

Draft Risk Management Advisory Council Issue Paper

Topic: Reducing Claim Cost

Issue

Need to implement strategies to reduce claim cost and mitigate the impact of pending legislation by reducing claim report lag time and claim management lag time.

Background Information

DAS Risk Management has a statutory duty to maintain an actuarially sound self-insurance fund.

- The Oregon Self-Insurance Fund (Fund) operates on a fully-funded basis, i.e., the Fund's value of assets on hand must be sufficient to pay losses and related costs that are currently known or projected. Independent actuaries provide the projection of losses. DAS Risk Management staff project commercial insurance costs and administrative costs.

Projection of Ultimate Liability (the total amount that will be paid after all claims for a particular loss year are closed) is an estimate. Projection of future claim cost is subject to variation for a number of reasons:

- Potential for high frequency and/or severity of claims
- Lag time between date of the event, first knowledge of the event by an agency and date reported for handling
- Claim/litigation management philosophy
- Changes in the legal or economic environment

The Self-Insurance Fund is financed by Risk Charges pro-rated to agencies based on the total needed to keep the fund actuarially sound on a fully-funded basis. Individual agency Risk Charges are based upon each agency's risks and past losses.

Claim strategy is developed by agency representatives, DAS Risk Management and Department of Justice counsel.

- Legal expense is a key driver of claim cost.

Recommendations

Form an Advisory Council Work Group to make policy recommendations to:

1. Reduce report lag time (i.e., the number of days from date of event to date of first knowledge and reporting) for all Claim Types
 - Property
 - Liability (Tort claims include Auto, Employment, Medical Malpractice and General Liability)
 - Workers Compensation
2. Reduce claim lag time (i.e., number of days from the date the claim is reported to the date the claim is closed) by implementing rapid cycle investigation, analysis and disposition of high frequency and/or severity claims.

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