



2013 Annual Report



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**WHEN CHALLENGE MEETS INNOVATION, GOOD THINGS HAPPEN.**

Sure, the economy is better. But for Oregon cities and counties, the recession's effects remain, with smaller workforces and fewer dollars, even as the need for service grows. And it's at that intersection where the partnership between CIS and its members makes all the difference.

Our annual report on CIS in 2013 focuses on challenges that we've addressed with new ideas and new resources, all aimed at reducing claims and their costs so that CIS members can achieve their own goals. Whether it was making sense of the Affordable Care Act, attacking employment claims, or providing training, equipment and funding to make risk management possible in a time of tight budgets, CIS was there for members, as we have been since 1981.

We encourage you to review these highlights, and the ways in which CIS provides value to your entity as part of its membership in the League of Oregon Cities or Association of Oregon Counties. Your Board of Trustees and staff appreciate our partnership and your support of CIS, and look forward to continually delivering on the CIS promise of delivering Trust-worthy results in trustworthy ways.

Lynn McNamara
Executive Director

Responding to Healthcare Reform



ANYONE IN THE WORLD of employee benefits these days has to keep the aspirin handy: the almost daily twists and turns in healthcare reform can make your head ache! But CIS Benefits members have their very own first aid kit for the challenges of healthcare reform: CIS staff.

From the dawn of Affordable Care Act (ACA) in 2010, through 2013 and to this day, the CIS Benefits team has been delving into the changes to better help our members and their employees know what to do. They've taken the time and invested in learning, so that they can share all they know to help CIS Benefits members get through any number of uncertainties. Benefits staff even took the Cover Oregon agent training, to be better able to understand how the new exchange will work.

Here's the kind of support that members with CIS medical coverage received during 2013:

- ♦ *ACA Matters* newsletters that provided detailed guidance on ACA requirements, and notice of quick-changing issues at the state and federal level

→ Innovation Personified!

- ♦ Free, individualized consultations on the effects of “Play or Pay” provisions for members with more than 50 employees
- ♦ An “ACA Answers” e-mailbox, for individualized answers to ACA questions
- ♦ Meetings with small cities around the state on reform
- ♦ A “play or pay” webinar attended by 75 members
- ♦ The Cover Oregon notice template provided to 254 members.

As CIS became the “go-to” source for healthcare reform information in 2013, all Oregon cities and counties (and others) benefitted. CIS provided:

- ♦ A 10-page cover story in LOC’s Local Focus magazine to guide cities in their response to healthcare reform
- ♦ Two CIS Conference sessions on Cover Oregon (143 participants)

- ♦ Two presentations to members of the Oregon Municipal Finance Officers Association
- ♦ Presentations to groups of small Oregon cities.

Members can count on CIS Benefits to support them through the full implementation of the ACA, and beyond. 💡

Members speak...

CIS’ effort to support the city with training, publications, etc., related to ACA has been extremely helpful! We especially appreciate the Pay or Play Analysis provided at no cost to the city. I have confidence that CIS will be proactive and thorough in their approach to ACA.

Members speak...

PREVENTION, PREPARATION, PLANNING

Key Innovations to Address Employment Claims



Tamara Jones broadcasting one of the monthly employment law webinars.

EMPLOYMENT LIABILITY CLAIMS continue to be the number one source of loss costs — and greatly contribute to increased contribution levels for members. And, while we've collectively made progress over the last couple of years, still more needs to be done. Here's what's happened in the past year, and what you can expect moving forward.

Doing more to prevent claims

Expanding pre-loss attorney support

Just one year ago Tamara Jones, a partner at the employment law firm of Barran Liebman, became CIS' pre-loss attorney, taking over when Kirk Mylander assumed the General Counsel role. Attorney Steve Norman, CIS' Administrative Officer, and HR Risk Management Consultant Janie McCollister round out our Pre-Loss team. Pre-Loss offers extensive training and assistance around employment best practices, and pre-disciplinary/pre-termination advice.

