



# 2014 Annual Report



NCCSIF Program Administrators



Alliant Insurance Services, Inc.

1792 Tribute Road, Ste 450

Sacramento, California 95815

Main: (916) 643-2700 – Fax: (916) 643-2750

[www.alliantinsurance.com](http://www.alliantinsurance.com)

Corporate License No. 0C36861



[www.nccsif.org](http://www.nccsif.org)

# NCCSIF 2014 Annual Report

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## *Letter to Our Members*

Dear Members,

As NCCSIF celebrates its 35<sup>th</sup> anniversary, we are pleased to present the 2014 NCCSIF Annual Report. Through our long association with NCCSIF we have seen many changes take place, as outlined in the History of the JPA. The 2014 fiscal year saw a change in membership with the addition of the City of Elk Grove, a new Program Administrator, a new coverage program, and a number of new Board Members. New members and personnel bring new ideas, interests and energy to the JPA, but the constant is the commitment we all have in building and maintaining strong programs and services.

Over the last two years NCCSIF has continued to focus on expanding the Risk Management services and training programs available to Members. This began with a baseline assessment of each Member's operations and continues with customized service plans to meet their needs. The Police Risk Management Committee has seen increased participation and ideas for training and equipment, including funding for body-worn cameras to reduce the frequency and severity of claims.

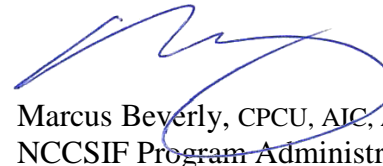
While NCCSIF continues to be financially strong, the Liability Program has been challenged by a number of large losses that have impacted the Shared Risk Layer. Members have responded by reducing the Self-Insured Retention from

\$1,000,000 to \$500,000 and providing additional funding to replenish reserves.

The Workers' Compensation Program has also seen an increase in claims but results have improved since 2012's historically bad year. Members have implemented measures to reduce the increase in medical costs, including establishing a new Medical Provider Network (MPN) to provide employees prompt and effective treatment from industrial injury specialists at rates often below the official fee schedule.

Change is a constant for any organization, and NCCSIF Members have responded to changes in creative and flexible ways while maintaining their focus on financial stability. We are proud to assist Members in assessing and responding to the ever-changing risks they face and look forward to contributing to the next thirty-five years of success.

Sincerely,



Marcus Beverly, CPCU, AIC, ARM-P  
NCCSIF Program Administrator  
Alliant Insurance Services, Inc.

## *Mission Statement*

*The Northern California Cities Self Insurance Fund (NCCSIF) is an association of municipalities joined together in 1979 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.*



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*Northern California Cities Self Insurance Fund*

## *History of the JPA*

The Northern California Cities Workers' Compensation Fund, a Joint Powers Authority, was formed in early 1979. It is one of the first pooled municipal insurance programs in the State. The JPA's original purpose was to provide medium-sized Northern California cities a mechanism to self-insure most of their Workers' Compensation benefits and obtain the advantages of group purchasing excess insurance for the rest.

In 1981, a number of members formed the Liability Program to apply the same concepts of pooling to coverage for General Liability, Automobile Liability, Errors and Omissions, and Employment Practices Liability. Since then the group has grown to twenty-two cities that pool coverage to a limit of \$500,000 for both Workers' Compensation and Liability.

Where originally the JPA relied upon excess coverage from the Commercial Insurance Marketplace, the excess coverage for both Workers' Compensation and Liability are now provided by excess Joint Powers Authorities. These are Joint Powers Authorities and larger individual entities grouped together to pool coverages and reduce the need for commercial coverage.

In 1987, the name of the Joint Powers Authority was changed to Northern California Cities Self Insurance Fund (NCCSIF).

The same year, NCCSIF began offering group purchase of Property and Crime coverage and an Employee Assistance Program. These are insurance programs since the cost to group purchase coverage continues to be less than self-insurance.

In 2008 NCCSIF started providing Wellness services to Members. During 2009, NCCSIF enhanced its risk management services through partnerships with Target Safety and Risk Management Solutions to provide online loss prevention services to the membership. During 2010 the City of Ione joined NCCSIF.

In 2012 NCCSIF hired Bickmore Risk Services as their Risk Control Services Vendor and expanded the number of risk management resources available to members.

In 2013 the City of Elk Grove joined NCCSIF's Workers' Compensation program, bringing the total number of members in the JPA to twenty-two.

*Northern California Cities Self Insurance Fund*

NCCSIF Historical Timeline

1979	1980	1981	1982	1983	1984	1985
<p>The Northern California Cities Workers' Compensation Fund, a Joint Powers Authority, was formed in early 1979. It is one of the oldest pooled municipal insurance programs in the State.</p> <p>Members who joined the pool: Anderson, Corning, Folsom, Galt, Jackson, Placerville, Rio Vista and Willows</p>	<p>Additional members join the WC JPA:</p> <p>Gridley Rocklin</p>	<p>A number of the member cities desired to apply the same concepts of pooling to Automobile and General Liability coverage.</p> <p>LIABILITY Anderson Corning Folsom Galt Gridley Rocklin Willows</p> <p>WC Auburn</p>	<p>City of Nevada City joins the WC JPA</p>	<p>Additional members join the WC JPA:</p> <p>Dixon Red Bluff</p>	<p>City of Lincoln joins the WC JPA</p>	<p>A number of the member cities join the Liability JPA:</p> <p>Lincoln Oroville Paradise Rio Vista</p>
1986	1987	1988	1990	1991	1992	1993
<p>Additional members join the Liability JPA:</p> <p>Auburn Red Bluff</p>	<p>The name of the Joint Powers Authority was changed to Northern California Cities Self Insurance Fund (NCCSIF).</p> <p>NCCSIF offers group purchase of Property, Crime &amp; EAP programs.</p> <p>The following members joined the JPA:</p> <p>LIABILITY City of Jackson</p> <p>WC Town of Paradise</p>	<p>Additional members join the Liability JPA:</p> <p>Colusa Dixon</p>	<p>The City of Oroville joins the WC JPA</p>	<p>The City of Marysville joins the Liability JPA</p> <p>NCCSIF begins shared risk program for Liability and Workers' Compensation</p> <p>NCCSIF begins a Risk Management Committee</p> <p>Alliant - Marilyn Kelley joins and becomes Program Administrator</p>	<p>The City of Yuba City joins the Liability JPA</p> <p>Additional members join the WC JPA: Colusa Marysville Yuba City</p>	<p>NCCSIF is one of the first JPAs to achieve CAJPA Accreditation with Excellence</p>
1996	2003	2007	2008	2009	2010	2013
<p>NCCSIF joins CJPRMA for Excess Liability Coverage</p>	<p>NCCSIF joins CPEIA for Excess Workers' Compensation Coverage</p>	<p>NCCSIF's Shared Risk Liability Layer changes from \$500,000 to \$1,000,000.</p> <p>NCCSIF joins CSAC-EIA for Excess Workers' Compensation Coverage</p>	<p>NCCSIF Revises its Dividend Formula and Distributes \$6M to Members</p> <p>Multiple risk management services are paid for by an administrative surplus: BackSafe for Fire and Public Works, Wellness Programs, Lexipol Daily Training Bulletin for PDs</p>	<p>NCCSIF is once again awarded the CAJPA Accreditation with Excellence</p> <p>Online risk management services are enhanced through partnerships with TargetSafety and Risk Control Online.</p>	<p>City of Ione joins Liability and Workers' Compensation JPA</p>	<p>City of Elk Grove joins Workers' Compensation JPA</p>

