



**2014-2015
RISK
MANAGEMENT
REPORT**

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Introduction

I am pleased to present Marion County's annual Risk Management Report. This report is meant to illustrate Marion County's claims experience and to develop a better understanding of factors affecting the costs of claims. The report looks at loss data from the last five fiscal years (July 1, 2011 through June 30, 2015). The five year history allows us to benchmark both historical trends and emerging issues. Claims costs used in this report are valued on a point in time of June 30, 2015. **These counts and costs are subject to change as previously unreported claims are filed and unresolved cases are finalized.**

Justine Flora

Overview

The mission of Marion County's Business Services Department, which includes Risk Management, is to provide essential services supporting all of Marion County in its pursuit of excellence and serving the people. We continually strive to deliver the ultimate customer service experience, program expertise and innovative strategies that exceed customer expectations for all those we support and serve.

Loss control, education, ergonomic support, safety, wellness and customer service are key components of Risk Management.

Our goal is to protect the people, property and assets of Marion County by preventing losses from occurring. To that end, we review countywide contracts and projects, manage claims, provide education and analyze loss data from a variety of sources. Risk Management works closely with department leadership, legal counsel, emergency management, departments' safety committees, and employees to reduce the potential and severity of accidental losses.

Insurance Fund Administration

The Marion County Risk Management Division manages the insurance fund. The purpose of the fund is to pay for the cost of risk. These costs include retained losses and related loss adjustment expenses, reserves and insurance premiums.

The insurance fund is managed using sound actuarial principles. An actuarial study of the fund is performed at least every three years to ensure the appropriate balance of available funds. Annually, expected losses, insurance premiums and claims related expenses are projected to determine the amount of funding needed through departmental allocations.

In compliance with statutory requirements, reserves are maintained in the insurance fund to protect the county from unexpected losses. It is important that reserves remain adequate. In the event of a natural disaster, federal civil rights claims, large liability claims or catastrophic workers' compensation claims, it is the money held in reserve upon which the county would rely to recover from such losses.

Claims Administration

Risk Management administers all insurance claims for Marion County including workers' compensation, first-party property damage, general liability, automobile liability, and employee dishonesty. Claims administration involves investigating, evaluating, negotiating, and settling/denying claims, establishing and modifying claim reserves, promoting early return-to-work and modified duty options for injured workers, determining compensability, as well as identifying and pursuing potential cost recovery from third parties. This last item has been a particularly strong focus for Risk Management in recent years, and the efforts have been successful due to effective teamwork and cooperation of supervisors and managers in the various departments.

In addition to diligently and vigorously seeking cost recovery whenever possible, Risk Management also audits 100% of the workers' compensation medical bills to apply the appropriate fee schedule. During fiscal year 2014-15, Risk Management recovered a total of \$352,927 for the county, as follows:

Workers' compensation medical bill audit reductions - \$156,450
EAIP reimbursements - \$145,580
Workers' compensation cost recovery - \$1,980
Property damage cost recovery - \$48,917

Wellness Administration

Research has established the link between employee wellness and reductions in the costs associated with both workers compensation and medical care. To address this, Marion County Risk Management is continuing the comprehensive countywide wellness program. Wellness strategies and activities like ergonomic assessments, nutritional trainings and fitness classes throughout the county.

Loss Prevention

Loss prevention activities seek to prevent the probability or frequency of loss by interrupting the cause and effect relationship. Marion County Risk Management Division continues its ongoing emphasis on loss prevention during fiscal year 2014-15. As part of that effort, loss prevention services were provided to all county departments and contracted agencies. Loss prevention services provided by Risk Management staff include:

- Internal consulting services on preventing and controlling risks
- Review of county contracts for insurance requirements and indemnification language
- Workforce training including workplace safety and emergency response
- Development of E-learning training modules
- Ergonomics consultations, including area re-design
- Workplace safety training for all new employees
- CPR/AED training offered to all county employees
- Online safety training accessible by all employees
- Safety committee guidance
- Compliance and regulatory assistance

