

MINUTES

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 05/18/09

Approved 11/30/09

WORKERS' COMPENSATION PROGRAM SUBCOMMITTEE MEETING

Sheraton Grand Hotel
Camellia Room
1230 J Street
Sacramento, CA 95814

Monday, May 18, 2009

SUBCOMMITTEE 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
Wayne Nygaard, Palm Ranch Irrigation District
Andy Rutledge, Antelope Valley-East Kern Water Agency

SUBCOMMITTEE MEMBERS ABSENT

Robert Moore, South Coast Water District

STAFF PRESENT

Chief Executive Officer/Secretary: Daniel N. Klaff
Chief Financial & Operations Officer: Walter "Andy" Sells
Dick Damon, Liability & Property Claims Manager
David deBernardi, Director of Finance
John Gilstrap, Director of Member Services
John Haaf, Senior Risk Management Consultant
Debbie Kyburz, Member Services Representative II
Sylvia Robinson, Publications & Web Editor
Dianne Salvador, Workers' Compensation Claims Manager
Patricia Slaven, Training Specialist
Nancy Stangel, Director of Administration
Dianna Sutton, Accounting Manager
Chuck Wagenseller, Cost Estimator
Jeanette Waterstradt, Executive Assistant to the CEO
Nidia Watkins, Member Services Representative II
Bobbette Wells, Administrative Assistant II (Recording Secretary)
R. Scott Wood, Risk Management Consultant
Cece Wuchter, Sr. Claims Examiner

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

No visitors requested public comment.

INTRODUCTION OF SUBCOMMITTEE 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 5, 2008.

M/S/C (Nygaard/Kassis) (Ayes-8, No-0): That the minutes of May 5, 2008 Workers' Compensation Program Subcommittee meeting be approved as submitted.

ADMINISTRATION

Report on Meetings Attended on Behalf of the JPIA

None reported.

MEMBERSHIP

New Members Approved and in the Pipeline

Mr. Gilstrap, Director of Member Services, advised that one new member joined since the last Subcommittee meeting: Orchard Dale Water District.

Joshua Basin Water District and Madera Irrigation District will be presented to the Executive Committee later today for membership.

Currently, there are 151 members in the Workers' Compensation Program. There are a little over 5,700 employees covered, with an estimated annual payroll of \$360 million.

Update Letters to Withdraw/Rescind

Orange County Water District rescinded its intent to withdraw from the Workers' Compensation Program effective July 1, 2009.

Chowchilla Water District and Orange County Water District advised the JPIA of their intent to withdraw from the Workers' Compensation Program effective July 1, 2010.

LOSS REPORTS

Reported Losses Per \$1 Million of Payrolls

Mr. Sells, Chief Financial & Operations Officer, noted that since the 2000-2001 policy year, the Workers' Compensation Program has seen a very favorable downward trend in reported losses while the number of members increased, suggesting that the JPIA is making significant progress. The legislative changes that passed in 2004 are showing very positive results throughout the state of California. The JPIA has benefited from the changes in the law. Over the last three years, the JPIA has reduced the rates charged to members by more than 50%.

Claims Per \$1 Million of Payrolls

Mr. Sells reported there was a favorable trend in the reduction of claims at the JPIA since 1994. Frequency of claims is usually a good predictor of future severity. Training for the last several years has focused heavily on workplace safety and management training.

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 those claims remain open; two are life pension cases and two involve on-going treatment pursuant to a lifetime medical award. Lifetime benefits are paid until the individual passes away.

Since bringing the Workers' Compensation Program in-house in July 1998, 67 significant large claims have been incurred, of which 36 are closed. Of the open 31 claims, 20 are resolved but remain open at this time due to on-going medical awards, life pensions, or other outstanding issues.

Ms. Salvador discussed two recent Workers' Compensation Appeals Board (WCAB) en banc decisions that can significantly impact the reform legislation set in place by SB899. The Almaraz/Guzman decision allows for the rebuttal of the American Medical Association Guidelines (AMA) on permanent disability ratings. The Ogilvie decision allows for the rebuttal of the future earnings capacity variant of the permanent disability schedule. These cases are currently under reconsideration by WCAB commissioners. If they are not repealed, permanent disability rates have been projected to increase from 10 to 40%.

NEW BUSINESS

Workers' Compensation Excess Insurance Renewal Proposals

Mr. Gilstrap explained that the Workers' Compensation excess coverage renews on July 1, 2009. The current carrier for the excess coverage is ARCH Insurance Company which provides statutory Workers' Compensation coverage in excess of \$2 million per loss retention, and \$2 million employers' liability coverage in excess of \$2 million retention.

The JPIA's brokers, Mr. Bill Malone and Mr. Mike McNulty of Metro/Risk, Inc., obtained competitive proposals for the renewal.

ARCH, the incumbent excess carrier, has offered to renew with a 5% decrease in the rates without changes in the terms and conditions. ARCH has also offered to guarantee to renew the excess coverage in 2010 at the same rate, providing there is no significant change in the Workers' Compensation Program. The renewal guarantee could prove worthwhile, given the current uncertainty in the Workers' Compensation market.

ACE, the excess carrier from the 7/01/2007-08 policy year, came in with a late bid for coverage. Even though the bid for excess coverage was \$37 thousand less than the incumbent ARCH, the stipulations and conditions were deemed unacceptable.

Staff recommendation is to remain with ARCH Insurance at the \$2 million SIR with a 5% reduction in rates and a two year commitment from the carrier.

