Trindel
Insurance Fund

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A Joint Powers Authority Established in 1980
www.trindel.org

Jim Arkens
Chief Administrative Officer
Sutter County
1160 Civic Center Blvd.
Yuba City, CA 95993

10/30/2013

Dear Jim

I wanted to take a moment to recap where we are in regards to Sutter County's (County) interest in Trindel Insurance Fund (Fund) membership. In reviewing the three major programs Workers' Compensation, Liability, and Property we found some advantages for Sutter County membership.

In workers' comp. we looked at historical data in the County's fully insured program verses the Fund's self insured program. For a nine year period 2003-04 thru 2012-13 the county could have saved 6.9 million in premiums. The Fund constantly reviews the best risk financing scenarios for its members.

The liability program for the County is identical to the Fund's program at this time with a self insured level of $100,000. I reviewed the funding level of the County's program and it is well funded and would be an easy transition.

The property Program for the County is insured with a 20,000 dollar deductible for autos and 25,000 for all risk. This structure is the same as the Fund's and Both are purchased through CSAC-EIA. The difference is that the Fund also self insures autos from $1,000 to the $20,000 to cover the gap of coverage which helps departments budget without fluctuations in auto claims costs.

These three County programs would fit well in the Fund and the County would have a significant financial advantage in the workers' compensation program. Mechanically the transition to membership is very easy given the relationship that the Fund and County have with excess coverage through CSAC-EIA. The JPA agreement would have to be adopted by the County Board of Supervisors and I am happy to present the program to them. Lastly, the Trindel board would need to approve membership.

The Fund's Board discussed County membership at their last board meeting. The Board reviewed financial strength, demographics, actuarial studies, and experience modification factors of the County. In addition the Board reviewed summary of the workers' comp staff visit and the loss prevention assessment visit. Concerns were voiced about commitment to the loss prevention program based on comments made by staff. The Board is also concerned that it may take the County several years to obtain full reimbursement of Loss prevention subsidy dollars based on the assessment that was taken. The areas that appear to be the greatest concern are the lack of a framework within the County for risk and safety related topics and issues to be communicated, and the completeness and ease of use of the Injury Illness Prevention Program. With that said the Fund has a successful communication framework that can be used, and examples and staff that will aid in completing a useful injury illness Prevention Program. With an understanding from the County management that these items are important in reduction of premium costs and employee productivity; and a commitment to strive for a safe and educated work force, I believe the Board would welcome what would become their largest member.

Very truly yours,

David Nelson
Executive Director, Trindel Insurance Fund

P.O. Box 2069 Weaverville, Calif. 96093 Phone: (530) 623-2322

Hi Shawne,

I hope the answers to your questions are helpful. If my thoughts and perspective are not clear in my answers please do not hesitate to contact me. If you would like to set up an meeting and go over the documents we have accumulated in this process as well as the responses below , I am happy to do so.

1) Regarding our Safety Officer, there was an understanding that we would be reimbursed in some fashion for employing our own Safety Officer. Is that correct? If so, how does that reimbursement work? I believe we are talking about the Loss Prevention Evaluation. In 1999 the Trindel Board approved attaching funding to the Loss Prevention Evaluation that is done annually for each member. The funding started out around $40,000 and has grown to be around $60,000 each year. The intent is to give members incentive to participate and develop the loss prevention program in each member County and ultimately reducing overall claims costs. The funding was provided by increasing premiums by the same amount. With that said Members receive the funds back if an evaluation score of 80% or better is achieved. If less than 80% is achieved (70%) then the member multiplies the score times the funded amount (.70 X 60,000 = $42,000) to know how much will be sent to the county to cover loss prevention costs for that year. What is not distributed to the County that year will be held on account until the following year where the member has another opportunity to achieve a score of 80% and receive the current year allocation and the balance of what was not received from the prior year. If the 80% score is not attained in the second year the board votes annually on what to do with the undisbursed funds. Historically they have divided it up evenly amongst all members.

   The Trindel Board believes that having an effective Safety Officer more than pays for itself by avoiding potential claims and effectively managing claims, as well. The $60,000 is viewed by some of our members as insurance that the safety position does not fall on the budget room floor for fear of losing County funding.

