

WORKERS' COMPENSATION PROGRAM SUBCOMMITTEE MEETING

Sheraton Grand Hotel
1230 J Street
Sacramento CA 95814
Camellia Room

Monday, May 7, 2007

COMMITTEE MEMBERS PRESENT

Vice Chair: Lou Reinkens, Tahoe City Public Utility District
Steve Curnow, Suisun Solano Water Authority
Rick Gilmore, Byron-Bethany Irrigation District
William Kassis, Scotts Valley Water District
Wayne Nygaard, Palm Ranch Irrigation District
Steve Prevostini, Patterson Irrigation District
Wallace Wessel, Bella Vista Water District

COMMITTEE MEMBERS ABSENT

Chairperson: W.D. "Bill" Knutson, Yuima Municipal Water District (excused)
Robert Moore, South Coast Water District

STAFF PRESENT

Chief Executive Officer/Secretary: Daniel N. Klaff, Chief Executive Officer
Chief Financial & Operations Officer: Walter "Andy" Sells
Ginny Bolan, Administrative Assistant II
Dick Damon, Liability/Property Claims Manager
John Gilstrap, Director of Member Services
John Haaf, Senior Risk Management Consultant
Debbie Kyburz, Member Services Representative II
Harve LaBounty, Director of Risk Management
Dianne Salvador, Workers' Compensation Claims Manager
Nancy Stangel, Director of Administration
Dianna Sutton, Accounting Manager
R. Scott Wood, Risk Management Consultant

OTHERS PRESENT

(See List of Attendees)

CALL TO ORDER

A quorum being present, the meeting was called to order at 8:30 a.m.

PUBLIC COMMENT

Vice Chair Reinkens stated that members of the public would be allowed to address the Workers' Compensation Program Subcommittee on any agenda item prior to the Subcommittee's decision on the item and would also be allowed to comment on any issue they wish, which may not be on the agenda. If anyone wishes to be heard, please let the Vice Chair know.

INTRODUCTION OF NEW COMMITTEE MEMBERS AND GUESTS

Mr. Klaff, Chief Executive Officer, introduced the Subcommittee members and JPIA staff present.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

None.

CONSENT CALENDAR

The consent calendar consisted of the minutes of May 8, 2006.

M/S/C (Nygaard/Prevostini) (Ayes-7, No-0): That the minutes of May 8, 2006 Workers' Compensation Program Subcommittee meeting be approved as submitted.

MEMBERSHIP

New Members Approved and in the Pipeline

Mr. Gilstrap, Director of Member Services, advised that three new members joined since the last Subcommittee meeting: Carpenteria Valley Water District, East Orange County Water District, and Pajaro Valley Water Management Agency.

El Dorado Irrigation District will be considered at the next Executive Committee meeting for participation in all three programs. Santa Ana Watershed Project Authority is considering joining the Workers' Compensation Program. Glenn Colusa Irrigation District will be presented to the Executive Committee in June 2007. Tehama-Colusa Canal Authority is withdrawing effective July 1, 2007.

Currently, the Workers' Compensation Program insures 5,738 employees.

LOSS REPORTS

Reported Losses Per \$1 Million of Payrolls

Mr. Sells, Chief Financial & Operations Officer, reported a favorable downward trend since 2001 with no losses exceeding the excess layer.

Claims Per \$1 Million of Payrolls

Mr. Sells reported another positive downward trend in this area as well as the overall number of claims. Our training programs, the JPIA staff, and staff of the water agencies have contributed to this trend. It's worthwhile to note that SB899 went into effect in April 2004.

Sandy Kozlen, Director of Carmichael Water District, asked how the graphs would look if the JPIA used the number of employees versus the amount of payroll. Mr. Gilstrap advised that the graphs are based on inflation-adjusted payroll. Mr. Sells said that it possibly could impact the graphs and staff would research the question.

John Hoagland, Director of Rancho California Water District, suggested that training is having a positive affect since the number of claims is going down while the number of employees is increasing.

