

WORKERS' COMPENSATION PROGRAM SUBCOMMITTEE MEETING

Marriott Hotel
San Carlos I and II
350 Calle Principal
Monterey, California 95113

Monday, May 5, 2008

COMMITTEE MEMBERS PRESENT

Chair: W.D. "Bill" Knutson, Yuima Municipal Water District

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

Boyd Lypka, Orange County Water District

Robert Moore, South Coast Water District

Wayne Nygaard, Palm Ranch Irrigation District

Andy Rutledge, Antelope Valley-East Kern Water Agency

COMMITTEE MEMBERS ABSENT

None.

STAFF PRESENT

Chief Executive Officer/Secretary: Daniel N. Klaff

Chief Financial & Operations Officer: Walter "Andy" Sells

John Gilstrap, Director of Member Services

John Haaf, Senior Risk Management Consultant

Harve LaBounty, Director of Risk Management

Terry Lofing, Administrative Assistant II

Sylvia Robinson, Conference and Publications Coordinator

Dianne Salvador, Workers' Compensation Claims Manager

Nancy Stangel, Director of Administration

Jeanette Waterstradt, Executive Assistant to the CEO

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 9:12 a.m.

PUBLIC COMMENT

No visitors requested public comment.

INTRODUCTION OF NEW COMMITTEE MEMBERS AND GUESTS

Chairman Knutson 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 7, 2007.

M/S/C (Nygaard/Gilmore) (Ayes-8, No-0): That the minutes of May 7, 2007 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 two new members joined since the last Subcommittee meeting: Laguna Beach County Water District and El Dorado Irrigation District.

Placer County Water Agency will be presented to the Executive Committee later today.

Currently, there are 152 members in the Workers' Compensation Program. There are 6,332 employees covered, with an estimated annual payroll of \$362,557,033.

San Diego County Water Authority and Palo Verde Irrigation District have confirmed their intent to withdraw from the program effective July 1, 2008.

Orange County Water District has given the required 12 month notice of their intent to withdraw.

LOSS REPORTS

Reported Losses Per \$1 Million of Payrolls

Mr. Sells, Chief Financial & Operations Officer, reported that over the last seven years there have been no losses above our self-insured retention. There is a steady downward trend since the 2000/01 policy year.

Claims Per \$1 Million of Payrolls

Mr. Sells reported another positive downward trend in this area as well as the overall number of claims. Payroll in 2001/02 was just under \$200 million, in 2008/09 we are predicting payroll to exceed \$380 million. There has been significant growth in the program over the years beginning in 1998/99. The number of losses has gone down as the number of members in the program has increased. This is attributed to the quality of the membership.

Claims Stratification Report

Mr. Sells reviewed the Claims Stratification Report. This chart shows the majority of losses occur between the ranges of \$10,000 and \$500,000.

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 in excess of \$100,000. Four of these claims remain open, two are life pension cases, and two involve on-going treatment pursuant to lifetime medical awards. Lifetime benefits are paid until the individual passes away.

Since bringing the Workers' Compensation Program in-house in July 1998, 65 significant large claims have been incurred, 33 are closed. Of the 32 open claims, 19 have been resolved but remain open due to on-going medical awards, life pensions, or other outstanding issues.

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, 2008. 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 \$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 22% rate decrease over the prior year. The new rate would be \$.1407. Other terms and conditions are unchanged except for an endorsement changing the JPIA's retention as respects compensable communicable diseases.

Arch Insurance provided a proposal that includes a 27% decrease over the prior year. The new rate would be \$.1309. The only Federal Acts coverage provided is for U.S. Longshoremen & Harborworkers and Jones Act (Maritime Workers). These are the Federal Acts for which members may have an exposure. Arch Insurance is highly rated by A.M. Best at A15 (financial stability and size).

AIG was the excess carrier in prior years. They declined to quote since they were not competitive in previous proposals.

Staff recommended accepting the proposal from Arch Insurance for the renewal of the excess coverage.

M/S/C (Curnow/Gilmore) (Ayes-8, No-0): That the Workers' Compensation Program Subcommittee recommend acceptance of the proposal from Arch Insurance for the renewal effective July 1, 2008.

Review and Take Action on July 1, 2008 Renewal Pricing

Mr. Sells explained that the biggest factors impacting the cost are estimated losses and excess insurance. The JPIA's actuary performs an annual loss evaluation. The current actuarially projected loss rates have decreased approximately 15% since the last actuary evaluation.

The decrease in the actuary projected loss rate and the decrease in excess insurance costs results in a minimum 4.5% decrease in rates to the member agencies. Mr. Sells explained that the Self-Insured Excess Fund and the Catastrophic Reserve Fund are fully funded at this time. Since the Program is very well funded, it is possible not to collect for these funds and still refund money to the members.

