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Oregon University System

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Department of Fish &
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Internal Auditor & Risk
Manager
Department of State Lands

Sandy McDonnell,
Manager
Administrative Services
Oregon Housing &
Community Services

Marc Williams
CIO/Deputy Director
Department of Justice

Ex-Officio:
Pamela Stroebel Valencia
Chief Audit Executive
Department of
Administrative Services

AGENDA Risk Management Advisory Council

Meeting Date: November 18, 2009

Time: 8:30 – 11:00 a.m.

Location: Labor & Industries Building, Room 260 (2nd floor)
350 Winter Street
Salem OR 97301

Facilitators: Elizabeth Dickenson & Angie Patterson

ITEM	PRESENTER	TIME	ACTION, NOTES
Education			
Risk Charge Allocation Overview	Pat Carrothers	8:30 am	
Call to Order			
1. Welcome/Approval of Recap	Elizabeth Dickenson	9:00 am	
2. Membership Update			
Information			
3. Advisory Planning Group Report	Angie Patterson	9:05 am	
Action			
4. Enterprise Risk Management	Deborah Fifield	9:10 am	Complete ERM
a. Shared Definition of ERM	Priscilla Cuddy		Assessment
b. Assessment Exercise at Agency and State-Wide Level	Kyle Knoll		
c. Shared Vision of Next Steps at Agency and State-Wide Level	Pamela Valencia		
5. Council Self-Assessment			Results framework
Round Table			
6. Risk Charge Allocation	Pat Carrothers	10:45 am	Council feedback
Adjournment			
7. Adjournment	Elizabeth Dickenson	11:00 a.m.	

Next Meeting Date:
December 30, 2009
February 10, 2010

Time:
8:30 am-11:00 am
8:30 am-11:00 am

Location:
Department of Forestry
Department of Forestry



Risk Charge Allocation 2009-2011

Presented by: Pat Carrothers

Date: July 22, 2009 for Risk Charge Methodology
Work Group

Repeat Date: November 18, 2009 for Risk
Management Advisory Council Education Session



Purpose of Discussion

- Understanding of elements included in Risk Charge
- Understanding of current allocation methodology
- Hopefully, consensus that methodology is equitable
- Explore changes to make the methodology more equitable



Not In Current Discussion

- Total risk charge calculation



Insurance Fund Statute

- **278.435 Fund to operate on actuarially sound basis; apportionment; assessment; advances; repayment.**
- (1) It is the intent of the Legislative Assembly that the individual components of the Insurance Fund, as well as the total fund, operate on an actuarially sound basis and that the assessments and charges shall reflect this policy.
- (2) The Oregon Department of Administrative Services may apportion to and collect from each state agency, officer, board or commission or any participating local public body, its contribution as determined by the department to purchase insurance or administer self-insurance programs, including administrative expenses, for coverages authorized by this chapter.
- (3) The apportionment shall be based, to the extent possible, upon the factors which reflect the relative risk and loss experience of each state agency, officer, board or commission or participating local public body.
- (4) The department may assess a state agency, officer, board or commission the cost of providing specific risk management services requested by a state agency, officer, board or commission.



Insurance Fund Components

- Inmate Injury
- Workers' Compensation (WC)
- Property
- Liability



Inmate Injury

- Workers' Comp for Inmates
- Only Department of Corrections pays
- No charges since 2001-03



WC Allocation

- Agencies with \$50,000 annual “SAIF subject payroll” or loss in base period are allocated a charge
- Loss dates July 2003 - June 2007
- Basis of allocation is “net paid”
- Waive one average statewide time-loss claim per year ($\$13,335 * 4$)
- Minimum charge \$1500 for biennium (only pay if calculated charge is less)

