




COUNTY OF RIVERSIDE  
CALIFORNIA

# Riverside County Insurance Program Overview

Program Summary and Analysis of Cost Trends




# Overview

- ▶ Risk Management and Workers' Compensation Division Responsibilities
  - ▶ Insurance Program Structure
  - ▶ Actuarial Process
  - ▶ Allocation: Experience vs Exposure
  - ▶ What Drives Rates
  - ▶ Confidence Levels
  - ▶ General Liability Trends and Risk Mitigation
  - ▶ Workers' Compensation Trends and Risk Mitigation
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# Risk Management Division Responsibilities

- ▶ Adjudicate Claims
  - ▶ Litigation Management
  - ▶ Proactive Risk Management (Quarterly Meetings, Training, etc.)
  - ▶ Contract Review
  - ▶ Indemnity Agreement Analysis
  - ▶ Certificate of Insurance
  - ▶ Medical Personnel Verifications
  - ▶ Insurance Policies (Analysis & Renewals)
  - ▶ Vendor Management
  - ▶ Coordinate Actuarial Process for GL, AL, and MM
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# Workers' Compensation Division Responsibilities

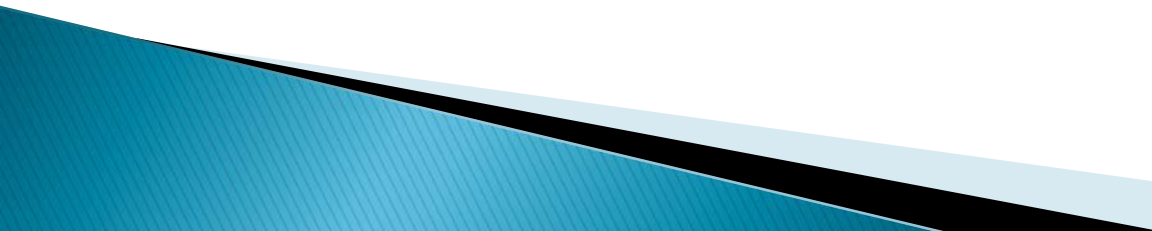
- ▶ Evaluate each claim filed individually
- ▶ Determine if benefits are owed based on facts
- ▶ Identify Benefits employees are entitled to
- ▶ Coordinate resources
  - RTW (Return to Work)
  - Medical Treatment
  - Coordinate with excess carrier (if file meets criteria)
- ▶ Cost Containment
  - Utilization Review
  - Medical Provider Network
  - Bill Review
  - Litigation/SIU
  - Vendor Panel Management
- ▶ Coordinate Actuarial Process for WC



# Insurance Program Structure

- ▶ County self insures for General and Auto Liability, Workers' Compensation, Medical Malpractice, Short-term Disability, Dental, Unemployment, and Health Insurance.
  - ▶ General and Auto Liability, Workers' Compensation, and Medical Malpractice are a combination of internal funding (self-insured) and outside "high deductible" insurance.
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# Insurance Program Structure


- ▶ Self-Insured Retention – the amount that must be paid by the County before the insurance policy will pay on a policy for an individual claim, similar to a deductible. The insurance policy is referred to as excess insurance.
  - ▶ Corridor – What the County must pay, after our self-insured retention, before the excess insurance will pay (applies to General and Auto Liability).
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# Actuarial Process

## Data Provided to Actuaries

- ▶ Questionnaires from departments
  - ▶ Historical Exposure (Payroll, FTE, etc.)
  - ▶ Prior years claims data and claims data for the first quarter of the current FY from IVOS.
  - ▶ Projected appropriation 1 and 2 costs related to the programs.
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# Actuarial Process


## Actuarial Analysis

- ▶ Actuarial methods project historical claims experience to ultimate cost level
- ▶ Main results from the Actuarial Analysis:
  - Outstanding Liabilities (What do you owe for claims that have already happened?)
  - Projected Costs (What do you need to pay for next year's claims and other program expenses?)
  - Allocate Projected Costs using Exposure and Experience (How much does each department pay?)