*Northern California Cities Self Insurance Fund*

**Board of Directors**

The Board of Directors of NCCSIF is composed of a representative appointed by the City Council of each member agency. An Alternate Member is also appointed to serve in the

absence of the appointed representative. Only the Board Member – or in the Board Member’s absence the Alternate Member – has voting authority.

Current Members are as follows:

<b>Member</b>	<b>Board Director</b>	<b>Alternate</b>	<b>Member</b>	<b>Board Director</b>	<b>Alternate</b>
City of Anderson*	Jeff Kiser	Vacant	City of Lincoln	John Lee	Sheila VanZandt
City of Auburn	Dylan Feik	Tim Rundel	City of Marysville	Leigh Keicher	Walter Muncheimer
City of Colusa	Toni Benson	Vacant	City of Nevada City	Corey Shaver	Catrina Olson
City of Corning*	John Brewer	Tom Watson	City of Oroville	Liz Ehrenstrom	Vacant
City of Dixon	Michelle Pellegrino	Kim Stalie	City of Placerville*	Dave Warren	John Driscoll
City of Elk Grove	Brad Koehn	Jonathan Hobbs	City of Red Bluff	Sandy Ryan	Cheryl Smith
City of Folsom*	Bruce Cline	Kristine Wilfong	City of Rio Vista*	Tim Chapa	Marni Rittburg
City of Galt*	Paula Islas	Jason Behrmann	City of Rocklin	Russell Hildebrand	Michael Green
City of Gridley	Matt Michaelis	Elisa Arteaga	City of Willows*	Tim Sailsbery	Steve Holsinger
City of Ione	Ed Pattison	Jane Wright	City of Yuba City	Natalie Walter	Robin Bertagna
City of Jackson*	Michael Daly	Vacant	Town of Paradise	Gina Will	Crystal Peters

*\*Founding Members*



Northern California Cities Self Insurance Fund

# Executive Committee

The Executive Committee is a standing committee of the Board that acts as a steering committee for overall operation of the Joint Powers Authority and has been delegated certain duties as enumerated in the Bylaws. The Committee is composed of seven-to-nine voting members and two non-voting members, all selected by the Board. The President of the Board serves as

the Chair of the Committee, while the Vice President and the Secretary are voting members of the Committee. Remaining voting seats are selected on a rotating geographical basis. The Treasurer and CJPRMA Board Representative are non-voting members of the Committee.

**Members are as follows:**

January 1, 2014		January 1, 2015	
City of Dixon	Steve Johnson	City of Dixon	Michelle Pellegrino
City of Galt	Paula Islas, <i>CJPRMA Rep</i>	City of Elk Grove	Brad Keohn
City of Lincoln	John Lee	City of Folsom	Bruce Cline, <i>Vice President</i>
City of Nevada City	Corey Shaver	City of Galt	Paula Islas, <i>CJPRMA Representative</i>
City of Oroville	Liz Ehrenstrom, <i>President</i>	City of Ione	Ed Pattison
Town of Rocklin	Russell Hildebrand, <i>Vice President</i>	City of Jackson	Michael Daly
City of Rio Vista	Tim Chapa	City of Placerville	Dave Warren
		City of Rio Vista	Tim Chapa
		City of Rocklin	Russell Hildebrand, <i>President</i>

**Non-Voting Members:**

Treasurer	Tim Sailsbery, City of Willows
CJPRMA Representative	Paula Islas, City of Galt (voting member due to geography rotation for 2014 and 2015).

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## *Claims Committee*

The Claims Committee reviews claims in the Shared Risk Layer, authorizes settlements and makes determinations on coverage. Authority is granted to the Executive Committee to act as or appoint members of the Claims Committee. All claims are reported to the Claims Administrator regardless of the claim values. The Claims Committee meets as necessary to review all open reported claims likely to involve the Authority's shared risk portion of the Liability and Workers' Compensation Programs.

NCCSIF has retained York Risk Services Group, Inc. as Claims Administrator, and they are responsible for managing claims to conclusion, including investigation, negotiation, assignment of legal counsel, and litigation management. They also provide reports regarding claim status, reserves, and settlement recommendations to the Claims Committee.

Members have authority to settle claims in their Banking Layer up to \$50,000 (\$100,000 for Folsom) for Liability and \$100,000 for Workers' Compensation. The Claims Committee has authority up to \$250,000. The Board of Directors has authority to settle claims over \$250,000 up to the SIR of \$500,000 for both Liability and Workers' Compensation. The Claims Committee is also granted authority to deny claims and to refer claims to counsel for coverage opinions.

NCCSIF hires an independent claims auditor to perform an audit for the Liability Program every odd-numbered year and an audit for the Workers' Compensation Program every even-numbered year.

*Claims Committee members are selected from the Executive Committee annually at the spring meeting.*

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*Northern California Cities Self Insurance Fund*

## *Finance Committee*

The NCCSIF Board of Directors has delegated financial investment authority and other duties to the Executive Committee. The Executive Committee delegates these duties to the Finance Committee on an as-needed basis. Finance Committee members are appointed by the Executive Committee as follows:

*The Treasurer and other Board members or Alternates are appointed by the Executive Committee. It is desired that one member of the committee shall be a finance or assistant finance director of an NCCSIF member.*

A Treasurer is annually elected by the Board of Directors and serves as the Chair of the Finance Committee.

**Finance Committee Chair & Treasurer:**

Tim Sailsbery, City of Willows

Duties delegated to the Finance Committee may include:

1. Discuss strategies with the Investment Advisors in accordance with the Investment Policy and direct overall investment strategy.
2. Review cash management requirements on an annual basis and give direction to the accountant to make adjustments.
3. Review the independent auditor's proposed audit scope and approach.
4. Review the performance of the independent auditor.
5. Recommend the appointment to the Executive Committee of the independent auditor and review audit fees.
6. At the direction of the Board or the Executive Committee, review with counsel any legal matters that could have significant impact on the financial statements.
7. Review and make recommendations to the Board or the Executive Committee to maintain or change the Investment Policy in accordance with California Government Code.
8. Advise the Board and the Executive Committee on other financial matters.