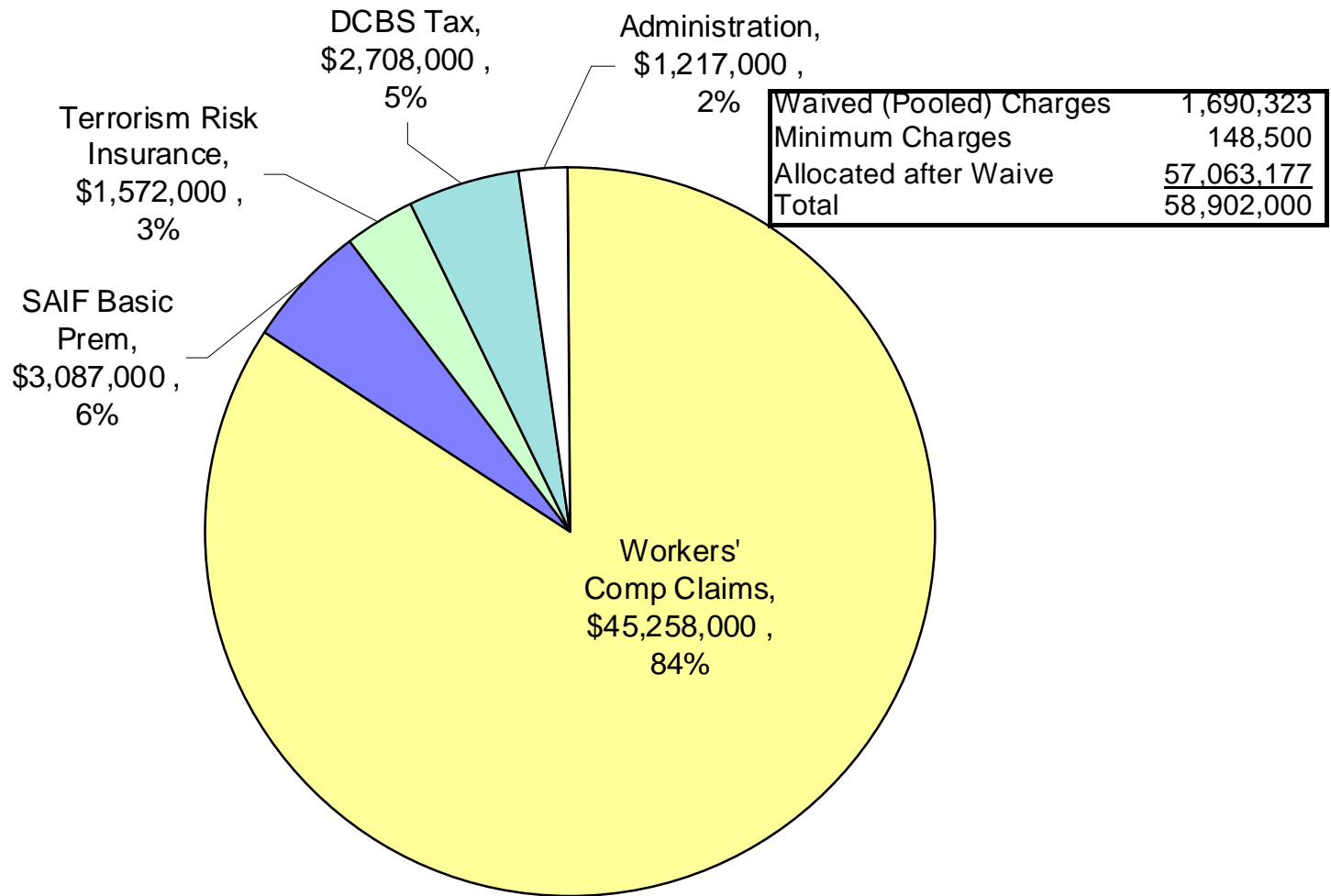


WC Total Costs

- SAIF insurance (10 year retro policy)
 - Pay SAIF basic premium in year 1
 - Pay claims plus cost years 1-10
 - Pay actuarial estimate on remainder of claims in year 10
 - Claims may last 40-60 years
- DCBS Tax
- Terrorism Insurance
- Risk Management Administration