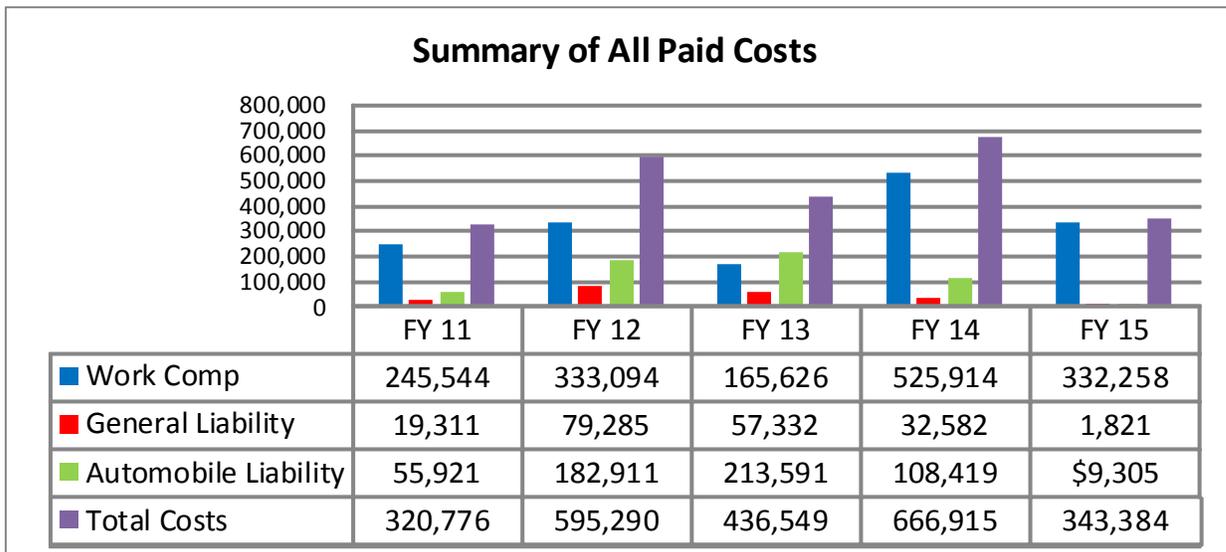
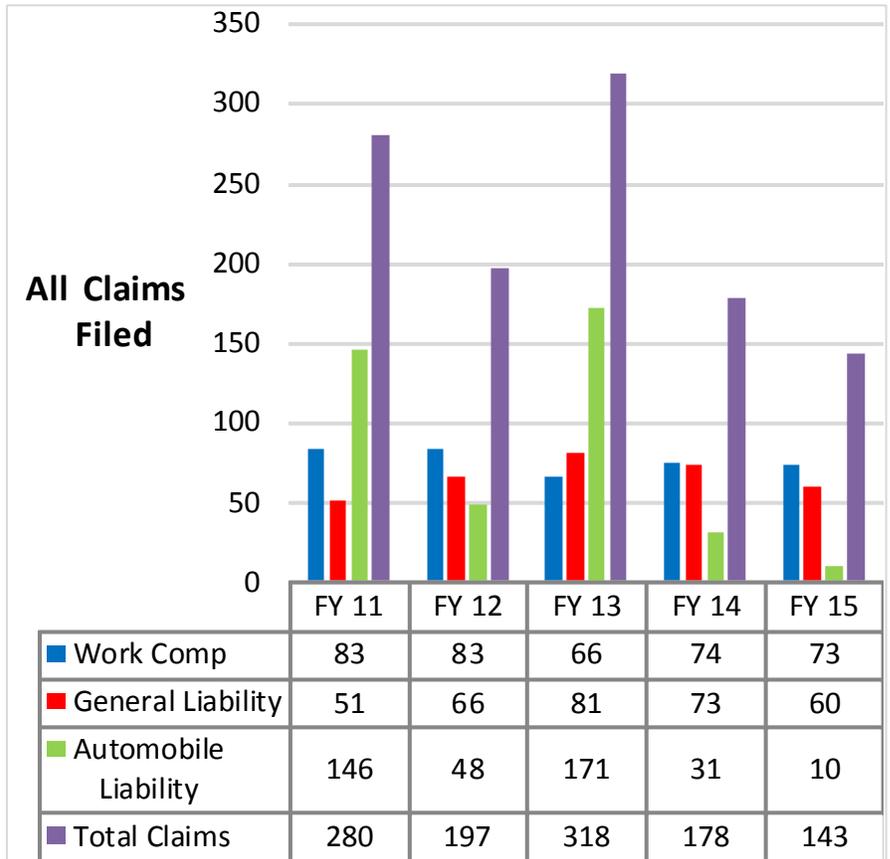
Risk Management administers two programs that provide financial assistance to departments for their loss prevention activities. The safety grant program provides matching dollars to departments for occupational safety items and is funded directly from the Risk Management budget. The Employer-at-Injury Program (EAIP) is funded from reimbursements received from the State of Oregon Workers' Compensation Division. The funds are available to employers such as Marion County who bring employees back to modified duty following an on the job injury. Risk Management applies for the funds on behalf of the county and uses them for safety and loss prevention needs. During fiscal year 2014-15, the two programs were used for the following loss prevention activities:

- Replacement pads and batteries for Automated External Defibrillators
- A complete ergonomic redesign and build of methadone dispensing area
- Ergonomic chairs and work stations for employees in various departments
- Building improvement projects in county buildings to reduce county liability

Claims Overview

Overall, the total number of liability and Workers' compensation claims incurred and filed in FY 2015 are down. The cost associated with these claims while apparently lower, is based on immature data. The most notable reduction is in automobile liability. However, this is primarily due to the reclassification of a number of claims to "first party property" expenses. This change in classification more accurately measures claims that are the result of automobile liability.

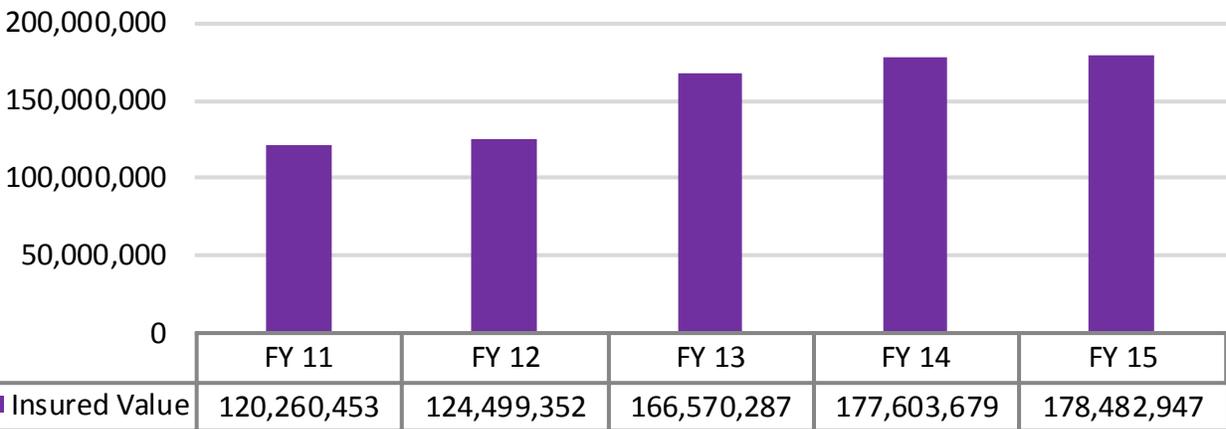
While accurate and effective claims processing and management contains the cost of a loss, true savings are achieved by preventing losses. Likewise, pursuing recovery of costs through subrogation, EAIP reimbursements and claim auditing, controls the overall exposure and positively impacts Marion County's claims experience. Risk Management is dedicated to these efforts.