# Allocation: Experience vs Exposure

## General and Auto Liability

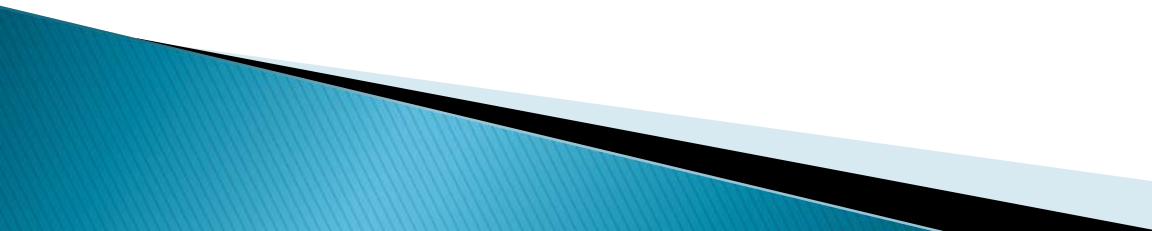
- ▶ Liability insurance is a combination of general and auto liability.
  - ▶ Rates are based on a factor of 80% experience and 20% exposure.
  - ▶ Experience is capped at \$1,000,000 per occurrence in General Liability. Seven years of incurred losses.
  - ▶ Exposure is based on FTEs and square footage for general liability and mileage for auto liability.
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# Allocation: Experience vs Exposure Workers' Compensation

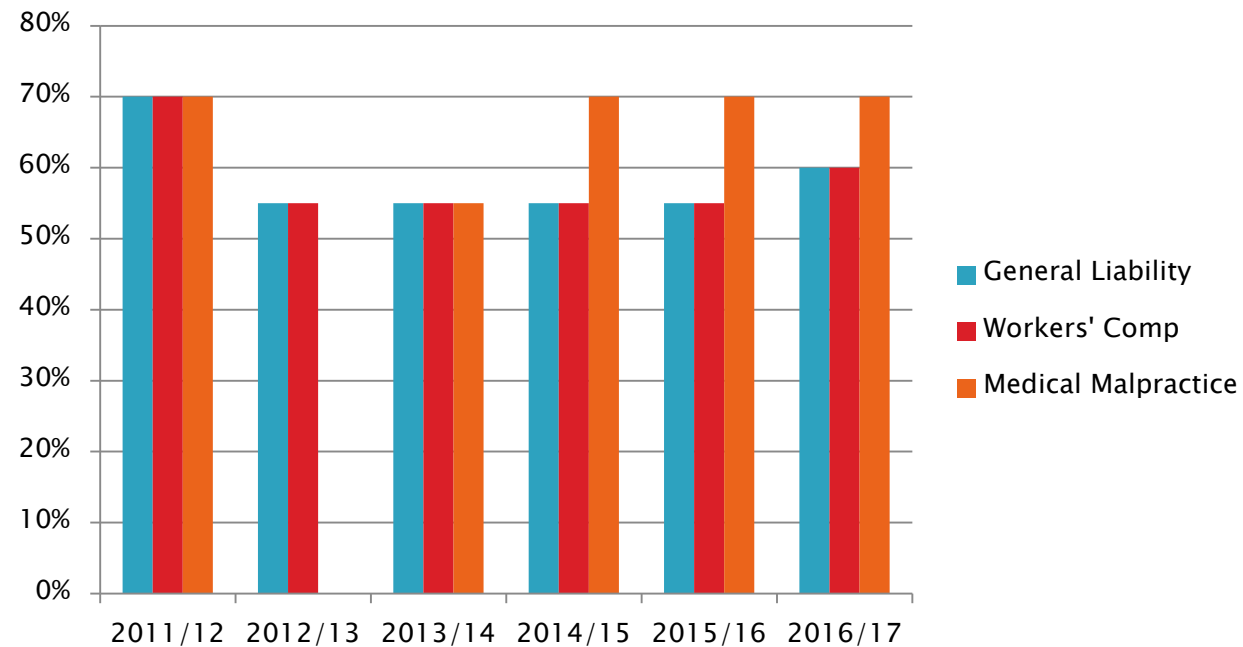
- ▶ Rates are based on a factor of 80% experience and 20% exposure.
- ▶ Experience is capped at \$500,000 per occurrence in Workers' Compensation. Seven years of incurred losses.
- ▶ Exposure is based on seven years of payroll data and payroll has been increasing.

# What Drives Rates

- ▶ Claims costs
    - Self-Insured Retention
    - Frequency vs. Severity
    - Inflation
    - Legal Environment
    - Public Sentiment
  - ▶ Confidence Level
  - ▶ Reserve replenishment
  - ▶ Excess insurance costs
  - ▶ Program costs (salaries & benefits and supplies and services)
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# Confidence Levels

- ▶ Insurance programs should be funded at a level greater than “expected”
- ▶ Actuary recommends an 80% confidence level with 70% being marginally acceptable.
- ▶ Moving back towards 70%.





