



Information Item

Date: April 20, 2009

To: Mayor and City Council

From: Carol Swindell, Director of Finance

Subject: Report on Risk Management Claim Expenditures and Safety Training Activities

Introduction

This report provides a brief update on the City's risk financing program and cost information through the third quarter of FY 08/09 summarizing claim expenditure and settlement information related to the City's liability and workers' compensation self-insurance programs. The report also includes a summary of employee safety training activities.

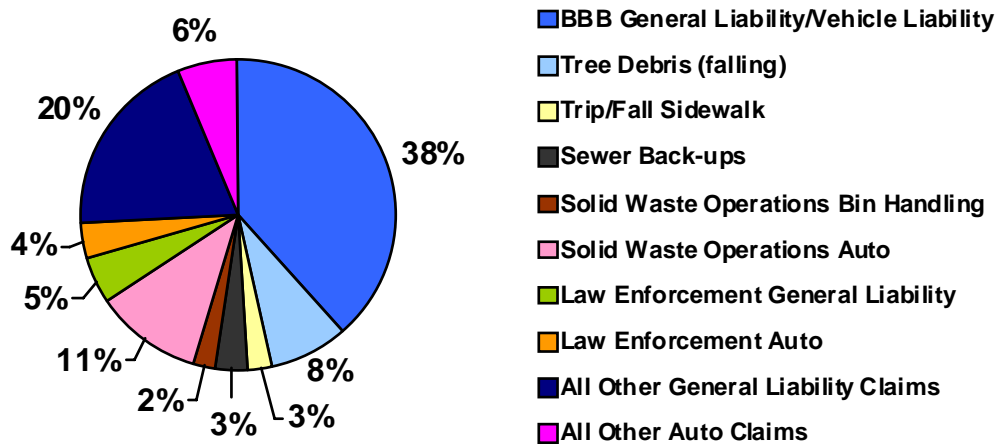
Discussion

Liability Claims Administration Update

- Through the end of the 3rd Quarter FY08/09, the City received 374 claims. There are 307 open claims pending against the City of Santa Monica.
- 487 claims were closed through the end of the 3rd Quarter FY 08/09. 203 claims have been closed with a payment made and 284 claims were closed during this period with no payments made.
- Claim payments (include litigated claims) paid through the end of the 3rd Quarter FY 08/09: Comprehensive Fund - \$1,505,251; Bus Fund - \$1,272,962; and Auto Fund - \$210,822
- 56 claims resulted in litigation through the end of the 3rd Quarter FY 08/09; a litigation rate of 15% (New claims vs. Litigated) for the year.
- Through the end of the 3rd Quarter FY 08/09, \$132,502 was recovered for damages sustained to City Property.

Below is a chart depicting the leading categories of claims by type through the end of the 3rd Quarter FY 08/09:

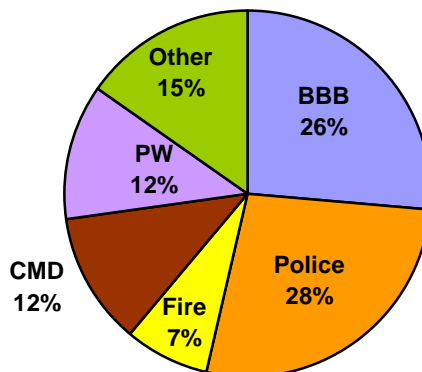
Percentage of Claims by Type of Claim



Workers' Compensation Claims Administration Update

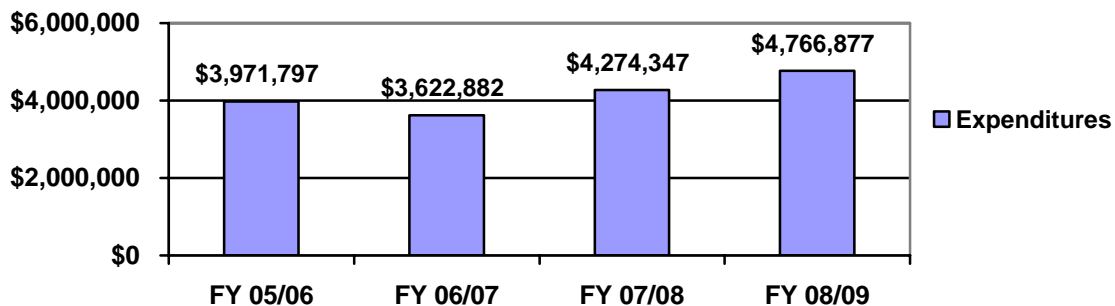
- Through the end of the 3rd quarter FY 08/09, there were 532 open claims pending with the City of Santa Monica; a 10% increase over last year at this time primarily due to multiple claim filings by employees.
- Of the 232 claims opened through the end of the 3rd quarter FY 08/09, 79 were lost time claims and 153 were medical-only claims. Five departments generated 84% of all claims, which is illustrated in the chart below. For the same period of time last year, there were 243 claims opened. These are departments with the highest level of risk-based activities or most labor-intensive.

