



President
Ms. Liz Ehrenstrom
City of Oroville

Treasurer
Mr. Tim Sailsbery
City of Willows

Date: Thursday, December 13, 2012
Time: 9:30 a.m.

Location: Le Rivage Hotel
4800 Riverside Boulevard, Sacramento, CA 95822

NCCSIF

LONG RANGE PLANNING SESSSION

AGENDA

Vice President
Ms. Karin Helvey
City of Gridley

Secretary
Ms. Gina Will
Town of Paradise

MISSION STATEMENT

The Northern California Cities Self Insurance Fund, or NCCSIF, is an association of municipalities joined to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.

I. INTRODUCTION / EXPECTATIONS OF LONG RANGE PLANNING SESSION

Kevin Bibler from Alliant Insurance Services will facilitate the Long Range Planning Session. He will provide the Board with an overview of the expectations of the Long Range Planning Meeting.

II. REPORTS

A. Financial Investment Update

Ted Piorkowski from Chandler Asset Management will provide a presentation to the Board discussing the current economic conditions and the effects on NCCSIF's investment portfolio.

B. Target Equity Ratio Trends

Susan Adams and James Marta will review NCCSIF's Target Equity Ratio trends and discuss how the Target Equity Ratios assist NCCSIF in managing its financial needs.

C. Retrospective Rating Distributions

Susan Adams will review with the Board, NCCSIF's historical distributions from the Liability and Workers' Compensation programs and how these distributions have impacted the equity in each program.

D. 10 year snapshot of NCCSIF Loss Trends

Staff will provide the Board with a report on NCCSIF's losses focusing on frequency, severity, cause of loss for both the Liability and Workers' Compensation programs.

E. Best Practices for Your Workers' Compensation Program

Marcus Beverly and Kelli Vitali-Carson from York Risk Services, will provide the Board with a presentation of Best Practices to Manage and/or reduce Workers' Compensation claims.

F. Emerging Risks

Mike Simmons will provide a presentation to the Board regarding Emerging Risks in the Insurance Industry.



III. LONG RANGE PLANNING DISCUSSION AND ACTION ITEMS

**A. WORKERS' COMPENSATION PROGRAM
What's Working Well and Opportunities for Improvement**

- pg. 01 **1. Workers' Compensation Claims Administration** – *York Risk Services provided the Members with a presentation on “Best Practices for Your Workers’ Compensation Program”. This time is provided for members to review and discuss claims administration services and the Board may develop a recommendation or take action.* A 4
- pg. 02 **2. Workers' Compensation Self Insured Retention (SIR) Analysis** - *The Board will receive an analysis of the financial impact to NCCSIF if the Board were to consider increasing their SIR from \$500,000. The Board will review, discuss and may develop a recommendation or take action on increasing the SIR for the Workers’ Compensation program for 2013/2014 coverage year.* A 1
- 3. Financial Impact of Confidence Levels and Discounting Rates used in Determining Funding of Losses** - *Mike Harrington will provide the Board with information on how Confidence Levels and Discount Rates impact NCCSIF’s funding for losses. NCCSIF currently funds at the 60% confidence level and discounts rates by 3%. The Board will discuss and review and may develop a recommendation or take action on:*

 - pg. 03 a. Confidence Level A 1
 - pg. 04 b. Discount Rate A 1
- pg. 05 **4. Excess Pooling Partners** - *NCCSIF currently obtains their Excess Workers’ Compensation coverage from CSAC EIA. The Board will receive a summary of their history with CSAC EIA. Kevin Bibler will facilitate a discussion on NCCSIF’s overall satisfaction with the services, training and coverage provided by CSAC EIA. The Board will discuss and review and may develop a recommendation or take action on renewing with CSAC EIA or obtaining quotations from other insurers or JPA’s.* A 1
- Pg. 06 **5. Retrospective Rating Dividends Program** – *The Board received a report on the historical distribution of the dividends NCCSIF has returned to members in both the Banking and Shared Risk Layers during the Report section of today’s meeting. The Board will be asked to review and discuss and may develop a recommendation or take action as to if any changes should be made to these programs.* A 1

B.

LIABILITY PROGRAM
What's Working Well and Opportunities for Improvement

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1. Liability Self Insured Retention (SIR) Analysis

A 1

The Board will receive an analysis of the financial impact to NCCSIF if the Board decides to decrease their SIR from \$1,000,000 to \$500,000. The Board will review, discuss and may develop a recommendation or take action on the SIR for the Liability program for 2013/2014 coverage year.

