

CITY OF OAKLAND

2011 FEB 24 AM 11:29

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency / Risk Management Division
DATE: March 8, 2011

RE: Informational Report Regarding the Fiscal Year 2009-10 Risk Management Annual Report Transmitting Year-End Results for the Insurance Recovery, Workers' Compensation and General Liability Programs Including Recommendations for the Allocation of Monies from the Self-Insurance Fund (Fund 1100) to Departments for the Fiscal Years 2011-12 and 2012-13

EXECUTIVE SUMMARY

This informational report provides Fiscal Year 2009-10 program results for three major program areas within the Risk Management Division: Insurance Recovery, General Liability and Workers' Compensation Programs. Included in the attached report is data pertaining to: receipt of monies by Risk Management related to its recovery efforts against third party insurers and first-party insurance providers; expenditure of General Liability Fund (Fund 1100) monies related to the City's Self Insured General Liability Program as administered by the City Attorney's Office and the recommended budget allocations for the upcoming budget cycle; and expenditure of Workers' Compensation Fund (Fund 1150) monies related to benefits extended to City employees injured in the performance of their duties.

The recommended budget allocations for Fund 1100 are based on Appendix A - Actuarial Review of the Self-Insured Liability Program and Appendix B - Actuarial Review of the Self-Insured Liability Program, Allocation of Costs contained in the attached report as provided by Bickmore Risk Services and Consulting (BRS).

Based on the BRS reports for Self Insured Liability Program (Appendices A and B), monies should be allocated to the impacted departments as shown below:

Department	ACTUARIALLY PROPOSED BUDGET			
	Allocated Percent of Projected Loss (2011-12)	Projected Loss (2011-12)	Allocated Percent of Projected Loss (2012-13)	Projected Loss (2012-13)
Police Services Agency	30.21%	\$5,279,220	30.21%	\$5,604,017
Fire Services Agency	6.71%	\$1,172,080	6.71%	\$1,244,190
Public Works Agency	31.27%	\$5,462,993	31.27%	\$5,799,095
Parks and Recreation	2.79%	\$487,342	2.79%	\$517,325
Other Departments	29.02%	\$5,071,365	29.02%	\$5,383,373
TOTAL	100.00%	\$17,473,000	100.00%	\$18,548,000

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These recommended amounts do not include the projected funds needed to cover premium expenditures for the purchase of Excess Liability Insurance, which has historically been paid through this fund. It is anticipated that the Excess Liability premiums will be approximately \$2.875 million for FY 2011-12 and \$3.6 million for FY 2012-13. These amounts should be budgeted in addition to the amount recommended in the table above.

DISCUSSION OF KEY ISSUES

The purpose of the attached Risk Management Annual Report is two-fold:

1. To report to Council the activities, outcomes and future plans of three program areas administered or monitored by the Risk Management Division; and,
2. To recommend allocation amounts for the upcoming budget cycle for Fund 1100 – the Self-Insurance Liability Fund.

The following sections highlight key findings contained in the report.

A. Insurance Recoveries Program

Beginning in July 2008, the Risk Management Division began actively pursuing insurance recovery claims for property damaged by third parties. The following table reflects the results of the Insurance Recovery Program since its inception.

TYPE OF RECOVERY	NUMBER OF CLAIMS	TOTAL RECOVERED (TO DATE)
General Liability Excess Insurance	15	\$ 7,337,820
1 st Party – Property (non vehicle)	12	\$ 2,250,327
1 st Party – Property (vehicle)	35	\$ 832,817
3 rd Party – Property & Vehicle	242	\$ 373,696
Total Recoveries	304	\$10,794,660

Monies received from the various sources are directed back to the fund where the loss was expensed. For instance, money received from an insurance claim for property damage is directed first to the payoff of any existing lease on the damaged property. Remaining monies may be used to repair or replace the property.

If the received monies are not used within 12 months of receipt, they are then used to offset the negative balance, if any, in the fund where the damaged property was budgeted. If there is no negative balance, the funds revert to the General Purpose Fund Balance (Fund 1010).

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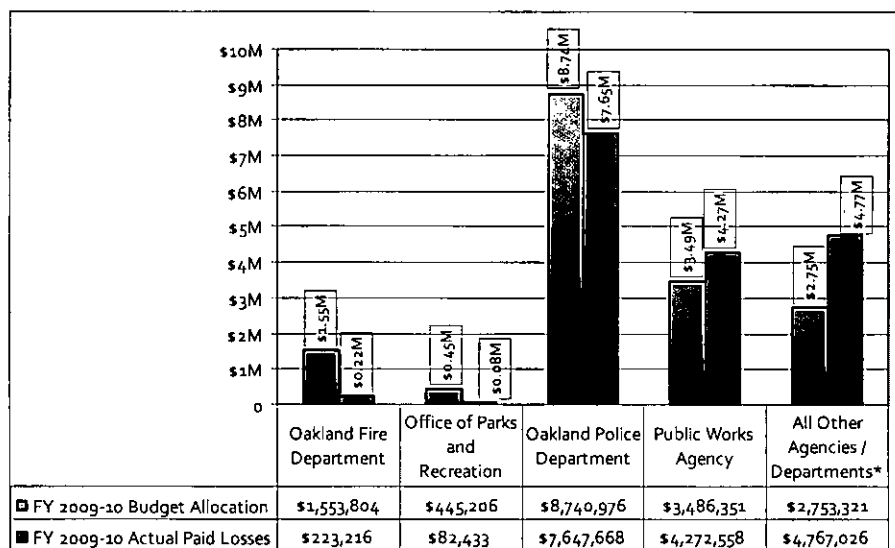
B. General Liability

The General Liability Program is administered by the City Attorney’s Office and monitored by the Risk Management Division. In the past year a total of \$19,677,361 was expended from Fund 1100, according to Oracle. This number includes the internal staff costs and the cost of excess liability insurance. The total number of claims/lawsuits filed for FY 2009-10 was 814. Actuarially projected expenditures (at the 80% confidence level) for the upcoming budget cycle are \$17,473,000 for FY 2011-12 and \$18,548,000 for FY 2012-13. This amount does not include the projected insurance premiums for the same periods.

Each fiscal year the Risk Management Division obtains actuarially recommended budget allocations for the expenditure of General Liability Fund (Fund 1100) monies related to the City’s Self Insured General Liability Program, as administered by the City Attorney’s Office.

Actual Paid Losses include payouts on claims and lawsuits, outside counsel, and litigation costs. It does not include the cost of insurance, which should be budgeted separately.

The chart below shows the FY 2009-10 Budget Allocation compared to the Actual Paid Losses in the Fire Department, the Office of Parks and Recreation, the Police Department, the Public Works Agency, and All Other Agencies/Departments.



* Note that the comparison of Budget Allocation to Actual Paid Losses for All Other Agencies/Departments is skewed, as it includes City Attorney litigation staff costs for services that are provided Citywide.

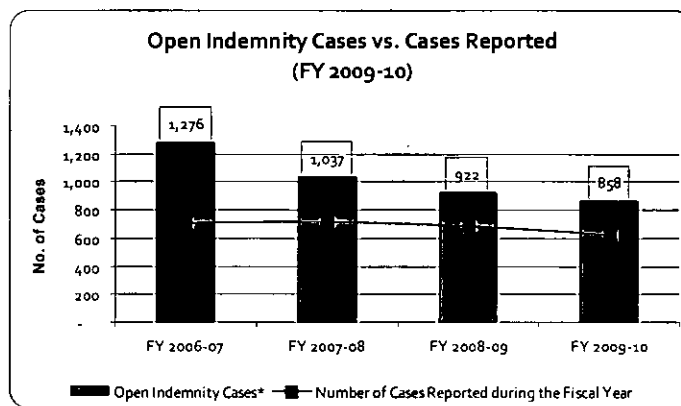
C. Workers' Compensation

The Workers' Compensation Program is administered by the Risk Management Division within the Finance and Management Agency. In the past year, a total of \$22,529,184 was expended from Funds 1150 and 1250 for the delivery of workers' compensation benefits to City employees who were injured in the course of their employment. This number does not include internal staff cost or the cost of excess workers' compensation insurance. The total number of injury claims filed for FY 2009-10 is 630. Actuarially projected expenditures for the upcoming years are \$24,499,000 for FY 2011-12 and \$26,944,000 for FY 2012-13. Risk Management is working with individual departments on cost containment strategies to ensure the City stays within the actuarial projection.

Considerable information regarding results of these programs is contained within the attached annual report. The report appendices contain the executive summaries of the actuarial reviews and audits. Complete copies of each consultant report are available electronically upon request to Risk Management.

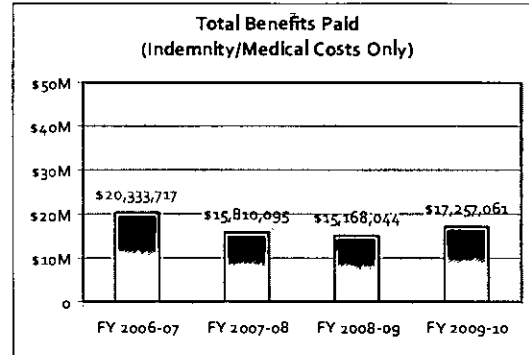
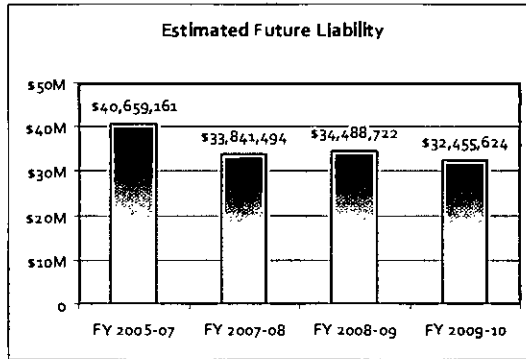
The overall health of the Workers' Compensation Program can be measured by the Estimated Future Liability – a measure of the total expected cost of existing open claims. As the number of open claims is reduced, the total expected cost (Estimated Future Liability) is commensurately reduced as well.

As a result of focusing efforts to reduce the number of open claims, the number of open indemnity cases has been reduced by 33% over the last four fiscal years, from 1,276 in FY 2006-07 to 858 in FY 2009-10. This decrease is significant, given that the number of cases reported each year has decreased just 12%, from 712 in FY 2006-07 to 630 in FY 2009-10. The following graph illustrates this activity:



Consistent with the decline in the number of open indemnity cases, the City's Estimated Future Liability for open indemnity cases also declined -- 20% over the last four fiscal

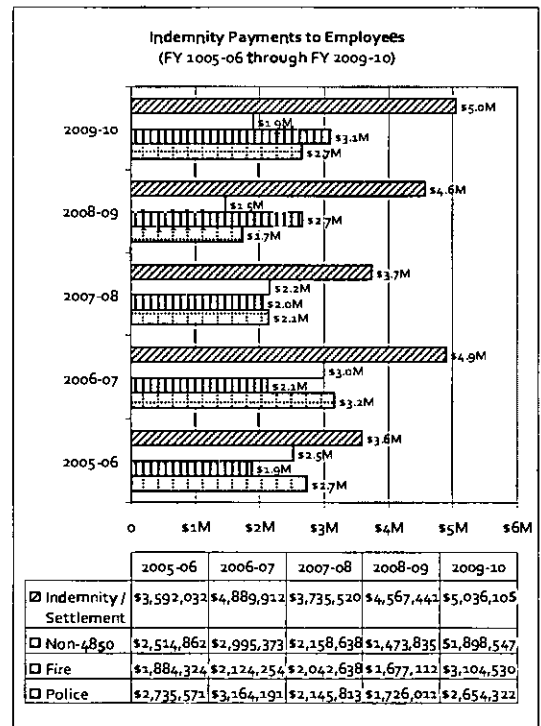
years, from \$40,659,161 in FY 2006-07 to \$32,455,624 in FY 2009-10. This figure is slightly skewed due to the residual effects of the tragic police officer shooting deaths on March 21, 2009. The remaining Estimated Future Liability for cases related to that incident is \$1,725,877. Without the events of that day, the City's Estimated Future Liability would be \$30,729,747.



During the same four-year period, payments for Indemnity and Medical Costs decreased a total of 15%. Note that Indemnity costs are driven by the employee's salary, while medical costs are driven by the amount of medical care needed. Both are measures of the severity of an injury.

While medical payments have remained somewhat stable over the last five years, the chart on the right shows that Indemnity payments have increased in the areas of Settlements and Fire Department 4850 payments.

Indemnity/Settlement expenses are paid when an injury results in an employee becoming permanently disabled. The increase in this figure can be directly linked to our focused effort to close outstanding claims. The benefit of closures is the reduced Estimated Future Liability.



Police and Fire sworn personnel receive pay 4850 Pay, pursuant to State of California Labor Code 4850 (LC4850). Under the labor code, the injured employee is entitled to receive up to one full year of salary, tax free, upon providing medical verification. LC4850 payments to Police personnel have dropped 3% over the last five years, from \$2,735,571 in FY 2005-06 to \$2,654,322 in FY 2009-10. During the same time period, payments to Fire personnel have increased 39%, from \$1,884,324 to \$3,104,530, respectively.

In the upcoming years, Risk Management will work with the Fire Department to strategize methods and techniques to reduce the severity and frequency of injuries.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this report.

Environmental: There are no environmental oppormnities associated with this report.

Social Equity: There are no social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that Council accept this informational report.

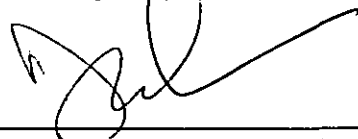
Respectfully submitted,



Joseph T. Yew, Jr.
Finance Director / City Treasurer

Prepared by:
Deborah Grant, Risk Manager
Risk Management Division

**APPROVED AND FORWARDED TO THE
FINANCE COMMITTEE:**



Office of the City Administrator

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Risk Management Annual Report Fiscal Year 2009-10

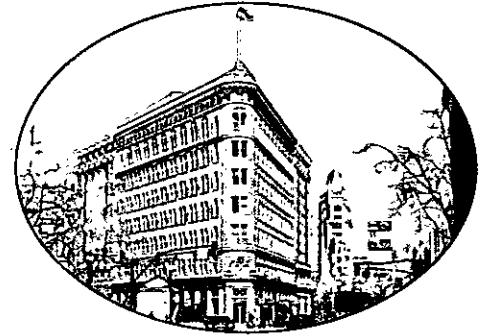


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The mission of the Risk Management Division is to promote practices that will protect the City organization from financial harm by identifying, analyzing, and controlling risk at the lowest possible cost.

**CITY OF OAKLAND
RISK MANAGEMENT ANNUAL REPORT
FISCAL YEAR 2009-10**



The 2009-10 Risk Management Annual Report summarizes the experience of the City of Oakland's Risk Management Programs during the past fiscal year. The purpose of this report is to provide a reference tool and resource that will help department and division managers and supervisors understand and manage their risk-related exposures and losses. The Risk Management staff is committed to assisting the implementation of risk control and health and safety programs that are designed to minimize the City's exposure to loss.

This report includes Fiscal Year 2009-10 frequency and severity data for the City's Liability, Property, and Workers' Compensation programs, with comparisons to the previous years. It also includes experience data related to the Safety/Loss Control and Health and Wellness programs.

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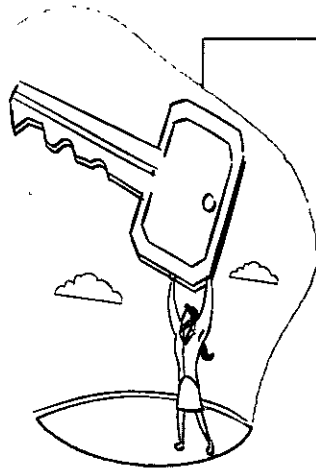
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CITYWIDE OVERVIEW

The 2009 –10 Risk Management Annual Report summarizes the experience of the City of Oakland's Risk Management Programs during the past fiscal year. The purpose of the report is to provide a reference tool and resource that will help department and division managers and supervisors understand and manage their risk-related exposures and losses.

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FY 2009-10 Key Findings

Insurance Recoveries

- Total Recovery: \$10.7 Million
- Total 1st Party vs. 3^d Party Vehicle Recovery: \$832,817 vs. 373,696 (2.23 : 1.00)
- Number of 1st Party Claims: 47

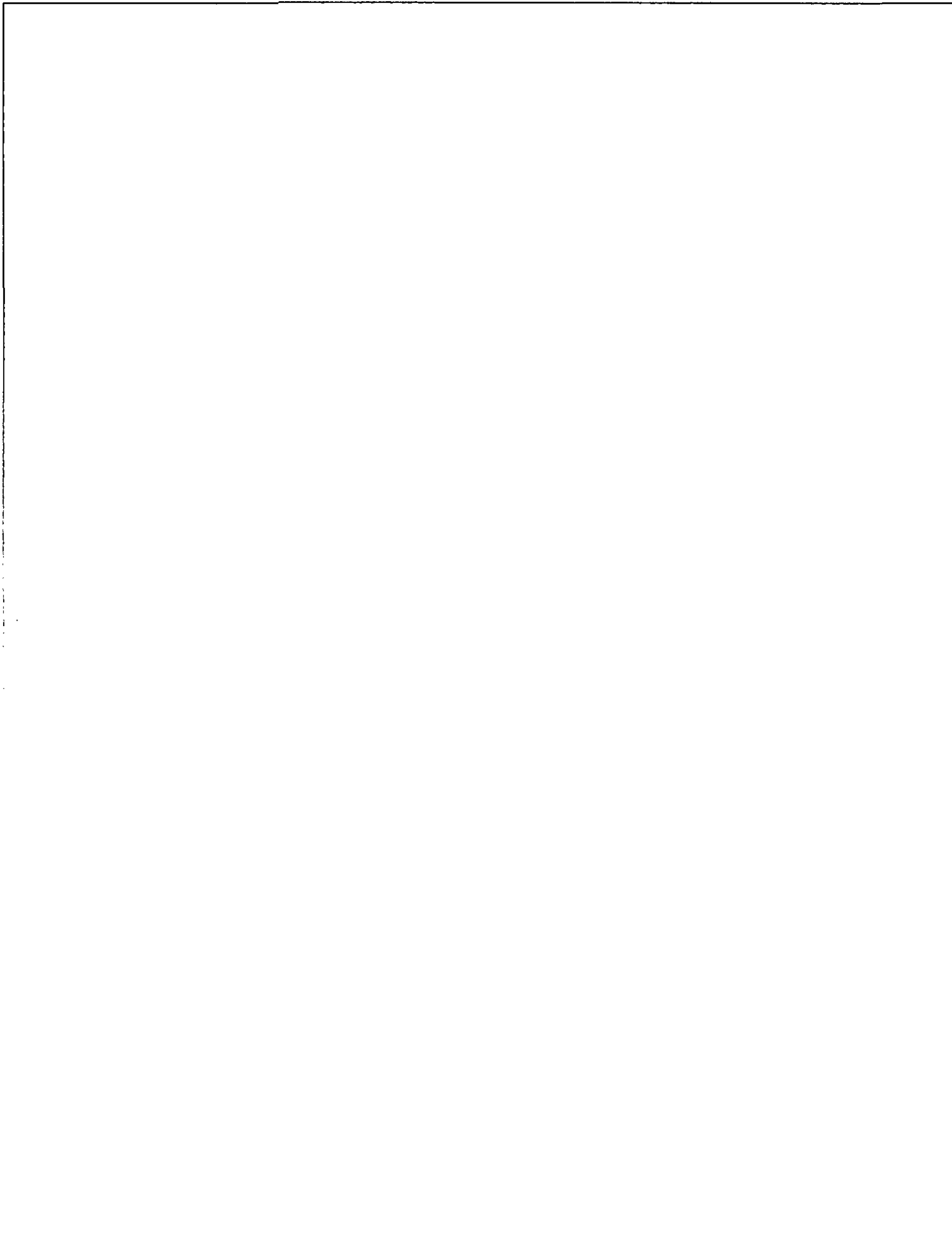
General Liability

- Total Expenditures: \$19,677,361
- Total Future Liability: FY 2011-12 (\$17,473,000), FY 2012-13 (\$18,548,000)
- Number of Reported Claims and Lawsuits: 814

Workers' Compensation

- Total Expenditures: \$22,529,184
- Total Future Liability: FY 2011-12 (\$24,499,000), FY 2012-13 (\$26,944,000)
- Number of Claims Received: 630





RECENT ACCOMPLISHMENTS

Insurance Recovery Program — initiated in 2008, the Risk Management Division has collected over \$373,000 in 3rd-Party recoveries where previously, only limited recovery efforts were being pursued by PWA or the City Attorney's Office. The program, including both 1st- and 3rd-Party recoveries, has recovered more than \$10.8 Million to date. More detailed information about the recoveries can be found in the Insurance Recovery section of this report, at pages 6-7.

Loss Response Team — In partnership with our insurance pool JPA, CSAC-EIA, the Risk Management Division developed a prompt response/recovery plan for significant losses such as floods, fires, or other costly events. In the last three years, Risk Management has responded to four floods at the Oakland Museum of California, two floods at the Police Administration Building, three floods at Frank H. Ogawa Plaza, and a flood at the Temescal Library. All events required the coordination of cleaning/restoration personnel, environmental consultants, disposal services, etc.

Accident Review Committee (ARC) — The role of the ARC is to review every vehicle accident within a department, regardless of who is at fault, determine whether the accident was preventable, and identify ways to mitigate future, similar, accidents. The Committee is comprised of representatives from Risk Management, Employee Relations, departmental supervisors, and the ARC Departmental Chairperson. The ARC makes recommendations to the Department, which the Department may choose to implement. If an employee is involved three preventable accidents within a three-year period, Employee Relations may impose disciplinary action.

Annual Integrated Disability Summit — Hosted the 4th Annual Risk Management Summit, a forum for City human resources and disability professionals, to discuss common concerns and program responsibilities for creating a more streamlined disability process for departments and employees. Included sessions led by Workers' Compensation counsel, consultants, and key City staff.



Accomplishments

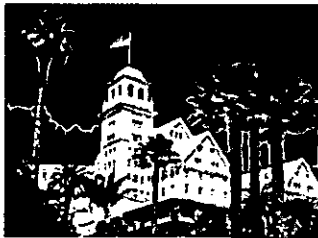
RECENT ACCOMPLISHMENTS (continued)

Embedded Risk Management Services — RMD is always exploring opportunities and options for introducing innovations that can reduce the City's financial and risk exposure. We frequently work behind the scenes, providing support and funding to departments that have interests in furthering these goals. For example, RMD staffs two positions in the Police Department to manage their internal medical office, and a safety consultant (2/3 time) in PWA to assist with their internal safety program.



Ergonomics Program — The Ergonomics Program continues to be a key element in the reduction of repetitive strain injuries, and the reduction of costs associated with those long-term injuries. Consultations with the City's ergonomic consultant, and ergonomically-designed equipment such as chairs, keyboards, keyboard trays, and mice are made available to every City employee.

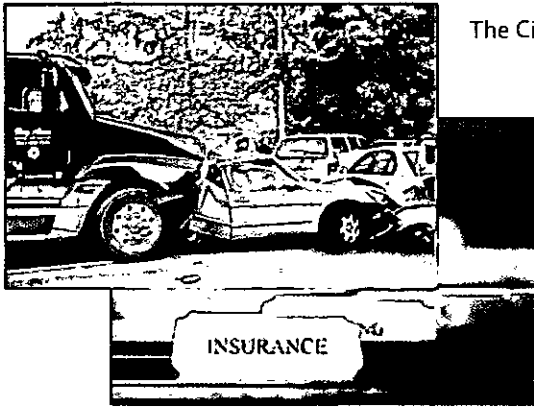
Company Nurse — The Company Nurse Injury Hotline was introduced as a pilot program in the Police Department, the Public Works Agency, and the Parking Division of the Finance and Management Agency in April 2010. The injury hotline is a toll-free, 24/7/365 contact center for employees and/or their supervisors to call whenever there is a workplace injury. Company Nurse is staffed by registered nurses who optimize care for the injured worker by referring him/her to the most appropriate, cost-effective level of care — whether it is the ER, a clinic, or providing first aid or self-care guidelines. Using an injury hotline enables the City to quickly capture and distribute comprehensive injury information, and launch a coordinated response by claims adjusters, Risk Management, and the City's return-to-work coordinator and enable each person to optimally affect the outcome of the injury claim.



Policy Development — in FY 2009-10, the Risk Management Division reviewed and updated, as necessary, 19 Administrative Instructions for which it is directly responsible.

Among the areas addressed were vehicle safety procedures, workplace violence, ergonomics, hazard communications, occupational safety, workers' compensation and fringe benefits, medical care, loss of City assets, protective equipment, and background checks.

INSURANCE RECOVERY



The City receives monies for damage recovery from two sources:

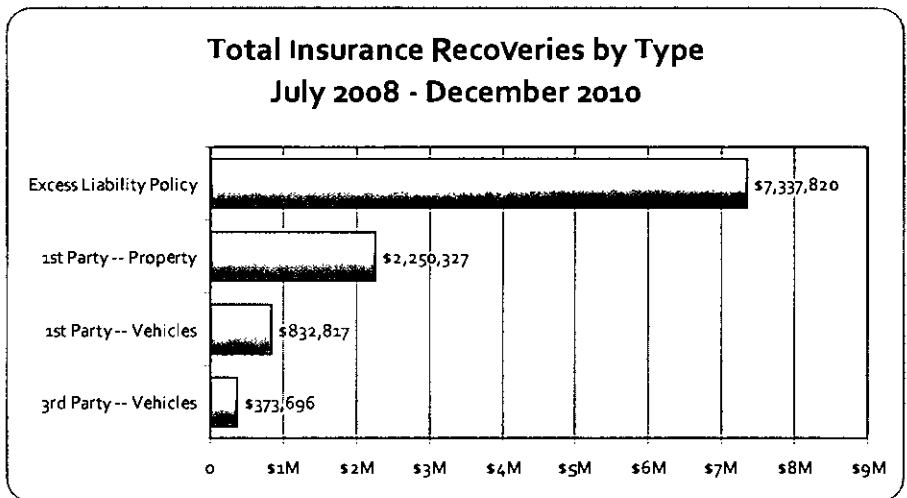
- City-Purchased Insurance Policies ("1st Party")
- From individuals who damage City property, or their insurers ("3rd Party")

Recoveries are related to damage to vehicles and buildings.

In addition to property damage-related recoveries, the City has also received monies for our General Liability expenses in excess of our self-insured retention.

Risk Management created the Insurance Recovery Program in response to concerns that money that the City was entitled to recover was going unclaimed because the affected agencies and departments lacked sufficient staff to pursue collections.

Since starting the program in July 2008, Risk Management has collected nearly \$10.8 Million.



How the Insurance Claim Recoveries are Used — Money received from an insurance claim for property damage may be used to repair or replace the property that is the subject of the claim. If the damaged property is leased, priority is given to the payoff of that lease. The remaining recoveries are then made available for the repair or replacement of the property. (See, City of Oakland Resolution No. [82763](#).)



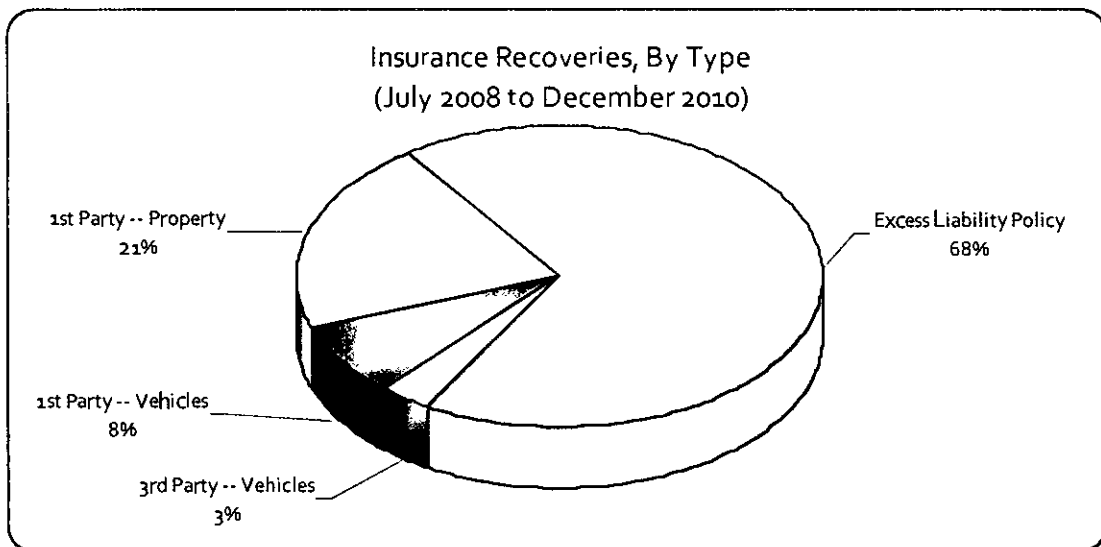
What Happens if the Damaged Asset is not Repaired or Replaced — Funds for the repair or replacement of a damaged City asset are available for up to 12 months after they are received. Funds that are not used within that time are used to offset the negative balance (if any) in the fund where the damaged property was budgeted. If there is no negative balance, the funds revert to the General Purpose Fund Balance (Fund 1010).

Insurance Recovery

Excess Liability Claims – Monies received from the City's Excess Liability Insurer (CSAC-EIA/Lexington) are used to offset the financial impact of general liability claims filed against the City, which are paid from the Self Insurance Liability Fund (Fund 1100). Claims are filed with the insurer when the total incurred value of the claim is likely to exceed our self-insured retention of \$4,000,000.



Since starting the Insurance Recovery Program in July 2008, Risk Management has recovered nearly \$10.8 Million for damage to City assets. Of that amount, 29% was for 1st Party property or vehicle damage.

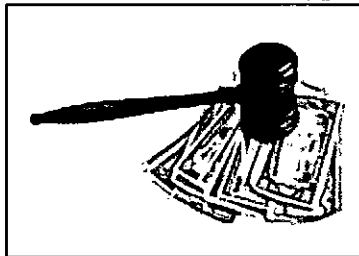


GENERAL LIABILITY

This section sets forth the findings of the Risk Management consulting firm, Bickmore Risk Services & Consulting (BRS), who analyzed the City's historic loss information for the development of cost allocation amounts for Fiscal Years 2011-12 and 2012-13. The data was provided by the City Attorney's Office.

