

December 1, 2009

Monterey Bay Area Self Insurance Authority
144 Montclair Drive
Santa Cruz, Ca 95060
c/o Kent Rice

DISCUSSION POINTS FOR AD HOC COMMITTEE MEETING

As a result of the Long Range Planning Session on November 12th, 2009, an Ad Hoc Committee was created to identify trends and review losses. To aide this discussion, we have reviewed the Loss Control Reports provided by Robert Garon in September 2006. The following items were identified at the majority of MBASIA's Member Cities.

Deficiency

There is no written safety program as required by the State of California.

Recommendation

The safety coordinator should develop a basic IIPP per Cal/OSHA requirements. The program should include the following:

- Written safety policy;
- Management commitment and assignment of responsibilities;
- Safe work practices and safety rules;
- Safety and health training;
- Regular inspections for unsafe conditions and practices;
- Procedures for correcting unsafe/unhealthy conditions;
- Accident investigation;

Deficiency

There is no coordination or review of the safety program activities.

Recommendation

Designate a safety coordinator and safety committee to oversee the city's safety program. Activities can include:

- Review and revisions to the IIPP;
- Review safety audits/inspections and provide action plans to correct hazards;
- Review employee safety training;
- Develop safety bulletins and memos for employees.

Deficiency

There is no formal safe lifting program to help employees reduce the potential of back injuries.

Recommendation

Provide safe lifting procedures and training to all employees on a regular basis.

Deficiency

In corporate yards, safety equipment was missing, or general housekeeping was not adequate.

Recommendation

Safety equipment should be available at all work stations. Clean and organized work environments can help reduce workplace injury or illness.

Deficiency

There is no regular program for identifying and correcting hazards.

Recommendation

Perform documented safety inspections of all city facilities at least quarterly. Note deficiencies and take prompt action to eliminate or minimize hazards.

Deficiency

Unsecured bookshelves or cabinets were noted in several City offices.

Recommendation

Secure all bookshelves or cabinets over five feet high to walls or other structures to prevent them from falling in an earthquake.

We hope that this information along with the loss analysis provided by Michael Simmons via email prove helpful for your meeting. We are sorry we will not be able to attend in person, but we can be reached between 9 to 10 AM and 11 to 12 AM. If you have any questions or concerns, please let us know.

Sincerely,



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MBASIA Workers' Compensation Loss Analysis – TEN Years

ANALYSIS for ALL Claims

Total Year ending reserves at 6/30/09 are \$6,347,052 according to JT2; this includes 162 total claims (only 18 of which are “Med Only”). *Note, that’s an average of \$39,179 per claim*; we are comparing that average to see if it is significantly higher than other Municipal pool clients. Although on the surface it seems to be higher it may be skewed by a few larger losses, and more importantly, by FEWER Med Only claims making up the total.

In the past TEN Years MBASIA Members have had \$23,146,130 in Total Incurred (TI) claims from a total of 2,063 claims. That’s an average of \$11,220 each loss. *(This is MUCH different than the data presented at the June LAWCX meeting, but I do not know why)*. In the past TEN years MBASIA has had just 38 claims in excess of a \$150,000 (potential attachment point) and the Total Incurred on those is \$11,161,041 (an average of \$293,712 each).

Interesting facts identified within claims review:

- Police Dept. claims total 830 of the 2058 losses with a TI of \$9.6mil - - almost HALF to all claims costs during the past TEN years.
- 57 Losses involve Vehicles with TI of \$619,000 - - most all are Police.
- 488 losses with TI of \$6.8mil involve Strains of many types and numerous occupations. *(Clearly an area of focus to drill down on)*.
- There were 350 Lower Back claims with TI of \$5.6mil.

ANALYSIS for Excess of \$100,000 (High Cost) Claims

In the past TEN years MBASIA members have had just 38 claims in excess of a \$150,000 attachment and the Total Incurred on that is \$11,161,041 (an average of \$293,712 each).

- IF WE WERE TO DEDUCT THOSE 38 LOSSES FROM THE AVERAGE - - NOT SAYING WE SHOULD - - THEN THE AVERAGE DROPS TO JUST \$5,750; eleven of these 38 claims are Non-Safety.
- Only ONE claim has gone into Excess – DOL: 3/30/01; before they joined LAWCX. TWO claims are close to \$500,000 with DOL of 1999 (before LAWCX) and 2006 (LAWCX).
- There are 22 additional claims in excess of \$100,000 so they could develop; nine are Non-Safety and Indemnity or 4850/TD have been paid on all but a few. These claims have a total incurred of \$2,718,926.

- THEREFORE, there are 60 claims in the last TEN years Over \$100,000 with a TI of \$13,879,967; an average of \$231,331 (not including recoveries from Excess).
 - Fifteen of these are closed.
 - Eighteen of these are NON-Safety.
- In the FIVE years ending **June 2008** there are 28 claims with Total Incurred (TI) just over \$6,000,000; an average of \$214,286. (This is interesting, in that, although a small sample, trending this figure up suggests that it is close to the TEN year average.) Both the FREQUENCY and the SEVERITY are similar.

Comparison Data with SCORE

One of the objectives from MBASIA Strategic Planning was to determine if we could reduce our “costs” by pooling through LAWCX at a lower attachment. Right now, SCORE is the only pool at the \$150,000 attachment. The analysis below suggests that this is unlikely, since MBASIA Losses by payroll are SIGNIFICANTLY greater than SCORE Losses for the same layers.

The LAWCX rates are currently higher because they are the funding rates and based on more than just SCORE, even for the \$150 Pool Layer. They also include Administrative expenses. The footnote ties them to the Actuarial report. We are comparing them to the actual “Loss Rate” of each of the two pools examined. Therefore, the MBASIA Loss Rates will create a significant negative impact on the overall LAWCX rate; ultimately increasing it and making the risk transfer much less attractive for all involved.

<u>Layer</u>	<u>Losses</u>	<u>Payroll</u>	<u>MBASIA</u>	<u>LAWCX</u>	<u>SCORE</u>
100 x 150 =	\$340,826 /	\$43,721,566 =	.78 ¹	.60 ²	.27
250 x 250 =	\$396,314 /	\$43,721,566 =	.91	.43	.15

You can clearly see that MBASIA losses are higher than LAWCX currently rates the \$100 xs \$150 and \$250 xs \$250 layer are 3 to 5 times higher than SCORE. SCORE would not be interested in a pooling arrangement with MBASIA either separately or through LAWCX for these layers. (Interestingly, MBASIA’s rate for the layer is about \$500,000, which is very similar to other LAWCX members, and the right attachment for this pool.)

As we have noted, MBASIA problem is a SEVERITY problem for losses BELOW \$500,000. (*In TEN years there is only one claim that penetrates the \$500,000 attachment*).

¹ MBASIA’s actuarial study currently says that the Expected rate for this layer should be 1.08 and at a 70% Confidence Level it would increase to 1.23 (and at the 85% level; excess of 1.50 - - almost TWICE the LAWCX rate for that layer.

² The LAWCX actuarial study says Expected for this layer is a rate of .47 and, and at an 85% Confidence Level the rate is .77.