Hundreds of members attended the employment law webinars that Tamara, Kirk and others conducted each month in 2013, on topics ranging from documentation to performance evaluations to

medical exams. And spring supervisor training sessions around the state provided an interactive look at best practices in workplace investigations.

Partially funding severance

There are times when the facts of a termination make it clear that a clean break will benefit the departing employee and protect the employer from a future claim. In those cases, CIS will recommend, and potentially help fund, a severance payment in exchange for a waiver of liability. CIS' participation makes this step financially feasible for many entities — and is a net savings for all members.

Increased risk = Underwriting action

The pool depends on each member doing its part to prevent claims. When a member's actions pose a substantially higher risk of high-cost claims, or there is an ongoing history of problematic claims and losses, an additional pre-claim deductible, or even a limitation of coverage may be imposed.

New strategies to reduce the cost of claims

In addition to actions designed to prevent claims, CIS has recently also taken a much more strategic aim at reducing claim costs.

Aggressive claims investigation and settlement —

Time often is money when it comes to claims, so CIS has adopted a more proactive and aggressive approach to claims investigation. The sooner our adjusters know the facts, the sooner they can prepare for a successful outcome, be it closure, settlement, or trial.

Litigation Specialist — One of our adjusters with long experience in litigated claims now serves as a litigation specialist, handling the more complex liability claims. The specialist works hand in hand with the member and assigned defense counsel to achieve the best outcome at the lowest cost. Already we've seen success in this area: legal costs during 2013 *dropped* by \$655,000, back down below 2011 levels, even while the case load remained about the same.

Specialized and highly qualified defense attorneys —

We've added trial lawyers specializing in employment issues to our defense team, ensuring the best possible representation for members.

Using jury consultants — Understanding that a jury's view of a case may not be the same as CIS' or the member's, we've selectively used jury consultants



and mock juries to understand how a real jury may ultimately view a case. Mock juries help us uncover and understand the types of reaction we might get from a jury. That knowledge can help decide if litigation or settlement is the better way to go!

Planning for fewer future claims

Despite all of these efforts, the number and cost of employment claims remains too high. So, it's time to do more. Watch in 2014 for "Hire to Retire," a new CIS program to give members more hands-on assistance in every part of the employment lifecycle, from pre-hire to separation, and bring employment claims costs down ... for good. 💡

PILOTING INNOVATION

GPS and Back-Up Sensors to the Test

PILOT PROGRAMS have proven a great way to test the effectiveness of new tools to prevent losses, without spending a lot of money. Last year, CIS began several pilot programs with members. One program is designed to determine whether back-up sensors on vehicles can reduce the costs associated with vehicle backing-up accidents. Another pilot is gauging whether GPS units in law enforcement vehicles can also reduce the overall accident rate. In both cases, the equipment was monitored locally and with regular follow up from CIS Risk Management Consultants. So far, so good!



Back-up sensors help reduce accidents and claims.

Back-up sensors

City of Coos Bay

Back-up sensors were installed in most of the vehicles in the City of Coos Bay's fleet. Coos Bay found the backing sensors to be effective. The staff reported:

- ♦ No vehicles with backup sensors were involved in backing accidents
- ♦ Backing accident claims have been reduced
- ♦ Departments that had success with the pilot sensors are now purchasing more and adding them to other vehicles. The sensors cost about \$65 each, not including installation.
- ♦ Initially, those drivers of vehicles with the sensors complained about the beeping sound when backing near a hazard. That complaining has stopped and they view the sensor as any other tool.

GPS

Jefferson County Sheriff

Ten GPS units were installed in the Jefferson County Sheriff's fleet. The sheriff found the specialized GPS units to be a valuable management tool for him and his command staff. The units are able to record in real time the location, speed, acceleration and deceleration patterns of drivers. In the event of an accident they would indicate not only the location and speed of the county vehicle, but the direction and lane of travel as well as other information that would be useful.