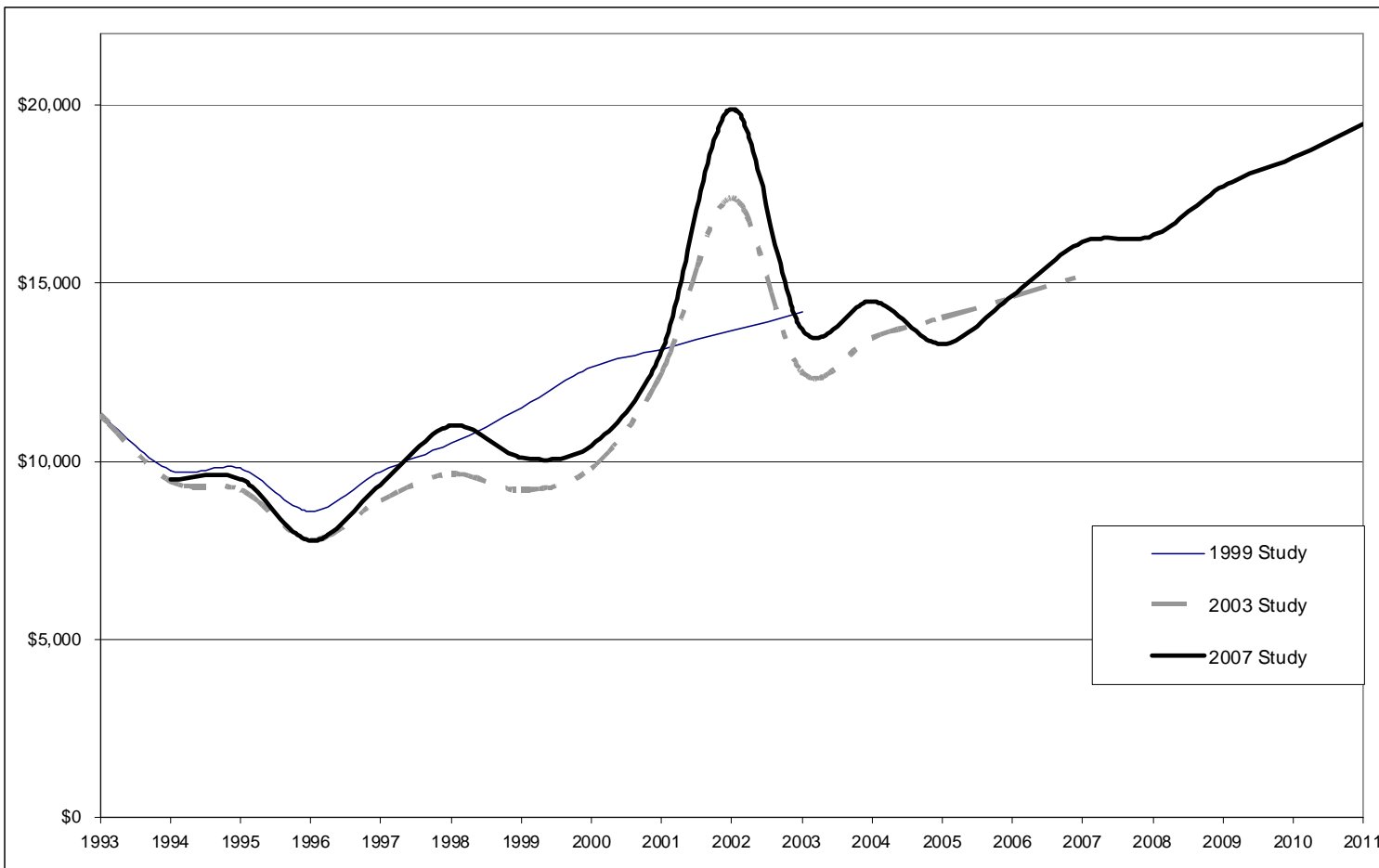
WC Costs by Cost Area



Total Charge Includes \$5.1 million estimated deficit



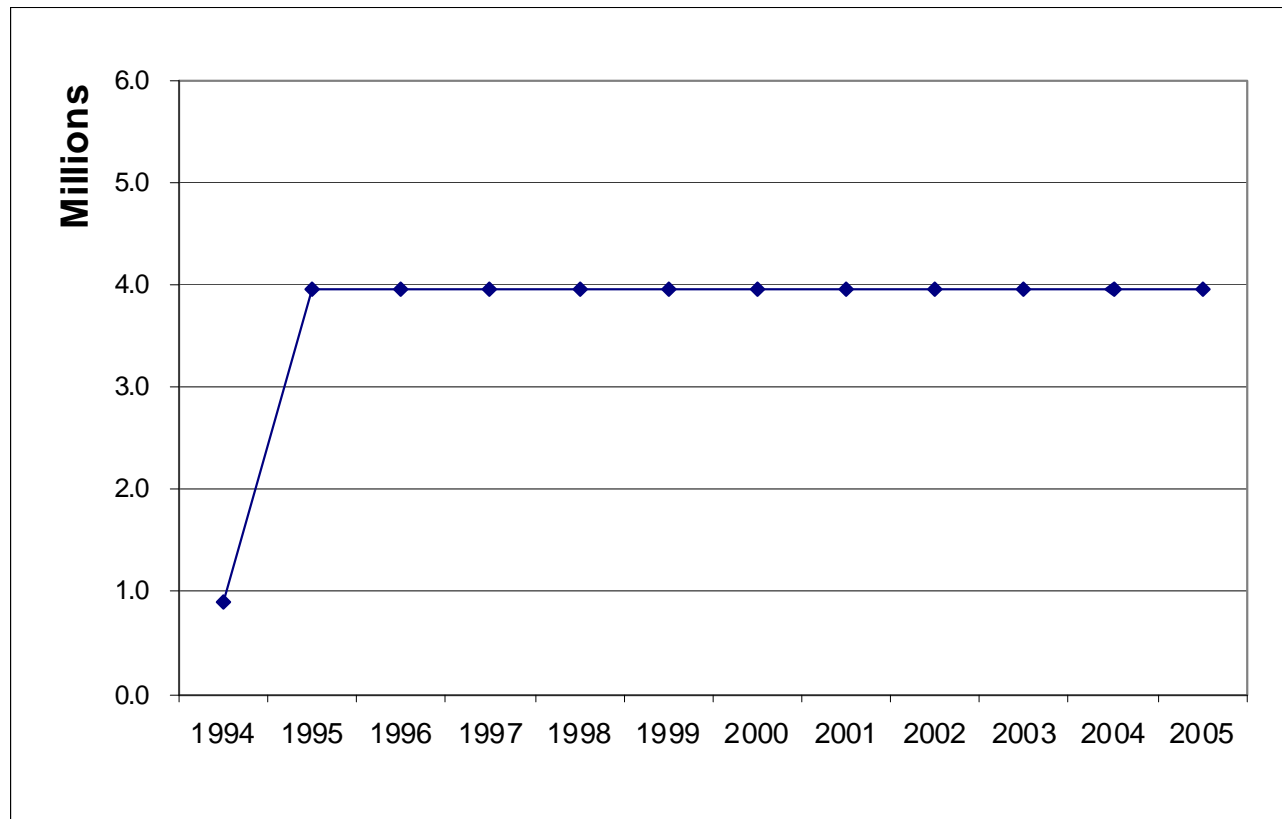
Actuarial Projection--WC



Dollars in Thousands



Property Claim Development



Net Paid for Occurrences in Loss Year 1994



Property Allocation

- All agencies
- Loss dates
 - July 2003 - June 2005 (40% weight)
 - July 2005 - June 2007 (60% weight)
- No waive
- No minimum



Property Allocation

- Basis of allocation
 - “Incurred loss” (net paid + claim reserve) for:
 - 75% of general property loss forecast
 - 100% of Auto property loss forecast
 - 100% Risk Management Administration
 - Total Insured Value (TIV) for:
 - 25% of general property loss forecast
 - 100% commercial excess insurance
 - FTE for crime insurance (bond)