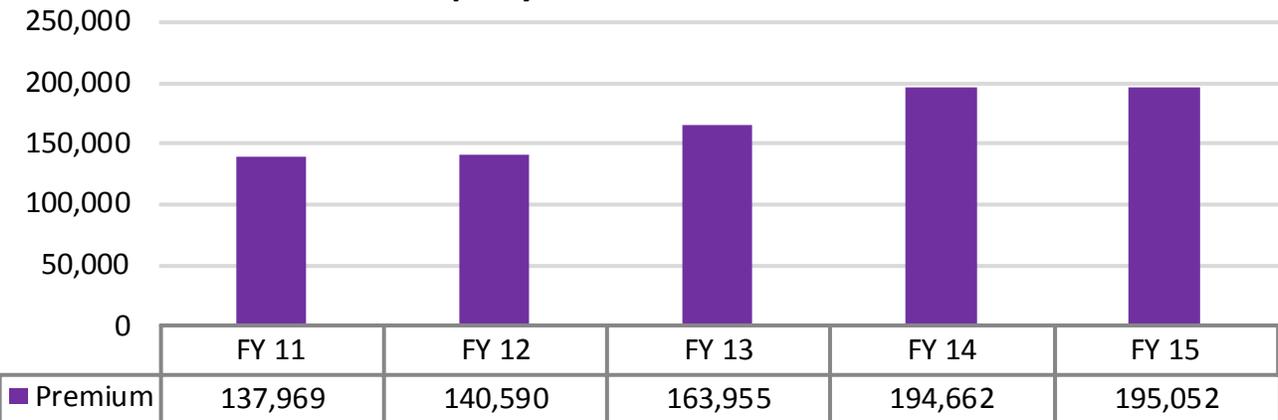
Property Insurance

Marion County has fully insured all county buildings. The property insurance policy includes coverage for building contents, boiler, and machinery and lost income. The policy insures against a variety of perils including flood, fire and earthquake. Property values are determined by trending and periodic outside appraisals. A property appraisal was performed by Aliant Insurance Services in 2015.

Insured Property Values (millions)