2) How does Trindel accumulate and charge out overhead costs? Trindel accumulates overhead costs monthly for the cost of staff, supplies, etc. On a quarterly basis these costs are distributed to the programs and then members in the following fashion: 67% of the quarter costs are allocated to the Workers' Comp program and 33% of the costs are allocated to the Liability/Property program. The 67% in the Workers' Comp program is then allocated to each member evenly. So regardless of size or claim count each member shares the cost evenly. For the 33% of costs allocated to the Liability/Property program; 75% is allocated evenly and 25% is allocated on claim count by member.

   All of these costs are included in premiums each year and there are no additional invoices for any Trindel program or service throughout the year. We also cover any CSAC EIA premiums and invoices that are received throughout the year so the County does not have to budget for unexpected costs.

3) I am told that we would, at least initially, be paying Trindel the same amount that we pay for insurance through CSAC EIA. Obviously, the premium that you will then pay on our behalf to CSAC, at least with Workers Comp, will not be as much as our current premium as there will not be coverage for the first $300,000. Where does the excess premium go within the Trindel banking arrangement? The excess premium would remain on deposit with Trindel in the County's Workers' Comp Fund to cover the incurred costs from claims that fall in the SIR range for that year. If the County has favorable losses in that year we will fund a higher confidence level. Once 90% confidence is achieved excess funding is returned to the County. Adversely, if unfavorable losses are incurred, the members will fund the difference until the County can adequately fund it. This is another reason for emphasizing the importance of the loss prevention program.

4) For Workers Comp, will Trindel contract for an actuarial study for Sutter County alone? Do we pay for that or does it come out of Trindel overhead? Yes, Trindel contracts to have actuarial studies done each year for its self insured programs. The studies include all members and aid in setting premiums and confidence levels for the fiscal year. Actuarial studies are part of Trindel overhead costs.

5) I assume the actuarial study will determine what amount we need to have set aside to fund the liability that comes with the SIR. Does the excess "premium" that we would pay to Trindel then fund the SIR? The members receive two premium invoices, one in December and one in April to coincide with County property tax cash flow. The premiums would include excess and SIR premiums needed for the year. It is just easier for the members to make one or two payments to Trindel for all of their insurance needs than several entities and invoices throughout the year.

   If you would like to see the premium allocation and how it is broken down and the cost smoothing that is done I'm happy to review that with you.

6) Is the full premium that we would pay to Trindel, if not all spent directly on insurance premiums, allocable to State/Fed programs if not actually purchasing insurance or funding programs/services? (Specifically, if we are to deposit funds with Trindel and part of that is considered excess funds, could we possibly be expected to book that as a deposit with others on our side and would that then create an issue with charging that full "premium" amount out to our State/Fed programs.) Very good question. Our members do charge the whole premium to all departments general/state/fed funded. The funds on hand with Trindel are considered encumbered or restricted funds for claim development. The members make one adjustment to the "cash with fiscal agent" or "deposits with others" for the fiscal year activity in Trindel on the financial statements each year. The only issue we have had in regards to state and federal funded programs accepting full premium as an expense, came from a cost plan analyst from the SCO this year. He addressed two Trindel members and his comment was if the program is self insured the feds will only fund up to 75% confidence level (our Board has funded at 90%). After

much debate with the analyst we came to the conclusion that Trindel is an insurance pool and therefore the self insurance rule he was quoting did not apply. As funds tighten up for the state and federal government I'm sure we, as well as the local governments will have to make changes.

7) **It has been discussed at several points that Trindel would hire additional claims adjusters for Workers' Comp claims if Sutter County joins. Does the extra adjuster position get paid by Trindel and distributed through all as overhead, or would Sutter County be expected pay for the full cost directly?** Under the current model any additional cost to the program would be split evenly with all members as discussing question 2. Upon Sutter becoming a member all the current and old claims would stay with the CSAC EIA pool as the County has already paid for them with your past premiums. Going forward we would pick up incoming claims so a full time adjuster would not be necessary right away. We would have the better part of a year to get the right person in place to handle the expected claim volume.

8) **Under the banking arrangement, I have been told that if we do not "spend" all of our funds, we can get it back. How does that process work?** The Board has established a target funding level that is applied to each member based on confidence levels and deductible amounts for each program. Once that funding level is reached the remaining funds are available to the member by offsetting premiums in upcoming years, or cash returned to the county directly, or retained at Trindel for future needs. The return of funds calculation is done at the end of each year and presented to the Trindel Board for approval.