Claims Filed through 3rd Quarter FY 08/09



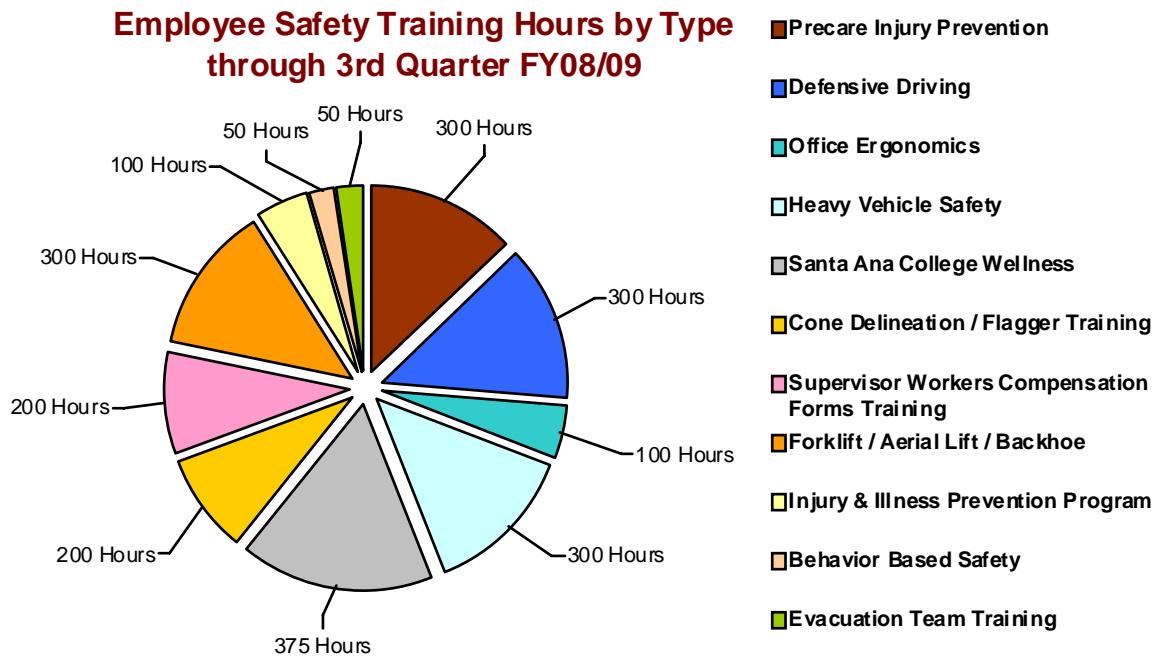
- Workers' Compensation 2004 Reform Act is not being as widely felt throughout the Workers' Compensation arena; primarily from panel decisions, case law and other litigation. There are still cost savings anticipated in the near future on items such as PPO penetration on hospitalizations, apportionment and reductions in Permanent Disability due to utilization of American Medical Association Guides to evaluate permanent impairment.
- Revitalization of the early return to work program with the Police Department has resulted in an increase of 512 modified duty days provided to City employees compared to 190 modified duty days at this time last year. The department incorporated the early return to work program into its Standard Operating Procedures, which also addresses non-occupational requests.
- Temporary Disability Benefits have increased each year by 3-5% due to the inability to accommodate restricted duty and yearly cost of living adjustments based on the State's Average Weekly Wage formula.
- Litigation: Through the 3rd quarter FY 08/09, 38 legal applications were received from 30 City employees compared to 40 City employees who filed 58 applications at this time last year.
- Settlements: 32 Stipulations with Request for Award, 5 Compromise & Releases, 1 Dismissal and 2 Findings & Awards for a total of 40 settlements. Stipulations allow the future medical provision to remain open, a Compromise & Release releases the City from continued claims handling and future liability and a Findings & Award is a settlement issued by the Workers' Compensation Appeals Board.
- Claim expenditures through the 3rd quarter for the last 4 fiscal years are depicted in the chart below. The chart illustrates costs only for medical and indemnity expenses. Indemnity expenses consist of temporary disability, permanent disability and vocational rehabilitation benefits. These costs are rising due to increased benefit rates and medical payment recommendations.

3rd Quarter Workers' Comp Claim Expenditures by Fiscal Year



Risk Control Update

Risk Management tracks and measures the number of hours and the effectiveness of employee safety training provided in-house and through vendors.



Key safety training during the 3rd quarter of FY 08/09 included:

1. Specialty vehicle trainings for forklifts and aerial lifts were provided to CMD, PW, CCS, and Fire Department staff during the 3rd quarter.
2. Evacuation Team Training was provided to various City locations both new and old with Fire Drills conducted at various facilities during the 3rd quarter.
3. Behavior based safety keying off of the City's "We Do the Right Thing Right" program promoting "sustainable employees" in the workforce has begun with CMD and CCS employees in the 3rd quarter.

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