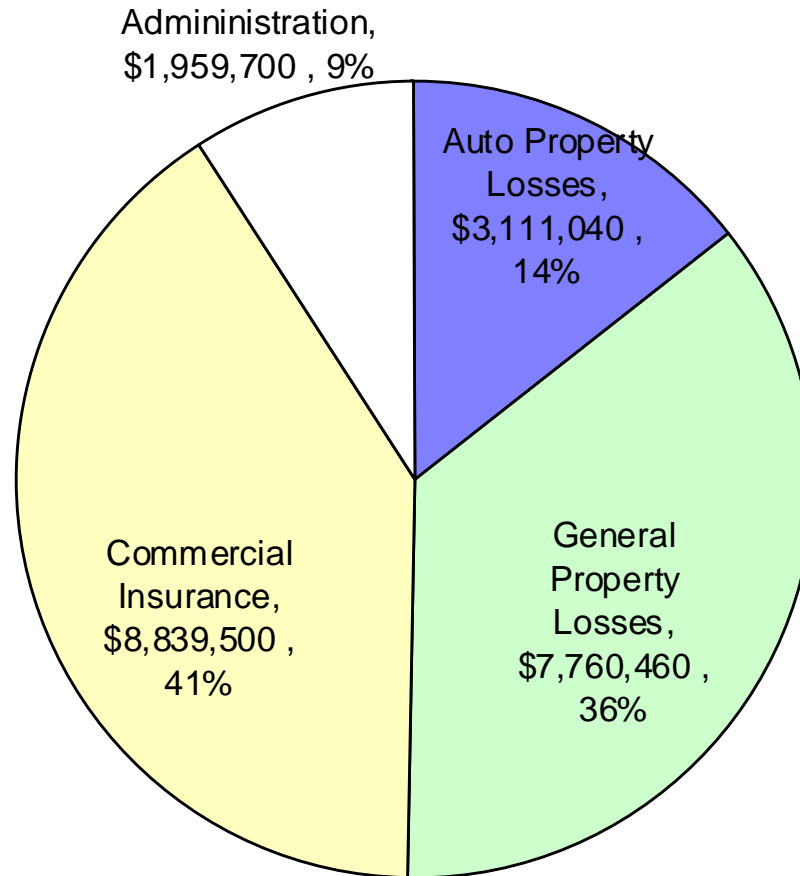


Property Total Costs

- Claim Payments
- Commercial Excess Insurance
- Crime Insurance
- Boiler Insurance
- Risk Management Administration



