’s litigation in-house.

ENVIRONMENTAL HEALTH AND SAFETY (EH&S)
The primary goals for EH&S are to reduce the number and severity of injuries and illnesses to assure employee safety and minimize claim costs. Each City of Sacramento department has assigned Environmental Health and Safety Specialists to consult with on workplace health, safety, and environmental issues and to assist with monitoring regulatory compliance. FY2021 EH&S activities included the following:

**Training**

Effective training programs are an important component in reducing losses. EH&S staff conducted the following training in FY2021:

- Certified 19 City employees in CPR/First Aid;
- Certified 31 employees as forklift operators;
- Certified 28 employees on aerial devices;
- Introduced a hybrid training model with an online pre-requisite before attending the in-person portion of confined space entry and rescue training for Department of Utilities employees;
- Coordinated 24-hour Hazmat Tech and five 8-hour refresher classes for 144 Department of Utilities employees;
- Developed and provided Introduction to hazardous waste training classes for the Department of Utilities O&M Division;
- Utilized the Learning Management System to coordinate training for Department of Utilities employees in trenching and shoring;
- Coordinated classes with a physical fitness consultant to prevent strains and sprains for employees citywide;
- Conducted over 268 monthly safety trainings for CCS, CDD, DOU, PW, and YPCE;
- Provided illness and injury prevention, incident investigation, drug and alcohol, and safety gear on scene training for fire recruit academies;
- Delivered Safety 101 classes for both administrative and field employees;
- Sponsored and coordinated virtual workplace violence prevention training for employees citywide;
- Jointly sponsored and coordinated electrical safety NPPA 70E training for multiple departments with electrical workers;
- Enhanced Smith Defensive Driving program by adding two internal trainers.

**Vehicle Safety**

City employees drove approximately 15.3 million miles in FY2021. EH&S staff tracks City vehicle collision statistics and provides administrative support for departmental collision review committees and the Citywide Vehicle Review Committee. The City’s commitment to high
quality driver training and accountability due to the creation of the Vehicle Review Committee continues to help contain the costs of collisions.

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

The Citywide Driver Training Plan was updated and approved by the Vehicle Review Committee. The 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. The plan now includes references to the updated learning management system and the ability to utilize effective alternative driver training solutions, such as Smith System.

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

In FY2021, SRDTF personnel provided driver training for: 417 City police officers; 485 City firefighters; 248 non-sworn City employees; 317 students from external agencies; 51 fire academy candidates; and 204 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 24 ergonomic evaluations;
- Coordinating 1,471 hearing tests;
- Conducting 622 respirator fit tests for employees in compliance with Cal/OSHA requirements;
- Assisting with the development of the energy control program for the Convention Center Complex;
- Funding extractor unit for the Fire Department to effectively clean firefighting protective gear;
- Conducting personal protective equipment assessments citywide to assure employees are protected from hazards;
• Conducting 185 facility inspections;
• Issuing a seasonal newsletter that shares information on health and safety topics that are current and relevant to employees;
• Supporting vehicle collision review committees for all operational departments;
• Providing training for peer support programs and staffing of citywide threat assessment team;
• Providing staffing for departmental labor/management safety committees;
• Responding to inquiries from Cal/OSHA;
• Coordinating and participating in the City’s Threat Assessment Team for workplace violence;
• Providing support to the citywide Learning Management System (LMS) implementation team;
• Providing AEDs to the City of Sacramento Police training academy;
• Supporting emergency preparedness for emergency operations center staff;
• Continuing promotion of Back Defense duty belt suspender systems to reduce back injuries for police officers;
• Reviewing and updating Illness and Injury Prevention Program (IIPP) to align with all Cal/OSHA regulations;
• Further implementing comprehensive review of Lockout/Tagout program;
• Reviewing and providing recommendations for the update of the Confined Space Regulatory Compliance Program;
• Ensuring compliance with the Federal Motor Carrier Safety Administration (FMCSA) requirements on Clearinghouse that applies to all commercial drivers;
• Performing annual harness and lanyard inspections for over 99 harnesses and lanyards;
• Identifying and applying an effective solution to remove pigeons from Fleet shops that present biological hazards;
• Finalizing the department safety training plan for the Department of Utilities;
• Supporting lift gate installation on park maintenance vehicle to lower injuries caused by lifting heavy items;
• Funding ice machine installation at Police equestrian facility to provide cool, clean, drinking water to prevent heat illness;
• Coordinating and funding the replacement of a modular office building at SRDTF;
• Funding the replacement of training vehicles at SRDTF;
• Developing and equipping supervisors in Recycling & Solid Waste with COVID-19 Quick Response Chart to know how to properly address potential cases in the workplace;
• Providing internship opportunities to Sacramento State University students aspiring to be EH&S professionals;
COVID-19 Consultation and Support

