



Risk Management Rate Presentation

February 07, 2024

Presented By

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Workers' Compensation & Disability Retirement Presentation

Catherine Laveau - Senior Deputy Executive Officer



Workers' Compensation ISF EXECUTIVE SUMMARY 2023/2024

- ❖ \$203M Actuarial Projected Liability (fully funded)
- ❖ \$17.9M Projected Catastrophic fund
- ❖ Average 1.59% Increase Proposed FY 24/25
- ❖ Rate Stability



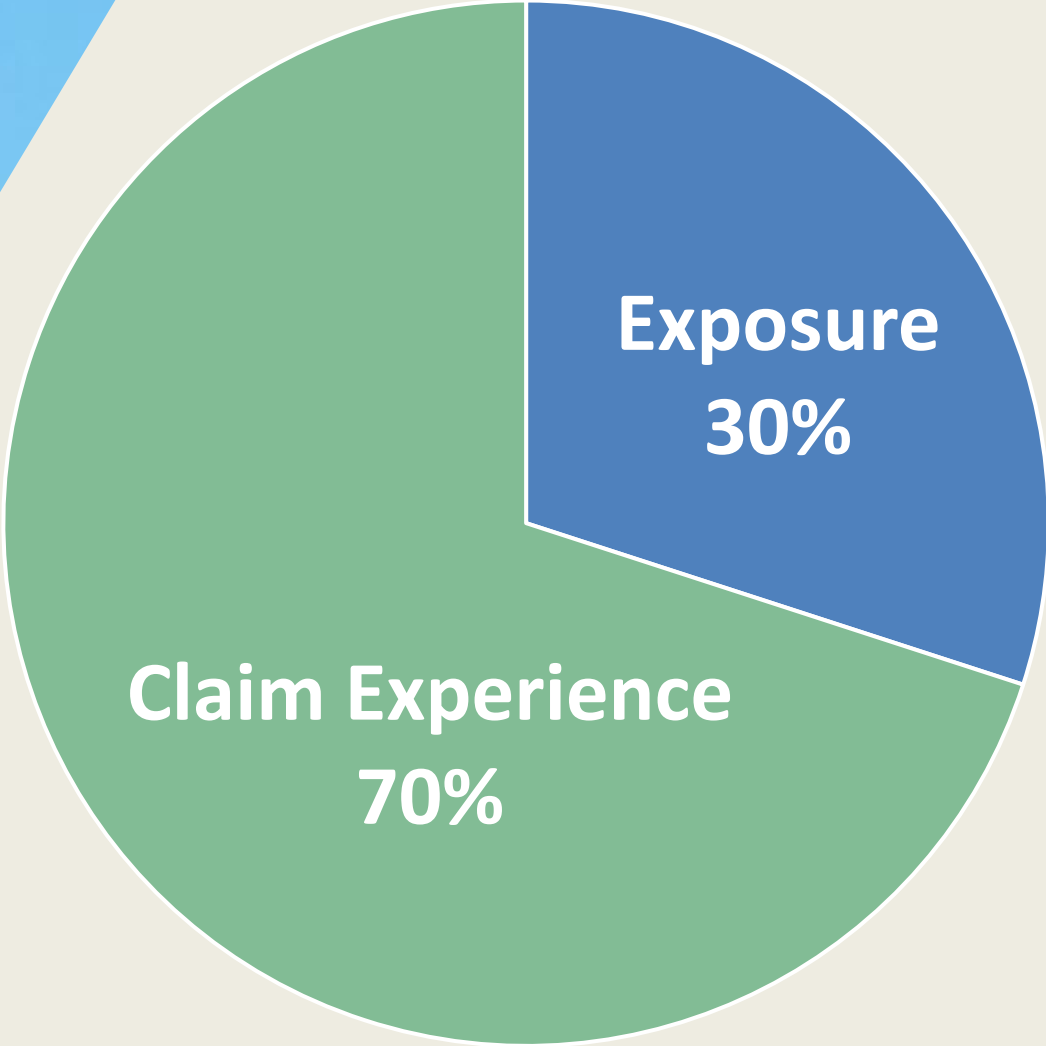
Workers' Compensation

- ▶ Wholly Self-Insured Program (100% funded by ISF)
- ▶ 900+ Claims Reported on Average per Year
- ▶ Estimated 2,000 Open Claims (all dates of injury)
- ▶ Claims Administration Oversight
- ▶ Disability Retirement Investigation

Workers' Compensation ISF Rate Methodology

70% Experience / 30% Exposure

Rate Factors



Agency/Department Workers' Compensation Rate:
Rate applied to actual payroll each pay period that is projected to recover needed funding

70%

Incurred value
of claims within
5 years

25%

Pure employee
class code

5%

Projected payroll

Workers' Compensation Program Characteristics

- ▶ Lifetime medical obligation for serious injuries
- ▶ 91 open claims with injuries that occurred 20+ years ago
- ▶ \$5.9M (59%) medical paid in 22/23 for injuries 3+ years ago
- ▶ Safety member presumptions and enhanced salary replacement (4850)
- ▶ \$25.4M Annual Claims Costs (5-Year Average)
 - ▶ \$9.0M Medical
 - ▶ \$13.2M Indemnity
 - ▶ \$3.2M Allocated Loss Expense

Rates Fund Claims that occur in 2023/2024

Workers' Compensation Accomplishments



4% reduction in total number of open claims

\$2,000 reduction in average per claim cost



\$320K reduction in VCFD 4850 costs under Fast-Track Program

W.C.A.B. granted Case Dismissal/Take Nothing Decisions on 5 cases



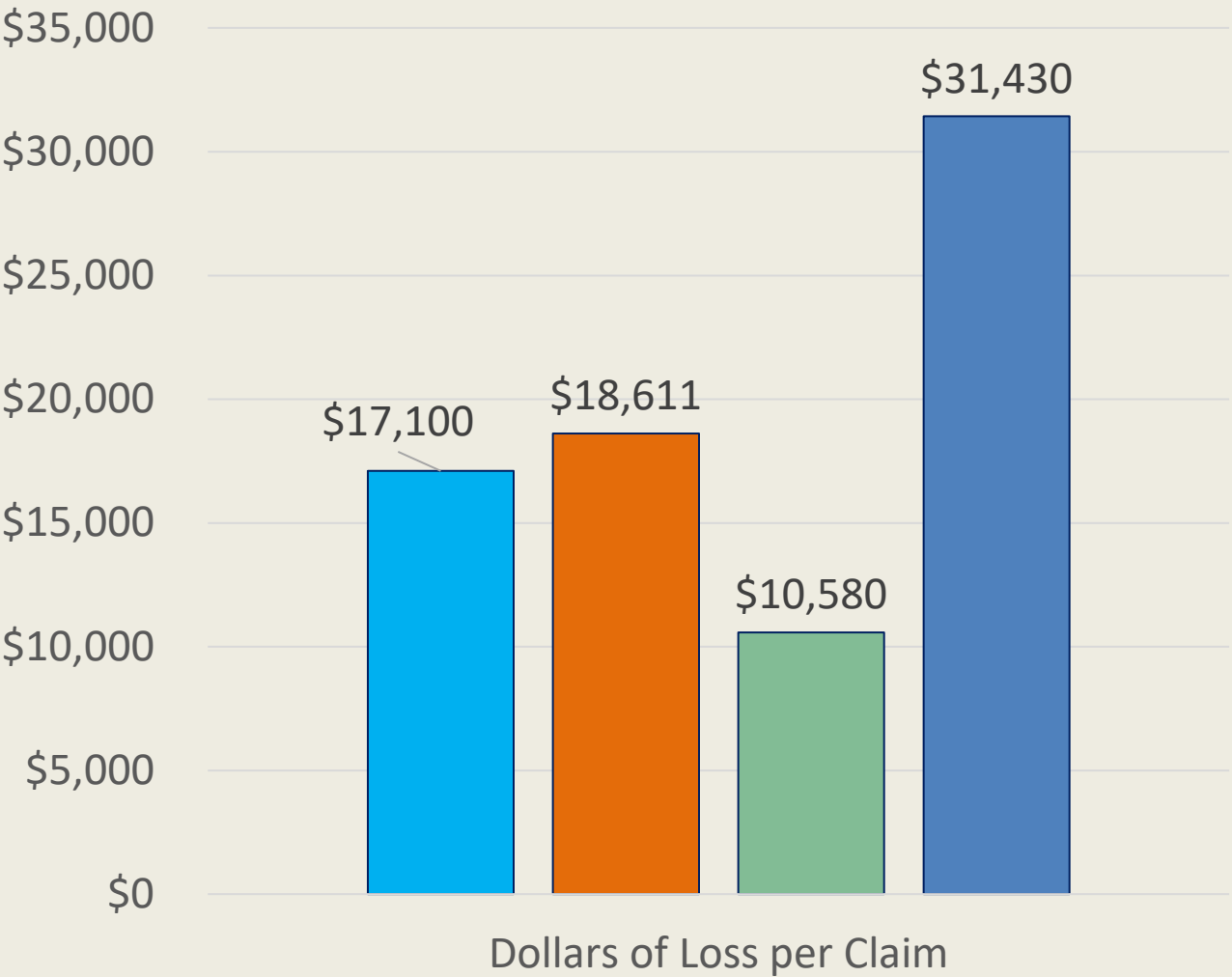
\$185K received in recoveries/subrogation

