

New Trustees Orientation

Thursday, May 15th | 10:45 AM

New Trustee Questions

- Why were pools created?
- How do pools differ from each other?
- What should I know about my own pool?
- How does reinsurance fit in?
- What do I need to know about pool finances?
- What are my responsibilities as a pool board member?

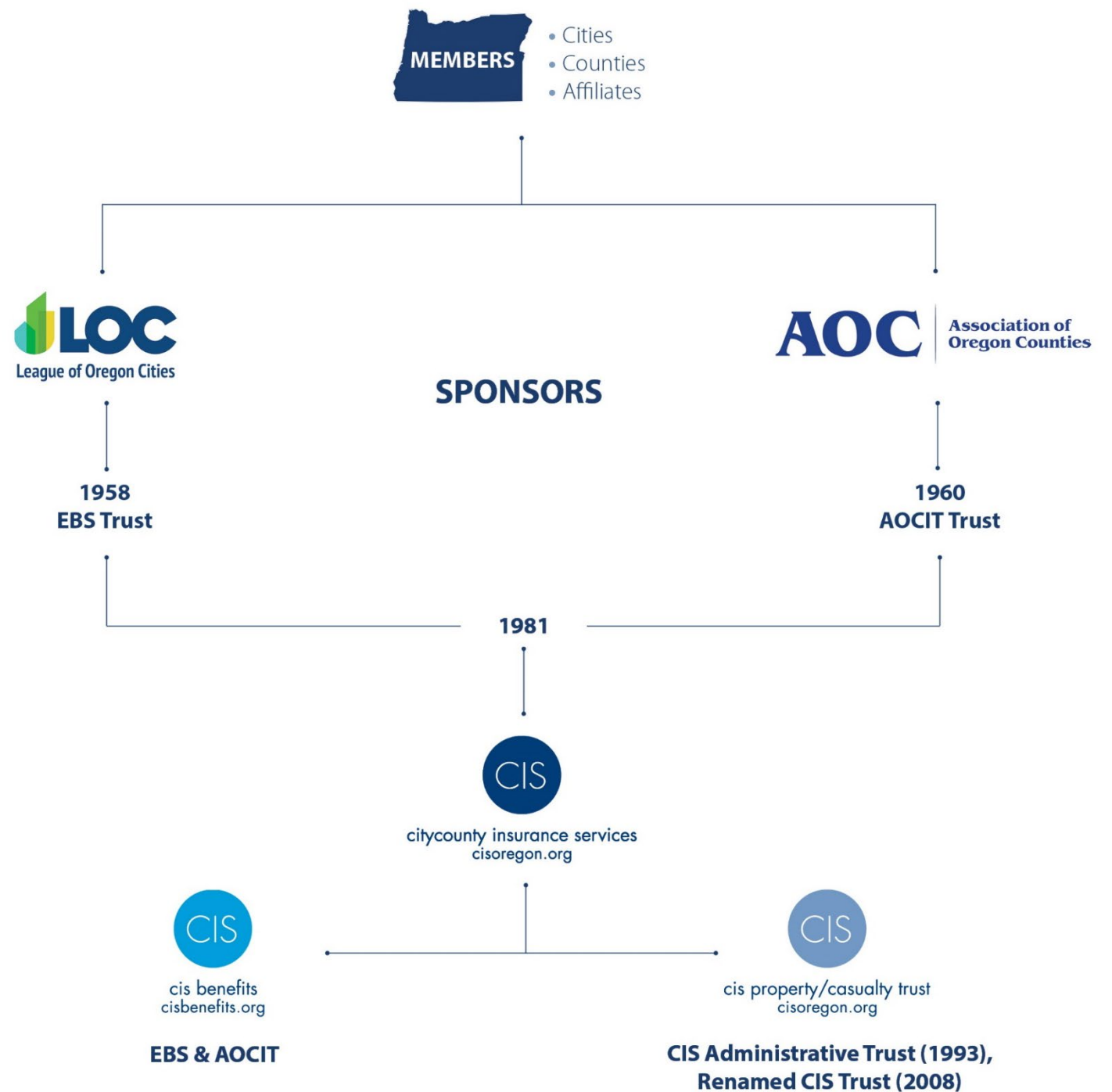


Why were pools created?

- Insurance industry's "hard market" cycles
 - Limited insurance availability
 - Limited or no competition
 - High cost and drastic premium increases
 - Exclusions and coverage limitations



About CIS



Why were health pools created?

- Health coverage markets differ from state to state
- Reasons for forming health pools differ too





Pooling Solution

Like an insurance company, but different

Non-profit

- If a pool charges more than needed for losses and expenses, it's still the members' money

Owned and controlled by members

- Sole purpose is to cover members' risks

Expertise and focus on local government risks

- How to cover those risks
- How to help control those risks

Does pooling work?



