

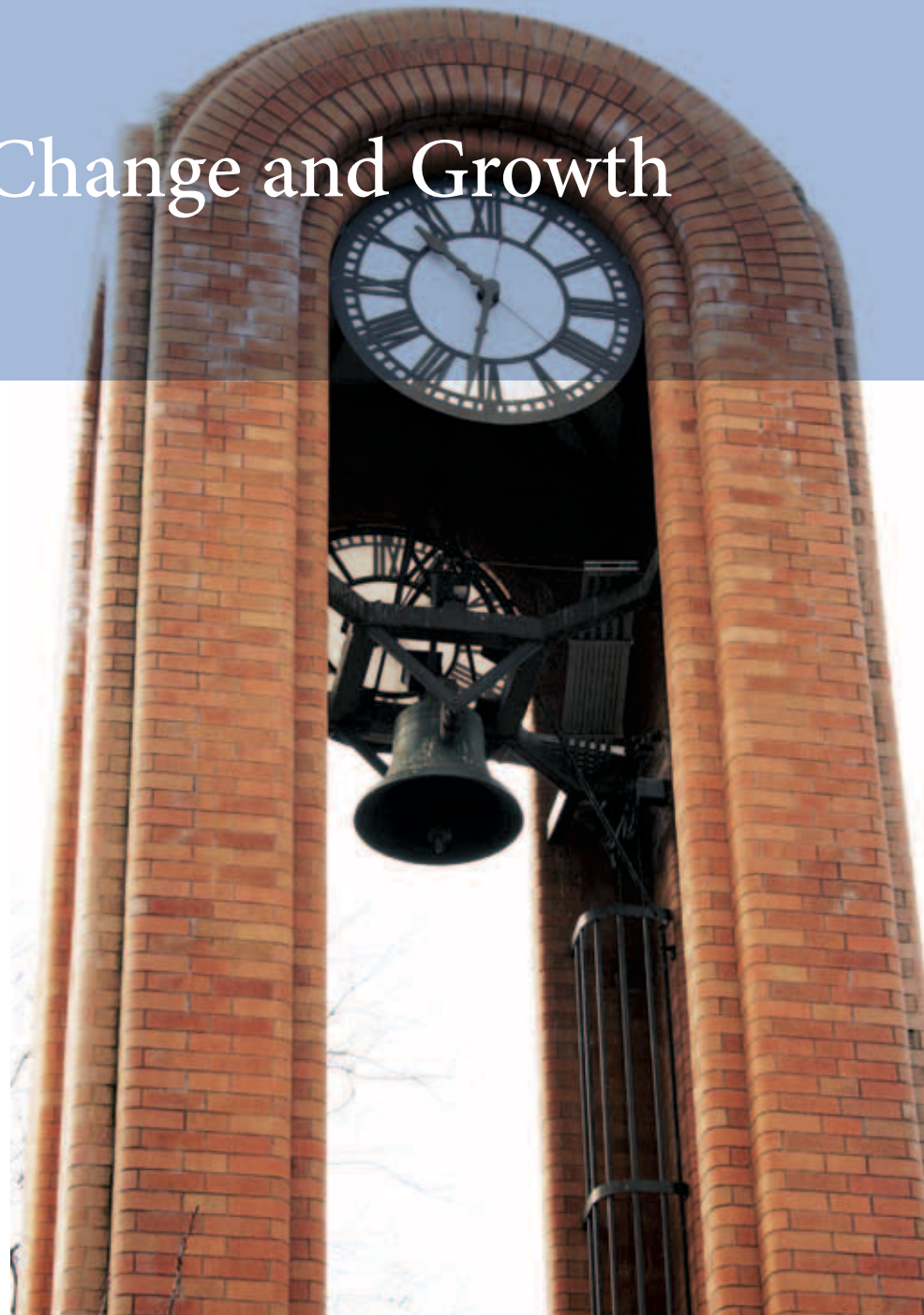


citycounty insurance services
www.cisoregon.org

2010 ANNUAL REPORT

A Year of Change and Growth

Pendleton Courthouse Clock



"CIS exceeds my expectations by providing detailed information when I need it. The partnership with workers' comp, risk management and pre-loss legal provides great consultation and helps us create good systems."