Launched Enhanced Workers' Compensation Program w/ VCSO (July 2023)

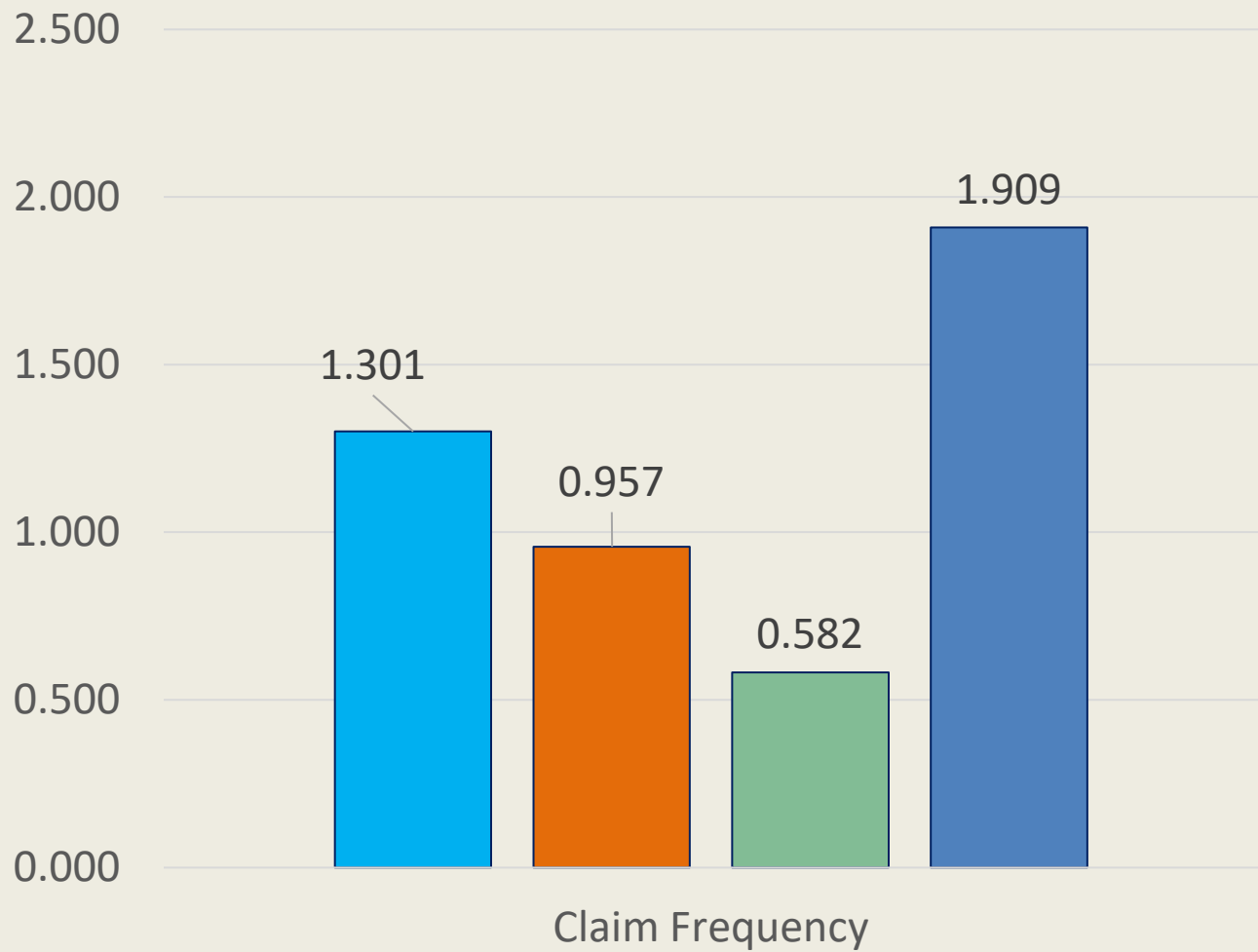


Workers' Compensation Benchmark Comparisons

Claim Severity



Claims Per \$1M Payroll



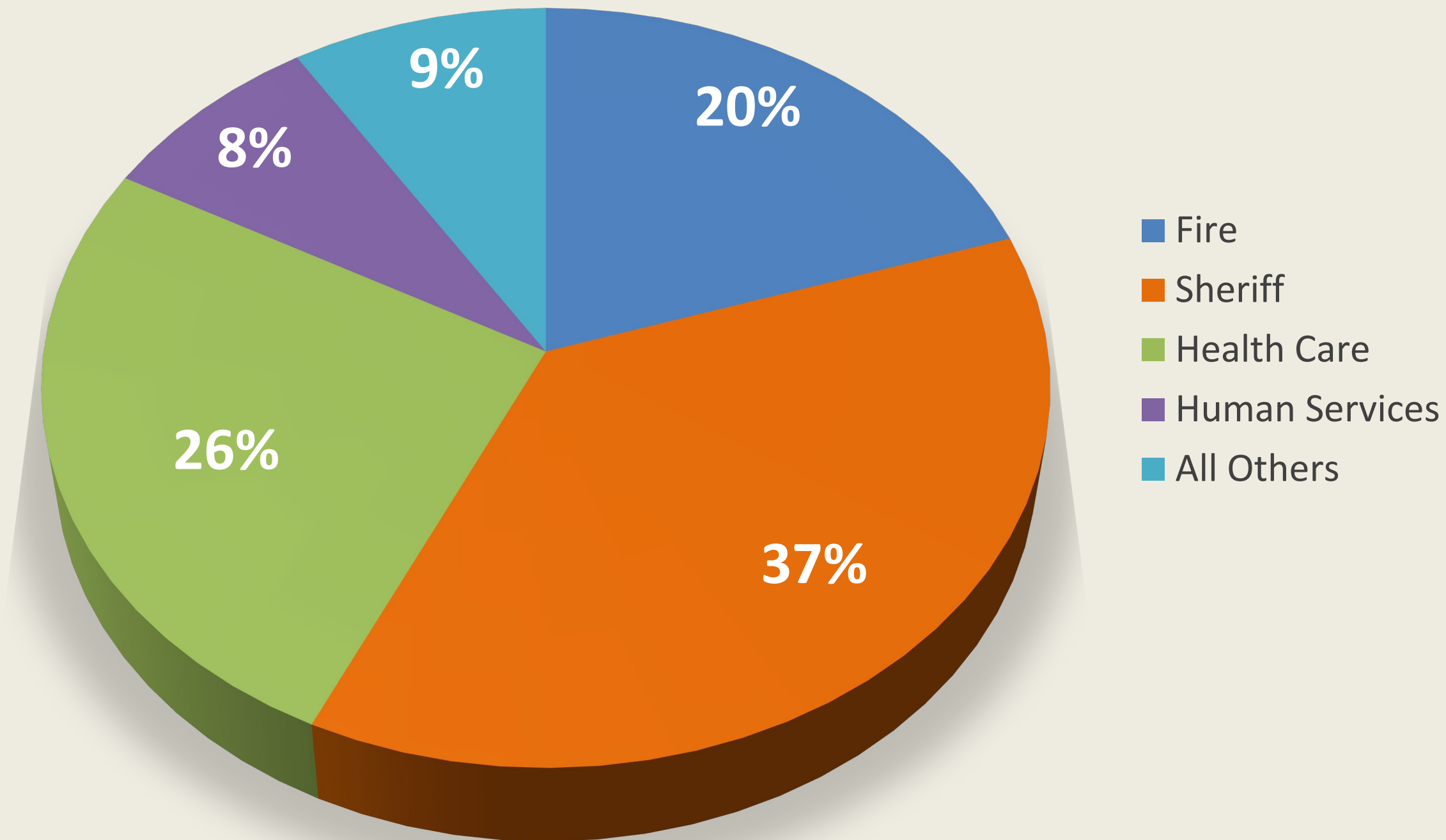
