




How to Impact the Cost of Your Coverage

Debby Hande, *Underwriting Supervisor, CIS*
Michael Mischkot, *Chief Financial Officer, CIS*


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How to Impact Costs

Ways to Minimize Cost Increases

- Risk Identification/Reduction/Transfer
- Managing the loss when a claim does occur
- Don't over or under buy coverage



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Risk Identification/Reduction/Transfer

aka, "Risk Management"

- Ensure that loss exposures are identified
- Examine the options to treat the exposures
- Select and budget for the best option
- Fully implement the best option
- Annually monitor and set appropriate policy to best manage your operations




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 **Risk Identification/Reduction** 

Adopt risk management “Best Practices”

- Conduct a comprehensive review of your entity to evaluate your policies and procedures against “best practices” used by other CIS members




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 **Risk Identification** 

“Best Practices” Assessment Tool – how does it work?

- A review form is available at the CIS Member Portal for completion with assistance of your Risk Management Advisor (RMA)/local agent.
- Risk Management Consultant reviews results for accuracy, follows up on ‘unique risks’, and provides feedback to member
- Risk Management Plan developed or updated based on survey results
- Final scores of all members are graded annually on a curve to determine credits or debits generated by each member’s performance against the total membership.



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 **Risk Identification (Cont’d)** 

- The Best Practices tool can apply to any entity or department with minor adjustments
- We have members use it internally to help get their departments to improve in weak areas
- Can be used (in part) as a safety committee tool to evaluate entity Safety & Health Programs
- Scoring provides greater opportunity for accountability and even better results



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Risk Reduction

- Evaluate High Cost Claims
 - Employment Liability
 - Ask specific questions
 - Written policies/Employee Handbook
 - Hiring/screening/orientation
 - Performance reviews
 - Supervisor training
 - In-house EPL “pre-loss” attorney
 - Supervisor training/webinars

Risk Reduction (Cont'd)

- Evaluate High Cost Claims
 - Law Enforcement
 - LE specific Best Practices questions
 - Infrastructure
 - Anticipate disasters
 - Develop a planned response

Risk Reduction - Managing the Loss

When a claim does occur:

- Claims Management
 - Policy and protocols for reporting
 - Report within 24hrs of occurrence
- Communicate regularly with CIS Claims Adjuster handling your claim and your designated Risk Management Consultant at CIS
- Work with your Risk Management Consultant to determine how similar claims can be avoided in the future

 **Buying the right amount of coverage** 

Review schedules regularly with particular attention to:

Property

- Buildings/Contents/Equipment
- Values reported
- Condition and depreciation
- Review additional limits (crime, extra expense, etc.) to determine if limits are adequate



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 **Buying the right amount of coverage** 

Schedule Reviews


- Autos –
 - Additions and Deletions
 - Deductibles and older autos
 - Is APD necessary?
 - Department transfers and equipment coverage
- General Liability –
 - What is reported and how
 - Limits and deductibles



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 **Risk Transfer** 


Alternative Plans



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What Is An Alternative Plan?

- Member is offered reduced contribution
- Member assumes a certain amount of risk
 - Aggregate basis (not per claim), per coverage year
 - No difference in claims handling
- Member is billed for paid claims quarterly



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CIS Alternative Plans

- Is an Alternative Plan right for you?
 - Budget capacity
 - Risk tolerance
 - Attuned to risk management
 - Technical resources



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Alternative Plan Goals

(Aggressive Risk Management, Best Price, Financial Stability)

- Provide risk financing alternative
 - Opportunity to save
 - Additional motivation to manage risks





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 **2 Types Of Alternative Plans** 


- Available for Worker's Comp and Liability
 - Aggregate Deductible
 - Retrospective Contribution (Retros)
 - Broad Parameters
 - Tailored to Member need





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 **Aggregate Deductible** 


- Member receives reduction to contribution.
 - Amount of reduction (contribution credit) determined by CIS Underwriting.
- Member retains initial layer of losses
 - Also determined by CIS Underwriting
 - Greater than Contribution Credit



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 **Paid Loss Aggregate Deductible (Cont'd)** 

- Billed quarterly
 - Bill Indicates Maximum Remaining Liability
- Plans Close Approximately 10 Years After Inception (Board decision)
 - Recently Closed 1999-00 and previous



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Sample Invoice



Alternative Plan Invoice
Liability Aggregate Deductible

Member _____ Agent _____

Member Number	Policy Number	Program Year	Invoice Date	Invoice Number
20020	PL-2009-1	2009-2010	10/15/2009	GL-D-591


Plan Summary

Maximum Liability:	\$50,000.00
Billed to Date:	\$903.00
Remaining Liability:	\$49,097.00

Paid Losses As Of 9/30/09: \$903.00
 Paid Losses As Of 6/30/09: \$0.00
Amount Due: \$903.00

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Retrospective Contribution (Retros) – Worker’s Comp



- Member pays percentage of contribution up front.
 - Determined by CIS Underwriting – usually 20%-45%.
- Member reimburses CIS for paid losses, plus administrative fee of 20% of paid losses.
 - Up to a maximum of 130% of contribution.
 - Minimum of 35% of contribution.