2. Financial Impact of Confidence Levels and Discounting Rates used in Determining Funding of Losses.

Mike Harrington will provide the Board with information on how Confidence Levels and Discount Rates impact NCCSIF's funding for losses. NCCSIF currently funds at the 60% confidence level and discounts rates by 2%. The Board will discuss and review and may develop a recommendation or take action on:

pg. 08

a. Confidence Level

A 1

pg. 09

b. Discount Rate

A 1

pg. 10

3. Excess Pooling Partners - NCCSIF currently obtains Excess Liability coverage from CJPRMA. The Board will receive a summary of their history with CJPRMA. Kevin Bibler will facilitate a discussion on NCCSIF's overall satisfaction with the services, training and coverage and dividends provided by CJPRMA. The Board will discuss and review and may develop a recommendation or take action on renewing with CJPRMA or obtaining quotations from other insurers or JPA's.

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4. Retrospective Rating Dividends Program – The Board received a report on the historical distribution of the dividends NCCSIF has returned to members in both the Banking and Shared Risk Layers during the Report section of today's meeting. The Board will be asked to review and discuss and may develop a recommendation or take action as to if any changes should be made to these programs.

IV. RESOURCES

- A. Actuarial Report of the Liability Program at various discount rates, confidence levels and self insured retention levels.
- B. Actuarial Report of the Workers' Compensations Program at various discount rates and confidence levels.
- C. NCCSIF 6/30/12 Financial Audit
- D. Policy and Procedure A-1, Plan Fund Adjustments
- E. Policy and Procedure A-12, Shared Risk Layer Plan Fund Adjustments
- F. CJPRMA Memorandum of Coverage
- G. CSAC EIA Memorandum of Coverage



Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Johnny Yang at Alliant Insurance at (916) 643-2712.

The Agenda packet will be posted on the NCCSIF website at www.nccsif.org. Documents and material relating to an open session agenda item that are provided to the NCCSIF Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

Access to some buildings and offices may require routine provisions of identification to building security. However, NCCSIF does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3



Worker's Compensation Claims Administration

TOPIC: York Risk Services, previously Bragg and Associates, has been NCCSIF's Workers' Compensation Claim Administer since 1990.

This time has been allocated to allow members to discuss "What is Working Well and What Isn't" with the overall Workers' Compensation claims administration program.

An Improvement Plan from York is provided to members that will assist with the following discussion points:

DISCUSSION POINTS:

- Are there any concerns with Workers' Compensation claims handling?
- What next steps should NCCSIF take if there are issues?
- What are programs/services that can assist NCCSIF members with reducing cost of claims?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



Worker's Compensation Self-Insured Retention (SIR) Analysis

TOPIC: NCCSIF has retained the first \$500,000 of each Workers' Compensation claim since 2002. From 1992 to 2002 NCCSIF's SIR was \$300,000 and \$250,000 prior to 1991.

The Board will receive exhibits and information that will assist with the following discussion points:

DISCUSSION POINTS:

1. What will be the additional funding costs to increase the SIR from \$500,000 to \$1,000,000 SIR?
2. How will impact the premium to our excess carrier?
3. How will these impact members' contributions?
4. What have NCCSIF's actual losses been in the \$500K xs \$500K layer?
5. Is it in NCCSIF's best interest to increase the SIR?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Confidence Level Funding

TOPIC: NCCSIF currently funds losses for future payments at the 60% confidence level for the Workers' Compensation program. What this means is that NCCSIF is confident that 6 out of 10 times those programs adequately.

NCCSIF has funded their program at different confidence levels since inception. Most recently the confidence levels for the last 10 years have been:

- 2003/2007 = 70%
- 2008/2012 = 60%

DISCUSSION POINTS:

1. Review of Equity in Workers' Compensation Program
2. Review of actual expected losses to projected losses
3. How will the change in the confidence level impact members' contributions?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:



LRP Item III.A.3.b.

NCCSIF Discount Funding for Investment Income

TOPIC: NCCSIF currently discounts Workers' Compensation expected losses as determined by our Actuary by 3% to offset investment income earned on our investments. With interest rates at an all time low, NCCSIF should review the discounting practices as they relate to actual investment income to determine appropriate discount levels for future funding.

NCCSIF's actuary Mike Harrington from Bickmore and Ted Piorkowski from Chandler Asset Management will provide the Board with information that will assist with the discussion points below.

DISCUSSION POINTS:

1. Review of interest earned on investments for the past 5 years as compared with discount rates NCCSIF has used for funding losses in the banking and shared risk layers.
2. Review the payout pattern for Workers' Compensation claim payments made or settled.
3. What are other primary JPAs using as discount factors?
4. How will the change in the discount funding impact members' contributions?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Excess Workers' Compensation Pooling Partners

TOPIC: NCCSIF has obtained Excess Workers' Compensation Insurance coverage from CSAC EIA since 2003. CSAC EIA provides Statutory limits excess of NCCSIF's \$500,000 Self Insured Retention.