■ Ventura ■ Average ■ Low ■ High

*Bickmore 2023 Study

**Most entities we are compared to do not have Fire/Sheriff/Hospitals

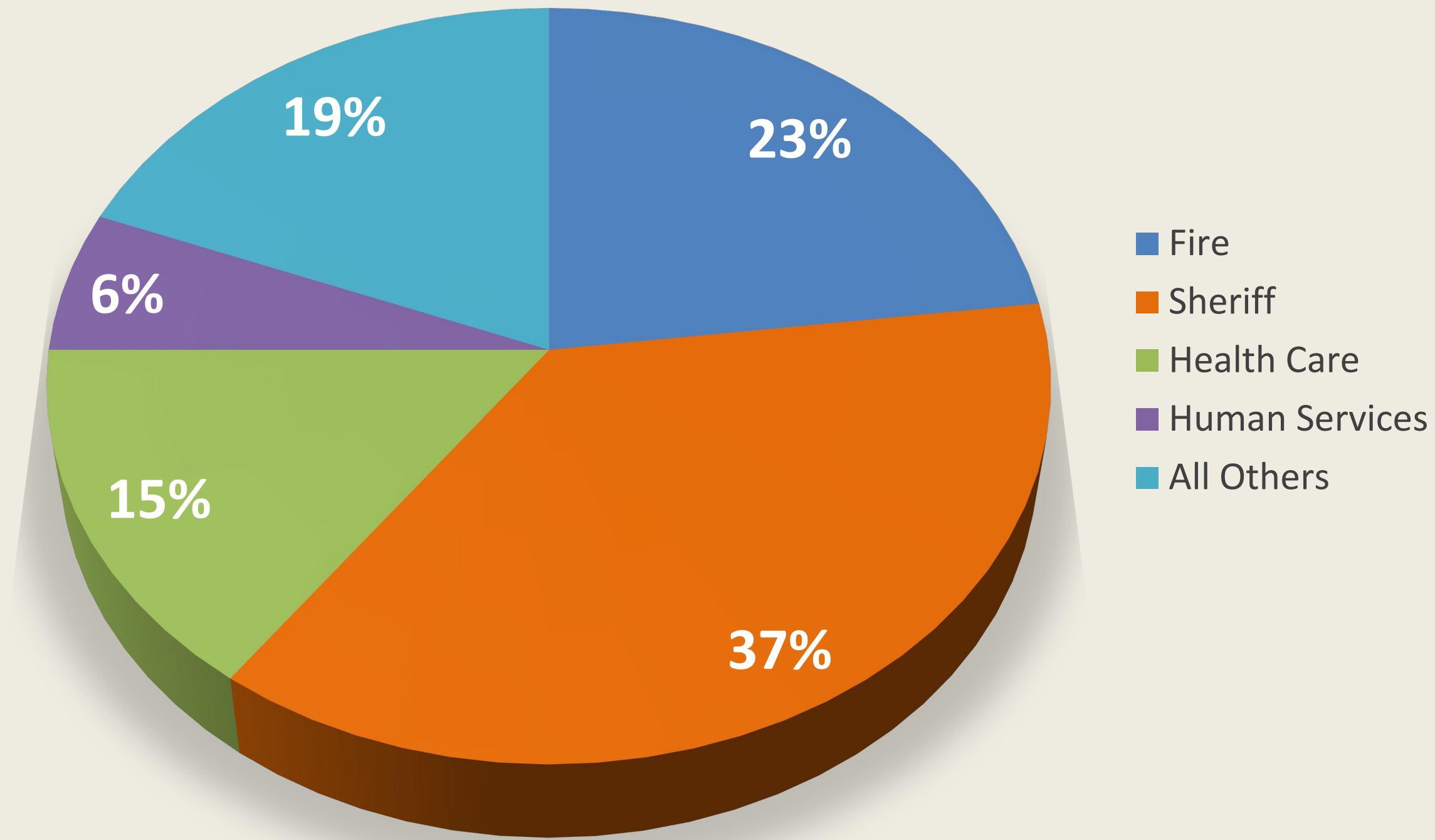
Workers' Compensation Number of Claims by Top Agencies