The BRS findings should be used as a basis for determining the departmental Self-Insurance Fund (Fund 1100) budget for the FY 2011-13 Budget Cycle.

The General Liability payouts for Fiscal Years 2011-12 and 2012-13 are projected to be \$17,473,000 and \$18,548,000, respectively. (See Appendix A: Actuarial Review of the Self-Insured Liability Program; Outstanding Liabilities as of June 30, 2010 and June 30, 2011, Forecast for Fiscal Years 2010-11 through 2015-16. See also, Exhibit 2 to this document, Pages 31-32, which can be made available electronically upon request to the Risk Management Division.)



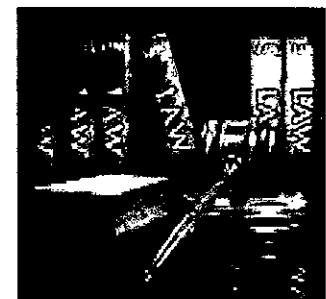
Departmental Allocations — The Budget office should allocate the amounts shown in the table below to each department in the Fiscal Year 2011-13 Budget. The proposed budget includes expenditures associated with the management and development of claims. These costs include, but are not limited to, contracted investigators, outside counsel, and expert witnesses.

Note that this amount does not factor in the cost of Excess Liability Insurance, which should be budgeted for separately.

Department	ACTUARIALLY PROPOSED BUDGET			
	Allocated Percent of Projected Loss (2011-12)	Projected Loss (2011-12)	Allocated Percent of Projected Loss (2012-13)	Projected Loss (2012-13)
Police Services Agency	30.21%	\$5,279,220	30.21%	\$5,604,017
Fire Services Agency	6.71%	\$1,172,080	6.71%	\$1,244,190
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TOTAL	100.00%	\$17,473,000	100.00%	\$18,548,000

The funding recommended by BRS relates specifically to the payment of projected losses on General Liability claims during the course of the fiscal year. For Fund 1100, it is recommended that the FY 2011-13 Budget contain these projected losses, as well as excess insurance, and other administrative expenses.


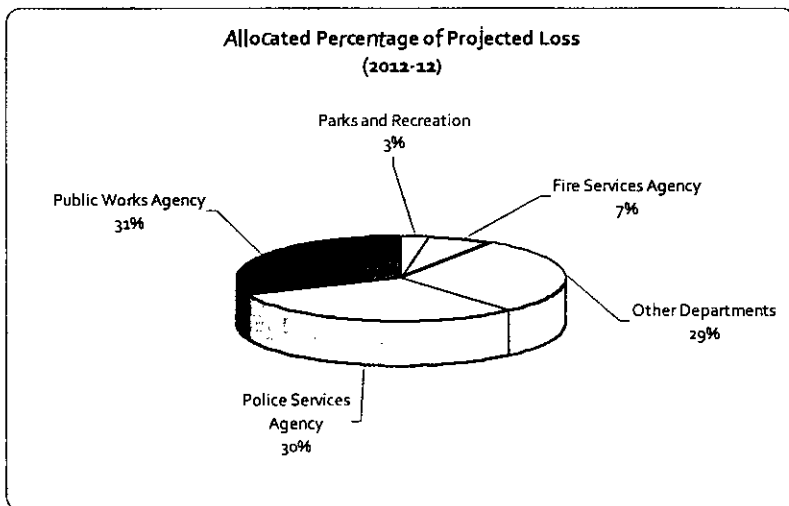
The primary goals of the Risk Management Cost Allocation Plan are to allocate and appropriate funds that will cover the City's risk funding needs, and charge the losses equitably. Because the charges for the losses are based on actual loss experience, there is an incentive for all departments to improve their risk management practices.



Citywide Overview
— General Liability

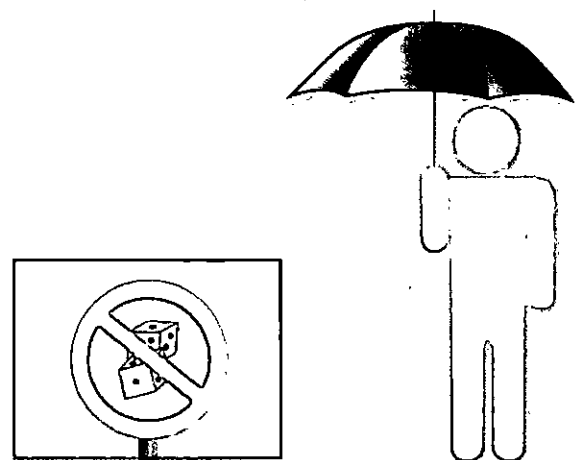
Use of the Self-Insurance General Liability Fund (Fund 1100) — Each year, the Risk Management Division retains a consultant to analyze the City's historic loss information. The results are used to establish the Self-Insurance Fund budget (Fund 1100).

The following percentages of projected losses were based on historic loss information in Fiscal Year 2010-11.

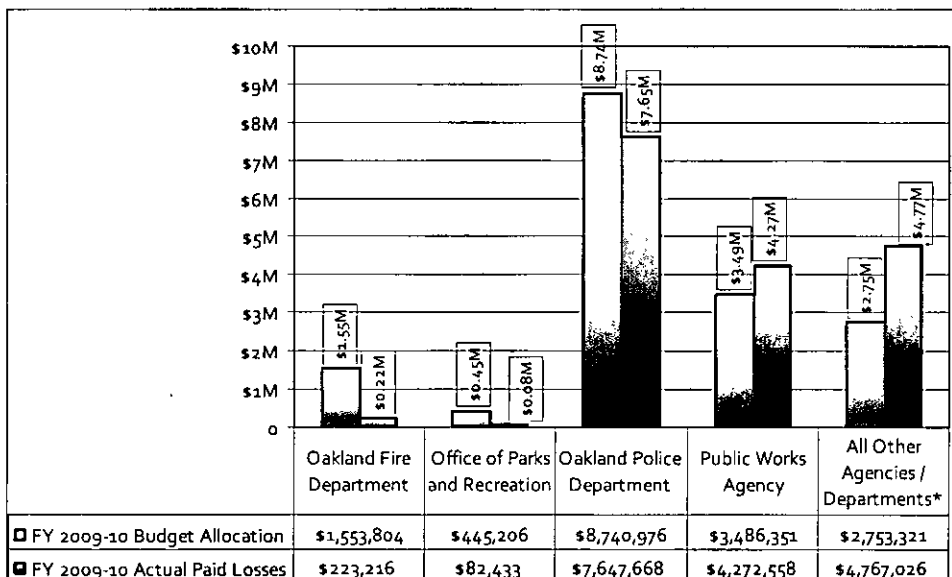
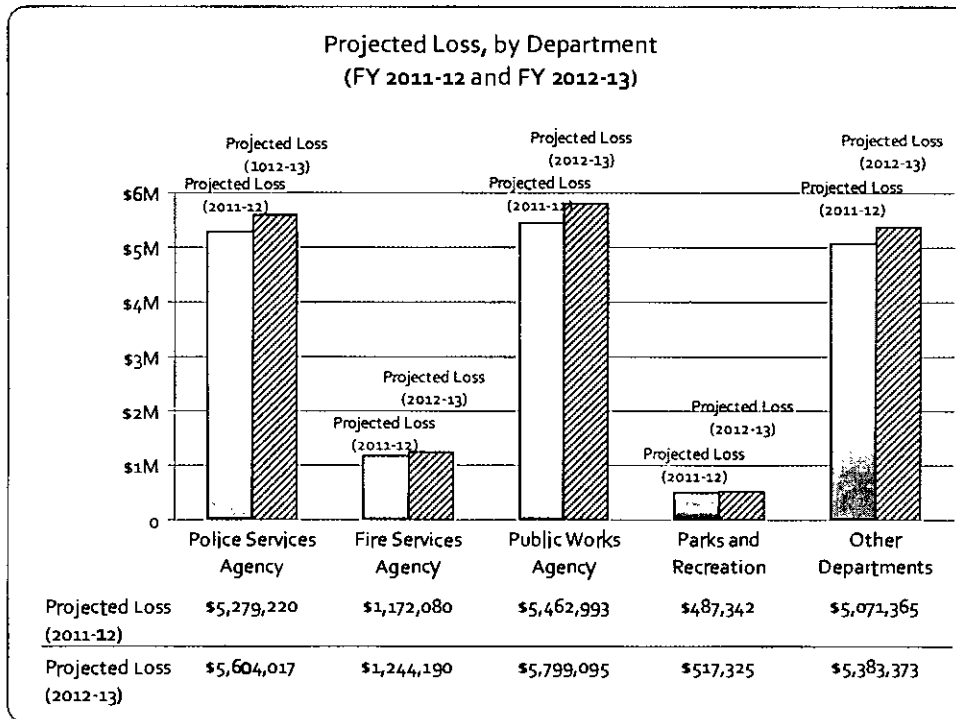


Implemented in 2004, at the direction of Council, the allocation is modeled after the Risk Management Cost Allocation Program used by the City of Phoenix, Arizona.

Funds to pay General Liability claims are allocated to the Oakland Police Department, Oakland Fire Department, Public Works Agency, and Office of Parks and Recreation.



The following graph shows the projected losses for FY 2011-12, by Department:



As shown in the table at the left, the Fire Department, Office of Parks and Recreation, and the Police Department stayed within the amount budgeted for General Liability losses during Fiscal Year 2009-10. The Public Works Agency and the balance of the City's Departments, combined, exceeded their budgets.

Actual Paid Losses include payouts on claims and lawsuits, outside counsel, and litigation costs. It does not include the cost of insurance, which should be budgeted separately.

*Note: City Attorney's Office litigation staff costs are included in these figures.



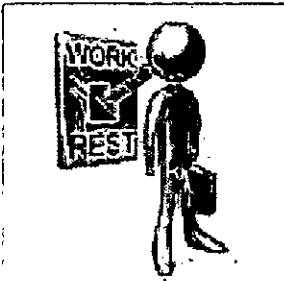
WORKERS' COMPENSATION

The City's Workers' Compensation Program is comprised of several program elements:

The City's Workers' Compensation Program is comprised of several program elements: The effectiveness of this program hinges on the contributions of three groups:

- Department-Based Coordinators
- The City's Third-Party Administrator (JT2 Integrated Resources)
- RMD Workers' Compensation Program Coordination

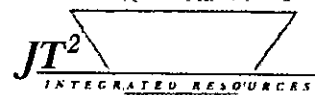
Monthly meetings are held to address active claims, including: identifying injured employees who are eligible for transitional work assignments (light duty); cases in need of higher levels of investigation; cases where legal referral is needed; and potential retirement cases. Quarterly file reviews address longer-term or complex cases, and focus on defense strategies for resolution of cases in litigation.



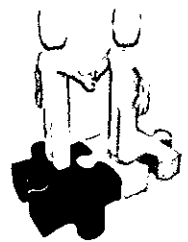
Comprehensive Transitional Duty (Early Return-To-Work) Program — This program enables injured employees to return to work performing meaningful tasks that are within physical restrictions set by their physician. These assignments are meant to provide an opportunity for the employee to "transition" back to their regular work duties. However, if the injury significantly impacts the employee's ability to return to their usual job duties, the employee is referred to the City of Oakland's Equal Opportunity Programs Division (EOPD). EOPD administers the City of Oakland's Americans with Disabilities Act (ADA)/Fair Employment and Housing Act (FEHA) programs.

Return-To-Work programs are effective at controlling Workers' Compensation costs. The City's Early Return to Work Program resulted in savings for Fiscal Year 2009-10 of \$1,054,855. That is the amount the City would have paid to employees if they had stayed at home instead of coming back under the Early Return-To-Work program.

Active Partnership with a Third Party Administrator — The City contracts with a third party administrator, JT2 Integrated Resources, to manage the regulatory and technical aspects of the City's Workers' Compensation claims, including state claims reporting requirements.



In its annual performance review for Fiscal Year 2009-10, conducted by BRS, JT2 earned a 91% rating in its overall claims administration. This rating is well within established contract guidelines, and demonstrates an overall improvement of 6% over the 85% achieved in the last audit. In particular, BRS found that the JT2's assignment of two successive adjusters per file, along with support from its Technical Specialty Unit, provided the City with high-level claims adjusting expertise for complex claims. The audit reflects that JT2 achieved a rating of 82% for the setting of adequate reserves for each claim. The goal is 85%. All files needing correction have been addressed. In evaluating each individual file, JT2 found overall reserve accuracy on the City's program.

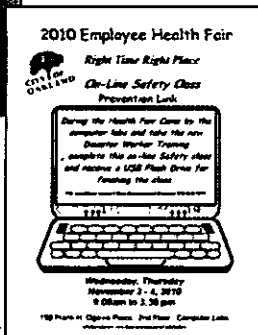


Pages 1-12 of the BRS audit and JT2's response are attached as Appendix D and Appendix E, respectively. The full audit report is available for review in the Risk Management Division office upon request.

Citywide Overview
— Workers' Compensation

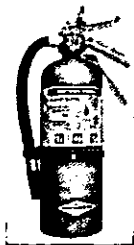


Safety and Loss Control — The City's safety programs are designed in response to claims activity within departments, as well as OSHA-mandated trainings.



Loss control efforts are promoted through the Ergonomics Program, targeted Safety and Loss Control Programs, OSHA Compliance Programs, and a Defensive Driving Program.

PreventionLink, a web-based training program, has proven effective at reaching a significant number of employees. Introduced in 2008, the roster includes more than 100 safety and wellness courses designed specifically to meet State and Federal OSHA regulatory requirements. Managers and supervisors are able to assign courses to their staff, and track the status of completion. Because the courses are on-line, staff are able to take the required courses as their schedules allow. To date, employees have completed more than 4,050 courses.



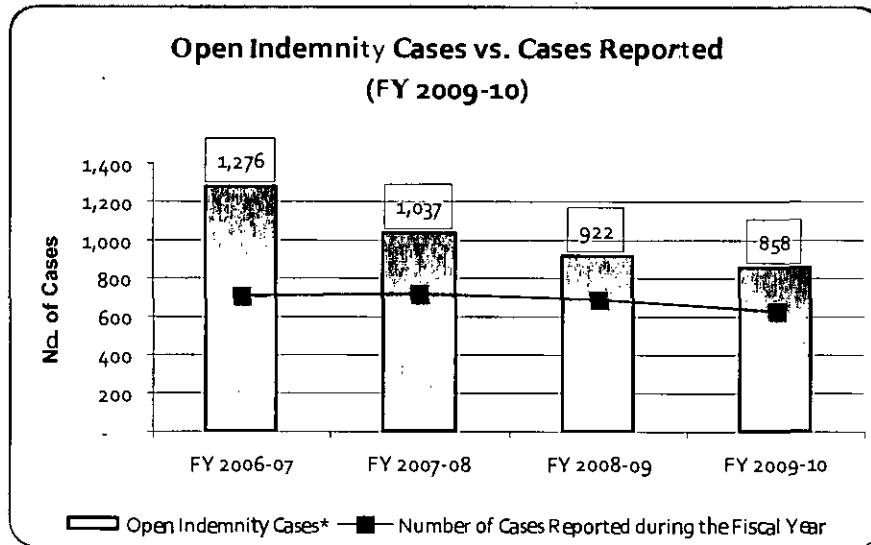
Annual Risk Management Disability Summit — This Summit serves as an interdisciplinary educational opportunity for City professionals who administer the City's disability programs. Participants examine past and existing program efforts and redirect them, as appropriate, to align them with industry innovations and best practices. Select session topics include current events and special interest areas.

Participants explore the interrelationship among Workers' Compensation, long-term disability, and disability retirement issues, loss prevention, employee training opportunities, litigation management, and medical management. First held in 2007, returning participants include:

- Finance and Management Agency
- Oakland Police Department
- Oakland Fire Department
- Office of Personnel
- Equal Opportunity Division
- Third Party Administrator
- The City's Insurance Broker
- Outside Workers' Compensation Counsel
- Disability Management Services Consultants
- The City's contracted Medical Services Provider



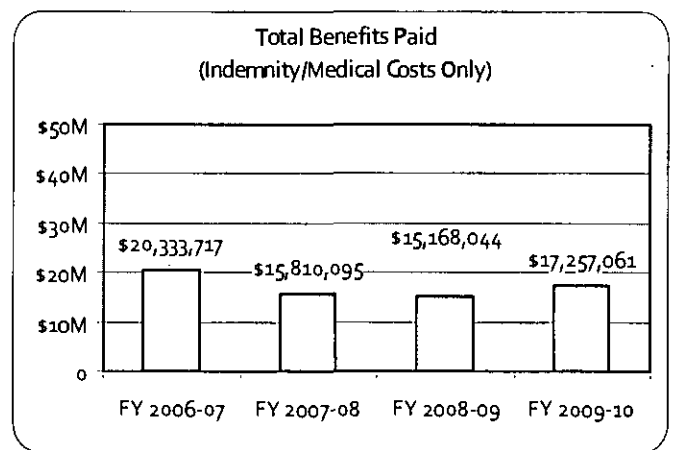
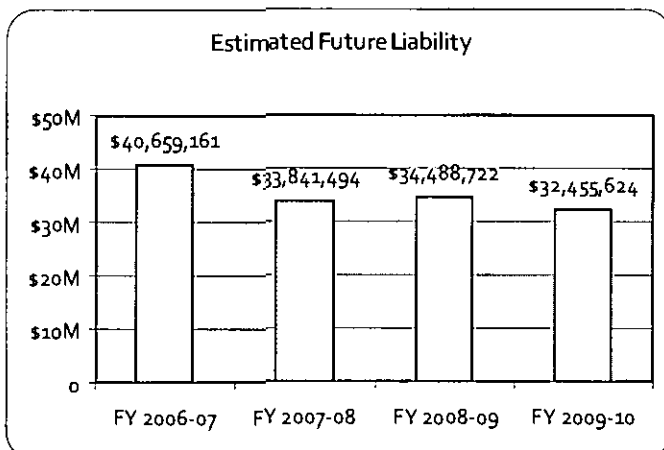
Continued Focus on Closure of Old Claims — In 2006, Risk Management began to focus on the number of open claims. As a result, the number of open indemnity cases has been reduced by 33% over the last four fiscal years, even though the number of cases reported has decreased just 12%.



The primary method of getting a claim to closure is to seek permanent disability ratings from the State Workers' Compensation Appeals Board, and negotiate a compromise and release settlement that relieves the City from any future liability. Employees are able to retain the right to future medical care for their injuries if they do not agree to a compromise and release settlement.

Estimated Future Liability — Estimated Future Liability is the amount it would cost to pay and close each claim as it is reserved June 30 of a fiscal year. Consistent with the decline in the number of Open Indemnity cases, the City's estimated Future Liability also declined — 20% over the last four fiscal years, from \$40,659,161 in FY 2006-07 to \$32,455,624 in FY 2009-10.

The Estimated Future Liability and the Total Benefits Paid during the period FY 2006-07 to FY 2009-10 are shown in the following charts:



Citywide Overview
— Workers' Compensation

Oakland Police Department — The FY 2009-10 Estimated Future Liability figure remains slightly skewed due to the residual effects of the tragic police officer shooting deaths on March 21, 2009. The remaining Estimated Future Liability for cases related to that incident is \$1,725,877. Without the events of that day, the City's Estimated Future Liability would be \$30,729,747.

Because all cases stemming from the March 21, 2009 event are considered a single occurrence, the City's Excess Workers' Compensation Insurance Policy capped the City's fiscal liabilities at \$750,000, and will provide coverage for expenses in excess of that amount up to \$100 million.



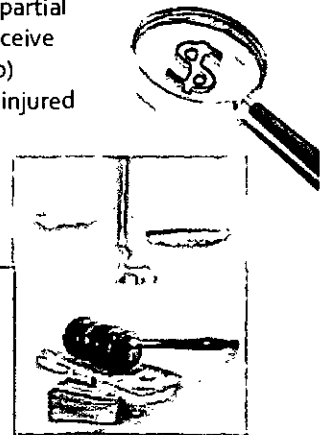
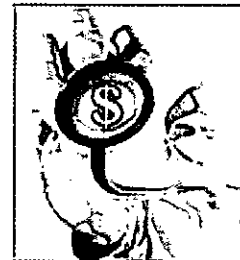
WORKERS' COMPENSATION PROGRAM EXPENDITURES

The following sections provide information about overall Workers' Compensation Program expenditures for Fiscal Year 2009-10, including indemnity expenses, medical expenses, and allocated expenses.



Types of Workers' Compensation Program Expenditures — The City's Workers' Compensation expenditures are captured in several key categories:

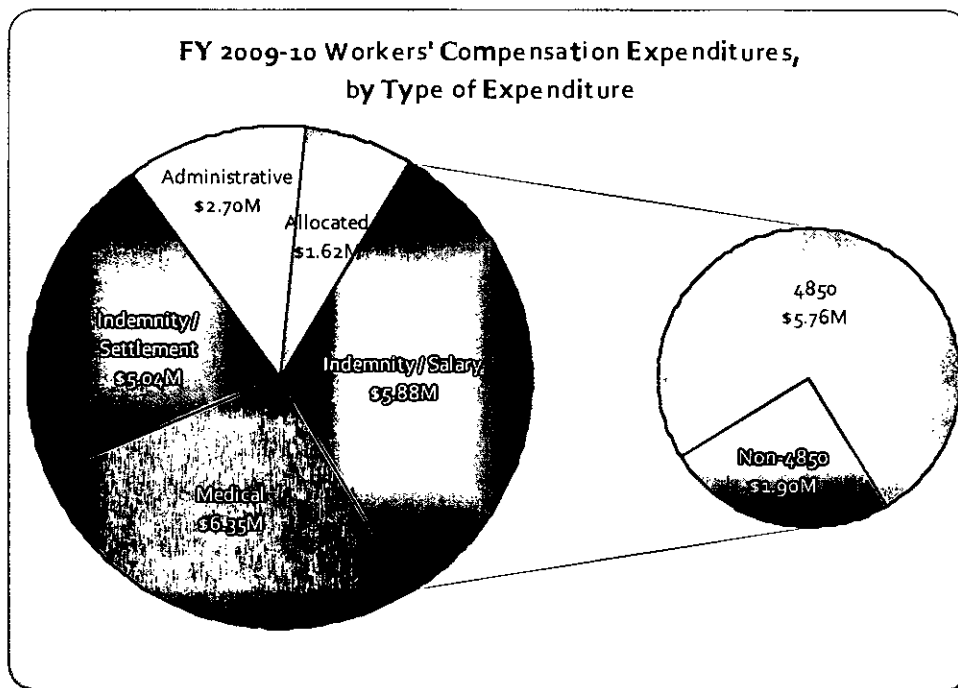
- **Indemnity / Settlement** (settlements are paid in situations where the injury results in a permanent disability).
- **Indemnity / Salary** (Includes the State-mandated disability pay and MOU negotiated salary supplement (full pay) paid to employees. The state mandated "temporary total disability" partial pay (TTD), is paid when the employee is temporarily totally disabled. Eligible employees receive the MOU full-pay benefit instead of the state partial salary TTD. Labor Code 4850 (LC4850) Expenses are a statutory full-pay benefit afforded to sworn employees. LC4850 allows the injured employee to receive up to one full year of salary, tax-free, with the appropriate medical verification.
- **Allocated** (includes expenses for rehabilitation services, legal fees paid to defense counsel, and investigative services fees (e.g., investigators, witness fees, depositions, arbitrators, and interpreters).
- **Medical** (includes all medical expenses related to treatment of the injury, including diagnostics, physical therapy, durable medical equipment, prescriptions and surgery, and in/out hospital patient care.
- **Administrative** (includes costs associated with administration of the Workers' Compensation Program)



Workers' Compensation Expenditures, 2009-10 — The pie chart below shows the City of Oakland's Workers' Compensation expenditures for FY 2010.

4850 Pay is the total amount paid to Sworn employees (Police and Fire), as required by State of California Labor Code §4850.

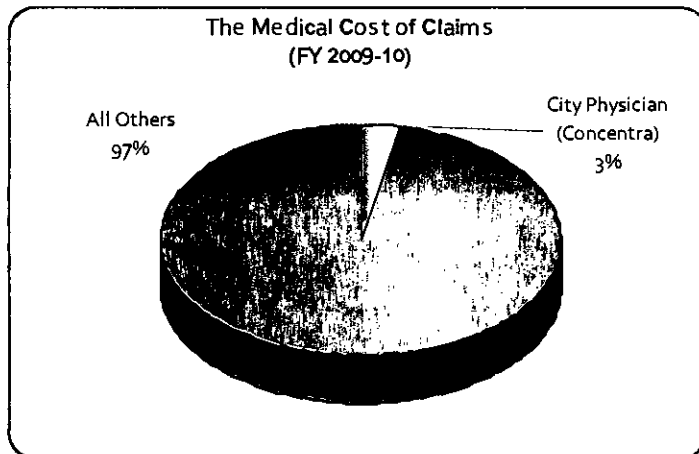
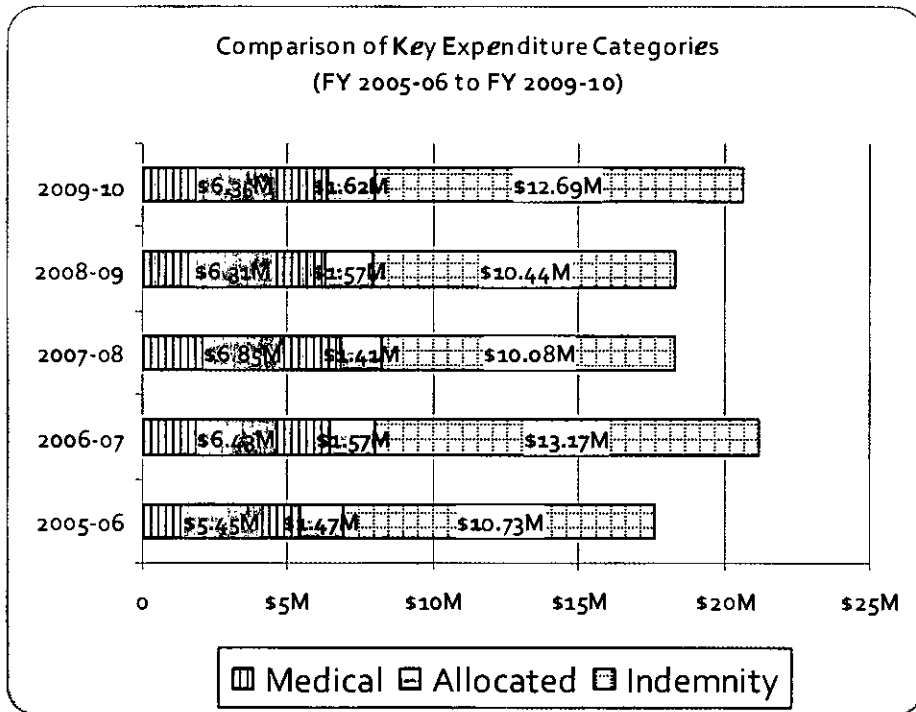
Non-4850 Pay is the amount paid to Civilian employees as required by the State of California Labor Code for Workers' Compensation benefits, plus the negotiated salary supplement (full pay benefit) contained in the City of Oakland Memorandum of Understanding with the City's various labor units.



Citywide Overview
— Workers' Compensation

The graph below shows a five-year history of expenditures for Medical, Allocated, and Indemnity expenses. (Indemnity expenses include settlement, 4850, and non-4850 expenses.)

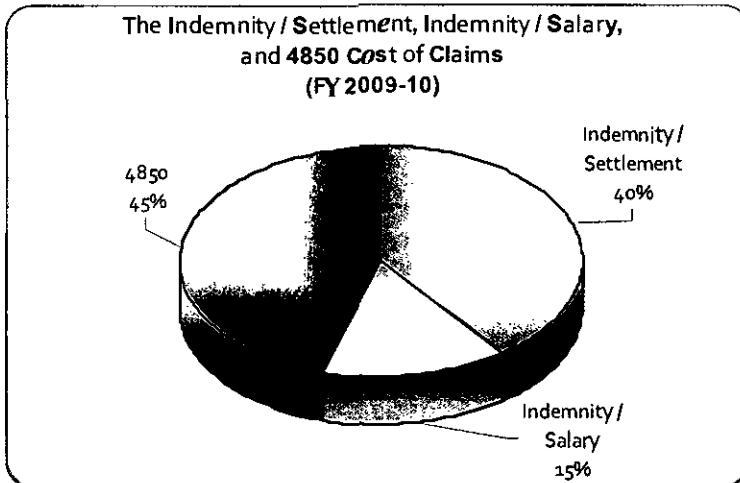
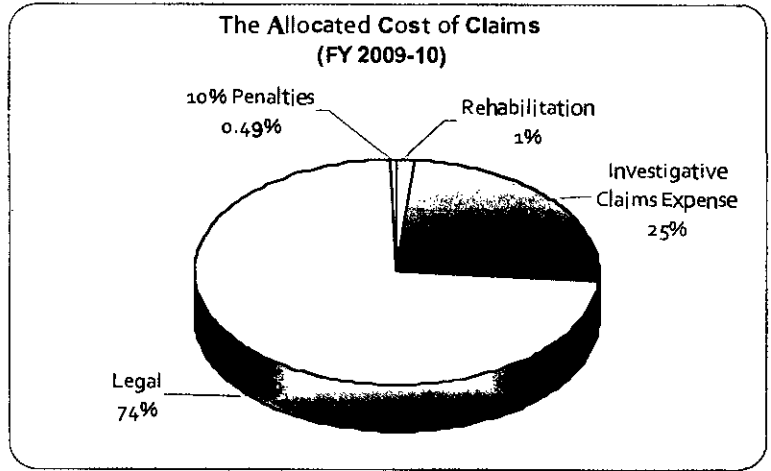
A comparison of the last five years of Workers' Compensation expenditures shows that total costs have increased an average of 12%. The FY 2009-10 total Workers' Compensation expenditures increased 11.2% over the previous year's expenditures.



The chart on the left shows percentages of the \$6,346,345 paid for the Medical costs for all claims, regardless of year filed, during Fiscal Year 2009-10. Medical costs paid to the City Physician, Concentra, totaled \$187,662. The medical costs paid to All Others was \$6,158,683.

