

# CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

## Study Session Worksheet

**Presentation Date:** May 13, 2014    **Approx Start Time:** 9:30 am    **Approx Length:** 30 min

**Presentation Title:** Oregon Public Entity Excess Pool (OPEEP)

**Department:** Employee Services

**Presenters:** Dwayne Kroening

**Other Invitees:** Nancy Drury, Marc Gonzales, Stephen Madkour, Mark Stotik, Scott Moss and Lynn McNamara with City, County Insurance Services

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

The Risk Management Committee is requesting that the Board of County Commissioners consider whether Clackamas County should join with other Oregon public entities as a founding member of the Oregon Public Entity Excess Pool. An initial commitment is being requested at this time.

Final approval would be requested when the IGA is finalized and final actuarial numbers have been determined (December 2014).

EXECUTIVE SUMMARY:

The County currently purchases excess liability insurance. We retain the first \$1,000,000 of any claim and the insurance provides an additional \$7,000,000. We rely on the protection of the Oregon Tort Claims Act for State claims and excess insurance for claims brought in Federal Court.

There may be a better way. As always we are on the lookout for better ways to manage our risk and the costs associated with this endeavor. This method is one way to achieve these goals.

Over the past year, a group of large self-insured public entities has been studying the feasibility of financing large liability losses through a method known as "pooling". Fourteen entities initially expressed interest. It is likely that eight entities will ultimately participate (attached is a slide listing which entities are still under consideration).

"Pooling" is a risk financing method by which similar entities aggregate resources and purchasing power to finance and manage their risk. The pool is managed by a board of directors composed of one representative from each pool member.

In this case, the feasibility study is driven by the desire to ensure that financing for recovery from loss is available and affordable over the long term despite shifting market conditions. There is only one insurance carrier writing excess liability insurance for public entities in Oregon, therefore there is little incentive for them to offer competitive pricing or coverage.

The advantages to pooling include:

- More competition in the insurance markets because more carriers will be interested in our business.
- Greater buying power because of the pooling of premium resources.
- Broader coverage – the coverage form can be tailored by the members. As an example, we can include medical malpractice coverage which is excluded from our current excess liability insurance coverage. Currently, this is a self-insured exposure.
- An opportunity to build equity – any funds not used to pay claims will be invested and inure to the benefit of the members
- Long-term premium stability
- Collaboration among the members
- Higher limits (\$10,000,000) than we currently purchase

The challenges:

- The potential for underfunding, not enough to cover costs,
- Initial capitalization cost, our up-front costs.
- Interdependence of the members

**FINANCIAL IMPLICATIONS (current year and ongoing):**

The proposed cost structure would be the same as what the County currently pays for excess liability insurance (approx. \$160,000), plus an additional one time capitalization expense of approximately \$40,000. A total of the capitalization expense from each member would pay for claims that fall within the pool's excess layer (the second \$1M). If unspent, those funds would be invested and build equity for the pool.

**LEGAL/POLICY REQUIREMENTS:**

ORS 30.282 allows for public bodies to self-insure jointly through intergovernmental agreements. County Counsel has reviewed the draft IGA and Bylaws and agrees they meet the requirements of the statute and also supports this proposal.

County Risk Management Rules and Regulations allow for this risk financing option.

**PUBLIC/GOVERNMENTAL PARTICIPATION:**

The hope is that the eight previously mentioned public entities will join together as founding members of OPEEP. The benefits of being a founding member are: having a permanent seat on the Board, voting member, contribute to how the coverage form is tailored.

**OPTIONS:**

1. Give approval for the County to make a verbal commitment to participate as a founding member of OPEEP and fund its participation under the most advantageous circumstances available.
2. Request additional information before granting approval.
3. Deny approval.

**RECOMMENDATION:**

It is the recommendation of the Risk Management Committee that the BCC authorize the Risk Manager to make an initial commitment to join the proposed public entity excess liability pool as a founding member with final approval to follow in late 2014 if the final financing picture is acceptable.

ATTACHMENTS:

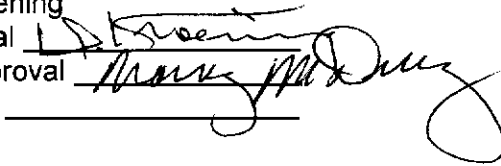
Powerpoint slides describing the OPEEP program.

SUBMITTED BY: Dwayne Kroening

Division Director/Head Approval

Department Director/Head Approval

County Administrator Approval

Handwritten signatures in black ink. The first signature is 'D. Kroening' and the second is 'Mary M. Dwyer'. They are written over horizontal lines that serve as approval markers.