Comment from 2010 Member Survey

Excellent coverage +
unparalleled service +
great value =
CIS

Welcome to the CIS 2010 Annual Report

2010 was a year of change and growth for CIS. Almost one quarter of the staff is either new or in a different position, and the team has been energized by the changes. We started the year with a new executive director, in a transition that was seamless. And we ended the year ready to respond to future challenges.

We invite you to spend some time with this Annual Report; it is full of highlights and data that outline accomplishments on our members' behalf in 2010. These accomplishments are in large part the result of the partnership we have with our members. We exist to meet the coverage needs of our members, and in partnership we work to keep each other healthy and safe, and costs low. Risk Management programs and Healthy Benefits cover the preventive arm of our work – lowering claims by reducing risk and helping members' employees to live healthy lives. Workers' Compensation provides grants aimed at helping employers return injured workers to meaningful and safe employment. CIS Benefits excels at offering employee benefits programs to meet virtually every need, and Claims makes sure that all losses are quickly and appropriately addressed. And, CIS remains a very positive benefit of membership in our parent organizations – the League of Oregon Cities and the Association of Oregon Counties.

As we look to 2011 we know that there are ongoing challenges. The fiscal constraints faced by our member entities are very real, and we do all that we can to spend every dollar as effectively as possible. The impacts of federal and state Healthcare Reform also loom as a great unknown; on the state level, it could drastically change the face of our Benefits program. It is bound to be an interesting year, but our Board continues to provide careful stewardship of the CIS Trust, we have a committed and dedicated staff, and we value the commitment of our members. Together we will continue to deliver on the CIS promise: **delivering Trust-worthy results in trustworthy ways.**

Fred Warner CIS BOARD CHAIR, 2009–2010

Ken Woods CIS BOARD CHAIR, 2010–2011



Fred Warner (l.), and Ken Woods



Wheeler County Courthouse

Finance

The Financial Audit for FY 2010 presents combined financial statements for the three trusts administered by the CIS Board of Trustees. On a consolidated basis, the Trusts administered by the Board - the CIS Property Casualty Trust and the CIS Benefits trusts, EBS and AOCIT - handled revenues of over \$162 million and have combined retained earnings (Member Equity) of \$109.9 million, up \$5.8 million from June 30, 2009.

The P/C Trust reports a net operating loss of \$167,565, which includes the \$5.4 million distribution credits, and results in Net Assets of \$52.19 million as of June 30, 2010. The combination of the Claims Reserve Account and the Trust's Net Assets is sufficient to fund the actuary's estimated claims liability as of June 30, 2010 at greater than a 95% confidence level.

AOCIT ended the fiscal year with an operating gain of \$655,715 and Net Assets of \$14.6 million. The EBS Trust recorded an operating gain of \$1.87 million and, as of June 30, 2010 has Net Assets of \$43.1 million.

Significant accomplishments

- Distributed a \$5.4 million Property/Casualty Trust credit to members, helping many entities reduce their insurance budgets below prior year levels.
- Expanded the multi-line discounts from 3% to 7.5% for members that have participation in all lines of CIS Property/Casualty coverage.
- Operating budget increased by just 1% despite the addition of new services, coverage and programs.
- Developed a reserve policy to guide decisions on the use of member equity.
- An independent comparative report favorably compares CIS' financial ratios with the top 25 national Property/Casualty insurers.

"CIS staff is always very friendly and helpful and has dealt with issues as they have come up."

Comment from 2010 Member Survey

P/C Trust • 12 Months Ending June 30, 2010

	2010	2009	Change
<u>REVENUE</u>			
Member Contributions	29,928,675	30,714,391	
Investment and Other Income	4,750,322	4,493,894	
Total Revenue	34,678,997	35,208,285	(529,288)
<u>EXPENSES</u>			
Claims Expense	13,613,446	11,001,113	
Reinsurance Expense	6,045,470	5,770,424	
Member Distribution	5,401,437		
Administrative Expense	9,786,209	9,490,782	
Total Expenses	34,846,562	26,262,319	8,584,243
<u>NET INCOME</u>	<u>(167,565)</u>	<u>8,945,966</u>	<u>(9,113,531)</u>

CIS Benefits • 12 Months Ending June 30, 2010

	2010	2009	Change
<u>REVENUE</u>			
Member Contributions	124,433,766	118,344,502	
Investment and Other Income	3,451,583	3,002,281	
Total Revenue	127,885,349	121,346,783	6,538,566
<u>EXPENSES</u>			
Premium Ceded	110,615,589	114,108,397	
Claims Expense (Self Insured Dental)	8,574,008		
Administrative Expense	2,716,481	2,748,557	
Total Expenses	121,906,078	116,856,954	5,049,124
<u>NET INCOME</u>	<u>5,979,271</u>	<u>4,489,829</u>	<u>1,489,442</u>



Ashland City Works

Risk Management

Risk Management Consultants at CIS work in partnership with our members to help reduce exposure to costly claims and to teach them to recognize their own exposures and prevent claims before they happen.