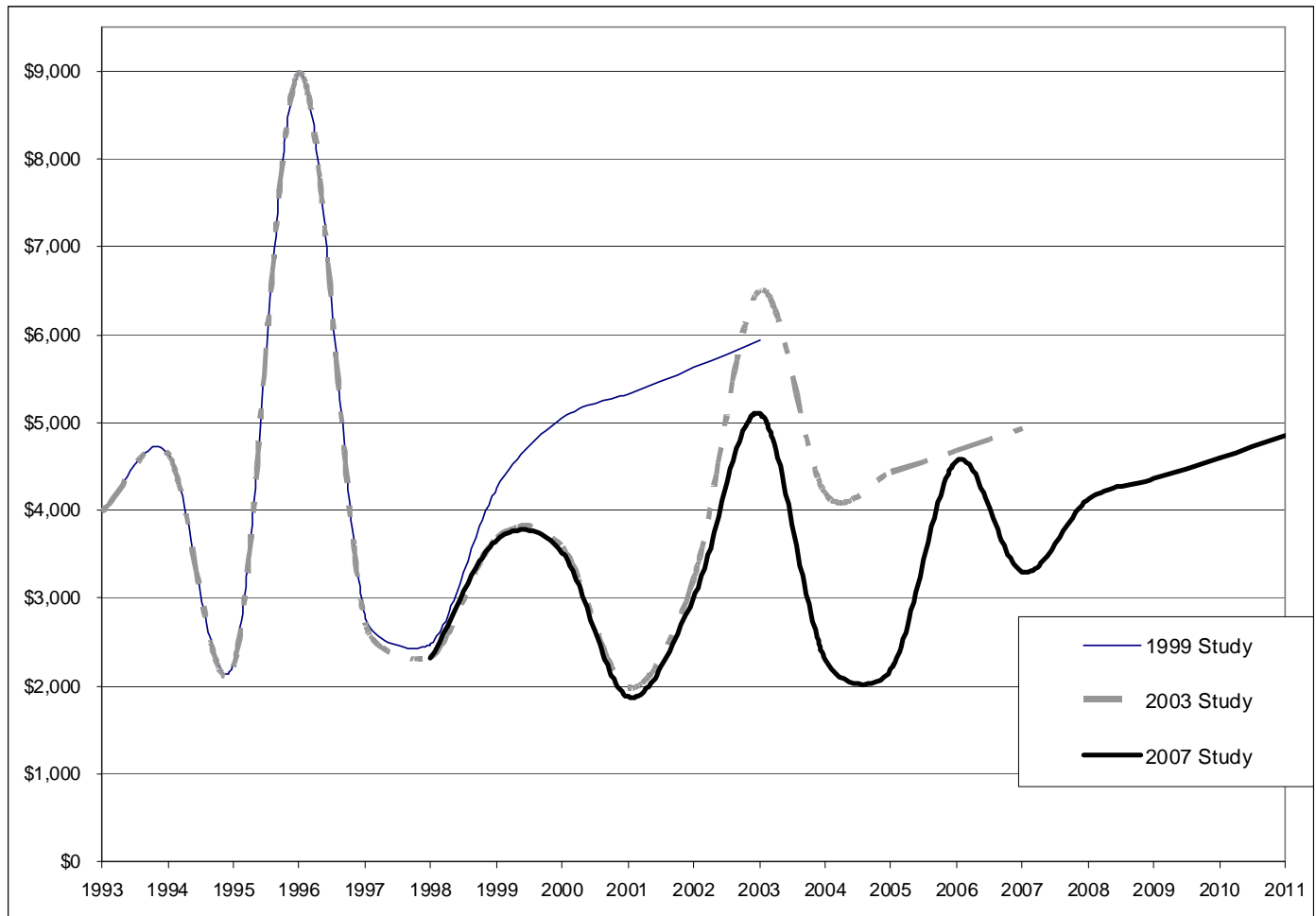
Property Costs by Cost Area



Total Charge Includes \$3.0 million estimated deficit



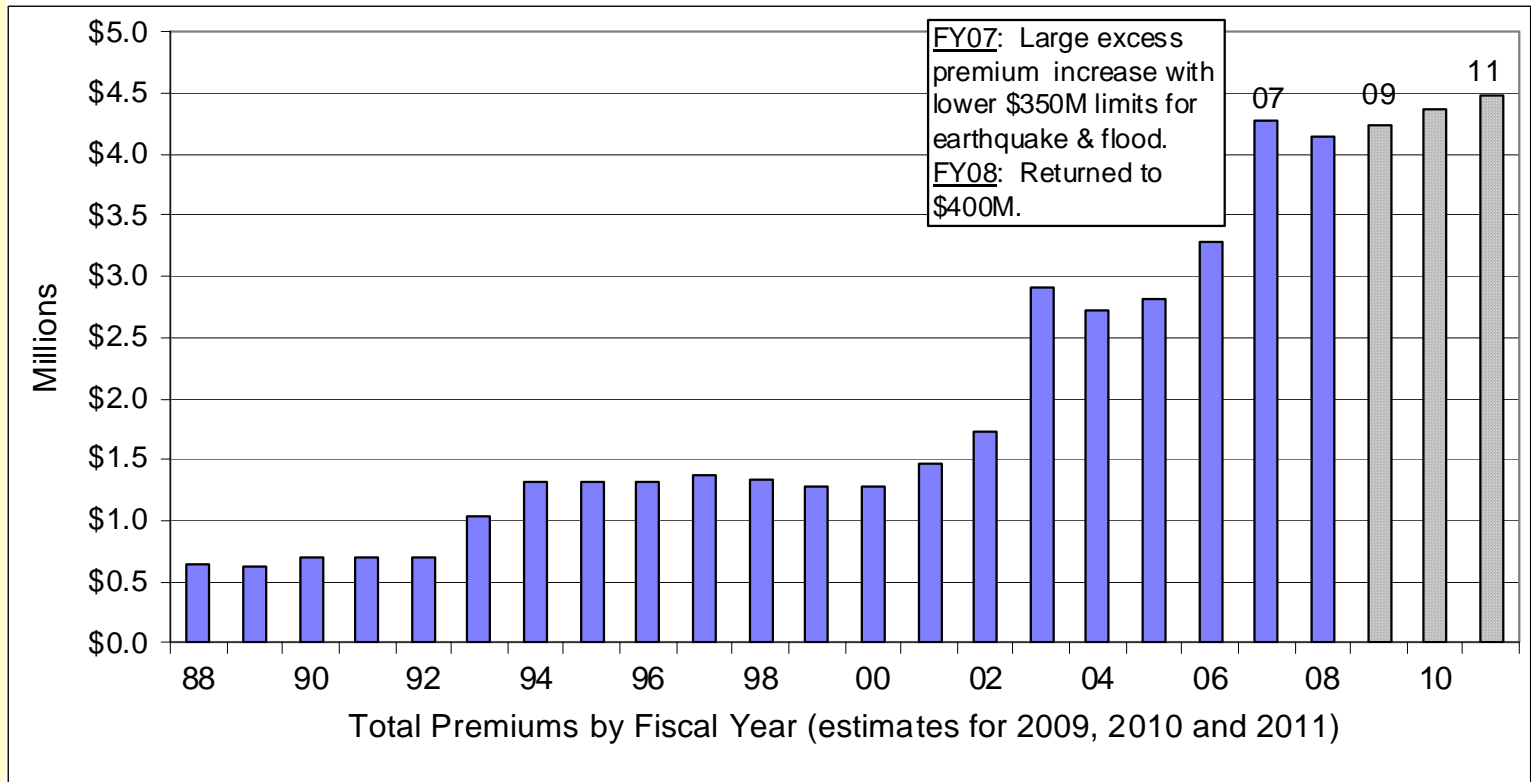
Actuarial Projection--Property



Dollars in Thousands



Property Commercial Insurance Premium History



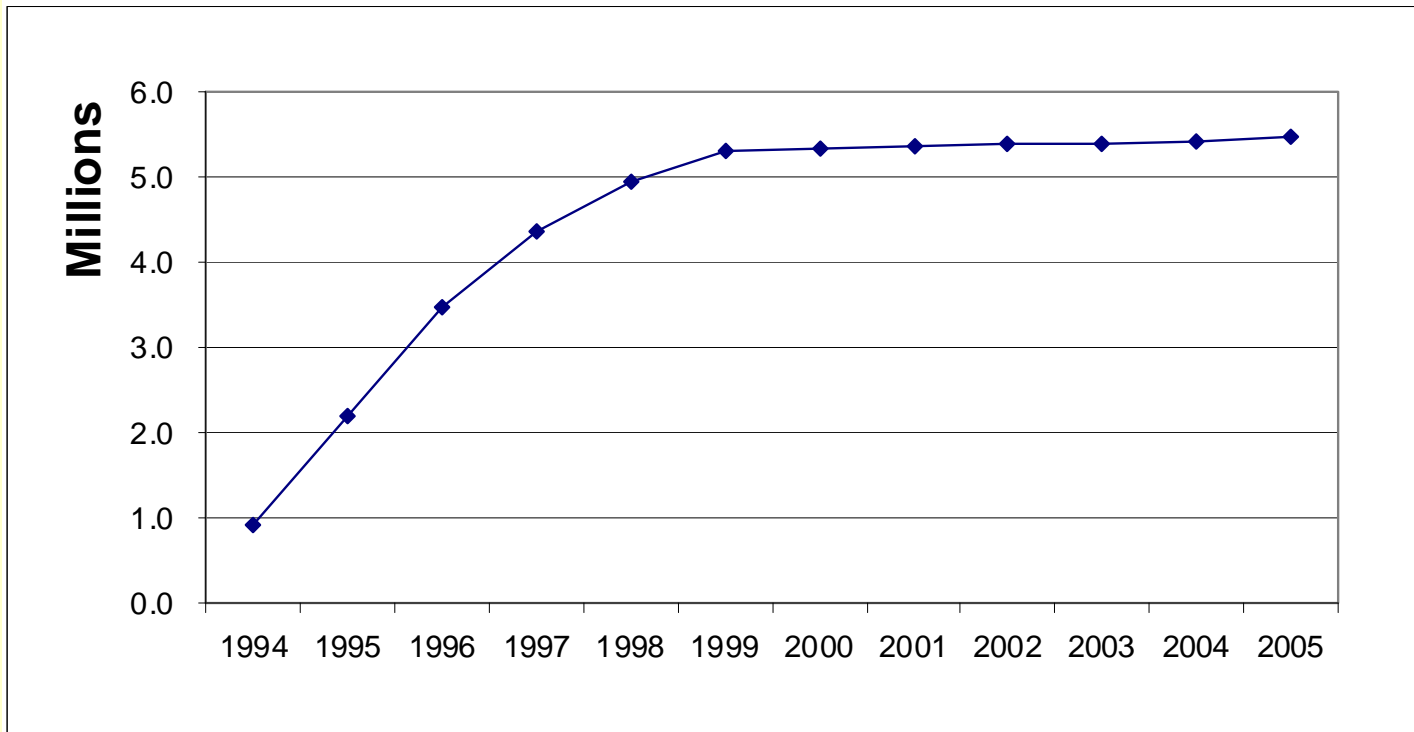
Catastrophic Nationwide Property Losses

Sept 2001 Terrorist Attacks - New York City, Washington D.C. & Pennsylvania: \$21 billion in insured losses