Claims Reported FY13/14 – 22/23



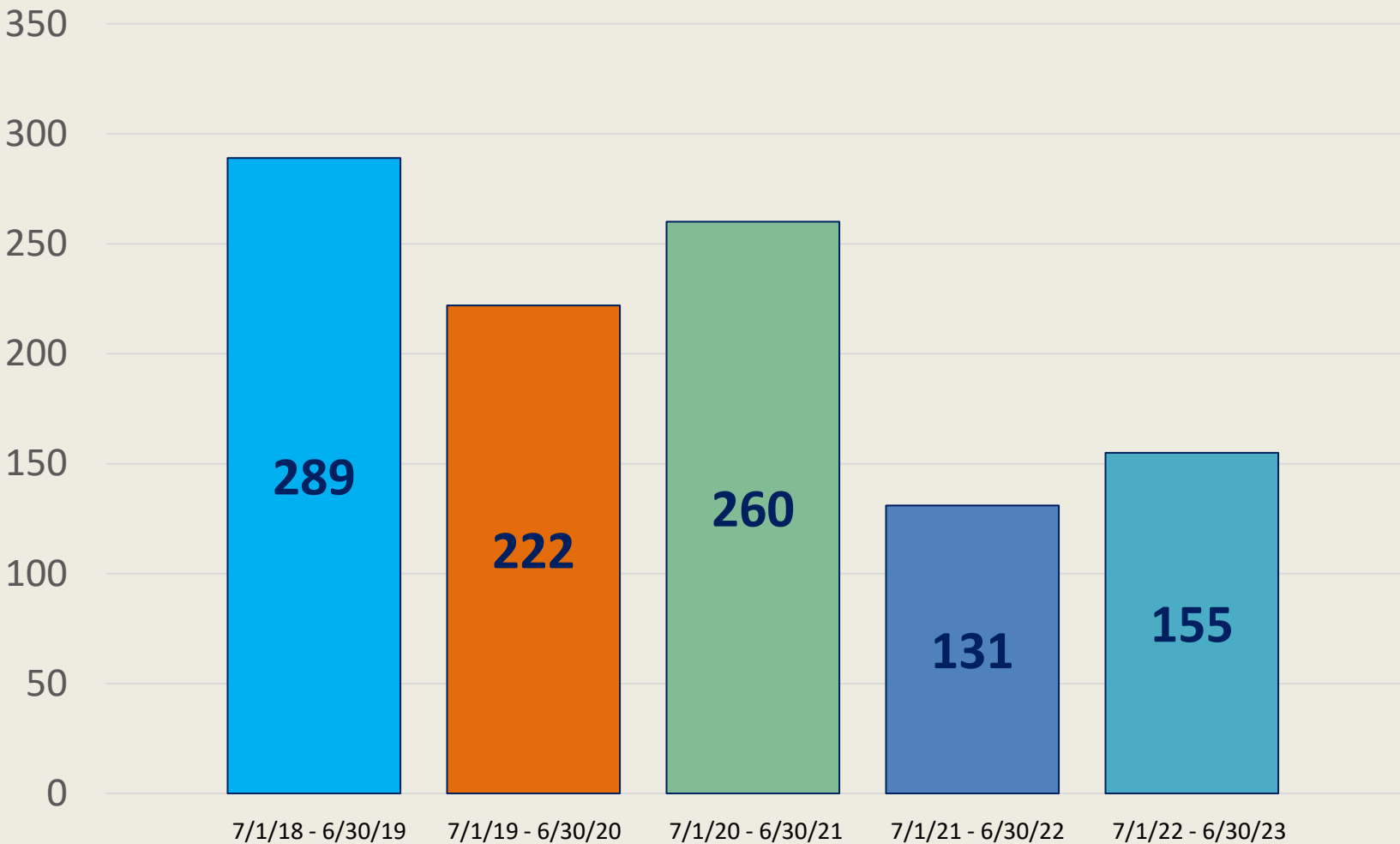
Workers' Compensation Claims Cost by Top Agencies