9) **If we do receive funds back, this sounds like a refund. How are your other agencies handling, or how do you recommend handling, something like a refund? This may be a concern if we have already allocated that cost to State/Fed programs in prior years.** Yes, you are correct, the return of funds can be an issue. Years ago these funds were just swept in the general fund for ease of use. But as you are aware the SCO would not permit that today. The funds returned are typically returned through a reverse allocation on how premiums were collected in the previous year. Some counties have found creative ways to bring the funds back to the County but I believe it should be returned to the County program that paid the premium.

10) **Do your other agencies still maintain Workers Comp and Liability programs in Internal Service Funds? Ours are both ISFs and I am curious if we would need to maintain those.** Some maintain a Risk Management Department that is considered a service department for cost plan purposes. This department pays risk management salary, safety salary and pays premiums. A journal is made to charge County departments for the insurance programs and deposited in that department. This department can either be a service department or a internal service fund. Both work, or you could have ISF for both and allocate and pay premiums through them. Each

Auditor has established the accounting structure based on their own knowledge and comfort level with each.

11) I have heard several concerns expressed regarding coverage for Fire service employees. Is there an issue with Trindel managing/accepting Sutter County's "risk" Fire? Absolutely not, that is what we do. There was some discussion on the additional risk the County is retaining in regards to the fire department, but understanding that the County has decided to retain that risk we will work with you to reduce the frequency and severity of this risk exposure.

12) I have the same question regarding volunteer coverage. We currently cover volunteers, especially Fire service volunteers. I am just curious if there are any issue with that, or if we would need to handle that function separately. We cover volunteers in all member Counties in many different departments. Most Counties have made a Board resolution to cover volunteers so we are accustom to including them in your workforce.

13) From your perspective, what is the value-added for going Sutter County comparing the Trindel arrangement vs. regular self-insurance? Why would we essentially self insure through Trindel rather than simply managing a self insurance retainer ourselves? I am curious about this perspective from a Liability and Workers Comp standpoint. The self-insured component is just one aspect of risk financing. The County would have greatly benefitted from self insuring the Workers' Compensation program in the past few years. Trindel risk management services evaluate the market conditions every year and establish the best scenario whether it is insuring and with who, pooling, or self insuring and at what level. The scenario is brought to the Board for discussion modification and approval. We also help with risk assessments and risk treatment options for any new exposures.

    Claims management services are pro-active and very customer service oriented to both the member County and claimant. In eliminating third party administrators we have discovered that Trindel adjusters take ownership and care about the injured employees and strive to work with all parties to move the claims to resolution without litigation. When needed Trindel has established cost effective legal panels for WC and Liability that specialize in County Government services.

    Trindel also provides Loss Prevention Services. We employ two trainers to get the word out to all of your employees that we all share in the cost of claims. And it is important to the County that employees work smart and safely so they are healthy for their personal and professional lives. Trindel has established programs to aid in proactive behavior. Leadership supervisor training program requires supervisors and managers to attend three professional development training/classes a year. The loss prevention evaluations that I mentioned earlier provides stability, incentive and credibility for the loss prevention efforts. Our loss prevention employees also help in other areas with regards to compliance and safe work practices.

Trindel establishes a framework for communication of risk issues throughout the organization. The JPA takes advantage of cost sharing and group purchasing. Trindel is accredited with excellence through CAJPA and insures professionalism, accountability, transparency, and flexibility with all the programs. The Group has one of the best experience modification factors in CSAC-EIA excess pool. Trindel has no equity and is not a for-profit organization. The only stakeholder is the member County. We work to get what is needed for you to make the right decisions for your employees and your dollars.

Sincerely;

David Nelson
Executive Director
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David Nelson

From: David Nelson
Sent: Thursday, June 20, 2013 9:57 AM
To: 'Marco Sandoval'
Cc: Gene Herndon; Lisa Mitchell
Subject: PWC Prem vs Total Paid (2).xlsx
Attachments: PWC Prem vs Total Paid (2).xlsx

Hi Marco

The reason I asked for Sutter County premiums and incurred amounts for the PWC is to asses weather the fully insured program has been the best decision for the county and is in line with the overall risk goals of your organization. Full insured being zero risk and self insured retaining risk. Once we know your Counties risk appetite we can evaluate if the last ten years of full insured workers comp coverage is in line with the overall goals of the organization.

I have added a column to your attached spreadsheet to demonstrate the difference of premium paid and incurred losses for each year. (incurred losses is what you expect to pay for the life of your claims). With the column E "Premium less Incurred" you can summarize that the county overpaid their losses in this program by 6.9 million from July 2003 to June 2012 (9 years).

