

**FINAL MINUTES OF THE
RISK MANAGEMENT AND WORKERS' COMPENSATION
TRUST FUND BOARD**

May 20, 2009

Conference Room B-1
5850 W. Glendale Ave.
Glendale, AZ 85031

MEMBERS PRESENT:

John Stern, Chair Person
Joyce Clark, Council Member
Sandra Oates, Board Member
Julie Stiak, Board Member

STAFF PRESENT:

Jim Loeb, Risk Manager, ex officio member
Andy Jennings, Loss Control Supervisor

MEMBERS ABSENT:

Staff Trust Board representative not appointed as of Trust Board meeting

Call to Order

Chairman Stern called the meeting to order at 6:25 PM.

Review and Consider Approval of the Minutes for Approval

Ms. Stiak moved for approval and Ms. Oates seconded the motion. It was voted unanimously to accept the Minutes as presented.

Risk Department Structure and Functions

Risk Manager, Jim Loeb, reviewed the mission of the risk department and division staffing and functions. Council member Clark asked if the occupational nurse will be coordinating with the new health facility at Public Safety Training Facility. Mr. Loeb said our office will be coordinating some activities. The Health Care facility will perform Police and Fire physicals and the occupational nurse performs all other physicals except for Commercial Drivers License physicals performed by Banner Health. Chairman Stern inquired whether monitoring of certificates of insurance were coordinated by Risk Management or by each department? Mr. Loeb responded it remains decentralized and two training sessions were held again this year with 52 attendees. Council member Clark asked if we scanned all the certificates and Mr. Loeb responded only the ones sent to Risk Management. There was discussion regarding development of a program to capture all certificates once budget constraints subside.

It was noted that the authority for the city's Risk Management Trust comes under Arizona Revised Statutes 11-981, which grants public entities the authority to self-insure. Mr. Loeb informed the Trustees State statute requires each public entity that has a self-insurance program, to have a licensed risk management consultant and five joint trustees to oversee the trust funds.

Mr. Loeb explained that the city has two (2) trust funds. The Risk Management Trust funds the liability claims and excess liability insurance. The Workers' Compensation Trust funds employee injuries, excess insurance for the Workers' Compensation claims, third party claims administration and Industrial Commission of Arizona taxes and fees.

Annual Review

Mr. Loeb noted that internal premiums are assessed to departments annually to fund property, liability and Workers' Compensation loss exposures. The funds generated by the premiums are deposited in the two trust funds. Each year loss experience is provided to the Budget department for paid claims over the prior five years. The budget department develops the internal premiums based on a formula that weights premiums 50 percent ms on departmental loss experience and 50 percent is based on exposure (staffing level, the size of their fleet, etc). The trustees were informed Risk staff preaches safety to departments and one way to motivate them is explaining the impact of losses on the internal premiums charged to their budgets. Chairman Goulet asked if this was done annually and Mr. Loeb responded affirmatively.

Risk Manager Loeb reported the premium for excess liability insurance with a million-dollar deductible and limits of 50 million was \$677,335. The property insurance premium is \$162,164 and has a \$50,000 deductible and one billion in limits. The city has around \$540 million in property values. The city's property program is a group purchase program leveraging the capability to buy a better product in the market. Chairman Stern asked if there might be savings by raising the deductible to \$100,000 or \$250,000. Mr. Loeb informed the members we survey other cities each year and leverage the information with our broker and Glendale has the best property program in the state of Arizona and we only pay 2.8 cents per hundred dollars value on our property program and two similar size Arizona cities pay 50% more with a deductible twice as high as Glendale.

Mr. Loeb explained the purpose of the various coverage including airport, fidelity, and faithful performance. Council member Clark questioned whether we should raise the deductible on fidelity coverage to save additional premium. Mr. Loeb informed her we could obtain quotes for a higher deductible next year. The policy renews in April prior to the Trustee meeting but staff can consider raising the deductible if savings merit taking the additional risk. Mr. Loeb discussed excess workers' compensation premium costs indicating the premium this year was \$100,158 with a \$500,000 deductible. He showed the trustees a scatter diagram of losses over the past 14 years and there were 3,300 claims and one claim penetrated this limit. Pricing for a \$600,000 deductible policy saves the city \$14,500 which indicates in 6.8 years we fund the increase in risk whereas historically we only have a claim exceeding \$500,000 every 14 years. Mr. Loeb recommended and the trustees approved of raising the deductible to \$600,000. Trustee Oates asked if having an occupational nurse had an impact on reducing claims and Mr. Loeb indicated there was minimal impact. Mr. Loeb informed Trustee Oates we have a new tracking system in place this year to measure the impact of having a nurse for treating occupational injuries. Council member Clark made a formal motion to increase the deductible for workers'

compensation from \$500,000 to \$600,000. Trustee Stiak seconded the motion and the motion carried unanimously.

A rate history graph was presented reflecting reductions in property, liability and workers' compensation rates over the past five years.

Mr. Loeb explained the property and liability expense graph, indicating estimated claims for this year are projected to decrease 38% this year and total expenses are expected to be around \$2 million, down from \$2.3 for the prior year.

