

RISK MANAGEMENT AND SAFETY
FUND NOS. 666, 667, 668 & 672
ACCOUNT NOS. 0409, 0410, 0411, & 0412

DESCRIPTION

The City of Merced Risk Management and Safety program encompasses three operational divisions. The Worker's Compensation Division administers the self-insured worker's compensation program, including preparation of reports for management, benefit approval and payment authorization, coordination with a third party worker's compensation administrator, and coordination with the City Attorney's office in litigated claims.

The Liability Insurance Division provides a mechanism through which the City purchases general liability, property and fire, boiler and machinery, fidelity, and airport liability. Expenses are allocated to departmental operating accounts and transferred into the liability insurance fund from which the expenses are paid. The general liability insurance is funded through the Central San Joaquin Valley Risk Management Authority. This is a fully insured policy with a self-insurance retention of \$100,000 for general liability and \$500,000 for each occurrence for general automobile liability. City staff coordinates efforts with a third party administrator. Employment practices coverage is also available under the CSJVRMA through the Employment Risk Management Authority (ERMA). The commercial property, fire, and boiler and machinery coverage is purchased through the Public Entity Property Insurance Program. The commercial property and fire carry a \$10,000 deductible, and the boiler and machinery has a \$1,000 deductible. The fidelity coverage (crime/dishonesty employee bond) has a \$1 million limit per loss with a \$5,000 deductible. The City's airport is fully insured for \$20 million combined single limit per aircraft/per occurrence, with no deductible.

Unemployment Insurance is administered through a self-insured fund that provides benefits to employees who have left the City service and qualify under State law for unemployment compensation. The activity in this fund is coordinated with the State of California Employment Development Department.

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INSURANCE ADMINISTRATION

The City of Merced Insurance Administration Division includes all personnel with assignments in the risk management area, as well as accompanying operational expenses. The citywide safety program is also administered through this division.

MISSION

This mission of the Insurance Administration Division is to provide technical support for the administration of the insurance function and to provide a citywide safety program.

GOALS

- ◇ Review and evaluate alternate methods of providing adequate insurance coverage in all areas of City needs.
- ◇ Administer a citywide safety program in conjunction with the Public Works Operations Department.
- ◇ Conduct annual "Health Fair" for all City employees.

OBJECTIVES

PERFORMANCE MEASUREMENTS/INDICATORS

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| 1. Provide city-wide safety program by funding a biweekly poster program, drug testing, Hepatitis B inoculations, hearing and vision testing, flu and pneumonia inoculations for all employees, and provision of medical appliances in support of the ergonomics program. | Improvement in employee awareness of safety issues.

Reduction of sick leave use as result of preventative measures. |
| 2. Maintain staff professionalism by attending meetings and training dealing with changes in the insurance field, as well as through membership in professional organizations, and subscription to industry publications. | Adequate insurance coverage obtained in all areas of City needs. |
| 3. Provide health education to all City employees by developing and conducting an annual "Health Fair". | Improvement in employee awareness of health issues and remedies results in healthier employees. |

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4. Re-establish Citywide Safety Review Committee.

Employee representatives to the Safety Review Committee shall be appointed by August 1, 2005. An active Safety Committee can increase City employee safety involvement and help promote safety communication.

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WORKER'S COMPENSATION

MISSION

The mission of the Worker's Compensation Division is to provide professional and technical support for the administration of the self-insured worker's compensation program.

GOALS

- ◇ Ensure that the City is receiving the most competitive worker's compensation excess insurance coverage and premium levels that can be obtained in the open market.
- ◇ Audit all outstanding open worker's compensation claims.
- ◇ Maintain a high quality of service to employees and ensure that price and service levels are competitive for third party administration.
- ◇ Process all claims in a timely manner.
- ◇ Ensure cost savings in claims expenses through professional medical claim review administrator.
- ◇ Prevent accidents/reduce personal injury/occupational injury by maintaining an Injury and Illness Prevention Program.

OBJECTIVES

PERFORMANCE MEASUREMENTS/INDICATORS

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| 1. Review all open worker's compensation active files for adequacy of current payments, adequacy of future reserves, and identification of those claims that can be closed by means of compromise and release. | Reduction in the number of active files by June 30, 2006 by effective claims administration and fewer claims. |
| 2. Review the work product of the third party claims administrator. | Reduction in litigated claims. No violation of regulations. |
| 3. Update Injury and Illness Prevention Program to reflect the City's commitment to maintaining a safe and healthful workplace, and complying with all applicable federal, state, and local laws and regulations. | Completion of Program document by December 31, 2006. Examples of indicators would be prevention of accidents, reduction of personal injury and occupational illness, and compliance with all safety and health standards. |

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LIABILITY

MISSION

The mission of the Liability Insurance Division is to provide adequate insurance coverage and establish risk management practices to reduce liability exposure where possible.

GOALS

- ◇ Improve risk management practices to reduce liability exposure when possible.
- ◇ Ensure that the services of the third party claims administrator meet the City's needs and the needs and requirements of the liability excess insurance carrier.

OBJECTIVES

PERFORMANCE MEASUREMENTS/INDICATORS

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| 1. Review work product of the third party claims administrator. | Efficient and reliable claims administration service provided to the City, and reduction in litigation. |
| 2. Review effectiveness and cost-savings for liability claims filed against the City of Merced. | Reduction in liability claims and cost savings through training provided by continued membership and coverage through the Central San Joaquin Valley Risk Management Authority. |
| 3. Review effectiveness and cost-reduction efforts for employment practices claims. | Elimination or reduction in claims for unlawful employment practices through training provided by continued membership and coverage through the Employment Risk Management Authority offered through the CSJVRMA. |

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UNEMPLOYMENT INSURANCE

MISSION

The mission of the Unemployment Insurance Division is to provide benefits to employees who have left the City services and qualify for unemployment compensation.

GOALS

- ◇ Maintain adequate financial reserves to protect the City against any unknown and unpredictable monetary demands on this fund in any given fiscal year.
- ◇ Ensure that former employees are qualified to receive benefits.

OBJECTIVES

PERFORMANCE MEASUREMENTS/INDICATORS

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| 1. Monitor all unemployment claim pay-outs to ensure the accuracy of charges being made against the City's self-funded account by the State of California EDD office. | Reduction in the number of claims paid. |
| 2. Investigate and challenge unauthorized filings. | No payments to unauthorized past-employees. |

2005-2006 BUDGET HIGHLIGHTS

Significant changes in program direction are found in the worker's compensation division. The projections for use of outside legal counsel for worker's compensation litigated claims have been transferred to the City Attorney's budget.