

Risk Pooling Analysis and Recommendation

September 20, 2016

Agenda Item 10

Human Resources/Risk Management Services



What is Public Risk Pooling?

- ▶ **A group of public entities combining risk**
 - Usually in a Joint Powers Authority
 - Each member may have a self-insured retention (SIR)
 - The group retains a level of risk above member SIRs
 - Excess insurance is purchased to pay for the losses above the pooled retention



Benefits of Pooling

- ▶ Member directed organizations
- ▶ Exposure smoothed across entities
- ▶ Greater funding flexibility at the pool and member levels
- ▶ Claims savings are retained by the pool and members, not profits for an insurance provider
- ▶ Control over claims administration (in excess programs)
- ▶ Vested interest in creating programs to prevent losses and create retained savings



Typical Pool Structure

Risk Pool Layers (current W/C example)

Excess Coverage
(purchased coverage)

\$5 Million +

Pool Retention

\$750,000 - \$5 Million

Self-Insured Retention

\$0 – \$750,000



ICRMA

- ▶ Member since 1980
- ▶ Issues resulting in General Liability assessments based on history
 - Eroding experience in four prior claim years
 - \$12.5M paid over seven years beginning in current fiscal year
- ▶ Capitalization charges
 - Both General Liability and Workers Compensation
 - 4% of premium for 7 years beginning FY 2017-18



JPA Coverage Matrix

	ICRMA	CSAC-EIA	CJPRMA	CJPIA
Property	✓	✓	✓	✓
Boiler and Machinery	✓	✓	✓	✓
Excess General Liability	✓	✓	✓	✓
First Dollar General Liability				✓
Excess Workers' Compensation	✓	✓		
First Dollar Workers' Compensation				✓
Crime Bond	✓	✓	✓	✓
Cyber Liability	✓	✓	✓	✓
Safety Services	✓	✓	✓	✓



Other Considerations

- ▶ Homogeneity
 - Similarity of Entities
 - Geographic Proximity
- ▶ Pool Size



CSAC-EIA

- ▶ Reduced Program Costs (\$1.2 Million estimated)
- ▶ Fiscally stable pool
- ▶ Large Southern California presence
- ▶ Overall improved coverage
- ▶ Pool size provides strong market leverage
- ▶ Diversity of member type and geographic proximity
- ▶ Extensive committee structure allows for input into program administration and legislative processes



Recommendation and Next Steps

- ▶ Withdraw from ICRMA
 - Must provide notification by December 1, 2016 to withdraw effective 7/1/17 via Council Resolution
- ▶ Apply for membership with CSAC-EIA
 - Complete application process
 - Process new JPA Agreement

