CITY OF OAKLAND

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Anil Comelo
Director, HRM

SUBJECT: Fiscal Year 2014-15 Workers' Compensation Annual Report

DATE: December 21, 2015

City Administrator Approval [signature] Date: 12/29/15

RECOMMENDATION

Staff recommends that the City Council accept the informational report on the Workers' Compensation Program for Fiscal Year 2014-15.

EXECUTIVE SUMMARY

This informational report provides current expenditure and program data on the City of Oakland's Workers' Compensation Program for Fiscal Year (FY) 2014-15. Included in this report is information and statistics regarding management of employee disabilities through the Workers' Compensation Program, highlighting different program initiatives, and cost containment efforts.

Acceptance of this report will result in transfer of information and statistics related to the City of Oakland Workers' Compensation Program specifically related to program activities and expenditures.

BACKGROUND / LEGISLATIVE HISTORY

Like most public entities, the City of Oakland is permissibly self-insured for workers' compensation. The Human Resources Management Department (HRM) works with a contracted third-party administrator (TPA), JT2 Integrated Resources, to provide services to injured workers and handle the technical aspects of each claim. Through HRM, the TPA provides services to all City's agencies and departments to ensure program compliance with mandated California Labor Code requirements.

Each year, HRM provides statistical information regarding the administration of the Workers' Compensation Program. These statistics serve as benchmarks by which the City is able to measure its performance and the effectiveness of Workers' Compensation Program initiatives. HRM also develops and implements new program changes based on these statistics. This information is contained in the 2014-15 Workers' Compensation Annual Report (***Attachment A***). Since last report, HRM has commissioned an audit/analysis to monitor and ensured continued effective administration of the program. This included an Actuarial Analysis as well as a Claims Management Performance Audit. The results of the audit/analysis are included as appendices for review at the end of this annual report.

ANALYSIS AND POLICY ALTERNATIVES

HRM administers the Workers' Compensation Program for the City of Oakland, providing program services and support to all City agencies and departments. The attached Workers' Compensation Report provides information on the current state of the program including review of several program elements and information on some upcoming program additions/changes. As described more fully in the attached report, the program statistics for FY 2014-15 include:

- The Total Gross Program Expenditure for FY 2014-15 was $**21,830,125**. Excess recovery checks received in the amount of **$2,109,151** reduced the Total Net Program Expenditures to $**19,720,974**.
- The FY 2014-15 Total Benefits Paid (Indemnity and Medical Expenses only), as reported on the State-mandated Public Self Insurer's Annual Report, was **increased by $2,434,408 (or by 16.16 percent)**.
- Total Workers' Compensation Operational Claims Cost for FY 2014-15 **increased by $762,986 (or 4.0 percent)**. There were higher Temporary Disability and Permanent Disability Benefits as well as Allocated costs paid this year compared to the prior fiscal year.
- Temporary Total Disability payments **increased this year by $238,121 (or 4.2 percent)** over the prior year. Even though this is increased from last year it remains lower than paid in the FY's of 2010 thru 2013.
- The number of new Temporary Disability Claims **declined by 17.5 percent** over the past four years. This can be attributed to the early claim intervention and reporting triage that directs employees into a more aggressive return to work claims management scenario. Claims where the employee does not miss time from work are ultimately not converted to a time loss claim that would result in Temporary Disability payments being disbursed.
- Transitional Duty Program participation resulted in **an indemnity avoidance of $5.3 Million**. Providing transitional duty to injured employees is also considered part of the interactive process required under the Federal Employment and Housing Act (FEHA).

Claims Management Performance Audit

The annual Workers' Compensation Claims Audit overall performance rating of the Third Party Administrator was **77 percent, 10.39 percent below the target performance rating of 85 percent**. It was felt that high turnover in staff, high examiner caseloads, and procedures not being met timely accounted for poor audit results. Staff is working with the TPA to address the areas of deficiency identified by the program auditor. Continued sub-par performance may ultimately have an impact not only on benefits delivery, but also on the City's ability to secure Excess Workers' Compensation Coverage at favorable rates.

Loss Frequency

Over the past four years, the number of claims filed by City employees has remained somewhat constant as portrayed in ***Table 1*** below.

Table 1: Number of New Workers' Compensation (WC) Claims by Department Fiscal Years 2010/11 through 2013/14

	Police			Fire			Public Works			All Others		
Fiscal Year	Total Number of Emp (Sworn)	WC Cases	Percent	Total Number of Emp (Sworn)	WC Cases	Percent	Total Number of Emp	WC Cases	Percent	Total Number of Emp	WC Cases	Percent
2011-12	645	236	36.59%	411	115	27.98%	677	84	12.41%	3,629	85	2.34%
2012-13	643	180	27.99%	410	116	28.29%	703	84	11.95%	3,606	87	2.41%
2013-14	650	202	31.08%	392	139	35.46%	727	99	13.62%	3,593	73	2.03%
2014-15	717	218	30.40%	436	146	33.49%	724	122	16.85%	3,124	75	2.40%
Average	**664**	**209**	**31.48%**	**412**	**129**	**31.31%**	**708**	**97**	**13.70%**	**3,488**	**80**	**2.29%**

HRM continues to support departments in injury reduction and accident prevention efforts by way of onsite audits/surveys, safety trainings, and program development.

- HRM continues its promotion of a City-wide Web-Based Training Program called **Target Solutions** that provides over 100 safety and wellness courses designed specifically to comply with State and Federal Occupational Safety and Health Administration requirements. This program supported the City-wide mandated training for prevention of sexual harassment and protected class discrimination. It has also been widely used by the Oakland Fire Department and Public Works Agency to deliver mandated safety trainings and continuing education trainings. HRM will continue to enhance its use and tailor the topics offered to current City needs and mandated training requirements. It should be noted that the Target Solutions platform is made available to the City at no cost through our primary insurance pool – CSAC Excess Insurance Authority (CSAC-EIA).

HRM has continued to enhance existing elements to strategically impact the overall program costs. HRM's continued efforts have included the following:

- Placement of a designated Workers' Compensation Coordinator in high volume departments. The Workers' Compensation Program is currently funding a dedicated workers' compensation position in the Police, Fire, Public Works, City Attorney's, and Controller's departments. While HRM does not direct the work or function of these positions, it is intended that they devote 100 percent of their position to the development and administration of their department's internal workers' compensation program or support the City-wide workers' compensation administration efforts.

- Monthly disability review meetings with department representatives to discuss active claims and identify cases for investigation and/or transitional duty assignments.

- Regular Financial Review meetings with TPA representatives to examine expenditure rates and trends on a more global scale to assist in early detection of negative program changes.

- Telephonic injury reporting to triage Workers' Compensation claims reporting, and possible expansion of the methodology for certifying medical conditions under the Family Medical Leave Act (FMLA) program.

- Implementation of RiskMaster, an Integrated Disability Management Information System, designed to aid in the tracking and documenting disability leaves, disability management issues, and other Risk-related loss prevention programs.

- Participate in Medical Provider Network (MPN) through WellComp, a MPN sponsored by CSAC-EIA, our Excess Workers' Compensation insurance carrier.

- Ongoing examination of the City's disability programs to align them with industry innovations and best practices.

- Continuing education for staff responsible for administering the City's inter-disciplinary disability programs.

FISCAL IMPACT

This is an informational report. It provides information and data regarding the existing program as compared to previous years. No new costs are introduced within this report.

A. ***Table 2*** summarizes the key categories of Workers' Compensation expenditures incurred by the City of Oakland:

Table 2: Future Liability Incurred by Department

Fiscal Year	2013-14	2014-15	Change
Number of Claims Received	642	562	-12.5%
Total Expenditures	$21,743,025	$19,720,974	-9.3%
Total Future Liability	$40,264,806	$42,439,634	5.4%
Costs Avoided via Transitional Work	$4,264,320	$5,283,020	23.9%
Settlements (Permanent Disability)	$4,838,242	$5,926,906	22.5%
Temporary Disability	$5,714,805	$5,952,926	4.2%
Allocated (Other Claim Costs)	$1,982,082	$2,028,057	2.3%
Medical	$6,571,597	$5,961,823	-9.3%
Operational Expenses	$19,004,868	$17,760,561	-6.6%
Admin. Expenses	$2,738,157	$1,960,413	-28.4%

The primary types of expenditures incurred in Workers' Compensation are medical, permanent and temporary disability, and allocated (other claim costs) payments. In FY 2014-15 despite a drop in the number of claims filed, permanent and temporary disability payments increased over the prior year, and remain the City's single largest workers' compensation expense. The increase is attributable in part to claims handling issues by third party administrator as reflected in claims audits. Temporary disability payments are impacted by Labor Code 4850 payments (which allow sworn employees to receive up to a full year of salary, tax-free, upon a doctor's order to stay off work), State-mandated disability rates, and negotiated increases in civilian salary.

Additional discussion regarding the expenditures listed above and control factors are included in the attached report.

<u>Estimated Future Liability/First Year Total Incurred by Department:</u>

B. ***Table 3*** on the following page shows the estimated future liability incurred by each department for claims filed in the fiscal year referenced. This allows the City to review for fiscal trends by department and assists in planning loss prevention, cost-containment strategies for the future. Although not reported in this format, ***Appendix E*** of the attached report (***Attachment A***) provides more actuarial analysis for the purpose of future fiscal planning for this program.

Table 3: Estimated Future Liability by Dept – Total Incurred

Department	2012-13	2013-14	2014-15
City Administrator's Office	$52,204	$6,842	$9,875
City Attorney	$5,771	$3,777	$23,257
City Auditor	$0	$0	$0
Clerk's Office	$0	$0	$0
Controller's Office	$11,867	$4,225	$0
Department of Health and Human Services	$113,552	$110,754	$42,080
Department of Information Technology	$3,905	$6,527	$22,943
Housing and Community Development	$1,800	$187	$61,533
Human Resources Management	$333	$7,250	$0
Library	$22,738	$86,437	$187,312
Mayor	$11,867	$14,775	$0
Neighborhood Investment	$0	$325	$0
Oakland Fire Department	$2,353,015	$2,090,567	$2,134,371
Oakland Parks and Recreation	$27,918	$60,363	$19,341
Oakland Police Department	$2,403,351	$2,191,952	$2,637,576
Oakland Public Works	$434,666	$805,770	$458,670
Planning and Building	$6,028	$503	$14,925
Revenue / Treasury	$28,180	$20,950	67,860
First Year Loss Data -- Total Incurred	**$5,465,328**	**$5,406,929**	**$5,679,743**

The estimated future liabilities of claims are measured for the life of the claim which may last many years. Workers' Compensation regulations require the employer be held responsible for all medical expenditures related to a work-related injury or illness. Employers are also responsible for a period of lost wages (indemnity) and for compensating the injured employee should their injury have a permanent impact on their ability to work (indemnity/permanent disability). Actuarially we estimate the future liabilities for each claim in order to anticipate the financial burden placed on the City in the years to come.

PUBLIC OUTREACH / INTEREST

There are no public outreach opportunities associated with this report further than the required publication on the City's website.

COORDINATION

Development of this report was coordinated with internal staff in HRM, Controller's Bureau, City Attorney's Office, and City Administrator's Office.

SUSTAINABLE OPPORTUNITIES

Economic: *There are no economic, environmental, or social equity opportunities associated with this report.*

Environmental: *There are no economic, environmental, or social equity opportunities associated with this report.*

Social Equity: *There are no economic, environmental, or social equity opportunities associated with this report.*

ACTION REQUESTED OF THE CITY COUNCIL

For questions regarding this report, please contact DEBORAH GRANT, RISK MANAGER, at (510) 238-7165.

Respectfully submitted,

for ANIL COMELO
Director/Human Resources Management Department

Reviewed by:
Deborah Grant, Risk Manager

Prepared by:
Mary Baptiste, Disability Benefits Coordinator
Annie Chin, Disability Benefits Coordinator
HRM/Risk & Benefits Division

Attachments (1):

A – FY 2014-15 Workers' Compensation Annual Report

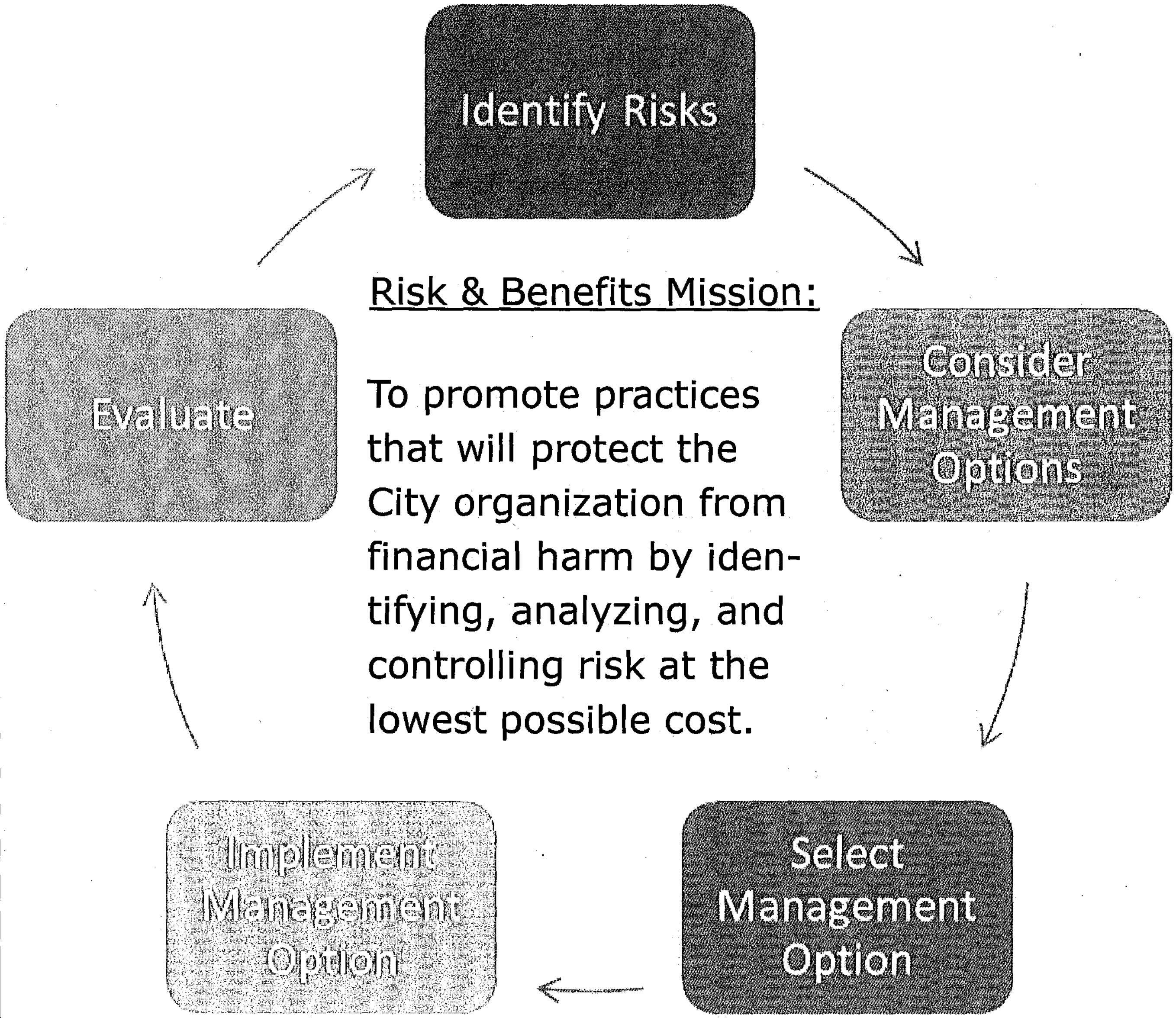
CITY OF OAKLAND

WORKERS' COMPENSATION
ANNUAL REPORT FY 2014-15

Human Resources Management, Risk & Benefits Division
150 Frank H. Ogawa Plaza, Suite 3332, Oakland, CA 94612, Phone: 510-238-7660, Fax: 510-238-4749

MISSION OF COO HUMAN RESOURCES MANAGEMENT DEPARTMENT - RISK & BENEFITS DIVISION

CITY OF OAKLAND



Risk & Benefits Mission:

To promote practices that will protect the City organization from financial harm by identifying, analyzing, and controlling risk at the lowest possible cost.

WORKERS' COMPENSATION PROGRAM ANNUAL REPORT
FISCAL YEAR 2014-15

CITY OF OAKLAND

The City of Oakland's Human Resources Management Department is tasked with managing the City's work related injury claims.

This report will outline the Workers' Compensation Program from FY 2014-15 with multiple comparisons between departments, previous years, & other similarly sized cities.

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CITY OF OAKLAND

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Safety / Loss Control and Fleet Safety

Greg Elliott (510) 238-4993

Management Assistant

Miloanne Hecathorn (510) 238-7541

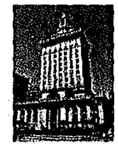
Administrative Analyst

Michael Bailey (510) 986-2898

HR Clerk

Erika Turner (510) 238-7660

CITYWIDE OVERVIEW—WORKERS' COMPENSATION PROGRAM ANNUAL REPORT FOR FISCAL YEAR 2014-15



This report outlines the scope, costs, and trends of the City of Oakland's Workers' Compensation Program (WCP). This report serves as a reference tool to understand the losses and trends of Department's work related injuries.

Fiscal Year 2014-15 - Program Highlights

- **$21,830,125 Gross Workers' Compensation Expense**
- **$2,109,151 Third Party recoveries refunded to the City**
- **$19,720,974 Net Workers' Compensation Expense**
- **$717,011 Increase in permanent / temporary disability and medical benefits paid over last year** - up by 4.2%
- **$145,975 Increase in allocated expenses** - up by 7.8%
- **17.5% Decline in new temporary disability claims** - over the past 4 years
- **$5.3 Million Cost Avoidance via Transitional Duty Program participation**
- **TPA Annual Performance Audit Rating of 77%** - 8% below targeted performance ratio

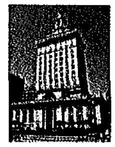
Fiscal Year 2014-15 - Initiatives & Enhancements

- **Increased promotion of the Web-Based Training Program, Target Solutions**
  - over 100 safety and wellness courses & much more
- **Monthly Disability Meetings with Departments**
- **Regular Medical/Legal Meetings with Departments**
- **Quarterly Review Meetings with TPA**
- **Telephonic Injury Reporting for Workers' Compensation Claims**
- **Employee Safety Initiative**

Fiscal Year 2014-15 - Initiatives

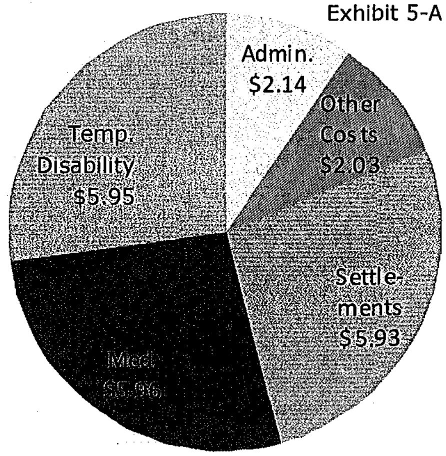
- **Established a Medical Provider Network via WellComp for WC Claims**
- **Full Integration of the Disability Management Program**

CITYWIDE OVERVIEW—WORKERS' COMPENSATION PROGRAM ANNUAL REPORT FOR FISCAL YEAR 2014-15



FY 2014-15 Costs In Millions

Exhibit 5-A



Of note...

- More than half of the Workers' Compensation program costs are attributed to Medical & Temporary Disability payments on claims.
- Operational expenses increased by 2.2%, but overall reduction of 6.5% due to $2,109,151 in excess & subrogation recoveries.

ANNUAL COSTS

Exhibit 5-B

Fiscal Year	FY13-14	FY14-15	% Change
Number of All Claims Received	642	562	-12.5%
Total Expenditures	$21,743,025	$19,720,974	-9.3%
Total Future Liability	$40,264,806	$42,439,634	5.4%
Costs Avoided via Transitional Work	$4,264,320	$5,283,020	23.9%
Settlements (Permanent Disability)	$4,838,242	$5,926,906	22.5%
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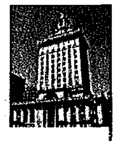
Medical	$6,571,597	$5,961,823	-9.3%
Operational Expenses	$19,004,868	$17,760,561	-6.5%
Admin. Expenses	$2,738,157	$1,960,413	-28%

* Allocated: Rehabilitation, Investigative, Legal, Utilization Review, Return to Work, Penalties.

CITYWIDE OVERVIEW—WORKERS' COMPENSATION PROGRAM ANNUAL REPORT FOR FISCAL YEAR 2014-15



STRATEGIC REALIGNMENT

In FY 2013-14 the Human Resources Management Department adopted an integrated approach to Citywide Disability Management Programs. Prior to this time, Workers' Compensation Industrial Injury claims had been handled separately from personal disability claims. This integrated approach to Disability Management promotes best practices in the handling of employee workers' compensation disability, non-industrial disability, accommodations, and leave of absence.

This integrated approach to disability management is improving the way the City handles employee activity regarding all disability related programs including Workers' Compensation, FEHA, FMLA, and others. Proper delivery of benefits and employee rights is improved, as are the operational needs of the City including: 1. Temporary Disability leaves tracked with FMLA/CFRA entitlements; 2. Prolonged modified duty assignment reviewed under reasonable accommodation provisions; and 3. Accommodation opportunities maximized for employees with permanent disabilities.

In 2014-2015 the Human Resources Management Department continued it's strong commitment to City employees, and the City as a whole, via continuous response to:

- health & wellness employee events
- employee assistance programs
- vehicle safety procedures and accident review
- workplace violence prevention and response
- pre-employment physical exams
- ergonomic assessments, accommodations and coaching
- hazard communications and abatement
- occupational safety, injury prevention, protective equipment use and training,
- workers' compensation, fringe benefits, & medical care.

CITY'S COMPARISONS

CITY OF OAKLAND

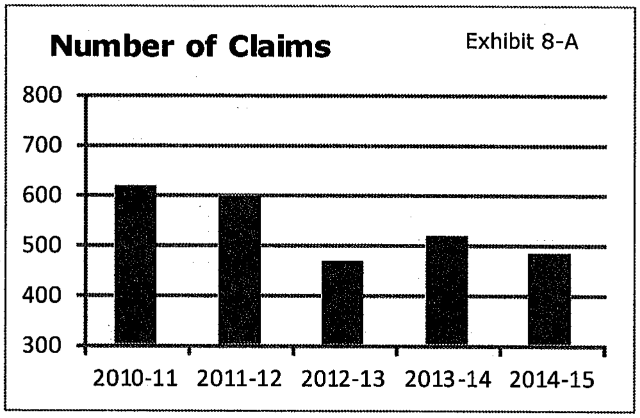
As a Self-Insured employer, the City is required to submit this Self-Insured Annual Report (SIA) to the State of California each year. The SIA captures Workers' Compensation and employment data from all Self-Insured employers within the State. The State uses the data to determine the annual Workers' Compensation Assessments to be charged to employers. The data is also beneficial to the City as a point of comparison against year to year program performance, as well as comparing the City's performance between similarly situated public entities. The table below provides data extracted from the City's SIA for the past 5 fiscal years. The following pages provide charts comparing the City's Workers' Compensation experience against itself as well as comparable cities.

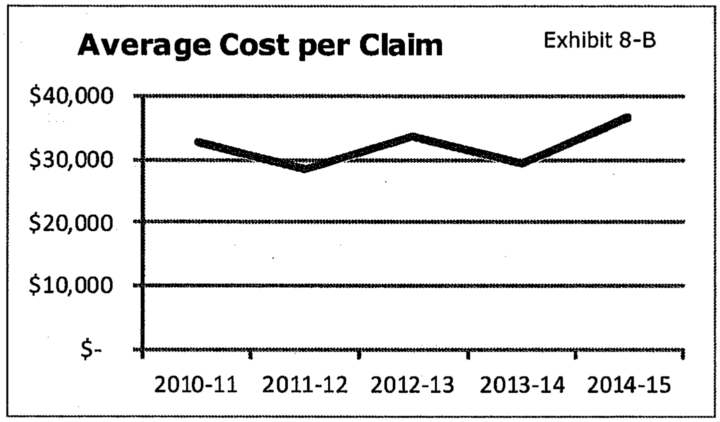
COO Self-Insured Annual Report to State of California

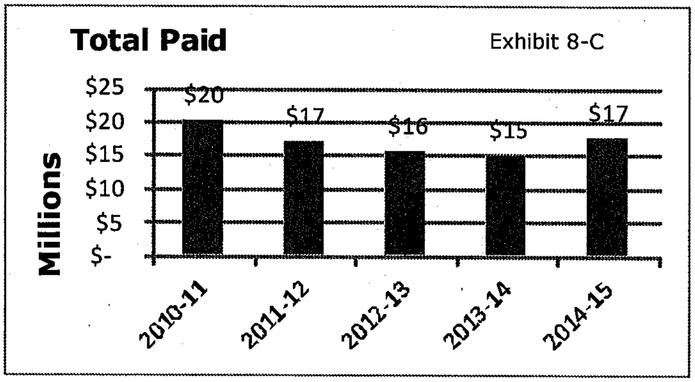
Exhibit 7-A

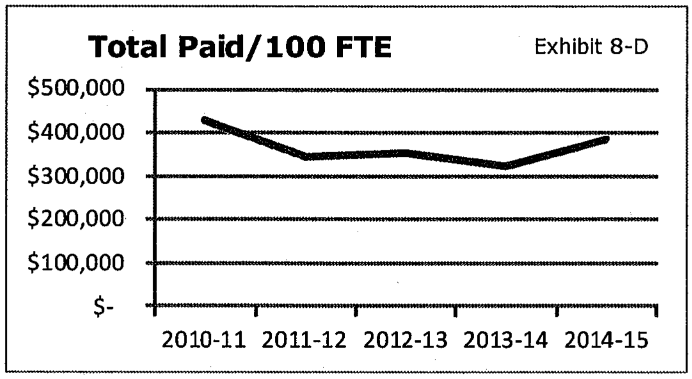
Fiscal Year	FY10-11	FY11-12	FY12-13	FY13-14	FY 14-15
Indemnity Claims Received	392	331	289	307	273
Medical Only Claims Rec'd	224	267	176	208	207
Total # of Claims Rec'd	616	598	465	515	480
Total Benefits Paid (Disability & Medical Expenses Only)	$20,158,828	$16,901,893	$15,611,250	$15,061,781	$17,841,655
Total Future Liability	$39,433,208	$35,932,649	$34,164,988	$40,264,806	$42,439,625
# of Employee (FTE)	4714	4921	4424	4684	4552
Total Reported Payroll	$294,243,135	$299,259,395	$270,358,254	$334,111,830	$342,660,477
Total # Claims/100 FTE	13.07	12.15	10.51	10.99	10.54
Total Benefits Paid/100 FTE	$427,637	$343,465	$352,876	$321,558	$391,952
Total # Claims per $1M Payroll	2.09	2.00	1.72	1.54	1.40
Total Benefits Paid per $1M Payroll	$68,511	$56,479	$57,743	$45,080	$52,068
Average Cost per Claim	$32,725	$28,264	$33,573	$29,246	$37,170

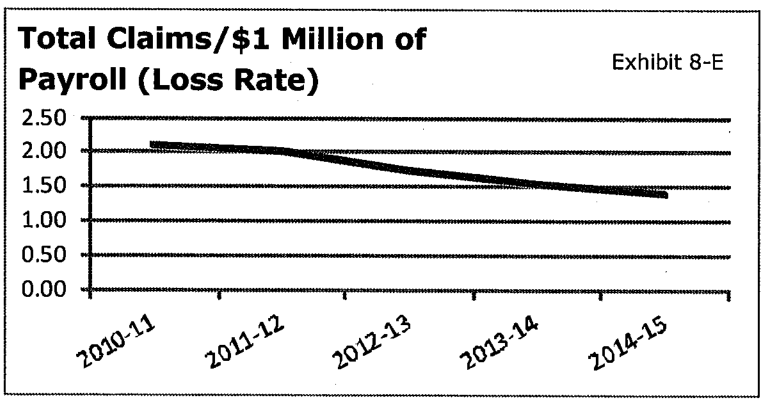
OAKLAND VS. OAKLAND

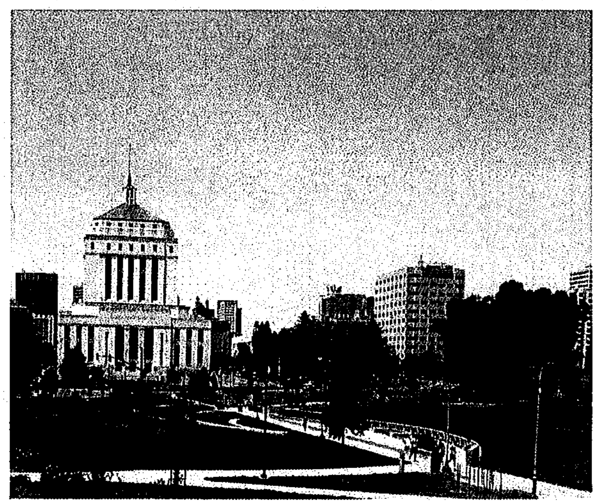




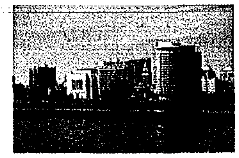






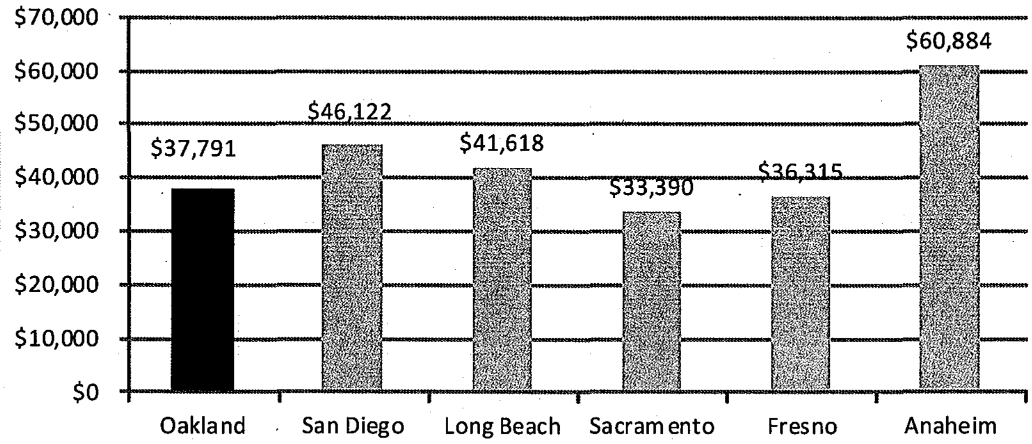


OAKLAND VS. OTHER CITIES



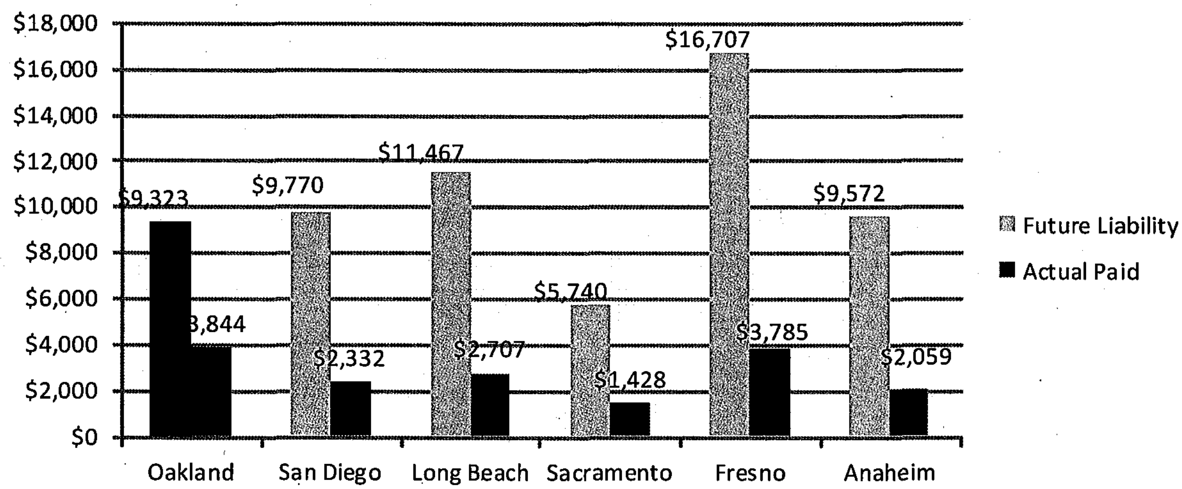
Future Liability/No. Open Indemnity Cases

Exhibit 9-A



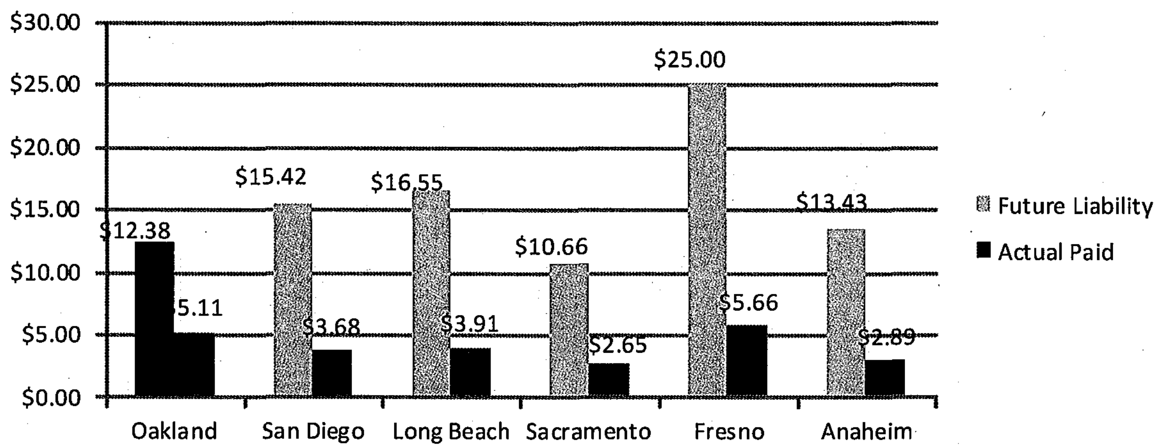
Future Liability vs. Actual Paid per No. of Employees

Exhibit 9-B

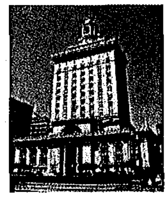


Future Liability vs. Actual Paid Per $100 Payroll

Exhibit 9-C



WHAT'S AHEAD



The Human Resources Management Risk and Benefits Division has structured its focus for coming years in ways that will benefit the City, its employees and the entire Disability Management Program as a whole.

- **RISK MASTER**

  In the Winter of 2015, the Human Resources Management Department is going live with its new software program, Risk Master, which is used to track and manage trends and frequencies in medical leaves and disability accommodations through out the City. This new resource will allow the HRM to better respond to employee and Department inquiries regarding all elements of medical leaves.

- **CRITICAL INCIDENT TRACKING**

  In an effort to create a cohesive response to incidents that occur in our departments, HRM is developing an incident reporting and tracking protocol. This will result in consistent responses throughout the City, a system of gathering and maintaining records, as well as opening a channel of communication between departments to share information and act collectively to ensure employee health and safety is maintained. Working with a multi-department committee, reporting mechanisms are being developed and a recordkeeping system will be implemented to better inform the City administration on proper responses to incidents.

- **SUBROGATION/INSURANCE RECOVERY**

  In the summer of 2015, HRM completed a Request for Proposal for third party subrogation services. The selected vendor will work with HRM, OPW and other involved departments to pursue recovery of property damage expenses where City property and equipment was damaged by third party. In the winter of 2016, HRM is proposing to expand the services of the subrogation vendor to include recovery of expenses related to emergency responses and vehicle collisions caused by drunk or negligent drivers. A separate staff report will be presented regarding this initiative.

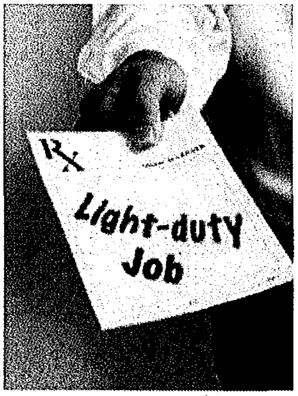
- **EMPLOYEE WELLNESS COMMITTEE**

  The City recently selected a new Employee Benefits Broker, Keenan and Associates (Keenan). One of the services provided by Keenan is a comprehensive employee wellness program. The success of the program is reliant upon active input and participation of our employees. In January, 2016, HRM will institute an Employee Wellness Committee. The Committee will be made up of a cross section of City employees who reflect the demographics and interests of the City employee population in total. With the assistance of Keenan and the KeenanWell program, the Committee will work collaboratively on promoting wellness events, education and awareness among our colleagues.

PROGRAMS THAT WORK

CITY OF OAKLAND

COST SAVINGS VIA TRANSITIONAL DUTY PROGRAM (EARLY RETURN-TO-WORK)



The City's Transitional Duty 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. The City of Oakland's offering of temporary modified work assignments is one of many ways that the City protects the Americans with Disabilities (ADA)/Fair Employment and Housing Act (FEHA) rights of our injured workers.

Return-To-Work Programs are also effective at controlling Workers' Compensation costs. The City's Early Return to Work Program Cost Avoidance increased 39.97% from last year resulting in a Cost Avoidance for Fiscal Year 2014-15 of $5,283,020. If not for the City's Return to Work Program, $5,283,020 would have been paid to employees who had stayed at home instead of working as part of the Early Return-To-Work Program.

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. The Risk and Benefits Division and the TPA work diligently and in concert to place injured employees in transitional duty assignments whenever medically possible. The TPA requests work restrictions from the physician at every medical appointment.