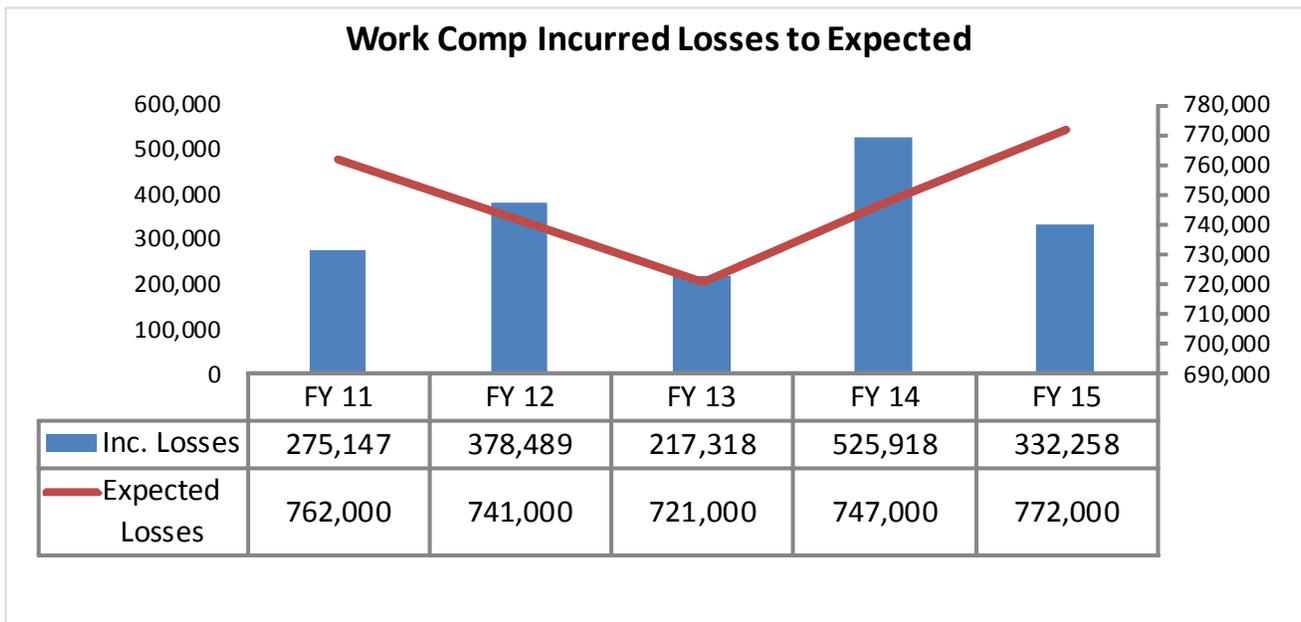
Property Insurance Premiums



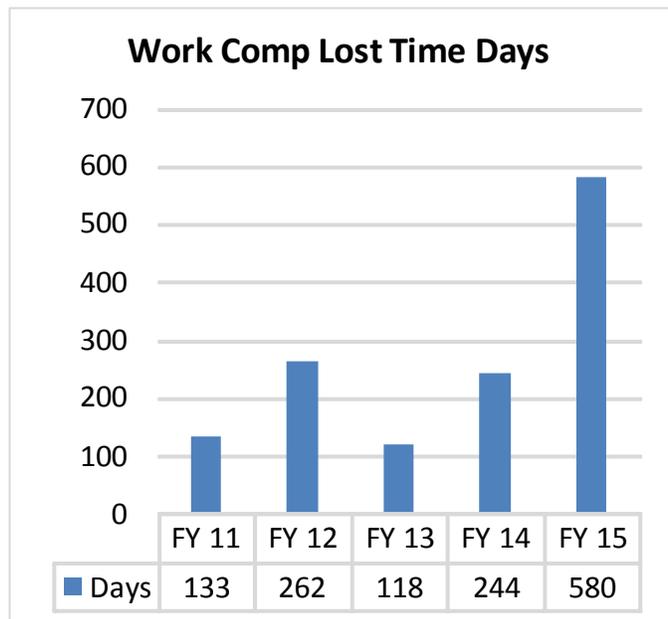
Workers' Compensation

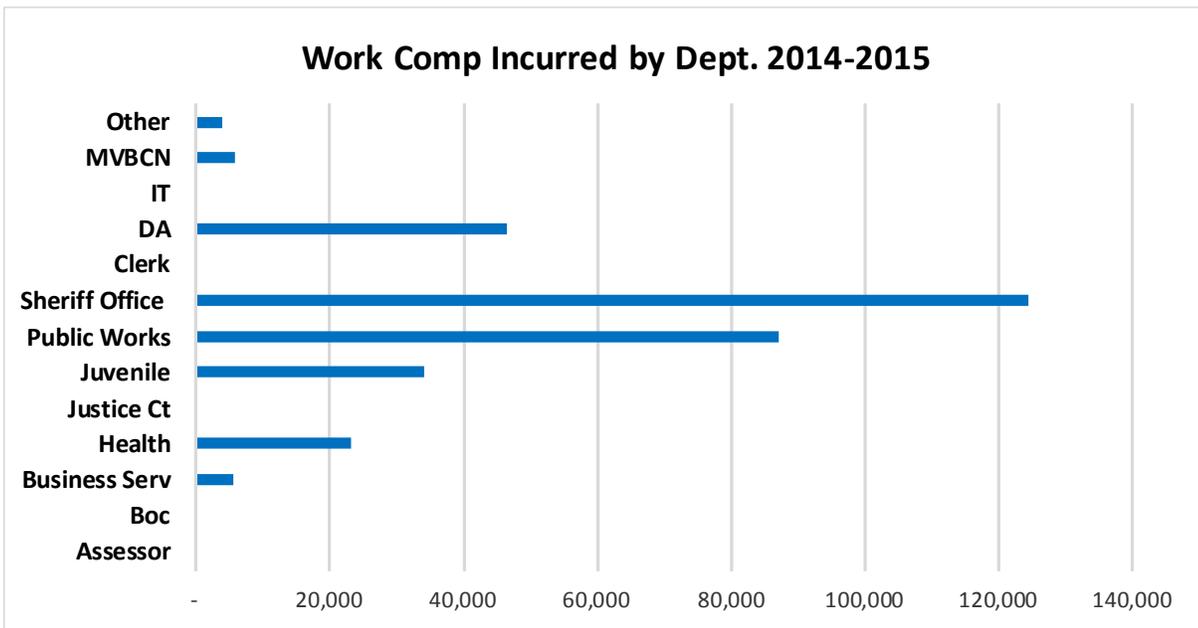
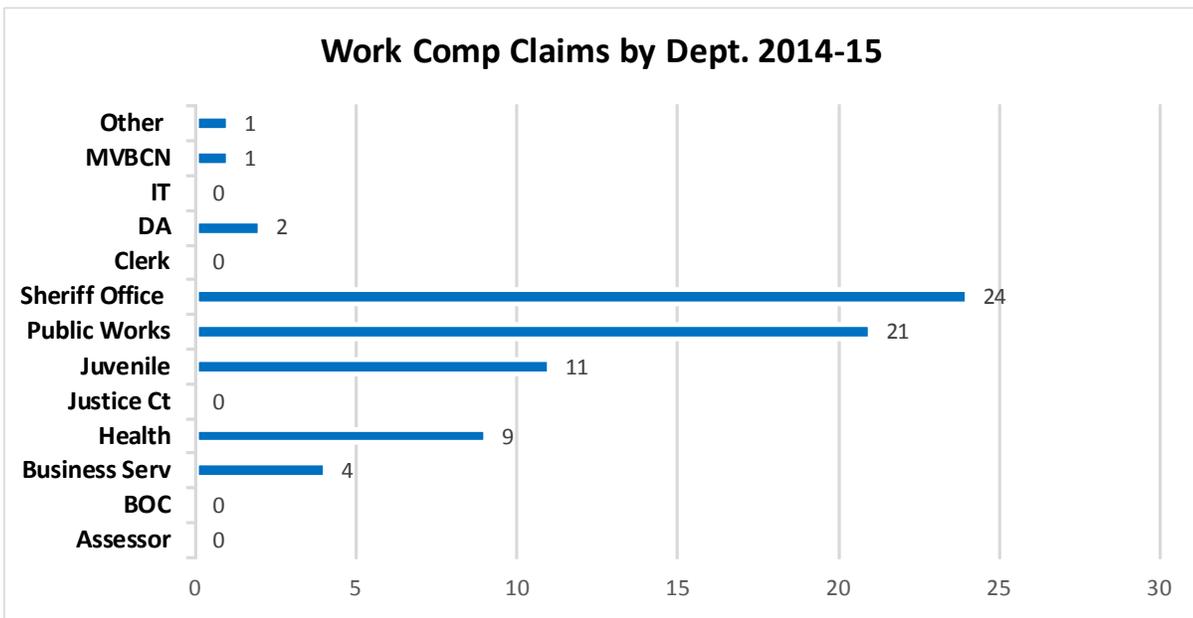
Marion County Business Services

Marion County self-insures the first \$750,000 per claim for workers' compensation losses. As required by the State of Oregon, the county purchases excess workers' compensation coverage which provides coverage for claims that exceed the self insured limit and maintains an adequately funded restricted reserve account. Claims are adjusted by a licensed third party claims administrator with oversight by Risk Management. Expected losses are based on actuarial forecasts.



One of the most cost-effective loss reduction techniques used in the workers' compensation program is the early return to work of injured workers. This reduces the number days off following a work injury; facilitating shorter recovery time and continued employee engagement. Risk Management, in cooperation with the injured employee's department, identifies opportunities for modified work within the limitations prescribed by the employee's physician. The program has been very successful in reducing claim costs and more importantly, aiding in the recovery for injured workers.