Claims Reported FY13/14 – 22/23

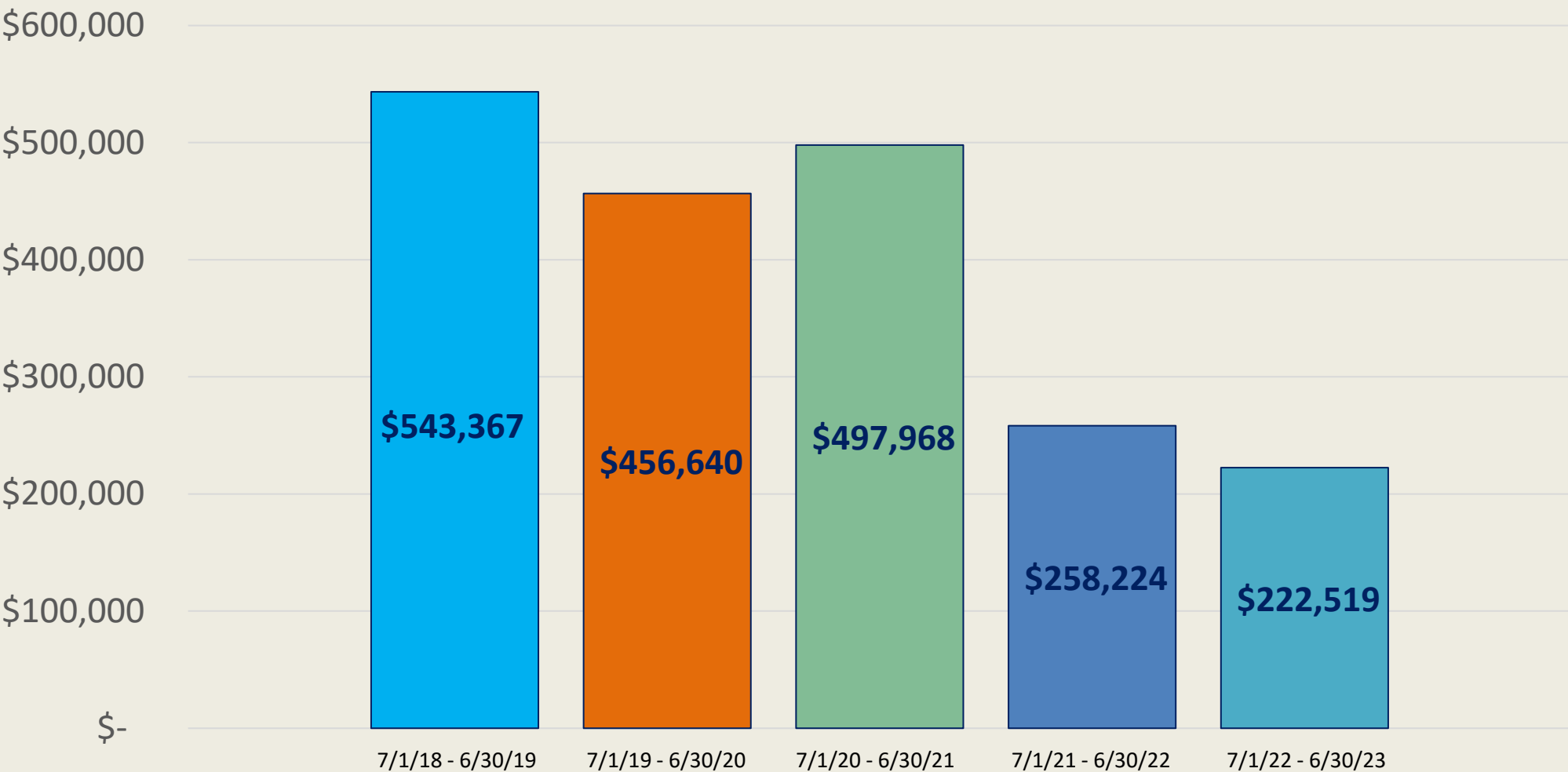


Fire Department 4850 Payments on Orthopedic Claims

4850 Payments Issued on New Claims



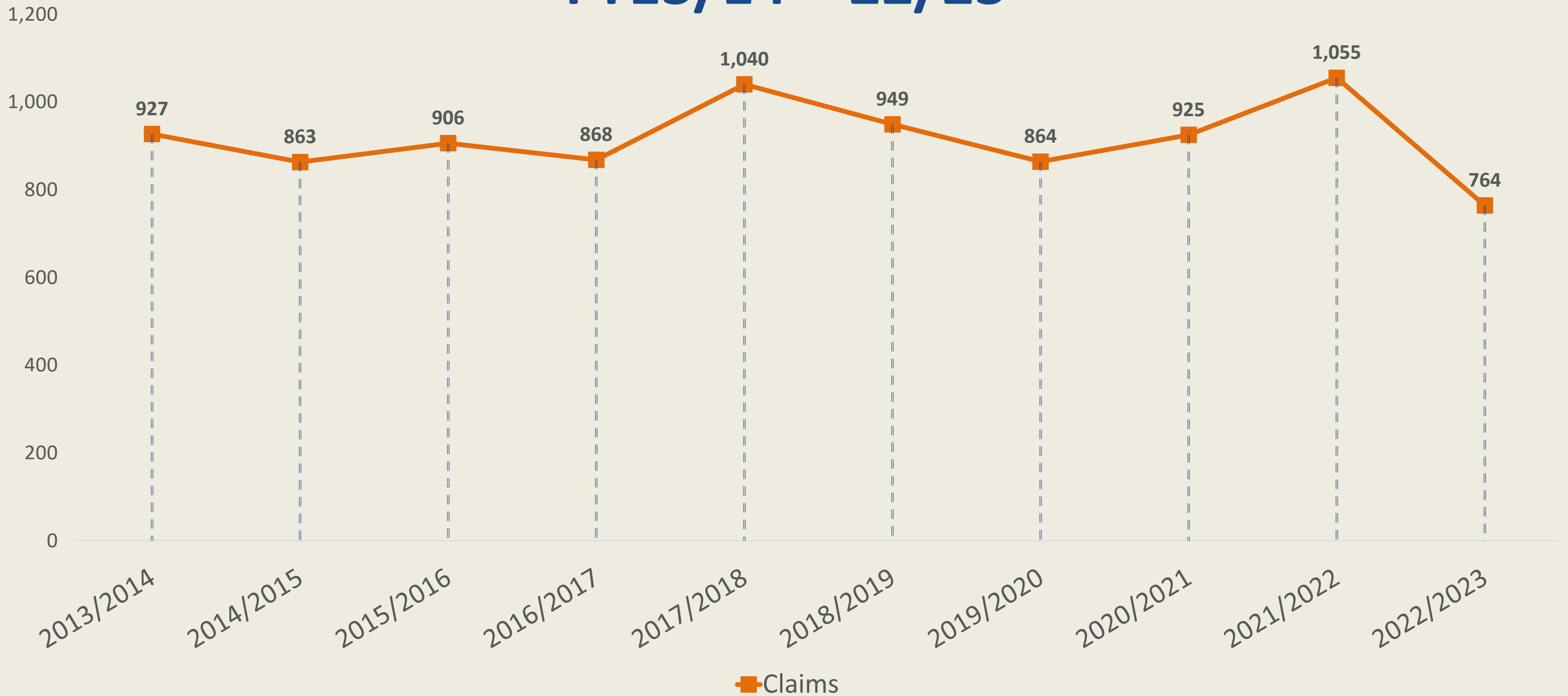
4850 Allocation Amount on New Claims



- VCFD Fast-Track Program went live 02/01/2020
- VCSO Adopted the Enhanced Program in July 2023

Workers' Compensation Claims Filed Per Year

FY13/14 – 22/23



Rationale for 1.59% Increase in 2024/2025



Stability of Future Rates

- ≡ Statutory wage replacement rates are unchanged for 2024
- ≡ COVID-19 Presumption sunset on 1/1/2024
- ≡ 4850 full salary for safety officers tied to salary increases
- ≡ Lifetime medical (5% average medical inflation FY19/20 to 22/23)
- ≡ Legislation looking to expand benefits/entitlements
- ≡ Strong catastrophic fund mitigates unforeseeable losses

Workers' Compensation Internal Service Funds

<u>Workers' Compensation</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Cash Balance	\$187M	\$204M	\$222M
Actuarial Liability	\$174M	\$185M	\$203M
Unrestricted Net Position	\$14M	\$20M	\$23M
Funding Level	107%	110%	109%

Workers' Compensation

	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Budgeted Dept. Charges	\$41,084,631	\$41,906,000	\$46,133,000	\$46,529,000	\$47,270,000
% Rate Change	2.00%	2.00%	10.09%*	0.86%	1.59%
Actual Dept. Charges <small>(or Budget)</small>	\$41,893,556	\$44,570,617	\$46,795,920	\$46,529,000	\$47,270,000
Interest & Other Revenue <small>(or Budget)</small>	<u>\$1,393,597</u>	<u>\$855,496</u>	<u>\$5,612,854</u>	<u>\$3,631,000</u>	<u>\$6,197,000</u>
Total Actual Revenue <small>(or Budget)</small>	\$43,287,153	\$45,426,113	\$52,408,774	\$50,160,000	\$53,467,000
Budgeted Expenses	\$39,293,385	\$40,548,590	\$46,443,300	\$47,238,900	\$53,374,300
Actual (w/ CAFR) Expenses <small>(or Budget)</small>	\$39,609,520	\$39,862,017	\$49,715,705	\$47,238,900	\$53,374,300
Catastrophic Reserve	\$7,895,355	\$13,417,368	\$14,468,155	\$16,292,000	\$17,901,000
Unrestricted Net Position	\$14,496,941	\$20,061,037	\$22,754,106	\$29,433,040	\$26,797,376
	Actual	Actual	Actual	Budget	Proposed

**8% of increase relates to acquisition of ambulatory clinics, which added over 600 employees to payroll, only 2% of increase was reflective of prior FY claim experience.*



