

# Risk Management and Workers' Compensation

## ISF Charges Calculation

- Costs are classified into cost pools:
  - Administrative costs for all programs
  - Employee-oriented programs
  - Insurance premiums (several categories)
  - Claims-related expenses for self-insured programs
- Each group of costs is allocated separately, based on what drives the cost

# Administrative Costs

- Administrative costs for all programs within an ISF are combined into one pool
- Costs include: Salary and Employee Benefits for Risk Management Unit staff, countywide indirect costs, ISF charges, and office expenses
- Administrative costs are allocated to departments based on budgeted salary for the previous fiscal year



# Employee-Oriented Programs

- Employee-oriented programs provided by Risk Management Unit include:
  - Workers' Compensation
  - Occupational health programs
  - Safety resources
  - Ergonomic program
- Costs for employee-oriented programs are allocated under the salary method



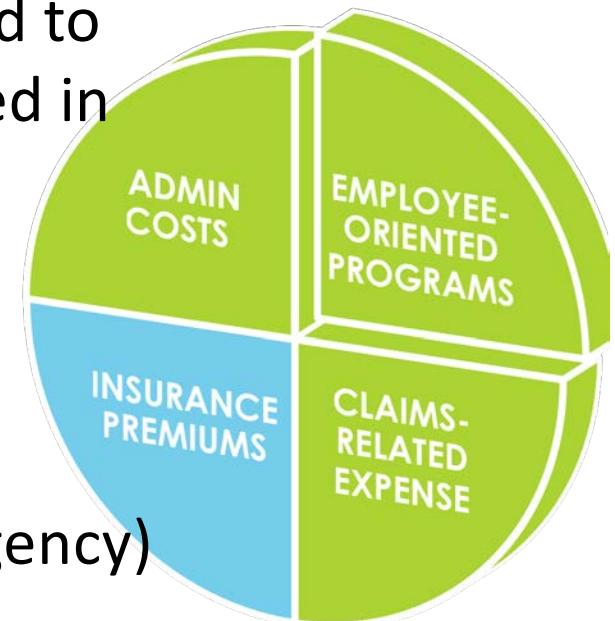
# Insurance Premiums

The County is self-insured with pooled coverage for insurance programs such as General and Automobile Liability and Workers' Compensation. The County also utilizes purchased insurance such as property insurance.



# Insurance Premiums

- Vehicle insurance costs are allocated based on vehicle ownership
- All other property insurance costs are allocated to departments based on square footage occupied in insured properties
- Costs for insurance that benefits only selected departments are allocated solely to the benefiting departments
  - Foster parents insurance (Social Services Agency)
  - Aircraft (Sheriff's Office)
  - Watercraft (Sheriff's Office and Fire Department)



# Claims-Related Expense

- **Twenty percent** of claims-related expenses are allocated based on **exposure (budgeted salaries)**
- **Eighty percent** of claims-related expenses are allocated based on **experience (5-year loss history)**



# 20% Formula

20%  
EXPOSURE  
BASED  
(Salaries)

20% of the total claims-related expenses



Department's salaries for prior fiscal year

Total salaries for all departments



Department's exposure-based claims cost



# 80% Formula

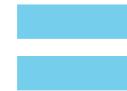


80% of the total claims-related expenses



Department's 5-yr average losses

Average losses for all departments



Department's experience-based claims cost



# Claims-Related Expense

20%  
EXPOSURE  
BASED  
(Salaries)



80%  
EXPERIENCE  
BASED  
(5-Year Loss  
History)



CLAIMS-  
RELATED  
EXPENSE



# Budgetary Impact of Experience-Based Allocation

- The use of experience-based allocations is the main reason that there are different percentage changes in Workers' Compensation and Risk Management allocations among departments in a given year
- Changes in a department's charges may not mirror changes in the costs of the program as a whole
- Because claims are paid out over several years, the amount of a department's total losses may increase even if no additional claims are filed



# Types of Claims-Related Expenses

- Settlements
- Attorney fees and costs
- Fees paid to third party administrators
- Excess insurance premiums
- Contributions for claims from prior years
- County Counsel charges (Liability only)
- Auditor's Agency-Disability Unit charges (Workers' Compensation only)
- State assessments (Workers' Compensation only)