Allocated expenses include expenses for defense attorneys, investigations, witness fees, depositions, arbitrators and interpreters. The City has established protocols to investigate suspicious claims. Investigators are used to help determine claim compensability and uncover potential fraud.

It has been five years since the legislature began tightening controls over employees' access to medical care for workers' compensation injuries. The result has been increased litigation. The City incurs legal costs when required to defend the City before the Workers' Compensation Appeals Board.

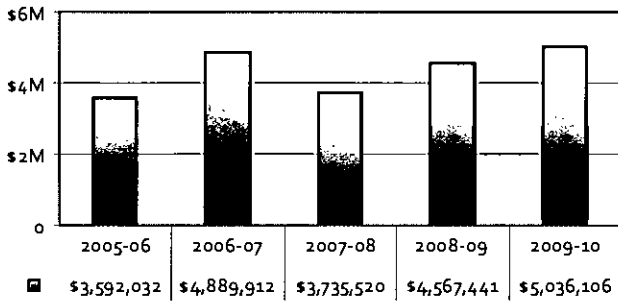


The chart on the left shows the percentages of the \$12,693,505 paid for Indemnity / Settlement, Indemnity/Salary, and 4850 expenses for claims during Fiscal Year 2009-10.

Citywide Overview
— Workers' Compensation

The following graphs show five-year histories of each of the key categories of Workers' Compensation expenses:

Indemnity / Settlement



INDEMNITY / SETTLEMENT EXPENSES

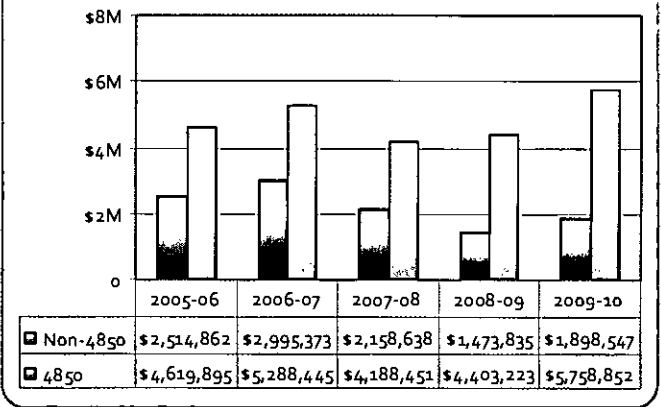
The graph on the left shows a five-year history of indemnity expenses paid for the settlement of claims where the injury has resulted in some level of permanent disability for the employee.

INDEMNITY / SALARY EXPENSES

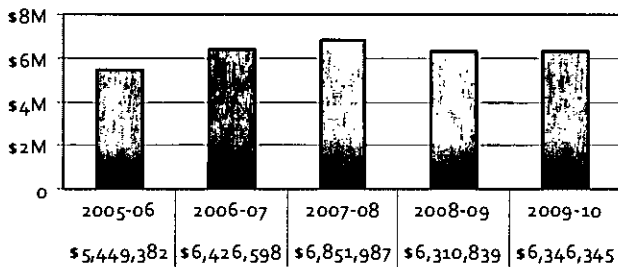
The graph on the right shows a five-year history of indemnity expenses paid for salary related to claims. Indemnity / Salary Expenses are divided into two categories: 4850 and Non-4850.

For non-4850, cost drivers are linked to both negotiated pay increases and to the SAWW. For 4850, full pay costs are driven by negotiated increases in sworn salaries.

**Indemnity / Salary
(4850 and Non-4850)**



Medical



MEDICAL EXPENSES

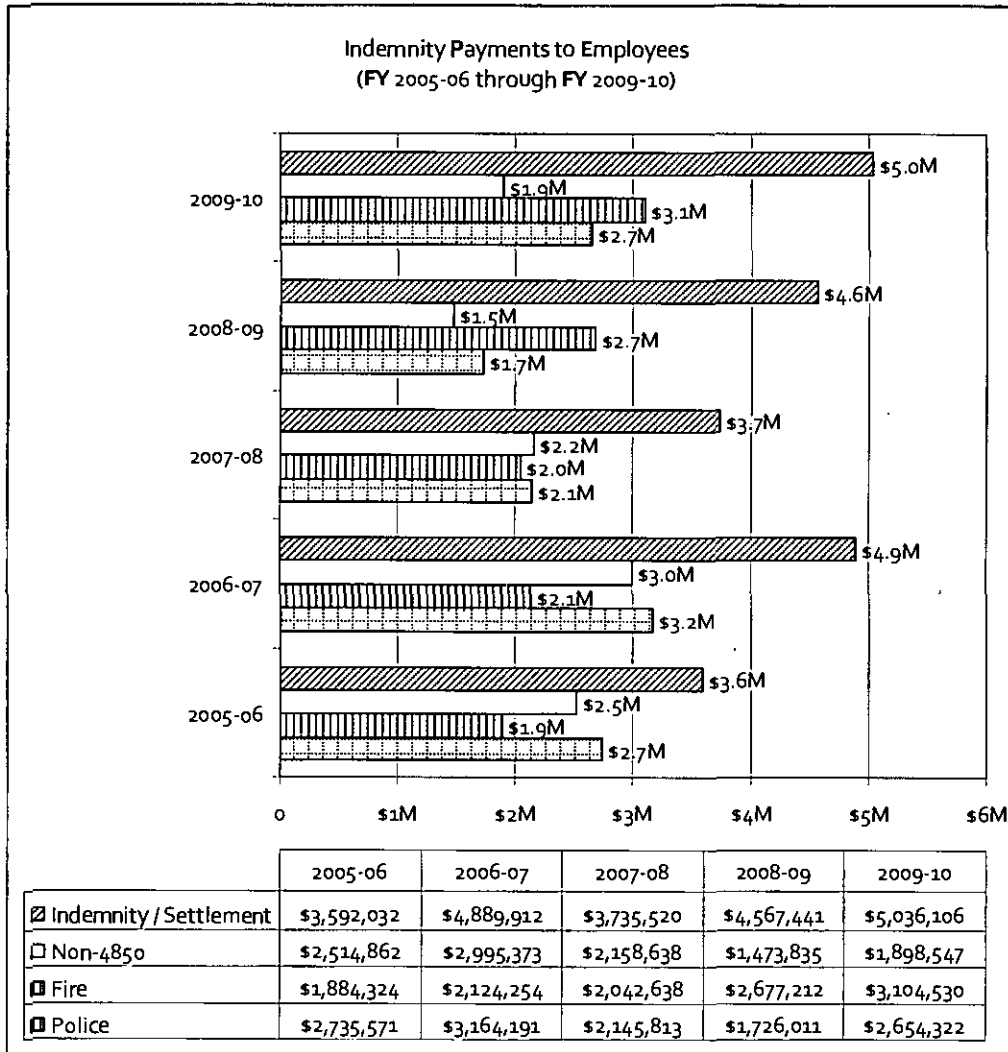
The graph on the left shows a five-year history of medical expenses associated with all workers' compensation claims.

In FY 2009-10, the City medical expenditures costs remained virtually flat at \$6.35M. This holding down of costs is directly attributable to the ongoing aggressive medical management and monitoring on the part of the City's Third Party Administrator.

**CITY OF OAKLAND
RISK MANAGEMENT ANNUAL REPORT
FISCAL YEAR 2009-10**

*Citywide Overview
— Workers' Compensation*

Indemnity Payments to Employees — The table below provides a five-year history of indemnity payments to the City's employees:



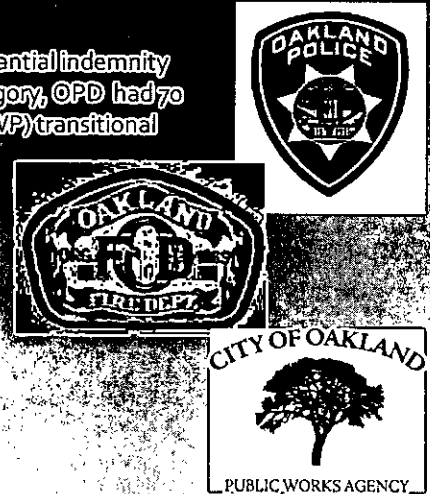
A major factor in controlling indemnity payments to employees is the Return-to-Work Program. The City realizes considerable financial savings by having employees return to work and performing Transitional Duty tasks, rather than taking days off work due to injury.

Citywide Overview
— Worker's Compensation

RETURN TO WORK PROGRAM

In 2009-10, the City's three largest departments and largest claim producers realized substantial indemnity salary savings through the Return-to-Work Program. In the indemnity/4850 expense category, OPD had 70 employees who were medically cleared to participate in the Return-to-Work Program (RTWP) transitional assignments which resulted in indemnity/4850 savings of \$699,899. During that same period Fire had 29 employees cleared to participate in the RTWP, which resulted in savings of \$112,756.

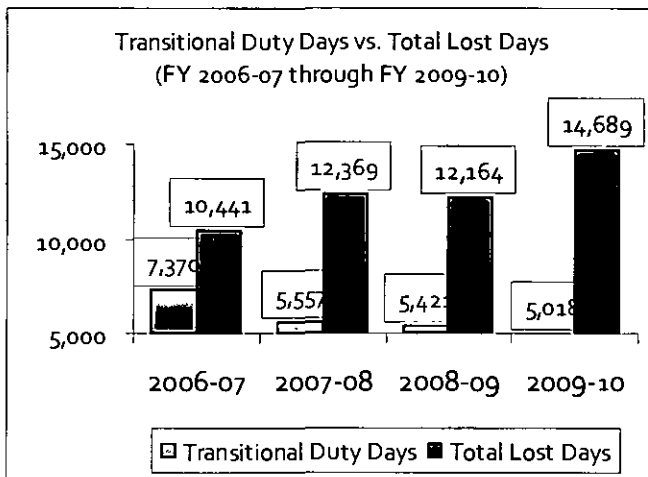
In the non-4850/indemnity category, Public Works had 41 employees medically cleared to participate in the Return-to-Work Program, which resulted in indemnity/ID and salary continuation savings of \$185,300.



The ability of the injured employee to return to a transitional duty assignment is contingent upon the severity of the injury, and the physician providing work-related restrictions. Risk Management and the Third Party Administrator work diligently and in concert to place injured employees in transitional duty assignments whenever medically possible. The Third Party Administrator requests work restrictions from the physician at every medical appointment.

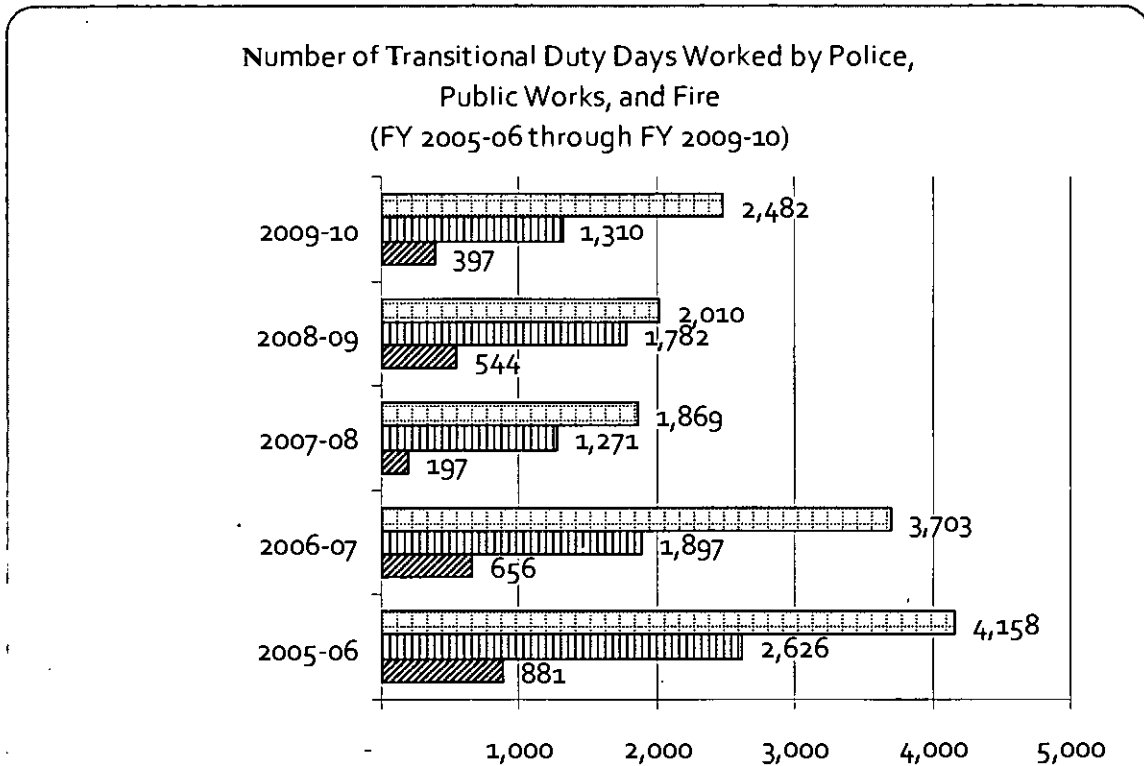
While the City advises all doctors treating our employees that the City has an aggressive Return-to-Work Program, it remains the doctor's prerogative to take the injured worker off work completely. However, the City's cost avoidance attributable to the transitional duty performed through the Return-to-Work Program, remains significant, totaling \$4.96 million over the last four years.

As the City/Third Party Administrator becomes more aggressive in our Return To Work efforts, so increases the collusive efforts of the injured workers and their doctors to keep employees off work. Their redoubled efforts are evidenced in the reduction of overall transitional duty days over the last three years. RMD is collaborating with the Third Party Administrator and defense attorneys to develop strategies to reverse this trend and not run afoul of the laws protecting injured workers.



Indemnity Savings	
2006-07	\$ 1,508,997
2007-08	\$ 1,203,909
2008-09	\$ 1,188,189
2009-10	\$ 1,054,855

The chart below further breaks down each year's transitional duty days, showing the number of transitional duty days worked by injured employees in three largest users of the Transitional Duty Program — the Police Department, Fire Department, and the Public Works Agency.



	2005-06	2006-07	2007-08	2008-09	2009-10
☐ Police Employees	4,158	3,703	1,869	2,010	2,482
▨ Public Works Employees	2,626	1,897	1,271	1,782	1,310
▩ Fire Employees	881	656	197	544	397

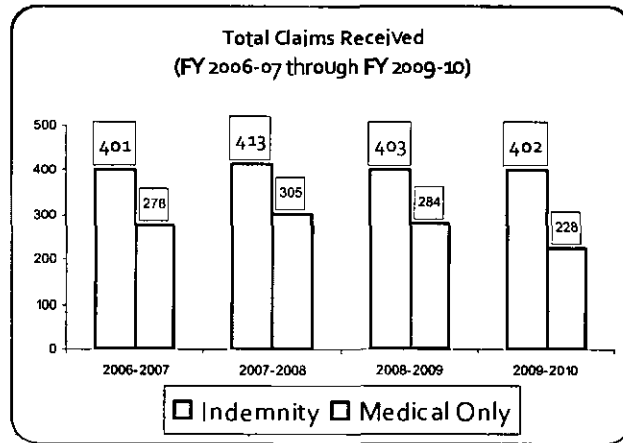
Citywide Overview
— Workers' Compensation

TOTAL CLAIMS RECEIVED

The table below shows the total number of Workers' Compensation claims reported over the past five years. The bar chart shows the data divided into indemnity claims and medical-only claims.



Total Claims Received	
2006-07	679
2007-08	718
2008-09	687
2009-10	630

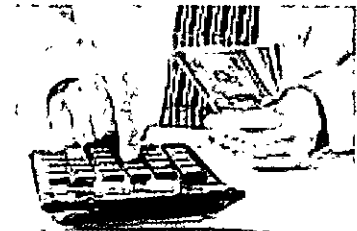
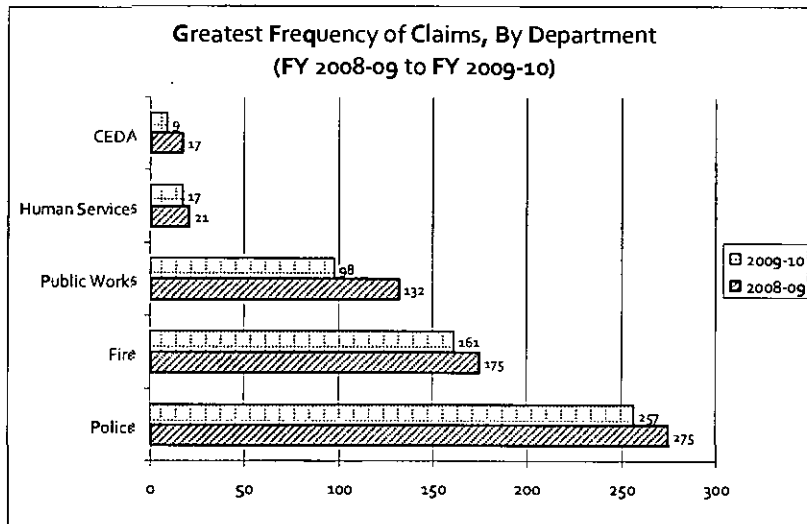


Indemnity cases are those cases in which an employee lost work time in excess of three days. Medical-only cases are those in which the employee lost three days or less from work.

Reported indemnity cases remained nearly unchanged, while medical-only cases decreased approximately 20%. Over the past five years, both indemnity cases and medical-only cases have shown a net decrease. The total number of claims reported is down by 8% for the year.

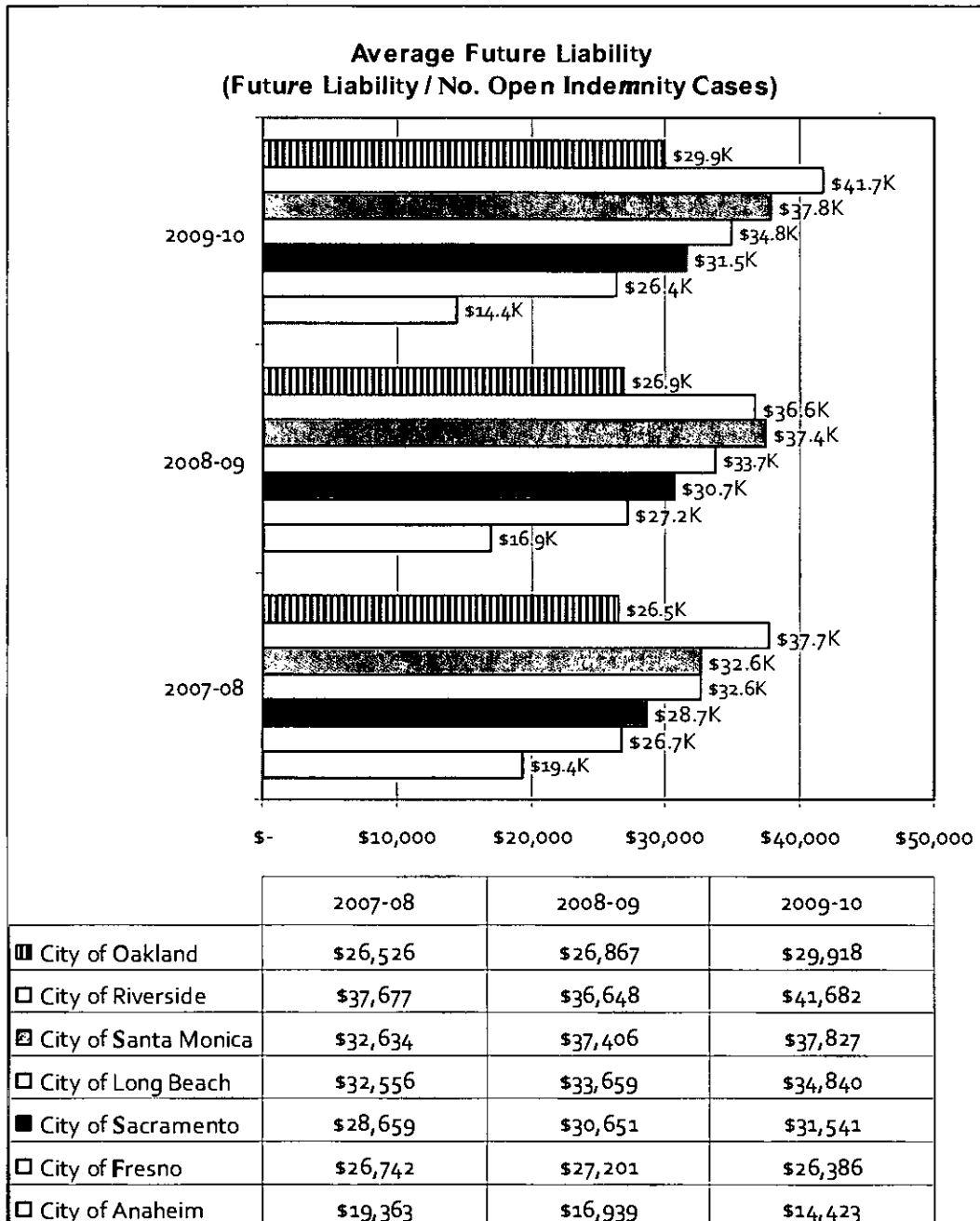
Greatest Frequency of Claims, by Department

The following table shows the number of claims filed by the five agencies and departments posting the highest number of injuries. The Risk Management Division continues to analyze data to identify where additional injury reduction strategies would help control losses.



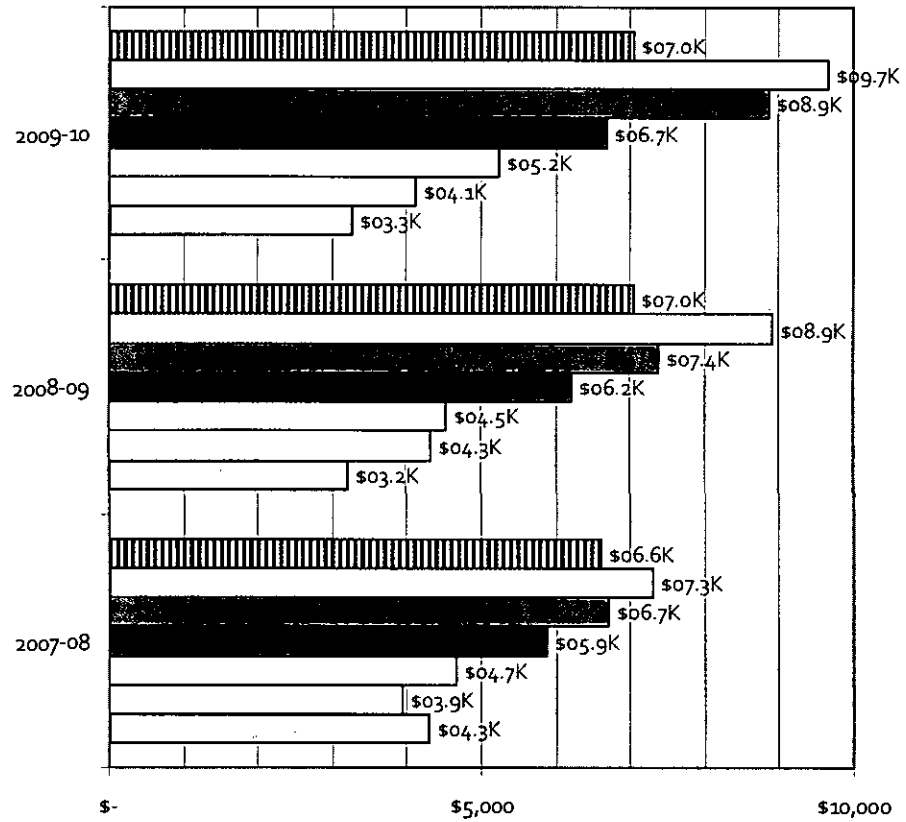
COMPARISONS WITH OTHER CALIFORNIA CITIES

The state of California requires annual reporting of workers' compensation claims filing, and cost information by self insured employers. The following graphs compare Oakland's performance with similarly sized self insured California cities over a three year period. The information on these graphs is derived from the official state reports for the Fiscal Years 2007-08, 2008-09, and 2009-10.



Citywide Overview
— Workers' Compensation

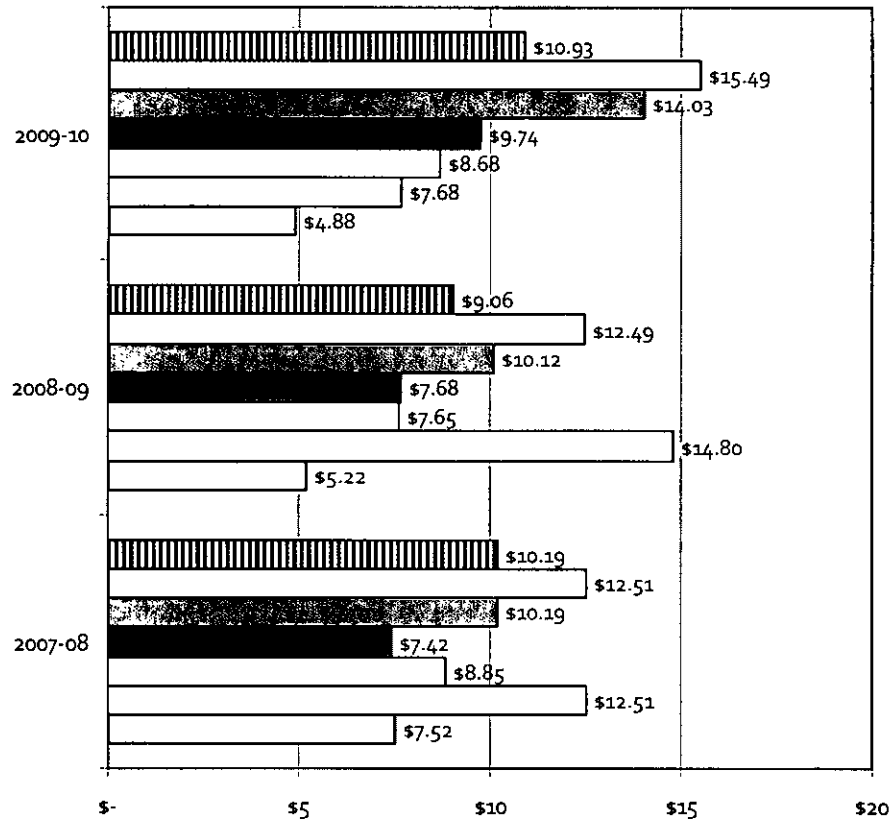
**Average Future Liability Per Employee
(Future Liability / No. Employees)**



	2007-08	2008-09	2009-10
City of Oakland	\$6,616	\$7,047	\$7,049
City of Long Beach	\$7,293	\$8,918	\$9,669
City of Fresno	\$6,710	\$7,385	\$8,873
City of Santa Monica	\$5,869	\$6,230	\$6,694
City of Anaheim	\$4,674	\$4,521	\$5,239
City of Sacramento	\$3,938	\$4,330	\$4,128
City of Riverside	\$4,289	\$3,224	\$3,261



**Average Future Liability Per \$100 Payroll
(Future Liability / No. Open Indemnity Cases)**



	2007-08	2008-09	2009-10
▨ City of Oakland	\$10.19	\$9.06	\$10.93
□ City of Long Beach	\$12.51	\$12.49	\$15.49
□ City of Fresno	\$10.19	\$10.12	\$14.03
■ City of Santa Monica	\$7.42	\$7.68	\$9.74
□ City of Anaheim	\$8.85	\$7.65	\$8.68
□ City of Sacramento	\$12.51	\$14.80	\$7.68
□ City of Riverside	\$7.52	\$5.22	\$4.88

Citywide Overview
— Workers' Compensation

LONG-TERM WORKERS' COMPENSATION LEAVE COSTS

The following table provides information about the financial impact of Workers' Compensation cases, where the employee has been absent from work for one year or more.

DOI	Claim No.	Department	Job Class	Totals PAID Through 6/30/10	Total INCURRED Expenses Through 6/30/10	Status
9/27/08	0809002287	Fire	Captain	\$162,433.52	\$223,090.00	Retirement pending
9/1/09	0909002058	Fire	Engineer	\$44,909.34	\$229,782.00	Retired
8/16/07	0708002066	Fire	Battalion Chief	\$177,425.60	\$231,187.00	Retired 9/10
8/28/95	0095630744-FM	Museum	Custodian	\$89,626.99	\$103,914.38	RTW 1/11
2/22/08	0802000349	OPR -- Recreation	Parklands Maintenance -- Recreation Specialist II (effective 11/14/08)	\$183,786.42	\$214,270.57	Remains off; litigated
5/2/07	0705001118	Police	Police Officer	\$74,671.97	\$161,967.55	Retired 12/10
2/14/03	0302000943-FM	Police	Police Officer	\$105,534.41	\$169,868.18	Retired 8/10
6/12/09	0906001348	Police	Police Officer	\$97,255.47	\$181,626.00	Retired 7/10
8/11/08	0808003192	Police	Police Officer	\$118,384.50	\$204,303.00	Remains off; litigated
3/16/09	0903001402-MAS	Police	Sergeant	\$130,725.98	\$209,627.00	Retirement pending; litigated
1/19/09	0901000102-5UB	Police	Police Officer	\$131,320.76	\$231,258.00	Retired 8/10
11/18/08	0811002876	Police	Police Officer	\$164,046.59	\$268,700.00	RTW 11/10
6/4/08	0806001324	Police	Police Officer	\$141,242.20	\$309,484.00	Retired 7/10
12/11/08	0812003011	Police	Sergeant	\$328,176.94	\$472,779.00	Retired 10/10
8/6/07	0708002069	Public Works	Street Maintenance Leader	\$82,252.93	\$92,913.16	Separated from employment / Resigned 10/10
2/25/08	0802000370	Public Works	Maintenance Worker	\$74,330.95	\$97,465.29	Remains off; litigated
7/15/08	0807001652	Public Works	Sign Maintenance Worker	\$70,105.64	\$121,239.93	Remains off; litigated
3/20/08	0803000557	Public Works	Maintenance Worker	\$106,475.59	\$136,077.46	EOPD job search
10/27/08	0810002603	Public Works	Sewer Maintenance Leader	\$113,497.42	\$146,173.80	Remains off; litigated
7/30/07	0707001827	Public Works	Street Sweeper Operator	\$144,460.43	\$178,182.57	Remains off; treatment continues
10/3/02	0210003933-FM	Public Works	Garden Crew Leader	\$271,202.44	\$297,980.36	EOPD; RTW 7/08

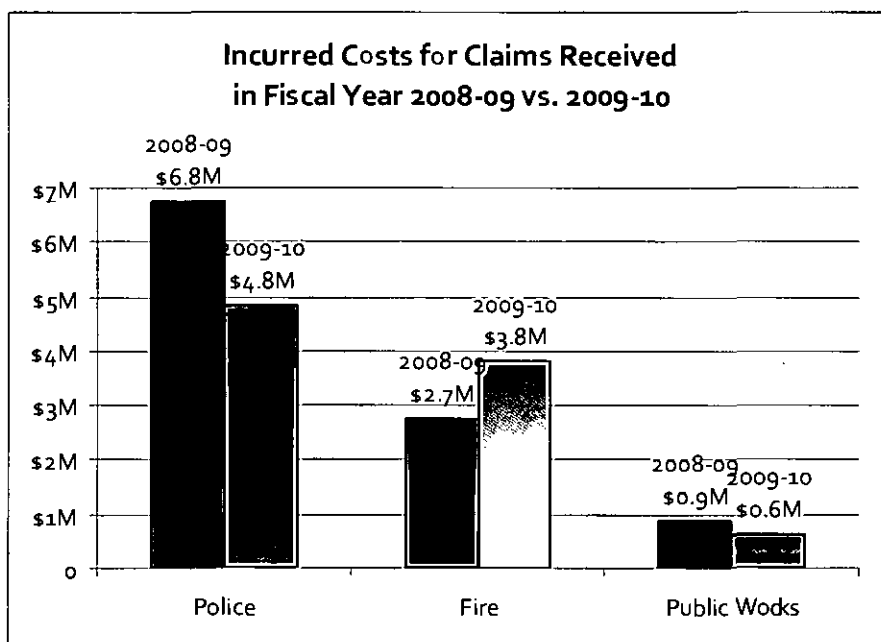
During FY 2009-10, a total of 21 cases involved employees incurring long-term leave as a result of their compensable Workers' Compensation claim. Eleven of these cases have been resolved since June 30, 2010, comprised of 8 retirements, 1 resignation, and 2 return-to-work.