Aug 2006 Hurricanes Katrina, Rita, & Wilma - Gulf Coast: \$53 billion in insured losses



Liability Claim Development



Net Paid for Occurrences in Loss Year 1994



Liability Allocation

- All agencies (pools available for agencies with 20 FTE or less)
- Loss dates
 - Auto July 2004 - June 2007
 - General July 2001 - June 2007
- Basis of allocation is “net paid”
- Base charge (all pay) \$2000 for biennium (\$8000 per pool)



Liability Allocation

- Waive Auto
 - Largest loss up to \$100K
 - No agency assessed more than \$500K per occurrence
- Waive General
 - Largest loss up to \$200K
 - No agency assessed more than \$500K per occurrence

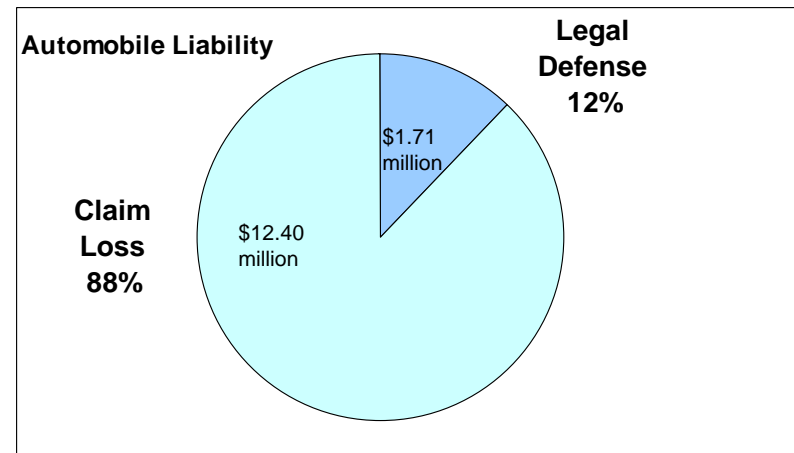
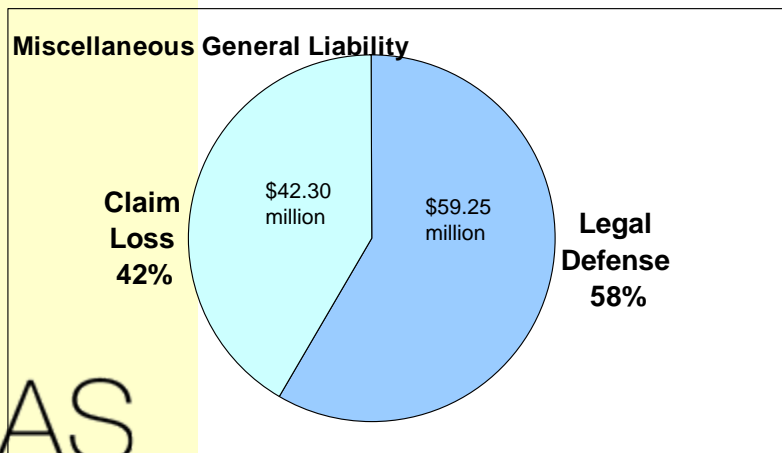
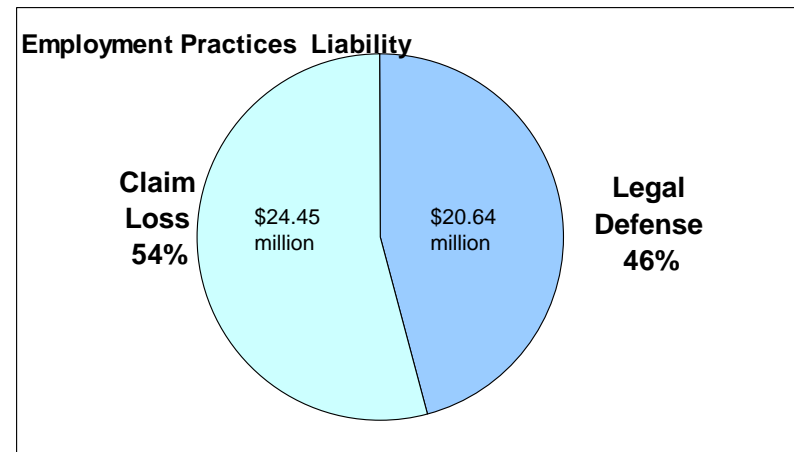
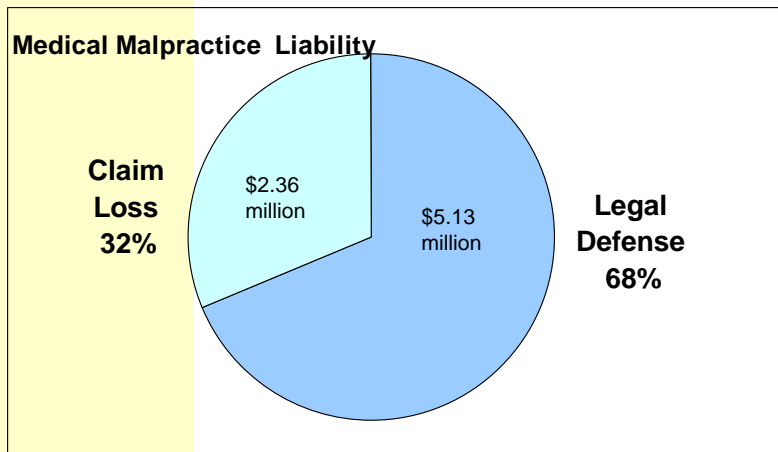