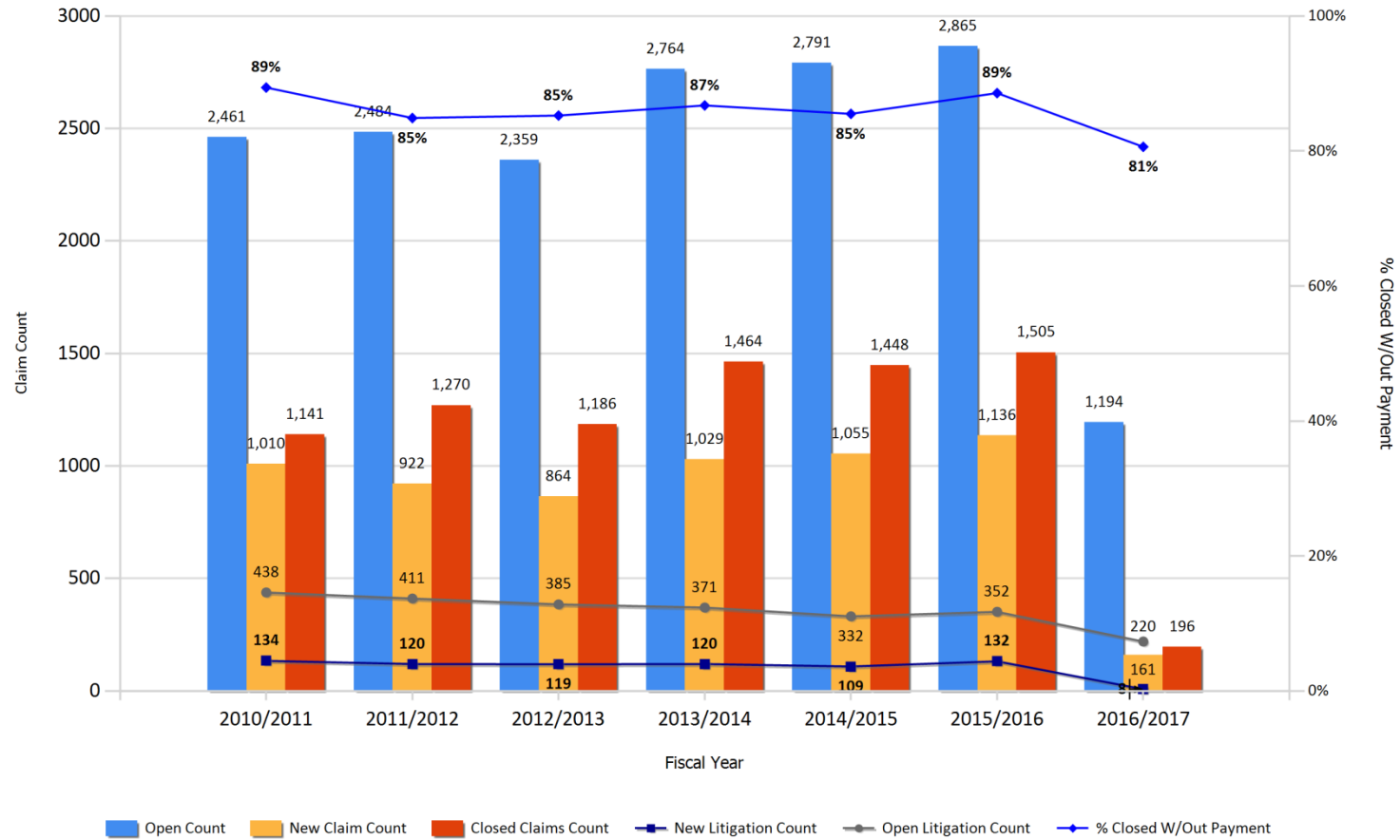
# Effects of a Lower Confidence Level

- ▶ Underfunding. In the FY 16/17 reports, the actuary projected that WC is underfunded by nearly \$14.2 million, GL is underfunded by \$42.2 million, and Med Mal by \$1.4 million.
  - ▶ Rebuilding of assets may need to be done in years where the County cannot afford it. Built on top of cost of claims.
  - ▶ 2016–17 60% Confidence Level Provision for Deficit (70% for Medical Malpractice)
    - GL \$8,785,000
    - WC \$2,978,000
    - MM \$486,000
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# History of ISF Charges, Claims Paid, & Excess Insurance Charges & Reimbursements