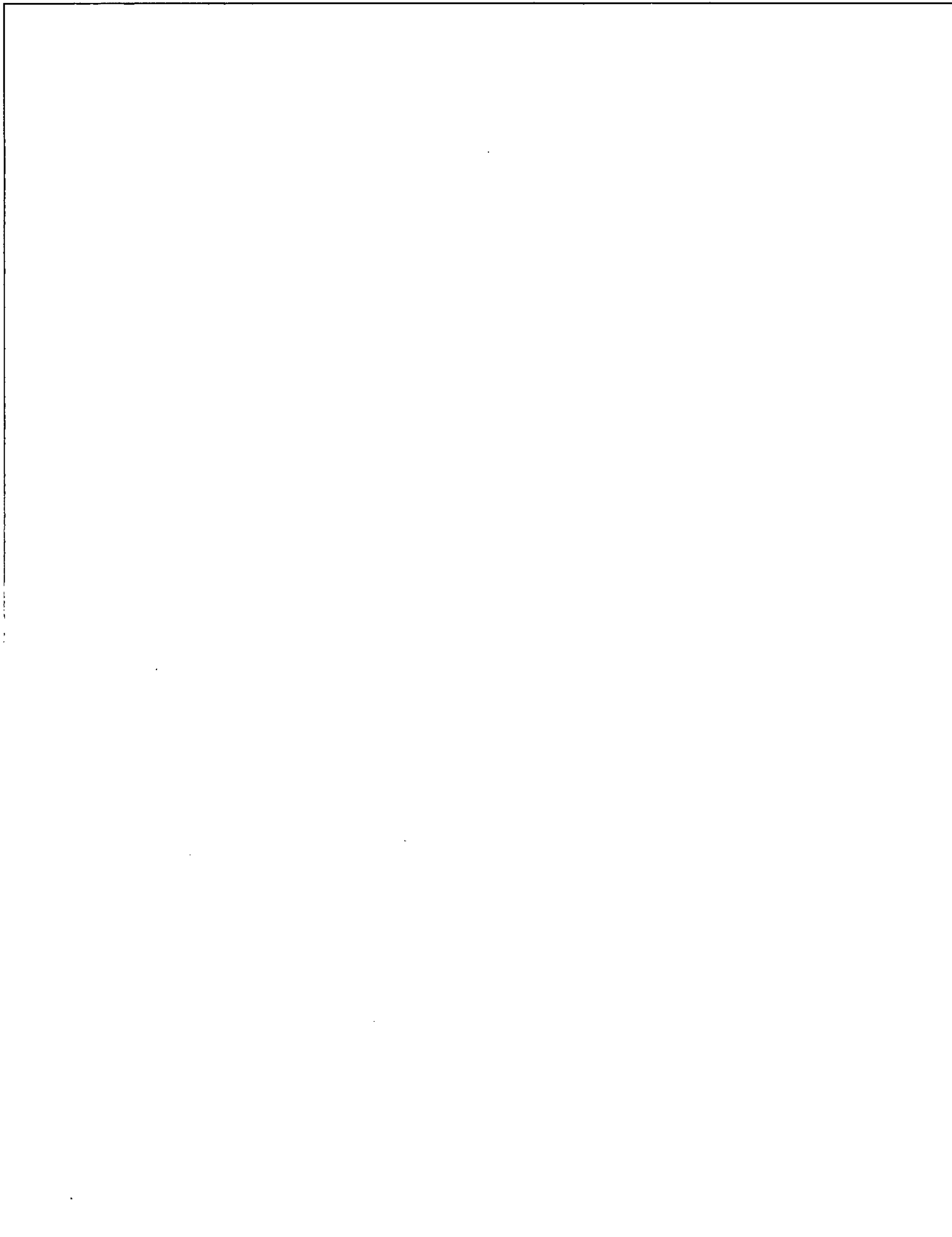
THE CITY'S RESPONSIBILITIES REGARDING LONG-TERM LEAVE CASES

In some cases, depending on the severity, Workers' Compensation strategies for long-term absence cases involve moving cases to closure and assisting employees with the job reassignment as required under the California Fair Employment and Housing Act (FEHA) and/or the disability retirement process, as appropriate. This usually occurs once a case reaches the point where the employee has permanent medical restrictions and it has been determined that the employee can no longer perform the essential functions of his/her or job classification, with or without accommodation. In some cases, depending on the severity of the injury, it takes more than 12 months for this determination to be made. Until this stage is reached, the City is obligated to continue working with the employee and his/her medical provider in returning them to full functionality in their designated job classification. As a result of RMD's collaboration with other City agencies that also have responsibilities in employee disability cases, a majority of the employees that are on the list of long-term leave cases have since retired or otherwise separated from the City.

INCURRED COSTS FOR CLAIMS RECEIVED IN FY 2009-10

Incurred costs are the total estimated lifetime cost of a claim (paid to date, plus the amount held in reserve). The table below shows the total estimated cost for claims incurred during FY 2009-10, compared to the prior fiscal year.

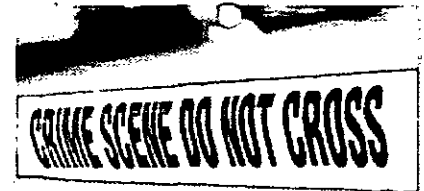




POLICE DEPARTMENT

LIABILITY CLAIMS

In FY 2008-09, 250 liability claims were filed against the Police Department for a total incurred claims cost of \$5,001,310. The FY 2008-09 frequency of claims is above the department's five-year average frequency of 226. The severity of the FY 2009-10 claims is below the five-year average of \$7,328,883. Since California statute allows claimants up to six months to file a claim from the date of the incident, we anticipate the filing of additional FY 2009-10 claims over in the coming months.

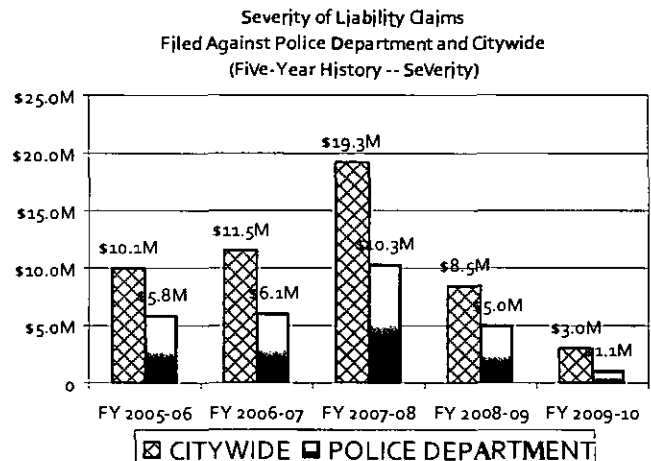
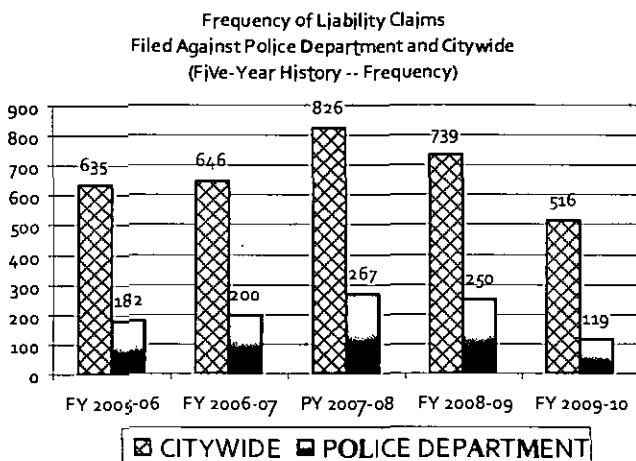


The table below shows the Police Department's FY 2008-09 claims experienced, compared to its five-year average.

	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim
FY 2008-09*	250	33.83%	\$ 5,001,310	58.66%	\$ 20,005
5-Year Average	226	31.94%	\$ 7,328,883	58.40%	\$ 32,296

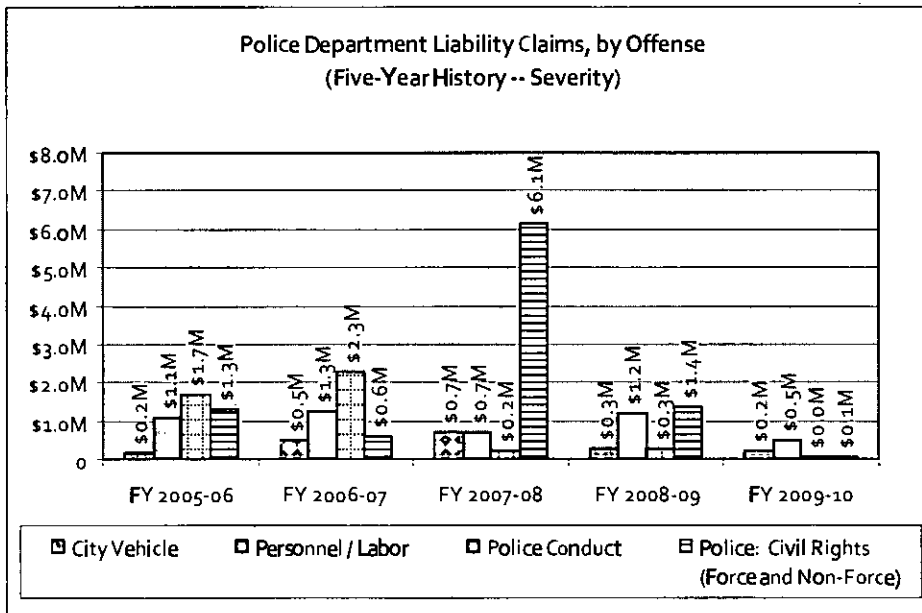
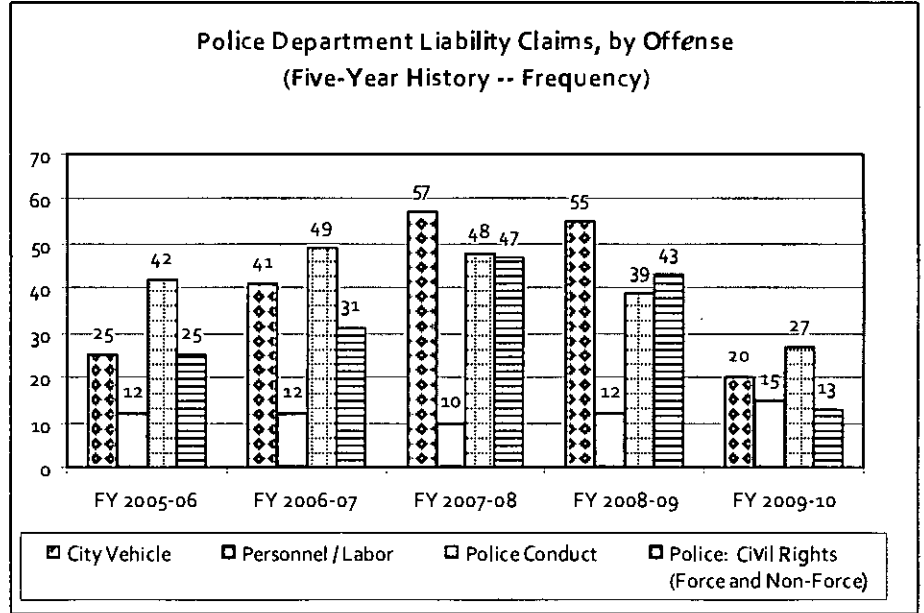
* FY 2008-09 claim totals used to account for the Statute of Limitation delay that allows for up to 6 months following an incident to file a non-civil rights related claim.

The following graphs illustrate the five-year history of the Police Department's liability claims by fiscal year, as compared to the



Police Department
— General Liability

The following two graphs illustrate the five-year history of Police Department liability claims, by number of cases (frequency) and by the cost incurred (severity).



WORKERS' COMPENSATION CLAIMS

The number of claims filed by the Police Department in FY 2009-10 is the lowest number in the last three years. The severity of the claims declined by 58% for the same time period, although that larger decrease was skewed year-end totals for FY 2008-09 that was due largely to the filing of an additional nine injury claims (including the loss of the four police officers).

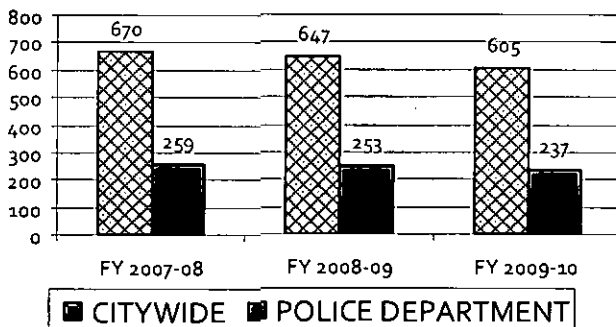
THREE-YEAR AVERAGE AND COMPARISON

The table below shows Police Department FY 2009-10 claims experience, compared with the three-year average.

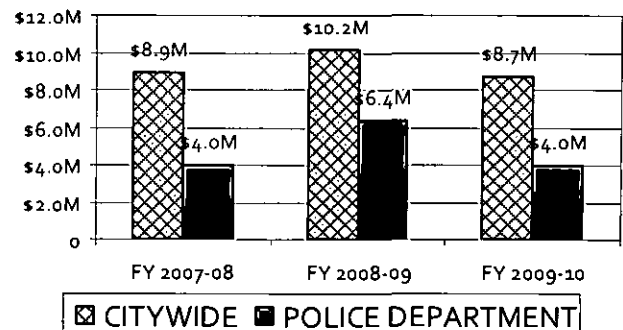
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim
FY 2009-10	237	39.17%	\$ 4,038,566	46.27%	\$ 17,040
3-Year Average	250	38.98%	\$ 4,798,459	51.80%	\$ 19,205

The following graphs illustrate the three-year history of Police Department workers' compensation claims, by fiscal year, compared to the City as a whole.

**Frequency of Workers' Compensation Claims
Filed by Police Department and Citywide
(Three-Year History)**



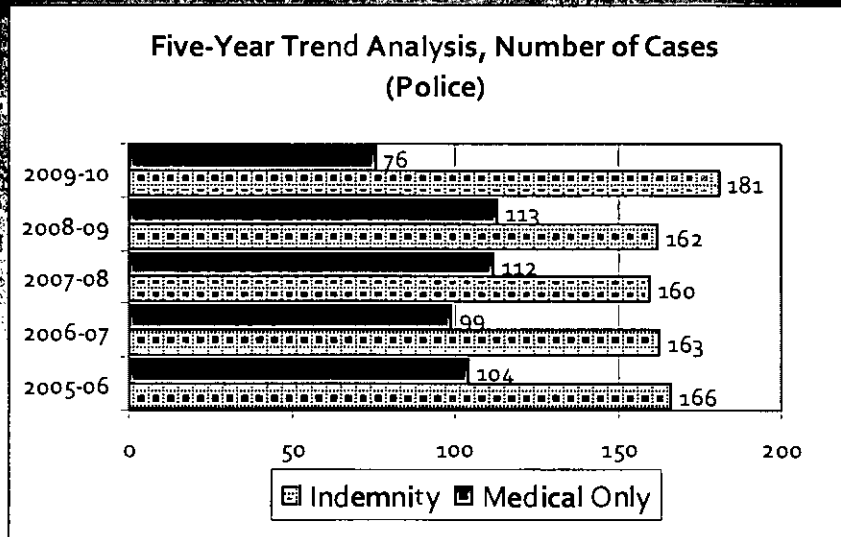
**Severity of Workers' Compensation Claims
Filed by Police Department and Citywide
(Three-Year History)**



Police Department
— Workers' Compensation

FIVE-YEAR TREND ANALYSIS

The following table highlights the Indemnity and Medical-Only claims activity for the Police Department, grouped by Fiscal Year.



**CITY OF OAKLAND
RISK MANAGEMENT ANNUAL REPORT
FISCAL YEAR 2009-10**

*Police Department
— Workers' Compensation*

CAUSES OF INJURY IN THE POLICE DEPARTMENT

The following tables provide information on the leading causes of injuries in the Police Department. Inclusion on these lists is based on the number of injuries and the costs associated with each cause of injury. This information is used by RMD and the Police Department to identify where focused training and program changes may be beneficial.

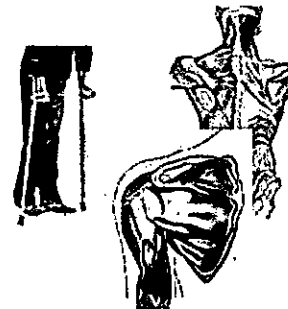


Cause of Loss: In the Police Department, the FY 2009-10 number of injuries in the three largest categories were all lower than they were in Fiscal Year 2008-09. The largest cause of injuries for Fiscal Years 2008-09 and 2009-10 continues to be injuries sustained while interacting with Persons Involved in the Act of Crime, although the percentage of these injuries decreased by 16%. The next largest category of injuries were due to Vehicle Collisions (which experienced a 50% decrease over the previous year), followed by Fall, Slip or Trip (which experienced a 20% decrease over the previous year).

Risk Management continues to support OPD in its driver training programs, assisting in the development of driver training instructors for the purpose of bringing proven training to current OPD personnel. We are also pursuing with OPD other possible methods of improving officer safety in the form of grants for the purchase of driving simulators and other public safety services.

Cause of Injury	Fiscal Year 2008-2009				Fiscal Year 2009-10			
	Number of Injuries	Total Paid	Total Incurred	Average Paid	Number of Injuries	Total Paid	Total Incurred	Average Paid
Person in Act of Crime*	47	\$508,153	\$4,042,862	\$10,812	43	\$463,714	\$838,968	\$10,784
Fall, Slip or Trip, NOC	20	\$226,498	\$443,774	\$11,325	16	\$154,427	\$284,420	\$9,652
Vehicle Collision	30	\$207,746	\$343,830	\$6,925	15	\$147,555	\$302,573	\$9,837
Cut, caught, punctured	10	\$4,123	\$17,030	\$412	13	\$36,255	\$88,804	\$2,789
Injured by; Animal or Insect	12	\$18,051	\$19,553	\$1,504	13	\$39,063	\$75,876	\$3,005
Strain; Repetitive Motion	13	\$20,941	\$76,213	\$1,611	13	\$49,809	\$91,481	\$3,831
Strain; Twisting	16	\$180,072	\$279,840	\$11,255	13	\$55,610	\$101,083	\$4,278
Injured by; Another Person	11	\$75,325	\$77,861	\$6,848	11	\$160,741	\$721,085	\$14,613
Cumulative	10	\$174,566	\$485,368	\$17,457	10	\$132,863	\$287,854	\$13,286
Physical Fitness	9	\$4,203	\$4,203	\$467	8	\$73,669	\$168,874	\$9,209
All Other Injuries	75	\$265,155	\$606,835	\$3,535	74	\$327,927	\$1,077,549	\$4,431

* The Person in Act of Crime cause of injury is skewed in FY 2008-09 due to the March 21, 2009 shooting of four police officers.



Police Department
— Workers' Compensation

Police -- Activity at Time of Injury

(Number of Claims)

	FY 2007-08	FY 2008-09	FY 2009-10
Person in Act of Crime	62	47	46
Vehicle*	19	36	20
Miscellaneous	8	4	13
Climbing	2	4	5
Defensive Tactics	8	2	2
Fitness Training	4	4	2
Heat Stress	0	2	1
Physical Fitness	0	7	1

*Includes collision with other vehicle, motor vehicle NOC, and collision with fixed object.

The tables on this page demonstrate the activity being performed at the time of injury, the types of injuries suffered, and the body areas injured. The majority of injuries sustained by Police Department personnel came from confrontations with persons in the act of a crime.



Police -- Injury Type

	FY 2007-08	FY 2008-09	FY 2009-10
Strain	114	124	92
Multiple Injuries	10	7	24
Puncture	19	24	16
Contusion	21	18	14
Fracture	6	6	11
Laceration	10	15	11
Communicable Disease	4	4	10
Sprain	25	8	8
Unknown	1	3	7
Respiratory Disorders	3	6	6

Police -- Body Area Injured

	FY 2007-08	FY 2008-09	FY 2009-10
Multiple Body Parts	40	59	52
Lower Back Area	21	26	27
Knee	27	27	21
Hand	15	18	14
Finger(s)	12	11	13
Shoulder(s)	18	9	13
Foot	8	7	9
Wrist	11	5	9
Stress	3	6	8
Body System / Multiple Body Systems	2	1	7

FIRE DEPARTMENT

LIABILITY CLAIMS

In FY 2008-09, 15 liability claims were filed against the Fire Department for a total incurred claims cost of \$36,496. The FY 2008-09 frequency of claims compares favorably to the department's five-year average frequency of 19. The severity of the FY 2008-09 claims is also well below the five-year average of \$472,183. Since California statute allows claimants up to 6 months to file a claim from the date of the incident, we anticipate the filing of additional claims FY 2009-10 claims over in the coming months. However, based on the department's experience to date, we predict that FY 2009-10 will result in the fewest number of claims charged to the department in the past three years.

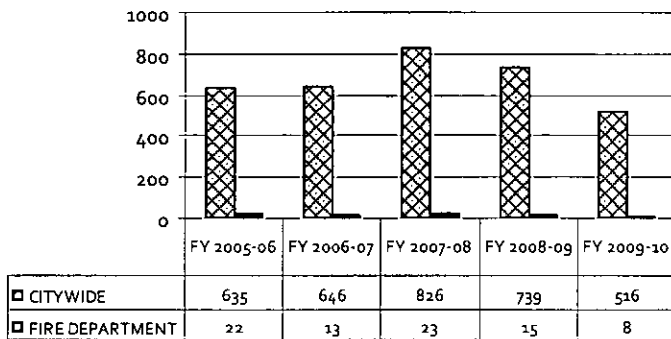
The table below shows the Fire Department's FY 2009-10 claims experienced, compared to its five-year average.

Fire Department -- Liability Claims						
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim	
FY 2008-09*	15	2.03%	\$ 36,496	0.43%	\$ 2,433	
5-Year Average	19	2.76%	\$ 472,183	3.60%	\$ 20,453	

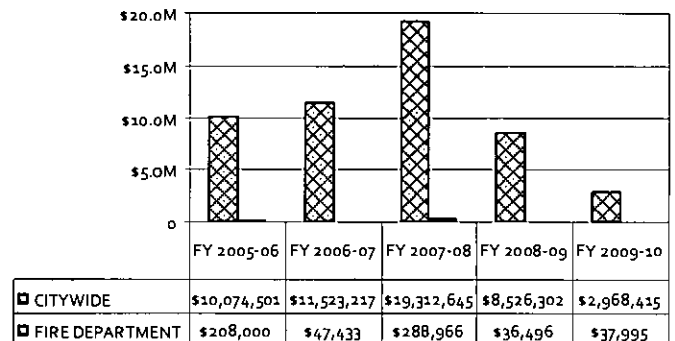
* FY 2008-09 claim totals used to account for the Statute of Limitation delay that allows for up to 6 months following an incident to file a non-civil rights related claim.

The following graphs illustrate the five-year history of the Fire Department's liability claims by fiscal year, as compared to the City as a whole.

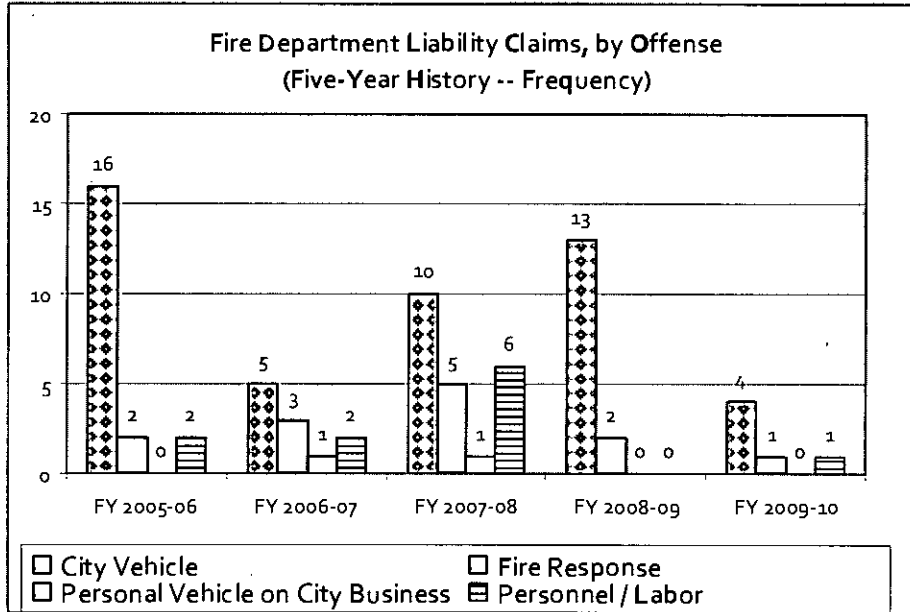
**Frequency of Liability Claims
Filed Against Fire Department and Citywide
(Five-Year History)**



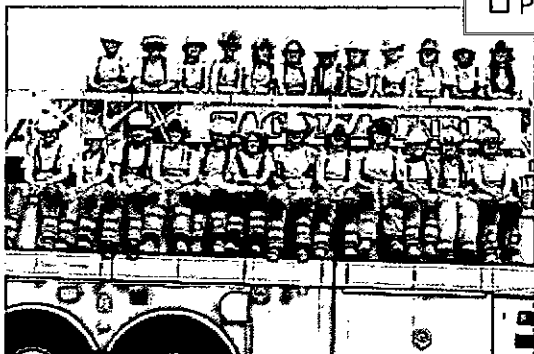
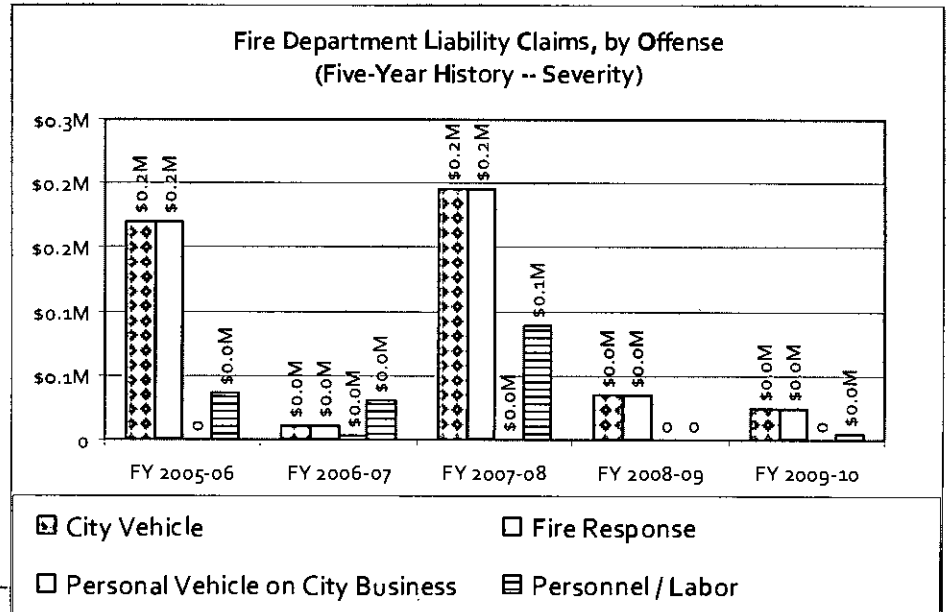
**Severity of Liability Claims
Filed Against Fire Department and Citywide
(Five-Year History)**



**Fire Department
— General Liability**



The following two graphs illustrate the five-year history of Fire Department liability claims, by number of cases (frequency) and by the cost incurred (severity).