*Northern California Cities Self Insurance Fund*

## **Risk Management Committee**

NCCSIF established a formal Risk Management Committee in 1991. The Committee is comprised of one member from each City, and over the years it has been enriched from participation by employees from Public Works, Finance, Human Resources, Police, Fire, and City Management who have all worked to provide a broad range of ideas and risk management services to the members. The Risk Management Committee has adopted the following Loss Control Policy Statement:

*The Northern California Cities Self Insurance Fund, a Joint Powers Authority, is concerned for the welfare and safety of the JPA Members, Employees and the Public they serve.*

*The JPA acknowledges its obligation to encourage its members to provide the safest possible working conditions for employees and, as a government service organization, to provide a safe environment for the public that use their services and facilities.*

*It is the JPA's philosophy that the consideration of worker safety, and the safety of the general public, bears as high a priority as the decision to commit funds or to complete a task. Our goal is to foster loss control programs to guard against all types of accidents and incidents wherever possible.*

Recognizing the above goals, the Committee annually recommends and administers a Risk Management Budget as approved by the Board of Directors. That budget represents a little more than 4% of the NCCSIF banking and pooled layer funding. These services include:

### **Contract Risk Management Services**

Consulting by Bickmore Risk Services, including:

- Hotline Services – one of the most popular services provided
- Hazard & Safety Assessments
- Program/Policy Development
- On-site Training
- Safety Materials
- Webinars – WC and Liability Risk Management Topics
- Training Matrix

### **Safety Library**

On-line Video Libraries are available through the Bickmore website, [riskcontrol.brsrisk.com](http://riskcontrol.brsrisk.com) as well as the CSAC- EIA website, [csac-eia.org](http://csac-eia.org).

***Northern California Cities Self Insurance Fund***

**Seminars and Training Sessions**

Selection of topics determined annually by the Committee including:

- Bickmore: on-site sessions covering employment issues such as Harassment, Skills for Supervisors, and e-mail communications
- TargetSolutions and online training services on a variety of topics including OSHA Compliance and Employment Practices
- My Safety Officer and Risk Control Online: online programs to assist in the management and employment and safety training requirements for employees
- Wastewater Services Safety: updates wastewater safety policies at the City level on an as needed basis
- Regional Workshops: NCCSIF conducts regional workshops on pertinent safety topics. Topics for 2014 consisted of Hazard Communication Training, Traffic Control and Flagger Training, and Certified Pool Operator Training.

**Conference Attendance**

Sponsorship of members for attendance at the Annual PARMA or CAJPA Risk Management Conference.

**Website**

Maintenance of the NCCSIF website, [www.nccsif.org](http://www.nccsif.org), including a “Risk Management” tab where members can access Risk Management information.

Additionally, the Committee has adopted and frequently reviews ten policies and procedures on various topics:

<b>P &amp; P NUMBER</b>	<b>SUBJECT</b>	<b>EFFECTIVE DATE</b>	<b>TYPE</b>
RM-1	Compliance with Risk Management Standards	06/14/96	Mandatory
RM-2	Driving Standards	04/24/09	Mandatory
RM-3	Sidewalk Maintenance Liability Standards	01/11/08	Advisory
RM-4	Use of Public Facilities	01/11/08	Advisory
RM-5	Unlawful Harassment Policy	04/15/10	Mandatory*
RM-6	Approval of Coverage for Skateboard Parks	12/19/08	Mandatory
RM-7	Pool Operation	01/14/10	Advisory
RM-8	Development and Operation of Bicycle Parks	10/24/03	Mandatory
RM-9	Model Sewer Overflow and Backup Response	04/28/06	Advisory
RM-10	Risk Management Committee Composition & Duties	05/20/10	Mandatory

NCCSIF hired Bickmore in 2012 as their Risk Control Services provider to perform a Hazard and Risk Assessment for each member and recommend policies, procedures, and training to address their individual needs. As a result, members are receiving more direct assistance in managing their operations in ways that reduce the frequency and severity of claims.

## *Police Risk Management Committee*

The Police Risk Management Committee is a subcommittee of the Risk Management Committee. Public safety generates the highest frequency and severity of losses for liability and Workers' Compensation. Given the importance of managing public safety risks and the unique nature of their operations, it was agreed that the most effective way to tackle their risk control issues was to form a separate Risk Management Committee for police departments.

All members who have police departments are encouraged to participate in the Police Risk Management Committee. One of their first recommendations upon formation was to contract with Lexipol to develop and annually update member police procedure manuals. Lexipol also provides interested police departments with their Daily Training Bulletin, an online service developed to keep officers apprised of their department's various policies and procedures.

The Police Risk Management Committee is working with Bickmore Risk Services to coordinate and organize training seminars by leading law enforcement professionals, designed to reduce the various risk exposures generated by the performance of police duties in the current legal environment.

A training session is held at each Police Risk Management Committee meeting. Topics for 2014 included Workers' Compensation Claims Reporting for Police, The Skelly Process and Police Officers Bill of Rights, Wellness & Fitness Programs for Police and the Fit for Duty Evaluation Process.

The Committee also reviews major claims for risk management practices that can be shared or improved and evaluates equipment that can prevent or minimize losses. In August of 2014 the Committee recommended the purchase of body cameras for participating member agencies, and the Board of Directors approved a purchase in the amount of \$50,000 to provide each member with at least two cameras. The Board and Committee expect the use of body cameras will prevent future claims.

Northern California Cities Self Insurance Fund

# Liability Program

The Liability Program provides coverage for losses Member Entities become legally obligated to pay as damages because of bodily injury, property damage, employment practices liability, personal injury and public officials’ errors or omissions. Coverage is included for the Member Entity and its commissions, agencies, districts, authorities, boards, or similar entities coming under the Member Entity's direction or control. There are nineteen (19) members in the Liability Program.

The total limit of liability provided under the Liability Program is \$40,000,000 per occurrence. The program is divided into three separate coverage layers - Banking, Shared Risk and Excess Coverage - as noted below:

<p align="center"><b><u>Excess Layer</u></b></p> <p>Excess Insurance: \$5,000,000 to \$40,000,000 CJPRMA Members: \$500,000 to \$5,000,000</p>
<p align="center"><b><u>Shared Risk Layer</u></b></p> <p>Member Banking Layer Limit to \$500,000</p>
<p align="center"><b><u>Banking Layer</u></b></p> <p>Folsom: \$0 to \$100,000 All Other Members: \$0 to \$50,000</p>

All three coverage layers include self-insurance. The Banking Layer is funded to pay for each Member’s own claims, similar to a deductible. The Shared Risk Layer is funded to pay for claims that are shared by all NCCSIF Members. The Excess Layer is funded through the California Joint Powers Risk Management Authority (CJPRMA). Since 1994 NCCSIF has participated in CJPRMA, which shares risk up to \$5,000,000 with three other JPA’s and 17 larger individual cities. CJPRMA purchases excess reinsurance for total limits of \$40,000,000 inclusive of NCCSIF’s retained limit of \$500,000 per occurrence.

