

# NCCSIF

*Northern California Cities Self Insurance Fund*

## 2010 Annual Report



NCCSIF Program Administrators



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# NCCSIF 2010 Annual Report

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### *Letter to Our Members*

Dear Members,

I am pleased to present you with the 2010 Annual Report. I have now been associated with NCCSIF for 19 years and have seen many changes take place, as outlined in the History of the JPA. While we have changed many Board Members over the years, I am thankful for the quality of the new Board Members and the commitment they have to building and maintaining strong programs. New members bring new ideas, interests and energy to the JPA.

The strength of our assets has enabled NCCSIF to attain our goal of pricing stability, especially important in these trying financial circumstances. With a goal to reduce the impact of individual members' adverse loss development on premiums and not reduce the financial security the JPA enjoys, we have been making increasing commitments to Risk Control. As a result of these changes and our continuing financial strength, NCCSIF has been able to return over \$15.3 million in dividends to members over the past three years.

NCCSIF continues to work on increasing the Loss Control services and training programs available to Members. Loss Control services now represent an amount equal to 2.5% of the pool layer funding.

NCCSIF operates in an environment that is partially dependent on the insurance market for about one third of the liability costs and about one fifth of the Workers' Compensation Program costs. The JPA has chosen to limit this impact by partnering with other public agencies participating in Excess Joint Powers Authorities. Participation in these excess pools has also increased the level of services available to the members. Our partnership with CJPRMA for liability coverage has resulted in six years of dividends in excess of \$325,000 per year. In 2011 the dividend will be in excess of \$500,000 signifying the success of that program. These dividends are applied to the renewal costs for the Liability Program.

Our commitment is to continue to work for increased levels of claims cost containment to stabilize future costs to the members.

Sincerely,

Marilyn Kelley  
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.*





### *History of the JPA*

The Northern California Cities Workers' Compensation Fund, a Joint Powers Authority, was first 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-fund a layer of workers' compensation insurance, as well as to obtain the advantages of group purchase excess insurance. In 1981, a number of the member cities desired to apply the same concepts of pooling to General Liability coverage, Automobile Liability, Errors and Omissions, and Employment Practices Liability. Since that time the group has grown to twenty-one cities that now pool coverage together to a limit of \$500,000 for Workers' Compensation and \$1,000,000 for General and Automobile Liability, Errors and Omissions and Employment Practices 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 groups of Joint Powers Authorities and larger individual entities grouped together to pool coverages together 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).

NCCSIF also offers group purchase of Property, Crime and EAP programs. As the cost to purchase these coverages on a group basis continues to be less than the cost to self-insure, these are not self-insurance programs.

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



## 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. The JPA's purpose is to provide small Northern California cities a mechanism to self-fund a layer of workers' compensation insurance, as well as to obtain the advantages of mass purchasing excess insurance.</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). NCCSIF offers group purchase of Property, Crime &amp; EAP programs. These programs are not self-insurance. 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 - Marylin 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:</p> <p>Colusa Marysville Yuba City</p>	<p>NCCSIF is awarded the CAJPA Accreditation with Excellence Achievement</p>
1996	2001	2003	2007	2008	2009	2010
<p>NCCSIF joins CJPRMA for Excess Liability Coverage</p>	<p>NCCSIF gets first refund from CJPRMA of \$40,000</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 and 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 WC 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	Dana Shigley	Jeff Kiser	City of Marysville	Dixon Coulter	Steve Casey
City of Auburn	Andy Heath	Joanna Belanger	City of Nevada City	Catrina Andes	Gene Albaugh
City of Colusa	Beth Penner	Vacant	City of Oroville	Vacant	Liz Ehrenstrom
City of Corning	Steve Kimbrough	Tom Watson	City of Placerville	Dave Warren	John Driscoll
City of Dixon	Steve Johnson	Kim Stalie	City of Red Bluff	Martin Nichols	Tessa Pritchard
City of Folsom	Bruce Cline	John Spittler	City of Rio Vista	Hector De LaRosa	Vacant
City of Galt	Paula Islas	Jason Behrmann	City of Rocklin	Judy LaPorte	Kim Sarkovich
City of Gridley	Karin Helvey	Rob Hickey	City of Willows	Tim Sailsbery	Steve Holsinger
City of Ione	Kimberly Kerr	Vacant	City of Yuba City	Steve Kroeger	Robin Bertagna
City of Jackson	Michael Daly	Carla Soracco	Town of Paradise	Gina Will	Crystal Peters
City of Lincoln	John Lee	Debbie Lindh			





### *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-nine voting members and two nonvoting members of the Board selected in accordance with Section 4 of the Bylaws. The President of the Board serves as the Chair of the

Committee, while the Vice President, immediate Past President and the Secretary are voting members of the Committee. Remaining voting seats are selected on a rotating geographical basis. Treasurer and CJPRMA Board Member are non-voting members of the Committee. The Program Administrator and the Claims Administrator also attend the meetings, but do not vote.

**Members are as follows:**

<b>January 1, 2010</b>		<b>January 1, 2011</b>	
City of Colusa	Randy Dunn	City of Anderson	Dana Shigley
City of Folsom	Bruce Cline, <i>Secretary</i>	City of Colusa	Beth Penner`
City of Galt	Paula Islas, <i>Past President</i>	City of Corning	Steve Kimbrough, <i>Vice President</i>
City of Jackson	Michael Daly, <i>President</i>	City of Jackson	Michael Daly, <i>Past President</i>
City of Marysville	Dixon Coulter	City of Marysville	Dixon Coulter
City of Placerville	Dave Warren	City of Red bluff	Martin Nichols
City of Yuba City	Steve Kroeger, <i>Vice President</i>	City of Willows	Tim Salisbery, <i>Secretary</i>
		City of Yuba City	Steve Kroeger, <i>President</i>

**Non-Voting Members:**

Treasurer	Dixon Coulter, City of Marysville (currently voting due to rotation)
CJPRMA Board Representative	Dixon Coulter, City of Marysville (currently voting due to rotation)
Program Administration Staff	Alliant Insurance Services, Inc.
Accounting Services Provider	James Marta, CPA
Third Party Claims Administration Staff	York Insurance Services Group, Inc.



### *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 the services of York Insurance Services Group, Inc. as Claims Administrator, which is responsible for performing or overseeing the performance of all necessary investigation of claims, assignment of legal defense firms, as well as overseeing legal defense. The Claims Administrator also provides reports containing the status of claims and the projected reserves to the Claims Committee.