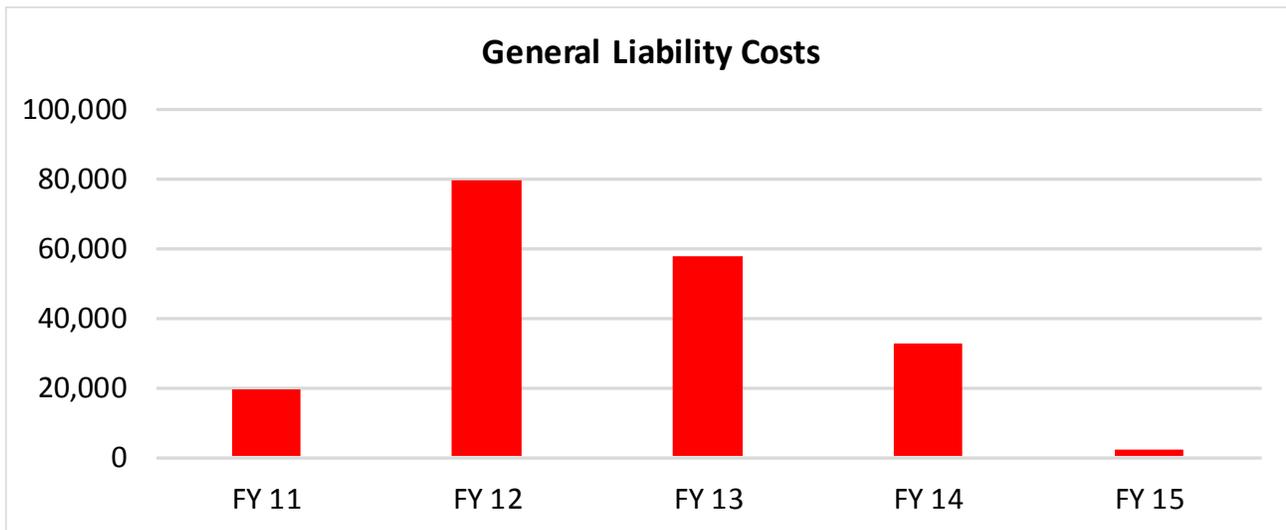


As the workforce ages, the incidence of claims for musculoskeletal injuries and degenerative processes is predicted to increase. In order to address this reality, Risk Management, through the Marion County Wellness Program, works closely with the workforce to encourage healthy lifestyle choices, addresses health risks and supports safety practices. Risk Management collaborates with each Marion County department safety committee in order to address the unique needs associated with each operation.

General Liability

Marion County Business Services

Marion County has a self-insured general liability retention limit of \$1 million. Historically, the most costly liability claims have been those involving employment practices, along with corrections and law enforcement activities. To address these areas, Risk Management collaborates with Marion County Human Resources, Marion County Legal, departmental leadership and occasionally outside legal counsel to identify and address potential exposures.

