



COUNTY OF MENDOCINO

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MEMORANDUM

DATE: August 10, 2016

TO: Board of Supervisors

FROM: Alan D. Flora, Assistant CEO/Risk Manager
Heather Correll, Risk Analyst

SUBJECT: Fire District Insurance Information

As part of the Board of Supervisors discussions surrounding fire district funding, the Board requested research into options for possible insurance premium savings for the various fire districts within Mendocino County. Due to limited availability of essential data such as district loss history, employment statistics and detailed payroll information, we are unable to provide specific cost saving measures for individual districts. However, staff collected relevant information from the California State Association of Counties Excess Insurance Authority (CSAC-EIA) and Golden State Risk Management Authority (GSRMA) and are able to provide some high level information. The County itself obtains various insurance policies from CSAC-EIA, which provides insurance pooling options for 55 of the 58 California Counties and numerous cities, educational organizations, special districts, JPA's and housing authorities.

The Mendocino County fire districts, both individually and collectively, are too small to be able to directly participate in the CSAC-EIA's pooling options on their own. Currently the smallest fire district participating in a CSAC-EIA pool is Central County Fire, which has 86 employees and \$21 million in budgeted payroll, which dwarfs our own largest fire district, Ukiah Valley, which has reported seven employees and approximately \$1.5 million in budgeted payroll. Comparatively the total payroll for staff of all combined Mendocino County fire districts is approximately \$4.7 million for 34 paid staff. Due to the small size of our local fire districts several are members of GSRMA, a risk-sharing insurance pool for public entities, like fire districts, whose own pool is insured by CSAC-EIA. Currently, GSRMA covers 48 fire districts throughout the state, including nine of the Mendocino County's 22 fire districts (12 of which report having paid staff).

Some primary factors that influence premium rates are loss history, exposure and insurance markets. Although the fire districts cannot control insurance markets, or the exposure to liability through the nature of their profession, they can and should make every effort to reduce losses through risk reduction strategies. Without access to loss data, it is difficult to assess if rising insurance costs for individual districts, particularly in Workers' Compensation, are the result of poor risk control and injury prevention plans, or simply increasing costs in the insurance markets. Assuming that poor loss history is a contributing factor, one way of smoothing poor loss history is to participate in pooled insurance with other agencies that experience similar types of risks and

exposures. When pooled collectively, poor loss history in an individual district in a given year could be absorbed within the pool and soften the premium hit in the coming years. This also creates stability in long term insurance planning with less variability in year-to-year premium costs.

The County should encourage the remaining Mendocino County fire districts that purchase stand-alone insurance to consider pooling with an agency like GSRMA, who may be able to provide cost savings, and access to programs that would provide guidance on how to improve their loss history. For districts already participating in pooled insurance programs, efforts need to be made to analyze any sudden premium increase, and determine if their current pooling options are appropriately serving their needs, and evaluate their own internal risk control measures.

Without additional specific information provided by each fire district, such as loss data history, current and past premium history, payroll, employment statistics and equipment inventory, to name a few, there is no additional research or other recommendations that can be presented at this time.