Members have authority to settle claims in their Banking Layer up to \$50,000 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 \$1,000,000 for Liability and \$500,000 for Workers' Compensation. Liability claims authority shall not exceed \$200,000 of the Shared Risk Layer funds. The Claims Committee is granted authority to deny claims and to refer claims to coverage counsel for opinions of coverage.

NCCSIF hires an independent 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 March meeting.*



### Finance Committee

The NCCSIF Board of Directors has delegated financial investment authority to the Executive Committee and the Executive Committee has discharged the responsibilities and duties to the Finance Committee. The members of the 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 Authority member.*

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

Duties of the Finance Committee include:

1. Discuss strategies with the Investment Advisors in accordance with the Investment Policy and direct overall investment strategy.

**Members are as follows:**

City of Marysville	Dixon Coulter
City of Yuba City	Robin Bertagna
City of Willows	Tim Salisbery

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.



### Risk Management Committee

NCCSIF has had an active Risk Management Committee since 1991. The Committee is comprised of one member from each City and over the years the Committee has been enriched by the services of employees from Public Works, Finance, Human Resources, Police and Fire Departments as well as Assistant City Managers who have all worked to provide a broad range of safety 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 the 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 approves (and upon approval oversees expenditures of) a Risk Management Budget for submission to the Board of Directors.

Services include:

#### **Contract Risk Management Services**

Consulting by York Insurance Services Group including:

- Hotline Services – one of the most popular services provided
- On-Site services – directed by members annually including review and implementation of Injury Illness & Protection Plans
- In addition, contracted staff frequently works with members to conduct investigations of incidents or near-miss occurrences to help isolate the cause and make suggestions to avoid recurrence.

#### **Safety Library**

DVDs and VHS tapes on various Safety Topics available from the NCCSIF library through the NCCSIF website, [www.nccsif.org](http://www.nccsif.org), through York, and also through the CSAC-EIA website.



## *Northern California Cities Self Insurance Fund*

### **Seminars and Training Sessions**

Selection of topics performed annually by the Committee including:

- BackSafe: on-site back safety training for Police, Fire and Public Works employees
- Team Trainers: on-site sessions covering issues such as Harassment, Communications, Diversity, Ethics, and Skills for Supervisors
- TargetSafety provides online training services on a variety of topics including OSHA Compliance and Employment Practices
- Risk Manager Online and My Safety Officer: online programs to assist in the management and effectiveness of safety training requirements
- Wastewater Services Safety: updates wastewater safety policies at the City level on an as needed basis

### **Conference Attendance**

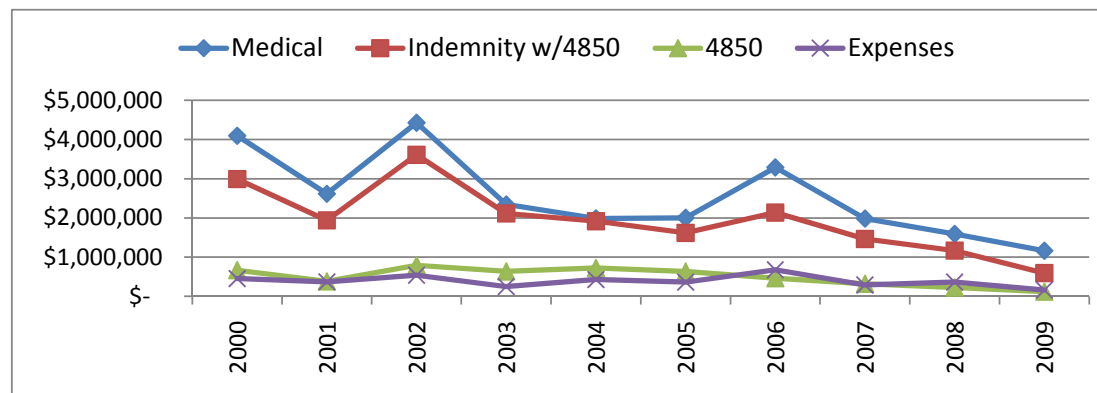
Sponsorship of members for attendance at the Annual PARMA Risk Management Conference.

### **Website**

Maintenance of [www.nccsif.org](http://www.nccsif.org), including a “Risk Management” tab where members can access streaming online risk management videos, safety training matrixes and a calendar of all scheduled training sessions

The payments chart below shows that overall costs have decreased over the past 10 years. It also shows medical costs are the highest costs.

**Historical Workers’ Compensation Payments by Type**





## *Police Risk Management Committee*

The Police Risk Management Committee is a subcommittee of the Risk Management Committee. Public safety is the highest category of losses for liability and workers' compensation, both in frequency and severity of claims. NCCSIF decided the most effective way to tackle these risk control issues was to form a separate risk management committee for police departments. Those members who have police departments are

eligible to participate in the Police Risk Management Committee. One of the first issues tackled upon formation was to contract for services with Lexipol to develop police procedure manuals for all interested members. In addition, during 2008 access to the Lexipol Daily Training Bulletins was added.

### **Major Activities of the Committee**

- Annually update the Police Procedure Manuals (through Lexipol)
- Backsafe training for officers
- Review major claims activities in both Liability and Workers' Compensation
- Feedback on safety equipment used by Cities
- Training Bulletin, which is an online service developed to keep officers apprised of their department's various policies and procedures on a daily basis.
- Training Seminars for members to attend. (In the past they have utilized the services of several different speakers who are well known and respected in the field of law enforcement, such as Gordon Graham and Dr. Kevin Gilmartin.)

The Committee meets three times a year and the meetings are administered by Jack Kastorff of York Insurance Services Group



## 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 general liability, auto liability, employment practices liability, and public officials' errors or omissions. Coverage is provided in accordance with the terms and conditions of a Memorandum of Coverage developed for NCCSIF and largely following the excess coverage. Coverage is included for each 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. Liability claims liabilities decreased \$528,000 as of June 30, 2010 compared to June 30, 2009. This improvement is due to quality claims services and increasing attention on the part of the cities to loss control efforts, such as insurance requirements for contractors. While normally a recession results in higher claims costs, this is not the case with the current recession for north central California.

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 Fund, Shared Risk and Excess Coverage - as noted below:

<b>Banking Fund</b>	\$0 - \$50,000 ( <i>Folsom is \$0 - \$100,000; Ione is \$0 - \$25,000</i> )
<b>Shared Risk</b>	Members Retained Limit - \$1,000,000
<b>Excess Coverage</b>	\$1,000,000 - \$40,000,000

All three layers include self-insurance. The Banking Fund and the Shared Risk layers are funded through NCCSIF, while the Excess Coverage is funded through the California Joint Powers Risk Management Authority (CJPRMA). Since 1994 NCCSIF has participated in this Excess JPA (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 \$1,000,000 per occurrence.