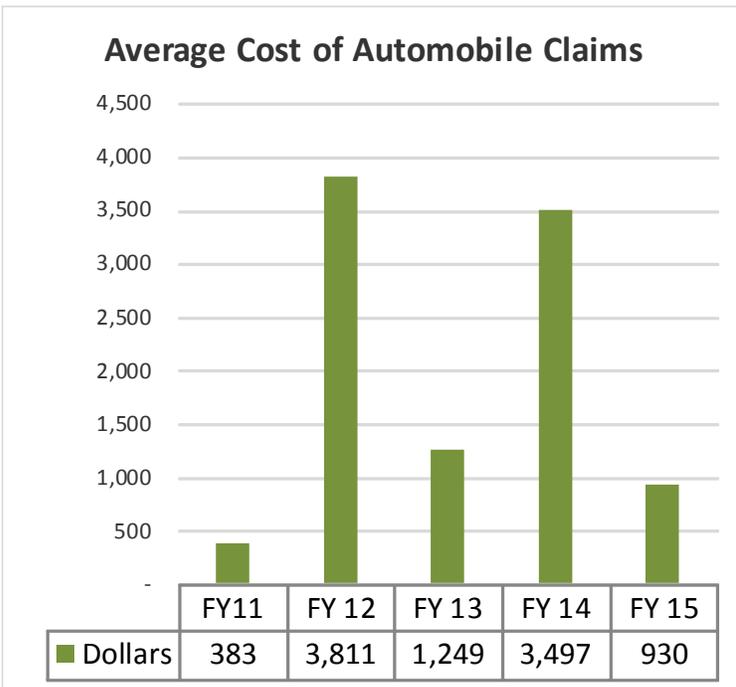
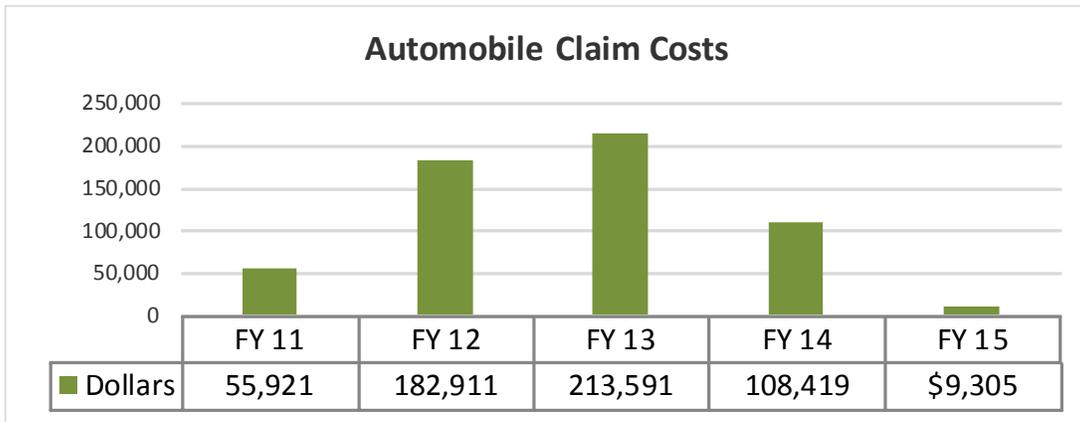


General liability claims often take several years to reach resolution. Likewise, claims experience matures over time. The claims costs illustrated above were captured in a point in time and do not represent mature data. Costs include litigated as well as non-litigated claims. Associated expenses include investigations, legal fees and court costs along with judgements and settlements.

Automobile Liability

Marion County Business Services

Marion County self-insures both automobile liability and property damage to county owned vehicles. Motor vehicle accidents create substantial potential for injury and property damage. A county-wide driving policy is in place to assist in managing this exposure. During FY 2014-15 Marion County employees were involved in 10 motor vehicle accidents that resulted in monetary claims for damages.



At the conclusion of fiscal year 2014-15, auto liability claims costs were below actuarial predictions. While it is anticipated that they will remain below expected levels, incurred but not reported (IBNR) claims will likely affect the ultimate costs.

Looking Forward ...

Along with recent personnel changes, Risk Management seeks to place additional focus on customer needs assessments and development of measurement tools throughout the upcoming year. Below are some projects that Risk Management will be undertaking in the next year.

- Review and revise as necessary, all Risk Management sponsored administrative policies and procedures for consistency with policy statement and insurance fund rules
- Review and revise as necessary Risk Management sponsored policies and procedures that have not been revised within the last three years
- Continue to refine Risk Management data collection in order to aid in loss trending and identify opportunities
- Implement an online health risk assessment tool in order identify and address workforce health risks and care gaps
- Assess developing risk exposures such as cyber liability and privacy breaches.
- Consult with individual departments to ensure compliance with occupational safety and health requirements
- Along with Marion County Emergency Management, implement an emergency notification tool to assist with important county wide communications