

# CIS Members, Local Risk Management Adviser and the CIS Trust Building An Effective Risk Management Partnership

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*By the nature of their responsibilities and operations, local governments in Oregon have a high exposure to the risk of losses due to accidental causes. In financing this risk, most entities look for the least cost coverage of loss exposures and want to be assured that funds will be available to pay covered losses if and when they occur.*

## History

Cities, counties and other eligible local governments finance risk by pooling contributions to a joint self-insured loss fund (the CIS Trust) and contract with one another to use the combined contributions to pay eligible claims and the fund's operating expenses. Until the 1980s, the common approach to financing risk was to transfer as much of the loss exposure as possible to other parties. Local insurance agents acting as a commission sales force appointed by for-profit commercial insurance companies issued policies agreeing to pay an entity's covered claims in exchange for regular premium payments. Finding an insurance company to accept the transfer was the local agent's primary role. Since a third party owned the risk, the concept of managing risk usually was not such a high priority for either public officials or local agents.

## Emergence of Pooling

This changed in 1980 when cities and counties began to finance risk by jointly self-insuring with one another through the CIS Trust. Instead of transferring risk to third parties at a premium, CIS Trust members retained the risk among themselves. In lieu of paying premiums to insurance companies, they pooled their contributions to a joint self-insured Loss Fund (the CIS Trust) and used the combined contributions to pay operating expenses and eligible claims. Rather than an outside insurance company, the members themselves now assumed most of the risk, managed the operations and owned the Trust's assets and liabilities. Today, CIS's pooling approach and the wide array of risk management services it provides represents the industry norm.

## Growth In Risk Management Awareness

As "owners" of the assets they generate, CIS members have a strong incentive to protect the fiscal integrity of the Loss Fund. If, individually and collectively, members can eliminate exposures, avoid claims, control losses and improve loss ratios, they will share any surplus income generated in the Loss Fund and benefit from more stable contribution levels. Beyond being good business practice, effective risk management strategies can produce an economic return for members. The CIS Trust's ultimate success in providing the least cost coverage of loss exposures depends not on how much business it writes, but on how successful its members are in reducing risk and controlling losses. CIS's commitment to support members in the implementation of comprehensive risk management practices distinguishes it from most commercial insurance companies.

## Involving Local Insurance Professionals As Risk Management Advisors (RMA's)

While the CIS Trust does not appoint local agents as a sales force to produce business, members are encouraged to engage the services of local insurance professionals to act as an additional local resource to help reduce risks and control losses. CIS is providing "Risk Management Advisor (RMA)" training.

## **Structuring Local Service Arrangements**

The accompanying tables identify the most common aspects of the risk management relationship. The tables identify tasks that need to occur at the local level (performed either by the entity or their local RMA), as well as activities that the CIS Trust performs. Members are encouraged to meet with their RMA and discuss how local level tasks will be performed. Those tasks to be performed by the RMA can then form the basis of a Scope of Services Agreement

**Table A** identifies tasks to be done at the entity level (either by the member or their RMA). The tasks and responsibilities may differ depending on the line of coverage, i.e. GL = General and Auto Liability, P = Property & Auto Physical Damage, W.C. = Workers= Compensation. (Since there are very few entities using local agents for employee benefits, this list does not address that coverage.)

**Table B** identifies, for the same four categories, activities that CIS staff will perform as part of its service commitment.

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**TABLE A  
Activities At Member Level**

<b>Tasks</b>	<b>GL</b>	<b>AL</b>	<b>APD</b>	<b>Prop</b>	<b>W.C.</b>
<b>A.1. Obtaining Coverage</b>					
Reviewing on a regular basis the entity's general and specific risk exposures and identifying potential gaps or overlaps of coverage					
Assembling and accurately reporting up to date underwriting information for rating purposes - identifying changes, revisions or corrections					
Describing compliance with best practices					
Identifying the primary local contact to receive CIS proposal for coverage and associated services					
Evaluating and making recommendations about coverage, financing & services components of proposal, e.g., choosing among options such as retention, deductibles, coverage limits, optional coverage, alt. coverage forms etc. Working w/CIS staff to ensure CIS proposal addresses member's needs					
Selecting the appropriate covg. & service plan for the entity					
Communicating the entity's choice to CIS					
Ensuring that coverage has been issued and billed correctly					
Providing evidence of entity's coverage (issuing certificates of insurance)					
Working with CIS to identify other products and services that would benefit members					
<b>Tasks</b>	<b>GL</b>	<b>AL</b>	<b>APD</b>	<b>Prop</b>	<b>W.C.</b>
<b>A.2. Handling Claims</b>					
Communicating who will be local point of contact for claims to claimants, entity staff and CIS					
Interpreting whether there is coverage for specific claims Submitting claims to CIS					
Working with CIS to facilitate resolution of claims in most appropriate manner					
Facilitating early return to work for workers injured on either occupational or non-occupational basis (Workers= Comp)					
Managing communications/pub. relations w/regard to claims					
Keeping elected and appointed officials and other interested parties informed of major issues and situations					