Liability & Insurance Presentation

Danielle Mancuso – Deputy Executive Officer/ Liability,
Insurance & Safety



EXECUTIVE SUMMARY 2024/2025

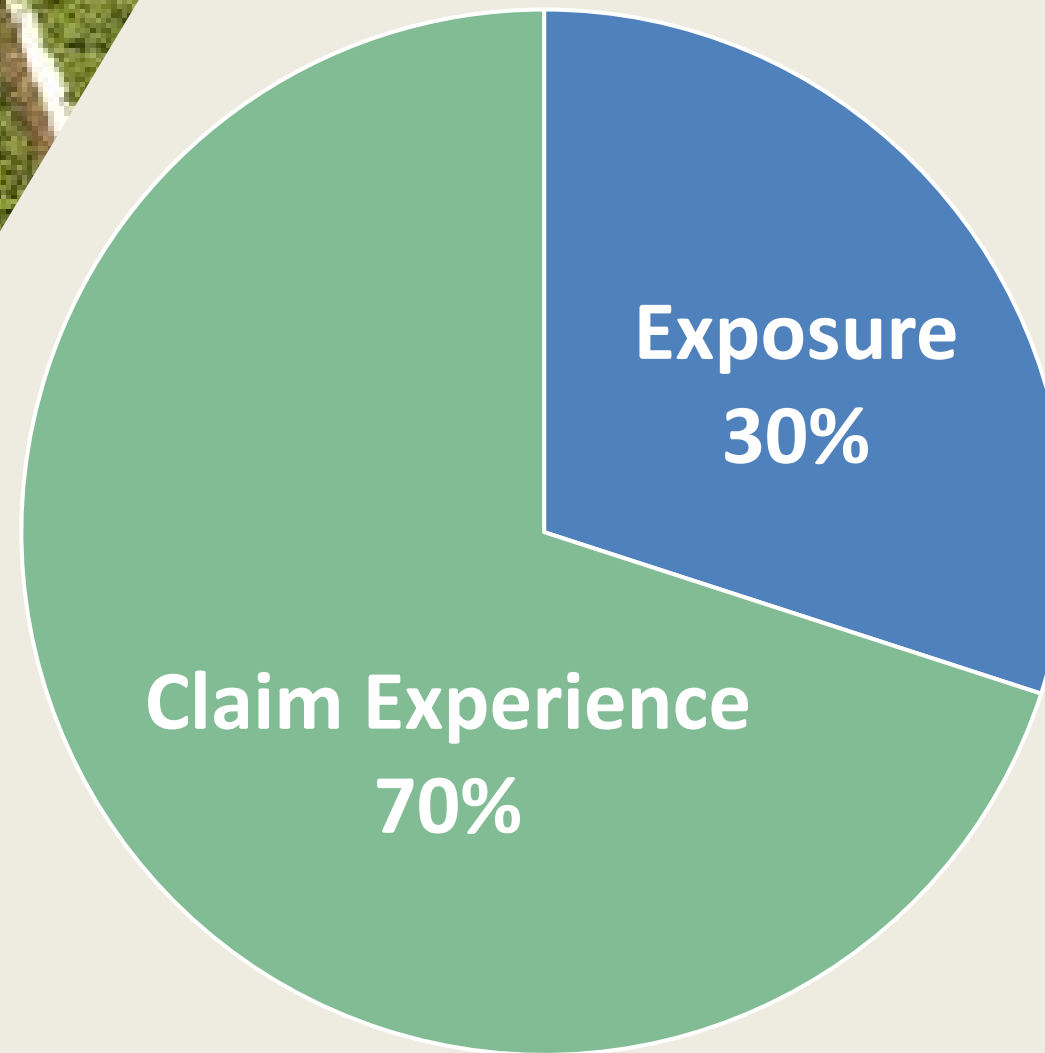
- ❖ -6.2% Average Rate Reduction FY 24/25
- ❖ \$32M Actuarial Projected Funding (fully funded)
- ❖ \$3.8M Projected Catastrophic fund
- ❖ Tort claims and lawsuits have increased slightly
- ❖ Returning to Historic Norms



Liability & Insurance ISF Rate Methodology

70% Experience / 30% Exposure

Rate Factors



Agency/Department biannual billing to collect needed funding for losses incurred

70%

Paid
Expenses

30%

The number of
full-time equivalents

General Liability Coverage

On April 1, 2023, the County switched to PRISM which allowed us to increase our limit to \$50M at a rate lower than our incumbent renewal quote which provided \$42M in coverage.



PRISM: \$50M limit not to exceed \$9.325M



Prior Broker: \$42M, quote of \$9.673M

PRISM is a Joint Powers Authority which provides coverage to 95% of California counties, 70% of California cities, school districts, and special districts. As a pool dedicated to public entities, PRISM can negotiate competitive rates in a difficult market, and we were able to increase our limits at a cost less than the renewing program. The County had previously used PRISM for property, pollution, cyber, crime, airport, and watercraft, but the general liability policy was placed through our prior broker and utilized various carriers.



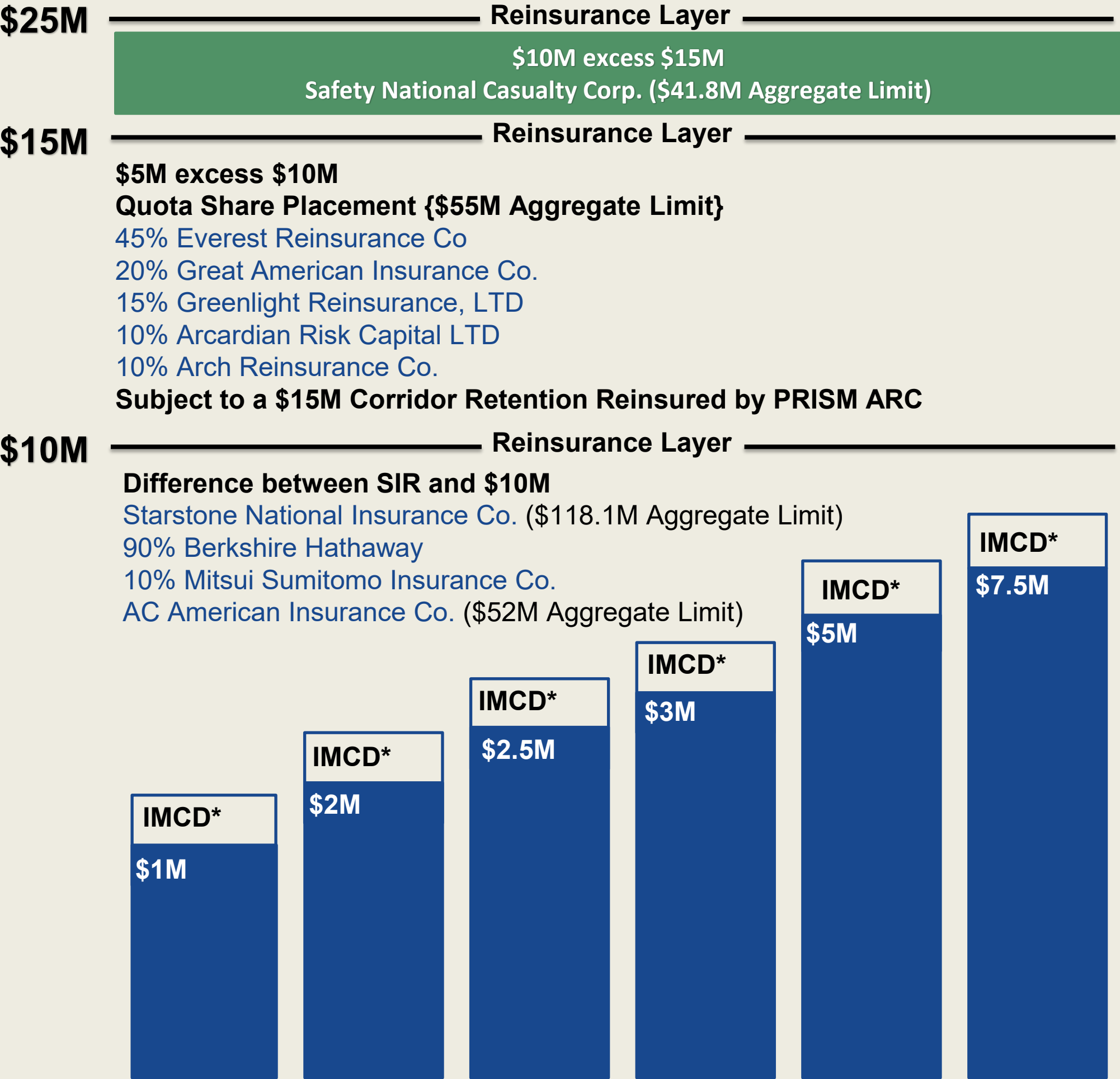
Public Risk Innovation, Solutions, and Management: PRISM

PRISM has a unique coverage structure that shares layers of coverage amongst various carriers. This is demonstrated in the tower on the next slide. Instead of one carrier providing the entire limit for a layer of coverage, multiple carriers take a percentage of the layer which allows PRISM to obtain a lower quote. This applies to the first \$25 million in coverage only.