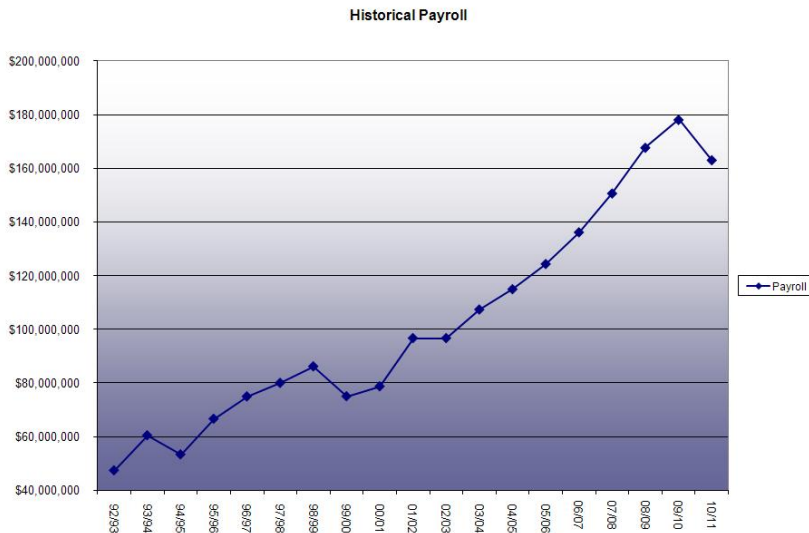
As a result of sharing risk to \$5,000,000 CJPRMA is largely removed from the impact of insurance market conditions. NCCSIF also continues to receive dividends from the CJPRMA program of \$357,947 and will receive over \$500,000 next June.



## Northern California Cities Self Insurance Fund

Total funding for the Liability Program is \$3,902,006. This represents a 16% decrease from the prior year. The Banking Fund returned \$1,733,764 to Members in the form of dividends and assessed no Members this year.

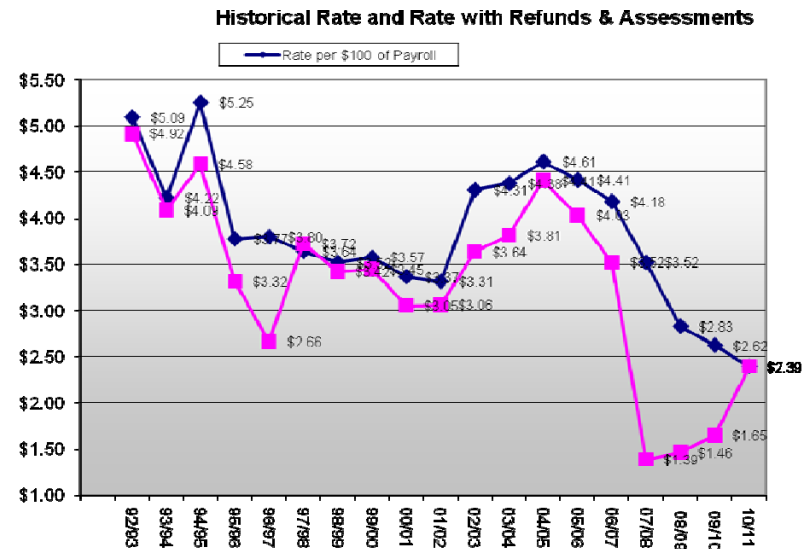
This chart shows payroll growth which has been close to or in excess of 10% annually for the past few years with declines in the past year.



The Board of Directors annually reviews the Banking Fund's and Shared Risk's 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. As you can see, for the past few years, the program rates have reached historic lows.

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. Even so as discussed on the last page our overall liabilities have decreased this year. The reductions in the rate are due to the decreases in anticipated losses and also to decreases in payroll. The reductions in the net rate are due to changes made to the dividend formula allowing more funds to be returned to Members. As payrolls decrease over the next couple of years, this trend may reverse.