Fiscal Year		Workers' Comp	General Liability	Medical Malpractice
2011/2012	Excess Insurance Cost	\$1,416,564	\$3,077,089	\$1,420,990
	ISF Charges	\$21,079,002	\$17,117,028	Rate Holiday
	Claims Paid	\$11,470,741	\$16,403,503	\$2,474,639
	Excess Reimbursement	\$926,543	\$212,599	\$0
2012/2013	Excess Insurance Cost	\$1,371,974	\$3,434,778	\$1,335,463
	ISF Charges	\$19,605,813	\$20,434,218	\$5,051,000
	Claims Paid	\$15,458,905	\$22,640,667	\$2,660,382
	Excess Reimbursement	\$1,310,886	\$4,907,656	\$0
2013/2014	Excess Insurance Cost	\$1,144,306	\$4,170,375	\$1,388,707
	ISF Charges	\$16,733,870	\$21,492,329	\$4,104,000
	Claims Paid	\$15,653,821	\$15,882,917	\$5,671,096
	Excess Reimbursement	\$504,150	\$4,349,484	\$1,250,000
2014/2015	Excess Insurance Cost	\$1,682,767	\$4,413,976	\$1,796,657
	ISF Charges	\$25,657,977	\$26,924,825	\$4,104,000
	Claims Paid	\$16,927,700	\$36,813,007	\$6,939,574
	Excess Reimbursement	\$867,790	\$16,840,613	\$3,170,221
2015/2016	Excess Insurance Cost	\$1,476,116	\$5,856,991	\$2,444,775
	ISF Charges	\$30,994,000	\$33,934,082	\$6,571,000
	Claims Paid	\$18,932,400	\$44,691,780	\$747,343
	Excess Reimbursement	\$286,679	\$23,192,820	\$743,782
2016/2017 (Budgeted)	Excess Insurance Cost	\$2,196,692	\$7,665,205	\$2,839,703
	ISF Charges	\$37,322,822	\$47,159,763	\$6,704,000
	Claims Paid	\$24,818,828	\$32,067,529	\$2,965,673
Received to date	Excess Reimbursement	\$18,626	\$296,501	\$0

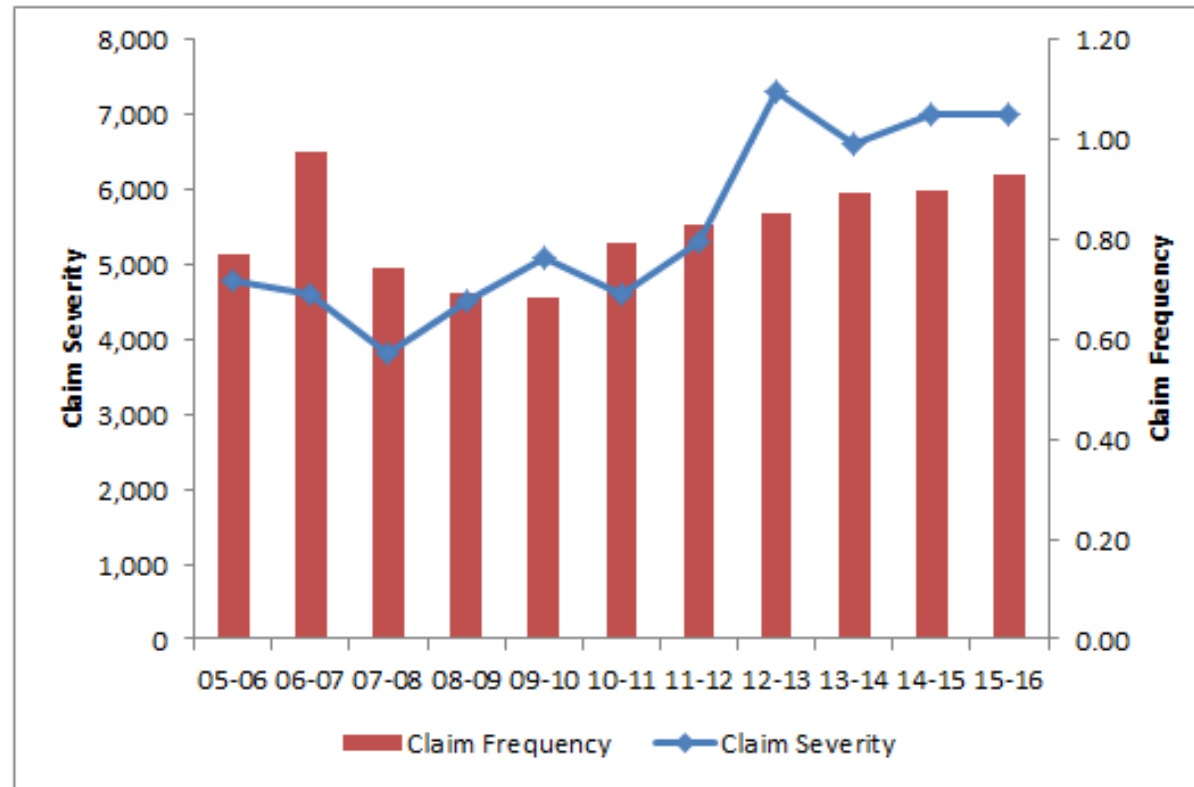
# General Liability & Medical Malpractice New & Open Claims