Tasks	GL	AL	APD	Prop	W.C.
<b>A.3. Managing Risks</b>					
Identifying for CIS the local person who is to be the point of contact for risk management services					
Analyzing and forecasting losses - frequency and severity analysis, anticipating future consequences of current actions					
Reviewing alternate financing strategies and capacity of entity to assume different levels of risk					
Compiling data regarding implementation of "Best Practices" at entity level - employment practices, public safety and public works operations, etc					
Attending risk management education and training programs provided by CIS and others					
Using other CIS resources, e.g. video library, pre-loss legal and other staff assistance					
Implementing a risk management plan. Assigning primary responsibility for developing a risk management team at entity level to foster employee buy-in and ownership of workplace safety efforts.					
Tracking risk management information at the entity level					
Reviewing proposed actions, contracts and agreements from a risk management perspective					
Monitoring employment practices from a risk management perspective					
Keeping CIS staff aware of member questions, concerns and needs					
Maint. historic coverage, claims & other risk mgmt. records					
Tasks	GL	AL	APD	Prop	W.C.
<b>A.4. Preventing Losses</b>					
Identifying for CIS the local person who is the point of contact for safety committee and loss control activities					
Identifying and evaluating potential loss exposures and developing appropriate strategies to address them					
Reviewing CIS loss inspection recommendations. Facilitating compliance					
Sharing of information with other entities about loss prevention activities and pro-active damage control					
Attending Safety/Risk Management Committees; providing education and support to these groups					
Attending meetings and/or reviewing minutes to evaluate entity actions from a risk management perspective					

Tasks	GL	AL	APD	Prop	W.C.
<b>A.4. Preventing Losses (continued)</b>					
Providing on-site response capability in emergency situations. Reviewing contingency planning.					
Tracking entity compliance with regulatory requirements, e.g. OR-OSHA					
Facilitating and promoting early return to work					

**TABLE B**  
CIS Staff Activities

Tasks
<b>B. 1. Obtaining Coverage</b>
Identifying appropriate coverage for pool to offer its members - risk identification and evaluation Identifying appropriate deductible and retention levels for individual members and pool Securing appropriate reinsurance for pool. Identifying other coverage or financing options that will improve CIS services to members
Working with primary contact at each entity on coverage issues
Mailing renewal application or quotes for new business. Accepting underwriting data
Calculating experience modifications, rating and underwriting. Providing a renewal or new business proposal incorporating coverage, financing and services for each entity. Working with designated local contact to present the most appropriate proposal for an entity
Delivery of coverage documents. Issuing original certificates of coverage and providing endorsements as needed. Invoicing
Premium breakdown by department
Tasks
<b>B.2. Handling Claims</b>
Working with person designated at local level to be point of contact for claims-related information
Monitoring claims and loss data. Distribution of entity specific data to local contact(s)
Review of claims reports for: correct reporting, appropriate reserves, awareness of loss history, status and action on open claims, deductible options
Facilitating claims settlement & payment or denial. Involve member in claims process at member request
Facilitating early return to work for injured workers on workers= compensation & non-occupational illness
Assisting as requested with communications/public relations with regard to claims handling and liability
Keeping elected and appointed officials informed of major issues and situations that have pool-wide implications
Working with designated local contact regarding paid loss retrospective plans and other alternate premium are collections are based on claims experience.

Tasks
<b>B.3. Managing Risks</b>
Working with actuary to analyze and forecast pool losses - frequency and severity analysis, anticipating future consequences of current actions
Working with broker to review pool financing strategies, capacity to take risk
Developing, distributing and evaluating implementation of model <b>Best Practices</b> data as part of underwriting process - employment practices, public safety, public works operations, etc,
Conducting risk management education and training programs for member entity staff and RMA's
Prepare and distribute entity-specific Risk Management Plans that report on risk management activity and results
Providing other risk management resources, e.g. video library, technical assistance
Tasks
<b>B.4. Preventing/Controlling Losses</b>
Working with local contact(s) for safety and loss control activities
Conducting field loss inspections. Identifying risk exposures and developing appropriate strategies to address them. Securing compliance with recommendations
Sharing of information about what other entities are experiencing, pro-active damage control
Promoting Safety/Risk Management Committee and providing education and support for these groups
Tracking regulatory compliance/OR-OSHA
Promoting early return to work
Providing on-site counseling and training

Noel J. Klein  
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