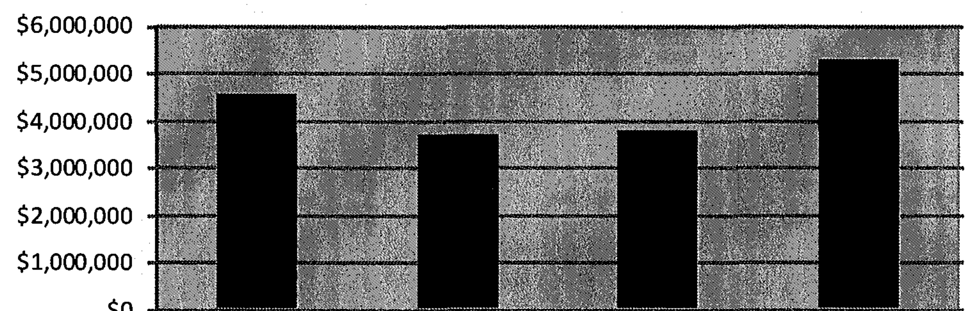
While the City advises all doctors treating our employees that the City has an aggressive Return-to-Work Program, it remains the doctor's prerogative to take the injured worker off work completely. However, the City's Cost Avoidance attributable to the transitional duty performed through the Return to Work Program, remains significant, totaling $17,414,595 over the last five years.

Of note...

- $1,508,556 *more* savings than last year.
- $5,283,020 saved in FY 14-15.

Transitional Duty Program Savings

Exhibit 11-A



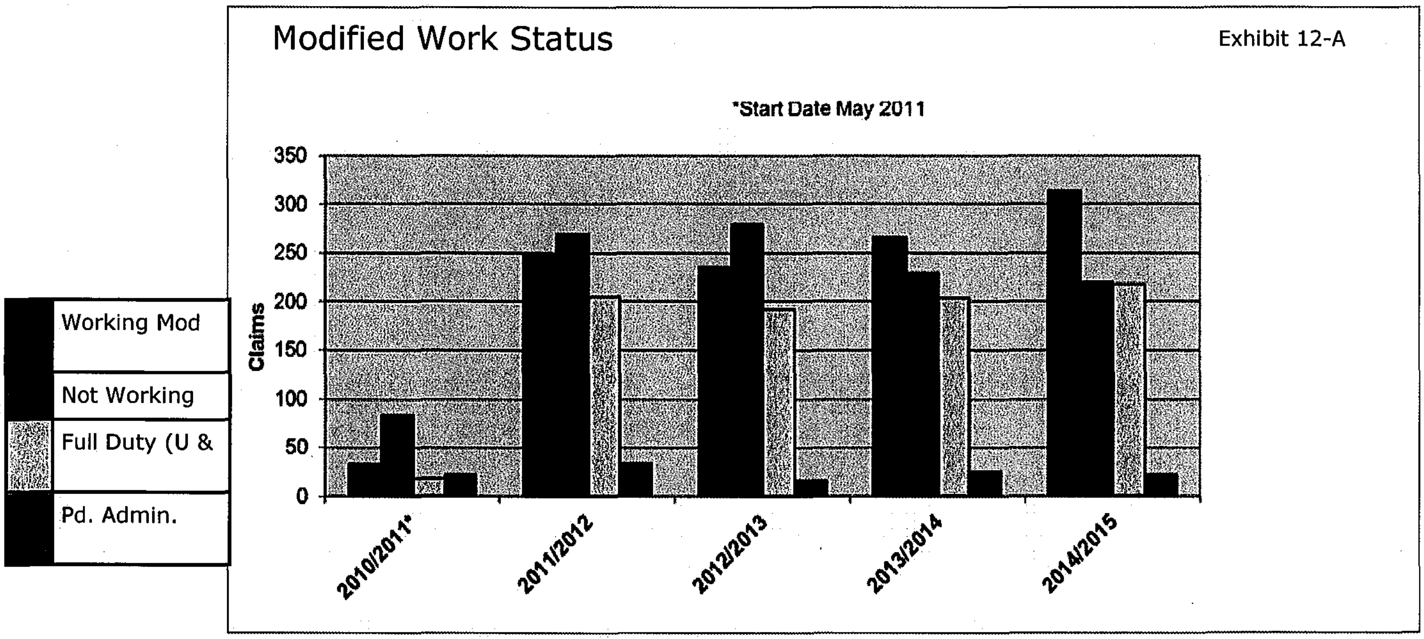
	2011/12	2012/13	2013/14	2014/15
Cost Avoidance	$4,549,204	$3,673,244	$3,774,464	$5,283,020

PROGRAMS THAT WORK

CITY OF OAKLAND

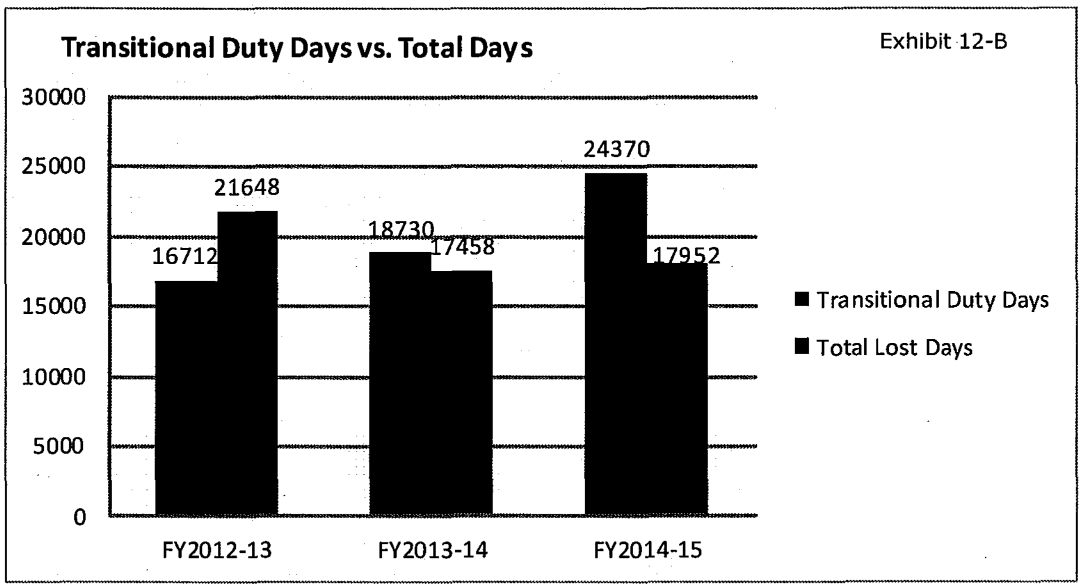
Productivity Gains via Transitional Duty Program (Early Return-To-Work)

The City of Oakland's Early Return-To-Work program saw the number of claims engaged in Modified Duty assignments (seen in green below) surpass the number of claims where the injured worker was not working at all (as seen in blue below). The red below indicates times when a department puts an employee on Paid Administrative Leave in lieu of providing modified duty.



Of note...

As seen in Exhibit 12-B, Fiscal Year 2014-2015 reflects 5,646 more days of modified duty productivity related to injury claims than last year. There were only 494 more Lost Days in Fiscal Year 2014-2015 than last year as well.



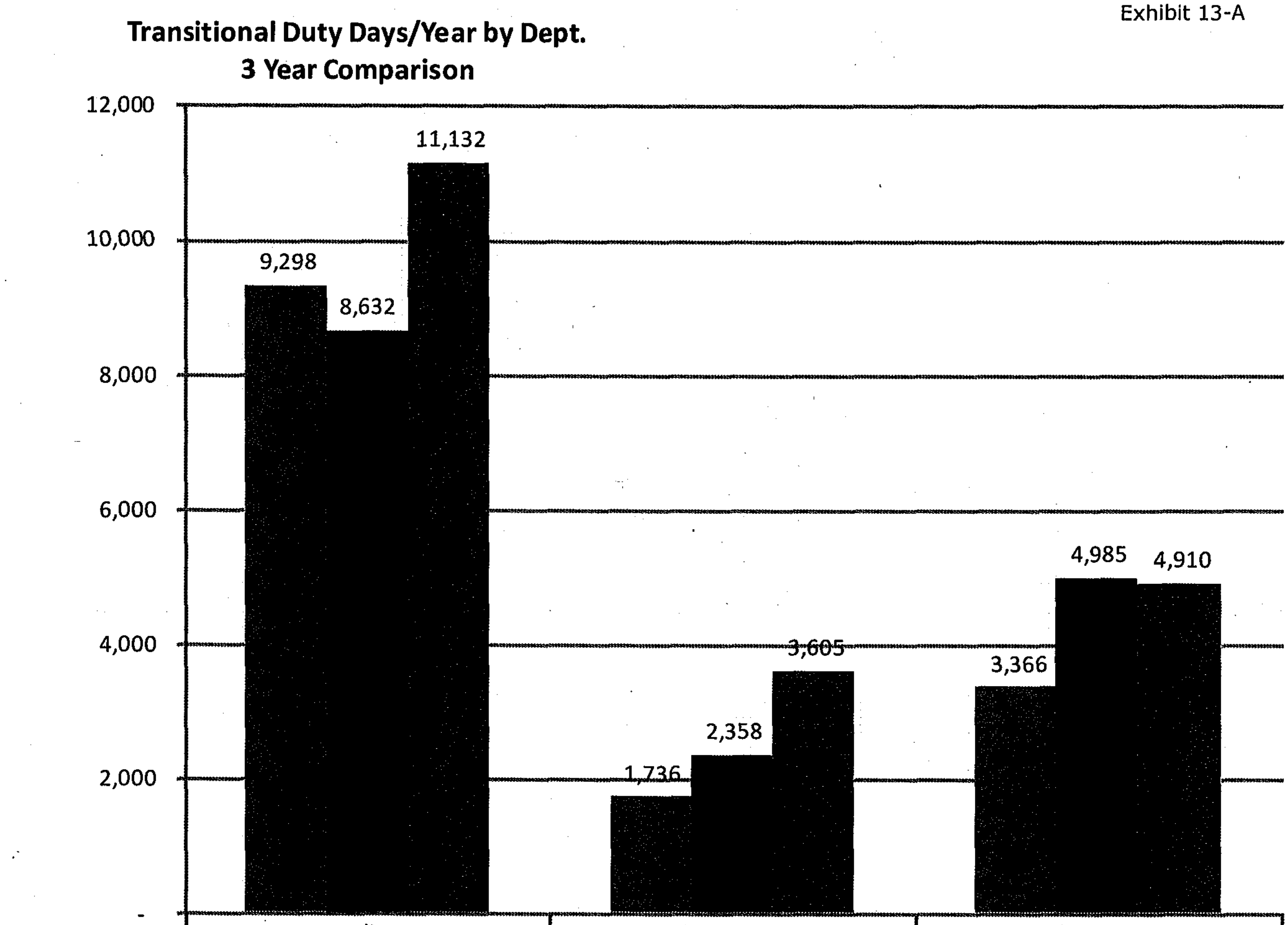
Transitional Duty Program Use By Departments

Of note...

- OPD has had more injured employees in the Transitional Duty Program than any other Department in each of the last three years.

- Overall, FY 2014/15 had more total workers in the Transitional Duty Program than each of the two previous years.

Exhibit 13-A



	Police	Fire	Public Works
FY 2012/13	9,298	1,736	3,366
FY 2013/14	8,632	2,358	4,985
FY 2014/15	11,132	3,605	4,910

PERFORMANCE MEASURES

The City of Oakland's HRM Department uses a variety of measures to monitor performance of how claims are administered. The statistics of Closing Ratio and Fraud Investigations in the exhibits below highlight some of these measures.

Closing Ratio measures how many claims are closed as compared to newly opened claims over a specific period of time. A Closing Ratio of greater than one is preferred and indicates that more claims are being closed than opened, thereby reducing the City's total number of open claims (and future liability).

Of note...

In FY14-15, closing ratio of 100% has not been achieved due to several factors:

- High turnover in staff.
- 6 of 7 examiners have a higher caseload than contract allows.

Claims Productivity Ratio by Fiscal Year — Exhibit 14-A

Fiscal Year	# Claims Closed	# Claims Opened	Closing Ratio
FY09-10	812	592	137%
FY10-11	701	568	123%
FY11-12	634	598	106%
FY12-13	691	566	122%
FY13-14	645	640	101%
FY14-15	508	563	90%

Fraud Investigations have 3 parts:

1. Surveillance (observation of individual without contact with the subject).
2. Field Investigations (progression of surveillance, and taking statements from the subject & others).
3. Fraud Referral (the final step when the case meets the standard for fraud set by the District Attorney).

Fraud Investigation Activity — Exhibit 14-B

Indemnity Claims Filed FY2014-15	Surveillance	Field Investigation	Fraud Referral (FD-1) Submission	Background Checks	Denied Claims
480	13 (3%)	93 (19%)	64 (13%)	61 (13%)	74 (15%)

CITY OF OAKLAND

AGREED MEDICAL EXAMINATIONS

An Agreed Medical Examination (AME) is a tool approved by the State of California as a method of seeking third opinion resolutions on disputed medical cases. It is used predominately in cases where the employee's treating physician and the employer's physician are not in agreement on the severity of injury and permanent disability caused by the injury. When such disagreement exists, either party (employee or employer) has the option to invoke an Agreed Medical Examination. However, the Examination cannot go forward unless both parties agree to the need for the exam. Additionally, the State of California requires that the injured worker have legal representation to qualify for an AME. If the employee does not have legal counsel, the City cannot require the employee to participate in the AME process.

The physician selection process is managed by the State of California. When a request for an AME has been received, the State will provide a "panel list" of physicians for the two parties to select from for the Examination. The State of California establishes the panel. Frequently there is a waiting list of several months for an Examination appointment to be obtained due to the number of backlogged disputed Workers' Compensation cases within the State.

The City of Oakland relies heavily on AMEs to bring resolution to a number of our Workers' Compensation cases. The exhibit below provides information on the number of AME and QME (Qualified Medical Examination) processes that have been utilized for Fiscal Year 2010-11 through Fiscal Year 2014-15. In addition, this exhibit reflects the number of cases settled on the basis of the opinion of the employee's Primary Treating Physician (PTP).

Medical Legal Statistics by Fiscal Year for City of Oakland Workers' Compensation Claims
Exhibit 15-A

Fiscal Year	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15
Number of Claims Settled	277	157	322	132	114
AME (Agreed to Medical Examination)	106	258	103	84	74
PTP (Primary Treating Physician)	24	42	18	22	25
Panel QME (Employee Unrepresented by Attorney)	14	13	6	15	6
QME (Employee Represented by Attorney)	7	6	5	11	6
Other	6	2	0	0	3

PROGRAMS THAT WORK

CITY OF OAKLAND

ACCIDENT REVIEW COMMITTEE

Each Department has its own Accident Review Committee (ARC). The role of the ARC is to review every vehicle accident within the 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 Human Resources Management, Employee Relations, Departmental supervisors, and the ARC Departmental Chairperson. The ARC makes recommendations to the Department, which the Department may choose to implement. Effective application at the Department level to apply the recommendations from the ARC is a key method for Departments to reduce the number and severity of claims.

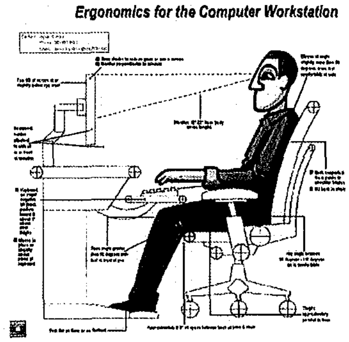
Of note...

- $2,109,151 was refunded via Excess and Subrogation in Fiscal Year 2014-2015.

SAFETY AND LOSS CONTROL

The City's safety programs are designed in response to claims activity within Departments, as well as OSHA-mandated trainings.

Ergonomics for the Computer Workstation



Loss Control efforts are promoted through the Ergonomics Program, Targeted Safety and Loss Control Programs, OSHA Compliance Programs, Ergonomic Workstation Design, and a Defensive Driving Program.

The City of Oakland's 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. Since the courses are on-line, staff are able to take the courses as their schedules allow, and the City is able to add courses designed by City staff as new resources become available.

The City of Oakland sets the tone for commitment to ergonomic work practices by:

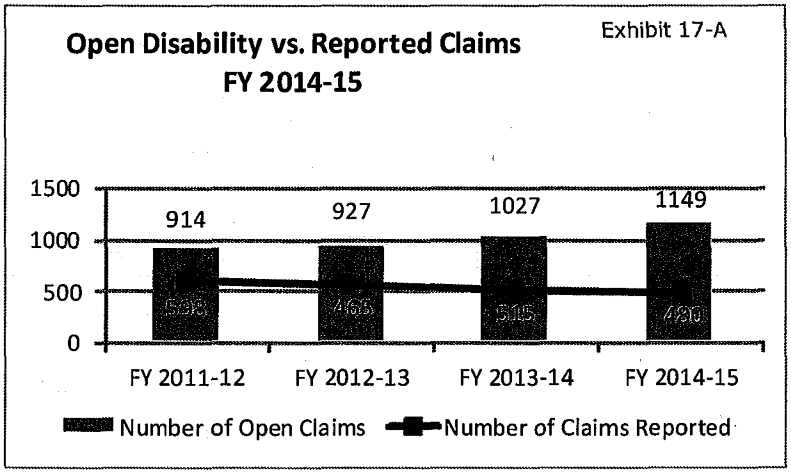
- Offering ergonomic coaching in each monthly New Employee Orientation meeting.
- Offering one-on-one ergonomic assessments upon request for all new office-based staff.
- Providing group classes on ergonomic safety protocols targeting the many physically intensive jobs across the City, including Public Works, Parks & Recreation, and the Library.

CITY OF OAKLAND

CLAIM MANAGEMENT PROGRAM

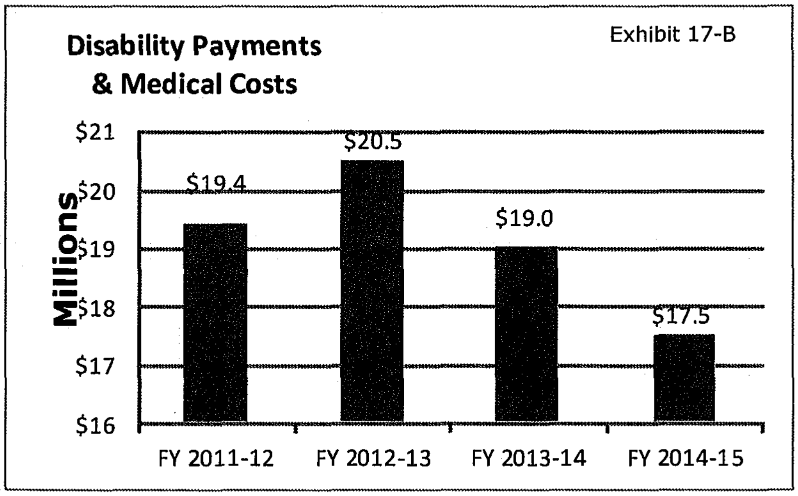
Of note...

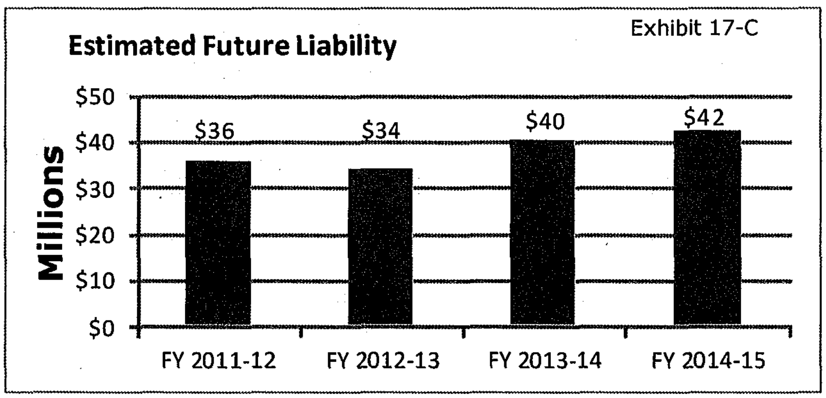
- 11.9% increase of disability claims in FY 2014-15.
- $1,508,679 decrease in disability and medical payments.
- Overall decrease in disability and medical payments reduced due to Excess Recovery in the amount of $2,109,151.



The City's Claim Management Program standardizes the process for documenting and reporting claims, and incorporates a Transitional Duty (Early Return-to-Work) Program. The effectiveness of this program hinges on the contributions of three groups:

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





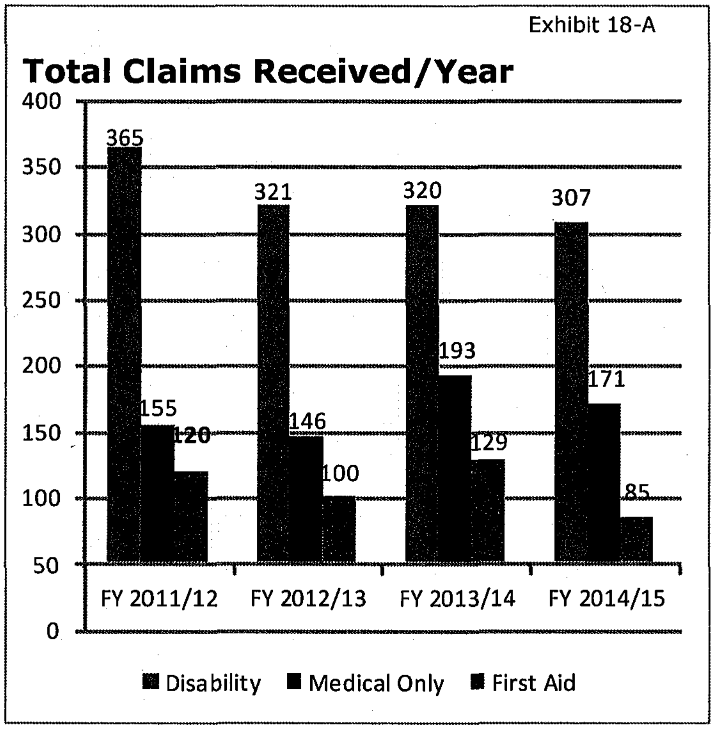
PROGRAMS THAT WORK

CITY OF OAKLAND

CLAIM MANAGEMENT PROGRAM

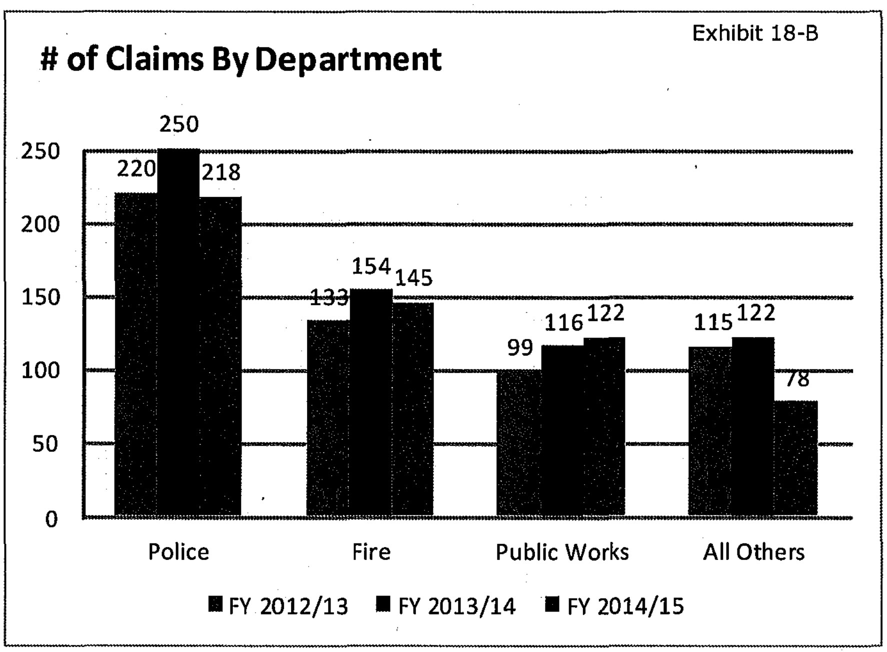
Of note...

- Disability claims have steadily declined over the past four years.
- Decreases in Medical Only and First Aid claims reflect less severe injuries.



Of note...

- Overall, the number of injuries per Department decreased in FY 2014/15 compared to FY 2013/14.
- Injuries in the smaller Departments (e.g., Finance, Library, Human Services, and Parks and Recreation) declined in FY 14/15.



THIRD PARTY CLAIMS ADMINSTRATOR

ACTIVE PARTNERSHIP WITH A THIRD PARTY ADMINISTRATOR

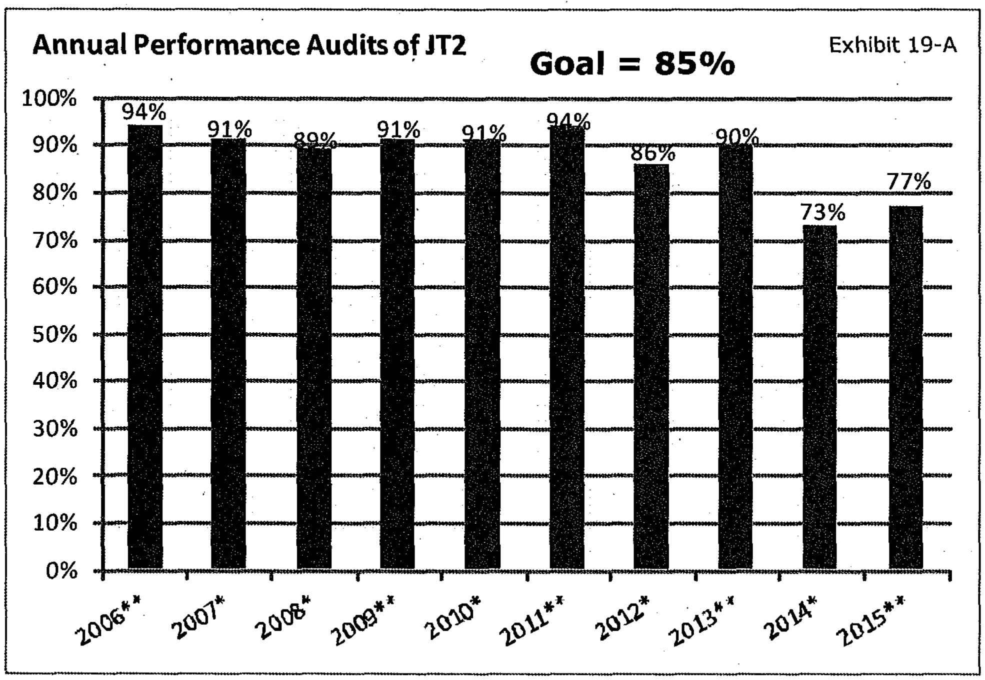
The success of the City's Self-Insured Workers' Compensation program relies heavily on an ongoing and interactive partnership with the City's Third Party Administrator (TPA). The TPA assists in managing the regulatory and technical compliance associated with the Division of Workers' Compensation (DWC) and the California Division of Industrial Relations (DIR). The City's Risk and Benefits staff maintain daily contact with the TPA related to all aspects of claim management that impact our staffing, claim processing, reserve allocation, and settlement funding related to our self-insured status.

The City engages in a number of different analytical tools to assess the performance of the TPA. Included in these tools are annual Claims Audits, annual Actuarial Reviews, quarterly Financial Reviews, quarterly Fraud Status Updates, and intermittent miscellaneous reviews, such as Fraud Program review, Contract Compliance Assessments, etc. In the past year, the City commissioned a number of these tools, including a Claims Audit, Actuarial Assessment, and Fraud Assessment. The results of these assessment efforts are found in Appendices C - F. Below is a discussion of the Claims Audit.

Since 2001 the City has contracted with JT2 Integrated Resources as its TPA. Each year the TPA undergoes an audit of their overall performance. The graph below outlines JT2's annual audit scores over the last 9 years. The 2015 independent performance audit rated JT2 with an overall 77% performance rating. While this is a 4% improvement over last year, it still demonstrates a marked decline in performance. This rating is visibly different from audit scores in the years prior to 2014 as seen in the Exhibit 19-A.

Of note...

- FY 2013-14 and 2014-15's Annual Ratings show a marked decline from prior years.
- See Appendix C for more detailed information.



Auditors: *Bickmore **CSAC

THIRD PARTY CLAIMS ADMINSTRATOR

ACTIVE PARTNERSHIP WITH TPA (continued)

The 2015 Performance Audit by CSAC Excess Insurance Authority found JT2 to exceed the 85% performance standard in 11 of the 15 categories rated. All categories with the exception of two demonstrate a decline in performance.

Three of the four categories that did not meet the performance standard in 2015 also did not meet the performance standard in the 2013 audit by CSAC. One of the categories, Case Plan Appropriate, is only two percentage points below the baseline standard; however, it experienced a 13.4% decrease from the 2013 CSAC audit.

The audit's overall 2015 rating of 77% reflects a decline in many of the categories identified by the City as critical services for the success of the Workers' Compensation Program. The Human Resources Management staff is working with JT2 to address the deficiencies of the audit and will continue to seek performance improvement as highlighted in Exhibit 20-A

TPA Audit Results 2014
Bickmore

Performance Standard	CY 2012 Rating	CY 2014 Rating	% change since prior audit
48 Hour Claim Set Up	97%	97%	0%
Physical Therapy Management	94%	91%	- 3%
Transitional Work	90%	91%	1%
Managed Care & Early Intervention	100%	91%	-9%
Administrative Reports	90%	89%	-1%
Appropriate Identification of Claims (Medical Only vs. Indemnity)	100%	100%	0%
Timely Claim Decisions	79%	94%	15.6%
Reserve Adequacy	79%	69%	-10%
Timely/Accurate Payments	89%	73%	-15%
Subrogation Management	NT	67%	-33%
Database Integrity	47%	33%	-14%
Coordination with Contract Monitor	95%	84%	-11%
Litigation Management	93%	69%	-30%
Supervision	86%	79%	-1%

TPA Audit Results 2015 Exhibit 20-A
CSAC

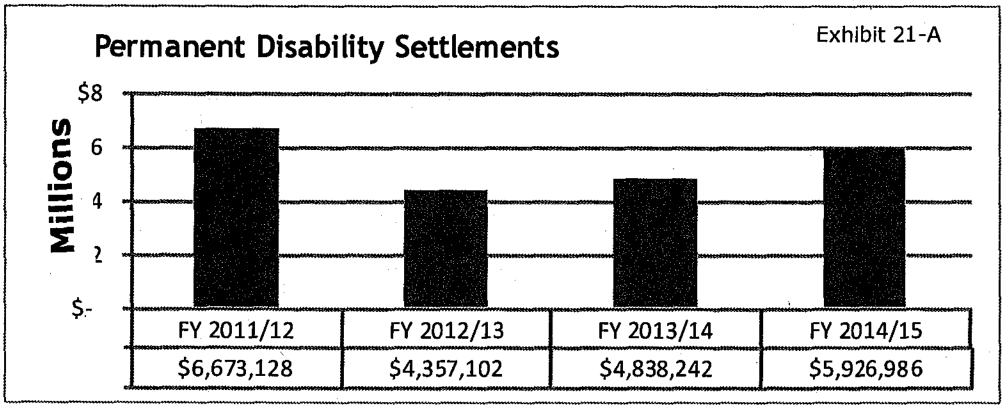
Performance Standard	CY 2013 Rating	CY 2015 Rating	% change since prior audit
Investigated if Necessary	97.8%	92.0%	-5.9%
Correct Compensability Decision	100%	94.0%	- 6.0%
Decision Timely	100%	98.0%	-2.0%
Prompt Contact with Employee	77.6%	57.0%	-26.5%
Timeliness of First Payment	93.9%	92.0%	-2.0%
Permanent Disability Payments	82.2%	75.0%	-8.8%
File Balancing	94.4%	88.0%	-6.8%
Case Plan Appropriate	95.8%	83.0%	-13.4%
Apportionment Pursuit	96.2%	94.0%	-2.3%
Use of Defense Attorney Appropriate	98.6%	100%	1.4%
Continuous Finalization Efforts	98.5%	89.0%	-9.6%
Correct Settlement Valuation	100%	94.0%	-6.0%
Reserves Revised Appropriately	80.2%	73.0%	-9.0%
Prompt Excess Reporting	92.3%	100%	8.3%
Prompt & Effective Subrogation	100%	89.0%	-11.0%

PROGRAM EXPENDITURE CATEGORIES

The primary expenditure types of the Workers' Compensation Program can be categorized as Indemnity Payments in the form of Permanent Disability and Temporary Disability payments, Medical Expenditures, and Allocated Expenditures. Appendix A defines these terms further, and Appendix B provides a detailed breakdown of program expenditures over the past 5 years. The following graphs show four-year histories of each of the key categories of Workers' Compensation expenses.

PERMANENT DISABILITY SETTLEMENTS

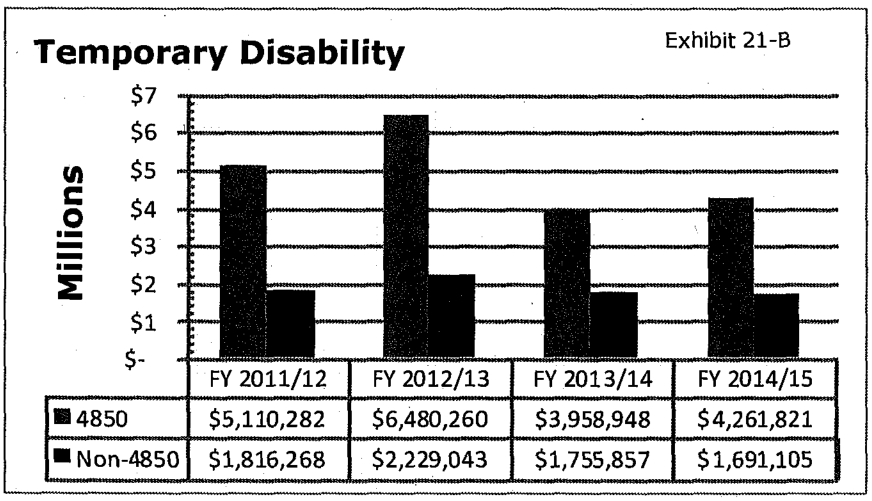
Exhibit 21-A shows a four-year history of Indemnity Expenses paid for the settlement of claims when injury has resulted in some level of permanent disability for the employee.



TEMPORARY DISABILITY PAYMENTS

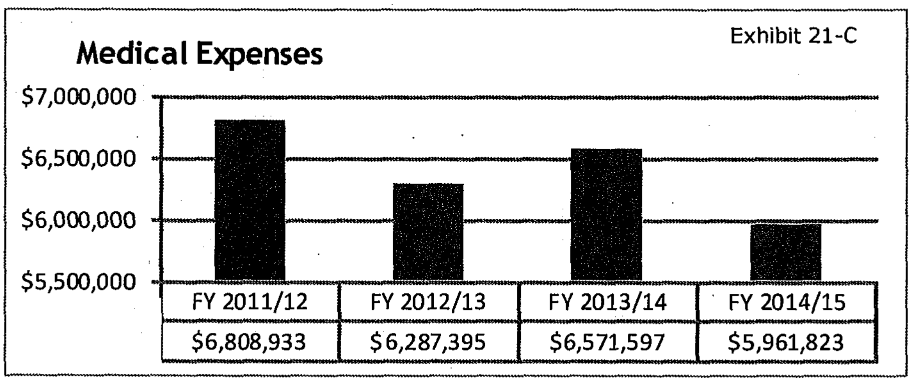
Exhibit 21-B shows a four-year history of Indemnity Expenses paid for salary related to claims. These Expenses are divided into two categories: 4850 and Non-4850.

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

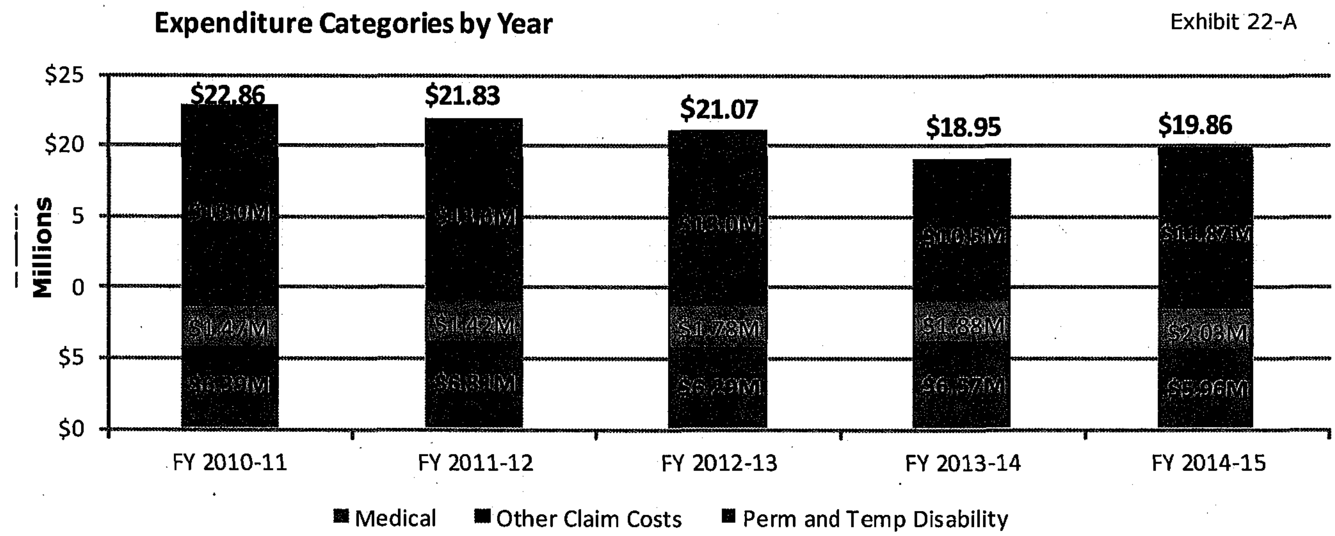


MEDICAL EXPENSES

Exhibit 21-C shows a four-year history of medical expenses associated with all Workers' Compensation claims. In FY 2014-15, the City's medical costs decreased 9.3%.