# General Liability Frequency and Severity

Increasing Trends in both Frequency and Severity





# General/Auto Liability Claims Frequency and Severity with Like Counties

Like County	Loss Rate	Severity	Frequency
1	\$0.372	\$ 5,530	0.673
2	0.298	6,340	0.470
3	0.383	8,570	0.447
4	0.426	12,350	0.345
5	0.487	5,320	0.916
Average	\$0.393	\$ 7,620	0.570
Riverside County Average	\$0.650	\$ 7,000	0.930

# Proactive Risk Management

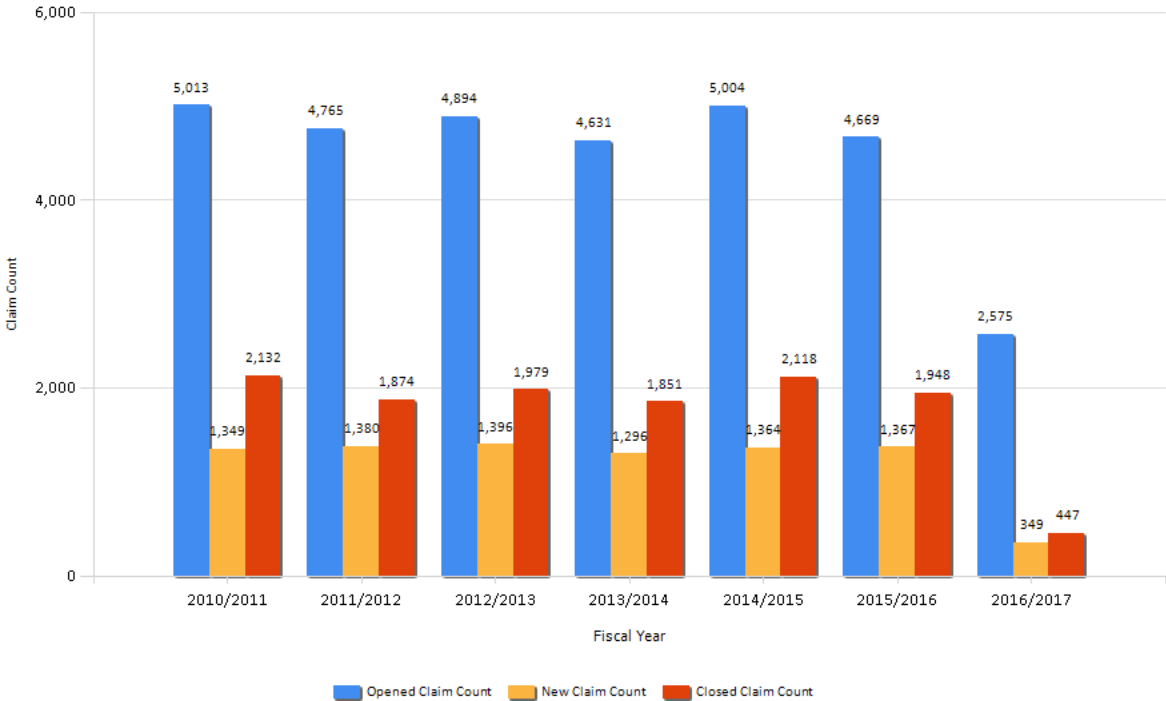
- ▶ After hours phone (951-236-2282)
- ▶ Dedicated Email Address ([RiskManagement@rc-hr.com](mailto:RiskManagement@rc-hr.com))
- ▶ Departmental Training & Behavior Modification (Risk Awareness)
- ▶ Incident Reports (Reported to and Analyzed by Risk Management)
- ▶ Litigation Management
- ▶ Monthly Case Review Meetings with the Sheriff
- ▶ Partnership with Departments to Understand Operations
- ▶ Review Upcoming MSC Mediations with Departments
- ▶ Quarterly Claim Review Meetings with Departments(Case Specific)
- ▶ Quarterly Department Meetings to Discuss Pending Claims, Share Statistical Information and Discuss Ways to Reduce Risk and Claim Frequency
- ▶ Trial Schedule Assessment with Departments
- ▶ Training
- ▶ Contract Analysis