A longer and more extensive pilot would be needed to determine if the GPS units prevented any accidents, but the sheriff found the units to be an extremely valuable management tool. He reported:

- ♦ There were two citizen complaints that a deputy was driving excessively fast. The GPS data was able to prove, in both cases, that the vehicles were traveling within the speed limit.
- ♦ The route, time at location and speed information the units recorded was very accurate.

- ♦ The units indicated whether a driver fastened his/her seat belt and whether the belt was removed before the vehicle was stopped.
- ♦ The units incorporate well with Google Maps and the overlap was "pretty good."

Unfortunately, the cost of the GPS units made them not a viable option for the benefits returned. The plan at this point in time is to continue to look at GPS units in the future, perhaps in a lengthier trial with a more cost-effective unit. 💡

Members speak...

All of your staff I have worked with have been excellent. Truly. They provide great service and know their jobs well. I feel like CIS is a partner rather than a service we pay for.

Members speak...

RISK MANAGEMENT INCENTIVE PROGRAM

Meeting Challenges with Cash and Know-How

IT'S A COMMON SCENARIO: a CIS member becomes aware of a situation in their city or county that presents a substantial risk. But there isn't money in the budget to address it, and finding extra funding for anything can be a daunting task — even when it is for a good reason!

Luckily for CIS members, the CIS Risk Management Incentive program can make a fix possible, as many members learned over the past three years. The Risk Management Incentive program offers funding to our members for projects that will reduce liability claims. When the 2010–13 program ended on June 30, 2013, 226 members had received a share of \$1,332,935 in Risk Management Incentive dollars.

There's no way to precisely calculate how much money was saved or injuries averted from the projects undertaken with the Risk Management Incentive funds. But this partial list of projects demonstrates how the incentives have helped CIS members make their cities and counties safer, and prevented liability claims.

- ♦ Aumsville installed security cameras and recorders in a city park. Others installed security cameras in parking lots, city storage lots or other areas subject to vandalism or other crime. Still other members used the grant to purchase additional lighting, also to deter crime.
- ♦ Dundee used the grant to purchase automated external defibrillators (AEDs) and paid for training six employees on how to use them. Several other CIS members also purchased AEDs for use in public buildings.
- ♦ Lincoln City enhanced the safety of its city pool with non-slip deck matting and made the pool deck safer with grooves installed in the concrete.
- ♦ Stayton made improvements in ADA compliance to both its community center and library
- ♦ Dufur added additional safety equipment and a portable generator for the fire department.
- ♦ Gladstone repaired the sidewalk in front of City Hall.



- ♦ Canyon City replaced an old swing set.
- ♦ Talent installed speed bumps in the city parking lots and a concrete pathway behind City Hall.

A new three-year round of Risk Management Incentive funding began July 1, 2013. The formula for each member's available funding is based on the 2013–14 liability contribution paid by the member. All members are entitled to receive an amount equal to 25 percent of their 2013–14 liability contribution not to exceed \$5,000, which can be used over the three-year time period from July 1, 2013, to May 31, 2016. Members whose 2013-14 liability contribution is over \$30,000 can receive an additional up to \$2,500, if they match that amount. Members whose contribution is between \$20,000 and \$30,000 can receive a prorated amount of additional funding if they match the amount.

This time around, keeping track of Incentive dollars is even easier. Members will find their individual incentive balance on the CIS website (www.cisoregon.org), and can apply online and submit receipts for reimbursement of approved projects. 💡

Members speak...

We are a tiny town in the middle of nowhere and we are made to feel that we can get assistance and support when we need it. All representatives are very helpful.

Members speak...

CIS LEARNING CENTER

Online Innovation, One Stop Shopping!



CIS staff Moira Przybylowski and Susan Lavier train members on workers' comp issues at the 2013 CIS Conference.