As a result of sharing risk to \$5,000,000, CJPRMA is largely removed from the impact of insurance market conditions. In addition, members share in dividends declared when CJPRMA exceeds its funding goals. In 2014 NCCSIF received dividends from CJPRMA of \$399,360 which were credited to the FYE 2015 deposits and 2014 liability shared risk assessments.

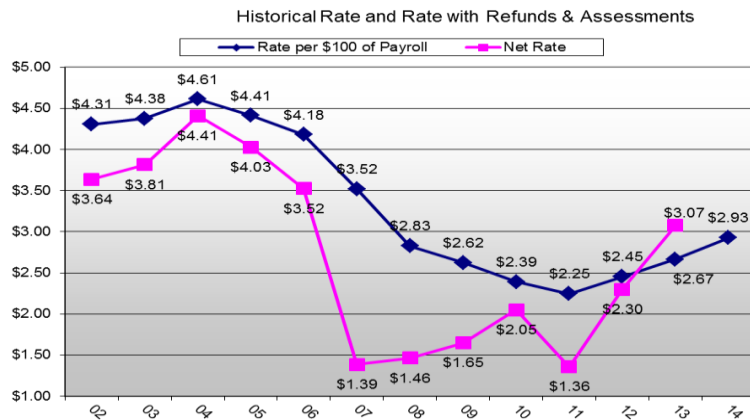
Total funding for the Liability Program in 2015 is \$4,397,805. This represents an 8.52% increase from the prior year. The Banking Fund returned \$113,392 to Members who exceeded their target funding level and assessed Members who were below the target a total of \$134,887. The Shared Risk Layer Fund was assessed \$600,000 this year, some of which came from the CJPRMA refund.

**Northern California Cities Self Insurance Fund**

This chart shows payroll growth which had been close to or in excess of 10% annually in the past, has now leveled out to about 18% below the height of six years ago.



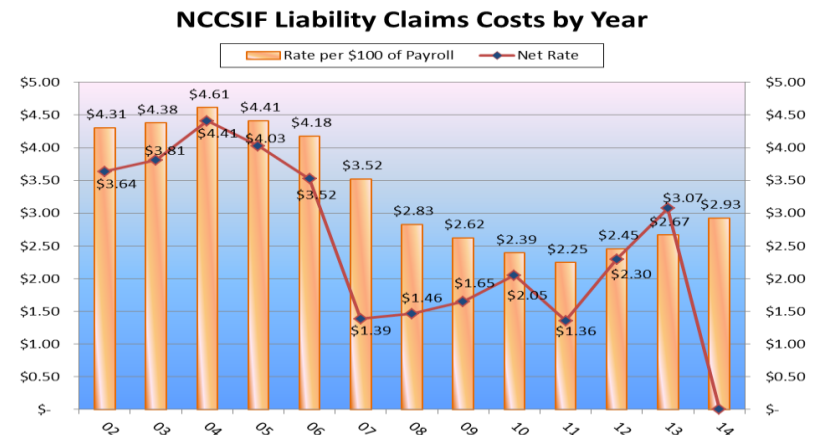
The Board of Directors annually reviews the Banking and Shared Risk financial status to evaluate the appropriateness for declaring either a refund or an assessment. The following chart shows the historical rates with and without the impact of refunds and assessments.



Seven years ago the Liability Program net rates reached historic lows due to large dividends that continued for several years. The gross rate hit a low of \$2.26 in 2012 before climbing the last three years, due to an increase in anticipated losses and decreases in payroll. The increase in the net rate is due to the Shared Risk Layer Assessments for the 2013 and 2014 fiscal year.

Due to the fact that NCCSIF doubled the size of the Shared Risk Layer from \$500,000 to \$1,000,000, the claims cost obligations for that layer have increased since 2007. Due to unfavorable claims development in 2012, NCCSIF made the decision to lower the Shared Risk Layer from \$1,000,000 back to \$500,000.

The following chart shows historical claims performance and illustrates that liability claims tend to be volatile.





*Northern California Cities Self Insurance Fund*

## Workers' Compensation

California Workers' Compensation laws require every employer to provide benefits to employees for injury and/or illness arising out of, or in the course of, employment. Statutory benefits prescribed by law include:

- Medical Treatment
- Temporary Disability Payments
- Permanent Disability Compensation
- Rehabilitation
- Death Benefits

The total amount of benefits provided under the Workers' Compensation Program is limited only by State Law, also known as Statutory Limits, with a \$5,000,000 limit for Employers' Liability. The program is divided into three separate coverage layers. Banking, Shared Risk (which are self funded) and Excess Coverage as illustrated in the chart below:

<p><b><u>Excess Coverage</u></b> \$500,000 – Statutory/Workers' Compensation \$500,000 - \$5,000,000 – Employer's Liability</p>
<p><b><u>Shared Risk Layer</u></b> Banking Layer Limit to \$500,000</p>
<p><b><u>Banking Layer</u></b> \$0 to \$100,000</p>

This program has seen a reduction in the number of claims from a high of 458 in 2002 to 406 in 2014. Average claim costs have gone from a high of \$20,441 in 2012 to \$11,537 in 2014. Part of this reduction is due to the fact that the severity of claims in 2012 was well above average, but this also reflects a reduction in the number of employees, legislative reforms and more proactive claims management.

In spite of these reductions there is still an increase in claims medical costs. The CPI index for Medical costs continues to outpace the CPI index as whole. This means that medical costs will continue to have a major impact on total NCCSIF loss costs. They currently represent 58% of claims costs for this year.

The total cost of the program for 2014 was \$9,354,638, before dividends, an increase of 8.9% over the prior year. The large increase is mainly due to the City of Elk Grove joining the program effective 9/1/13 at a pro-rated deposit.

All twenty-two members participate in the program. The following chart on the next page shows the historical Workers' Compensation payrolls and reflects the addition of Elk Grove in FYE 2014.