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Sample Invoice



Alternative Plan Invoice
WC Retrospective

Member _____ Agent _____

Member Number	Policy Number	Program Year	Invoice Date	Invoice Number
10048	BC-2008-0	2008-2009	10/15/2009	WC-A-528

Plan Retrospective

Standard Contribution:	\$140,270.98
Max Loss Factor:	1.30
Maximum Contribution:	\$182,352.28
Initial Contribution:	-\$35,209.74
Billed to Date:	\$64,553.60
Remaining Liability:	\$82,487.30

	Paid Losses	Loss Adj. Factor	Calculated Total
As Of 9/30/09:	\$3,794.07	* 1.20 =	\$64,553.60
As Of 6/30/09:	\$38,489.19	* 1.20 =	\$41,383.03
	\$19,325.48	* 1.20 =	\$23,190.57

Amount Due: \$23,190.57

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Retrospective Contribution Worker's Comp

- Mandatory close-out at 60 months
 - Parameters calculated by CIS actuary
- Optional close-out at 24, 36, and 48 months
- Close-out amount based on experience of entire pool, as well as individual Member

Sample Close-out

Alternative Plan Closeout Proposal/Invoice
WC Retrospective

Member: _____ Agent: _____

Member Number 10243	Policy Number WC-2004-G	Program Year 2002-2007	Proposal/Invoice Date 07-15-2008
			Proposal/Invoice Number WC-R-461

60-Months Closedout Option
You have selected the mandatory closedout date. Please pay the amount shown below.

I Rating Issues	
A. Total Payroll	\$1,200,000.00
B. Standard Contribution	\$101,000.00
C. Initial Contribution (Inv. 25)	\$85,707.27
D. Reported Contribution (Inv. 25)	\$852,100.76
E. Corrected Contribution	\$206,100.00
F. Plan Liabilities	\$2,540,000.00
G. Reserve Liabilities	\$0.00
II Closure Calculation Parameters	
– % Load Cost	01.1%
– Percent of Load Unapplied	0%
– Risk Factor	100%
III Calculation of Plan Closure Contribution	
– Reported Closure Load (Percentage Unapplied)	\$226,114.14
– Reported Closure Load Contribution (Inv. 25)(Inv. 1-2)	\$275,144.00
– Contribution Subject to Retrospective Premium (Inv. 25 and 2)	\$275,144.00
Plan Closedout Amount (Inv. 2)	\$48,750.07

Retrospective Contribution – Liability

Program Options

Total Premium	Minimum	Maximum
\$40 - \$74,999	85%	107.5%
\$75 - \$124,999	75%	112.5%
\$125 - \$199,999	65%	117.5%
\$200,000 +	60%	126.0%

Calculation Example

Guaranteed cost GL contribution	\$106,802
Guaranteed Cost AL contribution	\$ 48,750
Guaranteed Cost Total	\$155,552

Contribution limits at 65% - 117.5%
 Minimum @ 65% = \$155,552 x .65 = \$101,106
 Maximum @ 117.5% = \$155,552 x 1.175 = \$182,774

Sample Invoice

Alternative Plan Invoice
Liability Retrospective

Member _____ Agent _____

Member Number	Policy Number	Program Year	Invoice Date	Invoice Number
10014	PL_2003-07	2009-2010	10/15/2009	06_48564

Plan Summary

Maximum Liability: \$35,178.00

Billed to Date: \$619.00

Remaining Liability: \$37,559.00

Paid Losses As Of 9/30/09: \$619.00

Paid Losses As Of 8/30/09: \$0.00

Amount Due: **\$619.00**

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Member Experience

- Participants saved an average of 19% of contribution
- Sample criteria
 - Members participated in Worker’s Comp alternative plan at least 4 of 5 years from 2002-03 through 2006-07

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Member Experience – Top 2

Plan Year	Plan Type	Standard Contribution	Savings To Date	Savings % Contribution
2002-03	Deductible	83,327	5,833	7%
2003-04	Deductible	97,387	6,817	7%
2004-05	Retro	117,209	58,751	50%
2005-06	Retro	115,808	55,329	48%
2006-07	Retro	113,709	65,424	58%
Total		527,440	192,153	36%

Plan Year	Plan Type	Standard Contribution	Savings To Date	Savings % Contribution
2002-03	Retro	234,892	54,857	23%
2003-04	Retro	308,941	43,533	14%
2004-05	Retro	332,412	79,386	24%
2005-06	Retro	369,472	141,197	38%
2006-07	Retro	447,953	263,666	59%
Total		1,693,670	582,639	34%

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Member Experience – Bottom 2

Plan Year	Plan Type	Standard Contribution	Savings To Date	Savings % Contribution
2002-03	Retro	193,523	(57,341)	-30%
2004-05	Retro	251,716	(44,924)	-18%
2005-06	Retro	275,461	(82,638)	-30%
2006-07	Retro	364,792	201,077	55%
Total		1,085,492	16,173	1%

Plan Year	Plan Type	Standard Contribution	Savings To Date	Savings % Contribution
2002-03	Retro	289,089	(86,727)	-30%
2003-04	Retro	354,885	(86,656)	-24%
2004-05	Retro	503,185	151,351	30%
2005-06	Retro	617,129	(44,046)	-7%
Total		1,764,289	(66,078)	-4%

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CIS Alternative Plans

A different financing philosophy that offers Members significantly reduced initial contributions as an incentive for aggressive risk management

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CIS Alternative Plans

Use financial strength of the Trust to support incentives for Members to reduce their cost of risk



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 CIS Alternative Plans 


Different from traditional risk financing products





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 CIS Alternative Plans 


Opportunity for Members to partially self-insure, with the advantage of capped liability



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 CIS Alternative Plans 

Opportunity to dramatically reduce initial contribution and provide overall savings



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CIS Alternative Plans



- Strong, comprehensive program
- Underscores partnership between Trust and Members
- Protects financial integrity of CIS
- Maintains focus on cost reduction for Member.