Assuming zero risk for this time period, it cost the county 6.9 million above its actual cost. Back in 2008 the Trindel counties had similar results and chose to retain more risk and self insured from 0 to 125,000. If Sutter county would have made the same decision at that time it would have saved $2,247,598.

We asses our risk appetite every year in our programs and move together as a group. July first of 2012 the group decided to retain more risk and self insured up to 300,000. Once our risk appetite is set by the board we focus on claims frequency through loss prevention programs and then claims management and claim closure through our claims handling department.

Next we should look at the losses from 125,000 to 300,000 in workers' comp and the Liability and property loss data. I will ask Jessica at EIA for the information if you like and do a similar comparison. After that we would like to set up a day were our Director of Loss Prevention can come down to the county and evaluate the loss prevention program. In the mean time you should work with your administration to determine your counties risk appetite so that we can see if it is or is not in line with Trindel's. I have cc'd Gene Herndon Director of Loss Prevention and Lisa Mitchell Director of WC Claims Handling of Trindel to keep them apprised of the discussions.

		PWC PREMIUM*	INCR CAPPED 125k**	Premim less Incured
	2002-03		1,149,246.72	
1	2003-04	1,855,059	1,254,575.90	600,483.1 1
2	2004-05	2,296,581	594,260.18	1,702,320.8 2
3	2005-06	2,201,737	509,863.73	1,691,873.3 3
4	2006-07	1,513,455	820,404.83	693,050.2 4
5	2007-08	1,129,917	1,113,059.71	16,857.3 5
6	2008 -09	1,209,439	698,185.93	511,253.1 6
7	2009-10	1,165,028	1,021,941.79	143,086.2 7
8	2010-11	1,489,405	411,418.02	1,077,987.0 8
9	2011-12	1,413,242	897,970.23	515,271.8 9
10	2012-13	1,356,797	623,209.61	
	2013-14	1,352,932		
				6,952,182.7

Source: Jessica Blushi, UW Mgr, CSAC EIA

*** Source: Herb McDuffee, Sr. Risk Analyst, York Risk Services Group*

Not developed enough

David Nelson

From: David Nelson
Sent: Thursday, July 18, 2013 4:03 PM
To: 'Marco Sandoval'
Subject: Trindel Liability / Property

Hello Marco

Sutter Counties Liability program has processed 232 claims over the last ten years for a total of $3,943,767 in claims costs. The Trindel group has an average 132 claims processed and an average of $ 2,874,087 in claims cost per county for the same time period. Given the size of Sutter County and number of claims I would say that this program is managed very well. Sutter County has the same self insured level of 100,000 as the Trindel group.

Sutter Counties Property program has had $217,585 of claims over the last ten years, this falls in line with Trindel frequency and severity of claims of the Trindel group with one exception. The Trindel members self insure the property program from 1,000 to 20,000 where excess coverage starts. This allows the members to insure single vehicle losses.

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David Nelson

From: David Nelson
Sent: Monday, July 22, 2013 9:57 AM
To: 'Marco Sandoval'
Subject: RE: Trindel Liability / Property

Hi Marco

I did not give potential returns for these programs for the following reasons. The liability program that Sutter County currently has is almost identical to the other members and we would not propose any changes. Unlike the workers compensation program were I would recommend that you move from a fully insured program to a self insured program, the liability is already self insured at 100,000 level. As mentioned before the county is managing its liability claims very well. The property program would have a small change in that we would be self insuring County vehicles with only a 1,000 deductible. It would be difficult to give an estimate for this change in that these types of losses have not been reported to excess coverage in the past because they would not have been covered before. When self insuring your vehicles the County will still be paying actual cost to fix the vehicle, it just won't be process auto bills through the individual departments budgets it will come through on premiums each year to help the budgeting process and smooth out the losses.

If you would like to discuss further please let me know.

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From: Marco Sandoval [mailto:MSandoval@co.sutter.ca.us]
Sent: Monday, July 22, 2013 9:08 AM
To: David Nelson
Subject: RE: Trindel Liability / Property

Did you estimate the potential return to Sutter County for these two programs under the "banking arrangement" scheme?

Marco

From: David Nelson [mailto:dnelson@trindel.org]
Sent: Thursday, July 18, 2013 4:03 PM
To: Marco Sandoval
Subject: Trindel Liability / Property

Hello Marco

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