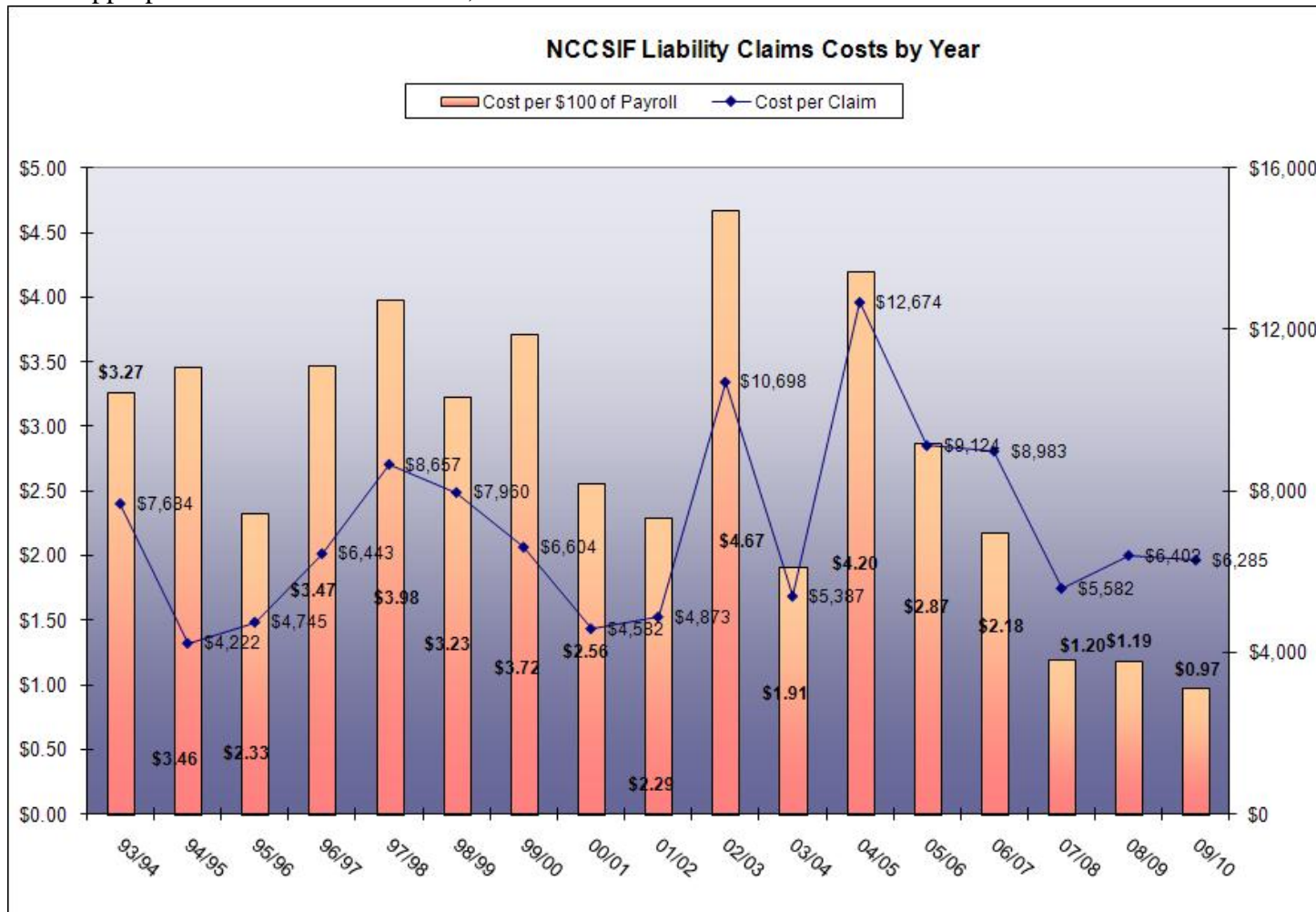




## Northern California Cities Self Insurance Fund

Our Liability claims administrator is York Insurance Services, who has been a long term partner with NCCSIF. The claims administrator is responsible for advising the merits of each claim and the appropriate action to be taken, as well as

providing all necessary investigation of claims and overseeing the legal defense. The following chart shows historical claims performance and shows liability coverage can 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 limit of liability provided under the Workers' Compensation Program is limited only by State Law also known as Statutory Limits for Workers' Compensation and \$5,000,000 for Employers' Liability. 21 cities participate in the program. The program is divided into three separate coverage layers: Banking Fund, Shared Risk and Excess Coverage as noted below:

<b>Banking Fund:</b>	\$0 - \$100,000(\$50,000 for Ione)
<b>Shared Risk:</b>	Banking - \$500,000
<b>Excess Coverage</b>	\$500,000 - Statutory / Workers' Compensation
	\$500,000 - \$5,000,000 / Employer's Liability

The Banking Fund and the Shared Risk are self-insurance.

This program has seen a reduction in the number of claims from a high of 458 in 2002 to 346 in 2009. At the same time the per claims costs have gone from \$19,040 in 2002 to \$15,544 in 2006 (newer years are not yet developed). Part of this reduction is due to the legislative reforms passed in 2003 and the reduction in claim numbers. In spite of these reductions there is still an increase in claims medical costs. The CPI index for Medical costs is over 5.2% for 2008 while the CPI index as a whole for that year was below 3.8%.

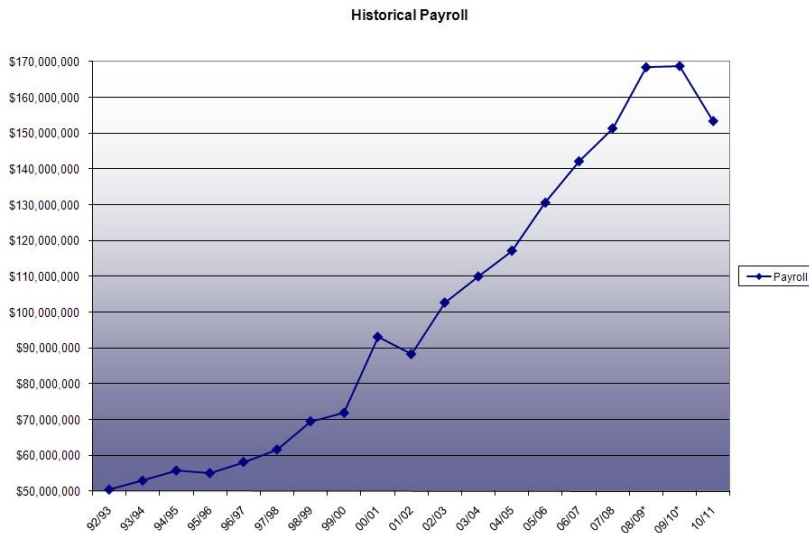
This means that medical costs will continue to have a major impact on total NCCSIF loss costs.

The total cost of the program for 2009-10 was \$7,342,872, before dividends, a reduction of 9% over the prior year. Payrolls decreased by 9.1% reflecting the impact of the recession.

The following chart shows the historical Workers' Compensation payrolls.



## Northern California Cities Self Insurance Fund



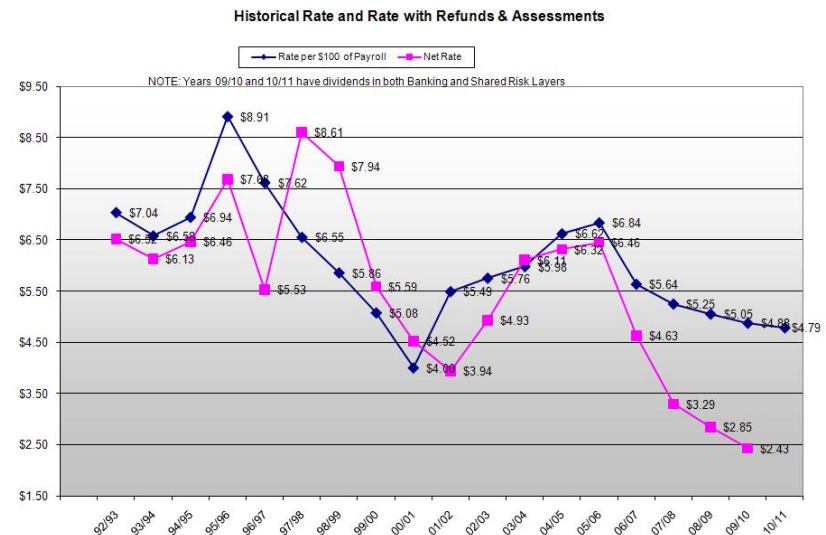
The Excess Coverage is provided through an excess workers' compensation joint powers authority, the CSAC Excess Insurance Authority (EIA). Since joining this group in 2003, the cost of Excess Insurance for NCCSIF has remained relatively stable with a rate of \$.42 in 2003 to the current rate of \$.38.

Annually, the Board of Directors review the Banking Fund's and Shared Risk's fund financial status to evaluate the appropriateness for declaring either a refund or an assessment. In spring of 2010, NCCSIF returned \$4,161,790 in dividends to its members and assessed only \$78,703.