WORKERS' COMPENSATION CLAIMS

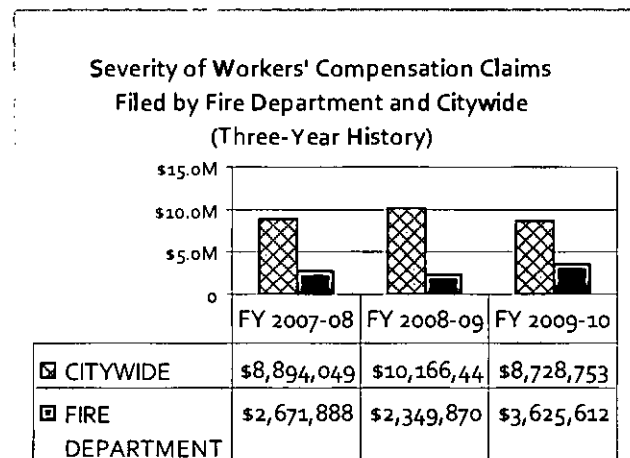
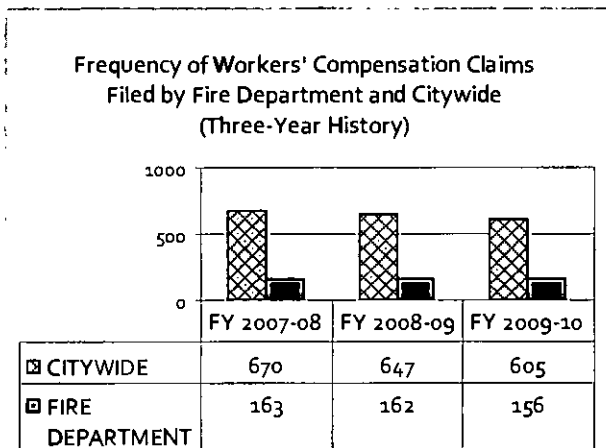
Fire Department employees filed 4% fewer claims in FY 2009-10 than in FY 2008-09, and the 156 claims filed is the lowest number in the last three years. However, the severity of the claims increased by 54% during the same time period.

THREE-YEAR AVERAGE AND COMPARISON

The table below shows Fire Department FY 2009-10 claims experience, compared with the three-year average.

Fire Department -- Workers' Compensation Claims						
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim	
FY 2009-10	156	25.79%	\$ 3,625,612	41.54%	\$ 23,241	
3-Year Average	160	25.05%	\$ 2,882,457	31.12%	\$ 18,046	

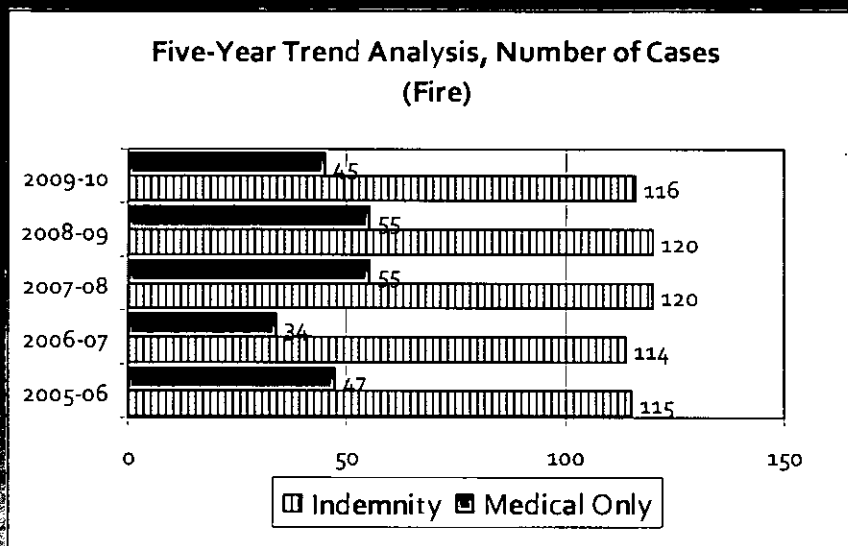
The following graphs illustrate the three-year history of Fire Department workers' compensation claims, by fiscal year, compared to the City as a whole.



**Fire Department
— Workers' Compensation**

FIVE-YEAR TREND ANALYSIS

The following table highlights the Indemnity and Medical-Only claims activity for the Fire Department, grouped by Fiscal Year.



**CITY OF OAKLAND
RISK MANAGEMENT ANNUAL REPORT
FISCAL YEAR 2009-10**

**Fire Department
— Workers' Compensation**



Oakland Fire Department — In the Fire Department, "Fall, Slip or Trip" injuries remained the leading cause of injuries during FY 2009-10, increasing by 20%. These were followed by Strain / Lifting (experiencing a 45% decrease), and Contact injuries (experiencing a 15% decrease).

Cause of Injury	Fiscal Year 2008-2009				Fiscal Year 2009-10			
	Number of Injuries	Total Paid	Total Incurred	Average Paid	Number of Injuries	Total Paid	Total Incurred	Average Paid
Fall, Slip or Trip, NOC	20	\$256,375	\$384,309	\$12,819	24	\$340,456	\$501,568	\$14,186
Strain; Lifting	20	\$217,415	\$357,783	\$10,871	11	\$121,903	\$188,660	\$11,082
Contact With	13	\$27,447	\$54,305	\$2,111	11	\$20,044	\$103,127	\$1,822
Cumulative (NOC)	12	\$41,883	\$365,705	\$3,490	11	\$2,340	\$8,951	\$213
Fighting Fire	10	\$55,431	\$180,634	\$5,543	8	\$25,489	\$66,047	\$3,186
Strain; Pushing or Pulling	10	\$139,699	\$185,708	\$13,970	7	\$134,654	\$557,343	\$19,236
Strain; Twisting	9	\$112,557	\$174,096	\$12,506	6	\$83,483	\$180,024	\$13,914
Strain; NOC	8	\$94,111	\$168,272	\$11,764	7	\$59,768	\$85,684	\$8,538
Cut; caught, punctured	7	\$55,624	\$109,629	\$7,946	6	\$133,888	\$257,448	\$22,315
Physical Fitness	7	\$47,818	\$83,471	\$6,831	8	\$151,826	\$356,061	\$18,978
All Other Injuries	46	\$148,999	\$285,958	\$3,239	51	\$693,754	\$1,320,700	\$13,603



Fire Department
— Workers' Compensation

The tables on this page demonstrate the activity being performed at the time of injury, the types of injuries suffered, and the body areas injured. The majority of injuries sustained by Fire Department personnel came from strains.

Fire -- Activity at Time of Injury

(Number of Claims)

	FY 2007-08	FY 2008-09	FY 2009-10
Fighting Fire	18	8	6
Physical Fitness	3	6	4
Sports / Physical Fitness	2	3	1
Fitness Training	0	2	1
Climbing	1	1	5
Injured by Another Person	1	1	4
Injured by Hand Tool or Machine	1	1	0
Collide with Other Vehicle	1	1	1

Fire -- Injury Type

	FY 2007-08	FY 2008-09	FY 2009-10
Strain	62	79	70
Sprain	12	6	5
Puncture	10	6	7
Foreign Body	8	4	3
Dermatitis	8	0	2
Burn	7	1	3
Laceration	5	10	7
Respiratory Disorders	5	2	4
Allergic Reaction	4	2	9
Contusion	4	7	4



Fire -- Body Area Injured

	FY 2007-08	FY 2008-09	FY 2009-10
Lower Back Area	22	21	20
Knee	21	8	16
Hand	14	6	6
Lung	11	10	2
Eye(s)	9	7	6
Lower Leg	7	5	2
Finger(s)	6	6	6
Foot	6	6	5
Shoulder(s)	5	15	12
Ankle	4	7	3



PUBLIC WORKS AGENCY

LIABILITY CLAIMS

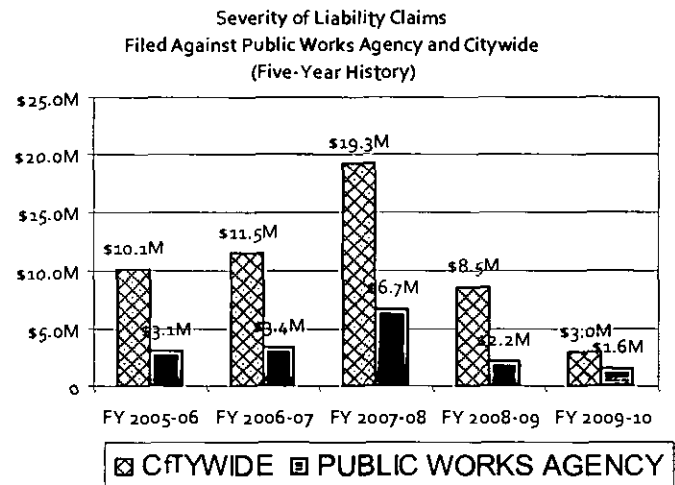
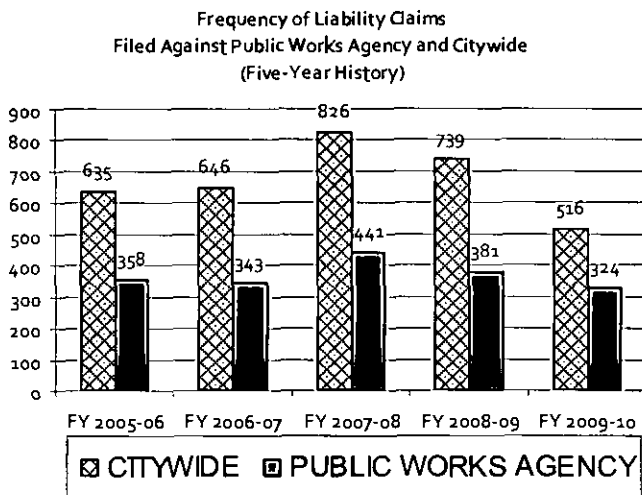
In FY 2008-09, 381 liability claims were filed against the Public Works Agency, for a total incurred claims cost of \$2,231,651. The FY 2008-09 frequency of claims is consistent with the department's five-year average frequency of 380. The severity of the FY 2008-09 claims is below the five-year average of \$3,484,573. Based on the department's experience to date, we predict that FY 2009-10 will result in among the fewest number of claims charged to the department in the past three years.

The table below shows the Public Works Agency's FY 2009-10 claims experienced, compared to its three-year average.

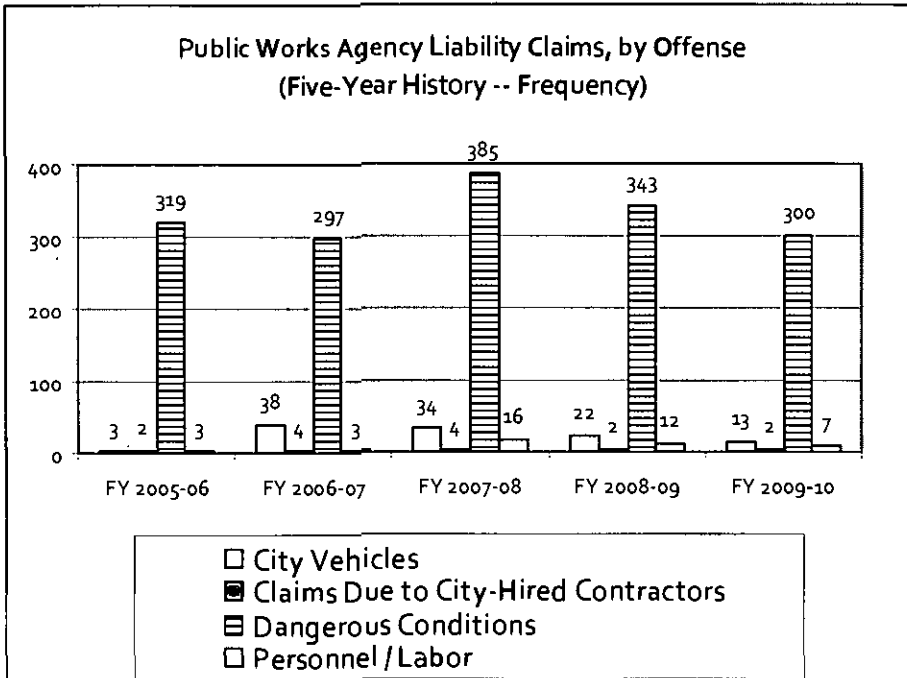
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim
FY 2008-09*	381	51.56%	\$ 2,231,651	26.17%	\$ 5,857
5-Year Average	380	53.83%	\$ 3,484,573	27.16%	\$ 9,185

* FY 2008-09 claim totals used to account for the Statute of Limitation delay that allows for up to 6 months following an incident to file a non-civil rights related claim.

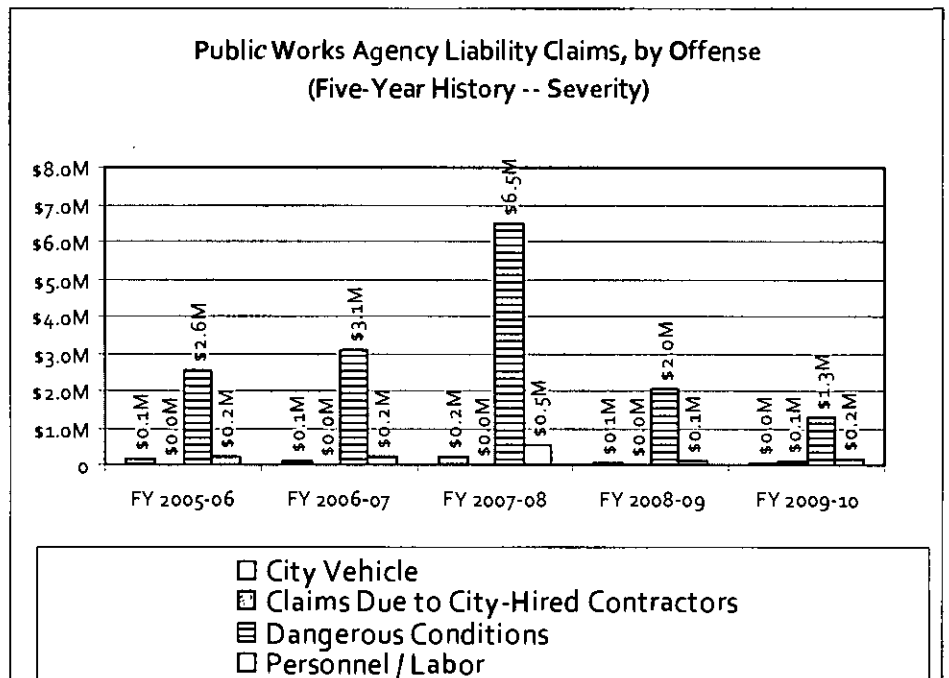
The following graphs illustrate the five-year history of the Public Works Agency's liability claims by fiscal year, as compared to the City as a whole.



**Public Works Agency
— General Liability**



The following two graphs illustrate the five-year history of Public Works Agency liability claims, by number of cases (frequency) and by the cost incurred (severity).



WORKERS' COMPENSATION CLAIMS

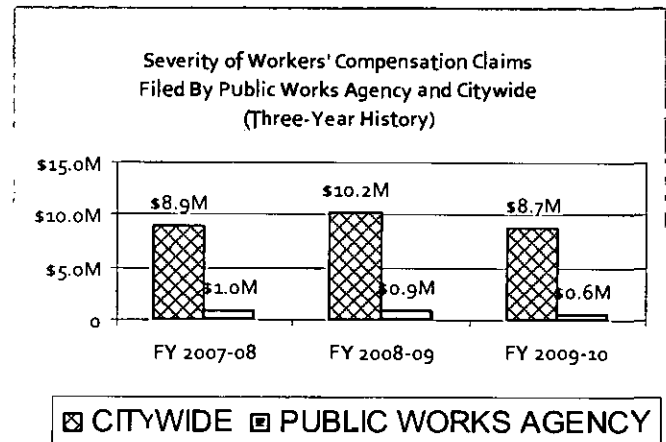
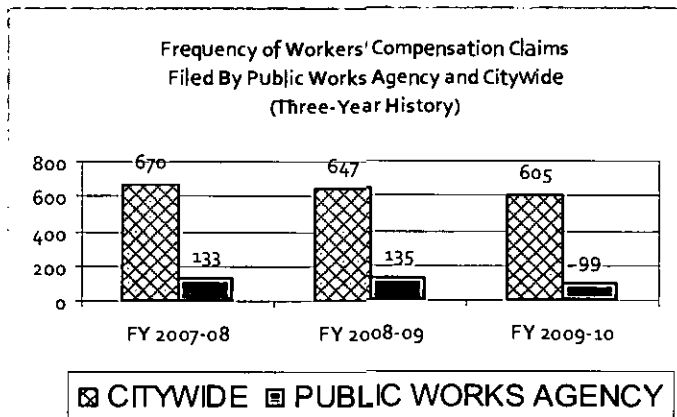
Public Works Agency employees filed 37% fewer claims in FY 2009-10 than in FY 2008-09, and the 99 claims filed is the lowest number in the last three years. The severity of the claims declined by 31% (from \$866,224) for the same time period.

THREE-YEAR AVERAGE AND COMPARISON

The table below shows Public Works Agency's FY 2009-10 claims experience, compared with the three-year average.

Public Works Agency -- Workers' Compensation Claims					
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim
FY 2009-10	99	16.36%	\$ 595,861.73	6.83%	\$ 6,019
3-Year Average	122	19.03%	\$ 812,562.78	8.77%	\$ 6,590

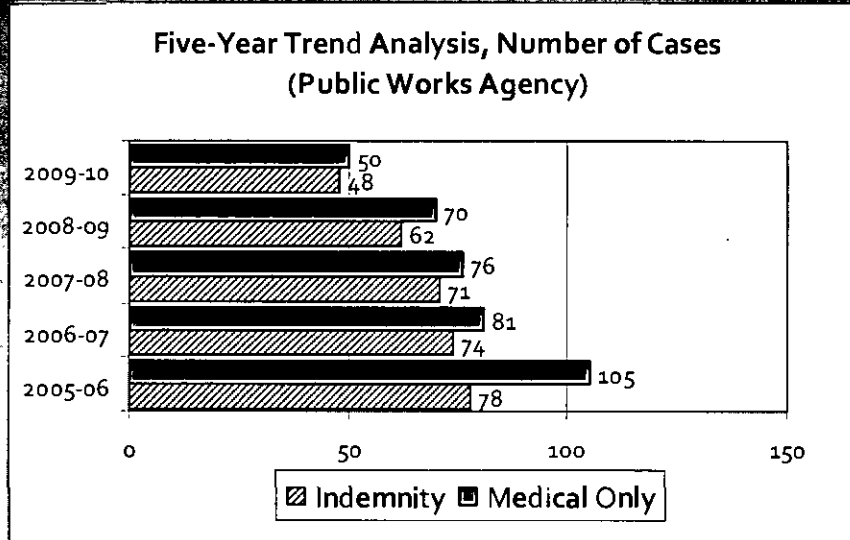
The following graphs illustrate the three-year history of Public Works Agency's workers' compensation claims, by fiscal year, compared to the City as a whole.



Public Works Agency
— Workers' Compensation

FIVE-YEAR TREND ANALYSIS

The following table highlights the Indemnity and Medical-Only claims activity for the Public Works Agency, grouped by Fiscal Year.



**CITY OF OAKLAND
RISK MANAGEMENT ANNUAL REPORT
FISCAL YEAR 2009-10**

*Public Works Agency
— Workers' Compensation*



Public Works Agency — The Public Works Agency experienced a reduction in the number of injuries reported in Fiscal Year 2009-10.

The Public Works Agency's commitment to safety is reflected in the increased number of training programs that it offers, and its decreasing number of injuries, vehicle accidents, facility safety violations reported, and jobsite safety audit violations.

In Fiscal Year 2009-10, the number of safety training classes offered increased (from 62 in Fiscal year 2008-09 to 86 in Fiscal Year 2009-10), and the number of staff completing the training courses in the same period increased 28% (from 1,382 to 1,766). The number of facility inspections conducted increased marginally, from 17 to 18, but the number of Facility Safety Violations reported decreased 21%, from 136 to 108. In the area of Jobsite Safety Audits, the number of audits conducted increased 17% (from 36 to 42), and the number of violations resolved increased by 6% (steadily increasing from 52% in 2007 to 95% in 2010).

RMD continues to work with PWA to provide expert resources through an onsite dedicated Safety Consultant who services PWA in the majority of their safety and loss control needs. Training is provided throughout the year, providing flexibility in changing the focus and intent of training based on the current issues that require addressing. RMD also continues to support PWA in its incentive program, driver training/accident review program, safety equipment program and other similar programs designed to address the primary loss drivers.

Cause of Injury	Fiscal Year 2008:2009				Fiscal Year 2009:10			
	Number of Injuries	Total Paid	Total Incurred	Average Paid	Number of Injuries	Total Paid	Total Incurred	Average Paid
Fall, Slip or Trip, NOC	12	\$11,183	\$34,662	\$932	14	\$43,001	\$130,262	\$3,072
Vehicle; Motor Vehicle NOC	9	\$10,193	\$14,875	\$1,133	9	\$10,193	\$14,875	\$1,133
Strain; Lifting	26	\$134,856	\$351,490	\$5,187	8	\$47,127	\$102,540	\$5,891
Strain; Pushing or Pulling	8	\$34,890	\$46,320	\$4,361	7	\$16,174	\$59,587	\$2,311
Adverse Reaction	7	\$4,824	\$6,344	\$689	7	\$4,824	\$6,344	\$689
Strain, Twisting	6	\$13,901	\$53,031	\$2,317	6	\$13,901	\$53,031	\$2,317
Vehicle; Collision	8	\$21,331	\$78,813	\$2,666	5	\$23,538	\$60,019	\$4,708
Strike; Object Being Lifted or Handled	6	\$102,552	\$121,574	\$17,092	5	\$1,696	\$4,154	\$339
Caught; Object Handled	4	\$2,998	\$2,998	\$750	4	\$2,998	\$2,998	\$750
Strain; Strain or Injury by, NOC	3	\$69,876	\$99,479	\$23,292	3	\$69,876	\$99,479	\$23,292
All Other Injuries	43	\$25,004	\$56,639	\$581	31	\$33,467	\$62,573	\$1,080

Public Works Agency
— Workers' Compensation

Public Works -- Activity at Time of Injury

(Number of Claims)

	FY 2007-08	FY 2008-09	FY 2009-10
Strain; Lifting	13	28	8
Fall, Slip or Trip, NOC	12	15	14
Injured by Animal or Insect	5	9	1
Collide with Other Vehicle	4	8	5
Strain; Pushing or Pulling	7	8	7
Cut; caught, punctured, scraped, NOC	3	7	1
Vehicle; Motor Vehicle NOC	1	6	9
Strike; object being lifted or handled	9	6	5
Injured by Falling or Flying Object	4	5	2
Strain; Twisting	3	3	6

The tables on this page demonstrate the activity being performed at the time of injury, the types of injuries suffered, and the body areas injured. The majority of injuries sustained by Public Works came from strains.

Public Works -- Injury Type

	FY 2007-08	FY 2008-09	FY 2009-10
Strain	26	69	39
Contusion	11	22	18
Stress	9	2	4
Foreign Body	8	2	3
Puncture	8	11	3
Sprain	7	5	4
Laceration	6	4	3
Fracture	5	0	3
Allergic Reaction	4	2	3
Inhalation/Injection	3	1	2

Public Works -- Body Area Injured

	FY 2007-08	FY 2008-09	FY 2009-10
Lower Back Area	11	26	15
Eye(s)	10	8	3
Lower Leg	9	3	2
Shoulder(s)	7	4	4
Stress	7	1	3
Knee	6	9	6
Finger(s)	5	6	4
Abdomen, incl. Groin	5	5	0
Lower Arm	4	2	3
Wrist	4	1	5

OFFICE OF PARKS AND RECREATION

LIABILITY CLAIMS

In FY 2008-09, 3 liability claims were filed against the Office of Parks and Recreation, less than one-third of the number of liability claims filed in FY 2007-08. The total incurred claims cost was \$1,131. The FY 2008-09 frequency of claims compares favorably to the department's five-year average frequency of 8. The severity of the FY 2009-10 claims is also well below the five-year average of \$104,217.

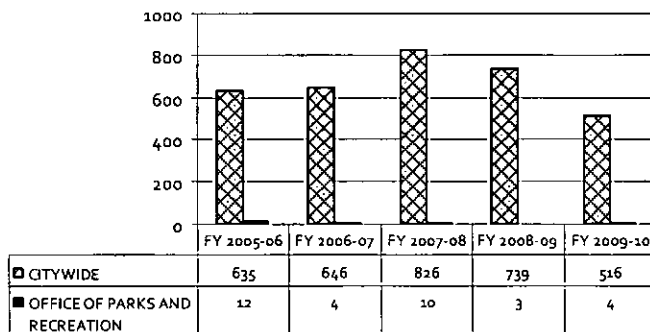
The table below shows the FY 2009-10 claims experience for the Office of Parks and Recreation, compared to its three-year average.

Office of Parks and Recreation -- Liability Claims						
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim	
FY 2008-09*	3	0.41%	\$ 1,131	0.01%	\$ 377	
5-Year Average	8	1.12%	\$ 104,217	0.73%	\$ 14,515	

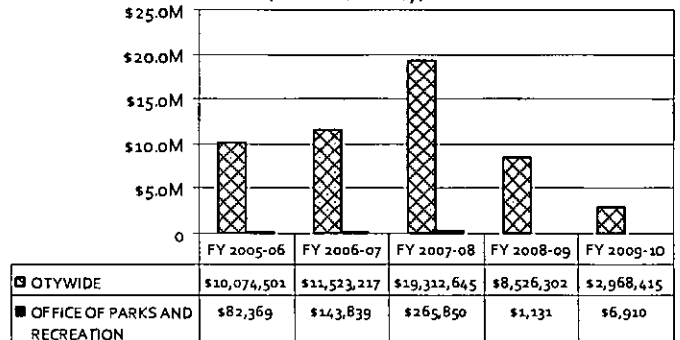
* FY 2008-09 claim totals used to account for the Statute of Limitation delay that allows for up to 6 months following an incident to file a non-civil rights related claim.

The following PARKS graphs illustrate the five-year history of the Office of Parks and Recreation's liability claims by fiscal year, as compared to the City as a whole.

Frequency of Liability Claims
Filed Against Office of Parks and Recreation and Citywide
(Five-Year History)

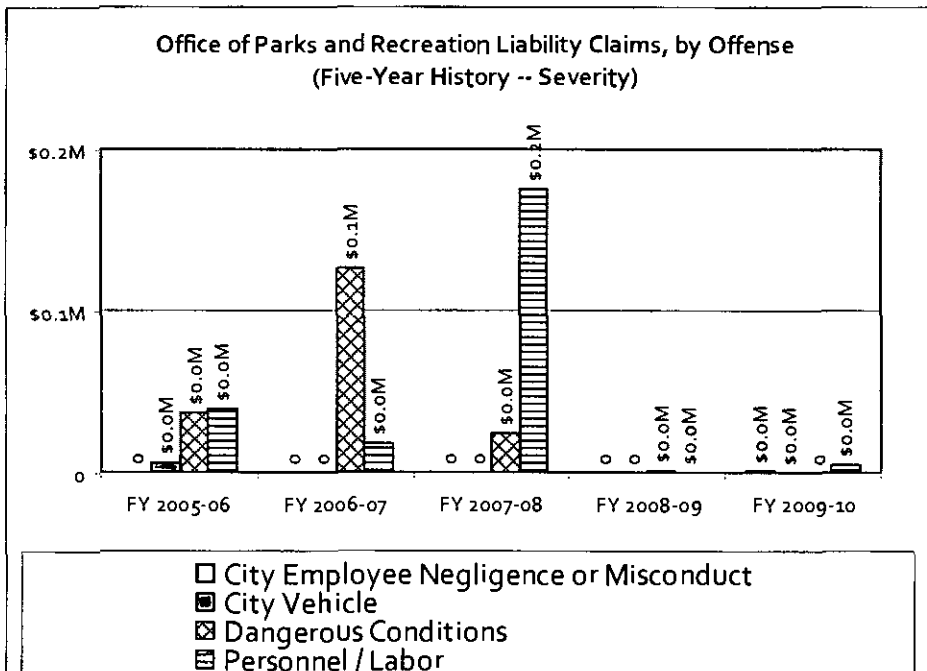
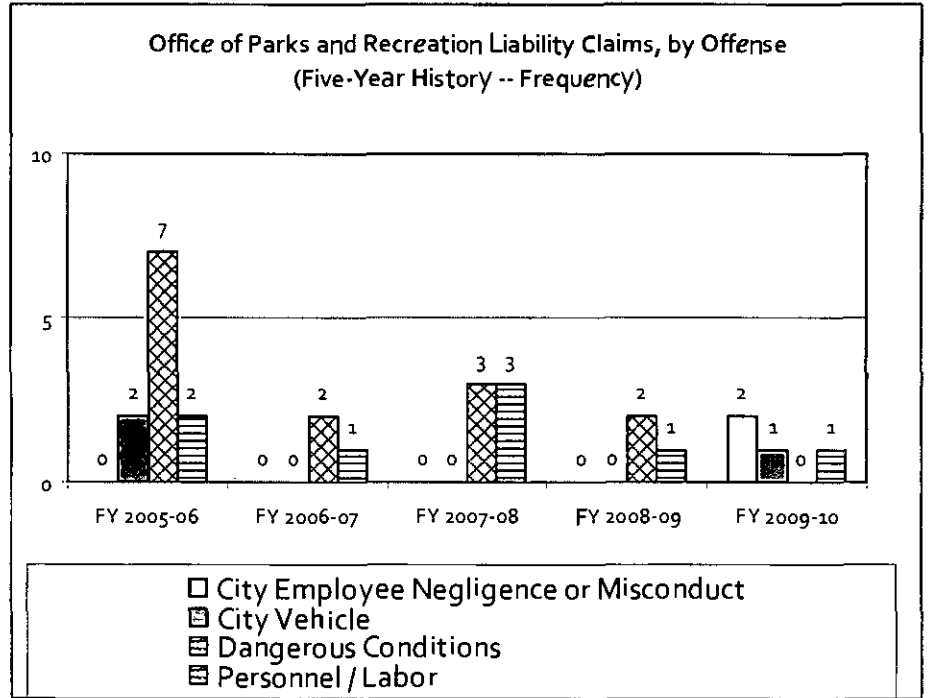


Severity of Liability Claims
Filed Against Office of Parks and Recreation and Citywide
(Five-Year History)



Office of Parks and Recreation
— General Liability

The following two graphs illustrate the five-year history of Office of Parks and Recreation liability claims, by offense (frequency) and by the cost incurred (severity).