For information on this issue or copies of attachments, please contact Dwayne Kroening @ 503-655-8576

## Fiscal Impact Form

**RESOURCES:**

Is this item in your current work plan and budget?

X YES &

X NO

**START-UP EXPENSES AND STAFFING (if applicable):** Estimated \$40,000 initial capitalization cost will need to be budgeted in FY15/16.

**ONGOING OPERATING EXPENSES/SAVINGS AND STAFFING (if applicable):** matches current ongoing budgetary expenditure for excess liability insurance.

**ANTICIPATED RESULTS:** long term investiture of claims costs savings and more stable insurance premiums.

**COSTS & BENEFITS:**

<b>Costs:</b>							
	<b>Item</b>	<b>Hours</b>	<b>Start-up Capital</b>	<b>Other Start-up</b>	<b>Annual Operations</b>	<b>Annual Capital</b>	<b>TOTAL</b>
	Initial capitalization		\$40,000				\$40,000
	<b>Total Start-up Costs</b>		<b>\$40,000</b>				<b>\$40,000</b>
	<b>Ongoing Annual Costs</b>				<b>\$160,000</b>		<b>\$160,000</b>
<b>Benefits/Savings:</b>							
	<b>Item</b>	<b>Hours</b>	<b>Start-up Capital</b>	<b>Other Start-up</b>	<b>Annual Operations</b>	<b>Annual Capital</b>	<b>TOTAL</b>
	<b>Total Start-up Benefit/Savings</b>						
	<b>Ongoing Annual Benefit/Savings</b>						



# Oregon Public Entity Excess Pool



citycounty insurance services  
[www.cisoregon.org](http://www.cisoregon.org)

Overview – April 2014

# ORS 30.282 Requirements

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Maintain adequate reserves per annual actuarial calculation



Maintain adequate excess or reinsurance



May not receive commissions from an insurer (includes 3<sup>rd</sup> party administrator)



# Continuing Discussions of OPEEP

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CIS  
Clackamas County  
Douglas County  
Deschutes County  
Jackson County  
Lane County  
Marion County  
Metro  
Washington County



# Assumptions

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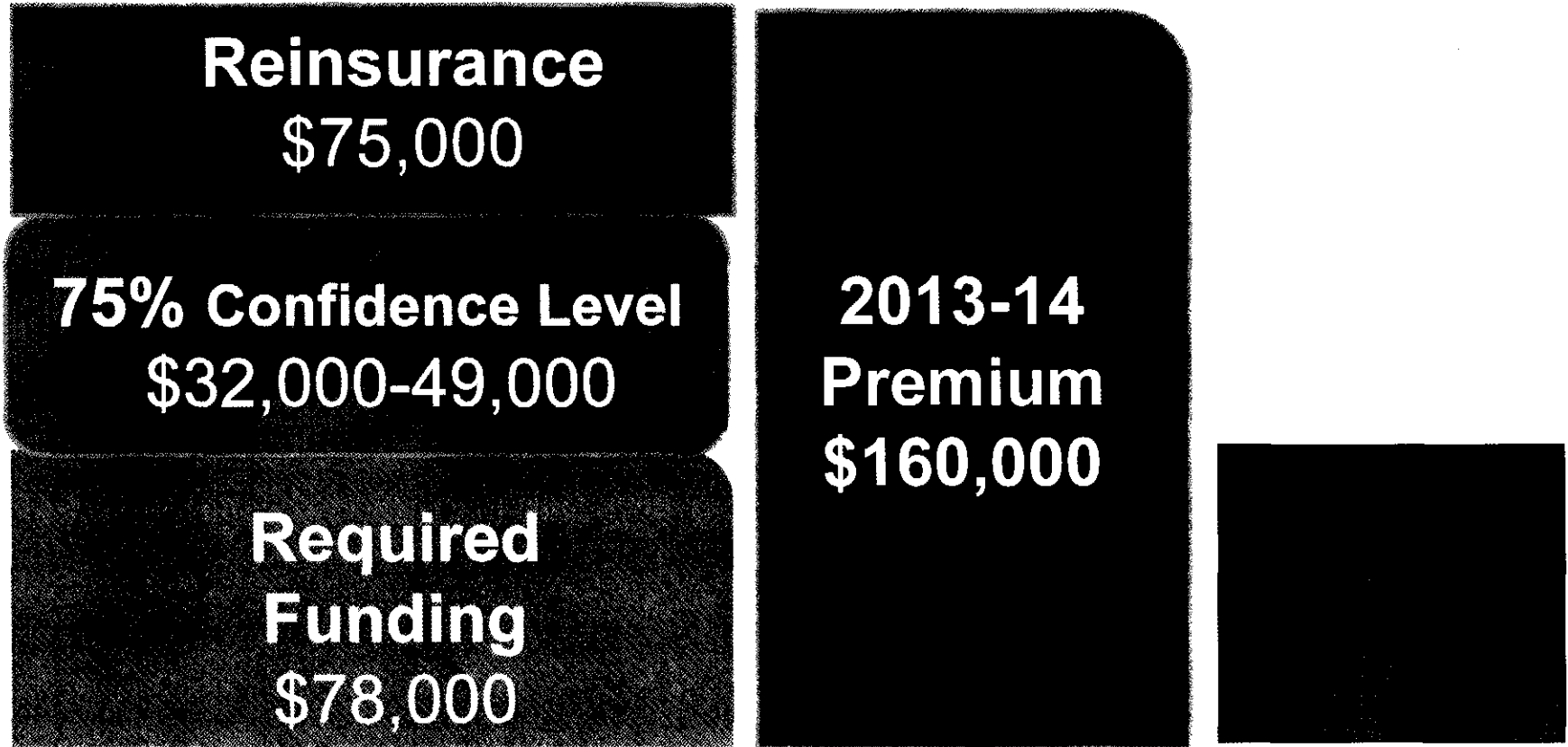
- OPEEP would be set up as a trust
  - Governing body made up of members
  - OPEEP-specific coverage document
- Members would retain the first \$1 million of each of their liability claims
- OPEEP would fund the next \$1 million per claim
- OPEEP would purchase reinsurance above \$2 million, to \$10 million