These excellent financial results are due to a combination of the legislative changes in 2003 and 2004, the development of

NCCSIF cost containment strategies, such as encouraging return to work temporary placement for injured workers, increased loss control training for the members, and quality claims services from York.

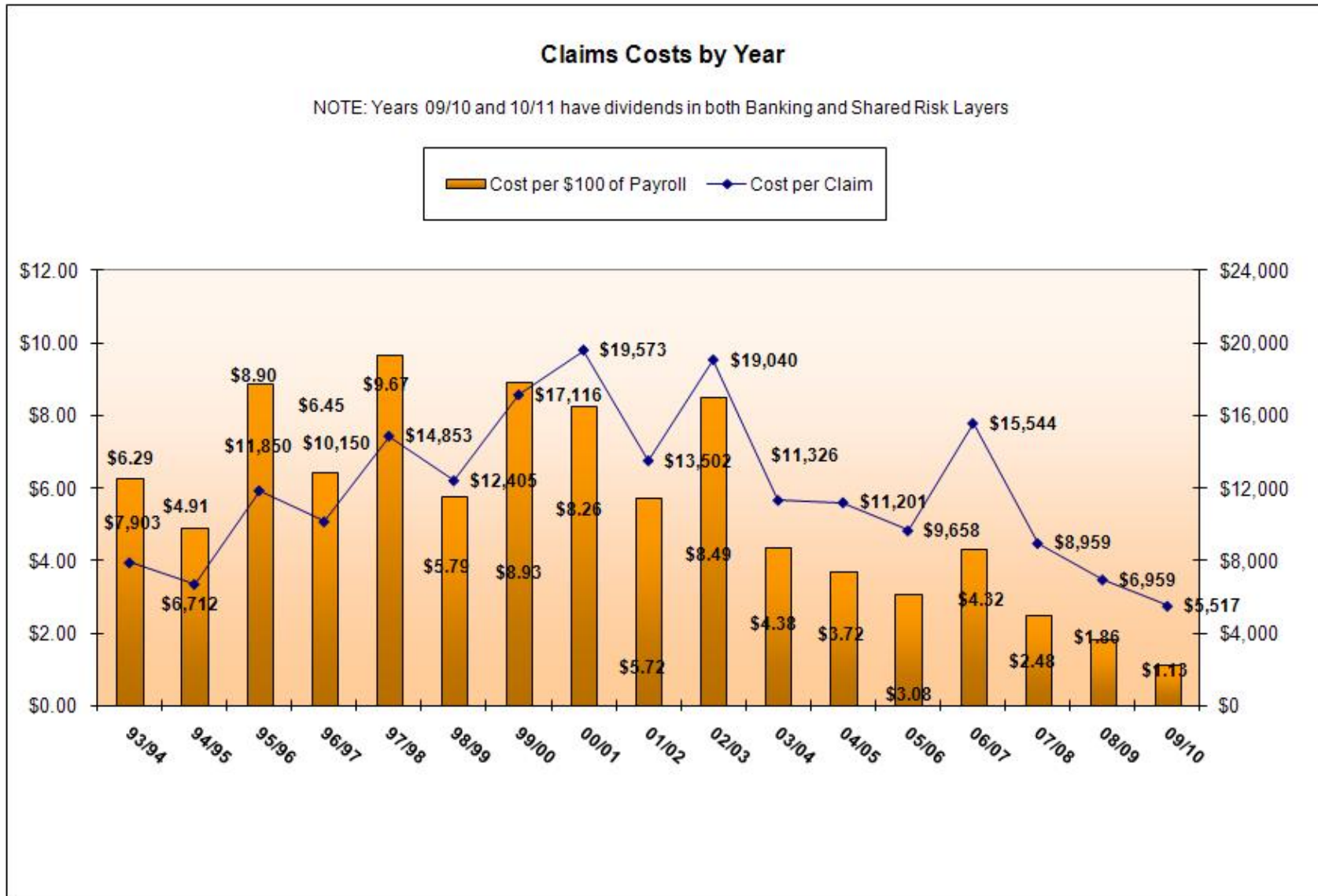
The following chart shows the historical rates with and without the impact of refunds and assessments:



Claims administration services are provided by contract with York. The claims administrator 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 shows Workers' Compensation costs by claim and payroll.



## Northern California Cities Self Insurance Fund





# *Property Program*

### **Property Program Highlights**

This year NCCSIF renewed coverage through the Alliant Insurance Services' Public Entity Property Insurance Program (PEPIP). PEPIP provides 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 also for flood coverage through the program excess of a flood deductible of \$100,000 or \$250,000 for Flood Zones A & V. This program is very comprehensive in the breadth of the coverages provided.

In 2006, NCCSIF funded an outside physical appraisal of all member locations. This service will be continued at least every five- seven years. Keeping property values current is increasingly difficult as construction costs fluctuate annually due to the current financial crisis and also to worldwide competition for basic building materials.