Collaborating with City Departments on developing and implementing a COVID-19 safety plan was an important endeavor for the EH&S team.

- Coordinating citywide effort to provide training to all employees on the COVID-19 Prevention Program through virtual and in-person methods.
- Developing a COVID-19 Prevention Program per Cal/OSHA requirements
- Conducting over 200 COVID-19 facility assessments to identify opportunities for providing signage, allowing for physical distancing, enhancing cleaning measures, and encouraging the use of face coverings;
- Conducting numerous COVID-19 Job Hazard Analysis’ (JHA) to protect employees from potential work-related exposures;
- Performing over 220 COVID-19 case investigations for City employees that may have had an exposure to a COVID-19 case;
- Coordinating 246 COVID-19 case investigations with the Police and Fire Department;
- Implementing an injury investigation process with Recycling & Solid Waste division to perform root cause analysis;
- Supporting purchase of fogging machines to effectively disinfect common spaces;
- Assisting departments develop specific procedures related to COVID-19 temperature screening, physical distancing, PPE, disinfection, and face coverings;
- Establishing contracts with vendors that can provide onsite and/or self-administered COVID-19 testing solutions; and
- Providing the Facilities Management division with nine portable air filtration units to be deployed during COVID-19 and wildfire smoke protection efforts.

Environmental

Environmental regulatory compliance activities included:

- Administering citywide contracts for hazardous and bio-hazardous waste clean-up and disposal;
- Participating in hazardous materials response operations for incidents occurring in the public right of way and minimization of the cost to the City by utilizing the Department of Toxic Substances Control’s (DTSC) abandoned waste program;
- Coordinating proper disposal of 115,178 pounds of abandoned hazardous waste;
- Conducting hazardous waste generator and spill response training for applicable personnel;
- Coordinating pick-up and disposal of e-waste and hazardous materials waste;
- Maintaining asbestos and lead sampling records citywide;
- Updating hazardous materials business plans for all applicable City facilities in the California Environmental Reporting System (CERS);
- Developing a hazardous materials business plan for newly developed shelter;
• Participating in Sacramento County Environmental Management Division inspections at City facilities;
• Reviewing and updating Spill Prevention, Control, and Countermeasure (SPCC) plans for facilities with large containers storing oil products;
• Conducting indoor air quality investigations at facilities with issues;
• Maintaining consolidation points for sharps waste collected from throughout the city;
• Managing a tire recycling program that complies with CalRecycle requirements for collection, storage, and documentation;
• Calculating annual hazardous waste generator fees for the disposal of hazardous waste and issuing payment in a timely manner;
• Developing a program to manage treated wood waste per new DTSC requirements;
• Maintaining Hazardous Waste Transporter Registration with the DTSC for emergency response incident operations and small load operations; and
• Completing and submitting annual EPA ID verification to validate all 69 EPA ID numbers.