**Northern California Cities Self Insurance Fund**

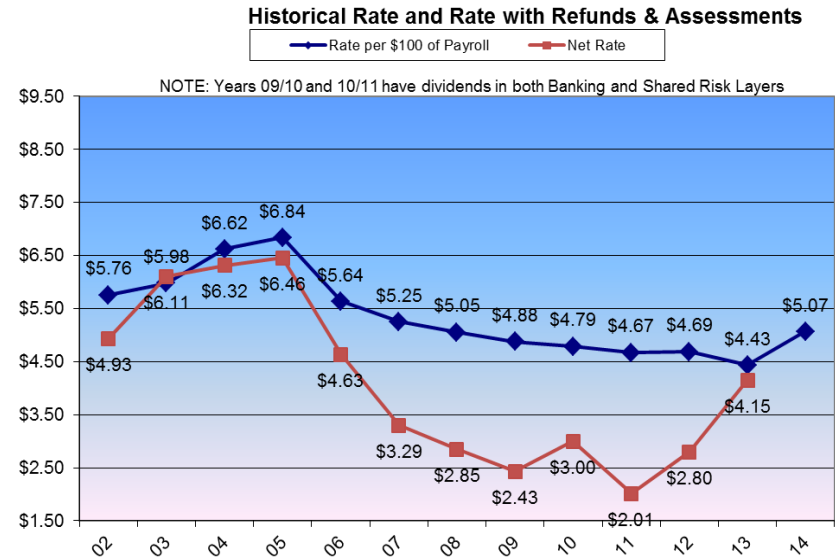


The Excess Coverage is provided through a joint powers authority, the CSAC Excess Insurance Authority (EIA). Since joining this group in 2003, the cost of Excess Insurance has stabilized, though rates increased in 2015 due to the impact of above average losses in 2010 and 2012.

Until this year the rates were decreasing, from a high of \$6.84 in 2006 to \$4.43 in 2014. These excellent financial results are due to a combination of NCCSIF cost containment strategies, including encouraging return to work modified duty placement for injured workers, increased loss control training for the members, and quality claims management from York.

Annually, the Board of Directors reviews the Program's financial status to evaluate the appropriateness of declaring either a refund or an assessment. In spring of 2014, NCCSIF returned \$131,757 in Shared Layer dividends to its members and assessed members who were below their financial benchmarks \$377,636 in the Banking Layer.

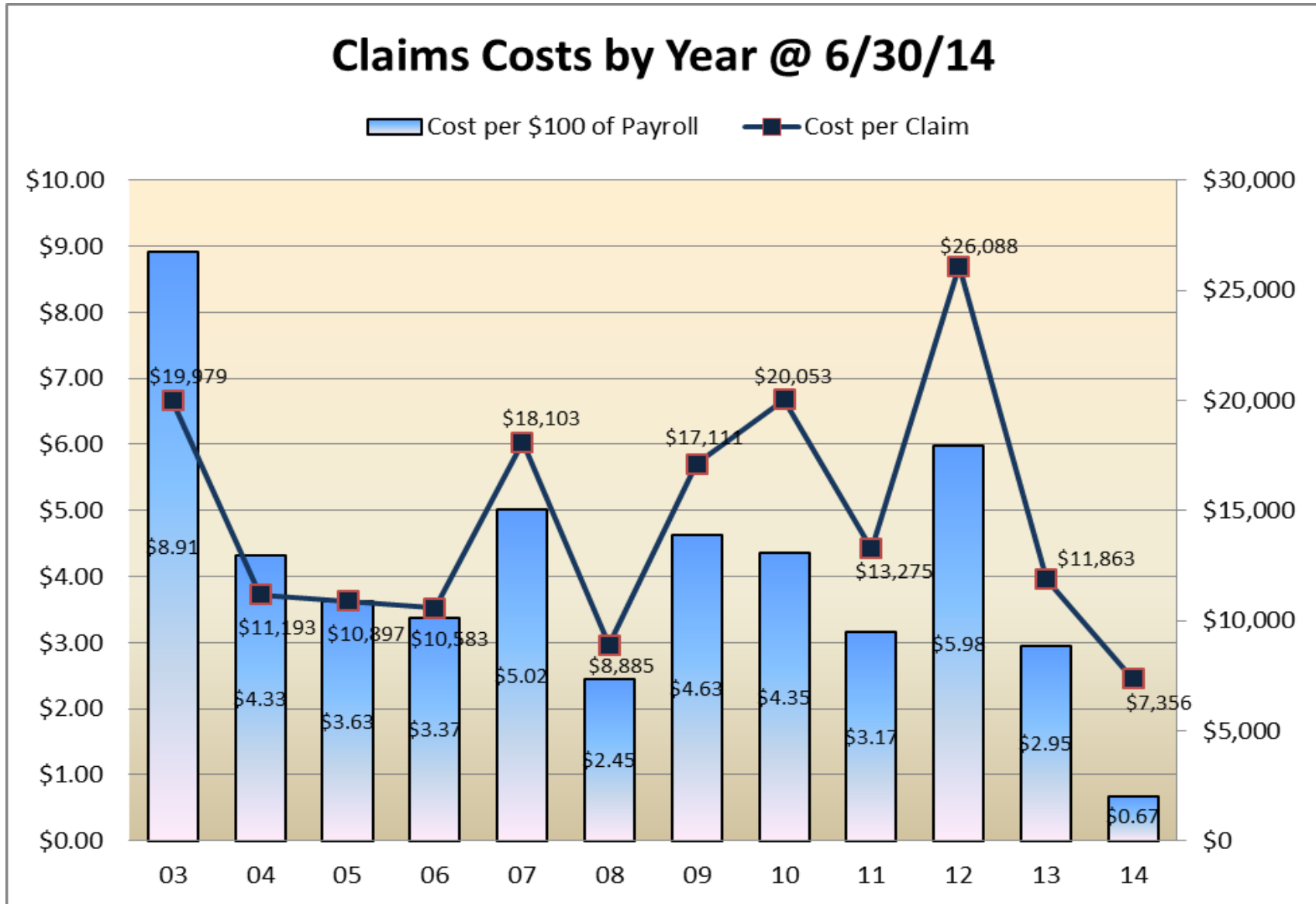
The following chart shows the historical rates with and without the impact of refunds and assessments:



Claims administration is provided by contract with York Risk Services. The claims examiner is responsible for advising the member on the merits of each claim and the appropriate action to be taken, as well as providing for necessary investigation of claims and oversight of legal defense.

The following chart on the next page shows Workers' Compensation costs by claim and payroll.

Northern California Cities Self Insurance Fund



Northern California Cities Self Insurance Fund

# Property Program

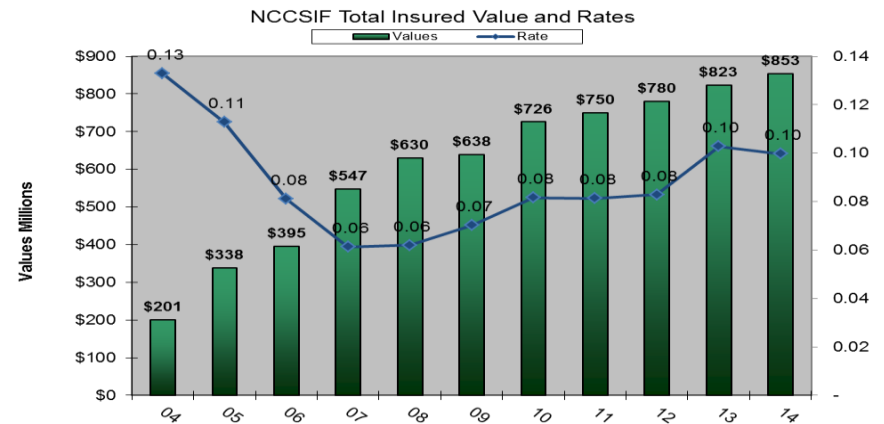
This year NCCSIF renewed coverage through the Alliant Property Insurance Program (APIP). This Program provides broad replacement cost coverage for all buildings and contents, subject to a \$1 billion limit per occurrence and a \$5,000 deductible per claim. NCCSIF members purchase Boiler & Machinery Coverage at a \$100,000,000 limit per occurrence at a \$2,500 deductible per claim. Selected members also insure for auto physical damage and flood coverage through the program excess of a flood deductible of \$100,000 or \$250,000 for Flood Zones A & V.