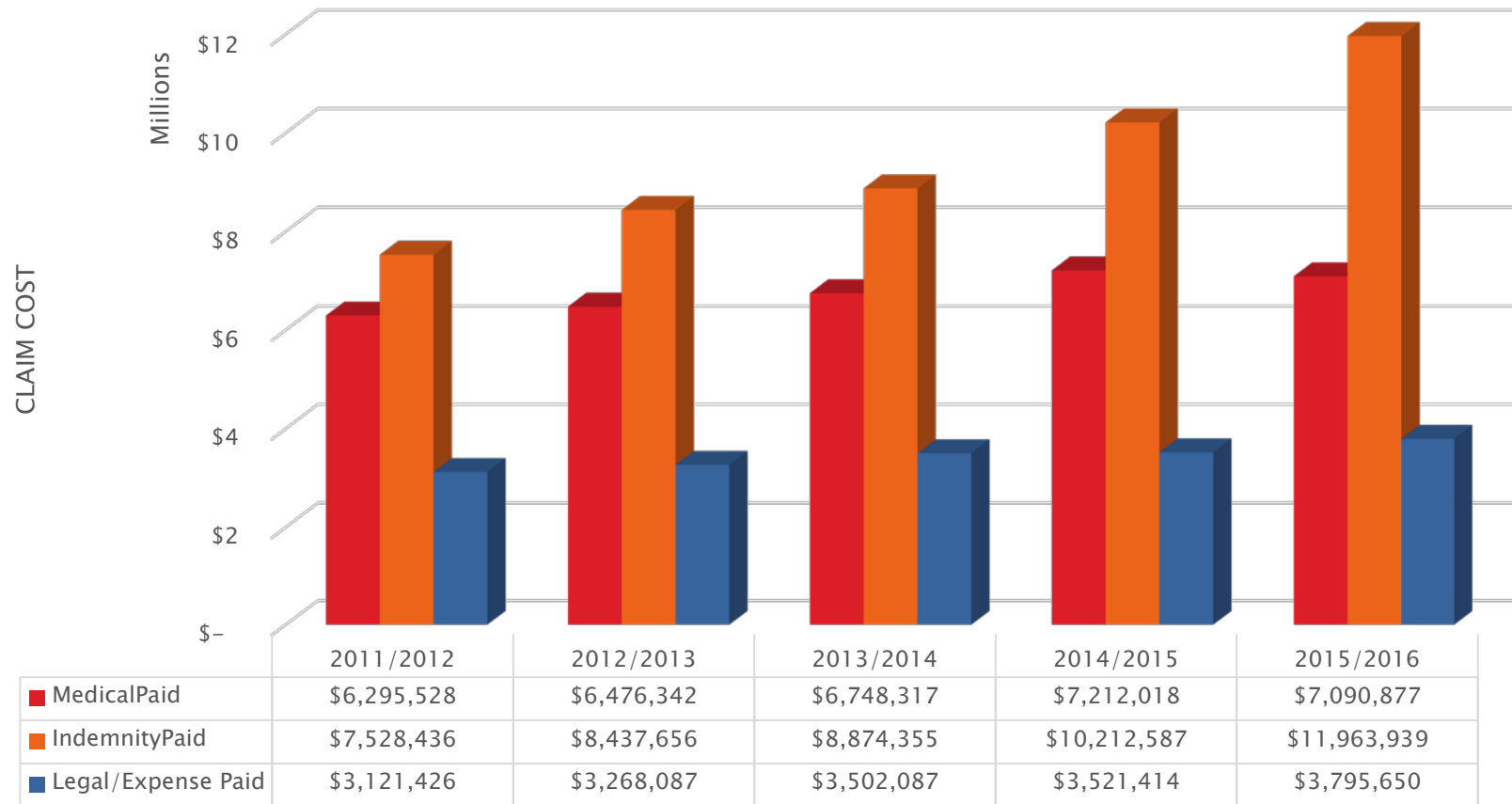
# Risk Claims Administration

- ▶ The claims are maintained and administered to meet or exceed the requirements of the following and the County is subject to audits by each:
  - State Controller
  - CSAC–EIA
  - County Auditor–Controller, Internal Audits Division
  - External County Auditors
  - HIPPA
  - Litigation Management Guidelines
  - CMS Reporting