The safer and healthier our members are, the more we collectively reduce the cost of risk financing. CIS' Risk Management Consultants work to ensure that our members receive a customized combination of resources, training and intervention that best meets the entities' needs. By working together with CIS Risk Management, members can reduce losses and help keep their contributions affordable.

Significant accomplishments

- Expanded the Risk Management Incentive Program. Each Liability program member has a maximum of \$10,000 (depending on its liability contributions) to use over a three year period to complete needed risk-related projects. Between July 1st, when the program started, and December 31st, 85 members requested \$335,447 for a wide variety of projects.
- Increased the emphasis on emergency planning by adding Agility Recovery Solutions, Agility's value goes beyond the actual disaster recovery services it provides; it also offers comprehensive disaster planning tools.
- Reinvigorated our law enforcement consulting and training program through the addition of Public Safety Manager Dave Nelson. Dave was previously a police chief, OACP president and a city manager.
- Produced video versions of three of Kirk Mylander's popular pre-loss employment training programs. The videos can be delivered by Risk Management Consultants at the members' worksite, with Kirk on the phone to answer questions.
- Launched CIS Risk Network, risknet.cisoregon.org to provide online training for members' employees in a number of risk-related subjects. No-cost trainings completed on RiskNet can be tracked for completion and OSHA compliance.

"CIS sees risk in our city before we do, it is greatly appreciated!"

Comment from 2010 Member Survey

RISK MANAGEMENT BY THE NUMBERS 2010

9th Risk Management Conference held in February, 2010

450 + Conference attendees

20 sessions and networking opportunities at Conference

3,479 hours spent by Risk Management Consultants assisting members in 2010

906 members attended a total of 24 regional trainings

771 members completed and passed a RiskNet online class

942 members have started one or more classes on RiskNet



Grants Pass Fire Department

Benefits

CIS Benefits continues to offer a broad range of plans for employee medical, dental, vision, life, disability and long-term care that are regularly reviewed and updated in response to market changes and members' expressed needs.

The strength of the reserves built up over the years by members allowed CIS Benefits to take on self-insurance, dramatically stabilizing costs in the long run. Medical coverage in 2010 expanded to make preventive physical exams a core piece of the medical benefit plans, recognizing the role of prevention in reducing costs.

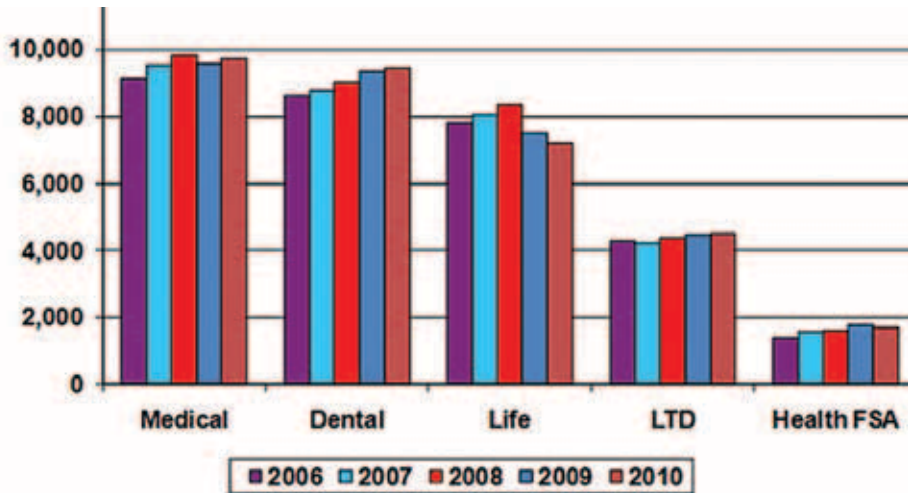
Significant accomplishments

- Implemented medical self-insurance with Regence, realizing a rate increase for members of just 8%, a third lower than Regence's 12% standard increase.
- Offered the option for members to start expanded dependent coverage early, in January 2011 as opposed to August 2011.
- Awarded \$83,245 in wellness grants to 105 member entities.
- 80% of covered employees completed the Health Status Questionnaire to qualify for Healthy Benefits, well above national averages.