The Property Program also includes a number of coverages tailored to NCCSIF members, including Pollution Liability, Cyber Liability, Course of Construction, and Rental Income and Tax Interruption. The coverage also provides sub-limits for unscheduled property, new acquisitions, and Increased Cost of Construction.

NCCSIF continues to approve funding for property appraisals to be completed for its members as needed to maintain accurate valuations.

NCCSIF increased the total values insured from \$823 million in 2013 to \$852 million in 2014, while the rate remained steady at \$0.10 per \$100 in values.

The chart below shows the Total Insured Values in the program along with the coverage rate per \$100 of values.



Membership in APIP has grown to fifteen NCCSIF members. Program participants are: Cities of Anderson, Auburn, Colusa, Dixon, Folsom, Galt, Gridley, Ione, Lincoln, Marysville, Red Bluff, Rocklin, Yuba City and Town of Paradise

## *Physical Damage Program*

Selected Members are enrolled in the Western States Public Entity Physical Damage Program. The program was initially designed specifically for public agencies – including rural cities, sanitation districts, and wastewater districts – with a limited number of higher-valued vehicles. The program has expanded to include other types of vehicles and mobile equipment.

It provides an All Risk Equipment Floater including earthquake and flood for scheduled equipment on file with the Company

through Beazley Lloyd’s Syndicate. Claims valuation is on a replacement cost valuation of property according to the cost of replacing it with property of a like kind and quality basis (not new for old).

Currently eleven of the twenty-two NCCSIF Members are enrolled in this program. The deductible varies for each member as selected annually and covers all risks of direct physical loss or damage from any external cause, including general average and salvage charges, except perils excluded.

Northern California Cities Self Insurance Fund

# Crime Program

The NCCSIF Crime Program provides for coverage of employee theft through the National Union Insurance Company, A.M. Best Rated A++ XV.

Fifteen of the twenty-two NCCSIF members participate in the Crime program. The per-occurrence limit was increased to \$1,000,000 in 2007. Coverage is subject to a \$5,000 deductible.

Program 15 participants are Cities of Anderson, Auburn, Corning, Colusa, Dixon, Galt, Gridley, Ione, Lincoln, Marysville, Oroville, Red Bluff, Rocklin, Yuba City and Town of Paradise.

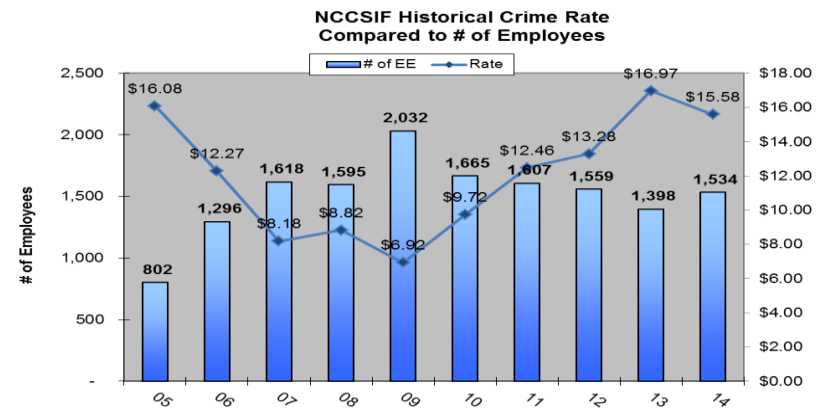
- Includes specified non-compensated officers as employees
- Specified City Officials Coverage Endorsement (for cities that are required by their city charter to individually bond certain employee or officer positions)

Insuring Agreements	Limits of Insurance
Employee Theft – Per Loss Coverage Including Faithful Performance of Duty	\$1,000,000
Forgery or Alteration including Credit, Debit or Charge Card Forgery	\$1,000,000
Computer Fraud	\$1,000,000
Investigative Expenses	\$50,000

Limits of Insurance are subject to a \$5,000 Deductible

**Program Highlights:**

- Includes volunteer workers other than fund solicitors as employees
- Includes specified directors and trustees on committees as employees
- Includes chairperson and members of committees as employees
- Deletes Treasurer/Tax Collector and Bonded Employees exclusions



## *Other Programs*

### **Employee Assistance Program (EAP)**

Eighteen NCCSIF members participate in the group purchase of an Employee Assistance Program. An Employee Assistance Program (EAP) is a worksite-based program designed to assist City employees in identifying and resolving personal concerns, including, but not limited to, health, marital, family, financial, alcohol, drug, legal, emotional, stress, or other personal issues that may affect job performance.

NCCSIF's current EAP carrier, ACI, has provided services for NCCSIF's participating cities since 2002. ACI Specialty Benefits offers EAP, Work life and Wellness models. The program NCCSIF participates in features an unlimited EAP benefit package which includes consultation, training, (Critical Incident Stress Debriefing (CISD) response, childcare, eldercare, legal and financial consultation. ACI's EAP always includes employees and ALL of their family members – whether or no they live in the home.

In 2008 NCCSIF's Risk Management Committee approved free participation for all interested members in ACI's AppleCore Wellness program. Members recently participated in Walking Challenges as part of the Wellness Program.

### **Identity Fraud Protection**

New this year is a program to protect Member employees from the impact of identity fraud. Identity Fraud Reimbursement Coverage and Resolution Services are offered through Travelers Insurance Company, with a limit of up to \$25,000 to reimburse many of the costs and expenses associated with identity recovery, including lost wages, attorney fees, and document replacement fees.

Employees have access to a fraud specialist who will provide unlimited assistance to restore a victim's identity. They also have access to exclusive online educational resources providing tips, information and steps to avoid becoming a victim of identity theft.

## *Financial Overview*

The following report reflects on the financial condition of Northern California Cities Self Insurance Fund (NCCSIF) for the fiscal year ended June 30, 2014. It is provided in order to enhance the information in the financial audit and should be reviewed in concert with that report.