Support Services

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

• Monitoring compliance with City contract insurance requirements for 1,478 active contractors and vendors;
• Providing departmental training sessions on insurance requirements for contracts;
• Providing support for the special events insurance program, insurance renewals, and liability claims administration;
• Participation in the CSAC Claims Committee which meets periodically to approve large workers’ compensation and liability claims settlements for many California public entities;
• Participation in the CSAC GL2 Committee which reviews funding, coverage, claims, program services and new member applications;
• Tracking 64 restitution cases for reimbursement due to damaged City property by responsible third parties;
• Scheduling/monitoring 998 pre-employment, non-industrial return-to-work, and specialty physical exams in accordance with City policy;
• Coordinating pre-employment examinations requiring tuberculosis screenings that were impacted by recent COVID-19 vaccinations;
• Monitoring validity of 1,050 commercial/non-commercial drivers’ licenses;
• Coordinating 396 random drug tests and 168 random alcohol tests for commercial drivers;
• Coordinating 134 drug and alcohol tests for pre-employment, return to duty, last chance agreements, and reasonable suspicion; and
• Coordinating annual flu vaccines and tuberculosis testing for public safety emergency responders.

**Special Projects**

Risk Management staff meets with leadership teams from the operating departments annually to identify priority initiatives. Many of these risk initiatives are accomplished through the collaborative efforts of EH&S and departmental staff. Citywide risk initiatives included safety training gap analysis and regulatory compliance for occupational safety in all departments.

EH&S completed 37 initiatives in FY2021 in the following areas:

- Training: 14
- Policy or Procedure Development: 3
- Equipment or Process Improvement: 5
- Occupational Health: 5
- Risk Analysis and Program Support: 10

**SUBROGATION AND RESTITUTION**

Subrogation is the recovery of funds spent to repair or replace City assets damaged by negligent third parties. Examples are automobile collisions where third parties cause damage to City vehicles, traffic signals, or street signs. Figure 23 illustrates the amount collected during the last three years by City staff. Recovery amounts vary by year based on the amount of City property that is damaged by responsible parties. Subrogation efforts have now been transitioned from our third-party claim’s administrator to the Revenue Division. Support is provided by Risk Management and City Departments that provide damage cost documentation. Subrogation recoveries were negatively impacted by the COVID Pandemic in FY2021. An additional $12,863
was collected by Risk Management from Restitution orders from the County for situations where City property was damaged in the commission of a crime.

Figure 23

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

FISCAL YEAR 2022 ACTION PLAN

- Continue working on safety training verification and deliver training targeted to fill gaps;
- Provide first aid and CPR training to groups requiring such certifications;
- Provide Smith System Defensive Driving training to help reduce auto liability claims;
- Continue the Alvarez Associates Active Violence training to help mitigate potential violent situations;
- Continue the Savvy F.I.T. for Work training program for prevention of strains and sprains injuries;
- Evaluate the hazardous materials management program to identify potential efficiencies;
- Continue to alert departments of claim activity to address liability issues;
- Update Emergency Action Plans (EAP) citywide and provide necessary trainings;
- Continue and expand worksite evaluations to identify and control hazards;
- Support Fire and Police in their wellness, fitness and peer support programs and expand peer support to include other departments;
- Complete Risk Management Initiatives developed at annual risk management meetings with departments;
- Oversee implementation of the updated citywide Driver Training Plan;
• Perform hearing surveys to validate results of Hearing Conservation Program audit to identify employees who may need to be included in the program and others who can be removed;
• Update COVID-19 Prevention Program to reflect changes to Cal/OSHA COVID-19 standards and California Department of Public Health (CDPH) guidance;
• Monitor possible changes to the Aerosol Transmissible Disease standard and assist in adopting changes, as necessary;
• Support affected departments to develop DOT program for commercial driver timekeeping and driver proficiency verification;
• Continue implementation of workers’ compensation claims adjuster software upgrade;
• Develop and enhance workers’ compensation reports to provide EH&S Specialists workers’ compensation injury data to identify safety issues to help reduce injuries;
• Achieve a 100% or greater closing ratio for workers’ compensation claims;
• Begin updating workers’ compensation policies and procedures.

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