WORKERS' COMPENSATION CLAIMS

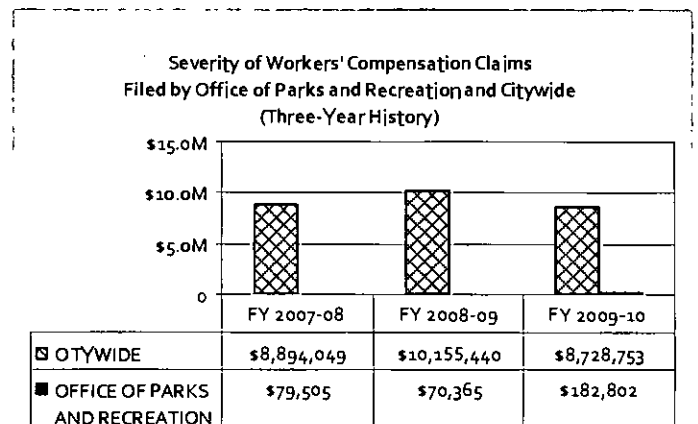
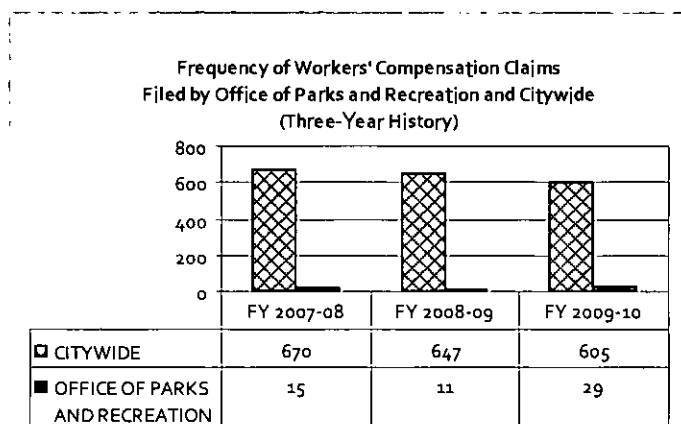
The number of claims filed by Parks and Recreation employees in FY 2009-10 was more than double the number of claims filed in FY 2008-09, and the 29 claims filed was the highest number in the last three years. The severity of the claims increased by 160% during the same time period.

THREE-YEAR AVERAGE AND COMPARISON

The table below shows the Parks and Recreation FY 2009-10 claims experience, compared with the three-year average.

Office of Parks and Recreation -- Workers' Compensation Claims						
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim	
FY 2009-10	29	4.79%	\$ 182,802	2.09%	\$ 6,304	
3-Year Average	18	2.91%	\$ 110,891	1.20%	\$ 6,000	

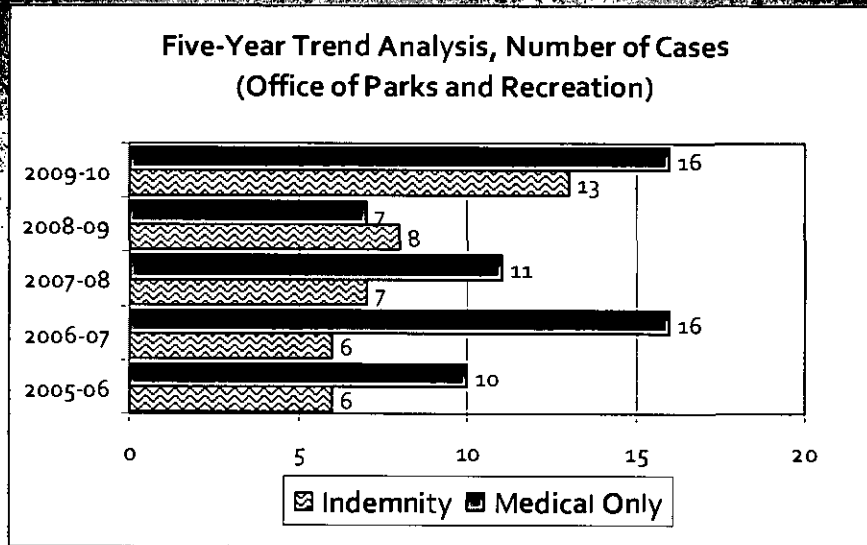
The following graphs illustrate the three-year history of Parks and Recreation workers' compensation claims, by fiscal year, compared to the City as a whole.



Office of Parks and Recreation
— Workers' Compensation

FIVE-YEAR TREND ANALYSIS

The following table highlights the Indemnity and Medical-Only claims activity for the Office of Parks and Recreation, grouped by Fiscal Year.





Office of Parks and Recreation — The Office of Parks and Recreation experienced an increase in the number of injuries reported in Fiscal Year 2009-10.

In FY 2009-10, vehicle collisions with another vehicle, and strains from lifting were the leading causes of injury. There were reductions in the number of injuries due to falls, strains from jumping, or injuries by another person compared to FY 2008-09.

Cause of Loss Comparison
 FY 2008-09 and 2009-10

Cause of Injury	Fiscal Year 2008-2009				Fiscal Year 2009-10			
	Number of Injuries	Total Paid	Total Incurred	Average Paid	Number of Injuries	Total Paid	Total Incurred	Average Paid
Vehicle, collide with another vehicle	0	0	0	\$0	4	\$22,058	\$47,383	\$5,514
Strain, lifting	0	0	0	\$0	4	\$6,737	\$28,747	\$1,684
Fall, slip or trip, NOC	2	\$5,416	\$5,416	\$2,708	1	\$7	\$1,525	\$7
Strain, jumping	2	\$0	\$9,724	\$0	0	\$0	\$0	\$0
Injured by; another person	2	\$1,026	\$1,026	\$513	1	\$9,707	\$17,150	\$9,707
Cut, caught, punctured, scraped, NOC	1	\$132	\$132	\$132	2	\$684	\$684	\$342
Climbing	1	\$7	\$8,650	\$7	0	\$0	\$0	\$0
Caught; object handled	1	\$11,620	\$24,753	\$11,620	0	\$0	\$0	\$0
Strike; object being lifted or handled	1	\$274	\$274	\$274	2	\$6,327	\$6,327	\$3,163

Office of Parks and Recreation
— Workers' Compensation

Parks and Recreation -- Activity at Time of Injury			
(Number of Claims)			
	FY 2007-08	FY 2008-09	FY 2009-10
Collide with Another Vehicle	1	0	4
Strain; Twisting	1	0	1
Strain; Lifting	1	0	1
Strain; Pushing or Pulling	0	0	1
Injured by; Object being Lifted/Handled	1	0	1
Strain; Using Tools or Machinery	0	0	1
Strain; Jumping	0	2	0
Strike; Object Being Lifted/Handled	0	1	0
Strain, Repetitive Motion	4	0	0

Parks and Recreation -- Injury Type			
	FY 2007-08	FY 2008-09	FY 2009-10
Contusion	5	2	3
Strain	3	2	13
Sprain	4	1	1
Inflammation	1	0	0
Burn	1	0	0
Foreign Body	1	0	0
Fracture	0	2	3
Laceration	0	2	2
Puncture	0	1	2



Parks and Recreation -- Body Area Injured			
	FY 2007-08	FY 2008-09	FY 2009-10
Eye(s)	1	0	0
Lower Arm	1	0	0
Wrist	1	0	0
Hand	2	1	3
Lower Leg	1	0	1
Ankle	1	0	0
Nose	1	0	0
Lower Back Area	1	0	3
Knee	1	4	1
Abdomen, including Groin	1	0	0

ALL OTHER DEPARTMENTS

LIABILITY CLAIMS

The category of All Other Departments is made up of the Community and Economic Development Agency, the City Administrator’s Office, the City Attorney’s Office, the Department of Information & Technology, the Financial Management Agency, the Department of Human Services, the Library, the Museum, and the Office of the Mayor and the City Council

In FY 2008-09, 90 liability claims were filed against these departments for a total incurred claims cost of \$1,255,714. The FY 2008-09 frequency of claims exceeds the department’s five-year average frequency of 73. The severity of the FY 2008-09 claims is consistent with the five-year average of \$1,256,373

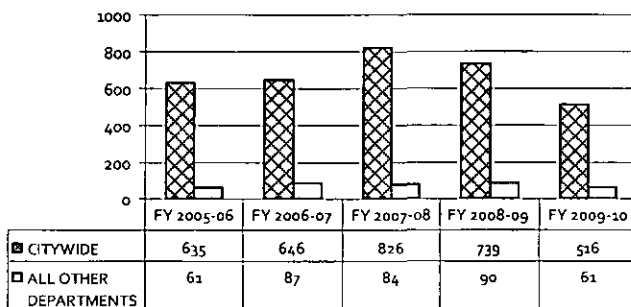
The table below shows the FY 2008-09 claims experienced by All Other Departments, compared to its five-year average.

All Other Departments -- Liability Claims					
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim
FY 2008-09*	90	12.18%	\$ 1,255,714	14.73%	\$ 13,952
5-Year Average	73	10.37%	\$ 1,256,373	10.61%	\$ 16,163

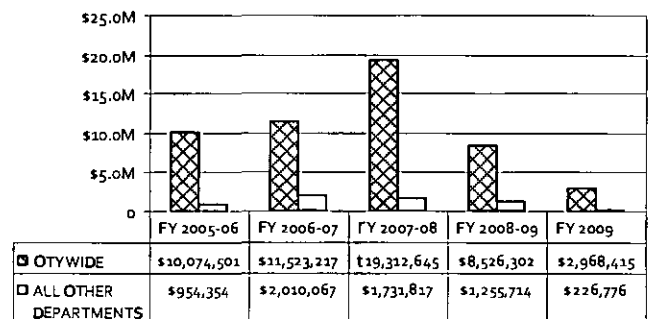
* FY 2008-09 claim totals used to account for the Statute of Limitation delay that allows for up to 6 months following an incident to file a non-civil rights related claim.

The following graphs illustrate the five-year history of liability claims of All Other Departments, by fiscal year, as compared to the City as a whole.

**Frequency of Liability Claims
Against All Other Departments and Citywide
(Five-Year History)**



**Severity of Liability Claims
Against All Other Departments and Citywide
(Five-Year History)**



All Other Departments
 — *Workers' Compensation*

WORKERS' COMPENSATION CLAIMS

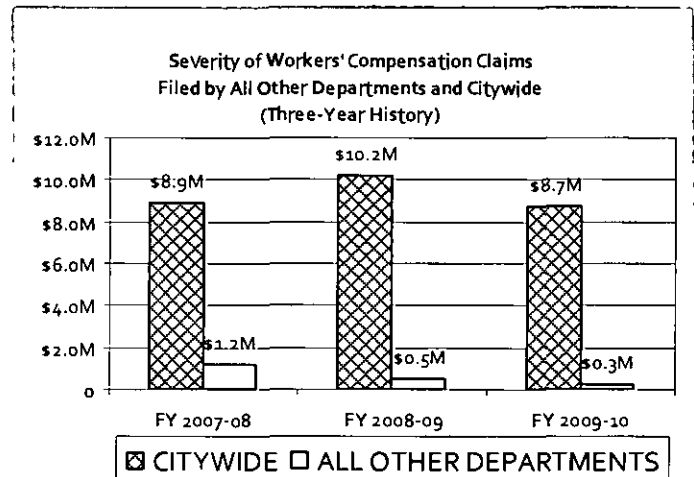
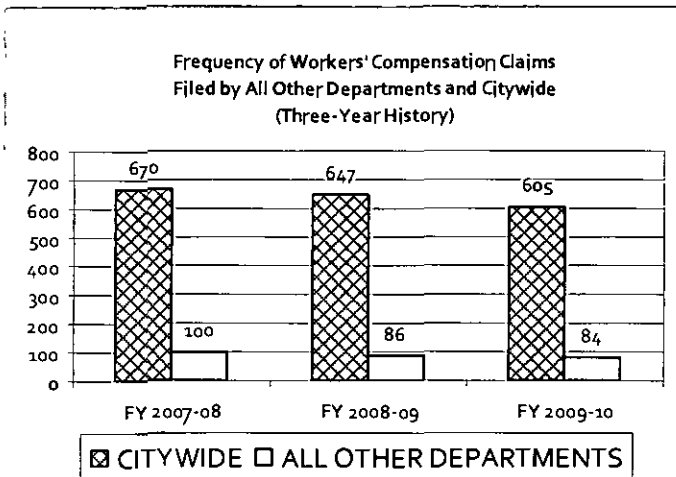
Employees filed virtually the same number of claims against All Other Departments in FY 2009-10 than in FY 2008-09.. The severity of the claims filed, however, was 41% lower than the previous year's claims, and well below the three-year average of \$658,711.

THREE-YEAR AVERAGE AND COMPARISON

The table below shows the FY 2009-10 claims experience of All Other Departments, compared with the three-year average.

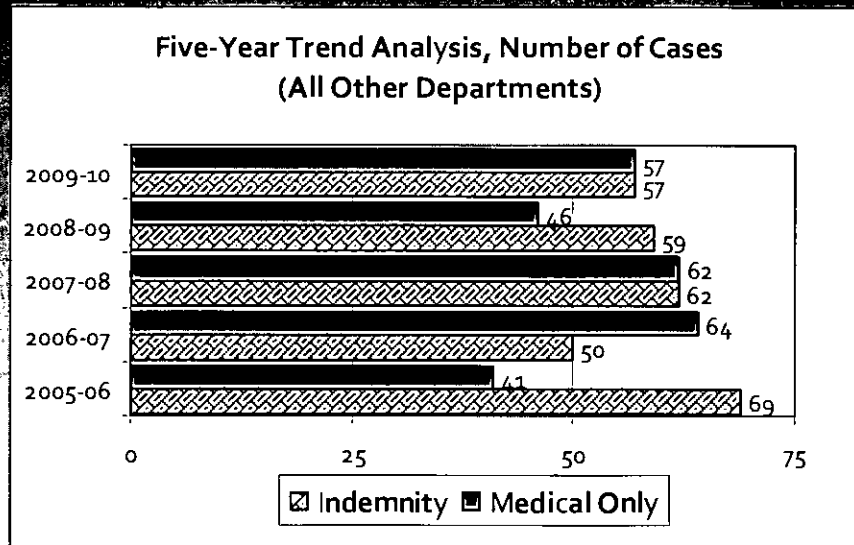
All Other Departments -- Workers' Compensation Claims					
	Frequency (No. of Claims)	Percentage of City	Severity	Percentage of City	Average Cost Per Claim
FY 2009-10	84	13.88%	\$ 285,911	3.28%	\$ 3,404
3-Year Average	90	14.03%	\$ 658,711	7.11%	\$ 7,031

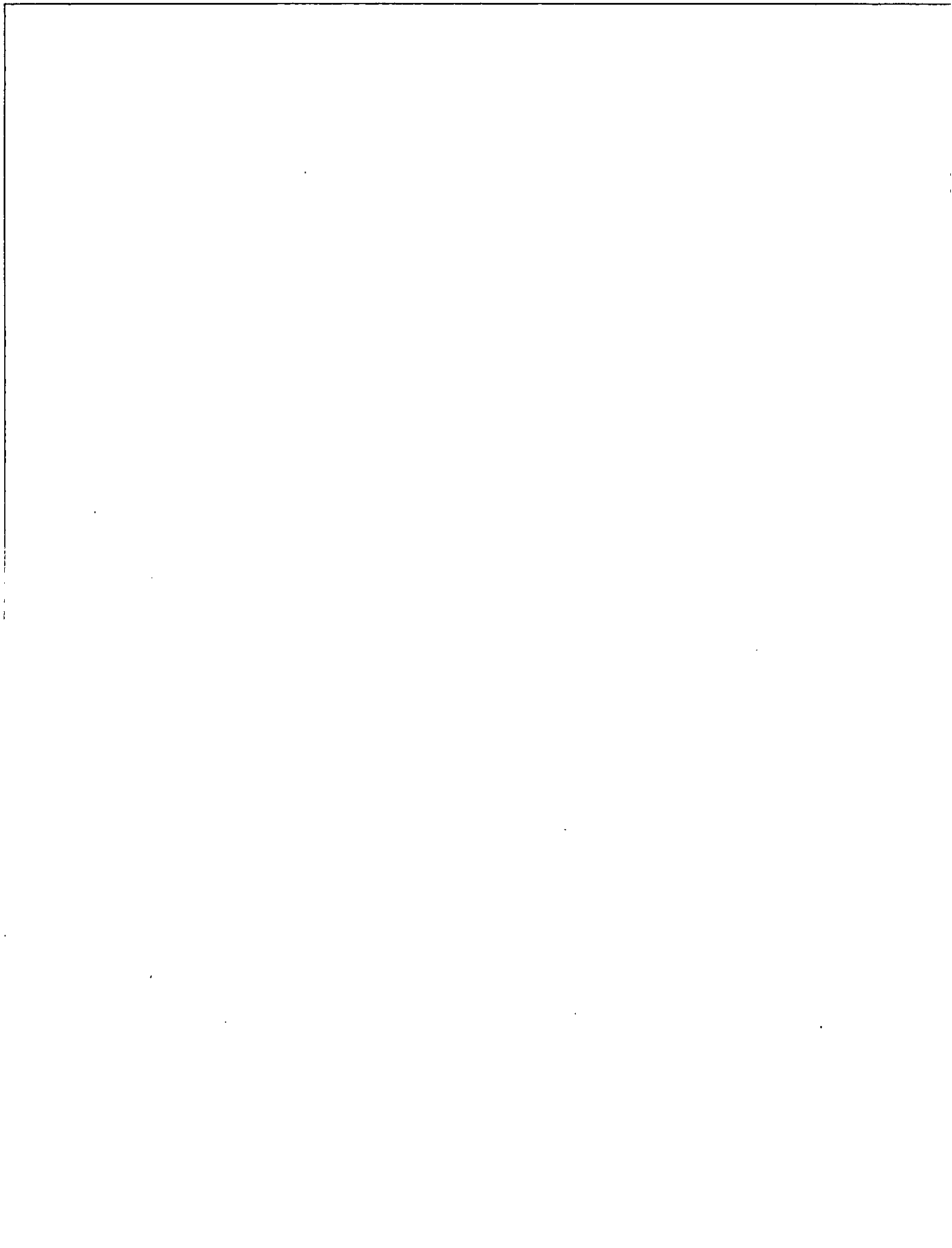
The following graphs illustrate the three-year history of workers' compensation claims filed against All Other Departments, by fiscal year, compared to the City as a whole.



FIVE-YEAR TREND ANALYSIS

The following table highlights the Indemnity and Medical-Only claims activity for All Other Departments, grouped by Fiscal Year.



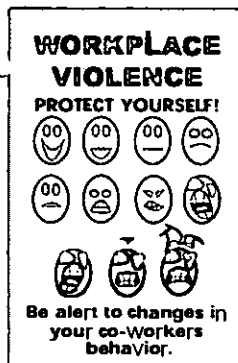


RISK MANAGEMENT DIVISION PROGRAMS

SAFETY / LOSS CONTROL



Training — The Risk Management training programs provide focused training to a number of employees, either on a one-time or recurring basis. Examples of the classes provided are:



- Fire Prevention Safety
- Fire Extinguisher Safety
- Floor Warden Training
- Disaster Preparedness
- CPR
- Driving Safety
- Slips, Trips & Falls Prevention
- H1N1 Awareness
- First Aid
- Working in Extreme Temperatures
- Office Ergonomics
- Back Injury Prevention



H1N1 — In 2010, a single vaccination will protect against both seasonal flu and H1N1. In 2009, however, the situation was very different. June 11, 2009 marked the beginning of a global A (H1N1) Pandemic. By October, President Obama had declared an H1N1 National Emergency. Doses of the vaccine began to roll off production lines for distribution to priority groups, but by early November, the supply still fell short of vaccine manufacturers' early predictions.



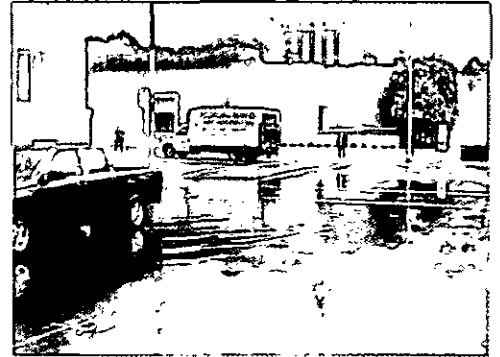
In response to this emergency, Risk Management developed Administrative Instruction No. 257, which details the process that agencies and departments are to use to identify and deal with the employees who exhibit symptoms that could be due to the H1N1 virus. Although H1N1 vaccinations were in limited supply, Risk Management (through Concentra Medical Services) was able to obtain and administer vaccinations at the Annual Employee Health Fair in November 2009. In addition, a video training course on H1N1 Awareness was provided to employees.

Risk Management Division Programs

Damage to City Property — The Risk Management Division is on-call 24/7/365 to respond to emergencies involving City personnel and/or property.

As one of the initial responders, Risk Management is responsible for evaluating the extent of the damage and preserving evidence in order to maximize the amount of insurance recoveries.

Responsibilities include ensuring the safety and well-being of City employees, and directing them seek medical care if appropriate. Staff also serves as liaison with the California Division of Occupational Safety and Health (Cal/OSHA), initiating investigations and representing the City at hearings.



help



Coordinated Emergency Response — In partnership with the City's insurance pool Joint Powers Authority, Risk Management has developed a prompt response/recovery plan for property losses. In the event of an emergency involving a significant loss to the City, such as a flood, fire, or civil unrest, Risk Management mobilizes and manages the emergency mitigation response and property restoration to ensure recovery is prompt and thorough.

Responsibilities include coordinating the cleaning and restoration of property, retention of environmental consultants, arranging for disposal services, and negotiation of maximum returns from the City's insurers.

DRIVER SAFETY TRAINING — The Risk Management Division offers a range of driver safety training services. On-going classes are available on-line through PreventionLink, and DOT training, vehicle safety, and other specific trainings are offered through Du-All. Driver safety courses are provided to all newly-hired employees whose job descriptions require driving.



PreventionLink





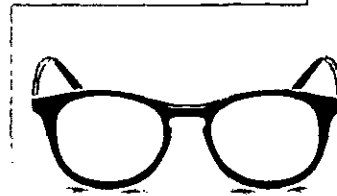
Management of the City's Shoe Voucher Program —

The City requires that all employees wear approved footwear appropriate for their work assignments as it is specified by CAL/OSHA and ANSI.

All footwear is evaluated by Risk Management on a continuing basis to ensure that the footwear will provide the required level of protection, wearability, uniform conformity and comfort for the specific job classification and hazard. Eligible employees are allowed up to \$115 per year for safety shoes in accordance with their bargaining unit MOU.

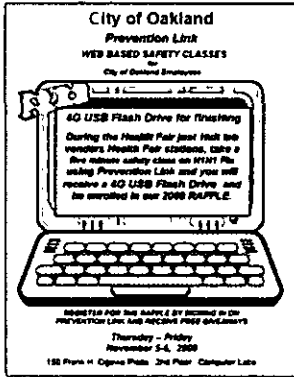
Management of the VDT Eyeglass Program — Risk Management offers many preventive programs, one being the Video Display Terminals (VDT) glasses program which provides eligible employees VDT glasses to prevent possible eyestrain. To qualify for this benefit, employees must use video display terminals at least eighteen and three-quarter (18.75) hours per week, as certified by their department.

VDT glasses must be prescribed by the employee's personal eye doctor after they are deemed eligible for this benefit. The City agrees to provide a maximum of one pair of VDT glasses in basic frames to the eligible employee annually through a designated City vendor.



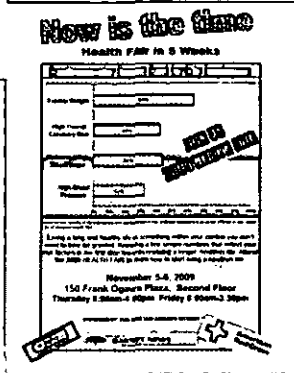
Risk Management Division Programs

HEALTH AND WELLNESS



Employee Health Fair — Each year RMD sponsors Employee Health and Wellness Fairs at City Hall and the PWA facilities on Edgewater Drive, serving in excess of 600 people. Employees are able to participate in a number of health-related medical screenings such as Health Risk Assessments, cholesterol testing, diabetes screening, and blood pressure tests. Seasonal Flu and Hepatitis B shots are also made available. Health and Wellness information sessions are also provided to educate employees on personal health issues.

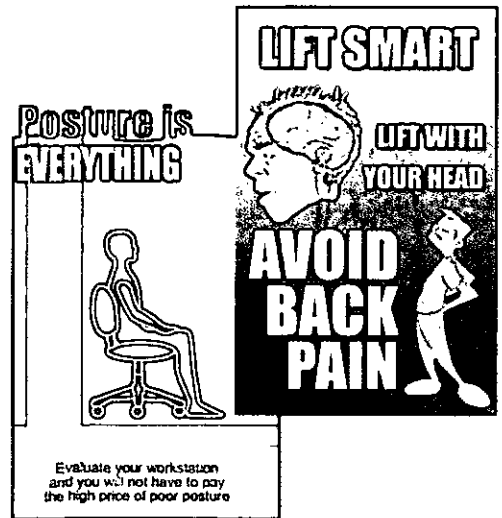
This year, in addition to the full roster of medical services and health services vendors, the Health Fair featured additional vendors offering seminars on preserving electronic data, holistic healing techniques.



In an ongoing effort to increase participation in the Health and Wellness Fairs, staff continues to identify effective methods for notifying employees of the Health Fair services, as well as provide useful medical and health information.

Ergonomics Program — The Ergonomics Program serves all City employees, providing evaluations and equipment to maximize the ergonomic design of the workplace environment to fit each employee. Proper ergonomic design is necessary for the prevention of repetitive strain injuries, which can develop over time and can lead to long-term disability.

Receiving services and equipment through the Ergonomics Program begins with an on-site evaluation by the City's ergonomic consultant. The consultant works with the employee to understand the job's physical requirements, recommends the appropriate ergonomic devices for the employee, and Risk Management arranges for the purchase and installation of the equipment. Subsequent visits by the ergonomic consultant to ensure that the equipment is set up and being used effectively are available at any time.



SERVICES TO THE CITY OF OAKLAND

The Risk Management Division provides the following services to the City:

- Manage the City's insurance portfolio, including General Liability, Excess Liability, Property, Auto/Aviation/Marine, Fine Arts, Pollution, Accidental Death/Dismemberment, and Employee Crime.
- Facilitate actuarial reviews of General Liability and Workers' Compensation Programs to establish appropriate allocations to support the programs.
- Review City contracts for insurance requirements.
- Administer the City's insurance claims program, filing claims for recovery on behalf of the City related to damaged property.
- Administer the City's self-insured Workers' Compensation Program. Work with City departments to ensure compliance with the state regulations, the timely and appropriate provision of disability benefits to injured City employees, and resolution of claims before the state Workers' Compensation Appeals Board.
- Administer the contracts for the third party administrator for workers' compensation claims and the occupational medical services provider.
- Coordinate with City departments to ensure compliance with state and federal health and safety regulations, provide mandated safety training, and identify areas for enhanced safety training.
- Represent the City at CalOSHA inspections and hearings.
- Review and/or investigate all employee accidents, with the goal of determining root causes of the accidents and establishing preventive measures to lessen the likelihood of repeated events.
- Facilitate an annual health fair for all City employees, and an annual health fair designed specifically for the Public Works Agency.

SERVICES TO THE CITY OF OAKLAND (continued)

- Administer the City's Ergonomic Assessment Program. Provide ergonomic evaluations for all City employees and determine eligibility for the Video Display Terminal Eyeglass Program.
- Facilitate the City's Safety Shoe Voucher Program.
- Conduct inspections/investigations related to Indoor/Environmental Air Quality for City facilities.
- Coordinate all employee medical services, including Pre-Placement exams, periodic exams, drug testing, vaccinations, Fitness for Duty exams, and other mandatory medical surveillance services.
- Facilitate employee background checks and employee investigations, as requested.

SKELLY OFFICER SERVICES

The Risk Manager has partnered with the Department of Human Resource Management to provide dedicated Skelly officer services to all City departments. With the primary focus on ensuring properly developed/supported personnel actions, the intent is to affect the number of personnel/labor cases lost in arbitration or litigation due to unsupported actions. Since July 2008, over 24 Skelly (discipline related) cases have been heard and over 110 Levine (Lay-off related) cases have been heard.