### **Financial Highlights, FYE June 30, 2013 and 2014**

- The change in net position for the fiscal year ended June 30, 2014 was \$2,670,424. A decrease in prior years' claims liabilities for the workers' compensation fund totaled \$2,141,057, due principally to a change in management's estimate of ultimate losses in that program. Expenses during the year included dividends to members totaling \$1,445,334. Without the dividends to members the program would have shown an increase in net position of \$4,115,758.
- The net loss for the fiscal year ended June 30, 2013 was \$5,770,434. This loss is principally due to dividends to members of \$4,236,073, a net increase in prior years' claims liabilities of \$2,063,327, and a net loss from investments of \$70,118 due to a decrease in their fair market value. Without the dividends to members the program would have shown a net loss of \$1,534,361.
- Total operating revenues for fiscal year 2014 were \$15,798,109, net of refunds, an increase of 21%, or \$2,698,433, as compared to fiscal year 2013. This increase is primarily due to the addition of the City of Elk Grove as a member of the Workers' Compensation Program and an increase in excess insurance premiums.
- Total operating revenues for fiscal year 2013 were \$13,099,676, an increase of 6%, or \$734,081, as compared to fiscal year 2012. This increase is primarily due to the Board's decision to increase premiums for the liability and workers' compensation programs due to increasing excess insurance premiums.

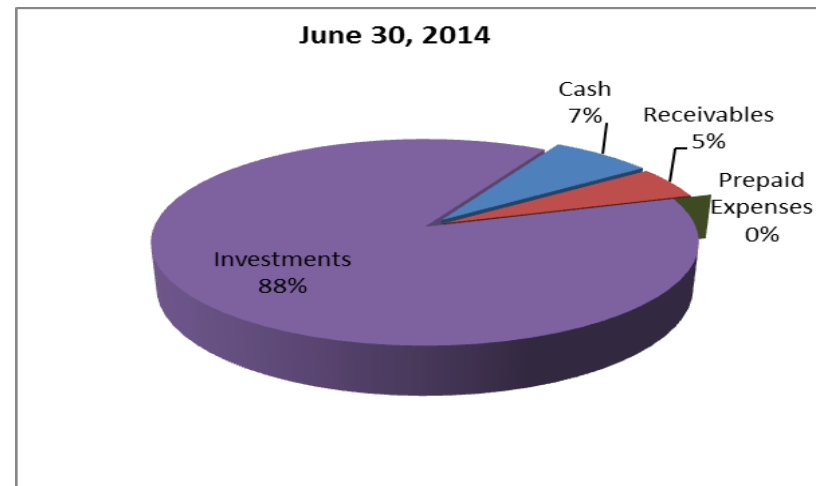
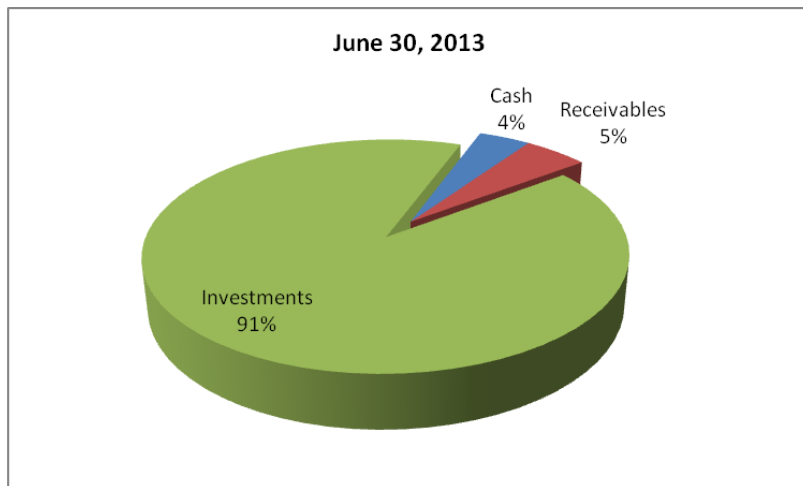


Northern California Cities Self Insurance Fund

Pool-Wide Financial Analysis

	June 30, 2014	Percent	June 30, 2013	Percent	June 30, 2012	Percent
Current Assets	\$ 10,237,879	28%	\$ 10,237,879	23%	\$ 11,042,321	22%
Noncurrent Assets	33,984,221	72%	34,380,597	78%	38,065,068	78%
<b>Total Assets</b>	<b>46,940,001</b>	<b>100%</b>	<b>44,618,476</b>	<b>100%</b>	<b>49,107,398</b>	<b>100%</b>
Current Liabilities	448,980	1%	1,763,450	4%	2,370,650	5%
Claim Liabilities	36,427,089	78%	35,461,518	79%	33,572,797	68%
<b>Total Liabilities</b>	<b>36,876,069</b>	<b>79%</b>	<b>37,224,968</b>	<b>83%</b>	<b>35,943,447</b>	<b>73%</b>
Net Assets	10,063,932	21%	7,393,508	17%	13,163,942	27%
<b>Total Liabilities and Net Assets</b>	<b>46,940,001</b>	<b>100%</b>	<b>44,618,476</b>	<b>100%</b>	<b>49,107,389</b>	<b>100%</b>