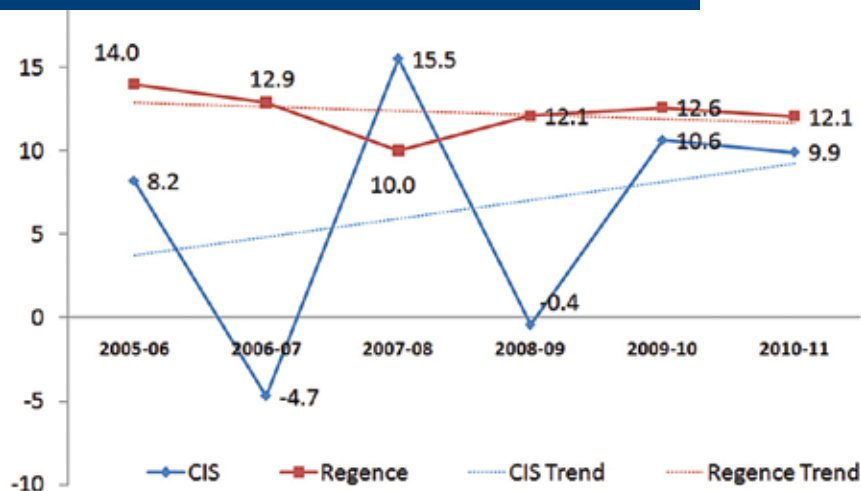
"CIS Benefits staff went above and beyond in helping us."

Comment from 2010 Member Survey

Employees Enrolled in CIS Benefits 2006–2010



Projected Medical Claims Costs, 2005–06 to 2010–11



Over the past five years, CIS' actual claims, while volatile, have averaged 5.75% lower than standard trend that Regence uses to project claims costs for all groups in its book of business. Source: Regence renewal documentation for CIS.



Lincoln County Jail

Claims

New Claims in 2010

PROPERTY/LIABILITY **1,748**

General Liability **1,107**

Auto Liability **227**

Auto Comprehensive Damage **110**

Auto Collision Damage **197**

Property **107**

WORKERS' COMP **847**

Medical Only **650**

Indemnity **197**

Significant accomplishments

- Expanded coverage to provide limited pollution liability.
- Visited each Workers' Compensation-covered member for OSHA compliance.
- An external claims audit was conducted for both General Liability and Workers' Compensation. The standard for this audit is an 85% compliance score. The CIS claims team scored 99% for General Liability and 97% for the Workers' Compensation claims.
- Reinsurance rates were flat or reduced across all lines of coverage with a two-year guarantee on property and workers' compensation.

"We have had a couple of lengthy claims, and the CIS staff was so helpful and did an excellent job in resolving the issues."

Comment from 2010 Member Survey

Percentage of Claims Paid 2006–2010



SINCE 1981 CIS has been the trusted provider of coverage for Oregon's cities and counties. Member-owned and governed, CIS is available only to members of the League of Oregon Cities and the Association of Oregon Counties. CIS brings its members together to meet the unique risk management and risk financing needs of local public entities, offering experience, knowledge, financial value and personalized service. No matter the need, CIS professionals go the extra mile to help, often serving as an extension of internal resources.

CIS LEADERSHIP

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DON LINDLY Commissioner, Lincoln County

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MIKE MCCAULEY Executive Director, League of Oregon Cities

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KENNETH L. WOODS City Councilor, Dallas

RALPH WYATT Administrative Officer, Linn County

Staff

LYNN MCNAMARA Executive Director

MARK RAUCH General Counsel

CAROLYN VAN DYKE CIS Benefits Director

SCOTT MOSS CIS P/C Trust Director

MIKE MISCHKOT Chief Financial Officer

STEVE NORMAN Administrative Officer



citycounty insurance services
www.cisoregon.org

Delivering Trust-worthy results in trustworthy ways.

MAIN OFFICE: 503-763-3800 800-922-2684

1212 Court St. NE, Salem, OR 97301

CLAIMS OFFICE: 503-763-3875 800-922-2684 ext 3875

PO Box 1469, Lake Oswego, OR 97035

www.cisoregon.org