Claims Stratification Report

Mr. Sells reviewed the Claims Stratification Report for all years, which shows a total of 7,057 claims. Ninety-nine claims make up 42% of the total loss amount.

The data shows that for the 2003/04 year, we have 10 claims exceeding the \$100,000 threshold. For the current year, 2006/2007, there is only one claim (so far) exceeding that amount. This is another favorable downward trend in terms of cost, quantity of claims and severity.

Losses in the current year are insured in excess of \$2,000,000 for each occurrence.

Significant Large Claims

Dianne Salvador, Workers' Compensation Claims Manager, reported that from the inception of the Workers' Compensation Program in July 1984, until the Program became fully insured in July 1995, there were 16 claims exceeding the \$100,000 threshold. Of those claims, three remain open: two are life pension cases and one involves on-going treatment pursuant to a lifetime medical award.

Since bringing the Workers' Compensation Program in-house in July 1988, 64 significant large claims have been incurred. Of those, 29 have closed. Of the remaining 35 still open, 16 are resolved but remain open due to on-going medical awards or outstanding bills and liens.

OLD BUSINESS

None.

NEW BUSINESS

Review and Take Action on Workers' Compensation Excess Insurance Renewal Proposals

Mr. Gilstrap explained that the Workers' Compensation excess coverage renews on July 1, 2007. The current carrier is ACE American Insurance Company. ACE currently provides statutory workers' compensation coverage excess of a \$2,000,000 per loss retention, and a \$2,000,000 employers' liability coverage excess of a \$2,000,000 retention.

The JPIA's broker, Mr. Malone of Metro/Risk, Inc., obtained competitive proposals for the renewal.

ACE American Insurance Company's proposal includes a 15% rate decrease over the prior year. The new rate would be \$.1804. The proposed coverage is the same as the prior year with the exception of the removal of the Communicable Disease Exception. Under the new proposal, claims falling into this category will be separate rather than being included into one claim.

AIG submitted a proposal with a rate of \$.1822.

Discover Reinsurance Company submitted a late proposal with a rate of \$.2129.

Staff recommended accepting the proposal from the incumbent carrier, ACE American Insurance Company, for the renewal of the excess coverage retaining the \$2,000,000 retention.

M/S/C (Gilmore/Curnow) (Ayes-7, No-0): That the Workers' Compensation Program Subcommittee recommend acceptance of the renewal pricing with ACE American Insurance Company with excess coverage of \$2,000,000.

Review and Take Action on July 1, 2007 Renewal Pricing

Mr. Sells explained that the biggest factors impacting the cost are estimated losses and excess insurance. JPIA's actuary, Jack Joyce of Bay Actuarial Consultants, performs an annual loss evaluation. His projections indicate a rate reduction of 25% would be appropriate at this time. Coupled with another 3% rate reduction representing no contributions to the Self-Insured Excess Fund, staff foresees a 28% rate reduction for the Workers' Compensation program for 2007/2008. It should be noted that the Self-Insured Excess Fund currently has a balance of \$1.5 million.

Mr. Sells provided a rate comparison with SCIF (State Compensation Insurance Fund) for the coming year and found the JPIA compares favorably. With a 28% rate reduction, it will be even better.

It is important to note that this reduction is a reduction in rates, not necessarily in premium. E-mods factor into the total premium, so an increase in the e-mod could result in an increased premium even though rates have decreased.

Mr. Kozlen, Director of Carmichael Water District, asked if it would be possible to compare the districts to the overall e-mod. Mr. Sells responded that the e-mod is based on statewide statistics; a better way would be to compare districts of similar size.

Workers' Compensation is difficult to accurately predict as some claims can take 10 to 12 years to finally close. At this time, it appears that we have been over-funded for the last several years, which will result in refunds for many districts. These refunds will go into the Retrospective Premium Adjustment Stabilization Fund.

Additionally, the CAT Reserve Fund (Catastrophic Loss Reserve Fund) was created to cover losses exceeding 1.5 times the projected losses in any given policy year. This will reduce additional premium assessments to members. Currently 10% of each district's deposit premium is deposited into this fund. Any money remaining in this fund when all claims for that year are finally closed is refunded to the members or credited to their RPA Adjustment Fund account.