Total Assets by Type at June 30, 2013 and June 30, 2014



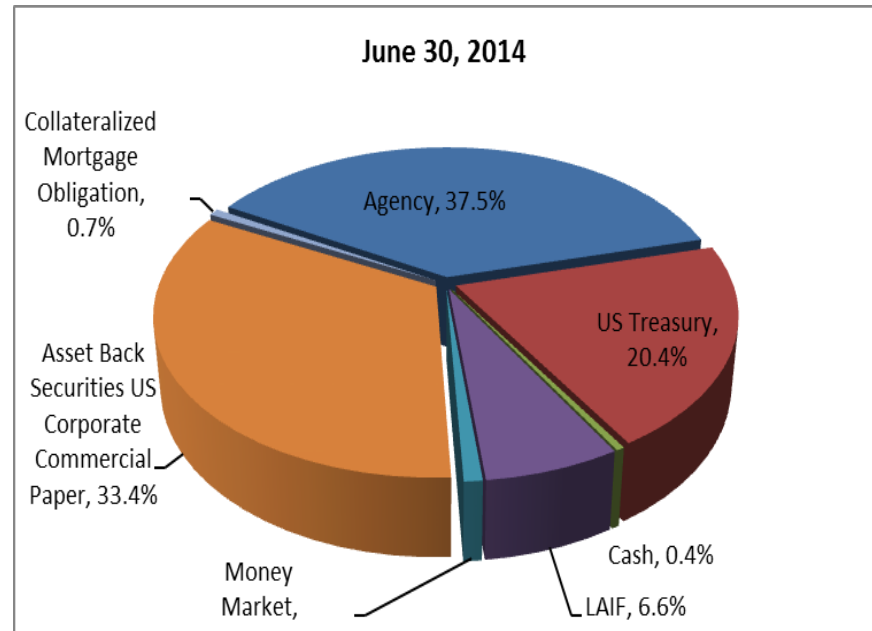
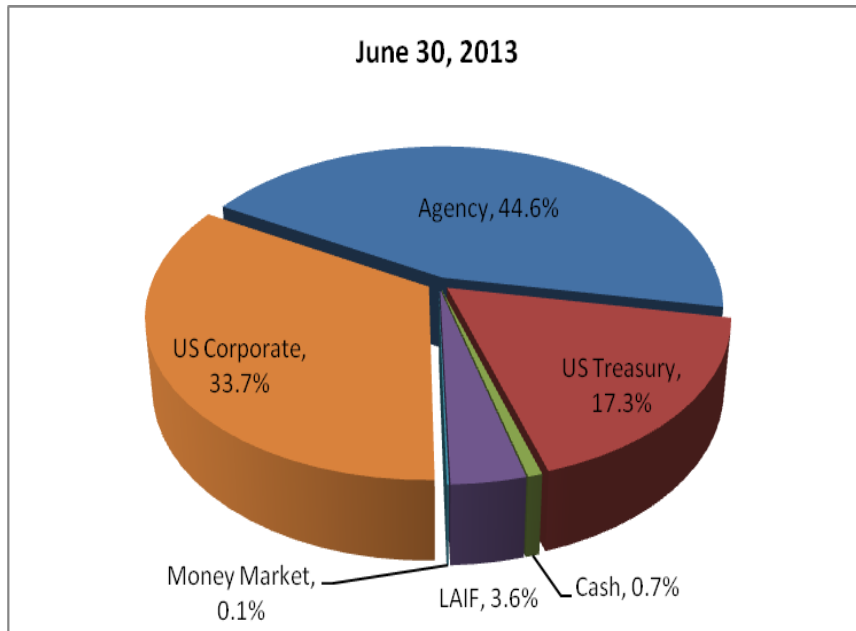
Investment revenues are used to offset program costs wherever

**Northern California Cities Self Insurance Fund**

Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool decreased in 2013 from \$45,088,684 to \$40,508,952 and increased in 2014 to \$41,302,609. NCCSIF invests funds not immediately necessary for the payment of claims in order to optimize the rate of return. Funds are invested in a manner that will protect principal, allow for cash flow needs and optimize returns, in conformity with all federal, state, and local statutes governing investment of public funds. Those assets needed for current operations are maintained by the Local Agency Investment Fund (LAIF), administered by the State Treasurer’s Office.

Interest rates have remained low the last two years, for example, the average rate of return for funds invested in LAIF during the fiscal year 2013 was 0.298%, and in 2014 the average rate of return was 0.243%. However, the effective rate of return for the overall JPA investment portfolio increased from (0.2%) in fiscal year 2013 to 1.9% in fiscal year 2014. The ability of these funds to earn investment income has a direct effect on program rates, as this income is used to discount future liabilities. When investments fall short of projections, additional funding may be required to meet actuarial estimates.

**Components of NCCSIF Portfolio at June 30, 2013 and June 30, 2014**



*Northern California Cities Self Insurance Fund*

**NCCSIF Statements of Revenue, Expenses, and Changes in Net Assets**

	<b>2014</b>	<b>2013</b>	<b>Percent Change</b>	<b>2013</b>	<b>2012</b>	<b>Percent Change</b>
Operating Revenues	\$ 15,798,109	\$ 13,099,676	21%	\$ 13,099,676	\$ 12,365,595	6%
Provisions for Claims	7,773,183	10,464,233	-26%	10,464,233	10,470,894	0%
Dividends	1,445,334	4,236,073	-66%	4,236,073	4,417,281	-4%
Insurance Premiums	2,735,852	2,042,806	34%	2,042,806	1,995,581	2%
Administration	1,950,718	2,056,880	-5%	2,056,880	2,079,978	-1%
Total Expenses	13,905,087	18,779,992	-26%	18,779,992	18,963,734	-1%
Non-operating:						
Investment Income	777,402	(70,118)	-1209%	(70,118)	1,811,433	-104%
Net Income (Loss)	2,670,424	(5,770,434)	-146%	(5,770,434)	(4,786,706)	21%
Beginning Net Assets	7,393,508	13,163,942	-44%	13,163,942	17,950,648	-27%
Ending Net Assets	\$ 10,063,932	\$ 7,393,508	36%	\$ 7,393,508	\$ 13,163,942	-44%

Non-operating revenues decreased from \$1,811,443 to (\$70,118) for 2012 and 2013, respectively. Non-operating revenues increased by \$847,520 in fiscal year 2014 to net income of \$777,402. The 2013 net loss was due to changes in the fair market value of investments, not realized losses, totaling \$1.4 million. The fair value of investments experienced a smaller net decrease from 2013 to 2014 – with a decrease in 2014 of \$150,685 on the whole portfolio.

Operating expenses, including the provision for insured events, decreased by 1% in 2013, to \$18,799,992. This decrease resulted from lower dividends and decreases in administrative expenses. Operating expenses decreased nearly \$4.9 million from the 2013 total, to \$13,905,087 in fiscal year 2014. This decrease resulted from lower dividends, lower administrative expenses and a change in management’s method for estimating total losses in the Workers’ Compensation Program.

## Staff Members and Consultants

### PROGRAM ADMINISTRATORS:



**Alliant Insurance Services, Inc.**

Michael Simmons, Vice Chair (Peer Review)

Marcus Beverly, Vice President

Joan Crossley, Account Manager - Lead

Johnny Yang, Account Representative

### INVESTMENT CONSULTANTS:



**Chandler Asset Management, Inc.**

Kay Chandler, CFA, President and CEO

Martin Cassell, CFA, EVP and Chief Investment Officer

Ted Piorkowski, CFA, VP, Senior Portfolio Manager

### ACCOUNTING SERVICE PROVIDER:



**James Marta & Company**

Jim Marta, CPA, ARM

Alana, Theiss, CPA

### INDEPENDENT FINANCIAL AUDITING SERVICES:



**Crowe Horwath LLP**

Matthew Nethaway, Financial Audit

### THIRD PARTY CLAIMS ADMINISTRATION:



**York Risk Services Group, Inc.**

Dori Zumwalt, Account Manager

Jennifer Nogosek, Claims Manager – GL

Ben Burg, Claims Manager - WC

### RISK CONTROL AND ACTUARIAL SERVICES:



**Bickmore Risk Services**

Henri Castro, Risk Control Consultant

Tom Kline, Risk Control Consultant

Jeff Johnston, Director, Risk Control Services

Mike Harrington, Director, Property & Casualty Actuarial Services

[www.nccsif.org](http://www.nccsif.org)



**NCCSIF**

Northern California Cities Self Insurance Fund  
A Joint Powers Authority

*The Northern California Cities Self Insurance Fund (NCCSIF) is an association of municipalities joined together in 1979 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.*