

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



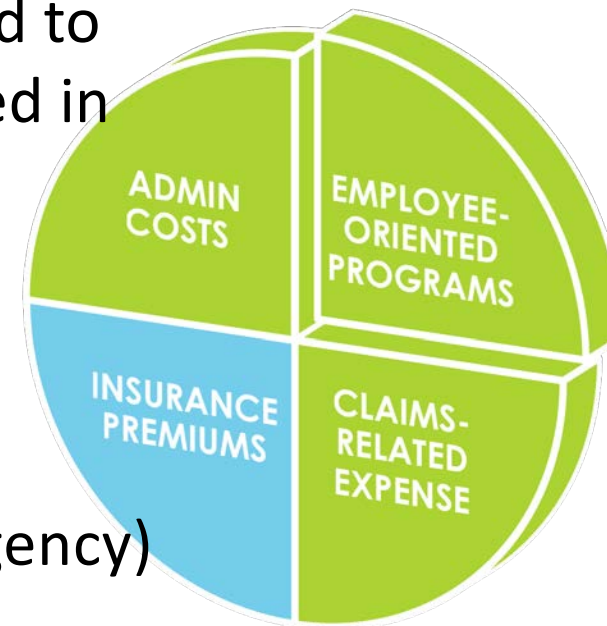
Insurance Premiums

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% 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

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

80%
EXPERIENCE
BASED
(5-Year Loss
History)

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)