Liability Total Costs

- Claim Payments
- Legal Defense
- Commercial Insurance
- Risk Management Administration

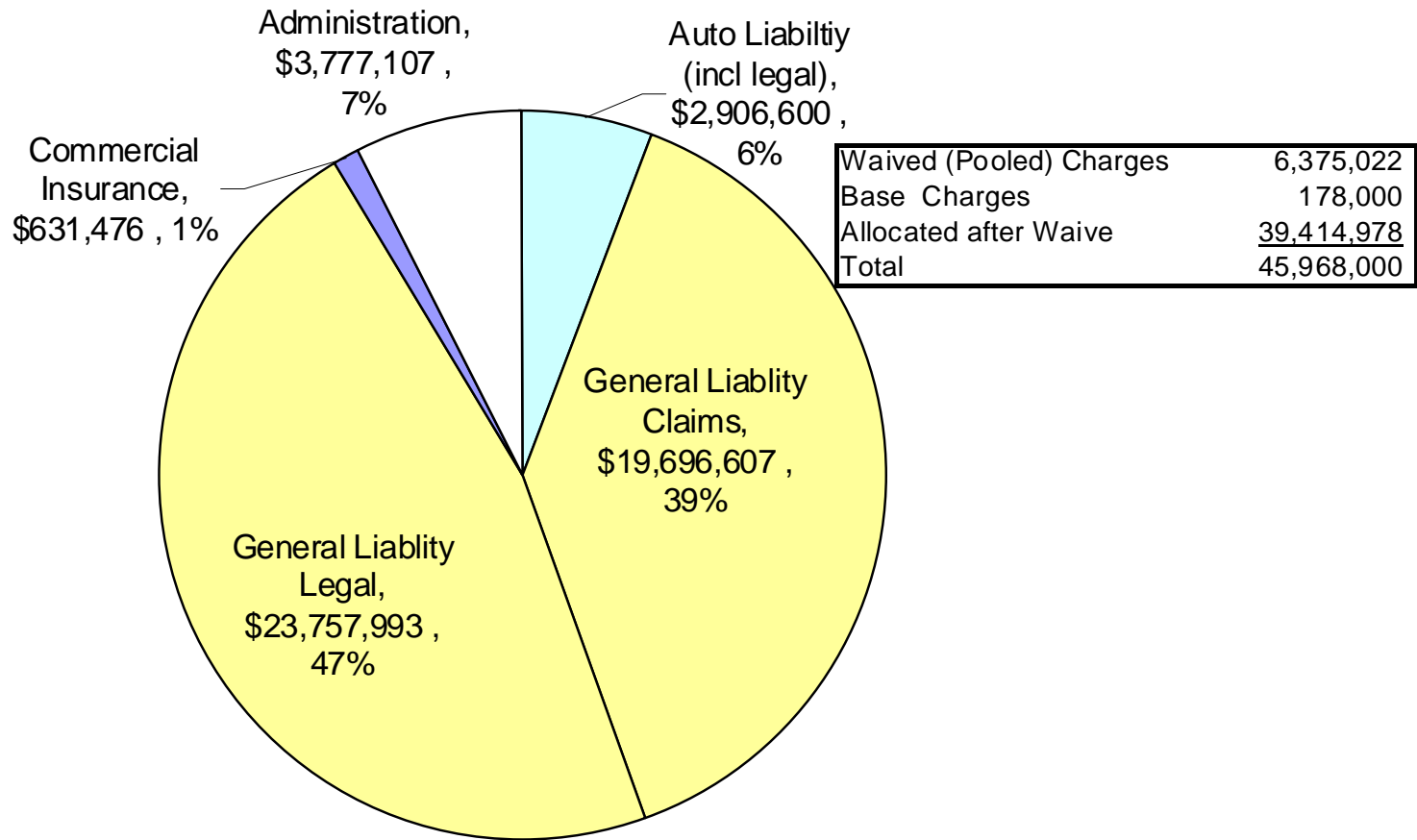


% of Legal/Claim Loss by Liability Type





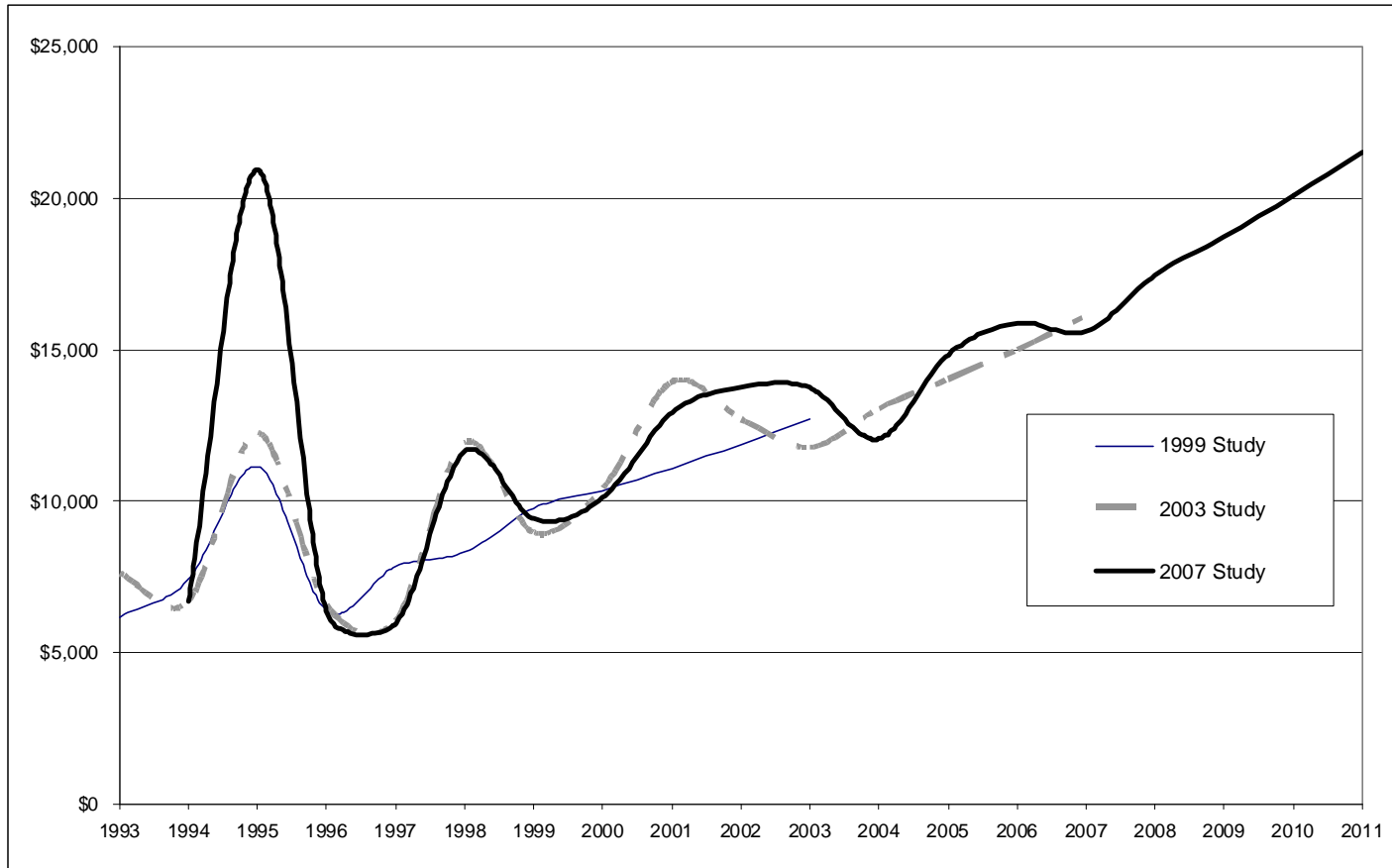
Liability Costs by Cost Area



Total Charge Reduced \$4.8 million estimated surplus



Actuarial Projection--Liability



Dollars in Thousands



History of Risk Charges

Biennium	Property	Tort Liability	Workers' Compensation	TOTAL	INCR
1985-87	\$3,958,000	\$10,168,000	\$31,028,000	\$45,154,000	-
1987-89	none	14,650,000	52,672,000	67,322,000	49%
1989-91	none	18,343,000	102,202,000	120,545,000	79%
1991-93	none	21,824,000	none	21,824,000	-82%
1993-95	3,906,000	26,024,000	none	29,930,000	37%
1995-97	11,538,000	12,879,000	none	24,417,000	-18%
1997-99	10,694,000	none	5,379,000	16,073,000	-34%
1999-2001	10,384,000	23,012,000	4,959,000	38,355,000	139%
2001-03	9,818,000	14,045,000	none	23,863,000	-38%
2003-05	11,212,000	43,938,000	14,224,000	69,374,000	191%
2005-07	14,576,000	42,075,000	37,008,000	93,659,000	35%
2007-09	18,949,000	46,249,000	57,088,000	122,691,000	31%
2009-11	\$24,641,000	\$45,968,000	\$58,902,000	\$129,511,000	6%



Confidence Level History

	Bn 1995-97	Bn 1997-99	Bn 1999-2001	Bn 2001-03	Bn 2003-05	Bn 2005-07	Bn 2007-09	Bn 2009-11
Property	Expected	Expected	AP: Expected; GP: 75% (rolling average over 3 biennia)	AP: Expected; GP: Expected, except 75% for LYs 2000 & 2001 (rolling average over 4 biennia)	AP: Expected; GP: Expected, except 75% for LYs 2002-05 (rolling average over 3 biennia)	AP: Expected; GP: Expected, but charge limited to 30% increase	AP: Expected; GP: Expected, except 75% for Loss Years 2006- 09, but charge limited to 30% increase	AP: Expected; GP: Expected, except 75% for Loss Years 2008- 11
Liability	85%	85%	Expected	Expected	Expected plus \$7.6M towards loss of tort caps on federal court-filed claims	Expected, except 65% for Loss Years 2002- 07	Expected	Expected through Loss Year 2007, then 75% for Loss Years 2008-11
Workers' Comp	Expected	Expected	Expected	Expected	Expected	Expected	Expected	Expected



Further Information

- <http://oregon.gov/DAS/SSD/Risk/BienniumRiskCharges.shtml>
- Pat Carrothers (503) 378-4665
 - Pat.carrothers@state.or.us
 - Hours Monday-Thursday 7-5:30
 - Out of office 7/27 back on 8/10