THE CIS LEARNING CENTER exploded onto the CIS website in late spring, bringing with it an abundance of resources. The debut of the Learning Center meant members had a new tool — free online training for all of their employees — to help reduce claims, and options to let their workers build new skills at the same time.

Step one was to pull together an experienced team — Training Manager Mary Meyer and Multimedia Specialist Jessie Charlton. Step two was to reframe and rebuild the training and learning opportunities CIS had developed into the *new* CIS Learning Center. Many members got their first look at the CIS Learning Center during several sessions at the 2013 Annual Conference and the Spring Supervisor Training. Since that time the growth has been phenomenal!

A new learning management system

One important piece of the CIS Learning Center was to have a flexible and comprehensive online learning management system. CIS chose an experienced vendor through a competitive process. The online learning system gives the CIS Learning Center more horsepower — and offers many innovations that make the process easier for members:

- ◆ Ability to track all classes taken by any employee whether or not offered by CIS
- ◆ Ability of individual members to build their own course bundles for their employees, and add their own information
- ◆ Online enrollment and assignment of learning sessions
- ◆ 500+ courses and programs, many developed by a leading provider of adult online learning, and others developed specifically for CIS members
- ◆ Ability to track course completion and generate reports
- ◆ Tracking and notification for required license or certification updates
- ◆ Self-registration (coming soon!)

And more...

Click and learn!

The biggest benefit of the online learning system is the wide variety of courses that are available. It includes everything from PowerPoint basics to OSHA-required safety topics, workplace ethics, supervisor skills, IT, Microsoft Office suite,

communication skills, customer service, business writing and grammar, and many more. Past CIS Pre-Loss webinars are also in the system and more of our content will be added in the future. Employers can suggest, assign, monitor and track the courses that an employee takes, all in one central location online! And employees can take the required courses at a convenient time during their workday, minimizing time away from work and travel expense. With all of this, training opportunities that might have been few and far between are now more readily accessible.

Many resources, one location

In addition to providing an extensive library of online courses, the CIS Learning Center is also the place to find all of our familiar tried and true CIS regional instructor-led courses, including Driven to Distraction, Preventing Harassment and Discrimination, Preventing Workplace Violence, Sewer Maintenance Training, and Understanding FMLA. Members can see which classes are coming up in their area and register for them.

The CIS Learning Center also houses the full CIS Risk Management Library. Sample policies, regulation information, OSHA guidelines and more are all accessed from one central location. Tons of



Member Services Manager Penny Marlette presents at the 2013 CIS Conference.

information, resource links, ready to be completed forms, checklists and materials all ready, waiting and free for the taking!

Check it out

As of the end of 2013 over 140 member entities had experienced the CIS Learning Center and online learning system. Almost 2,800 individuals had set up user accounts and completed over 1,400 courses including online, classroom, webinar and external provider courses.

And best of all, it's free. The CIS Learning Center is available at no cost to CIS members; however, certain courses are tied to the coverage an entity has with CIS. For more information visit learn.cisoregon.org. 💡

Kudos to Wasco County and the City of Troutdale!

When CIS launched the online learning system early last summer, some of our members volunteered to be the first entities set up in the system. Denise Jones, City of Troutdale, and Alexis Davila and Tyler Stone of Wasco County, were particularly helpful. They set up accounts for employee users, surveyed supervisors on topics to require, viewed and tested the courses, created learning plans for departmental groups and safety committees, trained staff with user tutorials, and assigned learning plans. Their questions, comments and suggestions were extremely helpful in the implementation phase. Thank you!

2013 Highlights

Over \$200,000 in funds reimbursed to members in Employer-at-Injury Program (EAIP) purchases, wage reimbursement and CIS grants to get injured employees back to work!

Minimal increase for self-insured Regence medical plan; no increase or minimal increase for self-insured MODA (ODS) dental plan; no increase for Willamette Dental.

CIS went to bid and successfully awarded a contract to a new online enrollment vendor — Morneau-Shepell.