WHAT'S AHEAD FOR FY 2011-13

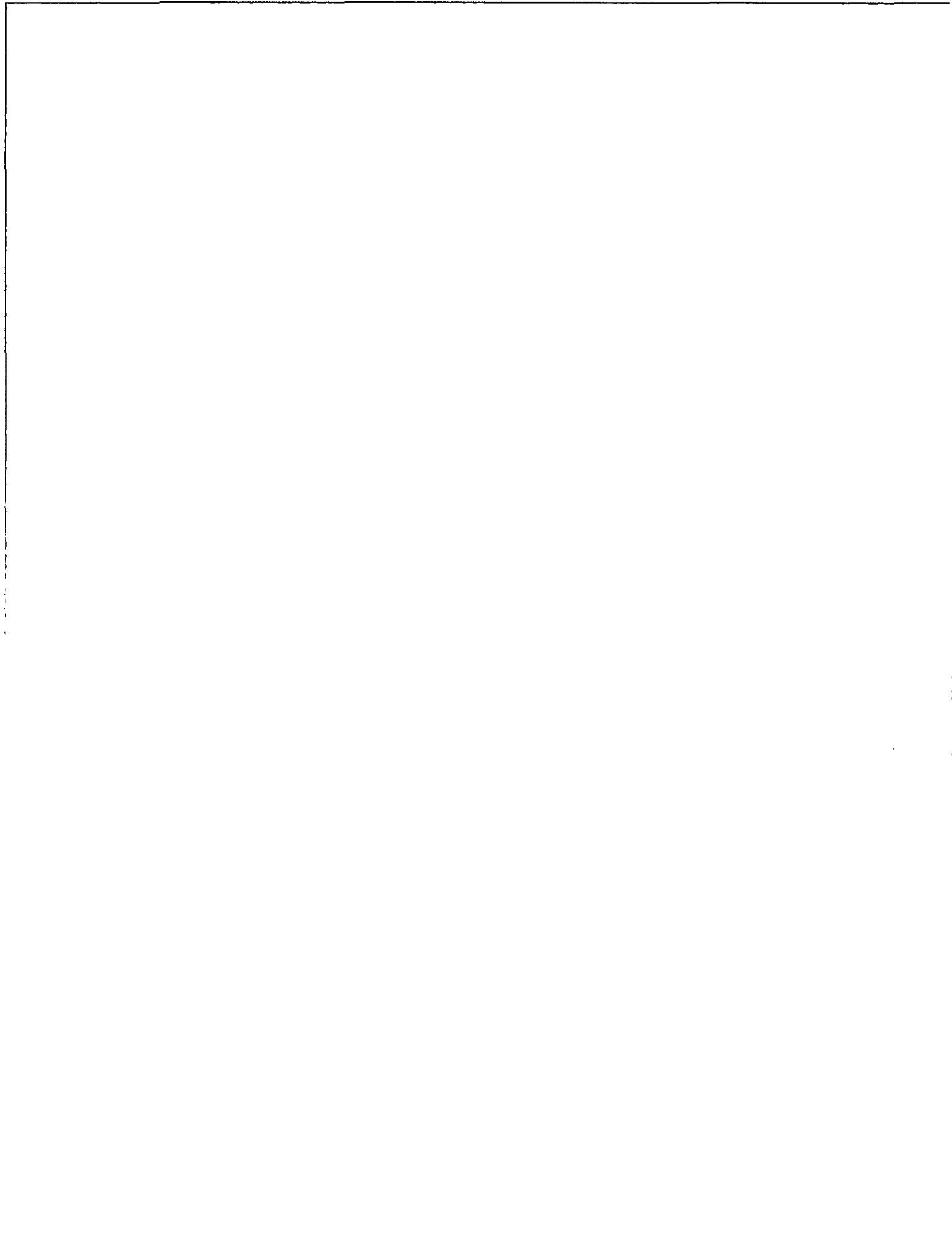
Risk Management Marketing / Promotion — The Risk Management Division anticipates expanding the marketing of its services across the City of Oakland. Existing services could be expanded through the use of technology. For instance, Internet access to forms and FAQ sheets will provide improved service to our customers. Promoting Risk Management's services would serve the dual purpose of promoting the principles of Risk Management and educating staff on methods that will help the City avoid the impacts of unnecessary losses.

Grant-Funded Program Development — New technology and tools exist that could have a direct and positive impact on the City's loss experience. Given the current financial condition of the City, however, requesting funding for such programs is not justified. As such, Risk Management is exploring grant funding for several significant expenditures:

- **Driving Simulator** — A driving simulator module to enhance the unit recently purchased by the Fire Department could be made available to other City Departments such as the Police Department and the Public Works Agency. Alternatively, funding for a separate simulator may be appropriate. (Approximate purchase price: \$200,000 to \$300,000).
- **Automatic Electronic Defibrillators (AEDs)** — Risk Management would like to obtain a grant for the purchase and placement of AEDs in public access buildings such as libraries and recreation centers. AEDs cost approximately \$2,000 per unit. Training and maintenance requirements would also have to be funded.

Critical Program Review — As the Risk Management Division continues to expand its areas of responsibility and service delivery, it risks the chance of growing beyond its means, causing programs to stagnate and suffer. RMD plans to undertake a critical program review to determine where program efficiencies could be implemented, freeing resources to focus on new program innovations or new program areas.





SCHEDULE OF EXHIBITS

- Appendix A Actuarial Review of the Self-Insured Liability Program; Outstanding Liabilities as of June 30, 2010 and June 30, 2011, Forecast for Fiscal Years 2010-11 through 2015-16
(Bickmore Risk Services and Consulting, January 2011, Pages 1-10. The Exhibits and Appendices are excluded due to the volume of the documents.)
- Appendix B Actuarial Review of the Self-Insured Liability Program, Allocation of Costs for Fiscal Year 2011-12
(Bickmore Risk Services & Consulting, December 2010)
- Appendix C Workers' Compensation Expenditure Report (FY 2005-06 through FY 2009-10)
- Appendix D Workers' Compensation Third Party Administration Audit, Final Report
(Bickmore Risk Services and Consulting, December 2010, Pages 1-12. The Assessment Summation Charts and Worksheets are excluded due to the volume of the documents.)
- Appendix E Response from TPA Regarding Annual Audit 2010
(Letter from JT2 Integrated Resources to Deb Grant, Risk Manager, dated December 16, 2010)
- Appendix F Actuarial Review of the Self-Insured Workers' Compensation Program; Outstanding Liabilities as of June 30, 2010 and June 30, 2011, Forecast for Fiscal Years 2010-11 and 2011-12
(Bickmore Risk Services and Consulting, October 2010, Pages 1-10. The Exhibits and Appendices are excluded due to the volume of the documents.)

Appendix A

General Liability Actuarial Analysis
for Period Ending June 30, 2010



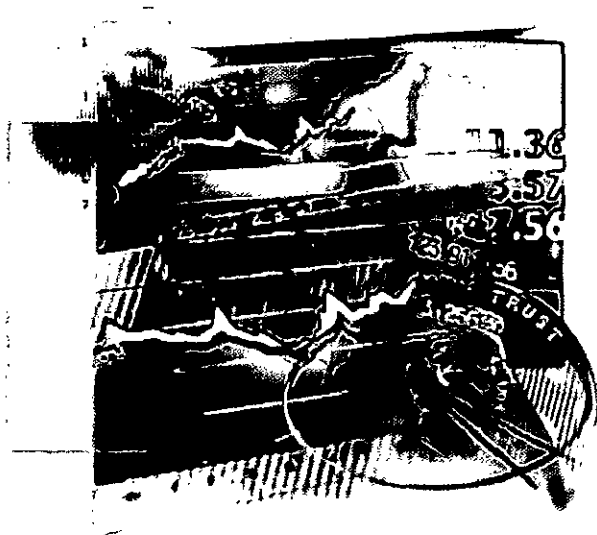
Bickmore Risk Services & Consulting

City of Oakland

Actuarial Review of the Self-Insured Liability Program

Outstanding Liabilities as of June 30, 2010 and June 30, 2011

Forecast for Fiscal Years 2010-11 through 2015-16



January 2011



Bickmore Risk Services & Consulting

January 21, 2011

Ms. Deb Grant
Acting Risk Manager
City of Oakland
150 Frank Ogawa Plaza, Suite 2352
Oakland, CA 94612

Re: Actuarial Review of the Self-Insured Liability Program

Dear Ms. Grant:

As you requested, we have completed our review of the City of Oakland's self-insured Liability program. Assuming an SIR of \$4,000,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2010-11 and 2011-12 program years to be \$12,314,000 and \$13,069,000, respectively. These amounts include allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of the City's claims, assuming a 3.0% return on investments per year. For budgeting purposes, the expected costs of 2010-11 and 2011-12 claims translate to rates of \$4.72 and \$4.86 per \$100 payroll, respectively.

In addition, we estimate the program's liability for outstanding claims to be \$40,302,000 and \$39,622,000 as of June 30, 2010 and June 30, 2011, respectively, again including ALAE and ULAE, and discounted for anticipated investment income (see Graphs 1a and 1b on Pages 9 and 10).

The \$40,302,000 estimate is the minimum liability to be booked by the City at June 30, 2010 for its liability program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the City to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

www.BRSrisk.com
800.541.4591
f. 916.244.1199

CORPORATE
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3780 Kilroy Airport Way
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5320 SW MacAdam Avenue
Suite 100
Portland, OR 97239
d. 503.419.0450

Our conclusions regarding the City's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2010 are summarized in the table below.

City of Oakland
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2010

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$38,751,000					
ULAE	4,962,000					
Investment Income Offset	(3,411,000)					
Discounted Loss and LAE	\$40,302,000	\$46,347,000	\$48,524,000	\$51,264,000	\$54,851,000	\$60,775,000

Our conclusions regarding the City's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2011, are summarized in the table below.

City of Oakland
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2011

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$38,409,000					
ULAE	4,618,000					
Investment Income Offset	(3,405,000)					
Discounted Loss and LAE	\$39,622,000	\$45,565,000	\$47,705,000	\$50,399,000	\$53,926,000	\$59,750,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the City's financial statements.

Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be conservative.

Furthermore, the CSAC Excess Insurance Authority standard states that based upon the actuarial recommendations, the member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

The table below shows our funding recommendations for the City of Oakland for the 2010-11 fiscal year.

City of Oakland Self-Insured Liability Program Loss and LAE Funding Guidelines for 2010-11 Self-Insured Retention (SIR) of \$4,000,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$12,238,000					
ULAE	1,288,000					
Investment Income Offset	(1,212,000)					
Discounted Loss and LAE	\$12,314,000	\$14,309,000	\$15,294,000	\$16,464,000	\$17,929,000	\$19,875,000
Rate per \$100 of 2010-11 Payroll	\$4.72	\$5.49	\$5.86	\$6.31	\$6.87	\$7.62

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2010. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2011-12 fiscal year.

City of Oakland Self-Insured Liability Program Loss and LAE Funding Guidelines for 2011-12 Self-Insured Retention (SIR) of \$4,000,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$12,998,000					
ULAE	1,358,000					
Investment Income Offset	(1,287,000)					
Discounted Loss and LAE	\$13,069,000	\$15,186,000	\$16,232,000	\$17,473,000	\$19,028,000	\$21,093,000
Rate per \$100 of 2011-12 Payroll	\$4.86	\$5.65	\$6.04	\$6.50	\$7.08	\$7.85

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2011. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2012-13 fiscal year.

City of Oakland Self-Insured Liability Program Loss and LAE Funding Guidelines for 2012-13 Self-Insured Retention (SIR) of \$4,000,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$13,803,000					
ULAE	1,436,000					
Investment Income Offset	(1,366,000)					
Discounted Loss and LAE	\$13,873,000	\$16,120,000	\$17,230,000	\$18,548,000	\$20,199,000	\$22,391,000
Rate per \$100 of 2012-13 Payroll	\$5.01	\$5.83	\$6.23	\$6.70	\$7.30	\$8.09

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2013-14 fiscal year.

City of Oakland Self-Insured Liability Program Loss and LAE Funding Guidelines for 2013-14 Self-Insured Retention (SIR) of \$4,000,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$14,661,000					
ULAE	1,515,000					
Investment Income Offset	(1,450,000)					
Discounted Loss and LAE	\$14,726,000	\$17,112,000	\$18,290,000	\$19,689,000	\$21,441,000	\$23,768,000
Rate per \$100 of 2013-14 Payroll	\$5.17	\$6.00	\$6.42	\$6.91	\$7.52	\$8.34

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2014-15 fiscal year.

City of Oakland Self-Insured Liability Program Loss and LAE Funding Guidelines for 2014-15 Self-Insured Retention (SIR) of \$4,000,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$15,572,000					
ULAE	1,598,000					
Investment Income Offset	(1,539,000)					
Discounted Loss and LAE	\$15,631,000	\$18,163,000	\$19,414,000	\$20,899,000	\$22,759,000	\$25,228,000
Rate per \$100 of 2014-15 Payroll	\$5.32	\$6.19	\$6.61	\$7.12	\$7.75	\$8.59

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2014. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2015-16 fiscal year.

City of Oakland Self-Insured Liability Program Loss and LAE Funding Guidelines for 2015-16 Self-Insured Retention (SIR) of \$4,000,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$16,540,000					
ULAE	1,686,000					
Investment Income Offset	(1,634,000)					
Discounted Loss and LAE	\$16,592,000	\$19,280,000	\$20,607,000	\$22,184,000	\$24,158,000	\$26,779,000
Rate per \$100 of 2015-16 Payroll	\$5.49	\$6.38	\$6.81	\$7.34	\$7.99	\$8.86

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2015. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits, and appendices. Our report has been developed for the City's internal use. It is not intended for general circulation.

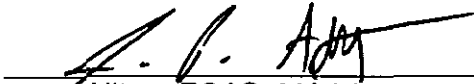
We appreciate the opportunity to be of service to the City of Oakland in preparing this report. Please feel free to call Derek Burkhalter at (916) 244-1167 or John Ailtop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



Derek Burkhalter, ACAS, MAAA
Manager, Property and Casualty Insurance Services, BRS
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries



John Ailtop, FCAS, MAAA
Managing Director, Actuarial and Risk Financing, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Appendix B

General Liability Actuarial Analysis, Allocation of Costs

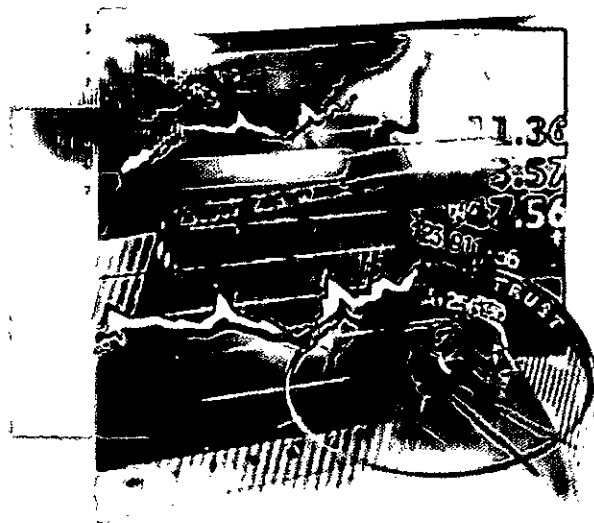


Bickmore Risk Services & Consulting

City of Oakland

Actuarial Review of the Self-Insured Liability Program

Allocation of Costs for Fiscal Years 2011-12 and 2012-13



January 2011



Bickmore Risk Services & Consulting

January 26, 2011

Ms. Deb Grant
Acting Risk Manager
City of Oakland
150 Frank Ogawa Plaza, Suite 2352
Oakland, CA 94612

Re: Cost Allocation for the Self-Insured Liability Program

Dear Ms. Grant:

As you requested, we have developed an experience modification plan to allocate liability costs for the City of Oakland. The following table summarizes the results of the allocation for the 2011-12 program year at the 80% confidence level.

Table with 5 columns: Department, 2011-12 Base Rate, 2011-12 Xmod, 2011-12 Estimated Payroll, 2011-12 Experience Rated Premium. Rows include Fire Services Agency, Parks & Recreation, Police Services Agency, Public Works Department, All Other Departments, and Total.

The following table summarizes the results of the allocation for the 2012-13 program year, assuming experience modification factors which are equivalent to that of 2011-12:

Table with 5 columns: Department, 2012-13 Base Rate, 2012-13 Xmod, 2012-13 Estimated Payroll, 2012-13 Experience Rated Premium. Rows include Fire Services Agency, Parks & Recreation, Police Services Agency, Public Works Department, All Other Departments, and Total.

www.BRSrisk.com
800.541.4591
f. 916.244.1199

CORPORATE
1750 Creekside Oaks Drive
Suite 200
Sacramento, CA 95833
d. 916.244.1100

3780 Kilroy Airport Way
Suite 470
Long Beach, CA 90806
d. 562.508.4400

5320 SW MacAdam Avenue
Suite 100
Portland, OR 97239
d. 503.419.0450

The following characteristics apply to the plans for 2011-12 and 2012-13:

- ◆ The City's funding has been allocated to its departments by applying a relativity to the liability base rate. The base rate is the rate per \$100 of payroll necessary to achieve the City's targeted 2011-12 and 2012-13 funding in total. For the purposes of the table above as well as the attached exhibits, we have used the discounted, 80% confidence level base rate of \$6.504 and \$6.703 per \$100 of payroll, respectively, as had been calculated in the actuarial report dated January 21, 2011.
- ◆ Historical loss rates per \$100 of payroll by department are based on the five years of experience ending with fiscal year 2009-10 valued as of June 30, 2010.
- ◆ Historical loss rates per \$100 of payroll by department are based on reported losses capped at \$25,000 per loss. The \$25,000 cap is applied to mitigate the impact of fortuitous large claims.

The calculation of the experience modification relativities by department is detailed in Exhibit 2. For each department, the experience component is based on the department's five year payroll rate relative to that of the City's in total (Column (E)). The extent to which a department's own experience is credible is shown in Column (B). This credibility weighting methodology is based on the assumption that the department with the largest five year payroll will receive approximately 75% credibility. The remaining departments receive credibility proportionate to their five year payroll. A department's loss rate relativity is then weighted with a relativity of 1.00 in Column (F). Weighting the department's relativity with a relativity of 1.00 is equivalent to assuming that to the extent a department's own experience is not credible, its experience will be the same as that of the City's in total. The resulting relativities are then balanced to yield a total relativity of 1.00.

The calculation of the funding by department is detailed on Exhibit 1. Note that the relativities in Column (D) of this exhibit are the balanced relativities from Exhibit 2 discussed in the previous paragraph. The relativities are applied to the City's base rate to produce funding rates per \$100 of payroll by department. These funding rates are then multiplied by the corresponding department's payroll to produce that department's 2011-12 and 2012-13 funding.

The analysis which made it possible for us to draw these conclusions is based on the data supplied to us by the City of Oakland. We have accepted all of this information without audit. As with all actuarial reviews, the accuracy and relevance of our conclusions and recommendations are highly dependent on the accuracy and relevance of the underlying data.

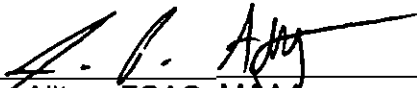
We appreciate the opportunity to be of service to the City of Oakland in preparing this report. Please feel free to call Derek Burkhalter at (916) 244-1167 or John Ailtop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



Derek Burkhalter, ACAS, MAAA
Manager, Property and Casualty Insurance Services, BRS
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries



John Ailtop, FCAS, MAAA
Managing Director, Actuarial and Risk Financing, BRS
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**City of Oakland
Experience Modification Factors
Liability**

**Indicated Fiscal Year 2011-12 Loss and LAE
at the 80% Confidence Level
(Summary)**

Department	2011-12 Estimated Payroll (A)	2011-12 Base Rate = \$6.504 (B)	Preliminary Unmodified 2011-12 Premium (C)	2011-12 Experience Rating Modification (D)	2011-12 Experience Rated Premium (E)
Fire Services Agency	\$40,795,363	\$6.504	\$2,653,238	0.442	\$1,172,080
Parks & Recreation	9,631,196	6.504	626,391	0.778	487.342
Police Services Agency	68,613,044	6.504	4,462,437	1.183	5,279.220
Public Works Department	36,926,663	6.504	2,401,627	2.275	5,462.993
All Other Departments	112,693,135	6.504	7,329,307	0.692	5,071,365
All Departments	\$268,659,401		\$17,473,000	1.000	\$17,473,000

Notes:

- (A) Provided by the City.
- (B) From Exhibit 2, Page 2 of the actuarial study.
- (C) $(A) / 100 \times (B)$
- (D) From Exhibit 3.
- (E) $(C) \times (D)$

**City of Oakland
Experience Modification Factors
Liability**

**Indicated Fiscal Year 2012-13 Loss and LAE
at the 80% Confidence Level
(Summary)**

Department	2012-13 Estimated Payroll (A)	2012-13 Base Rate = \$6.703 (B)	Preliminary Unmodified 2012-13 Premium (C)	2012-13 Experience Rating Modification (D)	2012-13 Experience Rated Premium (E)
Fire Services Agency	\$42,019,196	\$6.703	\$2,816,475	0.442	\$1,244,190
Parks & Recreation	9,920,125	6.703	664,929	0.778	517,325
Police Services Agency	70,671,389	6.703	4,736,982	1.183	5,604,017
Public Works Department	38,034,438	6.703	2,549,383	2.275	5,799,095
All Other Departments	116,073,853	6.703	7,780,231	0.692	5,383,373
All Departments	\$276,719,000		\$18,548,000	1.000	\$18,548,000

Notes:

- (A) Projected based on 2011-12 Payroll.
- (B) From Exhibit 2, Page 3 of the actuarial study.
- (C) (A) / 100 x (B)
- (D) From Exhibit 3; Assumed to be equivalent to 2011-12.
- (E) (C) x (D)

City of Oakland
Experience Modification Factors
Liability

Indicated Fiscal Year 2011-12 Loss and LAE
at the 80% Confidence Level

Department	2011-12 Estimated Payroll (A)	2011-12 Base Rate = \$6.504 (B)	Preliminary Unmodified 2011-12 Premium (C)	2011-12 Experience Rating Modification (D)	2011-12 Experience Rated Premium (E)
CEDA	\$34,681,170	\$6.504	\$2,255,585	0.543	\$1,223,741
City Administrator	4,952,997	6.504	322,132	1.163	374,721
City Attorney's Office	8,896,275	6.504	578,594	0.695	402,196
City Clerk	836,562	6.504	54,408	0.935	50,889
Dept of Information & Technology	7,793,721	6.504	506,886	0.713	361,422
Financial Management Agency	14,547,043	6.504	946,107	0.812	768,167
Fire Services Agency	40,795,363	6.504	2,653,238	0.442	1,172,080
Human Services	4,474,279	6.504	290,997	0.862	250,794
Library	11,709,045	6.504	761,530	0.652	496,365
Miscellaneous	16,253,289	6.504	1,057,077	0.607	641,210
Museum	3,409,559	6.504	221,750	0.865	191,741
Office of Mayor & Council	4,327,372	6.504	281,443	0.926	260,586
Office of the City Auditor	811,824	6.504	52,799	0.938	49,533
Parks & Recreation	9,631,196	6.504	626,391	0.778	487,342
Police Services Agency	68,613,044	6.504	4,462,437	1.183	5,279,220
Public Works Department	36,926,663	6.504	2,401,627	2.275	5,462,993
All Departments	\$268,659,401		\$17,473,000	1.000	\$17,473,000

Notes:

- (A) Provided by the City.
- (B) From Exhibit 2, Page 2 of the actuarial study.
- (C) (A) /100 x (B)
- (D) From Exhibit 3.
- (E) (C) x (D)

City of Oakland
Experience Modification Factors
Liability

Calculation of 2011-12 Experience Modification Factors

Department	2005-06 to 2009-10 Payroll (A)	Weighting (B)	2005-06 to 2009-10 Incurred Losses (C)	2005-06 to 2009-10 Incurred Limited to \$25K (D)	2005-06 to 2009-10 Inc \$25K Loss Ratio (E)	2011-12 Experience Modification Factor (F)
CEDA	\$178,628,113	60.3%	\$1,179,275	\$505,915	0.283	0.543
City Administrator	25,510,804	17.8%	2,061,572	564,964	2.215	1.163
City Attorney's Office	45,820,970	28.0%	27,791	27,791	0.061	0.695
City Clerk	4,308,777	3.5%	231,798	33,199	0.770	0.935
Dept of Information & Technology	40,142,177	25.4%	17,189	17,189	0.043	0.713
Financial Management Agency	74,925,699	38.9%	818,454	460,187	0.614	0.812
Fire Services Agency	210,119,751	64.1%	618,891	342,642	0.163	0.442
Human Services	23,045,127	16.4%	499,769	104,980	0.456	0.862
Library	60,308,364	33.9%	69,719	52,307	0.087	0.652
Miscellaneous	83,713,851	41.5%	344,453	113,888	0.136	0.607
Museum	17,561,205	13.0%	150,454	61,051	0.348	0.865
Office of Mayor & Council	22,288,474	15.9%	673,588	189,572	0.851	0.926
Office of the City Auditor	4,181,364	3.4%	115,003	34,743	0.831	0.938
Parks & Recreation	49,606,236	29.6%	501,510	194,535	0.392	0.778
Police Services Agency	353,396,921	75.0%	28,333,505	4,521,229	1.279	1.183
Public Works Department	190,193,706	61.8%	16,986,175	5,970,034	3.139	2.275
All Departments	\$1,383,751,539		\$52,629,146	\$13,194,226	0.954	1.000

Notes:

- (A) Provided by the City.
- (B) $(A) / ((A) + \text{Maximum of } (A) / 3)$
- (C) From Exhibit 4.
- (D) From Exhibit 4.
- (E) Limited to \$25K / Payroll x 100
- (F) $(B) \times (E) + (1 + (B) \times \text{Total}(E) / \text{Total}(E))$ and subject to an off-balance factor of 0.942

City of Oakland
Experience Modification Factors
Liability

Summary of Loss Data

Department	Incurred Losses					Incurred Losses Capped at \$25K				
	2005-06 (A)	2006-07 (B)	2007-08 (C)	2008-09 (D)	2009-10 (E)	2005-06 (F)	2006-07 (G)	2007-08 (H)	2008-09 (I)	2009-10 (J)
CEDA	\$167,067	\$590,930	\$311,797	\$64,538	\$44,944	\$77,936	\$150,508	\$167,989	\$64,538	\$44,944
City Administrator	235,347	677,461	704,808	367,849	76,107	55,703	190,516	103,871	140,581	74,193
City Attorney's Office	0	264	0	20,883	6,645	0	264	0	20,883	6,645
City Clerk	0	223,599	8,199	0	0	0	25,000	8,199	0	0
Dept of Information & Technology	16,237	952	0	0	0	16,237	952	0	0	0
Financial Management Agency	23,849	124,015	187,503	423,007	60,080	23,849	96,015	109,439	170,803	60,080
Fire Services Agency	208,000	47,433	288,966	36,496	37,995	119,116	47,433	101,602	36,496	37,995
Human Services	373,330	125,885	554	0	0	51,249	53,177	554	0	0
Library	42,870	0	234	22,225	4,390	25,458	0	234	22,225	4,390
Miscellaneous	1,948	38,102	18,890	285,514	0	1,948	32,211	18,890	60,840	0
Museum	13,322	114,402	22,729	0	0	13,322	25,000	22,729	0	0
Office of Mayor & Council	79,115	798	490,991	71,700	30,985	39,279	798	96,211	28,284	25,000
Office of the City Auditor	1,343	113,660	0	0	0	1,343	33,400	0	0	0
Parks & Recreation	82,369	145,249	265,850	1,131	6,910	59,234	44,455	82,805	1,131	6,910
Police Services Agency	5,839,346	6,062,639	10,339,120	5,001,310	1,091,091	924,006	876,110	1,127,402	1,118,337	475,374
Public Works Department	3,072,800	3,403,078	6,673,003	2,231,651	1,605,643	1,312,998	901,513	1,661,820	1,129,148	964,555
All Departments	\$10,156,944	\$11,668,467	\$19,312,645	\$8,526,302	\$2,964,789	\$2,721,678	\$2,477,452	\$3,501,745	\$2,793,265	\$1,700,086

Notes:

1. Reported incurred losses are the sum of losses paid and the total of the case loss reserves on individual claims. Reported incurred losses do not include actuarial estimates of loss development on reported claims and losses on claims incurred, but not reported.
2. Incurred losses include allocated loss expenses.
3. Incurred losses include 4850 benefits.
4. Losses are evaluated as of June 30, 2010.

City of Oakland
Experience Modification Factors
Liability

Summary of Payroll

Department	Payroll					
	2005-06 (A)	2006-07 (B)	2007-08 (C)	2008-09 (D)	2009-10 (E)	2011-12 (F)
CEDA	\$37,732,164	\$35,314,273	\$37,149,327	\$34,694,072	\$33,738,278	\$34,681,170
City Administrator	5,388,725	5,043,414	5,305,487	4,954,840	4,818,338	4,952,997
City Attorney's Office	9,678,904	9,058,676	9,529,397	8,899,585	8,654,408	8,896,275
City Clerk	910,156	851,833	896,097	836,873	813,818	836,562
Dept of Information & Technology	8,479,355	7,935,995	8,348,377	7,796,620	7,581,830	7,793,721
Financial Management Agency	15,826,785	14,812,599	15,582,314	14,552,455	14,151,546	14,547,043
Fire Services Agency	44,384,239	41,540,081	43,698,649	40,810,540	39,686,242	40,795,363
Human Services	4,867,893	4,555,957	4,792,700	4,475,943	4,352,635	4,474,279
Library	12,739,121	11,922,793	12,542,343	11,713,401	11,390,706	11,709,045
Miscellaneous	17,683,133	16,549,992	17,409,987	16,259,335	15,811,403	16,253,289
Museum	3,709,507	3,471,801	3,652,207	3,410,828	3,316,862	3,409,559
Office of Mayor & Council	4,708,063	4,406,368	4,635,339	4,328,982	4,209,722	4,327,372
Office of the City Auditor	883,242	826,644	869,599	812,126	789,753	811,824
Parks & Recreation	10,478,477	9,807,013	10,316,619	9,634,779	9,369,348	9,631,196
Police Services Agency	74,649,114	69,865,573	73,496,033	68,638,570	66,747,631	68,613,044
Public Works Department	40,175,199	37,600,758	39,554,625	36,940,401	35,922,722	36,926,663
All Departments	\$292,294,077	\$273,563,770	\$287,779,102	\$268,759,350	\$261,355,240	\$268,659,401

Notes:

1. Amounts were provided by the City.

Appendix C

Workers' Compensation Expenditures Report

Workers' Compensation Expenditures Report FY 2005-06 through FY 2009-10

	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage Change Since 2005-06
OPERATIONS EXPENDITURES						
INDEMNITY / SETTLEMENT						
Permanent Disability	\$ 3,592,032	\$ 4,889,912	\$ 3,735,520	\$ 4,567,441	\$ 5,036,106	40%
INDEMNITY / SALARY⁽⁴⁾						
Non-4850⁽³⁾						
Temporary Disability	\$ 1,833,183	\$ 2,269,510	\$ 1,583,731	\$ 1,045,350	\$ 1,371,942	
Civilian - Salary Supplement	\$ 681,679	\$ 725,863	\$ 574,907	\$ 428,485	\$ 526,605	
Total Non-4850 Pay	\$ 2,514,862	\$ 2,995,373	\$ 2,158,638	\$ 1,473,835	\$ 1,898,547	-25%
4850⁽⁴⁾						
Sworn - OPD - 4850 Pay	\$ 2,735,571	\$ 3,164,191	\$ 2,145,813	\$ 1,726,011	\$ 2,654,322	
Sworn - OFD - 4850 Pay	\$ 1,884,324	\$ 2,124,254	\$ 2,042,638	\$ 2,677,212	\$ 3,104,530	
Total 4850 Pay	\$ 4,619,895	\$ 5,288,445	\$ 4,188,451	\$ 4,403,223	\$ 5,758,852	25%
Subtotal - Indemnity / Salary	\$ 7,134,757	\$ 8,283,818	\$ 6,347,089	\$ 5,877,058	\$ 7,657,399	7%
ALLOCATED						
Rehabilitation	\$ 440,119	\$ 277,247	\$ 140,384	\$ 88,391	\$ 23,955	
Investigative Claims Expense	\$ 272,107	\$ 447,674	\$ 398,844	\$ 443,300	\$ 403,961	
Legal	\$ 673,970	\$ 815,482	\$ 838,922	\$ 1,023,725	\$ 1,180,255	
10% Penalties	\$ 79,925	\$ 25,324	\$ 27,845	\$ 18,587	\$ 7,864	
Subtotal - Allocated	\$ 1,466,121	\$ 1,565,727	\$ 1,405,995	\$ 1,574,003	\$ 1,616,035	10%
MEDICAL						
City Physician (Concentra)	\$ 298,937	\$ 391,776	\$ 401,045	\$ 403,931	\$ 187,662	
All Others	\$ 5,150,445	\$ 6,034,822	\$ 6,450,942	\$ 5,906,908	\$ 6,158,683	
Subtotal - Medical	\$ 5,449,382	\$ 6,426,598	\$ 6,851,987	\$ 6,310,839	\$ 6,346,345	16%
SUB-TOTAL OPERATIONS EXPENDITURES	\$ 17,642,292	\$ 21,166,655	\$ 18,340,591	\$ 18,329,341	\$ 20,655,885	17%
THIRD PARTY RECOVERY - REFUNDED TO CITY	\$ (139,326)	\$ (383,618)	\$ (597,789)	\$ (329,531)	\$ (821,953)	
TOTAL OPERATIONS EXPENDITURES	\$ 17,502,966	\$ 20,782,437	\$ 17,742,802	\$ 17,999,810	\$ 19,833,932	13%
ADMINISTRATIVE EXPENDITURES						
Claims Administrator Contract	\$ 1,615,482	\$ 1,673,884	\$ 1,999,572	\$ 2,082,888	\$ 2,112,868	
Bill Review Expense ⁽⁵⁾	\$ 501,335	\$ 653,128	\$ 656,369	\$ 582,384	\$ 582,384	
SUBTOTAL - ADMINISTRATIVE EXPENDITURES	\$ 2,116,817	\$ 2,327,012	\$ 2,655,941	\$ 2,665,272	\$ 2,695,252	27%
TOTAL WORKERS' COMPENSATION EXPENSE	\$ 19,619,783	\$ 23,109,449	\$ 20,398,743	\$ 20,665,082	\$ 22,529,184	15%

(1) Figures are for the period July 1, 2009 through June 30, 2010 (as of July 28, 2010)

(2) Indemnity / Salary is in Fund 1250.