500⁺
pools
nationwide

75,000⁺
public entity
members

\$17⁺ billion
premium



Private insurers
may be catching
up to pools

- Much improved coverage
- Good loss control help
- Claims & litigation management
- Pricing is often very competitive, perhaps employing loss leaders
- Use of predictive modeling (pricing, claims)

Things to Know

- State laws, regulations and reporting
 - What laws authorize creation of the pool and govern its operations?
 - Who regulates the pool?
 - What areas are regulated?
 - Coverage that can be offered?
 - Entities that can participate?
 - Claims practices?
 - Rate approval?
 - Minimum funding requirements?
 - Maximum funding limitations?



Things to Know

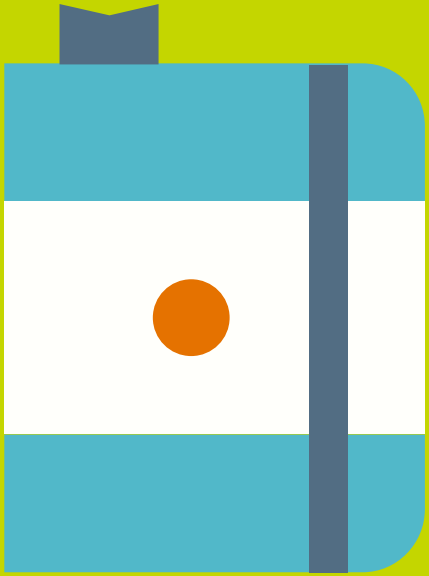
- State laws, regulations and reporting
 - What's the legal landscape?
 - Tort Caps in your state?
 - Special defenses for medical malpractice?
 - Bad faith claims?
 - Minimum funding requirements?
 - Maximum funding limitations?



Things to Know

- Who can be a member of the pool?
 - Local government
 - Intergovernmental agencies? (shared services)
 - Transit
 - Wastewater
 - Special districts?
 - Schools?
 - Non-profits?

Things to Know



- Board structure, scope and decision-making
 - How are Board members selected?
 - What programs do they oversee?
 - What is the role of the Board in decision-making (at what level and for what issues)?

Things to Know



- Coverages
 - What coverage does the pool offer?
 - What's the general philosophy about covering losses?
 - What coverage document is used?
- Other services
 - What other services does the pool offer?

CIS Lines of Coverage

- General Liability
- Premises
- Directors and Officers
- Employment
- Professional
- Elected Officials
- Auto
- Ethics Defense (\$7,500)
- \$5 million limits automatically
- Can purchase up to \$15 million in limits
- Police Liability
- Firefighter Liability
- Cyber
- Limited Pollution
- Fairs
- Special Events
- Liquor Liability
- Transit (Buses)



Pool Functions

Underwriting

- Who do we accept for coverage?
- What coverage do we provide?
- What do we charge for it?

Claims

- Is this claim covered or not?
- Should the claim be contested?
- If it is covered, how much do we owe?

Loss control

- Can we reduce how many losses we have?
- Can we reduce the cost of the losses that do happen?



Things to Know

- Staffing structure and how it relates to third-party contract relationships
 - What structure, roles, relationships does the pool have?
 - Why does this make sense for our operations?
 - What would we do if there was a significant shift?
- Pools are essentially insurance entities
- Recruiting challenges for right expertise



Things to Know



- The League/pool relationship
 - Do the League and the pool have separate staffs?
 - Are the pool staff members League employees?
 - Do some staff members work for both the League and the pool operations?
 - What's the financial relationship between the League and the pool?



The League-pool
financial
relationship

- Potential target for regulatory attention
- Potential for legal challenge

VALUES

- ★ EQUITY
- ★ COLLABORATION
- ★ INNOVATION
- ★ INTEGRITY
- ★ STEWARDSHIP
- ★ SERVICE



2025-2029 STRATEGIC PLAN

GOALS

COMMUNICATE
+
ENGAGE



MANAGE
COSTS



WORKFORCE



TECHNOLOGY



VISION

TOGETHER, WE
HELP OREGON'S
CITIES + COUNTIES
TO BE SAFER,
STRONGER, +
HEALTHIER

MISSION

CIS PROVIDES PROPERTY, CASUALTY, +
EMPLOYEE BENEFIT SOLUTIONS TAILORED TO
THE NEEDS OF OREGON'S CITIES + COUNTIES

MITIGATE
RISK



Things to Know



- Underwriting and rating practices
 - What's our pool's pricing philosophy?
 - Market-driven?
 - Cost-based?
 - How much underwriting discretion do we allow?
 - Nature and degree of risk sharing
 - Experience rating?
 - Deductibles and co-pays?

Setting Rates

Some good questions to ask when you're setting contribution/premium levels:

- At this level, how much loss can we pay for and still break even?
- Does our rate system allocate coverage costs appropriately among members?

Something to know:

Over time, contributions plus investment income need to cover losses and expenses. If they don't, you'll go broke.



Things to Know

- Competitive environment
 - Who is our main competition?
 - How do we view our role in the marketplace?
- Agents
 - Does the pool use agents?
 - Required or optional?
 - What's the agent's role?
 - How is the agent compensated?