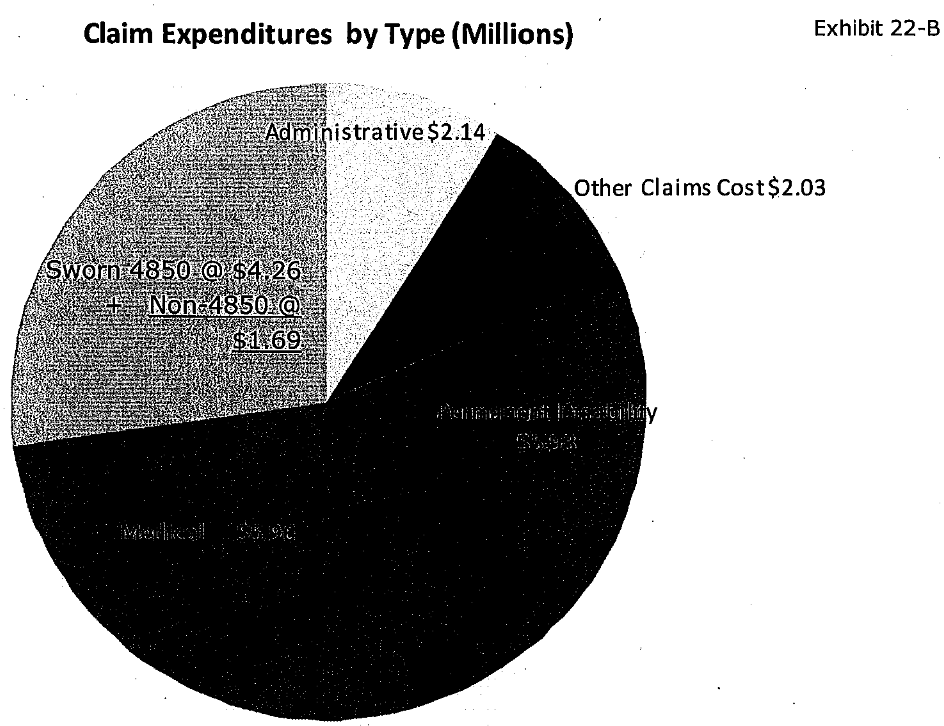


PROGRAM EXPENDITURE CATEGORIES



Of note...

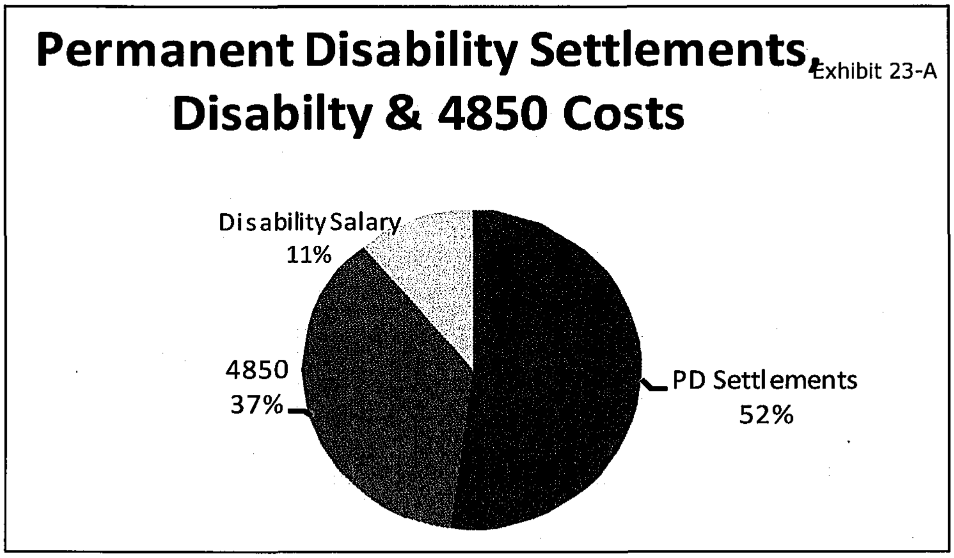
- There was $862,986 more paid in disability, medical, and allocated costs in FY14-15 than in the prior year.
- 6.7% lower administrative costs in FY 2014-15 than the average annual administrative costs in the last 5 years.



PROGRAM EXPENDITURE CATEGORIES

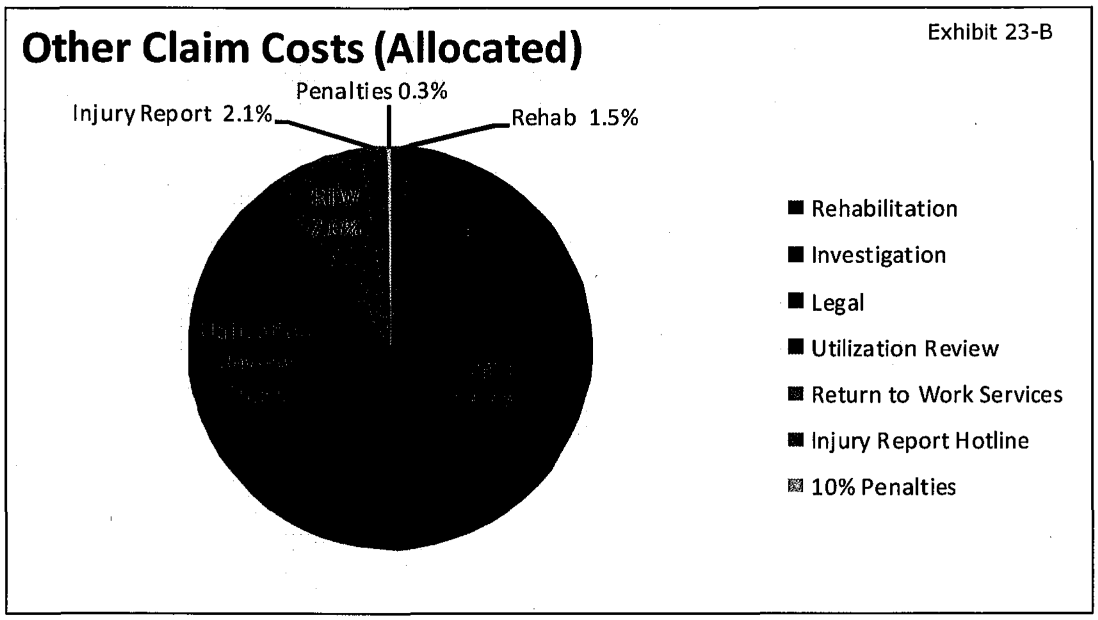
Of note...

- Disability Salary and 4850 both relate to Salary Payments made to injured workers missing work time.



Of note...

- Other Claim Costs (Allocated) represent the $2.14 million seen on the previous page.
- Other Claim Costs are the costs of administering the program.



FREQUENCY & SEVERITY BY DEPARTMENT

CITY OF OAKLAND

The following exhibits provide department history as related to frequency (number of claims) and severity (future liability of claims). This data can be used by the City and individual Departments to determine where the largest program users exist. The focus of injury prevention programs should target the areas of high frequency and severity.

Number of Claims by Department — Exhibit 24-A

	FY12-13			FY13-14			FY14-15		
Department	**M.O.**	**Disb.**	**All**	**M.O.**	**Disb.**	**All**	**M.O.**	**Disb.**	**All**
City Administration	0	1	1	1	2	3	3	1	4
City Attorney	3	1	4	1	1	2	1	1	2
Dept. Of Info & Tech	1	3	4	1	2	3	0	3	3
Financial Mgmt	3	6	9	3	4	7	4	5	9
Fire	25	91	116	45	94	139	39	82	121
Housing & Comm Dev.	1	0	1	1	0	1	1	3	4
Human Services	14	16	30	7	13	20	8	4	12
Library	9	10	19	5	10	15	4	8	12
Neighborhood Inv.	0	1	1	0	1	1	0	0	0
Office Mayor	0	0	0	0	1	1	1	0	1
Parks & Recreation	9	6	15	13	5	18	9	5	14
Planning & Bldg	2	1	3	1	1	2	2	0	2
Police	45	135	180	70	132	202	74	121	195
Public Works	34	50	84	44	55	99	61	40	101
Totals	**146**	**321**	**467**	**192**	**321**	**513**	**207**	**273**	**480**

M.O: Medical Only Claims **Disb.** Claims with disability costing

Estimated Future Liability by Department — Exhibit 24-B

Department	**FY12-13**	**FY13-14**	**FY14-15**
City Administration	$52,204	$6,842	$9,875
City Attorney	$5,771	$3,777	$23,257
Dept. Of Info & Tech	$3,905	$6,527	$22,943
Financial Mgmt	$28,180	$20,950	$67,860
Fire	$2,353,015	$2,090,567	$2,134,371
Housing & Com Dev.	$1,800	$187	$61,533
Human Services	$113,885	$118,004	$42,080
Library	$22,738	$86,437	$187,312
Neighborhood Inv.	-	$325	-
Office Mayor	$11,867	$14,775	-
Parks & Recreation	$27,918	$60,363	$19,341
Planning & Bldg	$6,028	$503	$14,925
Police	$2,403,351	$2,191,952	$2,637,576
Public Works	$434,666	$805,770	$458,670
Totals	**$5,465,328**	**$5,406,979**	**$5,679,743**

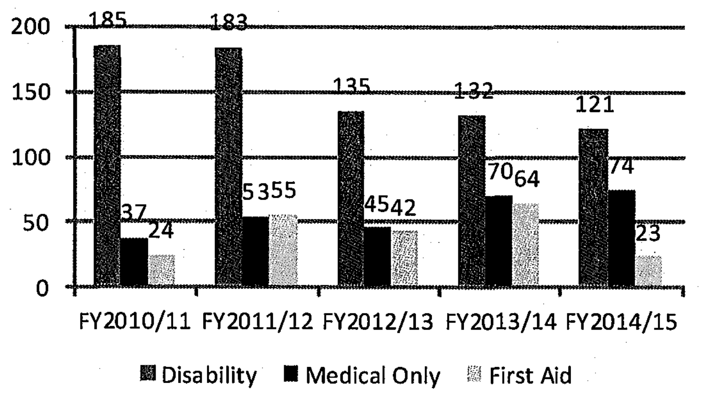
POLICE DEPARTMENT

Police Department -- Workers' Compensation Claims					Exhibit 25-A
	#of Claims	% of City	Cost of Claims	% of City	Average Cost Per Claim
FY 2014-15	218	39%	$3,920,306	42.87%	$17,983
3-Year Average	221	40%	$3,252,271	45.30%	$14,694

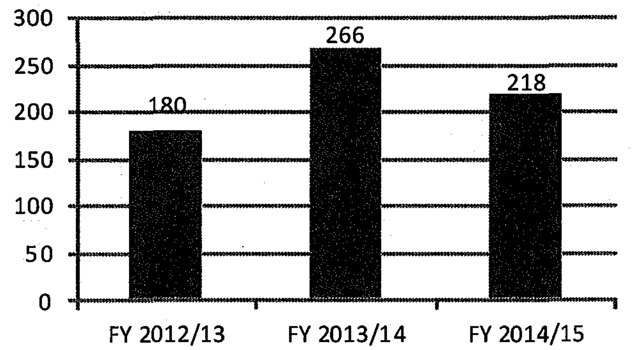
Of note...

- 1.4% fewer claims in OPD in FY 2014-15 than the 3-year average.
- The cost of OPD claims in FY 2014/15 increased over the three year average by 20.5%.

Number of OPD Claims by Type (Five Year Analysis) Exhibit 25-B



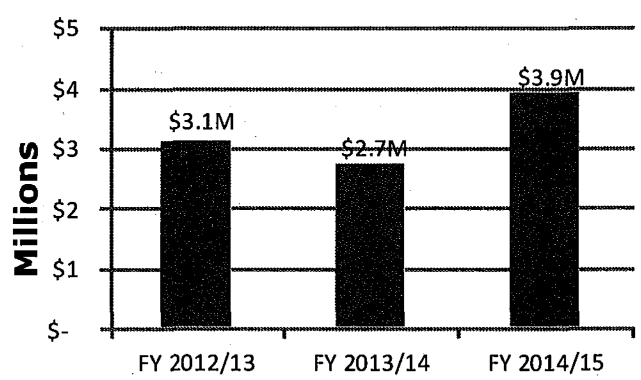
Number of OPD Claims (Three Year History) Exhibit 25-C



Of note...

- 8.3% reduction of claims involving disability since last year.
- Costs increased by 44.44% since last year.

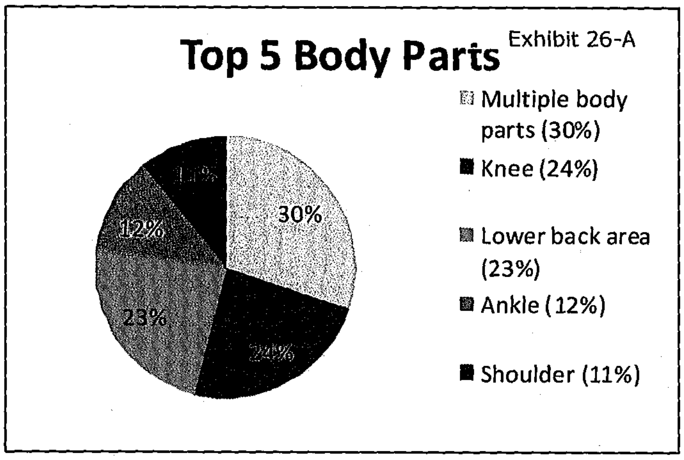
Cost of OPD Claims (Three Year History) Exhibit 25-D

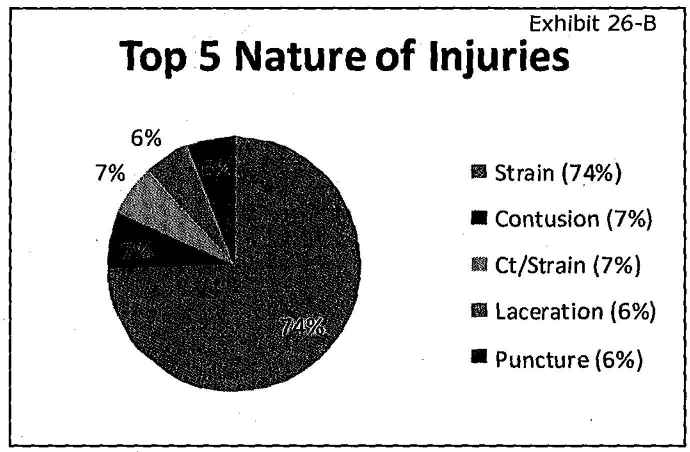


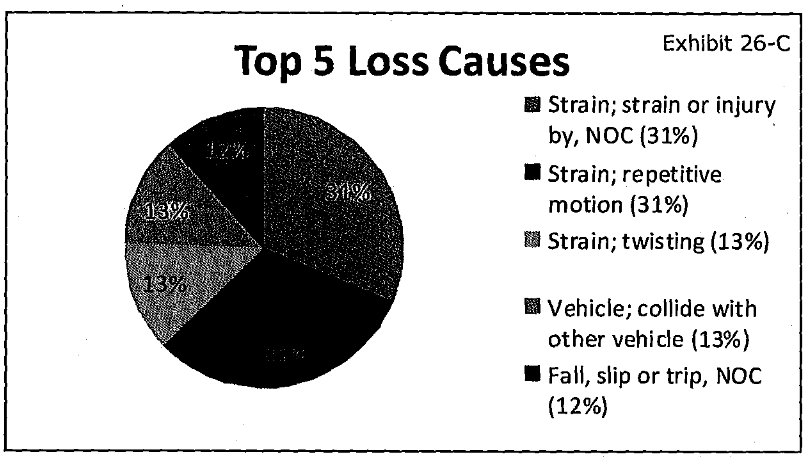
OPD INJURY TYPES FY 2014-15

Of note...

- OPD knees continue to be injured most often in FY 2014-15.
- Strains are the most frequent type of OPD injury in FY 2014-15.







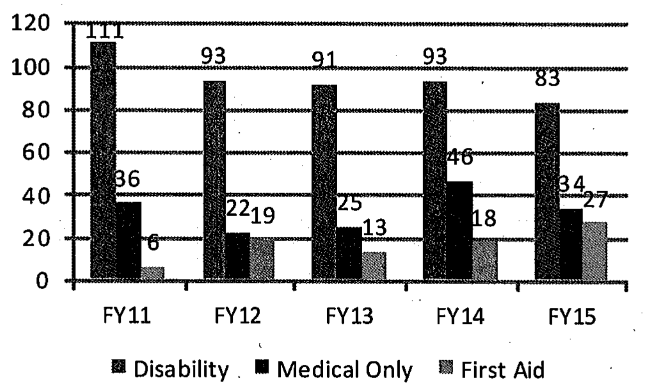
FIRE DEPARTMENT

Fire Department -- Worker's Compensation Claims					Exhibit 27– A
	# of Claims	% of City	Cost of Claims	% of City	Average Cost Per Claim
FY 2014-2015	146	26%	$3,242,852	38%	$22,211
3-Year Average	144	26%	$2,770,870	39%	$19,242

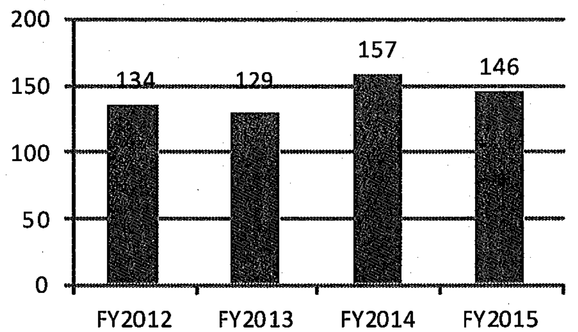
Of note...

- 1.4% more claims in FY 2014-15 than the 3-year average.
- The cost of OFD claims in FY 2014-15 was 17% ($471,982) more than the 3-year average.

Number of OFD Claims by Type Exhibit 27-B



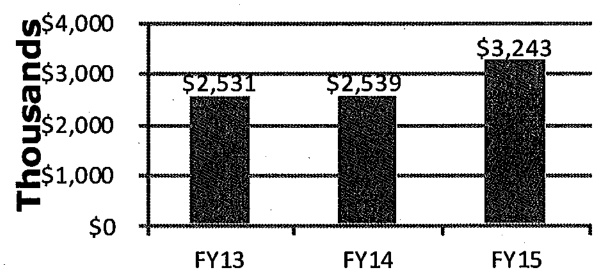
Number of OFD Claims Exhibit 27-C



Of note...

- 3-year similarity on the number of OFD Temporary Disability Claims.
- Higher total number of claims in FY2013-14.
- The cost of claims increased by 27.7% over last year's cost.

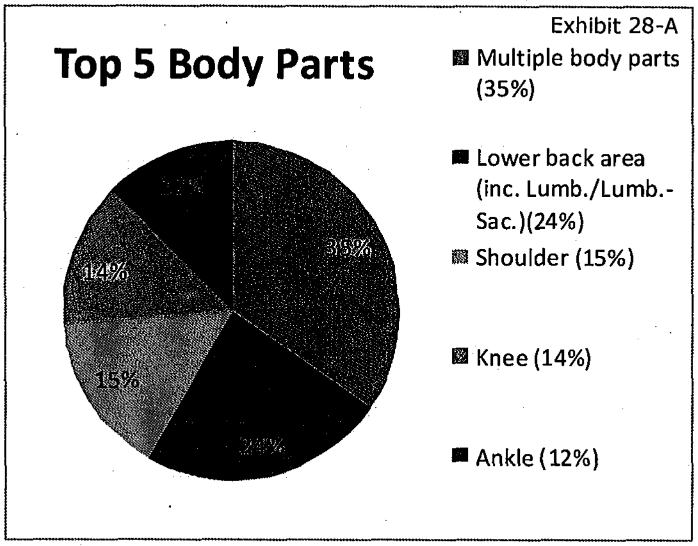
Cost of OFD Claims Exhibit 27-D

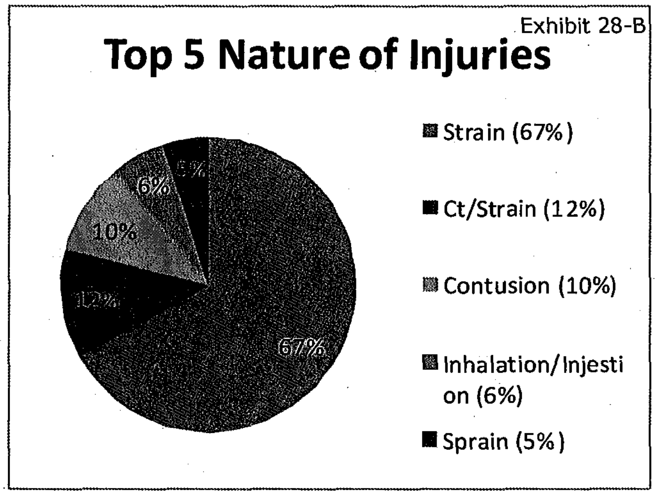


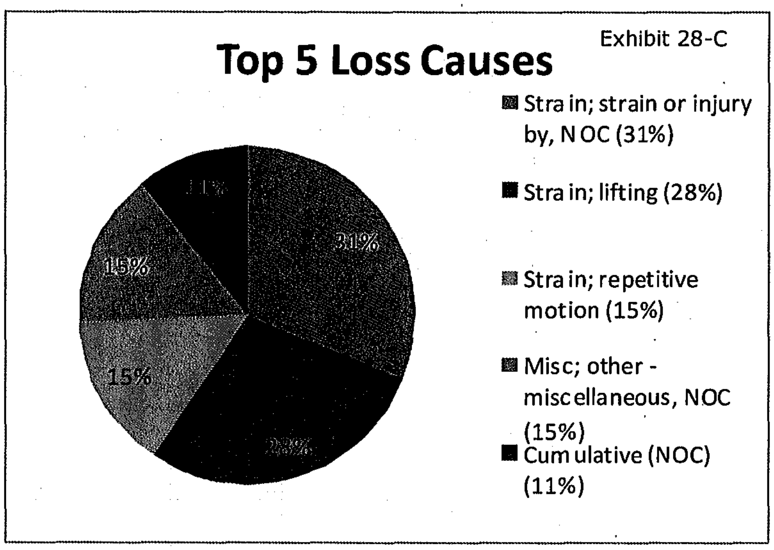
OFD INJURY TYPES FY 2014-15

Of note...

- OFD lower backs were injured most often in FY 2014-15.
- Strains were the most frequent injury in OFD in FY 2014-15.
- Injuries caused by contact with the ground were the most frequent cause of loss in FY 2014-15.







PUBLIC WORKS

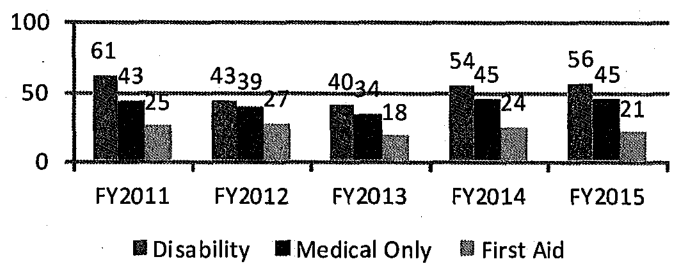
Public Works Department -- Worker's Compensation Claims					Exhibit 29-A
	Number of Claims	% of City	Cost of Claims	% of City	Avg. Cost Per Claim
FY 2014-15	122	22%	$739,776	8.7%	$6,064
3 Year Avg.	112	20%	$705,925	10%	$6,303

Of note...

- 8.9% more claims in FY 2014-15 than the 3-year average.
- $33,851 more paid for OPW claims in FY 2014-15 than the 3-year average.

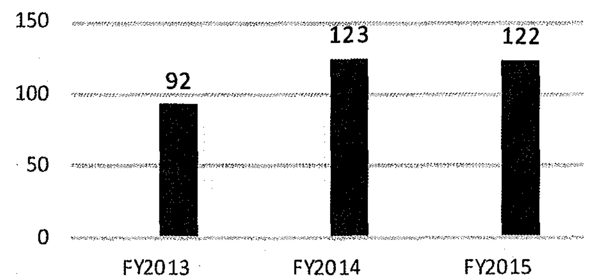
Number of OPW Claims by Type
Five Year Trend Analysis

Exhibit 29-B



Number of OPW Claims

Exhibit 29-C

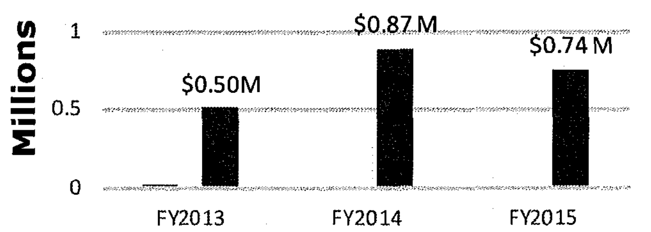


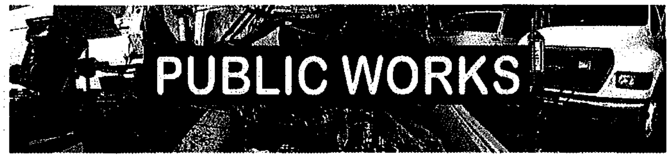
Of note...

- The number of OPW claims have slightly fluctuated over the last 5 years.
- The costs declined by 14.9% since last year.

Cost of OPW Claims

Exhibit 29-D

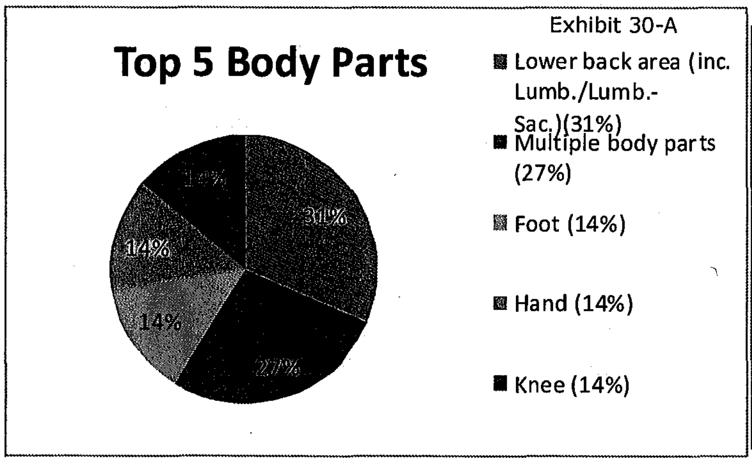


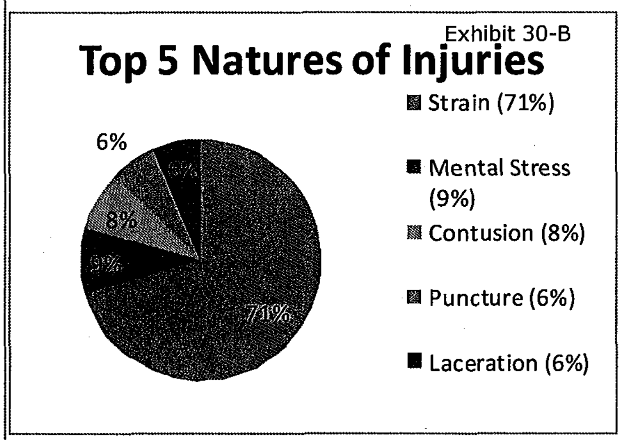


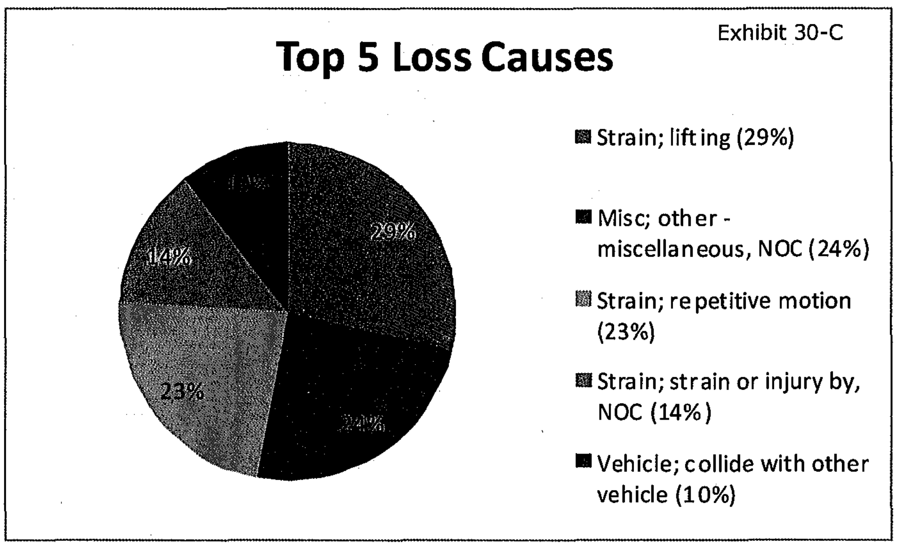
OPW INJURY TYPES FY 2014-15

Of note...

- OPW injuries involved lower back area most often in FY 2014-15.
- Strains continue to be the most frequent injury in OPW in FY 2014-15.
- Strains are also the top cause of loss in FY 2014-15.







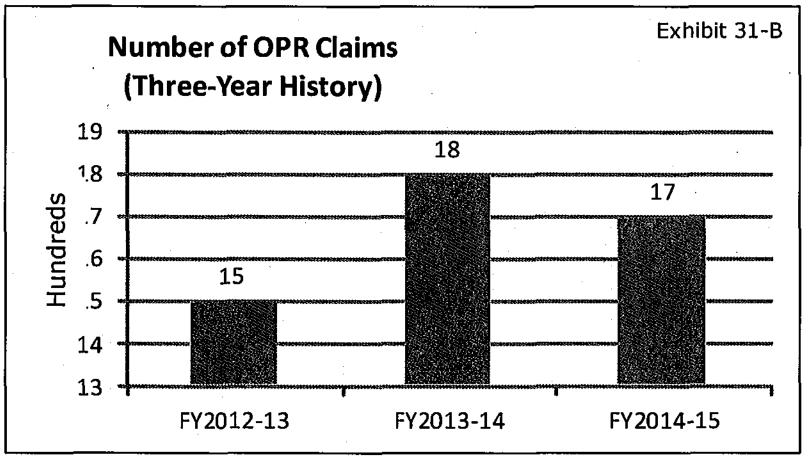
PARKS & RECREATION

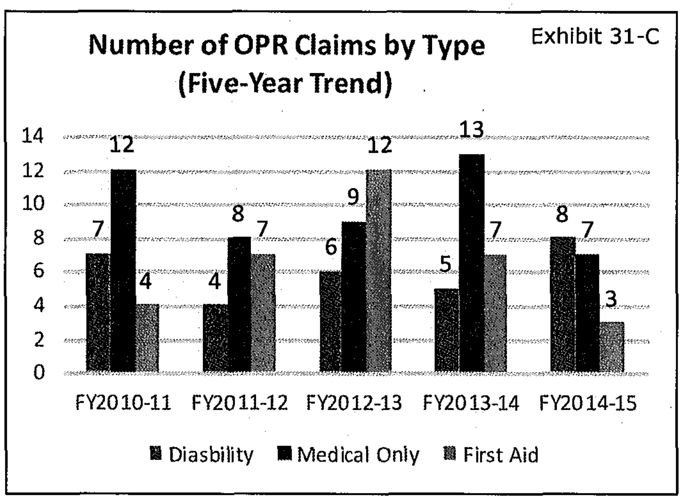
Come Out and Play the OPR Way
CITY of OAKLAND
OFFICE of PARKS & RECREATION

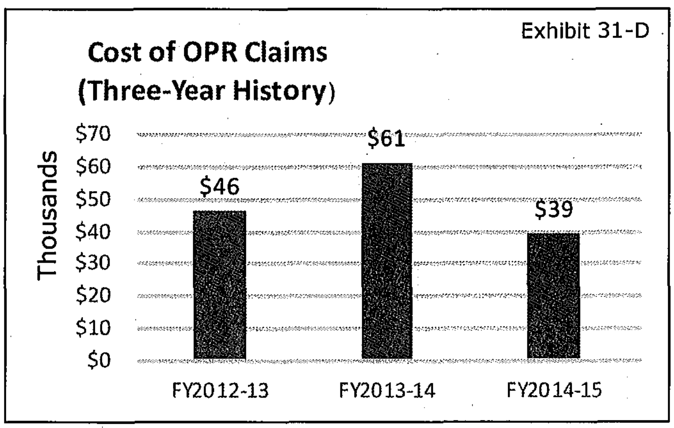
Parks and Recreation--Worker's Compensation Claims					Exhibit 31-A
	No. of Claims	% of City	Cost of Claims	% of City	Average Cost Per Claim
FY 2014-15	17	3%	$39,093	0.46%	$2,300
3-Year Average	17	3%	$48,811	0.68%	$2,929

Of note...

- The number of OPR claims in FY 2014-15 is the same as the 3-year average.
- OPR paid $9,718 more for claims in FY 2014-15 than the 3-year average.



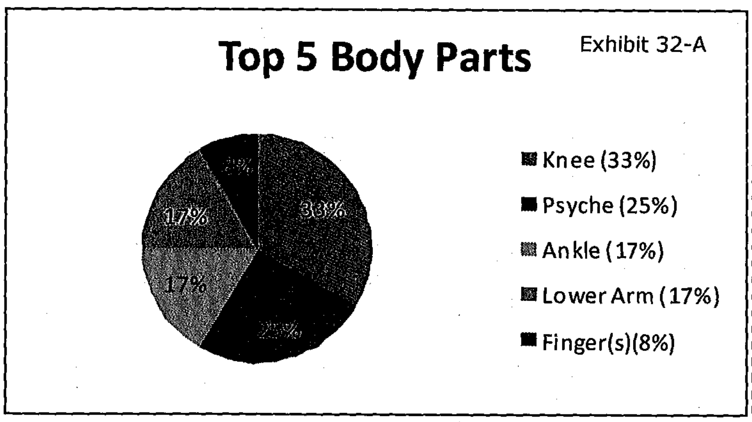


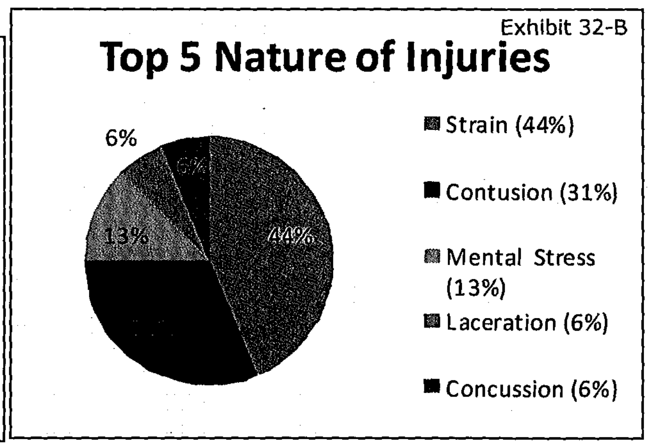


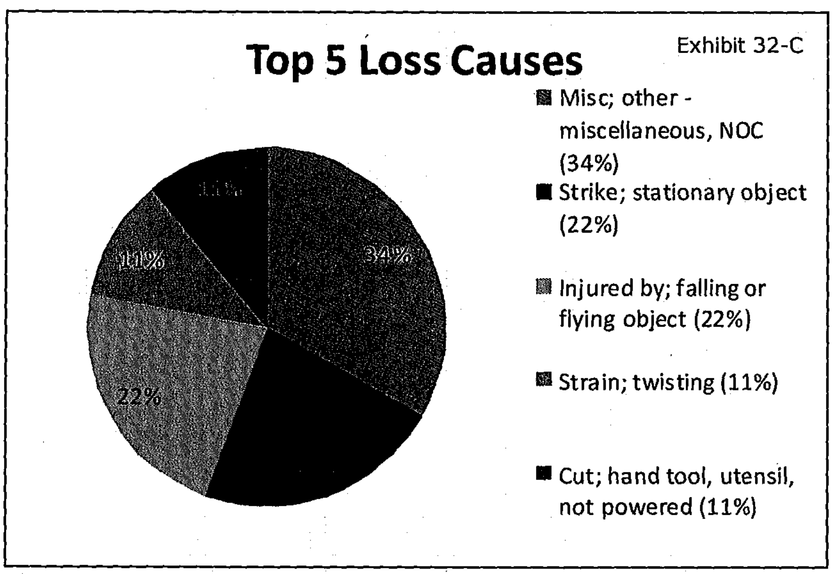
OPR INJURY TYPES FY 2014-15

Of note...

- OPR incurred knee injuries most often in FY 2014-15.
- Strains continue to be the most frequent injury in OPW in FY 2014-15.
- Injuries by striking a stationary object and by falling or flying object were the two most identifiable causes of loss in FY 2014-15.