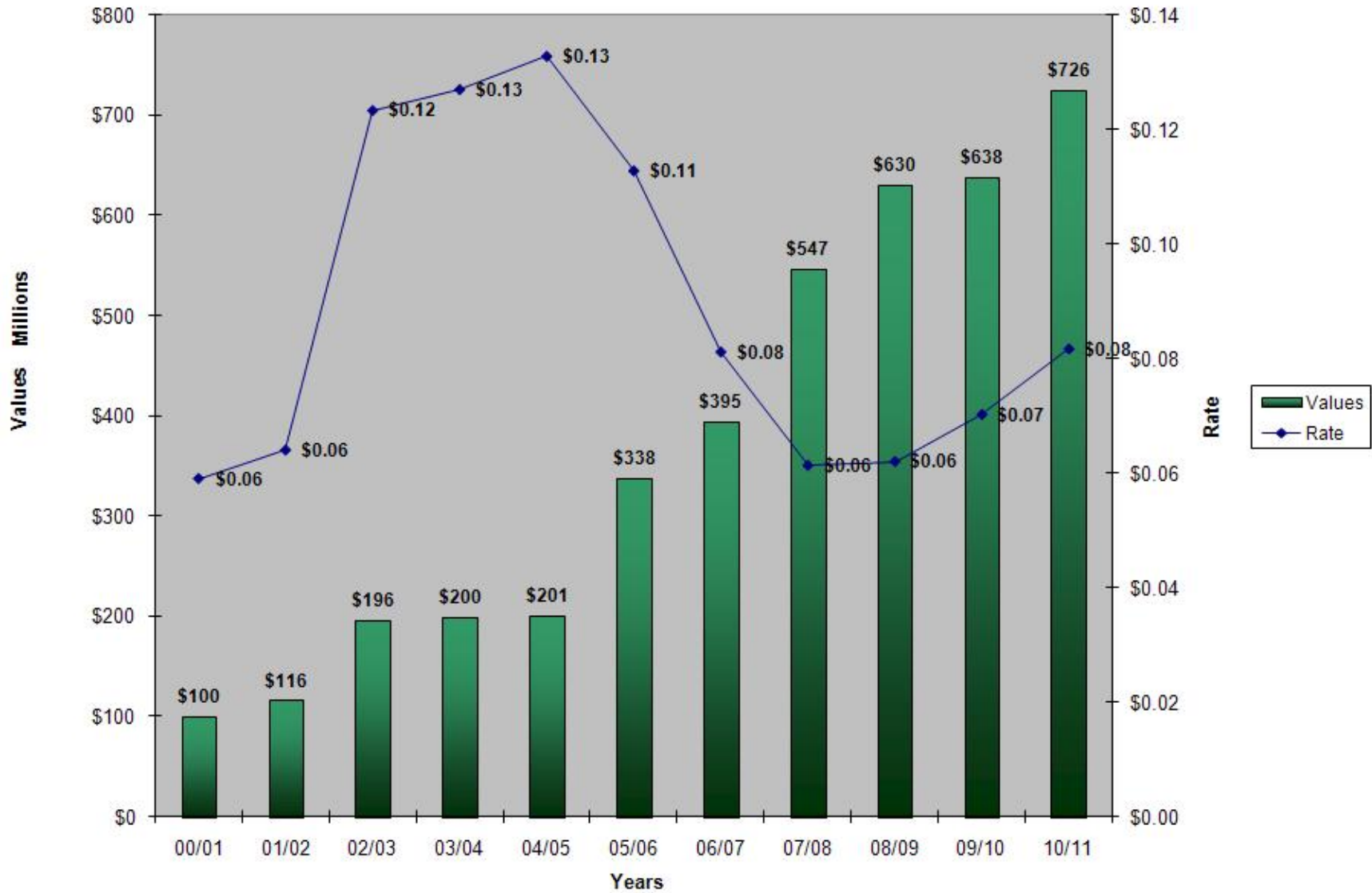
NCCSIF increased the total values insured from \$638 million in 2008 and \$726 million in 2010. Membership in PEPIP has grown to twenty-one NCCSIF members.

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

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



## *Northern California Cities Self Insurance Fund*





## *Physical Damage Program*

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

Twelve of the twenty NCCSIF members participate in the Crime program this year. The per-occurrence limit was increased to \$1,000,000 in 2007. Coverage is subject to a \$5,000 deductible. Some members have saved as much as 25-40% in premiums by taking advantage of the group rate savings.

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

**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
- 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)

<b>Insuring Agreements</b>	<b>Limits of Insurance</b>
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

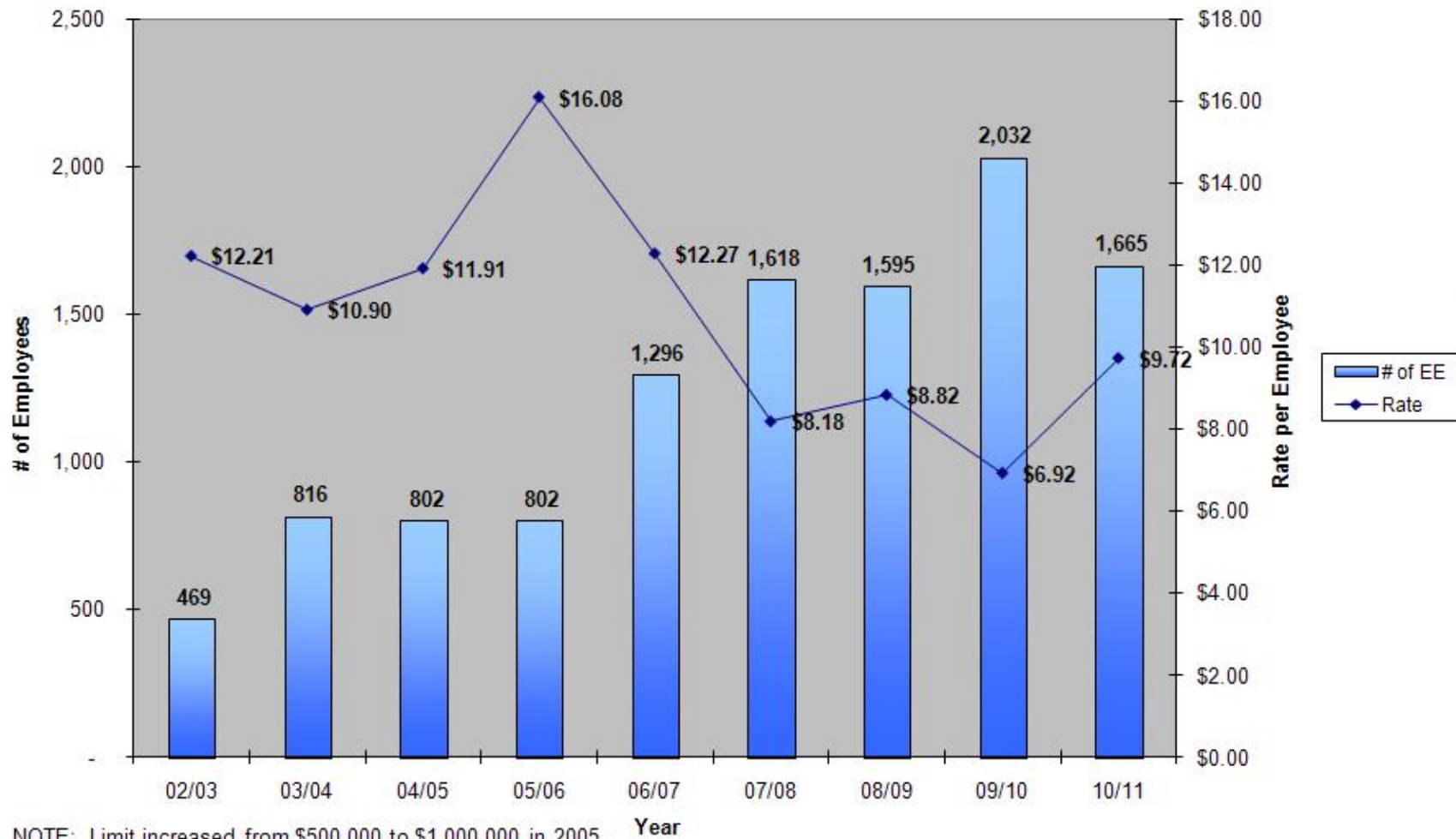
**Limits of Insurance are subject to a \$5,000 Deductible**





## Northern California Cities Self Insurance Fund

NCCSIF Historical Crime Rate  
Compared to # of Employees





### *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. The intent is to positively impact City productivity.

As part of the effort to control Workers' Compensation costs many NCCSIF members participate in group purchase of an Employee Assistance Program. In the past year, ACI participation has grown from fifteen to eighteen members.