CIS Benefits sponsored two wellness academies attended by 69 members.

Launched the CIS Learning Center with a new Learning Management System.

Members speak...

CIS is a supreme example of government providing an essential, effective, and affordable service that cannot be duplicated by the private sector.

Members speak...

By the numbers

2,783 Total users in the CIS Learning Center's first few months

1,286 Courses completed through the CIS Learning Center

1,150 Attendees who listened to Pre-Loss Webinars

3,674 Travel hours and member visits logged by CIS Risk Management Consultants.

1,672 Claims handled by the General Liability team

Over 1,500 People trained regionally

Includes Safety Committee; Workplace Violence; Harassment and Discrimination; Distracted Driving; Winter Driving; Spring Supervisor; FMLA/OFLA; Techniques to Manage, Maintain and Respond to Sewer Backups; Performance Evaluations; Supervisor Force Liability

300 Participants in risk management webinars

98 New lawsuits opened

\$4.29M Spent in defense costs.

Consolidated CIS Assets, Liabilities and Net Position

As of June 30,

	2013	2012
ASSETS		
Cash and Investments	\$151,198,511	\$150,837,844
Receivables	6,795,823	3,595,516
Deposits and Prepaid expenses	1,718,734	1,103,071
Other noncurrent assets	1,570,907	987,779
Capital assets, net	3,422,484	3,600,045
Total Assets	\$164,706,459	\$160,124,255
LIABILITIES		
Unearned contributions	\$2,908,100	\$3,364,776
Accounts and Accrued expenses payable	1,509,335	2,384,208
Claims liabilities - current portion	20,412,290	18,074,406
Member dividends payable	755,418	1,587,003
Current Liabilities	25,585,143	25,410,393
Claims liabilities - noncurrent	25,189,388	23,195,291
Total Liabilities	50,774,531	48,605,684
NET POSITION	113,931,928	111,518,571
Total Liabilities and Net Position	\$164,706,459	\$160,124,255

Consolidated CIS Net Position by Trust

As of June 30,

	2013	2012
CIS P/C	\$29,982,411	\$37,212,397
EBS	59,693,781	55,320,754
AOCIT	24,255,736	18,985,420
Consolidated Net Position	\$113,931,928	\$111,518,571

Consolidated CIS Revenues, Expenses, and Changes in Net Position

As of June 30,

	2013	2012
REVENUE		
Member contributions	\$162,484,700	\$155,395,632
Investment and Other income (Loss)	(751,899)	10,330,106
Total Revenue	161,732,801	165,725,738
EXPENSES		
Claims expense	109,987,138	113,372,551
Reinsurance expense	6,785,500	6,557,273
Ceded insurance	20,994,345	19,679,281
Acquisition costs	9,223,885	8,782,997
Administrative expense	12,328,576	11,379,923
Total Expenses	159,319,444	159,772,025
Total change in Net Position	2,413,357	5,953,713
Net Position - beginning of year	111,518,571	105,564,858
Net Position - end of year	\$113,931,928	\$111,518,571

The Summary Financial Information at June 30, 2013 has been derived from CIS' Financial Statements with Independent Auditor's Report for the Fiscal Years Ended June 30, 2013 and 2012; which is readily available at www.cisoregon.org/General/Publications.aspx. CIS's Financial Statements with Independent Auditor's Report is also filed annually with the Oregon Secretary of State-Audits Division and those filings are available at <http://egov.sos.state.or.us/muni/public.do>; search for government name starting with "CITY CO".

The Summary Financial Information is unaudited and does not contain all the disclosures, Management's Discussion and Analysis and other required supplementary information required by generally accepted accounting principles as established by the Governmental Accounting Standards Board which considers that information an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic or historical context. Reading the Summary Financial Information at June 30, 2013, therefore, is not a substitute for reading CIS' Financial Statements with Independent Auditor's Report for the Fiscal Years Ended June 30, 2013 and 2012.



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