ALL OTHER DEPARTMENTS

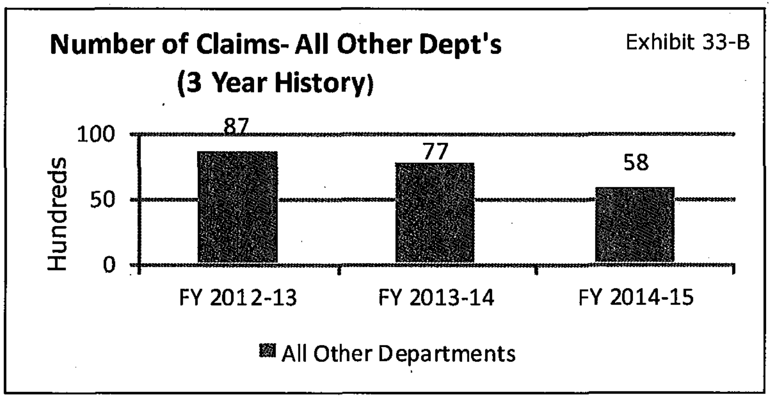
All other Departments' Claims					Exhibit 33-A
	# of Claims	% of City	Cost of Claims	% of City	Average Cost per Claim
FY 2014-15	58	12%	$603,811	7.1%	$10,411
3-Year Average	81	14.5%	$639,528	9%	$7,928

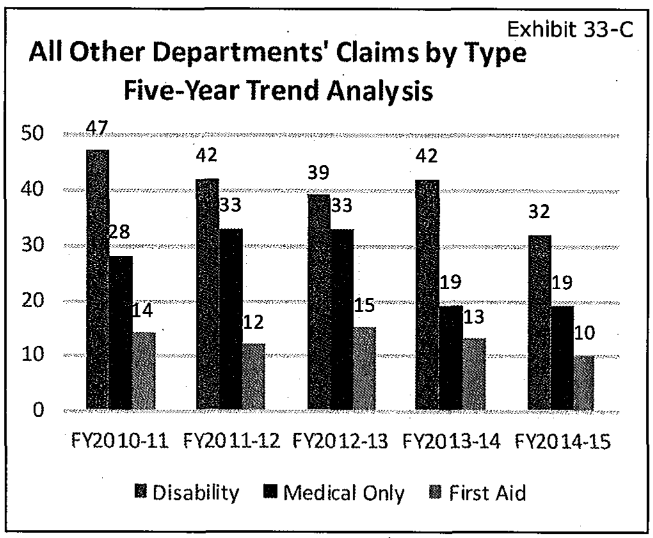
Of note...

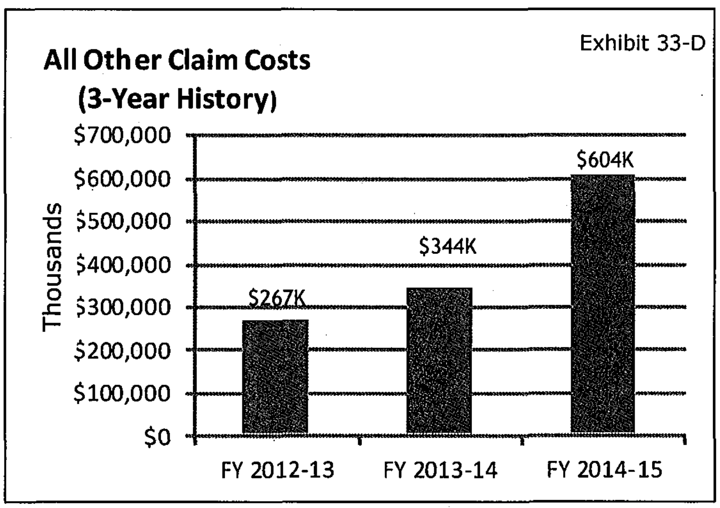
- All other Departments had 28% fewer claims in FY 2014-15 than the 3 year average.
- The cost of claims and the average cost per claim increased by more than 200% over the 3 year average.

Of note...

- The number of claims in FY 2014-15 decreased 25% from last year's new claims.
- The cost of claims in FY 2014-15 increased 7.6% over the cost of claims for last year.







SCHEDULE OF EXHIBITS

Appendix A	**Key Terms**
Appendix B	**Workers' Compensation Expenditure Report** (FY 2010-11 through FY 2014-15)
Appendix C	**Workers' Compensation Third Party Administration Claims Audit, Final Report** *(CSAC Excess Insurance Authority, August 2015, Pages 1-55*
Appendix D	**Actuarial Review of the Self-Insured Workers' Compensation Program** *(AON Risk Solutions, June 30, 2015, Pages 1-52.)*

KEY TERMS

The following section provides information about the Workers' Compensation Program expenditures for Fiscal Year 2013-14, as defined in the table below.

Permanent Disability Settlements: Settlements paid when an injury results in a permanent disability.

Temporary Disability:

Non-Sworn Salary Supplement: City payments at the employee's full rate of pay made in the first 60-90 days when injured workers are unable to perform work of any kind.

Temporary Disability: State-mandated payments made when injured workers are unable to perform work of any kind.

Sworn Salary Supplement/4850: State-mandated payments at the employee's full rate of pay for up to one-year when an injured worker is unable to perform work of any kind.

Allocated:
(Other Claim Costs)

- Rehabilitation
- Investigation Expenses
- Legal
- Utilization Review
- Return to Work Services
- 24 hour Injury Report Line
- 10% Penalties

Medical: This 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: This includes costs associated with administration of the Workers' Compensation Program.

Appendix B

Workers' Compensation Expenditures Report

APPENDICES

Expenditures By Year	2010-11	2011-12	2012-13	2013-14	2014-15	% Change Since FY13-14
Settlements: **Permanent Disability**	**$4,939,738**	**$6,673,128**	**$4,357,102**	**$4,838,242**	**$5,926,906**	**22.5%**
Temporary Disability						
Non-4850						
Temporary Disability	1,750,927	1,472,842	1,808,078	1,346,545	1,195,099	
MOU Benefit—non-sworn	626,094	343,426	420,965	409,312	496,006	
Total Non-4850 Pay	2,377,021	1,816,268	2,229,043	1,755,857	1,691,105	**-3.7%**
4850						
Sworn—OPD—4850 Pay	5,038,423	3,162,991	4,123,621	2,533,225	2,356,175	
Sworn-OFD-4850 Pay	2,672,983	1,947,291	2,356,639	1,425,723	1,905,646	
Total 4850 Pay	7,711,406	5,110,282	6,480,260	3,958,948	4,261,821	**7.7%**
Subtotal—Temp. Disability	**10,088,427**	**6,926,550**	**8,709,303**	**5,714,805**	**5,952,926**	**4.2%**
Total Disability	**15,028,166**	**13,599,678**	**13,066,405**	**10,553,047**	**11,879,832**	**12.6%**
Allocated: **(Other Claim Costs)**						
Rehabilitation	34,391	30,272	47,465	55,365	31,348	
Investigation Expenses	468,595	443,173	392,331	174,998	154,162$	
Legal	953,583	942,854	971,049	1,226,711	1,104,091	
Utilization Review				321,099	536,818$	
Return to Work Services				55,235	153,300	
24hr Injury Report Line				44,100	42,805	
10% Penalties (JT2 & non JT2)	8,568	7,468	5,416	4,574	5,533	
Allocated	**1,465,137**	**1,423,767**	**1,416,261**	**1,882,082**	**2,028,057**	**7.8%**
Medical						
WC Disability Medical	6,374,390	6,788,446	6,267,304	6,542,036	5,945,931	
First Aid Only Claims	19,478	20,487	20,091	29,561	15,892	
Total Medical:	**6,393,868**	**6,808,933**	**6,287,395**	**6,571,597**	**5,961,823**	**-9.3%**
Operational Expenses	22,887,171	21,832,378	21,133,330	19,106,726	19,869,712	**4.0%**
3rd Party/ Excess Ins. — Refunded to City	(340,184)	(2,411,517)	(645,676)	(101,858)	(2,109,151)	
Total Operational Expenses	**22,546,987**	**19,420,861**	**20,487,654**	**19,004,868**	**17,760,561**	**-6.5%**
Admin. Expenses						
TPA Contract	2,162,655	2,162,655	2,162,642	2,126,962	1,507,421	
Bill Review Expense	582,384	582,384	582,384	593,456	451,440	
Misc. Admin. Fee (Storage)				17,739	1,552	
Admin. Expenses	**2,745,039**	**2,745,039**	**2,745,026**	**2,738,157**	**1,960,413**	**-28.4%**
Total Workers' Compensation Expense	**$25,292,026**	**$22,165,900**	**$23,232,690**	**$21,743,025**	**$19,720,974**	**-9.3%**

Appendix C

Workers' Compensation
TPA Audit of Claims

NBA

NORTH BAY ASSOCIATES

WORKERS' COMPENSATION

AUDITORS • CONSULTANTS

August 2015

Workers' Compensation Claims Audit

EIA, CITY OF OAKLAND

ADMINISTERED BY

JT² INTEGRATED RESOURCES

PO Box 994 Pioneer, CA 95666 • **PHONE (209) 295-3953** • **MOBILE (209) 256-5201**
e-mail northbayassociates@comcast.net

NBA

Workers Compensation Claims Audit

August 2015

EIA, City of Oakland

Administered by

JT² Integrated Resources

CONFIDENTIAL

North Bay Associates

PO Box 994 Pioneer, CA 95666 • (209) 295-3953

NORTH BAY ASSOCIATES

WORKERS' COMPENSATION

AUDITORS • CONSULTANTS

September 14, 2015

CSAC Excess Insurance Authority
Ms. Kathy McLean
Workers Compensation Claims Manager

City of Oakland
Ms. Deborah Grant
Risk Manager

The Workers' Compensation Claims Audit report for August 2015 for this EIA member: City of Oakland administered by JT² Integrated Resources is presented herewith.

> ***Quick Overview***
>
> - *Executive Summary & Audit Profile (page 4)*
> - *Summary of Recommendations (page 6)*

We wish to acknowledge the cooperation of the administrator, JT² Integrated Resources, and for providing remote access to the claims system.

This report has been simultaneously provided to the administrator. Although all the data had not yet been tabulated in the form seen here, the general findings and preliminary recommendations of this audit were discussed with TPA management during an exit interview.

Since this report deals with employees' injuries, reserves on the claim files, tactics for further handling, and so on, we suggest it be kept confidential.

We hope that this report is self-explanatory; any comments or questions the reader may have are welcome. It has been a pleasure once again to serve City of Oakland and the Excess Insurance Authority.

Respectfully submitted,

NORTH BAY ASSOCIATES

Robert N. Hoyle
President

PO Box 994 Pioneer, CA 95666 • PHONE (209) 295-3953 • MOBILE (209) 256-5201
e-mail northbayassociates@comcast.net

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A. INTRODUCTION

THIS is the Workers' Compensation Claims Audit report for August 2015 for this EIA member: City of Oakland.

1. Goals of the Claims Audit.

- ❖ Gather and present statistical data relating to the administration of the member's workers' compensation claims from August 2013, to date.
- ❖ Focus on those claims constituting the bulk of the outstanding reserves, and claims involving key issues and a representative sample of each examiner's files.
- ❖ Present and explain industry standards, Division of Workers' Compensation Audit Unit standards, and CSAC/EIA standards and goals.
- ❖ Compare audit findings to the standards, and to prior audits, noting strengths and weaknesses.
- ❖ Recommend ways to meet standards and to reach goals.

2. Report Organization.

This report contains twelve audit areas beginning at Section E, page 9. Each has an introduction, point-by-point discussion, and summary and recommendations. Data is presented in as many as four different ways for clarity and for different depths of detail.

First, for an overview, are the Executive Summary and Audit Profile on pages 4 and following. These summarize strengths and weaknesses in the major audit areas. The overall Audit Score is provided along with a comparison of results prior to the audit.

Second, for detailed data and explanation, each numbered paragraph delves into a particular audit item. Each point is explained and audit findings are compared to standards. Comments about any particular claim file are often amplified by "Summary Memos." These can be found in the *Addendum* at Tab Three in order by NBA number.

Third, the Audit Data numerically restates the same data shown in the text. The Audit Data is the engine that drives this audit. It is located in the *Addendum* at

Tab Four.

Fourth, the Audit Profile augments key audit areas with a graphical view of the data. The audit points are explained in the audit area to which each refers and the Audit Profile can be found in Tab Four of the *Addendum* along with the Audit Score.

The *Addendum* contains statistical and other essential data. In brief, the *Addendum* includes the following:

Tab One: Full list of claims audited, sorted by NBA#. This list may be used to identify claimants; to maintain confidentiality, the body of this report refers only to NBA#'s.

Tab Two: The Reserve Summary reports on the dollar amounts of reserve changes recommended. Reserve Work Sheets provide the detail behind the Reserve Summary report and are located here. The Excess Report shows all excess cases in the sample.

Tab Three: Individual Summary Memos. These are left on certain files for the benefit of the examiner where some issue was pending or where guidance was appropriate. Some explain a definite shortcoming in a file and offer recommendations for further handling. Others offer suggestions on files that are being correctly handled. Not every file audited has a Memo. Since many Memos detail specific recommendations for further file handling, we recommend the client follow up to be certain the administrator acts on these Memos and recommendations. We always encourage the examiners to discuss these Memos with us. In this case, the supervisor chose to discuss some of the Memos and the points raised therein.

Tab Four: The Audit Profile and Audit Data with the Audit Score are here.

3. Audit Sample.

The sample used to develop the data for this audit was taken from a loss run of open indemnity cases provided to us by JT² Integrated Resources. The sample consisted of 169 files, or 15.0% of the total open inventory of indemnity files. The sample is a carefully selected and structured sample rather than a random sample. It is weighted in favor of claims with significant potential and claims containing certain key issues. This is called the "dollar value" sampling technique. But we also spread the sample to include the work of all the examiners, to look at files newly opened since the last audit.

Not all audit queries apply to each case in the sample. Some points apply to the beginning stages of a file, while others pertain only to the end. Claims activity during this audit period is the determining factor. Except for historical comparisons, we read but do not consider for audit purposes activity prior to the last audit.

B. EXECUTIVE SUMMARY

The August 2015 workers' compensation audit for this EIA member: City of Oakland was begun on 7/27/2015. It covers file activity from August 2013, the date of the last audit.

The Audit Data shows an overall composite score of 77.7% while the prior audit showed a composite score of 87.2%. The following areas showed the most significant decline from the prior audit: **Employer Contact, Employee Contact, Permanent Disability Payments, Case Planning, Finalization, Reserving, Subsequent Excess Reporting, Subrogation, and Diaries.** Also noted was the increase in **Potential Audit Unit Fines** from 15.4% to 24.9%. The excessive examiner turnover clearly affected the declining audit results but cannot account for all of the overall lower audit score.

The graph below entitled "Audit Profile," lists many of the most important audit points; this graph is printed full size at Tab Four, as is a version with more data showing a performance percentage for each.

Line	Audit Point	Files	Yes %	Percent Bar
1.1	Investigated if Necessary	51	92%	
1.2	Correct Compensability Decision	50	94%	
1.4	Decision Timely	50	98%	
2.1	Prompt Contact with Employee	94	57%	
3.1	Timeliness of First Payment	92	92%	
3.4	Permanent Disability Payments	56	75%	
3.7	File Balancing	114	88%	
4.1	Case Plan Appropriate	169	83%	
4.2	Apportionment Pursuit	36	94%	
6.2	Use of Defense Atty. Appropriate	62	100%	
7.1	Continuous Finalization Efforts	158	89%	
7.2	Correct Settlement Valuation	36	94%	
8.3	Reserves Revised Appropriately	137	73%	
9.1	Prompt Excess Reporting	9	100%	
10.1	Prompt & Effective Subrogation	9	89%	

A weak point is:

Claim diaries. The lack of timely and effective diaries has in turn affected a number of the below listed points that are in need of improvement.

Important points that need improvement are:

Paying the various workers' compensation benefits accurately and timely. This occupies the most time and requires mastery of external rules and internal procedures. These points showed a number of claims with late TD and PD payments.

Reserving sufficient funds to pay each case. This ensures the self-insured's financial viability and numerous claims lacked adequate reserving at the time of the audit.

Documented case planning with timely follow up. This is crucial to keeping the current issues that need to be acted upon in focus. Plans of action were lacking, not timely updated, or did not sufficiently address primary issues.

Communication with the injured employees. This helps ensure a large degree of control over the claims process. The frequency of such employee contact falls well below standard.

Finalizing the cases. Disposing of each case fairly and with all due speed is in the interest of everyone. A number of claims lacked activity to move toward timely resolution.

Summarized recommendations for further improvement begin on the next page.

C. SUMMARY OF RECOMMENDATIONS

Recommendations are compiled here to provide a summary and to provide convenient reference. To be fully understood, the recommendations should be considered in the context of the audit detail.

- ❑ We recommend review of investigative procedures to ensure all questionable claims are timely and appropriately investigated. Please see pages 9 and following.
- ❑ We recommend review of and following the EIA standards for employee contact. Please see pages 12 and 13.
- ❑ We recommend review of TD and PD payment procedures and initiating steps to minimize late payments of these benefits and ensuring that the 10% self imposed increase is paid in the event of a late payment. We also recommend that employee work statuses are clearly documented. Please see pages 14 and following.
- ❑ We recommend plans of action be more clearly documented and timely updated and to ensure that all relevant issues are addressed. Please see pages 20 and following.
- ❑ We recommend more effective supervision of litigated claims to ensure all issues are timely addressed and timely referred to defense counsel. Please see pages 29 and following.
- ❑ We recommend initiating steps to ensure all claims are kept moving toward timely resolution. Please see pages 33 and following.
- ❑ We recommend review of reserving practices to ensure claims are timely and adequately reserved to the most probable outcome. Please see pages 37 and following.
- ❑ We recommend ensuring that subsequent excess reporting is within the EIA requirements. Please see pages 44 and 45.
- ❑ We recommend review of and following the EIA standards for claim diaries and to improve diary effectiveness to ensure all important areas are addressed. Please see page 49.

We suggest that the employer, the EIA and JT^2 Integrated Resources set priorities and adopt a timetable for implementing these recommendations.

D. ORGANIZATIONAL INFORMATION

The workers' compensation claims of City of Oakland continue to be handled by JT² Integrated Resources. The manager in immediate charge of these claims is Ms. Sharon Flavin.

1. Claims Examiner's Caseload.

A reasonable industry standard is 150 to165 open indemnity files based on "future medical" files counted at a ratio of 2:1 relative to other indemnity files. Examiners with a combination of too many files or too little support have no time for regular communication with their clients' injured employees, consulting with the client on significant cases and developments, and continuing their training. Therefore, the whole picture must be evaluated.

The following table shows the examiner's workload, experience, and certification as reported by JT² Integrated Resources. Self Insurance Plans, a state agency, certifies workers' compensation examiners by a one-time test. The Insurance Education Association has an extensive certification program.

	Workload †		Experience ‡		Certification	
	This Account	All Accounts	This Account	Total	SIP	IEA
Debra Patrick (FM)	286		<1yr	22yrs	Y	Y
Jutta Paiz	124		<1yr	8yrs	Y	N
Kyrie Otero	159		<1yr	16yrs	Y	Y
Ninoska Alanis	157		1yr	1.5yrs		Y
Patricia Crowell	162		<1yr	22yrs	Y	Y
Ted Choy	135		<1yr	24yrs	Y	N
Tess Viceral	148		<1yr	25yrs	Y	Y
Grinnah Bautista (S)	96		2yrs	20yrs	Y	Y
Total	1267					

† All Indemnity Files ‡ As an Examiner

1.1 Claims Assistant's Duties.

The most common duties of the examiner's principal assistant, whatever the actual job title, may include: doing a triage to separate MO's from indemnity and urgent indemnity from normal indemnity files; controlling and paying ongoing temporary and permanent indemnity payments; calculating and paying Awards; paying medical bills on both indemnity and MO files; and data input.

Here, there are 3 assistants; the assistants' duties include TD, PD, and award payments under the examiner's direction, and various other data inputting at the examiner's direction.

1.2 Findings, Summary and Recommendations.

All but one examiner have more than 8 years experience and caseloads are within the acceptable range. The less experienced examiner requires closer supervision and guidance.

The City's account is staffed with 7 examiners and it is noted there was complete turnover of the examiner staff in the last year. This has, no doubt, led to missed and/or untimely needed action in the claims handling process and is reflective of some of the negative findings in this audit.

E. AUDIT DETAIL

This section contains the details of this audit for: City of Oakland. Each subsection discusses an important group of related points and the sub-subsections offer specifics of narrow points and, finally, findings, a summary and any needed recommendations are offered for the group.

1. Compensability Determination.

This audit area concerns the initial decision regarding compensability of the claim at the time it is reported. Usually simple, this issue is sometimes complicated at the outset. The initial decision to accept, delay, or deny a particular claim is an important milestone. Inquiries in this area are also made to see whether adequate background investigation is made, if necessary, and if communication with the relevant department of the employer is established and maintained.

1.1 Investigated If Necessary.

This inquiry detects whether a particular file requires an investigation: either an intensive field investigation, a simple phone investigation by the examiner, or a medical investigation by a consultant and, if so, whether this investigation was done. Conversely, we also look for unnecessary subrosa or compensability investigations that would drive up costs needlessly.

Investigations needed: 51
Investigations appropriately done: 47 (92.2%).

The Exceptions Are:

- #10051: Opinion from treating physician on earlier claim should have been requested addressing whether this claim is an aggravation or exacerbation. File note dated 5/5/15 indicates that was the plan but it was never done.
- #11197: It does not appear that claim was fully investigated based upon ER's concerns. See additional comment under 6.6.
- #16898: EE's deposition should have been taken at the outset. See further comment under 6.5.
- #17108: Claim received 8/23/13 and put on delay for investigation including statements. Not assigned for statements until 10/28/13.

1.2 Correct Compensability Decision.

The examiner's threshold function is to decide if a workers' compensation claim is to be accepted, delayed, or denied. This inquiry looks at the correctness of that decision.

Compensability decisions required: 50
Compensability decisions correct: 47 (94.0%).

Exceptions Are:

- #12105: Claim was denied but decision failed to take into consideration a medical report dated 12/18/13 from the cardiologist PQME which found presumptive heart disease with a 30% WPI and subsequently rated 51% by the DEU. The report itself was not found in this file or either of the other 2 claims but is referenced in subsequent reports by the PQME and clearly the DEU had the report. It does not appear that DA has the report or is even aware it exists.
- #18529: Claim was denied pending AME evaluation. That report was received finding presumptive AOE-COE. Claim has not been accepted.

1.3 Basis of Decision Documented.

Any file other than those routinely accepted should be fully documented with evidence sufficient to justify the action taken, and should show a clear statement of the examiner's thought processes. If the self-insured, defense attorney, or any other source of information was relied upon, then these facts and sources need to be included in the documentation. The Office of Benefit Assistance and Enforcement Audit Unit fine, payable to the state, for an "unsupported" denial is as much as $5,000.

Cases that require documentation: 50
Cases sufficiently documented: 49 (98.0%).

1.4 Decision Timely.

The timeliness standard is that the initial decision to accept, delay, or deny a claim be made within three days of receipt of all available information. If an investigation is necessary and meanwhile the claim is delayed, then a final decision whether to accept or deny must be made within three days of receipt of the investigation findings. In any case, the decision should be made within the state requirement of ninety days of the employer's date of knowledge.

Cases requiring a decision: 50
Cases decided timely at each stage: 49 (98.0%).

1.5 Employer Contact.

Critical compensability decisions should be made in consultation with the employer. This might include the employee's supervisor, the Risk Manager, or other pertinent parties to guarantee coordination of all facts.

Cases requiring contact: 107
Cases with documented contact: 88 (82.2%).

1.6 Index Bureau.

Many claims administrators or self-insured entities use the Index Bureau. This is a private company that maintains a database of claimants with workers' compensation, bodily injury, and other types of claims. The claims person or an automated process completes a short form and sends it to the Index Bureau. If there is a match to other claims by the same person, a minimum amount of information is returned to the examiner, who then decides whether to make further use of it. Useful information is not always obtained but it is frequent enough to be cost effective.

JT^2 Integrated Resources uses the Index Bureau.

1.7 Findings, Summary and Recommendations.

There were some questionable claims that were not adequately or timely investigated and there were 2 others which did not take into consideration all the available information in deciding compensability. The exceptions should be brought to the examiners' attention for additional action if needed at this point and to ensure future questionable claims are adequately and timely investigated. This also appears to be an area where closer and more effective supervision is needed.

2. Employee Contact.

The purpose of this area of inquiry is to learn if the claims examiner makes early telephone contact with each injured worker according to industry standards and whether this telephone contact continues as appropriate. Most good administrators do this as part of "three-point contact." The other two contact points are the treating doctor and the employer.

2.1 Prompt Contact With Employee.

It is a good standard claims practice for the examiner to personally contact every disabled claimant by telephone. Often the employee is simply the best source of information about the claim and we need to ask for his or her side of the facts. Contact is particularly critical with problematic claims or those in which information must be given to the employee that he or she may not want to hear, for instance, that his or her claim is being denied. It is generally believed that some litigation will be avoided by close telephone contact between the examiner and the injured workers. The EIA has established a reasonable standard of initial contact within 3 days of claim receipt with at least 2 additional attempts at contact if not previously established. This standard is now applicable on medical only claims in addition to lost time claims.

Files in need of initial contact: 94
Files showing initial contact: 54 (57.4%).

2.2 Employee Contact Continued.

Maintaining employee contact on non litigated claims with ongoing temporary disability is a widely accepted industry standard. It is recommended that such contact occur at critical points in the claim such as just after surgery and at a frequency no greater than every 45 days. While assigned nurse case managers maintain employee contact on many cases their role is not a substitute for periodic contact by the examiner.

Cases needing continuing employee contact: 41
Cases with continuing contact: 13 (31.7%).

Exceptions Are:

- #12662: No regular contact with EE during 4850 period.
- #17033: Contact was not maintained with EE while he was off work.

2.3 Findings, Summary and Recommendations.

Initial and ongoing employee contact fall well below the established EIA standards. It is recommended that all examiners review and follow these standards.

3. Benefit Payments.

This area concerns itself with the timeliness and accuracy of benefit payments. Initial indemnity payments and the issuance of the first DWC notice are checked against the timeliness standards of the Administrative Director of the Division of Workers' Compensation. Subsequent indemnity payments and permanent disability payments are also reviewed for timeliness.

3.1 Timeliness of First Payment.

California administrative regulations require that initial indemnity payments (or notice, in the case of salary continuation) be issued within fourteen days of the first date of disability. Late claims are subject to a DWC Audit Unit fine of up to $100 each. In addition, if direct payment was made to the employee (as opposed to salary continuation) and this payment was twenty-eight or more days late, then an additional automatic penalty is payable to the employee. The goal is to accomplish 100% within this time limit.

Cases on which temporary disability was paid: 92
Cases paid timely: 85 (92.4%).

The Exceptions Are:

- #10287: Based on email received 6/19/2015, ER indicates that EE is no longer working modified duty effective 6/18/2015. TTD needs to be paid beginning 6/18/2015, also including the two days EE missed in February.
- #10466: Treating physician has taken EE off work. The AME has found EE is permanently precluded from usual and customary occupation. LC4850 benefits should have been resumed.
- #11743: EDD/TD owed after receipt of the PQME report was not timely addressed.
- #11958: File documentation seems to indicate EE was off work from 3/6 to 3/16/14. There is an email from ER dated 3/21/14 indicating EE had not worked modified duty. Not clear if it was available and EE declined it or whether it was not available during this time, in which TD would be due.
- #12371: There is a lot of confusing documentation in the file notes regarding EE's work status subsequent to the DOI. There clearly was work restrictions but it is not clear if he was offered and working

modified duty or not. TD was not paid. At one point EE indicated he had not worked for 2 months and was not paid. There is a bridge assignment report dated 5/7/14 in which it is documented that ER advised restrictions could not be accommodated and there is a 5/5/14 PR2 in which EE advised the doctor he was not working because light duty was not available. TD was paid late for 6/17/15 to 6/19/15. The 10% self imposed increase was not paid.

- #13482: LC4850 was not timely adjusted after receipt of the AME report. Appears to have prompted AA to file DOR and Petition for Penalties.

- #14642: LC4850 was not timely addressed/adjusted after receipt of the AME report.

3.2 Subsequent Temporary Disability Biweekly.

Subsequent indemnity payments are required to be paid once every two weeks exactly.

Subsequent payments: 92
Subsequent payments timely: 86 (93.5%).

The Exceptions Are:

- #11197: There was 1 late TD payment of TD. The 10% self imposed increase was not paid.

- #11896: TD paid late. 6/20/2015 - 7/3/2015 in the amount of $1,547.18. Date of payment was 7/8/2015.

- #13219: TD for the period 1/12/15 to 2/22/15 was paid late. The 10% self imposed increase was not paid.

- #14134: EE condition was determined P&S on 5/13/15 and permanently precluded from usual and customary occupation. As EE had not retired 4850 should have continued until the full year was paid.

- #16193: File notes indicate EE RTW 8/13/14 but 4850 documentation shows only paid through 8/1/14.

3.3 Transportation Expense.

This inquiry looks at the speed with which employees are reimbursed upon requesting medical transportation expense and if mileage payment is provided in advance of a PQME evaluation. The CSAC/EIA standard calls for payment within five days.

Transportation expense requests: 64
Transportation expense payments timely: 61 (95.3%).

The Exceptions Are:

- #11743: Mileage check was not issued for PQME evaluation.
- #12838: A mileage check was not sent for the PQME evaluation.
- #13766: Mileage check was not issued in advance of the PQME evaluation.

3.4 Correct Permanent Disability Payments.

This inquiry is intended to discover whether permanent disability (and advances thereon) are paid correctly by law. This requires advance payment of permanent disability between the end of temporary disability and the date a permanent disability rating is determined. Without such advance of permanent disability payments, a penalty by the Workers' Compensation Appeals Board is at risk. Further, there is an additional $100 penalty payable to the state and the 10% automatic penalty that is payable to the claimant with the administrator's own funds. Thus, on a late or absent permanent disability payment, as many as three penalties could apply. Conversely, permanent disability payments should not be made unnecessarily simply to avoid the risk of a penalty.

Cases on which PD (or advances) were required: 56
Cases with correct PD payments: 42 (75.0%).

The Exceptions Are:

- #10554: PD advances were not timely initiated, even after DA advised they should be paid on 1/30/14. The 10% self imposed increase was not paid.
- #10763: PD advances should have commenced at the termination of LC4850.
- #10999: EE IDR was effective 3/21/14. Medical reports indicate a reasonable expectation of PD and advances should have commenced at the termination of LC4850.

- #12105: Per comment under 1.2 it appears this claim should have been accepted and PD advances commenced.
- #12256: There was 1 late PD payment. The 10% self imposed increase was not paid. It is also noted that the amount of the award is $25932.50 and paid is $25059.63. It appears that EE is owed an additional $872.87.
- #13147: Permanent Disability Advances not commenced within 14 days of the AME report received on 4/16/2015. 10% SIP increase has not been paid.
- #14004: EE has had shoulder and cervical spine surgery and did not RTW with the City after termination of TD. It is certain there is going to be PD and advances should have been commenced.
- #14134: It is reasonable to assume there is going to be some PD on this claim and advances should have commenced upon the conclusion of 1 year 4850.
- #14481: PD advances were not timely resumed after termination of LC4850. The 10% self imposed increase was not paid.
- #15254: AME report received 5/7/15 finding AOE-COE with a rating of 40%. PD advances should have commenced within 14 days of receiving the report.
- #17268: PD paid for 7/18/15 - 7/31/15 was paid late on 8/11/15.
- #17695: PD advances were not timely commenced after receipt of the AME report. The 10% self imposed increase was not paid.
- #18529: AME found 8%WPI. Advances have not been made.
- #19787: There was a late PD payment. The 10% self imposed increase was paid.

3.5 Permanent Disability Rate Adjustment.

Beginning January 1, 2005, permanent disability benefit weekly payment amounts are affected up or down depending on the employer making work available to an employee with a disability. This query records whether this new section, LC§ 4658(d)(1), is applied correctly.

Cases involving a PD rate adjustment: 16

Cases on which the adjustment was correctly applied: 16

3.6 Self-Imposed 10% Penalty Paid if Required.

This query records whether the automatic penalty is paid when required. It is automatically triggered by any of several situations. The problem is circuitous because a late or absent penalty triggers yet another penalty.

Cases involving a self-imposed penalty: 11
Cases on which such a penalty was properly paid: 0 (.0%).

An Exception not Noted Above Is:

- #11896: Penalty was paid in amount of $55.24. However, TTD payment was late and penalty should be paid on entire amount of late TTD check. Amount of penalty would be $154.72. $99.48 still due.

3.7 Regular File Balancing

In this area we look at the fiscal safeguards or "prevent and detect" used by JT^2 Integrated Resources. Specifically, we note whether cases are balanced at regular intervals. "Balancing" means the following: On the indemnity portion of the file, the term refers to the regular reconciliation of payment liability against payments issued as shown by the manual and the data processing records. In other words, is the administrator regularly checking what it intends to pay against what is being paid? On the medical and expense portion of the case, balancing consists of reconciling bills paid against the manual and data processing records and, more important, it requires verification by a second person that each bill is correct in every way.

Cases on which balancing was expected: 114
Cases with regular balancing: 100 (87.7%).

Exceptions Are:

- #12256: File balance worksheet done in 4/15 shows PD payments as $25059.63 and total due per the award as $29532.50. Not clear why this has not been addressed.

- #14257: Based upon the dates LC4850 was paid it would appear there is an overpayment of 13 days.

- #17957: It is noted that there was an issue with respect to dates and amount of LC4850 paid. It appears this has been resolved but it also appears there remains an over payment of LC4850 based upon the paid dates of the benefit as indicated in the 10/29/14 ending notice. The accounting needs to be provided to CSAC.

- #18513: Award issued 12/19/13 with ongoing PD payments. No file balancing from award payment until 7/7/15.

- #19327: No file balancing from 3/19/13 to 5/8/15

- #19981: POA continues to state EE off 12/1 and 12/2/14 and RTW to modified duty 12/3/14. LC4850 was paid from 11/25/14 to 12/4/14.

3.8 Findings, Summary and Recommendations

There were some instances where file documentation was lacking that clearly showed the employee's work status and there were a number of late TD payments. There were also a number of instances in which PD advances were not paid or initiated, or otherwise paid late. In all of the late payments the 10% self-imposed increase was not paid. This is an area that needs to be reviewed to determine both the reason for this number of late payments and why the 10% self-imposed increase was not added to those payments that were late.

4. Case Planning & Correspondence.

Examining workers' compensation claims, like any other business activity, should include a plan of action to achieve an explicit result. Without a plan, the claims examiner merely reacts to outside stimuli and the claims administration process breaks down, to the detriment of everyone concerned. Ideally, a plan should be written and include contingencies. This is where tactics are evaluated.

4.1 Case Plan Appropriate.

The purpose of this inquiry is to learn whether initial case planning took place when the claim was reported to JT² Integrated Resources from any source and if subsequent planning and tactics are appropriate to the case. In simple cases, action is a more than adequate substitute for a written plan.

Cases where planning should have been evident: 169
Cases where appropriate planning was seen: 141 (83.4%).

The Exceptions Are:

- #10051: See comment under 1.1.
- #10466: POA needed updating when AME report was received.
- #10579: Plan of action continues to read that there is an outstanding issue of self-procured treatment that the DA is working on with the EE. It is not apparent if this is still actually an issue.
- #11175: A re-evaluation with the AME should be scheduled for around the first of the year. Notice of representation was received 6/2/14. Subsequent POA continued to indicate claim not litigated.
- #11197: EE is a seasonal employee. TD should not have been paid. The overpayment amounted to $3096.
- #11215: POA was not timely updated.
- #11743: Claim was delayed then denied and closed as EE did not seek medical treatment. Several months later EE decided to pursue claim and go through the PQME process. EE also filed an application. His statement/deposition should have been taken to get history of any prior stress related treatment, establish the factual background of the incident, and history of events during the months from claim denial to when he decided to pursue claim. Treatment records should have been obtained. These things should have been done prior to the PQME

evaluation.

- #12105: Case plan does not address all the issues present in this case. See additional comments under 4.4, 6.3, and 6.5.
- #12109: Condition was P&S in 2012 with 7% PD. Stips were sent twice to EE after 8/1/13 with no response. Given EE's lack of response examiner should have either enlisted the help of the City in contacting EE and getting Stips signed; enlisted the help of the I&A officer; or filed an application and DOR.
- #13482: POA was not timely updated after receipt of the AME report.
- #13813: EE was working modified duty for over six months without notable improvement. In December of 2014, supervisor instructed examiner to begin panel QME process. Examiner did not initiate this until May of 2015.
- #14004: POA does not detail examiner's plan to move claim to resolution.
- #14257: Does not appear that a cover letter and medical records were sent to the AME.
- #14481: The POA consistently states the cervical injury is not industrial. It is industrial either as a separate CT claim or as combined with this CT low back. It appears that DA considers it as all one CT per his report of hearing on the recent MSC.
- #14567: There has never been a documented POA on this claim.
- #14642: POA is not current. See additional comments under 6.5.
- #14860: POA and litigation POA are not current.
- #15254: POA not updated between 9/14 and 5/15.
- #16193: POA is not current.
- #16898: POA is not current.
- #17049: EE missed PQME evaluation scheduled for 5/11/15. POA has not been updated.
- #17364: It is totally unclear why LC4850 for the recent surgery is being paid on this claim while the medical treatment is being paid on

the other claim.

- #17447: In plan of action dated 6/22/2015 and 7/24/2015, PD denial for lack of treatment stands. However, per treating physician report received 6/1/2015, it is clear that there is permanent disability. The plan of action does not reflect a valid reason as to why PD continues to be unpaid. PD either needs to be advanced or a valid reason communicated in the file.

- #17957: LC4850 was terminated prior to 1 year being paid. POA dated 12/27/14 states claim not reportable to excess even though it was and had already been reported.

- #18529: Case plan is not current. See comments under 6.5.

- #18801: Treating physician report gave 3% WPI apparently justifying that under AG. However, 3% for chronic pain is not permitted unless there are other factors of objective impairment. The plan was to seek a supplemental report for clarification. That was never done. The report should have been sent to the DEU for a rating and that should still be done prior to proceeding with settlement. They conceivably could provide a 0% rating or otherwise indicate the report is not ratable without clarification.

- #19327: Not clear why a denial of LC4850 notice was sent on 11/13/14. EE was granted IDR on 2/23/11 and claim was settled on 4/11/11.

- #19909: No POA in place to bring claim to resolution until just recent.

4.2 Apportionment Pursuit.

The Labor Code has significantly changed as of April 19, 2004, in regards to apportionment of permanent disability. All cases are affected regardless of the date of injury. This major change is sharply in favor of employers but it will only be as effective as it is aggressively pursued. If the examiners do not develop information and effectively ask the doctors about this information, nothing will change. Exactly what form the examiner's efforts should take is problematic at this point. Therefore, to audit for this point we look for any efforts that seem appropriate and effective.

Cases on which apportionment is an issue: 36
Cases on which apportionment is thoroughly addressed: 34 (94.4%).

An Exception Is:

- #14642: See comments under 6.5.

4.3 Required Notices.

The Division of Workers' Compensation requires that many separate notices be sent to claimants. There are well over one hundred such notices. The language is largely prescribed by the state and this language constantly prompts employees to hire attorneys and appeal even insignificant developments in their cases. The lack of notice or slightly incorrect language is a major source of Division of Workers' Compensation Audit Unit fines. Sending unnecessary notices should be avoided too as unnecessary litigation will result.

Cases with notices required: 138
Cases with notices: 119 (86.2%).

The Exceptions Are:

- #10210: PD advice notice was not sent after receipt of the most recent AME report.
- #10539: Beginning/ending LC4850 notice and PD denial notice were sent late.
- #10763: PD advice notice was sent late. An ending LC4850 benefit notice was not sent.
- #11417: There was no PD advice letter sent for treating physician P&S report.
- #12150: A PD advice notice should have been sent after receipt of the supplemental AME report advising deferral of PD advances until settlement.
- #12691: PD delay sent more than 14 days after 4850 payments ended.
- #14481: The LC4850 ending notice was not timely sent.
- #14642: PD advice notice was not timely sent after receipt of the AME report.
- #14975: PD advice letter sent more than 14 days after receipt of P&S report.

- #15908: PD advice notice was sent late.
- #16193: Ending LC4850 notice was not sent.
- #16524: Ending LC4850 and beginning TD notice was not sent.
- #17108: Initial beginning/ending LC4850 notice was sent late.
- #17466: PD delays due 3/29/14 and 7/2/15 were sent late.
- #17812: EE was released to full duty on 6/22/15. An ending LC4850 notice was not sent.
- #17957: Beginning PD notice dated 10/29/14 was not timely sent.
- #18448: PD denial notice was not timely sent.
- #18521: Ending LC4850 and beginning TD notices were sent late.

4.4 File Documentation.

Here, the depth and breadth of file documentation is reviewed. Each claim file, if documented well, stands on its own. A new examiner, a supervisor, the client, or an auditor should be able to read the file and determine how and why the file got to its current point.

Files sampled: 169
Files with reasonably clear and complete documentation: 151 (89.3%).

The Exceptions Are:

- #10210: POA fails to note the dates off work during which EE was receiving salary continuance.
- #10227: Do not see a copy of the approved award in file.
- #10287: Case plan does not include current status that EE is TTD.
- #10466: AME report was received 3/30/15. There was no documentation of receipt with a review and revised POA.
- #10554: TD overpayment in the amount of $4042 was not taken as credit against PD on the Stipulations.
- #10648: Documentation indicates a TD overpayment in the amount of $14245.97. It appears the AWW was initially miscalculated from the

wage statement provided in 12/13.

- #11175: File notes failed to document at the time received the AME report and the notice of representation and application.

- #11860: Did not find 5020 or documentation a DWC1 was provided to the EE.

- #12070: File notes indicate an AME re-evaluation 7/28/15 and a mileage check issued for this. This is a settled case and there is no documented reason for this evaluation.

- #12105: All ortho and cardiology PQME reports along with litigation documents belong in this file. Several of these documents are located in the earlier ortho claim.

- #15570: File notes do not document receipt dates of key correspondence such as notice of representation and notice of AME appointment. Dates off work noted in POA do not match the dates LC4850 was actually paid. Actual work status between 10/24/14 and 12/21/14 is unclear.

- #15729: Trial was scheduled 6/15/15 on the 132A allegation. There is no documentation as to whether that went forth and if so, a summary of the proceedings.

- #17364: Medical report documentation is lacking to support payment of LC4850 benefit. It is recommended that reports and payments for the surgery be moved to this claim to fix that. It would appear this claim should be designated the master since it evidently includes additional CT injuries that are not included on the specific injury claim.

- #17447: Treating physician report was received on 6/1/2015. However, the report has not been saved or documented in this file.

- #18529: File contains reports and billings that belong in EE's other claim.

- #18853: Note of 5/16/15 indicates an overpayment. I can find no documentation spelling out what benefit was overpaid nor how much was overpaid. Information of overpayment should be noted in plan of action; 7/1/2015 AME report of received by 7/14/2015. An updated plan of action is due based on this report.

- #19981: Did not find 5020 in the file or evidence DWC1 was given to the EE. DFR indicates DOI as 11/24/14.

4.5 Correspondence.

The EIA standard is that all incoming correspondence shall be date stamped. If a response is required, an accepted industry standard is within five days.

Files with correspondence: 164
Files with timely response: 151 (92.1%).

The Exceptions Are:

- #10227: Application was received sometime prior to 2/26/14. Claim was not set up until 5/15/14.
- #10466: AME indicated before making final rating determination xrays were needed and also indicated EE permanently precluded from usual and customary occupation. Report should have been sent to treating physician requesting xrays and restrictions should have been sent to the City to commence interactive process.
- #10763: Cover letter and medical records were not timely sent to the AME.
- #11743: PQME cover letter and medicals were not timely sent to the PQME.
- #12371: AA's AME proposal was not timely responded to.
- #13550: Received letter of representation from AA on 11/3/2014. File was not reopened and AA was not responded to until 1/6/2015.
- #14642: AME indicated he wanted to review additional records. Does not appear those have ever been provided.
- #14860: Cover letter and medical records were not timely sent to the ortho AME.
- #16421: Letter of rep received from AA on 11/11/14. No response by examiner until 4/23/15.
- #16898: Does not appear a cover letter was sent for the AME evaluation.

4.6 Findings, Summary and Recommendations.

There were 28 claims that lacked a clearly documented POA, a POA that was not timely updated, or a POA that was insufficient for the present issues. A number of the POA documents contained outdated information that should have been removed when updated. Each of these instances need to be brought to the examiners' attention and rectified.

There were 19 instances in which a required benefit notice was not sent or was sent late. This process needs to be reviewed with appropriate steps put in place to improve in this area and to ensure required notices are being sent in a timely fashion.

Deficiencies in file documentation were noted on 18 claims. A plan is needed to improve in this area going forward. Finally, there were a number of instances noted in which correspondence received was not timely acted upon.

It would appear in all of the above noted findings that more intense and effective supervision is needed.

5. Medical Administration.

The Labor Code requires the treating physician periodically to report to the claims administrator during treatment of an injured worker. This allows the examiner to insist on a regular flow of chart notes, X-ray reports, etc., to keep treatment focused on the industrial injury. Without sufficient reports from the doctors, the treatment can drift from the actual industrial injury. We also look at the appropriate use (or lack thereof) of additional cost containment measures such as billing review, utilization review, and nurse case management services.

5.1 Physician Contact.

The CSAC/EIA standard is that the physician's office be contacted within five days and as needed thereafter.

Cases that required physician contact: 23
Cases with regular contact: 20 (87.0%).

Exceptions Are:

- #11215: Do not see a 5021 report in file and there is no P&S discharge report. It is recommended that be obtained from Concentra.

- #19095: EE continues to periodically receive medications but there is no recent report from the treating physician.

5.2 Appropriate Medical Consultations Obtained.

This inquiry looks for both treatment oriented consultations and appropriate initiation of the PQME process or AME process if litigated. Many cases do not need medical opinions other than the treater's.

Cases needing medical consultations: 56
Cases on which consultations were obtained: 56

5.3 Findings, Summary and Recommendations.

For the most part contact with treating physicians is being maintained. Utilization Review and nurse case managers are being used appropriately. No specific recommendations are noted to be necessary.

6. Litigation.

Litigation has a major impact on any self-insured program. Although it affects only a minority of files, it uses a disproportionate amount of time and money. This audit area focuses on the efficient use of defense counsel.

6.1 Files Litigated.

This inquiry is quantitative rather than qualitative. It simply looks at the total number of files sampled with applications filed. Of the cases sampled, 103 were in litigation as of the date of the audit. That is 60.9%. The sample used by North Bay Associates for this claims review is weighted toward the high-dollar indemnity claims that tend to be litigated.

6.2 Use of Defense Attorney Appropriate.

This inquiry records whether a defense attorney was assigned as needed or used unnecessarily. This is subjective but is based on the experience level of the examiner and standard practices of other examiners and administrators. It may seem appropriate for the claims examiner to hire an attorney if the injured worker has done so, but if this is done unnecessarily, it will drastically increase the cost of handling litigated claims. On the other hand, if the defense counsel is needed because of overriding legal issues or other reasons, then it is important that the claims examiner refer the file as soon as possible and then control counsel rather than the other way around. This is not to suggest that claims examiners go to the Workers' Compensation Appeals Board and try cases against applicants' attorneys. But many experienced examiners can handle a litigated case so that no WCAB hearing is necessary and the case is equitably and speedily settled.

Litigated cases where inquiry was applied: 62
Cases where attorneys were used appropriately: 62

6.3 Legal Issue Recognition.

Here we evaluate if the examiner recognizes all relevant legal issues and proceeds accordingly.

This inquiry was directed at each litigated file: 102
Cases that showed good issue recognition: 96 (94.1%).

The Exceptions Are:

- #10763: AME report was rated 9% by private rater. AA rated report

12%. There is no explanation regarding the difference and why AA rating was deemed to be the correct rating.

- #12105: There is 1 application filed alleging CT through 9/6/13 to heart, hypertension, and low back. Both the heart and low back are presumptive. The PQME's have found both to be industrial. In particular, the ortho PQME opinion appears to support CT with an ending date of 9/6/13. The heart portion has been rated by the DEU at 51%.

- #14642: See comments under 6.5.

6.4 Litigation Expense Control.

This inquiry is directed to each case with counsel assigned: 62
Cases that showed expected level of expense control: 62

6.5 Litigation Plan Documented.

Litigated cases: 103
Cases with documented plans: 93 (90.3%).

The Exceptions Are:

- #11197: See comment under 6.6.

- #11294: There has been no substantive litigation plan subsequent to EE's death in April. There should be documentation regarding further action resolving this claim as well as follow up with the applicant attorney to determine if there is going to be a separate death claim filed.

- #12105: Based upon the comments under 1.2 and 6.3 there is no litigation POA that addresses the current issues and status of the case. There is no indication of what additional discovery is planned to overcome the presumptions, ratings, and the fact that these injuries are all plead as 1 CT claim.

- #12371: POA was not timely entered or documented after receipt of notice of representation. AME report from 6/26/15 evaluation has not been received and should be followed up on.

- #13219: There is no documented litigation POA.

- #13482: Litigation POA was not timely updated after receipt of the

AME report.

- #14481: EE had a full year of LC4850 available at the time condition was determined P&S and permanently precluded from doing the U&C occupation. It would have been worth approaching AA at that point to see if there was interest in a lump sum payment of a portion of the 4850 along with an IDR.

- #14642: Documentation indicates there is a specific injury to the right knee dated 5/5/14 (application filed) and a specific injury to the right knee and low back dated 10/21/14 (no application filed). There is also a CT application ending 10/21/14 to the low back and right knee. The AME has not properly apportioned the PD between these injuries. This case should be referred to DA right away to address these issues. Applicant and AME should both be deposed. Litigation strategy needs to be discussed in light of the fact there could be 3 separate 1 year exposures to LC4850.

- #16898: EE appears to have a number of claims to the same body parts. A deposition was and is needed to clarify history and properly address apportionment issues. This should have been done prior to the AME evaluation.

- #18529: AME report was received 4/14/15. Litigation plan has not been updated and there is no correspondence from DA with analysis and recommendations.

6.6 Timely and Documented Referral to Counsel.

This inquiry determines whether files requiring defense counsel are referred timely and if the referral is documented with all appropriate issues identified, as opposed to merely shipping the file to an attorney blindly without any guidance. It is this initial referral document by which the examiner takes the first steps to assert control of the file and not relinquish control to counsel. The purpose of this control is to save money.

Files assigned to counsel during this audit period: 66
Files that were timely: 62 (93.9%).

The Exceptions Are:

- #10466: Follow up with the City is needed for referral to DA. Referral is recommended to depose applicant for prior history of knee treatment and to further develop the apportionment issues.

- #11175: Would recommend case be referred to DA to help in final resolution and to be sure all medical and legal issues are covered from a defense perspective.

- #11197: It is noted that a notice of representation has just been received. It is highly recommended this be referred to DA to depose applicant given the initial concerns about the injury. A history of EE's activities since the DOI is needed including why she conveniently needed treatment again a year later right at the end of the seasonal employment.

- #12371: Due to issues uncovered through subrosa investigation and potential apportionment this case should have been referred to DA several months ago to depose applicant and for further legal direction.

- #13219: It is noted that case is being referred to DA but that should have been done a lot sooner given the nature of the injuries and complex issues including subrogation and an alleged 132A allegation on the application.

- #16898: Case should have been referred to DA to depose the applicant.

6.7 Findings, Summary and Recommendations.

A litigation plan of action was lacking in some instances and there were instances where issues were not being adequately addressed. This coincides with a number of cases that should have been referred to defense counsel due to the complexity of the issues. Each of the above noted exceptions needs to be brought to the examiners' attention and followed up on. This area also needs more involvement and guidance from supervisors.

7. Finalization.

This area is probably the most important to any claims operation. It is essential to conclude every case at the earliest possible moment. This requires not only a high examiner energy level but also a case load appropriate to the claims examiner's experience and expertise to know what to do next and how to do it. It is in the interest of all parties to move cases toward resolution as quickly as possible. No case ever gets better by being aged or ignored.

Workers' compensation files that are not disposed of with all due speed can be ranked as follows: 1) those that are not being handled briskly but with no apparent ill effect by the time of this audit; 2) those in which the delays have resulted in an ill effect; and 3) those where the ill effect is workers' compensation benefits being paid needlessly.

7.1 Continuous Finalization Efforts.

The North Bay Associates standard for measuring constant finalization efforts is that there should be no time in the life of the file when these efforts lag for more than forty-five days, that is, if the file reaches a point where something needs to happen but for forty-five number of days it does not, then we consider that a finalization failing even if at some subsequent time appropriate activity on the file resumes. If at the time of the audit a file is inactive or stuck, then specific suggestions are made and left on the file for the benefit of the claims examiner. These are called Summary Memos, copies of which are found at Tab Three in the *Addendum* to this report.

Cases in which we expect constant finalization efforts: 158
Cases with constant efforts to finalize: 141 (89.2%).

The Exceptions Are:

- #10999: Settlement authority was received in 9/14. Stips were not sent to EE until 4/15.
- #11215: See comment under 5.1.
- #12105: Untimely follow up with DA as to current status and the whereabouts of the PQME report from 6/14 evaluation (if it even occurred).
- #12109: See comment under 4.1. There was not timely follow up after twice sending Stips to EE.
- #13482: AME report was received 5/21/15 requiring certain actions to

be timely completed including acceptance of the claim. Nothing was done until 7/13/15.

- #14567: No activity to move claim to resolution/closure
- #15108: Stips were sent to AA numerous times with no response. DOR was finally filed a year later but should have been filed sooner.
- #16193: There has been no activity in several months to bring this claim to resolution.
- #16495: AME report rated and ready to settle in 8/13. SAR not completed until 4/14.
- #17033: Follow-up needed to settle claim. Stips were offered to EE in 11/2014. There has been no follow-up since that time.
- #17049: EE missed the 5/11/15 PQME evaluation. There has been no activity to resolve the claim since.
- #17858: Claim has been in settlement posture for over 2 years and DA has been non responsive to examiner's status requests and filing DOR. However, there has been no file activity since 9/14. Recommend assigning to JT2 hearing rep to file DOR and get claim settled.
- #18529: There has been no activity to move claim to resolution since receipt of the AME report.
- #19290: Follow up with treating physician and EE to bring claim to resolution.
- #19787: Claim was in settlement posture when IDR became effective in 4/14. There has been no activity to move to resolution since that time.
- #19909: No activity to move claim to resolution until just recent.

7.2 Correct Settlement Valuation.

Here we measure the examiner's technical and tactical evaluation of the settlement value of each case that was or is in the finalization stages. Is the examiner correctly reading the medical reports on which compromise and release or stipulations are based? Is the examiner challenging the state's permanent disability rating if appropriate? Are cases undervalued for any reason?

Cases settled or in the process of being settled: 36
Cases correctly valued: 34 (94.4%).

An Exception Is:

- #18801: See comment under 4.1. A DEU rating should be obtained prior to proceeding with settlement.

7.3 Compromise and Release Offered if Appropriate.

Several methods are available to conclude a workers' compensation case. One important method is the compromise and release by which the employer is released from all further liability. This method, though, is not the preferred method in all cases. Most of the time a C&R is appropriate when the claimant is no longer an employee; conversely, a C&R is rarely a good strategy if the claimant continues to be an employee and may not be a preferred method of settlement in some cases that require a medicare set aside. The purpose in tracking this is to provide a baseline statistic. With it, one can track if there are too many files without total settlements where it would have been appropriate. If so, it probably suggests that not enough money is being offered or not enough effort is being made. Therefore, this inquiry looks at whether a C&R is attempted if appropriate.

Compromise and release appropriate: 12
Compromise and release offered: 12

7.4 Timely Closing.

This inquiry is designed to catch any files that are open at the time of the audit but that should have been closed.

Cases that should have been closed: 7
Cases closed: 5 (71.4%).

The Exceptions Are:

- #10539: Denial notice sent 4/1/15 with no objection. Claim should have been closed by now.

- #14567: Last medical report dated 2/18/15 in which EE was released from further care. Claim should have been closed several months ago.

7.5 Findings, Summary and Recommendations.

A number of claims lacked timely movement toward resolution. Some of this can be attributed to examiner turnover but it is also noted there is a lack of timely examiner and supervisor diaries in place. Each of the above noted exceptions needs follow up. See Section 12 for additional findings and recommendations regarding claim diaries.

8. Reserve Adequacy.

Reserve adequacy is a key area. The self-insured entity wants to know and understand what its total liability is at any given time. Reserving may seem subjective but an experienced examiner can, during any given fiscal year, set case-based aggregate reserves that will still be adequate (within a few percentage points) years later. Most individual cases will close with total costs below the reserve, but many cases will need to have their reserves sharply increased from the initial amounts. Done correctly over the years, decreases in reserves and salvage on closing will offset the increases, leaving the original fiscal year aggregate accurate.

The underlying premise is that at the end of any given year the aggregate incurred reserve should be adequate for the life of all claims opened during that year. The governing regulation[1] states: "Each indemnity claim listed on the self insurer's annual report shall be estimated on the basis of computations which will develop the **probable total future cost** of the compensation and medical benefits due or potentially due. Future liabilities on the annual report must represent the total future cost of the claim based on the information available in the claim file at the cutoff date of the period of time covered by the annual report." In reality, the aggregate incurred for many claims administrators does not level off for two or even three years. This is not a major flaw if it is understood, anticipated, and supplemented with actuarial studies. The findings in this report regarding reserving should be shared with client's actuary and correlated with the actuarial reports. But inadequate reserves found by Self Insurance Plans, the state Agency that regulates workers' compensation self-insurance will result in an audit and possible sanctions.

North Bay Associates looks at case-based reserves at several points: initial reserves at creation, revisions up and down that are constantly necessary as more information is received into the file, and finally, reserves at the time of the audit.

8.1 Reserve Calculation Work Sheets Complete.

This query checks for sufficiently complete use of the examiner's main reserving tool: a reserve calculation worksheet. A worksheet encourages the examiner to break down the reserves into component parts rather than quickly guessing at totals only. The California Code of Regulations "recommends" the use of a worksheet.[2]

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[1]§15300 (b) Rules and Regulations.

[2]§15400 of the Rules and Regulations.

Cases that should have sufficiently complete worksheets: 154
Cases with such worksheets: 152 (98.7%).

An Exception Is:

- #10287: 7/2015 reserve worksheet does not discuss reserves that were added for indemnity.

8.2 Initial Reserves Appropriate.

Reserves created at the time the case is first opened should be adequate based on the information then available in the file. If newly incurred losses are under reserved, then the aggregate of all losses will be constantly understated. A properly trained examiner will recognize the gravity of a loss as the file is created; he or she does not need to wait for actual costs to push up reserves.

Files opened during this audit period: 109
Files with accurate initial reserves: 99 (90.8%).

The Exceptions Are:

- #12105: Litigated claim at the outset should have had an indemnity reserve.

- #12985: Litigated from commencement. AME mentioned on 2/18/15. Due to this, indemnity reserves should have been put on file with initial reserves. Indemnity was not reserved until 7/2015.

- #15254: Litigated presumptive case should have had indemnity reserve at the outset.

- #16898: Litigated claim at the outset with use of an AME should have had an indemnity reserve.

- #17364: There were no reserves on this claim until 5/11/15.

- #17530: Litigated claim at commencement with AME. Indemnity should have been reserved shortly after set up. Indemnity was not added until four months after claim set up.

- #18529: Litigated presumptive case should have had an indemnity reserve at the outset.

- #18789: New loss came in by application with attorney representation. AME was scheduled very shortly after filing of claim.

PD has been expected on this claim. No indemnity reserves were put on file until 4/2015.

- #19445: Claim reported by application and AA representation. AME scheduled very early on. PD should have been expected from the outset based on attorney representation of a presumptive injury. Claim was not reserved for PD until stips approved.

- #19450: Application filed by AA to report claim. Indemnity should have been reserved at outset.

8.3 Reserves Revised Appropriately.

New information is constantly received into the file and it often impacts the reserves. Here we see if the examiner reacted to the new information by addressing reserve adequacy in a timely fashion.

Files that needed their reserves revised: 137
Files with properly revised reserves: 100 (73.0%).

The Exceptions Are:

- #10210: DA rates the ortho injuries combined to 36% but that did not include the 14% for psych. Appears that when this is added in the rating is 45%. PD reserve needs to be increased to this amount.

- #10287: Indemnity reserves should have been increased within reasonable amount of time to begin TTD based on email of 6/19/2015 which indicates that EE's restrictions were not being accommodated effective 6/18/2015; indemnity reserves need to be re-evaluated and increased immediately as the current indemnity reserves are not even enough to cover the amount of time EE has already missed.

- #10466: The 1 year of LC4850 should be reserved.

- #10763: LC4850 reserve and PD reserve were not timely increased/added.

- #11175: PD should have been reserved upon notice of representation and full 2 years TD should have been reserved upon receipt of the AME report.

- #11294: The cancer is industrial and there has been very little in medical submitted. There is a potential for a large medical lien due to the EE's cancer treatment. The current incurred medical in the amount of $17,452.12 is inadequate. I would recommend increasing medical reserve by $100,000.

- #11332: EE was represented prior to 8/2013. At that point it was expected that there would be indemnity paid on the file. No indemnity reserves added until EE began losing time in 11/2014.

- #12105: Heart PQME report rates 51% and ortho PQME report is 8% WPI and maybe higher if AG is applicable. FM treatment is indicated by both PQME's. Claim is clearly not reserved to the most probable outcome.

- #12340: There is no PD reserved. Regardless of whether EE elects to have surgery the FM reserve is inadequate.

- #12575: This is a litigated denied claim that includes death benefits. Discovery is still in the early stages but there should be an indemnity reserve for settlement purposes short of a full trial on AOE-COE, which is the most likely outcome for cases like this. Recommend $25,000 to be reviewed and adjusted as additional discovery is completed.

- #12662: 4850 reserves need to be increased. $45.47 is currently reserved for 4850. "4850 payments voucher" dated 7/10/15, 7/27/15 and 8/4/15 are red flagged for "Reserves Exceeded". Reserves should have been added to both indemnity and 4850.

- #13219: Medical reserve is not adequate in particular is not adequate for ongoing treatment issues and med-legal. Doesn't appear that EE is anywhere close to P&S and there likely will be med-legal evaluations in at least 3 specialties.

- #13445: PD in the amount of 31% was indicated per Dr Rosenberg's reports of 3/9/14 and 4/3/14. PD reserves should have been added when rated in 6/2014. No PD was reserved until 7/2015.

- #13482: Reserves were not timely increased after receipt of the AME report.

- #13550: EE represented since 11/2014 and indemnity reserves should have been added at that point. AME is scheduled on 10/15/15. Okay to wait for AME report before increasing reserves.

- #13766: There is likely going to be some PD based on the surgery. Would recommend 10% pending P&S status.

- #14004: Reserves are not adequate. EE will have lifetime medical care and PD is a certainty.

- #14134: Medical reserve is not adequate if cost of medication continues at the current frequency. Examiner needs to review this.

- #14257: PD reserve should have been added upon notice of representation and certainly should have been added upon authorization of the surgery. Medical reserve is not adequate for life expectancy.

- #14481: PD should be reserved at 27% per DA report of hearing dated 7/2/15.

- #14860: The PD reserve is not adequate. Recommend 25% pending P&S on ortho injuries.

- #15254: Reserves are inadequate. PD should be reserved at 40% and medical should be reserved for FM as well as for liens that need to be settled.

- #15576: PD reserve was not timely increased to cover the Award.

- #15729: PD and medical reserves are not adequate.

- #15845: Accepted surgical litigated claim with use of an AME lacks a PD reserve. Recommend 10% pending P&S status.

- #15908: PQME report rated at 9%. There is no PD reserve.

- #17108: TD reserve is not adequate as there is currently no outstanding indemnity reserve. There is no PD reserved. Medical treatment remains quite active and that reserve is not sufficient.

- #17268: Attorney Representation in 10/2014. At this point, PD reserves should have been added to file. No PD reserves added until 2/3/2015.

- #17364: The indemnity reserve is not adequate on this claim and the medical reserve is not adequate on the other claim. See additional comment under 4.4.

- #17552: PD reserve was not timely added.

- #17695: Examiner did a reasonable evaluation of reserves in 4/15 based on the available information. However, the reserves have not been increased based on that evaluation. Medication will cost over

$100,000/annually for remainder of EE's life. Reserves should be increased now and an immediate updated report sent to excess as there has been no reporting since the initial report in 10/14. CSAC needs to know asap that costs are likely going to exceed the SIR.

- #17812: Although there is $7146 in indemnity reserve outstanding there has never been any identifiable PD reserve placed on the claim. This is an accepted litigated presumption case with use of an AME. PD reserve should have been added when the AME report was received.

- #17854: There is $17000 plus in indemnity reserve but it does not appear that there has ever been any of this specifically allocated to PD and it does not appear there is any additional TD liability. Recommend 20% PD reserve pending P&S status. The medical reserve is inadequate as shoulder surgery has just been approved and it is highly likely there will be a FM award.

- #17886: This is a CT claim filed by AA. It is noted that EE has a 1998 FM claim to the same knee and medical treatment is being provided on that claim. It is highly likely, that after 16 more years of working as a public safety officer, that a med-legal evaluator is going to find some element of subsequent CT. If so, EE would be entitled to an additional year of LC4850. It is recommended this claim be reserved for 1 year LC4850 and 10% PD pending additional discovery.

- #18529: AME found 8%WPI. This needs to be rated and PD reserve added. Medical reserve needs review based on the FM considerations given by the AME.

- #19319: Medical reserve is inadequate based upon recommendations of AME and the ongoing treatment.

- #19327: Reserve worksheet dated 5/1/15 uses $2666/yr annual medical cost. Not sure where that figure comes from. Appears the current figure should be $6322/yr. Medical reserve is inadequate.

- #19445: Currently reserves are set at $5000.00 as EE is not treating for this injury and future medical was not addressed by AME. It would have been appropriate to ask AME to comment on future medical in supplemental report to make sure future medical exposure is accurately reserved on this claim.

8.4 Findings, Summary and Recommendations.

Litigated claims at the outset are not being reserved for indemnity. The most likely outcome on claims of this nature is that they will settle at some point short of trial and thus should be reserved accordingly upon notice of representation.

Findings indicate 27% of the claims audited lacked sufficient reserves. These will need further follow up. It is highly recommended that reserving practices be reviewed with examiners with an emphasis on ensuring timely and adequate reserving to the most probable outcome.

9. Excess Insurance.

This area assesses proper reinsurance reporting to the Excess Insurance Authority or other excess carriers as required, including subsequent reporting as necessary and regular requests for reimbursement as applicable.

9.1 Prompt Excess Reporting.

The basis for this query is the common reinsurance reporting requirements; the actual excess insurance policies covering these claims were not examined.

Cases requiring reporting to the reinsurer: 9
Cases reported: 9

The Following Is Noted:

- #13445: The recent reserve increase will require reporting to the excess carrier.

9.2 Sufficient Subsequent Reports.

Cases requiring subsequent reports: 9
Cases with subsequent reports: 1 (11.1%).

The Exceptions Are:

- #14967: Although there has been frequent recent communication with excess it appears some quarterly reporting was missed during the 2 year audit period from 8/1/13.
- #15835: Claim has been reported to excess. The last report provided was in 1/14. It is noted that the claim is reserved just under 50% SIR but there was nothing found indicating CSAC advised that ongoing reporting was not required.
- #16145: There was no follow up reporting from the initial excess report until 3/15.
- #16925: See no excess reporting since 6/14.
- #17695: See comment under 8.3.
- #17957: No reporting between 11/14 and 6/15.
- #19095: Although the last couple of POA's indicate updated reports

sent to excess there is no actual documentation of reporting since 1/14.

- #19327: Do not see any excess reporting since 5/14.

9.3 Regular Reimbursement Requested.

Cases over retention, thus entitled to periodic reimbursement: 0
Cases on which reimbursement regularly requested: 0

9.4 Findings, Summary and Recommendations.

Most excess reportable claims lacked sufficient follow up reporting. It is recommended that all examiners be made aware of the CSAC EIA reporting requirements and that reported claims are reviewed on diary for current reporting. See Section 12 for additional comments regarding diaries. A listing of reportable cases in the audit sample—entitled "Excess Reporting"—is at Tab Two in the *Addendum*.

10. Subrogation.

Subrogation is an important issue. This area usually involves few files but is unique in that it allows the administrator to recover some of the client's' funds. It is another indicator of the depth of the claims examiner's knowledge and skills.

10.1 Prompt and Effective Subrogation.

Cases with at least a potential for subrogation: 9
Cases identified and acted upon: 8 (88.9%).

The Exception Is:

- #19290: It does not appear there was any initial investigation done to determine subrogation potential.

10.2 Appropriate Follow-Up.

Actual subrogation cases: 7
Subrogation cases handled appropriately: 4 (57.1%).

The Exceptions Are:

- #11215: Follow up request for the police report was not timely.
- #13219: Not clear what the POA is for subrogation going forward. Case should be assigned to counsel for review and strategy moving forward.
- #14860: Current status of subrogation efforts is not documented.

10.3 Findings, Summary and Recommendations.

Adequate investigation and/or timely follow up regarding subrogation was noted on 4 claims. These need follow up and claims involving subrogation need to be clearly flagged or documented. Efforts regarding subrogation should be clearly documented on diary review along with the current status of each subrogation case.

11. Penalty Summary.

This audit area is a review of any claims that fall into the penalty provisions of the Labor Code or Division of Workers' Compensation Rules and Regulations. Penalties may prove to be more fair to employers and less of an issue after 2004. In other audit areas, the Tabular Summary generally records expected results under "Yes" against undesirable results under "No." In this area, neither a "Yes" nor a "No" is desirable. A "Yes" means one or more penalties were due and paid or at risk, while a "No" means one or more penalties were due but not paid. An ideal result is all zeros.

11.1 Labor Code § 5814 Penalty.

This inquiry lists any claims at risk for the 25% penalty. This penalty must be asserted by the employee, typically through his attorney, and awarded by a judge of the Appeals Board before it is due. The audit will not concern itself with every file where a remote possibility for penalty exists or where the issue is raised by an applicant's attorney as a negotiating tactic, but only those in which it has actually and properly been raised by the employee or his attorney.

Cases with potential or actual §5814 penalties: 0

11.2 Labor Code § 4650 (Self-imposed 10% Penalty).

This inquiry is directed at those claims that may have had some benefit delayed. A delay requires that the administrator automatically penalize itself 10%, and pay that money to the claimant or medical provider.

Cases with self-imposed penalty due: 11
Cases with self-imposed penalty paid: 0 (.0%).

11.3 Labor Code § 129.5 (DWC Audit Unit Fines).

A DWC shortcoming on a claim will remain in the file for a state Audit to ultimately find and penalize. North Bay Associates does attempt to monitor the current practices of the DWC Audit Unit to gauge if any of the files sampled are at risk for such penalties.

Cases with at least one potential Audit Unit penalty: 42

11.4 Findings, Summary and Recommendations.

The findings indicate there were 11 late indemnity payments in which the 10% self imposed increase was not paid. These need to be reviewed and there needs to be assurances put in place that in the event of a late indemnity payment this 10% increase is paid as required. There is potential for penalties based on the findings in Sections 3 and Section 4.3. The third party administrator does have in place a procedure for reimbursing the client for penalties in which they were at fault.

12. Diaries.

In order to maximize claims handling efficiency a good diary system is essential. A diary should include timely review of each claim in the examiner's open case load and supervisors should also maintain a diary to review all open claims under their control. A typical examiner diary should be at a frequency of every 45 days while a supervisor diary should be at a frequency no greater then every 120 days. These can be increased once a case has settled and designated as a future medical claim. Merely maintaining a timely diary review is meaningless, however, if there are issues identified but not acted upon. An effective diary is not only timely but also includes immediate action to resolve any outstanding issue.

12.1 Timely and Effective Examiner Diary.

Cases Requiring a Diary 169
Cases With a Timely Diary 32 (18.9%).

12.2 Timely and Effective Supervisor Diary.

Cases Requiring a Diary 168
Cases With a Timely Diary 50 (29.8%).

12.3 Findings, Summary, and Recommendations

Diary reviews for both examiners and supervisors fell well below the established standards set by the EIA for the majority of claims audited. Many important areas such as case planning, litigation, finalization, reserving and excess reporting were not adequately addressed on diary. It is highly recommended that the EIA diary standards be reviewed and implemented. Supervisor diaries need to be more comprehensive to make sure claims are on the right track as related to the above noted areas. The examiner POA document lacks a heading for addressing reserves on diary and that is recommended to ensure that reserves are reviewed for adequacy.

Appendix D

Actuarial Analysis of Self-Insured Workers' Compensation Program

AON

City of Oakland, California

Actuarial Study of the Self-Insured Workers Compensation Program as of June 30, 2015

November 2, 2015

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AON

November 2, 2015

City of Oakland
150 Frank H. Ogawa Plaza, Second Floor
Oakland, California 94612

Attn: Ms. Deb Grant
Risk Manager

Actuarial Study of the
Self-Insured Workers Compensation Program
as of June 30, 2015

This study has been completed for the City of Oakland, California, for the specific objectives listed in the study. It contains the analysis and conclusions of our work.

Each section and appendix of the study is an integral part of the whole. We recommend a review of the entire study prior to reliance upon this study.

No key personnel have a relationship with the City of Oakland, California, that may impair our objectivity.

Please call if you have any questions. Thank you for the opportunity to be of service.

Respectfully submitted,

Aon Risk Consultants, Inc.

By Mujtaba Datoo
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I. Background

The City of Oakland (the City) was fully self-insured for workers compensation until August 1, 2004. Effective August 2, 2004, the City began purchasing excess insurance.

The history of the City's self-insured retentions for workers compensation is as shown in Table I-1.

Table I-1
Self-Insured Retentions
(Workers Compensation)

Claim Period (1)	Self-Insured Retention (2)
To 8/1/2004	Unlimited
8/2/2004 to 6/30/2008	$1,000,000
7/1/2008 and subsequent	750,000

Note: Above information provided by the City.

A self-insured retention of $750,000 is assumed through 2016/17.

We have not reviewed the collectibility of the excess insurance. JT2 administers the workers compensation program.

The fiscal period runs from July 1 through June 30.

Data

Loss data valued as of June 30, 2015 was provided to us by the City. The City also provided payroll for fiscal year 2014/15. Payroll projections are based on a 1% trend.

In conducting this analysis, we relied upon the provided data without audit or independent verification; however, we reviewed it for reasonableness and consistency. Any inaccuracies in quantitative data or qualitative representations could have a significant effect on the results of our review and analysis. Any material discrepancies discovered in the loss or exposure data by the City or any other parties should be reported to us immediately, and if warranted, we will make appropriate amendments to the report.

Consistent with the prior study, we have combined several claims from 2009 into one occurrence that was identified by the City.

II. Objectives

The specific objectives of this study are:

1. **Estimate Outstanding Losses.** Estimate outstanding losses (including allocated loss adjustment expenses [ALAE]) as of June 30, 2015.

   The estimated outstanding losses are the cost of unpaid claims. The estimated outstanding losses include case reserves, the development of known claims and incurred but not reported (IBNR) claims. ALAE are the direct expenses for settling specific claims. The amounts are limited to the self-insured retention.

2. **Project Ultimate Losses.** Project ultimate losses (including ALAE) for 2015/16 and 2016/17.

   The projected ultimate losses are the accrual value of losses with accident dates during 2015/16 and 2016/17, regardless of report or payment date. The amounts are limited to the self-insured retention.

3. **Project Losses Paid.** Project losses paid during the 2015/16 and 2016/17 years.

   The projected losses paid are the claim disbursements during 2015/16 and 2016/17, regardless of accident or report date. The amounts are limited to the self-insured retention.

4. **Compare to Previous Actuarial Study.** Compare to the previous actuarial study valued as of June 30, 2014.

5. **Size of Loss Distribution Analysis**. Analyze the distribution of losses in various layers.

6. **Affirm GASB Statement No. 10.** Provide a statement affirming the conclusions of this report are consistent with Governmental Accounting Standards Board (GASB) Statement No. 10.

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III. Conclusions

We have reached the following conclusions:

1. Estimate Outstanding Losses

We estimate outstanding losses as of June 30, 2015 to be as shown in Table III-1.

Table III-1 Estimated Outstanding Losses at Expected (50%) Confidence Level June 30, 2015

Item (1)	Amount (2)
(A) Estimated outstanding losses	$86,725,850
(B) Present value of estimated outstanding losses	76,137,008

Note: (A) and (B) are from Exhibit WC-11.

The estimated outstanding losses increased by $3.2 million, compared to our prior estimate as of June 30, 2014, which was $83,483,692. This change is primarily due to an increase in the reported case reserves, which increased by $3.3 million from June 30, 2014 to June 30, 2015.

The present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. It is calculated based on a 2.5% yield on investments, as provided by the City.

The estimated outstanding losses reflect the excess insurance maintained by the City.

GASB Statement No. 10 requires public entities to recognize the impact of all benefits paid for work-related injuries.

The implementation guide for GASB Statement No. 10 specifies that a liability for outstanding unallocated loss adjustment expenses (ULAE) needs to be established for governmental entities. ULAE are primarily composed of future claims administration for open claims. They are typically 5% to 10% of the estimated outstanding losses.

'4850' benefits are a full-salary (12 months) benefit for safety personnel. They are typically about 5% of the estimated outstanding losses.

AON

2. Project Ultimate Losses

We project ultimate losses for 2015/16 and 2016/17 to be as shown in Tables III-2A and III-2B.

Table III-2A
Projected Ultimate Losses
2015/16

Item (1)	Projected Payroll (000) (2)	Loss Rate per $100 of Payroll (3)	Projected Ultimate Losses (4)
(A) Full Value	$368,384	$6.73	$24,798,000
(B) Present Value	368,384	6.06	22,322,000

Note: (A) and (B) are from Exhibit WC-10.

Table III-2B
Projected Ultimate Losses
2016/17

Item (1)	Projected Payroll (000) (2)	Loss Rate per $100 of Payroll (3)	Projected Ultimate Losses (4)
(A) Full Value	$372,068	$6.93	$25,797,000
(B) Present Value	372,068	6.24	23,221,000

Note: (A) and (B) are from Exhibit WC-10.

The present value of the projected ultimate limited losses is the amount of money, discounted for anticipated investment income, required to meet claims. It is calculated based on a 2.5% yield on investments, as provided by the City.

All costs other than losses are additional.

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3. Project Losses Paid

We project losses paid during 2015/16 and 2016/17 to be as shown in Table III-3.

Table III-3
Projected Losses Paid
2015/16 and 2016/17

Item (1)	2015/16 (2)	2016/17 (3)
(A) Projected losses paid	$21,925,209	$22,752,195

Note: (2) is from Exhibit WC-12.
(3) is from Exhibit WC-13.

We note that there are two large open claims with case reserves greater than $1 million (on an unlimited basis). We have assumed that these claims will be paid out according to the selected payment pattern anticipated in this report. If these claims are paid out in a lump sum, or in any manner different than the selected pattern, the projected loss payments shown in Table III-3 may vary from expected payments.

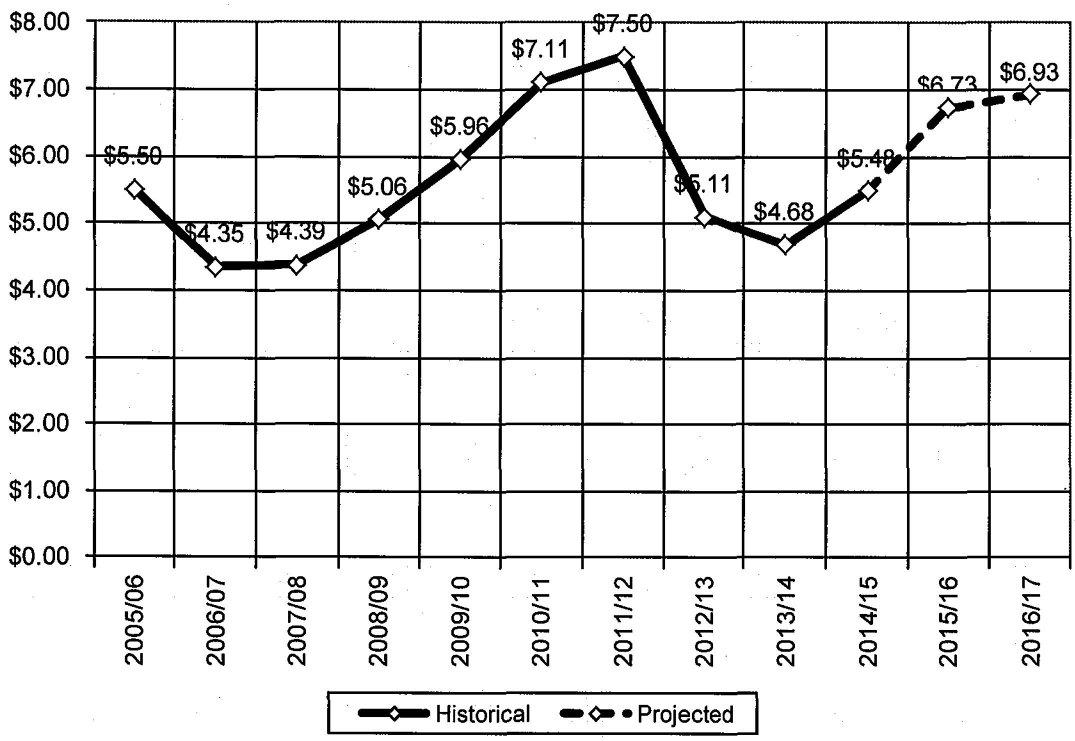
All costs other than losses are additional.

AON

Loss Experience Trends

Graphs III-1 and III-2 show loss experience trends for workers compensation as measured by loss rate per $100 of payroll and frequency and severity, respectively.

Graph III-1
Loss Rate per $100 of Payroll
(Workers Compensation)



Note: Loss rates per $100 of payroll are from Exhibit WC-10, columns (4) and (7).

We note that the loss experience of 2010/11 and 2011/12 is greater due to the presence of more claims between $100,000 to $250,000. Conversely, the loss experience of 2012/13 and 2013/14 is favorable because there are fewer claims over $50,000 than there has been historically. A size of loss distribution is provided in Exhibit WC-16.

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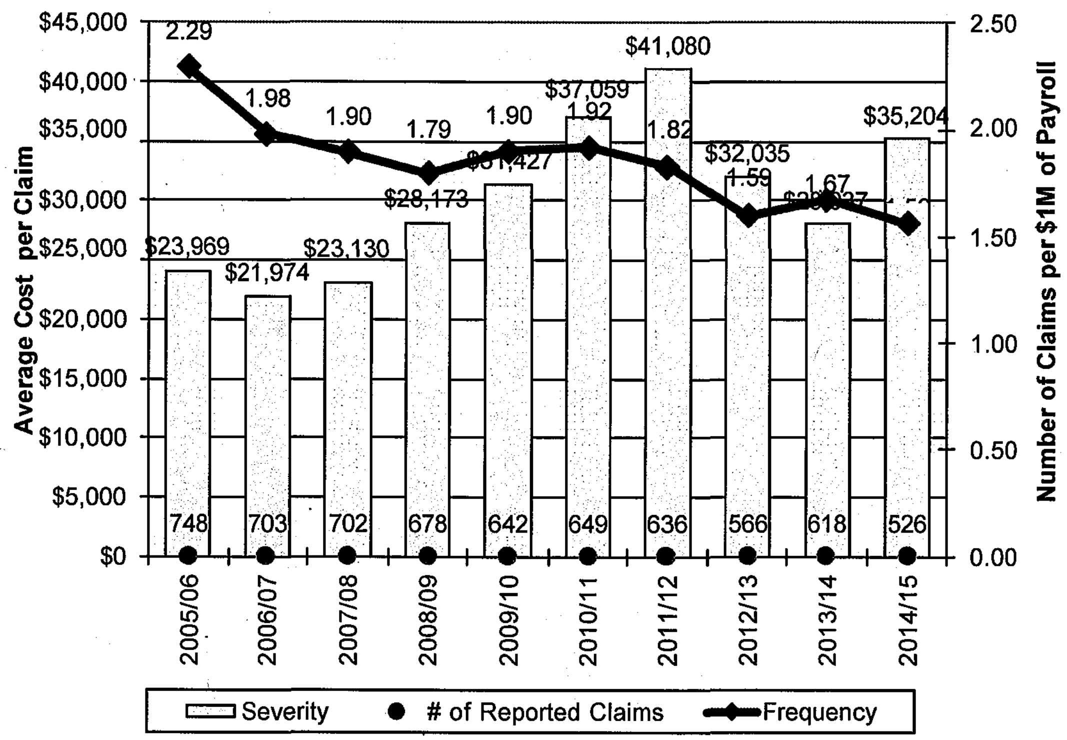
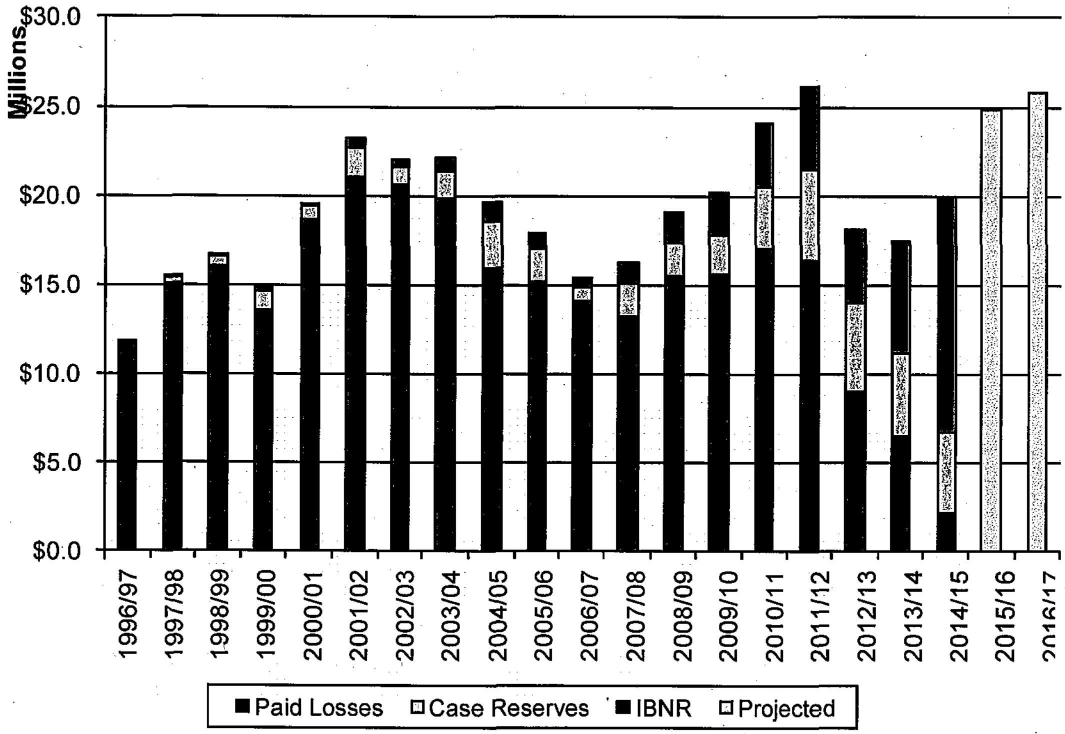
Graph III-2
Frequency and Severity
(Workers Compensation)



Note: Frequency amounts are from Exhibit WC-8, Section I, column (7).
Severity amounts are based on Exhibits WC-8 and WC-9.

Graph III-3 shows the composition of the projected ultimate limited losses for workers compensation.

Graph III-3
Composition of Projected Ultimate Limited Losses
(Workers Compensation)



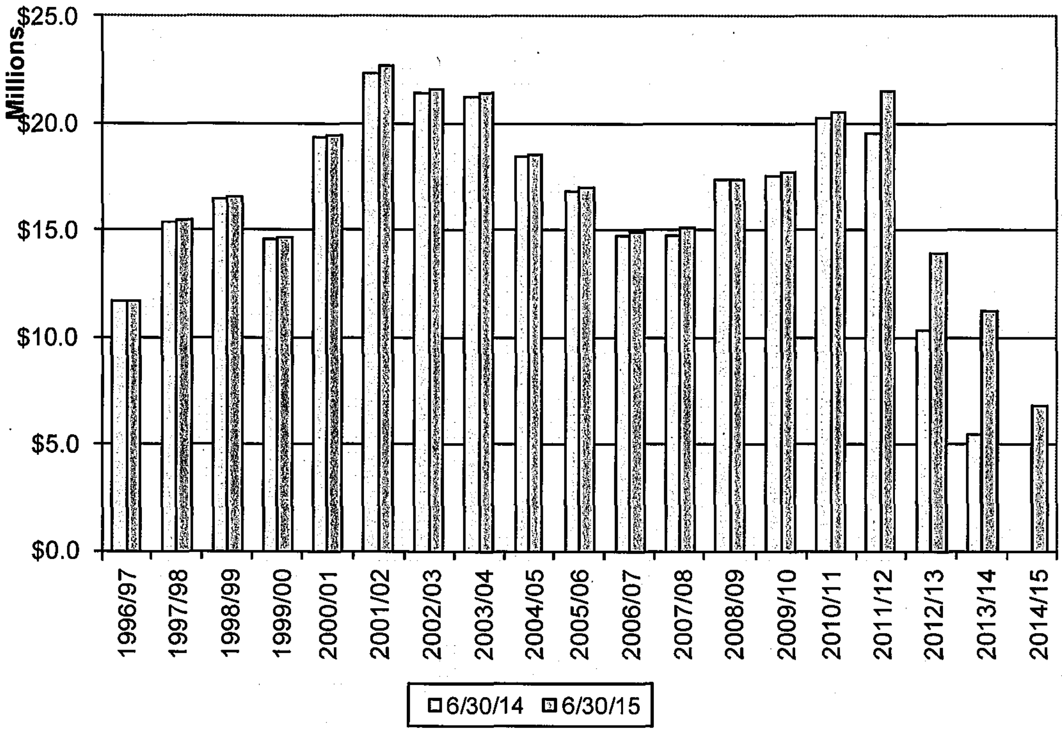
Note: Amounts through 2014/15 are from Exhibit WC-11.
Amounts for 2015/16 and 2016/17 are from Exhibit WC-10.

A list of large claims with limited reported incurred losses $500,000 or greater as of June 30, 2015 is as shown in Exhibit WC-15.

4. Compare to Previous Actuarial Study

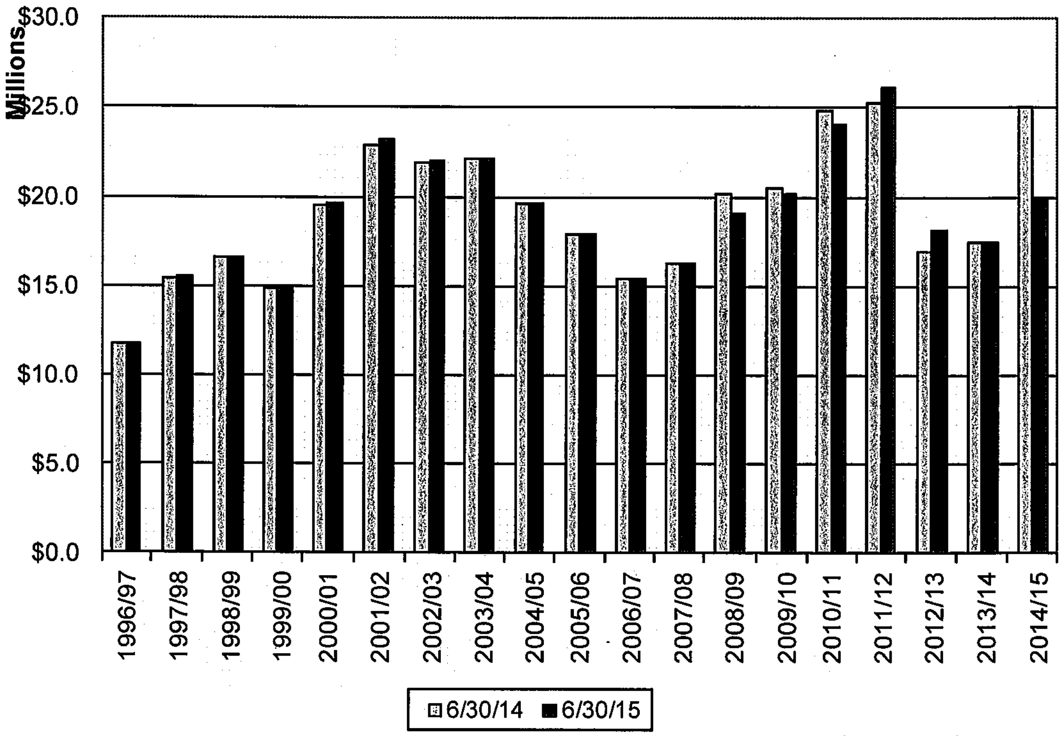
Graphs III-4 and III-5 are graphical comparisons of the reported incurred losses and projected ultimate losses, respectively, by fiscal year of occurrence of the workers compensation program from the previous study (report dated November 7, 2014) to the current study.

Graph III-4
Comparison of Limited Reported Incurred Losses as of June 30, 2014 and June 30, 2015



Note: Amounts as of June 30, 2014 are from the previous actuarial study. Amounts as of June 30, 2015 are from Exhibit WC-1.

Graph III-5
Comparison of Projected Ultimate Limited Losses as of June 30, 2014 and June 30, 2015



Note: Amounts as of June 30, 2014 are from the previous actuarial study.
Amounts as of June 30, 2015 are from Exhibits WC-9.

For all claims through 2013/14, the change in the projected ultimate limited losses from June 30, 2014 to June 30, 2015 was 0.2%.

We compare the projected ultimate limited losses by year as of June 30, 2014 and June 30, 2015 as shown in Table III-4A.

Table III-4A
Comparison of Projected Ultimate Limited Losses as of June 30, 2014 and June 30, 2015

Claim Period (1)	Projected Ultimate Limited Losses as of 6/30/14 (2)	Projected Ultimate Limited Losses as of 6/30/15 (3)	Change (3) - (2) (4)	Percentage Change (4) / (2) (5)
to 1995/96	$146,604,000	$146,991,478	$387,478	0.3%
1996/97	11,749,000	11,741,066	(7,934)	-0.1%
1997/98	15,451,000	15,497,000	46,000	0.3%
1998/99	16,623,000	16,650,000	27,000	0.2%
1999/00	14,843,000	14,842,000	(1,000)	0.0%
2000/01	19,559,000	19,585,000	26,000	0.1%
2001/02	22,865,000	23,259,000	394,000	1.7%
2002/03	21,949,000	22,051,000	102,000	0.5%
2003/04	22,087,000	22,132,000	45,000	0.2%
2004/05	19,667,000	19,643,000	(24,000)	-0.1%
2005/06	17,923,000	17,929,000	6,000	0.0%
2006/07	15,471,000	15,448,000	(23,000)	-0.1%
2007/08	16,230,000	16,237,000	7,000	0.0%
2008/09	20,169,000	19,101,000	(1,068,000)	-5.3%
2009/10	20,537,000	20,176,000	(361,000)	-1.8%
2010/11	24,882,000	24,051,000	(831,000)	-3.3%
2011/12	25,213,000	26,127,000	914,000	3.6%
2012/13	16,976,000	18,164,000	1,188,000	7.0%
2013/14	17,462,000	17,495,000	33,000	0.2%
2014/15	24,999,000	19,996,000	(5,003,000)	-20.0%
Total	$511,259,000	$507,115,545	($4,143,455)	-0.8%

Note: (2) is from the prior actuarial study.
(3) is from Exhibit WC-9 and Exhibit WC-10..

The City experienced greater than expected loss development for 2011/12 and 2012/13, resulting in an increase in the estimated ultimate losses for these years. The estimate for 2014/15 has decreased from the prior projection, due to lower than expected incurred loss development.

Actual loss experience versus expected experience in the prior actuarial study, for both paid and incurred losses, is as shown in Table III-4B.

Table III-4B
Comparison of Actual and Expected Experience
June 30, 2014 to June 30, 2015

Claim Period (1)	Paid Losses in the Period Actual (2)	Expected (3)	Difference (2) - (3) (4)	Incurred Losses in the Period Actual (5)	Expected (6)	Difference (5) - (6) (7)
1996/97	$22,866	$38,900	($16,035)	($3,565)	$23,373	($26,937)
1997/98	102,554	52,793	49,761	68,242	37,921	30,321
1998/99	125,824	66,954	58,870	63,260	44,136	19,124
1999/00	93,473	80,211	13,261	67,162	52,505	14,657
2000/01	79,521	135,111	(55,590)	70,817	78,907	(8,090)
2001/02	148,090	214,830	(66,740)	404,139	120,861	283,278
2002/03	228,414	258,245	(29,831)	196,201	149,021	47,180
2003/04	255,523	316,365	(60,841)	177,055	170,020	7,035
2004/05	334,123	343,495	(9,372)	145,666	187,366	(41,700)
2005/06	893,738	381,750	511,987	213,548	252,341	(38,793)
2006/07	114,115	383,911	(269,797)	132,824	284,731	(151,907)
2007/08	618,888	516,341	102,547	356,159	335,782	20,378
2008/09	563,170	690,778	(127,608)	(44,384)	613,511	(657,895)
2009/10	590,807	884,757	(293,950)	181,395	645,135	(463,740)
2010/11	966,278	1,323,389	(357,111)	268,216	801,667	(533,451)
2011/12	2,191,828	2,312,058	(120,230)	2,008,741	1,149,526	859,216
2012/13	2,892,711	2,522,457	370,254	3,616,567	1,633,581	1,982,985
2013/14	4,183,474	4,448,009	(264,535)	5,810,470	4,771,781	1,038,689
Total	$14,405,397	$14,970,355	($564,958)	$13,732,516	$11,352,165	$2,380,351

Note: (2) and (5) are actual experience from June 30, 2014 to June 30, 2015.
(3) and (6) are the expected amounts from June 30, 2014 to June 30, 2015.

As part of our analysis, we project ultimate losses by year using paid loss development and incurred loss development (these are defined in the attached Glossary). Table III-4B shows how the paid and incurred claims emerged 12 months later based on loss development factors we selected in the actuarial study valued as of June 30, 2014. This analysis provides a peek into how the claims are actually emerging compared to the expected emergence which is based on historical development patterns.

5. Size of Loss Distribution Analysis

Table III-5A shows the distribution of losses in various layers for workers compensation.

Table III-5A
Size of Loss Distribution
(Workers Compensation)

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) $1 to $5,000	25,735	77.9%	77.9%	$21,949,260	4.6%	4.6%
(B) $5,000 to $10,000	1,813	5.5%	83.4%	12,723,391	2.7%	7.3%
(C) $10,000 to $25,000	1,800	5.4%	88.8%	29,052,391	6.1%	13.5%
(D) $25,000 to $50,000	1,293	3.9%	92.7%	46,108,451	9.7%	23.2%
(E) $50,000 to $100,000	1,076	3.3%	96.0%	75,626,348	16.0%	39.2%
(F) $100,000 to $250,000	1,055	3.2%	99.2%	162,059,025	34.2%	73.4%
(G) $250,000 to $500,000	208	0.6%	99.8%	68,963,498	14.6%	88.0%
(H) $500,000 to $750,000	34	0.1%	99.9%	20,181,593	4.3%	92.2%
(I) $750,000 to $1,000,000	9	0.0%	100.0%	7,636,767	1.6%	93.8%
(J) Over $1,000,000	15	0.0%	100.0%	29,128,591	6.2%	100.0%
(K) Total (A) ... (J)	33,038	100%		$473,429,315	100%	

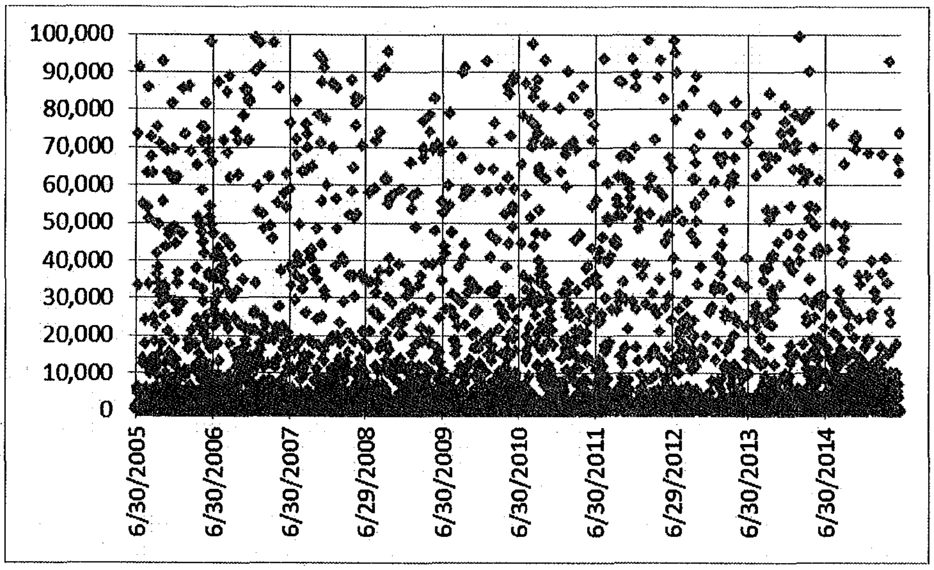
Note: See Exhibit WC-16. Claim counts exclude claims with incurred value of $0.

For workers compensation, about 83% of the non-zero claims reported are below $10,000 and represent about 7% of the incurred amounts. The remaining 17% of the claims consume about 93% of the incurred amounts.

A size of loss distribution by year and loss layer as of June 30, 2015 is as shown in Exhibit WC-16.

The reported workers compensation claim experience underlying our analysis is shown below in Graphs III-6 and III-7, with each point representing one claim. The amounts are gross of excess insurance.

Graph III-6
Distribution of Workers Compensation Losses Incurred Less Than $100,000
2005/06 through 2014/15



Graph III-7
Distribution of Workers Compensation Losses Incurred Greater Than $100,000
2005/06 through 2014/15

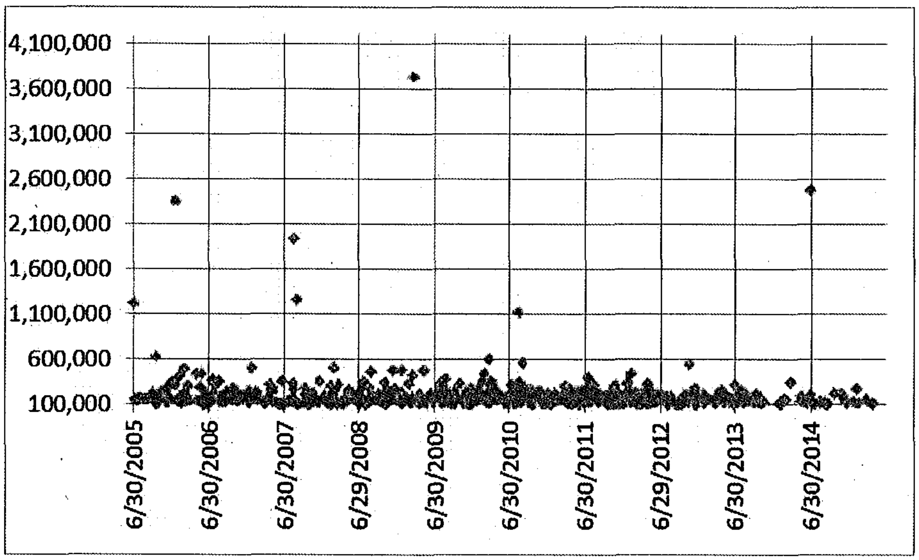


Table III-5B shows the distribution of claim counts and incurred losses (not developed or trended) by type of benefit.

Table III-5B
Loss Distribution by Type of Benefit
(2005/06 through 2014/15)

Year (1)	Claim Counts Count (2)	Percentage (3)	Incurred Losses Loss (4)	Percentage (5)
(A) Medical Only	2,717	42.0%	$2,271,619	1.4%
(B) Claims with Indemnity				
(i) Indemnity			102,359,937	62.0%
(ii) Medical			48,229,550	29.2%
(iii) Expense			12,187,264	7.4%
(iv) Subtotal	3,751	58.0%	162,776,752	98.6%
(C) Total (A)+(Biv)	6,468	100%	$165,048,370	100%

Note: See Exhibit WC-17.

About 42% of the claims reported are Medical Only claims and represent about 1% of the incurred amounts. For the Claims with Indemnity, Indemnity benefits are 62.0%, Medical 29.2%, and expense 7.4% of the total benefit.

6. Affirm GASB Statement No. 10

We affirm the conclusions of this report are consistent with GASB Statement No. 10.

Appendix A

Conditions and Limitations

It is important to understand the conditions and limitations listed below. Each chapter and section is an integral part of the whole study. If there are questions, please contact Aon for clarification.

- **Data Quality** In conducting this analysis, we relied upon the provided data without audit or independent verification; however, we reviewed it for reasonableness and consistency. Any inaccuracies in quantitative data or qualitative representations could have a significant effect on the results of our review and analysis. Any material discrepancies discovered in the loss data by the organization or any other parties should be reported to us immediately, and if warranted, we will make appropriate amendments to the report.

- **Economic Environment.** Unless otherwise stated, we assumed the current economic conditions will continue in the foreseeable future.

- **Insurance Coverage.** Unless otherwise stated, we assumed no insurance coverage changes (including coverage provided by the organization to others) subsequent to the date this study was prepared. This includes coverage language, self-insured retention, limitations and similar issues.

- **Insurance Solvency.** Unless otherwise stated, we assumed all insurance purchased by the organization is from solvent sources payable in accordance with terms of the coverage document.

- **Interest Rate.** The exhibits specify the annual interest rate used.

- **Methodology.** In this study, different actuarial methods were applied. In some instances, the methods yield significantly disparate results. The estimates, projections and recommendations in this study reflect our judgments as to the best method or combination of methods that are most reliable and reflective of the exposure to loss.

- **Reproduction.** Use of this report is limited to the organization for the specific purpose described in the Introduction section. Other uses are prohibited without an executed release with Aon.

  Distribution by the organization is unrestricted. The report should only be distributed in its entirety including all supporting exhibits.

- **Risk and Variability.** Insurance is an inherently risky enterprise. Actual losses may vary significantly from our estimates, projections and recommendations. They may emerge higher or lower.

- **Statutory and Judicial Changes.** Legislatures and judiciaries may change statutes that govern indemnification. This includes benefit levels for workers compensation, immunities and limitations for liability, and other similar issues. Unless otherwise stated, we assumed no statutory changes subsequent to the date this study was prepared.

- **Supplemental Data.** In addition to the data provided by the organization, we supplemented our analysis with data from similar organizations and insurance industry statistics, as we deemed appropriate.

- **Usage.** This study has been prepared for the usage of the organization shown on the transmittal page. It was not prepared for and may not be appropriate for use by other organizations. Other organizations should obtain written permission from Aon prior to use of this study.

Appendix B

Glossary of Actuarial Terms

Actuarial Methods (Most Common)

A major objective of an actuarial study is to statistically project ultimate losses. The following actuarial methods are the most common:

- Developed Paid Losses
- Developed Reported Incurred Losses
- Developed Case Reserves
- Frequency Times Severity Analysis
- Loss Rate Analysis

The following describes each method:

1. **Developed Paid Losses.** Paid losses represent the amounts actually paid to claimants (less excess insurance recoveries). As time goes on, loss payments continue until all claims are closed and there are no remaining payments expected. At this time, the ultimate losses for the claim period are known. This common process is called "paid loss development."

   Paid loss development is an extrapolation of actual dollars paid. It does not depend on case reserve estimates. A potential shortcoming of utilizing this method is that only a small fraction of total payments have been made for the most recent claim periods. Extrapolating ultimate losses based on small amounts of actual payments may be speculative. A second potential shortcoming is that payment patterns can change over time.

2. **Developed Reported Incurred Losses.** Reported incurred losses are paid losses plus case reserves. In most programs, total reported incurred losses underestimate the ultimate losses. Over time, as more information about a body of claims becomes known, they are adjusted either up or down until they are closed. Though many individual claims settle for less than what was estimated, these decreases are generally more than offset by increases in the cost of other claims for which new information has emerged.

   The net effect is that total estimated costs are often revised upward over time. This normal process is called "reported incurred loss development." Actuaries typically review the development patterns of the recent past to make projections of the expected future loss development and, therefore, estimations of ultimate losses.

3. **Developed Case Reserves.** A case reserve is an estimate of the unpaid amount established by claims adjusters for which a particular claim will ultimately be settled or adjudicated. The developed case reserves method is a hybrid of the paid loss development and reported incurred loss development methods. It relies on the historical adequacy of case reserves to predict ultimate losses.

4. **Frequency Times Severity Analysis.** The frequency times severity analysis is an actuarial method that uses a preliminary projection of ultimate losses to project claims severity. The claims severity times the number of claims is a predictor of ultimate losses. The focus of the frequency times severity analysis is that ultimate losses each period are dependent on the number of claims.

5. **Loss Rate Analysis.** The loss rate analysis is based on the historical loss rates per exposure unit (such as payroll, vehicles or property value). The loss rates (projected ultimate losses divided by exposure units) are trended to reflect the effect of claim cost inflation and retention changes. The trended loss rates represent the rates that one would see if all of the claims had been handled in the claim cost environment that will be present in the upcoming period. The trended loss rate times the projected exposure units is a predictor of losses.

6. **Bornhuetter-Ferguson Method (B-F).** The B-F method is an actuarial method that weights a preliminary projection of ultimate losses with projections of ultimate losses determined by other actuarial methods (usually the developed paid losses and developed reported incurred losses methods). For less mature claim periods, the B-F method leans more heavily to the preliminary projection. It gradually converges to the projections of ultimate losses determined by the other actuarial methods as the claim periods mature.

Actuary

A specialist trained in mathematics, statistics, and finance who is responsible for rate, reserve, and dividend calculations and other statistical studies.

Allocated Loss Adjustment Expenses

Allocated loss adjustment expenses (ALAE) are the direct expenses to settle specific claims. These expenses are primarily legal expenses.

Governmental Accounting Standards Board (GASB) Statement No. 10 requires that ALAE be included in financial statements and that they be calculated by actuarial methods.

American Academy of Actuaries

A society concerned with the development of education in the field of actuarial science and with the enhancement of standards in the actuarial field. Members may use the designation MAAA (Member, American Academy of Actuaries).

Benefits

The financial reimbursement and other services provided insureds by insurers under the terms of an insurance contract. An example would be the benefits listed under a life or health insurance policy or benefits as prescribed by a workers compensation law.

Casualty Actuarial Society

A professional society for actuaries in areas of property and casualty insurance work. This society grants the designation of Associate of the Casualty Actuarial Society (ACAS) and Fellow of the Casualty Actuarial Society (FCAS).

Claim

Demand by an individual or entity to recover for a loss.

Claims Made

A policy written on this basis covers only those claims that are made during the policy period. Coverage for prior acts is provided back to what is known as the retroactive date, which is the effective date of the original claims made policy with the same insurer.

Composite Rate

A single rate with a single basis of premium (e.g., payroll or sales). For this single rate the insured is covered for a variety of hazards, such as premises and operations, completed operations, products liability, and automobile. Its primary value is to compute premium simply.

Confidence Level

A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, an 80% confidence level means that the actuary believes funding will be sufficient in eight years out of ten.

Confidence levels are determined based on mathematical models. Coverages that are low frequency and high severity (such as excess liability) are subject to greater risk than coverages that are high frequency and low severity (such as automobile physical damage). Therefore, they need a greater margin to attain a given confidence level.

Coverage

The scope of the protection provided under a contract of insurance.

Credibility

Credibility is the belief that the sample data is an accurate reflection of the larger population. Credibility is highest when the sample data is large and the standard deviation (discussed later) of the larger population is low.

Dates

There are at least three milestone dates in a claim. They are the date of injury or accident, the date of report and the date of closure. It is best if each of these dates is recorded. Some organizations may also keep the date a claim becomes a lawsuit, as opposed to a demand. Aon recommends this additional level of detail, especially if the data is to be used for litigation management.

Deductible

The portion of an insured loss to be borne by the insured before he is entitled to recovery from the insurer. Deductibles may be expressed as a dollar amount, percentage or waiting period.

Disability

A condition that curtails a person's ability to carry on his normal pursuits. A disability may be partial or total, and temporary or permanent.

Dividend (Policyholder)

The return of part of the premium paid for a policy issued on a participating basis by either a mutual or a stock insurer.

Estimated Outstanding Losses

Estimated outstanding losses are the cost of claims that have occurred but have not yet been paid. They typically include indemnification and allocated loss adjustment expenses (ALAE), but not unallocated loss adjustment expenses (ULAE).

Estimated outstanding losses are calculated as projected ultimate losses less paid losses. Alternatively, they are the sum of case reserves and incurred but not reported (IBNR) claims.

Estimated outstanding losses are usually the largest single item listed as a liability on the balance sheet of a public entity's financial statement. GASB Statement No. 10 requires they be calculated by actuarial methods. Other common names for estimated outstanding losses are outstanding claims liabilities and unpaid claims.

Experience Rating

A method of adjusting the premium for a risk based on past loss experience for that risk compared to loss experience for an average risk.

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Exposure Data

Exposure data refers to the activities of the organization. For example, payroll is the most common exposure measure for workers compensation. Aon suggests collecting exposure data with the following characteristics:

- **Readily Available.** The exposure data should be easily obtained. It is best if it is a byproduct of other activities, although this is not always possible. If getting data is arduous, it may discourage collection.

- **Vary With Losses.** The exposure data should correlate directly with losses. The ideal situation is where exposure and expected losses move in tandem. The exposure base needs to be fitting to the coverage. For example, the number of employees may vary with property losses (more employees = more office space = more losses), but property value is a clearly superior exposure base for property losses.

Generally Accepted Accounting Principles (GAAP)

These principles are intended to produce financial results (in the insurance industry) consistent with those of other industries and to assure consistency in financial reporting.

Incurred But Not Reported

IBNR is really comprised of two distinct items. These are the development of known case reserves (incurred but not enough reported [IBNER] and incurred but not yet reported [IBNYR]).

IBNER are the actuary's estimate of the inadequacy of case reserves. Most claims settle at amounts close to what is set by the claims administrator. Some claims close favorably and some emerge as more expensive. On balance, case reserves tend to be too low (especially for recent years). IBNER is the actuary's estimate of the amount total case reserves will rise upon closure.

IBNYR refers to those claims that have occurred, but have not yet been reported. A classic example is medical malpractice claim reported several years after the medical procedure was performed.

Insurance Services Office (ISO)

An organization of the property and casualty insurance business designed to gather statistics, promulgate rates, and develop policy forms.

Investment Income

The return received by entities from their investment portfolios, including interest, dividends and realized capital gains on stocks. Realized capital gains means the profit realized on assets that have actually been sold for more than their purchase price.

Limited

Most programs purchase excess insurance for catastrophic claims. For example, they may purchase coverage for claims above a $500,000 per occurrence self-insured retention. "Limited" refers to an estimate or projection being limited to the self-insured retention. In contrast, "unlimited" means a loss projection not limited to the self-insured retention.

Other common names for limited are net of excess insurance or capped losses.

Loss Development

The difference between the amount of losses initially estimated by the insurer and the amount reported in an evaluation on a later date. Loss development is typically measured for paid losses, reported incurred losses and claim counts.

Manual Rates

Usually, the published rate for some unit of insurance. An example is in the workers compensation manual, where the rates shown apply to each $100 of the payroll of the insured, $100 being the "unit."

National Council on Compensation Insurance (NCCI)

An association of workers compensation insurance companies whose main functions are collecting statistics and calculating rates, establishing policy wording, developing experience and retrospective rating plans, and serving as the filing organization for member companies.

Net

Many pooling programs assign deductibles to members. For example, each member may have a $5,000 per claim deductible. "Net" refers to a loss estimate or projection that excludes amounts below member deductibles.

Occurrence

An event that results in an insured loss. In some lines of insurance, such as general liability, it is distinguished from accident in that the loss does not have to be sudden and fortuitous and can result from continuous or repeated exposure that results in bodily injury or property damage neither expected nor intended by the insured.

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Pool

An organization of entities through which particular types of risks are written with the premiums, losses, and expenses shared in agreed amounts among the members belonging to the organization.

Premium

The price of insurance protection for a specified risk for a specified period of time.

Present Value

The amount of money that future amounts receivable are currently worth. For example, a Life Insurance policy may provide for payments to be made monthly for ten years. The present value of that money would be less than the total amount of the regular periodic payments for 10 years because of the amount of interest that a present lump sum could earn during the term than the payments otherwise would have been made.

Probability

The probability is the likelihood of an event. It is a measure of how likely a value or event is to occur. It can be measured from data by calculating the number of occurrences of the value or event divided by the total number of occurrences. This calculation can be converted to a percentage. For example, tossing a coin has a 50% probability of heads or tails.

Projected Losses Paid

Projected losses paid are the projected claims disbursements in a period, regardless of when the claim occurred. They typically include indemnification and ALAE, but not unallocated loss adjustment expenses (ULAE).

"Projected losses paid" is a cash-flow analysis that can be used in making investment decisions.

Projected Ultimate Losses

Projected ultimate losses are the accrual value of claims. They are the total amount that is expected to be paid in a particular claim period after all claims are closed. Projected ultimate losses are the total loss costs for a particular period. They typically include indemnification and ALAE, but not ULAE.

Other common names for projected ultimate losses are expected losses, ultimate losses and total losses.

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Rate

The cost of a given unit of insurance. For example, in life insurance, it is the price of $1,000 of the face amount. In property insurance, it is the rate per $100 of value to be insured. The premium is the rate multiplied by the number of units of insurance purchased.

Retrospective Rating

A method for which the final premium is not determined until the end of the coverage period, and is based on the insured's own loss experience for that same period. It is usually subject to a maximum and minimum premium. A plan of this type can be used in various types of insurance, especially workers compensation and liability, and is usually elected by only very large insureds.

Salvage

Property taken over by an entity to reduce its loss. Automobile physical damage losses can be reduced by the sale of recovered vehicles.

Schedule Rating

The application of debits or credits within established ranges for various characteristics of a risk according to an established schedule of items. Under liability and automobile insurance, the schedule rating plan allows credits and debits for various good or bad features of a particular commercial risk. An example in automobile schedule rating would be allowing credits for driver training classes or fleet maintenance programs.

Self-Insurance Retention (SIR)

That portion of a risk or potential loss assumed by an insured. It is often in the form of a per occurrence deductible.

Society of Actuaries (SOA)

A professional society for actuaries in areas of pensions, and life and health insurance work. The SOA grants the designation Associate of the Society of Actuaries (ASA) and Fellow of the Society of Actuaries (FSA).

Standard Premium

Most often used in connection with retrospective rating for Workers Compensation and General Liability Insurance. It is the premium of which the basic premium is a percentage and is developed by applying the regular rates to an insured's payroll.

State Fund

A fund set up by a state government to finance a mandatory insurance system, such as Workers Compensation or non-occupational disability benefits. Such a fund may be monopolistic, i.e., purchasers of the type of insurance required must place it in the state fund; or it may be competitive, i.e., an alternative to private insurance if the purchaser desires to use it.

Statutory Accounting Principles (SAP)

Those principles required by statute that must be followed by an insurance company or other similar entity when submitting its financial statement to the state insurance department. Such principles differ from (GAAP) in some important respects. For one thing SAP requires that expenses must be recorded immediately and cannot be deferred to track with premiums as they are earned and taken into revenue.

Unallocated Loss Adjustment Expenses

Unallocated loss adjustment expenses (ULAE) are the indirect expenses to settle claims. These expenses are primarily administration and claims handling expenses.

GASB Statement No. 10 requires that ULAE be included in financial statements and that they be calculated by actuarial methods.

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Appendix C

Exhibits

The attached exhibits detail our analysis.

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CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-1 (page

Data Summary as of June 30, 2015
Losses Limited to Self-Insured Retention

Claim Period (1)	Specific Self-Insured Retention (2)	Aggregate Retention (3)	Months of Development 6/30/15 (4)	Payroll (000) (5)	Reported Claims 6/30/15 (6)	Open Claims 6/30/15 (7)	Limited Paid Losses 6/30/15 (8)	Limited Case Reserves 6/30/15 (9)	Limited Reported Incurred Losses 6/30/15 (10)
to 1995/96	Unlimited	None	240.0	Not Provided	20,610	90	$142,889,715	$3,728,876	$146,618,591
1996/97	Unlimited	None	228.0	Not Provided	1,052	5	11,585,670	141,269	11,726,939
1997/98	Unlimited	None	216.0	Not Provided	1,042	20	15,088,985	367,480	15,456,465
1998/99	Unlimited	None	204.0	Not Provided	1,025	11	16,079,276	493,506	16,572,782
1999/00	Unlimited	None	192.0	256,973	1,068	18	13,610,530	1,022,538	14,633,067
2000/01	Unlimited	None	180.0	273,627	1,108	16	18,687,842	709,880	19,397,722
2001/02	Unlimited	None	168.0	293,519	1,013	19	21,071,154	1,653,930	22,725,084
2002/03	Unlimited	None	156.0	305,541	922	23	20,586,178	1,054,713	21,640,890
2003/04	Unlimited	None	144.0	307,406	774	26	19,833,529	1,563,024	21,396,553
2004/05	1,000,000	None	132.0	315,491	675	28	15,960,732	2,589,560	18,550,292
2005/06	1,000,000	None	120.0	326,085	748	31	15,170,059	1,849,475	17,019,534
2006/07	1,000,000	None	108.0	354,814	703	26	14,144,762	759,625	14,904,387
2007/08	1,000,000	None	96.0	370,278	702	37	13,280,984	1,798,245	15,079,229
2008/09	750,000	None	84.0	377,769	678	53	15,523,445	1,804,204	17,327,649
2009/10	750,000	None	72.0	338,407	642	60	15,655,385	2,112,524	17,767,909
2010/11	750,000	None	60.0	338,298	649	101	17,049,542	3,454,101	20,503,643
2011/12	750,000	None	48.0	348,514	636	127	16,387,741	5,115,133	21,502,873
2012/13	750,000	None	36.0	355,748	566	136	8,992,907	4,976,845	13,969,752
2013/14	750,000	None	24.0	373,451	618	146	6,551,413	4,690,233	11,241,646
2014/15	750,000	None	12.0	364,737	526	251	2,239,848	4,545,509	6,785,358
Total					35,757	1,224	$420,389,696	$44,430,670	$464,820,367

* The specific self-insured retention changes are as follows:

Effective Date	Retention
Prior	Unlimited
08/02/04	1,000,000
07/01/08	750,000

(8), (9) and (10) are net of the specific self-insured retention and other recoveries.

Data was provided by the City.

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CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-1 (page

Data Summary as of June 30, 2015
Unlimited Losses

Claim Period (1)	Specific Self-Insured Retention (2)	Aggregate Retention (3)	Months of Development 6/30/15 (4)	Payroll (000) (5)	Reported Claims 6/30/15 (6)	Open Claims 6/30/15 (7)	Unlimited Paid Losses 6/30/15 (8)	Unlimited Case Reserves 6/30/15 (9)	Unlimited Reported Incurred Losses 6/30/15 (10)
to 1995/96	Unlimited	None	240.0	Not Provided	20,610	90	$142,889,715	$3,728,876	$146,618,591
1996/97	Unlimited	None	228.0	Not Provided	1,052	5	11,585,670	141,269	11,726,939
1997/98	Unlimited	None	216.0	Not Provided	1,042	20	15,088,985	367,480	15,456,465
1998/99	Unlimited	None	204.0	Not Provided	1,025	11	16,079,276	493,506	16,572,782
1999/00	Unlimited	None	192.0	256,973	1,068	18	13,610,530	1,022,538	14,633,067
2000/01	Unlimited	None	180.0	273,627	1,108	16	18,687,842	709,880	19,397,722
2001/02	Unlimited	None	168.0	293,519	1,013	19	21,071,154	1,653,930	22,725,084
2002/03	Unlimited	None	156.0	305,541	922	23	20,586,178	1,054,713	21,640,890
2003/04	Unlimited	None	144.0	307,406	774	26	19,833,529	1,563,024	21,396,553
2004/05	Unlimited	None	132.0	315,491	675	28	15,960,732	3,286,873	19,247,606
2005/06	Unlimited	None	120.0	326,085	748	31	16,532,133	2,075,095	18,607,229
2006/07	Unlimited	None	108.0	354,814	703	26	14,144,762	759,625	14,904,387
2007/08	Unlimited	None	96.0	370,278	702	37	13,715,800	2,572,788	16,288,588
2008/09	Unlimited	None	84.0	377,769	678	53	18,302,493	2,011,645	20,314,137
2009/10	Unlimited	None	72.0	338,407	642	60	15,655,385	2,112,524	17,767,909
2010/11	Unlimited	None	60.0	338,298	649	101	17,049,542	3,841,748	20,891,290
2011/12	Unlimited	None	48.0	348,514	636	127	16,387,741	5,115,133	21,502,873
2012/13	Unlimited	None	36.0	355,748	566	136	8,992,907	4,976,845	13,969,752
2013/14	Unlimited	None	24.0	373,451	618	146	6,551,413	6,427,577	12,978,991
2014/15	Unlimited	None	12.0	364,737	526	251	2,239,848	4,545,509	6,785,358
Total					35,757	1,224	$424,965,634	$48,460,579	$473,426,213

(8), (9) and (10) are gross of the specific self-insured retention and net of other recoveries.

Data was provided by the City.

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CITY OF OAKLAND
WORKERS' COMPENSATION

Summary of Percent Losses Paid, Losses Reported and Claims Reported

Months of Development (1)	Percent Losses Paid (2)	Percent Losses Reported (3)	Percent Claims Reported (4)	Months of Development (5)	Percent Losses Paid (6)	Percent Losses Reported (7)	Percent Claims Reported (8)
360.0	99.9%	100.0%	100.0%	354.0	99.8%	100.0%	100.0%
348.0	99.8%	100.0%	100.0%	342.0	99.8%	100.0%	100.0%
336.0	99.7%	100.0%	100.0%	330.0	99.7%	100.0%	100.0%
324.0	99.6%	100.0%	100.0%	318.0	99.5%	100.0%	100.0%
312.0	99.4%	100.0%	100.0%	306.0	99.3%	100.0%	100.0%
300.0	99.2%	100.0%	100.0%	294.0	99.0%	100.0%	100.0%
288.0	98.9%	100.0%	100.0%	282.0	98.6%	100.0%	100.0%
276.0	98.4%	100.0%	100.0%	270.0	98.0%	100.0%	100.0%
264.0	97.7%	100.0%	100.0%	258.0	97.2%	100.0%	100.0%
252.0	96.7%	100.0%	100.0%	246.0	96.0%	99.9%	100.0%
240.0	95.2%	99.9%	100.0%	234.0	95.1%	99.8%	100.0%
228.0	94.9%	99.7%	100.0%	222.0	94.8%	99.6%	100.0%
216.0	94.6%	99.5%	100.0%	210.0	94.4%	99.3%	100.0%
204.0	94.3%	99.2%	100.0%	198.0	94.1%	99.1%	100.0%
192.0	93.9%	99.0%	100.0%	186.0	93.6%	98.8%	100.0%
180.0	93.3%	98.6%	100.0%	174.0	93.0%	98.4%	100.0%
168.0	92.6%	98.2%	100.0%	162.0	92.2%	97.9%	100.0%
156.0	91.7%	97.7%	100.0%	150.0	91.1%	97.3%	100.0%
144.0	90.6%	97.0%	100.0%	138.0	89.9%	96.6%	100.0%
132.0	89.2%	96.2%	100.0%	126.0	88.3%	95.7%	100.0%
120.0	87.4%	95.3%	100.0%	114.0	86.3%	94.6%	100.0%
108.0	85.3%	93.9%	100.0%	102.0	84.0%	92.9%	100.0%
96.0	82.8%	92.0%	100.0%	90.0	81.2%	91.0%	100.0%
84.0	79.6%	90.0%	100.0%	78.0	78.0%	88.8%	100.0%
72.0	76.5%	87.6%	100.0%	66.0	74.5%	86.3%	100.0%
60.0	72.5%	85.0%	100.0%	54.0	69.8%	83.6%	100.0%
48.0	67.1%	82.2%	100.0%	42.0	62.5%	79.5%	99.9%
36.0	57.9%	76.8%	99.8%	30.0	50.4%	71.9%	99.5%
24.0	42.9%	67.1%	99.1%	18.0	29.7%	52.2%	95.9%
12.0	16.5%	37.3%	92.6%	6.0	8.2%	18.6%	46.3%

(2) is from Exhibit WC-2 (page 2).

(3) is from Exhibit WC-2 (page 3).

(4) is from Exhibit WC-2 (page 4).

(6), (7) and (8) are interpolated, based on (2), (3) and (4), respectively.

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-2 (page 2)

Historical Limited Paid Losses ($000) and Limited Paid Loss Development

I. Historical Limited Paid Losses ($000)

Claim Period	Months of Development: 12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240
to 1995/96																	$134,906	$136,524	$138,030	$142,890
1996/97												11,208	11,332	11,468	11,512	11,544	11,556	11,563	11,586	
1997/98											13,950	14,063	14,311	14,672	14,823	14,894	14,986	15,089		
1998/99										15,061	15,160	15,422	15,609	15,731	15,864	15,953	16,079			
1999/00									12,690	12,925	13,044	13,155	13,223	13,310	13,517	13,611				
2000/01								17,498	17,835	18,095	18,243	18,384	18,520	18,608	18,688					
2001/02							18,378	18,963	19,678	20,043	20,442	20,700	20,923	21,071						
2002/03						16,745	17,702	18,322	18,692	19,444	19,819	20,358	20,586							
2003/04					15,966	16,776	17,253	18,274	18,603	19,046	19,578	19,834								
2004/05				11,109	12,288	13,255	14,081	14,562	15,529	15,627	15,961									
2005/06			9,239	10,733	11,925	12,719	13,209	13,887	14,276	15,170										
2006/07		7,705	10,428	12,123	12,969	13,467	13,788	14,031	14,145											
2007/08	3,274	6,798	9,061	10,643	11,516	12,147	12,662	13,281												
2008/09	3,500	8,732	11,787	13,716	14,403	14,960	15,523													
2009/10	3,877	9,024	12,032	13,699	15,065	15,655														
2010/11	4,975	10,288	13,545	16,083	17,050															
2011/12	2,977	10,326	14,196	16,388																
2012/13	2,401	6,100	8,993																	
2013/14	2,368	6,551																		
2014/15	2,240																			

II. Limited Paid Loss Development

Claim Period	Months of Development: 12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-Ult
to 1995/96																	1.012	1.011	1.035	
1996/97												1.011	1.012	1.004	1.003	1.001	1.001	1.002		
1997/98											1.008	1.018	1.025	1.010	1.005	1.006	1.007			
1998/99										1.007	1.017	1.012	1.008	1.008	1.006	1.008				
1999/00									1.018	1.009	1.009	1.005	1.007	1.016	1.007					
2000/01								1.019	1.015	1.008	1.008	1.007	1.005	1.004						
2001/02							1.032	1.038	1.019	1.020	1.013	1.011	1.007							
2002/03						1.057	1.035	1.020	1.040	1.019	1.027	1.011								
2003/04					1.051	1.028	1.059	1.018	1.024	1.028	1.013									
2004/05				1.106	1.079	1.062	1.034	1.066	1.006	1.021										
2005/06			1.162	1.111	1.067	1.039	1.051	1.028	1.063											
2006/07		1.353	1.163	1.070	1.038	1.024	1.018	1.008												
2007/08	2.077	1.333	1.175	1.082	1.055	1.042	1.049													
2008/09	2.495	1.350	1.164	1.050	1.039	1.038														
2009/10	2.327	1.333	1.139	1.100	1.039															
2010/11	2.068	1.317	1.187	1.060																
2011/12	3.469	1.375	1.154																	
2012/13	2.541	1.474																		
2013/14	2.767																			
2014/15																				
Average																				
All	2.535	1.362	1.163	1.083	1.052	1.041	1.040	1.028	1.026	1.016	1.014	1.011	1.011	1.008	1.005	1.005	1.006	1.007	1.035	
Wtd 3	2.967	1.375	1.161	1.069	1.043	1.034	1.039	1.035	1.030	1.023	1.018	1.010	1.006	1.009	1.006	1.005	1.011			
Last 3	2.925	1.388	1.160	1.070	1.044	1.035	1.039	1.034	1.031	1.023	1.018	1.010	1.006	1.009	1.006	1.005	1.006			
Last 5	2.545	1.353	1.164	1.071	1.044	1.040	1.045	1.022	1.028	1.020	1.011	1.010	1.007	1.008						
x-hi,low																				
Similar	2.519	1.519	1.265	1.153	1.103	1.075	1.052	1.041	1.027	1.025	1.023	1.020	1.017	1.014	1.012	1.011	1.009	1.008	1.006	1.082
Previous	2.500	1.350	1.160	1.080	1.060	1.045	1.040	1.030	1.025	1.020	1.016	1.013	1.010	1.007	1.006	1.004	1.004	1.004	1.003	1.050
Selected	2.600	1.350	1.160	1.080	1.055	1.041	1.040	1.030	1.025	1.020	1.016	1.012	1.010	1.007	1.006	1.004	1.004	1.004	1.003	1.050
Cumulative	6.066	2.333	1.728	1.490	1.379	1.308	1.256	1.208	1.173	1.144	1.122	1.104	1.091	1.080	1.072	1.065	1.061	1.057	1.053	1.050
Percent	16.5%	42.9%	57.9%	67.1%	72.5%	76.5%	79.6%	82.8%	85.3%	87.4%	89.2%	90.6%	91.7%	92.6%	93.3%	93.9%	94.3%	94.6%	94.9%	95.2%

Amounts are limited (net of excess insurance) and net of other recoveries.

Data was provided by the City.

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-2 (page 3)

Historical Limited Reported Incurred Losses ($000) and Limited Reported Incurred Loss Development

I. Historical Limited Reported Incurred Losses ($000)

Claim Period	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240
	Months of Development:																			
to 1995/96																	$138,641	$139,350	$141,750	$146,619
1996/97												11,845	11,780	11,646	11,745	11,657	11,663	11,731	11,727	
1997/98											14,590	14,461	14,793	15,161	15,201	15,316	15,388	15,456		
1998/99										15,770	15,476	15,969	15,939	16,019	16,240	16,510	16,573			
1999/00									13,576	13,471	13,373	13,488	13,611	13,759	14,566	14,633				
2000/01								18,966	18,601	18,712	18,863	19,194	19,105	19,327	19,398					
2001/02							21,104	20,917	20,801	21,140	21,284	21,293	22,321	22,725						
2002/03						19,806	19,717	20,191	20,328	20,637	20,663	21,445	21,641							
2003/04					18,973	18,991	19,153	19,790	20,472	20,531	21,219	21,397								
2004/05				14,940	14,940	16,266	16,963	17,540	18,362	18,405	18,550									
2005/06			13,636	13,940	14,760	15,366	15,996	16,186	16,806	17,020										
2006/07		12,182	13,503	14,335	14,489	14,947	14,660	14,772	14,904											
2007/08	8,126	10,793	12,889	14,266	14,228	14,126	14,723	15,079												
2008/09	7,312	13,225	16,845	17,497	17,101	17,372	17,328													
2009/10	8,727	15,621	17,474	17,349	17,587	17,768														
2010/11	11,395	17,821	18,656	20,235	20,504															
2011/12	9,353	17,335	19,494	21,503																
2012/13	5,495	10,353	13,970																	
2013/14	5,431	11,242																		
2014/15	6,785																			

II. Limited Reported Incurred Loss Development

Claim Period	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-Ult
	Months of Development:																			
to 1995/96																	1.005	1.017	1.034	
1996/97												0.995	0.989	1.009	0.992	1.001	1.006	1.000		
1997/98											0.991	1.023	1.025	1.003	1.008	1.005	1.004			
1998/99										0.981	1.032	0.998	1.005	1.014	1.017	1.004				
1999/00									0.992	0.993	1.009	1.009	1.011	1.059	1.005					
2000/01								0.981	1.006	1.008	1.018	0.995	1.012	1.004						
2001/02							0.991	0.994	1.016	1.007	1.000	1.048	1.018							
2002/03						0.996	1.024	1.007	1.015	1.001	1.038	1.009								
2003/04					1.001	1.009	1.033	1.034	1.003	1.034	1.008									
2004/05				1.000	1.089	1.043	1.034	1.047	1.002	1.008										
2005/06			1.022	1.059	1.041	1.041	1.012	1.038	1.013											
2006/07		1.108	1.062	1.011	1.032	0.981	1.008	1.009												
2007/08	1.328	1.194	1.107	0.997	0.993	1.042	1.024													
2008/09	1.809	1.274	1.039	0.977	1.016	0.997														
2009/10	1.790	1.119	0.993	1.014	1.010															
2010/11	1.564	1.047	1.085	1.013																
2011/12	1.853	1.125	1.103																	
2012/13	1.884	1.349																		
2013/14	2.070																			
2014/15																				
Average																				
All	1.757	1.174	1.059	1.010	1.026	1.015	1.018	1.016	1.007	1.005	1.014	1.011	1.010	1.017	1.005	1.003	1.005	1.008	1.034	
Wtd 3	1.920	1.145	1.062	1.002	1.007	1.006	1.015	1.032	1.006	1.014	1.015	1.018	1.014	1.022	1.010	1.003	1.005			
Last 3	1.936	1.174	1.060	1.001	1.006	1.007	1.015	1.031	1.006	1.014	1.016	1.018	1.014	1.025	1.010	1.003	1.005			
Last 5	1.842	1.172	1.075	1.007	1.019	1.027	1.023	1.027	1.010	1.008	1.012	1.005	1.014	1.009						
x-hi,low																				
Similar	1.604	1.255	1.135	1.086	1.063	1.054	1.038	1.031	1.024	1.017	1.013	1.011	1.009	1.008	1.009	1.007	1.007	1.008	1.004	1.051
Previous	1.700	1.145	1.060	1.040	1.038	1.035	1.023	1.020	1.015	1.010	1.008	1.007	1.005	1.004	1.004	1.003	1.002	1.002	1.002	1.001
Selected	1.800	1.145	1.070	1.035	1.030	1.027	1.023	1.020	1.015	1.010	1.008	1.007	1.005	1.004	1.004	1.003	1.002	1.002	1.002	1.001
Cumulative	2.684	1.491	1.302	1.217	1.176	1.142	1.112	1.087	1.065	1.050	1.039	1.031	1.024	1.018	1.014	1.011	1.008	1.005	1.003	1.001
Percent	37.3%	67.1%	76.8%	82.2%	85.0%	87.6%	90.0%	92.0%	93.9%	95.3%	96.2%	97.0%	97.7%	98.2%	98.6%	99.0%	99.2%	99.5%	99.7%	99.9%

Amounts are limited (net of excess insurance) and net of other recoveries.

Data was provided by the City.

CITY OF OAKLAND
WORKERS' COMPENSATION

Historical Reported Claims and Reported Claim Development

I. Historical Reported Claims

Months of Development:

Claim Period	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240
to 1995/96																	20,605	20,607	20,608	20,610
1996/97												1,051	1,051	1,051	1,051	1,051	1,052	1,051	1,052	
1997/98											1,041	1,042	1,042	1,042	1,042	1,042	1,042	1,042		
1998/99										1,024	1,024	1,024	1,024	1,025	1,025	1,025	1,025			
1999/00									1,068	1,068	1,068	1,067	1,067	1,068	1,067	1,068				
2000/01								1,106	1,107	1,107	1,106	1,107	1,108	1,107	1,108					
2001/02							1,009	1,010	1,012	1,006	1,006	1,013	1,006	1,013						
2002/03						918	919	920	918	919	922	919	922							
2003/04					771	771	771	767	769	774	769	774								
2004/05				670	672	674	671	671	674	672	675									
2005/06			740	742	747	740	740	748	740	748										
2006/07		696	701	703	700	700	703	700	703											
2007/08	669	702	702	694	694	702	694	702												
2008/09	637	674	672	673	677	674	678													
2009/10	605	615	618	642	619	642														
2010/11	576	615	645	625	649															
2011/12	548	629	593	636																
2012/13	515	560	566																	
2013/14	587	618																		
2014/15	526																			

II. Reported Claim Development

Months of Development:

Claim Period	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-Ult
to 1995/96																	1.000	1.000	1.000	
1996/97												1.000	1.000	1.000	1.000	1.001	0.999	1.001		
1997/98											1.001	1.000	1.000	1.000	1.000	1.000	1.000			
1998/99										1.000	1.000	1.000	1.001	1.000	1.000	1.000				
1999/00									1.000	1.000	0.999	1.000	1.001	0.999	1.001					
2000/01								1.001	1.000	0.999	1.001	1.001	0.999	1.001						
2001/02							1.001	1.002	0.994	1.000	1.007	0.993	1.007							
2002/03						1.001	1.001	0.998	1.001	1.003	0.997	1.003								
2003/04					1.000	1.000	0.995	1.003	1.007	0.994	1.007									
2004/05				1.003	1.003	0.996	1.000	1.004	0.997	1.004										
2005/06			1.003	1.007	0.991	1.000	1.011	0.989	1.011											
2006/07		1.007	1.003	0.996	1.000	1.004	0.996	1.004												
2007/08	1.049	1.000	0.989	1.000	1.012	0.989	1.012													
2008/09	1.058	0.997	1.001	1.006	0.996	1.006														
2009/10	1.017	1.005	1.039	0.964	1.037															
2010/11	1.068	1.049	0.969	1.038																
2011/12	1.148	0.943	1.073																	
2012/13	1.087	1.011																		
2013/14	1.053																			
2014/15																				
Average																				
All	1.069	1.002	1.011	1.002	1.005	0.999	1.002	1.000	1.001	1.000	1.002	1.000	1.001	1.000	1.000	1.000	1.000	1.001	1.000	
Wtd 3	1.095	1.000	1.025	1.003	1.014	1.000	1.006	0.999	1.005	1.000	1.003	0.999	1.002	1.000	1.000	1.000	1.000			
Last 3	1.096	1.001	1.027	1.003	1.015	1.000	1.006	0.999	1.005	1.000	1.003	0.999	1.002	1.000	1.000	1.000	1.000			
Last 5	1.069	1.004	1.010	1.001	1.002	1.000	1.002	1.002	1.002	1.001	1.002	1.000	1.001	1.000						
x-hi,low																				
Similar	1.076	1.006	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Previous	1.070	1.005	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.070	1.007	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	1.080	1.009	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Percent	92.6%	99.1%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data was provided by the City.

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-2 (page 5)

Historical Ratio of Limited Paid Losses and Limited Reported Incurred Losses

Claim Period	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240
			Months of Development:																	
to 1995/96																	97.3%	98.0%	97.4%	97.5%
1996/97												94.6%	96.2%	98.5%	98.0%	99.0%	99.1%	98.6%	98.8%	
1997/98											95.6%	97.2%	96.7%	96.8%	97.5%	97.2%	97.4%	97.6%		
1998/99										95.5%	98.0%	96.6%	97.9%	98.2%	97.7%	96.6%	97.0%			
1999/00									93.5%	95.9%	97.5%	97.5%	97.1%	96.7%	92.8%	93.0%				
2000/01								92.3%	95.9%	96.7%	96.7%	95.8%	96.9%	96.3%	96.3%					
2001/02							87.1%	90.7%	94.6%	94.8%	96.0%	97.2%	93.7%	92.7%						
2002/03						84.5%	89.8%	90.7%	92.0%	94.2%	95.9%	94.9%	95.1%							
2003/04					84.1%	88.3%	90.1%	92.3%	90.9%	92.8%	92.3%	92.7%								
2004/05				74.4%	82.2%	81.5%	83.0%	83.0%	84.6%	84.9%	86.0%									
2005/06			67.8%	77.0%	80.8%	82.8%	82.6%	85.8%	84.9%	89.1%										
2006/07		63.2%	77.2%	84.6%	89.5%	90.1%	94.1%	95.0%	94.9%											
2007/08	40.3%	63.0%	70.3%	74.6%	80.9%	86.0%	86.0%	88.1%												
2008/09	47.9%	66.0%	70.0%	78.4%	84.2%	86.1%	89.6%													
2009/10	44.4%	57.8%	68.9%	79.0%	85.7%	88.1%														
2010/11	43.7%	57.7%	72.6%	79.5%	83.2%															
2011/12	31.8%	59.6%	72.8%	76.2%																
2012/13	43.7%	58.9%	64.4%																	
2013/14	43.6%	58.3%																		
2014/15	33.0%																			
Average																				
All	41.0%	60.6%	70.5%	77.9%	83.8%	85.9%	87.8%	89.7%	91.4%	93.0%	94.8%	95.8%	96.3%	96.5%	96.5%	96.5%	97.7%	98.1%	98.1%	97.5%
Last 3	40.1%	58.9%	69.9%	78.2%	84.3%	86.7%	89.9%	89.6%	88.1%	88.9%	91.4%	94.9%	95.3%	95.2%	95.6%	95.6%	97.8%	98.1%		
Last 5	40.1%	58.3%	70.5%	77.9%	84.3%	86.7%	86.2%	88.7%	89.3%	92.0%	94.7%	96.0%	96.4%	96.6%	97.2%					
x-hi,low																				
Implicit	44.2%	63.9%	75.4%	81.7%	85.2%	87.3%	88.5%	90.0%	90.9%	91.8%	92.7%	93.4%	93.9%	94.3%	94.6%	94.8%	95.0%	95.1%	95.2%	95.3%

CITY OF OAKLAND
WORKERS' COMPENSATION

Developed Limited Paid Losses

Claim Period (1)	Months of Development 6/30/15 (2)	Limited Paid Losses 6/30/15 (3)	Percent Losses Paid (4)	Developed Limited Paid Losses (3)/(4) (5)
to 1995/96	240.0	$142,889,715	95.2%	$150,034,201
1996/97	228.0	11,585,670	94.9%	12,204,489
1997/98	216.0	15,088,985	94.6%	15,950,557
1998/99	204.0	16,079,276	94.3%	17,059,009
1999/00	192.0	13,610,530	93.9%	14,501,807
2000/01	180.0	18,687,842	93.3%	20,026,916
2001/02	168.0	21,071,154	92.6%	22,749,415
2002/03	156.0	20,586,178	91.7%	22,453,579
2003/04	144.0	19,833,529	90.6%	21,892,248
2004/05	132.0	15,960,732	89.2%	17,900,752
2005/06	120.0	15,170,059	87.4%	17,210,272 *
2006/07	108.0	14,144,762	85.3%	16,585,866
2007/08	96.0	13,280,984	82.8%	15,832,449 *
2008/09	84.0	15,523,445	79.6%	19,306,448 *
2009/10	72.0	15,655,385	76.5%	20,470,458
2010/11	60.0	17,049,542	72.5%	23,519,547
2011/12	48.0	16,387,741	67.1%	24,415,133
2012/13	36.0	8,992,907	57.9%	15,541,685
2013/14	24.0	6,551,413	42.9%	14,656,050 *
2014/15	12.0	2,239,848	16.5%	13,587,005

* - Indicates large claim(s) limited to retention. For details, see Exhibit WC-15.

(3) is from Exhibit WC-1.

(4) is from Exhibit WC-2.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-4

Developed Limited Reported Incurred Losses

Claim Period (1)	Months of Development 6/30/15 (2)	Limited Reported Incurred Losses 6/30/15 (3)	Percent Losses Reported (4)	Developed Limited Reported Incurred Losses (3)/(4) (5)
to 1995/96	240.0	$146,618,591	99.9%	$146,765,209
1996/97	228.0	11,726,939	99.7%	11,766,215
1997/98	216.0	15,456,465	99.5%	15,539,247
1998/99	204.0	16,572,782	99.2%	16,702,756
1999/00	192.0	14,633,067	99.0%	14,787,399
2000/01	180.0	19,397,722	98.6%	19,672,629
2001/02	168.0	22,725,084	98.2%	23,141,831
2002/03	156.0	21,640,890	97.7%	22,157,021
2003/04	144.0	21,396,553	97.0%	22,060,205
2004/05	132.0	18,550,292	96.2%	19,239,403 *
2005/06	120.0	17,019,534	95.3%	17,765,367 *
2006/07	108.0	14,904,387	93.9%	15,879,169
2007/08	96.0	15,079,229	92.0%	16,213,335 *
2008/09	84.0	17,327,649	90.0%	19,179,451 *
2009/10	72.0	17,767,909	87.6%	20,285,992
2010/11	60.0	20,503,643	85.0%	23,979,739 *
2011/12	48.0	21,502,873	82.2%	26,171,824
2012/13	36.0	13,969,752	76.8%	18,193,237
2013/14	24.0	11,241,646	67.1%	16,394,814 *
2014/15	12.0	6,785,358	37.3%	18,212,603

* - Indicates large claim(s) limited to retention. For details, see Exhibit WC-15.

(3) is from Exhibit WC-1.

(4) is from Exhibit WC-2.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Developed Limited Case Reserves

Exhibit WC-5

Claim Period (1)	Months of Development 6/30/15 (2)	Percent Losses Paid (3)	Percent Losses Reported (4)	Percent Losses Reserved 6/30/15 [(4)-(3)]/ [100.0%-(3)] (5)	Limited Paid Losses 6/30/15 (6)	Limited Case Reserves 6/30/15 (7)	Developed Limited Case Reserves (6)+(7)/(5) (8)
to 1995/96	240.0	95.2%	99.9%	97.9%	$142,889,715	$3,728,876	$146,698,495
1996/97	228.0	94.9%	99.7%	93.4%	11,585,670	141,269	11,736,895
1997/98	216.0	94.6%	99.5%	90.1%	15,088,985	367,480	15,496,674
1998/99	204.0	94.3%	99.2%	86.5%	16,079,276	493,506	16,650,128
1999/00	192.0	93.9%	99.0%	83.0%	13,610,530	1,022,538	14,842,227
2000/01	180.0	93.3%	98.6%	79.1%	18,687,842	709,880	19,585,281
2001/02	168.0	92.6%	98.2%	75.6%	21,071,154	1,653,930	23,259,210
2002/03	156.0	91.7%	97.7%	72.0%	20,586,178	1,054,713	22,051,238
2003/04	144.0	90.6%	97.0%	68.0%	19,833,529	1,563,024	22,131,780
2004/05	132.0	89.2%	96.2%	65.1%	15,960,732	2,589,560	19,643,432 *
2005/06	120.0	87.4%	95.3%	62.4%	15,170,059	1,849,475	17,929,229 *
2006/07	108.0	85.3%	93.9%	58.3%	14,144,762	759,625	15,447,926
2007/08	96.0	82.8%	92.0%	53.6%	13,280,984	1,798,245	16,240,111 *
2008/09	84.0	79.6%	90.0%	50.7%	15,523,445	1,804,204	19,081,185
2009/10	72.0	76.5%	87.6%	47.2%	15,655,385	2,112,524	20,128,359
2010/11	60.0	72.5%	85.0%	45.6%	17,049,542	3,454,101	24,098,650 *
2011/12	48.0	67.1%	82.2%	45.7%	16,387,741	5,115,133	27,570,501
2012/13	36.0	57.9%	76.8%	44.9%	8,992,907	4,976,845	19,834,023 *
2013/14	24.0	42.9%	67.1%	42.4%	6,551,413	4,690,233	17,409,190 *
2014/15	12.0	16.5%	37.3%	24.9%	2,239,848	4,545,509	20,516,014

* - Indicates large claim(s) limited to retention. For details, see Exhibit WC-15.

(3) and (4) are from Exhibit WC-2.

(6) and (7) are from Exhibit WC-1.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Preliminary Projected Ultimate Limited Losses to 2014/15

Claim Period (1)	Developed Limited Paid Losses (2)	Developed Limited Reported Incurred Losses (3)	Developed Limited Case Reserves (4)	Preliminary Projected Ultimate Limited Losses (5)
to 1995/96	$150,034,201	$146,765,209	$146,698,495	$146,991,478
1996/97	12,204,489	11,766,215	11,736,895	11,741,066
1997/98	15,950,557	15,539,247	15,496,674	15,496,674
1998/99	17,059,009	16,702,756	16,650,128	16,650,128
1999/00	14,501,807	14,787,399	14,842,227	14,842,227
2000/01	20,026,916	19,672,629	19,585,281	19,585,281
2001/02	22,749,415	23,141,831	23,259,210	23,259,210
2002/03	22,453,579	22,157,021	22,051,238	22,051,238
2003/04	21,892,248	22,060,205	22,131,780	22,131,780
2004/05	17,900,752	19,239,403	19,643,432	19,643,432
2005/06	17,210,272	17,765,367	17,929,229	17,929,229
2006/07	16,585,866	15,879,169	15,447,926	15,447,926
2007/08	15,832,449	16,213,335	16,240,111	16,237,433
2008/09	19,306,448	19,179,451	19,081,185	19,100,838
2009/10	20,470,458	20,285,992	20,128,359	20,175,649
2010/11	23,519,547	23,979,739	24,098,650	24,051,086
2011/12	24,415,133	26,171,824	27,570,501	26,695,493
2012/13	15,541,685	18,193,237	19,834,023	18,319,241
2013/14	14,656,050	16,394,814	17,409,190	16,452,811
2014/15	13,587,005	18,212,603	20,516,014	18,208,848

(2) is from Exhibit WC-3.

(3) is from Exhibit WC-4.

(4) is from Exhibit WC-5.

(5) is based on (2) to (4) and actuarial judgment.

AON

Bornhuetter - Ferguson Analysis

I. A-priori Loss Rate

Claim Period (1)	Preliminary Projected Ultimate Limited Losses (2)	Payroll (000) (3)	Limited Loss Rate per $100 of Payroll (2)/(3)/10 (4)	Loss Rate Trend (2015/16 = 1.000) (5)	Trended Limited Loss Rate per $100 of Payroll (4)X(5) (6)	Projected A-priori Loss Rate per $100 of Payroll (7)/(5) (8)
2005/06	$17,929,229	$326,085	$5.50	1.420	$7.81	$4.66
2006/07	15,447,926	354,814	4.35	1.369	5.96	4.83
2007/08	16,237,433	370,278	4.39	1.302	5.71	5.08
2008/09	19,100,838	377,769	5.06	1.267	6.41	5.22
2009/10	20,175,649	338,407	5.96	1.222	7.29	5.41
2010/11	24,051,086	338,298	7.11	1.186	8.43	5.58
2011/12	26,695,493	348,514	7.66	1.151	8.81	5.75
2012/13	18,319,241	355,748	5.15	1.138	5.86	5.81
2013/14	16,452,811	373,451	4.41	1.095	4.83	6.04
2014/15	18,208,848	364,737	4.99	1.032	5.15	6.41

(7) Projected 2015/16 a-priori loss rate per $100 of Payroll $6.62

II. Bornhuetter - Ferguson Analysis Based on Limited Paid Losses

Claim Period (1)	Limited Paid Losses 6/30/15 (2)	Percent Losses Paid (3)	Projected A-priori Loss Rate per $100 of Payroll (4)	Payroll (000) (5)	B-F Unpaid Losses [100.0%-(3)] X(4)X(5)X10 (6)	B-F Ultimate Limited Paid Losses (2)+(6) (7)
2010/11	$17,049,542	72.5%	$5.58	$338,298	$5,192,782	$22,242,324
2011/12	16,387,741	67.1%	5.75	348,514	6,588,913	22,976,654
2012/13	8,992,907	57.9%	5.81	355,748	8,714,720	17,707,627
2013/14	6,551,413	42.9%	6.04	373,451	12,890,104	19,441,517
2014/15	2,239,848	16.5%	6.41	364,737	19,528,742	21,768,590

III. Bornhuetter - Ferguson Analysis Based on Limited Reported Incurred Losses

Claim Period (1)	Limited Reported Incurred Losses 6/30/15 (2)	Percent Losses Reported (3)	Projected A-priori Loss Rate per $100 of Payroll (4)	Payroll (000) (5)	B-F Unreported Losses [100.0%-(3)] X(4)X(5)X10 (6)	B-F Ultimate Limited Reported Losses (2)+(6) (7)
2010/11	$20,503,643	85.0%	$5.58	$338,298	$2,824,697	$23,328,340
2011/12	21,502,873	82.2%	5.75	348,514	3,575,063	25,077,936
2012/13	13,969,752	76.8%	5.81	355,748	4,801,227	18,770,979
2013/14	11,241,646	67.1%	6.04	373,451	7,430,740	18,672,387
2014/15	6,785,358	37.3%	6.41	364,737	14,671,701	21,457,059

Section I, (2) is from Exhibit WC-6.

Section I, (3), Section II, (5) and Section III, (5) are from Exhibit WC-10.

Section I, (5) is from Exhibit WC-14 and adjusted for change in retention.

Section I, (7) is based on Section I, (6) and actuarial judgment.

Sections II and III, (2) are from Exhibit WC-1.

Sections II and III, (3) are from Exhibit WC-2.

Sections II and III, (4) are from Section I, (8).

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-8

Frequency Times Severity Analysis

I. Projected Ultimate Claims

Claim Period (1)	Months of Development 6/30/15 (2)	Reported Claims 6/30/15 (3)	Percent Claims Reported (4)	Projected Ultimate Claims (3)/(4) (5)	Payroll (000) (6)	Frequency (per $1M of Payroll) (5)/(6)X1,000 (7)
2005/06	120.0	748	100.0%	748	$326,085	2.29
2006/07	108.0	703	100.0%	703	354,814	1.98
2007/08	96.0	702	100.0%	702	370,278	1.90
2008/09	84.0	678	100.0%	678	377,769	1.79
2009/10	72.0	642	100.0%	642	338,407	1.90
2010/11	60.0	649	100.0%	649	338,298	1.92
2011/12	48.0	636	100.0%	636	348,514	1.82
2012/13	36.0	566	99.8%	567	355,748	1.59
2013/14	24.0	618	99.1%	624	373,451	1.67
2014/15	12.0	526	92.6%	568	364,737	1.56

II. Frequency Times Severity

Claim Period (1)	Preliminary Projected Ultimate Limited Losses (2)	Projected Ultimate Claims (3)	Average Severity (2)/(3) (4)	Severity Trend (2015/16 = 1.000) (5)	Trended Average Claim Severity (4)X(5) (6)	De-Trended Projected 2015/16 Average Claim Severity (7)/(5) (8)	Frequency Times Severity (3)X(8) (9)
2005/06	$17,929,229	748	$23,970	1.908	$45,741	$22,031	$16,478,980
2006/07	15,447,926	703	21,974	1.786	39,246	23,539	16,547,824
2007/08	16,237,433	702	23,130	1.649	38,141	25,496	17,897,903
2008/09	19,100,838	678	28,172	1.559	43,915	26,970	18,285,479
2009/10	20,175,649	642	31,426	1.459	45,855	28,812	18,497,499
2010/11	24,051,086	649	37,059	1.375	50,944	30,582	19,847,934
2011/12	26,695,493	636	41,974	1.295	54,361	32,461	20,645,180
2012/13	18,319,241	567	32,309	1.244	40,182	33,804	19,166,888
2013/14	16,452,811	624	26,367	1.162	30,639	36,179	22,575,438
2014/15	18,208,848	568	32,058	1.063	34,078	39,548	22,463,351

(7) Projected 2015/16 average claim severity $42,041

Section I, (3) is from Exhibit WC-1.

Section I, (4) is from Exhibit WC-2.

Section I, (6) is from Exhibit WC-10.

Section II, (2) is from Exhibit WC-6.

Section II, (3) is from Section I, (5).

Section II, (5) is from Exhibit WC-14 and adjusted for change in retention.

Section II, (7) is based on (6) and actuarial judgment.

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-9

Projected Ultimate Limited Losses to 2014/15

Claim Period (1)	Developed Limited Paid Losses (2)	Developed Limited Reported Incurred Losses (3)	Developed Limited Case Reserves (4)	B-F Ultimate Limited Paid Losses (5)	B-F Ultimate Limited Reported Losses (6)	Frequency Times Severity (7)	Projected Ultimate Limited Losses (8)
to 1995/96	$150,034,201	$146,765,209	$146,698,495				$146,991,478
1996/97	12,204,489	11,766,215	11,736,895				11,741,066
1997/98	15,950,557	15,539,247	15,496,674				15,497,000
1998/99	17,059,009	16,702,756	16,650,128				16,650,000
1999/00	14,501,807	14,787,399	14,842,227				14,842,000
2000/01	20,026,916	19,672,629	19,585,281				19,585,000
2001/02	22,749,415	23,141,831	23,259,210				23,259,000
2002/03	22,453,579	22,157,021	22,051,238				22,051,000
2003/04	21,892,248	22,060,205	22,131,780				22,132,000
2004/05	17,900,752	19,239,403	19,643,432				19,643,000
2005/06	17,210,272	17,765,367	17,929,229				17,929,000
2006/07	16,585,866	15,879,169	15,447,926				15,448,000
2007/08	15,832,449	16,213,335	16,240,111				16,237,000
2008/09	19,306,448	19,179,451	19,081,185				19,101,000
2009/10	20,470,458	20,285,992	20,128,359				20,176,000
2010/11	23,519,547	23,979,739	24,098,650	22,242,324	23,328,340	19,847,934	24,051,000
2011/12	24,415,133	26,171,824	27,570,501	22,976,654	25,077,936	20,645,180	26,127,000
2012/13	15,541,685	18,193,237	19,834,023	17,707,627	18,770,979	19,166,888	18,164,000
2013/14	14,656,050	16,394,814	17,409,190	19,441,517	18,672,387	22,575,438	17,495,000
2014/15	13,587,005	18,212,603	20,516,014	21,768,590	21,457,059	22,463,351	19,996,000

(2) is from Exhibit WC-3.

(3) is from Exhibit WC-4.

(4) is from Exhibit WC-5.

(5) and (6) are from Exhibit WC-7.

(7) is from Exhibit WC-8.

(8) is based on (2) to (7) and actuarial judgment.

CITY OF OAKLAND
WORKERS' COMPENSATION

Projected Ultimate Limited Losses for 2015/16 and Subsequent

Claim Period (1)	Projected Ultimate Limited Losses (2)	Payroll (000) (3)	Limited Loss Rate per $100 of Payroll (2)/(3)/10 (4)	Loss Rate Trend (2015/16 = 1.000) (5)	Trended Limited Loss Rate per $100 of Payroll (4)X(5) (6)
2005/06	$17,929,000	$326,085	$5.50	1.420	$7.81
2006/07	15,448,000	354,814	4.35	1.369	5.96
2007/08	16,237,000	370,278	4.39	1.302	5.71
2008/09	19,101,000	377,769	5.06	1.267	6.41
2009/10	20,176,000	338,407	5.96	1.222	7.29
2010/11	24,051,000	338,298	7.11	1.186	8.43
2011/12	26,127,000	348,514	7.50	1.151	8.63
2012/13	18,164,000	355,748	5.11	1.138	5.81
2013/14	17,495,000	373,451	4.68	1.095	5.13
2014/15	19,996,000	364,737	5.48	1.032	5.66
Total	$194,724,000	$3,548,100	$5.49		$6.68

Claim Period (1)	Projected Limited Loss Rate per $100 of Payroll (7)	Projected Payroll (000) (8)	Projected Ultimate Limited Losses (7)X(8)X10 (9)	Present Value Factor (10)	Present Value of Projected Limited Loss Rate per $100 of Payroll (7)X(10) (11)	Present Value of Projected Ultimate Limited Losses (8)X(11)X10 (12)
2015/16	$6.73	$368,384	$24,798,000	0.90	$6.06	$22,322,000
2016/17	6.93	372,068	25,797,000	0.90	6.24	23,221,000

(2) is from Exhibit WC-9.

(3) was provided by the City.

(5) is from Exhibit WC-14 and adjusted for change in retention.

(7) for 2015/16 is based on (6) and actuarial judgment.

(7) for 2016/17 and subsequent are based on 2015/16 plus the trend in Exhibit WC-14.

(8) is based on (3) for 2014/15 and a 1% trend.

(10) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-11

Estimated Outstanding Losses as of June 30, 2015

Claim Period (1)	Limited Paid Losses 6/30/15 (2)	Limited Case Reserves 6/30/15 (3)	Limited Reported Incurred Losses 6/30/15 (4)	Projected Ultimate Limited Losses (5)	Estimated IBNR 6/30/15 (5)-(4) (6)	Estimated Outstanding Losses 6/30/15 (3)+(6) (7)	Present Value Factor (8)	Present Value of Estimated Outstanding Losses 6/30/15 (7)X(8) (9)
to 1995/96	$142,889,715	$3,728,876	$146,618,591	$146,991,478	$372,888	$4,101,764	0.94	$3,857,660
1996/97	11,585,670	141,269	11,726,939	11,741,066	14,127	155,396	0.92	143,265
1997/98	15,088,985	367,480	15,456,465	15,497,000	40,535	408,015	0.90	369,253
1998/99	16,079,276	493,506	16,572,782	16,650,000	77,218	570,724	0.89	507,551
1999/00	13,610,530	1,022,538	14,633,067	14,842,000	208,933	1,231,471	0.88	1,078,359
2000/01	18,687,842	709,880	19,397,722	19,585,000	187,278	897,158	0.87	776,324
2001/02	21,071,154	1,653,930	22,725,084	23,259,000	533,916	2,187,846	0.86	1,876,948
2002/03	20,586,178	1,054,713	21,640,890	22,051,000	410,110	1,464,823	0.85	1,251,376
2003/04	19,833,529	1,563,024	21,396,553	22,132,000	735,447	2,298,471	0.85	1,957,248
2004/05	15,960,732	2,589,560	18,550,292	19,643,000	1,092,708	3,682,268	0.85	3,136,554
2005/06	15,170,059	1,849,475	17,019,534	17,929,000	909,466	2,758,941	0.85	2,353,450
2006/07	14,144,762	759,625	14,904,387	15,448,000	543,613	1,303,238	0.85	1,114,211
2007/08	13,280,984	1,798,245	15,079,229	16,237,000	1,157,771	2,956,016	0.86	2,531,714
2008/09	15,523,445	1,804,204	17,327,649	19,101,000	1,773,351	3,577,555	0.86	3,074,903
2009/10	15,655,385	2,112,524	17,767,909	20,176,000	2,408,091	4,520,615	0.86	3,881,119
2010/11	17,049,542	3,454,101	20,503,643	24,051,000	3,547,357	7,001,458	0.86	6,017,501
2011/12	16,387,741	5,115,133	21,502,873	26,127,000	4,624,127	9,739,260	0.86	8,404,721
2012/13	8,992,907	4,976,845	13,969,752	18,164,000	4,194,248	9,171,093	0.87	8,016,114
2013/14	6,551,413	4,690,233	11,241,646	17,495,000	6,253,354	10,943,587	0.89	9,720,840
2014/15	2,239,848	4,545,509	6,785,358	19,996,000	13,210,642	17,756,151	0.90	16,067,897
Total	$420,389,696	$44,430,670	$464,820,367	$507,115,545	$42,295,180	$86,725,850		$76,137,008

(2), (3) and (4) are net of specific self insured retention and aggregate retention.

(5) is from Exhibit WC-9.

(8) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-44

Projected Losses Paid July 1, 2015 to June 30, 2016

Claim Period (1)	Months of Development 6/30/15 (2)	Percent Losses Paid (3)	Months of Development 6/30/16 (4)	Percent Losses Paid (5)	Percent Outstanding Losses Paid 7/1/15 to 6/30/16 [(5)-(3)]/[100.0%-(3)] (6)	Estimated Outstanding Losses 6/30/15 (7)	Projected Losses Paid (6)X(7) (8)	Estimated Outstanding Losses 6/30/16 (7)-(8) (9)	Present Value Factor (10)	Present Value of Estimated Outstanding Losses 6/30/16 (9)X(10) (11)
to 1995/96	240.0	95.2%	252.0	96.7%	30.0%	$4,101,764	$1,230,529	$2,871,235	0.94	$2,705,780
1996/97	228.0	94.9%	240.0	95.2%	6.1%	155,396	9,455	145,941	0.94	137,256
1997/98	216.0	94.6%	228.0	94.9%	6.1%	408,015	25,010	383,005	0.92	353,106
1998/99	204.0	94.3%	216.0	94.6%	5.9%	570,724	33,954	536,770	0.90	485,776
1999/00	192.0	93.9%	204.0	94.3%	6.6%	1,231,471	80,704	1,150,767	0.89	1,023,389
2000/01	180.0	93.3%	192.0	93.9%	8.1%	897,158	72,509	824,649	0.88	722,118
2001/02	168.0	92.6%	180.0	93.3%	9.4%	2,187,846	204,867	1,982,979	0.87	1,715,900
2002/03	156.0	91.7%	168.0	92.6%	11.3%	1,464,823	165,484	1,299,339	0.86	1,114,700
2003/04	144.0	90.6%	156.0	91.7%	11.6%	2,298,471	265,719	2,032,752	0.85	1,736,549
2004/05	132.0	89.2%	144.0	90.6%	13.2%	3,682,268	487,148	3,195,120	0.85	2,720,783
2005/06	120.0	87.4%	132.0	89.2%	13.9%	2,758,941	383,238	2,375,703	0.85	2,023,622
2006/07	108.0	85.3%	120.0	87.4%	14.5%	1,303,238	188,787	1,114,451	0.85	950,656
2007/08	96.0	82.8%	108.0	85.3%	14.4%	2,956,016	426,846	2,529,170	0.85	2,162,329
2008/09	84.0	79.6%	96.0	82.8%	15.6%	3,577,555	558,845	3,018,710	0.86	2,585,409
2009/10	72.0	76.5%	84.0	79.6%	13.3%	4,520,615	602,618	3,917,997	0.86	3,367,512
2010/11	60.0	72.5%	72.0	76.5%	14.5%	7,001,458	1,014,750	5,986,708	0.86	5,139,815
2011/12	48.0	67.1%	60.0	72.5%	16.3%	9,739,260	1,590,598	8,148,662	0.86	7,003,481
2012/13	36.0	57.9%	48.0	67.1%	22.0%	9,171,093	2,015,027	7,156,066	0.86	6,175,493
2013/14	24.0	42.9%	36.0	57.9%	26.3%	10,943,587	2,873,213	8,070,374	0.87	7,054,016
2014/15	12.0	16.5%	24.0	42.9%	31.6%	17,756,151	5,607,902	12,148,249	0.89	10,790,903
2015/16	0.0	0.0%	12.0	16.5%	16.5%	24,798,000	4,088,006	20,709,994	0.90	18,740,888
Total						$111,523,850	$21,925,209	$89,598,641		$78,709,481

(3) and (5) are from Exhibit WC-2.

(7) to 2014/15 is from Exhibit WC-11. The amount for 2015/16 is from Exhibit WC-10.

(10) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.

CITY OF OAKLAND
WORKERS' COMPENSATION

Projected Losses Paid July 1, 2016 to June 30, 2017

Claim Period (1)	Months of Development 6/30/16 (2)	Percent Losses Paid (3)	Months of Development 6/30/17 (4)	Percent Losses Paid (5)	Percent Outstanding Losses Paid 7/1/16 to 6/30/17 [(5)-(3)]/[100.0%-(3)] (6)	Estimated Outstanding Losses 6/30/16 (7)	Projected Losses Paid (6)X(7) (8)	Estimated Outstanding Losses 6/30/17 (7)-(8) (9)	Present Value Factor (10)	Present Value of Estimated Outstanding Losses 6/30/17 (9)X(10) (11)
to 1995/96	252.0	96.7%	264.0	97.7%	30.0%	$2,871,235	$861,371	$2,009,864	0.94	$1,898,904
1996/97	240.0	95.2%	252.0	96.7%	30.0%	145,941	43,782	102,159	0.94	96,272
1997/98	228.0	94.9%	240.0	95.2%	6.1%	383,005	23,305	359,700	0.94	338,294
1998/99	216.0	94.6%	228.0	94.9%	6.1%	536,770	32,902	503,868	0.92	464,534
1999/00	204.0	94.3%	216.0	94.6%	5.9%	1,150,767	68,463	1,082,304	0.90	979,484
2000/01	192.0	93.9%	204.0	94.3%	6.6%	824,649	54,043	770,606	0.89	685,308
2001/02	180.0	93.3%	192.0	93.9%	8.1%	1,982,979	160,266	1,822,713	0.88	1,596,091
2002/03	168.0	92.6%	180.0	93.3%	9.4%	1,299,339	121,669	1,177,670	0.87	1,019,055
2003/04	156.0	91.7%	168.0	92.6%	11.3%	2,032,752	229,644	1,803,108	0.86	1,546,882
2004/05	144.0	90.6%	156.0	91.7%	11.6%	3,195,120	369,378	2,825,742	0.85	2,413,988
2005/06	132.0	89.2%	144.0	90.6%	13.2%	2,375,703	314,295	2,061,408	0.85	1,755,378
2006/07	120.0	87.4%	132.0	89.2%	13.9%	1,114,451	154,806	959,645	0.85	817,425
2007/08	108.0	85.3%	120.0	87.4%	14.5%	2,529,170	366,376	2,162,794	0.85	1,844,921
2008/09	96.0	82.8%	108.0	85.3%	14.4%	3,018,710	435,899	2,582,811	0.85	2,208,189
2009/10	84.0	79.6%	96.0	82.8%	15.6%	3,917,997	612,025	3,305,972	0.86	2,831,438
2010/11	72.0	76.5%	84.0	79.6%	13.3%	5,986,708	798,055	5,188,653	0.86	4,459,639
2011/12	60.0	72.5%	72.0	76.5%	14.5%	8,148,662	1,181,019	6,967,643	0.86	5,981,985
2012/13	48.0	67.1%	60.0	72.5%	16.3%	7,156,066	1,168,716	5,987,350	0.86	5,145,912
2013/14	36.0	57.9%	48.0	67.1%	22.0%	8,070,374	1,773,183	6,297,191	0.86	5,434,307
2014/15	24.0	42.9%	36.0	57.9%	26.3%	12,148,249	3,189,494	8,958,755	0.87	7,830,518
2015/16	12.0	16.5%	24.0	42.9%	31.6%	20,709,994	6,540,810	14,169,184	0.89	12,586,035
2016/17	0.0	0.0%	12.0	16.5%	16.5%	25,797,000	4,252,694	21,544,306	0.90	19,495,874
Total						$115,395,641	$22,752,195	$92,643,446		$81,430,433

(3) and (5) are from Exhibit WC-2.

(7) to 2015/16 is from Exhibit WC-12, (9). The amount for 2016/17 is from Exhibit WC-10.

(10) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.

CITY OF OAKLAND
WORKERS' COMPENSATION

Loss Rate and Severity Trend

I. Benefit Level Changes

Effecitive Date (1)	Benefit Level Change (2)	Cumulative Benefit Level Change (3)
01/01/06	0.965	0.965
01/01/07	1.006	0.971
02/15/07	1.011	0.981
01/01/08	1.022	1.003
01/01/09	1.013	1.016
01/01/10	1.001	1.017
01/01/12	1.001	1.018
01/01/13	0.962	0.979
01/01/14	1.058	1.036
01/01/15	1.004	1.040

II. Loss Rate and Severity Trend

Claim Period (1)	Benefit Trend (2015/16 = 1.000) (2)	Residual Trend (2015/16 = 1.000) (3)	Retention Index (2015/16 = 1.000) (4)	Loss Rate Trend (2015/16 = 1.000) (2)X(3)X(4) (5)	Wage Trend (2015/16 = 1.000) (6)	Severity Trend (2015/16 = 1.000) (5)X(6) (7)
2005/06	1.078	1.344	0.980	1.420	1.344	1.908
2006/07	1.071	1.305	0.980	1.369	1.305	1.786
2007/08	1.049	1.267	0.980	1.302	1.267	1.649
2008/09	1.031	1.230	1.000	1.267	1.230	1.559
2009/10	1.023	1.194	1.000	1.222	1.194	1.459
2010/11	1.023	1.159	1.000	1.186	1.159	1.375
2011/12	1.022	1.126	1.000	1.151	1.126	1.295
2012/13	1.042	1.093	1.000	1.138	1.093	1.244
2013/14	1.032	1.061	1.000	1.095	1.061	1.162
2014/15	1.002	1.030	1.000	1.032	1.030	1.063
2015/16	1.000	1.000	1.000	1.000	1.000	1.000
2016/17	1.000	0.971	1.000	0.971	0.971	0.943

Section I, (2) and (3) reflect NCCI data.

Section II, (2) is based on Section I, (2).

Section II, (3) is based on 3% trend per actuarial judgment.

Section II, (4) is based on industry statistics and actuarial judgment.

Section II, (6) is based on 3% trend.

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-47

List of Large Claims
Reported Incurred Losses Greater Than $500,000

Claim Number (1)	Date of Loss (2)	Claim Period (3)	Specific Self-Insured Retention (4)	Unlimited Paid Losses 6/30/15 (5)	Unlimited Case Reserves 6/30/15 (6)	Unlimited Reported Incurred Losses 6/30/15 (7)
0000190143	12/27/1972	to 1995/96	Unlimited	$722,941	$0	$722,941
0000190774	1/19/1974	to 1995/96	Unlimited	613,638	36	613,673
0000190326	8/1/1974	to 1995/96	Unlimited	771,240	0	771,240
0000190147	7/4/1975	to 1995/96	Unlimited	3,541,366	851,199	4,392,565
0000190244	10/3/1975	to 1995/96	Unlimited	542,435	0	542,435
0000191607	3/11/1977	to 1995/96	Unlimited	2,904,822	0	2,904,822
0000190910	12/5/1977	to 1995/96	Unlimited	913,798	0	913,798
0000190513	10/19/1978	to 1995/96	Unlimited	925,345	0	925,345
0001305216	4/11/1983	to 1995/96	Unlimited	800,100	0	800,100
0001305402	1/3/1984	to 1995/96	Unlimited	583,002	0	583,002
0001305712	1/26/1984	to 1995/96	Unlimited	567,073	0	567,073
0008600690	7/16/1986	to 1995/96	Unlimited	560,893	0	560,893
0087580347	2/24/1987	to 1995/96	Unlimited	655,530	98,080	753,610
0088580879	7/1/1988	to 1995/96	Unlimited	628,550	0	628,550
0088580941	10/6/1988	to 1995/96	Unlimited	612,393	0	612,393
0090000792	8/23/1990	to 1995/96	Unlimited	463,059	167,833	630,892
0091000967	10/20/1991	to 1995/96	Unlimited	615,883	0	615,883
0091001095	10/20/1991	to 1995/96	Unlimited	539,332	55,416	594,748
0094630112	8/1/1994	to 1995/96	Unlimited	1,409,190	0	1,409,190
0095630121	1/11/1995	to 1995/96	Unlimited	536,279	62,186	598,465
0096630131	8/15/1995	to 1995/96	Unlimited	620,719	296,689	917,408
0096630617	3/1/1996	to 1995/96	Unlimited	541,404	0	541,404
0097630604	7/10/1997	1997/98	Unlimited	469,793	60,767	530,559
0059620316	3/26/1999	1998/99	Unlimited	506,947	0	506,947
0059620442	5/4/1999	1998/99	Unlimited	542,489	77,060	619,549
0056200017	1/3/2000	1999/00	Unlimited	532,316	476,870	1,009,186
0056210086	1/24/2001	2000/01	Unlimited	531,819	0	531,819
0056210681	7/19/2001	2001/02	Unlimited	555,676	0	555,676
0108004322	8/23/2001	2001/02	Unlimited	472,787	445,231	918,018
0109002741	9/21/2001	2001/02	Unlimited	731,455	0	731,455
0204001439	4/6/2002	2001/02	Unlimited	765,784	248,826	1,014,610
0206001880	6/1/2002	2001/02	Unlimited	417,131	97,531	514,662
0208004522	8/3/2002	2002/03	Unlimited	1,457,560	5,739	1,463,299
0208003005	8/11/2002	2002/03	Unlimited	752,443	0	752,443
0209003498	9/27/2002	2002/03	Unlimited	522,933	122,505	645,438
0210003933	10/3/2002	2002/03	Unlimited	592,449	91,166	683,615
0211004343	11/23/2002	2002/03	Unlimited	793,387	285,685	1,079,072
0401000424	1/13/2004	2003/04	Unlimited	584,135	0	584,135
0405001211	5/14/2004	2003/04	Unlimited	399,242	315,761	715,003
0408001992	8/17/2004	2004/05	1,000,000	379,510	178,603	558,113
0509002575	12/3/2004	2004/05	1,000,000	568,961	1,128,352 *	1,697,313 *
0501000048	1/12/2005	2004/05	1,000,000	472,553	132,524	605,076
0603000428	3/5/2005	2004/05	1,000,000	443,419	256,906	700,326
0506001414	6/23/2005	2004/05	1,000,000	553,583	331,221 *	884,804
0507002799	7/1/2005	2005/06	1,000,000	660,985	564,635 *	1,225,620 *
0510002729	10/18/2005	2005/06	1,000,000	370,081	259,269	629,350
0601000103	1/21/2006	2005/06	1,000,000	2,362,074 *	0	2,362,074 *
0602003173	2/28/2006	2005/06	1,000,000	404,298	96,068	500,365
0701000110	1/20/2007	2006/07	1,000,000	504,355	6,755	511,110
0708001974	8/17/2007	2007/08	1,000,000	1,434,816 *	505,431	1,940,247 *
0708002337	8/27/2007	2007/08	1,000,000	543,564	725,548 *	1,269,112 *
0802000349	2/22/2008	2007/08	1,000,000	342,808	168,586	511,393
0903000603 et al	3/21/2009	2008/09	750,000	3,529,048 *	207,441	3,736,489 *
1003000505	3/19/2010	2009/10	750,000	552,189	57,814	610,003
1008001619	8/6/2010	2010/11	750,000	309,773	827,874 *	1,137,647 *
1008001950	8/31/2010	2010/11	750,000	507,641	61,690	569,331
121100167	11/14/2012	2012/13	750,000	199,762	355,551 *	555,313
140600108	6/24/2014	2013/14	750,000	591,060 *	1,896,285 *	2,487,344 *

Amounts are gross of excess insurance and net of other recoveries.

The claim(s) indicated by a '*' have been limited in development.

(1) through (7) were provided by the City.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-16

Size of Loss Distribution

I. Reported Claim Count

Layer (1)	Prior (2)	2010/11 (3)	2011/12 (4)	2012/13 (5)	2013/14 (6)	2014/15 (7)	Total (2)...(7) (8)	Non-Zero Claim Cumulative Total (9)	Non-Zero Claim Cumulative % of Total (10)
0	2,566	35	36	13	28	41	2,719		
0.01 - 5,000	23,917	374	387	365	420	272	25,735	25,735	77.9%
5,000 - 10,000	1,591	37	25	24	31	105	1,813	27,548	83.4%
10,000 - 25,000	1,592	46	26	48	37	51	1,800	29,348	88.8%
25,000 - 50,000	1,133	43	33	26	35	23	1,293	30,641	92.7%
50,000 - 100,000	917	38	40	36	33	12	1,076	31,717	96.0%
100,000 - 250,000	815	62	76	51	30	21	1,055	32,772	99.2%
250,000 - 500,000	177	12	13	2	3	1	208	32,980	99.8%
500,000 - 750,000	32	1	0	1	0	0	34	33,014	99.9%
750,000 - 1,000,000	9	0	0	0	0	0	9	33,023	100.0%
Over 1,000,000	13	1	0	0	1	0	15	33,038	100.0%
Total	32,762	649	636	566	618	526	35,757	33,038	

II. Total Reported Incurred Losses

Layer (1)	Prior (2)	2010/11 (3)	2011/12 (4)	2012/13 (5)	2013/14 (6)	2014/15 (7)	Total (2)...(7) (8)	Non-Zero Claim Cumulative Total (9)	Non-Zero Claim Cumulative % of Total (10)
0	-$3,102	$0	$0	$0	$0	$0	-$3,102		
0.01 - 5,000	19,871,817	369,033	442,703	399,494	466,147	400,065	21,949,260	21,949,260	4.6%
5,000 - 10,000	11,139,671	277,003	167,206	167,469	213,492	758,552	12,723,391	34,672,651	7.3%
10,000 - 25,000	25,690,665	778,017	424,336	792,733	612,637	754,002	29,052,391	63,725,042	13.5%
25,000 - 50,000	40,549,543	1,448,042	1,165,592	907,812	1,230,751	806,711	46,108,451	109,833,494	23.2%
50,000 - 100,000	64,541,067	2,784,181	2,652,608	2,522,119	2,262,892	863,480	75,626,348	185,459,841	39.2%
100,000 - 250,000	123,798,580	10,099,181	12,430,437	8,064,860	4,740,423	2,925,545	162,059,025	347,518,866	73.4%
250,000 - 500,000	59,512,393	3,428,856	4,219,990	559,951	965,305	277,004	68,963,498	416,482,364	88.0%
500,000 - 750,000	19,056,949	569,331	0	555,313	0	0	20,181,593	436,663,957	92.2%
750,000 - 1,000,000	7,636,767	0	0	0	0	0	7,636,767	444,300,724	93.8%
Over 1,000,000	25,503,600	1,137,647	0	0	2,487,344	0	29,128,591	473,429,315	100.0%
Total	$397,297,950	$20,891,290	$21,502,873	$13,969,752	$12,978,991	$6,785,358	$473,426,213	$473,429,315	

Amounts are gross of excess insurance and net of other recoveries.

Data was provided by the City.

AON

CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-17

Loss Distribution by Type

I. Claim Counts and Incurred Losses

	Reported Claims 6/30/15			Unlimited Reported Incurred Losses 6/30/15				
					Claims w/ Indemnity			
Claim Period (1)	Medical Only (2)	Claims w/ Indemnity (3)	Total (2)...(3) (4)	Medical Only (5)	Indemnity (6)	Medical (7)	Expense (8)	Total (5)...(8) (9)
2005/06	303	445	748	$163,577	$11,833,607	$5,560,521	$1,153,355	$18,711,060
2006/07	263	440	703	154,360	9,582,345	4,297,490	989,909	15,024,104
2007/08	288	414	702	115,900	10,074,048	5,175,368	1,106,404	16,471,720
2008/09	266	412	678	117,368	13,822,505	5,317,520	1,330,441	20,587,834
2009/10	244	398	642	119,529	11,073,289	5,580,104	1,280,879	18,053,802
2010/11	227	422	649	144,349	13,074,852	6,311,452	1,389,504	20,920,157
2011/12	278	358	636	199,751	13,440,852	6,240,819	1,660,155	21,541,576
2012/13	243	323	566	179,792	8,127,768	4,198,164	1,465,744	13,971,468
2013/14	322	296	618	281,851	7,897,353	3,714,821	1,084,965	12,978,991
2014/15	283	243	526	795,141	3,433,319	1,833,292	725,907	6,787,659
Total	2,717	3,751	6,468	$2,271,619	$102,359,937	$48,229,550	$12,187,264	$165,048,370

II. Percentages

	Reported Claims 6/30/15			Unlimited Reported Incurred Losses 6/30/15				
					Claims w/ Indemnity			
Claim Period (1)	Medical Only (2)/(4) (10)	Claims w/ Indemnity (3)/(4) (11)	Total (10)...(11) (12)	Medical Only (5)/(9) (13)	Indemnity (6)/(9) (14)	Medical (7)/(9) (15)	Expense (8)/(9) (16)	Total (13)...(16) (17)
2005/06	40.5%	59.5%	100.0%	0.9%	63.2%	29.7%	6.2%	100.0%
2006/07	37.4%	62.6%	100.0%	1.0%	63.8%	28.6%	6.6%	100.0%
2007/08	41.0%	59.0%	100.0%	0.7%	61.2%	31.4%	6.7%	100.0%
2008/09	39.2%	60.8%	100.0%	0.6%	67.1%	25.8%	6.5%	100.0%
2009/10	38.0%	62.0%	100.0%	0.7%	61.3%	30.9%	7.1%	100.0%
2010/11	35.0%	65.0%	100.0%	0.7%	62.5%	30.2%	6.6%	100.0%
2011/12	43.7%	56.3%	100.0%	0.9%	62.4%	29.0%	7.7%	100.0%
2012/13	42.9%	57.1%	100.0%	1.3%	58.2%	30.0%	10.5%	100.0%
2013/14	52.1%	47.9%	100.0%	2.2%	60.8%	28.6%	8.4%	100.0%
2014/15	53.8%	46.2%	100.0%	11.7%	50.6%	27.0%	10.7%	100.0%
Total	42.0%	58.0%	100.0%	1.4%	62.0%	29.2%	7.4%	100.0%

Data was provided by the City and is gross of recoveries. Medical Only includes claims with claim type of FA, IO or MO.