NCCSIF's current EAP carrier, ACI, has provided services for NCCSIF's participating cities since 2002. ACI Specialty Benefits offers EAP, Worklife and Wellness models. The program NCCSIF participates in features an unlimited EAP benefit package which includes consultation, training, CISD response, childcare, eldercare, legal and financial consultation. ACI's EAP always includes employees and ALL of their family members....whether they live in the home or not.

ACI has worked to keep utilization rates above 10%. This demonstrates the value to employees who are taking advantage of the services this program has to offer. In 2008 NCCSIF's Risk Management Committee approved free participation for all interested members in the AppleCore Wellness program through ACI as well.

ACI has guaranteed rates to NCCSIF members since 2005. Since then ACI has provided coverage with no increase, guaranteed through 2011.

The program offers two different service levels:

- 3 visits per employee per year at a cost of \$2.08 per employee per month, or
- 6 visits per employee per year at a cost of \$2.25 per employee per month



## *Northern California Cities Self Insurance Fund*

### *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, 2010.

#### **Financial Highlights, fiscal years ended June 30, 2009 and 2010**

- The net income for the fiscal year ended June 30, 2010 was \$2,653,802, after a year of particularly favorable claims development. The estimate for prior years liability and workers' compensation claims decreased by \$1M and \$2.8M, respectively. The net income is after consideration of dividends to members of \$6,216,431. This dividend marks the long-term success of the risk financing program.
- A net loss of \$230,277 was experienced for the fiscal year ended June 30, 2009. This is after accounting for a return to members of \$6,065,091.
- Total operating revenues for fiscal year 2010 were \$13,858,992, an increase of 2% or \$334,486 as compared to fiscal year 2009.
- Total operating revenues for fiscal year 2009 were \$13,524,506, a decrease of 2% or \$317,726 as compared to fiscal year 2008. This decrease was due to lower member billing related to reduced excess insurance premiums.

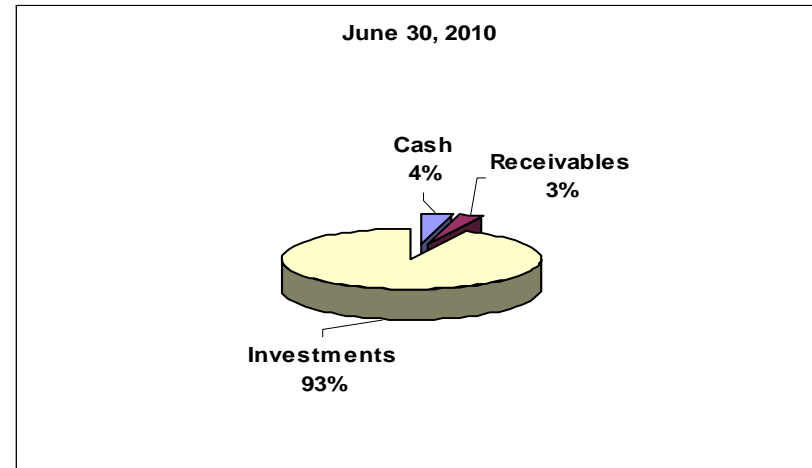
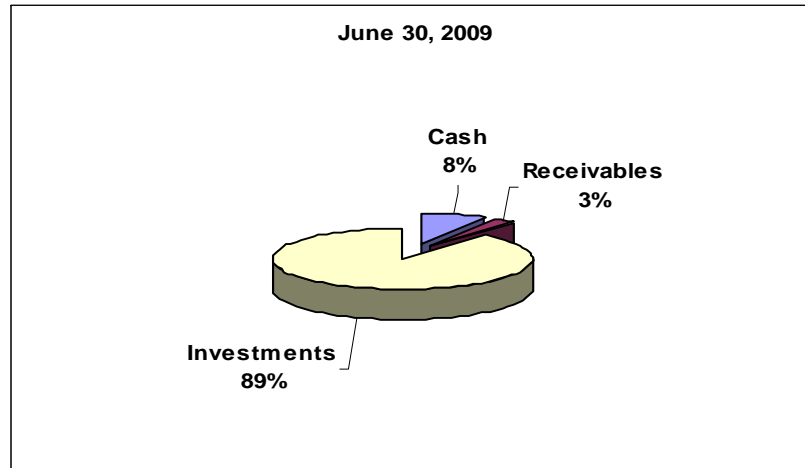
#### **Pool-Wide Financial Analysis**

	<b>June 30, 2010</b>	<b>Percent</b>	<b>June 30, 2009</b>	<b>Percent</b>	<b>June 30, 2008</b>	<b>Percent</b>
Current assets	6,364,819	12%	\$ 7,676,988	15%	\$ 10,632,137	22%
Noncurrent assets	44,881,026	88%	43,173,296	85%	38,411,746	78%
<b>Total Assets</b>	<b>51,245,845</b>	<b>100%</b>	<b>50,850,284</b>	<b>100%</b>	<b>49,043,883</b>	<b>100%</b>
Current liabilities	2,638,847	5%	2,608,909	5%	2,076,949	4%
Claim liabilities	27,679,663	54%	29,967,842	59%	28,463,124	58%
<b>Total liabilities</b>	<b>30,318,510</b>	<b>59%</b>	<b>32,576,751</b>	<b>64%</b>	<b>30,540,073</b>	<b>62%</b>
Net assets	20,927,335	41%	18,273,533	36%	18,503,810	38%
<b>Total Liabilities and Net Assets</b>	<b>51,245,845</b>	<b>100%</b>	<b>\$ 50,850,284</b>	<b>100%</b>	<b>\$ 49,043,883</b>	<b>100%</b>