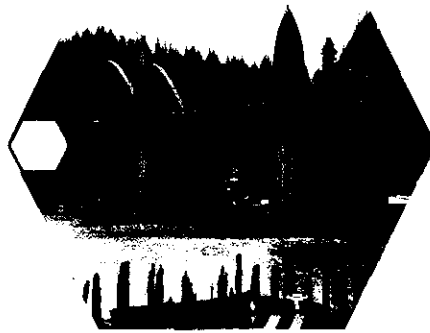
# Clackamas County Funding Estimate

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# Future of Oregon's Public Entities

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## REINSURANCE

- Additional markets
- Lower cost
- Better coverage

## LONG-TERM PREMIUM STABILITY

## BUILD EQUITY



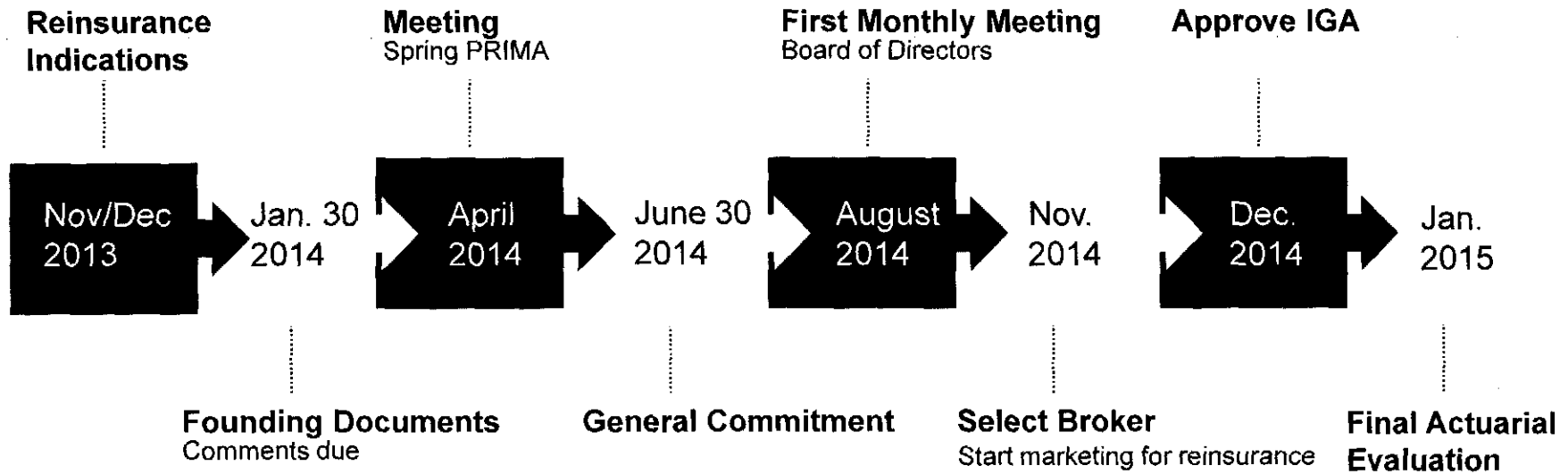
## BROADER COVERAGE



citycounty insurance services  
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# Timeline

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June 2015: Invoices Sent



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