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.

Staff recommended a rate reduction between 4.5 and 10%. The Subcommittee decided to decrease the rates by 11.42% and not collect for the Self-Insured Excess Fund or the Catastrophic Reserve Fund. The goals in these funds have been reached.

M/S/C (Reinkens/Gilmore) (Ayes-8, No-0): That the Workers' Compensation Program Subcommittee recommends to the Executive Committee, an 11.42% rate reduction, and not collect for the Self-Insured Excess Fund or Catastrophic Reserve Fund, effective July 1, 2008.

AVAILABILITY OF SUBCOMMITTEE MEMBERS FOR UPCOMING MEETING

The next scheduled meeting is May 18, 2009 in Sacramento, California.

There being no further business to discuss and no additional questions, the meeting was adjourned at 10:14 a.m.

GUESTS ATTENDANCE LIST

District/Association	Name	Title
ACWA	Barbara Duggen	Member Benefits
Antelope Valley-East Kern WA	Andy Rutledge	Director
Antelope Valley-East Kern WA	Russell Fuller	General Manager
Bella Vista WD	Jeff Steppat	Director
Big Bear MWD	Todd Murphy	Director
Byron-Bethany ID	Rick Gilmore	General Manager
Calaveras CWD	Bertha Underhill	Director
Calleguas MWD	Don Hauser	Director
Carmichael WD	Sandy Kozlen	Director
Castaic Lake WA	Jerry Gladbach	Director
Central Basin MWD	Edward Vasquez	Director
Citrus Heights WD	Joseph Dion	Director
Goleta WD	Jack Cunningham	Board President
Helix WD	Mark Weston	General Manager
Hi-Desert WD	Roger Mayes	Director
Humboldt Bay MWD	Barbara Hecathorn	Director
Humboldt CSD	Kevin McKenny	Director
Kronick, Moskovitz, Tiedemann & Girard	Robin Leslie Stewart	ACWA/JPIA Counsel
Kronick, Moskovitz, Tiedemann & Girard	Ed Tiedemann	ACWA/JPIA Counsel
La Habra Heights CWD	Robert Wilson	Director
Madera ID	Carl Janzen	Director
Metro/Risk, Inc.	Mike McNulty	JPIA Insurance Broker
Mission Springs WD	Nancy Wright	Alternate Director
Moulton Niguel WD	Robert Gumerman	Alternate Director
North of the River WD	Calvin Wesson	Director
Orange County WD	Boyd Lypka	Risk/Safety Manager
Orchard Dale WD	Bob Noonan	Director
Palmdale WD	Richard Wells	Alternate Director
Pebble Beach CSD	Gerald Verhasselt	Director
Pico WD	Rich Mercado	Director
Purissima Hills WD	Bob Anderson	Director
Rancho California WD	Dave Morrison	Safety Officer
Rancho California WD	John Hoagland	Director
Rincon Del Diablo MWD	Mitch Dion	General Manager
Rincon Del Diablo MWD	David Drake	Director
Rio Alto WD	Max Richman	Director
San Benito CWD	Frank Bettencourt	Director
San Bernardino Valley WCD	Manny Aranda	Director
San Bernardino Valley WCD	Melody McDonald	Director
San Diego CWD	John Linden	Director
San Dieguito WD	Jace Schwarm	Alternate Director
Scotts Valley WD	Dave Hodgjin	Director
Sierra Lakes CWD	Ulrich Luscher	Director

District/Association	Name	Title
Solano ID/Suisun Solano WA	Steven Curnow	Alternate Director
South Coast WD	Robert Moore	Director
Sweetwater Authority	Jim Alkire	Director
Tehachapi-Cummings CWD	Glenn Mueller	General Manager
Three Valleys MWD	Brian Bowcock	Director
Twentynine Palms WD	Phil Cisneros	Director
Upper San Gabriel Valley MWD	Al Contreras	Director
Upper San Gabriel Valley MWD	Frank Forbes	Director
Vallecitos WD	Trish Hannan	Director
Valley Center MWD	Merle Aleshire	Director
Valley County WD	Mariana Lake	Director
Valley of the Moon WD	Sanford Smith	Director
Vandenberg Village CSD	Anthony Fox	Alternate Director
Vista ID	Eldon Boone	JPIA Auditor/Controller
Vista ID	Paul Dorey	Director
WRD of Southern California	Albert Robles	Director
Western MWD	Al Lopez	Director
Wheeler Ridge-Maricopa WSD	Mark Gardner	Alternate Director
Yorba Linda WD	Mike Payne	General Manager