## Northern California Cities Self Insurance Fund

Total Assets by Type at June 30, 2009 and June 30, 2010



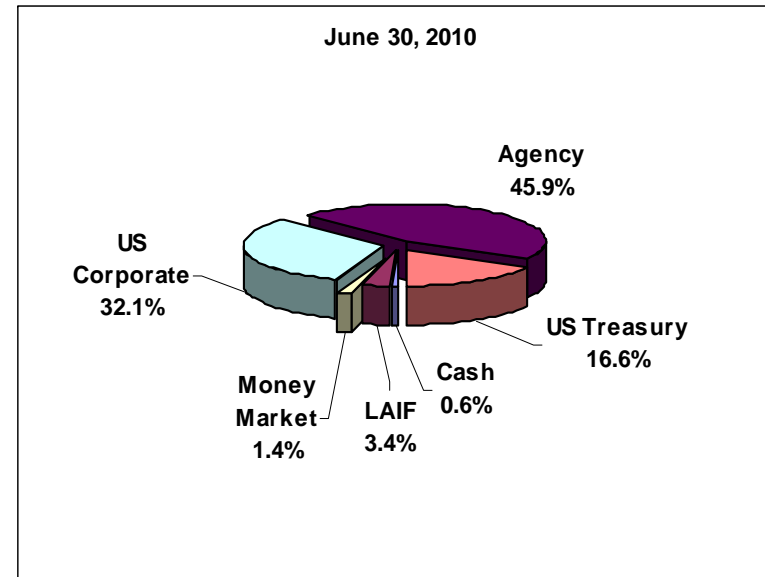
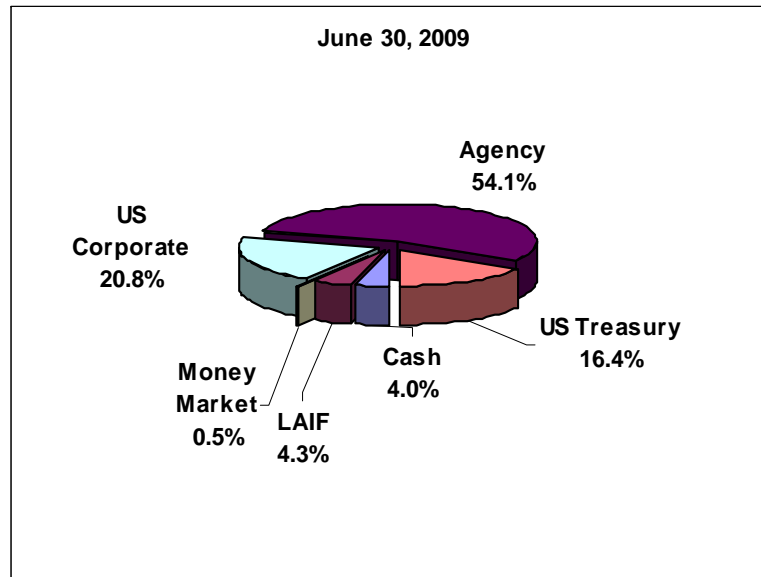
Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The overall investments of the pool increased in 2008-2009 from \$44,142,900 to \$45,219,013 and in 2009-2010 to \$47,723,571. NCCSIF invests those funds not immediately necessary for 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, and are in conformity with all federal, state, and local statutes governing such investment of public funds. Those assets needed for current operations are maintained in the Local Agency Investment Fund (LAIF) in Sacramento, which is administered by the State Treasurer's Office.

The investment market performance has declined in the past two years. For example, the average rate of return for funds invested in LAIF during fiscal year 2009 was 2.1825%, in 2010 the average rate of return was 0.655%. The effective rate of return for the overall JPA investment portfolio decreased from 7.8% in fiscal year 2009 to 5.9% in fiscal year 2010. 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.



## *Northern California Cities Self Insurance Fund*

Components of NCCSIF Portfolio at June 30, 2009 and June 30, 2010





## *Northern California Cities Self Insurance Fund*

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

	<b>2010</b>	<b>2009</b>	<b>Percent Change</b>	<b>2009</b>	<b>2008</b>	<b>Percent Change</b>
Operating Revenues	13,858,992	13,524,506	2%	\$ 13,524,506	\$ 13,842,232	-2%
Provision for Claims	3,200,471	7,552,670	-58%	7,552,670	10,857,393	-30%
Dividends	6,216,431	6,065,091	2%	6,065,091	6,354,262	-5%
Insurance Premiums	2,456,115	1,710,541	44%	1,710,541	1,848,554	-7%
Administration	2,114,478	1,926,362	10%	1,926,362	1,808,366	7%
Total Expenses	<u>13,987,495</u>	<u>17,254,664</u>	-19%	<u>17,254,664</u>	<u>20,868,575</u>	-17%
Non-operating:						
Investment Income	<u>2,782,305</u>	<u>3,499,881</u>	-21%	<u>3,499,881</u>	<u>4,388,340</u>	-20%
Net Income (Loss)	2,653,802	(230,277)	-1252%	(230,277)	(2,638,003)	-91%
Beginning Net Assets	18,273,533	18,503,810	-1%	18,503,810	21,141,813	-12%
Ending Net Assets	<u>\$ 20,927,335</u>	<u>\$ 18,273,533</u>	15%	<u>\$ 18,273,533</u>	<u>\$ 18,503,810</u>	-1%

Non-operating revenues declined by 21% in fiscal year 2010 to \$2,782,305. These decreases were due to a decline in interest and investment income.

Operating expenses decreased 19% over the total 2009 figure to \$13,987,495 in fiscal year 2010. This decrease resulted from lower claims related expenses due to a decrease in ultimate loss estimates for previous policy years as determined by the actuary. Excess insurance rates increased over the previous year.



### *Staff Members and Consultants*

#### **PROGRAM ADMINISTRATORS:**



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Program Administrators	Marylin Kelley, Vice President
	Susan Adams, Assistant Vice President
	Stacey Weeks, Unit Manager
	Johnny Yang, Assistant Account Representative

#### **ACCOUNTING SERVICE PROVIDER:**



**James Marta & Company**

Jim Marta, CPA, ARM  
David Becker, CPA

#### **THIRD PARTY CLAIMS ADMINISTRATION & LOSS CONTROL SERVICES:**



**York Insurance Services Group, Inc.**

President	Randy Smith
Claims Manager - GL	Craig Wheaton
Claims Manager - WC	Ben Burg
Risk Management	Rudy Schroeder
Risk Management	Jack Kastorff

# NCCSIF *2010 Annual Report*



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## *Northern California Cities Self Insurance Fund*

### 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

### ACTUARIAL SERVICES:



**Bickmore Risk Services**

*Leaders In Self-Insurance*

**Bickmore Risk Services**

Mike Harrington, Director, Property & Casualty Actuarial Services

### INDEPENDENT FINANCIAL AUDITING SERVICES:



**Perry-Smith LLP**

Matthew Nethaway, Financial Audit



[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.