Insurance Coverages & General Liability Limits

Policy Types

- » General Liability
- » Medical Malpractice
- » Cyber Liability
- » Property Insurance
- » Earthquake Insurance
- » Pollution Insurance
- » Public Official Bonds & Securities
- » Other Policies (i.e., Harbor, Aviation, Airport, Crime, Fiduciary)

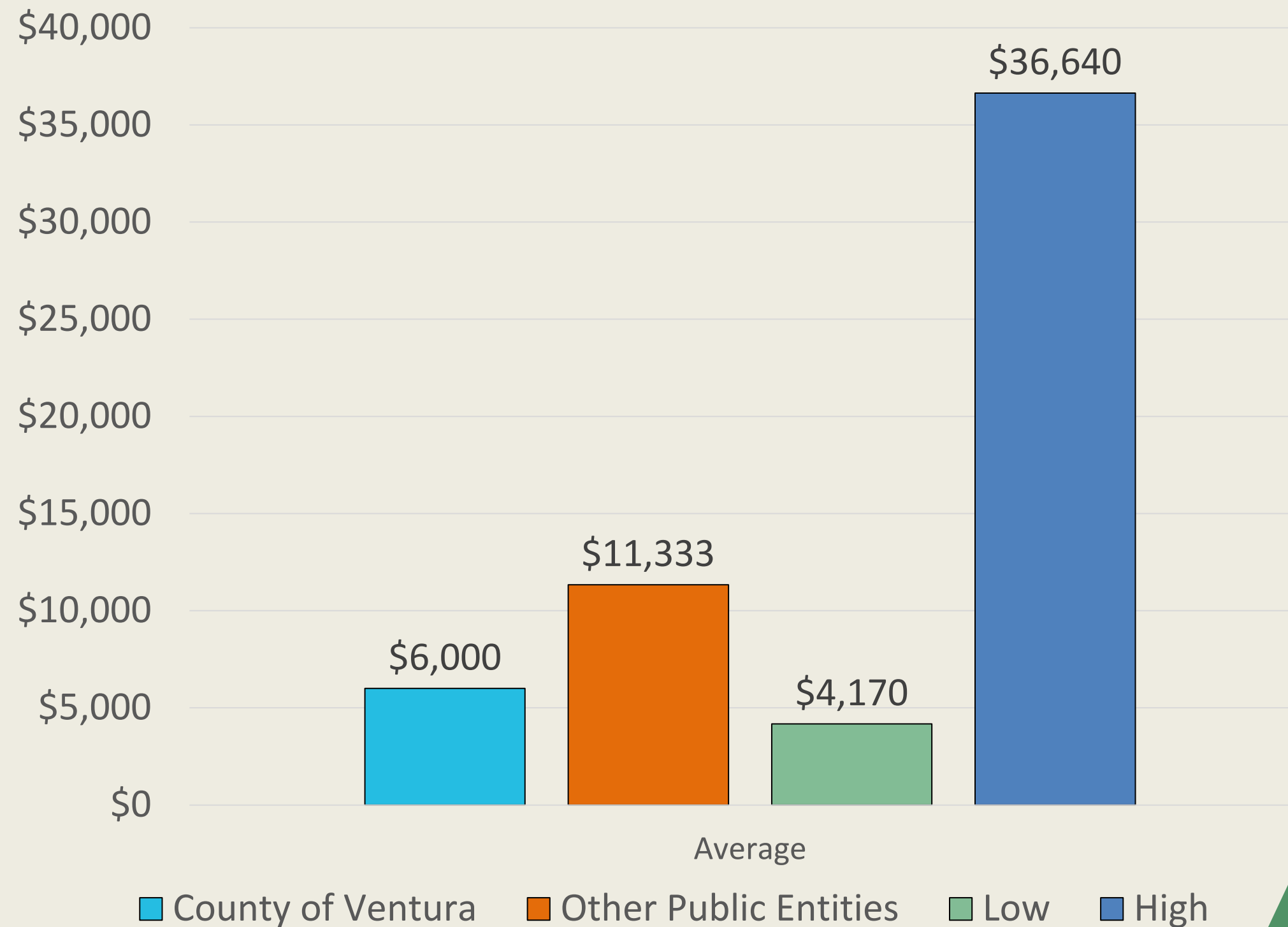


*Individual Member Corridor Deductible (IMCD) where applicable.
*18 GL2 Program members purchase additional limits through the Optional Excess Liability Program

Liability Program Characteristics

- ▶ Majority of claims reported within one year and resolved in five years
- ▶ Claims are handled in-house by Risk Analysts
- ▶ Open approximately 600-800 new files each year, including notice of potential claims and damage to County vehicles in GSA Fleet Services reimbursement program
- ▶ Receive about 250 claims for damages from the public each year

Liability Benchmark Comparison



*Bickmore 2023 Study



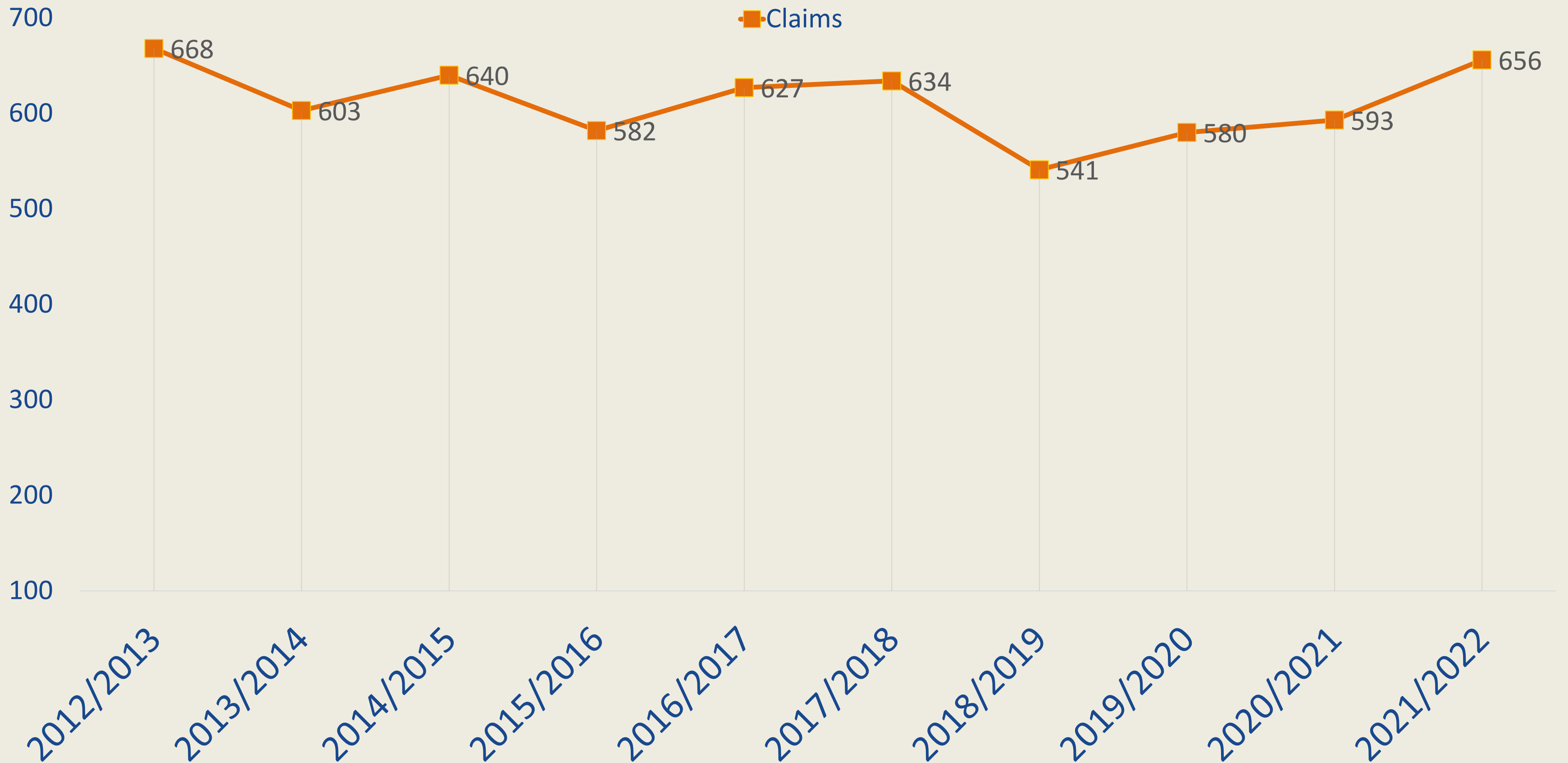
Rationale For 6.2% Rate Reduction in 2024/2025