This time has been allocated to allow members to discuss "What is Working Well and What Isn't" with our partner, CSAC EIA.

DISCUSSION POINTS:

- What will be the reduction in cost to increase the SIR from \$500,000 to \$1,000,000 SIR?
- Are there any concerns with CSAC EIA?
 - Financial?
 - Cost?
 - Claims Handling?
 - Coverage?
 - Service?
- What next steps should NCCSIF take if there are issues?
- What are programs/services that CSAC EIA can assist NCCSIF members as respects risk transfer, risk management, training or other services?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Workers' Compensation Retrospective Rating Program

TOPIC: NCCSIF has a retrospective rating program for both the Banking and Shared Risk Layers. P&P A-1 address the Banking Layer Fund adjustments and P&P A-12 details the Shared Risk Fund Adjustments.

DISCUSSION POINTS:

1. Review historical dividends declared.
2. Review dividends declared and equity available at the time dividends were declared.
3. Are any changes necessary to these plans?
4. Does the Assessment provision need any improvements?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



LRP Item III.B.1

Liability Self-Insured Retention (SIR) Analysis

TOPIC: NCCSIF currently retains the first \$1,000,000 of each Liability claim. NCCSIF increased their SIR from \$500,000 to \$1,000,000 in 2007 and has incurred four losses that exceed \$1,000,000 that has eroded equity in the Shared Risk layer. From 1993 to 2006 NCCSIF's SIR was \$500,000 and \$250,000 in 1991 & 1992 coverage years.

The Board will be provided with exhibits and information that will assist with the following discussion points:

DISCUSSION POINTS:

1. What will be the reduction in funding cost to decrease the SIR from \$1,000,000 to \$500,000 SIR?
2. How will these impact members' contributions?
3. What have NCCSIF's actual losses been in the \$500K xs \$500K layer?
4. Is it in NCCSIF's best interest to decrease the SIR?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Confidence Level Funding

TOPIC: NCCSIF currently funds losses for future payments at the 60% confidence level for the Liability programs. What this means is that NCCSIF is confident that 6 out of 10 times, we have funded those programs adequately.

NCCSIF has funded their program at different confidence levels since inception. Most recently the confidence levels for the last 10 years have been:

- 2003/2007 = 70%
- 2008/2012 = 60%

DISCUSSION POINTS:

1. Review of Equity in Liability Program
2. Review of actual expected losses to projected losses
3. How will the change in the confidence level impact members' contributions?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Discount Funding for Investment Income

TOPIC: NCCSIF currently discounts Liability expected losses as determined by our Actuary by 2% to offset investment income earned on our investments. With interest rates at an all time low, NCCSIF should review the discounting practices as they relate to actual investment income to determine appropriate discount levels for future funding.

At today's meeting, NCCSIF's actuary Mike Harrington from Bickmore and Ted Piorkowski from Chandler Asset Management will provide the Board with information that will assist with the discussion points below.

DISCUSSION POINTS:

1. Review of interest earned on investments for the past 5 years as compared with discount rates NCCSIF has used for funding losses in the banking and shared risk layers.
2. Review the payout pattern for Liability claim payments made or settled.
3. What are other primary JPAs using as discount factors?
4. How will the change in the discount funding impact members' contributions?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Excess Liability Pooling Partners

TOPIC: NCCSIF has obtained Excess Liability coverage from CJPRMA since 1993. CJPRMA provides \$40,000,000 in limits excess of NCCSIF's \$1,000,000 Self Insured Retention.

This time has been allocated to allow members to discuss “What is Working Well and What Isn't” with our pooling partner, CJPRMA.

DISCUSSION POINTS:

- What will be the increase in cost to decrease the SIR from \$1,000,000 to \$500,000 SIR?
- Are there any concerns with CJPRMA?
 - Financial?
 - Cost?
 - Claims Handling?
 - Coverage?
 - Service?
- What next steps should NCCSIF take if there are issues?
- What are programs/services that CJPRMA can assist NCCSIF members as respects risk transfer, risk management, training or other services?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

DEADLINE(s):

FINANCIAL IMPACT:

RESPONSIBILITY:



NCCSIF Liability Retrospective Rating Program

TOPIC: NCCSIF has a retrospective rating program for both the Banking and Shared Risk Layers. P&P A-1 address the Banking Layer Fund adjustments and P&P A-12 details the Shared Risk Fund Adjustments.

DISCUSSION POINTS:

1. Review historical dividends declared.
2. Review dividends declared and equity available at the time dividends were declared.
3. Are any changes necessary to these plans?
4. Does the Assessment provision need any improvements?

OBJECTIVE:

ACTION(s)/DELIVERABLE(s):

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