Staff recommends a Workers' Compensation rate reduction of 28%.

M/S/C (Kassis/Gilmore) (Ayes-7, No-0): That the Workers' Compensation Program Subcommittee recommend renewal pricing to the Executive Committee at a 28% rate reduction over current pricing.

AVAILABILITY OF SUBCOMMITTEE MEMBERS FOR UPCOMING MEETING

May 6, 2008 appears to be good for the members in attendance for the next meeting in Monterey.

There being no further business to discuss and no additional questions, the meeting was adjourned at 9:10 a.m.

GUESTS ATTENDANCE LIST

District/Association	Name	Title
Antelope Valley-East Kern WA	Andy Rutledge	Director
Antelope Valley-East Kern WA	Russell Fuller	Alt. Director
Byron-Bethany ID	Sandra Fredrickson	Director
Byron-Bethany ID	Tyke Mederios	Safety Coordinator
Calaveras County WD	Ed Rich	Director
Calleguas MWD	Don Hauser	Director
Carmichael WD	Sandy Kozlen	Director
Castaic Lake WA	Jerry Gladbach	Director
Central WD	Christy Marani	Director
Citrus Heights WD	Joseph Dion	Director
Crestline Village CSD	Bud McGehee	Director
Elsinore Valley MWD	Phil Williams	Director
Fallbrook PUD	Keith Lewinger	General Manager
Fresno Metro FCD	Ken Groom	Director
Fresno Metro FCD	Bob Van Wyk	General Manager
Goleta WD	Jack Cunningham	Director
Helix WD	Chuck Muse	Director
Helix WD	Mark Weston	General Manager
Humboldt Bay MWD	Barbara Hecathorn	Director
Kern County WA	Steven Ruetters	Alt. Director
Kings River CD	Alvin Quist	Director
Madera ID/Madera-Chowchilla UPA	Carl Janzen	Director
Mission Springs WD	Mary Gibson	Director
MWD of Orange County	Joan Finnegan	Director
Orange County WD	Wes Bannister	Board President
Orchard Dale WD	Bob Noonan	Director
Pajaro Valley WMA	Berta Rodriguez	Alt. Director
Palmdale WD	Linda Godin	Director
Palmdale WD	Richard S. Wells	Board Member
Purissima Hills WD	Bob Anderson	Director
Purissima Hills WD	Ernest Soloman	Director
Rancho California WD	John Hoagland	Director
Rancho California WD	Dave Morrison	Safety Officer
Rincon Del Diablo MWD	David A. Drake	Director
Rio Alto WD	Max Richman	Director
San Bernardino Valley WCD	Manny Aranda	Director
San Bernardino Valley WCD	Melody McDonald	Director
San Diego County WA	John Linden	Director
San Dieguito WD	Jace Schwarm	Alt. Director
San Gabriel Basin WQA	Bob Kuhn	Director
San Gabriel County WD	Carl Bonenberger	Director

San Gorgonio Pass WA	John Jetter	Director
Scotts Valley WD	Dave Hodgin	Alt. Director
South Coast WD	Gary Langdale	Alt. Director
Sweetwater Authority	Jim Alkire	Director
Tehachapi-Cummings Cty WD	Glenn Mueller	General Manager
Three Valleys MWD	Brian Bowcock	Director
Tranquillity ID	Danny Wade	General Manager
Twentynine Palms WD	Phil Cisneros	Director
Upper San Gabriel Valley MWD	Frank Forbes	Director
Valley Center MWD	Merle Aleshire	Director
Vandenberg Village CSD	Anthony Fox	Director
Vista ID	Eldon Boone	JPIA Auditor/Controller
Vista ID	Paul Dorey	Director
West Basin MWD	Ronald Smith	Director
Westborough WD	Perry Smith	Director
Wheeler Ridge-Maricopa WD	Mark Gardner	Controller
Yorba Linda WD	William Mills	Director
Metro/Risk, Inc.	Mike McNulty	Managing Director