Stability of Future Rates

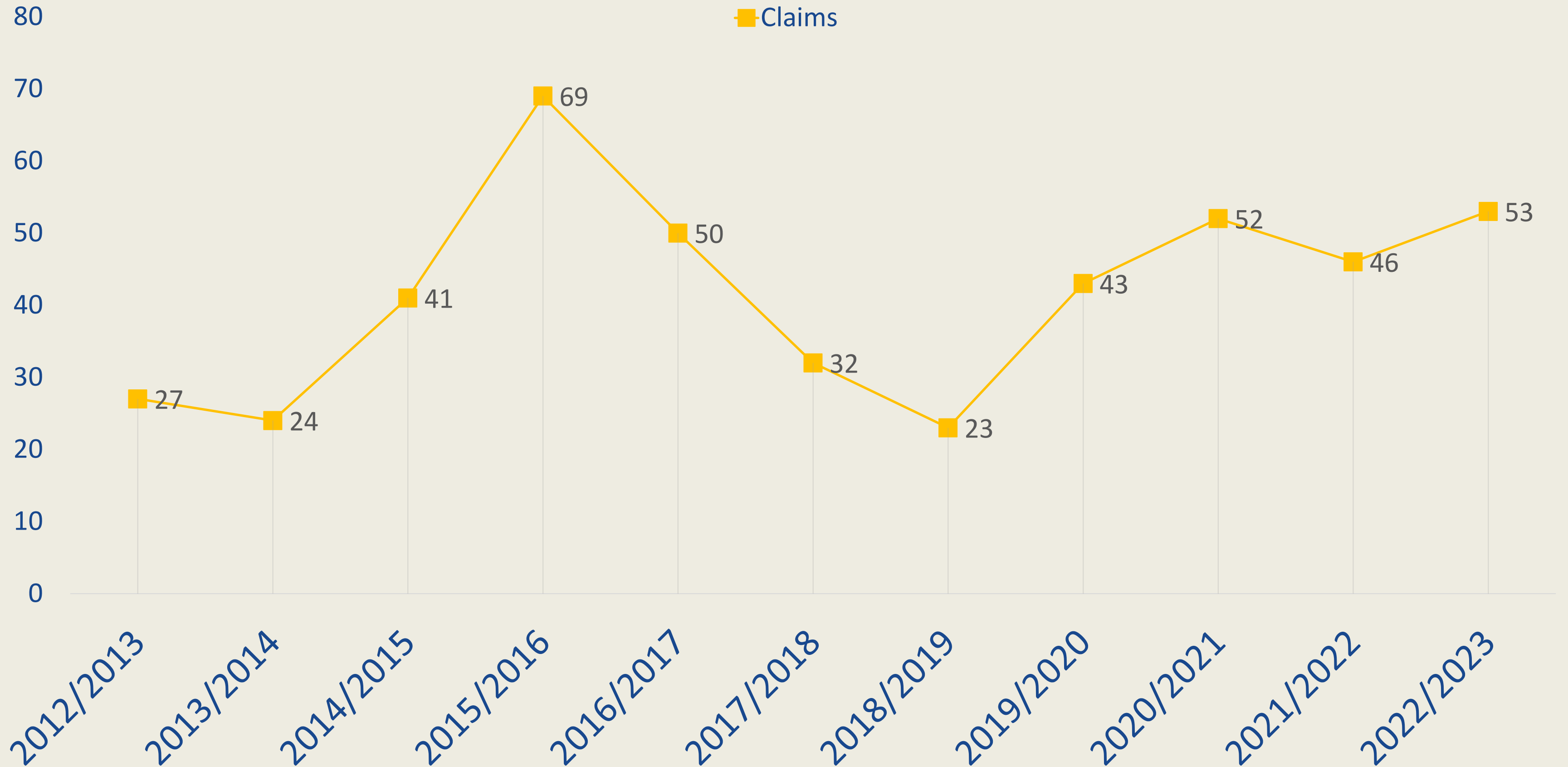
- ≡ Prior year performed better than expected with premiums coming in under projections
- ≡ Cash balance, UNP, and funding level increased over prior year
- ≡ Current insurance market is unpredictable with rising costs/challenges in procuring adequate coverage
- ≡ Addresses volatility that is inherently associated with liability claims
- ≡ Although there is a slight increase in tort claims and lawsuits, the catastrophic reserve and funding is strong.

Liability Files Opened Per Year



Liability New Lawsuits

Claims



Accomplishments



**\$2.6 million in recoveries
(insurance, contractors, &
subrogation)**



**Educate, train, and assist
agencies with contract language
& reviewed 141 contracts**

**Expanded General Liability
coverage to \$50m & joined
PRISM (risk pool for public entity)**



**Assisted with Covid-19 response
including development of
Countywide test order site for
employee and agency use**



Liability & Insurance

Internal Service Funds

<u>Liability & General Insurance</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Cash Balance	\$41M	\$38.8M	\$30.8M	\$42.4M
Actuarial Liability	\$23.3M	\$27.6M	\$27.5M	\$27.4M
Unrestricted Net Position	\$16.6M	\$9.7M	\$8.2M	\$19M
Funding Level	176%	141%	112%	154.8%

Liability & General Insurance

	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Budgeted Department Charges	\$13,475,408	\$13,947,100	\$30,917,800	\$30,917,800	\$29,000,000
% Rate Change	2.00%	3.50%	121.7%	0%	-6.2%
Applied Rate Discount	\$0	\$0	\$0	\$0	\$0
Actual Department Charges <small>(or Budget)</small>	\$13,220,227	\$13,947,049	\$30,821,286	\$30,917,800	\$29,000,000
Interest Earnings & Other Revenue <small>(or Budget)</small>	<u>\$776,571</u>	<u>\$5,174,745</u>	<u>\$940,916</u>	<u>\$451,100</u>	<u>\$977,300</u>
Actual Total Revenue	\$13,996,798	\$19,121,794	\$31,762,202	\$31,888,613	\$29,977,300
Actual Expenses <small>(or Budget)</small>	\$14,616,448	\$20,637,798	\$21,094,279	\$30,205,875	\$34,496,825
Actual (w/ CAFR) Expenses <small>(or Budget)</small>	\$18,842,448	\$20,580,798	\$20,995,279	\$30,205,875	\$34,496,825
Catastrophic Reserve	\$3,713,406	\$4,013,122	\$3,820,528	\$4,013,122	\$3,820,528
Unrestricted Net Position	\$9,707,098	\$8,248,094	\$19,015,017	\$13,513,925	\$16,367,705
	Actual	Actual	Actual	Budget	Proposed



Questions?