# Workers' Compensation Opened & Closed Cases

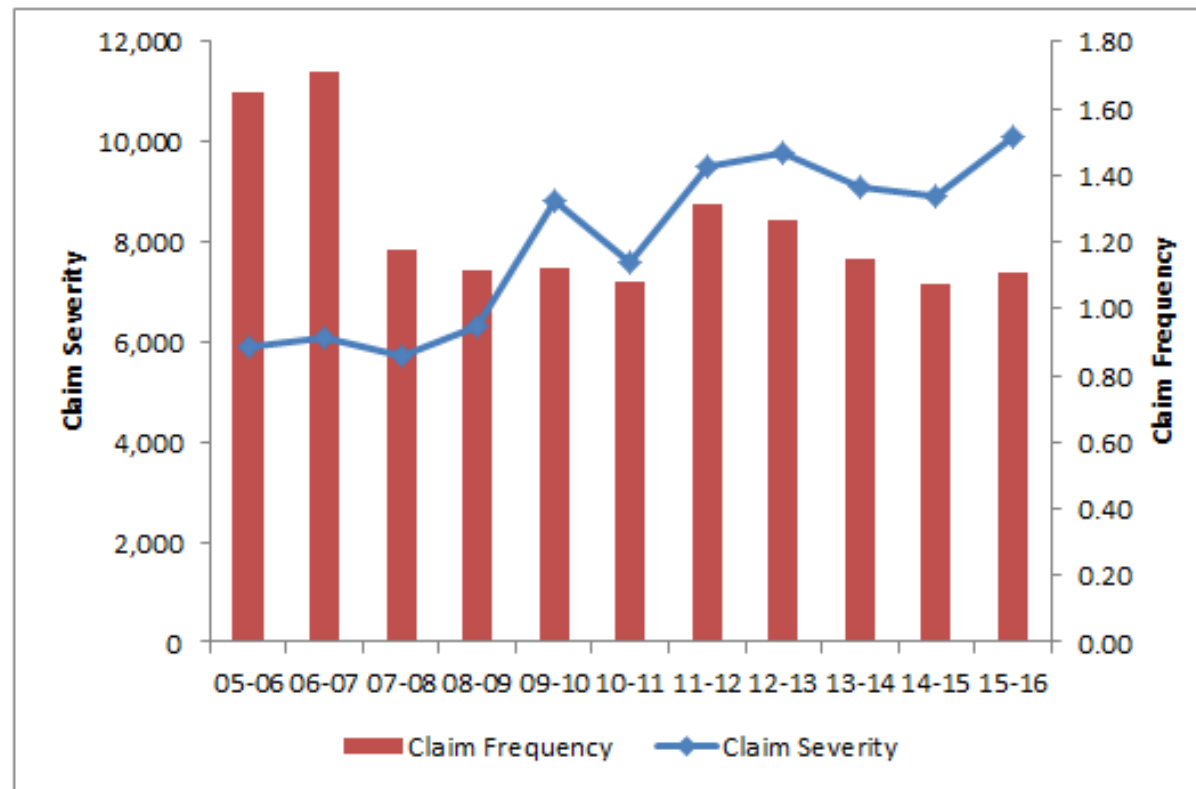


# Workers' Compensation Costs



# Work Comp Frequency and Severity

Flat Frequency, but Increasing Trend in Severity





# Workers' Comp Claims Frequency and Severity with Like Counties

Like County	Loss Rate	Severity	Frequency
1	\$1.316	\$ 12,340	1.066
2	1.469	9,300	1.580
3	2.217	16,070	1.380
4	1.310	12,970	1.010
5	2.258	15,270	1.479
Average	\$1.714	\$ 13,190	1.303
Riverside County Average	\$1.120	\$ 10,100	1.110