M/S/C (Kassis/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, 2009.

Review and Take Action on July 1, 2009 Renewal Pricing

Mr. Sells reviewed the Expected Revenue/Expense & Funding Requirements Comparison reporting \$9.6 million in earned member premiums for the 2009-10 policy period. The Catastrophic Reserve contribution will be approximately \$957 thousand.

The current projected loss rates have decreased approximately 15% since the last actuary evaluation. The losses are estimated to be \$5.7 million based on \$380 million in payrolls for the July 1, 2009-10 policy year.

Several scenarios were discussed with the Committee regarding funding of the Workers' Compensation Program. One of the scenarios entailed increasing actuary confidence levels and eliminating funding of the Catastrophic Reserve Fund and Self Insurance Excess Fund. The Committee felt this information needed to be reviewed in more detail and should be discussed at a future Workers' Compensation Subcommittee workshop.

Staff recommends funding the July 1, 2009-10 policy year with contributions to the Catastrophic Reserve and Self Insured Excess Funds without any change to the existing rates.

M/S/C (Curnow/Gilmore) (Ayes-8, No-0): That the Workers' Compensation Program Subcommittee recommends to the Executive Committee that there be no change in rates and to make contributions to the Self-Insured Excess Fund and Catastrophic Reserve Funds, effective July 1, 2009.

AVAILABILITY OF SUBCOMMITTEE MEMBERS FOR UPCOMING MEETING

The next scheduled meeting is November 30, 2009, in San Diego, California, if needed. No conflicts were noted at this time. There being no further business to discuss and no additional questions, the meeting was adjourned.

GUESTS ATTENDANCE LIST

District/Association	Name	Title
ACWA	Barbara Duggen	Director Member Benefits
Antelope Valley State Water Cont. Assn.	Linda Godin	JPIA Director
Antelope Valley State Water Cont. Assn.	Curtis Paxton	Interim General Manager
Antelope Valley-East Kern WA	Russell Fuller	GM/Alternate Director
Big Bear Municipal Water District	John Eminger	JPIA Director
Calaveras County Water District	Bertha Underhill	JPIA Director
Calleguas Municipal Water District	Don Hauser	JPIA Director
Castaic Lake Water Authority	Jerry Gladbach	JPIA Director
Centerville Community Services District	Larry Whitehead	JPIA Director
Central Basin Municipal Water District	Dan Lam	HR Manager
Central Water District	Christy Marani	JPIA Director
Citrus Heights Water District	Joseph Dion	JPIA Director
Crestline Village Water District	C.N. McGehee	JPIA Director
Cucamonga Valley Water District	Kathy Tieg	JPIA Director
Fallbrook Public Utilities District	Keith Lewinger	General Manager
Goleta Water District	Jack Cunningham	JPIA Director
Helix Water District	Chuck Muse	JPIA Director
Hi Desert Water District	Roger Mayes	JPIA Director
LaMore, Brazier & Riddle	Tom Brazier	Legal Counsel
Mesa Consolidated Water District	Fred Bockmiller	JPIA Director
Mission Springs Water District	Mary Gibson	JPIA Director
Municipal Water District of Orange Cty.	Joan Finnegan	JPIA Director
Orchard Dale Water District	Bob Noonan	JPIA Director
Palmdale Water District	Richard Wells	JPIA Director
Palmdale Water District	Curtis Paxton	Assistant General Manager
Paradise Irrigation District	George Barber	General Manager
Paradise Irrigation District	Ken Hunt	JPIA Director
Pico Water District	Rick Mercado	Alt. JPIA Director
Purissima Hills Water District	Ernest Solomon	JPIA Director
Rancho California Water District	Dave Morrison	Safety Officer
Rancho California Water District	John Hoagland	JPIA Director
Rincon Del Diablo Municipal WD	Mitch Dion	General Manager
Rincon Del Diablo Municipal WD	David Drake	JPIA Director
Rio Alto Water District	Joe Adams	Board Vice President
Rio Alto Water District	Max Richman	JPIA Director
San Benito County Water District	Frank Bettencourt	JPIA Director
San Bernardino Valley WCD	Manny Aranda	Board Member
San Bernardino Valley WCD	Claud Seal	Assistant General Manager
San Dieguito Water District	Jace Schwarm	Alternate Director
San Gabriel Basin Water Quality Auth.	Bob Kuhn	JPIA Director
San Geronio Pass Water Agency	John Jeter	JPIA Director
Scotts Valley Water District	Dave Hodgin	JPIA Director
Sierra Lakes County Water District	Ulrich Luscher	JPIA Director
Solano Irrigation District	Steve Curnow	Alt. JPIA Director

District/Association	Name	Title
Suisun Solano Water Authority	Steve Curnow	Alt. JPIA Director
Sweetwater Authority	Margaret Welsh	JPIA Director
Tehachapi-Cummings County WD	Jonathan Hall	JPIA Director
Three Valleys Municipal Water District	Bob Kuhn	Alt. JPIA Director
Upper San Gabriel Valley MWD	Alfonso Contreras	JPIA Director
Vista Irrigation District	Eldon Boone	Assistant GM/Treasurer
Vista Irrigation District	Paul Dorey	JPIA Director
Westborough Water District	Perry Bautista	Alt. JPIA Director
Wheeler Ridge-Maricopa WSD	Mark Gardner	Alt. JPIA Director