Things to Know

- Self insurance and reinsurance structures
 - How much risk does the pool retain?
 - Why is that right amount of risk for us?
 - Reasons to buy reinsurance
 - Who are our reinsurers?

Questions to Ask When Looking at Pool Financial Statements

On the balance sheet...

1. Are the claim liabilities shown discounted or undiscounted?
2. Are the claim liabilities shown at “best estimate” or at a higher confidence level?

On the revenue and expense statement...

1. Did the estimated cost of losses incurred in previous years increase or decrease significantly?
2. How did the new losses incurred this year compare to what was projected?
3. Were there significant capital gains or losses on investments?

Things to Know



- Investment practices and policies
 - What investments can our pool make?
 - How are our investments managed?
 - What outcome are we looking for?
 - How long-term is our view?
 - Can we withstand large swings from one year to next?

Why do we need surplus?

- We might have more losses this year than our premiums were designed to pay for.
- Losses from prior years could turn out to cost more than we estimated and reserved for.
- Reinsurers might become insolvent.
- We might have investment losses.
- If loss trends change, we can “phase in” rate increases over a couple years and avoid rate shocks to members’ budgets.
- It makes it feasible to experiment with covering new risks.
- It lets us generate more investment income.

How much surplus is enough?

- Establish target
- Financial ratios
 - Contribution to surplus
 - Reserves to surplus
 - Surplus to self-insured retention
- Risk based capital
- Actuarial developed models

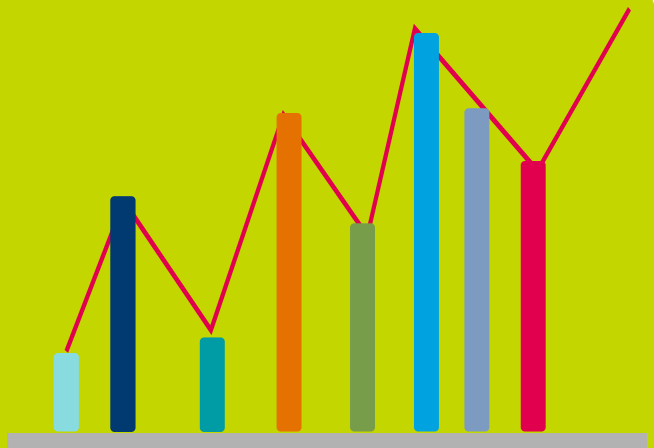


Things to Know



- Membership philosophy
 - Are there standards for who can join the pool?
 - What happens if a member leaves?
 - How are problem members treated?

Things to Know



- Loss patterns and trends
 - What are our pool's major loss cost areas?
 - Are we seeing any changes in the frequency or cost of specific types of losses?
 - Are there other external trends that could impact our pool loss experience?
- What's that actuarial stuff all about?
 - Funding levels
 - Liability for unpaid claims

Loss Trends to Watch

- The economic climate - inflation
- Anti government sentiment - social inflation
- Aging workforce
- Changing weather patterns
- Legislation
 - Work comp presumption
 - Tort caps and immunity
 - Law enforcement

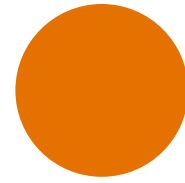


Loss Control – Risk Management

- Internal staff
- External consultants
- Pool expertise
- Focus on loss trends
 - Public Safety
 - Cybersecurity
- Emerging risks



Trustee Responsibilities



Trustee Responsibilities

“Although board members and trustees may not have personally participated in or benefited from the apparent improprieties, their failure to provide adequate oversight appeared to contribute to the climate that allowed the questionable conduct.”

“Interviews of board members and trustees revealed that in most instance they failed to employ even modest independent examination or evaluation of staff proposals and action, but instead relied entirely on the judgment and integrity of staff.”

“We also noted that personnel did not always provide to board members and trustees complete or accurate information regarding proposed projects and plans. Therefore, it appears board members and trustees made decisions without being provided with (or independently gathering) essential information to determine if the proposals were in the best interest of TSBA or the trusts.”

-Extracted From 2005 Investigative Audit of TSBA, TNRMF and TNUET

Trustee Responsibilities

- Seek information about the pool's mission, services, policies, and programs
- Review agenda and supporting materials prior to Board meetings
- Learn the basics
- Work to ensure financial, legal and programmatic integrity
- If something seems odd, check it out further
- Make sure decisions are appropriately justified and reasoned
- Ask questions — silence is complicity

Trustee Responsibilities

- Represent your entity, ***but more importantly*** represent ALL members of the pool
- Refrain from making special requests from staff
- Protect assets and provide for financial oversight (you are a fiduciary)
- Keep building on your knowledge as a Trustee
 - Your pool's resources
 - NLC-RISC
 - AGRiP

Questions?



Patrick Priest

CIS Executive Director
ppriest@cisoregon.org



Kirk Mylander

CIS General Counsel
kmylander@cisoregon.org