



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 16-551, **Version:** 1

Receive a report on the General Liability and Workers' Compensation programs for mid-year FY 2015-16.

RECOMMENDATION:

It is recommended that the Board of Supervisors' receive a report on the General Liability and Workers' Compensation programs for mid-year FY 2015-16.

SUMMARY

Attached is the PowerPoint overview of the General Liability (GL) and Workers' Compensation (WC) programs for FY 2015-16 to the date of December 31, 2015 and annual funding level for FY 2016-17. This report is in response to the Board's request for a semi-annual update on the trends of claim frequency and severity for General Liability and Workers' Compensation.

DISCUSSION:

The County of Monterey is a certified State of California Self-Insured Public Entity. Pursuant to the State Controller's guidelines for self-insured California Counties, Risk Management contracts with an independent actuarial firm, Bickmore Risk Services, to conduct annual studies and provide reports for both the General Liability and Workers' Compensation programs.

These independent actuarial reports determine and reflect:

- The County's liabilities for current and future claims;
- The Internal Service Fund's assets available to pay these liabilities; and
- The cost allocations to be charged to each department, in order to fund liabilities at the 70% confidence level.

The 70% level of funding is considered "marginally acceptable" by the County's actuarial company. The State Controller's Office and the County's independent actuarial company, however, recommend that after 10 years of operation these two programs should move to an 80% confidence level of funding.

Insurance:

Insurance placement and binder for FY 2016-17 is currently in process. The estimated costs for the premiums are expected to increase:

- California State Association of Counties - Excess Insurance Authority (CSAC-EIA) - Excess Workers' Compensation premium forecasted to increase 13% to 26%
- CSAC-EIA - Property Insurance premium was initially estimated at 18% increase, however the latest estimate is 22.87%
- Marsh Risk & Insurance - General Liability Excess Insurance premium initially estimated an increase of 8%, and
 - o Carriers are pushing for a higher Self-Insured Retention (SIR) than our current \$1.5 million

General Liability:

Requested allocations for FY 2016-17 is currently set at 70% confidence level (considered marginally acceptable) for the budget to \$8.6 million. This is a decrease of \$1.1 million over FY 2015-16's allocation of \$9.7 million funded at 70% confidence level. It should be noted that the General Liability program ended with a \$4.5 million deficit for FY 2014-15 with the funding level at 70%.

It is anticipated that the FY 2015-16 GL program will end with a deficit of \$3.7 million per the actuarial reports, which does take in to account that the Hernandez (aka "Jail Litigation") claim removal from the Actuarial study but not from the ISF. Removal of the Hernandez claim is considered appropriate because it is considered a non-reimbursable claim (the cost cannot be passed on to State and Federal funding). Since the Hernandez claim is considered non-reimbursable and

has been removed from the Actuarial study, the actual legal costs to date (\$1.3 million in internal costs and agreed attorney fees) have not yet been removed from the ISF and will ultimately have to be reimbursed. Reimbursement options will be identified and brought back to the Board of Supervisors at a future meeting.

As of December 31, 2015:

- 75 new claims had been filed, with an average Incurred Cost of \$4,566/claim
- 84 claims were closed through dismissal, settlement or verdict with an average Incurred Cost of \$23,905/claim
- 121 claims are still in the open/pending status at an average Incurred Cost of \$54,748/claim, which likewise continues to exclude costs relating to the Hernandez claim)

The Incurred Cost of a claim includes legal expenses (e.g. filing fees, court reporting fees, attorney fees, etc.) and potential or actual cost of final resolution and settlement costs.

Prior to October/November 2016, the Board of Supervisors will need to come to a decision as to whether the General Liability program should be moved to the 80% confidence level.

Workers' Compensation:

Requested FY 2016-17 Allocations is currently set at 70% confidence level (considered marginally acceptable) for the budget to \$16.9 million. This is still an increase of \$1.0 million over the FY 2015-16 allocation of \$15.8 million funded at the 70% confidence level.

As of December 31, 2015:

- 281 new claims were filed, at an average Incurred Cost of \$6,927/claim
- 321 claims were closed, at an average Incurred Cost of \$11,269/claim
- 797 claims are still in open/pending status, at an average Incurred Cost of \$130,967/claim

The Incurred Cost of a Workers' Compensation claim includes all medical costs, legal costs, temporary disability payments and potential or actual cost of final resolution and settlement costs.

Prior to October/November 2016, the Board of Supervisors will need to come to a decision as to whether the Workers' Compensation program should be moved to the 80% confidence level.

OTHER AGENCY INVOLVEMENT:

This report and presentation was received by the Budget Committee on April 27, 2016. No other agency is involved.

FINANCING:

Accepting this oral report and presentation has no funding impact.

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Attachments: PowerPoint Presentation - FY 15-16 Mid-Year