Mr. Loeb then presented the Worker's Compensation experience indicating total costs for fiscal year 08-09 is expected to be \$1.5 million, up from \$1.3 million in 07-08. Mr. Loeb pointed out that even though costs are hovering around \$1.5 million, the work force has increased and so have medical costs and wages. The Midwest Employers Casualty Company benchmark graph and data was presented reflecting the City is near the target performance best practices benchmark of 20% better than the mean of similar entities. Chairman Stern noted the city is about where it was last year and Mr. Loeb confirmed his assessment.

The total cost of risk graph was discussed by Mr. Loeb. He informed the trustees the cost of risk is down 31.5% while the budget has increased 35% during a five year period. Cost of risk has reached its lowest level in five years measured as percent of operating budget and is estimated to be .92% of operating budget for fiscal year 2008-2009. A pie chart reflected over five years 49% of all cost of risk expenses was for claims and 32% of claims expenses were for bodily injury while 35% was for legal fees and 19% for property damage.

The trustees reviewed a chart on the city property collections. During the first nine months of fiscal year to date 08-09, \$76,901 in damages to city property was collected on total damages of \$96,000.

Risk Manager Loeb discussed the purpose of having actuarial studies performed and reviewed a graph with the board members. The actuaries establish a fair statement of what our liabilities are for the financial statements at the end of the year. City auditors need to have a comfort zone as to what has been booked as liabilities on city financial statements and that they actually are a fair representation of liabilities. Mr. Loeb informed the trustees the city funds claims at approximately the 55% confidence level. Mr. Loeb discussed the estimated balance in the trust funds compared to the actuarially recommended funding at various confidence levels. He noted the funds have assets well exceeding the 55% confidence level. There was discussion regarding use of trust funds and lowering funding levels next year to assist the city in addressing economic conditions.

Safety and loss control activities and measures were presented to the trustees. Mr. Loeb stated our goal is to minimize the causes and costs of losses. For the past four years we have published loss control performance reports city-wide and by department benchmarked with other cities. Causes and nature of injuries were reviewed with the trustees. Mr. Loeb informed the trustee's staff developed new training programs including accident investigation and job hazard analysis for use in educating supervisors. Vehicle accidents were discussed and graphs reflected the causes and types of preventable vehicle and equipment accidents.

Loss prevention efforts were shared with the trustees including expansion of the intranet site; development of seven new safety programs focusing on OSHA compliance; development of defensive driving program and training over 305 employees; training over 1,900 employees on 17 different topics; and performing safety inspections on 40 city buildings. In the occupational health area, staff have begun using PeopleSoft to input and track health data and the nurse has re-certified in audiometric testing so she can assist in administering the hearing conservation program.

The trustees were informed of the development of operations and users manuals for handling liability claims and the development of a preferred vendor list of contractors for use in repairing property damaged by the city.

Mr. Loeb informed the trustees of activities in the area of workers' compensation and drug free workplace. Random drug and alcohol testing for non commercial drivers in safety sensitive positions is going to be administered by the occupational nurse rather than being outsourced with Banner. The new system will save time and expense in administering the program. A workers' compensation information management system was implemented eliminating the need to maintain paper files.

Fifty two employees were trained in how to review certificates of insurance. Safety coordinator committee meeting are being held in six week cycles and has been useful in reviewing new safety programs, providing feedback and in sharing resources among departments. Mr. Loeb informed the trustees while we are conducting mandatory OSHA training we are introducing new safety training modules toward preventing accidents from happening. The modules consist of job hazard analysis, accident investigation and supervisor safety training.

Mr. Loeb stated the division developed and introduced a communicable disease prevention and post-exposure guideline for blood-borne pathogens, tuberculosis and MRSA. There was discussion regarding the H1N1 virus (swine flu) and Council member Clark asked who had the authority to shut down facilities. Mr. Loeb said ultimately it was the City Manager. He informed the Board various departments are involved including Homeland Security, Fire and Risk Management.

Risk Manager Loeb summarized this annual review by stating that cost of risk reached its lowest level as percent of operating budget in over eight years; safety training programs were expanded and customized to meet needs of departments; electronic tracking modules were implemented for workers' compensation and employee health records; the fourth annual departmental Loss Control Performance Report was published; motor vehicle records of all employees driving on city business; and the intranet website was enhanced to better serve the needs of the organization.

Chairman Stern asked to revisit the 55% confidence level and asked Mr. Loeb what the game plan was for Risk Management as to budgeting, knowing there is an excess of funds in both of the trusts. Mr. Loeb informed the trustees we do not establish the premiums and they are set by the Budget Department. The comprehensive annual financial report standards indicate you should have at least 55% confidence level. Mr. Loeb said he was comfortable with the 55% confidence level of funding. He informed the Board that in the case of workers' compensation

claims, payouts are incremental, take years to develop and are easily budgetable whereas liability claims can be more volatile.

Adjournment

Council member Clark moved for adjournment, trustee Oates seconded the motion and it carried unanimously. The meeting adjourned at 8:10 PM.