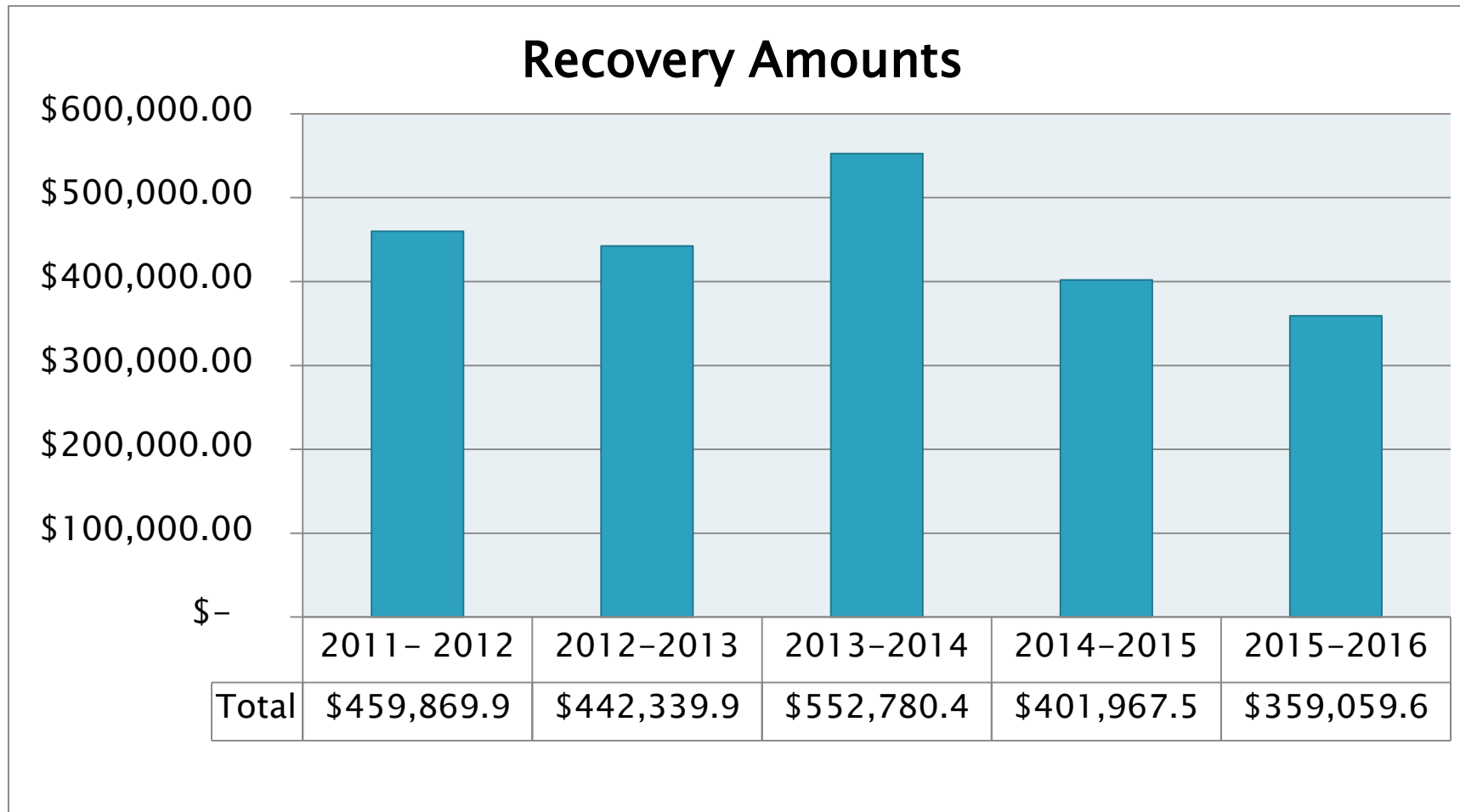


# Workers' Compensation Prevention

- ▶ Claims Review Meeting with Departments
  - Meet quarterly with departments are used to pool resources from the Safety Division, Workers' Compensation, and the affected department to develop strategies which will prevent or reduce injuries.
- ▶ Data is gathered from claims to identify trends and patterns
  - Example: Multiple injuries from using a single door
  - Can the Safety Division inspect the door and recommend changes to prevent injuries



# Subrogation Recovery Summary



# Summary

- ▶ Insurance program is a combination of self-insurance and excess insurance.
  - ▶ Actuarial process takes historical experience and projects costs for the coming year.
  - ▶ Allocation of costs to department is based upon experience and exposure.
  - ▶ Loss trends are increasing slightly for Workers' Compensation, but up significantly for Liability driven by gradually increasing frequency of claims, increasing severity of claims, and increasing industry trends in large claims.
  - ▶ Risk reduction and cost containment efforts are in place for both Workers' Compensation and General/Auto Liability.
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