(3) Non-4850 pay is the amount paid to Civilian employees required by the State of California labor code for workers' compensation benefits plus the negotiated salary supplement contained in the City of Oakland memorandum of Understanding for each labor unit.

(4) 4850 pay is the total amount paid to Sworn employees (Police and Fire) required by the State of California Labor Code § 4850.

(5) Bill Review saved the City an additional \$11,322,373 in FY 2009-10.

Note: Officer deaths (March 21, 2009) resulted in unexpected expenses in the amount of \$173,619, and increased future reserves of \$3.5 Million.

Appendix D

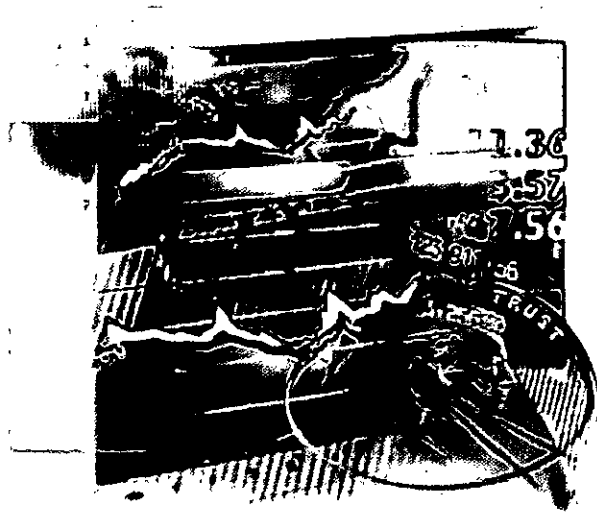
Workers' Compensation Claims Audit



City of Oakland

Workers' Compensation Third Party Administration Audit

Final Report



Completed by:
Bickmore Risk Services
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

December 2010



Bickmore Risk Services

December 8, 2010

Ms. Deborah Grant
Risk Manager
City of Oakland
One Frank H. Ogawa Plaza
Oakland, CA 94612

Re: City of Oakland - JT2 Integrated Resources
Workers' Compensation Performance Audit 2010

Dear Ms. Grant:

Enclosed is our final report for the Workers' Compensation Performance Audit of the City's third party administrator, JT2 Integrated Resources which was completed during the week of November 15, 2010. An electronic copy of the report is provided this date, with a hard copy to follow.

If you have any question or concerns, please feel free to contact me at (916)244-1155.

Sincerely,

A handwritten signature in cursive script that reads "Judith Bals".

Judith Bals
Director of Workers' Compensation Services

Enclosure

cc: Debbie Flores/JT2 Integrated Resources

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Attachments: Assessment Summary Charts and Worksheets

A - Summary Spreadsheets

B- Individual Performance Standards Contract Compliance



I. EXECUTIVE SUMMARY

A. WORK PLAN AND METHODOLOGY

Bickmore Risk Services (BRS) was requested by the City of Oakland (City) to conduct an audit for performance contract compliance by the third party administrator, JT² Integrated Resources (JT²). To implement the audit process, BRS was provided a loss run from which 80 files were selected. The scope of the audit was to assess claims handling activity between September 1, 2009, and August 31, 2010. Files with work product outside of this range have been excluded from the calculations. It is the experience of BRS that a sample of this size will provide a fair basis for evaluation of a workers' compensation program administered by JT² on the City's program. A benchmark target of 85% minimal compliance has been established and all claims were audited against this standard.

The on-site audit was conducted from November 8, 2010 to November 15, 2010 by Ms. Jacquelyn Miller of BRS, the results of which were used for the compilation of the audit and report. Management staff of JT² was provided preliminary observations prior to the data analysis at the conclusion of the audit.

All files selected, were available and reviewed at the office of JT² in Oakland, California. It is understood JT² converted their claims administration for the City's program to an electronic claim file format in October 2010. However, this audit relied upon the actual hard copy claim files. Future audits will require review of the electronic claim files only. The comments and recommendations that follow apply only to the workers' compensation claims management processes.

B. OUTCOME

This audit was conducted to determine if JT² has met the Performance Incentive Program requirements of achieving a rating of 85% in each category, as well as maintaining a 100% closing ratio. The prior audit reports of 2007 and 2008 were reviewed for comparison purposes. A weighted formula was created for this audit based upon the Performance Standards specific to the City.

Although each category did not achieve a rating of 85%, BRS staff assessed an overall final rating of ninety-one percent (91%).

Performance Standard areas rating at or above 85% were noted as:

- Category One – 48 Hour Set-Up (3rd Audit Year Recognized)
- Category Two – 5 Day Decision
- Category Three – Physical Therapy Management (3rd Audit Year Recognized)
- Category Four – Transitional Work (3rd Audit Year Recognized)
- Category Six – Timely Payments (2nd Audit Year Recognized)
- Category Seven – Subrogation Management (3rd Audit Year Recognized)

- Category Nine – Coordination with the Contract Monitor (3rd Audit Year Recognized)
- Category Ten – Litigation Management
- Category Eleven – Managed Care & Early Intervention (3rd Audit Year Recognized)
- Category Twelve – VR/SJDB Notification
- Category Thirteen – VR/SJDB Management
- Category Fourteen - Supervision
- Category Fifteen – Administrative Reports (3rd Audit Year Recognized)
- Category Sixteen – Appropriate Identification of Medical Only vs Indemnity (3rd Audit Year Recognized)
- Category Seventeen – Claim Administration (3rd Audit Year Recognized)

Performance Standard areas rating below 85% were noted as:

- Category Five – Reserve Adequacy (3rd Audit Year Noted)
- Category Eight – Database Integrity (3rd Audit Year Noted)
- Category Ten – Litigation Management (3rd Audit Year Noted)

Our opinion is limited to the files reviewed in the audit process. Any future audit on the City's program may yield a different result in the score, as the score system is predicated on the actual files reviewed.

Overall, the file documentation appears to reflect the current adjusters for JT² understand the Performance Standards of the City's program and work well within those standards. Staffing in the last year with an average of two (2) successive adjusters per file was recognized and is supported by the implementation of the Technical Specialty Unit (TSU). Files requiring more technical expertise are transitioned to this unit. The use of the TSU staff has benefited the program and provided the City with high level claims adjusting expertise for complex claims.

Two measurements of "lag time" are included in our review. Lag 1 indicates the average number of days from the City's date of knowledge of the claim to the date the claim is reported to JT². As you are aware, the State of California allows for only five days from an employer to report workers' compensation claims. While an average of five days is an improvement over the 2008 audit by 2.7 days continued focus on timely reporting is recommended. Lag 2 indicates the average number of days from JT²'s receipt of the claims to the date the claims are set up in their computer system. Very positive results continue to be noted, demonstrating an average of 1.0 days to set up the claims.

JT² provided a closing report which indicates a decrease in open inventory of claims by 113 claims as of August 31, 2010. This represents a 103% closing ratio and meets the compliance requirement in the JT² service agreement. While the closing report provided clarifies the open inventory figures, it is recommended a more concise closing report be developed to provide the actual number of closed files within a given period.

In conclusion, the overall work product of JT² on the City of Oakland's program results in an overall final rating of ninety-one percent (91%) and therefore meets the minimum goal established.



II. PERFORMANCE STANDARD REVIEW

A. HISTORY

Effective in August 2001, JT² has provided Third Party Administration (TPA) services to the City of Oakland. The annual Performance Standard audit is conducted by an independent third party to evaluate JT²'s work product and success on the City's program. A rating of 85% or higher must be attained in order to qualify for receipt of retained contract funds. The audit conducted by BRS in 2008 demonstrated an overall rating of 91% and the audit conducted by BRS in 2008 demonstrated an overall rating of 89% and will be used as a comparison against current audit results.

B. RECOMMENDATIONS

BRS submits the following recommendations or comments to the City regarding the workers' compensation program:

- The Transitional Duty program remains very effective and positively impacts the claims overall and individually. The Transitional Duty staff actually provide a "second set of eyes" to the claims administration staff, recognizing issues which may impact benefit administration beyond simply transitional duty.
- A limited number of files were applicable to the category of Subrogation identification and recovery. Premature file closure was attempted on some files prior to finalizing the subrogation issues. The requirement that file closure be reviewed and approved by supervisory staff prevented these files closing as requested. This issue was discussed with JT² management during the audit wrap up as an area that may require training for specific claims staff.
- Regulation 15300(b) states in Estimating and Reporting Work Injuries:

"The administrator shall set a realistic estimate of future liability for each indemnity claim listed on the self insurer's annual report based on computations which reflect the probable total future cost of compensation and medical benefits due or that can reasonably expected to be due over the life of the claim."

The recommended reserve changes identified in Category 5 (Reserve Adequacy) are a minimal overall increase of \$1,194. While this category rates below the 85% goal, when evaluating each individual file, the overall reserve accuracy on the City's program appears accurate.

- The review of files identified several instances where the treating physicians have billed for providing nutritional supplements and compound medications directly from their offices. Medical reports reviewed indicated the physicians were asking the injured workers for their preference and opinion on whether they should receive the medications from the physician or from an outside pharmacy. This practice may be a

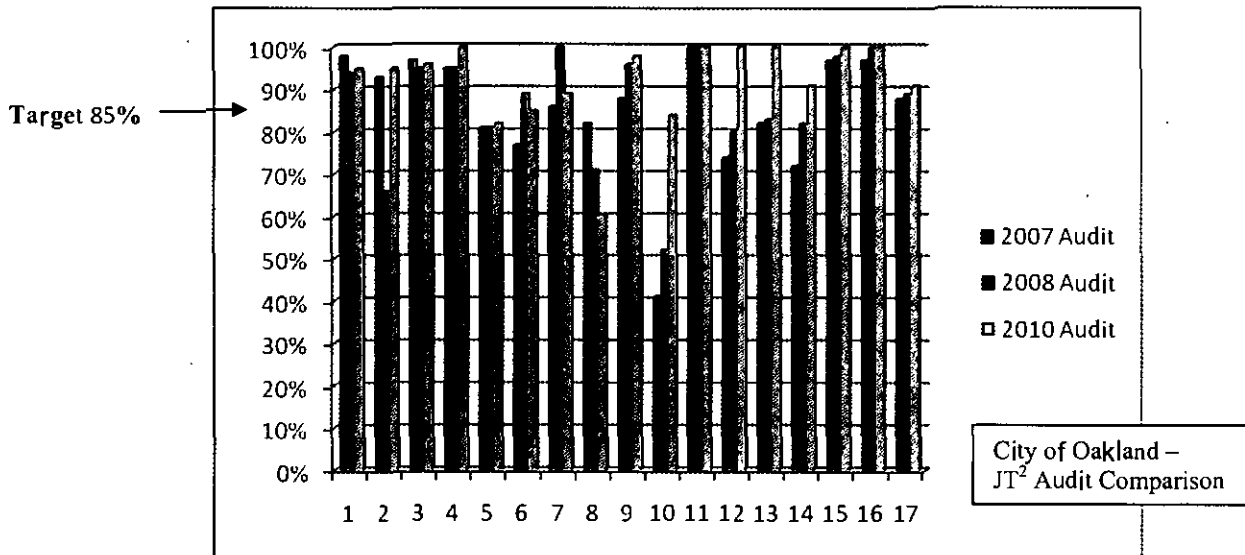
conflict of interest for the physicians and removes management of the pharmacy benefit from the TPA.

It is recognized the program currently works with Express Scripts to provide a pharmacy card and prescription program. However, it is recommended the City may want to consider evaluating the effectiveness of this program versus the use of a more effective or aggressive pharmacy benefit management (PBM) vendor. A PBM is a third party administrator of prescription drug programs. They are responsible for processing and paying prescription drug claims. More importantly, they are also responsible for developing and maintaining the formulary, contracting with pharmacies and negotiating discounts and rebates with drug manufacturers.

Use of a PBM vendor on the City's program in conjunction with the expertise of the JT² staff may provide the City with reduced pharmacy costs by directing the provision of pharmacy benefits to sources outside of the treating physicians' office.

C. GENERAL COMMENTS AND OBSERVATIONS

- All files selected for review were available with contents compliant per Regulation 10101.1.
- The files evidenced a sound understanding of the various and complicated salary continuation programs and minimal Self-Imposed Increases were noted.
- The following is a comparison of the Performance Standards by category from the 2007 through 2010 Audits. This graph indicates significant improvement noted in Categories Two (Physical Therapy Management), Ten (Litigation Management) and 13 (VR/SJDB Notification), with continued improvement needed in Category Eight (Database Integrity). It is recommended each Category be evaluated for opportunities for improvement.



We are attaching the Individual Performance Standards Contract Compliance worksheets for those files that demonstrate the work product shown above.

Submitted December 8, 2010



Jacquelyn Miller
Workers' Compensation Specialist

III. 2010 THIRD PARTY ADMINISTRATION AUDIT RESULTS

A. WEIGHTED FORMULA

THIS SECTION ASSIGNED A WEIGHTED FORMULA TO EACH PERFORMANCE STANDARD RANGING FROM A POINT VALUE OF ONE TO FIVE BASED UPON BOTH THE IMPORTANCE TO THE CITY'S PROGRAM AS WELL AS THE IMPORTANCE TO ACCURATE CLAIMS ADMINISTRATION.:

Performance Standard One – Point Value Two

The TPA entered the new claim into the system within two days.

Performance Standard Two – Point Value Three

The TPA assessed a liability decision within five days.

Performance Standard Three – Point Value Four

The TPA appropriately managed physical therapy treatment requests.

Performance Standard Four – Point Value Five

The TPA positively influenced the return to work process and considered transitional duty.

Performance Standard Five – Point Value Five

The TPA has established adequate reserves on the file.

Performance Standard Six – Point Value Five

The TPA made timely payments in the file.

Performance Standard Seven – Point Value Three

The TPA actively pursued subrogation or third party recovery.

Performance Standard Eight – Point Value Two

The TPA updated the claim file timely and with appropriate data.

Performance Standard Nine – Point Value Four

Ongoing communication with Contract Monitor is evident in the file.

Performance Standard Ten – Point Value Three

The file meets the litigation management standard.

Performance Standard Eleven – Point Value Two

The TPA utilized early intervention and managed care resources appropriately.

Performance Standard Twelve – Point Value Two

Timely notification made to appropriate parties on vocational rehabilitation or SJDB.



Performance Standard Thirteen – Point Value Two
Management of vocational rehabilitation or SJDB process met standard.

Performance Standard Fourteen – Point Value Three
Supervisory review is evident and demonstrates appropriate coaching to the examiner.

Performance Standard Fifteen – Point Value Three
The TPA generated administrative reports to standard.

Performance Standard Sixteen – Point Value Two
The TPA has classified the claim for appropriate claim type (medical only vs. indemnity)

Performance Standard Seventeen – Point Value Rating of 70% or better
Overall claim administration by the TPA meets standard.
This category calculated the compliance ratings on the above 16 categories for an overall rating.

B. PERFORMANCE STANDARD RATING 2010

THIS SECTION APPLIES CURRENT PERFORMANCE STANDARD RATINGS AGAINST THOSE IDENTIFIED IN THE 2008 AUDIT REPORT:

Performance Standard One – Rating 95% (Standard Achieved)
The TPA entered the new claim into the system within two days.
This category rated 94% in the last audit, demonstrating an overall increase of 1% for the current review period. 38 of 40 files applicable met this standard.

Performance Standard Two – Rating 95% (Standard Achieved)
The TPA assessed a liability decision within 5 days.
This category rated at 75% in the last audit, demonstrating an overall increase of 20% for the current review period. 38 of 40 files applicable met this standard.

Performance Standard Three – Rating 96% (Standard Achieved)
The TPA appropriately managed physical therapy treatment requests.
This category rated at 91% in the last audit, demonstrating an overall increase of 5% for the current review period. 26 of 27 files applicable met this standard.

Performance Standard Four – Rating 100% (Standard Achieved)
The TPA positively influenced the return to work process and considered transitional duty.
This category rated at 89% in the last audit, demonstrating an overall increase of 11% for the current review period. 36 of 36 files applicable met this standard.

Performance Standard Five – Rating 82% (Standard Not Achieved)

The TPA has established adequate reserves on the claim.

This category rated at 78% in the last audit, demonstrating an increase of 4% for the current review period. 54 of 66 files applicable met this standard

Performance Standard Six – Rating 85% (Standard Achieved)

The TPA made timely payments in the file.

This category rated at 84% in the last audit demonstrating an overall increase of 1% for the current review period. 55 of 65 files applicable met this standard.

Performance Standard Seven – Rating 89% (Standard Achieved)

The TPA actively pursued subrogation or third party recovery.

This category rated at 100% in the last audit demonstrating an overall decrease of 11% for this review period. 8 of 9 files applicable met this standard.

Performance Standard Eight – Rating 60% (Standard Not Achieved)

The TPA updated the claim file timely and with appropriate data.

This category rated at 53% in the last audit demonstrating an overall increase of 7% for the current review period. 40 of 67 files applicable met this standard.

Performance Standard Nine – Rating 98% (Standard Achieved)

Ongoing communication with Contract Monitor is evident in the claim.

This category rated at 94% in the last audit demonstrating an overall increase of 4% for the current audit period. 64 of 65 files applicable met this standard.

Performance Standard Ten – Rating 84% (Standard Achieved)

The claim meets the litigation management standard.

This category rated at 48% in the last audit demonstrating an overall increase of 36% for the current audit period. 21 of 25 files applicable met this standard.

Performance Standard Eleven – Rating 100% (Standard Achieved)

The TPA utilized early intervention and managed care resources appropriately.

This category rated at 100% in the last audit and continues to demonstrate success in this area. 26 of 26 files applicable met this standard.

Performance Standard Twelve – Rating 100% (Standard Achieved)

Timely notification made to appropriate parties on vocational rehabilitation or SJDB voucher.

This category rated at 66% in the last audit demonstrating an overall increase of 34% for the current audit period. 26 of 26 files applicable met this standard.

Performance Standard Thirteen – Rating 100% (Standard Achieved)

Management of vocational rehabilitation or SJDB voucher process met standard.

This category rated 100% in the last audit demonstrating continued success in this area. 10 of 10 files applicable met this standard.

Performance Standard Fourteen – Rating 91% (Standard Achieved)

Supervisory review is evident and demonstrates appropriate coaching to the examiner.

This category rated at 78% in the last audit demonstrating an overall increase of 13% for the current audit period. 62 of 68 files applicable met this standard.

Performance Standard Fifteen – Rating 100% (Standard Achieved)

The TPA generated administrative reports to standard.

This category rated at 96% in the last audit demonstrating an overall increase of 4% for the current audit period. 40 of 40 files applicable met this standard.

Performance Standard Sixteen – Rating 100% (Standard Achieved)

The TPA has classified the claim for appropriate claim type (medical only v indemnity).

This category rated at 100% in the last audit demonstrating continued success in this area. 68 of 68 files applicable met this standard.

Performance Standard Seventeen – Rating 91% (Standard Achieved)

Overall claim administration by the TPA meets standard.

This category rated at 85% in the last audit demonstrating an overall increase of 6% for the current audit period. 63 of 69 files applicable met this standard.

Appendix E

TPA Response to Workers' Compensation Claims Audit

December 16, 2010

Ms. Deb Grant
Risk Manager
City of Oakland
150 Frank Ogawa Plaza, 3rd Floor
Oakland, CA 94612

Re: City of Oakland- BRS Audit 2010

Dear Ms. Grant:

We are in receipt of the audit report conducted by Jacquelyn Miller of Bickmore Risk Services. Thank you for allowing us the opportunity to respond to this audit. We appreciate the opportunity this audit affords us for continued improvement to your program.

Based on the calculations of the audit, JT2 received a 91% rating. It is the goal of JT2 to meet and exceed the expectations of the City of Oakland and the requirements set forth. To that extent, we have identified the areas requiring improvement, and have either corrected the errors identified by the auditor, provided training to the staff, or have training scheduled for the near future.

This audit report will focus on the summary of recommendations as well as the Audit Detail. The following is a response, to Audit Detail falling below 85%.

Reserve Adequacy Performance - Standard Five

Reserving: 66

Reserving appropriately done: 54 (82%)

We agree with the auditor's findings that we "...are reserving accurately with minimal specific reserve changes recommended." "The recommended reserve changes identified are a minimal overall increase of \$1,194. While this category rates below the 85% goal, when evaluating each individual file, the overall reserve accuracy on the City's program appears accurate." Changes were needed on all files listed with the exception of one file. As we have indicating in the past, reserving is very subjective. Regardless, all files needing correction have taken place.

Prompt and Effective Subrogation – Performance Standard Seven

Cases with at least a potential for subrogation: 9

Actively pursued subrogation: 8 (89%)

Although we achieved a rating above 85%, this performance standard was mentioned in the recommendation section.

We agree with the auditor's findings. One file was identified as having attempted a premature closure prior to finalizing the subrogation issues. Since all files are reviewed and approved for closure by a supervisor, this closure was prevented along with appropriate claims handling instructions. The supervisor has provided training to the examiner.

Timely & appropriately update claim file - Performance Standard Eight

Updates required: 67

Updates appropriately done: 40 (60%)

Due to the high volume in this category, a review was conducted to determine if cause was specific to several examiners. After careful review, no one examiner was isolated.

The most that an examiner had was five, and two of the five were bill coding errors.

Many of the errors that were identified were minor offenses that were immaterial to the case and its outcome.

The supervisors and examiners were made aware of all errors. Corrections were made to the files, and counseling was provided on each claim.

Litigation Management – Performance Standard Ten

Cases that require documentation: 25

Cases sufficiently documented: 21 (84%)

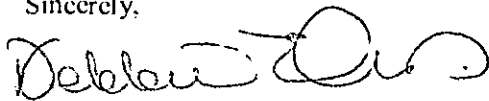
We agree with the auditor's findings. Corrections have been made to the four files.

in the executive summary, the auditor identified three areas that she felt required improvement: Subrogation, reserving, and the use of nutritional supplements. Both subrogation and reserving we discussed in the body of this report. As for the use of nutritional supplements, and the City's Pharmacy Benefit Management (PBM) program. Neither the TPA nor the PBM can prevent doctors from distributing medications internally. The best option for controlling doctor office dispensing is to send the bills to Utilization Review retrospectively which is our normal practice. Retrospective Utilization Review sends a message to both the doctor and the injured worker, and offers substantial pharmacy savings as many of these prescriptions are denied, and not paid under the claim file.

We continue to strive to meet the City's goal, and we are excited at the possibilities of continued improvement on the City's program. The reduced caseloads of 125 files per examiner, as well as the Fast Track model, continues to make a difference. The auditor noted that the use of "...the Technical Specialty Unit (TSU) staff has benefited the program and provided the City with high level claims adjusting expertise for complex claims." We are confident the reduction in caseloads will continue to produce a better work product.

We look forward to working closely with you to make continued improvements in the City's program. If additional information is required, please do not hesitate to contact me directly. Again, thank you for allowing us the opportunity to respond to this audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Debbie Flores".

Debbie Flores
Vice President Claims Services

Cc: Theresa Fernandez
File copy



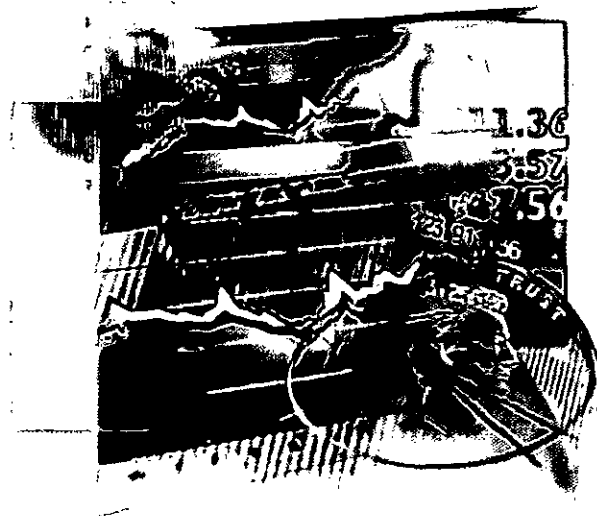
Bickmore Risk Services & Consulting

City of Oakland

Actuarial Review of the Self-Insured Workers' Compensation Program

Outstanding Liabilities as of June 30, 2010 and June 30, 2011

Forecast for Fiscal Years 2010-11 through 2015-16



January 2011

Appendix F

Workers' Compensation Actuarial Analysis for Period Ending June 30, 2010

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The \$75,695,000 estimate is the minimum liability to be booked by the City at June 30, 2010 for its workers' compensation program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the City to accrue a liability on its financial statements for the ultimate cost of claims and expenses

The table below shows our funding recommendations for the City of Oakland for the 2012-13 fiscal year.

City of Oakland Self-Insured Workers' Compensation Program Loss and LAE Funding Guidelines for 2012-13 Self-Insured Retention (SIR) of \$750,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$22,874,000					
ULAE	3,453,000					
Investment Income Offset	(3,493,000)					
Discounted Loss and LAE	\$22,834,000	\$25,072,000	\$25,939,000	\$26,944,000	\$28,177,000	\$29,844,000
Rate per \$100 of 2012-13 Payroll	\$8.25	\$9.06	\$9.37	\$9.74	\$10.18	\$10.78

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2012. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2013-14 fiscal year.

City of Oakland Self-Insured Workers' Compensation Program Loss and LAE Funding Guidelines for 2013-14 Self-Insured Retention (SIR) of \$750,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$24,791,000					
ULAE	3,660,000					
Investment Income Offset	(3,775,000)					
Discounted Loss and LAE	\$24,676,000	\$27,094,000	\$28,032,000	\$29,118,000	\$30,450,000	\$32,252,000
Rate per \$100 of 2013-14 Payroll	\$8.66	\$9.51	\$9.84	\$10.22	\$10.68	\$11.32

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2014-15 fiscal year.

City of Oakland Self-Insured Workers' Compensation Program Loss and LAE Funding Guidelines for 2014-15 Self-Insured Retention (SIR) of \$750,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			ConserVative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$26,869,000					
ULAE	3,879,000					
Investment Income Offset	(4,080,000)					
Discounted Loss and LAE	\$26,668,000	\$29,281,000	\$30,295,000	\$31,468,000	\$32,908,000	\$34,855,000
Rate per \$100 of 2014-15 Payroll	\$9.08	\$9.97	\$10.32	\$10.72	\$11.21	\$11.87

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2014. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The table below shows our funding recommendations for the City of Oakland for the 2015-16 fiscal year.

City of Oakland Self-Insured Workers' Compensation Program Loss and LAE Funding Guidelines for 2015-16 Self-Insured Retention (SIR) of \$750,000						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$29,121,000					
ULAE	4,111,000					
Investment Income Offset	(4,410,000)					
Discounted Loss and LAE	\$28,822,000	\$31,647,000	\$32,742,000	\$34,010,000	\$35,566,000	\$37,670,000
Rate per \$100 of 2015-16 Payroll	\$9.53	\$10.47	\$10.83	\$11.25	\$11.76	\$12.46

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2015. They are for losses and loss adjustment expenses only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, and recent WCAB court decisions based upon information provided by the WCIRB.

The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations, and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for the City's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to the City of Oakland in preparing this report. Please feel free to call Derek Burkhalter at (916) 244-1167 or John Ailltop at (916) 244-1160 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



Derek Burkhalter, ACAS, MAAA
Manager, Property and Casualty Insurance Services, BRS
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries



John Ailltop, FCAS, MAAA
Managing Director, Actuarial and Risk Financing, BRS
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries