



**PUBLIC ENTITY
RISK MANAGEMENT AUTHORITY**



**ANNUAL REPORT
2016**

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

ANNUAL REPORT 2016

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ABOUT PERMA

The Public Entity Risk Management Authority (PERMA) was created in 1985 for the purpose of jointly funding programs of insurance. PERMA is a risk retention pool with 32 members, consisting of 22 cities, 3 transit agencies, and 7 special districts.

PERMA is governed by a Board of Directors, which consists of one representative from each member agency. The Board meets three times a year.

The Board elects an Executive Committee, which meets in between Board meetings to supervise and conduct PERMA affairs. The day-to-day business of PERMA is handled by a full-time staff headed by a General Manager.

Coverage programs available to PERMA members:

General Liability. The General Liability Program provides defense and indemnity coverage against claims and suits arising from covered occurrences. It provides \$50 million in broad form general liability coverage, which includes auto liability, bodily injury and property damage, personal injury, and public officials errors and omissions. Members select from a self-insured retention (SIR) of \$0, \$5,000, \$10,000, \$25,000, \$50,000, \$75,000, \$100,000, \$125,000, \$250,000, or \$500,000.

Cyber Liability. This new program provides coverage for information security & privacy liability, privacy notification costs, regulatory defense & penalties, website media content liability, cyber extortion, first party data protection & business interruption losses.

Workers' Compensation. The Workers' Compensation program provides statutory benefits for employee injuries arising out of and in the course of employment. It provides statutory limits in workers' compensation coverage and \$5,000,000 in employers' liability coverage. Members select from a self-insured retention (SIR) of \$50,000, \$100,000, \$150,000, \$200,000, or \$250,000.

Property. The Property program is a fully insured program providing all-risk replacement cost coverage. Automobile physical damage coverage is also available on a replacement cost basis.

Employment Practices Liability. The EPL program provides members coverage for employment related lawsuits, such as wrongful termination and discrimination, through participation in the Employment Risk Management Authority (ERMA). ERMA provides \$1 million in employment practices liability coverage. Additional limits in EPL coverage is provided by CSAC-EIA.

Crime Coverage. This program provides public employee dishonesty, forgery or alteration, and computer fraud coverage with a \$1,000,000 limit of insurance.

Special Events. The Special Events program is a fully insured program allowing members of the public to purchase Liability Insurance at a substantially reduced cost for functions (such as weddings, parades, meetings) held on member premises.

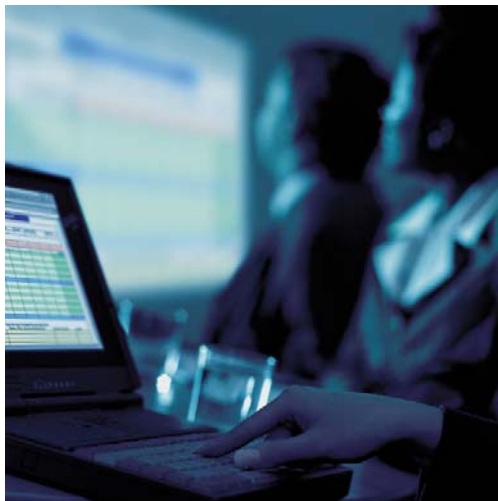
Employee Benefits. The Employee Benefits program is a fully insured program providing a wide range of health and welfare benefits and services.

PROGRAM PARTICIPATION

Year Joined	Member	Liability	Cyber	W/C	Property	APD	ERMA	Crime
1985-86	City of Barstow	X	X	X	X	X	X	X
1985-86	City of Perris	X	X	X	X	X	X	X
1985-86	City of Westmorland	X	X	X	X	X		X
1986-87	City of Banning	X	X	X	X	X	X	X
1986-87	City of Blythe	X	X	X	X	X		X
1986-87	City of Cathedral City	X		X			X	
1986-87	City of Coachella	X	X	X	X	X	X	X
1986-87	City of Desert Hot Springs	X	X	X	X	X	X	X
1986-87	City of Holtville	X	X	X	X	X	X	X
1986-87	City of Norco	X	X	X	X			
1986-87	City of Rancho Mirage	X	X	X	X	X		X
1986-87	City of San Jacinto	X	X	X	X	X		X
1986-87	City of Stanton	X	X	X	X	X	X	X
1986-87	SunLine Transit Agency	X	X	X	X	X	X	X
1991-92	City of Murrieta	X	X	X	X		X	X
1993-94	City of Adelanto	X	X	X	X	X	X	X
1996-97	March JPA	X	X		X	X		X
1996-97	MD&MIWMA	X	X					
1996-97	VVEDA	X	X					
1996-97	VVTA	X	X		X	X	X	X
1997-98	Palo Verde Valley Transit	X	X		X	X		
1997-98	City of Victorville	X		X			X	
2002-03	IVECA	X	X		X			
2002-03	City of La Mesa	X	X	X	X	X	X	X
2005-06	Palm Springs Aerial Tramway	X	X		X	X	X	X
2009-10	City of Moreno Valley	X	X		X	X		X
2010-11	City of Hesperia	X	X	X	X	X	X	X
2010-11	ICTC	X	X			X	X	
2010-11	City of Eastvale	X	X		X	X	X	X
2011-12	City of Canyon Lake	X	X		X	X	X	X
2011-12	City of Jurupa Valley	X	X		X	X	X	X
2013-14	Regional Training Center	X	X				X	X
	Total	32	30	19	26	24	21	24

MEMBER SERVICES

- ▶ **Actuarial Services** — Members of the Liability and Workers' Compensation programs are provided with estimated outstanding liabilities and funding rates within their selected self-insured retention at no additional cost.
- ▶ **WeTip** — WeTip is a nonprofit organization that takes anonymous crime tips nationwide. This is an optional participation program offered at a discounted fee. 10 members participate in this program and 636 tips were reported this year for a total to date of 12,802.
- ▶ **Special Events/SPARTA** — Event holders and contractors can apply directly on-line or call a toll free number to obtain quotes. Premium payments are paid directly to the program administrator, relieving the Member from the administrative process. 23 special events policies were issued this year, compared to 35 last year. No SPARTA policies were issued this year, compared to one last year.
- ▶ **On-Site Training** — PERMA members may be reimbursed for 75% of the actual expenses which they incur for the training of their employees and staff on risk management matters, to a maximum of \$3,000 per program year. This year, 8 members were reimbursed a total of \$12,753. Last year, 5 members were reimbursed a total of \$8,067.
- ▶ **Workshops** — Live workshops and webinars, such as Tow Vehicle Safety, Ergonomics and Back Safety, Heat Illness Prevention and Hazardous Communication Training, Traffic Control and Flagging, Workplace Violence Prevention and Active Shooter Response, Creating Great Workplace Environments (AB 1825 compliant), and Defensive Driving Training were well attended by the membership.
- ▶ **Agility Recovery** — Members have access to industry-leading disaster planning tools and resources by subscribing to this service. Agility provides access to four key elements of recovery: power generators, office space, technology, and satellite connectivity for phone and Internet access.



MEMBER SERVICES

- ▶ **Risk Control Services** — PERMA contracts with Bickmore Risk Services for risk control services, which include on-site training and consulting, webinars, streaming videos, sample programs and development, safety communications, and telephone hotline.
- ▶ **Claims Administration** — PERMA provides in-house claims administration under the Liability program and a TPA of choice option under the Workers' Compensation program. On-line access is available.

15-16 Claims	GL	W/C	14-15 Claims	GL	W/C
Received	424	274	Received	394	288
Closed	401	252	Closed	342	268
Open @ 6/30	332	540	Open @ 6/30	309	518

- ▶ **Claim Audits** — Claim audits for the Liability and Workers' Compensation programs are conducted on a biannual basis.
- ▶ **Subrogation** — 111 claims were submitted for recovery this year, compared to 79 last year. Staff recovered on 81 of the claims to date for a total of \$221,564, compared to last year's recovery of \$159,634. Since 1996, staff has recovered \$1,366,144 on behalf of the members.
- ▶ **Small Claims Court Appearances** — 4 appearances were made this year, resulting in 3 defense awards and 1 compromised settlement. Last year, 7 appearances were made, resulting in 6 defense awards and 1 plaintiff award.
- ▶ **Lexipol Policy Manuals** — 6 out of 8 members with police departments subscribe to the Lexipol law enforcement policy manual. Additionally, 1 member subscribes to the Lexipol custody policy manual and another member subscribes to the fire policy manual.
- ▶ **PERMA Website** — The PERMA website is the central location for obtaining information regarding governance, programs, services, and meetings.





CAJPA ACCREDITATION

PERMA has been *accredited with excellence* by the California Association of Joint Powers Authorities (CAJPA) since 1997. CAJPA sponsors the nation's first risk management accreditation program. This program establishes a model of professional standards, which serves as a guidelines for all risk management pools regardless of size, scope of operation, or membership structure.

CAJPA was formed in 1981. The pooling concept for insurance purposes was relatively new and fairly obscure. JPAs ventured alone in uncharted waters as they wrestled new and perplexing problems.

CAJPA was formed to meet the need for communication and cooperation among the newly formed JPAs. Its founders structured an association that serves as an information and educational network; one that has grown to also promote unique insurance and risk management concepts and services for its members.

Only 54 out of an estimated 150 risk management joint powers authorities have been accredited with excellence by the California Association of Joint Powers Authorities (CAJPA).



It is the purpose of this organization to give professional recognition to properly qualified self-insurance pools.

THEREFORE, the Board of Directors of the California Association of Joint Powers Authorities, has conferred upon

Public Entity Risk Management Authority *this*

CERTIFICATE OF ACCREDITATION WITH EXCELLENCE


having fulfilled the conditions of eligibility as prescribed by the Association for Accreditation.



Accreditation Period: February 28, 2015 – November 28, 2018


Andy Sells
President


Michael Fleming
Chairman, Accreditation Committee


James P. Marta
Accreditation Program Manager

GOVERNING BODY

BOARD OF DIRECTORS

PERMA is governed by a Board of Directors, which consists of one director and at least one alternate from each agency. Each member agency, regardless of size, is afforded one vote.

Member Agency	Director	Alternate
Adelanto	Larry Jarvis	-
Banning	Rita Chapparosa	-
Barstow	Ava Reyes	-
Blythe	Mallory Crecelius	Christa Elms
Canyon Lake	Aaron Palmer	Kirsten Rowe
Cathedral City	Tami Scott	Sylvia Zelnys
Coachella	Bill Pattison	Sandy Krause
Desert Hot Springs	Joe Tanner	Pamela Meuse
Eastvale	Angelica Zepeda	-
Hesperia	Brian Johnson	Rita Perez
Holtville	Denise Garcia	Hector Orozco
ICTC	Mark Baza	Michelle Bastidas
IVECA	Rodolfo Aguayo	-
Jurupa Valley	Gary Thompson	Alan Kreimeier
La Mesa	Rida Freeman	Nedra Johnson
March Joint Powers Authority	Matthew Schenk	-
MD&MIWMA	John Davis	-
Moreno Valley	Terrie Stevens	Bridgette Montgomery
Murrieta	Cynthia Perez	Dr. Kimberly Foxworth
Norco	Andy Okoro	Myrna Paakkonen
Palm Springs Aerial Tramway	Marjorie De La Cruz	Tara Meinke
Palo Verde Valley Transit Agency	George Colangeli	Dale Reynolds
Perris	Isabel Carlos	Saida Amozgar
Rancho Mirage	Britt Wilson	-
San Jacinto	Tim Hults	Carolyn Durden
SD Regional Training Center	Michael Gray	Marisa McCullough
Stanton	Cynthia Guzman	Stephen Parker
SunLine Transit Agency	Eric Taylor	Ramon Aguiar
VVEDA	Keith Metzler	Sophie Smith
Victor Valley Transit Authority	Kevin Kane	-
Victorville	Charles Buquet	-
Westmorland	Sally Traylor	-

GOVERNING BODY

EXECUTIVE COMMITTEE

The Executive Committee, which meets monthly, is elected from the Board. There are seven members on the Executive Committee: President, Vice-President and five Members-at-Large. The Executive Committee consists of the following Board members as of June 2016:

President

Chuck Buquet, *City of Victorville*

Vice-President

Kevin Kane, *Victor Valley Transit Authority*

Members-at-Large

Saida Amozgar, *City of Perris*

Rita Chapparosa, *City of Banning*

Myrna Paakkonen, *City of Norco*

Marjorie De La Cruz, *Palm Springs Aerial Tramway*

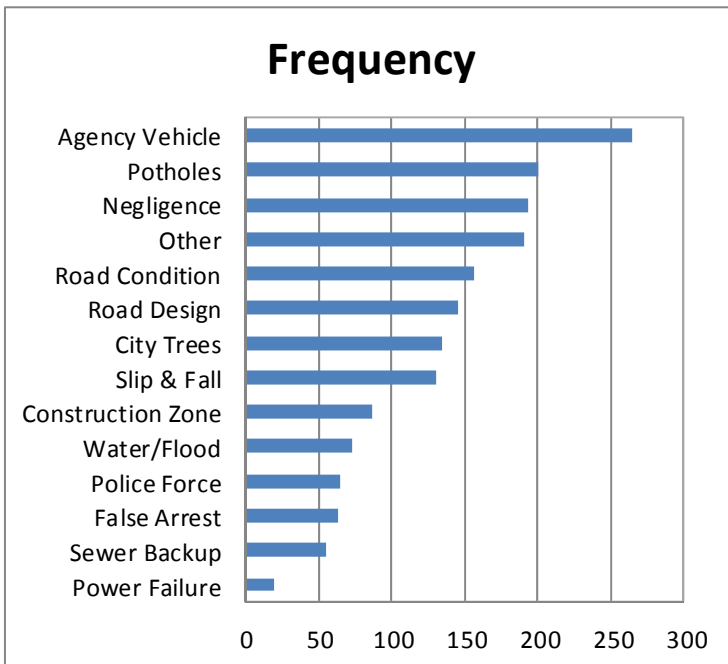
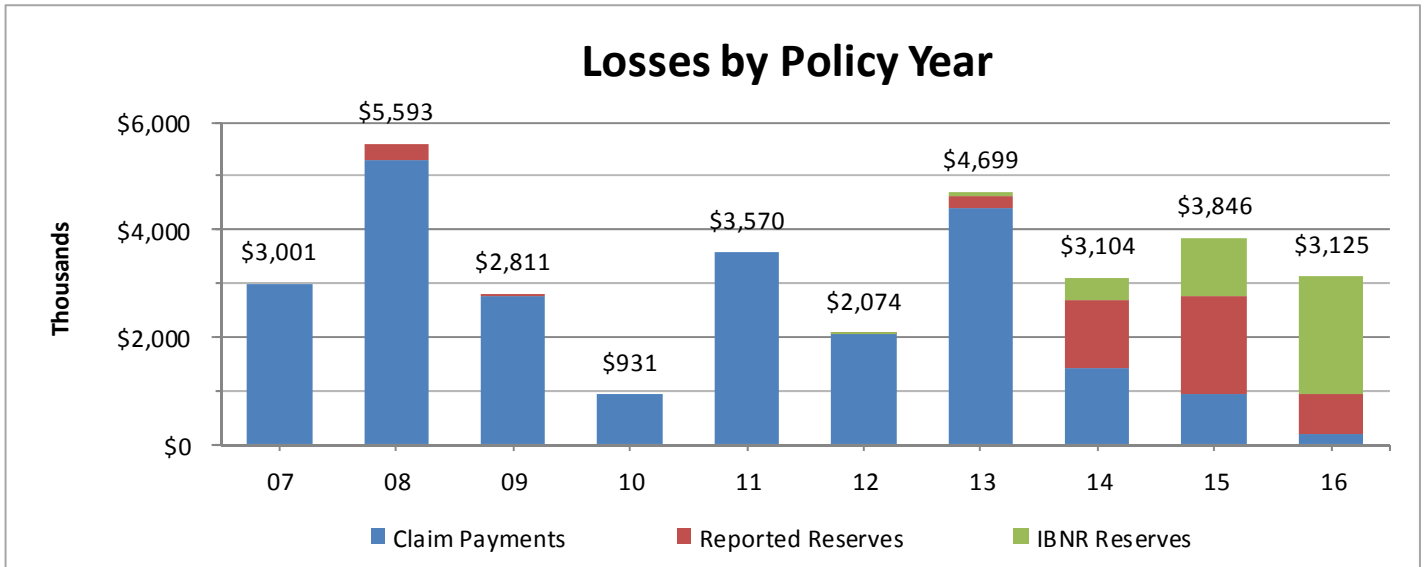
Joe Tanner, *City of Desert Hot Springs*

MISSION STATEMENT

The Public Entity Risk Management Authority (PERMA) is a member-directed pool dedicated to providing financially secure, stable, and cost effective coverage programs and risk management services for its members.

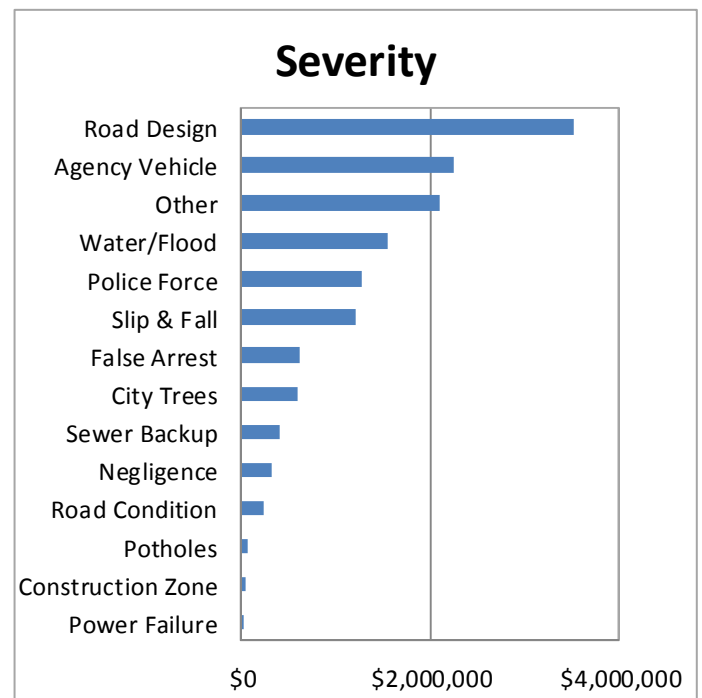
GENERAL LIABILITY PROGRAM

The General Liability program provides defense and indemnity coverage against claims and suits arising from covered occurrences. For the 2015-16 policy year, the limit of coverage is \$50,000,000 per occurrence, with self-insured retentions (SIRs) ranging from \$0 to \$250,000. All member entities participate in this program, generating \$5.2 million in deposit premium.



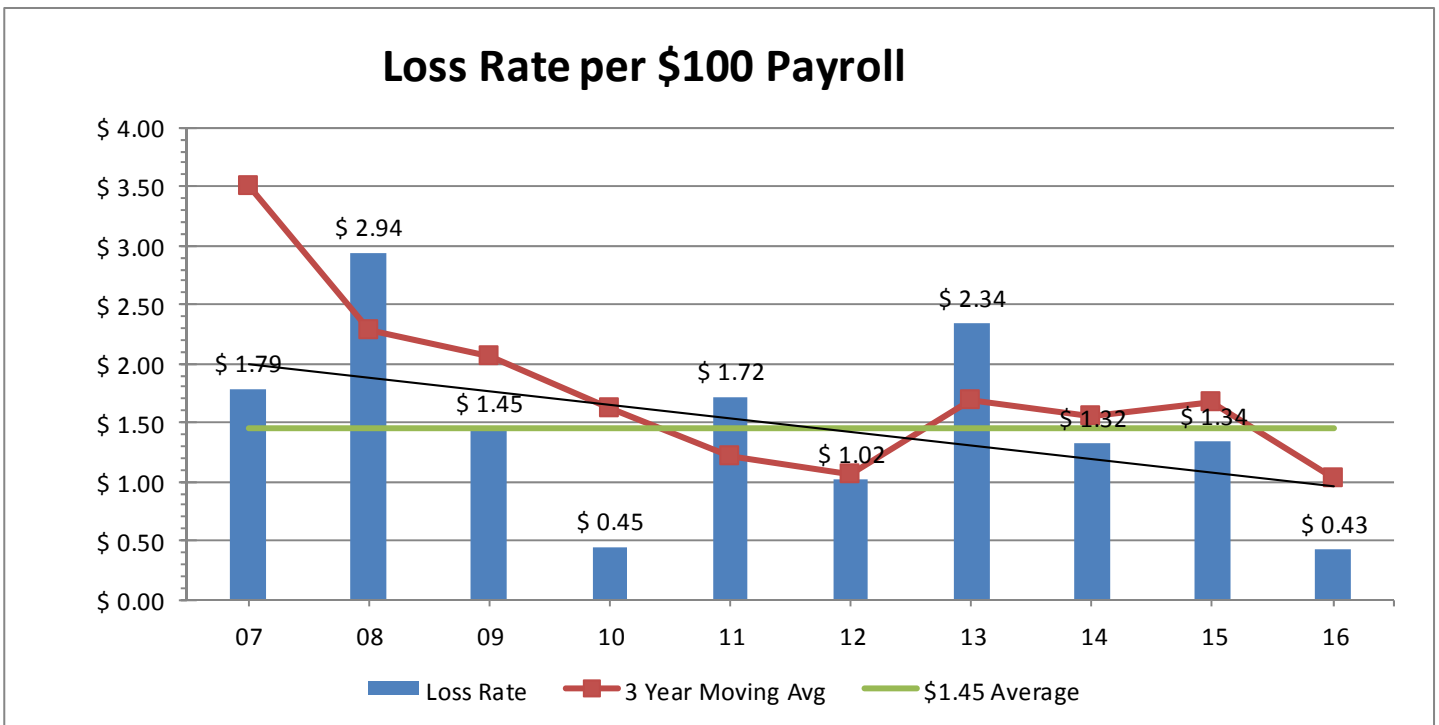
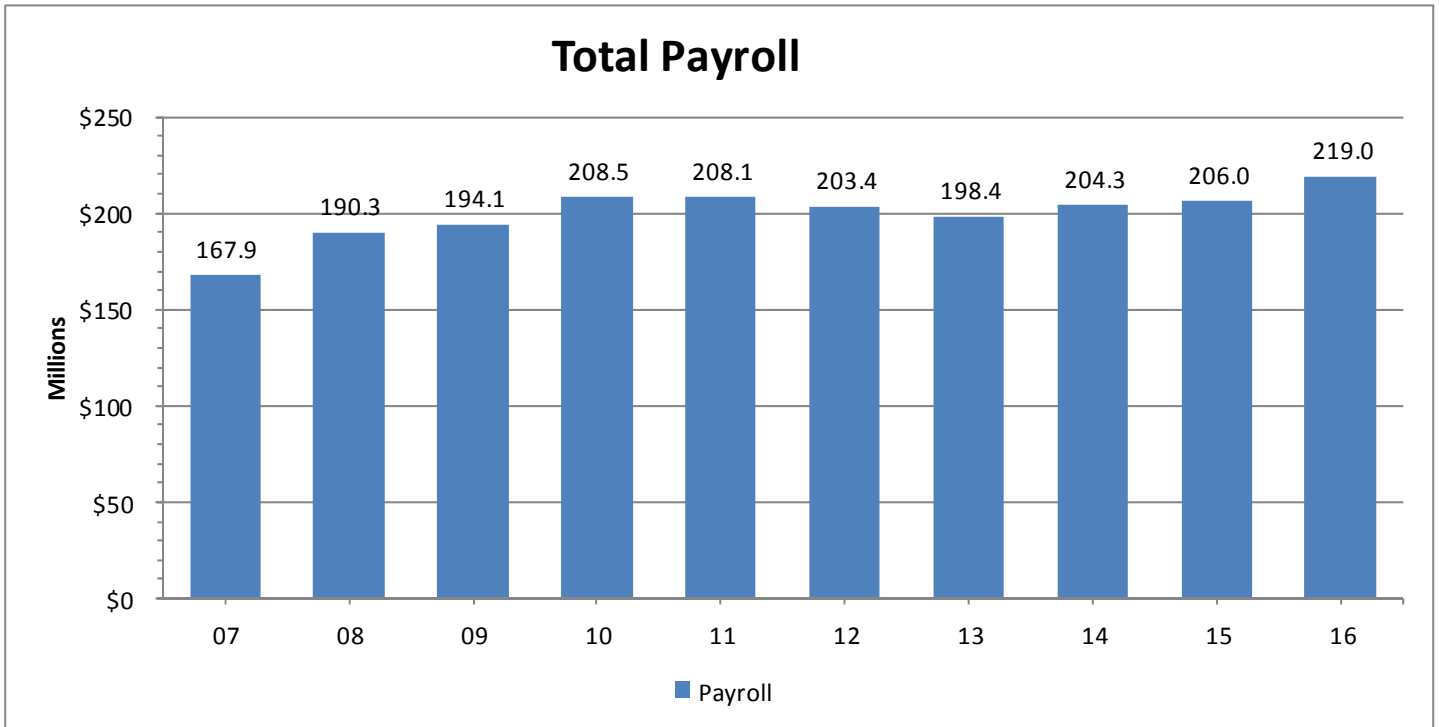
The **Frequency** and **Severity** charts illustrate the highest number of claims filed (frequency) and the total amount incurred (severity) by cause of loss for the 5 year period of 07/01/11 through 06/30/16.

The above **Losses by Policy Year** chart shows the actuarial projection for ultimate losses, including the losses within members' self-insured retentions.



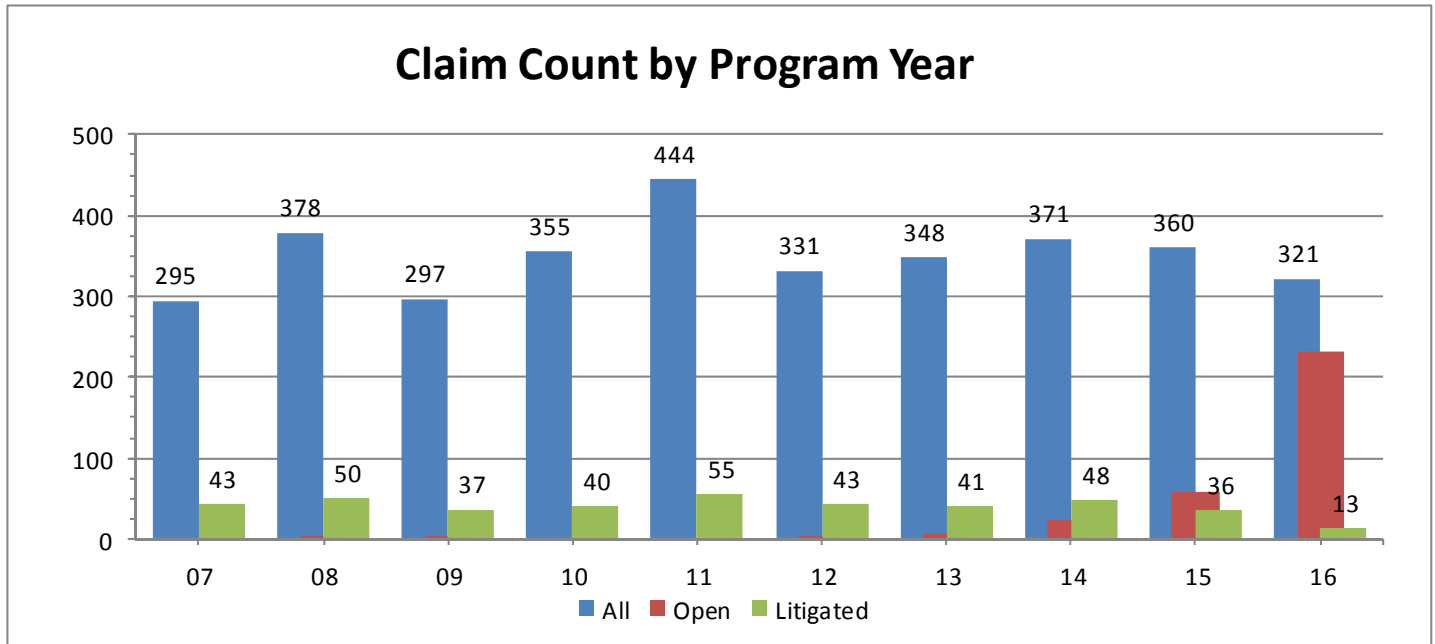
GENERAL LIABILITY PROGRAM

The following charts provide the membership payroll for the last 10 years and the loss rate per \$100 of payroll for the same 10 years. The loss rate is calculated by dividing the total incurred by the payroll. The total incurred does not include IBNRs.

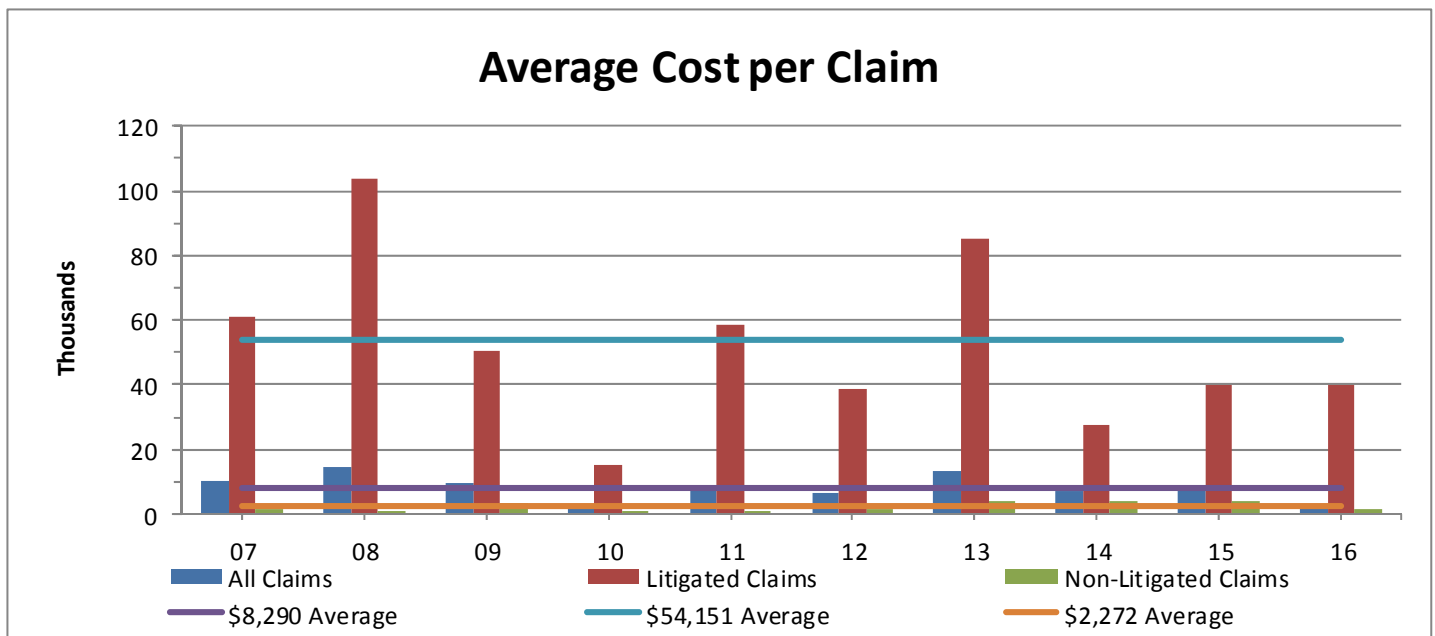


GENERAL LIABILITY PROGRAM

The following charts provide the claim count for the last 10 years and the average cost per claim for the same 10 years. The average cost per claim is calculated by dividing the total incurred by the number of claims. The total incurred does not include IBNRs.

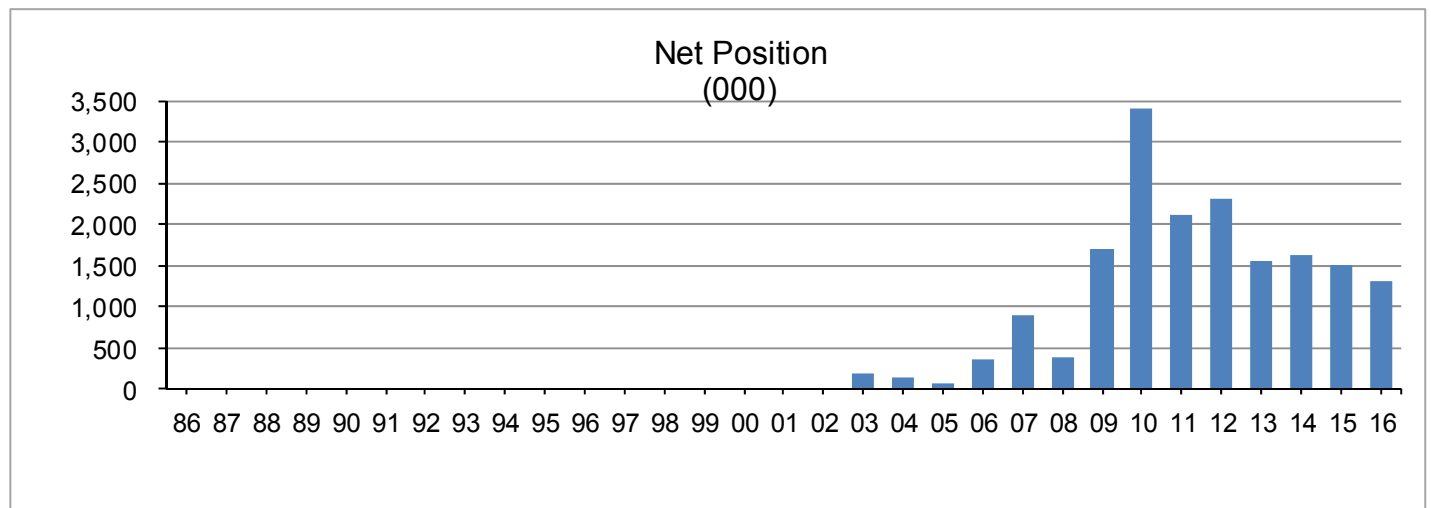
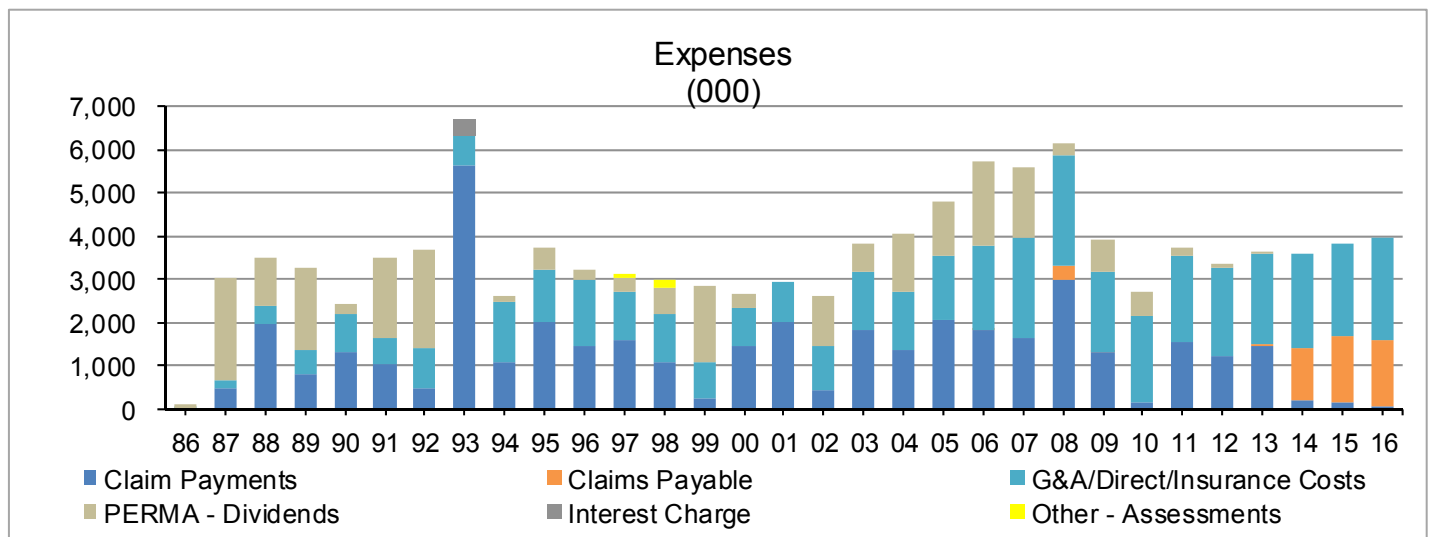
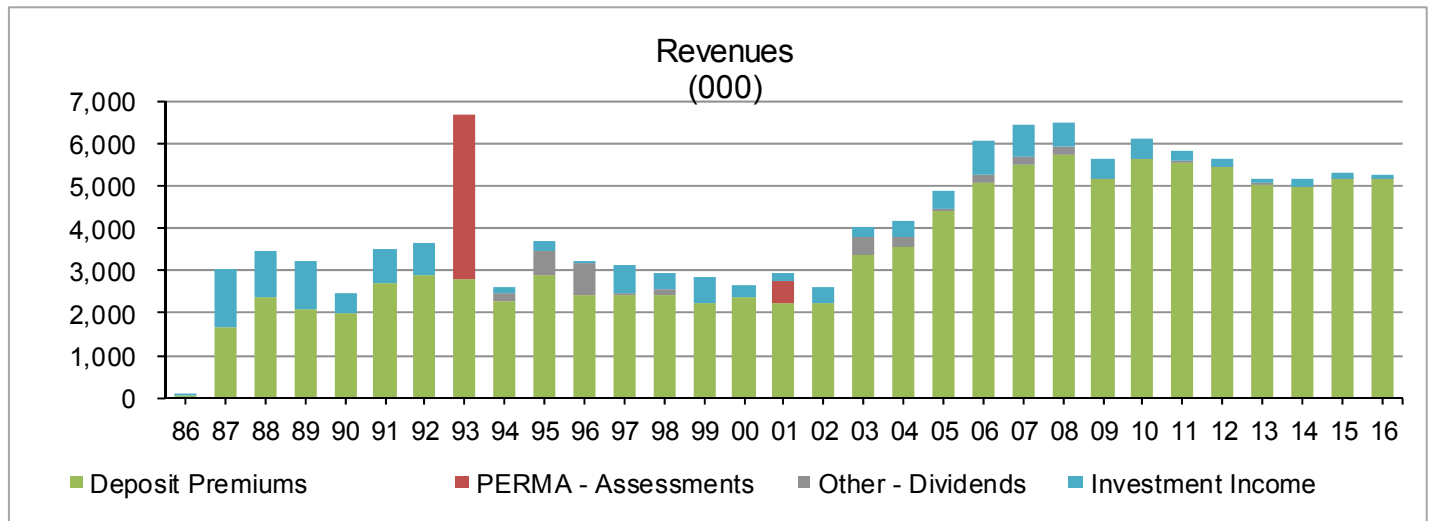


Total 10 Year Claim Count: 3,500 - Open: 323, 9% - Litigated: 406, 12%



GENERAL LIABILITY PROGRAM

The following charts illustrate the pool performance for each of the policy years. The charts clearly depict that claims experience affects the success of each program year.

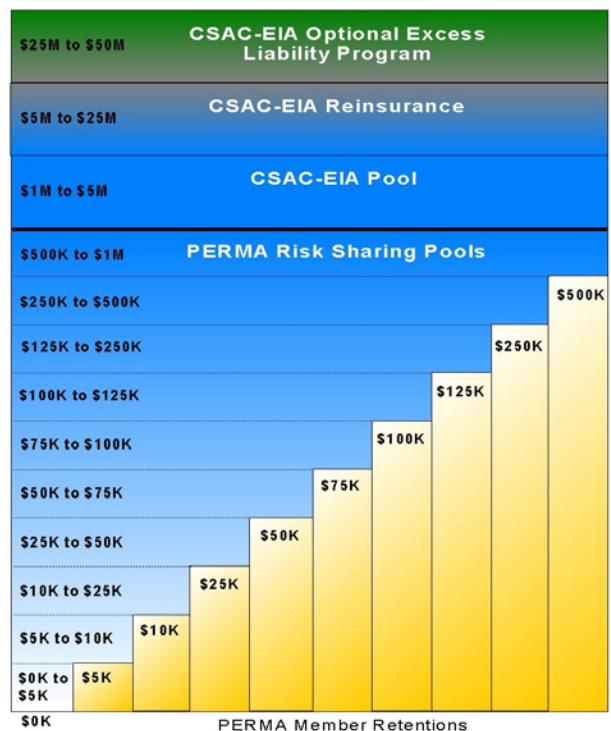


GENERAL LIABILITY PROGRAM

Each member's net position below is based upon the member's net position in each policy year. Some policy years report an excess of premiums over estimated claims and expenses, which results in a positive net position. Other policy years report a deficiency of premiums, which results in a deficit net position. The assignment of a particular policy year's surplus or deficiency to each member is based upon each member's percentage of premiums paid for that particular policy year. This is an approximation at this time and is subject to future changes in premium contributions and claims data. As of June 30, 2016, each member's net position is estimated as follows:

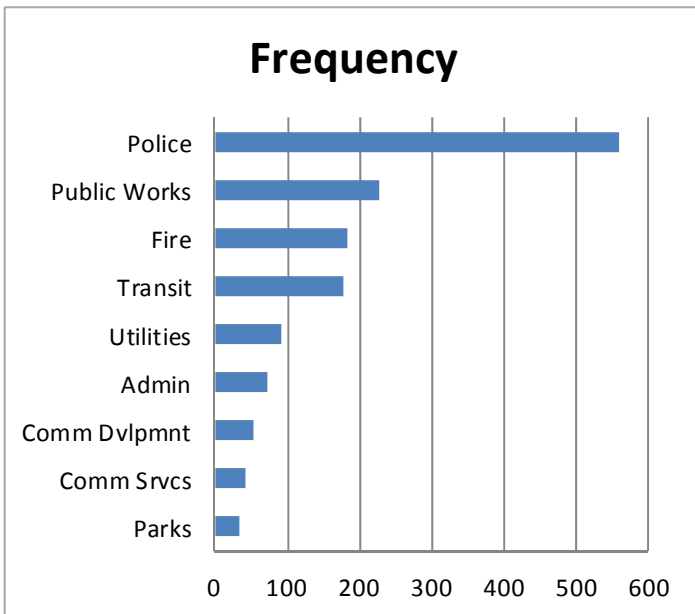
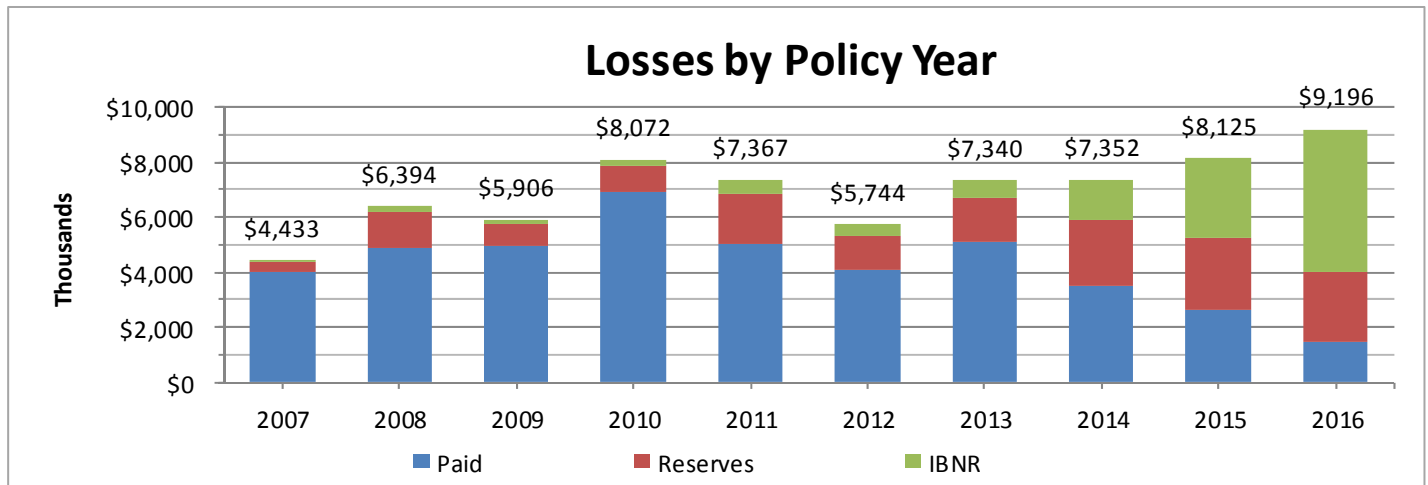
Member	Net Position	Member	Net Position
Adelanto	\$491,625	San Jacinto	\$396,209
Banning	\$1,833,308	Sierra Madre	\$5,151
Barstow	\$874,824	Stanton	\$298,982
Blythe	\$494,834	SunLine Transit Agency	\$1,003,637
Canyon Lake	\$19,088	Tulelake	\$26,233
Cathedral City	\$947,296	Victorville	\$1,826,099
Coachella	\$413,268	VVEDA	\$25,313
Desert Hot Springs	\$935,338	VVTA	\$42,676
Eastvale	\$33,501	Westmorland	\$69,056
Hesperia	\$737,777		
Holtville	\$211,703	Total	\$17,621,150
ICTC	\$19,763		
IVECA	\$25,119		
Jurupa Valley	\$9,966		
La Mesa	\$2,509,442		
March JPA	\$148,337		
MD&MIWMA	\$25,313		
Moreno Valley	\$827,111		
Murrieta	\$1,287,844		
Norco	\$607,387		
PS Aerial Tramway	\$344,420		
PVVTA	\$25,328		
Perris	\$696,907		
Rancho Mirage	\$398,283		
Regional Training Center	\$10,012		

General Liability Program Structure

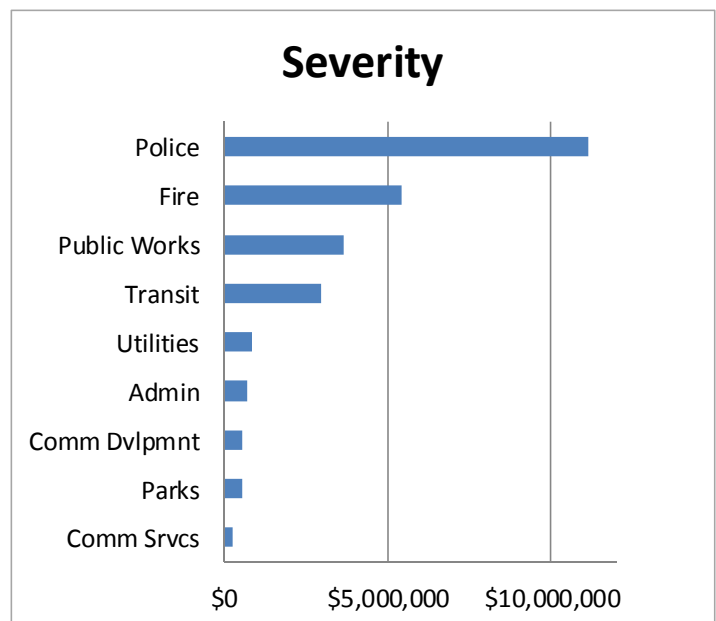


WORKERS' COMPENSATION PROGRAM

The Workers' Compensation program provides statutory benefits for employee injuries arising out of and in the course of employment, and employers' liability coverage. For the 2015-16 policy year, the program provides statutory limits for workers' compensation coverage and \$5,000,000 in employers' liability coverage, with self-insured retentions (SIRs) ranging from \$50,000 to \$250,000. Nineteen member entities participate in this program, generating \$8.6 million in deposit premium.



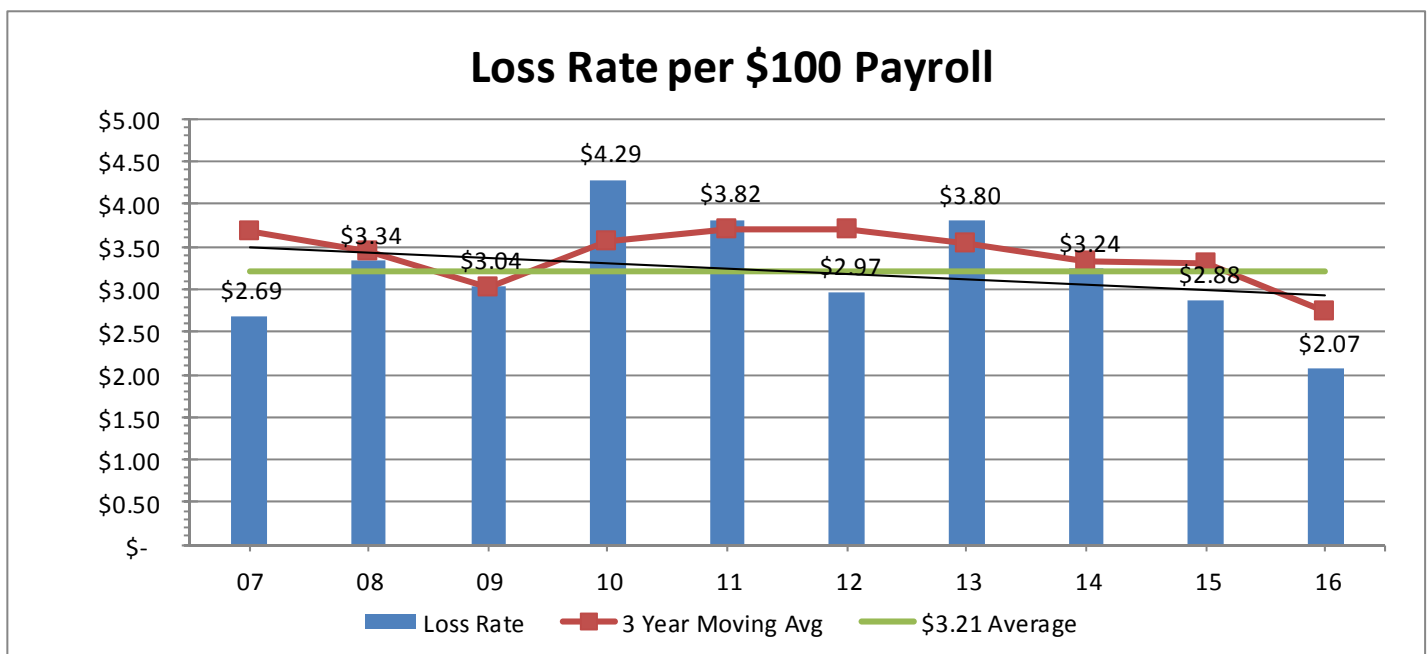
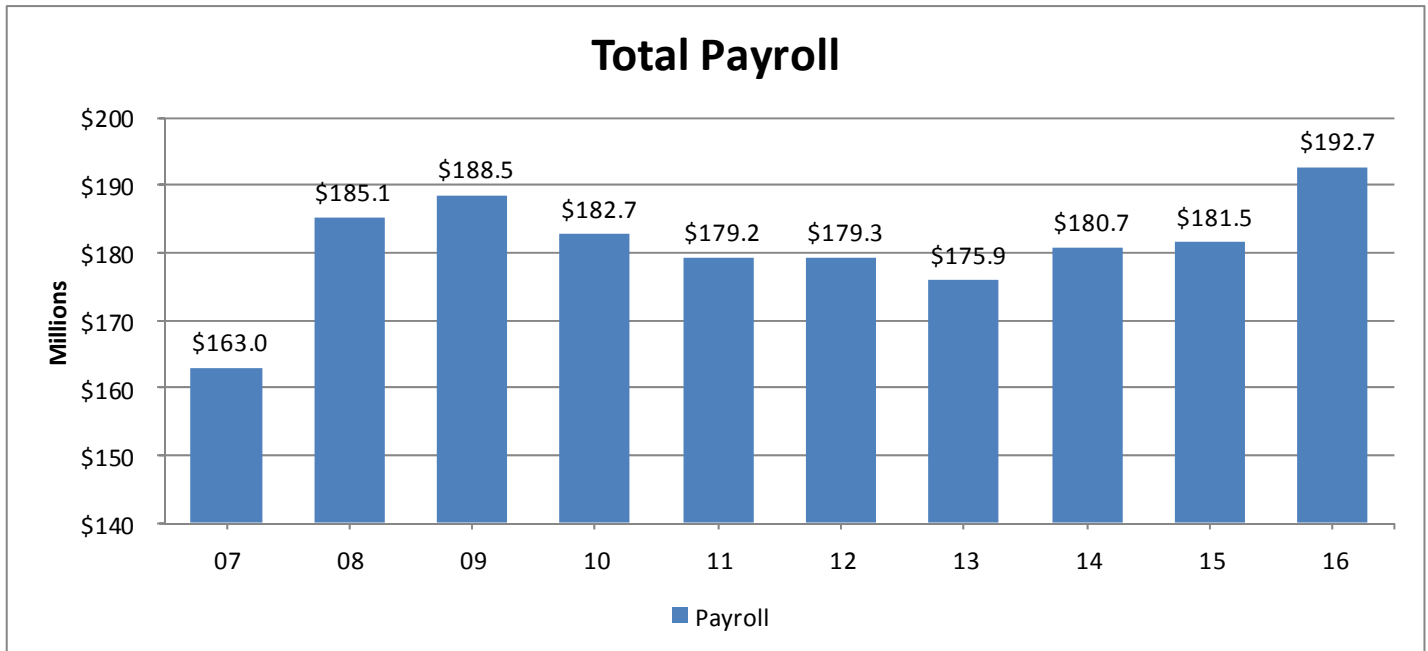
The above **Losses by Policy Year** chart shows the actuarial projection for ultimate losses, including the losses within the members' self-insured retentions.



The **Frequency** and **Severity** charts provide the highest number of claims filed (frequency) and the total amount incurred (severity) by department for the 5 year period of 07/01/11 through 06/30/16.

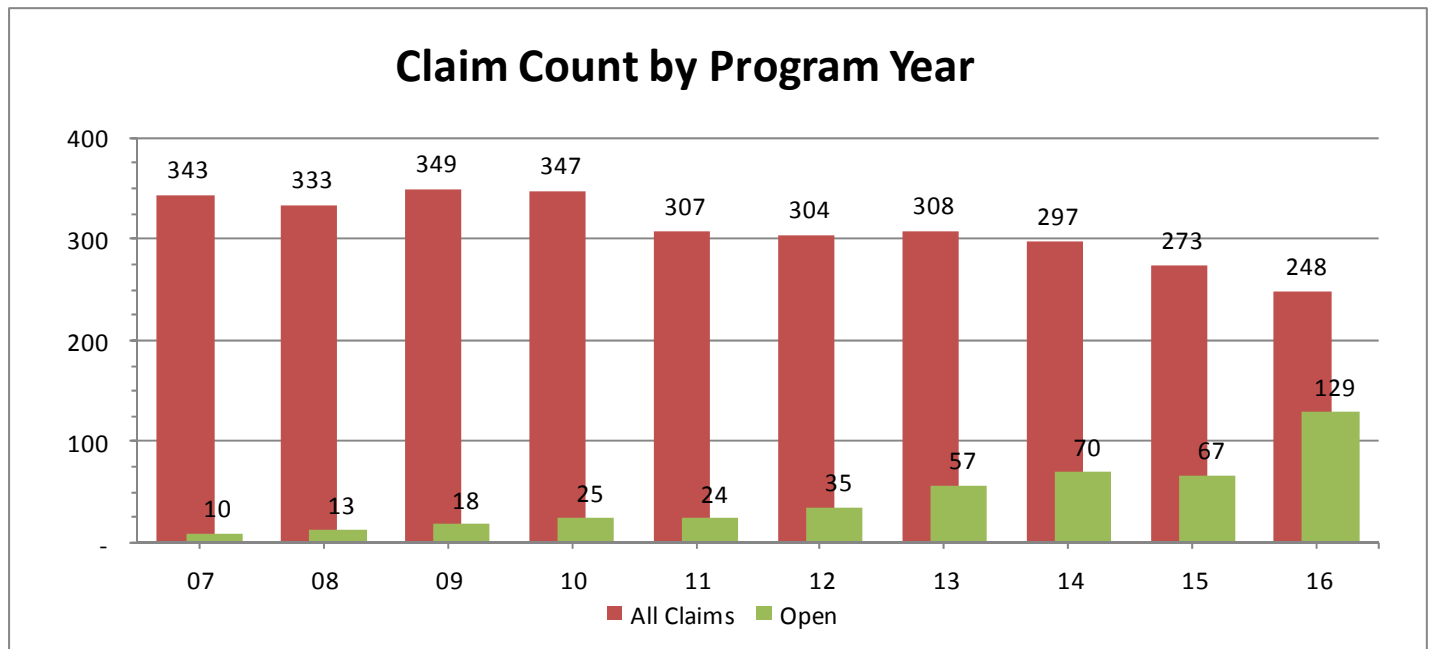
WORKERS' COMPENSATION PROGRAM

The following charts provide the membership payroll for the last 10 years and the loss rate per \$100 of payroll for the same 10 years. The loss rate is calculated by dividing the total incurred by the payroll. The total incurred does not include IBNRs.

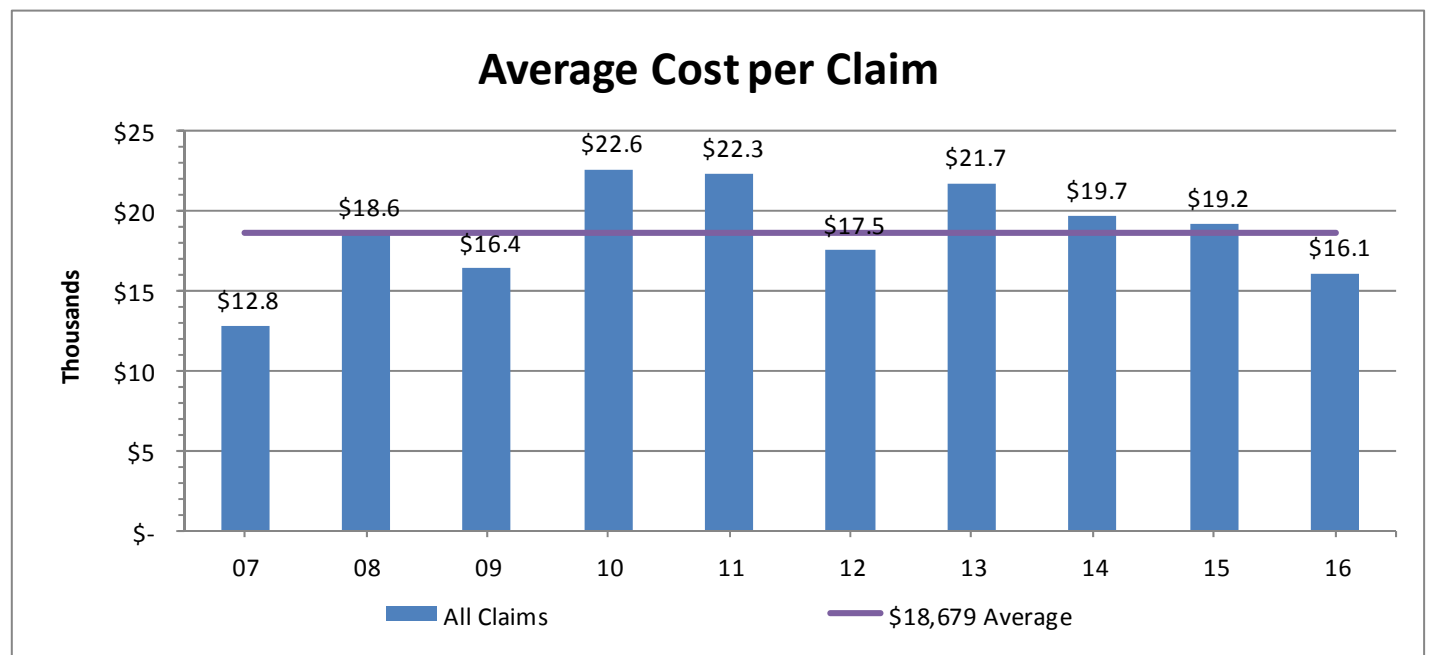


WORKERS' COMPENSATION PROGRAM

The following charts provide the claim count for the last 10 years and the average cost per claim for the same 10 years. The average cost per claim is calculated by dividing the total incurred by the number of claims. The total incurred does not include IBNRs.

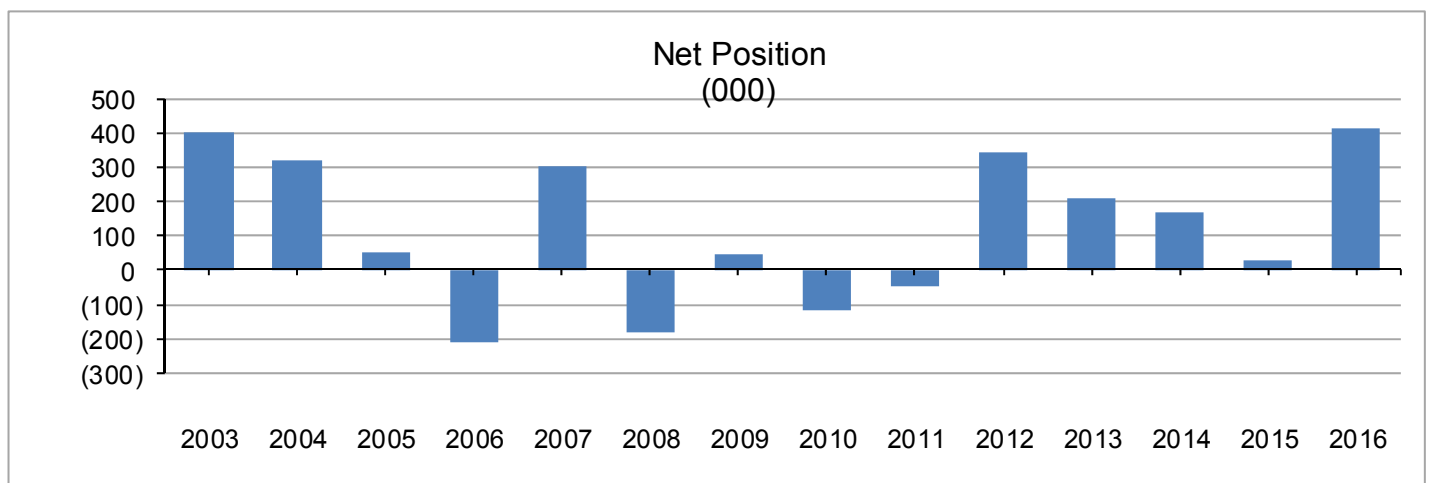
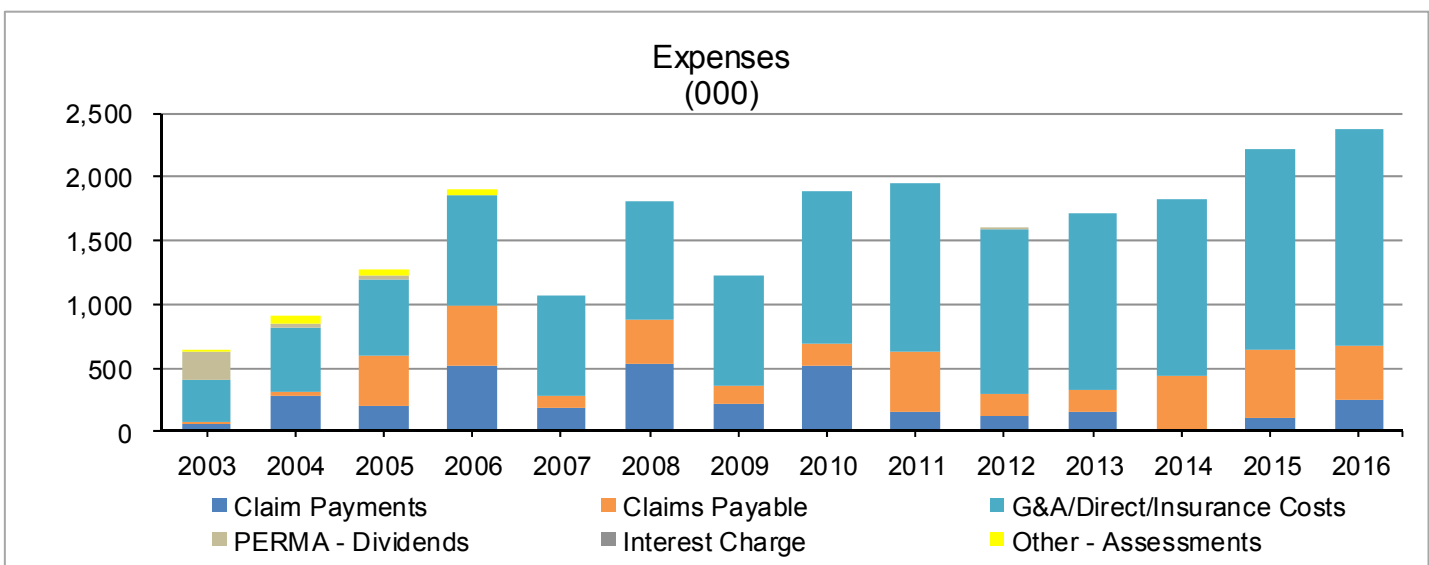
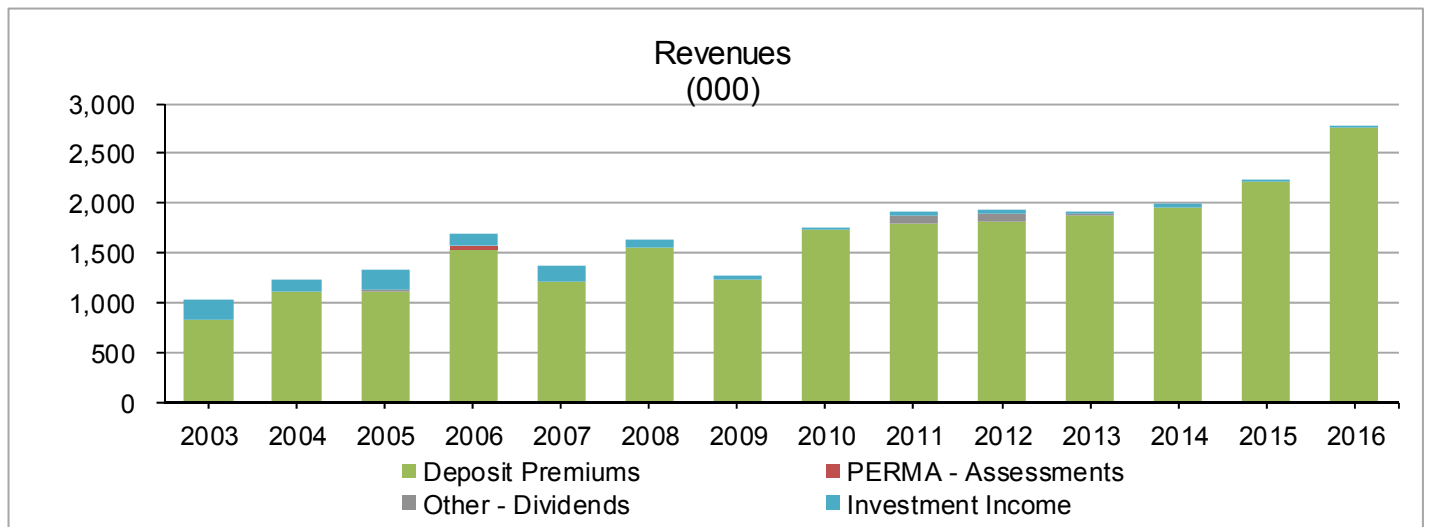


Total 10 Year Claim Count: 3,109 - Open: 448, 14%



WORKERS' COMPENSATION PROGRAM

The following charts illustrate the pool performance for each of the policy years. The risk sharing arrangement was established July 1, 2002.

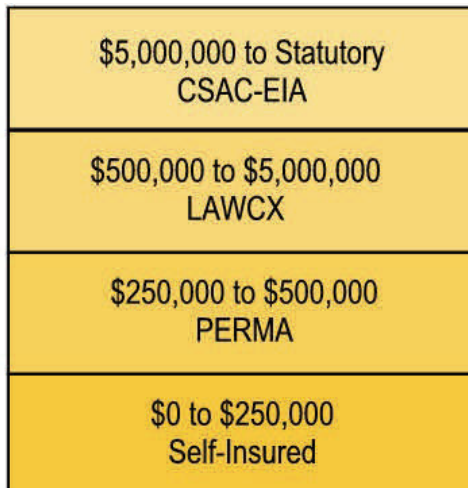


WORKERS' COMPENSATION PROGRAM

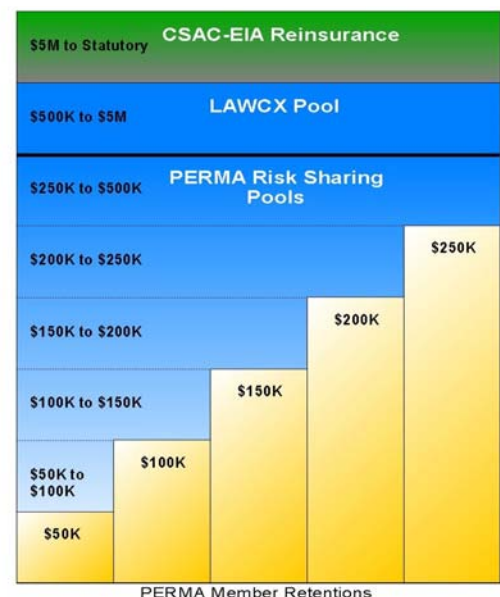
Each member's net position is based upon that member's net position in each policy year. Some policy years report an excess of premiums over estimated claims and expenses, which results in a positive net position. Other policy years report a deficiency of premiums, which results in a deficit net position. The assignment of a particular policy year's surplus or deficiency to each member is based upon each member's percentage of premiums paid for that particular policy year. This is an approximation at this time and is subject to future changes in premium contributions and claims data. As of June 30, 2016, each member's net position is estimated as follows:

Member	Net Position	Member	Net Position
Adelanto	\$27,437	Norco	\$46,452
Banning	\$147,215	Perris	\$54,682
Barstow	\$218,039	Rancho Mirage	\$51,020
Blythe	\$100,654	San Jacinto	\$6,676
Cathedral City	\$228,179	Stanton	\$(49,376)
Coachella	\$47,642	SunLine Transit	\$212,508
Desert Hot Springs	\$(60,471)	Victorville	\$143,163
Hesperia	\$66,609		
Holtville	\$31,391	Total	\$1,718,866
La Mesa	\$198,052		
Murrieta	\$248,994		

W/C Program Structure
July 1, 2002 - June 30, 2015



W/C Program Structure
July 1, 2015 - current



FINANCIAL STATEMENT

Audited Financial Statement as of June 30, 2016

Statement of Net Position

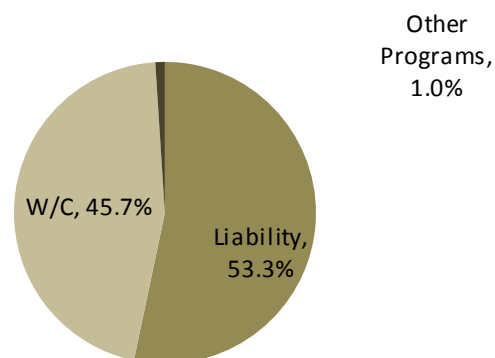
Assets

Cash and cash equivalents	\$2,658,168
Accounts receivable	365,298
Member receivable	297,401
Interest receivable	163,742
Prepaid expenses	43,835
Deposits with others	21,342
Investments	37,643,139
Capital assets	793,580
Total assets	41,986,505
Deferred Outflows of Resources	821,440
Total	\$42,807,945

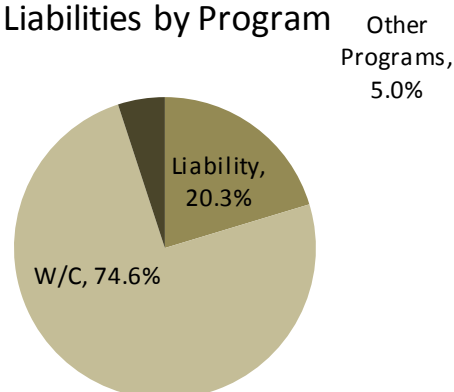
Liabilities and Net Position

Accounts payable	\$90,519
Pre-litigation defense	4,446
Compensated absences	55,284
Member deposits	13,952,381
OPEB	61,322
Net Pension Liability	705,315
Claim reserves/IBNRs	8,524,640
Deferred Inflows of Resources	74,022
Net position	19,340,016
Total liabilities and net position	\$42,807,945

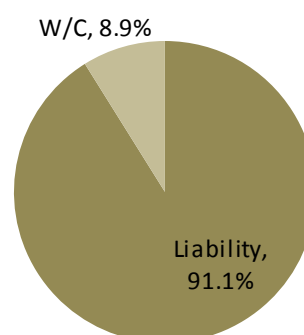
Assets by Program



Liabilities by Program



Net Position by Program



FINANCIAL STATEMENT

Audited Financial Statement as of June 30, 2016

Statement of Activities

Operating revenues

Deposit premiums	\$7,937,283
Excess insurer returns/premium adjustments	402,376
Other income	6,169
Total operating revenues	<u>8,345,828</u>

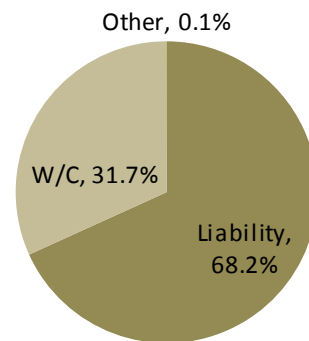
Operating expenses

Provision for claims and claim adjustment expenses	2,876,511
Excess insurance	2,095,621
Salaries and benefits	690,415
Professional services	897,642
Maintenance and operations	340,148
Member dividends/returns	1,324,735
Total operating expenses	<u>8,225,072</u>
Operating income	<u>120,756</u>

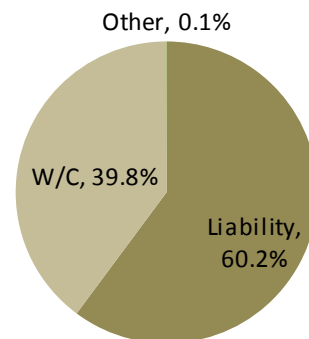
Non-operating income

Investment earnings	435,041
Net increase in fair value of investments	505,041
Total non-operating income	<u>940,082</u>
Change in net position	<u>1,060,838</u>
Beginning net position	<u>18,279,178</u>
Ending net position	<u>\$19,340,016</u>

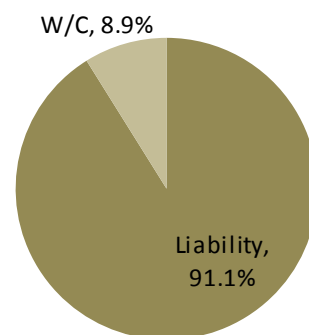
Revenue by Program



Expenses by Program

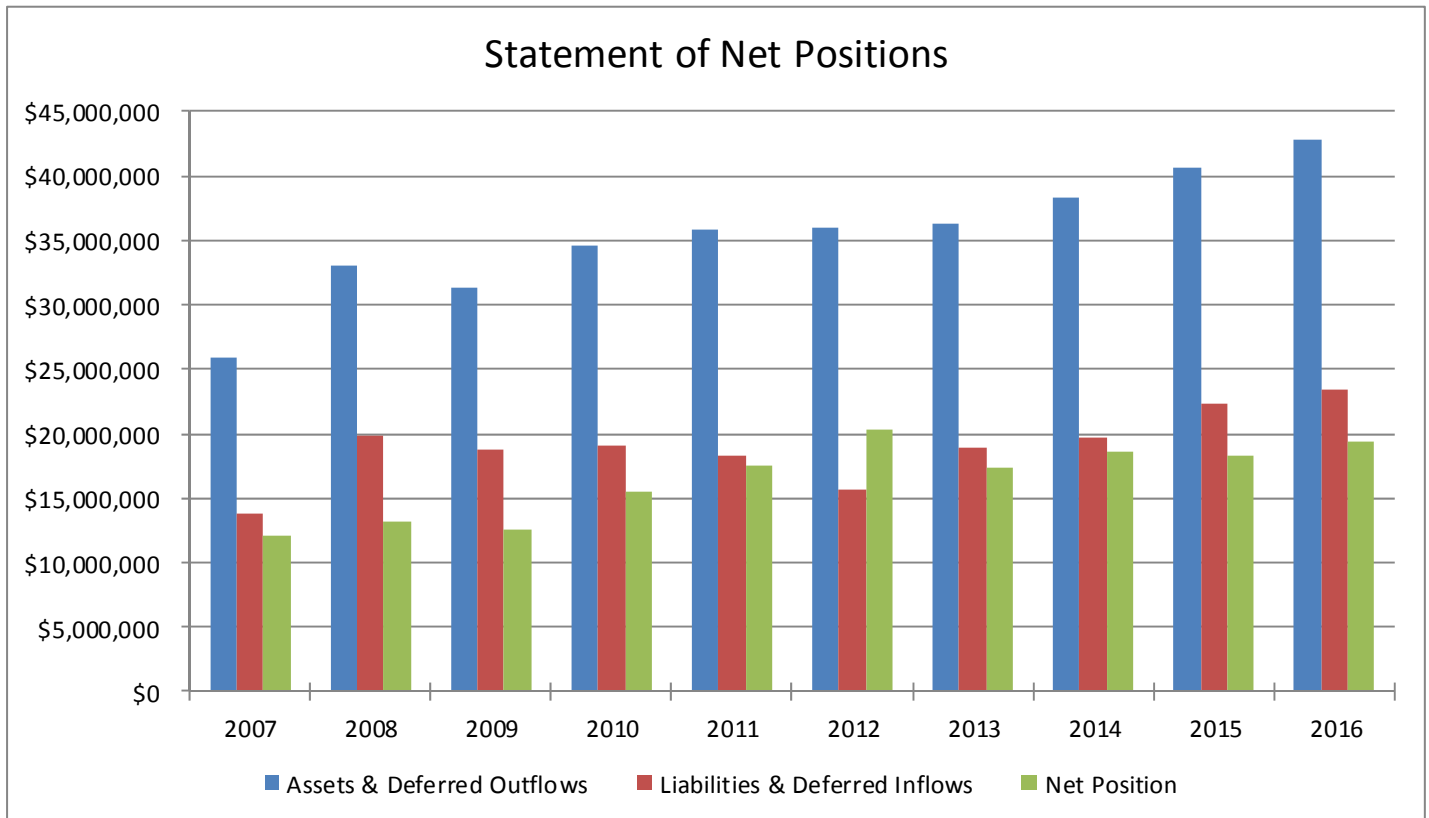


Net Position by Program



FINANCIAL GRAPHS

The following Balance Sheet graph provides you with a ten year comparative history of the organization's financial position at June 30th.

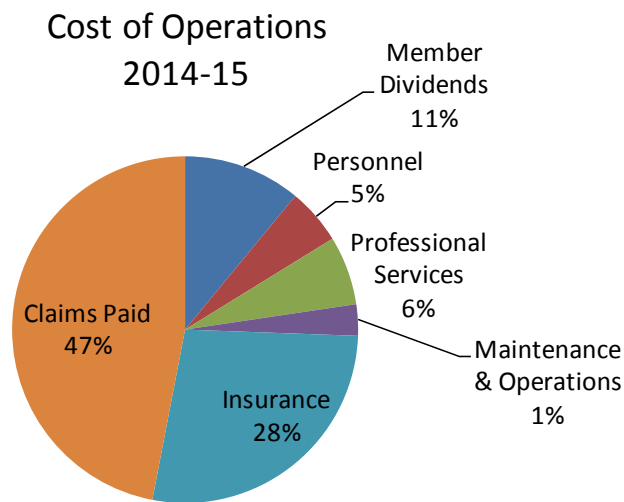
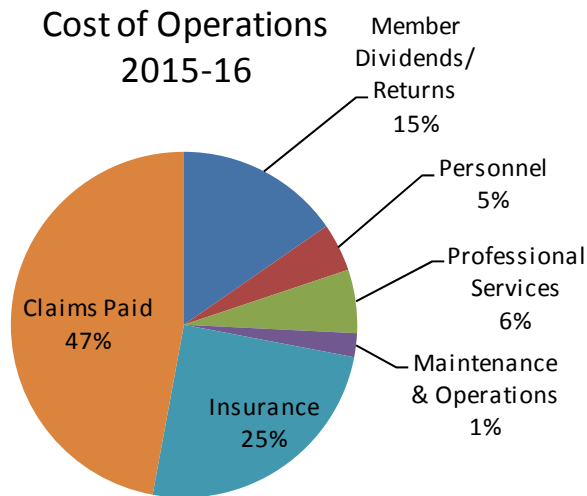


The net position of PERMA increased by \$1.1 million or 5.8% — \$19.3 million at June 30, 2016 compared to \$18.2 million at June 30, 2015. The financial position changed as a result of the revenue and expense fluctuations described below.

- Operating revenues, which includes \$402 thousand in dividends and premium adjustments from its excess insurers, increased by \$608 thousand (7.9%).
- Operating expenses increased by \$398 thousand (5.1%), due to an increase in excess insurance and member dividends.
- The Board agreed to return \$1.3 million in dividends during the 2015-16 fiscal year, about \$100 thousand higher than the prior annual returns.
- Non-operating income (investment earnings and fair value adjustments) increased \$550 thousand (140.9%) from the prior year. Investment earnings increased \$228 thousand and fair value of investments increased \$322 thousand.

FINANCIAL GRAPHS

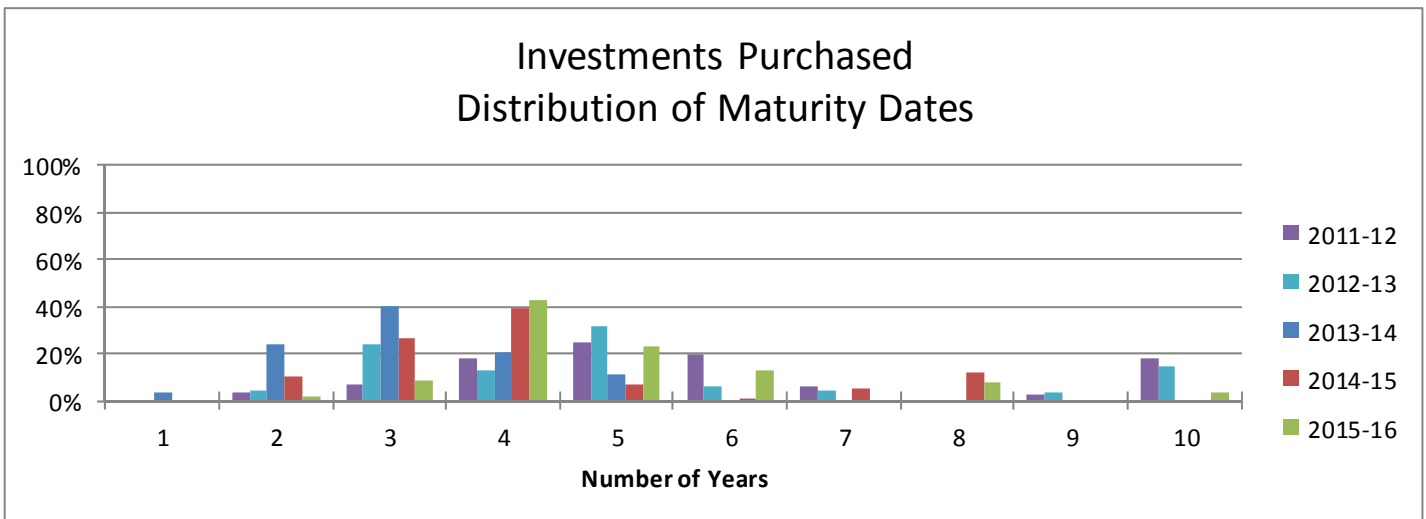
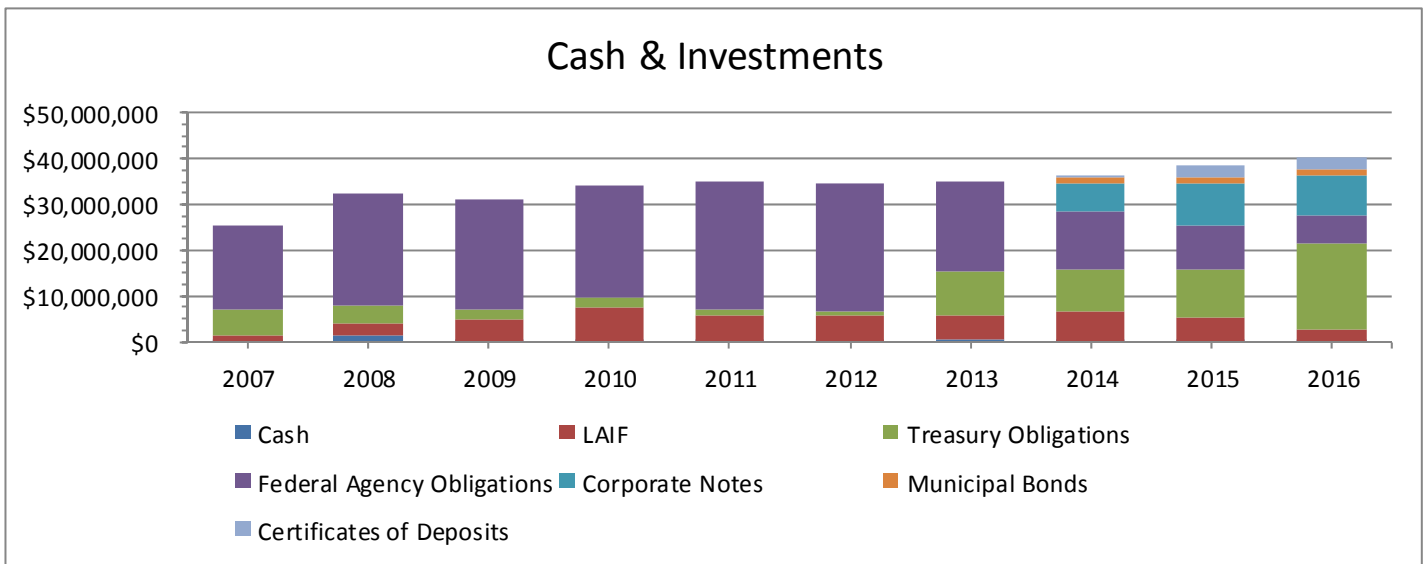
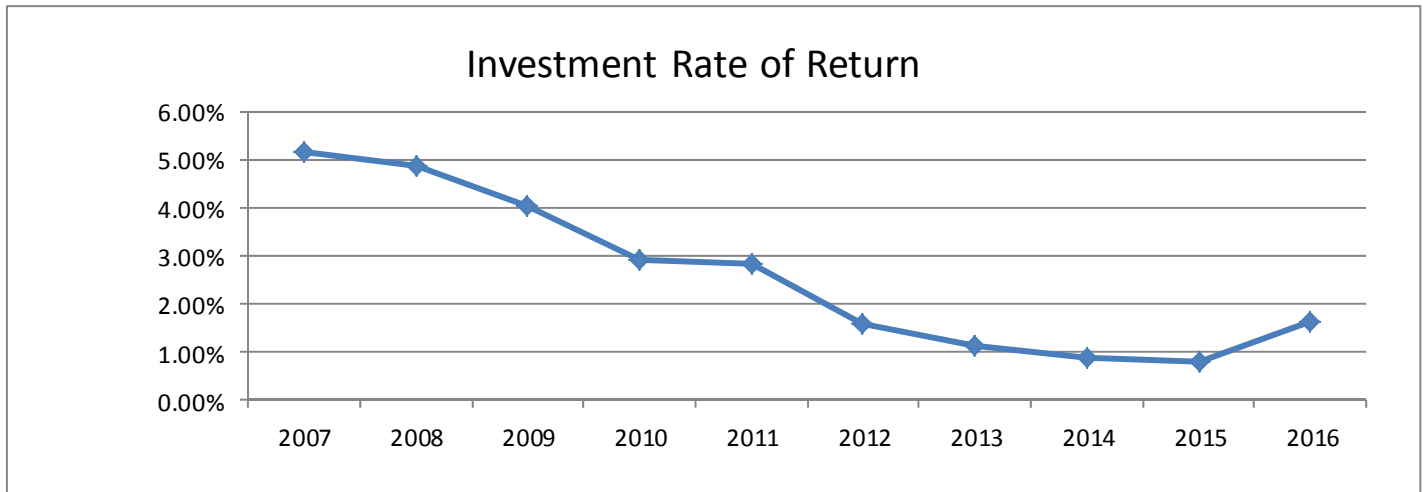
The following charts depict the amount paid on behalf of all programs at the pooled layers and within member retention, during the last two fiscal years for claim payments, personnel, maintenance & operations, professional services, insurance, and dividends.



	2015-16	2014-15	2013-14	2012-13	2011-12
Claims Paid	\$7,217,484	\$6,298,024	\$6,678,968	\$6,952,893	\$7,157,842
Personnel	\$690,415	\$698,345	\$697,042	\$851,063	\$668,010
Maintenance & Operations	\$340,148	\$391,811	\$375,495	\$354,312	\$281,499
Professional Services	\$909,334	\$864,472	\$866,927	\$831,288	\$771,548
Insurance Expense	\$3,815,549	\$3,681,873	\$3,607,846	\$3,528,077	\$3,790,259
Dividends	\$2,352,857	\$1,474,920	\$1,203,492	\$1,543,629	\$2,130,673
Total	\$15,325,787	\$13,409,445	\$13,429,770	\$14,061,262	\$14,799,831

INVESTMENT REPORT

Falling interest rates and yields continue to impact our investment earnings—we expect earnings to continue at these lower rates in the near term. Our emphasis, in order of priority, continues to be *safety, liquidity and yield*.





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